

CITY OF CYPRESS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

As management of the City of Cypress (City), we offer readers of the City of Cypress' financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report, and with the City's financial statements, which follow this discussion.

Financial Highlights

- The assets of the City exceed its liabilities at the close of the fiscal year ended June 30, 2009 by \$294,533,444 (*net assets*). Of this amount, \$67,433,924 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by \$3,635,551 during the fiscal year.
- As of June 30, 2009, the City's governmental funds reported combined ending fund balances of \$105,739,077, a decrease of \$1,317,366 in comparison with the prior year. Of this amount, \$21,351,568 is available for spending at the government's discretion (*unreserved, undesignated fund balance of the governmental funds with a positive fund balance*).
- As of June 30, 2009, the unreserved, undesignated fund balance for the General fund was \$21,351,568 or 89.4% of total General fund expenditures. While these amounts are not legally restricted, it continues to be the City's policy to set-aside these funds for future infrastructure improvement projects as identified in the various infrastructure master plans and outlined in the City's Seven-Year Capital Improvement Plan.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (which includes the required supplementary information). This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Cypress is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon

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as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. unpaid accrued interest).

The government-wide financial statements present information about the functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the City include general government, community development, public safety, public works and recreation.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also two legally separate entities, the Cypress Redevelopment Agency and the Cypress Recreation and Park District. The City is financially accountable for these entities and the financial information for these *blended component units* is reported within the financial information presented for the primary government itself.

The government-wide financial statements can be found in the financial section of this report immediately following the MD&A.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

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The City maintains various individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General fund, the Recreation and Park District Special Revenue fund, the Sewer Special Revenue fund, the Redevelopment Agency Debt Service fund, the City Capital Projects fund and the Redevelopment Agency Capital Projects fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these *non-major* governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for each of its major funds. The required supplementary information section of the basic financial statements include budgetary comparison statements for the General fund, the Recreation and Park District Special Revenue fund, and the Sewer Special Revenue fund to demonstrate budgetary compliance with the annual budget. Budgetary comparison statements have been provided for the other major funds elsewhere in this report.

The basic governmental fund financial statements can be found in the financial section of this report immediately following the government-wide financial statements.

As part of this annual discussion and analysis, management will discuss financial highlights of the City's General fund, all other major funds, and any funds experiencing a significant change in fund balances or any other noteworthy activity.

Proprietary funds. The City maintains various *internal service funds*. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its central services, the Recreation District's central services, employee benefits, liability insurance and workers' compensation insurance. Because these services benefit governmental functions, they have been included within *governmental activities* in the government-wide financial statements.

The *internal service funds* are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found immediately following the basic governmental fund financial statements.

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Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The City's only fiduciary funds are agency funds. Agency funds are used to hold various deposits and other monies which are not eligible to be used at the City's discretion. The basic fiduciary fund financial statements can be found immediately following the basic proprietary fund financial statements.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found in the financial section of this report immediately following the basic fiduciary fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. In addition to the City's progress in funding its obligation to provide pension benefits to its employees, the previously discussed budgetary comparison schedules for the General fund, the Recreation and Park District Special Revenue fund, and the Sewer Special Revenue fund are included in the required supplementary information section. Required supplementary information can be found immediately following the notes to the basic financial statements.

The combining statements (referred to previously in connection with nonmajor governmental funds and the internal service funds) are presented immediately following the required supplementary information.

The *blended component units* (referred to earlier in connection with the government-wide financial statements), although legally separate, function at the discretion and direction of the City's management. Their financial position and results of operations, therefore, have been included as an integral part of the primary government, and are presented in the fund financial statements.

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Government-wide Financial Analysis

The government-wide financial statements provide long-term and short-term information about the City's overall financial condition. This analysis addresses the financial statements of the City as a whole.

Summary of Net Assets
As of June 30, 2009 and 2008

	Governmental Activites		Change
	2009	2008	
Assets:			
Current and other assets	\$ 143,761,470	\$ 142,705,132	\$ 1,056,338
Capital assets	170,272,654	170,208,815	63,839
Total assets	314,034,124	312,913,947	1,120,177
Liabilities:			
Long-term liabilities outstanding	13,118,972	8,429,405	4,689,567
Other liabilities	6,381,708	6,315,547	66,161
Total liabilities	19,500,680	14,744,952	4,755,728
Net Assets:			
Invested in capital assets, net of related debt	166,527,654	166,183,815	343,839
Restricted	60,571,866	63,834,210	(3,262,344)
Unrestricted	67,433,924	68,150,970	(717,046)
Total net assets	\$ 294,533,444	\$ 298,168,995	\$ (3,635,551)

Net assets of the City decreased 1.2% to \$294.5 million, of which \$166.5 million is invested in capital assets such as land, buildings and improvements, equipment, and infrastructure. Of the remaining total, \$60.6 million is restricted to specifically stipulated spending agreements originated by law, contract or other agreements with external parties. The remaining \$67.4 million decreased by nearly 1.1% from \$68.2 million, and while subject to designation for specific purposes as approved by the City Council, it may be used to meet the City's ongoing obligations.

The City's investment in capital assets (less any related outstanding debt used to acquire those assets) is the largest portion of the City's net assets and represents 56.5% of total net assets. This represents a slight increase from the prior year due mainly to current year capital asset additions exceeding current year depreciation and disposals. While the City uses these capital assets to provide services to citizens; these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be

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provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Changes in Net Assets
For the fiscal year ended June 30, 2009 and 2008

