

City of Pleasant Hill
 Fiscal Year 2012/2013 Annual Revenue and Expenditure Report
 (Unaudited)

INTRODUCTION

Every two years, the City Council adopts a budget that allocates the City's limited financial resources to the community's top priorities. The budget reflects the goals of the City Council and provides funding to the City's programs and services. As part of the process to ensure that the City remains financially sound, staff provides financial update reports to the City Council and other stakeholders on a quarterly basis. The following is a summary of the unaudited financial results for the fiscal year (FY) 2012/2013 (July 1, 2012 through June 30, 2013).

SUMMARY

Revenue and Expenditure Summary (in \$1,000s)

	Revenue			Expenditures			Surplus/Deficit		
	Budgeted	Actual (Unaudited)	Variance	Budgeted	Actual (Unaudited)	Variance	Budgeted	Actual (Unaudited)	Variance
General Fund	\$20,027	\$20,649	\$ 622	\$20,393	\$18,942	(\$ 1,451)	(\$ 366)	\$ 1,707	(\$2,073)
Other City Funds	\$18,405	\$ 9,875	(\$8,530)*	\$22,205	\$11,317	(\$10,888)	(\$3,800)	(\$1,442)	(\$2,358)
Total	\$38,432	\$30,524	(\$7,908)	\$42,598	\$30,259	(\$12,339)	(\$4,166)	\$ 265	(\$4,431)

***Other City Funds revenue includes capital project grants, the timing of which is hard to project. The variance of budgeted to actual in this case is primarily due to receiving grants funds later than originally anticipated (in fiscal year 2013/2014 rather than fiscal year 2012/2013).**

GENERAL FUND REVENUES

Budgeted General Fund revenues for the fiscal year 2012/2013 were \$20.0 million, and actual revenues were \$20.6 million, an improvement of \$.6 million.

General Fund Revenues (in \$1,000s)	FY 12/13 Budget	FY 12/13 Actual (Unaudited)	% Received
Sales Tax	\$6,939	\$7,061	101.7%
Property Tax	2,222	2,459	110.6%
Property Tax, In Lieu of VLF	2,374	2,380	100.2%
Other Taxes	3,828	3,964	103.6%
Licenses and Permits	2,642	2,740	103.7%
Transfer	1,001	993	99.2%
Charges for Services	565	741	131.2%
Other Revenue	173	185	106.9%
Use of Money and Property	160	15	9.4%
Fines and Forfeitures	74	51	68.9%
Intergovernmental	46	60	130.4%
Rental	3	-	0.00%
Total Revenues	\$20,027	\$20,649	103.1%

REVENUES

As noted, the total budgeted General Fund revenues for fiscal year 2012/2013 were \$20.0 million and actual revenues were \$20.6 million. The City's top six revenues accounted for approximately 90% of General Fund revenue.

SALES TAX

Sales tax revenues were budgeted to be \$6.9 million in fiscal year 2012/2013 and actual revenue was \$7.1 million, an increase of \$.2 million. Sales tax revenues exceeded budget due to increased consumer spending and additional sales tax from new businesses such as Safeway Gas, In-N-Out Burger, and Big 5 Sporting Goods. Pleasant Hill's top 25 sales tax producers accounted for 56.0% of the total sales tax revenue receipts during the 4th quarter.

PROPERTY TAX

When Pleasant Hill incorporated in 1961, the City had no specific municipal property taxes beyond those imposed by the State and county. After California voters passed Proposition 13 in 1978, property taxes were limited to 1% of the full market value of the property. Since the City did not levy any property taxes before 1977, and because of constraints placed upon raising property taxes by Proposition 13, Pleasant Hill's share of property taxes is lower than many other cities.

During the past several years, as property values have fallen during the Great Recession, property tax revenues have been declining as a result of houses being sold at losses and the Assessor reassessing values for the purpose of property taxes (Proposition 8 reductions). However, as the economy has recovered during FY 2012/2013, property tax revenues have been slightly higher than originally budgeted. Property tax revenues were projected to be \$2.2 million for fiscal year 2012/2013 and actual revenues were \$2.5 million.

