

MID-YEAR FINANCIAL UPDATE

December 18, 2017





Staff Recommendations

1. Receive report;
2. Adopt a resolution increasing fiscal year 2017-18 budget appropriations; and
3. Adopt a resolution rescinding resolution No. 32-2017 and reestablishing the list of authorized positions

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Government Finance 101

- Governments are the provider of many services that are not based on fees for service, although some activities operate as business-type activities are based on user fees such as the water, sewer and electric utilities.
 - Service fees are based on cost recovery.
 - Taxes must be voter approved.
- A budget is a financial plan projecting revenues and expenditures for a defined period of time.
- The City prepares annual financial statements in accordance with generally accepted accounting principles.



Government Finance 101, contd.

- City has many funds each with different purposes:
 - The General Fund is used to account for general operations and activities. Council has significantly more discretion about how they can spend this revenue.
 - The enterprise funds are used for services provided to the public on a user charge basis, similar to the operations of a commercial enterprise. The City's enterprise funds include the Water Fund, Sewer Fund and the Electric Fund.
 - The special revenue funds are used to account for financial resources that are restricted by law or contractual agreement to specific purposes other than debt service or major capital projects. The Community Services Fund is a special revenue fund. By ballot the voters restricted the use of the transient occupancy tax to community services related activities.



Fiscal Year 2016-17



FY 2016-17 General Fund Revenue

	FY 15-16 Actual	Amended Budget	FY 16-17 Actual	% Budget	% change PY vs CY
Sales Tax	3,717,870	4,634,985	4,571,596	99%	23%
Property Tax In-Lieu of VLF	1,139,517	1,196,493	1,206,681	101%	6%
Property Tax	1,170,092	1,089,822	1,158,284	106%	-1%
Charges for Services	993,663	947,276	912,723	96%	-8%
Development Related Permits	1,094,868	832,235	893,057	107%	-18%
RDA Residual Receipts	1,336,269	500,000	752,965	151%	-44%
Transient Occupancy Tax	513,616	530,623	567,317	107%	10%
Franchise Fees	472,258	492,000	505,822	103%	7%
Business License	264,794	250,000	270,145	108%	2%
Intergovernmental	163,898	198,808	245,098	123%	50%
Miscellaneous	150,783	23,688	168,738	712%	12%
Fines & Collections	104,455	87,200	138,760	159%	33%
Transfer Tax	136,316	100,000	128,236	128%	-6%
Interest Earned & Rents Received	213,572	65,001	110,107	169%	-48%
Transfers-in	428,683	543,936	461,391	85%	8%
Triple Flip	874,153	-	-	-	-100%
Total Revenue	\$12,774,807	\$11,492,067	\$12,090,920	105%	-5%



FY 2016-17 General Fund Revenue

- **Sales Tax.** The City received 99% of the budget, 23% more than last fiscal year. The City contracts with HDL for sales tax projections.
- **Property Tax.** The City received 106% of the adopted budget, and 1% less than last fiscal year. Secured property tax revenue increased 6.1%, and unsecured property decreased by 9.9%.
- **RDA Residual Receipts.** After all ROPS obligations are paid, the revenue that previously went to the RDA, is now distributed to the affected taxing agencies. The City of Healdsburg is one of the affected taxing agencies, and the distributions are called Residual Receipts. The City receives about 18% of the total distribution.
- The City received 151% of the adopted budget, yet 44% less than last fiscal year. While this revenue source will fluctuate with assessed valuations, the expenses of the Successor Agency also have an impact. In fiscal year 2015-16, the City received \$783,976 in corrections going back to fiscal year 2011-12.
- **Charges for services.** The City received 96% of the adopted budget, 8% less than last fiscal year. Fire strike team reimbursements account for the majority of the decrease. The City received \$276,485 in strike team reimbursements in fiscal year 2015-16, and only \$202,849 in fiscal year 2016-17.



