

CITY OF YUBA CITY
STAFF REPORT

Date: October 17, 2017
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, 2017
Recommendation: Note and File the Final Financial Report for the Fiscal Year Ending June 30, 2017
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, 2017.

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, 2017.

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 by email](#)

ATTACHMENT A



Final Financial Report

For Fiscal Year Ending 06/30/17 (Final/Pre-Audit Year End)

October 17, 2017

OVERVIEW

The on-site work for the City's financial audit for FY 2016-17 is currently underway. A great deal of City staff time goes into closing the books and preparing for the arrival of the City's auditors during the months of August through October. 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, 2017, includes only the major operating revenues 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 2016-17 included revenues of \$39.85 million and expenditures of \$40.05 million resulting in a deficit on a budgetary basis of \$0.2 million. Even with having a deficit on a budget basis, the City did not expect to end the fiscal year with an actual deficit; City 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 2016-17:

Grants	\$ 948,500
Encumbrance Carryovers from FY 2015-16	462,000
Strike Team O/T	230,400
Fire FLSA Back Pay	121,600
Parks Mulch-Funding Transferred from CIP	94,000
Other Items	47,800
Total	<u>\$ 1,904,300</u>

With FY 2016-17 including the final payment on the City's previously issued pension obligation bonds, City Council placed more emphasis on evaluating economic needs which were not met during deficit budget years. There was a renewed focus placed on investing in general fund infrastructure, evaluating 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 have remained fairly static for many years.

As the City looks toward the future, we will continue our fiscally conservative financial planning. The current year 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 estimated impact on the City's general fund is an increase from \$6.5 million in retirement costs for FY 2015-16 to an estimated \$12.4 by FY 2024-25 based on the CalPERS actuarial reports released in August, 2017. The City continues to update its long-range financial model in order to plan for these excessive impacts. Long-term however, revenue growth will

not keep pace with the increased costs of CalPERS retirement increases. Other monetary options will need to be considered. All jurisdictions in the state of California will be facing this impending fiscal crisis; Yuba City is not alone in this regard. What this means, the CalPERS retirement system as it exists today is not sustainable. 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 are being discussed by specific groups throughout the State of California at this time. The one certainty: agencies cannot afford the increases that CalPERS is currently projecting for them to pay; it simply is not a sustainable model.

As far as good news, the City did however achieve a long-term goal of a balanced budget by FY 2017-18.

In the past several years the City has experienced 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 part-time or full-time in a non-PERS employment arrangement; and 2) The City provided an increase in salaries of only 2% for about nine 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 2016-17, are as follows:

	Budget	YTD Actual	Percent
Balance, Start of Year	\$ 6,007,561	\$ 6,007,561	-
Revenues	41,024,045	40,549,322	98.8%
Expenditures	(41,954,735)	(39,084,404)	93.2%
Transfers Out	(1,270,944)	(1,270,944)	
Fund Balance 6-30-17	\$ 3,805,926	\$ 6,201,535	-

Based on a budgetary basis, the City would have ended the year with a \$0.9 million deficit. In reality, the actual results of operations at the end of the year resulted in the City having a \$1.465 million surplus. This difference is because expenditures came in under budget by \$2.870 million and revenues were under budget by \$0.475 million. In expenditures there was \$2.38 million in savings from vacant positions throughout the year, \$0.1 million in material supply and services was expended in excess of appropriations, and \$0.58 million in grant expenditures were budgeted, but not expended, which will roll forward to FY 2017-18.

The City monitors and tracks vacant positions every quarter. In reviewing the vacancy lists, it is clear that vacant positions are filled, but turnover in staffing continues. For perspective, in June, 2016, there were 27 vacant positions in the general fund which represents 11.7 percent of the

authorized full-time equivalent general fund positions. The total amount budgeted for the vacancies was \$3.1 million. In December, 2016, the number of vacant positions in the general fund declined to 25, with a total budgeted cost of \$2.7 million. However, by June, 2017 the number of vacant general fund positions increased to 36, with a budgeted cost of \$4.2 million. It is 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 year-end transfers at the conclusion of FY 2016-17, the City's unassigned reserve was \$7,472,479. From this, \$1,270,944 was transferred out of the general fund as shown below. The remaining \$193,974 needed to remain in the general fund to meet the 15% health cities reserve due to the increase in appropriations between the FY 2016-17 and FY 2017-18 budgets.

