

STAFF REPORT

DATE: December 12, 2013
TO: City Council
FROM: Kelly Fletcher, Budget Manager
Kathy McIntire, Budget Specialist
SUBJECT: FY 2013/14 First Quarter Budget Update

Recommendation

This is 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, 2013 (FY 2012/13), as well as revenue and expenditure results through the first three periods of FY 2013/14.

Summary

This report summarizes the final, unaudited year-end All Funds revenue and expenditure results for FY 2012/13 and presents All Funds revenue and expenditure results through the first three periods of FY 2013/14 (July-Sept). In addition, the report highlights General Fund revenue and expenditure results in comparison to estimates used in the development of the current FY2013/14 budget.

Highlights of the reported results include:

- ❑ *All Funds Revenues for the year ended June 30, 2013 were \$136,985,287 as compared to an Adjusted Budget of \$147,645,529. Enterprise Funds are falling short of FY12/13 revenue estimates primarily due to Water Sales rate increases delayed from January until May; Well 34 construction contract supported by I-Bank loan was postponed pending resolution of outstanding water issues and is expected to move forward in FY13/14. (See Attachment A – Table 1).*
- ❑ *All Funds Expenditures for FY 2012/13 were \$130,988,463, which represents 80.5% of the Adjusted Budget of \$162,787,373. Personnel costs represent \$53,048,597 or 40.7% of the FY 2012/13 expenditures. All Funds Expenditures through the first quarter of FY 2013/14 stand at \$52,704,109 or 19.1% of the All Funds Budget of \$276,337,104. (See Attachment A – Tables 3, 5, 7).*
- ❑ *Through the first quarter of the current fiscal year, All Funds Revenues stood at \$23,298,096, or roughly 9.0% of the Adjusted Budget figure of \$259,877,224. General Fund and Special Revenue Funds include several major sources of tax revenues (Property Tax,*

Sales Tax, Park Maintenance and Open Space) which are paid in installments in January and May look short for the first quarter but will be consistent with projections later in the fiscal year. Internal Service Fund revenues derived from fees are tracking in line with projections. Enterprise Funds (Water and Sewer) are low in relation to budget estimates. Reimbursement “draws” from Wells Fargo Line of Credit (Alternative Water Supply) and Waste Water Treatment Plant Financing (WWTP Facility Improvement) will be made throughout the fiscal year based on current fiscal year expenditures. (See Attachment A – Table 2).

- *As of September 30, the City has documented a current vacancy list of 13 regular full time and 1 regular part time positions. These vacancies represent a 3.7% shortfall in our current work force, in relation to our 361.0 budgeted Regular Full Time and Regular Part Time equivalent permanent positions. Of the current vacancies, there are four positions which are being backfilled with either temporary part time staff or special assignment pay to current staff for supplemental work assignments. Three regular full time vacant positions have been recruited and filled as of September 30, 2013. (See Table 9)*

- *On a budgetary basis, the unaudited General Fund Unreserved Fund Balance as of June 30, 2013 was \$6.20 million or 15.8% of operating revenues. This result represents a favorable variance of \$2,495,023 as compared to the year-end fund balance estimate of \$3.71 million (9.5%) assumed in the development of the FY2013/14 Adopted Budget. This is the result of carrying forward unspent funds for Capital Projects in Public Works. (See Attachment B)*
 - General Fund revenues ended FY2012/13 at \$41.91 million, which is \$363,364, or (0.9%) above the estimate of \$41.55 million.
 - General Fund expenditures ended FY2012/13 at \$41.07 million less an adjustment of \$678,078 for changes in encumbrance balances, for a total of \$40.39 million. This was \$722,133 under the final adjusted budget, and \$2.13 million below the expenditure estimate assumed in the development of this year’s budget. Of this \$2.13 million of unspent funds, approximately \$1.9 million has been re-appropriated into current fiscal year 2013/14, for specific projects that were not completed as of June 30, 2013.

