

## STAFF REPORT

**DATE:** November 1, 2007  
**TO:** City Council  
**FROM:** Paul Navazio, Finance Director  
**SUBJECT:** FY 2007/08 First Quarter Budget Update.

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### **Recommendation**

As an informational report, no action is requested on this item, although the report provides information on revenue and expenditure results relative to estimates used as the basis for the FY2007/08 budget, and will serve as the basis for the initial development of the FY2008/09 budget.

### **Fiscal Impact**

This informational item presents unaudited year-end revenue and expenditure results for the fiscal year ended June 30, 2007 (FY2006/07), as well as revenue and expenditure results through the first four months of FY2007/08.

### **Summary**

This report summarizes the final, unaudited year-end All Funds revenue and expenditure results for FY2006/07, and presents All Funds revenue and expenditure results through the first four months of FY2007/08. In addition, the report highlights General Fund revenue and expenditure results in comparison to estimates used in the development of the current FY2007/08 budget.

While it is too early in the fiscal year to revise revenue and expenditure projections, the report highlights several areas of the budget that will continue to be monitored closely. Any necessary revisions to revenue and expenditure projections for FY2007/08 will be presented in February as part of the Mid-Year Budget Update.

Highlights of the reported results include:

- *All Funds Revenues for the year ended June 30, 2007 were \$165,144,614 as compared to an Adjusted Budget of \$124,611,788. The significant variance in FY2006/07 citywide revenues is primarily as a result of bond proceeds related to the refinancing of two Mello-Roos Community Facilities Districts and outstanding Redevelopment Agency Bonds as well as the*

issuance of newly authorized Redevelopment Agency Housing Bonds in FY2006/07. (See Attachment A – Table 1).

- *Through the first quarter of the current fiscal year, All Funds Revenues stood at \$28,638,231, or roughly 20% of the Adjusted Budget figure of \$141,581,106. In general, revenues derived from fees (Enterprise Funds and Internal Service Funds) and monthly billings (selected Special Revenue Funds) appear to be tracking in-line with budget projections. However, several major sources of tax revenues (Property Tax, Sales Tax, Parks Maintenance and Open Space) are paid in installments and result in overall revenues appearing below budget through the first quarter. (See Attachment A – Table 2).*
- *All Funds Expenditures for FY2006/07 were \$116,940,697, which represents 93.8% of the Adjusted Budget of \$124,697,354. All Funds Expenditures through the first quarter of FY2007/08 stand at \$40,190,551, or 23% of the All Funds Budget of \$177,143,762. (See Attachment A – Tables 3 & 4).*
- *On a budgetary basis, the General Fund Unreserved Fund Balance as of June 30, 2007 is \$7,672,944 and represents a favorable variance of \$128,000 as compared to the reserve level assumed in the development of the FY2007/08 budget. The year-end \$7.67 million Unreserved Fund Balance as of June 30, 2007 represents 20.1% of General Fund revenues. The FY2007/08 Adopted Budget assumed a year-end reserve level of 19.6%, with the excess funds totaling \$1.8 million having been appropriated in the current year for priority one-time needs. (See Attachment B).*
  - *Final results for FY2006/07 reflect a General Fund operating deficit of \$1.2 million. This result is in comparison to the expected draw down of \$1.4 million assumed in the development of the FY2007/08 budget.*
  - *General Fund revenues ended FY2006/07 at \$38.10 million, which is \$349,269, or 0.9% below the estimate of \$38.44 million. (See Attachment C).*
  - *General Fund expenditures ended FY2006/07 at \$39.3 million, which was \$923,312 below the final adjusted budget, and \$550,000 (1.4%) below the expenditure estimate assumed in the development of this year's budget. However, of the year-end savings, \$247,000 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, 2007. (See Attachment D).*
- *Year-to-date FY2007/08 General Fund revenues through the first four months of the fiscal year were \$5.17 million, or 13.3% of the \$38.76 million adjusted revenue budget. With the results for the City's single largest General Fund revenue source (Property Tax) still pending, it is too early to update the overall revenue forecast. (See Attachment C)*
  - *Property Tax revenue continued to strong growth (7.9%) over prior year results, however reflect a slow-down in real estate appreciation as compared to the growth experienced in recent years. The year-end property tax result of \$13.42 million was \$339,636 (2.5%) below the revenue estimate used in the development of the*