VEHICLE LICENSE FEE (VLF): PROPERTY TAX IN LIEU OF VLF

The Motor Vehicle License Fee (VLF) is an annual tax on the ownership of registered vehicles that is collected by the State Department of Motor Vehicles but distributed to cities and counties. In 2004, the Legislature permanently reduced the tax rate from 2% to 0.65% of the current market value of the vehicle. In order to protect local governments, the reduction in VLF revenue to cities and counties was offset by increased transfer of property tax that had accrued to the State but was then transferred to cities and counties. This transfer is called the "Property Tax in Lieu of VLF." The City budgeted and received \$2.4 million for fiscal year 2012/2013.

OTHER TAXES

The City collects a number of smaller taxes that supplement sales and property tax. The primary sources of revenue in this category are franchise fees and transient occupancy tax (TOT). Details regarding franchise fees and transient occupancy tax follow.

Franchise Fees

Franchise fees are rent paid by utility companies or private businesses to use the City's right of way. The City's right of way is property owned by the City for use by the public as a means of passage, and includes streets, alleys, sidewalks, and parkways. The City charges rent to utilities and private businesses to use the right-of-way, including locating utility lines or operating vehicles on or adjacent to City maintained streets. The City collects a franchise fee from Pacific Gas & Electric (PG&E) of 1% of PG&E revenues from Pleasant Hill customers and a franchise fee of 5% of revenue from cable operators: ATT/Pacific Bell; Comcast, and Astound. The City also collects a franchise fee of 12% of revenues from Allied Waste Management. Franchise fee revenues were budgeted to be \$2.05 million in 2012/2013. The City collected \$1.98 million in franchise fees.

Transient Occupancy Tax

The City has six hotels (Hyatt House; Courtyard by Marriott; Residence Inn by Marriott; Extended Stay America; Sun Valley Inn; and Pleasant Hill Inn) which collect and remit a 10% transient occupancy tax to the City. Revenue of \$1.4 million was budgeted for the year and actual collections were \$1.5 million.

The balance represents property transfer tax and utility user's tax. The City budgeted \$350,000 in revenue from property transfer tax and utility user's tax and collected \$416,000.

LICENSES AND PERMITS

The primary source of revenue in this category is business license taxes. The City processed over 3,600 business license renewals this past year. We budgeted and received \$2.2 million in business license taxes during the year.

The remainder of revenue in this category is due to permits and fees which were budgeted at \$418,000. Actual collections were slightly higher at \$490,000. The permits and fees category includes building fees, electrical permits, plumbing permits, and energy permits. The bulk of the revenue was generated from construction-related activity.

OTHER REVENUE

This category includes numerous "other" revenues. Budgeted and actual revenues were \$2.0 million. The major sub-categories within this category include fines and forfeitures; interest revenue; Police Officer Standards and Training (POST) reimbursements from the State; and transfers from other funds. This category also included a surplus equity distribution from the Municipal Pooling Authority (MPA, the City's insurance pool) of \$177,000 and bond issuer revenue of \$170,000 due to the refinance of the Pleasant Hill Downtown Community Facilities District 2002 bond issue.

GENERAL FUND EXPENDITURES

The following two tables provide summaries of General Fund expenditures by category and department. Adopted budget expenditures were \$20.3 million and unaudited actual expenditures were \$18.9 million.

General Fund Expenditures (in \$1,000s)	FY	FY	%
	12/13 Budget	12/13 Actual (Unaudited)	Expended
Salaries	\$9,764	\$ 9,215	94.4%
Benefits	4,843	4,658	96.2%
Non Departmental	236	453	191.9%
General Expenses	679	449	66.1%
Economic Dev Market Study and Grant Loans	650	36	5.5%
Professional and Contract Svc	840	952	113.3%
<u>Other Expenditures:</u>			
Conferences and Training	191	95	49.7%
Maintenance and Repairs	243	185	87.9%
Supplies and Materials	244	168	68.4%
Utilities	400	352	66.0%
Insurance	446	528	118.3%
Promotions and Contributions	90	86	95.6%
Fixed Assets	31	29	93.4%
Transfer	1,736	1,736	100.0%
Total Expenditures	\$20,393	\$18,942	92.9%

