

City of Rancho Cucamonga

Fiscal Year 2015/16

Operating Budget

Midyear Budget Update

Presented to the City Council

February 17, 2016



Operating Budget

- Comprised of:
 - City General Fund
 - Library Fund
 - Fire District Funds
- Midyear Budget Update covers activity through December 31, 2015



Factors Influencing Operating Budget

- City is returning to pre-recession historic peaks of revenue, employment, and economic growth
- Local economy is doing well
 - Unemployment levels continue to improve
 - Rancho Cucamonga: 4.3% (*December 2015*)
 - County of San Bernardino: 5.8% (*December 2015*)
 - Employment generated by businesses in the City has increased more than 20.5% since 2010



Factors Influencing Operating Budget

- Average wages paid across the City have grown 7.5% from the prior year resulting in an increase in discretionary income
- Housing market continues to thrive
 - Residential properties under mortgage duress continued to decline from 205 homes in 2014 to 188 homes in 2015 (*peak level was about 1,007 homes in 2011*)
 - The median price of a single family home in Rancho Cucamonga has increased 4.9% over the prior year to \$425,000
 - The City's economic-employment growth is generating a higher level of demand for new homes than the currently active residential projects are providing



General Fund Snapshot

General Fund	Budget*	YTD Actual*	Percent
Revenues	\$ 75,184,800	\$ 17,878,453	24%
Expenditures	\$ 79,021,326	\$ 37,350,648	47%

**Includes carryover purchase orders*

- Two non-departmental expenditures included above:
 - Installation of solar photovoltaic system at Central Park funded by interfund loan from Capital Reserve Fund - \$2,379,156
 - Purchase of environmental mitigation land for the Wilson Avenue Extension Project funded by Sphere of Influence Reserve - \$400,000



Top Seven Revenues

Top Seven Revenues	Budget	YTD Actual	% Received
Sales tax	28,930,980	6,915,132	24%
Vehicle license fees *	16,548,490	70,352	0%
Franchise fees	6,544,350	749,760	11%
Property tax	7,569,310	2,819,237	37%
Development fees	4,033,130	1,741,281	43%
Business licenses	2,283,550	1,211,430	53%
Trans. occupancy taxes	2,649,350	1,458,901	55%

**Includes Property tax in-lieu of VLF*

- Account for approximately 90% of total General Fund revenues, which is consistent with the prior year



Top Seven Revenues (*cont'd*)

- Sales tax
 - Due to the “Triple Flip,” we only receive 75% of our base revenues from State allocations
 - Remaining 25% is remitted by County in February and June (subsequent to midyear)
 - Triple Flip will sunset this fiscal year resulting in a more normal flow of sales tax revenues next fiscal year
 - Current year revenues are projected to be slightly higher than anticipated for the current fiscal year



Top Seven Revenues (*cont'd*)

- Vehicle License Fees (VLF)
 - Received \$70,352 of VLF as of midyear
 - No further revenue will be received due to State's prior year redirection of VLF to COPS grant program (SB89)
 - Property tax-in-lieu of VLF is received after midyear; anticipate revenues to come in slightly higher than anticipated



Top Seven Revenues (*cont'd*)

- Franchise Fees
 - Largest components received in April for gas and electric utilities
 - Other franchise fees are generally in line with budget, with commercial refuse franchise fees anticipated to be slightly higher than budget
- Property Tax
 - Revenues should be slightly ahead of budget by fiscal year end primarily due to a higher than anticipated distribution of post-RDA property tax revenues that was received at the midyear point



Top Seven Revenues (*cont'd*)

- Development Fees
 - Generally coming in as anticipated, with collection percentages ranging from 45% to 53%
- Business Licenses
 - Projected to come in about 10% higher than projections
 - Increased inspection activity
 - Continued efforts placed into the data sharing agreement with the State Board of Equalization (SBOE)



Top Seven Revenues (*cont'd*)

- Transient Occupancy Taxes
 - Performing above projections
 - Slightly higher than at this time last year
- The top seven revenues should net to overall higher than anticipated net revenue growth in the General Fund



