

STAFF REPORT

DATE: November 27, 2012
TO: City Council
FROM: Kelly Fletcher, Budget Manager
SUBJECT: FY 2012/13 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, 2012 (FY2011/12), as well as revenue and expenditure results through the first three periods of FY2012/13.

Summary

This report summarizes the final, unaudited year-end All Funds revenue and expenditure results for FY2011/12 and presents All Funds revenue and expenditure results through the first three periods of FY2012/13 (July-Sept). In addition, the report highlights General Fund revenue and expenditure results in comparison to estimates used in the development of the current FY2012/13 budget.

Highlights of the reported results include:

- ❑ *All Funds Revenues for the year ended June 30, 2012 were \$125,992,316 as compared to an Adjusted Budget of \$139,160,261. This result is due primarily to decreased sewer revenue from loan proceeds related to timing of capital projects (Enterprise Funds), as well as the transition and timing of Redevelopment/Successor Agency Funds. Since this is a timing issue, there is no negative financial impact to these funds. (See Attachment A – Table 1).*
- ❑ *All Funds Expenditures for FY2011/12 were \$128,921,171, which represents 83.9% of the Adjusted Budget of \$153,601,711. Personnel costs represent \$49,946,216 of the FY 2011/12 expenditures (38.7%). All Funds Expenditures through the first quarter of FY2012/13 stand at \$46,290,356 or 28.1% of the All Funds Budget of \$164,783,783. (See Attachment A – Tables 3,5,7).*
- ❑ *Through the first quarter of the current fiscal year, All Funds Revenues stood at \$25,615,738, or roughly 18.7% of the Adjusted Budget figure of \$137,299,962. 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 (Sales Tax, Parks Maintenance and Open Space) are paid in installments and result in overall revenues appearing below budget through the first quarter. Although Property Tax is paid in installments, it appears to be up slightly this year from projections. (See Attachment A – Table 2).*

- ❑ *As of September 30, the City has documented a current vacancy list of 18 regular full time and 1 regular part time positions. These vacancies represent a 4.8% shortfall in our current work force, in relation to our 376.25 budgeted Full Time Equivalent permanent positions. (See Table 9)*

- ❑ *On a budgetary basis, the unaudited General Fund Unreserved Fund Balance as of June 30, 2012 was \$5,022,405 or 14.0% of operating revenues. This result represents a favorable variance of \$628,460 as compared to the year-end fund balance estimate of \$4.41 million (12.3%) assumed in the development of the FY2012/13 Adopted Budget. This is the result of carrying forward unspent funds for Capital Projects in Public Works (See Attachment B).*

 - *General Fund revenues ended FY2011/12 at \$38.38 million, which is \$92,712, or (0.2%) below the estimate of \$38.47 million. (See Attachment B).*

 - *General Fund expenditures ended FY2011/12 at \$37.76 million, which was \$46,933 under the final adjusted budget, and \$1.26 million below the expenditure estimate assumed in the development of this year's budget. In addition, \$647,993 of the \$1.26 million in unexpended, funding has been re-appropriated as carry-overs and encumbrances into current fiscal year 2012/13. This represents allocations for specific projects that were not completed as of June 30, 2012, leaving a net expenditure savings above the year end estimates of \$628,460. (See Attachment B).*

- ❑ *Year-to-date FY2012/13 General Fund revenues through the first three months of the fiscal year were \$4.90 million, or 12.5% of the \$39.13 million adjusted revenue budget.*

 - *In FY2011/12, overall Property Tax revenue increased slightly (0.4%) over prior year results, as total assessed valuations did experience a small rate of growth. The FY2011/12 year-end property tax result of \$14.8 million was \$29,946 (0.2%) above the revenue estimate used in the development of the FY2012/13 budget. The first installment of current-year property tax revenues is not expected until January. While assessed valuations are also not known, any growth may result in a very slight increase to our property tax revenue estimates for the City's General Fund.*

