

STAFF REPORT

DATE: November 30, 2010
TO: City Council
FROM: Paul Navazio, Interim City Manager
Kelly Fletcher, Budget Manager
SUBJECT: City Council Budget Workshop

Recommendation

Hold workshop to:

- 1) Receive First Quarter Budget Report & Baseline General Fund Forecast
- 2) Discuss FY 2011/12 Budget Development Processes and Timeline, including
 - a. Consideration of transitioning to a Multi-Year Budget, and
 - b. Performance-Based Budgeting
- 3) Discuss initial FY2011/12 Budget Priorities consistent with City Council Goals
- 4) Review of options and timeline to address expiration of the Parks Maintenance Tax (June 2012).

Background

The City Council has scheduled a Budget Workshop to discuss ongoing development of the City's Long-Range Financial Plan. This workshop is an opportunity to continue the dialogue from previous workshops, including refinement of budget-balancing framework, budget process and priorities for the coming year, as well as, future ballot measure.

The Long-Range Financial Planning Framework has been developed – and continues to evolve – with the goal of:

- Maintaining a balanced operating budget – ensuring that the City can continue to provide current level of services with the existing revenue sources
- Developing appropriate funding strategies to address priority unmet needs not provided for in the current budget
- Preserving (or replacing) current revenue sources that are subject to expiration/renewal, contingent on voter-approval
 - Parks Maintenance Tax (Measure Q) – subject to renewal June, 2012

While no action is requested at tonight's workshop, the Council is invited to discuss and provide feedback on the Budget Priorities and City Council Goals that will be discussed in the workshop.

The following presents an outline for the November 30th Budget Workshop:

- Update on City Budget Outlook
 - FY 09/10 Unaudited Results
 - FY 10/11 First Quarter Results/Projections
 - Baseline Five-Year General Fund Forecast
- FY2010/11 Budget Development
 - Process / Timeline (Council / Commission / Public Input)
 - Multi-Year Budgeting
 - Performance-Based Approach
- Budget Priorities & City Council Goals – Fiscal Stability
 - Unfunded Liabilities
 - Unmet Needs
 - Re-allocation of existing resources to priority needs
- Expiration of Park Maintenance Tax
- Council Discussion / Feedback
 - Budget Process
 - Budget Priorities
 - Parks Maintenance Tax

STAFF REPORT

DATE: November 30, 2010
TO: City Council
FROM: Kelly Fletcher, Budget Manager
SUBJECT: FY 2010/11 First Quarter Budget Update

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, 2010 (FY2009/10), as well as revenue and expenditure results through the first three periods of FY2010/11.

Summary

This report summarizes the final, unaudited year-end All Funds revenue and expenditure results for FY2009/10, and presents All Funds revenue and expenditure results through the first three periods of FY2010/11. In addition, the report highlights General Fund revenue and expenditure results in comparison to estimates used in the development of the current FY2010/11 budget.

Highlights of the reported results include:

- ❑ *All Funds Revenues for the year ended June 30, 2010 were \$147,197,423 as compared to an Adjusted Budget of \$154,749,874. The variance in FY2009/10 citywide revenues is related to declining revenues in all funds, most notably the Special Revenue funds (transportation and other grant funding), Capital Projects funds (development fees and interest) and Enterprise funds (water and sewer operating revenues). (See Attachment A – Table 1).*
- ❑ *All Funds Expenditures for FY2009/10 were \$146,725,168, which represents 96.7% of the Adjusted Budget of \$151,683,918. Personnel costs represent \$50,606,197 of the FY 2009/10 expenditures (34.5%). All Funds Expenditures through the first quarter of FY2010/11 stand at \$31,696,019, or 21.5% of the All Funds Budget of \$147,663,706. (See Attachment A – Tables 3,5,7).*
- ❑ *Through the first quarter of the current fiscal year, All Funds Revenues stood at \$29,313,956, or roughly 19.1% of the Adjusted Budget figure of \$153,666,022. In general, revenues derived from fees (Enterprise Funds and Internal Service 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).*
- ❑ *As of October 25, the City has documented a current vacancy list of 18 regular full time and 2 regular part time positions. These vacancies represent a 4.6% vacancy rate in our current*

