

DATE: November 14, 2006
TO: Mayor and City Council Members
FROM: City Manager's Office and Finance Department
SUBJECT: **CITY MANAGER'S FISCAL YEAR 2006-07 FIRST QUARTER
FINANCIAL REPORT**

BACKGROUND/ISSUE

Section 5.05R of the Charter of the City of Folsom requires that 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 first quarter of Fiscal Year (FY) 2006-07, covering the time period of July 1, 2006, through September 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 2006-07 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 September 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

ATTACHMENTS

1. Fiscal Year 2006-07 First Quarter Financial Report.

CONCLUSION

Overall, the City's major funds are performing as anticipated for the first quarter of Fiscal Year 2007. After adjusting for one-time revenues, the City's General Fund revenues showed an increase of 6.3% or approximately \$487,000 from the prior year. General Fund expenditures, excluding transfers out, are 9.4% over comparable expenses for the first quarter of fiscal year 2006 and are at 22% of budget. As illustrated in Attachment D the majority of the expenditure increases are being driven by Public Safety (Police and Fire) and non-departmental expenses. Increases in Police expenditures are related to new staff associated with CNET along with salary and benefits. Increases in Fire expenditures are due to terms of the new MOU, which was adopted by City Council in May 2006, the terms of which were retroactive to January 1, 2006. Non-departmental expenditure increases are due to a \$250,000 payment to Mercy Hospital.

Development Special Revenue Fund revenues were down 27.6% for the first quarter of FY 2007 compared to FY 2006. Fund balance was a negative \$2,749,709 compared to a negative \$32,683 at June 30, 2005, a year-over-year decline of \$2,717,026. The primary reason for the deficit fund balance is the declining new residential permitting activity, which has resulted in expenditures in excess of revenues for four of the past five fiscal years; this fund appears to be following the same trend in the current fiscal year.

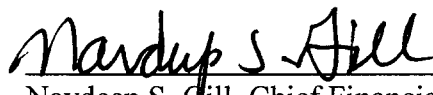
RECOMMENDATION/CITY COUNCIL ACTION

It is recommended that City Council receive and file the City Manager's Fiscal Year 2006-07 First Quarter Financial Report.

Respectfully submitted,



Kerry L. Miller, City Manager



Navdeep S. Gill, Chief Financial Officer