

GENERAL FUND SUMMARY



BUDGET PROCESS OVERVIEW

The City of Capitola prepares an Operating Budget, a Redevelopment Budget, and a five-year Capital Improvement Program (CIP) budget, for each the City adopts for only one fiscal year. The Operating Budget contains the summary and detail information for revenue and expenditure appropriations for the fiscal year (beginning July 1st and ending June 30th) for several funds. The information from the CIP is incorporated in summary form in the City's annual budget. The Redevelopment Agency budget is included in its entirety in the City's annual budget.

Budget revenues and expenditures related to deposit accounts are not included as part of the budget process. Transfer of funds from deposit accounts to revenue accounts are made by Finance staff at the time related expenditures as incurred.

The Municipal Code (3.200.020 E.) defines a balanced budget as one in which "financing uses including expenditures, interfund transfers out, reserves and contingencies should equal financing sources including beginning available fund balance, revenues and Interfund transfers in." A key concept in the developmental process for the General Fund Budget revolves around City fiscal policy that the current year expenditures are balanced with current year revenue. Budgeting for one-time expenditures can result in efficiencies; streamlining processes, or future cost reductions whenever appropriate.

The Operating Budget and the Redevelopment Agency Budget process is incorporated into weekly Department Head meetings with the City Manager. The Public Works Department prepares the Capital Improvement Program Budget. Information is exchanged, budget worksheets are distributed and collected, and target and meeting dates are clearly identified. This process begins in October and concludes in June.

Basis of Budgeting

The basis of budgeting is explained to assist readers of the budget document, and to provide a bridge between the budget presentation in this document and the accounting presentation in the annual financial report. The City's operating budget consists of governmental funds that include General Fund, Special Revenue Funds, Internal Service Funds, Debt Services Funds and Capital Project Funds for both the City and the Redevelopment Agency. Governmental fund types and agency funds budgets are developed using the modified accrual basis of accounting. To summarize, under this basis, revenues are estimated for the fiscal year under the condition that they are identifiable and will be collected within sixty (60) days of the close of the fiscal year. Principal and interest on general long-term debt are budgeted as expenditures become due, whereas other expenditures are budgeted for liabilities expected to be incurred (services rendered or items received no later than June 30th) during the fiscal year.

Basis of Accounting

The basis of accounting is explained here to assist readers of the budget document, and to provide a bridge between the budget presentation in this document and the accounting presentation in the Comprehensive Annual Financial Report. The City's *Governmental Funds* consist of the General Fund, Special Revenue Funds, Debt Service Funds, and the Capital project Funds for both the City and the RDA. Governmental Fund type and Expendable Trust fund budgets are developed using

the modified accrual basis of accounting. To summarize, under this basis, revenues are estimated for the fiscal year if they are susceptible to accrual, e.g. amounts can be determined and will be collected within the current period. Principal and interest on general long-term debt are budgeted as expenditures when due, whereas other expenditures are budgeted for liabilities expected to be incurred during the current period or shortly thereafter to pay current liabilities.

Level of Budget Control

Both the City and the Redevelopment Agency appropriate (control) the budget at the Budget Unit level. The Budget Unit level is defined as “department, fund, or other organizational unit whose financial activities are accounted for separately.”

Revenues for all funds are considered a Budget Unit at the Fund level.

Expenditures for the General Fund are considered a Budget Unit at the Department level, with Community Grants controlled at the grantee level. Each Capital Improvement Project is considered to be a Budget Unit. The Redevelopment Agency (including Housing Set-Aside) considered Budget Units to be at the category level as defined in the budget document.

Budget Adjustments

Throughout the fiscal year, staff reports to the City Council or Agency Board that requests a budget amendment, must include a fiscal impact section and a resolution. The City’s Municipal Code requires that budget amendments of ten thousand dollars (\$10,000) or more should be placed on the Council’s regular agenda for consideration and discussion. Budget amendments less than ten thousand dollars (\$10,000) may be placed on the Council’s consent agenda.

