



City of South Lake Tahoe

"making a positive difference now"

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STAFF REPORT CITY COUNCIL MEETING OF MARCH 1, 2016

TO: Nancy Kerry, City Manager

FROM: Debbie McIntyre, Deputy Director of Financial Services
Olga Tikhomirova, Financial Services Supervisor

RE: Fiscal Year 2015/16 Quarter End Financial Status Report as of
December 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 2015/16 *Quarterly Budget and Financial Status Report for Period Ending December 31, 2015*", is an unaudited snapshot of year-to-date actual revenues and expenses for the General Fund for that period. In an effort to provide an opportunity to evaluate the City's fiscal health, the report provides comparative information of first quarter FY 2015/16 actuals to FY 2015/16 budget and to prior FY 2014/15 first quarter actuals. 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 first quarter with 25 percent of the year complete, General Fund revenues were at 25% of the amended budget, while expenditures were at 18.1% of appropriations. As described in more detail below, Sales tax revenue was 26.4% lower compared to last year due to the ending of the Triple Flip. Revenue performance in other two major categories (Property Tax and City TOT) was 9.4% better overall than collections during the same period last fiscal year. The Development Services revenue increase of almost a hundred percent from the previous year is also explained in more detail below. Other revenue collections varied. Revenue increased in General Government, Miscellaneous General Fund, Police, Public Works, and Parks and Recreation. Finance-Other and Fire revenues were lower compared to the same period last fiscal year. On the expense side, all departments expended less than 25% of their total budget for the current fiscal year.

FY 2015/16 General Fund Revenues

General Fund revenues year-to-date totaled \$8.6 million, up 3.5% or about \$300K compared to the first quarter of the prior fiscal year. The first installment of Property tax was 6.5% above last year's which is approximately how much the increase was in the previous fiscal year's first quarter compared to FY 2013/14. City TOT increased 28.5% or \$154K. The first quarter collection comprised 10.7% of the total City TOT budget which is consistent with previous years. The TOT revenue from the Project Area was up 25.0% or \$129K compared to last fiscal year.

Sales Tax revenue received through December 31st was 26.4% or \$468K lower than last year's first quarter collection. The primary reason for it is sunset of the Triple Flip – a mechanism the State used to pay for 2004 Economic Recovery Bonds issued under voter-passed Proposition 57 which reduced the 1% local tax rate by 0.25% and shifted the 0.25% to Cities through property tax in-lieu received twice yearly. During the unwind period the City will start receiving true-up payments for taxable sales through December 31, 2015 beginning January 1, 2016. For taxable sales on and after January 1, 2016 the 0.25% will revert back to the original tax rate of 1% and the City will receive allocated payments directly from the Board of Equalization starting in March 2016.

Other key variances:

The increase of 98.6% or \$229K in Development Services building permit fees and planning fees is comprised of the following increases: \$44K in TRPA MOU revenue, \$100K in transfer of land coverage revenue, an increase of \$34K in Building Fees, and other increases in various categories.

Other revenue collection was, for the most part, on target with budget projections with the exception of Finance-Other revenue (due to one-time State Mandated Cost Reimbursements in previous fiscal year) and Fire revenue (due to a decrease in overtime reimbursements and fire suppression fees)

Combined overall, the General Fund revenues were **neutral** and flat to current year budget.

FY 2015/16 General Fund Expenditures

General Fund expenditures year-to-date totaled \$6.3 million or 18.1% of the total budget at December 31st. All departments expended less than 25% budget allocated to the first quarter.

The overall expenses marginally exceeded last year's first quarter actuals. Notable counterbalancing changes were in Miscellaneous General Fund category, Fire, Police and Public Works departments.

The Miscellaneous General Fund expense decreased 11.5% or \$120K due to a \$203K reduction in transfers-out offset by a \$57K increase in Property tax admin fee and a \$23K increase in visitor promotion.

Fire department expense decreased 9.9% or \$101K primarily due to personnel vacancies as well as a decrease in CalPERS contributions resulting from the issuance of Pension Obligation bonds for the safety side funds that lowered the employer rate.

These were offset by an increase of 2.4% or \$47K in Police expenditures primarily due to accounting for the police enforcement program in the General Fund starting this fiscal year and an increase of 19.2% or \$153K in Public Works expenses resulted primarily from the city-wide maintenance reorganization.

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

FINANCIAL AND/OR POLICY IMPLICATIONS:

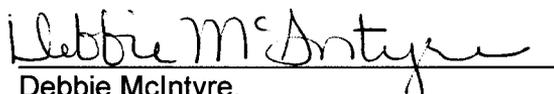
FY 2015/16 first quarter revenues were neutral and flat to amended budget and expenses were positive and below amended budget. It is important to note that the City receives the majority of large revenues such as TOT, Business License, and Parks and Recreation fees later in the year as well as incurs large seasonal expenditures during summer months in Parks and Recreation. The Financial Services division will continue to monitor the General Fund revenues and expenditures and will bring the next quarter update to the City Council reflecting the results of the first two quarters.