<i>FY 16/17 Revenues in excess of Expenditures</i>	\$ 1,464,918
<i>Less Budget Adoption FY 17-18 Actions:</i>	
To Vehicle Replacement-Senior Center Van	\$ (54,636)
To Vehicle Replacement-Police Vehicles	(158,000)
Set Aside Police & Fire DIF	(398,086)
To Pension Stabilization Trust	(330,111)
To General Unallocated CIP	(330,111)
<i>Sub-Total Transfers Out</i>	<u>\$ (1,270,944)</u>
<i>Fund Balance Remaining 15% Healthy Cities</i>	<u>\$ 193,974</u>

The City achieved the City Council's priority of having a general fund unassigned reserve of \$6,201,535, or a minimum of 15% of our FY 2017-18 appropriations. As part of adopting the FY 2017-18 budget, the City's budget policy was modified to split any excess amount available 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% 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 2016-17, the City transferred out \$330,111 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, 2017, the City has \$872,900 in available unallocated general capital improvement project dollars available after deducting the \$2,594,000 allocated for general fund CIP projects in the FY 2017-18 CIP budget.

FY 2016-17 was somewhat different than previous years because departments had savings in salaries and benefits

due to vacant positions, but ended up over budget overall due to using some of their available budget dollars to fund materials, supplies and services. General fund departments therefore ended the fiscal year slightly over budget as a whole for materials, supplies, and services. This does not come as a surprise to Finance staff or the City Manager's office for two reasons: 1) Departments often used professional services to complete the workload items that they could not accomplish due to vacant positions; and 2) The City had not raised materials, supplies and services budget since FY 2008-09 except on a special justification basis. For a growing City, departments could no longer accomplish their goals and objectives with the baseline allocation of resources from almost ten years ago. It is this reason why there were large increases in materials, supplies and services budgets included in the FY 2017-18 operating budget. 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% 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	\$ 12,101,700	\$ 12,144,164	100.4%
Sales Tax	13,197,600	12,850,693	97.4%
Business Licenses	882,300	897,498	101.7%
Franchise Fees	1,730,000	1,728,291	99.9%
Hotel/Motel Surcharge	816,000	987,297	121.0%
Building Permits	880,000	1,093,120	124.2%
Police Special Services	240,000	210,366	87.7%
CSA "G" Fire Contract	692,500	711,695	102.8%
Recreation Fees	1,070,879	991,833	92.6%
Operating Transfers	6,512,568	6,101,779	93.7%
Total	\$ 38,123,547	\$ 37,716,737	98.9%

Top Ten Revenues	FY 15-16	FY 16-17	% Change
Property Taxes	\$ 11,401,648	\$ 12,144,164	6.5%
Sales Tax	13,206,040	12,850,693	-2.7%
Business Licenses	851,302	897,498	5.4%
Franchise Fees	1,708,511	1,728,291	1.2%
Hotel/Motel Surcharge	852,228	987,297	15.8%
Building Permits	899,316	1,093,120	21.6%
Special Police Services	235,944	210,366	-10.8%
CSA "G" Fire Contract	668,657	711,695	6.4%
Recreation Fees	1,063,289	991,833	-6.7%
Operating Transfers	6,015,970	6,101,779	1.4%
Total	\$ 36,902,905	\$ 37,716,737	2.2%

▪ **Property Tax.** Property tax receipts experienced a 6.5% increase, \$742,500, in the current fiscal year over the previous year. Budget projections were based on an estimated increase of 4.0%. Final assessed values increased

by 4.04% for the general fund, as provided by the Sutter County Auditor-Controller's Office. With the increase in assessed values being 4.04%, the City would have expected to see an increase equivalent to about that percentage, not as high as the 6.5% increase. That was not the case because the prior year amount received was reduced by \$155,700 to accrue a payable due to Sutter County for overpayments made in previous years. This correction was made last fiscal year due to misallocations made by the Sutter County Auditor-Controller which were discovered during an audit performed by the State Controller's Office. Therefore, actual revenues in the current year result in a higher percentage increase compared to the prior year.

Even though actual property tax revenues increased from the previous year, they are still just barely below the peak in FY 2007-08 by \$4,300.

