Quarterly Financial Report

Third Quarter Financial Report for Fiscal Year 2015-16

OVERVIEW

This report summarizes the City's overall budget status for the fiscal year through March 31, 2016. Except as noted in this report, revenues and operating expenditures are generally on target based on the updated budget for the Third Quarter.

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

GENERAL FUND

With 75% of the year complete, actual General Fund revenues are at 63% of budget. While this percentage is 4% lower than the same time as the prior year the actual revenue received is higher by $301,450. This percentage difference continues to be due to a timing difference in Sales Tax payments related to the end of the triple flip as originally reported in the Mid-Year Budget Report. Expenditures are at 70%.

General Fund Balance	Budget	YTD Actual	%
Revenues	$40,564,105	$25,513,218	63%
Revenue – Carryovers & One-time	732,263		
Total Revenues	41,296,368		
Total Expenditures	41,379,715	$29,123,500	70%

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 up 1% or $301,450 (see table on following page).

Any significant variances are noted on the next page.

Third Quarter – Current Fiscal Year

Revenues	Current Budget	YTD Actual	%
Property Tax	$ 8,266,000	$ 5,346,115	65%
Sales Tax	8,113,031	3,554,334	44%
TOT	3,169,097	2,175,870	69%
Motor Vehicle License Fees	3,915,000	2,017,245	52%
Regulatory Fee	1,737,283	1,301,772	75%
Business Tax	2,573,000	2,138,777	83%
Franchise Fees	1,891,133	1,119,650	59%
Use of Money & Property	1,370,801	1,111,332	81%
Transfers in & Other Revenues	3,732,223	2,453,213	66%
Departmental Revenues	5,796,537	4,294,910	74%
Total	**$ 40,564,105**	**$ 25,513,218**	63%

Third Quarter - Prior Fiscal Year

Revenues	Amended Budget	YTD Actual	%
Property Tax	$ 7,363,565	$ 4,800,051	65%
Sales Tax	7,670,911	4,295,519	56%
TOT	2,500,000	2,049,630	82%
Motor Vehicle License Fees	3,400,000	1,891,571	56%
Regulatory Fee	1,685,962	1,270,935	75%
Business Tax	3,204,640	2,541,841	79%
Franchise Fees	1,800,444	1,099,083	61%
Use of Money & Property	1,431,399	1,132,955	79%
Transfers in & Other Revenues	3,213,420	2,240,936	70%
Departmental	5,404,638	3,889,247	72%
Total	**$ 37,674,979**	**$ 25,211,768**	67%

By comparing the YTD prior year revenue to the current YTD revenue we can see an overall increase of 1% 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	$ 5,346,115	$ 4,800,051	$ 546,064	11%
Sales Tax	3,554,334	4,295,519	(741,185)	-17%
TOT	2,175,870	2,049,630	126,240	6%
Motor Vehicle License Fees	2,017,245	1,891,571	125,674	7%
Regulatory Fee	1,301,772	1,270,935	30,837	2%
Business Tax	2,138,777	2,541,841	(403,064)	-16%
Franchise Fees	1,119,650	1,099,083	20,567	2%
Use of Money & Property	1,111,332	1,132,955	(21,623)	-2%
Transfers in & Other Revenues	2,453,213	2,240,936	212,277	9%
Departmental Revenues	4,294,910	3,889,247	405,663	10%
Total	**$ 25,513,218**	**$ 25,211,768**	**$ 301,450**	**1%**

- **Property Tax –** The City receives the majority of its property tax revenue in December and April. This revenue is showing an increase of $546,064 when compared to the prior year and is at 65% of budget. The majority of this increase is due to a continued increase in Supplemental Property Tax and Property Transfer Tax. These revenue sources reflect an increase in the sale of properties in San Bruno as they are based on property being reassessed due to a change of ownership and transfer of title.

- **Sales Tax** - Sales tax is showing a decline of $741,185 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. As part of the Triple Flip "unwind", the City received a partial payment of $206,000 in December compared to $893,000 that was received at the same time in the prior year. The City will receive a final true-up payment of approximately $1.2 million at the end of the fiscal year.

  Actual year-end sales tax is estimated to come in under budget, however, General Fund revenues as a whole are estimated to exceed the budget therefore no decrease in this revenue source is being requested in this report. Sales tax is less than 75% due to only receiving seven months of revenue at third quarter. 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 $126,240 or 6% over the prior year. TOT revenue shown in this report covers the months of July through February, March's TOT is received in April. With only eight months of revenue received, this line item is at 69% of budget.

