

## STAFF REPORT

**DATE:** November 11, 2008  
**TO:** City Council  
**FROM:** Kelly Fletcher, Budget Manager  
**VIA:** Paul Navazio, Assistant City Manager  
**SUBJECT:** FY 2008/09 First Quarter Budget Update

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### **Recommendation**

As an informational report, no action is requested on this item,

### **Fiscal Impact**

This informational item presents unaudited year-end revenue and expenditure results for the fiscal year ended June 30, 2008 (FY2007/08), as well as revenue and expenditure results through the first four periods of FY2008/09.

### **Summary**

This report summarizes the final, unaudited year-end All Funds revenue and expenditure results for FY2007/08, and presents All Funds revenue and expenditure results through the first four periods of FY2008/09. In addition, the report highlights General Fund revenue and expenditure results in comparison to estimates used in the development of the current FY2008/09 budget.

While results through the first quarter report do not typically warrant revisions to budgetary estimates, unfavorable property and sales tax information received during the first quarter require a preliminary downgrade of FY2008/09 General Fund Revenue estimates of \$1.54 million. In the short-term, this development is partially offset by favorable General Fund results for the year ended June 30, 2008, wherein the unreserved fund balance ended the year \$426,000 above the estimate used in the development of the FY2008/09 budget.

The City Manager has recently implemented a series of cost-containment measures aimed at curtailing current-year expenditures and mitigate the impacts of revenue shortfalls and minimize potential draw-down of General Fund reserve funds. The very real potential for further deterioration of revenues as well as renewed threats from the worsening State Budget situation warrant maintaining reserve balances to the greatest extent possible.

Highlights of the reported results include:

- *All Funds Revenues for the year ended June 30, 2008 were \$143,488,690 as compared to an Adjusted Budget of \$128,478,122. The significant variance in FY2007/08 citywide revenues is primarily as a result of bond proceeds related to the refinancing of the Mace Ranch Mello-*

Roos Community Facilities District, and development impact fees related to projects at Second Street Crossing. (See Attachment A – Table 1).

- *Through the first quarter of the current fiscal year, All Funds Revenues stood at \$27,326,088, or roughly 17.7% of the Adjusted Budget figure of \$154,140,852. In general, revenues derived from fees (Enterprise Funds and Internal Service Funds) and monthly billings (selected Special Revenue Funds) appear to be tracking in-line with budget projections. However, several major sources of tax revenues (Property Tax, Sales Tax, Parks Maintenance and Open Space) are paid in installments and result in overall revenues appearing below budget through the first quarter. (See Attachment A – Table 2).*
- *All Funds Expenditures for FY2007/08 were \$157,269,524, which represents 92.7% of the Adjusted Budget of \$169,640,600. Personnel costs represent \$49,046,892 of the FY 2007/08 expenditures (31.2%). All Funds Expenditures through the first quarter of FY2008/09 stand at \$38,897,125, or 24.1% of the All Funds Budget of \$161,612,524. (See Attachment A – Tables 3,5,7).*
- *As of November 1, the City has documented a current vacancy list of 24 regular full time and 1 (75%) regular part time positions. These vacancies represent a 5.4% shortfall in our current work force, in relation to our 464.25 budgeted Full Time Equivalent permanent positions. (See Attachment A – Table 9 )*
- *On a budgetary basis, the unaudited General Fund Unreserved Fund Balance as of June 30, 2008 is projected to be \$6,487,873 and represents a favorable variance of \$426,441 as compared to the reserve level assumed in the development of the FY2008/09 budget. The year-end Unreserved Fund Balance as of June 30, 2008 represents 17.7% of General Fund revenues. The FY2008/09 Adopted Budget assumed a year-end reserve level of 15.1%, with the excess funds having been appropriated in the current year for priority one-time needs. (See Attachment B).*
  - *Final results for FY2007/08 reflect a General Fund operating deficit of \$1.5 million. This result is in comparison to the expected draw down of \$1.7 million assumed in the development of the FY2007/08 budget for one time expenditures in Capital Improvements and Public Safety Staffing.*
  - *General Fund revenues ended FY2007/08 at \$38.95 million, which is \$787,810, or 2.1% below the estimate of \$38.16 million. (See Attachment C).*
  - *General Fund expenditures ended FY2007/08 at \$40.45 million, which was \$1,405,770 below the final adjusted budget, and \$198,085 (.5%) above the expenditure estimate assumed in the development of this year's budget. However, of the year-end savings, \$333,456 in unexpended, uncommitted funding has previously been re-appropriated as carry-overs into the current fiscal year, representing allocations for specific projects that were not completed as of June 30, 2008. (See Attachment D).*
- *Year-to-date FY2008/09 General Fund revenues through the first four months of the fiscal year were \$4.88 million, or 12.3% of the \$39.77 million adjusted revenue budget.*

- *In FY2007/08, Property Tax revenue continued to experience strong growth (5.9%) over prior year results, however FY2008/09 information indicates a slow-down in real estate assessed valuation as compared to the growth experienced in recent years. The FY2007/08 year-end property tax result of \$14.31 million was \$68,490 (0.5%) below the revenue estimate used in the development of the FY2008/09 budget. The variance is attributable primarily to increased property tax administration fees charged by the County. The first installment of current-year property tax revenues is not expected until early January. However, information received from Yolo County on citywide assessed valuations indicates growth in citywide assessed value of 2.99% compared to the budget estimate of 6.5%. Included in the lower growth figure is an estimated 1.5% reduction due to properties receiving downward assessments by the County Assessor's Office. Compounding this lower-than expected growth in property values is the fact that properties outside the Redevelopment Agency grew at a lower rate (2.77%) than those within the Redevelopment Project Area (3.79%). While property tax revenues will not be known until January, these figures result in a reduction in property tax revenue estimates of \$677,660 and \$ 290,000 for the City's General Fund and Redevelopment Agency, respectively.*
  