- *Year-to-date FY13/14 General Fund revenues through the first three months of the fiscal year were \$4.71 million, or 11.3% of the \$41.6 million adjusted revenue budget.*
 - *In FY12/13, overall Property Tax revenue increased 5% over prior year results, as total assessed valuations did experience a small rate of growth. The FY12/13 year-end property tax result of \$15.6 million was \$356,602 (2.3%) above the revenue estimate, \$15.3 million, used in the development of the FY13/14 budget. The first installment of current-year property tax revenues is not expected until January.*
 - *Property Transfer Tax revenue showed a noticeable increase in FY12/13 over prior year FY11/12 results of \$66,326 (51.8%). This appears to be a preliminary indication of positive changes to the real estate market.*

- *Sales Tax revenue ended FY12/13 at \$10.27 million, 9.2% above our budget estimate, and first quarter results for FY13/14 stand at \$461,067, or 4.9% of the annual budget figure of \$9.4 million. Due to timing issues related to the Triple Flip Property/Sales Tax swap beginning in FY2005/06, we receive portions of this revenue together with our Property Tax payments are 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 FY12/13 totaled \$4.78 million, virtually even with our budget projections of \$4.77 million. First quarter revenues are currently at \$1,558,449 or 34.3% of the Adjusted Budget figure of \$4,541,440. This is primarily due higher revenue collections in Community Services in the first quarter for their summer activities.*
- *Through September (Period 3), FY13/14 General Fund expenditures (including encumbrances) were \$11.72 million, or 26.9% of the adjusted budget of \$43.61 million. (See Attachment D) Citywide personnel expenditures appear within budget, with 22.1% expended through three periods (see Attachment A, Table 7). Departmental expenditure projections will be evaluated with the FY13/14 Mid-Year Budget Update.*
- *Based on preliminary, unaudited, FY12/13 year-end results, as well as the projected levels of revenues and expenditures for FY13/14, in the absence of corrective measures, the General Fund would end FY13/14 with a fund balance of \$4.24 million, representing 10.9 % of General Fund revenues. This level of fund balance would provide a shortfall of \$1.62 million below the level suggested in the City's 15% reserve policy.*

Attachments:

- A. All Funds Revenues and Expenditures
- B. Summary of General Fund Operations
- C. General Fund Revenues
- D. General Fund Expenditures

Attachment A

ALL FUNDS REVENUES AND EXPENDITURES

Table 1 – All Funds FY12/13 Revenues

FY12/13 Revenues				
	Final Adjusted Budget	Year-To-Date Actual	%	Note
General Fund	39,898,932	41,913,566	105.0%	1b
Special Revenue Funds	22,474,374	24,105,737	107.3%	1c
Debt Service	2,959,990	2,658,377	89.8%	
Capital Projects Funds	3,643,830	4,449,182	122.1%	
Trust Funds	60	164	273.3%	
Enterprise Funds	50,651,498	40,164,661	79.3%	1d
Internal Service Funds	20,304,156	19,089,160	94.0%	
RDA Successor Agency Funds	7,712,689	4,604,440	59.7%	
Total All Funds	147,645,529	136,985,287	92.8%	1a

- 1a** All Funds Revenues ended FY12/13 at \$136.99 million, or 92.8% of the adjusted budget of \$147.65 million.
- 1b** General Fund revenues ended the fiscal year at \$41.91 million 5% higher than the adjusted budget. This is attributed to Sales and Use Tax revenues coming in higher than budgeted, Transient Occupancy Tax receiving a one-time audit accrual adjustment of \$310,000, and Property Tax revenues including Residual Distributions from the county for Redevelopment area in the amount of \$639,000, all of which were in line with year-end estimates.
- 1c** Special Revenue Funds (HUD/CDBG, General Operating Grants) received additional funds for reimbursable expenses and Capital Projects Funds (Developer Impact Fees) surpassed expectations primarily due to the Verona development.
- 1d** Enterprise Funds are falling short of FY12/13 revenue estimates primarily due to Water rate increases delayed from January until May; Well 34 construction contract supported by I-Bank loan was postponed to FY13/14 and therefore expenditures and offsetting projected revenues were not received.

