



**MARCH 20, 2012
BUDGET WORKSHOP
REPORT**

STAFF REPORT

DATE: March 20, 2012

TO: City Council

FROM: Kelly Fletcher, Budget Manager

VIA: Paul Navazio, Assistant City Manager

SUBJECT: FY 2011/12 Budget Update – July 1, 2011 – January 31, 2012 (7 months)

Recommendation

This informational item presents revenue and expenditure results through the first seven months of fiscal year 2011/2012, as well as updated projections of General Fund results through the end of the fiscal year (June 30, 2012).

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 FY2011/12. Staff is currently refining these projections, as well as developing the forecast for FY 2012/13 and recommendations aimed at restoring the General Fund reserve to the 15% policy level in conjunction with the FY2012/13 budget.

The FY2012/13 budget and updated Five-Year forecast will be informed by the projections for the current fiscal year, as well as updated information relative to revenue forecasts and personnel cost estimates; the latter to be informed by progress on current labor negotiations as well as expectations of increased CalPERS retirement costs resulting from anticipated action by the CalPERS Board to reduce the investment earnings assumptions for CalPERS pension plans.

Summary

Based on revenue results through the first seven 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 \$72,983. Current results for General Fund expenditures suggest that the City will not meet its expenditure savings projections yielding a shortfall of \$665,561. This is due to the additional \$1.0 million dollar of personnel savings built into the FY 2011/12 budget which will not be fully achieved.

Based on the amended budget as well as results through the first seven months, the General Fund is projected to end the current year with an unreserved fund balance of \$4,357,911, or 12.2% of operating revenues, which implies a fund balance result \$1,010,660 below the level suggested by the City's 15% General Fund reserve policy. This result assumes a fund balance draw-down of \$850,000 to fund appropriations included in the FY2011/12 budget streets and road maintenance. While these expenditures were intended to be off-set by corresponding General

Fund personnel reductions, implementation of additional personnel reductions are being deferred pending the outcome of current labor negotiations.

The City Manager's Office is finalizing the FY 2012/13 baseline budget, and recommendations aimed at restoring the General Fund reserve to the 15% policy level by the end of Fiscal Year 2012/13. In addition, The budget-balancing plan is expected to be outlined for the City Council as part of upcoming budget discussions.

The following represent selected highlights from the budget report:

- ❑ *Year-to-date All Funds Revenues through the first seven months of FY2011/12 are \$71.76 million, or 49.79% of the Adjusted Budget figure of \$144.35 million. (See Attachment A-Table 1)*
- ❑ *All Funds Expenditures through January 31st of FY2011/12 stand at \$84.47 million, or 46.2% of the All Funds Budget of \$182.82 million. (See Attachment A – Tables 2,3).*
- ❑ *As of January 10, the City has documented a current vacancy list of 18 regular full time and 2 regular part time positions. This represents a vacancy rate of 4.7% in our current work force, in relation to our 404.855 budgeted Full Time Equivalent permanent positions. In addition to the current vacancies, 2 regular full time positions have been recruited and filled in FY 2011/12. (See Table 6)*
- ❑ *On a budgetary basis, the General Fund Unreserved Fund Balance as of June 30, 2011 was \$4.95 million, and represents a negative variance in the reserve of (\$383,724) as compared to the reserve level assumed in the development of the FY2011/12 budget. The year-end Unreserved Fund Balance as of June 30, 2011 represents 14.0% of General Fund revenues. The FY2011/12 Adopted Budget assumed a year-end reserve level of 15.1%, with balancing measures being implemented to bring the Budgeted FY2011/12 reserve to 15.4%. (See Attachment B-Table 7).*
 - *General Fund revenues ended FY2010/11 at \$37.56 million, which is \$268,702 above the previous revenue estimate. (See Attachment C-Table 8).*
 - *General Fund expenditures ended FY2010/11 at \$36.77 million, which was \$162,395 under the final adjusted budget, and \$510,629 (1.4%) above the expenditure estimate assumed in the development of this year's budget. In addition, \$129,417 in unexpended, funding has previously been re-appropriated as carry-overs into the current fiscal year, representing allocations for specific projects that were not completed as of June 30, 2011. (See Attachment D-Table 10).*
- ❑ *Year-to-date General Fund revenues through the first seven months of the fiscal year are \$19,265,713 or 50.4% of the \$38.24 million adjusted revenue budget. General Fund revenues are projected to end the fiscal year at \$38.32 million, which is \$72,983 or (0.2%) above the adjusted revenue budget. (See Attachment C-Table 8)*

