



# City of Emeryville

CALIFORNIA

## MEMORANDUM

**DATE:** December 17, 2019  
**TO:** Christine Daniel, City Manager  
**FROM:** Susan Hsieh, Finance Director  
**SUBJECT:** 1<sup>st</sup> Quarter Fiscal Year 2019-20 Financial Update

### RECOMMENDATION

Staff recommends that the City Council review and accept the quarterly financial report for the period ended September 30, 2019. 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, 2019, 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-cycle budget review.

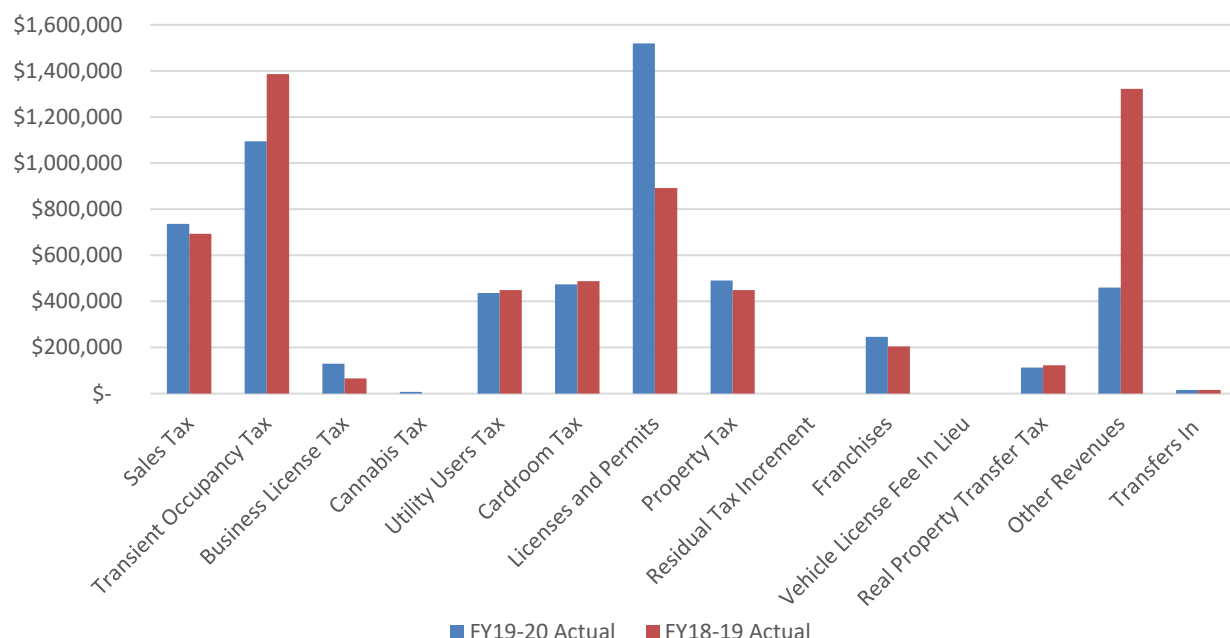
#### General Fund Revenues

General Fund revenues for the quarter ended September 30, 2019 totaled \$5.7 million, or 13%, of the \$44.9 million annual budget. Revenue is \$0.4 million lower than the same period last year primarily due to decreases in Transient Occupancy Tax of \$0.3 million and Other Revenues of \$0.9 million offset by increases in Licenses and Permits of \$0.6 million and Business License Tax of \$0.1 million.

Revenues by category are summarized as follows:

Revenues By Category	FY19-20 Budget (Forecast)	FY19-20 Actual	Actual vs. Budget Variance	% of Budget (Forecast)	FY18-19 Actual	FY19-20 vs FY18-19 Variance	
Sales Tax	\$ 8,277,000	\$ 736,206	\$ (7,540,794)	9%	\$ 692,715	\$ 43,491	6%
Transient Occupancy Tax	8,720,000	1,094,850	(7,625,150)	13%	1,386,854	(292,004)	-21%
Business License Tax	6,169,000	128,998	(6,040,002)	2%	66,318	62,680	95%
Cannabis Tax	360,000	6,687	(353,313)	2%	-	6,687	n/a
Utility Users Tax	3,128,400	436,970	(2,691,430)	14%	448,677	(11,707)	-3%
Cardroom Tax	2,904,000	474,437	(2,429,563)	16%	487,664	(13,227)	-3%
Licenses and Permits	3,312,800	1,519,501	(1,793,299)	46%	892,518	626,983	70%
Property Tax	2,876,000	490,586	(2,385,414)	17%	448,969	41,616	9%
Residual Tax Increment	1,329,300	-	(1,329,300)	0%	-	-	n/a
Franchises	1,876,000	246,081	(1,629,919)	13%	204,755	41,326	20%
Vehicle License Fee In Lieu	897,000	-	(897,000)	0%	-	-	n/a
Real Property Transfer Tax	1,278,000	112,649	(1,165,351)	9%	122,066	(9,417)	-8%
Other Revenues	3,698,200	459,741	(3,238,459)	12%	1,322,979	(863,238)	-65%
Transfers In	61,500	15,375	(46,125)	25%	15,375	(0)	0%
<b>Total</b>	<b>\$ 44,887,200</b>	<b>\$ 5,722,081</b>	<b>\$ (39,165,119)</b>	<b>13%</b>	<b>\$ 6,088,890</b>	<b>\$ (366,808)</b>	<b>-6%</b>

FISCAL YEAR TO DATE RECEIPTS THROUGH SEPTEMBER 30, 2019 AND 2018



The City's top three revenue sources are Sales Tax, Transient Occupancy Tax and Business License Tax, which represent about 52% of the budgeted General Fund revenues. The following are highlights of key revenue results:

**Sales Tax:** Sale Tax receipts of \$0.7 million are 9% of budget. Sales Tax receipts are 6% higher than prior year's receipts. The July 2019 advance from the state was lower than the prior year's receipt but was more than offset by the East Bay Bridge shopping

center split to Oakland not occurring yet for the current year's first quarter. The August and September receipts will be included in the second quarter report.

**Transient Occupancy Tax (TOT):** TOT receipts of \$1.1 million are 13% of budget. TOT receipts are 21% lower than prior year due to the timing of recording the receipts.

**Business License Tax:** Business License Tax receipts are recorded when received. A significant portion of the revenue is expected to be received in the third and fourth quarters as part of the annual renewal. Business License Tax receipts of \$0.1 million are 95% higher than prior year primarily due to the timing of the split payment to Oakland for the East Bay Bridge shopping center. The payment will incur in the second quarter this year.

**Utility Users Tax (UUT):** UUT receipts of \$0.4 million are 3% lower than prior year's receipts and represent 14% of the budget.

**Cardroom Tax:** Cardroom Tax receipts of \$0.5 million are 16% of budget and 3% lower than the 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 \$1.5 million, or 46% of budget, and \$0.6 million (70%) higher than the prior year. The increase for the first quarter over the prior year was mainly due to increases in building permits, plan checking fees and planning reimbursements related to three projects that are currently in progress: the Intersection project, the Onni project and the EmeryStation West project.

**Property Tax and Residual Tax Increment:** Property Tax receipts of \$0.5 million are 9% higher than the prior year's receipts. Please note that property tax payments are not evenly distributed throughout the year.

**Other Revenues:** Other revenues totaled \$0.5 million, \$0.9 million lower than prior year. This is primarily due to a market value adjustment. The unrealized investment gain recognized at the end of fiscal year 2018-19 was reversed in the first quarter resulting in a loss of \$0.3 million, whereas the \$0.9 million unrealized investment loss at the end of fiscal year 2017-18 was reversed in the first quarter of the prior year. The current year loss of \$0.3 million may be reduced/offset at the end of fiscal year 2019-20 if there are unrealized investment gains in the final quarter. The City intends to hold its investments until maturity. Therefore, "realized" investment losses are not expected.

