



Council Agenda Report

From: Ryan Cornell, Finance Manager
Subject: Quarterly Budget Report– 3rd Quarter Fiscal Year 2018-19
Date: June 4, 2019

Facts

1. In accordance with the Council's adopted fiscal policies, the City prepares periodic financial reports of actual revenues and expenditures for review by the City Council.
2. This report provides an overview of the City's financial position based on actual transactions incurred for the third quarter of Fiscal Year (FY) 2018-19 ending March 31, 2019.
3. The City Council adopted the two-year budget for FY 2018-19 and 2019-20 in June 2018.
4. The City Council was presented with the first Quarterly Budget Report on November 6, 2018 and the Mid-Year Budget Report on March 19, 2019.
5. In addition to providing the financial condition for the City's major funds, this report also provides department metrics.

Analysis and Conclusions

The 3rd Quarter Financial Report provides an opportunity to examine the financial status of the City for the first nine months of the 2018-19 FY. The City adopted its Biennial Budget in June 2018, establishing the City's financial plan for the period beginning on July 1, 2018 and ending on June 30, 2020. Because there are a number of assumptions and predictions used in the budget process, it is extremely important to revisit those assumptions to ensure the budget continues to be financially sound. Similar with previous financial reports, this report will concentrate on the General, Water, Wastewater and Capital Improvement Program Funds of the City.

General Fund

The City's General Fund financial position has changed modestly since the Mid-Year Budget Review presented in March 2019. The biggest contributing factor, as approved by City Council in March, was due to transferring funds from the sale of the City-owned property located on Riverside Drive to the Capital Projects Fund. The money has not been spent, rather transferred out of the General Fund and is set aside for the potential purchase of the Boys School property. Regardless of this anomaly, the General Fund is anticipating the reserve balance at June 30, 2019 to be approximately \$17.9 million, or 48% of operating expenses.

As shown on the following page, total General Fund revenues are projected to be \$45.8 million and represents approximately \$412,000 more than initially estimated. This represents a positive variance of less than 1%. Sales and property taxes are coming in higher than anticipated with transient occupancy taxes continuing to come in lower than anticipated. Even though transient occupancy tax is projected to be less than anticipated, it still represents a 9% increase when compared to revenues received in FY 2017-18. Additional negative variances include licenses and permits and operating grant revenues. In both cases, the shortcoming of revenue is more of a timing issue rather than lack of revenues to be received. In both cases, estimated revenues will be adjusted to reflect this timing issue in the FY 2019-20 Mid-Cycle Budget Update Report in June 2019.

GENERAL FUND INCOME STATEMENT

	Budget	Projected	Variance	Projected % Received/Expended
Revenues				
Sales Tax	\$15,560,000	\$16,144,125	\$ 584,125	104%
Property Tax	10,374,000	10,823,967	449,967	104%
Transient Occupancy Tax	6,615,000	6,157,712	(457,288)	93%
All Other Taxes	4,386,200	4,411,287	25,087	101%
All Other Revenues	6,723,808	6,336,081	(387,727)	94%
Interfund Transfers In	1,756,500	1,954,780	198,280	111%
Total Revenue	45,415,508	45,827,952	412,444	101%
Expenditures				
City Manager/City Council	2,848,167	2,846,514	(1,653)	100%
Administrative Services	3,880,900	3,458,867	(422,033)	89%
Police Services	12,171,586	10,963,141	(1,208,445)	90%
Emergency Services	7,564,882	6,478,502	(1,086,380)	86%
Public Works	3,447,480	3,265,833	(181,647)	95%
Community Services	7,250,273	6,849,050	(401,223)	95%
Community Development	4,302,301	3,670,901	(631,400)	85%
Non-Dept/Transfers Out	20,284,982	20,556,232	271,250	101%
Contingency Set-aside	181,100	-	(181,100)	-%
Total Expenditures	61,931,671	58,089,040	(3,842,631)	94%
Change in Fund Balance	(16,516,163)	(12,261,088)	4,255,075	
Reserve Balance – July 1, 2018	30,171,866	30,171,866	-	
Estimated Reserve Balance – June 30, 2019	<u>\$13,655,703</u>	<u>\$17,910,778</u>	<u>\$ 4,255,075</u>	

General Fund expenditures are projected to be under-budget with an estimated 94% of appropriations being expended. This was similar to what was reported in the Mid-Year Budget Report. While City departments continue to do an excellent job of being conservative with expenditures, the majority of the expenditure savings are due to vacant, but budgeted positions. Of the total \$3.8 million in budget savings, \$2.7 million is related to personnel costs.

