

May 19, 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 March 31, 2010. Except as noted below, revenues and operating expenditures are generally on target based on past trends for the third quarter.

Adjusted Budgets and Revenue Estimates

The revenue projections and budgets include adjustments for any supplemental appropriations made by the Council as of March 31, 2010. This includes the budget rebalancing actions approved by Council on March 1, 2010 as well as the revised revenue projections presented at that time.

GENERAL FUND

General Fund Financial Condition

With 75% of the year complete, General Fund revenue receipts are at 52% of projections and expenditures are at 71%:

General Fund Activity	Budget	YTD Actual	Percent
Revenues	\$ 12,028,741	\$ 6,251,617	52%
Expenditures	15,131,403	10,818,097	71%
Other Sources (Uses)	3,328,634	2,517,846	76%
Fund Balance*, Beginning of the Year	2,291,631	2,291,631	-
Fund Balance*, Year-to-Date	\$ 2,517,603	\$ 242,997	-

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

A portion of General Fund revenues are received after fiscal year end and are recorded as receivables.

Top Ten Revenues

Our top ten revenues account for about 75% of total General Fund revenues. By focusing on these, we can get an excellent understanding of our revenue position.

Overall, these key revenues are not performing as projected based on revised estimates, payment schedules, and past trends for the third quarter. Any significant variances are noted below.

Top Ten Revenues	Budget	YTD Actual	% Received
Property tax in-lieu VLF	\$ 2,545,000	\$ 1,108,970	44%
Sales Tax	2,055,400	1,465,301	71%
Overhead charges	1,378,307	1,024,725	74%
Property tax	1,008,500	443,488	44%
Franchises fees	525,000	224,919	43%
Property tax in-lieu sales tax	501,607	250,804	50%
County impound contribution	280,000	137,481	49%
Building permits	225,000	136,206	61%
Business Licenses	245,329	182,496	74%
AB 939 Solid Waste fee	212,000	137,609	65%
Total	<u>\$ 8,976,143</u>	<u>\$ 5,111,999</u>	<u>57%</u>

Property Tax in lieu of VLF We received our first payment of these taxes from the County in February 2010. We received less than anticipated and now are projecting \$300,000 less than budgeted for the fiscal year.

Sales Tax Year-to-date results are still coming in less than budgeted estimates. This still maybe 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. Plus, sales tax revenue is received approximately two month after the sales transaction has occurred. That said, the results still reflect the slow down in the local, state and national economy. Sales volume in nearly every major category is still 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. However, our initial projects had to be lowered by \$475,000 do to the State’s recalculation of in lieu payments.

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 quarter.

Business Tax The renewal cycle for business tax occurs during the third quarter of the fiscal year and we feel by the end of the fiscal year we will be on target.

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 third quarter of the year as summarized below:

Expenditures by Major Object	Budget	YTD Actual	% Received
Salaries and benefits	\$ 10,869,169	\$ 8,948,885	82%
Services and supplies	2,017,293	1,169,772	58%
Contractual	2,147,501	671,099	31%
Capital	111,961	28,343	25%
Total	\$ 15,145,924	\$ 10,818,099	71%

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:

Expenditures by Department	Budget	YTD Actual	% Received
Non-Department	\$ 321,229	\$ 234,712	73%
City Council	222,854	195,204	88%
City Clerk/ Elections	185,194	137,485	74%
City Manager	277,557	174,823	63%
City Attorney	216,744	136,311	63%
City Treasurer	3,150	2,897	92%
Finance	445,982	315,347	71%
Information Systems	124,376	82,866	67%
Human Resources	165,127	121,616	74%
Animal Control	522,047	373,784	72%
Fire Department	3,834,990	2,972,805	78%
Solid Waster	257,395	193,133	75%
Fire Strike Team	18,051	18,051	0%
Police Department	5,408,792	3,766,531	70%
Engineering	569,109	451,552	79%
Building Division	308,088	132,593	43%
Planning Division	417,481	312,976	75%
Code Enforcement	30,775	10,273	33%
Vehicle Maintenance	223,451	149,269	67%
Street Maintenance	439,259	350,203	80%
Park	568,176	310,291	55%
Veteran's Building	99,781	61,188	61%
Recreation	486,316	314,189	65%
Total	\$ 15,145,924	\$ 10,818,099	71%

There appears to be no significant variances.

ENTERPRISE FUNDS

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

Water Fund

Water Working Capital	Budget	YTD Actual	Percent
Revenues	\$ 4,749,779	\$ 3,086,131	65%
Expenditures			
Operating programs	3,044,167	1,864,332	61%
CIP projects	302,000	17,590	6%
Working Capital**, Beginning of the Year	4,171,850	4,171,850	-
Working Capital**, Year-to-Date	\$ 5,575,462	\$ 5,376,059	-

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

Sewer Fund

Sewer Working Capital	Budget	YTD Actual	Percent
Revenues	\$ 20,392,061	\$ 18,416,023	90%
Expenditures			
Operating programs	4,901,573	2,694,411	55%
CIP projects	458,800	24,492	5%
Debt service	10,403,177	10,304,949	99%
Working Capital**, Beginning of the Year	5,971,858	5,971,858	-
Working Capital**, Year-to-Date	<u>\$ 10,600,369</u>	<u>\$ 11,364,029</u>	-

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

Airport Fund

Airport Working Capital	Budget	YTD Actual	Percent
Revenues	\$ 630,536	\$ 486,384	77%
Expenditures			
Operating programs	569,015	376,253	66%
CIP projects	10,000	866	9%
Working Capital**, Beginning of the Year	44,876	44,876	-
Working Capital**, Year-to-Date	<u>\$ 96,397</u>	<u>\$ 154,141</u>	-

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

Street Sweeping Fund

Street Sweeping Working Capital	Budget	YTD Actual	Percent
Revenues	\$ 301,651	\$ 249,131	83%
Expenditures			
Operating program	371,236	228,396	62%
Working Capital**, Beginning of the Year	(102,131)	(102,131)	-
Working Capital**, Year-to-Date	<u>\$ (171,716)</u>	<u>\$ (81,396)</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

Briggs Building Working Capital	Budget	YTD Actual	Percent
Revenues	\$ 122,912	\$ 99,893	81%
Expenditures			
Operating program	141,367	77,598	55%
Working Capital**, Beginning of the Year	124,522	124,522	-
Working Capital**, Year-to-Date	<u>\$ 106,067</u>	<u>\$ 146,817</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.