



Office of the City Manager

INFORMATION ITEM

November 18, 2014

To: Honorable Mayor and Members of the City Council

From:  Christine Daniel, City Manager

Submitted by: Teresa Berkeley-Simmons, Budget Manager

Subject: FY 2014 Year End Review and FY 2015 First Quarter Review

INTRODUCTION

This report presents to the Council a year-end budget summary for FY 2014, the fiscal year ending on June 30, 2014. This report also provides preliminary revenue information for the first quarter of the current fiscal year, FY 2015.

CURRENT SITUATION AND ITS EFFECTS

**FY 2014 Year-end Summary**

General Fund

On June 25, 2013, the City Council adopted the FY 2014 budget. The FY 2014 adopted General Fund revenues were \$150.8 million, and the adopted General Fund expenditures were \$150.7 million.

At FY 2014 year-end, actual General Fund revenues were \$155.2 million. This was \$4.4 million above the adopted budget. Factors contributing to this increase include a \$4.0 million increase in the Property Transfer Tax, resulting from an increase in the dollar value of property sales, and a one-time \$370,000 increase in Moving Violation revenues resulting from a joint audit performed by the County and State. Without these two increases, the FY 2014 General Fund year-end actual revenue aligns with the FY 2014 adopted budget. Of the \$4.0 million increase in Property Transfer Tax, \$3.5 million will be transferred to the Capital Improvement Fund. A portion, \$500,000, will be allocated for FUNDS\$ replacement.

Actual FY 2014 General Fund expenditures were \$153.1 million. This was \$2.4 million above the adopted budget. The FY 2014 Amendments to the Appropriation Ordinances increased General Fund expenditures by \$9 million. However, only \$2.4 million was spent. Thus, at year-end, \$2.1 million remained in the General Fund balance. That amount is included for appropriations as part of First Amendment to the FY 2015 Annual Appropriations Ordinance on this same agenda.

<b>FY 2014 General Fund Budget Summary</b>			
<b>(dollars in millions)</b>	<b>FY 2014 Adopted</b>	<b>FY 2014 Adjusted</b>	<b>FY 2014 Actual Year-End</b>
<b>Revenues</b>	\$150.8	\$150.8	\$155.2
<b>Expenditures</b>	150.7	159.7*	153.1
<b>Use of Fund Balance</b>	0	-8.9	0
<b>Balance</b>	\$0.1	\$0	\$2.1

\*Additional appropriations were included in the Amendments to the Appropriation Ordinances that were approved by Council on [October 29, 2013 Item #2](#)<sup>1</sup> and on [May 6, 2014 Item #1](#)<sup>2</sup>.

Funding for Capital Improvements

Property Transfer Tax revenue exceeding \$10.5 million is treated as one-time revenue to be used for the City’s capital infrastructure needs. In FY 2014 the Property Transfer Tax included in the Adopted Budget was \$10.0 million. At FY 2014 mid-year Property Transfer Tax was projected to be \$11.0 million<sup>3</sup>. By FY 2014 year-end the actual Property Transfer Tax was \$14 million. This is \$3.5 million over the \$10.5 million threshold established by Council.

Of the \$3.5 million, \$1.1 million was included in the [Second Amendment to the FY 2014 Annual Appropriations Ordinance](#) on May 6, 2014. The remaining \$2.4 million will be transferred from the General Fund to the Capital Improvement Fund (610) as part of the Second Amendment to the FY 2015 Appropriations Ordinance in the spring.

All Funds

On an all funds basis (the General Fund plus all other funds) the City finished FY 2014, \$34.8 million (9%) under the adjusted budget. These fund balances are largely dedicated to projects, capital improvements that have not yet been completed, and lower personnel cost. For example, over \$8.2 million in the Department of Health, Housing & Community Services, which includes unexpended Housing Trust Fund projects, are included in this balance. In addition, over \$7.7 million tied to capital improvements was unspent in the Department of Public Works. The Department of Information Technology was under budget by \$2.2 million as a result of capital improvement related funds and employee training funds not being fully spent in FY 2014. Finally, expenditures in the Worker’s Compensation Fund were lower than the budgeted amount by over \$2.6 million. Funds that have been reserved for projects not completed in FY 2014 will be carried over to FY 2015 for completion.