	Governmental Activites		Change
	2009	2008	
Revenues			
Program Revenues:			
Charges for services	\$ 3,253,583	\$ 3,319,049	\$ (65,466)
Operating grants and contributions	3,927,654	4,795,378	(867,724)
Capital grants and contributions	966,016	2,527,048	(1,561,032)
General Revenues:			
Sales tax	11,641,788	13,150,804	(1,509,016)
Property taxes/tax increment	16,428,302	16,048,910	379,392
Other taxes	5,233,485	6,194,977	(961,492)
Other	1,867,333	2,352,282	(484,949)
Total Revenues	<u>43,318,161</u>	<u>48,388,448</u>	<u>(5,070,287)</u>
Expenses			
General government	3,778,292	3,248,108	530,184
Community development	8,489,193	1,633,868	6,855,325
Public safety	15,328,778	13,788,777	1,540,001
Public works	14,278,709	13,325,888	952,821
Recreation	4,847,931	4,274,032	573,899
Interest on long-term debt	230,809	230,368	441
Total Expenses	<u>46,953,712</u>	<u>36,501,041</u>	<u>10,452,671</u>
Increase in Net Assets	(3,635,551)	11,887,407	(15,522,958)
Beginning Net Assets	298,168,995	286,281,588	11,887,407
Ending Net Assets	<u>\$ 294,533,444</u>	<u>\$ 298,168,995</u>	<u>\$ (3,635,551)</u>

The following significant revenue items impacted the change in net assets for the fiscal year ended June 30, 2009:

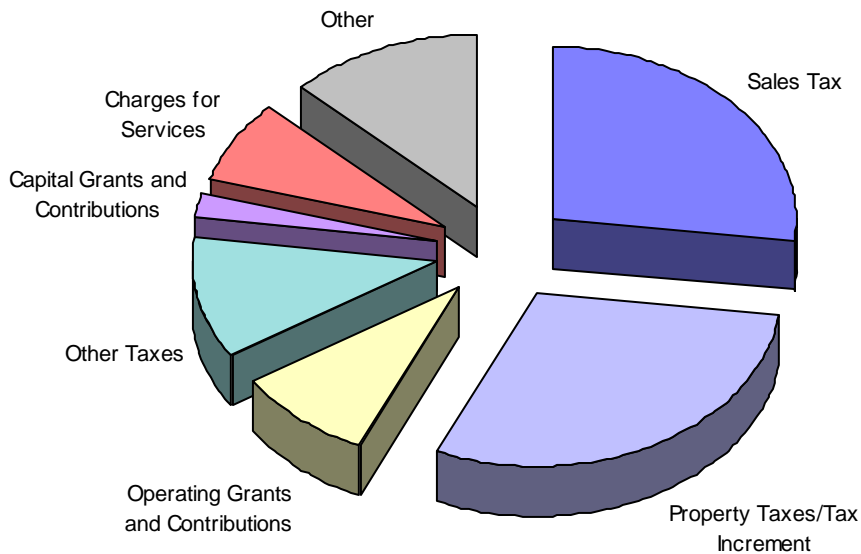
- The City's program revenues totaled 18.8 percent of total revenues and decreased by 23.4 percent from the prior year. The largest program revenues are operating grants (which fluctuate from year-to-year based on availability and include grants used to maintain the City's capital assets and interest earned on restricted monies) and charges for services (which includes such items as planning and building fees, sewer fees and recreation user fees). Capital grants also tend to fluctuate annually based on the availability of grants and project eligibility that are consistent with the capital projects being undertaken by the City. During the prior fiscal year, the City received higher interest earnings on restricted monies and had a significant non-recurring operating grant in the Sewer fund and several large dollar capital grants for traffic signal and street improvement projects which caused all categories of program revenues to decrease in the current fiscal year.

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- The City's general revenues represent nearly 81.2 percent of total revenues. General revenues decreased approximately 6.8% from the prior year, largely a result of the overall economic downturn experienced during the past year. Sales taxes, the largest general revenue, accounted for nearly 27 percent of total revenues and decreased by 11.5 percent in the past year. The sales tax decrease can be attributed to the impact of the severe economic downturn which negatively impacted nearly all segments of businesses that provide sales tax revenues to the City. Property taxes/tax increment revenues increased slightly due to the ongoing positive impact of Proposition 13 on assessed valuations in the City outweighing the immediate negative impact caused by the drop in property values throughout the City during the past year. Other taxes, such as transient occupancy taxes and parimutual taxes, experienced decreases due to the impact of the economic downturn. The decrease associated with other general revenues relates to the lower market interest rate earned on the City's accumulated cash balances.

All revenues from governmental activities are summarized in the graph below.

Revenues by Source – Governmental Activities



Total expenses increased by nearly \$10.5 million, which represents a 28.6 percent increase from the prior year. The cause of the overall increase in expenses is a result of all departments incurring higher expenditures than the prior year. Most significantly community development expenses increased over \$6.8 million, primarily the result of spending \$5.8 million in development assistance related to the purchase of housing affordability covenants on 80 low and very low income units. The increase in expenses in other departments, as well as the increase in Community Development expenses above the \$5.8 million in development assistance, can be attributed primarily to allocating the

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net change in the City's internal service fund's net assets to all departments. This allocation caused a significant increase in departmental expenses for past year due to the recording of the liability associated with other post employment benefits (OPEB) for the first time. Public safety (police) continues to account for the largest percentage (32.7 percent) of total expenses and increased by 11.2 percent from the previous year. Public works incurred the next largest amount (30.4 percent) of total expenses, which represents a 7.2 percent increase over the prior year.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information may be useful in assessing the City's financing requirements and operating needs.

As of the end of the current fiscal year, the City's governmental funds reported total combined ending fund balances of \$105,739,077, a decrease of \$1,317,366. The decrease in fund balances is the result of many factors, including the overall decrease in many revenue sources due to the downturn in the economy (discussed previously) and incurring a \$5.8 million one-time community development expenditure (also discussed previously). The overall decrease was actually partially offset by paying all accrued interest on the \$42.5 million in promissory notes between the City and Agency through June 30, 2009. This resulted in an additional \$2.3 million in interest being earned in the City's general fund.

