



2009 Cash Flow Plan Management

Briefing for City Council Workshop

April 8, 2009

City of Bainbridge Island

2009 Cash Flow Management

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Cash Management: Situation Update – Tax Supported

- The City developed an annual cash flow plan in December 2008 to help ensure liquidity and assist in financial decision making
- Cash flow is not the exactly the same as a budget, but is very similar
- In January the City decreased its 2009 revenue projections by \$1.8M and reduced spending by \$2.3M with the understanding that additional adjustments would be needed to improve year-end financial condition (Round 2)

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Cash Management: Status of Recommendations from January 28th

- ☑ Immediately execute Reduction Plan steps to stem the outflow of cash
- ☑ Proceed with labor reductions impacting 6 City employees
- ☑ Execute an Inter-fund loan for \$0.6M from the Utility Funds to the General Fund to be repaid in two installments, April and October of 2009, with a rate equal to the higher of WA State or Kitsap County cash pool plus 25 basis points
- ☑ Accelerate revenue recovery measures to collect monies owed the City (grants, intergovernmental)
- ☑ Restructure debt on callable bonds
- ☑ Request a 10% reduction from professional service providers
- ☑ Create advisory group of local experts on Bainbridge economy to assist City in forecasting revenues and understanding conditions
- ☑ Maintain, update and improve cash flow forecasting and report results regularly
- ☑ Joint effort between Council and Administration to evaluate other options for reducing spending and improving cash flow (Round 2)

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Cash Management: Review of March 18th Workshop Results

- On March 18th the City Council conducted a workshop with City executives and provided recommendations to revenues and expenditures resulting in a “Gap” of \$3.5M in year-end cash as a result of the following decisions:
 - Reduce the January 2009 baseline revenue forecast by \$1.0M
 - Target \$1.0M in restricted reserves by year-end 2009
 - Target \$1.75M in unrestricted cash by year-end 2009
- After discussions with department Directors, Council provided general policy guidance on adjustments to revenues and expenditures:

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Cash Management: Review of March 18th Workshop Results

- Reduce labor costs by \$1M and examine management/staff ratio
 - Maintain vacancies
 - Reduced work hours
 - Layoffs
- Staff the Winslow Way Reconstruction team with in-house staff members
- Reduce staff support to citizen committees/commissions except for Planning Commission and reduce their work plans to essential issues in 2009
- Consider new legal applications for Housing Trust and Civic Improvement funds
- Freeze discretionary long-range planning activities
- Sell surplus assets to achieve at least \$1M in new revenue
- Reduce professional services contracts
- Negotiate the use of a registered warrant with the BIMPRD that would defer payment on the soccer field until 2010
- Amend the 2% for Arts ordinance to suspend contributions for 2009-2010
- Give priority to water resources, court staffing, Code update project, MUNIS improvements, emergency management and road chip seal program

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Cash Management: Adjustments to 2009 Cash Flow Plan

- Basis: February 2009 Cash Flow Plan with \$1.02M in year-end cash
 - Reduced annual baseline revenue (inflows) forecast by \$1M (from \$18M to \$17M) based upon the revenues percentage of total
 - Reduced total outflows by \$1.59M
 - Increased inflows by \$1.24M
 - Updated for February and March actual inflows and outflows by \$0.45M net
 - Updated for known changes to future inflows by (\$0.48M)
 - Updated for known changes to future outflows by \$0.69M
- Result: April 2009 Cash Flow Plan – Preliminary with \$2.13M in year-end cash

