

EXECUTIVE SUMMARY

IBA Review of the Mayor's Five-Year Financial Outlook for FY 2012 – 2016

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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The Mayor issued the Five-Year Financial Outlook for Fiscal Years 2012-2016 on February 7, 2011. It represents the fifth iteration in the series of long-term financial outlooks developed under Mayor Sanders. The Mayor's Outlook and the IBA's review were presented to the Budget and Finance Committee on February 9, 2011. The Committee voted to forward the items to the City Council with requests for additional information from Financial Management (FM) and the IBA.

The Budget Committee requested the IBA to:

- Develop a more candid and complete assessment, including:
 - calculation of the deferred maintenance deficit
 - incorporation of vacancy factor and step increases
 - unfunded portion of the Main Library project
 - additional details as identified in the IBA presentation

The FY 2012-2016 Outlook reflects significant deficits in each year of the forecast period, though amounts are lessened compared to previous versions. Annual deficits range from \$56.7 million in FY 2012 improving to \$8.8 million in FY 2016. When adjusted for the impact of the payment by the Redevelopment Agency for the Ballpark Debt in the amount of \$11.3 million beginning in Fiscal Year 2014, the deficits are reduced accordingly in Fiscal Years 2014 and 2015 and a surplus of \$2.5 million results in Fiscal Year 2016.

The Mayor's Five-Year Financial Outlook for FY 2012 – FY 2016:

- Does not reflect possible "pessimistic" property tax outlook
- Does not assume any increases in service levels
- Does not include any restoration of Fire-Rescue rolling brownouts
- Assumes retiree health care reform to reduce costs, or continuing practice of not paying full ARC for retiree health
- Assumes no salary increases for five years

The IBA developed an IBA Outlook Scenario to address these particular issues in order to reflect an estimate of the annual deficit incorporating these important areas, which will likely need to be addressed and may reflect a more accurate assessment of the City's financial situation.