



Fourth Quarter Report Fiscal Year 2018-19

Fourth Quarter Report

Fiscal Year 2018-19

Introduction

This financial report provides an overview of the City's financial position through the fourth quarter of fiscal year (FY) 2018-19 (July 1, 2018, through June 30, 2019) for (1) the General Fund, (2) the major enterprise operating funds, and (3) revenues in other selected funds. Notable cumulative fourth quarter to fourth quarter and budget to actual comparisons are included in this report.

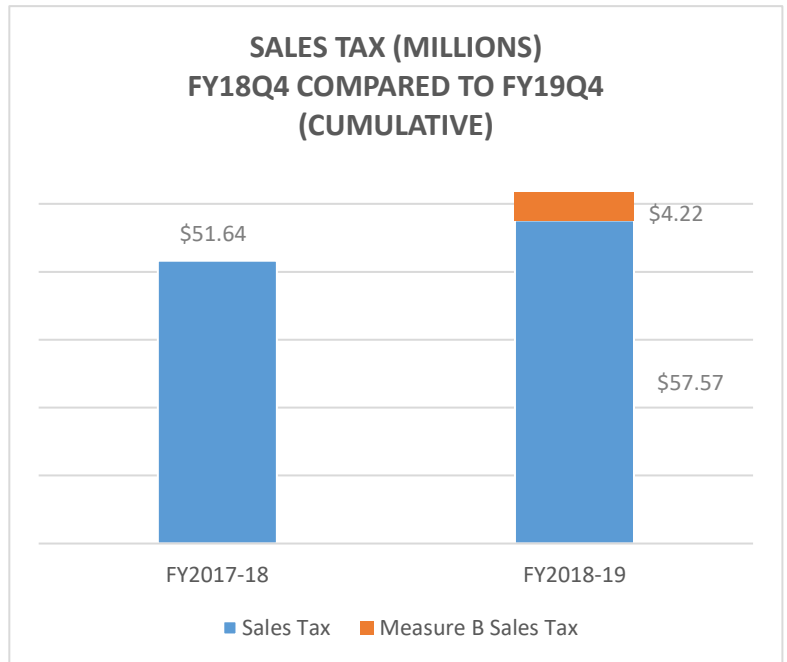
General Fund: Operating Revenues

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

	Cumulative fourth quarter actual comparison (July 1 – June 30)				Budget to actual comparison		
	FY2017-18	FY2018-19	\$ Variance	% Variance	FY2018-19 Amended Budget	\$ Variance	% of budget
Sales Tax	\$ 51,642,443	\$ 57,569,302	\$ 5,926,859	11%	\$ 56,947,700	\$ 621,602	101%
Measure B Sales Tax	-	4,218,788	4,218,788		-	4,218,788	
Property Tax	44,250,221	48,299,132	4,048,911	9%	45,382,760	2,916,372	106%
Parks, Recreation & Libraries Programs	3,789,976	3,834,265	44,289	1%	4,053,321	(219,056)	95%
Building Permits	2,377,841	2,343,329	(34,512)	-1%	2,216,300	127,029	106%
Plan Check Fees	2,105,830	1,965,845	(139,985)	-7%	2,306,822	(340,977)	85%
Engineering Inspection Fees	167,902	176,970	9,068	5%	171,880	5,090	103%
Grants	176,069	466,521	290,452	165%	391,557	74,964	119%
Other Revenues	18,116,066	19,497,523	1,381,457	8%	18,564,129	933,394	105%
Transfers/Franchise Fee	11,102,186	12,685,284	1,583,098	14%	13,038,586	(353,302)	97%
Encumbrance Carryover	963,728	664,304	(299,424)	-31%	664,304	-	100%
Total	\$134,692,262	\$ 151,721,263	\$17,029,001	13%	\$ 143,737,359	\$ 7,983,904	106%

General Fund operating revenues through the fourth quarter are \$17 million, or 13 percent above the same period in FY2017-18. Revenues through the fourth quarter exceeded the FY2018-19 estimates by 6% overall. The revenue growth is primarily attributed to the collection of the first quarter of Measure B tax dollars as well as increases in property tax and other revenues. The following is an explanation of the notable variances:

- The City’s Bradley Burns sales tax revenues exceeded last year’s cumulative fourth quarter by 11 percent or \$5.9 million. Approximately \$1.6



million of this increase is due to a delay in processing \$800,000 in sales tax remittances caused by the implementation of a new software system at the California Department of Tax and Fee Administration. This delay decreased FY2017-18 actuals by \$800,000 and increased FY2018-19 actuals by the same amount, resulting in a \$1.6 million swing in sales tax revenues. The remaining \$4.3 million of the \$5.9 million is attributed to growth in sales tax revenues as compared to the prior year.

