



Agenda Item D.2
DISCUSSION/ACTION ITEM
Meeting Date: September 2, 2008

TO: Mayor and Councilmembers
Redevelopment Agency Chair and Agency Members

FROM: Daniel Singer, City Manager/Executive Director

CONTACT: Alvertina Rivera, Finance Director

SUBJECT: FY 2007-08 Year End Statement of Revenues & Expenditures

RECOMMENDATION:

Adopt resolution No. 08-__ entitled "A Resolution of the City Council of the City of Goleta, California, Amending the City's Operating and CIP Budgets for Fiscal Year 2007-08".

BACKGROUND:

The attached report is a summary of the financial activity for the City's most significant fund, the General Fund, as of June 30, 2008. Staff has also included discussion on other miscellaneous funds as it pertains to CIP projects that require allocation modifications. A detailed analysis of the miscellaneous funds will be provided as part of the year-end audit report.

The figures presented are un-audited and may change upon the conclusion of the independent year-end audit that is currently underway. Staff expects modifications, if any, to be minor and therefore immaterial.

DISCUSSION:

General Fund revenue projections are expected to be met, while all departments have operated within allocated budgetary limits. All unexpended appropriations will be carried forward into FY 08/09 as part of the two-year budget process. While there were slight variations within a few revenue categories, these variations offset each other, resulting in essentially no impact on the revenue projections as a whole.

The following narrative analysis will be easier to understand if viewed side-by-side with Attachment 1 to this report.

General Fund Revenue Analysis:

- **Sales Taxes** generated \$4,160,113, which is 4.5% more than projected. This revenue category has remained relatively flat with only a 1%, or \$43,364, increase compared to last year.
- **Property Taxes** collected generated \$20,384 (0.4%) less than projected. The slight shortfall of revenues is due to the elimination of the Isla Vista RDA pass through to the City. As reported as part of the FY 08-09 budget deliberations, the City was recently notified that the Isla Vista RDA is not required to issue a pass through to the City of Goleta. An independent study was performed and a legal opinion issued on this matter, which resulted in a shortfall of \$14,000 for FY 07-08.

While nationally and statewide we are experiencing a troubled housing market, the impacts of this downturn were anticipated by staff and therefore reflected in the original budget figures. As evidence of these market conditions, the City of Goleta has seen a 1% or almost \$44,000 drop in Property Tax revenues from prior year.

- The **Transient Occupancy Taxes** figure of \$2,783,144 is 100.1% of the budgeted figure. This category had an increase of 8%, or \$211,617, from the previous year's figure of \$2,571,528. The vast majority of this jump in revenues can be attributed to a new hotel facility. Also contributing to the increase were across the board increases in taxes from the existing facilities.
- The **Franchise Fee Taxes** collected generated almost \$8,207 (0.9%) more than projected. Cable and Solid Waste fees came in higher than expected which offset shortfalls in oil franchise fees. It appears that the oil franchise fees were over-projected as a result of using the prior year receipts, which reflected payments for multiple years. While there appears to be a decrease of 16%, or \$178,238, compared to last year, the facts are somewhat different. In the current year, an accounting discrepancy was discovered for the prior year. The discrepancy consisted of excess revenues in the amount of \$87,665 recognized in FY 06-07 that in order to correct were reversed in this fiscal year. Absent this correction, Franchise fees would have seen a decrease of under \$3,000 or 0.02% from prior year.
- The **Motor Vehicle In-Lieu** figure of \$1,106,524 represents a shortfall of over 4% of the annual projected revenue. It also reflects a decrease of 3%, or \$33,379, from the previous year. Staff attributes this decrease to the drop in vehicle sales related to the stagnant economy.
- **Licenses and Service Charges** generated \$995,251, which is 97.5% of the budgeted amount. Planning Permit fees as well as Planning fees for current year have seen shortfalls as a result of delays in various development projects. This

revenue category has seen a decrease of almost \$942,000 or 49%, from the previous year. The drastic deviation from prior year can be attributed to a comprehensive reconciliation of Planning Deposits that was performed last year resulting in the recognition of approximately \$1,182,000 in revenues for FY 06-07.

