



City of South Lake Tahoe

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STAFF REPORT CITY COUNCIL MEETING OF FEBRUARY 2, 2016

TO: Nancy Kerry, City Manager

FROM: Debbie McIntyre, Financial Services Manager
Olga Tikhomirova, Principal Accountant

RE: Fiscal Year 2014/15 Quarter End Financial Status Report as of
September 2015

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 2014/15 *Quarterly Budget and Financial Status Report for Period Ending September 30, 2015*" covers the entire 2014/15 fiscal year period ending September 30, 2015. In an effort to provide an opportunity to evaluate the City's fiscal health, the report provides comparative information to the prior fiscal year 2013/14. 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 113.9% of the amended budget, while expenditures were at 95.5% of appropriations. As described in more detail below, revenue performance in the three major categories (Property Tax, Sales Tax, and City TOT) was 7.6% better overall than collections during the same period last fiscal year. The Building permit fees revenue increase of over 100% is also explained in more detail below. Other revenue collections varied. Revenue increased in General Government, Finance-Other, Public Works, and Development Services. Miscellaneous General Fund, Police, Fire, and Parks and Recreation revenues were lower compared to the same period last fiscal year. On the expense side, all departments expended less than 100% of their total budget for the fiscal year. The overall expenditures were 3.9% lower than for the same period last fiscal year.

FY 2014/15 General Fund Revenues

General Fund revenues totaled \$37.2 million for the fiscal year (unaudited), up 7.3% or about \$2.5 million compared to the prior fiscal year.

Property tax revenue received through September 30, 2015 increased from the previous fiscal year during the same time frame by 4.7% or about \$297K. Actual property tax receipts exceeded budgeted amounts by 4.5%.

Sales tax revenue received through September 30, 2015 exceeded previous fiscal year collection by 3.7% or about \$247K. Total Sales tax revenue collection for fiscal year 2014/15 exceeded budget by 3.0%.

City TOT revenue was up 14.1% or about \$960K compared to the prior fiscal year. TOT revenue has recovered in the last two years surpassing its peak of \$5.7M in fiscal year 2005/06 and reaching its new high of almost \$7.8M in 2014/15. The TOT revenue from the Project Area was up 13.6% or \$566K compared to last fiscal year.

Other key variances include:

General Government revenue increased by \$35K and resulted from legal fee reimbursements. Finance-Other revenue increased by \$676K or 13% primarily due to one-time revenue received in 2014/15 for State Mandated Cost Reimbursements for multiple prior years. Included in the Finance-Other category also are Franchise fees for which collection was 3.2% higher than for the same period last year, as well as Business and Professions Tax. The latter revenue marginally exceeded previous year's amounts while delinquent collections of this revenue decreased by \$23K.

Development Services Department building permit fees and planning fees received totaled 229.8% of the budgeted amount for the year or \$2.2M. This amount includes the transfer of airport land coverage restricted revenue of \$500K. Net of this amount, building and planning fees revenue increased by 58% or \$628K compared to last fiscal year.

Public Works revenue collection exceeded previous year's results by 2.6%. At the same time, this revenue amount comprised only 54.0% of this department's budget for the year. The deficiency resulted from low internal snow repair charges and reduced grant reimbursements.

Miscellaneous General Fund revenues were 89.4% or \$1.1M lower compared to the previous 2013/14 fiscal year due to the recording of land purchased for resale in that year (Southwest Corner) and a reduction in transfers-in from the Parking Management Program eliminated at the end of the previous fiscal year.

Fire Department revenues decreased by \$245K or 64.8% compared to last year, but exceeded the 2014/15 year budget by 22.4% or \$24K. The decrease compared to last year resulted primarily from accounting for EMS revenue in a special revenue fund in the fiscal year 2014/15.

Police Department revenues were 12.0% lower than the budgeted amounts for the year. The decrease was due to a decrease in fines and other state and miscellaneous reimbursements, and other service charges as well as due to 9-1-1 Fees revenue fluctuation.

