

STAFF REPORT

DATE: February 1, 2011

TO: City Council

FROM: Paul Navazio, Interim City Manager
Kelly Fletcher, Budget Manager

SUBJECT: FY 2010/11 Mid-Year Budget Update

Recommendation

This informational item presents revenue and expenditure results through the first six months of fiscal year 2010/2011, as well as updated projections of General Fund results through the end of the fiscal year (June 30, 2011).

Fiscal Impact

No action is requested on this item, the information presented in this report provides budget-to-actual results and budgetary projections for the City's FY2010/11. Staff is currently refining these projections, as well as developing the forecast for FY 2011/12 and recommendations aimed at restoring the General Fund reserve to the 15% policy level will be discussed at the March Budget workshop.

Summary

Based on revenue results through the first six months of this fiscal year, the City's General Fund revenue estimates are being held relatively in line with the adjusted budget showing a slight increase of \$39,498. Mid-year results for General Fund expenditures suggest that the City will exceed its expenditure savings projections yielding an additional \$209,896 in unspent funds. While these current year trends appear favorable, this development is partially offset by unfavorable General Fund results for the year ended June 30, 2010, wherein the unreserved fund balance ended the year \$774,254 below the estimate used in the development of the current-year budget.

Despite efforts to manage the FY2010/1 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 \$5,185,632, or 14.3% of operating revenues, which implies a reserve level \$240,616 below the level required by the City's 15% General Fund reserve policy.

At this writing, the City Manager's Office is finalizing the FY 2011/12 baseline budget, and recommendations aimed at restoring the General Fund reserve to the 15% policy level by the end of Fiscal Year 2011/12. The budget-balancing plan is expected to be outlined for the City Council as part of the March Budget workshop, at which time the City Council will have an opportunity to review and provide feedback on the specific assumptions being used to develop the FY2011/12 budget as well as provide feedback on emerging recommendations that will need to be addressed in FY2011/12.

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

- *Year-to-date All Funds Revenues through the first six months of FY2010/11 are \$47.57 million, or 30.9% of the Adjusted Budget figure of \$153.75 million. (See Attachment A-Table 1)*
- *All Funds Expenditures through mid year of FY2010/11 stand at \$59.99 million, or 40.5% of the All Funds Budget of \$147.99 million. (See Attachment A – Tables 2,3).*
- *As of February 1, the City has documented a current vacancy list of 16 regular full time and 3 regular part time positions. These vacancies represent a 4.3% shortfall in our current work force, in relation to our 416.25 budgeted Full Time Equivalent permanent positions. In addition to the current vacancies, 7 regular full time and 2 regular part time vacant positions have been recruited and filled in FY 2010/11. (See Table 6)*
- *On a budgetary basis, the General Fund Unreserved Fund Balance as of June 30, 2010 was \$4.01 million, and represents a negative variance in the reserve of (\$774,254) as compared to the reserve level assumed in the development of the FY2010/11 budget. The year-end Unreserved Fund Balance as of June 30, 2010 represents 11.2% of General Fund revenues. The FY2010/11 Adopted Budget assumed a year-end reserve level of 13.4%, with balancing measures being implemented to bring the Budgeted FY2010/11 reserve to 15.4%. (See Attachment B-Table 7).*
 - *General Fund revenues ended FY2009/10 at \$38.02 million, which is \$1,030,565 above the previous revenue estimate. (See Attachment C-Table 8).*
 - *General Fund expenditures ended FY2009/10 at \$38.69 million, which was \$1.0 million over the final adjusted budget, and \$874,396 above the expenditure estimate assumed in the development of this year’s budget. However, of the year-end totals, \$239,417 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, 2010. (See Attachment D-Table 10).*
- *Year-to-date General Fund revenues through the first six months of the fiscal year are \$7,886,916, or 21.3% of the \$36.97 million adjusted revenue budget. General Fund revenues are projected to end the fiscal year at \$37.00 million, which is \$39,498 or (0.11%) above 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 \$40,570.*

