



City of Sacramento City Council

915 I Street, Sacramento, CA, 95814

www.CityofSacramento.org

Meeting Date: 11/27/2012

Report Type: Consent

Title: First Quarter Financial Report – Fiscal Year 2012/13

Report ID: 2012-00944

Location: Citywide

Recommendation: Receive and file.

Contact: Dawn Holm (916)808-5574, Budget Manager Finance Department.

Presenter: None.

Department: Finance

Division: Budget Office

Dept ID: 06001411

Attachments:

1-Description/Analysis

2-Attachment-Quarterly Financial Report

City Attorney Review

Approved as to Form

Grace Arupo

11/20/2012 9:34:29 AM

Approvals/Acknowledgements

Department Director or Designee: Leyne Milstein - 11/15/2012 4:04:08 PM



Description/Analysis

Issue: The purpose of the quarterly report is to provide the City Council with timely information regarding the City's current financial condition. The attached report (Attachment 1) provides an update on the City's major revenues and department expenditures through the first quarter of FY2012/13.

On November 6, 2012 the citizens of Sacramento approved the "City of Sacramento Essential Services Protection Measure (Measure U)." Measure U will provide a ½-cent tax on each dollar of taxable sales of goods within the City of Sacramento, and on the taxable storage, use, or consumption in the City of goods purchased from a retailer (also known as a sales tax or a transactions and use tax). This tax does not go into effect until April 1, 2013 and will expire on March 31, 2019. Staff has confirmed with the State Board of Equalization that the receipt of the City's first revenues from this tax will occur in June 2013. We are working on a model to accurately forecast this new unbudgeted revenue stream. The FY2012/13 Midyear Report will be presented in early 2013 and will include additional information on the anticipated revenues, timelines and next steps.

It is recommended that the City Council receive this report as informational only.

Policy Considerations: The quarterly financial reporting to the City Council is intended to provide an overview of the City's financial status consistent with Section 61 of the City Charter.

Economic Impacts: Not applicable.

Environmental Considerations: Not applicable.

Sustainability: Not applicable.

Commission/Committee Action: Not applicable.

Rationale for Recommendation: The City Manager is responsible for reporting in accordance with the authority granted by Section 61 of the City Charter.

Financial Considerations: The quarterly report reflects the City's continuing need for ongoing efforts to manage expenditures. Staff will continue to work with departments to meet budget goals for the remainder of the fiscal year, and will evaluate adjustments that may be needed with the Midyear Budget (2nd Quarter) Report.

Emerging Small Business Development (ESBD): Not applicable.



Quarterly Financial Report For Quarter Ending 9/30/12

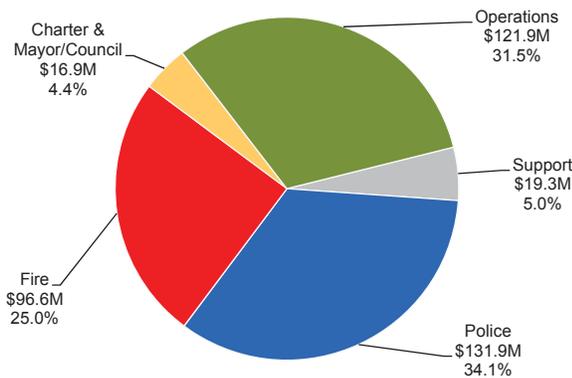
OVERVIEW

The FY2012/13 Approved Budget as Amended includes:

- \$1.059 billion and 4,002.99 authorized full time equivalent (FTE) positions (all funding sources);
• \$368.2 million and 2,749.24 FTE in the General Fund;

The following graph represents the City's Gross General Fund expenditure budget based on major departmental groupings:

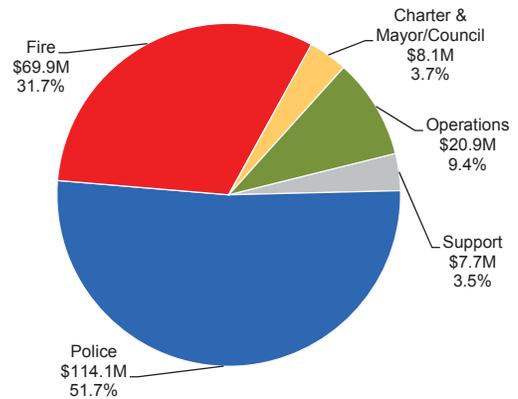
FY2012/13 Gross General Fund Expenditures \$386.6 Million



