



DATE: November 16, 2016
TO: Council Budget and Finance Committee
FROM: Acting Director of Finance

SUBJECT

General Fund Ten-Year Plan Review including FY 2016 Preliminary Year-End Results

RECOMMENDATION

That the Committee reviews and provide comments on the report.

BACKGROUND

The Finance Department is currently in the final stages of the City's Financial Statement audit for the period ending June 30, 2016 (FY 2016). The results of the audit and the FY 2016 Comprehensive Annual Financial Report (CAFR) will be presented to City Council at the December 13, 2016 meeting. **Attachment II** to this report contains preliminary FY2016 year-end results for the General Fund and an update to the General Fund Ten-Year Plan. Please note that final amounts as conveyed in this report may change somewhat through the audit process.

The City Council adopted the FY 2016 Operating Budget on June 23, 2015, initially projecting a balanced budget for the General Fund. This projection was modified over the course of the fiscal year, with a second quarter (mid-year) projected gap of \$5.7 million as presented to City Council on March 15, 2016. The large increases to projected expenditures related to Staffing expenses of approximately \$2.8 million (+\$1 million for new labor agreements, +\$1 million in overtime, +\$0.8 million for settlements & unbudgeted grant related staffing), \$1.5 million in litigation settlements, and another \$1.4 million in non-staffing and grant related expenses.

While the City did not finish the year with the projected gap of \$5.7 million, there was still a use of General Fund Reserves of approximately \$855 thousand in FY 2016. Currently, the General Fund Ten-Year Plan projects a deficit beginning in FY 2017 which increases in out years. Staff is currently reviewing the assumptions used in preparing the General Fund Ten-Year Plan for FY 2017 and beyond based on FY 2016 results and will recommend further adjustments to revenue and expenditure projections as part of the FY 2017 mid-year budget process.

DISCUSSION

Revenues

Staff has updated the General Fund Ten-Year Plan document as shown in **Attachment II** with known changes to key revenue sources as discussed below:

Property Tax – Based on the continued increase in property taxes received over previous fiscal years and increases to assessed valuation in preliminary property tax projections for FY 2017 received from the County Auditor/ Controllers Office have been increased by \$1.015 million in the projection.

Sales & Use Tax – Sales tax revenues have been decreased slightly from previous projections. While the economy has continued to improve, the loss of key businesses within the City and the eroding sales tax base have not allowed this revenue source to see increases as one might expect.

Charges for Services – While the City may see a slight increase to this revenue source due to newly adopted rates for the City's user fees, the projection has not been adjusted to reflect these changes; at this time, there are too many variables to do so accurately.

Expenses

The expenditures in this projection have not been adjusted, because the budgeted amounts have not changed. This will be done as part of the FY 2017 mid-year budget process.

NEXT STEPS

Staff will present this General Fund Ten-Year Plan Review, along with the completed CAFR to the full Council at the regularly scheduled December 13, 2016 Council meeting.

Prepared and Recommended by: Dustin Claussen, Acting Director of Finance

Approved by:



Kelly McAdoo, City Manager