<sup>1</sup> [http://www.cityofberkeley.info/Clerk/City\\_Council/2013/10Oct/City\\_Council\\_10-29-2013\\_-\\_Regular\\_Meeting\\_Annotated\\_Agenda.aspx](http://www.cityofberkeley.info/Clerk/City_Council/2013/10Oct/City_Council_10-29-2013_-_Regular_Meeting_Annotated_Agenda.aspx)

<sup>2</sup> [http://www.cityofberkeley.info/Clerk/City\\_Council/2014/05\\_May/City\\_Council\\_05-06-2014\\_-\\_Regular\\_Meeting\\_Annotated\\_Agenda.aspx](http://www.cityofberkeley.info/Clerk/City_Council/2014/05_May/City_Council_05-06-2014_-_Regular_Meeting_Annotated_Agenda.aspx)

<sup>3</sup> [http://www.cityofberkeley.info/Clerk/City\\_Council/2014/02\\_Feb/City\\_Council\\_02-25-2014\\_-\\_Special\\_Meeting\\_Annotated\\_Agenda.aspx](http://www.cityofberkeley.info/Clerk/City_Council/2014/02_Feb/City_Council_02-25-2014_-_Special_Meeting_Annotated_Agenda.aspx) City Council: 02-25-2014 - Special Meeting Annotated Agenda - City of Berkeley, CA

Attachment 1 provides additional information on the FY 2014 Year-End General Fund Revenues and includes a variance analysis.

Attachment 2 provides additional information on the FY 2014 Year-End Expenditures by department and also includes a variance analysis.

### General Fund Reserve/Fund Balance

The City Council's current policy is a reserve at 8 percent of gross General Fund revenues. The reserve provides some flexibility to address one-time priority programs, smooth out economic swings, buffer the loss of state and federal revenues, and temporarily support City operations in the event of a catastrophic event (such as an earthquake). The FY 2014 beginning General Fund liquid reserve balance was \$26.2 million. With the additional \$2.1 million resulting from operation savings, the FY 2014 year-end General Fund balance was \$28.3 million or 18.77 percent of gross General Fund revenues and 9.01 percent for all revenues (General Fund and Special Funds). However, after the carryover process for the FY 2015 budget, the General Fund liquid reserve is \$23.1 million or 15.32 percent of FY 2014 gross General Fund revenues and 7.36 percent for all revenues.

### **FY 2015 First Quarter Summary**

#### General Fund Revenues

General Fund revenues are currently tracking within budget. However, several of the underlying revenue assumptions for FY 2015 are very sensitive to economic changes but staff projects continued modest growth in FY 2015. In addition, the City changed the methodology used when reporting General Fund revenues in budget reports. Instead of reporting on an accrual basis, going forward the City will report General Fund revenue on a cash basis. This change impacts the reporting of Sales Tax and Interest Income revenue streams going into the General Fund. Staff will continue to monitor these revenue streams and report on the impact this change has on revenue projections. For additional information please see Attachment 3.

#### General Fund Expenditures

General Fund expenditures are currently tracking within budget. General Fund personnel costs represent 76% of the City's total General Fund budget and are monitored by staff on a monthly basis. Similar to last year, Police overtime continues to be a concern due to vacancies and medical leave in divisions with minimum staffing thus necessitating overtime backfill. However, staff continues to closely monitor this trend and is working to reduce this level of spending by revising deployment to ensure minimum staffing levels while reducing the use of overtime, and hiring to budgeted sworn level of FTEs.

It is important to continue making fiscally prudent decisions with the future in mind. Staff will present more refined revenue and expenditure projections based on additional information during the mid-year update in February 2015

Attachment 3 provides additional information on the FY 2015 First Quarter General Fund Revenues and also includes a variance analysis.

Attachment 4 provides additional information on the FY 2015 First Quarter Expenditures by department and includes a variance analysis.

**Fiscal Year 2016 CalPERS Rates**

We have received the updated CalPERS employer contribution rates for next fiscal year. The primary changes to the rates we provided at the May 6, 2014 Worksession<sup>4</sup> are an increase to the Miscellaneous Plan of .73% and an increase to the Fire plan of .984%. The net impact of the changes to the employer contribution rates is increased costs for FY 2016 by approximately \$800,000 on an all funds basis.

	<b>CalPERS Actuals FY 2015</b>	<b>CalPERS Actuals FY 2016</b>	<b>CalPERS Projected FY 2017</b>
Police	46.573%	48.585%	52.1%
Fire	33.156%	36.584%	38.8%
Miscellaneous	21.912%	24.030%	25.9%

**Next Steps**

Staff plans to return to Council on February 24, 2015, with the Mid-Year Budget update.

ENVIRONMENTAL SUSTAINABILITY

Actions included in the budget will be developed and implemented in a manner that is consistent with the City’s environmental sustainability goals and requirements.

