



City of Half Moon Bay Fiscal Year 2016/17

First Quarter Financial Report

OVERVIEW

This report summarizes the City's overall financial position for the fiscal year through September 30, 2016. 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, 2016.

GENERAL FUND

General Fund Financial Condition. With 25% of the year complete, General Fund expenditures are at 38.0% (vs. 26.2% in the prior year) of projections and revenues are at 9.7% (vs. 12.7%). These figures exclude budgeted once-a-year operating and capital transfers. The expenditure variance from the prior year is primarily due to the timing of encumbrances of various large professional service contracts. 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	\$14,629,516	\$1,414,634	9.7%
Expenditures*	\$13,918,295	\$5,293,290	38.0%

*excludes operating and capital transfers

The General Fund balance as of September 30, 2016 is \$7.2 million. This is based on the audited fund balance as of the end of fiscal year 2015-16 and factoring in year-to-date expenditure and encumbrance 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	385,507	144,233	37.4%
City Manager	792,273	195,289	24.6%
City Attorney	360,500	360,500	100.0%
City Clerk	487,907	64,792	13.3%
Finance and Risk Management	948,938	188,984	19.9%
Human Resources and Administrative Services	730,469	97,944	13.4%
Public Safety	3,771,200	3,258,536	86.4%
Public Works	1,325,663	201,814	15.2%
Recreation Services	214,672	26,016	12.1%
Community Development	2,856,548	755,182	26.4%
Capital Outlay	2,044,618	0	0.0%
Total General Fund	13,918,295	5,293,290	38.0%

*excludes operating and capital transfers

There may be a higher percentage expended or encumbered in the departmental budgets as some contracts must be encumbered with a purchase order which covers extended portions of the fiscal year (e.g. City Attorney and Public Safety services).

Revenues. 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	602,480	10.2%
Property Tax	3,042,150	10,690	0.4%
Sales & Use Tax	2,521,837	368,420	14.6%
Other Revenue	1,262,870	291,052	23.0%
Other Taxes	821,100	12,401	1.5%
Charges for Services	748,042	128,796	17.2%
Inter-Governmental	11,560	795	6.9%
Total Revenues	14,340,559	1,414,634	9.9%

Transient Occupancy Taxes (TOT). TOT continues to be the largest source of revenue for the City. The City as recently contracted with an external



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consultant to assist in tracking and collecting TOT revenues. 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 reflect only one month (July) of TOT receipts. Therefore, TOT revenues are performing higher than projected with a collection percentage of 10.2% covering one month of the 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, 2016, the City has received about 14.6% of our budgeted Sales Tax revenues as of the end of the first quarter due to the timing of the receipts from the State and the County, which is greater than the prior year collection after the first quarter (8.1%). This is the first quarter which does not include Measure J revenues, which was not renewed by voters in November 2014. Measure J elapsed in March 2016 with the final distribution of Measure J revenues received in the last quarter of fiscal year 2015-16.

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 close to the projected amount after one quarter. The payments made to the County Sheriff are made 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 components of franchise fee revenues – payments from PG&E – until April 2017. Franchise fees from other utilities are remitted approximately 30 days after the end of each quarter. As such, no revenues have been received as of September 30, 2015 for the current fiscal year, which is consistent with 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.

Inter-governmental. This includes State Mandate reimbursements and the City's portion of motor vehicle licensing fees. 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.