**FY 2012/2013 General Fund Expenditures
by Function and Department**
(in \$1,000s)

	Revised Budget	Adopted Budget	Unaudited Expenditures	% Adopted Budget
<u>General Government</u>				
City Council	\$ 154	\$ 154	\$ 140	90.9%
City Manager	589	644	509	79.1%
City Attorney	567	464	467	100.6%
City Clerk	130	130	104	80.1%
City Treasurer	12	12	14	116.0%
Economic Development	923	923	263	28.5%
Finance	928	924	774	83.9%
Computer Services	15	15	21	139.6%
Human Resources	523	523	473	90.3%
Risk Management	444	444	526	118.5%
City Hall Facility	153	153	110	71.9%
Non-departmental	613	331	854	258.0%
Total General Government Expenditures	5,051	4,717	4,255	90.2%
<u>Public Safety</u>				
Police	9,687	9,687	8,808	90.9%
Police Canine Program	16	16	14	87.5%
Animal Control	188	188	177	94.0%
Total Public Safety Expenditures	9,891	9,891	8,999	91.0%
<u>Transportation</u>				
Public Works Engineering	798	799	722	90.4%
Public Works Maintenance	1,864	1,799	1,839	102.2%
Total Transportation Expenditures	2,662	2,598	2,561	98.6%
<u>Community Development</u>				
General				
Planning	853	853	806	94.5%
Building Inspection	515	515	503	97.6%
Community Relations	83	83	82	98.8%
Total Community Development	1,451	1,451	1,391	95.9%
<u>Transfers To-</u>				
Street Resurfacing Program	200	200	200	100.0%
Computer Technology Replacement	220	220	220	100.0%
Vehicle & Equipment Replacement Fund	53	53	53	100.0%
Police Technology Fund	374	374	374	100.0%
Landscaping & Lighting District	3	3	3	100.0%
Comm Landscaping Lighting District	98	98	98	100.0%
Vehicle Abatement Fund	12	12	12	100.0%
Lease Revenue Refunding Bonds	776	776	776	100.0%
Total Transfer Out	1,736	1,736	1,736	100.0%
TOTAL UNAUDITED EXPENDITURES	\$20,792	\$20,393	\$18,942	92.9%

EXPENDITURES

Expenditures were budgeted at \$20.4 million. The budget was periodically revised for additional appropriations approved by City Council during the year. Unaudited actual expenditures were \$1.4 million (7.1%) below the adopted budget and \$1.8 million (8.9%) below the revised budget. Variances and fluctuations are noted in the narrative that follows.

SALARY AND BENEFITS

The City's primary function is to provide services to the community. Personnel costs account for approximately 70%-80% of General fund expenditures. Salary and benefits were budgeted at \$14.6 million and actual expenditures were \$13.9 million. Expenditures for salary and benefits were lower than the adopted and revised budget primarily due to vacancies. The majority of the vacancies were in the Police Department. This is also the primary explanation for the Police Department's lower than budgeted expenditures for the fiscal year. Additionally, the City outsourced the City Attorney function midyear. As a result, salaries and benefits are lower and professional and contractual services are higher than originally budgeted.

Note that the current employee labor contracts include significant structural changes that achieve cost savings in benefit categories such as medical insurance, Public Employee Retirement System (PERS), as well as 401A contributions.

NON DEPARTMENTAL

This category includes a budget of \$236,000 in expenditures for buybacks of unused sick leave and vacation when employees retire, property tax administrative fees paid to Contra Costa County, and contractual services for sales tax and property tax consultants. Actual expenditures of \$453,000 were higher than budgeted primarily due to higher actual payouts for benefit buybacks during the fiscal year. This is also the explanation for higher than budgeted

expenditures for the Non Departmental division where these costs are budgeted.

