

# Interim Financial Report

## 3 months ended September 30, 2012

(25% of the year complete)

This interim report is intended to provide an update on the status of the City's finances as of September 30, 2012, the first quarter of Fiscal Year 2012-13.

### **Carry Forward Budget Appropriations from FY2012 to FY2013**

Each fiscal year, Council authorizes changes in revenues and expenditure appropriations. This is accomplished through several different processes such as during the annual budget approval, mid-year budget review process or through special appropriation during the year by budget resolution.

The carry forward budget process in the beginning of a fiscal year is a process by which unspent appropriations from the previous fiscal year are carried forward to the new fiscal year through a budget adjustment. This process is necessary since annual revenue and expenditure budgets are closed at year end, however the programs/projects associated with those budgets may overlap fiscal years. Therefore, the funding required to complete these programs/projects needs to be carried forward and added to the current budget allocation.

The current carry forward revenue budget is \$15.8 million. The expenditure budget carry forward is \$42.4 million. Included in the carry forward are budgets for such projects as the Pepper Avenue Extension Project from RDA Capital Bonds, Low Mod Housing Grant, Foothill Boulevard Improvements and Rialto Channel Improvements from Drainage Fund. The carry forward impact to the General Fund is \$1.3 Million for various grants and capital projects such as a roof replacement, Police firing range facility improvements and HVAC replacement citywide. Detail of the carry forward budget by fund is attached at the end of this report.

### **GENERAL FUND:**

The original Fiscal Year 2012-13 General Fund budget was comprised of revenues and expenditures totaling \$49,369,147 and \$55,114,894 respectively (as shown in the table), resulting in a \$5.7 million

Fund Grouping/Categories	Original Budget	Adjusted Budget	Actual Activity	Actual %
<b>General Fund</b>				
Revenues	49,369,147	50,388,958	4,629,846	9%
Expenditures	55,114,894	59,867,994	11,357,614	19%
Excess Revenues (Expenditures)	(5,745,747)	(9,479,036)	(6,727,768)	

budget deficit to be solved with the use of contingency reserves. The adjusted budget includes carry forward balances that were appropriated in prior fiscal years and not yet received

or expended, as well as special appropriations that were approved by budget resolution this fiscal year. With the year 25% complete, actual figures to date reflect revenues at \$4,629,846 and expenditures at \$11,356,614. Further detail on general fund outcomes and projections is provided below and in the attached financial report.

### **General Fund Revenue:**

General Fund revenues continue to reflect the struggling economy. The following table provides detail on the City's top twelve revenue sources. These top twelve revenues represent 84% of total general fund revenues, and provide a good indication of the status of the general fund. It is important

to note that most revenues received within the first 90 days of the fiscal year typically pertain to prior year transactions, therefore they have been recognized in FY 2011-12.

TOP REVENUE SOURCES	FISCAL YEAR 2012 - 2013				FY2011-12				
	ANNUAL BUDGET		YTD BUDGET SEPT 2012	YTD ACTUAL SEPT 2012	FAVORABLE (UNFAVORABLE)	%	YEAR		
	ADOPTED	ADJUSTED					YTD PRIOR YEAR	CHANGE PRIOR YR	%
IN LIEU PROPERTY TAX (VLF)	7,925,000	-	1,981,250	-	(1,981,250)	(100)	-	-	-
SALES TAX	7,230,000	-	1,807,500	528,300	(1,279,200)	(71)	590,817	(62,517)	(12)
UUT-GAS/ELECTRIC	5,500,000	-	1,375,000	967,656	(407,344)	(30)	916,828	50,828	5
CURRENT YEAR SECURED	4,250,000	-	1,062,500	-	(1,062,500)	(100)	-	-	-
UUT-TELEPHONE/MOBILE	3,540,000	-	885,000	568,315	(316,685)	(36)	591,187	(22,872)	(4)
FRANCHISE	2,730,000	-	682,500	313,214	(369,286)	(54)	282,580	30,634	10
IN LIEU PROPERTY TAX (SALES TAX)	2,360,000	-	590,000	-	(590,000)	(100)	-	-	-
COUNTY-WASTE REBATE/LF EXCAVATION CHGS	2,270,000	-	567,500	-	(567,500)	(100)	-	-	-
RUA LEASE PAYMENTS	2,000,000	-	500,000	-	(500,000)	(100)	-	-	-
AMBULANCE SERVICE	1,630,000	-	407,500	400,561	(6,939)	(2)	415,273	(14,712)	(4)
TRANSFERS-GAS TAX 2107/2107.5	1,518,900	-	379,725	136,282	(243,443)	(64)	-	136,282	100
BUSINESS LICENSE	1,500,000	-	375,000	67,392	(307,608)	(82)	13,448	53,944	80
<b>TOTALS</b>	<b>42,453,900</b>	<b>-</b>	<b>10,613,475</b>	<b>2,981,720</b>	<b>(7,631,755)</b>	<b>(72)</b>	<b>2,810,132</b>	<b>171,588</b>	<b>6</b>