- Sales Tax receipts through the first half of FY 2011/12 indicate an increase from FY2010/11 results. 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 an *increase* of 18.8% compared to the same period last year. Overall, direct collections are up 16.7% over the same period in FY 2010/11. With two quarters remaining in the year, we are predicting we will exceed our budget figure of \$8.0 million, based on year-to-date results combined with 0% growth assumptions for the remainder of the year. As a result, sales tax revenue of \$290,000 was added to the FY2011/12 current estimate. We will continue to monitor sales tax receipts closely and make additional adjustments to our forecast as needed.
 - The Motor Vehicle In Lieu Tax estimate has been reduced \$177,300, due to the elimination of this State subvention.
 - All other major Tax categories, Property, Transient Occupancy, Business License and Municipal Service Taxes are all projected consistent with the FY 2011/12 budget and no adjustments have been made at this time.
 - Departmental revenue estimates remain flat compared to the 2011/12 adjusted budget.
 - Other revenues in the General Fund are estimated to modestly exceed budget expectations, parking citations (\$98,900), Interest Earnings (\$15,800), and rents/leases (\$39,200).
- Through the first seven months of FY2011/12 General Fund expenditures (including encumbrances) were \$22.62 million, or 59% of the adjusted budget of \$38.24 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, as well as, the initial implementation of departmental reorganizations, is projected to result in a slight increase above our standard general fund personnel savings of \$165,407. The additional \$165,407 savings does begin to offset the \$1,000,000 in additional personnel savings desired to assist with funding Street and Road maintenance projects, but is not projected to achieve the full desired savings in FY 2011/12.
- Non-personnel expenditures also continue to track within budget and are projected to yield additional savings of \$306,000 above the \$770,000 anticipated savings assumed in the development of the FY2011/12 budget. This additional \$306,000 will assist in funding the \$850,000 added for Street and Road maintenance projects, but will not cover the full costs in FY 2011/12.
- Preliminary projections of year end General Fund expenditures stand at \$ 38.90 million, or \$665,561 (1.74%) above the adjusted budget for FY2011/12.
- *The combination of FY2010/11 year-end results and the revised budget projections for the current-year suggest that the General Fund is expected to end FY2011/12 with a fund*

balance of \$4.36 million, representing 12.2% of General Fund revenues. This level of fund balance would be \$1,010,660 under the Council's 15% reserve policy.

- *Staff will continue to refine current revenue and expenditure estimates for the FY2011/12 budget as well as a preliminary update of the FY2012/13 General Fund Baseline budget. The City Council will review the preliminary baseline budget for FY2012/13, the updated Five-Year Forecast including updated projections based on current PERS downgraded investment assumptions, as well as preliminary budget-balancing recommendations, as part of its budget workshop scheduled for May. (See Attachment E, Table 10)*

Conclusion

This informational report represents the Budget Update for FY2011/12, 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 seven 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 FY2012/13 as well as the updated General Fund forecast will be the subject of the City Council's budget workshops on the FY2012/13 budget, scheduled for May.

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

All Funds Revenues - Table 1					
FY 2011/12 Year-To-Date 7-1-11 to 1-31-12 (7 monts)					
Funds	Original Budget 7/1/11	Adjusted Budget 1/31/12	Year-To-Date Actual 1/31/12	Seven months 59%	Note
General Fund	37,891,134	38,241,038	19,265,713	50.4%	1b
Special Revenue Funds	20,562,500	23,599,600	10,613,124	45.0%	
Debt Service	3,008,820	3,008,820	1,359,888	45.2%	
Capital Projects Funds	1,520,985	1,520,985	1,856,929	122.1%	1c
Trust Funds	360	360	115	31.9%	
Enterprise Funds	47,175,249	47,175,249	23,875,699	50.6%	1d
Internal Service Funds	17,648,744	17,648,744	9,199,234	52.1%	
Redevelopment Funds	13,153,330	13,153,330	5,588,406	42.5%	
Total All Funds	140,961,122	144,348,126	71,759,108	49.7%	1a

