



City of Emeryville

C A L I F O R N I A

MEMORANDUM

DATE: December 18, 2018

TO: Christine Daniel, City Manager

FROM: Susan Hsieh, Finance Director

SUBJECT: Consideration of 1st Quarter Fiscal Year 2018-19 Financial Update

RECOMMENDATION

Staff recommends that the City Council review and accept the quarterly financial report for the period ended September 30, 2018. This report is for information only.

BACKGROUND

Quarterly financial reports are intended to update the City Council and the community on the City's financial condition. The Budget Advisory Committee reviews the City's General Fund revenues and expenditures on a regular basis.

Quarterly reports are on a cash basis, meaning only revenues received and expenditures paid by quarter-end are recorded. This report summarizes the City's General Fund financial performance for the quarter ended September 30, 2018, which represents the completion of 25% of the fiscal year. Revenue and expenditure data for the same period in fiscal year 2017-18 are shown for comparative purposes.

DISCUSSION

The General Fund is the general operating fund for the City. It is used to support the City's vital services and programs including police, fire, public works, development services (economic development, housing, planning, and building), community services, and general administrative services. The analysis below summarizes the significant revenue and expenditure variances. Note that budgets for certain revenue and expenditure categories will be adjusted based on more current financial data as part of the mid-year budget review.

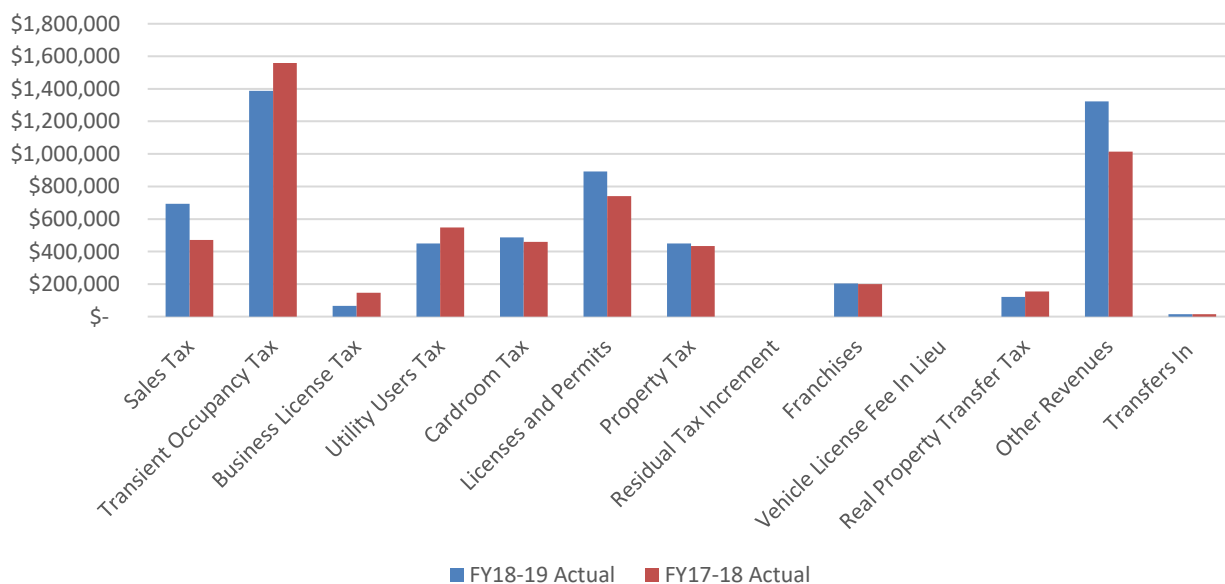
General Fund Revenues

General Fund revenues for the quarter ended September 30, 2018 totaled \$6.1 million, or 15%, of the \$41.4 million annual budget. Revenue is \$0.3 million higher than the same period last year primarily due to higher Sales Tax receipts of \$0.2 million, Licenses and Permits of \$0.1 million, and Other Revenues of \$0.3 million offset by lower Transient Occupancy Tax of \$0.2 million, Business License Tax of \$0.1 million, and Utility Users Tax of \$0.1 million.