FY2007/08 budget. The variance is attributable to lower than expected property tax payments in lieu of motor vehicle license fee payments (\$230,000) as well as increased property tax administration fees charged by the County. The first installment of current-year property tax revenues is not expected until early January and will inform the updated revenue estimates to be presented in the FY2007/08 Mid-Year Budget Update.

- *Sales Tax revenue ended FY2006/07 at \$8.83 million, just slightly below our budget forecast, and first quarter results for FY2007/08 stand at \$1.36 million, or 15% of the annual budget figure of \$9.09 million. While it is premature to update our sales tax revenue forecast based only on receipts through the first quarter, it is noteworthy that the Q1 receipts reflect a 3.3% increase over receipts for the same period last year. Current-year sales tax revenue estimates, along with budget-year forecasts will be updated in conjunction with the FY2007/08 Mid-Year Budget Update.*
- *Service Fee and Permit revenue collected in FY2006/07 totaled \$4.14 million, falling \$736,000 below our budget projections. The major contributors to this shortfall were Planning and Building Fees (\$437,000) and Parks & Recreation Fees (\$240,000).*
- *Through October (Period 4), FY2007/08 General Fund expenditures (including encumbrances) were \$12.75 million, or 32% of the adjusted budget of \$39.93 million. Citywide personnel expenditures appear within budget, with 26.8% expended through four months (31.2% of pay-periods). Departmental expenditure projections will be evaluated with the FY2007/08 Mid-Year Budget Update, including an analysis of personnel costs in relation to the budgeted target savings level built-into the FY2007/08 budget. (See Attachment D)*
- *Based on preliminary, unaudited, FY2006/07 year-end results, as well as the budgeted levels of revenues and expenditures for FY2007/08, the General Fund would end FY2007/08 with a fund balance of \$6.17 million, representing 15.9 % of General Fund revenues. This level of fund balance would provide a surplus of \$356,000 over the level required to maintain the Council's 15% reserve policy.*
- *The FY2008/09 annual budget is being developed consistent with the Multi-Year Framework presented as part of the current-year budget as well as the City Council's adopted General Fund Reserve Policy. As part of the long-term goal of reducing the City's reliance on excess reserve funds to balance its annual operating budget, one-time fund balances will no longer be relied upon to support the FY2008/09 General Fund operating budget. Accordingly, excess fund balances over-and-above the 15% reserve policy level would be proposed for allocation to allowable uses such as contributions to identified unfunded liabilities and/or contributions to a capital reserve fund. The trade-offs implied by the implementation of this policy will be discussed at the Mid-Year Budget Update as well as the planned budget workshop scheduled for March, 2008.*

## **Conclusion**

This informational report represents the First Quarter Budget Update for FY2007/08, and has been prepared consistent with the City Council's ongoing objective of receiving regular, quarterly budget updates.

Attachments:

Attachment A – All Funds Revenues and Expenditures

Attachment B – Summary of General Fund Operations

Attachment C – General Fund Revenues

Attachment D – General Fund Expenditures

## Attachment A

### ALL FUNDS REVENUES AND EXPENDITURES

**Table 1 – All Funds FY2006/07 Revenues**

	FY06/07 Revenues			
	Original Budget	Adjusted Budget	Unaudited Actual	%
General Fund	36,187,831	37,305,656	38,095,621	102.1%
Special Revenue Funds	20,697,217	25,188,026	27,544,003	109.4%
Debt Service	3,174,076	3,174,076	18,945,034	596.9%
Capital Projects Funds	2,292,112	2,937,112	2,764,989	94.1%
Trust Funds	1,400	1,400	2,358	168.4%
Enterprise Funds	31,661,310	31,859,798	34,296,017	107.6%
Internal Service Funds	14,350,370	14,352,672	12,550,142	87.4%
Redevelopment Funds	9,788,341	9,793,048	30,946,450	316.0%
<b>Total All Funds</b>	<b>118,152,657</b>	<b>124,611,788</b>	<b>165,144,614</b>	<b>132.5%</b>

