



Revised

Fiscal Year 2011 – 2015

Five-Year Financial Outlook

April 21, 2010



FY 2011-2015 Revised Five-Year Financial Outlook

Revenue Assumptions

- Forecasted economic stabilization in FY 2011 and strengthening of economic factors in FY 2012 and future years
- Modest revenue growth in major and departmental revenues
- Elimination of \$42 M in one-time revenues used as mitigation efforts in FY 2011
- No tax increases used in revenue forecast



FY 2011-2015 Revised Five-Year Financial Outlook

Expenditure Assumptions

- No increase in salaries & wages for City employees
- Continued funding for priority areas
- Resume contributions to reserves in FY 2012
- Modest or no increase in expense costs for energy / utilities, supplies / services, and other City non-labor expenses



FY 2011-2015 Revised Five-Year Financial Outlook

Projected Budget Deficit for 2012

- FY 2012 deficit in October 2009 Outlook was \$158.8 million
- Revised deficit is \$72.5 M in FY 2012 with declining deficits in FY 2013-15 (\$68.4 M, \$69.9 M, \$48.1 M)
- Improved outlook is the result of ongoing budget adjustments from the FY 2011 December'09 budget actions and the Revised FY 2011 General Fund Proposed Budget and improved revenue growth



FY 2011-2015 Revised Five-Year Financial Outlook

(in millions)

| Projected Budget Deficit FY 2012 - 2015 | | | |
|--|------------------|------------------|------------------|
| General Fund Revenues | | | |
| FY 2012 | FY 2013 | FY 2104 | FY 2015 |
| \$ 1,073.8 | \$ 1,101.7 | \$ 1,134.4 | \$ 1,169.9 |
| General Fund Expenditures | | | |
| FY 2012 | FY 2013 | FY 2104 | FY 2015 |
| \$ 1,118.6 | \$ 1,131.6 | \$ 1,145.1 | \$ 1,159.1 |
| Incremental Adjustments | | | |
| FY 2012 | FY 2013 | FY 2104 | FY 2015 |
| \$ 27.8 | \$ 38.5 | \$ 59.2 | \$ 58.9 |
| Projected Budget Deficit | | | |
| FY 2012 | FY 2013 | FY 2104 | FY 2015 |
| \$ (72.5) | \$ (68.4) | \$ (69.9) | \$ (48.1) |



FY 2011-2015 Revised Five-Year Financial Outlook

Revenue Growth

- Net revenue increase in FY 2012 \$23.1 M
- Excludes one-time revenues of \$41.6 M

Property Tax

- Growth rates in FY 12-15: 3%, 3%, 4%, 4%
- Slow recovery in the local housing market; increase in residential values, decline in commercial values

Sales Tax

- Growth rates in FY 12-15: 4%, 4.5%, 5%, 5.5%
- Expected stabilization in the local economy & in discretionary spending by consumers on taxable goods



FY 2011-2015 Revised Five-Year Financial Outlook Revenue Growth (cont'd)

Transient Occupancy Tax

- Growth rates in FY 12-15: 2%, 3.5%, 4%, 4.5%
- Expectation of slower economic recovery and its effect on tourism in San Diego
- Concerns about the high level of unemployment and low consumer confidence affecting tourism trends

Departmental Revenues

- Flat or modest increase in departmental revenues



FY 2011-2015 Revised Five-Year Financial Outlook

Expenditure Assumptions

- Total City ARC in FY 2012 is \$257.7 M based on a 7.75% annual return (\$200.4 million General Fund portion); ARC growth rate of 4% annually for FY 2013-2015.
- Restructuring of McGuigan Settlement - \$8.0 M debt service payment in FY 2012-2015
- No salary increases for City employees and the continuation of the 6.0% compensation reductions
- Vacancy savings built into FY 2011 baseline; vacant positions not funded



FY 2011-2015 Revised Five-Year Financial Outlook

Expenditure Assumptions (cont'd)

- Supplies & Services 1.5% increase in FY 2012-2015
- Energy 5% increase in FY 2012-2015
- IT & Capital Outlay – no growth assumed in FY 2012-2015
- Deferred Capital Projects (FY 2012 & FY 2014 bond issuances of \$120 M each year with \$20 M in each issuance for ADA projects). Related debt service included in the Outlook.
- Funding included for operating new facilities (Park & Rec; Fire Department)
- Community Plan Updates \$0.8 M in FY 2012-2015



FY 2011-2015 Revised Five-Year Financial Outlook

Reserve Funding

- Includes funding to reach General Fund target of 7.5% in FY 2012 & 8.0% in FY 2013-2015.