FY 2016-17 General Fund Revenue

- **Transient Occupancy Tax.** The City received 107% of the adopted budget, a 10% increase over the prior year.
- **Development Related Permits.** This category includes building and planning plan check and permit revenue. The City's received 107% of the budgeted revenue, a 18% decrease over last year. Fiscal year 2015-16 saw an unusually large amount of development.
- **Franchise Fees.** The City received 103% of the adopted budget, 7% more than last fiscal year.
- **Intergovernmental Grants & Reimbursements.** This line primarily includes public safety grants. The City received 123% of the adopted budget, 50% more than last fiscal year. In fiscal year 2016-17 the City received a federal grant \$73,300 for the equipment and installation of an exhaust removal system at the fire station.



FY 2016-17 General Fund Revenue

- **Miscellaneous.** The line includes the administrative fee from the HTID, TOT return late charges, as well as, one-time reimbursement monies.
- **Transfer Tax.** The City receives this revenue when title to property is transferred from one year.
- **Transfers-In.** This line includes the funds transferred to the General Fund from Measure V to cover the public safety positions (\$274,600), transfers from the Housing Fund to cover appropriate housing related expenses (\$50,094) and \$136,697 from the Electric Fund for the in-lieu fee per Resolution 72-82.

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FY 2016-17 General Fund Expenditure

	FY 15-16 Actual	Amended Budget	FY 16-17 Actual	% Budget	% change PY vs CY
Wages & Benefits	9,206,062	9,472,634	9,806,960	104%	7%
Other Employee Related Expenses	207,268	158,350	150,475	95%	-27%
Contracted Services	1,850,699	1,838,725	1,544,191	84%	-17%
Utility Services	91,807	97,034	101,354	104%	10%
Meetings Travel & Training	110,004	187,420	156,366	83%	42%
Election Expense	-	58,100	12,628	22%	0%
Telecommunication & Data Service	57,579	53,600	51,634	96%	-10%
Printing	33,661	47,295	19,916	42%	-41%
Noticing	22,297	10,130	15,185	150%	-32%
Government Fees	25,841	27,705	19,857	72%	-23%
Licenses, Membership & Dues	24,922	24,824	25,198	102%	1%
Maintenance & Supplies	94,136	139,621	125,846	90%	34%
Bank Fees	97,575	89,072	142,420	160%	46%
Support of Local Organizations	17,000	17,000	17,000	100%	0%
Other Operating Expense	59,344	124,102	109,512	88%	85%
Internal Service & Replacement Fees	1,668,517	1,874,072	1,874,072	100%	12%
Transfers-out	607,505	1,820,702	1,820,702	100%	200%
G&A Allocation	(2,744,601)	(3,153,479)	(3,153,479)	100%	15%
Total Expenditure	\$11,429,617	\$12,886,907	\$12,839,836	99.6%	12%



FY 2016-17 General Fund Expenditure

	FY 15-16 Actual	Amended Budget	FY 16-17 Actual	% Budget	% change PY vs CY
City Council	139,839	149,630	165,437	111%	18%
City Attorney	498,985	295,000	304,601	103%	-39%
City Manager's Office	1,924,715	1,854,704	1,705,257	92%	-11%
Community Housing & Development	205,279	575,772	335,274	58%	63%
Finance	1,918,400	1,603,168	1,676,579	105%	-13%
Planning and Building	1,548,405	1,817,825	1,718,094	95%	11%
Police	4,551,736	4,968,966	5,128,744	103%	13%
Fire	2,779,354	2,954,619	3,138,627	106%	13%
Transfers-out	607,505	1,820,702	1,820,702	100%	200%
G&A Allocation	(2,744,601)	(3,153,479)	(3,153,479)	100%	15%
Total Expenditure	\$11,429,616	\$12,886,907	\$12,839,836	99.6%	12%



