

CITY OF YUBA CITY
STAFF REPORT

Date: February 16, 2010
To: Honorable Mayor & Members of the City Council
From: Finance
Presentation By: Robin Bertagna, C.P.A., Finance Director

Summary

Subject: Financial Report for Quarter Ending December 31, 2009
Recommendation: Note and File the Financial Report for Quarter Ending December 31, 2009
Fiscal Impact: Informational item only

Analysis:

The attached Financial Report has been prepared for City Council review for the Quarter Ending December 31, 2009.

Fiscal Impact:

Informational item only

Alternatives:

Not applicable


Recommendation:

Staff recommends that the City Council note and file the Financial Report for Quarter Ended December 31, 2009.

Prepared By:

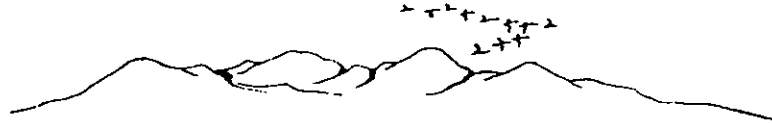

Robin Bertagna, C.P.A.
Finance Director

Submitted By:


Steven R. Jepsen
City Manager

Reviewed By:

Assistant City Manager



Quarterly Financial Report
For Quarter Ending 12/31/09

February 16, 2010

OVERVIEW

The FY 2009-10 Adopted Budget includes a structural deficit of \$2.4 million. \$1.8 million of this deficit was funded through the use of one-time reserve funds. The other \$0.6 million was funded from the City's Economic Stabilization Reserve Fund. Since the time the budget was adopted, City revenues have continued to deteriorate. It is anticipated that sales tax revenues will not meet budget expectations by approximately \$0.5 million. This then brings the City's structural deficit to a total of \$3.0 million. Savings will be generated from positions which have become vacant through attrition and will not be filled. This savings is partially offset through an increase in the use of overtime for back-fill; particularly in the Police department. In summary, the net structural deficit as we plan for the FY 10-11 budget is approximately \$2.0 million. This does not include the cost of discontinuing furlough reductions that the City's employee bargaining units so generously agreed to or deferred salary adjustments contained in the City's memorandum of understanding agreements.

The City's structural deficit will be primarily addressed through both employee layoffs which will occur effective July 1, 2010. A reorganization of the City's departments allows for shifts in staffing to compensate for vacancies that have resulted from attrition. Through reorganization, resources can be more efficiently reallocated where needed to provide services to our community. The FY 10-11 proposed budget will be based upon the restructured organization.

Half of the fiscal year is now complete. Revenues for the City are cyclical in that we receive our largest revenue stream from Sutter County in January and May of each year. Expenditures, on the other hand, follow a more regular pattern with accounts payable checks issued to vendors each week and payroll checks issued to City employees bi-weekly. This report is prepared on a cash basis; therefore it describes the timing of cash flows as it relates to the City's revenues.

Adjusted Budgets. The amounts listed as Budget include adjustments for encumbrances, grant

carryovers, supplemental appropriations, and revenue budget adjustments. Specifically, general fund budget adjustments include \$623,211 related to grants and \$50,000 for the Shop Local campaign.

GENERAL FUND

General Fund Financial Condition. With 50% of the year complete, General Fund revenues are at 21.5% of budget and expenditures are at 43.7%.

General Fund

	Budget	YTD Actual	Percent
Balance, Start of Year	\$ 4,086,073	\$ 4,086,073	-
Revenues	35,250,534	7,564,633	21.5%
Expenditures	(37,989,012)	(16,619,006)	43.7%
Balance	\$ 1,347,595	\$ (4,968,300)	-

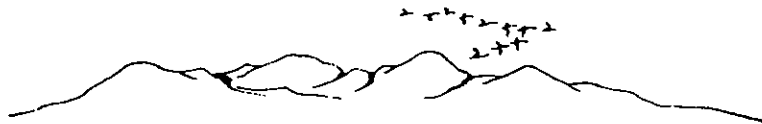
The budgeted expenditures shown above exceed revenues by the general fund deficit of \$2.4 million in addition to encumbrance carryovers from FY 2008-09 of \$0.3 million. Encumbrance carryovers are outstanding purchase orders as of June 30th. Encumbrances are liquidated and paid from the beginning fund 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 second quarter. This is typical for the general fund and indicates the cyclical cash flow pattern of revenues vs. expenditures described above.

The table below shows how current general fund revenues and expenditures compare to the same time period of the previous fiscal year.

	Thru 12-31-08	Thru 12-31-09	Difference
Balance, Start of Year	\$ 4,294,628	\$ 4,086,073	\$ (208,555)
Revenues	7,863,034	7,564,633	\$ (298,401)
Expenditures	(17,591,694)	(16,619,006)	\$ 972,688
Balance	\$ (5,434,032)	\$ (4,968,300)	\$ 465,732

In reviewing the above comparison, you can see that City revenues are down from the previous year by approximately \$0.3 million and expenditures have been reduced by almost \$1.0 million. This clearly symbolizes the reductions in Citywide expenditures which have already been implemented.



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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 revenues, the City's other key revenues are performing as projected based on payment schedules and past trends for the second quarter. More specific information is described below.

