

For the Special City Council Meeting of February 21, 2006

**CITY OF SANTA PAULA
MEMORANDUM**

To: Honorable Mayor and Members of the City Council
From: Alvertina Rivera, Finance Director
Subject: FY 2005/06 Mid-Year Statement of Revenues & Expenditures
Date: February 11, 2006

Recommendation: It is recommended that the City Council review and file the attached Statement of Revenues & Expenditures and CIP Update Report.

Fiscal Impact: None

Personnel Impacts: None

General Discussion: The attached report is a summary of the financial activity for the City's most significant funds (i.e. General and Enterprises) as of December 31, 2005. The report is a summary of the revenues & expenditures for these funds with an Actual to Budget comparison to better assess the progress of each fund.

In analyzing the attached report, the following information should be taken into consideration:

- a. Revenues & expenditures are recorded during the period received or paid. It is only at Year End that accrual entries are made to associate the revenues & expenditures to the corresponding period.
- b. The receipt schedule of revenues varies according to the source of funding. As an example, property tax payments are received as follows; 55% in December, 41% in April, & 4% in June. This year, the triple flip and the MVLF backfill has significantly altered the property tax payments, now 25% of the Sales Taxes and 67% of the Motor Vehicle license fees are paid as property taxes. Unlike the traditional property tax payments, these are paid half in January and the half in May.
- c. Although most expenditures are monthly, there are some quarterly, semi-annual, and even annual expenditures. Examples of such include Debt Service payments, Liability Insurance, Worker's Comp, and Audit Fees.

General Fund Revenue Analysis:

- The **Sales Tax** figure of \$676,168 reflects revenues for only five months. If an average of the monies received to-date was used to project the amounts to be received for an additional month, this figure would be \$135,234; bringing the total revenues to \$811,402 or 57% of the budgeted figure. If this trend continues throughout the year it would generate an additional \$99,000 in revenues. Staff is recommending a conservative approach by increasing its original projections by only 5% or \$70,700.
- **Property Taxes** were at 29% of the annual projection. The “traditional” Property taxes, are at 60%, which is 5% higher than normal for the end of December. Typically by this time we have received 55% of the annual revenue for this category. Staff is recommending an increase of \$200,000 for the projected revenues. For the second year there are two new components to the Property Tax category. These are the Property Taxes in lieu of Sales Tax and MVLF. The final figures for last year’s “True-ups” for those components are now available. The True-ups will net the City an additional \$20,031 in revenues. When combined with the decrease in traditional property taxes, the revenues projections will increase by \$220,000.
- In the past the only **Franchise Fee Taxes** received by mid-year would be the first quarterly payment from Adelphia. This year that payment has come in approximately \$20,000 higher than last year’s corresponding payment. The remaining revenues are received in March, April and June. At this point, staff anticipates receiving an additional \$40,000 above the budgeted figure for this fiscal year.
- The apparent negative variation in **All Other Taxes** is attributable to the Business License Fees. These fees are calendar year based and are payable during the first part of the calendar year. The variation in this category should therefore diminish within the next quarter.
- **Licenses and Permits** reflect a slight shortfall, with revenues at only 46.5% at mid-year. This apparent shortfall is due to Building & Safety Fire Permit revenues materializing at only 48% & 32% of projections. However, both departments expect project activity within the next few months to generate the revenue currently projected.
- **Fines & Penalties** are higher than expected largely due to traffic enforcement efforts. Staff is recommending increasing its projections by \$35,000.
- **Interest & Rent Income** projections are slightly lower than projected, yet still within a reasonable range of 2.8%. If this trend persists through the remainder of the fiscal year, it will represent a shortfall of \$9,400. Staff is not altering the existing projections.

- The **Motor Vehicle In-Lieu** figure of \$71,312 or about 35.7% of the annual projection, represents 5 months worth of payments. If an average of the monies received to-date was used to project the amounts to be received for an additional month, this figure would be \$14,262; bringing the total revenues to \$85,572 or 43% of the budgeted figure. If this trend continues throughout the year it would generate a shortfall in revenues of \$14,000. Staff is not recommending a change to its original projections.
- The **Other Intergovernmental Revenue** is made up of Prop. 172 funds for Public Safety and reimbursements from Post and the State for Mutual Aid. The mid-year figure of \$81,052 is made up of \$75,793 of Prop. 172 with the remaining \$5,259 of reimbursements. The Prop. 172 funds reflect revenues for only four months. If an average of the Prop. 172 monies received to-date was used to project the amounts to be received for the additional months, this figure would bring the total revenues to \$118,949 or 45.5% of the budgeted figure. If this trend persists it would represent a revenue shortfall of \$11,776. At this time, staff is maintaining its original projections for this category.
- **Charges for Current Services** is slightly below the mid-year target, less than 2%. The reasons for this shortcoming are Building & Safety, Community Services, and Police. In Community Services filming fees anticipated will likely not be realized because of the outsourcing of this function. This will signify a shortfall of approximately \$6,200. Building & Safety is currently at 46%, however, staff expects Building & Safety to realize its original revenue projections. In Police, revenues for the School Resource Officer at Isbell appear to be under projections. This is due to the quarterly billing schedule, which reflects only 1-month's billing through mid-year. Staff maintains its revenue projections for Police.
- At mid-year, **Other Revenues** have already taken in over \$172,000 more than the annual projection. The receipt of reimbursements for Disaster Recovery expensed in the prior year accounts for \$142,364 of those revenues, with the remaining amounts relating to unanticipated Worker's Compensation reimbursements for the Police Department. Staff is recommending adjustments in the amounts of \$179,000 for Disaster recovery in prior year revenues and \$60,000 for the Police Department's Worker's Comp. reimbursements.

