

**Quarterly Financial Report**  
**For Quarter Ending 03/31/08**

May 6, 2008

**OVERVIEW**

With nine months of the fiscal year having passed, anticipated revenues and expenditures for the remainder of the year are generally known. Overall, year-end revenues are expected to be slightly less than budgeted, but with a change in the distribution of those revenues from what was originally budgeted. Expenditures are expected to be less than budgeted due to salary savings and savings from departmental material, supply and service accounts. Therefore, the year-end budget situation will be balanced for FY 2007-08.

**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 March 31, 2008. Revenue budget adjustments are typically made to record the receipt of grant funds.

**GENERAL FUND**

**General Fund Financial Condition.** With 75% of the year complete, General Fund revenues are at 56.7% of budget and expenditures are at 68.9%.

**General Fund**

	Budget	YTD Actual	Percent
Balance, Start of Year	4,447,085	4,447,085	-
Revenues	37,618,982	21,338,077	56.7%
Expenditures	(38,389,067)	(26,437,588)	68.9%
<b>Balance</b>	<b>3,677,000</b>	<b>(652,426)</b>	<b>-</b>

The revenues shown above may seem like they should more closely equal 75% since we are three-fourths of the way through the fiscal year. However, it is normal that they do not due to the timing in the receipt of the City's various revenue sources.

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 or from grant revenues. Encumbrance carryovers are outstanding purchase orders as of June 30<sup>th</sup>. 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 \$830,000 of

supplemental appropriations have been added to the FY 2007-08 budget.

At the end of the year, it is expected that revenues will still exceed expenditures as departments do not typically spend 100% of their allocated budget. The year-end projections that departments submitted along with their FY 2008-09 budget requests support this position.

In the YTD Actual shown above, the ending fund balance is negative for the general fund as of the end of the third quarter. This is typical for the general fund and indicates the cyclical cash flow pattern of revenues vs. expenditures.

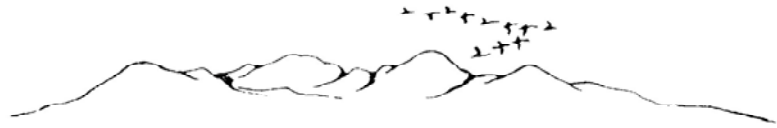
**Revenues.**

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 third quarter. Any significant variances are noted below.

Top Ten Revenues	Budget	Actual	% Received
Property Taxes	\$ 11,611,850	\$ 6,372,678	54.9%
Sales Tax	\$ 11,232,500	\$ 5,599,524	49.9%
Business Licenses	\$ 700,000	\$ 646,748	92.4%
Franchise Fees	\$ 1,448,400	\$ 453,512	31.3%
Hotel/Motel Surcharge	\$ 650,000	\$ 376,965	58.0%
Building Permits	\$ 1,500,000	\$ 609,513	40.6%
State Motor Vehicle	\$ 350,000	\$ 229,785	65.7%
CSA "G" Fire Contract	\$ 654,937	\$ 381,889	58.3%
Recreation Fees	\$ 1,133,713	\$ 664,342	58.6%
Operating Transfers	\$ 6,241,658	\$ 5,034,053	80.7%
<b>Total</b>	<b>35,523,058</b>	<b>20,369,009</b>	<b>57.3%</b>

▪ **Property Tax.** The first apportionment of FY 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 for FY 2007-08 are expected to be approximately 4.1% (\$475,000) more than originally budgeted.

The City does not expect the increase in property taxes to continue into FY 2008-09. While the City has continued to see growth in commercial assessed valuation, residential assessed values are experiencing declines due to Proposition 8 reassessment reductions.



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▪ **Sales Tax.** While the news regarding property tax was favorable, current information related to the City's sales tax is not favorable. Revised sales tax projections indicate FY 2007-08 revenues are expected to be approximately \$829,000 less than budgeted. 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 not followed historic trends. The City has received two quarters of FY 2007-08 sales tax data thus far. The adjusted first quarter sales tax (July – September) showed a decline of 2% compared to the same quarter during the previous year. For the second quarter (October – December), the City does not yet have adjusted data. The preliminary, unadjusted data, shows a decrease of 5.4% compared to the same quarter of the previous year.

