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DEPARTMENT OF
FINANCE

ACCOUNTING DIVISION

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February 16, 1990

Budget and Finance Committee
Sacramento, California

Honorable Members in Session:

SUBJECT: Comparison of Projected to Actual Available Fund Balances
at June 30, 1989

SUMMARY

This report recommends that the Budget and Finance Committee direct the transmittal of the Comparison of Projected to Actual Available Fund Balances at June 30, 1989 to the City Council for its information. The following table depicts in summary by fund the favorable (unfavorable) variances between projected and actual available fund balances at June 30, 1989 for the major funds of the City. Detailed information is contained in the exhibits which follow this transmittal.

**SUMMARY COMPARISON OF PROJECTED
TO ACTUAL AVAILABLE FUND BALANCES
AT JUNE 30, 1989
(In Thousands)**

Fund -----	Projected -----	Actual -----	Variance Favorable (Unfavorable) -----
General	\$ 341	\$ 1,351	\$ 1,010
Water	1,163	1,332	169
Sewer	938	449	(489)
Storm Drainage	1,527	1,685	158
Solid Waste	3,763	4,308	545
Parking	1,577	2,065	488
Community Center	1,050	1,472	422
Golf	480	344	(136)
Marina	233	289	56
Fleet Management	4,474	6,305	1,831
Risk Management	2,461	3,432	971
Other Governmental Funds	8,644	9,792	1,148

BACKGROUND

Annually, during the months of December and January, it is the responsibility of the Department of Finance to project the availability of financial resources on an individual fund basis to the end of the fiscal year, June 30. The information developed in this forecasting process is used for two purposes. It is included as an element of the Midyear Review and as such serves as an indication of problems or potential problems on a fund by fund basis. Additionally, these projected available fund balances become the starting point from which the subsequent year's operating and capital improvement spending plans are developed. In meeting its responsibility, the Department of Finance utilizes all relevant information it has at the time the forecast is prepared.

The City's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 1989 was presented to the Committee on February 13, 1990 and to the City Council on February 20, 1990. City staff is available to respond to questions from the Committee on the CAFR as well as this report comparing projected to actual available fund balances at June 30, 1989.

DISCUSSION

The concept of available fund balance has been developed using the "flow of current financial resources" measurement focus which is used to account for governmental funds such as the General Fund, special revenue funds and capital project funds. Within this framework emphasis is placed on the extent to which current assets (those resources which will become measurable and available within the next fiscal period) can satisfy current requirements, including current liabilities, purchase commitments and capital obligations. Expressed another way, available fund balance results from the application of all current requirements, including obligations and commitments, against current resources. "Available fund balance", the amount currently available for additional program augmentations, is therefore not synonymous with the accounting term "fund balance" but is a component of it.

The following exhibits reflect the comparison of projected available fund balances, as reported on Schedule 2 of the FY 90 Approved Budget, pages 24-28 (labeled as "Beginning Fund Balance (Deficit)" to actual available fund balances as determined by the audited FY 89 Comprehensive Annual Financial Report. The differences between the projected and actual components of available fund balances are reflected in the column labeled "Variance Favorable (Unfavorable)" together with narratives addressing the reasons for material variances. Because the basis upon which the budget is prepared (cash basis) differs from that of the CAFR (accrual basis), an adjustment to the actual data in this report has been made to achieve comparability. This adjustment is labeled "Adjust actual to budgetary basis."

POLICY CONSIDERATIONS

With the completion and publication of the City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 1989, the actual ending available fund balances for all City funds have been determined. In terms of the FY 90 Approved Budget, the Midyear Review and the FY 91 budget process, the variances that are reflected in this report, which represent real resource surpluses or shortfalls on an individual fund basis, must be considered in terms of financing current and future programs. The impacts on these programs together with recommendations relating to policy alternatives are presented in the section of the Midyear Review prepared by the Budget Division.

MBE/WBE IMPACTS

Not applicable.

RECOMMENDATION

This report is provided for the Committee's information and it is recommended that the Committee transmit this report to the City Council for its information.