- All Funds Revenues ended FY2006/07 at \$165.14 million, or 132.5% of the adjusted budget of \$124.61 million.
- This result is due primarily to bond proceeds received in FY2006/07 related to the refinancing of two Mello-Roos Community Facilities Districts (Debt Service Funds) as well as the refinancing of existing debt and the issuance of a new Housing Bond within the Redevelopment Agency.
- General Fund revenues ended the fiscal year at \$38.10 million, or 2.1% above the adjusted budget.
- The revenue results within Special Revenue funds and Internal Service Funds reflect off-setting \$2.1 million variances resulting from the re-classification of funds collected for employee benefits; this is expected to result in a year-end audit adjustment prior to finalizing the annual financial statements.

**Table 2 – All Funds FY2007/08 Revenues**

	FY07/08 Revenues			
	Original Budget	Adjusted Budget	Year-To-Date Actual	%
General Fund	38,545,982	38,760,858	5,166,058	13.3%
Special Revenue Funds	24,008,025	23,962,536	6,248,783	26.1%
Debt Service	3,727,247	4,514,014	261,217	5.8%
Capital Projects Funds	1,707,090	1,826,497	51,526	2.8%
Trust Funds	1,689	1,689	-	0.0%
Enterprise Funds	51,183,644	51,183,644	12,111,869	23.7%
Internal Service Funds	10,269,658	10,269,658	4,720,000	46.0%
Redevelopment Funds	11,062,210	11,062,210	78,778	0.7%
<b>Total All Funds</b>	<b>140,505,545</b>	<b>141,581,106</b>	<b>28,638,231</b>	<b>20.2%</b>

- All Funds revenues through the first quarter of FY2007/08 stood at \$28.64 million, or 20.2% of the adjusted budget. General Fund revenues were \$5.17 million or 13.3% of the adjusted budget, with many of the City's major tax revenues yet to be collected.

## Attachment A

### Table 3 – All Funds FY2006/07 Expenditures

	FY06/07 Expenditures			
	Original Budget	Adjusted Budget	Unaudited Actual	%
General Fund	37,691,080	40,226,433	39,303,121	97.7%
Special Revenue Funds	21,560,101	27,268,381	25,016,370	91.7%
Debt Service	3,745,692	3,745,692	3,742,322	99.9%
Capital Projects Funds	1,499,099	2,441,175	2,682,401	109.9%
Trust Funds	-	4,863	4,863	-
Enterprise Funds	32,500,940	30,041,093	28,420,627	94.6%
Internal Service Funds	12,933,837	13,237,739	11,516,040	87.0%
Redevelopment Funds	5,966,364	7,731,978	6,254,953	80.9%
<b>Total All Funds</b>	<b>115,897,113</b>	<b>124,697,354</b>	<b>116,940,697</b>	<b>93.8%</b>

- All Funds Expenditures for FY2006/07 were \$116.94 million, or 93.8% of the adjusted budget of \$124.70 million. All revenue fund categories were under budget (ranging from 80.9% to 99.9%), with the exception of Capital Project Funds ended the year at \$2.68 million, or 9.9% over budget.
- General Fund expenditures ended the year at \$39.03 million, or 2.3% under budget.

