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DEPARTMENT OF
FINANCE

REVENUE DIVISION

CITY OF SACRAMENTO
CALIFORNIA

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December 27, 1988
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916-449-5454

Budget and Finance Committee
Sacramento, California

Honorable Members in Session:

SUBJECT: FIRST QUARTER FY 1988/89 REVENUE BUDGET REVIEW

SUMMARY

This informational report provides the Committee with the results of the First Quarter Review of the FY 1988/89 Approved Budget.

BACKGROUND

The Committee requested staff to provide a quarterly review of the City's Revenue Forecast. This report examines the City's FY 1988/89 Revenue Forecast using data for the first three months of the fiscal year.

DISCUSSION

This review assumes a status quo for tax, fee, and charge rate structures. For example, the review includes only the adopted fee and charge changes recommended by Arthur Young & Company in the Final Report on a Fee and Charge Cost Analysis dated May 23, 1988. Until the hearing process is completed for proposed fee increases, the actual increased revenue that may be received is speculative. Staff believes that this assumption, although conservative, is prudent.

The significant value of the First Quarter Review is that the review provides insight of developing revenue trends. This allows staff to focus attention on the factors contributing to the trends for detailed reporting in the Midyear Review. Staff is concerned that the projected growth rate for the City General Fund for FY 1988/89 has been reduced from 6.0% to 4.2%. This concern is heightened by the lack of data available regarding property tax collections. The majority of the property tax collections occurs late in the second quarter and early in the fourth quarter of each fiscal year.

A balanced budget is the net result of beginning reserves plus revenues less expenditures. If the assumptions regarding any of the three factors are incorrect, an unbalanced condition may occur that would require corrective action. The lower revenue growth rate now projected for the General Fund will require corrective action. Staff will present corrective action recommendations in the Midyear Review.

FINANCIAL ANALYSIS

Exhibit I details, by fund, actual FY 1987/88 receipts, FY 1988/89 Approved Budget and the FY 1988/89 expected revenue. The following summary, by fund, discusses the major deviations of the expected revenues from the Approved Budget. Funds not listed do not indicate a significant deviation from the Approved Budget.

GENERAL FUND

Total Revenue

Approved Budget	\$150,084,000
First Quarter Review	\$147,617,000

The First Quarter Review projection is \$2,467,000 (1.6%) lower than the Approved Budget projection. The reduction is the net result of increases and decreases in the major revenue categories. The following explains the significant variances.

Utility Users Tax

Approved Budget	\$28,477,000
First Quarter Review	\$26,729,000

The First Quarter Review projection is \$1,748,000 (6.1%) lower than the Approved Budget estimate. The reduction is primarily due to lower than expected customer rate increases by SMUD and PG&E. During July, 1988 staff was able to effect collection of \$562,689 utility users tax from three gas consumer companies that had not paid the tax on gas transported into the City via PG&E transmission lines. The \$562,689 was accrued to FY 1987/88 revenue since the purchases occurred during that fiscal year. It is not anticipated that the City will experience future collection problems on untaxed transported gas.

Business Operations Tax

Approved Budget	\$3,268,000
First Quarter Review	\$3,099,000

The First Quarter Review projection is \$169,000 (5.2%) lower than the Approved Budget estimate. The reduction is due to a reassessment of the expected growth from the FY 1987/88 actual revenue. The FY 1987/88 actual revenue was lower than anticipated.

Real Property Transfer Tax

Approved Budget	\$3,789,000
First Quarter Review	\$3,250,000

The First Quarter Review projection is \$539,000 (14.2%) lower than the Approved Budget. The lower estimate is attributable to uncertainty regarding interest rates and property owners' reluctance to sell property due to the elimination of the special capital gains tax rate.