The revised budget projections were developed conservatively given the current sales tax trends we are seeing locally and throughout California. Revised projections include the actual revenues for the July – December quarters (now known) and flat revenues (no estimated increases) for the remaining two 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 the first two quarters from YSDI and Comcast as the third quarter's revenues are not received until the end of April. Additionally, PG&E's franchise fees are received on an annual basis (instead of quarterly) in April.

Based upon historical trends, the City budgeted for a 6% increase in Franchise Fees for FY 2007-08. We have received the first two quarters from YSDI and Comcast along with the annual payments from PG&E. Comparing these to the same receipts in the

prior years result in an increase of approximately ½ of a percent; not the 6% budgeted for. It is expected that Franchise Fees will end FY 2007-08 approximately \$38,000 less than budgeted.

▪ **Hotel/Motel Surcharge.** Surcharge revenues shown are for the first two quarters only. The third quarter is not received until the end of April.

▪ **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 75%, but coincide with the timing of Recreation programs.

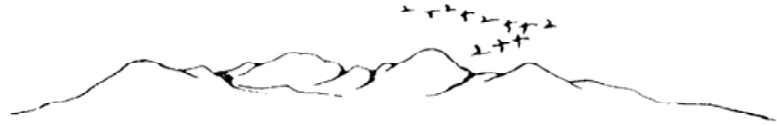
▪ **Operating Transfers.** The General Fund receives reimbursement for operating costs associated with support services provided to the water and wastewater utilities as well as other fund transfers. Transfers are well within budgetary expectations.

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

Expenditures	Budget	YTD Actual	% Expended
City Council	161,757	67,602	41.8%
City Attorney	220,000	126,464	57.5%
City Manager	379,543	264,634	69.7%
City Clerk	52,777	17,819	33.8%
Finance/City Treasurer	1,827,487	1,280,230	70.1%
General Services/IT	1,917,127	1,277,826	66.7%
Human Resources	884,333	590,670	66.8%
Community Development	1,571,627	1,022,563	65.1%
Public Works	3,874,226	2,569,691	66.3%
Police	13,091,827	9,350,647	71.4%
Fire	9,367,450	6,802,129	72.6%
Animal Control Services	383,050	304,861	79.6%
Economic Development	209,500	105,077	50.2%
Contingency	100,000	-	0.0%
Non-Departmental Misc.	151,764	88,014	58.0%
Parks & Recreation	4,196,598	2,569,363	61.2%
<b>Total General Fund</b>	<b>38,389,067</b>	<b>26,437,588</b>	<b>68.9%</b>

### 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



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revenues for water sales are at 78% of the amount budgeted for the surface water fund and at 74% for the groundwater fund. This reflects the seasonal pattern of usage during the summertime. Connection fee revenues are at 22% of the amount budgeted for water and 42% for wastewater, an indication of the slowdown in building construction.

Debt service expenditures are not at 75% of budget at the end of the third quarter due to the timing of these payments. Water and wastewater bonds have semi-annual interest payable on December 1<sup>st</sup> and June 1<sup>st</sup> each year. The annual principal payment is paid June 1<sup>st</sup> of each year.

### Water Fund

	Budget	YTD Actual	Percent
Balance, Start of Year	16,087,349	16,087,349	-
Revenues	11,202,175	6,851,312	61.2%
Expenditures			
Operating Programs	(7,557,105)	(4,824,659)	63.8%
CIP Contributions	(2,575,000)	(2,575,000)	100.0%
Debt Service	(1,819,345)	(587,992)	32.3%
<b>Balance</b>	<b>17,913,075</b>	<b>17,526,010</b>	<b>-</b>

<b>CIP Projects</b>	<b>9,652,000</b>	<b>1,376,733</b>	<b>14.3%</b>
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### Wastewater Fund

	Budget	YTD Actual	Percent
Balance, Start of Year	18,765,219	18,765,219	-
Revenues	12,572,900	7,693,364	61.2%
Expenditures			
Operating Programs	(8,467,231)	(5,258,862)	62.1%
CIP Contributions	(3,848,312)	(3,848,302)	100.0%
Debt Service	(1,497,083)	(470,451)	31.4%
<b>Balance</b>	<b>17,525,494</b>	<b>16,880,968</b>	<b>-</b>

<b>CIP Projects</b>	<b>6,556,000</b>	<b>2,473,840</b>	<b>37.7%</b>
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