



CITY OF PACIFIC GROVE
300 Forest Avenue, Pacific Grove, California 93950

AGENDA REPORT

TO: Honorable Mayor and Members of the City Council
FROM: Tori Hannah, Administrative Services Director
MEETING DATE: November 7, 2018
SUBJECT: Quarterly Budget Report – First Quarter, Fiscal Year 2018-19
CEQA STATUS: Does not constitute a “Project” under California Environmental Quality Act (CEQA) Guidelines

RECOMMENDATION

Receive the report.

DISCUSSION

The Administrative Services Department is in the process of strengthening the quarterly financial reporting process. The attached report provides additional details on General Fund revenues and expenditures.

Over the next fiscal year, staff plans to enhance the report to include additional three-year trending charts for select revenues, as well financial information on General Fund capital project expenditures.

OPTIONS

1. Provide alternate direction to staff

FISCAL IMPACT

There is no fiscal impact. This is informational only.

GOAL ALIGNMENT

Financial Stability

ATTACHMENTS

1. Quarterly Budget Report – First Quarter, Fiscal Year 2018-19

RESPECTFULLY SUBMITTED:

REVIEWED BY:

Tori Hannah
Administrative Services Director

Ben Harvey
City Manager



City of Pacific Grove

First Quarter – Budget Report

Fund Summaries

The following table provides overview of current revenues and expenditures for each major fund. A summary of each fund, along with additional details on the General Fund are provided in the subsequent sections.

Revenues by Fund			YTD	% of	Prior Year
Fund Description		Budget	Revenues	Budget	First Quarter
01	General Fund	22,993,669	2,291,279	10%	2,084,089
74	Local Water Project	532,000	179,448	34%	-
75	Cemetery	363,400	123,091	34%	118,913
76	Sewer Fund	3,231,010	21,841	1%	25,851
77	Golf	376,100	135,096	36%	101,787

Expenditures by Fund			YTD	% of	Prior Year
Fund Description		Budget	Expenditures	Budget	First Quarter
01	General Fund	25,114,399	7,153,365	28%	5,849,274
74	Local Water Project	488,064	67,706	14%	510,719
75	Cemetery	421,777	107,816	26%	92,484
76	Sewer Fund	3,481,927	298,584	9%	490,498
77	Golf	370,097	206,527	56%	200,068

General Fund Overview

General Fund revenues and expenditures are trending relatively consistent with projections. While expenditures exceeded revenues by approximately \$4.9 million, this variance is due to uneven revenue receipting patterns combined with a significant debt service payment that is due at the beginning of the fiscal year. Specific information related to major revenue categories and departmental expenditures are provided within this section.

General Fund Revenues

The following chart provides an overview of the General Fund revenue receipts. All revenues are trending fairly consistently with the prior year or the annual budget. Any significant variances will be listed below the chart.

General Fund Revenues	Amended Budget	YTD Transactions	% Used / Rec'd	Quarterly YTD
Taxes:				
Property Taxes	7,070,870	-	-	-
Transient Occupancy Tax	5,591,000	755,596	14%	649,215
Transient Use Licenses	295,000	-	0%	6,517
Sales and Use Tax	3,630,120	324,121	9%	253,400
Business License Tax	351,360	324,019	92%	306,442
Franchise Tax	891,880	-	-	-
Utility User Tax	1,994,770	271,827	14%	257,995
Other Tax	156,000	14,107	9%	23,242
Total Taxes	19,981,000	1,689,670	8%	1,496,811
Other:				
Licenses and Permits	600,000	134,078	22%	134,344
Intergovernmental	50,000	-	-	5,000
Charges for Services	1,462,000	348,212	24%	364,655
Fines and Forfeitures	124,000	12,350	10%	5,799
Interest, Rents, Conc.	287,000	97,674	34%	60,863
Other Revenues	489,669	9,295	2%	16,618
Totals	22,993,669	2,291,279	10%	2,084,090

Property Taxes

During the first quarter, the City does not typically receive Property Tax revenues. These revenues are received primarily in December and April.

TOT, Sales Tax, and Franchise Taxes

Due to accrual and receipting patterns, only one to two monthly payments have been received in the stated tax categories. While sales tax receipts are greater than the prior fiscal year, the City received a reduced payment from the State in the fourth quarter of Fiscal Year 17/18. This reduction was related to processing delays associated with the State's new software system. A portion of the increased revenues in Fiscal Year 18/19 could be related to the true-up of the last quarter revenues. The City will be meeting with the City's sales tax consultant in November to review detailed information.

Business License Tax

Business License Taxes are typically received at the beginning of the year. Any additional revenues during the year are related to new businesses or classification changes.

Expenditures

During the first quarter, department expenditures may not typically trend with the percentage of year that has elapsed. This is reflected in an annual comparison of departmental budgets. The primary exception would be the underlying salary and benefit costs which are trending fairly consistent with the number of completed payperiods. The unfunded pension liability costs, as well as full staffing are contributing to increased salary costs within each department. Additional information specific to departments are listed below the table.

General Fund Expenditures	Amended Budget	Expenditures	% Used / Rec'd	Prior Year First Quarter
City Council	409,064	141,833	34.7%	117,148
City Manager	958,073	189,701	19.8%	184,011
City Attorney	428,700	30,980	7.2%	17,306
Finance	1,124,505	233,645	20.8%	193,738
Information Services	574,563	63,501	11.1%	24,424
Police	5,933,930	1,301,209	21.9%	1,140,734
Fire	3,128,300	974,409	31.1%	914,896
Public Works	3,055,848	687,738	22.5%	606,457
Community & Econ. Develop.	2,163,440	282,973	13.1%	326,506
Library	1,213,714	233,787	19.3%	208,319
Recreation	729,409	180,848	24.8%	160,903
Museum	252,000	70,054	27.8%	57,424
Subtotal	19,971,546	4,390,678	22%	3,951,866
Capital Outlay	145,000	0	0.0%	
Transfers to CIP Fund	1,914,853	498,750	26.0%	14,856
Debt Service	1,973,000	1,986,437	100.7%	1,882,552
Other Transfers, Internal Serv.	1,110,000	277,500	25.0%	-
Total Expenditures	25,114,399	7,153,365	28.5%	5,849,274

City Council

Annual government membership costs contribute to a higher percentage of expenditures in the City Council Budget. This includes contributions to the Monterey Peninsula Regional Water Authority, Association of Monterey Bay Area Governments, Community Human Services, the Fort Ord Reuse Authority and similar organizations.

City Attorney

During the first quarter, the City was only received an invoice for one billing for City Attorney legal services.

General Fund Capital Projects/Transfer to CIP Fund

In Fiscal Year 18/19, the City established a separate CIP fund to General Fund capital improvement projects. The budgetary number reflects a quarterly transfer of the budgeted costs to fund the projects. During the fourth quarter, staff will evaluate the amount of funds needed to support the projects. This could result in a reduced transfer or a request for additional funds for incomplete projects in the next fiscal year. In the first quarter of Fiscal Year 18/19, the City spent approximately \$136,000 on General Fund capital improvement projects.

Other Funds

Local Water Project

In the first quarter of Fiscal Year 18/19, the Local Water Project revenues and expenditures represent the sales of recycled water, as well as operating costs. While the first quarter recycled water sales are strong, these revenues could be inconsistent throughout the year due to demand. The positive net operating difference is partially intended to be used for an annual debt service payment. In Fiscal Year 17/18,

revenues during the first half of the year were related to loan and grant reimbursements. Requests for reimbursements were pending during the first quarter.

Cemetery

The first quarter Cemetery revenues and expenditures are trending relatively consistent with the prior year. In Fiscal Year 17/18, the Cemetery revenues increased to reflect revenues associated with endowment care for grounds and facility maintenance. If this trend continues over the next two quarters, the budget will be amended at mid-year to reflect the updated performance.

Sewer Fund

Sewer fund revenues are trending similar to the prior year. The City contracts with Monterey One Water to collect sewer user fees. Due to the timing associated with collecting and remitting bi-monthly payments to the City, there are little revenues to report in the first quarter. The sewer fund has sufficient fund balance to manage any cash flow requirements. The annual variance in expenditures is primarily due to timing of capital projects.

Golf Course

The first quarter Golf Course revenues and expenditures are trending relatively consistent with the prior year. While expenditures are exceeding revenues, this is largely due to a debt service payment of approximately \$136,000 that is due during the first quarter. Staff will also be monitoring golf course revenue trends for a potential mid-year increase as part of the mid-year budget process.