Contributions for FY 12 -15 are \$3.4, \$7.6, \$2.6, \$2.8 *

- Includes funding to reach 50% goal of outstanding liabilities for Workers' Compensation and Public Liability Funds in FY 2018.

Contributions for Public Liability Fund for FY 12 -15 are \$5.7 per FY *

Contributions for Workers' Compensation Fund for FY 12 -15 are \$5.1 per FY for General Fund (\$6.2 entire City) *



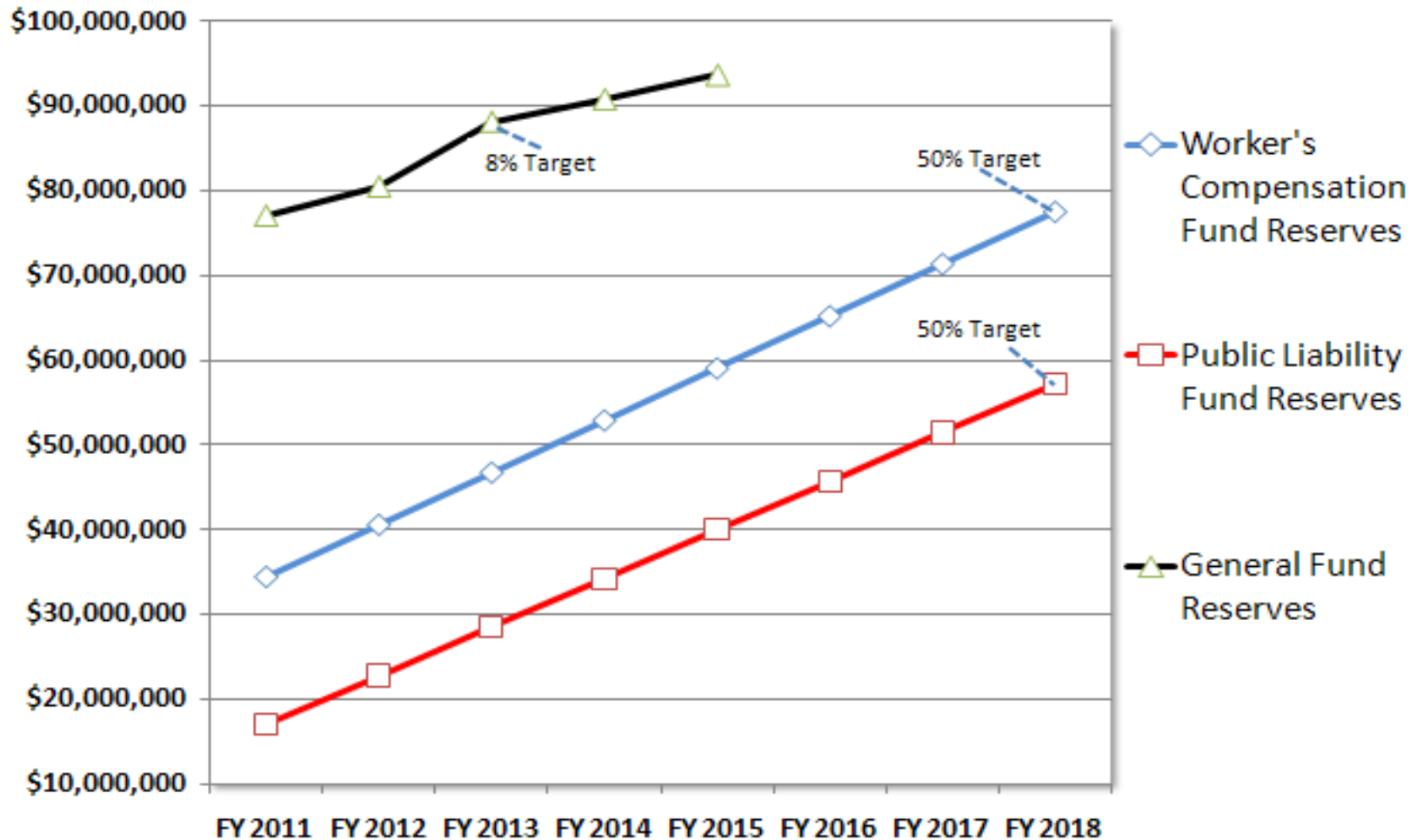
FY 2011-2015 Revised Five-Year Financial Outlook Reserve Funding (cont'd)