- 1a** Year-to-date All Funds Revenues are currently \$71.76 million, or 49.7% of the adjusted \$144.35 million budget.
 - 1b** General Fund revenues received to date are \$19.26 million, or 50.4% of the \$38.24 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.
 - 1c** Receipt of Capital Project funds are in excess of budgeted revenues due to additional development fees for the New Harmony project that were not included in the initial FY2011/12 budget.
 - 1d** Enterprise Fund revenues are tracking in proportion to expectations.
- *All other funds are also tracking in proportion to expectations when considering timing of annual receipts.*

Attachment A

Table 2 – All Funds Expenditures

All Funds Expenditures - Table 2					
FY 2011/12 Year-To-Date 7-1-11 to 1-31-12 (7 months)					
Expenditure By Fund	Original Budget 7/1/11	Adjusted Budget 1/31/12	Year-To-Date Actual 1/31/12	Seven months 59%	Note
General Fund	37,739,237	38,238,251	22,615,019	59.1%	2b
Special Revenue Funds	19,120,942	27,999,977	14,602,754	52.2%	
Debt Service	2,792,313	2,891,313	2,099,626	72.6%	2c
Capital Projects Funds	8,794,826	10,235,728	1,936,873	18.9%	2d
Trust Funds	-	-	-	0.0%	
Enterprise Funds	48,846,971	50,814,051	21,220,073	41.8%	
Internal Service Funds	15,233,164	15,477,468	9,079,029	58.7%	
Redevelopment Funds	36,318,191	37,166,621	12,917,741	34.8%	
Total All Funds	168,845,644	182,823,409	84,471,115	46.2%	2a

- 2a** Year to date All Funds Expenditures are currently \$84.47 million, or 46.2 % of the adjusted \$182.82 million adjusted budget.
- 2b** General Fund expenditures are reporting at \$22.62 million, or 59.1% of the total \$38.24 million adjusted budget.
- 2c** Debt Service Funds reflect expenditures at 72.6% of budget, as a result of annual debt payments due in the first quarter of the fiscal year.
- 2d** Capital Project Fund would appear to be tracking below budget, due to the spring/summer seasonality of many construction projects.

Table 3 – All Funds Expenditures by Department

All Funds Expenditures by Department - Table 3					
FY 2011/12 Year-To-Date 7-1-11 to 1-31-12 (7 months)					
Expenditure by Department	Original Budget 7/1/11	Adjusted Budget 1/31/12	Year-To-Date Actual 1/31/12	Seven months 59%	Note
City Council	172,977	172,977	86,786	50.2%	
City Attorney	512,967	512,967	223,598	43.6%	
City Manager	16,221,063	16,616,036	9,605,079	57.8%	
Comm. Development & Sustainability	3,377,530	3,691,818	2,086,956	56.5%	
Community Services	30,805,126	32,716,757	20,163,473	61.6%	3b
Fire	9,617,664	9,834,494	5,348,482	54.4%	
Police	15,413,221	15,782,847	8,876,083	56.2%	
Public Works	35,692,831	35,979,683	17,084,506	47.5%	
Capital Improvements	40,073,897	50,458,462	11,543,193	22.9%	3c
Debt Service	6,024,244	6,123,244	4,445,111	72.6%	3d
Redevelopment	12,511,259	12,511,259	5,007,849	40.0%	
Other	(1,577,135)	(1,577,135)	(1)	0.0%	
Total All Funds	168,845,644	182,823,409	84,471,115	46.2%	3a

- 3a** Year to date All Funds Departmental Expenditures are currently \$84.47 million, or 46.2 % of the adjusted \$182.82 million adjusted budget.
- 3b** Community Services Department would appear to be tracking slightly ahead of budget at 61.6%, due to annual seasonality of expenditures taking place during the summer months of 2011.
- 3c** Capital Improvements would appear to be tracking below budget, due to the spring/summer seasonality of many construction projects.
- 3d** Debt Service Funds reflect expenditures at 72.6% of budget, as a result of annual debt payments due in the first quarter of the fiscal year.

