

# Budget Retreat 2009

City of Knoxville

# FY 07/08 Results

	FY 07/08 Adopted Budget	Forecast As Of 12/31/2007	Actual FY 07/08
Revenues	159,000,710	161,055,660	167,954,357
Expenditures	126,535,120	124,587,000	125,505,391
Net Transfers	(32,465,590)	(40,878,430)	(39,458,792)
Revenues/Sources Over Uses	0	(4,409,770)	2,990,174
Beginning Fund Balance	46,565,820	46,565,820	46,565,820
Ending Fund Balance	46,565,820	42,156,050	49,555,994

# Reasons for FY 07/08 Variance

## ■ Increased Revenues

- Real property taxes \$1.45 million above forecast
  - Another higher collection rate
- Stronger than expected business taxes (+480,000)
- Very high collections from Hall Income Tax
  - Up \$3.8 million compared to forecast

## ■ Transfers were less than forecast

- Continued savings by the Departments

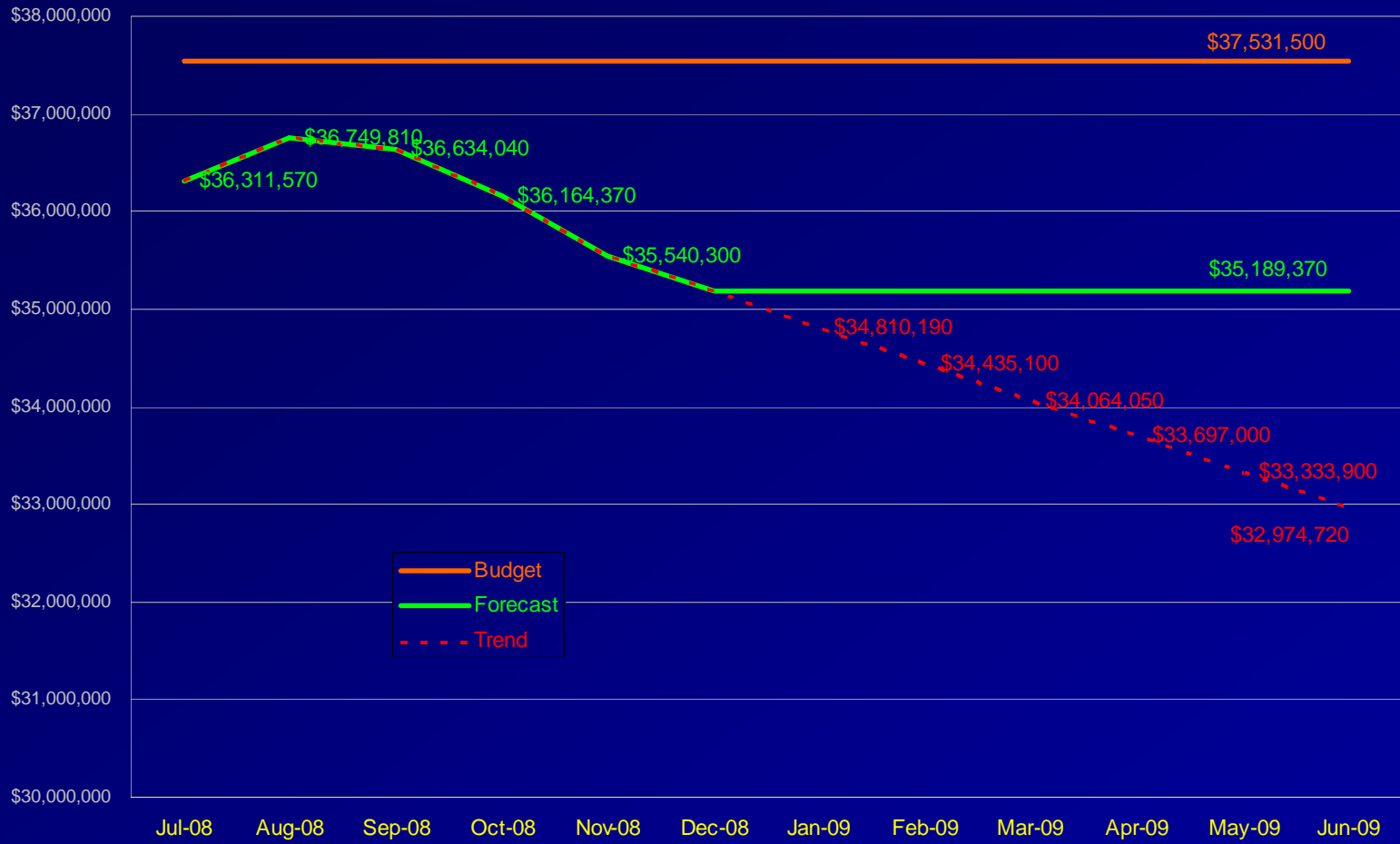
# Results as of 12/31/08

Revenues	65,084,353
Expenditures	71,802,501
Net Transfers	(16,217,505)
Revenues/Sources Over Uses	(22,935,653)
Beginning Fund Balance	49,555,994
Ending Fund Balance	26,620,341

