

First Quarter Report

Fiscal Year 2017-18



316 Vernon Street, Downtown Roseville, California

Fiscal Year 2017-18

First Quarter Report

Introduction

This report displays financial data for the first quarter of fiscal year (FY) 2017-18 for (1) the General Fund, (2) the major enterprise operating funds, and (3) revenues in other selected funds. Each page includes columns for:

- FY2016-17 first quarter actual
- FY2017-18 first quarter actual
- First quarter actual variance
- Amended budget for FY2017-18

First quarter actual data for two consecutive years are provided to show how the City is performing compared to the previous year. The amended budget reflects the adopted budget plus changes in revenue estimates and expenditure appropriations that were approved through the budget adjustment process since budget adoption.

The following are some considerations for looking at first quarter data:

- Property tax revenue has not yet been received (expected in mid-January and mid-May).
- Some significant costs are incurred up front (for example, CalPERS payments and some contracts) with variances smoothing out over the fiscal year.
- It's difficult to determine a trend in only three months.

General Fund Operating Revenue & Transfers In (page 4)

General Fund operating revenue and transfers in were \$1.16 million (7.9 percent) lower for the first quarter of FY2017-18 than for FY2016-17 due to two factors:

- (1) Indirect cost transfers in (from the enterprise funds to the General Fund for services they receive from the General Government departments) are significantly lower since Information Technology (IT), building maintenance, and janitorial services were moved out of the General Fund and into internal service funds (ISFs) starting in FY2017-18. This means that each department reports expenses for these services instead of transfers to the General Fund. Additionally, utility billing was moved from the Finance Department (part of General Government) to the Electric and Environmental Utilities (EU) budgets—a change that also decreased the indirect cost transfers to the General Fund.
- (2) First quarter transfers were delayed due to the later-than-usual posting of capital improvement project carryforward budgets. This variance will be remedied in the Second Quarter Report as these transfers were made in December 2017.

General Fund revenues that had notable increases in the first quarter from year to year were:

- Building permits: increased by \$183,813 (39.5 percent)
- Plan check fees: increased by \$96,446 (19.7 percent)
- Engineering inspection fees: increased by \$20,830 (more than double)

These increases are due to the pace of development activity.

Sales tax decreased slightly by \$38,700 (1.1 percent) in the first quarter of this fiscal year compared to the last. Although too early to make a determination about the rest of the year, the revenue collected to date shows that the City is not seeing the sales tax growth that it has in the past.

The City does not receive its primary property tax revenue until the third and fourth quarters of the fiscal year (around mid-January and mid-May).

General Fund Operating Expenditures & Transfers Out (page 5)

All City departments (besides General Government departments) saw a significant increase in expenditures from the first quarter of the last fiscal year to this one due to two reasons:

- (1) In FY2017-18, the City paid its annual CalPERS unfunded actuarial liability payment at the beginning of the year instead of spreading the payments over 12 months as has been done in the past. This approach was prompted by a CalPERS rule change and will save the City \$690,589 this fiscal year. This change affects every City department and is responsible for the vast majority of their large expenditure variances.
- (2) As explained in the General Fund operating revenue section, in FY2017-18, three General Fund services (IT, building maintenance, and janitorial) were moved into ISFs and the utility billing function was budgeted in Electric and EU. Since the non-General Government departments (those listed on the table) are now reporting those services as expenses directly, all of their expenses increased. Not only was this increase expected, it was part of the reason for creating these ISFs—to more easily illustrate the true costs of operating each department.

Conversely, General Government (which includes Human Resources, Finance, Central Services, City Clerk, etc.) saw a significant decrease in expenditures (nearly \$1.8 million or 32 percent) because it no longer includes expenditures for IT, building maintenance, and janitorial services, since they were moved into ISFs.

Enterprise Funds: Operating Revenue (page 6)

Electric Operations Fund revenue increased by 9.3 percent (over \$4 million) due to higher-than-normal summer heat resulting in higher energy sales for the first quarter of FY2017-18 compared to FY2016-17.

All the EU operations funds had increases in first quarter revenue compared to the first quarter of last year due to the following rate increases that were effective at the start of FY2017-18:

- Water: 7 percent

- Wastewater: 6 percent
- Solid Waste: 2 percent

Golf Course Operations shows a reduction in revenue of \$254,421 from the first quarter of last fiscal year due to the late receipt of an operator payment. However, golf revenue is still decreasing as fewer rounds are being played.

