



THE CITY OF
SAN FERNANDO



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**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE YEAR ENDING JUNE 30, 2015**

FEBRUARY 16, 2016

PRESENTED BY:
NICK KIMBALL
FINANCE DIRECTOR



ANNUAL AUDIT REQUIREMENT

Annual audit by independent certified public accountants is required by City Code.

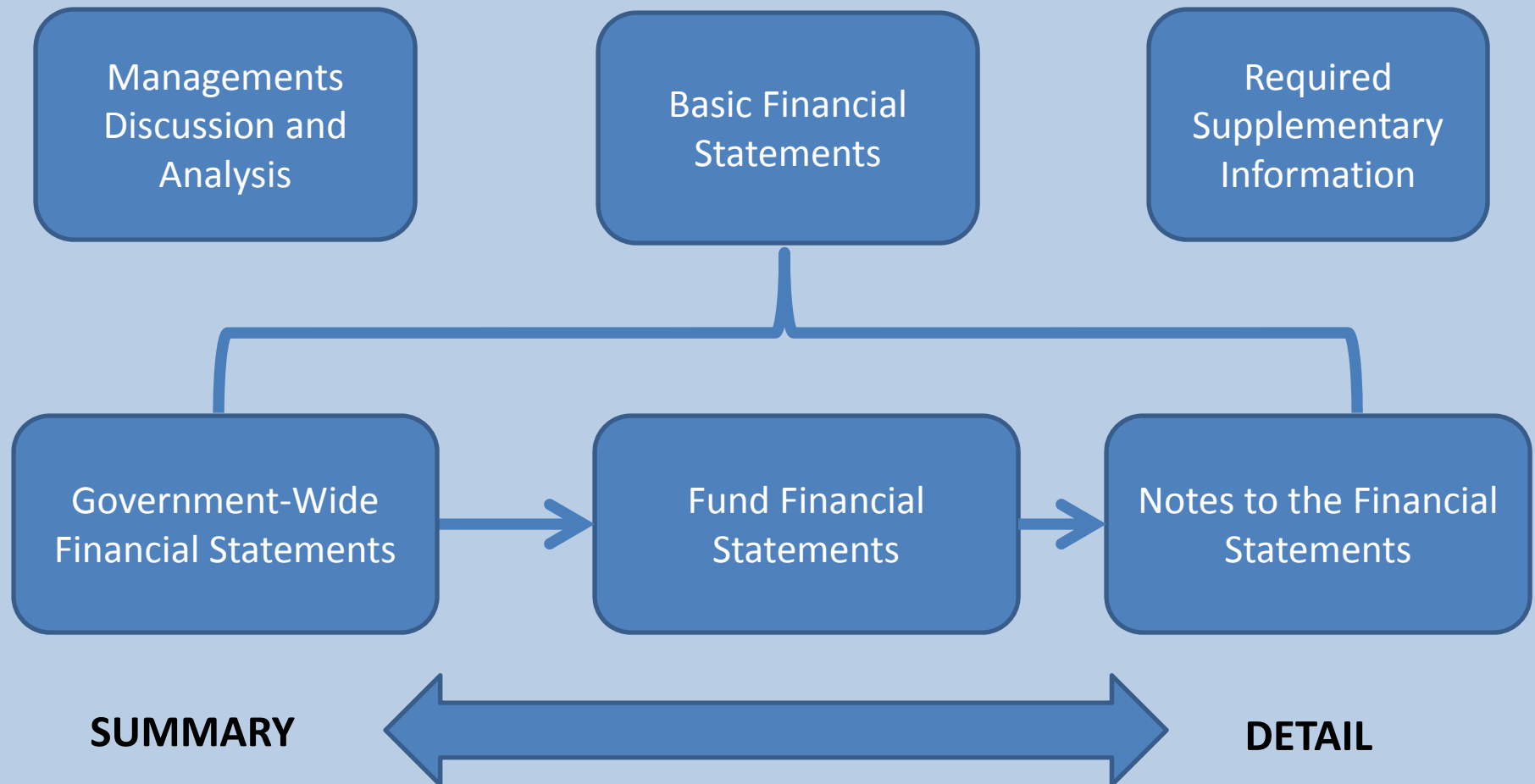
- Financial statements prepared in accordance with GAAP as promulgated by GASB.
 - Audit conducted by Van Lant & Fankhanel, LLP.

GFOA Excellence in Financial Reporting Award.

