

Memorandum



Financial Services

REVISED

Date: July 17, 2008
To: Mayor and Council
From: Jerry Hart, Financial Services Manager (8505)
Subject: Fiscal Year 2008/09 General Fund Contingency – **(See Changes in Bold)**

In light of current economic conditions and recent actions by the State, Financial Services staff has undertaken another review of the FY 08/09 General Fund budget to determine whether there are areas within the recently adopted budget with potentially the need for additional funding. We have determined the following additional funding needs (amounts are estimated):

- \$650,000 – Fuel. The budget did not contemplate the \$4/gallon regular gasoline and \$4.50/gallon diesel now being projected as an average for the year. Similar budget adjustments would be needed in other funds (Water, Solid Waste, etc.)
- \$165,000 – School Resource Officers. This would provide continued funding for police officers at the four Tempe high schools.
- **\$507,955** – State reimbursement. This represents the provision (House Bill 2209) in the recently passed state budget requiring the city make a contribution to the State’s general fund. The state budget action did **not** specify the source of this contribution. **This updated estimate is from the League of Arizona Cities and Towns.**
- \$271,000 – Qwest settlement. This is the city’s portion of the settlement between the State and Qwest regarding overpayment of property taxes. Of this total, the impact to the General Fund is \$100,295 with the remaining \$170,772 coming out of the Debt Service Fund.
- The city has completed (or is in the process) negotiations of new memoranda of understanding with the four employee bargaining units. Included in the agreements will be provisions regarding the annual market survey which is currently underway. The full impact to the budget of the market survey has not been determined.

The FY 08/09 General Fund contingency budget is \$1,286,000. Contingency is used to fund unexpected expenses such as increased fuel costs. Any utilization of contingency

to, for example, fund the School Resources Officers would result in transferring funds from contingency to the Police Department budget.

The total potential additional needs identified above are at least **\$1,423,250**. Clearly, if we are required to make a contribution to the State, an additional appropriation of fund balance may be necessary.