

Fiscal Year 2011/12

Interim Financial Report

*6 months ended, December 2011
(50% of the year complete)*





General Fund Overview

General Fund – The General Fund Overview table provides a snapshot of budgeted revenues compared to the budgeted expenditures. The General Fund budget for Fiscal Year 2011-2012 (FY12) was approved with a structural

General Fund Overview

General Fund Categories	Adjusted Budget	Actual Activity	%
Revenues	13,574,895	4,057,948	29.9%
Expenditures	16,611,018	8,147,309	49.0%
Excess Revenues (Expenditures)	(3,036,123)	(4,089,361)	134.7%

deficit of \$467,565. This report shows an operating deficit of \$3,036,123. This includes the approved structural deficit \$467,565, new net appropriations of \$1,867,906 (includes \$1,814,291 for the oil spill and \$57,982 in encumbrance rollovers) and net continuing appropriations of \$700,652 (including \$634,134 for grants).

The General Fund Overview table also provides a snapshot of actual activity compared to the budget. The actual activity covers the 6 month activity through the end of December. Revenues are at approximately 30% of the estimates. Revenues tend to be lower the first half of the year due to the accrual process. (See the 'Good to Know' section below). Expenditures are at approximately 49% of the budget. (More details are available in the Revenue and Expenditure sections of the report.)

Good to know: Government Accounting and Budgeting

Most government funds and budgets are managed using a method called "modified accrual" accounting. This method basically means that the governmental funds are managed on a cash basis throughout the year. At year end, accruals are made to ensure that revenues and expenditures are recorded in the applicable fiscal year in which the transactions occurred. This method applies to the General Fund, Special Revenue funds, capital funds, internal service funds and redevelopment funds.

To illustrate, revenue is recorded as it is received throughout the year (cash basis). The majority of General Fund revenues come in sporadically throughout the year and most of it is received in the last 6 months of the fiscal year. Meanwhile, the expenditures are continuing each month regardless of when the revenues are received. This circumstance highlights the importance of maintaining a reserve that allows for cash flow needs during the lean months when there are no revenues.

There are funds that are considered like a business. These are called "Enterprise Funds". The "accrual" method of accounting is used for these funds. These business type funds charge customers a fee to cover all or most of the cost of certain services that are provided. Consistent with accrual accounting, the revenues reported on the interim report reflect revenues based on what was billed the customer rather than the cash payments collected. This method applies to the Airport, Transit, Refuse, Electric, Water and Wastewater funds.

Interim Financial Report

- 6 Months Ended December 31, 2011

General Fund Revenue Details

Monthly Variance Table: General Fund Top 6 Revenues

Top Revenue Sources	Fiscal Year 2011-12						Fiscal Year 2010-11		
	Annual Budget Adopted	Annual Budget Adjusted	YTD Budget Dec. 2011	YTD Actual Dec. 2011	Difference	% Realized	YTD Actual Dec. 2010	Change from Prior YR	% Change
Property Taxes	3,974,980	3,974,980	1,987,488	709,962	(1,277,526)	35.7%	781,131	(71,169)	-9.1%
Electric - Admin	2,400,000	2,440,000	1,219,998	1,219,998	-	100.0%	1,200,000	19,998	1.7%
Sales & Use Taxes	2,131,000	2,131,000	1,065,492	592,357	(473,135)	55.6%	616,684	(24,327)	-3.9%
Franchise Taxes	802,450	802,450	401,214	265,014	(136,200)	66.1%	261,380	3,634	1.4%
BUA Lease Payments	651,000	651,000	325,500	325,500	-	100.0%	325,500	-	0.0%
TOT Tax	502,000	502,000	250,998	125,224	(125,774)	49.9%	106,377	18,847	17.7%
Total	10,461,430	10,501,430	5,250,690	3,238,055	(2,012,635)	61.7%	3,291,072	(53,017)	-1.6%

The six revenues identified in the table above account for approximately 80% of the actual revenues in the General Fund. These revenues are a good indication of the status of the General Fund.

