

Fiscal Year 2015-2016 Mid Year Budget Review



Introduction

- ▶ Status report halfway through the fiscal year (July 1 - December 31, 2015)
- ▶ Present information collected from Two Community Budget Priority Meetings
- ▶ Discuss fiscal priorities for two-year budget



Mid Year Trends and Results

- ▶ Unreserved General Fund Balance estimated at \$3.0M
- ▶ General Fund Revenues expected to **exceed** budget by \$917,902 or 1.4%
- ▶ General Fund Expenditures expected to end year **under** budget by \$533,148 or 0.8%
- ▶ Year end projections indicate actual Expenditures will exceed actual Revenues by \$2,028,080
 - Policy Reserve maintained at 20% of Expenditures (\$12.7M)
 - Economic Uncertainty Reserve temporarily at \$1.8M until loan repayment



General Fund Revenues

Fiscal Year 2015-2016 Mid Year Report

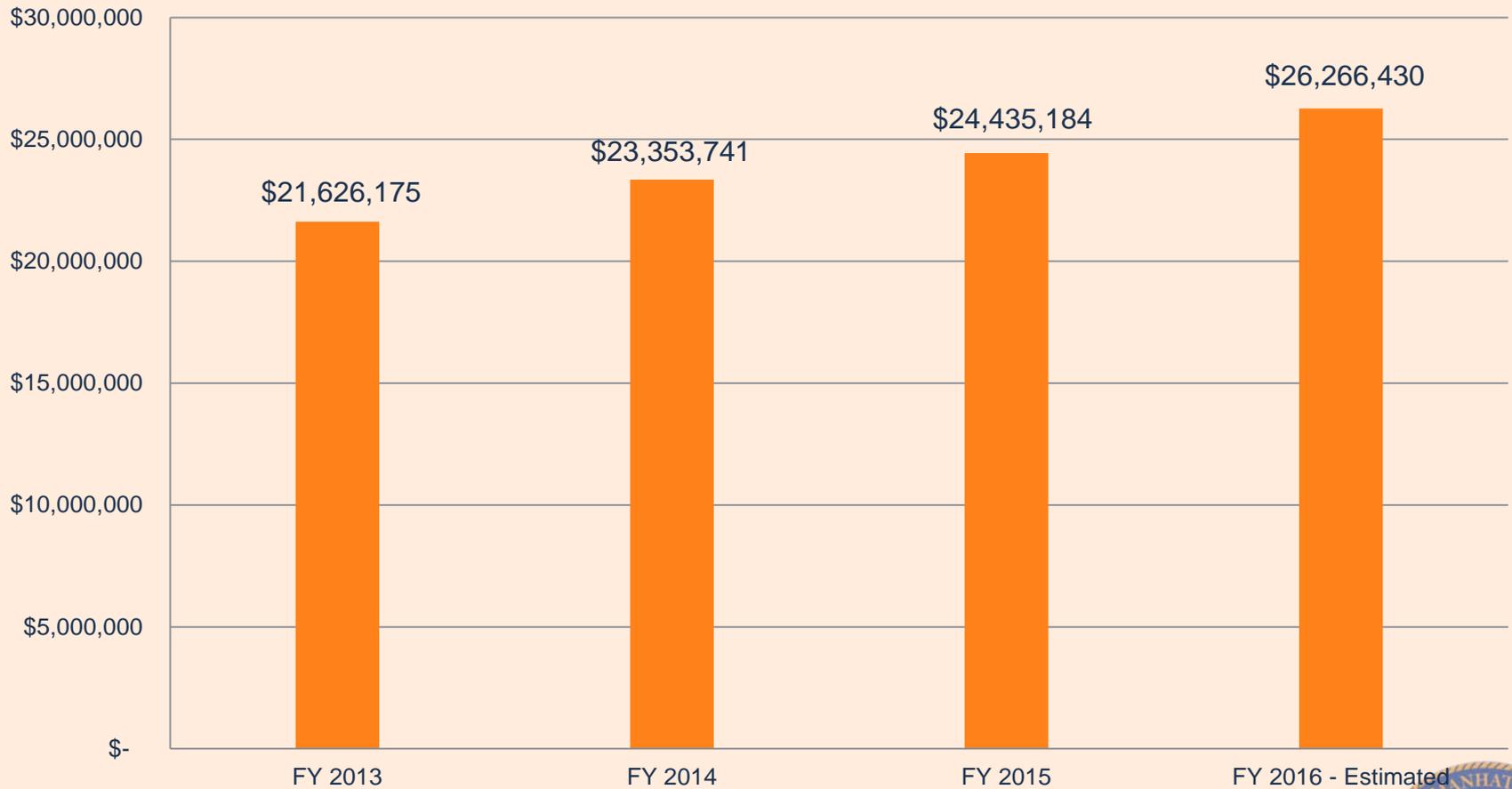


Property Tax

- ▶ City's largest General Fund revenue source – 40% of total (stable)
- ▶ Estimated to exceed budget by \$318,430 (1.2%)
- ▶ \$1,831,247 (7.5%) over FY 2014-2015
- ▶ Assessed values up 8.1% from prior year up from last year's 5.5%



Property Tax



Real Estate Transfer Tax

- ▶ Levy of \$.55 per \$500 of sales price (.11%)
- ▶ Split evenly between County and City
- ▶ Example:

◦ Sale Price	\$1,800,000
◦ R/E Tax @ .11%	\$ 1,980
◦ City revenue	\$ 990
◦ County share	\$ 990