- **Motor Vehicle License Fees (VLF)** – Motor Vehicle License Fees are up $125,674 or 7% when compared to the prior year. This revenue is based on property tax growth and is received in December and April.

- **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 $403,064 due to a lower payment received from one of the City's larger businesses. The budget for this revenue source was lowered by $400,000 in the Mid-Year Budget Report and is now in line with the estimated year-end revenue. This line item also includes Airport Parking Tax which is received on a quarterly basis. The Airport Parking Tax reflected in this report covers two quarters, the third quarter payment will be received in April.

- **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.

- **Transfers in & Other Revenues** – Transfers in and Other Revenues are up 9% or $212,277. This increase is due to an increase in transfers-in related to the City's cost allocation plan and a timing difference in recording the reimbursement from the City of San Bruno Successor Agency for administration costs.

- **Departmental Revenues** – Departmental Revenues are up 10% or $405,663 compared to the prior year. This is due to an increase in development related revenues and fire strike team reimbursements for assistance with the Rocky and Butte wild fires.

City Council Approved Budget Adjustments: The City Council approved the following increase in General Fund appropriations:

- February 9, 2016 - $30,000 for the purchase of a Fire Chief vehicle
- March 22, 2016 - $81,262 for the Appeal of the FEMA San Francisco Bay Coastal Study results

Expenditures: Operating costs are on target for the Third Quarter as summarized by type below:

Expenditures by Type	Budget	YTD Actual	%
Salaries and Benefits	$ 30,209,942	$ 21,615,871	72%
Supplies and Materials	4,728,130	3,287,235	70%
Other Charges	4,773,844	2,969,677	62%
Capital Purchases	1,227,212	920,282	75%
Debt Service and Trans	440,587	330,435	75%
Total	**$ 41,379,715**	**$ 29,123,500**	**70%**

The key variance "by type" is in Other Charges (shown above). Other Charges continue to be lower than budget due to not receiving the final invoice from the City of Millbrae for shared fire services and the City received the invoice from the County for election costs in April.

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

Expenditures by Department	Budget	YTD Actual	%
City Council	$ 178,024	$ 118,591	67%
City Clerk	292,782	178,408	61%
City Treasurer	78,815	53,342	68%
City Attorney	452,547	277,408	61%
City Manager	942,724	580,435	62%
Human Resources	457,854	194,457	42%
Finance	2,045,012	1,286,068	63%
Police	15,705,587	11,515,243	73%
Fire	9,744,972	7,125,362	73%
Public Services	3,337,536	2,425,390	73%
Community Development	3,106,939	2,055,528	66%
Community Services	7,849,602	5,621,602	72%
Non-Departmental	(2,812,679)	(2,308,334)	82%
Total	**$ 41,379,715**	**$ 29,123,500**	**70%**

The Human Resources department is at 42% due to staffing vacancies. Non-Departmental is over 75% due to an increase in credit cards fees. Overall departments are at 70% as of March 31, 2016.

ENTERPRISE FUNDS

Water Fund: Current expenditures (Operating and CIP) at Third Quarter equals $12,763,700 or 51% of budget. This is below 75% because CIP projects are in various stages of completion.

Wastewater Fund: At Third Quarter total expenditures are $9,070,385 or 34% of budget. This is below 75% because CIP projects are in various stages of completion.

Stormwater Fund: Stormwater fees are collected through the County property tax roll and received in December and April. Current expenditures at Third Quarter are $462,729 or 30% of budget.

Cable Fund: With 75% of the year complete, expenditures are at 58% or $7,268,164. Expenditures are below 75% because the Shelter Creek Fiber to the Home CIP project is not scheduled to begin until June of 2016.

Fund	Revenue Budget	Revenue Actuals	%	Expenditure Budget	Expenditure Actuals	%
Water	$ 13,732,268	$ 8,431,744	61%	$ 25,218,061	$ 12,763,700	51%
Wastewater	15,820,430	9,901,538	63%	26,754,518	9,070,385	34%
Stormwater	903,500	672,044	74%	1,555,848	462,729	30%
Cable	10,584,058	6,882,588	65%	12,547,997	7,268,164	58%

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 75% of budget.

Expenditures by Fund	Budget	Actual	%
Central Garage	$ 657,852	$ 382,186	58%
Facility Maintenance	1,239,698	870,294	70%
Technology	714,517	527,079	74%
Self-Insurance	1,988,353	1,987,450	100%