

Fiscal Year 2010/11

Interim Financial Report

*9 months ended March 31st, 2011
(75% of the year complete)*



Executive Summary

The March Executive Summary provides expanded information and analysis. The information provided is focused on the General Fund since that is where the basic general government revenues and services are reported. All other funds are covered in the Fund Summary Status report. Basic governmental activities include general administration (city manager, city clerk, finance, etc), police and fire services, public works (building maintenance, parks, engineering), community development (planning & building), and community services (recreation, aquatics, senior center). Property taxes, sales tax, transient occupancy tax, user fees, interest income, franchise fees, grants, contributions from other agencies and other revenues finance these activities.

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 2010-2011 (FY11) was approved with a structural deficit of \$674,810. After midyear adjustments to both revenues and expenditures, the structural deficit has increased to \$705,081. As presented during midyear, expected budget savings will help address the budgeted deficit. If needed, existing General Fund reserves will be used to cover any remaining deficit.

General Fund Overview

General Fund Categories	Adjusted Budget	Actual Activity	%
Revenues	13,161,261	7,724,209	58.7%
Expenditures	13,866,342	9,230,633	66.6%
Excess Revenues (Expenditures)	(705,081)	(1,506,424)	213.7%

The General Fund Overview table also provides a snapshot of actual activity compared to the budget. The actual activity covers activity through the end of March. This represents 9 months of the year (75%). Revenues are at approximately 59% of the estimates, which is comparable to last year at the same time. This typically is due to the sporadic nature of how major government revenues are received and the accounting requirements for yearend accruals. Last year revenues reached 97% of the revenue estimate by year end. (More details are available in the revenue section.)

Expenditures are at approximately 67% of the budget. At the current trend, there is a reasonable expectation that the expenditure budget will not be fully spent. (More details are available in the Expenditure section of the report.) The operating deficit of \$1,506,424 highlights the need to maintain reserves for cash flow purposes as well as emergencies. As stated above, by year end the deficit is expected to fall below the projected/budgeted deficit.

General Fund Revenue Details

Monthly Variance Table: General Fund Top 6 Revenues

Top Revenue Sources	Fiscal Year 2010 - 2011						Fiscal Year 2009 - 2010		
	Annual Budget Adopted	Annual Budget Adjusted	YTD Budget March 2011	YTD Actual March 2011	Difference	% Difference	YTD Actual March 2010	Change from Prior YR	% Change
Property Taxes	4,161,532	3,987,831	2,990,873	2,027,067	(963,806)	-32.2%	2,282,558	(255,491)	-11.2%
Electric - Admin	2,400,000	2,400,000	1,800,000	1,800,000	-	0.0%	1,749,994	50,006	2.9%
Sales & Use Taxes	1,998,000	2,170,379	1,627,784	1,237,174	(390,610)	-24.0%	909,711	327,463	36.0%
Franchise Taxes	752,450	794,450	595,838	442,080	(153,757)	-25.8%	427,204	14,876	3.5%
BUA Lease Payments	651,000	651,000	488,250	488,250	-	0.0%	1,738,241	(1,249,991)	-71.9%
TOT Tax	480,000	480,000	360,000	231,961	(128,039)	-35.6%	119,578	112,383	94.0%
Total	10,442,982	10,483,660	7,862,745	6,226,532	(1,636,213)	-20.8%	7,227,286	(1,000,754)	-13.8%

*The BUA Lease Payments Revenue for FY09 and FY08 were both \$250,000 and increased in FY10 to \$1,901,000

The top six revenues identified in the table above account for approximately 80% of the 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 revenues shows a net reduction in the budget of approximately \$41,000.
- The YTD (year to date) Budget column represents 75% (9 months) of the Adjusted Annual Budget. When compared to the YTD Actual March information, the significant differences are usually explained by the fact that those revenues are not received in equal monthly installments but are received sporadically throughout the year.
- Comparing the YTD Actual March 2011 information to the YTD Actual March 2010 information provides a better indication of how the City revenues are doing. At a glance, 2011 revenues are below the prior year by 15.3%. Additional information is provided below.

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).

