



MID-YEAR BUDGET REPORT

STAFF REPORT

DATE: February 5, 2009

TO: City Council

FROM: Bill Emlen, City Manager
Paul Navazio, Assistant City Manager
Kelly Fletcher, Budget Manager

SUBJECT: FY 2008/2009 Mid-Year Budget Update

Recommendation

This informational item presents revenue and expenditure results through the first seven months of fiscal year 2008/2009, as well as updated projections of General Fund results through the end of the fiscal year (June 30, 2009). The report also provides an update to the City's budget outlook for FY2009/10 and five-year forecast.

Fiscal Impact

No action is requested on this item, although the information presented in this report provides budget-to-actual results for the City's FY2008/09 annual budget as well as budgetary projections that provide the basis for development of the FY2009/10 budget. Staff is currently developing recommendations to address a projected General Fund shortfall of \$3.0 to \$3.6 million expected to be necessary to balance next year's budget.

Summary

As reported in the first quarter update (November, 2008), unfavorable property and sales tax information required a preliminary downgrade of FY2008/09 General Fund Revenue estimates of \$1.54 million. At this time, the continued deterioration of economic conditions locally and regionally now show our mid-year downgrade of General Fund Revenues at \$2.37 million. In the short-term, this development is partially offset by favorable General Fund results for the year ended June 30, 2008, wherein the unreserved fund balance ended the year \$723,325 above the City's target 15% reserve level, and \$120,000 over estimate used in the development of the current-year budget.

In addition, the City Manager has implemented a series of cost-containment measures aimed at curtailing current-year expenditures, mitigating the impacts of revenue shortfalls, and minimizing potential draw-down of General Fund reserve funds. Current projections of General Fund expenditures suggest that these cost containment measures should result in the desired effect of offsetting current year revenue shortfalls, allowing the City to maintain a projected year-end fund balance \$5.35 million, or 15.2% of General Fund revenues. The very real potential for further deterioration of revenues as well as continued threats from the unresolved State Budget crisis warrant maintaining reserve balances to the greatest extent possible.

Despite the potential to manage the FY2008/09 budget through aggressive cost containment measures, the budget outlook for FY2009/10 and the out-years of the five-year forecast pose significant and growing challenges. The baseline General Fund forecast for FY2009/10 now reflects a \$3.6 million deficit under our original expenditure forecast assumptions, and a \$3.0 million deficit assuming no changes in personnel costs beyond those provided for in current labor contracts.

As part of the City's FY2009/10 budget development process, most departments were requested to develop 7% and 10% budget reduction scenarios, with public safety departments preparing 3% and 5% reduction scenarios. This exercise was designed to provide up to \$3.1 million in potential budget reductions, to be evaluated by the City Manager - in conjunction with other budget balancing measures - to inform development of a balancing-plan for next year's budget.

At this writing, the City Manager's Office is in the process of reviewing departmental budget proposals with management from the individual departments and will be preparing a preliminary budget-balancing framework to be presented to the City Council at the budget workshop scheduled for March 10, 2009. That workshop will provide the City Council with an opportunity to review and provide feedback on emerging recommendations that will be necessary to address the FY2009/10 budget shortfall. Moreover, staff envisions including as part of the March budget workshop selected recommendations to accelerate implementation of budget reductions (including program and service-level reductions) prior to the start of the new fiscal year.

The following represent selected highlights from the mid-year budget report:

- *Year-to-date All Fund Revenues through the first seven months of FY2008/09 are \$59.62 million, or 38.2% of the Adjusted Budget figure of \$156.19 million. (See Attachment A-Table 1)*
- *All Funds Expenditures through mid year of FY2008/09 stand at \$63,481,927, or 38.8% of the All Funds Budget of \$163,608,253. (See Attachment A – Tables 2,3).*
- *As of February 1, the City has documented a current vacancy list of 21 regular full time and 1 (75%) regular part time positions. These vacancies represent a 4.7% shortfall in our current work force, in relation to our 464.25 budgeted Full Time Equivalent permanent positions. (See Attachment A – Table 6)*
- *On a budgetary basis, the General Fund Unreserved Fund Balance as of June 30, 2008 was \$6.31 million, and represents a favorable variance in the reserve of \$120,507 as compared to the reserve level assumed in the development of the FY2008/09 budget. The year-end Unreserved Fund Balance as of June 30, 2008 represents 16.9% of General Fund revenues. The FY2008/09 Adopted Budget assumed a year-end reserve level of 15.1%, with the excess funds having been appropriated in the current year for priority one-time needs. (See Attachment B-Table 1).*

