



**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 6, 2019  
**SUBJECT:** Quarterly Budget Report – Second 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 produces quarterly financial reports to assist in evaluating the City’s fiscal condition. The attached report provides details on General Fund revenues and expenditures, as well as a summary related to enterprise funds. Any trends that are identified during the first two quarters may be updated as part of the mid-year budget process.

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 –Second Quarter, Fiscal Year 2018-19

RESPECTFULLY SUBMITTED:

REVIEWED BY:

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Tori Hannah  
Administrative Services Director

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Ben Harvey  
City Manager



## City of Pacific Grove

### Second 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.

Fund	Budget	YTD		Prior YTD
		Revenues	% of Budget	
01 General Fund	\$22,993,669	11,100,192	48%	\$10,094,109
74 Local Water Project	532,000	316,491	59%	1,708,727
75 Cemetery	363,400	199,910	55%	242,259
76 Sewer Fund	3,231,010	585,551	18%	29,434
77 Golf	376,100	215,725	57%	177,545

Fund	Budget	YTD		Prior YTD
		Expenditures	% of Budget	
01 General Fund	\$25,326,390	11,944,623	47%	\$11,624,185
74 Local Water Project	488,064	221,759	45%	1,403,494
75 Cemetery	421,777	230,546	55%	199,129
76 Sewer Fund	3,673,785	1,386,158	36%	1,340,476
77 Golf	370,097	224,695	61%	174,019

#### General Fund Overview

General Fund revenues and expenditures are trending relatively consistent with projections. While expenditures exceeded revenues by approximately \$844,400, this variance is due to uneven revenue receipting patterns at the beginning of the fiscal year. Specific information related to major revenue categories and departmental expenditures are provided within this section.

A budget amendment will be requested as part of the mid-year budget process for any projected variations from the budget.

#### **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	Prior YTD
<b>Taxes:</b>				
Property Taxes	\$7,070,870	\$3,993,756	56.5%	\$3,915,949
Transient Occupancy Tax	5,591,000	2,964,659	53.0%	2,292,510
Transient Use Licenses	295,000	-	0.0%	13,046
Sales and Use Tax	3,630,120	1,424,831	39.3%	1,211,901
Business License Tax	351,360	347,588	98.9%	322,391
Franchise Tax	891,880	207,821	23.3%	155,350
Utility User Tax	1,994,770	691,365	34.7%	738,511
Other Tax	156,000	40,821	26.2%	51,980
<b>Total Taxes</b>	<b>\$ 19,981,000</b>	<b>\$ 9,670,841</b>	<b>48%</b>	<b>\$ 8,701,638</b>
<b>Other:</b>				
Licenses and Permits	600,000	248,502	41%	232,182
Intergovernmental	50,000	125,392	251%	5,000
Charges for Services	1,462,000	686,971	47%	701,689
Fines and Forfeitures	124,000	31,372	25%	43,746
Interest, Rents, Conc.	287,000	149,943	52%	103,101
Other Revenues	489,669	187,171	38%	306,754
<b>Totals</b>	<b>\$ 22,993,669</b>	<b>\$ 11,100,192</b>	<b>48%</b>	<b>\$ 10,094,109</b>

*Transient Occupancy Taxes*

The first four months of combined transient occupancy tax (TOT) revenues are trending at approximately 10% greater than the prior year. The Fiscal Year 18/19 TOT revenues are also higher than the prior year due to receipt of a fifth revenue payment in the second quarter. In Fiscal Year 17/18, TOT revenues increased significantly over the prior year. At the time the Fiscal Year 18/19 budget was prepared, the data to support the higher revenues was not available. As a result, a budget amendment will be requested at mid-year to reflect the increased performance.

Transient use licenses and applications are typically processed in the second half of the fiscal year. This amount is anticipated to be reduced based on the new fee schedule, as well as density adjustments.

