



# Second Quarter Report Fiscal Year 2018-19

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### Introduction

This financial report provides an overview of the City's financial position through the second quarter of fiscal year (FY) 2018-19 (July 1, 2018, through December 31, 2018) for (1) the General Fund, (2) the major enterprise operating funds, and (3) revenues in other selected funds. Notable cumulative second quarter to second quarter and budget to actual comparisons are included in this report.

The following factors should be taken into considerations when analyzing second quarter data:

- Property tax revenue has not yet been received (expected in mid-January and mid-May).
- Some significant costs are incurred up front (for example, CalPERS payments and some contracts) with variances smoothing out over the fiscal year.

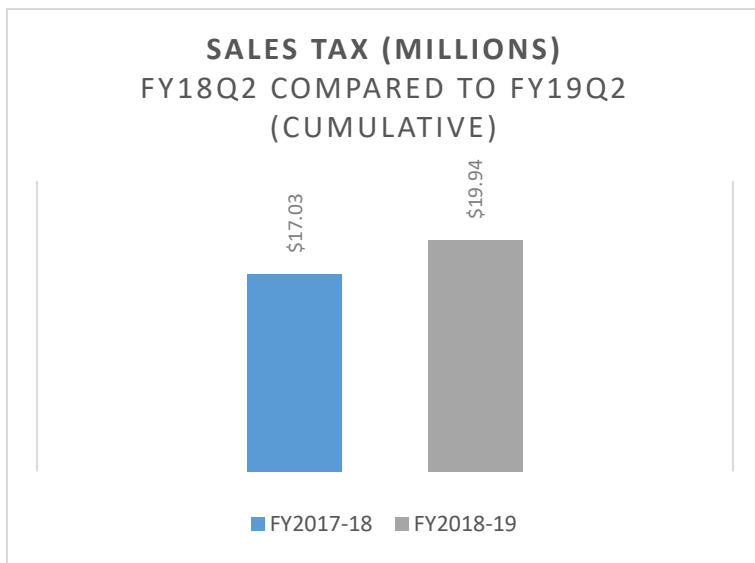
### General Fund: Operating Revenues

The following table includes cumulative revenue comparisons through the first two quarters of FY2017-18 and FY2018-19 and a revenue budget to actual comparison for FY2018-19.

	Cumulative second quarter actual comparison (July 1 – December 31)				Budget to actual comparison	
	FY2017-18	FY2018-19	\$ Variance	% Variance	FY2018-19 Amended Budget	% of budget
<b>Sales Tax</b>	\$17,025,916	\$19,940,804	\$2,914,888	17.1%	\$56,947,700	35.02%
<b>Property Tax</b>	708,515	765,112	\$56,597	8.0%	44,725,920	1.71%
<b>Parks, Recreation &amp; Libraries Programs</b>	1,984,893	2,071,015	\$86,122	4.3%	4,053,321	51.09%
<b>Building Permits</b>	1,294,342	1,079,789	(\$214,553)	-16.6%	2,216,300	48.72%
<b>Plan Check Fees</b>	1,130,160	938,386	(\$191,774)	-17.0%	2,006,822	46.76%
<b>Engineering Inspection Fees</b>	83,173	32,551	(\$50,622)	-60.9%	171,880	18.94%
<b>Grants</b>	69,067	35,105	(\$33,962)	-49.2%	265,112	13.24%
<b>Other Revenue</b>	6,368,867	7,343,974	\$975,107	15.3%	17,404,677	42.20%
<b>Total:</b>	<b>\$28,664,933</b>	<b>\$32,206,736</b>	<b>\$3,541,803</b>	<b>12.4%</b>	<b>\$127,791,732</b>	<b>25.20%</b>

General Fund operating revenues through the second quarter are \$3.5 million, or 12 percent above the same period in FY2017-18. Although revenues are only at 25 percent of the budget through the second quarter of the current year, this is primarily due to the timing associated with receiving some of the larger revenues sources. For instance, property tax is the second largest General Fund revenue source, but the majority of this funding is received in the third and fourth quarters of the fiscal year. The following is an explanation of the notable variances:

- Sales tax revenues exceeded last year’s cumulative second quarter by 17 percent or \$2.9 million. Approximately \$0.8 million of this increase is due to a delay in processing state-wide tax remittances caused by the implementation of a new software system at the California Department of Tax Fee Administration. These one-time revenues were not included in the FY2018-19 budget because the City was not made aware of the delay until after budget adoption. The remaining balance of \$2.1 million is attributed to growth in sales tax revenues as compared to the prior year.



