



City of San Leandro

Meeting Date: May 6, 2013

Staff Report

File Number: 13-212 **Agenda Section:** CONSENT CALENDAR

Agenda Number: 8.D.

TO: City Council

FROM: Chris Zapata
City Manager

BY: David Baum
Finance Director

FINANCE REVIEW: David Baum
Finance Director

TITLE: Staff Report on the Third Quarter Financial Report as of March 31, 2013 for the 2012-13 General Fund, Special Revenue Funds, Enterprise Funds, and Internal Service Funds Budget and Quarterly Report on Sales Tax and Business Activity

SUMMARY AND RECOMMENDATIONS

Staff recommends that the City Council review and approve the Third Quarter Financial Report as of March 31, 2013 for the 2012-13 General Fund, Special Revenue Funds, Enterprise Funds, and Internal Service Funds Budget and attached Quarterly Report on Sales Tax and Business Activity.

BACKGROUND

The City Council-approved 2012-13 General Fund, Special Revenue Funds, and Enterprise Funds Budget in the annual plan and resource allocation that guides and ensures implementation of City Council policies and priorities. The budget implements the vision and direction for the broad range of services that meet the needs of the community in accordance with City Council policy. This financial review as of March 31, 2013 provides the third quarter budget update to the City Council for the new fiscal year. Analysis of the revenues collected and all expenditures through March 31, 2013 measures the budget's adherence to the established resource allocation plan.

DISCUSSION

The adopted budget incorporates the estimated revenues and planned expenditures for all funds. The attached 2012-13 Third Quarter Financial Report as of March 31, 2013 provides the revenue and expenditure summary for the General Fund, Special Revenue Funds, Enterprise Funds, and Internal Service Funds. The following discussion focuses on variances from the revenue and expenditure plans and allocations contemplated in the budgets.

General Fund

The General Fund finances the operations of the City that have no special or dedicated revenue sources and pays for basic municipal services. Projected 2012-13 General Fund expenditures total \$76.9 million. Projected revenues are \$76.9 million, an increase of \$1.8 million over the original projection.

Total third quarter revenue in 2012-13 amounts to \$49.4 million, 66% of total budget (compared to 66% in 2011-12). Expenditures at the third quarter amount to \$54.2 million, 71% of the budget (compared to 71% in 2011-12). This year's projected expenditures are higher by \$830,000.

Highlights from third quarter activity and year-end estimates in the General Fund and other funds are set forth below.

General Fund Revenue

- **Property Tax** (65% of budget compared to 52% in 2011-12)-The current year's budget for property tax revenue is \$1.6 million greater than that budgeted in 2011-12. Property tax from the secured/unsecured roll by Alameda County amounts to \$7,000,000, VLF Swap amounts to \$3,008,000. The City received \$1,031,000 in property tax revenue due to the dissolution of Redevelopment. Nearly \$1,800,000 property tax was received in March 2013, (last year the property tax allocation was not received until the fourth quarter) resulting in higher property tax revenue reported in the third quarter of 2012-13. The projected year-end property tax revenue is estimated to be \$84,000 higher than the Adopted Budget for 2012-13.
- **Sales Tax** (64% of budget compared to 62% in 2011-12)-The current year's budget for sales tax revenue is \$782,000 higher than budgeted in the 2011-12. Overall, sales tax increased by 8% from the same period last year and represents a 6% increase in local sales tax receipts and a 12% increase in the Sales Tax Backfill payment. Year-end projections reflect an increase of \$1.9 million over the Adopted Budget.
- **Property Transfer Tax** (79% of budget compared to 83% in 2011-12)-Third quarter revenue reflects a decrease of \$428,000 due to the sale of the 840 unit Lakeside Village apartments in 2011-12 that increased revenue by \$660,000. Adjusting for the large sale in 2011-12, Property Transfer tax revenue is up by 45% for the third quarter of the fiscal year. The County reported that San Leandro's transaction volume is 12% higher through January compared to the same period last year.
- **Fines, Fees & Forfeitures** (58% of budget compared to 53% in 2011-12)-Third quarter revenue reflects an increase of \$85,000 primarily due to an increase in Red Light Camera citations.
- **Charges for Services** (67% of budget compared to 91% in 2011-12)-Charges for services were higher in 2011-12 based on payments from Kaiser Hospital for fire review and inspection fees. Year-end projections reflect a decrease of \$109,000 primarily due to a decrease in Planning & Engineering services for construction inspections.
- **Licenses & Permits** (68% of budget compared to 107% in 2011-12)-License & Permits revenue reflect timely receipts in line with the budgeted revenues. Kaiser

Hospital permit fees of \$500,000 in 2011-12 account for the higher levels in the previous year.