- Awarded to the City consistently for the last 26 years.
- Received award for June 30, 2014 CAFR.



STRUCTURE OF CAFR





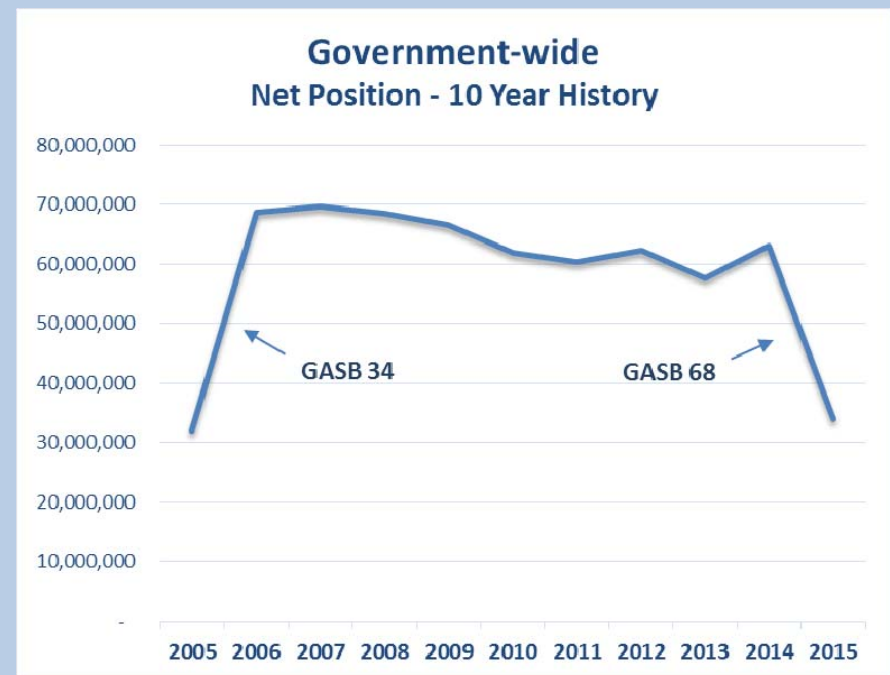
GOVERNMENT-WIDE FINANCIALS

Net Position – Total assets minus total liabilities

- Over time, serves as an indicator of overall financial health.
- Net position decreased by \$29.1 million due primarily to implementation of GASB 68.

Over last 10 years, GASB Pronouncements have had significant impact on Net Position.

- GASB 34 increased reporting of assets.
- GASB 68 increased reporting of liabilities.





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GASB STATEMENT NO. 68

GASB Statement No. 68 requires governments providing defined benefit pensions (CalPERS) to recognize long-term obligations for pension benefits as a liability, and to more comprehensively and comparably measure the annual cost of pension benefits.

- PERS provided a special GASB 68 compliant Actuarial Report identifying the City's full pension liability (\$26.8 million) rather than just the current year liability.
- Total Miscellaneous Liability: \$12.4 million.
- Total Safety Liability: \$14.4 million.
- Portion attributable to Enterprise Funds: \$1.9 million.

Pension Obligation Tax – Unlike most cities, San Fernando is fortunate to have a dedicated funding stream for Pension costs.

- The Pension Tax can be used to fund annual costs as well as pay down long-term CalPERS obligations.
- **AB 107** has directed Pension Tax revenue formerly given to the Successor Agency to the City. Pension Tax fund collecting additional revenue (primarily from commercial properties in former Project Areas).



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OTHER POST EMPLOYMENT BENEFITS

OPEB (Retiree Health Care) liability continues to grow as the City continues to “pay-as-you go.”

Beginning Liability:	\$9,104,016
Additional Liability:	\$2,697,211
2015 Premiums:	(\$884,963)
Ending Liability:	\$10,916,264

Recent labor negotiations to eliminate RHC for new employees will help limit City’s liability (New OPEB Actuarial study needed).

The City needs to start setting aside funds in a Trust account to pre-fund the liability.



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GOVERNMENTAL FUND FINANCIALS

The City maintains 24 individual governmental funds.

Fund Balance for all Governmental Funds increased from \$6 million to \$8.7 million.

- Total increase of \$2.7 million.
- Primarily result of increased cash in the Retirement and Enterprise funds and retirement of Section 108 and CHFA loans.

