

Year-End Report

Fiscal Year 2017-18



316 Vernon Street, Downtown Roseville, California

Fiscal Year 2017-18 Year-End Report

Introduction

This report displays year-end financial data for fiscal year (FY) 2017-18 for the General Fund, the major enterprise operating funds, and revenues in other selected funds. Each page includes the following information:

- FY2017-18 Budget to actual comparison
 - Amended budget
 - Actual
 - Budget to actual variance (dollars)
 - Budget to actual variance (percent)
- FY2016-17 to FY2017-18 Actual comparison
 - Bar charts for notable revenues, departments and funds

The amended budget reflects the adopted budget plus changes in revenue estimates and expenditure appropriations approved through the budget adjustment process. Actual year-end data is displayed in bar chart format for both FY2016-17 and FY2017-18 to show how the City performed compared to the previous year. This report only highlights notable variances.

The data in this report illustrate a significant change to our budgeting and accounting practices in FY2017-18. Per Generally Accepted Accounting Principles (GAAP), transfers related to indirect costs were reclassified to expenditure reductions in the General Fund and to operating expenses in the enterprise funds. The effects of this change are:

- General Fund Revenues and Transfers In: These are reduced significantly compared to the prior year since the General Fund is no longer reporting indirect cost transfers.
- General Fund Expenditures: There is a significant reduction compared to the prior year since, instead of reporting an incoming transfer for indirect costs, the General Fund is reporting reduced departmental expenditures.
- Enterprise Funds: Expenses increased significantly from last year since, instead of reporting transfers out to reimburse the General Fund for indirect costs, enterprise funds now report these costs as operating expenses.

General Fund: Operating Revenue & Transfers In (page 6)

Budget to Actual Comparison

General Fund operating revenues ended the year lower than budget by \$2.1 million, or 2 percent. The one-time shortfall is because the City did not receive its full disbursement of sales tax revenue for FY2017-18 due to a delay in processing state-wide tax returns at the California Department of Tax and Fee Administration (CDTFA) related to the implementation of its new software system. As a result, the City is reporting a 6 percent, or \$3 million, reduction in sales tax revenue compared to budget.

Due to the CDTFA's inability to report which disbursements pertain to which fiscal year, we were unable to accrue the revenue back to FY2017-18 and will be unable to determine with certainty the final amount earned in FY2017-18. Because of this, sales tax revenue for FY2017-18 will show as a one-time "dip" with an anticipated one-time "spike" in FY2018-19.

Property tax revenues exceeded the amended budget by one percent or \$636,000.

Parks, Recreation & Libraries program revenues came in approximately \$385,000 below estimates. Staff attributes the majority of this shortfall to lower than anticipated revenues from adult sports, youth, teen, and aquatic programs.

Building Permit revenues exceeded revenue projections by 23 percent or \$443,000, and Plan Check Fee revenues exceeded revenue projections by three percent or \$57,000.

Engineering inspection fees exceeded estimates by 69 percent, or \$68,000. This increase is primarily due to the finalizing of large commercial improvement plans.

Grant revenues ended the year approximately \$315,000 below estimates. The primary factor contributing to this variance were two flood protection grants that were not completed during FY2017-18. Staff anticipates completing both projects during FY2018-19.

Other revenues exceeded estimates by approximately \$645,000 or four percent. Several factors contributing to this variance were greater than anticipated general fund update fees, high school officer reimbursements, and DUI reimbursements.

Prior Year Actual Comparison

Sales tax revenues decreased by \$1 million (2 percent) from FY2016-17 to FY2017-18. This decrease is due to the City not receiving its full disbursement of sales tax revenues as mentioned previously.

Property tax revenues increased by \$3.8 million (9.4 percent) from FY2016-17 to FY2017-18 due to rising assessed values.

Compared to FY2016-17, building permit revenues decreased by 11.5 percent and plan check fees fell by 17.6 percent. This reduction is due to the processing of more over-the-counter permits (which have lower fees than those for larger projects) and the leveling-off of the single-family housing market.

General Fund: Operating Expenditures & Transfers Out (page 7)

Budget to Actual Comparison

Operating expenditures and transfers out ended the year \$1.6 million, or 1 percent, under budget primarily due to lower than anticipated materials, services and supplies, as a result of continued aggressive cost control.

