



Monthly Financial Update

As of October 31, 2009

City Council

December 8, 2009

Prepared by: Financial Management Division

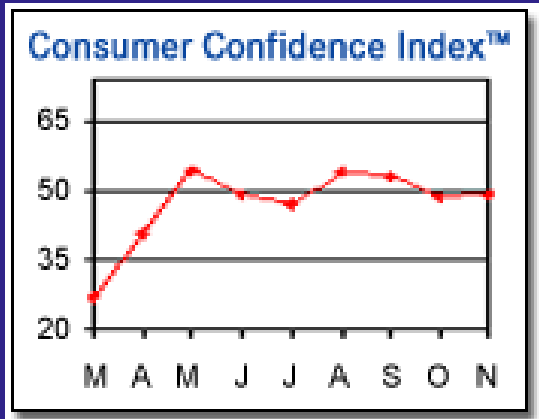


Purpose of Presentation

1. Economic Update
2. State of Arizona Update
3. Review Financial Activity as of October 31, 2009
4. Discuss Outstanding Issues
5. Adopt Resolution 8145 accepting the Operating Report as of 10/31/09



Economic Update: 1. Consumer Confidence/Spending*



	<u>Index</u>
November:	49.5
October:	48.7

REASONS:

- Very pessimistic re. future earnings
- Jobs remain “hard to get”
- Tempered Retail Spending

* Consumer Spending represents 70% of the economy.



Economic Update:

2. Real Estate

- Residential
 - Extended buyers tax credit until April 2010
 - Decreased Mortgage Rates
- Commercial
 - Impact of loan defaults in 2010?



Economic Update:

3. Employment/Unemployment

- October Unemployment
 - US 10.2%, AZ 9.3%, Metro Phoenix 8.7%
 - US +0.4%
 - Hit “double digits” for first time since April 1983
 - +8.2 M., +5.3% since December 2007
 - AZ +0.2%, Metro Phoenix +0.2% from last month
 - AZ areas Hardest Hit Sectors
 - Construction, manufacturing, retail, and tourism
 - Fueling speculation re. strength of recovery



State of Arizona Update

Source: Joint Legislative Budget Committee

Forecast Methodology

- Based on “Consensus Forecast” with 4 equal components
 - Joint Legislative Budget Committee (JLBC)
 - Finance Advisory Committee (FAC)
 - U of A Model – Base
 - U of A Model - Low



State of Arizona Update

Source: Joint Legislative Budget Committee

Major Revenues

1. Sales Tax
2. Individual Income Tax
3. Corporate Income Tax



State of Arizona Update

Source: Joint Legislative Budget Committee

Conclusions

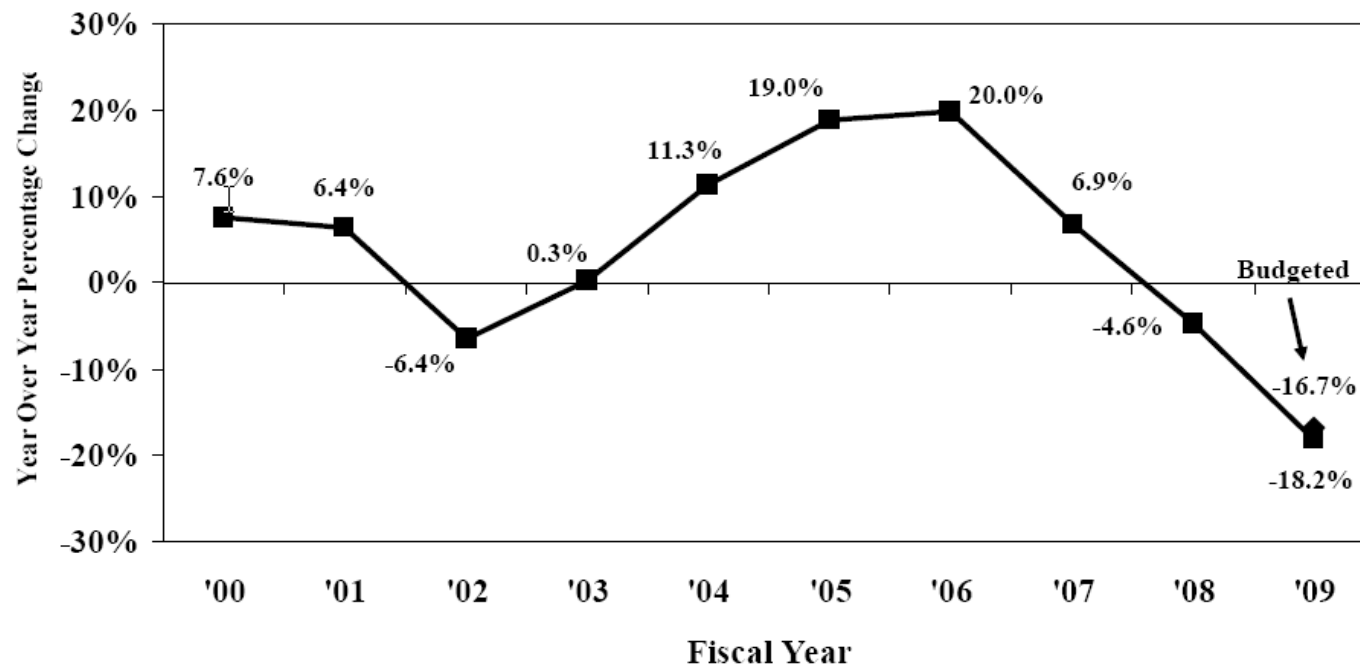
- FY 09/10: 7.2% Decline
- FY 10/11: 7.8% Growth
 - National economic recovery is expected to pull Arizona's economy along
 - Retail sales will increase as a result of some pent-up demand built up during the downturn
 - Starting point of the recovery is so low in dollar terms that it may be relatively easy to generate positive growth
- FY 05/06 Levels Reached Again in FY 12/13



