

sales tax swap and related difficulty in projecting actual property tax revenues. License and permit revenues were also lower than expected as Construction Permits revenue was \$93,737 lower than expected, which is one of the most difficult categories to anticipate. On the flip side, Service Charges revenues ended higher than anticipated with Plan Check & Inspection Fees revenues generating approximately \$119,200 higher than anticipated at year end.

Expenditures shown in the table above are trending higher by approximately \$43,646. When reviewing the estimated higher than expected expenditures to determine the cause, it was noted that Facility Maintenance program expenditures were higher than expected by \$46,566 due to several expenditures that occurred after the budget estimates were made. Some of these expenditures include tree removal, repairs to a pillar at the Train Station, and supplies for the Cal Poly Make a Difference Day. Building program expenditures were over what was estimated by \$103,384, however, these expenditures are offset by the higher Plan Check and Inspection Fees revenue identified above. Expenditures in most other programs closed under what was anticipated.

As shown in the table above, the ending cash balance for the General Fund in FY 2016-17 is estimated to be approximately \$78,000 or 1.7% less than projected given lower revenues of \$33,553 and higher expenditures of \$43,646. These variances are relatively small compared with the size of the approximately \$10 million General Fund. That being said, the nominal reduction in cash balance lowers this year’s beginning fund balance to \$4,261,391 which is 19% of General Fund expenditures or just below the Council’s policy goal of 20%. Staff will monitor this fund balance this fiscal year to ensure the City meets the 20% policy goal this year and will report back to Council in November during the first quarter financial update.

Wastewater Fund

The Wastewater Fund is responsible for the City’s maintenance and operation wastewater lines within the city and bills for and forwards funds collected to the South San Luis Obispo County Sanitation District. The Wastewater Fund is projected to end the 2016-17 fiscal year with approximately \$92,000 more than projected as part of the FY 2017-18 budget as shown below:

Wastewater Fund	FY 2016-17 Estimated	FY 2016-17 Actuals	Difference
Beginning Cash Balance	\$ 3,478,519	\$3,478,519	\$ -0-
Revenues & Transfers In	2,574,683	2,602,465	27,782
Expenditures & Transfers Out	<u>3,295,366</u>	<u>3,231,059</u>	<u>(64,307)</u>
Ending Cash Balance	\$ 2,757,836	2,849,925	\$92,089

Wastewater system revenues were higher than expected while expenditures were lower than anticipated due to the expenditures for capital projects being lower than anticipated at year end. Cash reserves are anticipated to end the year at over 100% of operating expenses. Operating expenses do not include transfers out. FY 2016-17 expenditures are anticipated to end the year at \$2,561,059 with transfers equaling \$670,000. The fiscal year 2017-18 budget has planned capital expenditures of over \$1,300,000 which will reduce anticipated cash reserves to approximately 57% of operating expenses by the end of the year.

Water Fund

The Water Fund is responsible for the maintenance and operation of City’s water system. This includes water lines, tanks, and wells. The Water Fund is projected to end the 2016-17 fiscal year with approximately \$118,000 more than projected as part of the FY 2017-18 budget as shown below:

Water Fund	FY 2016-17 Estimated	FY 2016-17 Actuals	Difference
Beginning Cash Balance	\$ 953,389	\$ 953,389	\$ -0-
Revenues & Transfers In	2,634,140	2,699,489	65,349
Expenditures & Transfers Out	<u>3,043,488</u>	<u>2,990,265</u>	<u>(53,223)</u>
Ending Cash Balance	\$ 544,041	\$ 662,613	\$ 118,572

Similar to the Wastewater Fund, system revenues were higher than expected while expenditures were lower. Staff has been careful with water system expenditures. Savings appeared across multiple expenditures line items. Cash reserves are anticipated to end the year at 24% of operating expenses. Projecting cash reserves at the end of FY 2017-18 is difficult given the uncertainty about future water rates along with an estimated \$1 million in capital expenditures planned. If the Council authorizes a January 2018 increase and operating and capital expenditures occur as budgeted, the cash reserves in the Water Fund are projected to be approximately \$260,000. However, water infrastructure costs related to Measure K-14 street work are trending higher than budgeted amounts and additional funds will likely be needed. Staff will return to the Council in November with more information about the Water Fund capital needs and potential funding options to address these needs.

FISCAL IMPACT

There is no fiscal impact from receiving this report.

ALTERNATIVES

The Council has the following alternatives:

1. Receive and file the FY 2016-17 Year-end Financial Review; or
2. Provide alternative direction to staff.

PUBLIC NOTIFICATION

The agenda was posted in accordance with the Brown Act.

ATTACHMENTS

None.