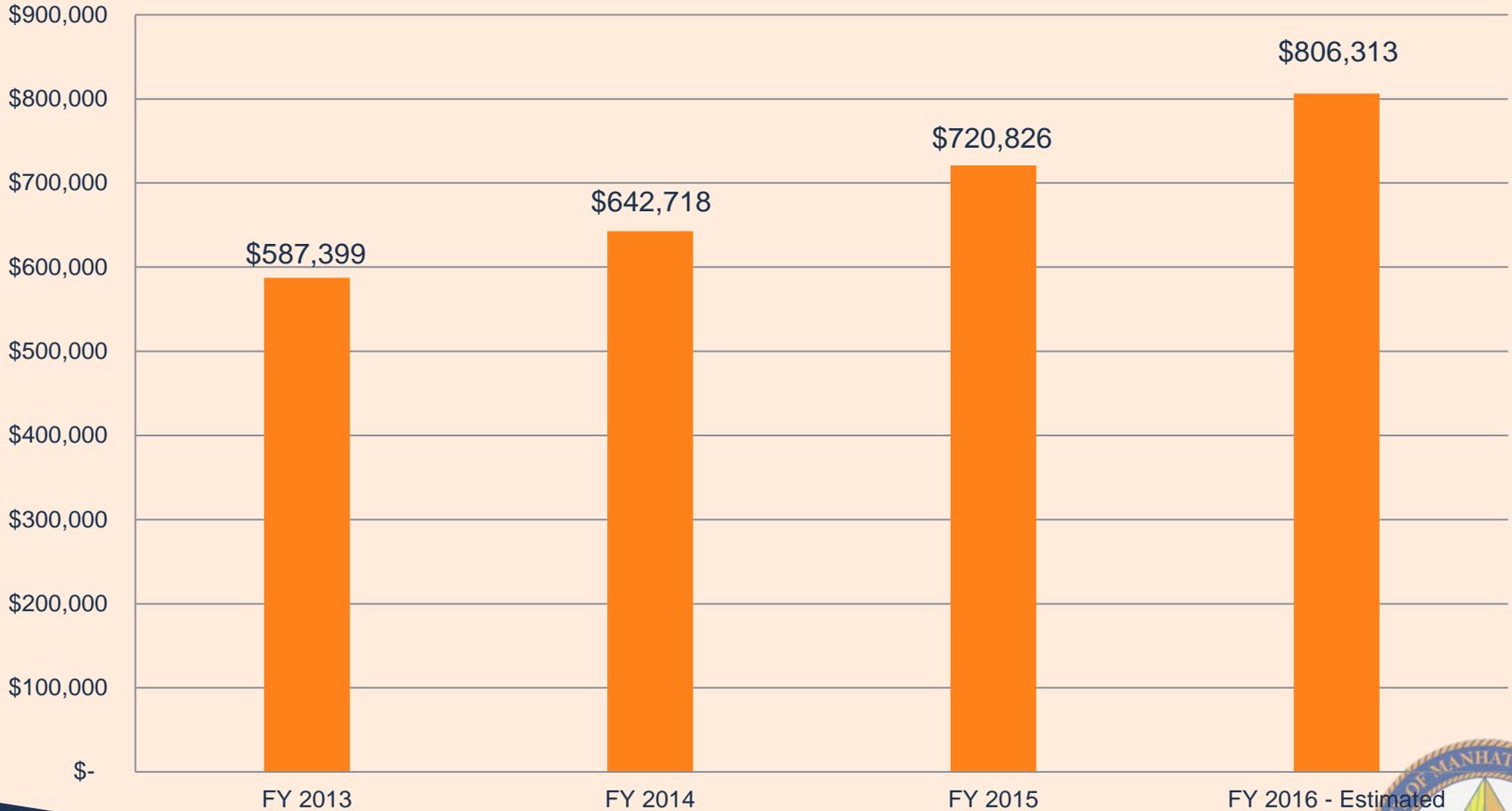
Real Estate Transfer Tax

- ▶ Median SFR home price in 2015: \$1.92 million
- ▶ Volume of home sales trending below 2014 (488 units)
- ▶ Forecast year end to come in \$31,313 over budget (4.0%) and 11.9% above prior year

