



Mayor & Council Memorandum

Subject: Preliminary Fiscal Year 2013 Year-End Results and 1st Quarter Fiscal Year 2014 Update (City Wide) Page 1 of 3

Issue – At today’s Mayor and Council study session staff will provide a report on the preliminary *unaudited* FY 2013 financial results for the General Fund and provide an update on the 1st quarter General Fund financial results.

Preliminary Unaudited General Fund FY 2013 Year-End Financial Results – The 2013 Comprehensive Annual Financial Report (CAFR) is being completed and staff has preliminary unaudited year end results. FY 2013 revenues totaled \$439.4 million which was \$5.0 million more than the adopted budget (\$434.4 million) but \$3.5 million less than the revised budget of \$442.9 million. FY 2013 expenditures matched the adopted budget at \$447.4 million and were \$1.6 million less than the revised budget. Expenditures exceeded revenues by \$8.0 million.

Fund balance is an important indicator of the City’s financial position. The fund balance is comprised of Non-spendable, Restricted, Committed, Assigned, or Unassigned components. The unrestricted fund balance includes the Committed, Assigned, and Unassigned components and is maintained to provide the City with sufficient working capital and a comfortable margin of safety to address emergencies and unexpected declines in revenue without borrowing. The unrestricted fund balance is needed to maintain the City’s creditworthiness and for economic and legislative uncertainties, cash flow and contingencies.

The preliminary unaudited total fund balance for the General Fund for FY 2013 is estimated at \$54.4 million. This total fund balance is \$8.0 million less than the total fund balance at the end of FY 2012. The balances and the changes in the five components of the fund balance are included in the table below.

General Fund (amounts in millions)			
Fund Balance	FY 2013	FY 2012	Change from FY12 to FY13
Nonspendable	\$7.9	\$2.7	\$5.2
Restricted	\$4.3	\$4.9	(\$0.6)
Committed	\$27.7	\$28.1	(\$0.4)
Assigned	\$1.7	\$18.1	(\$16.4)
Unassigned	\$12.8	\$8.6	\$4.2
Total Fund Balance	\$54.4	\$62.4	(\$8.0)

- The increase in the *Nonspendable* category was mostly caused by a combination of recording the loan of cash to the Golf fund (\$7.4 million as directed by Mayor and Council on March 5, 2013 by Ordinance # 11050) and the write-off of the \$1.7 million for the Rio Nuevo loan as part of the global settlement agreement with the Rio Nuevo District.
- No additional funds were added to the Stabilization Fund which is part of the *Committed* category.
- The debt restructuring that was included in the FY 2013 Adopted Budget was avoided by assigning fund balance at the end of FY 2012 which is reflected by the \$16.4 million decrease in *Assigned* fund balance category.
- *Assigned* fund balance is being used to “set aside” \$1.3 million to allocate the unspent balance (\$1.1 million) of last year’s assignment of \$3.8 million to technology improvements, and to add \$198,000 for Mayor and Council to spend their FY 2013 budget surplus. The remaining \$0.4 million in the *Assigned* category is a required assignment under accounting rules.
- The remainder of fund balance falls to *Unassigned* fund balance which increased \$4.2 million.

1st Quarter General Fund Financial Update:

Revenue Projections Based Upon the First Quarter of Fiscal Year 2014 – Revenues are trending positively but it’s too early to tell whether trends will hold. At this point FY 14 revenues are anticipated to come in as budgeted. Staff will closely monitor revenues in the coming months to check if the positive trend continues.

Expenditure Projections Based upon the First Quarter of Fiscal Year 2014 – 1st quarter results indicate some savings mostly due to personnel vacancies.

City Manager’s Office Recommendation – It is recommended to assign fund balance of \$1.3 million which includes; a) \$657,000 for the contract to replace the HRM/payroll system as part of the ERP project, b) \$478,000 that remains for the IBM licensing project, and c) \$198,000 for Ward Offices that had budget surplus at the end of FY 2013 as discussed at the June 18, 2013 study session.

At the May 14, 2013 study session, four recommendations for employee compensation for FY 2014 were provided to the Mayor and Council. Three of the four recommendations for employee compensation will be considered after information is received on the availability of funds to cover the proposed compensation costs. The report presented today provides the revenues collected, revenue projections and expenditures at the close of Fiscal Year 2013 financials. Staff will request a study session for November 26, 2013 to consider employee compensation for the remainder of Fiscal Year 2014.

Financial Considerations – Fiscal responsibility and sustainability remain our foremost goals. The economic recovery remains sluggish. Our Fiscal Year 2013 adopted budget was legally balanced but not structurally balanced since it included debt restructuring and use of fund balance. Over at least the past six fiscal years, we have had to use one-time revenues to help pay for city services. Revenues seem to have stabilized; however, our expenditures continue to exceed recurring revenues. Many of the expenditure increases are necessary to cover rising costs over which the city has little control. Staff will continue to monitor both expenditures and revenues and keep Mayor and Council apprised. Increasing employee compensation and benefit costs and other fiscal and operational challenges will need to be addressed during upcoming Fiscal Year 2015 budget discussions.

Respectfully Submitted,



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