City of Chelsea

Five Year Financial Forecast for Fiscal Years 2008-2012 and Preliminary FY'08 Budget Overview

Presented to the City Council

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March 27, 2007

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Charter Requirements

- Annual "Financial Procedures" are mandated by the City Charter.
  - Review of the financial condition of the City prior to the commencement of the budget process.
  - Submission and adoption of an Operation Budget.
  - Submission and Adoption of a Capital Improvements Program (CIP).
  - Creation of an Annual Audit.
  - Preparation of a Long-Term Financial Forecast.

- Adherence to Financial Procedures ensures the status of the City's finances for the present and future and identifies areas of need or concern going forward.

- The budget process will begin with the submission of the Operating Budget for FY'08 to the City Council by May 1st; the CIP has been submitted, and the Annual Audit for FY'06 has been completed.

- This Five Year Financial Forecast meets the requirements of a pre-budget financial review and a Long-Term Financial Forecast.

- In addition to the Charter requirements, the City also maintains a Three Year Budget Plan for FY'06-FY'08. Information from the Five Year Financial Forecast is used to update the Three Year Budget Plan.

Five Year Financial Forecast
Revenue and Expenditure Summary

GENERAL FUND	Projected FY2008	Projected FY2009	Projected FY2010	Projected FY2011	Projected FY2012
REVENUES:					
Taxes	34,631,838	36,790,196	39,356,696	41,759,791	43,842,873
Charges for Services	1,807,885	1,872,425	1,940,112	2,010,981	2,085,035
Licenses & Permits	1,904,510	1,596,410	1,227,210	1,227,210	1,227,210
Fines & Forfeits	1,568,600	1,633,600	1,633,600	1,633,600	1,633,600
Intergovernmental - State Cherry Sheet	68,271,870	69,391,273	70,544,821	71,728,194	72,950,275
Intergovernmental - Federal	700,000	600,000	600,000	600,000	600,000
Interfund Operating Transfers	2,299,364	2,336,098	2,087,751	1,862,344	1,901,903
Miscellaneous	1,501,000	1,501,000	1,501,000	1,501,000	1,501,000
Total Revenues	112,685,067	115,721,002	118,891,190	122,323,120	125,741,896

	Projected FY2008	Projected FY2009	Projected FY2010	Projected FY2011	Projected FY2012
EXPENDITURES:					
General Government	3,341,161	3,429,752	3,520,709	3,625,953	3,734,345
Public Safety	16,177,121	16,589,479	17,012,384	17,522,179	18,047,254
Education	61,166,438	62,396,275	63,656,763	64,948,667	66,272,769
Public Works	4,988,171	5,131,684	5,279,349	5,437,503	5,600,396
Health & Human Services	1,161,651	1,192,628	1,224,437	1,261,149	1,298,961
Debt Service	10,009,919	9,735,251	9,095,746	8,923,608	8,482,752
Employee Benefits	11,896,030	12,746,120	13,829,405	15,032,081	16,368,730
General Liability Insurance	528,506	544,362	560,692	577,513	594,839
Judgements	25,000	25,000	25,000	25,000	25,000
State Assessments Non-School	2,223,723	2,290,435	2,359,148	2,429,922	2,502,820
State Assessments School	2,376,998	2,448,308	2,521,757	2,597,410	2,675,332
Total Expenditures	113,894,720	116,529,293	119,085,389	122,380,984	125,603,198
Surplus (Deficit)	**(1,209,652)**	**(808,291)**	**(194,199)**	**(57,864)**	**138,699**

Five Year Financial Forecast
Revenue and Expenditure Summary

	FY'08	FY'09	FY'10	FY'11	FY'12
Revenue $	112,685,067	115,721,002	118,891,190	122,323,120	125,741,896
% Change	6.61%	2.69%	2.74%	2.89%	2.79%
Expenditures $	113,894,720	116,529,293	119,085,389	122,380,984	125,603,198
% Change	5.43%	2.31%	2.19%	2.77%	2.63%
Surplus / (Deficit)	(1,209,652)	(808,291)	(194,199)	(57,864)	138,699

Understanding the Numbers

REVENUES

- House 1, Governor Patrick's State Budget recommendation for FY'08, increases Lottery Aid by $111,943, or 1.7%, and level funds Additional Assistance at $3.4 M.
- Chapter 70 School Aid increases by $4,308,723, or 9.8%, under House 1.
- The future of Local Aid for FY'09-'12 is difficult to predict. For planning purposes the City is assuming for those years: no increase in Additional Assistance, a 3% annual average increase in Lottery Aid and a 2.5% annual average increase in Chapter 70 School Aid.
- Tax Levy and Levy Limit are projected to grow by 2.5% plus New Growth. New Growth projections are increasing substantially over past years as a result of pending residential development activity. The Overlay provision is 2% of the prior year levy.
- Fines & Forfeits projections are reduced based upon the experiences of previous years, while Licenses & Permits are expected to fluctuate at higher levels as a result of building fees associated with the pending residential development activity. Trash fees are expected to rise in the area of 4.70% yearly.
- Interest on Investment is projected to drop modestly.

Understanding the Numbers

EXPENSES

- Salary Costs reflect a 2% increase to meet contractual obligations through FY'08 with seven of the City's eight bargaining units (negotiations continue with the final unit) . For planning purposes, Salary Costs are assumed to rise by 2.5% for FY'09 and FY'10 and 3% in FY'11 and FY'12.

- Health Insurance rates will increase by 3.65%,exclesive of schools, for FY'08, however, as a result of a increase in employee contribution to health insurance from 10% to 15%, Health Insurance costs to the City will climb by 3.65%. Costs are projected to increase by 13% annually thereafter.

