

# Second Quarter Report

## Fiscal Year 2017-18



316 Vernon Street, Downtown Roseville, California

# Fiscal Year 2017-18 Second Quarter Report

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## **Introduction**

This report displays financial data for the second 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 second quarter actual
- FY2017-18 second quarter actual
- Second quarter actual variance
- Amended budget for FY2017-18

Second 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.

This report highlights significant or notable changes between FY2016-17 and FY2017-18 second quarter actual data.

## **General Fund Operating Revenue & Transfers In (page 4)**

General Fund operating revenue and transfers in were \$2.8 million (7 percent) lower for the second quarter of FY2017-18 than for FY2016-17. This is attributed to one major factor (which was discussed in the FY2017-18 First Quarter Report): 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 the enterprise departments now report these services as expenses instead of as indirect cost 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.

General Fund revenues that had notable increases at the second quarter of the current year compared to the prior year were:

- Building permits: increased by \$236,609 (22 percent)
- Engineering inspection fees: increased by \$54,729 (more than double)

These increases are due to the pace of development activity.

Plan check fees are \$283,207 (20 percent) less for the second quarter of FY2017-18 than for the same time in the prior year due to (1) Building Inspection processing more over-the-counter

permits (which have lower fees than those for larger projects) and (2) the implementation of the 2016 California Building Code on January 1, 2017, which led to an influx of submissions prior to the change. However, plan check fees are on pace to exceed the FY2017-18 budget of nearly \$2 million.

The City does not receive its primary property tax payments from the county until the third and fourth quarters of the fiscal year (mid-January and mid-May). This revenue is budgeted at \$42.3 million this year. The first payment will be reflected in the FY2017-18 Third Quarter Report.

### **General Fund Operating Expenditures & Transfers Out (page 5)**

All City departments (besides the General Government departments) saw a significant increase in expenditures from the second quarter of the last fiscal year to this one due to two reasons (again, these are the same reasons as explained in the FY2017-18 First Quarter Report):

- (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 those 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 moved to Electric and EU. Since the non-General Government departments (those listed on the table) are now reporting those services as expenses, 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 (more than \$5.7 million or 44 percent) because it no longer includes expenditures for IT, building maintenance, and janitorial services (since they were moved into ISFs) and utility billing which moved from Finance to Electric and Environmental Utilities.

### **Enterprise Funds: Operating Revenue (page 6)**

All the EU operations funds had increases in second quarter revenue compared to the second quarter of last year:

- Water: 19.1 percent
- Wastewater: 6.8 percent
- Solid Waste: 7.0 percent

These increases are due to rate adjustments that took effect on July 1, 2017 (Water: 7 percent; Wastewater: 6 percent; Solid Waste: 2 percent) as well as increased water usage and increased tonnage being picked up by Solid Waste.

Transit operating revenue decreased from the second quarter of FY2016-17 to FY2017-18 by \$125,049 (18 percent) due to (1) modified fare revenue recognition associated with the use of the regional *Connect Card* which began in late June 2017 and (2) a decline in ridership that is part of a national trend related to increased car ownership, low gas prices, and changes in the transportation sector (for example, Uber and Lyft).

Golf Course Operations shows a reduction in revenue of \$68,637 (9 percent) from the second 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 second quarter of FY2016-17 to the second 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.

Transportation operating expenses increased by \$130,799 (39 percent) due to the change in the City's CalPERS payment, filling a vacant position, and funding other positions in Public Works.

Expenditures for the Golf Course Operations decreased from the prior year by \$223,892 (22 percent) 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 second quarter of this year compared to the second quarter of last year. All are currently outpacing the amended budget and are related to the pace of development activity.

### **Conclusion**

The City's revenues and expenditures are approximately where staff expected them to be at this time. Several revenues, including sales tax, will come in later in the year and will be reflected in the next two reports in this series. Staff will continue to monitor budget-to-actual and actual-to-actual data as the year progresses and come back to City Council later in the spring with the FY2017-18 Third Quarter Report.

