



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

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STAFF REPORT
CITY COUNCIL MEETING OF AUGUST 21, 2018

TO: Dirk Brazil, Interim 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
June 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 June 30, 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 three quarters FY 2017/18 actuals to FY 2017/18 budget and to prior fiscal year 2016/17 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 72.7% of the amended budget, while expenditures were at 69.6% of appropriations. As described in more detail below, revenue performance in the two out of three major categories (Property Tax and Sales Tax) was 6.0% better overall than collections during the same period last fiscal year. The overall TOT revenue was 0.7% lower than last year. All other departmental and non-departmental revenues, with the exception of General Government and Public Works, exceeded last year's collection. Expenditures by department varied compared to last fiscal year, but overall were below 75% threshold for the 9 out of 12 months period.

FY 2017/18 General Fund Revenues

General Fund revenues year-to-date totaled \$30.3 million, up 4.4% or \$1.3 million compared to prior fiscal year at June 30th. Property Tax revenue received through June 30, 2018 (before clean-up payment) increased from the previous fiscal year for the same time frame by 8.2% or \$572K. Sales tax revenue exceeded previous fiscal year collection by \$165K or 3.1%. City TOT decreased 0.6% or \$31K. The TOT revenue from the Project Area decreased 0.9% or \$32K compared to last fiscal year. This is the first year of a continued quarterly decline of the TOT revenue in several years. Even with a continued 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 \$385K due to higher Property Tax in Lieu of MVLF and interest revenues. Miscellaneous General Fund revenue increase of \$53K is primarily attributed to one-time revenue from the California Office of Emergency Services (Cal OES). Police and Fire departments' revenue through June 30th was 7.8% (\$65K) and 41.6% (\$53K) higher, respectively, than last year. These increases were spread across all revenue items for these two departments. Developments Services and Recreation revenue increases of 7.6% (\$80K) and 7.2% (\$49K) respectively were attributed to increases in Planning Fees and Campground revenues. A decrease of 8.8% or \$35K in Public Works revenue is due to lower encroachment permits and service charges revenues. Another revenue decrease of 92.6% of \$39K, in General Government, is attributed to legal fees and charges revenue received last year.

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

FY 2017/18 General Fund Expenditures

General Fund expenditures year-to-date totaled \$31.9 million or 69.6% of the total budget at June 30th. All departments expended 75% or less of the total budgeted expenditures.

Compared to last year, the notable increases were in General Government, Miscellaneous General Fund, Police, and Fire. An increase of 29.2%, or \$604K, in General Government was due to increases in legal contract expenditures, insurance cost, and City Manager payouts. An increase of 52.2%, or \$3.7 million, in Miscellaneous General Fund was due to implementation of CalPERS unfunded liability payments for Miscellaneous employee group and increases in transfers out to other funds mostly caused by timing of transfers recordation. Increases in Police and Fire expenditures were attributed to increases in CalPERS unfunded liability and employee salaries and benefits for both departments. Other variances in expenditures were due to timing, salary and benefit 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."*

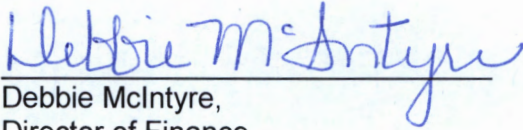
The quarterly budget and financial reporting supports the City Council goals as they relate to strategic priority Fiscal Stability providing a periodic update on actual revenues and expenses vs. budgeted revenues and expenses.

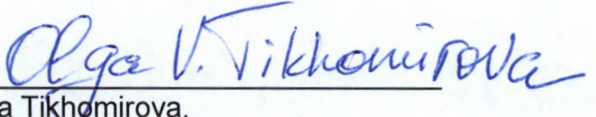
FINANCIAL AND/OR POLICY IMPLICATIONS:

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 2017/18 year-to-date revenues were neutral and flat to amended budget and expenses were positive and below amended budget. The Finance Department will continue to monitor the General Fund revenues and expenditures and will bring the preliminary year-end results to the City Council in December 2018.