- Retirement costs are per the PERAC schedule at an average 4.4% over the 5 years, and are reflective of the final payout of the Early Retirement Program adopted in FY'03.

- Overall spending is projected to increase by 5.4% in FY'08, largely as a result of significant State Aid to the Schools. In FY'08, Education spending is projected to increase by 7.6%, while Non-School spending is projected to increase by 3.0%. The Operating Budget, considered Non-School expenses minus Employee Benefits, Debt Service and Assessments, is increasing in 2.2% in FY'08.

- The State Assessment for Charter Schools is increasing dramatically (up $1,202,141), although the increase is moderated, in part, by increased State Aid for Charter Schools (up $790,818).

- Debt Service is based upon current and future infrastructure related costs, and is declining.

Budget Pressures

<u>SUMMARY</u>

- Despite a growing economy, the State and many of its municipalities are still trying to recover from the recent recession and the financial devastation caused by what was arguably the worst municipal finance period in more than 50-years.

- What appears to be a chronic State budget crisis continues to have negative direct and indirect impacts on municipals budgets, including the City's.

- The most significant of those direct impacts is the status of Local Aid, as even the recent announcement of planned increases in Lottery Aid will fail to push non-school Local Aid to pre-recession levels.

- Despite the City's ability to control discretionary spending, Employee Wages and Benefits, most notably Health Insurance and Retirement, continue to create a structural imbalance within the City's budget.

- Health Insurance will continue to increase dramatically, although proposed legislation could reduce that level of growth in the future.

- Retirement assessments, aimed to recover from the lack of funding provided over decades of mayoral administrations, are substantially greater than the projected budget gaps.

Budget Pressures

<u>SUMMARY (continued)</u>

- The City has likely exhausted significant cost-cutting measures, and may only be able to rely upon significant service rollbacks, including, for example, taking a fire piece out of service, reducing library hours or closing the senior center, if other expenditures cannot be controlled and revenues do not increase.
- While employee wages are held in check through FY'08, it is not reasonable to expect that employee unions will continue to accept nominal wage increases too far into the future.
- Non-school Local Aid remains below FY'01 highs, and below FY'84 levels when adjusted for inflation, while other non-property tax revenues, including excise tax and Payments In Lieu Of Taxes (PILOT) receipts, remain stagnant, thereby not growing sufficiently enough to eliminate projected deficits.
- Free Cash and other reserves continue to dwindle, as previous budget deficits, even after budget cutting and revenue enhancing, have needed to be eliminated.
- As reserves dwindle, the City's financial flexibility becomes more restricted.
- Without success on an aggressive economic development plan, one or a combination of three occurrences will need to take place to balance out-year budgets: a depletion of Stabilization balances, deep service cuts and/or a Proposition 2 ½ Override.
- Fortunately, fiscal discipline is holding deficits down while successes on the aggressive economic development agenda appear able to generate building fees and property tax growth sufficient enough to eventually provide a structurally balanced budget in FY'12.

Budget Pressures

BUDGET BUSTERS FY'08 - EXPENDITURES

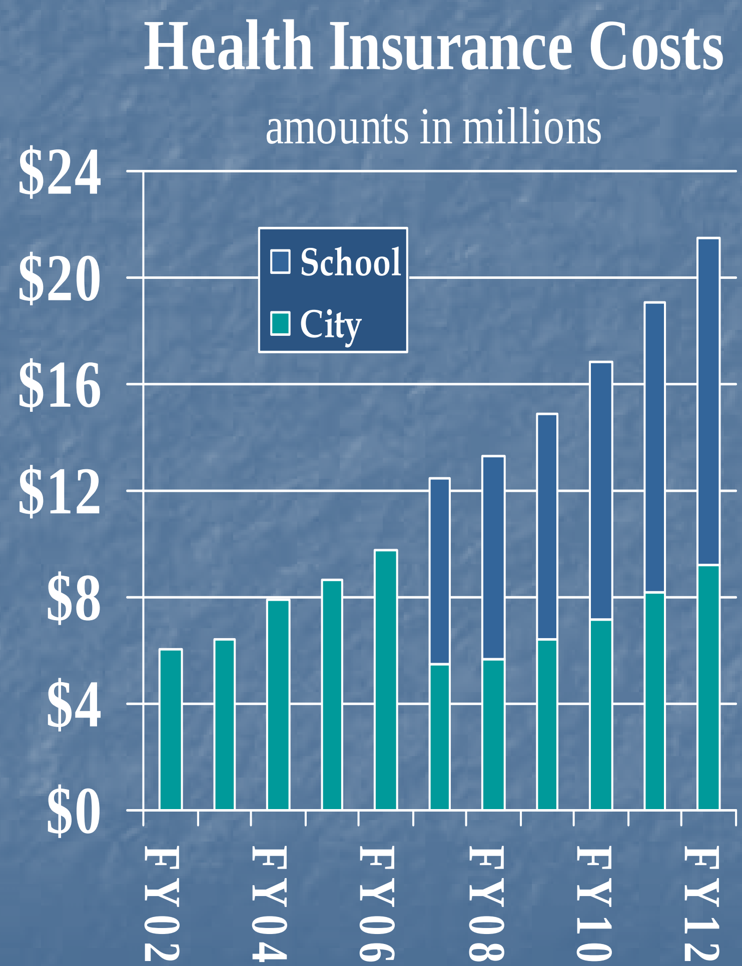
In addition to the budget expansion caused by wage increases, contracts for service, supplies, energy and the like, "Budget Busters" have historically had a significant impact on the City's budgets. In FY'08, the impact of Budget Busters will be:

- Health Insurance, which will *rise* 3.65%, or $199,264, for the City (not including Schools). While premiums have increased by 10.5%, decreasing the City's HMO share from 90% to 85% has contributed to this smaller overall increase. The City, like most other entities, public or private, continues to grapple with double-digit increases and searches, with varying success, for substantive relief.
- Retirement costs are scheduled to *rise* by 6.4%, or $302,417.
- School Choice & Charter School Assessments are *up* a net $433,213, or 79%, as a result of increased out-of-district enrollments. The net amount includes offsets as a result of additional State reimbursements.
- The Northeast Regional Vocational School Assessment is forecast to increase by 2%, or $18,570. Preliminary assessments are not yet available.