At midyear, the property tax budget estimates were reduced by a net \$173,701 to reflect the actual trends at the time midyear information was prepared. The current year property tax revenues compared to the prior year reflected in the chart do show a drop in taxes collected. As indicated during the midyear presentation, this trend may continue for a couple more years. Property tax revenues have a lag time in reflecting economic circumstances, whether good or bad.

Electric Admin – The General Fund charges the Electric utility a 10% administrative charge. Throughout the year the amount transferred to the General Fund is based on the budget estimate. Quarterly or at year end, a calculation is done

to adjust the charge based on actual revenue. The calculation takes the actual metered sales revenues times the administrative charge.

Sales & Use Taxes – This source of revenue is typically very responsive to economic circumstances. There appears to be a reprieve from Sales Tax losses. During midyear, the budget estimate was increased by \$63,000. The significant increase compared to the prior year seems to be a timing difference with when the revenues were recorded each year rather than an indication that sales tax revenues will increase more than anticipated during the midyear review.

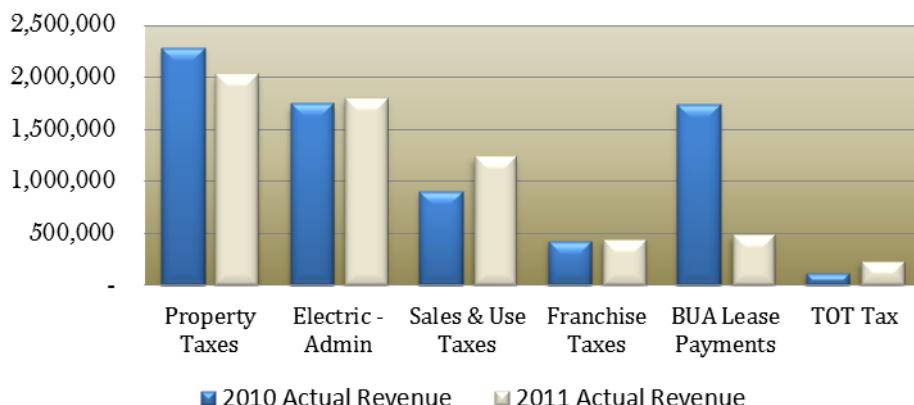
There is good news regarding the Cabazon Outlet taxes. The taxes have increased and it appears the City may receive \$30k more than budgeted. In addition, it is important to note that this year the City will reflect 5 quarterly payments due to the County's delay in getting the final quarterly payment from last fiscal year to the City before the City books were closed for the audit. The budget was adjusted to reflect the additional quarter.

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. Budget should be met.

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. Last year, the City approved additional lease payments, which is apparent when comparing the actual March activity of the current year with the prior year.

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. Budget should be met.

Top 6 Revenues





General Fund Expenditures

At 75% of the year, actual expenditures are at 67%. Based on trends, there should be some budget savings by year end. However, it is important to note that there are \$255,705 in encumbrances that are not reflected in the actual activity. An encumbrance is created when a purchase order is issued. The purchase order "encumbers" (or sets aside) budget. The process of encumbering funds when a purchase order is issued ensures that the funds are set aside and available to cover the invoice from the vendor or contractor after the services or goods are provided.

General Fund Expenditures

Category	Budget (Final)	Actual YTD	% Spent
Employee Services	7,894,669	5,735,038	72.6%
Services and Supplies	5,034,101	3,006,154	59.7%
Capital	352,820	30,272	8.6%
City Hall Lease	317,105	265,338	83.7%
Interfund Support	267,647	193,830	72.4%
Total	13,866,342	9,230,633	66.6%

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. At 75% of the year complete, approximately 73% of the budget has been expended. Some savings has occurred due to vacant positions.

Approximately 60% 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.

Due to the economy and budget challenges, the City has not included budget for operating capital needs. The majority of the capital budget is as a result of grants received by the police department. (i.e. \$300k from the Department of Justice for technology and equipment. These funds will be used to purchase handheld interoperable radios.) The projects are in preliminary stages. Any remaining budget will be carried forward into the new fiscal year.