### **General Fund Expenditures**

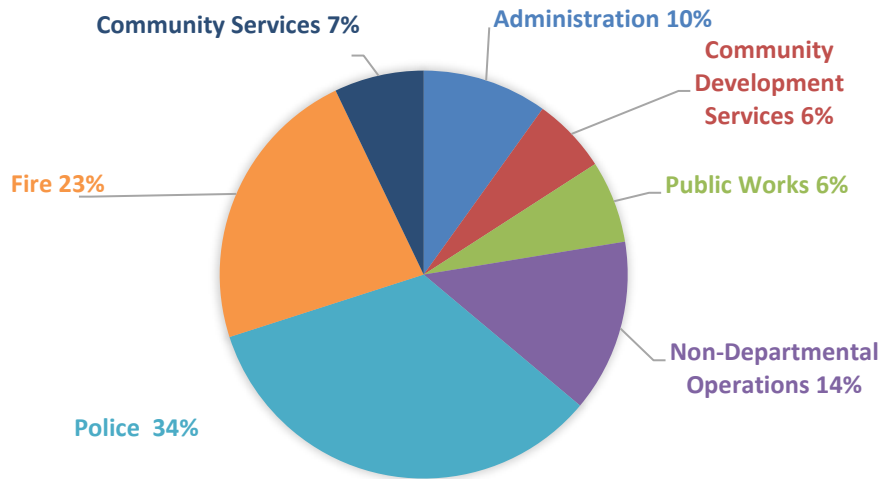
General Fund expenditures for the quarter ended September 30, 2019 totaled \$11.5 million, or 26%, of the \$44.7 million annual budget. First quarter actual is \$1.1 million, or 11%, higher than the same period last year primarily due to higher staffing costs of \$0.5 million, contract service costs of \$0.2 million, insurance costs of \$0.2 million, and transfers

out of \$0.2 million. Year-to-date expenditures are in line with budget and are summarized by type and department below.

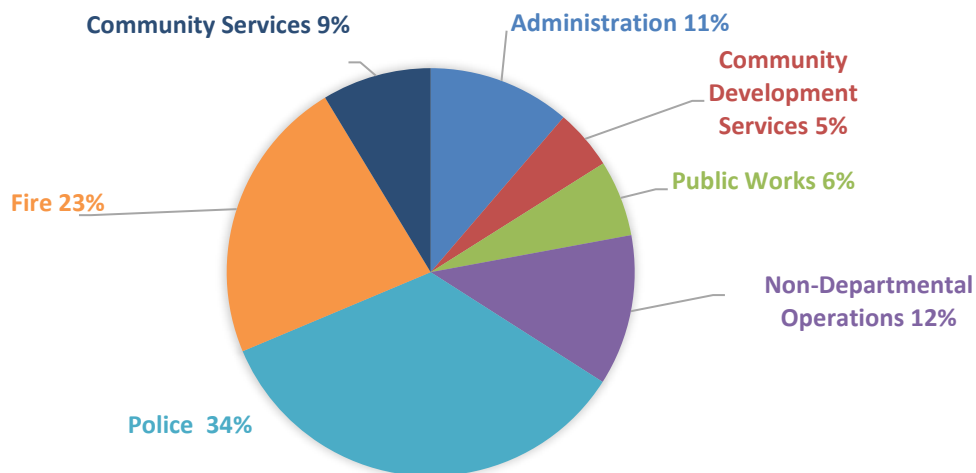
Expenditures By Type	FY19-20 Budget (Forecast)	FY19-20 YTD Actual	Actual vs. Budget Variance	% of Budget (Forecast)	FY18-19 YTD Actual	FY18-19 vs. FY19-20 Variance	
Staffing	\$ 23,484,700	\$ 7,583,040	\$ (15,901,660)	32%	\$ 7,041,461	\$ 541,579	8%
Contract Services	11,626,400	1,605,238	(10,021,162)	14%	1,418,213	187,025	13%
Maintenance	2,909,300	591,820	(2,317,480)	20%	460,250	131,571	29%
Supplies	855,300	136,885	(718,415)	16%	158,700	(21,815)	-14%
Utilities	758,100	82,388	(675,712)	11%	90,080	(7,692)	-9%
Insurance	833,000	833,741	741	100%	654,314	179,427	27%
Education & Training	354,500	43,613	(310,887)	12%	69,986	(26,373)	-38%
Advertising/Printing & Publication	106,900	8,482	(98,418)	8%	14,265	(5,783)	-41%
Fees & Charges	69,200	-	(69,200)	0%	-	-	n/a
Programs & Grants	127,700	5,206	(122,494)	4%	28,222	(23,016)	-82%
Rental & Leases	450,700	38,503	(412,197)	9%	22,105	16,398	74%
Other	508,200	7,190	(501,010)	1%	(1,174)	8,364	-712%
Capital	53,000	-	(53,000)	0%	-	-	n/a
Transfers Out	2,607,236	559,649	(2,047,587)	21%	390,677	168,972	43%
<b>Total</b>	<b>\$ 44,744,236</b>	<b>\$ 11,495,756</b>	<b>\$ (33,248,480)</b>	<b>26%</b>	<b>\$ 10,347,099</b>	<b>\$ 1,148,657</b>	<b>11%</b>

