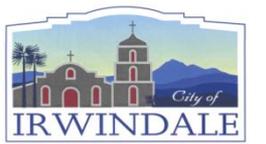


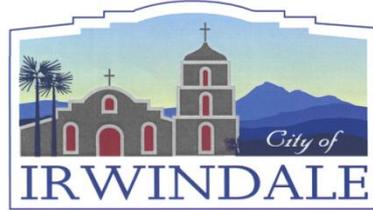
CITY OF IRWINDALE

FY 2009-10 MID YEAR REPORT



AGENDA

- Current Economic Environment
- FY 09-10 Mid-Year General Fund Estimate
- Five year Projection of General Fund (two scenarios)
- Short and Long Term Fiscal Strategies

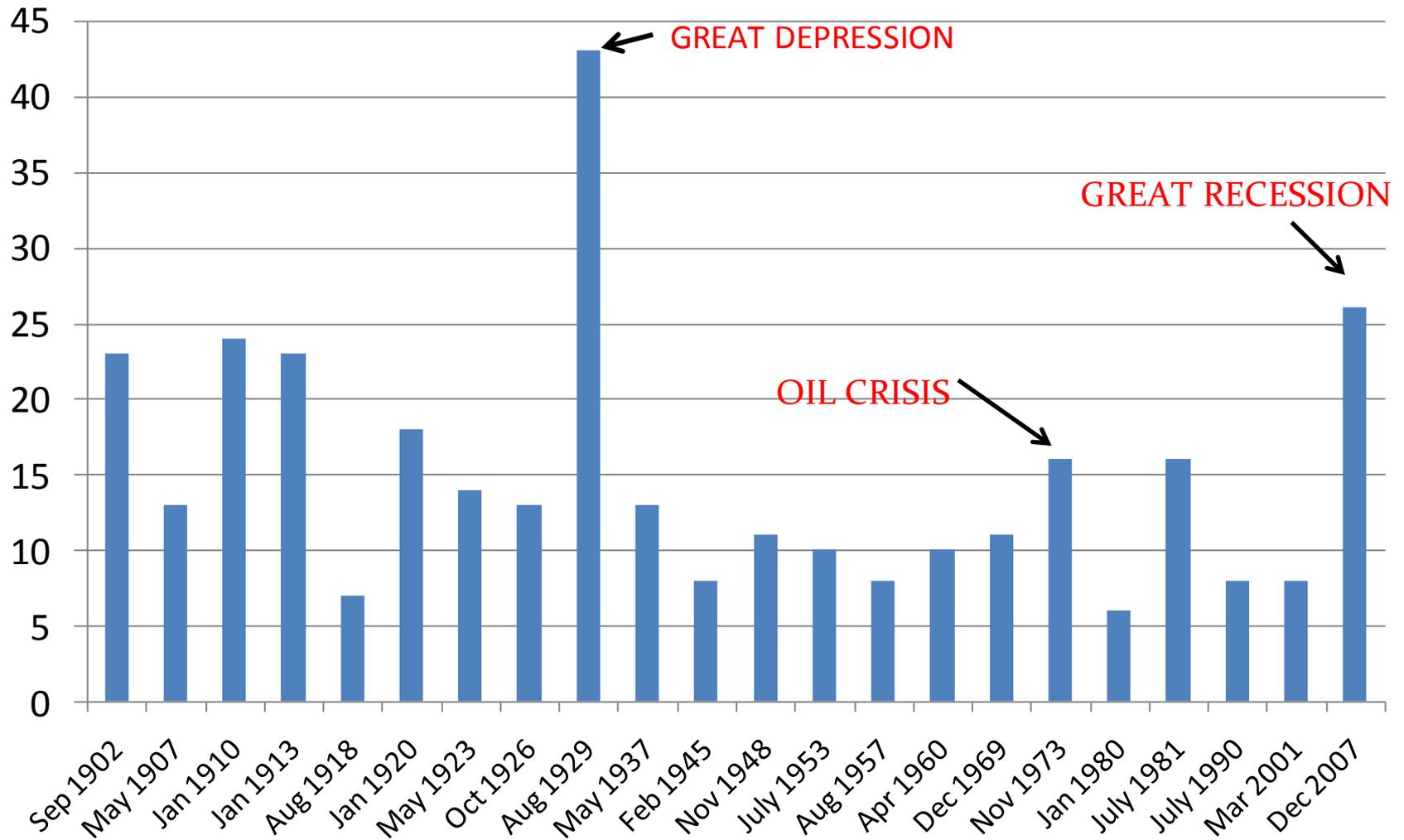


CURRENT ECONOMIC ENVIRONMENT

NATIONAL/STATE ECONOMY

- Global economic slowdown or “Great Recession” has had a greater impact on California than other states
- Similar to the Great Depression, recession has attacked many economic sectors: property values, employment, financial markets, personal income and consumer confidence
- Most recessions have had a life span of 18-24 months
- “Great Recession” began surfacing during FY 07-08
- Most analysts believe residual impacts will exist for 1 yr and a half more

Length of U.S. Recessions (months)



RECESSION – WHICH ONE IS THIS?