Personnel Analysis

Table 4 – FY 2011/12 Year-to-Date Personnel Expenditures

<i>All Funds Personnel Expenditures - Table 4</i>					
<i>FY 2011/12 Year-To-Date 7-1-11 to 1-31-12 (7 months)</i>					
Expenditure by Department	Original Budget 7/1/11	Adjusted Budget 1/31/12	Year-To-Date Actual 1/31/12	Seven months 59%	Note
City Council	136,508	136,508	67,706	49.6%	
City Manager	4,622,857	4,614,307	2,585,254	56.0%	
Comm. Development & Sustainability	2,582,811	2,582,811	1,350,152	52.3%	
Community Services	10,158,975	10,150,560	5,507,557	54.3%	
Fire	7,990,066	8,019,874	4,479,447	55.9%	
Police	12,750,810	12,878,609	6,979,909	54.2%	
Public Works	11,945,499	11,925,999	5,878,367	49.3%	
Capital Improvements/Debt	1,976,727	1,880,096	840,049	44.7%	
Redevelopment	622,885	622,885	334,080	53.6%	
Citywide Savings	(1,807,135)	(1,807,135)			
Total	\$ 50,980,003	\$ 51,004,514	\$ 28,022,521	54.9%	4a

- 4a** FY2011/12 personnel expenditures are currently tracking at 54.9%, which is consistent with budgeted projections.
 - On a citywide basis, the All Funds Personnel costs represented 27.90% of total city expenditures of \$182.32 million.

Table 5 summarizes the FY2011/12 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.

All Funds Overtime Expenditures - Table 5					
FY2011/12 Year-to-Date 7/1/11-1/31/12 (7 months)					
Expenditure by Department	Original Budget 7/1/11	Adjusted Budget 1/31/12	Year-To-Date Actual 1/31/12	Seven months 59%	Note
City Manager's Office	7,471	7,471	2,876	38%	
Comm. Development & Sustainability	6,078	6,078	757	12%	
Community Services	34,147	34,147	15,093	44%	
Fire	318,949	348,757	379,068 *	109%	5a
Police	360,437	360,437	180,735	50%	
Public Works	133,158	133,158	74,193	56%	
Capital Improvement Projects	10,000	12,777	7,091	55%	
Redevelopment	-	-	-	0%	
TOTAL OVERTIME	\$ 870,240	\$ 902,825	\$ 659,813	73%	5b

* The portion of overtime related to Strike Teams reimburseable through State or Federal Funding for FY 2011/12 is \$29,808.

- 5a** Fire overtime is currently tracking over budget, due to backfill for two vacant Fire Division Chief positions. These costs are offset by regular full time salary savings.
 - 5b** On an all funds basis, total overtime adjusted budget for FY2011/12 is \$0.9 million, and represents 1.8% 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 18 regular full time and 2 regular part time positions. This represent a vacancy rate of 4.7% in our current work force, in relation to our 404.85 budgeted Full Time Equivalent permanent positions. In addition to the current vacancies, 2 regular full time vacant positions have been recruited and filled in FY 2011/12. (See Table 6)*

Position Vacancy Listing

The following **Table 6** presents a listing of vacant positions as of January 31, 2012, as well as updated information on previous reported vacancies hired since July 1, 2011.

Vacant Positions as of January 31, 2012			
Dept	Position Title	Funding Source	Status
CMO	Budget Specialist I	General Fund	Vacant as of 7/1/10
CDS	Bicycle/Pedestrian Coordinator	Gas Tax/Transportation	Vacant 9/9/11
CDS	Building Inspector II	Building Fund	Vacant 1/31/10 Backfill with TPT
CDS	Office Assistant II	General Fund	Vacant 2/4/11 Backfill with TPT
CDS	Senior Office Assistant (50%)	General Fund	Vacant 7/1/10
CSD	Senior Office Assistant (50%)	Child Care Fund	Vacant 11/11/11
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	Fire Division Chief	General Fund	Vacant 10/1/10 Backfill with TPT
PD	Police Officer	General Fund	Vacant 6/20/11
PD	Police Officer	General Fund	Vacant 8/28/11
PW	Assistant Public Works Director	Various Funds	Vacant 12/31/10 Backfill with TPT
PW	Associate Civil Engineer	Various Funds	Vacant 10/31/10
PW	Electrician	Various Funds	Vacant 1/4/11
PW	Electrician	Various Funds	Vacant 10/28/11
PW	Engineering Assistant	Enterprise Funds	Vacant 7/1/09
PW	Public Works Maint Worker II	Enterprise Funds	Vacant 8/12/11
PW	PW Director	Various Funds	Vacant 12/31/09
PW	WWTP Senior Operator	Enterprise Funds	Vacant 7/1/09
Positions Hired			
Dept	Position Title	Funding Source	Hire Date
CMO	City Manager	General Fund	Vacant as of 9/24/10 - Hired 9/2/11
PW	WWTP Lead Operator	Enterprise Funds	Vacant 2/28/11 - Hired 9/19/11