The final interest payment for the city hall lease (97 COP) was made in May. Council approved refinancing the debt in order to get a lower interest rate thus saving the City approximately \$400,000 over the remaining years of the debt. The savings from the refinancing will be reflected in the next budget year. Through the year end accounting close process, the book keeping entries required by the refinancing will be included in the report.

The General Fund provides subsidies or interfund support (\$254K) to the Streets maintenance operations that are recorded in the Gas Tax fund (Fund 100). There is also \$10,134 that is transferred from the General fund to cover the police departments' share in the required costs to maintain the regional computer system (CLETS). These costs are tracked in Fund 370 – Area Police Computer Fund.

Interim Financial Report

- 9 Months Ended March 31st, 2011

General Fund Program Expenditure Summary

PROGRAM TITLE	(1) Adjusted Budget	(2) Current Month Expenditures	(3) Y.T.D. Expenditures	Remaining Budget (Col. 1-3)	% Expended (Col. 3/1)
<u>GENERAL GOVERNMENT:</u>					
City Council	150,018	28,858	94,315	55,703	63%
City Manager	224,158	27,658	158,101	66,057	71%
Personnel	183,708	4,586	86,037	97,671	47%
City Clerk	86,586	5,466	56,715	29,871	66%
Elections	30,200	-	21,015	9,185	70%
City Attorney	173,000	(36,585)	(48,046)	221,046	-28%
TV Government Access	35,452	1,130	28,584	6,868	81%
Community Enhancement	43,000	-	43,000	-	100%
Subtotal	926,122	31,113	439,721	486,401	47%
<u>FINANCIAL SERVICES</u>					
Fiscal Services	193,824	2,498	77,862	115,962	40%
Purchasing and A/P	21,326	(717)	14,662	6,664	69%
Subtotal	215,150	1,782	92,524	122,626	43%
<u>CENTRAL SERVICES</u>					
Central Services	1,330,328	82,276	992,929	337,399	75%
Stagecoach Days	-	-	-	-	-
Subtotal	1,330,328	82,276	992,929	337,399	75%
<u>PUBLIC SAFETY:</u>					
Police	6,278,781	422,638	4,181,464	2,097,317	67%
Dispatch	773,389	68,241	583,618	189,771	75%
Tasin	31,602	-	28,115	3,487	89%
Animal Control	142,000	8,974	88,729	53,271	62%
Fire	2,488,751	200,177	1,696,640	792,111	68%
Subtotal	9,714,523	700,030	6,578,565	3,135,958	68%
<u>PLANNING</u>					
Building Safety	324,388	17,249	252,548	71,840	78%
Planning	259,898	16,697	160,088	99,810	62%
Subtotal	584,286	33,946	412,635	171,651	71%
<u>COMMUNITY SERVICES</u>					
Recreation	184,315	17,780	147,018	37,297	80%
Aquatics	100,727	5,264	69,547	31,180	69%
Senior Center	37,280	4,115	20,882	16,398	56%
Subtotal	322,322	27,158	237,448	84,874	74%
<u>PUBLIC WORKS:</u>					
Building Maintenance	216,206	10,554	144,182	72,024	67%
Parks	286,733	19,286	190,160	96,573	66%
Engineering	270,672	14,717	142,468	128,204	53%
Subtotal	773,611	44,557	476,811	296,800	62%
GENERAL FUND TOTAL	13,866,342	920,863	9,230,633	4,635,709	67%

CITY OF BANNING
Fund Summary Status
9 Months Ending March 31, 2011
FY 2010-2011 75% Complete