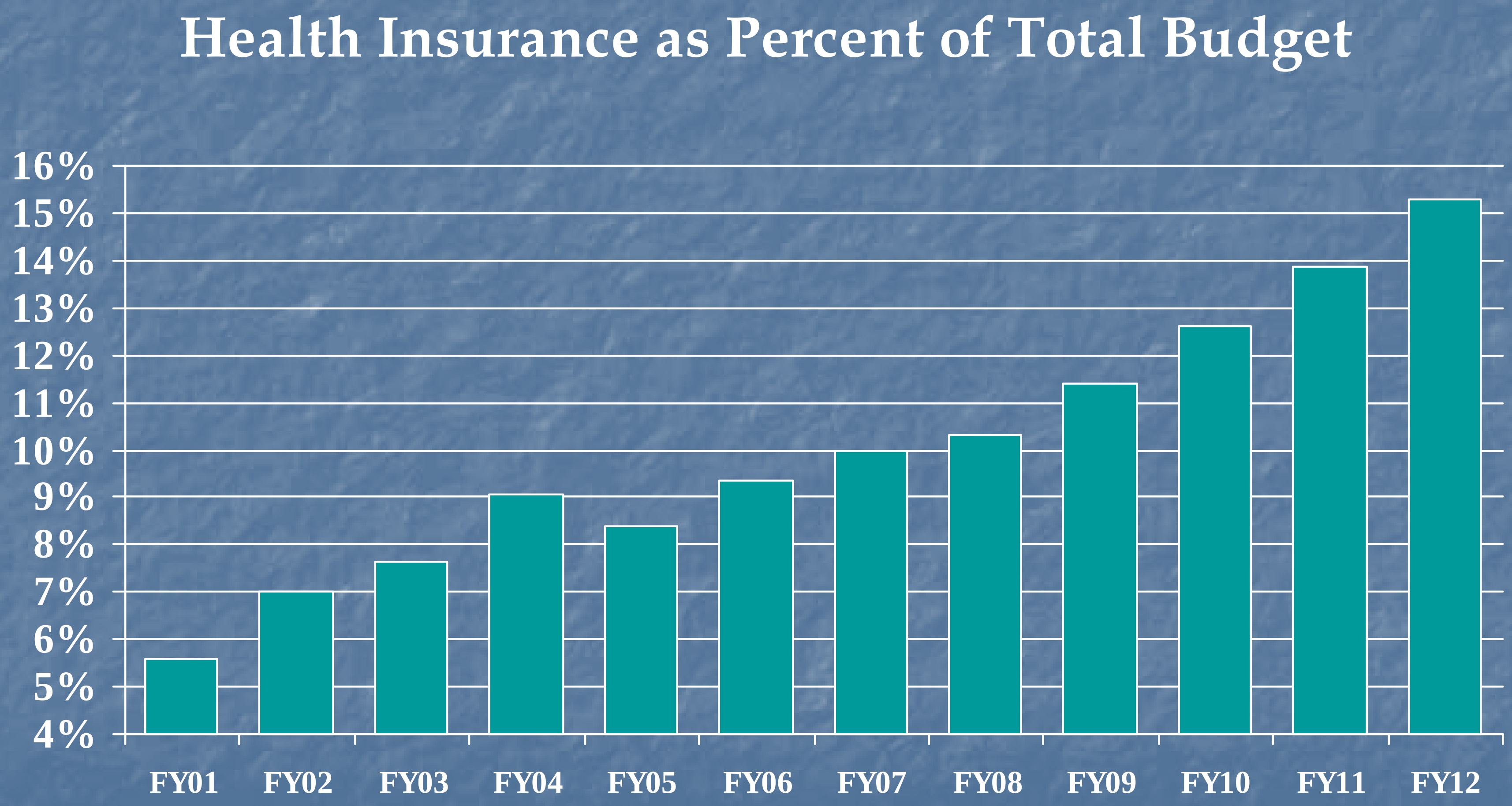
Budget Pressures

Expenditures:

- By contract, the City covers 85% for HMO (down from 90% prior to FY'08) and 75% of Indemnity and Medex costs for employees. The same coverages are provided for eligible retirees.
- In addition, the City has previously attempted to control costs by agreeing to higher co-pays and deductibles, as well as reducing the overall number of plans offered.
- Despite those efforts, Health Insurance has averaged a combined 12.61% increase from FY'01-FY'08 for the City and Schools.
- For FY'08, Health Insurance costs will increase by a projected 3.65% for the City, a reduced increase because of the change in employee contributions.
- In the out years, the City is forecasting increases of 13% annually.
- Given the annual skyrocketing costs, the City has been a leader in addressing the issue on the State level, which has resulted in pending legislation sponsored by Governor Patrick and more than 120 legislators.