State of Arizona Update

Source: Joint Legislative Budget Committee

'09 General Fund Base Revenue Decline of (18.2)% Was Greater Than Budgeted - Represents Worst Two Year Loss in Modern Era

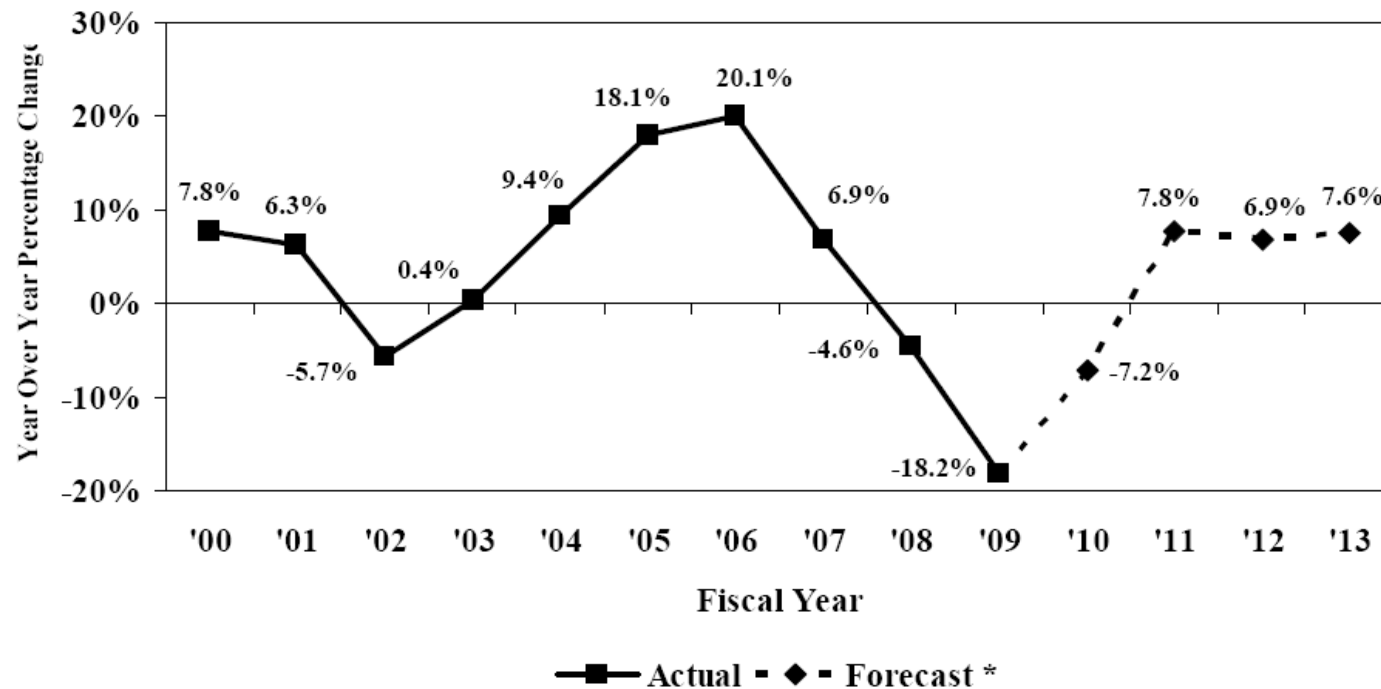




State of Arizona Update

Source: Joint Legislative Budget Committee

Consensus Forecasts 7% Growth Through FY '13



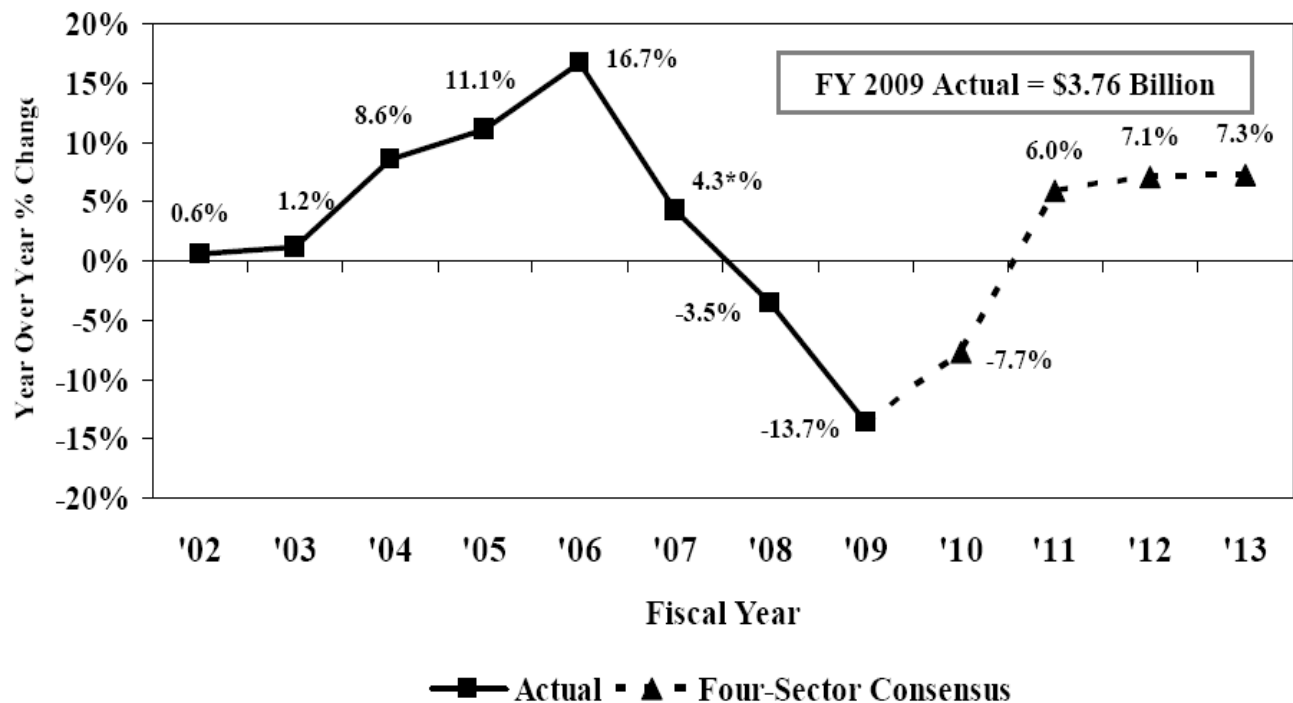


State of Arizona Update

Source: Joint Legislative Budget Committee

Sales Tax

- The Consensus Forecasts Decline of (7.7)% in FY '10, with Positive Growth Rates Beginning in FY '11



