



Budget Report

Fourth Quarter – FY12/13

Overview:

This report provides an estimate of the Fiscal Year 12/13 ending balance. Due to timing of sales tax receipts and potential reconciling items, some of the charts may be updated prior to the preparation of financial statements. If there are significant variances prior to the completion of the annual financial statements, an updated report will be prepared.

News and Information:

- **Pipe Failure Settlement**

After two years of working with the City’s insurance provided to recover damages related to the Pacific Cove pipe failure, both parties agreed to a \$1.35 million settlement. The distribution of the settlement proceeds are listed below:

Item	Amount	Percent
Debt Prepayment – Santa Cruz County Bank	\$500,000	37%
Capital Improvement Projects	350,000	26%
Reserves	295,000	22%
Attorney Fees	205,000	15%

- **Fiscal Year 2013/14 Adopted Budget**

The Fiscal Year 2013/14 Adopted Budget has been posted to the City’s Website. The document can be accessed through the following link: <http://www.cityofcapitola.org/general/page/annual-budget> . This Fiscal Year’s budget includes updates on charts contained in the City’s 2012 Benchmark Study, as well as an expanded statistical section. Benchmark information can be found in the Supplementary Information section, while the statistics are located in the Community Profile section.

General Fund:

The preliminary fiscal year-end numbers indicate that the General Fund revenues are performing 1% above the budgeted projections, while operating expenditures are trending at 97% of their estimated amounts. While there were variances within the projected revenue categories, the year-end surplus is primarily the result of increased Sales Tax and TOT performance; and significant salary and contract savings. Detailed information can be found in the subsequent sections.

The following numbers represent the *estimated* year-end transactions. The net operating difference varies from the mid-year report due to timing, year-end carry forwards, and approved budget amendments. The table listed below includes mid-year transfers from fund balance: \$350,000 transfer to reserves, \$200,415 in Department of Finance “clawbacks” related to the dissolution of the Redevelopment Agency.

General Fund (1)	Amended Budget	YTD Transactions	Percent
Revenues	\$ 14,148,054	\$ 14,353,429	101%
Expenditures	\$ 14,621,012	\$ 14,184,481	97%
Net Difference	(\$ 472,958)	\$ 168,948	97%

(1) Includes extraordinary items and related expenditures. The Amended revenues and expenditures were adjusted for the full settlement value.

An overview of the variances is provided in the following sections.

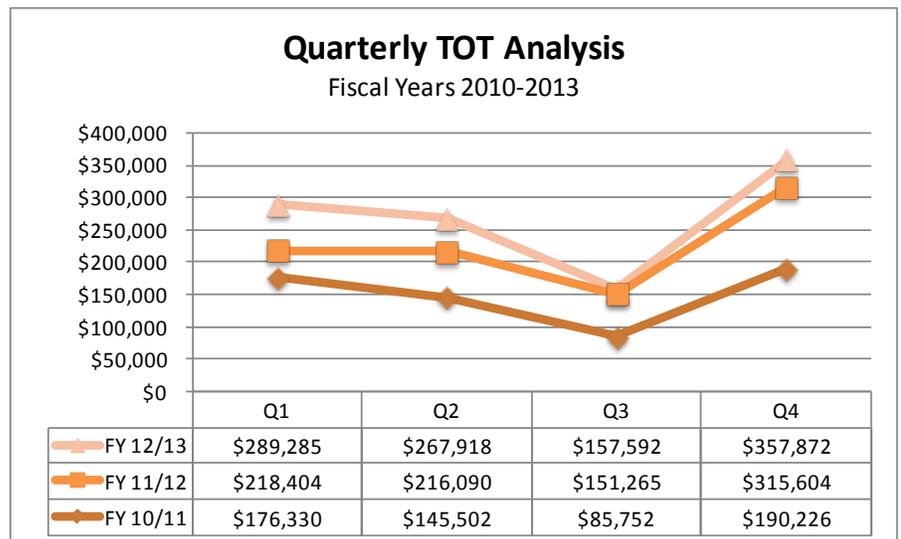
Key Revenues:

Revenue	Amended Budget	YTD Transactions	% Used / Rec'd
Taxes:			
Property Taxes	\$ 1,700,610	\$ 1,714,696	101%
Sales and Use Tax	5,890,800	6,040,541	103%
Document Transfer Tax	35,000	63,340	181%
Business License Tax	270,000	291,643	108%
Franchise Tax	478,200	478,628	100%
TOT Tax	965,000	1,074,506	111%
Total Taxes	\$ 9,339,610	\$ 9,663,353	103%
Other:			
Licenses and permits	\$ 144,800	\$ 209,946	145%
Intergovernmental revenues	370,244	254,646	69%
Charges for services	1,906,800	1,862,023	98%
Fines and forfeitures	707,000	688,272	97%
Use of money & property	22,800	21,567	95%
Other revenues	204,800	205,623	100%
Other financing sources	103,000	99,000	96%
Extraordinary Items	1,349,000	1,349,000	100%
Other Revenues	4,808,444	4,690,076	98%
Total Revenues	\$ 14,148,054	\$ 14,353,429	101%

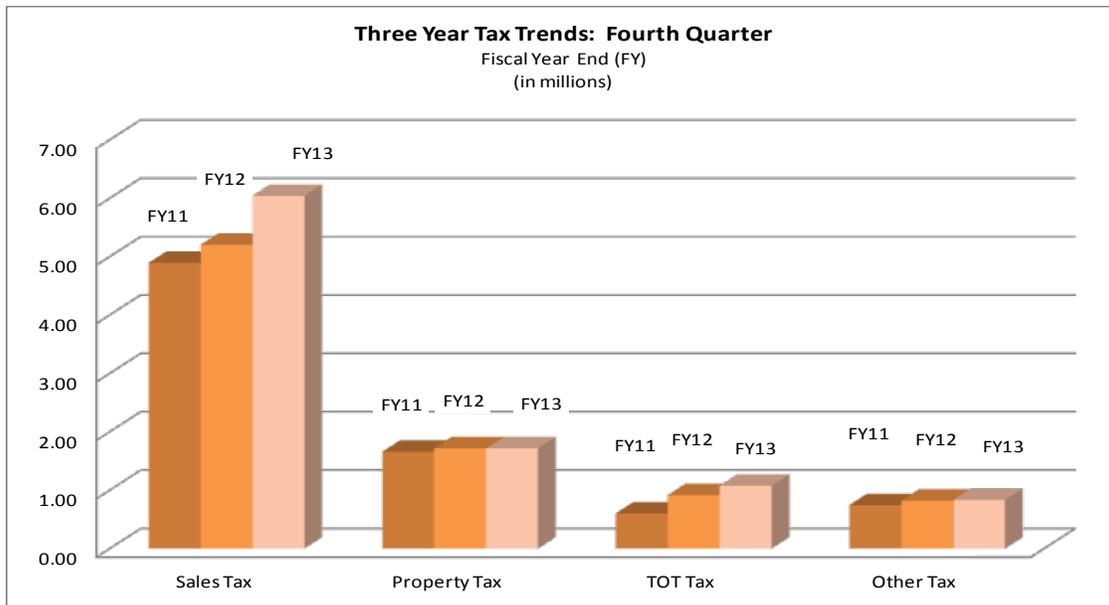
Taxes:

Due to timing of the timing of sales tax receipts in September, the YTD transactions include the reported Fourth Quarter sales tax revenues. Additional analysis of these receipts is still pending. During the first two quarters of FY 12/13, sales tax receipts increased by 3% or \$50,000 over the original budget. As a result, the FY 12/13 estimates were increased by approximately \$121,000. The third quarter and anticipated fourth quarter receipts are anticipated to yield year-end revenues that are \$150,000 greater than the Amended Budget.