Property Tax Supplemental

Approved Budget	\$1,909,000
First Quarter Estimate	\$1,752,000

The First Quarter Review projection is \$157,000 (8.2%) lower than the Approved Budget. The lower estimate is attributable to uncertainty regarding interest rates and property owners' reluctance to sell property due to the elimination of the special capital gains tax rate.

Licenses and Permits

Approved Budget	\$3,453,000
First Quarter Review	\$3,831,000

The First Quarter Review projection estimates Licenses and Permits revenue to be \$378,000 (10.9%) higher than the Approved Budget estimate. The increase is the net result of a 137% estimated increase in construction permits and decreases in midtown employee parking permits and franchise fees.

Fines & Forfeits

Approved Budget	\$1,803,000
First Quarter Review	\$2,014,000

First Quarter Review projections indicate that revenue will be \$211,000 (11.7%) higher than the Approved Budget. The increase is attributed to increased parking tickets.

Use of Money

Approved Budget	\$2,555,000
First Quarter Review	\$2,166,000

The First Quarter Review projection is \$389,000 (15.2%) lower than the Approved Budget estimate. The reduction is attributable to lower daily cash balances caused by lower than anticipated beginning cash balances and the now projected revenue shortfalls.

Charges, Fees and Services

Approved Budget	\$10,844,000
First Quarter Review	\$10,511,000

First Quarter Review indicates Charges, Fees and Services revenue will be \$333,000 (3.1%) less than the Approved Budget. The decrease is attributable to an estimating error for the parking meter revenues.

Other Revenues

Approved Budget	\$1,420,000
First Quarter Review	\$1,703,000

First Quarter Review projects revenues will be \$283,000 (19.9%) higher than the Approved Budget. The increase in anticipated revenue is attributable to increases in various engineering fees, unanticipated sale of real property, and higher than anticipated redemption of delinquent 1915 bond payments.

OTHER GOVERNMENTAL FUNDSMajor Street Construction Fund

Approved Budget	\$2,137,000
First Quarter Review	\$2,981,000

First Quarter Review projects revenues to be \$844,000 (39.5%) higher than the Approved Budget. This fund receives revenues from building permits for new construction. The anticipated increased revenue is due to increased construction.

ENTERPRISE FUNDSWater Fund

Approved Budget	\$20,418,000
First Quarter Review	\$17,650,000

First Quarter Review projection is \$2,768,000 (13.6%) lower than the Approved Budget. \$3,000,000 of the Approved Budget amount was transferred to the Multiyear Budget to comply with state mandates for accounting for development fees. The actual net change estimated for the Water Fund is a \$232,000 (1.1%) increase.

Sewer Fund

Approved Budget	\$6,881,000
First Quarter Review	\$6,764,000

First Quarter Review projection is \$117,000 (1.7%) lower than the Approved Budget. \$126,000 of the Approved Budget was transferred to the Multiyear Budget to comply with state mandates for accounting for development fees. The actual net change estimated for the Sewer Fund is a \$9,000 (.13%) increase.

INTERNAL SERVICE FUNDSFleet Management Fund

Approved Budget	\$608,000
First Quarter Review	\$797,000

First Quarter Review indicates revenue will be \$189,000 (31.1%) higher than the Approved Budget estimate. Interest income is higher than anticipated due to increased daily cash balance.

Risk Management Fund

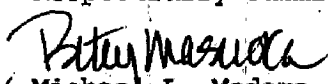
Approved Budget	\$1,897,000
First Quarter Review	\$2,087,000

First Quarter Review projection is \$190,000 (10.0%) higher than the Approved Budget estimate. Interest income is higher than anticipated due to increased daily cash balance.


RECOMMENDATION

This report is informational only and does not require Budget and Finance Committee action.