- Sales Tax receipts through the first half of FY 2010/2011 indicate a decrease from FY2009/2010 results. FY2009/10 results include a one-time, year-end accounting correction related to Sales Tax revenues accrued and recorded in the fiscal year they were earned. While this is not a new entry, the method used for estimating the amount was refined and resulted in a more accurate total for FY2009/10. As a result, sales tax revenue of \$297,333 was added to FY2009/10, whereas under the old methodology, this amount would have been recorded in FY2010/11. In the current year-to-date, our core categories of Automotive and Restaurant, which together account for approximately 58% of direct Sales Tax collections, reflect *decline* of 8.3% compared to the same period last year. Overall, direct collections are down 4.79% over the same period in FY 2009/2010. With two quarters remaining in the year, we are predicting we will meet our budget figure of \$7.8 million, based on year-to-date results combined with 0% growth assumptions for the remainder of the year. We will continue to monitor sales tax receipts closely and make adjustments to our forecast as needed.
 - The Motor Vehicle In Lieu Tax estimate has been reduced \$72,800, based on prior year results and current year activity.
 - Transient Occupancy Tax receipts for the first quarter of the fiscal year indicate a decline of 18.3% from FY2009-10 results for the same quarter, due to a general decline in tax receipts from hotel operators, and collection issues with two businesses. 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, but prior year results indicate we may exceed our budget estimate by \$21,900.
 - Departmental revenue estimates are unchanged for the current year.
 - Our Investment Earnings estimate has been downgraded \$87,550 based on prior year results, and persistence of historically low yields on City investments.
 - Other revenues in the General Fund are estimated to modestly exceed budget expectations, including property transfer tax (\$11,900), parking citations (\$30,985), and miscellaneous reimbursements and donations (\$94,493).
- *Through December (Period 6), FY2010/11 General Fund expenditures (including encumbrances) were \$18.89 million, or 52% of the adjusted budget of \$36.52 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; is projected to result in a slight increase in General Fund savings of \$81,000. Non-personnel expenditures also continue to track within budget and are projected to yield additional savings of \$128,000 above the \$770,000 anticipated savings assumed in the development of the FY 2010/11 budget. Based on General Fund expenditure results through January, expenditures are projected to end the year at \$36.31 million, or roughly \$209,896 under the adjusted budget of \$36.52 million.*

- *The combination of FY2009/10 year-end results and the revised budget projections for the current-year suggest that the General Fund is expected to end FY2010/11 with a fund balance of \$4.95 million, representing 14.3% of General Fund revenues. This level of fund balance would be \$240,617 under the Council's 15% reserve policy.*
- *Staff will continue to refine current revenue and expenditure estimates for the FY2010/11 budget as well as a preliminary update of the FY2011/12 General Fund Baseline budget. . The City Council will review the preliminary baseline budget for FY2011/12, 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 FY2010/11, 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 FY2011/12 as well as the updated General Fund forecast will be the subject of the City Council's next workshop on the FY2011/2012 budget, scheduled for March 29th.

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

	FY10/11 Revenues			
	Original Budget	Adjusted Budget	Year-To-Date Actual	%
General Fund	36,885,923	36,964,669	7,886,916	21.3%
Special Revenue Funds	21,421,278	22,278,283	6,836,801	30.7%
Debt Service	3,276,658	3,276,658	-	0.0%
Capital Projects Funds	1,751,250	1,751,250	187,869	10.7%
Trust Funds	1,175	1,175	-	0.0%
Enterprise Funds	49,342,680	62,741,706	24,475,195	39.0%
Internal Service Funds	15,662,923	15,744,283	7,929,169	50.4%
Redevelopment Funds	10,880,947	10,993,230	254,461	2.3%
Total All Funds	139,222,834	153,751,254	47,570,411	30.9%

