

First Quarter Report Fiscal Year 2018-19

Introduction

This financial report provides an overview of the City's financial position through the first quarter of fiscal year (FY) 2018-19 (July 1, 2018, through September 30, 2018) for (1) the General Fund, (2) the major enterprise operating funds, and (3) revenues in other selected funds. Notable first quarter to first quarter and budget to actual comparisons are included in this report.

The following factors should be taken into considerations when analyzing 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.

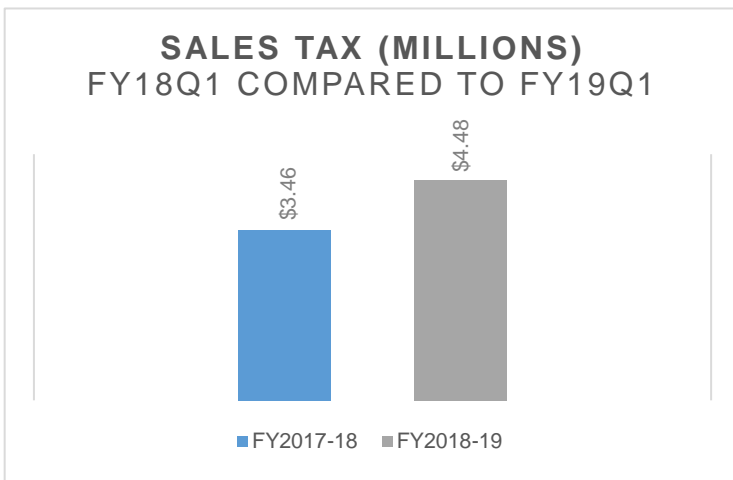
General Fund: Operating Revenues

The following table includes first quarter actual revenue comparisons for FY2017-18 and FY2018-19 and a revenue budget to actual comparison for FY2018-19.

	First quarter actual comparison				Budget to actual comparison	
	FY2017-18	FY2018-19	\$ Variance	% Variance	FY2018-19 Amended Budget	% of budget
Sales Tax	\$ 3,458,000	\$ 4,478,862	\$ 1,020,862	29.5%	\$ 56,947,700	7.9%
Property Tax	5,230	-	(5,230)	-100.0%	44,725,920	0.0%
Parks, Recreation & Libraries Programs	1,290,603	1,264,669	(25,934)	-2.0%	4,053,321	31.2%
Building Permits	648,959	543,383	(105,576)	-16.3%	2,216,300	24.5%
Plan Check Fees	585,535	541,820	(43,715)	-7.5%	2,006,822	27.0%
Engineering Inspection Fees	41,211	16,100	(25,111)	-60.9%	171,880	9.4%
Grants	57,930	18,000	(39,930)	-68.9%	265,112	6.8%
Other Revenue	2,682,586	3,399,673	717,087	26.7%	17,355,771	19.6%
Total:	\$ 8,770,054	\$ 10,262,507	\$ 1,492,453	17.0%	\$ 127,742,826	8.0%

General Fund operating revenues through the first quarter are \$1.5 million, or 17 percent above the same period in FY2017-18. Although revenues are only at 8 percent of the budget through the first quarter of the current year, this is primarily due to the timing associated with receiving some of the larger revenues sources. For instance, property tax is the second largest General Fund revenue source, but the majority of this funding is received in the third and fourth quarters of the fiscal year. Also, only one month's worth of sales tax is received during the first quarter due to the timing of disbursements from the California Department of Tax and Fee Administration (CDTFA). The following is an explanation of the notable variances:

- Sales tax revenues exceeded the previous year quarter by 30 percent or \$1 million. Approximately \$0.8 million of this increase is due to a delay in processing state-wide tax remittances caused by the implementation of a new software system at the CDTFA. These one-time revenues were not included in the FY2018-19 budget because the City was not made aware of the delay until after budget adoption.