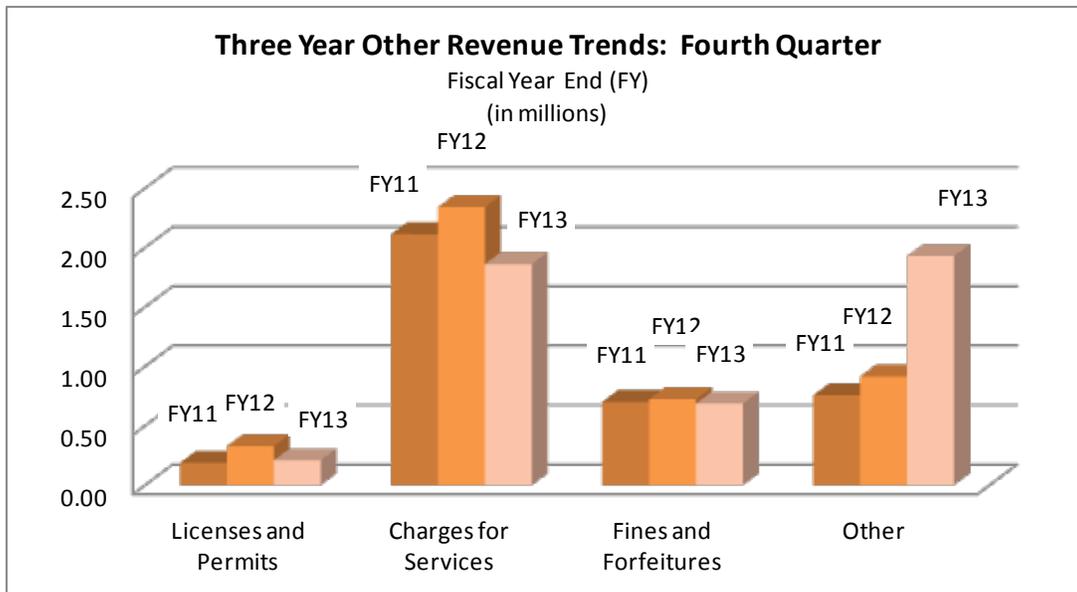
TOT revenues have increased as a result of general economic improvement, a one-time internal hotel adjustment of \$48,300, and a local hotel’s affiliation with a national chain. During the year, the budget was amended to increase TOT projections by \$75,000 to reflect increased performance. The year-end results exceeded the updated amounts by approximately \$100,000. If the one-time adjustment is excluded, the year-end results reflect a \$114,000 or a 12.4% increase over the prior year.



A chart comparing Three-year tax trend information is provided for reference:



Additional three-year revenue trend information is presented below:



Licenses and Permits – In FY 12/13, it appears this revenue category realized a reduction in revenues; however a large portion of this \$120,000 decrease can be attributed to a \$60,000 refund of prior year Building fees. If this refund actually occurred within the prior fiscal year, the two year revenues would be relatively similar.

Charges for Services – In FY 11/12, the City received \$250,000 in additional revenues related to assist with RDA dissolution costs. This resulted in a reduction in FY 12/13 revenues when compared to the prior year. The FY12/13 revenues were also lower due to the loss of \$63,000 in Mobile Home Park Administrative Fees and a reduction of approximately \$67,000 in recreation fees. The Recreation fee decrease was offset by a reduction in expenditures.

Other - Proceeds realized from a Property Tax Administration Fee and a disaster recovery settlement resulted in a \$1.4 million increase, with an additional \$100,000 realized from the sale of surplus property. This increase was offset by reductions in City/RDA loan interest of \$152,000 and Pacific Cove Mobile Home rents of \$130,000.

Intergovernmental revenues which are also included in this category remained relatively constant. The \$103,000 difference between the year-end and budgeted amounts reflect unused grants fund that may be available for carryforward into the next fiscal year.

