



## City of Phoenix

**To:** Mayor and City Council

**Date:** September 18, 2014

**From:** Ed Zuercher  
City Manager

A handwritten signature in black ink, appearing to read 'EZ', written over the name 'Ed Zuercher'.

**Subject:** 2014-15 EARLY BUDGET REVIEW

As promised during last year's budget process, this year we are bringing information earlier than ever before. Updated revenue and expenditure information means we can be more transparent in providing detailed analysis and responsive to new data by updating projections to reflect year-end results and current economic conditions.

The attached staff reports represent some of the earliest responses ever to budgetary and economic information, with the following highlights:

- Year-end actual revenues were within 0.1% of estimates. However, a closer assessment of some specific state and City sales tax categories since May shows that we need to adjust our forecasts for this budget year.
- The slowdown in revenue and consumer spending is not specific to Phoenix. It is also occurring at the state and national level, indicating the economy and consumer confidence are not gaining momentum as previously forecast in April.
- Our review of actual collections for last year and current economic data informs lowering our revenue forecast for this year by 1.4% or about \$15.5 million. The new revenue projection is 2.7% growth. This also accounts for the expiration of the sales tax on food on March 31, 2015.
- Tight spending controls resulted in \$18 million more than expected in resources. This offsets revenue reductions without reducing services.
- Continued focus on expenditures is imperative, and staff will report to the Council in October on our expenditure review process and recommendations.

**Year-End Revenues and Economic Data Lead to Adjusted Forecast:** An analysis of 2013-14 year-end data shows City and State sales tax collections were slightly lower than projected. Specifically, the loss of revenue momentum since May indicates a need to lower projections slightly. To keep budgeted revenue totals, growth rates would need to be revised upward. However, the attached analysis does not support raising the growth rate for 2014-15 to meet the budget. Instead, we believe we should lower some growth rate forecasts (State and City sales taxes), and keep some growth rates the same but on a lower basis of actual prior-year revenue (vehicle license tax and emergency transportation). The bottom line: Based on recent collections and current forecasts, we should reset the 2014-15 budgeted revenue at \$1.054 billion, a reduction of \$15.5 million from the original amount.

**Lower Expenditures Give Flexibility with Reduced Revenue Estimates:** The good news is that expenditures at the end of last year were about \$18 million lower than expected. This was achieved through an unexpectedly large number of vacancies held open longer, accruing more savings than planned. As a result, the City began the year with a fund balance about \$18 million more than projected. This will absorb the lower revenue forecast, meaning that at this time no service cuts are required in the current year to keep the budget in balance. The extra \$3 million will be held for next year's budget process.

**A More Transparent and Responsive Process:** In the 2014-15 budget process, the Mayor and City Council clearly stated an expectation for more information earlier to avoid surprises during the 2015-16 budget process. With this in mind, staff continues to assess our process and provide information on a year-round basis:

- **Review economic forecasting.** We are using our membership in the University of Arizona Forecast project to review and improve forecasting methods.
- **Provide detailed background.** A detailed report is attached with staff's latest analysis of economic trends. Forecast information was also provided in March.
- **Act immediately on early information.** A review of year-end results allows us to adjust revenue assumptions for 2014-15 earlier than ever.
- **Thoroughly review spending.** It is clear we must always monitor expenditures closely. That's why the Comprehensive Organizational Review Evaluation (CORE) was created this summer. Results of departments' CORE process to review their organization, vacancy and services will be brought to the Council in October. Any resulting expenditure reductions or service reorganization will be brought for Council review and action before the end of the calendar year.

I want to thank the Mayor and City Council for your leadership in being transparent, responsive and flexible to early information and changing economic conditions. I also want to thank City employees for providing outstanding services at an affordable cost to our residents, remaining focused on finding savings wherever possible.

Attachments: City Council Report and Early Revenue Review Report

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## CITY COUNCIL REPORT

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### POLICY AGENDA

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TO: Ed Zuercher  
City Manager

AGENDA DATE: September 23, 2014

FROM: Mario Paniagua  
Budget and Research Director

ITEM: 6

SUBJECT: EARLY BUDGET REVIEW

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This report provides an update on pre-audit results for the fiscal year (FY) 2013-14 General Fund (GF) budget. The General Fund ended the fiscal year with a balance \$18.4 million higher than estimated due to reduced spending. Additionally, staff has revised the current fiscal year GF revenue estimate downward by \$15.5 million based on a trend since May of slower growth in sales tax and other revenue. The adjustment will be offset by the higher than budgeted FY 2014-15 beginning fund balance.

This report is for information and discussion only; no action is required.

#### THE ISSUE

Actual revenue for 2013-14 was within 0.1% of the forecast. However, some City and State sales tax categories, vehicle license tax and emergency transportation collections were weaker than expected over the past four months. Given that information, Budget & Research Department staff has readjusted revenue forecast downward by \$15.5 million to an estimated \$1.054 billion. However, due to the hard work of City employees and departments to reduce spending, the General Fund was able to achieve a higher than estimated ending balance in FY 2013-14. This additional balance allows the City to reduce the current year General Fund revenue estimate consistent with up-to-date economic analysis without affecting services. Close review of collections and expenditures will continue throughout the fall.