work force, in relation to our 416.25 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, 2010 is projected to be \$3,717,209, or 10.5% of operating revenues. This result represents a unfavorable variance of \$916,000 compared to the year-end fund balance estimate of \$4.63 million (13.4%) assumed in the development of the FY2010/11 Adopted Budget. The budget-balancing plan approved with the FY2010/11 Budget was intended to restore the General Fund reserve level to the 15% reserve policy level, by June 30, 2011. (See Attachment B).*
 - *General Fund revenues ended FY2009/10 at \$37.72 million, which is \$734,961, or 2.0% above the estimate of \$36.99 million. (See Attachment C).*
 - *General Fund expenditures ended FY2009/10 at \$38.69 million, which was \$1,008,107 above the final adjusted budget, and \$874,395 (2.3%) above the expenditure estimate assumed in the development of this year’s budget, as well as. \$239,417 in unexpended, 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, 2010. In addition, anticipated changes in fund balance reserve due to prior year adjustments ended the year \$537,893 above the estimate assumed in the development of this year’s budget. Both of these elements represent a cumulative shortfall of \$1,651,705. (See Attachment D).*
- *Year-to-date FY2010/11 General Fund revenues through the first three months of the fiscal year were \$3.78 million, or 10.2% of the \$36.93 million adjusted revenue budget.*
 - *In FY2009/10, overall Property Tax revenue increased slightly (1.9%) over prior year results, as total assessed valuations did experience a small rate of growth. The FY2009/10 year-end property tax result of \$14.60 million was \$25,426 (0.2%) below the revenue estimate used in the development of the FY2010/11 budget. 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 0.36% compared to the budget estimate of 0%. Properties outside the Redevelopment Agency grew at a lower rate (0.35%) than those within the Redevelopment Project Area (0.37%). While property tax revenues will not be known until January, these growth figures may result in a very slight increase to our property tax revenue estimates for the City’s General Fund and Redevelopment Agency, respectively.*
 - *Sales Tax revenue ended FY2009/10 at \$8.12 million, 6.9% above our budget forecast, and first quarter results for FY2010/11 stand at \$0.5 million, or 0.6% of the annual budget figure of \$7.84 million. Due to timing issues related to the Triple Flip Property/Sales Tax swap beginning in FY2005/06, we receive certain portions of this revenue together with our Property Tax payments received in January and May. Typically, Sales Tax revenue forecasts are not updated on the basis of results from one quarter; and year to date results do not warrant any early revisions to the forecast. Staff will be monitoring sales tax activity closely throughout the year.*

- *Service Fee and Permit revenue collected in FY2009/10 totaled \$4.35 million, \$87,760 above our budget projections. Higher than predicted revenues in Community Services, Parks and General Services, Fire, Police, and Public Works, served to offset the slightly lower than predicted revenues in Planning and Building.*

- *Through September (Period 3), FY2009/10 General Fund expenditures (including encumbrances) were \$10.83 million, or 29.2% of the adjusted budget of \$37.14 million. Citywide personnel expenditures appear within budget, with 22% expended through four periods. Departmental expenditure projections will be evaluated with the FY2010/11 Mid-Year Budget Update, including an analysis of personnel costs in relation to the budgeted target savings level built-into the FY2010/11 budget. (See Attachment D)*

- *Based on preliminary, unaudited, FY2009/10 year-end results – and, in particular, the favorable revenue results for General Fund revenues - the current year (FY2010/11) budget will likely result in the restoration of the General Fund reserve very close to the 15% policy level – assuming that FY2010/11 General Fund revenues remain essentially “flat” from FY2009/10.*

- *A detailed update of both revenue and expenditure estimates will be provided in conjunction with the FY2010/11 Mid-Year Budget Update in February. In the event that the either the revenue or expenditure estimates used in the development of the FY2010/11 budget require down-grading, staff will be prepared to present options and recommendations for mid-year budget adjustments – as necessary – to maintain the target 15% General Fund reserve level. On the other hand, if our revenue and expenditure assumptions remain unchanged, consideration of additional budget adjustments will be discussed in conjunction with the development of the FY2011/12 budget.*

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 A

ALL FUNDS REVENUES AND EXPENDITURES

Table 1 – All Funds FY2009/10 Revenues

	FY09-10 Revenues		Unaudited	
	Original Budget	Adjusted Budget	Actual	%
General Fund	37,161,320	37,845,642	37,724,840	99.7%
Special Revenue Funds	23,396,977	25,619,212	22,407,311	87.5%
Debt Service	3,340,724	12,910,724	12,632,510	97.8%
Capital Projects Funds	2,161,130	2,761,130	1,476,425	53.5%
Trust Funds	2,006	2,006	268	13.4%
Enterprise Funds	41,752,076	48,396,075	45,763,654	94.6%
Internal Service Funds	12,228,723	15,532,715	15,919,294	102.5%
Redevelopment Funds	11,752,562	11,682,370	11,273,121	96.5%
Total All Funds	131,795,518	154,749,874	147,197,423	95.1%

- All Funds Revenues ended FY2009/10 at \$147.20 million, or 95.1% of the adjusted budget of \$154.75 million.
- This result is due primarily to decreased transportation and other grant funding (Special Revenue funds), development impact fees and interest, (Capital Projects funds), and decreased water and sewer operating revenues (Enterprise Funds).
- General Fund revenues ended the fiscal year at \$37.72 million, or 0.3% below the adjusted budget.

