

CITY OF YUBA CITY
STAFF REPORT

Date: November 19, 2019
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, 2019
Recommendation: Note and File the Final Financial Report for the Fiscal Year Ending June 30, 2019
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, 2019.

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, 2019.

Attachments:

1. Final Financial Report Fiscal Year Ending June 30, 2019

Prepared By:

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

Reviewed By:

City Attorney

Submitted By:

/s/ Michael Rock
Michael Rock
City Manager

[SLC by email](#)

ATTACHMENT 1



Final Financial Report

For Fiscal Year Ending 06/30/19 (Final/Pre-Audit Year End)

November 19, 2019

OVERVIEW

The on-site work for the City’s independent financial audit for FY 2018-19 was completed during the first two weeks of October. During the months of August and September, a great deal of Finance staff time goes into closing the books and preparing for the arrival of the City’s auditors. 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 fieldwork was completed in the first two weeks of October, the auditors did not make any adjustments to the City’s records.

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, 2019, 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 2018-19 included revenues of \$42.4 million and expenditures of \$42.1 million resulting in a surplus on a budgetary basis of

\$301,356. We began the year with a small surplus on a budget basis and then added just under \$2.4 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 along with budgetary savings in materials, supplies and services accounts.

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 2018-19:

Encumbrances 6/30/18	\$ 462,200
Grants C/O from 6/30/18	248,900
New Grant Appropriations	698,800
PERS Supplemental UAL Payment	454,300
Fire Strike Team O/T-Revenue Reimb.	252,700
City Attorney Budget	130,000
Executive Recruiter Cost	85,500
Other Supplementals	58,800
	<u>\$ 2,391,200</u>

During FY 2018-19, budget priorities focused on investing in general fund infrastructure, reduction 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 the general fund once again with a surplus from vacant positions and other budgetary savings. However, this is one-time savings and will not help balance budgets in future fiscal years. Additionally, there are a significant list of fiscal needs that compete for those fiscal year-end dollars. The transfers out from the general fund based on the year-end surplus included the following items:

COPS Grant-Police Parking Lot CIP	\$	100,000
FY20 Vehicle Purchases		268,800
FY20 Technology Purchases		132,212
YE Transfer to General CIP Fund		146,418
YE Transfer to Pension Trust Fund		146,418
	\$	<u>793,848</u>

During the fiscal year, City Council authorized \$100,000 to be transferred from COPS Grant funds to the Police Parking Lot Expansion Project. As part of the FY 19-20 budget adoption process, City Council authorized transfers for capital acquisition purchases for vehicles (\$268,800) and technology (\$132,212) that were included in next year's budget, but sufficient funds were not saved up and available to fully fund these purchases; therefore year-end surplus funds were first allocated to these. Thereafter, the remaining \$292,836 was split ½ each and transferred to the general unallocated CIP fund and the pension trust fund for future use and allocation. The remaining fund balance is equal to 15% of the FY 2019-20 appropriations in accordance to the City's budget policy. In addition, fund balance at the end of the fiscal year includes \$254,000 earmarked for one time monies for employee payments as part of negotiations.

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 \$8.5 million in total retirement costs for FY 2018-19 to a projected \$11.5 million in FY 2025-26 based on the CalPERS actuarial reports released in August, 2019. The retirement cost of \$8.5 million for FY 2018-19 includes the additional discretionary payment of \$750,000 made by the City in September, 2018. Without that, total retirement costs would have been \$7.75 million for FY 2018-19. The total increase in projected retirement costs for the City's general fund through FY 2025-26, based on the most recent actuarial reports, is \$3,047,500.

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 PEPRA 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 and this will lead to fiscal insolvency.

As far as good news, the City once again achieved a long-term goal of a balanced budget for FY 2019-20. That said, there were once again unmet financial needs within the adopted FY 2019-20 budget based upon requests from the departments, infrastructure renewal and replacement needs and staffing needs which were unable to be met by the City Council within the revenue constraints of available funding. The FY 2019-20 budget development differed from prior year budgets as a City Council sub-committee consisting of Mayor Harris and Councilman Shaw listened to all of the budget requests from departments, then prioritized those requests into a recommended budget rather than it being a City Manager's recommended budget as is typical for California cities.

