

CITY OF YUBA CITY
STAFF REPORT

Date: October 16, 2018
To: Honorable Mayor & Members of the City Council
From: Finance/IT Department
Presentation By: Robin Bertagna, C.P.A., Finance/IT Director

Summary

Subject: Final Financial Report for Fiscal Year Ending June 30, 2018
Recommendation: Note and File the Final Financial Report for the Fiscal Year Ending June 30, 2018
Fiscal Impact: Informational item only

Purpose:

To provide City Council with a summary of the final, unaudited, revenue and expenses of the City's major operating funds.

Background:

Finance provides periodic Financial Reports to City Council to keep them apprised of the City's financial activities along with trends in revenues and expenditures.

Analysis:

The attached Final Financial Report has been prepared for City Council review for the Fiscal Year Ending June 30, 2018.

Fiscal Impact:

Informational item only

Alternatives:

Not applicable

Recommendation:

Staff recommends that the City Council note and file the Final Financial Report for the Fiscal Year Ending June 30, 2018.

Attachment:

1. Final Financial Report

Prepared By:

/s/ Robin Bertagna

Robin Bertagna, C.P.A.
Finance/IT Director

Submitted By:

/s/ Steven C. Kroeger

Steven C. Kroeger
City Manager

Reviewed By:

City Attorney

TH via email

ATTACHMENT 1



Final Financial Report

For Fiscal Year Ending 06/30/18 (Final/Pre-Audit Year End)

October 16, 2018

OVERVIEW

The on-site work for the City's independent financial audit for FY 2017-18 is currently underway. A great deal of Finance staff time goes into closing the books and preparing for the arrival of the City's auditors during the months of August and September. City Finance staff gathers all of the accrual information in accordance with Governmental Accounting Standards. In addition, we analyze the components that make up the City's assets, liabilities, revenues, expenditures and fund balances to ensure everything is properly accounted for. City staff attempts to review activity from an "auditor's" perspective prior to the arrival of the City's independent auditors. This is beneficial because it makes the performance of the audit much smoother for the City's auditors, City staff and other departments throughout the City. Finance makes the effort to ensure that the City has no material misstatements in the pre-audit balances which are provided to the auditors. As stated, the audit is currently underway and will be completed soon. It is expected that there will be very few adjustments made to the City's records by the auditors.

In this Financial Report, any use of reserves to fund operations will be consistently referred to as "Reserves," not to be confused with revenues. Revenues are generated through operational charges for services or tax sources, not from spending fund balances accumulated in previous years to finance current expenditures.

This Final Financial Report for the fiscal year ending June 30, 2018, includes only the major operating funds of the City: the general fund, the water fund and the wastewater operating fund.

GENERAL FUND

General Fund Financial Condition.

The original adopted budget for FY 2017-18 included revenues of \$41.57 million and expenditures of \$41.34 million resulting in a surplus on a budgetary basis of

\$226,535. We began the year with a small surplus on a budget basis and then added over \$3.0 million in supplemental appropriations throughout the year knowing that we still would not end the year in a deficit position on an actual basis. City staff expected to end the fiscal year with a surplus because staff knew there would be budgetary savings due to vacant positions throughout the City which create one-time savings.

Throughout the fiscal year, adjustments are approved by City Council increasing the total final adopted budget amounts. Below is a summary of the significant adjustments increasing appropriations during FY 2017-18:

| | |
|--|---------------------|
| Grants | \$ 1,021,500 |
| Encumbrance Carryovers from FY 2016-17 | 555,100 |
| Employee Salaries & Benefits | 514,800 |
| Strike Team O/T | 417,900 |
| Fire SCBAs Purchase | 367,500 |
| Personnel Attorney Costs | 60,000 |
| City Clerk Election Costs | 52,000 |
| Other Miscellaneous Costs | 21,500 |
| Total | <u>\$ 3,010,300</u> |

During FY 2017-18 City Council once again placed more emphasis on evaluating economic needs which were not met during prior years when a budget deficit existed. Budget priorities focused on investing in general fund infrastructure, reducing of our unfunded pension liabilities, providing City services to all City residents, setting aside funds for economic development, and balancing that with employee salary increases as staff salaries had remained fairly static for many years.

