



# City of Emeryville

CALIFORNIA

## MEMORANDUM

**DATE:** February 5, 2019

**TO:** Christine Daniel, City Manager

**FROM:** Susan Hsieh, Finance Director

**SUBJECT:** Consideration of 2<sup>nd</sup> 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 December 31, 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 December 31, 2018, which represents the completion of 50% 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. Special appropriations and revenue adjustments approved by the City Council in the first two quarters are reflected in the budget below. 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.

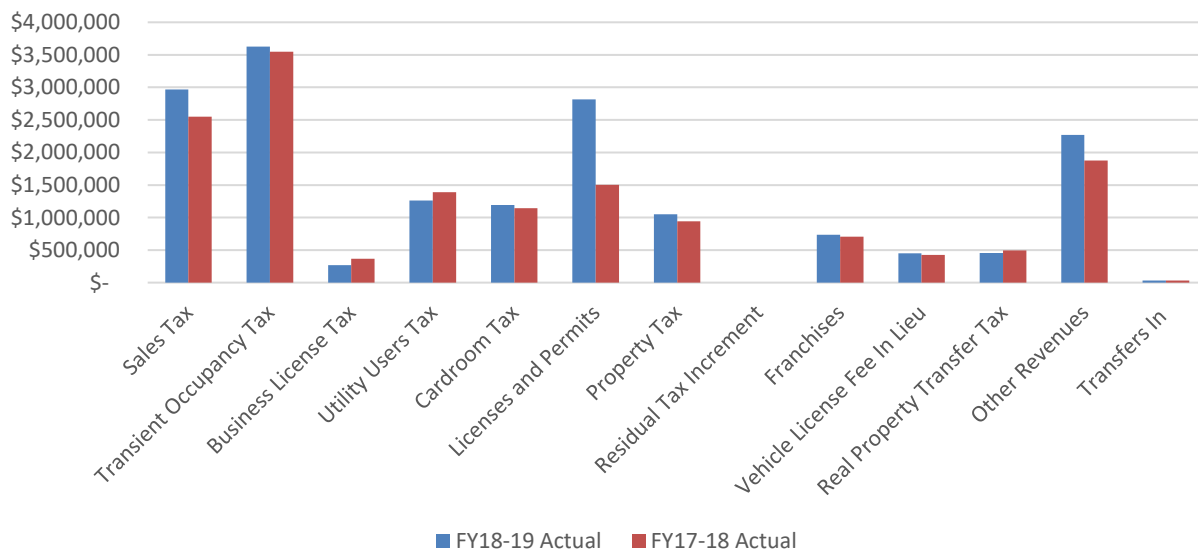
## **General Fund Revenues**

General Fund revenues for the quarter ended December 31, 2018 totaled \$17.1 million, or 39%, of the \$44.3 million annual budget. Revenue is \$2.1 million higher than the same period last year primarily due to higher Sales Tax receipts of \$0.4 million, Transient Occupancy Tax of \$0.1 million, Licenses and Permits of \$1.3 million, Property Tax of \$0.1 million and Other Revenues of \$0.4 million offset by lower 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	\$ 2,966,599	\$ (5,332,156)	36%	\$ 2,550,507	\$ 416,092	16%
Transient Occupancy Tax	8,330,547	3,624,495	(4,706,052)	44%	3,549,898	74,597	2%
Business License Tax	5,912,920	268,610	(5,644,310)	5%	368,611	(100,001)	-27%
Utility Users Tax	3,187,630	1,261,706	(1,925,924)	40%	1,389,776	(128,070)	-9%
Cardroom Tax	2,700,000	1,192,889	(1,507,111)	44%	1,144,733	48,156	4%
Licenses and Permits	5,429,467	2,815,930	(2,613,537)	52%	1,502,126	1,313,803	87%
Property Tax	2,532,614	1,050,517	(1,482,097)	41%	942,340	108,177	11%
Residual Tax Increment	1,490,944	-	(1,490,944)	0%	-	-	0%
Franchises	1,716,350	733,816	(982,534)	43%	704,192	29,624	4%
Vehicle License Fee In Lieu	888,066	452,743	(435,323)	51%	426,955	25,788	6%
Real Property Transfer Tax	1,252,451	456,439	(796,012)	36%	496,926	(40,487)	-8%
Other Revenues	2,510,682	2,269,045	(241,637)	90%	1,875,328	393,717	21%
Transfers In	61,500	30,750	(30,750)	50%	30,750	-	0%
<b>Total</b>	<b>\$ 44,311,926</b>	<b>\$ 17,123,539</b>	<b>\$(27,188,387)</b>	<b>39%</b>	<b>\$ 14,982,141</b>	<b>\$ 2,141,398</b>	<b>14%</b>

**FISCAL YEAR TO DATE RECEIPTS THROUGH DECEMBER 31, 2018 AND DECEMBER 31, 2017**



The City's top two revenue sources are Sales Tax and Transient Occupancy Tax, which represent about 38% of total General Fund revenues. The following are highlights of key revenue results:

**Sales Tax:** Sales Tax receipts of \$3.0 million are 36% of budget. Sales Tax receipts are \$0.4 million, or 16%, higher than prior year's receipts. This is primarily due to the change in the allocation of advance payments. Included in this amount are Sales Tax Advances through October 2018.