Budget Pressures

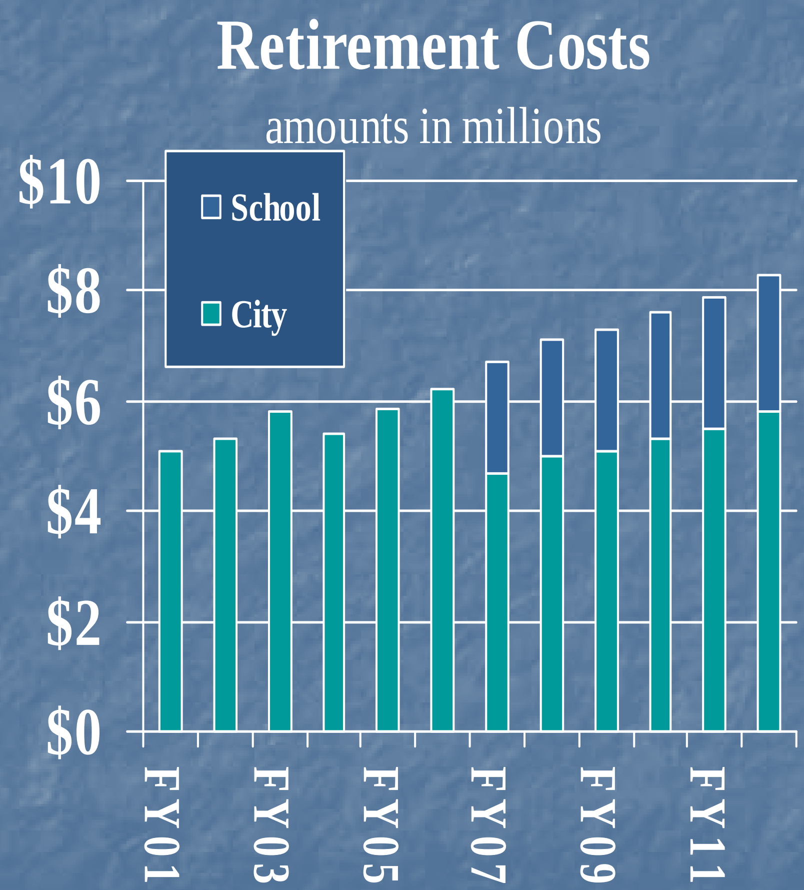


Reflects combined City and School

Budget Pressures

Expenditures:

- The City is required to make annual payments into its Retirement System as a benefit to employees.
- Payments are based upon a schedule which seeks to have the City’s under-funded system fully funded by 2028.
- 64.3% of the total FY’08 charge, or $4,918,730, is a “catch-up” payment required as a result of the failure of mayoral administrations to provide for retirement costs.
- Catch-up payments continue to grow into 2028, including $5,743,507 for FY’12 and $9,959,160 in FY’28.
- Retirement costs have increased by an average of 5.25% from FY’01 to FY’08.
- For FY’08, Retirement is projected to increase by 6.4%, or $302,417.
- For the period FY’08-’12, Retirement will increase on average by 4.05%.



Budget Pressures

BUDGET BUSTERS (NON-SCHOOL) FY'08 - EXPENDITURES

Health Insurance up 3.65%	$199,264
Retirement up 6.4%	$302,417
School Choice/Charter up a net 79%	$433,213
TOTAL	**$934,894**

By comparison, Property Taxes are up $1,553,542

Budget Pressures

BUDGET BUSTERS FY'08 – REVENUES

Contributing as Budget Busters are certain revenue related issues that are either off of historical highs or reducing as a result of general economic conditions, including:

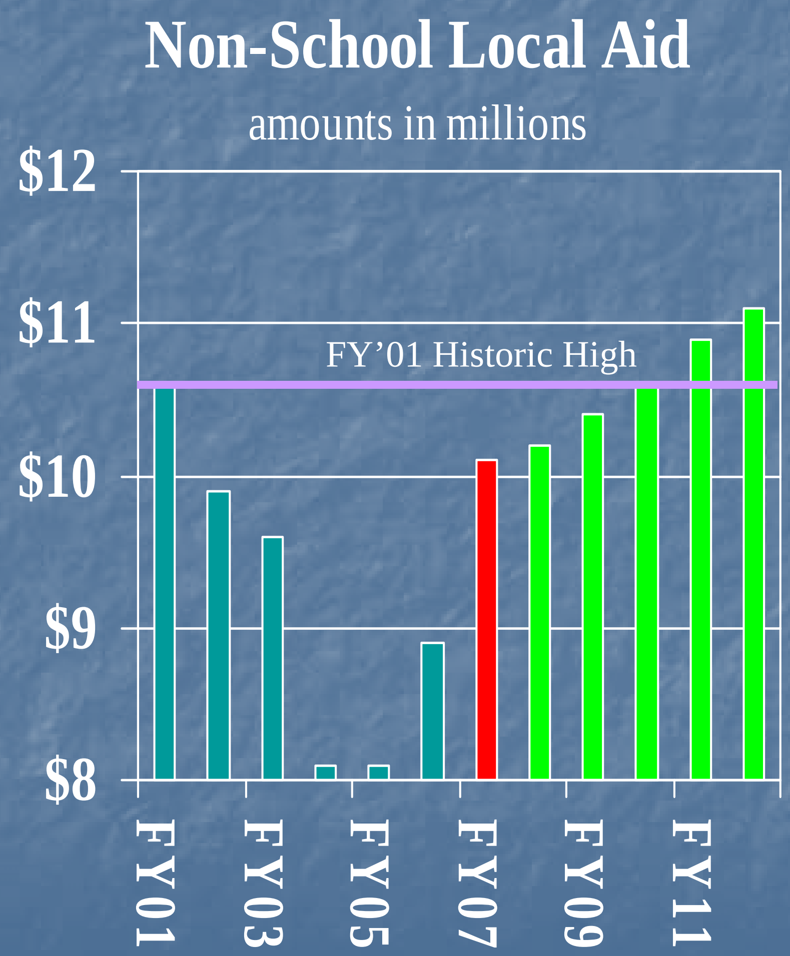
- Lottery Aid is projected to rise by $111,943, or 1.7%, while Additional Assistance is level-funded. The result of the two combined non-school State Aid contributions is $406,000 below FY'01 receipts.

- Projected receipts for Parking Fines, Moving Violations and Parking Meters have been reduced by a combined $310,000 annually to reflect collection experiences from the past several years.

Budget Pressures

Revenues:

- Non-school Local Aid provides funding for general municipal services.
- The two greatest sources of non-school Local Aid are Lottery Aid and Additional Assistance.
- For FY'08, House 1 recommends a 1.1% increase to non-school Local Aid.
- For FY08, the total aid of $10.1 M is $405,655 less than FY'01, or 96% of the historic high for the two accounts.
- The cumulative loss in non-school Local aid revenue from the FY'01 high through FY'08 is $9.3 M (meaning that $9.3 M in Free Cash has been used to make up for Local Aid shortages).
- Non-school Local Aid accounts are very volatile. For planning purposes, the City assumes a 3% increase in Lottery Aid and a 0% increase in Additional Assistance.



Budget Pressures

BUDGET TRENDS FY’08 & BEYOND

On the positive:

- The City’s fiscal discipline continues to provide for budget stability.
- The recession is over and the economy is growing.
- Local Aid is increasing, albeit nominally and still below historical absolute and time adjusted highs.
- Major economic development initiatives, including the City’s 1,200–unit housing goal, are promising, thereby providing the potential for increasing new growth and building permit fees to offset otherwise looming deficits.
- Debt Service is declining.

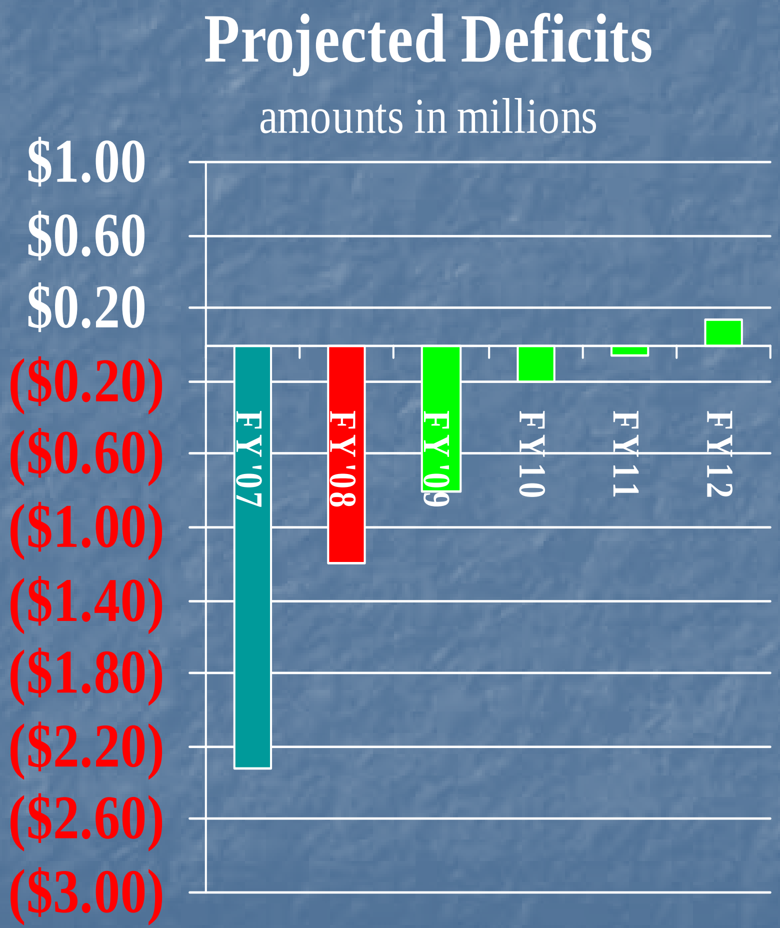
On the negative:

- Health Insurance is increasing 9% (City and Schools combined) for FY’08, and has increased an average of 12.61% for the years FY’01-’08, with no signs of abating in the future.
- Retirement costs continue to expand, by 6.4% in FY’08 and on average by 4.05% for FY’08-’12.
- Labor wage increases impact projected structural deficits.
- Locally raised revenues must grow at rates necessary to offset static Local Aid levels and increasing spending requirements, especially non-discretionary spending.
- Free Cash continues to dwindle, reducing budget flexibility and potentially impacting core municipal services.

Budget Pressures

FIVE YEAR DEFICITS:

- Should no action be taken, deficits do exist in each of the next four years, with a surplus being reduced in year five:
  - FY'08 ($ 1.209 M)
  - FY'09 ($ .808 M)
  - FY'10 ($ .194 M)
  - FY'11 ($ .058 M)
  - FY'12 $ .138 M
- The deficits are primarily a result of sluggish Local Aid growth, and skyrocketing Employee Benefit costs.
- The deficits reflect City success in attracting 1,200+ residential units, partially taxable beginning in FY'09.
- The City is not alone in projecting deficits. Many other municipalities are experiencing similar budgetary pressures and operating deficits, or worse.
- Local management has resulted in fund balances available to offset deficits.



