



# CITY OF WHEATLAND

## CITY COUNCIL MEETING STAFF REPORT April 9, 2019

**SUBJECT: FISCAL YEAR 2018-2019 MID-YEAR BUDGET REVIEW**

**PREPARED BY: Susan Mahoney, Finance Director**

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### **Recommendation**

Receive and File the FY 2019 Mid-Year Budget Review report.

### **Background/Discussion**

The FY 2019 budget was adopted by Council on June 26, 2018. Attached is a mid-year review of the adopted budget. It includes:

- The financial status of all funds at mid-year
- Updated budget projections for the June 30, 2019 year end
- Updated beginning Fund Balance and Net Position balances for July 1, 2018 per the FY 2018 audit

### *Highlights of the Report:*

The General Fund projected FY 2019 Fund Balance is dependent on the costs for the emergency repair of the Malone Culvert. At mid-year, the Special Revenue Funds are on target with original budget projections. Two new Capital Projects have been added to the budget through budget amendments approved by Council. The Net Position of the enterprise Funds (Water and Wastewater) are expected to be better than originally projected. It is too early to determine any effects from the utility rate adjustments approved by Council in March 2019.

### **Fiscal Impact**

There are no fiscal impacts as a result of receiving and filing the attached report.

### **Attachments**

1. FY 2019 Mid-Year Budget Review report



**CITY OF WHEATLAND  
MID-YEAR BUDGET REVIEW  
JULY 1, 2018 THROUGH DECEMBER 31, 2018**

**Overview**

This report summarizes the City’s financial position for the period July 1, 2018 through December 31, 2018. All the City’s fund types are included: General Fund, Special Revenue Funds, Capital Project Funds, and Enterprise Funds. The figures presented here are unaudited and have not been prepared in accordance with Generally Accepted Accounting Principles (GAAP). Final fiscal year 2019 (Jul 1, 2018 – Jun 30, 2019) figures will be audited and GAAP compliant.

**General Fund**

*The General Fund is the chief operating fund of the City. It accounts for all financial resources except those legally or contractually required to be accounted for in another fund.*

The chart below compares the budgeted and actual General Fund Revenues as of December 31, 2018.

<b>GENERAL FUND REVENUE</b>	<b>Annual Budget</b>	<b>Yr to Date Actual</b>	<b>Yr End Projections</b>	<b>Over/(Under Projections)</b>
Property Tax	714,600	366,773	733,500	18,900
Sales Tax	761,700	407,409	1,041,700	280,000
Franchise Fees	113,815	29,365	113,815	-
Fees and Charges	206,650	162,835	227,675	21,025
Interest Earnings	11,500	14,063	25,000	13,500
Other Revenue	1,500	52,895	62,800	61,300
Cost Recovery	250,970	125,146	237,800	(13,170)
SLES	130,000	-	130,000	-
<b>TOTALS</b>	<b>2,190,735</b>	<b>1,158,487</b>	<b>2,572,290</b>	<b>381,555</b>

The County collects **property tax** revenue from property owners in the City and distributes the City’s portion to the City in December and May of each year. The amount received in December is generally about one-half of the annual amount received. Based on this, the City expects property tax revenue to exceed budget projections by \$18,900.

**Sales tax** revenue includes the 1% Bradley-Burns sales tax and the City of Wheatland’s one-half cent transactions tax. The 1% sales tax is projected to be about \$50,000 higher than budget projections. The transactions tax is projected to be about \$230,000 over budget projections. The majority of this excess (\$200,000) is subject to audit and adjustment and will be set aside in the City’s Contingent Sales Tax reserve.

**Franchise Fee** revenue and the **SLES** (Supplemental Law Enforcement Services) revenue are expected to meet original budget projections. **Fees and Charges** revenue is expected to exceed budget projections by \$21,025 mainly due to a slight increase in building permit revenue and better than expected admission fee revenue. **Interest earnings** will exceed budget projections due to positive market conditions.

**Other Revenue** includes three, one-time reimbursements from various prior years from our insurance carrier PARSAC. **Cost Recovery** revenue consists of (1) the amount the General Fund charges to other funds for

administration and (2) the amount charged to other entities for use of City services such as Police and Public Works. The estimated General Fund charges will be lower than budgeted, however, the amount charged to other entities will be slightly higher than budgeted resulting in a projected \$13,000 shortfall from budget.

The chart below compares the budgeted and actual General Fund Expenses by department as of December 31, 2018.