#### OTHER INFORMATION

##### **2013-14 General Fund Results**

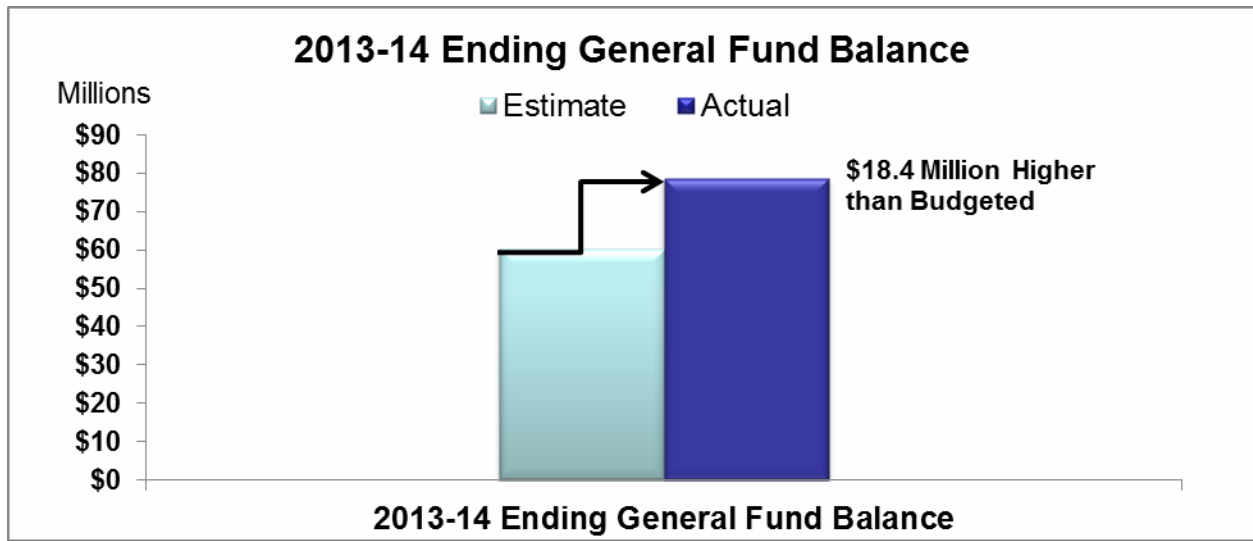
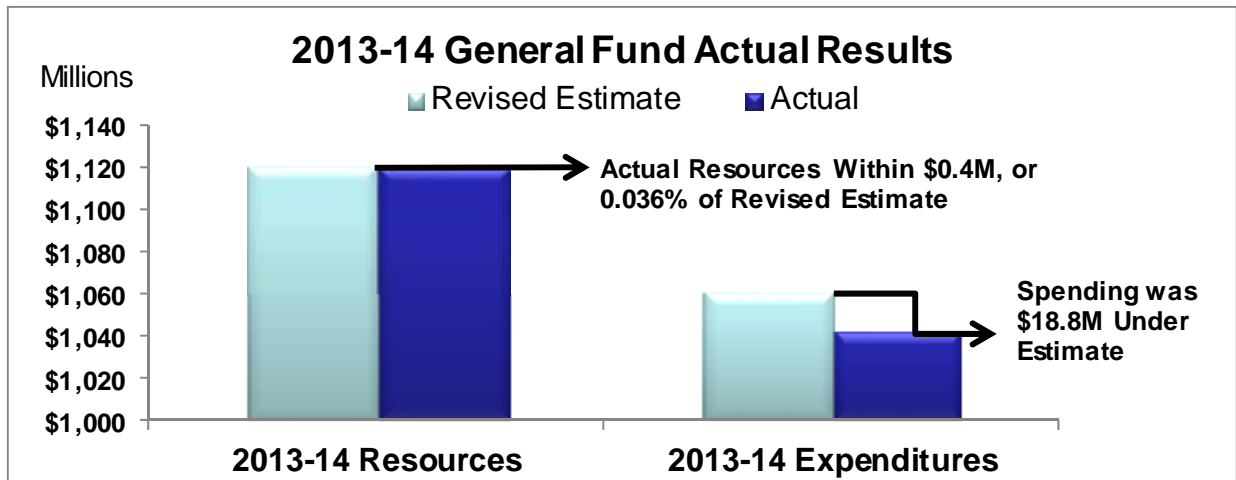
**Resources** - Total resources include:

- annual revenue
- recoveries of prior year encumbrances that were not spent
- net transfers from other funds, such as payment for services purchased from General Fund
- beginning fund balance

Total General Fund resources in FY 2013-14 were estimated to end the fiscal year at \$1,121.1 million. Actual total resources were \$1,120.7 million; a difference of about \$400,000, or 0.036%. The main component of FY 2013-14 resources, General Fund revenue, was estimated at \$1,027.2 million, and the pre-audit actual collections were \$1,026.2 million, a variance of \$1 million, or 0.1%.

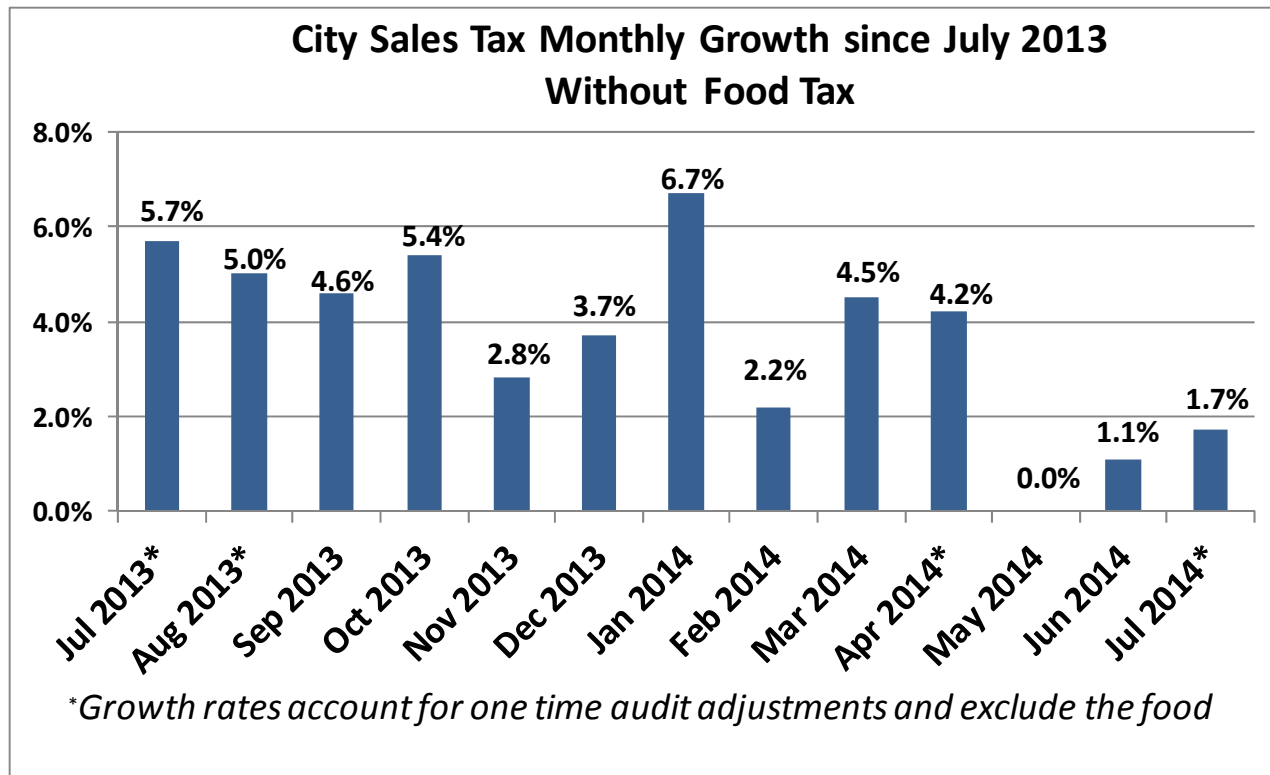
**Expenditures** - Total expenditures were estimated at \$1,060.9 million, and actual expenditures were \$1,042.1 million, or \$18.8 million less than estimated. This savings was the result of City departments working hard to reduce spending at the end of last year, largely through maintaining vacancies longer than usual. This means existing employees temporarily had to fill in gaps to continue providing services to the community.

**2013-14 General Fund Ending Balance** – The FY 2013-14 General Fund ending fund balance was estimated to be \$60.2 million. However, as a result of the reduced expenditures that came in \$18.8 million below the revised estimate primarily due to keeping vacant positions unfilled, the actual ending balance was \$78.6 million. This means that the 2014-15 resources begin the year with \$18.4 million more than budgeted. As is described further in this report, much of the additional \$18.4 million is necessary to offset a reduction to the FY2014-15 revenue estimate based on recent collections trends.