Parks and Receptions total revenue was 12.7% lower than the total budgeted amount for this division due to lower revenue collection from the Recreation Programs and at the Golf Course offset by a robust revenue inflow at the Campground. Both, Police Department and Parks and Recreation revenues were marginally lower compared to the previous fiscal year.

Combined overall, the General Fund revenues were **positive** and 13.9% above amended budget for the 2014/15 fiscal year.

FY 2014/15 General Fund Expenditures

General Fund expenses totaled \$32.4 million for the year (unaudited) or 95.5% of total amended budget. All departments expended less than total allocated budget. The majority of the savings was due to personnel vacancies as well as reduction in expense in various categories of which approximately \$476K or 1.4% of total budgeted expense was re-appropriated into FY 2015/16.

In comparison to last year's actuals, overall expenses decreased 3.9% or about \$1.3 million. The primary contributor for this decrease was expenses in the Miscellaneous General Fund category where the last year's expenditures reflect the purchase of two parcels of land totaling \$1.8 million.

The second largest decrease in expenditures compared to the previous fiscal year was in the Fire Department - \$710K, and was due to accounting for several Firefighter-Paramedic positions and a portion of that department's expense in a special revenue fund starting in FY 2014/15. Another reason for the decrease in expense is pertinent to both, Fire and Police departments and is due to a decrease in CalPERS City contributions resulting from the issuance of Pension Obligation Bonds for the safety side funds that lowered the employer rate. The repayment of this debt is accounted in a separate debt service fund, and thus is not reflected in the individual departments.

The largest increase in expense was in the Development Services Department, 30.2% or \$345K and was attributed to the increase in staffing by approximately 2 Full-Time Equivalent (FTE) positions. Additionally, vacant position(s) during the 2013/14 fiscal year resulted in a year over year increase in expense in this department and in the Finance category where expenditures increased 9.6% or \$176K.

Expenditures in the Public Works Department increased by \$141K or 4.0% compared to last year. The increase was primarily due to a one-time expense for the purchase of Asset Management software.

Overall the General Fund expenses were **positive** and 4.5% below the current year amended budget.

FINANCIAL AND/OR POLICY IMPLICATIONS:

This revenue, expenditure, and budget analysis includes adjustments for supplemental appropriations approved by the City Council during the year as well as mid-year adjustments.

Fiscal year 2014/15 preliminary unaudited results reflect net revenue of approximately \$4.8 million that is primarily attributed to an increase in the Transient Occupancy Tax and Building permit fees revenues, as well as expense savings in various areas and departments. It is recommended that these preliminary and unaudited results be adjusted downward by approximately \$1.3 million of which \$476K in expense was re-appropriated into FY 2015/16, \$500K in restricted funds received from an airport transfer of land coverage earmarked for an airport CIP project, and \$300K was received in one-time state reimbursements.

CITY COUNCIL WORK PLAN:

- Strategic Priority: Fiscal Sustainability
 - Business Plan Initiative: Balanced Budget

By:


Debbie McIntyre,
Financial Services Manager


Olga Tikhomirova,
Principal Accountant

Concurrence,


Mark Carlson,
Assistant City Manager /
Administrative Services Director

Reviewed and Approved,


Nancy Kerry,
City Manager

Attachments:

1. FY 2014/15 Quarterly Budget and Financial Status Report for the Period Ending September 30, 2015.

Attachment 1



City of South Lake Tahoe

FY 2014/15

Quarterly Budget and Financial Status Report

for the Period Ending

September 30, 2015

Prepared by the

Financial Services Division

General Fund Departmental Revenue and Expenditure Analysis

FY 2014-15 Amended Budget and Actuals as of September 30, 2015 (100% of the Year Elapsed)				Year to Date Comparison To Prior Year Actuals		
	Budget	YTD Actuals	Percent Received	Actuals Received 9/30/2014	Comparison of YTD 2015 Actuals to YTD 2014 Actuals	\$ Increase/ (Decrease)
REVENUES						
General Government <i>(Includes City Council, City Clerk, City Attorney, Risk Mgmt, City Manager, Human Resources, Communications/Marketing)</i>	\$ 4,500	\$ 40,764	905.9%	\$ 5,617	625.7%	\$ 35,147
Finance - Major Revenues						
Property Tax	6,282,850	6,563,991	104.5%	6,267,156	4.7%	296,835
Sales Tax (Including Measure Q and Sales Tax Triple Flip)	6,656,630	6,855,544	103.0%	6,609,022	3.7%	246,522
Transient Occupancy Tax	5,415,850	7,762,581	143.3%	6,802,209	14.1%	960,372
Transient Occupancy Tax - Project Area	4,182,000	4,730,958	113.1%	4,165,432	13.6%	565,527
Finance - Other Revenues <i>(Includes Accounting: \$1.71m Motor Vehicle License fee, \$1.30m Franchise fees; Treasury; Purchasing; Revenue: \$1.09m Business Licenses; Information Technology)</i>	5,220,028	5,885,977	112.8%	5,210,407	13.0%	675,570
Miscellaneous General Fund <i>(Includes non-departmental, Transfers, and other)</i>	166,223	131,875	79.3%	1,247,088	-89.4%	(1,115,213)
Police <i>(Includes Emergency Communication System Access fees (911) \$638,000)</i>	1,394,065	1,226,469	88.0%	1,236,729	-0.8%	(10,260)
Fire	108,846	133,208	122.4%	378,327	-64.8%	(245,119)
Public Works	985,704	531,939	54.0%	518,608	2.6%	13,331
Development Services <i>(Includes Building permit fees \$750,000)</i>	959,050	2,203,631	229.8%	1,075,575	104.9%	1,128,056
Parks & Recreation	1,294,399	1,129,973	87.3%	1,140,060	-0.9%	(10,087)
Total General Fund Revenues	\$ 32,670,145	\$ 37,196,910	113.9%	\$ 34,656,229	7.3%	\$ 2,540,681
EXPENSES						
	Budget	YTD Actuals	Percent Expended	Actuals Expended 9/30/2014	Comparison of YTD 2015 Actuals to YTD 2014 Actuals	\$ Increase/ (Decrease)
General Government <i>(Includes City Council, City Clerk, City Attorney, Risk Mgmt, City Mgr, Human Resources, Communications/Marketing)</i>	\$ 2,614,768	\$ 2,427,888	92.9%	\$ 2,363,635	2.7%	\$ 64,253
Finance <i>(Includes Accounting, Treasury, Revenue, Information Technology)</i>	2,052,010	2,014,728	98.2%	1,839,046	9.6%	175,682
Miscellaneous General Fund <i>(Includes non-departmental, Transfers, and other)</i>	9,585,039	9,470,636	98.8%	10,640,771	-11.0%	(1,170,135)
Police	8,285,081	8,005,768	96.6%	8,214,711	-2.5%	(208,943)
Fire	4,256,947	3,990,397	93.7%	4,700,392	-15.1%	(709,995)
Public Works	4,033,446	3,679,464	91.2%	3,538,147	4.0%	141,317
Development Services	1,569,347	1,488,346	94.8%	1,143,123	30.2%	345,223
Parks & Recreation	1,551,150	1,354,920	87.3%	1,306,114	3.7%	48,806
Total General Fund Expenses	\$ 33,947,788	\$ 32,432,147	95.5%	\$ 33,745,939	-3.9%	\$ (1,313,792)
Total Revenues		\$ (37,196,910)				
Total Expenses		\$ 32,432,147				
Net (revenues)/expenses		\$ (4,764,763)				

General Fund Revenues Performance: POSITIVE

Total General Fund Revenues as of September 30, 2015 were \$37,196,910 which is 113.9% of the amended budget.

General Fund Expenses Performance: POSITIVE

Total General Fund Expenses as of September 30, 2015 were \$32,432,147 which is 95.5% of the amended budget.