

CITY OF SAN LEANDRO

MEMORANDUM

DATE: May 4, 2012

TO: Finance Committee

FROM: Chris Zapata, City Manager

BY: David Baum, Finance Director

SUBJECT: Receive Third Quarter Financial Report as of March 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 Third Quarter Financial Report as of March 31, 2012 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 March 31, 2012 provides the third quarter budget update to the City Council this fiscal year. Analysis of the revenues collected and all expenditures through March 31, 2012 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 Third Quarter Financial Report as of March 31, 2012 provides the revenue and expenditure summary for the General Fund, Redevelopment Agency/Successor 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 third quarter revenue in 2011-12 amounts to \$47,578,500, 66% of the total budget (compared to 68% in 2010-11), although this year's budget is higher by nearly \$5,229,000. Expenditures at the end of the third quarter amount to \$50,856,100, 71% of the budget (compared to 72% 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 the fiscal year's third quarter offers a better indicator for year-end actual revenue than did the report at mid-year. Total revenue for the first half of 2011-12 was 66% of the budget, slightly lower than the percentage at the same time last year.

General Fund Revenue

- **Property Tax** (52% of budget compared to 61% in 2010-11)—The current year's budget for property tax revenue is \$100,000 greater than that budgeted in 2010-11. The first payment of property tax from the secured roll by Alameda County in the amount of \$7,808,500 was recorded on December 14, 2011. The balance of the revenue received amounting to \$191,000 represents supplemental payments related to property reassessments. Nearly \$1,400,000 in additional supplemental adjustments was received in April and is not reflected in the Financial Report (a similar amount was received in March 2011 resulting in the higher property tax revenue reported in the third quarter of 2010-11).
- **Sales Tax** (62% of budget compared to 71% in 2010-11)—The current year's budget for sales tax revenue is \$5,260,000 more than budgeted in 2010-11. Anticipated revenue from Measure Z represents \$3,400,000 of the increase (primary Sales and Use Tax revenue was increased by \$238,300 and Sales and Use Tax backfill was increased by \$1,231,700). The state has delayed payments for February and March (as was done in 2010-11), with the scheduled January payment in the amount of \$952,400 received in March 2012. The second quarter adjustment for the October-December advance totaled \$494,400.
- **Utility Users Tax** (66% of budget compared to 66% in 2010-11)—Revenue represents user tax payments for eight months through February 2012 since March receipts are due by April 30.
- **Property Transfer Tax** (83% of budget compared to 57% in 2010-11)—Third quarter revenue in 2011-12 includes \$630,400 resulting from the sale of the Lakeside Village apartment complex to a new investment firm in November 2011. This revenue is an extraordinary one-time payment. Other Property Transfer tax revenue in 2011-12 generally equals the amount of revenue received in 2010-11 through March 31, 2011.

- **Charges for Services** (91% of budget compared to 74% in 2010-11)—Charges for services are 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** (107% of budget compared to 56% in 2010-11)—Higher 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 (71% of budget compared to 72% in 2010-11)—The current year's total budget is \$1,782,000 higher than for 2010-11, although expenditures are only \$268,000 greater through March 31. Overall General Fund expenditures compare closely to last year with the exception of Transfers in 2010-11 which included a \$380,000 one-time payment to the Port of Oakland for the Doolittle Drive Entryway project.

Fire expenditures are significantly below 75% because payments through March 31 cover only eight months of the contract for services. Community Development expenditures (82%) are higher because of the reallocation of employees previously funded by the Redevelopment Agency. Expenditures for these employees are in the General Fund beginning February 1, 2012.

Redevelopment/Successor Agency

The San Leandro Redevelopment Agency's 2011-12 operating budget appropriated revenues of \$8,406,700 and expenditures of \$7,740,000 for the three project areas. The Low/Moderate Income Housing budget estimates revenues at \$2,648,700 and expenditures at \$1,665,400. A budget amendment was approved by the City Council on March 5, 2012 reflecting revenue and expenditure changes necessary for eliminating the Redevelopment Agency effective February 1, 2012. The wind down of the Agency resulted in the City Council identifying the City as the Successor Agency and the budget amendment appropriated revenues and expenditures for the Successor Agency through June 30, 2012.

The payment of tax increment for 2011-12 (and final) from the secured roll by Alameda County was made on January 30, 2012. The final payment to the Agency included a total of \$5,136,000 for the Plaza Project Areas, the West San Leandro MacArthur Project Area, and the Joint Project Area. The Low/Moderate payment for these projects amounted to \$1,429,700.

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 Expenditures

- **Water Pollution Control Plant** (171% of budget compared to 118% in 2010-11)—Expenditures exceed budget based on the inclusion of expenditures for both operations and the plant expansion project in 2011-12. The expansion is primarily funded by a loan from the state.