- Year-to-date All Funds Revenues are currently \$47.57 million, or 30.9% of the adjusted \$153.751 million budget.
- General Fund revenues received to date are \$7.887 million, or 21.3% of the \$36.965 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

FY 2010/11 Expenditures - Table 2				
Expenditure By Fund	Original Budget	Adjusted Budget	Year-To-Date Actual	%
General Fund	36,201,994	36,523,007	18,887,289	51.7%
Special Revenue Funds	21,105,463	24,858,418	10,448,074	42.0%
Debt Service	2,858,899	2,858,899	2,034,663	71.2%
Capital Projects Funds	1,249,707	5,276,204	1,422,031	27.0%
Trust Funds	-	-	-	0.0%
Enterprise Funds	39,507,716	58,055,351	17,584,814	30.3%
Internal Service Funds	10,248,782	10,791,751	7,198,710	66.7%
Redevelopment Funds	8,221,389	9,635,305	2,415,579	25.1%
Total All Funds	119,393,950	147,998,935	59,991,160	40.5%

- Year to date All Funds Expenditures are currently \$59.99 million, or 40.5 % of the adjusted \$147.99 million adjusted budget.
- General Fund expenditures are reporting at \$18.89 million, or 51.7% of the total \$36.52 million adjusted budget.
- Debt Service Funds reflect expenditures at 71.2% 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 66.7%), however this result reflects up-front insurance premium payments made within the City's Self-Insurance Fund.

Table 3 – All Funds Expenditures by Department

FY10/11 Expenditures - Table 3				
Expenditure by Department	Original Budget	Adjusted Budget	Year-To-Date Actual	%
City Council	137,229	137,229	71,912	52.4%
City Attorney	512,967	512,967	131,430	25.6%
City Manager	11,426,412	12,034,206	7,555,530	62.8%
Comm. Development & Sustainability	3,201,097	3,416,731	1,463,828	42.8%
Community Services	25,451,333	25,306,189	11,921,940	47.1%
Fire	9,562,413	9,787,681	4,389,628	44.8%
Police	14,686,200	14,700,455	7,458,575	50.7%
Public Works	34,142,910	35,507,207	14,846,603	41.8%
Capital Improvements	8,838,167	34,161,048	6,138,981	18.0%
Debt Service	5,892,814	5,892,814	4,098,602	69.6%
Redevelopment	7,203,461	8,203,461	1,914,131	23.3%
Other	(1,661,053)	(1,661,053)	-	0.0%
Total All Funds	119,393,950	147,998,935	59,991,160	40.5%

Personnel Analysis

Table 4 – FY 2010/11 Year-to-Date Personnel Expenditures

All Funds Personnel Expenditures - Table 4				
FY2010/11 Year-to-Date				
Expenditure by Department	Original Budget	Adjusted Budget	Year-To-Date Actual	%
City Council	84,296	84,296	47,177	56.0%
City Manager	4,427,426	4,401,926	1,982,052	45.0%
Comm. Development & Sustainability	2,491,384	2,513,599	1,160,370	46.2%
Community Services	10,310,000	10,330,506	4,860,185	47.0%
Fire	7,953,471	7,979,217	3,691,231	46.3%
Police	12,039,563	12,051,318	5,917,846	49.1%
Public Works	10,957,322	10,935,107	4,962,710	45.4%
Capital Improvements/Debt	1,754,826	1,746,991	726,791	41.6%
Redevelopment	646,985	646,985	318,309	49.2%
Total	\$ 50,665,273	\$ 50,689,945	\$ 23,666,671	46.7%

- On a citywide basis, the All Funds Personnel costs represented 34.3% of total city expenditures of \$147.99 million.
- FY2010/11 personnel expenditures are currently tracking at 46.7%, which is consistent with budgeted projections.

Table 5 summarizes the FY2010/11 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.

