



Council Agenda Report

From: Ryan Cornell, Finance Manager

Subject: Quarterly Budget Report– 4th Quarter Fiscal Year 2018-19

Date: September 5, 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 Fiscal Year (FY) 2018-19 ending June 30, 2019.
3. The City Council adopted the two-year budget for FY 2018-19 and 2019-20 in June 2018. The Council amended the FY 2019-20 budget earlier this year.
4. The City Council was presented with the first Quarterly Budget Report on November 6, 2018, the Mid-Year Budget Report on March 19, 2019, and third Quarterly Budget Report on June 4, 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 4th Quarter Financial Report provides an opportunity to examine the financial status of the City for the 2018-19 fiscal year. The financial information provided in this report has not been audited nor have all end-of-year adjustments been made. The figures presented could change once the audit is complete; however, staff does not anticipate that they will change significantly.

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 to 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 anticipated General Fund financial position has decreased slightly since the 3rd Quarter Budget Review was presented in June 2019. The General Fund is now anticipating available fund balance (i.e. reserves) to be approximately \$17.7 million at the end of the fiscal year, which represents approximately 40% of General Fund revenues. The table below shows the estimated fund balance presented in each quarterly financial report throughout the year:

GENERAL FUND	Projected Fund Balance
1 st Quarter	16,579,703
2 nd Quarter	20,197,989
3 rd Quarter	17,910,778
4 th Quarter	17,678,403
Budgeted	13,655,703

The 2nd Quarter Financial Report presented a \$20.2 million reserve due to the sale of City-owned property on Riverside Avenue. The 2nd Quarter Report also authorized the transfer of these funds to the Capital Improvement Program Fund and earmarked them towards the potential purchase of the Boys School. To-date the funds have not been expended but have been transferred out of the General Fund. This action reduced the ending available fund balance of the General Fund in the 3rd and 4th Quarters.

As shown in the table below, total General Fund revenues are projected to be \$45.4 million for FY 2018-19, only \$20,201 more than initially estimated. 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 10% 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 have been adjusted to reflect this timing issue in the FY 2019-20 Mid-Cycle Budget Update Report presented to City Council in June 2019.

GENERAL FUND INCOME STATEMENT

	Budget	Projected	Variance	Projected % Received/ Expended
Revenues				
Sales Tax	\$15,560,000	\$15,900,181	\$ 340,181	102%
Property Tax	10,374,000	10,758,513	384,513	104%
Transient Occupancy Tax	6,615,000	6,210,473	(404,527)	94%
All Other Taxes	4,386,200	4,608,822	222,622	105%
All Other Revenues	6,723,808	6,002,940	(720,868)	78%
Interfund Transfers In	1,756,500	1,954,780	198,280	111%
Total Revenue	45,415,508	45,435,709	20,201	100%
Expenditures				
City Manager/City Council	2,799,832	2,903,743	103,911	104%
Administrative Services	3,880,900	3,448,565	(432,335)	89%
Police Services	12,171,586	10,680,302	(1,491,284)	88%
Emergency Services	7,564,882	6,681,326	(883,556)	88%
Public Works	3,447,480	3,357,558	(89,922)	97%
Community Services	7,250,273	6,913,090	(337,183)	95%
Community Development	4,302,301	3,346,469	(955,832)	78%
Non-Dept/Transfers Out	3,486,500	3,751,302	264,802	108%
Capital Improvement Transfer	16,846,817	16,846,817	-	100%
Contingency Set-aside	181,100	-	(181,100)	-%
Total Expenditures	61,931,671	57,929,172	(4,002,499)	94%
Change in Fund Balance	(16,516,163)	(12,493,463)	4,022,700	
Reserve Balance – July 1, 2018	30,171,866	30,171,866	-	
Estimated Reserve Balance – June 30, 2019	\$13,655,703	\$17,678,403	\$ 4,022,700	

General Fund expenditures are projected to be under-budget with an estimated 94% of appropriations being expended, similar to what was reported in the 2nd and 3rd Quarter Budget Reports. While City departments continue to limit expenditures, the majority of the expenditure savings are due to vacant, but budgeted positions. Of the total \$4.0 million in budget savings, \$2.5 million is related to personnel costs.

As shown above, the fund balance is anticipated to decrease by \$12.5 million. However, the City is not expending more than it receives; rather this amount represents previously budgeted capital projects that

historically had been reported in the General Fund. Beginning in FY 2018-19, capital projects have been 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.

