



FINANCIAL MANAGEMENT REVIEW

QUARTERLY REPORT (1st Quarter FY 2006-07) Vol 2, Issue 1

September 30, 2006

The first quarter of fiscal year 2006-07 ended on September 30, 2006 and General Fund financial performance tracked relatively close to plan for both revenue and expenditures. During the 1st quarter, the City of Calabasas received \$3.5M in revenue and during that same period, it spent \$3.9M resulting in a slight decrease in the General Fund balance, currently at \$20.6M. Year-end projections indicate the City will maintain a balance in the General Fund at over \$20M. The City has been positioning itself for the issuance of additional debt (\$35M) to help pay for the construction of the new civic center. As such, the City received outstanding ratings by both Moody's Investors Service and Standard & Poor's. The bonds are expected to sell on November 15, 2006 at rates favorable to the City.

Other highlights include the passing of a City ordinance which amended the Calabasas Municipal Code clarifying the original intent of the Telephone Users Tax section. At this time, Calabasas receives nearly \$1.3M per year from Utility Users Tax (UUT) - Telecommunication Service.

The City currently has investments totaling \$21.7M outside of the Local Agency Investment Fund (LAIF). Investments are made in strict adherence with the current investment policy, and due to fluctuating rates and a potential need for funds in connection with the Civic Center project, each investment has a maturity of six months or shorter. Due to investment practices, it is expected the City will increase its interest earnings this fiscal year by approximately \$100K.

Summary of 1st Quarter 2006-07 Financial Performance

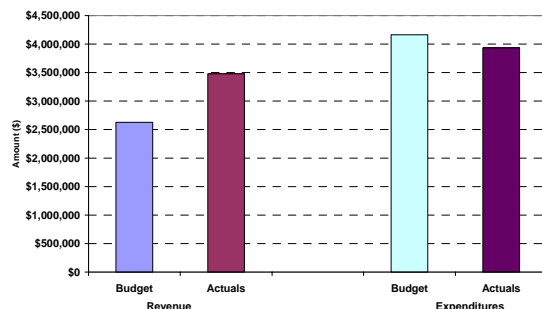
Revenue

The City received \$848K more revenue than what was planned during this past quarter. The major sources of increased revenue include the following:

- 1) Secured property tax - \$150K,
- 2) Sales & Use Tax - \$317K,
- 3) Utility Tax - \$177K,
- 4) Planning Fees - \$114K, and
- 5) Interest Income - \$68K.

The only major under-run condition came from Building Fees (\$138K), but it is still too early in the year to recommend decreasing the budget in this category. In fact, the City is optimistic that it will achieve its original budgeted amount of \$1.3M by fiscal year-end.

Current projections indicate the City will meet or exceed its total revenue forecast for the year of \$19.3M.



General Fund Balance

Through September 2006, the general fund decreased by (\$456K) bringing the balance to \$20.6M.

Expenditures

Through September 30, 2006, the City under-ran its original expenditure plan by \$230K. The majority of the cost savings was in the area of personnel services that is currently \$131K lower than budget. The other major under-run was found in contractual services for the LA Co. Sheriff's Department at \$290K. In this case, the variance was solely due to an invoice timing issue and the full \$3.6M in the budget is expected to be spent by year-end.

Some relatively large transfers will be made from the General Fund in the months ahead. These include:

- 1) Transfer to Civic Center Capital Fund - \$500K
- 2) Transfer to Education Fund - \$250K
- 3) Community Service Awards - \$99K
- 4) Civic Center construction project - <\$800K

Potential Challenges to Meeting This Year's Budget Objectives

- 1) Although property tax revenue is expected to meet original expectations, a potential slowing in the receipt of sales tax revenue might pose a challenge to the City in meeting its budget objectives. Recent sales tax projections by MBIA indicate a "most likely" forecast of \$6.7M, (\$200K) less than what is in the budget plan.
- 2) Unknown impact of Utility User Tax – Telecommunication Service associated with recent legislation. Impact could be as high as \$900K per year.
- 3) Potential for lower building fee receipts.