A cursory analysis of the table above shows no receipts in several of the City's main revenue categories. This is due to the cyclical nature of these revenue streams. Property taxes are primarily received in December and April and the County waste rebate landfill charges are received within 90 days after the end of each quarter of the FY. A comparison of FY 2012-13 year to date figures to those of FY 2011-12 reveals that the current year to date revenues exceed the prior year by \$171,588. Variances and exceptions are discussed in further detail in the following paragraphs.

Sales Tax – according to the 1<sup>st</sup> Quarter Report provided by HdL, the City's Sales tax consultant, the drop was mainly due to business closeouts in the fuel and service stations group, which generates nearly half of the city's annual sales and use tax revenue.

UUT Gas/Electric – reflects an increase of \$64K in receipts from Southern California Edison offset by a \$23K decrease in receipts from Southern California Gas Company.

Business Licenses – the increase primarily reflects the establishment of a new business, Under Armor Inc., in the location previously occupied by Thomasville Furniture.

Overall, actual General Fund receipts appear to be in line with budget at this time. A more detailed analysis of all general fund revenues will be performed as part of the mid-year process in February.

**General Fund Expenditures:**

With 25% of the year complete, actual expenditures including encumbrances are at 26%. The Table below illustrates General Fund Expenditures by category and shows actual expenditures to date totaling \$11,357,662 and encumbrances in the amount of \$4,444,605.

General Fund	Budget	Actual	Encumbrance	Exp + Enc	Balance	%
Personnel	42,350,110	8,762,716	55,390	8,818,106	33,532,004	20.8%
Services and Supplies	11,187,160	1,934,407	3,777,415	5,711,822	5,475,337	51.1%
Capital	4,369,680	195,173	505,382	700,555	3,669,125	16.0%
Debt Service	220,710	30,282	106,418	136,700	84,010	61.9%
Transfers	1,740,335	435,084	-	435,084	1,305,251	25.0%
<b>Totals</b>	<b>59,867,994</b>	<b>11,357,662</b>	<b>4,444,605</b>	<b>15,802,267</b>	<b>44,065,728</b>	<b>26.4%</b>

The table below examines General Fund expenditures by department, and illustrates that most departmental expenditures are in line with budget. Public Works expenditures appear at 41.4% due to encumbrances pertaining to contracts for services such as street sweeping and janitorial services that are encumbered for the whole year.

Department	Budget	Actual	Encumbrances	Exp + Enc	Balance	%
City Administrator	525,535	126,457	22,357	148,814	376,720	28.3%
City Council	346,447	77,582	2,608	80,190	266,257	23.1%
City Clerk	1,250,975	205,498	58,370	263,867	987,108	21.1%
City Treasurer	396,099	83,864	6,160	90,024	306,074	22.7%
Code Enforcement	761,862	152,212	34,147	186,359	575,503	24.5%
Human Resources	521,696	109,632	45,655	155,287	366,409	29.8%
Finance	1,860,376	345,485	126,986	472,471	1,387,905	25.4%
Fire	14,345,383	3,200,721	939,117	4,139,839	10,205,544	28.9%
Police	27,059,666	5,471,887	1,508,533	6,980,420	20,079,246	25.8%
Public Works	5,585,605	803,820	1,508,997	2,312,817	3,272,788	41.4%
Non Departmental	7,214,352	780,504	191,675	972,179	6,242,173	13.5%
<b>Total</b>	<b>59,867,994</b>	<b>11,357,662</b>	<b>4,444,605</b>	<b>15,802,267</b>	<b>44,065,728</b>	<b>26.4%</b>

All departments have maintained their expenditures within budget and savings are anticipated across the board due to vacant positions and continued implementation of reductions in services and supplies. Further analysis will be provided with the mid-year report in February.

**City Wide Comments and Notes:**

**Special Revenue Funds** - The funds in this grouping are restricted funds to be used for a specific purpose. This funding category includes: Transportation related funds such as Measure I and Gas Tax Funds; Development Impact Fees; Waste Management activities, Landscape & Lighting Special Districts, Police Asset Forfeitures and grant related funds.

