



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

STAFF REPORT
CITY COUNCIL MEETING OF AUGUST 15, 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
June 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 June 30, 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 three quarters of FY 2016/17 actuals to FY 2016/17 budget and to prior fiscal year 2015/16 third 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 third quarter with 75 percent of the year complete, General Fund revenues were at 74.4% of the amended budget, while expenditures were at 57.1% of appropriations. As described in more detail below, revenue performance in the three major categories (Property Tax, Sales Tax, and City TOT) was 7.0% better overall than collections during the same period last fiscal year. Other revenue collections varied. Police, Public Works, and Development Services revenues were lower compared to last fiscal year. All other departments' revenues exceeded last year's collection. On the expense side, all departments expended less than 75% of their total budget for the current fiscal year.

FY 2016/17 General Fund Revenues

General Fund revenues year-to-date totaled \$29.0 million, up 4.9% or \$1.3 million compared to prior fiscal year at June 30th. City TOT increased 5.8% or \$285K. This increase is significantly lower than the increase between the previous fiscal years' three quarters indicating that TOT revenue continues to level off. The collection for the first three quarters of 2016/17 comprised 60.3% of the total City TOT budget. The TOT revenue from the Project Area was up 7.8% or \$264K compared to last fiscal year and comprised 72.5% of the budget for this line item.

Sales Tax revenue received through June 30th was 11.8% or \$561K higher than the last year's collection for the first three quarters primarily due to the sunset of the Triple Flip in 2016. Prior to that the 1% local tax rate was reduced by 0.25% and reimbursed 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 fiscal 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 than last fiscal year due to a 60% increase in Campground revenue receipts through June 30th. Finance-Other Revenues show an increase due to higher receipts in Franchise tax and Property Tax in Lieu of MVLRF revenues through June 30th. The increase in Fire department revenue was due to receipts for overtime reimbursements offset by a reduction in transfers-in from the EMS JPA fund not received this fiscal year due to the dissolution of JPA in summer of 2016.

Development Services revenues were 16.6% or \$210K 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. The decrease of 13.2% or \$127K in Police revenue was due to a reduction in various police revenue categories in the current fiscal year such as fines, reimbursements, and contributions and donations.

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 \$27.2 million or 57.1% of the total budget at June 30th. All departments expended less than 75% of the total budgeted expense.

The low expenditures in the Miscellaneous General Fund category are attributed to budgeted and not completed transfers out for the Knight Inn project. The budget item was added with mid-year adjustments to provide means for appropriations from the General Fund's available fund balance for the purchase of the property and other costs. The cost will be partially recovered from the sale of the property with the remaining portion capitalized when the SEZ part of the project is completed in future years.

The total expenditures in this category were 45.3% or \$5.9 million lower compared to last fiscal year, which is partially attributed to the timing of transfers out to Debt service fund and higher transfers out for recurring Capital Projects in prior fiscal year.

One of the major reasons for an increase in all departmental expenditures compared to last fiscal year is an extra bi-weekly payroll that fell within the 9-months period amounting to approximately \$850K. Other contributors for variances include accounting for 3 firefighter positions in the general fund that were charged to EMS JPA account in prior fiscal year, increases in CalPERS unfunded liability payments in both Fire and Police departments, additional approved full or partial year positions, purchase of computer equipment, increases in taxes and fees (property tax admin. fee, LAFCO commission share fee), timing of payments (PAR\$AC liability insurance annual premium), 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.

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.

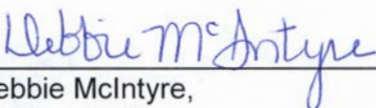
(continued)

FINANCIAL AND/OR POLICY IMPLICATIONS:


This revenue, expenditures, and budget analysis includes adjustments for supplemental appropriations approved by the City Council during the year as well as mid-year adjustments.

FY 2016/17 year-to-date revenues were neutral and flat to amended budget and expenses were positive and below amended budget. The Financial Services division will continue to monitor the General Fund revenues and expenditures and will bring the preliminary year-end results to the City Council in December 2017.

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 June 30, 2017.