In the past several years the City experienced more vacancy savings than was historically seen in the ten previous years. For FY 2018-19 the vacancy savings declined significantly compared to that of the prior few years. Finance attributes the historically large vacancy savings 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 has 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 2018-19, are as follows:

	Budget	Actual	Percent
Revenues	\$ 43,900,349	\$ 44,458,608	101.3%
Expenditures	(44,492,077)	(42,953,069)	96.5%
Operating Surplus/(Deficit)	(591,728)	1,505,539	
Transfers Out	(793,848)	(793,848)	
Police & Fire DIF Loan	(398,086)	(398,086)	
Plus Beginning Fund Balance	6,632,721	6,632,721	
Balance 6-30-19	\$ 4,849,059	\$ 6,946,325	-

On a budgetary basis, the City would have ended the

year with a \$591,700 operating deficit. In reality, the actual results of operations at the end of the year resulted in the City having a \$1.50 million surplus. This difference is because expenditures came in under budget by \$1.539 million and revenues were over budget by \$558,300. In expenditures, there was savings of \$674,900 from vacant positions throughout the year; \$454,200 in materials, supplies and services; \$23,900 in capital acquisitions; and \$386,000 in grant expenditures were budgeted, but not expended, which will roll forward to FY 2019-20. For comparison purposes, the amount of vacancy savings for FY 2017-18 was \$2.72 million.

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 represented 15.2 percent of the authorized full-time equivalent general fund positions. The total amount budgeted for these vacancies was \$4.2 million. In July, 2018, the number of vacant positions in the general fund declined to 21, with a total budgeted cost of \$2.2 million. By February, 2019, the number of vacancies in the general fund had declined to 10, with a budgeted cost of \$1.3 million. By June, 2019, the number of vacancies increased back up to 15 positions with a budgeted value of \$2.2 million. The declining trend in the number of vacancies was reported to City Council last year along with a warning that based on that trend, budgetary savings would decline. 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.

As part of adopting the FY 2019-20 budget, City Council affirmed the budget policy which splits any amount of revenues in excess of expenditures at the end of the year (after transfers outlined in the budget resolution) equally between the City's pension stabilization trust and the City's general unallocated capital improvement fund (CIP) account for future capital projects.

For FY 2018-19, the City transferred out \$146,418 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. The City has been unable to set aside sufficient capital funds for infrastructure replacement and renewal needs. As of June 30, 2019, the City has \$578,500 in unrestricted general capital improvement project dollars available

after deducting the \$1,089,500 allocated for general fund CIP projects included in the adopted FY 2019-20 CIP budget. Staff has recommended that a balance of \$500,000 be maintained for urgent or emergency facility needs. \$589,500 in available general fund capital infrastructure dollars for a City our size is insufficient. Long-term, there is a need to address finding additional revenue sources in order to meet the infrastructure renewal and replacement needs for the City's aging facilities.

FY 2018-19 had budgetary savings in all categories: salaries and benefits; materials, supplies and services; capital acquisitions; and grants which will carry over to FY 2019-20. 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 almost 95 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	\$ 13,078,100	\$ 13,190,010	100.9%
Sales Tax	13,951,100	14,206,668	101.8%
Business Licenses	986,800	1,092,101	110.7%
Franchise Fees	1,828,400	1,796,552	98.3%
Hotel/Motel Surcharge	1,103,300	1,357,899	123.1%
Building Permits	998,000	1,190,185	119.3%
Police Special Services	220,000	236,948	107.7%
CSA "G" Fire Contract	775,700	787,572	101.5%
Recreation Fees	891,100	916,166	102.8%
Operating Transfers	7,696,904	7,393,101	96.1%
Total	\$ 41,529,404	\$ 42,167,202	101.5%

Top Ten Revenues	FY 17-18	FY 18-19	% Change
Property Taxes	\$ 12,592,288	\$ 13,190,010	4.7%
Sales Tax	13,356,085	14,206,668	6.4%
Business Licenses	983,219	1,092,101	11.1%
Franchise Fees	1,785,543	1,796,552	0.6%
Hotel/Motel Surcharge	1,105,667	1,357,899	22.8%
Building Permits	1,041,919	1,190,185	14.2%
Special Police Services	193,892	236,948	22.2%
CSA "G" Fire Contract	751,990	787,572	4.7%
Recreation Fees	910,894	916,166	0.6%
Operating Transfers	7,361,434	7,393,101	0.4%
Total	\$ 40,082,930	\$ 42,167,202	5.2%

- **Property Tax.** Property tax receipts experienced a 4.7 percent increase, \$597,700, in the current fiscal year over the previous year. Budget projections were

based on an estimated increase of 4.3 percent. Final assessed values increased by 4.89 percent for the general fund, as provided by the Sutter County Auditor-Controller's Office. With the increase in assessed values being 4.89 percent, the City would have expected to see an increase equivalent to about that percentage, or slightly higher than the 4.7 percent actually received. Actual receipts were \$111,900 more than budgeted.