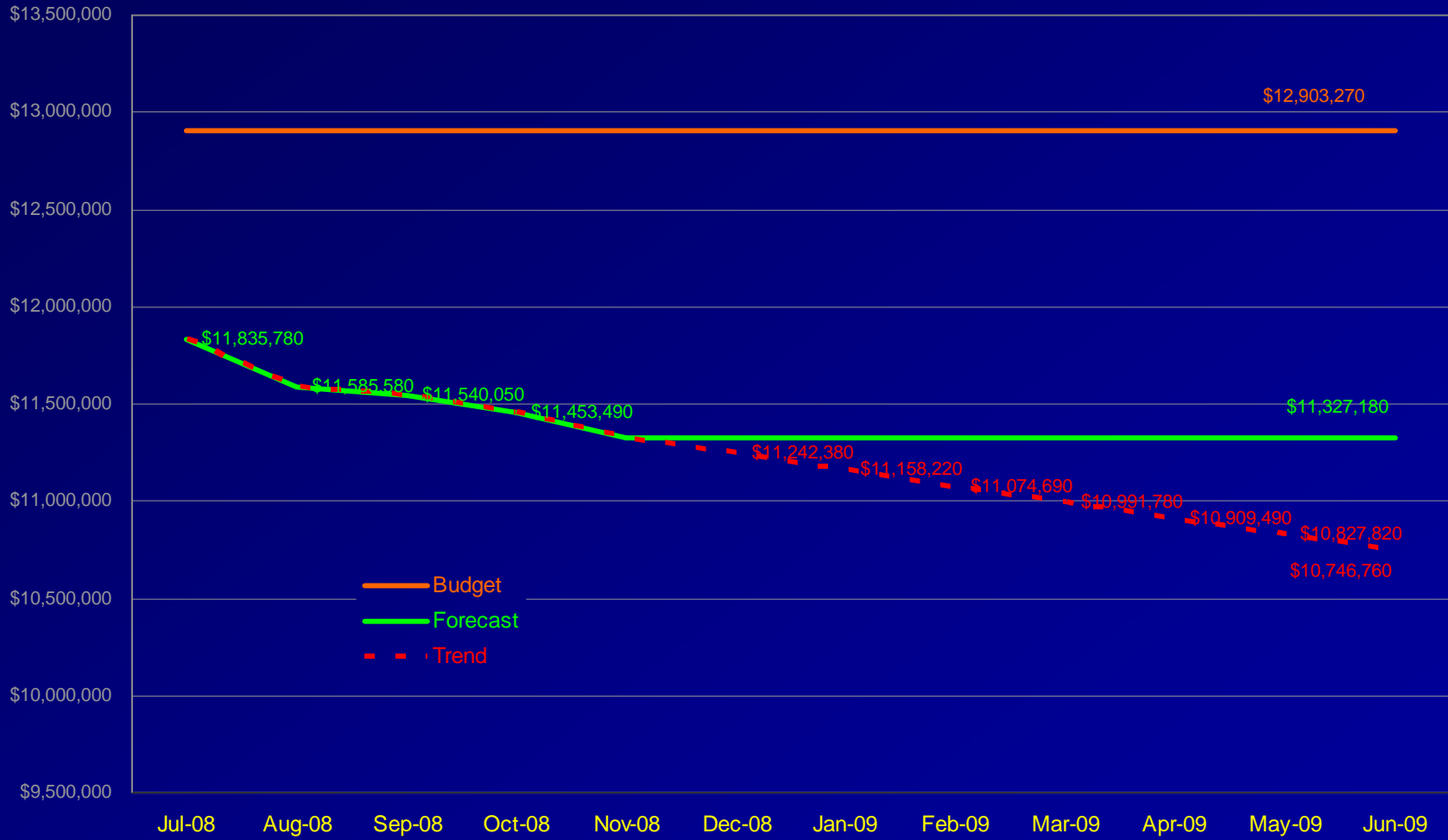
# Forecast Ending 6/30/09

Revenues	161,041,830
Expenditures	128,323,080
Net Transfers	(32,960,080)
Revenues/Sources Over Uses	(241,330)
Beginning Fund Balance	49,555,994
Ending Fund Balance	49,314,664

