



# STAFF REPORT

TO: Mayor and Members of the City Council  
 FROM: Paul S. Rankin, Contract Finance Director  
 VIA: Sean Rabé, City Manager  
 MEETING DATE: September 14, 2016  
 SUBJECT: Preliminary Fourth Quarter Financial Report (April 2016 – June 2016)

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## RECOMMENDATION

Staff recommends that the City Council adopt a

MOTION TO RECEIVE AND FILE THE FOURTH QUARTER (APRIL 2016 – JUNE 2016)  
 FINANCIAL REPORT AND DIRECT STAFF TO POST A COPY ON THE TOWN WEBSITE.

## EXECUTIVE SUMMARY

In order to provide the City Council and the public with periodic updates on the Town Finances, Staff prepared a Quarterly Report. The focus of the information is on the General Fund. This report compares the current year performance to the amended Budget as well as providing a comparison to the previous year. This report is considered preliminary as there will be year-end accruals and audit entries that will impact the final numbers.

## FISCAL IMPACT

Estimated year-end results are that actual revenue will exceed the amount budgeted and expenditures will be less than the amount budgeted. This results in a positive impact to the Town General Fund reserves.

## ANALYSIS

Staff reviewed the revenue and expenditures recorded during the Fiscal Year. The reported results are subject to change as final accruals and adjustments are made in preparation for the annual financial audit. Also, since this report represents the fourth quarter comparisons are provided to the audited results of the previous fiscal year as well as the current year budget.

The Quarterly Report (Attachment A) summarizes the results at a high level and also discusses the reasons for any significant deviations.

For Fiscal Year 2015-16 the General Fund includes budgeted revenue of approximately \$16.8 million and expenditures totaling \$14.5 million. In addition the General Fund has net budgeted transfers of approximately \$9.9 million. The amended Budget includes an expenditure approved in the fourth quarter to establish a Fleet Replacement Fund.

Overall, General Fund revenue is projected to exceed the Budget estimate by 5%, while expenditures in the General Fund are estimated to be approximately 8% below the authorized Budget. The final results will be presented with the audited financial statements later this year. The positive impact on the General Fund will be incorporated in future discussions with the City Council regarding prudent planning to address current unfunded liabilities. Additional details are described in Attachment A.

### **Reasons For the Recommended Action**

Acceptance of the report provides disclosure of current year revenue and expenditure trends.

### **COUNCIL ADOPTED VALUES**

The Staff recommendation is consistent with the Council adopted values of:

- *Responsibility*: Making decisions after prudent consideration of their financial impact, taking into account the long-term financial needs of the agency, especially its financial stability.
- *Fairness*: Support the public's right to know and promote meaningful public involvement.

### **CONCLUSION**

Staff is requesting that the City Council receive and file the report and direct Staff to post a copy to the Town website.

### **ATTACHMENT**

A. Preliminary Quarterly Financial Report – Fourth Quarter 2015-2016 (April 2016–June 2016).



## PRELIMINARY QUARTERLY FINANCIAL REPORT FOURTH QUARTER 2015-2016 (April 1, 2016 – June 30, 2016)

This report provides an overview and summarized information on the Town Finances. This is a preliminary report prepared prior to the completion of the annual financial audit and end of year accruals. The final year-end accruals will be reported as part of the annual audit and financial statements.

For the Town of Colma, the General Fund represents the most significant portion of the annual revenue and expenditures. Therefore, the focus of the report will be on the performance of the General Fund, unless otherwise noted. The format of the report compares data from the Prior Year actual results to the Current Year Budget / Quarterly Actual. Since this report covers the final quarter the amount reported for the previous year are the total as reported in the Audited Financial Statements. The current year amounts presented provide preliminary information and a comparison to the amended budget, prior to final adjustments.

### **GENERAL FUND FINANCIAL POSITION**

In Fiscal Year 2015-2016 the General Fund includes budgeted revenue of approximately \$16.8 million and budgeted expenditures of \$14.5 million. The amended budget included a City Council authorized contribution in the fourth quarter to fund the establishment of a fleet replacement fund. In addition the General Fund has net budgeted transfers of approximately \$9.9 million. A transfer represents resources in one fund that are transferred to another fund. The transfers in the current year budget are for Capital Project funding and Debt Service. This includes a Transfer for the Town Hall Construction. These funds will remain in the CIP Fund until expended for the project.

Total General Fund Revenue for the year is estimated to exceed the amount budgeted and expenditures prior to final accruals are less than the amount budgeted. Overall net "transfers" are estimated to be \$19,620 less than the amount budgeted. The combination of all of these factors will have a positive impact on the total General Fund Reserves at year end.

	FISCAL YEAR 2014-2015			FISCAL YEAR 2015-2016		
	Actual Fiscal Year	4th Qtr Actual		Amended Budget Fiscal Year	4th Qtr Estimate (Pre-Audit)	% of Budget For Period
Revenue	\$16,526,223	\$16,526,223		\$16,803,222	\$17,683,371	105.2%
Expenditures	(12,948,463)	(12,948,463)		(14,544,279)	(13,412,017)	92.2%
Net Transfers In / (Out)	(2,927,828)	(2,927,828)		(9,852,155)	(9,832,535)	
Net Change	649,932	649,932		(7,593,212)	(5,561,181)	
Beginning Balance	27,467,979	27,467,979		28,117,913	28,117,911	
Balance Year To Date	28,117,911	28,117,911		20,524,701	22,556,730	

**MAJOR GENERAL FUND REVENUE SOURCES**

Over 90 percent of the budgeted General Fund Revenues are concentrated in four revenue types.

	FISCAL YEAR 2014-2015			FISCAL YEAR 2015-2016		
	Actual Fiscal Year	4th Qtr Actual		Budget Fiscal Year	4th Qtr Estimate (Pre-Audit)	% of Budget For Period
Sales Taxes	\$10,327,853	\$10,327,853		\$10,500,000	\$10,851,062	103.3%
Cardroom Taxes	3,774,885	3,774,885		3,850,000	4,039,518	104.9%
Property Taxes	552,017	552,017		521,900	562,378	107.8%
Sewer Fees	758,019	758,019		700,000	836,480	119.5%
Sub-Total Major Revenue	\$15,412,773	\$15,412,773		\$15,571,900	\$16,289,438	104.6%
Total All Gen Fund Revenue	\$16,526,223	\$16,526,223		\$16,803,222	\$17,683,371	
% of Total Revenue	93.3%	93.3%		92.7%	92.1%	

As shown in the previous table each of the major General Fund revenue sources exceeded the amount included in the adopted budget. A narrative explanation is provided below for key deviations.

- Sales Tax revenue is subject to a final accrual for the actual taxes generated through June 30, 2016.
- Sales Tax exceeded the amount reported in the previous year by approximately \$500,000. This is the result of increased retail sales as well as a one-time increase from the wind-down of triple flip reimbursements from the State of California.
- Cardroom taxes can fluctuate from year to year based on a variety of factors. The year ended with an increase of approximately \$265,000 more than the previous year. This revenue has been increasing, however, it still remains below the amount collected in Fiscal Year 2013-14.
- Property taxes recorded represent a 2% increase over the previous year largely attributable to new assessed values.
- Sewer Fees are collected on the Property Tax bill.
- As previously reported the sewer revenue based on the final rates adopted was anticipated to exceed the Budget. The overall expenditures for sewer expenses as discussed below were more than the fees collected.

**GENERAL FUND EXPENDITURES**

When compared to the prior year performance expenditures through for the year were approximately \$464,000 higher in the current year. In the fourth quarter the City Council approved establishing a fleet replacement fund. This action increased the authorized Fiscal Year 2015-16 Budget by \$776,012. If this had not occurred General Fund expenditures would have been less than the previous year. Key fiscal results by program area are outlined on the next page.

	FISCAL YEAR 2014-2015			FISCAL YEAR 2015-2016		
	Actual Fiscal Year	4th Qtr Actual		Budget Fiscal Year	4th Qtr Estimate (Pre-Audit)	% of Budget For Period
General Government	\$3,903,935	\$3,903,935		\$3,441,970	\$3,193,807	92.8%
Police	4,728,613	4,728,613		5,896,476	5,536,520	93.9%
Engineering / Building / Planning	1,256,815	1,256,815		1,466,000	1,381,129	94.2%
Public Works Maintenance	1,712,167	1,712,167		2,223,203	1,970,118	88.6%
Recreation Services	824,248	824,248		887,580	866,913	97.7%
Facility Maintenance	522,685	522,685		629,050	463,531	73.7%
<b>TOTAL</b>	<b>\$12,948,463</b>	<b>\$12,948,463</b>		<b>\$14,544,279</b>	<b>\$13,412,017</b>	<b>92.2%</b>

- Expenditures in each of the Program Areas were below the authorized budget.
- General Government expenditures were approximately \$710,000 less in Fiscal Year 2015-16 compared to Fiscal Year 2014-15. The 2014-15 expenditures were impacted by a \$1 million contribution to establish an OPEB Trust. The contribution made in Fiscal Year 2015-16 was approximately half that amount. In the future retiree benefit contributions for health benefits will be allocated to all departments.
- Police expenditures increased by approximately \$808,000 over the previous year. Of this amount \$333,885 was related to contributions to a Fleet Replacement Fund.
- Engineering / Building / Planning had an increase of approximately \$124,300 over the previous year. In part this reflected increased development activity including applications offset by fees and reimbursements.
- Public Works Maintenance was approximately \$257,950 more than the previous year. This Program also incurred an expense of approximately \$310,000 for the establishment of a Fleet Replacement Fund. Had that expenditure not occurred the year to year variance would have shown a savings. In Fiscal Year 2015-16 contract supervision services were reduced which was one factor in the variance.
- Recreation Program expenses were approximately \$43,000 more than the previous year. This included a \$5,000 contribution toward the establishment of a Fleet Replacement Fund.

The following table also displays the expenses organized by expenditure type.

	FISCAL YEAR 2014-2015			FISCAL YEAR 2015-2016		
	Actual Fiscal Year	4th Qtr Actual		Budget Fiscal Year	4th Qtr Estimate (Pre-Audit)	% of Budget For Period
Salaries & Benefits	\$7,503,292	\$7,503,292		\$7,426,397	\$7,133,861	96.1%
Operating Services & Supplies	1,397,540	1,397,540		2,605,892	2,272,106	87.2%
Contractual / Professional Services	2,330,175	2,330,175		2,557,100	2,207,236	86.3%
Infrastructure Maint Contract Svcs	309,107	309,107		347,200	281,416	81.1%
Sewer Services	938,126	938,126		1,024,400	940,029	91.8%
Insurance (Liability/Property/WC)	470,222	470,222		583,290	577,369	99.0%
<b>TOTAL</b>	<b>\$12,948,463</b>	<b>\$12,948,463</b>		<b>\$14,544,279</b>	<b>\$13,412,017</b>	<b>92.2%</b>

Overall the expenditures for the year are expected to trend within the adopted budget. Information related to significant deviations are discussed below:

- As shown in the previous table salaries and benefits are the most significant portion of General Fund expenditures. The difference in spending from FY 2014-15 to Fiscal Year 2015-16 shows a decrease of approximately \$369,000. As stated earlier in FY 2014-15 there was a \$1 million expense to establish a trust fund for future retiree medical expenses. There was also a savings from vacancies.
- Contract services include a variety of professional as well as service contracts associated with providing Town services. The expenditures in the current year were over \$100,000 less than in the previous year.
- Sewer Service costs were very close to the same amount in both of the years.
- The year to year increase in Insurance costs is more than \$100,000. A significant portion of this increase is related to workers compensation premiums.

### **ADDITIONAL DETAILS AND INFORMATION**

This format is prepared by the Finance Department to highlight in summary fashion key indicators of the Town Financial performance. Additional details are available on the Town website [www.colma.ca.gov](http://www.colma.ca.gov).