Table 2 – All Funds FY13/14 Revenues

FY13/14 Revenues				
	Adjusted Budget	Year-To-Date Actual	%	Note
General Fund	41,645,067	4,705,106	11.3%	
Special Revenue Funds	20,693,168	2,495,552	12.1%	
Debt Service	2,655,008	43	0.0%	
Capital Projects Funds	4,252,912	274,080	6.4%	2b
Trust Funds	60	1,249	2081.7%	
Enterprise Funds	161,996,933	10,980,577	6.8%	2c
Internal Service Funds	20,781,680	4,840,987	23.3%	
RDA Successor Funds	7,852,396	502	0.0%	2d
Total All Funds	259,877,224	23,298,096	9.0%	2a

- 2a** All Funds revenues through the first quarter of FY13/14 are \$23.30 million, or 9% of the adjusted budget. General Fund revenues are \$4.7 million or 11.3% of the adjusted budget, with many of the City’s major tax revenues yet to be collected.
- 2b** Capital Projects Funds related to development within the city are tracking low due to the timing of development such as the Cannery project.
- 2c** Enterprise Funds reflect financing plans for two Capital Improvement Projects – Alternative Water Supply and Wastewater Treatment Plant Facility Improvement. Reimbursement “draws” will be made throughout the fiscal year based on current fiscal year expenditures.
- 2d** RDA Successor Funds revenue looks short for the quarter but will be in line with estimates when property tax installments are received from the County in January and May.

Table 3 – All Funds FY12/13 Expenditures

FY12/13 Expenditures				
	Final Adjusted Budget	Unaudited Actual	%	Note
General Fund	41,115,054	41,070,999	99.9%	3b
Special Revenue Funds	23,529,582	18,919,074	80.4%	
Debt Service	2,843,056	2,822,596	99.3%	
Capital Projects Funds	10,992,481	3,672,851	33.4%	3c
Trust Funds	24,111	24,111	100.0%	
Enterprise Funds	56,764,585	40,039,763	70.5%	3d
Internal Service Funds	19,601,647	17,876,141	91.2%	
Redevelopment Funds	7,916,857	6,562,928	82.9%	
Total All Funds	162,787,373	130,988,463	80.5%	3a

- 3a** All Funds Expenditures for FY12/13 were \$130.99 million, or 80.5% of the adjusted budget of \$162.79 million. Most funds were under budget (ranging from 33.4% to 99.3% of budget spent).
- 3b** General Fund expenditures ended the year at \$41.07 million, or 0.1% under budget.
- 3c** The largest of the unspent funds (33.4%) is in the Capital Projects Funds and is the result of construction contract delays. For example: Grant funded pavement repair project delayed by Caltrans' review process; California Street Bridge project is a multi-year project; Vets Memorial Center architect bid in process at year end. These funds were approved for carryover into FY13/14.
- 3d** Enterprise Funds also fell short (70.5%) in spending for the year. Projects included in this are Alternative Water Supply, Decommissioning of Well #29, and Well #34 construction were delayed pending resolution of outstanding water issues, and Sanitary Sewer Rehab trunk line repairs were postponed until burrowing Owl nesting season is over. Much of this funding was carried forward into FY13/14 except for that related to the Alternative Water Supply project, which was already appropriated.

Table 4 – All Funds FY12/13 Expenditures by Department

FY12/13 Expenditures				
	Final Adjusted Budget	Unaudited Actual	%	Note
City Attorney	334,548	334,547	100.0%	
City Manager / Council	4,361,271	4,046,155	92.8%	
Administrative Services Dept.	28,765,947	26,500,782	92.1%	
Comm Dev/Sustainability	4,831,761	4,071,983	84.3%	
Fire	10,419,979	10,239,420	98.3%	
Police	15,928,838	15,847,268	99.5%	
Public Works	46,529,023	41,997,310	90.3%	
Capital Improvements	41,645,874	16,507,487	39.6%	4b
Debt Service	5,242,536	5,157,737	98.4%	
RDA Successor Agency	6,251,434	6,116,702	97.8%	
Other/Savings Estimate	(1,523,838)	169,072	-11.1%	4c
Total All Funds	162,787,373	130,988,463	80.5%	4a

- 4a** All Funds Expenditures across all departments were within budget for FY12/13.
- 4b** Capital Improvement projects also showed a decline in planned expenditures reflecting the deferral of projects due to project timing. The majority of these deferrals are related to transportation (3rd Street Improvements A/B Streets, 5th Street Corridor improvements and streetlight conversions, Bike Crossing and Traffic Circle located in south Davis), and enterprise projects (Well Irrigation Phase 1 & 2 and East Area Main Upsizing), as well as the Veteran's Memorial Center improvements.
- 4c** In the category of Other/Savings Estimate, the unaudited actuals reflect an adjustment of \$169,072 for the recording of the unfunded liability for Retiree Medical per the 2011 PERS actuarial report.