 - *Property Transfer Tax revenue showed a noticeable increase in FY2011/12 over prior year FY 2010/11 results of \$59,682 (47.5%). This appears to be a preliminary indication of positive changes to the real estate market and cautiously optimistic results in FY2012/13 property tax revenues.*

 - *Sales Tax revenue ended FY2011/12 at \$8.28 million, which is 0.1% below our budget forecast, and first quarter results for FY2012/13 stand at \$974,469, or 11.5% of the annual budget figure of \$8.5 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 FY2011/12 totaled \$4.81 million, which is \$124,920 above our budget projections. Higher than predicted revenues in Fire, Police, and Public Works services are attributed to the more significant portion of this supplemental revenue.*

- *Through September (Period 3), FY2012/13 General Fund expenditures (including encumbrances) were \$12.01 million, or 29.5% of the adjusted budget of \$40.79 million. Citywide personnel expenditures appear within budget, with 26.6% expended through three periods. Departmental expenditure projections will be evaluated with the FY2012/13 Mid-Year Budget Update, including an analysis of personnel costs in relation to the budgeted target savings level built-into the FY2012/13 budget. (See Attachment D)*

- *Based on preliminary, unaudited, FY2011/12 year-end results, as well as the projected levels of revenues and expenditures for FY2012/13, in the absence of corrective measures, the General Fund would end FY2012/13 with a fund balance of \$4.01 million, representing 11.0 % of General Fund revenues. This level of fund balance would provide a shortfall of \$1.47 million below the level suggested in the City's 15% reserve policy.*

Attachments

1. Attachment A – All Funds Revenues and Expenditures
2. Attachment B – Summary of General Fund Operations
3. Attachment C – General Fund Revenues
4. Attachment D – General Fund Expenditures

Attachment A

ALL FUNDS REVENUES AND EXPENDITURES

Table 1 – All Funds FY2011/12 Revenues

FY11/12 Revenues			
	Final Adjusted Budget	Year-To-Date Actual	%
General Fund	38,365,962	38,380,656	100.0%
Special Revenue Funds	22,761,831	21,071,890	92.6%
Debt Service	2,998,400	2,737,227	91.3%
Capital Projects Funds	2,410,728	3,169,040	131.5%
Trust Funds	360	140	38.9%
Enterprise Funds	44,382,135	37,772,476	85.1%
Internal Service Funds	17,648,744	16,056,761	91.0%
Redevelopment Funds	10,592,101	6,804,126	64.2%
Total All Funds	139,160,261	125,992,316	90.5%

- All Funds Revenues ended FY2011/12 at \$125.99 million, or 90.5% of the adjusted budget of \$139.16 million.
- This result is due primarily to decreased sewer revenue from loan proceeds related to timing of capital projects (Enterprise Funds), as well as the transition and timing of Redevelopment/Successor Agency Funds.
- General Fund revenues ended the fiscal year at \$38.38 million essentially at 100% of the adjusted budget.

Table 2 – All Funds FY2012/13 Revenues

FY12/13 Revenues			
	Adjusted Budget	Year-To-Date Actual	%
General Fund	39,130,818	4,904,377	12.5%
Special Revenue Funds	18,749,394	2,848,057	15.2%
Debt Service	2,957,590	-	0.0%
Capital Projects Funds	600,200	852,610	142.1%
Trust Funds	60	-	0.0%
Enterprise Funds	47,869,350	12,066,800	25.2%
Internal Service Funds	20,241,005	4,825,790	23.8%
RDA Successor Funds	7,751,545	118,104	1.5%
Total All Funds	137,299,962	25,615,738	18.7%

- All Funds revenues through the first quarter of FY2012/13 are \$25.62 million, or 18.7% of the adjusted budget. General Fund revenues are \$4.9 million or 12.5% of the adjusted budget, with many of the City's major tax revenues yet to be collected.