Approximately 21.8 percent of the total fund balance constitutes unreserved fund balance, which is a decrease from the prior year and is partially a result of the City's general fund loaning \$6.0 million to the sewer fund during the fiscal year. Despite the overall decrease in unreserved fund balance, the total general fund balance did increase by almost \$8.0 million; however, any of these monies in the general fund that were added to the unreserved fund balance are earmarked for future infrastructure improvements. The remainder of the governmental funds' fund balance (\$82,686,340) is reserved, which indicates that it is not available for new spending because it has already been committed to: 1) liquidate pending contracts and purchase orders of the prior period (\$8.69 million), 2) land available for resale (\$22.84 million), 3) pay for the future reimbursement to qualified businesses within the Redevelopment Agency (\$.14 million), 4) provide for low and moderate income housing (\$1.71 million), 5) provide for possible unfunded retirement costs (\$.15 million), 6) advances to other funds (\$48.5 million), 6) open space acquisition (\$.55 million), and 7) promotional activities of the City (\$.11 million).

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Major Fund Financial Highlights

General Fund

The general fund is the primary operating fund of the City. At the end of the current fiscal year, the unreserved fund balance of the general fund was \$30,987,460 (compared to \$28,798,113 at the beginning of the year), while total fund balance was \$80,017,293 (compared to \$72,028,545 at the beginning of the year). As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. The unreserved fund balance represents 130 percent (up from 121 percent the previous year) of the total expenditures in the general fund. The overall increase in the unreserved fund balance is the result of general fund revenues exceeding expenditures/net financing sources by nearly \$8.0 million. However, the impact of this large increase was partially offset by the new \$6.0 million loan from the general fund to the sewer fund. Despite the City Council's ongoing policy to set-aside monies for future infrastructure needs, the current available unreserved fund balance will not be sufficient to fund all infrastructure and other capital project needs of the City.

For the fiscal year ended June 30, 2009, the cash and investments balance in the general fund was \$31,573,295, an increase of \$3,211,392 from the prior fiscal year. As mentioned previously, the overall increase in cash in the general fund is largely a result of revenues exceeding expenditures/net financing sources less the new loan made to the sewer fund. This new loan brought the total advances to other funds in the general fund to \$48.5 million, up from \$42.5 million at the end of the prior fiscal year. Total receivables decreased by \$432,215, to \$1,681,838, due to economic factors and its negative impact on year-end receipts for sales tax and transient occupancy tax.

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Summary of Changes in Fund Balances - General Fund
For the fiscal year ended June 30, 2009 and 2008

	2009	2008	Change
Revenues			
Taxes:			
Sales	\$ 11,641,788	\$ 13,150,804	\$ (1,509,016)
Property	4,027,823	3,951,272	76,551
Other	8,826,273	9,202,370	(376,097)
Total taxes	<u>24,495,884</u>	<u>26,304,446</u>	<u>(1,808,562)</u>
Licenses and permits	340,498	316,271	24,227
Fines and forfeitures	269,575	269,060	515
From use of property	6,647,006	4,652,534	1,994,472
From other agencies	404,270	417,573	(13,303)
Charges for services	2,365,775	2,580,348	(214,573)
Other	75,588	116,736	(41,148)
Total Revenues	<u>34,598,596</u>	<u>34,656,968</u>	<u>(58,372)</u>
Expenditures			
General government	3,335,181	3,144,234	190,947
Community development	1,514,222	1,246,911	267,311
Public safety	13,936,831	13,926,043	10,788
Public works	5,088,017	5,495,309	(407,292)
Total Expenditures	<u>23,874,251</u>	<u>23,812,497</u>	<u>61,754</u>
Excess of revenues over expenditures	10,724,345	10,844,471	(120,126)
Net transfers	(2,735,597)	(2,887,856)	152,259
Increase in fund balance	<u>\$ 7,988,748</u>	<u>\$ 7,956,615</u>	<u>\$ 32,133</u>

Total general fund revenues for the fiscal year ended June 30, 2009 decreased by \$1,808,562 from the prior year. Individual components of this change are highlighted as follows:

- Sales tax revenue, the largest revenue source of the General fund, decreased by \$1,509,016 primarily due to the unprecedented failures in the economic markets and its impact on business sales.
- Property tax revenues of the General fund increased slightly as the City continued to have the ongoing positive impact of having assessments for a significant portion of the City's housing stock capped by Proposition 13 limitations, which more than offset the impact the decrease in property market values had on property tax apportionments.
- Other taxes decreased due to negative economic factors which impacted the demand for rooms in the City's Business Park and the resulting decrease in transient occupancy taxes. Other taxes that experienced decreases in the past year, likely as a result of the negative economy, include real property transfer taxes and parimutual taxes received from the Los Alamitos Race Track located within the City.

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- The general fund received over \$3.5 million in State backfill monies for Motor Vehicle License Fees (MVLFF) which is recorded as taxes. These backfill amounts are approximately \$100,000 more than was received in the prior year and offset the ongoing annual decrease in MVLFF revenues resulting from the State takeaway that began several years ago.
- While the market interest rates earned on much of the City's cash reserves continued to decrease during the fiscal year ended June 30, 2009, overall interest earnings increased by approximately \$2 million. This increase is a result of consolidating all the outstanding promissory notes between the general fund and the Agency into a single note as of June 30, 2009. All accrued interest on the previously outstanding notes were paid through the end of the year, which resulted in an additional \$2.3 million in interest being paid prior to fiscal year end.

Changes in general fund expenditures, by function, occurred as follows during the year ended June 30, 2009:

- General government expenditures increased by \$190,947 (6.1 percent) due to both increases in salaries and benefit costs to new and existing employees and the overall effect of inflation on certain contracts and other expenditures.
- Community development expenditures increased by \$267,311 (21.4 percent) due largely to hiring an individual for the newly established economic development manager position and incurring contract costs associated with updating the City's housing element as required by State law.
- Public safety (police) expenditures were essentially unchanged from the prior fiscal year. While there were increases associated with implementing the final year of a three-year contract with sworn officers that provided significant increases in salaries and benefits, these increases were offset by a major decrease to the amount of overtime hours worked. This decrease in overtime was included as part of the adopted budget and was achieved by management efficiently reallocating labor resources from special assignments to cover patrol vacancies. A further factor resulting in the overall decrease in overtime related to having multiple murder investigations and investigations extend out-of-state in the prior year.
- Public works expenditures decreased by \$407,292 (7.4 percent). The overall decrease is primarily a result of not filling several positions in the maintenance and engineering divisions of the department. The job duties with these positions have been absorbed by other positions within the department or have been contracted out, resulting in significant salary savings.