Respectfully submitted,

for 
Michael L. Medema
Revenue Manager

APPROVED FOR COMMITTEE INFORMATION:


JACK R. CRIST
Deputy City Manager

Attachment

January 10, 1989
All Districts

891stqtr
12/20/88CITY OF SACRAMENTO
REVENUE ANALYSIS
1st Qtr. FY 1988/89

	1987-88 ACTUAL	1988-89 BUDGET	1988-89 1 QTR EST.	VARIENCE
GENERAL FUND				
Property Taxes	\$34,991	\$38,248	38,267	19
Sales and Use Tax	32,565	33,373	33,373	0
Utility Users Tax	25,287	28,477	26,729	(1,748)
Business Operations Tax	2,933	3,268	3,099	(169)
Real Property				
Transfer Tax	2,852	3,789	3,250	(539)
Residential Development				
Property Tax	929	892	892	0
Debt Service Tax Override	973	850	850	0
In-Lieu Tax - Enterprise	730	845	845	0
Property Tax Supplemental	1,607	1,909	1,752	(157)
Licenses and Permits	3,225	3,453	3,831	378
Fines and Forfeits	1,668	1,803	2,014	211
Use of Money	2,742	2,555	2,166	(389)
Intrergovernmental	17,221	18,358	18,335	(23)
Charges, Fees and				
Services	10,735	10,844	10,511	(333)
Other Revenues	3,130	1,420	1,703	283
Total General Fund	141,588	150,084	147,617	(2,467)
OTHER GOVERNMENTAL FUNDS				
Gas Taxes 202,203,204,247	4,950	4,947	4,898	(49)
CDBG 205	142	926	926	0
SHRA 206	2,084	226	226	0
Traffic Safety 208	1,210	1,053	968	(85)
Major Street				
Construction 209	2,284	2,137	2,981	844
Downtown Maintenance				
District 228	46	49	49	0
Old Sacramento Maint.				
District 229	56	62	62	0
Assessment Bond				
Registration 232	59	55	130	75
Transportation				
Development 235	192	239	201	(38)
Pocket Area Trunk				
Sewer 240	87	80	88	8
Capital Grants 248	106	1591	1591	0
Bridge Construction 249	96	43	61	18
Operating Grants 250	0	2,821	2,821	0

Animal Acquisition 251	15	10	12	2
Cable Fund 252	74	0	0	0
Special Districts 254	0	0	100	100
Citation I-5				
Maintenance 565	15	73	73	0
Special Recreation 571	1,685	762	789	27
Softball Complex 573	216	260	282	22
Narcotics Task Force 579	259	100	100	0
Fairytales Town 589	404	471	476	5
Florin Road Storm				
and Sanitation 640	5	5	5	0
Quimby Act 710	364	1,169	1,080	(89)
Flood and Drainage 737	174	119	119	0
Citation I-5				
Improvement 794	13	59	59	0
S. Natomas Community				
Improvement 795	65	230	267	37
S. Natomas Facility				
Benefit 796	4	0	0	0
Sacramento History				
Inc-Endowment 797	23	21	23	2
S. Natomas I-5 Dev.				
Improvement 798	23	105	104	(1)
Total Other Govern-	14,651	17,613	18,491	878
mental Funds				
ENTERPRISE FUNDS				
Parking 412	8,218	9,739	9,739	0
Water 413	16,041	20,418	17,650	(2,768)
Sewer 414	5,592	6,881	6,764	(117)
Solid Waste 415	21,690	22,063	22,066	3
Boat Harbor 417	643	1,162	1,171	9
Golf 418	3,246	3,230	3,273	43
Community Center 419	7,420	7,647	7,551	(96)
Camp Sacramento 424	222	0	0	0
Storm Drainage 425	9,971	10,943	10,977	34
Total Enterprise	73,043	82,083	79,191	(2,892)
Funds				
INTERNAL SERVICE FUNDS				
Fleet Management 420	961	608	797	189
Risk Management 421	1,370	1,897	2,087	190
Total Internal Service	2,331	2,505	2,884	379
Funds				
TOTAL ALL CITY FUNDS	\$231,613	\$252,285	\$248,183	(\$4,102)