



## Legislation Text

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Staff Report for the 2012-13 Year-End Preliminary Budget Review

### SUMMARY AND RECOMMENDATION

This report provides an update on the 2012-13 budget performance for all City funds through June 30, 2013 and unaudited year-end results for the General Fund and the City's other operating funds. This report is for information only, and no action is required.

### BACKGROUND

The City Council adopted the 2012-13 budget on June 4, 2012. As reported to the City Council in May 2013, revised revenue and expenditure projections at the third quarter showed a \$1.8 million improvement to the original forecast. Unaudited results now indicate a \$3.2 million increase to the General Fund undesignated fund balance as compared to the original estimate of a \$1.0 million shortfall.

Economic conditions indicate recovery despite 8.9% statewide unemployment. The statewide median single family home price is \$441,000, an increase of 28% over the prior year. San Leandro's fiscal conditions have improved over original projections, the City's unemployment rate is 7.4% and the median home price is \$400,000, a 32% increase over the prior year according to Trulia.com. Lower mortgage rates have spurred investments in housing. The improving housing market, which represents 63% of the City's tax roll, resulted in a 4.9% increase in assessed value in Fiscal Year 12-13. Lower interest rates have also boosted purchases of large ticket items, such as automobiles and home improvements, which boosted sales tax revenue by 11% in the City.

### DISCUSSION

The report provides the City Council with a summary of revenues and expenses through June 30, 2013, including modified year-end projections, with the books closed but prior to the completion of the audited financial statements.

Now that most of the major revenues for the fiscal year have been received and expenditures appropriately charged to last year have been posted, the Finance Department is better able to analyze year-to-date trends and year-end projections. Below is an analysis of revenues and expenditures for the General Fund and other key operating funds.

#### General Fund Revenue

As previously reported to the City Council, staff can report some positive net revenue adjustments based on actual receipts. In total, year-end projections indicate a net increase of General Fund revenues over the Adopted Budget projections of about \$4.9 million, primarily due to the receipt of an additional \$2.7 million in sales tax and \$600,000 in property tax. The City also received a refund from Alameda County for property tax assessment fees in the amount of \$548,000. **Please refer to Table 1 on the attached document.**

**Property Tax (+\$628,000)** Property tax revenues increased in 2012-13 as a direct result of the elimination of the Redevelopment Agency and the corresponding increase in property tax revenue (partially offsetting the loss of Tax Increment revenue) to the City. Information from the County Assessor indicated net land, improvements and personal property value growth as of April 2012 to be

about 5%.

**Sales Tax (+\$2,700,000)** Sales tax represents San Leandro's largest General Fund revenue source. The overall sales tax growth for 2012-13 was estimated at approximately 3.3%. Half of this was attributed to sales tax revenue generated by Measure Z - assumed to be about \$3.8 million per year. Therefore, staff is now adjusting Sales Tax projections for the current year to \$26.6 million (11%). This reflects a \$2.7 million increase over the original estimate of \$23.9 million. Measure Z represents \$4.3 million of the total sales tax revenue received.

**Utility Users Tax (UUT) (-\$212,000) 911 Tax & Other Taxes (+\$639,000)** UUT revenues are comprised of taxes on energy and cable/telecom usage. Revenues for 2012-13 are \$212,000 under the adopted revenue projections. Other revenues at year end include: a decrease of \$77,000 in the 911 Tax, an increase of \$303,000 in franchise fees, an increase of \$130,000 in Business License Fees, and an increase of \$437,000 in property transfer tax.

### General Fund Expenditures

The adopted General Fund expenditure budget totals \$76.1 million. The 2012-13 Adjusted Budget totals \$78.2 million and represents a \$2.1 million increase over the Adopted Budget due to encumbrance carryovers from the prior fiscal year (funded by dedicated fund balance), and one time Council approved items from unanticipated savings at the end of 2011-12. **Year-end activity by department is summarized on Table 2 of the attached document.**

*Unaudited payroll is 99.53% of budgeted payroll, an overall savings of \$167,000.*

### Summary of Year-End Expenditures

- Total net increase over the Adjusted Budget of \$996,000.
- Non-Departmental reflects the accrual of the repayment of the \$2.3 million Redevelopment loan to be made to Alameda County in 2013-14. \$2.1 million of the loan repayment is funded by a fund designation set up in 2010-11.
- Overall departmental savings totals \$1.3 million.

### General Fund Year-End Summary

The 2012-13 year-end forecast for the General Fund has improved over the Adopted Budget, largely due to an increase in projected revenues. Revised projections for 2012-13 reflect an operating increase in fund balance of \$3.2 million and a decrease in the RDA - Plaza Project Loan designation of \$2.1 million due to the dissolution of the Redevelopment Agency and the rejection of the loan repayment from the Department of Finance. Overall, staff projects a net fund balance in the General Fund of about \$15.1 million, an improvement of \$293,000 over Adopted Budget projections. **Please refer to Table 3 on the attached document.**

### All Other Funds

In addition to the City's General Fund, City operations are supported by a number of other funds. Projected savings and budget modifications are all reflected in the estimated ending fund balances. **Please refer to Table 4 in the attached document.**

- The Parking Fund decreased \$51,000 due to the construction of the Parking Garage which opened in November 2012. Staff continues to monitor revenues and expenditures in the Parking Fund.
- The Gas Tax - Operations Fund decreased \$489,000 due to the reduction of Gas Tax revenues and increasing construction costs.
- The Self Insurance Fund decreased \$732,000 due to the ICFG settlement payment of \$2.3 million.

#### CONCLUSION

This report provides an update on the 2012-13 budget performance and unaudited results for the General Fund and the City's other operating funds. Better than expected sales tax, property tax and other revenue were the primary drivers in producing a positive budget balance.

Staff will present recommendations for designating portions of fund balance with the first quarter report, expected next month.

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