Budget Report
First Quarter – FY12-13

Overview:
This report summarizes the City's overall financial position for the current fiscal year through September 2012, along with a recap of the final Fiscal Year 2011-2012 numbers. Except as noted below, revenue and operating expenditure trends are generally on target with annual projections.

News and Information:

- **Fiscal Year 2011/2012 Recap**
  Information presented in the Fourth Quarter Budget Report was prepared prior to receiving all year-end accrual information. An update on that information is presented below:

General Fund	Amended Budget	YTD Transactions (1)	Percent
Revenues	$12,864,529	$12,907,791	100%
Expenditures	$12,588,631	$12,150,910	97%
FY12-13 Operating Balance	$275,898	$756,881	

(1) Adjusted for $55,200 in prior year sales tax adjustment

During budget adoption hearings in June, the FY 11/12 revenues were estimated to exceed expenditures by $280,000. Since the fiscal year started with a negative General Fund balance of $200,000, it was estimated the year-end fund balance would be $89,000. After the final numbers were received, the net difference was significantly better than the original estimate. The City's revenues exceeded expenditures by $757,000. After covering the beginning $200,000 deficit, the updated ending General Fund balance is approximately $567,000.

The total amount of revenues exceeded projections by a net amount of approximately $63,000. This was primarily the result of sales tax exceeding initial estimates by $153,000; along with additional property tax and TOT tax revenues of $110,000. The property tax revenues included a one-time distribution of $52,000 from the dissolution of the Redevelopment Agency. Those additional funds received were netted against several revenues which underperformed at the end of the fiscal year, including the expiration of grant revenues and the carry-forward of contracts in the amount of $200,000.

Expenditures were under budget by approximately $437,000. This was primarily the result of salary savings in the Police Department of $239,000; and the carry-forward of contract and grant funded overtime in the amount of $165,000.

- **Business License Tax**
  On September 19, 2012, the State approved Senate Bill No. 1186, which relates to Disability Access. As part of the new legislation, the City will be required to collect an additional $1.00 on the application or renewal of a business license or equivalent permit. For every $1.00 collected, $0.30 will be remitted to the State, while $0.70 will be retained locally to primarily facilitate compliance with construction-related accessibility requirements.

General Fund:
The fiscal year is 25% complete. General Fund revenues are at 13% of the annual projections, while expenditures are at 24%.

General Fund	Amended Budget	YTD Transactions	Percent
Revenues	$ 12,210,920	$ 1,541,039	13%
Expenditures	12,217,385	2,911,275	24%
FY12/13 Operating Difference	$ (6,465)	$ (1,370,236)	

While it may appear that General Fund revenues aren't performing as projected, some revenues received are accrued back to the prior fiscal year; while others are received on a quarterly or bi-annual basis. Overall key revenues and expenditures are performing as projected based on estimates, payment schedules, and past trends.

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

Key Revenues:

Revenue	Amended Budget	YTD Transactions	% Used / Rec'd
Taxes	**$ 8,816,600**	**$ 625,532**	**7%**
Other:			
Licenses and permits	$ 186,700	$ 74,137	40%
Intergovernmental revenues	249,420	31,672	13%
Charges for services	2,068,200	698,050	34%
Fines and forfeitures	707,000	82,165	12%
Use of money & property	12,600	6,758	54%
Other revenues	85,400	22,725	27%
Other financing sources	85,000	-	0%
Other Revenues	3,394,320	915,507	**27%**
Total Revenues	**$ 12,210,920**	**$ 1,541,039**	**13%**

Taxes: The City receives sales, property, franchise, and business license taxes on alternate schedules. Due to year-end accruals and timing of revenue receipts, only 7% of the revenues were received in the First Quarter of FY 12/13. The 7% primarily reflects the receipts of Transient Occupancy Tax (TOT) and a one-month receipt of sales tax revenues. TOT year-to-date revenues are approximately $70,000 or 32% greater than last year. This is primarily the result of revenues generated from a new hotel that opened in July 2011.

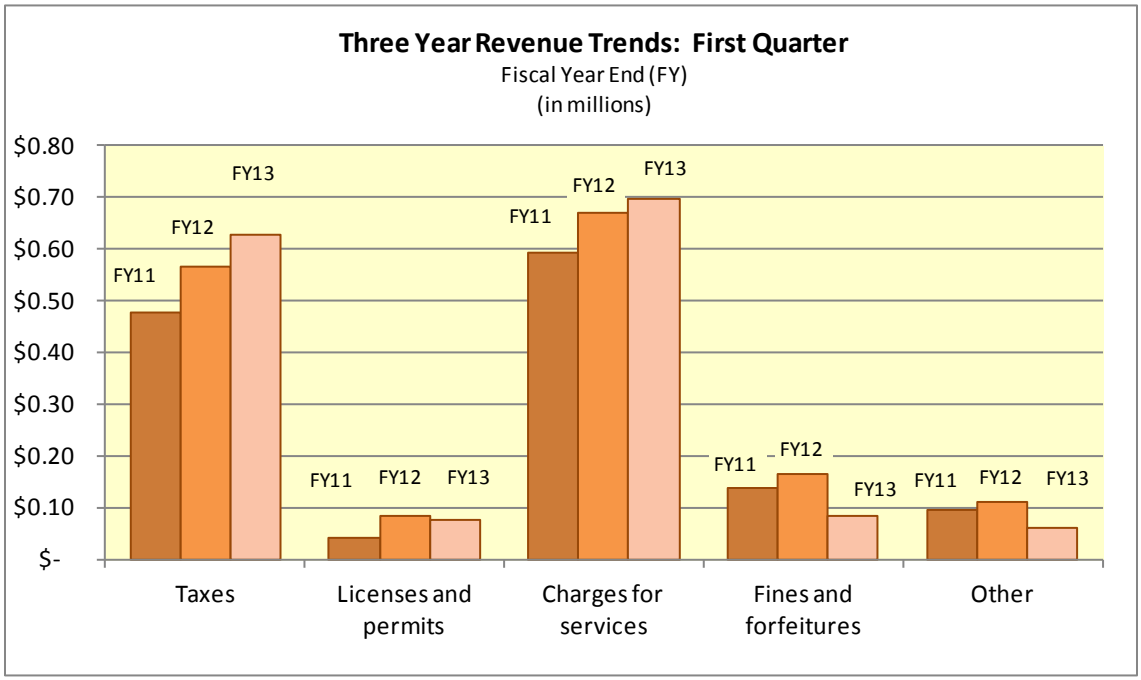
Licenses and Permits – Initially, these revenues are continuing to perform better than anticipated. This could be due to some residual permits and inspections related to the addition of a major retail store; however the number of permits and inspections has increased by more than 20%.

