

To: James L. App, City Manager
From: Mike Compton, Director of Administrative Services
Subject: Preliminary Fiscal Year 2006 General Fund Results
Date: November 7, 2006

Needs: Consider preliminary General Fund results for the fiscal year ended June 30, 2006.

Facts:

1. The Council on June 7, 2005 adopted a balanced Fiscal Year 2006 General Fund budget.
2. On October 18, 2005, the Council approved General Fund carry-over requests in the amount of \$274,800.
3. Additionally, during the fiscal year, the Council approved additional new General Fund appropriations totaling \$2,996,400 and adjusted revenue estimates by \$2,167,300.
4. Consequently, the adjusted budget included the approved use of \$648,100 in reserves (savings).
5. Due to continued growth in City revenues, prudent management, elimination of State takeaways and partial receipt of disaster reimbursements for previous disaster expenditures, actual revenue collections exceeded revised budget estimates by \$2,220,800. Expenditures were less than adjusted budget by \$885,300. The net projected year end results (including transfers in/out) subject to final audit adjustments, is an operating surplus of \$1,779,800.

Analysis &
Conclusion:

While the results reported herein are preliminary, significant changes are not expected (with completion of the Comprehensive Annual Financial Report).

➤ Revenues

The adjusted budget provided for estimated revenues at \$24,080,400. Actual revenue collections were \$26,301,200 exceeding estimates by \$2,220,800.

Revenue results are summarized as follows:

	Revised Budget <u>Estimate</u>	<u>ACTUAL</u>	<u>Variance</u>	Last Year <u>Actual</u>
Property Taxes	\$ 4,645,500	\$ 4,952,372	\$ 306,872	\$ 4,076,025
Other Taxes	11,766,500	12,526,879	760,379	11,133,047
Licenses & Permits	1,080,800	1,531,411	450,611	1,505,948
Fines & Forfeitures	223,500	301,157	77,657	266,096
Use of Money & Proper	2,262,000	2,090,385	(171,615)	637,266
From Other Agencies	2,392,800	3,040,712	647,912	2,508,435
Current Services	1,445,900	1,729,090	283,190	1,862,517
Miscellaneous	263,400	129,148	(134,252)	350,638
TOTAL	<u>\$24,080,400</u>	<u>\$26,301,154</u>	<u>\$ 2,220,754</u>	<u>\$22,339,972</u>

Property taxes are up due to “supplemental” tax roll collections and the continuing significant rise in assessed valuation.

The “other taxes” category reflects higher than expected sales and property transfer tax revenues which were higher than estimates by about \$800,000 and \$100,000, respectively. Transient occupancy taxes were about \$200,000 less than estimate.

In the case of “licenses & permits”, the large positive variance is due to building permit fee collections.

In the case of “revenue from other agencies”, the variance is mostly due to the receipt of \$377,000 in revenue reimbursements from FEMA and State OES and the state property tax backfill for motor vehicle license fees being about \$300,000 more than projected.

Lastly, for the category “current services” the positive variance is directly related to development processing revenues which were collectively about \$200,000 more than estimates.

➤ Expenditures

The adjusted General Fund budget was \$25,639,100 including carry-over. Actual expenditures were \$885,300 less than revised budget.

Summary expenditure results are summarized as follows:

	Original <u>Budget</u>	Year End <u>Budget</u>	<u>ACTUAL</u>	Savings <u>(Overspent)</u>
Wages & Benefits	\$16,464,600	\$16,616,200	\$15,242,202	\$ 1,373,998
Maint. & Operations	5,587,900	6,378,100	6,822,824	(444,724)
Debt Service	201,800	271,200	271,069	131
Capital Outlay	<u>113,600</u>	<u>2,373,600</u>	<u>2,417,751</u>	<u>(44,151)</u>
TOTAL	<u>\$22,367,900</u>	<u>\$25,639,100</u>	<u>\$24,753,846</u>	<u>\$ 885,254</u>

A significant increase in capital outlay is reported due to mid-year acquisition of property fronting Hwy 46E adjacent to the municipal landfill.