Based on the latest sales tax forecast and accounting for the \$0.8 million in prior year revenues, sales tax is trending to end the year approximately \$600,000 below FY2018-19 budget estimates at \$56.4 million. Without the \$0.8 million in prior year revenues, sales tax revenues would come in \$1.4 million under budget. Staff will continue to monitor this revenue stream and will provide City Council an update in the FY2018-19 Second Quarter Report.

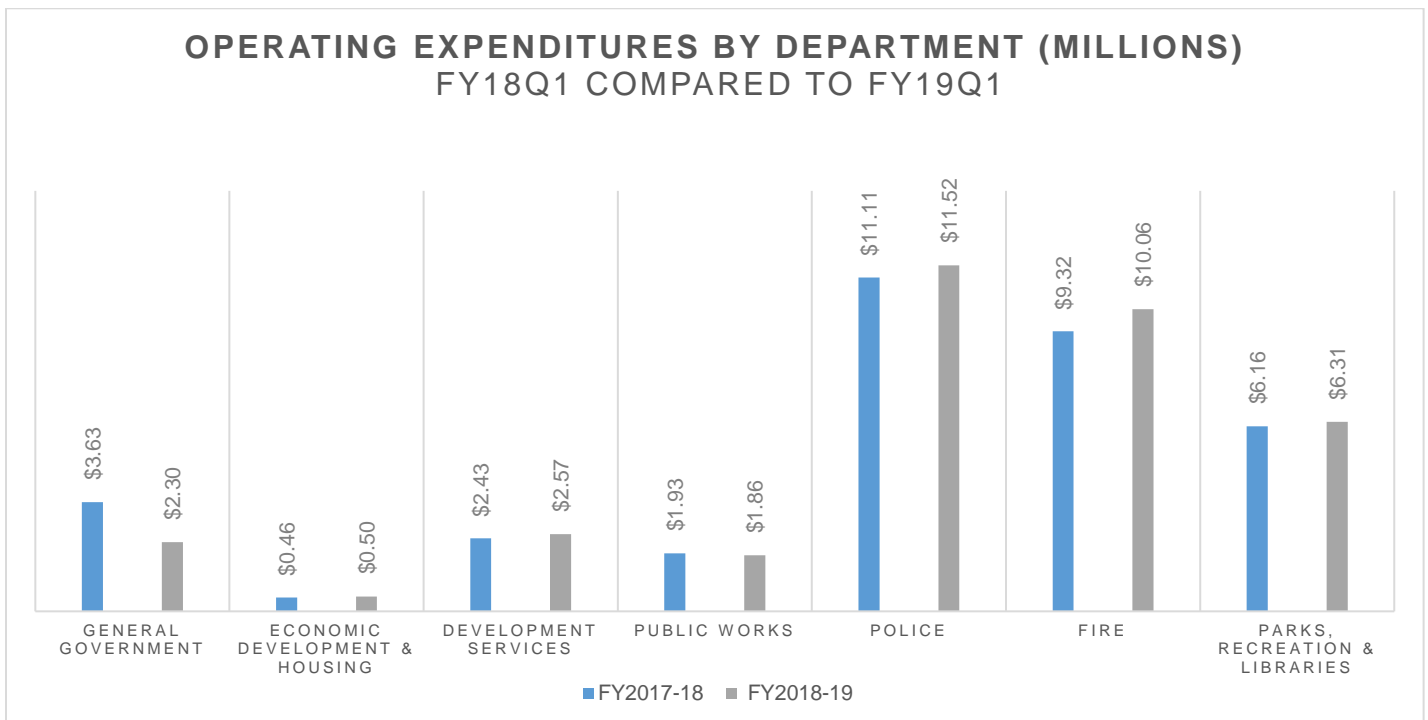
- Building permit revenues decreased by 16 percent or \$106,000. This decrease is due to slower development activity as compared to the first quarter of the previous year.
- Other revenues increased by 26 percent or \$717,000 due to increased reimbursements from the school district for Youth Service Officers, the State for fire strike teams, and development activity.