FY 2016-17 General Fund Expenditure

- **City Council.** The health insurance benefit line exceeded the budget by \$17,965. The budget assumed a 10% cost contribution by the Council.
- **City Attorney.** The actual expense exceeded the budget by 9,600, or 3%. Last year, this expense included some unexpected legal costs related to litigation.
- **Finance.** The actual expense exceeded the budget by \$73,410, or 5%, and 13% less than last fiscal year. Employee related expense is the primary contributor.
- **Police.** The actual expense exceeded the budget by 3%, 13% more than last fiscal year. Overtime and contracted services were the primary areas where the budget was exceeded.
- **Fire.** The actual expense exceeded the budget by 6%, 13% more than last fiscal year. Fire department expenditures increase with increased Strike Team reimbursements. The City budgets for sufficient expense to run our City operations. Personnel costs incurred by staff on a strike team are unbudgeted costs. The strike-team labor totaled \$98,590.
- **Transfers-out.** This line included two transfers – to the Capital Replacement Fund in accordance with the Council adopted reserve policy (\$1,219,155) and to the Debt Fund (\$601,547).



FY 2016-17 General Fund

	FY 15-16 Actual	FY 16-17 Budget	FY 16-17 Actual
Beginning Fund Balance	\$ 7,552,141	\$ 8,897,332	\$ 8,897,332
Total Revenue	12,774,807	11,492,067	12,090,920
Total Expenditure	(11,429,616)	(12,886,907)	(12,839,836)
Estimated Ending Fund Balance	<u>\$ 8,897,332</u>	<u>\$ 7,502,492</u>	<u>\$ 8,148,416</u>
Change in Ending Fund Balance	\$ 1,345,191	\$ (1,394,840)	\$ (748,916)
<u>Components of Fund Balance</u>			
Reserve Policy	\$ 3,428,885	\$ 3,866,072	\$ 3,851,951
Pension Stabilization	2,597,673	3,104,144	3,104,144
Unrestricted, Unreserved	2,870,774	532,276	1,192,321
Total	<u>\$ 8,897,332</u>	<u>\$ 7,502,492</u>	<u>\$ 8,148,416</u>



Other Funds



Water Fund

	FY 2015-16	FY 2016-17	FY 2016-17	FY 2017-18
	Actual	Budget	Actual	Budget
Beginning Working Capital	\$ 4,674,258	\$ 4,674,371	\$ 4,674,371	\$ 4,454,455
Revenue	4,172,977	4,663,200	4,833,510	5,065,200
Expenditures				
Operating programs	3,751,874	3,643,984	3,804,223	3,603,583
CIP projects	-	929,633	41,777	1,697,883
Debt service	1,062,854	1,072,026	1,068,542	1,081,548
Other sources (uses)	641,864	50,000	(138,885)	547,883
Est. Ending Working Capital	<u>\$ 4,674,371</u>	<u>\$ 3,741,928</u>	<u>\$ 4,454,455</u>	<u>\$ 3,684,524</u>
<u>Components of Working Capital</u>				
Pension Stabilization	\$ 289,942	\$ 350,472	\$ 350,472	\$ 396,979
Capital Replacement	1,004,660	1,475,000	1,475,000	928,000
Contingency Reserves	1,024,760	1,159,600	1,187,029	1,258,575
Unrestricted Reserves	2,355,010	756,856	1,441,953	1,100,969
	<u>\$ 4,674,371</u>	<u>\$ 3,741,928</u>	<u>\$ 4,454,455</u>	<u>\$ 3,684,524</u>

*Contingency Reserves - 25% of rate revenues



Wastewater Fund

	FY 2015-16 Actual	FY 2016-17 Budget	FY 2016-17 Actual	FY 2017-18 Budget *
Beginning Working Capital	\$ 18,820,601	\$ 17,800,088	\$ 17,800,088	\$ 15,056,330
Revenue	7,096,825	6,575,100	6,713,003	6,629,900
Expenditures				
Operating programs	4,699,638	4,162,328	4,302,503	4,141,343
CIP projects	530,205	2,681,717	1,640,002	3,647,998
Debt service	4,376,945	1,919,574	1,912,936	1,921,761
Other sources (uses)	1,489,449	(1,362,334)	(1,601,320)	(97,472)
Est. Ending Working Capital	<u>\$ 17,800,088</u>	<u>\$ 14,249,235</u>	<u>\$ 15,056,330</u>	<u>\$ 11,877,656</u>
<u>Components of Working Capital</u>				
Pension Stabilization	\$ 349,173	\$ 422,068	\$ 422,068	\$ 478,075
Capital Replacement	6,035,326	5,991,691	5,991,691	4,698,860
Contingency Reserves	1,718,808	1,629,250	1,654,975	1,637,250
Unrestricted Reserves	9,696,781	6,206,226	6,987,596	5,063,471
	<u>\$ 17,800,088</u>	<u>\$ 14,249,235</u>	<u>\$ 15,056,330</u>	<u>\$ 11,877,656</u>