- Is this a “V” shape, “L” shape or “W” shape curve?
- V shape is a quick response back to prior levels of activity (common in short recessions)
- L shape recovery suggests flat economic expansion over a longer period of time, with weak incremental growth
- W shape recovery suggests a “double dip” recession
- Given the tentative nature of recovery across a wide spectrum of indicators, staff believes the recovery to be more L shaped than not

LATEST ECONOMIC FORECAST

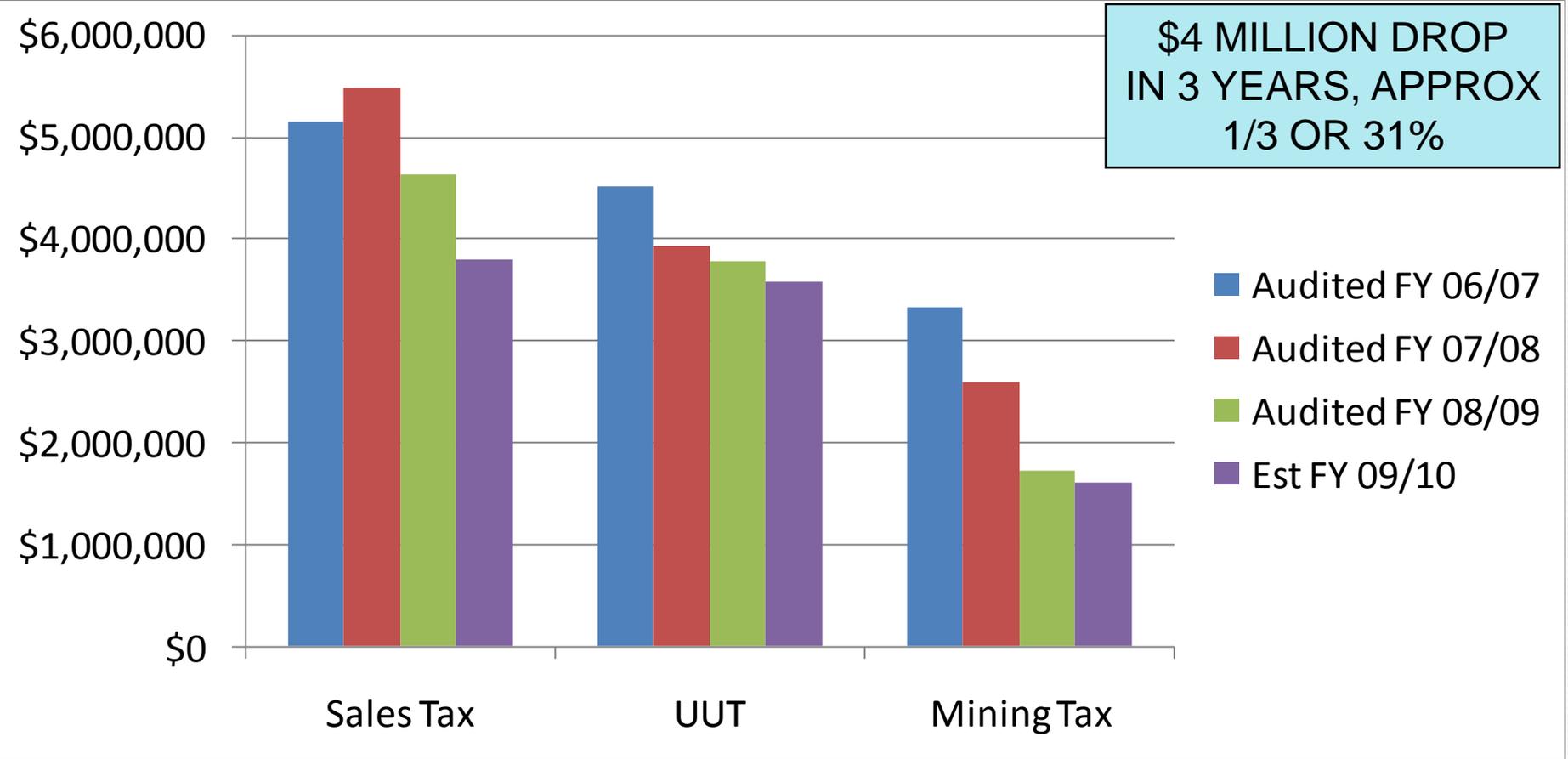
- Keyser Center for Economic Research (LAEDC):
 - State and LA Unemployment rate will remain 12%
 - Job growth will be centered in health care and private education
 - Housing market will marginally improve – permits will be 40% less than the height of bldg industry in 2004
 - Commercial building values will drop 12.4%
 - Personal income will rise 1% in 2010 and 3% in 2011
 - State budget will weigh heavily on the economy
 - Return to economic vitality (2006) will take many years!

IRWINDALE'S SITUATION

- Better than planned results from FY 2008-09 mainly from hiring freeze and department savings (\$1 M operating deficit instead of planned \$2.8 M)
- Continued revenue declines from down economy:
 - Budgeted Revenues FY 08-09 = \$19.4 million
 - Budgeted Revenues FY 09-10 = \$16.9 million (\$2.5 M or 13% less)
 - Revised Estimates FY 09-10 = \$15.8 million (\$1 M or 6% less than original budget)
- Two consecutive years of implementing budget cuts to lessen impact from drop in revenues