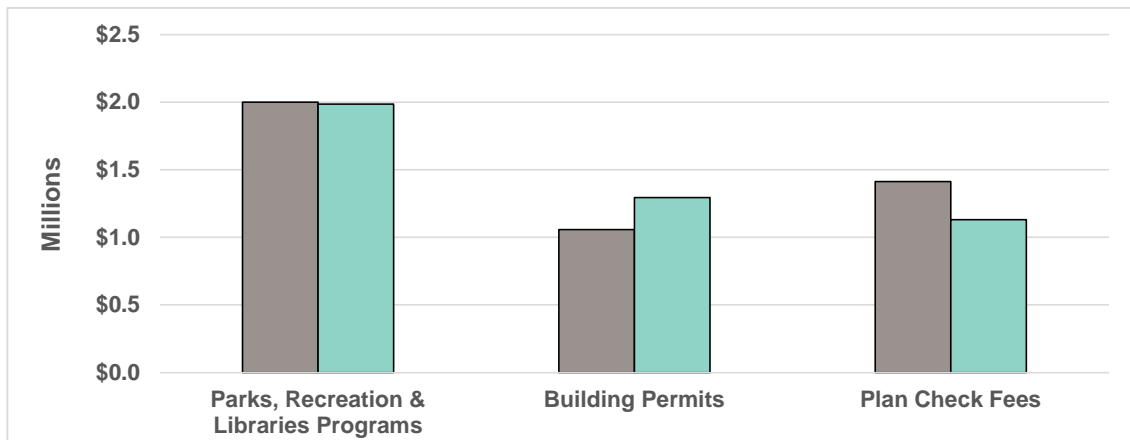
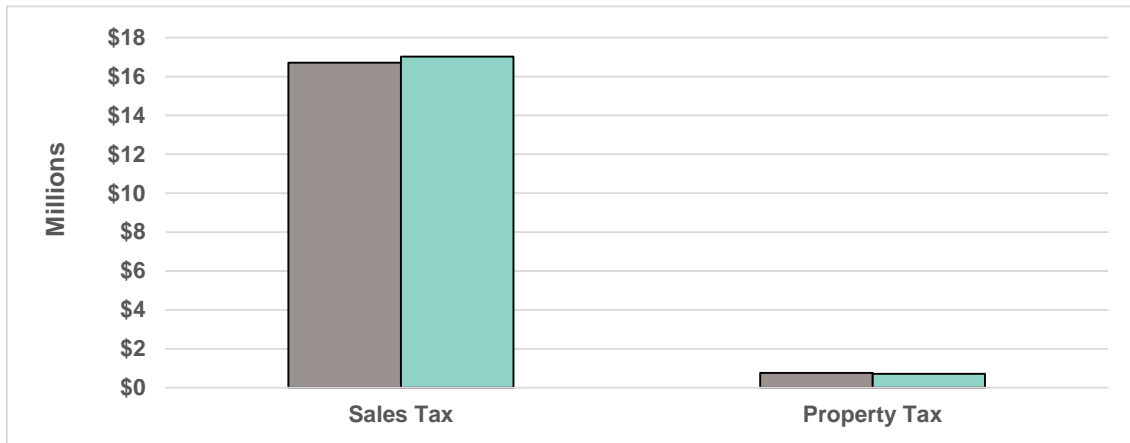
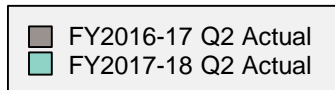
# General Fund: Operating Revenue & Transfers In

