



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

OVERVIEW

This report summarizes the City’s overall financial position for the fiscal year through March 31, 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 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 March 31, 2018.

GENERAL FUND

General Fund Financial Condition. With three quarters of the year complete, General Fund expenditures are at 67.4% (vs. 65.4% in the prior year) of projections and revenues are at 63.9% (vs. 62.2%). These figures **exclude** budgeted once-a-year operating and capital transfers, which will be recorded at the end of the fiscal year. 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	Rev. Budget	YTD Actual	Percent
Revenues	\$15,532,743	\$9,928,175	63.9%
Expenditures	\$12,659,725	\$8,537,424	67.4%

**excludes operating and capital transfers*

The (unaudited) General Fund balance as of March 31, 2018 is \$12.4 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 third quarter. The following chart summarizes year-to-date combined expenditures and encumbrances by department:

General Fund Expenditures by Department	Rev. Budget	YTD Actual	% Exp/Enc
City Council	383,250	171,077	44.6%
City Manager	1,074,351	687,085	64.0%
City Attorney	371,300	367,280	98.9%
City Clerk	545,620	291,728	53.5%
Finance and Risk Management	843,868	592,376	70.2%
Administrative Services	943,585	750,947	79.6%
Public Safety	3,508,813	2,640,074	75.2%
Public Works	2,618,920	1,790,397	68.4%
Recreation Services	834,097	376,840	45.2%
Community Development	1,535,922	869,539	56.6%
Total General Fund	12,659,725	8,537,343	67.4%

**excludes operating and capital transfers*

Administrative Services expenditures are slightly elevated due to prepayment to the County for the Coastside District Emergency Coordinator services for the entire fiscal year. The City Attorney costs have increased over prior years due to increase in service levels and the budget has been adjusted accordingly in the FY 2018-19 budget. The remaining department expenditures levels are at or below expected at this point of the fiscal year.

Revenues. The following is a summary of revenues as of the end of the third 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	3,835,494	61.0%
Property Tax	3,319,300	2,102,583	63.3%
Sales & Use Tax	2,787,222	1,898,055	68.1%
Other Revenue	1,197,778	734,983	61.4%
Charges for Services	1,090,443	770,895	70.7%
Other Taxes	837,500	586,164	70.0%
Inter-Governmental	11,500	-	0.0%
Total Revenues	15,532,743	9,928,175	63.9%

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, third quarter numbers reflected only seven months (July through January) of TOT receipts. Therefore, TOT revenues are performing stronger than projected with a collection percentage of 61.0% over the course of less than two thirds 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 by the City in December 2017, while the second apportionment is received in April 2018. In January 2017, 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. As of March 31, 2018, the City has received about 68.1% of our budgeted Sales Tax revenues as of the end of the third quarter. Sales taxes are generally paid one month in arrears and therefore the full nine months of sales tax has not yet been received as of the end of the third quarter. 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 and County Credit Reimbursements. 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 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. 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 March 31, 2018, which is consistent with the third 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 over 100% of the budgeted business license taxes and expects to continue to collect some additional business license taxes in the fourth quarter, primarily for new businesses.

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. During the mid-year budget review, the City discovered that the newly completed the Comprehensive Master Fee schedule was not fully implemented in FY 2017-18, resulting in an adjustment in this revenue category. With the 70.7% actual collections, the City is now on track with the revised estimates.

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. We will continue to monitor these activities and provide updates in subsequent reports.

SUMMARY

The City's operating budget for expenditures is performing well as of the end of the third quarter, with virtually all revenue categories performing ahead of the same point of the prior fiscal year. The City continues to experience strong revenue generation and overall fiscal health.