Enterprise Funds: Operating Expenditures (page 7)

Like the General Fund departments, the enterprise funds also had increased expenditures when comparing the first quarter of FY2016-17 to the first quarter of FY2017-18 because of the change to CalPERS payments and the initiation of several ISFs. For Electric and EU, there was an additional increase since they now pay for utility billing services directly instead of via indirect transfers out to the General Fund.

Expenditures for the Golf Course Operations Fund decreased from the prior year due to continued efforts to minimize costs.

Other Revenue (page 8)

This table shows that revenues in the Fire Facilities Fund, Public Facilities Fund, and Strategic Improvement Fund have significantly increased in the first quarter of this year compared to the first quarter of last year. All are currently outpacing the amended budget and are related to the pace of development activity.

Conclusion

There is nothing in this report that is a concern—all increases in expenditures were either expected or planned. Staff will continue to monitor budget-to-actual data as the year progresses and come back to City Council in March 2018 with the FY2017-18 Second Quarter Report.

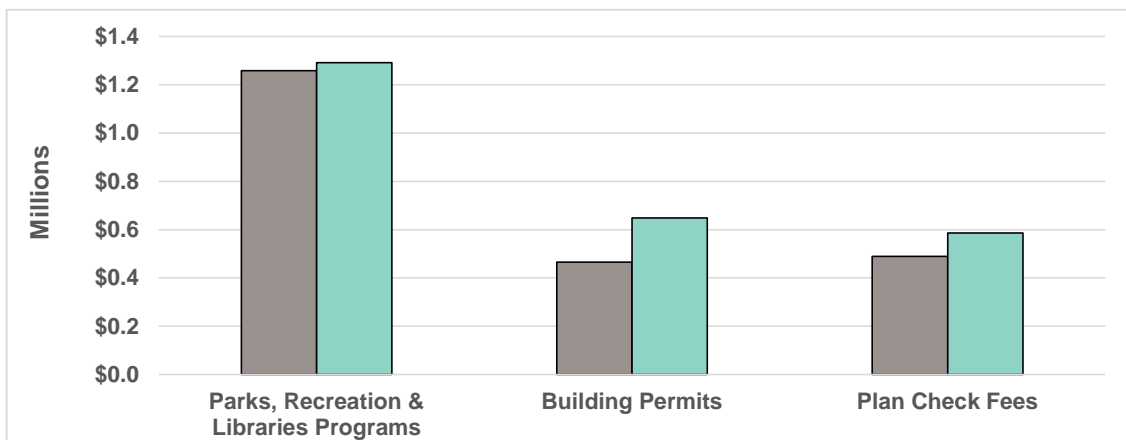
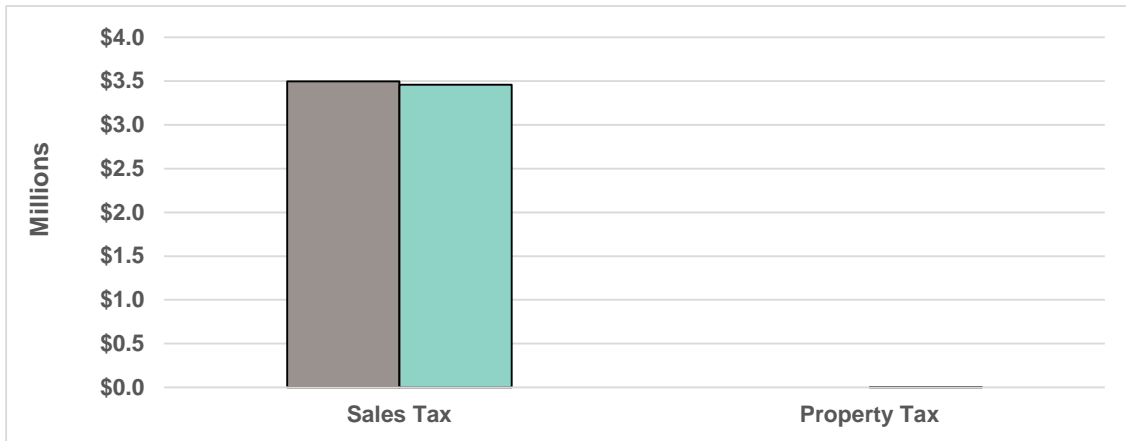
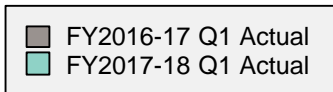
General Fund: Operating Revenue & Transfers In