- **Fines & Penalties** are attributed to parking and other citations issued by the Sheriff's Department as well as tow fines issued by the City's Code Compliance Officer. This category fell short of budget expectations by 0.8%, or \$1,850. It had a decrease of 4%, or \$8,333, from last year, which can be attributed to a decline in traffic fines in part due to vacancies in the traffic division.
- **Interest & Rent Income** totaled \$393,633, which was 112.8% of projections. As compared to last year, this category decreased by \$99,557, or 20%. The variation from prior year resulted from lower interest earnings on the City's cash investments and the loan to the Redevelopment Agency.
- The **Reimbursements** figure of \$143,031 is about 110% of budgeted. The positive deviation resulted from higher than anticipated reimbursements for CIP services by the CIP Division within the Community Services Department. The Reimbursements category had an increase of \$103,749 from the previous year's total of \$39,282. This is attributed to CIP reimbursements that began taking place in FY 07-08.
- The **Other Intergovernmental Revenues** sum of \$8,726 is about 158.7% of the budgeted projections. This category had an increase of 7% from the previous year's amount of \$8,180. The increase from prior year is a result of an increase in the State Mandated reimbursements.
- **Other Revenues** received totaled \$100,617 or 100.1% of the budgeted amount. This revenue category had an increase of \$98,581 from last year which is attributed to the \$100,000 donation for a Community Resource Deputy.

In summary, the realized General Fund revenues exceeded those budgeted by 0.9%, or approximately \$150,000, due primarily to higher sales tax revenues.

General Fund Expenditure Analysis

All Departments are within their appropriated budgets. In conjunction with the two-year budget adopted, the net of all unexpended funds will be carried forward into FY 08-09 for each department. These figures may include designations for special projects.

General Fund Reserves

Below is a recap of anticipated reserves as of June 30, 2008. The \$20,000 transfer budgeted for the Insurance/Risk Management reserve is not necessary as the reserve

is currently fully-funded. The Compensated Leave reserve figure has yet to be adjusted based on employee leave balances at June 30, 2008.

Contingency	\$5,153,000
Long Term Debt	\$ 900,000
Capital Equipment	\$ 69,700
<i>Compensated Leave</i>	\$ 95,290
Building Maintenance	\$ 50,000
Insurance/Risk Management	\$ 200,000
City Hall Acquisition	\$1,000,000
Cash Flow	\$1,580,530

Capital Improvement Program/Other Funds

Doty Property Acquisition – Park DIF

An allocation of **\$16,000** of Park Development Impact Fees (DIF) is required to cover costs associated with the Doty property acquisition.

Development Impact Fees

Revenues collected for Development Impact Fees have deviated significantly from projections due to the unpredictability of development projects. Staff is recommending that in the future no projections be made for revenues of this type. In the current fiscal year staff recommends the following revisions to the revenue projections:

GTIP	(\$428,000)
Park DIF	\$260,000
Public Administration Facilities	\$118,000
Library Facilities	\$28,000
Sheriff Facilities	\$44,000

Cathedral Oaks Interchange

An additional allocation in the amount of \$10,000 of Highway and Bridge Program (HBP) Federal Transportation grant funds is needed to move this project forward.

CDBG Sub-Recipient Grants

The budgeted figures for sub-recipient grants do not match the grants approved as part of the CDBG funding allocations. The discrepancy was caused by complications in the different fiscal year cycles under which the City of Goleta and HUD (the Department of Housing & Urban Development) operate. An allocation of **\$16,000** of CDBG funds is required in order to provide recipient agencies the grants previously approved by the City Council.

Redevelopment Agency

The tax increment received by the RDA was \$2,754,708, which is 5.6%, or \$146,000, higher than projected. The variance is attributed to Supplemental Taxes that exceeded projections by \$140,850 and Unitary Taxes collected of \$5,150. Interest earnings for the Agency exceeded overall projections, as a result of higher fund balances and interest yields.

