



STAFF REPORT TO THE CITY COUNCIL

DATE: Meeting of November 13, 2018

TO: Members of the City Council

SUBMITTED BY: David Biggs, City Manager

SUBJECT: FY 2018-19 First Quarter Budget Report and Preliminary Final FY 2017-18 Budget Report

RECOMMENDED ACTION:

Receive the reports on the FY 2018-19 First Quarter Budget and the Preliminary Final FY 2017-18 Budget Report (prepared without audit).

FISCAL IMPACT OF RECOMMENDATION:

Attached are reports of Actual Revenues and Expenditures for the General Fund, Wastewater Fund and Lighting & Landscaping Funds for the First Quarter of FY 2018-19 and the Preliminary Final FY 2017-18 Report.

DISCUSSION:

We are pleased to be able to present this report of the 1st Quarter Actual Revenues and Expenditures for FY 2018-19 and the Preliminary Final Report of Revenues and Expenditures for FY 2017-18. This report is subject to change depending upon the results of the audit in progress. The audit will not be completed until December at the earliest.

The impact on the ending (unassigned) fund balance of the General Fund for FY 2017-18 is as follows:

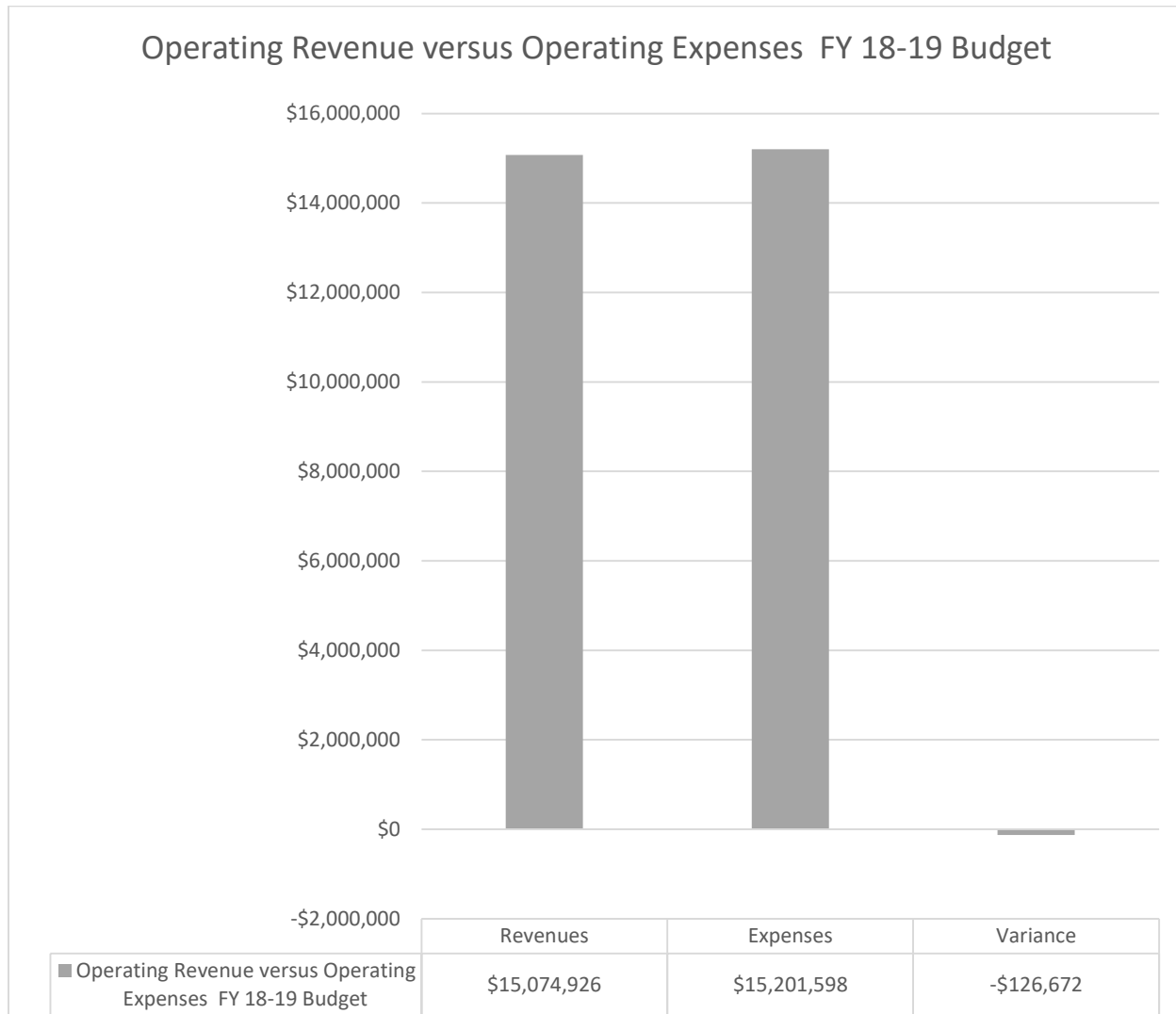
Beginning Unassigned Fund Balance (per FY 2016-17 audit)	\$9,426,610
Preliminary Revenues (FY 17-18)	\$16,021,818
Preliminary Expenditures (FY 17-18)	\$13,889,485
Preliminary Ending Fund Balance (FY 17-18)*	\$11,558,943