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, 2011 as well as budget and year-to-date results through the first six months of FY2011/12:

General Fund Summary - Table 7							
FY2010/11 Results and FY2011/12 Year-to-Date Results 7-1-11 to 1-31/12 (7 months)							
Description	FY2010/11 Adjusted Budget	FY2010/11 Budget Projection	FY2010/11 AUDITED Actual Results	FY2011/12 Adopted Budget 7/1/11	FY2011/12 Adjusted Budget 1/31/12	FY2011/12 Year-to-Date Results 1/31/12	FY2011/12 Year-end Projection as of 1/31/12
<i>Beginning Unreserved Fund Balance</i>	\$4,014,543	\$4,014,543	\$4,014,543	\$5,287,896	\$4,947,701	n/a	\$4,947,701
Revenues	37,407,080	37,290,911	37,559,613	37,891,134	38,241,038	19,265,713	38,314,021
Expenditures	(36,929,999)	(36,256,975)	(36,767,604)	(37,739,237)	(38,238,251)	(22,615,019)	(38,903,812)
Transfers	0	0	0				
Change in Reserved Fund Balance **	0	0	(98,268)	0	0	0	0
Position Savings/Adjustments							
Audited Unreserved Fund Balance	\$4,491,624	\$5,048,479	\$4,708,284	\$5,439,793	\$4,950,488	<i>n/a</i>	\$4,357,911
Prior Unencumbered Carry-over Appropriations	239,417	239,417	239,417				
Ending Unreserved Fund Balance	\$4,731,041	\$5,287,896	\$4,947,701	\$5,439,793	\$4,950,488	<i>n/a</i>	\$4,357,911
Percentage (E.U.F.B./Revenues)	13.5%	15.1%	14.0%	15.4%	13.9%	<i>n/a</i>	12.2%
Reserve Policy \$	\$5,246,069	\$5,245,894	\$5,289,423	\$5,305,137	\$5,357,623		\$5,368,570
Reserve Policy	15%	15%	15%	15%	15%		15%
"Excess" Fund Balance (over Reserve Target)	\$ (515,028)	\$ 42,002	\$ (341,722)	\$ 134,656	\$ (407,135)	<i>n/a</i>	\$ (1,010,660)
** This line item is included to link the Audited Financial Statements with Budget Estimates and also includes changes in encumbrance balances.							

FY2010/11

The General Fund's Unreserved Fund Balance as of June 30, 2011 was \$4.73 million, equal to 13.5% of General Fund revenues, and reflects a negative variance of (\$515,028) as compared to the reserve level assumed in the development of the FY2011/12 budget. The FY2011/12 Adopted Budget assumed a year-end reserve level of 15.1%.

FY2011/12

The Adopted FY2011/12 budget was developed such that the resulting General Fund unreserved Fund Balance at June 30, 2012 would be \$5.44 million, or 15.4% of General Fund revenues. This assumed a beginning fund balance of \$5.29 million and an anticipated excess of fund balance reserve totaling \$134,656. Final year-end results for FY2010/11 provide an updated projection for the General Fund reserve at June 30, 2011. Assuming current year results consistent with the budget - would yield a projected year-end fund balance of \$4.95 million, or 13.9% of General Fund revenues. This would yield a deficit fund balance on June 30, 2012 of roughly (\$407,135) below the reserve requirement.

Attachment C

General Fund Revenues

Table 8 presents a summary of results for our major General Fund revenue sources. FY2010/11 revenues were \$37.56 million which was \$268,702 (0.7%) above the revenue estimate used in the development of the FY2011/12 budget.

