



Legislation Text

File #: 16-0267, **Version:** 1

Recommendation to receive and file the Fiscal Year 2016 First Budget Performance Report.
(Citywide)

This report includes information on the City's Fiscal Year 2016 (FY 16) budget performance through January 31, 2016 for all funds.

Summary

At the end of the first period ending January 31, 2016, no significant issues have been identified with any City funds, which have not previously been reported. The drop in worldwide oil prices has lowered the General Fund revenue estimates from its Uplands Oil transfer; however, with higher than anticipated revenue in other areas, as well as expenditure savings from departments, projections are currently showing the General Fund ending within budget.

General Fund

As discussed during the November 17, 2015 and March 8, 2016 Budget Outlook presentations, worldwide oil prices have experienced a dramatic drop, resulting in adverse oil revenue impacts. The FY 16 adopted budget oil projections are based on \$55/barrel, while current oil forecasts project that oil will average \$35/barrel in FY 16 reducing the estimated transfer to the General Fund from \$11.5 million to \$7.4 million. However, as previously reported, there are some additional General Fund revenue items that are anticipated to come in above budget that can help mitigate this challenge, including higher sales tax and transient occupancy tax. Additionally, on December 22, 2015, all General Fund departments were requested to save 0.5 percent of their budgeted appropriation to help generate savings at year-end. Currently, overall General Fund expenditures are projected to achieve these requested savings. The current revenue projections and the 0.5 percent savings target are anticipated to offset the lower Uplands Oil revenue transfer and to allow ending the year with the anticipated temporary surplus of \$675,000, which the City Council has allocated to the Capital Projects Fund for one-time projects.

Updated projections for FY 16 year-end will be provided as part of the next Budget Performance Report.

Other Funds

At this time, it is not anticipated that the drop in oil prices will require mid-year budget

reductions in the Tidelands Operations or in Proposition H funded departments. Analysis of oil prices is ongoing and plans on how to mitigate or address lower than anticipated revenue in FY 17 and beyond will be presented as part of the upcoming FY 17 budget development process.

With the exception of the Uplands Oil Fund and the Tidelands Operating Fund, which are impacted by oil production and oil prices, the status of all other funds appears to be on target for both revenues and expenditures, based on the first period review.

This financial review is based on information from the first four months of the fiscal year. Therefore, the projected budget performance may change as the year progresses. As a result, and as usual, staff will continue to closely monitor revenues and expenses, and will report any significant changes.

City Council action on this matter is requested on March 22, 2016.

Approve recommendation.

JOHN GROSS
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:

PATRICK H. WEST
CITY MANAGER