  - *Sales Tax revenue ended FY2007/08 at \$9.12 million, just slightly below our budget forecast, and first quarter results for FY2008/09 stand at \$1.10 million, or 12% of the annual budget figure of \$9.35 million. Typically, Sales Tax revenue forecasts are not updated on the basis of results from one quarter; however, this year's results through the first September, combined with deteriorating sales forecasts for the City's top sales tax generators necessitates a preliminary downgrade of current-year sales tax estimates of approximately \$700,000, with the potential of additional revisions at mid-year. Sales Tax results are again most heavily impacted by declining sales activity within our automobile sales category, as well as the closure of La Mesa RV, historically one of the City's top five sales tax generators. Staff will be monitoring sales tax activity closely as this category poses the greatest threat for further decline as a result of the severity of the general economic recession.*
  
  - *Service Fee and Permit revenue collected in FY2007/08 totaled \$4.71 million, \$603,000 above our budget projections. The increase came from higher than predicted revenues in Parks and Recreation, and Public Works inspection fees related to development at Second Street Crossing.*
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- *Through October (Period 4), FY2008/08 General Fund expenditures (including encumbrances) were \$12.23 million, or 30% of the adjusted budget of \$40.51 million. Citywide personnel expenditures appear within budget, with 27.4% expended through four periods (30% of pay-periods). Departmental expenditure projections will be evaluated with the FY2008/09 Mid-Year Budget Update, including an analysis of personnel costs in relation to the budgeted target savings level built-into the FY2008/09 budget. (See Attachment D)*
  
  - *In June 2008, the City updated its purchasing policy to raise the threshold for Council approval for purchases of Goods, Supplies, and Equipment from \$20,000 to \$50,000. Attachment E contains an informational listing of purchases made during the first quarter that would have required Council approval under the old policy, but were administratively approved under the updated policy.*

- *Based on preliminary, unaudited, FY2007/08 year-end results, as well as the projected levels of revenues and expenditures for FY2008/09, in the absence of corrective measures, the General Fund would end FY2008/09 with a fund balance of \$4.53 million, representing 12.6 % of General Fund revenues. This level of fund balance would provide a deficit of \$858,996 below the level required to maintain the Council's 15% reserve policy.*
  
- *Current economic conditions and their impacts make it evident corrective measures and contingency plans need to be implemented to secure the stability of the City's FY 2008/09 Budget, while maintaining prudent reserves in the event of additional State takeaways, or further deterioration of economic conditions. City staff is currently working to implement cost containment measures to minimize impacts on the FY 2008/09 fund balance and strive to attain the desired 15% reserve. (See attachment F)*
  
- The State Budget once again poses imminent threat to local revenues as the Governor has called a Special Legislative Session to address a projected \$\_\_\_ current-year budget deficit, merely two months after the State Budget was adopted in late August. While the initial proposal from the Administration to address the ballooning deficit would only indirectly impact the City, the Legislature is very likely to consider alternative measures, including many measures considered earlier this year would directly impact local revenues.
  
- *The FY 2009/10 annual budget is in the planning stages and will be initially developed consistent with the FY2008/09 baseline budget as well as existing City Council budget policies. As a result of the preliminary revisions to revenue forecasts discussed in this report, it is evident that budget-balancing measures will be required to address a General Fund deficit in FY2009/10. The City Council has scheduled its Fall/Winter Budget Workshop on December 9, 2008 to preview the FY2009/10 baseline budget forecast, discuss funding priorities and approaches to addressing expected budget shortfalls. The Council will also resume discussions over long-range financial planning issues to include strategies for renewal of the ½ Sales Tax (Measure P) and Parks Maintenance Tax, as well as priority unmet needs.*

Attachments:

- Attachment A – All Funds Revenues and Expenditures
- Attachment B – Summary of General Fund Operations
- Attachment C – General Fund Revenues
- Attachment D – General Fund Expenditures
- Attachment E – Purchases \$20,000-\$50,000
- Attachment F – FY 2008/09 Cost Containment

**Attachment A**

**ALL FUNDS REVENUES AND EXPENDITURES**

**Table 1 – All Funds FY2007/08 Revenues**

	FY07-08 Revenues		Unaudited	%
	Original Budget	Adjusted Budget	Actual	
General Fund	38,545,982	39,334,887	38,949,286	99.0%
Special Revenue Funds	24,008,025	24,802,012	23,988,119	96.7%
Debt Service	3,727,247	3,727,247	10,269,735	275.5%
Capital Projects Funds	1,707,090	1,826,497	7,614,067	416.9%
Trust Funds	1,689	1,689	2,087	123.6%
Enterprise Funds	51,183,644	37,360,541	38,140,539	102.1%
Internal Service Funds	10,269,658	10,359,088	12,678,864	122.4%
Redevelopment Funds	11,062,210	11,066,161	11,805,993	106.7%
<b>Total All Funds</b>	<b>140,505,545</b>	<b>128,478,122</b>	<b>143,448,690</b>	<b>111.7%</b>

- All Funds Revenues ended FY2007/08 at \$143.49 million, or 111.7% of the adjusted budget of \$128.48 million.
- This result is due primarily to bond proceeds received in FY2007/08 related to the refinancing of the Mace Ranch Mello-Roos Community Facilities Districts (Debt Service Funds), and development impact fees related to projects at Second Street Crossing (Capital Projects Funds).
- General Fund revenues ended the fiscal year at \$38.95 million, or 0.1% below the adjusted budget.