- **Sales Tax.** Sales tax revenues are \$255,600 more than budgeted and \$850,600, or 6.4 percent higher, than FY 2017-18. The FY 2018-19 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 12.25 percent on a cash basis and 2.1 percent on an adjusted basis compared to the same quarters of the previous year. The big difference in cash basis vs. adjusted basis is due to the delays in the California Department of Tax and Fee Administration's (CDTFA) processing of tax returns during their software conversion.

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 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 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%
Apr-Jun 18	-10.0%	10.0%
Jul-Sep 18	15.9%	1.9%
Oct-Dec 18	6.0%	3.9%
Jan-Mar 19	12.6%	1.4%
Apr-Jun 19	14.5%	1.2%

- **Business Licenses.** Business licenses are renewed in January of each year. Revenues were \$105,300 more than budget estimates, and were 11.1 percent higher, or \$108,900 more than the prior year. This is largely attributable to enforcement action by City staff and in some small part 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 \$31,800 less than budgeted, and \$11,000 more than the prior year. This was an increase of 0.6 percent. The FY 2018-19 budget estimated a modest increase of 2 percent.

- **Hotel/Motel Surcharge.** Surcharge revenues were \$254,600 more than budgeted and \$252,200 more than the previous year. In reviewing the detailed payments for each establishment, the revenues received increased for all nine of the hotels operating during FY 2018-19.

- **Construction Permit Fees.** Building Permit revenues were \$192,200 more than budgeted and \$148,300 more 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 \$16,900 more than budgeted and \$43,100 more 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 \$11,900 higher than budgeted and \$35,600 more than the previous year.

- **Recreation Fees.** Service fees received through the end of the fiscal year were \$25,100 more than budgeted and \$5,300 more 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 \$303,800 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 of \$320,800 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 a combination from all categories. There was \$674,900 in savings in salaries and benefits (plus \$32,300 applicable to grant programs). 97.9 percent of the total budgeted for salaries and benefits was expended. Materials, supplies and services had savings of \$454,200 and was expended at 95.7 percent of the amount budgeted. Capital acquisitions had \$23,900 in unexpended funds at year end and there were \$386,000 in unexpended grant activities that will carry over to FY 2019-20. 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	\$ 154,584	\$ 140,478	90.9%
City Attorney	380,000	485,362	127.7%
City Manager	710,779	693,455	97.6%
Finance/IT	2,841,830	2,749,515	96.8%
City Treasurer/City Clerk	91,901	71,644	78.0%
Human Resources	1,058,282	784,048	74.1%
Development Services	1,591,463	1,256,393	78.9%
Public Works	5,102,037	4,586,059	89.9%
Police	15,540,529	15,195,335	97.8%
Fire	11,484,951	11,880,386	103.4%
Animal Control Services	890,530	863,173	96.9%
Economic Development	383,839	147,804	38.5%
Contingency	29,118	28,072	96.4%
Non-Departmental Misc.	424,228	363,805	85.8%
Community Services	3,808,007	3,707,540	97.4%
Total General Fund	\$ 44,492,077	\$ 42,953,069	96.5%

	Budget	Actual	Savings	% Expended
Salaries & Benefits	\$ 33,266,682	\$ 32,559,476	\$ 707,206	97.9%
Heat & Power	409,735	571,296	(161,560)	139.4%
Telephone	192,677	212,643	(19,966)	110.4%
Postage & Freight	119,873	114,510	5,363	95.5%
Advertising	77,600	45,414	32,186	58.5%
Forms & Supplies	151,746	141,287	10,459	93.1%
Printing & Binding	92,943	76,058	16,885	81.8%
Professional Services	3,069,396	2,711,037	358,359	88.3%
Professional Development	283,153	243,295	39,858	85.9%
Dues & Subscriptions	104,158	95,602	8,556	91.8%
Rental Blds./Equipment/Land	1,025	3,009	(1,984)	293.6%
Equipment O & M	355,959	335,903	20,056	94.4%
Special Equipment O & M	133,051	185,247	(52,196)	139.2%
Vehicle & Special Equipment	1,846,348	1,891,642	(45,294)	102.5%
Buildings & Facility O & M	909,206	758,614	150,592	83.4%
Chemicals	43,315	28,984	14,332	66.9%
Tools, Supplies & Equipment	318,878	235,912	82,966	74.0%
Other Materials & Supplies	192,006	89,462	102,544	46.6%
Training Programs	220,075	197,841	22,234	89.9%
Water	218,714	197,387	21,327	90.2%
Uniform Clothing	81,288	130,448	(49,160)	160.5%
Liability Insurance	613,843	613,843	-	100.0%
Debt Service	697,795	680,559	17,236	97.5%
Contingency	4,118	3,072	1,046	74.6%
Technology Replacement ISF	457,210	457,210	-	100.0%
Recreation Programs	196,954	223,196	(26,242)	113.3%
Equipment & Vehicle Purchase	434,328	150,123	284,204	34.6%
Total General Fund	\$ 44,492,077	\$ 42,953,069	\$ 1,539,008	96.5%