Attachment A

Table 3 – All Funds FY2011/12 Expenditures

FY11/12 Expenditures			
	Final Adjusted Budget	Unaudited Actual	%
General Fund	37,803,851	37,756,918	99.9%
Special Revenue Funds	20,086,833	16,722,265	83.2%
Debt Service	2,908,565	2,865,456	98.5%
Capital Projects Funds	10,817,841	4,678,089	43.2%
Enterprise Funds	39,425,036	35,077,266	89.0%
Internal Service Funds	15,316,434	14,543,289	95.0%
Redevelopment Funds	27,243,151	17,277,888	63.4%
Total All Funds	153,601,711	128,921,171	83.9%

- All Funds Expenditures for FY2011/12 were \$128.92 million, or 83.9% of the adjusted budget of \$153.60 million. All funds were under budget (ranging from 43.2% to 99.9%). The largest of the unspent funds in the Capital Projects Funds is the result of projects within the Downtown Area Capital Revitalization Fund being under review. These projects are those listed in the Public Works Agreement between the City and the previous Redevelopment Agency.
- General Fund expenditures ended the year at \$37.76 million, or 0.1% under budget.

Table 4 – All Funds FY2011/12 Expenditures by Department

FY11/12 Expenditures			
	Final Adjusted Budget	Unaudited Actual	%
City Attorney	504,558	479,555	95.0%
City Manager / Council	16,326,038	15,803,262	96.8%
Community Development	3,493,183	3,322,842	95.1%
Community Services	31,604,899	28,763,898	91.0%
Fire	9,379,392	9,457,327	100.8%
Police	15,436,488	15,273,212	98.9%
Public Works	36,107,752	30,922,909	85.6%
Capital Improvements	21,105,849	11,986,524	56.8%
Debt Service	8,115,563	7,670,774	94.5%
Redevelopment	9,735,061	4,816,628	49.5%
Other	1,792,928	424,240	23.7%
Total All Funds	153,601,711	128,921,171	83.9%

- All Funds Expenditures across most departments were within or at budget for 2011/12.
- 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.
- Community Services and Redevelopment Agency expenses reflect savings directly related to the dissolution of the Davis Redevelopment Agency.
- 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 transportation (3rd Street Improvements A/B Streets, 1st/F Street Parking Garage Rehab, Anderson Road Corridor Improvements and Streetlight Conversions), enterprise projects (Well Irrigation Phase 1 & 2), parks project (Central Park Master Plan), and Redevelopment project (Hotel Conference Center).
- The significant savings in the category of “Other” is related to final closing adjustments for extraordinary gains/losses in the dissolution of the Redevelopment Agency and establishing the Successor Agency funds.

Table 5 – All Funds FY2012/13 Expenditures by Fund

FY12/13 Expenditures			
	Adjusted Budget	Year-To-Date Actual	%
General Fund	40,786,271	12,013,576	29.5%
Special Revenue Funds	20,823,498	4,789,501	23.0%
Debt Service	2,764,772	2,050,213	74.2%
Capital Projects Funds	7,970,196	998,378	12.5%
Enterprise Funds	64,813,720	18,125,921	28.0%
Internal Service Funds	19,935,195	6,273,779	31.5%
Trust/Agency Funds	23,960	23,960	100.0%
Redevelopment Successor Funds	7,666,171	2,015,028	26.3%
Total All Funds	164,783,783	46,290,356	28.1%

- Year-to-date expenditures through the first quarter of FY2012/13 appear within budget across all fund categories and departments. Actual expenditures (including encumbrances) totaled \$46.29 million, or 28.1% of the adjusted budget.
- Operating expenditures within the General Fund, Special Revenue funds and Enterprise are tracking with the budget at 29.5%, 23.0% and 28.0% respectively.
- 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.
- Internal Service Funds appear to be tracking ahead of budget (at 31.5%), however this results reflects up-front insurance premium payments made within the City’s Self-Insurance Fund.