Budget Pressures

Deficits compared to Health Insurance and Retirement Costs

	FY'08	FY'09	FY'10	FY'11	FY'12
Projected Deficits	(1,209,652)	(808,291)	(194,199)	(57,864)	138,699
Health Insurance Increases (Projected FY'08-'12)	$984,370	1,529,033	1,727,807	1,952,422	2,206,237
Retirement "Catch-Up" Charges (Projected FY'08-'12)	$4,918,730	5,180,314	5,361,625	5,549,282	5,743,507

Deficit Reduction Plan

As has been the case since FY'03, the City will continue to:

- Leave dozens of positions unfilled that were eliminated to reduce overall expenses.
- Prohibit out-of-state travel, except travel covered by grants.
- Provide no tuition reimbursement.
- Restrict training accounts.
- Scrutinize all expenditures over $500.
- Reduce "pay as you go" capital projects, especially in the CIP.
- Reduce the issuance of new debt.
- Further prioritize economic development, including an aggressive residential development program, and other efforts to seek additional, non-tax revenue sources, including the recovery of back taxes owed.
- Seek additional efficiencies in government and potential debt refinancing opportunities.
- Manage Reserves to reduce the lingering impacts of the recession and allow the City to prosper during the economic recovery.
- Conduct labor negotiations, being mindful of looming deficits.
- Consider service reductions against the City's ability to pay for elevated service levels.

Deficit Reduction Plan

<u>1,200-Unit Goal</u>

- The City announced in January, 2005 a plan to encourage the new construction of 1,200-units by the end of FY’08. Upon further review, the target date was extended to the end of FY’09. The City appears able to meet that goal, although there is still much work to be done.

- 1,200-units, at an average assessed value of $250,000 x a tax rate of $9.50 per $1,000 of value would produce $2,850,000 in recurring property tax revenues. Building permit fees of an estimated $5 million could offset many one-time production costs, including infrastructure needs, urban renewal borrowing costs and consulting services.

- Projects completed by January 1, 2008 will be fully assessed for FY’09, January 1, 2009 for FY’10 and so on. Partial assessments do take place in the interim.

- Tools utilized in the pursuit of the 1,200-unit goal include zoning relief, eminent domain, infrastructure improvements and tax relief.

- Part of the 1,200-unit goal is a 15% affordability goal.

Deficit Reduction Plan

1,200-Unit Goal (continued)

- The City anticipates the following projects to realize their fullest contributions to new growth by the following time frames (additional projects are at various stages of predevelopment):

  - For FY'09

Forbes Phase I	64 units	$160,000 in new property taxes
Atlas Phase I	60 units	$135,000 in new property taxes
Parkway Plaza	238 units	$428,400 in new property taxes
Scattered Sites	50 units	$112,500 in new property taxes
TOTAL	412 units	$835,900 in new property taxes

  - For FY'10

Forbes Phase II	100 units	$250,000 in new property taxes
Atlas Phase II	60 units	$135,000 in new property taxes
Admirals Hill	160 units	$400,000 in new property taxes
Scattered Sites	193 units	$450,000 in new property taxes
TOTAL	513 units	$1,235,000 in new property taxes

  - For FY'11

Urb. Ren. Phase I	238 units	$428,400 in new property taxes
Scattered Sites	150 units	$337,500 in new property taxes
TOTAL	388 units	$765,900 in new property taxes

Deficit Reduction Plan

<u>Impact of 1,200-unit goal on Projected Deficits</u>

	FY'08	FY'09	FY'10	FY'11	FY'12
Deficit with 1,200-unit goal (Numbers reflect 1501 units taxable by FY'11)					
	($1,209,652)	(808,291)	(194,199)	(57,864)	138,699
Deficit without 1,200-unit goal (Numbers reflect no new units)					
	($2,286,952)	(2,371,596)	(2,409,092)	(3,348,382)	(4,022,967)

Projected Use of Reserves

	FY'07	FY'08	FY'09	FY'10	FY'11	FY'12
General Fund						
Free Cash Certified at Start of Year	4,681,445	2,556,911	1,597,259	1,038,968	1,094,769	1,286,905
Free Cash Used for Budget Gap	(2,324,534)	(1,209,652)	(808,291)	(194,199)	(57,864)	0
Supplemental Appropriations from Free Cash	(300,000)	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)
Accounting and Managerial Activities	0	0	0	0	0	138,699
Year's Net Activities Affecting Free Cash	500,000	500,000	500,000	500,000	500,000	500,000
Free Cash Estimated at Year End	2,556,911	1,597,259	1,038,968	1,094,769	1,286,905	1,675,604
Stabilization Balance at start of year						
General *7020*	3,488,482	3,628,021	3,773,142	3,924,068	4,081,031	4,244,272
Capital *7022*	811,290	843,742	877,491	912,591	949,095	987,058
Planning & Development *7021*	135,983	141,422	147,079	152,962	159,081	165,444
assuming a 4% investment return						

Potential Future Budget Impacts

ON THE POSITIVE

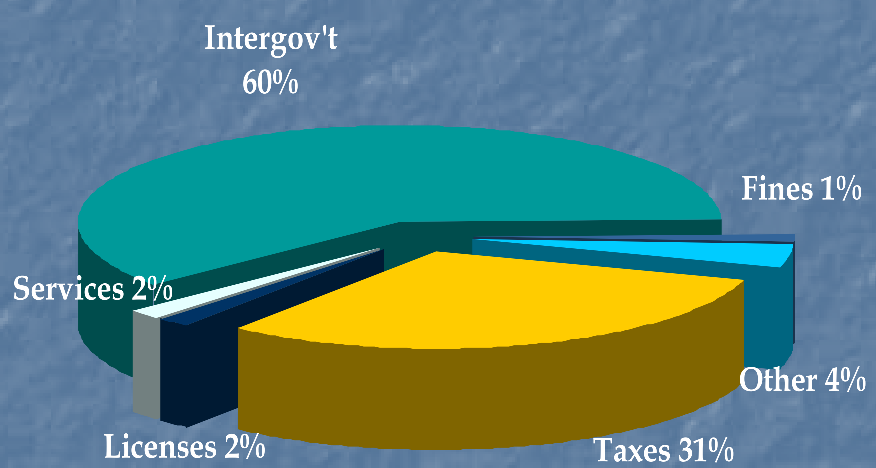
- The health insurance reform legislation now pending, if adopted and implemented locally, could save 10-15% of the health insurance base, and lead to smaller annual increases.
- Additional statewide policy discussions could lead to reduced impacts from retirement and charter school costs.
- Ongoing discussions regarding future PILOTs could lead to an increase in those revenues.
- Promising economic development could lead to further increases in building fees, property taxes, hotel/motel excise taxes and motor vehicle excise taxes.