### Table 4 – All Funds FY2006/07 Expenditures by Department

	FY06/07 Expenditures			
	Original Budget	Adjusted Budget	Unaudited Actual	%
City Council	121,594	121,594	111,968	92.1%
City Attorney	577,967	577,967	611,257	105.8%
City Manager	10,832,713	10,877,042	9,099,912	83.7%
Finance	2,414,822	2,648,199	2,456,131	92.7%
Community Development	4,115,209	4,712,882	4,178,881	88.7%
Parks & Community Services	24,621,378	29,413,365	27,492,741	93.5%
Fire	9,050,942	8,847,391	8,846,756	100.0%
Police	13,457,565	13,666,692	13,246,219	96.9%
Public Works	30,449,701	30,502,922	29,003,609	95.1%
Capital Improvements	8,829,236	10,856,803	9,674,667	89.1%
Debt Service	5,764,596	5,764,596	6,201,585	107.6%
Redevelopment	5,671,063	5,686,032	5,630,870	99.0%
Redevelopment Housing	43,979	1,123,086	70,075	6.2%
CDBG	346,348	375,968	316,026	84.1%
Other	(400,000)	(477,185)	-	0.0%
<b>Total All Funds</b>	<b>115,897,113</b>	<b>124,697,354</b>	<b>116,940,697</b>	<b>93.8%</b>

- All Funds Expenditures across most all departments were well within or at budget, with two exceptions being City Attorney and Debt Service.
- The overage in City Attorney costs are attributable to increased contract costs approved mid-year, while expenditures for debt service were related to the refinancing of existing debt and were offset (and funded) by proceeds from new debt issued at more favorable interest rates.

**Table 5 – All Funds FY2007/08 Expenditures by Fund**

	FY07/08 Expenditures			
	Original Budget	Adjusted Budget	Year-To-Date Actual	%
General Fund	40,539,416	40,797,953	12,753,075	31.3%
Special Revenue Funds	24,911,467	28,095,870	9,761,377	34.7%
Debt Service	19,707,595	19,707,595	1,178,732	6.0%
Capital Projects Funds	1,154,440	3,131,014	2,085,958	66.6%
Trust Funds	-	-	-	-
Enterprise Funds	49,944,496	53,294,531	7,955,819	14.9%
Internal Service Funds	10,459,819	10,572,734	4,717,621	44.6%
Redevelopment Funds	20,122,209	21,544,065	1,737,969	8.1%
<b>Total All Funds</b>	<b>166,839,442</b>	<b>177,143,762</b>	<b>40,190,551</b>	<b>22.7%</b>

- Year-to-date expenditure through the first quarter of FY2007/08 appear well within budget across all fund categories and departments. Actual expenditures (including encumbrances totaled \$40.19 million, or 22.7% of the adjusted budget.
- Operating expenditures within the General Fund and Special Revenue funds are tracking with the budget at 31.3% and 34.7% respectively.
- Capital Project funds reflect expenditures and encumbrances totaling \$2.09 million or 66.6% of the budget as a result of construction contracts that have been encumbered related to the FY2007/08 capital projects.
- Internal Service Funds appear to be tracking ahead of budget (at 44.6%), however this results reflects up-front payments made within the City’s Self-Insurance Fund.

**Table 6 – All Funds FY2007/08 Expenditures by Department**

	FY07/08 Expenditures			
	Original Budget	Adjusted Budget	Year-To-Date Actual	%
City Council	138,121	138,121	35,754	25.9%
City Attorney	577,967	577,967	65,227	11.3%
City Manager	8,902,421	9,109,921	3,547,519	38.9%
Finance	2,647,595	2,647,595	728,732	27.5%
Community Development	4,738,069	4,738,069	1,032,407	21.8%
Parks & Community Services	29,325,669	30,219,113	10,294,038	34.1%
Fire	9,447,674	9,931,669	2,871,063	28.9%
Police	14,498,172	14,533,316	4,411,832	30.4%
Public Works	32,193,824	33,086,418	9,777,287	29.6%
Capital Improvements	23,917,691	30,347,478	4,308,026	14.2%
Debt Service	22,140,899	22,140,899	1,407,397	6.4%
Redevelopment	19,405,859	19,395,859	1,696,958	8.7%
Redevelopment Housing	68,142	1,439,998	13,873	1.0%
CDBG	-	-	438	
Other	(1,162,661)	(1,162,661)		0.0%
<b>Total All Funds</b>	<b>166,839,442</b>	<b>177,143,762</b>	<b>40,190,551</b>	<b>22.7%</b>

