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Date	Ver.	Action By	Action	Result
3/21/2017	1	City Council		

Report to Mayor and City Council

Tuesday, March 21, 2017

Discussion

SUBJECT:

FISCAL YEAR 2016-17 MIDYEAR BUDGET REPORT (CITY COUNCIL/ HOUSING AUTHORITY/SUCCESSOR AGENCY)

I. SUMMARY

II. RECOMMENDATION

1. Resolution No. 17-025, A RESOLUTION OF THE CITY OF CARSON CITY COUNCIL AMENDING THE FISCAL YEAR 2016-17 BUDGET IN VARIOUS FUNDS OF THE CITY.
2. Resolution No. 17-09-CHA, A RESOLUTION OF THE CARSON HOUSING AUTHORITY BOARD AMENDING THE FISCAL YEAR 2016-17 BUDGET.
3. Resolution No. 17-08-CSA, A RESOLUTION OF THE CARSON SUCCESSOR AGENCY BOARD AMENDING THE FISCAL YEAR 2016-17 BUDGET.

III. ALTERNATIVES

TAKE another action deemed appropriate by City Council.

IV. BACKGROUND

On February 28, 2017, the FY15-16 audited financial statements were issued; and on March 7, 2017, they were presented to City Council. Now that we have actual balances as of June 30, 2016, staff was able to complete the Midyear budget analysis.

General Fund

The results of the FY15-16 audit included an \$8.0 million accrual of a liability for judgments and settlements incurred after June 30, 2016. The single largest of these items was the Colony Cove mobile home rent control judgment of \$7.5 million. The City is appealing the judgment; and if it is reversed, the liability will also be reversed, increasing the General Fund balance by \$7.5 million.

	FY15-16
	Actual
Beginning Fund Balance, Actual June 30, 2015	27,567,192
Revenues	74,176,750
Expenditures	(82,927,518)
Net Transfer to Other Funds	(105,989)
Fund Balance, June 30, 2016	<u>18,710,435</u>

The \$18.7 million fund balance reflects the Colony Cove liability. The balance also includes restricted monies that should be transferred to special revenue funds. These inter-fund transfers were presented to City Council during the FY16-17 budget process; but have not yet been made pending the final outcome of FY15-16.

Transfers to be made in FY16-17:	
Restricted Load Shed	\$ 247,421
Restricted Utility Undergrounding	1,116,110
Restricted 1% PEG	431,403
Restricted Raised Median	233,114
Building Plan Retention Fees	229,927
Capital Asset Replacement	1,000,000
	<u>\$ 3,257,975</u>

With this report, staff is recommending a series of amendments; including revised revenue estimates, additional appropriations due to increased service activity, and various inter-fund transfers. Following is a summary of the impact of these recommendations to the General Fund. Original Budget + Amendments To Date + Recommended Amendments = Midyear Revised

	FY16-17 Original Budget	FY16-17 Amendments To Date	Recommended Midyear Amendments	FY16-17 Midyear Revised
Revenue	\$74,572,223	\$ 982,075	\$ 1,352,000	\$76,906,298
Expenditures	(76,219,758)	(2,249,034)	(834,307)	(79,303,099)
Net Transfers	(130,814)	(86,738)	(3,262,920)	(3,480,472)
Net Activity	\$ (1,778,349)	\$ (1,353,697)	\$ (2,745,227)	\$ (5,877,273)

A detailed list of recommended amendments, including justifications, is attached to this report (Exhibit A). The most significant amendment requests are noted below.

- Overall General Fund revenue is not expected to vary significantly from the budget. As reported to the City Council previously, property tax and utility user tax estimates have decreased due to the 2016 drop in the prices of oil and natural gas. However, those estimated revenue losses are offset by increased building permit fee activity, primarily due to commercial improvements along Carson Street. The \$1,352,000 net revenue amendments noted above are primarily driven by the housekeeping amendment for the \$1.4 million NFL settlement to complete repayment of all City costs related to the former NFL proposal.
- Most all of the recommended General Fund expenditure amendments are immaterial. The \$834,307 net expenditure amendments noted above are primarily driven by \$818,000 of employee leave pay-outs.
- The recommended midyear amendments for Net Transfers of \$3,262,920 include the \$3,257,975 noted above.

Other Funds of the City

Staff recommends some housekeeping amendments for City Events, with no net fiscal impact. Accounting for the Parent Conference would be moved to the City Events fund, and City Event appropriations would be increased in direct correlation with increased revenues for two events (Women's Health Conference and Juneteenth).

The most significant recommended amendment in other funds is related to the Slurry Seal In-Lieu fees. The revenue is restricted for slurry seal and has been incorrectly accounted for in a trust fund. The amendments would recognize the remaining balance of fees as revenue in the Gas Tax Fund, and increase appropriations to match the revenue source.

Housing Authority

One amendment is recommended for the Housing Authority, related to staff costs allocated to the Reclamation Authority that were not budgeted. It was determined the staff costs can be allocated to the Housing Authority; which therefore requires a budget amendment.

Successor Agency

There are two significant amendments requested for the Successor Agency. Now that the former Redevelopment Agency is dissolved and the Successor Agency is winding down

business, the Successor Agency no longer funds projects. Unspent redevelopment bond proceeds were transferred to the City under the Cooperative Agreement between the Successor Agency and City. All project costs funded with redevelopment bond proceeds should be appropriated from that transferred money. Only expenditures appearing on the state-approved Recognized Obligation Payment Schedule (ROPS) can be paid from Successor Agency funds.

In September and October 2016, budget amendment resolutions were proposed by staff and adopted by the Successor Agency Board, appropriating Successor Agency funds for additional project costs. Those budget amendments should have been appropriated in the City fund holding the unspent bond proceeds that were transferred.

Staff recommends an amendment to reverse those September and October resolutions, and account for the project expenditures in the correct account. The amendments were for the Carson Street Master Plan (\$1,034,256) and the Wilmington/I-405 Interchange (\$230,000).

V. FISCAL IMPACT

If the City Council approves the recommendations contained herein, the revised estimated General Fund Balance at June 30, 2017 will be \$12.8 million as illustrated below.

	General Fund
Beginning Balance, July 1, 2016	\$ 18,710,435
Net Activity	<u>(5,877,273)</u>
Estimated Ending Balance, June 30, 2017	<u>\$ 12,833,162</u>

The Reserve for Economic Uncertainties would be \$2.7 million less than the City Council policy level of \$15,506,864 (calculated as 20% of budgeted expenditures). A revised General Fund Budget Summary for FY16-17 is attached to this report (Exhibit B). Staff will look to City Council for guidance during the FY17-18 budget process to correct the deficiency.

The Summary of Funds has been updated to reflect actual beginning balances for FY16-17, amendments to date, and recommended midyear amendments for all funds (see Exhibit C).

VI. EXHIBITS

Resolution No. 17-025, A RESOLUTION OF THE CITY OF CARSON CITY COUNCIL AMENDING THE FISCAL YEAR 2016-17 BUDGET IN VARIOUS FUNDS OF THE CITY (pages 5-7)

Resolution No. 17-09-CHA, A RESOLUTION OF THE CARSON HOUSING AUTHORITY BOARD AMENDING THE FISCAL YEAR 2016-17 BUDGET (pages 8-9)

Resolution No. 17-08-CSA, A RESOLUTION OF THE CARSON SUCCESSOR AGENCY BOARD AMENDING THE FISCAL YEAR 2016-17 BUDGET (pages 10-11)

A - FY16-17 Midyear Amendment Requests (pages 12-15)

B - General Fund Budget Summary FY16-17 (page 16)

C - Summary of Funds (page 17)

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