

## Early Snapshot General Subfund Budget Picture 2009 – 2012

### Overview:

- The City Budget Office (CBO) typically prepares a formal economic and budget forecast in April of each year (followed by updates in July and October)
- Knowing the budget challenges currently facing the City, Mayor McGinn asked CBO in January to conduct an early assessment of the City's General Subfund budget position
  - This is a *preliminary* assessment and is subject to change – books for 2009 have not yet closed; not even one month into 2010

### Results:

- Based on data through November, 2009 revenues – primarily sales tax and B&O tax – are performing weaker than forecast
  - Creating a potential 2009 shortfall of \$3 – 4 million
  - Causing concern about stability of 2010 revenue projections and creating a *potential* need for mid-year reductions in 2010
- Current snapshot projects a \$50 million deficit for 2011, up from approximately \$40 million when the 2010 budget was adopted

#### 2011 Deficit Crosswalk (\$ in millions)

	Amount
<b>Economic Factors</b>	
Gap between growth rate of revenues and expenditures	
2011 revenues projected to grow at 1.2%; expenditures by 2.4%	10.4
Additional decline in revenues from previous forecast	5.0
Subtotal	<b>15.4</b>
<b>One-Time Balancers for 2010 Adopted Budget</b>	
Draw down of the Rainy Day Fund*	11.3
Use of one-time debt proceeds to pay on-going debt service	3.0
Furlough savings**	6.6
Other one-time resources, including revenues, stimulus grants & fund balances	8.1
Subtotal	<b>29.0</b>
<b>Anticipated Expenditure Changes</b>	
Miscellaneous and technical expenditure changes	5.8
Subtotal	<b>5.8</b>
<b>TOTAL</b>	<b>50.2</b>

\* In addition, approximately \$10 million of the Rainy Day Fund was used to balance the 2009 budget. In adopting the 2010 budget, Council restored \$5 million of the Rainy Day Fund. Today, only about \$10 million of the Rainy Day Fund remains.

\*\* This is considered one-time for deficit calculation purposes because continuation of furloughs requires agreement from labor unions and without furloughs salaries revert back to their full level.

- Assuming the projected \$50 million deficit for 2011 is solved with permanent and on-going solutions, 2012 budget is currently anticipated to be a ‘status quo’ budget – no need for additional reductions, but also no room for new or expanded programs
  - The deficits are caused by economic conditions; not structural issues
  - The extent that one-time balancing strategies are employed for 2011, that deficit amounts shift to 2012 and will require additional reductions

### **Important Caveats:**

- This snapshot is *subject to change* as we obtain additional 2009 year-end budget data and as we monitor the health of the economy.
  - This snapshot assumes a *modest* economic recovery begins in the 2<sup>nd</sup> quarter of 2010; a delay in the recovery or a ‘double-dip’ could cause these deficit projections to increase

### **Next Steps:**

- The City Budget Office continues to closely monitor the budget and economic conditions
- *If* mid-year reductions are required as a result of *current* trends, will provide direction to departments in early April; if conditions change could have impacts later in the year
- Revised economic and budget forecasts will be available in April
- General Subfund not the only fund facing challenges; many other funds also seeing revenue shortfalls
- Working with the Mayor’s Office to develop budget strategies to address the deficit
- Intend to collaborate with the Council on public engagement in the budget process
- Mayor’s proposed biennial budget will be transmitted to the Council on September 27, 2010

### **Questions?**