



Memorandum

To: Mayor and Council
Klove
From: Kay Love, City Administrator
Date: October 19, 2009
Re: Financial Condition Update

Please find attached a memo to me from Strategic Planning and Budgeting Director, Mike Erwin, regarding questions that have arisen over the last few weeks about the City of Roswell's projected financial condition. The pro forma that was used to project future revenues and expenditures is a "snapshot" based on assumptions or hypothetical conditions built into the data. It was developed to use during the budget process for discussion purposes and is a dynamic document that changes daily. The numbers and/or assumptions can be taken out of context in any given fiscal year and a variety of conclusions may be construed and reported as "fact".

We do not have a crystal ball to predict the future and there will always be variables that we cannot control such as the economy and federal/state legislation. Our best information is based upon historical trends and planning for future needs guided by the policies set by you as elected officials. The City of Roswell is not "broke" nor will it be "insolvent" in five years. However, there are tough budget decisions to be made in the next couple of years. I am confident that with your guidance, continued fiscal prudence, and prioritization of goals we will be able to develop a financial plan that will sustain our assets and the quality of life that we all enjoy as Roswell residents.

I am happy to discuss details with each of you at your convenience. Please let me know if there is additional information that might be helpful to you in the future.

Friday, October 16, 2009

To: Kay Love
From: Mike Erwin
CC: Michael Fischer

RE: General Fund Pro Forma

In the past week several questions have arisen concerning the City's future financial position. This memo seeks to respond to the questions and provides information about the assumptions of a pro forma.

A pro forma was completed in July and is a revision of the pro forma used during the FY2010 budget process. The revised pro forma was based upon the assumptions listed below:

- FY2010 Approved General Fund budget,
- Spending 100% of the FY2009 General fund budget,
- FY2009 revenue based upon the City's financial system as of July 18th,
- FY2010 using \$1 million in General Fund's fund balance above the reserve by policy for maintenance capital to fund \$3 million in maintenance capital. Maintenance capital is funded at \$3 million in years FY2011-2014
- One time capital for the period FY2011 through FY2014 is for road repair and construction at \$1.7 million each year and an additional one time \$3 million for the Enterprise Resource Project (ERP), city-wide financial management system.

The assumptions in this pro forma indicate:

- The City will have approximately \$13 million left in the General Fund's fund balance at the end of FY2014, which is
- \$2.9 million less than the \$15.9 million needed for reserve by policy.

For the City to sustain fiscal health a combination of increased fees, additional revenue sources, property tax increase, reduction in services, elimination of services, or de-funding capital projects will be needed in the future.

The City will be debt free in FY2015 and has the ability to pay it off at the end of FY2014 using the Debt Service Fund's fund balance. The City currently uses 1.396 mills which equates to \$6.8 million for debt service and the City could convert all or part of that 1.396 mills to operating at Council direction.

The overall picture from the July pro forma is the City has the ability to maintain its current financial position, but new capital projects, programs or maintaining current service level will require adjustments to be made. This is consistent with what staff has reported for the last three years for the 2011-2014 time periods.

If you have any questions, please let me know.