Table 6 – All Funds FY2012/13 Expenditures by Department

FY12/13 Expenditures			
	Adjusted Budget	Year-To-Date Actual	%
City Attorney	512,967	2,510	0.5%
City Manager / Council	4,174,948	1,257,341	30.1%
Administrative Services	29,705,405	7,089,960	23.9%
Comm. Development & Sustainability	3,758,523	1,159,880	30.9%
Fire	9,679,116	2,438,727	25.2%
Police	15,772,693	3,843,095	24.4%
Public Works	48,313,446	13,605,885	28.2%
Capital Improvements	43,554,784	11,701,429	26.9%
Debt Service	5,164,252	3,792,059	73.4%
Redevelopment Successor Agency	5,671,487	1,399,470	24.7%
Other	(1,523,838)	-	0.0%
Total All Funds	164,783,783	46,290,356	28.1%

- Year-to-date expenditures through the first quarter of FY2012/13 appear within budget across all departments with the exception of Debt Services, which is traditionally higher in the first quarter, as a result of annual debt payments.

Personnel Analysis

Table 7 – All Funds FY2011/12 Year-End Results and FY 2012/13 Year-to-Date Personnel Expenditures

Expenditure by Department	FY2011/12 Final Adjusted Budget	FY2011/12 UNAUDITED Actuals	Variance	% Exp.	FY2012/13 Adjusted Budget	FY2012/13 Year-to-Date Actuals	% Exp.
City Manager / Council	4,638,106	4,658,504	(20,398)	100.4%	1,203,854	269,178	22.4%
Administrative Services	-	-	-	0.0%	9,466,183	2,005,961	21.2%
Community Development	2,539,764	2,464,105	75,659	97.0%	2,530,438	611,829	24.2%
Community Services	9,914,909	9,703,144	211,765	0.0%	-	-	0.0%
Fire	7,767,447	8,012,176	(244,729)	103.2%	7,839,817	2,029,506	25.9%
Police	12,568,800	12,570,100	(1,300)	100.0%	12,962,063	2,861,979	22.1%
Public Works	11,935,432	10,397,743	1,537,689	87.1%	14,108,144	4,377,269	31.0%
Capital Improvements/Debt	1,957,325	1,561,338	395,987	79.8%	1,821,750	357,833	19.6%
Redevelopment	689,217	579,106	110,111	84.0%	2,075,422	29,110	1.4%
Citywide savings	(807,134)	-	(807,134)	0.0%	(753,838)	-	0.0%
Total	\$ 51,203,866	\$ 49,946,216	\$ 1,257,650	97.5%	\$ 51,253,833	\$ 12,542,665	24.5%

- FY2011/12 personnel expenditures ended the year at \$49.9 million, or \$1,257,650 (2.5%) under the final budget of \$51.2 million.
- On a citywide basis, the 11/12 All Funds Personnel costs represented 38.7% of total city expenditures of \$128.52 million.
- FY2012/13 personnel expenditures are currently tracking at 24.5%, which is consistent with budgeted projections.

Table 8 summarizes the FY2011/12 overtime results, as well as the FY 2012/13 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.

Table 8 – Overtime Summary FY2011/12 Year-End Results and FY 2012/13 Year-to-Date

OVERTIME SUMMARY	FY 2011-12		FY 2012-13	
	Final Adjusted Budget	Unaudited Actual	Adjusted Budget	Year-To-Date Actual
OVERTIME SALARIES & WAGES				
City Manager's Office	8,590	3,208	1,100	-
Administrative Services	-	-	10,824	2,841
Community Development	6,078	1,112	6,078	235
Community Services	34,147	30,699	-	-
Fire	348,757	678,050 *	342,105	319,324 *
Police	360,475	366,635	353,594	76,712
Public Works	133,158	131,624	165,651	35,896
Capital Improvement Projects	16,198	10,808	10,000	3,868
Redevelopment	-	-	-	-
TOTAL OVERTIME	\$ 907,403	\$ 1,222,136	\$ 889,352	\$ 438,876

* The portion of overtime related to Strike Teams is reimbursable through State or Federal Funding. In FY11/12 this amounted to \$29,808 and FY 12/13 YTD \$116,355.

