

## STAFF REPORT

**DATE:** February 16, 2010

**TO:** City Council

**FROM:** Bill Emlen, City Manager  
Paul Navazio, Assistant City Manager  
Kelly Fletcher, Budget Manager

**SUBJECT:** FY 2009/2010 Mid-Year Budget Update

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### **Recommendation**

This informational item presents revenue and expenditure results through the first six months of fiscal year 2009/2010, as well as updated projections of General Fund results through the end of the fiscal year (June 30, 2009). The report also provides an update to the City's budget outlook for FY2009/10 and general fund forecast.

### **Fiscal Impact**

No action is requested on this item, although the information presented in this report provides budget-to-actual results for the City's FY2009/10 annual budget as well as budgetary projections that provide the basis for development of the FY2010/11 budget. Staff is currently developing recommendations aimed at generating General Fund savings in excess of the \$800,000 to \$1.0 million necessary to re-balance the General Fund budget through FY2010/11 and restore the General Fund reserve to the 15% policy level.

### **Summary**

Based on revenue results through the first six months of this fiscal year, the City's General Fund revenue estimates are being downgraded by \$202,000, primarily stemming from declining sales tax revenues and interest earnings required a preliminary overall downgrade of FY2009/10 General Fund Revenue estimates. At this time, mid-year results for General Fund expenditures suggest that the City will exceed its expenditure budget by approximately \$515,000, due primarily to savings from new labor contracts falling short of the levels assumed in the FY2009/10 budget as well as overall vacancies yielding salary savings below the salary savings factor used in the budget. In the short-term, this development is partially offset by favorable General Fund results for the year ended June 30, 2009, wherein the unreserved fund balance ended the year \$245,000 above the estimate used in the development of the current-year budget.

Despite efforts to manage the FY2009/10 budget through expenditure reductions and other cost-saving measures, the General Fund is projected to end the current year with an unreserved fund balance of \$4,652,000, or 13.3% of operating revenues, which implies a reserve level \$585,000 below the level required by the City's 15% General Fund reserve policy.

However, the preliminary baseline budget being developed for FY2010/11, including downgraded revenue projections, personnel cost savings resulting from new labor contracts as well as assumed savings from pending labor contracts reflect a General Fund deficit of \$243,000 for the

coming fiscal year. Combined with the projections for the current year, the General Fund would end next fiscal year with a reserve balance of \$4.4 million, or \$825,000 below the \$5.2 million required in order to meet the City's 15% reserve policy.

At this writing, the City Manager's Office is finalizing a series of recommendations aimed at reducing General Fund expenditures, as necessary, to close the budget shortfall projected for FY2010/11 and restore the General Fund reserve to the 15% policy level by the end of Fiscal Year 2010/11. The budget-balancing plan is expected to be outlined for the City Council as part of the mid-year budget update, with detailed recommendations presented as part of a budget workshop scheduled for March. The March workshop will provide the City Council with an opportunity to review and provide feedback on the specific assumptions being used to develop the FY2010/11 budget as well as provide feedback on emerging recommendations that will be necessary to address the FY2010/11 budget shortfall.

The following represent selected highlights from the mid-year budget report:

- *Year-to-date All Fund Revenues through the first six months of FY2009/10 are \$46.13 million, or 31.6% of the Adjusted Budget figure of \$145.90 million. (See Attachment A-Table 1)*
- *All Funds Expenditures through mid year of FY2009/10 stand at \$68,486,275, or 44.5% of the All Funds Budget of \$153,923,235. (See Attachment A – Tables 2,3).*
- *As of January 10, the City has documented a current vacancy list of 27 regular full time and 4 regular part time positions. These vacancies represent a 6.1% vacancy rate in our current work force, in relation to our 445.25 budgeted Full Time Equivalent permanent positions. (See Attachment A – Table 6 ). Roughly 11 vacancies represent General Fund positions, whose savings are anticipated to fall slightly below the \$1.0 million (3.5% savings factor) included in the budget due to the back-filling of several positions, and therefore, costs of approximately \$200,000 that partially off-set savings from these vacancies.*
- *On a budgetary basis, the General Fund Unreserved Fund Balance as of June 30, 2009 was \$4.97 million, and represents a favorable variance in the reserve of \$354,097 as compared to the reserve level assumed in the development of the FY2009/10 budget. The year-end Unreserved Fund Balance as of June 30, 2009 represents 14.0% of General Fund revenues. The FY2009/10 Adopted Budget assumed a year-end reserve level of 13.0%, with balancing measures being implemented to bring the Budgeted FY2009/10 reserve to 14.4%. (See Attachment B-Table 7).*
  - *General Fund revenues ended FY2008/09 at \$37.67 million, which is \$510,780 above the previous revenue estimate. (See Attachment C-Table 8).*
  - *General Fund expenditures ended FY2008/09 at \$39.22 million, which was \$1.3 million below the final adjusted budget, and \$12,762 above the expenditure estimate assumed in the development of this year's budget. However, of the year-end totals, \$327,5106 in unexpended, uncommitted funding has previously been re-appropriated as carry-overs into the current fiscal year, representing allocations for specific projects that were not completed as of June 30, 2009. (See Attachment D-Table 9).*