The line item titled, "Non-Departmental and Transfers Out" shown above is reporting an over-budget expenditure in the amount of \$264,802. 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 already accounted for the General Fund's appropriation for the 2019-20 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.

Water Fund

WATER FUND INCOME STATEMENT

	Budget	Projected	Variance	Projected % Received/ Expended
Revenues				
Charge for Services	\$13,850,000	\$13,132,047	\$ (717,953)	95%
Connection Fees	1,400,000	775,414	(624,586)	55%
Proceeds from Issuance of Debt	4,000,000	8,118,000	4,118,000	203%
All Other Revenues	323,000	339,394	16,394	105%
Total Revenue	19,573,000	22,364,855	2,791,855	114%
Expenditures				
Utility Billing	576,423	514,814	(61,609)	89%
Water Production	10,595,468	10,595,895	427	100%
Water Treatment	1,810,800	1,275,906	(534,894)	71%
Water Conservation	430,600	309,876	(120,724)	72%
Capital Projects	13,967,903	14,033,186	65,283	100%
Cost Allocation Transfers	820,500	870,698	50,198	106%
Total Expenditures	28,201,694	27,600,375	(601,318)	98%
Change in Fund Balance	(8,628,694)	(5,235,520)	3,393,172	
Actual Reserve Balance – July 1, 2018	6,438,348	6,438,348	-	
Projected Reserve Balance – June 30, 2019	<u>\$ (2,190,346)</u>	<u>\$ 1,202,828</u>	<u>\$ 3,393,172</u>	

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 anticipated to be approximately \$1.2 million. Even though this is a decrease from the June 2018 estimate, it is an increase from what was projected in the 3rd Quarter Financial Report. The lower-than-anticipated ending fund balance, as mentioned in previous Quarterly Financial Reports, is due to four main factors: the lawsuit over the last requested rate increase and the

delay in the implementation of the needed rate increase this lawsuit occasioned, lower connection fee revenues, the Steinbeck litigation, and the Emergency Bank Stabilization Project.

Connection fee revenues are very difficult to predict because they are solely dependent on when new 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, the City only received approximately \$775,000. The estimated connection fee revenues in FY 2019-20 has been updated to reflect the lower amounts being received. Regardless, 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, the delay in water connection revenue 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. For FY 2018-19, the City has expended approximately \$1.2 million. As reported in the 3rd Quarter Financial Report, the majority of the case has been settled, and as such, we have seen these costs decline in the 4th Quarter. However, even if all legal fees were to stop today, the fund has expended well above what it had anticipated and this 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. The Thunderbird wellfield was jeopardized due to the deterioration of the Salinas River riverbed and could have negatively impacted the City's ability to utilize these wells for water production . 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.

One other item to note is related to the 21st Street Reservoir Project. On March 5, 2019, City Council authorized the issuance of bonds to provide funding for the project. It was anticipated (as reported in the Biennial Budget Report) that \$4.0 million would be received in FY 2018-19 and an additional \$4.0 million in FY 2019-20. However, the City actually received the entire bond proceed amount in FY 18-19. As such, it appears that the City has received more than expected; this is not the case. In order to accurately report available ending fund balance, capital costs associated with the issuance of bonds has been reported in the capital expense-line item above. Had this not occurred, capital expenditures would have been under budget by approximately \$4.1 million.

Wastewater Fund

The Wastewater Fund is projected to end the year with revenues slightly exceeding expenditures by approximately \$160,000 and an ending reserve balance of just over \$4.4 million. As previously discussed, and similar to the Water Fund, the Wastewater Fund budget for connection fee revenue is over-estimated. Connection fee revenue received totaled \$299,515 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 low revenues. 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.

WASTEWATER FUND INCOME STATEMENT

	Budget	Projected	Variance	Projected % Received/Expended
Revenues				
Charge for Service	\$ 9,506,000	\$ 9,610,021	\$ 104,021	101%
Connection Fees	1,000,000	299,515	(700,485)	30%
Proceeds from Issuance of Debt	15,041,242	15,041,242	-	100%
All Other Revenues	115,000	93,460	(21,540)	81%
Total Revenue	25,662,242	25,044,238	(618,004)	98%
Expenditures				
Utility Billing	577,922	519,254	(58,668)	90%
Stormwater Management	414,200	389,445	(24,755)	94%
Wastewater Collection	2,015,950	1,709,667	(306,283)	85%
Wastewater Treatment	7,693,740	7,279,905	(413,835)	95%
Source Control	421,200	291,955	(129,245)	69%
Capital Projects	18,083,213	18,083,213	-	100%
Cost Allocation Transfers	655,000	809,213	154,213	124%
Total Expenditures	29,861,225	29,082,652	(778,573)	97%
Change in Fund Balance	(4,198,983)	(4,038,414)	160,569	
Actual Reserve Balance – July 1, 2018	8,442,081	8,442,081	-	
Projected Reserve Balance – June 30, 2019	\$ 4,243,098	\$ 4,403,667	\$ 160,569	

General 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 approved by City Council.