Table 8a: General Fund Revenues					
FY2010/11 Results					
Revenue by Source	FY2010/11 Adjusted Budget	FY2010/11 Estimate	FY2010/11 Actual	Variance Favorable / (Unfavorable)	Variance Percentage
Property Taxes	\$14,572,790	\$14,764,369	\$14,771,938	\$7,569	0.1%
Sales & Use Tax	\$7,800,000	\$7,922,500	\$7,894,939	(\$27,561)	-0.3%
Motor Vehicle In Lieu	\$266,800	\$177,300	\$336,099	\$158,799	89.6%
Transient Occupancy Tax	\$917,300	\$920,000	\$958,434	\$38,434	4.2%
Property Transfer Tax	\$108,100	\$128,000	\$125,638	(\$2,362)	-1.8%
Business License Tax	\$1,463,100	\$1,500,000	\$1,466,725	(\$33,275)	-2.2%
Municipal Services Tax	\$2,395,200	\$2,411,000	\$2,417,072	\$6,072	0.3%
Franchise Fees (PG&E)	\$525,500	\$533,500	\$533,536	\$36	0.0%
Planning & Building Inspection	\$497,680	\$394,785	\$415,437	\$20,652	5.2%
Parks/Community Services	\$2,351,886	\$2,284,574	\$2,344,819	\$60,245	2.6%
Other Depts (Fire, PD, PW)	\$1,460,216	\$1,559,216	\$1,547,930	(\$11,286)	-0.7%
Fines & Forfeitures	\$698,015	\$703,000	\$861,216	\$158,216	22.5%
Investment Earnings	\$100,278	\$12,602	\$16,634	\$4,032	32.0%
Intra-City Revenues	\$2,433,290	\$2,318,284	\$2,296,790	(\$21,494)	-0.9%
All Other Sources	\$1,816,925	\$1,661,781	\$1,572,406	(\$89,375)	-5.4%
Total	\$37,407,080	\$37,290,911	\$37,559,613	\$268,702	0.7%

General Fund Revenues - Table 8b						
FY2011/12 Projections						
Revenue by Source	FY2011/12 Adopted Budget 7/1/11	FY2011/12 Adjusted Budget 1/31/12	FY2011/12 Year to Date 1/31/12	FY2011/12 Projection as of 1/31/12	Variance Favorable / (Unfavorable)	Note
Property Taxes	\$14,799,236	\$14,799,236	\$7,545,472	\$14,799,236	\$0	
Sales & Use Tax	\$8,001,725	\$8,001,725	\$3,311,918	\$8,291,725	\$290,000	8a
Motor Vehicle In Lieu	\$177,300	\$177,300	\$0	\$0	(\$177,300)	8b
Transient Occupancy Tax	\$900,500	\$900,500	\$356,095	\$900,500	\$0	
Property Transfer Tax	\$128,000	\$128,000	\$98,837	\$128,000	\$0	
Business License Tax	\$1,500,000	\$1,500,000	\$844,568	\$1,500,000	\$0	
Municipal Services Tax	\$2,477,300	\$2,477,300	\$1,855,395	\$2,477,300	\$0	
Franchise Fees (PG&E)	\$533,500	\$533,500	\$0	\$533,500	\$0	
Planning & Building Inspection	\$633,299	\$894,356	\$413,907	\$718,734	(\$175,622)	8c
Parks/Community Services	\$2,361,706	\$2,371,137	\$1,519,174	\$2,321,914	(\$49,223)	8d
Other Depts (Fire, PD, PW)	\$1,541,027	\$1,541,027	\$555,089	\$1,551,497	\$10,470	
Fines & Forfeitures	\$730,600	\$730,600	\$433,408	\$829,500	\$98,900	8e
Investment Earnings	\$0	\$0	\$6,828	\$15,800	\$15,800	8e
Intra-City Revenues	\$2,523,552	\$2,523,552	\$1,473,105	\$2,523,552	\$0	
All Other Sources	\$1,583,389	\$1,662,805	\$851,917	\$1,722,763	\$59,958	8e
Total	\$37,891,134	\$38,241,038	\$19,265,713	\$38,314,021	\$72,983	

8a Sales Tax receipts through the first half of FY 2011/12 indicate an increase from FY2010/11 results. 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 an *increase* of 18.8% compared to the same period last year. Overall, direct collections are up 16.7% over the same period in FY 2010/11. With two quarters remaining in the year, we are predicting we will exceed our budget figure of \$8.0 million. As a result, sales tax revenue of \$290,000 was added to the FY2011/12 current estimate. We will continue to monitor sales tax receipts closely and make additional adjustments to our forecast as needed.