Overall, the Bradley Burns sales tax revenues came in approximately \$622,000 over budget. It is worth noting that if the City had not received the \$800,000 million in prior year revenues in FY2018-19, sales tax revenues would have come in \$200,000 under budget. Staff is closely monitoring this revenue stream and will return to City Council with updates in future quarterly reports.

- Measure B sales tax revenue totaling \$4.2 million were collected during the fourth quarter of FY2018-19. This revenue is the first disbursement from the Measure B sales tax measure that was approved by voters in November 2018 and went into effect on April 1, 2019.
- Property tax revenues exceeded budget estimates by \$2.9 million at \$48.3 million, which is 9% or \$4 million above last year’s cumulative fourth quarter. This increase is attributed to continued growth in the housing market, both in number of parcels and assessed values of property.

- Engineering Inspection Fees increased 5% during the fourth quarter due to more significant improvement projects (e.g. subdivision maps & commercial development), while building permit revenues and plan check fees decreased due to the timing of development activity, as compared to the same period of FY2017-18. Except for plan check fees, the revenues generated by the Development Services Department met and exceeded the budget target for the fiscal year.

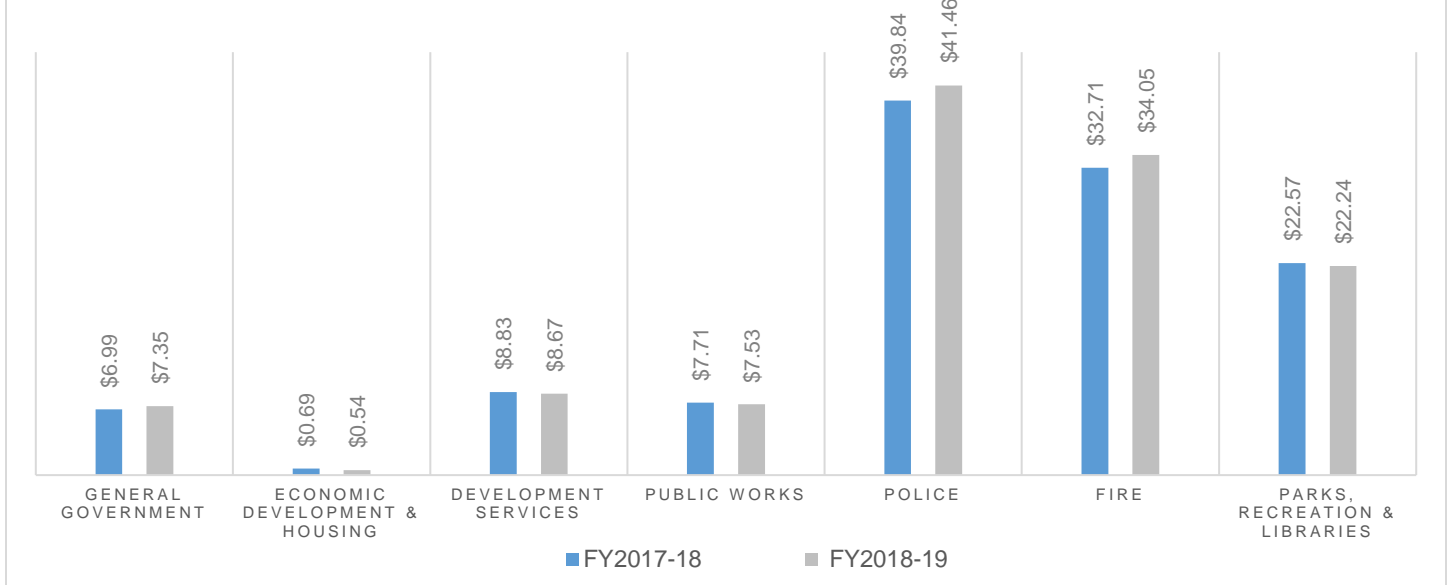
- Other revenues increased by 8% or \$1.4 million. The significant factors contributing to this variance include increased hotel/motel room tax revenues, business license tax revenues, rental revenues, reimbursements from the State for a fire strike team, development reimbursement activity, and workers' compensation reimbursements.