As the City looks toward the future, we will continue our fiscally conservative financial planning. The year-end results of operations show a sizeable general fund surplus due to vacant positions. This is one-time savings and will not help balance budgets in future fiscal years. The largest budgetary impact in the City's future budget projections is that resulting from the CalPERS Board's approval of reducing the discount rate from 7.5% to 7.0% with a step-down approach

over a three year period. Each of the step-downs in discount rate (from 7.5% to 7.375% to 7.25% and then to 7.0%) will be phased in over a 5 year period. Therefore, ultimately, the total impact will not be realized for 8 years by local government agencies. The revised estimated citywide impact is an increase from \$6.7 million in total retirement costs for FY 2017-18 to a projected \$11.0 million in FY 2022-23 based on the CalPERS actuarial reports released in August, 2018. The general fund share of this increase is estimated to grow by \$3.25 million during this same five year period.

The City continues to update its long-range financial model in order to plan for these excessive impacts. Long-term however, revenue growth is not anticipated to keep pace with the significant growth in CalPERS retirement cost increases. Other monetary options have been and will continue to be considered. All jurisdictions in the State of California are facing a similar financial burden; Yuba City is not alone in this regard. What this means, the CalPERS retirement system as it exists today is not sustainable for some agencies. City staff fully expects that additional options will become available which will lessen the burden in future years. An example of such an option is the addition of another layer of pension reform which would convert all classic CalPERS employees over to a less generous formula similar to PEPRAs employees for future service credit as of a set date in the future. Many options continue to be discussed by specific groups throughout the State of California at this time. The one certainty: some agencies cannot afford the increases that CalPERS is currently projecting for them to pay.

As far as good news, the City once again achieved a long-term goal of a balanced budget for FY 2018-19.

In the past several years the City has continued to experience more in vacancy savings than was historically seen in the ten previous years. Finance largely attributes this to two things: 1) Employees who reach eligible retirement age begin drawing CalPERS retirement while going back to work in a non-PERS employment arrangement; and 2) The City provided an increase in salaries for most employees totaling only 4 percent in the past ten years. Human Resources is actively recruiting to fill all vacancies throughout the City, and continues to focus on hiring quality team members for our agency.

General Fund Summary.

A summary of the results of FY 2017-18, are as follows:

| | Budget | Actual | Percent |
|-----------------------------|---------------------|---------------------|----------|
| Revenues | \$ 43,105,006 | \$ 43,038,199 | 99.8% |
| Expenditures | (44,353,867) | (40,864,791) | 92.1% |
| Operating Surplus/(Deficit) | (1,248,861) | 2,173,408 | |
| Transfers Out | (2,062,303) | (2,062,303) | |
| Plus Beginning Fund Balance | 6,204,021 | 6,204,021 | |
| Fund Balance 6-30-18 | \$ 2,892,857 | \$ 6,315,126 | - |

Based on a budgetary basis, the City would have ended the year with a \$1.25 million operating deficit. In reality, the actual results of operations at the end of the year resulted in the City having a \$2.173 million surplus. This difference is because expenditures came in under budget by \$3.49 million and revenues were under budget by \$0.067 million. In expenditures, there was savings of \$2.72 million from vacant positions throughout the year; \$0.28 million in materials, supplies and services; and \$0.49 million in grant expenditures were budgeted, but not expended, which will roll forward to FY 2018-19.

The City monitors and tracks vacant positions quarterly. In reviewing the vacancy lists, it is clear that vacant positions are filled, but turnover in staffing continues. For perspective, in June, 2017, there were 36 vacant positions in the general fund which represents 15.2 percent of the authorized full-time equivalent general fund positions. The total amount budgeted for these vacancies was \$4.2 million. In March, 2018, the number of vacant positions in the general fund declined to 21, with a total budgeted cost of \$2.3 million. The decline reported in March, 2018, in both the number of general fund vacancies and the dollar amount continued into the first quarter of FY 2018-19. If this trend continues, budgetary savings from vacancies savings will be much lower during the next fiscal year. It is also important to recognize that not all of the savings from vacancies is realized for public safety personnel as necessary shifts are covered through the use of overtime, thereby reducing savings in order to continue service levels. As stated previously, the Human Resource department continues to place a high priority on recruiting and filling vacant positions.

