



City of Half Moon Bay Fiscal Year 2017/18

First Quarter Financial Report

OVERVIEW

This report summarizes the City’s overall financial position for the fiscal year through September 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 September 30, 2017.

GENERAL FUND

General Fund Financial Condition. With 25% of the year complete, General Fund expenditures are at 9.6% (vs. 38.0% in the prior year) of projections and revenues are at 8.2% (vs. 9.7%). 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 (as explained in the Expenditures section). Revenues are typically less during the first 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 more detail below.

General Fund	Budget	YTD Actual	Percent
Revenues	\$16,147,673	\$1,330,757	8.2%
Expenditures	\$17,073,339	\$1,634,625	9.6%

**excludes operating and capital transfers*

The General Fund balance as of September 30, 2017 is \$10.8 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	93,409	22.9%
City Manager	1,047,375	183,302	17.5%
City Attorney	371,300	36,357	9.8%
City Clerk	589,928	149,530	25.3%
Finance and Risk Management	940,747	144,148	15.3%
Human Resources and Administrative Services	1,047,241	243,635	23.3%
Public Safety	3,535,990	16,561	0.5%
Public Works	2,632,220	405,066	15.4%
Recreation Services	916,763	90,835	9.9%
Community Development	1,833,943	271,782	14.8%
Capital and Operational Transfers	3,749,291	0	0.0%
Total General Fund	17,073,340	1,634,625	9.6%

**excludes operating and capital transfers*

In prior year reports, the departmental General Fund expenditures included encumbered funds. Beginning with this First Quarter Fiscal Year 2017-18 report, the encumbered but unexpended amounts have been excluded for greater clarity.

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	631,295	10.0%
Property Tax	3,062,800	12,841	0.4%
Sales & Use Tax	2,614,222	299,837	11.5%
Other Revenue	1,714,151	64,020	3.7%
Other Taxes	837,500	77,939	9.3%
Charges for Services	1,618,500	244,826	15.1%
Inter-Governmental	11,500	-	0.0%
Total Revenues	16,147,673	1,330,757	8.2%

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, and are generally forwarded to by the consultant to the City in the subsequent month, first quarter numbers reflected only one month (July) of TOT receipts. Therefore, TOT revenues are performing higher than projected with a collection percentage of 10% covering one month of fiscal year.

Property Tax. Property Tax is the City's second largest revenue source. The first major apportionment of property taxes will occur in December. Therefore, it is expected that very little of the property tax revenue is accounted for in the first quarter of each fiscal year.

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 11.5% of our budgeted Sales Tax revenues as of the end of the first quarter which is comparable to the prior year.

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 are paid monthly, however some payments were received after the end of the quarter and are not included in this figure. The payments made to the County Sheriff quarterly, so the pension credit for the first quarter has not been redeemed with the corresponding payment. The sewer cost allocation transfer will be recorded closer to the end 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 September 30, 2017, which is

consistent with the first 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. Therefore, only a small percentage of the budgeted revenue is collected in the first quarter, primarily attributed to new licenses.

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 resulted in greater cost recovery, comparing to the prior 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 first quarter. It is inconclusive to fully analyze and anticipate revenue after the first quarter due to the timing of tax receipts, and future reports for this fiscal year, including the mid-year analysis will provide a better indication of the City's revenue projections. However, it is encouraging that Transient Occupancy Taxes, the City's largest revenue stream, continues to exceed expectations and points towards a continuation of the City's economic growth.