The line item titled, “Non-Departmental and Transfers Out” shown above is reporting an over-budget expenditure in the amount of \$271,250. This is related to the challenge the City had engaged in, and lost, with the State’s Department of Finance related to the bond repayment of the City Hall/Library building. Because the City lost this challenge, the General Fund will now be obligated to pay for the debt service. Current year budget savings will be sufficient to cover this year’s debt payment and the Mid-Cycle Budget Report will update the General Fund’s appropriation for next fiscal year.

Beginning in FY 2018-19, the City budgeted \$250,000 for a city-wide contingency. These monies were appropriated for unexpected expenditures that arise throughout the year but were unidentifiable at budget adoption. To date, \$68,900 has been allocated toward two efforts: the consolidated dispatch center study and a contract with HdL Companies to assist in development of an ordinance to regulate commercial cannabis businesses with the City.

As shown above, the change in the fund balance is anticipated to decrease by \$12.3 million. However, the City is not expending more than it receives; rather this amount represents previously budgeted capital projects that historically has been reported in the General Fund. Beginning in FY 2018-19, capital projects are accounted for in a stand-alone fund which will help better represent the General Fund’s unrestricted

reserve balance as well as reporting a balanced budget. As we transition to this new method of accounting, a one-time transfer (i.e. decrease fund balance in the General Fund and an increase in fund balance in the Capital Project Fund) is shown in the current fiscal year. Moving forward the monies will be transferred out of the General Fund each year with the capital expenditure fluctuations (timing of when capital projects are spent) reported in the Capital Projects Fund.

Water Fund

WATER FUND INCOME STATEMENT

	Budget	Projected	Variance	Projected % Received/ Expended
Revenues				
Charge for Services	\$13,850,000	\$13,033,038	\$ (816,962)	94%
Connection Fees	1,400,000	781,506	(618,494)	56%
Proceeds from Issuance of Debt	4,000,000	4,000,000	-	100%
All Other Revenues	323,000	311,551	(11,449)	96%
Total Revenue	19,573,000	18,126,095	(1,446,905)	93%
Expenditures				
Administrative Services	651,423	486,675	(164,748)	75%
Public Works	12,761,868	12,406,229	(355,639)	97%
Capital Projects	13,967,903	9,915,186	(4,052,717)	71%
Cost Allocation Transfers	820,500	870,698	50,198	106%
Total Expenditures	28,201,694	23,678,788	(4,522,906)	84%
Change in Fund Balance	(8,628,694)	(5,552,693)	3,076,001	
Actual Reserve Balance – July 1, 2018	6,438,348	6,438,348	-	
Projected Reserve Balance – June 30, 2019	\$(2,190,346)	\$ 885,655	\$ 3,076,001	

As presented in the Biennial Budget Report, the Water Fund had estimated its reserve balance at June 30, 2019 to be \$1.8 million. It is now expected to be just under \$900,000, a change of approximately \$900,000. As mentioned in previously Quarterly Financial Report, there are three main reasons for this variance: connection fee revenues, the Steinbeck litigation and the Emergency Bank Stabilization Project.

Connection fee revenues are very difficult to predict because it is solely dependent on community development and specifically when development connects to water (and sewer, if applicable) services. During the Biennial Budget process, connection fee revenues were estimated to be \$1.4 million, however, only \$623,000 has been received as of March 31, with an end-of-year projection of approximately \$781,500, an increase of \$230,000 projected during the Mid-Year Report, but still well under budgeted revenues. Connection fee revenues are restricted, in that they can only be utilized to expand current water system infrastructure and are not to be spent on water operations. As such, with the delay in water connection revenue, it could delay some infrastructure-related projects in the future. However, projects anticipated to be completed over the next five years will not be impacted.

The City continues to incur legal costs associated with the Steinbeck litigation and from July 1, 2018 to March 31, 2019, the City has expended approximately \$1.2 million. With the majority of the case already settled, these services should start to decline. However, even if all legal fees were to stop today, the fund has expended well above what it had anticipated and is a major factor in the overall decline in fund reserves.

Lastly, the Emergency Bank Stabilization project utilized reserves to pay for this unexpected situation. As such, the Thunderbird wellfield was jeopardized due to the deterioration of the Salinas River riverbed. The project is completed at a cost of just over \$775,000. The use of reserves for this project is one of the biggest reasons why the City maintains a reserve balance. Regardless, the total cost of this emergency project was not factored into the Biennial Budget Report and is a contributing factor to the lower than estimated reserve balance.

