

CITY OF YUBA CITY
STAFF REPORT

Date: November 4, 2008
To: Honorable Mayor & Members of the City Council
From: Finance
Presentation By: Robin Bertagna, C.P.A., Chief Financial Officer

Summary

Subject: Budget Status Report for Fiscal Year 2008-09 and Quarterly Financial Report
Recommendation: Review and discuss the Quarterly Financial Report and provide direction to staff regarding proposed FY 2008-09 budget reductions
Fiscal Impact: Proposed savings based on recommended budget reductions

Analysis:

The attached Financial Report has been prepared for City Council review for the Quarter Ending September 30, 2008.

Additionally, based on current economic conditions, future revenue forecasts have been revised. As such, the executive team has provided proposed budget reduction scenarios. These will be reviewed and discussed with City Council during the quarterly financial report presentation.

Fiscal Impact:

Proposed savings based on recommended budget reductions.

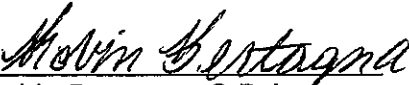
Alternatives:

Not applicable


Recommendation:

Staff recommends that the City Council note and file the Financial Report for Quarter Ended September 30, 2008. Additionally, City staff is requesting direction from City Council regarding the proposed FY 2008-09 budget reductions.

Prepared By:

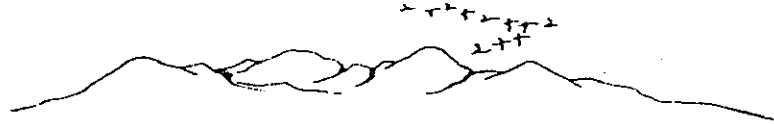

Robin Bertagna, C.P.A.
Chief Financial Officer

Submitted By:


Steven R. Jepsen
City Manager

Reviewed By:

Assistant City Manager



Quarterly Financial Report
For Quarter Ending 09/30/08

November 4, 2008

OVERVIEW

With general fund revenues projected to be less than budgeted, City staff is establishing a list of proposed budget reductions. When the FY 2008-09 budget was adopted, it was anticipated that reserves from the economic stabilization reserve would be utilized to balance operating expenditures until revenues began increasing at a rate similar to past experience. Since that time, the world economy has experienced a significant slowing. Yuba City is also experiencing this slowdown. In an effort to respond quickly and mitigate the impact of spending reserves, City staff has proposed budget reductions to reduce general fund expenditures and bring them more closely into balance with revised revenue projections.

This report is prepared on a cash basis; therefore it describes the timing of cash flows as it relates to the City's revenues.

Interim Beginning Balances. The City's annual independent audit is complete. We have received the preliminary auditor's adjustments to the City's ledgers. We believe the beginning fund and working capital balances presented in this report are reasonable and are not likely to change significantly due to any additional auditor adjustments prior to receipt of our draft audit report.

Adjusted Budgets. The revenue projections and budgets include adjustments for encumbrances, carryovers and any supplemental appropriations made by the Council as of September 30, 2008.

GENERAL FUND

General Fund Financial Condition. With 25% of the year complete, General Fund revenues are at 8.5% of projections and expenditures are at 19.7%.

General Fund

	Budget	YTD Actual	Percent
Balance, Start of Year	4,244,892	4,244,892	-
Revenues	37,918,459	3,213,392	8.5%
Expenditures	(39,143,821)	(7,722,949)	19.7%
Balance	3,019,530	(264,665)	-

The budgeted expenditures shown above also include encumbrance carryovers from FY 2007-08 of \$397,402. Encumbrance carryovers are outstanding purchase orders as of June 30th. Encumbrances are

liquidated and paid from the beginning fund balance as prior year budget monies are used to pay for them (as opposed to current year revenues).

In the YTD Actual shown above, the ending fund balance is negative for the general fund as of the end of the first quarter. This is typical for the general fund and indicates the cash flow pattern for the general fund. Expenditures are typically incurred fairly evenly throughout the fiscal year whereas our largest revenue source is received in two large payments in February and May when property taxes are received from Sutter County.

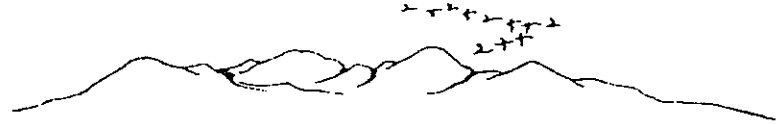
Revenues.

The City's top ten revenues account for 95% of total General Fund revenues. As a whole, they provide a good summary of our revenue position. With the exception of sales tax and property taxes to a much lesser degree, these key revenues are performing as projected based on payment schedules and past trends for the first quarter. More detailed information is noted below.

Top Ten Revenues	Budget	Actual	% Received
Property Taxes	\$ 12,235,570	\$ -	0.0%
Sales Tax	\$ 10,942,715	\$ 654,347	6.0%
Business Licenses	\$ 728,000	\$ 21,154	2.9%
Franchise Fees	\$ 1,379,000	\$ -	0.0%
Hotel/Motel Surcharge	\$ 736,450	\$ -	0.0%
Building Permits	\$ 750,000	\$ 193,119	25.7%
State Motor Vehicle	\$ 346,800	\$ 74,386	21.4%
CSA "G" Fire Contract	\$ 708,185	\$ -	0.0%
Recreation Fees	\$ 1,064,391	\$ 383,386	36.0%
Operating Transfers	\$ 7,146,299	\$ 1,412,887	19.8%
Total	36,037,410	2,739,278	7.6%

▪ **Property Tax.** The first apportionment of 2008-09 taxes will not occur until February, 2009. Based upon the final assessed valuation reports from the Sutter County Auditor-Controller's Office, property tax revenues are expected to be \$186,000 less than budgeted. Citywide assessed values decreased by 0.3% (\$13.7 million in assessed valuation). The three largest components of this change are as follows:

- Residential decreased by 1.72% due to Proposition 8 reductions (\$59.3 million in assessed valuations)
- Commercial increased by 5.05% (\$38.7 million in assessed valuations)
- Industrial increased by 3.51% (\$7.2 million in assessed valuations).