## Attachment B

### Summary of General Fund Operations

**Table 1** presents a summary of the City's General Fund results through the year ended June 30, 2007 as well as year-to-date results through the first four months of FY2007/08:

*Table 1: General Fund Summary  
FY2006/07 Results and FY2007/08 Year-to-Date Results*

Description	FY2006/07 Adjusted Budget	FY2006/07 Budget Projection	FY2006/07 UNAUDITED Actual Results	FY2007/08 Adopted Budget	FY2007/08 Adjusted Budget	FY2007/2008 Year-to-Date Results	FY2007/08 Year-end Projection
<i>Beginning Unreserved Fund Balance</i>	\$8,780,964	\$8,780,964	\$8,780,964	\$7,544,119	\$7,672,944	n/a	\$7,672,944
Revenues	37,305,656	38,444,890	38,095,621	38,545,982	38,760,858	5,166,058	38,760,858
Expenditures	(40,226,433)	(39,851,735)	(39,303,121)	(39,663,963)	(39,925,785)	(12,753,075)	(39,925,785)
Transfers	(91,912)	170,000	170,000				
Change in Reserved Fund Balance **			176,220	(587,339)	(587,339)		(587,339)
Position Savings/Adjustments							
<b>Audited Unreserved Fund Balance</b>	<b>\$5,768,275</b>	<b>\$7,544,119</b>	<b>\$7,919,684</b>	<b>\$5,838,799</b>	<b>\$5,920,678</b>	n/a	<b>\$5,920,678</b>
Unencumbered Carry-over Appropriations			(246,740)		246,740		246,740
<b>Ending Unreserved Fund Balance</b>	<b>\$5,768,275</b>	<b>\$7,544,119</b>	<b>\$7,672,944</b>	<b>\$5,838,799</b>	<b>\$6,167,418</b>	n/a	<b>\$6,167,418</b>
Percentage (E.U.F.B./Revenues)	15.5%	19.6%	20.1%	15.1%	15.9%	n/a	15.9%
"Excess" Fund Balance (over Reserve Target)		\$ 1,777,386	\$ 1,958,601	\$ 56,902	\$ 353,289	n/a	\$ 353,289
** This line item is included to link the Audited Financial Statements with Budget Estimates and also includes changes in encumbrance balances.							

#### FY2006/07

The General Fund's Unreserved Fund Balance as of June 30, 2007 was \$7.67 million, equal to 20.1% of General Fund revenues, and reflects a favorable variance of \$128,000 as compared to the reserve level assumed in the development of the FY2007/08 budget. The FY2007/08 Adopted Budget assumed a year-end reserve level of 19.6%, with estimated excess funds totaling \$1.8 million having been appropriated in the current year for priority one-time needs.

#### FY2007/08

The Adopted FY2007/08 budget was developed such that the resulting General Fund unreserved Fund Balance at June 30, 2008 would be \$5.84 million, or 15.1% of General Fund revenues. This assumed a beginning fund balance of \$7.54 million and an anticipated draw-down of fund balances totaling \$1.12 million. This would have yielded an 'excess' fund balance of roughly \$57,000.

Final year-end results for FY2006/07 provide an updated projection for the General Fund reserve expected at June 30, 2008. The revised estimates – assuming current year results consistent with the budget - would yield a projected year-end fund balance of \$6.17 million, or 15.9% of General Fund revenues. This would yield an excess fund balance on June 30, 2008 of roughly \$353,000 above the reserve requirement. Consistent with the provisions of the General Fund reserve policy, priority for use of available fund balances will be given to addressing one-time expenditures, including unfunded liabilities, deficits in other funds and capital improvement program needs.

## Attachment C

### General Fund Revenues

**Table 2** presents a summary of major General Fund revenue sources. FY 2006/2007 revenues were \$38.10 million which was \$789,965 (2.1%) above the Adjusted Budget, but fell \$349,269 (0.9%) below the revenue estimate used in the development of the FY 2007/2008 budget.

