



Quarterly Report

Fiscal Year 2009-2010, Quarter Ended 9/30/09

November 2010

OVERVIEW

The accompanying financial report reflects the City's budget position for the quarter ended 9/30/09. Included in this report are the General Fund, Redevelopment Agency, and Enterprise Funds. As a general rule, we have used 25% of the total fiscal year budget as a guideline to determine whether revenues and expenditures are trending over or under budget.

The biggest challenge facing the City this fiscal year will be the continued impact to the City's Sales Tax revenue. Since the budget was adopted on June 16, 2009, the Sales Tax revenue projections have been adjusted down \$1.3 million. It is estimated that this particular revenue source will continue to reflect lower revenue over the next eight to twelve months during the continued downturn of the economy.

One important point to mention is the City's participation in the Proposition 1A Securitization Program. In short, this will allow the City to retain its entire allocation of Property Tax for the fiscal year, as opposed to losing 8% (approximately \$860,000) in "loans" to the State.

GENERAL FUND

General Fund Budget Condition: At the end of the first quarter of the fiscal year, General Fund revenues are at 18% of projections and expenditures are at 19.7% of budget.

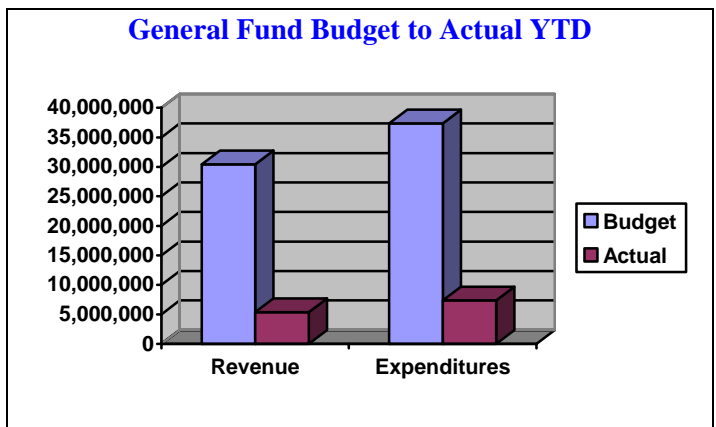
General Fund	Budget	YTD Actual	%
Revenue	30,433,452	5,476,763	18.0%
Expenditures	37,353,900	7,344,367	19.7%

The General Fund budgeted expenditures coming in below the 25% guideline is due in part to a concerted effort to reduce spending wherever possible by. However, it should

also be noted that several contracts did not take effect until mid to late quarter and that scheduled transfers out to other funds have not occurred as of this reporting period.

Expenditures	Budget	YTD Actual	% Expended
General Government	4,109,620	547,096	13.3%
Public Safety	21,420,460	5,608,918	26.2%
Public Works	841,110	59,852	7.1%
Culture & Recreation	3,678,740	963,160	26.2%
Community Development	605,580	144,059	23.8%
Non Departmental	107,170	2,651	2.5%
Debt Service	152,270	18,631	12.2%
Other Financing/Transfers	6,438,950	-	0.0%
Total Expenditures	37,353,900	7,344,367	19.7%

The appearance of revenues well below the 25% guideline - while initially somewhat disconcerting - is not wholly unexpected this early into the fiscal year. This is due to several factors, including end-of-year revenue accruals for audit purposes and the receipt of Property Tax, In-Lieu Taxes and Franchise Tax payments for the current fiscal year slated to come in later in the fiscal year. Also included in these factors is the timing of business license renewals. Business licenses are renewed per calendar year, with the final due date for those renewals being January 31, 2010. However, detailed analysis shows all major revenue categories (e.g. Licenses and Permits; Charges for Services; etc.) with revenue *over* the 25% guideline.



REDEVELOPMENT AGENCY

Redevelopment Agency Budget Condition: The Redevelopment Agency consists of three major components: Low-Moderate Income Housing, Tax Allocation Debt, and Redevelopment. At the end of the first quarter of the fiscal year, CRA revenues are 20.4% and expenditures are 7.6% of budget.

