



City of South Lake Tahoe

"making a positive difference now"

STAFF REPORT CITY COUNCIL MEETING OF JUNE 7, 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
March 2016

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 March 31, 2016*", 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 the first two quarters of FY 2015/16 actuals to FY 2015/16 budget and to prior FY 2014/15 second quarter to date actuals. The following section summarizes General Fund operating revenues and operating expenditures and provides an analysis of any significant variances.

ISSUE AND DISCUSSION:

At the end of the second quarter with 50 percent of the year complete, General Fund revenues were at 43.8% of the amended budget, while expenditures were at 33.4% of appropriations. As described in more detail below, Sales tax revenue was 8.3% lower compared to last year due to the ending of the Triple Flip and will correct itself in July upon receipt of the final true-up payment. Revenue performance in other two major categories (Property Tax and City TOT) was 17.5% better overall than collections during the same period last fiscal year. All other departmental revenues also increased compared to last year. On the expense side, all departments expended less than 50% of their total budget for the current fiscal year.

FY 2015/16 General Fund Revenues

General Fund revenues year-to-date totaled \$16.4 million, up 16.2% or about \$2.3 million compared to prior fiscal year at March 31st. City TOT increased 32.9% or \$833K. The first two quarters collection comprised 41.2% of the total City TOT budget. The TOT revenue from the Project Area was up 31.2% or \$571K compared to last fiscal year. TOT revenue collection in the Project Area comprised 48.6% of the budgeted revenue for this line item. The Property tax revenue remained unchanged from the first quarter with the receipt of the second installment payment pending in May.

Sales Tax revenue received through March 31st was 8.3% or \$259K lower than last year's collection for the first two quarters. 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 receive true-up payments for taxable sales through December 31, 2015 on a delayed schedule beginning in March, 2016 with a final true-up payment of approximately \$660K to be received in July-August. For taxable sales on and after January 1, 2016 the 0.25% reverted back to the original tax rate of 1% with the City receiving allocated payments directly from the Board of Equalization starting in March 2016. Before Triple Flip allowance, the sales tax revenue is on par with the budget for this line item.

Other key variances:

The increase of 95.8% or \$400K in Development Services building permit fees and planning fees is comprised of the following increases: \$75K in TRPA MOU revenue (new revenue for fiscal 2015/16 representing a 90% portion of TRPA application fees the City keeps from reviewing TRPA MOU projects), \$100K in transfer of land coverage revenue, \$33K in VHR application fees, increases of \$105K in building fees and \$60K in planning fees, and other increases in various categories.

Other notable revenue increases were in Finance-Other revenue, \$236K, due to the timing of receiving Franchise Fees revenue, in Miscellaneous General Fund, \$122K, primarily due to the timing of the transfers from other funds, and in the Police Department, \$103K, primarily due to accounting for the police enforcement program in the General Fund starting this fiscal year.

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 \$13.8 million or 33.4% of the total budget at March 31st. All departments expended less than 50% of the total budgeted expense.

In comparison to last year's actuals, overall expenses increased 5.3% or \$698K. The primary contributors for this increase were expenditures in Public Works (\$265K), Police (\$177K), and Fire (\$132K) departments. An increase in Public Works expenses resulted primarily from the city-wide maintenance reorganization. Police expenditures increased due to accounting for the police enforcement program in the General Fund starting this

fiscal year, as well as due to higher pension cost resulting from payments toward unfunded liabilities for safety groups. The latter was also the reason for increased expenditures in the Fire Department, in addition to one-time expenses for the purchase of LifePak (SCBA) equipment.

Parks and Recreation expenses increased due to staffing vacancies last year and additional special events (SnowGlobe) expenses in the current year. An increase in Finance has resulted from the department reorganization. General Government increased primarily due to one-time expenses for 50th Anniversary events.

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

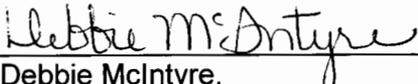
FINANCIAL AND/OR POLICY IMPLICATIONS:

FY 2015/16 year-to-date revenues were neutral and below 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 third quarter-to-date update to the City Council in August 2016.

CITY COUNCIL WORK PLAN:

The quarterly budget and financial reporting supports the City Council goals as they relate to Fiscal Sustainability and Public Trust and Accountability.

