

STAFF REPORT

DATE: December 18, 2018
TO: City Council
FROM: Nitish Sharma, Director of Finance
Sydney Oam, Financial Services Manager
SUBJECT: FY 2018/19 First Quarter Budget Update

Recommendation

This is an informational report.

Fiscal Impact

This is an informational report to present the revenue and expenditure results through the first four periods (July to October) of FY 2018/19.

The current General Fund Reserve policy is between 10% and 15%. City Council could direct the allocation of any amount above 10% to one-time Capital expenditures. Staff will continue to monitor revenues and expenditures to assess whether the General Fund will sustain the assumptions incorporated into the FY 2018/19 budget and the financial forecast model. The results of this analysis will be discussed in the mid-year budget report.

Council Goal(s)

Ensure Fiscal Resilience.

Summary

This first quarter budget report summarizes the General Fund and All Funds revenue and expenditure results through the first four periods of FY 2018/19. The report also provides summary of the personnel and overtime expenditures, general fund balance summary, and status of position vacancies.

General Fund Revenues and Expenditures

Table 1 and Table 2 below show a summary of FY 2018/19 General Fund revenues and expenditures through the first four periods of FY 2018/19.

Table 1: FY 2018/19 General Fund Revenues

Revenue Source	Council Approved Appropriations*	Year-To-Date Actual	%
Property Taxes	\$21,697,421	\$0	0.0%
Sales & Use Tax	\$16,751,294	\$3,144,240	18.8%
Transient Occupancy Tax	\$2,022,817	\$256,884	12.7%
Property Transfer Tax	\$405,732	\$0	0.0%

Business License Tax	\$1,772,729	\$40,954	2.3%
Cannabis	\$170,000	\$36,891	21.7%
Municipal Services Tax	\$3,127,138	\$1,306,475	41.8%
Franchise Fees	\$1,181,696	\$105,353	8.9%
Community Development	\$2,179,801	\$589,534	27.0%
Parks & Community Services	\$2,781,749	\$1,580,294	56.8%
Other Depts. (Fire, PD, PW)	\$2,385,183	\$745,637	31.3%
Fines & Forfeitures	\$475,000	\$129,840	27.3%
Investment Earnings	\$150,000	\$1,400	0.9%
Intra-City Revenues	\$2,038,686	\$679,580	33.3%
All Other Sources	\$2,028,914	\$1,211,544	59.7%
Total	\$59,168,160	\$9,828,626	16.6%

**Note: Council Approved Appropriations include the adopted budget, encumbrances and project carryover allocations from prior fiscal year approved by the City Council after budget adoption.*

Table 2: FY 2018/19 General Fund Expenditures by Department

Department	Council Approved Appropriations	Year-To-Date Actual	%
City Attorney	\$170,217	\$71,261	41.9%
City Manager's Office / Council	\$4,076,834	\$979,034	24.0%
Administrative Services	\$3,777,885	\$669,135	17.7%
Comm. Development & Sustainability	\$3,176,162	\$854,687	26.9%
Parks & Community Services	\$12,284,007	\$3,224,190	26.2%
Fire	\$10,620,996	\$3,241,653	30.5%
Police	\$19,445,573	\$5,853,226	30.1%
Public Works	\$5,225,067	\$1,179,973	22.6%
Capital Improvements	\$18,200,063	\$2,191,557	12.0%
Debt Service	\$264,988	\$81,536	30.8%
Non-Departmental/Transfers/Contingency	(\$1,147,362)	\$12,036	-1.0%
Total	\$76,094,430	\$18,358,288	24.1%

General Fund Revenues – The City has not collected property tax revenues through the first four periods of FY 2018/19. Property taxes are received from the County in three installments, with the installments received in January (50%), May (45%), and August (5%). Sales tax receipts reported through the first four periods of FY 2018/19 totaling \$3.1 million are only for the July and August sales tax receipts. Sales tax revenue forecasts typically are not updated on the basis of results from one quarter. Transient Occupancy Tax payments for July-October are received in the second quarter of the fiscal year.

General Fund Expenditures – Through the first four periods of FY 2018/19, the General Fund expenditures were \$18.4 million, or 24.1% of the Council Approved Appropriations of \$76.1 million. Of the total Council Approved Appropriations, \$15.3 million was re-appropriated from FY 2017/18 to FY 2018/19 for the encumbrances and carryover allocations for specific projects that were not completed as of June 30, 2018.

All Funds Revenues and Expenditures

Table 3, Table 4, and Table 5 below show a summary of the All Funds revenues and expenditures by fund source and by department through the first four periods of FY 2018/19.