All Funds Overtime Expenditures - Table 5				
FY2010/11 Year-to-Date				
Expenditure by Department	Original Budget	Adjusted Budget	Year-To-Date Actual	%
City Manager's Office	7,471	7,471	852	11%
Comm. Development & Sustainability	6,078	7,201	161	2%
Community Services	41,147	41,147	10,351	25%
Fire	318,949	344,695	226,987 *	66%
Police	454,855	454,855	217,313	48%
Public Works	143,914	142,791	55,139	39%
Capital Improvement Projects	10,691	10,691	6,431	60%
Redevelopment	-	-	-	0%
TOTAL OVERTIME	\$ 983,105	\$ 1,008,851	\$ 517,234	51%

* The portion of overtime related to Strike Teams reimburseable through State or Federal Funding for FY 2010/11 is \$25,746.

- On an all funds basis, total overtime adjusted budget for FY2010/11 is \$1.0 million, and represents 2.0% 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 February 1, the City has documented a current vacancy list of 16 regular full time and 3 regular part time positions. These vacancies represent a 4.3% shortfall in our current work force, in relation to our 416.25 budgeted Full Time Equivalent permanent positions. In addition to the current vacancies, 7 regular full time and 2 regular part time vacant positions have been recruited and filled in FY 2010/11. (See Table 6)*

The FY 2010/11 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.”

Position Vacancy Listing

The following **Table 6** presents a listing of vacant positions as of February 1, 2011, as well as updated information on previous reported vacancies hired since July 1, 2010.

Vacant Positions as of February 1, 2011			
Dept	Position Title	Funding Source	Status
CMO	Asst CM/City Manager Interim	General Fund	Vacant as of 9/24/10
CMO	Program Aide Courier (50%)	IS Fund	Vacant 7/1/10
CMO	Budget Specialist I	General Fund	Vacant as of 7/1/10
CDS	Senior Office Assistant (50%)	General Fund	Vacant 7/1/10
CDS	Building Inspector II	Building Fund	Vacant 1/31/10
CS	Park Maintenance Worker I	General Fund	Vacant 7/7/10
CS	Park Maintenance Worker II	General Fund	Vacant 7/7/10
CS	Social Services Program Coord (75%)	Various Funds	Vacant 1/14/11
FD	Admin Aide	General Fund	Vacant as of 12/1/09 Backfill with TPT
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
FD	Firefighter I	General Fund	Vacant 7/1/10
FD	Fire Division Chief	General Fund	Vacant 10/1/10 Backfill with TPT
PW	Assistant Public Works Director	Various Funds	Vacant 12/31/10
PW	Electrician	Various Funds	Vacant 1/4/11
PW	Engineering Assistant	Enterprise Funds	Vacant 7/1/09
PW	Associate Civil Engineer	Various Funds	Vacant 10/31/10
PW	WWTP Senior Operator	Enterprise Funds	Vacant 7/1/09
PW	City Engineer/PW Director Interim	Various Funds	Vacant 12/31/09
Positions Hired			
Dept	Position Title	Funding Source	Hire Date
CDS	Office Assistant II	General Fund	Vacant 8/23/10 - Hired 12/13/10
CMO	Information Technology Administrator	IS Fund	Vacant as of 5/21/10 - Hired 1/10/11
CMO	Accounting Assistant	General Fund	Vacant as of 7/1/10 Backfill with TPT
CS	Community Service Prog Coord (75%)	General Fund	Vacant 7/1/10 - Hired 8/9/10
CS	Community Service Prog Coord (50%)	General Fund	Vacant 7/1/10 - Hired 8/2/10
PD	Police Officer	General Fund	Vacant 7/1/09 - Hired 12/13/10
PD	Police Officer	General Fund	Vacant 7/1/09 - Hired 12/11/10
PW	WWTP Superintendent	Various Funds	Vacant 10/9/09 Hired 8/9/10
PW	Stock Clerk	Gen Svcs Fund	Vacant 9/16/10 Hired 1/10/11
Defunded Positions - NO Salary savings			
Dept	Position Title		
45	Facilities Manager		
56	Police Services Specialist		
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, 2010 as well as budget and year-to-date results through the first six months of FY2010/11:

<i>Table 7: General Fund Summary</i>							
<i>FY2009/10 Results and FY2010/11 Year-to-Date Results</i>							
Description	FY2009/10 Adjusted Budget	FY2009/10 Budget Projection	FY2009/10 Actual Results	FY2010/11 Adopted Budget	FY2010/11 Adjusted Budget	FY2010/2011 Year-to-Date Results	FY2010/11 Year-end Projection
<i>Beginning Unreserved Fund Balance</i>	\$4,970,744	\$4,970,744	\$4,970,744	\$4,633,953	\$4,014,543	n/a	\$4,014,543
Revenues	37,845,642	36,989,879	38,022,173	36,885,923	36,964,669	7,886,916	37,004,167
Expenditures	(37,683,468)	(37,817,180)	(38,691,576)	(36,201,994)	(36,523,007)	(18,887,289)	(36,313,111)
Transfers	0	0	0	0	0		0
Change in Reserved Fund Balance **	138,000	138,000	33,565	0	0		0
Position Savings/Adjustments							
Audited Unreserved Fund Balance	\$5,270,918	\$4,281,443	\$4,334,906	\$5,317,882	\$4,456,205	n/a	\$4,705,599
Unencumbered Carry-over Appropriations	327,510	327,510	(245,363)		239,417		239,417
Public Safety Staffing Reserve	25,000	25,000	(75,000)				
Ending Unreserved Fund Balance	\$5,623,428	\$4,633,953	\$4,014,543	\$5,317,882	\$4,695,622	n/a	\$4,945,016
Percentage (E.U.F.B./Revenues)	15.8%	13.4%	11.2%	15.4%	13.6%	n/a	14.3%
Reserve Policy \$	\$5,329,338	\$5,200,974	\$5,355,818	\$5,167,895	\$5,179,707		\$5,185,632
Reserve Policy	15%	15%	15%	15%	15%		15%
"Excess" Fund Balance (over Reserve Target)		\$ (567,021)	\$ (1,341,275)	\$ 149,987	\$ (484,085)	n/a	\$ (240,616)
** This line item is included to link the Audited Financial Statements with Budget Estimates and also includes changes in encumbrance balances.							

FY2009/10

The General Fund's Unreserved Fund Balance as of June 30, 2010 was \$4.01 million, equal to 11.2% of General Fund revenues, and reflects a negative variance of (\$774,254) as compared to the reserve level assumed in the development of the FY2010/11 budget. The FY2010/11 Adopted Budget assumed a year-end reserve level of 13.4%.

FY2010/11

The Adopted FY2010/11 budget was developed such that the resulting General Fund unreserved Fund Balance at June 30, 2011 would be \$5.32 million, or 15.4% of General Fund revenues. This assumed a beginning fund balance of \$4.63 million and an anticipated shortfall of fund balance reserve totaling (\$567,021).

The Adopted FY2010/11 budget was developed such that the resulting General Fund unreserved Fund Balance at June 30, 2011 would be \$5.32 million, or 15.4% of General Fund revenues. This assumed a beginning fund balance of \$4.63 million and an anticipated excess of fund balance reserve totaling \$149,987. Final year-end results for FY2009/10 provide an updated projection for the General Fund reserve expected at June 30, 2010. Assuming current year results consistent with the budget - would yield a projected year-end fund balance of \$4.95 million, or 14.3% of General Fund revenues. This would yield a deficit fund balance on June 30, 2011 of roughly (\$240,616) below the reserve requirement.

Attachment C

General Fund Revenues

Table 8 presents a summary of results for our major General Fund revenue sources. FY2009/10 revenues were \$38.02 million which was \$1,030,565 (2.8%) above the revenue estimate used in the development of the FY2010/11 budget.