Table 5 – All Funds FY13/14 Expenditures by Fund

FY13/14 Expenditures				
	Adjusted Budget	Year-To-Date Actual	%	Note
General Fund	43,612,526	11,715,895	26.9%	5a
Special Revenue Funds	22,450,863	6,178,637	27.5%	5b
Debt Service	2,820,959	2,093,681	74.2%	5c
Capital Projects Funds	11,967,436	1,083,353	9.1%	5e
Enterprise Funds	168,332,040	22,766,235	13.5%	5e
Internal Service Funds	22,475,456	7,393,068	32.9%	5d
Redevelopment Successor Funds	4,677,824	1,473,240	31.5%	
Total All Funds	276,337,104	52,704,109	19.1%	5a

- 5a** Year-to-date expenditures through the first quarter of FY13/14 appear within budget across all fund categories. Actual expenditures (including encumbrances) totaled \$52.7 million, or 19.1% of the adjusted budget.
- 5b** Operating expenditures within the General Fund and Special Revenue Funds are tracking with the budget at 26.9% and 27.5% respectively.
- 5c** Debt Service Funds reflect expenditures at 74.2% of budget, as a result of annual debt payments due in the first quarter of the fiscal year.
- 5d** Internal Service Funds appear to be tracking ahead of budget (at 32.9%), however this result reflects up-front insurance premium payments made within the City’s Self-Insurance Fund.
- 5e** Capital Projects Funds and Enterprise Funds are below expectations at the end of the first quarter. This is a result of the timing of construction projects and the awarding of contracts which occur intermittently throughout the year.

Table 6 – All Funds FY13/14 Expenditures by Department

FY13/14 Expenditures				
	Adjusted Budget	Year-To-Date Actual	%	Note
City Attorney	512,967	-	0.0%	
City Manager / Council	5,461,218	2,042,488	37.4%	6c
Administrative Services	30,049,161	7,388,488	24.6%	
Comm. Development & Sustainability	5,025,812	1,234,278	24.6%	
Fire	10,258,213	2,369,309	23.1%	
Police	16,466,201	3,666,211	22.3%	
Public Works	50,081,507	13,830,698	27.6%	
Capital Improvements	150,348,436	17,089,644	11.4%	6b
Debt Service	4,958,184	3,724,206	75.1%	
Redevelopment Successor Agency	4,363,101	1,358,787	31.1%	
Other	(1,187,696)	-	0.0%	
Total All Funds	276,337,104	52,704,109	19.1%	6a

- 6a** Year-to-date expenditures through the first quarter of FY13/14 appear within budget across most departments with the exception of Debt Services, which is traditionally higher in the first quarter, as a result of annual debt payments.
- 6b** Capital Improvements contain two large projects, Alternative Water Supply and Wastewater Treatment Plant for a combined total of \$120,000,000; which will incur the majority of expenses in the spring.
- 6c** CMO budget is currently tracking at a pace above budget expectations due to the encumbrance of money in the first quarter to cover cable franchise management costs (\$221,000), housing management neighbor works program (\$515,000), and contract services in the City Manager’s Office (\$100,000).

Personnel Analysis

Table 7 – All Funds FY12/13 Year-End Results and FY13/14 Year-to-Date Personnel Expenditures