Source: HdL Property Tax Data



Real Estate Transfer Tax

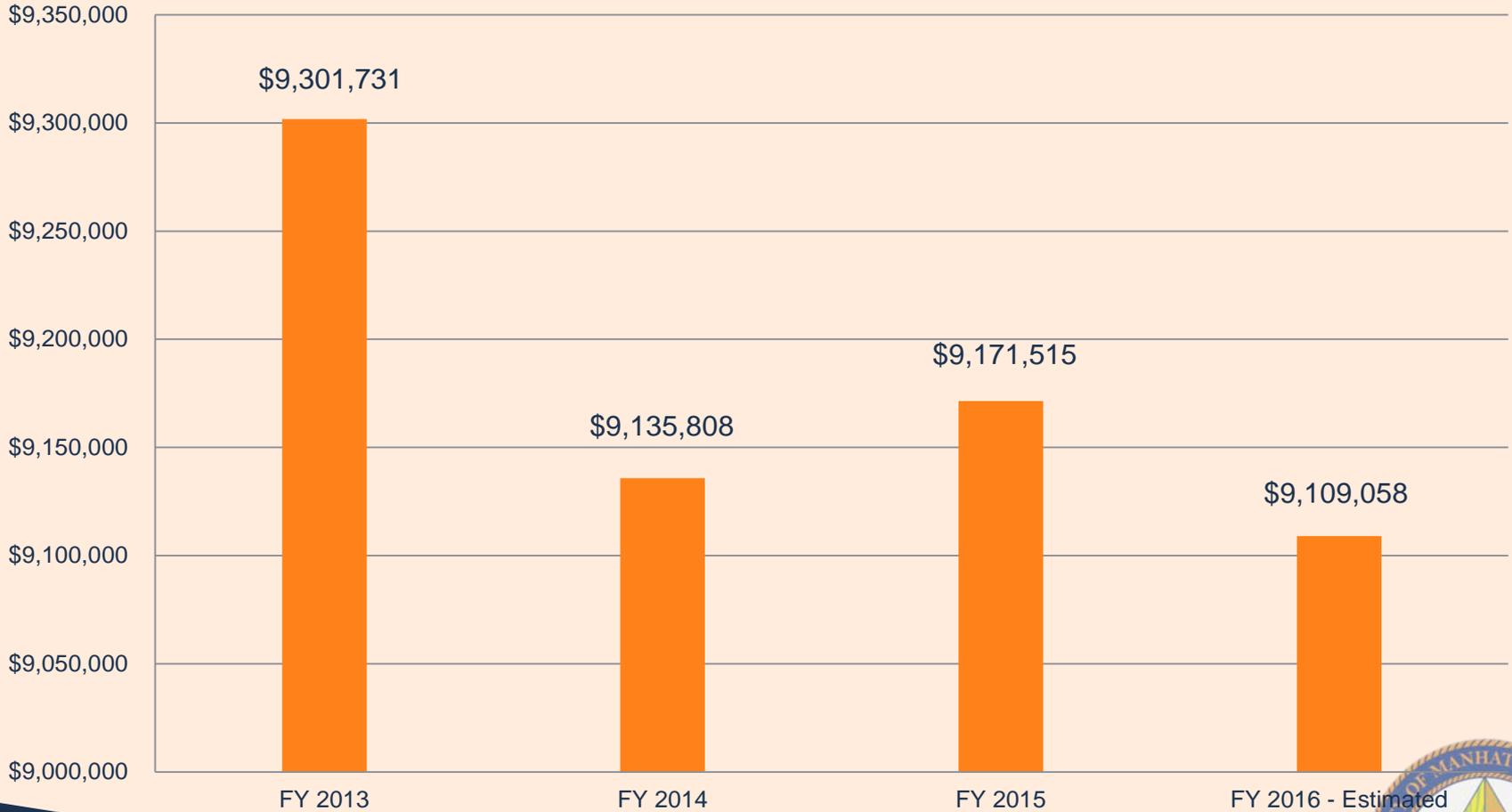


Sales Tax

- ▶ Second largest General Fund revenue source (15%)
- ▶ Projected over budget by \$659,058 but \$62,457 under FY 2015 (-0.7%)
 - Loss of significant Sales Tax producer in April 2015