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<sup>4</sup> [http://www.cityofberkeley.info/Clerk/City\\_Council/2014/05\\_May/City\\_Council\\_05-06-2014\\_-\\_Special\\_Meeting\\_Annotated\\_Agenda.aspx](http://www.cityofberkeley.info/Clerk/City_Council/2014/05_May/City_Council_05-06-2014_-_Special_Meeting_Annotated_Agenda.aspx)

**Attachments:**

- 1: FY 2014 Year End General Fund Revenues
- 2: FY 2014 Year End General Fund and All Funds Expenditures
3. FY 2015 1<sup>st</sup> Quarter General Fund Revenues
4. FY 2015 1<sup>st</sup> Quarter General Fund and All Funds Expenditures

**FY 2014 GENERAL FUND REVENUE**

<b>FY 2014 General Fund Revenue Summary</b>					
<b>Revenue Categories</b>	<b>Actual FY2013</b>	<b>Adopted FY 2014</b>	<b>Actual FY 2014</b>	<b>% Received</b>	<b>Variance</b>
Secured Property	40,210,337	\$41,180,566	\$42,181,381	102.43%	\$1,000,815
Unsecured Property Taxes	2,298,523	2,447,266	2,496,321	102.00%	49,055
Supplemental Taxes	729,792	630,000	1,131,045	179.53%	501,045
Property Transfer Tax	11,663,871	10,000,000	14,017,607	140.18%	4,017,607
Sales Taxes	15,708,699	15,972,075	16,500,324	103.31%	528,249
Utility Users Taxes	14,350,002	15,011,223	14,321,714	95.41%	(689,509)
Transient Occupancy Taxes	5,562,168	5,234,447	6,169,161	117.86%	934,714
Business License Tax	15,266,648	15,852,545	15,370,377	96.96%	(482,168)
Vehicle In-Lieu Taxes	8,738,116	9,259,210	9,277,702	100.20%	18,492
Parking Fines-Regular	8,013,917	8,285,000	6,850,399	82.68%	(1,434,601)
Parking Fines-Booting	470,115	350,000	238,517	68.15%	(111,483)
Moving Violations	248,798	300,000	670,363	223.45%	370,363
Interest Income	3,320,372	3,200,000	2,465,334	77.04%	(734,666)
Ambulance Fees	4,134,875	3,988,508	3,937,159	98.71%	(51,349)
Franchise fees	1,577,739	1,800,799	1,777,890	98.73%	(22,909)
Other Revenue	9,974,682	8,860,283	9,784,102	110.43%	923,819
Transfers	7,994,404	8,428,628	8,026,747	95.23%	(401,881)
<b>Total Revenue:</b>	<b>150,263,058</b>	<b>\$150,800,550</b>	<b>\$155,216,143</b>	<b>102.93%</b>	<b>\$4,415,593</b>

*The highlights of the FY 2014 General Fund revenue results are summarized below:*

**Secured Property Tax (+\$1,971,044 over FY 2013 Actual); (+\$1,000,815 over FY 2014 Adopted)**

During FY 2014, Secured Property Tax revenues totaled \$42,181,381, which was \$1,971,044 or 4.9% more than the \$40,210,337 received for FY 2013. This revenue growth was in line with the FY 2014 preliminary assessed value growth of 4.96% reported by the County Assessor in June 2013. The FY 2014 growth in assessed value was also approximately double the FY 2013 growth of 2.49%

**Property Transfer Tax (\$2,353,736 over FY 2013 Actual); (+\$4,017,607 over FY 2014 Adopted)**

During FY 2014, Property Transfer Tax revenue increased by \$2,353,736 or 20.2% to \$14,017,607, from the \$11,663,871 received in FY 2013. This increase is due primarily to a \$176.9 million or 21.6% increase in the dollar value of property sales in FY 2014, as follows.

Description	FY 2014	FY 2013	Increase (Decrease)
Total Dollar Value of Property Sales	\$995,328,918	\$818,455,700	\$176,873,218
Average Property Sales Price	\$996,325	\$857,920	\$138,405
Number of Property Sales Transactions	999	954	45

Sales Tax (\$791,625 over FY 2013 Actual); (+\$528,249 over FY 2014 Adopted)  
During FY 2014, Sales Tax revenue totaled \$16,500,324, which is \$791,625 or 5.0% more than the \$15,708,699 received in FY 2013. There were strong sales in Restaurants; Food markets; Furniture/Appliances; Building materials-retail; Drug stores; Chemical products; Building materials-wholesale; Liquor stores; and Food processing equipment.

Utility Users Tax (\$28,288 less FY 2013 Actual); (-\$689,509 less FY 2014 Adopted)

For FY 2014, Utility Users Tax revenue totaled \$14,321,714, which is \$28,288 or .2% less than the \$14,350,002 received in FY 2013. The FY 2014 total of \$14,321,714 was \$689,509 less than the adopted budget amount of \$15,011,223. This decrease was as a result of a couple of factors which include a drop in energy usage throughout the fiscal year, better conservation and smart and efficient appliances.

