



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: February 7, 2018
SUBJECT: Quarterly Budget Report – Second Quarter Fiscal Year 2017-18
CEQA: Does not constitute a “Project” under California Environmental Quality Act (CEQA) Guidelines.

RECOMMENDATION

Receive the report.

DISCUSSION

The following charts provide a budgetary comparison of revenues and expenditures for major funds, along with a budget update on departmental expenditures. The information listed below represents financial records for the second quarter ending December 31, 2017.

Overall Fund Revenues and Expenditures. The second quarter General Fund revenues represent approximately 45.8% of the Fiscal Year 17/18 Budget. While this percentage is below the proportional share of the budget, it is primarily related to timing differences associated with the use of a new third party to collect Transient Occupancy Tax revenues. All other core General Fund revenues are trending as anticipated. Details on departmental general fund expenditures are included on the subsequent page.

The Local Water Project (LWP) revenues reflect reimbursement requests for project costs that are funded through a Clean Water State Revolving Fund Loan and grant. The LWP was completed in December of 2017 and the budget may be amended to reflect the anticipated final project costs.

Sewer services revenues appear to be significantly lower than anticipated; however actual revenues are fairly consistent with the budget. Sewer service revenues that were collected by Monterey One Water (MIW) on behalf of the City were transferred in January, rather than in December. Sewer Fund expenses have increased over the prior year due to a planned increase in salaries and contract services.

Second Quarter Fiscal Year 17/18 - Major Funds					Prior Year
Fund	Budget	Revenues	% of Budget	Second Quarter	
01 General Fund	\$ 22,051,000	\$ 10,093,261	45.8%	\$ 10,421,944	
74 Local Water Project	6,277,000	1,708,727	27.2%	-	
75 Cemetery	343,900	242,117	70.4%	181,379	
76 Sewer Fund	3,170,479	28,731	0.9%	544,678	
77 Golf	348,450	177,545	51.0%	175,632	

Second Quarter Fiscal Year 17/18 - Major Funds				Prior Year
Fund	Budget	Expenditures	% of Budget	Second Quarter
01 General Fund	\$ 23,918,683	\$ 11,624,186	48.6%	\$ 11,220,642
74 Local Water Project	5,900,642	1,403,494	23.8%	1,051,926
75 Cemetery	418,737	199,129	47.6%	149,925
76 Sewer Fund	2,862,741	1,340,476	46.8%	974,979
77 Golf	322,489	174,019	54.0%	117,057

Departmental and Program Expenditures. The following table provides a budgetary update for departmental and program expenditures. While expenditure patterns can fluctuate throughout the year, key variances in both the budgetary percentage and annual comparisons are presented below the table.

Second Quarter Fiscal Year 17/18 Budget Status - Department Information					Prior Year
Department	Budget	Expenditures	Under/ (Over) Budget	% of Budget	Second Quarter
City Council	\$ 393,637	\$ 188,470	\$205,167	47.9%	\$154,935
City Attorney	297,704	95,452	202,252	32.1%	99,945
City Manager	922,046	474,307	447,739	51.4%	408,126
Finance	1,087,572	546,465	541,107	50.2%	517,902
Information Services	623,294	72,087	551,207	11.6%	107,250
Comm. & Econ. Dev.	2,118,758	804,997	1,313,761	38.0%	816,286
Police	8,086,258	3,840,616	4,245,642	47.5%	4,095,158
Fire	4,154,962	2,623,581	1,531,381	63.1%	2,401,239
Library	1,155,387	568,195	587,192	49.2%	524,149
Museum	268,518	150,861	117,657	56.2%	142,637
Recreation	596,133	326,981	269,152	54.9%	268,653
Public Works	4,214,414	1,932,174	2,282,240	45.8%	1,684,362
	<u>\$ 23,918,683</u>	<u>\$ 11,624,186</u>	<u>\$ 12,294,497</u>	<u>48.6%</u>	<u>\$ 11,220,642</u>

- **City Attorney:** Expenditure patterns are similar to the prior year, with variances related to the timing of invoices. In January 2018, the City Attorney's expenditures increased by approximately \$160,000, which represented 55% of the department budget.
- **Community Development:** While the expenditure amounts are relatively similar to the prior year, the Fiscal Year 17/18 Budget includes \$175,000 for the following projects and programs: Façade Improvement Program and the Lighthouse Avenue Streetscape project. These projects and programs are anticipated to begin in the third quarter.
- **Information Systems:** The Fiscal Year 17/18 Budget included costs for a potential shared services agreement with the City of Monterey, as well as several projects. Due to the amount of time needed for negotiations, use of a managed services contract, and the recruitment of an Administrative Services Director, some projects were delayed and

budgetary savings was realized. It is anticipated that select projects will begin in the third quarter.

- Police: While annual comparative costs appear to be below budget and the prior year expenditures, an entry is pending to transfer \$180,000 to the Public Safety Augmentation Fund to support 911 center costs.
- Fire: Although contract services costs have increased for fire services, the largest variance is a result of paying for seven monthly service charges of approximately \$192,800 in the first two quarters of the fiscal year. This is in comparison to six individual payments of \$181,600 in the first two quarters of the prior fiscal year.
- Public Works: While there are some time differences in expenditures for this fiscal year, the annual costs have increased. This is primarily due to salary changes that reflect the cost of full staffing and a change in the allocation of pension obligation bond costs.

Each Department will be evaluating their budgets as part of the mid-year process. It is anticipated that the budget will be amended to reflect any significant projected differences.

FISCAL IMPACT

There is no fiscal impact associated with receipt of this report.

RESPECTFULLY SUBMITTED:



Tori Hannah
Administrative Services Director

REVIEWED BY:



Ben Harvey
City Manager