



City of San Leandro

Meeting Date: February 17, 2015

Staff Report

File Number: 15-033

Agenda Section: CONSENT CALENDAR

Agenda Number: 8.E.

TO: City Council

FROM: Chris Zapata
City Manager

BY: David Baum
Finance Director

FINANCE REVIEW: David Baum
Finance Director

TITLE: Staff Report for the Mid-Year Financial Report as of December 31, 2014 and a Budget Amendment Reflecting Mid-Year Adjustments to the City's Fiscal Year 2014-15 General Fund, Special Revenue Funds, Enterprise Funds and Internal Service Funds Budget

SUMMARY AND RECOMMENDATION

Staff recommends that the City Council review and accept the Mid-Year Financial Report as of December 31, 2014, and adopt a resolution approving a Budget Amendment Reflecting Mid-Year Adjustments for the 2014-15 General Fund, Special Revenue Funds, Enterprise Funds, and Internal Service Funds Budget.

BACKGROUND

The City Council-approved 2014-15 General Fund, Special Revenue Funds, and Enterprise Funds Budget in the annual plan and resource allocation 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 December 31, 2014 provides the mid-year budget update to the City Council for the new fiscal year. Analysis of the revenues collected and all expenditures through December 31, 2014 measures the budget's adherence to the established resource allocation plan.

The City Council approves annual budgets based on the best revenue and expenditure information available several months prior to the actual adoption of the budget appropriations. As a result, budget adjustments are periodically necessary for changes that arise and require additional budget appropriations or re-appropriations between budget line items. The City Council approved the amended 2014-15 General Fund, Special Revenue Funds, Enterprise Funds, and Internal Service Funds Budget on May 19, 2014.

DISCUSSION

The adopted budget incorporates the estimated revenues and planned expenditures for all funds. The attached 2014-15 Mid-Year Financial Report as of December 31, 2014 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 2014-15 General Fund expenditures total \$87.7 million. Expected revenues of \$86.3 million, including \$1.4 million contributed from fund balance, finance the anticipated expenditures.

Total mid-year revenue in 2014-15 amounts to \$34.5 million, 41% of total budget (compared to 41% in 2013-14). This year's estimated revenues are higher by nearly \$4.8 million. Expenditures at mid-year amount to \$37.9 million, 44% of the budget (compared to 46% in 2013-14). This year's estimated expenditures are higher by \$6.3 million.

Highlights from mid-year activity in the General Fund and other funds are set forth below.

General Fund Revenue

- **Property Tax** (47% of budget compared to 49% in 2013-14)-The current year's budget for property tax revenue is \$626,000 greater than budgeted in 2013-14. The first payment of property tax from the secured roll by Alameda County was received in December 2014 in which the City received \$8.7 million compared to \$8.7 million in December 2013. Property taxes are expected to remain flat for 2014-15.
- **Sales Tax** (41% of budget compared to 41% in 2013-14)-The current year's budget for sales tax revenue is \$2.9 million higher than budgeted in 2013-14. Overall, sales tax increased by 10% from the same period last year and represents an 11% increase in local sales tax receipts and a 10% increase in the Sales Tax Backfill payment.
- **Property Transfer Tax** (45% of budget compared to 51% in 2013-14)- Property Transfer tax decreased in the first half of the fiscal year by 12% due to the increased level of sales of commercial property in 2013-14. Because Property Transfer tax is tied directly to the sale of real property it is difficult to predict and can vary from year to year.
- **Business License Tax** (10% of budget compared to 11% in 2013-14) - Mid-Year reflects a decrease of \$39,000 (8%) due to the timing of payment processing. Renewals are sent in December and processing can be delayed depending on staffing levels and the holiday closure. The third quarter will reflect a more comparable analysis.
- **Charges for Services** (54% of budget compared to 47% in 2013-14) - Charges for Services increased by 16% in the first half of the year primarily due to inspection fees charged for development in the City including the Bridge Housing Development at San Leandro Crossings.
- **Interest & Property Income** (61% of budget compared to 65% in 2013-14) - Interest

and Property Income reflects a decrease of \$54,000 (7%) due to lower investment returns.

- **Other/Transfer** (37% of budget compared to 44% in 2013-14)- Other revenue increased by 95% due to the receipt of \$112,350 as an issuer fee for the refinancing of debt previously issued by the Redevelopment Agency.

As reported in the attached Mid-Year Financial Report, all other taxes and revenue receipts are in line with budgeted revenues. The third quarter report will show a closer estimate to what the year-end results will reflect.

General Fund Expenditures

- **General Government** - (33% of budget compared to 42% in 2013-14)- General Government expenditures increased by \$279,000 at mid-year due to consulting services related to projects including Medical Cannabis, State Level Advocacy, Public Opinion research, and other administrative projects. The Budget increased by \$1.9 million due to the addition of \$1.5 million in Community Investment Funds.
- **Finance** - (44% of budget compared to 52% in 2013-14) - The current year's mid-year expenditures is \$168,000 (14%) lower than in 2013-14. The decrease is primarily due to the unexpected payment of \$156,000 in 2013-14 for consulting fees for the Sales Tax Audit, which discovers businesses that are not paying sales tax. The consultant is paid on a commission and discovered high value companies not reporting sales tax in Fiscal Year 2013-14.
- **Police Department** - (50% of budget compared to 48% in 2013-14)- Police Department expenditures increased by \$1.6 million primarily due to salary contract increases, supply increases for ammunition and fire arms, and Internal Service costs.
- **Fire Department** - (33% of budget compared to 41% in 2013-14) - The mid-year expenditures for the Fire Department are \$1.3 million less than in 2013-14 due to the timing of the contract payments. The November 2014 contract payment for \$1.7 million was made in January 2015.
- **Transfers** - Transfers increased by \$362,000 due to one-time appropriations approved during the adoption of the 2014-15 budget. The General Fund transferred \$300,000 for Casa Peralta improvements and \$50,000 for Marina Blvd improvements to the Capital Improvement Projects Fund.

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** - Expenditures decreased by 36% due to the pending completion of the Plant renovation. Total project cost is estimated at \$50 million and is

expected to be completed in the next few months.

- **Shoreline Enterprise** - Revenues increased by 7% due to moderate increases in Rents & Concessions and Marina Berth Rentals. Expenditures decreased by 18% is due to capital improvement projects from 2013-14 at the Golf Course totaling \$210,000.
- **Facilities Maintenance** - Expenditures increased by \$244,000 due to capital improvements to City Facilities including roof, window, and HVAC repairs.
- **Equipment Maintenance** - Revenues increased by \$411,000 to fund one- time heavy equipment replacements and new police vehicles.

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 mid-year are at 45% and decreased by 13%. The parking garage opened in November 2012 and parking revenue and expenditures continue to be monitored.
- **Heron Bay** - Expenditures increased by 13% due to weed management services in the Heron Bay area.
- **Housing Funds** - Expenditures increased by 165% or \$658,000 due to a development payment made to Allied Housing for \$640,000 for the Cornerstone Apartments predevelopment.
- **Public Education & Government Fees Fund** - Expenditures decreased by 88% due to the upgrade of the City Council Chambers in 2013-14 to allow for video access to meetings.

Budget Adjustments

The attached summary of budget adjustments reflects budget activity recorded by the Finance Department over the first six months of 2014-15. The proposed amendment adjustments are summarized including the fund, the sources of additional revenues or transfers, and the purpose of new expenditures or transfers.

The total decrease in the projected ending fund balance for the General Fund is \$111,180. New General Fund revenues are estimated to be \$92,295 and increased expenditures are \$203,475.

New project funding includes a \$10 million grant obtained by the State of California for the Bridge Housing Development at San Leandro Crossings, Computer Replacements, and \$475,000 for a workers' compensation settlement reimbursed by insurance.

Current Agency Policies

- The City Council approves all adjustments to the City's revenue and expenditure

appropriations.

Previous Actions

- The City Council adopted the 2014-15 City Budget on May 19, 2014.

Fiscal Impacts

The total reduction in the projected General Fund balance is \$111,180.

New project funding includes a \$10 million grant obtained by the State of California for the Bridge Housing Development at San Leandro Crossings, Computer Replacements, and \$475,000 for a workers' compensation settlement reimbursed by insurance.

ATTACHMENTS

Attachments to Resolution

Budget Adjustments by Fund

Budget Adjustments - Detail

Mid-year Financial Report

PREPARED BY: David Baum, Finance Director, Finance Department



City of San Leandro

Meeting Date: February 17, 2015

Resolution - Council

File Number: 15-034 **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: RESOLUTION Approving a Budget Amendment Reflecting Mid-Year Adjustments to the City of San Leandro Budget for Fiscal Year 2014-15 Relating to Budget Appropriations or Re-Appropriations Between Budget Lines Items

WHEREAS, the City Council approves annual budgets based on the best revenue and expenditure information available at the time budgets are prepared, and

WHEREAS, budget adjustments are periodically necessary for changes that arise and require additional budget appropriations or re-appropriations between budget line items, and

WHEREAS, the City Council approved the updated Biennial Adopted 2013-15 General Fund, Special Revenue Funds, Enterprise Funds, and Internal Service Funds Budget on May 19, 2014, and

WHEREAS, the summary of budget adjustments reflects budget activity recorded by the Finance Department over the first six months of 2014-15 including the fund, the sources of additional revenues or transfers, and the purpose of new expenditures or transfers.

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

That the 2014-15 Budget is hereby amended as shown on that certain document entitled Recommended Budget Adjustments - Detail 2014-15 and Fiscal Year 2014-15 Mid-Year Budget Adjustments by Fund, copies of which are attached hereto and incorporated herein by reference.

**City of San Leandro
Fiscal Year 2014-15**

Attachment 1

Funding Source	Net Change to Fund Balance
General Fund	\$ (111,180)
Park Development Fees Fund	(45,000)
Gas Tax Fund	(85,000)
Asset Seizure Fund	(8,900)
Heron Bay Maintenance Fund	(7,000)
Capital Improvement Projects Fund	(80,000)
Special Grants Fund	(31,673)
Water Pollution Control Plant Enterprise Fund	(1,700)
Environmental Compliance Enterprise Fund	(3,045)
Information Technology Internal Service Fund	(119,986)
Equipment Maintenance Fund	(160,678)
Insurance Services Fund	-
Total	\$ (654,162)

RECOMMENDED MID-YEAR BUDGET ADJUSTMENTS - DETAIL
2014-15

GENERAL FUND

Revenue Budget Adjustments:

Police Explorer Program - Donation	\$	174
Recreation Department Activities - Donation		4,606
Cherry Festival Booth Rentals and Souvenirs		87,515
Total Increase in Revenues	\$	92,295

Expenditure Budget Adjustments:

New	City Attorney - Increase in Legal Fees	\$	(91,180)
New	Police Explorer Program Supplies		(174)
New	Recreation Programs including Family Movie Night and Bike Night		(4,606)
New	Cherry Festival		(107,515)
	Total Increase in Expenditures		(203,475)

Total Change in Projected Ending Fund Balance	\$	(111,180)
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PARK DEVELOPMENT FEES FUND

Expenditure Budget Adjustments:

New	Joaquin Plaza Downtown Project - Consulting by Exploratorium	\$	(45,000)
	Total Increase in Expenditures and		

Total Change in Projected Ending Fund Balance	\$	(45,000)
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GAS TAX FUND

Expenditure Budget Adjustments:

Carry-Over	Purchase of Skid Steer Loader for pavement work	\$	(85,000)
	Total Increase in Expenditures and		

Total Change in Projected Ending Fund Balance	\$	(85,000)
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ASSET SEIZURE FUND

Expenditure Budget Adjustments:

New	Police Department Training	\$	(8,900)
	Total Increase in Expenditures and		

Total Change in Projected Ending Fund Balance	\$	(8,900)
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HERON BAY MAINTENANCE FUND

Expenditure Budget Adjustments:

Carry-Over	Bay Friendly Landscaping Project	\$	(7,000)
	Total Increase in Expenditures and		

Total Change in Projected Ending Fund Balance	\$	(7,000)
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CAPITAL IMPROVEMENT PROJECT FUND

Expenditure Budget Adjustments:

Carry-Over	MacArthur Superior Traffic Circle Design Project	\$	(80,000)
	Total Increase in Expenditures and		

Total Change in Projected Ending Fund Balance	\$	(80,000)
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RECOMMENDED MID-YEAR BUDGET ADJUSTMENTS - DETAIL
2014-15

SPECIAL GRANTS FUND

Revenue Budget Adjustments:

New	State of California Housing Grant - Bridge Housing	\$ 9,955,000
New	Library - People's Grant Award	15,500
	Total Increase in Revenues	\$ 9,970,500

Expenditure Budget Adjustments:

New	Police Department Training - Front Line Grant	\$ (1,418)
New	Police Department Repairs - Front Line Grant	(3,179)
New	Police Department Equipment - JAG Grant	(27,076)
New	Corner Stone Apts - Bridge Housing Construction Grant	(9,955,000)
New	Library - People's Grant Award	(15,500)
	Total Increase in Expenditures	\$ (10,002,173)
	Total Change in Projected Ending Fund Balance	\$ (31,673)

WATER POLLUTION CONTROL PLANT ENTERPRISE FUND

Expenditure Budget Adjustments:

Carry-Over	Preda Creek Monitoring	\$ (1,700)
	Total Increase in Expenditures and	
	Total Change in Projected Ending Fund Balance	\$ (1,700)

ENVIRONMENTAL COMPLIANCE FUND

Expenditure Budget Adjustments:

Carry-Over	California Environmental Reporting System Project	\$ (3,045)
	Total Increase in Expenditures and	
	Total Change in Projected Ending Fund Balance	\$ (3,045)

INFORMATION TECHNOLOGY INTERNAL SERVICE FUND

Expenditure Budget Adjustments:

New	Mobile Data Terminal Computer Replacements	\$ (119,986)
New	Total Increase in Expenditures and	
	Total Change in Projected Ending Fund Balance	\$ (119,986)

EQUIPMENT MAINTENANCE FUND

Expenditure Budget Adjustments:

Carry-Over	Vehicle Replacements from 2013-14	\$ (160,678)
	Total Increase in Expenditures and	
	Total Change in Projected Ending Fund Balance	\$ (160,678)

INSURANCE SERVICES FUND

Revenue Budget Adjustments;

Insurance Settlement - Workers' Compension	\$ 475,264
Total Increase in Revenues	\$ 475,264

Expenditure Budget Adjustments:

Workers' Compension Settlement Payment	(475,264)
Total Increase in Expenditures	(475,264)

Total Change in Projected Ending Fund Balance	\$ -
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RECOMMENDED MID-YEAR BUDGET ADJUSTMENTS - DETAIL
2014-15

TOTAL NET BUDGET ADJUSTMENTS FOR ALL FUNDS	\$ (654,162)
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City of San Leandro
Mid-Year Financial Report
As of December 31, 2014

GENERAL FUND	2014-15				2013-14			2014-15 vs 2013-14	
	December 31, 2014				December 31, 2013				
	Adopted Budget	Adjusted Budget	YTD as of 12/31/14	% of Adopted Budget	Adopted Budget	YTD as of 12/31/13	YTD % of Adopted Budget	Yr to Yr Change (\$)	Yr to Yr Change (%)
Revenues									
GENERAL GOVERNMENT									
Property Tax	18,480	18,600	8,744	47%	17,854	8,714	49%	30	0%
Sales Tax	29,979	31,823	12,225	41%	27,081	11,084	41%	1,141	10%
Utility Users Tax	10,114	10,114	4,085	40%	10,166	3,921	39%	164	4%
Franchise Fees	4,419	4,419	1,103	25%	4,182	1,051	25%	52	5%
Property Transfer Tax	2,519	2,519	1,122	45%	2,519	1,276	51%	(154)	-12%
Emergency Communication Access Fee (911)	2,700	2,700	1,020	38%	2,700	968	36%	52	5%
Business License Tax	4,649	4,649	448	10%	4,558	487	11%	(39)	-8%
Other Tax	403	403	150	37%	306	129	42%	21	16%
Sub Total Taxes	73,263	75,227	28,897	39%	69,366	27,630	40%	1,267	5%
Charges for Services	2,551	2,551	1,385	54%	2,541	1,196	47%	189	16%
Interest & Property Income	1,204	1,283	732	61%	1,205	786	65%	(54)	-7%
Fines, Fees & Forfeitures	1,340	1,340	400	30%	1,340	407	30%	(7)	-2%
Intergovernmental	1,039	1,039	832	80%	1,021	791	77%	41	5%
Licenses & Permits	1,850	1,850	888	48%	1,575	881	56%	7	1%
Interdepartmental	2,002	2,002	1,000	50%	2,002	1,001	50%	(1)	0%
Other/Transfers	1,043	1,042	381	37%	443	195	44%	186	95%
Sub Total Other	11,029	11,107	5,618	51%	10,127	5,257	52%	361	7%
Total Revenues	84,292	86,334	34,515	41%	79,493	32,887	41%	1,628	5%
Expenditures									
General Administration Council, Clerk, City Attorney, City Manager and Human Resources	6,137	6,172	2,051	33%	4,212	1,772	42%	279	16%
Finance	2,425	2,453	1,071	44%	2,375	1,239	52%	(168)	-14%
Police	29,180	29,466	14,589	50%	27,133	12,946	48%	1,643	13%
Fire	20,512	20,512	6,852	33%	20,006	8,149	41%	(1,297)	-16%
Recreation & Human Services	4,330	4,602	2,132	49%	4,364	2,052	47%	80	4%
Engineering & Transportation	2,740	2,740	1,403	51%	2,602	1,290	50%	113	9%
Library	4,941	4,988	2,370	48%	4,709	2,367	50%	3	0%
Public Works	4,773	4,802	2,223	47%	4,541	2,203	49%	20	1%
Community Development	4,929	5,603	2,038	41%	4,299	1,950	45%	88	5%
Non-Departmental	484	472	337	70%	475	322	68%	15	5%
Debt Service	4,727	4,727	1,698	36%	4,510	1,625	36%	73	4%
Transfers	1,138	1,138	1,138	100%	768	776	101%	362	47%
Total Expenditures	86,316	87,675	37,902	44%	79,994	36,691	46%	1,211	3%

City of San Leandro
Mid-Year Financial Report
As of December 31, 2014

**ENTERPRISES & INTERNAL
SERVICE FUNDS**

	2014-15				2013-14			2014-15 vs 2013-14	
	December 31, 2014				December 31, 2013			Yr to Yr Change (\$)	Yr to Yr Change (%)
	Adopted Budget	Adjusted Budget	YTD as of 12/31/14	% of Budget	Adopted Budget	YTD as of 12/31/13	% of Budget		
Water Pollution Control Plant									
Revenue	12,355	12,355	9,221	75%	11,954	8,670	73%	551	6%
Expenditure	9,507	24,187	7,281	77%	8,654	11,314	131%	(4,033)	-36%
Environmental Services									
Revenue	995	995	412	41%	983	375	38%	37	10%
Expenditures	1,126	1,133	475	42%	1,146	475	41%	0	0%
Shoreline Enterprise									
Revenue	2,240	2,240	1,079	48%	2,239	1,011	45%	68	7%
Expenditure	2,011	2,040	941	47%	2,271	1,148	51%	(207)	-18%
Storm Water									
Revenue	1,072	1,072	1,031	96%	1,081	1,071	99%	(40)	-4%
Expenditure	1,187	1,187	576	49%	1,130	605	54%	(29)	-5%
Facilities Maintenance									
Revenue	2,940	2,940	1,465	50%	2,899	1,446	50%	19	1%
Expenditure	3,268	4,421	1,429	44%	3,456	1,185	34%	244	21%
Information Technology									
Revenue	3,942	4,062	2,044	52%	3,764	1,981	53%	63	3%
Expenditure	3,900	4,480	1,984	51%	3,763	1,918	51%	66	3%
Insurance Services									
Revenue	3,730	3,730	1,892	51%	3,739	1,878	50%	14	1%
Expenditure	3,733	3,770	1,691	45%	3,727	1,659	45%	32	2%
Equipment Maintenance									
Revenue	2,857	2,857	1,412	49%	2,057	1,001	49%	411	41%
Expenditure	3,149	3,341	856	27%	2,057	830	40%	26	3%

City of San Leandro
Mid-Year Financial Report
As of December 31, 2014

**SPECIAL REVENUE FUNDS
OPERATING**

	2014-15				2013-14			2014-15 vs 2013-14	
	December 31, 2014				December 31, 2013			Yr to Yr Change (\$)	Yr to Yr Change (%)
	Adopted Budget	Adjusted Budget	YTD as of 12/31/14	% of Budget	Adopted Budget	YTD as of 12/31/13	% of Budget		
Parking									
Revenue	250	250	112	45%	250	128	51%	(16)	-13%
Expenditure	326	326	143	44%	316	155	49%	(12)	-8%
Gas Tax - Street Maintenance									
Revenue	2,001	2,001	1,567	78%	2,055	1,436	70%	131	9%
Expenditures	2,056	2,240	828	40%	1,973	746	38%	82	11%
Asset Seizure Fund									
Revenue	6	6	1	17%	6	1	17%	0	0%
Expenditures	0	209	12	N/A	0	45	N/A	(33)	-73%
Heron Bay Maintenance									
Revenue	345	345	340	99%	360	341	95%	(1)	0%
Expenditure	360	844	117	33%	369	104	28%	13	13%
Housing Services (CDBG/HOME/Housing In Lieu)									
Revenue	963	963	575	60%	734	550	75%	25	5%
Expenditure	723	2,167	1,058	146%	656	400	61%	658	165%
Business Improvement District									
Revenue	348	348	90	26%	298	62	21%	28	45%
Expenditure	347	347	36	10%	297	100	34%	(64)	-64%
Public Education & Government Access									
Revenue	150	150	47	31%	150	43	29%	4	9%
Expenditure	33	97	52	158%	33	429	1300%	(377)	-88%