**Transient Occupancy Tax (TOT):** TOT receipts of \$3.6 million through December 2018 are 44% of budget. TOT receipts are \$0.1 million higher than prior year's receipt. These numbers reflect one less remittance in the current fiscal year.

**Business License Tax:** Business License Tax receipts are recorded when received. Receipts through the second quarter for Business Licenses Tax are \$0.3 million, \$0.1 million lower than prior year, primarily due to timing of receipts and one-time revenue associated with the Tax Discovery Program that was recorded in fiscal year 2017-18.

**Utility Users Tax (UUT):** UUT receipts of \$1.3 million through the second quarter are \$0.1 million lower than prior year's receipts primarily due to the timing of remittances and lower than expected revenue. Actual revenue is expected to be slightly below budget.

**Cardroom Tax:** Cardroom Tax receipts of \$1.2 million through December 2018 are 44% 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. Receipts through the second quarter totaled \$2.8 million; 52% of budget. Compared to prior year's receipts, current year is \$1.3 million, or 87%, higher. This is primarily due to the Sherwin Williams development.

**Property Tax and Residual Tax Increment:** Property Tax receipts of \$1.1 million are \$0.1 million higher than prior year. Please note that property tax payments are not evenly distributed throughout the year.

**Other Revenues:** Other revenues totaled \$2.3 million, \$0.4 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.

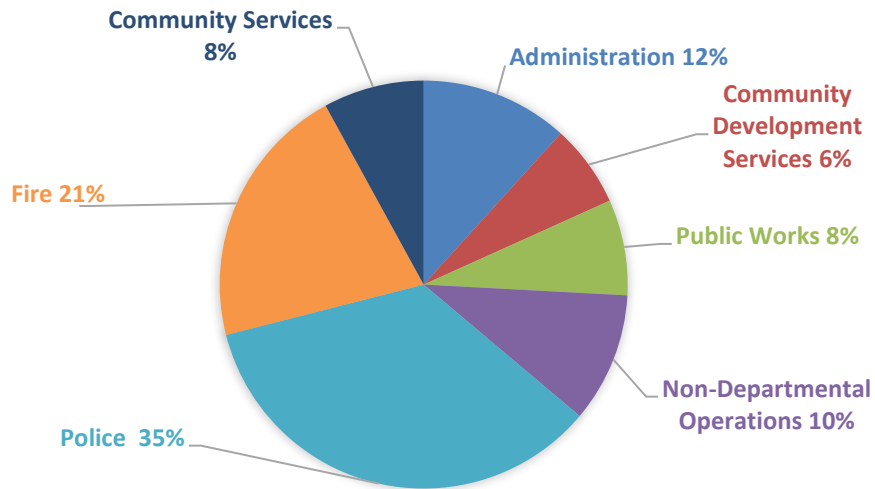
## **General Fund Expenditures**

General Fund expenditures for the quarter ended December 31, 2018 totaled \$19.0 million, or 45%, of the \$42.6 million annual budget. Expenditures through the second quarter is \$0.4 million, or 2%, higher than the same period last year primarily due to higher staffing costs of \$0.7 million and insurance of \$0.1 million offset by decreases in utility costs of \$0.1 million, other expenditures of \$0.1 million, and transfers out of \$0.3 million. Year-to-date expenditures are within budget and are summarized by type and department below.