Prior to making any transfers out at the conclusion of FY 2017-18, the City's unassigned reserve was \$8,377,429. From this, \$2,062,303 was transferred out of the general fund as shown on the next page. This left the City's unallocated general fund reserve fund balance at \$6,315,126, equal to 15 percent of FY 2018-19 appropriations in accordance with the City's budget policy.

Transfers during FY 17-18:

| | |
|---|------------|
| Transfer to CIP for WaterSmart Irrig. Grant Match | \$ (8,000) |
| To Vehicle Replacement from Streets for Batcher | (48,000) |

Transfers per FY 18-19 Budget Adoption:

| | |
|--|-----------------------|
| To Vehicle Replacement-Police Vehicles | (384,500) |
| Set Aside Police & Fire DIF Loans | (398,086) |
| To Pension Stabilization Trust | (611,859) |
| To General Unallocated CIP | (611,859) |
| Total Transfers Out | \$ (2,062,303) |

As part of adopting the FY 2018-19 budget, City Council affirmed last year’s change in budget policy which split any amount of revenues in excess of expenditures at the end of the year equally between the City’s pension stabilization trust and the City’s unallocated capital improvement fund (CIP) account for future capital projects.

The remaining 15 percent general fund unassigned reserve is what we refer to as our “Healthy Cities” reserve. In addition to this reserve, the general fund also has \$317,600 set aside as a one-time money which is designated to only be used to fund one-time expenditures, not on-going expenditures.

As indicated, for FY 2017-18, the City transferred out \$611,859 to be used in future years for general fund capital infrastructure projects. During the recession only the highest priority general fund infrastructure projects were funded, depleting reserves. It is a positive financial milestone that the City is able to once again set aside funds for general fund infrastructure needs. As of June 30, 2018, the City has \$1,404,700 in unallocated general capital improvement project dollars available after deducting the \$351,200 allocated for general fund CIP projects included in the FY 2018-19 CIP budget.

FY 2017-18 had budgetary savings in all categories: salaries and benefits due to vacant positions, \$2.7 million; materials, supplies and services, \$0.275 million; capital acquisitions, \$0.017 million; and grants which will carry over to FY 2018-19, \$0.481 million. Departments should be commended for excellent fiscal oversight of their operations. The state of the City’s financial situation is attributable to their commitment to ensuring that funds are spent wisely and do not exceed appropriations on an overall basis.

Revenues.

The City’s top ten revenues account for over 90 percent of total General Fund revenues; as such, they provide a very good summary of our revenue position.

Fiscal year end is a good time to not only compare budget vs. actual for the fiscal year, but also to compare the actual results of operations for two fiscal years. This is shown in the tables below for the top ten general fund revenues.

| Top Ten Revenues | Budget | Actual | % Received |
|-------------------------|----------------------|----------------------|---------------|
| Property Taxes | \$ 12,456,700 | \$ 12,592,288 | 101.1% |
| Sales Tax | 13,350,000 | 13,356,085 | 100.0% |
| Business Licenses | 947,200 | 983,219 | 103.8% |
| Franchise Fees | 1,769,600 | 1,785,543 | 100.9% |
| Hotel/Motel Surcharge | 961,500 | 1,105,667 | 115.0% |
| Building Permits | 900,000 | 1,041,919 | 115.8% |
| Police Special Services | 220,000 | 193,892 | 88.1% |
| CSA "G" Fire Contract | 735,400 | 751,990 | 102.3% |
| Recreation Fees | 1,012,900 | 910,894 | 89.9% |
| Operating Transfers | 7,689,044 | 7,361,434 | 95.7% |
| Total | \$ 40,042,344 | \$ 40,082,930 | 100.1% |

