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Sponsors: David Baum
Finance Director

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Staff Report for the Quarterly Financial Report as of September 30, 2013 for the 2013-14 General Fund, Special Revenue Funds, and Enterprise Funds Budget

SUMMARY AND RECOMMENDATION

Staff recommends that the City Council review and accept this staff report for the Quarterly Financial Report as of September 30, 2013 for the 2013-14 General Fund, Special Revenue Funds, and Enterprise Funds Budget.

BACKGROUND

The City Council-approved 2013-14 General Fund, Special Revenue Funds, and Enterprise 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 September 30, 2013 provides the first quarterly budget update to the City Council for the new fiscal year. Analysis of the revenues collected and all expenditures through September 30, 2013 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 2013-14 Quarterly Financial Report as of September 30, 2013 provides the revenue and expenditure summary for the General Fund, Special Revenue Funds, Enterprise Funds, and Internal Service Funds. The following discussion focuses on variances from the revenue and expenditure plans and allocations contemplated in the adopted 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. Projected 2013-14 General Fund expenditures total \$80.3 million. Expected revenues of \$79.5 million, including interdepartmental fund transfers, finance the anticipated expenditures.

The budget was approved with the operating revenues and expenditures and the use of reserves of \$1.1 million. Revenue data from only a fiscal year's first quarter is not a clear indicator for year-end actual revenue. Total revenue for the first quarter of 2012-13 was 11% of the budget, slightly higher than the percentage at the same time last year. 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.

General Fund Revenue

- **Property Tax** (3% of budget compared to 3% in 2012-13)-The current year's budget for property tax revenue is \$854,000 greater than budgeted in 2012-13. The first payment of property tax from the secured roll by Alameda County will occur about December 15, 2013.
- **Sales Tax** (9% of budget compared to 9% in 2012-13)-The current year's budget for sales tax revenue is \$3.2 million more than budgeted in the 2012-13. Anticipated revenue from approval of Measure Z represents \$4.3 million of the total sales tax estimate. First quarter revenue earned reflects an overall increase of \$390,000 primarily due to an increase in the final sales quarter from Fiscal Year 2012-13 received in September 2013.
- **Utility Users Tax** (15% of budget compared to 15% in 2012-13)- A slight increase of \$66,000 in UUT receipts is expected in 2013-14.
- **Property Transfer Tax** (11% of budget compared to 9% in 2012-13)-This quarter's revenue has increased by \$63,000 compared to 2012-13. An equal number of months covered in the two years, with an apparent increase in the valuation of property transfers reported by Alameda County in 2013-14 is the primary reason for the slight increase.
- **Licenses & Permits** (36% of budget compared to 25% in 2012-13)-License & Permits revenues reflects high value building permits issued for various construction projects including the construction of the new Preferred Freezer warehouse.

General Fund Expenditures

- **Fire** (17% of budget compared to 17% in 2012-13)-The current year's Fire contract increased by \$554,000 or 3%. First quarter expenditures include \$100,000 for Utilities and Internal Service Fund charges.
- **Public Works** (25% of budget compared to 22% in 2012-13) -Current year expenditures show increases in the first quarter expenditures by \$192,000 due to increased costs for utilities and the filling of positions that were vacant in 2012-13.
- **Community Development** (23% of budget compared to 22% in 2012-13) - Current year expenditures include project costs for Business Development that were previously funded with Redevelopment Tax Increment revenue.
- **Non-Departmental** (49% of budget compared to 17% in 2012-13) -The Non-Departmental Budget for 2013-14 was reduced by \$700,000 to reflect vacancy savings to balance the budget. Actual expenditures were just \$13,000 higher than last fiscal year. The Non-Departmental Budget will be adjusted as salary savings occur during the remainder of the year.
- **Debt Service (12% of budget compared to 13% last fiscal year.** - Debt service will decline in FY 13-14, due to the refinancing of the City's debt in March 2013.
- **Other/Transfers** (1% of budget compared to 218% in 2012-13) -The decrease in transfers of \$552,000 reflects a first quarter transfer made in 2012-13 for Facility Repairs from unanticipated revenue increases in 2011-12.

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** (42% of budget compared to 33% in 2012-13)-Expenditure increases in the first quarter are primarily due to the Water Pollution Control Plant expansion project.
- **Insurance Services** (22% of budget compared to 98% in 2012-13) -Expenditures decreased by \$2.3 million in 2013-14 due to a settlement payment made to ICFG for \$2.3 million in the first quarter of 2012-13.

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

- **Housing Services Funds** (29% of budget compared to 11% in 2012-13) - Expenditures increased in the first quarter of 2013-14 due to the timing of the payment for the HUD 108 Senior Center Loan.
- **Public Education & Government Fund** (148% of budget compared to 2% in 2012-13) - Expenditures reflect a higher percentage to adopted budget due to the project related to the recording of City Council meetings.

ATTACHMENTS

- Quarterly Financial Report for period ending September 30, 2013

PREPARED BY: David Baum, Finance Director, Finance Department