



CITY COUNCIL/HOUSING AUTHORITY AGENDA REPORT

MEETING DATE: February 16, 2016

ITEM NUMBER: **NB-2**

**SUBJECT: FINANCIAL UPDATE INCLUDING:
REVIEW OF JUNE 30, 2015 CAFR,
FISCAL YEAR 2015-16 MID-YEAR BUDGET REPORT and
FIVE-YEAR FINANCIAL PLAN**

DATE: February 2, 2016

FROM: FINANCE DEPARTMENT

PRESENTATION BY: STEPHEN DUNIVENT, INTERIM FINANCE DIRECTOR

**FOR FURTHER INFORMATION CONTACT: STEPHEN DUNIVENT, INTERIM FINANCE DIRECTOR,
(714) 754-5243**

RECOMMENDED ACTIONS:

1. From the June 30, 2015 CAFR report:
 - a. Receive and file the Comprehensive Annual Financial Report
 - b. Approve FY 15-16 budget adjustments for \$980,153 in carry over prior year encumbrances to FY 15-16 (Attachment 1B).
 - c. Approve a FY 15-16 budget adjustment for, and the payment of, an additional \$500,000 to further reduce the Fire Side Fund debt.
2. From the FY 2015-16 Mid-year Budget report:
 - a. Receive and file this report.
 - b. Approve recommended FY 2015-16 budget adjustments as listed in Attachments 2G and 2H.
 - c. Add one new full-time Community Outreach Worker to support the Costa Mesa Housing Authority Rapid Re-housing Program.
 - d. Authorize a transfer of funds from the Housing Authority Fund 222 to reimburse the General Fund expenses of \$309,515 used to pay off the loan balances of the program properties on 18th street.
3. From the Five-year Financial Plan:
 - a. Receive and file the five-year financial plan.
 - b. Provide direction to staff regarding issues raised in connection with the five-year financial plan and future priorities.

BACKGROUND:

The Comprehensive Annual Financial Report (CAFR) is prepared by the City's Finance Department in conformity with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) requirements. It is audited by the independent public accounting firm of White Nelson Diehl Evans LLP. The CAFR provides a point in time snapshot of financial information. The Governmental Accounting Standards Board (GASB) Statements 68 and 71 took effect for this reporting period and required significant changes to the reporting of pension plans and their related debt.

The City Council adopted the FY 2015-16 budget on June 23, 2015. The total budget was \$154,189,869 including the General Fund budget of \$115,202,900. The Mid-year Budget Report reviews the status of FY 2015-16 General Fund revenues, expenditures, other budget issues and updates the Library/Community Center/Park funding plan.

The value of financial planning is to extend the planning horizon beyond the traditional twelve months of the annual budgeting cycle. This enables City leadership to observe trends, and become aware of potential issues earlier than without the plan, thus allowing more time to craft strategies and solutions. The plan serves as a basis for dialogue and planning. Its existence may also help to reaffirm or upgrade the City's credit rating. A new financial plan model focused on the City's general fund has been developed. Two levels of summary data are provided.

ANALYSIS:

See the individual reports and their attachments.

CONCLUSIONS:

The June 20, 2015 CAFR fairly and accurately represents the City's fiscal year financial results and financial position as of June 30, 2015. The City has received a "clean" audit report as there have been no management letter comments requiring management action or adjustments related to the CAFR.

The City's FY 2015-16 actual revenues and expenses in total are on track with budget expectations. The revised General Fund budget is \$117,330,310 including carryovers. The review and approval of the recommended budget changes will update the City's budget to reflect the current revenue expectations and expenditure requirements that help enable the City to continue providing the community with quality programs and services.

The five-year plan provides the City with an extended planning horizon and a basis for dialogue and planning. The plan reveals two key issues for the next five years. First, there are no large amounts of funding for new initiatives without replacing current services, waiting for existing debt to be paid off or issuing new debt. Second, with modest revenue growth from a good, stable economy, the City can continue current operations at budgeted service levels, pay for projected pension costs, pay for current debt obligations, continue to dedicate 6.5% of general fund revenues to capital improvements and capital facilities projects, and maintain current levels of reserves. Small deficits of 1.3 to 2.7% of general fund revenues occur and will be balanced during the annual budget processes.

Stephen Dunivent
Interim Finance Director

Thomas R. Hatch
City CEO

Attachments:

1. [June 30, 2015 CAFR Report](#)
2. [FY 2015-16 Mid-year Budget Report](#)
3. [Five-year Financial Plan](#)