- General Fund revenues ended FY2007/08 at \$39.03 million, which is \$878,862 above the previous revenue estimate. (See Attachment C).
 - General Fund expenditures ended FY2007/08 at \$39.95 million, which was \$1.4 million below the final adjusted budget, and \$309,359 (.7%) below the expenditure estimate assumed in the development of this year's budget. However, of the year-end savings, \$333,456 in unexpended, uncommitted funding has previously been re-appropriated as carry-overs into the current fiscal year, representing allocations for specific projects that were not completed as of June 30, 2008. (See Attachment D).
- *Year-to-date General Fund revenues through the first seven months of the fiscal year are \$15,597,379, or 39.0% of the \$40.00 million adjusted revenue budget. General Fund revenues are projected to end the fiscal year at \$37.39 million, which is \$2.37 million (or 6.53%) below the adjusted revenue budget. (See Attachment C-Table 2)*
- Property Tax revenues now reflect approximately 2% growth in assessed real property valuations and reflect reassessments by the Yolo County Assessor's Office, as well as a slowdown in the rate of turnover of property in general. We are applying the same growth factor, or 2%, to other property-value related tax revenues, such as Motor Vehicle In Lieu and Property Transfer Tax. We have also revised upward our initial estimate of the administrative charge retained by Yolo County, which further reduces the estimate for this category as a whole. Lastly, it is too early to evaluate supplemental property taxes (received later in the year) which fluctuate significantly from year to year, but our original estimates of growth in this revenue have been reduced to 2%.
 - Sales Tax receipts through the first half of FY 2008/2009 indicate a decrease from FY2007/2008 results. While we had originally predicted 2.5% growth in this revenue, we are now estimating a decrease of 7.8% . Our core categories of Automotive and Restaurant, which together account for approximately 60% of direct Sales Tax collections, reflect *decline* of 14.6% compared to the same period last year. Overall, direct collections are down 4% over the same period in FY 2007/2008. We will continue to monitor sales tax receipts closely, as receipts from the upcoming third and fourth quarter could result in additional adjustments to our forecast.
 - Transient Occupancy Tax receipts for the first two quarters of the fiscal year indicate a 10% decline from FY2007-08 results due to a 3.5% decline in tax receipts from hotel operators, and the closure of one business. This results in a reduction of \$133,000 from our original budget estimate. Preliminary Business License Tax returns indicate a decline of 8.8% from FY2007-08, or \$115,000 from the current budget. Combined, these two revenue sources have been down-graded by roughly \$250,000 from our original budget and first quarter report.
 - Departmental revenue estimates are being reduced due to declining Public Works inspection activity and declining participation in recreation programs. Community Development revenue is increased due to billable planning activity for private

developments. Combined departmental revenue estimates have been decreased by roughly \$150,000 for the current year.

- ❑ *Through mid-January (Period 7), FY2008/09 General Fund expenditures (including encumbrances) were \$20.53 million, or 50% of the adjusted budget of \$40.53 million. (See Attachment D-Table 3). Citywide personnel expenditures appear within budget, with 50% expended through seven periods (50% of pay-periods).*
- ❑ *Based on General Fund expenditure results through January, expenditures are projected to end the year at 38.63 million, or roughly \$1.9 million under the adjusted budget of \$40.53 million.*
- ❑ *The combination of FY2007/08 year-end results and the revised budget projections for the current-year suggest that the General Fund is expected to end FY2008/09 with a fund balance of \$5.35 million, representing 15.2% of General Fund revenues. This level of fund balance would provide a cushion of \$86,705 over the Council's 15% reserve policy.*
- ❑ *Staff has updated the initial revenue and expenditure estimates for the FY2008/09 budget as well as a preliminary update of the General Fund Five-Year forecast. The structural budget deficit reflected in the preliminary forecast for FY2009/10 is in the range of \$3.0 to \$3.6 million. The City Council will review the preliminary baseline budget for FY2009/10, the updated Five-Year Forecast, as well as a preliminary budget-balancing recommendations, as part of its budget workshop scheduled for March 10, 2009.*

Conclusion

This informational report represents the Mid-Year Budget Update for FY2008/2009, and has been prepared in response to the City Council's objective of establishing regular quarterly budget updates. The information provided in this report includes year-to-date revenue and expenditure results through the first seven months of this fiscal year, as well as more detailed General Fund information as well as preliminary projections for year-end results. The baseline budget for FY2009/10 as well as the updated General Fund forecast will be the subject of the City Council's next workshop on the FY2009/2010 budget, scheduled for March 10, 2009.

Attachments:

- Attachment A – All Funds revenues and expenditures
- Attachment B – Summary of General Fund Operations
- Attachment C – General Fund Revenue Results
- Attachment D – General Fund Expenditure Results
- Attachment E – Purchases \$20,000-\$50,000
- Attachment F – Updated General Fund Forecasts

Attachment A

Table 1 – All Funds Revenues

	FY08/09 Revenues		Year-To-Date	
	Original Budget	Adjusted Budget	Actual	%
General Fund	39,759,832	40,004,921	15,597,380	39.0%
Special Revenue Funds	23,284,553	25,444,939	11,631,730	45.7%
Debt Service	3,427,470	3,427,470	58,035	1.7%
Capital Projects Funds	3,898,677	4,148,677	650,991	15.7%
Trust Funds	1,649	5,503	4,367	79.4%
Enterprise Funds	42,080,851	59,794,569	20,160,917	33.7%
Internal Service Funds	11,897,182	11,897,182	5,833,199	49.0%
Redevelopment Funds	11,467,462	11,467,462	5,684,850	49.6%
Total All Funds	135,817,676	156,190,723	59,621,469	38.2%

- Year-to-date All Funds Revenues are currently \$59.62 million, or 38.2% of the adjusted \$156.16 million budget.
- General Fund revenues are tracking at \$15.60 million, or 39% of the \$40 million adjusted budget. The revenues would appear to be lagging slightly, but are actually tracking on target when considering the timing of pending sales tax, business license tax, franchise tax, and certain property tax payments.
- Capital Project funds are lagging this year due to uncertainty over many state funding sources.
- Enterprise Fund revenues are tracking in proportion to mid-year expectations.