Revenues received this quarter of \$1.2 Million are from monthly allocations payments for Measure I, Gas Tax, Waste Management, and grant reimbursement. The reimbursements recognized this period are the SANBAG Local Stimulus Grant and Asset Forfeitures and the final reimbursement from the Department of Energy Stimulus Grant. Other revenues such as tax assessments for the landscape and lighting districts are not received until the last half of the fiscal year. The Development

Fund Grouping/Categories	Adjusted Budget	Actual Activity	Actual %
<b>Special Revenue</b>			
Revenues	24,168,168	1,261,768	5%
Expenditures	31,276,191	1,185,138	4%
Excess Revenues (Expenditures)	(7,108,023)	76,630	
<b>Enterprise Funds</b>			
Revenues	3,828,114	768,288	20%
Expenditures	4,277,571	1,056,923	25%
Excess Revenues (Expenditures)	(449,457)	(288,635)	
<b>RUA Funds</b>			
Revenues	21,802,469	4,582,911	21%
Expenditures	47,342,944	3,487,171	7%
Excess Revenues (Expenditures)	(25,540,475)	1,095,740	

Impact funds projected budget of \$2.6 million has not been attained although there are a few developers that are going through plan check.

Current quarter expenditures are \$1.2 million composed of operational related expenses for gas tax, maintenance districts, waste management expenses for household hazard and recycling programs and community block grant funding of the Fitness Center Frontage Improvements.

**Enterprise Funds** – Enterprise funds are

municipal services for which fees are charged in exchange for goods or services, such as Airport, Cemetary, Recreation & Community Services and Utility Services.

Current quarter revenues are \$768K for Recreation, Cemetary and Airport. The allocation to reimburse Utility Services by the Water and Wastewater Fund for the current quarter has not been recognized yet.

Expenditures are \$1 million to date, which represent operational expenses for the quarter for Recreation, Cemetary, Airport and Utility Services.

**Rialto Utility Authority Funds** – These are also enterprise funds that provide utility services for a fee for Water and Wastewater systems in Rialto. Current quarter revenues total \$4.5 million. The approved rate adjustment will be in effect beginning calendar year 2013, and will produce approximately 25% more revenue for both Water and Wastewater.

Operations of the Water and Wastewater systems are anticipated to be transitioned to Rialto Water Services in December. When the transition is complete, the budget will be amended to reflect the proposed expenditure format as described in the Concession Agreement.

**Internal Service Funds** – Internal service funds are established to account for any activities that provide goods or services to other funds or departments on a cost-reimbursement or allocation basis. The exception to this is the Engineering & Development Services Fund, which receives revenues from permits and fees as well as allocations to capital project for engineering services. Recorded revenues and expenditures are at 27% and 24% respectively which are in line with the end of the first quarter.

**Debt Service Funds** – Included are the Sewer Community Facility District 87-1, CFD 2006-1 and 2007 Refunding Certificate of Participation debt. Expenditures are typically made in August/September and then in February/March based on the debt service amortization schedule. Funding for the debt service is derived from tax assessments in the CFD's and also allocations to various funds that benefited from the debt relating to the 2007 Refunding Certificate of Participation.

Fund Grouping/Categories	Adjusted Budget	Actual Activity	Actual %
<b>Internal Service Funds</b>			
Revenues	6,636,890	1,798,227	27%
Expenditures	8,189,180	1,950,262	24%
Excess Revenues (Expenditures)	(1,552,290)	(152,035)	
<b>Debt Svc Funds</b>			
Revenues	1,469,810	14,008	1%
Expenditures	1,411,510	832,610	59%
Excess Revenues (Expenditures)	58,300	(818,603)	
<b>RDA</b>			
Revenues	6,288,060	244,089	4%
Expenditures	19,298,465	97,783	1%
Excess Revenues (Expenditures)	(13,010,405)	146,306	
<b>RSA</b>			
Revenues	-	10,667	0%
Expenditures	13,487,124	7,939,280	59%
Excess Revenues (Expenditures)	(13,487,124)	(7,928,613)	

**RDA** – On February 1, 2012, the Redevelopment Agency of the City of Rialto was dissolved as result of the Redevelopment Dissolution Act. The City of Rialto became the successor agency to the former Redevelopment Agency and the Rialto Housing Authority became the housing successor. The purpose of the Successor Agency is to finish the affairs of the former Redevelopment Agency. This includes making payments and completing projects for all enforceable obligations and transferring unencumbered funds to the respective taxing agencies.