ON THE NEGATIVE

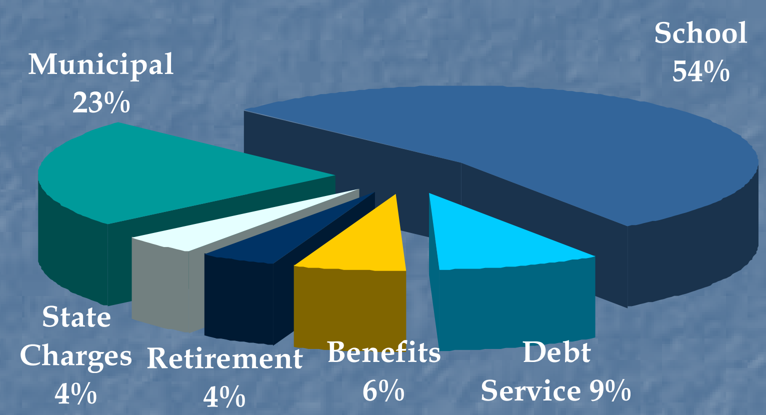
- Failure to produce on the aggressive economic development agenda could leave substantial budgetary gaps.
- The lingering State budget crisis and/or another recession, could lead to further local aid reductions.
- Motor Vehicle Excise Tax receipts could be reduced if local airport related parking is negatively impacted by future Massport airport parking decision.
- A new round of collective bargaining for FY'09-FY'11 cannot result in pay increases beyond the budget's ability to afford those increases.
- Failure to replenish reserves could require dramatic service impacts or a need for a Proposition 2 ½ Override during the next economic downturn.

FY'08 Budget
General Fund Revenue & Expenses

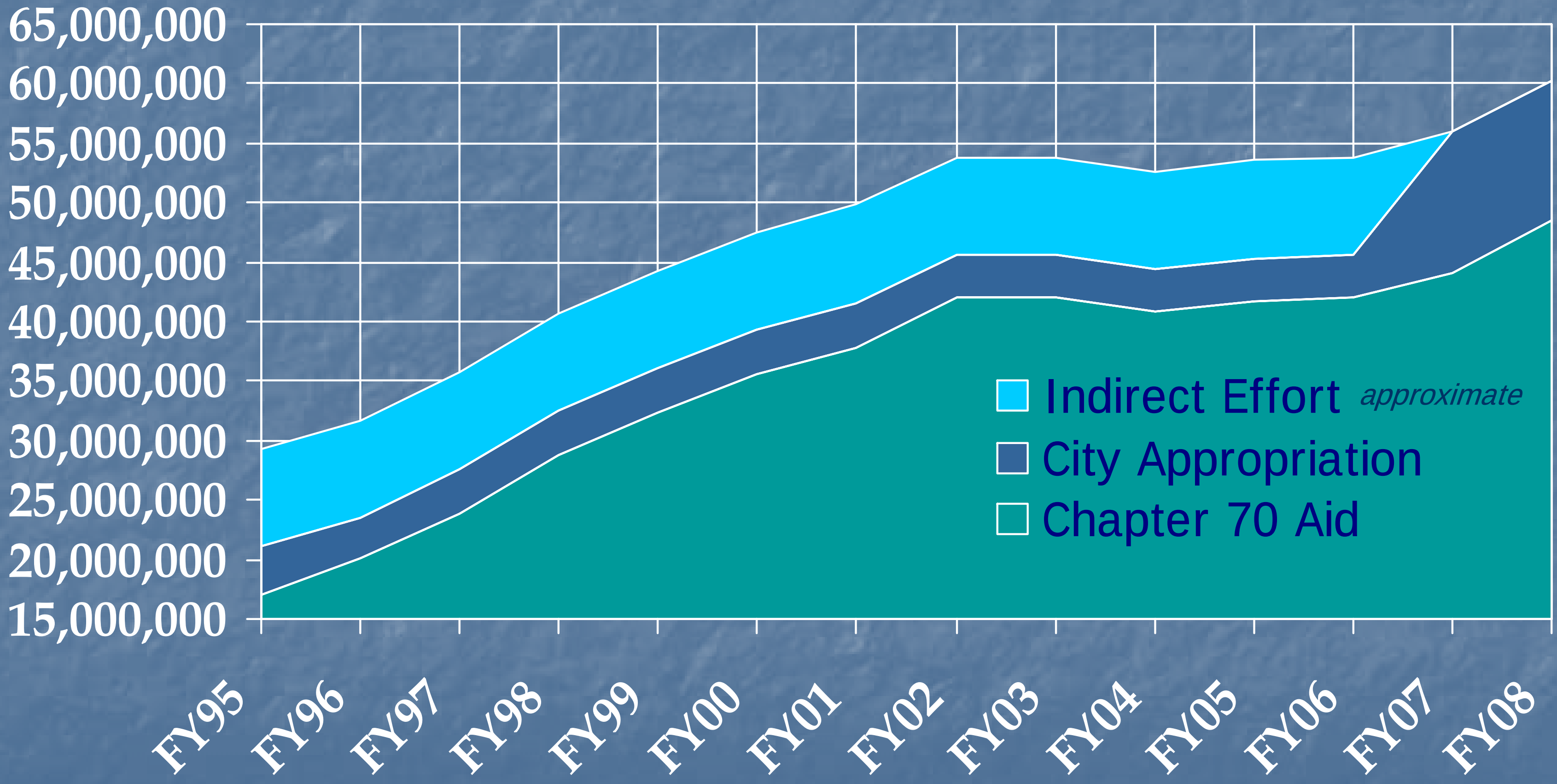
Revenue



Expense



School Department Funding



Water and Sewer Enterprise Funds

- As Enterprise Funds, all costs associated with water and sewer services shall be recouped through Water and Sewer revenues.

