

CITY OF SAN LEANDRO

MEMORANDUM

DATE: January 20, 2012

TO: Finance Committee

FROM: Lianne Marshall, Interim City Manager

BY: Jim O'Leary, Interim Finance Director

SUBJECT: Receive Mid-Year Financial Report as of December 31, 2012 for the 2011-12 General Fund, Special Revenue Funds, Enterprise Funds, and Internal Service Funds Budget

SUMMARY AND RECOMMENDATION

Staff recommends that the Finance Committee review and approve the Mid-Year Financial Report as of December 31, 2011 for the 2011-12 General Fund, Special Revenue Funds, Enterprise Funds, and Internal Service Funds Budget.

BACKGROUND

The City Council-approved 2011-12 General Fund, Special Revenue Funds, Enterprise Funds, and Internal Service Funds Budget is the annual plan and resource allocation that guides and ensures implementation of City Council policies and priorities. The budget implements the vision and direction for the broad range of services that meet the needs of the community in accordance with City Council policy. This financial review as of December 31, 2011 provides the first mid-year budget update to the City Council for the new fiscal year. Analysis of the revenues collected and all expenditures through December 31, 2011 measures the budget's adherence to the established resource allocation plan.

DISCUSSION

The adopted budget incorporates the estimated revenues and planned expenditures for all funds. The attached Mid-Year Financial Report as of December 31, 2011 provides the revenue and expenditure summary for the General Fund, Redevelopment Agency, Enterprise Funds, and Internal Service Funds. The following discussion focuses on variances from the revenue and expenditure plans and allocations contemplated in the budgets.

General Fund

The General Fund finances the operations of the City that have no special or dedicated revenue sources and pays for basic municipal services. Budgeted 2011-12 General Fund expenditures

total \$71,760,500. Expected revenues of \$71,760,500, including interdepartmental fund transfers finance the anticipated expenditures. Total mid-year revenue in 2011-12 amounts to \$30,641,800, 43% of the total budget (compared to 42% in 2010-11), although this year's budget is higher by nearly \$5,229,000. Expenditures at mid-year amount to \$34,556,000, 48% of the budget (compared to 49% in 2010-11).

The budget was approved with the operating revenues and expenditures in balance, without the use of reserves or one-time revenues, for the first time since 2007-08. Receipts from a number of revenue sources, including property tax, sales tax, interest earnings, and planning and building permit fees, historically correlate with changes in regional and state economic conditions. Revenue data from fiscal year's mid-year offers a better indicator for year-end actual revenue than did the report after only 3-months. Total revenue for the first half of 2011-12 was 43% of the budget, slightly higher than the percentage at the same time last year.

General Fund Revenue

- **Property Tax** (52% of budget compared to 52% in 2010-11)—The current year's budget for property tax revenue is \$100,000 greater than budgeted in 2010-11. The first payment of property tax from the secured roll by Alameda County in the amount of \$7,808,500 occurred December 14, 2011. The balance of the revenue to date, \$191,000, represents supplemental payments related to property reassessments.
- **Sales Tax** (39% of budget compared to 42% in 2010-11)—The current year's budget for sales tax revenue is \$5,260,000 more than budgeted in the 2010-11. Anticipated revenue from approval of Measure Z represents \$3,400,000 of the increase. The state has delayed payments for November and December (as was done in 2010-11), with the October payment in the amount of \$1,098,100 received in December. The first quarter adjustment for the July-September advance totaled \$691,200.
- **Utility Users Tax** (39% of budget compared to 40% in 2010-11)—Revenue represents user taxes through the month of November 2011 as December receipts are due by January 31, 2012.
- **Property Transfer Tax** (62% of budget compared to 37% in 2010-11)—Mid-year revenue in 2011-12 includes \$630,400 as a result of the sale of the Lakeside Village apartment complex to a new investment firm in November 2011. This revenue represents a one-time payment.
- **Charges for Services** (62% of budget compared to 48% in 2010-11)—Charges for services higher in 2011-12 based on payments from Kaiser Hospital for fire review and inspection fees. Also, the reimbursement for Police service fees by the Nike store are reflected in 2011-12 but not in 2010-11.
- **Licenses & Permits** (74% of budget compared to 36% in 2010-11)—License & Permits revenues reflect Kaiser Hospital permit fees of \$500,000 in 2011-12. Additional high value building permits were issued for the Water Pollution Control Plant project and for work at the transfer station by Waste Management.

