



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

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STAFF REPORT
CITY COUNCIL MEETING OF DECEMBER 12, 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
September 2017

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 2016/17 *Quarterly Budget and Financial Status Report for Period Ending September 30, 2017*" covers the entire 2016/17 fiscal year period ending September 30, 2017. In an effort to provide an opportunity to evaluate the City's fiscal health, the report provides comparative information to the prior fiscal year 2015/16. The following section summarizes General Fund operating revenues and operating expenditures (unaudited figures) and provides an analysis of any significant variances.

ISSUE AND DISCUSSION:

At the end of the fourth quarter with 100 percent of the year complete, General Fund revenues were at 111.6% of the amended budget, while expenditures were at 88.3% of appropriations. As described in more detail below, revenue performance in the three major categories (Property Tax, Sales Tax, and City TOT) was 4.68% better overall than collections during the same period last fiscal year. Other revenue collections varied. Miscellaneous General Fund, Police, Fire, and Development Services revenues were lower compared to last fiscal year. Finance-Other, Public Works, and Recreation revenues exceeded last year's collection. On the expense side, all departments expended less than their total budget for the current fiscal year. The overall expenditures were 7.4% higher than for the same period last fiscal year.

FY 2016/17 General Fund Revenues

General Fund revenues totaled \$43.4 million for the fiscal year (unaudited), up \$1.3 million or 3.1% compared to the prior fiscal year.

Property tax revenue received through September 30, 2017 increased from the previous fiscal year for the same time frame by \$372K or 5.4%. Actual property tax receipts were on target, marginally below the budgeted figures.

Sales tax revenue received through September 30, 2017 exceeded previous fiscal year collection by \$168K or 2.2%. Total Sales tax revenue collection for fiscal year 2016/17 exceeded budget by 4.9%.

City TOT revenue was up 6.2% or approximately \$600K compared to the prior fiscal year. City TOT revenue exceeded budgeted amount by 20.1% or \$1.7 million. The TOT revenue from the Project Area was up 7.7% or \$450K compared to last fiscal year and \$1.2 million above the budgeted amount.

Other key variances:

Finance-Other revenues show an increase of \$268K due to higher receipts in Franchise tax and Property Tax in Lieu of MVLFF as well as higher interest earnings compared to last fiscal year.

Miscellaneous General Fund revenues were \$238K lower than in the previous fiscal year and resulted from one-time revenues recorded last fiscal year (sale of land and reclassification of an asset account balance to the revenue account) offset by the gain from the sale of the land parcel recorded this fiscal year.

The decrease of \$317K in Police revenue was due to a reduction in various police revenue categories in the current fiscal year such as fines, reimbursements, and operating transfers in from grant accounts.

The decrease in Fire department revenue was due to the transfers-in from the EMS JPA fund last fiscal year as part of the dissolution of JPA in summer of 2016. This decrease was offset by an increase in overtime reimbursements in the current fiscal year.

Development Services revenues were \$371K lower than last fiscal year. The decrease was due to transfer of land coverage revenue received last fiscal year and lower TRPA MOU revenue received in the current fiscal year. The decrease is also attributed to lower planning and building fees collected this fiscal year.

Recreation revenue was \$254K higher than last fiscal year due to an increase in Campground revenue of \$296K offset by a decrease in Golf Course fees revenue of \$43K.

Combined overall, the General Fund revenues were **positive** and **11.6% above** amended budget for the 2016/17 fiscal year.

FY 2016/17 General Fund Expenditures

General Fund expenditures totaled \$42.2 million for the year (unaudited) or 88.3% of the total amended budget. All departments expended less than total allocated budget.

The majority of the difference between the budgeted and actual expenditures came from the Miscellaneous General Fund category and attributed to the portion of budgeted and not completed transfers out for the Knights Inn project. The budget item was added at mid-year to provide means for appropriations from the General Fund's available fund balance for the purchase of the property and other costs. The costs were partially recovered from the sale of the property with the remaining portion of commodities pending sale.

Compared to the prior fiscal year, the total expenditures in the Miscellaneous General Fund category were \$0.9 million or 6.6% higher. The increase is primarily attributed to higher budgeted transfers out for Capital Projects in the prior fiscal year such as Street Overlay (\$1.5M), Relocation of Public Works Yard (\$1.0M), and Community Play Fields (\$1.3M). The decrease in transfers out was offset by the remaining cost of purchase of Knights Inn and an increase in Miscellaneous PERS group's Unfunded Annual Liability (MISC UAL) which is accounted for under this expense category. The MISC UAL payments began effective July 1, 2017 and are part of the change started in 2015 when CalPERS modified the way it assessed Cities' pension rates. Instead of simply continuing to raise the percentage rates assessed on payroll, they reduced the percentage rates and at the same time implemented an additional flat amount due each year toward unfunded liability. For Safety groups this change took effect July 1, 2015; their payments are included under the corresponding Fire or Police General Fund account groups. The Miscellaneous group's unfunded liability is accounted as a one lump sum amount under the Miscellaneous General Fund expense category instead of being split by department, which essentially lowered individual departmental expenditures.