## FY2017-18 Second Quarter

July 1 - December 31, 2017

	Second quarter actual			Amended budget FY2017-18
	FY2016-17	FY2017-18	Variance	
Sales Tax	\$ 16,716,109	\$ 17,025,916	\$ 309,807	\$ 53,471,200
Property Tax	763,236	708,515	(54,721)	42,266,825
Parks, Recreation & Libraries Programs	1,999,141	1,984,893	(14,248)	4,159,959
Building Permits	1,057,733	1,294,342	236,609	1,935,000
Plan Check Fees	1,413,367	1,130,160	(283,207)	1,988,458
Engineering Inspection Fees	28,444	83,173	54,729	99,600
Grants	21,660	69,067	47,407	365,238
Other Revenue	5,739,957	6,368,867	628,910	16,435,306
Franchise Fee Transfers In	3,787,257	3,923,792	136,535	7,847,583
Operating Transfers In	400,216	50,000	(350,216)	2,860,904
Indirect Cost Reimbursement	6,716,975	3,606,166	(3,110,809)	7,212,333
Prior Year Encumbrance Carryover*	1,346,141	963,728	(382,413)	963,728
<b>Total:</b>	<b>\$ 39,990,236</b>	<b>\$ 37,208,619</b>	<b>\$ (2,781,617)</b>	<b>\$ 139,606,134</b>

### Comparisons:



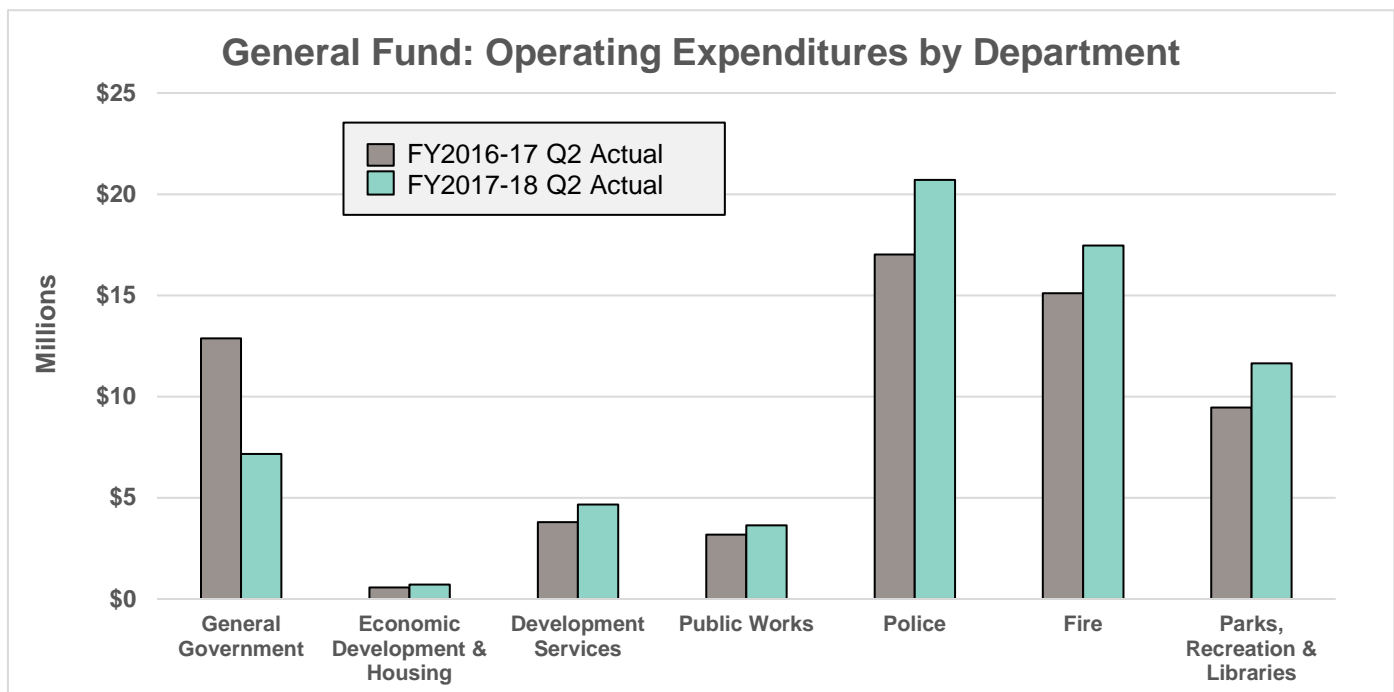
\* Prior Year Operating Carryover is included here since it represents the reserve set aside to cover carryover expenses.