TOTAL PROJECTED RESERVE FUND BALANCES

| <i>\$ in Millions</i> | Workers' Compensation Fund Reserves* | Public Liability Fund Reserves | General Fund Reserves |
|-------------------------------|--|-----------------------------------|--------------------------|
| FY2011 Current Balance | \$ 34.3 | \$ 17.1 | \$ 77.1 |
| FY2012 Projected Balance | \$ 40.5 | \$ 22.8 | \$ 80.5 |
| FY2013 Projected Balance | \$ 46.7 | \$ 28.5 | \$ 88.1 |
| FY2014 Projected Balance | \$ 52.8 | \$ 34.3 | \$ 90.8 |
| FY2015 Projected Balance | \$ 59.0 | \$ 40.0 | \$ 93.6 |

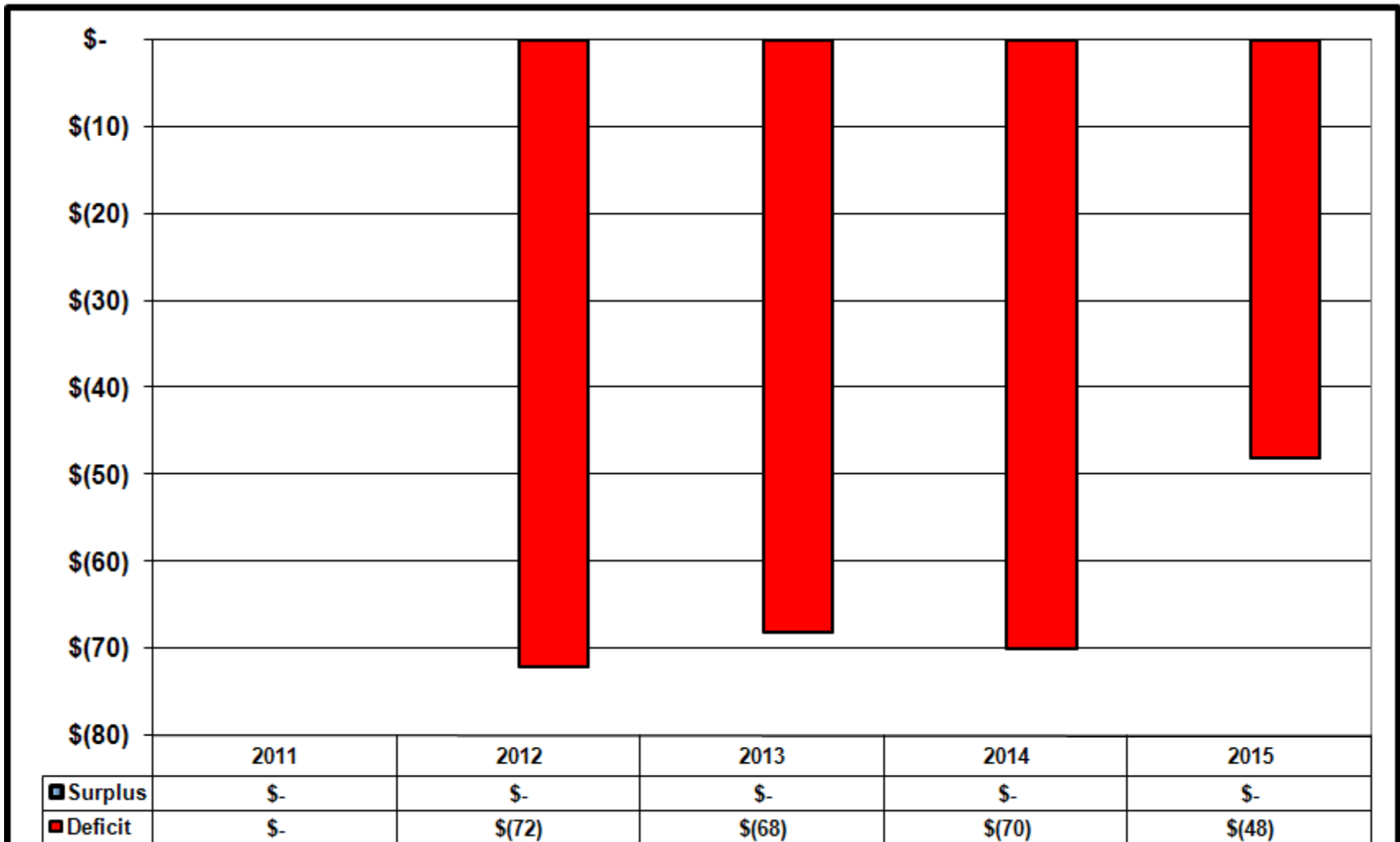


FY 2011-2015 Revised Five-Year Financial Outlook Reserve Funding (cont'd)





FY 2011-2015 Revised Five-Year Financial Outlook Annual Operating Surplus / (Deficit)





Revised FY 2011-2015 Five-Year Financial Outlook

QUESTIONS?

April 21, 2010