The major increase in departmental expenditures was in the Fire department partially resulting from accounting for 3 firefighter positions in the general fund that were charged to EMS JPA special revenue account in the prior fiscal year. In both Fire and Police, the increase in expenditures also resulted from increases in CalPERS unfunded liability payments. In the Police Department, the increase was offset by savings from vacancies.

The variances in expenditures in other departmental categories were due to salary increases, additional approved full or partial year positions, purchases of computer equipment, increases in taxes and fees, vacancies in the current or last fiscal year, and expenses for 50th anniversary and visitor promotion not incurred in the current fiscal year.

Overall the General Fund expenses were **positive** and 11.7% below the current year amended 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 an update on status of 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.

Fiscal year 2016/17 preliminary, unaudited results reflect net revenue of approximately \$1.2 million which is attributed to higher than projected revenues from TOT and Sales Tax, as well as departmental expenditure savings offset by the remainder of the Knights Inn purchase costs.

By:

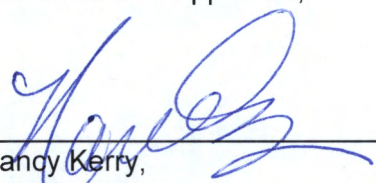


Debbie McIntyre,
Director of Finance



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 September 30, 2017.

Attachment 1

FY 2016/17

Quarterly Budget and Financial Status Report

for the Period Ending

September 30, 2017

General Fund Departmental Revenue and Expenditure Analysis

FY 2016-17 Amended Budget and Actuals as of September 30, 2017 (100% of the year elapsed)				Year to Date Comparison to Prior Year Actuals		
	Budget	YTD Actuals	Percent Received	Actuals Received 09/30/2016	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	\$ 45,924	146.7%	\$ 46,484	-1.2%	\$ (560)
Finance - Major Revenues						
Property Tax	7,367,093	7,285,775	98.9%	6,913,751	5.4%	372,024
Sales Tax (including Measure Q and Sales Tax Triple Flip)	7,593,000	7,964,273	104.9%	7,795,924	2.2%	168,349
Transient Occupancy Tax	8,595,717	10,324,568	120.1%	9,722,247	6.2%	602,321
Transient Occupancy Tax - Project Area	5,063,888	6,275,346	123.9%	5,825,251	7.7%	450,095
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>	5,514,059	6,148,424	111.5%	5,880,582	4.6%	267,842
Miscellaneous General Fund <i>(Includes non-departmental, Transfers, and other)</i>	229,956	533,327	231.9%	771,482	-30.9%	(238,155)
Police <i>(Includes Emergency Communication System Access fees (911) \$638,000)</i>	1,346,994	1,132,019	84.0%	1,449,435	-21.9%	(317,416)
Fire	42,000	147,887	352.1%	181,510	-18.5%	(33,623)
Public Works	441,034	687,986	156.0%	521,512	31.9%	166,474
Development Services <i>(Includes Building permit fees \$966,000)</i>	1,533,201	1,515,291	98.8%	1,886,234	-19.7%	(370,943)
Recreation	1,135,483	1,339,760	118.0%	1,086,204	23.3%	253,556
Total General Fund Revenues	\$ 38,893,725	\$ 43,400,579	111.6%	\$ 42,080,615	3.1%	\$ 1,319,964
EXPENSES						
General Government <i>(Includes City Council, City Clerk, City Attorney, Risk Mgmt, City Mgr, Human Resources, Communications/Marketing)</i>	\$ 3,063,974	\$ 2,840,389	92.7%	\$ 2,552,549	11.3%	\$ 287,840
Finance <i>(Includes Accounting, Treasury, Revenue, Information Technology)</i>	2,648,215	2,483,727	93.8%	2,185,280	13.7%	298,447
Miscellaneous General Fund <i>(Includes non-departmental, Transfers, and other)</i>	18,560,118	14,991,661	80.8%	14,061,720	6.6%	929,941
Police	9,497,104	8,729,592	91.9%	8,634,028	1.1%	95,564
Fire	5,654,250	5,528,398	97.8%	4,726,941	17.0%	801,457
Public Works	4,645,497	4,369,013	94.0%	4,331,895	0.9%	37,118
Development Services	2,278,408	1,834,417	80.5%	1,480,302	23.9%	354,115
Recreation	1,469,938	1,438,008	97.8%	1,325,202	8.5%	112,806
Total General Fund Expenses	\$ 47,817,504	\$ 42,215,205	88.3%	\$ 39,297,917	7.4%	\$ 2,917,288
Total Revenues		\$ (43,400,579)				
Total Expenses		\$ 42,215,205				
Net (revenues)/expenses		\$ (1,185,374)				

General Fund Revenues Performance: NEUTRAL

Total General Fund Revenues as of September 30, 2017 were \$43,400,579 which is 111.6% of the amended budget.

General Fund Expenses Performance: POSITIVE

Total General Fund Expenses as of September 30, 2017 were \$42,215,205 which is 88.3% of the amended budget.