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- **Sales Tax.** When the FY 2008-09 revenue projections were made, sales tax was projected to increase 3.5%. However, the most recent quarterly sales tax results were down 7.7% on an adjusted basis from the same quarter of the previous year. If you compare the differential of a reduction of 7.7% to an expected increase of 3.5%, this results in a differential of 11.2%. If this trend continues, sales tax could be \$1.1 million less than budgeted, or more.

- The revenue data for the July through September quarter sales is not available from the Board of Equalization until mid December. The revenue shown above represents advance payments received from the State towards the first quarter's receipts.

- **Business Licenses.** Business licenses are renewed in January of each year, therefore most of the revenues from business licenses are received during the third quarter of the fiscal year.

- **Franchise Fees.** The City receives franchise fees from PG&E, YSDI, and Comcast; the fees are based upon a percentage of their revenues. The receipts for the first quarter of the fiscal year are not received until the end of October, henceforth, we would not expect to show any revenues during the first quarter of the fiscal year.

- **Hotel/Motel Surcharge.** Surcharge revenues for the first quarter were not received until the end of October.

- **Construction Permit Fees.** Building Permits continue to reflect the weakness in the housing market but are in line with budget expectations.

- **CSA "G" Fire Contract.** The City receives these funds for fire services to the unincorporated area that was formerly served by the Walton Fire Protection District. Since revenues are property tax based, the first apportionment will be received in February, 2008.

- **Recreation Fees.** At 36% service fees are more than the 25% expected for ¼ of the fiscal year. This is largely attributable to the popularity of aquatics programs at the GAP.

- **Operating Transfers.** The General Fund receives reimbursement for operating costs associated with support services provided to the water and wastewater utilities as well as other fund

transfers. The transfer to the economic stabilization fund has not been included as a revenue in this report as it isn't truly a revenue or a cost reimbursement; it is instead a source of funds to be utilized to fund expenditures. Transfers are well within budgetary expectations.

Expenditures. Operating costs are within budgetary expectations as summarized below.

Expenditures	Budget	YTD Actual	% Expended
City Council	163,957	22,885	14.0%
City Attorney	220,000	25,131	11.4%
City Manager	421,201	77,627	18.4%
Finance/City Treasurer	1,915,855	330,779	17.3%
IT/General Services	1,963,245	344,276	17.5%
Human Resources/City Clerk	895,743	121,222	13.5%
Community Development	1,502,546	292,299	19.5%
Public Works	5,566,849	1,125,382	20.2%
Police	13,716,134	2,791,367	20.4%
Fire	9,535,535	2,032,485	21.3%
Animal Control Services	375,000	-	0.0%
Economic Development	277,838	35,773	12.9%
Contingency	125,347	70	0.1%
Non-Departmental Misc.	140,800	25,800	18.3%
Parks & Recreation	2,323,771	497,852	21.4%
Total General Fund	39,143,821	7,722,949	19.7%

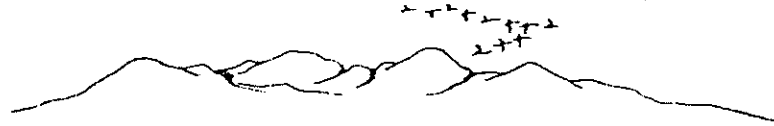
ENTERPRISE FUNDS

The following summarizes year-to-date revenues, expenditures and changes in working capital for the enterprise funds. In general, revenues and expenditures are consistent with past trends. Depreciation is included as a footnote in the budget and is therefore not included below. Revenues in the water fund exceed the 25% expected for the percentage of the year complete as they reflect the seasonal pattern of usage during the summertime. Debt service expenditures are zero as of the end of the first quarter as both water and wastewater debt service are payable on December 1st and June 1st of each year.

Water Fund

	Budget	YTD Actual	Percent
Balance, Start of Year	15,306,429	15,306,429	-
Revenues	9,700,083	2,864,398	29.5%
Expenditures			
Operating Programs	(7,578,049)	(1,529,146)	20.2%
CIP Projects	(716,000)	(716,000)	100.0%
Debt Service	(1,818,894)	-	0.0%
Balance	15,609,569	16,641,681	-
CIP Projects	6,741,000	436,679	6.5%

City of
Yuba City



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Wastewater Fund

	Budget	YTD Actual	Percent
Balance, Start of Year	14,581,500	14,581,500	-
Revenues	9,964,743	2,212,863	22.2%
Expenditures			
Operating Programs	(10,226,367)	(3,196,186)	31.3%
CIP Projects	(1,580,000)	(1,580,000)	100.0%
Debt Service	(1,456,063)	-	0.0%
Balance	11,283,813	12,018,176	-
CIP Projects	3,451,000	239,632	6.9%