**Table 2 – All Funds FY2008/09 Revenues**

	FY08/09 Revenues		Year-To-Date	%
	Original Budget	Adjusted Budget	Actual	
General Fund	39,759,832	39,766,529	4,883,500	12.3%
Special Revenue Funds	23,284,553	25,375,660	6,484,122	25.6%
Debt Service	3,427,470	3,427,470	47,907	1.4%
Capital Projects Funds	3,898,677	3,898,677	252,737	6.5%
Trust Funds	1,649	4,303	3,053	71.0%
Enterprise Funds	42,080,851	58,303,569	11,980,484	20.5%
Internal Service Funds	11,897,182	11,897,182	3,357,998	28.2%
Redevelopment Funds	11,467,462	11,467,462	316,287	2.8%
<b>Total All Funds</b>	<b>135,817,676</b>	<b>154,140,852</b>	<b>27,326,088</b>	<b>17.7%</b>

- All Funds revenues through the first quarter of FY2008/09 stood at \$27.33 million, or 17.7% of the adjusted budget. General Fund revenues were \$4.88 million or 12.3% of the adjusted budget, with many of the City's major tax revenues yet to be collected.

**Attachment A**

**Table 3 – All Funds FY2007/08 Expenditures**

	FY07/08 Expenditures		Unaudited	
	Original Budget	Adjusted Budget	Actual	%
General Fund	40,539,416	41,356,836	40,453,776	97.8%
Special Revenue Funds	24,911,467	27,050,767	25,017,116	92.5%
Debt Service	19,707,595	26,501,969	26,084,117	98.4%
Capital Projects Funds	1,154,440	3,228,438	2,933,859	90.9%
Trust Funds	-	6,818	6,818	-
Enterprise Funds	49,944,496	36,582,527	32,986,077	90.2%
Internal Service Funds	10,459,819	10,633,198	10,121,569	95.2%
Redevelopment Funds	20,122,209	24,280,047	19,666,192	81.0%
<b>Total All Funds</b>	<b>166,839,442</b>	<b>169,640,600</b>	<b>157,269,524</b>	<b>92.7%</b>

- All Funds Expenditures for FY2007/08 were \$157.27 million, or 92.7% of the adjusted budget of \$169.64 million. All funds were under budget (ranging from 81% to 98.4%).
- General Fund expenditures ended the year at \$40.45 million, or 2.2% under budget.

**Table 4 – All Funds FY2007/08 Expenditures by Department**

	FY07/08 Expenditures		Unaudited	
	Original Budget	Adjusted Budget	Actual	%
City Council	138,121	138,121	124,861	90.4%
City Attorney	577,967	577,967	405,044	70.1%
City Manager	8,902,421	9,323,424	8,596,271	92.2%
Finance	2,647,595	2,792,680	2,634,939	94.4%
Community Development	4,738,069	4,782,641	3,615,868	75.6%
Parks & Community Services	29,325,669	31,239,617	30,158,947	96.5%
Fire	9,447,674	9,890,806	9,791,698	99.0%
Police	14,498,172	14,694,920	14,264,256	97.1%
Public Works	32,193,824	34,123,752	31,802,247	93.2%
Capital Improvements	23,917,691	10,524,520	8,066,776	76.6%
Debt Service	22,140,899	28,959,386	28,535,389	98.5%
Redevelopment	19,405,859	19,434,339	19,188,078	98.7%
Redevelopment Housing	68,142	4,321,088	85,129	2.0%
CDBG	-	-	20	0.0%
Other	(1,162,661)	(1,162,661)	1	0.0%
<b>Total All Funds</b>	<b>166,839,442</b>	<b>169,640,600</b>	<b>157,269,524</b>	<b>92.7%</b>

- All Funds Expenditures across departments were well within or at budget for 2007/08.
- The more significant savings in the Community Development Department comes from salary savings attained through position vacancies in the building division. Due to the continued slowing of building activity, several of these positions were eliminated in the FY 2008/09 budget.

- Capital Improvement projects also showed a decline in planned expenditures reflecting the deferral of projects due to timing and staff capacity. The majority of these deferrals are related to parking projects and enterprise (water/sewer) projects.

**Table 5 – All Funds FY2008/09 Expenditures by Fund**

	FY08/09 Expenditures		Year-To-Date Actual	%
	Original Budget	Adjusted Budget		
General Fund	40,177,756	40,512,377	12,229,700	30.2%
Special Revenue Funds	22,982,463	28,235,538	6,974,916	24.7%
Debt Service	3,050,870	3,050,870	2,042,085	66.9%
Capital Projects Funds	2,784,224	4,833,935	570,448	11.8%
Trust Funds	-	7,654	1,397	-
Enterprise Funds	40,192,760	59,809,534	10,522,857	17.6%
Internal Service Funds	11,219,630	11,336,423	4,792,018	42.3%
Redevelopment Funds	13,648,752	13,826,193	1,763,704	12.8%
<b>Total All Funds</b>	<b>134,056,455</b>	<b>161,612,524</b>	<b>38,897,125</b>	<b>24.1%</b>

- Year-to-date expenditures through the first quarter of FY2008/09 appear within budget across all fund categories and departments. Actual expenditures (including encumbrances totaled \$38.90 million, or 24.1% of the adjusted budget.
- Operating expenditures within the General Fund and Special Revenue funds are tracking with the budget at 30.2% and 24.7% respectively.
- Debt Service Funds reflect expenditures at 66.9% of budget, as a result of annual debt payments due in the first quarter of the fiscal year.
- Internal Service Funds appear to be tracking ahead of budget (at 42.3%), however this results reflects up-front insurance premium payments made within the City's Self-Insurance Fund.