| Top Ten Revenues | FY 16-17 | FY 17-18 | % Change |
|-------------------------|----------------------|----------------------|-------------|
| Property Taxes | \$ 12,058,697 | \$ 12,592,288 | 4.4% |
| Sales Tax | 12,850,693 | 13,356,085 | 3.9% |
| Business Licenses | 897,498 | 983,219 | 9.6% |
| Franchise Fees | 1,728,291 | 1,785,543 | 3.3% |
| Hotel/Motel Surcharge | 987,297 | 1,105,667 | 12.0% |
| Building Permits | 1,093,120 | 1,041,919 | -4.7% |
| Special Police Services | 210,366 | 193,892 | -7.8% |
| CSA "G" Fire Contract | 711,695 | 751,990 | 5.7% |
| Recreation Fees | 991,833 | 910,894 | -8.2% |
| Operating Transfers | 6,101,779 | 7,361,434 | 20.6% |
| Total | \$ 37,631,270 | \$ 40,082,930 | 6.5% |

- **Property Tax.** Property tax receipts experienced a 4.4 percent increase, \$533,600, in the current fiscal year over the previous year. Budget projections were based on an estimated increase of 4.0 percent. Final assessed values increased by 4.79 percent for the general fund, as provided by the Sutter County Auditor-Controller’s Office. With the increase in assessed values being 4.79 percent, the City would have expected to see an increase equivalent to about that percentage, slightly higher than the 4.4 percent actually received. Actual receipts were \$135,600 more than budgeted.

- **Sales Tax.** Sales tax revenues are \$6,100 more than budgeted and \$505,400, or 3.9 percent higher, than FY 2016-17. The FY 2017-18 budget projections were developed based upon a modest increase of 3.0 percent. Actual sales tax receipts for the most recent four quarters resulted in an average increase of 4.325 percent from the same quarter of the previous year.

Sales tax continues to be volatile from quarter to quarter, making it difficult to predict. The chart below shows changes in sales tax revenues compared to the same quarter of the previous year, both on a cash basis and on an adjusted basis. The amounts received on a cash basis are important to the City because it represents revenues flowing into our bank account that we can use to pay employees and vendors of the City. The adjusted basis data is also important to evaluate as it is the “true” amount of increase or decrease from the same quarter of the previous year on an audited basis after factoring in accounting adjustments. Accounting adjustments are made by the California Department of Tax and Fee Administration (CDTFA)

and include such items as a retailer who misses a payment one quarter and then pays a double payment the following quarter. The adjusted amounts factor in these differences from quarter to quarter.

| | Cash Basis | Adjusted Basis |
|------------|------------|----------------|
| Jul-Sep 14 | 10.7% | 7.7% |
| Oct-Dec 14 | 7.4% | 6.2% |
| Jan-Mar 15 | 9.9% | 13.6% |
| Apr-Jun 15 | 13.1% | 9.3% |
| Jul-Sep 15 | 4.7% | 5.7% |
| Oct-Dec 15 | 4.9% | 4.9% |
| Jan-Mar 16 | 1.6% | 4.1% |
| Apr-Jun 16 | 4.5% | 5.3% |
| Jul-Sep 16 | -0.4% | 0.2% |
| Oct-Dec 16 | 3.0% | 2.3% |
| Jan-Mar 17 | 0.7% | 1.7% |
| Apr-Jun 17 | 3.3% | 3.1% |
| Jul-Sep 17 | 9.4% | 6.9% |
| Oct-Dec 17 | 5.0% | 2.8% |
| Jan-Mar 18 | -0.4% | 6.2% |

- **Business Licenses.** Business licenses are renewed in January of each year. Revenues were \$36,000 more than budget estimates, and were 9.6 percent higher, or \$85,700 more than the prior year. This is largely attributable to both enforcement action by City staff and the business license audit conducted to ensure that all businesses operating in Yuba City are doing so with a valid business license in order to create equality.

- **Franchise Fees.** The City receives franchise fees from PG&E, Recology, AT&T and Comcast; the fees are based upon a percentage of their revenues. Actual receipts were \$15,900 more than budgeted, and \$57,300 more than the prior year. This was an increase of 3.3 percent. The FY 2017-18 budget estimated a modest increase of 2 percent.