*Contingency Reserves - 25% of rate revenues



Electric Fund

	FY 2015-16 Actual	FY 2016-17 Budget	FY 2016-17 Actual	FY 2017-18 Budget *
Beginning Working Capital	\$ 12,116,330	\$20,442,959	\$ 20,442,959	\$ 19,834,143
Revenue	12,222,425	11,698,068	12,122,526	11,931,357
Expenditures				
Operating programs	9,882,937	11,091,899	10,562,158	11,467,043
CIP projects	328,210	1,630,000	154,719	2,568,957
Debt service	284,145	289,312	289,312	294,740
Other sources (uses)	3,445	(372,947)	(1,725,153)	317,304
Est. Ending Working Capital	<u>\$ 20,442,959</u>	<u>\$ 18,756,869</u>	<u>\$ 19,834,143</u>	<u>\$ 17,752,064</u>
<u>Components of Working Capital</u>				
Pension Stabilization	\$ 498,680	\$ 602,787	\$ 602,787	\$ 682,775
NCPA Reserves	5,742,125	5,875,407	5,875,407	5,875,407
Capital Replacement	841,097	25,407	25,407	887,290
Reserve Policy	7,000,000	7,000,000	7,000,000	7,000,000
Unrestricted Reserves	6,361,057	5,253,268	6,330,542	3,306,592
	<u>\$ 20,442,959</u>	<u>\$ 18,756,869</u>	<u>\$ 19,834,143</u>	<u>\$ 17,752,064</u>

*Reserve Policy:

\$3 Million - 90-Day Operating Reserve

\$2 Million - Capital Reserve

\$2 Million - Rate Stabilization Reserve



Community Services Fund

	FY 2015-16 Actual	FY 2016-17 Budget	FY 2016-17 Actual	FY 2017-18 Budget
Beginning Fund Balance	\$ 3,799,145	\$ 4,077,843	\$ 2,460,511	\$ 2,610,855
Revenue	3,875,791	3,585,906	3,831,673	3,614,192
Other Revenue related to CIP	109,485	2,817,000	117,858	700,000
Expenditures				
Operating programs	3,039,935	3,311,994	3,226,350	3,414,432
CIP projects	241,908	3,857,865	293,253	3,116,796
Other sources (uses)	(424,736)	(850,379)	(279,584)	1,319,308
Est. Ending Fund Balance	<u>\$ 4,077,843</u>	<u>\$ 2,460,511</u>	<u>\$ 2,610,855</u>	<u>\$ 1,713,127</u>
<u>Components of Fund Balance</u>				
Pension Stabilization	\$ 248,260	\$ 300,088	\$ 300,088	\$ 339,909
Capital Replacement	-	404,213	404,213	404,213
Reserve Policy	1,062,752	1,088,621	1,088,621	1,120,136
Unrestricted, Unreserved	2,766,831	667,588	817,932	(151,131)
	<u>\$ 4,077,843</u>	<u>\$ 2,460,511</u>	<u>\$ 2,610,855</u>	<u>\$ 1,713,127</u>