**Table 6 – All Funds FY2008/09 Expenditures by Department**

<b>FY08/09 Expenditures</b>				
	Original Budget	Adjusted Budget	Year-To-Date Actual	%
City Council	136,741	136,741	32,841	24.0%
City Attorney	577,967	577,967	106,603	18.4%
City Manager	8,839,645	8,839,645	3,210,220	36.3%
Community Development	3,797,500	3,812,400	926,140	24.3%
Community Services	16,996,805	17,745,738	5,008,102	28.2%
Fire	9,783,354	9,982,876	2,627,062	26.3%
Parks & General Services	15,761,623	15,959,909	5,386,170	33.7%
Police	15,046,900	15,084,046	4,351,138	28.8%
Public Works	33,399,821	35,013,197	8,611,077	24.6%
Capital Improvements	19,079,302	43,664,708	4,250,503	9.7%
Debt Service	5,535,876	5,690,876	2,781,951	48.9%
Redevelopment	6,806,283	6,809,783	1,581,710	23.2%
Redevelopment Housing	86,724	86,724	23,381	27.0%
CDBG	-	-	227	0.0%
Other	(1,792,086)	(1,792,086)	-	0.0%
<b>Total All Funds</b>	<b>134,056,455</b>	<b>161,612,524</b>	<b>38,897,125</b>	<b>24.1%</b>

Personnel Analysis

**Table 7 – All Funds FY2007/08 Year-End Results and FY 2008/09 Year-to-Date  
Personnel Expenditures**

<i>All Funds Personnel Expenditures - Table 1</i>								
<i>FY2007/08 Year-End Results and FY2008/09 Year-to-Date</i>								
Expenditure by Department	FY2007/2008 Adjusted Budget	FY2007/08 UNAUDITED Actuals	Variance	% Exp.	FY2008/08 Adopted Budget	FY2008/09 Adjusted Budget	FY2008/09 Year-to-Date Actuals	% Exp.
City Council	81,421	75,871	5,550	93%	79,584	79,584	20,726	26%
City Manager	4,805,800	4,480,997	324,803	93%	3,352,138	3,339,286	827,639	25%
Community Development	3,320,596	2,686,427	634,169	81%	2,907,635	2,915,289	720,852	25%
Community Services	-	-	-	0%	6,049,489	6,046,769	1,747,773	29%
Fire	8,080,631	8,045,344	35,287	100%	8,252,068	8,237,068	2,200,287	27%
Parks & Community Services	12,019,563	11,333,580	685,983	94%	-	-	-	0%
Police	11,375,449	11,015,732	359,717	97%	12,018,845	12,018,845	3,069,268	26%
Parks & General Services	-	-	-	0%	7,998,796	7,988,796	2,040,455	26%
Public Works	11,084,442	9,934,827	1,149,615	90%	11,479,418	11,479,418	2,737,992	24%
Capital Improvements/Debt	1,144,224	1,112,458	31,766	97%	1,425,019	1,429,877	353,651	25%
Redevelopment	306,230	361,656	(55,426)	118%	376,744	376,744	98,282	26%
<b>Total</b>	<b>\$52,218,356</b>	<b>\$49,046,892</b>	<b>\$ 3,171,464</b>	<b>94%</b>	<b>\$53,939,736</b>	<b>\$53,911,676</b>	<b>\$13,816,925</b>	<b>26%</b>

- FY2007/08 personnel expenditures ended the year at \$49.05 million, or \$3,171,464 (6%) under the final budget of \$52.22 million.
- On a citywide basis, the All Funds Personnel costs represented 31.2% of total city expenditures of \$157.27 million.
- FY2008/09 personnel expenditures are currently tracking at 26%, which is consistent with budgeted projections.

**Table 8** summarizes the FY2007/08 overtime results, as well as the FY 2008/09 budget, by type and department. In review of the table below, it is important to note that overtime is only one component of total human resource costs. Although the table indicates some departments having exceeded their overtime allocations, they have continued to maintain total personnel within budget as reflected in the table above.

OVERTIME SUMMARY	FY 2007-08			FY 2008-09		
	Original Budget	Adjusted Budget	Unaudited Actual	Original Budget	Adjusted Budget	Year-To-Date Actual
<b>OVERTIME SALARIES &amp; WAGES</b>						
City Manager's Office	12,800	14,889	19,035	3,310	3,310	1,356
Community Development	11,354	11,354	88	6,078	6,078	-
Community Services	na	na	na	6,737	6,737	7,298
Fire	428,257	586,916	1,026,224 *	418,949	418,949	272,767 *
Police	529,723	529,723	613,607	514,957	514,957	136,012
Parks & Community Services	42,842	62,842	63,011	na	na	na
Parks & General Services	na	na	na	38,856	38,856	14,250
Public Works	141,073	141,073	113,545	143,914	143,914	37,705
Capital Improvement Projects	10,380	10,380	9,038	10,691	10,691	2,319
Redevelopment	-	-	304	-	-	1,000
<b>TOTAL OVERTIME</b>	<b>\$ 1,176,429</b>	<b>\$ 1,357,177</b>	<b>\$ 1,844,852</b>	<b>\$ 1,143,492</b>	<b>\$ 1,143,492</b>	<b>\$ 472,707</b>

\* The portion of overtime related to Strike Teams is reimburseable through State or Federal Funding. In FY07/08 this amounted to \$243,031 and FY 08/09 YTD \$210,000.