*(Preliminary Subject to Audit being completed)

During FY 2017-18 revenues were higher than anticipated and expenditures were lower than anticipated. This was largely due to one time revenues being higher than expected and one time expenditures being lower than expected. Staff is doing further analysis of the FY 2017-18 results and will be refining the estimation of which elements were of a one-time nature, and which are of an on-going nature.

FY 2018-19 1ST QUARTER

GENERAL FUND – Operating Budget



GENERAL FUND - Exhibit 1

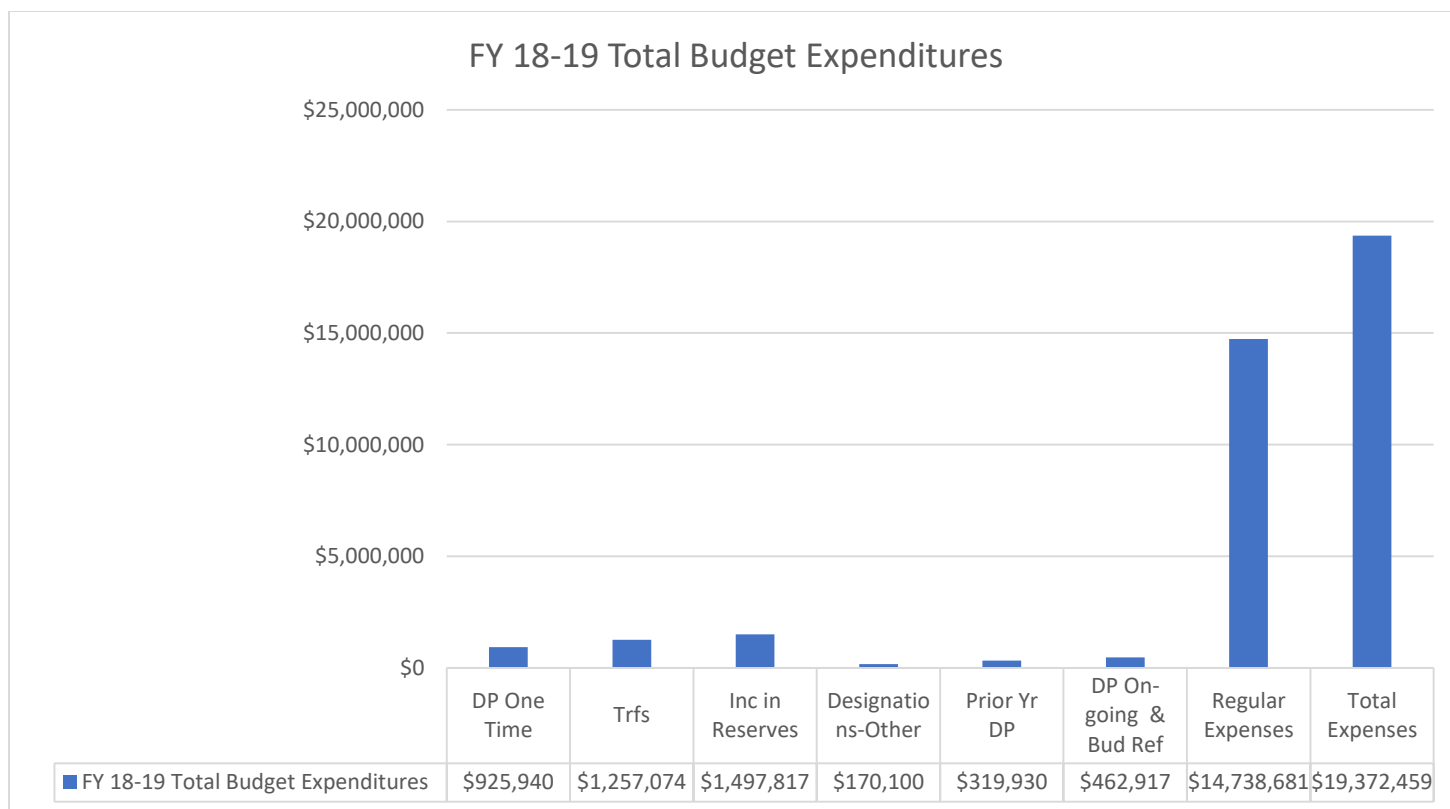
The majority of General Fund revenue comes from taxes in the following categories:

- Business License Fees
- Document Transfer Tax
- Franchise
- Property Taxes
- Transient Occupancy Tax
- Utility Users Tax

General Fund - Revenue Analysis

There is not enough information this early in the fiscal year to determine if there will be any deviation from the budget for projected revenues for FY 2018-19. In the first quarter a little more than \$2 million was received out of

the projected revenue of a little more than \$15 million. Revenues do not come in evenly throughout the fiscal year. Taxes are received in December (55%), April (40%), and June (5%) of each fiscal year. The transfers in will be completed at the fiscal year end.



General Fund - Expenditure Analysis

The Salaries and Wages in the first quarter are at about 23%, which is under 25%. Please note that the final salaries will be determined once negotiations are completed. There is not enough information this early in the first quarter to determine if the Services and Supplies expenditures will deviate from the budget. The timing of spending in these areas is not as predictable as Salaries and Wages.

WASTEWATER FUND (SEWER ENTERPRISE FUND) - Exhibit 2

Wastewater Fund - Revenue Analysis

The Charges for Services for the Sewer Enterprise Fund are received in December (55%), April (40%), and June (5%).

Wastewater Fund - Expenditure Analysis

The actual salaries and benefits for the 1st Quarter were 25% of the budget. This does not include the impact of the final salaries which will not be known until negotiations are complete. It is too early in the year to project the final expenditures for FY 2018-19.

LIGHTING & LANDSCAPING DISTRICTS - Exhibit 3

Lighting and Landscaping Districts – Expenditure Analysis

The Taxes which fund the Lighting and Landscaping Districts are received in December (55%), April (40%), and June (5%) with the property taxes. The transfers in from other sources will be processed at the fiscal year end.