FY2017-18 First Quarter

July 1 - September 30, 2017

	First quarter actual			Amended budget FY2017-18
	FY2016-17	FY2017-18	Variance	
Sales Tax	\$ 3,496,700	\$ 3,458,000	\$ (38,700)	\$ 53,471,200
Property Tax	0	5,230	5,230	42,266,825
Parks, Recreation & Libraries Programs	1,257,327	1,290,603	33,276	4,159,959
Building Permits	465,146	648,959	183,813	1,935,000
Plan Check Fees	489,089	585,535	96,446	1,980,546
Engineering Inspection Fees	20,381	41,211	20,830	99,600
Grants	3,112	57,930	54,818	39,935
Other Revenue	2,003,940	2,682,586	678,646	16,435,306
Franchise Fee Transfers	1,893,628	1,961,896	68,268	7,847,583
Operating Transfers	350,108	25,000	(325,108)	2,842,304
Indirect Cost	3,358,488	1,803,083	(1,555,405)	7,212,333
Prior Year Encumbrance Carryover*	1,346,141	963,728	(382,413)	963,728
Total:	\$ 14,684,060	\$ 13,523,761	\$ (1,160,299)	\$ 139,254,319

Comparisons:



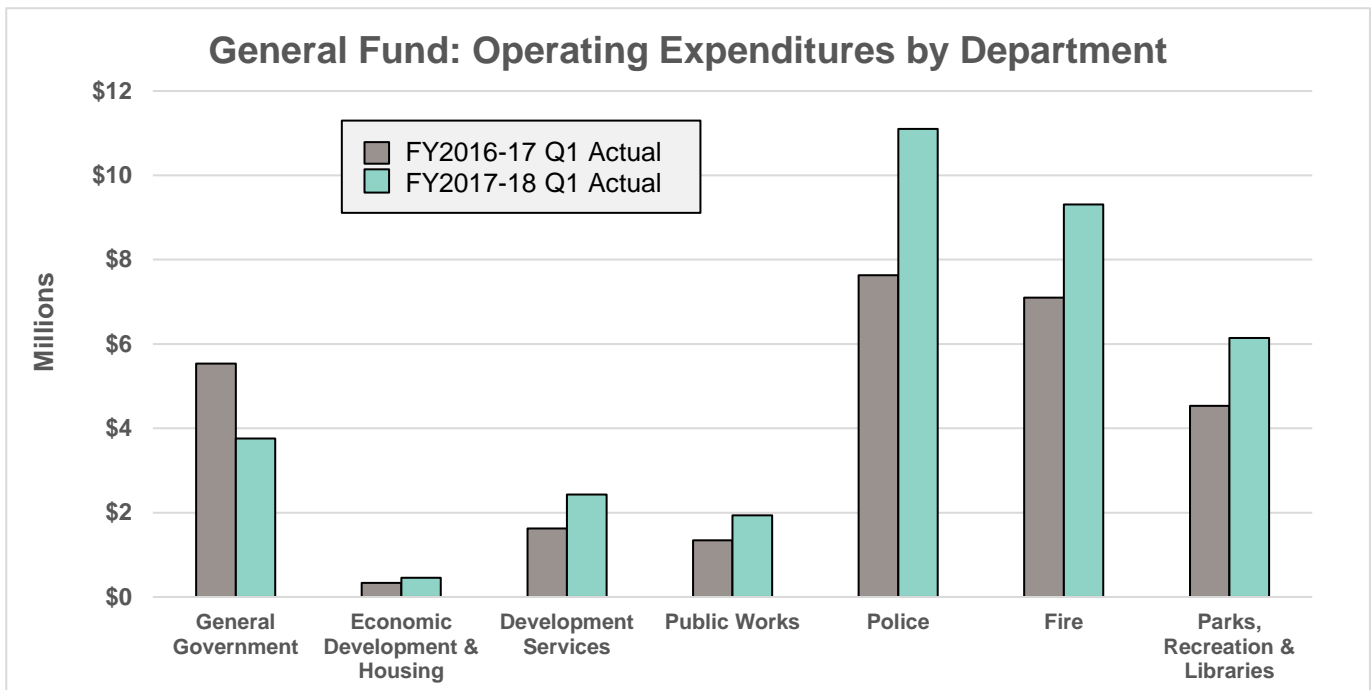
* Prior Year Operating Carryover is included here since it represents the reserve set aside to cover carryover expenses.

