

Budget Monitoring Report Quarter Ending 12/31/07



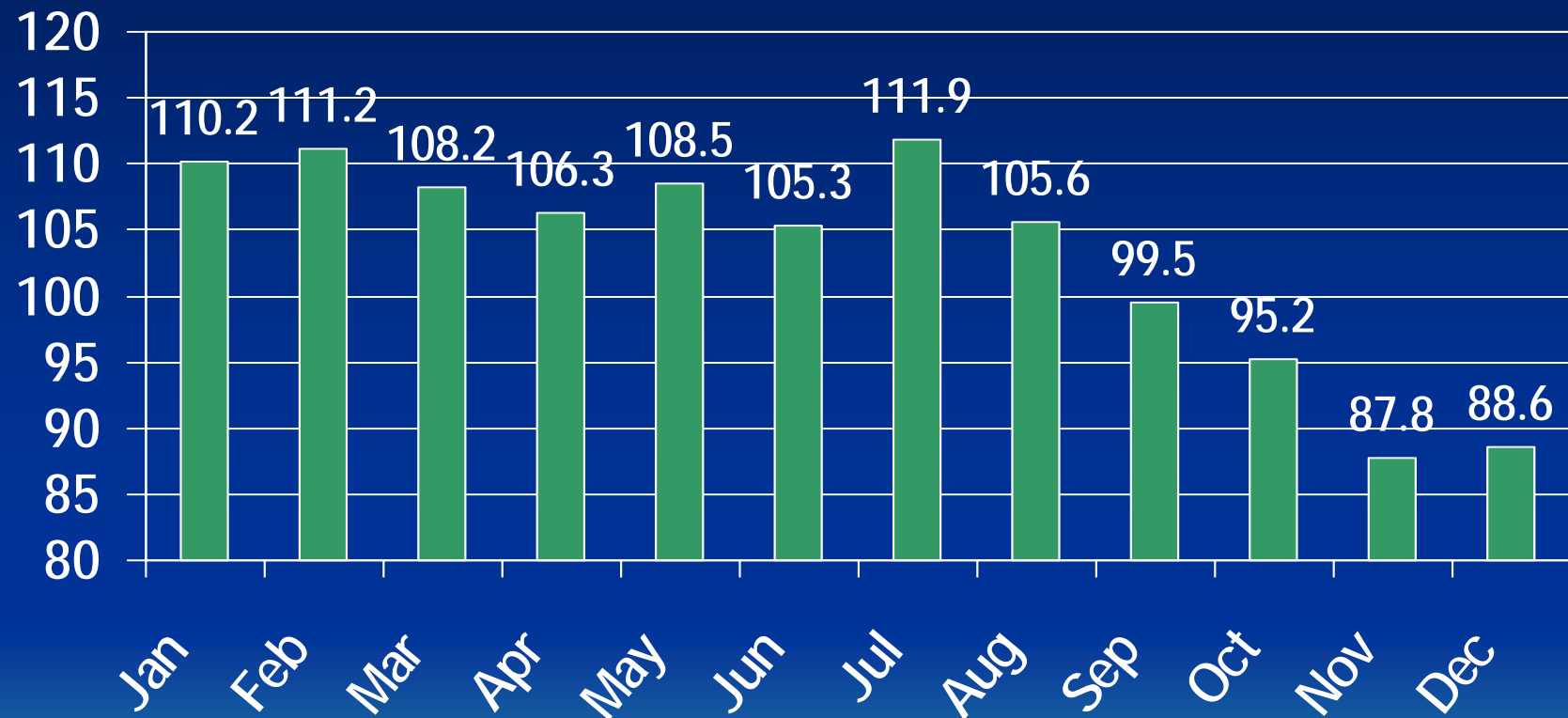
La Mesa City Council
January 22, 2008

Economy

- National economic news was mostly negative during the quarter
- Let's take a look at the major indicators...