<i>All Funds Personnel Expenditures - Table 7</i>							
<i>FY12/13 Year-End Results and FY13/14 Year-to-Date</i>							
Expenditure by Department	FY12/13 Final Adjusted Budget	FY12/13 UNAUDITED Actuals	% Exp.	FY13/14 Adjusted Budget	FY13/14 Year-to-Date Actuals	% Exp.	Note
City Manager / Council	1,609,715	1,606,771	99.8%	1,880,738	408,621	21.7%	
Administrative Services	8,519,121	8,138,875	95.5%	7,995,064	1,910,180	23.9%	
Comm Dev/Sustainability	2,790,461	2,790,461	100.0%	2,915,697	622,386	21.3%	
Fire	8,679,720	8,679,720	100.0%	8,385,211	1,942,426	23.2%	
Police	13,185,710	13,179,935	100.0%	13,897,984	2,977,313	21.4%	
Public Works	15,125,487	15,125,472	100.0%	15,602,769	3,233,285	20.7%	
Capital Improvements/Debt	1,858,082	1,483,286	79.8%	1,620,509	343,766	21.2%	
RDA Successor Agency	2,075,422	2,044,077	98.5%	95,759	18,396	19.2%	
Citywide savings	(753,838)	-	0.0%	(447,696)	-	0.0%	
Total	\$53,089,880	\$53,048,597	99.9%	\$ 51,946,035	\$11,456,373	22.1%	7a

- 7a** FY12/13 personnel expenditures ended the year at \$53.05 million, essentially equal to the final budget of \$53.08 million, coming in under by \$41,283 (>0.1%).
- On a citywide basis, the 12/13 All Funds Personnel costs represented 40.5% of total city expenditures of \$130.99 million.
- 7a** FY13/14 personnel expenditures are currently tracking at 22.1%, which is consistent with budgeted projections.

Table 8 summarizes the FY12/13 overtime results, as well as the FY13/14 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.

Table 8 – Overtime Summary FY12/13 Year-End Results and FY13/14 Year-to-Date

OVERTIME SUMMARY	FY12/13		FY13/14		Note
	Final Adjusted Budget	Unaudited Actual	Adjusted Budget	Year-To-Date Actual	
OVERTIME SALARIES & WAGES					
City Manager's Office	1,100	18	1,100	-	
Administrative Services	12,216	12,216	14,545	1,177	
Community Development	6,078	1,185	7,034	146	
Fire	1,140,740	1,127,039	587,701	297,787	*
Police	481,898	428,416	296,180	102,351	
Public Works	157,418	154,039	157,462	34,660	
Capital Improvement Projects	13,231	13,231	10,000	5,738	
Redevelopment	-	-	-	-	
TOTAL OVERTIME	\$ 1,812,681	\$ 1,736,144	\$ 1,074,022	\$ 441,859	8a
* The portion of overtime related to Strike Teams is reimburseable through State or Federal Funding. In FY12/13 this amounted to \$259,330 and FY13/14 claims to date are \$124,482.					

8a On an all funds basis, total actual overtime in FY12/13 was \$1.74 million, and FY13/14 budgeted overtime is \$1.07 million.

Position Vacancy Listing

The following *Table 9* presents a listing of vacant positions as of September 30, 2013, as well as updated information on previous reported vacancies hired since July 1, 2013.

Table 9– Position Vacancy List

Vacant Positions as of September 30, 2013			
Dept	Position Title	Funding Source	Status
ASD	Finance Administrator	General Fund/Enterprise	Vacant 7/1/12 Backfill with TPT
CDSD	Building Inspector I	Building Admin and Permits	Vacant 11/12/13 Backfill with TPT
FD	Fire Chief	General Fund	Vacant 11/20/09 Backfill with TPT
PD	Police Officer	General Fund	Vacant 8/27/13
PD	Police Officer	General Fund	Vacant 7/1/13
PD	Police Officer	General Fund	Vacant 7/1/13
PD	Police Officer	General Fund	Vacant 7/1/13
PD	Police Officer	General Fund	Vacant 7/1/13
PW	Assistant Public Works Director	Various Funds	Vacant 12/31/10 Backfill with TPT
PW	Associate Civil Engineer (Traffic)	Various Funds	Vacant 10/31/10
PW	Building Maintenance Crew Supervisor	Various Funds	Vacant 7/1/13
PW	Custodian II	General Fund	Vacant 9/27/13
PW	Custodian II - 50%	General Fund	Vacant 9/27/13
PW	Electrician	Various Funds	Vacant 12/28/12
Positions Hired			
Dept	Position Title	Funding Source	Hire Date
PD	Police Service Specialist	General Fund	9/16/2013
PD	Public Safety Dispatcher I	General Fund	7/8/2013
PW	Facilities Manager	General Fund	7/8/2013

