



City of Rialto

Midyear Budget Review

Fiscal Year 2017/2018

City Council Presentation – April 24, 2018

Presentation Outline

Background

General Fund

- Revenues
- Expenditures
- Reserves

Other Funds

Conclusions

Background

- Fiscal Year 17/18 Budget adopted July 11, 2017
- Budget Measures Taken
 - Froze 11 positions
 - Reduced service and supply budgets across all departments
 - Eliminated general fund operating capital outlay
 - Deferred more than half the annual OPEB payment obligation
- Additions/Deletions throughout the year leading to an Adjusted Budget
- Staff review of variances and departmental requests
- Council Budget Committee Review
- City Council Approval

Background Continued

City Council Actions During the Fiscal Year

1. Approve the Annual Budget
2. Approve changes to the Budget
 - Carry-forwards
 - Supplemental Appropriations
 - Mid-Year Budget Requests
3. Maintained control of position additions
4. Acts based upon realistic forecasts
5. Created a Budget Advisory Committee
6. Commissioned a Long-range financial planning model
7. Exploring options to address pension funding short-fall
8. Keep adequate reserves
9. One-times monies used for one-time expenditures
10. Actively pursue new development

The General Fund at Mid-Year

Revenues and Expenditures

Operating vs. Non-Operating Results

- Operating revenues and expenditures are recurring in nature
 - Somewhat predictable
 - Operating Revenues used to pay for Operating Expenditures
 - If Operating Expenditures exceed Operating Revenues then a Structural Deficit is said to exist.
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- Non-Operating revenues and expenditures sometimes called “one-time” items.
 - Can be significant but should not be used to forecast future results.

Table 1**Summary of All General Fund Activity (Operating and Non-Operating)**

	Adopted Budget FY 18	Adjusted Budget FY 18	Mid-Year Budget FY 18	Adjusted to Mid-Year	
				\$	%
Revenues	89,973,830	92,874,437	94,687,636	1,813,199	2%
Taxes	55,278,200	55,278,200	56,155,200	877,000	2%
Other Operating Revenues	22,267,630	25,168,237	26,104,436	936,199	4%
Non-Operating Revenues	12,428,000	12,428,000	12,428,000	0	0%
Expenditures	82,105,461	91,438,664	93,271,402	1,832,738	2%
Salaries & Benefits	53,826,866	53,970,686	52,720,769	(1,249,917)	-2%
Services & Supplies	20,551,445	23,669,936	25,752,591	2,082,655	9%
Capital Outlay	3,000,000	5,502,612	5,502,612	-	0%
Debt Service	5,000	5,000	5,000	-	0%
Other	4,722,150	8,290,430	9,290,430	1,000,000	12%
Operating Surplus/(Deficit)	7,868,369	1,435,773	1,416,234	(19,539)	

Table 2
Summary of General Fund Operating Activity

	Adopted Budget FY 18	Adjusted Budget FY 18	Mid-Year Budget FY 18	Adjusted to Mid-Year	
				\$	%
Revenues	77,545,830	80,446,437	82,259,636	1,813,199	2%
Taxes	55,278,200	55,278,200	56,155,200	877,000	2%
Other Revenues	22,267,630	25,168,237	26,104,436	936,199	4%
Expenditures	75,951,060	81,021,602	84,950,510	3,928,908	5%
Salaries & Benefits	53,268,767	51,874,516	52,720,769	846,253	2%
Services & Supplies	21,823,932	23,669,936	25,752,591	2,082,655	9%
Capital Outlay	-	-	-	-	0%
Debt Service	216,886	5,000	5,000	-	0%
Other	641,475	5,472,150	6,472,150	1,000,000	18%
Operating Surplus/(Deficit)	1,594,770	(575,165)	(2,690,874)	(2,115,709)	

Table 3
Summary of General Fund Operating Revenues

	Adopted Budget FY 18	Adjusted Budget FY 18	Mid-Year Budget FY 18	Adjusted to Mid-Year	
				\$	%
Taxes	55,278,200	55,278,200	56,155,200	877,000	2%
Sales Taxes	14,894,000	14,894,000	16,231,000	1,337,000	9%
Utility Taxes	14,195,500	14,195,500	13,890,500	(305,000)	-2%
In Lieu Property Tax (VLF)	11,300,000	11,300,000	11,300,000	0	0%
Property Taxes	10,098,000	10,098,000	10,098,000	0	0%
Other Taxes	4,790,700	4,790,700	4,635,700	(155,000)	-3%
Other Revenues	22,267,630	25,168,237	26,104,436	936,199	4%
Revenue/Other Agencies	3,448,420	6,157,399	6,303,324	145,925	2%
RUA Lease Payments	3,140,530	3,140,530	3,140,530	0	0%
Services Charges	7,022,200	7,006,200	7,145,150	138,950	2%
Licenses/Permits	4,271,250	4,271,250	4,818,793	547,543	13%
Operating Transfers In	2,384,130	2,584,275	2,590,286	6,011	0%
Use of Money	894,800	894,800	894,800	0	0%
Misc Revenue	555,700	563,183	665,953	102,770	18%
Fines/Penalties/Other	550,600	550,600	545,600	(5,000)	-1%
Total Revenues	77,545,830	80,446,437	82,259,636	1,813,199	2%

Table 4
Summary of General Fund Operating Expenditures Trends

	Adopted Budget FY 18	Adjusted Budget FY 18	Mid-Year Budget FY 18	Adjusted to Mid-Year	
				\$	%
Total Expenses	75,951,060	81,021,602	84,950,510	3,928,908	5%
Salaries & Benefits	53,268,767	51,874,516	52,720,769	846,253	2%
Services & Supplies	21,823,932	23,669,936	25,752,591	2,082,655	9%
Capital Outlay	0	0	0	0	0%
Debt Service	216,886	5,000	5,000	0	0%
Other	641,475	5,472,150	6,472,150	1,000,000	18%
% of Operating Budget	100%	100%	100%		
Salaries & Benefits	70%	64%	62%		-2%
Services & Supplies	29%	29%	30%		1%
Capital Outlay	0%	0%	0%		0%
Debt Service	0%	0%	0%		0%
Other	1%	7%	8%		1%

Mid-Year Expenditure Adjustments – Salaries and Benefits

- Overall General Fund Salaries and Benefits increased by \$846,253
- Overtime represents \$632,443 of this figure

DEPARTMENT	BASE OVERTIME BUDGET	OVERTIME INCREASE AT MID-YEAR	FLORES COMPONENT OF OVERTIME	TOTAL OVERTIME	SALARY AND BENEFIT SAVINGS
FIRE	2,807,450	483,700	291,400	3,582,550	677,979
POLICE	1,610,630	130,000	144,500	1,885,130	507,617
PUBLIC WORKS	370,600	39,100	53,800	463,500	78,881

- Total Salary Savings are \$1,492,532
- PERS costs decreased \$98,260 due to vacant positions
- Other Benefits increased by \$312,320 due to termination payouts to and cash-out payments on leave accruals

Mid-Year Expenditure Adjustments – Services and Supplies

- Total Services and Supplies increase by just over \$2,000,000
- Legal Costs increased by \$1,530,000. Of this amount, \$1,211,000 was for legal costs related to the Police Department
- Contract Services increased because of a \$650,000 sales tax sharing agreement along with increases related to growing development activity

Mid-Year Expenditure Adjustments – Other

- Workers' Compensation \$1,000,000

The General Fund at Mid-Year

Reserves

Table 7
General Fund Reserve Forecast

	Adopted Budget	Adjusted MY Budget
Beginning Balance at July 1 FYE 2017	70,519,152	69,329,373
Activity for FY18		
FY2017-18 Adopted Operating Revenues	77,545,830	77,545,830
FY2017-18 Adopted Non-Operating Revenues	12,428,000	12,428,000
FY2017-18 Adopted Operating Expenditures	(75,951,060)	(75,951,060)
FY2017-18 Adopted Non-Operating Expenditures	(6,154,400)	(6,154,400)
FY2016-17 PO Rolls to FY2017-18	0	(1,134,751)
Flores Accrual	0	795,299
Sch. A FY2016-17 Revenue Carry-Forward to FY2017-18	0	2,803,123
Sch. A FY2016-17 Expenditure Carry-Forward to FY2017-18	0	(3,997,960)
Sch. B FY2017-18 Council Revenue Adjustments - One-Time Items	0	97,483
Sch. B FY2017-18 Council Expenditure Adjustments - One-Time Items	0	(4,210,993)
Ex A FY2017-18 Mid-Year Revenue Adjustments	0	1,813,199
Ex B FY2017-18 Mid-Year Expense Adjustments	0	(1,832,838)
Projected Surplus/(Deficit) at June 30, 2018	7,868,370	2,200,932
Reserve Balance Before Reservations	78,387,522	71,530,305
Reserve Requirement	(37,975,530)	(38,891,949)
Net Reserve after Policy Requirement Application	40,411,992	32,638,356

Table 8
General Fund Reserve Assignments

	Adopted Budget	Adjusted MY Budget	Notes
Net Reserve after Policy Requirement Application	40,411,992	32,638,356	
<u>Reservations against Net Reserve</u>			
Advances to Other Funds	(1,200,000)	(1,300,000)	no record of repayment from other funds
Inventory	0	(50,290)	
Operational Reserve	(5,000,000)	0	Council directed release of Op Reserve
Reserved-Capital Project-Streets	(2,107,516)	(1,107,516)	Funds expended in FY18
Reserved-Capital Project-Parks	(1,733,246)	(310,663)	Funds expended in FY18
Reserved-Capital Project-FS 205	(5,000,000)	(5,000,000)	
Reserved-Capital Project-Airport Cont. Liability	(3,554,203)	(3,994,000)	current balance at March 31, 2018
Reserved-Capital Project-J. Sampson Park	(5,600,000)	0	supplanted with Park DIF
Reserved-Capital Project-Frisbie Park	(7,875,000)	(2,564,345)	Park DIF of \$5.2M -- balance from reserves
Reserved-Capital Project-Baca/Turch Park	(7,007,625)	(16,049,614)	amount that should be in Baca/Turch
Reservations on Reserve Requirement Balance	(39,077,590)	(30,376,428)	
Net Unencumbered Reserve at June 30, 2018	1,334,402	2,261,928	

Other Funds at Mid-Year

Proposed Mid-Year Adjustments – Other Funds

- **Worker's Compensation Internal Service Fund.** The revenue recognition of the \$1,000,000 allocation from the General Fund.
- **Building Maintenance Internal Service Fund.** The addition of \$211,886 in revenue related to the Energy Efficiency Project.
- **Capital Project Funds/2005 TAB's.** The recognition of \$1,514,937 of revenue as a reimbursement from SBCTA for the Riverside/I-10 project.

Summary

General Fund Conclusions

- Overall the City is expected to run a General Fund surplus this year of just under \$2 million
- Removing non-operating revenues and expenditures, however, leaves the City in a deficit position
- Structural Deficit
- Operating Revenues increased by just over 6%
- Operating Expenditures increased by just under 12%
- Primary drivers of cost increases are:
 - Overtime
 - Legal Costs
 - Contract Services Related to Development Activity
 - Restoration of Workers' Compensation Funding

General Fund Conclusions Continued

- As a result of costs outstripping revenues, the current year's operating activities will draw on reserves rather than contribute to them as was expected at the time of budget adoption
- After application of the reserve policy requirement there is \$32.6 million available for other City Council Priorities
- At the present time the \$32.6 million is insufficient to meet proposed projects

Recommendation

- Approval of the resolutions to amend estimated revenues and appropriations for the fiscal year 2017/18

Questions/Discussion