U.S. Consumer Confidence Index



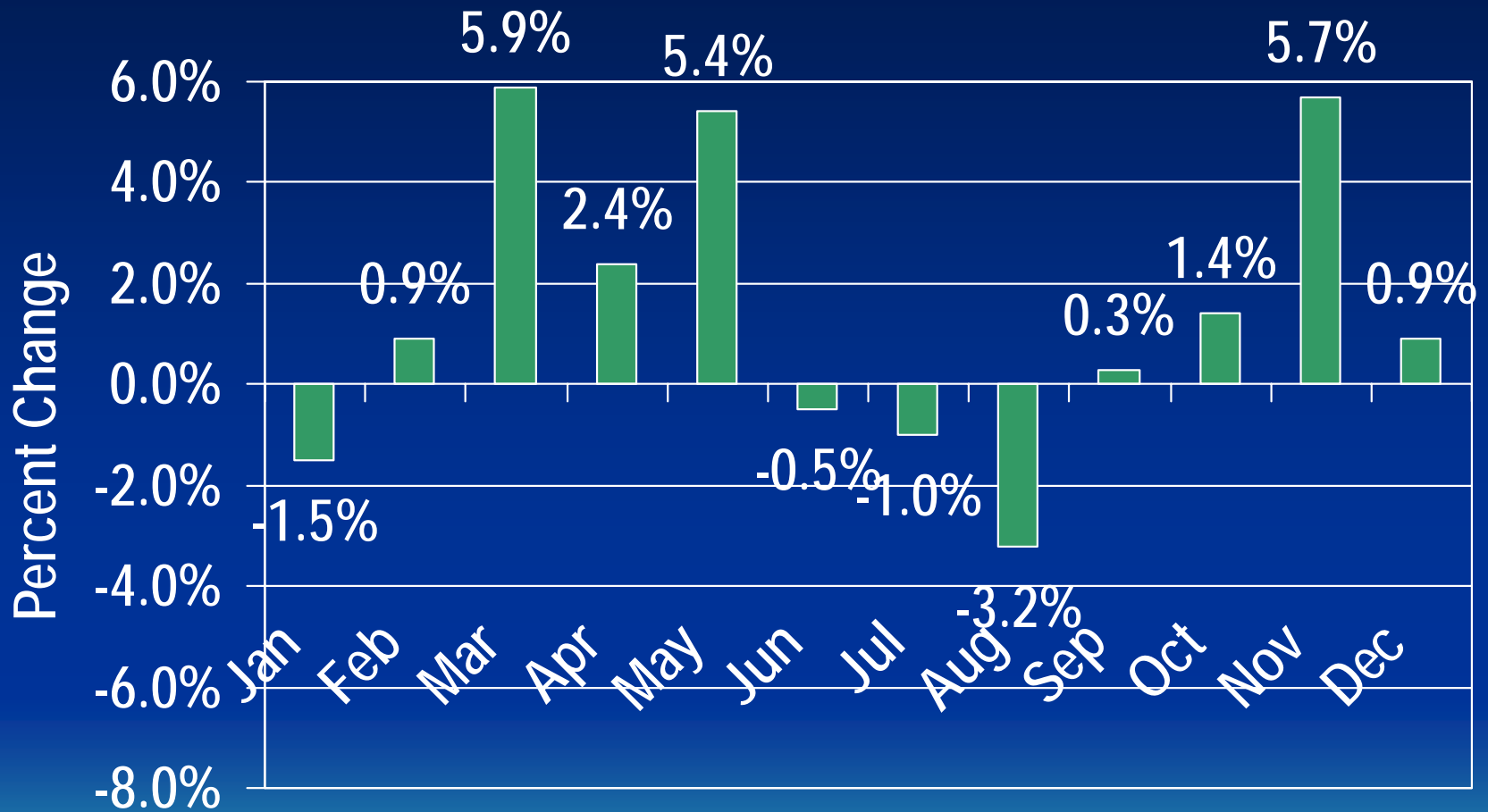
Source: The Conference Board

U.S. Consumer Price Index - Total



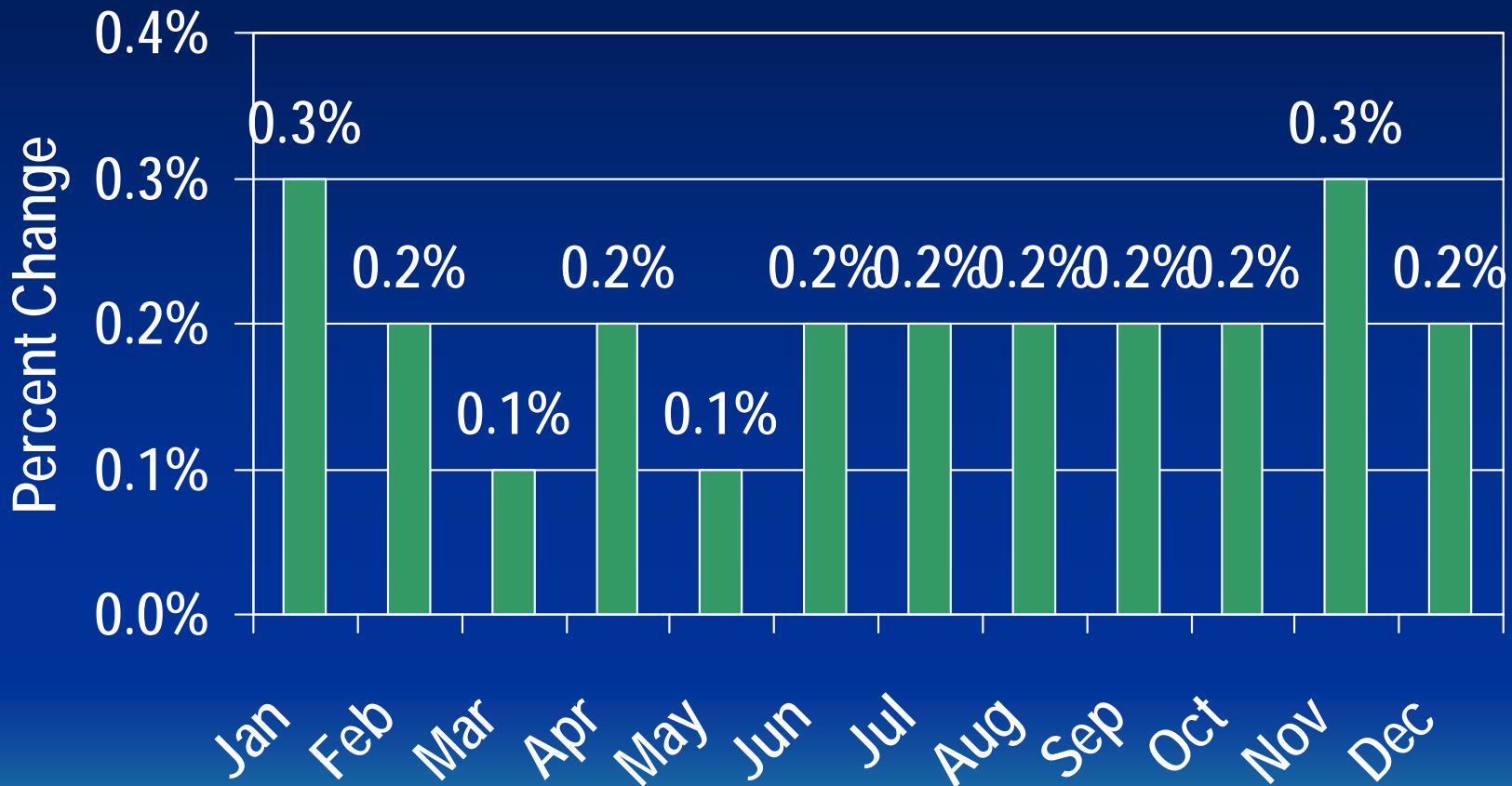
Source: U.S. Department of Labor (Seasonally Adjusted)

U.S. Consumer Price Index - Energy



Source: U.S. Department of Labor (Seasonally Adjusted)

U.S. Consumer Price Index - Core



Source: U.S. Department of Labor (Seasonally Adjusted)