- *As of September 30, the City has a current vacancy list of 13 regular full time and 1 regular part time positions. These vacancies represent a 3.7% shortfall in our current work force, in relation to our 361.0 budgeted Regular Full and Regular Part Time equivalent permanent positions. Of the current vacancies, there are four positions which are being backfilled with either temporary part time staff or special assignment pay to current staff for supplemental work assignments. In addition to the current vacancies, three regular full time vacant positions have been recruited and filled as of September 30, 2013. (See Table 9)*

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, 2013 as well as year-to-date results through the first three months of FY2013/14:

Table 1a: General Fund Summary			
FY2012/13 Results			
Description	FY2012/13 Adjusted Budget	FY2012/13 Budget Projection	FY2012/13 UNAUDITED Actual Results
<i>Beginning Unreserved Fund Balance</i>	\$4,682,874	\$4,682,874	\$4,682,874
Revenues	39,892,211	41,550,202	41,913,566
Expenditures	(41,115,054)	(43,172,573)	(41,070,999)
Transfers	0	0	0
Change in Reserved Fund Balance **	0	647,993	678,078
Unaudited Unreserved Fund Balance	\$3,460,031	\$3,708,496	\$6,203,519
Prior Carry-over Appropriations & Encumbrances	0	0	0
Ending Unreserved Fund Balance	\$3,460,031	\$3,708,496	\$6,203,519
Percentage (E.U.F.B./Revenues)	9.3%	9.5%	15.8%
** This line item is included to link the Audited Financial Statements with Budget Estimates and also includes changes in encumbrance balances.			

FY12/13

The General Fund’s Unreserved Fund Balance as of June 30, 2013 was \$6.20 million or 15.8% of General Fund operating revenues. This result represents a favorable variance of \$2,495,023 as compared to the year-end fund balance estimate of \$3.71 million (9.5%) assumed in the development of the FY2013/14 Adopted Budget. Of this \$2.49 million, approximately \$1.9 million has been re-appropriated into current fiscal year 2013/14 for specific projects that were not completed as of June 30, 2013.

Table 1b: General Fund Summary			
FY2013/14 Results			
Description	FY2013/14 Adopted Budget	FY2013/14 Adjusted Budget	FY2013/14 Year-to-Date Results
<i>Beginning Unreserved Fund Balance</i>	\$3,708,496	\$6,203,519	n/a
Revenues	41,083,558	41,645,067	4,705,106
Expenditures	(41,645,394)	(41,707,702)	(11,715,895)
Transfers			
Change in Reserved Fund Balance **	0	0	0
Unaudited Unreserved Fund Balance	\$3,146,660	\$6,140,884	<i>n/a</i>
Prior Carry-over Appropriations & Encumbrances	0	(1,904,824)	
Ending Unreserved Fund Balance	\$3,146,660	\$4,236,060	<i>n/a</i>
Percentage (E.U.F.B./Revenues)	8.2%	10.9%	<i>n/a</i>
** This line item is included to link the Audited Financial Statements with Budget Estimates and also includes changes in encumbrance balances.			

FY13/14

The Adopted FY2013/14 budget was developed such that the resulting General Fund unreserved Fund Balance at June 30, 2014 would be \$3.15 million, or 8.2% of General Fund revenues. Final year-end results for FY2012/13 provide an updated projection for the General Fund reserve expected at June 30, 2013. Assuming current year results are consistent with budget, we would yield a projected year-end fund balance of \$4.24 million or 10.9% of General Fund revenues. Although the fund balance on June 30, 2014 is below the suggested 15% reserve policy, it is consistent with Council discussions to deviate from the reserve requirements during these challenging fiscal times.

Attachment C

General Fund Revenues

Tables 2a & b present a summary of major General Fund revenue sources. FY12/13 revenues were \$41.91 million which was \$2,021,355 (5%) above the Adjusted Budget, and \$363,364 (.9%) above the revenue estimate used in the development of the FY13/14 budget.