Respectfully submitted,



MICHAEL H. STAMPER
Accounting Manager

RECOMMENDATION APPROVED:



JACK R. CRIST
Deputy City Manager

CONTACT PERSON: Michael H. Stamper
Accounting Manager
449-5832

February 27, 1990
All Districts

EXHIBIT I
GENERAL FUND
COMPARISON OF PROJECTED TO ACTUAL AVAILABLE FUND BALANCE
FISCAL YEAR ENDED JUNE 30, 1989
PAGE ONE OF TWO

The General Fund ended FY89 with an available fund balance of \$1,351,000. This is \$1,010,000 higher than projected at midyear, as shown on the following schedule:

	----- in \$000s -----		-----
	<u>Projected</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Beginning available fund balance	\$ 1,995	\$ 1,995	
Revenues and other resources	162,754	164,264	\$ 1,510
Expenditures/other requirements	(164,408)	(165,032)	(624)
Subtotal	341	1,227	886
Adjust actual to budgetary basis	_____	_____ 124	_____ 124
Ending available fund balance	\$ 341	\$ 1,351	\$ 1,010
	=====	=====	=====

The increase to available fund balance is largely a result of increased revenues. Specifically, a \$1,933,000 increase in revenue from use of money was realized. This is attributed to higher-than-anticipated investment yields and the inclusion of interest earnings on RACS funds* and proceeds from the 1987 certificates of participation (COP), which were not anticipated at midyear.

Under expenditures and other requirements, capital improvement costs and commitments were higher than anticipated due to additional appropriation authorizations for projects approved after midyear. Additionally, anticipated debt funding of various capital projects which did not materialize until FY90 resulted in charges for capital improvement projects in FY89.

Payments of \$627,000 to SHRA for interest earned on RACS funds* were also unanticipated at midyear. Operating transfers out were greater than anticipated due primarily to prior year 1986 COP debt service requirements that were accounted for in FY89.

However, the General Fund realized a \$487,000 net savings in employee services expenditures in comparison to the midyear projection. This savings was due largely to approved midyear adjustments, namely, the use of the City's PERS surplus account to meet PERS funding obligations and the adjustment of the SCERS

EXHIBIT I
GENERAL FUND
COMPARISON OF PROJECTED TO ACTUAL AVAILABLE FUND BALANCE
FISCAL YEAR ENDED JUNE 30, 1989
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unfunded liability rate to provide for the recommended SCERS contribution amount specified in the Tillinghast actuarial study.

Unlike FY88, the \$300,000 note receivable from the Sacramento History Center was not offset by a reservation of fund balance at June 30, 1989. This has the effect of contributing to the increase in available fund balance. An accompanying report prepared by the Budget Division will further discuss this matter.

Comparisons of FY89 General Fund midyear projections to actual amounts by major category are shown on Table I.

- * Funds held in the Redevelopment Agency-City of Sacramento (RACS) account are authorized to be reserved in an amount equal to the sum of the maximum future aggregate indemnification exposure pursuant to various Light Rail Transit Safe Harbor leases and the maximum annual debt service for the 1985 Light Rail Transit certificates of participation. Under City Council Resolution No. 89-030, the City's investment earnings on the RACS funds are appropriated to SHRA.

TABLE I

GENERAL FUND
COMPARISON OF PROJECTED TO ACTUAL RESOURCES AND REQUIREMENTS
FISCAL YEAR ENDED JUNE 30, 1989

(in \$000s)	Projected	Actual	Variance Favorable (Unfavorable)
Beginning available fund balance	1,995	1,995	
Current Resources:			
Revenues			
Taxes	108,644	108,926	282
Licenses & permits	4,057	3,684	(373)
Fines, forfeitures & penalties	2,076	1,775	(301)
Use of money & property	1,984	3,917	1,933
Intergovernmental	18,287	18,326	39
Charges for current services	11,363	11,441	78
Miscellaneous revenue	984	995	11
Subtotal revenues	147,395	149,064	1,669
Operating transfers in	13,359	13,200	(159)
North Natomas assessment	2,000	2,000	
Total current resources	162,754	164,264	1,510
Current Requirements:			
Current operations			
Employee services	(123,670)	(123,183)	487
Services & supplies	(33,789)	(34,169)	(380)
Equipment	(1,001)	(978)	23
Debt service	(1,029)	(913)	116
	(159,489)	(159,243)	(246)
Operating transfers out	(3,383)	(3,858)	(475)
Capital improvements	(840)	(1,867)	(1,027)
Other:			
Changes to fund balance reserves:			
Operating encumbrances		5	5
Restricted assets	20	85	65
Special assessments		33	33
Economic uncertainties	(416)	(416)	
History Center loan	(300)		300
Equity transfer:			
Camp Sac to General Fund		229	229
Total current requirements	(164,408)	(165,032)	624
Beginning balance and current surplus	341	1,227	886
Adjust actual to budgetary basis		124	124
Ending available fund balance	341	1,351	1,010