- ▶ Overall modest growth in retail sales
- ▶ Positive year-to-date changes from prior year:
 - Restaurants and Hotels +5%
 - General Consumer Goods +4%
 - Food and Drugs +1%



Sales Tax



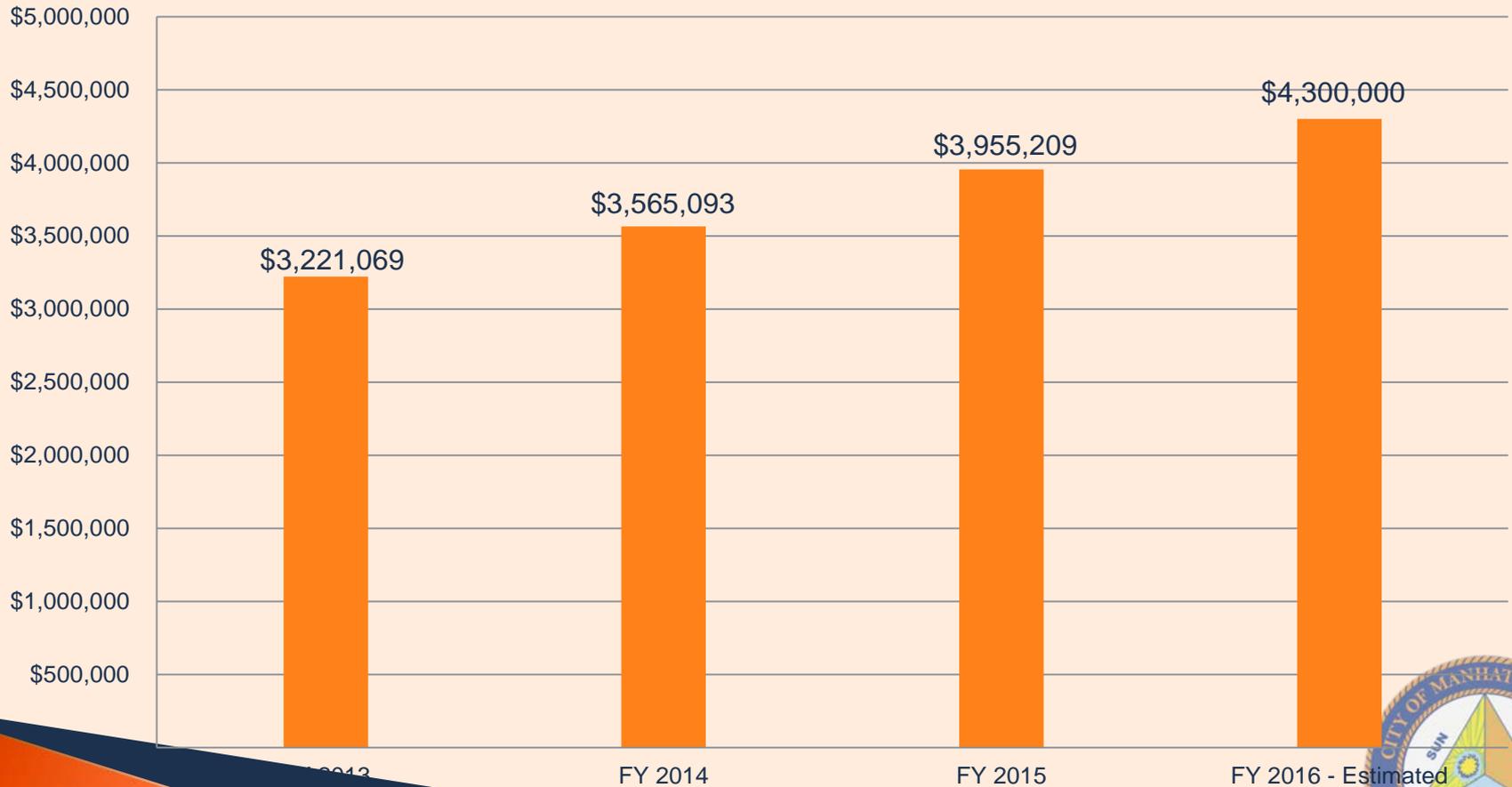
Transient Occupancy Tax (TOT)

