

# Interim Financial Report

3 months ended September 30, 2015

(25% of the year complete)

This interim report provides an update on the status of the City's finances as of September 30, 2015, the first quarter of Fiscal Year 2015-16. It is important to note that these numbers are unaudited and subject to change. As established in the prior fiscal year, this report excludes the activities of the Rialto Utility Authority (RUA), which were previously reported in the interim reports prior to the Concession Agreement (CA). Rialto Water Services, LLC (RWS), under the Concession Agreement is preparing separate financial reports to be presented to Council on activities for RUA.

The table below shows Citywide Revenues and Expenditures through the first quarter. It includes budget adjustments approved by Council through the first quarter, and rolled-forward purchase order encumbrances from the previous fiscal year. However, the budget carry forward from the previous year, which the City Council is anticipated to approve in December, will not be reflected in these figures until the second quarter.

On June 9, 2015, City Council adopted a balanced General Fund budget comprised of \$67.7M budgeted revenues and \$72.5M expenditures, which includes \$4.8M reserves for capital projects. Since adoption, the budget has been impacted by (\$1.4M) in rolled purchase orders from FY2014-15 to FY2015-16 and a net of (\$67K) in budget adjustments approved by Council in the first quarter. The impact to the General Fund Reserve balance is discussed in depth in that section of this report.

## City of Rialto

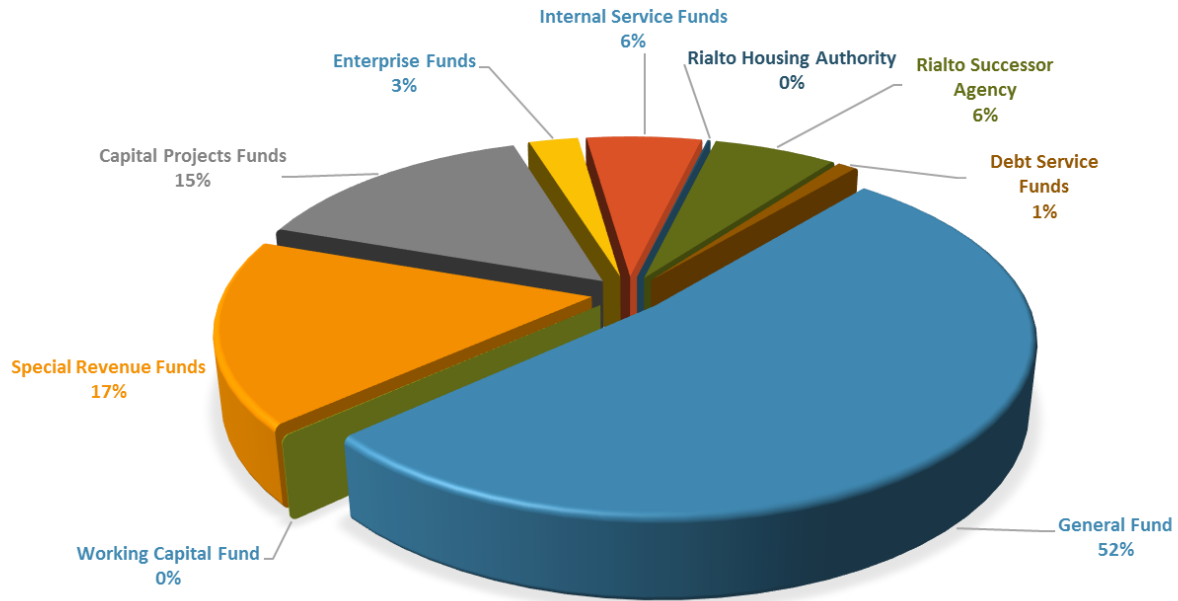
### Budget Year 2015-2016

#### REVENUE & EXPENDITURE SUMMARY - ALL FUNDS

	Adjusted BUDGET FY2015/2016	1st QTR FY2015/2016	Variance Over/(Under)	% Actual
<b>Total City Revenues by Fund</b>				
General Fund	67,731,785	6,248,782	(61,483,003)	9%
Working Capital Fund	42,000	3,765	(38,235)	9%
Special Revenue Funds	22,083,009	2,895,792	(19,187,217)	13%
Capital Projects Funds	19,234,117	-	(19,234,117)	0%
Enterprise Funds	3,304,684	287,375	(3,017,309)	9%
Internal Service Funds	7,701,864	300,741	(7,401,123)	4%
Rialto Housing Authority	147,900	24,183	(123,717)	16%
Rialto Successor Agency	8,207,068	55,741	(8,151,327)	1%
Debt Service Funds	1,263,940	-	(1,263,940)	0%
<b>Total</b>	<b>129,716,367</b>	<b>9,816,380</b>	<b>(119,899,987)</b>	<b>8%</b>
<b>Total City Expenditures by Fund</b>				
General Fund	74,010,190	11,607,046	(62,403,144)	16%
Working Capital Fund	-	-	-	0%
Special Revenue Funds	20,312,778	8,122,326	(12,190,452)	40%
Capital Projects Funds	20,334,596	1,141,144	(19,193,452)	6%
Enterprise Funds	3,353,303	560,008	(2,793,295)	17%
Internal Service Funds	7,641,628	2,234,975	(5,406,653)	29%
Rialto Housing Authority	1,362,472	2,216,572	854,100	163%
Rialto Successor Agency	13,100,975	7,774,957	(5,326,018)	59%
Debt Service Funds	1,450,210	856,378	(593,832)	59%
<b>Total</b>	<b>141,566,151</b>	<b>34,513,405</b>	<b>(107,052,746)</b>	<b>24%</b>
<b>Excess Revenues (Expenditures)</b>	<b>(11,849,784)</b>	<b>(24,697,026)</b>		