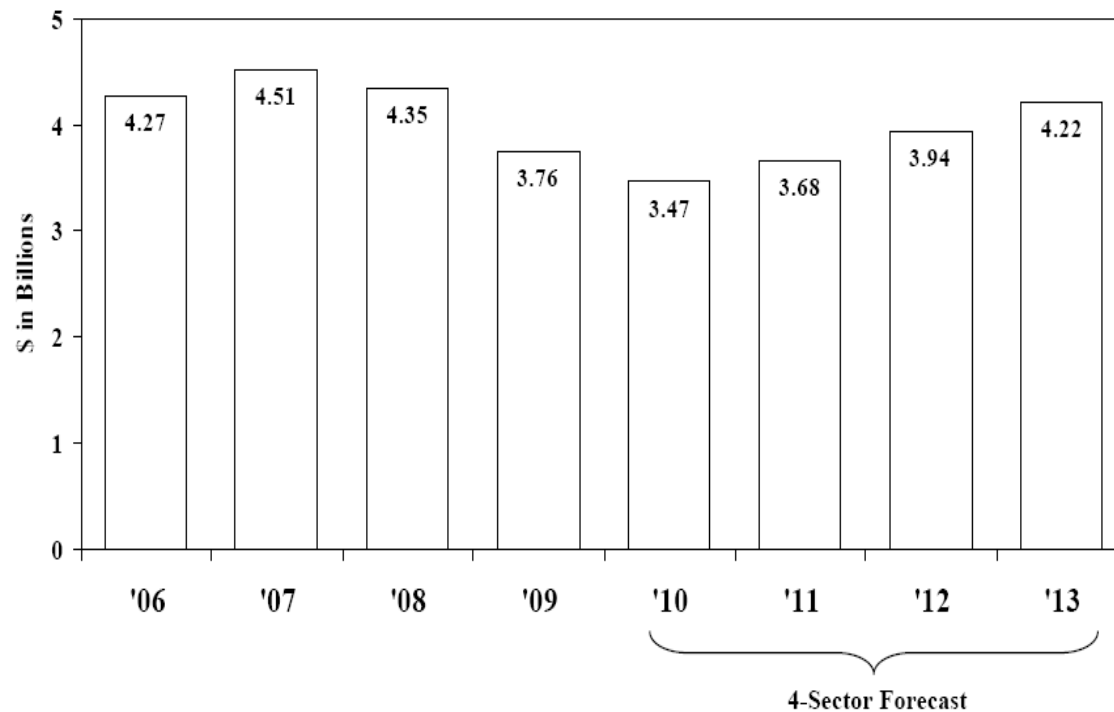


State of Arizona Update

Source: Joint Legislative Budget Committee

Sales Tax

- Despite 6% - 7% Growth, Collections Would Not Reach FY '06 Level Until FY '13



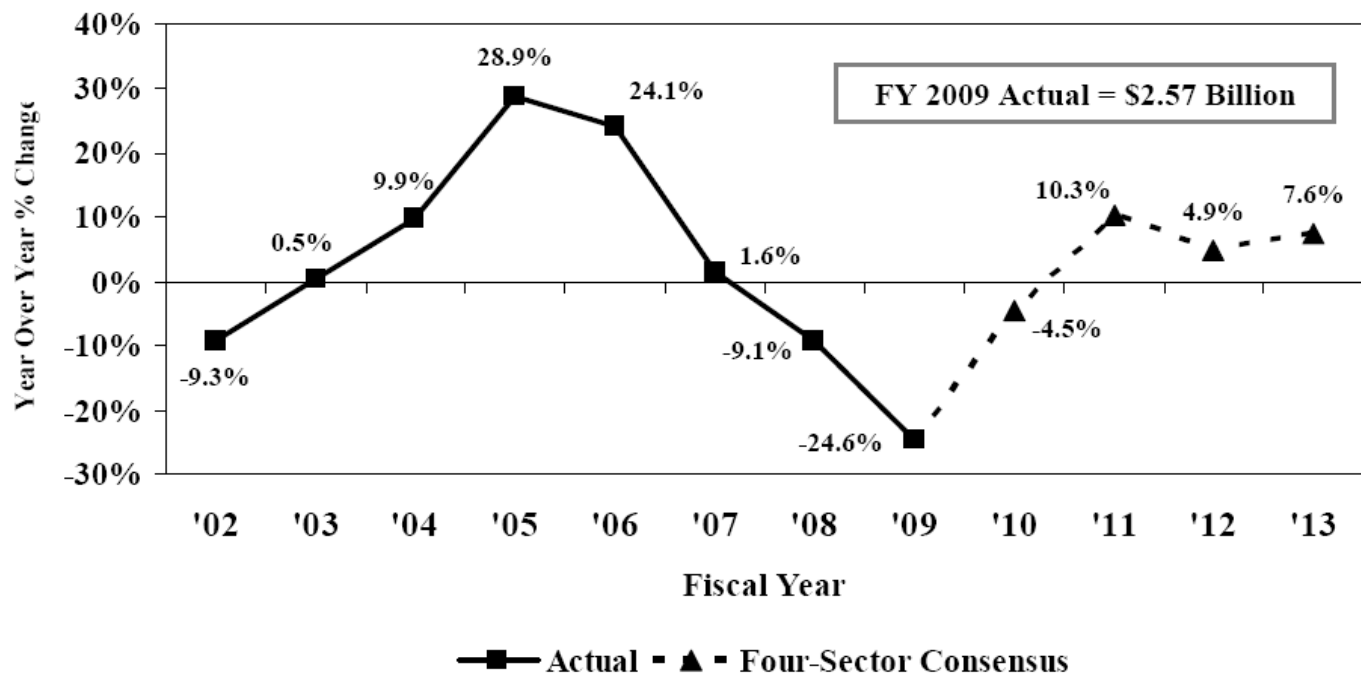


State of Arizona Update

Source: Joint Legislative Budget Committee

Individual Income Tax

- The Consensus Forecasts Decline of (4.5)% in FY '10, with Positive Growth Rates Beginning in FY '11