- **Hotel/Motel Surcharge.** Surcharge revenues were \$144,200 more than budgeted and \$118,400 more than the previous year. In reviewing the detailed payments for each establishment, the revenues received increased for six out of nine of the hotels operating during FY 2017-18. Those that had declines, were very small compared to the previous year.

- **Construction Permit Fees.** Building Permit revenues were \$141,900 more than budgeted and \$51,200 less than the previous year. These revenues are difficult to project and are driven by the level of construction occurring locally.

- **Special Police Services.** Special police service revenues were \$26,100 less than budgeted and \$16,500 less than the prior year.

- **CSA "G" Fire Contract.** The City receives these funds for fire services to the unincorporated area that was formerly served by the Walton Fire Protection

District. These revenues were \$16,600 higher than budgeted and \$40,300 more than the previous year.

- **Recreation Fees.** Service fees received through the end of the fiscal year were \$102,000 less than budgeted and \$80,900 less than the previous year.

- **Operating Transfers.** The General Fund receives reimbursement for operating costs associated with support services provided to the water and wastewater utilities as well as other fund transfers. Actual transfers for reimbursements to the general fund were \$327,600 less than budgeted due to reimbursements for staff time spent on various capital projects being less than originally budgeted. The shortfall was due to vacancies in the Public Works Engineering division which caused staff to charge less time to capital projects. There was an offsetting expenditure savings from the vacant positions. The remaining transfers are within budgetary expectations.

Expenditures. Operating costs are less than budgetary expectations when the original budget was adopted and significantly less than the amended budget as adjusted for supplemental appropriations during the fiscal year. Compared to final general fund appropriations, the savings generated is mostly attributable to vacant positions, with \$2,715,800 in savings in salaries and benefits. 91.6 percent of the total budgeted for salaries and benefits was expended. Materials, supplies and services had savings of \$275,400 and was expended at 96.8 percent of the amount budgeted. Capital acquisitions had \$16,700 in unexpended funds at year end and there were \$481,200 in unexpended grant activities that will carry over to FY 2018-19. Please see additional information below showing the expenditure summaries. Summaries are included comparing final budgeted vs. actual expenditures both by department and by category.

| Expenditures | Budget | Actual | % Expended |
|---------------------------|----------------------|----------------------|--------------|
| City Council | \$ 155,262 | \$ 144,922 | 93.3% |
| City Attorney | 335,000 | 334,417 | 99.8% |
| City Manager | 603,417 | 549,619 | 91.1% |
| Finance/IT | 2,738,138 | 2,472,843 | 90.3% |
| City Treasurer/City Clerk | 84,792 | 53,668 | 63.3% |
| Human Resources | 942,537 | 840,779 | 89.2% |
| Development Services | 1,474,226 | 1,267,794 | 86.0% |
| Public Works | 4,812,451 | 4,148,620 | 86.2% |
| Police | 15,036,135 | 13,896,718 | 92.4% |
| Fire | 12,695,572 | 12,163,847 | 95.8% |
| Animal Control Services | 835,464 | 755,355 | 90.4% |
| Economic Development | 343,174 | 330,650 | 96.4% |
| Contingency | 123,595 | 3,218 | 2.6% |
| Non-Departmental Misc. | 406,783 | 344,687 | 84.7% |
| Community Services | 3,767,322 | 3,557,653 | 94.4% |
| Total General Fund | \$ 44,353,867 | \$ 40,864,791 | 92.1% |