Departmental Expenditures

General Fund Expenditures	Budget	YTD Actual	% Exp/Enc
<i>Administrative Services</i>	7,418,610	2,900,719	39%
Animal Care and Services	3,038,880	1,791,513	59%
Building and Safety	1,938,219	1,193,664	62%
<i>City Clerk</i>	1,960	981	50%
<i>City Council</i>	129,070	50,447	39%
<i>City Management</i>	1,159,220	485,522	42%
Community Development	732,940	320,982	44%
Community Services	5,013,495	2,850,309	57%
Engineering	2,563,343	1,327,065	52%
Healthy RC Program	395,010	254,476	64%
Planning	3,790,754	2,470,761	65%
Police	33,456,954	19,501,810	58%
Public Works	11,319,638	7,288,710	64%
<i>Records Management</i>	482,910	153,041	32%



Departmental Expenditures (*cont'd*)

- Generally on target as of midyear
- Factors contributing to slightly higher percentage expended/encumbered:
 - Annual contracts fully encumbered at beginning of year
 - Certain overhead cost allocations completely allocated at beginning of year



Departmental Expenditures (*cont'd*)

- Central services departments (in *italics* on previous chart) have a slightly lower percentage expended/encumbered as of midyear due to full allocation of City's Cost Allocation Plan (CAP).
 - CAP allocation results in a net reduction to the central services departments' General Fund budgets
 - CAP allocation increased slightly (0.2%) from prior year
 - These costs have been allocated to non-General Fund sources



Departmental Expenditures (*cont'd*)

- Community Development Departments:
 - Building and Safety, Engineering, and Public Works are all performing within historical norms
 - Planning Department has a much higher percentage spent in current year (65%) compared to prior year (43%) due to the contract for the preparation of an EIR for the North Eastern Sphere Annexation Project



Departmental Expenditures (*cont'd*)

- Potential savings by end of fiscal year
 - Less than anticipated usage of reimbursable contract services for development-related activities
 - Salary savings due to personnel vacancies
 - Reduced fuel usage
 - Partially offset by cost increases in part-time salaries, overtime, and contract services for backfilling of vacant positions



Library Fund Snapshot

Library Fund	Budget*	YTD Actual*	Percent
Revenues	\$ 4,511,180	\$ 1,561,408	35%
Expenditures	\$ 4,511,442	\$ 2,516,899	56%

**Includes carryover purchase orders*



Library Fund Snapshot (cont'd)

- Property tax makes up approximately 86% of the Library's budget
 - Includes a statutory pass-through from the County RPTTF received twice per fiscal year (*previously distributed by the former Redevelopment Agency*)
 - Pass-through represents 41% of property tax revenue
 - Includes additional post-RDA property tax revenues due to elimination of former RDA (3.6% of property tax revenue)
- Revenues and expenditures should be in line with budget as of fiscal year end with no usage of reserves



Fire Funds Snapshot

Fire District	Budget*	YTD Actual*	Percent
Revenues	\$31,452,130	\$16,692,478	53%
Expenditures	\$32,077,514	\$16,609,033	52%

**Includes carryover purchase orders*

- Includes General Fund, CFD 85-1 and CFD 88-1



Fire Funds Snapshot (*cont'd*)

- Property tax makes up approximately 95% of the Fire District's budget (*93% in prior year*)
 - Includes post-RDA property tax revenues due to elimination of RDA
- Recurring Fire District revenues are anticipated to be slightly more than budget due to higher than anticipated revenues from the County RPTTF



Fire Funds Snapshot (*cont'd*)

- In August 2015, the Fire District received a one-time distribution of \$3,709,808 as a result of the dissolution of the Public Agency Self-Insurance System (PASIS)
 - District transitioned to another risk pool for its workers' compensation insurance effective July 1, 2015
 - Funds must be placed into reserves to pay for workers' compensation claims incurred on or before June 30, 2015
- Expenditures are on track and within budget as of midyear



Summary

- Overall, the City's operating budget is performing well as of midyear and is consistent with the prior year
- Generally, revenues are on track with, or slightly ahead of, projections and expenditures are on track with, or slightly below, historical norms

