2010 CAFR and City Finances Executive Summary

Report Date: July 12, 2011

Every year the city of Ft. Wayne releases a Comprehensive Annual Financial Report (CAFR). The document is a certified accounting of all of the previous year's financial activity in the city, and while the city isn't obligated to compile it (many localities, including Allen County do not), I believe it offers an important insight into city finances. Because the CAFR must comport with certain state laws, and established accounting principles it can sometimes be difficult to read or compare to other city documents, like the budget.

For example, this year the state has requested that we list the net pension obligations of city employees, even though the state is legally responsible for that debt. This makes the city debt look higher than it actually is. In the following few pages I hope to provide an explanation of city spending and budgeting and highlight some important sections of the CAFR.

For the previous 21 years the city has received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for our CAFR, and it is my hope this 2010 CAFR makes it 22.

Holding Spending Flat

By whatever measurement one uses, the city is spending about the same amount of money today as it was in 2008. In fact property tax collections in 2010 were actually lower than they were in 2007 by $6.7 million.

Property taxes collected (in millions):		**% Reduction From 2007**
2007	$99.0	-
2008	$98.3	0.7%
2009	$94.4	4.6%
2010	$92.3	6.8%

When one looks at the part of the budget supported by property taxes, spending increased by less than a tenth of a percent between 2008 and 2010 (.0883%)

Property tax supported funds:

	2008	**2009**	**2010**
Budget	$133,445,413	$134,839,675	$133,288,710
Actual	$129,926,976	$130,383,907	$130,041,649
Under Budget	$3,518,437	$4,455,768	$3,247,061

Under Budget

2010 marks the third consecutive year this administration has come in under the City Council approved budget.[1] For 2010, the city came in more than $4.9 million under budget. Both the budgeted spending and the actual spending are flat since 2008. Compared to 2008, the 2010 budgeted spending is up just .15% and the actual spending is up just .26% (and significantly under budget). This is well below the nearly 5% inflation that occurred over the same time.[2]

Total City Budget:

	2008	2009	2010
Budget	180,625,566	181,108,895	180,894,466
Actual	175,476,031	174,651,561	175,929,253
	5,149,535	6,457,334	4,965,213

Long Term City Debt

Page 48 of the 2010 CAFR shows that the city is continuing to pay down its long term debt obligations. It is important to note, however that accounting rules for the CAFR distort the city's actual debt. Three items listed in the CAFR are the result of accounting requirements rather than city debt, and fall outside of the parameters of what is generally considered part of debt or bonding.

	2010	2009
General Obligation Bonds	$2,805	$3,100
Special Obligation Bonds	$68,555	$77,710
First Mortgage Bonds	$38,420	$39,875
Capital Leases	$56,159	$57,829
Notes & Loans Payable	$10,621	$11,260
Net Pension Obligations	$93,338	$92,503
Compensated Absences	$9,481	$9,277
Other Post-employment Liabilities	$4,665	$2,229
Other Long Term Liabilities	---	---
Sub-Total	$284,042	$293,783
Net Pension Obligations	-$93,338	-$92,503
Compensated Absences	-$9,481	-$9,277
Other Post-employment Liabilities	-$4,665	-$2,229
Total	**$176,558**	**$189,774**
Difference	-$13,216	

[1] Because the city must use the accrual method, it can be very difficult to compare the CAFR to the council approved city budget.

[2] CPI Inflation Calculator, Bureau of Labor Statistics

Net Pension Obligations- As part of the property tax legislation the state is responsible for this debt. The state has asked that this information be placed into the CAFR, but the state still acknowledges this debt is its financial obligation. It is therefore not city debt.

Compensated Absences- This is an accounting mechanism rather than a debt or bond issued by the city. This line takes into account all of the unused paid vacation and sick days that have been accumulated by city employees and places a monetary value them. There is generally little change in this number from year to year and it isn't an actual debt.

Other Post-employment Liabilities- This is an estimated accounting of benefits owed to city employees beyond their pension upon retirement. Its required listing was added under relatively recent regulatory changes for the CAFR. While it is an obligation of the city, it is not an outstanding bond or a liability that has to be paid until a particular employee has retired. As a result, this expense is budgeted each year as part of the general budget rather than as long term debt.

Once these issues are accounted for, the city ended 2010 with a net liability of around $176.5 million, down $13.2 million from 2009's $189.8 million. Between 1/1/2011 and 12/31/2015 the city will pay off an additional $73.77 million <u>in principal</u> on outstanding bonds.

Maintaining Services, Do More With Less

While it is important to use the CAFR to highlight the fact the city has held spending flat and is on track to pay off a significant amount of debt over the coming years, I would be remiss if I didn't mention something the city isn't doing: cutting services.

Instead, we're doing more with less by focusing on process improvements and updates in technology SmartGov at www.cityoffortwayne.org/smartgov, is giving residents access to more information and more services online. Citizens Square has brought nearly all local government together to make it easier to use and more cost-effective. Now we're streamlining land-use permitting to ensure the welcome mat is out to new jobs and business investment.

These successes are remarkable when you consider that over the course of the last decade the population of Fort Wayne has grown 30 percent, and the geographic area served has expanded by 40 percent. Yet during the same 10 years, our employee count, except in public safety, has decreased by a full 10 percent.

I hope this helps explain the 2010 CAFR more fully, and if you have any suggestions for improving our Comprehensive Annual Financial Report or for better managing your tax dollars, please contact my office at (260) 427-1106,

Sincerely,
Pat Roller
City Controller