| | Budget | Actual | Savings | % Expended |
|------------------------------|----------------------|----------------------|---------------------|--------------|
| Salaries & Benefits | \$ 33,125,430 | \$ 30,356,561 | \$ 2,768,869 | 91.6% |
| Heat & Power | 434,117 | 615,178 | (181,061) | 141.7% |
| Telephone | 193,109 | 204,615 | (11,506) | 106.0% |
| Postage & Freight | 133,823 | 105,851 | 27,972 | 79.1% |
| Advertising | 69,600 | 79,226 | (9,626) | 113.8% |
| Forms & Supplies | 144,746 | 140,063 | 4,683 | 96.8% |
| Printing & Binding | 90,861 | 92,523 | (1,662) | 101.8% |
| Professional Services | 2,853,330 | 2,557,235 | 296,095 | 89.6% |
| Professional Development | 596,809 | 507,013 | 89,796 | 85.0% |
| Dues & Subscriptions | 91,158 | 86,974 | 4,184 | 95.4% |
| Rental Blds./Equipment/Land | 2,954 | 8,098 | (5,144) | 274.2% |
| Equipment O & M | 348,001 | 337,319 | 10,683 | 96.9% |
| Special Equipment O & M | 513,919 | 493,115 | 20,805 | 96.0% |
| Vehicle & Special Equipment | 1,633,561 | 1,653,512 | (19,951) | 101.2% |
| Buildings & Facility O & M | 770,243 | 749,083 | 21,160 | 97.3% |
| Chemicals | 47,837 | 42,384 | 5,453 | 88.6% |
| Tools, Supplies & Equipment | 273,780 | 274,658 | (879) | 100.3% |
| Training Programs | 160,975 | 156,192 | 4,783 | 97.0% |
| Water | 206,745 | 218,026 | (11,281) | 105.5% |
| Uniform Clothing | 65,690 | 108,444 | (42,754) | 165.1% |
| Liability Insurance | 586,531 | 586,531 | - | 100.0% |
| Debt Service | 680,363 | 657,664 | 22,699 | 96.7% |
| Contingency | 123,595 | 3,218 | 120,377 | 2.6% |
| Technology Replacement ISF | 479,446 | 479,445 | 1 | 100.0% |
| Recreation Programs | 187,804 | 187,195 | 609 | 99.7% |
| Equipment & Vehicle Purchase | 539,441 | 164,669 | 374,771 | 30.5% |
| Total General Fund | \$ 44,353,867 | \$ 40,864,791 | \$ 3,489,075 | 92.1% |

The savings from unexpended appropriations as of June 30, 2018, can be misleading. It gives the impression that the City was under budget by in excess of \$3.49 million. This is not the full story as there was \$462,200 in encumbrance carryovers for general fund purchase orders outstanding at year end which roll over into the next fiscal year and are in essence monies spent out of the current fiscal year budget. In addition, City Council approved grant funded programs, which were not fully spent during the fiscal year, and therefore also roll over into the next year. These total \$481,200 at the end of FY 2017-18. The general fund savings for unexpended appropriations that will not carryover and be spent in the following fiscal year is significant and amounts to \$2,545,700.

Comparing actual expenditures for FY 2016-17 to FY 2017-18 indicate that expenditures increased by approximately \$1,780,400, or 4.56 percent.

| Expenditures | FY 16/17 | FY 17/18 | Change |
|---------------------------|----------------------|----------------------|---------------------|
| City Council | \$ 155,589 | \$ 144,922 | \$ (10,667) |
| City Attorney | 308,808 | 334,417 | 25,609 |
| City Manager | 541,350 | 549,619 | 8,268 |
| Finance/IT | 2,337,634 | 2,472,843 | 135,209 |
| City Treasurer/City Clerk | 65,789 | 53,668 | (12,121) |
| Human Resources | 692,194 | 840,779 | 148,584 |
| Development Services | 888,519 | 1,267,794 | 379,275 |
| Public Works | 3,685,339 | 4,148,620 | 463,281 |
| Police | 14,300,784 | 13,896,718 | (404,065) |
| Fire | 11,224,760 | 12,163,847 | 939,087 |
| Animal Control Services | 714,334 | 755,355 | 41,022 |
| Economic Development | 238,105 | 330,650 | 92,546 |
| Contingency | 61,931 | 3,218 | (58,713) |
| Non-Departmental Misc. | 310,172 | 344,687 | 34,515 |
| Community Services | 3,559,095 | 3,557,653 | (1,442) |
| Total General Fund | \$ 39,084,404 | \$ 40,864,791 | \$ 1,780,387 |

Comparing expenditures by category to those of the previous year shows the changes in types of expenditures made in FY 2017-18.

