



METRO

Agenda

MEETING: METRO COUNCIL WORK SESSION
DATE: September 30, 2008
DAY: Tuesday
TIME: 2:00 PM
PLACE: Metro Council Chamber

CALL TO ORDER AND ROLL CALL

2:00 PM 1. DISCUSSION OF AGENDA FOR COUNCIL REGULAR MEETING, OCTOBER 2, 2008/ADMINISTRATIVE/CHIEF OPERATING OFFICER COMMUNICATIONS

2:15 PM 2. FINANCIAL CONDITION AND 2009-10 BUDGET PREVIEW

Norton

3:10 PM 3. COUNCIL BRIEFINGS/COMMUNICATION

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**FINANCIAL CONDITION AND
2009-10 BUDGET PREVIEW**

Metro Council Work Session
Tuesday, September 30, 2008
Metro Council Chamber

METRO COUNCIL

Work Session Worksheet

Presentation Date: September 30, 2008 Time: 2:15 pm Length: 60 minutes

Presentation Title: Financial Update and Preview for FY 2009-10

Department: Finance and Administrative Services

Presenters: Margo Norton, Director

ISSUE & BACKGROUND

The purposes of today's briefing are to:

1. review the unofficial close of FY 2007-08 (Fourth Quarter report)
2. sharpen budget assumptions now in play for the current FY 2008-09
3. anticipate any coming budget amendments
4. prepare Council for October 2 TSCC hearing on zoo bond measure
5. preview budget work session set for October 28

1. Fourth Quarter Report

The full report will be delivered to Council prior to the work session and, following the work session, posted on the external website.

Executive Summary: Ending fund balances (and, hence, beginning balances for the current year) support the current year's budget plan. Capital spending was lower than anticipated, due to weather, permit and grant funding delays.

2. Current Year Budget Assumptions

Basic assumptions for the FY 2008-09 budget were set almost a year ago with only small modifications as the budget process unfolded. As we monitor the performance of the current budget and prepare to set assumptions for the next budget year, we review the assumptions for any course corrections. Current economic conditions are making it more difficult to apply historical performance and trends to future forecasts.

Interest earnings

FY 2007-08 interest earnings exceeded \$11 million, the result of a higher than budgeted earnings rate (4.49% compared to 4.25%) and higher balances available to invest. During the past year and into the beginning of the current year we held investment instruments at quite favorable rates. As these mature, reinvestment will be at considerably lower rates. During the week of September 15, the Local Government Investment Pool dropped from 3.25% to 2.5% overnight.

FY 2008-09 anticipated interest earnings of \$8.1 million, based on lower beginning balances and a 4% earnings rate. While we are unlikely to achieve a 4% earnings rate, we do have overall higher beginning balances to invest. Interest earnings represent about 3% of current revenues.

Excise Tax Collections

FY 2007-08 collections exceeded budget projections from non-Solid Waste sources but dipped below expectation from Solid Waste tonnage. Strong summer performance at the Zoo has begun the current year well for non-facility collections, while tonnage-based collections remain off pace. Beginning September 1, Metro will no longer collect excise tax on Zoo activities.

Solid Waste Tonnage

A modest downturn in tonnage in FY 2007-08 had been anticipated, particularly from reductions in demolition and construction debris. This forecast proved out in the latter part of the year and is continuing into FY 2008-09. We are watching tonnage very carefully for its impact on both Solid Waste operations and excise tax collection.

Fuel and Energy Costs

Current budget assumptions anticipated increased energy-related costs. The peak July fuel prices caused concerns which have moderated somewhat with today's fortunate price decline. The budget also anticipated an increase energy costs although some final utility rate increases will not begin until November.

General Fund Beginning Balance

The Fourth Quarter report is based on the second close accounting period and assures us that the ending balance is at least equal to the projected beginning balance for the current year. Data from the second close then allows us to prepare final inter-fund transfer billings, grant billings and other accounting adjustments that bring us to the final unaudited close in early October.

At the work session we will review the General Fund beginning balance in detail.

3. Anticipated Budget Amendments

Operating programs have identified a need for future budget amendments based on grant notifications, capital projects which did not complete by June 30 as expected and other changes in circumstances. At this time there are sufficient appropriations, particularly in capital funds, and we will defer amendments until they are necessary.

We do, however, expect to bring forward one amendment and at least two CIP resolutions as follows:

Operating Budget Amendments

Organizational development and management practices consultant;
\$150,000 from General Fund contingency

CIP Resolutions (updated project costs which do not require budget amendments)

Predators of the Serengeti and Red Ape Reserve projects to recognize increased costs

Cooper Mountain to recognize increased costs

4. TSCC Hearing on October 2, 2008 at 12:30 p.m.

Prior to the work session we will send Council a draft of responses to TSCC's written questions as well as the initial bond measure summary provided earlier to TSCC and the Council. During the work session we will confirm with Council that the questions are ready for distribution to TSCC.

5. Budget Work Session on October 28

The work session on October 28 will begin the FY 2009-10 budget process. At the work session we will:

Discuss basic budget assumptions (labor and benefit costs, general economic escalators, major revenue assumptions)

Review current Council-directed commitments for FY 2009-10
Year 3 of 3 of General Fund reserves spending plan
Year 2 of 2 for Integrating Habitat, Climate Change

Ask Council about Shaping the Strategic Direction for FY 2009-10

Preview how the budget will look as the result of the reorganization