

CITY OF YUBA CITY  
STAFF REPORT

**Date:** January 19, 2021  
**To:** Honorable Mayor & Members of the City Council  
**From:** Finance Department  
**Presentation By:** Spencer Morrison, Finance Director

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**Summary**

**Subject:** Final Financial Report for Fiscal Year Ending June 30, 2020 and September 30, 2020 Update  
**Recommendation:** Note and File the Final Financial Report for the Fiscal Year Ending June 30, 2020  
**Fiscal Impact:** Informational item only

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**Purpose:**

To provide City Council with a summary of the final, unaudited, revenue and expenses of the City's major operating funds.

**Background:**

Finance provides periodic Financial Reports to City Council to keep them apprised of the City's financial activities along with trends in revenues and expenditures. To help guide the ongoing budget review process and to help make recommendations to the entire City Council, the Council formed a Budget Ad Hoc Committee.

**Analysis:**

The attached Final Financial Report has been prepared for City Council review for the Fiscal Year Ending June 30, 2020. A presentation will include quarterly results from September 30, 2020, as well as a budget timeline for FY 2021-22, which will begin in February for adoption in June.

The Budget Ad Hoc Committee has met with each department and reviewed the department budgets line-by-line identifying policy recommendations and developing follow up information requests. This committee is currently reviewing vacant positions and has requested that the directors prioritize budget requests for further review. The next steps for this committee will be to review the Vehicle Replacement Fund, Technology Replacement Fund, and finalize recommendations for Council consideration.

**Fiscal Impact:**

Informational item only

**Alternatives:**

Not applicable

**Recommendation:**

Staff recommends that the City Council note and file the Final Financial Report for the Fiscal Year Ending June 30, 2020.

**Prepared By:**

*[/s/ Spencer Morrison](#)*

Spencer Morrison  
Finance Director

**Submitted By:**

*[/s/ Diana Langley](#)*

Diana Langley  
Interim City Manager

**Reviewed By:**

City Attorney

[SLC by email](#)



# Final Financial Report

## For Fiscal Year Ending 06/30/20 (Final Year End)

January 19, 2021

### OVERVIEW

The on-site work for the City’s independent financial audit for FY 2019-20 was completed during the first two weeks of October. During the months of August and September, a great deal of Finance staff time goes into closing the books and preparing for the arrival of the City’s auditors. Finance staff gathers all of the accrual information in accordance with Governmental Accounting Standards. In addition, we analyze the components that make up the City’s assets, liabilities, revenues, expenditures and fund balances to ensure everything is properly accounted for. City staff attempts to review activity from an “auditor’s” perspective prior to the arrival of the City’s independent auditors. This is beneficial because it makes the performance of the audit much smoother for the City’s auditors, City staff and other departments throughout the City. Finance makes the effort to ensure that the City has no material misstatements in the pre-audit balances which are provided to the auditors. As stated, the audit fieldwork was completed in the first two weeks of October, the auditors did not make any adjustments to the City’s records.

In this Financial Report, any use of reserves to fund operations will be consistently referred to as *reserves*, not to be confused with revenues. Revenues are generated through operational charges for services or tax sources, not from spending fund balances accumulated in previous years to finance current expenditures.

This Final Financial Report for the fiscal year ending June 30, 2020, includes only the major operating funds of the City: the general fund, the water fund and the wastewater operating fund.

### GENERAL FUND

#### General Fund Financial Condition.

The original adopted budget for FY 2019-20 included revenues of \$45.1 million and expenditures of \$44.6 million resulting in a surplus on a budgetary basis of \$0.5 million. We began the year with a small surplus on a budget basis and then added just over \$2.4 million in supplemental appropriations throughout the year expecting that we still would not end the year in a deficit position on an actual basis. City staff expected to end the fiscal year with a surplus because staff anticipated there would be budgetary savings due to vacant positions throughout the City which create onetime savings along with budgetary savings in materials, supplies, and services accounts.