<i>Table 2a: General Fund Revenues</i>						
<i>FY2012/13 Results</i>						
Revenue by Source	FY2012/13 Adjusted Budget	FY2012/13 Budget Projection	Unaudited FY2012/13 Actual	Variance Favorable / (Unfavorable)	Variance Percentage	Note
Property Taxes	\$15,095,221	\$15,250,350	\$ 15,606,952	\$356,602	2.3%	9a
Sales & Use Tax	8,451,760	9,400,000	10,267,444	\$867,444	9.2%	9c
Transient Occupancy Tax	909,505	1,380,000	1,436,067	\$56,067	4.1%	
Property Transfer Tax	128,000	128,000	194,326	\$66,326	51.8%	9b
Business License Tax	1,530,000	1,600,000	1,470,124	(\$129,876)	-8.1%	
Municipal Services Tax	2,551,619	2,600,000	2,578,655	(\$21,345)	-0.8%	
Franchise Fees (PG&E)	544,170	545,500	551,285	\$5,785	1.1%	
Community Development	753,260	816,915	818,291	\$1,376	0.2%	9d
Community Services	2,456,805	2,446,504	2,379,110	(\$67,394)	-2.8%	9d
Other Depts (Fire, PD, PW)	1,506,270	1,505,251	1,581,274	\$76,023	5.1%	9d
Fines & Forfeitures	830,540	637,900	708,398	\$70,498	11.1%	
Investment Earnings	15,800	10,800	6,965	(\$3,835)	-35.5%	9e
Intra-City Revenues	2,541,485	2,541,485	2,541,485	\$0	0.0%	
All Other Sources	2,577,776	2,687,497	1,773,190	(\$914,307)	-34.0%	9f
Total	\$39,892,211	\$41,550,202	\$41,913,566	\$363,364	0.9%	

<i>Table 2b: General Fund Revenues</i>						
<i>FY2013/14 Results</i>						
Revenue by Source	FY2013/14 Adopted Budget	FY2013/14 Adjusted Budget	FY2013/14 Year to Date	FY2013/14 Projection	Variance Favorable / (Unfavorable)	Note
Property Taxes	\$15,393,154	\$15,393,154	\$0	\$15,393,154	\$0	9a
Sales & Use Tax	9,400,000	9,400,000	461,067	\$9,400,000	\$0	9c
Transient Occupancy Tax	1,070,000	1,070,000	8,940	\$1,070,000	\$0	
Property Transfer Tax	128,000	128,000	0	\$128,000	\$0	9b
Business License Tax	1,659,000	1,659,000	36,213	\$1,659,000	\$0	
Municipal Services Tax	2,802,000	2,802,000	877,908	\$2,802,000	\$0	
Franchise Fees (PG&E)	550,256	550,256	0	\$550,256	\$0	
Community Development	582,288	582,288	96,305	\$637,906	\$55,618	9d
Community Services	2,456,200	2,461,090	1,117,515	\$2,443,829	(\$17,261)	9d
Other Depts (Fire, PD, PW)	1,489,189	1,498,062	344,629	\$1,589,717	\$91,655	9d
Fines & Forfeitures	738,400	738,400	129,408	\$738,400	\$0	
Investment Earnings	10,800	10,800	513	\$10,800	\$0	9e
Intra-City Revenues	2,626,107	2,626,107	656,527	\$2,626,107	\$0	
All Other Sources	2,178,164	2,725,910	976,081	2,957,180	\$231,270	9f
Total	\$41,083,558	\$41,645,067	\$4,705,106	\$42,006,349	\$361,282	

- 9a** *In FY12/13, overall Property Tax revenue increased 5% over prior year results, as total assessed valuations continue to experience a small rate of growth. The FY12/13 year-end property tax result of \$15.61 million was \$356,602 (2.3%) above the revenue estimate, \$15.3 million, used in the development of the FY13/14 budget. The first installment of current-year property tax revenues is not expected until January.*
- 9b** *Property Transfer Tax revenue was relatively flat with an increase in FY12/13 over prior year FY11/12 results of \$66,326 (51.8%). This appears to be a preliminary indication of positive changes to the real estate market.*
- 9c** *Sales Tax revenue ended FY12/13 at \$10.27 million, 9.2% above our budget estimate, and first quarter results for FY13/14 stand at \$461,067, or 4.9% of the annual budget figure of \$9.4 million. Due to timing issues related to the Triple Flip Property/Sales Tax swap beginning in FY2005/06, we receive 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.*
- 9d** *Service Fee and Permit revenue collected in FY12/13 totaled \$4.78 million, virtually even with our budget projections of \$4.77 million. First quarter revenues are currently at \$1,558,449 or 34.3% of the Adjusted Budget figure of \$4,541,440. This is primarily due to higher revenue collections in Community Services in the first quarter for their summer activities.*
- 9e** *Investment Earnings. Due to the fact that interest rates remain at historic lows, the City's interest earnings are correspondingly modest. The variance is large but the dollar amount is not (\$10,800 budgeted versus \$6,965 actual). The City's current investment policy allows for funds to be put on deposit with local banks, however, the invested funds may not stay local.*
- 9f** *All Other Sources of Revenues in FY12/13 indicates a shortfall of 34.0%. The main component of this shortfall is a \$830,000 revenue estimate in "Rents and Leases" revenue. Included in the FY12/13 estimate was lease revenue for water infrastructure on City owned property. This revenue was not realized until FY 13/14.*

