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City gets bad news on sales tax revenue

By TONI SCOTT - Staff Writer

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CHICO — Bouncing back from the recession may prove to be a long process for the city of Chico, with the first quarter financial report indicating a dramatic decline in sales tax revenue — a trend city officials expect to continue throughout the 2009-10 fiscal year.

In a report to the Chico City Council, Finance Director Jennifer Hennessy stated the city's sales tax revenue is expected to fall almost \$900,000 below original projections.

That loss of income will impact the city's General Fund significantly, with annual revenue expected to dip \$665,000 below budget.

Although Hennessy said revenue from the city's property tax, transit occupancy tax and utility users' tax came in higher than expected, the deep decrease in sales tax revenue countered any other gains.

"Sales tax revenue came in quite a bit lower than projected," Hennessy said. "It's negating any good news we saw."

Hennessy said the city is expecting to see similar downward trends in sales tax revenue over the next few fiscal quarters.

"It is taking a much longer time to recover than originally thought," Hennessy said. "We were 20 percent below sales tax revenue last quarter from the same quarter the previous year, and are

expecting to be 20 percent below again in the third quarter from the same quarter the year before."

City Manager Dave Burkland said the numbers were a disappointment to him, saying he had been hopeful the city would see some progress in stabilizing from the economic downturn.

Still, while the city's revenue is decreasing, its expenditures are also following suit, with Burkland highlighting the city's fiscal responsibility during volatile economic times.

"The good news is we are being very careful about our expenditures," Burkland said. "If we don't have to spend money on something, we're not going to."

Hennessy said with 25 percent of the fiscal year completed, only 23 percent of the budget has been spent. In addition, the city experienced a 3.6 percent decline in money spent on salaries and benefits, with non-salary expenditures decreasing by 13 percent from the previous year.

"We are underspending our budget, which is creating a savings that will help offset our shortfall," Hennessy said.

Despite the dismal economic forecast, Hennessy said the city is cautious but "not too alarmed," adding she is not projecting any personnel cuts in the near future.

The need for caution is something Burkland said was emphasized by the financial report, saying the city will continue to monitor its expenditures because it has little control over revenue generated.

"More than anything this brought to light the need to be careful with our expenditures," Burkland said.

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"We will be looking closely at all of our spending."

Burkland said the report also generated a startling realization — that although the recession may be over, its impacts will likely affect the city of Chico for months to come.

"We're just going to have to continue to be diligent about our spending," Burkland said. "It seems that this recovery from recession will be a slow process. It could take years."

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