



City of Morgan Hill

Legislation Text

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CITY COUNCIL STAFF REPORT **MEETING DATE: SEPTEMBER 7, 2016**

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

JUNE 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 preliminary fiscal year ending June 30, 2016 Monthly Financial and Investment Reports. The preliminary Revenue and Expense Summary for the fiscal year is included on the first page. Overall, revenue received for the year for all funds is approximately \$4.1 million or 4% higher than the budgeted amount but approximately \$7.6 million or 6% lower than the prior fiscal year primarily due to the absence of \$17.3 million of Sewer revenue bond proceeds. Expenditures, including encumbrances, came in at 84% of the budget.

General Fund revenues totaled \$36.0 million, \$1.3 million or 4% higher than the prior fiscal year led by an increase in sales tax of approximately \$646,000, secured/unsecured property tax of approximately \$582,000, and recreation services revenue of approximately \$468,000, partially offset by a reduction in other revenue category primarily due to the absence of approximately \$696,000 of loan proceeds received from the California Energy Commission for various energy savings projects in prior year. The increase in sales tax revenue was primarily led by an increase in auto sales that was partially offset by a decrease in service stations as a result of declining fuel costs. The increase in recreation services revenue compared to the prior fiscal year was primarily due to the increase in the number of Centennial Recreation Center/Aquatics Center memberships. General Fund expenditures, including encumbrances, came in at 94% of the budget.

Community Development Fund revenues for the fiscal year totaled \$4.0 million, a decrease of 18% from the prior fiscal year. Expenditures came in at \$4.9 million. The fund ended the fiscal year with an operating deficit of approximately \$0.9 million and a fund balance of approximately \$2.6 million or 48% of adopted FY16-17 appropriation, including carry-over encumbrances. Though it is still in excess of the Council's 30% reserve level policy, the fund is forecasted to continue to be structurally imbalanced requiring significant use of reserves in subsequent years. To address this issue, the Community Development Department is in the process of completing an updated fee study and is expected to bring to Council with a recommended updated fee schedule in 2016.

Enterprise Fund revenues which comprised of Water and Sewer totaled \$31.3 million, \$18.1 million or 37% lower than a year ago primarily due to the absence of \$17.3 million of Sewer revenue bond proceeds as mentioned above. Water Operations ended the fiscal year with an operating deficit of approximately \$1.3 million due to reduced revenues from ratepayers; however, better than the budgeted deficit of approximately \$1.6 million. This was mainly due to the Water Revenue Adjustment recently approved by Council in January, Council savings initiated from bonds refunding and a reduction in expenditures after the budget was adopted.

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:

June 2016 Financial Statement Analysis
June 2016 Financial and Investment Reports
Preliminary FY 2015-16 Financial Report