- On an all funds basis, total actual overtime in the FY2011/12 was \$1.22 million, and FY2012/13 budgeted overtime is \$889,352.
 - The Fire Department also shows an overage in overtime related to acting battalion chief premium pay backfilling for 3 vacant Fire Division Chief positions. Most of this overage was offset by regular full time salary savings for the vacancies.
 - 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 September 30, the City has a current vacancy list of 18 regular full time and 1 regular part time positions. These vacancies represent a 4.8% shortfall in our current work force, in relation to our 376.25 budgeted Full Time Equivalent permanent positions. The budget assumed a vacancy rate of 2.5 percent. In addition to the current vacancies, 4 regular full time vacant positions have been recruited and filled in FY 2012/13. Of the current vacancies, there are three 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 2012/13 adopted budget included a personnel savings factor, representing an assumed 2.5% 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 September 30, 2012, as well as updated information on previous reported vacancies hired since July 1, 2012.

Table 9– Position Vacancy List

Vacant Positions as of September 30, 2012			
Dept	Position Title	Funding Source	Status
ASD	Assistant City Manager/Admin Svcs Director **	General Fund	Vacant 4/20/12
ASD	Financial Supervisor - Conf	General Fund/Enterprise	Vacant (new) 7/1/12
ASD	Finance Administrator	General Fund/Enterprise	Vacant (new) 4/20/12
CMO	Sr. Office Assistant 75%	General Fund	Vacant (new) 7/1/12
FD	Fire Chief	General Fund	Vacant 11/20/09 Backfill with TPT
FD	Fire Captain **	General Fund	Vacant 9/17/12
FD	Fire Division Chief	General Fund	Vacant (new) 7/1/12
FD	Firefighter II	General Fund	Vacant 9/17/12
PD	Police Officer	General Fund	Vacant 7/9/12
PD	Police Officer	General Fund	Vacant 8/29/12
PD	Police Services Specialist **	General Fund	Vacant 8/3/12
PD	Police Services Specialist **	General Fund	Vacant 4/2/12
PD	Public Safety Dispatcher I **	General Fund	Vacant 4/1/12
PW	Asset Manager**	Various Funds	Vacant 7/1/12
PW	Assistant Public Works Director	Various Funds	Vacant 12/31/10
PW	Associate Civil Engineer	Various Funds	Vacant 10/31/10
PW	Engineering Assistant	Enterprise Funds	Vacant 7/1/09
PW	Park Maintenance Worker I	General Fund	Vacant 7/20/12
PW	Public Works Inspection Supervisor	Enterprise Funds	Vacant 6/29/12
Positions Hired			
Dept	Position Title	Funding Source	Hire Date
CMO	Office Assistant II	General Fund	Hire 7/9/12
FD	Fire Division Chief	General Fund	Vacant (promotion) 9/17/12
PD	Public Safety Dispatcher I	General Fund	Hire 9/3/12
PW	General Manager UT, Planning & Operations	Various Funds	Hire 7/2/12 (Previously PW Director)
** Six positions above noted with an asterisk have been hired since September 30.			

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, 2012 as well as year-to-date results through the first three months of FY2012/13:

Table 1a: General Fund Summary			
FY2011/12 Results			
Description	FY2011/12 Adjusted Budget	FY2011/12 Budget Projection	FY2011/12 UNAUDITED Actual Results
<i>Beginning Unreserved Fund Balance</i>	\$4,947,701	\$4,947,701	\$4,947,701
Revenues	38,365,962	38,473,368	38,380,656
Expenditures	(37,803,851)	(39,013,218)	(37,756,918)
Transfers	0	0	0
Change in Reserved Fund Balance **	0	0	98,959
Unaudited Unreserved Fund Balance	\$5,509,812	\$4,407,851	\$5,670,398
Prior Carry-over Appropriations & Encumbrances	0	0	(647,993)
Ending Unreserved Fund Balance	\$5,509,812	\$4,407,851	\$5,022,405
Percentage (E.U.F.B./Revenues)	15.4%	12.3%	14.0%
Reserve Policy \$	\$5,376,362	\$5,392,472	\$5,378,566
Reserve Policy	15%	15%	15%
<i>"Excess" Fund Balance (over Reserve Target)</i>	\$ 133,451	\$ (984,621)	\$ (356,161)
** This line item is included to link the Unaudited Financial Statements with Budget Estimates and also includes changes in encumbrance balances.			

