

## Quarterly Financial Report

### For Fiscal Year Ending 06/30/09 (Final/Post-Audit Year End)

November 17, 2009

#### OVERVIEW

The on-site work for the City's financial audit for FY 2008-09 is complete. City Finance staff spends a great deal of time preparing all of the accrual information for the annual audit. Finance staff analyzes the City's assets, liabilities, revenues, expenditures and fund balances in accordance with Governmental Accounting Standards. The audit was performed in early October. Very few adjustments were made to the City's records by the auditors. These adjustments have been included in this final FY 2008-09 Financial Report.

#### GENERAL FUND

##### General Fund Financial Condition.

As part of the FY 2008-09 adopted budget, the City funded the Economic Stabilization Reserve with \$2,300,000. This amount constitutes a one-time funding source that when used up, is gone. As such, it is a source to finance expenditures, not a revenue, and is therefore not included in the general fund revenue amounts shown in this report.

Last January, as part of the mid year budget review, general fund revenues were adjusted downward by \$1.5 million and expenditures were reduced by \$1 million. Revenues were reduced by \$185,000 for property taxes, \$1.1 million for sales taxes and \$200,000 for investment income. Expenditures were reduced for salaries and benefits in addition to departmental line item reductions in materials, supplies and services.

Even after the mid year reduction in revenues, final year end general fund revenues were an additional \$865,000 less than the adjusted budget. Sales tax declines represent over half of the revenue that did not meet expectations.

With declining revenues, corrective action was taken to curtail expenditures. City staff positions that became vacant through attrition have not been authorized for replacement except for front line public safety. Additionally, departments eliminated all non-essential travel and training and curtailed spending on operating expenditures as much as reasonably possible. The emphasis on completing long-term

capital improvement projects and infrastructure maintenance has continued. That said, year end expenditures were less than the final budget (including supplemental appropriations) by almost \$2.6 million.

During preparation of the FY 2009-10 budget process, City departments provided Finance with projected year-end total expenditures for FY 2008-09 of \$36.9 million. Departments ended the year at approximately \$50,000 less than estimated; impressively close to projections!

At year end, general fund expenditures exceeded revenues by \$592,000 or 1.6% of revenues. This difference was funded by the Economic Stabilization Reserve that was set aside as part of the FY 2008-09 budget adoption process.

#### General Fund

	Budget	YTD Actual	Percent
Balance, Start of Year	\$ 4,294,628	\$ 4,294,628	-
Revenues	37,130,338	36,264,967	97.7%
Expenditures	(39,429,422)	(36,857,205)	93.5%
<b>Balance</b>	<b>\$ 1,995,544</b>	<b>\$ 3,702,391</b>	<b>-</b>

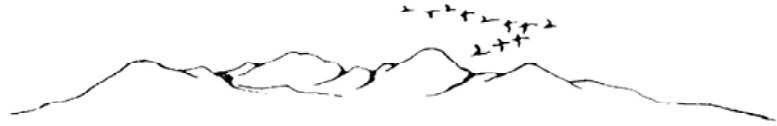
#### Revenues.

The City's top ten revenues account for approximately 95% of total General Fund revenues; as such they provide a very good summary of our revenue position.

The primary revenue concerns which continued through FY 2008-09 were sales tax and property tax with a much greater emphasis on sales tax.

Fiscal year end is a good time to not only compare budget vs. actual for the fiscal year, but also to compare the actual results of operations for two fiscal years. This is shown in the tables below for the top ten general fund revenues.

Top Ten Revenues	Amended Budget	Actual	% Received
Property Taxes	\$ 12,050,570	\$ 11,786,920	97.8%
Sales Tax	9,816,715	9,294,860	94.7%
Business Licenses	728,000	676,555	92.9%
Franchise Fees	1,379,000	1,431,844	103.8%
Hotel/Motel Surcharge	736,450	648,209	88.0%
Building Permits	750,000	597,949	79.7%
State Motor Vehicle	346,800	238,821	68.9%
CSA "G" Fire Contract	708,185	687,757	97.1%
Recreation Fees	1,259,158	1,446,139	114.8%
Operating Transfers	7,396,299	7,176,839	97.0%
<b>Total</b>	<b>\$ 35,171,177</b>	<b>\$ 33,985,894</b>	<b>96.6%</b>



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Top Ten Revenues	FY 07/08	FY 08/09	Change
Property Taxes	\$ 12,153,427	\$ 11,786,920	-3.0%
Sales Tax	10,261,286	9,294,860	-9.4%
Business Licenses	688,077	676,555	-1.7%
Franchise Fees	1,374,274	1,431,844	4.2%
Hotel/Motel Surcharge	744,133	648,209	-12.9%
Building Permits	893,801	597,949	-33.1%
State Motor Vehicle	313,876	238,821	-23.9%
CSA "G" Fire Contract	696,404	687,757	-1.2%
Recreation Fees	1,142,165	1,446,139	26.6%
Operating Transfers	6,763,070	7,176,839	6.1%
<b>Total</b>	<b>\$ 35,030,514</b>	<b>\$ 33,985,894</b>	<b>-3.0%</b>

▪ **Property Tax.** Property taxes experienced a 3.0% decline in the current fiscal year. Year end total receipts were an additional \$264,000 less than the adjusted budget amount. In light of the drop in housing prices and the number of foreclosed homes available for sale, we expect property tax revenues to decline slightly more in the next fiscal year.