Table 3: FY 2018/19 All Funds Revenues

Fund Source	Council Approved Appropriations	Year-To-Date Actual	%
General Fund	\$59,168,160	\$9,828,626	16.6%
Special Revenue Funds	\$24,577,099	\$6,821,754	27.8%
Debt Service	\$2,966,371	\$24,193	0.8%
Capital Projects Funds	\$2,753,298	\$2,209,485	80.2%
Trust Funds	\$43	\$0	0.0%
Enterprise Funds	\$56,766,106	\$21,780,516	38.4%
Internal Service Funds	\$25,817,931	\$8,218,657	31.8%
RDA Successor Funds	\$3,434,032	\$51,392	1.5%
Total	\$175,483,040	\$48,934,623	27.9%

Table 4: FY 2018/19 All Funds Expenditures

Fund Source	Council Approved Appropriations	Year-To-Date Actual	%
General Fund	\$76,094,430	\$18,358,288	24.1%
Special Revenue Funds	\$30,709,112	\$6,291,529	20.5%
Debt Service	\$3,232,911	\$2,536,083	78.4%
Capital Projects Funds	\$11,716,032	\$640,656	5.5%
Enterprise Funds	\$83,972,610	\$21,681,856	25.8%
Internal Service Funds	\$31,369,432	\$6,672,712	21.3%
RDA Successor Funds	\$3,707,578	\$1,451,134	39.1%
Total	\$240,802,105	\$57,632,258	23.9%

Table 5: FY 2018/19 All Fund Expenditures by Department

Department	Council Approved Appropriations	Year-To-Date Actual	%
City Attorney	\$320,217	\$76,677	23.9%
City Manager's Office / Council	\$6,561,310	\$1,341,040	20.4%
Administrative Services	\$24,825,243	\$6,585,190	26.5%
Comm. Development & Sustainability	\$7,643,968	\$2,158,761	28.2%
Parks & Community Services	\$15,797,691	\$4,047,117	25.6%
Fire	\$12,348,163	\$4,005,175	32.4%
Police	\$21,343,196	\$6,690,576	31.3%
Public Works	\$58,548,225	\$12,701,963	21.7%
Capital Improvements	\$76,269,375	\$9,662,936	12.7%
Debt Service	\$10,541,777	\$8,839,571	83.9%
Redevelopment Successor Agency	\$3,672,246	\$1,454,871	39.6%
Other	\$2,930,694	\$68,381	2.3%
Total	\$240,802,105	\$57,632,258	23.9%

All Funds Revenues were at \$48.9 million, or 27.9% of the Council Approved Appropriations of \$175.5 million. Special Revenue Funds including Park Maintenance and Open Space are paid in

major installments in January and May, so those revenues will be received in the second half of the fiscal year. Special Revenue Funds including Transportation Development Act, Community Development Block Grant, and Operational Grants are subject to timing of expenditures and receipts of reimbursements, and typically have a timing lapse of several months.

All Funds Expenditures were at \$57.6 million or 23.9% of the Council Approved Appropriations of \$240.8 million. Many of the expenditure appropriations (Gas Tax, Transit Funding and Grant Funding) within the Special Revenue Funds category are directly related to Capital Improvement projects which are scheduled to begin later in the spring. Capital Projects Funds and Enterprise Funds expenditures reflect the timing of construction projects and the awarding of contracts which occur intermittently throughout the fiscal year.

Table 6 below shows the All Funds personnel expenditures through the first four periods of FY 2018/19.

Table 6: FY 2018/19 All Funds Personnel Expenditures

Department	Council Approved Appropriations	Year-To-Date Actual	%
City Manager's Office / Council	\$2,707,487	\$783,363	28.9%
Administrative Services	\$4,467,500	\$1,450,873	32.5%
Comm. Development & Sustainability	\$4,230,574	\$1,331,641	31.5%
Parks & Community Services	\$7,345,843	\$2,362,222	32.2%
Fire	\$10,240,768	\$3,317,115	32.4%
Police	\$17,471,335	\$5,394,415	30.9%
Public Works	\$14,347,280	\$4,080,738	28.4%
Capital Improvements	\$1,283,088	\$511,013	39.8%
Redevelopment Successor Agency	\$114,177	\$34,091	29.9%
Non-Departmental	(\$827,239)	\$0	0.0%
Total	\$61,380,813	\$19,265,471	31.4%

FY 2018/19 personnel expenditures are currently tracking at 31.4%, which is consistent with the budgeted projections, when taking seasonality of personnel expenditures into consideration, as well as current position vacancies.

Overtime

Table 7 below summarizes FY 2018/19 overtime expenditures by department. It is important to note that overtime is only one component of total human resource costs.

Table 7: FY 2018/19 All Funds Overtime Expense Summary

Department	Council Approved Appropriations	Year-To-Date Actual	%
City Manager's Office	\$1,064	\$624	58.6%
Administrative Services	\$6,601	\$937	14.2%
Comm. Development & Sustainability	\$4,910	\$0	0.0%
Parks & Community Services	\$13,800	\$4,846	35.1%
Fire	\$1,152,303	\$819,759	71.1%
Police	\$288,332	\$192,322	66.7%
Public Works	\$196,596	\$69,944	35.6%

Capital Improvements	\$10,255	\$27,996	273.0%
Total	\$1,673,861	\$1,116,428	66.7%

The Fire and Police departments experienced a number of vacancies which required backfilling with overtime in order to maintain shift minimum staffing. Fire Department overtime expenditures have been impacted by the strike team assignments. The majority of strike team assignments costs are reimbursed by the State and Federal agencies.

Position Vacancy

As of December 5, 2018, the City has seventeen (17) full-time vacant positions. These vacancies represent 4.9% of the current work force. Sixteen (16) regular full-time vacant positions have been filled since July 1, 2018.

Fund Balance – General Fund

Staff will present a mid-year budget update in January or early February that will include the current revenues receipts to date, expenditures to date and fund balance to date. The information will also include updates on the capital improvement projects, grants received and new funding request for strategic projects.