



City of Half Moon Bay

Fiscal Year 2017/18

Fourth Quarter Financial Report

OVERVIEW

This report summarizes the City’s overall financial position for the fiscal year through June 30, 2018. 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 City’s general fiscal condition. The General Fund is the City’s primary operating fund and is used to account for 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, 2018. The figures are unaudited and may differ from the final amounts which will be reported in the Comprehensive Annual Financial Report for FY 2017-18.

GENERAL FUND

General Fund Financial Condition. The General Fund is comprised of revised budgeted operating and one-time revenues of \$15,977,045 and operating and one-time expenditures of \$18,460,922 for FY 2017-18. Please note that the budget was adjusted during a mid-year review and therefore the amounts may differ from the FY 2017-18 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 the fiscal year complete, General Fund expenditures are at 93.3% (vs. 95% in the prior year) of projections and revenues are at 104.6% (vs. 102.1%). These figures now include budgeted operating and capital transfers and allocations. 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	Rev. Budget	YTD Actual	Percent
Revenues	\$15,977,173	\$16,719,045	104.6%
Expenditures	\$18,460,922	\$17,228,266	93.3%

The City’s revised budget for FY 2017-18 General Fund has an ending balance of \$8.6 million. Based on the unaudited presented figures for total revenues and expenditures, the General Fund ending balance is projected to be higher than the revised budget. This is due to increased revenues and lower than expected General Fund expenditures throughout the year as well as the timing of capital projects.

Revenues. The following is a summary of revenues as of the end of the fourth quarter. Some budget amounts may differ from prior quarter reports due to mid-year adjustments.

Revenues	Rev. Budget	YTD Actual	% Rec'd
Trans. Occupancy Taxes	6,289,000	6,434,808	102.3%
Property Tax	3,319,300	3,341,506	100.7%
Sales & Use Tax	2,787,222	2,836,614	101.8%
Other Revenue	1,729,908	2,004,850	115.9%
Charges for Services	1,002,743	1,111,459	110.8%
Other Taxes	837,500	983,180	117.4%
Inter-Governmental	11,500	6,628	57.6%
Total Revenues	15,977,173	16,719,045	104.6%

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 are performing stronger than projected for FY 2017-18 with the City receiving 102.3% of the budgeted amount or additional over \$145,000. This is a positive sign that City’s tourism industry remains strong.

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 2017, while the second apportionment is received in April 2018. In January 2018, the City received an annual apportionment of Educational Revenue Augmentation Fund (ERAF) in the amount of \$226,480. This revenue was not originally included in the adopted budget due to uncertainty but was added in the mid-year budget adjustment.

Sales and Use Tax. Sales and Use Tax is the City’s third largest revenue source. Sales Tax projections were increased by \$173,000 during the mid-year



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budget process based on economic trends at the midpoint of the year and information obtained from the City’s external sales tax consultants. We are pleased to report an additional \$50,000 in Sales Tax revenues was received at the end of the year.

Other Revenues. The main components of this category are Golf Fees, County Credit Reimbursements, and Parking. The cost allocation transfer from the sewer fund has been removed from this analysis for consistency purposes regarding budgeted one-time transfers to and from other funds. The City was able to collect 115.9% from the revised budget revenues. This was largely due to the new franchise agreement with the Republic Services, the City’s solid waste provider. The new contract went into effect on April 1, 2018 and included an annual contribution of \$150,000 to the City for contract administration.

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. During the mid-year budget review, the City discovered that the newly completed Comprehensive Master Fee schedule was not fully implemented by Community Development and Public Works departments, resulting in a conservative budget adjustment of \$600k in user fees revenues. After making implementation corrections, the City was able to recover some of these revenues.

Other Taxes. This includes Franchise Tax and Business License Tax. This category shows a 117.4% increase over the budget that was largely due to the new franchise agreement with the Republic Services, the City’s solid waste provider. The new contract went into effect on April 1, 2018 and allowed the City to collect higher revenues due to market rate adjustments for provided services under the same franchise fee of 14%.

Business licenses taxes are due in October of each year and are valid from October 1 through September 30 of the following year. The City has collected over 100% of the budgeted business license taxes due to increased business license applications and business revenues.

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.

Expenditures. Expenditures ended the fiscal year at 93.3% 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	Rev. Budget	YTD Actual	% Exp/Enc
City Council	408,542	261,748	64.1%
City Attorney	371,300	591,857	159.4%
City Manager	1,149,375	1,060,813	92.3%
City Clerk	588,383	422,033	71.7%
Community Development	1,671,165	1,265,775	75.7%
Administrative Services	1,012,241	932,251	92.1%
Finance and Risk Management	915,747	760,641	83.1%
Recreation Services	891,763	644,038	72.2%
Public Safety	3,535,990	3,504,165	99.1%
Public Works	2,798,983	2,667,512	95.3%
Capital and Operational Transfers	5,117,433	5,117,433	100.0%
Total General Fund	18,460,922	17,228,266	93.3%

The City Attorney costs have increased over prior years due to transitioning of legal services to newly contracted City attorney. This anticipated increase was discussed during the FY 2017-18 mid-year budget review and the FY 2018-19 Budget was adjusted accordingly. The remaining department expenditures levels are at or below expected the budgeted amount.

SUMMARY

Overall, the City’s continues to experience total revenue growth which is a positive indicator of the City’s healthy economic and fiscal condition. The City’s budget shows a structural surplus while maintaining 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.