*Table 8: General Fund Revenues
FY2009/10 Results and FY2010/11 Projections*

Revenue by Source	FY2009/10 Adjusted Budget	FY2009/10 Estimate	FY2009/10 Actual	Variance Favorable / (Unfavorable)	FY2010/11 Adopted Budget	FY2010/11 Adjusted Budget	FY2010/11 Year to Date (12/31)	FY2010/11 Projection	Variance Favorable / (Unfavorable)
Property Taxes	\$14,587,900	\$14,572,790	\$14,598,216	\$25,426	\$14,572,790	\$14,572,790	\$0	\$14,613,360	\$40,570
Sales & Use Tax	7,844,000	7,600,000	8,418,817	\$818,817	7,800,000	7,800,000	2,135,984	\$7,800,000	\$0
Motor Vehicle In Lieu	242,000	175,000	194,011	\$19,011	266,800	266,800	61,072	\$194,000	(\$72,800)
Transient Occupancy Tax	1,090,000	917,300	912,456	(\$4,844)	917,300	917,300	247,221	\$917,300	\$0
Property Transfer Tax	154,000	108,100	127,887	\$19,787	108,100	108,100	0	\$120,000	\$11,900
Business License Tax	1,360,000	1,463,100	1,492,242	\$29,142	1,463,100	1,463,100	93,840	\$1,485,000	\$21,900
Municipal Services Tax	2,337,600	2,326,200	2,329,753	\$3,553	2,395,200	2,395,200	1,397,680	\$2,395,200	\$0
Franchise Fees (PG&E)	571,100	525,525	525,716	\$191	525,500	525,500	0	\$525,500	\$0
Planning & Building Inspe	524,946	446,696	429,574	(\$17,122)	497,680	497,680	160,786	\$497,680	\$0
Parks/Community Service	2,289,914	2,297,943	2,372,089	\$74,146	2,326,488	2,326,488	1,354,593	\$2,326,488	\$0
Other Depts (Fire, PD, PV)	1,529,000	1,521,145	1,551,881	\$30,736	1,460,216	1,460,216	498,740	\$1,460,216	\$0
Fines & Forfeitures	728,475	608,400	778,600	\$170,200	698,015	698,015	322,787	\$729,000	\$30,985
Investment Earnings	332,944	100,278	12,423	(\$87,855)	100,278	100,278	7,834	\$12,728	(\$87,550)
Intra-City Revenues	2,316,719	2,316,719	2,316,719	\$0	2,433,290	2,433,290	1,022,145	\$2,433,290	\$0
All Other Sources	1,937,044	2,012,412	1,961,789	(\$50,623)	1,321,166	1,399,912	584,234	\$1,494,405	\$94,493
Total	\$37,845,642	\$36,991,608	\$38,022,173	\$1,030,565	\$36,885,923	\$36,964,669	\$ 7,886,916	\$37,004,167	\$39,498

General Fund revenues for FY2009/10 reflected an increase of \$355,166, or 0.9%, from prior year results. The increase from the previous year is primarily attributable to increased Sales Tax revenues. Year-end results for FY2009/10 Sales Tax revenue exceeded the budget estimate by \$818,817 due in part to a one-time, year-end accounting correction related to those Sales Tax revenues accrued and recorded in the fiscal year they were earned. While this is not a new entry, the method used for estimating the amount was refined and resulted in a more accurate total for FY2009/10. As a result, sales tax revenue of \$297,333 was added to FY2009/10, whereas under the old methodology, this amount would have been recorded in FY2010/11.

The FY2010/11 adopted budget assumed a decline in General Fund revenues of \$1,136,250 from FY2009/10 actual, or 3.0%, due primarily to removal of one-time payments such as grants and reimbursements, and declines in various departmental revenues.