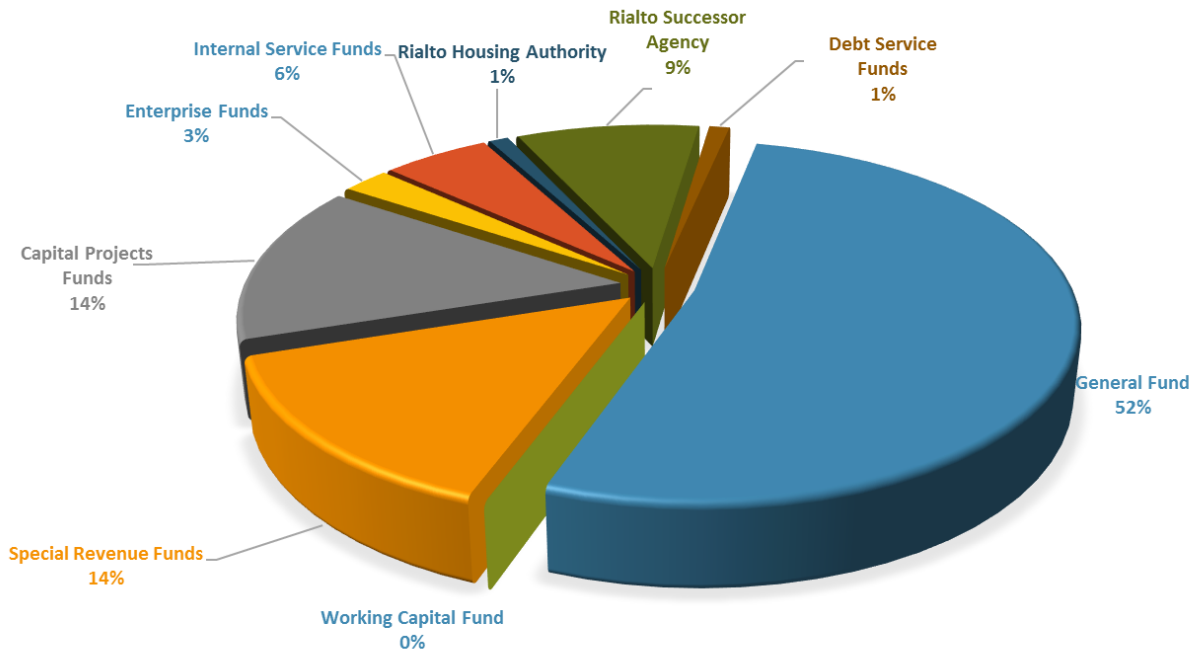
The General Fund budget comprises fifty-two percent of the Citywide Revenues and fifty-two percent of Citywide Expenditures. The following pages discuss the activities in the General Fund revenues and expenditures followed by a discussion of the activities in all other funds.

### FY2015-16 REVENUE BUDGET - ALL FUNDS




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### FY2015-16 EXPENDITURE BUDGET - ALL FUNDS



## General Fund Revenues

On June 9, 2015, Council adopted a general fund budget consisting of \$67.7M of revenues. The general fund revenue budget was increased a total of \$40K. The subsequent table outlines the changes in the FY2015-16 general fund revenue budget since adoption.

### **FY2015-16 GENERAL FUND REVENUE BUDGET**

FY2015-16 Original Adopted Budget		67,691,785.00
CC MTG 7-28-15 RESO 6787	Kaiser Grant	10,000.00
CC MTG 8-25-15 RESO 6803	RUSD SRO	30,000.00
<b>FY2015-16 Current Adopted Budget</b>		<b><u>67,731,785.00</u></b>

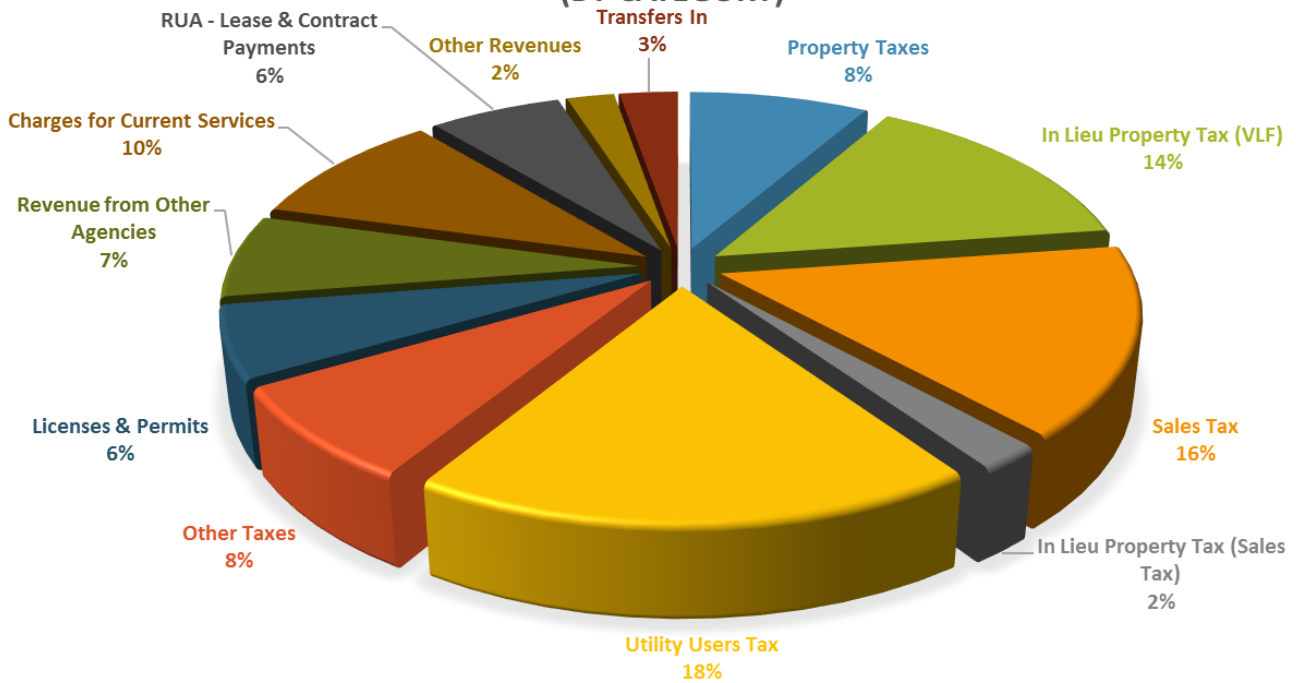
With twenty-five percent of the year complete actual revenues are at nine percent of budget, which remains in alignment with the prior fiscal year. A cursory analysis of the table below shows no receipts in several of the City's main revenue categories. This is due to the cyclical nature of these revenue streams. The majority of property taxes are received in December and April and the County waste rebate landfill charges are received within 90 days after the end of each quarter of the fiscal year. Variances and exceptions are discussed in further detail in the following paragraphs.

The Table below shows the General Fund revenues through the fourth quarter of FY2015-16:

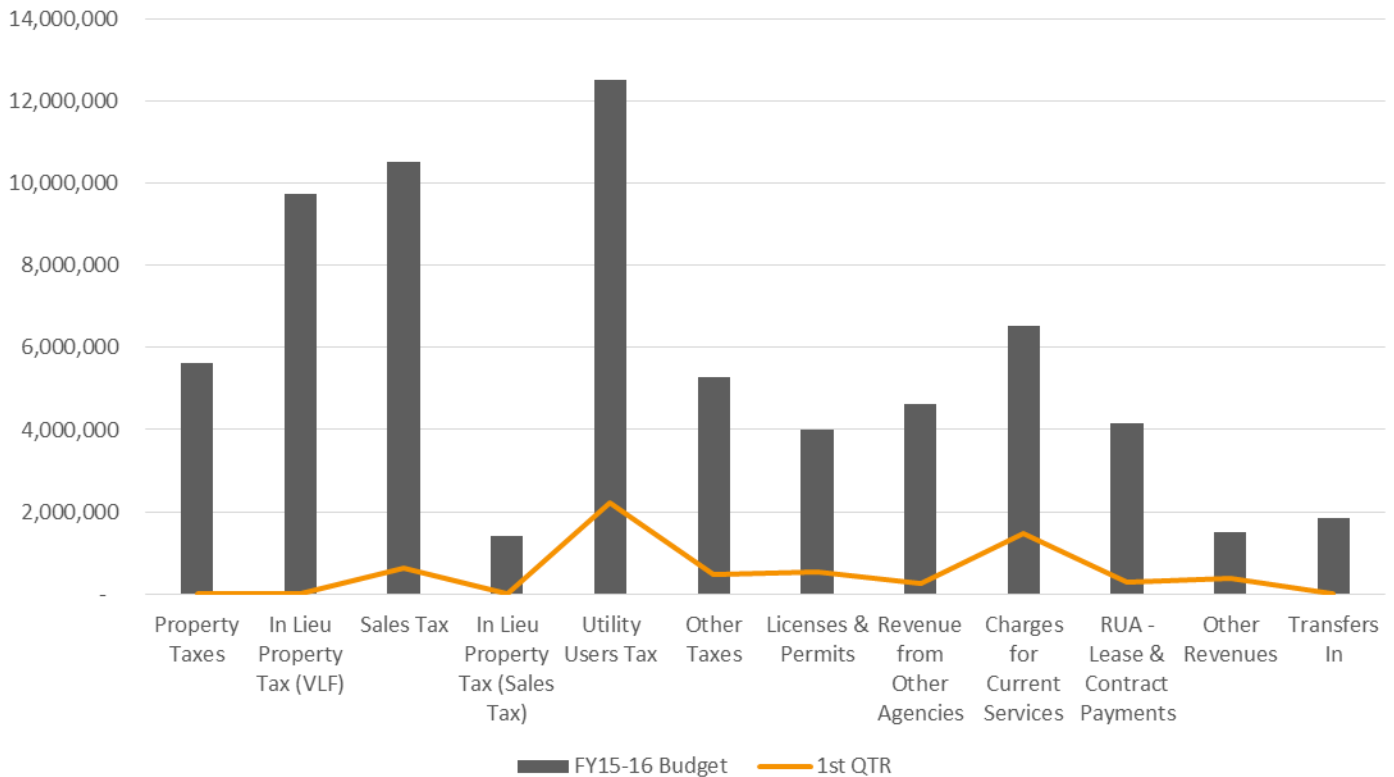
### **GENERAL FUND - REVENUE SUMMARY BY CATEGORY**

	<b>Adjusted BUDGET FY2015/2016</b>	<b>1st QTR PROJECTED FY2015/2016</b>	<b>Variance Over/(Under)</b>	<b>% Actual</b>
<b>Taxes</b>				
Property Taxes	5,630,000	-	(5,630,000)	0%
In Lieu Property Tax (VLF)	9,737,300	-	(9,737,300)	0%
Sales Tax	10,540,430	635,200	(9,905,230)	6%
In Lieu Property Tax (Sales Tax)	1,412,580	-	(1,412,580)	0%
Utility Users Tax	12,517,000	2,208,810	(10,308,190)	18%
Other Taxes	5,266,145	469,370	(4,796,775)	9%
<b>Taxes</b>	<b>45,103,455</b>	<b>3,313,380</b>	<b>(41,790,075)</b>	<b>7%</b>
Licenses & Permits	3,994,620	540,404	(3,454,216)	14%
Fines, Forfeits & Penalties	603,800	75,106	(528,694)	12%
Use of Money & Property	467,600	63,464	(404,136)	14%
Revenue from Other Agencies	4,627,510	244,280	(4,383,230)	5%
Charges for Current Services	6,532,350	1,471,225	(5,061,125)	23%
Restricted Revenues	-	8	8	0%
RUA - Lease & Contract Payments	4,140,670	291,883	(3,848,787)	7%
Other Revenues	424,550	249,033	(175,517)	59%
Transfers - Pers Property Tax	200	-	(200)	0%
Transfers In	1,837,030	-	(1,837,030)	0%
<b>Total General Fund Revenues</b>	<b>67,731,785</b>	<b>6,248,782</b>	<b>(19,692,927)</b>	<b>9%</b>

## FY2015-16 GENERAL FUND REVENUE BUDGET (BY CATEGORY)\*



## FY2015-16 GENERAL FUND REVENUE (BY CATEGORY) BUDGET-TO-ACTUAL\*



\*For the above charts Fines, Forfeitures & Penalties, Use of Money & Property, and Restricted Revenues are combined with Other Revenues and Transfers - Pers Property Tax and Transfers In are combined.

**Utility User Tax** – Through the end of the first quarter, current receipts reflect are in-line with last year, specifically due to the scheduled rate increases in water and wastewater offset by conservation efforts. The receipts are in line with current year projections.

**Sales Tax** – In FY2014-15 Sales Tax Revenues increased by \$55K over the prior year. This reflects an increase in development and the transition from Poma to Flyers including a relocation of the point of sale outside of the City of Rialto. Sales tax revenues remain in alignment with the budget, and a further detailed analysis will be completed through the midyear process.

**Franchise fees** – Non-departmental franchise revenues through the end of the first quarter are in alignment with revenues for the prior fiscal year.

**Business Licenses** – Staff mails business license renewal information to businesses each November for the upcoming year. Business licenses issued the previous year expire each December 31; and businesses have a grace period to renew up to January 31<sup>st</sup> after which they incur incremental penalties for non-renewal. Due to this cycle, revenues from business licenses are typically light during the first quarter, and pick up in the third and fourth quarters of each fiscal year.

**RUA Lease and Contract Payments** – Based on the Concession Agreement, the General Fund realizes these revenues in the second and fourth quarters of each fiscal year. Previously, the City had recognized these payments in the first and third quarters.

**Transfer revenues** - The major revenue that transfer into the General Fund for this fiscal year is the Gas Tax Transfers. The budgeted Gas Tax transfer is approximately \$1.03M to cover transportation-related activities. The transfer amount is dependent on funds available in the Gas Tax Fund.

Overall, actual General Fund revenues appear to be in line with budget at this time, showing a steady receipts compared to the first quarter of the last fiscal year. Staff will perform a more detailed analysis of all general fund revenues as part of the mid-year process in February.

## General Fund Expenditures

On June 9, 2015, Council adopted a general fund budget consisting of \$72.5M expenditures, including \$4.8M of reserves for capital projects. The general fund expenditure budget was increased a total of \$1.47M. Authorized FY2014-15 purchase orders totaling \$1.37M that were required to be carried forward increased FY2014-15 fund balance and increased the FY2015-16 expenditure budget. The following table outlines the changes in FY2015-16 general fund expenditure budget since adoption.

### **FY2015-16 GENERAL FUND EXPENSE BUDGET**

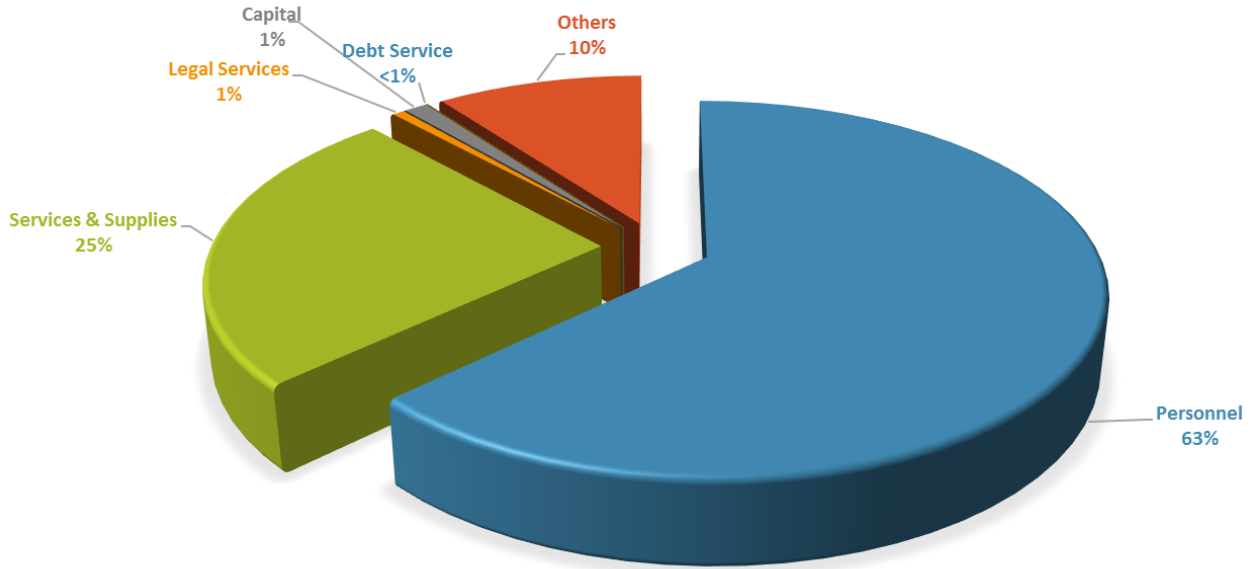
FY2015-16 Original Adopted Budget		72,532,245.00
	PO Roll-Forward	1,371,244.56
CC MTG 7-28-15 RESO 6787	Kaiser Grant	10,000.00
CC MTG 7-28-15 RESO 6790	Fire Station 201 Remodel	25,000.00
B003 7-31-15 TRSF BGT IT PT STAFF	780-500-2152-2022 to 010-500-2154-1*	16,700.00
CC MTG 8-25-15 RESO 6810	Double Barrel Environmental (Hazardous Waste)	55,000.00
<b>FY2015-16 Current Adopted Budget</b>		<b><u>74,010,189.56</u></b>

With twenty-five percent of the year complete, actual expenditures are at sixteen percent of budget. The Table below illustrates General Fund Expenditures by category and shows actual expenditures to date totaling \$11.6M for the first quarter. Included in the Others line item is a \$4.8M to be transferred to the City's Capital Project Fund. The table shows that operating expenditures are relatively in line with budget.

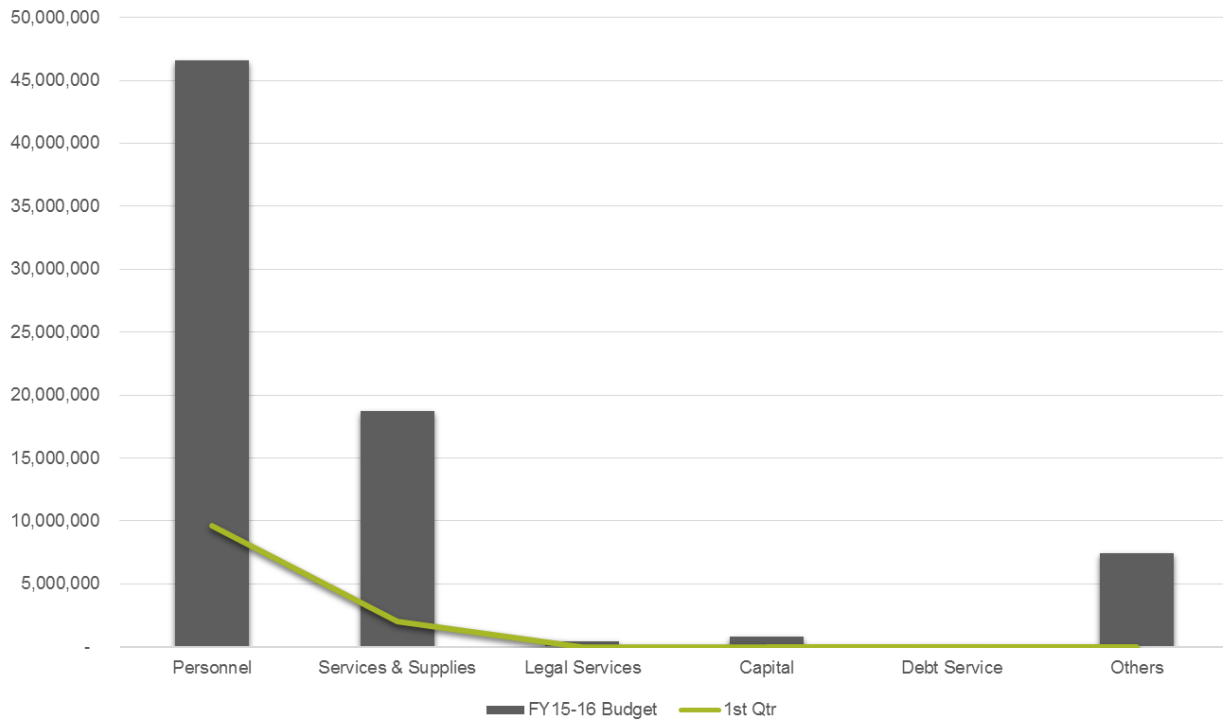
### **Expenditures by Category**

	<b>Adjusted BUDGET FY2015/2016</b>	<b>1st QTR PROJECTED FY2015/2016</b>	<b>Variance Over/(Under)</b>	<b>% Expended</b>
Personnel	46,575,225	9,595,663	(36,979,562)	21%
Services & Supplies	18,698,984	1,987,117	(16,711,867)	11%
Legal Services	421,351	12,091	(409,260)	3%
Capital	840,016	10,704	(829,311)	1%
Debt Service	5,000	1,471	(3,529)	29%
Others	7,469,614	-	(7,469,614)	0%
<b>Total General Fund Expenditures</b>	<b>74,010,190</b>	<b>11,607,046</b>	<b>(62,403,144)</b>	<b>16%</b>

### FY2015-16 GENERAL FUND EXPENDITURE BUDGET (BY CATEGORY)



### FY2015-16 GENERAL FUND EXPENDITURE (BY CATEGORY) BUDGET-TO-ACTUAL

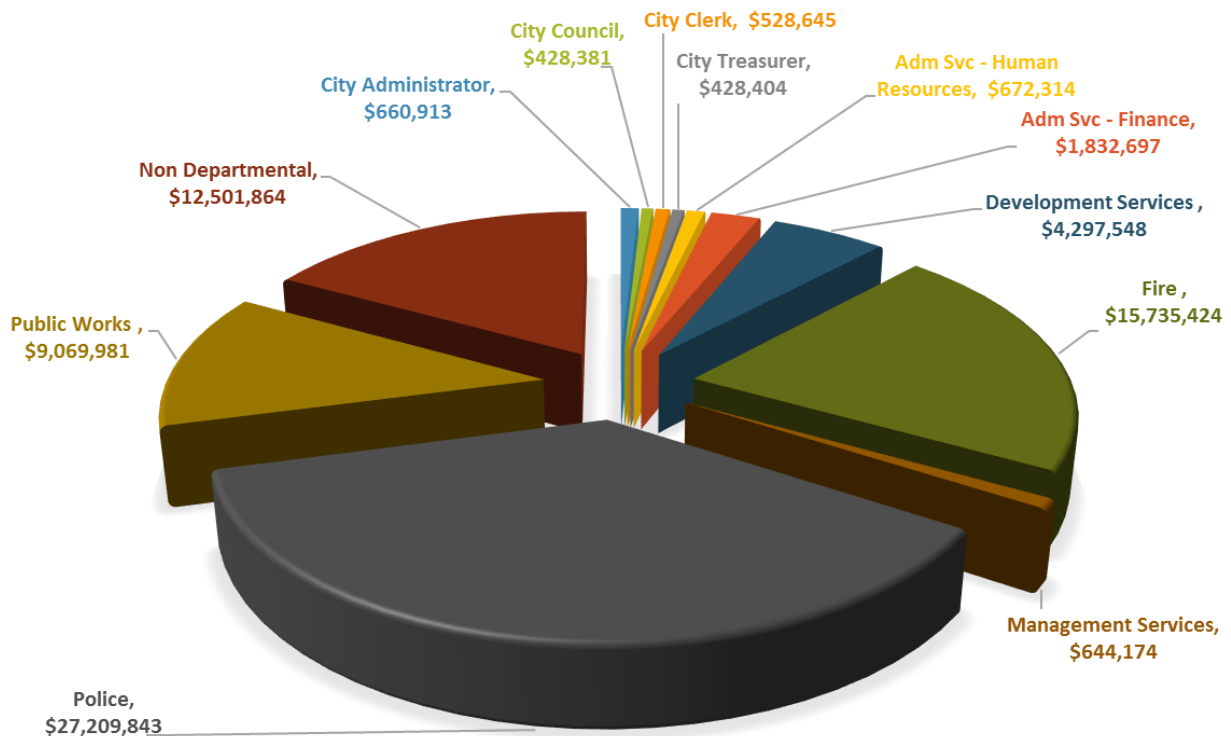


The table below examines General Fund expenditures by department, illustrating that most departmental expenditures are below budget in line with budget. Pending capital and contract expenditures and are causing expenditure spending to be under budget. The operating budgets of some departments are considerably under budget because of various reasons. Development Services expenditures are 13% of budget due to some contract services not yet being utilized. Public Works budget is at 12% of budget due to pending capital projects. Non-Departmental actual are also under budget, because transfers out to Internal Service Funds, Enterprise Funds and Capital Projects Funds have yet to be completed. These transfers will be reflected in the second quarter interim report.

### Expenditures by Department

Department	Adjusted BUDGET FY2015/2016	1st QTR PROJECTED FY2015/2016	Variance Over/(Under)	% Expended
City Administrator	660,913	134,927	(525,986)	20%
City Council	428,381	67,479	(360,902)	16%
City Clerk	528,645	116,436	(412,210)	22%
City Treasurer	428,404	79,699	(348,705)	19%
Adm Svc - Human Resources	672,314	126,249	(546,065)	19%
Adm Svc - Finance	1,832,697	355,267	(1,477,431)	19%
Development Services	4,297,548	553,946	(3,743,602)	13%
Fire	15,735,424	3,232,205	(12,503,219)	21%
Management Services	644,174	104,299	(539,875)	16%
Police	27,209,843	5,245,396	(21,964,446)	19%
Public Works	9,069,981	1,062,595	(8,007,386)	12%
Non Departmental	12,501,864	528,548	(11,973,316)	4%
<b>Total Expenditures</b>	<b>74,010,190</b>	<b>11,607,046</b>	<b>(62,403,144)</b>	<b>16%</b>

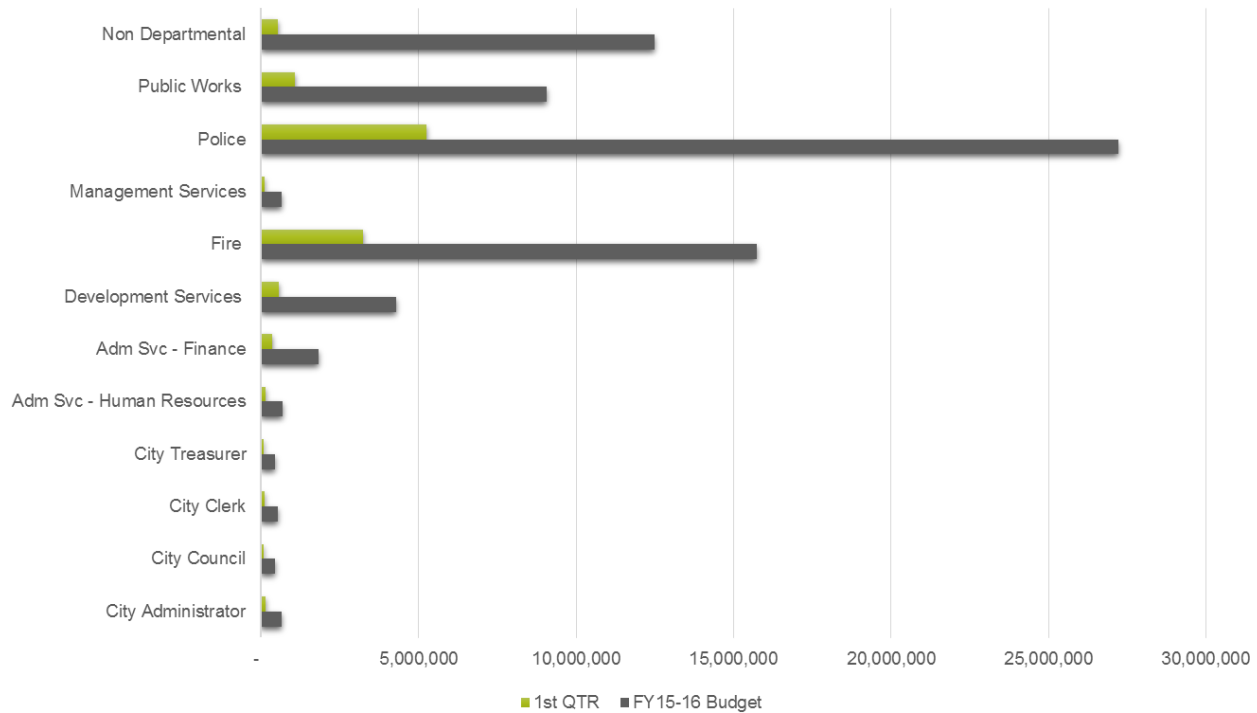
### GENERAL FUND - BUDGET BY DEPARTMENT





All departments have maintained their expenditures within budget. Some salary savings may be anticipated across the board due to vacant positions that remained unfilled until later during the year. Staff will provide further analysis with the mid-year report.

### FY2015-16 GENERAL FUND EXPENDITURE BUDGET-TO-ACTUAL (BY DEPARTMENT)



### General Fund Reserves

The City adopted a reserve policy which requires fifty percent of the budgeted General Fund expenditures to be reserved for contingencies. General Fund contingency reserves are used for cash flow to cover operational deficits throughout the year. The audited FY2013-14 General Fund reserve balance as of June 30, 2014 was \$55.4M. Factoring in the anticipated loss of (\$2.8M) and the

General Fund 010	30,711,615
Working Capital 030	24,660,754
<b>Total Audited Fund Balance at June 30, 2014</b>	<b>55,372,369</b>
FY2014-15 Anticipated Budget Surplus/(Loss)	(2,835,048)
FY2014-15 PO Rolls to Ending Fund Balance	1,371,245
Less Anticipated Carry Forward Budget to FY2015-16	(1,296,923)
<b>Projected Fund Balance at June 30, 2015</b>	<b>52,611,643</b>
FY2015-16 Projected Operational Revenues	67,691,785
FY2015-16 Projected Operational Expenditures	(67,691,785)
FY2015-16 Capital Outlay Reserve Use	(4,840,460)
FY2014-15 PO Rolls to FY2014-15	(1,371,245)
FY2015-16 Recorded Net Budget Adjustments as of Sept. 30, 2015	(66,700)
<b>Projected Fund Balance at June 30, 2016</b>	<b>46,333,239</b>
Less \$5M Non-Operational Contingency Reserve	(5,000,000)
Less Advances to Other Funds	(1,400,000)
Less Prepaid Expenses	(114,171)
Less Inventory	(58,394)
<b>Non-Spendable Fund Balance</b>	<b>(6,572,565)</b>
<b>Available Balance Before Policy Restriction June 30, 2016</b>	<b>39,760,673</b>
Available Fund Balance	39,760,673
Less 50% Reserve Policy Restriction	(33,879,243)
<b>Available Balance Over/(Under) Policy Restriction June 30, 2016</b>	<b>5,881,431</b>

\$1.37M of encumbered purchase orders that rolled to FY2015-16, while factoring out a (\$1.3M) anticipated budget carry-forward, the FY14-15 reserve is projected to be \$52.6M. On June 9, 2015, City Council adopted a balanced budget consisting of revenues and expenditures totaling \$67.7M plus \$4.8M for capital outlay expenditures. After factoring out both the (\$1.37M) of FY2014-15 purchase orders that rolled to FY2015-16 and the net (\$66.7K) of FY2015-16 budget adjustments approved through September 30, 2015, the projected fund balance at June 30, 2016 is \$46.3M. The table to the left illustrates that the projected FY2015-16 available General Fund reserve of \$39.7M is adequate to satisfy the fifty percent, or \$33.8M, reserve policy restriction projecting forward to FY2015-16. Accounting for the \$5M contingency reserve for future capital projects, the projected spendable balance for FY2015-16 is \$39.7M, which results in a reserve balance of \$5.8M in excess of the policy restriction.

## City Wide All Other Funds

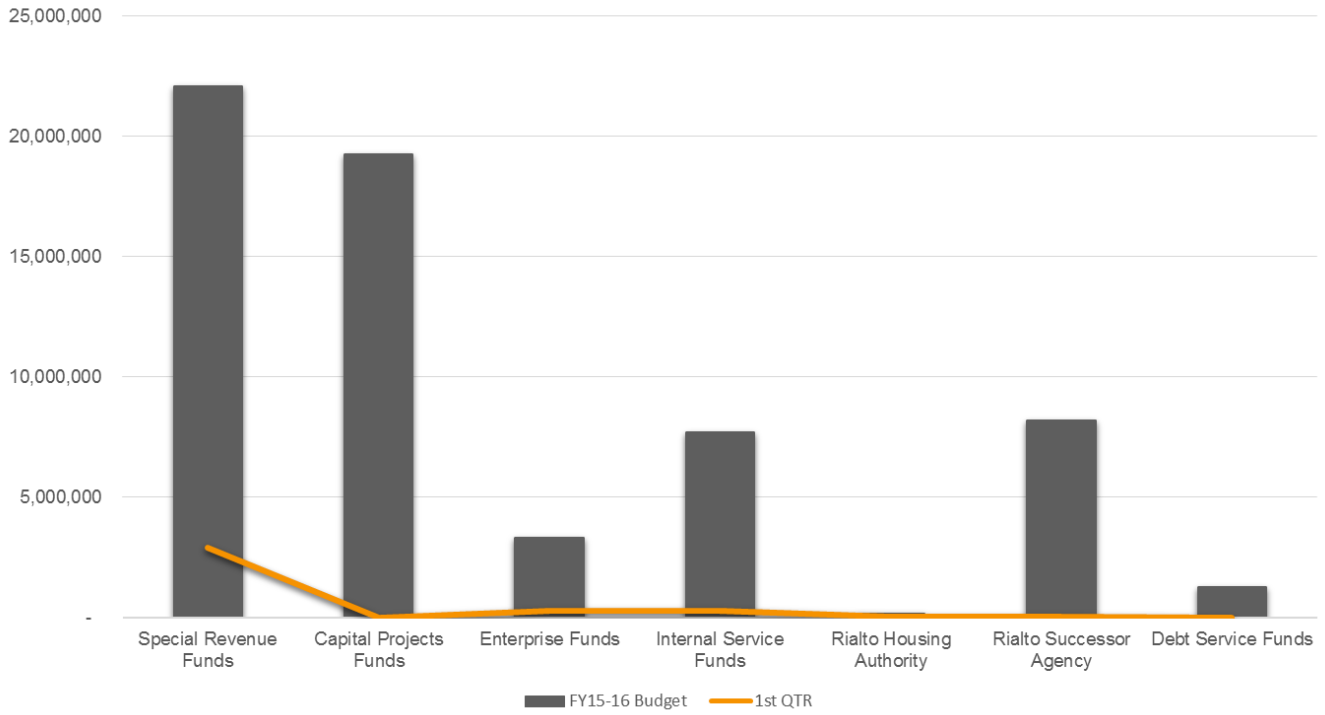
The remaining City funds are composed of Special Revenue Funds, Capital Projects Funds, Enterprise Funds, Internal Service Funds and Debt Service Funds. The following section discusses the activities relating to these funds. As shown in the table below, the Special Revenue, Capital Projects and Rialto Successor Agency fund categories comprise eighty percent of the budget, with the discussion focusing on those funds.

### City of Rialto Budget Year 2015-2016

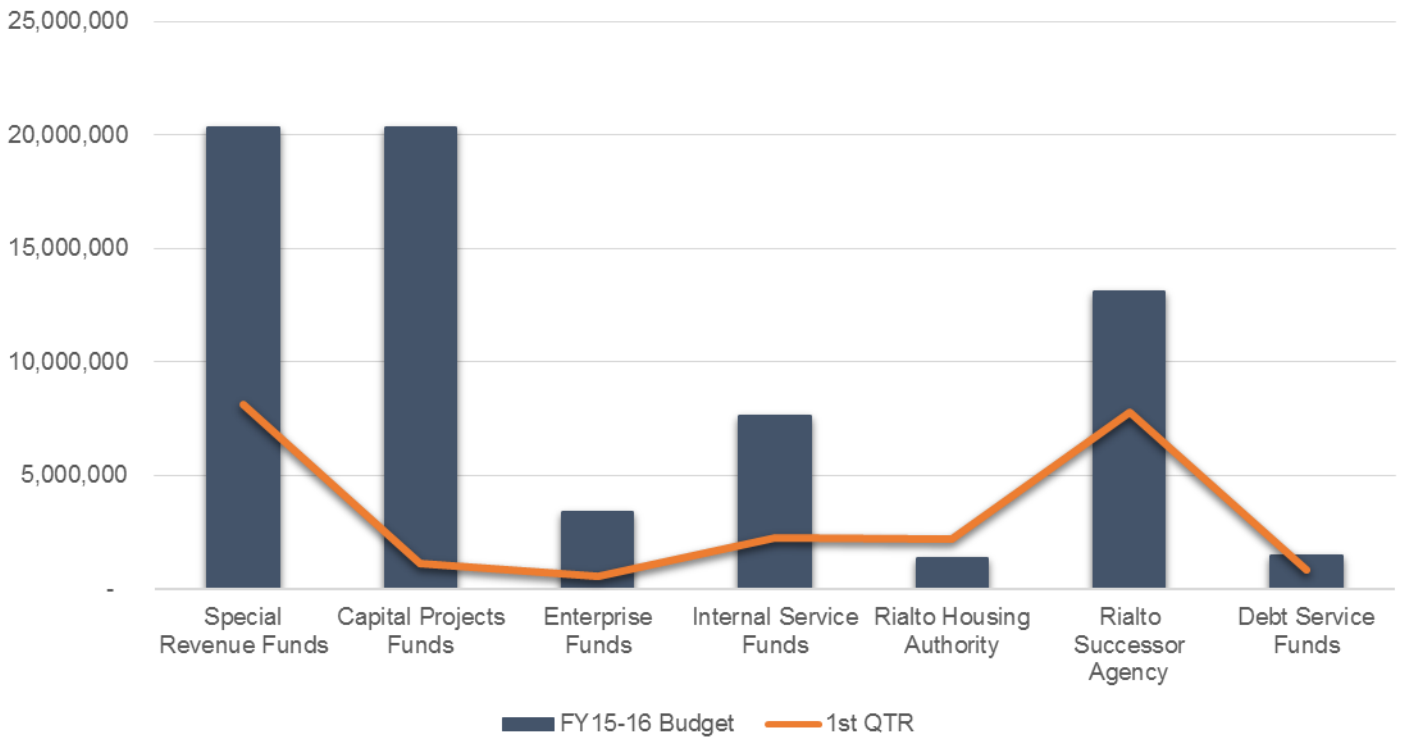
#### REVENUE & EXPENDITURE SUMMARY - ALL OTHER FUNDS

	Current BUDGET FY2015/2016	1st QTR PROJECTED FY2015/2016	Variance Over/Under	% Actual
<b>Total City Revenues by Fund</b>				
Special Revenue Funds	22,083,009	2,895,792	(19,187,217)	13%
Capital Projects Funds	19,234,117	-	(19,234,117)	0%
Enterprise Funds	3,304,684	287,375	(3,017,309)	9%
Internal Service Funds	7,701,864	300,741	(7,401,123)	4%
Rialto Housing Authority	147,900	24,183	(123,717)	16%
Rialto Successor Agency	8,207,068	55,741	(8,151,327)	1%
Debt Service Funds	1,263,940	-	(1,263,940)	0%
<b>Total</b>	<b>61,942,582</b>	<b>3,563,833</b>	<b>(58,378,749)</b>	<b>6%</b>
<b>Total City Expenditures by Fund</b>				
Special Revenue Funds	20,312,778	8,122,326	(12,190,452)	40%
Capital Projects Funds	20,334,596	1,141,144	(19,193,452)	6%
Enterprise Funds	3,353,303	560,008	(2,793,295)	17%
Internal Service Funds	7,641,628	2,234,975	(5,406,653)	29%
Rialto Housing Authority	1,362,472	2,216,572	854,100	163%
Rialto Successor Agency	13,100,975	7,774,957	(5,326,018)	59%
Debt Service Funds	1,450,210	856,378	(593,832)	59%
<b>Total</b>	<b>67,555,962</b>	<b>22,906,359</b>	<b>(44,649,602)</b>	<b>34%</b>
<b>Excess Revenues (Expenditures)</b>	<b>(5,613,380)</b>	<b>(19,342,527)</b>		

### FY 2015-16 ALL OTHER FUNDS BUDGET-TO-ACTUAL REVENUES



### FY 2015-16 ALL OTHER FUNDS BUDGET-TO-ACTUAL EXPENDITURES



**Special Revenue Funds** - The funds in this grouping are restricted funds to be used for specific purposes. This funding category includes: Transportation-related funds such as Measure I and Gas Tax Funds; Development Impact Fees; Waste Management activities, Landscape & Lighting Special Districts, Police Asset Forfeitures and grant-related funds.

Development Impact Revenues of approximately \$1.5M were collected through the first quarter. Additional receipts for the quarter derive from Measure I, Gas Tax, Waste Management and grant revenue. Staff anticipates other revenues (such as tax assessments for the landscape and lighting districts) to be received during the last half of the fiscal year.

Special Revenue Fund expenditure budget is \$20.3M, of which capital budget is \$13M (64% of the budget). Actual capital expenditures through the first quarter are \$6.1M. The majority of capital project funding is derived from Measure I, Gas Tax, Development Impact fees and Community Development Block Grant (CDBG). Capital budget will be expended under their approved project schedules.

**Capital Projects Funds** – Are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of major capital facilities and other capital assets. This group includes the Airport Revitalization, the General Fund fund balance reserves expenditures along with Fair Share Fee improvements.

**Enterprise Funds** – Enterprise funds are municipal services for which fees are charged in exchange for goods or services, such as Airport, Cemetary, Recreation & Community Services and Utility Services. As previously mentioned, the RUA activities have been excluded from this interim report, and will be reported in a separate report to Council.

**Internal Service Funds** – Internal service funds are established to account for any activities that provide goods or services to other funds or departments on a cost-reimbursement or allocation basis. Revenues are at 4% of budget and represent direct cost recoveries in expenditures for fleet services, building maintenance, information technology services (ITS), workers' compensation and general liability.

**Rialto Housing Authority** - On November 4, 2003 the City Council established the Rialto Housing Authority ("Authority") in accordance with California Health and Safety Code Section 34200-34606. The Authority enables the City to engage in affordable housing projects that includes new development or acquisition and rehabilitation of residential units. As of February 1, 2012, due to the dissolution of the Redevelopment Agency, the Authority assumed the Former Redevelopment Agency housing assets. The revenues collected this quarter are related to Former Redevelopment low and moderate income loan activities. At this point the expenditures are personnel related for administration of the Authority and debt related for the repayment of one of two HELP loans.

**Rialto Successor Agency** – The funds in this grouping account for the dissolution of the Former Redevelopment Agency. The budgeted and actual items are a result of approval of the Recognized Obligation Payment Schedule by the Oversight Board and the Department of Finance. Actual expenditures consist primarily of debt payments from the Successor Agency.

**Debt Service Funds** – Includes the Sewer Community Facility District (CFD) 87-1, CFD 2006-1 and 2007 Refunding Certificates of Participation debt. Expenditures are typically made in August/September and again in February/March, based on the debt service amortization schedule. Funding for the debt service derives from tax assessments in the CFDs and also allocations to various funds that benefited from the debt relating to the 2007 Refunding Certificates of Participation.

## **Capital Project Highlight**

### **Bud Bender Park Improvement**

On September 10, 2013 the City Council approved the preliminary site plan for an estimated \$2.5M of Bud Bender Park Improvements. The City staff has secured \$2M for the construction funding through the HUD Section 108 Loan Guarantee Program. On July 14, 2015 the City Council awarded a Construction Contract to Moalej Builders Inc. Construction started in September.

### **Rails to Trails**

The cities of Claremont, Montclair, Upland, Rancho Cucamonga, Fontana, Rialto, and the San Bernardino Associated Governments (SANBAG) joined together to develop a 21-mile multi-use trail that linked the various cities along the Pacific Electric Railway line, creating recreation and alternative transportation opportunities for cyclists, pedestrians, runners, and equestrians. This Rails to Trails Project will improve the aesthetics of the abandoned Pacific Electric right-of-way, improving the quality of life for local residents and increasing property values in the surrounding neighborhood. The project will also promote healthy activities for Rialto residents of all ages and for surrounding communities by providing a recreational opportunity for cyclists, pedestrians and runners. The project was completed in May of Fiscal Year 2015 and the notice of completion was taken to City Council October 13, 2015.



### **Cedar Avenue Storm Drain Improvements**



The project will improve drainage facilities at the Metrolink Railroad Crossing on Cedar Avenue. The volume of drainage conveyed at the crossing has increased significantly as a result of new development. The flooding during rainstorms from the deficient drainage has impacted the nearby Commercial Businesses. On February 10, 2015, City Council Awarded a Construction Contract to Downing Construction in the amount of \$667,291. The Construction Contract was awarded by Council on May 28, 2015. Construction started in August and anticipated completion in November.

### **Rialto Airport Demolition**

On September 18, 2014 the Rialto Municipal Airport formally closed for aircraft operations. The City under its obligation to the Contract of Sale Agreement with Lewis-Hillwood Rialto, LLC, for the redevelopment of the abandoned airport, is responsible for the demolition and remediation efforts of the airport. The demolition and remediation includes dismantling and relocating hangar structures, removal of airport markings, removal of underground storage tanks and demolishing remaining flatwork at the Airport. Several contracts were awarded for the demolition efforts in early 2015 and the Phase One Notice of Completion was



presented to council on October 27, 2015.