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Housing slump crunches Lake Elsinore budget

By: AARON CLAVERIE - Staff Writer

LAKE ELSINORE -- While the holidays are usually a time for belt loosening, city officials here were told this week to prepare for some budgetary tightening due to the slowing housing market.

Finance Director Matt Pressey said the city expected about \$3.5 million in building permit fees to flow into its coffers during the current fiscal year ---- which runs from July 1, 2007 through June 30, 2008 ---- but the actual figure now is expected to top out at just \$1.8 million.

"The projected total is a lot lower than even our conservative estimates," Pressey said.

City staff revised the projections for the current fiscal year after talking to prominent builders, including Centex Homes and Pardee Homes, which are scaling back or delaying plans for new developments here.

The new projections will be folded into the city's half-year budget, which will be presented to the council at a special meeting early next year.

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Pressey notified the city's department heads this week to prepare cost-saving plans in anticipation of that meeting.

Because housing permit revenue accounts for about 10 percent of the city's \$34 million budget, the \$1.7 million shortfall means department heads will have to trim spending by about 5 percent to balance the books, Pressey said.

The highwater mark for Lake Elsinore building fees was fiscal year 2005-06, when the city collected \$5.5 million. The city netted \$3.3 million in permit revenue in 2004-05 and \$2.3 million in 2006-07.

While a 5 percent cut in spending is significant in City Hall, Pressey said most Lake Elsinore residents shouldn't notice any real change in services. The cuts likely will come from a combination of deferring some planned purchases and modest reductions to the individual budgets for the various city departments.

In addition, some unfilled but budgeted city positions, such as a code enforcement officer, likely will remain vacant, Lake Elsinore Mayor Bob Magee said.

"I think this is good news," Magee said Friday of the overall budget situation. "The governor has told his people to cut 10 percent (due to the housing slump) so I think a 5 percent impact here reflects the diversity of our income stream and shows how fiscally responsible city staff and the council have been."

The income diversity has been boosted of late by explosive growth in sales tax revenue courtesy of "big box" retailers such as Costco, Home Depot and Target, which all opened new locations here within the last two years.

"In 2006, we had the highest sales tax revenue increase in the county," Magee said.

That increase helped the city amass a \$6 million budget surplus for fiscal year 2006-07, City Treasurer Pete Weber said.

According to Weber's calculations, the housing slump's impact will trim the surplus for this fiscal year to about \$1.25 million.

"(The surplus) could go down to \$400,000 minimum, but it's hard to predict how the sales tax will weigh out," Weber said Friday.

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around the corner...***

Comments On This Story

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bill wrote on Nov 24, 2007 6:45 AM:

" Any fool could see the housing bubble was ready to pop by the end of '05, yet the city apparently was blind sided. A 50% reduction in building income is just the beginning, yet Magee says it is a good thing. Bwahahahahaha! Hey folks, you elected these clowns. The binge spending will end by market forces, not the prudence of city council as Magee claims. The market won't recover for years and, as Weber points out, the next shoe to drop is the loss of sales tax revenues. Couldn't happen to a better city. Dream Extreme! "

peter wrote on Nov 24, 2007 6:53 AM:

" The residents of Lake Elsinore should have their homes reappraised and request the appropriate reduction in the property taxes they are currently paying. It will save each family thousands of dollars and further sink the city budget. But what is fair is fair. This procedure is taking place around the country in areas, like Riverside County, which have been the most bubbly. You're welcome "

Way To Go wrote on Nov 24, 2007 7:36 AM:

" Good job Elsinore....hang in there. "

Wild-ifee wrote on Nov 24, 2007 2:46 PM:

" The voters of Wildomar and Menifee should take heed when deciding questions of cityhood. These same rosy projections are used in the fiscal analyses showing incorporation to be financially feasible. These areas represent a huge drain on County resources so long as they remain unincorporated. Perhaps this why Buster and Stone have engaged in the unprecedented fiscal gymnastics of pledging \$Millions in County funds to artificially prop-up what would otherwise be untenable incorporation proposals. Buyer beware! "

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