Prior Year Actual Comparison

The major operating departments (Police; Fire; Parks, Recreation & Libraries; Development Services; and Public Works) saw significant increases in actual expenditures, from FY2016-17 to FY2017-18, due to three General Fund services (IT, building maintenance, and janitorial) that were moved into internal service funds (ISFs) and now allocate their costs out to their customer departments. As a result, the General Fund operating departments saw their costs increase. Not only was this increase expected, but it was also part of the reason for creating these ISFs - to more clearly illustrate the actual costs of operating each department.

Conversely, the General Government departments (which include Human Resources, Finance, City Clerk, etc.) saw significant decreases in expenditures (\$19.4 million or 71.6 percent) due to three factors:

- (1) The change to indirect cost reimbursements - these reimbursements from other funds for support department services are now reported as expenditures reductions instead of as a transfer in, thus reducing total costs.
- (2) Expenses for services that moved into ISFs at the beginning of FY2017-18 (IT, building maintenance, and janitorial services) are no longer reported as General Government departments in the General Fund.
- (3) Expenses for utility billing services, which moved from Finance to Electric and Environmental Utilities, are no longer included in the General Fund.

Economic Development & Housing, which receives some indirect cost reimbursement, also shows a decrease in actual expenses from last year to this year due to the change in accounting for the reimbursement.

Enterprise Funds: Operating Revenue (page 8)

Budget to Actual Comparison

Water Operations and Solid Waste Operations both came in 10 percent above revenue estimates. Higher than anticipated utility sales contributed to a majority of this variance.

Transit revenue estimates came in \$1.1 million under budget estimates due to lower than anticipated grant revenues.

The Transportation fund shows a revenue shortfall of approximately \$14.9 million. A majority of this variance can be attributed to lower than anticipated federal grant funding.

The Youth Development Fund saw revenues come in 8 percent or \$511,000 above estimates due to increased participation including opening a new Adventure Club and preschool site at Orchard Ranch Elementary School.

Prior Year Actual Comparison

All of the EU operations funds had increases in actual revenue in FY2017-18 compared to FY2016-17:

- Water: 16 percent
- Wastewater: nearly 1 percent
- Solid Waste: 5 percent

These increases are due to rate adjustments that took effect on July 1, 2017 (Water: 7 percent; Wastewater: 6 percent; Solid Waste: 2 percent) as well as increased water usage and increased tonnage being picked up by Solid Waste.

The Transit Fund shows a \$1.2 million decrease in actual revenue because project expenses varied significantly from the prior year resulting in fewer grant reimbursements.

The Transportation Fund realized more than \$1 million due to higher Transportation Development Act (TDA) allocations than the previous year.

Enterprise Funds: Operating Expenditures (page 9)

Budget to Actual Comparison

Enterprise Fund operating expenditures came in 13 percent below budget estimates overall. The primary contributing factor was lower than anticipated materials, supplies, and services spending.

Prior Year Actual Comparison

Like the General Fund departments, the enterprise funds also had increased actual expenditures when comparing FY2016-17 to FY2017-18 because of the change to indirect cost reimbursement and the initiation of the new ISFs. For Electric and EU operations funds, there was an additional increase since those funds now pay for utility billing services directly instead of via indirect cost transfers to the General Fund.

Other Revenue (page 10)

Budget to Actual Comparison

Fire Facilities Fund, Public Facilities Fund, Strategic Improvement Fund revenues all exceeded revenue estimates due to higher than anticipated development activity.

Prior Year Actual Comparison

The Public Facilities Fund realized an increase of \$167,000 (4.5%) and the Strategic Improvement Fund realized an increase of \$500,000 (48%). As mentioned previously, these increases are due to increased levels of development activity compared to the prior year.

Conclusion

The General Fund ended FY2017-18 with nearly \$2.0 million more in operating revenue than operating expenses. After taking into account non-operating activity and carryforward amounts for operating and capital appropriations, and after the one-time deferred collection of sales tax revenue from CDTFA, the General Fund ended the fiscal year \$344 thousand lower than the amended budget. The City anticipates collecting \$2-3 million of deferred sales tax in FY2018-19.

