

Fiscal Year 2017/18

Third Quarter Financial Review

(Quarter Ended March 31, 2018)

City of Goleta
Council Meeting
May 15, 2018



General Fund Overview

- ▶ **Original Budget as adopted: \$24.9 million**
 - ▶ Adjusted in total by approximately \$9.9 million:
 - ▶ Carryover project budgets: \$1,608,094
 - ▶ Encumbrances: \$4,151,226
 - ▶ Additional appropriations: \$4,201,435 (as approved by Council to date)
 - ▶ Library related expenditures
 - ▶ DRI Parcel for Depot Acquisition
 - ▶ Various professional services related to repairs and tree maintenance
- ▶ **Current Budget stands at \$34.9 million as of today**

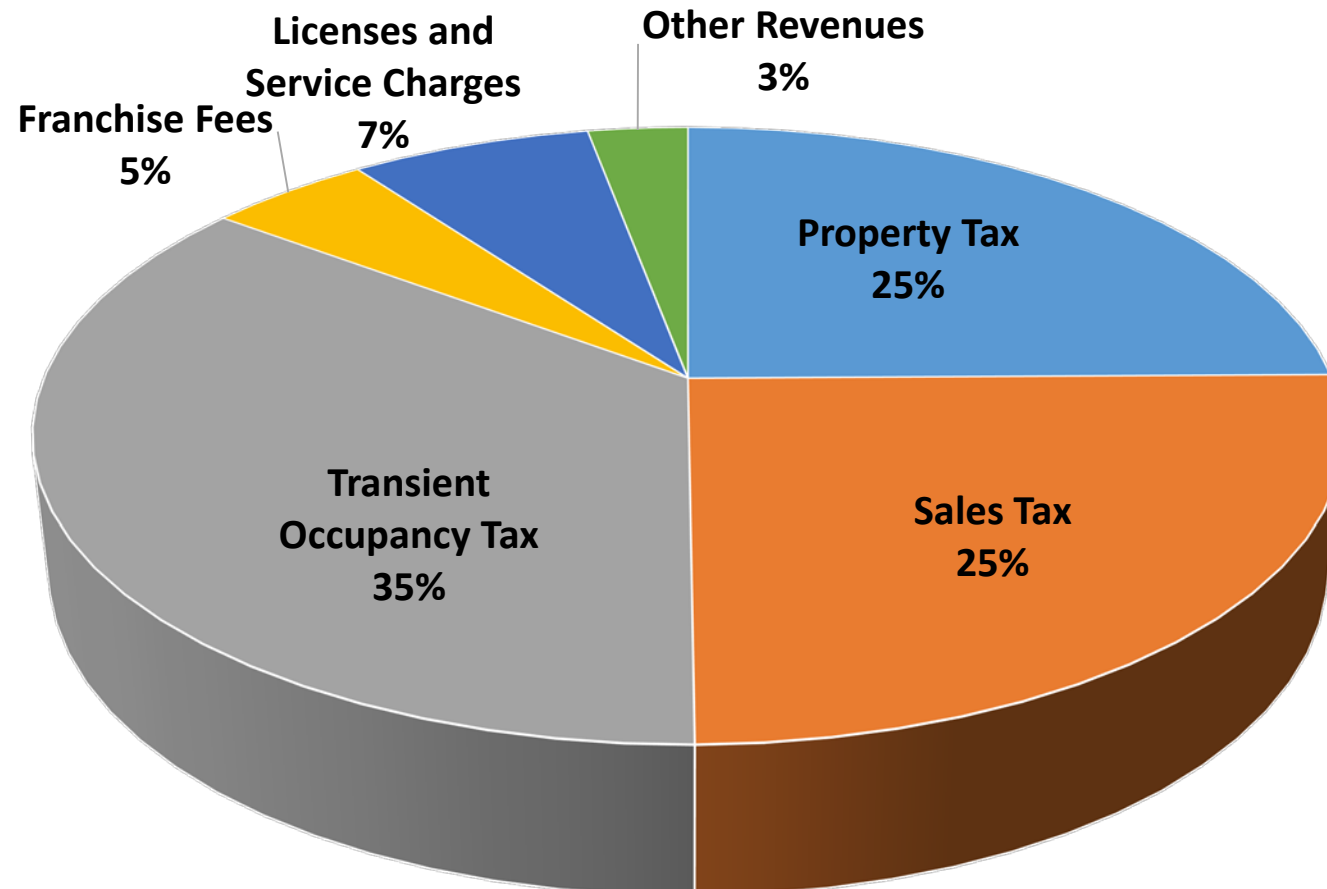
General Fund Overview

	ORIGINAL BUDGET	REVISIONS	CURRENT BUDGET	RECOMMENDED REVISIONS	REVISED BUDGET
Operating Revenues	\$ 25,791,716	\$ 374,368	\$ 26,166,084	\$ 65,000	\$ 26,231,084
Operating Expenditures	\$ 24,496,722	\$ 5,735,811	\$ 30,232,533	\$ 86,900	\$ 30,319,433
Capital Expenditures	\$ 399,559	\$ 4,224,944	\$ 4,624,503	\$ 68,822	\$ 4,693,325
Total Expenditures	\$ 24,896,281	\$ 9,960,755	\$ 34,857,036	\$ 155,722	\$ 35,012,759
Net Change	\$ 895,435	\$ (9,586,387)	\$ (8,690,952)	\$ (90,722)	\$ (8,781,675)