Fund #	FUND NAME	Estimated Balance @ July 1, 2010	FY 2010-11 Adjusted Revenue	Year To Date Revenue	FY 2010-11 % complete	FY 2010-11 Adjusted Expenditures	Year To Date Expenditures	% complete	Budget Gain/(Loss)	Actual YTD Gain/(Loss)	Projected Balance @ 6/30/2011
<i>Governmental & Special Revenue Fds</i>											
001	General	4,683,506	13,161,261	7,724,209	58.7%	13,866,342	9,230,633	66.6%	(705,081)	(1,506,424)	3,978,425
002	Developer Deposit Fund	-	123,131	47,625	38.7%	123,131	47,625	38.7%	-	-	-
003	Riverside County MOU	288,410	302,500	300,673	99.4%	451,598	286,993	63.6%	(149,098)	13,681	139,312
100	Gas Tax	755,951	1,086,169	635,386	58.5%	939,732	582,737	62.0%	146,437	52,649	902,388
101	Measure A Street	1,357,859	359,000	256,156	71.4%	984,080	311,877	31.7%	(625,080)	(55,721)	732,779
103	SB300 Street Improvement	146,617	725	527	72.8%	-	-	0.0%	725	527	147,342
104	Article 3 - Sidewalk Construction	(75,705)	542,860	90,287	16.6%	447,925	421,656	94.1%	94,935	(331,369)	19,230
110	C.D.B.G.	-	241,517	53,765	22.3%	241,517	75,626	31.3%	-	(21,861)	-
111	Landscape Maintenance Assmt. Dist.#1	195,036	134,003	68,640	51.2%	133,930	83,313	62.2%	73	(14,674)	195,109
132	Air Quality	106,240	35,353	19,955	56.4%	3,225	6,000	0.0%	32,128	13,955	138,368
140	Asset Forfeiture	2,475	10	9	89.0%	-	-	0.0%	10	9	2,485
148	Supplemental Law Enforcement	105,864	100,400	356	0.4%	205,864	10,658	5.2%	(105,464)	(10,302)	400
149	Public Safety - Sales Tax	3,311	180,000	124,142	69.0%	170,000	127,464	75.0%	10,000	(3,322)	13,311
150	State Park Bond Act	924	-	3	-	-	-	-	-	3	924
200	Special Donations	20,045	6,260	4,958	79.2%	1,575	3,548	225.3%	4,685	1,409	24,730
201	Senior Center Activities	71,874	6,650	4,261	64.1%	16,752	5,455	32.6%	(10,102)	(1,195)	61,772
202	Animal Control Reserve	4,850	30	17	58.2%	-	-	-	30	17	4,880
203	Police Volunteer	5,698	30	21	68.3%	2,905	365	12.6%	(2,875)	(345)	2,823
204	D.A.R.E. Donation	46,737	48	99	206.2%	46,785	46,729	99.9%	(46,737)	(46,631)	-
300	City Hall COP Debt Service	43,478	517,130	421,357	81.5%	517,130	409,645	79.2%	-	11,712	43,478
360	Sun Lakes CFD #86-1	34,630	250	125	49.8%	250	-	0.0%	-	125	34,630
365	Assessmnt Dist - #91-1 Wilson St. Debt	344,309	268,845	104,632	38.9%	268,845	266,896	99.3%	-	(162,264)	344,309
370	Area Police Computer	13,399	48,835	38,512	78.9%	50,615	11,901	23.5%	(1,780)	26,610	11,619
375	Fair Oaks 2004-1 Debt Service	183,666	231,393	114,330	49.4%	221,485	218,603	98.7%	9,908	(104,273)	193,574
376	Cameo Homes	45,271	225	163	72.4%	-	-	0.0%	225	163	45,496
Sub-Total		8,384,445	17,346,625	10,010,207	57.7%	18,693,686	12,147,725	65.0%	(1,347,061)	(2,137,518)	7,037,384

CITY OF BANNING
Fund Summary Status
9 Months Ending March 31, 2011
FY 2010-2011 75% Complete

