



# City of Half Moon Bay Fiscal Year 2016/17 Fourth Quarter Financial Report

## OVERVIEW

This report summarizes the City’s overall financial position for the fiscal year through June 30, 2017. The focus of this report is the City’s General Fund, and is not meant to be inclusive of all finance and accounting transactions. The intent is to provide the Council and the public with an overview of the state of the City’s general fiscal condition. The General Fund is the primary operating fund of the City and is used to account for most operating activities. The revenue projections and budgets include necessary adjustments for encumbrances, carryovers, and any supplemental appropriations made by the City Council as of June 30, 2017. The figures are unaudited and may differ from the final amounts which will be reported in the Comprehensive Annual Financial Report for fiscal year 2016-17.

## GENERAL FUND

**General Fund Financial Condition.** The General Fund is comprised of revised budgeted operating and one-time revenues of \$15,038,906 and operating and one-time expenditures of \$15,800,855 for FY 2016-17. Please note that the budget was adjusted during a mid-year review and therefore the amounts may differ from the FY 2016-17 Adopted Budget. Budget amounts also include additions separately approved by the City Council. Expenditures contained in the General Fund account for direct services provided to the citizens of Half Moon Bay including General Government, Police, Parks and Recreation, Community Development and Public Works.

With fiscal year complete, General Fund expenditures are at 95.0% of projections, and revenues are at 102.1%. These figures now include budgeted operating and capital transfers. Revenues normalize in the fourth quarter due to the timing of certain key revenues such as franchise fees, property tax, and sales tax. Both expenditures and revenues are explained in greater detail below.

General Fund	Budget	YTD Actual	Percent
Revenues	\$15,038,906	\$15,350,137	102.1%
Expenditures	\$15,800,855	\$15,012,941	95.0%

The unaudited General Fund balance as of June 30, 2017 is \$11.1 million, which is \$2.3 million above the \$8.8 million projected at the adoption of the FY 2016-17 budget. This is due to increased revenues and lower than expected general fund expenditures throughout the year as described above, in addition to timing of capital projects. This is based on the audited fund balance as of the end of fiscal year 2015-16 and factoring in year-to-date revenue and expenditure activity.

**Expenditures.** Expenditures ended the fiscal year at 95.0% of the revised budget, primarily due to salary savings from positions not filled during the full fiscal year. The following chart summarizes year-to-date expenditures:

General Fund Expenditures by Department	Budget	YTD Actual	% Exp/Enc
City Council	399,507	230,862	57.8%
City Manager	792,273	785,091	99.1%
City Attorney	360,500	354,229	98.3%
City Clerk	518,007	455,988	88.0%
Finance and Risk Management	948,938	850,942	89.7%
Human Resources and Administrative Services	741,469	736,485	99.3%
Public Safety	3,771,200	3,569,976	94.7%
Public Works	1,325,663	1,296,598	97.8%
Recreation Services	214,672	143,532	66.9%
Community Development	2,856,548	2,717,161	95.1%
Capital and Operational Transfers	3,872,078	3,872,078	100.0%
<b>Total General Fund</b>	<b>15,800,855</b>	<b>15,012,941</b>	<b>95.0%</b>

**Revenues.** The following is a summary of revenues as of the end of the first quarter:

Revenues	Budget	YTD Actual	% Rec'd
Trans. Occupancy Taxes	5,933,000	6,024,855	101.5%
Property Tax	3,244,540	3,134,138	96.6%
Sales & Use Tax	2,688,837	2,514,852	93.5%
Other Revenue	1,429,698	1,875,827	131.2%
Other Taxes	821,100	919,666	112.0%
Charges for Services	910,170	871,863	95.8%
Inter-Governmental	11,560	8,936	77.3%
<b>Total Revenues</b>	<b>15,038,906</b>	<b>15,350,137</b>	<b>102.1%</b>



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**Transient Occupancy Taxes (TOT).** TOT continues to be the largest source of revenue for the City. The City has contracted with an external consultant to assist in tracking and collecting TOT revenues. TOT revenues performed higher than projected for FY 2016-17 with the City receiving 101.5% of the budgeted amount. This is a positive sign, showing that the unusually severe rainy season experienced by the region during this fiscal year did not significantly affect the City's tourism.

**Property Tax.** Property Tax is the City's second largest revenue source. The first major apportionment of property taxes was received by the City in December 2016, while the second apportionment was received in April 2017. In January 2017, the City received an annual apportionment of Educational Revenue Augmentation Fund (ERAF) in the amount of \$201,350. This revenue was not originally included in the adopted budget due to uncertainty but was added in the mid-year budget adjustment.

Although the City received slightly less in property tax than projected, the City still received an increased amount as compared to FY 2015-16.

**Sales and Use Tax.** Sales and Use Tax is the City's third largest revenue source. Sales Tax projections were increased by \$167,000 during the mid-year budget process based on economic trends at the midpoint of the year and information obtained from the City's external sales tax consultants.

As of June 30, 2017, the City has received about 93.5% of our budgeted Sales Tax revenues as of the end of the fiscal year primarily due to the continuation of lower gas prices. This is consistent with the experiences of other cities in the region. However, Sales Tax revenue remains consistent with the prior fiscal year after adjusting for the loss of Measure J revenue, which elapsed in March 2016.

**Other Revenue.** The main components of this category are Golf Fees, County Credit Reimbursements, and the cost allocation transfer from the sewer fund. The golf fees are received as part of a redevelopment agreement with Ocean Colony Partners, L.P. and are calculated as a percentage of green fees from the golf courses. Golf fees are paid on a monthly basis and the City has received the projected amount for the fiscal year. The payments made to the County Sheriff are issued quarterly, and all payments have been received as of the

fourth quarter. The sewer cost allocation transfer was recorded at the end of the fiscal year. This amount includes the final settlement for Beachwood litigation that was not originally budgeted, which accounts for the significant excess received over original projections.

**Other Taxes.** This includes Franchise Tax and Business License Tax. The City received the largest components of franchise fee revenues – payments from PG&E – in April 2017. Franchise fees from other utilities are remitted approximately 30 days after the end of each quarter.

Business licenses taxes are due in November of each year and are valid from October 1 through September 30 of the following year.

The City received the expected amount of business license revenue and exceeded projections in franchise fee revenues, primarily due to increased taxes paid by PG&E.

**Charges for Services.** These include building permits, engineering and planning fees, and police services. Permits and planning fees tend to fluctuate based on the timing of larger projects. While the City received 4.2% below the budgeted amount in service revenue, the City received an additional \$203,000 or 30.4% in revenue over the prior fiscal year in this category. The City completed the Comprehensive Master Fee study during this quarter, which will result in greater cost recovery in FY 2017-18.

**Inter-governmental.** This revenue category includes vehicle code fines, governmental grants and various cost reimbursements. The State is currently paying State Mandate claims from prior years as funds become available. The City received a relatively low amount of SB90 State Mandate reimbursements for prior years' claims, which account for the decline in intergovernmental revenue received this year.

## SUMMARY

Overall, the City's continues to experience higher than expected total revenue growth which is a positive indicator of the City's economic growth and healthy fiscal condition. The City's budget maintains a structural surplus while increasing the level of services for residents and visitors. The City of Half Moon Bay continues to invest in an ambitious capital projects to strengthen the City's infrastructure.