Sales Tax. Sales tax revenues are \$346,900 less than budgeted and \$355,300 less than FY 2015-16. However, the FY 2015-16 revenues included \$853,800 of one-time money due to the State's elimination of the triple flip. The FY 2016-17 budget projections were developed based upon a modest increase of 3.5%. Actual sales tax receipts during FY 2016-17 resulted in an average increase of 1.575% 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 Board of Equalization and include such items as a retailer who misses a payment in one quarter and then pays a double payment in the following quarter. The adjusted amounts factor in these differences from quarter to quarter.

	Cash Basis	Adjusted Basis
Jul-Sep 13	-4.2%	4.7%
Oct-Dec 13	8.4%	0.3%
Jan-Mar 14	5.0%	-0.2%
Apr-Jun 14	1.8%	1.4%
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	3.0%	3.1%

▪ **Business Licenses.** Business licenses are renewed in January of each year. Revenues were \$15,200 more than budget estimates, and were 5.4% higher, or \$46,200 more than the prior year. This is partially attributed to the amnesty period during the fall of 2016, followed up by the beginning of the business license audit enforcement action in the spring of 2017. HDL was hired to perform an audit to ensure that all businesses operating within the City limits have a valid business license in order to create a level playing field for all business owners.

▪ **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 \$1,700 less than budgeted, but \$19,800 more than the prior year. This was a decrease of 0.1%. The FY 2016-17 budget estimated an increase of only 1%.

▪ **Hotel/Motel Surcharge.** Surcharge revenues were \$171,300 more than budgeted and \$135,100 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 2016-17.

▪ **Construction Permit Fees.** Building Permit revenues were \$213,100 more than budgeted and \$193,800 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 \$29,600 less than budgeted and \$25,600 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 \$19,200 higher than budgeted and \$43,000 more than the previous year.

▪ **Recreation Fees.** Service fees received through the end of the fiscal year were \$79,000 less than budgeted and \$71,500 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 \$410,800 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 from the vacant positions. The remaining transfers are within budgetary expectations.

Expenditures. Operating costs were significantly less than budgetary expectations when the original budget was adopted. The savings generated is almost solely attributable to vacant positions as materials, supplies and services exceeded budget amounts by 0.4%, or \$40,300. 92.4% of amounts budgeted for salaries and benefits with

savings equal to \$2,438,700. There was also savings in capital acquisition items of \$472,000, however most of this is related to expenditures not made during FY 2016-17 that will carry over to FY 2017-18 and be spent then. Please see additional information below showing the expenditure summaries. Summaries are included comparing budgeted vs. actual expenditures both by department and by category.

Expenditures	Budget	Actual	% Expended
City Council	\$ 165,988	\$ 155,589	93.7%
City Attorney	185,500	308,808	166.5%
City Manager	564,956	541,350	95.8%
Finance/IT	2,633,835	2,337,634	88.8%
City Treasurer/City Clerk	78,575	65,789	83.7%
Human Resources	756,794	692,194	91.5%
Development Services	1,351,005	888,519	65.8%
Public Works	4,429,617	3,685,339	83.2%
Police	15,242,533	14,300,784	93.8%
Fire	11,317,798	11,224,760	99.2%
Animal Control Services	778,414	714,334	91.8%
Economic Development	248,004	238,105	96.0%
Contingency	65,600	61,931	94.4%
Non-Departmental Misc.	317,397	310,172	97.7%
Community Services	3,818,719	3,559,095	93.2%
Total General Fund	\$ 41,954,735	\$ 39,084,404	93.2%