Fund #	FUND NAME	Estimated Balance @ July 1, 2010	FY 2010-11 Adjusted Revenue	Year To Date Revenue	% complete	FY 2010-11 Adjusted Expenditures	Year To Date Expenditures	% complete	Budget Gain/(Loss)	Actual YTD Gain/(Loss)	Projected Balance @ 6/30/2011
<i>Capital Improvement Funds</i>											
400	Police Facilities Development	19,090	150	69	45.8%	-	-	-	150	69	19,240
410	Fire Facility Development	916,249	4,500	3,296	73.3%	-	-	-	4,500	3,296	920,749
420	Traffic Control Facility	383,609	2,000	1,380	69.0%	225,000	-	0.0%	(223,000)	1,380	160,609
421	Ramsey & Highland Home Traffic Signal	79,791	400	287	71.8%	-	-	-	400	287	80,191
430	General Facilities	462,687	2,500	1,665	66.6%	-	-	-	2,500	1,665	465,187
441	Sunset Grade Separation Fund	373,366	2,796,715	508	0.0%	2,838,154	385,915	13.6%	(41,439)	(385,408)	331,927
444	Wilson Median	41,385	1,850	1,343	72.6%	-	-	-	1,850	1,343	43,235
451	Park Development	179,469	1,900	634	33.3%	159,161	8,636	5.4%	(157,261)	(8,002)	22,208
470	Capital Improvement Fund	699,195	20,000	3,146	15.7%	19,294	19,294	100.0%	706	(16,148)	699,901
Sub-Total		3,154,841	2,830,015	12,327	0.4%	3,241,609	413,845	12.8%	(411,594)	(401,518)	2,743,247
<i>Banning Utility Authority</i>											
660	Water Operations	1,725,904	7,341,315	5,462,880	74.4%	7,630,373	4,411,187	57.8%	(289,058)	1,051,693	1,436,846
661	Water Capital Facility Fee	4,683,163	79,000	70,466	89.2%	617,330	91,097	14.8%	(538,330)	(20,631)	4,144,833
662	Irrigation Water	2,985,750	2,334,302	10,741	0.5%	3,090,600	-	0.0%	(756,298)	10,741	2,229,452
663	BUA Water Capital Project Fund	2,539,838	25,000	4,447	17.8%	2,478,804	45,313	1.8%	(2,453,804)	(40,866)	86,034
669	BUA Water Debt Service Fund	95,933	2,295,130	1,229,754	53.6%	2,294,630	1,232,363	53.7%	500	(2,609)	96,433
Water Subtotal		12,030,588	12,074,747	6,778,288	56.1%	16,111,737	5,779,959	35.9%	(4,036,990)	998,329	7,993,598
680	Wastewater Operations	1,768,356	2,516,000	1,785,790	71.0%	2,791,141	1,945,149	69.7%	(275,141)	(159,359)	1,493,215
681	Wastewater Capital Facility Fees	10,991,950	1,471,488	1,352,102	91.9%	396,380	96,380	24.3%	1,075,108	1,255,722	12,067,058
683	BUA WWtr Capital Project Fund	3,636,125	5,000	5,509	110.2%	2,925,817	141,884	4.8%	(2,920,817)	(136,374)	715,308
685	State Revolving Loan	762,779	306,000	227,746	74.4%	304,295	254,388	83.6%	1,705	(26,642)	764,484
689	BUA Wastewater Debt Service Fund	90,135	532,560	354,442	66.6%	532,060	360,789	67.8%	500	(6,347)	90,635
Wastewater Subtotal		17,249,345	4,831,048	3,725,589	77.1%	6,949,693	2,798,590	40.3%	(2,118,645)	926,999	15,130,700
Sub-Total		29,279,933	16,905,795	10,503,877	62.1%	23,061,430	8,578,549	37.2%	(6,155,635)	1,925,328	23,124,298

CITY OF BANNING
Fund Summary Status
9 Months Ending March 31, 2011
FY 2010-2011 75% Complete