- *Year-to-date General Fund revenues through the first six months of the fiscal year are \$8,625,045, or 23.2% of the \$37.43 million adjusted revenue budget. General Fund revenues are projected to end the fiscal year at \$37.23 million, which is \$201,683 or (0.54%) below the adjusted revenue budget. (See Attachment C-Table 8)*
  - Budgeted Property Tax revenues reflect our 0% growth assumption in assessed real property valuations and reflect reassessments by the Yolo County Assessor's Office, as well as a slowdown in the rate of turnover of property in general. We applied the same growth factor, or 0%, to other property-value related tax revenues, such as Motor Vehicle In-Lieu and Property Transfer Tax. Information received recently from Yolo County indicates this group of revenues will likely exceed budget expectations by \$26,660.
  - Sales Tax receipts through the first half of FY 2009/2010 indicate a decrease from FY2008/2009 results. While we had originally predicted 0% growth in this revenue, we are now estimating a decrease of 3.1%. Our core categories of Automotive and Restaurant, which together account for approximately 60% of direct Sales Tax collections, reflect *decline* of 15.0% compared to the same period last year. Overall, direct collections are down 9.52% over the same period in FY 2008/2009. In the upcoming 3<sup>rd</sup> and 4<sup>th</sup> quarters, we expect to see these declines mitigated somewhat by increased retail activity at Second Street Crossing. We will continue to monitor sales tax receipts closely and make adjustments to our forecast as needed.
  - Transient Occupancy Tax receipts for the first quarter of the fiscal year indicate a decline from FY2008-09 results for the same quarter, due to a general decline in tax receipts from hotel operators, and collection issues with one business. However, we have not downgraded this revenue from our budget estimate at this time, pending second quarter returns, and resolution of our collections. Business License Tax revenue for the year is currently being collected.
  - Departmental revenue estimates are unchanged for the current year.
  - Our Investment Earnings estimate has been downgraded \$232,666 based on prior year results, and persistence of historically low yields on City investments.
  - Other revenues in the General Fund have collected some one-time surpluses over budget expectations, including the reimbursement of election expenses (\$240,000), parking citation late charges (\$25,000), prior-year voided checks (\$113,000) and miscellaneous reimbursements (\$90,000).
- *Through December (Period 6), FY2009/10 General Fund expenditures (including encumbrances) were \$19.83 million, or 53% of the adjusted budget of \$37.53 million. (See Attachment D-Table 9). Citywide personnel expenditures, through the first half of the fiscal year, when accounting for seasonality of citywide program expenditures, delayed implementation of labor contracts, as well as fewer General Fund vacancies to contribute to our salary discount factor; is projected to result in a shortfall of projected general fund savings. Based on General Fund expenditure results through January, expenditures are*

*projected to end the year at \$38.04 million, or roughly \$514,388 over the adjusted budget of \$37.53 million.*

- *The combination of FY2008/09 year-end results and the revised budget projections for the current-year suggest that the General Fund is expected to end FY2009/10 with a fund balance of \$4.65 million, representing 13.3% of General Fund revenues. This level of fund balance would be \$585,135 under the Council's 15% reserve policy.*
  
- *Staff has updated the initial revenue and expenditure estimates for the FY2009/10 budget as well as a preliminary update of the FY2010/11 General Baseline budget. The General Fund is projected to incur a budget deficit in FY2010/11 of \$240,000, which – when combined with the unfavorable results for the current fiscal year, would yield a fund balance as of June 30, 2011 of \$4.65 million, or \$825,000 below the level required by City policy. The City Council will review the preliminary baseline budget for FY2010/11, the updated Five-Year Forecast, as well as preliminary budget-balancing recommendations, as part of its budget workshop scheduled for March. (See Attachment E, Table 10)*

### **Conclusion**

This informational report represents the Mid-Year Budget Update for FY2009/2010, and has been prepared in response to the City Council's objective of establishing regular quarterly budget updates. The information provided in this report includes year-to-date revenue and expenditure results through the first six months of this fiscal year, as well as more detailed General Fund information as well as preliminary projections for year-end results. The baseline budget for FY2010/11 as well as the updated General Fund forecast will be the subject of the City Council's next workshop on the FY2010/2011 budget, scheduled for March.