- A comparison of the adopted vs. adjusted budget for these six (6) revenues shows a net increase of \$40K.
- A comparison of adjusted budget vs. YTD actuals show that the top revenue source (Property Taxes) has not met estimated budget. Overall, these 6 revenues fell short of budget by \$2,012,635.
- Comparing the YTD Actual December 2010 information to the YTD Actual December 2011 information provides a better indication of whether or not City revenues are improving. Revenues show a decrease from the previous year.

Property Taxes – The City receives approximately 17 cents on the dollar through property taxes. Typically, the major receipts of property taxes are in January, April and May. In addition, due to various State actions (i.e. VLF Swap), the City receives the “in Lieu” property taxes twice a year (January and June).

The current year property tax revenues continue to drop compared to prior years. There was a loss of approximately 9% from FY11 to FY12. This trend may continue for a couple more years. Property tax revenues have a lag time in reflecting economic circumstances, whether good or bad. A midyear adjustment has been requested.

Electric Admin – The General Fund charges the Electric utility a 10% administrative charge on metered sales. Throughout the year the amount transferred to the General Fund is based on the budget estimate. At year end, a calculation is done to adjust the charge based on actual metered sales revenues.

Sales & Use Taxes – This source of revenue is typically responsive to economic circumstances. Compared to the prior year, sales tax revenue decreased by approximately 4% for this period. A midyear reduction for the backfill portion of

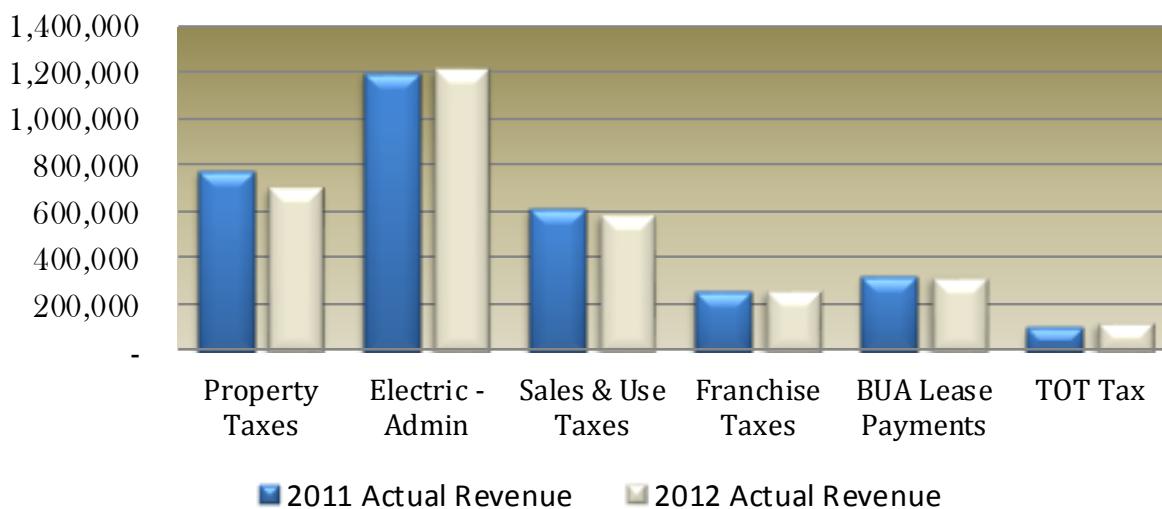
the sales tax is being recommended. However, this is being offset by increases in sales tax at the Cabazon outlets, per the City agreement with the County of Riverside.

Franchise Taxes – The City receives franchise payments from sources like Verizon, Time Warner, the Gas Company, and Waste Management. The refuse payments are received monthly, others are received quarterly and some just once a year. The Gas Company franchise payment is received in April. Budget should be met. This revenue source shows an increase of approximately 1% compared to the prior year.