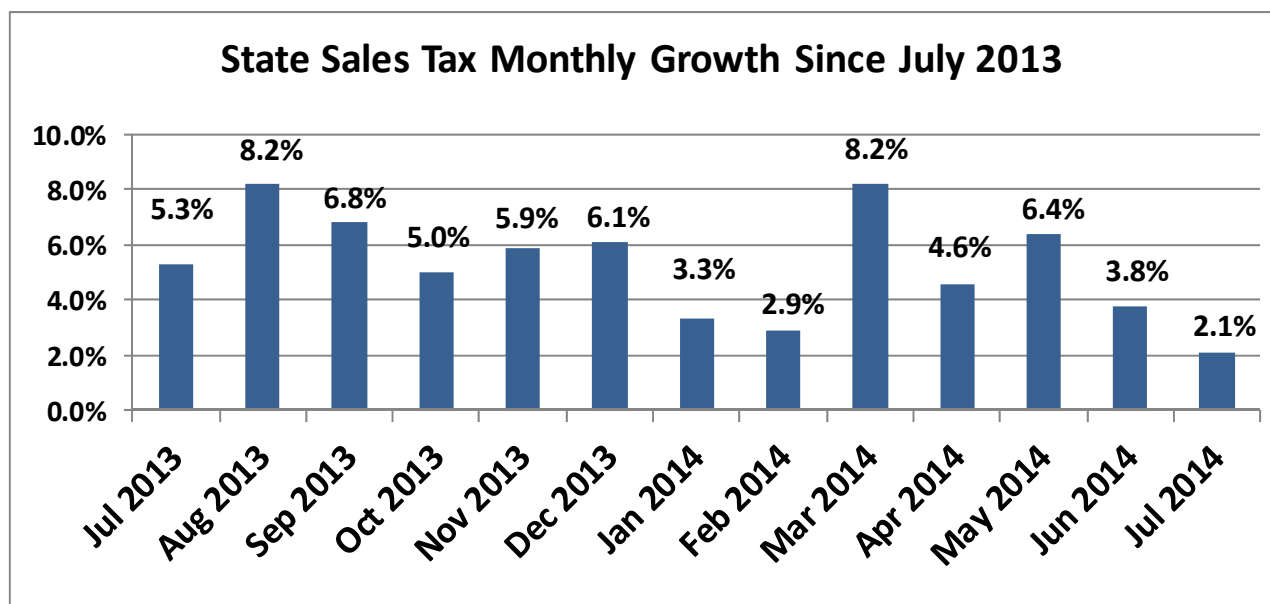
## Revision to 2014-15 General Fund Revenue Estimate

In FY 2013-14, total General Fund revenue varied only 0.1 percent from the revised estimate. The estimates were set in May for adoption of the 2014-15 budget. As the 2013-14 fiscal year concluded and the 2014-15 fiscal year began, sales tax collections began to slow somewhat. Also, emergency transportation services and vehicle license tax revenue ended FY 2013-14 slightly under the estimate, as explained further in the attached report. The sales tax slowdown since May has caused concern as we look ahead to the 2014-15 fiscal year.



This more recent trend is occurring statewide as well. According to an August report from the State's Joint Legislative Budget Committee in discussing Arizona revenue:

*"July continued the recent trend of disappointing (State) General Fund revenue results. With (State) revenues -\$34.5 million below forecast, July marked the 4th consecutive month of failing to meet the budget projection."*



Attached to this City Council Report is an additional report from Budget and Research on General Fund revenue for FY 2014-15. This is new for 2014-15. As described in more detail in the report, the FY 2014-15 General Fund revenue estimate was revised downward by a total of \$15.5 million, or by 1.4%.

The results are as follows:

- City sales tax growth over year-end actuals should be lowered by 1.4 percentage points to 1.7% (-\$10.3 million)
- State sales tax growth over year-end actuals should be lowered by 1.6 percentage points to 4.5% (-\$3.8 million)
- Emergency transportation revenue over lower-than-projected year-end actuals should remain at 2.5% (-\$900,000)
- Vehicle license tax revenue over lower-than-projected year-end actuals should remain at 4.0% (-\$500,000)

The higher than estimated balance of \$18.4 million more than covers the reduced revenue estimate, with approximately \$3 million remaining. This reduces the estimated rate of revenue growth over last year's estimate from 4.1% down to 2.7% over last year's actual results. The remaining \$3 million will be held in the fund balance as resources for the General Fund budget for FY 2015-16.

### **Updating the Budget Process**

Since last February, at the direction of the City Council, several new steps have been added to the City's budget process, making it truly a year-round, flexible process.

- For the first time, staff produced a detailed report on General Fund revenue in March 2014, explaining the basis of revenue projections in each revenue category. The report provided specific information regarding the various revenue and economic assumptions supporting projections in each category that were used in the spring to develop the City Manager's Proposed Budget.
- Budget and Research staff has been in consultation with economic experts from the University of Arizona, which coordinates the State Forecast Project. The City of Phoenix is taking advantage of our membership in the Forecast Project to receive outside expert consulting on the City's process for projecting sales taxes, the largest component of General Fund revenue. Recommendations will be provided regarding any process and informational improvements that may enhance sales tax forecasts.
- For the first time ever, staff is presenting an in-depth budget review in September to allow an early assessment of revenue conditions and take early action to adjust the forecast. Also provided, for the first time, is a published report detailing analysis of economic forecasting conditions in the fall (attached).

- As a result of budget adoption, the City Manager implemented a Comprehensive Organizational Review Evaluation (CORE) process led by the Assistant City Manager, to do an in depth review of departmental organization, vacancies, and further opportunities to reimagine and reorganize this work. The results of this effort will be presented for Council review in October and will provide an early opportunity to accumulate savings for the FY 2015-16 budget cycle.

### RECOMMENDATION

This report is for information and discussion only; no action is required.



## City of Phoenix

<b>BUDGET AND RESEARCH DEPARTMENT LETTER</b>	B.R.D. NUMBER <b>483</b> <b>REVISED</b>
SUBJECT <b>**REVISED**</b> REVIEW OF FISCAL YEAR 2014-15 GENERAL FUND REVENUE	DATE ISSUED September 22, 2014

In order to ensure the FY 2014-15 budget remains balanced and allow the City Council sufficient time for fiscal planning, the FY 2014-15 General Fund revenue estimate is being revised downward due to actual revenue collections slowing since original projections were developed in the spring of 2014. The FY 2014-15 General Fund revenue estimate reduction of \$15.5 million represents a 1.4% reduction. Because of actions taken on the expenditure side, this reduction does not necessitate service cuts.

Predicting future revenue growth is challenging and often requires modifications to estimates due to uncontrollable economic variables and outside influences which impact consumer spending, demand and revenue collections. Due to the volatile nature of certain city revenue sources, such as sales tax, modifications to estimates are common and close attention is paid to trends to determine if adjustments are necessary so appropriate action can be taken to ensure resources remain in-line with expenditures.

This report provides information on recent trends in city and state sales tax collections, emergency transportation and vehicle license tax revenues and includes recent information regarding the local, state and national economy. The report also includes the breakdown of the recommended revision to the FY 2014-15 General Fund revenue estimate.

### **Revised Estimates**

The FY 2014-15 revenue budget was developed in the spring of 2014 as part of the annual budget development process. In March 2014, to further enhance the transparency of the City's budget process, staff provided a newly developed detailed report on General Fund revenue, explaining the basis of revenue projections in each revenue category. The additional report provided specific information regarding revenue and economic assumptions supporting projections used to develop the City Manager's Proposed Budget. At that time, revenue estimates were in-line with recent and year-to-date revenue actuals and information gathered from our trusted economic sources including the State's Finance Advisory Committee, Joint Legislative Budget Committee, Arizona State University, University of Arizona, Arizona Department of Revenue and economists with sources such as, Western Blue Chip and the National Blue Chip. In fact, the FY 2013-14 revenue actuals of \$1.026 billion were within \$1.0 million or 0.1% of the \$1.027 billion revenue estimate which was developed at the same time.

