



# Quarterly Financial Report

## Mid-Year Budget Report for Fiscal Year 2015-16

### OVERVIEW

This report summarizes the City's overall budget status for the fiscal year through December 31, 2015. Except as noted below, revenues and operating expenditures are generally on target based on the updated budget for the Mid-Year.

**Adjusted Budgets:** The budget numbers reflected in this report include the adjustments for carryovers and City Council approved budget amendments.

### GENERAL FUND

With 50% of the year complete, General Fund revenues are lower than at the same time as the prior year at 45% (the majority of this decrease is due to the Triple Flip "unwind" and a lower payment in Business License revenue, both decreases are explained in more detail on the following page) and expenditures are on track at 49%.

General Fund Balance	Budget	YTD Actual	%
Revenues	\$40,564,105	\$18,368,789	45%
Revenue – Carryovers & One-time	704,349		
Total Revenues	41,268,454		
Total Expenditures	41,268,454	\$20,173,913	49%

**Revenues:** The majority of General Fund revenue comes from taxes in six different categories. Property Tax, Sales Tax, Transient Occupancy Tax (TOT), Motor Vehicle License Fees (VLF), Regulatory (Cardroom) Fee, and Business Tax account for 68% of the General Fund revenue. When comparing actual revenues received to the prior year, current fiscal year revenues are down 4% or \$734,345 (see table on following page).

Any significant variances are noted on the next page.

### Mid-Year – Current Fiscal Year

Revenues	Current Budget	YTD Actual	%
Property Tax	\$ 7,966,000	\$ 4,312,754	54%
Sales Tax	8,113,031	2,017,402	25%
TOT	3,069,097	1,522,872	50%
Motor Vehicle License Fees	3,915,000	2,017,245	52%
Regulatory Fee	1,737,283	867,848	50%
Business Tax	2,973,000	1,866,329	63%
Franchise Fees	1,891,133	717,559	38%
Use of Money & Property	1,445,801	741,591	51%
Allocations & Other Revenues	3,657,223	1,665,199	46%
Departmental Revenues	5,796,537	2,639,990	46%
<b>Total</b>	<b>\$ 40,564,105</b>	<b>\$ 18,368,789</b>	<b>45%</b>

### Mid-Year - Prior Fiscal Year

Revenues	Amended Budget	YTD Actual	%
Property Tax	\$ 7,363,565	\$ 4,067,495	55%
Sales Tax	7,670,911	2,835,338	37%
TOT	2,500,000	1,417,151	57%
Motor Vehicle License Fees	3,400,000	1,891,571	56%
Regulatory Fee	1,685,962	847,290	50%
Business Tax	3,204,640	2,365,387	74%
Franchise Fees	1,800,444	716,608	40%
Use of Money & Property	1,431,399	834,850	58%
Allocations & Other Revenues	3,213,420	1,519,389	47%
Departmental Revenues	5,329,638	2,608,055	49%
<b>Total</b>	<b>\$ 37,599,979</b>	<b>\$ 19,103,134</b>	<b>51%</b>

By comparing the YTD prior year revenue to the current YTD revenue we can see an overall decrease of 4% as shown on the table below.

**Comparison of Actual YTD Revenue to Prior YTD Revenue**

Revenues	YTD Actual	YTD Prior Year	Increase/Decrease	%
Property Tax	\$ 4,312,754	\$ 4,067,495	\$ 245,259	6%
Sales Tax	2,017,402	2,835,338	(817,936)	-29%
TOT	1,522,872	1,417,151	105,721	7%
Motor Vehicle License Fees	2,017,245	1,891,571	125,674	0%
Regulatory Fee	867,848	847,290	20,558	2%
Business Tax	1,866,329	2,365,387	(499,058)	-21%
Franchise Fees	717,559	716,608	951	0%
Use of Money & Property	741,591	834,850	(93,259)	-11%
Allocations & Other Revenues	1,665,199	1,519,389	145,810	10%
Departmental Revenues	2,639,990	2,608,055	31,935	1%
<b>Total</b>	<b>\$ 18,368,789</b>	<b>\$ 19,103,134</b>	<b>\$ (734,345)</b>	<b>-4%</b>

- Property Tax** – The City receives the majority of its property tax revenue in December and April. This revenue is showing an increase of \$245,259 when compared to the prior year and is at 54%. Staff is recommending increasing this budget by **\$300,000**.
- Sales Tax** - Sales tax is showing a decline of \$817,936 when compared to the prior year. Approximately \$700,000 of this decrease is due to a timing difference related to the end of the Triple Flip. On July 1, 2004 the Triple Flip was established to create a dedicated revenue stream for the State issued Economic Recovery Bonds. The Triple Flip decreased the local rate from 1 percent to .75 percent. The remaining .25 percent was replaced by property taxes and was received in December and April of each year. Beginning on January 1, 2016 the City will once again be receiving the full 1 percent local rate.

As part of the Triple Flip “unwind”, the City received a partial payment of \$206,000 in December and will receive a final true-up payment of approximately \$1.2 million at the end of the fiscal year. Staff will continue to monitor this revenue source to determine if an adjustment should be made in the Third Quarter Report.

Sales tax is less than 50% due to only receiving four months of revenue at mid-year. There is a

two month lag time in the receipt of this revenue source.

- Transient Occupancy Tax (TOT)** – This revenue source is showing an increase of \$105,721 or 7% over the prior year. TOT revenue reflected in this report covers the months of July through November, December’s TOT is received in January. With only five months of revenue received, this line item is at 50% of budget. Staff is recommending that this revenue budget be increased by **\$100,000**.
- Business Tax** – Business taxes are billed and paid at the beginning of the fiscal year, which explains the high percentage received year-to-date. This revenue is lower than the prior year by \$499,058 due to a lower payment received from one of the City’s larger businesses. Staff is recommending that this line item be decreased by **\$400,000** at this time and will evaluate if an additional decrease will be needed in the Third Quarter Report.
- Use of Money and Property** – Use of Money and Property consists of interest earnings from the City’s investments and property rentals. The decrease in this revenue is due to the reduction in the Cable equity transfer allocation and lower investment earnings.

**Expenditures:** Operating costs are on target for the Mid-Year as summarized by type below:

Expenditures by Type	Budget	YTD Actual	%
Salaries and Benefits	\$ 30,209,942	\$ 14,957,885	50%
Supplies and Materials	4,616,869	2,243,417	49%
Other Charges	4,773,844	2,125,967	45%
Capital Purchases	1,227,212	626,354	51%
Debt Service and Trans	440,587	220,290	50%
<b>Total</b>	<b>\$ 41,268,454</b>	<b>\$ 20,173,913</b>	<b>49%</b>

The key variance “by type” is in Other Charges (shown above).

- Other Charges are lower than budget due to payments for Fire Shared Services are paid on a quarterly (Central County Fire Department) and annual (City of Millbrae) basis. The second quarter invoice from CCFD was received in

the third quarter. The final invoice from the City of Millbrae has not been received. On November 24, 2015, the City Council approved the appointment of an interim Fire Chief and interim Battalion Chief. Staff has reallocated the budget of \$146,697 from “other charges” to “part-time salaries” to accurately reflect budget to actual expenditures.

Departmental operating expenditures are also on target as summarized by the following:

Expenditures by Department	Budget	YTD Actual	%
City Council	\$ 178,024	\$ 74,007	42%
City Clerk	292,782	119,414	41%
City Treasurer	78,815	36,398	46%
City Attorney	452,547	170,924	38%
City Manager	942,724	391,845	42%
Human Resources	457,854	111,335	24%
Finance	2,045,012	879,960	43%
Police	15,705,587	8,140,991	52%
Fire	9,714,972	4,963,540	51%
Public Services	3,256,275	1,610,650	49%
Community Development	3,106,939	1,372,685	44%
Community Services	7,862,602	3,830,825	49%
Non-Departmental	(2,825,679)	(1,528,661)	54%
<b>Total</b>	<b>\$ 41,268,454</b>	<b>\$ 20,173,913</b>	<b>49%</b>

Both the City Attorney and Human Resources department are below 50% due to staffing vacancies. Overall departments are at 49% at December 31, 2015.

**ENTERPRISE FUNDS**

Fund	Revenue Budget	Revenue Actuals	%	Expenditure Budget	Expenditure Actuals	%
Water Fund	\$ 13,732,268	\$ 6,402,288	47%	\$ 25,119,062	\$ 9,354,210	37%
Wastewater Fund	15,820,430	7,424,360	47%	26,754,518	6,190,302	23%
Stormwater Fund	903,500	340,452	38%	1,555,848	308,809	20%
Cable Fund	10,584,058	4,571,580	43%	12,547,997	4,725,972	38%

**Water Fund:** The Water Fund reports an unrestricted net position of \$13,587,056 at the beginning of fiscal year 2015-16. Of this balance, \$11,386,794 is allocated for budgeted CIP projects. Current expenditures (Operating and CIP) at Mid-Year equals \$9,354,210 or 37% of budget. This is below 50% because CIP projects are in various stages of completion. The estimated ending fund balance in this Fund is \$2,200,262.

**Wastewater Fund:** The Wastewater Fund ended the 2014-15 fiscal year with an unrestricted net position of

\$11,745,080. A large portion of this balance, \$10,934,088, is allocated for budgeted CIP projects. At Mid-Year total expenditures are \$6,190,302 or 23% of budget. This is below 50% because CIP projects are in various stages of completion. The estimated ending fund balance for the Wastewater Fund is \$810,992.

**Stormwater Fund:** Stormwater fees are collected through the County property tax roll and received in December and April. Current expenditures at Mid-Year are \$308,809 or 20% of budget. Revenues are below 50% of budget but are outpacing expenditures by approximately \$32,000.

**Cable Fund:** The Cable Fund has a beginning unrestricted net position of (\$7,966,603). Revenues are below 50% due to the approved rate increase not taking effect until September. The budget was prepared with the assumption that the increase would take effect on July 1, 2015. With 50% of the year complete, expenditures are at 38%. On February 9, 2016, a study session was held to discuss the status of the Cable Fund. Council directed staff to reduce the amount of the franchise fee that is paid to the General Fund in the fiscal year 2016-17 Budget, to bring a proposed rate increase with an effective date of July 1, 2016 to the City Council for approval, and gradually reduce the equity transfers over the next four years by \$200,000. In addition, staff is pursuing lease financing options for the upcoming purchase of Cable fiber to the home equipment and will be presenting this to the City Council in March for approval. These are the first steps in working towards building a positive fund balance in the Cable Fund.

**INTERNAL SERVICE FUNDS**

Internal Service Funds are used to account for the financing of goods and services provided by one department to other departments on a cost reimbursement basis. Revenues are transferred from the budgeted departments to the Internal Service Funds on a monthly basis therefore, the revenues in all Internal Service Funds are at 50% of budget.

<b>Expenditures by Fund</b>	<b>Budget</b>	<b>Actual</b>	<b>%</b>
Central Garage	\$ 657,852	\$ 269,599	41%
Facility Maintenance	1,239,698	547,847	44%
Technology	714,517	343,959	48%
Self-Insurance	1,988,353	1,784,979	90%

**Central Garage:** The beginning fund balance in the Central Garage Fund is \$552,445. With 50% of the year complete, current expenditures are \$269,599 or 41%.

**Facility Maintenance Fund:** This Fund ended the 2014-15 fiscal year with a fund balance of \$721,505. Expenditures for the Mid-Year equal \$547,847 or 44%. The estimated ending fund balance for this fund is \$636,505.

**Technology Development Fund:** This Fund reports a fund balance of \$156,079 at the beginning of fiscal year 2015-16. Mid-Year expenditures are \$343,959 which is 48% of budget. The estimated ending fund balance in this Fund is \$163,079.

**Self-Insurance Fund:** This Fund ended the 2014-15 fiscal year with a fund balance of (\$180,516). Expenditures at Mid-Year equal \$1,784,979 or 90%. This is above 50% due to the up-front payment of premium costs. The estimated ending fund balance is (\$140,516). Staff will continue to monitor this fund and determine if additional funding is available in the Third Quarter to address the negative fund balance.