

City of Sparks General Fund Summary of Financial Expectations



~ Primary Considerations For Policy Makers ~

Fiscal Policy #1 -- GF Ending Fund Balance

- ❖ FY '13 EFB = \$5.8M or 11.6% of Expenditures
- ❖ FY '14 Fund balance is projected to be reduced by \$1.9M resulting in an EFB of approx. 7.3%
- ❖ EFB policy is 8.3%, while FY '14 budget is 6.6%
- ❖ Current projections show that near-term expenditures exceed revenues by approx. \$2M-\$3.0M. A “gap” needing to be closed (higher revenues or lower expenditures) over the next 2-3 fiscal years to avoid having the EFB fall below 5%.
However, no recommendations to reduce expenditures are being made for FY '14 at this time.

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Fiscal Policy #2 -- GF Contingency Budget

- ❖ Contingency budget not used in FY '13
- ❖ FY '14 budget includes a Contingency amount of \$1M that is offset by an equal transfer-in from the Vehicle Fund
- ❖ The transfer-in from the Vehicle Fund is intended to be used in situations when the General Fund has insufficient resources to pay Contingent expenditures -- likely of an emergency nature
- ❖ However, the availability of this offsetting transfer-in may change pending vehicle replacement needs

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Fiscal Policy #3 -- *Capital Projects Transfer*

- ❖ Transfer to the Capital Projects Fund totaled \$1.2M in FY '13
- ❖ FY '14 budget includes a transfer of \$1.3M
- ❖ Amount of transfer is expected to remain consistent in subsequent years, but may change pending capital needs identified in any year

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Fiscal Policy #4 -- *Committing Business License Revenue for the Stabilization Fund*

- ❖ This is a process whereby Council “commits” business license revenue to the Stabilization Fund that would otherwise be General Fund revenue
- ❖ Stabilization Fund current balance = \$229K
- ❖ FY ‘14 budget includes \$0 revenue commitment
- ❖ No revenue commitment is recommended until GF revenues exceed expenditures which is not expected until FY ‘17

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Fiscal Policy #5 -- *Personnel Costs <= 78% of Revenues*

- ❖ FY '13 unaudited results = 77.6%
- ❖ FY '14 budget = 78.4%
- ❖ FY '14 projections = 81.0% (*increase due to labor agreements being settled after FY '14 budget was finalized, adding approx. \$2M to annual personnel costs*)
- ❖ FY '15 early projections = 80.7%

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Fiscal Policy #6 -- *Determination of OPEB Funding*

- ❖ Currently under a “pay-as-you-go” funding model
- ❖ FY '13 Net OPEB liability = \$6.0M
- ❖ Liability has been increasing by ~\$500K per year
- ❖ No changes to the funding model are being recommended

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Other Items to Consider

- ❖ Unspent CTAX bond proceeds of ~1.6M are expected to be used in FY '14 through FY '16 to pay GF CTAX debt service
- ❖ The GF is expected to subsidize RDA #2 by ~\$650K to cover City-issued debt service costs in FY '14 and continuing at various amounts through FY '17 when debt matures
- ❖ The GF is expected to begin subsidizing RDA #1 to cover City-issued debt service costs by FY '15 or FY '16
- ❖ FY '14 recommendations include Dev. Services Fund repaying remaining \$1.056M of the G.F. subsidy from FY '10 & FY '11
- ❖ C.O.P.S. grant funding 6 Police Officers expires in FY '14

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Other Items to Consider *(Cont'd)*

- ❖ FY '13 saw a sharp rise in Workers Compensation Liabilities related to heart/lung/cancer benefits
 - L/T Liabilities of the W.C. Self Insurance Fund now total \$6.7M based on claims that are expected to be paid over several years or even decades
 - Total L/T liabilities have created a est. negative EFB of <\$709K> in the Workers Compensation Insurance Fund
 - A negative fund balance does not mean there are immediate funding concerns -- in fact, current resources in the Fund are likely sufficient to pay claims for several years
 - However, long-term funding options will need to be explored