BUA lease payments – The General Fund receives monthly lease payments from the Banning Utility Authority (BUA) which is comprised of the Water (\$39,167/Month) and Wastewater (\$15,083/Month) utilities.

Transient Occupancy Tax (TOT) – This revenue source has doubled since fiscal year 2008-09. On November 3rd, 2009 voters approved a bed tax increase of up to 12%. In January 2010, the TOT was increased from 6% to 10%. Effective October 1, 2010 the rate was increased to the maximum of 12%. The combination of the rate increase, improvements in the economy, and the construction of new hotels are reflected in the improved revenues. Compared to last year, this revenue has improved by approximately 18%. Budget should be met.

Top 6 Revenues



General Fund Expenditures

At 50% of the year, actual expenditures are at approximately 49%. The General Fund Expenditures table provides a snap-shot of the expenditures by category.

Employee Services account for salaries and benefits of the employees funded through the General Fund. The services include general government (i.e. city manager's office, city council, city clerk, city attorney, and personnel/human resources), financial services, public safety, planning and building, public works, and recreation. Approximately 46% of the budget has been expended in this category.

Approximately 28% of the Services and Supplies category has been expended. Within this category are city contracts for several major services such as Fire and animal control. The variance is primarily related to unexpended grants (i.e. TASIN, and other police grants), and other contract service savings. Also included in this category is the budget for the cleanup of the oil spill.

The majority of the Capital budget is as a result of grants received by the Police Department. Grants are restricted in how the funds can be used (i.e. grant funds will be used for vehicles, computers, and communication equipment). There is often a timing difference between when funds are received and when they are expended. For example, the new TASIN grant funds were received in FY11 but will be expended in FY12. Budgets related to grants are carried forward from year to year until the grant is finalized.

The City Hall Lease payments are on the refinanced debt. Payments are made twice a year.

The Interfund Support category accounts for compliance with the MOE for streets projects, and General Fund allocation of general liability/worker's compensation costs and information technology services.

The Following table 'General Fund Program Expenditure Summary' provides another perspective of the General Fund expenditures.

General Fund Expenditures

Category	Adjusted Budget	Actual YTD	Encum.	% Spent
Employee Services	8,257,406	3,814,584	-	46.2%
Services and Supplies	6,419,713	1,817,079	287,603	28.3%
Capital	552,936	9,158	5,540	1.7%
City Hall Lease	243,575	129,115	-	53.0%
Interfund Support	1,137,388	2,377,372	-	209.0%
Total	16,611,018	8,147,309	293,143	49.0%