Project	Budget	Expended-to-Date	Estimated Completion	Notes
<i>Miscellaneous</i>				
Sherwood Park Restroom	\$ 633,087	\$ 544,976	Sept. 2019	
Neighborhood Park Rehabilitation	28,945	28,765	Completed	
BSP Lighting/Irrigation	96,643	99,839	Completed	2
Sherwood Park Rehabilitation	12,537	12,538	Completed	
City Hall Remodel	45,000	3,750	TBD	
Wayfinding Signage	168,335	2,524	TBD	
Uptown Park Shade Structures	114,828	61,093	Dec. 2019	
Centennial Park Patio Umbrellas	11,400	-	TBD	
Centennial Roof Repairs	262,500	262,917	Completed	2
City Hall Stucco Repairs	65,000	-	TBD	
Municipal Pool Repairs	65,000	11,148	On-Going	
Parking Lot Repairs: 13 th /Spring	280,000	20,485	2021	
911 Data Communication	200,000	-	TBD	3
CYA Boys School	6,988,585	8,218	TBD	4
Urban Apportionment STP	484,688	364,873	Completed	5
<i>Street Projects</i>				
12 th St: Spring to Fresno	3,217,800	2,795,245	Dec. 2019	6
Spring St: 1 st to 15 th	4,754,635	4,064,908	Dec. 2019	6
Creston Rd: River to Rolling Hills	2,095,000	1,680,639	2025	

Project	Budget	Expended-to-Date	Estimated Completion	Notes
Sherwood: Creston to Linne	2,400,000	2,390,118	2022	
Spring St: 24 th to 36 th	3,100,000	29,798	2024	
Vine St: 1 st to 36 th	725,835	603,617	Completed	6
24 th Street Bridge	833,744	435,677	2026	
Annual Slurry/Chip Seal	1,893,896	1,539,660	On-going	
13 th St Pedestrian Improvements	1,427,800	963,881	2022	
Eastside Light Rehabilitation	1,197,551	1,089,444	Completed	6
Dry Creek Rd Improvements	481,660	236,908	2022	
Union Rd: along BSP	1,900,000	169,188	2022	
Niblick Rd Signal Synchronization	300,000	-	2022	
Union Rd/Golden Hill Rd Roundabout	1,440,000	44,030	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	355,385	Completed	
West Side Street Repairs	-	47,125	2021	1
Union Rd/Hwy 46 Interchange	6,913,228	1,815,580	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. 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.
4. Project on-hold until State opens sale of property for the general public.
5. 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.
6. 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

1. FY 2018-19 - Quarter 4 Department Metrics

City Manager's Office

PERFORMANCE/ WORKLOAD MEASURES	FY 2016-17 ACTUAL	FY 2017-18 ACTUAL	FY 2018-19 ACTUAL	FY 2018-19 ESTIMATED
Public Records Requests	106	135	178	180
City Council Meetings	34	36	28	36
Community Engagement Events	-	12	58	30
Desktop Computer Replacements	52	24	47	56
Network Servers	4	1	7	2
MDC's & Laptops	20	2	7	2

Administrative Services Department

PERFORMANCE/ WORKLOAD MEASURES	FY 2016-17 ACTUAL	FY 2017-18 ACTUAL	FY 2018-19 ACTUAL	FY 2018-19 ESTIMATED
Pension Section 115 Prefunding	\$2,500,000	\$484,900	\$3,081,000	\$2,849,000
Number of New Business Licenses	750	800	815	815
Number of Short-Term Rentals	210	269	315	300
Amount of TOT collected on Short Term Rentals	\$365,731	\$484,000	\$611,602	\$531,000
Average Number of Utility Accounts Billed Monthly	10,568	10,599	10,623	10,599
Percentage of Accounts Billed (from previous month) Paid Late	7.90%	8.64%	8.02%	8.60%
Percentage of Accounts Billed (from previous month) that are Shut Off	0.09%	0.17%	0.12%	0.20%
Number of Training and Development Hours	3,099	2,295	2,907	3,100
Number of Vacancies Filled	50	61	82	70
Cost of Work Comp Claims Per \$100 of Payroll Compared to Pool				
Paso Robles	\$2.08	\$2.54	\$2.29	\$2.54
Pool	\$3.12	\$3.22	\$2.96	\$3.22
Cost of General Liability Claims Per \$100 of Payroll Compared to Pool				
Paso Robles	\$2.14	\$3.08	\$2.21	\$3.08
Pool	\$2.71	\$3.45	\$3.20	\$3.45

Police Department

PERFORMANCE/ WORKLOAD MEASURES	FY 2016-17 ACTUAL	FY 2017-18 ACTUAL	FY 2018-19 ACTUAL	FY 2018-19 ESTIMATED
UCR Violent Crimes	37	317	303	37
UCR Property Crimes	927	867	792	927
Driving Under the Influence	148	155	178	148
Traffic Collisions	477	524	537	477
Traffic Citations	4,220	3,329	2,763	4,220
911 Calls Received	11,811	12,153	12,524	11,811
Business Calls Received	61,721	59,443	62,197	62,500

Emergency Services Department

PERFORMANCE/ WORKLOAD MEASURES	FY 2016-17 ACTUAL	FY 2017-18 ACTUAL	FY 2018-19 ACTUAL	FY 2018-19 ESTIMATED
Fire	153	133	116	143
Emergency Medical Services	2,394	2,368	2,397	2,812
Hazardous Condition	89	87	108	98
Service Call	1,060	1,267	1,242	1,437
Plan Check	92	128	155	185
Title 19 Sprinkler Inspections	4	66	39	114
Licensed Day Care	10	10	18	8
Business Inspections	324	722	484	696
Violations Issued	253	880	115	391
Public Education	135	66	60	126
Construction Inspections	U/A	U/A	136	70
Enforcement Actions	U/A	U/A	41	50

Public Works Department

PERFORMANCE/ WORKLOAD MEASURES	FY 2016-17 ACTUAL	FY 2017-18 ACTUAL	FY 2018-19 ACTUAL	FY 2018-19 ESTIMATED
Airport Special Events	6	13	9	10
Street-related Work Orders	604	411	349	650
Water-related Work Orders	5,088	3,352	5,424	4,800
Water Conservation Rebates	248	71	68	150
Fleet Vehicles Repaired/Service	1,856	566	2,352	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 ACTUAL	FY 2018-19 ESTIMATED
<u>Library</u>				
Library Cardholders	14,609	16,315	19,102	18,109
Library Visits	165,480	158,174	157,116	162,919
Items Circulated	286,735	282,148	305,906	284,969
Library Programs	412	420	517	425
Attendance at Programs	10,775	10,780	11,044	10,790
Public Internet Computer Sessions	43,890	37,709	36,783	38,000
Volunteer FTE	6.9	7	6.7	7
<u>Recreation</u>				
Program Hours Reserved	5,532	5,900	9,861	6,300
Program Attendance	37,650	33,628	30,174	35,700
Program Revenue	\$305,915	\$267,157	\$260,088	\$260,000
Facility Hours Reserved	17,568	20,050	13,787	22,550
Facility Attendance	256,437	260,500	132,577	265,500
Facility Rent & Lease Revenue	\$111,368	\$138,000	\$120,704	\$142,000
Community Events Attendance	26,928	27,300	27,854	28,500
<u>Park and Facility Maintenance</u>				
Maintenance Work Orders	1,102	1,285	1,100	1,385
City Trees Trimmed	760	750	2,275	800
City Trees Planted	141	65	64	65

Community Development Department

PERFORMANCE/ WORKLOAD MEASURES	FY 2016-17 ACTUAL	FY 2017-18 ACTUAL	FY 2018-19 ACTUAL	FY 2018-19 ESTIMATED
Specific Plans/Annexations	1	3	3	3
Conditional Use Permits	14	15	14	15
General Plan Amendment/Zone Changes	7	7	18	7
Subdivision Map Act Entitlements Tracts, Parcel Map, Lot-line Adjustment	15	15	11	15
Total Planning Entitlements Applications	151	150	141	150
Planning Commission/Public Meetings	90	100	79	100
Building Permits Issued	811	1000	1,076	1,100
Building Inspections	3,600	3,800	3,905	4,000
Single-family Residential Units	21	50	21	100
Multi-family Residential Units	223	150	96	100
Commercial/Industrial square footage	105,000	200,000	386,792	200,000