Throughout the fiscal year, adjustments are approved by City Council increasing the total final adopted budget amounts. Below is a summary of the significant adjustments increasing appropriations during FY 2019-20:

Labor Agreement Changes	\$ 1,078,200
Encumbrances 6/30/19	511,700
Grants Carried Over From 6/30/19	400,800
New Grant Appropriations	301,100
Other Miscellaneous Small Changes	81,600
	<b>\$ 2,373,400</b>

During FY 2019-20, budget priorities focused on investing in general fund infrastructure, reduction of our unfunded pension liabilities, providing City services to all City residents, setting aside funds for economic development, and balancing that with employee salary increases as staff salaries had remained fairly static for many years.

As the City looks toward the future, we will continue our fiscally conservative financial planning. The year-

end results of operations show the general fund once again with a surplus from vacant positions and other budgetary savings. However, this is onetime savings and will not help balance budgets in future fiscal years. Additionally, there are a significant list of fiscal needs that compete for those fiscal year-end dollars. The transfers out from the general fund based on the year-end surplus included the following items:

Unallocated General CIP - Surplus	\$ 2,672,736
LLMD 1B Deficit Balance	59,100
	<u>\$ 2,731,836</u>

As part of the adopted landscape and lighting maintenance budgets, City Council authorized \$59,100 to be transferred from the general fund to district 1B to cover an ongoing operational deficit to keep up the appearance of one of the City's gateways. This district denied adding cost of living increases during an earlier Proposition 218 balloting. Thereafter, the remaining \$2,672,736 was transferred to the general unallocated CIP fund for future use and allocation. The remaining fund balance is equal to 15% of the FY 2020-21 appropriations in accordance to the City's budget policy.

FY 2019-20 will forever be marked by the impacts on governmental and business operations due to the global, coronavirus pandemic—COVID-19. While the late rebounding of sales tax revenues buoyed the final revenues, the unpredictability and uncertainty of future costs and revenue shortfalls related to the pandemic response and policy changes at the local, state, and federal levels has made spending decisions very difficult. Much of the City's surplus is due to curtailing spending on public services and fewer productive hours by City teams as they stay at home to shelter, caretake, and support their distance-learning students.

The largest budgetary impact in the City's future budget projections is that resulting from the CalPERS Board's approval of reducing the discount rate from 7.5% to 7.0% with a step-down approach over a three-year period. Each of the step-downs in discount rate (from 7.5% to 7.375% to 7.25% and then to 7.0%) were phased in over a five-year period. Therefore, ultimately, the total impact will not be realized for 8 years by local government agencies. The revised estimated citywide impact is an increase from \$9.2 million in total retirement costs for FY 2019-20 to a projected \$11.5 million in FY 2025-26 based on the

CalPERS actuarial reports released in July, 2020. The total increase in projected retirement costs for the City's general fund through FY 2025-26, based on the most recent actuarial reports, is \$3.5 million.

The City continues to update its long-range financial model in order to plan for these excessive impacts. Long-term however, revenue growth is not anticipated to keep pace with the significant growth in CalPERS retirement cost increases. Other monetary options have been and will continue to be considered. All jurisdictions in the State of California are facing a similar financial burden; Yuba City is not alone in this regard. What this means: the CalPERS retirement system as it exists today is not sustainable for some agencies. City staff fully expects that additional options will become available which will lessen the burden in future years. An example of such an option is the addition of another layer of pension reform which would convert all classic CalPERS employees over to a less generous formula similar to PEPPA employees for future service credit as of a set date in the future. Many options continue to be discussed by specific groups throughout the state of California at this time. The one certainty: some agencies cannot afford the increases that CalPERS is currently projecting for them to pay and this will lead to fiscal insolvency.

In the past several years, the City experienced more vacancy savings than was historically seen in the ten previous years. For FY 2019-20 the vacancy savings increased significantly compared to that of the prior few years. Finance typically attributes the historically large vacancy savings to two things: 1) Employees who reach eligible retirement age begin drawing CalPERS retirement while going back to work in a non-PERS employment arrangement; and 2) The City has provided an increase in salaries for most employees totaling only four percent in the past ten years. Human Resources is actively recruiting to fill all vacancies throughout the City, and continues to focus on hiring quality team members for our agency. Additionally, Yuba City froze hiring during the last quarter of the fiscal year due to pandemic uncertainty.