### **Attachments:**

- Attachment A – All Funds revenues and expenditures
- Attachment B – Summary of General Fund Operations
- Attachment C – General Fund Revenue Results
- Attachment D – General Fund Expenditure Results
- Attachment E – Updated General Fund Forecast

**Attachment A**

**Table 1 – All Funds Revenues**

<b>FY09/10 Revenues</b>				
	Original Budget	Adjusted Budget	Year-To-Date Actual	%
General Fund	37,161,320	37,434,134	8,625,045	23.0%
Special Revenue Funds	23,396,977	23,825,891	7,472,308	31.4%
Debt Service	3,340,724	3,340,724	21,535	0.6%
Capital Projects Funds	2,161,130	2,161,130	93,377	4.3%
Trust Funds	2,006	2,006	81	4.0%
Enterprise Funds	41,752,076	55,151,102	22,210,851	40.3%
Internal Service Funds	12,228,723	12,228,723	7,377,003	60.3%
Redevelopment Funds	11,752,562	11,752,562	332,979	2.8%
<b>Total All Funds</b>	<b>131,795,518</b>	<b>145,896,272</b>	<b>46,133,179</b>	<b>31.6%</b>

- Year-to-date All Funds Revenues are currently \$46.13 million, or 31.6% of the adjusted \$145.90 million budget.
- General Fund revenues received to date are \$8.63 million, or 23.0% of the \$37.4 million adjusted budget. The revenues would appear to be lagging slightly, but are dependent on the timing of pending property tax, sales tax, business license tax, and franchise tax payments.
- Receipt of Capital Project funds are behind this year due to uncertainty over many state funding sources.
- Enterprise Fund revenues are tracking in proportion to mid-year expectations.

## Attachment A

### Table 2 – All Funds Expenditures

<b>FY 2009/10 Expenditures - Table 2</b>				
Expenditure By Fund	Original Budget	Adjusted Budget	Year-To-Date Actual	%
General Fund	36,683,832	37,527,092	19,832,132	52.8%
Special Revenue Funds	23,307,890	29,062,178	13,824,351	47.6%
Debt Service	2,972,909	2,972,804	2,925,611	98.4%
Capital Projects Funds	1,169,927	4,281,374	153,162	3.6%
Trust Funds	-	-	-	0.0%
Enterprise Funds	37,137,216	59,720,826	21,053,867	35.3%
Internal Service Funds	11,087,667	11,157,158	7,520,417	67.4%
Redevelopment Funds	7,466,959	9,201,803	3,176,735	34.5%
<b>Total All Funds</b>	<b>119,826,400</b>	<b>153,923,235</b>	<b>68,486,275</b>	<b>44.5%</b>

- Year to date All Funds Expenditures are currently \$68.5 million, or 44.5 % of the adjusted \$153.92 million adjusted budget.
- General Fund expenditures are reporting at \$19.83 million, or 52.8% of the total \$37.53 million adjusted budget.
- Debt Service Funds reflect expenditures at 98.4% 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 67.4%), however this result reflects up-front insurance premium payments made within the City's Self-Insurance Fund.

### Table 3 – All Funds Expenditures by Department

<b>FY09/10 Expenditures - Table 3</b>				
Expenditure by Department	Original Budget	Adjusted Budget	Year-To-Date Actual	%
City Council	133,138	133,138	59,416	44.6%
City Attorney	512,967	512,967	88,717	17.3%
City Manager	8,469,393	8,833,957	5,896,377	66.7%
Community Development	3,062,260	3,072,260	1,429,612	46.5%
Community Services	17,355,588	17,674,557	8,460,763	47.9%
Fire	9,699,661	9,902,839	4,777,579	48.2%
Parks & General Services	15,365,678	15,434,727	7,831,541	50.7%
Police	15,077,143	15,402,216	7,928,439	51.5%
Public Works	34,600,917	37,372,300	19,791,124	53.0%
Capital Improvements	6,363,792	36,273,411	5,838,188	16.1%
Debt Service	5,513,397	5,513,397	4,558,246	82.7%
Redevelopment	6,695,391	6,695,391	1,826,273	27.3%
Other	(3,022,925)	(2,897,925)	-	0.0%
<b>Total All Funds</b>	<b>119,826,400</b>	<b>153,923,235</b>	<b>68,486,275</b>	<b>44.5%</b>