8b The Motor Vehicle In Lieu Tax estimate has been reduced \$177,300, due to the elimination of this State subvention.

- *All other major Tax categories, Property, Transient Occupancy, Business License and Municipal Service Taxes are all projected consistent with the FY 2011/12 budget and no adjustments have been made at this time.*

8c Revenue estimate within the Building Division by \$175,000 due to lower than expected housing starts and a delay in processing permits for the Carleton Place and Hotel/Conference Center projects.

8d Community Services Department has also reduced their revenue projections consistent with current recreation class registrations. These revenues are offset by corresponding expenditure reductions.

- All other Departmental revenue estimates remain flat compared to the 2011/12 adjusted budget.

8e Additional revenues in the General Fund estimated to modestly exceed budget expectations, parking citations (\$98,900), Interest Earnings (\$15,800), and rents/leases (\$39,200).

Attachment D

General Fund Expenditures

Table 9 summarizes General Fund expenditure results for all departments. FY2010/11 expenditures ended the year at \$36.77 million, just under final budget of \$36.93 million.

Table 9a: General Fund Expenditures				
FY2010/11 Year-End Results and FY2011/12 Year-to-Date				
Expenditure by Department	FY2010/11 Adjusted Budget	FY2010/11 AUDITED Actuals	Variance	% Exp.
City Attorney	362,967	307,893	(55,074)	85%
City Manager / Council	4,164,161	3,903,060	(261,101)	94%
Community Development	1,787,352	1,632,498	(154,854)	91%
Community Services	9,731,565	9,126,699	(604,866)	94%
Fire	8,250,621	7,763,216	(487,405)	94%
Police	13,144,187	13,281,579	137,392	101%
Public Works	718,935	520,399	(198,536)	72%
Capital Improvements	170,023	35,365	(134,658)	21%
Debt	205,659	205,658	(1)	100%
Redevelopment	55,582	52,627	(2,955)	95%
<i>Non-Departmental Adjustments</i>	(1,661,053)	(61,390)	1,599,663	4%
Total	\$ 36,929,999	\$ 36,767,604	\$ (162,395)	100%

General Fund Expenditures - Table 9b					
FY2010/11 Year-End Results and FY2011/12 Year-to-Date 7-1-11 to 1-31-12 (7 months)					
	FY2011/12 Adopted Budget 7/1/11	FY2011/12 Adjusted Budget 1/31/12	FY2011/12 Year-to-Date Actuals 1/31/12	Seven Months 59% Exp.	FY2011/12 Year-End Projection as of 1/31/12
Expenditure by Department					
City Attorney	362,967	362,967	185,922	51%	362,967
City Manager/ Council	4,223,394	4,224,871	2,215,087	52%	4,166,570
Community Development	1,393,007	1,702,795	1,037,251	61%	1,662,173
Community Services	10,094,622	10,159,653	6,023,859	59%	9,894,445
Fire	8,237,193	8,267,001	4,605,850	56%	8,208,115
Police	13,824,675	13,825,975	7,698,981	56%	13,414,397
Public Works	974,856	974,856	567,116	58%	974,856
Capital Improvements	-	91,610	75,295	82%	91,610
Debt	205,658	205,658	205,658	100%	205,658
Redevelopment	-	-	-	0%	-
<i>Non-Departmental Adjustments</i>	<i>(1,577,135)</i>	<i>(1,577,135)</i>	<i>-</i>	<i>0%</i>	<i>(76,979)</i>
Total	\$ 37,739,237	\$ 38,238,251	\$ 22,615,019	59%	\$ 38,903,812
					\$ (665,561)

FY2010/11 General Fund expenditure results for most operating departments were within their adjusted budget, with savings ranging from 5% to 79% of budgeted expenditures. The more significant saving in the Capital Improvements are due to prior year unspent funds being released for the City Hall Remodel and the Olive/Mace Bike Path.