Table 2 – All Funds FY2010/11 Revenues

	FY10/11 Revenues		Year-To-Date Actual	%
	Original Budget	Adjusted Budget		
General Fund	36,885,923	36,934,923	3,775,248	10.2%
Special Revenue Funds	21,421,278	22,310,080	2,872,532	12.9%
Debt Service	3,276,658	3,276,658	-	0.0%
Capital Projects Funds	1,751,250	1,751,250	160,952	9.2%
Trust Funds	1,175	1,175	-	0.0%
Enterprise Funds	49,342,680	62,741,706	18,529,145	29.5%
Internal Service Funds	15,662,923	15,744,283	3,857,619	24.5%
Redevelopment Funds	10,880,947	10,905,947	118,460	1.1%
Total All Funds	139,222,834	153,666,022	29,313,956	19.1%

- All Funds revenues through the first quarter of FY2010/11 are \$29.31 million, or 19.1% of the adjusted budget. General Fund revenues are \$3.8 million or 10.2% of the adjusted budget, with many of the City’s major tax revenues yet to be collected.
- The budget in the Enterprise Funds has been increased to reflect the planned receipt of \$13.4 million of loan proceeds to be used for the Wastewater Treatment plant.

Attachment A

Table 3 – All Funds FY2009/10 Expenditures

FY09/10 Expenditures				
	Original Budget	Adjusted Budget	Unaudited Actual	%
General Fund	36,683,832	37,683,468	38,691,575	102.7%
Special Revenue Funds	23,307,890	26,180,436	24,685,737	94.3%
Debt Service	2,972,909	13,286,773	13,458,548	101.3%
Capital Projects Funds	1,169,927	2,033,217	1,520,835	74.8%
Trust Funds	-	-	-	-
Enterprise Funds	37,137,216	44,285,358	41,641,571	94.0%
Internal Service Funds	11,087,667	14,501,838	13,259,838	91.4%
Redevelopment Funds	7,466,959	13,712,828	13,467,064	98.2%
Total All Funds	119,826,400	151,683,918	146,725,168	96.7%

- All Funds Expenditures for FY2009/10 were \$146.73 million, or 96.7% of the adjusted budget of \$151.68 million. Most funds were under budget (ranging from 74.8% to 98.2%). The largest of the unspent funds was within Capital Projects Funds as a result of delays in the Core Parking Project.
- General Fund expenditures ended the year at \$38.69 million, or 2.7% over budget. This overage is primarily due to delayed implementation of MOU's, as well as fewer vacancies than anticipated.

Table 4 – All Funds FY2009/10 Expenditures by Department

FY09/10 Expenditures				
	Original Budget	Adjusted Budget	Unaudited Actual	%
City Council	133,138	133,749	129,108	96.5%
City Attorney	512,967	512,967	449,330	87.6%
City Manager	8,469,393	12,097,162	11,659,844	96.4%
Community Development	3,062,260	3,072,260	2,807,202	91.4%
Community Services	17,355,588	17,688,952	16,741,389	94.6%
Fire	9,699,661	9,953,960	9,419,823	94.6%
Police	15,077,143	15,262,755	15,336,910	100.5%
Parks & General Services	15,365,678	15,553,114	13,786,067	88.6%
Public Works	34,600,917	42,715,105	39,965,368	93.6%
Capital Improvements	6,363,792	10,076,337	9,101,891	90.3%
Debt Service	5,513,397	16,074,778	16,019,960	99.7%
Redevelopment	6,695,391	11,440,704	11,308,276	98.8%
Other	(3,022,925)	(2,897,925)	-	0.0%
Total All Funds	119,826,400	151,683,918	146,725,168	96.7%

- All Funds Expenditures across departments were within or at budget for 2009/10.
- The more significant savings in the Parks & General Services Department comes from salary savings attained through retirement vacancies, several of these positions have been eliminated as part of the 2010-11 budget.