Wastewater Fund

WASTEWATER FUND INCOME STATEMENT

	Budget	Projected	Variance	Projected % Received/ Expended
Revenues				
Charge for Service	\$ 9,506,000	\$ 9,480,982	\$ (25,018)	100%
Connection Fees	1,000,000	278,970	(721,030)	28%
Proceeds from Issuance of Debt	15,041,242	15,041,242	-	100%
All Other Revenues	115,000	102,877	(12,123)	89%
Total Revenue	25,662,242	24,904,071	(758,1715)	97%
Expenditures				
Administrative Services	577,922	506,255	(71,667)	88%
Public Works	10,545,090	9,265,272	(1,279,818)	88%
Capital Projects	18,083,213	18,083,213	-	100%
Cost Allocation Transfers	655,000	809,213	154,213	124%
Total Expenditures	29,861,225	28,663,953	(1,197,272)	96%
Change in Fund Balance	(4,198,983)	(3,759,882)	439,101	
Actual Reserve Balance – July 1, 2018	8,442,081	8,442,081	-	
Projected Reserve Balance – June 30, 2019	\$ 4,243,098	\$ 4,682,199	\$ 439,101	

The Wastewater Fund is doing slightly better than projected in the Mid-Year Budget Report with ending reserve balance increasing by \$35,000 to just under \$4.7 million. As previously discussed, and similar to the Water Fund, the Wastewater Fund budget for connection fee revenue is over-estimated. Through the first nine months of the fiscal year, connection fee revenue received totaled \$242,784 out of the total \$1.0 million originally estimated. The combination of lower connection fee charges and the lack of development connecting to the system has contributed to the new estimated end of year projection of under \$280,000. As previously stated, connection fee revenues are restricted, in that they can only be utilized to expand current system infrastructure and are not to be spent on wastewater operations. As such, with the delay in wastewater connection revenue, it could delay some infrastructure-related projects in the future. However, projects anticipated to be completed over the next five years will not be impacted.

Capital Projects

The chart below represents the projects that are included in the Capital Improvement Program (CIP) Fund along with project budget, project expenditures-to-date (not necessarily by fiscal year) and the current status of said project. Typically, savings from projects coming in under-budget will remain in the CIP and be applied to another project when appropriate and determined by City Council.

Project	Budget	Expended-to-Date	Estimated Completion	Note
<i>Miscellaneous</i>				
Sherwood Park Restroom	\$ 633,087	\$ 397,862	July 2019	

Project	Budget	Expended-to-Date	Estimated Completion	Note
Neighborhood Park Rehabilitation	\$ 28,945	\$ 28,246	June 2019	
BSP Lighting/Irrigation	96,643	99,839	Completed	2
Sherwood Park Rehabilitation	12,537	11,389	June 2019	
City Hall Remodel	45,000	3,750	TBD	3
Wayfinding Signage	120,000	-	TBD	
Uptown Park Shade Structures	105,000	3,650	June 2019	
Centennial Park Patio Umbrellas	11,400	-	TBD	
Centennial Roof Repairs	260,000	262,917	Completed	2
City Hall Stucco Repairs	65,000	-	TBD	
Municipal Pool Repairs	65,000	-	TBD	
Parking Lot Repairs: 13 th /Spring	280,000	15,684	2021	
911 Data Communication	200,000	-	TBD	4
CYA Boys School	6,988,585	8,218	TBD	5
Urban Apportionment STP	484,688	364,873	Completed	6
<i>Street Projects</i>				
12 th St: Spring to Fresno	3,217,800	2,795,245	Dec. 2019	7
Spring St: 1 st to 15 th	4,754,635	4,063,408	Dec. 2019	7
Creston Rd: River to Rolling Hills	2,095,000	1,618,887	2025	
Sherwood: Creston to Linne	2,400,000	2,386,040	2022	
Spring St: 24 th to 36 th	3,100,000	25,175	2024	
Vine St: 1 st to 36 th	725,835	603,617	Completed	7
24 th Street Bridge	833,744	405,879	2026	
Annual Slurry/Chip Seal	1,893,896	1,539,660	On-going	
13 th St Pedestrian Improvements	1,427,800	514,660	2022	
Eastside Light Rehabilitation	1,197,551	1,089,444	Completed	7
Dry Creek Rd Improvements	481,660	211,589	2022	
Union Rd: along BSP	1,900,000	112,785	2022	
Niblick Rd Signal Synchronization	300,000	-	2022	
Union Rd/Golden Hill Rd Roundabout	1,440,000	15,264	2023	
13 th St & Niblick Rd Bridge Resurfacing	242,000	-	2023	
Niblick Rd Corridor	262,472	-	2022	
Ramada Dr/Vendels Cir Road Repair	350,000	348,260	Completed	7
West Side Street Repairs	-	24,275	2021	1
Union Rd/Hwy 46 Interchange	6,913,228	1,666,476	2030	

Capital Improvement Notes:

1. Appropriations to be allocated in FY 2019-20 to cover the cost of the project expended-to-date.
2. Deficit spending to be covered by operating appropriations.
3. Space planning consultant interviews were conducted the week of March 4, 2019. A proposed contract will be brought to the Council shortly.
4. Staff is currently evaluating the overall scope of the project as well as phases for implementation. It is anticipated that staff will come with a recommendation of Phase I to utilize these funds for the purchase of radios and body cameras with the future phases including replacement of the communication towers in the upcoming fiscal year.
5. Project on-hold until State opens sale of property for the general public.
6. Although the project is complete and under-budget, it was funded solely with a state grant. As such, no additional funds are available to be returned to reserves.
7. Project completed or near completion and is under budget. Staff recommendation to return project savings to CIP fund and be used towards a future streets project.

Fiscal Impact

None.

Recommendation

Receive and file the report, providing any direction or requests for future reports, to ensure they meet Council needs.

Attachment

FY 2018-19 - Quarter 3 Department Matrices

City Manager's Office

PERFORMANCE/ WORKLOAD MEASURES	FY 2016-17 ACTUAL	FY 2017-18 ACTUAL	FY 2018-19 QUARTER 1	FY 2018-19 QUARTER 2	FY 2018-19 QUARTER 3	FY 2018-19 ESTIMATED
Public Records Requests	106	135	48	39	49	180
City Council Meetings	34	36	6	8	7	36
Community Engagement Events	-	12	14	4	25	30
Desktop Computer Replacements	52	24	2	1	1	56
Network Servers	4	1	-	1	2	2
MDC's & Laptops	20	2	1	1	2	2

Administrative Services Department

PERFORMANCE/ WORKLOAD MEASURES	FY 2016-17 ACTUAL	FY 2017-18 ACTUAL	FY 2018-19 QUARTER 1	FY 2018-19 QUARTER 2	FY 2018-19 QUARTER 3	FY 2018-19 ESTIMATED
Pension Section 115 Prefunding	\$2,500,000	\$484,900	\$0	\$2,000,000	\$0	\$2,849,000
Number of New Business Licenses	750	800	253	167	183	815
Number of Short Term Rentals	210	269	277	298	324	300
Amount of TOT collected on Short Term Rentals	\$365,731	\$484,000	\$169,790	\$147,933	\$101,567	\$531,000
Average Number of Utility Accounts Billed Monthly	10,568	10,599	10,593	10,601	10,635	10,599
Percentage of Accounts Billed (from previous month) Paid Late	7.90%	8.64%	8.27%	8.72%	7.68%	8.60%
Percentage of Accounts Billed (from previous month) that are Shut Off	0.09%	0.17%	0.10%	0.14%	0.11%	0.20%
Number of Training and Development Hours	3,099	2,295	485	925	532	3,100
Number of Vacancies Filled	50	61	11	18	23	70
Cost of Work Comp Claims Per \$100 of Payroll Compared to Pool						
Paso Robles	\$2.08	\$2.54	\$2.07	\$2.11	\$2.22	\$2.54
Pool	\$3.12	\$3.22	\$2.85	\$2.89	\$2.94	\$3.22
Cost of General Liability Claims Per \$100 of Payroll Compared to Pool						
Paso Robles	\$2.14	\$3.08	\$3.21	\$2.30	\$2.27	\$3.08
Pool	\$2.71	\$3.45	\$3.14	\$3.21	\$3.23	\$3.45

Police Department

PERFORMANCE/ WORKLOAD MEASURES	FY 2016-17 ACTUAL	FY 2017-18 ACTUAL	FY 2018-19 QUARTER 1	FY 2018-19 QUARTER 2	FY 2018-19 QUARTER 3	FY 2018-19 ESTIMATED
UCR Violent Crimes	37	317	72	74	69	37
UCR Property Crimes	927	867	229	192	177	927
Driving Under the Influence	148	155	31	49	36	148
Traffic Collisions	477	524	147	158	113	477
Traffic Citations	4,220	3,329	560	667	610	4,220
911 Calls Received	11,811	12,153	3,487	3,100	2,728	11,811
Business Calls Received	61,721	59,443	15,861	15,108	16,239	62,500