- ▶ City levies 10% tax on hotel room rentals
 - 8.5% to General Fund
 - 1.5% to CIP Fund
- ▶ Mixed results by hotel, but overall positive
- ▶ General Fund Revenues projected to exceed budget by \$219,100 (5.4%); Up 8.7% from FY 2014-15



Transient Occupancy Tax (TOT)

Excludes CIP Fund Portion

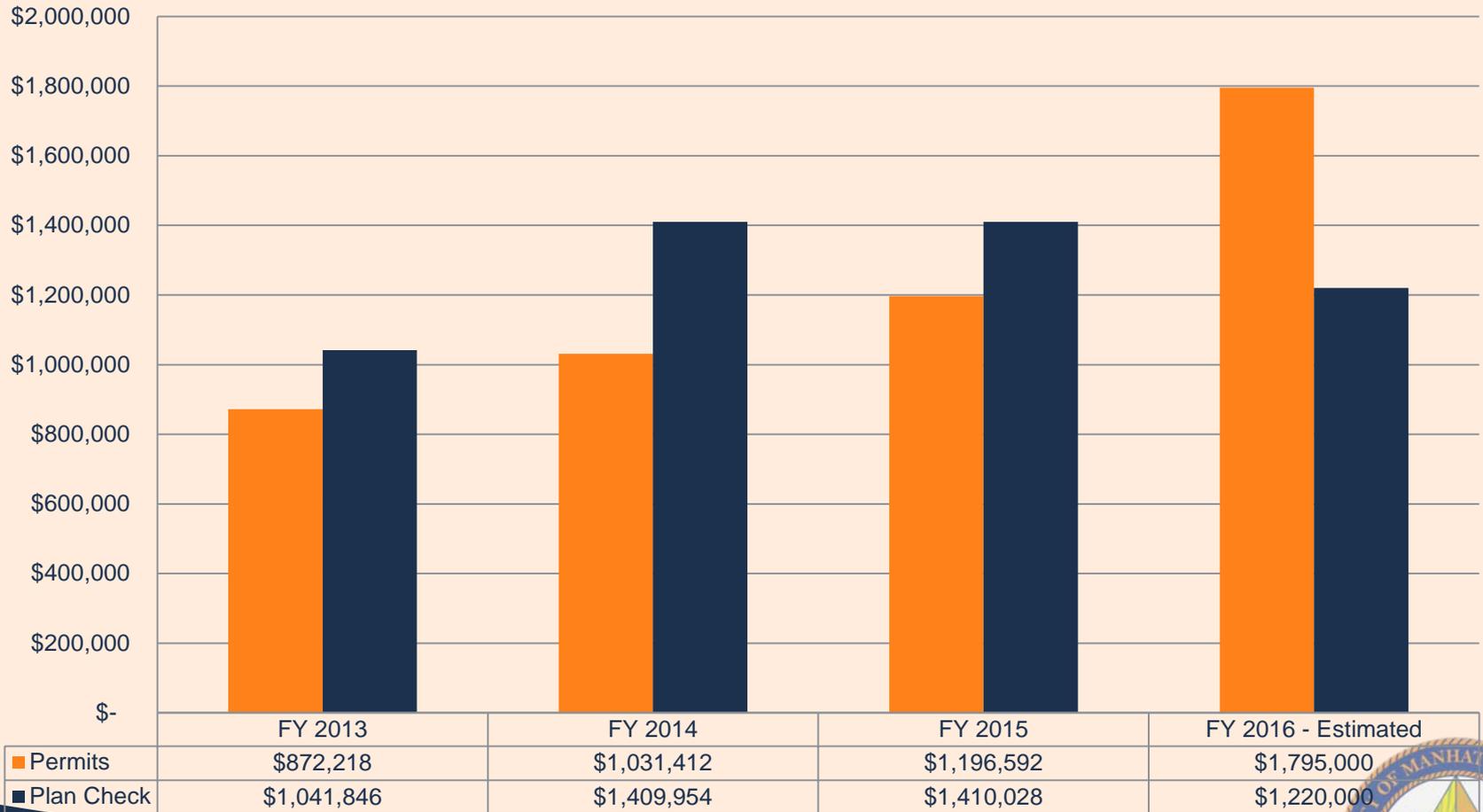


Building Permits/Plan Check

- ▶ Together trending \$408,380 (15.7%) over last year
- ▶ Building Permit revenues at budget; \$598,408 over prior year
- ▶ Plan Check Fees expected under budget
 - Volume trending same as prior two years.
 - Impacted by lower cost recovery charges
 - Budget assumed Manhattan Village Mall plan check before June 30