- City Attorney services show a notable savings due to staff efforts to limit contact with the City Attorney, as well as allowing the Attorney to be dismissed earlier from City Council meetings.
- 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 (2nd Street Pedestrian Improvements and ADA Parking/Facility Compliance), enterprise projects (Well 32 Test Hole, El Macero Valve Replacement, Water Distribution System Optimization).

Table 5 – All Funds FY2010/11 Expenditures by Fund

FY10/11 Expenditures				
	Original Budget	Adjusted Budget	Year-To-Date Actual	%
General Fund	36,201,994	36,493,261	9,760,049	26.7%
Special Revenue Funds	21,105,463	24,730,215	5,466,522	22.1%
Debt Service	2,858,899	2,858,899	2,009,261	70.3%
Capital Projects Funds	1,249,707	5,212,207	246,582	4.7%
Trust Funds	-	-	-	-
Enterprise Funds	39,507,716	58,055,351	7,517,048	12.9%
Internal Service Funds	10,248,782	10,765,751	4,821,567	44.8%
Redevelopment Funds	8,221,389	9,548,022	1,874,990	19.6%
Total All Funds	119,393,950	147,663,706	31,696,019	21.5%

- Year-to-date expenditures through the first quarter of FY2010/11 appear within budget across all fund categories and departments. Actual expenditures (including encumbrances totaled \$31.7 million, or 21.5% of the adjusted budget.
- Operating expenditures within the General Fund and Special Revenue funds are tracking with the budget at 26.7% and 22.1% respectively.
- Debt Service Funds reflect expenditures at 70.3% 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 44.8%), however this results reflects up-front insurance premium payments made within the City’s Self-Insurance Fund.

Table 6 – All Funds FY2010/11 Expenditures by Department

FY10/11 Expenditures				
	Original Budget	Adjusted Budget	Year-To-Date Actual	%
City Council	137,229	137,229	33,689	24.5%
City Attorney	512,967	512,967	41,805	8.1%
City Manager	11,426,412	12,034,206	4,707,550	39.1%
Comm. Development & Sustainability	3,201,097	3,416,731	646,086	18.9%
Community Services	25,451,333	25,264,605	6,359,327	25.2%
Fire	9,562,413	9,761,935	2,044,251	20.9%
Police	14,686,200	14,700,455	3,491,068	23.7%
Public Works	34,142,910	35,481,207	8,073,100	22.8%
Capital Improvements	8,838,167	33,919,149	694,248	2.0%
Debt Service	5,892,814	5,892,814	3,971,436	67.4%
Redevelopment	7,203,461	8,203,461	1,633,459	19.9%
Other	(1,661,053)	(1,661,053)	-	0.0%
Total All Funds	119,393,950	147,663,706	31,696,019	21.5%

- The significant changes from the adopted FY 2010/11 budget to the current adjusted budget are in relation to prior year budget carryovers from FY 2009/10 to FY 2010/11. A sampling of the carryovers included: Capital Improvement Projects; WWTP Facility Plan – 13.5 million; Sanitary Sewer Rehabilitation – 1.5 million; Parks & Open Space Acquisition – 4.4 million.

Personnel Analysis

Table 7 – All Funds FY2009/10 Year-End Results and FY 2010/11 Year-to-Date Personnel Expenditures

All Funds Personnel Expenditures - Table 7								
FY2009/10 Year-End Results and FY2010/11 Year-to-Date								
Expenditure by Department	FY2009/10 Adjusted Budget	FY2009/10 UNAUDITED Actuals	Variance	% Exp.	FY2010/11 Adopted Budget	FY2010/11 Adjusted Budget	FY2010/11 Year-to-Date Actuals	% Exp.
City Council	80,906	80,906	-	100%	84,296	84,296	20,038	24%
City Manager	3,157,892	2,998,710	159,182	95%	4,427,426	4,427,426	876,715	20%
Community Development	2,377,399	2,222,790	154,609	93%	2,491,384	2,513,599	513,645	20%
Community Services	6,073,895	5,825,226	248,669	0%	10,310,000	10,310,000	2,361,580	23%
Fire	8,389,779	7,910,664	479,115	94%	7,953,471	7,953,471	1,688,865	21%
Parks & General Services	12,092,415	12,312,529	(220,114)	102%				
Police	7,673,477	6,986,364	687,113	91%	12,039,563	12,051,318	2,579,177	21%
Public Works	11,470,437	10,175,479	1,294,958	89%	10,957,322	10,935,107	2,142,211	20%
Capital Improvements/Debt	1,837,527	1,514,923	322,604	82%	1,754,826	1,762,497	319,875	18%
Redevelopment	582,475	578,606	3,869	99%	646,985	646,985	139,160	22%
Citywide savings	(2,147,925)		(2,147,925)		(891,053)	(771,286)		
Total	\$51,588,277	\$50,606,197	\$ 982,080	98%	\$ 49,774,220	\$ 49,913,413	\$ 10,641,266	21%

- FY2009/10 personnel expenditures ended the year at \$50.6 million, or \$982,080 (2%) under the final budget of \$51.59 million.