Personnel Analysis

**Table 4 – FY 2009/10 Year-to-Date Personnel Expenditures**

<b>All Funds Personnel Expenditures - Table 4</b>				
<b>FY2009/10 Year-to-Date</b>				
Expenditure by Department	Original Budget	Adjusted Budget	Year-To-Date Actual	%
City Council	80,295	80,295	38,232	47.6%
City Manager	3,146,941	3,146,941	1,496,450	47.6%
Community Development	2,377,399	2,377,399	1,146,232	48.2%
Community Services	5,937,544	5,990,468	2,914,202	48.6%
Fire	8,139,136	8,139,136	4,098,842	50.4%
Parks & General Services	7,673,477	7,673,477	3,460,677	45.1%
Police	12,304,758	12,338,859	6,045,343	49.0%
Public Works	11,437,960	11,424,800	5,053,179	44.2%
Capital Improvements/Debt	1,507,316	1,522,962	753,849	49.5%
Redevelopment	583,077	583,077	268,356	46.0%
<b>Total</b>	<b>\$ 53,187,903</b>	<b>\$ 53,277,414</b>	<b>\$ 25,275,362</b>	<b>47.4%</b>

- On a citywide basis, the All Funds Personnel costs represented 34.6% of total city expenditures of \$153.92 million.
- FY2009/10 personnel expenditures are currently tracking at 47.4%, which is consistent with budgeted projections.

*Table 5* summarizes the FY2009/10 budget and year to date overtime results. 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.

<b>All Funds Overtime Expenditures - Table 5</b>				
<b>FY2009/10 Year-to-Date</b>				
Expenditure by Department	Original Budget	Adjusted Budget	Year-To-Date Actual	%
City Manager's Office	2,074	2,074	1,923	93%
Community Development	6,078	6,078	2,572	42%
Community Services	6,608	6,608	6,159	93%
Fire	318,949	569,592	358,139 *	63%
Parks & General Services	38,856	38,856	11,661	30%
Police	464,957	474,957	279,380	59%
Public Works	143,914	143,914	58,423	41%
Capital Improvement Projects	10,691	10,691	4,177	39%
Redevelopment	-	-	-	0%
<b>TOTAL OVERTIME</b>	<b>\$ 992,127</b>	<b>\$ 1,252,770</b>	<b>\$ 722,434</b>	<b>58%</b>

\* The portion of overtime related to Strike Teams reimburseable through State or Federal Funding for FY 2009/10 is \$250,643.

- On an all funds basis, total overtime adjusted budget for FY2009/10 is \$1.25 million, and represents 2.4% of the total human resources budget.
  - 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 January 10, the City has documented a current vacancy list of 27 regular full time and 4 regular part time positions. These vacancies represent a 6.1% shortfall in our current work force, in relation to our 445.25 budgeted Full Time Equivalent permanent positions. In addition to the current vacancies, 5 regular full time and 2 regular part time vacant positions have been recruited and filled in FY 2009/10. Of the current vacancies, there are 6 positions which are being backfilled with either TPT staff or special assignment pay to current staff for supplemental work assignments. (See Table 6)*

The FY 2009/10 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 6** presents a listing of vacant positions as of January 10, 2010, as well as updated information on previous reported vacancies hired since July 1, 2009.

<b><i>Vacant Positions as of January 10, 2010</i></b>			
Dept	Position Title	Funding Source	Status
CMO	Deputy City Clerk I (50%)	General Fund	Vacant as of 7/1/09
CMO	Financial Associate	General Fund	Vacant as of 8/28/09
CDD	Building Inspector	Building Fund	Backfilling in Public Works for Inspector
CDD	Senior Office Assistant - Conf	Various Funds	Vacant as of 7/1/09
CS	Child Care Financial Asst I (50%)	Child Care Fund	Vacant as of 3/09
CS	Child Care Financial Asst II(50%)	Child Care Fund	Vacant as of 11/1/09
FD	Fire Business Manager	General Fund	Vacant as of 12/1/09
FD	Fire Chief	General Fund	Vacant 11/20/09 Backfill with TPT
FD	Fire Division Chief	General Fund	Vacant 10/31/09 Backfill with TPT
PD	Police Officer (COPS Funded)	Special Funded COPS Grant	Vacant 7/1/09
PD	Police Officer (COPS Funded)	Special Funded COPS Grant	Vacant 7/1/09
PD	Public Safety Dispatcher I	General Fund	Vacant 11/30/09
PGS	Equipment Mechanic II	Fleet Services Fund	Vacant 11/13/09
PGS	MIS Senior System Analyst	IS Fund	Vacant 12/31/08
PGS	Park Maintenance Crew Supervisor	General Fund	Vacant 12/21/09
PGS	Park Maintenance Worker I	General Fund	Vacant 8/21/09
PGS	Park Maintenance Worker II	General Fund	Vacant 12/4/09
PGS	Parks Manager	General Fund	Vacant 6/29/09 Backfilled with TPT
PGS	Program Aide Courier (50%)	IS Fund	Vacant 7/1/09
PGS	Urban Forest Supervisor	General Fund	Vacant 9/4/09
PW	Admin Aide - Confidential	Various Funds	Vacant 12/21/09
PW	City Engineer (PW Director Interim)	Various Funds	Vacant 12/31/09
PW	Electrician	Various Funds	Vacant 9/30/09
PW	Engineering Assistant	Various Funds	Vacant 7/1/09
PW	Office Assistant II	Various Funds	Vacant 11/2/09
PW	Public Works Crew Supv	Various Funds	Vacant 6/29/09
PW	Public Works Maint Wrk I/II	Various Funds	Vacant 2/20/09
PW	Public Works Maint Wrk I/II	Various Funds	Vacant 9/18/09
PW	Public Works Maintenance Worker II	Various Funds	Vacant 11/30/09
PW	Senior Engineering Assistant	Various Funds	Vacant 11/29/09
PW	WWTP Senior Operator	Various Funds	Vacant 7/1/09
<b><i>Positions Hired</i></b>			
Dept	Position Title	Funding Source	Hire Date
CMO	Human Resources Technician	Various	Underfilled 7/1-8/10/09 Hired 8/10/09
PGS	Equipment Mechanic II	Fleet Services Fund	TPT Backfill Hired 8/17/08
PD	Public Safety Dispatcher I	General Fund	Hired 8/24/09
CS	Paratransit Vehicle Operator	Transportation Funds	Vacant 7/31/09 (start PPD 17-09) Hired 10/5
PW	Senior Office Assistant - Conf	Various Funds	Vacant 10/9/09 Hired 11/2/09
CS	Program Aide (75%)	General Fund	Position Changed to CS Theater Coordinator
CS	CS Theater Coordinator (50%)	General Fund	New Position Hired 11/30 (Raj)
<b><i>Defunded Positions</i></b>			
Dept	Position Title		
	33 Building Planning Tech I		
	33 Residential Resale Inspector II		
	58 Police Sergeant		
	59 Parking Enforcement Officer		
	65 Facilities Manager		
	71 Admin Aide		