Attachment A

Table 2 – All Funds Expenditures

	FY08/09 Expenditures		Year-To-Date	
	Original Budget	Adjusted Budget	Actual	%
General Fund	40,177,756	40,531,381	20,532,586	50.7%
Special Revenue Funds	22,982,463	28,354,317	11,484,543	40.5%
Debt Service	3,050,870	3,050,870	2,055,810	67.4%
Capital Projects Funds	2,784,224	5,130,469	1,273,562	24.8%
Trust Funds	-	8,854	3,369	38.1%
Enterprise Funds	40,192,760	61,359,746	19,200,305	31.3%
Internal Service Funds	11,219,630	11,336,423	6,768,149	59.7%
Redevelopment Funds	13,648,752	13,836,193	2,163,603	15.6%
Total All Funds	134,056,455	163,608,253	63,481,927	38.8%

- Year to date All Funds Expenditures are currently \$63.4 million, or 38.8 % of the adjusted \$163.61 million budget.
- General Fund expenditures are reporting at \$20.53 million, or 50.7% of the total \$40.53 million adjusted budget.
- Debt Service Funds reflect expenditures at 67.4% of budget, as a result of annual debt payments due in the first quarter of the fiscal year.
- Internal Service Funds appear to be tracking ahead of budget (at 59.7%), however this results reflects up-front insurance premium payments made within the City's Self-Insurance Fund.

Table 3 – All Funds Expenditures by Department

	FY08/09 Expenditures		Year-To-Date	
	Original Budget	Adjusted Budget	Actual	%
City Council	136,741	136,741	57,510	42.1%
City Attorney	577,967	577,967	222,717	38.5%
City Manager	8,839,645	8,839,645	4,642,733	52.5%
Community Development	3,797,500	3,813,600	1,692,486	44.4%
Community Services	16,996,805	17,874,517	8,175,616	45.7%
Fire	9,783,354	9,982,876	4,687,302	47.0%
Parks & General Services	15,761,623	15,086,046	7,396,735	49.0%
Police	15,046,900	15,976,913	8,633,081	54.0%
Public Works	33,399,821	36,540,197	16,983,931	46.5%
Capital Improvements	19,079,302	43,984,454	6,255,591	14.2%
Debt Service	5,535,876	5,690,876	2,894,272	50.9%
Redevelopment	6,806,283	6,809,783	1,798,847	26.4%
Redevelopment Housing	86,724	86,724	41,106	47.4%
CDBG	-	-	-	0.0%
Other	(1,792,086)	(1,792,086)	-	0.0%
Total All Funds	134,056,455	163,608,253	63,481,927	38.8%

Personnel Analysis

Table 4 – FY 2008/09 Year-to-Date Personnel Expenditures

<i>All Funds Personnel Expenditures</i>				
<i>FY2008/09 Year-to-Date</i>				
Expenditure by Department	FY2008/08 Adopted Budget	FY2008/09 Adjusted Budget	FY2008/09 Year-to-Date Actuals	% Exp.
City Council	79,584	79,584	41,452	52%
City Manager	3,352,138	3,339,286	1,660,733	50%
Community Development	2,907,635	2,916,489	1,422,471	49%
Community Services	6,099,489	6,031,769	3,083,912	51%
Fire	8,252,068	8,237,068	4,275,666	52%
Parks & Community Services	-	-	-	0%
Police	12,018,845	12,018,845	6,103,879	51%
Parks & General Services	7,938,796	7,988,796	3,978,893	50%
Public Works	11,479,418	11,479,418	5,522,827	48%
Capital Improvements/Debt Redevelopment	1,425,019 376,744	1,429,877 376,744	716,824 199,941	50% 53%
Total	\$ 53,929,736	\$ 53,897,876	\$ 27,006,598	50%

- On a citywide basis, the All Funds Personnel costs represented 32.9% of total adjusted city budget of \$163.61 million.
- FY2008/09 personnel expenditures are currently tracking at 50%, which is consistent with budgeted projections.

Table 5 summarizes the FY2007/08 overtime results, as well as the FY 2008/09 budget, by type and department. In review of the table below, it is important to note that overtime is only one component of total human resource costs. Although the table indicates some departments having exceeded their overtime allocations, they have continued to maintain total personnel within budget as reflected in the table above.