Attachment 1

FY 2016/17

Quarterly Budget and Financial Status Report

for the Period Ending

June 30, 2017

General Fund Departmental Revenue and Expenditure Analysis

FY 2016-17 Amended Budget and Actuals as of June 30, 2017 (75% of the year elapsed; before mid-year adjustments)				Year to Date Comparison to Prior Year Actuals		
	Budget	YTD Actuals	Percent Received	Actuals Received 06/30/2016	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	\$ 42,204	134.8%	\$ 35,644	18.4%	\$ 6,560
Finance - Major Revenues						
Property Tax	7,367,093	6,971,027	94.6%	6,672,601	4.5%	298,426
Sales Tax (including Measure Q and Sales Tax Triple Flip)	7,593,000	5,302,486	69.8%	4,741,160	11.8%	561,326
Transient Occupancy Tax	8,595,717	5,180,495	60.3%	4,895,044	5.8%	285,451
Transient Occupancy Tax - Project Area	5,063,888	3,669,433	72.5%	3,405,392	7.8%	264,041
Finance - Other Revenues <i>(Includes \$1.8m Motor Vehicle License fee, \$1.4m Franchise fees; \$1.2m Business Licenses; Information Technolog and other miscellaneous revenue.)</i>	5,514,058	4,525,215	82.1%	4,449,415	1.7%	75,800
Miscellaneous General Fund <i>(Includes non-departmental, Transfers, and other)</i>	229,956	179,238	77.9%	171,184	4.7%	8,054
Police <i>(Includes Emergency Communication System Access fees (911) \$638,000)</i>	1,346,994	836,136	62.1%	962,866	-13.2%	(126,730)
Fire	42,000	128,093	305.0%	93,414	37.1%	34,679
Public Works	441,034	374,354	84.9%	379,583	-1.4%	(5,229)
Development Services <i>(Includes Building permit fees \$966,000)</i>	1,533,201	1,055,551	68.8%	1,265,119	-16.6%	(209,568)
Recreation	1,135,483	687,600	60.6%	532,966	29.0%	154,634
Total General Fund Revenues	\$ 38,893,724	\$ 28,951,832	74.4%	\$ 27,604,388	4.9%	\$ 1,347,444
EXPENSES						
	Budget	YTD Actuals	Percent Expended	Actuals Received 06/30/2016	Comparison of YTD FY 2017 Actuals to YTD FY 2016 Actuals	\$ Increase/ (Decrease)
General Government <i>(Includes City Council, City Clerk, City Attorney, Risk Mgmt, City Mgr, Human Resources, Communications/Marketing)</i>	\$ 3,063,974	\$ 2,063,594	67.4%	\$ 1,659,471	24.4%	\$ 404,123
Finance <i>(Includes Accounting, Treasury, Revenue, Information Technology)</i>	2,648,215	1,823,693	68.9%	1,571,597	16.0%	252,096
Miscellaneous General Fund <i>(Includes non-departmental, Transfers, and other)</i>	18,285,836	7,083,021	38.7%	12,959,170	-45.3%	(5,876,149)
Police	9,497,104	6,807,600	71.7%	6,282,037	8.4%	525,563
Fire	5,654,250	4,151,573	73.4%	3,293,805	26.0%	857,768
Public Works	4,645,497	3,006,360	64.7%	3,004,303	0.1%	2,057
Development Services	2,278,408	1,285,867	56.4%	1,008,958	27.4%	276,909
Recreation	1,469,938	939,125	63.9%	890,127	5.5%	48,998
Total General Fund Expenses	\$ 47,543,222	\$ 27,160,833	57.1%	\$ 30,669,468	-11.4%	\$ (3,508,635)
Total Revenues		\$ (28,951,832)				
Total Expenses		\$ 27,160,833				
Net (revenues)/expenses		\$ (1,790,999)				

General Fund Revenues Performance: NEUTRAL

Total General Fund Revenues as of June 30, 2017 were \$28,951,832 which is 74.4% of the adopted budget.

General Fund Expenses Performance: POSITIVE

Total General Fund Expenses as of June 30, 2017 were \$27,160,833 which is 57.1% of the amended budget.