## Attachment B

### Summary of General Fund Operations

**Table 7** presents a summary of the City's General Fund results through the fiscal year ended June 30, 2009 as well as budget and year-to-date results through the first six months of FY2009/10:

<i>Table 7: General Fund Summary FY2008/09 Results and FY2009/10 Year-to-Date Results</i>							
Description	FY2008/09 Adjusted Budget	FY2008/09 Budget Projection	FY2008/09 Actual Results	FY2009/10 Adopted Budget	FY2009/10 Adjusted Budget	FY2009/2010 Year-to-Date Results	FY2009/10 Year-end Projection
<i>Beginning Unreserved Fund Balance</i>	\$6,307,155	\$6,307,155	\$6,307,155	\$4,540,030	\$4,970,744	n/a	\$4,970,744
Revenues	40,279,005	37,156,227	37,667,007	37,161,320	37,434,134	8,625,045	37,232,451
Expenditures	(40,522,337)	(39,206,808)	(39,219,570)	(36,683,832)	(37,527,092)	(19,832,132)	(38,041,480)
Transfers	0	0	0	0	0		0
Change in Reserved Fund Balance **	0	0	135,206	0	138,000		138,000
Position Savings/Adjustments							
<b>Audited Unreserved Fund Balance</b>	<b>\$6,063,823</b>	<b>\$4,256,574</b>	<b>\$4,889,798</b>	<b>\$5,017,518</b>	<b>\$5,015,786</b>	n/a	<b>\$4,299,715</b>
Unencumbered Carry-over Appropriations	5,946	283,456	5,946		327,510		327,510
Public Safety Staffing Reserve	75,000	0	75,000		25,000		25,000
<b>Ending Unreserved Fund Balance</b>	<b>\$6,144,769</b>	<b>\$4,540,030</b>	<b>\$4,970,744</b>	<b>\$5,017,518</b>	<b>\$5,368,296</b>	n/a	<b>\$4,652,225</b>
Percentage (E.U.F.B./Revenues)	16.2%	13.0%	14.0%	14.4%	15.3%	n/a	13.3%
<b>Reserve Policy \$</b>	<b>\$5,699,787</b>	<b>\$5,231,371</b>	<b>\$5,307,988</b>	<b>\$5,226,690</b>	<b>\$5,267,612</b>		<b>\$5,237,360</b>
<b>Reserve Policy</b>	<b>15%</b>	<b>15%</b>	<b>15%</b>	<b>15%</b>	<b>15%</b>		<b>15%</b>
<i>"Excess" Fund Balance (over Reserve Target)</i>		\$ (691,341)	\$ (337,244)	\$ (209,172)	\$ 100,684	n/a	\$ (585,135)
** This line item is included to link the Audited Financial Statements with Budget Estimates and also includes changes in encumbrance balances.							

#### FY2008/09

The General Fund's Unreserved Fund Balance as of June 30, 2009 was \$4.97 million, equal to 14.0% of General Fund revenues, and reflects a favorable variance of \$430,714 as compared to the reserve level assumed in the development of the FY 2009/10 budget. The FY 2009/10 adopted budget assumed a year end reserve level of 13%.