<i>All Funds Overtime Expenditures - Table 5</i>			
<i>FY2008/09 Year-to-Date</i>			
Department	Original Budget	Adjusted Budget	Year-To-Date Actual
City Manager's Office	3,310	3,310	3,545
Community Development	6,078	6,078	-
Community Services	6,737	6,737	11,399
Fire	418,949	652,291	385,390 *
Police	514,957	514,957	305,593
Parks & Community Services	na	na	na
Parks & General Services	38,856	38,856	17,891
Public Works	143,914	143,914	75,787
Capital Improvement Projects	10,691	10,691	3,022
Redevelopment	-	-	1,004
TOTAL OVERTIME	\$ 1,143,492	\$ 1,376,834	\$ 803,631

* The portion of overtime related to Strike teams and reimbursed through State and Federal Funding in FY 08/09 is \$233,342.

- On an all funds basis, total overtime budget for FY2008/09 is \$1.38 million, and represents 2.6% of the total human resources budget.
 - Included in these costs are:
 - Regular overtime for hours worked by non-exempt employees (non-management) over and above 40-hours per week. The majority of this overtime is paid at the rate of time-and-a-half. Some regular overtime is paid via use of compensatory time-off (comp-time), wherein an employee earns time off at the rate of 1.5 hours of comp-time per hour of overtime work.
 - There are several other categories of overtime including those spelled-out in the Fair Labor Standards Act (FLSA) and selected components of the city's labor agreements. Many of these types of overtime (i.e. FLSA) are paid at regular pay rates, and/or through accrual of comp-time).
 - When evaluating the results of overtime usage, it should be noted that the most significant fluctuations in budget versus actual overtime are in the areas of Fire, Police, Parks and Public Works. These notable differences are largely comprised of overtime requirements for emergency services, such as Fire Strike Teams, Citywide Power Outage and other weather related events.
- *As of February 1, the City has documented a current vacancy list of 21 regular full time and 1 (75%) regular part time positions. These vacancies represent a 4.7% shortfall in our current work force, in relation to our 464.25 budgeted Full Time Equivalent permanent positions. In addition to the current vacancies, 13 regular full time and 2 (75%) regular part time vacant positions have been recruited and filled in FY 2008/09. Of the current vacancies, there are 8 positions which are being backfilled with either TPT staff or special assignment pay to current staff for supplemental work assignments. (See Table 6)*

Position Vacancy Listing

The following *Table 6* presents a listing of vacant positions as of February 1, 2009, as well as updated information on previous reported vacancies hired since July 1, 2008.

Vacant Positions as of February 1, 2009				
Dept	Position Title	Duration of Vacancy	Funding Source	Status
CMO	Deputy City Clerk II	1 month	General Fund	Vacant as of 12/1/08
CMO	Financial Assistant II	4 months	General Fund/Enterprise	Vacant- as of 8/8/08 (Backfilled with TPT Staffing)
CDD	Building/Planning Tech I	22 months	General Fund/RDA	Underfilled with Temporary Part-time staff
CDD	Residential Resale Inspector II	9 months	General Fund/Building Permit Fund	Vacant TPT Backfill
CSD	Community Services Manager	9 months	Various Funds	Vacant 4/1/08
CSD	Eligibility Worker (75%)	1 month	Child Care Fund	Vacant 12/12/08
CSD	Housing Program Coordinator	6 months	CDBG/RDA	New Position 7/1/08
FD	Fire Division Chief		General Fund	Vacant prior to 7/1/08 Backfill Pay & Contract Plan Check Svcs
PD	Police Officer	2.5 months	General Fund	Vacant 10/16/08
PD	Police Officer	4 months	General Fund	Vacant 8/24/08 Backfill with TPT Community Services Officer
PD	Public Safety Dispatcher I	6 months	General Fund	Vacant 5/8/08
PD	Lead Public Safety Dispatcher	6 months	General Fund	Vacant 7/1/08 Underfill with PS Dispatcher II
PD	Lead Public Safety Dispatcher	6 months	General Fund	Vacant 7/1/08 Underfill with PS Dispatcher II
PGS	Sports Field Maint Specialist	6 months	General Fund	Vacant 7/1/08 Underfill with Park MW II
PGS	Facilities Manager	.5 months	General Fund/RDA/Bld Maint	Vacant 12/30/08
PGS	MIS Senior System Analyst	.5 months	IS Fund	Vacant 12/31/08
PGS	Computer Support Tech I	3.5 months	Duplicating/Postal Fund	Vacant 9/12/08
PW	Operations Administrator Need splits	3 months	Various Funds	Vacant 10/6/08
PW	WWTP Senior Operator	17 months	Sewer Fund	Vacant-Divison under classification review
PW	Engineering Assistant	6 months	Sewer & Drainage Funds	New Position - WWTP 7/1/08
PW	Environmental Compliance Coord	4 months	Sewer & Drainage Funds	Vacant 9/4/08
PW	Public Works Inspector II	6 months	Various Funds	New Position
Positions Hired				
Dept	Position Title	Duration of Vacancy	Funding Source	Hire Date
CMO	City Clerk	3.5 months	General Fund	Vacant- as of 8/14/08 (Backfilled with Special Assignment Pay)
CSD	Community Services Program Coordinator	5 months	General Fund	New 7/1/08 (Hired 12/1/08)
CSD	Comm Svcs Superintendent	3 weeks		Vacant 7/25/08 (Hired 8/18/08)
CSD	Child Care Program Assistant 75%	4 months	Child Care Fund	Vacant as of 7/1/08 (Hired 8/11/08)
CSD	Community Services Supervisor	1.5 months		Vacant 8/11/08 (Filling 11/3/08)
CSD	Program Aide 75%-Facilities	5 months		Vacant 6/5/08 - (Hiring 11/3/08)
PGS	MIS Systems Analyst		IS Services Fund	Vacant- as of 6/16/08 (Hired 9/8/08)
PGS	Equipment Mechanic I		Fleet Maintenance	Vacant- as of 6/16/08 (Hired 9/22/08)
PGS	Building Maintenance Worker II	1 month	Building Maintenance Fund	Vacant 10/7/08 (Hiring 11/3/08)
PD	Police Officer		General Fund	Vacant 8/10/08 (Hired 10/20/08)
PD	Public Safety Dispatcher I	1 month	General Fund	Vacant 10/31/08 (Hired 12/1/08)
PW	Associate Civil Engineer	7 months	Various Funds	Vacant (Hired 10/6/08)
PW	Assistant Public Works Director	2 months	Sewer & Transportation Funds	Vacant 8/1/08 (Hired 10/6/08)
PW	Public Works Maintenance Worker I	4 months	Sewer Fund	Vacant 7/25/08 (Hired 12/1/08)
PW	Senior Civil Engineer	5 months	Sewer Fund	New Position - WWTP 7/1/08 (Hired 12/1/08)