This revenue, expenditure, and budget analysis does not include adjustments for supplemental appropriations that are currently being finalized by the departments. Mid-year adjustments are scheduled to be presented at the March 15th City Council Meeting.

CITY COUNCIL WORK PLAN:

- Strategic Priority: Fiscal Sustainability
 - Business Plan Initiative: Adopt Revenue Generation Strategy

By:


Debbie McIntyre,
Deputy Director of Financial Services


Olga Tikhomirova,
Financial Services Supervisor

Concurrence,

Reviewed and Approved,


Mark Carlson,
Assistant City Manager /
Administrative Services Director


Nancy Kerry,
City Manager

Attachments:

1. FY 2015/16 Quarterly Budget and Financial Status Report for the Period Ending December 31, 2015.

Attachment 1

FY 2015/16

Quarterly Budget and Financial Status Report

for the Period Ending

December 31, 2015

General Fund Departmental Revenue and Expenditure Analysis

FY 2015-16 Amended Budget and Actuals as of December 31, 2015 (25% of the Year Elapsed)				Year to Date Comparison To Prior Year Actuals		
REVENUES	Budget	YTD Actuals	Percent Received	Actuals Received 12/31/2014	Comparison of YTD FY 2016 Actuals to YTD FY 2015 Actuals	\$ Increase/ (Decrease)
General Government <i>(Includes City Council, City Clerk, City Attorney, Risk Mgmt, City Manager, Human Resources, Communications/Marketing)</i>	\$ 16,300	\$ 7,968	48.9%	\$ 247	3125.9%	\$ 7,721
Finance - Major Revenues						
Property Tax	6,377,093	3,759,601	59.0%	3,530,248	6.5%	229,353
Sales Tax (including Measure Q and Sales Tax Triple Flip)	7,363,823	1,303,176	17.7%	1,771,474	-26.4%	(468,299)
Transient Occupancy Tax	6,467,435	693,127	10.7%	539,471	28.5%	153,656
Transient Occupancy Tax - Project Area	4,265,500	644,461	15.1%	515,483	25.0%	128,977
Finance - Other Revenues <i>(Includes \$1.71m Motor Vehicle License fee, \$1.31m Franchise fees; \$1.20m Business Licenses; Information Technolog and other miscellaneous revenue.)</i>	5,356,417	1,241,329	23.2%	1,268,353	-2.1%	(27,024)
Miscellaneous General Fund <i>(Includes non-departmental, Transfers, and other)</i>	157,650	5,406	3.4%	1,728	212.8%	3,678
Police <i>(Includes Emergency Communication System Access fees (911) \$638,000)</i>	1,282,635	261,765	20.4%	252,782	3.6%	8,983
Fire	39,485	3,499	8.9%	11,326	-69.1%	(7,827)
Public Works	450,534	103,763	23.0%	80,737	28.5%	23,026
Development Services <i>(Includes Building permit fees \$800,000)</i>	1,287,051	461,760	35.9%	232,531	98.6%	229,229
Parks & Recreation	1,194,955	84,917	7.1%	79,221	7.2%	5,696
Total General Fund Revenues	\$ 34,258,878	\$ 8,570,771	25.0%	\$ 8,283,602	3.5%	\$ 287,169
EXPENSES	Budget	YTD Actuals	Percent Expended	Actuals Expended 12/31/2014	Comparison of YTD FY 2016 Actuals to YTD FY 2015 Actuals	\$ Increase/ (Decrease)
General Government <i>(Includes City Council, City Clerk, City Attorney, Risk Mgmt, City Mgr, Human Resources, Communications/Marketing)</i>	\$ 2,717,983	\$ 510,129	18.8%	\$ 481,385	6.0%	\$ 28,744
Finance <i>(Includes Accounting, Treasury, Revenue, Information Technology)</i>	2,445,734	432,780	17.7%	402,044	7.6%	30,736
Miscellaneous General Fund <i>(Includes non-departmental, Transfers, and other)</i>	8,428,521	925,956	11.0%	1,045,691	-11.5%	(119,735)
Police	8,673,431	1,976,543	22.8%	1,929,504	2.4%	47,039
Fire	4,775,035	919,002	19.2%	1,020,434	-9.9%	(101,432)
Public Works	4,517,201	948,339	21.0%	795,806	19.2%	152,533
Development Services	1,778,081	323,089	18.2%	327,380	-1.3%	(4,291)
Parks & Recreation	1,441,216	260,976	18.1%	245,446	6.3%	15,530
Total General Fund Expenses	\$ 34,777,202	\$ 6,296,814	18.1%	\$ 6,247,690	0.8%	\$ 49,124

Total Revenues	\$ (8,570,771)
Total Expenses	\$ 6,296,814
Net (revenues)/expenses	<u>\$ (2,273,957)</u>

General Fund Revenues Performance: NEUTRAL

Total General Fund Revenues as of December 31, 2015 were \$8,570,771 which is 25.0% of the amended budget.

General Fund Expenses Performance: POSITIVE

Total General Fund Expenses as of December 31, 2015 were \$6,296,814 which is 18.1% of the amended budget.