#### FY2009/10

The Adopted FY2009/10 budget was developed such that the resulting General Fund unreserved Fund Balance at June 30, 2010 would be \$5.02 million, or 14.4% of General Fund revenues. This assumed a beginning fund balance of \$4.54 million and an anticipated shortfall of fund balance reserve totaling (\$209,172).

Final year-end results for FY2008/09 result in an updated projection for the General Fund reserve as of June 30, 2009. The revised estimates – assuming current year results consistent with the budget - would yield a projected year-end fund balance of \$4.65 million, or 13.3% of General Fund revenues. This would yield a shortfall in fund balance on June 30, 2010 of approximately (\$585,135) below the reserve requirement.

## Attachment C

### General Fund Revenues

**Table 8** presents a summary of results for our major General Fund revenue sources. FY2008-09 revenues were \$37.7 million which was \$510,680 (1.4%) above the revenue estimate used in the development of the FY2009-10 budget.

**Table 8: General Fund Revenues  
FY2008/09 Results and FY2009/10 Projections**

Revenue by Source	FY2008/09 Adjusted Budget	FY2008/09 Estimate	FY2008/09 Actual	Variance Favorable / (Unfavorable)	FY2009/10 Adopted Budget	FY2009/10 Adjusted Budget	FY2009/10 Year to Date (12/31)	FY2009/10 Projection	Variance Favorable / (Unfavorable)
Property Taxes	\$15,341,810	\$14,587,900	\$14,329,512	(\$258,388)	\$14,587,900	\$14,587,900	\$0	\$14,614,560	\$26,660
Sales & Use Tax	9,354,200	7,844,000	7,844,919	\$919	7,844,000	7,844,000	2,125,695	\$7,600,000	(\$244,000)
Motor Vehicle In Lieu	302,000	242,000	223,791	(\$18,209)	242,000	242,000	123,008	\$242,000	\$0
Transient Occupancy Tax	1,212,200	1,079,100	1,031,031	(\$48,069)	1,090,000	1,090,000	280,177	\$1,090,000	\$0
Property Transfer Tax	236,000	154,000	121,909	(\$32,091)	154,000	154,000	0	\$154,000	\$0
Business License Tax	1,322,000	1,330,000	1,351,827	\$21,827	1,360,000	1,360,000	134,829	\$1,360,000	\$0
Municipal Services Tax	2,243,500	2,249,100	2,239,758	(\$9,342)	2,337,600	2,337,600	1,348,967	\$2,337,600	\$0
Franchise Fees (PG&E)	562,600	559,926	570,637	\$10,711	571,100	571,100	0	\$571,100	\$0
Planning & Building Inspe	551,804	583,382	594,372	\$10,990	524,946	524,946	213,400	\$524,946	\$0
Parks/Community Service	2,364,220	2,197,260	2,282,865	\$85,605	2,257,645	2,270,395	1,413,733	\$2,270,395	\$0
Other Depts (Fire, PD, PV)	1,361,414	1,441,004	1,518,116	\$77,112	1,458,898	1,458,898	454,676	\$1,458,898	\$0
Fines & Forfeitures	811,800	722,200	757,822	\$35,622	728,475	728,475	281,010	\$683,600	(\$44,875)
Investment Earnings	350,195	332,944	96,709	(\$236,235)	332,944	332,944	2,661	\$100,278	(\$232,666)
Intra-City Revenues	2,280,423	2,280,423	2,280,423	\$0	2,316,719	2,316,719	1,158,360	\$2,316,719	\$0
All Other Sources	1,984,839	1,552,988	2,423,316	\$870,328	1,355,093	1,615,157	1,088,529	\$1,908,355	\$293,198
<b>Total</b>	<b>\$40,279,005</b>	<b>\$37,156,227</b>	<b>\$37,667,007</b>	<b>\$510,780</b>	<b>\$37,161,320</b>	<b>\$37,434,134</b>	<b>\$ 8,625,045</b>	<b>\$37,232,451</b>	<b>(\$201,683)</b>

General Fund revenues for FY2008-09 reflected a decrease of \$1,366,651, or 3.5%, from prior year results. The decline from the previous year is primarily attributable to decreased Sales Tax revenues. Year-end results for FY2008-09 exceeded the budget estimate by \$510,780 due primarily to one-time payments including a legal settlement received, other reimbursements, and also the cancellation of prior year purchase orders, which are typically not factored into estimates.

The FY2009/2010 adopted budget assumed a decline in General Fund revenues of \$505,687 from FY2008/09 actual, or 1.3%, again due primarily to removal of one-time payments, and declines in various departmental revenues.