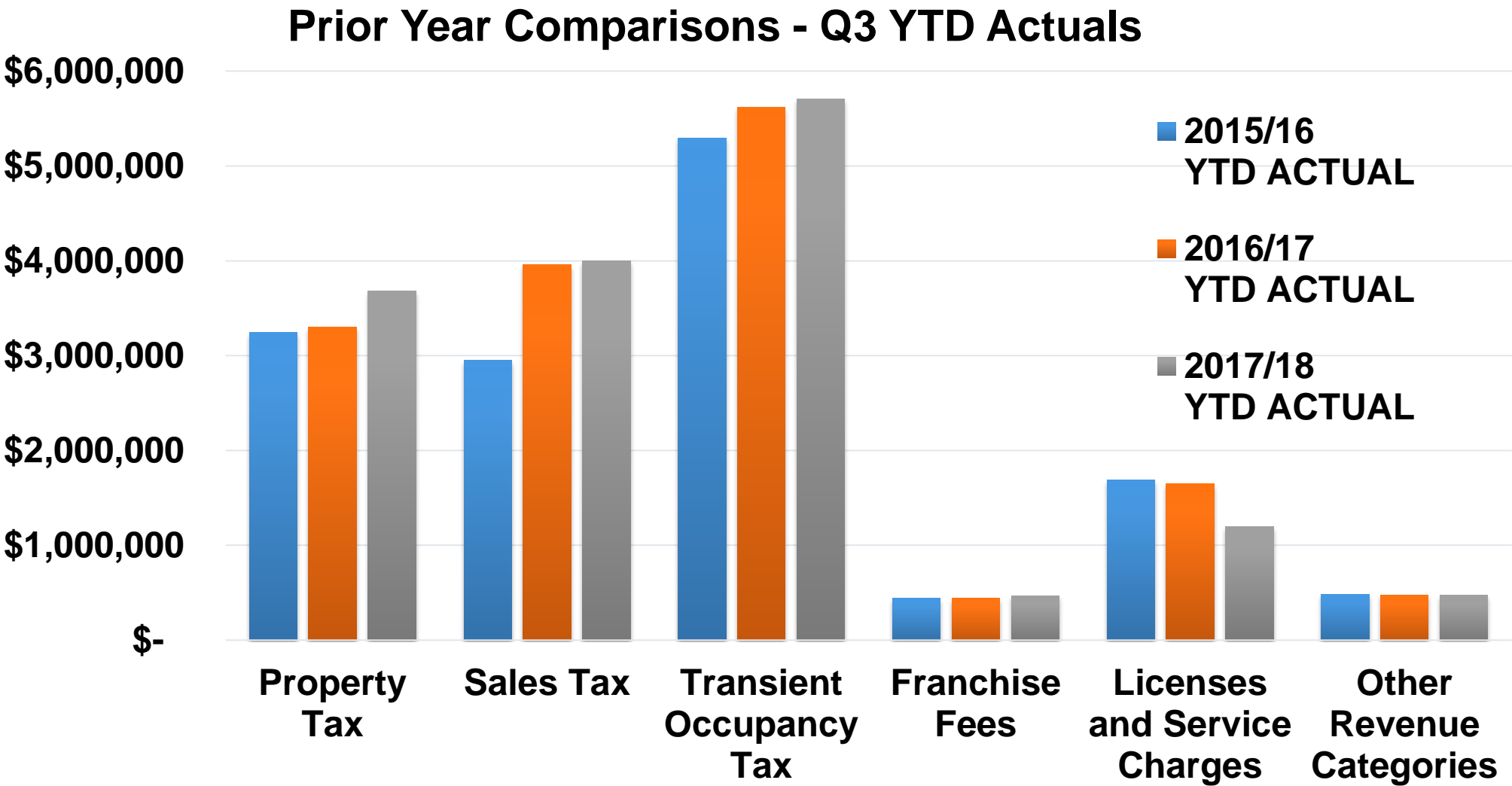
- ▶ Staff is recommending the following adjustments:
 - ▶ Increase Operating Revenues by \$65,000 (~0.25% increase)
 - ▶ Increase Operating Expenditures by \$86,900 (~0.29% increase)
 - ▶ Increase Capital Expenditures by \$68,822 (~1.49% increase)
- ▶ Overall net change results (\$90,722) to Fund Balance