Based on the latest sales tax forecast and accounting for the \$0.8 million in prior year revenues, sales tax is trending to end year approximately \$600,000 below the FY2018-19 budget estimates at \$56.4 million. Without the \$0.8 million in prior year revenues, sales tax revenues would come in \$1.4 million under budget. Staff is continuing to monitor this revenue stream and will provide the City Council an update in the Third Quarter Report.

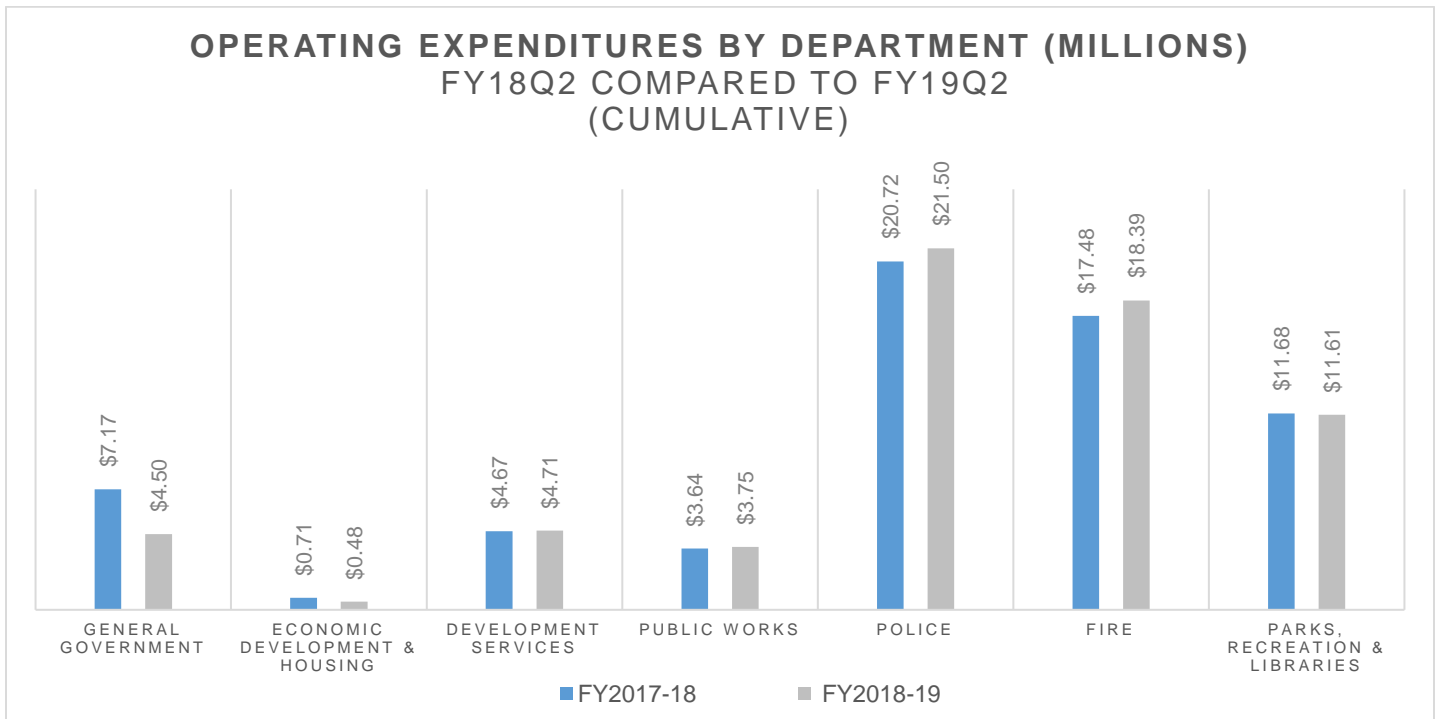
- Building permit revenues, plan check fees, and engineering inspection fees all decreased due to slower development activity as compared to the same period of FY2017-18.
- Other revenues increased by 15 percent or \$975,000. The major factors contributing to this variance include increased hotel/motel room tax revenues, reimbursements from the State for fire strike team, and development reimbursement activity.

## General Fund: Department Operating Expenditures

The following table includes cumulative second quarter actual expenditure comparisons for FY2017-18 and FY2018-19 and an expenditure budget to actual comparison for FY2018-19.