General Fund: Department Operating Expenditures

The following table includes first quarter actual expenditure comparisons for FY2017-18 and FY2018-19 and an expenditure budget to actual comparison for FY2018-19.

	First quarter actual comparison				Budget to actual comparison	
	FY2017-18	FY2018-19	\$ Variance	% Variance	FY2018-19 Amended Budget	% of budget
General Government	\$ 3,634,495	\$ 2,304,021	\$ (1,330,474)	-36.6%	\$ 9,432,288	24.4%
Economic Development & Housing	455,708	497,161	41,453	9.1%	814,076	61.1%
Development Services	2,427,316	2,572,583	145,267	6.0%	9,764,757	26.3%
Public Works	1,934,083	1,862,294	(71,789)	-3.7%	6,962,700	26.7%
Police	11,110,603	11,520,020	409,417	3.7%	41,730,678	27.6%
Fire	9,319,873	10,061,197	741,324	8.0%	32,183,349	31.3%
Parks, Recreation & Libraries	6,158,179	6,308,700	150,521	2.4%	23,070,870	27.3%
Total:	\$ 35,040,257	\$ 35,125,976	\$ 85,719	0.2%	\$ 123,958,718	28.3%

Overall, first quarter General Fund expenditures are within 1 percent of the previous year. General Government (which includes Human Resources, Finance, City Clerk, etc.) saw a significant decrease in expenditures (\$1.3 million or 37 percent) because reimbursements associated with the citywide cost allocation plan were processed earlier than the prior year. As expected, Development Services and Police increased spending, as both of their budgets increased from FY2017-18 to FY2018-19. Fire Department expenditures increased primarily due to reimbursable overtime expenses incurred as a result of strike team deployments and a large turnout (fire protection suit) order.



Through the first three months, as compared to budget, General Fund expenditures are tracking as expected at 28 percent of the budget. The slightly higher rate of spending (28 percent versus 25 percent of the year elapsed) is primarily due to upfront contributions to CalPERS. The following is an explanation of the department specific variances through the first quarter as compared to the prior year.

- Economic Development & Housing expenditures are tracking higher than average at 61 percent primarily due to the ongoing re-alignment of the housing rehabilitation budget from the miscellaneous revenue fund (299) to the General Fund. Once the budget re-alignment is completed, the Department anticipates having adequate appropriations available to finish the year on budget.
- Fire Department expenditures are tracking at 31 percent of the budget, due to the upfront CalPERS contribution, maintenance of the four firefighter response standard despite reducing the standard to three firefighters in the budget, and strike team deployments. The Department anticipates offsetting a portion of this cost with salary savings through the remainder of the year. Staff will continue to monitor this budget and will utilize General Fund contingency funds to cover any overages.

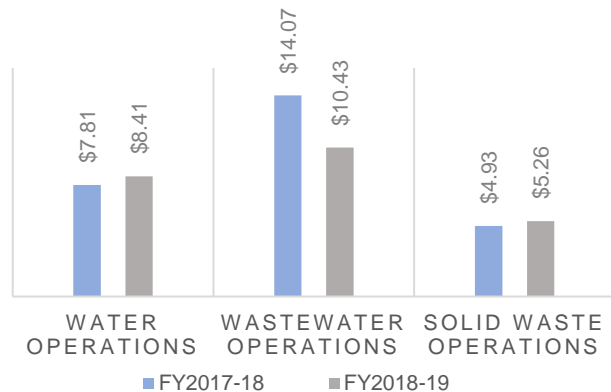
Enterprise Funds: Operating Revenue

The table below includes first quarter actual revenue comparisons for FY2017-18 and FY2018-19 and a revenue budget to actual comparison for FY2018-19 for the Enterprise Funds.

