

CITY OF AVALON CITY COUNCIL

MEETING DATE: November 3, 2015 **AGENDA ITEM:** _____
ORIGINATING DEP: Finance Department **CITY MANAGER:** _____
PREPARED BY: Robert Mescher, Finance Director
SUBJECT: Unaudited Preliminary Financial Results of FY14-15 and
Proposed Amendment to the FY15-16 Budget

RECOMMENDED ACTION(S): Receive the report of the FY14-15 Preliminary Results and adopt the amendment to the FY15-16 Budget to include additional revenue and spending.

REPORT SUMMARY: FY14-15 unaudited preliminary financial results are better than budgeted. The City is conservative when preparing its budget. Revenues may be budgeted lower and expenditures may be budgeted higher than expected to ensure sufficient funds exist for the year. Also, the City experienced a banner year of tourism last year.

Attachment 1 shows the unaudited preliminary financial results of FY14-15 as compared to the FY14-15 Budget. The results indicate that the City's net revenue was about \$2.4 million in excess of budget. About two-thirds of the excess was due unanticipated revenue and about one third of the excess was a result of delayed and/or reduced capital expenditures.

The Council adopted the FY15-16 Budget on July 10, 2015. In order to balance the budget, most of the proposed capital expenditures were excluded until staff could present the results of the City's FY14-15.

Now that the FY14-15 results are known, it is appropriate to carry-over a portion of the excess to fund necessary projects and expenditures that were not completed in FY14-15 and other additional expenditures excluded from the FY15-16 Budget.

Staff has also determined that the FY15-16 Budget is likely too conservative in projecting the transient occupancy tax (TOT) and the Harbor revenue. It is recommended to amend the budget by increasing revenue \$600,000 and \$400,000 for TOT and Harbor revenue respectively.

The Successor Agency has requested on the State Department of Finance's Recognized Obligation Payment Schedule (ROPS) to include an additional \$1.1 million for the Pebbly Beach Road Project and the Museum Stairs Project.

Therefore, staff recommends amending the FY15-16 Budget to include an additional \$3,892,000 (Attachment 2) to be funded by \$1.8 million of the excess FY14-15 net revenue, \$1.1 million ROPS, and \$1 million additional FY15-16 projected revenue.

The \$3,892,000 includes expenditures subsequently approved by the Council since July 10, 2015, additional capital outlays, equipment replacements, and a provision for the anticipated increased costs of the labor MOUs.

GOAL ALIGNMENT: Achieve a balanced budget.

FISCAL IMPACTS: The proposed amendment would increase the budgeted revenue by \$1 million, the ROPS by \$1.1 million, and the budgeted expenditures by \$3,892,000, while leaving in reserves the residual \$400,000 FY14-15 net revenue in excess of budget. If the budget is amended as proposed, the projected fund balances as of June 30, 2016 would be \$6.2 million, \$3 million, and \$1 million in the General Fund, Harbor Fund, and Sold Waste Fund respectively. (Attachment 3)

Amending the budget does not automatically approve the additional expenditures. Expenditures over the City manager's spending authority of \$5,000 will still be individually presented to the Council for approval throughout the year.

CONSEQUENCES OF NOT FOLLOWING RECOMMENDED ACTION: The City's infrastructure and equipment would not be replaced and may fail, the City would be out of compliance with the Cease and Desist Order, and community services may be adversely affected.

FOLLOW UP ACTION: Adopt the amendment to the FY15-16 Budget increasing revenue by \$1,000,000, ROPS receipts by \$1,075,000, and expenditures by \$3,892,000.

ADVERTISING, NOTICE AND PUBLIC CONTACT: This item was properly listed on the posted agenda pursuant to the Brown Act.