## Local Option Sales Tax Forecast FY 08/09



## State Shared Sales Tax Forecast FY 08/09



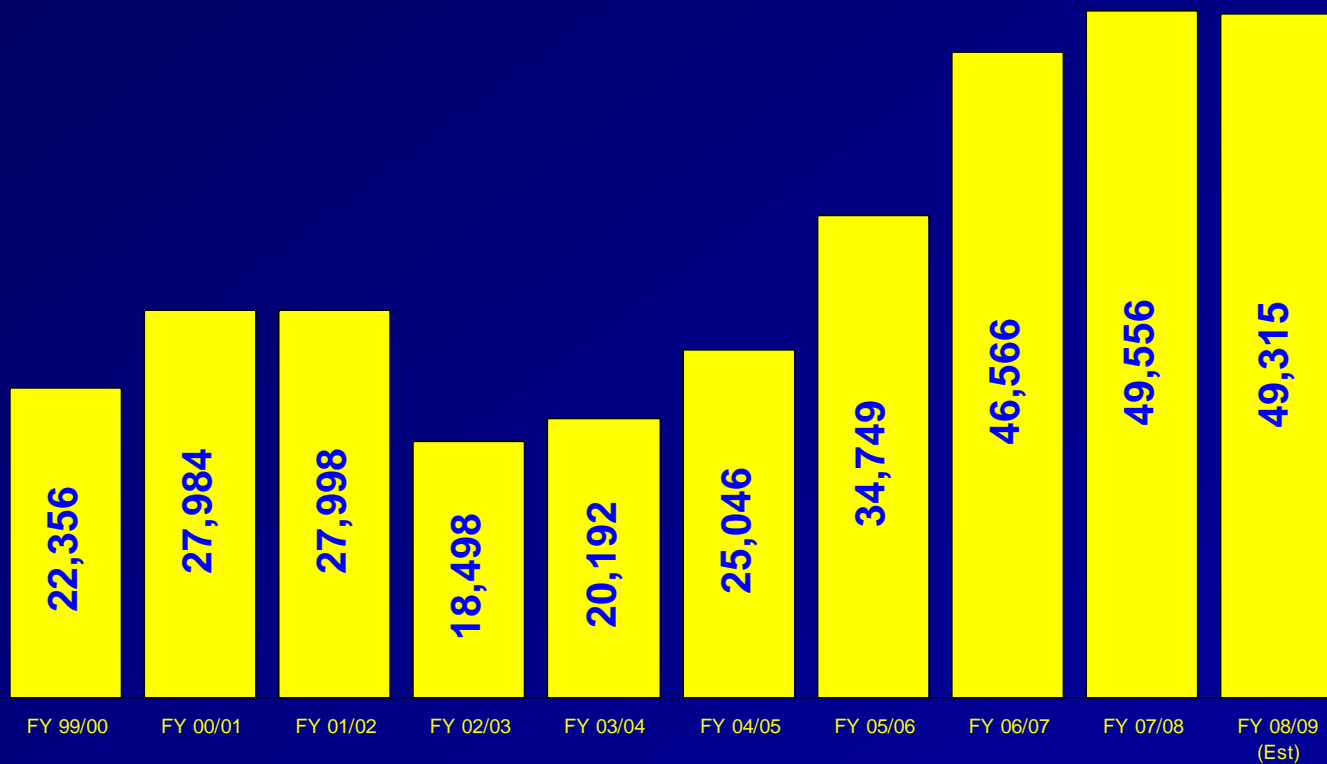
# FY 08/09 Revenues

- Expect to end the year with a negative variance of \$3.0 million compared to budget
- Strength in real property taxes and public utility taxes
  - Taxable assessed values came in higher than estimated
- Business taxes expected to be down for the year
- Local sales taxes and state shared sales taxes have dropped
  - Significant downside risks in last half of the year
- Interest earnings expected to continue to decrease
- Building permits are off, deficit expected in the fund
- Gas taxes expected to be \$400,000 below budget
- Hotel/motel taxes down

