



Budget Report

Third Quarter – FY13/14

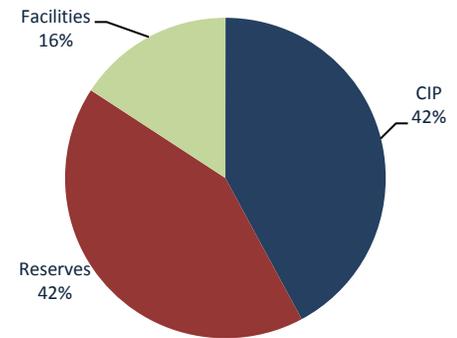
Overview:

This report summarizes the City's overall financial position for the current fiscal year through March 2014. All revenue and operating expenditure trends are generally on target with annual projections.

News and Information:

Projected FY 13/14 Fund Balance

The City is projecting an ending FY 13/14 General Fund balance of \$659,867. This positive fund balance is primarily the result of increased sales tax, transient occupancy tax, and property tax revenues. As part of the Fiscal Year 2014/15 Proposed Budget hearings, Council allocated \$475,000 of the fund balance to reserves, capital improvement projects, and a new Facilities Reserve Fund. The final allocation is provided in the corresponding chart.



Other Post Employment Benefit Trust (OPEB) Fund

In the FY 13/14 Adopted Budget, the City approved a \$30,000 appropriation to establish an OPEB Trust Fund and \$27,000 to fund current retiree health benefits. To establish the Trust, staff and the Finance Advisory reviewed three potential trust funds in conjunction with the City's most recent actuarial study. Trust funds considered included the California Employer's Retiree Benefit Trust (CERBT), Public Agency Retirement System (PARS), and the International City Manager's Association (ICMA) Trust Funds. After thorough analysis, the City chose the CERBT Fund, which is operated by the California Public Employees Retirement System (CalPERS). The City also elected to contribute an additional \$12,000 to the Trust, which would effectively reduce the City's long-term retiree health liability from \$1,011,800 to \$657,000.

General Fund:

The fiscal year is 75% complete. The General Fund revenues are 62% of the annual projections, while expenditures are at 73%. While it may appear that revenues aren't performing as projected, this pattern is consistent with prior years and the timing of key revenue receipts. In FY 13/14, increased performance in core revenues and the addition of two partial quarters of Measure O receipts have increased revenues by \$1,107,400 over the prior year. The City's expenditures are fairly consistent with the number of payrolls processed through March 31, 2014; while the amount of transfers reflect 60% of the Measure O and fund balance commitments to reserves and CIP. Additional details are providing in the remaining sections.

General Fund	Budgetary Comparison			Annual Comparison
	Amended Budget	YTD Transactions	Percent	Prior YTD
Beginning Fund Balance	746,836			
Revenues	\$ 14,344,014	\$ 8,879,651	62%	7,772,221
Expenditures	12,197,438	8,937,785	73%	8,527,418
Other Financing Uses - Transfers to Reserves/CIP	2,233,725	750,164	34%	-
FY13/14 Operating Difference	\$ (87,149)	\$ (808,298)		\$ (755,197)
Estimated Ending Fund Balance	\$ 659,687			

Key Revenues:

Revenue	Budgetary Comparison			Annual Comparison
	Amended Budget	YTD Transactions	% Used / Rec'd	Prior YTD
Taxes:				
Property Taxes	\$ 1,749,886	\$ 902,965	52%	\$ 874,046
Sales and Use Tax	7,220,605	4,159,975	58%	3,269,585
Document Transfer Tax	34,600	34,577	-	39,171
Business License Tax	280,000	275,263	98%	282,873
Franchise Tax	475,986	203,676	43%	216,759
TOT Tax	1,228,974	853,854	69%	715,408
Subtotal - Taxes	\$ 10,990,051	\$ 6,430,309	59%	\$ 5,397,843
Other:				
Licenses and permits	\$ 235,550	\$ 205,868	87%	\$ 198,763
Intergovernmental revenues	282,268	86,830	31%	133,191
Charges for services	1,999,500	1,590,294	80%	1,410,298
Fines and forfeitures	725,200	480,675	66%	443,614
Use of money & property	34,300	14,105	41%	14,642
Other revenues	77,145	71,570	93%	172,870
Other financing sources	-	-	0%	-
Extraordinary Items	-	-	0%	1,000
Subtotal - Other Revenues	3,353,963	2,449,342	73%	2,374,378
Total Revenues	\$ 14,344,014	\$ 8,879,651	62%	\$ 7,772,221