Expenditures for the Agency are in line with allocations. While in some cases FY 08/09 allocations have been expended (Housing Rehabilitation grants for example), staff expects to stay within the two-year budget allocation. Also of note- is that the Bond Proceeds fund has a negative fund balance of \$446,000. While it is not typical or desirable for a fund to be in the negative, this case is an exception to the rule. Toward the middle of 2007, the Agency Board adopted a resolution allowing for reimbursement from bond proceeds for any expenditures incurred prior to the issuance of bonds. Due to lack of favorable market conditions in the bond market and delays in the San Jose Creek Capacity project, the issuance of bonds has yet to occur. Staff anticipates issuing bonds in early 2009, which will then eliminate any deficit in this fund.

FISCAL IMPACTS:

If revenue and expenditure patterns continue through the second year of this budget cycle, there will be \$150,000 that can be transferred to the General Fund Cash Flow reserve.

Changes to all other funds are as described above.

Submitted By:

Reviewed By:

Approved By:

Alvertina Rivera
Finance Director

Michelle Greene
Administrative Services
Director

Daniel Singer
City Manager

ATTACHMENTS:

- 1. General Fund Revenues & Expenditures Analysis
- 2. Resolution Amending the General Fund Operational & CIP Budget

ATTACHMENT 1

General Fund Revenues & Expenditures Analysis

**GENERAL FUND REVENUE & EXPENDITURE ANALYSIS
ACTUAL to BUDGET and PRIOR YEAR COMPARISON
FOR THE FISCAL YEAR ENDING JUNE 30, 2008**

Revenues	FY 2007-08 ACTUAL TO BUDGET					ACTUAL TO PRIOR YEAR		
	Original Budget	Revisions	Revised Budget	Actual	% of Budget	FY 2006/07	Variance \$	Variance %
Sales Taxes	3,980,900	1,518	3,982,418	4,160,113	104.5%	4,116,749	43,364	1.1%
Property Taxes	4,690,980	95,172	4,786,152	4,765,768	99.6%	4,809,695	(43,927)	-0.9%
Transient Occupancy Tax	2,781,000	0	2,781,000	2,783,144	100.1%	2,571,528	211,617	8.2%
Franchise Fee Tax	1,097,900	(167,830)	930,070	938,207	100.9%	1,116,445	(178,238)	-16.0%
Motor Vehicle In-Lieu	1,155,000	0	1,155,000	1,106,524	95.8%	1,139,903	(33,379)	-2.9%
Licenses & Service Charges	770,200	251,000	1,021,200	995,251	97.5%	1,937,147	(941,895)	-48.6%
Fines & Penalties	219,500	0	219,500	217,653	99.2%	225,985	(8,333)	-3.7%
Interest & Rent Income	299,000	50,000	349,000	393,633	112.8%	493,190	(99,557)	-20.2%
Reimbursements	50,000	80,000	130,000	143,031	110.0%	39,282	103,749	264.1%
Other Intergovernmental	5,500	0	5,500	8,726	158.7%	8,180	546	6.7%
Other Revenues	100,500	0	100,500	100,617	100.1%	2,036	98,581	4841.8%
Total Revenues	15,150,480	309,860	15,460,340	15,612,667	101.0%	16,460,139	(847,472)	-5.1%
Transfers In Other Funds	160,463	86,557	247,020	244,625	99.0%	115,855	128,770	111.1%
Transfers In from Reserves	116,000	0	116,000	116,000		130,500	(14,500)	-11.1%
Total Revenues & Transfers	15,426,943	396,417	15,823,360	15,973,292	100.9%	16,706,494	(733,202)	-4.6%
Expenditures								
General Government	1,696,157	204,653	1,900,810	1,759,489	92.6%	1,578,186	181,303	11.5%
Administrative Services	1,401,778	74,889	1,476,667	1,419,430	96.1%	1,453,507	(34,077)	-2.3%
Finance	496,697	22,512	519,209	486,623	93.7%	266,533	220,090	82.6%
Planning & Env. Services	2,046,185	455,624	2,501,809	2,068,359	82.7%	2,384,064	(315,706)	-13.2%
Community Services	2,773,899	224,106	2,998,005	2,806,738	93.6%	2,387,652	419,087	17.6%
Neighborhood Services	353,126	1,500	354,626	344,665	97.2%	368,355	(23,690)	-6.4%
Public Safety	5,696,919	21,377	5,718,296	5,694,410	99.6%	5,504,824	189,586	3.4%
Non-Departmental	103,789	435,460	539,249	528,727	98.0%	256,482	272,245	106.1%
Debt Service	612,565			200,000		506,216	(306,216)	-60.5%
Capital Improvement Projects	15,000	212,069	227,069	156,186	68.8%	56,521	99,665	176.3%
Total Expenditures	15,196,115	1,652,190	16,235,740	15,464,627	95.3%	14,762,340	702,287	4.8%
Transfers Out to Reserves	220,000	0	220,000	200,000		1,914,520	-1,714,520	-89.6%
Total Expenditures & Transfers	15,416,115		16,455,740	15,664,627		16,676,860	-1,012,233	-6.1%
Beginning Fund Balance	0	530,065	0	514,633				
Current Year Activity	10,828		(632,380)	308,666				
	0			0				
Ending General Fund Balance	10,828		(632,380)	823,299				

