SCHEDULED PRESENTATIONS
Agenda Item No.: 5c
CC Mtg.: 08/22/2006

DATE: August 22, 2006

TO: Mayor and City Council Members

FROM: City Manager's Office and Finance Department

SUBJECT: **CITY MANAGER'S FISCAL YEAR 2005-06 FOURTH QUARTER FINANCIAL REPORT**

BACKGROUND/ISSUE

Section 5.05R of the Charter of the City of Folsom requires the City Manager submit to the City Council a financial and management report showing the relationship between budgeted and actual revenues, and expenditures and encumbrances on a quarterly basis.

This Quarterly Financial Report is an analysis of the financial status of the City's major funds for the fourth quarter of Fiscal Year (FY) 2005-06, covering the time period of July 1, 2005, through June 30, 2006. The attachment section of the Financial Report contains information such as Revenues by Funds and Expenditures by Funds which correspond to information presented in the annual budget. Also included are the status of the Capital Improvement Plan and debt service sections.

POLICY/RULE

Section 3.02.050 (b) of the Folsom Municipal Code states ".... within 30 days after the end of each quarter during the fiscal year, and more often if required by the City Council, the City Manager shall submit to the City Council a financial and management report."

ANALYSIS

The report provides an analysis of the national, state, and local economy. It also provides an analysis of each fund's actual revenues, expenditures, and fund balance as compared to the FY 2005-06 budget. Tables and graphs have been integrated into the report in order to help illustrate financial performance. Please refer to the Appendixes of the report for detailed schedules of the City's key funds for the period ending June 30, 2006, including cumulative fund balances from prior years. The document includes an analysis of the revenue and expenditure activities for the City's:

- General Fund
- Special Revenue Funds – Development, Redevelopment, Library
- Enterprise Funds – Recreation, Water, Sewer, Solid Waste, Transit
- Outstanding Debt and Capital Improvement Plan

The February 3, 2006, Strategic Planning Workshop reconfirmed the City of Folsom's Strategic Framework adopted in February 2005, and updated the essential core services. As outlined in the strategic framework, "to maintain and enhance the quality of life, we must achieve financial health and stability." The framework identified the City's essential "core services" as Infrastructure, Public Safety, Personnel, and Technology Investments.

The workshop also explored the possibilities for leveraging technology to increase productivity, control expenditures, and improve customer satisfaction. While focused on information technology, participants searched for outcomes that fall within the context of the City's existing strategic plan framework of Financial Health, Infrastructure, Public Safety, Personnel, Corporate Culture, Development, Transportation, Recreation and Culture, and Economic and Redevelopment Programs.

Within this framework, staff emphasized three main technology themes designed to:

1. Create a governing body that is as virtually and physically accessible as possible;

2. Find and exploit new economic development opportunities using information technology; and

3. Create an information technology infrastructure mindset similar to our public works infrastructure of roads, signals, pipes, and transmission lines (information technology infrastructure is the foundation for successful efforts to increase productivity, reduce expenditures, and improve customer satisfaction).

ATTACHMENTS

1. Fiscal Year 2005-06 Fourth Quarter Financial Report.
2. City of Folsom Strategic Framework, February 2006 (revised).
3. Information Technology Strategic Planning Workshop Summary, February 3, 2006.

CONCLUSION

Overall, the City's major funds performed as anticipated for Fiscal Year ending June 30, 2006. The City's General Fund revenues increased by 17% in FY 2006 compared to FY 2005 primarily due to the sale of the Prairie City property that occurred in the first quarter of 2006. General Fund expenditures, excluding transfers out, are 6.7% over comparable expenses for the fourth quarter of 2005 and are at 94% of budget (with the target being 100% for the fourth quarter). Total Development Special Revenue Fund revenues were down 1% for FY 2006 compared to FY 2005. Fund balance was a negative $2,249,099 compared to a positive $557,843 at June 30, 2005. The primary reasons for the deficit fund balance are declining new residential permitting activity which has resulted in expenditures in excess of revenues for four of the past five fiscal years.

RECOMMENDATION/CITY COUNCIL ACTION

It is recommended that City Council receive and file the City Manager's Fiscal Year 2005-06 Fourth Quarter Financial Report.

Respectfully submitted,

Sam L. Spiegel, Interim City Manager

Navdeep S. Gill, Chief Financial Officer