- On an all funds basis, total actual overtime in the FY2007/8 was \$1.84 million, and FY2008/09 budgeted overtime is \$1.14 million.
  - Included in these costs are:
    - “Regular” overtime for hours worked by non-exempt employees (non-management) over and above 40-hours per week. The majority of this overtime is “paid” at the rate of “time-and-a-half.” Some regular overtime is paid via use of compensatory time-off (comp-time), wherein an employee earns time off at the rate of 1.5 hours of comp-time per hour of overtime work.
    - There are several other categories of overtime including those spelled-out in the Fair Labor Standards Act (FLSA) and selected components of the city’s labor agreements. Many of these types of overtime (i.e. FLSA are paid at regular pay rates, and/or through accrual of comp-time).
  - When evaluating the results of overtime usage, it should be noted that the most significant fluctuations in budget versus actual overtime are in the areas of Fire, Police, Parks and Public Works. These notable differences are largely comprised of overtime requirements for emergency services, such as Fire Strike Teams, Citywide Power Outage and other weather related events. Overtime related to strike teams is offset by reimbursements through State or Federal Emergency Funds.
- *As of November 1, the City has documented a current vacancy list of 24 regular full time and 1 (75%) regular part time positions. These vacancies represent a 5.4% shortfall in our current work force, in relation to our 464.25 budgeted Full Time Equivalent permanent positions. In addition to the current vacancies, 5 regular full time and 1 (75%) regular part time vacant positions have been recruited and filled in FY 2008/09. Of the current vacancies, there are 6 positions which are being backfilled with either TPT staff or special assignment pay to current staff for supplemental work assignments. (See Table 9)*

Position Vacancy Listing

The following *table 9* presents a listing of vacant positions as of November 1, 2008, as well as updated information on previous reported vacancies hired since July 1, 2008.

<b>Vacant Positions Filled as of November 1, 2008</b>				
Dept	Position Title	Duration of Vacancy	Funding Source	Status
CMO	City Clerk	2.5 months	General Fund	Vacant- as of 8/14/08 (Backfilled with Special Assignment Pay)
CMO	Financial Assistant II	3 months	General Fund/Enterprise	Vacant- as of 8/8/08 (Backfilled with TPT Contract Services)
CDD	Building/Planning Tech I	20 months	General Fund/RDA	Underfilled with Temporary Part-time staff
CDD	Residential Resale Inspector II	7 months	General Fund/Building Permit Fund	Vacant (TPT Backfill)
CSD	Community Services Supervisor	2.5 months	General Fund	Vacant 8/11/08 (Hiring 11/3/08)
CSD	Community Services Program Coordinator	4 months	General Fund	New 7/1/08 (Interviews in process)
CSD	Community Services Manager	7 months	Various Funds	Vacant 4/1/08
CSD	Program Aide 75%-Facilities	5 months	General Fund	Vacant 6/5/08 - (Hiring 11/3/08)
CSD	Housing Program Coordinator	4 months	CDBG/RDA	New Position 7/1/08
FD	Fire Division Chief		General Fund	Vacant prior to 7/1/08 (Backfill Special Assignment Pay & Contract Plan Check Svcs)
PD	Police Officer	2 months	General Fund	Vacant 8/24/08
PD	Police Officer	.5 month	General Fund	Vacant 10/16/08
PD	Lead Public Safety Dispatcher	4 months	General Fund	Vacant 7/1/08 Underfill with PS Dispatcher II
PD	Lead Public Safety Dispatcher	4 months	General Fund	Vacant 7/1/08 Underfill with PS Dispatcher II
PGS	Sports Field Maint Specialist	4 months	General Fund	Vacant 7/1/08 Underfill with Park MW II
PGS	Building Maintenance Worker II	1 month	Building Maintenance Fund	Vacant 10/7/08 (Hiring 11/3/08)
PGS	Computer Support Tech I	1.5 months	Duplicating/Postal Fund	Vacant 9/12/08
PW	Public Works Maintenance Worker II	7 months	Various Funds	Vacant 3/24/08
PW	WWTP Senior Operator	15 months	Sewer Fund	Vacant 7/20/07 Division under classification review
PW	Public Works Maintenance Worker I	3 months	Sewer Fund	Vacant 7/25/08
PW	Engineering Assistant	4 months	Sewer & Drainage Funds	New Position - WWTP 7/1/08
PW	Environmental Compliance Coord	1 month	Sewer & Drainage Funds	Vacant 9/4/08
PW	Assistant Public Works Director	3 months	Sewer & Transportation Funds	Vacant 8/1/08
PW	Senior Civil Engineer	4 months	Sewer Fund	New Position - WWTP 7/1/08 (Hiring late Nov)
PW	Public Works Inspector II	4 months	Various Funds	New Position - Engineering 7/1/08 (Interviews in process)
<b>July 1, 2008 Vacant Positions Filled</b>				
Dept	Position Title	Duration of Vacancy	Funding Source	Hire Date
CSD	Comm Svcs Superintendent	3 weeks	General Fund	Vacant 7/25/08 (Hired 8/18/08)
CSD	Child Care Program Assistant 75%	1 month	Child Care Fund	Vacant as of 7/1/08 (Hired 8/11/08)
PGS	MIS Systems Analyst	2 months	IS Services Fund	Vacant- as of 6/16/08 (Hired 9/8/08)
PGS	Equipment Mechanic I	2 months	Fleet Maintenance	Vacant- as of 6/16/08 (Hired 9/22/08)
PD	Police Officer	2.5 months	General Fund	Vacant 8/10/08 (Hired 10/20/08)
PW	Associate Civil Engineer	7 months	Various Funds	Vacant (Hired 10/6/08)

