

CITY OF WEST COVINA FISCAL YEAR 2005-06 BUDGET IN BRIEF

The purpose of this “Budget-in-Brief” is to provide a concise, easy to use document that provides a brief overview of the City’s budget process, describes the fund structure used in the budget and summarize the 2005-06 Fiscal Year Approved Budget and Capital Improvement Program (CIP) by highlighting key budget features, major City goals and basic budget facts. Questions regarding this document or the City Budget can be made by calling the Finance Department at (626) 939-8438. The entire City Budget can be found on the City’s website at www.westcovina.org.

Financial Structure Overview

The City’s Budget includes two separate legal entities, the City of West Covina and the West Covina Community Development Commission. The City’s accounting system is organized on a fund basis in which each fund is a distinct accounting entity used to record all financial transactions related to the specific purpose for which that fund was created.

The main fund of the City is the General Fund which accounts for all unrestricted funds not required to be placed in another fund, and through which most general municipal services are provided including police, fire, public works, planning and general administration.

Special revenue funds are used to account for funds received from external agencies of which the use is restricted for a specific purpose. Examples would include Prop A and Prop C funds that can only be used for transportation purposes and Community Development Block Grant Funds.

Capital project funds are used to account for the accumulation and expenditure of funds to be used to purchase and construct capital items such as equipment, facilities and infrastructure. Debt service funds are used to account for funds set aside to make

payments on the City’s outstanding debt. Proprietary type funds operate just like a business with the intent that the cost of providing the service is recouped by charges to external users and City departments.

Budget Process

The City’s budget process begins in February of each year when the Finance Department provides revenue estimates for the upcoming year. These revenue estimate provide an approximation of the resources that will be available to fund City services. Departments then prepare their budgets based on available resources and direction from the City Manager. The City Manager then presents a preliminary budget to the City Council for their review and input. After public hearings, the City then adopts the budget at a City Council meeting.

2005-06 Budget Summary

The budget is a policy document and financial plan through which the City Council establishes the programs and services to be provided by the City and allocates the funds necessary to carry out those programs and services. The total City Budget for fiscal year 2005-06, which includes both the City and the Community Development Commission, is \$93,895,374. A summary is shown below.

General Fund	\$48,750,514
Special Revenue Funds	\$15,933,951
Capital Projects Fund	\$ 379,000
Debt Service Funds	\$ 2,036,994
Proprietary Funds	<u>\$ 6,406,327</u>
Total City Budget	<u>\$73,506,786</u>

Community Development Commission (CDC)	
Capital Project Funds	\$ 6,152,908
Debt Service Funds	<u>\$14,235,680</u>
Total CDC Budget	<u>\$20,388,588</u>

Total Budget	<u>\$93,895,374</u>
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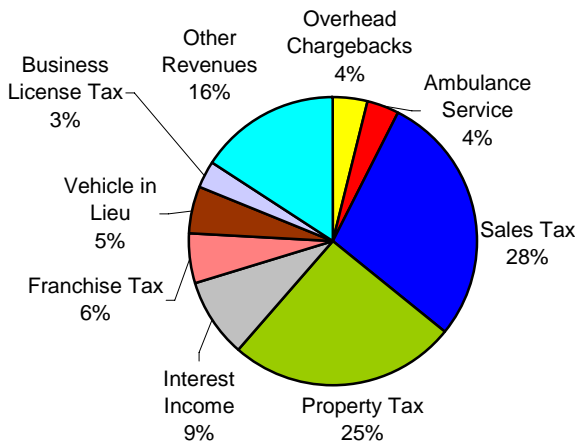
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General Fund Budget

The City's General Fund provides funding for the majority of the municipal services provided to the community. A summary of the 2005-06 General Fund Budget is below.

Estimated Revenues	\$48,693,606
Appropriations	\$48,750,514
Budget Gap	\$ (56,908)

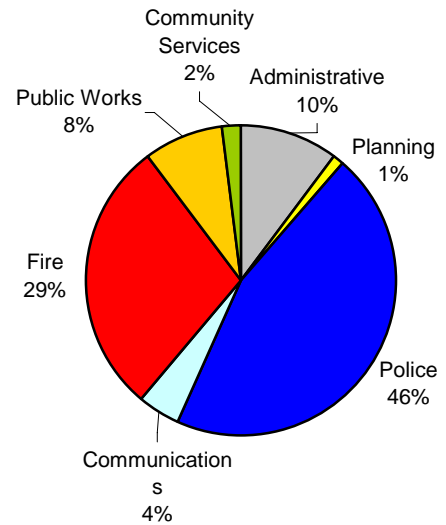
General Fund revenues for 2005-06 are projected at \$48,693,606, an 11% increase over the amount estimated for 2004-05. The two largest sources of income, sales tax and property tax, make up 54% of General Fund revenues. The chart below shows a breakdown of the major revenue sources in the General Fund.



Sales tax is projected to increase due to the addition of a new auto dealership and the opening of several new restaurants. Property tax growth is due to the continuing strong residential real estate market. Interest income will grow due to increases in interest rates on City investments. The ambulance service will be in operation for an entire year, which will double last year's income. The City will receive a one-time increase in vehicle license fees (VLF) of \$1.9 million due to a repayment from the state. The City

also structured an agreement with the CDC to reimburse the City for sales tax that is used to support the West Covina Fashion Plaza mall bonds.

General Fund appropriations for 2005-06 are \$48,750,514, an increase of 4% over the budgeted amount in 2004-05. Public safety (police, fire and communications) accounts for 79% of General Fund expenditures. The chart below shows a breakdown of the major expenditure categories in the General Fund.



The General Fund Budget is essentially balanced this year after six years of budgets that were balanced using reserves. The gap in the 2005-06 budget was reduced from \$7.1 million at the beginning of the budget process to an adopted budget gap of \$56,908. This elimination of the budget gap was done through a number of different measures that included further expenditure reductions totaling \$950,000, reducing the City's retirement costs by \$810,000, revenue increases due to improving economic conditions and increases in certain fees for City services, new revenue sources such as the \$1.5 million from the CDC sales tax reimbursement agreement, and the repayment of the VLF funds from the state.