

## DAPHNE BUDGET PROJECTIONS

### LAN Projected Budget Case

Assumes 2008 "Other" expenses will be \$1.8 MM higher than the budgeted number (but comparable to numbers for recent years)

4/30/2008

Year	Expenditures, \$MM				Income, \$MM						Projected Sav / Loss net, \$MM	2008 BUD Sav / Loss net, \$MM	NET Reserve \$MM
	Total Ex.	Personnel	Debt serv.	Other	Total Inc.	Sales % Lu x Tax	Ad Val T	Bus Lic	Other Rev	Debt Proc			
1990	4.90	1.82	0.70	2.38	4.95	2.89	0.80	0.12	1.14		0.05		
1991	5.74	2.56	1.03	2.15	6.37	3.93	0.86	0.13	1.45		0.63		
1992	6.01	2.76	1.10	2.15	6.63	3.92	0.99	0.16	1.52	0.04	0.63		
1993	6.34	2.94	1.06	2.35	7.19	4.25	1.06	0.18	1.70		0.85		
1994	7.50	3.27	1.06	3.17	8.03	4.74	1.10	0.20	1.79	0.20	0.53		
1995	8.73	3.54	1.35	3.85	8.91	4.87	1.25	0.22	1.88	0.68	0.18		
1996	8.83	3.94	1.53	3.36	9.16	5.36	1.46	0.25	2.10		0.33		
1997	10.61	4.41	1.57	4.63	10.48	5.72	1.74	0.27	2.25	0.49	-0.13		
1998	11.49	5.31	1.80	4.38	10.99	6.23	1.95	0.29	2.52		-0.50		
1999	12.10	6.15	1.73	4.22	12.41	7.05	1.91	0.33	2.90	0.22	0.31		
2000	13.79	6.54	1.96	5.29	13.59	7.57	2.20	0.33	2.77	0.72	-0.20		
2001	14.69	7.84	2.36	4.48	14.67	8.19	2.37	0.38	3.60	0.13	-0.01		
2002	19.09	8.28	2.47	8.34	18.71	8.58	2.55	0.38	7.04	0.16	-0.38		
2003	16.31	8.35	2.49	5.47	17.83	8.92	2.67	1.24	4.42	0.59	1.52		
2004	17.68	8.90	3.15	5.63	18.19	9.81	2.94	1.23	4.21	0.01	0.50		
2005	17.93	9.79	2.75	5.39	19.93	11.28	3.02	1.23	4.40		1.99		
2006	20.93	10.49	2.78	7.67	23.22	12.29	3.31	1.40	6.22		2.28		8.80
2007	22.47	11.94	3.27	7.27	23.72	12.47	3.70	1.42	6.13		1.25		10.05
2008	23.79	13.46	3.90	6.43	23.12	12.60	3.76	1.45	5.31		-0.67	1.13	9.38
2009	26.05	14.94	4.29	6.82	25.08	13.73	4.02	1.58	5.74		-0.97		8.41
2010	28.53	16.58	4.72	7.23	27.19	14.97	4.31	1.72	6.20		-1.33		7.07
2011	31.26	18.41	5.19	7.66	29.49	16.32	4.61	1.88	6.69		-1.76		5.31
2012	34.26	20.43	5.71	8.12	31.99	17.79	4.93	2.05	7.23		-2.27		3.03
2013	37.57	22.68	6.28	8.61	34.70	19.39	5.27	2.23	7.80		-2.87		0.16
2014	41.21	25.18	6.91	9.13	37.64	21.13	5.64	2.43	8.43		-3.57		-3.41
2015	45.21	27.94	7.60	9.67	40.83	23.03	6.04	2.65	9.10		-4.39		-7.80

Reserve at end of 2007 was \$10,050,583

Rates used for projections:	% proj 11%	% proj 10%	% proj 6%	% proj 9%	% proj 7%	% proj 9%	% proj 8%	% proj 0%
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Average past rates of increase per year over time period

93-97	11%	11%	11%	8%	13%	11%	7%
97-2001	15%	11%	0%	9%	8%	9%	13%
2001-2004	4.5%	10%	16%	6%	7%	48%	5%
2004-2006	8%	-6.5%	17%	12%	6%	7%	22%
2006-2008	13%	18%	-9%	1%	7%	2%	-8%
Rates projected forward:	11%	10%	6%	9%	7%	9%	8%

