

2016-2017 ANNUAL REPORT

II. GENERAL FUND BUDGET PERFORMANCE

This section of the Annual Report summarizes the performance of the General Fund and is broken down into the following sections:

General Fund Year-End Performance – This section provides data on the overall status of the General Fund at the end of 2016-2017. It includes a chart that compares the General Fund modified budget and actuals for sources, uses, and ending fund balance as well as a chart that compares the General Fund actuals to the estimates used in developing the 2017-2018 Adopted Budget.

General Fund Revenue Performance – This section provides detail on the actual 2016-2017 General Fund revenue collections. This section includes a chart that compares the 2016-2017 modified budget to the actuals for each of the General Fund revenue categories. This chart is followed by a discussion of the performance in each category that includes an explanation of variances from the modified budget, any resulting current year implications for revenue estimates, and a comparison of the actual revenues to prior year collections to indicate collection trends and provide a historical perspective.

General Fund Expenditure Performance – This section provides detail on the actual 2016-2017 General Fund expenditures. This section includes charts that compare the 2016-2017 modified budget to actuals for the major expenditure categories as well as the 2016-2017 year-end estimates to actuals for the total expenditures. The review of the General Fund expenditure performance also includes detailed information on departmental and non-departmental performance, including a discussion of significant variances as well as a chart on total expenditures by each category broken down in further detail. In addition, this section includes a discussion of significant departmental variances and highlights of non-departmental expenditures and variances.

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2016-2017 ANNUAL REPORT
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GENERAL FUND YEAR-END PERFORMANCE

The General Fund ended the year with a final available ending fund balance (unaudited) of \$241.8 million, as reflected in the following table:

GENERAL FUND
BUDGET TO ACTUAL COMPARISON
FOR THE YEAR ENDED JUNE 30, 2017
(\$000s)

	Modified Budget	Budgetary Basis Actual	Variance
Sources			
Beginning Fund Balance	255,207	253,903	(1,304)
Carryover Encumbrances	37,500	37,500	-
Liquidation of Carryover Encumbrances		2,258	2,258
<i>Subtotal</i>	<i>292,707</i>	<i>293,661</i>	<i>954</i>
Revenues	1,109,678	1,108,260	(1,418)
Total Sources	1,402,385	1,401,921	(464)
Uses			
Personal Services	738,567	729,913	(8,654)
Non-Personal/Equipment/Other	146,500	135,728	(10,772)
City-Wide Expenses	255,666	217,142	(38,524)
Capital Contributions	82,850	49,301	(33,549)
Transfers	28,068	28,068	-
Reserves	150,734	-	(150,734)
Total Uses	1,402,385	1,160,152	(242,233)
Available Ending Fund Balance		241,769	241,769

Note: In the chart above, the General Fund excludes the Emergency Reserve Fund and Cash Reserve Fund, which are budgeted as separate funds and reflected separately in this document. In the 2016-2017 Comprehensive Annual Financial Report (CAFR), the Emergency Reserve Fund and Cash Reserve Fund will be displayed as part of the General Fund to comply with GASB 54 reporting requirements.

2016-2017 ANNUAL REPORT
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GENERAL FUND YEAR-END PERFORMANCE

The actual ending fund balance of \$241.8 million exceeded the estimated ending fund balance level used in the development of the 2017-2018 Adopted Budget by \$24.6 million (0.9% of the 2016-2017 Modified Budget total sources and uses). However, once adjusted for clean-up actions recommended in this report associated with the close-out of 2016-2017, a true ending fund balance of \$7.7 million (0.3% of the 2016-2017 Modified Budget total sources and uses) remains in 2016-2017 and is available for allocation in 2017-2018. The elements of the Ending Fund Balance variance are illustrated in the following estimate to actual comparison chart.