- Charter includes: City Attorney; City Clerk; City Manager; and City Treasurer.
• Operations includes: Community Development; Convention, Culture & Leisure; Economic Development; General Services; Parks and Recreation; and Public Works.
• Support includes: Finance; Human Resources; and Information Technology.

The following graph represents the City's Net General Fund expenditure budget based on major departmental groupings:

FY2012/13 Net General Fund Expenditures (expenditures less reimbursements and revenues) \$220.7 Million



With only the first quarter of the fiscal year complete, it is too early to identify major financial trends since the County of Sacramento distributes property taxes in January and May.

Staff will receive updated retirement estimates in late October which will be used to update the City's General Fund five-year forecast. This information will be provided in the FY 2012/13 Midyear Report to Council scheduled for early 2013.

GENERAL FUND

General Fund Financial Condition. With 25% of the year complete, General Fund revenues are at 15% of projections and expenditures are at 26%. One reason for the large variance in revenues is due to the nature and timing of the receipt of property taxes, the largest single General Fund revenue source. Additionally, some expenditures are seasonal and as such, will reflect higher levels of expenditures in the summer months and lower expenditures during the remainder of the fiscal year.



City of Sacramento

Quarterly Financial Report For Quarter Ending 9/30/12

General Fund (\$ in '000s)

	YTD		
	Budget	Actuals	Percent
Balance, Beginning of FY	-	-	
Revenues	369,260	53,549	15%
Expenditures	369,140	95,918	26%
Total:	120	(42,369)	

This chart reflects budget and actual expenditures for all activities in the General Fund (department operations, capital projects, debt service, etc.).

As shown above, the General Fund balance at the end of the 1st quarter is negative. This is typical for the General Fund and indicates the cyclical cash flow pattern of revenues versus expenditures described in the Revenue section below.

Revenues. The City's top six revenues account for 69% of total General Fund revenues. By focusing on these revenue sources, we can begin to see the trend of our revenue position for the fiscal year. However, for this first report because many revenues are not received on a monthly basis, it is difficult to evaluate actuals to date as a percent of budget. In these cases, it will be important to utilize any important information on each revenue source to evaluate the potential revenue variance. Additional information for the analysis of a particular revenue source is provided in the descriptions below if available.

TOP GENERAL FUND REVENUES (in '000s)

Revenue Type	Budget	YTD Actuals
Property Tax	118,982	1,851
Utility User Tax ¹	58,982	13,424
Sales Tax	62,794	7,818
Business Operations Tax ¹	8,163	2,970
Public Safety Sales Tax	4,365	0
Transient Occupancy Tax ¹	3,192	465
Total:	256,478	26,528

¹After the end of each month, businesses have 30 days to remit UUT, BOT, and TOT revenue to the City. After the 30-day remittance period, the City processes/reconciles the transactions over the following 10 days. The monthly reporting data is available by the 15th of the following month (45 days after the reporting period ends).

Property Tax. Property taxes are the largest General Fund revenue source, accounting for approximately 32% of all General Fund revenues. Revenues related to Property Taxes are affected by fluctuations in the real estate market, levels of new construction activity, and the corresponding changes to the tax rolls. The majority of current secured property tax revenues are received in mid-December and mid-April, while the balance of current secured, current unsecured, supplemental, and miscellaneous property tax revenues are received in late January and late May.

The first apportionment of the City's FY2012/13 property taxes will be received in December 2012. Based on early indications from the County Assessor, property values are beginning to stabilize which will have minimal effect on the FY2012/13 property tax collections but could result in positive assessed valuation growth for FY2013/14 budget development.