Municipal Cost Index



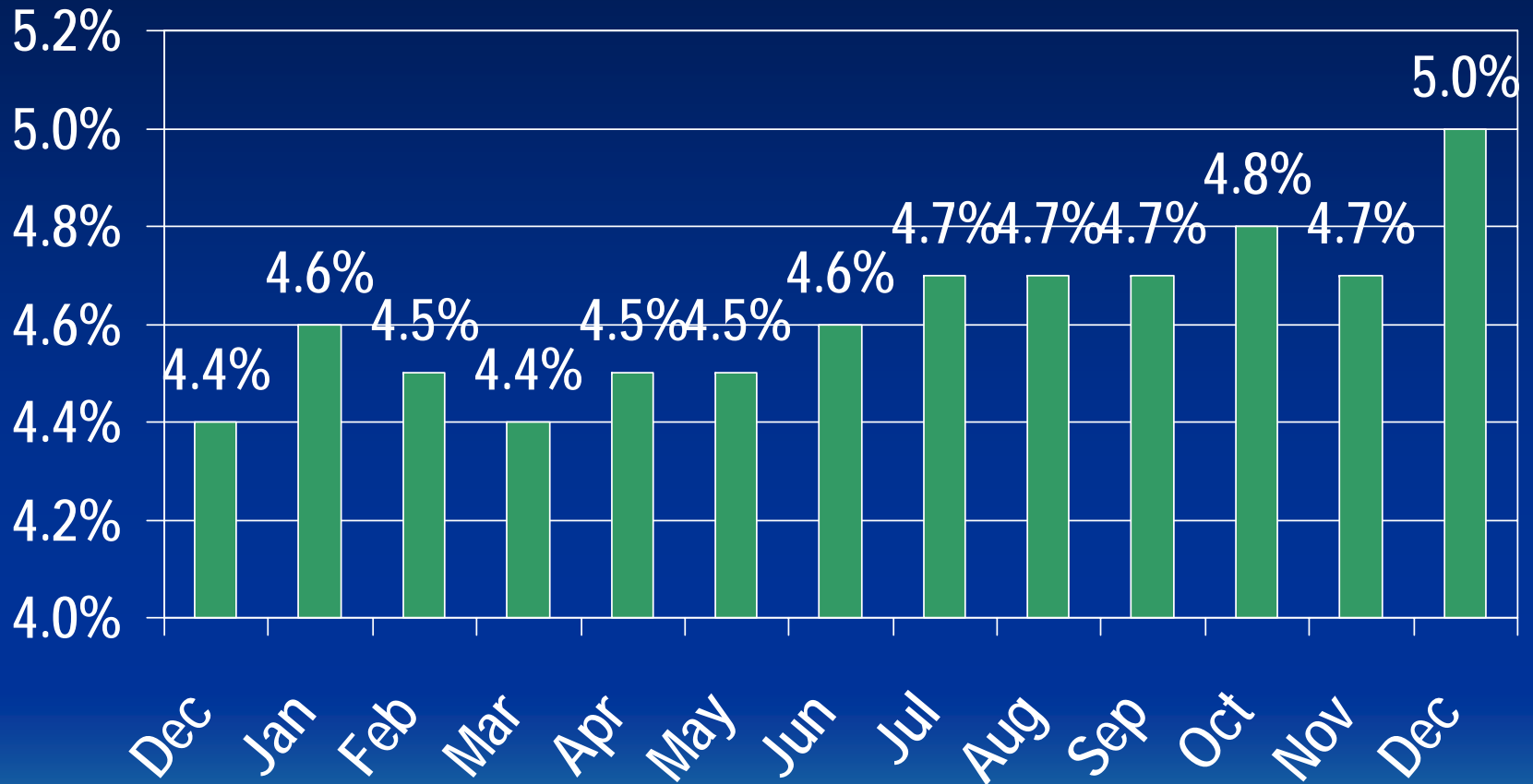
Source: American City & County Magazine

Index of Leading Economic Indicators



Source: The Conference Board

U.S. Unemployment Rate



Source: U.S. Department of Labor (Seasonally Adjusted)

National Economy (Cont'd)

- Federal Reserve reduced the Fed Funds Rate from 4.75% to 4.50% at its October meeting and to 4.25% at its December meeting (3rd drop in 2007)
- Today the Federal Reserve dropped the rate an additional 0.75% to 3.50% (lowest rate since September 2005)
- The Fed meets next January 29-30
- Economists are expecting another reduction