**General Fund Summary.**

A summary of the results of FY 2019-20, are as follows:

	Budget	Actual	Percent
Revenues	\$ 45,865,187	\$ 45,882,175	100.0%
Expenditures	(46,988,926)	(43,343,669)	92.2%
Operating Surplus/(Deficit)	(1,123,739)	2,538,506	
Transfers Out	(2,731,836)	(2,731,836)	
Plus Beginning Fund Balance	6,946,325	6,946,325	
<b>Balance 6-30-20</b>	<b>\$ 3,090,750</b>	<b>\$ 6,752,995</b>	<b>-</b>

On a budgetary basis, the City would have ended the year with a \$1,123,739 operating deficit. In reality, the actual results of operations at the end of the year resulted in the City having a \$2.5 million surplus. This difference is because expenditures came in under budget by \$3.6 million and revenues were over budget by \$16,990. In expenditures, there was salaries and benefits savings of \$2.3 million, from vacant positions throughout the year and City teams working at 50 percent capacity to slow virus transmission; \$0.9 million in materials, supplies and services; and \$406,800 in grant expenditures that were budgeted, but not expended, which will roll forward to FY 2020-21. For comparison purposes, the amount of vacancy savings for FY 2018-19 was \$675,000.

The City monitors and tracks vacant positions quarterly. In reviewing the vacancy lists, it is clear that vacant positions are filled, but turnover in staffing continues. For perspective, in July, 2018, the number of vacant positions in the general fund was 21, with a total budgeted cost of \$2.2 million. By February, 2019, the number of vacancies in the general fund had declined to 10, with a budgeted cost of \$1.3 million. By June, 2019, the number of vacancies increased back up to 15 positions with a budgeted value of \$2.2 million. In January, 2020, the number of vacancies continued to increase to 20.8 positions with a budgeted value of \$2.5 million. By June, 2020, the number declined slightly to 18.0 positions with a budgeted value of \$1.9 million. The declining trend in the number of vacancies would have continued, along with declining budgetary savings had it not been for the pandemic slowing hiring through proactive budget savings measures or due to shifting priorities to COVID-19 response and difficulty in conducting hiring during these times. It is also important to recognize that not all of the savings from vacancies is realized for public safety personnel as necessary shifts are covered through the use of overtime, thereby reducing savings in order to continue service levels. As stated previously, the Human Resource department continues to place a high priority on recruiting and filling vacant positions.

As part of adopting the FY 2020-21 budget, City Council affirmed the budget policy which transfers any amount of revenues in excess of expenditures at the end of the year (after transfers outlined in the budget resolution) to the City's general unallocated capital improvement fund (CIP) account for future capital projects. City Council has placed the funding of the pension stabilization account on hold until long-term financial impacts from the pandemic are clear.

For FY 2019-20, the City transferred out \$2.7 million to be used in future years for general fund capital infrastructure projects and for uses deferred such as pension stabilization and the police and fire DIF loan. During the recession, only the highest priority general fund infrastructure projects were funded, depleting reserves. The City has been unable to set aside sufficient capital funds for infrastructure replacement and renewal needs. As of June 30, 2020, the City has \$4.0 million in unrestricted general capital improvement project dollars available after deducting the \$40,000 allocated for general fund CIP projects included in the adopted FY 2020-21 CIP budget. Staff has recommended that a balance of \$500,000 be maintained for urgent or emergency facility needs. The \$3.4 million in available general fund capital infrastructure dollars may be utilized at the discretion of the City Council to satisfy other, onetime General Fund needs. Long-term, there is a need to address finding additional revenue sources in order to meet the infrastructure renewal and replacement needs for the City's aging facilities.

FY 2019-20 had budgetary savings in all categories: salaries and benefits; materials, supplies and services; capital acquisitions; and grants which will carry over to FY 2020-21. Departments should be commended for excellent fiscal oversight of their operations. The state of the City's financial situation is attributable to their commitment to ensuring that funds are spent wisely and do not exceed appropriations on an overall basis.

### Revenues.

The City's top ten revenues account for almost 95 percent of total General Fund revenues; as such, they provide a very good summary of our revenue position.