<b>GENERAL FUND EXPENSES</b>	<b>Annual Budget</b>	<b>Yr to Date Actual</b>	<b>Yr End Projections</b>	<b>Over/(Under Projections)</b>
City Council	14,054	3,550	12,000	(2,054)
Administration	321,346	161,776	305,346	(16,000)
Finance	126,257	57,892	136,257	10,000
Community Development	194,003	87,411	194,003	-
Building Inspection	75,000	19,931	70,000	(5,000)
Police	1,054,404	554,816	1,108,404	54,000
Fire	149,558	149,558	149,558	-
Public Works	78,830	17,405	44,830	(34,000)
Parks	28,504	39,573	81,504	53,000
Transfer to Lighting Districts	25,500	-	25,500	-
Transfer to Gas Tax Fund	85,000	-	60,000	(25,000)
<b>TOTALS</b>	<b>2,152,456</b>	<b>1,091,912</b>	<b>2,187,402</b>	<b>34,946</b>

**City Council** expenses are projected to be less than budgeted due to unused travel expenses. The **Administration** Department which includes expenses for the City Manager’s office, the City Clerk, and general office expenses is projected to be under budget by \$16,000 due to the cancellation of the City’s contract with Emmanuel Jones. The **Finance Department** is projected to be over budget by \$10,000 mainly due to unexpected salary expenses for temporary staffing to perform the duties of an employee on maternity leave.

The **Community Development** Department is projected to be on target with budget. **Building Inspection** activities were transitioned to the County beginning in February 2019. Contract building inspection costs for February through June will be limited to performing inspections on permits pulled prior to the transition. The result is an anticipated \$5,000 savings for this department.

Unanticipated overtime costs in the **Police** Department are projected to be \$54,000. This amount is partially offset by over \$8,000 in revenue for public safety services provided to the Pumpkin Farm and Wheatland High School. The **Fire** Department charge for FY 2019 has been paid and no further costs for this year are anticipated.

The **Public Works** Department provides street maintenance and **Parks** maintenance. The FY 2019 budget includes *estimated* allocations for staffing costs in Public Works and Parks. Throughout the fiscal year, staff costs allocated to Public Works and Parks are based on *actual* time spent performing those functions. This difference in estimated vs. actual staffing costs makes up the majority of the difference for Public Works (under \$34,000) and Parks (over \$53,000). The net overage of \$19,000 is mainly due to the cost of watering the City’s various public parks.

The General Fund portion of maintaining the City’s two Landscape and **Lighting Districts** is on target with budget projections. The General Fund’s annual transfer to the **Gas Tax Fund** has been reduced to \$60,000 for fiscal year 2019 due to a change in allocating expenses. Certain expenses that were allocated to the Gas Tax Fund and then reimbursed with a transfer from the General Fund are now paid directly from the General Fund.

The chart below compares the budgeted and projected Fund Balance for the General Fund for fiscal year end June 30, 2019.

<b>GENERAL FUND</b>		<b>Yr to Date</b>	<b>Yr End</b>
<b>FUND BALANCE</b>	<b>Annual Budget</b>	<b>Actual</b>	<b>Projections</b>
Revenue	2,190,735	1,158,487	2,572,290
Expenses	(2,152,456)	(1,091,942)	(2,187,432)
<b>Net Income</b>	<b>38,279</b>	<b>66,545</b>	<b>384,858</b>
Less amount transferred to contingent sales tax reserve			(200,000)
Less Capital Project - Malone Culvert	(95,000)	4,001	(300,000)
<b>Adjusted Net Income (Loss)</b>	<b>(56,721)</b>	<b>70,546</b>	<b>(115,142)</b>
<b>Unreserved Balance July 1, 2018</b>	<b>880,629</b>	<b>858,853</b>	<b>858,853</b>
<b>Net Unreserved Balance June 30, 2019</b>	<b>823,908</b>	<b>929,399</b>	<b>743,711</b>
<b>Target Reserve (25% of operating expenses)</b>			<b>546,858</b>

The projected unreserved Fund Balance for the General Fund is \$743,711. This amount is 136% of the General Fund target reserve of 25% of General Fund expenses.

The projected unreserved Fund Balance has been reduced by \$200,000 to account for the amount that will be transferred to the sales tax contingency reserve. This brings the sales tax contingency reserve to \$1,000,000 from \$800,000.

To date, the Council has approved a budget amendment of \$95,000 for the emergency repair of the Malone Culvert. Because total expenses for this project cannot be definitively projected at this time, \$300,000 has been set aside. Staff is working to secure alternative funding for this project. If secured, the projected net income for the General Fund for fiscal year 2019 will be \$184,858. If the alternative funding is not secured, the projected loss for the General Fund for fiscal year 2019 will be \$115,142.

### **Special Revenue Funds**

*Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.*

The City's Special Revenue Funds include the following funds: Gas Tax, TDA, CDBG, Impact Funds, SLES, Pumpkin Patch Joint Admission, Wheatland Community Gardens, Developer Project Funds, Landscape and Lighting Districts, and the Community Facility District.

To date, all the City's Special Revenue Funds are projected to be within budget at fiscal year-end.

### **Capital Project Funds**

*Capital Project Funds account for projects that help maintain or improve a City asset, often called infrastructure. The project must have a total cost in excess of \$10,000 and have a useful life of greater than three years.*

#### **Department of Water Resources (DWR) Feasibility Study**

The City has contracted with MBK Engineers Inc. to conduct the Small Communities Flood Risk Reduction Program Feasibility Study. It is funded by a \$500,000 grant from DWR. Because this is "reimbursement" grant, the City has

secured a no interest loan from the Yuba County Water Agency to eliminate cash flow impacts. The project began in October 2018 and expected completion is December 2019. To date \$58,539.55 has been spent.

Hooper Street

The FY 2019 budget was amended in November 2018 to include the Hooper Street project which includes road resurfacing and improved safety for pedestrians and motorists on Hooper Street from Hwy 65 to Olive Street. The estimated total cost of \$324,000 will be funded from the Gas Tax Fund (\$106,000), the TDA Fund (\$168,000) and a contribution from the Wheatland School District (\$50,000). To date \$9,495.00 has been spent.

Malone Culvert

The FY 2019 budget was amended in October 2018 to include \$95,000 for environmental and design activities for the emergency replacement of the Malone Culvert. Staff estimates that the total cost of this project will be \$300,000. Council will be presented with additional information and funding requests at a future meeting. Staff is working on securing funding for the project. If funding is not secured, project costs will be paid from General Fund reserves. There are sufficient reserves to pay for the project and still maintain the City's reserve minimum of 25% of General Fund expenses. To date \$133,706 has been spent.

Radar Trailer

The FY 2019 budget included \$20,000 for a police radar trailer. The trailer was purchased in October 2018 for \$16,400 resulting in a savings of \$3,600.

Striping

The FY 2019 budget included \$15,000 for clean out of the storm drain canal from McDevitt Toddler Park to the Hwy 65 storm basin. Due to a more immediate need, the canal clean out project was replaced with a striping/reflective marker replacement project for a 4.5 mile section of Spenceville Road (McCurry to City limits) and centerline striping for a 1.0 mile section of Wheatland Road (4505 to the curve at the High School). The total cost of the striping project (\$17,684.00) was paid from the Gas Tax Fund.

**Enterprise Funds**

*Enterprise Funds account for City operations that are financed and operated in a manner similar to private business enterprises, where the cost of providing goods or services to the general public is financed or recovered through user charges.*

<b>WATER FUND</b>	<b>Annual Budget</b>	<b>Yr to Date Actual</b>	<b>Yr End Projections</b>
Revenue	868,000	496,861	895,000
Expenses	(925,973)	(447,605)	(915,000)
<b>Net Income (Loss)</b>	<b>(57,973)</b>	<b>49,256</b>	<b>(20,000)</b>
<b>Net Position Jul 1, 2018</b>	<b>506,754</b>		<b>531,982</b>
<b>Estimated Net Position June 30, 2019</b>	<b>448,781</b>		<b>511,982</b>
<i>The Net Position is made up of:</i>			
Cash and Cash Equivalents	216,057		254,557
USDA Loan Reserve	172,190		172,190
Debt	(2,775,690)		(2,708,266)
Net Fixed Assets	2,836,225		2,793,501
<b>Estimated Net Position June 30, 2019</b>	<b>448,782</b>		<b>511,982</b>

The Water Fund is projected to have a net position (called *fund balance* for other fund types) that exceeds original budget projections. This is due mainly to increased water consumption for the first half of the fiscal year and minor savings in various operating expenses. The effect of the March 2019 approved rate adjustment has not been included in the above projections.

<b>WASTEWATER FUND</b>	<b>Annual Budget</b>	<b>Yr to Date Actual</b>	<b>Yr End Projections</b>
Revenue	930,050	462,300	930,050
Expenses	(1,188,605)	(580,832)	(1,188,605)
<b>Net Income (Loss)</b>	<b>(258,555)</b>	<b>(118,532)</b>	<b>(258,555)</b>
<b>Net Position July 1, 2018</b>	<b>726,541</b>		<b>962,761</b>
<b>Estimated Net Position June 30, 2019</b>	<b>467,986</b>		<b>704,206</b>
<i>The Net Position is made up of:</i>			
Cash and Cash Equivalents	29,999		394,349
USDA Loan Reserve	205,808		205,808
Debt	(3,449,157)		(3,419,663)
Net Fixed Assets	3,681,336		3,523,712
<b>Estimated Net Position June 30, 2019</b>	<b>467,986</b>		<b>704,206</b>

The Wastewater Fund FY 2019 revenue and expenses are on target to meet original budget projections. The effect of the March 2019 approved rate adjustment has not been included in the above projections. The Wastewater Fund is projected to have a net position at June 30, 2019 that exceeds original budget projections mainly due to an FY 2017 prior period adjustment that was not included in the FY 2019 original budget projections. The "Cash and Cash Equivalents" includes a \$250,000 receivable from the Water Fund.