



## City of South Lake Tahoe

*"making a positive difference now"*

### STAFF REPORT CITY COUNCIL MEETING OF MARCH 7, 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  
December 2016

#### **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 December 31, 2016*", 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 quarter FY 2016/17 actuals to FY 2016/17 budget and to prior fiscal year 2015/16 first quarter 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 first quarter with 25 percent of the year complete, General Fund revenues were at 23.9% of the amended budget, while expenditures were at 20.9% of appropriations. As described in more detail below, revenue performance in the three major categories (Property Tax, Sales Tax, and City TOT) was 10.2% better overall than collections during the same period last fiscal year. Other revenue collections varied. Development Services, Police, Other-Finance, and General Government revenues were lower compared to last fiscal year. Miscellaneous General Fund, Public Works, Fire, and Recreation revenues were higher than last fiscal year. On the expense

side, all departments expended less than 25% of their total budget for the current fiscal year with the exception of the Fire department.

### FY 2016/17 General Fund Revenues

General Fund revenues year-to-date totaled \$9.1 million, up 6.2% or about \$529K compared to the first quarter of the prior fiscal year. The first installment of Property Tax was 5.7% above last year's which is slightly less than the increase in the previous fiscal year's first quarter compared to FY 2014/15. City TOT increased 2.5% or \$17K. This increase is significantly lower than the increase between the previous two fiscal years' first quarters indicating that TOT revenue is leveling off and perhaps reaching the growth ceiling. The TOT revenue from the Project Area was up 9.5% or \$61K compared to last fiscal year.

Sales Tax revenue received through December 31<sup>st</sup> was 27.4% or \$357K higher than the last year's first quarter collection. 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:*

Development Services revenues were 22.9% or \$106K lower than last fiscal year but on par with budget. The decrease was primarily due to transfer of land coverage revenue received last fiscal year. The decrease of 31.4% or \$82K in Police revenue was primarily due to state grant funding recorded last fiscal year for reimbursements received toward FY 2014/15.

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

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 \$7.9 million or 20.9% of the total budget at December 31<sup>st</sup>. All departments expended less than 25% of the budget allocated to the first quarter with the exception of the Fire department.

The overall expenses exceeded last year's first quarter actuals by 24.8% or \$1.6 million. Of this amount, approximately \$700K or 16.4% can be attributed to one additional bi-weekly payroll that fell within the three-month period covered in this report. Other

notable increases compared to the last fiscal year first quarter were due to budgeted increases in transfers out for Streets and Snow Removal operations in Miscellaneous General Fund category (\$454K), accounting for 3 firefighter positions in the general fund that were charged to EMS JPA account in prior fiscal year in the Fire department (approximately \$104K), increases in CalPERS unfunded liability payments in both Fire and Police departments (\$53K), retirement payouts in Fire and Finance (\$104K), additional approved full or partial year positions (City Clerk's and Finance divisions), purchase of computer equipment (\$76K), increases in taxes and fees (\$37K, property tax admin. fee, LAFCO commission share fee), and other, offset by vacancies in top positions in General Government and Finance (\$140K), expenses for 50<sup>th</sup> anniversary(\$34K) and visitor promotion (\$24K) not incurred in the current fiscal year.

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

**FINANCIAL AND/OR POLICY IMPLICATIONS:**

FY 2016/17 first quarter 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 next quarter update to the City Council reflecting the results of the first two quarters.

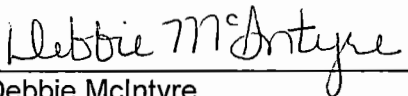
This revenue, expenditures, and budget analysis does not include adjustments for supplemental appropriations that are currently being finalized by the departments. Mid-year adjustments are scheduled to be presented at the March 21<sup>st</sup> City Council Meeting.

(continued)

**CITY COUNCIL WORKPLAN:**


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

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 December 31, 2016.