By:

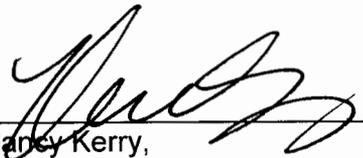


Debbie McIntyre,
Deputy Director of Financial Services



Olga Tikhomirova,
Financial Services Supervisor

Reviewed and Approved,



Nancy Kerry,
City Manager

Attachments:

1. FY 2015/16 Quarterly Budget and Financial Status Report for the Period Ending March 31, 2016.

Attachment 1

FY 2015/16

Quarterly Budget and Financial Status Report

for the Period Ending

March 31, 2016

General Fund Departmental Revenue and Expenditure Analysis

FY 2015-16 Amended Budget and Actuals as of March 31, 2016 (50% of the Year Elapsed)				Year to Date Comparison To Prior Year Actuals		
	Budget	YTD Actuals	Percent Received	Actuals Received 03/31/2015	Comparison of YTD FY 2016 Actuals to YTD FY 2015 Actuals	\$ Increase/ (Decrease)
REVENUES						
General Government <i>(Includes City Council, City Clerk, City Attorney, Risk Mgmt, City Manager, Human Resources, Communications/Marketing)</i>	\$ 16,300	\$ 23,551	144.5%	\$ 837	2713.7%	\$ 22,714
Finance - Major Revenues						
Property Tax	6,817,093	3,759,601	55.1%	3,530,248	6.5%	229,353
Sales Tax (including Measure Q and Sales Tax Triple Flip)	7,363,823	2,841,839	38.6%	3,100,516	-8.3%	(258,677)
Transient Occupancy Tax	8,170,699	3,364,608	41.2%	2,531,604	32.9%	833,004
Transient Occupancy Tax - Project Area	4,938,888	2,402,240	48.6%	1,831,328	31.2%	570,912
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	1,923,212	35.9%	1,687,388	14.0%	235,824
Miscellaneous General Fund <i>(Includes non-departmental, Transfers, and other)</i>	157,650	128,634	81.6%	6,704	1818.8%	121,930
Police <i>(Includes Emergency Communication System Access fees (911) \$638,000)</i>	1,320,544	592,872	44.9%	489,994	21.0%	102,878
Fire	151,622	85,406	56.3%	75,198	13.6%	10,208
Public Works	450,534	237,922	52.8%	224,968	5.8%	12,954
Development Services <i>(Includes Building permit fees \$800,000)</i>	1,387,051	817,293	58.9%	417,458	95.8%	399,835
Parks & Recreation	1,194,955	178,160	14.9%	177,484	0.4%	676
Total General Fund Revenues	\$ 37,325,576	\$ 16,355,338	43.8%	\$ 14,073,727	16.2%	\$ 2,281,611
EXPENSES						
	Budget	YTD Actuals	Percent Expended	Actuals Received 03/31/2015	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>	\$ 2,733,283	\$ 1,118,783	40.9%	\$ 1,068,946	4.7%	\$ 49,837
Finance <i>(Includes Accounting, Treasury, Revenue, Information Technology)</i>	2,516,415	1,016,591	40.4%	952,505	6.7%	64,086
Miscellaneous General Fund <i>(Includes non-departmental, Transfers, and other)</i>	14,241,298	1,980,143	13.9%	2,032,162	-2.6%	(52,019)
Police	8,786,129	4,259,039	48.5%	4,081,496	4.3%	177,543
Fire	4,858,822	2,150,014	44.2%	2,017,588	6.6%	132,426
Public Works	4,725,801	1,947,739	41.2%	1,682,655	15.8%	265,084
Development Services	1,849,431	701,359	37.9%	726,012	-3.4%	(24,653)
Parks & Recreation	1,456,316	579,567	39.8%	494,077	17.3%	85,490
Total General Fund Expenses	\$ 41,167,495	\$ 13,753,235	33.4%	\$ 13,055,441	5.3%	\$ 697,794
Total Revenues		\$ (16,355,338)				
Total Expenses		\$ 13,753,235				
Net (revenues)/expenses		\$ (2,602,103)				

General Fund Revenues Performance: NEUTRAL

Total General Fund Revenues as of March 31, 2016 were \$16,355,338 which is 43.8% of the amended budget.

General Fund Expenses Performance: POSITIVE

Total General Fund Expenses as of March 31, 2016 were \$13,753,235 which is 33.4% of the amended budget.