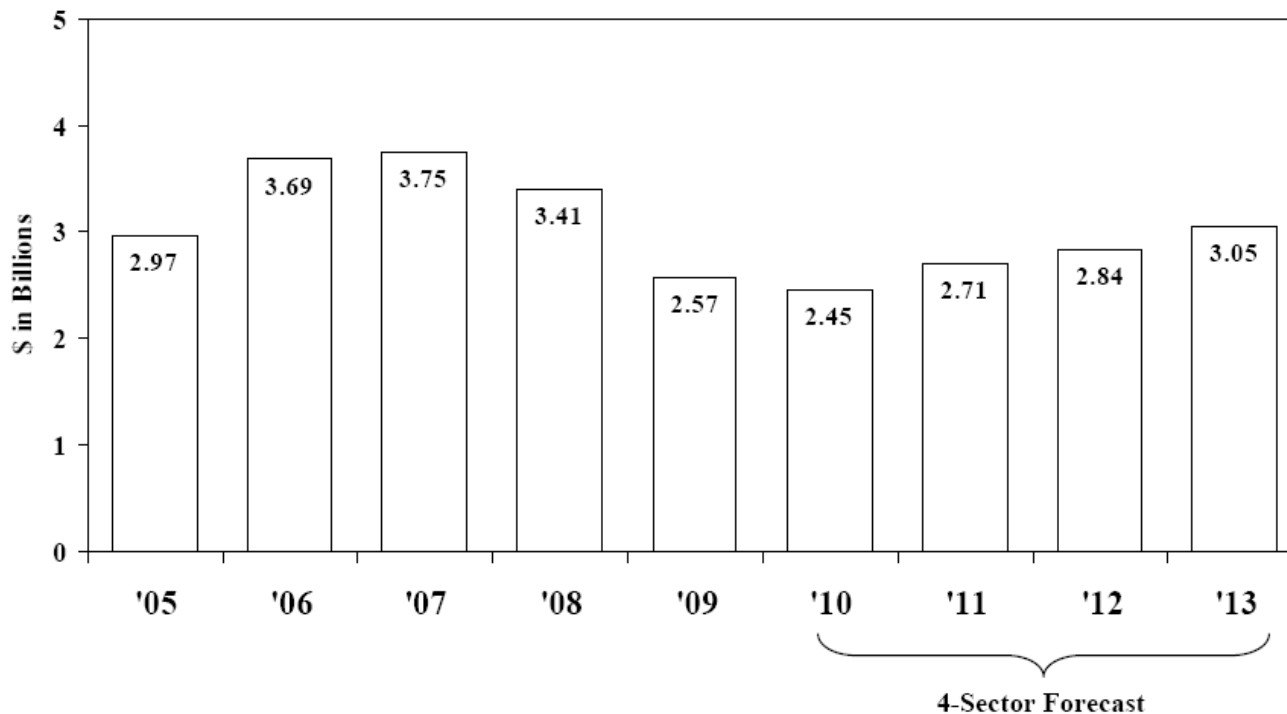


State of Arizona Update

Source: Joint Legislative Budget Committee

Individual Income Tax

- Collections Reach FY '05 Level in FY '13



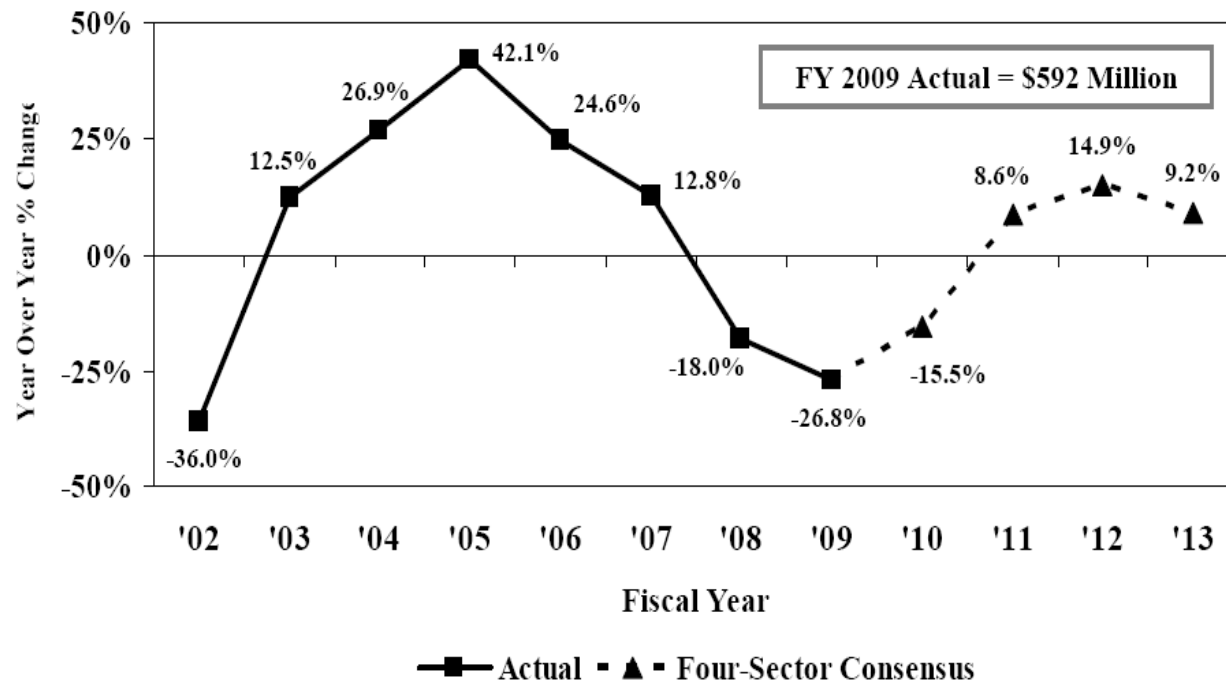


State of Arizona Update

Source: Joint Legislative Budget Committee

Corporate Income Tax

- The Consensus Forecasts Decline of (15.5)% in FY '10, with Positive Growth Rates Beginning in FY '11