EXHIBIT II
 PROPRIETARY FUNDS
 COMPARISON OF PROJECTED TO ACTUAL AVAILABLE FUND BALANCE
 FISCAL YEAR ENDED JUNE 30, 1989
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WATER FUND

	----- in \$000s -----		
<u>Projected</u>	<u>Actual</u>	<u>(Unfavorable)</u>	Variance Favorable
Beginning available fund balance	\$ (469)	\$ (469)	
Revenues and other resources	19,690	19,621	\$ (69)
Expenses and other requirements	(18,058)	(17,820)	<u>238</u>
Ending available fund balance	\$ 1,163	\$ 1,332	\$ 169
	=====	=====	=====

Both projected and actual beginning available fund balances are in a deficit position to reflect the reclassification of prior-year water development fees to FY89. This reclassification occurred because the capital improvement projects to be funded by the water development fees were not identified until after FY88.

Actual charges for current services came in under projected revenue by 1%. Actual costs of electricity contributed for the most part to a \$190,000 overspending in utilities, but unanticipated savings in various other expenses more than offset the shortfall.

SEWER FUND

	----- in \$000s -----		
<u>Projected</u>	<u>Actual</u>	<u>(Unfavorable)</u>	Variance Favorable
Beginning available fund balance	\$ 1,092	\$ 1,092	
Revenues and other resources	6,997	7,215	\$ 218
Expenses and other requirements	(7,151)	(7,858)	<u>(707)</u>
Ending available fund balance	\$ 938	\$ 449	\$ (489)
	=====	=====	=====

Actual charges for current services were within 2.5% of projected revenue. A significant variance was realized in miscellaneous

EXHIBIT II
 PROPRIETARY FUNDS
 COMPARISON OF PROJECTED TO ACTUAL AVAILABLE FUND BALANCE
 FISCAL YEAR ENDED JUNE 30, 1989
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SEWER FUND (continued)

revenues primarily because lien collections were \$156,000 higher than anticipated. Reimbursements from the Pocket Area Trunk Sewer Fund were \$205,000 less than anticipated.

Employee services costs were \$106,000 higher than anticipated due primarily to unrealized salary savings. An additional \$204,000 in capital improvement projects were authorized for appropriation in FY89 after the midyear projection. In accordance with the terms of the bond indenture, an early call of sewer revenue bonds was made by the Treasurer in May 1989 which was not anticipated in the projection. Accordingly, debt service costs increased by \$331,000 for FY89.

STORM DRAINAGE FUND

	----- in \$000s -----		
	<u>Projected</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Beginning available fund balance \$	190	\$ 190	
Revenues and other resources	13,735	13,937	\$ 202
Expenses and other requirements	(12,398)	(12,442)	(44)
Ending available fund balance	\$ 1,527	\$ 1,685	\$ 158
	=====	=====	=====

A \$155,000 increase over the midyear projection in revenue from use of money is attributed to favorable interest yields and additional unanticipated funds to invest. While savings resulted from spending less in engineering and other professional services and in fewer purchases of vehicles during the fiscal year, increases unanticipated at midyear in utility costs, in-lieu property taxes, and supplies more than offset savings in other areas.

