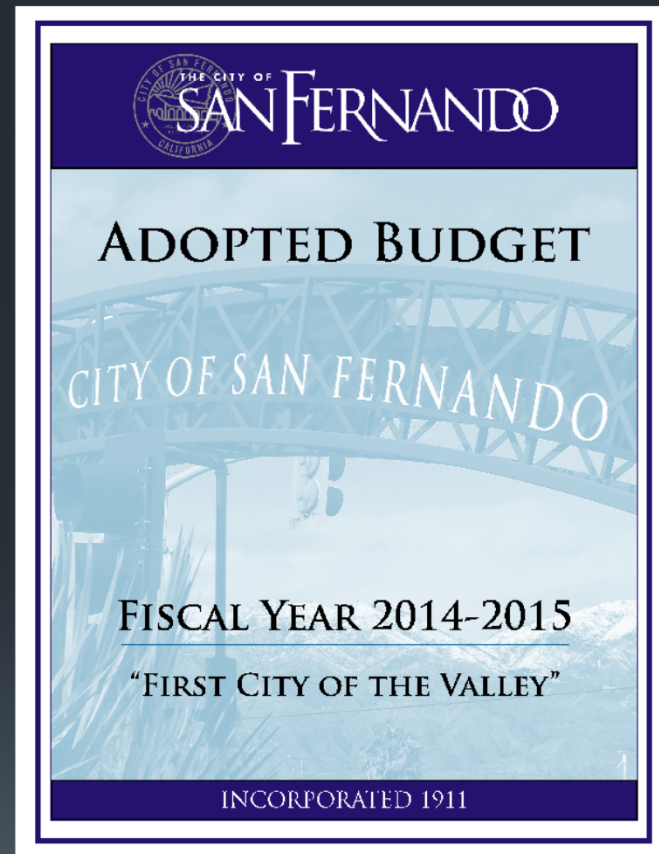


Mid-Year Budget Report



February 17, 2015

Purpose of Mid-Year



- The Annual Mid-Year Budget Review is an essential element in maintaining financial stability.
- It provides the City Council an opportunity to:
 - Review the General Fund and other funds;
 - Make adjustments to achieve a more accurate budget for the current fiscal year (resulting in greater budget transparency); and
 - Help shape the development of next year's budget.

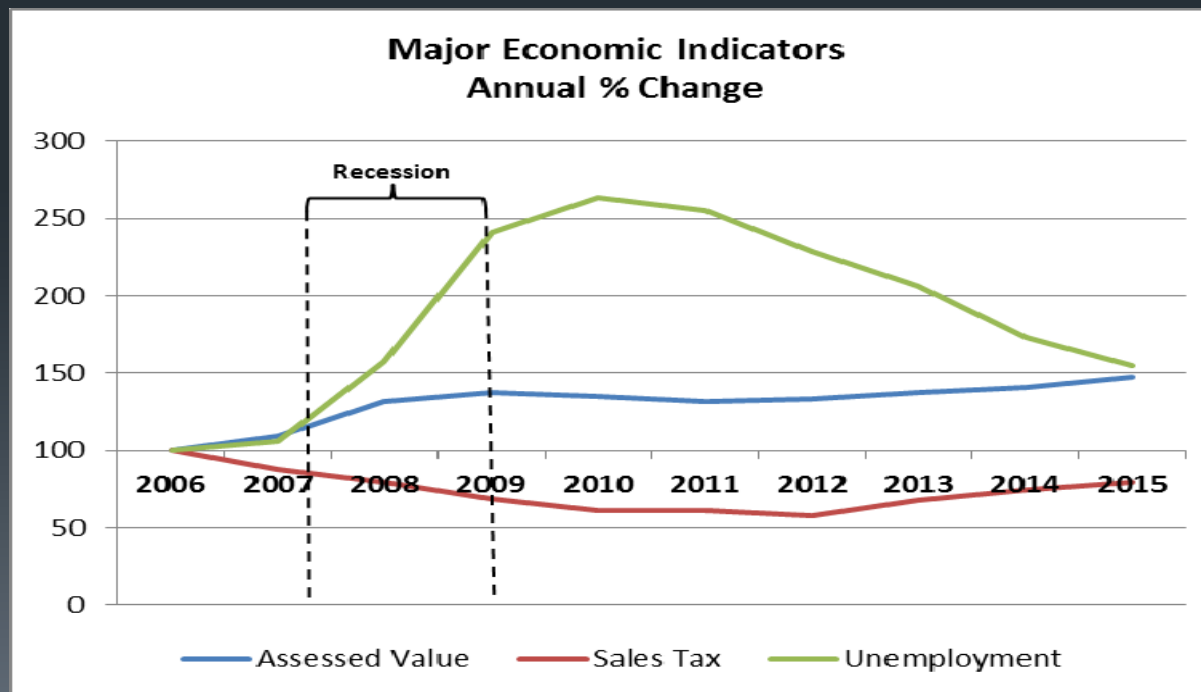
Economic Outlook



- National Economy
 - Broad based and steadily increasing GDP
 - Steadily declining unemployment (5.6% in Dec.)
- California Economy
 - Steadily declining unemployment (7.0% in Dec.)
 - Housing market “normalizing”
 - Important because CA had one of the highest foreclosure rates during the recession

Economic Outlook (cont.)

