



**CITY OF MARTINEZ**

**CITY COUNCIL AGENDA  
November 02, 2011**

**TO:** Mayor and City Council  
**FROM:** Cathy Spinella, Finance Manager  
**SUBJECT:** Financial Report for First Quarter Fiscal Year 2011-12  
**DATE:** October 26, 2011

**RECOMMENDATION:**

Receive and file the Financial Report for First Quarter Fiscal Year 2011-12. Staff reviewed the report with the Budget Subcommittee on October 25, 2011, and the Subcommittee recommended forwarding to the City Council.

**BACKGROUND:**

**Overview of Economic Conditions**

The ongoing economic crisis has resulted in reductions to the City's revenues in virtually every category. Estimating revenue is always a challenge; however, it has become even more difficult while the economy continues to be in such a volatile state. The City's property tax revenues, which represent by far the most significant source of revenue, have declined by over \$400,000 relative to the \$6.8 million the City received in FY 2008-09, to \$6.4 million in 2009-10 and 2010-11. This decline is especially painful when one considers that until this recent economic turmoil, municipalities were able to project a minimum 2% increase in this revenue each year due to the statutory limitations included in Prop 13. This ongoing decrease in property taxes that began three years ago explains the majority of drastic cuts in operating and staffing costs. However, the City already had a small staff prior to the current economic downturn, so any reductions to the workforce have a tremendous impact on the organization.

**Fiscal Year 2010-11**

In Fiscal Year 2010-11 operating revenues came in at \$18,638,274 and expenditures were \$19,538,821, with outstanding encumbrances of \$32,924 which will be reappropriated to Fiscal Year 2011-12. Fiscal Year 2010-11 closed with an unassigned fund balance of \$3,323,175.

**DISCUSSION:**

**Fiscal Year 2011-2012 First Quarter General Fund Review**

Table 1 shows that overall revenues received in the first quarter of Fiscal Year 2011-12 are \$11,064 greater than the first quarter of Fiscal Year 2010-11. The decline in Taxes is mostly the result of a decrease in sales tax due to a reconciliation payment received on an advance from the State, which was accrued to Fiscal Year 2010-11; License, Permits & Fees decreased \$16,046 due to a large project last year at this time; Intergovernmental was higher due to the timing in receiving two payments from the County for public safety sales tax (Prop 172) as opposed to one

payment in Fiscal Year 10-11; Charges for Services increased by \$121,848 over last year with the opening of the renovated Aquatic Center accounting for \$43,751, additional inspections of \$37,289 for utility encroachments, and up-front payments for planning & engineering fees of \$40,819; Fines & Forfeits decreased because of lower abandon vehicle fees; Use of Money & Property was due to lower rental fees for City facilities; and Miscellaneous revenue was down due to a lower rebate from our insurance risk pool for workers compensation and liability.

<b>REVENUE YEAR TO YEAR COMPARISON</b>			<b>Table 1</b>
Description	Received as of 9-30-10	Received as of 9-30-11	Dollar Variance
Taxes	\$ 913,985	\$ 819,933	\$ (94,051)
Licenses, Permits & Fees	171,083	155,037	(16,046)
Intergovernmental	45,290	87,938	42,648
Charges for Services	97,708	219,556	121,848
Fines & Forfeits	54,475	46,254	(8,221)
Use of Money & Property	14,205	9,983	(4,222)
Miscellaneous	537,101	506,210	(30,891)
<b>Total General Fund</b>	<b>\$ 1,833,847</b>	<b>\$ 1,844,911</b>	<b>\$ 11,064</b>

Table 2 itemizes the revenues received in the first quarter of Fiscal Year 2011-12 as compared to the adopted budget for Fiscal Years 2011-13. Some first quarter revenues may appear low due to the timing of receipt of certain revenues. For example, property taxes are paid to the City in December, April and June. Franchise fees and transient occupancy taxes are paid on a quarterly basis. Sales tax receipts in July and August are accrued to the prior year, as well as payments made from the State and Contra Costa County that fall under Intergovernmental and Fines & Forfeits.

<b>REVENUE BUDGET TO ACTUAL COMPARISON</b>			<b>Table 2</b>
Description	Budget	1st Quarter Actuals	Percent Received
Taxes	\$ 15,959,727	\$ 819,933	5.1%
License, Permits & Fees	461,010	155,037	33.6%
Intergovernmental	583,160	87,938	15.1%
Charges for Services	470,510	219,556	46.7%
Fines & Forfeits	365,054	46,254	12.7%
Use of Money & Property	122,408	9,983	8.2%
Miscellaneous	559,312	506,210	90.5%
	18,521,181	1,844,911	10.0%
Transfers in	48,000	0	0.0%
<b>Total General Fund</b>	<b>\$ 18,569,181</b>	<b>\$ 1,844,911</b>	<b>9.9%</b>

Table 3 highlights the first quarter 2011-12 expenditures by department. Expenditures are relatively the same as last year with only a \$6,497 decrease. The largest variances are in General Government, with a decrease of \$21,295 due to a reduction in professional services and the timing of a monthly payment to the City Attorney; an increase in Community Development of \$54,197 was primarily due to the opening of the swimming pool; a decrease in Police of \$41,902 is due to staffing adjustments; and an increase in Public Works of \$18,605 is due to an extra utility payment in the 1<sup>st</sup> quarter of Fiscal Year 11-12 compared to the same period last year.

<b>EXPENDITURE YEAR TO YEAR COMPARISON</b>			<b>Table 3</b>
Description	Expended as of 9-30-10	Expended as of 9-30-11	Dollar Variance
General Government	\$ 279,599	\$ 258,304	\$ 21,295
Non-Departmental	203,583	207,078	(3,495)
Administrative Services	170,096	176,635	(6,539)
Community Development	505,099	559,295	(54,197)
Police Services	2,420,330	2,378,428	41,902
Public Works	864,340	875,414	(11,074)
Transfers Out	23,605	5,000	18,605
Total General Fund	\$ 4,466,651	\$ 4,460,154	\$ 6,497

Table 4 below compares actual expenditures in the first quarter of 2011-12 as compared to the Adopted Budget.

<b>EXPENDITURES BUDGET TO ACTUAL COMPARISION</b>				<b>Table 4</b>
Description	Budget	1st Quarter Actuals	Percent Expended	
General Government	\$ 1,162,872	\$ 258,304	22.2%	
Non-Departmental	1,066,863	207,078	19.4%	
Administrative Services	758,705	176,635	23.3%	
Community Development	2,087,201	559,295	26.8%	
Police Services	9,985,636	2,378,428	23.8%	
Public Works	3,505,911	875,414	25.0%	
	18,567,188	4,455,154	24.0%	
Transfers Out	5,000	5,000	100.0%	
Total General Fund	\$ 18,572,188	\$ 4,460,154	24.0%	

With the budgeted expenditures and revenues that were approved by Council, along with the transfer approved by Council in the first quarter, the unallocated fund balance at the close of 2011-12 is estimated at \$3.3 million. Table 5 itemizes the changes.

Fund Balance	Table 5
<b>Operating Revenues &amp; Expenditures</b>	
Beginning Fund Balance	\$ 3,323,175
Revenues	18,569,181
Expenditures	(18,567,188)
Excess Revenue (Expenditures)	<u>1,993</u>
Transfers to Lighting & Landscape District	(5,000)
	<u>(5,000)</u>
Ending Fund Balance	<u>\$ 3,320,168</u>

**FISCAL IMPACT:**

None.

**ACTION:**

Motion accepting the Financial Report for First Quarter Fiscal Year 2011-12.

**APPROVED BY:**

  
City Manager