# **Attachment 1**

**FY 2016/17**

**Quarterly Budget and Financial Status Report**

**for the Period Ending**

**December 31, 2016**

## General Fund Departmental Revenue and Expenditure Analysis

FY 2016-17 Amended Budget and Actuals as of December 31, 2016 (25% of the Year Elapsed)				Year to Date Comparison to Prior Year Actuals		
REVENUES	Budget	YTD Actuals	Percent Received	Actuals Received 12/31/2015	Comparison of YTD FY 2017 Actuals to YTD FY 2016 Actuals	\$ Increase/ (Decrease)
<b>General Government</b> <i>(Includes City Council, City Clerk, City Attorney, Risk Mgmt, City Manager, Human Resources, Communications/Marketing)</i>	\$ 31,300	\$ 3,627	11.6%	\$ 7,968	-54.5%	\$ (4,341)
<b>Finance - Major Revenues</b>						
Property Tax	7,167,093	3,973,758	55.4%	3,759,601	5.7%	214,157
Sales Tax (including Measure Q and Sales Tax Triple Flip)	7,468,000	1,660,514	22.2%	1,303,176	27.4%	357,338
Transient Occupancy Tax	8,470,717	710,331	8.4%	693,127	2.5%	17,204
Transient Occupancy Tax - Project Area	4,938,888	705,400	14.3%	644,461	9.5%	60,939
<b>Finance - Other Revenues</b> <i>(Includes \$1.8m Motor Vehicle License fee, \$1.4m Franchise fees; \$1.2m Business Licenses; Information Technolog and other miscellaneous revenue.)</i>	5,515,017	1,225,010	22.2%	1,241,328	-1.3%	(16,318)
<b>Miscellaneous General Fund</b> <i>(Includes non-departmental, Transfers, and other)</i>	104,650	48,397	46.2%	5,406	795.2%	42,991
<b>Police</b> <i>(Includes Emergency Communication System Access fees (911) \$638,000)</i>	1,327,635	179,637	13.5%	261,765	-31.4%	(82,128)
<b>Fire</b>	42,000	10,975	26.1%	3,499	213.7%	7,476
<b>Public Works</b>	441,034	126,804	28.8%	103,763	22.2%	23,041
<b>Development Services</b> <i>(Includes Building permit fees \$800,000)</i>	1,367,201	356,184	26.1%	461,760	-22.9%	(105,576)
<b>Recreation</b>	1,123,983	99,392	8.8%	84,917	17.0%	14,475
<b>Total General Fund Revenues</b>	<b>\$ 37,997,518</b>	<b>\$ 9,100,029</b>	<b>23.9%</b>	<b>\$ 8,570,771</b>	<b>6.2%</b>	<b>\$ 529,258</b>
EXPENSES	Budget <sup>(1)</sup>	YTD Actuals	Percent Expended	Actuals Received 12/31/2015	Comparison of YTD FY 2017 Actuals to YTD FY 2016 Actuals	\$ Increase/ (Decrease)
<b>General Government</b> <i>(Includes City Council, City Clerk, City Attorney, Risk Mgmt, City Mgr, Human Resources, Communications/Marketing)</i>	\$ 2,907,106	\$ 519,437	17.9%	\$ 510,129	1.8%	\$ 9,308
<b>Finance</b> <i>(Includes Accounting, Treasury, Revenue, Information Technology)</i>	2,687,838	648,485	24.1%	432,780	49.8%	215,705
<b>Miscellaneous General Fund</b> <i>(Includes non-departmental, Transfers, and other)</i>	9,394,350	1,403,029	14.9%	925,956	51.5%	477,073
<b>Police</b>	9,355,185	2,237,488	23.9%	1,976,543	13.2%	260,945
<b>Fire</b>	5,329,223	1,380,936	25.9%	919,002	50.3%	461,934
<b>Public Works</b>	4,443,368	952,362	21.4%	948,339	0.4%	4,023
<b>Development Services</b>	2,056,242	421,184	20.5%	323,089	30.4%	98,095
<b>Recreation</b>	1,497,729	298,006	19.9%	260,976	14.2%	37,030
<b>Total General Fund Expenses</b>	<b>\$ 37,671,041</b>	<b>\$ 7,860,927</b>	<b>20.9%</b>	<b>\$ 6,296,814</b>	<b>24.8%</b>	<b>\$ 1,564,113</b>
<b>Total Revenues</b>		<b>\$ (9,100,029)</b>				
<b>Total Expenses</b>		<b>\$ 7,860,927</b>				
<b>Net (revenues)/expenses</b>		<b>\$ (1,239,102)</b>				

**General Fund Revenues Performance: NEUTRAL**

Total General Fund Revenues as of December 31, 2016 were \$9,100,029 which is 23.9% of the adopted budget.

**General Fund Expenses Performance: POSITIVE**

Total General Fund Expenses as of December 31, 2016 were \$7,860,927 which is 20.9% of the amended budget.