



City of Morgan Hill

Legislation Details (With Text)

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Attachments:	1. December 2016 Financial Statement Analysis, 2. December 2016 Financial and Investment Report, 3. Presentation - 2nd Quarter FY16-17 Financial Report				

Date	Ver.	Action By	Action	Result
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CITY COUNCIL STAFF REPORT MEETING DATE: FEBRUARY 15, 2017

PREPARED BY: Dat Nguyen, Finance Director/Administrative Services Department
APPROVED BY: City Manager

DECEMBER 2016 FINANCIAL AND INVESTMENT REPORT

RECOMMENDATION(S)

Accept and file report.

COUNCIL PRIORITIES, GOALS & STRATEGIES:

Ongoing Priorities

Maintaining fiscal responsibility
Preserving and cultivating public trust

REPORT NARRATIVE:

As part of the City Council's expectation to maintain a high level of transparency and to be responsible stewards of public funds, attached are the Financial and Investment Reports for the six months ended December 31, 2016. Overall, the City received 43% of the budgeted revenues for all funds as there is typically a delay in remittances. However, the amount received year to date for all funds is approximately \$2.5 million or 5% higher than prior year at this time. The increase was primarily led by an overall increase in General Fund revenues of \$2.1 million compared to prior year at this time.

General Fund revenues totaled \$14.9 million, \$2.1 million or 17% higher than a year ago at this time mainly due to an increase in sales tax collection of approximately \$1.6 million and transient occupancy tax (TOT) of approximately \$150,000. An increase in sales tax collection is primarily due to the end of the “triple-flip.” The State Board of Equalization had begun to disburse to cities the full Bradley-Burn Uniform Sales Tax rate of 1% versus 0.75% in prior years. The increase in TOT is mainly due to the addition of a new hotel, La Quinta. Sales tax and TOT are forecasted to slightly exceed the budgeted amount for the fiscal year. General Fund expenditures totaled \$19.4 million or 50% of the budget. Expenditures, including encumbrances amounted to \$21.1 million or 54% of the budget. The encumbrances represent commitments or contractual obligations that the City entered into with vendors or suppliers, such as Cal-West Lighting and Signal Maintenance for the City's streetlights and traffic signals, and the partnership agreement with the YMCA of Silicon Valley for the management and operation of the Community Recreation Center. The services from these vendors are expected to be utilized by the City and paid throughout the fiscal year.

Community Services Department's recreation operations revenues received to date totaled \$3.5 million, or 51% of the budget. However, the amount is tracking slightly lower compared to the prior year at this time. At this time last year, recreation operations revenues were at 52% of the budget. Lower than expected revenues received to date are attributable to: 1) decrease in daily admission revenue at the Aquatics Center as milder weather contributed to the 7% decrease in the daily admission attendance; 2) a couple of on-going renters moving to smaller rooms at the Community and Cultural Center at a lower rate coupled with a few on-going renters moving to other facilities with lower fees and/or better suited for their needs; and 3) fewer kids participating in the camps programs compared to prior years. Staff is currently reviewing the camps programs with a possible change in direction for the next summer. Overall, the Community Services Department's recreation operations revenues are projected to come in slightly under the budgeted amount by approximately \$100,000 for the fiscal year. As always, staff will closely monitor and manage department expenses as well.

Community Development Fund revenues totaled \$2.7 million or 61% of the budget, an increase of 8% from prior fiscal year at this time of \$2.5 million. Expenditures, including encumbrances totaled \$2.7 million or 51% of the budget. The fund is projected to end the fiscal year with an operating deficit of approximately \$1.0 million and a fund balance of approximately \$1.8 million. This is consistent with the adopted budget. To address this issue, staff is in the final steps of updating the City's development processing fees for Council consideration. It is anticipated that the fee study will be presented to the Council in a few months so that any fee related impacts from the the Residential Development Control System's (RDACS) workbook can be included.

Enterprise Funds revenues which comprised of Water and Sewer totaled \$14.2 million or 45% of the budget, a decrease of \$0.9 million or 6% from a year ago at this time primarily due to lower development impact fees collected to date of approximately \$3.2 million, partially offset by an increase of 24%, or approximately \$1.2 million, in water operations revenue. Water sales revenue is forecasted to slightly exceed the budgeted amount for the fiscal year primarily due to increased water consumption compared to budget.

COMMUNITY ENGAGEMENT: Inform

Finance staff prepares these monthly reports in an effort to keep City officials, the Council, the community, and various lenders and stakeholders informed on the financial health of the organization, which assists each one of the interested parties in making sound financial and investment decisions.

ALTERNATIVE ACTIONS:

No alternative action is recommended, as this is a monthly financial report on City transactions which have already occurred.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

The City Council receives and files the financial and investment report for each month. At the September 16, 2015 meeting, City Council recommended monthly financial and investment reports be agendaized under the Consent Agenda, and quarterly financial and investment reports be presented to City Council as an "Other Business" item.

FISCAL AND RESOURCE IMPACT:

The preparation of the report is a part of the Finance workplan.

CEQA (California Environmental Quality Act):

Not a Project

This report is not a project, as defined in Section 15378 of the State CEQA Guidelines.

LINKS/ATTACHMENTS:

December 2016 Financial Statement Analysis

December 2016 Financial and Investment Reports