General Fund: Operating Expenditures & Transfers Out

FY2017-18 First Quarter

July 1 - September 30, 2017

	First quarter actual			Amended budget FY2017-18
	FY2016-17	FY2017-18	Variance	
General Government	\$ 5,532,145	\$ 3,760,486	\$ (1,771,659)	\$ 15,313,877
Economic Development & Housing	333,762	455,708	121,946	1,142,599
Development Services	1,624,118	2,427,155	803,037	9,171,668
Public Works	1,344,869	1,934,083	589,214	7,200,682
Police	7,627,807	11,102,158	3,474,351	39,694,685
Fire	7,099,203	9,309,642	2,210,439	29,435,764
Parks, Recreation & Libraries	4,532,719	6,141,137	1,608,418	23,533,452
Annexation Payments	216,938	256,898	39,960	5,450,000
City Special Assessments	1,145	0	(1,145)	139,581
Post-Retirement Transfer	1,277,476	1,142,627	(134,850)	4,583,884
Other Operating Transfers	130,452	112,500	(17,952)	1,264,980
General Fund Contingency	0	0	0	1,200,000
Total:	\$ 29,720,635	\$ 36,642,394	\$ 6,921,759	\$ 138,131,172



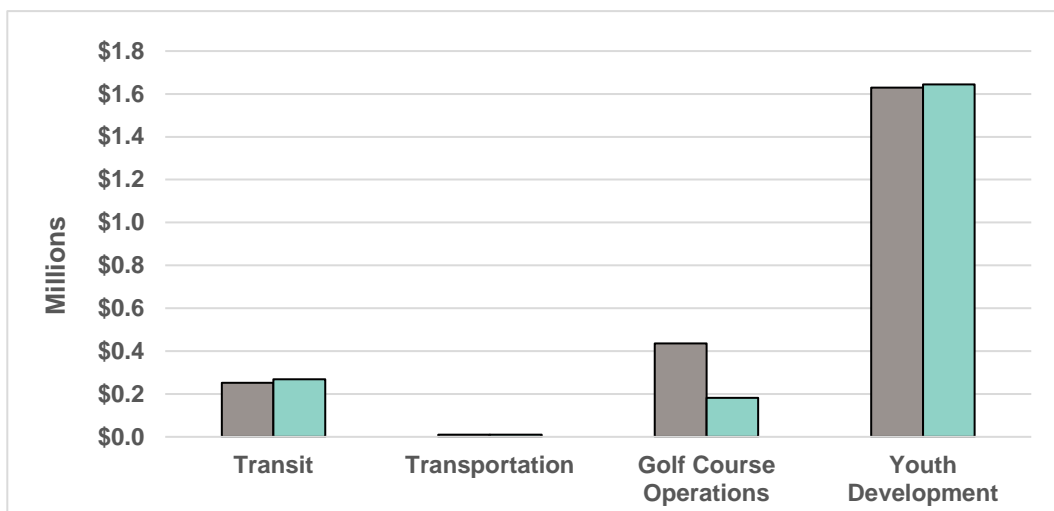
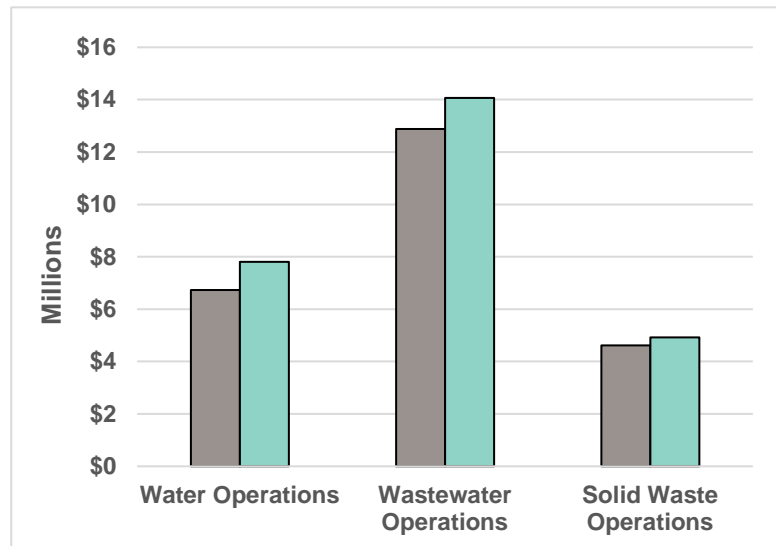
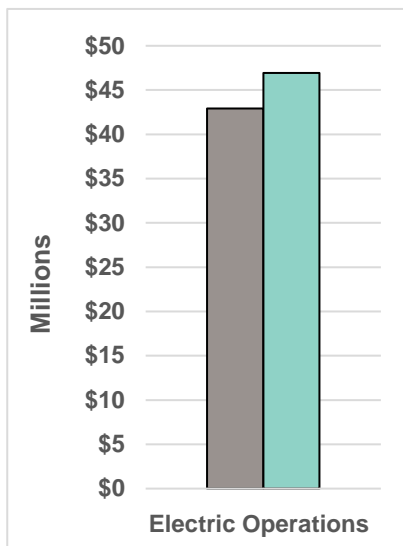
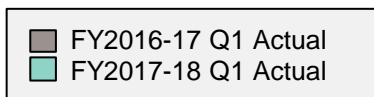
Enterprise Funds: Operating Revenue