- San Fernando Economy
 - Assessed Values have returned to their pre-recession levels
 - Generating more sales tax per capita than Santa Clarita, Simi Valley, and Los Angeles
 - Unemployment steadily declining (7.6% in Dec.)



General Fund



- Budget adopted with \$300,000 deficit, including \$233,000 in Capital Expenses
 - Adopted Revenue = \$18,105,024
 - Adopted Expense = \$18,397,816
- Actions not included in adopted budget:
 - Renegotiated Fire Services Contract
 - Leased Pool to LA County

General Fund Revenue Analysis

- 1) Increase Sales Tax revenue by \$200,000;
- 2) Increase Transaction Tax (Measure A) revenue by \$200,000;
- 3) Increase Property Tax (Secured and Unsecured) revenue by \$150,000;
- 4) Increase Residual Property Tax revenue by \$150,000;
- 5) Increase Property Tax in Lieu of Motor Vehicle License Fees revenue by \$71,000;
- 6) Increase Sale of Property & Equipment revenue by \$35,000;
- 7) Increase Successor Agency Administrative Cost Allowance by \$40,000;
- 8) Decrease Rental Income revenue by a net of \$27,886;
- 9) Decrease Pool related revenue by \$128,500; and
- 10) Decrease CNG fueling station revenue by \$100,000.

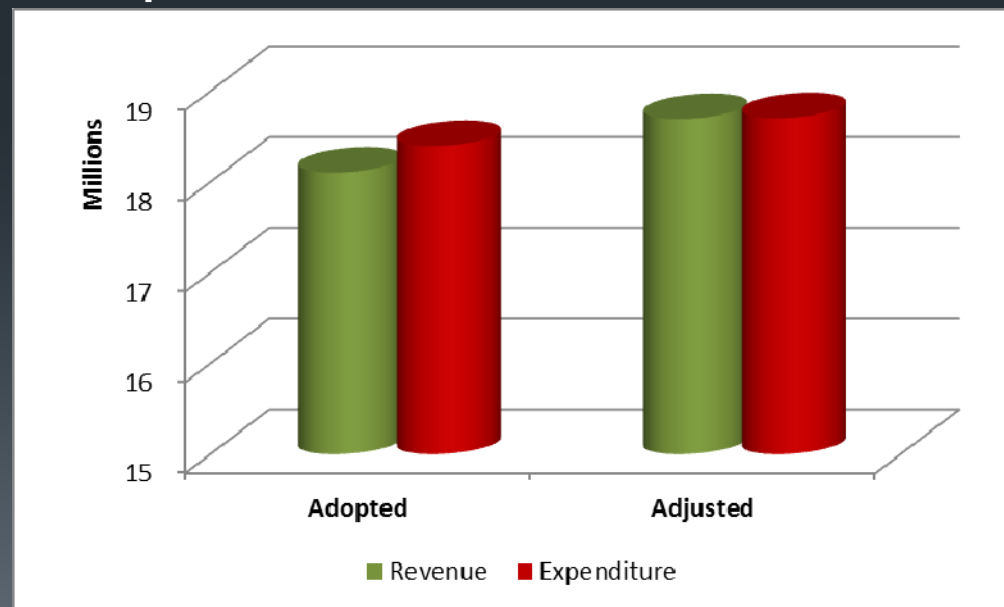
General Fund Expenditure Analysis



- 1) Increase Other Expense in Non-Departmental by \$70,000 to pay the state Board of Equalization for Measure A Implementation/Administrative costs;
- 2) Increase transfer to Self-Insurance Fund by \$300,000 to fund increased workers' compensation and claims costs;
- 3) Decrease transfer to Grant Fund by \$100,000 to reflect early retirement of General Fund's liability to the Grant Fund;
- 4) Increase transfer to Gas Tax Fund by \$44,000 to transfer to reimburse Gas Tax for a portion of the street sweeping contract;
- 5) Net increase in Police Department salary accounts by \$170,000 to appropriate earned accrual payout for separated employees;
- 6) Increase Public Works Capital equipment by \$6,500 to replace four (4) obsolete computers for staff; and
- 7) Net decrease in Recreation and Community Services expenditures by approx. \$200,000 due to leasing pool operations to County.

General Fund

- After proposed mid-year adjustments, the General Fund will have a projected deficit of only \$9,500
 - Adjusted Revenue = \$18,694,638
 - Adjusted Expense = \$18,704,153



Other Funds - Revenue



Key revenue changes:

- 1) Increase Self Insurance revenue by \$360,000 - \$300,000 from the General Fund to fund increased workers' comp and liability claims cost and \$60,000 from the Water Fund to reimburse the SIF for property insurance premiums on the various well sites.
- 2) Increase Equipment Replacement Fund revenue by \$12,000 to account for sale of surplus police and public works vehicles.
- 3) Net increase in Water Fund revenues by \$500,000 based on year-to-date receipts and staff projection.
- 4) Net increase in Sewer Fund revenues by \$100,000 based on year-to-date receipts and staff projection.