At the time revenue estimates were developed, economists were predicting the local and state economy would continue to grow. Although the economists projected the growth to occur at a slower pace than prior post-recession recoveries, they continued to forecast improved growth. It was assumed that wages, jobs, housing and economic expansion would continue at a moderate pace with



2014 outperforming 2013. Based on this information and analysis of actual year-to-date city revenue performance, conservative growth rates for FY 2014-15 were developed and presented to City Council at the March 25, 2014 Policy session along with the detailed report on how city revenue estimates are developed. At the time estimates for FY 2013-14 were developed, year-to-date growth in city and state sales tax were 4.7% and 7.2% respectively. The estimates for FY 2014-15 were 3.1% and 6.1% respectively.

Since that time, city and state shared sales tax collections have grown, but not quite as quickly as expected by City staff, the State's Joint Legislative Budget Committee and Finance Advisory Committee, or other trusted economists. Growth in city and state sales taxes for the remaining months of FY 2014-15 is expected to continue, but at a slower pace than previously projected. This required an adjustment to the FY 2014-15 General Fund revenue estimate from the current required growth rate of 4.1% over the FY 2013-14 estimate, to 2.7% over the FY 2013-14 actuals.

It is important to point out that in the categories shown below, FY 2013-14 revenue collections ended the year lower than expected. This means that estimated revenue in FY 2014-15 will be growing from a lower base. For example, even though the percentage growth rates from Emergency Transportation and Vehicle License Tax revenue will remain the same as originally estimated, the estimated revenue amount must drop in order to account for the less than estimated revenue from the prior year.

Amounts in \$Millions					
Revenue Category	FY 2014-15 Original Estimate and Growth Rate (Over 2013-14 Estimate)		FY 2014-15 Revised Estimate and Growth Rate (Over 2013-14 Actual)		Change Amount
City Sales Taxes <sup>1</sup>	\$423.9	3.1%	\$413.6	1.7%	\$(10.3)
State Sales Taxes <sup>1</sup>	\$135.5	6.1%	\$131.7	4.5%	(3.8)
Emergency Transportation <sup>2</sup>	\$32.5	2.5%	\$31.6	2.5%	(.9)
Vehicle License Taxes <sup>2</sup>	\$54.3	4.0%	\$53.8	4.0%	(.5)
All other <sup>3</sup>	\$423.5	5.5%	\$423.5	4.0%	-
<b>Total General Fund Revenue</b>	<b>\$1,069.7</b>	<b>4.1%</b>	<b>\$1,054.2</b>	<b>2.7%</b>	<b>\$(15.5)</b>

<sup>1</sup> Growth rates before required year-end accounting and audit adjustments.

<sup>2</sup> The original growth rate percentage is maintained. However, since the FY 2013-14 actual was slightly less than estimated, a reduction to the FY2014-15 estimated revenue amount is required.

<sup>3</sup> Amounts in all other GF revenue categories remain unchanged at this time.

The slowdown in revenue activity and consumer spending is not specific to Phoenix and is occurring at the state and national level, indicating consumer confidence and the economy are not gaining momentum as previously forecasted.

The State's Finance Advisory Committee at the April 10, 2014 meeting estimated sales tax to grow 5.0% in FY 2014-15; however according to a recent JLBC Fiscal Highlights report for August 2014, year-to-date sales tax collections were (0.1)% below July of 2013 and mark the second time collections have declined on a year-over-year basis in the past 32 months. The report also indicates state retail collections only increased 1.1% in July 2014 which is the weakest performance since June 2012 (city retail collections increased 2.4% in July 2014 for comparison purposes).

Current economic related information describes the analysis of the recent slowdown:

“US consumers pare spending as income growth slows...consumer spending unexpectedly fell in July as savings rose to their highest level in more than 1-1/2 years, a sign that households remain cautious despite an acceleration in economic and jobs growth” – August 29, 2014 *Reuters*

“U.S. Consumer spending declines 0.1% in July...household spending fell in July, a sign that cautious consumers could hold back economic growth in the second half of the year. Household outlays and the broader economy bounced back in the second quarter when gross domestic product advanced at a 4.2% pace...economists now are monitoring if that was a short-term bounce back or the start of a long-awaited acceleration. A spending decline and weaker income gains suggest that the pace of growth could slow.” August 29, 2014 *The Wall Street Journal*

“Consensus forecasts of year-over-year and quarter 4-over-quarter 4 inflation adjusted (real) GDP growth in 2014 tumbled again over the past month...the culprits, a sharp, further downward revision in the government’s estimate of GDP’s contraction in Q1 that primarily resulted from much less-than previously assumed growth in consumer spending...as a consequence, while the consensus continues to predict above trend growth in the second half of this year, the year-over-year increase in real GDP in 2014 may well turn out to be the weakest in any calendar year since the current economic recovery began in the second half of 2009.” July 2014 *National Blue Chip Economic Indicators*

“The FY 2014 ending balance had previously been estimated at \$596 million. Given the \$(113) million revenue shortfall, along with \$47 million of expenditure savings, the FY 2014 ending balance is expected to decline to \$530 million. This would represent a net decline of \$(66) million.” – July 21, 2014 *JLBC Fiscal Highlights*

“Consumer spending in Arizona still hasn’t recovered...Arizona’s recovery in jobs, for example is among the worst in the country.” – August 18, 2014 *Arizona Republic*

“Arizona shedding construction jobs as neighboring states gain...Arizona has lost 5,900 construction jobs over the past 12 months-the second most among U.S. states. This is down 800 jobs from June and down from 123,700 jobs in July 2013...Arizona could also be losing contractors and construction workers to Western states adding jobs.” August 18, 2014 *Business Journal*

“The unemployment rate in Arizona edged upward to 7.0 percent in July from 6.9% percent in June...Arizona cut more than 10,000 jobs in July...the worst news is the sharp difference between what is happening elsewhere in the construction of buildings...nationally, building construction is up 5.8 percent, but in Arizona it is down 16.2 percent.” August 15, 2014 *Arizona Republic*

“Where things stand now...Arizona continues to grow, but it’s pretty slow. Over the year, government lost jobs in the second quarter, construction jobs declined too, income growth remains slow with disappointing wage gains.” Third Quarter 2014 Forecast Update Report-August 2014 *University of Arizona Forecast Project*

“Why the Phoenix housing market is stuck in the mud...Arizona State University housing expert Michael Orr shares his monthly housing report that single-family sales are down 19 percent over the past year including a 53 percent drop in purchases by investors...home prices also are losing steam after some post-recession gains.” September 3, 2014 *Business Journal*

“In Phoenix, a reality Check as Market Moderates...in Phoenix, slow job and income growth are among the reasons builders aren’t benefiting from the drop-off in

foreclosures...employment in Phoenix, after expanding at an average annual pace of 2.6% and 2.8% in each of the last two years, is up just 1.5% so far this year, state figures show.”  
August 19, 2014 *The Wall Street Journal*

“Phoenix housing permits, new-home sales down double digits from 2013...housing permits are down 15.6 percent in the Phoenix metro area compared with a year ago, according to new data from RL Brown Housing Reports. Limited population and job growth, combined with tighter mortgage lending and lingering poor consumer credit, also conspire against home sales in the Valley.” August 20, 2014 *Business Journal*

“The second quarter Greater Phoenix Blue Chip Forecast indicates the forecast panel now believes that the year will turn out worse than was expected just a few months ago...the factors causing the slowdown are not likely to change quickly. Included are weak population growth, difficulty in qualifying for a mortgage, number of homes underwater, slow economic growth, and a general decline in the homeownership rate, just to name a few.” Second Quarter Report 2014- July 2014 *Greater Phoenix Blue Chip Forecast*

### **City Sales Taxes**

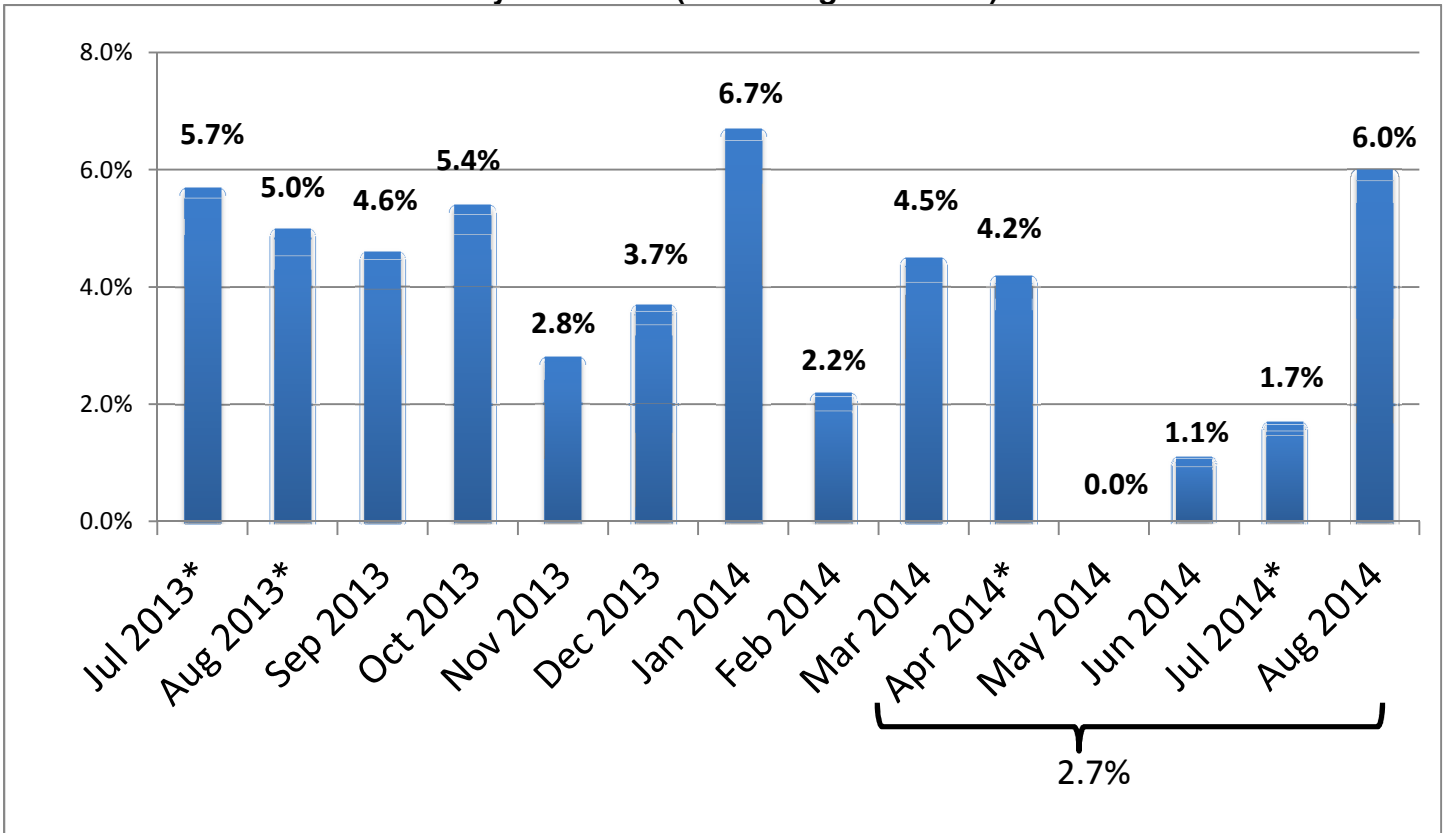
The slowdown in city sales tax collections in the past few months since the forecast was developed in the spring of 2014 has caused staff to adjust projections early in the fiscal year. The estimated City sales tax growth rate is decreased from 3.1% for FY 2014-15 above the 2013-14 estimate (or 4.1% above 2013-14 actual) to 1.7% over the 2013-14 actual (excluding year end accounting adjustments). This reduction lowers the total city sales tax estimate by approximately \$10.3 million and adjusts the estimate to the recent trend in actual collections. It should be noted that this revised estimate assumes the local economy will continue to grow as economists are predicting, but further adjustments to the estimate may be needed as the fiscal year progresses. Staff will closely monitor performance and report to the City Council if adjustments are needed.

The reduction to the city sales tax estimate is primarily due to the disappointing results in recent months in the retail and construction tax categories and continued negative growth in the leases and rentals, commercial rentals and telecommunications categories. Retail growth has softened from a cumulative rate of 6.0% in March 2014, when estimates were finalized, to only 3.2% over the last five months. In the first two months of FY 2014-15, monthly city retail growth was 2.4% in the first month and 5.3% in the second month. Contracting growth has slowed from a cumulative rate of 16.4% in March 2014 to 4.1% over the last five months. In the first two months of FY 2014-15, monthly city contracting growth was -11.1% in the first month and 20.1% in the second month. While other categories such as restaurants and bars, hotel and motel and apartment rentals continue to exhibit strong growth, it is not enough to offset the softening in retail and contracting and continued negative growth in telecommunications, leases and rentals and commercial rentals.

It is important to note that economic factors impact revenue collections, but policy changes can also severely impact growth. For example, the state legislature changed the tax liability requirements effective July 2013 for commercial rentals which has negatively impacted collections. Additionally, changes in how businesses operate can also have a negative impact as evidenced with the continued decline in telecommunications sales tax revenues over the past two fiscal years believed to be caused by cellular phone providers increasingly categorizing accounts as internet based, which are not required to pay telecommunication taxes.