- On a citywide basis, the All Funds Personnel costs represented 34.4% of total city expenditures of \$146.73 million.
- FY2010/11 personnel expenditures are currently tracking at 21%, which is consistent with budgeted projections.

Table 8 summarizes the FY2009/10 overtime results, as well as the FY 2010/11 budget, by 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 2009-10			FY 2010-11		
	Original Budget	Adjusted Budget	Unaudited Actual	Original Budget	Adjusted Budget	Year-To-Date Actual
OVERTIME SALARIES & WAGES						
City Manager's Office	2,074	5,032	4,009	7,471	7,471	624
Community Development	6,078	6,078	2,973	6,078	7,201	101
Community Services	6,608	14,608	12,552	41,147	41,147	6,198
Fire	318,949	569,592	554,303 *	318,949	318,949	104,757 *
Police	464,957	488,832	519,179	454,855	454,855	97,163
Parks & General Services	38,856	38,856	17,491	-	-	-
Public Works	143,914	143,914	108,162	143,914	142,791	20,683
Capital Improvement Projects	10,691	14,187	5,093	10,691	10,691	2,639
Redevelopment	-	-	4	-	-	-
TOTAL OVERTIME	\$ 992,127	\$ 1,281,099	\$ 1,223,766	\$ 983,105	\$ 983,105	\$ 232,165

* The portion of overtime related to Strike Teams is reimbursable through State or Federal Funding.

In FY09/10 this amounted to \$250,643 and FY 10/11 YTD \$25,746.

- On an all funds basis, total actual overtime in the FY2009/10 was \$1.22 million, and FY2010/11 budgeted overtime is \$983,105.
 - When evaluating the results of overtime usage, it should be noted that the most significant fluctuations in budget versus actual overtime 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 October 25, the City has documented a current vacancy list of 18 regular full time and 2 regular part time positions. These vacancies represent a 4.6% shortfall in our current work force, in relation to our 416.25 budgeted Full Time Equivalent permanent positions. In addition to the current vacancies, 1 regular full time vacant position and 2 regular part time positions have been recruited and filled in FY 2010/11. Of the current vacancies, there are 5 positions which are being backfilled with either TPT staff or special assignment pay to current staff for supplemental work assignments. (See Table 9)*

The FY 2010/11 adopted budget included a personnel savings factor, representing an assumed 3.5% annual savings due to vacancies achieved through turn-over and attrition. This savings assumption will require the continuation of a citywide selective “hiring freeze.” Staff will provide regular monitoring of the vacancies and an additional update to the Council as part of our mid-year budget update.

Position Vacancy Listing

The following *Table 9* presents a listing of vacant positions as of October 25, 2010, as well as updated information on previous reported vacancies hired since July 1, 2010.

Vacant Positions as of October 25, 2010				
Dept	Position Title	Division	Funding Source	Status
CMO	Asst CM/City Manager Interim	11	General Fund	Vacant as of 9/24/10
CMO	Program Aide Courier (50%)	26	IS Fund	Vacant 7/1/10
CMO	Information Technology Administrator	26	IS Fund	Vacant as of 5/21/10
CMO	Budget Specialist I	27	General Fund	Vacant as of 7/1/10
CMO	Sr. Accounting Assistant	28	General Fund	Vacant as of 7/1/10 Backfill with TPT
CDS	Senior Office Assistant (50%)	31	General Fund	Vacant 7/1/10
CDS	Office Assistant II	31	General Fund	Vacant 8/23/10
CDS	Building Inspector II	33	Building Fund	Vacant 1/31/10
FD	Admin Aide	51	General Fund	Vacant as of 12/1/09 Backfill with TPT
FD	Fire Chief	51	General Fund	Vacant 11/20/09 Backfill with TPT
FD	Fire Division Chief	52	General Fund	Vacant 10/31/09 Backfill with TPT
FD	Firefighter I	51	General Fund	Vacant 7/1/10
FD	Fire Division Chief	52	General Fund	Vacant 10/1/10 Backfill with TPT
PD	Police Officer	56	General Fund	Vacant 7/1/09
PD	Police Officer	57	General Fund	Vacant 7/1/09
PD	Parking Enforcement Officer	59	General Fund	Vacant 5/21/10
PW	Stock Clerk	71	Gen Svcs Fund	Vacant 9/16/10
PW	Engineering Assistant	73	Various Funds	Vacant 7/1/09
PW	WWTP Senior Operator	73	Various Funds	Vacant 7/1/09
PW	City Engineer/PW Director Interim	76	Various Funds	Vacant 12/31/09
Positions Hired				
Dept	Position Title		Funding Source	Hire Date
CS	Community Service Prog Coord (75%)	47	General Fund	Vacant 7/1/10 - Hired 8/9/10 (Foster)
CS	Community Service Prog Coord (50%)	47	General Fund	Vacant 7/1/10 - Hired 8/2/10 (Torres)
PW	WWTP Superintendent	73	Various Funds	Vacant 10/9/09 Hired 8/9/10 (Gryczko)
Defunded Positions - NO Salary savings				
Dept	Position Title			
	45 Facilities Manager			
	56 Police Services Specialist			
	57 Police Sergeant			
	71 Admin Aide			