Interim Financial Report

- 6 Months Ended December 31, 2011

General Fund Program Expenditure Summary

PROGRAM TITLE	(1) Adopted Budget	(2) Adjusted Budget	(3) Current Month Expenditures	(4) Y.T.D. Expenditures	Remaining Budget (Col. 2-4)	% Expended (Col. 4/2)
<u>GENERAL GOVERNMENT:</u>						
City Council	94,006	94,006	21,492	41,680	52,326	44%
City Manager	210,935	210,935	22,875	93,379	117,556	44%
Personnel	149,779	189,779	15,820	93,774	96,005	49%
City Clerk	85,753	85,753	10,649	37,308	48,445	44%
Elections	200	200	-	-	200	0%
City Attorney	161,000	161,000	35,574	96,305	64,695	60%
TV Government Access	47,747	47,747	135	2,118	45,630	4%
Community Enhancement	-	6,725	6,721	6,721	4	100%
Subtotal	749,420	796,145	113,265	371,285	424,860	47%
<u>FINANCIAL SERVICES</u>						
Fiscal Services	200,896	221,829	31,510	90,070	131,759	41%
Purchasing and A/P	18,223	18,223	5,302	14,251	3,972	78%
Subtotal	219,119	240,052	36,812	104,321	135,731	43%
<u>CENTRAL SERVICES</u>						
Central Services	1,439,024	3,216,590	1,894,175	2,417,643	798,947	75%
Subtotal	1,439,024	3,216,590	1,894,175	2,417,643	798,947	75%
<u>PUBLIC SAFETY:</u>						
Police	5,636,103	6,071,916	606,397	2,755,105	3,316,811	45%
Dispatch	806,250	834,630	85,469	366,828	467,802	44%
Tasin (Police)	-	567,287	21,610	66,191	501,096	12%
Animal Control	142,000	142,000	7,362	42,625	99,375	30%
Fire	2,506,503	2,506,521	223,790	1,216,657	1,289,864	49%
Tasin (Fire)	-	500,000	-	-	500,000	0%
Subtotal	9,090,856	10,622,354	944,629	4,447,405	6,174,949	42%
<u>PLANNING</u>						
Building Safety	212,847	212,847	15,798	108,185	104,662	51%
Code Enforcement	172,091	172,091	19,872	80,948	91,143	47%
Planning	264,103	273,103	27,774	121,266	151,837	44%
Subtotal	649,041	658,041	63,445	310,399	347,642	47%
<u>COMMUNITY SERVICES</u>						
Recreation	182,244	182,244	21,109	97,307	84,937	53%
Aquatics	99,683	102,002	2,195	58,589	43,413	57%
Senior Center	42,333	42,333	4,630	20,619	21,714	49%
Subtotal	324,260	326,579	27,934	176,515	150,064	54%
<u>PUBLIC WORKS:</u>						
Building Maintenance	195,206	195,206	22,532	92,790	102,416	48%
Parks	300,841	300,841	31,393	140,898	159,943	47%
Engineering	208,393	255,210	15,067	86,053	169,157	34%
Subtotal	704,440	751,257	68,991	319,741	431,516	43%
GENERAL FUND TOTAL	13,176,160	16,611,018	3,149,251	8,147,309	8,463,709	49%

Citywide Comments And Notes

The Fund Summary Status report provides the bottom line status of each fund in the City.

Special Revenue Funds are restricted in nature. This means the funds are restricted by legislation or other external sources. Any deficit variance in the budget typically indicates that there are available resources in the fund balance for projects. The revenues were received in prior years but the expenditures are budgeted in the current year.

Banning Utility Authority Funds – These funds operate similar to Enterprise funds in that the operations are funded through fees. The accrual method of accounting is applied throughout the year rather than using the modified government accounting method.

The Utility includes Water, Wastewater and Reclaimed water operations. The format of the report has been updated to include a separate fund for the Wastewater Tertiary fee that is collected. These funds had been tracked separately in the Wastewater Capital Facility Fees fund. However, upon review of the original documents establishing the fee, it was apparent that the intent was to establish a separate unique fund. This has been done and is reported in the Reclaimed Water group of funds. In addition, the Irrigation Water fund has been included in the Reclaimed Water Funds group.

Enterprise Funds This category typically includes funds that are funded through fees. The airport utilized fund balance for capital project funded through an FAA grant. The Electric Operations fund had an operational deficit but expenditure savings were achieved that minimized the impact of the deficit. All other Enterprise Funds came in below budget.

Internal Service Funds These funds provide services to other City funds. Revenues come from charging all of the other funds through an allocation process.

Community Redevelopment Agency Funds (CRA) – In January 2011, the Governor proposed a State budget that eliminated the CRA. Council approved several actions during FY11 to mitigate the impacts of this legislation. The League of California Cities and the California Redevelopment Association along with several cities sued the State hoping to overturn the Governor and State legislators' actions. December 2011, the Supreme Court struck down AB x1 27 which allowed cities to “pay to play” but upheld AB x1 26 which eliminates the CRA. Effective January 31st, the CRA ceased to exist. Effective February 1st, the Successor Agency was established to carry on the CRA functions.

This report reflects CRA information through December 2011. Future reports will be similar in format but will reflect the ‘Successor Agency’ structure.

