

To: James L. App, City Manager
From: Mike Compton, Director of Administrative Services
Subject: Mid Year Budget Report - Fiscal Year 2005
DATE: March 1, 2005

Needs:

Presentation of the Mid-Year Budget Report for Fiscal Year 2005

Facts:

1. The City's Fiscal Policy provides that there will be a semi-annual review of the budget with projections of revenues and expenditures through the end of the fiscal year.
2. The Fiscal Policy calls for the semi-annual review report to be delivered to Council by the first meeting in March.
3. The City's major operational funds, General Fund and Enterprise Funds, are included in the Mid Year Budget Report.

Analysis &
Conclusion:

The City Council receives various revenue and expenditure reports each month, as well as quarterly revenue trend reports to gauge the progress of major City revenue sources (copy attached for the quarter ended 12/31/04).

In addition, the Comprehensive Annual Financial Report (CAFR) provides an independently audited historical summary of actual financial activity for the preceding fiscal year. The presentation of the CAFR for fiscal year 2003-2004 was made to the City Council at their January 18, 2005 meeting.

GENERAL FUND

The General Fund provides for police, fire, recreation, library, parks, streets, and a variety of other general public services.

Revenue projections are prepared by Administrative Services except for those generated specifically by individual departmental activities/operations. In those cases, the applicable department prepares the estimate.

Total General Fund revenues are budgeted at \$ \$18,014,900. Based upon year-to-date collections, it is estimated that total revenue collections will be \$20,351,500; a

\$2,336,600 increase over budget. Nearly half of this variance is due to the restoration of the estimated \$1,000,000 revenue take-away by the State. Revenue estimates are summarized as follows:

	Budgeted FY 2004-05	Projected 6/30/2005	+ or (-) Variance
Property Taxes	\$ 3,655,500	\$ 3,936,000	\$ 280,500
Other Taxes	9,964,500	10,874,100	909,600
Licenses and Permits	860,000	1,120,000	260,000
Fines and Forfeitures	287,500	197,000	(90,500)
Use of Money and Property	424,500	461,300	36,800
Revenue from Other Agencies	803,200	1,844,200	1,041,000
Charges for Current Services	1,347,500	1,641,700	294,200
Miscellaneous	100,000	40,000	(60,000)
Transfers IN	572,200	237,200	(335,000)
	<u>\$ 18,014,900</u>	<u>\$ 20,351,500</u>	<u>\$ 2,336,600</u>

The City's top ten revenues are highlighted as follows:

	Actual FY 2002-03	Actual FY 2003-04	Budgeted FY 2004-05	Projected 6/30/2005
Sales Taxes	\$ 5,821,356	\$ 6,229,299	\$ 6,584,000	\$ 6,600,000
Property Taxes - All Sources	3,257,109	3,513,445	3,655,500	3,936,000
Planning & Building Processing F	1,956,782	1,361,328	1,181,700	1,161,800
Franchise Taxes & Fees	1,909,098	2,106,292	1,569,000	1,760,000
Motor Vehicle In Lieu	1,488,228	1,225,007	512,900	1,682,200
Transient Lodging Taxes	1,123,814	1,296,972	1,456,500	1,489,600
Recreation-Participant Fees	490,996	626,691	505,600	498,100
Business Licenses	294,671	306,688	310,000	320,000
Sales Taxes - SB 172	222,545	247,561	215,000	268,800
Interest Income	156,037	211,309	175,000	200,000
	<u>\$ 16,720,636</u>	<u>\$ 17,124,592</u>	<u>\$ 16,165,200</u>	<u>\$ 17,916,500</u>
All Other Revenues	2,389,739	2,240,542	1,849,300	2,435,000
Total All Revenues	<u>\$ 19,110,375</u>	<u>\$ 19,365,134</u>	<u>\$ 18,014,500</u>	<u>\$ 20,351,500</u>
Top Ten as a Percent of Total	87.5%	88.4%	89.7%	88.0%

Due to staff vacancies and the extended time required to prepare special studies, maintenance & operational expenditures are projected to come in about \$470,000 less than budget. These appropriations will be carried until fiscal year 2006.