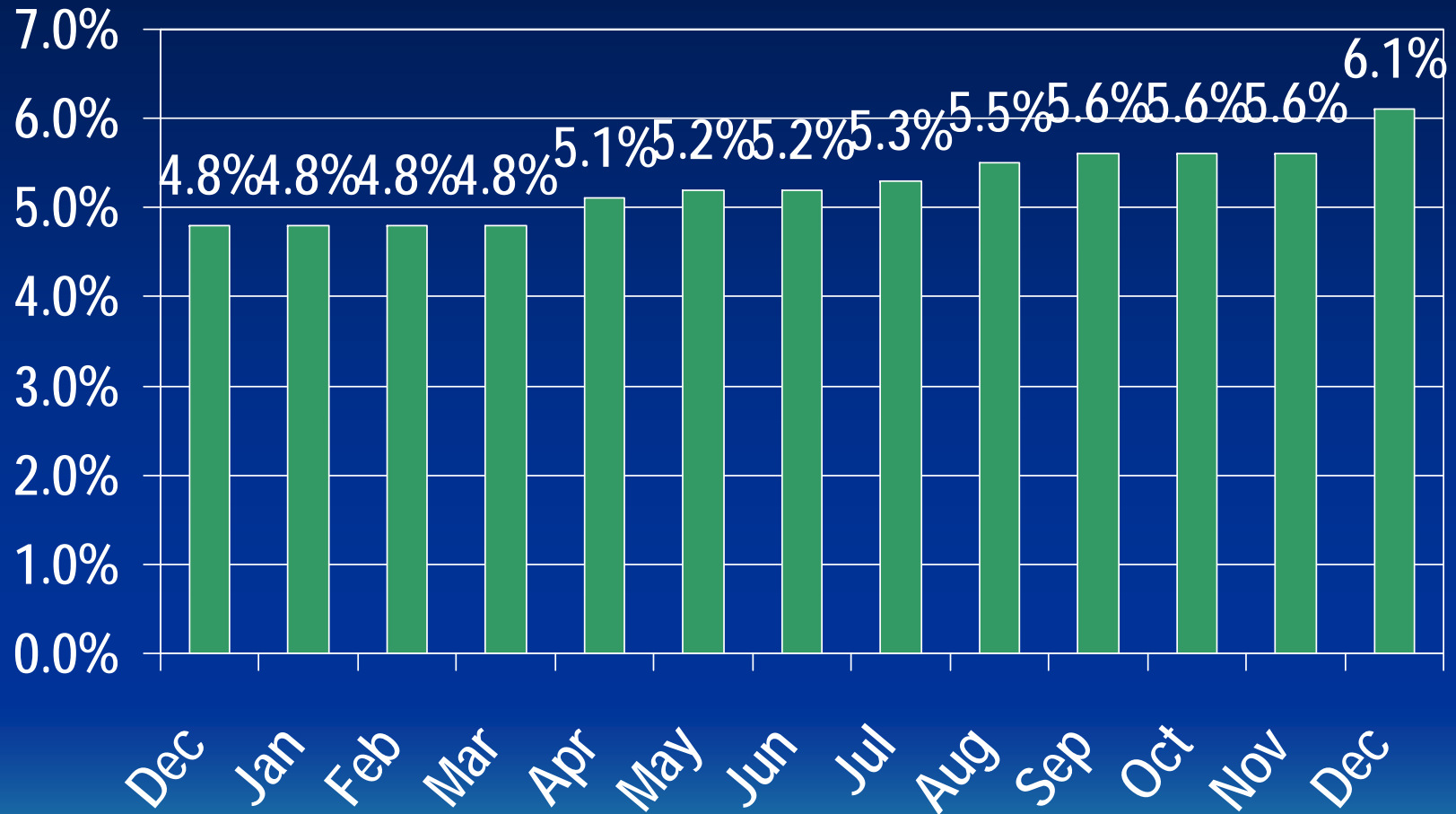


Economy (Continued)

- Looking at major State indicators...