EXHIBIT II
 PROPRIETARY FUNDS
 COMPARISON OF PROJECTED TO ACTUAL AVAILABLE FUND BALANCE
 FISCAL YEAR ENDED JUNE 30, 1989
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SOLID WASTE FUND

	----- in \$000s -----		
	<u>Projected</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Beginning available fund balance	\$ (2,204)	\$ (2,204)	
Revenues and other resources	23,056	22,989	\$ (67)
Expenses and other requirements	(17,089)	(16,477)	<u>612</u>
Ending available fund balance	\$ 3,763 =====	\$ 4,308 =====	\$ 545 =====

Actual user fees were \$216,000, or 1.2%, less than the \$18,404,000 amount projected at midyear. A \$207,000 increase in revenue from use of money is attributed to favorable investment yields and additional funds available to invest.

The Solid Waste Fund realized savings of \$289,000 in employee services through delays in filling vacancies. Additionally, actual debt service costs were \$256,000 less than projected at midyear.

PARKING FUND

	----- in \$000s -----		
	<u>Projected</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Beginning available fund balance	\$ 2,084	\$ 2,084	
Revenues and other resources	9,020	9,853	\$ 833
Expenses and other requirements	(9,527)	(9,872)	<u>(345)</u>
Ending available fund balance	\$ 1,577 =====	\$ 2,065 =====	\$ 488 =====

With the unanticipated transfer of \$5,800,000 in 1987 COP proceeds to the Parking Fund, an additional \$409,000 in revenue from use of money was realized through investing unspent proceeds. Parking fee revenue was \$186,000 higher for the year

EXHIBIT II
 PROPRIETARY FUNDS
 COMPARISON OF PROJECTED TO ACTUAL AVAILABLE FUND BALANCE
 FISCAL YEAR ENDED JUNE 30, 1989
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PARKING FUND (continued)

than anticipated, due to extended evening and weekend operations of parking garages.

Employee services expenses increased by \$159,000 over the midyear projection primarily as a result of staffing during evening hours and on weekends. Debt service costs increased by \$206,000 as a result of the 1987 COP transferred to Parking.

COMMUNITY CENTER

	----- in \$000s -----		Variance Favorable (Unfavorable)
	<u>Projected</u>	<u>Actual</u>	<u>(Unfavorable)</u>
Beginning available fund balance	\$ 3,800	\$ 3,800	
Revenues and other resources	7,588	7,785	\$ 197
Expenses and other requirements	(10,338)	(10,113)	225
Ending available fund balance	\$ 1,050 =====	\$ 1,472 =====	\$ 422 =====

For the most part, the increase in revenues is attributed to a \$172,000 increase in transient occupancy tax revenue, an effect of increased hotel room and occupancy rates in the City.

Services and supplies expenses were \$180,000 less than anticipated due to savings in maintenance, supplies and property rental costs.

EXHIBIT II
 PROPRIETARY FUNDS
 COMPARISON OF PROJECTED TO ACTUAL AVAILABLE FUND BALANCE
 FISCAL YEAR ENDED JUNE 30, 1989
 PAGE FIVE OF SIX

GOLF FUND

	----- in \$000s -----		
	<u>Projected</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Beginning available fund balance	\$ 1,149	\$ 1,149	
Revenues and other resources	3,230	3,366	\$ 136
Expenses and other requirements	(3,899)	(4,171)	(272)
Ending available fund balance	\$ 480	\$ 344	\$ (136)
	=====	=====	=====

Due to increases in green fees and more rounds played than anticipated, charges for current services were \$100,000 over the amount projected at midyear. Maintenance and repairs' expenses accounted for a significant part of the unfavorable variance in services and supplies. Additional appropriation authorizations of \$160,000 for capital improvement projects were made after midyear to widen the variance in expenses and other requirements.

MARINA FUND

	----- in \$000s -----		
	<u>Projected</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Beginning available fund balance	\$ (47)	\$ (47)	
Revenues and other resources	1,225	1,263	\$ 38
Expenses and other requirements	(945)	(927)	18
Ending available fund balance	\$ 233	\$ 289	\$ 56
	=====	=====	=====

Interest income was \$62,000 higher than anticipated at midyear.

EXHIBIT II
 PROPRIETARY FUNDS
 COMPARISON OF PROJECTED TO ACTUAL AVAILABLE FUND BALANCE
 FISCAL YEAR ENDED JUNE 30, 1989
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FLEET MANAGEMENT FUND

	----- in \$000s -----		
	<u>Projected</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Beginning available fund balance	\$ 5,223	\$ 5,223	
Revenues and other resources	14,784	15,124	\$ 340
Expenses and other requirements	(15,533)	(14,042)	1,491
Ending available fund balance	\$ 4,474 =====	\$ 6,305 =====	\$ 1,831 =====

For the most part, investment earnings account for the increase in revenues, due to a higher-than-anticipated cash balance and an improved rate of return. Vehicle equipment acquisitions were \$1,310,000 less than forecasted. However, the requests for the acquisition of this equipment will likely be made during FY90.

RISK MANAGEMENT FUND

	----- in \$000s -----		
	<u>Projected</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Beginning available fund balance	\$ 455	\$ 455	
Revenues and other resources	29,552	27,285	\$(2,267)
Expenses and other requirements	(27,546)	(24,308)	3,238
Ending available fund balance	\$ 2,461 =====	\$ 3,432 =====	\$ 971 =====

Both actual revenues and expenses were less than projected due to lower-than-expected City costs for employee health benefits. This had the effect of lowering internal service billings (revenue) and actual payments to insurance carriers (expenses). The decrease in internal service billings was offset by \$784,000 in higher-than-projected interest earnings and third party claim recoveries.

EXHIBIT III
OTHER GOVERNMENTAL FUNDS
COMPARISON OF PROJECTED TO ACTUAL AVAILABLE FUND BALANCE
FISCAL YEAR ENDED JUNE 30, 1989
PAGE ONE OF ONE

Other governmental funds are funds where the use of resources within these funds is restricted to specific purposes defined at the time each fund is established. A comparison of projected and actual available fund balances for other governmental funds is shown on Table II, attached.

The most significant available fund balance variance appears in the Measure A Sales Tax Fund, amounting to a \$1,036,000 increase at the end of FY89. This resulted from the receipt of \$1,297,000 in Measure A sales tax revenue, which was not anticipated to be received until early FY90. This revenue will offset the Measure A sales tax revenue received in FY90 by a commensurate amount.

The Assessment District Reserve Fund had an available fund balance of zero. The available resources of this fund are intended to match the fund requirements. Therefore, no available fund balance should be projected for this funds.

The \$482,000 decrease in available fund balance in the Quimby Fund is for the most part attributed to additional appropriation authorizations made to fund capital improvement projects after the midyear projection.

The South Natomas Capital Improvement Fund decreased \$223,000 in available fund balance from the midyear projection. Development fee revenue was less than projected.

TABLE II

OTHER GOVERNMENTAL FUNDS
 COMPARISON OF PROJECTED TO ACTUAL AVAILABLE FUND BALANCES
 FISCAL YEAR ENDED JUNE 30, 1989
 (in \$000s)

Fund	Projected	Actual	Variance Favorable (Unfavorable)
Animal Acquisition	15	29	14
Art In Public Places	164	95	(69)
Assessment Dist. Reserve	119	0	(119)
Assessment Fund	292	340	48
Asset Seizure	532	547	15
Bridge Construction	77	96	19
Cable Franchise	(17)	(17)	0
Capital Grants	0	0	0
CDBG	0	0	0
Citation I-5 Improvement	73	145	72
Citation I-5 Maint.	307	337	30
Fairytale Town	302	307	5
Florin Assessment Dist.	61	76	15
Gas Tax	273	592	319
Land Park	0	21	21
Maintenance Assessment	90	222	132
Major St. Const. Tax	829	893	64
Measure A Sales Tax	0	1,036	1,036
Moore Trust	19	0	(19)
Operating Grants	0	0	0
Pocket Sewer	981	1,193	212
Quimby	1,548	1,066	(482)
S. Natomas Cap Imp	1,020	797	(223)
S. Natomas I-5 Develpr	427	362	(65)
Sacramento History Center	21	0	(21)
Sacramento Theatre	21	0	(21)
SHRA	0	0	0
S. Natomas FBA	7	15	8
Special Dist. Info/Reptg Syst	213	119	(94)
Special Recreation	60	79	19
Sports Complex	40	42	2
Sutter Park	85	86	1
TDA/Bikeway	37	67	30
Traffic Safety Fund	297	287	(10)
1965 Drainage	751	960	209
Total	8,644	9,792	1,148