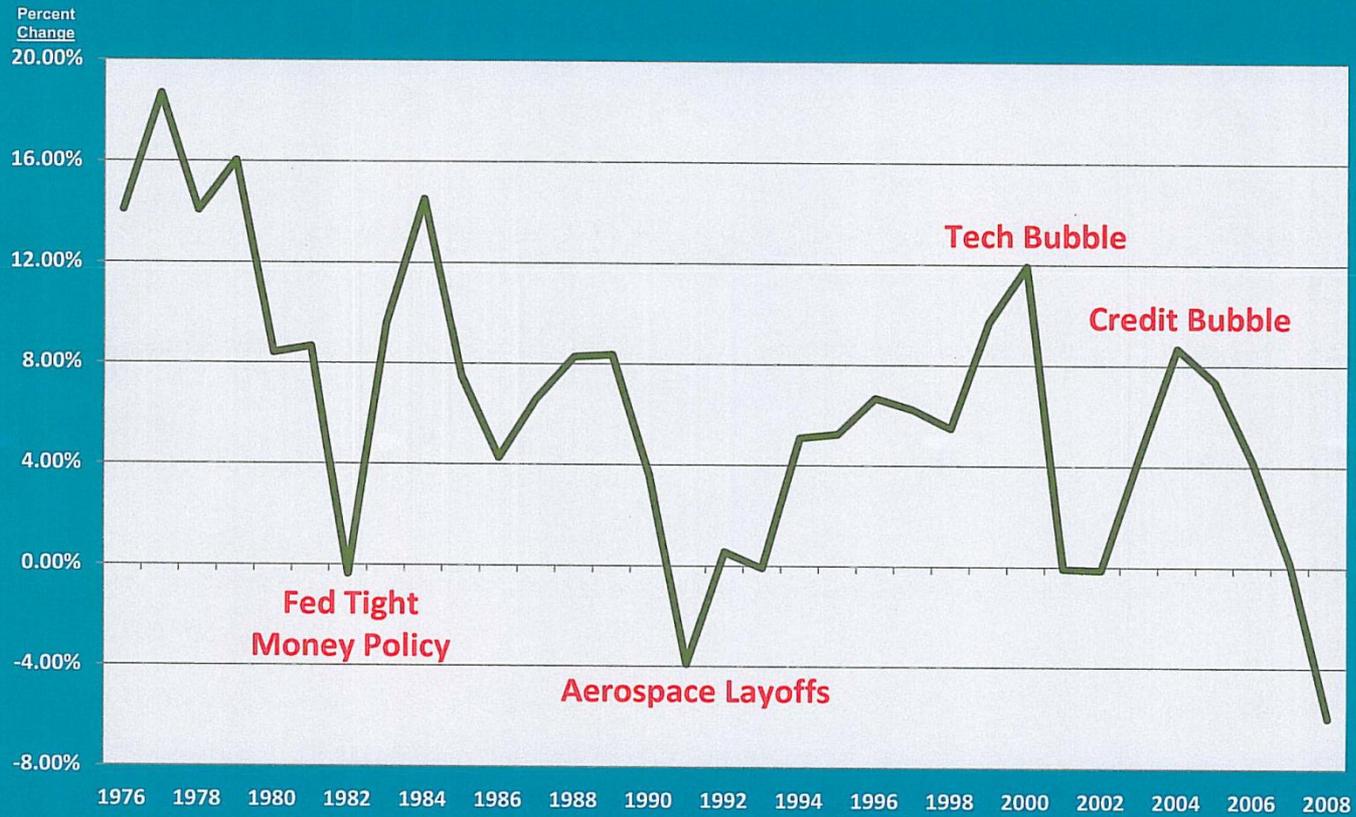
MAJOR REVENUE SOURCES



FY 06/07 THESE 3 REVENUES REPRESENTED 66% OF TOTAL REVENUES, FOR FY 09/10 THIS HAS DROPPED TO 57%



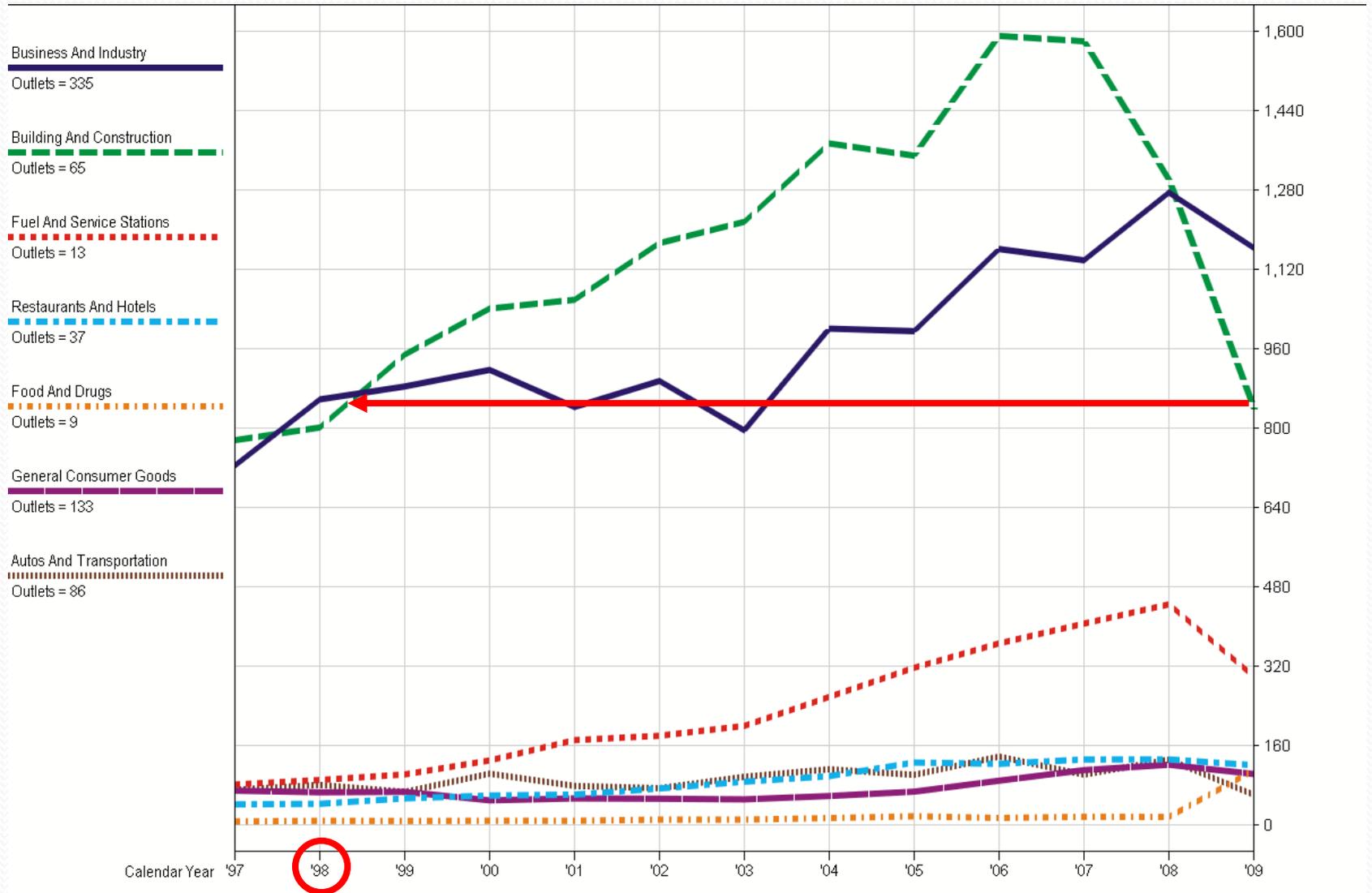
CALIFORNIA SALES TAX YEAR OVER YEAR PERCENT CHANGE