FY2011/12

The General Fund's Unreserved Fund Balance as of June 30, 2012 was \$5.02 million, equal to 14.0% of General Fund revenues, and reflects a positive variance of \$628,460 as compared to the reserve level assumed in the development of the FY2012/13 budget. The FY2012/13 Adopted Budget assumed a year-end reserve level of 12.3%.

Table 1b: General Fund Summary			
FY2012/13 Year-to-Date Results			
Description	FY2012/13 Adopted Budget	FY2012/13 Adjusted Budget	FY2012/13 Year-to-Date Results
<i>Beginning Unreserved Fund Balance</i>	\$4,407,851	\$5,022,405	n/a
Revenues	39,076,219	39,130,818	4,904,377
Expenditures	(40,032,131)	(40,786,271)	(12,013,576)
Transfers			
Change in Reserved Fund Balance **	0	0	0
Unaudited Unreserved Fund Balance	\$3,451,939	\$3,366,952	<i>n/a</i>
Prior Carry-over Appropriations & Encumbrances	0	647,993	
Unencumbered Carry-over Appropriations			
10/11 Unencumbered Carry-over Appropriations			
Ending Unreserved Fund Balance	\$3,451,939	\$4,014,945	<i>n/a</i>
Percentage (E.U.F.B./Revenues)	9.4%	11.0%	<i>n/a</i>
Reserve Policy \$	\$5,480,210	\$5,488,400	
Reserve Policy	15%	15%	
<i>"Excess" Fund Balance (over Reserve Target)</i>	<i>\$ (2,028,271)</i>	<i>\$ (1,473,455)</i>	<i>n/a</i>

FY2012/13

The Adopted FY2012/13 budget was developed such that the resulting General Fund unreserved Fund Balance at June 30, 2013 would be \$3.45 million, or 9.4% of General Fund revenues. This assumed a beginning fund balance of \$4.41 million and an anticipated shortfall of fund balance reserve totaling \$2.03 million. Final year-end results for FY2011/12 provide an updated projection for the General Fund reserve expected at June 30, 2012. Assuming current year results are consistent with budget, we would yield a projected year-end fund balance of 4.01 million or 11.0% of General Fund revenues. This would yield a fund balance on June 30, 2013 below the suggested 15% reserve policy, yet consistent with Council discussion at the time of the adoption of the FY 12/13 budget 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. FY 2011/12 revenues were \$38.38 million which was \$14,694 (0.04%) above the Adjusted Budget, and \$92,712 (0.2%) below the revenue estimate used in the development of the FY 2012/13 budget.

Table 2a: General Fund Revenues					
FY2011/12 Results					
Revenue by Source	FY2011/12 Adjusted Budget	FY2011/12 Estimate 6/5/12	FY2011/12 Actual	Variance Favorable / (Unfavorable)	Variance Percentage
Property Taxes	\$14,799,236	\$14,799,236	\$14,829,182	\$29,946	0.2%
Sales & Use Tax	\$8,001,725	\$8,291,725	\$8,279,385	(\$12,340)	-0.1%
Transient Occupancy Tax	\$900,500	\$900,500	\$909,505	\$9,005	1.0%
Property Transfer Tax	\$128,000	\$128,000	\$185,320	\$57,320	44.8%
Business License Tax	\$1,500,000	\$1,500,000	\$1,556,797	\$56,797	3.8%
Municipal Services Tax	\$2,477,300	\$2,477,300	\$2,492,849	\$15,549	0.6%
Franchise Fees (PG&E)	\$533,500	\$533,500	\$545,547	\$12,047	2.3%
Planning & Building Inspection	\$994,356	\$787,724	\$787,541	(\$183)	0.0%
Parks/Community Services	\$2,378,353	\$2,340,786	\$2,354,735	\$13,949	0.6%
Other Depts (Fire, PD, PW)	\$1,547,095	\$1,553,979	\$1,665,133	\$111,154	7.2%
Fines & Forfeitures	\$730,600	\$829,500	\$814,046	(\$15,454)	-1.9%
Investment Earnings	\$0	\$15,800	\$9,644	(\$6,156)	-39.0%
Intra-City Revenues	\$2,523,552	\$2,523,552	\$2,523,552	\$0	0.0%
All Other Sources	\$1,851,745	\$1,791,766	\$1,427,420	(\$364,346)	-20.3%
Total	\$38,365,962	\$38,473,368	\$38,380,656	(\$92,712)	-0.2%

