



City of South Lake Tahoe

"making a positive difference now"

STAFF REPORT CITY COUNCIL MEETING OF AUGUST 16, 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
June 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 June 30, 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 three quarters of FY 2015/16 actuals to FY 2015/16 budget and to prior FY 2014/15 third 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 third quarter with 75 percent of the year complete, General Fund revenues were at 73.8% of the amended budget, while expenditures were at 74.3% of appropriations. As described in more detail below, Sales tax revenue was 3.1% 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 the other two major categories (Property Tax and City TOT) was 16.9% better overall than collections during the same period last fiscal year. Other revenue collections varied. On the expense side, all departments expended less than 75% of their total budget for the current fiscal year with the exception of the expenditures in Miscellaneous General Fund category.

FY 2015/16 General Fund Revenues

General Fund revenues year-to-date totaled \$27.6 million, up 12.7% or about \$3.1 million compared to prior fiscal year at June 30th. City TOT increased 35.0% or \$1.3 million. The first three quarters collection comprised 59.9% of the total City TOT budget. The TOT revenue from the Project Area was up 31.5% or \$815K compared to last fiscal year. TOT revenue collection in the Project Area comprised 68.9% of the budgeted revenue for this line item. The Property tax revenue received was 6.4% or \$400K above last year at June 30th.

Sales Tax revenue received through June 30th was 3.1% or \$151K lower than last year's collection for the first three quarters. The primary reason for the lower collection 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 is receiving 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 47.5% or \$407K in Development Services revenue is comprised of the following increases: \$114K 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), \$101K in transfer of land coverage revenue, \$141K in planning fees, and other increases in various categories offset by a decrease of \$26K in building fees.

Other notable revenue increases were in Finance-Other revenues, \$239K, due to the timing of processing Business License Fee receipts, in Miscellaneous General Fund, \$127K, primarily due to an increase in transfers-in from other funds (as budgeted), and in the Public Works Department, \$44K, primarily due to an increase in Motor Pool service charges revenue.

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

FY 2015/16 General Fund Expenditures

General Fund expenditures year-to-date totaled \$30.6 million or 74.3% of the total budget at June 30th with all departments expending less than 75% of the total budgeted expense with the exception of the Miscellaneous General Fund category.

In comparison to last year's actuals, overall expenses increased 39.1% or \$8.6 million, primarily due to an increase in Miscellaneous General Fund category (\$7.0 million). The increase was partly due to an increase in budgeted and completed transfers out (to City CIP and TOT Trust funds) and partly due to the timing of the budgeted transfers completed to date. Other major contributors for the increase were expenditures in Fire

(\$461K), Public Works (\$434K), and Police (\$422K) departments. An increase in Public Works expenses resulted primarily from the city-wide maintenance reorganization. Police and Fire expenditures increased due to higher pension cost resulting from payments toward unfunded liabilities for safety groups. Expenditures in the Fire Department also increased due to one-time expenses for the purchase of LifePak (SCBA) equipment.

An increase in Finance (\$156K) has resulted from the department reorganization. General Government increased (\$137K) due to an increase in budgeted expense, staffing vacancies in the prior year, as well as due to one-time expenses for 50th Anniversary events. Expenses decreased in Development Services (\$38K) due to staffing vacancies in the current year.

Overall the General Fund expenses were **neutral** and flat to current year amended budget.

FINANCIAL AND/OR POLICY IMPLICATIONS:

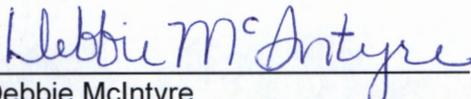
This revenue, expenditures, and budget analysis includes adjustments for supplemental appropriations approved by the City Council during the year as well as mid-year adjustments.

Overall, both revenues and expenses for the first three quarters of FY 2015/16 were neutral and flat to amended budget. The Financial Services division will continue to monitor the General Fund revenues and expenditures and will bring the preliminary year-end results to the City Council in December 2016.

CITY COUNCIL WORK PLAN:

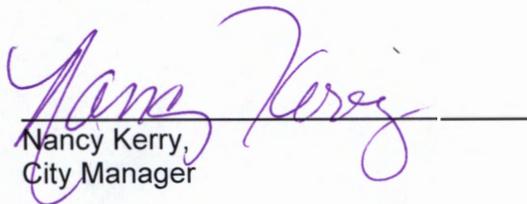
The quarterly budget and financial reporting supports the City Council goals as they relate to Fiscal Sustainability and Public Trust and Accountability.

