



CITY OF CONCORD

REPORT TO CITY COUNCIL

FROM: Brian LeBrun, Deputy City Manager – Finance
DATE: October 16, 2019
SUBJECT: Use of Surplus and Fiscal Year 2019 Financial Results

Recommendation

Accept this report and approve the attached resolutions as recommended by the Fiscal Policy Advisory Committee.

For Fiscal Year ending June 30, 2019, the City is reporting a preliminary General Fund surplus of \$827,600. Management plans to allocate \$1,400,000 at year-end to Assigned Fund Balance, including \$300,000 to be assigned for overlay for settlement of future abatements.

Management also recommends appropriating \$1,100,000 from the City's FY 2019 Assigned Fund Balance and Transfer to Trust Fund Reserves, as detailed below; and appropriate \$197,000 to be transferred from Trust Fund Reserve for the purposes detailed below.

Background

In Fiscal Year ending June 30, 2019 fiscal results were positive and resulted in the surplus reported here.

Discussion

General Fund

The FY 2019 General Fund actual revenues received were ahead of the amended budget by \$67,400. The major variances (greater than \$20,000) to budget are:

<u>Department Revenue Excess/ (Shortage)</u>	<u>Amount</u>
City Manager – Transfer In-Trust/Capital Reserve	(21,500)
Finance – Property Taxes	60,800
Motor Vehicle Registrations	548,800
Interest Costs and Penalties	67,000
MV Transportation Surcharge	25,300
Investment Income	313,500
General Overhead – Cable TV Franchise	(55,600)

Insurance Distributions & Credits	253,900
Transfer In-Golf Fund	(76,400)
Police – Special Police Duty Services	(74,100)
Parking Penalties	(23,800)
Fire – Multiple Local Governments	22,500
Advanced Life Support Intercept	336,200
CD – Building, Electrical, Mechanical & Plumbing Permit	91,800
Street Excavation Fees	(37,300)
Transfer In – Trust/Forest	(40,500)
Parks & Recreation – Building Lease Rental	(48,400)
Miscellaneous	36,200
Budgetary Use of Fund Balance	(1,410,200)
All other revenues	<u>99,200</u>
Total Revenue Excess/ (Shortage)	\$67,400

Conversely, while some General Fund actual line item expenses exceeded the amended budget; overall, actual expenses were under budget by \$760,200. The areas of (over)/under-expenditures are:

Compensation	\$126,200
Benefits	453,600
Outside Services	135,200
Supplies	(13,900)
Utilities	22,000
Insurance	6,300
Capital Outlay	7,700
Debt Service	(21,200)
Miscellaneous	162,400
Transfer Out	<u>(118,100)</u>
Total Under/ (Over) Expended	\$760,200
Total Surplus	\$827,600

Note: The General Fund Surplus results take into consideration the proposed amendment to the Golf Fund Overhead and additional transfer to the Golf Fund, as detailed in item #4 below.

The basis for the attached resolutions is to support needed initiatives that were either not funded in the FY 2019 operating budget, issues that arose after the FY 2019 budget was presented/adopted, or looking ahead to resolve future issues.

The items requested in the resolution(s) are:

Highway Reserve (Paving) Reserve	\$400,000
Equipment Reserve	300,000
Office Furniture and Equipment	30,000
Recreation Reserve	<u>370,000</u>
Subtotal	\$1,100,000
Assignment for Overlay	<u>300,000</u>
Total FY 2019 Assigned Fund Balance	\$1,400,000

Note: \$167,000 from the Equipment Reserve account is recommended to support necessary replacement and purchase of furniture and equipment (\$30,000), additional funding (\$27,000) to replace a police cruiser that was involved in an accident, additional funding (\$50,000) for Community Development Software Implementation, funding (\$60,000) for an I-93 maintenance project, and \$30,000 from Education Reserve for education and training opportunities. These items are proposed to be funded entirely from available reserve account funds.

Enterprise and Special Revenue Funds Results

In addition to the General Fund, the FY 2019 summary year-end performance by other major funds is:

	Amended <u>Budget</u>	<u>Actual</u>	<u>Over/(Under)</u>
Project Inspection Fund	\$800	(\$7,700)	(\$8,500)
Parking Fund	(55,800)	672,200	728,000
Airport Fund	(80,700)	(44,000)	36,700
Golf Course Fund (Pending Amendment)	(50,300)	(0)	50,300
Arena Fund	(62,900)	(4,500)	58,400
Solid Waste Fund	14,900	230,900	216,000
Water Fund	(127,500)	37,100	164,600
Wastewater Fund	(761,700)	(661,400)	100,300

Note that there are variances in a number of the special revenue and enterprise funds for FY 2019. Also, the City Council voted to change the designation of the Golf, Arena and Solid Waste Funds from Enterprise to Special Revenue Funds, effective July 1, 2019. The explanation of variances is below:

1. Project Inspection Fund – \$8,500 worse than anticipated. Fewer inspections than projected were completed.
2. Parking Fund – \$728,000 better than anticipated. Metered parking charges and rental income exceeded budget; parking penalties were under budget; one-time \$145,000

revenue recognized due to the sale of the Dixon Avenue Parking Lot; wage and benefit expenses significantly under budget due to difficulty hiring parking enforcement officers.

3. Airport Fund - \$36,700 better than anticipated. While revenues were on target with expectations; wages, benefits, building repairs and other expenses were less than budgeted.
4. Golf Course – \$50,300 better, **revised (Pending Amendment)**. Revenues were under budget due to difficult weather during summer 2018 and spring 2019. League and tournament tees, Pro Shop sales and golf simulator revenues were all ahead of budget and ahead of FY 2018. Additionally, there is a requested transfer-in from General Fund Surplus in the amount of \$62,750. Expenses were over budget due to course maintenance; replacement of sod on several tee boxes; renting of additional golf carts for outings; league and tournament expenses (consistent with an increase in league and tournament fees); and increased cost of goods sold (due to increase in Pro Shop sales). Additionally, there is a proposed reversal of the General Fund Overhead payment to the General Fund in the amount of \$76,350. The results reported here are inclusive of the General Fund Overhead reversal request and additional Golf Fund support request included in the October City Council agenda for Public Hearing and action in November.

Note: Prior to the proposed amendment, the Golf Fund realized a loss of \$139,100 or \$88,800 worse than projected.

5. Arena Fund - \$58,400 better than expected. Pro Shop sales, ice rental revenues and concession income were all ahead of budget and FY 2018 results.
6. Solid Waste Fund - \$216,000 better than expected. Overall revenues in this fund were short of budget mainly due to commercial sales. Most other revenue lines exceeded budget projections. Overall expenses were also short of budget and the fund realized savings in most expense lines.
7. Water Fund - \$164,600 better than expected. Overall revenues in this fund were slightly short of budget and expenses were short of budget as well.
8. Wastewater Fund - \$100,300 better than expected. Overall sales were short of budget and expenses were short of budget as well.

As a note, these amounts do not include the supplemental appropriations request provided to the City Council at its October meeting for public hearing and action in November, for the Inspection Fund and General Fund transfer to Golf Fund. I will be glad to answer any questions regarding this report.

cc: City Manager
Assistant Finance Director