Table 2b: General Fund Revenues					
FY2012/13 Projections					
Revenue by Source	FY2012/13 Adopted Budget	FY2012/13 Adjusted Budget	FY2012/13 Year to Date	FY2012/13 Projection	Variance Favorable / (Unfavorable)
Property Taxes	\$15,095,221	\$15,095,221	\$0	\$15,095,221	0.0%
Sales & Use Tax	\$8,451,760	\$8,451,760	\$974,469	\$8,451,760	0.0%
Transient Occupancy Tax	\$909,505	\$909,505	\$303,670	\$909,505	0.0%
Property Transfer Tax	\$128,000	\$128,000	\$0	\$128,000	0.0%
Business License Tax	\$1,530,000	\$1,530,000	\$28,440	\$1,530,000	0.0%
Municipal Services Tax	\$2,551,619	\$2,551,619	\$1,061,853	\$2,551,619	0.0%
Franchise Fees (PG&E)	\$544,170	\$544,170	\$0	\$544,170	0.0%
Planning & Building Inspection	\$740,700	\$753,260	\$197,997	\$753,260	0.0%
Parks/Community Services	\$2,385,527	\$2,396,410	\$1,100,824	\$2,396,410	0.0%
Other Depts (Fire, PD, PW)	\$1,506,270	\$1,506,270	\$241,667	\$1,506,270	0.0%
Fines & Forfeitures	\$830,540	\$830,540	\$88,776	\$830,540	0.0%
Investment Earnings	\$15,800	\$15,800	\$228	\$15,800	0.0%
Intra-City Revenues	\$2,541,485	\$2,541,485	\$635,371	\$2,541,485	0.0%
All Other Sources	\$1,845,622	\$1,876,778	\$271,082	\$1,876,778	0.0%
Total	\$39,076,219	\$39,130,818	\$4,904,377	\$39,130,818	\$0

- *In FY2011/12, overall Property Tax revenue increased slightly (0.4%) over prior year results, as total assessed valuations did experience a small rate of growth. The FY2011/12 year-end property tax result of \$14.8 million was \$29,946 (0.2%) above the revenue estimate used in the development of the FY2012/13 budget. The first installment of current-year property tax revenues is not expected until January. While assessed valuations are also not known, any growth may result in a very slight increase to our property tax revenue estimates for the City's General Fund.*
- *Property Transfer Tax revenue showed a noticeable increase in FY2011/12 over prior year FY2010/11 results of \$59,682 (47.5%). This appears to be a preliminary indication of positive changes to the real estate market and cautiously optimistic results in FY2012/13 property tax revenues.*
- *Sales Tax revenue ended FY2011/12 at \$8.28 million, 0.1% below our budget forecast, and first quarter results for FY2012/13 stand at \$974,469, or 11.5% of the annual budget figure of \$8.5 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 FY2011/12 totaled \$4.81 million, \$124,920 above our budget projections. Higher than predicted revenues in Fire, Police, and Public Works services are attributed to the more significant portion of this supplemental revenue.*
- *Investment Earnings. Due to the fact that interest rates are at historic lows, the City's interest earnings are correspondingly modest. The variance is large but the dollar amount is not (\$15,800 budgeted versus \$9,644 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.*
- *All Other Sources of Revenues in FY2011/12 indicates a shortfall of 20.3%. The main component of this shortfall is a \$250,000 revenue estimate for "Non-departmental" revenue. This is an estimate similar to our personnel & non-personnel expenditure savings targets, to account for fluctuations in revenue estimates in all other categories.*

Attachment D

General Fund Expenditures

Table 3 summarizes General Fund expenditure results for all departments. Expenditures ended the fiscal year at \$37.76 million, or \$46,933 under the adjusted budget of \$37.80 million.