Building Permits/Plan Check

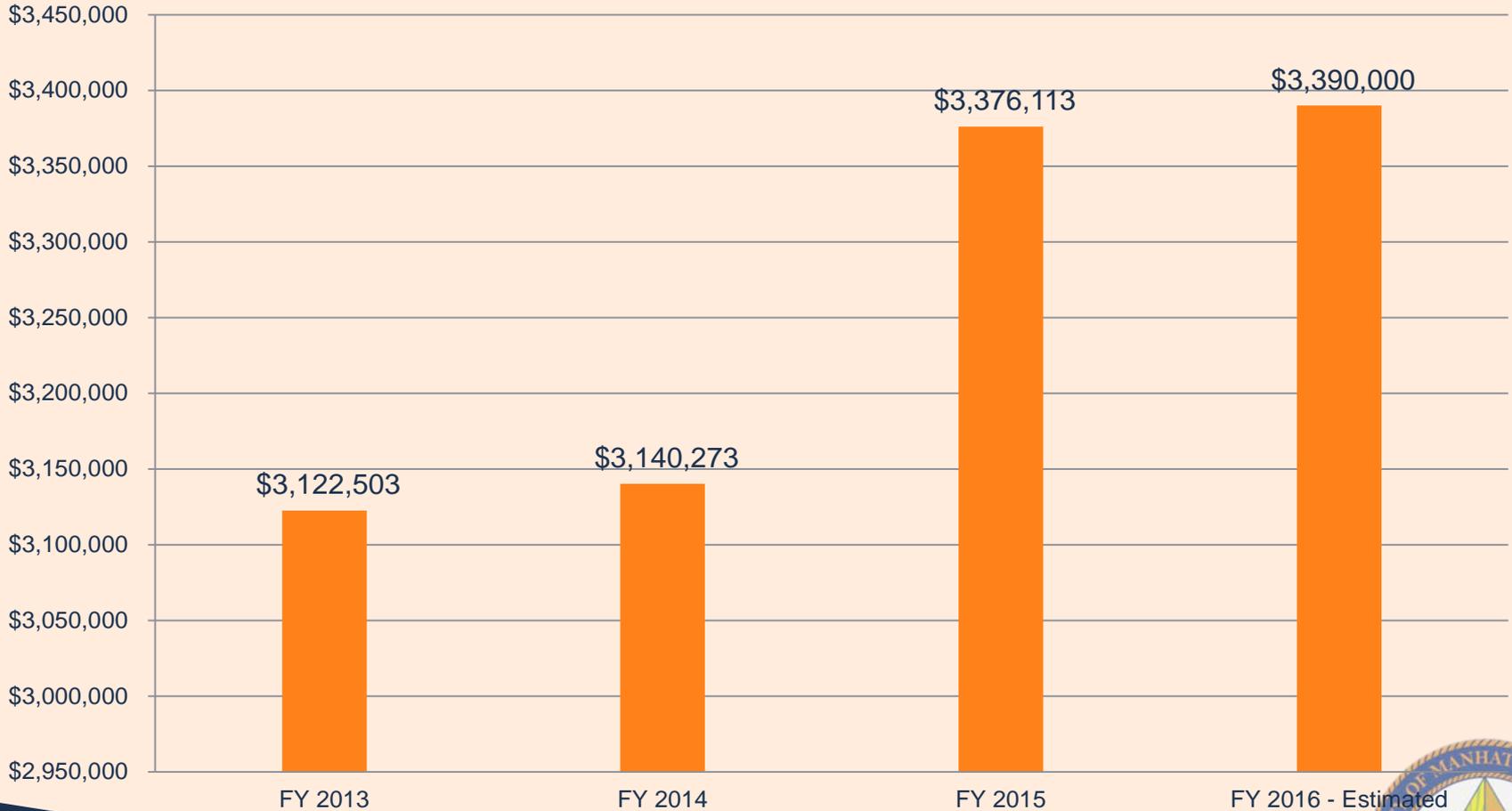


Business License Tax

- ▶ Issue approximately 5,000 annually
- ▶ Generally based on gross receipts
- ▶ Stable source even in downturn
 - Approximately 70 businesses pay maximum cap
- ▶ Expected 7.1% ahead of budget (\$225,000)