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** (77% of budget compared to 116% in 2010-11)—Quarterly billing for parking has decreased by \$16,000 since the closing of the Estudillo Parking Garage (the 2012-13 budget anticipates increased revenues based on the projected reopening of the garage in September 2012).
- **Public Education & Government Fund** (121% of budget in 2011-12)- The PEG fund shows 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 March 31, 2012 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 March 31, 2012

GENERAL FUND									
Revenues	2011-12			2010-11			2011-12 v 2010-11		
	March 31, 2012			March 31, 2011					
	Adopted Budget	YTD as of 03/31/12	% of Budget	Estimated	Adopted Budget	YTD as of 03/31/11	YTD % of Budget	Year End % of Budget	
GENERAL GOVERNMENT									
Property Tax	15,400,000	7,999,545	52%	15,580,000	15,300,000	9,366,728	61%	102%	
Sales Tax	23,110,000	14,229,054	62%	23,139,000	17,850,000	12,612,680	71%	124%	
Utility Users Tax	9,847,900	6,451,859	66%	9,900,000	9,635,000	6,400,638	66%	103%	
Franchise Fees	3,983,000	1,865,530	47%	4,100,000	3,940,000	1,861,295	47%	106%	
Property Transfer Tax	2,444,000	2,035,387	83%	3,119,000	2,444,000	1,401,792	57%	103%	
Emergency Communication Access Fee (911)	2,700,000	1,772,114	66%	2,700,000	2,500,000	1,779,772	71%	108%	
Business License Tax	4,225,000	3,821,511	90%	4,225,000	3,964,745	3,711,788	94%	110%	
Other Tax	277,100	192,651	70%	275,000	259,161	180,707	70%	204%	
Sub Total Taxes	61,987,000	38,367,651	62%	63,038,000	55,892,906	37,315,400	67%	111%	
Charges for Services	2,381,000	2,161,333	91%	2,707,000	2,251,940	1,662,380	74%	115%	
Interest & Property Income	1,017,764	839,754	83%	1,024,000	1,219,270	1,023,668	84%	88%	
Fines, Fees & Forfeitures	1,190,000	633,382	53%	1,190,000	1,300,000	889,767	68%	106%	
Intergovernmental	1,064,050	879,970	83%	946,000	1,146,252	878,680	77%	106%	
Licenses & Permits	1,560,155	1,674,606	107%	2,071,000	1,610,255	895,532	56%	113%	
Interdepartmental	2,295,294	1,706,416	74%	2,295,000	2,295,294	1,721,470	75%	100%	
Other/Transfers	265,233	1,315,437	496%	1,333,000	816,000	727,391	89%	117%	
Sub Total Other	9,773,496	9,210,898	94%	11,566,000	10,639,011	7,798,888	73%	106%	
Total Revenues	71,760,496	47,578,549	66%	74,604,000	66,531,917	45,114,288	68%	110%	
Expenditures									
General Administration	3,342,231	2,673,736	80%	3,494,541	3,313,539	2,581,044	78%	105%	
Council, Clerk, City Attorney, City Manager and Human Resources									
Finance	2,183,945	1,611,905	74%	2,199,404	1,955,568	1,656,147	85%	115%	
Police	26,085,580	19,550,346	75%	26,089,597	25,304,094	19,033,878	75%	101%	
Fire	18,193,855	10,696,663	59%	18,237,856	17,880,223	10,449,433	58%	99%	
Recreation & Human Services	3,796,701	2,706,339	71%	3,797,583	3,434,901	2,465,194	72%	99%	
Engineering & Transportation	2,276,869	1,694,198	74%	2,276,869	2,171,042	1,618,256	75%	97%	
Library	4,464,194	3,420,984	77%	4,562,634	4,358,312	3,289,567	75%	102%	
Public Works	4,080,766	2,793,017	68%	4,108,756	3,937,086	2,705,420	69%	96%	
Community Development	2,811,787	2,317,752	82%	3,566,359	2,647,272	1,921,001	73%	101%	
Non-Departmental	1,475,278	880,382	60%	1,486,825	1,628,207	1,132,310	70%	83%	
Debt Service	2,981,348	2,261,930	76%	2,981,348	2,980,447	2,262,906	76%	100%	
Transfers	67,942	248,849	366%	248,849	367,942	1,473,776	401%	1140%	
Total Expenditures	71,760,496	50,856,101	71%	73,050,621	69,978,633	50,588,932	72%	106%	
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City of San Leandro
Mid-Year Financial Report
As of March 31, 2012