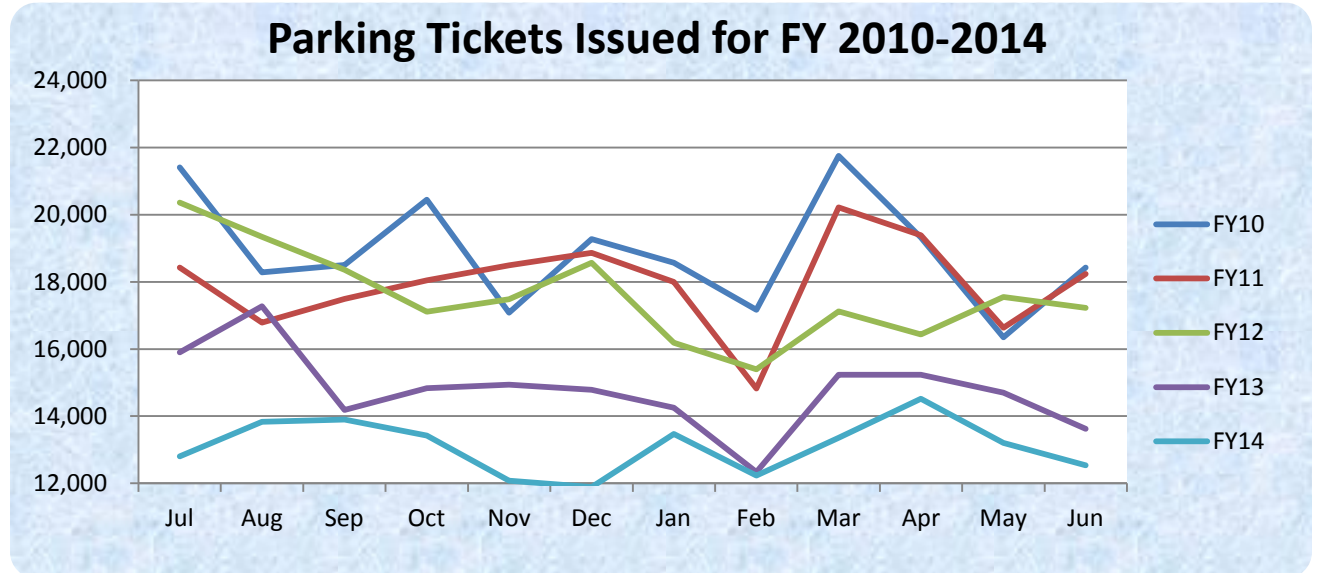
Transient Occupancy Tax (\$606,993 over FY 2013 Actual); (+\$934,714 over FY 2014 Adopted)

Transient Occupancy Tax (TOT) revenue increased by \$606,993 or 10.9% in FY 2014 to \$6,169,161, from \$5,562,168 in FY 2013. This increase was due to double digit growth at 8 of the 12 major hotels tracked by City staff, as hotel operators reported high occupancy rates and increases in average room rates.

Parking Fines (-\$1,163,519 less FY 2013 Actual) (-\$1,434,602 less FY 2014 Adopted)

Parking fines revenue continued its multi-year decline. During FY 2014, Parking Fines revenue (excluding booting collections) showed a decrease of \$1,163,519 or 14.5% to \$6,850,399 in FY 2014, from \$8,013,917 in FY 2013. This decrease in Parking Fines revenue resulted from a 20,284 or 11.4% decline in ticket writing, from 177,285 in FY 2013 to 157,001 in FY 2014.

After hitting a high of \$11.9 million in revenue and 312,005 tickets written in FY 2007, Parking Fines revenue and ticket writing has declined nearly every year since then. The graph below shows the year-over-year declines in ticket writing from FY 2010 through FY 2014, as follows:



Vehicle booting citations also declined during FY 2014. During FY 2014, booting collections totaled \$238,517, a decline of down 49.2% or \$231,598 from the total of \$470,115 received in FY 2013.

*Moving Violations \$421,565 over FY 2013 Actual); (+\$370,363 over FY 2014 Adopted*

*During FY 2014, revenue from Moving Violations totaled \$670,363, which is \$421,565 or 169.4% more than the \$248,798 received in FY 2013. 86 percent of this increase over the FY 2013 total, or \$363,008, was the result of a one-time five year audit conducted by both the State and County. This is a non-recurring revenue.*

*Interest Income (-\$855,038 less FY 2013 Actual); (-\$734,666 less FY 2014 Adopted)*

*During FY 2014, Interest Income totaled \$2,465,334, which is \$855,038 or 25.8% less than the total of \$3,320,372 received for FY 2013. This revenue source declined because the Federal Reserve Board (the Fed) continues to keep short-term rates close to zero and medium-term interest rates between 1-2%. As a result, as the high yielding securities held by the City mature, the City will achieve a return on investments close to zero percent on the replacement securities that need to be held in short-term investment vehicles (for liquidity purposes) and 1-2% for replacement securities with longer maturity dates.*