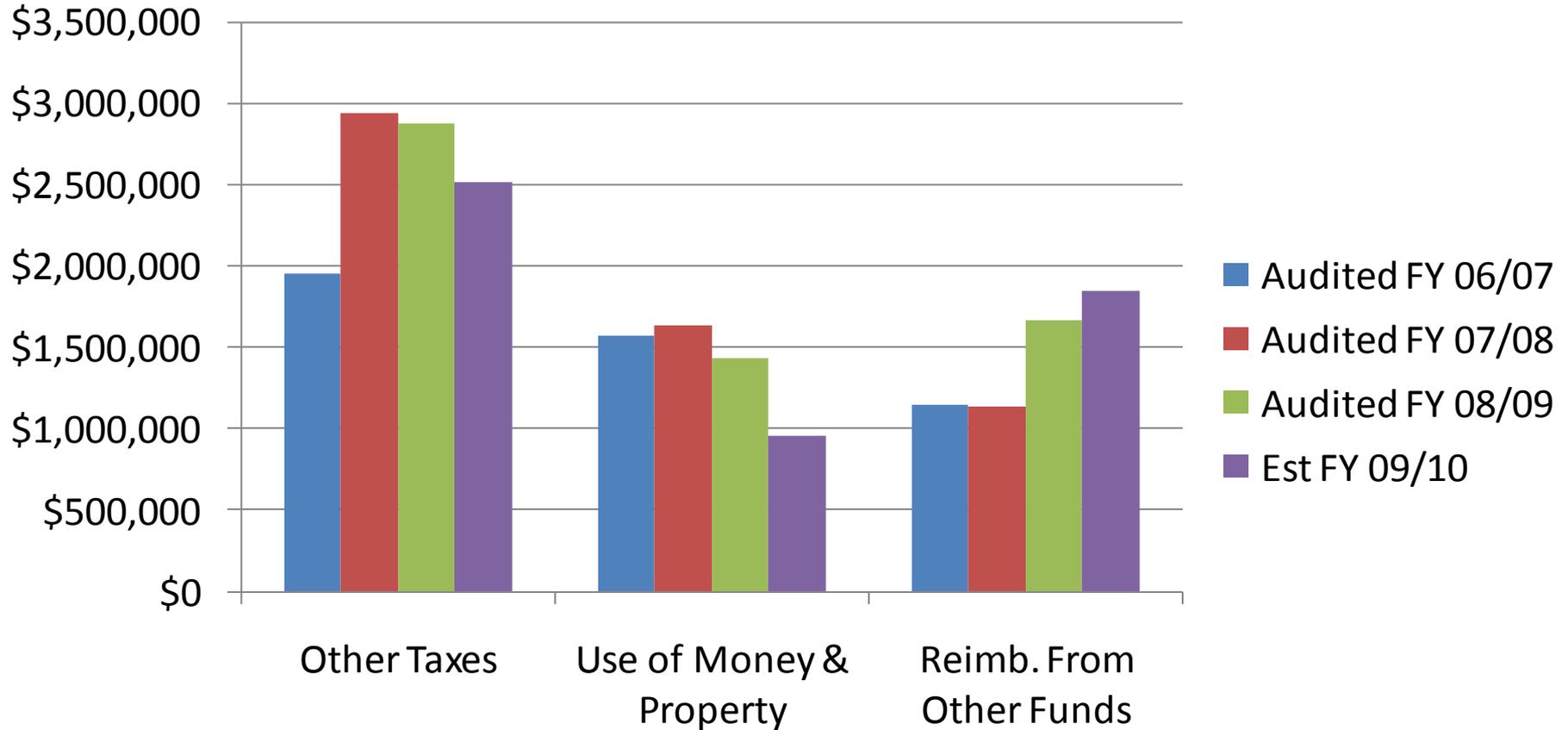
Source: State Board of Equalization, the HdL Companies



CITY OF IRWINDALE SALES TAX CALENDAR YEAR TO DATE - 13 YEAR HISTORY



OTHER REVENUE SOURCES



- Other Taxes include property taxes, business license tax, admissions tax, etc.
- Interest rates have dropped significantly over the past two years
- Salaries and overhead costs being charged to CRA has increased

BUDGET SAVINGS IMPLEMENTED SINCE FY 08/09

BUDGET ITEM	ESTIMATED SAVINGS	ONGOING	ONE-TIME
RESIDENT PRESCRIPTION/VISION PROGRAM – CHANGE IN COPAY TO BETTER MATCH HEALTH PLANS	\$400,000		
4 RETIRED EMPLOYEES – ELIMINATED POSITIONS	\$350,000		
2 PREVIOUSLY FROZEN POSITIONS - ELIMINATED	\$300,000		
CHANGES IN COUNCIL / COMMISSIONER HEALTH PLAN	\$110,000		
IPWEA /MISCELLANEOUS 4% COLA	\$220,000		