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FY '13 Summary *(From Unaudited Results)*

- ❖ Revenue (excl. transfers) declined by 1.2% to record the 6th straight year of revenue losses
 - 1% higher than projections presented last Spring
- ❖ Use of Contingency budget was not needed
- ❖ Expenditures (excl. transfers) increased by 0.5%
 - 1% lower than projections presented last Spring
- ❖ Fund balance was reduced by \$685K
- ❖ E.F.B. was \$5.8M, or 11.6% of expenditures, or \$1.5M more than 8.3% policy goal
- ❖ Subsidy of RDA #2 began (\$250K) with higher subsidies expected until debt matures in FY '17

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FY '14 Expectations (*"Early Look"*)

- ❖ Total Revenue expected to increase slightly by 1.6% (*first revenue increase in 6 years*)
 - Flat Property Taxes
 - CTAX growth of 3.0%
 - License & Permit growth of 2.5% (*with no commitment of revenue to the Stabilization Fund until FY '17*)
- ❖ Transfer of \$1.056M from the Development Services Fund to fully repay the FY '10 & FY '11 subsidy
- ❖ Total expenditures to increase 6.3%
 - Personnel costs, up \$2.5M or 6.1%
 - Services, Supplies, & Cap. Outlay, up \$700K or 7.3%

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FY '14 Expectations (*"Early Look" Cont'd*)

- ❖ Transfers Out to Parks & Recreation and RDA #2 Funds expected to total \$1.3M (*including \$650K for RDA #2 to cover City issued debt service costs*)
- ❖ Utilize unspent CTAX bond proceeds of \$730K to pay for G.F. CTAX debt service costs (*sufficient proceeds remain to pay debt service costs in FY '14, FY '15, & partially in FY '16*)
- ❖ Continue to transfer \$1.3M to Capital Projects Fund for various capital needs
- ❖ Contingency Budget of \$1M is available coupled with an available resource via a budgeted transfer-in from the Motor Vehicle Internal Service Fund

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FY '14 Expectations (*"Early Look" Cont'd*)

- ❖ Net Fund Balance reduction of ~\$1.9M is expected to drop the fund balance from \$5.8M to \$3.9M
- ❖ Ending Fund Balance value is expected to approx. be the equivalent of 7.3% of expenditures (*minimum EFB of 5% is sought with a goal of exceeding 6.6% per Final Budget*)
- ❖ **NO BUDGET REDUCTIONS ARE BEING RECOMMENDED FOR FY '14 AT THIS TIME** (*revenues coming in softer than expected could of course change this recommendation*)
- ❖ Budget reductions may be needed in FY '15 and/or FY '16 unless revenues "catch-up" to expected expenditure level

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Looking Forward *(FY '14 & beyond)*

- ❖ There is an expected \$2.0M-\$3.0M “budget gap” (i.e., expenditures exceeding revenues) that must be filled with either greater revenues or reduced expenditures within the next 2-3 fiscal years
- ❖ Revenues are expected to rise in the 2-3% range for the next few years, while expenditures are expected to rise 1.5%-2.0% following a 6.3% rise in FY '14
- ❖ The ending fund balance can be reduced which may buy time for revenues to “catch up” to expenditures. If revenues don't increase, then expense reductions will likely need to take place in FY '15 and/or FY '16.