Transfers into the General Fund were consistent with the prior year total and relate to recurring annual transfers from specific special revenue funds. Transfers out of the General Fund decreased by approximately \$230,000 during the year ended June 30, 2009. The details associated with these transfers out are summarized as follows:

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- The City's General Fund transferred a total of \$3,375,001 to the City's Capital Projects fund in the fiscal year ended June 30, 2009, which is a decrease of \$136,000 over the prior year. The annual transfer tends to fluctuate each year and relates to the funding of various capital improvement projects identified in the first year of the City's seven-year Capital Improvement Plan.
- The City transferred only \$5,001 for the purchase of new equipment during FY 2008-09 as compared to \$183,362 during FY 2007-08. The annual transfer amount related to the purchase or replacement of capital outlay items tends to fluctuate from year to year depending upon the available accumulated replacement monies that exist for the specific items being replaced.

General Fund Budgetary Highlights

Differences between the original appropriations budget and the final amended budget totaled a net increase of \$1,297,426. The annual carryover of appropriations to the new fiscal year for encumbrances and services not completed in the prior fiscal year accounted for \$611,755 of the difference. The significant remaining changes in appropriations are summarized as follows:

- \$375,000 increase in police personnel due primarily to overtime excesses caused by necessary backfilling of certain patrol shifts and required investigations. As noted earlier the overall police overtime budget was decreased significantly as part of the original budget process, so despite this appropriation increase police overtime decreased significantly from the prior year.
- \$112,839 in increases in public safety activities related to the police department's acceptance of various federal grants for DUI checkpoints and seat belt enforcement. These increases in appropriations were fully offset by an increase in revenues in the General fund.
- \$30,000 increase for property tax collections fees withheld by the County of Orange for administering the amount of property tax allocated to the City. This increase is a result of the County's ability to unfairly reallocate their administration costs to cities as a result of the sales tax triple-flip and the MVLFF Education Revenue Augmentation Fund (ERAF) shift that was approved a few years ago.
- \$90,000 increase for legal costs in the City Attorney program due to higher than expected activity related to various issues that came up during the year which required legal analysis.

The budgeted amount for transfers in was not amended during the year while transfers out were amended upward by \$38,501 for additional capital outlay purchases approved in previous years and carried over into the new fiscal year.

Total actual General Fund revenues exceeded the final amended revenue budget by nearly \$400,000 and this variance is primarily the result of three factors. First, weak sales tax and transient occupancy receipts directly attributable to the fall of the overall

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economy caused overall tax revenues to fall below the City's budget estimates. Additionally investment earnings, which includes the interest paid on the advances from the General Fund to the Redevelopment Agency, exceeded budget estimates by over \$1.6 million due to having larger cash balances in the General fund than originally estimated and the Agency paying all accrued interest on the advances through June 30, 2009. Total expenditures were more than \$1.3 million below the final amended budget (before any carryover amounts to the fiscal year ended June 30, 2010) and these savings were attributed to all departments throughout the City. Some of the major savings related to not expending the majority of the City Manager's contingency and having several staffing vacancies throughout the year in Public Works, as well as the impact of unexpended amounts that are carried over to the next fiscal year.

Other Major Funds

As discussed previously, management annually discusses financial highlights of the City's major funds and any other funds that experience significant changes in fund balance during the year or have activities that management consider relevant to the operations of the City.

Recreation and Park District Special Revenue Fund

The Recreation and Park District special revenue fund is the sole operating fund of the Cypress Recreation and Park District (District). At the end of the current fiscal year, the unreserved fund balance of the District's special revenue fund was \$4,311,440 (compared to \$3,288,982 at the beginning of the year), while total fund balance was \$5,057,743 (compared to \$4,751,478 at the beginning of the year). The unreserved fund balance represents 96.3 percent (compared with 77.6 percent from the previous year) of the fund's total expenditures. Since the bulk of the District's operations are funded with annual property tax revenues, a portion of the unreserved fund balance is needed to meet cash flow shortages between property tax receipts. The remaining amounts are being set-aside for one-time expenditures such as facility and infrastructure improvements which a consultant is currently assessing to determine the specific needs of the District for these types of capital improvements.

For the fiscal year ended June 30, 2009, the cash and investments balance in the Recreation and Park District special revenue fund was \$5,077,875, an increase of \$309,932 from the prior fiscal year. Total receivables decreased by \$22,314 to \$147,414. The change is primarily attributable to a decrease in interest receivable resulting from earning lower market interest rates during the fourth quarter of the year compared to the prior year.

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Summary of Changes in Fund Balances
Recreation and Park District Special Revenue Fund
For the fiscal year ended June 30, 2009 and 2008

	2009	2008	Change
Revenues			
Taxes:			
Property	\$ 3,733,286	\$ 3,634,608	\$ 98,678
From use of property	252,885	410,218	(157,333)
From other agencies	51,416	52,539	(1,123)
Charges for services	795,297	871,732	(76,435)
Other	3,018	146,032	(143,014)
Total Revenues	<u>4,835,902</u>	<u>5,115,129</u>	<u>(279,227)</u>
Expenditures			
Recreation	4,088,082	4,145,568	(57,486)
Capital outlay	387,054	90,384	296,670
Total Expenditures	<u>4,475,136</u>	<u>4,235,952</u>	<u>239,184</u>
Excess of revenues over expenditures	360,766	879,177	(518,411)
Net transfers	(54,501)	(849,138)	794,637
Increase in fund balance	<u>\$ 306,265</u>	<u>\$ 30,039</u>	<u>\$ 276,226</u>

Total Recreation and Park District Special Revenue fund revenues for the fiscal year ended June 30, 2009 decreased by \$279,227 from the prior year. Individual components of this change are highlighted as follows:

- Property tax revenues, the District's largest revenue source, increased by \$98,678 due to the continued property tax growth resulting from the ongoing impact of Proposition 13 and its positive impact on assessed valuations outweighing the recent downturn in the real estate market.
- The significant decrease in the market rate earned on the District's cash balances resulted in a large drop in investment income. In addition, there were slightly lower receipts during the past year for facility rentals related to the remodeled Community Center than in the fiscal year ended June 30, 2008.
- Charges for services decreased despite an increase in fees collected for certain contract classes due to revising the District's fees during the fiscal year. The net decrease relates to park development fees decreasing from \$139,399 in the prior year to \$32,000 during the fiscal year ended June 30, 2009. These development fees tend to fluctuate year to year based on building activity within the City. As expected, such activity was down in the last year.
- The large amount of other revenue received during the fiscal year ended June 30, 2008 related to a "one-time" insurance reimbursement for damage to the Senior Center's floor caused by a City vendor.