	Budget	Actual	Savings	% Expended
Salaries & Benefits	\$ 32,180,755	\$ 29,742,019	\$ 2,438,736	92.4%
Heat & Power	450,435	610,619	(160,184)	135.6%
Telephone	188,573	195,291	(6,718)	103.6%
Postage & Freight	139,403	115,071	24,332	82.5%
Advertising	54,780	43,400	11,380	79.2%
Forms & Supplies	138,751	139,005	(254)	100.2%
Printing & Binding	79,243	79,129	114	99.9%
Professional Services	2,518,608	2,487,900	30,707	98.8%
Professional Development	209,967	223,093	(13,126)	106.3%
Dues & Subscriptions	72,648	71,102	1,546	97.9%
Rental Bldg./Equipment/Land	19,084	17,194	1,890	90.1%
Equipment O & M	311,989	288,668	23,321	92.5%
Special Equipment O & M	130,694	113,609	17,085	86.9%
Vehicle & Special Equipment	1,582,735	1,553,194	29,540	98.1%
Buildings & Facility O & M	574,246	604,815	(30,569)	105.3%
Chemicals	43,000	39,551	3,449	92.0%
Tools, Supplies & Equipment	272,933	281,015	(8,082)	103.0%
Training Programs	156,382	211,192	(54,810)	135.0%
Water	158,040	177,409	(19,369)	112.3%
Uniform Clothing	92,935	96,299	(3,364)	103.6%
Liability Insurance	500,294	500,294	-	100.0%
Debt Service	614,300	592,362	21,938	96.4%
Contingency	65,600	26,058	39,542	39.7%
Technology Replacement ISF	417,604	417,604	-	100.0%
Recreation Programs	235,613	184,343	51,270	78.2%
Equipment & Vehicle Purchases	746,124	274,168	471,955	36.7%
Total General Fund	\$ 41,954,735	\$ 39,084,404	\$ 2,870,331	93.2%

The savings from unexpended appropriations as of June 30, 2017, is somewhat misleading. It gives the impression that the City was under budget by in excess of \$2.87 million. This is not the full story as there was \$555,100 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 \$584,500 at the end of FY 2016-17. The general fund savings for unexpended appropriations that will not carryover and be spent in the following fiscal year is significant and amounts to \$1,730,700.

Comparing actual expenditures for FY 2015-16 to FY 2016-17 indicate that expenditures increased by approximately \$1,785,200, or 4.8%.

Expenditures	FY 15/16	FY 16/17	Change
City Council	\$ 148,373	\$ 155,589	\$ 7,216
City Attorney	251,287	308,808	57,521
City Manager	555,968	541,350	(14,618)
Finance/IT	2,283,282	2,337,634	54,352
City Treasurer/City Clerk	19,912	65,789	45,877
Human Resources	647,972	692,194	44,222
Development Services	657,592	888,519	230,927
Public Works	3,573,737	3,685,339	111,602
Police	13,804,482	14,300,784	496,302
Fire	10,753,591	11,224,760	471,169
Animal Control Services	683,755	714,334	30,579
Economic Development	264,216	238,105	(26,111)
Contingency	35,706	61,931	26,225
Non-Departmental Misc.	270,911	310,172	39,261
Community Services	3,348,387	3,559,095	210,708
Total General Fund	\$ 37,299,171	\$ 39,084,404	\$ 1,785,233

Comparing expenditures by category to those of the previous year shows the changes in types of expenditures made in FY 2016-17.

	FY 15/16	FY 16/17	Change
Salaries & Benefits	\$28,956,607	\$29,742,019	\$ 785,412
Heat & Power	536,025	610,619	74,593
Telephone	165,074	195,291	30,217
Postage & Freight	117,751	115,071	(2,681)
Advertising	61,173	43,400	(17,773)
Forms & Supplies	123,760	139,005	15,245
Printing & Binding	100,632	79,129	(21,503)
Professional Services	2,210,308	2,487,900	277,593
Professional Development	215,290	223,093	7,804
Dues & Subscriptions	72,163	71,102	(1,061)
Rental Bldg./Equipment/Land	937	17,194	16,258
Equipment O & M	299,813	288,668	(11,145)
Special Equipment O & M	144,395	113,609	(30,786)
Vehicle & Special Equipment	1,241,732	1,553,194	311,462
Buildings & Facility O & M	457,613	604,815	147,202
Chemicals	50,838	39,551	(11,287)
Tools, Supplies & Equipment	250,038	281,015	30,977
Training Programs	140,102	211,192	71,090
Water	131,877	177,409	45,532
Uniform Clothing	170,623	96,299	(74,324)
Liability Insurance	506,226	500,294	(5,932)
Debt Service	664,964	592,362	(72,603)
Contingency	35,706	26,058	(9,649)
Technology Replacement ISF	372,601	417,604	45,003
Recreation Programs	190,482	184,343	(6,140)
Equipment & Vehicle Purchases	82,439	274,168	191,729
Total General Fund	\$37,299,171	\$39,084,404	\$ 1,785,233

