

TO: City Council
FROM: James L. App, City Manager
SUBJECT: City Financial Performance & Projection
DATE: October 5, 2004

NEEDS: For the City Council to consider a three-part financial performance report & projection for Fiscal Years 2004 – 2008.

- FACTS:**
1. The City's financial performance during Fiscal Year 2004 was much better than projected.
 2. Enterprise funds, other than the Airport, performed satisfactorily.
 3. The City's General Fund showed a reserve of nearly \$7,500,000 at 6/30/03 saved over the preceding 6 years. The savings had been purposely accumulated to fund special projects, in anticipation of State take aways, and to provide for unforeseen emergencies.
 4. Council adopted a FY 2004 budget and 4-year financial plan that anticipated use of much of the General Fund savings to address special projects, sustain ongoing operations and contracts, and an anticipated \$1,000,000 per year take away by the State.
 5. As FY 2004 progressed, additional projects were approved. A "worst case" scenario forecast that approximately \$1,700,000 in General Fund savings would be used in FY 2004, and over \$5,000,000 during the 4 years of the financial projection.
 6. A preliminary report of FY 2004 results has been prepared, along with an update of the 4 year projection.
 7. FY 2004 results are markedly better than forecast, especially in the General Fund – rather than using over \$1,700,000 from savings, it is estimated that just \$125,000 will be used.
 8. Similarly, on the assumption that the State budget "deal" is confirmed by passage of California Proposition 1A in November, the 4 year financial projection shows General Fund savings at the end of FY 2008 at approximately \$5,700,000 vs. \$2,125,000 as previously estimated.
 9. Mike Compton, Director of Administrative Services, has prepared, and will present, three related reports detailing the City's preliminary financial performance and updated General Fund projection (attached).

ANALYSIS & CONCLUSION: The financial reports attached reflect a remarkable recovery (preliminary, projected, and predicated on State-wide voter support) from what was expected to be a time of perseverance and reliance on the City's "rainy day" fund. The recovery can be

attributed to careful management of resources by all City Departments, local economic growth, and Council initiative to effect change in State/Local Government finance.

The improved financial projection is dependent upon confirmation of the budget "deal" struck with the State - a "deal" that will protect Local Government revenues from future State take aways. California Proposition 1A, when approved by a majority of voters, will cement the budget "deal", protect future General Fund revenues, and provide for the much improved 4-year General Fund financial projection attached.

POLICY

REFERENCE: California's FY 2005 Budget; Proposition 1A; Adopted City Budget.

FISCAL

IMPACT: FY 2008 Reserves at \$5,700,000+ vs. \$2,125,000 as forecast last year.

OPTIONS: **A. Consider, and Act Upon, Each of the Three Attached Financial Reports as Appropriate.**

Attachments: Staff Report – FY 2004 Carry Over Requests
Staff Report – Preliminary Results – FY 2004
Staff Report – FY 2005 Budget Update