The bottom line is that the overall General Fund revenue projections will increase by approximately \$598,500 of which \$239,000 is one-time monies.

General Fund Expenditures:

All departments with the exception of General Administration and Community Services are within a reasonable target percentage of their annual budgets.

Administration

Half of the \$194K overage in General Administration is due to the large annual liability insurance payment that is paid at the beginning of the fiscal year. Also contributing to the high expenditures are the legal expenses on Personnel matters, an IT Assistant position that was omitted in error during the budget process, and Recruitment and Temporary Personnel services that were not budgeted. Although some of these expenditures can be offset by reductions in other programs, General Administration will require an additional allocation of \$102,360 to complete this fiscal year.

Community Services

The Recreation and Leisure Program will require an additional allocation of \$9,000 for expenses incurred in the 2005 Citrus Festival. The Community Center and Recreation programs will also require allocations totaling \$23,700 for temporary personnel costs to backfill for a maternity leave in this department.

Fire

At this time no additional allocation is being requested, however staff is reviewing expenditure patterns within this department due to apparent over expenditures.

Non-Departmental

Staff is recommending allocations be made for assistance with Inclusionary Housing issues in the amount \$5,020, as well as, \$12,000 for advocacy services.

Assuming the recommended budget adjustments totaling \$152,080 are granted and expenditure patterns follow the preceding six months for the remainder of the 2005-06 FY, those allocations should suffice to cover all General Fund operations. Additionally, the City should end with close to \$446,420 more in fund balance than projected.

Enterprise Funds:

Revenues for the **Refuse** fund appear very close to the projected figures. The **Sewer** and **Water** Funds revenues are exceeding their expectations by 4% and 9%, in large part due to connection fees. The Interest & Rent Income categories for all Enterprise Funds are over-budget due to rising investment return rates and higher on-hand cash balances. Staff is recommending increasing various revenue projections in the Enterprise funds.

The **Refuse** and **Sewer** Divisions are performing in accordance with the expenditure projections. The variation in **Water** Maintenance & Operation expenditures are due to the significant Debt Service payments, Replenishment charges, and Water purchases that are payable in the latter part of the fiscal year. The remaining difference is due to expenditures being reflected on a cash basis. An allocation of \$5,200 will be necessary to cover increased postage costs.

The expenditures in the area of Capital Projects are reflective of the status of such projects. However, staff has determined that an additional allocation of

\$5,000,000 is needed to keep the Water Recycling Facility project on track. An allocation of \$55,000 for lobbying services related to this project is also being requested. A CIP Status Summary report is attached for your review.

Alternatives:

1. Receive and file the attached Mid-Year Statement of Revenues & Expenditures
2. Refer report back to staff for additional review and/or modifications

**STATEMENT OF REVENUES & EXPENDITURES
BUDGET to ACTUAL
FOR THE QUARTER ENDED DECEMBER 31, 2005**

Revenues	General Fund			Refuse Enterprise			Wastewater Enterprise			Water Enterprise		
	Budget	Actual	% of Budget	Budget	Actual	% of Budget	Budget	Actual	% of Budget	Budget	Actual	% of Budget
Sales Taxes	1,413,405	676,168	47.8%									
Property Taxes	4,005,167	1,173,848	29.3%									
Franchise Fee Tax	320,000	66,119	20.7%									
All Other Taxes	364,000	100,634	27.6%									
Licenses & Permits	560,641	260,517	46.5%									
Fines & Penalties	78,550	48,853	62.2%									
Interest & Rent Income	335,308	158,377	47.2%	2,500	2,572	102.9%	25,000	20,200	80.8%	160,000	174,155	108.8%
Motor Vehicle In-Lieu	200,000	71,312	35.7%									
Other Intergovernmental Revenues	261,700	81,052	31.0%									
Charges for Current Services	1,050,763	506,743	48.2%	1,929,573	944,782	49.0%	3,955,000	2,136,266	54.0%	5,333,510	3,150,054	59.1%
Other Revenues	52,430	224,457	428.1%	36,000	22,231	61.8%				85,000	9,662	11.4%
Total Revenues	8,641,964	3,368,080	39.0%	1,968,073	969,585	49.3%	3,980,000	2,156,466	54.2%	5,578,510	3,333,871	59.8%
Transfers In	938,703	466,362	49.7%							241,767	120,981	50.0%
Total Revenues & Transfers	9,580,667	3,834,442	40.0%	1,968,073	969,585	49.3%	3,980,000	2,156,466	54.2%	5,820,277	3,454,851	59.4%
Expenditures												
General Administration	1,278,462	752,912	58.9%									
Building & Safety	532,103	209,838	39.4%									
Community Services	480,253	274,708	57.2%									
Financial Services	491,716	165,138	33.6%									
Fire	1,697,731	779,996	45.9%									
Planning	623,263	253,209	40.6%									
Police	4,555,555	2,101,786	46.1%									
Public Works- Maint. & Oper.	685,537	259,481	37.9%	1,976,027	885,390	44.8%	2,457,595	1,058,567	43.1%	6,142,674	1,629,828	26.5%
Public Works- Capital Projects	287,121	0	0.0%				3,637,326	370,645	10.2%	8,684,843	168,174	1.9%
Economic Development	2,500	0	0.0%									
Non Departmental	52,119	32,230	61.8%									
Reclassification Items				(278,863)	(138,042)	49.5%	(199,427)	(97,206)	48.7%	(1,153,543)	(176,714)	15.3%
Total Expenditures	10,686,360	4,829,297	45.2%	1,697,164	747,348	44.0%	5,895,494	1,332,005	22.6%	13,673,974	1,621,288	11.9%