General Fund: Department Operating Expenditures

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

	Cumulative fourth quarter actual comparison (July 1 – June 30)				Budget to actual comparison		
	FY2017-18	FY2018-19	\$ Variance	% Variance	FY2018-19 Amended Budget	\$ Variance	% of budget
General Government	\$ 6,986,082	\$ 7,350,267	\$ 364,185	5%	\$ 8,700,378	\$1,350,111	84%
Economic Development & Housing	691,351	539,851	(151,500)	-22%	814,076	274,225	66%
Development Services	8,834,848	8,670,999	(163,849)	-2%	9,969,898	1,298,899	87%
Public Works	7,712,740	7,525,672	(187,068)	-2%	7,956,251	430,579	95%
Police	39,840,858	41,462,588	1,621,730	4%	41,782,519	319,931	99%
Fire	32,707,019	34,050,542	1,343,523	4%	34,301,508	250,966	99%
Parks, Recreation & Libraries	22,571,309	22,239,244	(332,065)	-1%	23,150,477	911,233	96%
Annexation Payments	5,775,035	6,140,796	365,761	6%	6,140,794	(2)	100%
City Special Assessments	130,321	85,387	(44,934)	-34%	139,581	54,194	61%
Other	1,136,623	1,259,253	122,630	11%	1,351,660	92,407	93%
Transfers Out	6,310,951	7,226,324	915,373	15%	7,065,539	(160,785)	102%
Contingency	-	-	-		522,061	522,061	
Total	\$ 132,697,137	\$ 136,550,923	\$3,853,786	3%	\$ 141,894,742	\$5,343,819	96%
					Encumbrance Carryover	(655,823)	
					Total Operating Expenditure Savings	\$ 4,687,996	97%

**OPERATING EXPENDITURES BY DEPARTMENT (MILLIONS)
FY18Q4 COMPARED TO FY19Q4
(CUMULATIVE)**



Overall, cumulative fourth quarter General Fund expenditures increased 3 percent compared to the prior year. The spending for General Government (which includes Human Resources, Finance, City Clerk, etc.) rose 5 percent from the previous year. This increase is in alignment with the FY2018-19 budget and primarily driven by personnel, materials, services, and supplies costs.

Economic Development & Housing shows a decrease in expenditures compared to the fourth quarter of the previous year because of a Development Analyst position being vacant during most of the year. Public Works Department expenditures decreased by 2% due to the allocation of indirect costs within the Department and reduced Internal Service Fund charges. Police and Fire Departments' expenses increased by 4% due to higher budget requirements to maintain service levels. Spending in all of the remaining General Fund Departments for the fourth quarter of FY2018-19 was similar to the prior-year quarter.