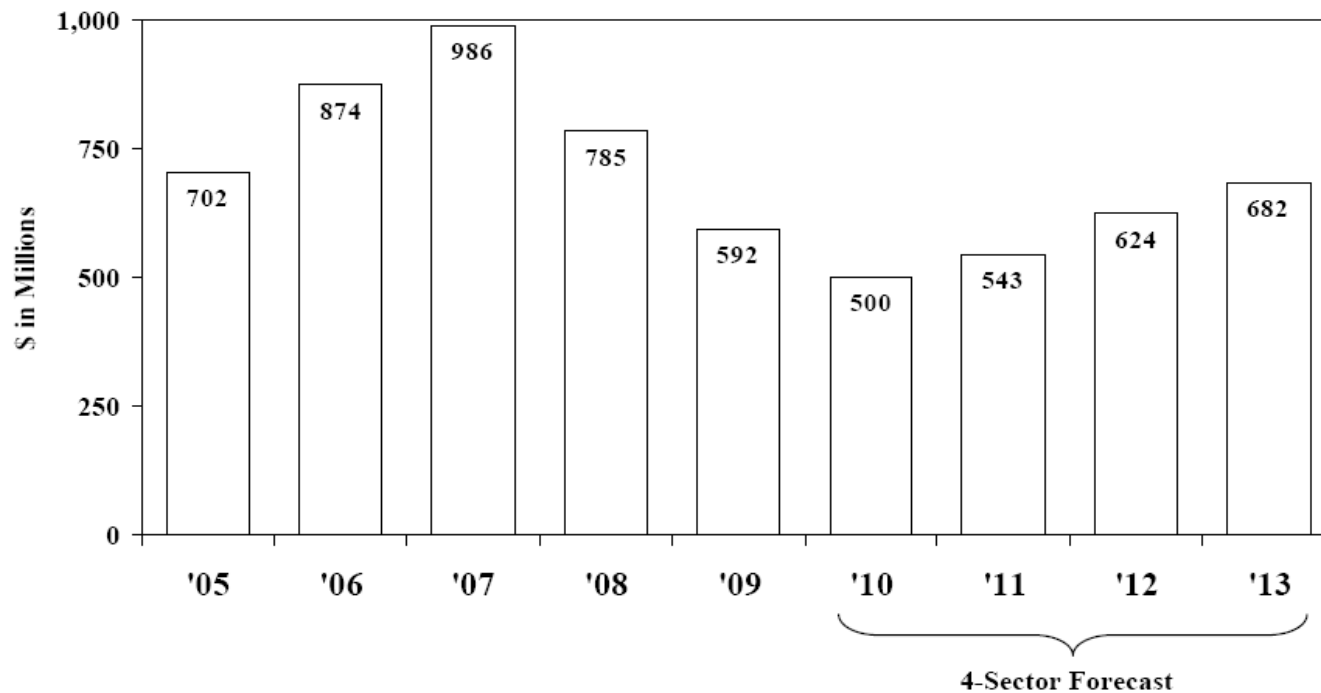


State of Arizona Update

Source: Joint Legislative Budget Committee

Corporate Income Tax

- FY '13 Collections Below FY '05 Level





October 2009 Operating* Results

(in millions)

	Revised Budget	Actual	\$ Variance	% Variance
Sources	\$23.6	\$23.7	\$0.1	0%
Uses	\$25.6	\$24.8	\$0.8	3%
Change in Fund Balance	(\$2.0)	(\$1.1)	\$0.9	

* General Fund and Transportation Fund Combined



FYTD Operating* Results as of 10/31/09 (in millions)

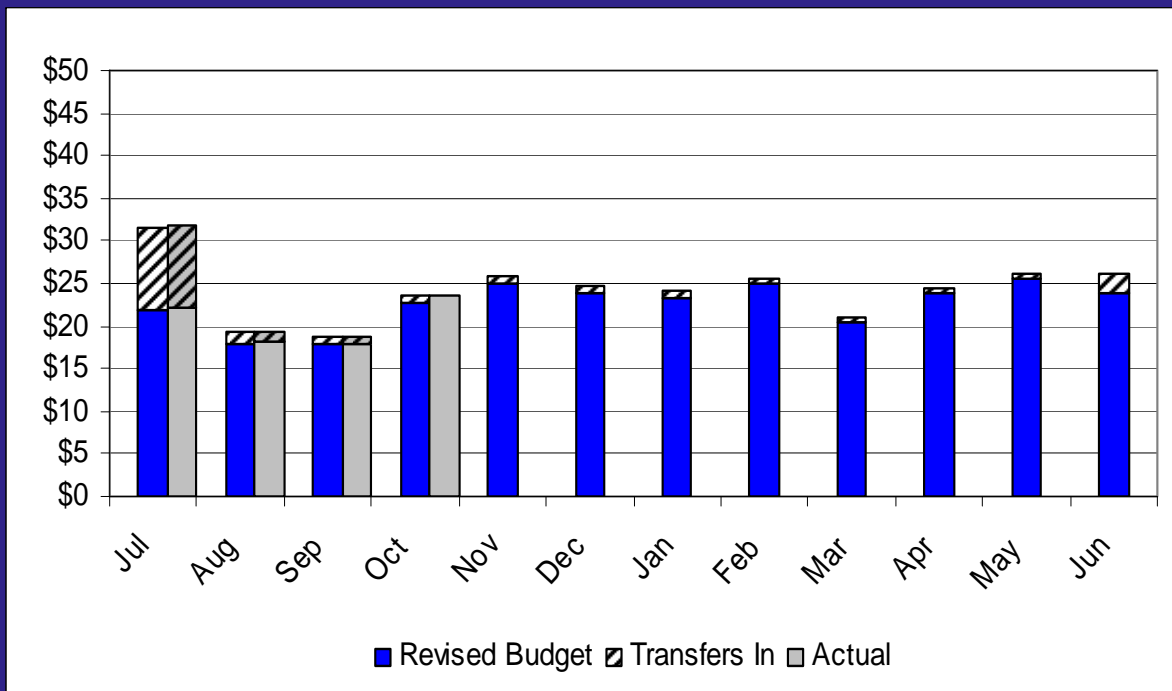
	Revised Budget	Actual	\$ Variance	% Variance	% Target
Sources	\$93.1	\$93.6	\$0.5	1%	> 0%
Uses	\$86.8	\$84.5	\$2.3	3%	2%-4%
Change in Fund Balance	\$6.3	\$9.1	\$2.8		

* General Fund and Transportation Fund Combined



Sources – FY 09/10 YTD

(in millions)