*Table 2: General Fund Revenues  
FY2006/07 Results and FY2007/08 Projections*

Revenue by Source	FY 2006/07 Adjusted Budget	FY2006/07 Estimate	FY2006/07 Actual	Variance Favorable / (Unfavorable)	Variance Percentage	FY 2007/08 Adopted Budget	FY2007/08 Adjusted Budget	FY2007/08 Year to Date
Property Taxes	\$13,498,903	\$13,754,710	\$13,415,074	(\$339,636)	-2.5%	\$14,872,290	\$14,872,290	\$0
Sales & Use Tax	9,165,900	8,868,900	8,834,409	(\$34,491)	-0.4%	9,090,600	9,090,600	1,364,638
Motor Vehicle In Lieu	459,886	436,600	383,808	(\$52,792)	-12.1%	449,698	449,698	0
Transient Occupancy Tax	946,600	1,025,000	1,056,691	\$31,691	3.1%	1,056,000	1,056,000	0
Property Transfer Tax	361,700	265,300	236,092	(\$29,208)	-11.0%	268,000	268,000	0
Business License Tax	1,233,386	1,200,700	1,258,072	\$57,372	4.8%	1,230,700	1,230,700	15,838
Municipal Services Tax	2,078,900	2,081,400	2,076,696	(\$4,704)	-0.2%	2,158,200	2,158,200	890,851
Franchise Fees (PG&E)	500,000	546,300	549,523	\$3,223	0.6%	557,226	557,226	0
Planning & Building Inspe	1,011,522	1,083,366	646,462	(\$436,904)	-40.3%	800,175	800,175	101,320
Parks Services	2,197,377	2,354,445	2,114,693	(\$239,752)	-10.2%	2,309,613	2,309,613	1,206,922
Other Depts (Fire, PD, PW)	1,220,203	1,440,080	1,380,956	(\$59,124)	-4.1%	1,368,170	1,368,170	387,372
Fines & Forfeitures	1,510,570	778,691	816,897	\$38,206	4.9%	813,800	813,800	168,753
Investment Earnings	39,399	247,566	421,088	\$173,522	70.1%	244,019	244,019	195
Intra-City Revenues	1,351,709	1,586,153	1,419,806	(\$166,347)	-10.5%	1,558,270	1,558,270	479,440
All Other Sources	1,729,601	2,775,679	3,485,354	\$709,675	25.6%	1,769,221	1,984,097	550,729
<b>Total</b>	<b>\$37,305,656</b>	<b>\$38,444,890</b>	<b>\$38,095,621</b>	<b>(\$349,269)</b>	<b>-0.9%</b>	<b>\$38,545,982</b>	<b>\$38,760,858</b>	<b>5,166,058</b>

- Property Tax revenues continue to strong growth (7.9%) over prior year results, however reflect a slow-down in real estate appreciation as compared to the growth experienced in recent years. The year-end property tax result of \$13.42 million was \$339,636 (2.5%) below the revenue estimate used in the development of the FY2007/08 budget. The variance is attributable to lower than expected property tax payments in lieu of motor vehicle license fee payments (\$230,000) as well as increased property tax administration fees charged by the County.
- Sales Tax receipts through the end FY 2006/2007 were \$8.83 million, reflecting a 1.8% decrease from the previous year and a shortfall of \$34,491 (0.4%) from the revenue estimate used to develop the FY2007/08 budget. First quarter results for FY2007/08 stand at \$1.36 million, or 15% of the annual budget figure of \$9.09 million. While it is premature to update our sales tax revenue forecast based only on receipts through the first quarter, it is noteworthy that the Q1 receipts reflect a 3.3% increase over receipts for the same period last year.
- Service Fee revenues in the area of Planning and Parks and Community Services fell well below the Finance Department's estimates, ending the year \$436,904 (40%) and \$239,732 (10.2%) below target levels, respectively.