## Attachment B

### Summary of General Fund Operations

**Table 1** presents a summary of the City's General Fund results through the year ended June 30, 2007 as well as year-to-date results through the first four months of FY2008/09:

<i>Table 1: General Fund Summary FY2007/08 Results and FY2008/09 Year-to-Date Results</i>							
Description	FY2007/08 Adjusted Budget	FY2007/08 Budget Projection	FY2007/08 UNAUDITED Actual Results	FY2008/09 Adopted Budget	FY2008/09 Adjusted Budget	FY2008/2009 Year-to-Date Results	FY2008/09 Year-end Projection
<i>Beginning Unreserved Fund Balance</i>	\$7,912,402	\$7,912,402	\$7,912,402	\$6,061,432	\$6,487,873	n/a	\$6,487,873
Revenues	39,334,887	38,161,476	38,949,286	39,759,832	39,766,529	4,883,500	38,223,516
Expenditures	(41,356,836)	(40,260,425)	(40,453,776)	(40,177,756)	(40,462,377)	(12,225,865)	(40,462,377)
Transfers	(502,710)	(40,135)	0				
Change in Reserved Fund Balance **	288,114	288,114	513,417	0	0	0	0
Positon Savings/Adjustments							
<b>Audited Unreserved Fund Balance</b>	<b>\$5,675,857</b>	<b>\$6,061,432</b>	<b>\$6,921,329</b>	<b>\$5,643,508</b>	<b>\$5,792,025</b>	n/a	<b>\$4,249,012</b>
Unencumbered Carry-over Appropriations			(333,456)		333,456		333,456
Public Safety Staffing Reserve			(100,000)		(50,000)		(50,000)
<b>Ending Unreserved Fund Balance</b>	<b>\$5,675,857</b>	<b>\$6,061,432</b>	<b>\$6,487,873</b>	<b>\$5,643,508</b>	<b>\$6,075,481</b>	n/a	<b>\$4,532,468</b>
Percentage (E.U.F.B./Revenues)	15.1%	16.7%	17.5%	15.1%	16.2%	n/a	12.6%
<b>Reserve Policy \$</b>	<b>\$5,628,993</b>	<b>\$5,452,936</b>	<b>\$5,571,174</b>	<b>\$5,621,911</b>	<b>\$5,622,916</b>		<b>\$5,391,464</b>
<b>Reserve Policy</b>	<b>15%</b>	<b>15%</b>	<b>15%</b>	<b>15%</b>	<b>15%</b>		<b>15%</b>
"Excess" Fund Balance (over Reserve Target)		\$ 608,496	\$ 916,699	\$ 21,597	\$ 452,565	n/a	\$ (858,996)
** This line item is included to link the Audited Financial Statements with Budget Estimates and also includes changes in encumbrance balances.							

#### FY2007/08

The General Fund's Unreserved Fund Balance as of June 30, 2008 was \$6.49 million, equal to 17.5% of General Fund revenues, and reflects a favorable variance of \$426,441 as compared to the reserve level assumed in the development of the FY2008/09 budget. The FY2008/09 Adopted Budget assumed a year-end reserve level of 15.1%, with estimated excess funds totaling \$442,000 having been appropriated in the current year for priority one-time needs.

#### FY2008/09

The Adopted FY2008/09 budget was developed such that the resulting General Fund unreserved Fund Balance at June 30, 2009 would be \$5.6 million, or 15.1% of General Fund revenues. This assumed a beginning fund balance of \$6.0 million and an anticipated draw-down of fund balances totaling \$442,000. This would have yielded an 'excess' fund balance of approximately \$22,000.

Final year-end results for FY2007/08 provide an updated projection for the General Fund reserve expected at June 30, 2008. Assuming current year results consistent with the budget - would yield a projected year-end fund balance of \$6.1 million, or 16.2% of General Fund revenues. This would yield an excess fund balance on June 30, 2008 of roughly \$452,000 above the reserve requirement. In light of current activity within major General Fund revenues, a first quarter General Fund Projection has been determined, resulting in an estimated year-end fund balance of

\$4.5 million, or 12.6% of General Fund revenues. Therefore a current fund balance deficit of \$(858,996) below the reserve requirement.

### Attachment C

#### General Fund Revenues

**Table 2a & b** presents a summary of major General Fund revenue sources. FY 2007/2008 revenues were \$38.95 million which was \$385,601 (0.9%) above the Adjusted Budget, and increased to \$787,810 (2.1%) above the revenue estimate used in the development of the FY 2008/2009 budget.

