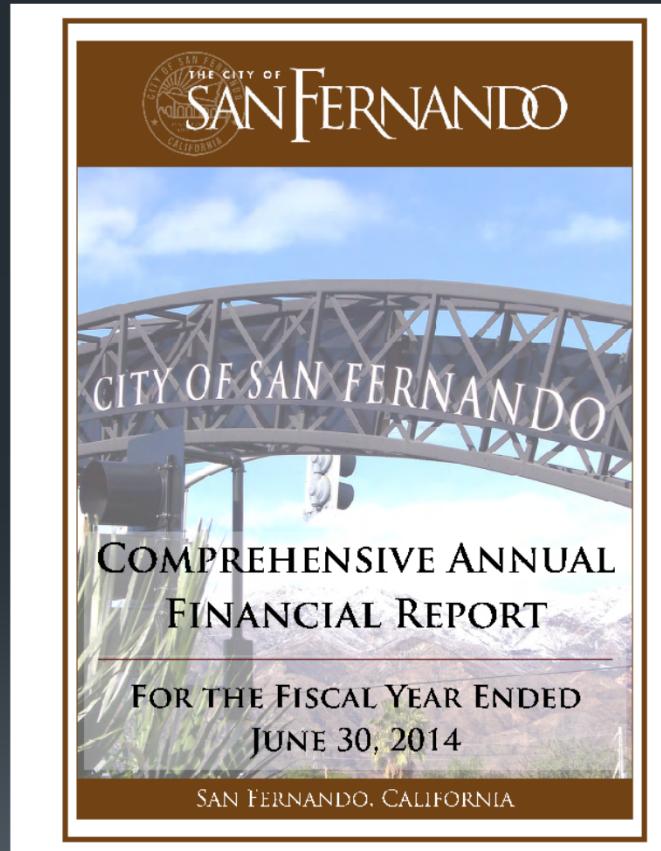


# Comprehensive Annual Financial Report

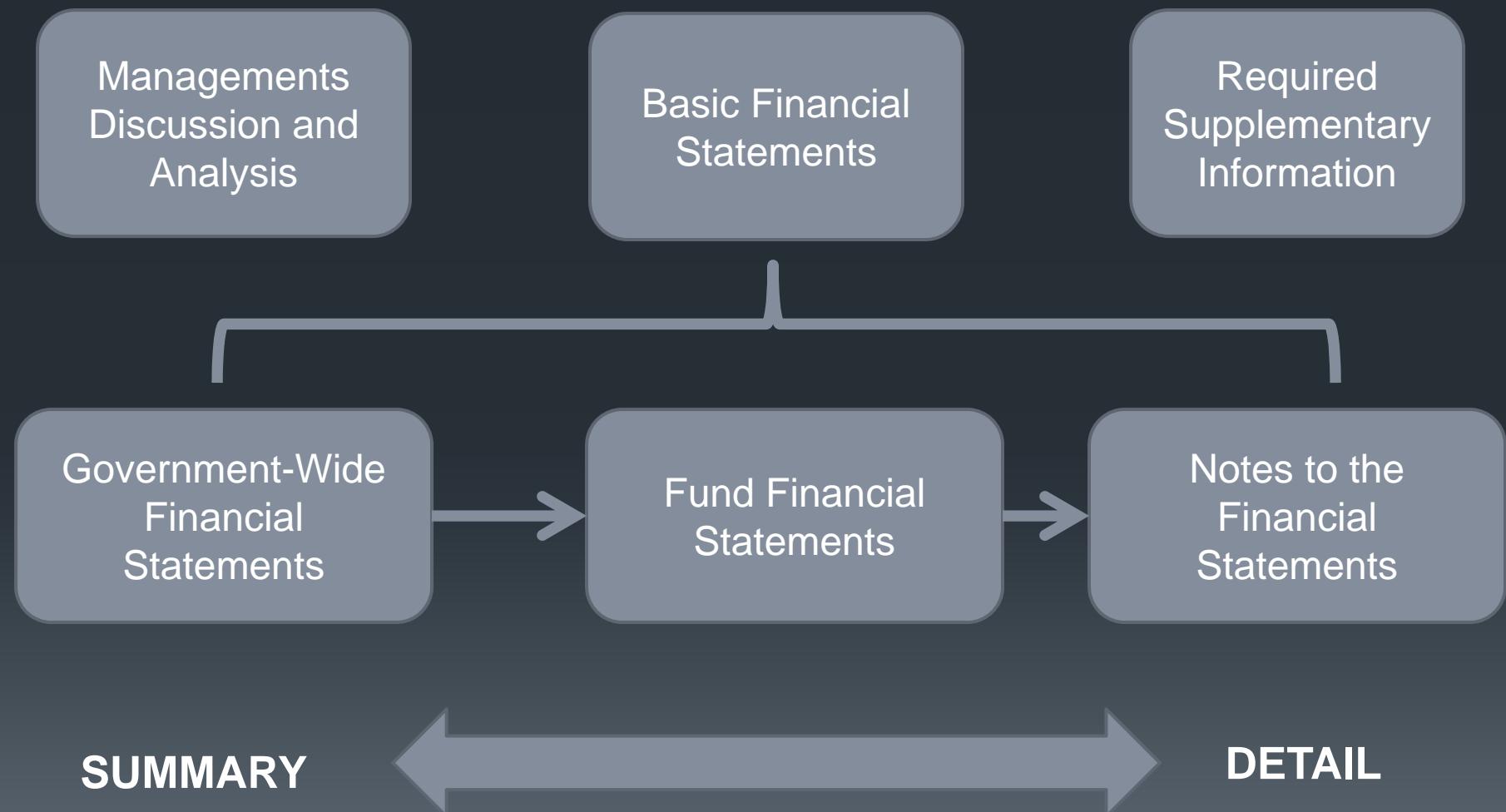


January 20, 2015

# Annual Audit Requirement

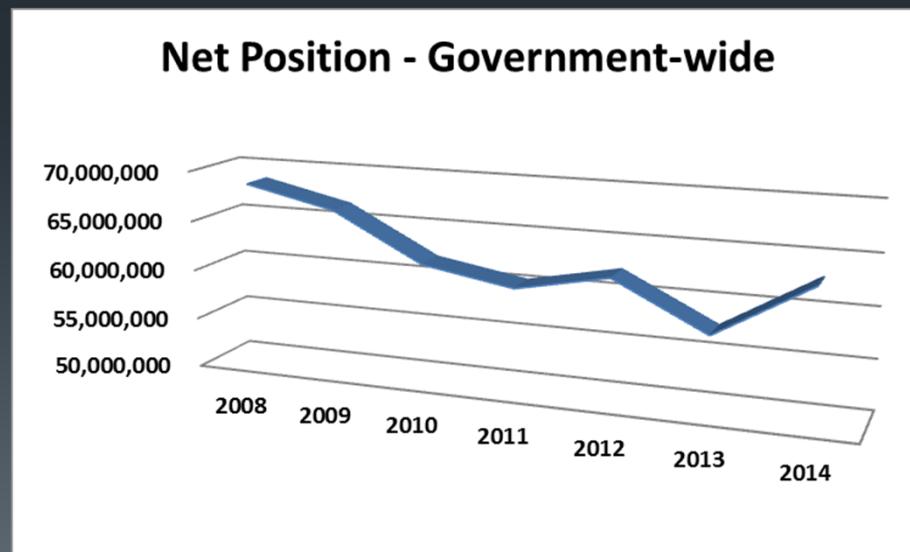
- Annual audit by independent certified public accountants is required by City Code.
  - Financial statements prepared in accordance with GAAP as promulgated by GASB.
  - Audit conducted by Van Lant & Fankhanel, LLP
- GFOA Excellence in Financial Reporting Award
  - Awarded to the City consistently for the last 25 years.

# Structure of CAFR



# Government-Wide Financials

- Net Position – Total assets minus total liabilities
  - Over time, serves as an indicator of overall financial health
  - Net position increased by almost \$5.5 million
    - Revenues exceeded expenses by \$1.9 million
    - \$3.5 million transfer of Housing assets to a Special Revenue Fund



# Fund Financials

- General Fund operating surplus of \$1.585 million
  - Used General Fund surplus to retire internal debt
- Deficit Fund Balances in Grants Fund and Retirement Tax Fund were eliminated
- Net Position in Enterprise Funds increased by a total of \$579,827 to \$23.5 million
  - Unrestricted Assets (available for capital investment)
    - Water: \$1.2 million
    - Sewer: \$7.3 million

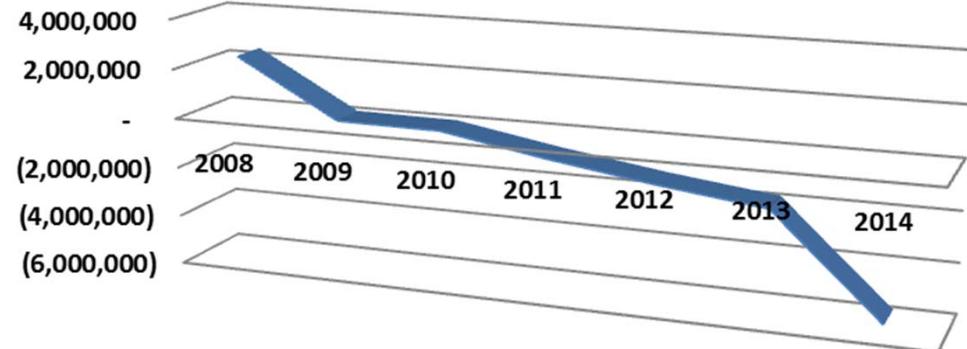
# General Fund

- \$1.585 million operating surplus driven by Measure A receipts, employee furloughs, and hiring freeze
- Despite surplus, total fund deficit grew to \$5.7 million

## Why?

- 1) Repaid internal debt to other funds
- 2) Record \$4.55 M obligation to Retirement Tax Fund

**Net Position - General Fund**



# Notes to Financials

- Liquidity is no longer an issue
- OPEB (Retiree Health Care)
  - Underfunded by \$1.7 million per year
  - Total long-term obligation grew by \$2.5 million

Note 9:	
Annual OPEB Cost	\$2,600,000
Contribution Made	<u>(\$900,000)</u>
Increase in Obligation	\$1,700,000
Net Obligation @ 6/30/2013	\$7,400,000
Net Obligation @ 6/30/2014	\$9,100,000

# Deficit Reduction Plan

- Develop and maintain a five-year General Fund projection of revenues and expenditures
- Continue to use Measure A for intended purpose to eliminate deficit, fund non-recurring expenditures, and establish an OPEB trust
- Increase economic development efforts, including adoption of a Development Agreement Ordinance
- Update user fees and cost allocation plan to ensure the City is adequately recovering costs for certain services
- Sell surplus land and use the one-time land sale proceeds to reduce the City's deficit

# Deficit Reduction Plan (cont.)

- Transfer financial and management responsibility for the San Fernando Aquatics Center to the County of Los Angeles
- Restructure employee benefits through bargaining, with a focus on decreasing the City's OPEB liability
- Explore opportunities to increase the City's operational efficiency through private partnerships
- Reorganize City departments to create more efficient operations
- Create and update the City's financial policies, including, but not limited to, long term planning, budget, purchasing, debt management, grant management, investment, and reserve policies, with an emphasis on creating long term fiscal sustainability

# Subsequent Events

- Sell Surplus Land. On September 15, 2014, the City Council approved the sale of two City owned properties: 1) 1211 First Street for \$590,000, and 2) 519 South Brand Ave for \$490,000. The land sale proceeds were used to offset General Fund debt payments due in the first half of fiscal year 2014-2015.
- Renegotiate Fire and Emergency Medical Service Agreement. On September 15, 2014, the City Council approved a new agreement with the City of Los Angeles for fire protection and emergency medical services that saves the City a significant amount of money annually
- Lease Pool Facility to Los Angeles County. On October 6, 2014, the City Council approved a lease agreement with the County of Los Angeles for the operation of the City's pool facility. Additionally, the County will fully defease the outstanding amount of the City's Section 108 loan, which will free up CDBG and General Funds in fiscal year 2015-2016.
- Measure A. The transaction and use tax approved by voters in June 2013 (Measure A) and effective in October 2013 raised over \$1.2 million in fiscal year 2013-2014. It is expected to raise approximately \$1.8 million in fiscal year 2014-2015.

# Conclusion

- Going into fiscal year 2013-14, there were doubts as to the City's ability to meet current expenses and continue to be solvent.
- The City Council made a number of difficult decisions that helped to eliminate the short-term liquidity issues.
  - Layoffs, furloughs, renegotiating MOUs
  - Changing the form of government (to City Manager)
  - Placing Measure A on the ballot to raise revenue

# Conclusion

- Overall, the 2014 CAFR shows the City's financial position is improving:
  - Government-wide net position increased for just the second time in five years
  - Deficits in the Grant and Retirement Tax funds were eliminated
  - General Fund experienced an operating surplus of almost \$1.6 million
  - Short term liquidity is no longer a pressing concern
- The improvement is tempered by increases in the total General Fund deficit and long term OPEB obligation
- Now, the focus shifts to addressing long term financial sustainability and implementing the deficit elimination plan