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	\$ 14,433,867	\$ 14,433,867	-
Revenues			
Operating	12,246,400	11,474,102	93.7%
Grant Revenue	37,472	12,607	33.6%
Capital	433,900	551,985	127.2%
SRF Surcharge	662,000	658,938	99.5%
Sub-Total Revenues	13,379,772	12,697,632	94.9%
Expenditures			
Operating Programs	(8,932,985)	(7,718,674)	86.4%
Capital Equipment	(22,883)	(38,619)	168.8%
CIP Contributions	(4,871,574)	(4,871,574)	100.0%
Debt Service	(3,041,215)	(3,041,215)	100.0%
Sub-Total Expenditures	(16,868,658)	(15,670,082)	92.9%
Balance	\$ 10,944,981	\$ 11,461,417	-

CIP Projects	\$ 6,943,000	\$ 1,088,202	15.7%
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The Water Fund operating revenues ended the year \$772,300 less than budgeted, about 6.3% less than expected. The decline is attributable to water sales being \$846,600 less than budgeted. This is combined with two other operating revenues that exceeded budget expectations: Billing penalties were \$11,300 higher and investment income was \$51,700 more than expected.

Capital connection fee revenues exceeded budget estimates by \$76,300 and capital investment revenues were \$41,800 higher than budgeted due to increasing investment returns.

Operating expenditures ended the year \$1,214,300, or 13.6% under budget. Current year budgetary savings occurred in the following categories and amounts:

- \$452,400 Salaries & benefits
- \$70,400 Heat & power
- \$123,900 Professional services
- \$260,700 Special equipment O & M
- \$184,200 Chemicals
- \$59,700 Water purchases

With total FY 2015-16 operating expenditures for the Water Fund equal to \$7,625,720, the current year-end results represent an increase in expenses of \$93,000, or approximately 1.2%, higher than the previous year. Comparing the total FY 2015-16 expenses to FY 2016-17, the largest changes were in the following areas and amounts:

- \$35,200 Salaries and benefits

- \$142,400 Heat and power
- \$41,400 Dues and subscriptions
- (\$61,300) Professional services
- \$80,400 Water purchases
- (\$44,300) Special equipment O & M
- (\$99,800) Vehicle & special Equip.

- \$34,000 Buildings & facility O & M
- \$323,000 Chemicals

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. The revenues shown here include the rate increase for 10 out of 12 months in the fiscal year. Future year increases are evaluated annually as part of the budget process and are implemented July 1st and are in effect for the entire fiscal year that the budget includes.

With total FY 2015-16 operating expenditures for the Wastewater Fund equal to \$8,544,463, the current year-end results show an increase in expenditures of \$672,300, or 7.9% more than the previous year. The increases compared to the prior year were in the following categories and amounts:

- \$389,800 Salaries & benefits
- \$300,200 Professional services
- \$191,000 Special equipment O & M
- (\$86,400) Vehicle replacement fund costs
- (\$110,600) Chemicals

Wastewater Fund

	Budget	Actual	Percent
Balance, Start of Year	\$ 18,634,937	\$ 18,634,937	-
Revenues			
Operating	13,456,479	13,304,191	98.9%
Capital	449,000	554,497	123.5%
Sub-Total Revenues	13,905,479	13,858,688	99.7%
Expenditures			
Operating Programs	(10,113,654)	(9,216,729)	91.1%
Capital Equipment	(463,731)	(202,617)	43.7%
CIP Contributions	(2,744,207)	(2,744,207)	100.0%
Debt Service	(2,032,720)	(2,029,782)	99.9%
Sub-Total Expenditures	(15,354,312)	(14,193,335)	92.4%
Balance	\$ 17,186,104	\$ 18,300,290	-
CIP Projects	\$ 5,863,000	\$ 2,442,806	41.7%

Wastewater operating revenues were under the amount budgeted by \$152,300. \$231,000 of this was from sewer service charge billings which were less than the amount billed. Various other operating revenues exceeded budgeted amounts by \$77,900 including Stonegate revenues, septage dumping charges, and lab testing.

Capital related revenues were \$105,500 more than budgeted and largely attributable to the following differences:

- \$70,900 Capital connection fees
- \$8,400 Sewer main extension fees
- \$12,000 Special connection fees
- \$14,200 Investment income

Operating expenditures were \$896,900, or 8.9%, less than budgeted. Budget savings occurred in the following categories and amounts:

- \$351,700 Salaries & benefits
- (\$31,100) Heat & power
- \$98,900 Professional services
- \$61,600 Dues & subscriptions