In light of year-to-date results for FY 2009/2010, adjustments to this year's revenue estimates are warranted:

- Sales Tax receipts through the first half of FY 2009/2010 indicate a decrease from FY2008/2009 results. While we had originally predicted 0% growth in this revenue, we are now estimating a decrease of 3.1%. Our core categories of Automotive and Restaurant, which together account for approximately 60% of direct Sales Tax collections, reflect *decline* of 15.0% compared to the same period last year. Overall, direct collections are down 9.52% over the same period in FY 2008/2009. In the upcoming 3<sup>rd</sup> and 4<sup>th</sup> quarters, we expect to see these declines mitigated somewhat by increased retail activity at Second Street Crossing. We will continue to monitor sales tax receipts closely and make adjustments to our forecast as needed.

- Transient Occupancy Tax receipts for the first quarter of the fiscal year indicate a decline from FY2008-09 results for the same quarter, due to a general decline in tax receipts from hotel operators, and collection issues with one business. However, we have not downgraded this revenue from our budget estimate at this time, pending second quarter returns, and resolution of our collections. Business License Tax revenue for the year is currently being collected.
- Departmental revenue estimates are unchanged for the current year.
- Our Investment Earnings estimate has been downgraded \$232,666 based on prior year results, as we do not expect significant changes in cash balances or interest rates.

## Attachment D

### General Fund Expenditures

**Table 9** summarizes General Fund expenditure results for all departments. FY2008/09 expenditures ended the year at \$39.22 million, or \$1.3 million (3%) under the final budget of \$40.52 million.

Expenditure by Department	FY2008/2009 Adjusted Budget	FY2008/09 Audited Actuals	Variance	% Exp.	FY2009/10 Adopted Budget	FY2009/10 Adjusted Budget	FY2009/10 Year-to-Date Actuals	% Exp.	FY2009/10 Year-End Projection
City Council	135,222	124,305	10,917	92%	133,138	133,138	59,416	45%	129,307
City Attorney	427,967	362,152	65,815	85%	362,967	362,967	88,717	24%	362,967
City Manager	4,262,240	3,822,612	439,628	90%	3,800,208	4,064,772	1,590,074	39%	3,949,037
Community Development	1,527,301	1,362,399	164,902	89%	1,210,144	1,210,144	578,029	48%	1,254,672
Community Services	4,293,974	4,023,298	270,676	0%	4,141,764	4,157,414	2,107,641	51%	4,247,454
Fire	8,749,775	8,299,634	450,141	95%	8,314,203	8,317,859	4,160,721	50%	8,067,244
Police	14,009,021	13,305,055	703,966	95%	13,534,606	13,536,006	6,951,715	51%	13,539,480
Parks & General Services	7,310,388	6,824,981	485,407	0%	6,889,437	6,946,597	3,583,081	52%	6,502,688
Public Works	973,725	779,271	194,454	80%	1,058,027	1,187,052	413,095	35%	982,492
Capital Improvements	469,152	110,205	358,947	23%	-	246,805	65,682	27%	246,805
Debt	205,658	205,658	-	100%	205,658	205,658	205,658	100%	205,658
Redevelopment	-	-	-	0%	56,605	56,605	28,303	50%	56,605
Non-Departmental Adjustments	(1,842,086)	-	(1,842,086)		(3,022,925)	(2,897,925)	-	0%	(1,502,929)
<b>Total</b>	<b>\$40,522,337</b>	<b>\$ 39,219,570</b>	<b>\$ 1,302,767</b>	<b>97%</b>	<b>\$ 36,683,832</b>	<b>\$ 37,527,092</b>	<b>\$ 19,832,132</b>	<b>53%</b>	<b>\$ 38,041,480</b>
						<i>Projected Year-end Variance</i>			<b>\$ (514,388)</b>

FY2008/2009 General Fund expenditure results for all operating departments were within their adjusted budget, with savings ranging from 5% to 20% of budgeted expenditures.

Citywide General Fund expenditures ended FY2008/09 at \$39.22 million, which was \$1.3 million below final adjusted budget. Personnel costs ended the year \$2.4 million, or 6% under budget, with realized General Fund personnel savings ending the year at just over \$1.7 million, exceeding the level of General Fund salary savings incorporated into the FY2008/09 budget.

Through the first six months of FY2009/10 General Fund expenditures (including encumbrances) were \$19.83 million, or 53% of the adjusted budget of \$37.53 million. Overall, personnel expenditures through the first half of the fiscal year, when accounting for seasonality of citywide recreation program expenditures in Parks and Community Services, delayed implementation of labor contracts, as well as fewer General Fund vacancies to contribute to our salary discount factor; is projected to result in a shortfall of projected general fund savings of (\$871,000).

Non-personnel expenditures also continue to track within budget and are projected to yield additional savings of \$350,000 above the \$750,000 anticipated savings assumed in the development of the FY2009/10 budget.