## FY 2014 Year End Expenditures

## General Fund

Department	FY 2014 Adopted	FY 2014 Adjusted	Year-End Actuals	Balance	Percent Expended
Mayor & Council	1,753,239	1,757,627	1,733,917	23,710	99%
Auditor	2,020,158	2,250,735	1,925,222	325,513	86%
City Manager	4,716,201	4,781,190	4,614,527	166,663	97%
Police Review Commission	535,837	534,614	484,845	49,769	91%
City Attorney	2,252,298	2,284,109	2,220,327	63,782	97%
City Clerk	1,930,981	2,092,794	1,504,701	588,093	72%
Information Technology	4,861,456	5,611,583	4,743,945	867,638	85%
Finance	5,381,523	5,426,254	5,255,871	170,383	97%
Human Resources	1,905,011	1,831,884	1,798,549	33,335	98%
Health, Housing & Community Services	12,045,968	12,207,954	11,773,139	434,815	96%
Public Works	2,590,838	2,612,864	2,275,051	337,813	87%
Parks, Recreation and Waterfront	5,372,250	5,549,702	5,259,661	290,041	95%
Fire	26,963,283	27,081,306	26,422,372	658,934	98%
Police	55,461,475	55,227,519	55,836,689	(609,170)	101%
Planning	1,672,315	1,710,641	1,629,124	81,517	95%
Economic Development	1,939,004	1,898,317	1,875,736	22,581	99%
Non-Departmental	19,294,907	24,147,818	23,759,456	388,362	98%
<b>Total</b>	<b>150,696,744</b>	<b>157,006,911</b>	<b>153,113,132</b>	<b>3,893,779</b>	<b>98%</b>

## All Funds (including General Fund)

Department	FY 2014 Adopted	FY 2014 Adjusted	Year-End Actuals	Balance	Percent Expended
Mayor & Council	1,753,239	1,757,823	1,733,917	23,906	99%
Auditor	2,160,366	2,390,943	2,065,354	325,589	86%
City Manager	4,952,134	5,129,836	4,887,010	242,826	95%
Police Review Commission	535,837	534,614	484,845	49,769	91%
City Attorney	3,950,423	4,223,277	3,916,746	306,531	93%
City Clerk	1,930,981	2,092,794	1,504,701	588,093	72%
Information Technology	7,536,393	10,360,772	8,127,798	2,232,974	78%
Finance	7,281,729	7,321,574	6,857,845	463,729	94%
Human Resources	3,211,709	3,194,418	2,997,178	197,240	94%
Health, Housing & Community Services	36,331,934	43,001,041	34,729,446	8,271,595	81%
Public Works	90,455,043	97,458,065	89,659,793	7,798,272	92%
Parks, Recreation and Waterfront	23,845,031	27,542,188	23,678,863	3,863,325	86%
Fire	33,452,802	33,895,968	32,273,589	1,622,379	95%
Police	59,747,528	59,956,816	59,700,592	256,224	100%
Berkeley Housing Authority*	46,490	51,707	25,326	26,381	49%
Planning	12,277,269	13,069,868	12,480,485	589,383	95%
Economic Development	4,024,853	3,865,223	3,243,496	621,727	84%
Rent Board	3,999,042	4,087,838	3,826,758	261,080	94%
Library	21,235,497	23,111,751	20,326,538	2,785,213	88%
Non-Departmental	45,567,741	53,545,684	49,308,061	4,237,623	92%
<b>Total</b>	<b>364,296,041</b>	<b>396,592,200</b>	<b>361,828,341</b>	<b>34,763,859</b>	<b>91%</b>

*\*Berkeley Housing Authority has been a separate entity since 2008. Expenditures in FY 2014 were for City services and the City was reimbursed by BHA for these expenditures.*

## FY 2014 Year End Expenditures Variance Analysis

### Significant General Fund Variances

- Information Technology (+\$867,638) was primarily due to non-personnel savings for a number of projects that were not completed in FY 2014. Most of the unspent funds were carried over to FY 2015 to pay for these ongoing projects.
- Fire (+\$658,934) was due to salary savings from vacant sworn positions during the year.
- City Clerk (+\$588,093) was due to savings from a vacant .78 FTE Assistant Management Analyst position, unspent election funds, and funds allocated for a new Electronic Content Management (ECM) system. The unspent funds were carried over to FY 2015 to pay for the November election and the ECM system.
- Health, Housing, & Community Services (+\$434,815) and Public Works (+\$337,813) were due to salary savings from vacant positions and non-personnel savings. Some of these unspent funds will be carried over to FY 2015 to pay for programs, special projects, and limited capital improvements.
- City Auditor (+325,513) was due to funds for electronic and time attendance system (\$172,973) and outside consultants for audits (\$60,000) not being spent in FY 2014. These unspent funds have continued to accumulate over the years and will be carried over to FY 2015 and set aside to pay for electronic distribution time entry and outside consulting services.
- City Manager (+166,663) was due to vacancies that were filled during the year at lower salary levels and non-personnel savings. \$22,632 of the savings was in Animal Services Division and will be carried over to FY 2015.
- Police (-\$609,170) due to overtime expenditures being \$1,626,282 over budget. The overage in overtime expenditures was due to sworn vacancies and medical leave in divisions which operate at minimum staffing levels therefore necessitating overtime backfill. Salary and benefit savings resulted from the vacancies (\$1,020,858) and operating costs were controlled to further lower the expenditures to exceed budget by \$609,170.

### Significant All Funds Variances

- Information Technology (+\$2,232,974) was due to Capital Improvement Funds, Employee Training Funds, Equipment Replacement Fund, and Computer Replacement Funds for the network projects and Office 2010 and Windows 7 hardware purchases not being fully spent in FY 2014. These funds will be carried over to FY 2015.
- Health, Housing & Community Services (+\$8,271,595) is primarily the result of unexpended Housing Trust Fund project monies in the HUD Fund, Housing Mitigation Fund, Condo Conversion Fund, CDBG, and Capital Improvement Funds. Funds that have been reserved for projects will be carried over to FY 2015. Additionally, salary savings due to vacancies and non-personnel savings in Public Health and Mental Health grant funds contributed to the savings.

- Public Works (+\$7,798,272) due to the following:
  - State Transportation Tax (+\$1.0 million), Capital Improvement Fund (+\$1.3 million), and Measure M (+1.3 million): Positive balances were due to unspent project funds. Only projects that were in progress or ready to move forward had funds carried over to FY 2015.
  - CALTRANS Grant (+\$872,925): Grant funds for the goBerkeley pilot program for parking management and the Ashby Corridor Improvement Project were not fully spent in FY 2014 and were carried over to FY 2015.
  - Sewer Fund (+\$898,555): Under spent \$111,250 in personnel costs due to vacancies. Non-Personnel savings of \$778,305 for sewer projects not completed in FY 2014.
  
- Parks Recreation and Waterfront (+3,863,325) due to salary savings and unexpended project funds in Parks Tax Fund, Capital Improvement Fund, Measure WW Parks Bond Grant Fund, and the Marina Fund. Only certain unspent project funds will be carried over to FY 2015.
  
- Library (+\$2,785,213) due to non-personnel savings in the Library Fund, Library Foundation Funds and Measure FF Library Branch Bond Funds.
  
- Non-Departmental (\$4,237,623) was the result of the expenditures in the Workers' Compensation Fund being lower than the budgeted amount by a little more than \$2.6 million. The annual transfer from the Mental Health State Aid Realignment Trust Fund to the Health (Short/Doyle) Fund was lower than budgeted by \$797,629.

**FY 2015 First Quarter General Fund Revenues**

<b>GENERAL FUND REVENUE SUMMARY</b>							
<b>Revenue Categories</b>	<b>Adopted FY 2015</b>	<b>Actual 1st Qtr FY 2015</b>	<b>% Received</b>	<b>Adopted FY 2014</b>	<b>Actual 1st Qtr FY 2014</b>	<b>% Received</b>	<b>Variance 1st Qtr FY14 vs FY15</b>
Secured Property	\$ 44,352,255	\$ 366,866	0.83%	\$41,180,566	\$ 290,315	0.70%	76,551
Unsecured Property Taxes	2,498,523	2,153,304	86.18%	2,447,266	2,108,548	86.16%	44,756
Supplemental Taxes	760,000	193,623	25.48%	630,000	152,591	24.22%	41,032
Property Transfer Tax	11,016,000	4,793,542	43.51%	10,000,000	3,909,186	39.09%	884,356
Sales Taxes	16,365,826	3,180,623	19.43%	15,972,075	3,855,213	24.14%	(674,590)
Utility Users Taxes	14,629,742	3,544,226	24.23%	15,011,223	3,544,522	23.61%	(296)
Transient Occupancy Taxes	5,957,082	1,996,943	33.52%	5,234,447	1,545,760	29.53%	451,183
Business License Tax	16,253,126	320,608	1.97%	15,852,545	148,682	0.94%	171,926
Vehicle In-Lieu Taxes	9,671,582	-	0.00%	9,259,210	-	0.00%	-
Parking Fines-Regular	6,650,000	2,043,455	30.73%	8,285,000	1,854,897	22.39%	188,558
Parking Fines-Booting	350,000	-	0.00%	350,000	22,560	6.45%	(22,560)
Moving Violations	230,000	86,693	37.69%	300,000	52,692	17.56%	34,001
Interest Income	2,600,000	44,232	1.70%	3,200,000	387,050	12.10%	(342,818)
Ambulance Fees	4,386,689	1,030,998	23.50%	3,988,508	986,506	24.73%	44,492
Franchise fees	1,841,403	288,340	15.66%	1,800,799	232,584	12.92%	55,756
Other Revenue	8,588,970	2,490,617	29.00%	8,860,283	1,826,819	20.62%	663,798
Transfers	8,030,303	1,862,431	23.19%	8,428,628	1,599,171	18.97%	263,260
<b>Total Revenue:</b>	<b>\$ 154,181,501</b>	<b>\$ 24,396,500</b>	<b>15.82%</b>	<b>\$ 150,800,550</b>	<b>\$ 22,517,096</b>	<b>14.93%</b>	<b>1,879,404</b>

