



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: May 1, 2019
SUBJECT: Quarterly Budget Report - Third Quarter, Fiscal Year 2018-19
CEQA: Does not constitute a "Project" per California Environmental Quality Act Guidelines Section 15378

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.

In 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. Additional information regarding city finances, can be accessed from the following link:

<https://www.cityofpacificgrove.org/about-city/finance>

OPTIONS

1. Provide alternate direction to staff.

FINANCIAL IMPACT:

There is no fiscal impact. This is informational only.

GOAL ALIGNMENT: Financial Stability: Develop a strategic plan to better address current and future City expenditure and revenue, provide high quality muni services.

Attachments

Third Quarter Budget Report



City of Pacific Grove

Fiscal Year 2018/19

Third 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 Revenues	% of Budget	Prior YTD
01 General Fund	\$ 23,676,000	14,698,311	62%	\$ 13,907,294
74 Local Water Project	612,930	326,945	53%	1,271,246
75 Cemetery	460,000	335,567	73%	340,471
76 Sewer Fund	3,371,201	1,667,343	49%	1,844,444
77 Golf	388,000	301,619	78%	251,506

Fund	Budget	YTD Expenditures	% of Budget	Prior YTD
01 General Fund	\$ 25,422,918	18,216,080	72%	\$ 16,658,447
74 Local Water Project	668,468	520,630	78%	1,478,834
75 Cemetery	486,773	319,244	66%	290,731
76 Sewer Fund	3,831,089	2,495,045	65%	2,163,909
77 Golf	370,097	377,632	102%	332,039

General Fund Overview

General Fund revenues and expenditures are trending relatively consistent with projections. While expenditures exceeded revenues by approximately \$3.5 million, this variance is due to uneven revenue receipting patterns that have taken place throughout the 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.

Revenues	Amended Budget	YTD Transactions	% Used / Rec'd	Prior YTD
Taxes:				
Property Taxes	\$7,037,000	\$3,993,756	56.8%	\$3,915,949
Transient Occupancy Tax	6,129,000	3,744,934	61.1%	3,430,189
Transient Use Licenses ⁽¹⁾	154,000	167,327	108.7%	325,331
Sales and Use Tax	3,876,000	2,438,053	62.9%	2,117,220
Business License Tax	386,000	351,468	91.1%	330,725
Franchise Tax	1,142,000	600,268	52.6%	499,140
Utility User Tax	1,842,180	1,172,125	63.6%	1,245,680
Other Tax	123,000	62,202	50.6%	72,933
Total Taxes	\$20,689,180	\$12,530,132	61%	\$11,937,166
Other:				
Licenses and Permits	498,800	379,851	76%	364,569
Intergovernmental	227,200	172,737	76%	81,224
Charges for Services	1,405,000	1,041,575	74%	1,000,247
Fines and Forfeitures	98,000	60,589	62%	229,394
Interest, Rents, Conc.	338,000	225,567	67%	165,182
Other Revenues	419,820	287,861	69%	129,512
Totals	\$23,676,000	\$14,698,311	62%	\$13,907,294

Transient Occupancy Taxes

The first seven months of combined transient occupancy tax (TOT) revenues are trending at approximately 7% greater than the prior year. The Fiscal Year 18/19 TOT revenues are also higher than the prior year, due to receipt of an eighth revenue payment in the third quarter.

The year-to-date reduction in transient use licenses and application revenues is primarily related to the new density requirements associated with short-term rentals, as well as a reduction in related processing fees.

Sales Tax

In each fiscal year, the City received seven sales tax payments. Fiscal Year 18/19, is primarily greater than the prior year, due to a timing difference associated with a \$52,000 payment from the City of Monterey; and a delayed payment of approximately \$150,000 from the State. The State payment, which was delayed due to the implementation of a new software remittance system, 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. An increase of more than 15% has been noted, in relation to the two payments 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.

Fines and Forfeitures

The annual variance in this category is primarily related to resolution of two code compliance liens. In Fiscal Year 17/18, this resulted in approximately \$167,000 in additional revenues.

Expenditures

Through the third 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.

Expenditures	Amended Budget	Expenditures	% of Budget	Prior YTD
City Council	\$ 418,622	\$ 398,860	95.3%	\$ 189,647
City Manager	952,411	614,417	64.5%	603,835
City Attorney	428,700	300,079	70.0%	238,113
Finance	1,103,050	760,387	68.9%	773,589
Information Services	450,805	242,867	53.9%	169,872
Police	6,096,600	4,444,442	72.9%	3,808,492
Fire	3,169,000	2,777,436	87.6%	2,413,358
Public Works	3,278,295	2,113,820	64.5%	2,130,783
Comm. & Econ. Development	2,188,685	1,175,539	53.7%	1,095,006
Library	1,136,705	793,601	69.8%	615,209
Recreation	730,270	571,142	78.2%	431,356
Museum	277,650	212,639	76.6%	182,510
Subtotal	\$ 20,230,792	\$ 14,405,230	71.2%	\$ 12,651,770
Capital Outlay	453,885	115,256	25.4%	196,550
Transfers to CIP Fund ⁽²⁾	1,641,601	820,801	50.0%	428,712
Debt Service	1,986,639	1,986,437	100.0%	1,899,483
Interfund Transfers/ISF	1,110,000	888,356	80.0%	1,481,932
Total Expenditures	\$ 25,422,918	\$ 18,216,080	71.7%	\$ 16,658,447

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. Several membership payments are made earlier in the year, which have contributed to the higher annual percentage of costs.

City Attorney

Legal costs are greater than the prior year due to an increase in contract costs and use of services.

Fire

The annual difference in costs associated with the Fire Department is primarily related to timing differences associated with fire contract services. In Fiscal Year 18/19, there was one additional invoice paid in the third quarter.

Information Services

The annual costs for Fiscal Year 17/18 are trending lower than the budgeted amount, which is primarily due to a focus on the Structured Cabling Project and a major upgrade to the local area network equipment. The Information Services Division plans to purchase and replace approximately 1/3 of the City's desktop computers, implement Office 365; and acquire recreation registration software by the end of the fiscal year.

Capital Outlay

The City has installed Local Area Network Equipment and completed the Structured Cabling Project; however invoices for approximately \$200,000 aren't anticipated to be received until May. The balance of capital outlay items are anticipated to be purchased in the fourth quarter.

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.

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 were strong, there was a reduction in third quarter sales due to seasonal demands. It is anticipated that sales should increase in spring and summer months. The negative net operating difference is largely due to a \$206,000 debt service payment that took place in the third quarter. In Fiscal Year 17/18, revenues during the first half of the year were related to loan and grant reimbursements.

Cemetery

Cemetery revenues and expenditures are trending relatively close to the budget, as well as to prior year activities. It is anticipated that operating revenues will be sufficient to cover operating expenses. The purchase of Cemetery management software in the fourth quarter is anticipated to be funded through the planned use of fund balance.

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 fairly consistent with the amended budget, with variances in expenditures primarily related to planned capital projects.

Golf Course

Golf Course revenues and expenditures are trending higher than the prior year. The negative net difference is primarily related to debt service payments that were incurred in the third quarter, as well as greater than anticipated expenditures. Staff is in the process of reviewing expenditure details to determine if some costs could be subject to reimbursement.