Attachment B

Summary of General Fund Operations

Table 1 presents a summary of the City’s General Fund results through the fiscal year ended June 30, 2007 as well as budget and year-to-date results through the first seven months of FY2007/08:

Description	FY2007/08 Adjusted Budget	FY2007/08 Budget Projection	FY2007/08 Actual Results	FY2008/09 Adopted Budget	FY2008/09 Adjusted Budget	FY2008/2009 Year-to-Date Results	FY2008/09 Year-end Projection
<i>Beginning Unreserved Fund Balance</i>	\$7,912,402	\$7,912,402	\$7,912,402	\$6,054,752	\$6,307,155	n/a	\$6,307,155
Revenues	39,334,887	38,154,796	39,033,658	39,759,832	40,004,921	15,597,379	37,390,655
Expenditures	(41,356,836)	(40,260,425)	(39,951,066)	(40,177,756)	(40,531,381)	(20,532,586)	(38,628,026)
Transfers	(502,710)	(40,135)	(502,710)				
Change in Reserved Fund Balance **	288,114	288,114	248,327	0	0	0	0
Position Savings/Adjustments							
Audited Unreserved Fund Balance	\$5,675,857	\$6,054,752	\$6,740,611	\$5,636,828	\$5,780,695	<i>n/a</i>	\$5,069,784
Unencumbered Carry-over Appropriations			(333,456)		333,456		333,456
Public Safety Staffing Reserve			(100,000)		(50,000)		(50,000)
Ending Unreserved Fund Balance	\$5,675,857	\$6,054,752	\$6,307,155	\$5,636,828	\$6,064,151	<i>n/a</i>	\$5,353,240
Percentage (E.U.F.B./Revenues)	15.1%	16.7%	16.9%	15.0%	16.1%	<i>n/a</i>	15.2%
Reserve Policy \$	\$5,628,993	\$5,451,934	\$5,583,830	\$5,621,911	\$5,658,675		\$5,266,535
Reserve Policy	15%	15%	15%	15%	15%		15%
<i>"Excess" Fund Balance (over Reserve Target)</i>		\$ 602,818	\$ 723,325	\$ 14,917	\$ 405,476	<i>n/a</i>	\$ 86,705

** This line item is included to link the Audited Financial Statements with Budget Estimates and also includes changes in encumbrance balances.

FY2007/08

The General Fund’s Unreserved Fund Balance as of June 30, 2008 was \$6.31 million, equal to 16.9% of General Fund revenues, compares favorably to the Council’s General Fund reserve policy of 15%, and reflects a slight improvement of \$120,507 over the projections used in the development of the FY2008/09 budget.

FY2008/09

The Adopted FY2008/09 budget was developed such that the resulting General Fund unreserved Fund Balance at June 30, 2009 would be \$5.62 million, or 15.0% of General Fund revenues. This assumed a beginning fund balance of \$6.05 million and an anticipated draw-down of fund balances totaling \$708,408. The result would have yielded an “excess” fund balance of \$14,917.

Final year-end results for FY2008/09 result in an updated projection for the General Fund reserve as of June 30, 2009. The revised estimates – assuming current year results consistent with the budget - would yield a projected year-end fund balance of \$6.1 million, or 16.1% of General Fund revenues. This would yield an excess fund balance on June 30, 2008 of approximately \$405,476 above the reserve requirement.

Attachment C

General Fund Revenues

Table 2 presents a summary of results for our major General Fund revenue sources. FY2007-08 revenues were \$39.0 million which was \$878,862 (2.3%) above the revenue estimate used in the development of the FY2008-09 budget.

*Table 2: General Fund Revenues
FY2007/08 Results and FY2008/09 Projections*

Revenue by Source	FY2007/08 Adjusted Budget	FY2007/08 Estimate	FY2007/08 Actual	Variance Favorable / (Unfavorable)	Variance Percentage	FY2008/09 Adopted Budget	FY2008/09 Adjusted Budget	FY2008/09 Year to Date	FY2008/09 Projection	Variance Favorable / (Unfavorable)
Property Taxes	\$14,872,290	\$14,380,234	\$14,311,744	(\$68,490)	-0.5%	\$15,341,810	\$15,341,810	\$7,248,221	\$14,587,900	(\$753,910)
Sales & Use Tax	9,122,600	9,126,100	9,117,999	(\$8,101)	-0.1%	9,354,200	9,354,200	2,344,567	\$8,406,700	(\$947,500)
Motor Vehicle In Lieu	449,698	302,000	288,026	(\$13,974)	-4.6%	302,000	302,000	82,640	\$192,500	(\$109,500)
Transient Occupancy Tax	1,056,000	1,154,500	1,120,983	(\$33,517)	-2.9%	1,212,200	1,212,200	266,094	\$1,079,100	(\$133,100)
Property Transfer Tax	268,000	236,100	171,905	(\$64,195)	-27.2%	236,000	236,000	0	\$154,000	(\$82,000)
Business License Tax	1,230,700	1,290,000	1,283,451	(\$6,549)	-0.5%	1,322,000	1,322,000	26,147	\$1,208,000	(\$114,000)
Municipal Services Tax	2,158,200	2,180,400	2,165,883	(\$14,517)	-0.7%	2,243,500	2,243,500	1,298,475	\$2,249,100	\$5,600
Franchise Fees (PG&E)	557,226	557,226	547,544	(\$9,682)	-1.7%	562,600	562,600	0	\$562,600	\$0
Planning & Building Inspec	845,175	501,218	593,775	\$92,557	18.5%	521,984	521,984	306,059	\$610,369	\$88,385
Parks/Community Services	2,353,051	2,051,301	2,218,339	\$167,038	8.1%	2,342,075	2,343,266	1,469,229	\$2,187,851	(\$154,224)
Other Depts (Fire, PD, PW)	1,482,020	1,551,539	1,895,039	\$343,500	22.1%	1,548,950	1,458,950	426,888	\$1,387,495	(\$161,455)
Fines & Forfeitures	813,800	813,800	840,639	\$26,839	3.3%	811,800	811,800	271,307	\$715,700	(\$96,100)
Investment Earnings	244,019	320,780	338,983	\$18,203	5.7%	350,195	350,195	31,402	\$332,944	(\$17,251)
Intra-City Revenues	1,808,270	1,808,570	1,808,126	(\$444)	0.0%	2,280,423	2,280,423	1,227,923	\$2,280,423	\$0
All Other Sources	2,073,838	1,881,028	2,331,222	\$450,194	23.9%	1,330,095	1,663,993	598,427	\$1,435,973	\$105,878
Total	\$39,334,887	\$38,154,796	\$39,033,658	\$878,862	2.3%	\$39,759,832	\$40,004,921	\$ 15,597,379	\$37,390,655	(\$2,369,177)

General Fund revenues for FY2007-08 reflected an increase of \$945,348, or 2.5%, from prior year results. Growth from the previous year is primarily attributable to increased Property Tax revenues. Year-end results for FY2007-08 exceeded the budget estimate by \$878,862 due primarily to increased Public Works inspection fees and also the cancellation of prior year purchase orders, which are typically not factored into estimates.

The FY 2008/2009 budget assumed growth in General Fund revenues of \$726,174, or 1.2%, due again primarily to continued growth (7.2%) in Property Tax revenues, and moderate growth (2.5%) in Sales Tax revenues.

In light of year-to-date results for FY 2008/2009, adjustments to this year's revenue estimates are warranted:

- Property Tax revenues now reflect approximately 2% growth in assessed real property valuations due and reflect the effect of Prop 8 reassessments by the Yolo County Assessor's Office, as well as a slowdown in the rate of turnover property values in general. We are applying the same growth factor or 2% to other property-value related tax revenues, such as Motor Vehicle In Lieu and Property Transfer Tax. We have also revised upward our initial estimate of the administrative charge retained by Yolo County, which further reduces the estimate for this category as a whole. Lastly, it is too early to evaluate supplemental property taxes (received later in the year) which fluctuate significantly from year to year, but our original estimates of growth in this revenue have been reduced to 2%.

- Sales Tax receipts through the first half of FY 2008/2009 indicate a decrease from FY2007/2008 results. While we had originally predicted 2.5% growth in this revenue, we are now estimating a decrease of 7.8%. Our core categories of Automotive and Restaurant, which together account for approximately 60% of direct Sales Tax collections, reflect growth of <14.6>% compared to the same period last year. Overall, direct collections are down 4% over the same period in FY 2007/2008. We will continue to monitor sales tax receipts closely.
- Transient Occupancy Tax receipts for the first two quarters of the fiscal year indicate a 10% decline from FY2007-08 results due to a 3.5% decline in tax receipts from hotel operators, and the closure of one business. Very preliminary Business License Tax returns indicate a decline of 8.8% from FY2007-08.
- Departmental revenue estimates are being reduced due to declining Public Works inspection activity and declining participation in recreation programs. Community Development revenue is increased due to billable planning activity for private developments.

