



STAFF REPORT

City Council
Meeting Date: 5/14/2019
Staff Report Number: 19-089-CC

Informational Item: Quarterly financial review of general fund operations as of March 31, 2019

Recommendation

This is an informational item and does not require City Council action.

Policy Issues

The quarterly budget-to-actual report is presented to facilitate better understanding of general fund operations and the overall state of the City's current fiscal affairs by the public and the City Council.

Background

In order to provide timely information to City Council and the public, the administrative services department prepares a quarterly report on general fund operations. The report provides a review of general fund revenues and expenditures for the most recently completed quarter of the current fiscal year. These results are presented alongside results from the same time period for the previous year, with material differences being explained in the appropriate section of the staff report.

Analysis

The report, which is included as Table 1 on the following page, was developed to apprise City Council of the year-to-date status of the general fund. It provides year-to-date third quarter comparable data for fiscal years 2017-18 and 2018-19. Information included in this report is intended to highlight some of the critical elements of Table 1 and supplement that information with explanations of significant differences between fiscal years 2017-18 and 2018-19.

Overall, revenues in the general fund for 2018-19 are 8 percent higher when compared to the same period in 2017-18. Year-to-date expenditures are also on track at 86.5 percent of the budget expended. It is important to note that the City's budget cycle is yearly and in order to prepare quarterly reports, a straight-line estimation method is used. As a result, the quarterly adopted budget shown is three quarters of the amended budget rather than representing a budget developed specifically for each month of the fiscal year.

Table 1: March year-to-date (third quarter) budget to actual comparison						
	2017-18			2018-19		
	Amended Budget*	Actuals as of 3/31/17	% of Budget	Amended Budget*	Actuals as of 3/31/18	% of Budget
Revenues						
Property tax	15,635,437	15,023,070	96.08%	19,893,544	16,127,858	81.07%
Charges for services	7,257,558	7,929,373	109.26%	9,381,436	9,620,315	102.55%
Sales tax	4,689,769	4,496,456	95.88%	4,488,789	4,090,473	91.13%
Licenses and permits	5,571,406	5,775,155	103.66%	4,596,060	4,286,852	93.27%
Transient occupancy ax	5,406,750	3,486,651	64.49%	7,537,616	4,836,364	64.16%
Franchise fees	1,535,250	867,943	56.53%	1,535,250	1,009,338	65.74%
Fines	946,800	624,831	65.99%	946,800	804,760	85.00%
Utility users' tax	915,750	839,746	91.70%	908,250	1,038,665	114.36%
Intergovernmental revenue	861,963	963,220	111.75%	796,751	989,103	124.14%
Interest and rental income	673,650	648,667	96.29%	1,075,242	939,765	87.40%
Other	49,532	36,110	72.90%	53,284	31,435	59.00%
Use of assigned fund balance	1,387,500	-	0.00%	866,414	-	0.00%
Total revenues:	44,931,365	40,691,220	90.56%	52,079,436	43,774,929	84.05%
Expenditures						
Police	13,721,018	12,934,149	94.27%	14,854,813	13,626,334	91.73%
Public Works	8,100,777	6,542,493	80.76%	9,427,102	8,001,870	84.88%
Community Services	6,430,339	5,892,414	91.63%	7,344,912	6,515,729	88.71%
Community Development	5,483,320	4,078,287	74.38%	6,262,134	4,492,672	71.74%
Administrative Services	2,137,715	2,273,337	106.34%	2,453,424	2,524,402	102.89%
Library	2,298,790	1,995,995	86.83%	2,673,290	2,481,061	92.81%
City Manager's Office	1,658,590	1,178,838	71.07%	2,114,064	1,330,317	62.93%
City Council	544,310	462,495	84.97%	522,759	514,781	98.47%
City Attorney	465,336	409,123	87.92%	563,038	347,524	61.72%
Non-Departmental	(1,096,550)	70,685	-6.45%	(60,251)	99,714	-165.50%
Total expenditures:	39,743,644	35,837,815	90.17%	46,155,287	39,934,404	86.52%
Transfers						
Transfers in	362,096	241,398	66.67%	395,325	374,807	94.81%
Transfers out	3,758,076	2,495,384	66.40%	5,457,375	5,468,332	100.20%

*The amended budget is calculated as 75 percent of the total amended budget.