Business License Tax



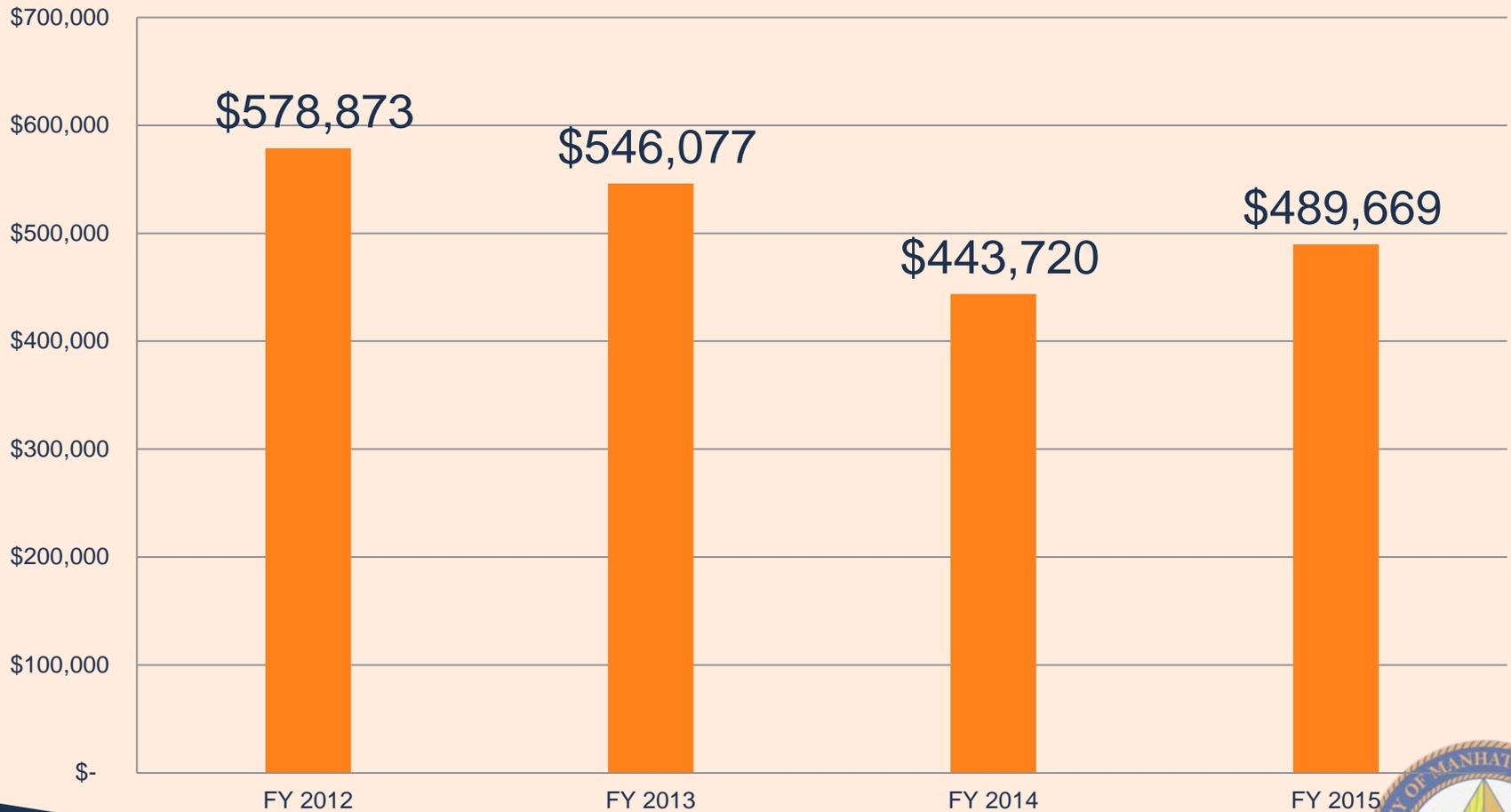
Interest Income

- ▶ Investment of idle cash
- ▶ Portfolio includes:
 - State Local Agency Investment Fund (LAIF)
 - Government Agencies (Freddie Mac, Fannie Mae)
 - Insured negotiable bank CDs
 - Corporate notes
- ▶ City's Investment Policies provide guidance
- ▶ Very low interest rate environment continues



Interest Income

General Fund Portion Only



General Fund Expenditures

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General Fund Expenditures

- ▶ Trending 0.8% or \$533,148 under budget for full year
- ▶ Expenditures include Temporary, Short-term Loan Outlay from Economic Uncertainty Reserve



Salaries and Wages

- ▶ Estimated to come in over budget by \$593,004 or 2.0%
- ▶ Budgeted 4.6% vacancy factor
- ▶ Police Department currently over-staffed in advance of planned retirements
- ▶ Fire Department Overtime trending over due to one vacant position and one employment on injury leave
 - Offset by Salary and Benefit savings from vacant position
 - Mutual Aid Overtime is offset by reimbursements from requesting agencies



Employee Benefits

- ▶ Estimated under budget by 0.7% or \$93,685 due to vacancies and lower than anticipated medical cost increases



Other Categories

- ▶ Property & Equipment anticipated to be under budget by \$249,700
 - Mostly related to Information Systems Master Plan projects not expected to be completed by year end
 - e.g. Finance and Human Resources System Upgrades
 - Remaining portion of projects will be re-budgeted in FY 2016-2017 for completion
- ▶ Utility Costs and Internal Service Charges both trending lower due to smaller cost increases than anticipated



Other Funds

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Other Funds

- ▶ Trending as appropriate through mid year