	First quarter actual comparison				Budget to actual comparison	
	FY2017-18	FY2018-19	\$ Variance	% Variance	FY2018-19 Amended Budget	% of budget
Electric Operations	\$ 46,930,479	\$ 45,341,567	\$ (1,588,912)	-3.4%	\$ 164,273,925	27.6%
Water Operations	7,813,782	8,411,106	597,324	7.6%	30,440,666	27.6%
Wastewater Operations	14,071,154	10,433,766	(3,637,388)	-25.8%	38,394,809	27.2%
Solid Waste Operations	4,927,442	5,264,430	336,988	6.8%	23,270,158	22.6%
Transit	269,166	198,577	(70,589)	-26.2%	10,918,918	1.8%
Transportation	10,216	2,112	(8,104)	-79.3%	2,089,055	0.1%
Golf Course Operations	181,963	193,162	11,199	6.2%	2,000,000	9.7%
Youth Development	1,644,073	1,676,239	32,166	2.0%	6,780,998	24.7%

The \$1.6 million or 3 percent reduction in Electric revenues during the first quarter is primarily due to the milder summer temperatures, reducing customer energy usage.

**ENVIRONMENTAL UTILITIES
REVENUES (MILLIONS)
FY18Q1 COMPARED TO FY19Q1**



Water and Solid Waste revenues increased compared to the first quarter of last year due to rate increases of 7 percent and 2 percent respectively as well as increased utility sales. Wastewater revenues decreased by \$3.6 million or 26 percent due to timing associated with receiving wastewater reimbursements from the South Placer Municipal Utility District and County of Placer.

Overall, Enterprise Fund revenues as compared to the budget are on target. Larger budget to actual variances in the Transit, Transportation and Golf Course Funds are due to the timing associated with their primary revenue streams as a majority of their funding is realized in the last two quarters of the fiscal year.

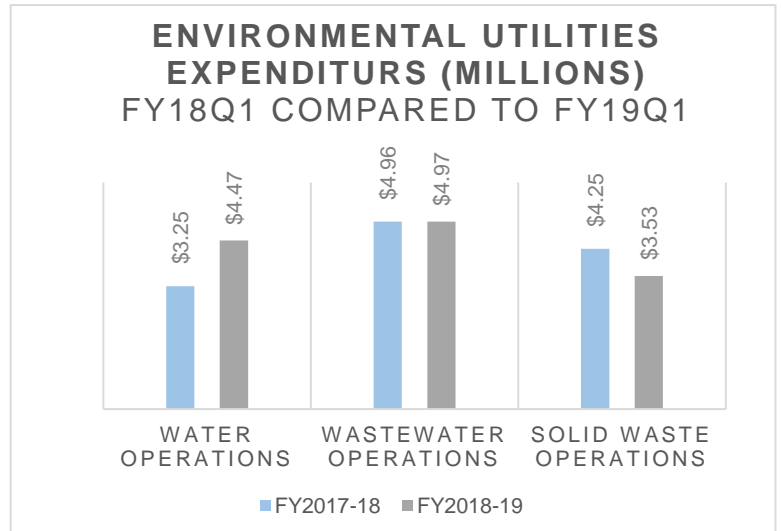
Enterprise Funds: Operating Expenditures

The following table includes first quarter actual expenditure comparisons for FY2017-18 and FY2018-19 and an expenditure budget to actual comparison for FY2018-19.