Fund Balances	2015	2014
Nonspendable	\$371,547	\$858,503
Restricted	12,970,716	11,840,461
Unassigned	(4,572,094)	(6,671,972)
TOTAL	\$8,770,169	\$6,026,992

Why did Fund Balance increase while Net Position decreased?

- Government-wide reporting provides information on current and long term obligations, including capital assets and long-term liabilities – Useful in assess the City’s overall financial health.
- Governmental Fund reporting provides information on near term inflow, outflows and balances of spendable resources – Useful in assessing the City’s ability to meet short term requirements.



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GENERAL FUND

\$1.6 million total deficit reduction; from (\$5.7 million) to (\$4.1 million).

A Closer Look...

Operating Revenues:	\$16,452,730
Operating Expenses:	(\$16,969,333)
Operating (Deficit):	(\$516,603)

One-time Revenues:*	\$3,288,549
One-time Expenses:**	(\$2,593,342)
One-time Surplus:	\$695,207

Total Surplus:	\$178,604
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*Measure A - \$2.15 M; Property Sale - \$1 M

**Section 108 and CHFA Loans - \$815,000; Transfer of assets to SIF - \$1.8 million





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GENERAL FUND HIGHLIGHTS

Revenue Highlights:

- Strong Measure A revenue, residual property tax revenue from RDA dissolution, and overall improved economic activity.
- \$1 million in land sale proceeds.

Expenditure Highlights:

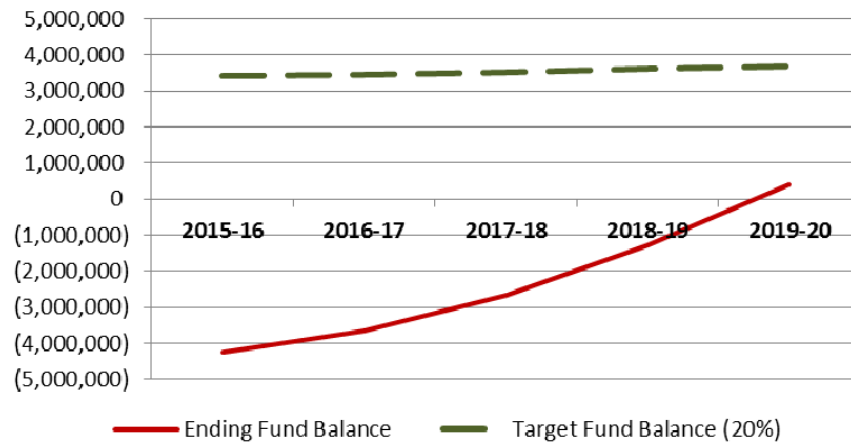
- Separated Self Insurance assets/liabilities from General Fund to begin building reserve.
- Paid off Section 108 and CHFA loans.
- Reduced Retirement and Las Palmas loans by \$350,000.



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GENERAL FUND FORECAST

General Fund 5-Year Forecast



Key Expenditure Assumptions:

Personnel Increases:

2017 – 2%
2018 – 3%
2019 – 3%
2020 – 3%

O&M Increases:

2017 – 0%
2018 – 1%
2019 – 1%
2020 – 2%

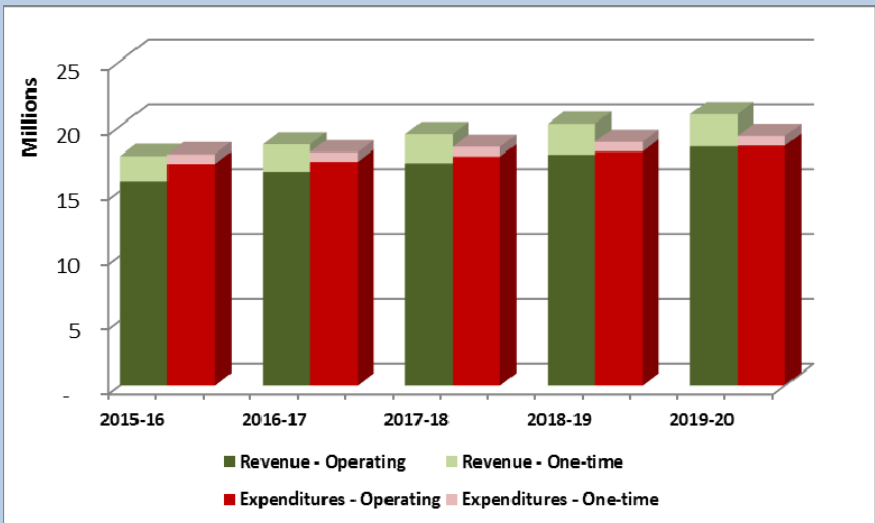
Key Revenue Assumptions:

Ongoing Increases:

2017 – 5%
2018 – 4%
2019 – 4%
2020 – 3%

One-time Increases:

2017 – 7%
2018 – 6%
2019 – 5%
2020 – 4%





DEFICIT REDUCTION PLAN

Staff has worked with City Council to implement a multi-year plan to eliminate the General Fund deficit.