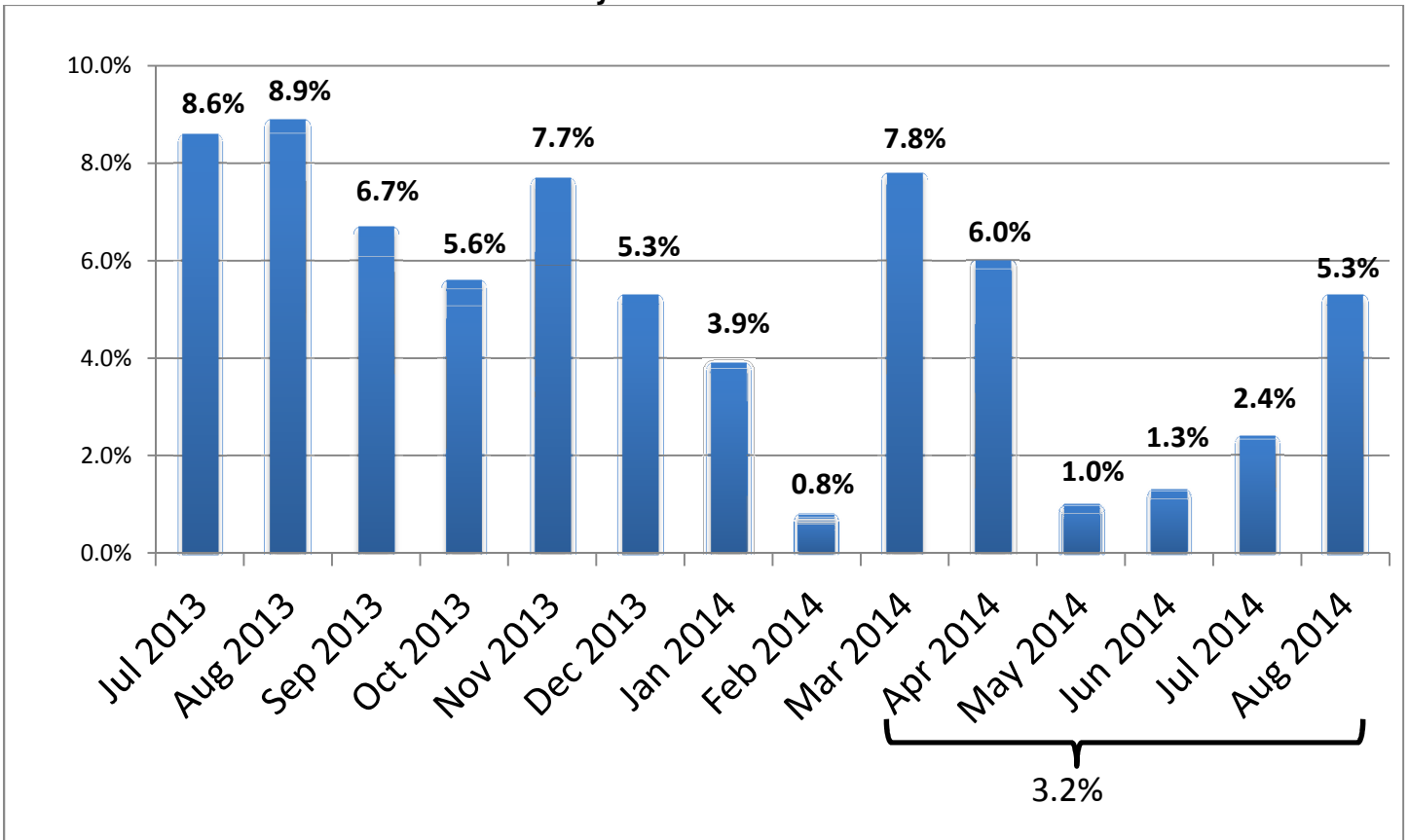
To illustrate the recent slowdown in city sales tax revenue, monthly growth rates are provided in the chart on the following page, along with growth rates for the retail and contracting categories. The monthly growth rates exclude the food tax and account for one time audit adjustments.

### City Sales Tax (Excluding Food Tax)

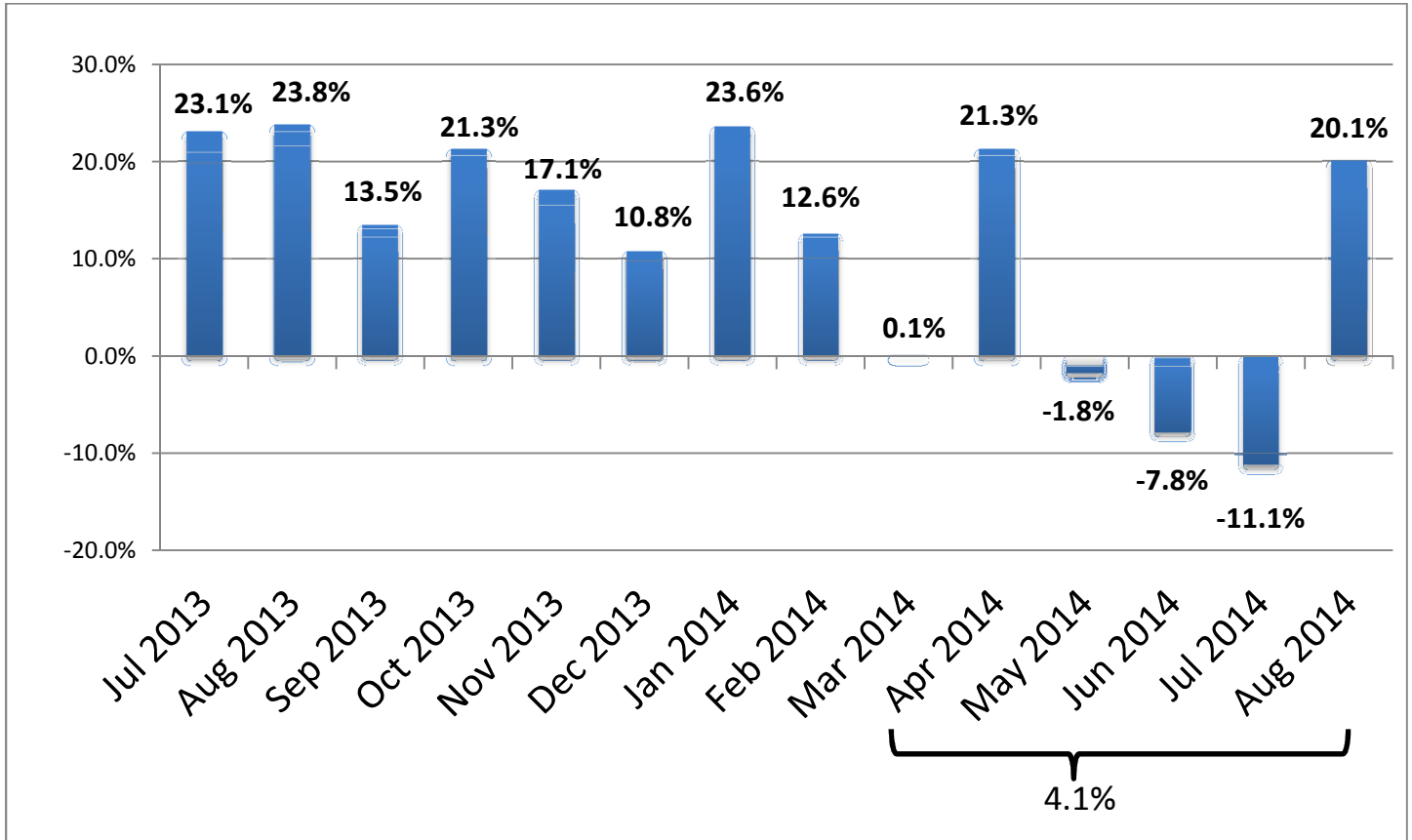


\*Growth rates account for one time audit adjustments and exclude the food tax. Unadjusted growth rates are 7.0%, 3.9%, 3.1% and -2.8% respectively.