*The first quarter review focuses on the major revenue fluctuation. Staff has not augmented or decreased the General Fund revenue projections for FY2015. Staff will present more refined revenue projections based on additional information during the mid-year update.*

**Secured Property Tax (+\$76,551 over FY 2014 Actual)**

During the first quarter of FY 2015, Secured Property Tax revenues totaled \$366,866, which was \$76,551 or 26.37% more than the \$290,315 received for FY 2014.

**Property Transfer Tax (+\$884,356 over FY 2014 Actual)**

During the first quarter of FY 2015, Property Transfer Tax totaled \$4,793,542, was \$884,356 or 23% more than the \$3,909,186 received for the first quarter of FY 2014. July sales were especially high for it accounts for 65% of the total of the variance. Staff will closely monitor this revenue for a possible increase in the projection.

Sales Tax (-\$674,590 less than FY 2014 Actual)

For the first quarter of FY 2015, Sales Tax revenue totaled \$3,180,623, which is -\$674,590 or 17% less than the \$3,855,213 received for the first quarter of FY 2014. The decrease is primarily due to the way the Triple Flip is being reported. (State of California withholds 25% of sales tax due monthly to local governments and the City has been allocating those withholdings quarterly). Going forward the City will report the Triple Flip receivables on a cash basis when received which is usually in months of January and May. The most recent data available for this revenue stream (April-June 2014) saw a gain of 7.8% coming from restaurants and chemical products. Restaurants are the largest economic sector in the city which comprises of 21.3% followed by miscellaneous retail at 10.3%.

Transient Occupancy Tax (+\$451,183 over FY 2014 Actual)

Transient Occupancy Tax (TOT) revenue for the first quarter of FY 2015 totaled \$1,996,943 which is \$451,183 or 29% more than the \$1,545,760 received for the first quarter of FY 2014. The first quarter filing by all the ten major hotels was strong, with some showing a double digit increase from the previous year first quarter results. This increase is in line with the strong performance that was witnessed during the last fiscal year and the adopted budget for FY 2015 reflected these assumptions.

Parking Fines (+\$188,558 over FY 2014 Actual)

Parking fines revenue increased this quarter over the 2014 first quarter actual. This is attributable to the new vendor (Xerox), sending out over 14,000 one time courtesy notices for delinquent accounts. This effort generated the increase even though there were 3,545 less ticket issuance during the first quarter of FY 2015.

Interest Income (-\$342,818 less FY 2014 Actual)

For the first quarter of FY 2015, interest income totaled \$44,232 which is \$342,818 less than the total of \$387,050 received for the same period in FY 2014. The decrease is primarily due to the way the interest income is being reported. In the past the City allocated this income on a quarterly basis. Going forward the city will report this revenue on a cash basis when received, which is usually in the months of October, December, April, and June of each year.

Other Revenue (+\$663,798 over FY 2014 Actual)

Other Revenue increased by \$663,798 or 36% in the first quarter of FY 2015 to \$2,490,617 from \$1,826,819 for the same period in FY 2014. This increase was primarily due to reimbursements received of \$674,875 for the outstanding Ground Emergency Medical Transport (GEMT) for FY 2010 and FY 2011. The State Department of Health Care Services (DHCS) is working with the federal government to facilitate payment of reimbursements.