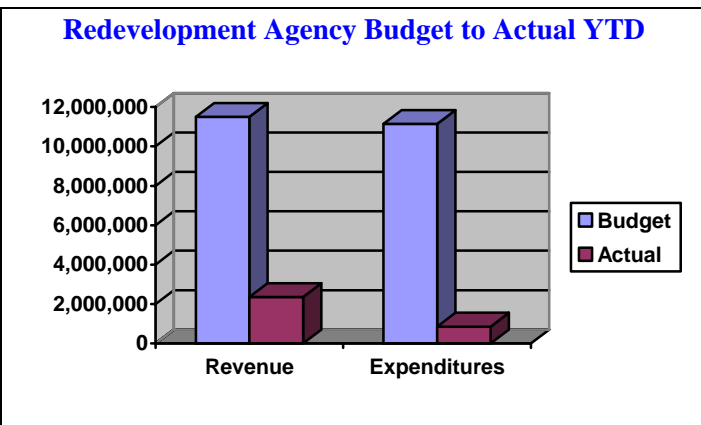
Redevelopment	Budget	YTD Actual	%
Revenue	11,501,380	2,351,158	20.4%
Expenditures	11,144,150	852,505	7.6%

Redevelopment Agency expenditures being at only 7.6% – well below the 25% guideline for the quarter - is largely due to the schedule of debt service payments, the majority of which occur in two large installments later in the year.

Expenditures	Budget	YTD Actual	% Expended
Low-Moderate Income	1,296,490	181,915	14.0%
Tax Allocation	6,384,280	171,330	2.7%
Redevelopment	3,463,380	499,260	14.4%
Total Redevelopment	11,144,150	852,505	7.6%

Redevelopment Agency revenues are 20.4% of budget. As with the General Fund, this is due in part to the timing of Tax Increment (Property Tax) payments to the Agency scheduled to be received in December and April of each year.

It should be noted that the Redevelopment Agency is in danger of losing an estimated \$3,060,100 to the State of California over the next two fiscal years. A lawsuit has been filed by the California Redevelopment Association to stop the State money grab, but until litigation is resolved, the Covina Redevelopment Agency is anticipating the loss of these funds, the first payment of which is due to the State by May 10, 2010. Details on this matter were reported to the City Council at the September 15, 2009 regular meeting.



ENTERPRISE FUNDS

Enterprise Fund Budget Condition: The City maintains two Enterprise Funds (a fund established to account for operations financed and operated in a manner similar to private business enterprise). For the City of Covina, these two funds are the Water Utility and Environmental Services Funds.

Enterprise Funds	Budget	YTD Actual	%
Revenue	9,566,790	2,335,310	24.4%
Expenditures	11,124,540	2,433,733	21.9%

The Enterprise Fund expenditures are tracking within the anticipated budget, with the Water Utility being almost exactly 25% of the fiscal year’s budget and Environmental Services currently below budget for the current quarter. This is due to certain expenditures not being realized during the first quarter of the fiscal year.

Expenditures	Budget	YTD Actual	% Expended
Water Utility	7,341,930	1,802,286	24.5%
Environmental Services	3,782,610	631,447	16.7%
Total Enterprise Funds	\$ 11,124,540	\$ 2,433,733	21.9%

The Enterprise Fund revenues have come in at almost exactly 25% of budget for the year, with the Water Utility revenue at 26%. This is most likely due to the Tier II “Moderate Drought” water rate that took effect August 1, 2009. The Environmental Services revenue is a little below 25%. This is due to the timing of the payment of grants, as well as business license-related revenue that will be realized during the business license renewal process.

Revenue	Budget	YTD Actual	% Received
Water Utility	5,958,700	1,550,610	26.0%
Environmental Services	3,608,090	784,700	21.7%
Total Enterprise Funds	\$ 9,566,790	\$ 2,335,310	24.4%

