

CITY OF YUBA CITY  
STAFF REPORT

**Date:** November 17, 2015  
**To:** Honorable Mayor & Members of the City Council  
**From:** Finance/IT Department  
**Presentation by:** Robin Bertagna, CPA, Finance Director

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**Summary**

**Subject:** FY 2014/15 Year End Budget Numbers and Related Fiscal Actions

**Recommendation:** Review and discuss FY 2014/15 year end budget numbers and designate \$441,094 to a “one time money fund” reserved for future use toward unmet general fund needs

**Fiscal Impact:** \$441,094 designated to a “one time money fund” reserve

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**Purpose:**

To designate funds towards unmet general fund needs.

**Background:**

The City struggled with deficits for many years, in fact having deficit operating results for the general fund in five of the last six years through FY 2013-14. In FY 2013-14, there was a surplus of \$636,133. The most recent fiscal year ended, FY 2014-15, has a larger surplus at \$1.851 million. The reason for this is largely due to employee vacancies. Vacancies saved \$1.76 million during FY 2014-15. Human Resources continues to place a high priority on recruiting and filling vacancies throughout the City. It is important to recognize that the vacancy savings is one time in nature. It is not recurring; once people are hired to fill the vacant positions, those dollars will be spent.

Finance is bringing this information forward at this time to begin the discussion of general fund financing needs that have not been met in recent years. The City has been budgeting and expending the minimum amounts necessary to provide services to our citizens. This was an acceptable practice during the recession, but not a sufficient long-term strategy.

**Analysis:**

The City has officially closed its ledgers for FY 2014-15 and had the City's independent auditors on site for the fiscal year end audit. The preliminary financial data is summarized as follows:

Total Revenues and Transfers In	\$ 37,343,108
Total Expenditures	<u>(35,491,916)</u>
Net Budget Surplus	\$ 1,851,192
Less Encumbrance Carryovers	<u>(381,911)</u>
Remaining Available Surplus	\$ 1,469,281
15% Reserve Designation	<u>(1,028,187)</u>
One Time Money Fund Designation	<u>\$ 441,094</u>

The City's Financial Policy for the General Fund reserve is 15%. This is based on the minimum threshold best practice recommended by the Government Finance Officer's Association (GFOA) and serves the cash flow needs of the City. The 15% reserve required per our financial policy is equal to \$5,613,333. Of the net remaining surplus amount, \$1,028,187 will be used to bring the reserve to the required 15% level. After funding the General Fund reserve, \$441,094 remains to fulfill other one time needs.

"Unmet Financing Needs" for the general fund include:

- CalPERS Unfunded Liability (\$49,883,962)
- Deferred Infrastructure Maintenance and Replacement
- Beat 6 Start Up Costs for Police Services (including one time costs and the delay in property tax receipts during transition of Police Services)
- Construction of park facilities in the Tierra Buena area
- Economic Development Initiatives

The City did not have excess general fund dollars during the recession to fund the unmet needs identified above. These items, and others as identified by the City Council could be funded through the One Time Money Fund.

#### **Recommendation:**

Review and discuss FY 14/15 year end budget numbers and designate \$441,094 to a "one-time money fund" reserved for future use toward unmet general fund needs.

#### **Alternatives:**

Discuss at a later date.

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