General Fund: Operating Revenue & Transfers In

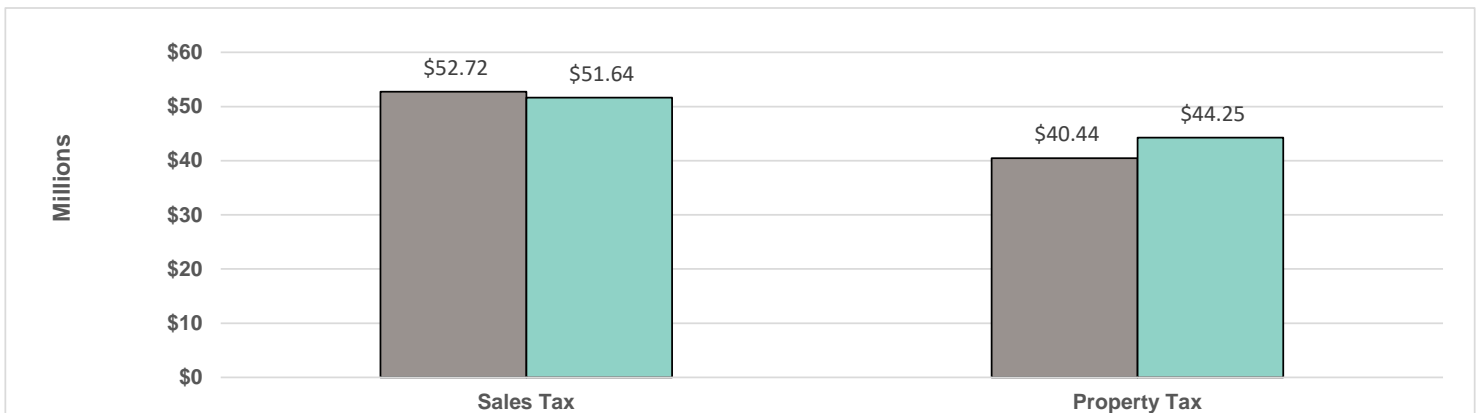
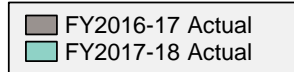
FY2017-18 Year End

July 1, 2017 - June 30, 2018

Budget to Actual Comparison:

	FY2017-18				
	Amended Budget	Actual	Variance		
			\$	%	
Sales Tax	\$ 54,671,200	\$ 51,642,443	\$ (3,028,757)		-6%
Property Tax	\$ 43,614,181	\$ 44,250,221	\$ 636,040		1%
Parks, Recreation & Libraries Programs	\$ 4,174,959	\$ 3,789,976	\$ (384,983)		-9%
Building Permits	\$ 1,935,000	\$ 2,377,841	\$ 442,841		23%
Plan Check Fees	\$ 2,048,458	\$ 2,105,830	\$ 57,372		3%
Engineering Inspection Fees	\$ 99,600	\$ 167,902	\$ 68,302		69%
Grants	\$ 491,217	\$ 176,069	\$ (315,148)		-64%
Other Revenue	\$ 17,473,405	\$ 18,116,062	\$ 642,657		4%
Franchise Fee Transfers In	\$ 7,847,583	\$ 7,847,583	\$ -		0%
Operating Transfers In	\$ 3,459,037	\$ 3,254,603	\$ (204,434)		-6%
Indirect Cost Reimbursement (Transfer In)	\$ -	\$ -	\$ -		0%
Prior Year Encumbrance Carryover*	\$ 963,728	\$ 963,728	\$ -		0%
Total:	\$ 136,778,368	\$ 134,692,258	\$ (2,086,110)		-2%

Prior Year Actual Comparison:



* Prior Year Operating Carryover is included here since it represents the reserve set aside to cover carryover expenses.