▪ **Sales Tax.** Sales tax revenues are \$522,000 less than the amended budget. This is \$966,000 less than what was received the previous fiscal year.

▪ **Business Licenses.** Business licenses are renewed in January of each year. At year end revenues are down slightly from the prior year.

▪ **Franchise Fees.** The City receives franchise fees from PG&E, YSDI, and Comcast; the fees are based upon a percentage of their revenues. Actual receipts were almost \$53,000 more than budgeted and were \$57,570 more than the prior year.

▪ **Hotel/Motel Surcharge.** Surcharge revenues were \$88,000 less than budgeted and approximately \$96,000 less than the previous year. The decline is attributable to overall economic conditions.

▪ **Construction Permit Fees.** Building Permit revenues were \$152,000 less than budgeted but in alignment with staff's revised projections. These represent a decline of \$296,000 when compared to the previous 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 taxes, they are showing a decline similar to that noted above for other City property taxes.

▪ **Recreation Fees.** Service fees received through the end of the fiscal year exceeded budget by

\$187,000. This represents an increase of \$304,000 from the prior year.

▪ **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. Actual transfers for reimbursements to the general fund for public works' costs were slightly less than the original amounts budgeted based upon reductions in staffing during the year. The remaining transfers are within budgetary expectations.

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

Expenditures	Budget	YTD Actual	% Expended
City Council	\$ 151,557	\$ 113,420	74.8%
City Attorney	203,500	207,005	101.7%
City Manager	406,263	398,536	98.1%
City Clerk	74,037	42,266	57.1%
Finance/City Treasurer	1,800,004	1,722,621	95.7%
General Services/IT	1,894,282	1,718,549	90.7%
Human Resources	819,256	581,738	71.0%
Community Development	1,420,912	1,263,441	88.9%
Public Works	3,814,997	3,234,867	84.8%
Police	14,033,205	13,511,412	96.3%
Fire	10,051,176	9,801,722	97.5%
Animal Control Services	375,000	437,682	116.7%
Economic Development	212,634	127,671	60.0%
Contingency & Non-Departmental	214,084	70,643	33.0%
Parks & Recreation	3,958,515	3,625,632	91.6%
<b>Total General Fund</b>	<b>\$ 39,429,422</b>	<b>\$ 36,857,205</b>	<b>93.5%</b>

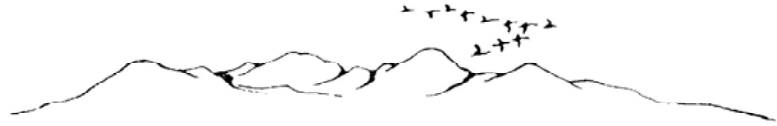
**ENTERPRISE FUNDS**

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.

**Water Fund**

	Budget	YTD Actual	Percent
Balance, Start of Year	\$ 15,306,429	\$ 15,306,429	-
Revenues	9,700,083	9,076,049	93.6%
Expenditures			
Operating Programs	(7,644,102)	(6,860,463)	89.7%
CIP Contributions	(1,346,000)	(1,381,229)	102.6%
Debt Service	(1,818,894)	(1,760,697)	96.8%
<b>Balance</b>	<b>\$ 15,543,516</b>	<b>\$ 15,761,318</b>	<b>-</b>

<b>CIP Projects</b>	<b>\$ 6,741,000</b>	<b>\$ 3,122,242</b>	<b>46.3%</b>
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**Quarterly Financial Report**  
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Wastewater Fund

	Budget	YTD Actual	Percent
Balance, Start of Year	\$ 14,581,500	\$ 14,581,500	-
Revenues	9,964,743	9,504,509	95.4%
Expenditures			
Operating Programs	(7,966,814)	(7,247,455)	91.0%
CIP Contributions	(3,351,000)	(3,351,000)	100.0%
Debt Service	(1,456,063)	(1,359,067)	93.3%
<b>Balance</b>	<b>\$ 11,772,366</b>	<b>\$ 12,128,487</b>	<b>-</b>

<b>CIP Projects</b>	<b>\$ 3,451,000</b>	<b>\$ 1,652,905</b>	<b>47.9%</b>
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