Fiscal year end is a good time to not only compare budget vs. actual for the fiscal year, but also to compare the actual results of operations for two fiscal

years. This is shown in the tables below for the top ten general fund revenues.

Top Ten Revenues	Budget	Actual	% Received
Property Taxes	\$ 13,742,700	\$ 13,965,655	101.6%
Sales Tax	14,125,000	14,274,066	101.1%
Business Licenses	1,084,300	1,374,704	126.8%
Franchise Fees	1,810,200	1,881,145	103.9%
Hotel/Motel Surcharge	1,274,600	1,106,889	86.8%
Building Permits	1,050,000	1,395,037	132.9%
Police Special Services	193,000	197,939	102.6%
CSA "G" Fire Contract	820,800	844,968	102.9%
Recreation Fees	904,100	430,678	47.6%
Operating Transfers	8,309,888	8,173,799	98.4%
<b>Total</b>	<b>\$ 43,314,588</b>	<b>\$ 43,644,880</b>	<b>100.8%</b>

Top Ten Revenues	FY 18-19	FY 19-20	% Change
Property Taxes	\$ 13,190,010	\$ 13,965,655	5.9%
Sales Tax	14,206,668	14,274,066	0.5%
Business Licenses	1,092,101	1,374,704	25.9%
Franchise Fees	1,796,552	1,881,145	4.7%
Hotel/Motel Surcharge	1,357,899	1,106,889	-18.5%
Building Permits	1,190,185	1,395,037	17.2%
Special Police Services	236,948	197,939	-16.5%
CSA "G" Fire Contract	787,572	844,968	7.3%
Recreation Fees	916,166	430,678	-53.0%
Operating Transfers	7,393,101	8,173,799	10.6%
<b>Total</b>	<b>\$ 42,167,202</b>	<b>\$ 43,644,880</b>	<b>3.5%</b>

- **Property Tax.** Property tax receipts experienced a 4.7 percent increase, \$775,645, in the current fiscal year over the previous year. Budget projections were based on an estimated increase of 4.3 percent. Final assessed values increased by 6.0 percent for the general fund, as provided by the Sutter County Auditor-Controller's Office. With the increase in assessed values being 6.0 percent, the City would have expected to see an increase in receipts equivalent to about that percentage, and 5.9 percent was actually received. Actual receipts were \$222,955 more than budgeted.

- **Sales Tax.** Sales tax revenues are \$149,066 more than budgeted and \$67,398, or 0.5 percent higher, than FY 2018-19. The FY 2019-20 budget projections were developed based upon a modest increase of 2.0 percent. Actual sales tax receipts for the most recent four quarters resulted in an average decrease of 2.5 percent on a cash basis and 0.6 percent on an adjusted basis compared to the same quarters of the previous year. The big difference in cash basis vs. adjusted basis is due to the governor's executive order N-40-20 which created a business payment deferral program, along with the delays in the California Department of Tax and Fee Administration's (CDTFA) processing of tax returns during their software conversion. The City continues to benefit from the Wayfair Decision which defines the

taxable point of sale as the online customers' county and online retailers must now remit sales taxes based on the laws of that jurisdiction.

Sales tax continues to be volatile from quarter to quarter, making it difficult to predict. The chart below shows changes in sales tax revenues compared to the same quarter of the previous year, both on a cash basis and on an adjusted basis. The amounts received on a cash basis are important to the City because it represents revenues flowing into our bank account that we can use to pay employees and vendors of the City. The adjusted basis data is also important to evaluate as it is the "true" amount of increase or decrease from the same quarter of the previous year on an audited basis after factoring in accounting adjustments. Accounting adjustments are made by the CDTFA and include such items as a retailer who misses a payment one quarter and then pays a double payment the following quarter. The adjusted amounts factor in these differences from quarter to quarter.