Revenue

Table 2 below shows a summary of third quarter budget-to-actual revenues for fiscal years 2017-18 and 2018-19.

Table 2: Revenues						
Revenues	2017-18			2018-19		
	Amended Budget*	Actuals as of 3/31/17	% of Budget	Amended Budget*	Actuals as of 3/31/18	% of Budget
Property tax	15,635,437	15,023,070	96.08%	19,893,544	16,127,858	81.07%
Charges for services	7,257,558	7,929,373	109.26%	9,381,436	9,620,315	102.55%
Sales tax	4,689,769	4,496,456	95.88%	4,488,789	4,090,473	91.13%
Licenses and permits	5,571,406	5,775,155	103.66%	4,596,060	4,286,852	93.27%
Transient occupancy ax	5,406,750	3,486,651	64.49%	7,537,616	4,836,364	64.16%
Franchise fees	1,535,250	867,943	56.53%	1,535,250	1,009,338	65.74%
Fines	946,800	624,831	65.99%	946,800	804,760	85.00%
Utility users' tax	915,750	839,746	91.70%	908,250	1,038,665	114.36%
Intergovernmental revenue	861,963	963,220	111.75%	796,751	989,103	124.14%
Interest and rental income	673,650	648,667	96.29%	1,075,242	939,765	87.40%
Other	49,532	36,110	72.90%	53,284	31,435	59.00%
Use of assigned fund balance	1,387,500	-	0.00%	866,414	-	0.00%
Total revenues:	44,931,365	40,691,220	90.56%	52,079,436	43,774,929	84.05%

*The amended budget is calculated as 75 percent of the total amended budget.

Through the third quarter of fiscal year 2018-19, general fund revenues are up \$3.08 million, which is an 8 percent increase over the same time period in 2017-18. This increase in charges for services is primarily driven by the receipt of full year development agreement payments received at the beginning of the fiscal year. The City has also seen a sizable increase in property tax and transient occupancy tax revenues compared to the prior fiscal year. Sales tax is down slightly from the prior fiscal year through the same period but this largely follows a technical collection and remittance issue with the State of California which resulted in receiving a substantial sales tax payment within the revenue recognition window of fiscal year 2017-18 and the City recorded these revenues in the prior fiscal year upon advice of the City’s independent auditor. Due to commingling of fiscal year 2017-18 and 2018-19 revenues in that remittance, the City anticipates a year-over-year reduction in sales tax for fiscal year 2018-19 and a return to baseline sales tax in fiscal year 2019-20.

Given the seasonality of many revenue sources, the overall revenue picture is on track and there does not appear to be any particular area of concern. For example, property taxes, the City’s largest revenue category, is received primarily in December and April and receipts through three quarters are not equally proportional to the elapsed time in the fiscal year. Additionally, there are also timing delays in sales tax, franchise fees and transient occupancy tax receipts.

Expenditures

The third quarter of the fiscal year’s general fund expenditures budget demonstrated some savings when comparing budget to actual. Expenditures through the third quarter of 2018-19 are up \$4.01 million over the same period in 2017-18, but are lower as a percentage of the amended budget.

The lower than budgeted personnel expenditures are driven in part by the City's vacancy rate for staff, which results in salary savings when comparing budgeted expenditures to actual expenditures. Of note as an exception, the administrative services department actuals are above budget as a result of an approved over-hire to overlap with the retirement of a long-tenured supervisory level employee multiple mid-year promotions, and a vacancy rate substantially below the citywide average. The City's budget includes an assumption of some staff vacancy, but the overall actual vacancy is higher and results in some savings above the planned savings. During the annual budget process the City budgets a vacancy factor into the non-departmental personnel budget, which is why a negative amended budget for the 2017-18 and 2018-19 fiscal years is shown.

It is important to note that due to the asynchronous nature of payroll expenditures and the City's fiscal cycle, the personnel expenditures of the third quarter of 2018-19 understate the actual costs and are not perfectly proportionate to the elapsed percentage of the fiscal year. The net result of this timing effect and the vacancy rate is a modest savings when viewed Citywide.

Table 3: Personnel Expenditures						
Departments	2017-18			2018-19		
	Amended Budget*	Actuals as of 3/31/17	% of Budget	Amended Budget*	Actuals as of 3/31/18	% of Budget
Police	10,804,013	10,418,468	96.43%	12,215,974	11,022,106	90.23%
Public Works	4,375,535	3,791,382	86.65%	4,997,056	4,632,760	92.71%
Community Services	4,490,482	4,302,397	95.81%	5,013,406	4,454,042	88.84%
Community Development	3,407,761	3,067,119	90.00%	3,878,748	2,872,070	74.05%
Administrative Services	1,524,774	1,497,995	98.24%	1,591,682	1,762,351	110.72%
Library	1,567,467	1,395,293	89.02%	1,978,173	1,855,304	93.79%
City Manager's Office	865,378	817,775	94.50%	1,276,753	936,723	73.37%
City Council	132,785	128,875	97.06%	137,859	120,131	87.14%
City Attorney	127,686	122,265	95.75%	125,863	130,225	103.47%
Non-Departmental	(1,391,193)	-	0.00%	(761,782)	17,475	-2.29%
Total expenditures:	25,904,688	25,541,568	98.60%	30,453,731	27,803,187	91.30%

*The amended budget is calculated as 75 percent of the total amended budget.

In non-personnel expenditures, the majority of departments spending levels are consistent with prior year percentages and are not above their allocated budgets with the exception of the budget allocated to the City Council. Actuals greater than amended budget reflect the full-year expenditures of the City's community funding grant program of \$280,000 which have been fully recorded and will trend lower when compared to the full year budget-to-actuals.

Table 4: Non-personnel Expenditures						
Departments	2017-18			2018-19		
	Amended Budget*	Actuals as of 3/31/17	% of Budget	Amended Budget*	Actuals as of 3/31/18	% of Budget
Police	2,917,004	2,515,681	86.24%	2,638,840	2,604,228	98.69%
Public Works	3,725,242	2,751,111	73.85%	4,430,047	3,369,109	76.05%
Community Services	1,939,857	1,590,017	81.97%	2,331,506	2,061,688	88.43%
Community Development	2,075,559	1,011,168	48.72%	2,383,386	1,620,602	68.00%
Administrative Services	612,940	775,342	126.50%	861,743	762,050	88.43%
Library	731,322	600,702	82.14%	695,117	625,757	90.02%
City Manager's Office	793,212	361,063	45.52%	837,311	393,594	47.01%
City Council	411,525	333,620	81.07%	384,900	394,650	102.53%
City Attorney	337,650	286,858	84.96%	437,175	217,299	49.71%
Non-Departmental	294,643	70,685	23.99%	701,531	84,446	12.04%
Transfers out	3,758,076	2,495,384	66.40%	5,457,375	5,466,125	100.16%
Total expenditures:	17,597,032	12,791,631	72.69%	21,158,931	17,599,548	83.18%

*The amended budget is calculated as 75 percent of the total amended budget.

Overall, there are no areas of great concern regarding actual revenues and expenditures relative to the amended budget as of the end of the third quarter of 2018-19. Areas of note include revenue receipts as they occur.

Impact on City Resources

There is no impact on City resources.

Environmental Review

This action is not a project within the meaning of the California Environmental Quality Act (CEQA) Guidelines §§ 15378 and 15061(b)(3) as it is a minor change that will not result in any direct or indirect physical change in the environment.

Public Notice

Public notification was achieved by posting the agenda, with this agenda item being listed, at least 72 hours prior to the meeting.

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