CITY OF BANNING
Fund Summary Status
6 Months Ending December 31, 2011
FY 2011-12 50% Complete

Fund #	FUND NAME	Adopted Budget	Budget Adjustments	Adjusted Budget	Actual YTD	%	Adopted Budget	Budget Adjustments	Adjusted Budget	Actual YTD	%
		Revenues					Expenditures				
	<i>Governmental Funds</i>										
001	General	12,708,595	866,300	13,574,895	4,057,948	29.9%	13,176,160	3,434,858	16,611,018	8,147,309	49.0%
	Sub-Total	12,708,595	866,300	13,574,895	4,057,948	29.9%	13,176,160	3,434,858	16,611,018	8,147,309	49.0%
	<i>Special Revenue Funds</i>										
002	Developer Deposit Fund	-	296,097	296,097	63,784	21.5%	-	294,888	294,888	62,574	21.2%
003	Riverside County MOU	451,000	-	451,000	292	0.1%	536,822	-	536,822	259,267	48.3%
100	Gas Tax	1,107,860	-	1,107,860	483,665	43.7%	901,607	672,205	1,573,812	439,672	27.9%
101	Measure A Street	387,000	657,565	1,044,565	129,471	12.4%	379,000	1,477,565	1,856,565	344	0.0%
103	SB300 Street Improvement	725	-	725	189	26.1%	-	-	-	-	-
104	Article 3 - Sidewalk Construction	300	-	300	-	-	-	-	-	-	-
110	C.D.B.G.	-	292,815	292,815	-	-	-	287,540	287,540	-	-
111	Landscape Maintenance Assmt. Dist.#1	131,510	-	131,510	1,518	1.2%	131,510	-	131,510	66,757	50.8%
115	EECBG Fund	-	192,061	192,061	-	-	-	192,061	192,061	-	-
132	Air Quality	32,000	-	32,000	10,875	34.0%	-	-	-	3,000	-
140	Asset Forfeiture	10	-	10	3	32.0%	-	-	-	-	-
148	Supplemental Law Enforcement	-	100,000	100,000	224	0.2%	-	286,184	286,184	2,971	1.0%
149	Public Safety - Sales Tax	202,676	-	202,676	84,400	41.6%	202,676	-	202,676	101,340	50.0%
150	State Park Bond Act	-	-	-	1	-	-	-	-	-	-
190	Housing Authority Fund	-	395,545	395,545	-	-	-	794,805	794,805	124,076	15.6%
200	Special Donations	1,500	-	1,500	7,850	523.3%	1,500	-	1,500	3,690	246.0%
201	Senior Center Activities	6,700	-	6,700	4,029	60.1%	16,700	-	16,700	5,178	31.0%
202	Animal Control Reserve	30	-	30	6	20.9%	-	-	-	-	-
203	Police Volunteer	30	-	30	6	18.6%	1,080	-	1,080	367	34.0%
204	D.A.R.E. Donation	-	-	-	-	-	-	-	-	-	-
300	City Hall COP Debt Service	443,600	-	443,600	217,653	49.1%	443,600	-	443,600	217,990	49.1%
360	Sun Lakes CFD #86-1	250	-	250	45	17.9%	250	-	250	-	-
365	Assessmnt Dist - #91-1 Wilson St. Debt	272,805	-	272,805	174	0.1%	272,805	-	272,805	235,881	86.5%
370	Area Police Computer	51,244	-	51,244	8,255	16.1%	50,994	-	50,994	11,703	23.0%
375	Fair Oaks 2004-1 Debt Service	208,798	-	208,798	3,324	1.6%	208,798	-	208,798	134,043	64.2%
376	Cameo Homes	225	-	225	58	26.0%	-	-	-	-	-
	Sub-Total	3,298,263	1,934,083	5,232,346	1,015,823	19.4%	3,147,342	4,005,248	7,152,590	1,668,855	23.3%

CITY OF BANNING
Fund Summary Status
6 Months Ending December 31, 2011
FY 2011-12 50% Complete

