



## **STAFF REPORT TO THE CIT COUNCIL**

**DATE:** Regular Meeting of December 12, 2017

**TO:** Members of the City Council

**SUBMITTED BY:** David Biggs, City Manager  
Annie To, Finance Director

**SUBJECT:** FY 2017-18 First Quarter Budget Review and Forecast

### **RECOMMENDED ACTION:**

Receive a report on the FY 2017-18 First Quarter Budget Review and Forecast.

### **COMMISSION/SUBCOMMITTEE ACTION AND RECOMMENDATION:**

This report was presented to the Finance Commission on November 16, 2017.

### **FISCAL IMPACT OF RECOMMENDATION:**

The discussion section below gives a synopsis of the FY 2017-18 First Quarter Report for the General Fund and Wastewater Fund.

### **DISCUSSION:**

The purpose of the First Quarter FY 2017-18 Budget Review is to determine if the City's revenues and expenditures for the first quarter is approximately at the 25 percent mark. Departments are charged to operate within their adopted budgets, to utilize already appropriated funding, and to manage within their overall budget.

The First Quarter FY 2017-18 budget report summarizes the City's general fund and wastewater fund's overall financial position for the fiscal year through September 30, 2017. The City's overall revenue and expenditure will be discussed in greater detail during the Mid-Year Budget Review scheduled for Council consideration in February 2018.

With 25 percent of the year complete, General Fund revenues and expenditures are on track with the budgeted amount.

### **GENERAL FUND**

The chart on the next page shows the FY 2016-17 budget, encumbrances, YTD Actuals for the first quarter, Balance, Percentage Collected and Expended, and the Year-End Estimate for the General Fund.

**CITY OF HERCULES**  
**FY17-18 FIRST QUARTER REVENUE AND EXPENDITURE REPORT**  
**GENERAL FUND - 25% OF FISCAL YEAR LAPSED**

TYPE	Fund Description	Activity Basic Account Description	Activity Sub Account Description	Budget	Encumbrances	YTD Actuals	Balance	% Collected/ Expended	FY17-18 YE Estimate	Note
1. REV	GENERAL FUND	TAXES	BUSINESS LICENSE FEES	187,377		7,563	179,815	4%	188,000	1
			DOCU TRANSFER TAX	118,208		29,162	89,046	25%	116,649	
			FRANCHISE	788,114		191,309	596,805	24%	765,235	
			PROPERTY TAXES	1,377,367		659	1,376,708	0%	1,378,000	2
			SALES AND USE TAX	3,223,701		776,004	2,447,697	24%	3,104,016	
			TRANSIENT OCCUPANCY TAX	9,000		3,517	5,483	39%	14,069	3
			UTILITY USERS TAX	3,538,197		909,218	2,628,979	26%	3,636,873	
		INTERGOVERNMENTAL	STATE/COUNTY	1,791,105		10,845	1,780,260	1%	1,792,000	4
		LICENSES & PERMITS	BUILDING FEES	410,200		160,367	249,833	39%	411,000	
			ENGINEERING FEES	12,269		105	12,164	1%	13,000	
		FINES & FORFEITURES	VEHICLE CODE FINES	20,000		13,250	6,750	66%	53,001	5
		USE OF MONEY & PROPERTY	CELL TOWER	106,500		22,856	83,644	21%	107,000	
			INTEREST INCOME	181,500		19,250	162,251	11%	182,000	
			LEASE PAYMENT	37,500		9,035	28,465	24%	36,140	
		CHARGES FOR SERVICES	PLANNING SERVCS	19,166		4,727	14,439	25%	18,909	
			POLICE SERVICES	420,887		111,011	309,876	26%	444,043	
			RECREATION SERVICES	1,497,500		478,157	1,019,343	32%	1,500,000	6
		MISCELLANEOUS REVENUE	MISC REIMBURSEMENTS	331,698		83,013	248,686	25%	332,050	
			MISCELLANEOUS REVENUE	172,349		125,255	47,094	73%	173,000	7
		TRANSFERS IN	TRANSFERS IN	110,000		0	110,000	0%	110,000	8
1. REV Sum				14,352,638		2,955,302	11,397,336	21%	14,374,987	
2. EXP	GENERAL FUND	SALARIES AND BENEFITS	SALARIES AND BENEFITS	2,694,806	0	672,606	2,022,200	25%	2,555,902	
			SALARIES AND WAGES	5,890,355	0	1,692,011	4,198,344	29%	5,891,000	9
		SERVICES	ADMINISTRATIVE SERVICES	136,672	(370)	37,435	99,607	27%	149,369	
			INSURANCE SERVICES	624,148	0	462,805	161,343	74%	624,148	10
			MISCELLANEOUS SERVICES	763,850	1,209	41,407	721,234	5%	764,000	
			PROFESSIONAL SERVICES	2,030,862	66,261	206,285	1,758,316	10%	2,031,000	
			RENTS	1,011,820	0	215,645	796,175	21%	1,012,000	
			REPAIR & MAINT	229,491	76,371	86,401	66,719	38%	229,491	
			SEMI-PROFESSIONAL SERVICE	10,500	0	2,680	7,820	26%	10,719	
			UTILITY SERVICES	277,022	0	32,535	244,487	12%	278,000	11
		OFFICE EXPENSES	MAINTENANCE SUPPLIES	107,880	15,524	35,197	57,159	33%	107,880	
			OFFICE	41,814	2,703	7,007	32,104	17%	30,730	
			OPERATING SUPPLIES	136,805	0	30,563	106,242	22%	122,253	
		OTHER EXPENSES	CHARGEBACK	(5,227)	0	(9,106)	3,879	174%	(9,106)	
			OTHER MISCELLANEOUS EXP	257,352	0	94,090	163,262	37%	257,352	12
		CAPITAL OUTLAY	FIXED ASSETS	559,000	0	13,600	545,400	2%	559,000	13
			IMPROVEMENTS	150,000	0	250,000	(100,000)	167%	250,000	14
		INTERFUND/ALLOC/TRANSFERS	ALLOCATED COSTS	898,382	0	225,096	673,286	25%	898,382	
		TRANSFERS OUT	TRANSFERS OUT TO	847,366	0	50,000	797,366	6%	847,366	15
2. EXP Sum				16,662,898	161,698	4,146,256	12,354,944	25%	16,609,486	
LESS ONE TIME EXPENDITURE AND COUNCIL APPROVED ITEMS FROM BUDGET BALANCING SPREADSHEET							(2,808,422)		(2,808,422)	
EXCESS (DEFICIENCY)							1,850,815		573,923	

The majority of General Fund revenue comes from taxes in the following categories:

- Business License Fees
- Document Transfer Tax
- Franchise
- Property Taxes
- Transient Occupancy Tax
- Utility Users Tax

### **General Fund - Revenue Analysis**

1. The Business Licenses revenues collected is only 4% in the first quarter as most of the business licenses are usually collected in the third quarter of the year.
2. Taxes are received in December (55%), April (40%), and June (5%) of each fiscal year.
3. The Transfer Occupancy Tax (TOT) collected in the first quarter is at 39%. There is an increased in TOT payments in this fiscal year.
4. Taxes are received in December (55%), April (40%), and June (5%) of each fiscal year.
5. The Fines & Forfeiture for Vehicle Code Fines revenue collected is at 66% in the first quarter due to the addition of a ½ time Enforcement Officer and increased parking enforcement activities.
6. The Parks and Recreation revenue collected is at 32% in the first quarter as most parks and recreation revenues are received in the first quarter of each fiscal year.
7. The Miscellaneous revenue received is at 73% in the first quarter due to a revenue being posted to general fund instead of the Facility Maintenance fund. The \$68,464 revenue will be moved to the Facility Maintenance Fund in the second quarter.
8. The transfers in will be completed at the fiscal year end.

### **General Fund - Expenditure Analysis**

9. The Salaries and Wages in the first quarter are at 29%, which is slightly higher than 25%, due to the one-time retention payment and the increase in salaries and benefits incurred in July 2017.
10. The Insurance Services amounts are at 74% in the first quarter due to the fact that most of the annual insurance premiums are due in the first quarter of each fiscal year.
11. The utility services are at 12% in the first quarter since only two months of utility bills have been received and processed in the first quarter.
12. The Other Miscellaneous expenditures are at 37% in the first quarter but is projected to stay within the budget of \$257,352 at the fiscal year end.
13. The Capital Outlay for Fixed Asset amount is at 2% in the first quarter but is projected to be spent 100% by fiscal year end.
14. The Capital Outlay Improvement item will need a budget adjustment as part of the \$100K was a carryforward from FY16-17.
15. The Transfers Out of \$847,366 will be transferred at the end of the fiscal year.

## WASTEWATER FUND

The following chart shows the FY 2017-18 budget, encumbrances, YTD Actuals for the first quarter, Remaining Balance, Percent Collected/Expended, and the Year End Estimate for the Wastewater Fund.

### CITY OF HERCULES FY17-18 FIRST QUARTER REVENUE AND EXPENDITURE REPORT WASTEWATER FUNDS - 25% OF FISCAL YEAR LAPSED

TYPE	Fund Description	Activity Basic Account Description	Activity Sub Account Description	Budget	Encumbrances	YTD Actuals	Balance	% Collected/ Expended	FY17-18 YE Estimate	Note
1. REV	SEWER ENTERPRISE FUN	USE OF MONEY & PROPERTY	INTEREST INCOME	24,895		10,667	14,228	43%	24,895	
		CHARGES FOR SERVICES	SEWER SERVICES	5,790,870		3,750	5,787,120	0%	5,790,870	1
		TRANSFERS IN	TRANSFERS IN	16,000,000		0	16,000,000	0%	16,000,000	2
<b>1. REV Sum</b>				<b>21,815,765</b>		<b>14,417</b>	<b>21,801,348</b>	<b>0%</b>	<b>21,815,765</b>	
2. EXP	SEWER ENTERPRISE FUND	SALARIES AND BENEFITS	SALARIES AND BENEFITS	145,854	0	49,690	96,164	34%	188,823	3
			SALARIES AND WAGES	331,020	0	109,130	221,890	33%	414,696	4
		SERVICES	ADMINISTRATIVE SERVICES	5,500	0	0	5,500	0%	6,000	
			MISCELLANEOUS SERVICES	4,862	1,862,000	0	(1,857,138)	0%	1,862,000	
			PROFESSIONAL SERVICES	2,242,000	5,903	8,428	2,227,669	0%	14,331	5
			REPAIR & MAINT	55,000	0	18,166	36,834	33%	72,664	6
			UTILITY SERVICES	74,000	5,000	23,321	45,679	32%	98,283	7
		OFFICE EXPENSES	MAINTENANCE SUPPLIES	4,000	0	740	3,260	19%	2,961	
			OPERATING SUPPLIES	1,500	0	448	1,052	30%	1,793	
		OTHER EXPENSES	CHARGEBACK	7,000	0	0	7,000	0%	7,000	
		CAPITAL OUTLAY	DEPRECIATION	31,292	0	120,985	(89,693)	387%	483,940	8
			IMPROVEMENTS	16,640,000	5,000	0	16,635,000	0%	16,640,000	9
		DEBT SERVICE	DEBT SERVICE	734,950	0	240,675	494,275	33%	735,000	
		INTERFUND/ALLOC/TRANSFERS	ALLOCATED COSTS	47,326	0	11,832	35,495	25%	47,326	
			INTERFUND CHARGES	129,831	0	32,458	97,373	25%	129,831	
		TRANSFERS OUT	TRANSFERS OUT TO	260,000	0	0	260,000	0%	260,000	10
<b>2. EXP Sum</b>				<b>20,714,135</b>	<b>1,877,903</b>	<b>615,873</b>	<b>18,220,359</b>	<b>3%</b>	<b>20,964,647</b>	
<b>EXCESS/(DEFICIENCY)</b>				<b>1,101,630</b>	<b>(1,877,903)</b>	<b>(601,456)</b>	<b>3,580,989</b>		<b>1,101,630</b>	

### Wastewater Fund - Revenue Analysis

1. The Charges for Services for the Sewer Enterprise Fund received in December (55%), April (40%), and June (5%) with the property taxes.
2. The transfers in from other sources will be process at the fiscal year end.

### **Wastewater Fund - Expenditure Analysis**

3. The salaries and benefits are at 34% in the first quarter. The FY17-18 year-end estimate is \$188K. An additional \$43K would be needed to cover the increase in salaries and benefits during the mid-year budget adjustment.
4. The salaries and wages are at 33% in the first quarter. The FY17-18 year-end estimate is \$414K. An additional \$83K would be needed to cover the increase in salaries and wages during the mid-year budget adjustment.
5. The Miscellaneous Services and Professional Services accounts should be rolled up and looked at on the aggregate level. The year-end estimate for both expenditure accounts are expected to be below the budgeted amounts.
6. The Utility Services are at 32% in the first quarter. The FY17-18 year-end estimate is \$98K. An additional \$24K would be needed to cover the increase in Utility Services costs during the mid-year budget adjustment.
7. The Utility expenses are at 33% in the first quarter. The FY17-18 year-end estimate is \$414K. An additional \$83K in appropriation would be needed to cover the increase in salaries and wages during the mid-year budget adjustment.
8. The Capital Outlay Depreciation expenses budget need to be adjusted during the midcycle. The budgeted amount in depreciation expense is \$31K and should be increased to \$483K during the midcycle process as there will be more depreciation expenses being captured by the end of the fiscal year.
9. The Capital Outlay Improvements expenses are projected to be on track at the end of the fiscal year.
10. The transfers out of \$260K from the Wastewater fund will be completed at the end of the fiscal year.