Any report submitted to Council by a Department that is requesting a budget amendment must clearly identify the sources and use of funds. A resolution is included in the packet to Council, if acted upon favorably by the City Council; the resolution includes the following language:

“BE IT FURTHER RESOLVED that the Finance Director is directed to record these changes into the City’s accounting records in accordance with appropriate accounting practices.”

If the City Council approves the resolution, the budget adjustments are entered into the City’s accounting records within five (5) working days.

GENERAL FUND SUMMARY

Below is a summary of the historical and projected General Fund revenues, expenditures and fund balances.

REVENUE CATEGORIES:	2007-2008 Actual	2008-2009 Actual	2009-2010 Adopted	2009-2010 Mid-Yr Est	2010-2011 Adopted
Revenue					
Taxes	\$9,489,300	\$7,852,553	\$8,408,900	\$8,095,000	\$8,091,500
Licenses and permits	\$247,884	\$354,335	\$190,000	\$266,400	\$219,000
Intergovernmental revenues	\$218,435	\$178,923	\$283,700	\$457,000	\$396,900
Charges for services	\$1,986,745	\$2,092,783	\$2,172,900	\$2,280,200	\$2,360,000
Fines and forfeitures	\$671,668	\$673,892	\$755,000	\$819,000	\$859,000
Use of money & property	\$533,382	\$409,801	\$439,800	\$378,200	\$339,800
Other revenues	\$74,292	\$85,447	\$71,000	\$58,200	\$63,500
Transfers In	\$188,000	\$611,957	\$0	\$0	\$0
Revenue Grand Totals:	\$13,409,705	\$12,259,690	\$12,321,300	\$12,354,000	\$12,329,700
EXPENDITURE CATEGORIES					
Expenditures					
Personnel	\$7,512,650	\$7,976,795	\$7,577,200	\$7,364,244	\$7,527,500
Contract services	\$2,535,947	\$2,562,214	\$2,450,002	\$2,459,900	\$2,467,500
Supplies	\$639,662	\$519,246	\$568,200	\$490,600	\$490,000
Community Grants	\$269,999	\$274,637	\$275,000	\$275,000	\$275,000
Capital outlay	\$93,296	\$0	\$0	\$0	\$0
Internal service fund charges	\$856,300	\$788,700	\$773,500	\$773,500	\$859,500
Fund Transfers	\$1,539,700	\$444,846	\$568,900	\$568,900	\$710,000
Expenditure Grand Totals:	\$13,447,555	\$12,566,437	\$12,212,802	\$11,932,144	\$12,329,500
Impact On Fund Balance	(\$37,850)	(\$306,748)	\$108,498	\$421,856	\$200
Fund Balance on June 30th	\$ 585,700	\$ 279,000	\$ 617,498	\$ 700,856	\$ 701,056