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, 2010 as well as year-to-date results through the first three months of FY2010/11:

Table 1: General Fund Summary FY2009/10 Results and FY2010/11 Year-to-Date Results								
Description	FY2009/10 Adjusted Budget	FY2009/10 Budget Projection	FY2009/10 UNAUDITED Actual Results	FY2010/11 Adopted Budget	FY2010/11 Adjusted Budget	FY2010/11 Year-to-Date Results	FY2010/11 Year-end Projection	FY2010/11 Year-end Pro-Forma*
Beginning Unreserved Fund Balance	\$4,970,744	\$4,970,744	\$4,970,744	\$4,633,953	\$3,717,209	n/a		\$3,717,209
Revenues	37,845,642	36,989,879	37,724,840	36,885,923	36,934,923	3,775,248	TBD	37,684,258
Expenditures	(37,683,468)	(37,817,180)	(38,691,575)	(36,201,994)	(36,493,261)	(9,760,049)	TBD	(36,493,261)
Transfers	0	0	0					
Change in Reserved Fund Balance **	0	138,000	33,563	0	0	0		
Position Savings/Adjustments								
Audited Unreserved Fund Balance	\$5,132,918	\$4,281,443	\$4,037,572	\$5,317,882	\$4,158,871	n/a	TBD	\$4,908,206
Prior Unencumbered Carry-over Appropriations		327,510	(5,946)					
09/10 Unencumbered Carry-over Appropriations			(239,417)		239,417			239,417
Public Safety Staffing Reserve		25,000	(75,000)					
Ending Unreserved Fund Balance	\$5,132,918	\$4,633,953	\$3,717,209	\$5,317,882	\$4,398,288	n/a	TBD	\$5,147,623
Percentage (E.U.F.B./Revenues)	14.4%	13.4%	10.5%	15.4%	12.7%	n/a	TBD	14.5%
Reserve Policy \$	\$5,329,338	\$5,200,974	\$5,311,218	\$5,167,895	\$5,175,245			\$ 5,287,645
Reserve Policy	15%	15%	15%	15%	15%			15%
"Excess" Fund Balance (over Reserve Target)		\$ (567,021)	\$ (1,594,009)	\$ 149,987	\$ (776,957)	n/a		\$ (140,022)

* Pro-Forma results based solely on application of FY2010/11 revenue "growth" assumptions to ACTUAL FY2009/10 revenue results. - NOT A REVISED PROJECTION
 ** This line item is included to link the Audited Financial Statements with Budget Estimates and also includes changes in encumbrance balances.

FY2009/10

The General Fund’s Unreserved Fund Balance as of June 30, 2010 was \$3.72 million, equal to 10.5% of General Fund revenues, and reflects a negative variance of (\$916,744) as compared to the reserve level assumed in the development of the FY2010/11 budget. The FY2010/11 Adopted Budget assumed a year-end reserve level of 13.4%.

FY2010/11

The Adopted FY2010/11 budget was developed such that the resulting General Fund unreserved Fund Balance at June 30, 2011 would be \$5.32 million, or 15.4% of General Fund revenues. This assumed a beginning fund balance of \$4.63 million and an anticipated excess of fund balance reserve totaling \$149,987. Final year-end results for FY2009/10 provide an updated projection for the General Fund reserve expected at June 30, 2010. Assuming current year results consistent with the budget - would yield a projected year-end fund balance of \$4.4 million, or 12.7% of General Fund revenues. This would yield a deficit fund balance on June 30, 2010 of roughly (\$776,957) below the reserve requirement.