Attachment D

General Fund Expenditures

Table 3 summarizes General Fund expenditure results for all departments. FY2007/08 expenditures ended the year at \$39.95 million, or \$1.40 million (2%) under the final budget of \$41.36 million.

Expenditure by Department	FY2007/2008 Adjusted Budget	FY2007/08 Actuals	Variance	% Exp.	FY2008/08 Adopted Budget	FY2008/09 Adjusted Budget	FY2008/09 Year-to-Date Actuals	% Exp.	FY2008/09 Year- End Projection
City Council	138,121	124,861	13,260	90.4%	136,741	136,741	57,109	41.8%	
City Attorney	427,967	340,802	87,165	79.6%	427,967	427,967	247,561	57.8%	
City Manager	4,657,867	4,338,043	319,824	93.1%	4,258,300	4,258,300	1,881,868	44.2%	
Community Development	1,823,432	1,551,162	272,270	85.1%	1,605,252	1,612,498	703,978	43.7%	
Community Services	-	-	-	0.0%	4,303,789	4,302,033	2,222,241	51.7%	
Fire	8,498,510	8,433,385	65,125	99.2%	8,449,829	8,449,829	4,110,397	48.6%	
Parks & Community Services	11,171,638	10,330,063	841,575	92.5%	-	-	-	-	
Police	13,373,183	12,944,613	428,570	96.8%	13,825,492	13,856,692	6,670,594	48.1%	
Parks & General Services	-	-	-	0.0%	7,325,305	7,373,130	3,805,729	51.6%	
Public Works	1,195,838	1,072,833	123,005	89.7%	1,119,773	1,119,773	414,614	37.0%	
Capital Improvements/Debt	739,168	609,646	129,522	82.5%	311,736	580,846	212,837	36.6%	
Debt	205,659	205,658	1		205,658	205,658	205,658	100.0%	
Non-Departmental Adjustments	(874,547)	-	(874,547)		(1,792,086)	(1,792,086)	-	0.0%	
Total	\$ 41,356,836	\$ 39,951,066	\$ 1,405,770	97%	\$ 40,177,756	\$ 40,531,381	\$ 20,532,586	50.7%	\$ 38,628,026
							<i>Projected Year-end Variance</i>		\$ 1,903,355

FY2007/2008 General Fund expenditure results for all operating departments were within their adjusted budget, with savings ranging from 1% to 20% of budgeted expenditures.

Citywide General Fund expenditures ended FY2007/08 at \$39.95 million, which was \$1.4 million below final adjusted budget. Personnel costs ended the year \$2.4 million, or 5% under budget, with realized General Fund personnel savings ending the year at just over \$1.3 million, exceeding the level of General Fund salary savings incorporated into the FY2007/08 budget.

Through January (Period 7), FY2008/09 General Fund expenditures (including encumbrances) were \$20.53 million, or 50% of the adjusted budget of \$40.53 million. Overall, personnel expenditures through the first half of the fiscal year, when accounting for seasonality of citywide Capital Improvement projects and recreation program expenditures in Parks and Community Services appear to be within budget.

Non-personnel expenditures also continue to track within budget and are projected to yield additional savings above the \$750,000 anticipated savings assumed in the development of the FY2008/09 budget. The additional \$500,000 in estimated savings are a result of mid-year cost containment measures reducing travel, training, contract services and the deferral of several Capital Improvement projects that are supported by the General Fund.

Preliminary projections of year end General Fund expenditures stand at \$ 38.63 million, or \$1.9 million (1.0%) below the adjusted budget for FY2008/09. General Fund expenditures will continue to be monitored to assess whether the General Fund will fully realize the savings from personnel costs and non-personnel costs incorporated into the FY 2008/09 budget model.

Continued refinement to the FY 2008/09 budget projections will be presented as part of the Budget Workshop scheduled for March 10.

Attachment E

Purchases \$20,000 - \$50,000

In June 2008, the City updated its purchasing policy to raise the threshold for Council approval for purchases of Goods, Supplies, and Equipment from \$20,000 to \$50,000.

The following purchases, made during the first half of FY2008/09, would have required Council approval under the old policy, but were administratively approved under the updated policy, and are presented for informational purposes.

Vendor Name	Amount	Department
Burket Office Supply	38,520.59	Various
Sierra Chemical Company	24,531.56	Various
Grainger Safety Equipment	20,166.16	Various
Groeinger & Company	20,206.83	Public Works
Platt Electrical Supply	25,874.97	Various
Northern California Miles	39,410.25	Parks & General Services

Attachment F

General Fund Five-Year Forecasts

The following tables represent updates to the City's General Fund Five-Year forecast under alternative methodologies. The first table reflects the forecast results of the original baseline projection (as presented at the December 2009 workshop) with additional downgrades in FY2008/09 and FY2009/10 revenue estimates. This forecast results in an FY2009/10 General Fund deficit of \$3.62 million, increasing by \$600,000 to \$750,000 per year as out-year revenue growth rates fail to keep pace with assumed expenditure growth, primarily driven by inflationary salary adjustments.