Over last 18 months, City has:

- Renegotiated the Fire Services contract with LAFD to reduce the annual cost without reducing service (saved more than \$500,000/year).
- Transferred operational and financial responsibility of the Pool to the County of Los Angeles (saved more than \$500,000/year).
- Retired debt from the outstanding California Housing Financing Agency (CHFA) and Section 108 Loans (saved more than \$125,000/year).
- Developed a five-year General Fund projection of revenues and expenditures (improve long term decision making).
- Adopted a Development Agreement Ordinance to increase economic development efforts.
- Sold surplus land and used the land sale proceeds to reduce the City's deficit (\$1 million in proceeds).
- Restructured future retiree health benefits to decrease the City's OPEB liability (significant long-term savings).



DEFICIT REDUCTION PLAN

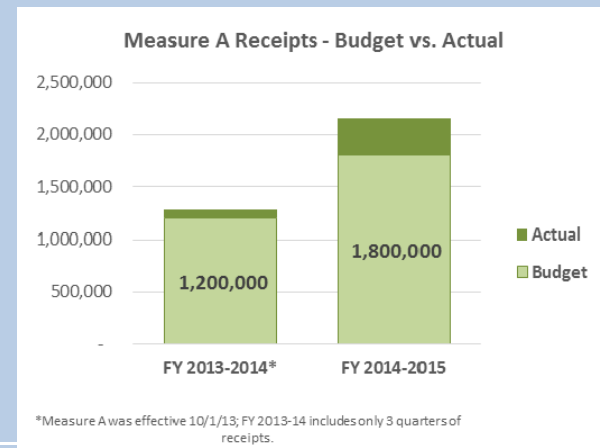
FY 2015-2016 Budget includes one-time funding for the following items:

- **Continue to repay internal debt (\$250,000).**
- **User fee and cost allocation plan to ensure City is recovering costs for certain services (\$50,000).**
- **Replace network server infrastructure (\$50,000).**
- **Re-establish Self Insurance Fund reserve (\$250,000).**
- **Re-establish Equipment Replacement Fund (\$100,000).**
- **Establish Facility Capital Replacement Funds (\$50,000).**
- **Further reduce General Fund deficit (\$200,000).**
- **Development Impact Fee study (\$24,000)**



MEASURE A

- Measure A has been invaluable in keeping the City solvent.
- Since October 2013, Measure A has generated \$3,442,708 in additional revenue.
- Measure A will sunset in October 2020; right when the City is projected to start emerging from the deficit, which could potentially put the City back on unsteady financial ground.
- Council may want to consider asking voters to extend Measure A to get San Fernando on strong financial ground and ensure:
 - Regular street maintenance and resurfacing.
 - Regular tree trimming and street sweeping.
 - A high level of public safety services.
 - Meaningful community programs.





CONCLUSION

This year's audited financials present mixed signals:

- The General Fund deficit decreased by \$1.5 million; but it continues to have a large deficit fund balance of **(\$4.1 million)**.
- The General Fund realized an overall surplus; but there was an operating deficit of approximately **(\$500,000)**.
- Despite Council action over the last few years to reduce long-term liabilities, the total City-wide "net worth" decreased by **\$29.1 million** due to a new financial reporting requirement rather than an increase in liability.
- Deficit reduction will continue to be slow and steady as the City works to balance the need to reduce the deficit with the need to replace equipment and infrastructure, address deferred maintenance, and set-aside funds to offset future liabilities.

The seal of the City of San Fernando, California, is a circular emblem. It features a central illustration of a building with a sun rising behind it. The text "CITY OF SAN FERNANDO" is arched across the top, and "CALIFORNIA" is arched across the bottom. In the center, below the building, it says "INCORPORATED AUG. 31 1911". Two stars are positioned on either side of this central text.

Questions?

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