



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: October 25, 2016
TO: Mayor and Councilmembers
FROM: Administration Division, Finance Department
SUBJECT: Fiscal Year 2016 General Fund Year-End Financial Results

RECOMMENDATION:

That Council hear a report from staff regarding the financial results of operations for the General Fund for the fiscal year ended June 30, 2016.

DISCUSSION:

The Finance Department has now completed the year-end closing of the fiscal year 2016 accounting records. The City maintains a fiscal year that begins July 1 and ends June 30 for budgeting and financial reporting purposes.

Finance Department staff have now begun the preparation of the City's Comprehensive Annual Financial Report ("CAFR") which will present the financial condition and results of operations for all City funds. Concurrently, we are in the midst of an independent audit performed by Certified Public Accountants as required by City Charter.

While the CAFR preparation and audit are still in progress, we are far enough along to comfortably report on the (unaudited) results of operations for the City's main operating fund, the General Fund. Much of the focus will be on the impacts of year-end revenue results and their ongoing impacts into the next few years.

Year-End Results – General Fund

The table below shows the results of the operations for Fiscal Year 2016. From a budgetary perspective, there was a significant variance in both revenues and expenditures between the budget and final results. On the expenditure side, the large variance is primarily attributable to vacancies in many departments, including Police, Parks & Recreation, Library and Community Development Departments. On the revenue side, the variance is attributable primarily to weak growth in two of the three largest revenues – transient occupancy and sales taxes.

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	<u>FY 2016 Budget</u>	<u>FY 2016 Final Results</u>	<u>Variance</u>
Operating Revenues	\$ 126,983,329	\$ 121,659,075	\$ (5,324,254)
Operating Expenditures	<u>127,715,584</u>	<u>119,244,240</u>	<u>8,471,344</u>
Operating Surplus (Deficit)	(732,255)	2,414,835	3,147,090
Allocation to Capital (25%)	-	(603,709)	(603,709)
Addition to (Use of) Reserves	<u>\$ (732,255)</u>	<u>\$ 1,811,126</u>	<u>\$ 2,543,381</u>

At the end of the year, revenues exceeded expenditures by just over \$2.4 million. In accordance with Council's direction, 25 percent of this year-end surplus will be allocated for capital, with the balance of \$1.8 million adding to reserve balances.

Status of Reserves

The table below presents the status of reserves at June 30, 2016. As shown in the table, the reserves requirements increased from Fiscal Year 2015 by over \$1.2 million based on the increase in the adopted budget in Fiscal Year 2017. Since the two reserves are calculated as a percent of the adopted operating budget, the reserve requirements will increase as the budget increases.

	<u>FY 2015</u>	<u>Fiscal Year 2016</u>		
	<u>Per Policy</u>	<u>Per Policy</u>	<u>Actual Balances</u>	<u>Excess (Deficiency)</u>
Disaster Reserve	\$ 18,360,569	\$ 19,088,988	\$19,088,988	\$ -
Contingency Reserve	<u>12,240,379</u>	<u>12,725,992</u>	<u>12,719,755</u>	<u>(6,237)</u>
Totals	<u>\$ 30,600,948</u>	<u>\$ 31,814,980</u>	<u>\$31,808,743</u>	<u>\$ (6,237)</u>
Increase in Reserve Requirements		<u>\$ 1,214,032</u>		

With just a \$6,237 deficit, policy reserves are essentially fully funded. This is the second year in a row reserves have been fully funded after several years being below policy.

PREPARED BY: Robert Samario, Finance Director

SUBMITTED BY: Robert Samario, Finance Director

APPROVED BY: City Administrator's Office