	Cumulative second quarter actual comparison (July 1 – December 31)				Budget to actual comparison	
	FY2017-18	FY2018-19	\$ Variance	% Variance	FY2018-19 Amended Budget	% of budget
<b>General Government</b>	\$7,165,450	\$4,503,366	(\$2,662,084)	-37.2%	\$9,432,288	47.7%
<b>Economic Development &amp; Housing</b>	712,931	478,332	(\$234,599)	-32.9%	814,076	58.8%
<b>Development Services</b>	4,672,171	4,709,615	\$37,444	0.8%	9,764,757	48.2%
<b>Public Works</b>	3,636,463	3,745,626	\$109,163	3.0%	6,962,700	53.8%
<b>Police</b>	20,717,907	21,496,271	\$778,364	3.8%	41,730,678	51.5%
<b>Fire</b>	17,478,979	18,385,742	\$906,763	5.2%	32,183,349	57.1%
<b>Parks, Recreation &amp; Libraries</b>	11,677,042	11,605,402	(\$71,640)	-0.6%	23,119,776	50.2%
<b>Total:</b>	<b>\$66,060,943</b>	<b>\$64,924,354</b>	<b>(\$1,136,589)</b>	<b>-1.7%</b>	<b>\$124,007,624</b>	<b>52.4%</b>

Overall, cumulative second quarter General Fund expenditures are within 2 percent of the previous year. General Government (which includes Human Resources, Finance, City Clerk, etc.) and Economic Development & Housing saw significant decreases in expenditures because reimbursements associated with the citywide cost allocation plan were recorded as a transfer in the prior year. Spending in all of the remaining General Fund Departments was similar to the prior year quarter.



Through the first six months, as compared to budget, General Fund expenditures are tracking as expected at 52 percent of the budget. The slightly higher rate of spending (52 percent versus 50 percent of the year elapsed) is primarily due to upfront contributions to CalPERS. The following is an explanation of the department specific variances through the second quarter as compared to the prior year.

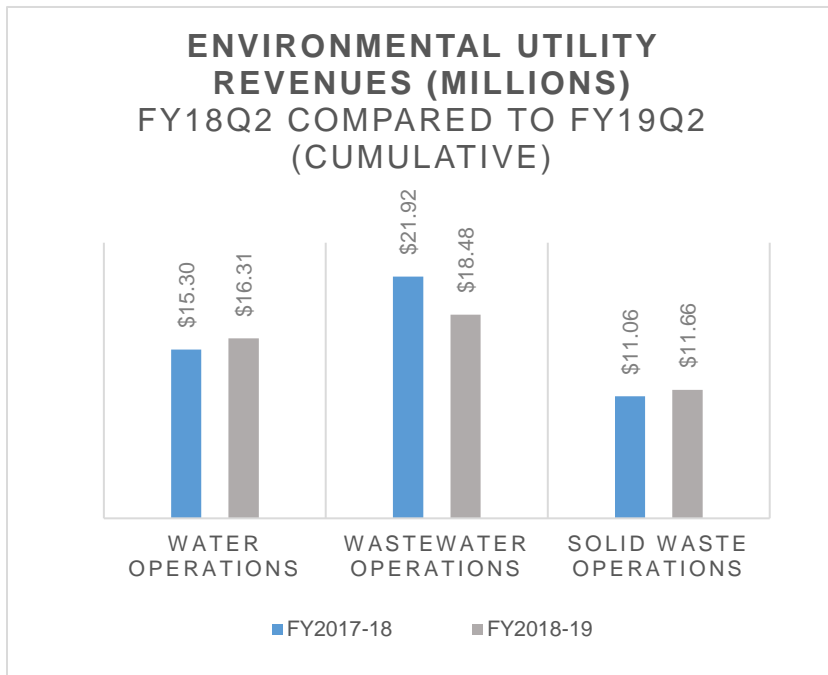
- Economic Development & Housing expenditures are tracking higher than average at 59 percent primarily due to the upfront payment of CalPERS and annual membership contributions to economic development organizations. Another contributing factor is the ongoing re-alignment of the housing rehabilitation budget from the miscellaneous revenue fund (299) to the General Fund. Once the budget re-alignment is completed, the Department anticipates having adequate appropriations available to finish the year on budget.
- Fire Department expenditures are tracking at 57 percent of the budget, due to the upfront payment of CalPERS, maintenance of the four firefighter response standard despite reducing the standard to three firefighters in the budget and a large turnout (fire protection suite) order. The Department anticipates offsetting a portion of this cost with salary savings through the remainder of the year. Staff will continue to monitor this budget and will utilize General Fund contingency funds to cover any overages.

## Enterprise Funds: Operating Revenue

The table below includes cumulative second quarter actual revenue comparisons for FY2017-18 and FY2018-19 and a revenue budget to actual comparison for FY2018-19 for the Enterprise Funds.