Revenues by category are summarized as follows:

Revenues By Category	FY18-19 Budget	FY18-19 Actual	Actual vs. Budget Variance	% of Budget	FY17-18 Actual	FY18-19 vs FY17-18 Variance	
Sales Tax	\$ 8,298,755	\$ 692,715	\$ (7,606,040)	8%	\$ 470,624	\$ 222,091	47%
Transient Occupancy Tax	8,330,547	1,386,854	(6,943,693)	17%	1,558,747	(171,893)	-11%
Business License Tax	5,912,920	66,318	(5,846,602)	1%	146,877	(80,559)	-55%
Utility Users Tax	3,187,630	448,677	(2,738,953)	14%	547,333	(98,656)	-18%
Cardroom Tax	2,700,000	487,664	(2,212,336)	18%	459,313	28,351	6%
Licenses and Permits	2,475,802	892,518	(1,583,284)	36%	741,063	151,455	20%
Property Tax	2,532,615	448,969	(2,083,646)	18%	433,974	14,995	3%
Residual Tax Increment	1,490,944	-	(1,490,944)	0%	-	-	100%
Franchises	1,716,350	204,755	(1,511,595)	12%	200,797	3,958	2%
Vehicle License Fee In Lieu	888,066	-	(888,066)	0%	-	-	100%
Real Property Transfer Tax	1,252,451	122,066	(1,130,385)	10%	154,879	(32,813)	-21%
Other Revenues	2,507,019	1,322,979	(1,184,040)	53%	1,013,311	309,668	31%
Transfers In	61,500	15,375	(46,125)	25%	15,375	-	0%
Total	\$ 41,354,599	\$ 6,088,890	\$(35,265,709)	15%	\$ 5,742,292	\$ 346,597	6%

FISCAL YEAR TO DATE RECEIPTS THROUGH SEPTEMBER 30, 2018 AND SEPTEMBER 30, 2017



The City's top two revenue sources are Sales Tax and Transient Occupancy Tax, which represent about 40% of total General Fund revenues. The following are highlights of key revenue results:

Sales Tax: Sale Tax receipts of \$0.7 million are 8% of budget. Sale Tax receipts are \$0.2 million, or 47%, higher than prior year's receipts. The July 2018 advance from the state is higher than prior year's receipt contributing to the year-over-year variance. The August and September receipts will be included in the second quarter report.

Transient Occupancy Tax (TOT): TOT receipts of \$1.4 million through August 2018 are 17% of budget. TOT receipts are \$0.2 million lower than prior year's receipt of \$1.6 million due to the timing of one hotel's TOT remittance. Accounting for that remittance, current first quarter TOT receipts are on par with prior year's receipts.

Business License Tax: Business License Tax receipts are recorded when received. First quarter Business Licenses Tax receipts are \$66,000, \$81,000 lower than prior year, primarily due to timing of receipts.

Utility Users Tax (UUT): UUT receipts of \$0.4 million through August 2018 are \$0.1 million lower than prior year's receipts primarily due to the timing of remittances and lower than expected revenue. Staff will monitor the receipts closely and adjust the budget if necessary.

Cardroom Tax: Cardroom Tax receipts of \$0.5 million through August 2018 are 18% of budget and on par with prior year's receipts.

Licenses and Permits: Licenses and Permits revenue are derived primarily from the Planning & Building divisions including reimbursement/cost recovery income from development projects. First quarter receipts totaled \$0.9 million; 36% of budget. Compared to prior year's first quarter receipts, current year is \$0.1 million, or 20%, higher. The major project occurring in the first quarter was the Sherwin Williams development.

Property Tax and Residual Tax Increment: Property Tax receipts of \$0.4 million are on par with prior year's receipts. Please note that property tax payments are not evenly distributed throughout the year.

Other Revenues: Other revenues totaled \$1.3 million, \$0.3 million higher than prior year. This is primarily due to a market value adjustment. The unrealized investment loss recognized at the end of fiscal year 2017-18 was received in the first quarter resulting in a gain/revenue. This gain may be reduced/offset at the end of fiscal year 2018-19 if there is an unrealized investment loss. The City intends to hold its investments until maturity. Therefore, "realized" investment losses are not expected.

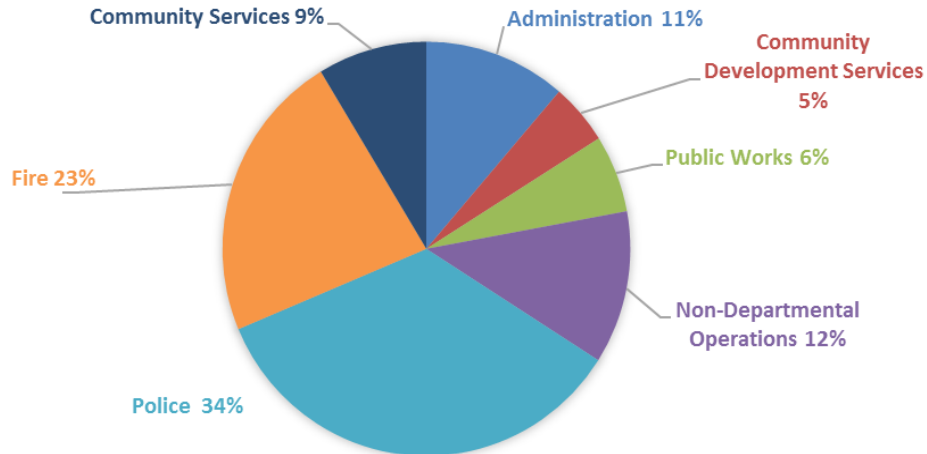
General Fund Expenditures

General Fund expenditures for the quarter ended September 30, 2018 totaled \$10.3 million, or 25%, of the \$41.4 million annual budget. First quarter actual is \$0.5 million, or 5%, higher than the same period last year primarily due to higher staffing costs of \$0.6 million and insurance of \$0.1 million offset by a decrease in operating transfers out of \$0.2 million. Year-to-date expenditures are within budget and are summarized by type and department below.

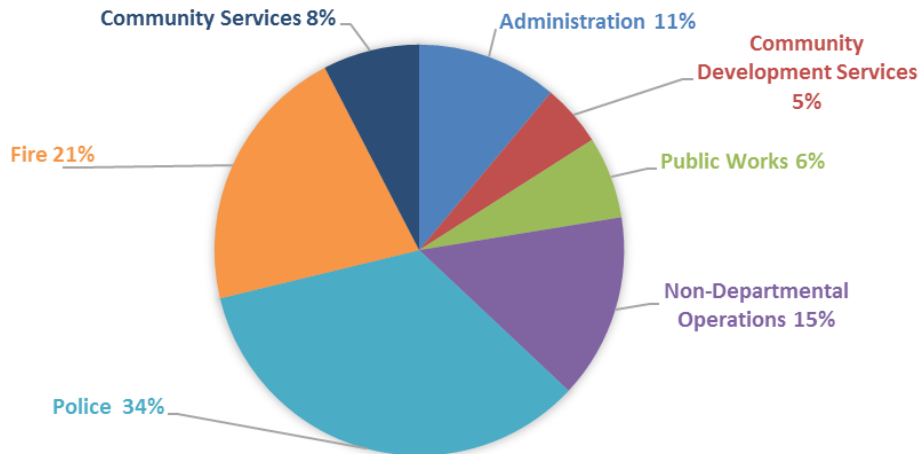
Expenditures By Type	FY18-19 Budget	FY18-19 YTD Actual	Budget vs. Actual Variance	% of Budget	FY17-18 YTD Actual	FY17-18 vs. FY18-19 Variance	
Staffing	\$ 22,614,320	\$ 7,041,461	\$ (15,572,859)	31%	\$ 6,443,800	\$ 597,661	9%
Contract Services	10,285,770	1,418,213	(8,867,557)	14%	1,474,853	(56,640)	-4%
Maintenance	2,629,845	460,250	(2,169,595)	18%	486,844	(26,594)	-5%
Supplies	885,347	158,700	(726,647)	18%	112,315	46,386	41%
Utilities	830,619	90,080	(740,539)	11%	93,790	(3,710)	-4%
Insurance	644,330	654,314	9,984	102%	542,604	111,710	21%
Education & Training	351,000	69,986	(281,014)	20%	43,951	26,035	59%
Advertising/Printing & Publication	161,140	14,265	(146,875)	9%	9,899	4,367	44%
Fees & Charges	65,300	-	(65,300)	0%	-	-	0%
Programs & Grants	127,630	28,222	(99,408)	22%	25,280	2,942	12%
Rental & Leases	377,750	22,105	(355,645)	6%	21,262	843	4%
Other	440,158	(1,174)	(441,332)	0%	(8,493)	7,319	-86%
Capital	11,000	-	(11,000)	0%	24,900	(24,900)	-100%
Transfers Out	1,930,390	390,677	(1,539,713)	20%	600,886	(210,209)	-35%
Total	\$ 41,354,599	\$ 10,347,099	\$ (31,007,500)	25%	\$ 9,871,888	\$ 475,211	5%

Expenditures By Department	FY18-19 Budget	FY18-19 YTD Actual	Budget vs. Actual Variance	% of Budget	FY17-18 YTD Actual	FY17-18 vs. FY18-19 Variance	
City Council	\$ 204,165	\$ 48,547	\$ (155,618)	24%	\$ 45,829	\$ 2,717	6%
City Manager	585,311	188,349	(396,962)	32%	196,861	(8,512)	-4%
City Clerk	597,809	131,152	(466,657)	22%	116,524	14,628	13%
Public Information Office	105,000	6,490	(98,510)	6%	8,423	(1,933)	-23%
City Attorney	594,487	140,778	(453,709)	24%	112,148	28,629	26%
Information Technology	754,533	190,540	(563,993)	25%	164,643	25,897	16%
Finance	1,213,766	266,690	(947,076)	22%	262,358	4,331	2%
Human Resources	755,880	195,187	(560,693)	26%	189,257	5,930	3%
Community Development Services	3,524,263	493,106	(3,031,157)	14%	481,835	11,271	2%
Public Works	3,410,389	624,818	(2,785,571)	18%	637,512	(12,694)	-2%
Non-Departmental Operations	4,179,839	1,236,658	(2,943,181)	30%	1,437,198	(200,540)	-14%
Police	13,730,172	3,582,461	(10,147,711)	26%	3,378,342	204,119	6%
Fire	8,397,406	2,345,879	(6,051,527)	28%	2,088,444	257,435	12%
Community Services	3,301,579	896,445	(2,405,134)	27%	752,515	143,931	19%
Total	\$ 41,354,599	\$ 10,347,099	\$ (31,007,500)	25%	\$ 9,871,888	\$ 475,211	5%

2018-19 FISCAL YEAR TO DATE EXPENDITURES BY DEPARTMENT



2017-18 FISCAL YEAR TO DATE EXPENDITURES BY DEPARTMENT



Note: Administration includes City Council, City Manager, City Clerk/PIO, City Attorney, IT, Finance and Human Resources.

Staffing costs were \$0.6 million, or 9%, higher than prior year primarily due to a payment to CalPERS for the fiscal year 2018-19 unfunded pension liability. The City elected to make a lump sum payment in July 2018 to achieve interest savings. Current year General Fund contribution totaled \$2.0 million, compared to \$1.6 million in prior year. Pension contributions are expected to continue to increase in future years.

Contract Services and Maintenance costs were on par with prior year's expenditures.

Supplies costs were 41% higher than prior year's expenditures primarily attributed to purchases incurred by the Police and Community Services Departments.

Utilities costs were on par with prior year's expenditures.

Insurance costs include the annual general liability insurance payment processed in July 2018. Premiums increased 21% or \$0.1 million over prior year primarily due to claims made throughout the insurance pool.

Other operating expenditures including education and training, advertising, printing, and publications, programs and grants, fees and charges, and contract obligations are cyclical in nature depending on program activities and timing of expenditures. Overall other operating expenditures were on par with prior year's expenditures. Please note that the budget for library services is included in the "other" expenditure category.

Rental and Leases include ECCL rental reimbursement. Revenues collected by the City will be remitted to the Emery Unified School District at year end. Expenditures are on par with prior year's expenditures.

Transfers Out were 35% lower compared to the same period last year primarily due to a higher contribution amount to the Litigation Fund in fiscal year 2017-18.

FISCAL IMPACT

This is an information only report to the Council and no budget adjustments are recommended at this time.

STAFF COMMUNICATION WITH THE PUBLIC

There has been no communication with the public.

PREPARED BY: Susan Hsieh, Finance Director

**APPROVED AND FORWARDED TO THE
CITY COUNCIL OF THE CITY OF EMERYVILLE:**



Christine Daniel, City Manager