<b>Table 2a: General Fund Revenues</b>					
<b>FY2007/08 Results</b>					
Revenue by Source	FY2007/08 Adjusted Budget	FY2007/08 Estimate	FY2007/08 Actual	Variance Favorable / (Unfavorable)	Variance Percentage
Property Taxes	\$14,872,290	\$14,380,234	\$14,311,744	(\$68,490)	-0.5%
Sales & Use Tax	9,122,600	9,126,100	9,117,999	(\$8,101)	-0.1%
Motor Vehicle In Lieu	449,698	302,000	288,026	(\$13,974)	-4.6%
Transient Occupancy Tax	1,056,000	1,154,500	1,120,983	(\$33,517)	-2.9%
Property Transfer Tax	268,000	236,100	171,905	(\$64,195)	-27.2%
Business License Tax	1,230,700	1,290,000	1,283,451	(\$6,549)	-0.5%
Municipal Services Tax	2,158,200	2,180,400	2,165,883	(\$14,517)	-0.7%
Franchise Fees (PG&E)	557,226	557,226	547,544	(\$9,682)	-1.7%
Planning & Building Inspec	845,175	501,218	593,775	\$92,557	18.5%
Parks/Community Services	2,353,051	2,051,301	2,218,339	\$167,038	8.1%
Other Depts (Fire, PD, PW)	1,482,020	1,551,539	1,895,039	\$343,500	22.1%
Fines & Forfeitures	813,800	813,800	840,639	\$26,839	3.3%
Investment Earnings	244,019	320,780	338,983	\$18,203	5.7%
Intra-City Revenues	1,808,270	1,808,570	1,808,126	(\$444)	0.0%
All Other Sources	2,073,838	1,887,708	2,246,850	\$359,142	19.0%
<b>Total</b>	<b>\$39,334,887</b>	<b>\$38,161,476</b>	<b>\$38,949,286</b>	<b>\$787,810</b>	<b>2.1%</b>

Revenue by Source	FY2008/09 Adopted Budget	FY2008/09 Adjusted Budget	FY2008/09 Year to Date	FY2008/09 Projection	Variance Favorable / (Unfavorable)
Property Taxes	\$15,341,810	\$15,341,810	\$0	\$14,663,950	(\$677,860)
Sales & Use Tax	9,354,200	9,354,200	1,095,368	\$8,652,700	(\$701,500)
Motor Vehicle In Lieu	302,000	302,000	84,630	\$288,026	(\$13,974)
Transient Occupancy Tax	1,212,200	1,212,200	1	\$1,212,200	\$0
Property Transfer Tax	236,000	236,000	0	\$236,000	\$0
Business License Tax	1,322,000	1,322,000	18,398	\$1,283,500	(\$38,500)
Municipal Services Tax	2,243,500	2,243,500	925,992	\$2,243,500	\$0
Franchise Fees (PG&E)	562,600	562,600	0	\$562,600	\$0
Planning & Building Inspect	521,984	521,984	164,469	\$521,984	\$0
Parks/Community Services	2,342,075	2,342,766	1,229,276	\$2,342,075	\$0
Other Depts (Fire, PD, PW)	1,548,950	1,458,950	259,104	\$1,424,582	(\$124,368)
Fines & Forfeitures	811,800	811,800	142,668	\$736,800	(\$75,000)
Investment Earnings	350,195	350,195	26,098	\$350,195	\$0
Intra-City Revenues	2,280,423	2,280,423	701,673	\$2,280,423	\$0
All Other Sources	1,330,095	1,426,101	235,823	\$1,424,981	\$94,886
<b>Total</b>	<b>\$39,759,832</b>	<b>\$39,766,529</b>	<b>\$ 4,883,500</b>	<b>\$38,223,516</b>	<b>(\$1,536,316)</b>

- Property Tax revenue continued to experience strong growth (5.9%) over prior year results; however FY2008/09 information indicates a slow-down in real estate assessed valuation as compared to the growth experienced in recent years. The FY2007/08 year-end property tax result of \$14.31 million was \$68,490 (0.5%) below the revenue estimate used in the development of the FY2008/09 budget. The variance is attributable primarily to increased property tax administration fees charged by the County. The first installment of current-year property tax revenues is not expected until early January. However, information received from Yolo County on citywide assessed valuations indicates growth in citywide assessed value of 2.99% compared to the budget estimate of 6.5%. Included in the lower growth figure is an estimated 1.5% reduction due to properties receiving downward assessments by the County Assessor's Office. Compounding this lower-than expected growth in property values is the fact that properties outside the Redevelopment Agency grew at a lower rate (2.77%) than those within the Redevelopment Project Area (3.79%). While property tax revenues will not be known until January, these figures result in a reduction in General Fund property tax revenue estimate of \$677,660.
- Sales Tax revenue ended FY2007/08 at \$9.12 million, just slightly below our budget forecast, and first quarter results for FY2008/09 stand at \$1.10 million, or 12% of the annual budget figure of \$9.35 million. Typically, Sales Tax revenue forecasts are not updated on the basis of results from one quarter; however, this year's results through the first September, combined with deteriorating sales forecasts for the City's top sales tax generators necessitates a preliminary downgrade of current-year sales tax estimates of approximately \$700,000, with the potential of additional revisions at mid-year. Sales Tax results are again most heavily impacted by declining sales activity within our automobile sales category, as well as the closure of La Mesa RV, historically one of the City's top five sales tax generators. Staff will be monitoring sales tax activity closely as this category poses the greatest threat for further decline as a result of the severity of the general economic recession.

- Service Fee and Permit revenue collected in FY2007/08 totaled \$4.71 million, \$603,000 above our budget projections. The increase came from higher than predicted revenues in Parks and Recreation, and Public Works inspection fees related to development at Second Street Crossing.
- Other Revenues includes a \$449,492 adjustment from the release of funds encumbered in prior fiscal years, and posted to revenues in FY2007/08.

## Attachment D

### General Fund Expenditures

**Table 3** summarizes General Fund expenditure results for all departments. FY2007/08 expenditures ended the year at \$40.45 million, or \$1,405,770 (2%) under the final budget of \$41.36 million.