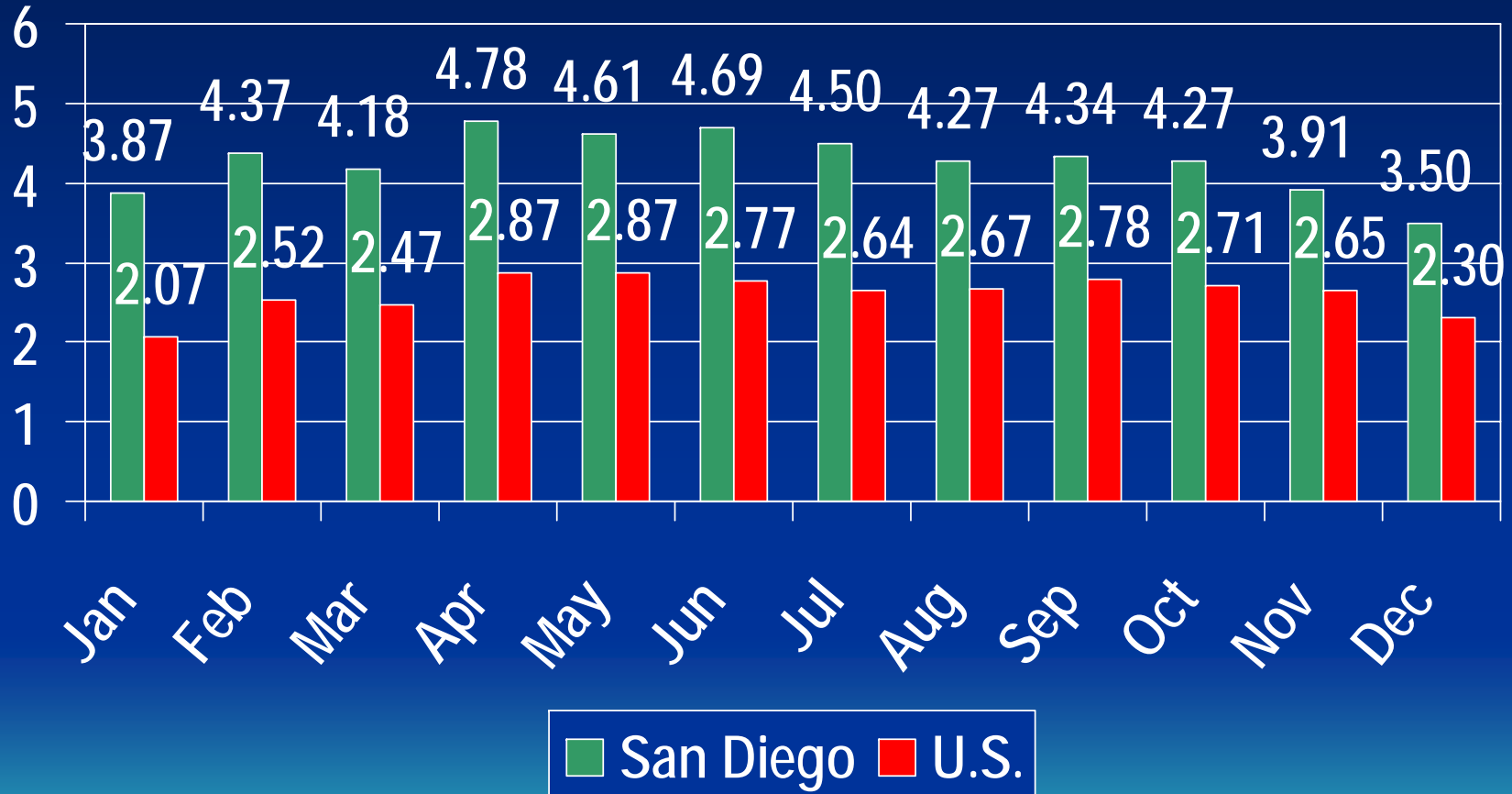


California Unemployment Rate



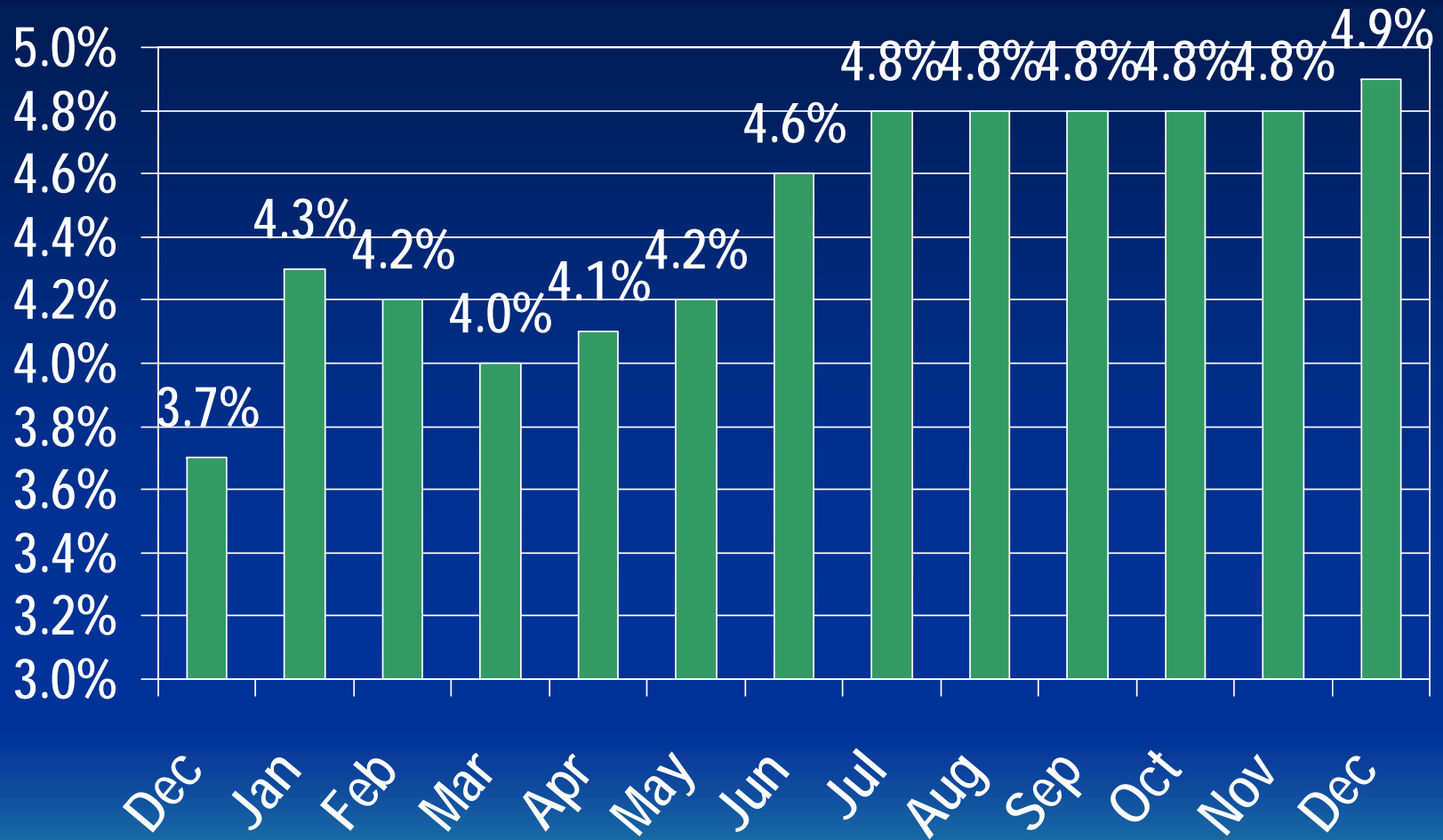
Source: California Employment Development Department (Seasonally Adjusted)

San Diego MSA Online Help-Wanted Jobs Posted Per 100 People



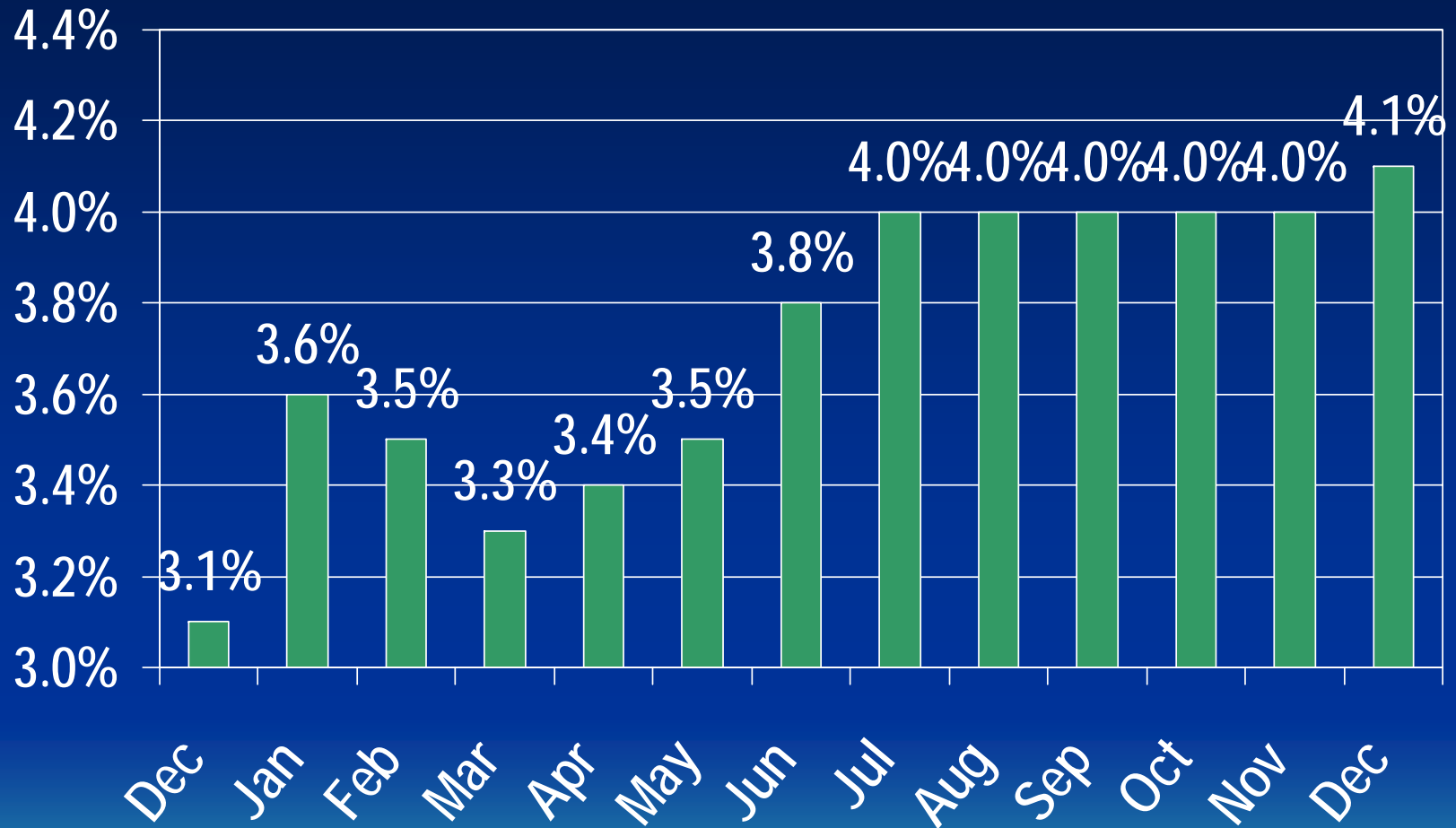
Source: The Conference Board

San Diego County Unemployment Rate



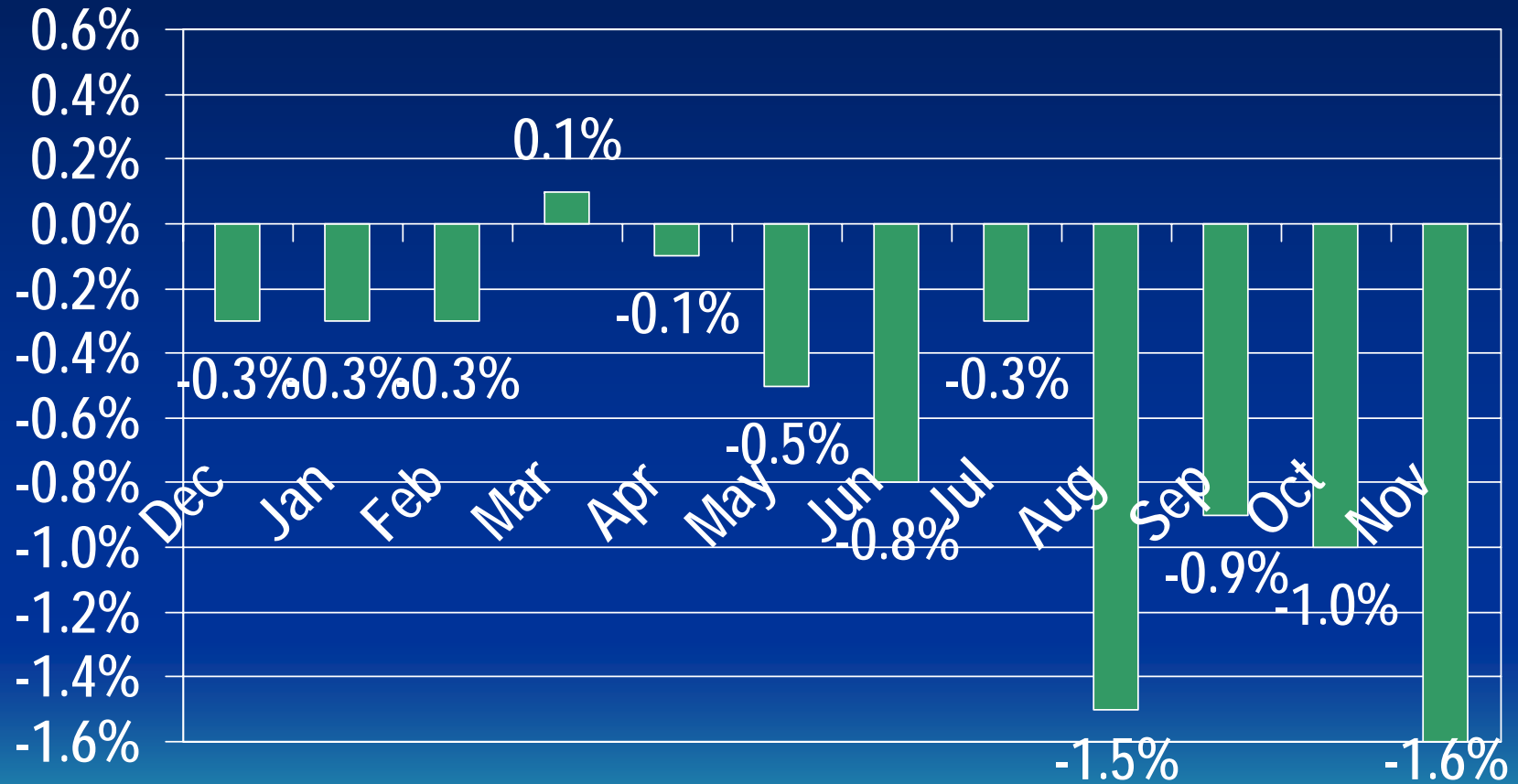
Source: California Employment Development Department (Not Adjusted)

La Mesa Unemployment Rate



Source: California Employment Development Department (Not Adjusted)

San Diego County Index of Leading Economic Indicators



Source: University of San Diego

SDBJ 2008 Economic Trends Event

- # 1 issue for SD businesses is the economy, #2 issue is hiring and retention
- Increasing chance of national recession (Wall Street's liquidity problem is becoming Main Street's problem)
- Economy likely to be slow in first half of 2008, picking up in second half
- Unemployment will continue to rise
- SD economy should avoid recession



SDBJ 2008 Economic Trends Event (Cont'd)

- Still unknown impacts from credit issues, fuel costs, and liquidity
- U.S. #1 in health care spending but #37 in outcomes
- Medical costs expected to continue to increase faster than inflation
- 1% of population uses 30% of health care resources, 20% use no health care at all
- Expect an additional 10% drop in home prices in 2008



General Fund Performance

- Beginning fund balance was within 1.1% of budget (\$64k below)
- Sales tax collections continue to run below budget - expect \$500k under
- VLF revenues down about \$100k
- Other revenue categories tracking close to budget



General Fund Performance (Cont'd)

- Vacancy savings lower than normal
- Other department expenditures are in line with expectations
- Management actions expected to result in close to historical overall savings (about 3%)
- Ending reserves are expected to be about \$665k below projections



Questions/Discussion