<i>Table 3: General Fund Expenditures</i>							
<i>FY2011/12 Year-End Results and FY2012/13 Year-to-Date</i>							
Expenditure by Department	FY2011/12 Adjusted Budget	FY2011/12 UNAUDITED Actuals	Variance	% Exp.	FY2012/13 Adjusted Budget	FY2012/13 Year-to-Date Actuals	% Exp.
City Attorney	354,558	362,967	8,409	102%	362,967	2,510	1%
City Manager / Council	3,953,787	3,867,590	(86,197)	98%	1,760,197	454,435	26%
Administrative Services	New Department FY 12/13			0%	7,410,685	1,992,384	27%
Community Development	1,508,742	1,540,404	31,662	102%	2,048,517	783,816	38%
Community Services	9,933,049	9,514,145	(418,904)	96%	Consolidated into Admin Svcs & PW		
Fire	8,008,921	8,179,549	170,628	102%	8,068,883	2,098,269	26%
Police	13,489,698	13,465,701	(23,997)	100%	13,956,601	3,216,636	23%
Public Works	1,831,910	542,436	(1,289,474)	30%	8,386,528	3,419,490	41%
Capital Improvements	45,879	29,685	(16,194)	65%	315,731	46,036	15%
Debt	205,658	205,658	-	100%	-	-	0%
Redevelopment	48,783	48,783	-	100%	-	-	0%
Non-Departmental Adjustments	(1,577,134)	-	1,577,134	0%	(1,523,838)	-	0%
Total	\$ 37,803,851	\$ 37,756,918	\$ (46,933)	100%	\$ 40,786,271	\$ 12,013,576	29%

FY2011/12 General Fund expenditure results for most operating departments were within their adjusted budget, with savings ranging from 2% to 70% of budgeted expenditures. The more significant savings in the Public Works Department is due to unspent funds being released for street maintenance projects.

The Community Development department shows a slight 2% overage primarily due to assumed personnel costs assumed by the General Fund related to the dissolution of the Redevelopment Agency. The overage in the City Attorney budget is attributed to additional services received in conjunction with pending contract negotiations. The Fire Department also shows a minor overage of 2%, related to overtime and acting battalion chief premium pay backfilling for 3 vacant Fire Division Chief positions.

On a citywide basis, the General Fund expenditures ended FY2011/12 at \$37.76 million, which was \$46,933 below the final adjusted budget. All funds personnel costs ended the year \$1.26 million, or 2.5% under budget, with realized General Fund personnel savings ending the year at \$45,335, which is below the \$1.0 million of General Fund salary savings incorporated into the FY2011/12 budget. All funds non-personnel costs ended the year \$ 23.42 million, or 22.9% below budget, which realized General Fund non-personnel savings ending the year at \$1.0 million. This is above the \$770,000 General Fund non-personnel savings incorporated into the FY 2011/12 budget. The net overall savings from General Fund expenditures had a positive impact on our projected fund balance moving from a 12.3% to a 14% fund balance reserve at FY 2011/12 year end.

Through the first quarter of FY2012/13 General Fund expenditures (including encumbrances) were \$12.01 million, or 29.5% of the adjusted budget of \$40.79 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 Community Services.

Expenditures will continue to be monitored to assess whether the General Fund will realize the \$1.52 million in savings, personnel costs (\$753,838) and non-personnel costs (\$770,000), incorporated into the FY2012/13 budget. Expenditure projections will be presented as part of the Mid-Year Budget report in March.