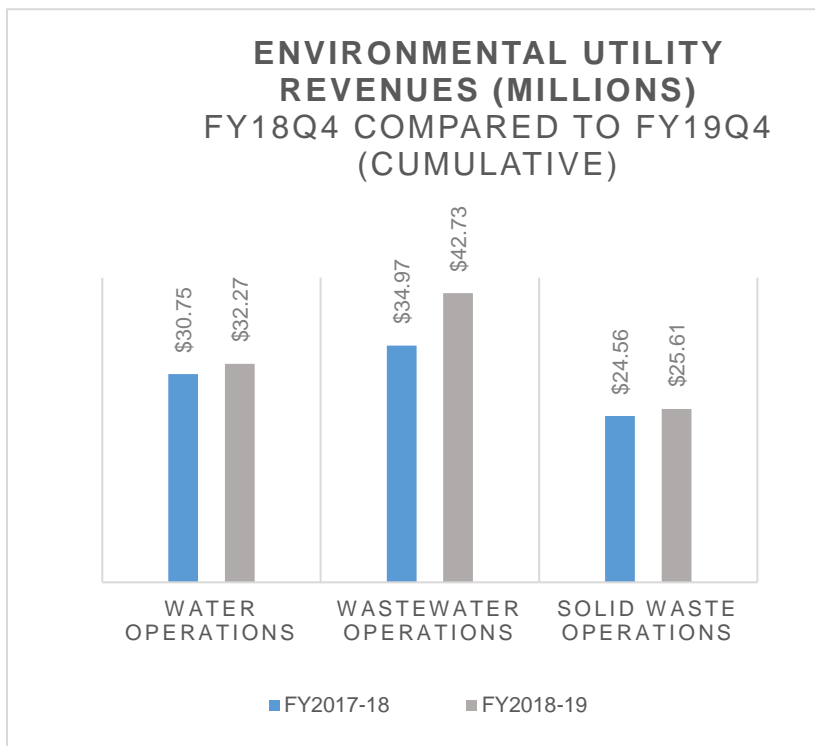
Year-end results for FY2018-19 reflect a 3% or \$4.7 million savings in General Fund expenditures primarily because of vacancies, labor charges allocated to the Enterprise Resource Planning (ERP) replacement project, and changes in the allocation of costs.

Enterprise Funds: Operating Revenue

The table below includes cumulative fourth 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 fourth quarter actual comparison (July 1 – June 30)				Budget to actual comparison		
	FY2017-18	FY2018-19	\$ Variance	% Variance	FY2018-19 Amended Budget	\$ Variance	% of budget
Electric Operations	\$ 162,547,605	\$ 164,718,594	\$ 2,170,989	1%	\$ 164,273,925	\$ 444,669	100%
Water Operations	30,753,432	32,265,854	1,512,422	5%	30,440,666	1,825,188	106%
Wastewater Operations	34,967,826	42,728,477	7,760,651	22%	38,394,809	4,333,668	111%
Solid Waste Operations	24,562,323	25,606,241	1,043,918	4%	23,270,158	2,336,083	110%
Transit	6,508,786	7,729,711	1,220,925	19%	10,918,918	(3,189,207)	71%
Transportation	3,571,754	9,363,977	5,792,223	162%	2,839,055	6,524,922	330%
Youth Development	6,381,160	7,308,762	927,602	15%	6,780,998	527,764	108%

Electric revenues are similar to the prior year, with a 1 percent increase or \$2.2 million. Overall revenues for FY2018-19 exceeded budget by \$445,000. These results included a \$3.4 million reduction in revenues compared to FY2017-18 due to lower large customer electric usage during the year. The utility offset the loss of sales revenue with mutual aid reimbursements from other agencies related to wildfires and an increase in greenhouse gas proceeds and low carbon fuel credits.



Water, Wastewater, and Solid Waste revenues are higher compared to last year due to increased rates and utility sales. Wastewater revenues increased significantly more than the other environmental utility funds, due to receiving reimbursements and reallocations from the South Placer Municipal Utility District from prior years.

The quarter to quarter increase of 20% in the Transit Fund is in alignment with the FY2018-19 revenue budget. The budget to actual variance of \$3.2 million is primarily attributed to receiving \$2.9 million less from the Local Transportation Fund (LTF) to spend down fund balance as required by the

Transportation Development Act (TDA). An additional contributing factor was decreased levels of transit ridership, which tracked with industry-wide declines in transit ridership.

The \$5.8 million quarter to quarter increase and \$6.5 million budget variance in the Transportation Fund are due to receiving reimbursements from LTF for the Downtown Bridges project.

The Youth Development Fund revenues increased 15% compared to FY2017-18 due to a higher demand for childcare programs and the opening of the Orchard Ranch site.

