



"We will reflect the National Treasure in which we **2**

STAFF REPORT
CITY COUNCIL MEETING OF JUNE 6, 2017

TO: Nancy Kerry, City Manager

FROM: Debbie McIntyre, Director of Finance
Olga Tikhomirova, Financial Services Supervisor

RE: Fiscal Year 2016/17 Quarter End Financial Status Report as of
March 2017

RECOMMENDATION:

Receive Report

BACKGROUND:

The Financial Services Division submits reports to City Council on a quarterly basis to provide assurance of budget compliance and for informational and comparative purposes throughout the year. Attachment 1, "FY 2016/17 *Quarterly Budget and Financial Status Report for Period Ending March 31, 2017*", is an unaudited snapshot of year-to-date actual revenues and expenses for the General Fund for that period. In an effort to provide an opportunity to evaluate the City's fiscal health, the report provides comparative information of first two quarters FY 2016/17 actuals to FY 2016/17 budget and to prior fiscal year 2015/16 second quarter to date actuals. The following section summarizes General Fund operating revenues and operating expenditures and provides an analysis of any significant variances.

ISSUE AND DISCUSSION:

At the end of the second quarter with 50 percent of the year complete, General Fund revenues were at 44.7% of the amended budget, while expenditures were at 39.8% of appropriations. As described in more detail below, revenue performance in the three major categories (Property Tax, Sales Tax, and City TOT) was 10.3% better overall than collections during the same period last fiscal year. Other revenue collections varied. Development Services, Police, Finance-Other, and Miscellaneous General Fund revenues were lower compared to last fiscal year. General Government, Fire, Public Works, and Recreation revenues were higher than last fiscal year. On the expense side, all departments expended 50% or less of their total budget for the current fiscal year.

FY 2016/17 General Fund Revenues

General Fund revenues year-to-date totaled \$17.1 million, up 4.3% or \$707K compared to prior fiscal year at March 31st. City TOT increased 5.7% or \$192K. This increase is significantly lower than the increase between the previous fiscal years' two quarters indicating that TOT revenue continues to level off perhaps reaching the growth ceiling. The collection for the first two quarters of 2016/17 comprised 42.0% of the total City TOT budget. The TOT revenue from the Project Area was up 1.5% or \$37K compared to last fiscal year.

Sales Tax revenue received through March 31st was 23.0% or \$654K higher than the last year's collection for the first two quarters. The primary reason for this is the sunset of the Triple Flip – a mechanism the State used to pay for 2004 Economic Recovery Bonds issued under voter-passed Proposition 57 which reduced the 1% local tax rate by 0.25% and shifted the 0.25% to Cities through property tax in-lieu received twice annually. During the unwind period the City started receiving monthly allocated payments in March of 2016, and the last Triple Flip true-up payment was received in August of 2016. Due to the change in receipt frequency, the current year comparison of actual revenues is not useful for analysis of the quarterly data. A better analysis can be obtained next year after one full year of monthly collection. For informational purposes, the total annual sales tax collection of the previous FY 2015/16 exceeded FY 2014/15 by 13.7% or \$940K.

Other key variances:

Recreation revenue was higher compared to last fiscal year due to a 100% increase in Campground revenue receipts through March 31st. Public Works revenue increased 32.4% or \$77K primarily due to an increase in Motor Pool charges. The increase in Fire department revenue of 46.7% or \$40K was due to overtime reimbursements of \$111K.

Development Services revenues were 27.7% or \$226K lower than last fiscal year. The decrease was primarily due to transfer of land coverage revenue received last fiscal year and lower TRPA MOU revenue received in the current fiscal year. Finance-Other revenue was 12.4% or \$239K lower due to timing of franchise revenue receipts. The decrease of 12.7% or \$75K in Police revenue was primarily due to higher parking/code citation fines revenue received last fiscal year.

Combined overall, the General Fund revenues were **neutral** and flat to current year budget.

FY 2016/17 General Fund Expenditures

General Fund expenditures year-to-date totaled \$15.1 million or 39.8% of the total budget at March 31st. All departments expended 50% or less of the total budgeted expense.

The overall expenses exceeded last year's first two quarters actuals by 9.6% or \$1.3 million. Notable differences compared to last fiscal year first two quarters were in Miscellaneous General Fund due to higher budgeted transfers out for Streets and Snow Removal operations and in Fire due to accounting for 3 firefighter positions in the general fund that were charged to EMS JPA account in prior fiscal year. In addition, increases in CalPERS unfunded liability payments in both Fire and Police departments, additional approved full or partial year positions (City Clerk's and Finance divisions), purchase of

computer equipment, increases in taxes and fees (property tax admin. fee, LAFCO commission share fee), vacancies in top positions in General Government, Finance and Development Services in the current or last fiscal years, and expenses for 50th anniversary and visitor promotion not incurred in the current fiscal year - all contributed to variances from last fiscal year .

Overall the General Fund expenses were **positive** and below the current year budget.

CITY COUNCIL PRIORITIES & VISION: *"We will reflect the National Treasure in which we live."*

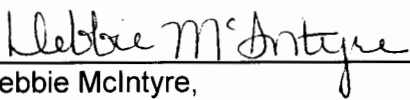
The quarterly budget and financial reporting supports the City Council goals as they relate to Fiscal Sustainability and Public Trust and Accountability.