Other Funds - Expenditures



Key expenditure changes:

- 1) Increase Self Insurance claims expenses by \$350,000 due to higher than anticipated liability and workers' compensation claims costs.
- 2) Increase Equipment Replacement Fund expenses by \$10,000 to cover the cost to fully equip the new Police Interceptor vehicle.
- 3) Increase Water Fund expenses by \$380,000 to appropriate retirement costs for employees funded by the Water Fund.
- 4) Increase capital expenses in the Water Fund by \$1.3 million to carryover unspent FY 2013-2014 Capital Project funds for the Nitrate Removal System.

Other Funds - Expenditures

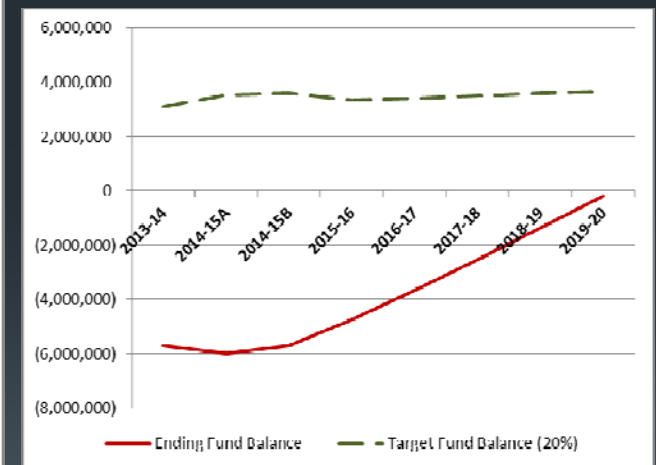
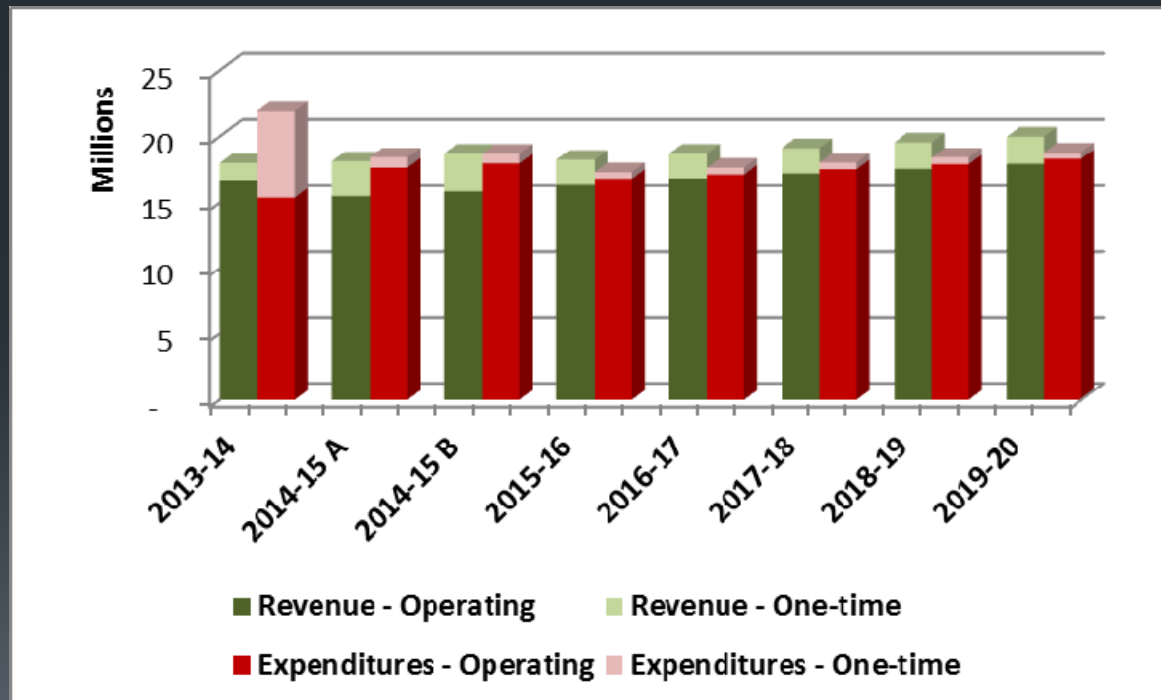


Key expenditure changes:

- 1) Increase operating Sewer Fund expense by approx. \$33,000 to appropriate retirement costs for employees funded by the Sewer Fund.
- 2) Increase Quimby Fund expenses by \$36,000 to appropriate Rec Park Building improvement project.
- 3) Appropriate \$20,000 in Community Investment Funds to reflect Council Member contributions to community events.

General Fund Forecast

- Projected surpluses through 2019-20 will eliminate deficit.
- However, continued surpluses will be necessary to establish a General Fund reserve.



Conclusion



- Overall, the Mid-Year Review is positive
- Many General Fund revenues are expected to outperform original budget estimate
- Departments are holding the line on expenditures
- If the City stays the course and remains fiscally conservative, the 5-year forecast projects eliminating the General Fund deficit fund balance in 5 years.