### City Retail Sales Tax



### City Contracting Sales Tax



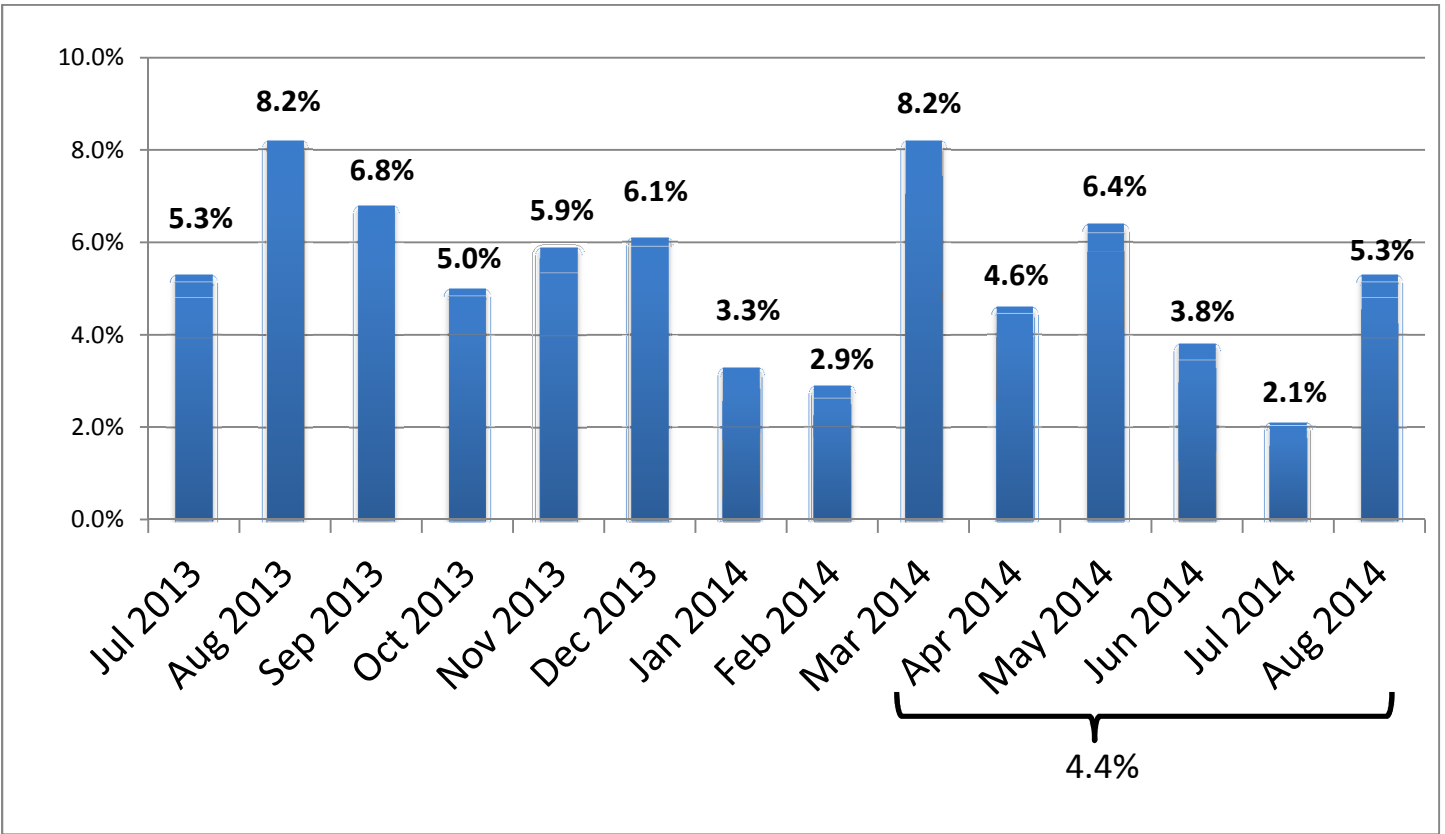
### State Sales Tax

State Sales Tax revenue growth is following a similar trend to city sales tax revenues. A recent slowdown in growth suggests the unexpected softening is not only occurring locally, but is impacting the state economy as well. Based on the recent trend in actual collections, staff lowered the FY 2014-15 state sales tax revenue estimate from 6.0% above the 2013-14 estimate (or 6.8% above 2013-14 actual) to 4.5% over the 2013-14 actual (excluding year end accounting adjustments). This reduction lowers the total state sales tax estimate by approximately \$3.8 million. It should be noted that this estimate assumes the state economy will continue to grow as economists are predicting, but further reductions to the estimate may be needed as the fiscal year progresses. Staff will closely monitor performance and report to the City Council if adjustments are needed.

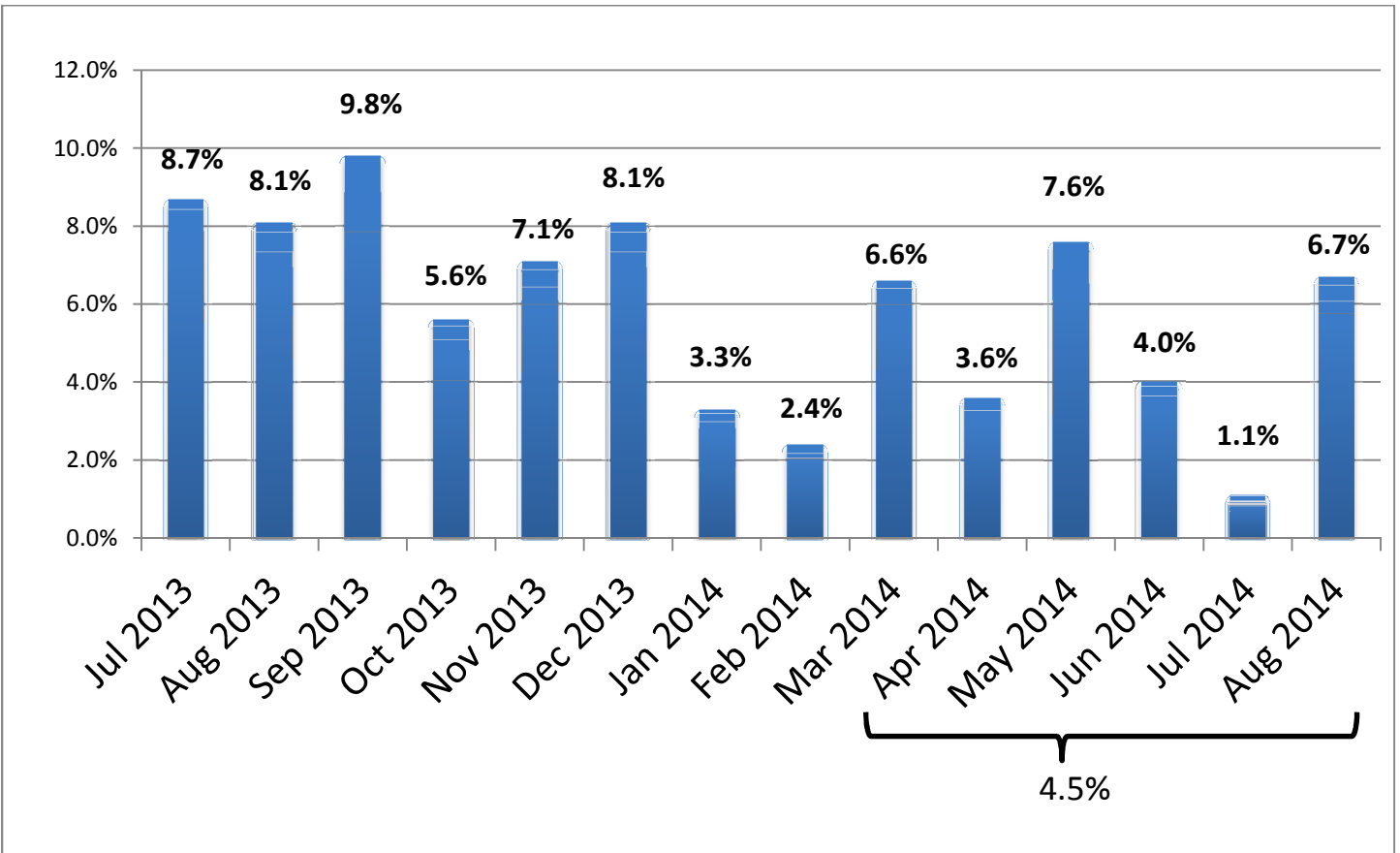
Similar to what is negatively impacting city sales tax collections, state collections are also being depressed by the retail and contracting sales tax categories. This suggests the same underlying economic variables impacting local tax collections are also occurring at the state level.

