

REPORT TO THE CITY COUNCIL



DATE: February 21, 2017

TITLE: Mid-Year Financial Review and Budget Adjustments

Prepared by: Joseph Tanner, Administrative Services Director

RECOMMENDATION

Authorize the City Manager to increase the budget by \$325,000 for the Fiscal Year 2016-2017 budget.

DISCUSSION

It is routine that City operates in a deficit for the first half of the year with expenses exceeding revenues. The City's fiscal year requires working capital of approximately \$2 million dollars. Most of the City's major revenue sources, property tax, sales tax, vehicle license fees come in during the second half of the fiscal year. The City has come to the point in the fiscal year where revenues have caught up with expenses. Revenue sources that make up the bulk of the City's income, such as, Property taxes, a majority of sales tax, Vehicle License Fees and Franchise Fees begin to funnel in by January.

As of March 1, 2017, the City has received \$8.35M in revenues and spent \$8.18M in the consolidated General Fund (Funds 001, 211 & 245).

Year-to-Date Income

Revenues	\$8,349,466
Expenses	<u>\$8,186,234</u>
Total Net Gain	\$163,232

Cash Position

The City's balance sheet, which is a snapshot in time, shows that the City has a current cash and investment balance of \$6,747,000 which is an increase of \$1,584,593 from the same point in time as last year. The current cash balance is almost half of the current budget. The City current fund balance, fund balance includes cash, other assets and liabilities, is \$6.272M.

Cash to Budgeted Expenditures Ratio

\$6.7M / \$15.3M = 43%

Fund Balance to Budgeted Expenditures Ratio

\$6.2M / \$15.3M = 40%

Revenues

As of February 10, 2017 the City's consolidated General Fund (Fund 001, 211 & 245) has received \$8,349,466 in revenue and spent a total of \$8,186,234 for a positive net gain of \$163,232. City Revenues have been strong this year compared with previous years due to increases in property taxes, permit activity and Transient Occupancy Taxes (TOT). Planning Fees currently stand at \$228,289 or 183% of our original projection in the budget. Building Permits are at \$468,913 or 78% of our projections. TOT is at 51% of our projection however, the City collects current fiscal year TOT two months after the fiscal year has ended. These are very positive signs that the economy is continuing to be very strong. Other revenues are on pace with current budget projections. Staff projects revenue of \$15.56 million. Staff original estimated

was \$15.13 million, a difference of \$430K. Staff is recommending that the City Council increase projected revenues for the year by \$430,000 based on the Cash /Income projection.

Recommended Revenues Increases

Total: \$430,000

Expenditures:

Salary & Benefits

Expenditures for the Consolidated General Fund are at 52% for the year. The City has increased staffing levels and prepaid, at a discount of \$21,700, the unfunded liability portion of CalPERS. The increase in staff and prepayment are being balanced out by current vacancies. We can make it through the fiscal year without any adjustments.

Operations & Maintenance

The City has been spending more on Operation and Maintenance than originally anticipated. Office supplies, advertising, postage, supplies and maintenance are at or near the final allocated budget number. This is due to a much more proactive approach to the city's numerous maintenance issues. Due to fiscal constraints of the previous budgets, fiscal emergencies and lack of staffing there are a number of maintenance items that have been ignored. Staff is requesting the Council increase Office Supplies by \$75,000 and Maintenance by \$125,000. This amount will be spread across different departments as needed and approved by City Manager.

Recommended Operations & Maintenance Increase

Total: (\$200,000)

Boys & Girls Club Sponsorship

Per the City's contract the City is required to sponsor the Boys and Girls Club with an annual fee of \$250,000. The current budget was approved with a \$125,000 allocation.

Recommended Sponsorship Increase

Total: (\$125,000)

FISCAL IMPACT

A cash/income model (Exhibit 2) has been prepared for the City Council and public for their review. The purpose of the model is to give the City Council and public an detailed estimate on how the City will fair at the end of the fiscal year after all revenues and expenses are posted. Assumptions to the model include: year-to-date expenses and revenues by month, future expenses and revenues, tenant improvements to visitor center, phase 1 of the city hall relocation project, Lew Edwards Contract and all recommend adjustments presented in this staff report.

Projected Ending Cash Balance

\$6,483,527

EXHIBIT(S):

- 1) Resolution
- 2) Cash Flow Model
- 3) Balance Sheet
- 4) Income Statement Summary
- 5) Budget Performance Report