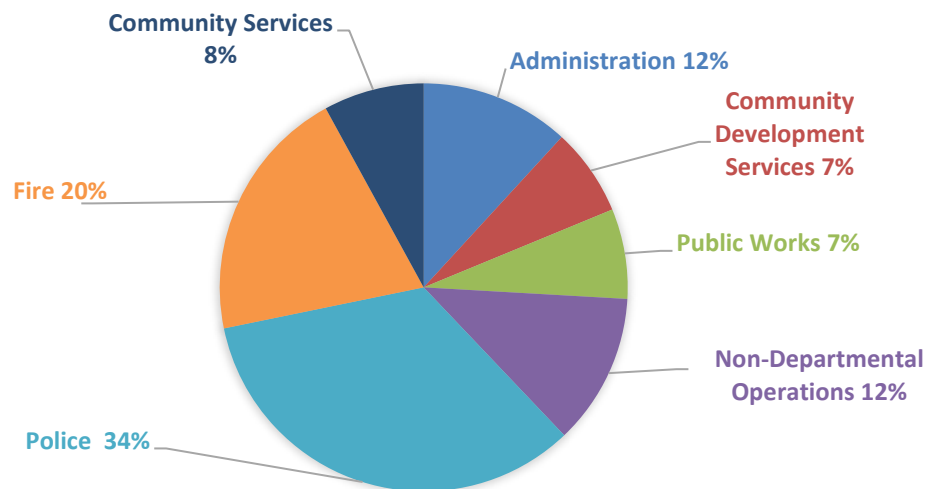
<b>Expenditures By Type</b>	<b>FY18-19 Budget</b>	<b>FY18-19 YTD Actual</b>	<b>Budget vs. Actual Variance</b>	<b>% of Budget</b>	<b>FY17-18 YTD Actual</b>	<b>FY17-18 vs. FY18-19 Variance</b>	
Staffing	\$ 22,614,320	\$ 11,887,110	\$ (10,727,210)	53%	\$ 11,204,156	\$ 682,954	6%
Contract Services	11,484,663	3,770,463	(7,714,200)	33%	3,731,640	38,824	1%
Maintenance	2,629,845	1,080,921	(1,548,924)	41%	1,082,550	(1,629)	0%
Supplies	885,347	315,249	(570,098)	36%	250,538	64,712	26%
Utilities	830,619	252,694	(577,925)	30%	352,109	(99,414)	-28%
Insurance	644,330	655,342	11,012	102%	542,604	112,738	21%
Education & Training	351,000	139,843	(211,157)	40%	92,075	47,767	52%
Advertising/Printing & Publication	161,140	72,149	(88,991)	45%	48,005	24,144	50%
Fees & Charges	65,300	8,636	(56,664)	13%	6,204	2,432	39%
Programs & Grants	127,630	48,539	(79,091)	38%	54,932	(6,393)	-12%
Rental & Leases	377,750	53,432	(324,318)	14%	50,096	3,336	7%
Other	440,158	(77,244)	(517,402)	-18%	34,372	(111,616)	-325%
Capital	11,000	-	(11,000)	0%	26,124	(26,124)	-100%
Transfers Out	1,930,390	828,745	(1,101,645)	43%	1,155,388	(326,643)	-28%
<b>Total</b>	<b>\$ 42,553,492</b>	<b>\$ 19,035,880</b>	<b>\$ (23,517,612)</b>	<b>45%</b>	<b>\$ 18,630,791</b>	<b>\$ 405,089</b>	<b>2%</b>

<b>Expenditures By Department</b>	<b>FY18-19 Budget</b>	<b>FY18-19 YTD Actual</b>	<b>Budget vs. Actual Variance</b>	<b>% of Budget</b>	<b>FY17-18 YTD Actual</b>	<b>FY17-18 vs. FY18-19 Variance</b>	
City Council	\$ 204,165	\$ 98,184	\$ (105,981)	48%	\$ 94,218	\$ 3,966	4%
City Manager	585,311	314,615	(270,696)	54%	398,832	(84,217)	-21%
City Clerk	597,809	249,637	(348,172)	42%	236,422	13,215	6%
Public Information Office	105,000	18,783	(86,218)	18%	19,610	(828)	-4%
City Attorney	594,487	281,330	(313,157)	47%	226,853	54,477	24%
Information Technology	754,533	374,753	(379,780)	50%	326,565	48,188	15%
Finance	1,213,766	523,866	(689,900)	43%	530,844	(6,977)	-1%
Human Resources	755,880	370,987	(384,893)	49%	369,453	1,534	0%
Community Development Services	4,723,156	1,243,349	(3,479,807)	26%	1,294,234	(50,885)	-4%
Public Works	3,410,389	1,444,397	(1,965,992)	42%	1,329,382	115,015	9%
Non-Departmental Operations	4,179,839	1,959,942	(2,219,897)	47%	2,235,981	(276,039)	-12%
Police	13,730,172	6,639,734	(7,090,438)	48%	6,309,378	330,356	5%
Fire	8,397,406	3,996,391	(4,401,015)	48%	3,773,849	222,542	6%
Community Services	3,301,579	1,519,912	(1,781,667)	46%	1,485,172	34,741	2%
<b>Total</b>	<b>\$ 42,553,492</b>	<b>\$ 19,035,880</b>	<b>\$ (23,517,612)</b>	<b>45%</b>	<b>\$ 18,630,791</b>	<b>\$ 405,089</b>	<b>2%</b>

### 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 \$0.7 million, or 6%, 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 26% higher than prior year's expenditures primarily attributed to purchases incurred by the Police and Community Services Departments.

**Utilities** costs were 28% lower than prior year's expenditures, primarily due to the high usage of the County network last year for testing of the records management system and the change in allocation method for traffic signal and street light energy costs between the General Fund and the Gas Tax Fund.

**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 publication, fees and charges, programs and grants, contract obligations, and capital expenditures are cyclical in nature depending on program activities and timing of expenditures. Overall other operating expenditures were \$0.1 million lower than prior year's expenditures, primarily due to the timing of payment for the ECCL operations and maintenance invoice.

**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 28% 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:**



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Christine Daniel, City Manager