



# City of Half Moon Bay Fiscal Year 2017/18 Second Quarter Financial Report

## OVERVIEW

This report summarizes the City’s overall financial position for the fiscal year through December 31, 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 December 31, 2017.

## GENERAL FUND

**General Fund Financial Condition.** With half of the year complete, General Fund expenditures are at 32.0% (vs. 53.2% in the prior year) of projections and revenues are at 41.0% (vs. 42.4%). These figures exclude budgeted once-a-year operating and capital transfers. The expenditure variance from the prior year is primarily due to the exclusion of encumbrances of various large professional service contracts. Beginning with the First Quarter Fiscal Year 2017-18 report, the encumbered but unexpended amounts have been excluded for greater clarity. Both expenditures and revenues are explained in more detail below.

General Fund	Budget	YTD Actual	Percent
Revenues	\$16,147,673	\$6,617,850	41.0%
Expenditures	\$17,073,339	\$5,460,795	32.0%

*\*excludes operating and capital transfers*

The General Fund balance as of December 31, 2017 is \$12.2 million. This is based on the audited fund balance as of the end of fiscal year 2016-17 and factoring in year-to-date expenditure and revenue activity.

**Expenditures.** Departmental operating expenditures (including outstanding purchase orders/encumbrances) are generally on target as of the end of the first quarter. The following chart

summarizes year-to-date combined expenditures and encumbrances by department:

General Fund Expenditures by Department	Budget	YTD Actual	% Exp/Enc
City Council	408,542	142,409	34.9%
City Manager	1,047,375	404,163	38.6%
City Attorney	371,300	207,401	55.9%
City Clerk	589,928	198,122	33.6%
Finance and Risk Management	940,747	371,913	39.5%
Human Resources and Administrative Services	1,047,241	600,882	57.4%
Public Safety	3,535,990	1,576,112	44.6%
Public Works	2,632,220	1,094,621	41.6%
Recreation Services	916,763	229,657	25.1%
Community Development	1,833,943	635,515	34.7%
Capital and Operational Transfers	3,749,291	0	0.0%
<b>Total General Fund</b>	<b>17,073,340</b>	<b>5,460,795</b>	<b>32.0%</b>

*\*excludes operating and capital transfers*

Human Resources and Administrative Services expenditures are slightly elevated due to prepayment to the County for the Coastside District Emergency Coordinator services for the entire fiscal year. City Attorney expenditures are higher than and will be addressed during the mid-year budget review process.

**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	6,289,000	2,541,505	40.4%
Property Tax	3,062,800	1,567,767	51.2%
Sales & Use Tax	2,614,222	1,033,729	39.5%
Other Revenue	1,714,151	615,890	35.9%
Other Taxes	837,500	393,141	46.9%
Charges for Services	1,618,500	465,817	28.8%
Inter-Governmental	11,500	-	0.0%
<b>Total Revenues</b>	<b>16,147,673</b>	<b>6,617,850</b>	<b>41.0%</b>

**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.



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Since TOT is remitted approximately 30 days after the end of each month, second quarter numbers reflected only four months (July through October) of TOT receipts. Therefore, TOT revenues are performing stronger than projected with a collection percentage of 40.4% over the course of only one third of fiscal year, in part due to the City's efforts in collecting taxes from short-term rentals.

**Property Tax.** Property Tax is the City's second largest revenue source. The first major apportionment of property taxes was received in December and the City has received close to the expected amounts in this category.

**Sales and Use Tax.** Sales and Use Tax is the City's third largest revenue source. As of September 30, 2017, the City has received about 39.5% of our budgeted Sales Tax revenues as of the end of the second quarter. Sales taxes are generally paid one month in arrears and therefore the full six months of sales tax has not yet been received as of December 31, 2017. Based on discussions with the City's sales tax advisor, the local sales activities remain strong and we expect to exceed the budgeted sales tax revenue target.

**Other Revenues.** 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 and the County Credit reimbursements have been received and credited. The sewer cost allocation transfer will be recorded at the end of the fiscal year. Overall, this revenue category is approximately at the expected level at this point of the fiscal year.

**Other Taxes.** This includes Franchise Tax and Business License Tax. We will not receive the largest component of franchise fees revenue payments from PG&E until April 2018. Franchise fees from other utilities are remitted approximately 30 days after the

end of each quarter. As such, no revenue has been received yet as of December 31, 2017, which is consistent with the second quarter of the prior fiscal year.

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 has collected 90% of the budgeted taxes and expects to continue to collect the remaining expected amounts in the third and fourth quarters.

**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 and are expected to come more in line with the budget as the fiscal year progresses. The City completed the Comprehensive Master Fee study on FY 2016-17, which we expect to result in greater cost recovery in the current fiscal year.

**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.

## SUMMARY

Overall, the City's operating budget for expenditures is performing well as of the end of the second quarter. Certain revenues, such as Transient Occupancy tax, sales taxes, and franchise taxes will only reach budgeted figures when they are accrued at the end of the fiscal year, due to timing issues and governmental accounting basis. The City continues to experience strong revenue generation and overall economic growth.