# General Fund: Operating Expenditures & Transfers Out

FY2017-18 Second Quarter

July 1 - December 31, 2017

	Second quarter actual			Amended budget FY2017-18
	FY2016-17	FY2017-18	Variance	
General Government	\$ 12,877,836	\$ 7,163,415	\$ (5,714,421)	\$ 15,313,877
Economic Development & Housing	568,039	712,931	144,892	1,142,599
Development Services	3,803,059	4,671,849	868,790	9,179,580
Public Works	3,177,174	3,635,464	458,290	7,200,682
Police	17,029,287	20,701,016	3,671,729	39,694,685
Fire	15,104,163	17,458,517	2,354,354	29,435,764
Parks, Recreation & Libraries	9,463,563	11,642,958	2,179,395	23,552,052
Annexation Payments	216,938	256,898	39,960	5,450,000
City Special Assessments	66,480	0	(66,480)	139,581
Post-Retirement Transfer Out	2,702,048	2,543,821	(158,227)	4,583,884
Other Operating Transfers Out	333,582	225,000	(108,582)	1,707,434
General Fund Contingency	0	0	0	1,200,000
<b>Total:</b>	<b>\$ 65,342,169</b>	<b>\$ 69,011,869</b>	<b>\$ 3,669,700</b>	<b>\$ 138,600,138</b>



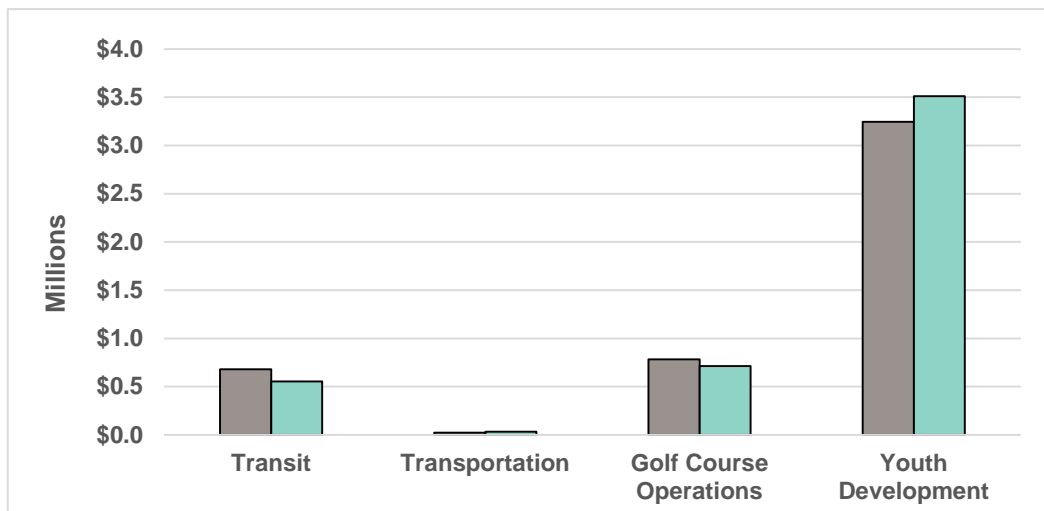
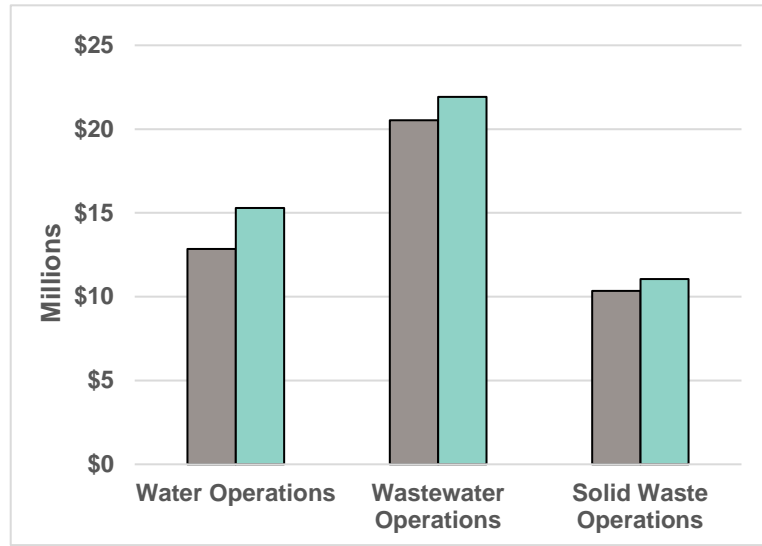
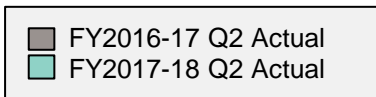
# Enterprise Funds: Operating Revenue