In light of year-to-date results for FY 2010/11, adjustments to this year's revenue estimates are warranted:

- Sales Tax receipts through the first half of FY 2010/11 indicate a decrease from FY2009/10 results. FY2009/10 results include a one-time, year-end accounting correction related to Sales Tax revenues accrued and recorded in the fiscal year they were earned. While this is not a new entry, the method used for estimating the amount was refined and resulted in a more accurate total for FY2009/10. As a result, sales tax revenue of \$297,333 was added to FY2009/10, whereas under the old methodology, this amount would have been recorded in FY2010/11. In the current

year-to-date, our core categories of Automotive and Restaurant, which together account for approximately 58% of direct Sales Tax collections, reflect *decline* of 8.3% compared to the same period last year. Overall, direct collections are down 4.79% over the same period in FY 2009/10. With two quarters remaining in the year, we are predicting we will meet our budget figure of \$7.8 million, based on year-to-date results combined with 0% growth assumptions for the remainder of the year. We will continue to monitor sales tax receipts closely and make adjustments to our forecast as needed.

- The Motor Vehicle In Lieu Tax estimate has been reduced \$72,800, based on prior year results and current year activity.
- Transient Occupancy Tax receipts for the first quarter of the fiscal year indicate a decline of 18.3% from FY2009/10 results for the same quarter, due to a general decline in tax receipts from hotel operators, and collection issues with two businesses. 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, but prior year results indicate we may exceed our budget estimate by \$21,900.
- Departmental revenue estimates are unchanged for the current year.
- Our Investment Earnings estimate has been downgraded \$87,550 based on prior year results, and persistence of historically low yields on City investments.
- Other revenues in the General Fund are estimated to modestly exceed budget expectations, including property transfer tax (\$11,900), parking citations (\$30,985), and miscellaneous reimbursements and donations (\$94,493).

Attachment D

General Fund Expenditures

Table 9 summarizes General Fund expenditure results for all departments. FY2009/10 expenditures ended the year at \$38.69 million, or \$1.0 million (3%) over the final budget of \$37.68 million.

Expenditure by Department	FY2009/10 Adjusted Budget	FY2009/10 Audited Actuals	Variance	% Exp.	FY2010/11 Adopted Budget	FY2010/11 Adjusted Budget	FY2010/11 Year-to-Date Actuals	% Exp.	FY2010/11 Year-End Projection
City Council	133,749	129,108	4,641	97%	137,229	137,229	71,912	52%	153,865
City Attorney	362,967	331,122	31,845	91%	362,967	362,967	131,430	36%	362,967
City Manager	4,071,935	3,810,474	261,461	94%	3,948,938	3,993,332	1,738,587	44%	3,727,316
Comm Development & Sustain	1,210,144	1,150,205	59,939	95%	1,456,019	1,496,019	697,843	47%	1,404,168
Community Services	4,167,276	3,952,017	215,259	0%	9,641,006	9,651,506	5,143,274	53%	9,296,711
Fire	8,568,502	8,130,651	437,851	95%	8,224,875	8,250,621	3,771,744	46%	7,685,827
Police	13,537,336	13,611,662	(74,326)	101%	13,136,087	13,138,587	6,701,764	51%	13,461,970
Parks & General Services	6,958,285	6,326,922	631,363	91%					
Public Works	1,232,154	918,642	313,512	75%	694,685	722,535	370,879	51%	698,316
Capital Improvements	76,782	69,757	7,025	91%	-	170,023	34,200	20%	170,023
Debt	205,658	205,658	-	100%	205,659	205,659	205,658	100%	205,659
Redevelopment	56,605	56,605	-	0%	55,582	55,582	19,998	36%	44,984
Non-Departmental Adjustments	(2,897,925)	(1,247)	(2,896,678)		(1,661,053)	(1,661,053)	-	0%	(898,695)
Total	\$37,683,468	\$ 38,691,576	\$ (1,008,108)	103%	\$ 36,201,994	\$ 36,523,007	\$ 18,887,289	52%	\$36,313,111
						<i>Projected Year-end Variance</i>			\$ 209,896