GENERAL EXPENSES

This category includes projections of \$679,000 for expenditures for postage, printing, memberships, publications and subscriptions, and other miscellaneous expenditures. Unaudited expenditures of \$449,000 were lower than budget due to the timing of expenditures.

ECONOMIC DEVELOPMENT

In the past, all economic development projects and programs in the City were funded solely by the Redevelopment Agency. With the dissolution of Redevelopment, the General Fund began funding Economic Development projects and programs. Expenditures of \$650,000 were budgeted for 2012/2013 and \$36,000 was expended due to postponements in program implementation. The unexpended funds were carried over for fiscal year 2013/2014.

PROFESSIONAL AND CONTRACT SERVICES

Eight-hundred forty thousand dollars were budgeted for contractual services for legal counsel, auditing, video-taping, contracted animal control services, and minute taker services. Actual professional and contract services were \$952,000. These expenditures fluctuate each year depending upon the need for special services.

OTHER EXPENDITURES

This category includes the major subcategories of conferences and training; maintenance and repairs; supplies and materials; utilities; insurance; promotions and contributions; fixed assets and transfers. Expenditures were projected to be \$3.3 million and unaudited actual expenditures were \$3.2 million.

GENERAL FUND FINANCIAL CONDITION

When the budget was prepared, the City projected that the General Fund year-end fund balance would be \$10.6 million.

Based on unaudited financial results, the City is projecting the year-end General Fund balance will be \$12.6 million. The favorable variance of \$2.0 million is primarily due to the following:

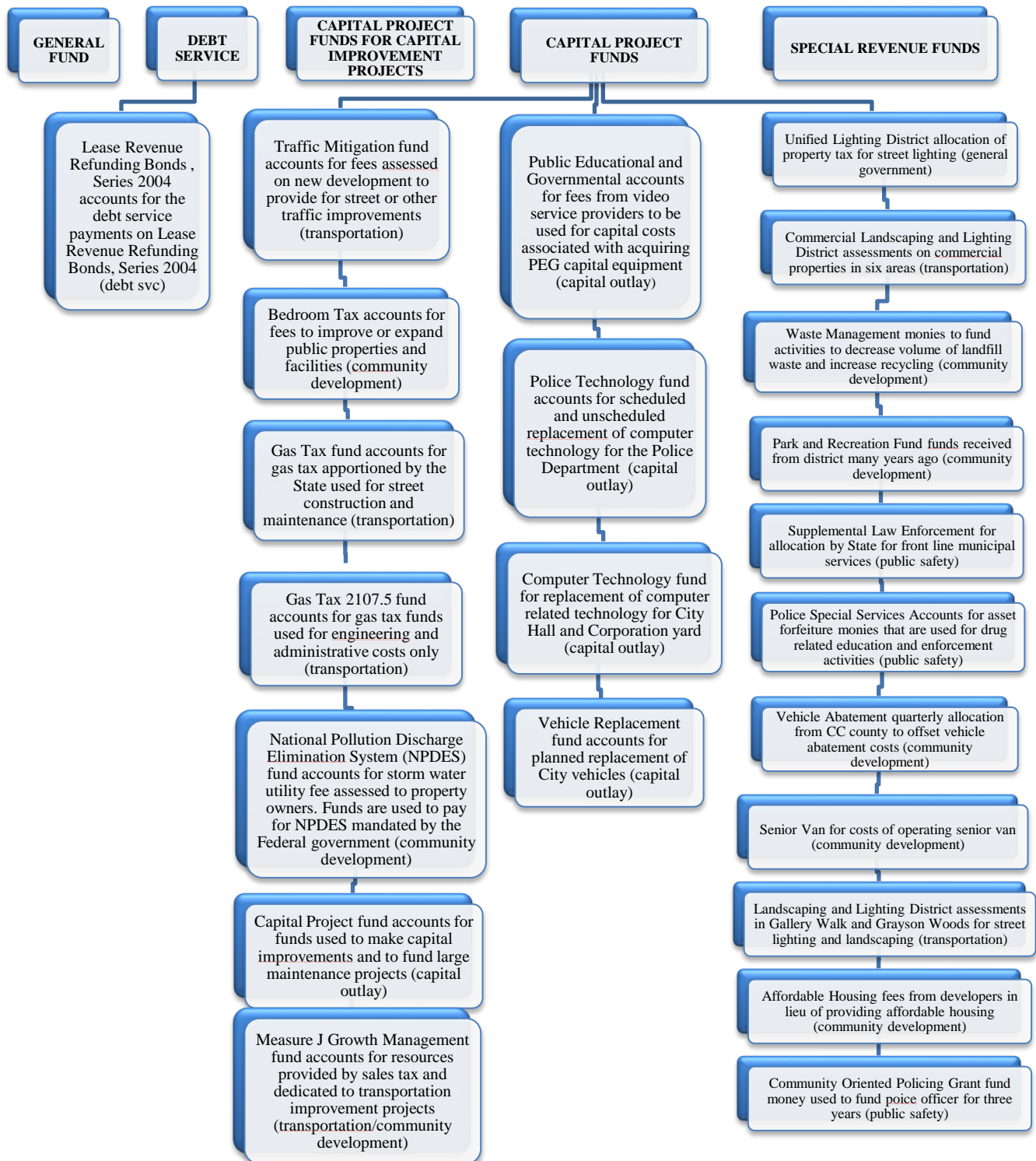
- The City began the fiscal year with a fund balance that was \$.3 million higher than originally budgeted due to fiscal year 2011/2012 results being better than budgeted.
- Actual revenues were \$.6 million higher than budget. The City received bond issuer revenue of \$170,000 which was not originally budgeted. Additionally all major revenue categories (i.e. sales tax, property tax, franchise fee, transient

occupancy tax) were higher than projected.

- Expenditures were \$1.5 million less than budgeted. This variance was primarily attributable to the savings generated by the Police and Economic Development departments. The Police Department expenditures were \$.9 million lower than originally budgeted due to savings resulting from vacancies during the year. The Economic Development program allocated \$.6 million for the retail marketing incentive program but the funds were not expended by the end of the year (they have been carried over to the 2013/2014 fiscal year).

OTHER CITY FUNDS (NON-GENERAL FUND)

In addition to the General Fund, the City has other fund types: Debt Service, Capital Improvement, Capital Project, and Special Revenue Funds as detailed in this chart.



Unlike the General Fund, which can be used for any appropriate government purpose as designated by the Council, other City funds can only be used for specified purposes, such as capital improvements, debt service, or a particular program such as the Senior Van. The following provides an update on these funds for fiscal year 2012/2013.

REVENUE

Total budgeted revenues for other funds, including revenue transferred between funds, were \$18.4 million and actual revenues collected were \$9.9 million.

OTHER CITY FUNDS REVENUES & SOURCES (NON-GENERAL FUND) (\$1,000s)	Fiscal Year 2012/2013 Revised Budget	Fiscal Year 2012/2013 Adopted Budget	Fiscal Year 2012/2013 Unaudited Results	% Adopted Budget
PROPERTY TAX	\$424	\$424	\$357	84.2%
OTHER-TAXES AND ASSESSMENTS	741	741	782	105.5%
INTERGOVERNMENTAL	12,949	12,949	4,725	36.5%
CHARGES FOR SERVICES	251	251	73	29.1%
FINES AND FORFEITURES	92	92	87	94.6%
USE OF MONEY AND PROPERTY	119	119	16	13.4%
OTHER	54	54	42	77.8%
TRANSFER	3,775	3,775	3,793	100.0%
TOTAL REVENUES AND SOURCES	\$18,405	\$18,405	\$9,875	53.6%

EXPENDITURES

The total budgeted expenditures for other funds, including transfer between funds were \$22.2 million and unaudited expenditures were \$11.3 million.