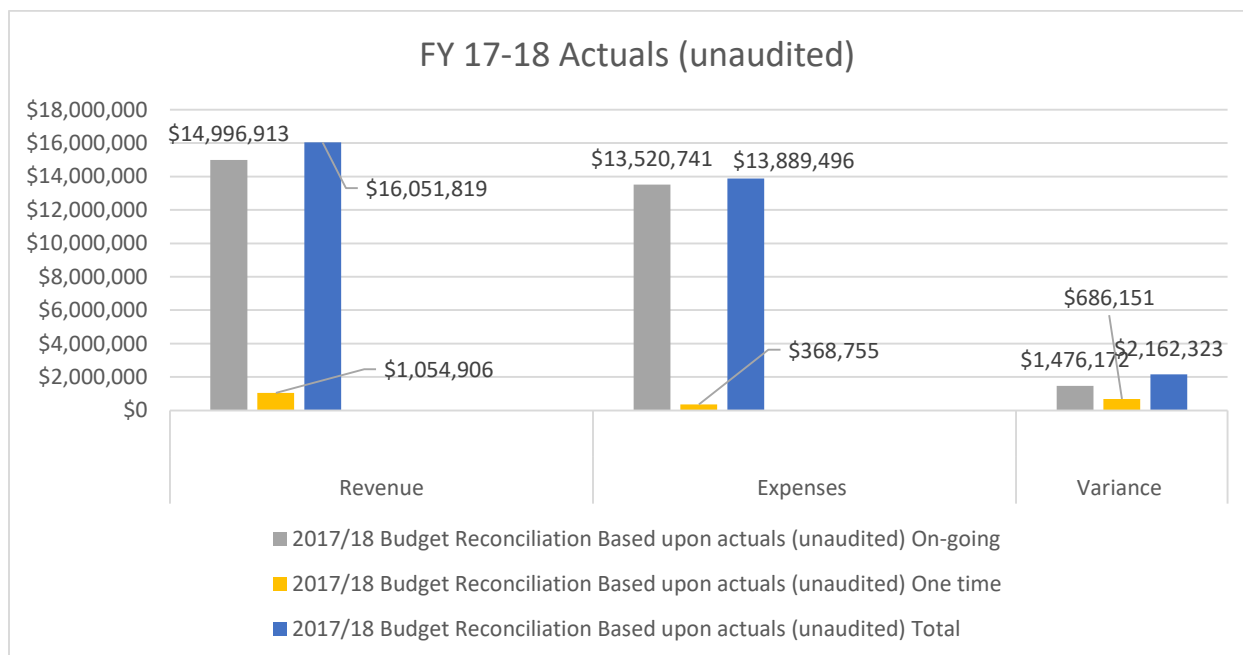
Lighting and Landscaping Districts – Expenditure Analysis

Expenditures for Salaries and Benefits are running slightly higher at 27% for the 1st Quarter this does not include the impact of the final employee 2018-19 labor agreement.

FY 2017-18 Initial Results

The Finance Department has also done an initial review of the results from 2017-2018 as summarized below.

GENERAL FUND – Exhibit 4



General Fund – Revenue Analysis

In FY 2017-18 Revenues were \$1.6 million more than budgeted. This included \$470,178 in additional revenues received for building inspection and development services from the Bayfront Project. In addition, \$198,177 more than budgeted was received for Recreational related service fees due to an increase in classes and programs. Another \$935,574.36 more than budgeted was received from Intergovernmental revenues, taxes and interest income and other such revenues.

General Fund – Expenditure Analysis

In total, expenditures were almost \$3 million less than budgeted. Of this amount \$1.8 million was due to Capital Outlay which was \$381,176.26 less than budgeted, services which were \$792,867.50 less than budgeted and transfers out for the IRS Section 115 plan of \$500,000 which was a transfer and not an expenditure. The \$123,683 balance was for the fiscal neutrality fund, which were not needed to be made.

An additional factor was the reversal of the Bio Rad Rebate accrual which was for a prior year adjustment. This reduced expenditures in the City Manager's budget by \$373,575.16. Community Development expenditures were \$176,082.73 less than budgeted due to the reconciliation of prior year's developer deposits. Legal Services were also \$220,374.93 less than budgeted for the same reason. Public Safety expenditures were under budget by \$192,662 due to salary savings resulting from vacancies.

WASTEWATER FUND (SEWER ENTERPRISE FUND) - Exhibit 5

Wastewater Fund - Revenue Analysis

The Charges for Services for the Sewer Enterprise Fund received in December (55%), April (40%), and June (5%) with the property taxes were \$528,593.01 more than budgeted due to increased development.

Wastewater Fund - Expenditure Analysis

The actual salaries and benefits were \$21,533 more than budgeted. The budget for Capital Outlay at \$17,153,375, this was \$7,311,433.67 less than actually spent. Water Treatment Plant Operational Services were \$1,728,556.72 less than budgeted due to over estimating operational expenses.

LIGHTING & LANDSCAPING DISTRICTS - Exhibit 6

Lighting and Landscaping Districts – Revenue Analysis

The Taxes which fund the Lighting and Landscaping Districts are received in December (55%), April (40%), and June (5%) with the property taxes. Revenues were \$91,546.22 more than budgeted, mostly due to increased assessments in Fund 220 Citywide Lighting and Landscaping District.

Lighting and Landscaping Districts – Expenditure Analysis

The Lighting and Landscaping District expenditures were \$548,048.55 less than budgeted. Most of this was due to Capital Expenditures and Contract Services. The \$408,688.54 Refugio Pavement Project and \$77,696.61 in Contract Services were not completed in FY 2017-18.