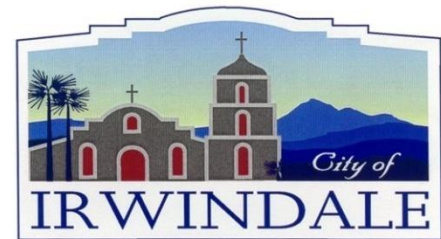


Mid-Year Financial Review 2010-11 Fiscal Year

CITY OF IRWINDALE, CA





Topics

- Review Status of Plans Outlined Last Year to Approach Deficit
- FY 10-11 General Fund Mid-year Review
- Other Funds Mid-year Review
- National, State and Local economic conditions
- FY 11-12 Budget Planning



**STATUS OF
PLANS OUTLINED
LAST YEAR TO DEAL WITH
CITY DEFICIT**



DO NOT REACT HASTILY, CITY HAS A STRONG FOUNDATION

- Economic Contingency reserves set aside for downturn in the economy and other unplanned significant events
- Well thought out and planned approach to increase revenues and reduce expenditures – goal was to maintain programs at current levels and avoid layoff of employees



CONCENTRATED EFFORT ON REDEVELOPMENT AND ECONOMIC DEVELOPMENT

- Economic Strategic Plan Consultants – RSG
- New Projects Underway: Huy Fong, LV and City of Hope
- Hitting the pavement searching for new opportunities
- Continued negotiations with Athens for MRF

FOCUSED NEGOTIATIONS WITH BARGAINING UNITS

- Completed negotiations in November 2010
- 2-year contract with bargaining groups agreeing to many concessions and on-going savings to the City
 - Included MSL language, IPOA, employee contribution programs, early retirement plan option changes, tiering of pension and retiree health benefits, caps on leave cashouts

FY 11/12 – EST \$900K

FUTURE SAVINGS
FROM TIERING
BENEFITS AS
NEW INDIVIDUALS
ARE HIRED



DEVELOP LONG-TERM SOLUTIONS

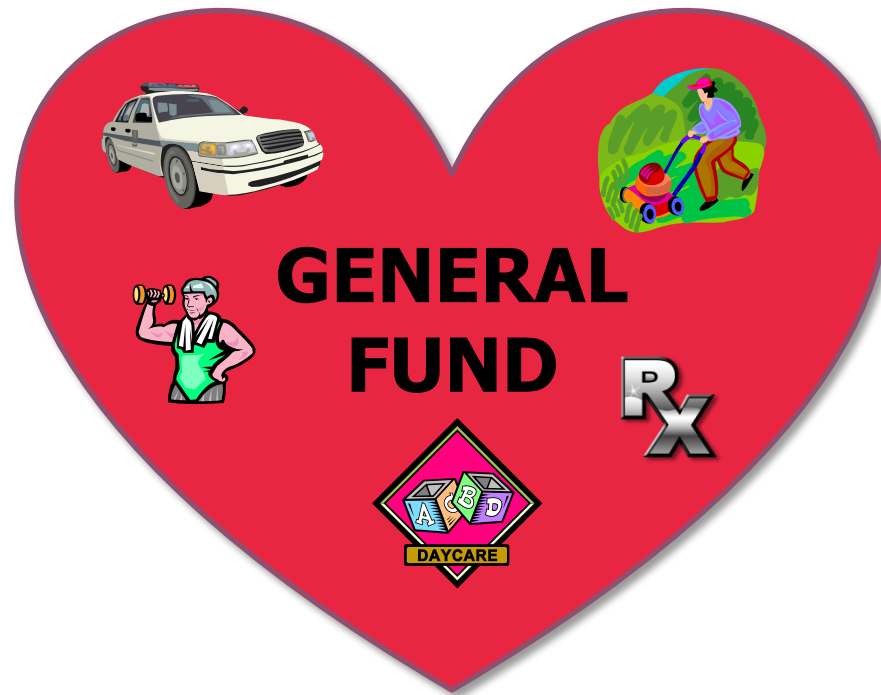
- Payoff long-term liabilities early to obtain discounts or interest savings –
 - Public Safety PERS Side Fund in FY 08/09 –saving \$424,000 over 11 yrs (City was paying 7.75% interest)
 - CJPIA Retrospective Insurance Payment – took advantage of discounts to save City \$90,000K by paying early
- Early retirement program – 10 employees opted retiring, replacing only 3.5 critical need positions - \$1M savings total over next 3 yrs
- Tiering of benefits for New Hires – pay EE share of PERS and ½ contribution for PARS and 10 year vesting for Retiree Health And at a lower benefit level