*Sales Tax*

In each fiscal year, the City received four sales tax payments. Fiscal Year 18/19, is primarily greater than the prior year due to a timing difference of a \$52,000 payment from the City of Monterey; and delayed payments that resulted from the implementation of the State's new remittance and reporting software. The delayed payments would have typically been received in Fiscal Year 17/18.

*Franchise and Utility User Taxes*

Due to varying receipting patterns, the partial year revenues are not indicative of franchise and utility tax performance. In some categories, only two receipts have been received, while other year to date balances reflect five receipts. An increase of more than 15% has been noted in relation to a single payment received for Refuse Franchise Taxes.

*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**

Through the second quarter, department expenditures may not typically trend with the percentage of the 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	% of Budget	Prior YTD
City Council	\$ 409,064	\$ 234,150	57.2%	\$ 174,221
City Manager	958,073	382,693	39.9%	387,721
City Attorney	428,700	158,812	37.0%	95,452
Finance	1,124,505	462,778	41.2%	463,198
Information Services	574,563	152,224	26.5%	72,087
Police	5,933,931	2,529,530	42.6%	2,373,410
Fire	3,128,300	1,626,510	52.0%	1,715,064
Public Works	3,080,848	1,349,957	43.8%	1,369,705
Comm. & Econ. Develop.	2,163,440	770,616	35.6%	676,506
Library	1,213,714	463,309	38.2%	450,556
Recreation	729,409	318,758	43.7%	295,888
Museum	252,000	128,459	51.0%	122,690
Subtotal	\$ 19,996,547	\$ 8,577,796	42.9%	\$ 8,196,498
Capital Outlay	\$ 331,990	\$ 45,256	13.6%	\$ 3,618
Transfers to CIP Fund <sup>(2)</sup>	1,914,853	742,228	38.8%	199,985
Debt Service	1,973,000	1,986,437	100.7%	1,882,552
Transfers/ISF Payments	1,110,000	592,906	53.4%	1,341,532
Total Expenditures	\$ 25,326,390	\$ 11,944,623	47.2%	\$ 11,624,185

*City Council*

The expenditures are greater than the prior year primarily due to costs associated with the Local Coastal Plan and the 2018 Homeless Challenge.

*City Attorney*

During the second quarter, the City has received four invoices for City Attorney legal services. This amount is greater than the prior year due to an increase in contract costs, as well as greater use of services.

### *Information Services*

The annual costs for Fiscal Year 17/18 are trending lower than the budgeted amount primarily due to initiation of equipment purchases that will follow the completion of the Structured Cabling Project. This project is anticipated to be completed in the early part of the third quarter. A contract was issued to procure and install additional local area network (LAN) equipment at \$53,000.

### *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 an adjusted amount transferred for capital projects. In the first two quarters of Fiscal Year 18/19, the City transferred approximately \$742,000 to support general funded capital projects. An overview of all capital expenditures will be presented as part of the mid-year budget.

## Other Funds

### *Local Water Project*

The Fiscal Year 18/19 Local Water Project revenues and expenditures represent the sales of recycled water, as well as operating costs. While the first two quarters of 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.

### *Cemetery*

Cemetery site sales and related labor charges are trending approximately \$42,000 below the prior year; however cemetery endowment contributions are contributing to revenues that are higher than projected. Cemetery expenses are higher than the prior year due to timing of internal service fund and indirect cost transfers. Beginning in Fiscal Year 18/19, these charges will be posted on a quarterly basis.

### *Sewer Fund*

Sewer fund revenues are higher in Fiscal Year 18/19 due to variations in revenue receipts. All user fees from City residents are remitted to Monterey One Water and forwarded to the City. The sewer fund has sufficient fund balance to manage any cash flow requirements. It is projected that revenues will be coming in higher than the approved budget, with variances in expenditures primarily related to planned capital projects.

### *Golf Course*

Golf Course revenues and expenditures are trending higher than projected; however they are retaining a relatively similar net operating difference.