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 June 30, 2016.

Attachment 1

FY 2015/16

Quarterly Budget and Financial Status Report

for the Period Ending

June 30, 2016

General Fund Departmental Revenue and Expenditure Analysis

FY 2015-16 Amended Budget and Actuals as of June 30, 2016 (75% of the Year Elapsed)				Year to Date Comparison to Prior Year Actuals		
	Budget ⁽¹⁾	YTD Actuals	Percent Received	Actuals Received 06/30/2015	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	\$ 35,644	218.7%	\$ 37,123	-4.0%	\$ (1,479)
Finance - Major Revenues						
Property Tax	6,817,093	6,672,601	97.9%	6,272,156	6.4%	400,445
Sales Tax (including Measure Q and Sales Tax Triple Flip)	7,363,823	4,741,160	64.4%	4,892,411	-3.1%	(151,251)
Transient Occupancy Tax	8,170,699	4,895,625	59.9%	3,627,188	35.0%	1,268,436
Transient Occupancy Tax - Project Area	4,938,888	3,404,811	68.9%	2,589,967	31.5%	814,844
Finance - Other Revenues <i>(Includes \$1.71m Motor Vehicle License fee, \$1.31m Franchise fees; \$1.20m Business Licenses; Information Technology and other miscellaneous revenue.)</i>	5,356,417	4,449,415	83.1%	4,210,759	5.7%	238,657
Miscellaneous General Fund <i>(Includes non-departmental, Transfers, and other)</i>	225,698	171,184	75.8%	44,127	287.9%	127,057
Police <i>(Includes Emergency Communication System Access fees (911) \$638,000)</i>	1,330,544	963,365	72.4%	970,554	-0.7%	(7,189)
Fire	151,622	93,414	61.6%	130,388	-28.4%	(36,974)
Public Works	450,534	379,583	84.3%	335,090	13.3%	44,493
Development Services <i>(Includes Building permit fees \$800,000)</i>	1,387,051	1,265,119	91.2%	857,681	47.5%	407,438
Parks & Recreation	1,194,955	532,966	44.6%	533,666	-0.1%	(700)
Total General Fund Revenues	\$ 37,403,624	\$ 27,604,887	73.8%	\$ 24,501,110	12.7%	\$ 3,103,777
EXPENSES						
General Government <i>(Includes City Council, City Clerk, City Attorney, Risk Mgmt, City Mgr, Human Resources, Communications/Marketing)</i>	\$ 2,733,283	\$ 1,659,471	60.7%	\$ 1,522,438	9.0%	\$ 137,033
Finance <i>(Includes Accounting, Treasury, Revenue, Information Technology)</i>	2,516,415	1,571,597	62.5%	1,415,114	11.1%	156,483
Miscellaneous General Fund <i>(Includes non-departmental, Transfers, and other)</i>	14,241,298	12,884,170	90.5%	5,880,335	119.1%	7,003,835
Police	8,796,129	6,277,995	71.4%	5,856,192	7.2%	421,803
Fire	4,858,822	3,293,805	67.8%	2,832,825	16.3%	460,980
Public Works	4,725,801	3,004,303	63.6%	2,570,286	16.9%	434,017
Development Services	1,849,431	1,009,133	54.6%	1,047,586	-3.7%	(38,453)
Parks & Recreation	1,456,316	890,127	61.1%	872,086	2.1%	18,041
Total General Fund Expenses	\$ 41,177,495	\$ 30,590,601	74.3%	\$ 21,996,862	39.1%	\$ 8,593,739
Total Revenues		\$ (27,604,887)				
Total Expenses		\$ 30,590,601				
Net (revenues)/expenses		\$ 2,985,714				

General Fund Revenues Performance: NEUTRAL

Total General Fund Revenues as of June 30, 2016 were \$27,604,887 which is 73.8% of the amended budget.

General Fund Expenses Performance: NEUTRAL

Total General Fund Expenses as of June 30, 2016 were \$30,590,601 which is 74.3% of the amended budget.

⁽¹⁾ Includes mid-year adjustments.