To illustrate the recent slowdown in state sales tax revenue, monthly growth rates are provided in the chart on the following page, along with growth rates in the retail and contracting categories.

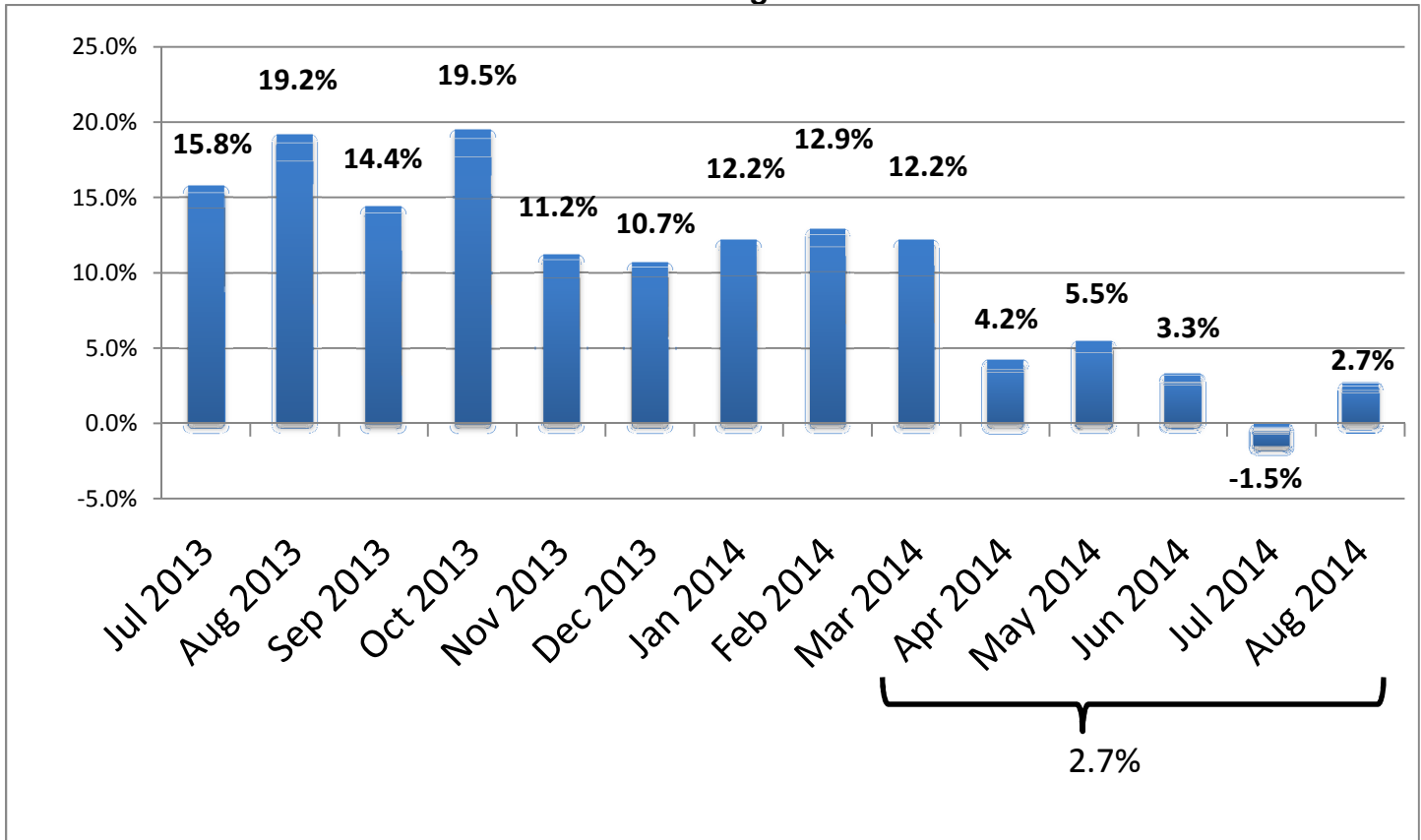
### State Sales Tax



### State Retail Sales Tax



### State Contracting Sales Tax



### Emergency Transportation

Emergency transportation services (ETS) revenue is a user fee set by state statute for basic life support services and related charges for mileage and supplies for the provision of ambulance services. This revenue source has declined for the past three fiscal years due primarily to a legislative change that reduced the reimbursement rate for the Arizona Health Care Cost Containment System (AHCCCS) from 80% to 68.59%. During the 2013 legislative session, the rate was increased effective October 1, 2014 from 68.59% to 74.74%, which is expected to increase revenue collections. However, the FY 2014-15 estimate was based on the assumption that increases would occur in transports and collections due to an expansion of the eligible AHCCCS population that has yet to be realized. The 2013-14 ETS actual revenue was lower than the estimate by about \$915,000. For these reasons, the FY 2014-15 estimate was reduced in order to maintain the projected 2.5% growth rate over the 2013-14 actual. This required a reduction of approximately \$900,000 to the current estimate.

### Vehicle License Taxes

Vehicle License Tax revenues are generated from vehicle registrations and are included in state shared revenues. Revenues in this category ended the FY 2013-14 at \$51.7 million, which was just under the revenue projection at 6.9% growth versus 7.9%. The FY 2014-15 estimate was reduced in order to maintain the projected 4.0% growth rate over the 2013-14 actual, requiring a reduction of approximately \$500,000 to the current estimate.

## CONCLUSION

The local and state economy started to slow in late spring 2014 after staff developed FY 2014-15 revenue projections and has impacted city and state sales tax revenues. In addition, emergency transportation and vehicle license tax revenues need to be adjusted to maintain the projected growth rate for 2014-15, accounting for less than estimated collections in 2013-14. Therefore, the total reduction to the FY 2014-15 General Fund revenue estimate is approximately \$15.5 million. This reduces the projected growth rate from 4.1% over the 2013-14 estimate, or 4.2% over the 2013-14 actual, down to 2.7%, so that resources can remain in-line with projected expenditures resulting in a balanced budget. This reduction is offset by the higher than estimated FY 2013-14 ending fund balance amount of \$18.4 million.

Staff will continue to monitor revenue, and any further adjustments will be presented to the City Council as the budget development process continues. This early action plan is unprecedented in City history. It reflects a commitment by staff for early, actionable information to the policy-making body.