

Quarterly Financial Report
For Quarter Ending 12/31/07

February 19, 2008

OVERVIEW

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, carryovers and any supplemental appropriations or revenue budget adjustments made by the Council as of December 31, 2007. Revenue budget adjustments are typically made to record the receipt of grant funds.

GENERAL FUND

General Fund Financial Condition. With 50% of the year complete, General Fund revenues are at 21.4% of budget and expenditures are at 46.5%.

General Fund

	Budget	YTD Actual	Percent
Balance, Start of Year	4,447,085	4,447,085	-
Revenues	37,653,782	8,044,692	21.4%
Expenditures	(38,302,222)	(17,796,701)	46.5%
Balance	3,798,645	(5,304,923)	-

The budgeted expenditures shown above exceed revenues as they include encumbrance carryovers from FY 2006-07 of \$414,762 and supplemental appropriations funded from fund balance reserve. 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). To date, roughly \$360,000 of supplemental appropriations have been added to the FY 07/08 budget. It is expected that at the end of the year revenues will still exceed expenditures as departments do not typically spend 100% of their allocated budget.

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.

Revenues.

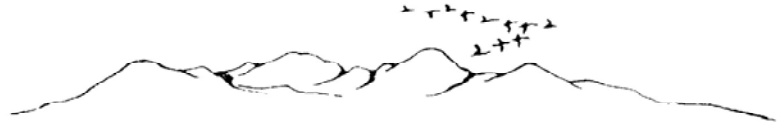
The City's top ten revenues account for 94% of total General Fund revenues. As a whole, they provide a good summary of our revenue position. Overall, these key revenues are performing as projected based on payment schedules and past trends for the second quarter. Any significant variances are noted below.

Top Ten Revenues	Budget	Actual	% Received
Property Taxes	\$ 11,611,850	\$ -	0.0%
Sales Tax	\$ 11,232,500	\$ 3,103,206	27.6%
Business Licenses	\$ 700,000	\$ 36,642	5.2%
Franchise Fees	\$ 1,448,400	\$ 219,675	15.2%
Hotel/Motel Surcharge	\$ 650,000	\$ 203,408	31.3%
Building Permits	\$ 1,500,000	\$ 475,561	31.7%
State Motor Vehicle	\$ 350,000	\$ 156,020	44.6%
CSA "G" Fire Contract	\$ 654,937	\$ -	0.0%
Recreation Fees	\$ 1,133,713	\$ 325,659	28.7%
Operating Transfers	\$ 6,241,658	\$ 2,726,282	43.7%
Total	35,523,058	7,246,452	20.4%

- **Property Tax.** The first apportionment of 2007-08 taxes was received in January, 2008. The adopted budget included a 9% projected increase in secured property taxes while projecting a significant decrease in supplemental property taxes due to the slowing housing market and mortgage crisis. Total property tax revenues included in the Adopted 2007-08 Budget represent a small increase over actual revenues for FY 2006-07.

- Total property tax revenue projected for FY 2007-08 has been updated based upon the assessed values from the Sutter County Auditor-Controller's Office and indicate an overall increase of 4.1% (\$475,000) more than originally budgeted.

- **Sales Tax.** While the news regarding property tax was favorable, the currently available information related to the City's sales tax is not favorable. As City Council was advised in the First Quarterly Financial Report, sales tax revenues ended FY 2006-07 less than projected. As such, the increase required to achieve the FY 2007-08 projection is 8.4%. Historically that would not be an unreasonable increase. However, recent quarterly sales tax data for Yuba City has been very flat. Revised sales tax projections indicate FY 2007-08 revenues are expected to be approximately \$660,000 less than budgeted. Presently, the City only



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has the July – September sales tax data, the October – December information will not be available until mid-March. The revised budget projections were developed very conservatively given the current sales tax trends we are seeing locally and throughout California. Revised projections include the actual revenues for the July – September quarter (now known) and flat revenues (no estimated increases) for the remaining three quarters of the fiscal year. Sales tax revenue projections will continue to be monitored and updated on a quarter-by-quarter basis as new information becomes available.

- **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.
- **Hotel/Motel Surcharge.** Surcharge revenues shown are for the first quarter only. The second quarter was not received until the end of January.
- **Construction Permit Fees.** Building Permits continue to reflect the weakness in the housing market.
- **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 January, 2008.
- **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 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	161,757	43,742	27.0%
City Attorney	220,000	46,111	21.0%
City Manager	379,543	174,331	45.9%
Administrative Services	3,744,614	1,693,923	45.2%
Human Resources/City Clerk	937,110	408,893	43.6%
Community Development	1,571,627	700,088	44.5%
Public Works	3,874,226	1,723,346	44.5%
Police	13,010,642	6,262,468	48.1%
Fire	9,361,790	4,665,123	49.8%
Animal Control Services	383,050	213,849	55.8%
Economic Development	209,500	52,593	25.1%
Contingency	100,000	-	0.0%
Non-Departmental Misc.	151,764	45,357	29.9%
Parks & Recreation	4,196,598	1,766,878	42.1%
Total General Fund	38,302,222	17,796,701	46.5%

ENTERPRISE FUNDS

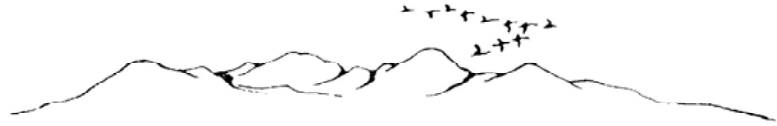
The following summarizes year-to-date revenues, expenditures and changes in working capital for the enterprise funds. In general, revenues and expenditures are consistent with past trends. Depreciation is included as a footnote in the budget and is therefore not included below. Service fee revenues for water sales are at 58% of the amount budgeted for the surface water fund and at 50% for the groundwater fund. This reflects the seasonal pattern of usage during the summertime. Connection fee revenues are at 19% of the amount budgeted for water and 37% for wastewater, an indication of the slowdown in building construction.

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	16,087,349	16,087,349	-
Revenues	11,202,175	5,094,062	45.5%
Expenditures			
Operating Programs	(7,462,860)	(3,202,907)	42.9%
CIP Projects	(2,534,000)	(2,534,000)	100.0%
Debt Service	(1,819,345)	(587,992)	32.3%
Balance	18,007,319	17,390,512	-

CIP Projects	9,652,000	1,203,644	12.5%
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Wastewater Fund

	Budget	YTD Actual	Percent
Balance, Start of Year	18,765,219	18,765,219	-
Revenues	12,572,900	5,112,541	40.7%
Expenditures			
Operating Programs	(8,467,231)	(3,522,880)	41.6%
CIP Projects	(2,411,592)	(2,411,582)	100.0%
Debt Service	(1,497,083)	(470,451)	31.4%
Balance	18,962,214	17,472,848	-
CIP Projects	6,556,000	1,603,069	24.5%