Top Ten Revenues	Budget	Actual	% Received
Property Taxes	\$ 11,235,630	\$ -	0.0%
Sales Tax	9,478,239	2,822,088	29.8%
Business Licenses	732,000	41,270	5.6%
Franchise Fees	1,417,000	232,097	16.4%
Hotel/Motel Surcharge	692,000	184,768	26.7%
Building Permits	600,000	256,366	42.7%
State Motor Vehicle	225,500	42,587	18.9%
CSA "G" Fire Contract	654,233	0	0.0%
Recreation Fees	1,304,668	496,871	38.1%
Operating Transfers	7,122,620	3,283,928	46.1%
Total	\$ 33,461,890	\$ 7,359,976	22.0%

▪ **Property Tax.** The first apportionment of 2009-10 taxes was received in early February, 2010. Citywide assessed values decreased by 3.2% while the general fund decreased by 3.8% (\$154.4 million in assessed valuation). This decrease is right in line with our budget estimate of a 4.0% decline for the general fund.

▪ **Sales Tax.** The Adopted Budget for FY 09-10 projected gross sales tax receipts of \$9.4 million based upon an estimated decline of 4% from FY 08-09 projections. Actual receipts for FY 08-09 were \$0.4 million less than revised projections (\$9.8 million) due to double-digit declines in gross receipts. In order to achieve budget expectations of \$9.4 million for sales tax receipts, our sales tax revenues would need to remain flat and stop declining. They have not done so here or anywhere else in California. Instead the first quarter (July-September) receipts were down 9.7% after adjustments for anomalies. We expect to see a couple of additional declining quarters with a slow recovery beginning thereafter. The additional remaining declines in sales tax are what is causing sales tax projections to be \$0.5 million less than budgeted as described in the Overview section above.

As the City's second largest general fund revenue source, sales tax receipts will continue to be monitored on a quarterly basis as soon as they are available from the Board of Equalization. The quarterly "Sales Tax Update" provided by the City's sales tax auditors, HDL Companies, is available on the Finance page of the City's website and provides insightful information relating to the City's sales tax revenues.

▪ **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 revenues shown here include only the first quarter from YSDI and Comcast as the second quarter's revenues are not received until the end of January. Additionally, PG&E's franchise fees are received on an annual basis (instead of quarterly) in April. In reviewing the first two quarters of receipts for preparation of this report, they are flat compared to the same two quarters of the prior year. This is in line with budget expectations.

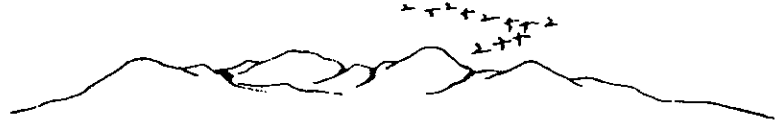
▪ **Hotel/Motel Surcharge.** Surcharge revenues shown are for the first quarter only. The second quarter was not received until the end of January. Comparing the two quarters received to date to the first two quarters of the previous year, surcharge revenues are down by 8.7%. They were expected to remain flat.

▪ **Construction Permit Fees.** Building Permits continue to reflect the weakness in the housing market, but are on track with projected revenues for this fiscal year.

▪ **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 was received in February, 2010.

▪ **Recreation Fees.** Service fees received are less than the expected 50%, but coincide with the timing of Recreation programs.

▪ **Operating Transfers.** The General Fund receives reimbursement for operating costs associated with support services provided to the water and wastewater



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utilities as well as other fund transfers. Transfers are well within budgetary expectations.

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

Expenditures	Budget	YTD Actual	% Expended
City Council	\$ 135,612	\$ 50,834	37.5%
City Attorney	203,500	62,243	30.6%
City Manager	697,170	325,141	46.6%
Finance	1,458,237	580,377	39.8%
City Treasurer/City Clerk	30,043	7,870	26.2%
IT/General Services	1,661,683	686,940	41.3%
Human Resources	600,984	213,187	35.5%
Community Development	1,137,365	510,154	44.9%
Public Works	5,073,335	2,254,012	44.4%
Police	14,255,449	6,140,977	43.1%
Fire	9,521,394	4,666,139	49.0%
Animal Control Services	375,000	107,824	28.8%
Economic Development	264,980	54,641	20.6%
Contingency	187,000	-	0.0%
Non-Departmental Misc.	221,800	55,495	25.0%
Parks & Recreation	2,165,461	903,172	41.7%
Total General Fund	\$ 37,989,012	\$ 16,619,006	43.7%

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. Service fee revenues for water sales are at 54% of the amount budgeted for the surface water fund, 51% for the groundwater fund and 52% for the wastewater fund. Connection fee revenues are at 25% of the amount budgeted for water and 24% for wastewater.

Debt service expenditures are not at 50% of budget at the end of the second quarter due to the timing of these payments. Water and wastewater bonds have semi-annual interest payable on December 1st and June 1st each year. The annual principal payment is paid June 1st of each year.

Water Fund

	Budget	YTD Actual	Percent
Balance, Start of Year	\$ 9,065,397	\$ 9,065,397	-
Revenues	9,365,200	4,595,527	49.1%
Expenditures			
Operating Programs	(7,644,929)	(3,435,956)	44.9%
CIP Projects	(3,520,000)	(3,520,000)	100.0%
Debt Service	(1,817,283)	(539,777)	29.7%
Balance	\$ 8,968,386	\$ 9,685,191	-

CIP Projects	\$ 6,963,000	\$ 3,231,851	46.4%
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Wastewater Fund

	Budget	YTD Actual	Percent
Balance, Start of Year	\$ 10,190,311	\$ 10,190,311	-
Revenues	10,492,183	4,724,779	45.0%
Expenditures			
Operating Programs	(8,441,439)	(3,041,444)	36.0%
CIP Projects	-	-	N/A
Debt Service	(1,452,688)	(247,282)	17.0%
Balance	\$ 10,788,367	\$ 11,626,364	-

CIP Projects	\$ 2,237,000	\$ 973,339	43.5%
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