Expenditures By Department	FY19-20 Budget (Forecast)	FY19-20 YTD Actual	Actual vs. Budget Variance	% of Budget (Forecast)	FY18-19 YTD Actual	FY18-19 vs. FY19-20 Variance	
City Council	\$ 203,600	\$ 44,866	\$ (158,734)	22%	\$ 48,547	\$ (3,681)	-8%
City Manager	450,900	110,608	(340,292)	25%	188,349	(77,741)	-41%
City Clerk	613,700	157,846	(455,854)	26%	131,152	26,694	20%
Public Information Office	-	-	-	n/a	6,490	(6,490)	-100%
City Attorney	619,600	127,015	(492,585.21)	20%	140,778	(13,763)	-10%
Information Technology	771,100	200,199	(570,901)	26%	190,540	9,659	5%
Finance	1,223,100	302,012	(921,088)	25%	266,690	35,322	13%
Human Resources	783,700	196,028	(587,672)	25%	195,187	841	0%
Community Development Services	4,262,000	687,551	(3,574,449)	16%	493,106	194,445	39%
Public Works	4,111,500	750,822	(3,360,678)	18%	624,818	126,004	20%
Non-Departmental Operations	5,161,736	1,572,963	(3,588,773)	30%	1,236,658	336,305	27%
Police	14,023,800	3,902,504	(10,121,296)	28%	3,582,461	320,043	9%
Fire	8,989,500	2,626,362	(6,363,138)	29%	2,345,879	280,483	12%
Community Services	3,530,000	816,981	(2,713,019)	23%	896,445	(79,464)	-9%
<b>Total</b>	<b>\$ 44,744,236</b>	<b>\$ 11,495,756</b>	<b>\$ (33,248,480)</b>	<b>26%</b>	<b>\$ 10,347,099</b>	<b>\$ 1,148,657</b>	<b>11%</b>

#### 2019-20 FISCAL YEAR TO DATE EXPENDITURES BY DEPARTMENT



#### 2018-19 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 \$0.5 million, or 8%, higher than prior year primarily due to a payment to CalPERS for the fiscal year 2019-20 unfunded pension liability. The City elected to make a lump sum payment in July 2019 to achieve interest savings. The current year General Fund contribution totaled \$2.5 million, compared to \$2.0 million in the prior year.

**Contract Services** costs were higher than the prior year by 13% mainly due to reimbursable expenses incurred for development projects.

**Maintenance** costs increased by 29% mainly due to higher maintenance costs for City facilities and vehicle replacement charges as well as a payment to Alameda County for the clean water program that was processed in the first quarter.

**Supplies** costs were 14% lower than prior year due to lower supply purchases for the Community Services Department.

**Utilities** costs were 9% lower than the prior year's expenditures.

**Insurance** costs increased by 27% over the prior year due to increased general liability premiums. According to the City's insurance provider, the increase is expected to continue in future years due to the City's claim experience, the insurance pool's overall claim experience and the industry rates.

**Other operating expenditures** including education and training, advertising, printing, and publications, fees and charges, programs and grants, and contract obligations are cyclical in nature depending on program activities and timing of expenditures. Overall other operating expenditures were lower than prior year by \$0.05 million mainly due to reduced spending on education & training and programs & grants.

**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 were 74%, or \$0.02 million higher than prior year partly due to expenditures incurred for the Rotten City Block Party.

**Transfers Out** were 43% higher compared to the same period last year primarily due to higher contributions to various funds such as the Litigation Fund, the Childcare Development Fund and the PERS Liability Fund.

## **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