Attachment D

General Fund Expenditures

Table 3 summarizes General Fund expenditure results for all departments. Expenditures ended the fiscal year at \$41.07 million, or \$44,055 under the adjusted budget of \$41.12 million.

<i>Table 3: General Fund Expenditures FY2012/13 Year-End Results and FY2013/14 Year-to-Date</i>								
Expenditure by Department	FY2012/13 Adjusted Budget	FY2012/13 UNAUDITED Actuals	Variance	% Exp.	FY2013/14 Adopted Budget	FY2013/14 Adjusted Budget	FY2013/14 Year-to-Date Actuals	% Exp.
City Attorney	265,804	265,804	-	100.0%	362,967	362,967	-	0.0%
City Manager / Council	2,206,697	2,192,211	(14,486)	99.3%	2,403,277	2,361,508	662,815	28.1%
Administrative Services	6,217,278	6,231,764	14,486	100.2%	6,258,943	6,298,104	1,589,601	25.2%
Community Development	2,642,990	2,350,522	(292,468)	88.9%	1,885,237	2,259,668	523,701	23.2%
Fire	8,853,607	8,853,543	(64)	100.0%	8,277,052	8,281,980	1,937,899	23.4%
Police	14,077,896	14,077,896	-	100.0%	14,483,319	14,524,541	3,185,492	21.9%
Public Works	8,037,424	7,549,288	(488,136)	93.9%	8,090,612	8,245,167	3,190,035	38.7%
Capital Improvements	337,196	61,086	(276,110)	18.1%	1,101,683	2,346,287	626,352	26.7%
Debt	-	-	-	0.0%	-	-	-	0.0%
Redevelopment	-	-	-	0.0%	-	-	-	0.0%
<i>Non-Deptmntl Adjust.</i>	(1,523,838)	(511,115)	1,012,723	33.5%	(1,217,696)	(1,067,696)	-	0.0%
Total	\$41,115,054	\$ 41,070,999	\$ (44,055)	99.9%	\$41,645,394	\$43,612,526	\$ 11,715,895	26.9%

FY12/13 General Fund expenditure results for most operating departments were within their adjusted budget, with savings ranging from 0.0% to 11.1% of budgeted expenditures. The more significant savings in the Public Works Department is due to unspent funds being released for street maintenance and water related projects.

On a citywide basis, the General Fund expenditures ended FY12/13 at \$41.07 million, which was \$44,055 below the final adjusted budget. All funds personnel costs ended the year \$53.05 million, or 0.1% under budget. All funds non-personnel costs ended the year \$77.94 million with total budget expenditures of \$130.99 million or 80.5% of the total Adjusted Budget of \$162.79 million.

The net overall savings from General Fund expenditures had a positive impact on our projected fund balance moving from a 14.0% to a 15.8% fund balance reserve at FY 2012/13 year end.

Through the first quarter of FY13/14 General Fund expenditures were \$11.72 million, or 26.9% of the adjusted budget of \$43.61 million. Of this \$11.72 million, \$1.90 million was re-appropriated from FY2012/13 for encumbrances and allocations for specific projects that were not completed as of June 30, 2013. 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 Community Services.

Expenditures will continue to be monitored to assess whether the General Fund will sustain the assumptions incorporated into the FY13/14 budget, as well as updated in the mid-year budget report.