TO: HONORABLE CITY COUNCIL
ATTENTION: FINANCE COMMITTEE
FROM: CITY MANAGER DEPARTMENT: ADMINISTRATIVE SERVICES
DATE: MAY 23, 2006 CMR: 233:06
SUBJECT: THIRD QUARTER FISCAL YEAR 2005-06 GENERAL FUND FINANCIAL RESULTS

This is an informational report and no Council action is required. The purpose of this report is to provide the Council with insight into the financial condition of the City’s General Fund as of the third quarter of fiscal year 2005-06.

DISCUSSION
At third quarter, General Fund operating revenues and expenditures are at 70 and 74 percent of budget respectively. Timing issues related to the collection of tax revenues and recognition of contract encumbrances result in expenditures exceeding revenues. By year-end General Fund revenues are expected to exceed expenses.

Revenue Highlights for Third Quarter Fiscal Year 2005-06 Financial Results
Attachment A shows third quarter year-to-date actual revenues as a percentage of the Adjusted Budget.

Sales Tax: Receipts for the third quarter of fiscal year 2005-06 are at 68 percent of the budget. This is a consequence of the timing of the State’s “triple flip” biannual payments which are made in January and June. Staff expects that sales tax receipts will exceed the adjusted budget by year end. Sales tax in the third and fourth quarters of calendar year 2005 improved over the prior year quarters by 2.3 percent and 6.0 percent, respectively. Economic segments showing strength within the City are apparel, department stores, food products, electronic equipment, and chemical products. Those showing weakness included furniture and appliance and vehicle sales.

Property Taxes: Payments from the County for the second half of the fiscal year essentially begin in March and are fully paid by June. As a result, receipts of 64 percent as of the third quarter are not indicative of the receipts for the year. Staff projects that property tax receipts will be consistent with the adjusted budget.

Transient Occupancy Taxes (TOT): Revenues are expected to be close to budget at year end despite the fact they are at 65 percent of budget. The strongest TOT months are in April, May, and June, so staff is expecting the $6.2 million target for fiscal year 2005-06 will be met.
Occupancy and per diem rates for the first three quarters of fiscal year 2005-06 have improved over those in fiscal year 2004-05.

Expense Highlights for Third Quarter Fiscal Year 2005-06
Expenditures are often cyclical in nature and a department’s commitments could include items for the entire fiscal year. Given these facts, departments are expected to conclude the year within their adjusted budgets.

Excess Overtime Expenditures
Attachment B shows total overtime expenditures reaching 39 percent of the adjusted budget. Although most of the General Fund departments are below their overtime budget, the Fire, Planning and Police Departments exceed their budgets for the following reasons.

- The Fire Department is at 122 percent of adopted budget for overtime. The main factors contributing to overtime usage are disability leave, Katrina relief, and mandated training. An average of seven to eight personnel have been on disability leave for fiscal year 2005-06, so overtime will be partially offset with salary savings. The Fire Department deployed two personnel for Katrina relief for over three weeks. The Federal Emergency Management Agency (FEMA) has reimbursed the City for $50,000 or about 75 percent of expenditures. In addition, a significant amount of time was spent for Homeland Security training. A majority of the training will be reimbursable via grant funds and to date, $65,000 has been received.

- The Police Department is at 98 percent of the adopted budget for overtime. The main factors contributing to overtime usage are staffing shortages due to vacancies, disability leave, and newly hired officers and dispatchers assigned to the Police Academy and training programs. These absences create additional overtime expense due to mandated minimum staffing levels. Overtime usage will be partially offset with salary savings.

- The Human Resources Department is at 133 percent of the adjusted budget for overtime. The contributing factor is staffing shortages that will be offset by salary savings.

ENVIRONMENTAL REVIEW
The action recommended is not a project for the purposes of the California Environmental Quality Act.

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ATTACHMENT
Attachment B:  2005-06, Third Quarter General Fund Overtime