



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

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STAFF REPORT
CITY COUNCIL MEETING OF JUNE 5, 2018

TO: Jeff Meston, Acting City Manager

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

RE: Fiscal Year 2017/18 Quarter End Financial Status Report as of
March 2018

RECOMMENDATION:

Receive Report

BACKGROUND:

The Finance Department 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 2017/18 *Quarterly Budget and Financial Status Report for Period Ending March 31, 2018*", 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 2017/18 actuals to FY 2017/18 budget and to prior fiscal year 2016/17 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 43.3% of the amended budget, while expenditures were at 41.9% of appropriations. As described in more detail below, revenue performance in the two out of three major categories (Property Tax and Sales Tax) was 6.3% better overall than collections during the same period last fiscal year. The overall TOT revenue was 4.6% lower than last year. Finance-Other, Miscellaneous General Fund, and Recreation revenues exceeded last year's collection. Other revenue collections were lower than last fiscal year to date. Expenditures by department varied compared to last fiscal year, but overall were below 50% threshold for the 6 out of 12 months period.

FY 2017/18 General Fund Revenues

General Fund revenues year-to-date totaled \$17.2 million, up 1.0% or \$0.2 million compared to prior fiscal year at March 31st. Sales tax revenue exceeded previous fiscal year collection by \$171K or 4.9%. Property Tax revenue remained unchanged from the previous quarter; the next semi-annual Property tax payment received in early May will be reflected in the next quarterly report. City TOT decreased 6.1% or \$216K. The TOT revenue from the Project Area decreased 2.4% or \$57K compared to last fiscal year. This is the first year of a continued quarterly decline of the TOT revenue in several years. With an average 5% decline, the TOT revenue is still expected to meet budget projections for this fiscal year.

Other key variances:

Finance-Other revenues show an increase of \$122K primarily due to higher Property Tax in Lieu of MVLFF revenue and delinquent business license collections partially offset by lower current year collections. Miscellaneous General Fund revenue increase is primarily attributed to one-time revenue from the California Office of Emergency Services (Cal OES). Fire department revenue through March 31st was 76.7% or \$96K lower due to higher overtime reimbursements last year. Public Works and Development Services revenues were 23.7% or \$75K and 16.1% or \$95K respectively lower than last fiscal year due to lower encroachment permits, building fees, and fire prevention special inspection fees revenues. Recreation revenues continue to show a positive trend resulting from an increase in Campground receipts. The increase is attributed to the new reservation system and fee collection policy implemented in November 2017.

Other variances were due to timing of recording of revenue items or transfers in, or were not substantial and will be subject to better comparative analysis in the next two quarters.

Combined overall, the General Fund revenues for the second quarter of FY 2017/18 were **neutral** and flat to current year budget.

FY 2017/18 General Fund Expenditures

General Fund expenditures year-to-date totaled \$16.4 million or 41.9% of the total budget at March 31st. Majority of the departments expended less than 50% of the budget allocated to the first two quarters. General Government and Fire department's expenditures were at 52.1% and 51.0% of their budget respectively and were due to high legal cost in City Attorney's office and City Manager's payouts for General Government, and high overtime cost to date in Fire department due to Napa and Southern California wildfires in the beginning of the fiscal year. Reimbursements of \$130K were received from Cal OES after the date of this report.

The overall expenses exceeded last year's first two quarters actuals by 8.8% or \$1.3 million. Notable differences were in General Government (an increase of 38.1% or \$415K) due to higher legal contract cost and City Manager payouts; Finance (a decrease of 13.6% of \$158K) due to departmental reorg completed in January 2017 and lower capital outlay expenditures; Miscellaneous General Fund (a 23.6% or \$610K increase) due to implementation of CalPERS unfunded liability payments for

Miscellaneous employees group; Police (an increase of 4.3% of \$188K) and Fire (an increase of 10.0% or \$269K) due to increases in CalPERS unfunded liability in both departments, and in overtime and professional services expense line items in Fire.

Other variances in expenditures were due to timing, salary increases, vacancies in the current or last fiscal year, and changes in budgeted expenditures.

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."*

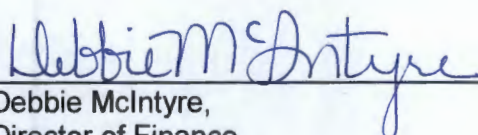
The quarterly budget and financial reporting supports the City Council goals as they relate to strategic priority Fiscal Stability providing a periodic update on actual revenues and expenses vs. budgeted revenues and expenses.


FINANCIAL AND/OR POLICY IMPLICATIONS:

FY 2017/18 year-to-date revenues were neutral and flat to amended budget and expenses were positive and below amended budget. It is important to remember 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 update to the City Council in August 2017.

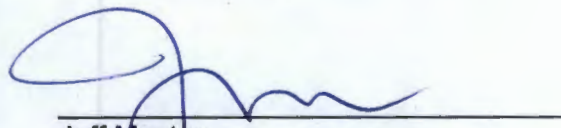
This revenue, expenditures, and budget analysis does not include mid-year adjustments for supplemental appropriations that were approved at the April 3rd City Council meeting.