Fund #	FUND NAME	Estimated Balance @ July 1, 2010	FY 2010-11 Adjusted Revenue	Year To Date Revenue	% complete	FY 2010-11 Adjusted Expenditures	Year To Date Expenditures	% complete	Budget Gain/(Loss)	Actual YTD Gain/(Loss)	Projected Balance @ 6/30/2011
<i>Enterprise Funds</i>											
600	Airport	167,593	723,650	232,792	32.2%	665,530	186,015	27.9%	58,120	46,777	225,713
610	Transit Operations	-	2,900,597	1,757,559	60.6%	2,900,597	1,659,748	57.2%	-	97,811	-
690	Refuse	313,991	3,033,750	2,281,543	75.2%	2,998,647	2,214,526	73.9%	35,103	67,017	349,094
	Subtotal	481,584	6,657,997	4,271,893	64.2%	6,564,774	4,060,288	61.8%	93,223	211,605	574,807
670	Electric Operations	7,793,804	27,967,150	20,524,153	73.4%	29,549,680	17,832,725	60.3%	(1,582,530)	2,691,428	6,211,274
672	Rate Stability	4,894,559	40,000	18,004	45.0%	-	-	#DIV/0!	40,000	18,004	4,934,559
673	Electric Improvement	11,008,293	143,045	94,321	65.9%	1,429,612	275,448	19.3%	(1,286,567)	(181,127)	9,721,726
674	2007 Elec Rev Bond Proceeds	21,064,627	76,950	68,627	89.2%	12,400	12,400	100.0%	64,550	56,227	21,129,177
675	Public Benefit Fund	1,008,963	694,000	493,944	71.2%	1,458,637	1,301,935	89.3%	(764,637)	(807,991)	244,326
678	2007 Elec Rev Bond Debt Service	120,340	2,647,650	873,837	33.0%	2,647,150	765,745	28.9%	500	108,092	120,840
	Electric Subtotal	45,890,586	31,568,795	22,072,886	69.9%	35,097,479	20,188,253	57.5%	(3,528,684)	1,884,634	42,361,902
	Sub-Total	46,372,170	38,226,792	26,344,780	68.9%	41,662,253	24,248,541	58.2%	(3,435,461)	2,096,239	42,936,709
<i>Internal Service Funds</i>											
700	Insurance	1,274,236	2,061,314	1,585,765	76.9%	2,265,459	1,600,143	70.6%	(204,145)	(14,377)	1,070,091
702	Fleet Maintenance	510,846	962,481	729,959	75.8%	1,195,006	696,024	58.2%	(232,525)	33,934	278,321
703	Information Systems Services	234,994	398,753	300,044	75.2%	534,431	281,970	52.8%	(135,678)	18,074	99,316
761	Utility Billing Services	567,323	941,914	713,577	75.8%	1,418,097	957,777	67.5%	(476,183)	(244,200)	91,140
	Sub-Total	2,587,399	4,364,462	3,329,345	76.3%	5,412,993	3,535,914	65.3%	(1,048,531)	(206,569)	1,538,868
<i>Community Redevelopment Agency Funds</i>											
810	Low\Mod Housing	2,460,821	900,852	440,252	48.9%	909,848	279,853	30.8%	(8,996)	160,400	2,451,825
830	Debt Service Fund	937,086	4,635,910	2,382,411	51.4%	5,560,730	3,654,452	65.7%	(924,820)	(1,272,040)	12,266
850	Administration Fund	29,467	814,600	465,550	57.2%	777,300	465,550	59.9%	37,300	(0)	66,767
	1992 Tax Allocation Bond Proceeds	-	-	-	-	-	-	-	-	-	-
855	Tax Alloc Parity Bonds-2007 Tapbs	14,234,142	40,000	24,514	61.3%	13,080,045	2,624,170	20.1%	(13,040,045)	(2,599,656)	1,194,097
856	Tax Allocation Bonds-2003 Tabs	1,679,616	10,000	6,012	60.1%	1,250,626	866,741	69.3%	(1,240,626)	(860,729)	438,990
857	Low\Mod Tax Alloc Bonds-2003 Tabs	1,510,004	10,000	5,060	50.6%	1,335,285	394,862	29.6%	(1,325,285)	(389,803)	184,719
860	Project Fund	4,067,689	15,000	14,487	96.6%	1,341,114	286,559	21.4%	(1,326,114)	(272,072)	2,741,575
	Sub-Total	24,918,825	6,426,362	3,338,286	51.9%	24,254,948	8,572,186	35.3%	(17,828,586)	(5,233,900)	7,090,239
GRAND TOTAL ALL FUNDS		114,697,613	86,100,051	53,538,822	62.2%	116,326,919	57,496,759	49.4%	(30,226,868)	(3,957,938)	84,470,745