Preliminary projections of year end General Fund expenditures stand at \$ 38.04 million, or \$514,388 (1.3%) above the adjusted budget for FY2009/10. Continued refinement to the FY 2009/10 budget projections will be presented as part of the Budget Workshop scheduled for March.

## Attachment E

### General Fund Forecast

The following table represents updates to the City's General Fund forecast in preparation of the FY2010/11 baseline budget. The table 10 below reflects the forecast results for audited FY2008/09, adjusted projections for FY2009/10 and an original baseline projection for FY2010/11. The results of the adjusted forecast reflect an ending FY2009/10 General Fund deficit of \$585,135, increasing by \$243,209 in FY 2010/11, for a total fund balance shortfall estimated between \$800,000 to \$1.0 million dollars.

CITY OF DAVIS FORECAST GENERAL FUND - Table 10  Forecast: FY2009/10					
General Fund	Audited Actual FY2008/09	Original Budget FY2009/10	Adjusted Budget FY2009/10	Estimate FY 2009/10	Baseline FY2010/11
Beginning Balances	\$ 6,307,155	\$ 4,970,744	\$ 4,970,744	\$ 4,970,744	\$ 4,652,225
Revenues	\$ 37,667,007 11.5%	\$ 37,161,320 -1.3%	\$ 37,434,134 0.7%	\$ 37,232,451 0.2%	\$ 37,215,260 -0.05%
Expenditures	\$ 39,219,570	\$ 36,683,832 -6.5%	\$ 37,527,092 2.3%	\$ 38,041,480 3.7%	\$ 37,458,469 -1.5%
Changes in Reserved Fund Balance** Transfers	135,206	-	138,000	138,000	-
<b>Unreserved Fund Balance</b>	<b>\$ 4,889,798</b>	<b>\$ 5,448,232</b>	<b>\$ 5,015,786</b>	<b>\$ 4,299,715</b>	<b>\$ 4,409,016</b>
Unencumbered Carry-over Appropriations 07/08	\$ 333,456	\$ -	\$ -	\$ -	\$ -
Unencumbered Carry-over Appropriations 08/09	\$ (327,510)	\$ -	\$ 327,510	\$ 327,510	\$ -
Public Safety Staffing Reserve	75,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ -
<b>Ending Unreserved Fund Balance</b>	<b>\$ 4,970,744</b>	<b>\$ 5,473,232</b>	<b>\$ 5,368,296</b>	<b>\$ 4,652,225</b>	<b>\$ 4,409,016</b>
Percentage (E.U.F.B./Revenues)	14.0%	15.7%	15.3%	13.3%	12.6%
<b>Reserve Policy \$</b>	<b>\$ 5,307,988</b>	<b>\$ 5,226,690</b>	<b>\$ 5,267,612</b>	<b>\$ 5,237,360</b>	<b>\$ 5,234,781</b>
<b>Reserve Policy %</b>	<b>15.00%</b>	<b>15.00%</b>	<b>15.00%</b>	<b>15.00%</b>	<b>15.00%</b>
"Excess" Fund Balance (over Reserve Target)	-	\$ (337,244)	\$ 246,542	\$ (585,135)	\$ (825,765)
<b>Annual Deficit</b>	<b>-</b>	<b>(1,552,563)</b>	<b>477,488</b> 2,030,051	<b>(92,958)</b> (570,446)	<b>(243,209)</b> (720,697)

\*\* This line item is included to link the Audited Financial Statements with Budget Estimates and also includes changes in encumbrance balances.

At this time staff continues to work with the City Manager to review citywide restructuring, with the following principles and objective goals.

- The City Manager's Office is evaluating the current city organization structure in light of current budget constraints, as well as the attrition of key executive management staff across many city departments.
- The objective of any re-structuring proposal is to enhance the management, supervision and delivery of city services, projects and initiatives, consistent with community and organizational priorities.

- A key component of several projects and initiatives will be the improved coordination (to include management roles and responsibilities) of inter-departmental resources across the organization.

Goals/Objectives:

1. Consolidation of complimentary services/ functions
2. Improve effectiveness of citywide management and administrative functions
3. Facilitate succession planning and transition of key management positions
4. Re-evaluate structure of
  - a. City's executive management positions
  - b. Span of control for management and supervision of front-line staff resources
5. Achieve budgetary savings
  - a. General Fund
  - b. All Funds
6. Manage impacts of workforce reduction to mitigate impacts on
  - a. Priority City services
  - b. Efficiency of City organization
  - c. Staff reductions / layoffs

The City Council will review the preliminary baseline budget for FY2010/11, the updated Five-Year Forecast, as well as preliminary budget-balancing recommendations, as part of its budget workshop scheduled for March.