Expenditure figures for personnel service costs (salaries & fringe benefits) were determined by preparing detailed salary and benefit projections for each individual employee for the six month period, January through June. It is assumed that all positions are occupied and part-time and overtime allocations are 50% expended at 12/31/04. These projections were then added to the actual expended for the first six months of the year, July through December. These projections include scheduled salary and/or fringe benefit adjustments.

Operating and maintenance expenditures have been projected assuming that all funds budgeted will be spent except for special project appropriations wherein an “educated guess” was made as to the balance spent that might be spent by year end.

The original operating expenditure budget was adopted at \$18,990,900. However, since July 1, 2004, the Council has approved additional appropriations; the current revised expenditure budget now totals \$20,620,900.

Year-end results are summarized as follows:

	Original Budget FY 2004-05	Revised Budget FY 2004-05	Projected 6/30/2005
Total Resources:	18,014,900	18,430,900	20,351,500
Expenditures:			
Salaries & Benefits	(13,539,600)	(13,622,700)	(13,600,000)
Maintenance & Operations	(4,829,100)	(5,965,300)	(5,695,900)
Debt Service	(213,700)	(268,000)	(247,200)
Operating Capital	-	(356,400)	(335,300)
Transfers Out	(408,500)	(408,500)	(173,200)
TOTAL USES	(18,990,900)	(20,620,900)	(20,051,600)
OPERATING BUDGET RESOURCES	\$ (976,000)	\$ (2,190,000)	\$ 299,900

Not included above are quake related expenses. Through mid-February these expenditures totaled \$1,179,000. Since 7/1/04, the City has received \$230,200 in actual reimbursements and has an additional \$884,200 in pending reimbursements.

ENTERPRISE FUNDS

Enterprise operations include those funds that are generally supported through user fees not from general tax revenues and are generally accounted for much like a privately operated business. Like the private sector, enterprise funds have retained earnings rather than fund balance.

Due to Governmental Accounting Standards Board Statement No. 34, retained earnings are now stated as “net assets”.

Net Assets vs. Fund Balance

The basic distinction between net assets (NA) and fund balance (FB) is that NA includes the enterprise’s investment in fixed assets, plant, property and equipment (including developer contributed system improvements) less accumulated depreciation and long-term debt. FB does not contain these two components. The City reports NA for all enterprise operations and FB for all other funds. This distinction is very important.

For example, the Sewer Operations Fund had a NA balance at 7/1/04 in the amount of \$25,781,800. This does not mean that the fund has this amount in cash resources. This amount includes various balance sheet asset accounts such as accounts

receivable, interest receivable and unamortized bond discount in addition to its \$22.6 million net investment in fixed assets including developer contributed system improvements. On the liability side of the balance sheet, in addition to accounts payable, accrued payroll, accrued leave payable, accrued interest payable items, there are bonds payable of about \$10.2 million.

WATER OPERATIONS FUND

Based upon mid-year revenue projections and the adopted expenditure budget, it is estimated that the Water Operations Fund will finish the year with an increase in net assets in the amount of \$97,800. This projection includes interest earnings (non-operating revenue) in the amount of \$200,000.

The projected results of operations are illustrated as follows:

	Original Budget FY 2004-05	Projected 6/30/2005
WATER OPERATIONS FUND		
Operating Revenues	\$ 3,099,600	\$ 3,567,900
Operating Expenses:		
Salaries & Benefits	(553,700)	(581,600)
Maintenance & Operations	(2,915,000)	(2,888,500)
Total Expenses	(3,468,700)	(3,470,100)
OPERATING SURPLUS (DEFICIT)	\$ (369,100)	\$ 97,800

SEWER OPERATIONS FUND

After many years of running operating deficits, the Sewer Operations Fund appears to have made the transition to sound financial form. Revenues are projected to exceed original budget estimates by about \$230,000.

Included in the maintenance & operations category are bond interest and paying agent expenses (non-operating expenses). It does not include bond principle payments of \$640,000 which directly impact cash resources.

	Original Budget FY 2004-05	Projected 6/30/2005
SEWER OPERATIONS FUND		
Operating Revenues	\$ 3,771,700	\$ 4,001,000
Expenditures:		
Salaries & Benefits	(668,900)	(674,000)
Maintenance & Operations	(2,703,100)	(2,415,200)
Total Expenses	(3,372,000)	(3,089,200)
OPERATING SURPLUS (DEFICIT)	\$ 399,700	\$ 911,800

AIRPORT OPERATIONS FUND

Based upon mid-year revenue and expense projections, it is estimated that the Airport Operations Fund will finish the year with an operating deficit in the amount of \$105,000 representing a considerable improvement over budget projections.