Fund #	FUND NAME	Adopted Budget	Budget Adjustments	Adjusted Budget	Actual YTD	%	Adopted Budget	Budget Adjustments	Adjusted Budget	Actual YTD	%
		Revenues					Expenditures				
<i>Capital Improvement Funds</i>											
400	Police Facilities Development	1,650	-	1,650	504	30.6%	-	-	-	-	-
410	Fire Facility Development	9,500	-	9,500	1,763	18.6%	-	-	-	-	-
420	Traffic Control Facility	2,500	-	2,500	1,690	67.6%	20,000	-	20,000	-	-
421	Ramsey & Highland Home Traffic Signal	400	-	400	103	25.8%	-	-	-	-	-
430	General Facilities	4,500	-	4,500	811	18.0%	-	-	-	-	-
441	Sunset Grade Separation Fund	1,100,000	2,068,647	3,168,647	285	0.0%	1,100,000	2,110,087	3,210,087	562,597	17.5%
444	Wilson Median	1,850	-	1,850	482	26.1%	-	-	-	-	-
451	Park Development	1,900	-	1,900	203	10.7%	-	132,046	132,046	-	-
470	Capital Improvement Fund	10,000	-	10,000	528	5.3%	-	29,500	29,500	23,808	80.7%
Sub-Total		1,132,300	2,068,647	3,200,947	6,371	0.2%	1,120,000	2,271,633	3,391,633	586,405	17.3%
<i>Banning Utility Authority</i>											
660	Water Operations	8,272,350	-	8,272,350	5,007,394	60.5%	8,158,042	531,824	8,689,866	4,106,860	47.3%
661	Water Capital Facility Fee	79,000	-	79,000	28,009	35.5%	-	245,316	245,316	18,804	7.7%
663	BUA Water Capital Project Fund	25,000	-	25,000	1,047	4.2%	-	1,100,000	1,100,000	-	-
669	BUA Water Debt Service Fund	2,294,425	-	2,294,425	1,513,047	65.9%	2,293,925	-	2,293,925	1,512,369	65.9%
Water Subtotal		10,670,775	-	10,670,775	6,549,498	61.4%	10,451,967	1,877,140	12,329,107	5,638,032	45.7%
680	Wastewater Operations	2,715,000	-	2,715,000	1,316,985	48.5%	2,884,124	105,373	2,989,497	1,538,960	51.5%
681	Wastewater Capital Facility Fees	514,044	-	514,044	40,094	7.8%	-	5,480	5,480	5,776	105.4%
683	BUA WWtr Capital Project Fund	3,000	-	3,000	924	30.8%	-	395,562	395,562	87,449	22.1%
685	State Revolving Loan	306,000	-	306,000	151,092	49.4%	304,295	-	304,295	304,289	100.0%
689	BUA Wastewater Debt Service Fund	393,685	-	393,685	264,210	67.1%	393,185	-	393,185	264,108	67.2%
Wastewater Subtotal		3,931,729	-	3,931,729	1,773,304	45.1%	3,581,604	506,415	4,088,019	2,200,582	53.8%
662	Irrigation Water	15,000	-	15,000	3,855	25.7%	-	250,000	250,000	-	-
682	Wastewater Tertiary	-	-	-	175,589	-	-	-	-	-	-
Reclaimed Water Subtotal		15,000	-	15,000	179,444	#####	-	250,000	250,000	-	-
Sub-Total		14,617,504	-	14,617,504	8,502,246	58.2%	14,033,571	2,633,555	16,667,126	7,838,614	47.0%

CITY OF BANNING
Fund Summary Status
6 Months Ending December 31, 2011
FY 2011-12 50% Complete