CONTRACTING SERVICES/ COMBINING EFFORTS

- As part of negotiations, the City agreed to not contracting Police services during the term of the contract
- With 5 retirements this year and 3 last fiscal year in the Public Works Dept, reorganization with some outsourcing of services is being evaluated.

FY 10-11 GENERAL FUND MID-YEAR REVIEW





General Fund Budget Projection

	ORIG. BUDGET FY 10/11	Mid-year Estimates FY 10/11
Revenues	\$17,229,000	\$18,302,000
Expenditures	\$(19,934,000)	\$(19,747,000)
Adjust for non-operating capital items:	\$(378,000)	\$(181,000)
Projected Operating Deficit	\$(3,083,000)	\$(1,626,000)

\$1,457,000 reduction to
GF Deficit

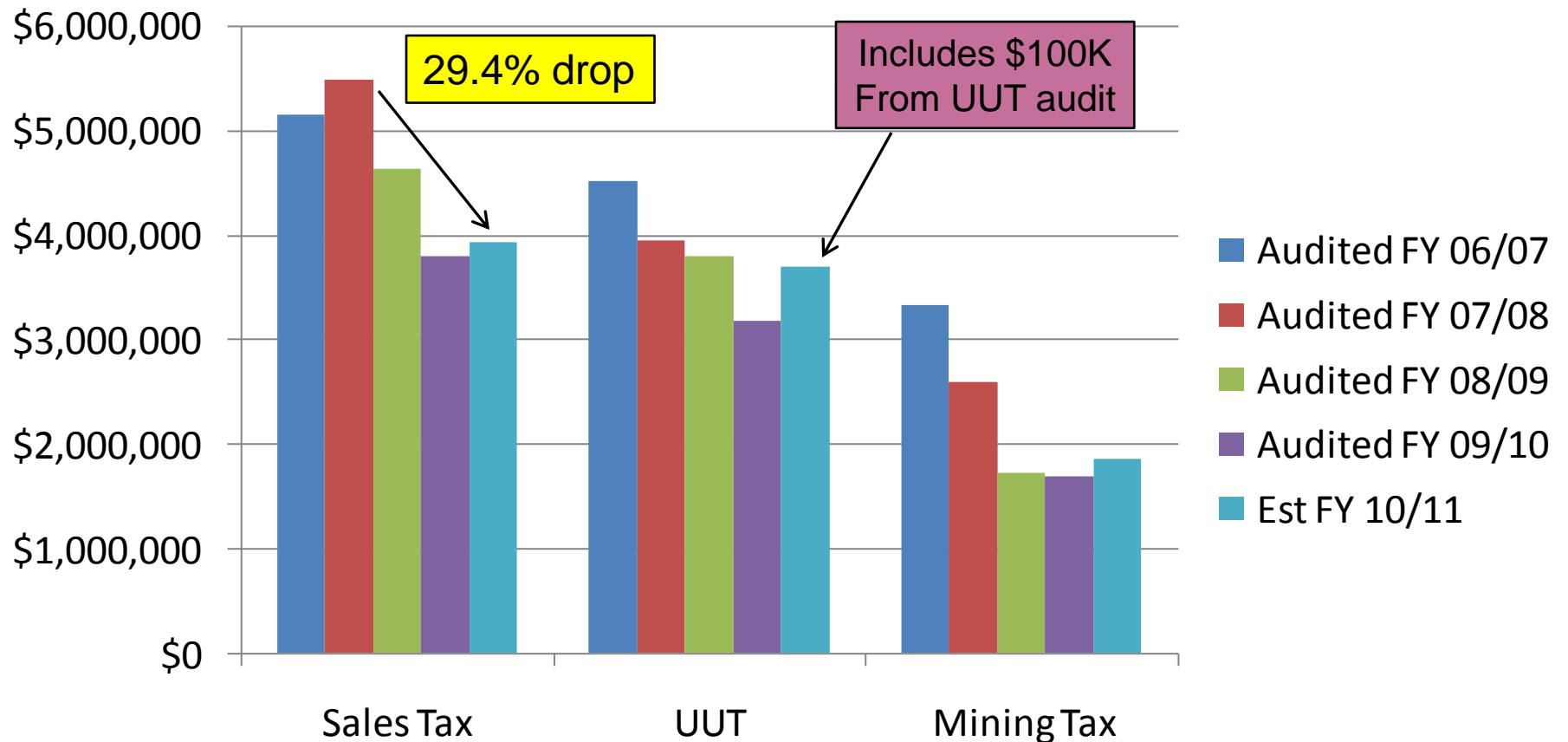
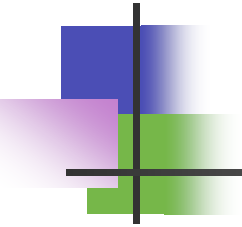