## FY2017-18 Second Quarter

July 1 - December 31, 2017

	Second quarter actual			Amended budget
	FY2016-17	FY2017-18	Variance	FY2017-18
Electric Operations	\$ 78,444,029	\$ 83,499,136	\$ 5,055,107	\$ 163,378,306
Water Operations	12,850,620	15,300,370	2,449,750	27,983,606
Wastewater Operations	20,525,437	21,923,365	1,397,928	36,097,290
Solid Waste Operations	10,338,412	11,057,739	719,327	22,425,188
Transit	679,012	553,963	(125,049)	7,572,686
Transportation	21,382	32,033	10,651	10,860,732
Golf Course Operations	781,946	713,309	(68,637)	2,177,221
Youth Development	3,247,193	3,511,346	264,153	6,272,409

### Comparisons:



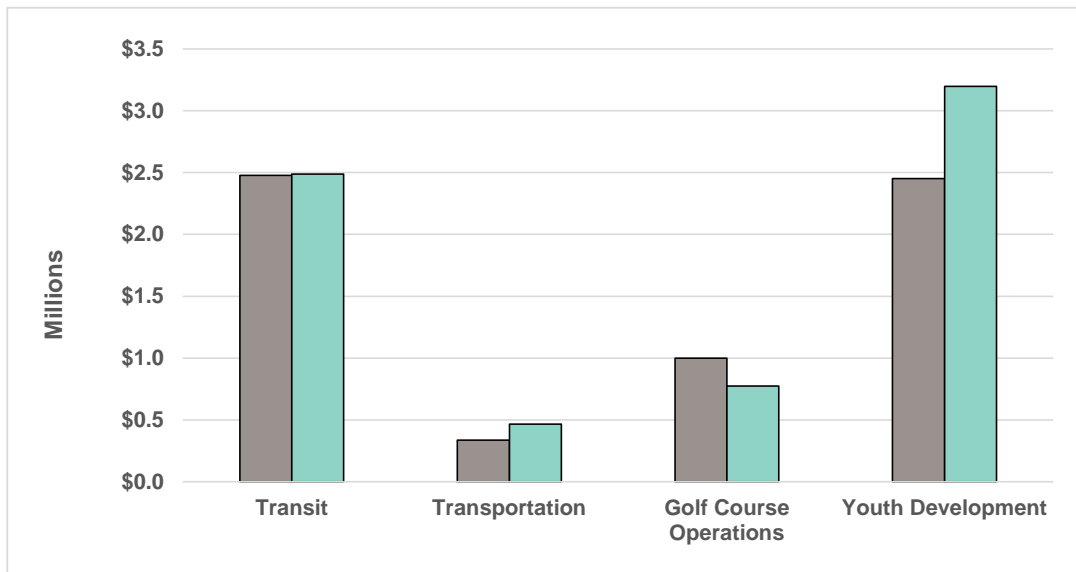
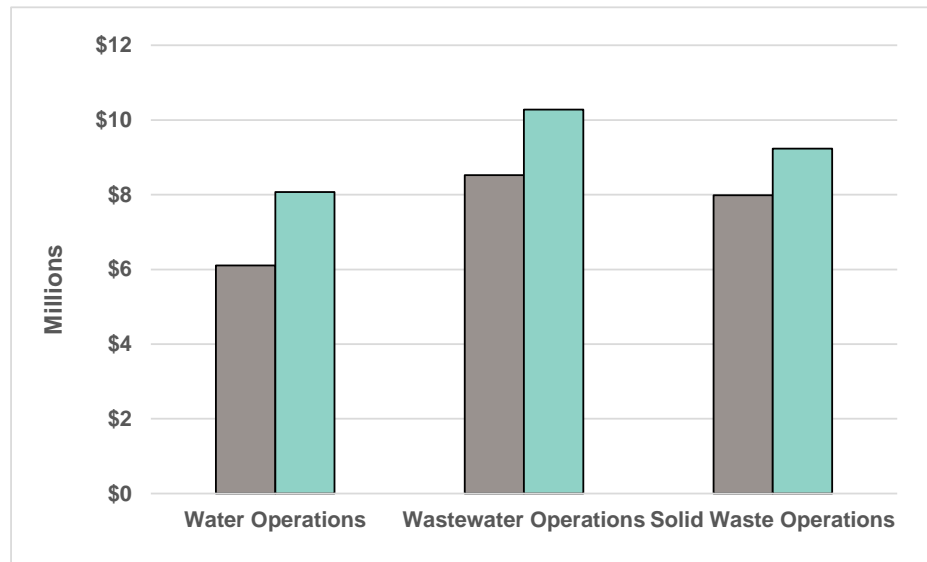
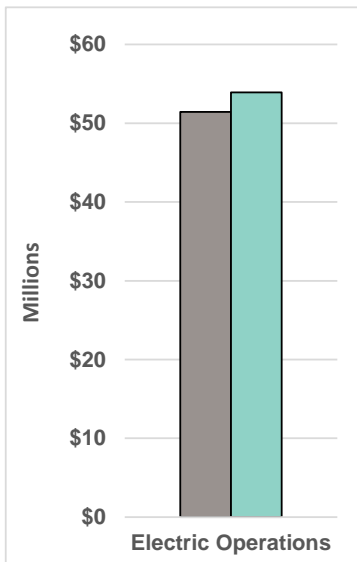
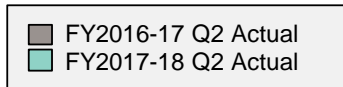
# Enterprise Funds: Operating Expenditures

## FY2017-18 Second Quarter

July 1 - December 31, 2017

	Second quarter actual			Amended budget
	FY2016-17	FY2017-18	Variance	FY2017-18
Electric Operations	\$ 51,439,546	\$ 53,893,745	\$ 2,454,199	\$ 119,154,409
Water Operations	6,107,577	8,073,316	1,965,739	22,796,081
Wastewater Operations	8,526,789	10,275,278	1,748,489	25,157,073
Solid Waste Operations	7,982,635	9,234,177	1,251,542	20,490,200
Transit	2,476,036	2,486,822	10,786	6,227,742
Transportation	336,667	467,466	130,799	1,210,044
Golf Course Operations	998,709	774,817	(223,892)	2,049,942
Youth Development	2,450,861	3,195,839	744,978	6,068,037

### Comparisons:





# Other Revenue

## FY2017-18 Second Quarter

July 1 - December 31, 2017

	Second quarter actual			Amended budget FY2017-18
	FY2016-17	FY2017-18	Variance	
Fire Facilities Fund	\$ 589,587	\$ 963,261	\$ 373,674	\$ 960,626
Public Facilities Fund	1,311,391	2,510,156	1,198,765	1,958,781
Strategic Improvement Fund	486,784	901,798	415,014	861,315

### Comparisons:

