



February 27, 2017 Budget Workshop

Fiscal Review and Policy Discussion

FY '18 Budget Preparation



February 27, 2017 Council Budget Workshop Agenda Item Topics

General Fund Fiscal Review

- Fiscal Summary
- Assumptions & Expectations
- Contributions to Other Governments

Fiscal Policy Review

- Current Fiscal Policies
- Fiscal Policy Considerations & Direction for FY18 Budget

Other Fiscal Items for Reference

- General Fund FY17 Cause of Change
- General Fund FY18 Cause of Change
- Redevelopment Agency Fiscal Summary
- Other Funds of Note
- Debt Overview



General Fund Fiscal Review

City of Sparks General Fund Overview

FY '18 Tentative Budget (prepared for 2/27/2017 Council workshop)

	FY '15 Actuals	FY '16 Actuals	FY '17 Budget	FY '17 Estimates	FY '18 Tentative Budget
Resources (excluding beginning fund balance)					
Total Revenues	\$57,065	\$60,368	\$63,668	\$62,712	\$65,112
Transfer-In From Vehicle Fund (Assume No Usage, Budget Matches Contingency)	\$0	\$0	\$1,000	\$0	\$1,000
Transfers-In, Other	\$712	\$0	\$54	\$264	\$0
Total Resources	\$57,776	\$60,368	\$64,722	\$62,977	\$66,112
<i>% Change in Total Revenues (excl. transfers) =</i>	4.9%	5.8%	5.5%	3.9%	3.8%
<i>% Change in Total Resources =</i>	5.5%	4.5%	7.2%	4.3%	5.0%
Uses					
Total Expenditures	\$54,177	\$57,021	\$61,761	\$61,074	\$62,401
Total Transfers-Out	\$1,572	\$3,786	\$4,162	\$4,206	\$2,599
Contingency (FY17 Assume No Usage; Budget Matches Trans-In from Vehicle Fund)	\$445	\$0	\$1,000	\$0	\$1,000
Total Uses	\$56,194	\$60,807	\$66,924	\$65,280	\$66,000
<i>% Change in Total Expenditures (excl. transfers & contingency) =</i>	3.6%	5.2%	8.3%	7.1%	2.2%
<i>% Change in Total Uses =</i>	0.9%	8.2%	10.1%	7.4%	1.1%
Net Resources/(Uses)	\$1,582	(\$439)	(\$2,201)	(\$2,303)	\$111
Fund Balance					
Unrestricted Ending Fund Balance	\$6,447	\$6,007	\$3,676	\$3,704	\$3,816
Unrestricted Ending Fund Balance as a % of Exp's (Less Cap. Outlay)	11.8%	10.5%	6.0%	6.1%	6.1%
Unrestricted Ending Fund Balance Amount Over/(Short) of 8.3%	\$1,750	\$1,200	(\$1,350)	(\$1,250)	(\$1,250)

Major Assumptions in FY17 Estimates and the FY18 Tentative Budget - General Fund

FY17 Estimates

FY18 Tentative Budget

Revenues

CTAX & Fair Share (42% of total rev)	6.6% increase over FY16	4.6% increase over FY17 Estimates
Property Taxes (33% of total rev)	1.8% increase over FY16	4.1% increase over FY17 Estimates
Licenses & Permits (18% of total rev)	3.0% increase over FY16 excluding \$200K commitment of business license revenue to Stabilization Fund	3.3% increase over FY17 Estimates excluding \$200K commitment of business license revenue to Stabilization Fund

Transfers-In & Contingency Usage

Transfer-In from Motor Vehicle Fund	\$0	\$1M
Contingency Budget	\$0	\$1M

Expenditures & Transfers-Out

Staffing Vacancies	Captures savings from all vacancies already realized thru January 2017, and assumes no vacancies filled for the remainder of FY for a total FY17 vacancy savings of \$1.2M	Assumes no vacancies
New Needs	Approved New Needs Assumed will be spent	No New Needs Recommended at this time
Salaries	Includes all negotiated contract changes including Battalion Chief 1/1/17 pay increases and new paramedic pay	Does NOT include any contract changes other than new paramedic pay
Health Insurance	No rate increase in FY17	No rate increase in FY18
PERS Contribution Rates	Public Safety 40.5%; Regular 28.0%	No changes in FY18
Fire Apparatus & Equipment Replacement Plan	Assumes full funding (\$840K) of contribution to Motor Vehicle Fund	Assumes full funding (\$840K) of contribution to Motor Vehicle Fund
Contributions to Municipal Liability Self-Insurance Fund	\$700K was a 250% increase over FY16 due to several large claims in FY15. (Even with the increase, this was not the full contribution necessary for FY17)	\$671K is the fully funded General fund contribution

Major Assumptions in FY17 Estimates and the FY18 Tentative Budget - General Fund

FY17 Estimates

FY18 Tentative Budget

Expenditures & Transfers-Out, continued...

Common Service Charges for Central Services	\$2.6M recovered from other funds representing 24% of total central service costs of \$10.9M	\$2.6M recovered from other funds representing 27% of total central service costs of \$9.8M
Travel & Training	Assumes budget will be spent	All travel and training requests included
Transfers-Out to Capital Projects Fund for CIP Needs	2.5% of total revenues for General CIP + identified IT needs	0.7% of total revenues for General CIP + identified IT hardware needs (Excludes \$429K for IT software needs which was eliminated as part of City Manager's budget cut recommendations)
Transfer-Out to Parks & Rec. Fund (#1221)	Subsidy of FY17 Recreation Programs	Subsidy of FY18 Recreation Programs
Debt Service	Debt service fully funded	Debt service fully funded
Redevelopment Subsidies	No General Fund subsidy to Redevelopment Area 1 or 2	No General Fund subsidy to Redevelopment Area 1 or 2

Annual Contributions to Other Governments & Non-Profits

Interlocal agreements for services received, cost sharing arrangements or Council approved subsidies

Amounts are included in the FY18 Budget

General Fund - Interlocal Agreements with Other Government Agencies

	FY16 Actuals	FY17 Estimates	FY18 Budget
Washoe County - Regional EOC	14,562	15,986	15,986
Washoe County - Regional Training Center	92,998	93,000	93,000
Washoe County - Regional Planning	223,003	215,420	215,420
Washoe County - 800 MHZ Radio	107,474	117,474	118,138
Washoe County - Senior Center	21,500	21,500	21,500
Washoe County Forensic Services	354,500	389,500	424,500
Washoe Co. Registrar of Voters	0	15,513	0
City of Reno, Fire - TRIAD	16,008	16,000	16,000
Nevada Commission on Ethics	17,841	17,841	17,841
City of Reno (Westcare) - TRIAGE Center	94,250	87,000	87,000
City of Reno Community Assistance Center (amounts over the 15% CDBG public services cap)	1,736	158,707	160,214
Total General Fund Interlocals	943,872	1,147,940	1,169,599

General Fund - Contributions to Non-Profits & Other Agencies

	FY16 Actuals	FY17 Estimates	FY18 Budget
Economic Development Authority of Nevada (EDAWN)	100,000	100,000	100,000
Keep Truckee Meadows Beautiful	10,000	10,000	10,000
Nevada League of Cities & Municipalities (NLC&M)	20,150	20,403	20,403
Western Nevada Development District (WNDD)	5,000	5,000	5,000
Alliance for Innovation	5,000	5,100	5,100
The Chamber	1,362	1,362	1,362
Total General Fund contributions to Non-Profits	141,512	141,865	141,865

Other Funds - Interlocal Agreements with Other Government Agencies

	FY16 Actuals	FY17 Estimates	FY18 Budget
CDBG Fund - City of Reno Community Assistance Center (amounts within the 15% CDBG public services cap)	110,233	108,556	103,786
Storm Drain Fund - Storm Water Permitting Committee (NPDES Discharge Permit - per ILA with Reno and Washoe County). Sparks share = 1/3. Western Regional Water Commission has paid this fee in the past, however, staff has requested that it be placed back in the budget should the WRWC be unable to pay the full amount in FY17. FY18 is currently listed at zero pending further information and recommendation.	0	60,000	0
Total Other Fund Interlocals	110,233	168,556	103,786



Fiscal Policy Review

CITY OF SPARKS FISCAL POLICIES - FY18 Budget Prep

The City of Sparks Fiscal Policies are as follows:

1 General Fund unrestricted ending Fund balance equal to 8.3% of expenditures

	Policy Target	RESULTS	AMOUNT OVER/ (UNDER) Target	STATUS
FY16 Actuals	8.3%	10.5%	1.2M	✓
FY17 Estimates	8.3%	6.1%	(1.3M)	⚠
FY18 BUDGET - Org-Wide Strategy #1 Fiscal Stability	8.3%	6.1%	(1.3M)	⚠

City Targets		Statutory Targets	
Budget Target	Cash Flow Target	Must provide corrective action plan to State if go below per NAC 354.650	Removed From Negotiations per NRS 354.6241
6.0%	12.5%	4.0%	25.0%
FY18 Budget \$50K Over Target	FY18 Budget \$3.5M Under Target	FY18 Budget \$1.3M Over Target	FY18 Budget \$9.4M Under Target

Purpose of this Fiscal Policy

The purpose of this policy is to help maintain fiscal stability throughout each fiscal year (as stated in Organization-Wide Strategy 1).

Policy Target

City of Sparks formally adopted policy of an 8.3% minimum ending fund balance - City Council adopted in 2011

Budget Target

In past discussions, Council has stated that the minimum budgeted ending fund balance should be no lower than 5% in order to avoid State intervention which begins with a budgeted ending fund balance of 4%. In FY17, Council provided direction to prepare a budget with an ending fund balance of 6% which provides for flexibility in spending throughout the year.

Cash Flow Target

For fiscal health and to meet cash flow needs throughout the year, Financial Services recommends achieving a 12.5% ending fund balance at the end of each year. The purpose of this target is to maintain positive cash balances throughout each fiscal year.

Statutory Targets

There are two statutory targets that should also be mentioned:

- Per NAC 354.650, a budgeted ending fund balance of less than 4% requires a the local government to provide a written explanation to the Department of Taxation that includes the reason for the low ending fund balance and a plan to increase the fund balance
- NRS 354.6241 excludes a portion of ending fund balance from negotiations, equal to 25.0% of expenditures

CITY OF SPARKS FISCAL POLICIES - FY18 Budget Prep Continued...

2 Establish a General Fund Contingency amount up to 3% of total expenditures in the annual budget

	GOAL	BUDGET	Contingency Amount	STATUS
FY16 BUDGET	up to 3%	1.7%	1,000,000	✔
FY17 BUDGET	up to 3%	1.6%	1,000,000	✔
FY18 BUDGET - Org-Wide Strategy #1 Fiscal Stability	up to 3%	1.6%	1,000,000	✔

Purpose of this Fiscal Policy

The contingency budget was established using the guidelines set forth in NRS 354.608 to provide for expenditures that are one-time, unexpected, and usually of an emergency nature. Utilization of contingency budget requires the approval of City Council. The contingency budget is distinguished from the Stabilization Fund in that the Stabilization Fund is much more restrictive in nature and may only be used for two specific reasons (see details in Policy #4). In order to maximize flexibility and the City's ability to respond to emergency needs, a transfer into the General Fund from the Vehicle Internal Service Fund will also be included in the budget matching the amount established as the contingency budget. This is only expected to be utilized if General Fund resources are insufficient to meet any contingency budget usage. It must be recognized that a transfer from the Motor Vehicle Fund would damage the fiscal stability of that Fund and should be made only as a measure of last resort.

Per NRS 354.608, contingency and transfers-out are excluded from the calculation of total expenditures.

3 Transfer a minimum of 2.5% of total General Fund revenues plus full funding of IT Hardware & Software Replacement Plans from the General Fund to the Capital Projects Fund

	GOAL	% RESULTS	Transfer Amount	STATUS
FY16 Actuals	2.5% + full funding of IT hardware & software replacement plans = \$1,871,589	3.1%	\$ 1,871,589	✔
FY17 Estimates	2.5% + full funding of IT hardware & software replacement plans = \$2,655,240	3.9%	\$ 2,455,240	⚠
FY18 BUDGET - Org-Wide Strategy #1 Fiscal Stability	2.5% + full funding of IT hardware & software replacement plans = \$2,346,108	1.2%	\$ 754,108	✘

Purpose of this Fiscal Policy

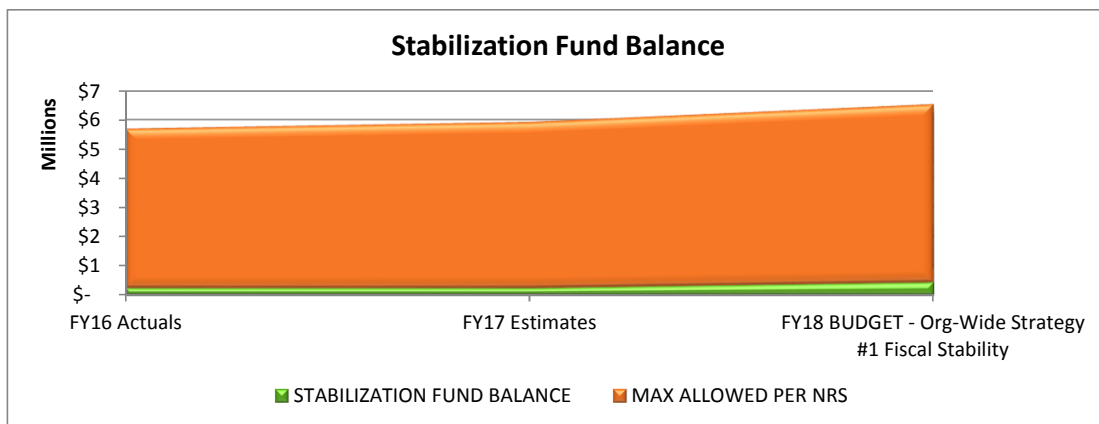
This policy ensures that the City continues to invest in infrastructure and technology needs as detailed in the City's 5 Year Capital Improvement Plan.

The goal was increased in FY16 in an effort to revive our commitment to technology investment. The current goal is 2.5% of total revenues (\$1.6M) plus full funding of both the IT Hardware (\$292K) and IT Software (\$429K) Replacement Plans. The City Manager is recommending reducing the amount transferred to the Capital Projects Fund by \$200K in FY17 and by \$1.6M in FY18 compared to the City's fiscal policy goal as adopted in FY17. This recommendation is made to ensure a minimum level of Fund balance is preserved as outlined in fiscal policy #1.

CITY OF SPARKS FISCAL POLICIES - FY18 Budget Prep Continued...

4 Commit a portion of annual business license receipts to the Stabilization Fund up to the maximum fund balance allowed within NRS 354.6115

	MAX ALLOWED PER NRS	STABILIZATION FUND BALANCE	AMOUNT COMMITTED	STATUS
FY16 Actuals	\$ 5,462,199	\$ 235,290	\$ -	✘
FY17 Estimates	\$ 5,702,092	\$ 227,790	\$ 200,000	✔
FY18 BUDGET - Org-Wide Strategy #1 Fiscal Stability	\$ 6,107,417	\$ 430,290	\$ 200,000	✔



Purpose of this Fiscal Policy

The stabilization fund was established in accordance with NRS 354.6115 to stabilize operation of local government and mitigate effects of natural disasters. Per NRS 354.6115: *"The balance in the fund must not exceed 10 percent of the expenditures from the general fund for the previous fiscal year, excluding any federal funds expended by the local government."*

In June 2011, the City Council adopted the following Stabilization policy in compliance with GASB 54: *"The Council will authorize the use of the Stabilization Fund's resources only if A) the total actual General Fund revenues decrease by 4% or more from the previous year; or B) to pay for expenses incurred to mitigate the effects of a natural disaster (upon formal declaration by the City)."*

In 2009, the City transferred \$625,000 from the Stabilization Fund to the General Fund in order to help mitigate the steep revenue decline brought about from the effects of the Great Recession. In 2011 and 2012, the City Council established a fiscal policy goal of re-establishing the Stabilization Fund by gradually committing a portion of the City's business license revenues to the Stabilization Fund.

With General Fund revenues recovering, \$200k of business license revenue been committed to the Stabilization Fund in FY17. FY17 estimates currently assume a transfer-in from the Stabilization Fund of \$210K to defray the costs of the January 2017 Flood Emergency. While this will all but negate the FY17 revenue commitment, we have budgeted a \$200K business license revenue commitment in FY18 to replenish the fund, adhering to fiscal policy.

CITY OF SPARKS FISCAL POLICIES - FY18 Budget Prep Continued...

5 General Fund personnel costs do not exceed 78% of General Fund total revenues

	GOAL	RESULTS	STATUS
FY16 Actuals	<=78%	77.3%	✔
FY17 Estimates	<=78%	78.1%	✔
FY18 BUDGET - Org-Wide Strategy #1 Fiscal Stability	<=78%	76.9%	✔

Purpose of this Fiscal Policy

The purpose of this policy is to achieve a balanced, sustainable expenditure model.

Expanded Dashboard for historical comparison

TOTAL USES AS % OF TOTAL REVENUES BY EXPENSE CATEGORY	2 Year Historical Average	FY16 Actuals	FY17 Estimates	FY18 BUDGET - Org- Wide Strategy #1 Fiscal Stability
PERSONNEL COSTS	76.9%	77.3%	78.1%	76.9%
SERVICES & SUPPLIES & CAP. OUTLAY	19.0%	17.1%	19.3%	18.9%
TRANSFERS-OUT	4.5%	6.3%	6.7%	4.0%
TOTAL	100.4%	100.7%	104.1%	99.8%

TOTAL USES AS % OF TOTAL REVENUES BY DEPARTMENT	2 Year Historical Average	FY16 Actuals	FY17 Estimates	FY18 BUDGET - Org- Wide Strategy #1 Fiscal Stability
POLICE	38.8%	39.6%	39.8%	39.3%
FIRE	26.9%	24.7%	25.2%	24.9%
TOTAL PUBLIC SAFETY	65.7%	64.3%	65.0%	64.1%
MANAGEMENT SERVICES	8.1%	8.5%	10.2%	9.7%
FINANCIAL SERVICES	4.5%	4.8%	4.6%	5.1%
LEGAL SERVICES	2.6%	2.6%	2.6%	2.6%
MAYOR & COUNCIL	0.9%	1.0%	1.0%	1.0%
TOTAL CENTRAL SERVICE DEPTS	16.2%	16.9%	18.4%	18.4%
COMMUNITY SERVICES	10.7%	10.2%	10.7%	10.1%
MUNICIPAL COURT	3.3%	3.1%	3.4%	3.4%
TRANSFERS-OUT	4.5%	6.3%	6.7%	4.0%
TOTAL	100.4%	100.8%	104.2%	100.0%

CITY OF SPARKS FISCAL POLICIES - FY18 Budget Prep Continued...

6 Report the annual Other Post Employment Benefit (OPEB) and Workers Compensation liabilities and annually determine strategies to reduce or fund these liabilities

	NET OPEB OBLIGATION	Workers Comp L/T Liability	FUNDING STATUS
FY09 ACTUALS	\$2,025,422	\$2,252,767	Pay-As-You-Go
FY10 ACTUALS	\$4,566,159	\$2,321,000	Pay-As-You-Go
FY11 ACTUALS	\$4,958,920	\$3,414,452	Pay-As-You-Go
FY12 ACTUALS	\$5,473,423	\$3,206,012	Pay-As-You-Go
FY13 ACTUALS	\$6,018,434	\$6,749,369	Pay-As-You-Go
FY14 ACTUALS	\$6,680,705	\$9,258,452	Pay-As-You-Go
FY15 ACTUALS	\$7,414,353	\$5,068,496	Pay-As-You-Go
FY16 ACTUALS	\$8,058,889	\$6,190,050	Pay-As-You-Go

Purpose of this Fiscal Policy

OPEB and Workers Comp Heart, Lung and Cancer (HLC) obligations have been identified by Financial Services as two of the greatest financial risks threatening the City's short and long-term fiscal sustainability.

Under the current Pay-As-You-Go funding model, the Net OPEB Obligation is expected to grow \$600,000 to \$700,000 per year. However, GASB 75, which will be implemented in FY18, will change how the City will report the OPEB liability by requiring the entire unfunded liability to be reported on the City's annual financial statements.

Over the past couple of years, the workers compensation liability has grown dramatically. This is due to the increasing number of expected Heart/Lung/Cancer claims from Police and Fire personnel and the benefits that have been added recently by the Nevada Legislature.

The 2015 Legislative session, however, brought changes that actually reduced this liability. This change limited the amount of time that a retiree has to make a claim, resulting in a \$4.2M reduction to the long-term portion of the HLC liability in FY15. The increase in FY16 is due to new information provided by a complete actuarial valuation on all Workers Compensation claims. Past actuarial valuations had only considered HLC claims.

Reserves:

There are currently no reserves in the City's Health Insurance Fund designated to mitigate our future health care liability (OPEB).

As of June 30, 2016, The Workers Compensation Fund had cash reserves of \$4M. We had been seeing cash balance drop by about \$500k per year in FY12 through FY14; however, FY15 saw a \$900k drop, and FY16 cash balance dropped \$1.1M. We expect that cash balance to decrease more dramatically as more heart and lung claims begin to be paid. Due to the potential large dollars associated with heart and lung claims, we are uncertain how long these reserves will last, but current trends show that resources will likely run out by either FY19 or FY20.

Alternate OPEB Funding Option:

Primarily due to the facts that 1) the healthcare industry is still very much in a state of flux; and 2) GASB75, which will be implemented by the City in FY18 will change the way the City's OPEB liability will be accounted for, City Council has decided to not establish an irrevocable trust to fund the City's OPEB liability at this time. However, an irrevocable trust may be considered to be a viable tool in subsequent years.



Other Fiscal Items for Reference

Cause of Change in General Fund Revenues, Expenditures & Transfers from FY17 Budget to FY17 Estimates

presentation for 02/27/17 Council Workshop

FY17 Budget	FY17 Estimates	Change
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REVENUES	63,667,906	62,712,110	(955,796)	-2%
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Primary Causes of Change				
CTAX & Fair Share (42% of total rev)			(75,000)	
Property Taxes (33% of total rev) - mainly due to lower personal property tax			(315,000)	
Licenses & Permits (18% of total rev) - mainly due to Telecommunications (\$115K), Electric Franchise Fees (\$258K) & Gas Franchise fees(\$212K)			(578,043)	
Total Primary Causes of Change =			(968,043)	

TRANSFERS-IN (excluding contingency offset transfer)	54,426	264,426	210,000	-
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Primary Causes of Change				
Transfer from Stabilization Fund for Flood mitigation			210,000	
Total Primary Causes of Change =			210,000	

SALARIES & BENEFITS	49,479,611	48,973,154	(506,457)	-1%
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Primary Causes of Change				
Vacancy Savings - Salaries & Benefits - Includes vacancy savings realized thru pay period ending 01/22/2017 and assumes no vacancies filled remainder of FY			(1,194,299)	
Overtime not related to Flood Emergency, Paramedic Certification or Mutual Aid; mainly Police (\$124K) and Fire (\$20K)			149,211	
Flood Emergency			130,000	
New Paramedic Certification Salary, Benefits & Overtime			53,500	
Sick Leave cash-out			92,000	
HCT cash-out			50,000	
Annual Leave cash-out, (\$138K Term cash-out & 60K on-demand cash-out).			198,000	
Worked Holiday PD 109k ahead of last FY thru Jan			63,000	
Retiree Health Subsidies & PEBP			(98,611)	
Total Primary Causes of Change =			(557,199)	

SERVICES & SUPPLIES and CAPITAL OUTLAY	12,281,791	12,101,018	(180,773)	-1%
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Primary Causes of Change				
Encumbrances rolled from prior year			225,502	
Professional Services--Legal			(107,000)	
Mutual Aid reimbursements excluding cost of "S Fire"			(153,386)	
"S Fire" costs			92,483	
Flood Emergency			80,000	
Additional various underspend anticipated in all departments			(310,000)	
Fuel			107,000	
Utilities - Electric, Gas & Water			(287,000)	
Increased contribution to Community Assistance Center			141,000	
Total Primary Causes of Change =			(211,401)	

TRANSFERS-OUT	4,162,424	4,205,506	43,082	1%
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Primary Causes of Change				
Reduced FY17 transfer to Capital Projects			(200,000)	
Transfer out to Parks & Rec needed to be increased due to Youthwatch part-time salary costs			243,082	
Total Primary Causes of Change =			43,082	

Cause of Change in General Fund Revenues, Expenditures & Transfers from FY17 to FY18

presentation for 02/27/17 Council Workshop

	FY17 Estimates	FY18 Tentative Budget	Change	
REVENUES	62,712,110	65,111,688	2,399,578	4%
Primary Causes of Change				
CTAX & Fair Share (42% of total rev) -- 4.6% increase expected in FY18			1,200,000	
Property Taxes (33% of total rev) -- 4.1% increase expected in FY18			850,000	
Licenses & Permits (18% of total rev) -- 3.3% increase expected in FY18			373,024	
Total Primary Causes of Change =			2,423,024	
TRANSFERS-IN	264,426	1,000,000	735,574	-
Primary Causes of Change				
Transfer from Vehicle Fund/Contingency Offset (to be transferred only if necessary)			1,000,000	
FY17 transfer from Stabilization Fund to cover Jan 2017 Flood Emergency costs not in FY18			(210,000)	
FY17 transfer from Muni Court Admin Assessment Fund to cover cost of court re-org not in FY18			(54,426)	
Total Primary Causes of Change =			735,574	
SALARIES & BENEFITS	48,973,154	50,088,802	1,115,648	2%
Primary Causes of Change				
Vacancy Savings re-loaded in FY18			1,208,022	
New Paramedic Certification - Salaries, Benefits and Overtime			115,000	
FY17 Flood Emergency			(130,000)	
Merit Pay increases			498,000	
Overtime - full staffing assumption in FY18			(117,832)	
FY18 Annual & Sick Leave cash-outs for terminations			(241,000)	
Elimination of Property Agent (vacant position) and funding re-assignment of Sr. Planner (vacant position) representing budget cuts recommended by the City Manager			(218,000)	
Total Primary Causes of Change =			1,114,190	
SERVICES & SUPPLIES, CAPITAL OUTLAY & CONTINGENCY	12,101,018	13,312,438	1,211,420	10%
Primary Causes of Change				
Professional Services--Other			(232,057)	
FY17 Flood emergency			(80,000)	
FY17 "S Fire"			(92,000)	
Travel & Training			90,738	
Mutual Aid Travel & Training			107,000	
Equipment & Furnishings - \$65K for defibrillators and Paramedic costs \$20K			(95,799)	
Assumed FY17 underspend not loaded in FY18			310,000	
Vehicle M&R			(164,492)	
Central Software & Updates (Non-CIP)			86,087	
Grant Match (including \$75K for new grants loaded in FY18)			124,500	
Fuel			51,076	
Contingency (offset by transfer-in from Motor Vehicle Fund if necessary)			1,000,000	
Total Primary Causes of Change =			1,105,053	
TRANSFERS-OUT	4,205,506	2,599,020	(1,606,486)	-38%
Primary Causes of Change				
CTAX Debt Service			(1,354)	
Transfer to Parks & Rec			96,000	
General Capital Projects Fund transfer reduced in FY18 (\$1.2M below fiscal policy)			(913,000)	
IT Hardware Replacement Plan			(112,132)	
IT Software Replacement Plan (eliminated FY18 funding representing budget cuts recommended by the City Manager)			(676,000)	
Total Primary Causes of Change =			(1,606,486)	

Sparks Redevelopment Area #1

Financial Overview (as presented at the February 27, 2017 Budget Workshop)

	FY '14 Actuals	FY '15 Actuals	FY '16 Actuals	FY '17 Estimates	FY '18 Tentative Budget
Revenues	\$2,486,393	\$2,498,451	\$2,600,692	\$2,642,689	\$2,857,672
Land Sale Proceeds	\$0	\$0	\$934,000	\$1,095,000	\$0
Transfer-In From G.F.	\$0	\$0	\$0	\$0	\$0
Expenditures	(\$2,635,695)	(\$2,660,412)	(\$2,818,415)	(\$2,785,613)	(\$3,516,683)
Net Revenues/(Expenses)	(\$149,302)	(\$161,961)	\$716,277	\$952,076	(\$659,011)
Beginning Fund Balance	\$3,612,290	\$3,462,987	\$3,301,026	\$4,017,303	\$4,969,379
Ending Fund Balance	\$3,462,987	\$3,301,026	\$4,017,303	\$4,969,379	\$4,310,369
Less: Restricted for Debt Service	(\$3,006,282)	(\$3,064,526)	(\$3,134,459)	(\$3,236,467)	(\$3,338,658)
Unrestricted Ending Fund Balance	\$456,706	\$236,501	\$882,844	\$1,732,912	\$971,711

Victorian Sq. Room Tax Cumulative Resources	\$1,912,683	\$2,622,451	\$3,439,848	\$4,905,383	\$5,466,883
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Note: The Victorian Square Room Tax Fund is a City Resource, but Available for Victorian Square CIP Needs

** City Issued Debt Partially Paid by RDA #1

RDA #1 Debt Information	Tax Increment	2011 CTAX	2014 CTAX	Total RDA #1
	Refunding Bonds	Refunding Bonds	Refunding Bonds	Debt Service
Original Issue Amount	\$22,165,000	\$4,180,000	\$7,330,000	
Issue Date	5/11/2010	5/12/2011	8/14/2014	
Maturity Date	1/15/2023	5/1/2018	5/1/2026	
Interest Rate	4.0% - 5.375%	3.05%	3.09%	
FY '17 Principal Payment	\$1,640,000	\$725,000	\$23,000	
FY '17 Interest Payment	\$646,681	\$39,345	\$225,261	
Total FY '17 Debt Service	\$2,286,681	\$764,345	\$248,261	
Total FY '17 Debt Service Paid by RDA	\$2,286,681	\$219,667	\$71,348	\$2,577,696
6/30/17 Debt Outstanding	\$11,605,000	\$745,000	\$7,267,000	
FY '18 Principal Payment	\$1,710,000	\$745,000	\$24,000	
FY '18 Interest Payment	\$576,981	\$17,080	\$224,550	
Total FY '18 Debt Service	\$2,286,981	\$762,080	\$248,550	
Total FY '18 Debt Service Paid by RDA	\$2,286,981	\$219,016	\$71,431	\$2,577,428
6/30/18 Debt Outstanding	\$9,895,000	\$0	\$7,243,000	

FY '18 D.S. from RDA-Issued Debt =	\$2,286,981
FY '18 D.S. from City-Issued Debt =	\$290,447
Total FY '18 RDA Debt Service =	\$2,577,428

** Both CTAX bonds were issued by the City, but about 29% (\$290,447 in FY '18) is allocated to RDA #1 for the V.S. portion of the original bonding project.

Sparks Redevelopment Area #2

Financial Overview (as presented at the February 27, 2017 Budget Workshop)

	FY '14 Actuals	FY '15 Actuals	FY '16 Actuals	FY '17 Estimates	FY '18 Tentative Budget
Revenues	\$2,365,909	\$2,783,471	\$2,738,444	\$2,736,000	\$2,814,000
Land Sale Proceeds (Recorded as a Note Receivable)	\$100,000	\$2,150,000	\$0	\$0	\$0
Transfer-In From G.F.	\$861,580	\$0	\$0	\$0	\$0
Expenditures	(\$3,201,000)	(\$3,172,719)	(\$2,921,639)	(\$2,377,382)	(\$1,631,700)
Net Revenues/(Expenses)	\$126,490	\$1,760,752	(\$183,195)	\$358,618	\$1,182,300
Beginning Fund Balance	\$2,284,200	\$2,410,690	\$4,171,442	\$3,988,247	\$4,346,865
Ending Fund Balance	\$2,410,690	\$4,171,442	\$3,988,247	\$4,346,865	\$5,529,165
Less: Restricted for Debt Service & Note Receivable	(\$2,271,164)	(\$4,002,342)	(\$3,763,728)	(\$4,112,155)	(\$3,341,861)
Unrestricted Ending Fund Balance	\$139,525	\$169,100	\$224,519	\$234,710	\$2,187,304

RDA #2 Debt Information	Redevelopment Area #2 Debt		** City Issued Debt Paid by RDA #2		Total RDA #2 Debt Service
	2016 TIF Refunding Bonds	2014 Tax Increment Bonds	2007A Ad Valorem Refunding Bonds	2007B Ad Valorem Refunding Bonds	
Original Issue Amount	\$9,660,000	\$7,285,000	\$7,090,000	\$1,315,000	
Issue Date	9/26/2016	8/14/2014	3/29/2007	3/29/2007	
Maturity Date	6/1/2028	6/1/2029	3/1/2017	3/1/2017	
Interest Rate	2.33%	3.25%	3.78%	5.65%	
FY '17 Principal Payment	\$479,000	\$380,000	\$835,000	\$200,000	
FY '17 Interest Payment	\$143,800	\$209,723	\$31,563	\$11,290	
Total FY '17 Debt Service	\$622,800	\$589,723	\$866,563	\$211,290	\$2,290,376
6/30/17 Debt Outstanding	\$9,181,000	\$6,075,000	\$0	\$0	
FY '18 Principal Payment	\$740,000	\$390,000	\$0	\$0	
FY '18 Interest Payment	\$213,917	\$197,377	\$0	\$0	
Total FY '18 Debt Service	\$953,917	\$587,377	\$0	\$0	\$1,541,294
6/30/18 Debt Outstanding	\$8,441,000	\$5,685,000	\$0	\$0	

FY '17 D.S. from RDA-Issued Debt =	\$1,541,294
FY '17 D.S. from City-Issued Debt =	\$0
Total FY '17 RDA Debt Service =	\$1,541,294

** The 2007 debt issued by the City is scheduled to mature in FY '17, removing \$1.1M of debt service costs, beginning in FY '18

Funds of Note - other than the General Fund

FY18 Budget - Council Workshop – February 27, 2017

Motor Vehicle Fund

- The proposed FY18 revenue budget includes full funding of \$1.7M in operational costs of the garage via Maintenance and Repair (M&R) charges on every City vehicle. Also included is \$1.2M of replacement cost recovery charges collected on each City vehicle. General Fund is the largest contributing Fund at a cost of \$2.7M in FY18.
- Eleven vehicles, four trailers, two mowers, one sweeper, one vac truck and one standing wacker compactor will be replaced in FY18 for a total cost of \$1.2M. This does leave a \$2M backlog of vehicles that are beyond their original useful life but remain in usable condition.
- A Fire Apparatus replacement plan has been implemented beginning FY16. Funds previously allocated to lease payments within the General Fund are now being contributed to a replacement fund within the Motor Vehicle Fund specifically designated for fire apparatus and fire equipment (\$840K in FY17 & \$840K in FY18).
- FY18 includes a \$1M transfer to the General Fund. This amount is budgeted annually to offset the Contingency budget in the General Fund and will only be made if the General Fund is unable to meet an emergency budget shortfall. A transfer of an equal amount was also authorized in the FY17 budget, but it is not anticipated that this transfer will be made in FY17.

Group Health Self Insurance Fund

- After the second year of 25% contribution/premium increases in FY16, there was no increase in FY17. Also, no increase in FY18 has been included in the estimates presented today.
- Total Plan costs are expected to increase from \$10.4M in FY16 to \$10.9M in FY17, and to \$11.9M in FY18. This expected \$1.0M increase from FY17 to FY18 is primarily driven by a 10% increase in medical, dental & prescription claims.
- FY18 ending fund balance is projected to be \$739K, equating to approximately 3 weeks of expenses, whereas a fund balance approximately equivalent to 3 months of expenses is needed for fiscal stability.
- Looking forward, a premium rate increase will almost certainly be needed in FY19, and may indeed become necessary in FY18 should expenses begin to overwhelm the low Fund Balance.

Workers Comp Self Insurance Fund

- Cash reserves at the end of FY16 were \$4M. Reserves are expected to drop to \$1.9M by the end of FY18, and continue to drop by approximately \$1M each year which would exhaust the Fund by the end of FY20 unless contributions to the Fund increase.
- Long-term solutions are needed to cover this liability for future Heart, Lung, and Cancer (HLC) claims; however, the HLC benefits are driven by State Legislature.
- Due to the long-term liabilities, there was a negative ending fund balance of \$3.2M at the end of FY16.

Funds of Note continued...

Liability Self Insurance Fund

- Cash reserves at the end of FY16 were \$375K.
- FY18 assumes full funding of plan costs from the General and other Funds (\$876K). With reserves depleted, future General Fund contributions will increase and decrease directly with claims costs.

Sanitary Sewer Enterprise Fund

- City Council approved an annual 8.25% increase to the sewer component of residential and commercial sewer bills beginning July 1, 2014 through July 1, 2017. Also approved was a 13.4% reduction in multi-family residential sewer rates in FY15 with subsequent yearly increases of 8.25% in FY16 through FY18.
- Since 2012, sanitary sewer connection fees have indexed annually to the Engineering News Record Construction Cost Index per Sparks Municipal Code 13.24. Per the latest cost index, connections fees increased 3.6% on January 1, 2017.
- A new 5-year rate study is planned in FY17 and will be presented to City Council at a later date.
- The Sanitary Sewer Enterprise Fund is expected to subsidize the Effluent Fund by approximately \$1.1M each year. This subsidy is needed due to decreased revenue associated with lost customers and the continuing Effluent debt service requirements.
- All of the City's State Revolving Loans were refinanced in FY17. The expected savings over the remaining life of the debt in the Sewer Fund is \$1.6M.
- Existing Sewer debt is scheduled to fully mature by FY30.

Storm Drain Enterprise Fund

- The last rate study resulted in no rate increases to the storm drain portion of the utility billings.
- The Riverflood fee continues to bring in approximately \$3M annually. The current accumulated cash to date along with \$19M of new financing will fund Phase 3 of the North Truckee Drain Relocation project, which is estimated to be completed in FY18.

Effluent Enterprise Fund

- The Sanitary Sewer Enterprise Fund is expected to subsidize the Effluent Fund by approximately \$1.1M annually. This subsidy is needed due to decreased revenue associated with lost customers and the continuing debt service requirements.
- All of the City's State Revolving Loans were refinanced in FY17. The expected savings over the remaining life of the debt in the Effluent Fund is \$400K.
- Existing Effluent debt is scheduled to fully mature by FY24.

Funds of Note continued...

Development Services Enterprise Fund

- As of today's workshop, revenue projections are not complete in this Fund. A very preliminary review shows FY17 revenues coming in approximately 3% lower than FY16, largely due to decreased building permits. FY18 revenue projections will be completed in March, and presented to City Council as part of the City Manager's budget recommendation meeting scheduled for April 24, 2017.
- A subsidy from the General Fund was fully repaid in FY15 and no further subsidy is expected going forward.

Stabilization Fund

- Fiscal Policy #4 = Commit a portion of business license revenue to this Fund each year.
- In FY12, \$200K of business license revenue was committed, but no commitment was made in FY13, FY14, FY15 or FY16. \$200K was again committed in FY17 and the tentative FY18 budget includes a \$200K commitment.
- FY16 audited ending fund balance = \$235K.
- After using this Fund to offset the costs of the 2017 flood events, it is expected that the ending fund balance will be less than \$230K by the end of FY17.
- In order to comply with GASB 54, the City Council approved a policy in June of 2011, which stated that Stabilization Fund resources could only be used if General Fund revenues decrease by 4% or more from the previous year or to pay expenses incurred to mitigate the effects of a natural disaster.

Redevelopment Area 1

- Property Tax increment is expected to be sufficient to pay debt service needs through FY18.
- No subsidy is expected from the General Fund in FY18.
- Recent land sales have removed any expectation for the need of a General Fund subsidy going forward.
- Area #1 terminates in 2023.

Redevelopment Area 2

- Property Tax increment is expected to be sufficient to pay debt service needs through FY18.
- The General Obligation bonds issued by the City for \$8.4M in 2007 will fully mature in FY17, removing \$1.1M of annual debt service paid by the Redevelopment Agency. \$1.5M of annual debt service remains relating to the Tax Increment Bonds issued by the Redevelopment Agency.
- The partial elimination of debt service coupled with recent land sales will provide additional resources beginning in FY18.
- Subsidies were required from the General Fund in FY13 of \$250K and in FY14 of \$862K. No further subsidies from the General Fund are expected going forward.
- Area #2 terminates in 2029

City of Sparks & Redevelopment Agency Debt

NAME OF BOND OR LOAN	Term (years)	Original Amount of Issue	Final Payment Date	Interest Rate	Outstanding Principal Balance 7/1/17	Principal Balance 6/30/18	FY18 Interest Due	FY18 Principal Due	FY18 Debt Service (P&I)
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City General Obligation (G.O.) Bonds and Notes Payable

<i>The City currently has no General Obligation debt outstanding with the exception of the Sewer and Effluent G.O. debt shown below</i>	N/A	N/A	N/A	N/A					
Subtotal City G.O Bonds & Notes Payable		\$ -			\$ -	\$ -	\$ -	\$ -	\$ -

City Issued Revenue Bonds

CTAX Revenue Bonds, Series 2011 (partially funded (29%) by RDA1)	6	4,180,000	05/01/2018	3.05%	745,000	0	17,080	745,000	762,080
CTAX Bonds Series 2014 (partially funded (29%) by RDA1)	12	7,330,000	05/01/2026	3.09%	7,267,000	7,243,000	224,550	24,000	248,550
Sr. Sales Tax Anticipation Revenue Bonds Series 2008A	20	83,290,000	06/15/2028	6.5%-6.75%	70,060,000	66,940,000	4,702,625	3,120,000	7,822,625
Subordinate Sales Tax Anticipation Revenue Bonds Series 2008A	20	36,600,000	06/15/2028	5.75%	32,716,045	32,716,045	1,228,565	0	1,228,565
Subtotal City Issue Revenue Bonds		\$ 131,400,000			\$ 110,788,045	\$ 106,899,045	\$ 6,172,820	\$ 3,889,000	\$ 10,061,820

Tax Allocation Bonds

Local Improvement District #3, Ltd Obligation Improvement Bonds (refinanced in FY2017 for lower interest rate)	20	26,120,000	09/01/2027	3.830%	13,498,290	12,701,969	600,824	796,321	1,397,145
Subtotal Tax Allocation Bonds		\$ 26,120,000			\$ 13,498,290	\$ 12,701,969	\$ 600,824	\$ 796,321	\$ 1,397,145

City of Sparks & Redevelopment Agency Debt

NAME OF BOND OR LOAN	Term (years)	Original Amount of Issue	Final Payment Date	Interest Rate	Outstanding Principal Balance 7/1/17	Principal Balance 6/30/18	FY18 Interest Due	FY18 Principal Due	FY18 Debt Service (P&I)
Sewer & Effluent G.O. Bonds - SRF Loans									
Enterprise Debt SRF 2016B (refinance of the 1996 - 2010A SRF loans)	13	27,099,691	07/01/2029	1.250%	25,625,498	22,611,649	310,969	3,013,849	3,324,818
Sparks portion of SRF Water Pollution bonds, Series 2004 & 2005 issued by City of Reno for TMWRF Expansion (12/16 Reno refi for lower interest rate)	17	12,029,831	01/01/2024	1.604%	5,652,640	4,937,392	87,836	715,248	803,084
Flood Control Bonds Series 2016	10	18,010,000	03/01/2026	2.0%-5.0%	16,520,000	14,955,000	535,600	1,565,000	2,100,600
Subtotal Sewer & Effluent G.O. Bonds - SRF Loans		\$ 57,139,522			\$ 47,798,138	\$ 42,504,041	\$ 934,405	\$ 5,294,097	\$ 6,228,502
Redevelopment Issued Debt									
Redevelopment Agency #1 Tax Increment Refunding Revenue Bonds, Series 2010	14	22,165,000	01/15/2023	4%-5.375%	11,605,000	9,895,000	576,981	1,710,000	2,286,981
Redevelopment Agency #2 Tax Increment Revenue Bonds, Series 2014	20	7,285,000	06/01/2029	3.249%	6,075,000	5,685,000	197,377	390,000	587,377
Redevelopment Agency #2 Tax Increment Revenue Bonds, Series 2016 (refinance of 2008 Series for lower interest rate)	12	9,660,000	06/01/2028	2.33%	9,181,000	8,441,000	213,917	740,000	953,917
Subtotal Redevelopment Issued Debt		\$ 39,110,000			\$ 26,861,000	\$ 24,021,000	\$ 988,275	\$ 2,840,000	\$ 3,828,275
TOTAL CITY & REDEVELOPMENT ISSUED DEBT		\$507,539,044			\$ 198,945,473	\$ 186,126,055	\$ 8,696,324	\$ 12,819,418	\$ 21,515,742

Other Long Term Liabilities as of 6/30/16 (Business & Governmental Debt)

Sick Leave Conversion	5,013,941
Compensated Absences	11,981,002
Developer Credits (Loeb Fire 5 reimbursements)	12,491
Workers Compensation	6,190,050
Other Post Employment Benefits (Net OPEB)	8,058,889
Net Pension Liability (PERS)	77,407,621
Total	\$108,663,994

Note: These balances are determined at end of audit each year