Projected numbers  
Concerns  
(see also pages 2 & 3)

Numbers from 2008 Budget Book dated August 14, 2007 for 2004-6 & 8; 2007 numbers from K. Briley 4/24/08

## NOTES:

### •• **SIGNIFICANT FINANCIAL PRESSURES FACE THE CITY GOING FORWARD THAT MUST BE RESOLVED SHORTLY!**

#### **Relationship between Personnel Costs and Sales and Luxury Tax Revenues:**

- Historically, the Sales and Luxury Tax revenues were greater than the Personnel costs, although they increased at a lower yearly rate than personnel costs! Once these numbers cross, the City faces significant financial pressures.
- Personnel costs exceeded Sales & Luxury Tax revenues slightly for the first time in 2007. The 2008 Budget indicates that the Personnel costs will exceed the Sales and Luxury Tax revenues by \$860,000!
- Keeping the annual increase of personnel costs at 11% (or below) will be important to try to help keep the budget in balance in the future. This may be difficult to do.
- Additional sources of revenue will be needed since Sales and Luxury Tax revenues will no longer cover personnel costs as in the past!

#### **Special Economic Development Zones:**

- An additional sales tax of 1/4% in the special economic development zones should be considered (Jubilee, Aranov and Renaissance).
- The original proposal for the Aranov project included the proposal to increase the sales tax in that district by 1/4% to pay the bond (as Spanish Fort did with their development). When the Aranov project was approved, the increase was dropped and the City agreed to take 1/4% out of the City's share of the sales tax instead. For 2008, about \$1 MM of sales tax from these zones is used to pay the bonds for those zones resulting in \$1 MM less in revenue to the City (some from Jubilee but most from the Aranov project). If the City had stayed with their original proposal for the increased Sales Tax in the Aranov project, the Sales and Luxury Tax revenue would be only about \$200,000 or so below the Personnel costs for 2008! If the 1/4 % sales tax increase could be applied to Jubilee, Aranov and Renaissance, the resulting Sales and Luxury Tax revenues would potentially cover personnel costs for several more years!

#### **Special Revenue Funds:**

- The "Special Revenue Funds" (of which the Lodging Tax is the largest component) were not included in the Daphne Budget Projections as these numbers were not included in the 2008 Budget Book for the 2004 - 2007 period (only the 2008 numbers were included). There is a fair amount of revenue involved (about \$650,000 over appropriations for 2008). Thoughts on how these funds are best used (most are restricted) should be reviewed and a plan developed to help meet future City funding needs.

## GENERAL COMMENTS ON BUDGET FORMAT:

### Final vs. Base Budget:

- The budget passed each year should be the final budget and not a preliminary "base" budget that is then amended some months later. It should contain amounts put aside for contingencies. The expectation should be that the numbers listed will be adhered to and the budget will not be amended later except under very special circumstances. All items not in the budget directly will then compete during the year for the contingency funds specified in the budget with the expectation that the contingency fund totals will not be exceeded.

### Complete and Easy to Understand Budget:

- The existing budget is complex and not easy to understand. It contains information on General Government Funds, Enterprise Funds and Special Revenue Funds. The information should be summarized in an overall fashion (as in the table above) to give a good picture of total expenses and total income.
- Since Personnel costs are the major portion of City expenses, they are a key components of the budget and should be monitored closely. The total number of City personnel and the total Personnel Costs should be summarized (they are currently spread out between the different Funds). This can then be monitored as a percent of total income. As that percentage approaches 60% it becomes very difficult to maintain. For 2008, the budget projects the percentage at 58%! If that number gets to be above 60% and approaches 70%, it will become unsupportable!
- There are some funds available for the city in special accounts, such as the approximately \$800,000 put aside to complete sewerage the City. All such items (both the purpose and the money available) should be summarized in the budget.
- A summary and a more detailed breakdown for the status of the debt service expenses should be provided, including the timing when the various debt instruments will be retired.
- The summary portion of the Budget should be projected forward at least for 2 years and preferably for 4 years. This is needed to give everyone a handle on the health of the budget and serve as an early warning of potential problems so that the problems can start to be addressed at an early stage.