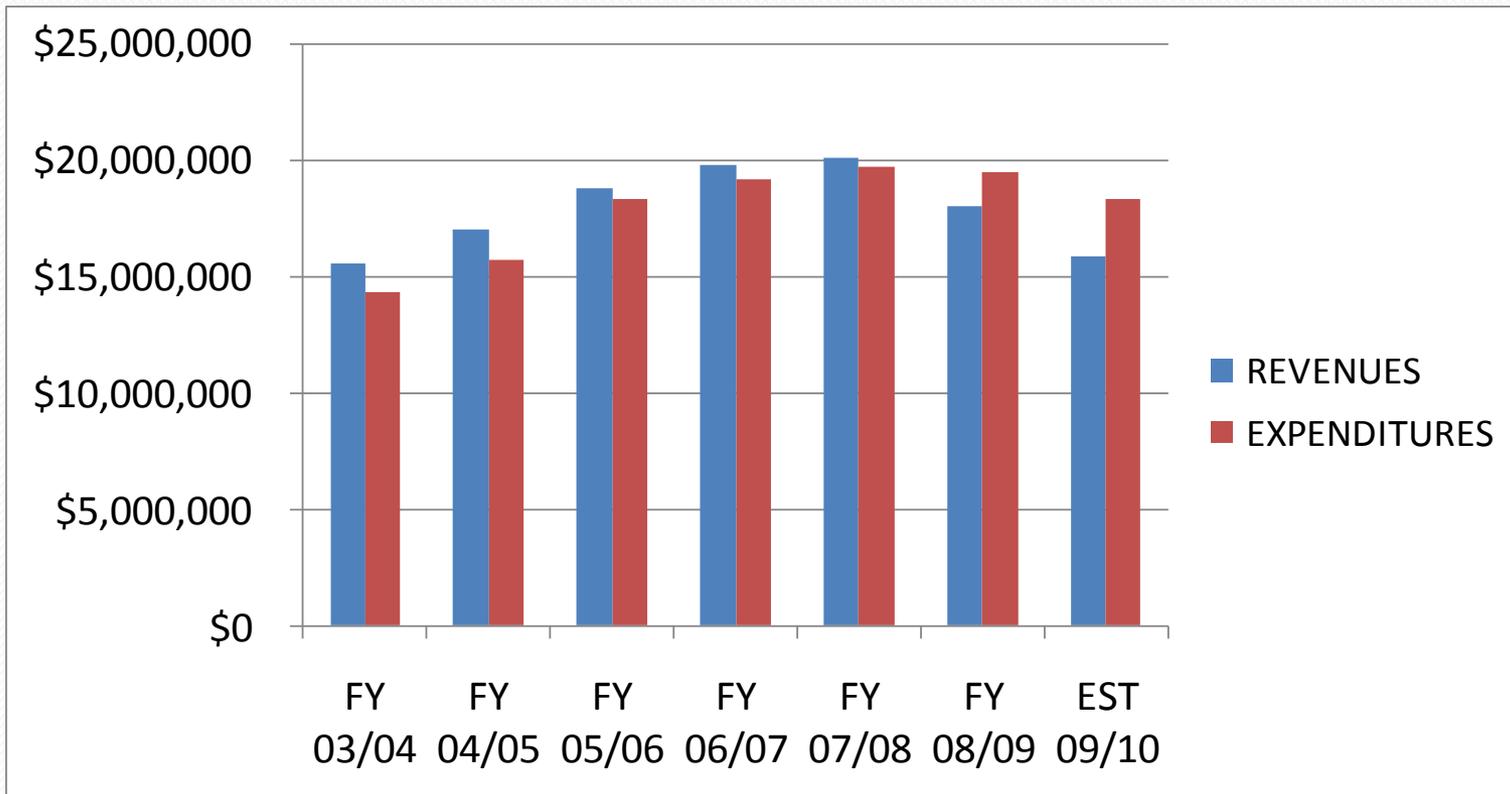
BUDGET SAVINGS IMPLEMENTED SINCE FY 08/09

BUDGET ITEM	ESTIMATED SAVINGS	ONGOING	ONE-TIME
12 POSITIONS FROZEN	\$610,000		
ELIMINATE NIGHT SWIMMING PROGRAM AND SNACK BAR	\$45,000		
ELIMINATE ON DEMAND BULK TRASH PICK UP BY CITY CREWS	\$20,000		
REDUCE GYM HOURS	\$12,000		
NEW FEES FOR SENIOR / REC PROGRAMS AND FACILITY RENTALS	\$50,000		

BUDGET SAVINGS IMPLEMENTED SINCE FY 08/09

BUDGET ITEM	ESTIMATED SAVINGS	ONGOING	ONE-TIME
ELIMINATE/REDUCE OVERTIME	\$500,000	✓	✓
CASH OUT OF LEAVE BALANCES FOR IPWEA/MISCELLANEOUS EMPLOYEES CAPPED AT 80 HRS	\$60,000	✓	
REDUCTION IN OPERATING AND CAPITAL BUDGETS	\$1,350,000		✓
TUITION BENEFIT SUSPENDED FOR NEW APPLICANTS IN FY 08-09	\$20,000		✓
IPWEA/MISC REDUCED TUITION BENEFIT	\$10,000+/-	✓	
CITY MANDATED TWO WEEK CLOSURE – EMPLOYEES MANDATED TO USE LEAVE BALANCES OR NO PAY	REDUCED CITY LIABILITY	✓	

CONTINUED DROP IN THE ECONOMY EFFECT ON THE CITY





FY 2009-10 MID-YEAR GENERAL FUND PROJECTIONS



General Fund Budget Projection

	ORIG. BUDGET FY 09/10	Mid-year Estimates FY 09/10
Revenues	\$17,428,000	\$16,344,000
Expenditures	\$(18,899,000)	\$(18,891,000)
Retiree Health Obligation		\$(558,000)
Projected Deficit	\$(1,471,000)	\$(3,105,000)
Infrastructure and GASB 45 Reserves		\$(1,558,000)
Economic Contingency Reserve	\$(1,471,000)	\$(1,547,000)