The Police department shows a slight 1% overage primarily due to assumed saving in the adopted FY 10/11, pre final contract negotiations. The overage in the City Council budget is attributed to changes in Council members and insurance costs.

On a citywide basis, the General Fund expenditures ended FY2010/11 at \$36.77 million, which was \$162,395 below the final adjusted budget. Personnel costs ended the year \$773,084, or 1.5% under budget, with realized General Fund personnel savings ending the year at \$447,047, which is below the \$891,053 of General Fund salary savings incorporated into the FY2010/11 budget. Non-personnel costs ended the year \$548,052, or 8.3% below budget, which realized General Fund non-personnel savings ending the year at \$1.32 million; which is above the General Fund non-personnel savings incorporated into the FY 2010/11 budget.

Through the first seven months of FY2011/12 General Fund expenditures (including encumbrances) were \$22.62 million, or 59% of the adjusted budget of \$38.24 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, as well as, the initial implementation of departmental reorganizations, is projected to result in a slight increase above our standard general fund personnel savings of \$165,407. The additional \$165,407 savings does begin to offset the \$1,000,000 in additional personnel savings desired to assist with funding Street and Road maintenance projects, but is not projected to achieve the full desired savings in FY 2011/12.

Non-personnel expenditures also continue to track within budget and are projected to yield additional savings of \$306,000 above the \$770,000 anticipated savings assumed in the development of the FY2011/12 budget. This additional \$306,000 will assist in funding the \$850,000 added for Street and Road maintenance projects, but will not cover the full costs in FY 2011/12.

Preliminary projections of year end General Fund expenditures stand at \$ 38.90 million, or \$665,561 (1.74%) above the adjusted budget for FY2011/12. This result stems from expenditures for street and roads maintenance that were assumed to be funded through off-setting General Fund personnel reductions. Implementation of personnel reductions have been deferred, pending the outcome of current labor negotiations.

Attachment E

General Fund Forecast

The following table represents updates to the City’s General Fund forecast in preparation of the FY2012/13 baseline budget. The table 10 below reflects the forecast results for audited FY2010/11, adjusted projections for FY2011/12. The results of the adjusted forecast reflect an ending FY2011/12 General Fund balance of \$4.38 million or 12.2% reserve.

CITY OF DAVIS				
FORECAST				
GENERAL FUND - TABLE 10				
FY 2011/12 (1-31-12)				
General Fund	Audited Actual FY 2010/11	Original Budget FY2011/12	Adjusted Budget FY2011/12	Estimate FY 2011/12
Beginning Balances	\$ 4,014,543	\$ 5,287,896	\$ 4,947,701	\$ 4,947,701
Revenues	\$ 37,559,613 -1.4%	\$ 37,891,134 0.6%	\$ 38,255,246 1.0%	\$ 38,314,021 1.1%
Expenditures	\$ 36,767,604	\$ 37,739,237 -3.8%	\$ 38,238,251 1.3%	\$ 38,903,812 3.1%
Changes in Reserved Fund Balance**	(98,268)	-	-	-
Transfers	-	-	-	-
Unreserved Fund Balance	\$ 4,708,284	\$ 5,439,793	\$ 4,964,696	\$ 4,357,911
Unencumbered Carry-over Appropriations 09/10	\$ 239,417	\$ -	\$ -	\$ -
Ending Unreserved Fund Balance	\$ 4,947,701	\$ 5,439,793	\$ 4,964,696	\$ 4,357,911
Percentage (E.U.F.B./Revenues)	14.0%	15.4%	13.9%	12.2%
Reserve Policy \$	\$ 5,289,423	\$ 5,305,137	\$ 5,359,754	\$ 5,368,570
Reserve Policy %	15.00%	15.00%	15.00%	15.00%
"Excess" Fund Balance (over Reserve Target)	\$ (341,722)	\$ 134,656	\$ (395,058)	\$ (1,010,660)
Annual Deficit				
<i>** This line item is included to link the Audited Financial Statements with Budget Estimates and also includes changes in encumbrance balances.</i>				

At this time, staff continues to review the FY 2011/12 projections, develop the FY 2012/13 budget, and will be back before Council in April with an updated Five-Year Forecast, as well as preliminary budget-balancing recommendations, as part of its budget workshop scheduled for May.

