



Agenda Report

Fullerton City Council

MEETING DATE: NOVEMBER 6, 2018

TO: CITY COUNCIL / SUCCESSOR AGENCY

FROM: KENNETH A. DOMER, CITY MANAGER

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SUBJECT: FIRST QUARTER FINANCIAL AND TREASURER'S REPORT FOR FY 2018-19

SUMMARY

This report provides a review of the City's financial position for the first quarter of FY 2018-19, and includes the Treasurer's Report for the same period.

RECOMMENDATION

Receive and file.

BUDGET POLICY PRIORITY STATEMENT

This item matches the following Budget Policy Priority Statement/s:

- Fiscal and Organizational Stability.

FISCAL IMPACT

The information provided in these reports will be used by staff to ensure continued budgetary diligence over the remainder of the fiscal year and through the budget development process for next fiscal year.

DISCUSSION

Introduction

The City of Fullerton historically adopted a biannual budget for all City funds (General Fund, Capital Projects, Water, Sewer, etc.), but for fiscal year 2017-18 the City elected to adopt a one-year budget in order to concentrate on stabilizing the financial future of the City. A one-year budget was adopted by the Council again for FY 2018-19. While the City adopts a budget for all City funds, the General Fund is of particular concern

because it is the City's chief operating fund and while actual results were positive for FY 2017-18 and the FY 2018-19 General Fund budget was balanced, the City has seen annual operating deficits for the past several years. General Fund financial pressures are projected to continue as pension and retiree medical liabilities rise, sales tax and property tax revenue increases level off, and service levels are maintained. A quarterly review of the actual results as compared to the budget for all City funds is key to measuring the financial and operational health of the City on a regular basis. While the measurements for all City funds is highly dependent on the progress of capital improvement projects and their funding, the measurements for the General Fund are valuable in determining the immediate financial health of the City's ability to provide basic public services.

All City Funds

The attached report reflects actual revenues and expenditures posted through September 30, 2018, including total City funds revenues of \$25.5 million (13% of revenue budget) and expenditures of \$37.2 million (18% of expenditure budget). Overall, total City funds revenues and expenditures are within the expected range for the first quarter of the fiscal year. The first quarter of the fiscal year generally appears irregular due to the timing and accrual of expenses and revenues. Revenues received during the first quarter are subject to accrual to the prior fiscal year while certain expenditures, including salaries and benefits, continue to be incurred and recognized within the first quarter.

General Fund (including Library and Parks/Recreation)

The attached report reflects actual revenues and expenditures posted through September 30, 2018 and includes General Fund revenues of \$7.5 million (8% of revenue budget) and expenditures of \$21.0 million (22% of expenditure budget). Revenues are typically received in a non-linear fashion while expenditures are more even as payroll is processed on a bi-weekly basis and certain equipment, supplies, and contract expenditures are front loaded in the earlier part of the fiscal year.

Total General Fund revenues and expenditures are tracking at the pace expected during the budget development process and as compared to the first quarter of FY 2017-18. Revenues are 3% higher than this time last fiscal year (when adjusted for the \$3.1 one-time revenue last year) and expenditures are less than 1% higher with increased salary and benefits costs offset by a higher level of vacant employee positions.

Ongoing Efforts

While the General Fund was balanced for FY 2018-19, continued efforts are required to identify additional cost savings and efficiencies over this fiscal year and beyond. The upcoming implementation of OpenGov will allow simpler budgetary review by all stakeholders, including the public, Council, and staff. Measures continue to move forward as well, including the review of the Public Works and Community Development departments, contract jail services implementation, street sweeping services analysis, lawn mowing services analysis, and a downtown parking study to partially reduce the General Fund subsidy of downtown maintenance and public safety costs.

As FY 2018-19 is monitored and progresses, next year's strategic planning and budgetary process are right around the corner and are beginning to take shape. Internal budget preparation is taking place at the staff level and a strategic planning session will be scheduled for the Council in the early part of 2019.

Investment Report – Second Quarter

The City's operating portfolio ended the quarter with investments totaling \$94.5 million. Investments included \$22.5 million in the State's Local Agency Investment Fund; \$49.4 million in U.S Treasury Notes; \$7.3 million in Federal Agency issues; \$10.5 million in corporate notes; \$2.7 million in Certificates of Deposit; \$1.4 million in Asset Backed Securities; and \$.7 million in money market funds. The market yield was 2.55% at September 30, 2018 and the net income realized for the quarter was \$362,249.23.

Attachments:

- Attachment 1 - PowerPoint
- Attachment 2 - Revenue Detail by Fund Report
- Attachment 3 - Expenditure Summary by Fund and Department Report
- Attachment 4 - Schedule of Changes to Fund Balances Report
- Attachment 5 – Quarterly Investment Report