However, based on preliminary, unaudited, FY2009/10 year-end results – and, in particular, the favorable revenue results for General Fund revenues - the current year (FY2010/11) budget would result in the restoration of the General Fund reserve to \$5.15 million (14.5%), very close to the 15% policy level. This result assumes that FY2010/11 General Fund revenues remain essentially “flat” from FY2009/10, as contemplated in the development of the FY2010/11 budget. (See Pro-Forma results, Table 1, above).

General Fund Revenues

Tables 2a & b present a summary of major General Fund revenue sources. FY 2009/10 revenues were \$37.72 million which was \$120,802 (0.3%) below the Adjusted Budget, and increased to \$733,232 (2.0%) above the revenue estimate used in the development of the FY 2010/11 budget.

Table 2a: General Fund Revenues					
FY2009/10 Results					
Revenue by Source	FY2009/10 Adjusted Budget	FY2009/10 Estimate	FY2009/10 Actual	Variance Favorable / (Unfavorable)	Variance Percentage
Property Taxes	\$14,587,900	\$14,572,790	\$14,598,216	\$25,426	0.2%
Sales & Use Tax	\$7,844,000	\$7,600,000	\$8,121,484	\$521,484	6.9%
Motor Vehicle In Lieu	\$242,000	\$175,000	\$194,011	\$19,011	10.9%
Transient Occupancy Tax	\$1,090,000	\$917,300	\$912,456	(\$4,844)	-0.5%
Property Transfer Tax	\$154,000	\$108,100	\$127,887	\$19,787	18.3%
Business License Tax	\$1,360,000	\$1,463,100	\$1,492,242	\$29,142	2.0%
Municipal Services Tax	\$2,337,600	\$2,326,200	\$2,329,753	\$3,553	0.2%
Franchise Fees (PG&E)	\$571,100	\$525,525	\$525,716	\$191	0.0%
Planning & Building Inspection	\$524,946	\$446,696	\$429,574	(\$17,122)	-3.8%
Parks/Community Services	\$2,289,914	\$2,297,943	\$2,372,089	\$74,146	3.2%
Other Depts (Fire, PD, PW)	\$1,529,000	\$1,521,145	\$1,551,881	\$30,736	2.0%
Fines & Forfeitures	\$728,475	\$608,400	\$778,600	\$170,200	28.0%
Investment Earnings	\$332,944	\$100,278	\$12,423	(\$87,855)	-87.6%
Intra-City Revenues	\$2,316,719	\$2,316,719	\$2,316,719	\$0	0.0%
All Other Sources	\$1,937,044	\$2,010,683	\$1,961,789	(\$48,894)	-2.4%
Total	\$37,845,642	\$36,989,879	\$37,724,840	\$734,961	2.0%

Table 2b: General Fund Revenues			
FY2010/11 Projections			
Revenue by Source	FY2010/11 Adopted Budget	FY2010/11 Adjusted Budget	FY2010/11 Year to Date
Property Taxes	\$14,572,790	\$14,572,790	\$0
Sales & Use Tax	\$7,800,000	\$7,800,000	\$498,046
Motor Vehicle In Lieu	\$266,800	\$266,800	\$32,990
Transient Occupancy Tax	\$917,300	\$917,300	\$25,464
Property Transfer Tax	\$108,100	\$108,100	\$0
Business License Tax	\$1,463,100	\$1,463,100	\$15,028
Municipal Services Tax	\$2,395,200	\$2,395,200	\$996,536
Franchise Fees (PG&E)	\$525,500	\$525,500	\$0
Planning & Building Inspection	\$497,680	\$497,680	\$64,452
Parks/Community Services	\$2,326,488	\$2,326,488	\$1,042,866
Other Depts (Fire, PD, PW)	\$1,460,216	\$1,460,216	\$188,582
Fines & Forfeitures	\$698,015	\$698,015	\$177,586
Investment Earnings	\$100,278	\$100,278	\$0
Intra-City Revenues	\$2,433,290	\$2,433,290	\$511,072
All Other Sources	\$1,321,166	\$1,370,166	\$222,626
Total	\$36,885,923	\$36,934,923	\$3,775,248

** Sales & Use Tax on a base of prior year actual and flat growth may suggest a change in our projections. This will continue to be monitored and updated at the time of the mid-year budget report.

