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Staff Report for a MOTION to Adopt the 2019-2020 Mid-Year Financial Report as of December 31, 2019

SUMMARY AND RECOMMENDATIONS

MOTION to Adopt the 2019-2020 Mid-Year Financial Report as of December 31, 2019.

BACKGROUND

The City Council adopted the Fiscal Year 2019-2020 and 2020-2021 General Fund, Enterprise and Internal Service Funds, and the Parking Fund budgets on June 3, 2019. The approved budgets are the annual expenditure plan and resource allocation guiding and ensuring implementation of City Council policies and priorities. The budget implements the vision and direction for the broad range of services meeting the needs of the community in accordance with City Council policy.

This financial review as of December 31, 2019 provides the mid-year budget update to the City Council for the current fiscal year. Analysis of the revenues collected and all expenditures through December 31, 2019 measures operational adherence to the budgetary allocation plan.

DISCUSSION

The amended budget incorporates estimated revenues and planned expenditures for all funds. The attached 2019-2020 Mid-Year Financial Report as of December 31, 2019 provides the revenue and expenditure summary for the General Fund, Enterprise and Internal Service Funds, and the Parking Fund. The following detailed discussion offers comparisons to the prior year and focuses on variances from the revenue and expenditure plans and allocations contemplated in the budget.

General Fund

The General Fund finances the operations of the City having no special or dedicated revenue sources and pays for basic municipal services. The amended 2019-2020 General Fund budget projects revenues totaling \$116,868,000 and expenditures totaling \$121,298,000, which includes purchase order carryover balances from 2018-2019 and City Council approved budget amendments.

Mid-year revenue in 2019-2020 totals 37% of the adopted budget, compared to 39% in 2018-2019. Expenditures of \$48,928,000 at mid-year amount to 40% of the anticipated total, compared to 39% in 2018-2019. Both revenues and expenditures are generally in line with the prior year and expenditures are expected to significantly stay within budget appropriations. Nevertheless, expenditures will continue to be closely monitored throughout the year.

A detailed review of revenue and expenditure variances is presented below.

General Fund Revenue

- **Property Tax**-(44% of anticipated revenue in the adopted budget has been collected, compared to 49% in 2018-2019). Property Tax is the City's second largest revenue source and 10% of total General Fund revenue. Secured Tax and Redevelopment Residual Property Tax revenues make up 75% of the City's annual Property Tax revenue. Actual Secured Tax revenue amounts to \$6,433,200 to date in 2019-2020, \$268,000 more than the same period in 2018-2019. Alameda County will distribute the first payment of the Redevelopment Residual early in 2020 (\$1,532,000 recorded on January 3, 2020) and the second payment of Secured Tax will be in April 2020.
- **Sales/Transaction Taxes**-(32% of anticipated revenue in the adopted budget has been collected compared to 34% in 2018-2019). Sales/Transaction Tax is budgeted in 2019-2020 at \$2,121,000 above the 2018-2019 budget of \$42,900,000. Revenues are \$498,000 behind (1%) the same period last year. Avenu Insights, the City's sales tax advisor, projects the City will receive the budgeted revenue by June 30, 2020. Sales and Transaction Taxes are the City's largest revenue source and are 44% of total General Fund tax revenue.
- **Utility Users Tax**-(36% of anticipated revenue in the adopted budget has been collected compared to 33% in 2018-2019). Utility Users Tax budgeted revenue is \$542,000 less (0.5%) than budgeted in 2018-2019. This decrease relates to residents' electricity and gas usage. Actual Utility Tax revenue to date in 2019-2020 amounts to \$3,834,000, \$113,000 more than the same period in 2018-19.
- **Property Transfer Tax**-(29% of anticipated revenue in the adopted budget has been collected compared to 63% in 2018-2019). Property Transfer tax in 2019-2020 is budgeted at \$1,000,000 above the 2018-2019 budget of \$4,000,000. Revenues are \$1,061,000 behind the same period last year. In October 2018, the sale of two commercial properties of extraordinary value significantly increased 2018-2019 tax receipts at mid-year.
- **Business License Tax**-(15% of anticipated revenue in the adopted budget has been collected compared to 10% in 2018-2019). Annual business license renewals become due on February 1. A significant portion of business license revenue is received in the third quarter of the fiscal year.
- **Interest & Property Income**-(126% of anticipated revenue in the adopted budget has been collected compared to 78% in 2018-2019). The budget for Interest Income is \$450,000 higher compared to 2018-2019. Revenues are \$1,359,500 greater than in the same period last year. The total actual interest income recorded in 2018-2019 amounted to \$1,344,000. Between July 1, 2018 and July 1, 2019, the City's investment portfolio increased by 30%, to a total of \$171 million. Over the same period, the rates of return for LAIF and the Chandler managed

funds increased by 25%.

- **License & Permits**-(57% of anticipated revenue in the adopted budget has been collected compared to 69% in 2018-2019). Licenses & Permits budgeted revenue is \$1,290,000 higher compared to 2018-2019. Revenues are \$566,200 greater than in the same period last year largely due to the level of service provided by the Building division.

As reported in the attached Mid-Year Financial Report, all other taxes and revenue receipts are relatively in line with budgeted revenues. The third quarter report will show a closer estimate to what the year-end results will reflect.

General Fund Expenditures

- **General Fund, Total Expenditures**-(40% of budget compared to 39% in 2018-2019). Mid-year expenditures were \$48,928,000, 40% of the budget of \$121,298,000. Year over year General Fund expenditures increased by \$1,400,000. Every departments' expenditures remain less than one-half of its budget appropriation. Over the past five-years, an average of 40% of the annual budget appropriation has been expended by December 31.

Enterprise, Internal Service Funds, and Parking Fund

Four Enterprise Funds make up the City's business-type operations. The Water Pollution Control Plant Fund, the Environmental Services Fund, the 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 Internal Service Funds. The Parking Fund provides for parking meter and parking lot operations and maintenance at the Downtown Parking Structure and has been restructured in the last year in order to bring expenditures in line with annual revenues.

- **Insurance Services, Revenue**-(50% of budget compared to 39% in 2018-2019). Insurance Services budgeted revenue (department allocations) is unchanged from 2018-19. Both department allocations increased, and the General Fund transfer decreased by \$1,000,000 in 2019-2020. Higher revenue in 2019-2020 reflects the increase in department allocations compared to 2018-2019.
- **Equipment Maintenance, Revenue**-(49% of budget compared to 53% in 2018-2019). Equipment Maintenance budgeted revenue (department allocations) is \$1,232,000 less compared to 2018-2019. Department allocations decreased based on fewer vehicle purchases and replacements scheduled in 2019-2020.
- **Parking Fund, Revenue/Expenditures**-(74% and 35% of budget compared to 49% and 25% in 2018-2019). Parking Fund budgeted revenue is \$263,000 higher compared to 2018-19. Revenues are \$132,000 greater than in the same period last year. Parking meter receipts have increased, and parking violation fines are now recorded in the Parking Fund.

ATTACHMENTS

2019-20 Mid-Year Financial Report as of December 31, 2019.

PREPARED BY

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