- Parking Fines and Moving Violations revenue ended the year at 816,897, nearly 5% higher than the budget estimate that had been significantly down-graded (from \$1.5 million) as a result of increased compliance.
  
- Other notable General Fund revenue results include improved investment earnings, which exceeded budget estimates by \$173,522 (70%) and Other Revenues, which includes a \$700,000 adjustment from the release of funds encumbered in prior fiscal years, and posted to revenues in FY2006/07.

## Attachment D

### General Fund Expenditures

**Table 3** summarizes General Fund expenditure results for all departments. FY2006/07 expenditures ended the year at \$39.3 million, or \$923,312 (2%) under the final budget of \$40.23 million.

*Table 3: General Fund Expenditures  
FY2006/07 Year-End Results and FY2007/08 Year-to-Date*

Expenditure by Department	FY2006/2007 Adjusted Budget	FY2006/07 UNAUDITED Actuals	Variance	% Exp.	FY2007/08 Adopted Budget	FY2007/08 Adjusted Budget	FY2007/08 Year-to-Date Actuals	% Exp.
City Council	121,594	111,968	9,626	92%	138,121	138,121	35,754	26%
City Attorney	427,967	461,257	(33,290)	108%	427,967	427,967	48,299	11%
City Manager	2,273,023	2,139,622	133,401	94%	2,415,698	2,453,198	618,675	25%
Finance	2,019,258	1,884,702	134,556	93%	1,978,684	1,981,969	518,176	26%
Community Development	1,974,059	1,727,184	246,875	87%	1,785,678	1,785,678	381,807	21%
Parks & Community Services	10,488,597	9,987,168	501,429	95%	11,093,543	11,125,593	3,906,671	35%
Fire	7,562,864	7,716,767	(153,903)	102%	8,135,525	8,339,851	2,466,645	30%
Police	12,470,287	12,069,577	400,710	97%	13,289,489	13,324,633	3,994,668	30%
Public Works	1,385,414	1,238,053	147,361	89%	1,193,321	1,195,838	399,760	33%
Capital Improvements/Debt	1,772,172	1,756,391	15,781	99%	750,278	697,278	176,472	25%
Debt	208,383	210,432	(2,049)		205,659	205,659	206,148	100%
<b>Non-Departmental Adjustments</b>	<b>(477,185)</b>		<b>(477,185)</b>		<b>(1,750,000)</b>	<b>(1,750,000)</b>		<b>0%</b>
<b>Total</b>	<b>\$ 40,226,433</b>	<b>\$ 39,303,121</b>	<b>\$ 923,312</b>	<b>98%</b>	<b>\$ 39,663,963</b>	<b>\$ 39,925,785</b>	<b>\$ 12,753,075</b>	<b>32%</b>

FY2006/2007 General Fund expenditure results for most operating departments were within budget. The over-expenditure in the City Attorney's budget reflects the impact of new contract rates approved in January, which were anticipated to be largely absorbed within existing appropriations. It should be noted that the full impact of the new City Attorney contract rates were incorporated and reflected in the current-year budget. While the Fire Department exceeded its General Fund budget by \$153,903 (2%), it should be noted that the department ended the year within its All Funds budget.

On a citywide basis, personnel costs ended the year \$2.05 million, or 4.3% under budget, with realized General Fund personnel savings ending the year at just over \$1.0 million.(3.7%), exceeding the level of General Fund salary savings incorporated into the FY2006/07 budget.

Through the first quarter of FY2007/08 General Fund expenditures (including encumbrances) were \$12.75 million, or 32% of the adjusted budget of \$39.93 million. Overall, personnel expenditures are tracking within budget through the first four months of the fiscal year, when accounting for the seasonality of recreation program expenditures in Parks and Community Services.

Expenditures will continue to be monitored to assess whether the General Fund will realize the \$1.75 million in savings from personnel costs (\$1,000,000) and non-personnel costs (\$750,000) incorporated into the FY2007/08 budget. Expenditure projections will be presented as part of the Mid-Year Budget report in February.