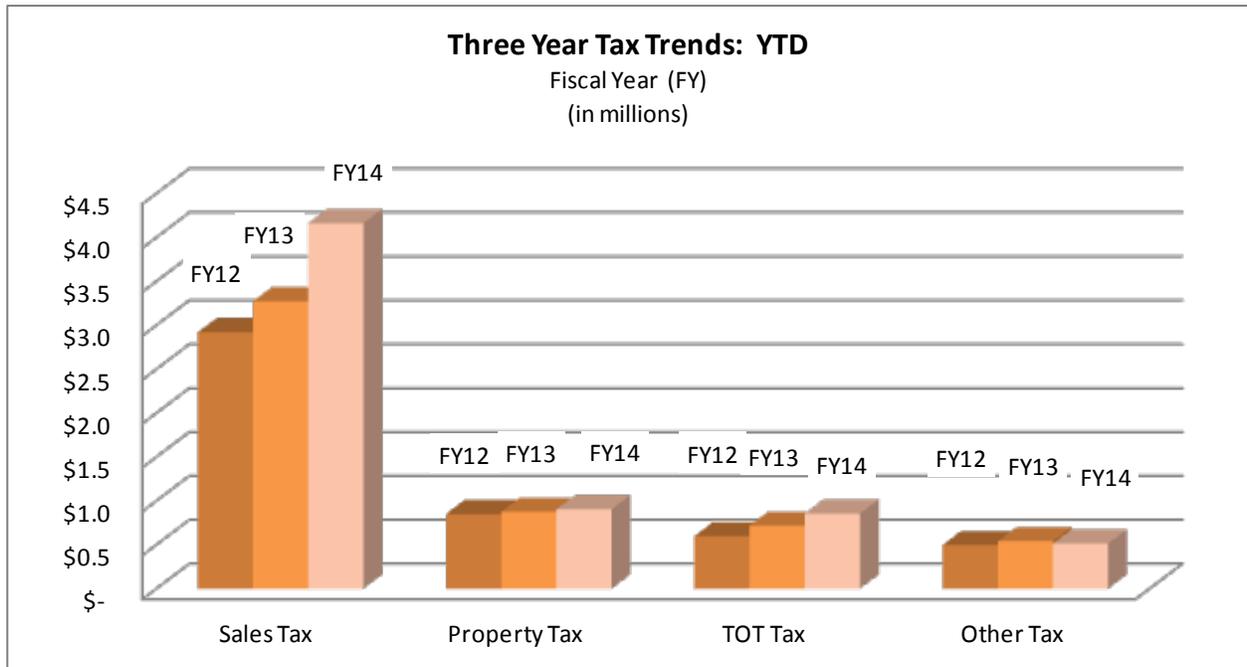
Taxes:

The City receives most taxes on alternate schedules; however revenue receipting patterns are consistent with prior years. Due to the timing of revenue receipts only 59% of tax revenues were received in the first three quarters of FY 13/14. This includes almost a full year of business license receipts; less than 27% of third quarter sales tax receipts; and 50% of the estimated property tax revenues. Sales tax receipts are approximately \$890,000 greater than the prior year. Approximately \$589,000 can be attributed to Measure O receipts, \$164,000 related to a greater than typical Triple Flip true-up; and \$137,000 due to general economic improvement. TOT year to date revenues are approximately \$138,000 or 19% greater than the prior year. This increase is primarily due to significant increases in the performance of two hotels, an extended warm weather season, and general economic improvement.

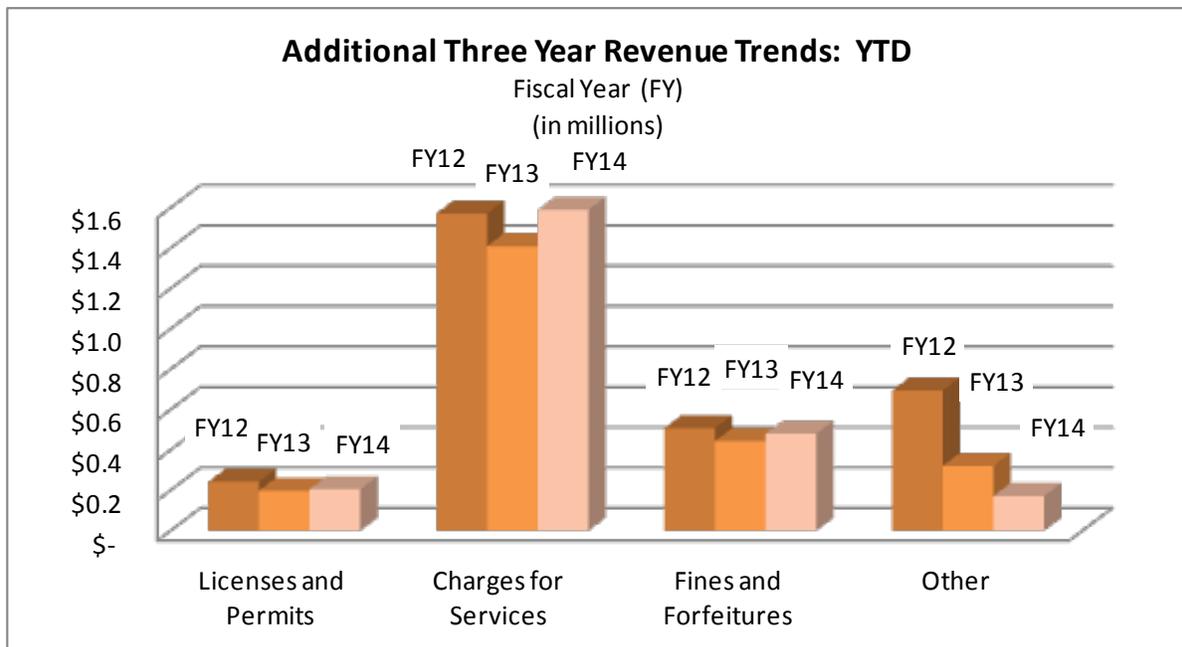
Charges for Services – An increase in recreation fees and the timing of classes resulted in a revenue growth of \$68,000. Due to the seasonality of major recreational programs, it may be difficult to project whether this trend will continue through the Fourth Quarter. Additional factors include a \$37,000 increase in parking meter revenues that could be attributed to increased tourism and general economic improvement; and \$54,000 in Community Development Planning fees which can be partially attributable to a large environmental impact review project.

Other – Intergovernmental Revenues related to grant funding are included in this category. The budgetary and annual comparative differences are primarily the result of the timing of grant billings and receipts. In the subsequent chart, the FY 13/14 amounts are less than the prior year due to a property tax administrative fee settlement of \$125,000. Further reductions of \$152,520 occurred in FY 11/12 due to the loss of interest revenue associated with the RDA dissolution and \$98,000 related to the closure of the Pacific Cove Mobile Home Park.

A chart providing three-year tax trend information is provided for reference:



Additional three-year revenue trend information is presented below:



Expenditures:

Expenditures by Category	Budgetary Comparison			Annual Comparison
	Amended Budget	YTD Transactions	% Used/ Rec'd	Prior YTD
Personnel	\$ 7,780,587	\$ 5,435,421	70%	5,060,142
Contract Services	2,645,689	1,802,981	68%	1,803,329
Training & Memberships	78,004	56,364	72%	55,270
Supplies	518,432	363,375	70%	322,052
Grants and Subsidies	254,270	127,670	50%	194,080
Capital Outlay	27,531	23,920	87%	-
Internal Service Fund Charges	892,925	669,694	75%	705,280
Other Financing Uses	2,233,725	1,208,524	54%	387,266
Fund Totals: General Fund	\$ 14,431,163	\$ 9,687,949	67%	\$ 8,527,418

Expenditures By Department	Budgetary Comparison			Annual Comparison
	Amended Budget	YTD Transactions	% Used/ Rec'd	Prior YTD
City Council	\$ 116,589	\$ 85,771	74%	\$ 79,687
City Manager	810,435	587,705	73%	589,413
Personnel	211,993	126,489	60%	121,310
City Attorney	195,000	135,168	69%	244,035
Finance	781,749	507,474	65%	464,774
Community Grants	254,270	127,670	50%	194,080
Public Safety	5,900,840	4,244,618	72%	4,091,292
Public Works	2,279,241	1,595,182	70%	1,360,210
Community Development & Building	687,877	429,947	63%	342,955
Culture and Leisure	959,444	639,402	67%	652,397
Transfers	2,233,725	1,208,524	54%	387,266
Expenditure Totals	\$ 14,431,163	\$ 9,687,949	67%	\$ 8,527,418

All expenditures are relatively consistent with the budget and prior year expenditures, with the exception of personnel costs, transfers, and City Attorney expenditures. The increased personnel costs are primarily due to prior year staffing vacancies in several positions; a FY 13/14 addition of a Measure O funded Maintenance Worker; and a 2.2% cost of living increase that became effective in January of 2014. The resolution of FY 13/14 litigation associated with Pacific Cove Mobile Home Park and disaster insurance recovery resulted in a \$100,000 reduction in City Attorney legal expenses.

The FY 13/14 third quarter transfers are approximately \$821,000 greater than the prior year. This is primarily related to \$750,000 in reserve and CIP transfers and a \$160,000 contribution to the Equipment and IT Funds.

Three year expenditure trend information by category is presented in the following chart.