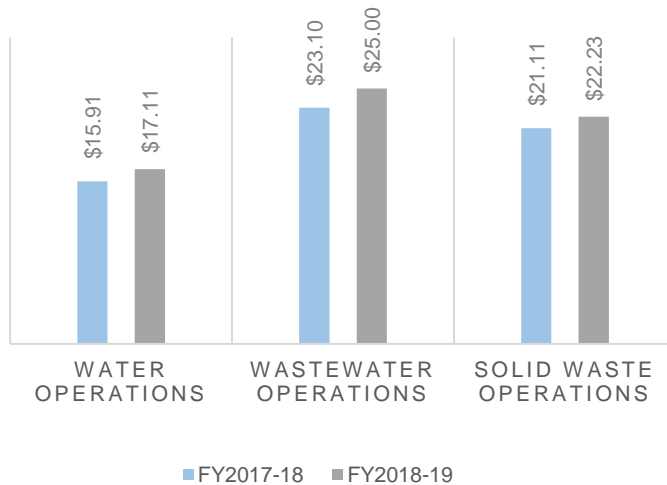
Enterprise Funds: Operating Expenditures

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

	Cumulative fourth quarter actual comparison (July 1 – June 30)				Budget to actual comparison		
	FY2017-18	FY2018-19	\$ Variance	% Variance	FY2018-19 Amended Budget	\$ Variance	% of budget
Electric Operations	\$ 108,386,914	\$ 101,465,863	\$(6,921,051)	-6%	\$ 120,938,568	\$ 19,472,705	84%
Water Operations	15,911,651	17,113,377	1,201,726	8%	23,833,117	6,719,740	72%
Wastewater Operations	23,100,543	25,000,643	1,900,100	8%	29,630,897	4,630,254	84%
Solid Waste Operations	21,108,390	22,230,334	1,121,944	5%	24,961,391	2,731,057	89%
Transit	5,704,628	5,743,891	39,263	1%	6,740,931	997,040	85%
Transportation	1,096,768	1,186,796	90,028	8%	1,502,289	315,493	79%
Youth Development	6,489,073	6,537,865	48,792	1%	6,547,179	9,314	100%

Most of the enterprise funds experienced increased expenditures during FY2018-19. These increases were anticipated and are in alignment with the FY2018-19 budget and are mainly driven by personnel, material, service, and supply costs. The variance in the Electric Fund is the result of lower purchased power market prices and reduced customer energy usage, resulting in a 6% or \$6.9 million decrease in expenditures as compared to the prior year.

**ENVIRONMENTAL UTILITIES
EXPENDITURES (MILLIONS)
FY18Q4 COMPARED TO FY19Q4
(CUMULATIVE)**



An additional factor contributing to increased Water, Wastewater and Solid Waste spending was the change from budgeted transfers to reimbursed expenditures for the Utility Exploration Center, Environmental Utilities administration and outreach, and utility billing.

Overall, expenditures for all of the Enterprise Funds ended the year below or on budget. The following is an explanation of the factors contributing to these variances:

- Electric expenditures ended the fiscal year under budget by \$19.5 million due to lower than anticipated market prices for natural gas.
- The expenditures for Water, Wastewater, and Solid Waste Departments were lower than budget because of salary savings from vacant positions.
- Transportation and Transit expended 85% and 79% of their operating budgets, respectively. The major contributing factors to these variances are salary savings from vacant positions and unspent materials, services, and supply funding.
- Spending in the Youth Development Fund was similar to the prior year and aligned with budget estimates.

Other Revenue

The table below shows revenues in the Fire Facilities Fund, Public Facilities Fund, and Strategic Improvement Fund through the fourth quarter of FY2018-19. The fourth quarter improved over the third quarter (Third quarter actual comparison: Fire Facilities: -18%; Public Facilities: -29%; and Strategic Improvement: -37%) but continued to trend lower than FY2017-18. These reductions are due to less development activity as compared to the same period of the previous fiscal year.

Overall, the Fire Facilities, Public Facilities and Strategic Improvement funds all came in above budget, despite less revenue as compared to the previous year. These results are attributed to the City historically taking a conservative approach when budgeting these revenues because of the volatile nature of development.

	Cumulative fourth quarter actual comparison (July 1 – June 30)				Budget to actual comparison		
	FY2017-18	FY2018-19	\$ Variance	% Variance	FY2018-19 Amended Budget	\$ Variance	% of budget
Fire Facilities	\$ 1,616,108	\$ 1,426,675	\$ (189,433)	-11.7%	\$ 1,388,251	\$ 38,424	102.8%
Public Facilities	3,861,843	3,297,088	(564,755)	-14.6%	2,828,181	468,907	116.6%
Strategic Improvement	1,554,389	1,098,741	(455,648)	-29.3%	962,784	135,957	114.1%