General Fund: Operating Expenditures & Transfers Out

FY2017-18 Year End

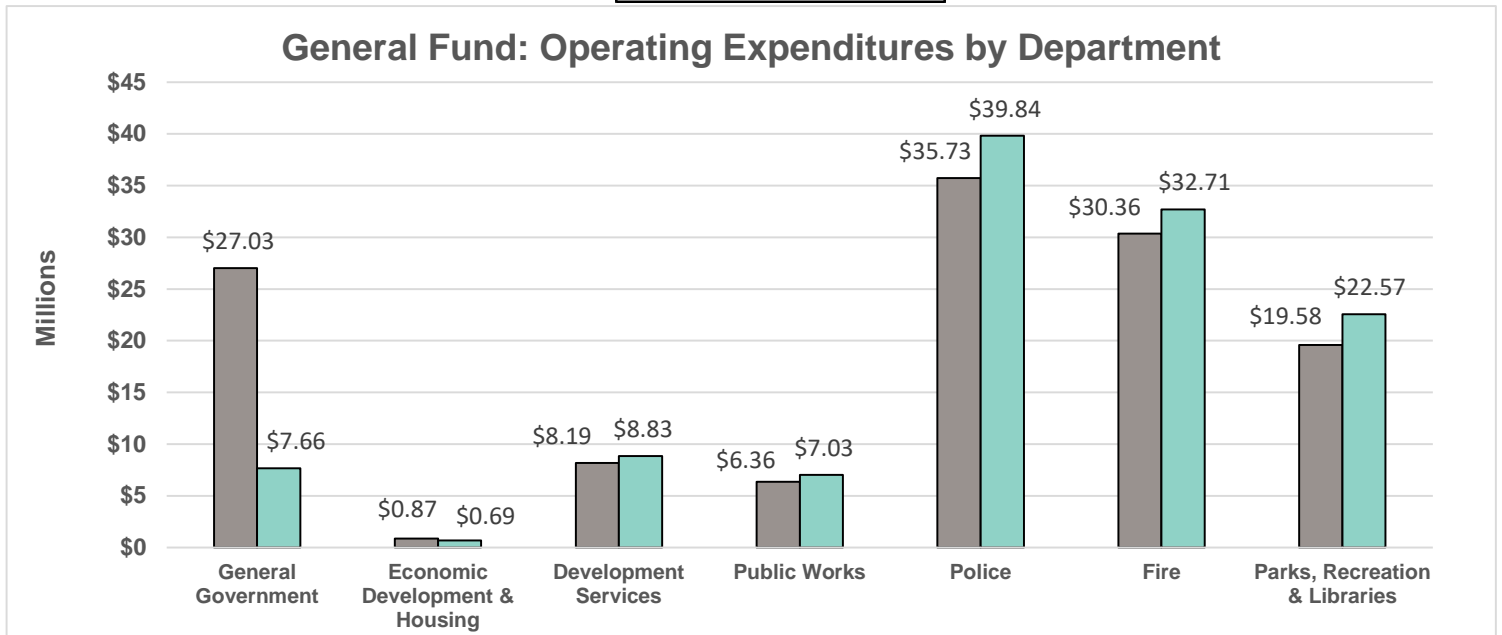
July 1, 2017 - June 30, 2018

Budget to Actual Comparison:

	FY2017-18						
	Amended Budget		Actual		Variance		
					\$	%	
General Government	\$	8,194,903	\$	7,664,172	\$	(530,731)	-6%
Economic Development & Housing	\$	697,442	\$	691,349	\$	(6,093)	-1%
Development Services	\$	9,103,073	\$	8,834,844	\$	(268,229)	-3%
Public Works	\$	7,173,796	\$	7,034,175	\$	(139,621)	-2%
Police	\$	40,009,003	\$	39,840,852	\$	(168,151)	0%
Fire	\$	32,833,754	\$	32,707,018	\$	(126,736)	0%
Parks, Recreation & Libraries	\$	23,025,944	\$	22,571,302	\$	(454,642)	-2%
Annexation Payments	\$	5,775,037	\$	5,775,035	\$	(2)	0%
City Special Assessments	\$	139,581	\$	130,321	\$	(9,260)	-7%
Other Operating Expenses	\$	1,141,453	\$	1,136,623	\$	(4,830)	0%
Post-Retirement Transfer Out	\$	5,363,884	\$	5,605,493	\$	241,609	5%
Other Operating Transfers Out	\$	694,213	\$	705,457	\$	11,244	2%
General Fund Contingency	\$	190,985	\$	-	\$	(190,985)	-100%
Total:	\$	134,343,068	\$	132,696,641	\$	(1,646,427)	-1%

Prior Year Actual Comparison:

FY2016-17 Actual
 FY2017-18 Actual



Enterprise Funds: Operating Revenue

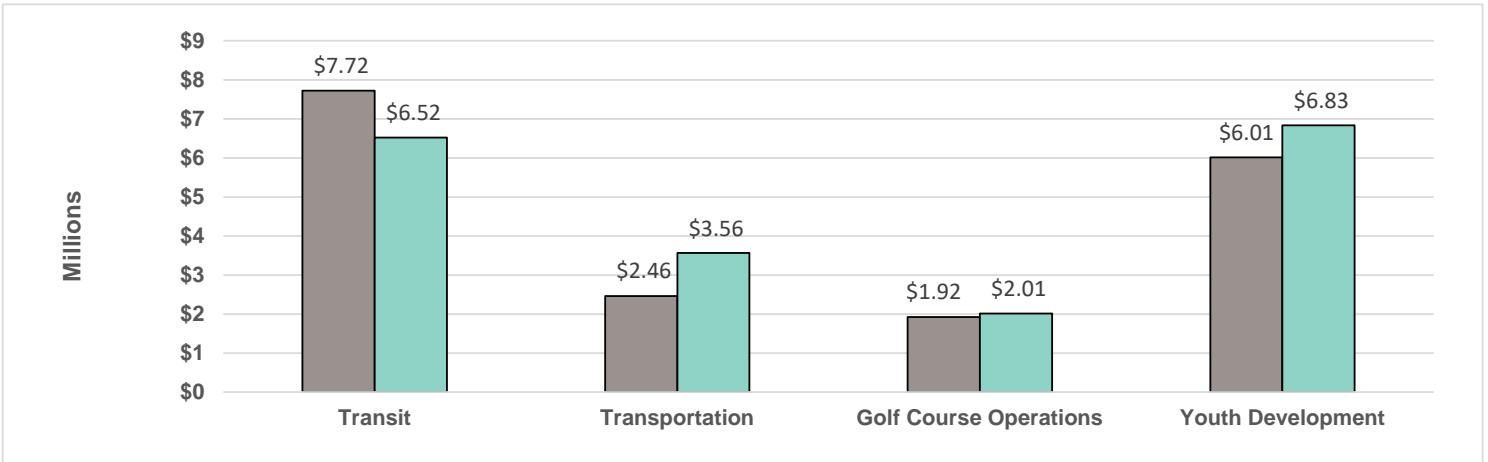
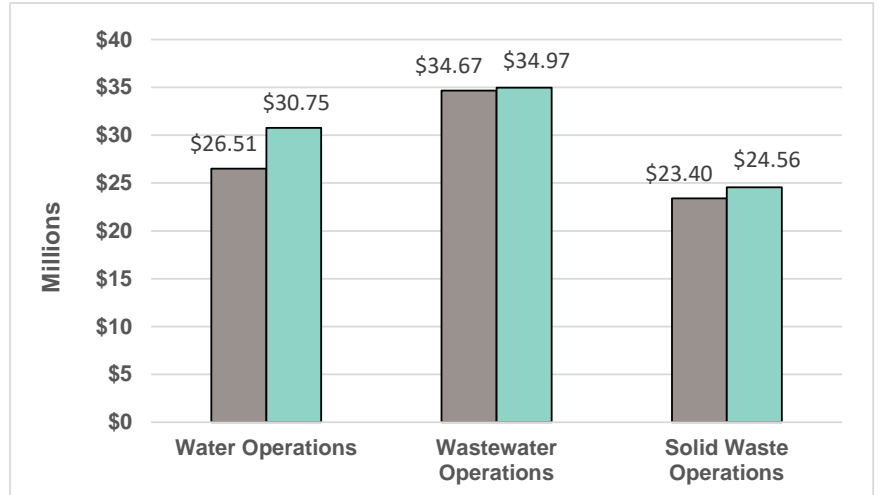
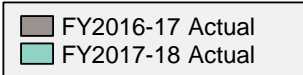
FY2017-18 Year End

July 1, 2017 - June 30, 2018

Budget to Actual Comparison:

	FY2017-18				
	Amended Budget	Actual	Variance		
			\$	%	
Electric Operations	\$ 163,378,306	\$ 162,547,606	\$ (830,700)		-1%
Water Operations	\$ 27,983,606	\$ 30,753,432	\$ 2,769,826		10%
Wastewater Operations	\$ 36,097,290	\$ 34,967,826	\$ (1,129,464)		-3%
Solid Waste Operations	\$ 22,425,188	\$ 24,562,323	\$ 2,137,135		10%
Transit	\$ 7,654,172	\$ 6,520,121	\$ (1,134,051)		-15%
Transportation	\$ 18,476,703	\$ 3,561,143	\$ (14,915,560)		-81%
Golf Course Operations	\$ 2,177,221	\$ 2,013,655	\$ (163,566)		-8%
Youth Development	\$ 6,319,409	\$ 6,831,160	\$ 511,751		8%

