

SPECIAL MEETING AGENDA

Pursuant to Section 54954.2 of the Government Code of the State of California, a Special meeting of the **Measure E Residents' Oversight Committee** is hereby called for:

Date/Time: Wednesday, August 3, 2016; 5:30 p.m.
(or as soon thereafter as possible)

Location: City Hall Conference Room 109
333 Civic Center Plaza, Tracy, CA 95376

Government Code Section 54954.3 states that every public meeting shall provide an opportunity for the public to address the Measure E Residents' Oversight Committee on any item, before or during consideration of the item, however no action shall be taken on any item not on the agenda.

1. Call to Order
2. Roll Call
3. Items from the Audience – *In accordance with Procedures for Preparation, Posting, and Distribution of Agendas and the Conduct of Public Meetings, adopted by Resolution 2015-052, any item not on the agenda brought up by the public at a meeting, shall be automatically referred to staff. If staff is not able to resolve the matter satisfactorily, the member of the public may request a Measure E Residents' Oversight Committee Member to sponsor the item for discussion at a future meeting*
4. Approve Minutes: January 20, 2016
5. Update on Committee Membership
6. Conduct Election of New Officer
7. Discussion and Action Plan for preparing the Measure E Annual Report for FY 14/15
8. Director's review of the FY 14/15 Sales Tax revenues (Local Sales Tax and S&U Tax) and Forecasts
9. Report on Measure E Sales Tax Data
10. Report on Audited Financial Statements for FY 14/15
11. Auditor's certified letter
12. Confirm Next Meeting Date
13. Items from the Audience
14. Adjournment

Posting Date: August 2, 2016

The City of Tracy complies with the Americans and Disabilities Act and makes all reasonable accommodations for the disabled to participate in public meetings. Persons requiring assistance or auxiliary aids in order to participate should call City Hall (209-831-6000), at least 24 hours prior to the meeting. Any materials distributed to the majority of the Measure E Residents' Oversight Committee regarding any item on this agenda will be made available for public inspection in the Finance Department located at 333 Civic Center Plaza, Tracy, CA during normal business hours.

SPECIAL MEETING MINUTES
MEASURE E RESIDENTS' OVERSIGHT COMMITTEE

January 20, 2016 5:30 p.m.

City Hall Conference Room 109, 333 Civic Center Plaza

City Website: <http://www.ci.tracy.ca.us>

1. CALL TO ORDER: Michel Bazinet called the meeting to order at 5:30 p.m.

2. ROLL CALL:
Present: Kevin Tobeck, Michel Bazinet, Bryan Thompson, Larry Fragoso
Eleassia Davis
Staff Present: Anne Bell, Mgt. Analyst II, Rachelle McQuiston, Administrative
Services Director, Laura Borjon, Executive Assistant; Administrative
Services Dept., Finance Division
Citizens Present: None

Recorded by: Laura Borjon

Those in attendance were provided with agenda packet.

3. ITEMS FROM THE AUDIENCE
None.

4. APPROVAL OF MINUTES FROM June 29, 2015:
Motion to approve Minutes: Larry Fragoso
Second motion: Eleassia Davis
All in favor: John Ferguson, Michel Bazinet, Kevin Tobeck, Larry Fragoso, Eleassia
Davis

5. INTRODUCE NEW MEMBER AND NEW STAFF: All members and staff introduced
themselves and welcomed new member, Bryan Thompson and new staff; Laura Borjon
and Rachelle McQuiston.

6. BRIEF NEW MEMBER ON COMMITTEE PURPOSE: Staff briefly described how the
Measure E Resident's Oversight Committee was created and its purpose. Staff
referenced bylaws regarding committee member absences.

7. REVIEW MEMBERSHIP TERM: Anne Bell asked if the committee members would
agree to extend their terms to August 2017. All members were amenable to the
extension. Staff to follow up with the City Clerk's Office and contact the committee
members when direction is received.

8. CONDUCT ELECTION OF NEW CHAIRPERSON ND VICE-CHAIRPERSON:
Motion to appoint Michele Bazinet as Chairperson: Kevin Tobeck.
Second: Larry Fragoso
All in favor: Kevin Tobeck, Bryan Thompson, Michele Bazinet, Larry Fragoso, Eleassia
Davis

Motion to appoint Kevin Tobeck as Vice-Chairperson: Larry Fragoso

Second: Michele Bazinet

All in favor: Kevin Tobeck, Bryan Thompson, Michele Bazinet, Larry Fragoso, Eleassia Davis

9. PROVIDE STATUS OF CITY'S COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): Rachele stated the auditors will conduct the audit within the next few weeks and anticipates the CAFR will go to Council in March. Staff will distribute a copy as soon as possible after completion. Chairman Bazinet asked why there has been a delay in completing the report. Staff indicated the delay was caused by recent turnover in director position and implementation of new financial software.
10. PROVIDE UPDATE ON MEASURE E SALES TAX REVENUE AND FORECAST: Staff reviewed Sales Tax Review report prepared by MuniServices. Vice-chairman Tobeck asked how retailers are informed about sales tax rate changes. Staff will research and inform committee members via email.
11. CONFIRM NEXT MEETING DATE: Next meeting will be held on Monday, April 18, 2016
12. ADJOURNMENT
Motion to adjourn: Kevin Tobeck
Second: Larry Fragoso
All in favor: Kevin Tobeck, Bryan Thompson, Michel Bazinet, Larry Fragoso, Eleassia Davis

The above agenda was posted at the Tracy City Hall in accordance with *In accordance with Procedures for Preparation, Posting, and Distribution of Agendas and the Conduct of Public Meetings, adopted by Resolution 2015-052. These are the summary and action minutes.*

Attest:

Martha Garcia, Staff Liaison

Laura Borjon

From: Anne Bell
Sent: Wednesday, July 13, 2016 8:06 AM
To: Laura Borjon
Subject: FW: Resignation from Measure E Oversight Committee

From: Kevin Tobeck [<mailto:ktobeck@gmail.com>]
Sent: Tuesday, July 12, 2016 11:15 PM
To: Adrienne Richardson
Subject: Resignation from Measure E Oversight Committee

Hello Adrienne,

I am submitting this email to formally notify the City that I am resigning from my position on the Measure E Oversight Committee. It has been a pleasure serving on the Committee and I appreciate the opportunity it provided me to participate in City government.

Thank you.

Kevin Tobeck



CITY OF TRACY MEASURE E

SALES, USE AND TRANSACTIONS TAX RECEIPTS

ADJUSTED FOR
ECONOMIC DATA

Effective from 4/1/2011 to 3/31/2016, Rate 0.5%

Major Industry Groups	2Q 2014			3Q 2014			4Q 2014			1Q 2015		
	Sales / Use Tax	Transactions Tax	Ratio									
Autos And Transportation	832,702	325,068	39.0%	819,633	341,745	41.7%	745,049	348,011	46.7%	804,696	366,980	45.6%
Building And Construction	241,411	143,877	59.6%	260,188	126,560	48.6%	243,887	114,830	47.1%	244,518	138,897	56.8%
Business And Industry	640,933	419,948	65.5%	646,961	412,235	63.7%	716,250	365,458	51.0%	574,115	259,394	45.2%
Food And Drugs	178,904	88,591	49.5%	172,466	84,882	49.2%	196,658	96,526	49.1%	173,613	86,078	49.6%
Fuel And Service Stations	530,996	315,247	59.4%	504,576	319,918	63.4%	403,392	247,854	61.4%	359,961	216,431	60.1%
General Consumer Goods	763,381	428,156	56.1%	763,784	477,289	62.5%	1,016,504	749,815	73.8%	735,747	506,578	68.9%
Restaurants And Hotels	326,299	165,356	50.7%	328,148	166,088	50.6%	337,180	168,782	50.1%	347,955	175,912	50.6%
Transfers & Unidentified	0	88	0.0%	0	52	0.0%	1,246	1,150	92.3%	0	1,003	0.0%
Total All Businesses	3,514,626	1,886,331	53.7%	3,495,755	1,928,768	55.2%	3,660,166	2,092,427	57.2%	3,240,606	1,751,274	54.0%
State and County Pools	484,850	0		500,902	0		606,474	0		540,849	0	
Gross Receipts	3,999,476	1,886,331	47.2%	3,996,657	1,928,768	48.3%	4,266,640	2,092,427	49.0%	3,781,454	1,751,274	46.3%
SBOE Admin	-40,428	-17,690		-40,098	-17,690		-39,448	-17,690		-50,746	-26,660	
Total	3,959,048	1,868,641	47.2%	3,956,559	1,911,078	48.3%	4,227,192	2,074,737	49.1%	3,730,708	1,724,614	46.2%

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CITY OF TRACY MEASURE E

SALES, USE AND TRANSACTIONS TAX RECEIPTS

ADJUSTED FOR
ECONOMIC DATA

Effective from 4/1/2011 to 3/31/2016, Rate 0.5%

Major Industry Groups	2Q 2015			3Q 2015			4Q 2015			1Q 2016		
	Sales / Use Tax	Transactions Tax	Ratio									
Autos And Transportation	840,859	373,874	44.5%	926,942	387,401	41.8%	835,794	349,878	41.9%	862,050	368,704	42.8%
Building And Construction	303,586	231,069	76.1%	357,398	200,173	56.0%	333,825	181,494	54.4%	295,348	157,688	53.4%
Business And Industry	655,894	321,687	49.0%	691,525	310,549	44.9%	737,013	473,338	64.2%	699,895	308,257	44.0%
Food And Drugs	185,471	90,736	48.9%	219,327	89,294	40.7%	203,624	100,532	49.4%	177,882	87,319	49.1%
Fuel And Service Stations	456,161	281,938	61.8%	429,904	256,401	59.6%	352,694	216,228	61.3%	307,529	190,354	61.9%
General Consumer Goods	773,916	551,481	71.3%	788,392	963,464	122.2%	1,037,824	456,625	44.0%	758,989	573,595	75.6%
Restaurants And Hotels	361,364	182,409	50.5%	357,118	180,923	50.7%	366,005	186,983	51.1%	376,346	195,485	51.9%
Transfers & Unidentified	0	404	0.0%	0	7	0.0%	0	1,847	0.0%	0	5	0.0%
Total All Businesses	3,577,251	2,033,598	56.8%	3,770,605	2,388,213	63.3%	3,866,778	1,966,924	50.9%	3,478,039	1,881,407	54.1%
State and County Pools	563,351	0		560,365	0		738,128	0		565,240	0	
Gross Receipts	4,140,602	2,033,598	49.1%	4,330,970	2,388,213	55.1%	4,604,906	1,966,924	42.7%	4,043,279	1,881,407	46.5%
SBOE Admin	-41,387	-24,270		-43,781	-24,270		-45,072	-24,270		-69,011	-28,870	
Total	4,099,214	2,009,328	49.0%	4,287,188	2,363,943	55.1%	4,559,834	1,942,654	42.6%	3,974,269	1,852,537	46.6%

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CITY OF TRACY MEASURE E

SALES TAX ALLOCATION CASH RECONCILIATION

	Payment Month	Fiscal Year 2014-15	Fiscal Year 2015-16
1st Advance	June	\$ 506,800.00	\$ 524,600.00
2nd Advance	July	508,700.00	524,600.00
3rd Advance	August	675,700.00	699,400.00
Clean Up	September	191,441.68	246,480.58
2nd Quarter Allocation		<u>1,882,641.68</u>	<u>1,995,080.58</u>
1st Advance	September	490,400.00	545,900.00
2nd Advance	October	490,400.00	545,900.00
3rd Advance	November	653,900.00	727,900.00
Clean Up	December	292,280.76	149,029.41
3rd Quarter Allocation		<u>1,926,980.76</u>	<u>1,968,729.41</u>
1st Advance	December	515,600.00	586,500.00
2nd Advance	January	515,600.00	586,500.00
3rd Advance	February	687,400.00	782,000.00
Clean Up	March	336,364.49	419,814.81
4th Quarter Allocation		<u>2,054,964.49</u>	<u>2,374,814.81</u>
1st Advance	March	464,700.00	476,300.00
2nd Advance	April	464,700.00	476,300.00
3rd Advance	May	619,600.00	635,000.00
Clean Up	June	154,291.99	247,822.61
1st Quarter Allocation		<u>1,703,291.99</u>	<u>1,835,422.61</u>
1st Advance	June	524,600.00	-
2nd Advance	July	524,600.00	-
3rd Advance	August	699,400.00	-
Clean Up	September	246,480.58	-
2nd Quarter Allocation		<u>1,995,080.58</u>	<u>-</u>
Fiscal Year Reconciliation			
60 Day Accrual Period		<u>\$ 7,625,278.92</u>	<u>\$ 6,425,447.41</u>
90 Day Accrual Period		<u>\$ 7,680,317.82</u>	<u>\$ 6,178,966.83</u>



CITY OF TRACY MEASURE E

TRANSACTIONS & USE TAX ALLOCATION SUMMARY

Seven Major Industry Groups	Fiscal Yr 2012-13	FY 2013-14 Sales Quarters				Fiscal Yr 2013-14	Dollar Change	Percent Change	FY 2014-15 Sales Quarters				Fiscal Yr 2014-15	YTD % Change
	Totals	2Q	3Q	4Q	1Q	Totals	Prior Yr	Prior Yr	2Q	3Q	4Q	1Q	Totals	Prior Yr
District Tax														
Autos And Transportation	0	341,745	306,697	316,676	310,874	1,275,992	1,275,992	- N/A -	344,362	341,837	329,177	387,230	1,402,606	10%
Building And Construction	0	132,916	176,072	91,780	114,937	515,706	515,706	- N/A -	136,711	129,656	112,406	142,422	521,194	1%
Business And Industry	0	350,838	307,589	338,837	353,957	1,351,221	1,351,221	- N/A -	409,797	424,758	363,291	179,279	1,377,124	2%
Food And Drugs	0	87,645	86,821	109,831	78,697	362,994	362,994	- N/A -	90,288	86,598	96,256	84,976	358,118	-1%
Fuel And Service Stations	0	299,291	309,250	281,777	276,668	1,166,985	1,166,985	- N/A -	314,081	317,048	248,930	247,597	1,127,656	-3%
General Consumer Goods	0	434,313	414,429	547,069	394,795	1,790,606	1,790,606	- N/A -	434,075	477,338	753,397	510,182	2,174,992	21%
Restaurants And Hotels	0	151,087	147,416	156,579	153,747	608,829	608,829	- N/A -	170,656	166,158	167,763	176,357	680,935	12%
Transfers & Unidentified	0	556	842	244	531	2,174	2,174	- N/A -	362	1,277	1,436	1,909	4,984	129%
Total District Tax	0	1,798,392	1,749,115	1,842,793	1,684,206	7,074,507	7,074,507	- N/A -	1,900,332	1,944,671	2,072,654	1,729,952	7,647,609	8%
Less: Cost of Administration	(80,770)	(24,690)	(24,690)	(24,690)	(16,930)	(91,000)	(10,230)	-13%	(17,690)	(17,690)	(17,690)	(26,660)	(79,730)	12%
Grand Total	(80,770)	1,773,702	1,724,425	1,818,103	1,667,276	6,983,507	7,064,277	8,746%	1,882,642	1,926,981	2,054,964	1,703,292	7,567,879	8%
Budget														
Accrual Basis (60-day)	283,030					7,194,407			(Includes estimates for the July & August advances)				7,625,379	
Accrual Basis (90-day)	160,025					7,092,446								

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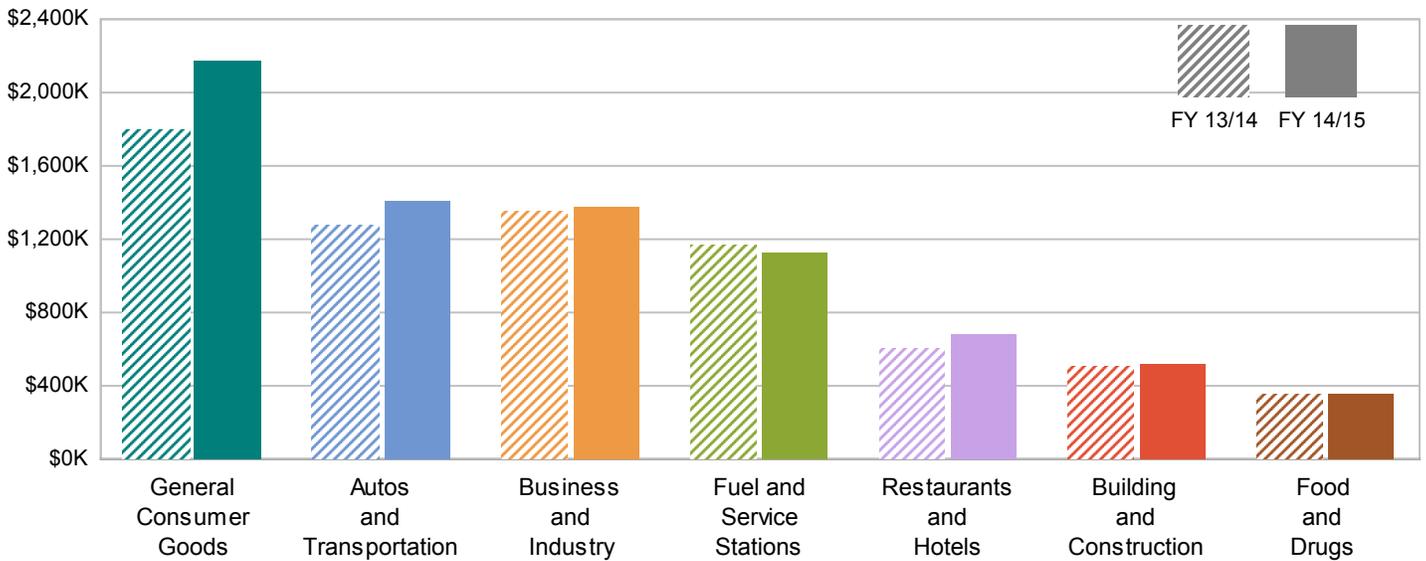


CITY OF TRACY MEASURE E

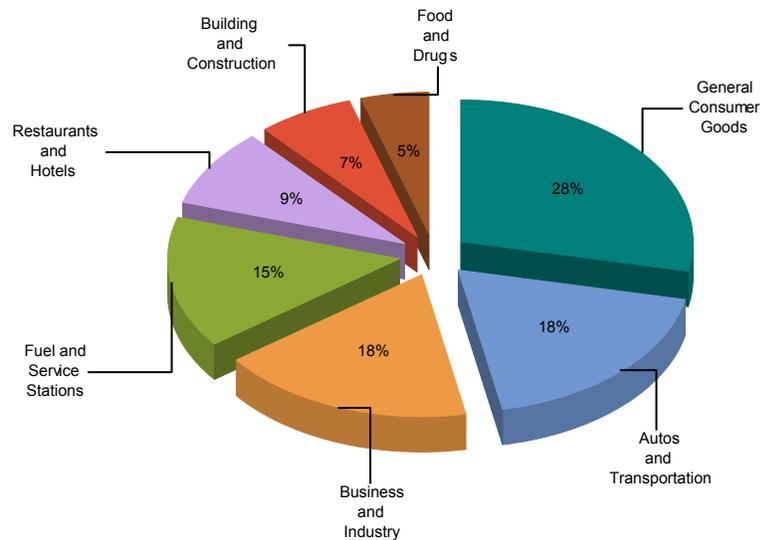
MAJOR INDUSTRY GROUPS

<u>Major Industry Group</u>	<u>Count</u>	<u>FY 14/15</u>	<u>FY 13/14</u>	<u>\$ Change</u>	<u>% Change</u>
General Consumer Goods	1,371	2,174,992	1,790,606	384,386	21.5%
Autos and Transportation	789	1,402,606	1,275,992	126,614	9.9%
Business and Industry	3,019	1,377,124	1,351,221	25,903	1.9%
Fuel and Service Stations	95	1,127,656	1,166,985	(39,329)	-3.4%
Restaurants and Hotels	183	680,935	608,829	72,106	11.8%
Building and Construction	508	521,194	515,706	5,489	1.1%
Food and Drugs	85	358,118	362,994	(4,876)	-1.3%
Transfers & Unidentified	25	4,984	2,174	2,810	129.3%
Total	6,075	7,647,609	7,074,507	573,102	8.1%

FY 13/14 Compared To FY 14/15



FY 14/15 Percent of Total



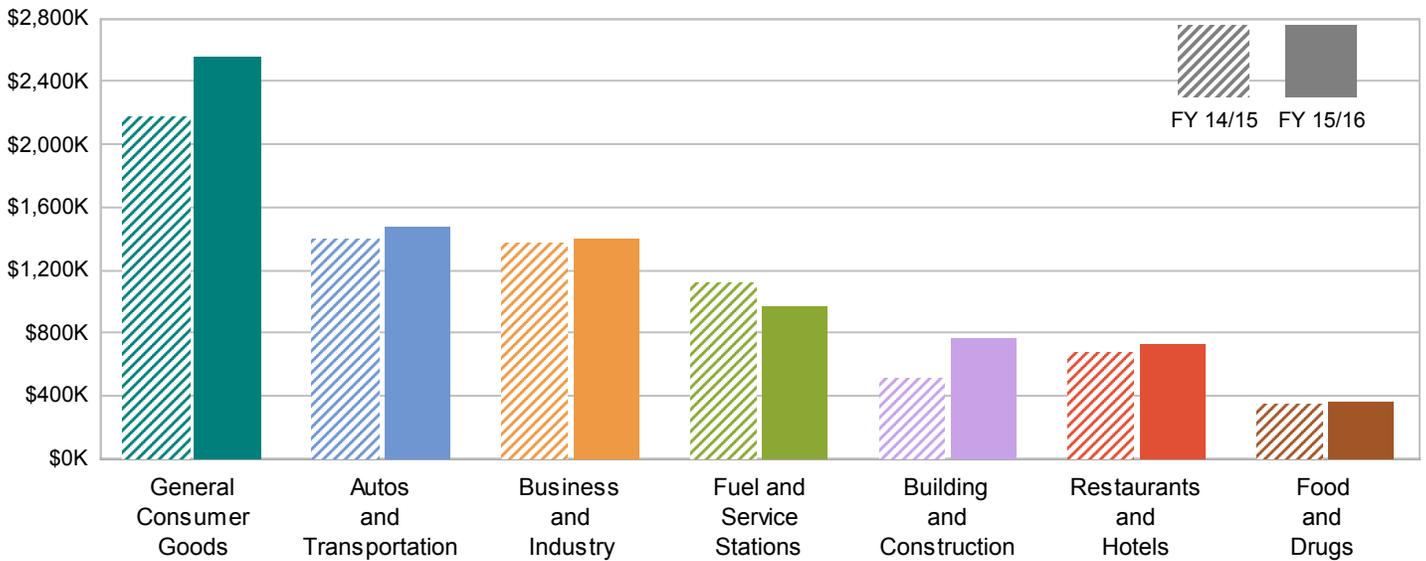


CITY OF TRACY MEASURE E

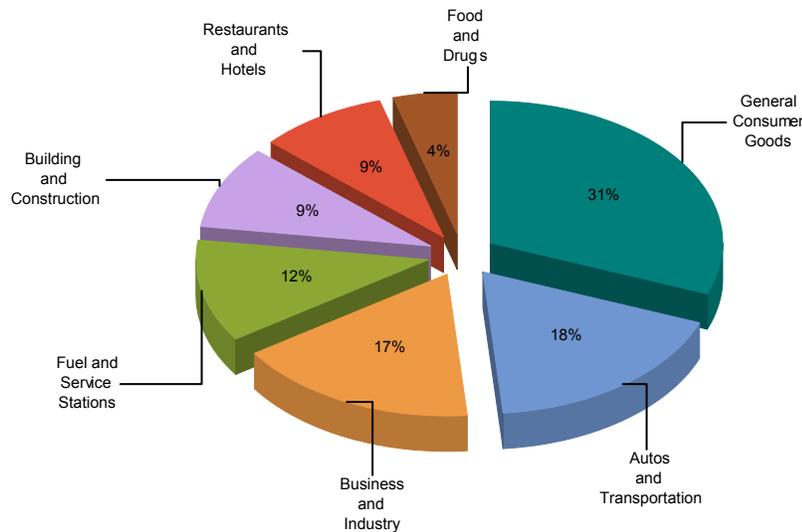
MAJOR INDUSTRY GROUPS

<u>Major Industry Group</u>	<u>Count</u>	<u>FY 15/16</u>	<u>FY 14/15</u>	<u>\$ Change</u>	<u>% Change</u>
General Consumer Goods	1,371	2,552,883	2,174,992	377,890	17.4%
Autos and Transportation	789	1,475,238	1,402,606	72,632	5.2%
Business and Industry	3,019	1,405,380	1,377,124	28,256	2.1%
Fuel and Service Stations	95	973,143	1,127,656	(154,513)	-13.7%
Building and Construction	508	772,424	521,194	251,229	48.2%
Restaurants and Hotels	183	739,912	680,935	58,978	8.7%
Food and Drugs	85	368,145	358,118	10,027	2.8%
Transfers & Unidentified	25	(11,396)	4,984	(16,380)	-328.7%
Total	6,075	8,275,727	7,647,609	628,118	8.2%

FY 14/15 Compared To FY 15/16



FY 15/16 Percent of Total



May 9, 2016

AGENDA ITEM 4

REQUEST**ACCEPTANCE OF THE CITY OF TRACY'S COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR THE FISCAL YEAR ENDING JUNE 30, 2015**EXECUTIVE SUMMARY

The attached FY 2014/15 Comprehensive Annual Financial Report (CAFR) represents the City's financial, operational and current economic condition for the fiscal year ending June 30, 2015. The City's financial statements for the year ending June 30, 2015 have been audited by Maze and Associates, the City's independent auditing firm and have been incorporated in the CAFR document.

DISCUSSION

The City of Tracy Fiscal Year 2014/15 Comprehensive Annual Financial Report (CAFR) was prepared by the Finance Division of the Administrative Services Department and examined by Maze and Associates, the City's external auditing firm.

The CAFR received an unmodified opinion from Maze and Associates. An unmodified opinion indicates that the financial data of the City is fairly presented in accordance with accounting principles generally accepted in the United States of America. New auditing standards require that any "significant deficiency" or "material weakness" discovered in the audit will be communicated in writing to management. Any deficiencies or weaknesses will be disseminated in a separate report on internal control. This report will be provided to Council when completed.

Maze and Associates conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Audit Standards, issued by the Comptroller General of the United States. These standards require that they plan and perform the audits to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

The City implemented new accounting standards relating to reporting of pension liabilities in FY14-15: GASB 68 & 71, which establish standards for measuring and recognizing pension liabilities and expenditures. These new standards were designed to improve and provide transparency to the accounting and financial reporting for state and local government defined benefit pension plans and to bring governmental employer accounting and reporting standards closer in line with private sector requirements. The City implemented GASB Statement No. 68 and GASB Statement No. 71 this fiscal year. In prior years, information on the pension liabilities was disclosed in the note disclosure and required supplementary information sections of the CAFR. With the implementation of GASB 68, the net pension liability is reported on the face of the Statement of Net Position, effectively reducing the City's overall net position.

Agenda Item 4

May 9, 2016

Page 2

Delayed CAFR

The City is required to present audited financial statements on an annual basis. These audited financial statements are included in, and are an integral part of the CAFR document. The Government Finance Officers association (GFOA) recommends that a CAFR be prepared and presented by December 31st; however, this date is a recommendation and the GFOA understands that extenuating circumstances can delay a CAFR.

This year, due to a number of different circumstances, the City's CAFR was significantly delayed. This delay is due to a number of reasons, some expected and some not. First, the City implemented the finance/accounting portion of its new ERP system on July 1, 2015. As the department geared up for the go-line date, resources that would normally be preparing to close the fiscal year's books were involved with the go-line process. This was both expected and unavoidable.

Second, the City changed auditors after 11 years with our prior auditors. This change in auditors drastically increased the work required by both City staff and the audit firm. The first year of a new audit requires the auditors become familiar with our unique operations and also to build their "permanent files" which document the City's extensive agreements, loans, advances, bonds, etc. This part of the process is labor intensive as it often requires research deep into the archives of City Hall.

New auditors also delve deep into internal controls to ascertain the level of sampling necessary. The City had a few outstanding internal control findings from prior audits that had not been fully addressed. This necessitated broadening the scope of the audit and applying expanded procedures to obtain audit evidence in order to form the basis of an opinion. In addition to the auditor required expanded procedures, the City also requested expanded procedures in certain areas to insure the integrity of the financial information. For example, at the City's request, the auditors performed extensive testing of cash receipts in the new financial system to ensure the integrity of the system conversion.

With these lessons learned in mind, Finance Division staff is taking a proactive approach to the next audit cycle by identifying issues early and addressing these issues in a timely manner. Through the expanded procedures performed, the auditors identified weaknesses in internal controls that are all being addressed. However, the audit did not uncover any evidence of fraud or of material error

City Net Position

One of the key elements of the City's financial statements is Net Position. The Statement of Net Position is a City-wide look at all funds, including capital assets and long-term debt funds, rolled into one statement. Similar in some ways to a private sector balance sheet, this "view" of all city funds reports how much City assets exceed liabilities and also accounts for pension liabilities.

The June 30, 2015 CAFR reports that the City's entity-wide assets exceeded its liabilities by \$160.9 million. \$902.9 million or 89% of the City's net position is invested in capital assets and infrastructure, including land, buildings, roads, machinery, and equipment to provide services to the community. However, not all of these assets are available for

spending; approximately \$152.7 million of the city's net position represents resources that are subject to external restrictions on how they may be used. The unrestricted net position in the City of \$19.6 million or 0.2% may be used to meet its ongoing obligations to residents and creditors.

As discussed briefly above, the City implemented GASB 68 during FY14-15. The inclusion of the City's pension liability decreased the City's net position by \$56.5 million. Overall, net position decreased by \$33.4M; however, without the inclusion of the pension liability for the first time, the net position would have increased by \$23M. An increasing net position is a very positive sign.

General Fund Budgetary Highlights

For FY 2014-15, the City adopted a balanced General Fund budget that included a budget savings of \$1.9 million before transfers. The final budget was amended at mid-year to reflect updated projections for intergovernmental revenue, charges for services, and other changes to revenues and expenditures. The amended budget reflects excess revenues over expenditures in the amount of \$1 million before transfers and debt service and (\$11) million after transfers.

At mid-year, the City Council approved \$2 million in additional appropriations for operating expenditures and \$8.7 million for capital projects, including Legacy Fields (\$5M), police communications equipment (\$2.5M), and the PG&E LED streetlamp program (\$1.2M). An additional \$1 million in revenue was also recognized.

As part of the CAFR, a year-end financial analysis of all City funds is completed, including the General Fund. Actual revenues were more than estimated by \$1.4 million. Actual expenditures reported a favorable variance; expenses were lower than projected by \$5.9 million. This variance can primarily be attributable to salary savings in public safety and contracted services savings in development and engineering. Savings in development and engineering are primarily the result of projects moving slower than expected. This results in delays in utilizing outside services. Savings such as these result in a delay in the expenditure from one year to another but not a true savings. Lower energy and fuel costs also contributed to city-wide savings.

The net excess of revenues over expenditures for the fiscal year ending June 30, 2015 was \$8.2 million before debt service and other transfers. After transfers for debt service of \$1.2 million and \$10.3 million for capital projects, actual General Fund expenditures exceeded revenues by \$3.2 million resulting in a General Fund deficit. A deficit was included in both the Adopted Budget (\$.9M) and the Amended Budget (\$10.6M); however the final deficit was better than expected.

The table on the next page summarizes the change in General Fund revenues and expenses from the FY 2014/15 adopted, amended, and actual budgets.

General Fund	FY 2014/15 Adopted Budget	FY 2014/15 Amended Budget	FY 2014/15 Actual
Total Revenues	\$ 59,429,670	\$ 60,453,747	\$ 61,853,831
Total Operating Expenditures	57,501,720	59,503,060	53,625,922
Debt Service, Transfers, use of Reserves	2,818,000	11,518,000	11,518,000
Net Change in Fund Balance	(\$ 890,050)	(\$ 10,567,313)	(\$ 3,290,091)

Revenues. Key sources of higher revenues for FY 14-15 included sales tax (including Measure E), property tax and charges for services. Despite increasing revenue projections at mid-year, sales tax revenue continued to exceed projections.

As with prior years, investment income was below budget due to an unusually low interest rate environment. Fines and Penalties were also substantially lower and collection activity is returning to pre-recession levels.

Expenditures. Actual expenditures were lower than budget by \$7.3 million. A majority of the savings came from Public Safety and Development and engineering. Savings in Public Safety were related to salary and benefit savings and lower fuel costs. Development and Engineering savings were mostly related to savings in contracted services with some salary savings. Savings in contracted services tend to appear when there are delays in starting projects that use significant outside services.

General Fund Reserves

As reflected in the CAFR, total actual General Fund reserves as of June 30, 2015 are approximately \$37.7 million. Of that amount, approximately \$29.9 million was designated as unassigned, which according to the Governmental Accounting Standards Board (GASB), is the least constrained category of fund balance. The remaining \$7.8 million is reserved or restricted by law for other uses. Of the \$29.9 million in unassigned reserves, approximately \$24.4 million is allocated to three Stabilization Reserves adopted by the City Council in October 2014. The Stabilization Reserves include \$11.6 million in the Contingency/Emergency Reserve, \$5.8 million in the Budget Stabilization Reserve and \$7.0 million in the Measure E Mitigation Reserve. The remaining \$5.5 million in unassigned reserves is not allocated to any other reserve category, and is considered unallocated fund balance.

The General Fund Reserve policy as of June 30, 2015 requires the City to maintain a minimum of 20% of General Fund operating expenditures. The unassigned fund balance of \$29.9 million represents 56% of total General Fund expenditures for FY 2014/15.

As discussed above, in October 2014, the City Council adopted a new General Fund Reserve Policy in accordance with the Government Finance Officers Association (GFOA) recommendations for reserves to mitigate unanticipated situations including natural disasters and severe unforeseen events. This established three new General

Agenda Item 4
May 9, 2016
Page 5

Fund special reserves: Contingency Reserve, Economic/Budget Stability Reserve, and Measure "E" Mitigation Reserve. Under this new policy, reserves and uses of reserves will be evaluated during the budget adoption process.

The City has applied for and received the GFOA Certificate of Achievement for Excellence in Financial Reporting for the last 27 years. The FY 14-15 CAFR has been submitted to the GFOA for consideration of this Certificate.

Finally, a more detailed discussion of the City's financial position can be found in the Management Discussion and Analysis section of the CAFR.

STRATEGIC PLAN

This agenda item addresses Goal 2 of the Governance Strategy to ensure continued fiscal sustainability through financial and budgetary stewardship and meets Objective 3, which is to enhance fiscal transparency.

FISCAL IMPACT

No Fiscal Impact

RECOMMENDATION

It is recommended the City Council accept the June 30, 2015 Comprehensive Annual Financial Report as audited by Maze and Associates.

Prepared by: Robert Harmon, Senior Accountant

Reviewed by: V. Rachelle McQuiston, Administrative Services Director
Stephanie Garrabrant-Sierra, Assistant City Manager

Approved by: Troy Brown, City Manager

ATTACHMENTS

Attachment A – Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015 (Oversized: Available at the City Clerk's Office in City Hall and on the City of Tracy Website at:

[http://www.ci.tracy.ca.us/documents/Comprehensive Annual Financial Report Year Ended June 30 2015.pdf](http://www.ci.tracy.ca.us/documents/Comprehensive%20Annual%20Financial%20Report%20Year%20Ended%20June%2030%202015.pdf))

RESOLUTION _____

ACCEPTANCE OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2015

WHEREAS, The financial statements of the City of Tracy for the fiscal year ended June 30, 2015, have been prepared by the City's Administrative Services Department; and

WHEREAS, The annual financial statements were examined by the independent public accounting firm of Maze and Associates; and

WHEREAS, The City prepared the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015 and the auditor's opinion is included therein; and

WHEREAS, It is the opinion of the auditors that the financial statements present fairly the financial position of the City as of June 30, 2015, and that the statements were prepared in accordance with accounting principles generally accepted in the United States of America.

NOW, THEREFORE, BE IT RESOLVED, That the City Council does hereby accept the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015.

* * * * *

The foregoing Resolution _____ was passed and adopted by the Tracy City Council on the 9th day of May, 2016 by the following vote:

- AYES: COUNCIL MEMBERS:
- NOES: COUNCIL MEMBERS:
- ABSENT: COUNCIL MEMBERS:
- ABSTAIN: COUNCIL MEMBERS:

Mayor

ATTEST:

City Clerk

CITY OF TRACY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General	Housing Successor	TEA Grant	South County Fire Authority
REVENUES				
Taxes	\$44,083,078			
Licenses, permits and fees	4,388,047			
Fines and penalties	195,891			
Use of money and property	637,267	\$124,534	\$3	(\$1,662)
Intergovernmental	1,866,269	51,671	5,034,255	6,640,195
Charges for current services	8,913,153			251,529
Special assessments	379,936			
Contributions				
Other revenue	1,390,190			
Total Revenues	61,853,831	176,205	5,034,258	6,890,062
EXPENDITURES				
Current:				
General government				
Economic development	383,332			
General government	3,655,711			
Finance	2,243,029			
Non-departmental	757,445			173,060
Public safety				
Police	21,996,611			
Fire	9,716,446			6,316,769
Public ways and facilities/transportation				
Development and engineering	7,621,782			
Public works	3,937,723			
Culture and leisure				
Cultural arts	1,409,819			
Parks and community services	1,609,547			
Capital outlay	241,745		4,226,970	296,352
Debt service:				
Principal	52,732			
Interest and fiscal charges				
Total Expenditures	53,625,922		4,226,970	6,786,181
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	8,227,909	176,205	807,288	103,881
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt (Note 7)				
Proceeds from sale of property				
Transfers in (Note 4)				
Transfers (Note 4)	(11,518,000)		(167,841)	
Total Other Financing Sources (Uses)	(11,518,000)		(167,841)	
NET CHANGE IN FUND BALANCES	(3,290,091)	176,205	639,447	103,881
FUND BALANCES, JULY 1, 2014, as restated (Note 9E)	40,943,524	3,003,779	(1,248,388)	1,048,246
FUND BALANCES, JUNE 30, 2015	<u>\$37,653,433</u>	<u>\$3,179,984</u>	<u>(\$608,941)</u>	<u>\$1,152,127</u>

See accompanying notes to basic financial statements

MEASURE E RESIDENTS' OVERSIGHT COMMITTEE SPECIAL MEETING AGENDA ITEM 10

2008 Lease Revenue Bonds	General Projects	Tracy Infrastructure Master Plans	Other Governmental Funds	Total Governmental Funds
			\$2,831,967	\$46,915,045
			317,842	4,705,889
			776,244	972,135
\$4,274	\$5	\$3,860	508,506	1,276,787
400,000			2,242,715	16,235,105
			296	9,164,978
	18,481	19,755,653	9,745,092	29,899,162
	500	305,000	3,138,118	3,443,618
	19,700		140	1,410,030
<u>404,274</u>	<u>38,686</u>	<u>20,064,513</u>	<u>19,560,920</u>	<u>114,022,749</u>
			234,486	617,818
			94,119	3,749,830
				2,243,029
			205,860	1,136,365
			15,844	22,012,455
				16,033,215
			170,756	7,792,538
			5,155,406	9,093,129
				1,409,819
				1,609,547
	7,757,254		8,059,935	20,582,256
170,000			105,000	327,732
1,154,763			179,080	1,333,843
<u>1,324,763</u>	<u>7,757,254</u>		<u>14,220,486</u>	<u>87,941,576</u>
<u>(920,489)</u>	<u>(7,718,568)</u>	<u>20,064,513</u>	<u>5,340,434</u>	<u>26,081,173</u>
	247,841			247,841
924,900	10,314,000		420,253	420,253
	(37,610)		484,551	11,723,451
			(22,000)	(11,745,451)
<u>924,900</u>	<u>10,524,231</u>		<u>882,804</u>	<u>646,094</u>
4,411	2,805,663	20,064,513	6,223,238	26,727,267
655,245	12,335,544		80,005,438	136,743,388
<u>\$659,656</u>	<u>\$15,141,207</u>	<u>\$20,064,513</u>	<u>\$86,228,676</u>	<u>\$163,470,655</u>

CITY OF TRACY
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 14 – COMMITMENTS AND CONTINGENCIES (Continued)

D. Measure E Sales Tax Revenues

The City receives tax proceeds from the Measure E one-half cent sales tax approved by Tracy voters in November 2010, commencing for a five year period beginning April 1, 2011. The amount of Measure E tax proceeds received and recorded during the fiscal year ending June 30, 2015 was \$7,625,279. Measure E is a general tax of the City and the revenues were deposited in the City's General Fund. Expenditures for a variety of City functions were made from the City's General Fund utilizing the Measure E and other revenue of the City.

E. Revenue Limitations Imposed by California Proposition 218

Proposition 218, which was approved by the voters in November 1996, will regulate the City's ability to impose, increase, and extend taxes, assessments, and fees. Any new, increased, or extended taxes, assessments, and fees subject to the provisions of Proposition 218, require voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes, assessments, and fees are subject to the voter initiative process and may be rescinded in the future years by the voters.

NOTE 15 – SOUTH COUNTY FIRE AUTHORITY JOINT POWERS AGREEMENT

The South County Fire Authority was created in September 1999 by a Joint Exercise of Powers Agreement (Agreement) between the City and the Tracy Rural Fire Protection District to provide fire administration, fire prevention and fire training and safety within the jurisdictional area of the Authority. Under the provisions of the Agreement, as amended, the City and District split the annual costs of maintenance and operations for Fire Protection Services, Fire Dispatch Services, Fire Prevention Services, certain expenses of the City defined in the Agreement, and insurance premiums paid by the City to insure itself against liability arising out of the Agreement for the provision of Fire Services. The cost split between the City and District is dependent upon the staffing levels at each of the three City stations and three District stations, except Station 92. Under the provisions of the Agreement, the District is to pay 100% of the Station 92 maintenance and operations funding for 7 years and 10 months from the date of issuance of the Certificate of Occupancy of the relocated Station 92, or July 1, 2015, whichever occurs later. The Certificate of Occupancy was issued in May 2014.

The District was obligated to reimburse the City for the District's share of services that were paid by the City prior to June 30, 2008, including accrued interest, in the amount of \$5,872,177. The Agreement was amended in January 2013 to formalize the terms for the repayment of that shortfall. In consideration for the District contributing 100% of the Station 92 operation and maintenance costs over the seven year and ten month period (94 months), including supplemental services costs, the City deems the shortfall obligation satisfied. However, in the event the District defaults on contributing 100% of the costs of Station 92 over that time period, the City is entitled to liquidate damages from the District under the terms of the Agreement, including interest at the LAIF rate since June 30, 2008. The District's obligation to reimburse the City is to survive termination of the Agreement. Therefore, the City will amortize the receivable over 94 months beginning July 1, 2015. The balance due from the District has been recorded as a loan receivable as discussed in Note 5H.