Intergovernmental Revenues - The largest share of intergovernmental revenues reflect Federal and State Grant reimbursements. Additional revenues will be recognized as reimbursements are requested.

Charges for Services – The overall charges for services are comparative to last year, with the exception of a $125,000 payment received for administration of the Successor Agency. This payment is received twice a year.

Fines and Forfeitures – The reduced amount in Fines and Forfeitures is the result of a $19,000 delayed payment from the County Auditor-Controller and a $14,000 reduction in parking citations revenues.

Three year trends by major categories are presented below for reference.



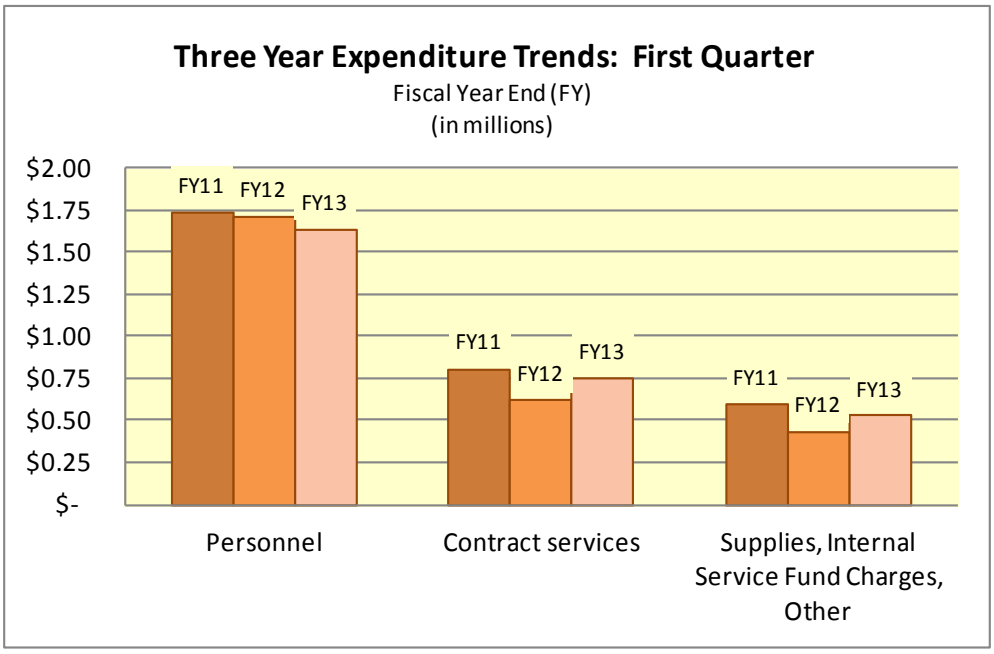
Expenditures:

Expenditures by Category	Amended Budget	YTD Transactions	% Used/ Rec'd
Personnel	$ 7,474,100	$ 1,634,622	22%
Contract Services	2,537,103	751,402	30%
Training & Memberships	51,050	18,599	36%
Supplies	540,650	111,925	21%
Grants and Subsidies	249,561	63,095	25%
Capital Outlay	5,842	-	-
Internal Service Fund Charges	940,373	235,093	25%
Other Financing Uses	418,706	96,538	23%
Fund Totals: General Fund	$ 12,217,385	$ 2,911,275	24%

Expenditures By Department	Amended Budget	YTD Transactions	% Used/ Rec'd
City Council	$ 126,150	$ 32,809	26%
City Manager	761,178	191,956	25%
Personnel	215,300	36,703	17%
City Attorney	183,600	44,851	24%
Finance	703,475	126,490	18%
Community Grants	249,561	63,095	25%
Public Safety	5,990,511	1,420,514	24%
Public Works	2,104,444	442,727	21%
Community Development & Building	593,560	126,283	21%
Culture and Leisure	964,900	329,309	34%
Transfers	418,706	96,538	23%
Estimated Annual Salary Savings	(94,000)	-	
Expenditure Totals	$ 12,217,385	$ 2,911,275	24%

Salaries – Payroll expenditures are relatively consistent with projections. Approximately 21% of the payroll periods have been posted to date. Salary differences between the City Manager and Personnel Departments are primarily due to allocation of shared position costs.

Contract Services – The percentage of contract services used is greater than 25%, primarily due to a $99,000 payment to Santa Cruz Regional 9-1-1 for second quarter operating fees and seasonal payment of lifeguard services of $43,500; net of contract timing differences in the Finance and Personnel Departments.

Training and Memberships – Membership expenses are paid based on required renewal dates, while training costs are based on the availability of courses. A higher percentage used does not necessarily indicate that the expenditures will exceed the budget.

Three year trend information is presented in the following chart.