Summary

- On Budget
- Local Sales Tax Up
- Interest Spread
- State Shared Revenues Down

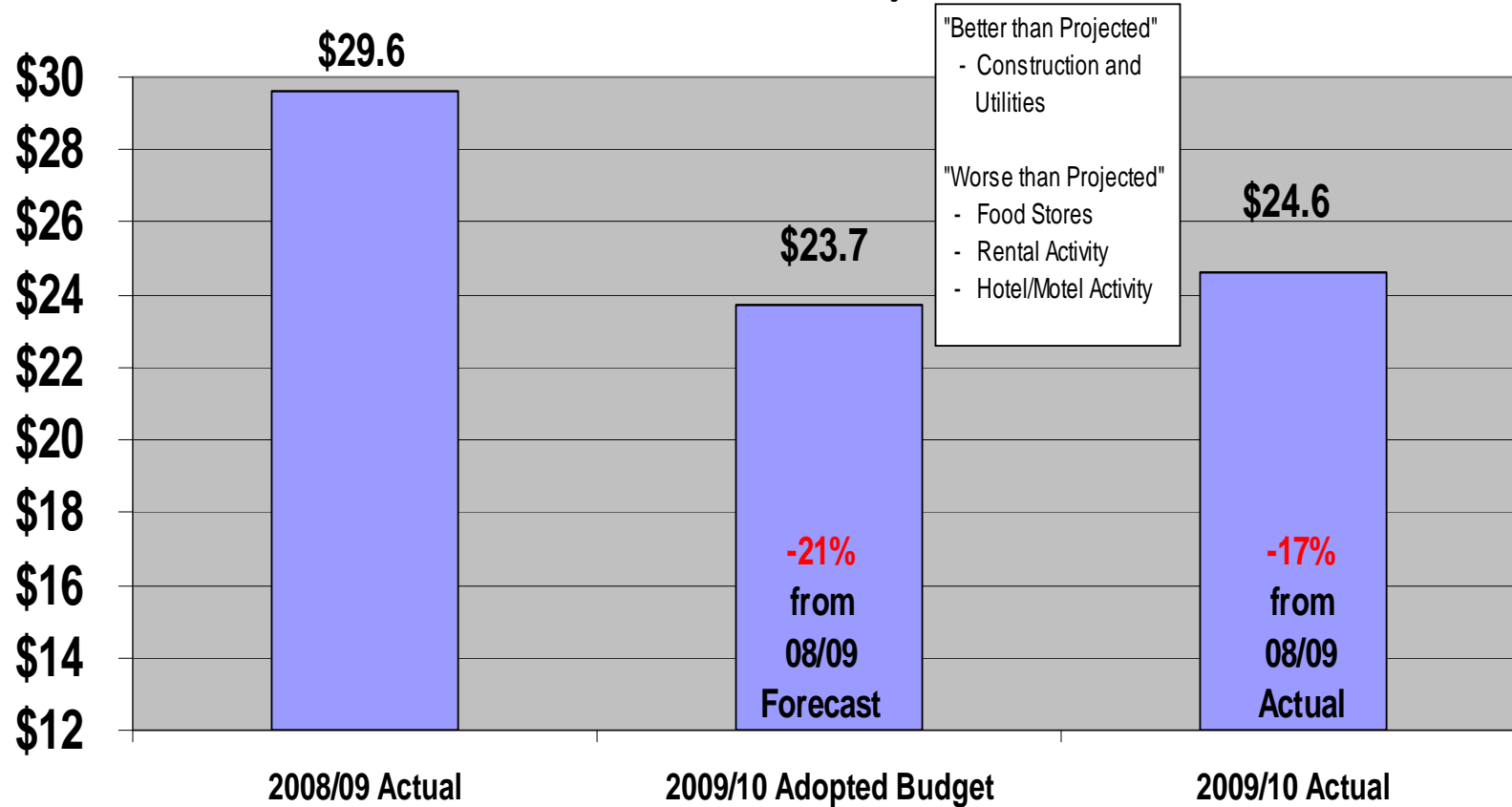


Sales Taxes as of 10/31/09

(in millions)



4% More Than Projected





FYTD Operating* Uses

as of 10/31/09 (in millions)

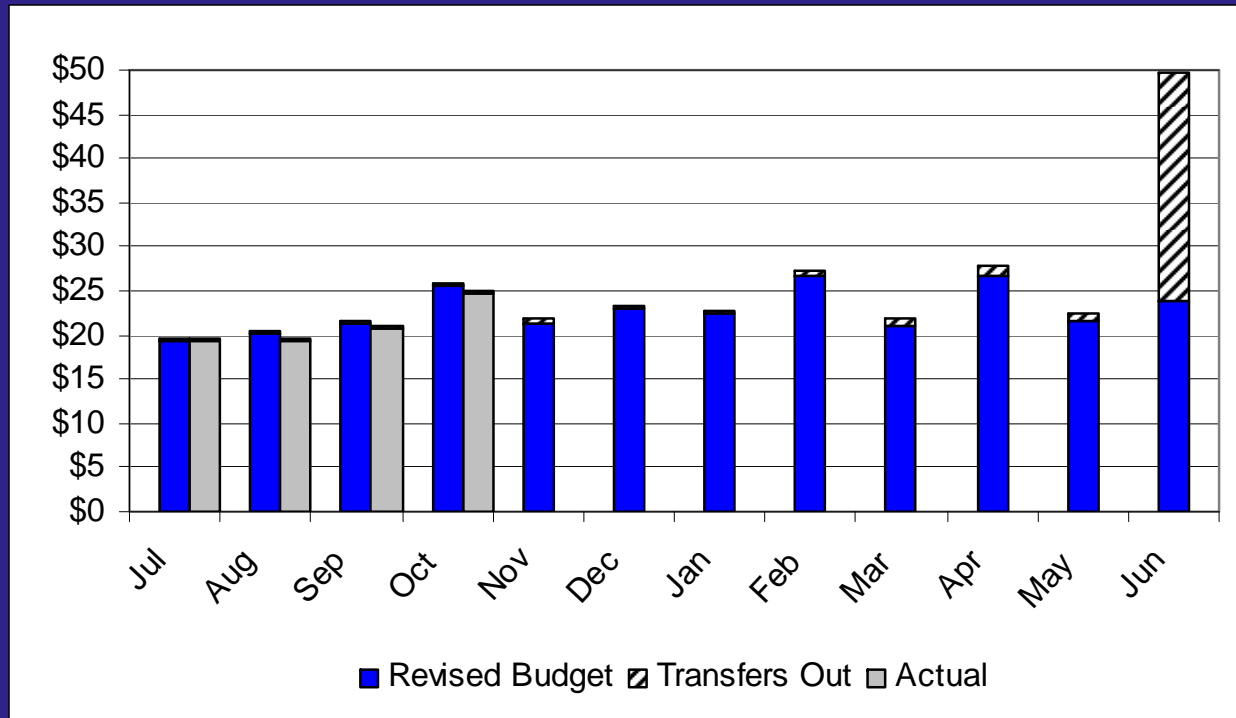
	Revised Budget	Actual	\$ Variance	% Variance
Personnel Services	\$61.7	\$60.6	\$1.0	2%
Contractual	\$20.3	\$19.9	\$0.5	2%
Commodities	\$2.6	\$2.1	\$0.5	19%
Capital	\$0.2	\$0.1	\$0.1	11%
Debt Service	\$0.8	\$0.7	\$0.1	11%
Transfers Out	\$1.2	\$1.1	\$0.1	9%
Total	\$86.8	\$84.5	\$2.3	3%

