



LAKE FOREST PARK GOV WATCH

THREE KEY BUDGET FACTS

- 1. During the past several years, expenditures have exceeded revenues.**
 - a. Since 2008, the city has spent \$500,000 from its "rainy day" reserve funds to cover general operating expenses, reducing these reserves from \$2.0M to \$1.5M.
 - b. The "cash balance" in the general fund has been eroded from \$1.6 M at the beginning of 2008 to approximately \$900K at the beginning of 2011. (Note: In 2008, the requirement to maintain a 12% cash operating reserve was lowered to 10% to facilitate these actions.)
 - c. Operating balances have been negative (expenses greater than revenue) by \$473,646 in 2008, \$127,407 in 2009, and \$305,593 in 2010 (per the approved 2011-2012 budget).

- 2. The current 2011-2012 budget does not adequately address the expense/revenue disparity.**
 - a. The approved 2011 budget calls for expenses to exceed revenues by \$188,304 with the shortage being made up by a further reduction in the General Fund cash balance (to \$682K, approximately the minimum permissible level under current fiscal policy).
 - b. The 2012 budget is in balance, because state law requires it, however many of the actions taken to accomplish this are short term, temporary "fixes" (i.e. requiring furlough days, eliminating salary increases) which cannot realistically be continued indefinitely.
 - c. The budget did not adequately address the "structural" issues necessary to allow the city to operate within its revenue streams beyond 2012.
 - d. The budget made no attempt either to rebuild the depleted reserve funds or cash balances, instead, when "extra" funds became available, previously eliminated marginal activities were reinstated.

- 3. The fiscal picture for the City going forward is bleak.**
 - a. The 2011-2012 budget forecasts increasing negative operating balances of \$215,099 in 2013, \$243,372 in 2014, \$384,732 in 2015, and \$415,000 in 2016 for a total deficit of \$1,258,203.
 - b. Structural issues such as staffing levels, organization structure, employee salary and benefit contribution levels, discretionary spending, outsourcing of services, need to be seriously and rapidly considered.