OTHER CITY FUNDS EXPENDITURES & USES (NON-GENERAL FUND) (\$1,000s)	Fiscal Year 2012/2013 Revised Budget	Fiscal Year 2012/2013 Adopted Budget	Fiscal Year 2012/2013 Unaudited Results	% Adopted Budget
GENERAL GOVERNMENT	\$231	\$231	\$207	89.6%
PUBLIC SAFETY	226	222	191	86.0%
TRANSPORTATION	16,652	15,472	6,008	38.8%
COMMUNITY DEVELOPMENT	878	804	510	63.4%
CAPITAL OUTLAY	1,817	1,660	590	35.6%
DEBT SERVICE	776	776	780	100.5%
TRANSFER	3,040	3,040	3,031	100.0%
TOTAL EXPENDITURES AND USES	\$23,620	\$22,205	\$11,317	51.0%

Due to the timing of capital projects the collection of revenues and expenditures does not occur proportionately throughout the fiscal year. Therefore variances with the budget are customary.

The largest category variance for revenues is the intergovernmental category. The budget for the intergovernmental category was \$12.9 million and actual revenue was \$4.7 million. This category includes revenues from grant proceeds, Rule 20A and other sources such as Measure J funds. Of this amount, grant revenue of \$8.7 million was projected for the Traffic Mitigation fund and \$1.7 million was projected for the Gas Tax fund. Since these grants are “reimbursable,” the City will receive the balance of grants funds once the work has been completed on the projects being funded by this money.

The largest expenditure category is the transportation category. Several of the largest infrastructure projects in this category are funded in part by grants. Significant progress is underway on these projects and the variance is due to the timing of expenditures. Description of the projects as stated in the 2013-2018 Capital Improvement Plan-

Golf Club Bridge Replacement: This project provides for the replacement of the existing bridge, including the enhancement of pedestrian and bicycle facilities along this corridor that serves over 20,000 students at Diablo Valley College.

Geary Road Improvements (Phase III): A joint project with the City of Walnut Creek that provides needed roadway, pedestrian and bicycle improvements on Geary Road.

Buskirk Avenue Improvements: This project will enhance capacity and also provide roadway, pedestrian and bicycle improvements for this capital corridor. This will support existing tenants and allow for future development of the Contra Costa Shopping site.

Pleasant Hill Road/Geary Road Improvements (Phase IIIA): This project will provide for new improvements on the northwest corner of the intersection, by eliminating the free right turn, and constructing a new landscape entry feature and pedestrian path

Geary Road Improvements (Phase III): A joint project with the City of Walnut Creek that provides needed roadway, pedestrian and bicycle improvements on Geary Road.

Contra Costa Boulevard Improvements: this project includes new traffic signal and poles, pavement overlay, drainage improvements, traffic striping and median upgrades on Contra Costa Blvd. from Golf Club Road to Viking Drive.

The capital outlay category variance is due to the timing of expenditures for technology and vehicle related expenditures.

The community development category variance is also related to the timing of expenditures. The National Pollution Discharge Elimination System (NPDES) Fund had not expended budgeted funds due to project timing.

IMPLICATIONS FOR 2013/2014

General Fund

The General Fund had a favorable variance of \$2.0 million for FY 2012/2013. The most significant portion of this variance was due to savings generated by staffing vacancies during the year. The majority of these positions are in the process of being filled this year and we do not expect equivalent savings during FY 2013/2014. The Economic Development program budget allocated \$.6 million for the Retail Marketing Incentive Program; Facade Improvement Grant and Loan Program and City Gateway Beautification Program but the funds were not expended by the end of the year. These monies have been carried over for the 2013/2014 fiscal year.

Other City Funds

Due to the timing of capital projects, the collection of revenues and expenditures does not occur proportionately throughout the fiscal year. Therefore variances with the budget are customary.

NEXT UPDATE

A quarterly update for the first quarter of fiscal year 2013/2014 will be provided during December, 2013. It will also include new developments such as the impact of paying off the Public Safety Public Employee Retirement System (PERS) Side Fund.

Staff will be presenting the Comprehensive Annual Financial Report for the 2012/2013 fiscal year during January, 2014.