## FY 2015 First Quarter Expenditures (7/1/14 – 9/30/14)

## General Fund

Department	FY 2015 Adopted	FY 2015 Adjusted*	Year-To-Date		Percent Expended
			Actuals + Encumbrances	Balance	
Mayor & Council	1,768,200	1,741,646	364,284	1,377,362	21%
Auditor	2,052,561	2,054,357	370,984	1,683,373	18%
City Manager	4,796,940	4,828,939	1,217,418	3,611,521	25%
Police Review Commission	549,881	551,311	119,062	432,249	22%
City Attorney	2,300,900	2,345,900	524,074	1,821,826	22%
City Clerk	1,897,904	1,952,111	409,898	1,542,213	21%
Information Technology	5,260,048	6,630,423	2,354,576	4,275,847	36%
Finance	5,536,002	5,673,365	1,285,894	4,387,471	23%
Human Resources	1,890,079	1,965,508	439,803	1,525,705	22%
Health, Housing & Community Services	12,211,374	12,592,832	3,080,680	9,512,152	24%
Public Works	2,600,255	2,618,485	816,669	1,801,816	31%
Parks, Recreation and Waterfront	5,562,004	5,712,660	1,772,016	3,940,644	31%
Fire	27,718,065	27,774,964	6,439,297	21,335,667	23%
Police	55,820,901	56,118,306	11,840,146	44,278,160	21%
Planning	1,687,798	1,697,807	338,228	1,359,579	20%
Economic Development	2,027,532	2,194,429	637,220	1,557,209	29%
Non-Departmental	20,701,040	20,651,552	8,091,164	12,560,388	39%
<b>Total</b>	<b>154,381,484</b>	<b>157,104,595</b>	<b>40,101,413</b>	<b>117,003,182</b>	<b>26%</b>

\*FY 2015 Adjusted includes FY 2014 Encumbrance Rollover

## All Funds (including General Fund)

Department	FY 2015 Adopted	FY 2015 Adjusted*	Year-To-Date		Percent Expended
			Actuals + Encumbrances	Balance	
Mayor & Council	1,768,200	1,741,646	364,284	1,377,362	21%
Auditor	2,182,588	2,184,384	400,223	1,784,161	18%
City Manager	5,248,901	5,286,474	1,299,587	3,986,887	25%
Police Review Commission	549,881	551,311	119,062	432,249	22%
City Attorney	4,020,533	4,560,594	1,168,954	3,391,640	26%
City Clerk	1,897,904	1,952,111	409,898	1,542,213	21%
Information Technology	8,713,473	11,003,378	3,624,995	7,378,383	33%
Finance	7,414,589	7,582,018	1,602,929	5,979,089	21%
Human Resources	3,223,497	3,366,826	719,220	2,647,606	21%
Health, Housing & Community Services	37,701,665	39,018,470	10,759,589	28,258,881	28%
Public Works	95,242,530	114,190,167	48,636,391	65,553,776	43%
Parks, Recreation and Waterfront	23,524,395	24,608,134	8,523,601	16,084,533	35%
Fire	34,774,493	34,834,136	7,877,867	26,956,269	23%
Police	60,434,204	60,810,391	12,817,019	47,993,372	21%
Planning	13,105,140	13,745,158	4,191,315	9,553,843	30%
Economic Development	4,255,394	5,187,846	1,704,973	3,482,873	33%
Rent Board	4,245,000	4,248,730	1,027,043	3,221,687	24%
Library	19,094,157	19,463,431	4,450,169	15,013,262	23%
Non-Departmental	48,305,192	48,187,667	12,657,680	35,529,987	26%
<b>Total</b>	<b>375,701,736</b>	<b>402,522,872</b>	<b>122,354,799</b>	<b>280,168,073</b>	<b>30%</b>

\*FY 2015 Adjusted includes FY 2014 Encumbrance Rollover.

## FY 2015 First Quarter Expenditures Variance Analysis

### First Quarter Assumptions

- Personnel year-to-date actuals are through 09/19/14 and represent 20.77% expended. All departments are tracking at or below 20.77% in personnel expenditures. General Fund personnel costs represent almost 76% of the total City's General Fund budget and are tracked on a monthly basis. As in prior years, Police overtime continues to be a concern and is being monitored by staff.

Generally, on an all funds basis, expenditures over 20.77% are related to non-personnel costs, such as encumbrances for contracts, supplies, and materials.

### First Quarter Variances

#### General Fund

- Information Technology: Funds were encumbered for professional services contracts, computer maintenance, and software licenses.
- Health, Housing & Community Services: First three months is when summer youth workers are hired.
- Public Works: Funds were encumbered for gas and electricity payments.
- Parks Recreation & Waterfront: 1<sup>st</sup> quarter was peak season for Recreation programs.
- Economic Development: Expenditures for Convention & Visitors Bureau contract and civic arts grants.
- Non-Departmental: Funds for community agency contracts (managed by the Health, Housing & Community Services Department) were encumbered in first quarter.

#### Other Funds

- Health, Housing & Community Services: Funds for Non-General Fund community agency contracts and Housing Trust Fund projects encumbered.
- Public Works: Funds were encumbered for capital improvement projects early in the fiscal year.
- Parks Recreation and Waterfront: Funds encumbered for food and supplies at Camps, utilities and supplies, and capital improvement projects.
- Economic Development: Funds for Business Improvement Districts encumbered.