- The largest revenue source for the Funds are user fees, which account for 99% of the $13,191,266 that will be raised in FY'08.

- The largest expense for the Funds are the annual MWRA Assessments, a formula driven charge. Preliminary Assessments indicate a 3.0% combined increase for FY'08. The MWRA Assessments comprise 58% of expenses for the funds, for a total of $7,669,077.

- Other charges to the funds include direct expenses to pay the RH White maintenance contract and other charges, indirect expenses to pay for other employee allocation costs of the General Fund, and debt services to pay for the continuing update of water and sewer infrastructure.

- The City projects that future rate increases, inclusive of MWRA Assessments and Debt Service to pay for continuing water, sewer and drainage infrastructure improvements, will be 5.52% for FY'08, and 5.25% thereafter.

Water and Sewer Enterprise Funds
Five Year Forecast and Rate Projection

Revenues:	Budgeted 2007	Projected 2008	Projected 2009	Projected 2010	Projected 2011	Projected 2012
Tax Liens	0	0	0	0	0	0
Interest & Penalties	62,500	62,500	62,500	62,500	62,500	62,500
Usage Charges	12,433,404	13,123,766	13,558,542	14,096,979	14,618,309	15,054,077
Sewer Liens	0	0	0	0	0	0
Final Readings	5,000	5,000	5,000	5,000	5,000	5,000
Shut-Off	0	0	0	0	0	0
Transfer from General Fund	0	0	0	0	0	0
Transfer Other	0	0	0	0	0	0
Use of Fund Balance	0	0	0	0	0	0
Total Revenues	**12,500,904**	**13,191,266**	**13,626,042**	**14,164,479**	**14,685,809**	**15,121,577**
Expenditures:						
Personnel Services	293,068	298,929	306,403	314,063	323,485	333,189
Purchase of Services	1,395,378	1,437,239	1,480,357	1,524,767	1,570,510	1,617,626
Supplies	60,650	62,470	64,344	66,274	68,262	70,310
Intergovernmental - MWRA	7,445,706	7,669,077	7,899,149	8,136,124	8,380,208	8,631,614
Debt Service	1,522,576	1,811,355	1,939,349	2,156,982	2,346,650	2,441,110
Capital Expenditures	200,000	300,000	295,000	295,000	295,000	295,000
Indirect Costs back to General	1,433,526	1,462,197	1,491,440	1,521,269	1,551,695	1,582,729
Sub-Total Expenditures	**12,350,904**	**13,041,266**	**13,476,042**	**14,014,479**	**14,535,809**	**14,971,577**
Reserve	150,000	150,000	150,000	150,000	150,000	150,000
Total Expenditures	**12,500,904**	**13,191,266**	**13,626,042**	**14,164,479**	**14,685,809**	**15,121,577**

Municipal Costs Affordability Index

- The City reviews data from 7 neighboring cities (Boston, Everett, Lynn, Malden, Revere, Somerville and Winthrop) to chart a Municipal Costs Affordability Index. Below, the chart refers to those communities anonymously, but lists out average property tax and water & sewer bills for the average single-family owner occupied unit in each city.
- The data below indicates that municipal charges are less in Chelsea than all other cities.

City	Average Tax Bill	Combined Water & Sewer Bill	Combined Homeowner Costs	% Above Chelsea Cost
A	$3,478	$1,177	$4,655	43.2%
B	$3,187	$1,105	$4,295	32.1%
C	$2,880	$1,112	$3,992	22.8%
D	$3,093	$880	$3,973	22.2%
E	$2,974	$933	$3,907	20.2%
F	$2,936	$882	$3,818	17.4%
G	$2,836	$674	$3,510	7.9%
Average	*$3,055*	*$966*	*$4,021*	*23.6%*
Chelsea	$2,249	$1,002	$3,251	

Conclusion

- The current municipal finance environment, of trouble for the last seven fiscal years and considered by many to be the most severe in more than a half century, continues to threaten the viability of municipalities throughout the commonwealth and country.
- Out-year issues continue to be impacted by limited Local Aid growth and growth in non-discretionary spending areas, most notably, Health Insurance and Retirement. The City has played a significant role in raising the statewide debate about these three "Budget Busters."
- With approximately 59.9% of the City's revenue coming from Local Aid, the lagging State budget crisis continues impacting the City's budget. In FY'08, non-school Local Aid will provide only 96% of that from FY'01. Cumulatively, and not taking into account any loss due to inflation, non-school Local Aid reductions will cost the City $9.3 M from FY'02-'08.
- The City saved in "good times" to have Reserves to fund operations in the "bad times." Those Reserves continue to provide a cushion to allow for a maintenance of service levels while the City's deficit reduction plans work to eliminate budget deficits in the out-years.
- Central to City deficit reduction plans is the development of more than 1,200-units of housing. Absent that, Reserves would be completely exhausted and other deficit reduction plans would be insufficient to bring the FY'10 budget into balance.
- A municipal tax and fee study examining property tax and water & sewer fees for the City and seven neighboring communities finds that the City is the least expensive place to be a single-family owner occupant. With no local Proposition 2 ½ Overrides projected, the City's relative affordability should remain as such.