By:


Debbie McIntyre,
Director of Finance


Olga Tikhomirova,
Financial Services Supervisor

Reviewed and Approved,


Jeff Meston,
Acting City Manager

Attachments:

1. FY 2017/18 Quarterly Budget and Financial Status Report for the Period Ending March 31, 2018.

Attachment 1

FY 2017/18

Quarterly Budget and Financial Status Report

for the Period Ending

March 31, 2018

General Fund Departmental Revenue and Expenditure Analysis

FY 2017-18 Amended Budget and Actuals as of March 31, 2018 (50% of the year elapsed)				Year to Date Comparison to Prior Year Actuals		
REVENUES	Budget ⁽¹⁾	YTD Actuals	Percent Received	Actuals Received 03/31/2017	Comparison of YTD FY 2018 Actuals to YTD FY 2017 Actuals	\$ Increase/ (Decrease)
General Government <i>(Includes City Council, City Clerk, City Attorney, Risk Mgmt, City Manager, Human Resources, Communications/Marketing)</i>	\$ 31,764	\$ 1,406	4.4%	\$ 29,738	-95.3%	\$ (28,332)
Finance - Major Revenues						
Property Tax	7,317,000	4,230,974	57.8%	3,935,727	7.5%	295,247
Sales Tax (including Measure Q)	7,953,000	3,667,183	46.1%	3,496,326	4.9%	170,857
Transient Occupancy Tax	8,873,800	3,340,548	37.6%	3,556,792	-6.1%	(216,244)
Transient Occupancy Tax - Project Area	5,200,000	2,381,787	45.8%	2,439,278	-2.4%	(57,491)
Finance - Other Revenues <i>(Includes \$1.9m Motor Vehicle License fee, \$1.4m Franchise fees; \$1.3m Business Licenses; Information Technology and other miscellaneous revenue.)</i>	5,721,808	1,805,677	31.6%	1,683,668	7.2%	122,009
Miscellaneous General Fund <i>(Includes non-departmental, Transfers, and other)</i>	105,400	181,262	172.0%	73,387	147.0%	107,875
Police <i>(Includes Emergency Communication System Access fees (911) \$638,000)</i>	1,358,105	489,452	36.0%	505,250	-3.1%	(15,798)
Fire	37,500	29,203	77.9%	125,322	-76.7%	(96,119)
Public Works	501,834	240,248	47.9%	314,936	-23.7%	(74,688)
Development Services <i>(Includes Building permit fees \$1,000,000)</i>	1,517,201	495,473	32.7%	590,706	-16.1%	(95,233)
Recreation	1,105,709	352,834	31.9%	296,023	19.2%	56,811
Total General Fund Revenues	\$ 39,723,121	\$ 17,216,047	43.3%	\$ 17,047,153	1.0%	\$ 168,894
EXPENSES	Budget ⁽¹⁾	YTD Actuals	Percent Expended	Actuals Expended 03/31/2017	Comparison of YTD FY 2018 Actuals to YTD FY 2017 Actuals	\$ Increase/ (Decrease)
General Government <i>(Includes City Council, City Clerk, City Attorney, Risk Mgmt, City Mgr, Human Resources, Communications/Marketing)</i>	\$ 2,892,562	\$ 1,506,440	52.1%	\$ 1,091,075	38.1%	\$ 415,365
Finance <i>(Includes Accounting, Treasury, Revenue, Information Technology)</i>	2,331,554	999,835	42.9%	1,157,687	-13.6%	(157,852)
Miscellaneous General Fund <i>(Includes non-departmental, Transfers, and other)</i>	10,898,465	3,201,040	29.4%	2,590,703	23.6%	610,337
Police	9,384,562	4,529,589	48.3%	4,341,272	4.3%	188,317
Fire	5,796,136	2,956,304	51.0%	2,687,319	10.0%	268,985
Public Works	4,604,050	1,937,335	42.1%	1,826,945	6.0%	110,390
Development Services	1,831,398	765,462	41.8%	820,900	-6.8%	(55,438)
Recreation	1,433,632	499,769	34.9%	551,362	-9.4%	(51,593)
Total General Fund Expenses	\$ 39,172,359	\$ 16,395,774	41.9%	\$ 15,067,263	8.8%	\$ 1,328,511
Total Revenues		\$ (17,216,047)				
Total Expenses		\$ 16,395,774				
Net (revenues)/expenses		\$ (820,273)				

General Fund Revenues Performance: NEUTRAL

Total General Fund Revenues as of March 31, 2018 were \$17,216,047 which is 43.3% of the amended budget.

General Fund Expenses Performance: POSITIVE

Total General Fund Expenses as of March 31, 2018 were \$16,395,774 which is 41.9% of the amended budget.

⁽¹⁾ Does not include mid-year adjustments.