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Notable changes in expenditures during the year ended June 30, 2009 follow:

- Operating expenditures decreased by \$57,486 (1.4 percent) due to offsetting factors. These factors include scheduled salary increases being less than the decrease in resources allocated for park building maintenance associated with the repair of the water-damaged floor at the Senior Center in the previous fiscal year.
- Capital outlay expenditures increased by \$296,670 over the prior year. The large increase relates to the installation of nearly \$381,000 in new playground equipment at various parks within the City during the current fiscal year, while the majority of capital project activity in FY 2007-08 was limited to three smaller dollar facility improvement projects.

Sewer Special Revenue Fund

The Sewer Special Revenue fund accounts for the maintenance and improvements made to the City's sewer system. During the fiscal year ended June 30, 2009 the City loaned the Sewer fund \$6.0 million to provide for capital improvement projects. As a result of this loan transaction, the Sewer fund became a major fund of the City for the first time. The fund balance decreased by \$251,874 during the year to a total of \$1,105,716 at June 30, 2009. The following is a summary of the fiscal year activity:

Summary of Changes in Fund Balances
Sewer Special Revenue Fund
For the fiscal year ended June 30, 2009 and 2008

	2009	2008	Change
Revenues			
Taxes:			
Property	\$ 7,800	\$ 8,372	\$ (572)
From use of property	38,280	50,452	(12,172)
From other agencies	62	264,472	(264,410)
Charges for services	438,307	453,857	(15,550)
Other	1,121	1,660	(539)
Total Revenues	<u>485,570</u>	<u>778,813</u>	<u>(293,243)</u>
Expenditures			
Public works	315,242	405,239	(89,997)
Capital outlay	422,202	159,044	263,158
Total Expenditures	<u>737,444</u>	<u>564,283</u>	<u>173,161</u>
Increase (Decrease) in fund balance	<u>\$ (251,874)</u>	<u>\$ 214,530</u>	<u>\$ (466,404)</u>

Total Sewer Special Revenue fund revenues for the fiscal year ended June 30, 2009 decreased by \$293,243 from the prior year. The primary cause for the decrease is a one-time operating grant from the Orange County Sanitation District for \$264,416 being

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received in the prior fiscal year for performing a condition assessment of a portion of the sewer lines.

Overall expenditures increased to \$737,444 over the prior year, which equates to a 30.7% rise. This increase is a result of beginning design work on the prioritized capital projects that were identified in the sewer master plan that was completed in the prior year. The consultant costs associated with the preparation of the master plan were incurred in the prior year and can be directly attributed to the decrease in public works operating expenditures in the fiscal year ended June 30, 2009.

Redevelopment Agency Debt Service Fund

The Redevelopment Agency Debt Service Fund accounts for the receipt of tax increment revenues and the payment of interest and principal on debt of the Agency. The fund balance decreased by \$2,011,609 during the year to a total of (\$40,502,165) at June 30, 2009. The following is a summary of the fiscal year activity:

Summary of Changes in Fund Balances
Redevelopment Agency Debt Service Fund
For the fiscal year ended June 30, 2009 and 2008

	2009	2008	Change
Revenues			
Taxes:			
Property	\$ 4,285,462	\$ 4,198,251	\$ 87,211
From use of property	82,216	210,319	(128,103)
From other agencies	44,067	42,631	1,436
Total Revenues	<u>4,411,745</u>	<u>4,451,201</u>	<u>(39,456)</u>
Expenditures			
Interest and charges	<u>5,763,262</u>	<u>3,445,904</u>	<u>2,317,358</u>
Excess of revenues over expenditures	(1,351,517)	1,005,297	(2,356,814)
Net transfers	(660,092)	(1,728,917)	1,068,825
Increase (decrease) in fund balance	<u><u>\$ (2,011,609)</u></u>	<u><u>\$ (723,620)</u></u>	<u><u>\$ (1,287,989)</u></u>

Total revenues for the fiscal year ended June 30, 2009 were \$4,411,745, which represents a 0.9% decrease from the prior fiscal year. Overall revenues decreased despite receiving higher tax increment monies in both the Civic Center and Los Alamitos Race Track Project Areas resulting from the continued impact of the strong real estate market in recent years and its impact on assessed values. The overall decrease was caused by interest earnings dropping by slightly more than \$128,000 as a result of lower market interest rates and lower average cash balances being maintained in the fund throughout the year.

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Total expenditures for the fiscal year were \$5,763,262 which is significantly higher than the prior year total. The large increase was caused by consolidating all seven of the previously outstanding \$42.5 million of promissory notes into a single note at June 30, 2009 and paying all accrued interest (approximately \$2.3 million) through that date. Net transfers include the recurring transfer out of the 20 percent of tax increment (as required by State law) and the annual transfer to cover the debt service costs associated with the 2001 Lease Revenue Bonds. However, during the fiscal year ended June 30, 2009 these transfers out were partially offset by a \$1.1 million transfer from the Agency's Capital Projects fund that was required to provide the necessary cash flow to pay the additional interest at fiscal year end on the promissory notes.

City Capital Projects Fund

The City Capital Projects Fund provides a cost center for all City projects funded (either partially or in full) with General Fund monies. Annual transfers are made from the General Fund (and periodically other funds of the City) to the Capital Projects Fund to pay for the projects approved by the City Council as part of the Seven-Year Capital Improvement Program. During the fiscal year ended June 30, 2009, the fund balance increased by \$240,036. The following table summarizes the activity during the past year.

Summary of Changes in Fund Balances
City Capital Projects Fund
For the fiscal year ended June 30, 2009 and 2008

	2009	2008	Change
Revenues			
From use of property	\$ 309,139	\$ 474,866	\$ (165,727)
From other agencies	112,152	846,386	(734,234)
Other revenue	15,074	14,733	341
Total Revenues	<u>436,365</u>	<u>1,335,985</u>	<u>(899,620)</u>
Expenditures			
Public works	2,269,881	2,605,632	(335,751)
Capital outlay	1,552,948	2,806,515	(1,253,567)
Total Expenditures	<u>3,822,829</u>	<u>5,412,147</u>	<u>(1,589,318)</u>
Excess of revenues over expenditures	(3,386,464)	(4,076,162)	689,698
Net transfers	3,626,500	4,637,740	(1,011,240)
Increase in fund balance	<u>\$ 240,036</u>	<u>\$ 561,578</u>	<u>\$ (321,542)</u>

Total revenues for the fiscal year ended June 30, 2009 were much lower than the prior fiscal year, which was the result of several factors. Interest earnings fell as a result of the lower market interest rate being earned throughout the year on accumulated cash balances. The City's revenues from other agencies (grant monies) tend to fluctuate from year to year based on eligibility and availability. In the fiscal year ended June 30, 2008 the City received approximately \$846,000 in federal Community Development Block

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Grant (CDBG) reimbursement for eligible costs incurred for Moody Street improvements, Lemon/Lime road improvements and American with Disability Act (ADA) ramp construction. In the current year, grant revenues were limited to the City receiving State Proposition 1B monies (\$92,700) and the retention associated with a State Rubberized Asphalt grant (\$19,452).

Total expenditures tend to vary from year-to-year depending on the status of non-recurring projects such as public facility renovations and street improvements. During the current fiscal year the City expended slightly over \$900,000 on various street projects, as compared to \$3.6 million in the prior year. Additionally approximately \$1.3 million was expended on various public facility improvements, majority of which related to replacing the HVAC system at the Civic Center.

As is generally the case, net transfers tend to be in line with the fund's annual expenditure activity less any grant proceeds. The majority of the transfers in come from the City's General fund. However, in FY 2008-09 the Streets special revenue fund (Measure M Turnback monies) funded a portion (approximately \$221,000) of the Moody Street median project and the Recreation and Park District paid \$30,016 via an operating transfer for the remaining costs associated with the renovation of the Boys and Girls Club and for water quality measures being undertaken in the Community Center parking lot.

Redevelopment Agency Capital Projects Fund

The Redevelopment Agency Capital Projects Fund accounts for the construction and development activities in the Agency's three project areas, as well as low and moderate income housing activities required by State law. Funding for these activities is provided through advances from the General Fund that will eventually be paid back (via the Agency's Debt Service Fund) from tax increment receipts or proceeds from other activities, such as the sale of land. The fund balance in the Agency's Capital Projects Fund decreased by nearly \$6.1 million during the fiscal year ended June 30, 2009. A summary of the changes in fund balances follows:

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Summary of Changes in Fund Balances
Redevelopment Agency Capital Projects Fund
For the fiscal year ended June 30, 2009 and 2008

	2009	2008	Change
Revenues			
From use of property	\$ 243,167	\$ 450,987	\$ (207,820)
From other agencies	150,035	152,665	(2,630)
Other revenue	6,954	42,104	(35,150)
Total Revenues	<u>400,156</u>	<u>645,756</u>	<u>(245,600)</u>
Expenditures			
Community development	6,344,250	519,654	5,824,596
Excess of revenues over expenditures	(5,944,094)	126,102	(6,070,196)
Net transfers	(141,029)	1,065,969	(1,206,998)
Increase (decrease) in fund balance	<u>\$ (6,085,123)</u>	<u>\$ 1,192,071</u>	<u>\$ (7,277,194)</u>

Total revenue for the fiscal year ended June 30, 2009 was \$400,156, which represents a 38.0% decrease from the prior fiscal year. The decrease in revenue can be attributed lower interest earnings resulting from lower market interest rates earned on the Agency's cash balances and having lower average cash balances as a result of the low and moderate income housing expenditures incurred during the fiscal year and discussed below. Also during the fiscal year ended June 30, 2008, the Agency received a "one-time" \$36,104 reimbursement from a developer for costs incurred on a development agreement that fell through.

As discussed earlier in the analysis of the government-wide statements, the drastic increase in community development expenditures (as compared with the prior year) is due to the one-time expenditure of \$5.8 million in development assistance related to the purchase of housing affordability covenants on 80 low and very low income units. Typically expenditures in the Agency's Capital Projects fund are limited to home loan activities associated with restricted low and moderate income housing monies and any activities related to the Agency's three project areas, which in recent years has been somewhat minimal.

Net transfers in the current fiscal year related to the transfer in of 20 percent of gross tax increment revenues (approximately \$1,323,000) that are required to be set-aside for low and moderate income housing in accordance with State law less transfers out. Transfers out in the current fiscal year related to two non-recurring items: \$364,000 was transferred to the City to pay for the acquisition of right-of-way in the Lincoln Avenue project area and \$1.1 million was transferred to the Agency's Debt Service fund for cash flow purposes needed to pay accrued interest to the City on the \$42.5 million in promissory notes. Prior year net transfers included the 20 percent set-aside transfer in of nearly \$1.3 million less \$228,000 that was transferred to the City as the final installment

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for reimbursement of costs associated with the Community Center remodel and expansion.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental activities as of June 30, 2009, amounts to \$170,272,654 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, vehicles and equipment, furniture and fixtures, roads, sewer, storm drains, sidewalks, street lights, and construction in progress. The City's investment in capital assets during the past fiscal year increased slightly over \$2.5 million (1.0 percent) before depreciation. The following table summarizes capital asset activity for the fiscal year ended June 30, 2009.

