CITY OF PASADENA

FINANCIAL STATUS REPORT

FISCAL YEAR 2011

THROUGH SEPTEMBER

This Financial Status Report reflects actual data for the first quarter (July, August, and September) of Fiscal Year 2011. It should be noted that the September data used in developing this report is preliminary. Final September data is not yet available.

Based on year-to-date actual data, at this time budgets are on target for the General Fund and the non-General Funds. This report focuses on the City's General Fund. As the fiscal year progresses, staff will include discussions on other significant funds and individual departments.

Prepared by:
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Finance Department – Budget Division

City of Pasadena
Financial Status Report

FISCAL YEAR 2011 GENERAL FUND FORECAST

As detailed in this report, based on first quarter (July through September) of Fiscal Year 2011 actual data, General Fund revenues and expenses are projected to be nearly at budget. Both revenues and expenses are forecast to be under the Revised Annual Budget by $1.8 million (0.8%). If these projections sustain, General Fund expenses will exceed revenues by approximately $6.1 million. This deficit projection is consistent with the deficit projected in the revised budget.

REVENUE FORECAST

Overall, tax revenues are forecast to end the year approximately $600,000 or 0.4% under budget. This minor variance is the result of favorable variances from the revised budget in property tax revenues of $600,000 (1.2%) and sales tax revenues of $200,000 (0.7%). These favorable revenue variances are offset by the forecasted unfavorable variances in Utility User Tax ($750,000 or 2.4%), other miscellaneous taxes ($600,000 or 3.8%), and Fines and Forfeitures ($1.2 million or 19.2%).

Fiscal Year 2011 General Fund Forecast

General Fund	Forecast	Budget	Projected Variance	
			Amount	%
Expense				
Personnel	$130,305,202	$127,976,533	($2,328,669)	(1.8%)
Supplies, Services and Miscellaneous	22,259,555	26,341,512	4,081,957	15.5%
Internal Service	14,596,865	14,596,865	0	0.0%
Transfers Out	49,052,098	49,052,098	0	0.0%
Expense Total	**$216,213,720**	**$217,967,008**	**$1,753,288**	**0.8%**
Revenue				
Property Tax	$50,800,388	$50,200,000	$600,388	1.2%
Sales Tax	30,200,000	30,000,000	$200,000	0.7%
Transient Occupancy Taxes	7,300,000	7,300,000	$0	0.0%
Utility Taxes	30,982,000	31,732,000	($750,000)	(2.4%)
Other Taxes	16,000,000	16,635,000	($635,000)	(3.8%)
Licenses and Permits	2,574,088	2,574,088	$0	0.0%
Charges For Services	25,078,540	25,078,540	$0	0.0%
Fines and Forfeitures	5,100,000	6,311,000	($1,211,000)	(19.2%)
Intergovernmental	1,041,591	1,041,591	$0	0.0%
Use of Money & Property	21,824,153	21,824,153	$0	0.0%
Miscellaneous Revenue	1,075,120	1,075,120	$0	0.0%
Operating Transfers In	18,074,581	18,074,581	$0	0.0%
Revenue Total	**$210,050,461**	**$211,846,073**	**($1,795,612)**	**(0.8%)**
General Fund Surplus/(Deficit) Total	**($6,163,259)**	**($6,120,935)**	**($42,324)**	**0.7%**

The minor favorable variances in both Property taxes and Sales taxes are based on revised assumptions that have become available since the budget was adopted. The Los Angeles County Assessor's Office has reported that the City should anticipate a 1.1% growth in citywide assessed value (AV). The Fiscal Year 2011 Budget assumed there would be no increase in AV from what was reported for Fiscal Year 2010. The very modest increase in Sales Tax revenues are based on a revised assumption from MuniServices, the City's Sales Tax consultant. MuniServices analyzed performance of the City's taxable sales by looking at both industry trends and major City sales tax generators. They believe the recession-related decline has stopped and there will be a slight increase in the City's sales tax receipts over Fiscal Year 2010. Combined, these two revenue sources represent nearly 40% of all General Fund revenues and are critical to the City's financial stability. While long-range forecasts do not

2011 Year-to-Date Actual versus 2010 Year-to-Date Actual

	Fiscal Year 2011			Fiscal Year 2010	
General Fund	**Year-to-Date Actual**	**% of Budget**	**Change From Fiscal Year 2010**	**Year-to-Date Actual**	**% of Budget**
Expense					
Personnel	$34,205,116	26.7%	($230,806)	$34,435,922	24.4%
Supplies, Services & Miscellaneous	3,482,331	13.2%	(2,268,597)	5,750,928	16.6%
Internal Service	2,350,116	16.1%	(1,245,627)	3,595,743	24.6%
Transfers Out	4,458,311	9.1%	(1,084,044)	5,542,355	11.5%
Expense Total	**$44,495,873**	**20.4%**	**($4,829,076)**	**$49,324,949**	**20.7%**
Revenue					
Property Tax	$1,716,044	3.4%	$286,016	$2,002,060	3.9%
Sales Tax	1,951,572	6.5%	($93,071)	1,858,500	5.6%
Transient Occupancy Taxes	1,900,014	26.0%	($128,075)	1,771,939	22.2%
Utility Taxes	4,970,375	15.7%	$1,669,452	6,639,826	20.0%
Other Taxes	3,083,064	18.5%	$901,840	3,984,904	23.9%
Licenses and Permits	449,209	17.5%	($78,917)	370,292	18.4%
Charges For Services	7,102,369	70.0%	($2,134,688)	4,967,681	54.3%
Fines and Forfeitures	892,633	14.1%	$1,125,409	2,018,042	24.2%
Intergovernmental	107,031	10.3%	$48,202	155,233	8.5%
Use of Money & Property	65,605	0.3%	$505,671	571,277	2.3%
Miscellaneous Revenue	398,579	37.1%	($146,718)	251,861	26.1%
Operating Transfers In	9,887,998	54.7%	$964,536	10,852,533	37.1%
Revenue Total	**32,524,492**	**15.4%**	**$2,919,657**	**35,444,149**	**15.3%**
General Fund Surplus/(Deficit) Total	**($11,971,381)**		**($1,909,419)**	**($13,880,800)**	

project a return to the revenue levels experienced prior to the 2008 recession, seeing these important revenues stabilize is significant.

While it is still relatively early in the fiscal year, the City's Water & Power Department (PWP) is reporting a slight reduction in both electricity and water sales. This drop off will result in slightly lower Utility User Tax (UUT) revenues to the General Fund. PWP accounts for approximately 50% of the City's UUT revenues. The other 50% of UUT revenues are generated by cable television, telephone, and other non-City operated public utilities. Based on only the first three months of data, it is difficult to assess if the other non-City utilities are experiencing a decline in sales similar to PWP.

Two other revenue categories that are also projected to generate less revenue than budgeted are Other Taxes, Fines, and Forfeitures. The reason for the noticeable drop in these revenues through the first three months of the fiscal year is not readily apparent. Staff will closely monitor these revenues and report the findings as soon as they are known.

EXPENSE FORECAST

Personnel expenses are forecast to be $2.3 million or 1.8% over budget, while non-labor expenses, primarily in the Supplies and Services category, are forecast to be $4.1 million or 15.5% under budget. It should be noted that the Fiscal Year 2011 budget for Personnel is $13.2 million lower than the Fiscal Year 2010 Budget, and $4.1 million below Fiscal Year 2010 actual expenditures. The projected unfavorable variance is likely the result of conservative personnel-related budgeting assumptions. Staff will be looking at individual personnel line items to determine if the projected variance is the result of salaries, benefits, or other factors such as salary assumptions or seasonal trends.

More than offsetting the unfavorable forecast of personnel expenses is a projected significant favorable variance in Supplies and Services. In each of the last two fiscal years (Fiscal Year 2009 and Fiscal Year 2010), the City experienced annual favorable budget variances in the area of Supplies and Services of more than $6 million. These favorable variances are likely to be the result of actions taken to reduce discretionary spending in response to recession-related revenue reductions that were not fully accounted for when the budgets for those years were developed. This pattern appears to be occurring in Fiscal Year 2011. Services, Supplies, and Miscellaneous expenses were budgeted at $35.3 million in Fiscal Year 2009. The budget was reduced in Fiscal Year 2010 to $34.7 million and further reduced to $26.3 million in this fiscal year. Notwithstanding significant reductions in the annual budget over the last three fiscal years, services and supplies expenses are forecast to be $4.1 million below budget in Fiscal Year 2011.