Revenue Adjustments 09/10

REVENUE TYPE	AMOUNT	% CHANGE FROM ORIGINAL BUDGET
Sales Tax	\$(650,000)	-14%
Mining Tax	\$(400,000)	-20%
Interest Income	\$(420,000)	-30%
CRA Loan from GF – Interest rate increase to State allowable rate	\$ 120,000	
Other Taxes	\$ 300,000	+13.5%
TOTAL REVENUE ADJUSTMENTS	\$(1,050,000)	-6.2%

Expenditure Adjustments 09/10

ITEM	AMOUNT
GASB 45 – Retiree Health Contribution	\$(558,000)
Liability and Workers’ Compensation Insurance Increases	\$(43,000)
Savings from Contract Services	\$71,600
Additional Savings from Council/Commissioner Health	\$55,000
TOTAL EXPENDITURE ADJUSTMENTS	\$(474,000)

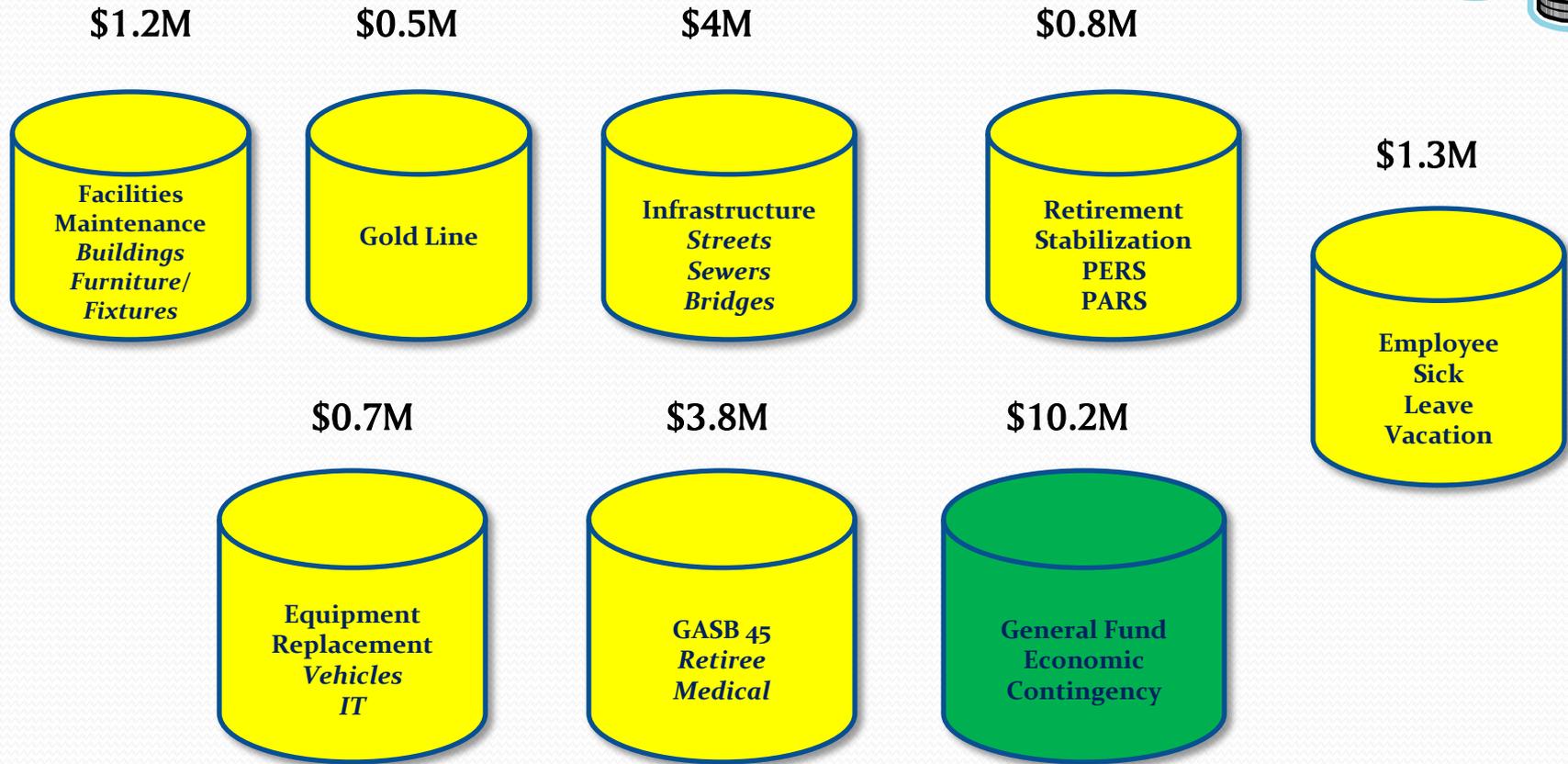
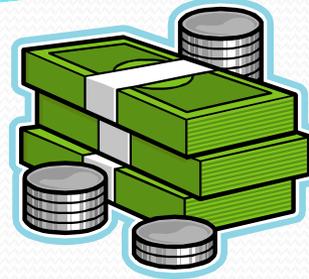
Other Savings 09/10

- Salary Savings from retirements and hiring freeze
(net of payouts) \$255,000

Payouts for Longevity and/or Leave Balances:

- 6 budgeted retirements (4 PW/Misc and 2 PD)
- 3 unplanned retirements (CM, Chief, Sr. Rec. Leader)
- 1 unplanned resignation (Lieutenant)

Beginning Reserves 2009-10



TOTAL \$22.5 MILLION

Effect on Available Reserves

Beginning 7/1/09 Per Audited FS	\$22,507,000
One-time receipt – mining settlement	\$ 1,000,000
Borrow from Infrastructure to cover drop in revenues - Mining/Construction	\$(1,000,000)
FY 09/10 GASB 45 Retiree Health	\$ (558,000)
Projected FY 09/10 Budget Deficit	<u>\$(1,547,000)</u>
Ending General Fund Available Reserves	<u>\$20,402,000</u>