* Reserve Policy - 30% of operating expenditures



Fiscal Year 2017-18 as of October 31, 2017



FY 2017-18 General Fund Revenue as of October 31, 2017

	FY 16-17 as of 10/31	Amended Budget	FY 17-18 as of 10/31	% Budget	% change PY vs CY
Sales Tax	1,211,510	4,734,644	1,187,734	25%	-2%
Property Tax In-Lieu of VLF	-	1,256,317	-	0%	0%
Property Tax	-	1,121,296	-	0%	0%
Charges for Services	95,990	991,643	49,053	5%	-49%
Development Related Permits	301,963	714,635	377,912	53%	25%
Transfers-in	68,650	541,563	137,300	25%	100%
Transient Occupancy Tax	237,704	546,012	246,418	45%	4%
RDA Residual Receipts	-	500,000	-	0%	0%
Franchise Fees	66,280	502,000	72,345	14%	9%
Business License	118,363	250,000	114,816	46%	-3%
Intergovernmental	23,549	125,508	-	0%	-100%
Transfer Tax	30,256	100,000	39,221	39%	30%
Fines & Collections	11,652	87,000	4,789	6%	-59%
Interest Earned & Rents Received	41,191	68,001	44,236	65%	7%
Miscellaneous	70,685	23,210	30,944	133%	-56%
Total Revenue	\$ 2,277,793	\$ 11,561,829	\$ 2,304,769	20%	1%



FY 2017-18 General Fund Revenue as of October 31, 2017

- **Sales Tax.** Revenues year to date are down 2% from last fiscal year for the same time period, with 25% of the budget received. The amounts received to date are in line with the HDL projections. Staff will be watching sales tax receipts closely and return to Council with an adjustment if one is determined warranted.
- **Property Tax.** The first major apportionment for fiscal year 2017-18 property taxes will be received in late December. The City has yet to receive the annual projection from the County.
- **RDA Residual Receipts.** The first of two payments will be received in late December.
- **Property Tax In-Lieu of VLF.** In 2004, the then Governor Schwarzenegger proposed a swap of city and county vehicle license fee revenues for an additional property tax share as part of a state-local budget agreement. Growth is tied to the assessed valuation of real property. Again, the first payment, will be received in late December.

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FY 2017-18 General Fund Revenue as of October 31, 2017

- **Charges for Services.** CUPA accounts for 32% of this budget. It is billed in March. Fire Protection agreements for Dry Creek and Fitch account for another 28% of this budget. Last year the City received the revenue from the Fire Protection agreements in June. Strike team reimbursement account for 23% of the budget. The State has been billed \$12,168 and the City is awaiting payment. Fire prevention and inspection fees account for the revenue received to date.
- **Transient Occupancy Tax.** Revenues year to date are up 4% from last fiscal year for the same time period, with 45% of the budget has been received. Note: October revenue, received in November was down by 11%.
- **Development Related Permits.** Revenues year to date are up 25% from last fiscal year for the same time period, with 53% of the budget received. No revisions to the projection are proposed at this time.



FY 2017-18 General Fund Revenue as of October 31, 2017

- **Franchise Fees.** We receive the garbage franchise revenue monthly, Comcast semi-annually and an annual payment from PG&E in April. Revenues year to date are up 9% from last fiscal year for the same time period, with 14% of the budget has been received.
- **Business License Tax.** Revenues year to date are down 3% from last fiscal year for the same time period, with 46% of the budget has been received.
- **Intergovernmental.** This line primarily includes public safety grants. The SLESF Cops grant constitutes \$100,000 of this budget. The first quarterly payment was received on December 6.
- **Transfer Tax.** The City receives this revenue when title to property is transferred from one entity to another. Revenues year to date are up 30% from last fiscal year for the same time period, with 39% of the budget received.



FY 2017-18 General Fund Revenue as of October 31, 2017

- **Fines and Collections.** Revenues year to date are down 59% from last fiscal year for the same time period, with 6% of the budget has been received. This line includes parking citations and other vehicle fines.
- **Transfers-In.** This line includes the funds transferred to the General Fund from Measure V to cover three public safety positions and from the Electric fund for the PILOT (Payment in lieu of Taxes).
- **Miscellaneous.** This line includes code enforcement recovery, copies, prior year expense refunds, candidate statement cost, and other administration fees.