The savings from unexpended appropriations as of June 30, 2019, can be misleading. It gives the impression that the City was under budget by \$1.54 million. This is not the full story as there was \$511,700 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 will therefore also roll over into the next year. These total \$386,000 at the end of FY 2018-19. The general fund savings for unexpended appropriations that will not carryover and be spent in the following fiscal year is not as large as it has been in recent years and amounts to \$641,300.

Comparing actual expenditures for FY 2017-18 to FY 2018-19 indicate that expenditures increased by approximately \$2,088,300, or 5.1 percent.

Expenditures	FY 17-18	FY 18-19	Change
City Council	\$ 144,922	\$ 140,478	\$ (4,444)
City Attorney	334,417	485,362	150,945
City Manager	549,619	693,455	143,836
Finance/IT	2,472,843	2,749,515	276,672
City Treasurer/City Clerk	53,668	71,644	17,976
Human Resources	840,779	784,048	(56,731)
Development Services	1,267,794	1,256,393	(11,401)
Public Works	4,148,620	4,586,059	437,439
Police	13,896,718	15,195,335	1,298,616
Fire	12,163,847	11,880,386	(283,461)
Animal Control Services	755,355	863,173	107,818
Economic Development	330,650	147,804	(182,846)
Contingency	3,218	28,072	24,854
Non-Departmental Misc.	344,687	363,805	19,118
Community Services	3,557,653	3,707,540	149,887
Total General Fund	\$ 40,864,791	\$ 42,953,069	\$ 2,088,278

Comparing expenditures by category to those of the previous year shows the changes in types of expenditures made in FY 2018-19.

	FY 17-18	FY 18-19	Change
Salaries & Benefits	\$30,356,561	\$32,559,476	\$ 2,202,915
Heat & Power	615,178	571,296	(43,882)
Telephone	204,615	212,643	8,028
Postage & Freight	105,851	114,510	8,659
Advertising	79,226	45,414	(33,812)
Forms & Supplies	140,063	141,287	1,224
Printing & Binding	92,523	76,058	(16,465)
Professional Services	2,557,235	2,711,037	153,803
Professional Development	507,013	243,295	(263,718)
Dues & Subscriptions	86,974	95,602	8,628
Rental Bids./Equipment/Land	8,098	3,009	(5,089)
Equipment O & M	337,319	335,903	(1,416)
Special Equipment O & M	493,115	185,247	(307,867)
Vehicle & Special Equipment	1,653,512	1,891,642	238,130
Buildings & Facility O & M	749,083	758,614	9,530
Chemicals	42,384	28,984	(13,401)
Tools, Supplies & Equipment	215,339	235,912	20,573
Other Materials & Supplies	59,319	89,462	30,143
Training Programs	156,192	197,841	41,650
Water	218,026	197,387	(20,640)
Uniform Clothing	108,444	130,448	22,004
Liability Insurance	586,531	613,843	27,312
Debt Service	657,664	680,559	22,895
Contingency	3,218	3,072	(146)
Technology Replacement ISF	479,445	457,210	(22,235)
Recreation Programs	187,195	223,196	36,001
Equipment & Vehicle Purchases	164,669	150,123	(14,545)
Total General Fund	\$40,864,791	\$42,953,069	\$ 2,088,278

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	\$ 18,794,935	\$ 18,794,935	-
Revenues			
Operating	15,957,900	16,257,267	101.9%
Capital	450,000	461,725	102.6%
SRF Surcharge	656,000	654,543	99.8%
Sub-Total Revenues	17,063,900	17,373,534	101.8%
Expenditures			
Operating Programs	(10,232,609)	(8,923,950)	87.2%
Capital Equipment	(46,678)	(36,230)	77.6%
CIP Contributions	(207,500)	(207,500)	100.0%
Debt Service	(3,248,414)	(3,117,078)	96.0%
Sub-Total Expenditures	(13,735,200)	(12,284,758)	89.4%
Balance	\$ 22,123,635	\$ 23,883,712	-

CIP Projects	\$ 11,330,650	\$ 2,060,325	18.2%
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The Water Fund operating revenues ended the year \$299,400 higher than budgeted, about 1.9 percent more than expected. The increase is entirely attributable to revenues exceeding budget estimates for water sales to customers.