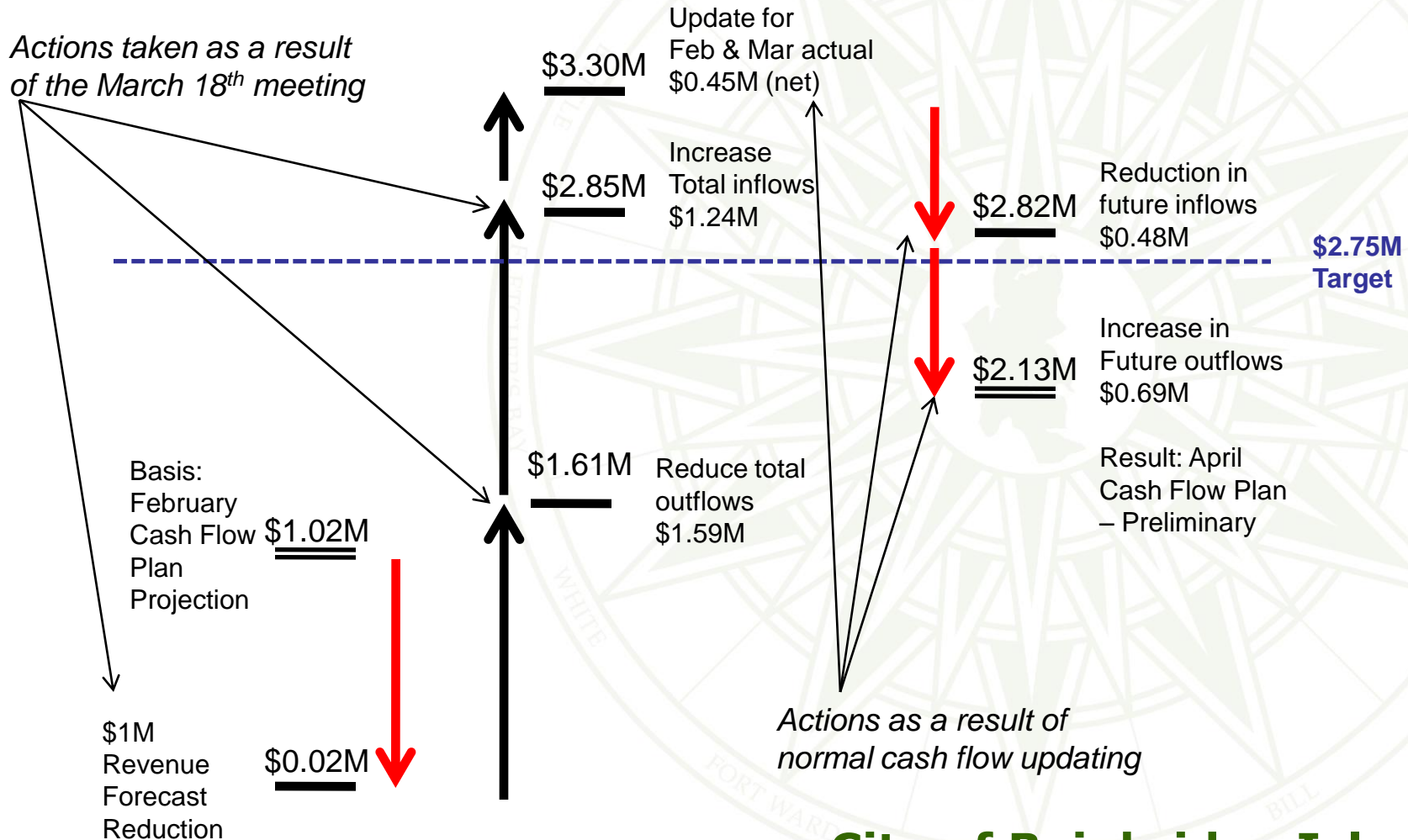
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Cash Management: 2009 Year-End Cash Position Movement