ATTACHMENTS: 1. Unaudited Preliminary Financial Results of FY14-15; 2. Adopted and Proposed Additional Spending; 3. Projected Year-End Balances

City of Avalon
Unaudited Preliminary Financial Results versus FY14-15 Budget
Fiscal Year Ended June 30, 2015

	General Fund ⁽²⁾	MTA	Street	Harbor	Sewer	Salt	Solid waste	Total
<u>Actual</u>								
Revenue	\$ 12,906,268	\$ 1,359,633	\$ 113,648	\$ 7,812,038	\$ 1,562,343	\$ 437,002	\$ 1,964,992	\$ 26,155,924
Expenditures ⁽¹⁾	(11,717,929)	(1,118,829)	(61,789)	(7,199,765)	(1,918,353)	(479,587)	(1,613,211)	(24,109,463)
Net revenue	\$ 1,188,339	\$ 240,804	\$ 51,859	\$ 612,273	\$ (356,010)	\$ (42,585)	\$ 351,781	\$ 2,046,461
<u>Budget</u>								
Revenue	\$ 11,927,397	\$ 1,215,951	\$ 100,356	\$ 7,345,700	\$ 1,538,175	\$ 422,190	\$ 1,977,510	\$ 24,527,279
Expenditures ⁽¹⁾	(12,186,315)	(1,109,131)	(64,006)	(6,832,041)	(2,143,687)	(874,337)	(1,699,725)	(24,909,242)
Net revenue	\$ (258,918)	\$ 106,820	\$ 36,350	\$ 513,659	\$ (605,512)	\$ (452,147)	\$ 277,785	\$ (381,963)
Net Revenue in Excess of Budget	\$ 1,447,257	\$ 133,984	\$ 15,509	\$ 98,614	\$ 249,502	\$ 409,562	\$ 73,996	\$ 2,428,424
% of Budgeted Revenue	12%	11%	15%	1%	16%	97%	4%	10%

(1) Expenditures exclude depreciation.

(2) General Fund and all other sub-funds not shown in this table.

Major Components of Net Revenue in Excess of Budget

Increased transient occupancy tax	\$ 678,000
Reduced insurance costs	230,000
Reduced contract services for Storm Drain	176,000
Increased MTA Revenue	144,000
Increased wharfage revenue	170,000
Increased mooring revenue	153,000
Increased other Harbor revenue	143,000
Reduced capital expenditures	759,000
Total major components of excess	<u>\$ 2,453,000</u>

City of Avalon Capital Projects and Other Major Expenditures FY15-16

Attachment 2

	Total	General	MTA	Street	Harbor	Sewer	Salt	Successor	Grants
Adopted Capital Outlay									
E-Buses	1,392,306	2,095	369,431						1,020,780
Fuel Dock	2,958,375				1,758,375				1,200,000
Desal Contribution	500,000	500,000							
Salt Water Emergency Repairs	153,000						153,000		
Beacon Hill Elevator	100,000	100,000							
Sewer Emergency Repairs	76,500					76,500			
Street Maintenance	74,006			74,006					
Vactor Lease	65,000					65,000			
Harbor Dept - Storm Drain Gates	50,000				50,000				
Email Exchange Server	26,920	26,920							
Phase II Council AV Upgrade	25,000	25,000							
Salt Water Inventory	25,000						25,000		
Computer Workstation Replacements	13,200	13,200							
Storm Drain Emergency repairs	10,200	10,200							
Personalized Bricks	5,000	5,000							
Art 3 Ped Improvement	5,000		5,000						
Sewer Camera System Planning	5,000					5,000			
Domain Controller/Switches	540	540							
Law Enforcement Equipment	500	500							
Total Adopted Capital Outlay	5,485,547	683,455	374,431	74,006	1,808,375	146,500	178,000	-	2,220,780