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Emergency Services Department

PERFORMANCE/ WORKLOAD MEASURES	FY 2016-17 ACTUAL	FY 2017-18 ACTUAL	FY 2018-19 QUARTER 1	FY 2018-19 QUARTER 2	FY 2018-19 QUARTER 3	FY 2018-19 ESTIMATED
Fire	153	133	33	23	22	143
Emergency Medical Services	2,394	2,368	622	603	609	2,812
Hazardous Condition	89	87	23	34	27	98
Service Call	1,060	1,267	314	303	311	1,437
Plan Check	92	128	18	44	51	185
Title 19 Sprinkler Inspections	4	66	4	11	16	114
Licensed Day Care	10	10	5	6	4	8
Business Inspections	324	722	116	86	103	696
Violations Issued	253	880	42	35	38	391
Public Education	135	66	12	13	15	126
Construction Inspections	U/A	U/A	U/A	37	42	70
Enforcement Actions	U/A	U/A	U/A	23	10	50

Public Works Department

PERFORMANCE/ WORKLOAD MEASURES	FY 2016-17 ACTUAL	FY 2017-18 ACTUAL	FY 2018-19 QUARTER 1	FY 2018-19 QUARTER 2	FY 2018-19 QUARTER 3	FY 2018-19 ESTIMATED
Airport Special Events	6	13	1	0	3	10
Street-related Work Orders	604	411	60	81	117	650
Water-related Work Orders	5,088	3,352	1,025	1,234	1,811	4,800
Water Conservation Rebates	248	71	23	15	18	150
Fleet Vehicles Repaired/Service	1,856	566	699	568	531	2,000
Sewage Spills per 100 Lane Miles	0.70	-	-	-	-	0.00

Community Services Department

PERFORMANCE/ WORKLOAD MEASURES	FY 2016-17 ACTUAL	FY 2017-18 ACTUAL	FY 2018-19 QUARTER 1	FY 2018-19 QUARTER 2	FY 2018-19 QUARTER 3	FY 2018-19 ESTIMATED
<u>Library</u>						
Library Cardholders	14,609	16,315	17,625	18,078	18,656	18,109
Library Visits	165,480	158,174	41,447	37,099	39,961	162,919
Items Circulated	286,735	282,148	78,794	72,110	76,416	284,969
Library Programs	412	420	121	114	126	425
Attendance at Programs	10,775	10,780	2,605	2,003	2,701	10,790
Public Internet Computer Sessions	43,890	37,709	9,528	8,614	9,499	38,000
Volunteer FTE	6.9	7	7	7	6.6	7
<u>Recreation</u>						
Program Hours Reserved	5,532	5,900	2,648	2,287	2,570	6,300
Program Attendance	10,889	11,150	7,317	6,781	8,038	11,715
Program Revenue	\$89,903	\$91,450	\$67,459	\$31,374	\$51,201	\$93,950
Facility Hours Reserved	17,568	20,050	4,123	4,268	3,040	22,550
Facility Attendance	256,437	260,500	43,536	40,097	37,853	265,500
Facility Rent & Lease Revenue	\$111,368	\$138,000	\$31,398	\$23,226	\$28,926	\$142,000
Community Events Attendance	26,928	27,300	14,250	2,152	375	28,500
<u>Park and Facility Maintenance</u>						
Maintenance Work Orders	1,102	1,285	273	219	188	1,385
City Trees Trimmed	760	750	903	350	381	800
City Trees Planted	141	65	29	18	10	65

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Community Development Department

PERFORMANCE/ WORKLOAD MEASURES	FY 2016-17 ACTUAL	FY 2017-18 ACTUAL	FY 2018-19 QUARTER 1	FY 2018-19 QUARTER 2	FY 2018-19 QUARTER 3	FY 2018-19 ESTIMATED
Specific Plans/Annexations	1	3	3	3	3	3
Conditional Use Permits	14	15	2	2	3	15
General Plan Amendment/Zone Changes	7	7	2	3	5	7
Subdivision Map Act Entitlements Tracts, Parcel Map, Lot-line Adjustment	15	15	2	1	2	15
Total Planning Entitlements Applications	151	150	40	30	29	150
Planning Commission/Public Meetings	90	100	19	16	24	100
Building Permits Issued	811	1000	271	276	230	1,100
Building Inspections	3,600	3,800	813	1,027	941	4,000
Single-family Residential Units	21	50	5	3	9	100
Multi-family Residential Units	223	150	12	77	2	100
Commercial/Industrial square footage	105,000	200,000	192,596	30,937	92,921	200,000