By:


Debbie McIntyre,
Director of Finance


Olga Tikhomirova,
Financial Services Supervisor

Reviewed and Approved,


Dirk Brazil,
Interim City Manager

Attachments:

1. FY 2017/18 Quarterly Budget and Financial Status Report for the Period Ending June 30, 2018.

Attachment 1

FY 2017/18

Quarterly Budget and Financial Status Report

for the Period Ending

June 30, 2018

General Fund Departmental Revenue and Expenditure Analysis

FY 2017-18 Amended Budget and Actuals as of June 30, 2018 (75% of the year elapsed)				Year to Date Comparison to Prior Year Actuals		
REVENUES	Budget ⁽¹⁾	YTD Actuals	Percent Received	Actuals Received 06/30/2017	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>	\$ 1,764	\$ 3,129	177.4%	\$ 42,204	-92.6%	\$ (39,075)
Finance - Major Revenues						
Property Tax	7,617,000	7,543,259	99.0%	6,971,027	8.2%	572,232
Sales Tax (including Measure Q)	7,953,000	5,467,191	68.7%	5,302,486	3.1%	164,705
Transient Occupancy Tax	9,789,800	5,149,980	52.7%	5,180,495	-0.6%	(30,515)
Transient Occupancy Tax - Project Area	5,600,000	3,637,735	65.0%	3,669,433	-0.9%	(31,698)
Finance - Other Revenues <i>(Includes \$1.9m Motor Vehicle License fee, \$1.4m Franchise fees; \$1.3m Business Licenses; Information Technolog and other miscellaneous revenue.)</i>	5,855,500	4,910,508	83.9%	4,525,311	8.5%	385,197
Miscellaneous General Fund <i>(Includes non-departmental, Transfers, and other)</i>	230,921	232,604	100.7%	179,238	29.8%	53,366
Police <i>(Includes Emergency Communication System Access fees (911) \$638,000)</i>	1,311,875	901,387	68.7%	836,136	7.8%	65,251
Fire	137,500	181,343	131.9%	128,093	41.6%	53,250
Public Works	501,834	358,875	71.5%	393,369	-8.8%	(34,694)
Development Services <i>(Includes Building permit fees \$1,000,000)</i>	1,517,201	1,139,156	75.1%	1,058,907	7.6%	80,249
Recreation	1,105,709	736,886	66.6%	687,600	7.2%	49,286
Total General Fund Revenues	\$ 41,601,904	\$ 30,261,853	72.7%	\$ 28,974,299	4.4%	\$ 1,287,554
EXPENSES	Budget ⁽¹⁾	YTD Actuals	Percent Expended	Actuals Expended 06/30/2017	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>	\$ 3,555,444	\$ 2,667,195	75.0%	\$ 2,063,594	29.2%	\$ 603,601
Finance <i>(Includes Accounting, Treasury, Revenue, Information Technology)</i>	2,416,936	1,526,498	63.2%	1,823,693	-18.3%	(297,195)
Miscellaneous General Fund <i>(Includes non-departmental, Transfers, and other)</i>	15,227,017	10,777,914	70.8%	7,083,021	52.2%	3,694,893
Police	9,972,358	7,071,595	70.9%	6,807,600	3.9%	263,995
Fire	6,506,721	4,551,090	69.9%	4,151,573	9.6%	399,517
Public Works	4,866,161	3,127,311	64.3%	3,056,137	2.3%	71,174
Development Services	1,835,898	1,268,567	69.1%	1,285,867	-1.3%	(17,300)
Recreation	1,428,632	875,520	61.3%	939,125	-6.8%	(63,605)
Total General Fund Expenses	\$ 45,809,167	\$ 31,865,690	69.6%	\$ 27,210,610	17.1%	\$ 4,655,080
Total Revenues		\$ (30,261,853)				
Total Expenses		\$ 31,865,690				
Net (revenues)/expenses		\$ 1,803,837				

General Fund Revenues Performance: NEUTRAL

Total General Fund Revenues as of June 30, 2018 were \$30,261,853 which is 72.7% of the amended budget.

General Fund Expenses Performance: POSITIVE

Total General Fund Expenses as of June 30, 2018 were \$31,865,690 which is 69.6% of the amended budget.

⁽¹⁾ Includes mid-year adjustments