	Cumulative second quarter actual comparison (July 1 – December 31)				Budget to actual comparison	
	FY2017-18	FY2018-19	\$ Variance	% Variance	FY2018-19 Amended Budget	% of budget
<b>Electric Operations</b>	\$84,499,137	\$82,565,477	(\$1,933,660)	-2.3%	\$164,273,925	50.3%
<b>Water Operations</b>	15,300,370	16,312,691	\$1,012,321	6.6%	30,440,666	53.6%
<b>Wastewater Operations</b>	21,923,365	18,478,193	(\$3,445,172)	-15.7%	38,394,809	48.1%
<b>Solid Waste Operations</b>	11,057,739	11,655,266	\$597,527	5.4%	23,270,158	50.1%
<b>Transit</b>	553,963	483,850	(\$70,113)	-12.7%	10,918,918	4.4%
<b>Transportation</b>	32,033	2,112	(\$29,921)	-93.4%	2,089,055	0.1%
<b>Youth Development</b>	3,511,346	3,542,130	\$30,784	0.9%	6,780,998	52.2%

The \$1.9 million or 2.3 percent reduction in Electric revenues through the second quarter is primarily due to the milder summer temperatures, reducing customer energy usage.



Water and Solid Waste revenues increased compared to the second quarter of last year due to rate increases of 7 percent and 2 percent respectively as well as increased utility sales. Wastewater revenues decreased by \$3.4 million or 16 percent due to timing associated with receiving wastewater reimbursements from the South Placer Municipal Utility District and County of Placer. The Department anticipates that these reimbursements will be received during the third and fourth quarters.

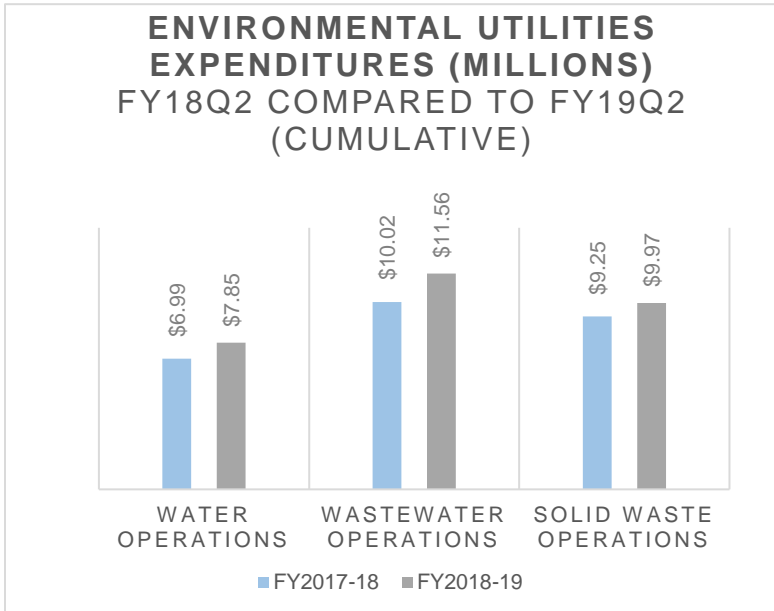
Overall, Enterprise Fund revenues as compared to the budget are on target. Larger budget to actual variances in the Transit and Transportation enterprise funds are due to the timing associated with their primary revenue streams as a majority of their funding is realized in the last two quarters of the fiscal year.

## Enterprise Funds: Operating Expenditures

The following table includes cumulative second quarter actual expenditure comparisons for FY2017-18 and FY2018-19 and an expenditure budget to actual comparison for FY2018-19.

	Cumulative second quarter actual comparison (July 1 – December 31)				Budget to actual comparison	
	FY2017-18	FY2018-19	\$ Variance	% Variance	FY2018-19 Amended Budget	% of budget
<b>Electric Operations</b>	\$51,823,041	\$48,773,864	(\$3,049,177)	-5.9%	\$120,811,075	40.4%
<b>Water Operations</b>	6,988,295	7,850,685	\$862,390	12.3%	23,590,695	33.3%
<b>Wastewater Operations</b>	10,018,572	11,558,088	\$1,539,516	15.4%	29,630,897	39.0%
<b>Solid Waste Operations</b>	9,250,687	9,974,235	\$723,548	7.8%	24,961,391	40.0%
<b>Transit</b>	2,458,091	2,578,730	\$120,639	4.9%	6,738,106	38.3%
<b>Transportation</b>	432,292	494,105	\$61,813	14.3%	1,428,071	34.6%
<b>Youth Development</b>	3,056,512	3,167,752	\$111,240	3.6%	6,537,217	48.5%

All of the enterprise funds experienced increased expenditures through the second quarter because charges associated with the cost allocation plan were recorded as a transfer in the prior year. In the Electric Fund, this increase was offset by lower purchased power market prices and reduced customer energy usage resulting in a 6 percent decrease in expenditures as compared to the prior year.