Sales and Use Tax. Sales and Use Taxes make up approximately 17% of General Fund revenue. The sales tax is imposed on all retailers for the privilege of selling tangible personal property in the state, whereas the use tax is imposed on the purchase for storage, use, or other consumption of tangible personal property purchased from any retailer. The City receives monthly apportioned payments and a true-up payment for the prior period at the end of each quarter. The first true-up payment for this fiscal year will be received in December. The City is currently projecting a 4% increase over the FY2011/12 actual collections. This increase was already factored into the revenues as adopted for FY2012/13.

Utility User Tax (UUT). UUT is 16% of the General Fund revenue and is the City's third largest source of General Fund revenue. Measure O was approved by the voters on November 4, 2008, and reduced the 7.5% tax rate to 7.0% on telecommunication services but expanded to include Voice over Internet Protocol (VoIP), text messaging and many other previously excluded technologies. The 7.5% tax rate continues to be in effect for gas, electric, and cable services. Revenue collected is in line with the budget through the August 2012² period.

²Department revenue shortfalls will be offset by savings in expenditures. Additional detail will be provided as part of the FY2012/13 Midyear Report.



City of Sacramento

Quarterly Financial Report For Quarter Ending 9/30/12

Business Operations Tax (BOT). Business Operations Taxes are remitted annually by individuals and businesses that commence, transact, engage in or carry on any business, trade, profession, calling, occupation, or gainful activity in the City. Business Operations Taxes make up approximately 2% of General Fund revenues. Revenue collected is in line with the budget through the August 2012² period.

Public Safety Sales Tax. On November 2, 1993, California voters enacted Proposition 172, which established a permanent statewide half-cent sales tax for support of local public safety functions in cities and counties. Public Safety Sales Tax represents approximately 1% of General Fund revenue. Revenue collected is in line with the budget through the August 2012² period.

Transient Occupancy Tax (TOT). The current rate of 12% is charged to all transient guests of hotels, motels, inns, and bed and breakfasts within City limits. The General Fund portion of TOT revenues is equal to 2 percentage points of the 12% rate of total TOT revenues. The remaining TOT revenues collected are for use by the Community Center Fund. TOT represents approximately 1% of General Fund revenue. Revenue collected is in line with the budget through the August 2012² period.

Economic Indicators. The following chart reflects key economic indicators utilized by staff in projecting General Fund revenues.

Key Economic Indicators	9/2011	9/2012
City Unemployment Rate (UR)	13.9%	11.9%
County UR	12.0%	10.2%
State UR	11.7%	10.2%
National UR (Sep/10 vs. Sep/11)	9.0%	7.8%
CPI (7/2011-9/2011 vs. 7/2012-9/2012)	3.76%	1.70%
30-Year Fixed Mortgage Rate	4.11%	3.47%

Revenues to Watch. The following revenues are subject to state and/or federal legislation, and enforcement. Staff will continue to monitor and provide updates to the City Council on these revenues, as well as pending legislation that may affect City revenues.

California Assembly Bill 678: Medi-Cal Ground Emergency Medical Transport (GEMT). A committee of California Fire personnel is currently working with the State of California to develop an acceptable format for submitting claims to the Federal government to provide supplemental reimbursement of approved Medi-Cal costs. It is anticipated that the committee will submit the suggested format to the responsible federal agency within the next 30 days. The Federal agency has 90 days from receipt to review the format. If the format is acceptable and approved, the next step would be the submission of the first test claims from select fire committee agencies. At this time it is unknown when the City will be able to submit a claim for GEMT revenues.

Medical Marijuana. Federal enforcement action on City of Sacramento dispensaries has resulted in the closure of approximately half of the registered dispensaries. It has been difficult for the dispensaries to relocate and meet all of the City's sensitive use requirements. Even with half of the dispensaries operating, the 4% tax is coming in ahead of budget in the 1st quarter. This revenue stream will be watched closely given the unknown level of federal enforcement action.

Department Projections. Department revenue projections are summarized below:

GENERAL FUND REVENUES			
Department	Budget	YTD Actuals	Projected Year-End Variance
City Attorney	52,000	21,023	2,623
City Clerk	85,169	9,054	-
City Treasurer	2,681,000	41,268	-
Community Development	15,907,330	3,356,509	-
Convention, Culture & Leisure	1,559,938	205,767	-
Economic Development	1,230,251	761,447	-
Finance	2,042,351	171,146	-
Fire	22,986,604	3,704,049	780,000
General Services	1,135,000	106,699	(144,599) ²
Human Resources	272,000	39,685	(120,000) ²
Parks and Recreation	981,852	772,042	-
Police	9,883,000	1,506,827	(1,300,355) ²
Public Works	16,082,104	2,688,934	(1,264,351) ²
Total General Fund:	74,898,599	13,384,450	(2,046,682)

²Department revenue shortfalls will be offset by savings in expenditures. Additional detail will be provided as part of the FY2012/13 Midyear Report.



City of Sacramento

Quarterly Financial Report For Quarter Ending 9/30/12

Department expenditure projections are summarized below:

GENERAL FUND EXPENDITURES

Department	Budget	YTD Actuals	Projected Year-End Variance
Mayor/Council	2,895,975	577,638	-
City Attorney	3,877,516	942,084	596,924
City Clerk	1,346,146	247,785	-
City Manager	1,522,358	214,127	210,558
City Treasurer	1,791,429	448,976	22,881
Community Development	19,856,376	4,325,028	-
Convention, Culture & Leisure	4,709,225	1,043,737	-
Economic Development	2,827,411	412,320	170,776
Finance	4,474,306	727,598	132,204
Fire	93,533,309	24,429,229	(3,530,000)
General Services	9,193,209	3,197,986	249,017 ³
Human Resources	2,225,304	404,844	92,380 ³
Information Technology	3,347,548	1,165,156	-
Parks and Recreation	14,060,907	5,970,134	-
Police	124,024,178	30,024,558	2,444,014 ³
Public Works	6,958,889	5,117,041	1,301,520 ³
Total General Fund:	296,644,086	79,248,241	1,690,274

³Department expenditure savings will be used to offset projected revenue shortfall. Additional detail will be provided as part of the FY2012/13 Midyear Report.

The Fire Department is projecting a budget deficit. Details on the projected deficit are as follows:

Fire. In providing a conservative first quarter projection, Fire is currently projecting no anticipated SAFER grant reimbursement.

The Fire Department left numerous positions open to be eliminated as part of the FY2012/13 budget process. Negotiations with Sacramento Firefighters Local 522 (L522) were not concluded until the City Council approved the concessions reached between L522 and the City on July 19, 2012. During negotiations, and continuing past the approval of the concessions, additional positions have become vacant. Additionally, the supplanting waiver that had been granted has expired. Currently the department has 26 vacant Firefighter positions. The SAFER grant provides 27 positions; however, without the waiver, each vacant position reduces, on a one-for-one basis, the number of positions for which a reimbursement claim can be made. Fire is working towards filling the vacant firefighter positions and is working with Human Resources to determine the course of action for filing a new supplanting waiver.

ENTERPRISE FUNDS

Enterprise Fund revenues and expenditures are on target for the current year as reflected below:

ENTERPRISE FUNDS EXPENDITURES

Fund Name	Budget	YTD Actuals	Projection
Marina	2,304,077	383,526	1,408,965
Community Center	22,339,908	2,646,019	22,339,908
Parking	17,152,390	1,859,858	17,152,390
Water	68,488,093	10,681,740	68,488,093
Wastewater	21,785,281	4,002,355	21,785,281
Solid Waste	50,713,829	9,124,250	50,174,983
Storm Drainage	33,195,003	5,852,238	33,195,003
Total Enterprise Funds:	\$215,978,581	\$34,549,986	\$214,544,623

ENTERPRISE FUNDS REVENUE

Fund Name	Budget	YTD Actuals	Projection
Marina	1,415,500	361,159	1,415,500
Community Center	23,450,000	4,394,623	23,450,000
Parking	17,803,386	5,330,623	17,803,386
Water	85,797,246	20,230,425	85,797,246
Wastewater	24,353,216	5,262,788	24,353,216
Solid Waste	60,251,000	15,830,597	60,919,376
Storm Drainage	35,435,206	7,352,398	35,435,206
Total Enterprise Funds:	\$248,505,554	\$58,762,613	\$249,173,930