	First quarter actual comparison				Budget to actual comparison	
	FY2017-18	FY2018-19	\$ Variance	% Variance	FY2018-19 Amended Budget	% of budget
Electric Operations	\$ 26,386,058	\$ 21,217,355	\$ (5,168,703)	-19.6%	\$ 120,811,075	17.6%
Water Operations	3,253,961	4,465,584	1,211,623	37.2%	23,821,445	18.7%
Wastewater Operations	4,962,892	4,969,945	7,053	0.1%	29,630,897	16.8%
Solid Waste Operations	4,248,456	3,525,710	(722,746)	-17.0%	24,961,391	14.1%
Transit	1,361,449	1,151,973	(209,476)	-15.4%	6,738,106	17.1%
Transportation	221,083	235,857	14,774	6.7%	1,428,071	16.5%
Golf Course Operations	434,574	568,524	133,950	30.8%	2,288,358	24.8%
Youth Development	1,507,750	1,511,632	3,882	0.3%	6,547,179	23.1%

Electric Operations expenditures decreased by \$5.2 million or 19 percent as compared to the prior year. This reduction is associated with lower purchased power market prices and milder summer temperatures, reducing customer energy usage.

The 37 percent increase in Water Operations was due to timing associated with the processing of intra-departmental fund reimbursements as well as increased purchased water spending. Solid Waste spending was lower than the previous quarter because of the timing associated with processing tipping fee payments.



Transit spending decreased by 15% due to a contract change with the contract transit operator that adjusted the payment cycle. Future quarter spending should track with each other.

The increase in first quarter expenses for Golf Operations is primarily due to a timing difference in the payment of landscape maintenance invoices. Two invoices were paid in the first three months of FY2017-18, while three invoices were paid in the first three months of FY2018-19.

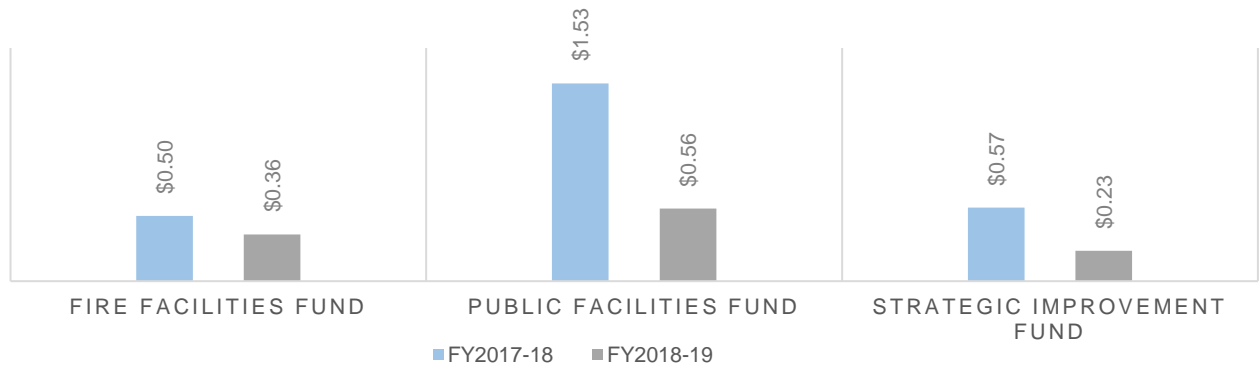
Overall, all of the Enterprise Funds are tracking to end the year on or under budget.

Other Revenue

This table shows that revenues in the Fire Facilities Fund, Public Facilities Fund, and Strategic Improvement Fund decreased in the first quarter of this year compared to the first quarter of last year. These reduction are attributed to slowing development activity as compared to the previous years.

	First quarter actual comparison				Budget to actual comparison	
	FY2017-18	FY2018-19	\$ Variance	% Variance	FY2018-19 Amended Budget	% of budget
Fire Facilities	\$ 503,464	\$ 361,019	\$ (142,445)	-28.3%	\$ 1,388,251	26.0%
Public Facilities	1,527,746	559,987	(967,759)	-63.3%	2,828,181	19.8%
Strategic Improvement	567,963	234,120	(333,843)	-58.8%	962,784	24.3%

OTHER REVENUES (MILLIONS) FY18Q1 COMPARED TO FY19Q1



Conclusion

Except for identified variances, expenditures and revenues are tracking as expected. Staff will continue to monitor these variances and come back to City Council with the FY2018-19 Second Quarter Report in the spring.