



CITY COUNCIL AGENDA REPORT

MEETING DATE: February 17, 2004

ITEM NUMBER:

SUBJECT: REVISED REVENUE ESTIMATES FY 03-04

DATE: FEBRUARY 10, 2004

FROM: FINANCE DEPARTMENT/FINANCIAL PLANNING

PRESENTATION BY: MARC R. PUCKETT, DIRECTOR OF FINANCE

FOR FURTHER INFORMATION CONTACT: AGNES T. WALKER (714) 754-5241

RECOMMENDED ACTION:

Approve the attached Budget Adjustment 04-063 to revise the FY 03-04 General Fund estimated revenues, as discussed during the study session on February 9, 2004.

BACKGROUND:

Staff submitted the mid-year budget report to the City Council at a study session on February 9, 2004. Included in the report was the recommendation to adjust the General Fund estimated revenues for FY 03-04. Based on staff's analysis and comments from all departments that generate fees, the General Fund estimated revenues are projected to have a net decrease of \$1.1 million compared to what was originally adopted on June 17, 2003. At that time, General Fund revenues including interfund transfers were estimated at \$80.9 million. With the recommended adjustments, staff projects General Fund revenues at \$79.8 million by fiscal year-end.

ANALYSIS:

Based on staff's analysis and information provided by all departments, the following adjustments are recommended:

Including the State's action on the Vehicle License Fees (VLF), staff recommends adjusting the City's revenues sources per attached Budget Adjustment 04-063 and Exhibit A. These adjustments affect some of the major revenue sources such as: sales tax, property tax, investment earnings, and the VLF. Sales tax and property tax are adjusted upwards at \$500,000 each to reflect some of the economic recovery that has occurred and the continued hot housing market. Investment earnings are adjusted downwards (\$360,000) because the initial rate of return projected by staff did not materialize as the Feds continue to maintain the low interest rate environment. Some of the user fees are also adjusted downwards but have corresponding decreases in expenditures. The overall result of these adjustments is a projected net decrease of \$ 1.1 million in the General Fund revenues, attributed mainly to the \$2 million VLF backfill gap (based on information provided by the League.)

Explanation on the VLF backfill gap: VLF revenues are split between funding for certain health and welfare programs provided primarily by counties, and local governments. When the State had a surplus in 1998, the State reduced the vehicle licenses fees paid by registered owners up to 67.5%. To make local governments whole, the State backfilled the reduction. With its projected budget deficit, the State decided to take away this backfill funding beginning June 19, 2003 until the full VLF was restored on October 1, 2003. The City did not receive the backfill amount from June 19 and prior to October 1. Consequently, this created a funding “gap” from June 20 until registrations paid at the full rate are remitted. This gap represents any period in which the State has insufficient monies available to fund the VLF backfill. Under AB 1768, this backfill gap is supposed to be paid to cities and counties in August 2006.

ALTERNATIVES CONSIDERED:

The Council may choose not to adjust the estimated revenues at this time.

FISCAL REVIEW:

The attached Budget Adjustment 04-063, along with Exhibit A, lists the details of the recommended adjustments to the General Fund estimated revenues for FY 03-04.

LEGAL REVIEW:

No legal review is required.

CONCLUSION:

Currently, the City can absorb the estimated reduction in revenues by using available fund balance in the General Fund.

Agnes T. Walker
Budget & Research Officer

Marc R. Puckett
Director of Finance

ATTACHMENTS: [Budget Adjustment 04-063](#)
[Exhibit A – Revised FY03-04 Revenue Estimates](#)

Copy to: City Manager
All Department Directors