Capital connection fee revenues exceeded budget estimates by \$11,700. Water main extension fees exceeded budget estimates by \$35,300, but this was partially offset by water connection fee revenues less than budget estimates by \$30,400, and water meter materials exceeded budget projections by \$6,800.

Operating expenditures ended the year \$1,308,700, or 12.8% under budget. Current year budgetary savings occurred in the following categories and amounts:

- \$633,200 Salaries & benefits
- \$106,600 Special equipment O & M
- \$54,300 Buildings & facility O & M
- \$159,000 Chemicals
- \$392,000 Water purchases

With total FY 2017-18 operating expenditures for the Water Fund equal to \$8,502,374, the current year-end results represent an increase in expenses of \$421,600, or approximately 5.0 percent, higher than the previous year. Comparing the category totals of FY 2017-18 expenses to FY 2018-19, the largest changes were in the following areas and amounts:

- \$152,400 Salaries and benefits
- (\$177,700) Heat and power
- \$134,700 Professional services
- \$65,900 Special equipment O & M
- (\$129,800) Vehicle & special equip.
- \$43,400 Technology replacement
- \$167,900 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. Effective July 1, 2018, City Council once again set water rates at a level below the Proposition 218 maximum. They increased both the base monthly rate and the consumption rate by 10 percent for FY 2018-19. In June, 2019, City Council voted to not increase water rates for FY 2019-20.

- \$76,500 Dues & subscriptions
- \$170,800 Special equipment O & M
- \$54,200 Buildings & facility O & M
- \$303,400 Chemicals

With total FY 2017-18 operating expenditures for the Wastewater Fund equal to \$9,723,808, the current year-end results show an increase in expenditures of \$849,700, or 8.7 percent more than the previous year. The increases compared to the prior year were in the following categories and amounts:

- \$642,200 Salaries & benefits
- (\$128,500) Heat & power
- \$38,000 Professional services
- \$34,000 Dues & subscriptions
- \$29,000 Professional development
- (\$144,000) Special equipment O & M
- (\$49,100) Chemicals
- \$50,500 Amortization
- \$25,000 Technology replacement ISF
- \$206,700 Cost allocation charges

Wastewater Fund

	Budget	Actual	Percent
Balance, Start of Year	\$ 22,901,949	\$ 22,901,949	-
<i>Revenues</i>			
Operating	16,298,000	17,233,528	105.7%
Capital	634,000	669,561	105.6%
Sub-Total Revenues	16,932,000	17,903,089	105.7%
<i>Expenditures</i>			
Operating Programs	(11,328,489)	(10,573,462)	93.3%
Capital Equipment	(276,939)	(196,756)	71.0%
Debt Service	(2,803,242)	(2,912,019)	103.9%
Sub-Total Expenditures	(14,408,669)	(13,682,237)	95.0%
Balance	\$ 25,425,279	\$ 27,122,801	-

CIP Projects	\$ 9,915,600	\$ 7,624,225	76.9%
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Wastewater operating revenues exceeded budget estimates by \$935,500, or 5.7 percent. The increase is attributable to revenues exceeding budget estimates in the following areas:

- \$541,300 Sewer service charges
- (\$68,400) Septage charges
- \$454,700 Investment income

Capital related revenues were \$35,600 more than budgeted and largely attributable to the following differences:

- (\$90,000) Capital connection fees
- \$43,300 Sewer main extension fees
- \$10,700 Special connection fees
- \$71,600 Investment income

Operating expenditures were \$755,000, or 6.7 percent, less than budgeted. Budget savings occurred in the following categories and amounts:

- \$359,800 Salaries & benefits
- (\$309,700) Heat & power
- \$361,400 Professional services

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. For FY 2018-19, City Council increased wastewater rates by 8 percent, less than the Proposition 218 authorized amount of 10 percent. In June, 2019, in reviewing wastewater rates, City Council did not increase rates for FY 2019-20.