Expenditure by Department	FY2007/2008 Adjusted Budget	FY2007/08 UNAUDITED Actuals	Variance	% Exp.	FY2008/08 Adopted Budget	FY2008/09 Adjusted Budget	FY2008/09 Year-to-Date Actuals	% Exp.
City Council	138,121	124,861	13,260	90%	136,741	136,741	32,841	24%
City Attorney	427,967	340,802	87,165	80%	427,967	427,967	96,114	22%
City Manager	4,657,867	4,338,043	319,824	93%	4,258,300	4,258,300	1,057,367	25%
Community Development	1,823,432	1,551,162	272,270	85%	1,605,252	1,612,498	387,792	24%
Community Services	-	-	-	0%	4,303,789	4,302,033	1,502,245	35%
Fire	8,498,510	8,433,385	65,125	99%	8,449,829	8,449,829	2,302,828	27%
Parks & Community Services	11,171,638	10,330,063	841,575	92%	13,825,492	13,854,692	3,997,087	29%
Police	13,373,183	12,944,613	428,570	97%	7,325,305	7,356,126	2,235,663	30%
Parks & General Services	-	-	-	0%	1,119,773	1,119,773	221,786	20%
Public Works	1,195,838	1,072,833	123,005	90%	311,736	580,846	186,484	32%
Capital Improvements/Debt	739,168	609,646	129,522	82%	205,658	205,658	205,658	100%
Debt	205,659	205,658	1	100%	-	-	-	0%
<b>Non-Departmental Adjustments</b>	<b>(874,547)</b>	<b>502,710</b>	<b>(874,547)</b>	<b>98%</b>	<b>(1,792,086)</b>	<b>(1,792,086)</b>	<b>-</b>	<b>0%</b>
<b>Total</b>	<b>\$ 41,356,836</b>	<b>\$ 40,453,776</b>	<b>\$ 1,405,770</b>	<b>98%</b>	<b>\$ 40,177,756</b>	<b>\$ 40,512,377</b>	<b>\$ 12,225,865</b>	<b>30%</b>

FY2007/2008 General Fund expenditure results for all operating departments were within their adjusted budget, with savings ranging from 1% to 20% of budgeted expenditures.

On a citywide basis, the General Fund expenditures ended FY2007/08 at \$40.45 million, which was \$1,405,770 below the final adjusted budget. Personnel costs ended the year \$2.4 million, or 5% under budget, with realized General Fund personnel savings ending the year at just over \$1.3 million, exceeding the level of General Fund salary savings incorporated into the FY2007/08 budget.

Through the first quarter of FY2008/09 General Fund expenditures (including encumbrances) were \$12.23 million, or 30% of the adjusted budget of \$40.51 million. Overall, personnel expenditures are tracking within budget through the first four periods of the fiscal year, when accounting for the seasonality of recreation program expenditures in Parks and Community Services.

Expenditures will continue to be monitored to assess whether the General Fund will realize the \$1.75 million in savings from personnel costs (\$1,000,000) and non-personnel costs (\$750,000) incorporated into the FY2008/09 budget. Expenditure projections will be presented as part of the Mid-Year Budget report in February.

## Attachment E

### Purchases \$20,000 - \$50,000

In June 2008, the City updated its purchasing policy to raise the threshold for Council approval for purchases of Goods, Supplies, and Equipment from \$20,000 to \$50,000.

The following purchases, made during the first quarter of FY2007/08, would have required Council approval under the old policy, but were administratively approved under the updated policy, and are presented for informational purposes. All of these purchases were appropriated in the FY 2008/09 budget.

VENDOR NAME	AMOUNT	DEPARTMENT
BURKETTS OFFICE SUPPLY	35,188.66	Public Works
DELL MARKETING L P	35,389.28	Various
DOWNTOWN FORD SALES	22,546.06	Parks & General Services
NORTHERN CALIFORNIA MILES	39,410.25	Parks & General Services
SIERRA CHEMICAL COMPANY	20,107.88	Various

## Attachment F

### FY 2008/09 Cost Containment

The current economic conditions facing the nation and the region point to one of the most significant and pronounced downturns experienced in recent history. What seemingly started as a “bursting” of the housing bubble has now expanded to include the collapse of segments of the financial markets and has resulted in unprecedented action by the Federal Government to support the financial institutions and markets most impacted. The depth and breadth of the underpinnings of the downturn appear far greater than recent recessions, and we must face the harsh reality that things could get worse before they get better.

In addition, the fiscal condition of the State of California remains a looming concern. While the impact on the City of Davis of the recently-adopted FY2008/09 budget was successfully minimized, the Governor continues to declare a “state of fiscal emergency” and has called for a Special Legislative Session to address a growing State budget shortfall for the current year. This could result in renewed, significant impacts to budgets of local government agencies.

With all that is happening, it is increasingly evident that corrective measures and contingency plans need to be implemented to secure the stability of the City’s current FY 2008/09 Budget, while maintaining prudent reserves in the event of additional State takeaways, or further deterioration of economic conditions. While the immediate concern is initially with respect to the City’s General Fund, economic conditions suggest that many other city funds could be impacted.

As a starting point, the City Manager has established the following measures to control costs for the remainder of this fiscal year.

- Hiring Freeze – Hiring of all non-essential vacant positions will be suspended.
- Overtime – All non-essential, non-emergency overtime activities are to be suspended.
- Travel/Training/Education - All City paid travel, training and educational incentives will be suspended. Exemptions may be made for mandatory State or Federal regulated training, and must be approved in advance by the City Manager.
- Contract Services – Contract professional services will be monitored closely to assure compliance with approved budgets. All services not currently under contract must be approved by the City Manager in advance of commitment.
- Non-essential spending - Departments are directed to limit – to the extent possible – discretionary spending with the goal of contributing to an overall reduction in citywide expenditures.

Initial projections of anticipates savings from the above measures will be presented as part of the Mid-Year Budget Update, in February.