	Cash Basis	Adjusted Basis
Jul-Sep 16	-0.4%	0.2%
Oct-Dec 16	3.0%	2.3%
Jan-Mar 17	0.7%	1.7%
Apr-Jun 17	3.3%	3.1%
Jul-Sep 17	9.4%	6.9%
Oct-Dec 17	5.0%	2.8%
Jan-Mar 18	-0.4%	6.2%
Apr-Jun 18	-10.0%	10.0%
Jul-Sep 18	15.9%	1.9%
Oct-Dec 18	6.0%	3.9%
Jan-Mar 19	12.6%	1.4%
Apr-Jun 19	14.5%	1.2%
Jul-Sep 19	-9.6%	0.5%
Oct-Dec 19	2.2%	-0.4%
Jan-Mar 20	-16.5%	-4.1%
Apr-Jun 20	14.1%	1.5%

- **Business Licenses.** Business licenses are renewed in January of each year. Revenues were \$290,404 more than budget estimates, and were 25.9 percent higher, or \$282,603 more than the prior year. This is largely attributable to enforcement action by City staff and in some small part the business license audit conducted to ensure that all businesses operating in Yuba City are doing so with a valid business license in order to create equality.

- **Franchise Fees.** The City receives franchise fees from PG&E, Recology, AT&T and Comcast; the fees are based upon a percentage of their revenues. Actual receipts were \$70,945 more than budgeted, and

\$84,593 more than the prior year. This was an increase of 4.7 percent. The FY 2019-20 budget estimated a modest increase of 2.0 percent.

- **Hotel/Motel Surcharge.** Surcharge revenues were \$167,711 less than budgeted and \$251,011 less than the previous year. Travel and leisure services were hit especially hard by the pandemic response which included travel and gathering restrictions.
- **Construction Permit Fees.** Building Permit revenues were \$345,037 more than budgeted and \$204,852 more than the previous year. These revenues are difficult to project and are driven by the level of construction occurring locally.
- **Special Police Services.** Special police service revenues were \$4,939 more than budgeted and \$39,009 less than the prior year.
- **CSA "G" Fire Contract.** The City receives these funds for fire services to the unincorporated area that was formerly served by the Walton Fire Protection District. These revenues were \$24,168 higher than budgeted and \$57,396 more than the previous year.
- **Recreation Fees.** Service fees received through the end of the fiscal year were \$473,422 less than budgeted and \$485,488 less than the previous year. Again, the pandemic response limited the ability to gather and take part in recreation classes for one entire quarter.
- **Operating Transfers.** The General Fund receives reimbursement for operating costs associated with support services provided to the water and wastewater utilities as well as other fund transfers. Actual transfers for reimbursements to the general fund were \$136,089 less than budgeted due to reimbursements for staff time spent on various capital projects being less than originally budgeted. The shortfall was due to vacancies in the Public Works Engineering division which caused staff to charge less time to capital projects. There was an offsetting expenditure savings of \$381,028 from the vacant positions. The remaining transfers are within budgetary expectations.

**Expenditures.** Operating costs are less than budgetary expectations when the original budget was adopted and significantly less than the amended budget as adjusted for supplemental appropriations during the fiscal year. Compared to final general fund appropriations, the savings generated is a combination from all categories. There was \$2.3 million in savings in salaries and benefits (plus \$42,877 applicable to

grant programs). Just under 94.0 percent of the total budgeted for salaries and benefits was expended. Materials, supplies and services had savings of \$0.9 million and was expended at 90.8 percent of the amount budgeted. There were \$459,720 in unexpended grant activities that will carry over to FY 2020-21. Please see additional information below showing the expenditure summaries. Summaries are included comparing final budgeted vs. actual expenditures both by department and by category.

Expenditures	Budget	Actual	% Expended
City Council	\$ 133,798	\$ 133,532	99.8%
City Attorney	250,000	359,432	143.8%
City Manager	747,453	746,876	99.9%
Finance/IT	3,008,739	2,655,496	88.3%
City Treasurer/City Clerk	59,550	29,718	49.9%
Human Resources	1,160,492	855,686	73.7%
Development Services	1,657,231	1,571,232	94.8%
Public Works	5,371,679	4,322,703	80.5%
Police	16,771,675	15,651,276	93.3%
Fire	12,173,803	12,370,802	101.6%
Animal Control Services	954,069	841,007	88.1%
Economic Development	343,807	88,875	25.9%
Contingency	18,524	18,524	100.0%
Non-Departmental Misc.	387,476	265,684	68.6%
Community Services	3,950,629	3,432,825	86.9%
<b>Total General Fund</b>	<b>\$ 46,988,926</b>	<b>\$ 43,343,669</b>	<b>92.2%</b>

	Budget	Actual	Savings	% Expended
Salaries & Benefits	\$ 35,332,299	\$ 33,033,925	\$ 2,298,375	93.5%
Heat & Power	388,779	546,464	(157,685)	140.6%
Telephone	193,256	207,363	(14,107)	107.3%
Postage & Freight	119,873	113,010	6,863	94.3%
Advertising	77,100	45,613	31,487	59.2%
Forms & Supplies	152,946	119,610	33,336	78.2%
Printing & Binding	90,143	64,428	25,715	71.5%
Professional Services	3,137,909	2,876,333	261,576	91.7%
Professional Development	218,910	107,867	111,042	49.3%
Dues & Subscriptions	108,158	101,391	6,767	93.7%
Rental Blds./Equipment/Land	1,025	3,401	(2,376)	331.8%
Equipment O & M	421,162	358,255	62,907	85.1%
Special Equipment O & M	123,176	123,149	27	100.0%
Vehicle & Special Equipment	2,032,990	1,971,621	61,369	97.0%
Buildings & Facility O & M	909,100	767,719	141,381	84.4%
Chemicals	37,000	24,302	12,698	65.7%
Tools, Supplies & Equipment	307,600	234,739	72,860	76.3%
Other Materials & Supplies	268,576	103,407	165,169	38.5%
Training Programs	273,335	171,615	101,720	62.8%
Water	221,823	191,322	30,501	86.2%
Uniform Clothing	92,077	89,033	3,044	96.7%
Liability Insurance	589,045	594,566	(5,521)	100.9%
Debt Service	700,676	680,328	20,348	97.1%
Contingency	2,376	2,376	-	100.0%
Technology Replacement ISF	468,388	468,388	-	100.0%
Recreation Programs	194,522	140,277	54,245	72.1%
Equipment & Vehicle Purchase	526,681	203,166	323,514	38.6%
<b>Total General Fund</b>	<b>\$ 46,988,926</b>	<b>\$ 43,343,669</b>	<b>\$ 3,645,257</b>	<b>92.2%</b>

The savings from unexpended appropriations as of June 30, 2020, can be misleading. It gives the impression that the City was under budget by \$3.6 million. This is not the full story as there was \$350,187 in encumbrance carryovers for general fund purchase orders outstanding at year end which roll over into the next fiscal year and are in essence monies spent out of the current fiscal year budget. In addition, City Council approved grant funded programs, which were not fully spent during the fiscal year, and will therefore also roll over into the next year. These total \$459,720 at the end of FY 2019-20. The general fund savings for unexpended appropriations that will not carryover and be spent in the following fiscal year is as large as it has been in recent years due to greater vacancies and savings through reduced activities during the pandemic response and amounts to \$2.8 million.

Comparing actual expenditures for FY 2018-19 to FY 2019-20 indicate that expenditures increased by approximately \$390,600, or 0.9 percent.

Expenditures	FY 18-19	FY 19-20	Change
City Council	\$ 140,478	\$ 133,532	\$ (6,947)
City Attorney	485,362	359,432	(125,930)
City Manager	693,455	746,876	53,421
Finance/IT	2,749,515	2,655,496	(94,019)
City Treasurer/City Clerk	71,644	29,718	(41,926)
Human Resources	784,048	855,686	71,638
Development Services	1,256,393	1,571,232	314,839
Public Works	4,586,059	4,322,703	(263,355)
Police	15,195,335	15,651,276	455,941
Fire	11,880,386	12,370,802	490,416
Animal Control Services	863,173	841,007	(22,166)
Economic Development	147,804	88,875	(58,929)
Contingency	28,072	18,524	(9,547)
Non-Departmental Misc.	363,805	265,684	(98,121)
Community Services	3,707,540	3,432,825	(274,716)
<b>Total General Fund</b>	<b>\$ 42,953,069</b>	<b>\$ 43,343,669</b>	<b>\$ 390,600</b>

Comparing expenditures by category to those of the previous year shows the changes in types of expenditures made in FY 2019-20.

	FY 18-19	FY 19-20	Change
Salaries & Benefits	\$ 32,559,476	\$ 33,033,925	\$ 474,449
Heat & Power	571,296	546,464	(24,832)
Telephone	212,643	207,363	(5,279)
Postage & Freight	114,510	113,010	(1,499)
Advertising	45,414	45,613	199
Forms & Supplies	141,287	119,610	(21,678)
Printing & Binding	76,058	64,428	(11,630)
Professional Services	2,711,037	2,876,333	165,296
Professional Development	243,295	107,867	(135,427)
Dues & Subscriptions	95,602	101,391	5,789
Rental Blds./Equipment/Land	3,009	3,401	392
Equipment O & M	335,903	358,255	22,353
Special Equipment O & M	185,247	123,149	(62,098)
Vehicle & Special Equipment	1,891,642	1,971,621	79,980
Buildings & Facility O & M	758,614	767,719	9,105
Chemicals	28,984	24,302	(4,681)
Tools, Supplies & Equipment	235,912	234,739	(1,173)
Other Materials & Supplies	89,462	103,407	13,945
Training Programs	197,841	171,615	(26,227)
Water	197,387	191,322	(6,065)
Uniform Clothing	130,448	89,033	(41,414)
Liability Insurance	613,843	594,566	(19,277)
Debt Service	680,559	680,328	(231)
Contingency	3,072	2,376	(695)
Technology Replacement ISF	457,210	468,388	11,178
Recreation Programs	223,196	140,277	(82,919)
Equipment & Vehicle Purchases	150,123	203,166	53,042
<b>Total General Fund</b>	<b>\$ 42,953,069</b>	<b>\$ 43,343,669</b>	<b>\$ 390,600</b>

## ENTERPRISE FUNDS

The following summarizes year-end revenues, expenditures and changes in current assets and liabilities for the enterprise funds. Current assets and liabilities are used as a measurement tool as the net of



these two are the resources available to pay for operating expenses and capital infrastructure project funding.

## Water Fund

	Budget	Actual	Percent
Balance, Start of Year	\$ 21,894,220	\$ 21,894,220	-
<i>Revenues</i>			
Operating	16,469,374	15,360,130	93.3%
Capital	450,000	440,322	97.8%
SRF Surcharge	655,000	658,551	100.5%
Sub-Total Revenues	17,574,374	16,459,002	93.7%
<i>Expenditures</i>			
Operating Programs	(10,241,959)	(8,757,865)	85.5%
Capital Equipment	(53,696)	(42,712)	79.5%
CIP Contributions	-	-	
Debt Service	(3,483,806)	(3,268,777)	93.8%
Sub-Total Expenditures	(13,779,461)	(12,069,354)	87.6%
<b>Balance</b>	<b>\$ 25,689,134</b>	<b>\$ 26,283,868</b>	<b>-</b>

<b>CIP Projects</b>	<b>\$ 14,485,460</b>	<b>\$ 1,339,450</b>	<b>9.2%</b>
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The Water Fund operating revenues ended the year \$1.1 million lower than budgeted, about 6.7 percent less than expected. The decrease is attributable to a 50.5 percent reduction in sales to industrial water customers. Two cogeneration plants operated 12 percent less than an average of the past three years and 40 percent less than last year, according to our sewer discharge records.

Capital connection fee revenues were short of budget estimates by \$9,678. Water main extension fees exceeded budget estimates by \$19,187, but this was partially offset by water connection fee revenues less than budget estimates by \$37,977, and water meter materials were less than budget projections by \$889.

Operating expenditures ended the year \$1,484,094, or 14.5 percent under budget. Current year budgetary savings occurred in the following categories and amounts:

- \$661,115 Salaries & Benefits
- \$172,992 Professional Services
- \$237,225 Special Equipment O & M
- \$152,725 Chemicals
- \$318,102 Raw Water Purchases

With total FY 2019-20 operating expenditures for the Water Fund equal to \$8,757,865, the current year-end results represent an increase in expenses of \$328,000, or approximately 4.0 percent, higher than the previous year. Comparing the category totals of FY 2018-19

expenses to FY 2019-20, the largest changes were in the following areas and amounts:

- (\$40,308) Salaries and benefits
- \$206,588 Heat and power
- (\$226,302) Professional services
- (\$156,167) Special equipment O & M
- (\$129,800) Vehicle & special equip.
- \$74,075 Technology replacement

City Council adopted new water and wastewater rates on June 21, 2016 in accordance with a Proposition 218 protest hearing process. The water rate increase included a 29 percent adjustment in the monthly base rate with no increase to the volumetric charge the first year. For FY 2017-18, both the monthly base rate and the volumetric rate were increased by an amount less than the Proposition 218 maximum at 17.0 percent. The rate increase was effective July 1, 2017 so that the higher rate would be collected for the entire fiscal year. Effective July 1, 2018, City Council once again set water rates at a level below the Proposition 218 maximum. They increased both the base monthly rate and the consumption rate by 10.0 percent for FY 2018-19. City Council voted to not increase water rates for FY 2019-20 and FY 2020-21.

## Wastewater Fund

	Budget	Actual	Percent
Balance, Start of Year	\$ 22,231,813	\$ 22,231,813	-
<i>Revenues</i>			
Operating	16,565,200	16,856,936	101.8%
Capital	693,200	489,601	70.6%
Sub-Total Revenues	17,258,400	17,346,537	100.5%
<i>Expenditures</i>			
Operating Programs	(11,919,350)	(10,661,854)	89.4%
Capital Equipment	(243,530)	(124,834)	51.3%
Debt Service	(3,253,172)	(3,206,679)	98.6%
Sub-Total Expenditures	(15,416,052)	(13,993,367)	90.8%
<b>Balance</b>	<b>\$ 24,074,161</b>	<b>\$ 25,584,983</b>	<b>-</b>

<b>CIP Projects</b>	<b>\$ 12,019,434</b>	<b>\$ 16,892,603</b>	<b>140.5%</b>
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Wastewater operating revenues exceeded budget estimates by \$291,736, or 1.8 percent. The increase is attributable to revenues exceeding budget estimates in the following areas:

- \$108,106 Sewer Service Charges
- (\$55,214) Sewer Septage Charges
- \$138,289 Sewer – Sunsweet O&M
- (\$55,965) Investment income

Capital related revenues were \$203,599 less than budgeted and largely attributable to the following differences:

- (\$136,568) Capital connection fees
- (\$51,249) Sewer main extension fees
- (\$9,381) Special connection fees
- (\$6,401) Investment income

Operating expenditures were \$1,257,496, or 10.6 percent, less than budgeted. Budget savings occurred in the following categories and amounts:

- \$490,446 Salaries & benefits
- \$136,636 Heat & power
- \$203,228 Professional services
- \$59,129 Dues & subscriptions
- \$132,091 Special equipment O & M
- \$281,199 Chemicals

With total FY 2019-20 operating expenditures for the Wastewater Fund equal to \$10,661,854, the current year-end results show an increase in expenditures of \$60,914, or 0.67 percent more than the previous year. The major changes compared to the prior year were in the following categories and amounts:

- \$26,081 Salaries & benefits
- (\$248,901) Heat & power
- \$198,892 Professional services
- \$34,000 Dues & subscriptions
- (\$30,889) Professional development
- \$44,803 Special equipment O & M
- \$67,592 Chemicals
- \$29,149 Cost allocation charges

The rate study conducted in accordance with Proposition 218 requirements included the City's wastewater operations. The study recommended a 10.0 percent increase each fiscal year in order to fund budgetary needs including operating costs, debt service, and infrastructure renewal and replacement. The recommended 10.0 percent increase was implemented for both FY 2016-17 and FY 2017-18. Rates are reviewed as part of the budget process and are brought back to City Council for annual consideration. An effort is made to recommend a rate for adoption that is less than the Proposition 218 maximum. For FY 2018-19, City Council increased wastewater rates by 8.0 percent, less than the

Proposition 218 authorized amount of 10.0 percent. City Council voted to not increase wastewater rates for FY 2019-20 and FY 2020-21.