Revenue Mid-year Adjustments FY 10/11

REVENUE TYPE	AMOUNT
Development Activity Revenue	\$730,000
TOTAL REVENUE ADJUSTMENTS – GENERAL FUND	\$730,000



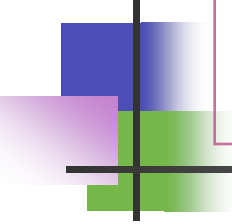
MAJOR REVENUE SOURCES



Expenditure Mid-year Adjustments 09/10

- Expenditure Reductions:
 - PD Overtime - \$(400,000)
 - Operating Cost Savings from Departments - \$(97,500)**TOTAL EXPENDITURE REDUCTIONS: \$(497,500)**

 - Expenditure Increases:
 - Est. leave payouts for 12 Retirees - \$231,200
 - Longevity bonus for 2 PD Retirees - \$50,000
 - Additional legal fees due to lengthy negotiations - \$21,750
 - Additional liability insurance payment (4% discount if paid by June 30, 2011) - \$112,700**TOTAL EXPENDITURE INCREASES: \$415,650**
- NET ADJ. TO REDUCE EXPENDITURES: \$(81,850)**

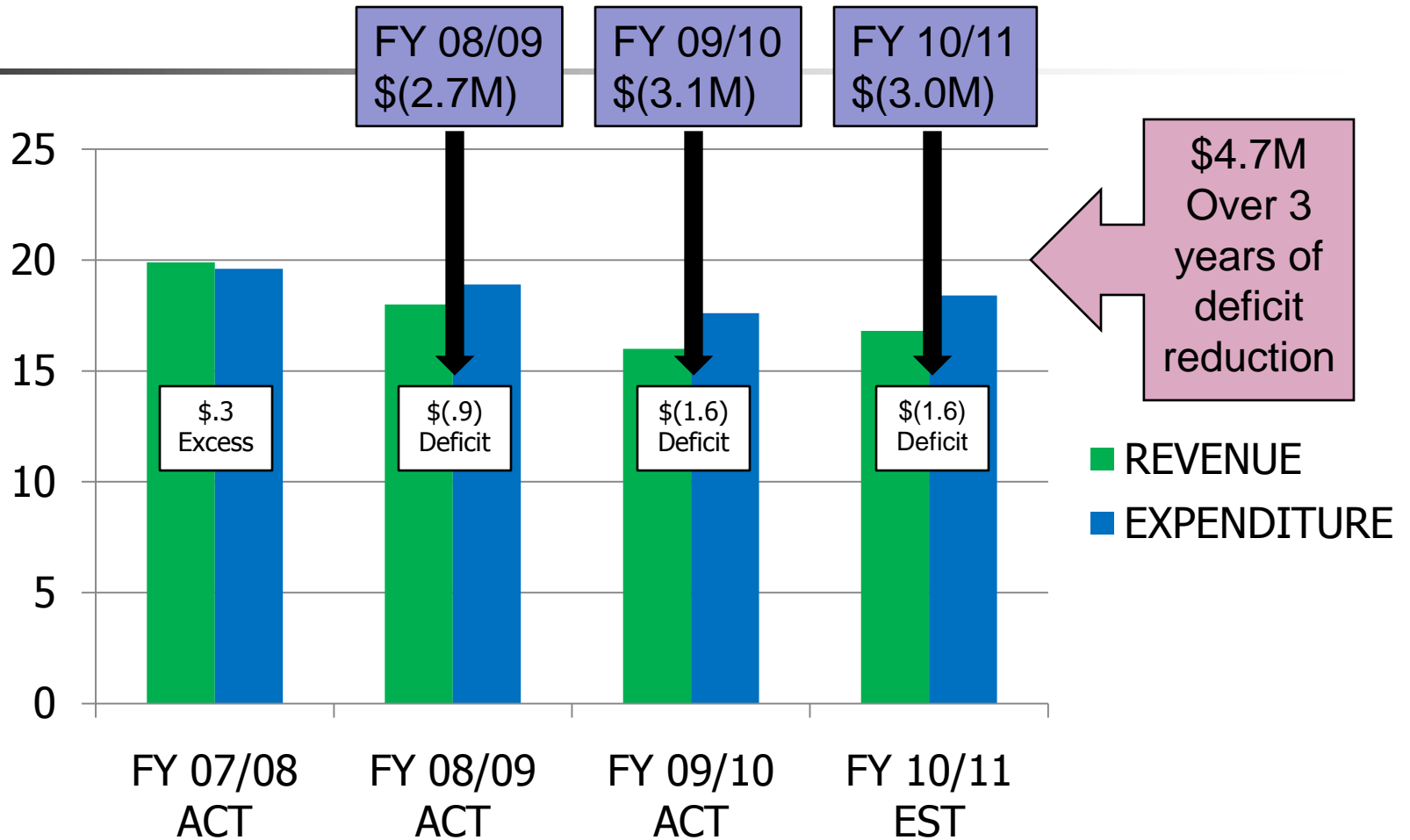


Other Expenditure Savings 09/10 (net)

- Salary savings from contract employees, timing of replacing PD retiree, an early retirement in January 2011, etc - \$(247,000)
- Savings from 1% employee contributions to PERS/PARS starting 1/1/11 - \$(44,000)