General Fund Expenditures

General Fund Expenditures (48% of budget compared to 49% in 2010-11)- The current years overall General Fund expenditures compare closely to the prior year with the exception of Transfers in 2010-11 of which \$380,000 represents a payment to the Port of Oakland for the Doolittle Drive Entryway project.

Redevelopment Agency

The Agency's 2011-12 operating budget appropriates revenues of \$8,406,700 and expenditures of \$7,740,000 for the three project areas. The Low/Moderate Income Housing budget projects revenues at \$2,648,700 and expenditures at \$1,665,400. The first payment of tax increment from the secured roll by Alameda County would have normally occurred around December 15, 2011. However, with the Supreme Court's ruling on the constitutionality of the state's action of eliminating redevelopment agency operations, no payment was received by year-end.

In early January, the Agency received a total of \$2,871,600 for the Plaza Projects and the West San Leandro MacArthur Project. The Low/Moderate payment for these projects amounted to \$717,900.

Enterprise & Internal Service Funds

Four Enterprise Funds make up the City's business type operations. The Water Pollution Control Plant Fund, Environmental Services Fund, Shoreline Enterprise Fund, and the Storm Water Fund are City municipal operations designed to fully recover costs through user fees. Internal Service Funds also operate as business activities, exclusively supporting the City's internal operations. Facilities Maintenance, Information Technology, Insurance Services, and Equipment Maintenance make up these funds.

Enterprise & Internal Service Fund Revenues

- **Water Pollution Control Plant** (68% of budget compared to 75% in 2010-11)—Revenue at mid-year for 2011-12 is lower due to the timing of billings for Industrial Sewer Service this year and the receipt in 2010-11 of \$330,000 from PG&E for the Co-Generation project.

Special Revenue Funds

Revenues and expenses for the City's operating Special Revenue Funds are included in the report. Revenues and expenditures for the Parking Fund, Gas Tax Fund, Heron Bay Maintenance Fund, Housing Services Funds, Business Improvement District Fund, and the Public Education & Government Access Fund are provided.

Special Revenue Funds Revenues

- **Parking Fund** (51% of budget compared to 81% in 2010-11)—Quarterly billing for parking has decreased by \$16,000 since the closing of the Estudillo Parking Garage.

- **Public Education & Government Fund** (148% of budget in 2011-12)- The PEG fund has increased revenue of \$180,000 due to the transfer of funds from prior years to establish the Special Revenue Fund for PEG revenue.

CONCLUSION

Staff recommends that the Finance Committee accept and approve the Mid-Year Financial Report as of December 31, 2011 for the 2011-12 General Fund, Special Revenue Funds, Enterprise Funds, and Internal Service Funds Budget for forwarding to the full City Council for review and approval

City of San Leandro
Mid-Year Financial Report
As of December 31, 2011

GENERAL FUND	2011-12				2010-11				2011-12 v 2010-11	
	December 31, 2011				December 31, 2010				Yr to Yr Change (\$)	Yr to Yr Change (%)
	Adopted Budget	YTD as of 12/31/11	% of Budget	Adjusted Budget	Adopted Budget	YTD as of 12/31/10	YTD % of Budget	Year End % of Budget		
Revenues										
GENERAL GOVERNMENT										
Property Tax	15,400,000	7,999,545	52%	15,600,000	15,300,000	7,918,406	52%	102%	81,139	1%
Sales Tax	23,110,000	9,120,997	39%	22,760,000	17,850,000	7,409,993	42%	124%	1,711,004	23%
Utility Users Tax	9,847,900	3,884,087	39%	9,900,000	9,635,000	3,806,041	40%	103%	78,046	2%
Franchise Fees	3,983,000	946,395	24%	4,100,000	3,940,000	952,830	24%	106%	(6,435)	-1%
Property Transfer Tax	2,444,000	1,527,081	62%	2,519,000	2,444,000	896,705	37%	103%	630,376	70%
Emergency Communication Access Fee (911)	2,700,000	931,710	35%	2,700,000	2,500,000	919,558	37%	108%	12,152	1%
Business License Tax	4,225,000	661,446	16%	4,100,000	3,964,745	718,074	18%	110%	(56,628)	-8%
Other Tax	277,100	107,377	39%	277,000	259,161	83,594	32%	204%	23,783	28%
Sub Total Taxes	61,987,000	25,178,638	41%	61,956,000	55,892,906	22,705,201	41%	111%	2,473,437	11%
Charges for Services	2,381,000	1,482,173	62%	2,611,000	2,251,940	1,079,128	48%	115%	403,045	37%
Interest & Property Income	1,017,764	311,583	31%	1,018,000	1,219,270	871,447	71%	88%	(559,864)	-64%
Fines, Fees & Forfeitures	1,190,000	390,997	33%	1,190,000	1,300,000	466,363	36%	106%	(75,366)	-16%
Intergovernmental	1,064,050	788,827	74%	1,064,000	1,146,252	730,963	64%	106%	57,864	8%
Licenses & Permits	1,560,155	1,149,310	74%	2,185,000	1,610,255	583,060	36%	113%	566,250	97%
Interdepartmental	2,295,294	1,137,765	50%	2,295,294	2,295,294	1,147,647	50%	100%	(9,882)	-1%
Other/Transfers	265,233	202,507	76%	357,000	816,000	668,973	82%	117%	(466,466)	-70%
Sub Total Other	9,773,496	5,463,162	56%	10,720,294	10,639,011	5,547,581	52%	106%	(84,419)	-2%
Total Revenues	71,760,496	30,641,800	43%	72,676,294	66,531,917	28,252,782	42%	110%	2,389,018	8%
Expenditures										
General Administration Council, Clerk, City Attorney, City Manager and Human Resources	3,342,231	1,702,900	51%	3,494,542	3,313,539	1,585,493	48%	105%	117,407	7%
Finance	2,183,945	1,041,201	48%	2,189,403	1,955,568	1,118,476	57%	115%	(77,275)	-7%
Police	26,085,580	13,282,702	51%	26,093,621	25,304,094	12,765,962	50%	101%	516,740	4%
Fire	18,193,855	7,605,056	42%	18,193,855	17,880,223	7,279,343	41%	99%	325,713	4%
Recreation & Human Services	3,796,701	1,885,400	50%	3,796,701	3,434,901	1,693,466	49%	99%	191,934	11%
Engineering & Transportation	2,276,869	1,139,531	50%	2,276,869	2,171,042	1,091,735	50%	97%	47,796	4%
Library	4,464,194	2,301,927	52%	4,562,634	4,358,312	2,168,939	50%	102%	132,988	6%
Public Works	4,080,766	1,818,287	45%	4,108,756	3,937,086	1,800,259	46%	96%	18,028	1%
Community Development	2,811,787	1,359,617	48%	2,818,283	2,647,272	1,251,568	47%	101%	108,049	9%
Non-Departmental	1,475,278	628,009	43%	1,486,825	1,628,207	670,206	41%	83%	(42,197)	-6%
Debt Service	2,981,348	1,542,515	52%	2,981,348	2,980,447	1,543,165	52%	100%	(650)	0%
Transfers	67,942	248,849	366%	248,849	367,942	1,473,776	401%	1140%	(1,224,927)	-83%
Total Expenditures	71,760,496	34,555,994	48%	72,251,686	69,978,633	34,442,388	49%	106%	113,606	0%

City of San Leandro
 Mid-Year Financial Report
 As of December 31, 2011

**REDEVELOPMENT AGENCY
 FUNDS**

	2011-12				2010-11				2011-12 v 2010-11	
	December 31, 2011				December 31, 2010				Yr to Yr Change (\$)	Yr to Yr Change (%)
	Adopted Budget	YTD as of 12/31/11	% of Budget	Adjusted Budget	Adopted Budget	YTD as of 12/31/10	% of Budget	Year End % of Budget		
Redevelopment Agencies										
Revenue	8,406,718	114,816	1%	8,406,718	8,868,783	161,838	2%	101%	(47,022)	-29%
Expenditure	7,739,979	7,372,652	95%	18,639,700	8,830,008	6,365,205	72%	121%	1,007,447	16%
Low/Moderate Income Housing										
Revenue	2,648,666	30,806	1%	2,648,666	2,630,974	628,501	24%	100%	(597,695)	-95%
Expenditure	1,665,383	316,322	19%	1,810,841	1,742,721	1,109,635	64%	104%	(793,313)	-71%

City of San Leandro
Mid-Year Financial Report
As of December 31, 2011

**ENTERPRISES & INTERNAL
SERVICE FUNDS**

	2011-12				2010-11				2011-12 v 2010-11	
	December 31, 2011				December 31, 2010				Yr to Yr Change (\$)	Yr to Yr Change (%)
	Adopted Budget	YTD as of 12/31/11	% of Budget	Adjusted Budget	Adopted Budget	YTD as of 12/31/10	% of Budget	Year End % of Budget		
Water Pollution Control Plant										
Revenue	11,921,500	8,141,027	68%	11,921,500	10,793,506	8,053,403	75%	99%	87,624	1%
Expenditure	7,534,847	5,462,693	72%	62,825,938	7,570,581	5,126,265	68%	78%	336,428	7%
Environmental Services										
Revenue	1,191,900	566,658	48%	1,191,900	1,123,581	578,357	51%	116%	(11,699)	-2%
Expenditures	1,397,073	612,326	44%	1,378,330	1,503,466	626,415	42%	89%	(14,089)	-2%
Shoreline Enterprise										
Revenue	2,113,856	968,240	46%	2,113,856	2,095,753	972,620	46%	105%	(4,380)	0%
Expenditure	2,230,524	651,596	29%	2,251,357	2,301,758	1,202,224	52%	100%	(550,628)	-46%
Storm Water										
Revenue	1,101,000	1,074,215	98%	1,101,000	1,070,000	1,099,856	103%	103%	(25,641)	-2%
Expenditure	1,114,152	493,187	44%	1,113,464	1,070,000	551,430	52%	87%	(58,243)	-11%
Facilities Maintenance										
Revenue	2,730,681	1,363,874	50%	2,730,681	2,694,553	1,399,016	52%	102%	(35,142)	-3%
Expenditure	2,730,306	1,167,493	43%	3,126,514	2,685,106	1,219,766	45%	96%	(52,273)	-4%
Information Technology										
Revenue	3,461,408	1,718,915	50%	3,461,408	3,592,230	1,808,903	50%	101%	(89,988)	-5%
Expenditure	3,564,514	1,884,004	53%	3,629,109	3,588,546	1,667,084	46%	105%	216,920	13%
Insurance Services										
Revenue	2,751,793	1,334,884	49%	2,751,793	2,316,452	1,239,510	54%	168%	95,374	8%
Expenditure	2,751,564	1,191,931	43%	2,751,564	3,315,799	2,218,274	67%	176%	(1,026,343)	-46%
Equipment Maintenance										
Revenue	1,494,186	756,847	51%	1,494,186	1,434,795	796,551	56%	106%	(39,704)	-5%
Expenditure	1,599,615	985,509	62%	1,669,374	1,425,011	644,050	45%	137%	341,459	53%

City of San Leandro
Mid-Year Financial Report
As of December 31, 2011

**SPECIAL REVENUE FUNDS
OPERATING**

	2011-12				2010-11				2011-12 v 2010-11	
	December 31, 2011				December 31, 2010				Yr to Yr Change (\$)	Yr to Yr Change (%)
	Budget	YTD as of 12/31/11	% of Budget	Adjusted Budget	Budget	YTD as of 12/31/10	% of Budget	Year End % of Budget		
Parking										
Revenue	194,840	99,044	51%	194,840	148,819	121,041	81%	151%	(21,997)	-18%
Expenditure	238,590	103,340	43%	238,590	241,039	108,583	45%	92%	(5,243)	-5%
Gas Tax - Street Maintenance										
Revenue	1,318,454	756,469	57%	1,318,454	1,602,414	810,365	51%	142%	(53,896)	-7%
Expenditures	1,784,965	929,103	52%	2,081,239	1,860,540	789,302	42%	81%	139,801	18%
Heron Bay Maintenance										
Revenue	323,440	180,576	56%	323,440	323,440	288,799	89%	113%	(108,223)	-37%
Expenditure	474,483	101,968	21%	586,292	321,908	93,248	29%	75%	8,720	9%
Housing Services										
Revenue	1,119,586	324,911	29%	1,119,586	1,060,164	479,501	45%	105%	(154,590)	-32%
Expenditure	1,116,752	353,759	32%	1,648,450	1,059,626	497,362	47%	81%	(143,603)	-29%
Business Improvement District										
Revenue	341,000	125,488	37%	341,000	353,060	108,527	31%	77%	16,961	16%
Expenditure	365,000	86,679	24%	365,000	365,000	120,500	33%	88%	(33,821)	-28%
Public Education & Government Access										
Revenue	150,000	222,322	148%	150,000	7,000	39,653	566%	0%	182,669	N/A
Expenditure	150,000	33,217	22%	150,000	28,625	0	0%	0%	33,217	N/A