The results of operations are illustrated as follows:

	Original Budget FY 2004-05	Projected 6/30/2005
AIRPORT OPERATIONS FUND		
Operating Revenues	\$ 366,100	\$ 505,200
Expenditures:		
Salaries & Benefits	(147,700)	(139,900)
Maintenance & Operations	(449,700)	(470,300)
Total Expenses	(597,400)	(610,200)
OPERATING SURPLUS (DEFICIT)	\$ (231,300)	\$ (105,000)

TRANSIT OPERATIONS FUND

Transit operations are not fully supported by user fees.

Eighty percent (80%) of Paso transit operational cost support comes from state and federal sources. Transportation development act funds come from the State and Section 5307 is the federal source due to our urban area designation.

Due mainly to fuel cost, original projections will not be met. However, Transit Operations should still end the year with positive results as shown below.

	Original Budget FY 2004-05	Projected 6/30/2005
TRANSIT OPERATIONS FUND		
Operating Revenues	\$ 1,167,200	\$ 1,066,600
Expenditures:		
Salaries & Benefits	(50,000)	(15,000)
Maintenance & Operations	(879,100)	(893,900)
Transfers OUT	(150,000)	(150,000)
Total Expenses	(1,079,100)	(1,058,900)
OPERATING SURPLUS (DEFICIT)	\$ 88,100	\$ 7,700

LONG-TERM EXPECTATIONS

With regard to General Fund operations, positive increases in revenues are expected to continue, but at a more moderate pace than experienced during the last four years. However, this pace should be adequate to address “base” budget needs. The Council must continue to investigate long-term funding challenges if they wish to accomplish priority goals including public safety, deferred maintenance, providing resources for future facility needs including parks, and reducing reliance upon private development activity.

Fiscal
Impact:

None. Presentation only.

Options:

- a. That the Council receive and file the mid-year budget report; or
- b. Amend, modify, or reject the above option.

