TO: CITY COUNCIL
VIA: CITY ADMINISTRATOR
FROM: DIRECTOR OF FINANCE
DATE: JULY 23, 2019

SUBJECT: SECOND QUARTER FISCAL YEAR 2018-19 FINANCIAL UPDATE

FISCAL IMPACT: NONE

SUMMARY:

The Finance Department routinely prepares financial reports to update the City Council and the community of the City’s fiscal position. As directed by the City Council, Staff is to report the City’s financial condition at the end of each quarter of the fiscal year. The second quarterly financial update report is attached and contains information from the period beginning October 1, 2018 and ending December 31, 2018.

RECOMMENDATION:

It is recommended that the City Council take the following action:


DISCUSSION:

Revenues & Transfers-in
As of December 31, 2018, the City has received approximately 34% or $10.9 million in General Fund revenues anticipated for Fiscal Year 2018-19. The total revenues collected for the current year reflect an increase of $300,000 compared to the prior year’s second quarter financials.

Transfers-in for the quarter ending December 31, 2018 total $1,711,000. Transfers-in make up 14% of the General Fund revenues.

Charges for Services revenue has increased by $338,000, largely due to receipt of $250,000 in developer fees from SC Development and an increase in engineering fees by $70,000; Permit revenues increased by $155,000; Business License Fees increased by $133,000; and Property Taxes increased by $102,000.
It should be noted that Lease Revenues are down $467,000 compared to the prior year due to the delay in receiving the Lamar payment. On November 13, 2018, the City settled litigation with Lamar and expected to collect the leasing fees per the amended Design-Build-Operate-Maintain Agreement ("DBOM Agreement") but there was a delay in implementation of the Agreement.

Intergovernmental Revenues have increased $26,000 and reimbursement through the School Resource Officer ("SRO") contract (for two officer salaries) is anticipated to be received prior to the end of the fiscal year.

Investment Income is up 35% (or $8,000) due to improved interest rates.

Refunds & Reimbursements have increased compared to the prior year due to receipt of Recognized Obligation Payment Schedule ("ROPS") revenue ($37,000) and revenue received from the Library for shared expenses. This revenue was previously recorded as an offset to the expense, but an accounting change was made to properly record it as a reimbursement revenue.

Revenue increases outweigh revenue decreases, providing a 1.25% increase overall.

**Expenditures & Transfers-out**

The City has spent 45% or $15.513 million of the $34.690 million that has been appropriated (including transfers-out) in the General Fund for Fiscal Year 2018-19. Total expenditures are decreased by $311,000 in comparison to the previous year's second quarter expenditures.

The Animal Control division, Debt Service departmental unit, and Capital Improvement Programs departmental unit reflect the largest increases in expenditures, compared to the prior year.

- Animal Control expenditures increased by $69,000 (400%) in comparison to the previous year's second quarter. This is because the 1st Quarter Animal Service contract payment was not paid until the 3rd Quarter in FY 2017/18; however, the 1st Quarter payment in FY 2018/19 was paid on-time in the 2nd Quarter.
- Debt Service increased $501,000 (233%) due to the prepayment of the principal for the working capital deficit bond. The bond covenants required prepayment due to the General Fund 2017-18 ending fund balance.
- The FY 2018-19 budget reflects the first year that Capital Improvement Programs projects being direct charged to individual funds. To date, $178,000 in Capital Improvement projects have been direct charged to the General Fund.

Notable decreases to expenditures include the Police and Community Services departments.

- Due to a reduction in staffing levels and several vacancies, expenditures are down by $1,011,000 (17%) in the Police Department, mostly associated with salaries and benefits, such as PERS.
- The Community Services expenditures are down $187,000 (22%) due to a reduction in staffing levels and reduced services.

The reductions in expenditures outweigh the increases, providing an overall reduction of 2% compared to the prior year.
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Attachments:
1. Revenues, Expenditures & Fund Balances – All Funds Summary, Period Beginning October 1, 2018 and Ending December 31, 2018
2. General Fund Revenues, Expenditures and Changes in Fund Balance – Budget and Actual, Period Ending December 31, 2018