- ▶ Storm Water Fund and Street Lighting & Landscape District Fund operating at deficits as expected
 - No fund balances
 - General Fund transfers required until a Proposition 218 assessment vote is successful
- ▶ Insurance Fund claims activity performing better than last year
 - Phased 3-Year Transfer plan into effect to correct fund imbalance



Community Budget Priority Meetings Results



Budget Guiding Principles



Existing Budget Guiding Principles

- ▶ Eye towards innovation
- ▶ Look for efficiencies, incl. alternative service delivery models
- ▶ Continue fiscal integrity and sustainability
- ▶ Promote civic engagement/transparency of information
- ▶ Invest in our workforce to promote highest of service levels



New Principles – FY 16-18

- ▶ Enhance crime prevention tools
- ▶ Acquire, implement and improve technologies used to deliver outstanding services
- ▶ Plan for major CIPs and resources necessary
- ▶ Provide workforce with appropriate tools
- ▶ Address the six pillars of success in Council Strategic Plan when considering expenditures; utilize performance measures to communicate goals, results and values



Summary

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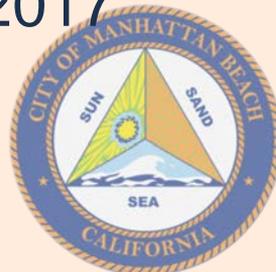
Summary

- ▶ Mid Year results are overall positive – both Revenues and Expenditures performing better than budget
- ▶ Expenditures expected to exceed Revenues by \$2,028,080 due to one-time expenditures and loan disbursement



Looking Ahead...

- ▶ Priorities determined through Strategic Planning process and Budget Workshops will be incorporated into budget
- ▶ Proposed Biennial Budget to be presented on May 3, 2016
- ▶ Budget Study Sessions in May
- ▶ FY 2016-17 Budget will be **adopted** in June; FY 2017-18 will be **approved**
 - Adoption of FY 2017-18 Budget will occur in June 2017



Mid Year Budget Review FY 2015-2016