- *In FY2009/10, overall Property Tax revenue increased slightly (1.9%) over prior year results, as total assessed valuations did experience a small rate of growth. The FY2009/10 year-end property tax result of \$14.60 million was \$25,426 (0.2%) below the revenue estimate used in the development of the FY2010/11 budget. 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 0.36% compared to the budget estimate of 0%. Properties outside the Redevelopment Agency grew at a lower rate (0.35%) than those within the Redevelopment Project Area (0.37%). While property tax revenues will not be known until January, these growth figures may result in a very slight increase to our property tax revenue estimates for the City's General Fund and Redevelopment Agency, respectively.*
- *Sales Tax revenue ended FY2009/10 at \$8.12 million, 6.9% above our budget forecast, and first quarter results for FY2010/11 stand at \$0.5 million, or 0.6% of the annual budget figure of \$7.84 million. Due to timing issues related to the Triple Flip Property/Sales Tax swap beginning in FY2005/06, we receive certain portions of this revenue together with our Property Tax payments received in January and May. Typically, Sales Tax revenue forecasts are not updated on the basis of results from one quarter; and year to date results do not warrant any early revisions to the forecast. Staff will be monitoring sales tax activity closely throughout the year.*
- *Service Fee and Permit revenue collected in FY2009/10 totaled \$4.35 million, \$87,760 above our budget projections. Higher than predicted revenues in Community Services, Parks and General Services, Fire, Police, and Public Works, served to offset the slightly lower than predicted revenues in Planning and Building.*

Attachment D

General Fund Expenditures

Table 3 summarizes General Fund expenditure results for all departments. FY2009/10 expenditures ended the year at \$38.69 million, or \$1.0 million (3%) over the final budget of \$37.68 million.

Expenditure by Department	FY2009/10 Adjusted Budget	FY2009/10 UNAUDITED Actuals	Variance	% Exp.	FY2010/11 Adopted Budget	FY2010/11 Adjusted Budget	FY2010/11 Year-to-Date Actuals	% Exp.
City Council	133,749	129,108	4,641	97%	137,229	137,229	33,689	25%
City Attorney	362,967	331,122	31,845	91%	362,967	362,967	41,805	12%
City Manager	4,071,935	3,810,474	261,461	94%	3,948,938	3,993,332	864,141	22%
Community Development	1,210,144	1,150,205	59,939	95%	1,456,019	1,496,019	309,142	21%
Community Services	4,167,276	3,952,017	215,259	95%	9,641,006	9,647,506	3,255,131	34%
Fire	8,568,502	8,130,651	437,851	95%	8,224,875	8,224,875	1,735,398	21%
Police	13,537,336	13,611,662	(74,326)	101%	13,136,087	13,138,587	3,091,777	24%
Parks & General Services	6,958,285	6,326,922	631,363	91%	-	-	-	0%
Public Works	1,232,154	918,641	313,513	75%	694,685	722,535	179,454	25%
Capital Improvements	76,782	69,757	7,025	91%	-	170,023	34,200	20%
Debt	205,658	205,658	-	100%	205,659	205,659	205,659	100%
Redevelopment	56,605	55,358	1,247	98%	55,582	55,582	9,653	17%
Non-Departmental Adjustments	(2,897,925)	-	(2,897,925)		(1,661,053)	(1,661,053)	-	
Total	\$ 37,683,468	\$ 38,691,575	\$ (1,008,107)	103%	\$ 36,201,994	\$ 36,493,261	\$ 9,760,049	27%
							<i>Projected Year-end Variance</i>	

FY2009/10 General Fund expenditure results for most operating departments were within their adjusted budget, with savings ranging from 2% to 25% of budgeted expenditures. The Police department shows a slight 1% overage primarily due to short staffing overtime needs.

On a citywide basis, the General Fund expenditures ended FY2009/10 at \$38.69 million, which was \$1,008,107 above the final adjusted budget. Personnel costs ended the year \$1.1 million, or 3.8% over budget, with realized General Fund personnel savings ending the year at \$975,868, which is below the level of General Fund salary savings incorporated into the FY2009/10 budget. Non-personnel costs ended the year \$163,950, or 2.3% below budget, which realized General Fund non-personnel savings ending the year at \$912,693; which is slightly above the General Fund non-personnel savings incorporated into the FY 2009/10 budget.

Through the first quarter of FY2010/11 General Fund expenditures (including encumbrances) were \$9.76 million, or 27% of the adjusted budget of \$36.49 million. Overall, personnel expenditures are tracking within budget through the first three 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 \$1.66 million in savings from personnel costs (\$891,053) and non-personnel costs (\$770,000) incorporated into the FY2010/11 budget. Expenditure projections will be presented as part of the Mid-Year Budget report in February.