- Additional leave cash outs (more EE's participated in program than planned) - \$120,000

NET ADDITIONAL SAVINGS: \$(171,000)

GENERAL FUND OPERATING RESULTS (EXCLUDING ONE TIME SIGNIFICANT ITEMS)



GENERAL FUND ESTIMATED RESERVES 6/30/11

Reserve Fund	BEGINNING BALANCE	CHANGE	ENDING BALANCE
Capital asset replacement	\$5.9 M	\$.2	\$6.1 M
PERS Stabilization	.8 M		.8 M
Leave Accruals	1.1 M	\$(.3 M)	.8 M
Lifetime Medical	3.2 M	\$(.5 M)	2.7 M
Goldline Project	.5 M		.5 M
Economic Contingency	<u>9.0M</u>	<u>\$(.8 M)</u>	<u>8.2 M</u>
TOTAL GENERAL FUND RESERVES	<u>\$20.5 M</u>	<u>\$(1.4 M)</u>	<u>\$19.1 M</u>

\$(1.6M) FY EST DEFICIT



FY 10-11 OTHER FUNDS MID-YEAR REVIEW



IRWINDALE COMMUNITY REDEVELOPMENT AGENCY

REVENUES:

- Tax increment on track to meet budget:
 - 80% monies - \$14.3 million
 - Low/Mod - \$3.5 million
- **Mid-year Adjustments needed:**
 - SERAF loan repayment between CRA Funds (\$1.2M)
 - Low Mod funds interest income lower than planned – SERAF loan to CRA and lower interest rates (\$102K)



IRWINDALE COMMUNITY REDEVELOPMENT AGENCY

EXPENDITURES:

- Pass through payments and most other operating costs on track for budget
- **Mid-Year Adjustments Needed:**
 - SERAF Loan Repayment between CRA funds (\$1.2M)
 - Increase Legal Fees for Agency/Low Mod due to work involved with increased project activity/redevelopment issues (\$20,000)
 - Other operating items (appraisals, County admin fees \$135K)
 - Reallocate and adjust budgets due to correction of fund accounting (Net effect is zero to CRA)



SPECIAL MINING FUND

REVENUES:

- Excavation and Processing Taxes are on track to meet budget (\$2.2M)
- **Mid-year Adjustment needed:**
 - Interest income tracking lower than planned due to lower rates (\$48K)



SPECIAL MINING FUND

EXPENDITURES:

- **Mid-Year Adjustments Needed:**

- Reduce legal services budget, reduced activity on entitlements and other legal matters (\$50K)
- Similar to General Fund, leave cash outs for employees charged to this fund are tracking higher than budget (\$13K)



OTHER FUND MID-YEAR ADJUSTMENTS NEEDED

Fund	Description	Amount
Housing Authority	Increase legal budget – addt'l work Las Casitas	\$30,000
Reclamation Fund	Decrease legal budget – reduced activity	\$(5,000)
AB939	Increase legal budget – hauling agreements	\$10,000
AB939	Increase leave cash outs – higher activity	\$7,000



NATIONAL, STATE AND LOCAL ECONOMIC CONDITIONS

NATIONAL ECONOMY

- United States unemployment rate is currently 9.4%, will decline slowly, reaching 9% in 2011 and low “eights” in 2012.
- 8.4 million jobs disappeared in 2008-2009, only 1.1 million were restored in 2010.
- Federal budget deficit narrowed slightly to \$1.3 Trillion from \$1.4T. 2012 is expected to be \$1.5T





STATE BUDGET DEFICIT

- 2010-2011: \$ 8.2 billion deficit
- 2011-2012: \$17.2 billion deficit
- Total deficit to be addressed in FY 2011-12 budget plan = \$25.4 billion
- Primarily based on expiration of one-time and temporary budget solutions, weak economic recovery and lack of federal funding.

STATE ECONOMY



- Unemployment rate at 12.4%, businesses reluctant to hire until certainty of better times.
- Spending by consumers up (12.9%) in 2009; +6.6% in 2010, Car dealers are experiencing moderately better sales.
- New home construction continues in a near-depression state. Timing of upturn unknown.
- New "Green" requirements (AB 32) will raise uncertainty in business climate due to higher energy costs in not so distant future.
- CA population on the upswing; 39.5 M by mid 2012 (increase 350K annually); will help retail sales and boost residential construction.

Local Economic Forecast



- Los Angeles County unemployment estimates an Average 11.6%-2011, 10.5%-2012, 9.3%- 2013
- Sales Tax Receipts from 3rd Qtr 2010 are 8% higher than prior year while the County overall compares with a 2.8% increase. Mainly due to fuel and County pool activity. Still down 29.4% from our 3rd Qtr 2007. Estimates for 11/12 are flat.
- Property assessed values dropped 2.9%, as compared to County drop of 1.7% (2009 most current data). Property owner appeals have spiked, could lose up to \$2M in next couple of years. Irwindale has no foreclosures.
- Median Home Sales Price = \$280,000 (\$440,000 during bubble)



FY 2011-12 BUDGET PLANNING/CHALLENGES

- Kick off to Departments starts this week
- Incorporating all savings from negotiations, including retirements
- Continued mantra to maintain existing frozen positions and find savings wherever possible
- Staffing challenges: providing same level of services with less people
 - **08/09 – 98 FT Positions-----11/12 – 80 FT Positions**
 - **08/09 – 24 PT Positions-----11/12 – 19 PT Positions**

LOSS OF 23 POSITIONS CITYWIDE (19%)



FY 2011-12 BUDGET PLANNING/CHALLENGES

- Aging infrastructure and equipment
- Rising costs of resident RX/vision program, health insurance, pension costs, liability and workers' compensation insurance and utility costs.
- Revenues remaining relatively flat, minimal increases
- City in flux, awaiting State Budget Adoption



QUESTIONS?