* General Fund and Transportation Fund Combined



Uses – FY 09/10 YTD

(in millions)



Summary

- 3% less than Budget
- Still fine tuning Budget “spread”



09/10 Operating* Ending Fund Balance (in millions)

	09/10 Adopted	FY 08/09 Activity	Approved Adjustments	09/10 Revised
Fund Balance:				
Reserved	\$26.1			\$26.1
Contingency	\$5.0		(\$0.4)	\$4.6
Unreserved	\$1.0	\$7.0 **	(\$0.5)	\$7.5
Total Fund Balance	\$32.1	\$7.0 **	(\$0.9)	\$38.2

* General Fund and Transportation Fund Combined

** \$0.4 million more than originally reported as a result of final FY 2008/09 financial report.



LET'S WORK TOGETHER

efficient • effective • empowered

1. Most Wanted Suspects Search Engine

- Web & Media Services worked with Police Department to improve and implement search engine rankings for most wanted suspects. All suspects are now in the top 10 results on most search engines. (up to \$10,000 annually)

2. Same Day Training – Environmental Initiatives Office

- Employee took mandatory annual refresher course on-line at a City computer, rather than traveling off-site locally for a ½ day training. On-line training was less expensive, did not require two hours of drive time and took 3 hours less to complete. (\$85)



Vacancy Savings/Payouts/ Reclassifications

- Greatly Impacted by Recession
- Components Inter-related
 - Vacancy Savings vs. Vacation Payout
- \$2.5 M. Adjustment Forthcoming



Vacancy Savings/Payouts/ Reclassifications (continued)

1. Vacancy Savings

- About half of budget
 - 74 vs. 42 vacant positions per pay period
- Significantly less than last FY



Vacancy Savings/Payouts/ Reclassifications (continued)

2. Leave Payouts

- Vacation
 - Based on last FY activity
 - 6% Turnover
 - Impacted by July 2nd layoffs
- Sick Leave
 - Based on Actuary report



Vacancy Savings/Payouts/ Reclassifications (continued)

3. Reclassifications

- Administrative Practice
- Impacted by Reorganizations



Vacancy Savings/Payouts/ Reclassifications (continued)

	Adopted Budget	Revised Estimate	Forthcoming Adjustment
Vacancy Savings	<\$5.3 M.>	<\$2.3 M.>	\$3.0 M.
Vacation Payout	\$0.6 M.	\$0.5 M.	<\$0.1 M.>
Medical Payout	\$0.9 M.	\$0.6 M.	<\$0.3 M.>
Reclassifications	\$0.3 M.	\$0.2 M.	<\$0.1 M.>
Total	<\$3.5 M.>	<\$1.0 M.>	\$2.5 M.



Outstanding Issues: FY 09/10

1. Vacancy Savings: \$2.5 M. Expense Increase
2. Tourism: \$2.4 M. Sales/Bed Tax Reduction
3. State Shared Revenues: \$1.0 M. Reduction
4. City Sales Tax Revenues: \$3 M. Increase
5. Expenses Less Than Budget: \$5 M. Savings
6. Remaining IOU: \$0.6 M.
7. Risk Management Assessment: \$1.0 M. Savings
8. In Lieu Property Taxes: -\$2.0 M. to +\$1.5 M.



Outstanding Issues: FY 10/11

9. Unreserved Fund Balance: \$7.5 M.+
10. Eliminate New Radio Debt Service: \$2.6 M.
11. State Income Tax: \$7.4 M. Reduction
12. Eliminate One-Time ARRA Funding: \$4.6 M.
13. State Budget Situation



Recommendation

1. Adopt Resolution 8145 accepting the Operating Report as of 10/31/09