City of Avalon Capital Projects and Other Major Expenditures FY15-16

	Total	General	MTA	Street	Harbor	Sewer	Salt	Successor	Grants
Proposed Additional Expenditures									
Pebbly Beach Rockfall Fencing (Applied to ROPS)	1,000,000							1,000,000	
Qualified Street Improvements (Gas Tax Funded)	525,000			525,000					
Sewer Infrastructure Improvements (50%)	500,000					500,000			
Salt Water Infrastructure Design/Repair/Replace	380,000						380,000		
Generator - Hospital	200,000	200,000							
MOU Renewal - Potential Net Effect	190,000	105,000			80,000	5,000			
Fuel Dock Float Replacement	113,000				113,000				
Dial-a-Ride Buses (2ea)	100,000	100,000							
Sewer and Salt SCADA Design Study	81,000	8,000				58,000	15,000		
Sewer Projects - Camera	75,000					75,000			
Museum Stairs (Applied to ROPS)	75,000							75,000	
Boats, Trailers, Outdrives, and Repairs	70,000				70,000				
Harbor Maintenance Truck	70,000				70,000				
Bobcat	50,000	50,000							
Harbor Dept - Restroom Improvements	50,000				50,000				
Machinegun Park Equipment	50,000	50,000							
Contracted Services - Planning	50,000	50,000							
City Hall Roof Repair	45,000	45,000							
Additional Contracted Services - Finance	40,000	40,000							
Harbor Storm Drain Gate Completion	30,000				30,000				
Phase III Council AV Upgrade	27,000	27,000							
Pier Crane	20,000				20,000				
Harbor Cabrillo Mole Imprv Proj - Concept Study	15,000				15,000				
Payroll, Benefits, and HR Reporting Software	13,000	13,000							
Security Cameras	13,000	5,000			8,000				
Generator/Welder/Compressor	12,000				12,000				
Bathymetric Study	10,000				10,000				
Swim Float	10,000				10,000				
Additional Contracted Services - GIS	10,000	10,000							
Scanner and document Archiving System	10,000	10,000							
Cemetery Planning and Surveying	10,000	10,000							
Additional Transportation Design Services	10,000		10,000						
Aluma Feed Welding Machine	9,000				9,000				
Public Communications Application & Website	8,000	8,000							
Finance Legacy Software Data Conversion	5,000	5,000							
Agenda Automation Software	5,000	5,000							
Pier Generator	5,000				5,000				
Public Works Project Tracking Software	3,000	3,000							
Fixed Asset Tracking Software	3,000	3,000							
Total Proposed Projects and Equipment	3,892,000	747,000	10,000	525,000	502,000	638,000	395,000	1,075,000	-

Note: Expenditures are sorted by descending total cost.

City of Avalon Fund Balances

A	B	C	D	E	F	G	H	I
Fund	FY14-15 Budget Projected Ending Cash	FY14-15 Actual Preliminary Ending Cash	FY15-16 Budget Ending Cash Before Projects	Approved Projects	Ending Cash After Projects	Anticipated Addl Revenue	Proposed Spending	Projected Balance
<u>City</u>								
General	4,854,088	6,245,345	7,032,758	(683,455)	6,349,303	600,000	(747,000)	6,202,303
MTA	151,717	285,701	767,293	(374,431)	392,862		(10,000)	382,862
Street (Gas Tax)	582,354	596,588	674,656	(74,006)	600,650		(525,000)	75,650
Harbor	2,793,939	3,017,187	4,899,476	(1,808,375)	3,091,101	400,000	(502,000)	2,989,101
Sewer	433,828	889,367	877,471	(146,500)	730,971		(638,000)	92,971
Salt	149,000	532,513	587,005	(178,000)	409,005		(395,000)	14,005
Solid Waste	705,064	777,592	1,020,307	-	1,020,307		-	1,020,307
Total City	9,669,990	12,344,293	15,858,966	(3,264,767)	12,594,199	1,000,000	(2,817,000)	10,777,199
<u>External</u>								
Successor						1,075,000	(1,075,000)	-
Grants			2,220,780	(2,220,780)				-
Total Funds			18,079,746	(5,485,547)	12,594,199	2,075,000	(3,892,000)	10,777,199

Note: The amounts presented here are merely estimates using cash-based assumptions. The City's audited financial reports use accrual-based accounting, not cash-based accounting. The FY14-15 audited financial reports are not yet available.