



The General Fund finances the operations of the City that have no special or dedicated revenue sources and pays for basic municipal services. Projected 2017-18 General Fund expenditures, which are shown as the Adjusted Budget after Council approved amendments, total \$117.6 million. Expected revenues of \$109 million, along with \$8.6 million contributed from fund balance, finance the anticipated expenditures.

Total third quarter revenue in 2017-18 amounts to \$69.8 million or 64% of the total Adopted Budget (compared to 64% in 2016-17). Expenditures at the end of the third quarter amount to \$72.1 million or 63% of the budget (compared to 72% in 2016-17). The City's overall General Fund expenditure burn rate is slower than the prior fiscal year and expenditures are expected to stay within budgetary appropriations come year-end. Furthermore, expenditures will continue to be closely monitored throughout the fiscal year.

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

### **General Fund Revenue**

The City's top five General Fund revenue sources are detailed below, as will year over year revenue variances that are greater than 15% and \$500,000.

**(1) Sales Tax** (57% of adopted budget compared to 59% in 2016-17) - Sales Tax is the City's largest revenue source and is 40% of total general fund revenue estimates. The current year's estimate for Sales Tax revenue is \$2.5 million greater than budgeted in 2016-17. Overall, Sales Tax increased by \$744,000 or 3% from the same period last year. This is due to strong performance within the Construction and Heavy Industry sectors. Sales tax in the current fiscal year is expected to be greater than 2016-17.

**(2) Property Tax** (66% of adopted budget compared to 58% in 2016-17) - Property Tax is the City's second largest revenue source and is 20% of total general fund revenue estimates. The current year's estimate for Property Tax revenue is \$426,000 greater than budgeted in 2016-17. Overall, Property Tax increased by \$1.9 million or 15% from the same period last year. The large increase is partially due to the Tax Cuts and Jobs Act that limits the deduction of income, sales, and property taxes to \$10,000 effective the 2018 tax year. With its passing, many homeowners elected to pay the 2nd installment of their property tax in the 2017 tax year, which was included within the March property tax remittance from the County.

**(3) Utility Users Tax** (59% of adopted budget compared to 60% in 2016-17) - Utility Users Tax is the City's third largest revenue source and is 11% of total general fund revenue estimates. The current year's estimate for utility users tax revenue is \$107,000 greater than budgeted in 2016-17. Year over year, utility users tax revenue decreased by \$68,000 but is expected to meet or exceed budgetary estimates.

**(4) Business License Tax** (88% of adopted budget compared to 85% in 2016-17) - Business License Tax is the City's fourth largest revenue source and is 6% of total general fund revenue estimates. The current year's estimate for Business License Tax revenue is \$817,000 greater than budgeted in 2016-17. The end of the third quarter reflects an increase of \$913,000

or 21% from the same period last year, likely due to the implementation of an online payment system that is more efficient and user friendly. Year-end totals are expected to meet or exceed budgetary estimates and be greater than 2016-17.

**(5) Franchise Fees** (51% of adopted budget compared to 50% in 2016-17) - Franchise Fees are the City's fifth largest revenue source and are 4% of total general fund revenue estimates. The current year's estimate for Franchise Fees revenue is \$121,000 greater than budgeted in 2016-17. Franchise Fees increased by \$100,000 or approximately 4% from the same period last year. Franchise Fees are expected to meet estimates and be slightly greater than 2016-17.

Detailed below are other General Fund revenue sources with year over year variances that are greater than 15% and \$500,000.

**Licenses & Permits** (88% of adopted budget compared to 71% in 2016-17) - Licenses & Permits revenue increased by \$827,000 or 58% largely due to services provided by the City's Building division and the fees charged therefrom. Revenue from building permits increased by \$502,044 year over year. Long Range Planning Fees and Building Automation Update Fees saw significant revenue increases in fiscal year 2017-18 as well.

As reported in the attached 3rd Quarter Financial Report, all other taxes and revenue receipts are relatively 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**

The General Fund's third quarter expenditures total \$72.1 million or 63% of the adopted budget. Year over year, General Fund expenditure increased by \$1.1 million. Detailed below are General Fund expenditure categories with year over year variances that are greater than 15% and \$500,000.

**Police** (75% of adopted budget compared to 76% in 2016-17) - The Police Department's total expenditures at the end of the third quarter totaled \$28.4 million, a \$3.7 million increase from the prior year. Of this amount, \$2.3 million is from increases to Salaries & Benefits, mainly due to the PERS Safety prepayment made in the first quarter of the fiscal year. This variance will further decrease as the fiscal year comes to a close. The remaining \$1.4 million is a result of increases to internal service charges, mainly for the replacement and maintenance of police vehicles.

**Transfers** (0% of adopted budget compared to 175% in 2016-17) - The variance of \$6.3 million within the General Fund interfund transfers is due to a \$6.2 million transfer to the Insurance Services Fund in fiscal year 2016-17. As part of the Prioritizing Unfunded Liability Liquidation (PULL) Program, the City contributed \$6.2 million into PARS for Other Post-Employment Benefits (OPEB).

## Enterprise & Internal Service Funds

Four Enterprise Funds make up the City's business type operations. The Water Pollution Control Plant Fund, the Environmental Services Fund, the 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 Internal Service Funds.

Detailed below are the year over year Enterprise & Internal Service Funds expenditure or revenue variances that are greater than 15% and \$500,000.

**Water Pollution Control Plant** - The Water Pollution Control Plant has incurred \$11.5 million in expenditures through the first three quarters of fiscal year 2017-18. This is an increase of \$1.9 million from the prior year, mainly attributed to the rehabilitation of the plant and increased operational costs.

**Information Technology** - The Information Technology Fund has a revenue estimate of \$4.4 million for fiscal year 2017-18 which represents a \$756,000 increase from the prior year. The increased estimate is due to increased internal service charge allocations to fund upcoming IT projects in efforts to meet City Council's goals of transforming San Leandro into a center for innovation.

**Insurance Services** - Revenue decreased by \$5.9 million or 65% from the prior year. This is primarily due to a \$6.2 million transfer from the General Fund in fiscal year 2016-17 for an additional contribution to PARS for OPEB. Furthermore, expenditures decreased by \$6.8 million, mainly due to the aforementioned OPEB contribution of \$6.2 million.

**Equipment Maintenance** - Revenue for the Equipment Maintenance Fund increased by \$2.0 million from 2016-17 due to a larger internal service fund allocation to fund the repair, maintenance, and replacement of city-owned vehicles. As a result, expenditures also increased by \$1.5 million for the aforementioned and expected costs.

## Special Revenue Funds

Revenues and expenses for the City's operating Special Revenue Funds are included in the mid-year financial report. These funds include the Parking Fund, Gas Tax Fund, Heron Bay Maintenance Fund, Housing Services Funds, Business Improvement District Fund, and Public Education & Government Access Fund.

Detailed below are the year over year Special Revenue Funds expenditure or revenue variances that are greater than 15% and \$500,000:

**Parking** - Revenue increased by \$585,000 or 320% solely due to a transfer of \$600,000 from the Successor Agency to the City of San Leandro Redevelopment Agency for Parking Fund expenditures related to implementation of the Downtown Parking Strategy.

**Gas Tax** - Expenditures for Gas Tax increased by \$509,000 from the prior fiscal year, solely attributed to maintenance of streets and roads funded by SB1.

**ATTACHMENTS**

- 3rd Quarter Financial Report

**PREPARED BY:** David Baum, Finance Director, Finance Department

CITY OF SAN LEANDRO  
**3rd Quarter Financial Report**  
As of March 31, 2018  
(In Thousands)

**GENERAL FUND**

	2017-18				2016-17			2017-18 v 2016-17	
	March 31, 2018				March 31, 2017				
	Adopted Budget	Adjusted Budget	YTD as of 3/31/18	% of Adopted Budget	Adopted Budget	YTD as of 3/31/17	YTD % of Budget	Yr to Yr Change (\$)	Yr to Yr Change (%)
<b>Revenues</b>									
GENERAL GOVERNMENT									
Property Tax	21,745	21,745	14,381	66%	21,319	12,468	58%	1,913	15%
Sales Tax	43,598	43,598	25,045	57%	41,144	24,301	59%	744	3%
Utility Users Tax	11,768	11,768	6,957	59%	11,661	7,025	60%	(68)	-1%
Franchise Fees	4,628	4,627	2,365	51%	4,507	2,265	50%	100	4%
Property Transfer Tax	3,200	3,200	2,984	93%	2,519	3,284	130%	(300)	-9%
Emergency Communication Access Fee (911)	3,101	3,101	2,087	67%	2,854	1,965	69%	122	6%
Business License Tax	6,070	6,070	5,354	88%	5,253	4,441	85%	913	21%
Other Tax	1,251	1,251	379	30%	403	308	76%	71	23%
Sub Total Taxes	95,361	95,360	59,552	62%	89,660	56,057	63%	3,495	6%
Charges for Services	3,347	3,347	2,267	68%	2,866	1,996	70%	271	14%
Interest & Property Income	1,267	1,285	1,253	99%	1,229	952	77%	301	32%
Fines, Fees & Forfeitures	1,495	1,495	1,104	74%	1,127	924	82%	180	19%
Intergovernmental	1,080	1,058	1,078	100%	1,031	927	90%	151	16%
Licenses & Permits	2,562	2,562	2,257	88%	2,020	1,430	71%	827	58%
Interdepartmental	2,000	2,000	1,500	75%	2,002	1,500	75%	0	0%
Other/Transfers	1,914	1,939	751	39%	775	330	43%	421	128%
Sub Total Other	13,665	13,686	10,210	75%	11,050	8,059	73%	2,151	27%
<b>Total Revenues</b>	<b>109,026</b>	<b>109,046</b>	<b>69,762</b>	<b>64%</b>	<b>100,710</b>	<b>64,116</b>	<b>64%</b>	<b>5,646</b>	<b>9%</b>
<b>Expenditures</b>									
General Administration Council, Clerk, City Attorney, City Manager and Human Resources	4,888	5,262	3,344	68%	5,002	3,119	62%	225	7%
Finance	3,179	3,381	2,045	64%	2,751	2,019	73%	26	1%
Police	37,688	37,688	28,397	75%	32,409	24,668	76%	3,729	15%
Fire	24,267	24,628	16,069	66%	24,433	14,601	60%	1,468	10%
Recreation & Human Services	5,223	5,282	3,463	66%	4,846	3,404	70%	59	2%
Engineering & Transportation	3,682	4,277	2,771	75%	3,100	2,279	74%	492	22%
Library	5,625	5,665	4,200	75%	4,975	3,868	78%	332	9%
Public Works	6,368	6,404	4,572	72%	5,406	4,040	75%	532	13%
Community Development	6,302	7,786	4,325	69%	5,491	3,765	69%	560	15%
Non-Departmental	1,736	1,849	636	37%	1,964	634	32%	2	0%
Debt Service	5,240	5,240	2,307	44%	5,296	2,417	46%	(110)	-5%
Transfers	10,179	10,179	0	0%	3,563	6,250	175%	(6,250)	-100%
<b>Total Expenditures</b>	<b>114,377</b>	<b>117,641</b>	<b>72,129</b>	<b>63%</b>	<b>99,236</b>	<b>71,064</b>	<b>72%</b>	<b>1,065</b>	<b>1%</b>

**ENTERPRISES & INTERNAL  
SERVICE FUNDS**

	2017-18				2016-17			2017-18 v 2016-17	
	March 31, 2018				March 31, 2017			Yr to Yr Change (\$)	Yr to Yr Change (%)
	Adopted Budget	Adjusted Budget	YTD as of 3/31/18	% of Budget	Adopted Budget	YTD as of 3/31/17	% of Budget		
Water Pollution Control Plant (593)									
Revenue	13,024	15,020	11,059	85%	13,043	10,578	81%	481	5%
Expenditure	14,723	27,703	11,471	78%	12,357	9,319	75%	2,152	23%
Environmental Services (594)									
Revenue	1,027	1,027	754	73%	1,065	728	68%	26	4%
Expenditure	1,376	1,461	776	56%	1,330	835	63%	(59)	-7%
Shoreline Enterprise (597)									
Revenue	2,431	2,431	1,952	80%	2,367	1,705	72%	247	14%
Expenditure	2,213	2,250	990	45%	1,995	852	43%	138	16%
Storm Water (598)									
Revenue	1,101	1,101	1,031	94%	1,071	1,070	100%	(39)	-4%
Expenditure	1,461	1,461	1,103	75%	1,164	893	77%	210	24%
Facilities Maintenance (687)									
Revenue	3,559	3,559	2,706	76%	3,468	2,602	75%	104	4%
Expenditure	3,651	4,884	2,344	64%	3,557	2,070	58%	274	13%
Information Technology (688)									
Revenue	4,408	4,410	3,313	75%	3,654	2,743	75%	570	21%
Expenditure	4,442	4,902	3,395	76%	3,899	3,031	78%	364	12%
Insurance Services (689)									
Revenue	4,394	4,394	3,154	72%	4,098	9,018	220%	(5,864)	-65%
Expenditure	4,060	4,454	2,684	66%	4,316	9,472	219%	(6,788)	-72%
Equipment Maintenance (690)									
Revenue	4,912	4,912	3,636	74%	2,759	1,607	58%	2,029	126%
Expenditure	4,484	5,192	2,363	53%	3,497	826	24%	1,537	186%

**SPECIAL REVENUE FUNDS  
OPERATING**

	2017-18				2016-17			2017-18 v 2016-17	
	March 31, 2018				March 31, 2017			Yr to Yr Change (\$)	Yr to Yr Change (%)
	Adopted Budget	Adjusted Budget	YTD as of 3/31/18	% of Budget	Adopted Budget	YTD as of 3/31/17	% of Budget		
Parking (132)									
Revenue	242	242	768	317%	250	183	73%	585	320%
Expenditure	311	913	296	95%	259	195	75%	101	52%
Gas Tax - Street Maintenance (140)									
Revenue	2,385	2,385	1,170	49%	1,841	1,051	57%	119	11%
Expenditures	2,852	3,150	1,905	67%	2,171	1,396	64%	509	36%
Asset Seizure (146)									
Revenue	272	272	427	157%	72	50	69%	377	754%
Expenditures	50	50	29	58%	50	140	280%	(111)	-79%
Heron Bay Maintenance (147)									
Revenue	352	352	4	1%	356	2	1%	2	100%
Expenditure	362	939	207	57%	345	151	44%	56	37%
Hsg Services (CDBG/HOME/Hsg In Lieu) (165-167)									
Revenue	837	837	654	78%	813	499	61%	155	31%
Expenditure	780	1,212	356	46%	653	663	102%	(307)	-46%
Business Improvement District (170)									
Revenue	634	634	455	72%	691	418	60%	37	9%
Expenditure	634	634	600	95%	347	600	173%	0	0%
Public Education & Government Access (180)									
Revenue	200	200	100	50%	175	102	58%	(2)	-2%
Expenditure	62	97	39	63%	62	49	79%	(10)	-20%