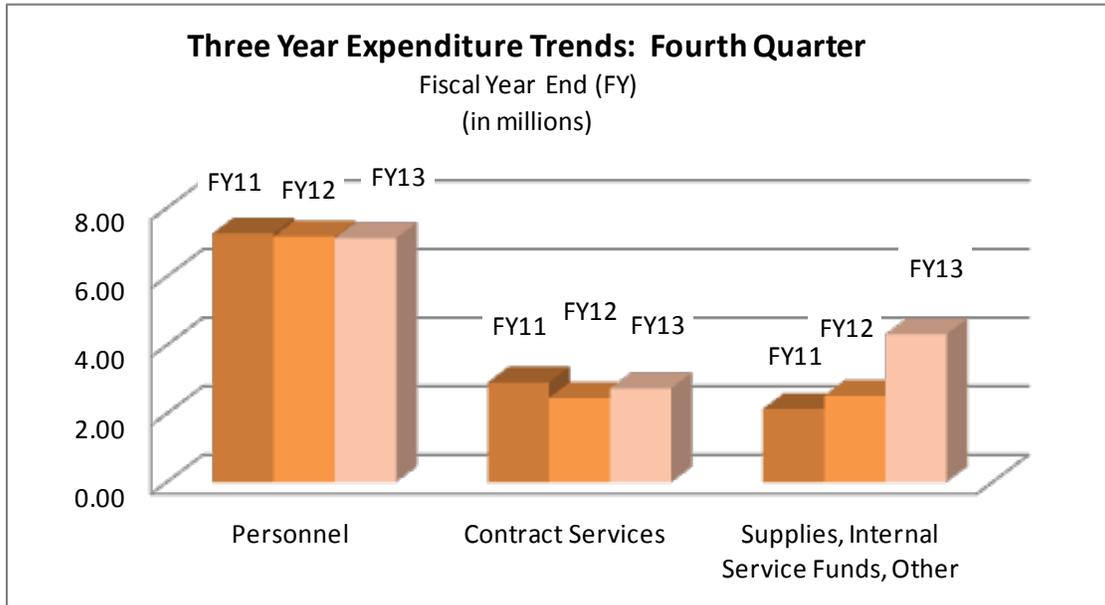
Expenditures:

Salaries – In FY12/13, approximately 97% of the salary budget was used. The City realized savings due to partial year vacancies within the Finance, Public Works, Community Development and Police Departments. An additional \$76,000 in savings was realized due to reduced Police Department overtime.

Contracts – In FY 12/13, the Police Department achieved \$91,000 in contract savings related to State and County processing fees; grant-funded contracts; and maintenance and repair expenses. In addition, the Finance Department realized savings of \$50,000 related to tax administrative fees, RDA dissolution expenses, and contract costs; while the Public Works and Community Development Departments realized savings of \$20,000 and \$16,000 respectively.

Expenditures by Category	Amended Budget	YTD Transactions	% Used/ Rec'd
Personnel	\$ 7,329,867	\$ 7,124,420	97%
Contract Services	2,917,622	2,741,335	94%
Training & Memberships	62,835	65,030	103%
Supplies	521,263	476,041	91%
Grants and Subsidies	249,561	248,633	100%
Capital Outlay	10,842	-	-
Internal Service Fund Charges	940,373	940,373	100%
Other Financing Uses	2,588,649	2,588,649	100%
Fund Totals: General Fund	\$ 14,621,012	\$ 14,184,481	97%
Expenditures By Department	Amended Budget	YTD Transactions	% Used/ Rec'd
City Council	\$ 126,401	\$ 121,135	96%
City Manager	771,725	793,373	103%
Personnel	211,300	194,083	92%
City Attorney	569,187	585,036	103%
Finance	768,021	679,579	88%
Community Grants	249,561	248,633	100%
Public Safety	5,848,699	5,600,648	96%
Public Works	2,017,315	1,945,931	96%
Community Development & Building	534,064	503,402	94%
Culture and Leisure	936,090	924,010	99%
Transfers	2,588,649	2,588,649	100%
Expenditure Totals	\$ 14,621,012	\$ 14,184,480	97%

Three year expenditure trend information by category is presented in the following chart.



While most expenditures remained relatively constant, the amounts represented in the Other column increased by \$1.76 million. This increase represented transfers to reserves, CIP funding, a \$500,000 prepayment on the Pacific Cove Debt, and RDA dissolution expenditures. The additional reserve, debt payment, and CIP transfers were funded through the General Fund balance, insurance settlement proceeds, and Measure O revenues.