Actions taken as a result of the March 18th meeting

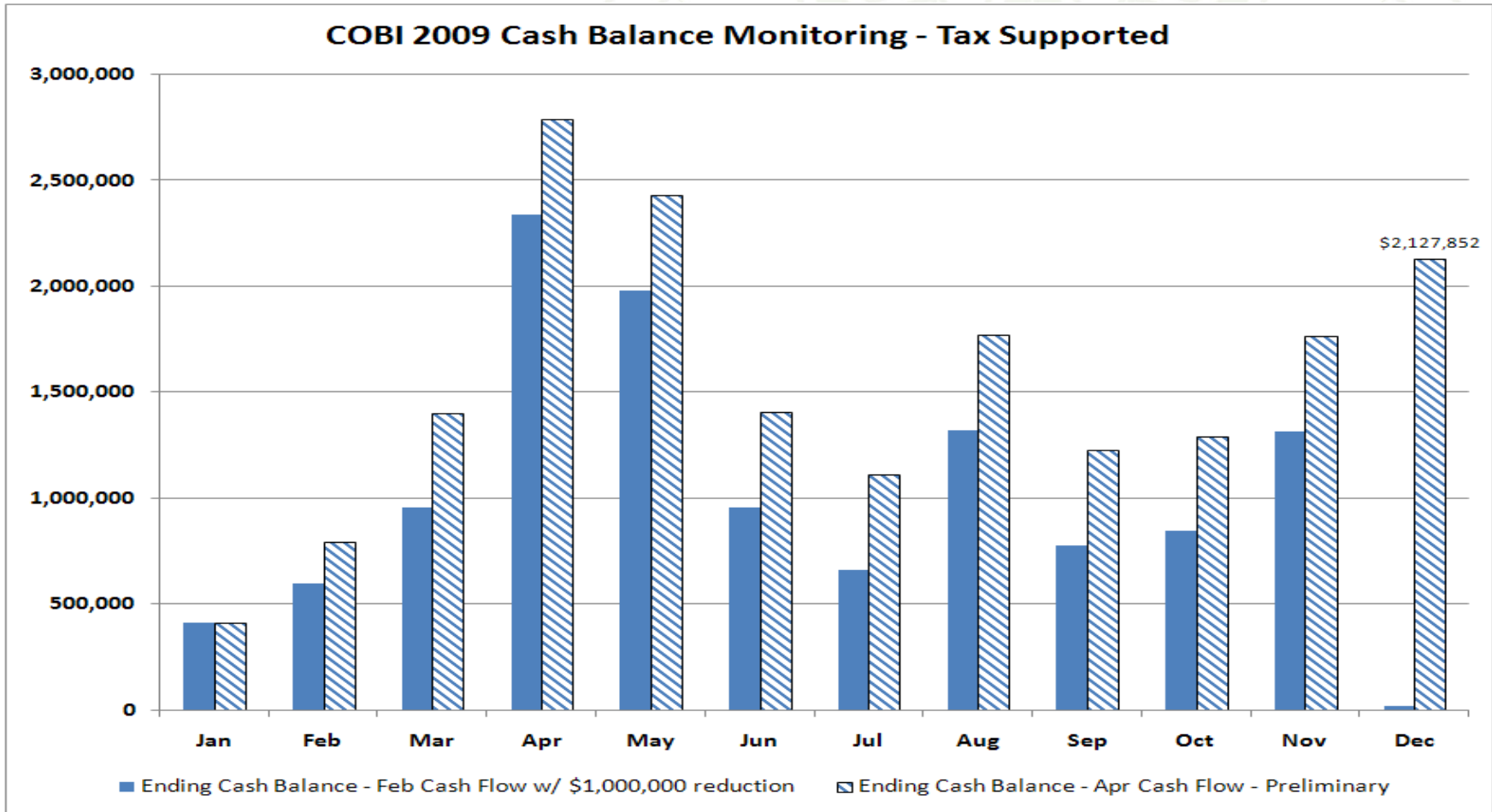


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Cash Management: April Cash Flow Plan – Preliminary



Note:

Spread of outflows and inflows has not been allocated to appropriate months which will change the month ending cash balances but year-end position of \$2.13M will not change.