| | FY 16/17 | FY 17/18 | Change |
|-------------------------------|----------------------|----------------------|---------------------|
| Salaries & Benefits | \$ 29,742,019 | \$ 30,356,561 | \$ 614,542 |
| Heat & Power | 610,619 | 615,178 | 4,559 |
| Telephone | 195,291 | 204,615 | 9,324 |
| Postage & Freight | 115,071 | 105,851 | (9,220) |
| Advertising | 43,400 | 79,226 | 35,825 |
| Forms & Supplies | 139,005 | 140,063 | 1,059 |
| Printing & Binding | 79,129 | 92,523 | 13,394 |
| Professional Services | 2,487,900 | 2,557,235 | 69,335 |
| Professional Development | 223,093 | 507,013 | 283,920 |
| Dues & Subscriptions | 71,102 | 86,974 | 15,872 |
| Rental Blds./Equipment/Land | 17,194 | 8,098 | (9,096) |
| Equipment O & M | 288,668 | 337,319 | 48,650 |
| Special Equipment O & M | 113,609 | 493,115 | 379,506 |
| Vehicle & Special Equipment | 1,553,194 | 1,653,512 | 100,317 |
| Buildings & Facility O & M | 604,815 | 749,083 | 144,268 |
| Chemicals | 39,551 | 42,384 | 2,833 |
| Tools, Supplies & Equipment | 281,015 | 274,658 | (6,357) |
| Training Programs | 211,192 | 156,192 | (55,000) |
| Water | 177,409 | 218,026 | 40,617 |
| Uniform Clothing | 96,299 | 108,444 | 12,144 |
| Liability Insurance | 500,294 | 586,531 | 86,237 |
| Debt Service | 592,362 | 657,664 | 65,302 |
| Contingency | 26,058 | 3,218 | (22,840) |
| Technology Replacement ISF | 417,604 | 479,445 | 61,841 |
| Recreation Programs | 184,343 | 187,195 | 2,853 |
| Equipment & Vehicle Purchases | 274,168 | 164,669 | (109,500) |
| Total General Fund | \$ 39,084,404 | \$ 40,864,791 | \$ 1,780,387 |

ENTERPRISE FUNDS

The following summarizes year-end revenues, expenditures and changes in current assets and liabilities for the enterprise funds. Current assets and liabilities are used as a measurement tool as the net of

these two are the resources available to pay for operating expenses and capital infrastructure project funding.

Water Fund

| | Budget | Actual | Percent |
|------------------------|----------------------|----------------------|----------|
| Balance, Start of Year | \$ 17,177,660 | \$ 17,177,660 | - |
| <i>Revenues</i> | | | |
| Operating | 13,522,000 | 14,924,867 | 110.4% |
| Grant Revenue | 365,154 | 376,944 | 103.2% |
| Capital | 465,700 | 635,205 | 136.4% |
| SRF Surcharge | 661,700 | 666,666 | 100.8% |
| Sub-Total Revenues | 15,014,554 | 16,603,683 | 110.6% |
| <i>Expenditures</i> | | | |
| Operating Programs | (9,920,246) | (8,502,374) | 85.7% |
| Capital Equipment | (80,000) | (117,520) | 146.9% |
| CIP Contributions | (207,500) | (207,500) | 100.0% |
| Debt Service | (3,243,817) | (3,243,817) | 100.0% |
| Sub-Total Expenditures | (13,451,563) | (12,071,211) | 89.7% |
| Balance | \$ 18,740,650 | \$ 21,710,132 | - |

| | | | |
|---------------------|----------------------|---------------------|--------------|
| CIP Projects | \$ 13,224,000 | \$ 2,462,200 | 18.6% |
|---------------------|----------------------|---------------------|--------------|

The Water Fund operating revenues ended the year \$1,402,900 higher than budgeted, about 10.4 percent more than expected. The increase is attributable to revenues exceeding budget estimates as follows:

- \$949,600 Water sales
- \$66,100 Utility billing penalties
- \$62,300 Interest income
- \$309,400 Other revenues

Capital connection fee revenues exceeded budget estimates by \$148,000 and capital investment revenues were \$21,700 higher than budgeted due to increasing investment returns.