General Fund Revenues

- ▶ **Total General Fund Revenues: \$26.2 M (Budget)**



General Fund Revenues



General Fund Revenues

- ▶ **Overall tax revenues are tracking as expected at 58.9% of total budget when compared to last year at 58.9%**
- ▶ **Tax Revenue Budget Variances:**

TAXES	2017/18 BUDGET	2017/18 YTD ACTUAL	% OF BUDGET	2016/17 YTD ACTUAL	% OF PRIOR YEAR BUDGET
Property Tax	\$ 6,490,218	\$ 3,678,368	56.7%	\$ 3,303,209	54.6%
Sales Tax	6,556,870	3,999,794	61.0%	3,958,557	59.4%
Transient Occupancy Tax	9,246,046	5,708,610	61.7%	5,617,296	64.5%
Franchise Fees	1,245,500	469,810	37.7%	444,043	37.0%
TOTAL	\$ 23,538,634	\$ 13,856,583	58.9%	\$ 13,323,105	58.9%

General Fund Revenues

- ▶ **Property Tax** - Trending slightly higher than prior year. Adjustments made at Mid-Year
- ▶ **Sales Tax** - Trending in line with prior year at 61.0%. No negative impact is expected from Thomas Fire and 101 closures
- ▶ **Transient Occupancy Tax** - Tracking as expected, and trending inline with prior year at 61.7%. Revenues reported are through February. Actual current revenues through March amount to 78% of annual budget, which is trending higher than prior year by 6%. No negative impact from Thomas Fire and 101 closures
- ▶ **Franchise Fees** - Tracking with budgeted amounts and is consistent with prior year at 37.7%

General Fund Revenues

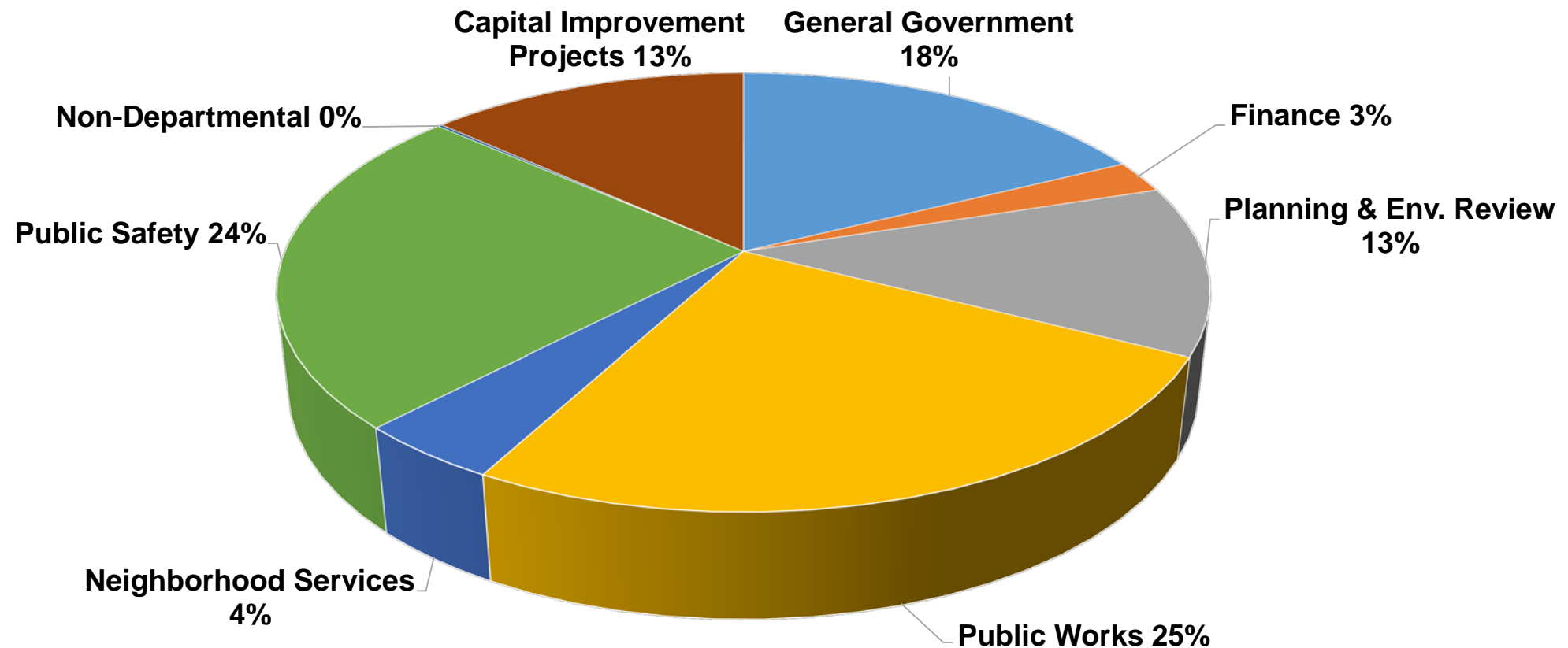
- ▶ **Licenses and Service Charges** – Tracking slightly lower than expected at 64.6% of budget, due to less activity this fiscal year