Fund #	FUND NAME	Adopted Budget	Budget Adjustments	Adjusted Budget	Actual YTD	%	Adopted Budget	Budget Adjustments	Adjusted Budget	Actual YTD	%
		Revenues					Expenditures				
<i>Enterprise Funds</i>											
600	Airport	174,900	451,710	626,610	270,891	43.2%	174,885	305,064	479,949	168,423	35.1%
610	Transit Operations	1,261,037	894,346	2,155,383	673,579	31.3%	1,261,037	879,780	2,140,817	585,577	27.4%
690	Refuse	3,164,250	-	3,164,250	1,505,867	47.6%	3,200,118	19,991	3,220,109	1,542,242	47.9%
	Enterprise Subtotal	4,600,187	1,346,056	5,946,243	2,450,337	41.2%	4,636,040	1,204,835	5,840,875	2,296,242	39.3%
670	Electric Operations	28,905,650	-	28,905,650	15,839,550	54.8%	29,147,834	303,786	29,451,620	12,338,030	41.9%
672	Rate Stability	2,240,000	-	2,240,000	1,106,475	49.4%	1,200,000	-	1,200,000	600,000	50.0%
673	Electric Improvement	143,045	732,762	875,807	781,138	89.2%	2,200,000	680,546	2,880,546	1,643,025	57.0%
674	2007 Elec Rev Bond Proceeds	30,000	-	30,000	3,896	13.0%	22,500	299,398	321,898	297,640	92.5%
675	Public Benefit Fund	705,400	-	705,400	368,107	52.2%	680,462	18,400	698,862	350,730	50.2%
678	2007 Elec Rev Bond Debt Service	2,670,046	-	2,670,046	1,022,303	38.3%	2,669,546	-	2,669,546	930,144	34.8%
	Electric Subtotal	34,694,141	732,762	35,426,903	19,121,469	54.0%	35,920,342	1,302,130	37,222,472	16,159,569	43.4%
	Sub-Total	39,294,328	2,078,818	41,373,146	21,571,806	52.1%	40,556,382	2,506,965	43,063,347	18,455,811	42.9%
<i>Internal Service Funds</i>											
700	Insurance	2,046,425	-	2,046,425	2,857,281	139.6%	2,040,844	-	2,040,844	3,038,602	148.9%
702	Fleet Maintenance	1,181,097	-	1,181,097	592,286	50.1%	1,179,072	-	1,179,072	566,343	48.0%
703	Information Systems Services	387,837	-	387,837	193,399	49.9%	386,354	133,243	519,597	314,120	60.5%
761	Utility Billing Services	1,474,966	-	1,474,966	738,177	50.0%	1,474,222	40,078	1,514,300	693,881	45.8%
	Sub-Total	5,090,325	-	5,090,325	4,381,143	86.1%	5,080,492	173,321	5,253,813	4,612,946	87.8%
<i>Community Redevelopment Agency Funds</i>											
810	Low\Mod Housing	895,452	(499,907)	395,545	2,863	0.7%	914,271	(326,346)	587,925	-	
830	Debt Service Fund	4,649,007	-	4,649,007	18,015	0.4%	4,609,644	-	4,609,644	1,898,827	41.2%
850	Administration Fund	789,500	-	789,500	213,360	27.0%	722,940	66,179	789,119	214,249	27.2%
855	Tax Alloc Parity Bonds-2007 Tabs	50,000	-	50,000	3,152	6.3%	40,021	9,537,656	9,577,677	588,844	6.1%
856	Tax Allocation Bonds-2003 Tabs	10,000	-	10,000	925	9.2%	7,500	151,348	158,848	898	0.6%
857	Low\Mod Tax Alloc Bonds-2003 Tabs	10,000	-	10,000	1,227	12.3%	189,759	765,441	955,200	-	
860	Project Fund	15,000	-	15,000	4,644	31.0%	1,417,704	7,404	1,425,108	275,389	19.3%
	Sub-Total	6,418,959	(499,907)	5,919,052	244,185	4.1%	7,901,839	10,201,682	18,103,521	2,978,208	16.5%
	GRAND TOTAL ALL FUNDS	82,560,274	6,447,941	89,008,215	39,779,522	44.7%	85,015,786	25,227,262	110,243,048	44,288,148	40.2%