Operating expenditures ended the year \$1,417,900, or 14.3% under budget. Current year budgetary savings occurred in the following categories and amounts:

- \$403,600 Salaries & benefits
- \$157,300 Professional services
- \$257,500 Special equipment O & M
- \$50,700 Buildings & facility O & M
- \$98,700 Chemicals
- \$406,300 Water purchases

With total FY 2016-17 operating expenditures for the Water Fund equal to \$7,718,674, the current year-end results represent an increase in expenses of \$783,700, or approximately 10.2 percent, higher than the previous year. Comparing the category totals of FY 2016-17 expenses to FY 2017-18, the largest changes were in the following areas and amounts:

- \$89,000 Salaries and benefits
- \$67,500 Heat and power
- \$74,400 Special equipment O & M
- \$214,000 Vehicle & special equip.
- \$230,300 Cost allocation charges

City Council adopted new water and wastewater rates on June 21, 2016 in accordance with a Proposition 218 protest hearing process. The water rate increase included a 29 percent adjustment in the monthly base rate with no increase to the volumetric charge the first year. For FY 2017-18, both the monthly base rate and the volumetric rate were increased by an amount less than the Proposition 218 maximum at 17 percent. The rate increase was effective July 1, 2017 so that the higher rate would be collected for the entire fiscal year.

Wastewater Fund

| | Budget | Actual | Percent |
|------------------------|----------------------|----------------------|----------|
| Balance, Start of Year | \$ 19,925,378 | \$ 19,925,378 | - |
| <i>Revenues</i> | | | |
| Operating | 14,846,568 | 16,274,008 | 109.6% |
| Capital | 598,100 | 677,421 | 113.3% |
| Sub-Total Revenues | 15,444,668 | 16,951,429 | 109.8% |
| <i>Expenditures</i> | | | |
| Operating Programs | (10,339,809) | (9,723,808) | 94.0% |
| Capital Equipment | (435,937) | (176,661) | 40.5% |
| Debt Service | (2,723,550) | (2,723,286) | 100.0% |
| Sub-Total Expenditures | (13,499,296) | (12,623,755) | 93.5% |
| Balance | \$ 21,870,749 | \$ 24,253,052 | - |

| | | | |
|---------------------|----------------------|---------------------|--------------|
| CIP Projects | \$ 14,853,000 | \$ 5,326,416 | 35.9% |
|---------------------|----------------------|---------------------|--------------|

Wastewater operating revenues exceeded budget estimates by \$1,427,400, or 9.6 percent. The increase is attributable to revenues exceeding budget estimates in the following areas:

- \$714,400 Sewer service charges
- \$98,500 Septage charges
- \$159,700 Sunsweet O & M revenues
- \$150,600 Investment income
- \$302,800 Other revenues

Capital related revenues were \$79,300 more than budgeted and largely attributable to the following differences:

- \$25,200 Capital connection fees
- \$6,800 Sewer main extension fees
- \$13,200 Special connection fees
- \$34,100 Investment income

Operating expenditures were \$613,000, or 6.0 percent, less than budgeted. Budget savings occurred in the following categories and amounts:

- \$440,500 Salaries & benefits
- \$504,800 Heat & power
- \$32,900 Dues & subscriptions
- \$216,000 Professional services
- \$210,300 Special equipment O & M
- \$219,200 Chemicals

With total FY 2016-17 operating expenditures for the Wastewater Fund equal to \$9,216,729, the current year-end results show an increase in expenditures of \$507,100, or 5.5 percent more than the previous year. The increases compared to the prior year were in the following categories and amounts:

- \$33,100 Heat & power
- \$73,200 Special equipment O & M
- \$54,900 Buildings & facility O & M
- \$195,200 Chemicals
- \$184,400 Cost allocation charges

The rate study conducted in accordance with Proposition 218 requirements included the City's wastewater operations. The study recommended a 10 percent increase each fiscal year in order to fund budgetary needs including operating costs, debt service, and infrastructure renewal and replacement. The recommended 10 percent increase was implemented for both FY 2016-17 and FY 2017-18. Rates are reviewed as part of the budget process and are brought back to City Council for annual consideration. An effort is made to recommend a rate for adoption that is less than the Proposition 218 maximum.