ATTACHMENT 2

**Resolution Amending the General Fund Operational &
CIP Budget**

RESOLUTION NO. 08-___

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GOLETA, CALIFORNIA, AMENDING THE CITY OF GOLETA OPERATING AND CIP BUDGET FOR FISCAL YEAR 2007-08

WHEREAS, the City Council of the City of Goleta adopted an Operating Budget and Capital Improvement Program for Fiscal Year 2007-08 on June 25, 2007; and

WHEREAS, The City Manager has proposed the budget adjustment as described in the Council report dated September 02, 2008 for Fiscal Year 2007 –08 based on the determination by the Department Directors that these adjustments are essential to the City’s operations; and

WHEREAS, The City Council has reviewed the proposed budget adjustment for the period of July 1, 2007 through June 30, 2008 and does hereby find the recommendation to be necessary and in the City’s best interest.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF GOLETA AS FOLLOWS:

SECTION 1.

The City of Goleta Operating Budget for Fiscal Year 2007-08 is hereby amended as follows:

221-5-8023-704	CIP – Land Acquisition	\$ 16,000
220-4-8500-401	GTIP Fees	\$ (428,000)
221-4-8500-701	Quimby Fees	\$ 260,000
222-4-8500-700	Public Admin. DIF	\$ 118,000
223-4-8500-711	Library Fac. DIF	\$ 28,000
224-5-8500-712	Sheriff Fac. DIF	\$ 44,000
401-5-9004-706	CIP - Services	\$ 10,000
402-5-6300-212	CDBG Sub-recipient Allocation	\$ 16,000

SECTION 2.

The City Clerk shall certify to the adoption of the resolution.

PASSED, APPROVED, AND ADOPTED this 2nd day of September, 2008.

MICHAEL T. BENNETT, MAYOR

ATTEST:

APPROVED AS TO FORM:

DEBORAH CONSTANTINO
CITY CLERK

TIM W. GILES
CITY ATTORNEY

STATE OF CALIFORNIA)
COUNTY OF SANTA BARBARA) ss.
CITY OF GOLETA)

I, DEBORAH CONSTANTINO, City Clerk of the City of Goleta, California, DO HEREBY CERTIFY that the foregoing Resolution No. 08-___ was duly adopted by the City Council of the City of Goleta at a regular meeting held on the 2nd day of September, 2008, by the following vote of the Council:

AYES: COUNCILMEMBERS

NOES: COUNCILMEMBERS

ABSENT: COUNCILMEMBERS

(SEAL)

DEBORAH CONSTANTINO
CITY CLERK