Attachments: 12/31/04 Quarterly Revenue Trending Report

**CITY OF EL PASO DE ROBLES
TEN YEAR MAJOR REVENUE SUMMARY**

Per General Ledger Posting-General Fund Only

	FISCAL YEAR	CUMULATIVE TOTALS THROUGH:					FISCAL YEAR	CUMULATIVE TOTALS THROUGH:			
		1st QUARTER (7/1-9/30)	2nd QUARTER (7/1-12/31)	3rd QUARTER (7/1-3/31)	4th QUARTER (7/1-6/30)			1st QUARTER (7/1-9/30)	2nd QUARTER (7/1-12/31)	3rd QUARTER (7/1-3/31)	4th QUARTER (7/1-6/30)
PROPERTY TAX	1995/96	60,936	900,168	1,235,372	1,666,034	BUILDING PERMITS	1995/96	36,372	101,935	154,085	177,184
	1996/97	0	920,120	1,089,352	1,725,218		1996/97	22,926	119,723	166,257	223,566
	1997/98	32,678	966,244	1,177,283	1,741,663		1997/98	96,312	193,505	309,470	440,068
	1998/99	0	1,107,734	1,128,830	2,134,996		1998/99	82,387	210,882	306,879	380,330
	1999/00	6,914	1,144,854	1,403,328	2,287,644		1999/00	102,594	271,296	490,378	739,669
	2000/01	8,927	1,394,798	1,756,673	2,520,254		2000/01	198,338	339,382	454,863	752,305
	2001/02	139,501	1,545,602	1,836,913	2,843,714		2001/02	298,666	477,404	855,741	1,013,951
	2002/03	104,805	1,801,357	2,285,306	3,267,031		2002/03	100,620	231,865	587,052	1,108,420
	2003/04	126,034	2,087,109	2,506,731	3,513,446		2003/04	63,736	172,156	424,853	773,936
	2004/05	87,560	1,920,377				2004/05	404,285	647,770		
<i>Percent +/- prior year</i>		<i>(30.53)%</i>	<i>(7.99)%</i>			<i>Percent +/- prior year</i>		<i>534.31 %</i>	<i>276.27 %</i>		
SALES TAX	1995/96	794,147	1,578,046	2,372,802	3,193,662	ENGINEERING INSPECTION FEES	1995/96	32,395	80,894	82,264	135,228
	1996/97	812,996	1,594,080	2,449,634	3,122,154		1996/97	23,601	30,426	43,120	50,848
	1997/98	877,123	1,810,201	2,773,038	3,574,395		1997/98	36,469	36,299	64,494	98,914
	1998/99	980,787	1,950,106	2,905,554	3,920,607		1998/99	28,966	65,819	69,925	113,563
	1999/00	1,061,275	2,115,413	3,306,778	4,536,210		1999/00	89,916	97,048	134,049	174,975
	2000/01	1,239,456	2,578,027	3,826,429	5,141,821		2000/01	26,936	88,317	31,876	72,338
	2001/02	1,334,376	2,772,920	4,143,337	5,755,697		2001/02	10,434	89,527	128,773	155,668
	2002/03	1,366,957	2,880,261	4,262,537	5,723,556		2002/03	33,043	79,689	104,081	221,076
	2003/04	1,525,388	3,120,378	4,612,413	6,229,299		2003/04	45,698	71,411	131,879	219,563
	2004/05	1,639,121	2,931,906				2004/05	62,493	140,020		
<i>Percent +/- prior year</i>		<i>7.46 %</i>	<i>(6.04)%</i>			<i>Percent +/- prior year</i>		<i>36.75 %</i>	<i>96.08 %</i>		
TRANSIENT OCCUPANCY TAX	1995/96	30,179	173,848	265,697	481,843	PLAN CHECK FEES	1995/96	23,198	71,684	89,947	81,247
	1996/97	67,051	195,625	306,053	528,046		1996/97	24,678	86,659	129,137	99,092
	1997/98	71,264	213,858	318,523	570,593		1997/98	36,779	92,230	117,216	164,475
	1998/99	74,164	263,630	387,238	629,273		1998/99	37,224	104,858	127,440	145,754
	1999/00	103,550	309,152	444,809	759,264		1999/00	53,761	161,386	206,240	308,809
	2000/01	132,674	419,305	572,521	976,618		2000/01	74,488	150,434	197,134	354,139
	2001/02	193,883	466,256	653,592	1,040,692		2001/02	106,336	250,727	312,495	367,176
	2002/03	184,571	480,593	646,231	1,123,814		2002/03	72,197	105,261	272,491	432,615
	2003/04	268,559	579,892	816,430	1,284,671		2003/04	34,268	69,070	182,758	292,491
	2004/05	287,543	655,442				2004/05	177,479	314,929		
<i>Percent +/- prior year</i>		<i>7.07 %</i>	<i>13.03 %</i>			<i>Percent +/- prior year</i>		<i>417.92 %</i>	<i>355.95 %</i>		
REAL PROPERTY TRANSFER	1995/96	10,330	16,726	27,040	40,939	MISCELLANEOUS DEVELOPMENT FEES	1995/96	6,848	15,740	28,229	28,500
	1996/97	10,883	22,010	33,626	55,209		1996/97	6,916	12,076	14,249	35,335
	1997/98	9,792	23,596	38,279	59,779		1997/98	3,181	6,149	9,476	58,777
	1998/99	14,407	33,468	50,773	88,133		1998/99	2,240	5,288	8,421	11,474
	1999/00	17,018	36,032	56,484	93,468		1999/00	3,388	7,423	14,434	125,315
	2000/01	21,590	56,105	84,682	141,379		2000/01	16,381	28,196	41,436	97,866
	2001/02	23,074	50,887	81,760	159,474		2001/02	5,678	9,459	80,053	102,284
	2002/03	36,437	78,774	111,263	168,598		2002/03	6,775	33,051	76,151	174,183
	2003/04	26,556	82,619	131,081	239,085		2003/04	5,174	30,143	40,347	55,635
	2004/05	47,102	122,813				2004/05	15,715	28,065		
<i>Percent +/- prior year</i>		<i>77.37 %</i>	<i>48.65 %</i>			<i>Percent +/- prior year</i>		<i>203.75 %</i>	<i>(6.90)%</i>		

* Feb. 2003 TOT receipt timing variances cause a negative comparison to prior year.