City of Sparks & Redevelopment Agency Outstanding L/T Debt As of June 30, 2013



- ❑ **General Obligation Bonds** *(Total of \$51.7M)*
 - \$3.9M, Matures in 2017 *(Secured and payable from all available resources of the City)*
 - Sewer Revenue Bonds & Notes: \$47.8M, Var. Maturity Dates *(Secured & payable from pledged sewer revenues)*

- ❑ **Revenue Bonds** *(Total of \$182.1M, payable from identified pledged revenue source)*
 - CTAX Bonds: \$10.8M, Matures 2026
 - STAR Bonds: \$111.9M, Matures 2028 *(Secured & payable solely from 75% of sales taxes generated within the Tourism Improvement District known as Legends)*
 - Redevelopment Agency Prop. Tax Increment Bonds: \$35.8M, Var. Maturity Dates
 - Local Improvement District Special Assessment Bonds: \$23.6M, Matures 2027

- ❑ **Other Debt & Obligations** *(Total of \$29.4M, paid from various sources)*
 - Fire Equipment Capital Leases: \$1.3M, Var. Maturity Dates
 - Compensated Leave & Benefits Payable: \$15.4M, No Maturity Date
 - Other Post Employment Benefits (Net OPEB Obligation): \$6.0M, No Maturity Date *(OPEB is funded on a pay-as-you-go method)*
 - Public Safety Heart & Lung Liability: \$6.7M *(The full actuarially determined liability including a presumptive amount that is not "booked" as a liability of the City has a total nominal value of \$33.6M that is expected to be incurred over a period of several decades)*

**City of Sparks General Fund
FY '13 Preliminary (Unaudited) Results**

9/30/2013

<i>(All Amounts Listed in \$000's)</i>	
Resources:	FY '13 Actuals (Unaudited)
Total Revenues	\$52,056
Transfer-In For Contingency Use	\$0
Transfers-In, Other	\$60
Total Resources	\$52,116
Uses:	
Total Expenditures	\$50,116
Contingency Use	\$0
Transfers-Out, RDA #2 Subsidy	\$0
Transfers-Out, Other	\$2,684
Total Uses	\$52,800
Net Resources/(Uses)	(\$685)
Fund Balance:	
Beginning	\$6,492
Ending	\$5,808
Ending as a % of Exp's	11.6%

FY '13 Actual Results Compared to Final Budget		
FY '13 Final Budget	Act. Vs. Bdg't. Var.	
\$52,056	(\$0)	
\$1,000	(\$1,000)	
\$60	\$0	
\$53,116	(\$1,000)	
\$51,680	\$1,565	
\$1,000	\$1,000	
\$0	\$0	
\$2,315	(\$369)	
\$54,995	\$2,195	
8.4%		
\$6,228	\$265	
\$4,348	\$1,459	
8.4%	n/a	

FY '13 Actual Results Compared to Final Projections		
FY '13 Projections **	Act. Vs. Proj. Var.	
\$51,547	\$509	
\$0	\$0	
\$60	\$0	
\$51,607	\$509	
\$50,822	\$706	
\$0	\$0	
\$200	\$200	
\$2,315	(\$369)	
\$53,337	\$537	
8.3%		
\$6,492	\$0	
\$4,762	\$1,045	
8.3%	n/a	

** FY '13 Est. Actuals as filed with the FY '14 Final Budget earlier in the Spring

Actual Vs. Budgeted Ending Fund Balance	
Actual	\$5,808
Budgeted	\$4,348
Actual Vs. Budgeted Variance	\$1,459
Cause of Change	
Wash: Revenue Change	\$0
Wash: Contingency (No Exp. or Transfer-In)	\$0
Add: Higher Beginning Fund Bal.	\$265
Add: Svcs & Supp. Budget Reduction	\$1,021
Add: Other Exp. Underspend	\$543
Less: RDA #2 Subsidy	\$0
Less: Transfers-Out (Mostly P&R Subsidy)	(\$369)
Actual Vs. Budgeted Change	\$1,459
Summarized Cause of Change	
Higher Beg. Fund Balance	\$265
Svcs & Supp. Budget Reduction	\$1,021
Other Exp. Underspend	\$173
Actual Vs. Budgeted Change	\$1,459

Actual Vs. Projected Ending Fund Balance	
Actual	\$5,808
Projected	\$4,762
Actual Vs. Projected Variance	\$1,045
Cause of Change	
Wash: Contingency Usage	\$0
Add: Higher Revenues	\$509
Add: Lower Expenditures	\$706
Less: RDA #2 Subsidy	\$200
Less: Transfers Out (Mostly P&R)	(\$369)
Actual Vs. Projected Change	\$1,045
Summarized Cause of Change	
Higher Rev's (~1% of Projections)	\$509
Lower Exp's (~1% of Projections)	\$537
Actual Vs. Projected Change	\$1,045

City of Sparks General Fund

Sources & Uses: Multi-Year Results & Projections Summary (\$000's)

	FY '12	FY '13	FY '14	FY '14	FY '15	FY '16
<u>Sources (excluding beginning fund balance)</u>	Actuals	Actuals (Unaudited)	Budget	Projection	'Early Look'	'Early Look'
Total Revenues	\$52,689	\$52,056	\$52,333	\$52,900	\$54,351	\$55,539
Transfer-In From Vehicle Fund (Assume No Usage, Budget Matches Contingency)	\$0	\$0	\$1,000	\$0	\$0	\$0
Transfers-In, Other	\$312	\$60	\$352	\$1,056	\$0	\$0
Total Sources	\$53,000	\$52,116	\$53,685	\$53,956	\$54,351	\$55,539
<i>% Change in Total Revenues (excl. transfers) =</i>	-5.3%	-1.2%	0.5%	1.6%	2.7%	2.2%
<i>% Change in Total Sources =</i>	-4.8%	-1.9%	3.0%	3.5%	0.7%	2.2%
<u>Uses</u>						
Total Expenditures	\$49,850	\$50,116	\$51,916	\$53,297	\$54,435	\$55,489
Less: Cumulative Savings to Maintain Minimum of 5% E.F.B.	\$0	\$0	\$0	\$0	\$0	(\$1,100)
Less: Current Year Savings Needed to Maintain Minimum of 5% E.F.B.	\$0	\$0	(\$85)	\$0	(\$1,100)	(\$1,850)
Total Transfers-Out	\$2,536	\$2,684	\$2,135	\$2,585	\$2,250	\$3,009
Contingency (Assume No Usage; Budget Would Match Trans-In from Vehicle Fund)	\$0	\$0	\$1,000	\$0	\$0	\$0
Total Uses	\$52,385	\$52,800	\$54,966	\$55,882	\$55,585	\$55,549
<i>% Change in Total Expenditures (excl. transfers, contingency, & P.I. Savings) =</i>	-0.2%	0.5%	3.6%	6.3%	2.1%	1.9%
Net Sources/(Uses)	\$615	(\$685)	(\$1,281)	(\$1,926)	(\$1,235)	(\$9)
<u>Fund Balance</u>						
Unrestricted Ending Fund Balance	\$6,477	\$5,808	\$3,396	\$3,882	\$2,647	\$2,638
Unrestricted Ending Fund Balance as a % of Exp's (Less Cap. Outlay)	13.1%	11.6%	6.6%	7.3%	5.0%	5.0%
Unrestricted Ending Fund Balance Amount Over/(Short) of 8.3% Policy Goal	\$2,200	\$1,500	(\$815)	(\$500)	(\$1,600)	(\$1,600)

Major Assumptions for FY '14 Projections, Expectations, & Recommendations:

- > Total Revenues increase 1.6% (Prop. Taxes, flat -- CTAX, up 3.0% -- Licenses & Permits, up 2.5% with no commitment of revenue to the Stabilization Fund until FY '17)
- > Transfer \$1.056M from Dev. Services Fund to Gen. Fund to fully repay FY '10 & FY '11 subsidy (FY '14 budget includes \$352k repayment)
- > Total Expenditures increase 6.3% compared to FY '13 (SWB's, up \$2.5M or 6.1% -- Services & Supplies & Cap. Outlay, up \$700K or 7.3%)
- > Transfers-Out to Parks/Rec. and RDA #2 Funds increases by \$560K (subsidy of RDA #1 is also expected in FY '15 or FY '16, pending property valuation results)
- > Unspent CTAX bond proceeds of \$730K used to pay G.F. debt service (thus, eliminating normal debt service costs for FY '14, FY '15 and partially in FY '16.)
- > Continue to transfer \$1.3M from the G.F. to the Capital Projects Fund for various capital needs
- > Net Fund Balance reduction of ~ \$1.9M
- > Ending Fund Balance approximately 7.3% of Expenditures (minimum 5% EFB, with goal of 6.6% or greater as per budget)
- > Unless revenues become softer than expected, ***NO BUDGET REDUCTIONS ARE BEING RECOMMENDED FOR FY '14***
- > Budget reductions may be needed in FY '15 and/or FY '16 unless revenues "catch-up" to expected level of expenditures
- > Looking forward, there is an expected ~\$2M-\$3M "Budget Gap" that needs to be filled with greater revenues or lower expenditures during the next 2-3 years

**Sparks Redevelopment Area #1
Financial Overview**

	FY '13 Actuals (Unaudited)	FY '14 Est.	FY '15 Est.	FY '16 Est.	FY '17 Est.
Revenues	\$2,955,234	\$2,423,717	\$2,325,600	\$2,325,600	\$2,346,922
Transfer-In From G.F.	\$0	\$0	\$0	\$75,000	\$250,000
Expenses	(\$3,013,924)	(\$2,735,392)	(\$2,613,137)	(\$2,612,036)	(\$2,608,361)
Net Revenues/(Expenses)	(\$58,690)	(\$311,675)	(\$287,537)	(\$211,436)	(\$11,439)
Beginning Fund Balance	\$3,670,979	\$3,612,289	\$3,300,614	\$3,013,077	\$2,801,641
Ending Fund Balance	\$3,612,289	\$3,300,614	\$3,013,077	\$2,801,641	\$2,790,202
Less: Restricted for Debt Service	(\$2,939,164)	(\$2,826,904)	(\$2,813,045)	(\$2,799,986)	(\$2,790,127)
Unrestricted Ending Fund Balance	\$673,125	\$473,710	\$200,032	\$1,655	\$75
Victorian Sq. Room Tax Cumulative Resources	\$1,295,947	\$1,845,947	\$2,445,947	\$3,045,947	\$3,645,947

Note: V.S. Room Tax Fund is a City Resource, but Available for V.S. CIP Needs (Cumulative Resources Assume \$0 Exp's & \$600K of Annual Revenue)

RDA #1 Debt Information	** City Issued Debt Partially Paid by RDA #1			
	Tax Increment Refunding Bonds	2011 CTAX Refunding Bonds	2007 CTAX Refunding Bonds	Total RDA #1 Debt Service
Original Issue Amount	\$22,165,000	\$4,180,000	\$13,635,000	
Issue Date	5/11/2010	5/12/2011	2/15/2007	
Maturity Date	1/15/2023	5/1/2018	5/1/2026	
Interest Rate	4.0% - 5.375%	3.05%	4.09%	
FY '13 Principal Payment	\$1,405,000	\$645,000	\$0	
FY '13 Interest Payment	\$882,281	\$122,000	\$297,548	
Total FY '13 Debt Service	\$2,287,281	\$767,000	\$297,548	
Total FY '13 Debt Service Paid by RDA	\$2,287,281	\$220,430	\$85,513	\$2,593,223
6/30/13 Debt Outstanding	\$19,210,000	\$3,515,000	\$7,275,000	
FY '14 Principal Payment	\$1,460,000	\$655,000	\$0	
FY '14 Interest Payment	\$829,081	\$102,251	\$297,548	
Total FY '14 Debt Service	\$2,289,081	\$757,251	\$297,548	
Total FY '14 Debt Service Paid by RDA	\$2,289,081	\$217,628	\$85,513	\$2,592,222
6/30/14 Debt Outstanding	\$17,750,000	\$2,860,000	\$7,275,000	
	FY '14 D.S. from RDA-Issued Debt =		\$2,289,081	
	FY '14 D.S. from City-Issued Debt =		\$303,141	
	Total FY '14 RDA Debt Service =		\$2,592,222	