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Cash Management: Reduction Plan of \$1.59M (Outflows)

- Reduction in labor and benefits for 11.3 FTE, \$741,850
 - Layoffs of 8 employees (Notice of intent given April 6th)
 - 2 Public Works – Roads (impacted utilities)
 - 1 Engineering Tech II position in Public Works – Development (impacted Water Resources)
 - 1 Division Secretary position in Planning – Code Enforcement (impacted PW support)
 - 1 Office Specialist position in Planning
 - 1 Parking Enforcement Officer in Police (from 1.5 to 0.5 FTE)
 - 1 Manager in Current Planning
 - 1 Manager in Capital Projects
 - Leave vacant the Police Chief and Police Clerk positions (1.0 FTE)
 - Merge the Director of Public Works and City Engineer into single position (0.5 FTE)

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Cash Management: Reduction Plan of \$1.59M (Outflows)

- Work schedule reduction totaling 1.8 FTE
 - 3 employees in Executive
 - 3 employees in Planning
 - 2 employees in Finance
 - 1 employee in Public Works
- Reductions in Professional and Community Service contracts, \$343,470
 - Eliminate 2030 studies, farm land support, shoreline studies, forestry support, and ALEA design and bathometric support
 - Reduction in HHHS and BIAHC contracts
 - Reduction in Fire Services contract (\$32,600 pending)
- Execute registered warrant with BIMPRD for soccer fields, \$300,000 (pending)
- Cancel the ALEA project at Waterfront Park, \$76,000 (net)
 - Reduces new debt in 2010 by \$587,624
- Reduction in supplies, training, advertising and recruiting costs, \$88,815
- Reduction in costs for May special election, \$40,000

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Cash Management: Reduction Plan of \$1.59M (Outflows)

- Police Guild concessions, \$25,000 (pending, not included in Reduction Plan)
 - Officers will forego City contributions to their Deferred Compensation
 - Officers will increase their contributions to medical by \$120 per month
 - Contingent upon City Council members donating 3% of their salary to the City each month (Guild requirement for concession)

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Cash Management: Revenue Enhancement of \$1.24M (Inflows)

- Increase in Sale of Fixed Assets, \$680,000
- Federal Stimulus for Blakely non-motorized Trail, \$150,000
- Known major projects impacting baseline revenues, \$118,400
- Impact of changes due to allocations, refunds, and other misc., \$289,000

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Cash Management: Summary of Changes to Date

Spending Reductions

January 28th Reductions = \$2.3M

April 8th Reductions = \$1.6M

Total to Date = \$3.9M

Effective FTE Count

	<u>Tax Supported</u>	<u>Utilities</u>	<u>Total</u>
04/15/2008	104.2	42.2	146.4
03/12/2009	94.8	40.1	134.9
05/01/2009	88.7	35.9	124.6

Total FTE reduction 21.8 or 15% of workforce since April 2008

Tax Supported reduction 15.5 or 15% of workforce since April 2008

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Cash Management: Analysis of Tax Supported Revenue Forecast Accuracy

Total Tax Supported Revenues	Jan-Mar Revenues	Apr-Dec Revenues	Annual Total
February Forecast (1)	\$4,533,203	\$18,644,156	\$23,177,359
Revised February Forecast (2)	\$4,357,006	\$17,820,353	\$22,177,359
Actual Revenues	\$4,520,144		
Revised April Forecast (3)	\$4,520,144	\$17,820,353	\$22,340,497
Revised April less February Forecast	(\$13,059)	(\$823,803)	
Monthly Average	(\$4,353)	(\$91,534)	
% of Accuracy of February Forecast	99.7%		
% of Accuracy of Revised February Forecast	99.7%		
Required Change in Accuracy to achieve Revised April Forecast		95.4%	

(1) Includes actual revenues for January and forecasted revenues for February through December

(2) Includes actual revenues for January and forecasted revenues decreased by \$1M for February through December

(3) Includes actual revenues for January through March with the reduced revenue forecast for April through December

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Cash Management: Analysis of Baseline Revenue Forecast Accuracy