The maintenance & operational expenditure overage is indicative of inflation and service demands on City operations as well as the use of temporary/seasonal outside “personnel services” rather than using regular full-time staff. Outside personnel service expenditures is classified as a maintenance & operational expense rather than wage & benefits.

When you put it all together, the result is a positive year end surplus of \$1,779,800. This increase to general fund reserves is summarized as follows:

	Preliminary
	<u>Results</u>
Wages & Benefits	\$15,242,202
Maint. & Operations	6,822,824
Debt Service	271,069
Capital Outlay	<u>2,417,751</u>
	24,753,846
Revenues	26,301,154
Net Transfers In/(Out)	<u>232,512</u>
Increase Fund Balance	<u><u>\$ 1,779,820</u></u>
(savings)	

➤ Fiscal Year 2006 Allocations to “special funds”

Allocating the positive General Fund results at this time is appropriate so that the final closing statements for FY 06 can accurately reflect the final disposition of the surplus funds. Allocating a portion of positive results to certain special funds allows for their use without negatively impacting operating results (i.e., it facilitates the proper and planned use of savings without the appearance of “deficit” spending).

It is proposed that the Council allocate (transfer) a portion of the General Fund results to special funds as follows:

1. \$500,000 to the Equipment Replacement Fund for the replacement of the City’s financial management software system; and
2. \$400,000 to the Emergency & Contingency Fund for future unanticipated budgetary needs; and
3. \$500,000 to the City Hall Development Fund for future construction of the new city hall.

The balance would be added to General Fund reserves (savings).

Fiscal

Impact:

Approval to allocate a portion of General Fund results, retroactively back to June 30, 2006, to other funds will reduce “officially” reported FY 06 General Fund operating results. In other words, the FY 06 Comprehensive Annual Financial Report will show only the residual amount not transferred to special funds as surplus. The recommended allocation to special funds will be reported as “transfers out” of the General Fund and as “transfers in” to the special funds. The result being that subsequent future use (allocation) of the transferred monies would not negatively impact future reportable operating results for the General Fund.

Options:

- a. Adopt Resolution No. 06-xxx approving various transfers from the General Fund to other special funds; or
- b. Amend, modify, or reject the above option.

RESOLUTION NO. 06-xx

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASO ROBLES
AUTHORIZING THE TRANSFER OF GENERAL FUND
FISCAL YEAR 2006 RESULTS

WHEREAS, it is estimated that General Fund positive results (annual revenues and transfers IN will exceed expenditures and transfers OUT) will be approximately \$1.8 million; and

WHEREAS, the future allocation (use) of said funds, if they remain in General Fund reserves, will negatively impact subsequent year's reportable operating results; and

WHEREAS, allocating a portion of positive General Fund results retroactively to June 30, 2006 to other special funds would provide a means for the Council to utilize said funds without impacting future reportable operating General Fund results;

WHEREAS, the Council has previously allocated a portion of surplus General Fund year end results to the City's General Emergency & Contingency Fund.

NOW, THEREFORE, BE IT HEREBY RESOLVED by the City Council of the City of Paso Robles that:

1. The Five Hundred Thousand Dollars (\$500,000) of the projected General Fund results is to be transferred, retroactively back to June 30, 2006, to the City's Equipment Replacement Fund; and
2. The Four Hundred Thousand Dollars (\$400,000) of the projected General Fund results is to be transferred, retroactively back to June 30, 2006, to the City's General Emergency & Contingency Fund; and
3. The Five Hundred Thousand Dollars (\$500,000) of the projected General Fund results is to be transferred, retroactively back to June 30, 2006, to the City Hall Development Fund.

PASSED AND ADOPTED THIS 7th day of November, 2006, by the following roll call vote:

AYES:

NOES

ABSENT:

ABSTAIN:

Frank Mecham, Mayor

ATTEST:

Deborah Robinson, Deputy City Clerk