

TO: James L. App, City Manager
FROM: Mike Compton, Director of Administrative Services
SUBJECT: Preliminary Results – Fiscal Year 2004 Major Funds
DATE: October 5, 2004

Needs:

Present preliminary financial results for major funds for the fiscal year ended June 30, 2004.

Facts:

1. On June 3, 2003, the Council adopted a fiscal year 2005 budget that projected use of \$1,215,500 from savings (reserves) shown as a General Fund operating deficit. The budget projected positive increases in retained earnings for all enterprise operations.
2. During the course of the fiscal year, the Council approved additional allocations from General Fund reserves/savings that increased the projected FY 2004 deficit to \$(1,719,700).
3. The General and enterprise fund projections assumed a worst case scenario, i.e. all appropriations would be expended and revenues would be received as originally estimated *including a \$1 million reduction by the State to balance their budget.*
4. Preliminary results for fiscal year 2004 indicate that revenues exceeded budget estimates and expenditures were less than budget.
5. Subject to final audit review and adjustments, the General Fund will only use approximately \$125,000 of reserves/savings rather than \$1,719,700.

Airport operations will experience a projected \$(250,000) decrease to retained earnings but depreciation expense generated a net increase in cash resources of approximately \$85,000.

Retained earnings for water operations will increase \$337,700 while sewer operations is estimated at \$137,600. And finally, due to new federal 5307 funding, the Transit Operations fund experienced a positive increase in retained earnings in the amount of \$453,800. However, this increase is overstated by \$200,000 as this amount was intended to be used for street purposes per the adopted budget. The annual TDA claim did not reflect this use so the funds won't be transferred until fiscal year 2005.

Analysis

and

Conclusion:

Results for fiscal year 2004 for the General Fund are significantly better than projected. The 2004 budget assumed that the State would take nearly \$1 million of City General Fund revenues. Recent projections assumed a "worst case" scenario wherein all budget appropriations would be expended and revenues would not exceed original estimates.

General Fund revenue exceeded estimates by \$2,074,400, including \$722,000 the State did not take, \$668,000 for FEMA/State OES quake expense reimbursements, and \$684,000 property and sales tax growth.

General Fund expenditures including non-budgeted quake expenditures totaled \$19,490,700 as compared to total budget appropriations of \$18,617,600 representing a difference of \$(873,100). Of the negative \$873,100, \$761,900 was directly related to response and initial repairs to the quake. When adjusted for quake expenditures, General Fund expenditures exceeded approved budget by just \$111,200, not \$1,719,700 as expected.

Fiscal
Impact:

The original fiscal year 2004 operating budget, including a \$1 million State take away, when coupled with various budget adjustments made during the year, would have used \$1,719,700 of reserves/savings given worst case scenario. Preliminary results indicate tremendous improvement. The General Fund will use reserves/savings of just \$125,000.

Options:

- a. Receive and file; or
- b. Amend, modify, or reject the above option.