Baseline Revenues	Jan-Mar Revenues	Apr-Dec Revenues	Annual Total
February Forecast (1)	\$4,011,654	\$14,018,905	\$18,030,559
Revised February Forecast (2)	\$3,835,477	\$13,195,082	\$17,030,559
Actual Revenues	\$3,927,787		
Revised April Forecast (3)	\$3,927,787	\$13,195,082	\$17,122,869
Revised April less February Forecast	(\$83,867)	(\$823,823)	
Monthly Average	(\$27,956)	(\$91,536)	
% of Accuracy of February Forecast	97.9%		
% of Accuracy of Revised February Forecast	97.8%		
Required Change in Accuracy to achieve Revised April Forecast		93.8%	

(1) Includes actual revenues for January and forecasted revenues for February through December

(2) Includes actual revenues for January and forecasted revenues decreased by \$1M for February through December

(3) Includes actual revenues for January through March with the reduced revenue forecast for April through December

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Cash Management: Revenue Reduction Impact on Cash Flows

- Actual baseline revenue results for the first three months of the year have been 97.9% of the February forecast, or \$83,867 less than that forecasted amount
- Actual baseline revenues for the remaining nine months would have to be 93.8% of the February forecast if we assume the \$1M reduction in annual revenues
- Issue: What is the risk of assuming an additional \$1M in baseline revenue reduction while meeting the \$2.75M target based upon current data?

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Cash Management: Risk Matrix

Year end revenues meet original forecast amount of \$18M

Year end revenues meet revised forecast amount of \$17M

No additional workforce reductions (maintain current 88.7 FTE count)

- Restricted reserves of \$1M at year-end achieved
- Operating cash position of at least \$1.75M at year-end achieved
- Lower 1QTR labor expenses in 2010 than 2009 avoiding need for inter-fund loan
- City maintains sufficient workforce to meet mandated and legal requirements but with lower levels of service in all departments

- Restricted reserves achieve less than \$1M at year-end
- Operating cash position of \$1.75M at year-end likely achieved
- Lower 1QTR labor expenses in 2010 than 2009 avoiding need for inter-fund loan for operating costs
- City maintains sufficient workforce to meet mandated and legal requirements but with lower levels of service in all departments
- Emergency needs in excess of reserves and operating cash would require inter-fund loan or other external funding

Additional reductions to staff of 10* FTE made to meet revised forecast of \$17M

- Restricted reserves of \$1M at year-end achieved or exceeded
- Operating cash position of at least \$2.75M at year-end likely achieved
- Significantly lower 1QTR labor expenses in 2010 than 2009 avoiding need for inter-fund loan
- City has insufficient workforce to meet mandated and legal requirements resulting in poor service and possible litigation or fines and reduced City revenues
- Likely higher cost to utilities to maintain service as ability to share staff is reduced or eliminated

- Restricted reserves only achieve \$0.5M at year-end
- Operating cash position of \$1.75M at year-end likely achieved
- Significantly lower 1QTR labor expenses in 2010 than 2009 avoiding need for inter-fund loan
- City has insufficient workforce to meet mandated and legal requirements resulting in poor service and possible litigation or fines and reduced City revenues
- Likely higher cost to utilities to maintain service as ability to share staff is reduced or eliminated
- Emergency needs in excess of reserves operating cash would require inter-fund loan or other external funding

* Estimated, actual number depends on timing and position

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Cash Management: Recommendations for Near Term

- Maintain revised April forecast with the \$1M reduction and reassess in late May after property tax is received (44% of all tax-supported revenue is received by May)
- Maintain adequate staffing with appropriate skill sets to ensure City can meet required levels of service and legal requirements
- Determine if the City can utilize the Department of Employment Security's Shared Work program as tool to further reduce labor costs through reduced work schedules (no later than April 30th)
- Move quickly to market with surplus properties and deposit receipts into the restricted reserve accounts
- Continue with efforts to reducing spending in 2009 while balancing long-term goals with short-term needs
- Continue targeting year-end balances of \$1M in restricted reserves and \$1.75M in operating cash = total of \$2.75M