FY 2017-18 General Fund Expenditure as of October 31, 2017

	FY 16-17 as of 10/31	Amended Budget	FY 17-18 as of 10/31	% Budget	% change PY vs CY
City Council	57,278	158,357	62,497	39%	9%
City Attorney	213,822	282,150	81,801	29%	-62%
City Manager's Office	550,488	2,218,666	574,417	26%	4%
Community Housing & Development	157,494	345,972	76,243	22%	-
Finance	500,612	1,584,285	511,101	32%	2%
Planning and Building	526,510	1,691,720	540,910	32%	3%
Police	1,505,481	5,226,547	1,579,536	30%	5%
Fire	995,694	3,042,908	1,154,785	38%	16%
Transfers-out	1,219,155	625,941	-	0%	-100%
G&A Allocation	(1,040,648)	(3,208,767)	(1,069,589)	33%	3%
Total Expenditure	\$ 4,685,884	\$ 11,967,779	\$ 3,511,701	29%	-25%



FY 2017-18 General Fund Expenditure as of October 31, 2017

Overall the City spent only 29% of the appropriated budget, and 25% less than last fiscal year. Two reporting components reported fiscal year to date expenditures higher than 33% – City Council and Fire.

- **City Council.** Some expenses are not evenly spent throughout the year. The annual support to the Future Farmers of 9,000. This expense was paid in August.
- **Fire.** By October 31, the Fire Department has already incurred \$81,737.73 in strike team reimbursable expense.
- **Transfers-out.** Debt Service



Proposed New Position

- **Public Works Inspector.** There is currently only one full-time Public Works Inspector authorized. Adding an additional Inspector will allow staff to address an increased work load in the department related to public and private development. This brings inspection staffing to the 2009 level prior to the recession. Total annual cost is estimated at \$123,000, paid for from the Streets, Drainage, Water and Wastewater Funds.



Proposed Budget Amendments

FY 2017-18

General Fund	136,697	Transfers-out - fund street maintenance
General Fund	50,000	Police - Overtime
General Fund	44,000	Police - Contracted Services - LHMP
General Fund	44,000	Grant Revenue - LHMP
General Fund	30,000	Community Survey
Public Safety Fund	45,000	Transfer to Vehicle Fund - Pumper
Wastewater Capital Fund	(950,000)	Remove transfer to Gen. Capital Replacement
Electric Capital Fund	(950,000)	Remove transfer to Gen. Capital Replacement
Gen Capital Replacement Fund	(1,900,000)	Transfers occurred in FY 2016-17
Community Services Fund	(525,135)	Unfund transfer to CS Capital Fund
CS Capital Fund	(525,135)	Unfund transfer to CS Capital Fund
Community Services Fund	8,000	Upgrade Park Caretaker Position to II
Streets Fund	15,435	Add Public Works Inspector position
Drainage Fund	15,435	Add Public Works Inspector position
Water Fund	15,435	Add Public Works Inspector position
Wastewater Fund	15,435	Add Public Works Inspector position



FY 2017-18 General Fund after proposed budget amendments

	FY 15-16 Actual	FY 16-17 Actual	FY 17-18 Amended
Beginning Fund Balance	\$ 7,552,141	\$ 8,897,332	\$ 8,148,416
Total Revenue	12,774,807	12,090,920	11,605,829
Total Expenditure	(11,429,616)	(12,839,836)	(12,228,476)
Estimated Ending Fund Balance	<u>\$ 8,897,332</u>	<u>\$ 8,148,416</u>	<u>\$ 7,525,769</u>
Change in Ending Fund Balance	\$ 1,345,191	\$ (748,916)	\$ (622,647)
<u>Components of Fund Balance</u>			
Reserve Policy	\$ 3,428,885	\$ 3,851,951	3,668,543
Pension Stabilization	2,597,673	3,104,144	3,487,144
Unrestricted, Unreserved	2,870,774	1,192,321	370,082
Total	<u>\$ 8,897,332</u>	<u>\$ 8,148,416</u>	<u>7,525,769</u>



Staff Recommendations

1. Adopt a resolution increasing fiscal year 2017-18 budget appropriations; and
2. Adopt a resolution rescinding resolution No. 32-2017 and reestablishing the list of authorized positions