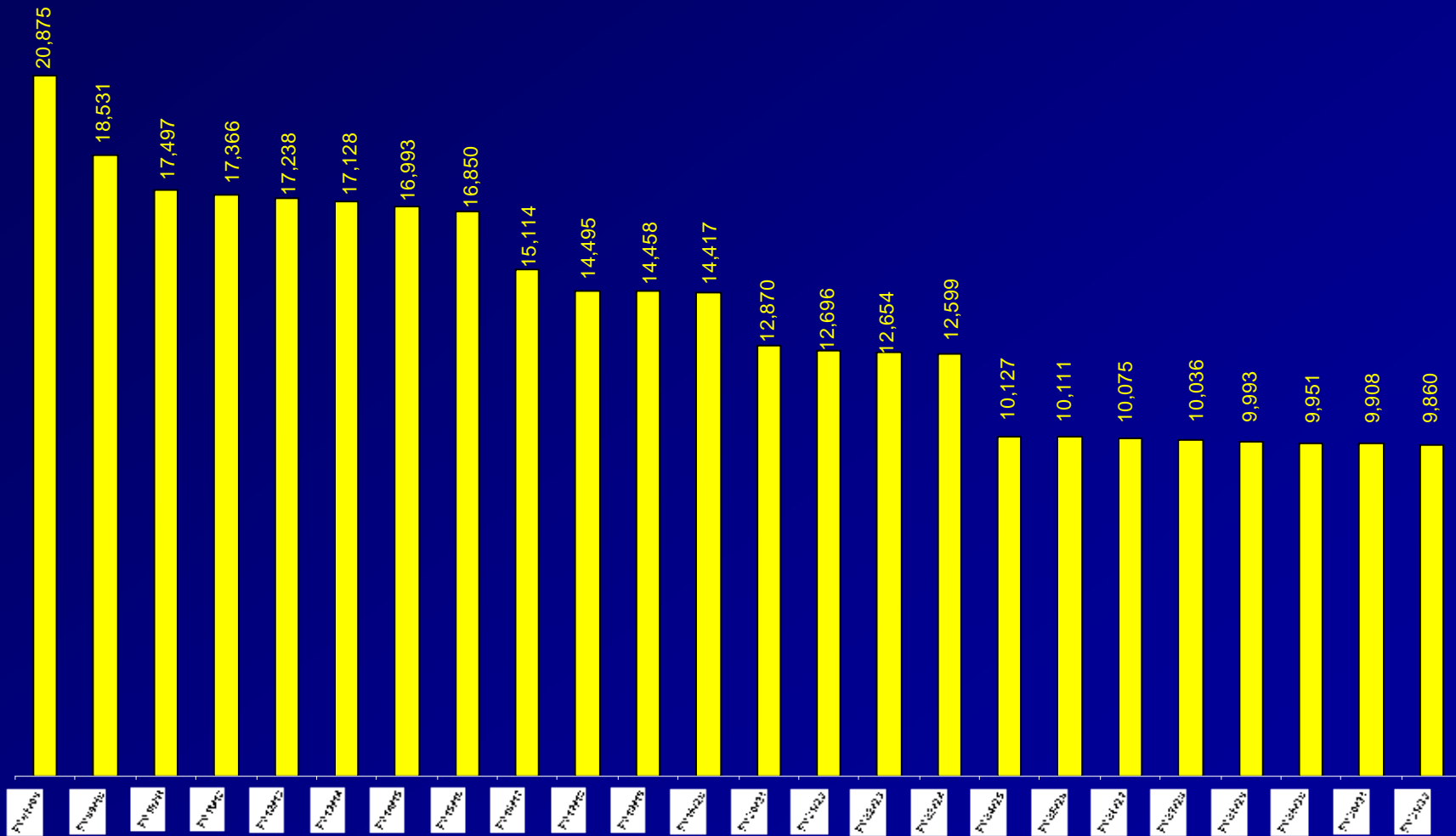


# General Fund Fund Balance

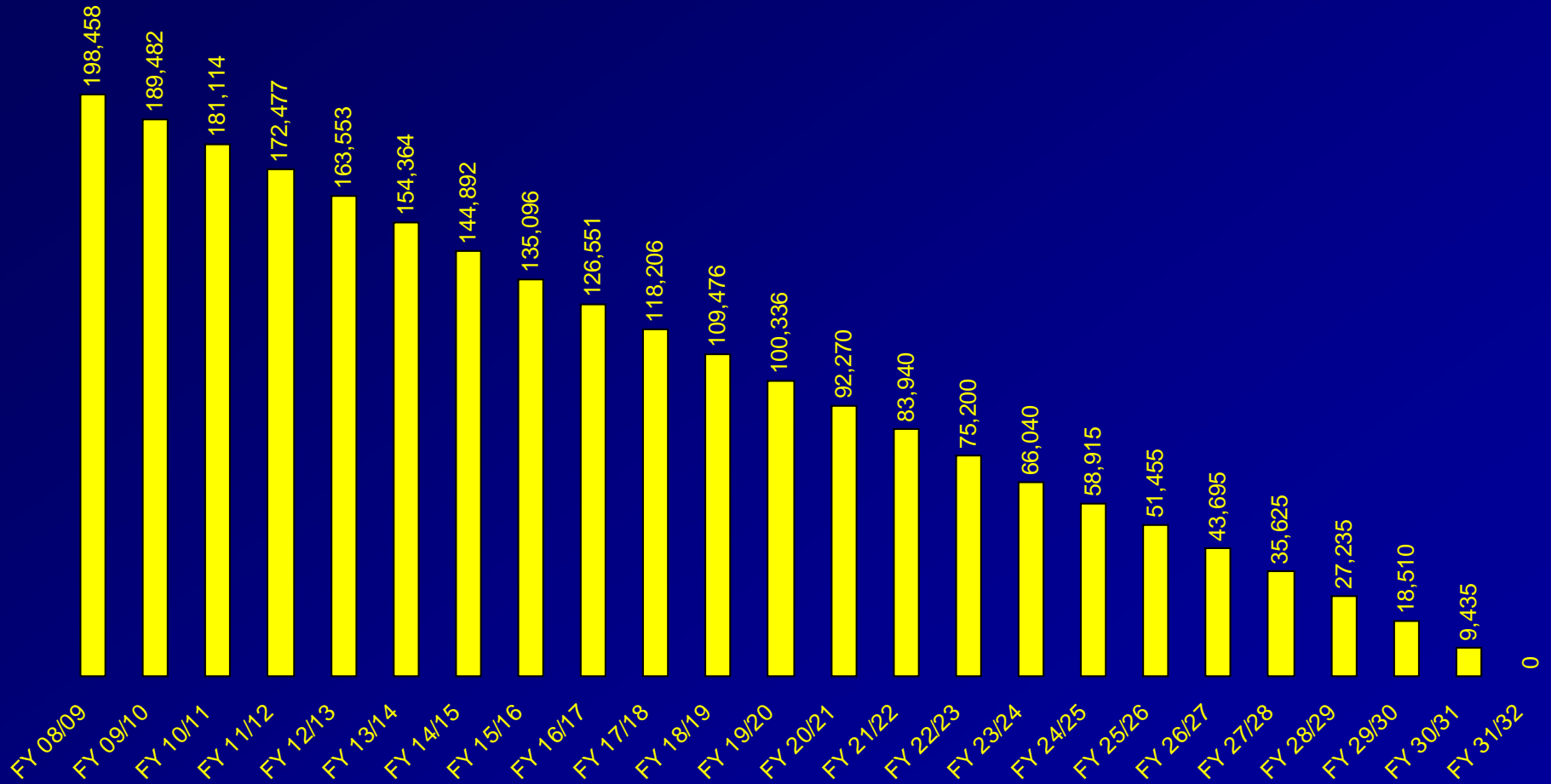
(In \$1,000's)



# Debt Service Payments FY 08/09 – FY 31/32



# Debt Service Balances FY 08/09 – FY 31/32



# Debt Ratings

- Fitch/ICBA AA+
- Moody's Aa2
- Standard & Poor's AA+

# FY 09/10 Budget Issues

- Lower revenue base
- Limited growth to negative forecast for revenues
- Compensation plan
- Minimum wage increase
- Pension
- Fuel/Energy Costs
- Stormwater requirements
- KAT
- Council elections
- State actions

# The Budget Calendar

- February 16– Budget Retreat
- Feb. – March – Departments submit budget requests, base numbers calculated, capital budget prepared
- April 1 – April 2 – Mayor’s budget hearings
- April 9 – MPC Hearing on Capital Improvement Program
- May 1 – Mayor’s budget submitted
- May 5 – First reading of budget and tax ordinances
- May 6-18 – Council Workshops, Public Hearing (to be determined)
- May 19 – Second reading of budget and tax ordinances

## Implementation Plan

- The City plans to implement increases over a 3 year period to alleviate compression and bring employees to proper market positioning
- These models allow for all three employee groups to be at market for total compensation at the end of the 3 year period
- The annual 2.5% across-the-board increase will be applied July 1 of each year for all employees

	Year 1 Implementation Cost	Year 2 Implementation Cost	Year 3 Implementation Cost	Total
2.5% annual adjustment cost	\$1.800K	\$1.845K	\$1.891M	\$5.536M
Total Incremental Cost with Fringe*	\$1.111K	\$1.201M	\$1.493M	\$3.805M

\*Incremental cost over and above 2.5% annual adjustment