Ending Reserves 2009-10



\$1.2M



\$0.5M



\$4M



\$0.8M



\$1.3M



\$0.7M



\$3.2M



\$8.7M

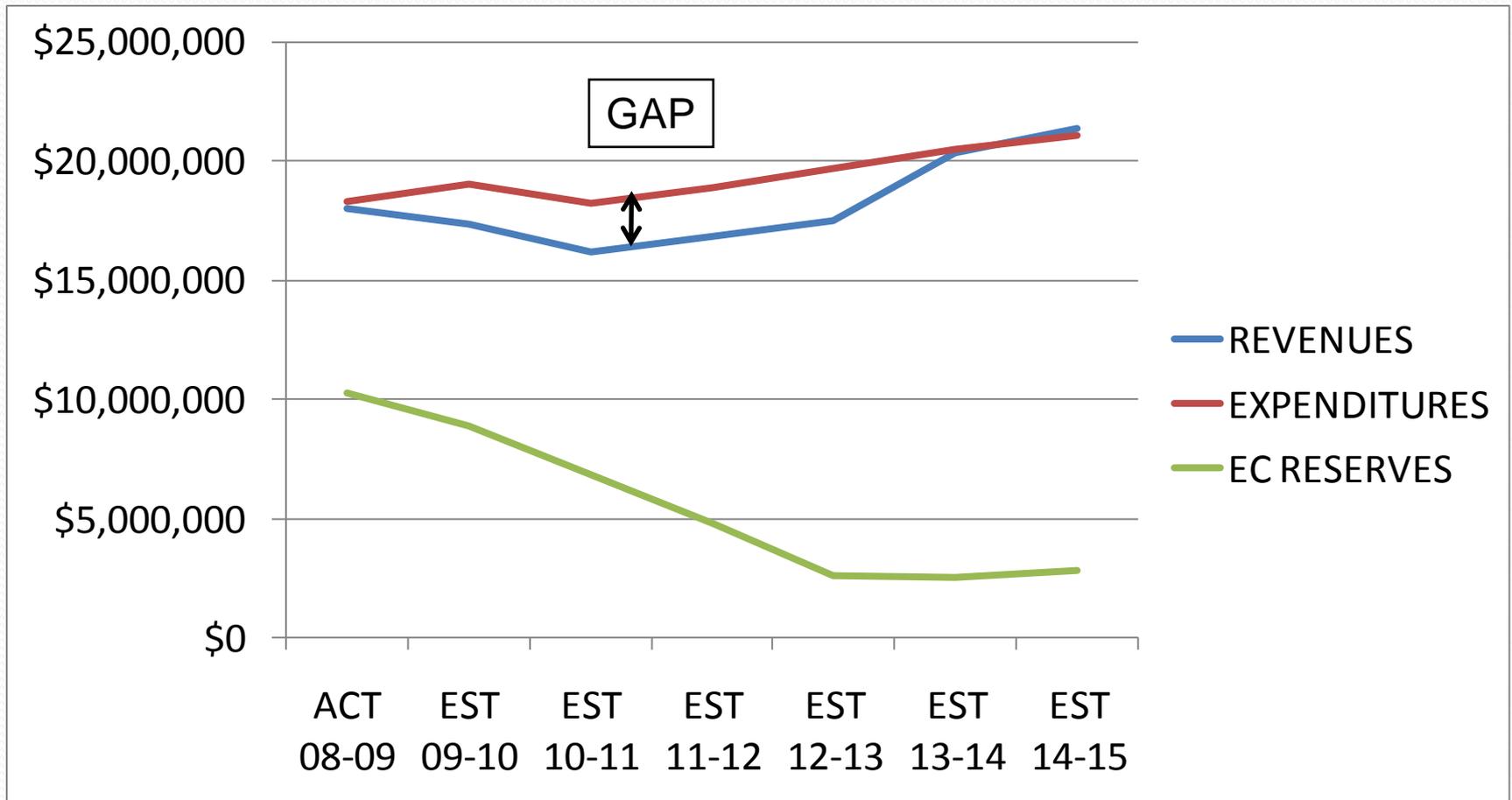


TOTAL \$20.4 MILLION



FIVE YEAR PROJECTION OF GENERAL FUND BUDGET

COMPARISON OF REVENUES VS. EXPENDITURES WITH POTENTIAL NEW REVENUE SOURCES



Assumptions

- Revenues:
 - Tax Revenues slow increase (2% - 5% over the next 5 years increasing only 1% per year).
 - Interest Income flat next year and then slowly increasing upward (2%-4% over the following 4 years).
 - All other revenues – a modest 2-3% increase over the next 5 years.
 - Huy Fong generating \$250,000 each year starting FY 11-12
 - Athens MRF generating \$2.2M per year starting FY 13-14
 - Other Misc. New Revenues from Redevelopment (\$200K in FY 12-13, \$250K in FY 13-14 and \$500K in FY 14-15)

Assumptions

- Expenditures –
 - Salaries: 4% Increase per MOU in 2009/10 for IPWEA/Misc., no increase POA. Included 2% COLA increase in years 2011/12 through FY 2014/15
 - Overtime – Flat for FY 2010-11; 2% per year thereafter
 - Employee Benefits
 - PERS Costs – anticipate significant increases due to investment losses and possible change in interest earnings assumption
 - Safety– Current rate 29.141%, project rates to increase to 41% by FY 14/15 (Yr 1- .7%; Yr 2 - 2.52%; Yr 3 & 4 - 4%; and Yr 5 - .6%)
 - Misc – Current rate 15.643% project rates to increase to 21.6% by FY 14/15 (Yr 1 - .4%; Yr 2 1.25%; Yr 3 & 4 -2%; and Yr 5 - .3%)