All activities of the Successor Agency are required to be reviewed and approved by both an Oversight Board and the CA State Department of Finance. The Dissolution Act established the Recognized Obligation Payment Schedule (ROPS), which the Successor Agency is required to prepare and submit every six months in order to receive property tax increment funds from the county and to make

payments. The DOF has approved the ROPS for the periods of January 1, 2012 to June 30, 2012, July 1, 2012 to December 31, 2012 and January 1, 2013 to June 30, 2013.

## Highlights: Capital Projects

### Pepper Avenue Extension

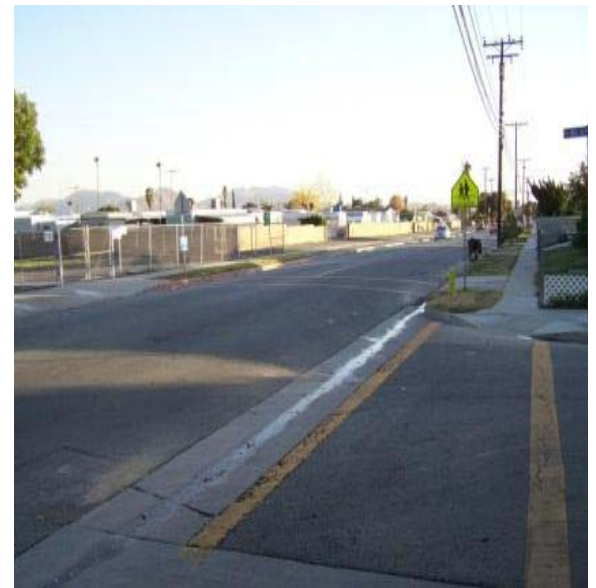


The Pepper Avenue Extension Project consists of extending Pepper Avenue 2,900 feet from its current terminus to some point south of the 210 Freeway. Construction has started and current progress includes clearing and grubbing, importing of fill dirt, setting exclusionary fencing in the wash area and encasement of a 20" existing waterline. In addition, two 10' by 10' box culverts have been constructed and installed, and the contractor is working on a third, to pass storm water underneath the extension of Pepper Avenue. Concrete retaining crib walls are required because the extension of Pepper Avenue will be elevated above the surrounding area, and the crib walls act to hold up the elevated roadway. Once the box culverts and crib walls are completed, the roadway will be completed and utilities will be

extended prior to paving.

### Safe Routes to School Sidewalk Improvements

A grant through the Safe Route to School program is utilized to provide the funding necessary to install an In-Roadway Warning Light (IRWL) system along with Curb, Gutter, Sidewalk, and ADA improvements in the vicinity of Merle Casey Elementary School. The City is currently coordinating with property owners that will be affected by the construction to minimize removal of existing landscaping required to construct the new sidewalk. The City has scheduled a neighborhood workshop to discuss the project for December 4, 2012 at 6:00 pm, to be held at the Multi-Purpose Room at Merle Casey Elementary School. The plans are being completed with City Council's approval anticipated in January 2013, bidding for the project anticipated in February 2013, and construction to start in April 2013.



### Ayala Drive Widening

Ayala Drive is a major arterial street with four lanes in each direction, except between Base Line Road and Easton Street. This bottleneck causes traffic problems and is a significant safety concern for motorists, pedestrians and bicyclists. The current road design may also pose a significant risk to fire personnel returning to the fire station located on Ayala Drive. The project proposes to widen Ayala



Drive to its ultimate 4-lane cross-section with a center turn lane and bike lanes and will create a safer route, reduce traffic congestion and improve motorists and pedestrian safety.

The segment of roadway to be improved is nearly one mile long and is a major arterial street that was originally constructed in 1974. The limits of the project boundaries are Base Line Road to the south and Renaissance Parkway (previously Easton Street) to the north, and just south of the SR-210 Freeway. The City is currently coordinating and expects to complete right-

of-way acquisition by the end of next year.

### **NSP programs**

The City began Fiscal Year 2013 with an awards balance of approximately \$2.12 million to expend on NSP grant-related projects. Properties purchased during Fiscal Year 2012 continue to be rehabilitated for resale and rental. The City will use any remaining funds for future rehabilitation as the year progresses. On July 26, 2010 HUD performed an audit, and the City was found to be generally in compliance with program requirements.