Baseline Forecast: FY2009/10

General Fund	Actual FY 2007/08	Bud Est. FY2008/09	Baseline FY2009/10	Forecast			
				FY2010/11	FY20011/12	FY2012/13	FY2013/14
Beginning Balances	\$ 7,912,402	\$ 6,307,155	\$ 5,353,240	\$ 1,725,450	\$ (2,653,349)	\$ (7,727,792)	\$ (13,374,270)
Revenues	\$ 39,033,658	\$ 37,390,655	\$ 37,948,668	\$ 38,937,768	\$ 40,098,537	\$ 41,509,671	\$ 43,029,971
Expenditures	\$ 39,951,066	\$ 38,628,026	\$ 41,576,458	\$ 43,316,566	\$ 45,172,980	\$ 47,156,149	\$ 49,277,635
Changes in Reserved Fund Balance**	\$ 248,327						
Transfers	\$ (502,710)						
Unreserved Fund Balance	\$ 6,740,611	\$ 5,069,784	\$ 1,725,450	\$ (2,653,349)	\$ (7,727,792)	\$ (13,374,270)	\$ (19,621,934)
Unencumbered Carry-over Appropriations	\$ (333,456)	\$ 333,456	\$ -	\$ -	\$ -	\$ -	\$ -
Public Safety Staffing Reserve	(100,000)	(50,000)					
Ending Unreserved Fund Balance	-	\$ 6,307,155	\$ 5,353,240	\$ 1,725,450	\$ (2,653,349)	\$ (7,727,792)	\$ (13,374,270)
Percentage (E.U.F.B./Revenues)	16.9%	15.2%	4.8%	-7.3%	-20.5%	-34.2%	-48.4%
Reserve Policy \$	\$ 5,583,830	\$ 5,266,535	\$ 5,350,237	\$ 5,488,340	\$ 5,662,455	\$ 5,863,556	\$ 6,080,714
Reserve Policy %	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
"Excess" Fund Balance (over Reserve Target)	-	\$ 723,325	\$ 86,705	\$ (3,624,787)	\$ (8,141,688)	\$ (13,390,247)	\$ (19,237,826)
Annual Deficit	-	(917,408)	(1,237,371)	(3,627,790)	(4,378,798)	(5,074,443)	(6,247,664)
				(2,390,419)	(751,008)	(695,645)	(572,035)
							(601,185)

Upon request, staff has also prepared a version of the five-year forecast exclusive of any salary adjustments beyond the term of current contracts. In other words, the following table reflects salaries frozen at FY2008/09 levels for all employees, except those represented by the Davis Police Officers' Association, and Lieutenant bargaining groups, whose current contract runs through FY2009/10.

WITHOUT COLA

Baseline Forecast: FY2009/10

General Fund	Actual FY 2007/08	Bud Est. FY2008/09	Baseline FY2009/10	Forecast			
				FY2010/11	FY20011/12	FY2012/13	FY2013/14
Beginning Balances	\$ 7,912,402	\$ 6,307,155	\$ 5,353,240	\$ 2,255,063	\$ (679,665)	\$ (3,359,461)	\$ (5,623,074)
Revenues	\$ 39,033,658	\$ 37,390,655	\$ 37,948,668	\$ 38,937,768	\$ 40,098,537	\$ 41,509,671	\$ 43,029,971
Expenditures	\$ 39,951,066	\$ 38,628,026	\$ 41,046,845	\$ 41,872,496	\$ 42,778,333	\$ 43,773,284	\$ 44,867,315
Changes in Reserved Fund Balance**	\$ 248,327						
Transfers	\$ (502,710)						
Unreserved Fund Balance	\$ 6,740,611	\$ 5,069,784	\$ 2,255,063	\$ (679,665)	\$ (3,359,461)	\$ (5,623,074)	\$ (7,460,418)
Unencumbered Carry-over Appropriations	\$ (333,456)	\$ 333,456	\$ -	\$ -	\$ -	\$ -	\$ -
Public Safety Staffing Reserve	(100,000)	(50,000)					
Ending Unreserved Fund Balance	-	\$ 6,307,155	\$ 5,353,240	\$ 2,255,063	\$ (679,665)	\$ (3,359,461)	\$ (5,623,074)
Percentage (E.U.F.B./Revenues)	16.9%	15.2%	6.3%	-1.9%	-8.9%	-14.4%	-18.4%
Reserve Policy \$	\$ 5,583,830	\$ 5,266,535	\$ 5,350,237	\$ 5,488,340	\$ 5,662,455	\$ 5,863,556	\$ 6,080,714
Reserve Policy %	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
"Excess" Fund Balance (over Reserve Target)	-	\$ 723,325	\$ 86,705	\$ (3,095,174)	\$ (6,168,005)	\$ (9,021,916)	\$ (11,486,629)
Annual Deficit	-	(917,408)	(1,237,371)	(3,098,177)	(2,934,728)	(2,679,796)	(1,837,344)
				(1,860,806)	163,449	254,932	416,184
							426,268