LICENSES AND SERVICE CHARGES	2017/18 BUDGET	2017/18 YTD ACTUAL	% OF BUDGET	2016/17 YTD ACTUAL	% OF PRIOR YEAR BUDGET
Legal Deposits Earned	\$ 10,000	\$ 2,286	22.9%	\$ 7,474	67.9%
Planning Fees	130,000	78,972	60.7%	111,017	81.8%
Planning Deposits Earned	242,000	168,690	69.7%	216,665	59.3%
Building Permits	750,000	519,426	69.3%	695,821	70.0%
PW Deposits Earned	65,000	40,785	62.7%	60,931	93.7%
PW/Engineering Fees	60,000	48,093	80.2%	52,031	79.0%
Solid Waste Roll Off Fees	32,640	28,197	86.4%	24,843	77.6%
Business License	263,000	204,280	77.7%	204,034	77.6%
Plan Check Fees	300,000	105,037	35.0%	271,970	64.4%
Other Licenses & Charges	2,475	3,299	133.3%	2,612	37.3%
TOTAL	\$ 1,855,115	\$ 1,199,066	64.6%	\$ 1,647,398	69.8%

- ▶ Staff is recommending a decrease of (\$7,000) in Legal Deposits Earned for lower activity than originally anticipated and a decrease of (\$150,000) in Plan Check Fees, based on current year tracking and lower activity expected by end of the fiscal year

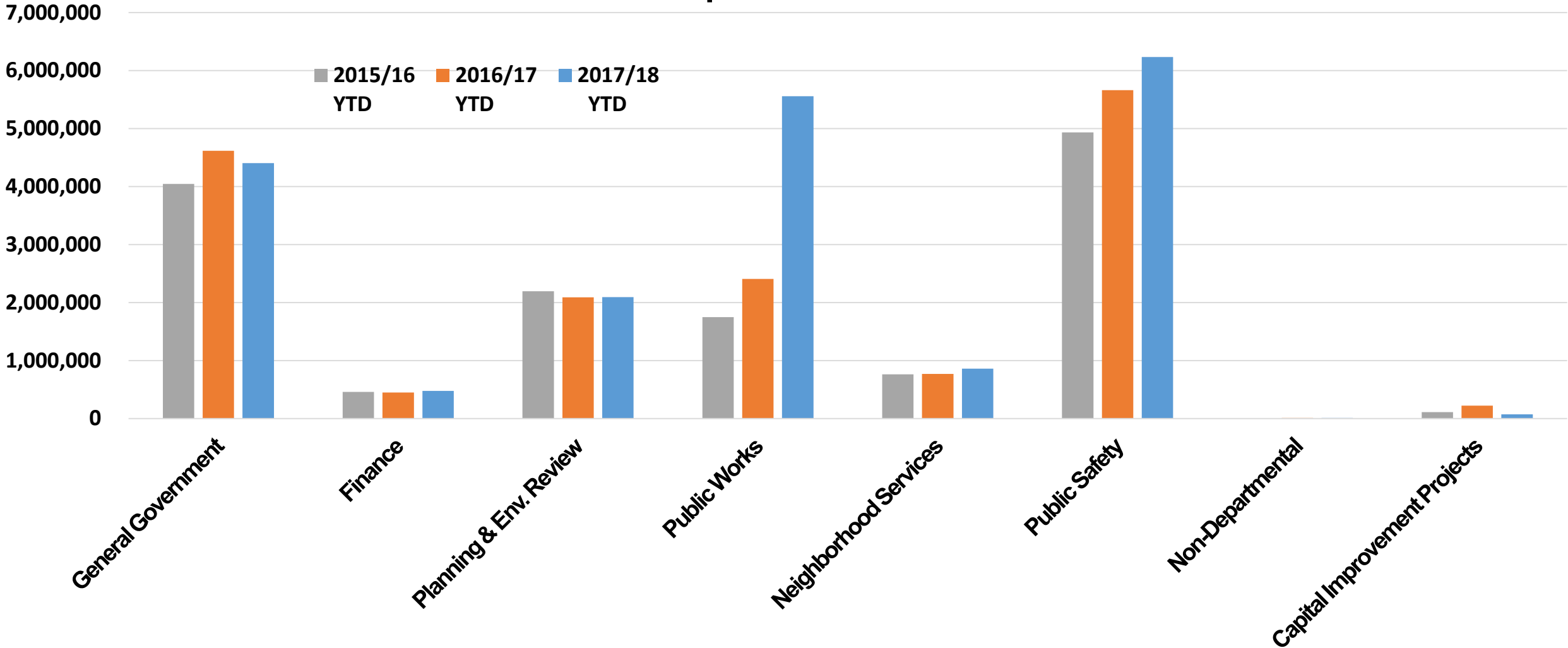
General Fund Expenditures

- ▶ **Total General Fund Expenditures: \$34.9 M (Budget)**



General Fund Expenditures

Prior Year Comparison - Q3 YTD Actuals



General Fund Expenditures

- ▶ Overall Expenditures are tracking as expected at 57% of budget, in comparison to 55% as of last fiscal year
- ▶ Original Budget as Adopted \$24.9 M
- ▶ Revised for carryovers of \$5.8 M and additional appropriations of \$4.2 M for a total budget of \$34.9 M
- ▶ Department budget variances evaluated
- ▶ Additional appropriations requested

General Fund Expenditures

DEPARTMENT	2017/18 BUDGET	2017/18 YTD	% OF BUDGET	2016/17 YTD	% OF BUDGET
General Government	\$ 6,148,170	\$ 4,405,265	72%	\$ 4,618,999	73%
Finance	840,681	478,781	57%	450,580	57%
Planning & Env. Review	4,361,176	2,093,347	48%	2,090,751	50%
Public Works	8,823,296	5,558,093	63%	2,407,154	33%
Neighborhood Services	1,504,215	859,747	57%	771,258	54%
Public Safety	8,494,995	6,234,806	73%	5,664,699	74%
Non-Departmental	60,000	11,837	20%	12,324	21%
Capital Improvement Projects	4,624,503	73,070	2%	223,883	12%
TOTAL	\$ 34,857,036	\$ 19,714,945	57%	\$ 16,239,647	55%

General Fund Expenditures

Recommended Appropriations

- ▶ **City Attorney's Office** – \$26,900 increase:
 - ▶ Professional Services-Legal: Requested to cover reimbursement to Westar. City is retroactively charging expenses to General Fund that were not related to development of Westar's Developer Deposit Case. Funding available from Legal Salary Reserve no longer needed of \$150,000.
- ▶ **Building & Safety**– (\$105,000) decrease:
 - ▶ Contract Services: Decrease to plan check services to coincide with the decreased revenue anticipated for plan check fees.
 - ▶ (Willdan receives 70% of Plan Check revenues)
- ▶ **Advance Planning**– \$165,000 increase:
 - ▶ Professional Services: Compliance monitoring of Platform Holly, and Ellwood Onshore Facility, and the 421 Piers. Funding needed to backfill project budgets. Funding available from Unassigned fund Balance.

General Fund Reserves

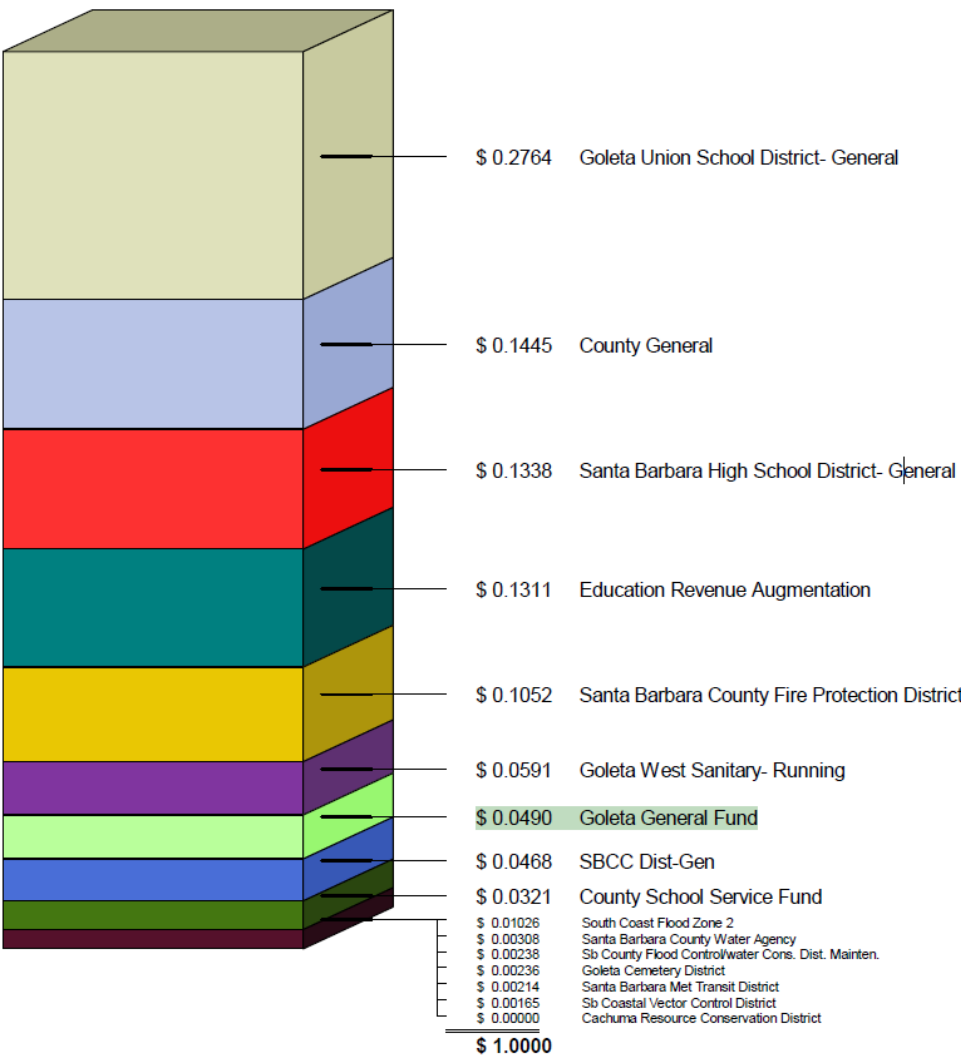
Classification	FY 2016/17 Ending Fund Balance	Increase or (Decreases)	FY 2017/18 Projected Ending Fund Balance	Recomm- endations	Adjusted FY 2017/18 Projected Ending Fund Balance
Contingency	8,753,058	(669,140)	8,083,918		8,083,918
Public Facilities	4,110,000	(2,587,350)	1,522,650	(68,822)	1,453,828
Capital Equipment	472,722	-	472,722		472,722
Compensated Leave	172,144	-	172,144		172,144
Building Maintenance	-	-	-		-
Risk Management	200,000	(15,200)	184,800		184,800
OPEB UAL	333,500	-	333,500		333,500
CalPERS UAL	170,000	-	170,000		170,000
CIP Project Funding	1,608,095	(1,608,095)	-		-
Encumbrances	4,151,227	(4,151,227)	-		-
Street Maintenance	-	-	-		-
Litigation Defense Fund	300,000	-	300,000		300,000
Legal Salary	-	150,000	150,000	(150,000)	-
Prepays and Deposit	135,766	(135,766)	-		-
Unassigned Fund Balance *	1,032,173	325,826	1,357,998	128,100	1,486,098
Total	21,438,685	(8,690,953)	12,747,732	(90,722)	12,657,010

**As mentioned in the staff report, \$70,580 is being requested for appropriation from the General Fund Unassigned Balance in the Memoranda of Understanding with Employee Bargaining Units staff report, and it is not accounted for in this table*

Revenue Neutrality Agreement

- ▶ **Revenue Neutrality Agreement**
 - ▶ Allocates funding to the County of Santa Barbara for Sales Tax at 30% of 1% revenues and Property Tax shared equally
 - ▶ **FY 2017/18 Estimated Payments = \$5.7 M**
 - ▶ Sales Tax = \$2.8 M
 - ▶ Property Tax = \$2.9 M
- ▶ **Estimated total contribution of \$109.3 M since City incorporation in 2002**

Revenue Neutrality Agreement



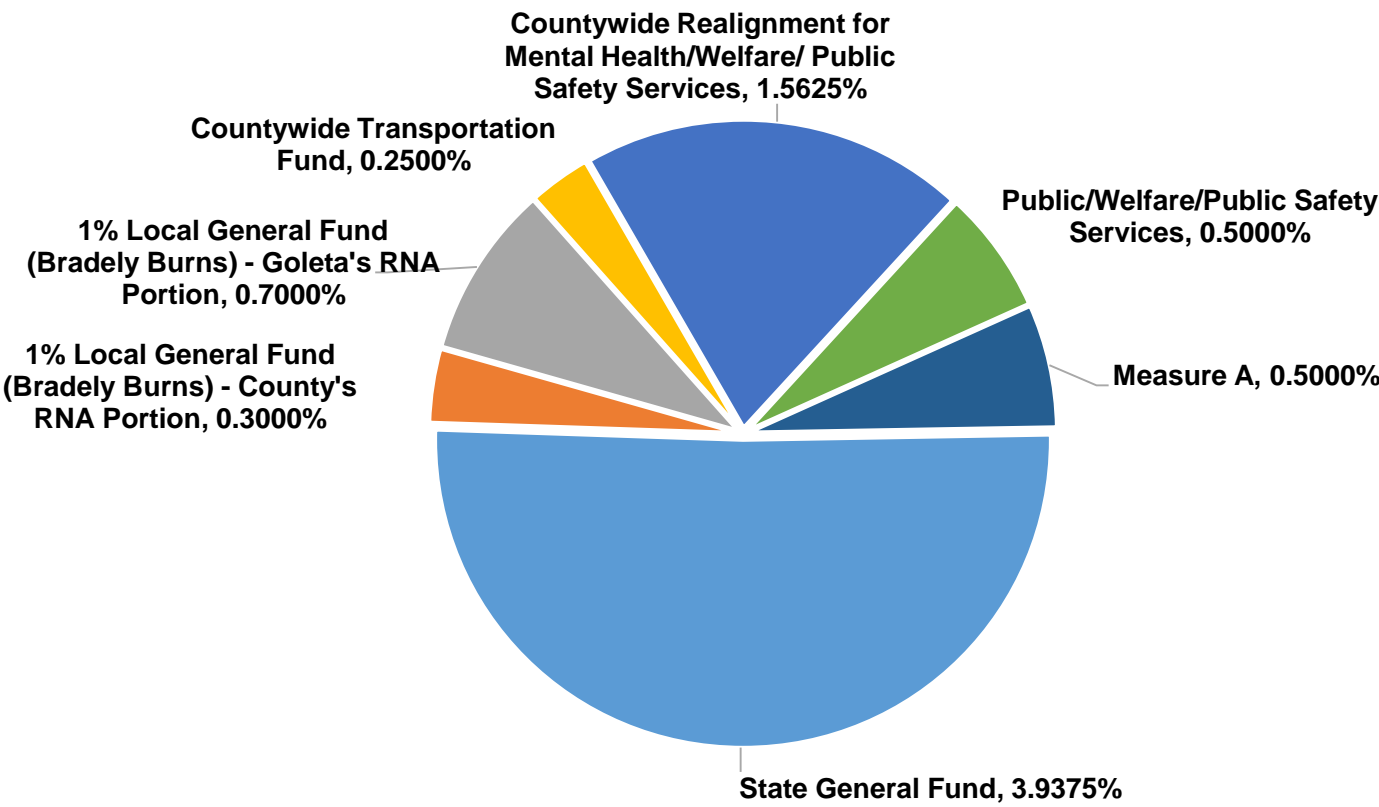
Property Tax:

For every Property Tax (AB 8 Basic 1%) dollar generated in Goleta, the City receives \$0.049 or approximately 5 cents, with the same amount going to the County of Santa Barbara per the RNA



Revenue Neutrality Agreement

Goleta Sales Tax - 7.75%



For every dollar subject to sales tax in Goleta, the City receives approximately 70% of 1 cent or \$0.007 (seven tenths of a cent), with \$0.003 allocated to the County of Santa Barbara per the RNA

Revenue Neutrality Agreement

- ▶ Historical RNA contributions to the County:

Fiscal Year	TOT	Sales Tax	Property Tax	Total	% Increase	Cumulative
FY 2001-02	\$ 593,845	\$ 1,238,182	\$ 646,130	\$ 2,478,157		\$ 2,478,157
FY 2002-03	1,427,873	3,485,996	1,676,202	6,590,071	166%	9,068,228
FY 2003-04	1,428,534	3,623,036	1,884,004	6,935,575	5%	16,003,803
FY 2004-05	1,521,955	3,864,388	2,073,526	7,459,868	8%	23,463,671
FY 2005-06	1,734,316	4,039,979	2,319,885	8,094,180	9%	31,557,851
FY 2006-07	1,714,352	4,116,749	2,408,162	8,239,262	2%	39,797,113
FY 2007-08	1,599,121	4,160,113	2,260,473	8,019,707	-3%	47,816,819
FY 2008-09	1,385,329	3,353,658	2,268,484	7,007,471	-13%	54,824,290
FY 2009-10	1,130,080	3,310,542	2,275,041	6,715,663	-4%	61,539,953
FY 2010-11	1,289,716	3,905,548	2,278,993	7,474,257	11%	69,014,211
FY 2011-12	1,450,817	3,845,273	2,444,348	7,740,437	4%	76,754,648
FY 2012-13	-	2,475,779	2,462,971	4,938,750	-36%	81,693,397
FY 2013-14	-	2,919,559	2,533,718	5,453,277	10%	87,146,674
FY 2014-15	-	2,712,759	2,554,787	5,267,546	-3%	92,414,220
FY 2015-16	-	2,664,189	2,781,468	5,445,657	3%	97,859,877
FY 2016-17	-	2,781,909	2,966,737	5,748,646	6%	103,608,522
FY 2017-18	-	\$ 2,810,049	\$ 2,914,214	\$ 5,724,263	0%	109,332,785
TOTAL				\$ 109,332,785		

Capital Improvement Program (CIP)

- ▶ **CIP Summary by project reviewed for adequate funds** (Attachment 4)
- ▶ **Updates to funding sources for CIP Projects for FY 2017/18**
- ▶ **Recommended adjustments are the result of analysis and verification of Developer Agreement funds and Fire DIF revenues for Fire Station No. 10**
 - ▶ Analysis resulted in three additional CIP projects needing adjustments, including additional appropriation from General Fund Public Facilities reserves and Park DIF fund balance to backfill adjustments recommended for Fire Station No. 10
- ▶ **CIP Projects recommended for adjustments include:**
 - ▶ Fire Station No. 10 (Project 9025)
 - ▶ Amtrak Depot (Project 9079)
 - ▶ Reclaimed Water to Bella Vista Park (Project 9065)
 - ▶ Rancho La Patera Improvements (Project 9078)

Capital Improvement Program (CIP)

Staff is recommending the following adjustments:

▶ **Fire Station No. 10 (Project 9025)**

- ▶ Additional appropriation of \$270,000 from Developer Agreement funds and \$220,000 from Fire DIF funds. Funds are available after adjustments made to the CIP projects listed below:

▶ **Amtrak Depot (Project 9079)**

- ▶ Reduce \$68,222.30 from Developer Agreement funds and reprogram to Fire Station No. 10. An additional appropriation of \$68,222.30 from General Fund's Facilities Reserve account is requested to backfill. Approximately \$1.5 million is available in the facilities reserve account, are not currently programmed.

▶ **Reclaimed Water to Bella Vista Park (Project 9065)**

- ▶ Decrease budgeted expenditures of (\$121,544.53) in Developer Agreement funds, and appropriate \$121,544.43 from Park DIF funds to backfill recommended adjustments. Park DIF funds are available from fund balance that have not yet been programmed.

Capital Improvement Program (CIP)

Staff is recommending the following adjustments (continued):

▶ Rancho La Patera Improvements (Project 9078)

- ▶ Decrease budgeted expenditures of (\$220,000) from Fire DIF funds and (\$186,163.92) from Developer Agreement funds, and appropriate \$406,163.92 from Park DIF to backfill recommended adjustments. Park DIF funds are available from fund balance that have not been programmed
- ▶ Approximately \$80,223.17 of the \$186,163.92 Developer Agreement fund adjustment will be transferred to Fire Station No. 10 and \$105,930.75 released back into Developer Agreement fund balance and set aside for Storke Road Widening – Phelps Road to City Limits Project (Project 9042) for future use

Other Funds

▶ **Comparison of Budget vs. Actual for All Funds (Attachment 3)**

- ▶ Deficit fund balances for “Others Funds” is due to pending reimbursements currently in process for grant related funds or timing of revenues
- ▶ Recommended budget adjustments for the Public Safety COPS Grant Fund (Fund 302)

▶ **Gas Tax Fund* (Fund 201)**

- ▶ Revenues received through Q3 of \$511,802 are tracking as expected at 70% budget (reflects revenues through end of March)
- ▶ Staff is not recommending any adjustments at this time but will monitor any fluctuations in revenue estimates.

**Does not reflect SB 1 – Road Repair and Accountability Act of 2017. First distribution received in January 2018 and reported in a separate fund (Fund 203). Staff expects \$176,481 to be received for FY 17/18. As of Third Quarter, the City has received \$41,547 or 23.5% and reflect receipts through end of February.*

Other Funds

▶ **Measure A (Fund 205)**

- ▶ Revenues on target at 79.7% through Q3 of the budget estimate of \$1.5 M
- ▶ Expenditures, which includes carryovers, total \$4.2 million for the fiscal year
 - ▶ Variances in expenditures represent 76.4% of budget, that has been expended or encumbered through Third Quarter, as a result of street maintenance and CIP projects that are currently underway

▶ **Citizen's Option for Public Safety (COPS) (Fund 302)**

- ▶ Recommended budget adjustment increase of \$39,420 to both revenue and expenditures
- ▶ Represents one time payment for increased revenues
- ▶ Additional appropriation will be utilized to help offset costs for Police Services

Finance and Audit Standing Committee

- ▶ **Staff met with the Finance and Audit Standing Committee on May 10, 2018 and support the recommended budget adjustments as discussed and outlined in Attachment 5 – Exhibit A.**

Looking Ahead...

- ▶ **Fourth Quarter Financial Review (Unaudited) in September 2018**
- ▶ **Mid-Cycle Budget (FY 18/19) Update**
 - ▶ Mid-Cycle Budget Adoption scheduled for June 5, 2018

Questions?