FINANCIAL AND/OR POLICY IMPLICATIONS:

FY 2016/17 year-to-date revenues were neutral and flat to amended budget and expenses were positive and below amended budget. It is important to note that the City receives the majority of large revenues such as TOT, Business License, and Parks and Recreation fees later in the year as well as incurs additional seasonal expenditures during summer months in Recreation. The Finance Department will continue to monitor the General Fund revenues and expenditures and will bring the third quarter-to-date update to the City Council in August 2017.

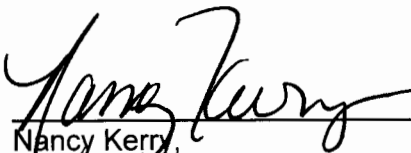
This revenue, expenditures, and budget analysis does not include adjustments for supplemental appropriations that were approved at the April 4th City Council Meeting.

By:


Debbie McIntyre,
Director of Finance


Olga Tikhomirova,
Financial Services Supervisor

Reviewed and Approved,


Nancy Kerry,
City Manager

Attachments:

1. FY 2016/17 Quarterly Budget and Financial Status Report for the Period Ending March 31, 2017.

Attachment 1

FY 2016/17

Quarterly Budget and Financial Status Report

for the Period Ending

March 31, 2017

General Fund Departmental Revenue and Expenditure Analysis

FY 2016-17 Amended Budget and Actuals as of March 31, 2017 (50% of the year elapsed; before mid-year adjustments)				Year to Date Comparison to Prior Year Actuals		
	Budget	YTD Actuals	Percent Received	Actuals Received 03/31/2016	Comparison of YTD FY 2017 Actuals to YTD FY 2016 Actuals	\$ Increase/ (Decrease)
REVENUES						
General Government <i>(Includes City Council, City Clerk, City Attorney, Risk Mgmt, City Manager, Human Resources, Communications/Marketing)</i>	\$ 31,300	\$ 29,738	95.0%	\$ 23,551	26.3%	\$ 6,187
Finance - Major Revenues						
Property Tax	7,167,093	3,935,727	54.9%	3,759,601	4.7%	176,126
Sales Tax (including Measure Q and Sales Tax Triple Flip)	7,468,000	3,496,326	46.8%	2,841,839	23.0%	654,487
Transient Occupancy Tax	8,470,717	3,556,792	42.0%	3,364,608	5.7%	192,184
Transient Occupancy Tax - Project Area	4,938,888	2,439,278	49.4%	2,402,240	1.5%	37,038
Finance - Other Revenues <i>(Includes \$1.8m Motor Vehicle License fee, \$1.4m Franchise fees; \$1.2m Business Licenses; Information Technology and other miscellaneous revenue.)</i>	5,515,017	1,684,268	30.5%	1,923,212	-12.4%	(238,944)
Miscellaneous General Fund <i>(Includes non-departmental, Transfers, and other)</i>	104,650	73,387	70.1%	128,634	-42.9%	(55,247)
Police <i>(Includes Emergency Communication System Access fees (911) \$638,000)</i>	1,336,324	517,750	38.7%	592,872	-12.7%	(75,122)
Fire	42,000	125,322	298.4%	85,406	46.7%	39,916
Public Works	441,034	314,936	71.4%	237,922	32.4%	77,014
Development Services <i>(Includes Building permit fees \$800,000)</i>	1,533,201	590,906	38.5%	817,293	-27.7%	(226,387)
Recreation	1,123,983	297,853	26.5%	178,160	67.2%	119,693
Total General Fund Revenues	\$ 38,172,207	\$ 17,062,283	44.7%	\$ 16,355,338	4.3%	\$ 706,945
EXPENSES						
General Government <i>(Includes City Council, City Clerk, City Attorney, Risk Mgmt, City Mgr, Human Resources, Communications/Marketing)</i>	\$ 2,951,133	\$ 1,091,075	37.0%	\$ 1,118,783	-2.5%	\$ (27,708)
Finance <i>(Includes Accounting, Treasury, Revenue, Information Technology)</i>	2,580,764	1,157,687	44.9%	1,016,591	13.9%	141,096
Miscellaneous General Fund <i>(Includes non-departmental, Transfers, and other)</i>	9,394,350	2,590,703	27.6%	1,980,143	30.8%	610,560
Police	9,395,133	4,341,272	46.2%	4,259,039	1.9%	82,233
Fire	5,329,223	2,687,319	50.4%	2,150,014	25.0%	537,305
Public Works	4,443,368	1,826,945	41.1%	1,947,739	-6.2%	(120,794)
Development Services	2,256,471	820,900	36.4%	701,359	17.0%	119,541
Recreation	1,497,729	551,362	36.8%	579,567	-4.9%	(28,205)
Total General Fund Expenses	\$ 37,848,171	\$ 15,067,263	39.8%	\$ 13,753,235	9.6%	\$ 1,314,028
Total Revenues		\$ (17,062,283)				
Total Expenses		\$ 15,067,263				
Net (revenues)/expenses		\$ (1,995,020)				

General Fund Revenues Performance: NEUTRAL

Total General Fund Revenues as of March 31, 2017 were \$17,062,283 which is 44.7% of the adopted budget.

General Fund Expenses Performance: POSITIVE

Total General Fund Expenses as of March 31, 2017 were \$15,067,263 which is 39.8% of the amended budget.