**REDEVELOPMENT AGENCY/SUCCESSOR AGENCY
FUNDS**

	2011-12				2010-11				2011-12 v 2010-11	
	March 31, 2012				March 31, 2011					
	Adopted Budget	YTD as of 03/31/12	% of Budget	Adjusted Budget	Adopted Budget	YTD as of 03/31/11	% of Budget	Year End % of Budget	Yr to Yr Change (\$)	Yr to Yr Change (%)
Redevelopment Agencies										
Revenue	8,406,718	5,394,094	64%	5,394,094	8,868,783	5,396,644	61%	101%	(2,550)	0%
Expenditure	7,739,979	6,775,260	88%	6,775,260	8,830,008	7,227,423	82%	121%	(452,163)	-6%
Successor Agencies - Agencies										
Revenue	0	10,384	N/A	9,799,678	0	0	0%	0%	10,384	N/A
Expenditure	0	1,826,732	N/A	9,799,678	0	0	0%	0%	1,826,732	N/A
Low/Moderate Income Housing										
Revenue	2,648,666	1,429,746	54%	1,429,746	2,630,974	1,935,913	74%	100%	(506,167)	-26%
Expenditure	1,665,383	479,077	29%	479,077	1,742,721	1,440,950	83%	104%	(961,873)	-67%
Successor Agency - Low/Mod Housing										
Revenue	0	0	N/A	132,000	0	0	N/A	N/A	0	N/A
Expenditure	0	64	N/A	132,000	0	0	N/A	N/A	64	N/A

City of San Leandro
Mid-Year Financial Report
As of March 31, 2012

**ENTERPRISES & INTERNAL
SERVICE FUNDS**

	2011-12 March 31, 2012				2010-11 March 31, 2011				2011-12 v 2010-11	
	YTD as of 03/31/12		% of Budget		YTD as of 03/31/11		% of Budget		Yr to Yr Change (\$)	Yr to Yr Change (%)
	Adopted Budget				Adopted Budget					
Water Pollution Control Plant Revenue Expenditure	11,921,500 7,534,847	9,390,263 12,890,912	79% 171%		10,793,506 7,570,581	9,290,669 8,967,618	86% 118%	99% 78%	99,594 3,923,294	1% 44%
Environmental Services Revenue Expenditures	1,191,900 1,397,073	957,337 908,126	80% 65%		1,123,581 1,503,466	1,003,066 942,324	89% 63%	116% 89%	(45,729) (34,198)	-5% -4%
Shoreline Enterprise Revenue Expenditure	2,113,856 2,230,524	1,609,520 1,333,371	76% 60%		2,095,753 2,301,758	1,558,876 1,521,172	74% 66%	105% 100%	50,644 (187,801)	3% -12%
Storm Water Revenue Expenditure	1,101,000 1,114,152	1,074,855 696,104	98% 62%		1,070,000 1,070,000	1,099,856 737,466	103% 69%	103% 87%	(25,001) (41,362)	-2% -6%
Facilities Maintenance Revenue Expenditure	2,730,681 2,730,306	2,049,728 1,756,874	75% 64%		2,694,553 2,685,106	2,074,889 1,845,086	77% 69%	102% 96%	(25,161) (88,212)	-1% -5%
Information Technology Revenue Expenditure	3,461,408 3,564,514	2,589,006 2,599,200	75% 73%		3,592,230 3,588,546	2,715,201 2,428,023	76% 68%	101% 105%	(126,195) 171,177	-5% 7%
Insurance Services Revenue Expenditure	2,751,793 2,751,564	2,169,874 1,579,892	79% 57%		2,316,452 3,315,799	1,851,606 2,821,413	80% 85%	168% 176%	318,268 (1,241,521)	17% -44%
Equipment Maintenance Revenue Expenditure	1,494,186 1,599,615	1,152,087 1,359,967	77% 85%		1,434,795 1,425,011	1,152,491 1,004,820	80% 71%	106% 137%	(404) 355,147	0% 35%

City of San Leandro
Mid-Year Financial Report
As of March 31, 2012

**SPECIAL REVENUE FUNDS
OPERATING**

	2011-12 March 31, 2012				2010-11 March 31, 2011				2011-12 v 2010-11	
	YTD as of 03/31/12		% of Budget		Adjusted Budget		YTD as of 03/31/11		Year End % of Budget	
	Budget						Budget		Yr to Yr Change (\$)	Yr to Yr Change (%)
Parking Revenue Expenditure	194,840 238,590	149,181 156,447	77% 66%		194,840 238,590		148,819 241,039	173,356 161,367	(24,175) (4,920)	-14% -3%
Gas Tax - Street Maintenance Revenue Expenditures	1,318,454 1,784,965	1,372,577 1,369,105	104% 77%		1,318,454 2,081,239		1,602,414 1,860,540	1,344,728 1,176,921	27,849 192,184	2% 16%
Heron Bay Maintenance Revenue Expenditure	323,440 474,483	183,541 185,157	57% 39%		323,440 586,292		323,440 321,908	294,576 133,530	(111,035) 51,627	-38% 39%
Housing Services Revenue Expenditure	1,119,586 1,116,752	431,336 454,171	39% 41%		1,119,586 1,748,450		1,060,164 1,059,626	942,154 715,636	(510,818) (261,465)	-54% -37%
Business Improvement District Revenue Expenditure	341,000 365,000	318,098 153,284	93% 42%		341,000 365,000		353,060 365,000	226,465 140,800	91,633 12,484	40% 9%
Public Education & Government Access Revenue Expenditure	150,000 150,000	180,907 40,998	121% 27%		150,000 150,000		7,000 28,625	80,791 0	100,116 40,998	124% N/A