FY2017-18 First Quarter

July 1 - September 30, 2017

	First quarter actual			Amended budget
	FY2016-17	FY2017-18	Variance	FY2017-18
Electric Operations	\$ 42,930,131	\$ 46,940,479	\$ 4,010,348	\$ 163,378,306
Water Operations	6,733,964	7,813,782	1,079,818	27,852,775
Wastewater Operations	12,887,041	14,071,154	1,184,113	36,097,290
Solid Waste Operations	4,619,097	4,927,442	308,345	22,425,188
Transit	252,578	269,166	16,588	5,078,574
Transportation	9,995	10,216	221	9,729,127
Golf Course Operations	436,384	181,963	(254,421)	2,177,221
Youth Development	1,629,891	1,644,073	14,182	6,272,409

Comparisons:



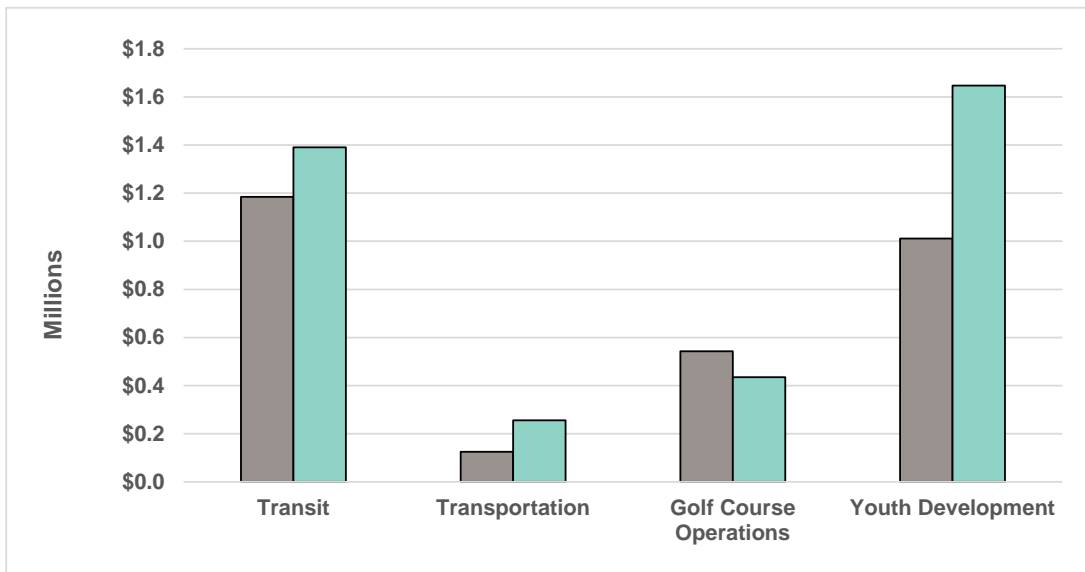
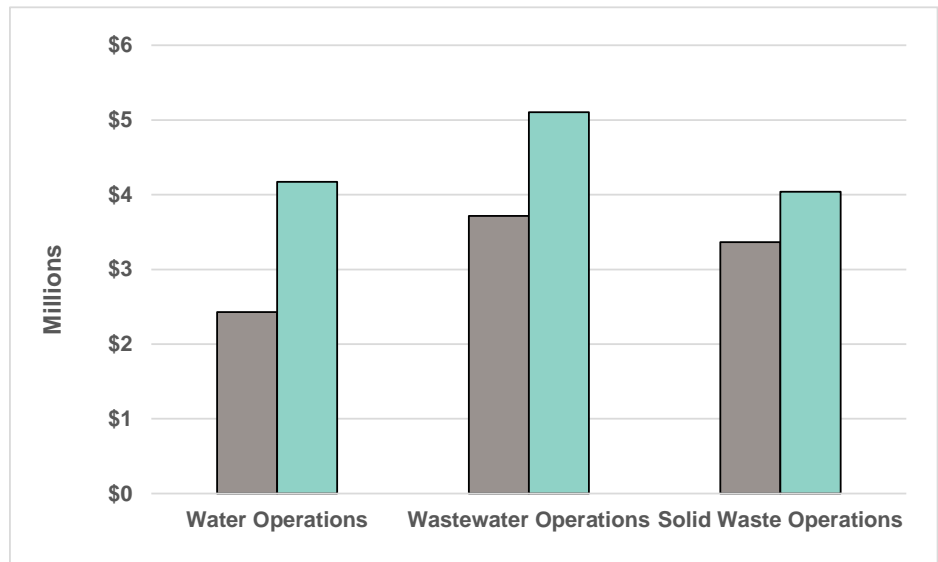
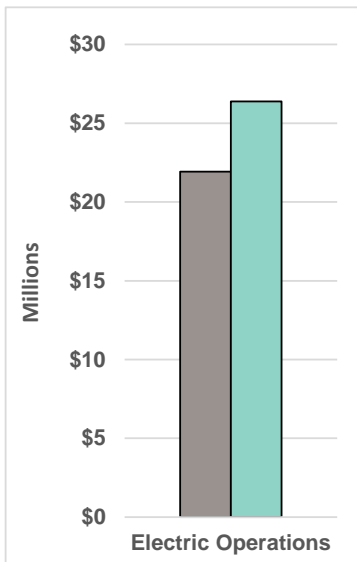
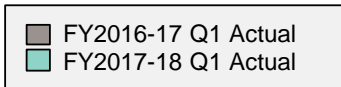
Enterprise Funds: Operating Expenditures

FY2017-18 First Quarter

July 1 - September 30, 2017

	First quarter actual			Amended budget
	FY2016-17	FY2017-18	Variance	FY2017-18
Electric Operations	\$ 21,918,891	\$ 26,376,629	\$ 4,457,738	\$ 119,154,409
Water Operations	2,429,539	4,171,692	1,742,153	22,752,750
Wastewater Operations	3,715,684	5,104,571	1,388,887	25,157,073
Solid Waste Operations	3,366,305	4,037,659	671,354	20,490,200
Transit	1,184,536	1,390,070	205,534	6,227,742
Transportation	124,544	255,266	130,722	1,210,044
Golf Course Operations	542,835	434,574	(108,261)	2,049,942
Youth Development	1,011,076	1,647,077	636,001	6,068,037

Comparisons:



Other Revenue

FY2017-18 First Quarter

July 1 - September 30, 2017

	First quarter actual			Amended budget
	FY2016-17	FY2017-18	Variance	FY2017-18
Fire Facilities Fund	\$ 227,811	\$ 503,464	\$ 275,653	\$ 960,626
Public Facilities Fund	441,096	1,527,746	1,086,650	1,958,781
Strategic Improvement Fund	191,235	567,963	376,728	709,635

Comparisons:

