

# CITY OF BUELLTON



## QUARTERLY FINANCIAL REPORT

First Quarter Ending September 30, 2016

October 27, 2016

### Overview

The purpose of this financial report is to provide financial information for the City of Buellton. This report focuses on the first quarter of fiscal year 2016-17 and covers the period July 1, 2016 through September 30, 2016. The report is presented quarterly and concentrates on the General Fund and Enterprise Funds. The quarterly financial report presents the City's financial position, considers economic factors and highlights trends based on the City's budget versus what actually occurred during the period. A discussion of other economic factors provides a means of comparing the local economy against larger economic events that may affect the City of Buellton. This quarterly financial report is a valuable tool to the Council, staff and general public.

### US Economy

This quarter showed no signs of an interest rate hike from the Federal Reserve although their September meeting was a close call. Minutes of the meeting showed three of twelve members voted in favor of increasing rates. According to the U.S Department of Labor, the U.S. economy added only 156,000 jobs in September. The unemployment rate was 5%, up from 4.9 in August. Economists had expected job growth of 175,000 jobs and the unemployment rate to remain unchanged. The lower than expected job numbers paired with low wages could lessen the expectation of a December rate hike. In addition, U.S. retail sales fell more than expected in August, declining 0.3 percent after edging up 0.1 percent in July. Sales were up 1.9 percent from a year ago. Manufacturing output fell 0.4 percent during the same period.

### State Economy

California's seasonally adjusted unemployment rate held steady at 5.5 percent in August 2016, while the number of unemployed Californians increased by 12,000 persons. The spike in labor force growth over the last year caused the State to experience the smallest year-over decrease in unemployed Californians. Tech-focused professionals and the technical services sector continued to expand for the quarter. The state is experiencing strong growth in durables manufacturing, led by fabricated metals, electronics and aerospace. From July 2015 to July 2016, 20 of 24 California metropolitan areas had non-seasonally adjusted job growth rates above the U.S. job growth rate. All of California's largest metropolitan areas had job growth rates above the national level during that period.

### City of Buellton

The City's General fund ended the first quarter of 2016-17 with over \$10 Million in fund balance after closing a final chapter in the termination of the Successor Agency to the former Redevelopment Agency. Regardless of this economic event, the General fund finished the first quarter with almost \$6 Million in cash reserves. Revenues reached 16 percent of budget while expenditures stayed within appropriations, ending the quarter at 23 percent. The City's Enterprise funds ended the quarter with negative results in fund balances. Both funds experienced net operating losses for the quarter. Rate increases in the next quarter are expected to correct the operating deficit and help with various capital improvement projects in the future. Details are provided in a later discussion.

**GENERAL FUND**

**General Fund Balance**

The chart below shows that with 25 percent of the year complete revenues are slightly below projections at 16% while expenditures fell below expected at 23 percent of appropriations. “Revenue versus budget” gaps are explained in the next paragraph.

<b>General Fund - Fund Balance</b>	<b>Budget</b>	<b>Actual</b>	<b>Percent</b>
Balance, at Start of Year	\$ 11,002,547	\$ 11,002,547	
Revenues *	6,999,437	1,094,561	16%
Expenditures *	(6,999,937)	(1,637,740)	23%
Expenditures - Restricted Cash			
Balance, at End of Quarter	<u>\$ 11,002,047</u>	<u>\$ 10,459,368</u>	

The chart below provides summary comparison information on revenues and expenditures for the year ending September 30, 2016 versus the prior year ending September 30, 2015. Total revenues are higher in the current year by over \$300,000. The major cause of this increase is due to higher Sales Tax, Property Tax and Transient Occupancy Tax revenue. Expenditures are elevated in this fiscal year compared to the prior year by almost \$90,000. The cause is due to rising costs of overall operations from service price increases. Revenue and expenditure activity ended the fiscal year within appropriations and key revenue sources maintained steady streams. Capital project activity included Storm Drain Cleaning/Retrofit, Facilities Maintenance (Painting of City Hall was completed during the quarter), City Hall Roof and Restroom Repairs, Village Park improvements, Road Maintenance and Industrial Way Streetlights.

<b>General Fund</b>	<b>2016-17</b>	<b>2015-16</b>	<b>Over (Under)</b>
<b>Revenues:</b>			
Taxes	996,136	614,169	381,967
Fees and Permits	5,450	4,360	1,090
Fines and Penalties	3,469	9,951	(6,482)
Charges For Current Services	11,493	66,949	(55,456)
Other Revenues	78,013	57,519	20,494
<b>Total Revenues</b>	<u>1,094,561</u>	<u>752,948</u>	<u>341,613</u>
<b>Expenditures:</b>			
General Government	1,637,205	1,533,301	103,904
Capital	535	15,930	(15,395)
<b>Total Expenditures</b>	<u>1,637,740</u>	<u>1,549,231</u>	<u>88,509</u>

**Top Five Revenues**

Top Five Revenues	Budget	YTD Actual	Percent
Sales Tax	2,250,000	584,846	26%
TOT	1,850,000	394,112	21%
Property Tax	1,223,000	12,203	1%
MVLF	422,400	-	0%
Franchise Fees	220,000	13,137	6%
Other Revenues	1,034,037	90,263	9%
<b>Total Revenues</b>	<b>6,999,437</b>	<b>1,094,561</b>	<b>16%</b>

**Sales Tax**

The City received Sales Tax revenue at anticipated levels, just exceeding target due to the final triple flip payment received during the quarter. Sales Tax payments fluctuate each month in conjunction with seasonal flows. The City's Sales Tax is the top revenue source in the General Fund and ended the quarter at 26 percent. Strong revenue streams from local sales tax are expected to increase as new businesses continue to open at the Crossroads Center.

**Transient Occupancy Tax (TOT)**

This revenue source is a major component of the City's General Fund. The City is just under goals set for TOT revenue based on budgeted levels and is expected to meet target by year-end. Total receipts ended the quarter at 21 percent of expected revenue. Payments for the reporting period are due on the 20<sup>th</sup> of the following month, which causes revenue streams to lag one month.

**Property Tax**

The City's property tax revenues are received later in the fiscal year at intervals set by the Santa Barbara County Auditor-Controller. Property tax is under budget at 1 percent but considering the timing of payments, is expected to meet target by the end of the fiscal year. The City's ongoing share of property tax is expected to increase based on new development in progress.

**Motor Vehicle License Fees**

Payments for 2016-17 were not received during the first quarter. Allocations from the State of California are paid throughout the fiscal year, usually in Fall and Winter. This revenue source is trending upwards based on historic receipts.

**Franchise Fees**

The majority of the City's Franchise Fees are collected from MarBorg Industries, the City's solid waste service provider. Other franchise fees are received from various utilities. Franchise Fees are falling short of budget at 6 percent but will meet anticipated amounts within the fiscal year.

**Expenditures**

The chart below summarizes operating costs by department and shows that two budget units are over budget. The General fund is within budget at the end of the first quarter for all departments in total.

Department Expenditures	Budget	YTD Actual	% Expended
City Council	131,503	28,867	22%
City Manager	233,381	58,244	25%
City Clerk	116,525	28,945	25%
City Attorney	175,000	25,069	14%
Non-Departmental	1,608,096	296,721	18%
Finance	189,614	46,396	24%
Police and Fire	1,981,688	481,482	24%
Library	148,541	142,651	96%
Recreation	481,904	158,374	33%
Street Lights	55,000	14,528	26%
Storm Water	195,600	33,521	17%
Public Works - Parks	331,000	70,452	21%
Public Works - Landscape	106,000	13,444	13%
Public Works - Engineering	110,000	18,275	17%
Public Works - General	662,771	125,107	19%
Planning (Comm Dev)	473,314	95,664	20%
Transfer to CIP Fund 92	-	-	
<b>Total All Departments</b>	<b>6,999,937</b>	<b>1,637,740</b>	<b>23%</b>

As of September 30, 2016 or 25 percent of the year expended, the General Fund budget ended the quarter at 23 percent spent. Actual General Fund expenditures were approximately \$1.65 Million. Almost all Budget Units ended the quarter within budget except for Recreation and Library. The Finance Department is fully staffed for the quarter after almost two years. Two positions were hired in 2015-16 and the final position was hired in August 2016. The Recreation Department costs exceeded budget due to increased activity and staffing requirements for seasonal employees. The Library costs will average out by the end of the fiscal year. Total contract costs for the Library are paid in accordance with the contract at the beginning of the fiscal year. The overall General Fund did not experience a budget deficit because numerous departments ended the quarter under budget. CIP projects include Storm Drains, Facilities Maintenance, City Hall Painting and Repairs (Painting of City Hall completed this quarter), Village Park Improvements, Road Maintenance and Industrial Way Streetlights. There are no budget amendments required for the General Fund this quarter.

*Top Five Revenues for the City of Buellton' General Fund are Sales Tax, Property Tax, Transient Occupancy Tax (TOT), Motor Vehicle License Fee (MVLFF) and Franchise Fees. These revenues account for almost 90% of total General Fund Revenues.*

**Major Expenditure Variances**

Expenditures By Type	Budget	YTD Actual	% Expended
Staffing	1,750,451	413,656	24%
Contract Services	2,897,329	784,518	27%
Telecomm and Utilities	228,150	47,560	21%
Supplies and Materials	27,950	7,242	26%
Other Operating Costs	2,026,557	384,228	19%
Minor Capital & CIPs	69,500	535	1%
<b>Total by Type</b>	<b>6,999,937</b>	<b>1,637,740</b>	<b>23%</b>

The chart above shows General Fund operating costs and minor CIP expenditures summarized by type. With 25 percent of the year expended, all budget categories are within budget with the exception of contract services. This variance is the Library contract payment, paid at the beginning of the fiscal year. The overall General Fund operating and minor CIP expenditures adhered to the City's Municipal Budget through the first quarter of 2016-17.

**ENTERPRISE FUNDS**

The Statement of Revenues and Expenses for the first quarter of Fiscal Year 2016-17 are shown below.

**Revenues and Expenses**

<b>Enterprise Funds</b>	<b>Water</b>	<b>Wastewater</b>
Revenues		
Charges for Service	378,585	183,491
Interest Income	-0-	-0-
Total Operating Revenues	378,585	183,491
Other Revenues*	-0-	1,920
Total Revenues	378,585	185,411
Expenses		
Operating	227,047	200,606
Depreciation	40,375	64,000
State Water	221,316	-0-
Total Operating Expenses	488,738	264,606
Operating Profit (Loss)	(110,153)	(81,115)
Transfers Out - CIP		

\*Connection Fees used for CIP with restrictions; cannot be used for Operating costs.

**Water Fund**

Operating expenditures exceeded operating revenues causing the Water fund to experience a net operating loss of over \$110,000 in the first quarter of Fiscal Year 2016-17 (excludes Connection Fee revenue and Capital Improvement Project expenses). The Water fund utilizes connection fees and reserves to fund Capital Improvement projects (CIPs) which are budgeted at \$500,000 in the current fiscal year. The total CIP budget for fiscal year 2016-17 includes Reservoirs 1 & 2 Improvements, Water Treatment Plant Facilities Improvements, Water Treatment Plant Backwash Reclamation Improvement Project and Water Distribution System Improvements. Water rate increases are set to be implemented in November 2016. The rate increases will help reverse the operating deficit and fund the capital improvements. The Water Fund ended the first quarter with approximately \$1.4 Million in cash reserves.

**Wastewater Fund**

Operating expenditures exceeded operating revenues causing the Wastewater fund to experience a net operating loss of over \$80,000 in the first quarter of 2016/17 (excludes Connection Fee revenue and Capital Improvement Project expenses). The Sewer fund utilizes connection fees and reserves to fund Capital Improvement projects (CIPs) which amount to about \$250,000 budgeted in 2016/17. The total CIP budget for fiscal year 2016-17 includes Wastewater Treatment Plant Facilities Improvements, Sewer Collection System Clean (CCTV) and Sewer Line Replacement. Wastewater rate increases are set to be implemented in November 2016. The rate increases will help reverse the operating deficit and fund the capital improvement projects. The Wastewater fund ended the first quarter with about \$1.5 Million in cash reserves.