REVENUE SUMMARY

Funds	2007-08 Actual	2009-10 Actual	2009-10 Adopted	2009-10 Mid-Yr Est	2010-11 Adopted
<u>General Fund</u>	12,409,705	1,225,960	12,321,300	12,354,000	12,329,700
<u>Designated Reserves:</u>					
Emergency Reserves	16,700	12,800	-	-	-
Contingency Reserve	358,400	6,200	-	-	-
Compensated Absences	57,700	207,700	112,700	112,700	120,000
<u>Capital Projects</u>					
Open Space Purchase	-	-	-	-	-
Soquel Creek Lagoon Mgt Plan	-	-	-	-	-
Refer to CIP Section					250,000
<u>Special Revenues:</u>					
Gas Tax	384,000	256,300	274,300	274,700	279,200
Supplemental law Enforcement	100,700	100,000	100,100	100,100	100,100
SCC Anti-Crime Team	65,000	59,000	74,100	73,100	69,400
PEG Cable TV Access	25,800	22,400	25,100	20,600	20,100
Development Fees	119,400	1,350	69,200	-	10,000
Wharf Fund	87,200	75,775	72,100	72,000	74,000
CDBG - Grants	27,800	80,700	980,000	11,885	70,000
CDBG- Program Income	117,600	6,300	6,300	-	-
CDBG - RLF 07-08 Program Income				-	-
HOME Program Re-Use	30,000	43,400	4,800	12,300	12,300
HOME Grants	-	-	1,750,000	1,475,000	425,000
Housing Trust Fund	104,600	81,800	75,000	12,500	10,000
BEGIN Grant Fund	-	60,000	180,000	-	180,000
General Plan Update	150,600	255,103	60,000	142,200	125,000
Green Building Fund	-	6,000	16,000	45,000	20,000
Public Art	3,300	112,400	15,000	270,000	25,000
Parking Reserve Fund			102,000	91,000	100,000
Technology Fee				2,000	1,000
Capitola CVWBIA (see section)					
<u>Debt Service</u>					
1996 Lease Revenue Bonds					
PERS Pension Obligation Bonds	688,100	661,800	622,800	622,800	680,000
<u>Internal Services:</u>					
Equipment Replacement	141,800	64,800	64,800	64,800	100,000
Information Technology	138,900	110,600	116,800	116,800	115,200
Public Employees Retirement	1,614,600	1,734,600	1,574,000	1,560,400	1,425,400
Self-Insurance Liability	143,200	144,600	142,800	116,900	142,800
Stores	36,100	37,700	37,700	37,700	28,500
Worker's Compensation	431,000	431,000	437,300	437,300	473,000
Total City	17,252,205	5,798,288	19,234,200	18,025,785	17,185,700
<u>Redevelopment Agency:</u>					
Operating	2,474,566	2,588,338	2,372,000	2,345,300	2,316,800
Housing Set-Aside	622,540	536,612	480,960	466,560	463,360
Total RDA	3,097,106	3,124,949	2,852,960	2,811,860	2,780,160

EXPENDITURE SUMMARY

Funds	2007-08 Actual	2008-09 Actual	2009-10 Adopted	2009-10 Mid-Yr Est	2010-11 Adopted
<u>General Fund</u>	13,447,555	12,566,437	12,212,802	11,923,144	12,329,500
<u>Designated Reserves:</u>					
Emergency Reserves	-	-	-	-	-
Contingency	302,000	-	-	-	-
Compensated Absences	348,300	223,400	85,000	142,000	158,000
<u>Capital Projects</u>					
Open Space Purchase	43,600	-	-	-	-
Soquel Creek Lagoon Mgt Plan	-	-	-	-	-
Refer to CIP Section					250,000
<u>Special Revenues:</u>					
Gas Tax	395,000	246,100	314,100	274,100	274,100
Supplemental law Enforcement	109,800	111,700	100,000	93,000	100,000
SCC Anti Crime Team	65,000	66,400	74,100	65,000	69,400
PEG Cable TV Access	26,000	23,000	22,400	20,000	24,500
Development Fees	35,200	174,100	-	-	-
Wharf Fund	90,600	163,500	119,300	87,000	193,000
CDBG - Grants	47,800	33,000	980,000	5,400	75,000
CDBG- Program Income	86,000	78,150	6,400	3,000	-
CDBG - RLF Program Income				17,100	-
HOME Program Re-Use	6,500	260,900	14,500	2,000	-
HOME Grants	-	-	1,753,000	1,480,000	430,000
Housing Trust Fund	1,900	1,800	113,300	48,000	127,000
BEGIN Grant Fund	-	-	240,000	-	240,000
General Plan Update	15,600	362,205	189,000	9,500	468,500
Green Building Fund					20,000
Public Art	30,000	3,400	16,300	8,300	156,700
Parking Reserve Fund					100,000
Technology Fund				-	-
Capitola VWBIA (see section)					
<u>Debt Service</u>					
1996 Lease Revenue Bonds		-	-	-	-
PERS Pension Obligation Bonds	688,100	661,800	622,800	622,800	680,000
<u>Internal Services:</u>					
Equipment Replacement	255,100	68,000	66,000	38,000	80,000
Information Technology	109,200	342,200	116,800	106,800	115,300
Public Employees Retirement	1,854,800	1,540,300	1,578,800	1,432,000	1,514,100
Self-Insurance Liability	237,800	89,100	89,800	58,600	142,900
Stores	33,100	28,050	37,700	27,500	28,500
Worker's Compensation	547,000	441,500	441,500	441,500	473,000
Total City	18,775,955	17,485,042	19,193,602	16,904,744	18,049,500
<u>Redevelopment Agency:</u>					
Operating	1,982,939	2,166,973	5,072,160	2,878,968	2,638,377
Housing Set-Aside	1,246,778	1,046,141	834,200	414,950	458,700
Total RDA	3,229,717	3,213,114	5,906,360	3,293,918	3,097,077

On-going Revenue & Expenditures Analysis

This chart shows that ongoing expenditures exceed ongoing revenues, this calculation is made without recognizing Measure D revenue. Measure D revenue represents approximately \$850,000 in annual receipts. The calculation also does not include any fund balance at the beginning of the year which is \$279,000.

On-going Revenues & Expenditures Detail	2009-10 Mid-Yr	2010-11 Adopted
<u>General Fund - Source of Funds</u>		
Total Revenues	<u>12,354,000</u>	<u>12,329,700</u>
One-Time State Board of Equal Adjustment	380,000	
One-Time Capitola Transaction & Use Tax (Measure d)	850,000	847,500
One-Time PD - Grants	284,400	\$266,900
One-Time EDA Grants	40,000	
Total One Time Revenues	<u>1,554,400</u>	<u>1,114,400</u>
On-going revenues	<u>10,799,600</u>	<u>11,215,300</u>
<u>General Fund - Use of Funds</u>		
Total Expenditures	<u>\$11,932,100</u>	<u>\$12,329,500</u>
One-Time Expenditures (PD Grants, EDA Grants & Election)	<u>\$324,400</u>	<u>\$288,900</u>
On-Going Expenditures	<u>\$ 11,607,700</u>	<u>\$ 12,040,600</u>
On-Going Revenues (Excludes Measure D)	<u>10,799,600</u>	<u>11,215,300</u>
On-going Expenditures	<u>\$ (11,607,700)</u>	<u>\$ (12,040,600)</u>
TOTAL	<u>-808,100</u>	<u>-825,300</u>

FY 10-11 Reserves

The City's fiscal management policy states the Emergency and Contingency Reserves shall be 5% and 10% of the General Fund Expenditures, respectively. The General Fund Expenditures are determined based upon the General Fund budget expenditures less fund transfers. The Emergency and Contingency Reserves are both above required target levels for the FY10/11 budget.

The target for the Emergency Reserve is \$567,700 and it is currently funded above that at \$627,100 which is a surplus of \$46,100. The Contingency Reserve target is \$1,162,000, and the actual amount is \$1,247,100 an surplus of \$85,100.

The Table below shows the ending fund balance for FY09-/10 and the ending fund balance for FY10-11 with the resulting change in the final column.

Estimated Ending Fund Balance	2009-10 Mid-Yr Est 6/30/10	2010-11 Adopted 6/30/11	2010-11 vs 2009-10
<u>Designated Reserves:</u>			
Emergency Reserves	627,100	627,100	-
Contingency Reserves	1,247,100	1,247,100	-
Compensted Absences	164,200	126,200	(38,000)
Open Space Purchase	300	300	-
<u>Internal Service Funds:</u>			
Equipment Replacement	281,300	256,200	(25,100)
Information Technology	106,800	115,300	8,500
Public Employees Retirement	497,800	409,100	(88,700)
Self-Insurance Liability	256,300	256,200	(100)
Stores	23,750	23,750	-
Worker's Compensation	170,900	170,900	-
General Fund Operating- Ending Fund Balance	700,856	701,056	200
Total	\$ 4,076,406	\$ 3,933,206	\$ (143,200)