

February 22, 2010

To City Council and the citizens of the City of Hollister:

## OVERVIEW

This report summarizes the City's overall financial position for the fiscal year through December 31, 2009. Except as noted below, revenues and operating expenditures are generally on target based on past trends for the second quarter. We will provide the Council with a detailed analysis of the City's financial condition as part of the mid-year budget review.

### Adjusted Budgets and Revenue Estimates

The revenue projections and budgets include adjustments for any supplemental appropriations made by the Council as of December 31, 2009. This includes the budget rebalancing actions approved by Council on October 26, 2009 as well as the revised revenue projections presented at that time.

### Mid-Year Review

The City's overall revenue and expenditure picture will be discussed in greater detail during the Mid-Year Budget Review scheduled for Council consideration on February 16, 2010.

## GENERAL FUND

### General Fund Financial Condition

With 50% of the year complete, General Fund revenues are at 27% of projections and expenditures are at 50%:

General Fund Activity	Budget	YTD Actual	Percent
Revenues	\$ 12,414,089	\$ 3,303,646	27%
Expenditures	15,012,923	7,442,842	50%
Other Sources (Uses)	3,184,836	1,021,370	32%
Fund Balance*, Beginning of the Year	2,291,631	2,291,631	-
Fund Balance*, Year-to-Date	\$ 2,877,633	\$ (826,195)	-

\*FUND BALANCE is the difference between fund assets and fund liabilities of governmental funds.

### Top Ten Revenues

Our top ten revenues account for about 76% of total General Fund revenues. By focusing on these, we can get an excellent understanding of our revenue position.

Overall, these key revenues are performing as projected based on revised estimates, payment schedules and past trends for the second quarter. Any significant variances are noted below.

<b>Top Ten Revenues</b>	<b>Budget</b>	<b>YTD Actual</b>	<b>% Received</b>
Property tax in-lieu VLF	\$ 2,545,000	\$ -	0%
Sales Tax	2,506,401	727,446	29%
Overhead charges	1,378,307	1,024,725	74%
Property tax	1,008,500	259,194	26%
Franchises fees	512,000	144,617	28%
Property tax in-lieu sales tax	501,607	-	0%
County impound contribution	280,000	79,186	28%
Building permits	275,000	111,824	41%
Business Licenses	245,329	82,917	34%
AB 939 Solid Waste fee	212,000	84,072	40%
Total	<u>\$ 9,464,144</u>	<u>\$ 2,513,981</u>	<u>27%</u>

**Property Tax in lieu of VLF** We will receive our first payment of these taxes from the County in April 2010. We anticipate that we will meet the projected revenues.

**Sales Tax** Year-to-date results are closer to budget estimates than it may appear: due to the “triple flip,” we only receive 75% of our base revenues from State allocations. The remaining 25% is remitted to us from the County in January and June via a complicated estimating formula. That said, the results still reflect the slow down in the local, state and national economy. Sales in nearly every major category are down.

**Overhead Charges** The general charges other funds for services it provides on their behalf. The overhead charges are reimbursed on a quarterly basis.

**Property Tax** The first major apportionment of 2009-10 taxes occurred in December 2009. Based on the amount collected, revenues are anticipated to meet the projection.

**Franchise Fees** We will not receive the largest components of our franchise fee revenues—payments from PG&E and Charter—until April 2010.

**Property Tax in lieu of Sales Tax** We will receive our first payment of these taxes from the County in April 2010. We anticipate that we will meet the projected revenues.

**County Impound Contributions** The general charges the County of San Benito for impound charges. The overhead charges are reimbursed on a quarterly basis.

**Building Permits** We will continue to monitor these revenues as they are below projections for the current.

**Business Tax** The renewal cycle for business tax occurs during the third quarter of the fiscal year.

**AB 939 Solid Waste Fee** The City’s AB939 fee from local disposal companies continues to come in as projected.

## **Expenditures**

Operating costs are generally on target for the first quarter of the year as summarized below:

<b>Expenditures by Major Object</b>	<b>Budget</b>	<b>YTD Actual</b>	<b>% Received</b>
Salaries and benefits	\$ 10,839,249	\$ 5,990,940	55%
Services and supplies	1,960,273	915,373	47%
Contractual	2,120,201	494,096	23%
Capital	93,200	42,433	46%
Total	<u>\$ 15,012,923</u>	<u>\$ 7,442,842</u>	<u>50%</u>

We are right on target for staffing costs. The only other key variance by type is contractual: this reflects the City's annual payment for County Communication, which is due in full in June. Departmental operating expenditures are also generally on target:

<b>Expenditures by Department</b>	<b>Budget</b>	<b>YTD Actual</b>	<b>% Received</b>
Non-Department	\$ 321,229	\$ 163,755	51%
City Council	182,854	164,008	90%
City Clerk/ Elections	182,694	91,191	50%
City Manager	263,037	130,935	50%
City Attorney	216,744	94,109	43%
City Treasurer	3,150	1,832	58%
Finance	445,982	212,041	48%
Information Systems	124,376	58,541	47%
Human Resources	165,127	78,584	48%
Animal Control	522,047	251,872	48%
Fire Department	3,834,990	2,030,484	53%
Solid Waster	257,395	116,914	45%
Fire Strike Team	-	18,051	0%
Police Department	5,390,031	2,490,336	46%
Engineering	529,109	338,323	64%
Building Division	308,088	84,764	28%
Planning Division	417,481	213,790	51%
Code Enforcement	30,775	6,211	20%
Vehicle Maintenance	223,451	97,869	44%
Street Maintenance	439,259	244,657	56%
Park	568,176	293,091	52%
Veteran's Building	100,612	38,347	38%
Recreation	486,316	223,137	46%
<b>Total</b>	<b>\$ 15,012,923</b>	<b>\$ 7,442,842</b>	<b>50%</b>

The only significant variance is in City Council, which reflects the City's contribution to LAFCO for two years as the County did not bill the City for last fiscal year. Variance will be corrected as part of the mid-year budget.

## **ENTERPRISE FUNDS**

In general, enterprise fund revenues and expenditures are consistent with past trends.

### **Water Fund**

<b>Water Working Capital</b>	<b>Budget</b>	<b>YTD Actual</b>	<b>Percent</b>
Revenues	\$ 4,795,034	\$ 2,394,995	50%
Expenditures			
Operating programs	3,015,827	1,296,601	43%
CIP projects	301,500	12,470	4%
Working Capital**, Beginning of the Year	4,171,850	4,171,850	-
Working Capital**, Year-to-Date	<b>\$ 5,649,557</b>	<b>\$ 5,257,774</b>	-

\*\* Working Capital is the difference between enterprise fund current assets and fund current liabilities.

## Sewer Fund

<b>Sewer Working Capital</b>	<b>Budget</b>	<b>YTD Actual</b>	<b>Percent</b>
Revenues	\$ 11,491,504	\$ 5,761,562	50%
Expenditures			
Operating programs	13,181,573	2,237,258	17%
CIP projects	2,178,800	215,883	10%
Debt service	403,177	304,949	76%
Working Capital**, Beginning of the Year	5,971,858	5,971,858	-
Working Capital**, Year-to-Date	<u>\$ 1,699,812</u>	<u>\$ 8,975,330</u>	-

\*\* Working Capital is the difference between enterprise fund current assets and fund current liabilities.

## Airport Fund

<b>Airport Working Capital</b>	<b>Budget</b>	<b>YTD Actual</b>	<b>Percent</b>
Revenues	\$ 535,580	\$ 338,847	63%
Expenditures			
Operating programs	553,921	259,329	47%
CIP projects	10,000	866	9%
Working Capital**, Beginning of the Year	44,876	44,876	-
Working Capital**, Year-to-Date	<u>\$ 16,535</u>	<u>\$ 123,528</u>	-

\*\* Working Capital is the difference between enterprise fund current assets and fund current liabilities.

## Street Sweeping Fund

<b>Street Sweeping Working Capital</b>	<b>Budget</b>	<b>YTD Actual</b>	<b>Percent</b>
Revenues	\$ 301,651	\$ 176,035	58%
Expenditures			
Operating program	371,236	153,354	41%
Working Capital**, Beginning of the Year	(102,131)	(102,131)	-
Working Capital**, Year-to-Date	<u>\$ (171,716)</u>	<u>\$ (79,450)</u>	-

\*\* Working Capital is the difference between enterprise fund current assets and fund current liabilities.

*We will need to closely monitor street sweeping operations.*

## Briggs Building Fund

<b>Briggs Building Working Capital</b>	<b>Budget</b>	<b>YTD Actual</b>	<b>Percent</b>
Revenues	\$ 122,912	\$ 77,356	63%
Expenditures			
Operating program	137,836	53,100	39%
Working Capital**, Beginning of the Year	124,522	124,522	-
Working Capital**, Year-to-Date	<u>\$ 109,598</u>	<u>\$ 148,778</u>	-

\*\* Working Capital is the difference between enterprise fund current assets and fund current liabilities.

**For More Information.** This summary is based on detailed information produced by the City's financial management system. If you would like additional information, or have any questions about the report, please call Finance at 636-4301.