As reported in the attached Third Quarter Financial Report, all other taxes and revenue receipts show a closer projection to what the year-end results will reflect.

General Fund Expenditures

- **Police** - (74% of budget compared to 75% in 2011-12)-The current year's Police expenditure budget is \$755,000 less than budgeted in 2011-12. The decrease is primarily due to the transfer of certain Retirement System costs to debt service to fund the pension obligation bond payments in the amount of \$1.6 million. Third quarter expenditures are in line with the annual budget.
- **Fire** - (66% of budget compared to 59% in 2011-12)-The current year's budget for contract services is \$645,000 more than in 2011-12. The December 2011 contract service payment for \$1.2 million was paid in April 2012 resulting in higher expenditures for the third quarter in 2012-13.
- **Debt Service** - (56% of budget compared to 76% in 2011-12)-Debt service payments increased by \$475,000 due to the payment made for the pension obligation bonds. An additional \$1,616,000 pension debt service will be paid on June 1. Total adopted budget debt service for 12-13 is \$ 4,886,000; total debt service for 11-12 was \$2,981,000.
- **Transfers** - Transfers increased by \$968,000 due to one-time appropriations approved during the adoption of the 2012-13 budget, funded from 2011-12 savings to be used for Building Maintenance projects for \$540,000, Project Literacy for \$20,000, and \$400,000 transferred to the Self-Insurance fund for a portion of the ICFG Settlement.

Enterprise & Internal Service Funds

Four Enterprise Funds make up the City's business type operations. The Water Pollution Control Plant Fund, Environmental Services Fund, Shoreline Enterprise Fund, and the Storm Water Fund are City municipal operations designed to fully recover costs through user fees. Internal Service Funds also operate as business activities, exclusively supporting the City's internal operations. Facilities Maintenance, Information Technology, Insurance Services, and Equipment Maintenance make up these funds.

Enterprise & Internal Service Funds

- **Water Pollution Control Plant** - Overall revenues decreased by a modest 1% primarily due to the timing of Industrial Sewer billings. Expenditures increased by 70% due to the construction costs for the renovation of the existing Plant. Total project cost is estimated at \$50 million and is expected to be completed by early 2015.
- **Self Insurance** - Expenditures increased by \$2.5 million in 2012-13 primarily due to the ICFG Settlement of \$2.3 million.
- **Facilities Maintenance** - Revenue in the 2012-13 budget includes \$540,000 from 2011-12 transferred from 2011-12 General Fund savings to complete various capital improvement projects.

Special Revenue Funds

Revenues and expenses for the City's operating Special Revenue Funds are included in the report. Revenues and expenditures for the Parking Fund, Gas Tax Fund, Heron Bay Maintenance Fund, Housing Services Funds, Business Improvement District Fund, and the Public Education & Government Access Fund are provided.

Special Revenue Funds

- **Parking Fund** - Revenues at the third quarter are at 36% of budget due to the construction of the parking garage which opened in November 2012. Budgeted revenues had projected an opening of the Downtown Garage in September 2012.
- **Gas Tax Fund** - Revenues at the third quarter are at 65% of budget due to a delay in the receipt of funds from the State in 2012-13.
- **Heron Bay** - Revenues are at 84% of budget due to the accrual of assessments into the first half of the year that represent nearly the entire year of assessments. Last year, the assessments were recorded after the mid-year.

Quarterly Report on Sales Tax and Business Activity

Sales Tax and Business Activity is provided by the City's revenue consultant MuniServices. The report indicates that positive trends in sales tax, employment, and housing are helping grow the City's economy. The report indicates the top 25 sales tax providers and notes that the City benefits from a strong retail and industrial business community. Staff relies on this information in making its budget forecast.

ATTACHMENTS

- Third Quarter Financial Report as of March 31, 2013
- Quarterly Report on Sales Tax and Business Activity

PREPARED BY: David Baum, Finance Director, Finance



City of San Leandro

Meeting Date: May 6, 2013

Resolution - Council

File Number: 13-146

Agenda Section: CONSENT CALENDAR

Agenda Number:

TO: City Council

FROM: Chris Zapata
City Manager

BY: David Baum
Finance Director

FINANCE REVIEW: David Baum
Finance Director

TITLE: ADOPT: Resolution Accepting the Third Quarter Financial Report and Sales Tax Report and Business Activity for FY 2012-13 (accepts the report for July to September, 2012)

WHEREAS, the Third Quarter Sales Tax Report and Business Activity for FY 2012-13 is presented in the attached report from MuniServices.

NOW, THEREFORE, the City Council of the City of San Leandro does RESOLVE as follows:

That said report is hereby accepted.

Top 25 Businesses in Alphabetical Order:

AB California Acquisition
CA Superstores Chrysler Jeep
Chevron Service Stations
Costco Wholesale
Cummins West
ESD Company
F.H. Dailey Chevrolet
Ghirardelli Chocolate Company
Home Depot
Macy's Department Store
Marina Square Auto Center
Nike Factory Store
Nordstrom Rack
Peterson Tractor
Peterson Trucks
Safeway Stores
San Leandro Honda
Shell Service Stations
SSMB Pacific Holding Company
Target Stores
The Ford Store
Union 76 Service Stations
Walmart Stores
Western States Oil
White Cap Industries

3rd Quarter 2012 in Review

Several payment anomalies inflated the City's cash receipts this quarter as a few major businesses made current and back payments. Once adjusting for payment anomalies, the City grew by 2.4% or \$11,145,700 in taxable sales. Roughly one third of the growth came from use tax associated with retooling in production facilities. Other strong growth came from auto sales, fuel-related sales, apparel stores and retail building materials.

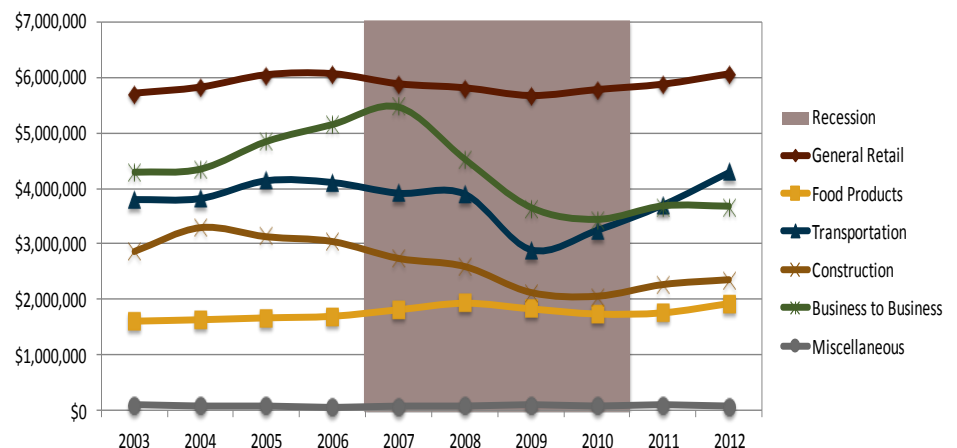
While the Business to Business category experienced the most decline from the same period last year, most of the declines are due to larger-than-usual payments a year ago compared to normal payments this quarter.

Cash Receipts	Quarter	FY to Date	Calendar Year
San Leandro	7.2%	5.5%	6.9%
San Leandro 1/4% Measure	9.2%	13.9%	-
Alameda Countywide	6.8%	9.5%	8.9%
S.F. Bay Area	7.2%	7.3%	8.0%
Statewide	8.1%	7.4%	8.0%

Sales Tax Before, During and After the Recession

This historical look at sales tax by economic category depicts the impact of the recession on the City. Food Products and General Retail weathered the hard times better than the other categories while Business to Business experienced the most severe decline.

Sales Tax in 3rd Quarter of Each Year



Regional Expectations

Employment

While employment on the Peninsula has attracted some workers from the City others are starting to find work close to home. By the end of 2013 the unemployment rate in the region should drop below 8%, which will further stabilize the economy in the City.

Housing

Contractors are pulling more building permits and returning to finish jobs started before the recession. Not only did permits for single-family

homes increase by 21.6% in the first three quarters of 2012 regionally compared to 2011, but permits for multi-family permits also increased by 19.0%. The resulting housing-affordability advantage in the region versus other areas in the S.F. Bay Area will continue to grow incomes and jobs.

The median single-family existing home price in the region has increased by 14% since last year and nearly 38% since the price bottom in 2009. The median single-family home price is expected to reach

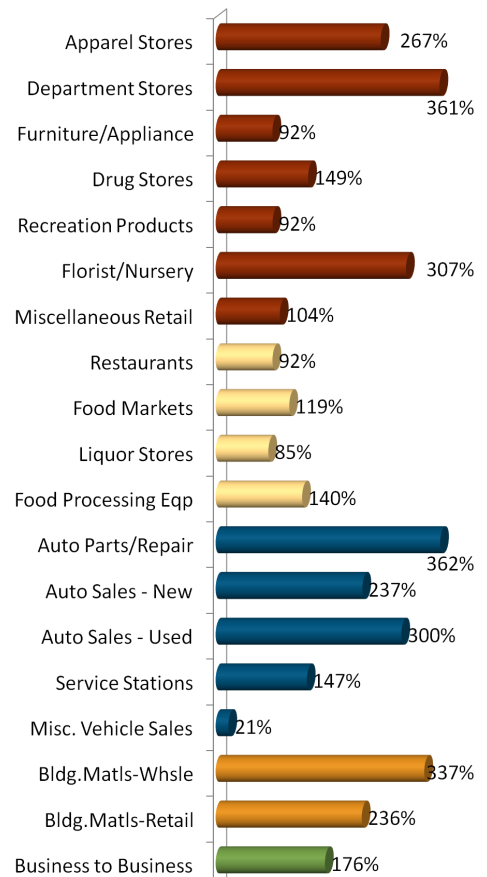
\$400,000 by the middle of 2015. Quarterly home sales will reach between 6,500 to 7,000 by the middle of 2014.

Taxable Sales

The region will see close to 9% growth during the first part of 2013 followed by projected moderate growth of 4% to 6% in the following years.

San Leandro Sales Tax Capture Analysis

>100 = Capture; <100 = Leakage



Sales Tax from Major Categories and Segments

	Quarter-Over-Quarter			Year-Over-Year		
	Jul - Sept 2011 to Jul - Sept 2012			Oct - Sept 2011 to Oct - Sept 2012		
	City of San Leandro	S.F. Bay Area	Statewide	City of San Leandro	S.F. Bay Area	Statewide
Total	2.4%	6.6%	5.7%	5.8%	7.4%	6.8%
General Retail	4.7%	4.7%	4.1%	3.2%	4.7%	4.5%
Food Products	16.4%	6.8%	5.8%	9.2%	7.5%	7.0%
Transportation	7.3%	11.6%	8.2%	14.2%	10.6%	10.4%
Construction	2.3%	6.0%	7.2%	3.9%	9.4%	7.7%
Business To Business	-11.8%	4.5%	4.6%	1.2%	6.9%	5.8%
Department Stores	4.8%	6.2%	5.2%	2.0%	4.4%	4.3%
Auto Sales - New	6.7%	24.6%	20.2%	13.6%	16.9%	17.8%
Bldg.Matls-Whsle	-6.2%	9.4%	13.0%	-1.5%	13.7%	11.9%
Apparel Stores	12.5%	9.0%	7.5%	10.4%	9.0%	8.1%
Service Stations	-0.4%	3.2%	0.4%	10.7%	7.4%	6.0%
Heavy Industry	-13.7%	5.3%	6.2%	-8.7%	13.0%	12.4%
Restaurants	6.5%	6.6%	5.0%	7.6%	7.6%	6.8%
Bldg.Matls-Retail	14.7%	2.9%	1.7%	12.2%	5.7%	4.1%
Auto Parts/Repair	34.3%	1.6%	3.4%	43.4%	4.0%	6.2%
Light Industry	-14.7%	6.6%	2.7%	0.8%	4.7%	2.3%
Miscellaneous Retail	13.0%	0.4%	1.8%	7.7%	1.2%	1.9%
Food Markets	43.2%	6.8%	8.0%	15.3%	6.6%	7.8%
Electronic Equipment	-44.2%	-2.2%	5.2%	0.0%	-1.9%	1.5%
Office Equipment	2.5%	-2.9%	-1.0%	7.9%	2.3%	1.9%

City of San Leandro
Mid-Year Financial Report
As of March 31, 2013

GENERAL FUND

	2012-13				2011-12			2012-13 v 2011-12	
	March 31, 2013				March 31, 2012				
	Adopted Budget	YTD as of 3/31/13	% of Budget	2012-13 Projected	Adopted Budget	YTD as of 3/31/12	YTD % of Budget	Yr to Yr Change (\$)	Yr to Yr Change (%)
Revenues									
GENERAL GOVERNMENT									
Property Tax	17,004	11,014	65%	17,088	15,400	8,000	52%	3,014	38%
Sales Tax	23,892	15,298	64%	25,816	23,110	14,229	62%	1,069	8%
Utility Users Tax	10,100	6,368	63%	10,100	9,848	6,452	66%	(84)	-1%
Franchise Fees	4,141	1,998	48%	4,141	3,983	1,865	47%	133	7%
Property Transfer Tax	2,519	1,993	79%	2,519	2,444	2,035	83%	(42)	-2%
Emergency Communication Access Fee (911)	2,800	1,795	64%	2,800	2,700	1,772	66%	23	1%
Business License Tax	4,425	3,690	83%	4,425	4,225	3,822	90%	(132)	-3%
Other Tax	303	216	71%	303	277	193	70%	23	12%
Sub Total Taxes	65,184	42,372	65%	67,192	61,987	38,368	62%	4,004	110%
Charges for Services	2,661	1,776	67%	2,552	2,381	2,161	91%	(385)	-18%
Interest & Property Income	1,051	901	86%	984	1,018	840	83%	61	7%
Fines, Fees & Forfeitures	1,240	718	58%	1,240	1,190	633	53%	85	13%
Intergovernmental	917	839	91%	965	1,064	880	83%	(41)	-5%
Licenses & Permits	1,596	1,091	68%	1,537	1,560	1,675	107%	(584)	-35%
Interdepartmental	2,002	1,501	75%	2,002	2,295	1,706	74%	(205)	-12%
Other/Transfers	447	241	54%	447	265	1,315	496%	(1,074)	-82%
Sub Total Other	9,914	7,067	71%	9,727	9,773	9,210	94%	(2,143)	-23%
Total Revenues	75,098	49,439	66%	76,919	71,760	47,578	66%	1,861	4%
Expenditures									
General Administration Council, Clerk, City Attorney, City Manager and Human Resources	3,871	2,702	70%	3,852	3,342	2,674	80%	28	1%
Finance	2,299	1,653	72%	2,308	2,184	1,612	74%	41	3%
Police	25,331	18,828	74%	25,521	26,085	19,550	75%	(722)	-4%
Fire	18,889	12,512	66%	18,889	18,194	10,697	59%	1,815	17%
Recreation & Human Services	3,990	2,861	72%	4,049	3,797	2,706	71%	155	6%
Engineering & Transportation	2,461	1,807	73%	2,461	2,277	1,694	74%	113	7%
Library	4,680	3,325	71%	4,798	4,464	3,421	77%	(96)	-3%
Public Works	4,292	3,020	70%	4,386	4,081	2,793	68%	227	8%
Community Development	3,851	2,483	64%	3,928	2,812	2,318	82%	165	7%
Non-Departmental	1,302	1,110	85%	1,281	1,475	880	60%	230	26%
Debt Service	4,866	2,737	56%	4,229	2,981	2,262	76%	475	21%
Transfers	257	1,217	474%	1,217	68	249	366%	968	389%
Total Expenditures	76,089	54,255	71%	76,919	71,760	50,856	71%	3,399	7%

City of San Leandro
Mid-Year Financial Report
As of March 31, 2013

**ENTERPRISES & INTERNAL
SERVICE FUNDS**

	2012-13				2011-12			2012-13 v 2011-12	
	March 31, 2013				March 31, 2012			Yr to Yr Change (\$)	Yr to Yr Change (%)
	Adopted Budget	YTD as of 3/31/13	% of Budget	Adjusted Budget	Adopted Budget	YTD as of 3/31/12	% of Budget		
Water Pollution Control Plant									
Revenue	12,339	9,228	75%	12,364	10,793	9,291	86%	(63)	-1%
Expenditure	9,176	15,249	166%	49,334	7,571	8,968	118%	6,281	70%
Environmental Services									
Revenue	1,167	934	80%	1,167	1,124	1,003	89%	(69)	-7%
Expenditures	1,404	852	61%	1,450	1,503	942	63%	(90)	-10%
Shoreline Enterprise									
Revenue	2,130	1,516	71%	2,130	2,096	1,559	74%	(43)	-3%
Expenditure	2,116	1,337	63%	2,043	2,302	1,521	66%	(184)	-12%
Storm Water									
Revenue	1,075	1,066	99%	1,075	1,070	1,100	103%	(34)	-3%
Expenditure	1,155	862	75%	1,155	1,070	737	69%	125	17%
Facilities Maintenance									
Revenue	2,864	2,684	94%	3,404	2,695	2,075	77%	609	29%
Expenditure	2,864	1,909	67%	3,505	2,685	1,845	69%	64	3%
Information Technology									
Revenue	3,674	2,751	75%	3,687	3,592	2,715	76%	36	1%
Expenditure	3,674	2,755	75%	3,899	3,589	2,428	68%	327	13%
Insurance Services									
Revenue	3,500	3,031	87%	3,900	2,316	1,852	80%	1,179	64%
Expenditure	3,240	4,268	132%	5,597	3,316	2,821	85%	1,447	51%
Equipment Maintenance									
Revenue	1,731	1,336	77%	1,797	1,435	1,152	80%	184	16%
Expenditure	1,731	1,215	70%	1,797	1,425	1,343	94%	(128)	-10%

City of San Leandro
Mid-Year Financial Report
As of March 31, 2013

**SPECIAL REVENUE FUNDS
OPERATING**

	2012-13				2011-12			2012-13 v 2011-12	
	March 31, 2013				March 31, 2012				
	Budget	YTD as of 3/31/13	% of Budget	2012-13 Projected	Budget	YTD as of 3/31/12	% of Budget	Yr to Yr Change (\$)	Yr to Yr Change (%)
Parking									
Revenue	275	168	61%	250	195	173	89%	(5)	-3%
Expenditure	320	209	65%	320	241	156	65%	53	34%
Gas Tax - Street Maintenance									
Revenue	1,268	830	65%	1,268	1,602	1,345	84%	(515)	-38%
Expenditures	1,931	1,321	68%	2,211	1,861	1,177	63%	144	12%
Heron Bay Maintenance									
Revenue	330	277	84%	330	323	295	91%	(18)	-6%
Expenditure	438	173	39%	716	322	134	42%	39	29%
Housing Services (CDBG/HOME/Housing In Lieu)									
Revenue	702	675	96%	702	1,060	942	89%	(267)	-28%
Expenditure	680	648	95%	2,015	1,060	716	68%	(68)	-9%
Business Improvement District									
Revenue	298	205	69%	298	353	226	64%	(21)	-9%
Expenditure	297	147	49%	297	365	141	39%	6	4%
Public Education & Government Access									
Revenue	150	89	59%	150	7	81	1157%	8	10%
Expenditure	149	9	6%	167	29	0	0%	9	N/A