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

On a citywide basis, the General Fund expenditures ended FY2009/10 at \$38.69 million, which was \$1.0 million above the final adjusted budget. Personnel costs ended the year \$1.1 million, or 3.8% over budget, with realized General Fund personnel savings ending the year at \$975,868, which is below the level of General Fund salary savings incorporated into the FY2009/10 budget. Non-personnel costs ended the year \$163,950, or 2.3% below budget, which realized General Fund non-personnel savings ending the year at \$912,693; which is slightly above the General Fund non-personnel savings incorporated into the FY 2009/10 budget.

Through the first six months of FY2010/11 General Fund expenditures (including encumbrances) were \$18.89 million, or 52% of the adjusted budget of \$36.52 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, is projected to result in a slight increase in general fund savings of \$81,000.

Non-personnel expenditures also continue to track within budget and are projected to yield additional savings of \$128,000 above the \$770,000 anticipated savings assumed in the development of the FY2010/11 budget.

Preliminary projections of year end General Fund expenditures stand at \$ 36.31 million, or \$209,896 (0.57%) below the adjusted budget for FY2010/11. Continued refinement to the FY 2010/11 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 FY2011/12 baseline budget. The table 10 below reflects the forecast results for audited FY2009/10, adjusted projections for FY2010/11 and an original baseline projection for FY2011/12. The results of the adjusted forecast reflect an ending FY2010/11 General Fund deficit of \$240,617.

CITY OF DAVIS					
FORECAST					
GENERAL FUND - TABLE 10					
FY 2010/11 Mid Year Update					
General Fund		Audited Actual FY 2009/10	Original Budget FY2010/11	Adjusted Budget FY2010/11	Estimate FY 2010/11
Beginning Balances		\$ 4,970,744	\$ 4,014,543	\$ 4,014,543	\$ 4,014,543
Revenues		\$ 38,022,173 6.2%	\$ 36,885,923 -2.1%	\$ 36,964,669 0.2%	\$ 37,004,167 0.3%
Expenditures		\$ 38,691,576	\$ 36,201,994 -7.7%	\$ 36,523,007 0.9%	\$ 36,313,112 0.3%
Changes in Reserved Fund Balance**		33,565	-	-	-
Transfers		-	-	-	-
Unreserved Fund Balance		\$ 4,334,906	\$ 4,698,472	\$ 4,456,205	\$ 4,705,598
Unencumbered Carry-over Appropriations 07/08		\$ (333,456)	\$ -	\$ -	\$ -
Unencumbered Carry-over Appropriations 08/09		\$ 327,510	\$ -	\$ -	\$ -
Unencumbered Carry-over Appropriations 09/10		\$ (239,417)	\$ -	\$ 239,417	\$ 239,417
Public Safety Staffing Reserve		\$ (75,000)	\$ -	\$ -	\$ -
Ending Unreserved Fund Balance	-	\$ 4,014,543	\$ 4,698,472	\$ 4,695,622	\$ 4,945,015
Percentage (E.U.F.B./Revenues)		11.2%	13.6%	13.6%	14.3%
Reserve Policy \$		\$ 5,355,818	\$ 5,167,895	\$ 5,179,707	\$ 5,185,632
Reserve Policy %		15.00%	15.00%	15.00%	15.00%
"Excess" Fund Balance (over Reserve Target)	-	\$ (1,341,275)	\$ (469,423)	\$ (484,085)	\$ (240,617)
Annual Deficit	-				
** This line item is included to link the Audited Financial Statements with Budget Estimates and also includes changes in encumbrance balances.					

The City Council will review the preliminary baseline budget for FY2011/12, the updated Five-Year Forecast, as well as preliminary budget-balancing recommendations, as part of its budget workshop scheduled for March 29th.