Summary of Capital Assets
As of June 30, 2009 and 2008

	2009	2008	Change
Governmental Activities:			
Capital Assets, Not Depreciated:			
Land	\$ 7,793,597	\$ 7,793,597	\$ -
Construction in Progress	3,609,187	1,655,920	1,953,267
Total, Not Depreciated	<u>11,402,784</u>	<u>9,449,517</u>	<u>1,953,267</u>
Capital Assets, Being Depreciated:			
Buildings and Improvements	27,233,549	26,341,818	891,731
Machinery and Equipment	9,536,799	9,733,580	(196,781)
Infrastructure	212,426,090	210,567,974	1,858,116
Total, Being Depreciated	<u>249,196,438</u>	<u>246,643,372</u>	<u>2,553,066</u>
Less Accumulated Depreciation:			
Buildings and Improvements	(9,126,113)	(8,463,097)	(663,016)
Machinery and Equipment	(6,797,976)	(6,964,614)	166,638
Infrastructure	(74,402,479)	(70,456,363)	(3,946,116)
Total Accumulated Depreciation	<u>(90,326,568)</u>	<u>(85,884,074)</u>	<u>(4,442,494)</u>
Total Depreciated, Net	<u>158,869,870</u>	<u>160,759,298</u>	<u>(1,889,428)</u>
Governmental Activities Capital Assets, Net	<u>\$ 170,272,654</u>	<u>\$ 170,208,815</u>	<u>\$ 63,839</u>

Major capital asset transactions during the current fiscal year included the following:

- The activity in construction in progress included the reclassification of the Boys and Girls Club renovation, the remodel of the men's locker room in the police department, and the installation of playground equipment at various park sites, and the installation of the security lock system at City Hall to buildings and improvements upon their completion in FY 2008-09. Additions to construction in progress included extensive work on the HVAC system at the Civic Center along

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with several infrastructure projects (primarily related to the storm drain and sewer systems) that had not been completed at June 30, 2009.

- Infrastructure additions for the year totaled \$1.85 million. The majority of these additions related to street/roadway improvements including the extension of Lexington Street and the right-of-way acquisition near Lincoln Avenue and Walker Street.
- Machinery and equipment deletions exceeded additions during FY 2008-09. Additions were comprised primarily of 11 replacement vehicles for police and maintenance, several equipment items for police (16 safety radios, crime scene camera, evidence bar code system, ID card system), and three servers for the City's computer network. In addition to disposing of 16 vehicles, not all of which were necessary to replace, the City continued to dispose of various maintenance and police equipment (tree sprayer, police car video surveillance systems) and computer network hardware that were no longer in service.

Additional information on the City's capital assets can be found in note 7 (on page 59) in the notes to the basic financial statements section of this report.

Long-Term debt. The City had total debt outstanding of \$10,906,427 at the end of the current fiscal year. The following schedule summarizes the City's long-term liabilities.

Summary of Long-Term Debt
As of June 30, 2009 and 2008

	2009	2008	Change
Claims Payable	\$ 2,212,545	\$ 2,167,874	\$ 44,671
Compensated Absences	2,300,427	2,236,531	63,896
Retiree's Health Benefits	4,861,000	-	4,861,000
Lease Revenue Bonds	3,745,000	4,025,000	(280,000)
Total	\$ 13,118,972	\$ 8,429,405	\$ 4,689,567

Long-term debt activity during the fiscal year ended June 30, 2009 included:

- A net increase in claims payable resulted from the increase in the estimate of outstanding liability insurance claims outstanding being larger than the decrease in workers compensation claims outstanding at June 30, 2009.
- A net increase of \$63,896 in compensated absences due to accruals exceeding leave usage and payoffs during the past year and the impact of negotiated pay raises. Increases in compensated absences are common in years where there are few retirements or resignations of long-term employees, such as in the past year.
- As required by GASB 45, the City recorded its liability for postemployment benefit plans during the fiscal year ended June 30, 2009. This actuarially determined liability relates to future payments the City will be required to make to

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- retired employees for medical benefits in accordance with the current memorandum of understandings with the various employee groups.
- The scheduled principal payment on the 2001 Lease Revenue Bonds of \$280,000.

It should be noted that the City has opted to be conservative and record the entire actuarially determined liability associated with retiree's health benefits, not just the net OPEB obligation which is required by GASB 45. Additionally, the City has set-aside sufficient monies in the Employees Benefits Internal Service Fund to pay for the entire \$4,861,000 long-term liability. However, these monies have not been placed in an irrevocable trust and therefore are not considered funded assets for actuarial and GASB 45 purposes.

Additional information on the City's long-term debt can be found in note 9 (on pages 60-62) in the notes to the basic financial statements section of this report.

Economic Factors and their impact on future City Budgets

Despite in this past year the overall economy experiencing one of the worst downturns ever recorded, the City's outlook remains relatively stable. Obviously there are many negative factors from this economic fallout that the City will be unable to escape, despite Council's and management's ongoing fiscally prudent approach to financial planning. The City has historically limited growth in its operating budget and has focused on building up reserves, with the expectation that it will be able to weather any such economic woes without having to make drastic budget cuts or decrease levels of service. This continues to be the case. However, in addition to the uncertainties associated with the overall economy (and its impact on certain City revenues such as sales taxes, property taxes and transient occupancy taxes) the City remains vulnerable to the ongoing dire prognosis associated with the State's annual budget process. As we have seen over the past several years, the State always seems to find creative methods to raid local government coffers in their desperate attempts to patch together an annual budget. The ongoing impact to local governments cannot be predicted, but the City believes there will be continued State takeaways whether in the form of borrowing or the mere diversion of certain revenue types. For the fiscal year ended June 30, 2010, state borrowing from the City and Park District is expected to exceed \$1.2 million and takeaways from the Redevelopment Agency are estimated to reach almost \$1.9 million. In addition to this near term borrowing, the City is also aware of large increases on the horizon in the actuarially determined contributions that will be required by CalPERS for the City's pension plan. These rate increases are expected to equate to several percent of payroll and are needed to make up for the huge losses incurred by CalPERS over the last year. In anticipation of all these issues, the City has implemented a hiring freeze on all vacant positions that are not deemed essential. It is expected that these freezes may be made permanent as part of the mid-year budget review, or at a minimum the freezes will continue into future budget years.

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Current estimates indicate that budgeted General fund revenues will not approach original budget estimates for the fiscal year ended June 30, 2010. While the vast State budget deficit was known to exist at the time the City budget was prepared, the final approved City budget was prepared under the assumption that there would not be any additional cuts to the City's revenue sources controlled by the State. Staff will be doing further analysis and considering the impact of the financial market woes as part of the upcoming mid-year budget review. At this time, it appears that General fund revenues will fall about \$2.5 million short of the originally adopted budget. These shortfalls relate to sales taxes, the State borrowing and its impact on property taxes, transient occupancy and parimutual taxes. Despite this anticipated fall in revenues, the City still expects to be able to transfer additional monies to the newly established infrastructure reserve fund (discussed below) as a result of current year operations. While there are certainly other potential long-term and short-term financial impacts to the City from the ongoing State budget woes, they remain largely unknown at this time. As has been done in the past, staff will be closely monitoring State economic developments and legislative actions to determine the precise impact they may have to local governments.

While the operating budget is expected to remain under control, the funding of the City's capital needs remain a big concern going forward. As part of the FY 2009-10 budget, City staff implemented the first year of the seven-year capital funding plan to address the significant infrastructure deficiencies identified during the assessments of the City's infrastructure systems (particularly storm drains and sewer). Despite the City Council recently approving a gradual increase in sewer rates, the City does not in the short-term have sufficient or significant dedicated revenue sources (other than General fund monies) for many of their infrastructure needs (including storm drains and the extensive sewer improvements that are needed). With the expected further declines in General fund revenues due to the circumstances discussed earlier, it will be imperative that alternatives be identified to fund these shortfalls over the long-term. Starting in FY 2009-10, an infrastructure reserve fund was created to set-aside accumulate monies for these improvements. Annual transfers from the General fund of any remaining available unreserved fund balance will be made to this new fund. Not only is this consistent with continuing the City's policy to set-aside the majority of the General fund unreserved fund balance amounts for future infrastructure improvements, but it provides a more structured vehicle to segregate these monies. However, it does not alleviate the need to find additional funding methods for the capital improvement project shortfalls that are anticipated over the next 20 to 30 years.

The originally approved FY 2009-10 budget was balanced and some of the major highlights of the adopted budget are summarized below. As discussed above and in the notes to the basic financial statements, it appears that the original revenue estimates will fall well short of the original estimates due primarily to state takeaways and the economic downturn having even more severe repercussions than originally projected. Additionally as part of the midyear budget review, management will be looking at cost cutting measures to help offset this anticipated decrease in revenues. However, the actual impact of these changes in revenues and expenditure will not be known until later in the fiscal

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year ended June 30, 2010 and in general have not been considered in the budget highlights outlined below.

Revenues. The City's projected revenues for FY 2009-10 were \$35,799,895 and do not include any tax rate increases from the previous year. The FY 2009-10 revenue budget is 5.0% less than the FY 2008-09 adopted revenue budget of \$37,908,205.

The major changes in revenues for the FY 2009-10 Budget are as follows:

- Decreased Sales Tax revenues (including backfill amounts) of \$1,532,000 were originally expected. The decrease was due to the latest sales tax collection trends and projections made by the City's sales tax consultant. While the number of sales tax providers in the City remained about the same, the fallout from the drastic downturn associated with the economy caused sharp drops in overall estimates for the coming year. The most recent projections indicate that actual sales tax revenues may fall \$1 million short of the budgeted amount.
- Property taxes, based on projections made by the County, are expected to remain essentially flat when compared to the prior budget. Due to a large portion of the City's property tax base being assessed below market values due to Proposition 13, downturns in the housing market have so far tended to be offset by the 2% growth associated with the properties controlled by Proposition 13. However, as discussed in the notes to the basic financial statements, revised property tax estimates are expected to be significantly less than the original budget due to the State borrowing under Proposition 1A.
- Other taxes, which are comprised of all taxes besides sales taxes and property taxes, are expected to decrease by approximately \$137,000 due to several factors: 1) transient occupancy taxes have fallen \$50,000 due to the drop off business travel in light of the economy; 2) satellite wagering taxes are down \$80,000 due to recent trends indicating a decrease in the popularity of horse racing; and 3) real property transfer tax is estimated to be \$20,000 less than the prior year due to the fall off in the local real estate market.
- Decreased investment earnings of approximately \$680,000 are expected as a result of two factors: 1) the market interest rate earned on the City's cash balances has decreased significantly in the past months as a result of the actions of the Federal Reserve and current indications are that the rates will remain at (or near) record lows throughout FY 2009-10; and 2) the consolidation of the City's promissory notes with the Redevelopment Agency at the end of FY 2008-09 have terms that yield a lower interest rate.

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Expenditures. The City's General Fund operating budget increased approximately 0.8 percent to \$24,105,015. This small increase is a result of several factors: 1) each department has continued to review their budgets and identify controllable expenditures that could be adjusted downward without impacting current operations; 2) negotiated and anticipated salary and benefit increases for all employee associations being offset by overtime decreases and salary savings due to freezing several vacant positions; and 3) limiting capital outlay purchases to only non-General Fund sources.

While the long-term future of local government revenue streams remain somewhat uncertain, the City Council is committed to maintaining an undesignated General Fund reserve (currently at 25% of total expenditures) to provide a short-term safeguard against such uncertainty. Additionally, it is the intent of the City to accumulate and set-aside monies in the newly created infrastructure reserve fund the majority of other undesignated and unreserved General Fund amounts resulting from favorable budget variances in annual revenues and/or expenditures.

Requests for Information

This financial report is designed to provide a general overview of the financial position of the City for all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, 5275 Orange Avenue, Cypress, CA 90630.