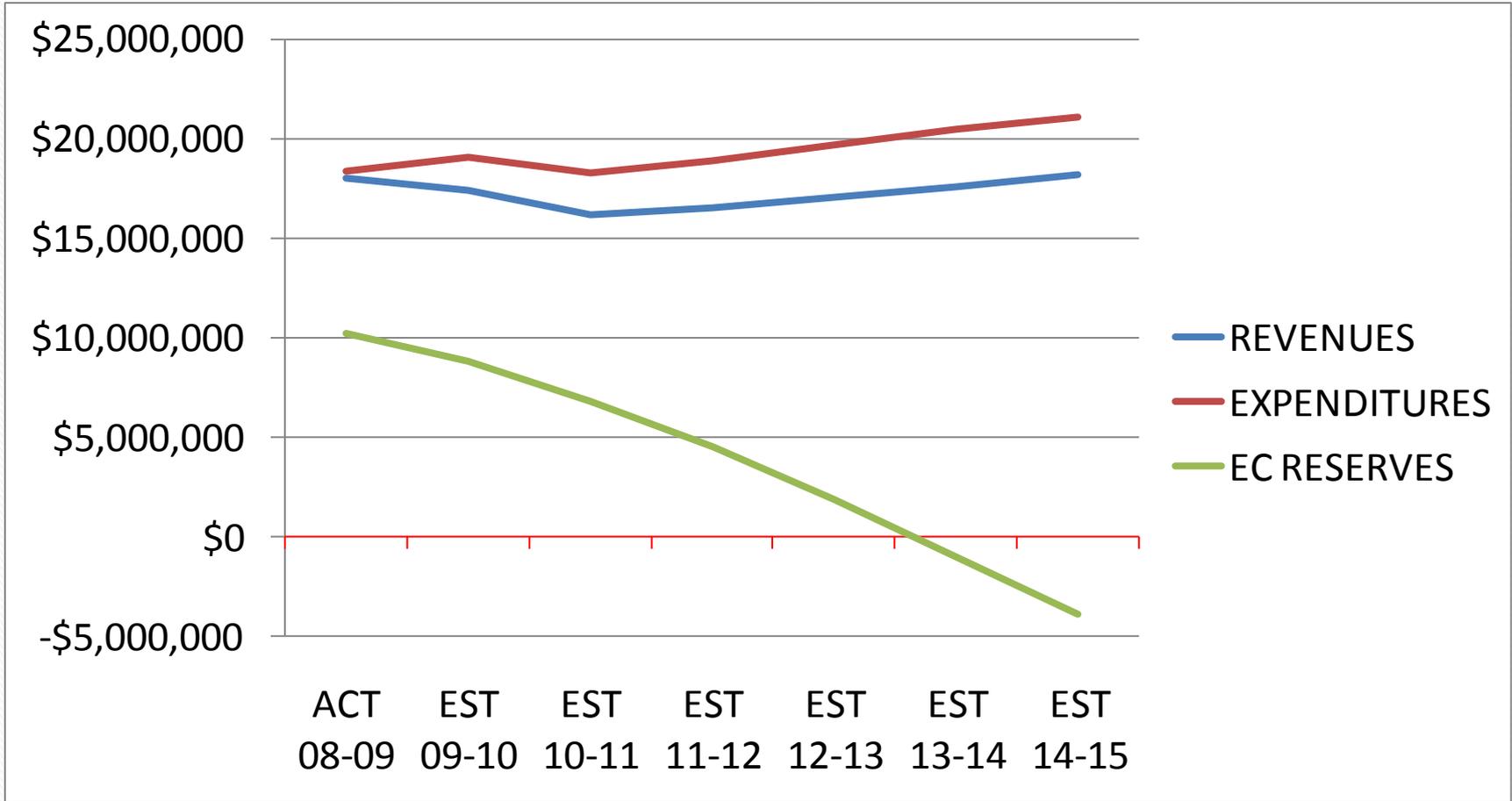
Assumptions

- Expenditures –
 - Employee Benefits (continued)
 - PARS – Current rate is 10.33% project rates to increase to 16.13% by FY 14/15 (Yr 1 - .5%; Yr 2 - 1%; Yr 3 & 4 - 2%; Yr 5 - .3%)
 - Retiree Health (GASB 45) – Current rate is 17.5% - at this time no planned increase is included – will most likely need to adjust unless plan changes
 - Health Insurance – 5% increases every year
 - Workers' Compensation Insurance – 10% increase in FY 2010/11 and 5% increases each year after
 - Other – includes life insurance, cash leave payouts, etc. – 3% projected increase over the next 5 years

Assumptions

- Expenditures –
 - **Operating Expenditures** – includes resident insurance program, operating supplies, contracts, etc. - estimate a 3% increase each year.
 - **Capital infrastructure and equipment costs – not included in the model**

COMPARISON OF REVENUES VS. EXPENDITURES *WITHOUT NEW REVENUE SOURCES*



CHALLENGES AHEAD

- Slow economic recovery – L Curve
- Redevelopment project areas end 2017
- State Takeaways – CRA 2009/10 - \$6M and 10/11 - \$1.3M
- Providing same level of service with less employees
- Deferred capital and maintenance costs
- Pension and health care costs
- Liability and workers' compensation costs

STRATEGIC PLAN FOR THE CITY'S LONG-TERM SUSTAINABILITY

- Do not react hastily, City has a strong foundation
- Concentrated effort on Redevelopment and Economic Development
- Focused negotiations with Unions
- Develop long-term solutions
- Contracting services/Combining Efforts with other municipalities when feasible
- Times are changing, there is a “new normal”

Short Term Strategies

- Hold the line! No changes in current City programs or costs that we can control
- Continue hiring freeze (current and any retirements)
- Strong oversight of department expenditures, generating savings wherever possible
- Continue philosophy from last year – minimize planned deficit as much as possible



QUESTIONS AND DISCUSSION