**** City Issued Debt Partially Paid by RDA #1 Notes:**

- 1) Both bonds are issued in the City's name, but about 29% (\$303,141 in FY '14) is allocated to RDA #1 for V.S. portion of the original bonding project.
- 2) The 2007 Refunding bonds will be interest only until FY '19 after the 2011 Refunding bonds mature.
- 3) \$1.6M remains in Capital Projects Fund as unspent CTAX bond proceeds which are earmarked to be used for G.F. debt service.

**Sparks Redevelopment Area #2
Financial Overview**

	FY '13 Actuals (Unaudited)	FY '14 Est.	FY '15 Est.	FY '16 Est.	FY '17 Est.
Revenues	\$2,406,228	\$2,453,523	\$2,644,383	\$2,717,610	\$2,843,033
Transfer-In From G.F.	\$250,000	\$650,000	\$450,000	\$450,000	\$250,000
Expenses	(\$3,185,037)	(\$3,144,332)	(\$3,140,574)	(\$3,097,237)	(\$3,093,999)
Net Revenues/(Expenses)	(\$528,809)	(\$40,809)	(\$46,191)	\$70,373	(\$966)
Beginning Fund Balance	\$2,813,009	\$2,284,200	\$2,243,391	\$2,197,200	\$2,267,573
Ending Fund Balance	\$2,284,200	\$2,243,391	\$2,197,200	\$2,267,573	\$2,266,607
Less: Restricted for Debt Service	(\$2,245,111)	(\$2,201,860)	(\$2,179,608)	(\$2,198,584)	(\$2,180,798)
Unrestricted Ending Fund Balance	\$39,089	\$41,531	\$17,592	\$68,989	\$85,809

RDA #2 Debt Information	Redevelopment Area #2 Debt		** City Issued Debt Paid by RDA #2		Total RDA #2 Debt Service
	2008 Tax Increment Bonds	2009 Tax Increment Bonds	2007A Ad Valorem Refunding Bonds	2007B Ad Valorem Refunding Bonds	
Original Issue Amount	\$12,700,000	\$7,230,000	\$7,090,000	\$1,315,000	
Issue Date	7/30/2008	11/24/2009	3/29/2007	3/29/2007	
Maturity Date	6/1/2028	6/1/2029	3/1/2017	3/1/2017	
Interest Rate	6.4% - 6.70%	5.0% - 7.75%	3.78%	5.65%	
FY '13 Principal Payment	\$445,000	\$245,000	\$720,000	\$160,000	
FY '13 Interest Payment	\$782,900	\$496,119	\$146,664	\$50,241	
Total FY '13 Debt Service	\$1,227,900	\$741,119	\$866,664	\$210,241	\$3,045,923
6/30/13 Debt Outstanding	\$11,440,000	\$6,530,000	\$3,160,000	\$730,000	
FY '14 Principal Payment	\$475,000	\$260,000	\$745,000	\$170,000	
FY '14 Interest Payment	\$754,420	\$482,031	\$119,448	\$41,209	
Total FY '14 Debt Service	\$1,229,420	\$742,031	\$864,448	\$211,209	\$3,047,108
6/30/14 Debt Outstanding	\$10,965,000	\$6,270,000	\$2,415,000	\$560,000	
FY '14 D.S. from RDA-Issued Debt =	\$1,971,451		FY '14 D.S. from City-Issued Debt =	\$1,075,657	\$3,047,108

** The 2007 debt issued by the City is scheduled to mature in FY '17, removing the need for a G.F. subsidy at that time.