In addition to the cost allocation plan change, Water, Wastewater and Solid Waste expenses increased because budgeted transfers for the Utility Exploration Center, Environmental Utilities administration and outreach, and utility billing are being changed to reimbursed expenditures.

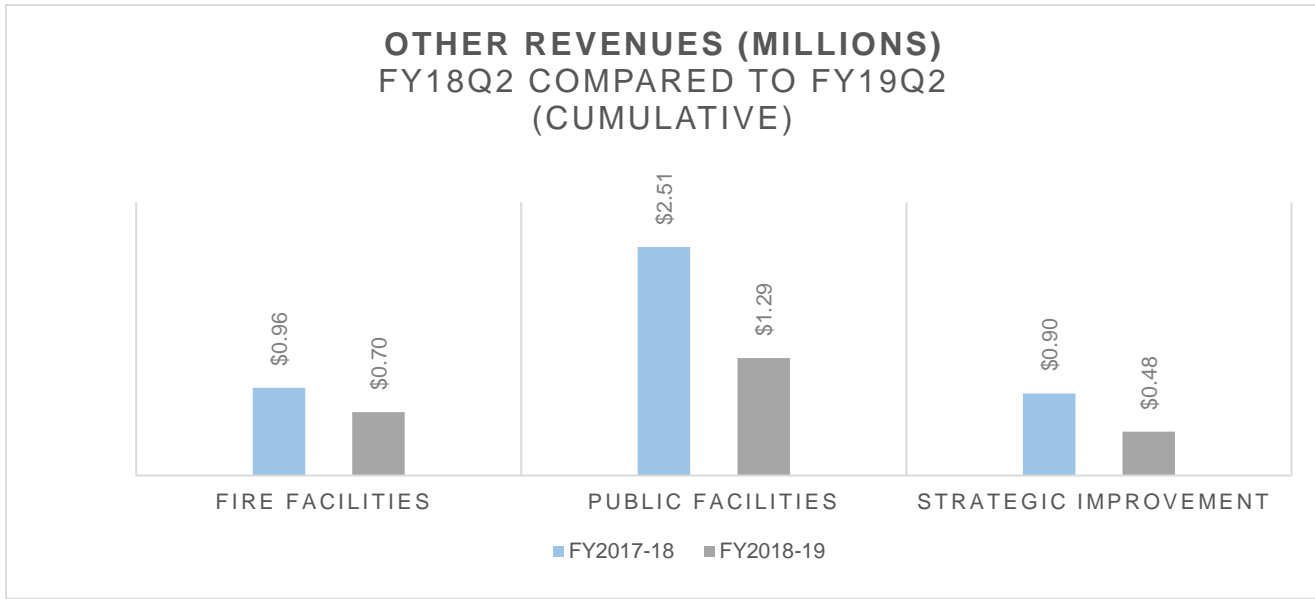
Overall, all of the Enterprise Funds are tracking to end the year on or under budget.

## Other Revenue

The table below shows revenues in the Fire Facilities Fund, Public Facilities Fund, and Strategic Improvement Fund through the first six months of FY2018-19. The second quarter improved over the first quarter (First quarter actual comparison: Fire Facilities: -28.3 percent; Public Facilities: -63.3 percent; and Strategic Improvement: -58.8 percent) but continued to trend lower than FY2017-18. Staff attributes these reductions to less development activity as compared to the same period of the previous fiscal year.

Overall, the Fire Facilities and Strategic Improvement funds are tracking to come in on budget. The Public Facilities Fund is trending to come in under budget by approximately 4%. All three of these funds are following relatively close to budget, despite less revenue as compared to the previous year quarter, because the City has historically taken a conservative approach when budgeting these revenues because of the volatile nature of development.

	Cumulative second quarter actual comparison (July 1 – December 31)				Budget to actual comparison	
	FY2017-18	FY2018-19	\$ Variance	% Variance	FY2018-19 Amended Budget	% of budget
<b>Fire Facilities</b>	\$963,261	\$696,513	(\$266,748)	-27.7%	\$1,388,251	50.2%
<b>Public Facilities</b>	2,510,156	1,288,652	(\$1,221,504)	-48.7%	2,828,181	45.6%
<b>Strategic Improvement</b>	901,798	481,105	(\$420,693)	-46.7%	962,784	50.0%



## Conclusion

Except for identified variances, expenditures and revenues are tracking as expected. Staff will continue to monitor these variances and come back to City Council later in the spring with the FY2018-19 Third Quarter Report.