General Fund Year-End Performance (\$000s)

Sources	Estimate	Budgetary Basis Actual	Variance
Beginning Fund Balance	255,207	253,903	(1,304)
Carryover Encumbrances	37,500	37,500	-
Liquidation of Carryover			
Encumbrances	1,000	2,258	1,258
<i>Subtotal</i>	293,707	293,661	(46)
Revenues	1,109,678	1,108,260	(1,418) ¹
Total Sources	1,403,385	1,401,921	(1,464)
Uses			
Expenditures	1,186,181	1,160,152	(26,029) ¹
Ending Fund Balance	217,204	241,769	24,565

¹ In 2016-2017, \$3.8 million in grant and reimbursement-related revenues and expenditures were not expected to be received in 2016-2017 and were rebudgeted to 2017-2018. This resulted in lower actual revenues and expenditures in 2016-2017, with no net impact to the General Fund. After factoring out the lower revenues and expenditures associated with these grants and reimbursements, the revenues variance actually resulted in a surplus of \$2.4 million (0.2%), rather than a shortfall of \$1.4 million, and the expenditures variance actually resulted in savings of \$22.2 million (1.6%), rather than savings of \$26.0 million.

Note: In the chart above, the General Fund excludes the Emergency Reserve Funds and Cash Reserve Fund, which are budgeted as separate funds and reflected separately in this document. In the 2016-2017 Comprehensive Annual Financial Report (CAFR), the Emergency Reserve Fund and Cash Reserve Fund will be displayed as part of the General Fund to comply with GASB 54 reporting requirements.

2016-2017 ANNUAL REPORT

GENERAL FUND YEAR-END PERFORMANCE

A detailed analysis of the significant variances between the 2016-2017 Modified Budget and Budgetary Basis Actuals for revenues, expenditures, transfers, and reserves is provided in the following section. The variances for the Beginning Fund Balance and Liquidation of Carryover Encumbrances category are discussed in this section.

The actual 2016-2017 Beginning Fund Balance of \$253.9 million was \$1.3 million lower than the \$255.2 million estimate. This variance primarily reflects an accounting adjustment associated with a Successor Agency to the Redevelopment Agency payment received in a prior year that had been recorded in the General Fund; however, it was later determined that a portion of the payment (\$1.6 million) should have been booked in the General Purpose Parking Fund. This downward adjustment to the Beginning Fund Balance was partially offset by an increase of \$349,000 based on the final reconciliation of 2015-2016 that was completed after the production of the 2015-2016 Annual Report. The actual 2016-2017 Liquidation of Carryover Encumbrances was \$2.3 million and reflects encumbered appropriations liquidated by the Finance Department during the period between the release of audited 2015-2016 financial statements and the end of 2016-2017. Liquidation of prior year encumbrances results in a reduction in the obligations against the fund balance. These funds then become available for reappropriation. The actual liquidations in 2016-2017 of \$2.3 million were \$1.3 million above the estimate of \$1.0 million used in the development of the 2017-2018 Adopted Budget.

As noted on the chart on the previous page, after adjusting for \$3.8 million in grants and reimbursements that were not received or expended in 2016-2017, the final General Fund Ending Fund Balance represents a positive variance of \$24.6 million (0.9% of the 2016-2017 Modified Budget total sources and uses), which includes higher than estimated expenditures savings (\$22.2 million; 1.6%), slightly higher revenues (\$2.4 million; 0.2%), liquidation of carryover encumbrances (\$1.3 million), and a 2016-2017 Beginning Fund Balance correction (-\$1.3 million). After accounting for revenue and expenditure clean-up actions recommended in the Annual Report, including additional rebudgets, to close-out 2016-2017, \$7.7 million (0.3% of total sources and uses) in additional ending fund balance is available. The \$7.7 million positive fund balance variance is comprised of net additional revenues of \$1.06 million (0.1%), net expenditure savings of \$6.68 million (0.5%), and higher than estimated liquidation of prior year encumbrances of \$1.26 million, partially offset by a lower 2016-2017 Beginning Fund Balance (\$1.3 million).

Recommendations for the allocation of the additional 2016-2017 Ending Fund Balance are provided elsewhere in this document.