Prior Year Actual Comparison:



Enterprise Funds: Operating Expenditures

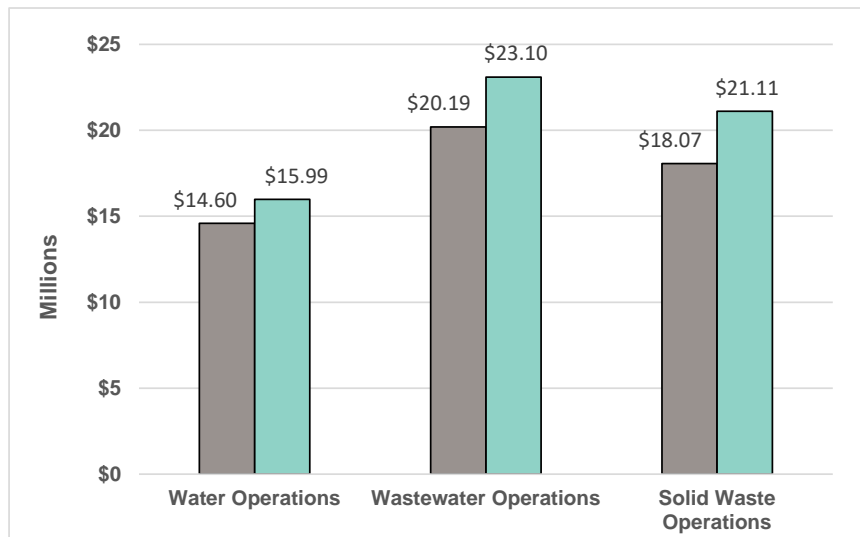
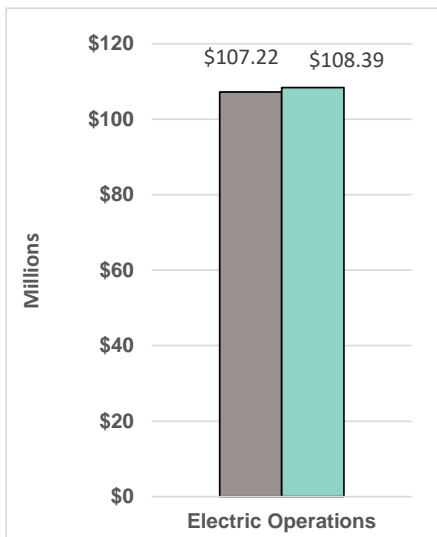
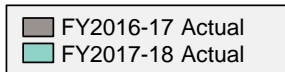
FY2017-18 Year End

July 1, 2017 - June 30, 2018

Budget to Actual Comparison:

	FY2017-18					
	Amended Budget		Actual	Variance		
				\$	%	
Electric Operations	\$	121,957,897	\$	108,386,913	\$ (13,570,984)	-11%
Water Operations		19,874,698		15,986,293	(3,888,405)	-20%
Wastewater Operations		28,158,365		23,100,543	(5,057,822)	-18%
Solid Waste Operations		23,774,978		21,108,390	(2,666,588)	-11%
Transit		6,387,959		5,491,778	(896,181)	-14%
Transportation		1,353,190		1,096,768	(256,422)	-19%
Golf Course Operations		2,106,490		1,964,542	(141,948)	-7%
Youth Development		6,413,510		6,489,073	75,563	1%

Prior Year Actual Comparison:



Other Revenue

FY2017-18 Year End

July 1, 2017 - June 30, 2018

Budget to Actual Comparison:

	FY2017-18				
	Amended Budget	Actual	Variance		
			\$	%	
Fire Facilities Fund	\$ 960,626	\$ 1,616,108	\$ 655,482	68%	
Public Facilities Fund	1,961,859	3,861,843	1,899,984	97%	
Strategic Improvement Fund	935,990	1,554,389	618,399	66%	

Prior Year Actual Comparison:

