

Third Quarter Report

Fiscal Year 2017-18



316 Vernon Street, Downtown Roseville, California

Fiscal Year 2017-18 Third Quarter Report

Introduction

This report displays financial data for the first through third 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:

- Third quarter actual FY2016-17
- Third quarter actual FY2017-18
- Third quarter actual variance
- Amended budget FY2017-18

Third 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 notable variances between FY2016-17 and FY2017-18 third quarter actuals.

The data in this report illustrate a significant change to our budgeting and accounting practices since the FY2017-18 Second Quarter Report. In order to comply with Generally Accepted Accounting Principles (GAAP), indirect costs and expenses for annual projects have been switched from transfers to reimbursed expenses. The effects of this change are:

- **General Fund Expenses:** There is a significant reduction from last year since instead of receiving indirect cost as a revenue (via a transfer in), the General Fund now “receives” this as a reduction to its departmental expenses.
- **General Fund Revenues:** These are also reduced significantly since the General Fund is no longer receiving an indirect cost reimbursement via a transfer in.
- **Enterprise Funds:** Expenses increased significantly from last year since instead of transferring out indirect costs (note: enterprise transfers in or out are not included in these reports), departments and funds now pay for these services as expenses.

General Fund: Operating Revenue & Transfers In (page 4)

The “Indirect Cost Reimbursement (Transfer In)” entry is zero this year compared to \$10.1 million last year due to the change discussed above—switching indirect cost reimbursement from a transfer in to the General Fund to an expense reduction. Because of this change, our operating revenue and transfers in were \$7.4 million (8.4 percent) lower for the third quarter of FY2017-18 than for FY2016-17. This variance was expected and is not an issue when looking at the General Fund revenues and expenses together.

Two General Fund revenues had notable increases at the third quarter of the current year compared to the prior year due to the pace of development activity:

- (1) Building permit revenue increased by \$201,613 (12.6 percent)
- (2) Engineering inspection revenue increased by \$58,978 (86.6 percent)

Third quarter sales taxes are up by \$912,904 (3 percent) from the third quarter last year and property taxes are up by \$1.7 million (8 percent).

Plan check revenue is \$313,689 (16.4 percent) less for the third quarter of FY2017-18 than for the same time in the prior year due to Building Inspection processing more over-the-counter permits (which have lower fees than those for larger projects) and the implementation of the 2016 California Building Code (January 1, 2017) which led to an influx of submissions prior to the change. However, plan check revenue is on pace to exceed the FY2017-18 budget of more than \$2 million.

General Fund: Operating Expenditures & Transfers Out (page 5)

Most of the major operating departments (Development Services; Public Works; Police; Fire; and Parks, Recreation & Libraries) saw a significant increase in expenditures from the third quarter of the last fiscal year to this one due to two primary 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.
- (2) In FY2017-18, three General Fund services (IT, building maintenance, and janitorial) were moved into internal service funds (ISF) and the utility billing function was moved to Electric and Environmental Utilities. 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, the General Government departments (which includes Human Resources, Finance, Central Services, City Clerk, etc.) saw a very significant decrease in expenditures (more than \$13.7 million or 72 percent) due to three factors:

- (1) The change to indirect cost reimbursement—these monies are now received as a reimbursed (negative) expense instead of as a transfer in (that is, a revenue), thus reducing total expenses.
- (2) Expenses for services that moved into ISFs at the beginning of FY2017-18 (IT, building maintenance, and janitorial services) are no longer included in the General Fund.
- (3) Expenses for utility billing services, which moved from Finance to Electric and Environmental Utilities, are no longer included in the General Fund.

Economic Development & Housing, which receives some indirect cost reimbursement, also shows a decrease in expenses from last year to this year due to the change in accounting practices.

Enterprise Funds: Operating Revenue (page 6)

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

- Water: 17.0 percent
- Wastewater: 3.8 percent
- Solid Waste: 5.9 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 and Transportation operating revenue decreased from the third quarter of FY2016-17 to FY2017-18 by 57 percent each due to local transportation funds (SB-325) coming in later this year than last. This was expected and the variance should be remedied by year-end.

Enterprise Funds: Operating Expenditures (page 7)

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

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 third quarter of this year compared to the third 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, despite the variances between the years that were due to the accounting changes discussed above. 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 summer with the FY2017-18 Fourth Quarter Report.

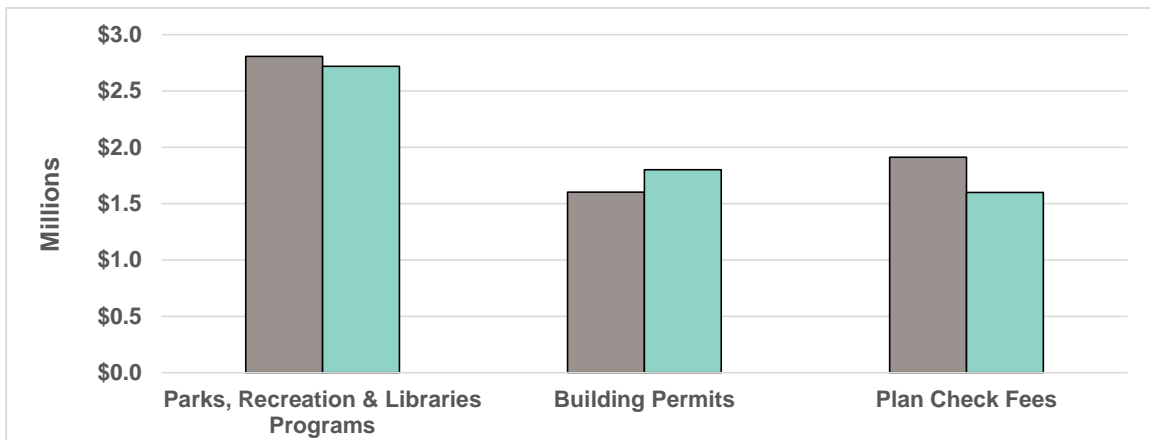
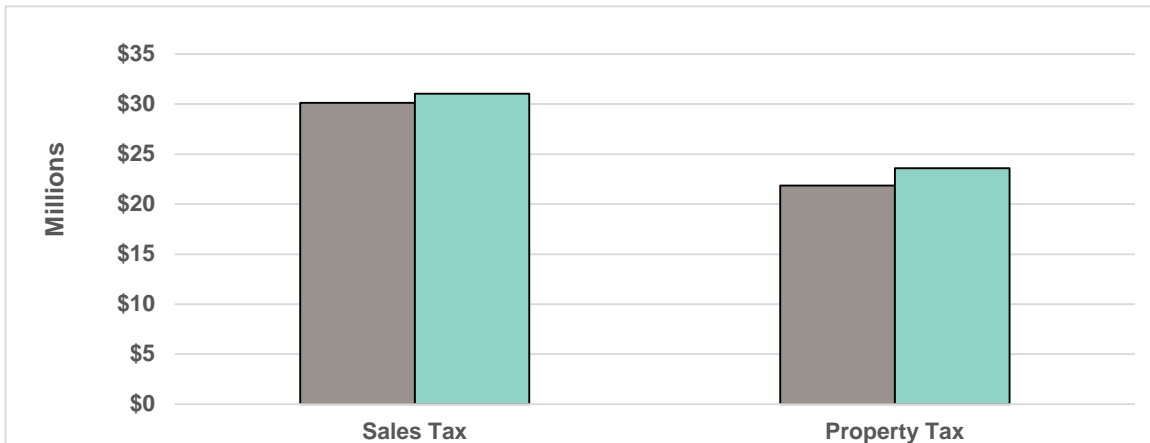
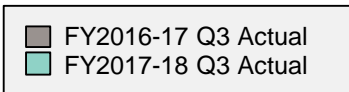
General Fund: Operating Revenue & Transfers In

FY2017-18 Third Quarter

July 1, 2017 - March 31, 2018

	Third quarter actual			Amended budget FY2017-18
	FY2016-17	FY2017-18	Variance	
Sales Tax	\$ 30,130,205	\$ 31,043,109	\$ 912,904	\$ 54,671,200
Property Tax	21,850,165	23,586,287	1,736,122	43,061,825
Parks, Recreation & Libraries Programs	2,805,121	2,717,844	(87,277)	4,159,959
Building Permits	1,599,959	1,801,572	201,613	1,935,000
Plan Check Fees	1,911,745	1,598,056	(313,689)	2,048,458
Engineering Inspection Fees	68,137	127,115	58,978	99,600
Grants	159,754	105,841	(53,913)	440,344
Other Revenue	11,856,585	12,596,660	740,075	17,456,830
Franchise Fee Transfers In	5,680,886	5,885,687	204,801	7,847,583
Operating Transfers In	452,131	93,600	(358,531)	2,860,904
Indirect Cost Reimbursement (Transfer In)	10,075,462	0	(10,075,462)	0
Prior Year Encumbrance Carryover*	1,346,141	963,728	(382,413)	963,728
Total:	\$ 87,936,291	\$ 80,519,499	\$ (7,416,792)	\$ 135,545,431

Comparisons:



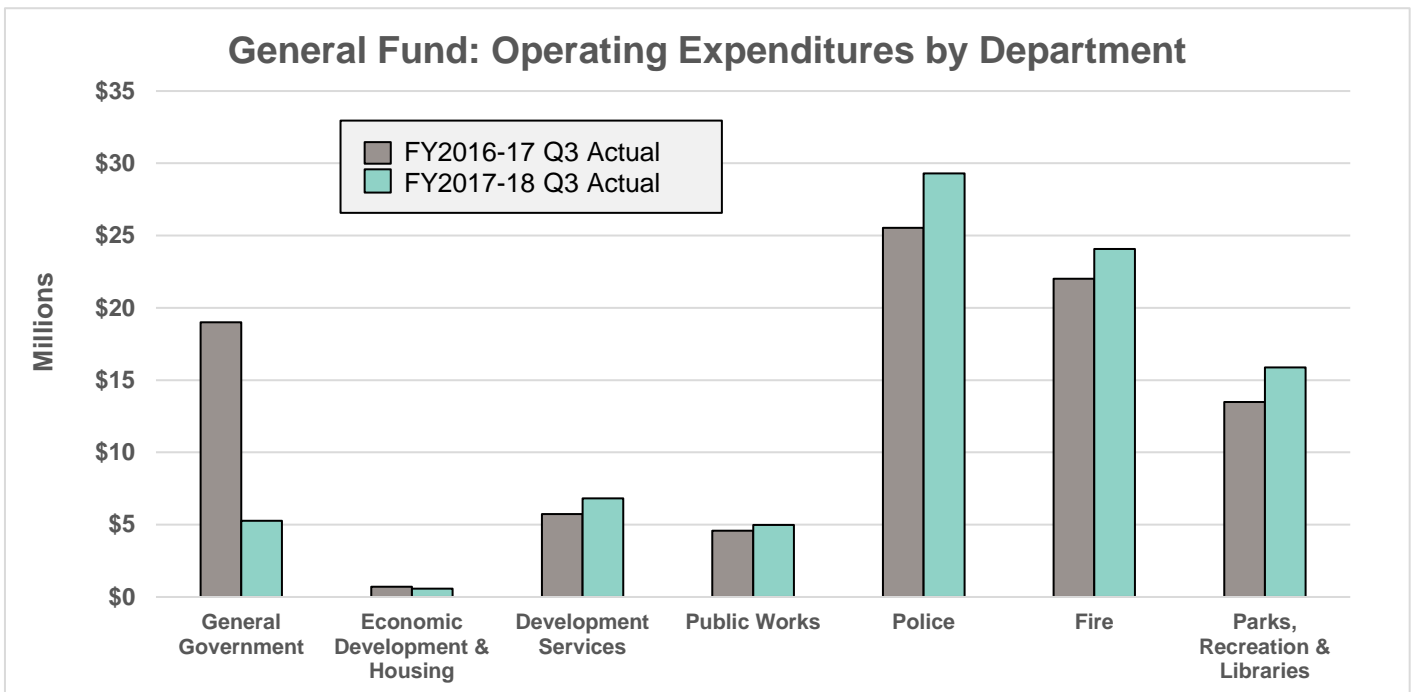
* Prior Year Operating Carryover is included here since it represents the reserve set aside to cover carryover expenses.

General Fund: Operating Expenditures & Transfers Out

FY2017-18 Third Quarter

July 1, 2017 - March 31, 2018

	Third quarter actual			Amended budget FY2017-18
	FY2016-17	FY2017-18	Variance	
General Government	\$ 19,005,447	\$ 5,279,269	\$ (13,726,178)	\$ 8,750,885
Economic Development & Housing	700,689	577,453	(123,236)	709,935
Development Services	5,727,696	6,815,259	1,087,563	9,316,623
Public Works	4,577,830	4,973,452	395,622	7,378,751
Police	25,537,880	29,303,520	3,765,640	39,943,568
Fire	22,009,825	24,083,228	2,073,403	31,254,954
Parks, Recreation & Libraries	13,488,097	15,888,409	2,400,312	23,563,195
Annexation Payments	2,824,337	3,242,747	418,410	5,450,000
City Special Assessments	131,035	127,779	(3,256)	139,581
Post-Retirement Transfer Out	4,138,108	4,066,976	(71,132)	4,583,884
Other Operating Transfers Out	467,916	456,448	(11,468)	1,402,371
General Fund Contingency	0	0	0	1,200,000
Total:	\$ 98,608,859	\$ 94,814,540	\$ (3,794,320)	\$ 133,693,747



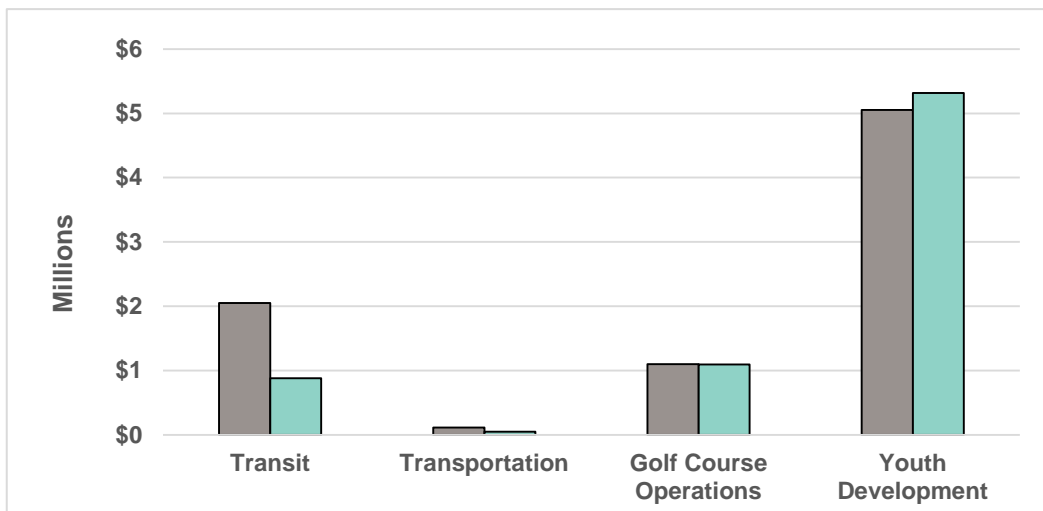
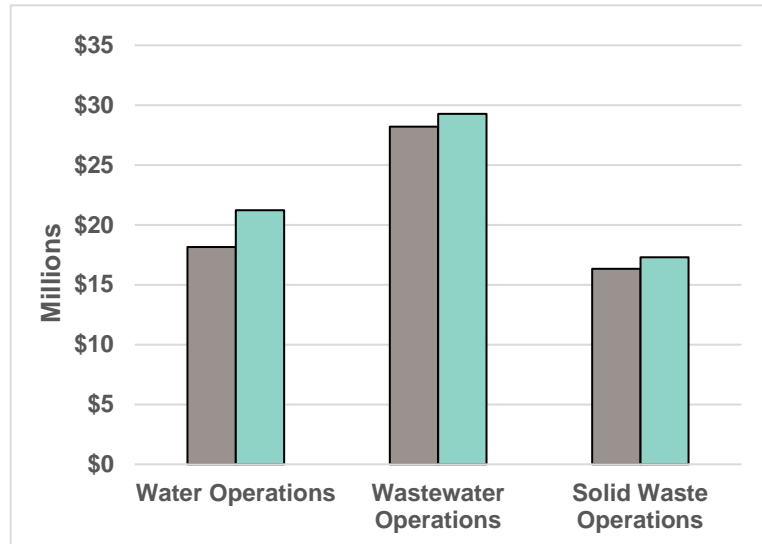
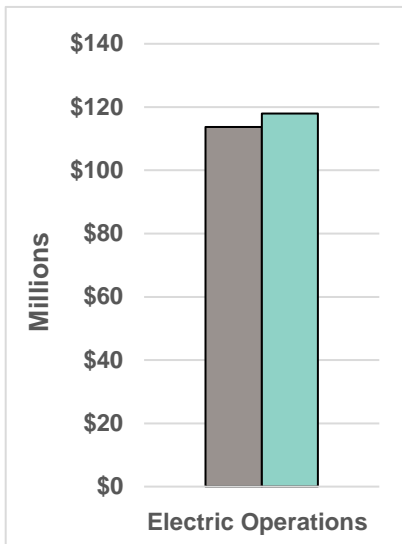
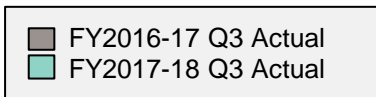
Enterprise Funds: Operating Revenue

FY2017-18 Third Quarter

July 1, 2017 - March 31, 2018

	Third quarter actual			Amended budget
	FY2016-17	FY2017-18	Variance	FY2017-18
Electric Operations	\$ 113,686,312	\$ 117,904,536	\$ 4,218,224	\$ 163,378,306
Water Operations	18,145,951	21,237,619	3,091,668	27,983,606
Wastewater Operations	28,201,359	29,279,975	1,078,616	36,097,290
Solid Waste Operations	16,318,920	17,281,946	963,026	22,425,188
Transit	2,052,232	880,731	(1,171,501)	7,572,686
Transportation	112,303	48,329	(63,974)	10,860,732
Golf Course Operations	1,098,627	1,092,981	(5,646)	2,177,221
Youth Development	5,053,407	5,318,086	264,679	6,272,409

Comparisons:



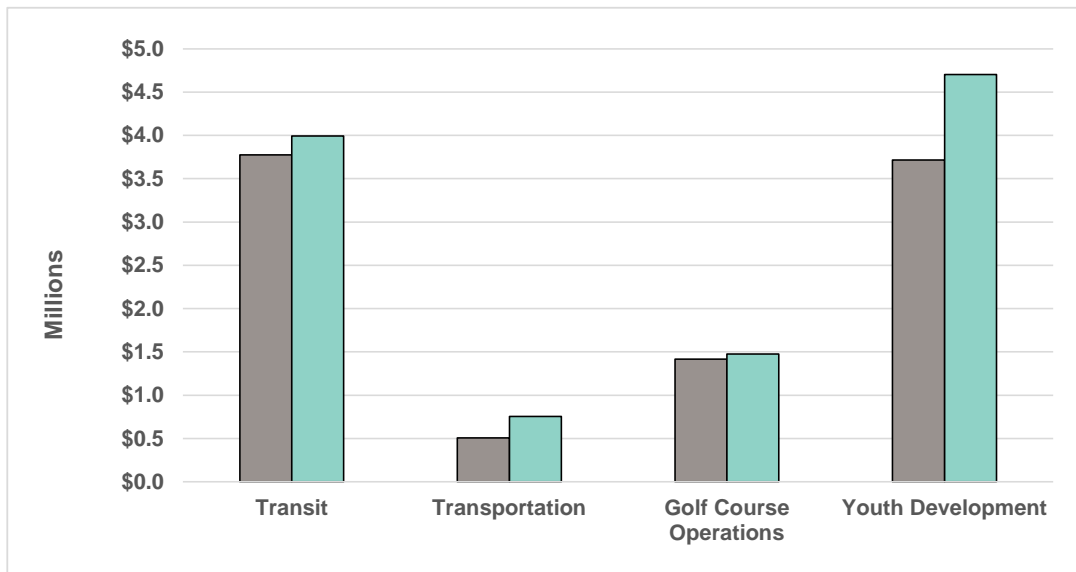
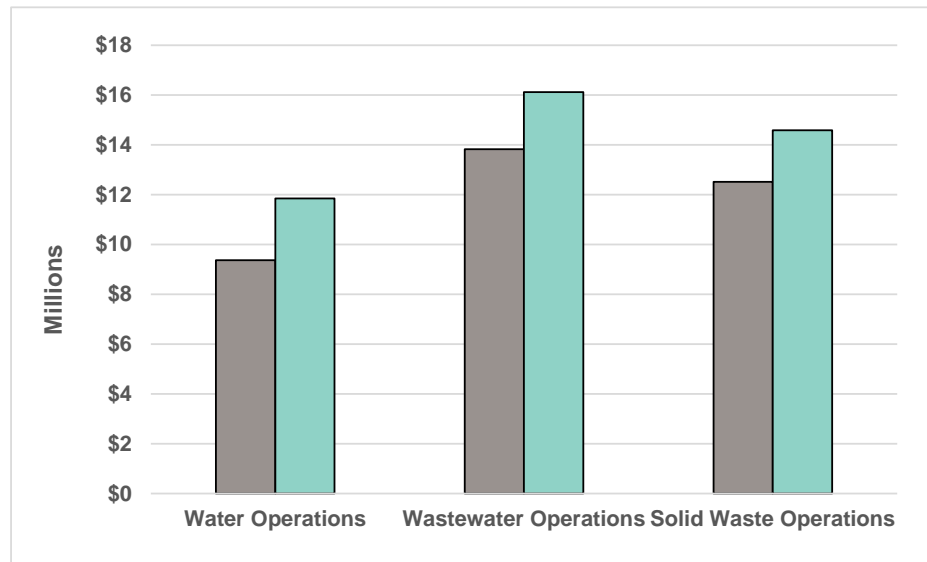
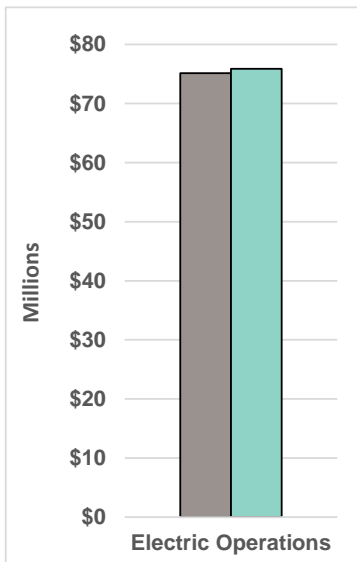
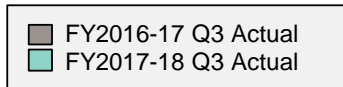
Enterprise Funds: Operating Expenditures

FY2017-18 Third Quarter

July 1, 2017 - March 31, 2018

	Third quarter actual			Amended budget
	FY2016-17	FY2017-18	Variance	FY2017-18
Electric Operations	\$ 75,145,605	\$ 75,894,817	\$ 749,212	\$ 121,957,897
Water Operations	9,368,509	11,844,792	2,476,283	19,612,095
Wastewater Operations	13,830,870	16,116,509	2,285,639	28,158,365
Solid Waste Operations	12,517,622	14,584,699	2,067,077	23,244,978
Transit	3,774,262	3,991,884	217,622	6,440,592
Transportation	508,842	756,924	248,082	1,316,627
Golf Course Operations	1,417,718	1,477,390	59,672	2,106,490
Youth Development	3,714,664	4,703,041	988,377	6,362,676

Comparisons:



Other Revenue

FY2017-18 Third Quarter

July 1, 2017 - March 31, 2018

	Third quarter actual			Amended budget
	FY2016-17	FY2017-18	Variance	FY2017-18
Fire Facilities Fund	\$ 953,257	\$1,283,618	\$ 330,361	\$ 960,626
Public Facilities Fund	2,082,489	3,242,645	1,160,156	1,958,781
Strategic Improvement Fund	744,411	1,229,798	485,387	861,315

Comparisons:

