



City of Palo Alto

Finance Committee Staff Report

(ID # 6986)

Report Type: Action Items

Meeting Date: 6/21/2016

Summary Title: 3rd Quarter FY 2016 Financial Report

Title: Third Quarter FY 2016 Financial Report

From: City Manager

Lead Department: Administrative Services

Motion

Staff recommends that Finance Committee review and approve the Third (3rd) Quarter financial report.

Background

The purpose of this report is to provide the Finance Committee with information on the financial status of the City's General Fund and Enterprise Funds as of the end of the 3rd Quarter of fiscal year (FY) 2016, which includes the nine-month period from July 1, 2015 through March 31, 2016.

As reported in the FY 2017-2026 General Fund Long Range Financial Forecast and the FY 2017 Operating Budget, the City's major tax revenue streams continue to exceed expectations. As a result, the mid-year budget changes for FY 2016 included a \$4.3 million upward adjustment in revenues, a 2.6 percent increase over the FY 2016 Adopted Budget. Expenses were also adjusted and, after subtracting Budget Amendments authorized by Council, the net projected surplus for FY 2016 was estimated at \$3.1 million. Based on updated projections subsequent to the mid-year budget, FY 2016 may yield an additional \$3.4 million to \$4.5 million in surplus funds as a result of increased property and utility user tax revenue, and receipt of one-time sale proceeds from the former City Manager's house. The FY 2017 City Manager's Proposed Budget conservatively accounts for \$3.4 million of this potential additional surplus in the General Fund Budget Stabilization Reserve (BSR) as outlined on page 80 of the FY 2017 Proposed Operating Budget, and includes these projections in the estimated FY 2017 BSR balance.

Attachment A contains a line by line report of major revenues and expenditures for 3rd Quarter year-to-date (YTD), as well as a comparison to the FY 2016 Adopted Budget and Adjusted Budget as of March 31, 2016. As part of closing the FY 2016 Budget, staff will bring forward recommendations to allocate surplus funds. As detailed in the Proposed FY 2017 Operating Budget, \$4.9 million is recommended to be drawn from the BSR to balance the FY 2017 Budget.

Attachment B is a revenue and expenditures report for 2nd Quarter YTD, which was inadvertently omitted from the mid-year budget CMR #6756.

Discussion

GENERAL FUND

Revenue Highlights for FY 2016 3rd Quarter Year to Date (YTD)

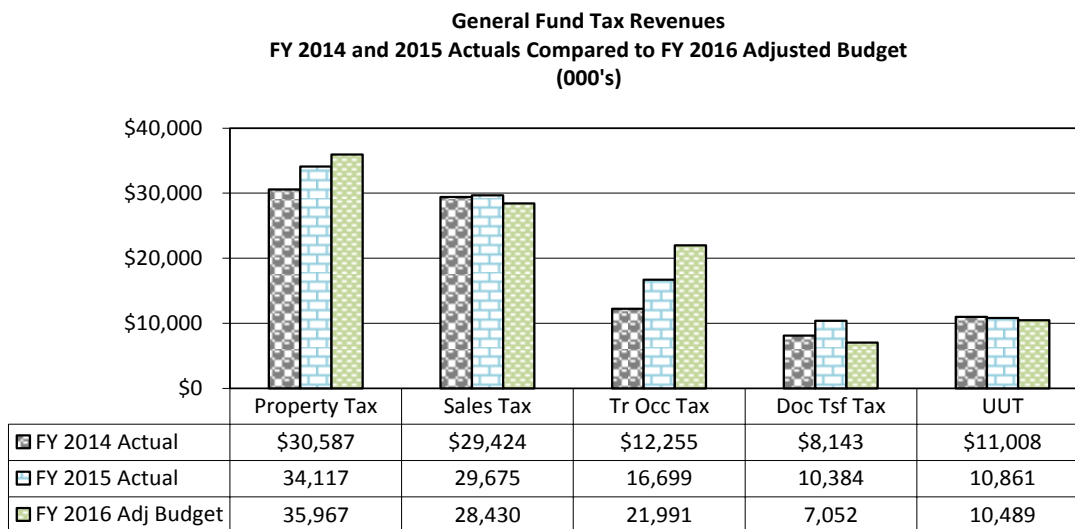
Following is a table which highlights the City’s major revenue sources for the 3rd Quarter YTD, compared to the same period of the prior year. Revenue for each period is expressed as a percentage of Adjusted Budget.

City of Palo Alto General Fund Revenues FY 2016 3rd Quarter YTD (000's)								
	3rd Quarter YTD Actuals			Adjusted Budget		Final Budget		
	FY 2016	FY 2015	% change	FY 2016	%	FY 2015	%	
	Inc (Dec)							
Property tax	\$ 22,453	\$ 20,715	8%	\$ 35,967	62%	\$ 32,556	64%	
Sales tax	13,143	17,703	(26%) ¹	28,430	46%	29,238	61%	
Charges for services	13,654	18,052	(24%) ²	24,700	55%	24,863	73%	
Utility user tax	8,690	8,070	8%	10,489	83%	10,895	74%	
Transient occupancy tax	13,794	9,400	47%	21,991	63%	15,901	59%	
Documentary transfer tax	3,854	4,744	(19%)	7,052	55%	6,500	73%	
Permits and licences	5,515	6,288	(12%)	8,280	67%	7,738	81%	
Rental income	11,794	11,110	6%	15,226	77%	14,207	78%	
Charges to other funds	8,956	8,006	12%	11,929	75%	10,647	75%	
All other revenue sources	6,149	4,114	49%	5,464	113%	5,203	79%	
Total General Fund Revenues	\$ 108,002	\$ 108,202	0%	\$ 169,528	64%	\$ 157,748	69%	
¹ Adjust for timing of triple flip sales tax receipts	4,979	3,375						
One-time adjustment to true-up FY15 sales tax accrual		(2,918)						
² Adjust for 2nd and 3rd Quarter Stanford fire revenue	3,765							
GF Revenues - Normalized	\$ 116,746	\$ 108,659	7%					

After adjusting for the one-time sales tax adjustments and the Stanford fire revenue timing difference, revenue is up \$8.1 million, or 7 percent, from prior year as of the end of the 3rd Quarter YTD. The increased revenue is due primarily to property tax and transient occupancy tax increases. In total, receipts are at 64 percent of Adjusted Budget, which is typical for the

end of the 3rd Quarter due to property tax receipts which spike in the last quarter of the fiscal year. Each of the major revenue categories is discussed in more detail below.

Following is a chart which depicts the three-year trend for major sources of General Fund tax revenue, comparing FY 2014 and FY 2015 full year actuals with FY 2016 Adjusted Budget. As detailed in the City’s most recent Long Range Financial Forecast, sales and property tax revenue streams are expected to continue their upward growth trends, while other tax streams will advance at a slower rate or remain flat. The chart is followed by a more detailed discussion of each major revenue category.



Property tax revenue at the close of 3rd Quarter YTD was \$22.5 million, an increase of 8 percent over the same period prior year. Property tax is received from the County of Santa Clara during the 2nd, 3rd and 4th quarters of the year, and receipts at 62 percent of full-year budget is typical for this line item through March 31. The FY 2016 Adjusted Budget is \$35.9 million, 5.4 percent higher than the prior year’s actual revenue of \$34.1 million. Staff expects property tax revenue will exceed FY 2016 Adjusted Budget by \$0.7 million based on year-to-date receipts. It should be noted that both FY 2015 and FY 2016 budget forecast include a non-recurring receipt of \$0.9 million and \$1.0 million, respectively, for excess Educational Revenue Augmentation Fund (ERAF) distributions from the County of Santa Clara. ERAF is the fund used to collect and disburse property taxes that are shifted to/from cities, the county and special districts prior to their reallocation to K-14 school agencies.

Property tax increases are driven by high demand in the residential sector and robust activity in the commercial property market, which is expected to continue into FY 2017. The continued growth in assessed values will, in turn, translate into higher property tax revenue.

Sales tax revenue as of the end of the 3rd Quarter is flat year over year (FY 2016 - \$18,122 vs FY 2015 - \$18,160), after factoring out the one-time accrual change in FY 2015 and equalizing the timing of triple flip receipts. Based on the City's sales tax consultant updated forecasts, staff expects this revenue will exceed the FY 2016 Adjusted Budget by \$0.6 million. While sales tax has fully recovered from its Great Recession low of \$17.9 million in FY 2010, there are concerns over future growth due to the continued erosion of brick and mortar receipts that is resulting from steady growth in on-line retail sales. Completion of Stanford Hospital construction projects will also reduce future sales tax revenue.

Transient occupancy tax (TOT) revenue reached \$13.8 million through the end of the 3rd Quarter, an increase of \$4.4 million from prior year. Staff expects TOT will be slightly above the FY 2016 Adjusted Budget by \$0.3 million. Average daily room rates increased 9 percent from prior year - \$245 per day to \$267 per day - while average occupancy rates fell slightly from 75 percent to 74 percent. The increase in number of rooms available as a result of newly opened hotels has kept occupancy rates lower than 85 percent, which is considered full occupancy. Two new hotels on San Antonio Road have been proposed, in addition to the expansion of an existing hotel. These potential new revenues will be incorporated into future budgets.

Effective January 1, 2015, the TOT rate increased from 12 percent to 14 percent. The entire 14 percent rate from new hotels, plus the 2 percent increase from existing hotels, has been allocated to the Infrastructure Plan pursuant to prior City Council direction. Following is a comparative breakdown of the allocation of transient occupancy tax receipts:

	3 rd Quarter YTD FY 2016	3 rd Quarter YTD FY 2015
General Fund:	\$ 9,227,158	\$ 8,334,456
Infrastructure Plan:	(8 months of receipts)	(3 months of receipts)
New hotels – 12%	2,559,402	691,305
All hotels – 2%	<u>2,007,788</u>	<u>373,992</u>
	<u>4,567,190</u>	<u>1,065,297</u>
Total TOT Receipts 3rd Qtr YTD	<u>\$ 13,794,348</u>	<u>\$ 9,399,753</u>

Documentary transfer tax revenue for the nine months ended March 31 totals \$3.9 million, down \$0.9 million or 19 percent from the prior year. FY 2015 YTD revenue included an unusually large receipt for \$1.3 million which was not replicated in FY 2016. Staff expects full year revenue in the range of \$6.4 million, which is \$0.7 million less than was forecasted in the Mid-Year Budget document. This revenue source is difficult to forecast because the volume and mix of commercial and residential transactions can vary significantly from year to year.

Utility user tax (UUT) revenue for the nine months ended March 31 totals \$8.7 million, an increase of \$0.6 million, or 8 percent, from the prior year. It was expected that this revenue

stream would decrease due to the telephone UUT rate reduction from 5 percent to 4.75 percent, less water revenue due to lower consumption, and less gas revenue due to lower prices. The declines in water and gas are partially offset by elimination of the large utility user discount. While receipts from water, gas and electric services are in line with expectations, that is not the case with the telephone UUT. These revenues have surged past projections. Unfortunately, the City does not receive detailed information from telephone service providers, making it difficult to explain this result. The Mid-Year Budget decreased UUT budgeted revenue from \$11.2 million to \$10.5 million, however based on receipts through March 31 the full-year forecast is now estimated at \$12.1 million, an increase of \$1.6 million from the Mid-Year Budget.

Charges for services revenue through the first three quarters of FY 2016 is down \$0.6 million from the same period last year, after adjusting for the timing difference in billings to Stanford University for fire and emergency services. The decrease is due to \$0.3 million less revenue from Stanford and \$0.3 million less revenue for plan checking fees.

Permits and licenses revenue for 3rd Quarter YTD is down \$0.8 million from the same period prior year due to a lower number of new construction permits. FY 2015 new construction permit revenue was higher due to VMWare and construction at various Stanford facilities. This revenue category will be adjusted at year-end to defer a portion of revenue to FY 2017 for those permits that are in progress at June 30.

Expense Highlights for FY 2016 3rd Quarter YTD

Following is a table which highlights the City's expenses by function for the 3rd Quarter YTD, and compares expenses to the same period prior year. In addition, the expense for the period is expressed as a percentage of budget for each of the years.

City of Palo Alto
General Fund Expenses
FY 2016 3rd Quarter YTD
(000's)

	3rd Quarter YTD Actuals			Adjusted Budget		Final Budget	
	FY 2016	FY 2015	% change	FY 2016	%	FY 2015	%
			Inc (Dec)				
Police	\$ 26,790	\$ 25,563	5%	\$ 36,725	73%	\$ 34,655	74%
Fire	20,499	20,209	1%	26,774	77%	28,801	70%
Community services	17,591	16,688	5%	26,521	66%	24,274	69%
Public works	10,924	9,777	12%	15,807	69%	14,458	68%
Development services	7,530	6,852	10%	12,282	61%	10,895	63%
Planning and community env	6,480	5,297	22%	11,139	58%	9,039	59%
Library	5,794	5,802	0%	8,974	65%	8,641	67%
Administrative services	5,892	5,341	10%	7,987	74%	7,399	72%
All other departments	15,006	14,042	7%	24,537	61%	25,469	55%
Total General Fund Expenses	\$ 116,506	\$ 109,571	6%	\$ 170,746	68%	\$ 163,631	67%

Actual expenses through the first three quarters of the fiscal year total \$116.5 million, a 6 percent increase over prior year. The expenses are right in line with the Adjusted Budget at 68 percent of full-year budgeted amounts.

Public Safety comprises the largest portion of General Fund expenditures – 41 percent of actuals as of March 31. Following is the detail for Public Safety overtime expenses through the 3rd Quarter of the current fiscal year:

Public Safety
Salaries and Overtime Expense
FY 2016 3rd Quarter YTD
(000's)

	3rd Quarter YTD Actuals			Adjusted Budget			
	FY 2016	FY 2015	% change	FY 2016	%	FY 2015	%
	Inc (Dec)						
Police - Salaries	\$ 11,633	\$ 11,509	1%	\$ 17,007	68%	\$ 15,749	73%
Police - Overtime	1,536	1,497	3%	1,539	100%	1,500	100%
Total Police	13,169	13,006	1%	18,546	71%	17,249	75%
Fire - Salaries	8,330	8,400	(1%)	11,918	70%	12,440	68%
Fire - Overtime	1,940	1,708	14%	1,560	124%	1,609	106%
Total Fire	10,270	10,108	2%	13,478	76%	14,049	72%
Total Public Safety							
Salaries & Overtime	\$ 23,439	\$ 23,114	1%	\$ 32,024	73%	\$ 31,298	74%

Police overtime has increased \$39 thousand, or 3 percent, over the same period last year. On a combined basis, salaries and overtime are at 71 percent of budget through the first nine months of the fiscal year. Overtime cost is primarily due to vacancies. The Department's overtime analysis is included in Attachment C.

Fire overtime has increased \$0.2 million, or 14 percent, from the same period last year. On a combined basis, salaries and overtime are at 76 percent of budget through the first nine months of the fiscal year. Overtime cost is driven by vacancies. The Department's overtime analysis is included in Attachment C.

General Fund Budget Stabilization Reserve (BSR) Balance

The General Fund BSR balance as of July 1, 2015 was \$48.2 million, of which \$13.6 million was set aside for specific purposes such as capital projects, funding of FY 2016 one-time expenditures, and potential establishment of a Pension Trust Fund. Staff anticipates the City could end the current year with a surplus if revenue trends continue upward through the 4th Quarter. However, as noted earlier in this report, during the development of the FY 2017 Proposed Budget, staff closely monitored revenue and expense projections, and assumptions for this surplus are included in the FY 2017 Proposed BSR balance. Details can be found in the General Fund section of the FY 2017 Proposed Operating Budget on page 80. A conservative estimate of the potential surplus has been factored into the estimated June 30, 2016 BSR balance and it is from that balance (\$40.5 million as outlined in the budget document) that the

staff proposed a \$4.9 million reduction for a \$35.6 million FY 2017 beginning BSR balance. Based on these most recent estimates, it is estimated that the June 30, 2016 balance could reach \$41.8 million compared to the \$40.5 million used in the development of the FY 2017 Proposed Operating Budget. As part of closing the FY 2016 Budget, staff will bring forward recommendations to allocate any surplus funds not already accounted for in the development of the FY 2017 Proposed Budget, including a transfer to the Infrastructure Reserve and a placeholder to balance the FY 2017 Operating Budget.

Following is a table that summarizes actual and projected changes in the BSR balance from June 30 2015 through June 30 2016.

FY 2016 Budget Stabilization Reserve (BSR) Summary (000's)		
BSR Balance, June 30 2015 Comprehensive Annual Financial Report	\$ 48,198	
Actions approved in FY 2015 year-end close CMR #6251		
- Operating transfer to Capital Improvement Fund for Roth TDAs	(1,000)	
- Operating transfer to Capital Improvement Fund Infrastructure Reserve	(6,000)	
- Operating transfer to Technology Fund for radio replacements	(1,000)	
- FY 2016 one-time expenditures (Ordinance 5329)	(2,123)	
- FY 2016 Budget Amendment Ordinances (BAOs) approved to date	(2,130)	
- Establishment of a Pension Trust Fund (retained in BSR)	<u>(1,305)</u>	
BSR Balance, per FY 2015 Adopted Budget	34,640	18.7%
FY 2016 Mid-Year Budget Changes approved in CMR #6756		
- Budget Amendment Ordinances (various CMRs)	(2,855)	
- Less: BAOs approved in FY 2015 year-end close	2,130	
- FY 2016 excess revenues (\$4.4 M) offset by expenditures (\$1.4M)	<u>3,055</u>	
BSR Projected Balance as of FY 2016 Mid-Year	36,970	
- April 2016 updated FY 2016 projections for excess revenues and additional expenditure savings (as outlined and assumed in the FY 2017 Proposed Operating Budget balancing, page 80)	3,541	
- June 2016 revised FY 2016 projections for excess revenues and expenditure savings	1,270	
BSR Projected Balance, June 30 2016	41,781	22.5%

ENTERPRISE FUNDS

Following is a summary of operating revenues and expenses for each of the Enterprise Funds for the nine months ended March 31, 2016, including a comparison of results from the same period last year.

Enterprise Funds Operating Revenue					
	3rd Quarter YTD Actuals		% Change Inc(Dec)	Adjusted Budget	
	FY 2016	FY 2015		FY 2016	%
Electric	\$ 92,020	\$ 90,832	1%	\$ 121,966	75%
Water	27,029	27,040	(0%)	39,117	69%
Gas	23,639	23,995	(1%)	37,162	64%
Refuse	23,759	23,293	2%	30,475	78%
Wastewater treatment	17,463	16,701	5%	23,261	75%
Wastewater collection	12,362	11,743	5%	17,757	70%
Storm Drainage	4,868	4,662	4%	6,325	77%
Fiber Optic	3,523	2,783	27%	4,842	73%
Airport	706	413	71%	948	74%
Operating Revenue YTD	\$ 205,369	\$ 201,462	2%	\$ 281,853	73%

Electric revenue increased slightly from prior year due to a \$1.5 million increase in service connection charges, offset by a slight decrease in kilowatt consumption. Staff anticipates that Electric Fund reserves may have to be drawn down in FY 2016 to offset lower revenue projections. Electric rates will increase 11 percent effective July, 2016.

Water revenue is flat for the nine months ended September 30. Rates were increased 8 percent effective July 1, 2015 and a further 4 percent on September 1, 2015, however consumption declined 16 percent year over year which offset revenue from the rate increase. Water rates will increase an average of 6 percent effective July, 2016.

Gas revenue decreased slightly from prior year. While consumption actually increased by 7 percent over the same period prior year, revenue from customers decreased due to lower commodity prices, resulting in lower overall revenue. Gas rates will increase 8 percent effective July, 2016.

Refuse rates increased 9 percent for only residential customers on July 1, 2015. Further refuse rate changes are scheduled to take effect July, 2016.

Fiber Optic revenue increased \$0.7 million due to the timing of an invoice to a commercial lease customer - February 2016 versus May 2015. This difference will be neutralized in the 4th Quarter.

Airport Fund 3rd Quarter YTD revenue increased \$0.3 million from prior year due to increased rental and tie-down revenue. The City took over operation of the Airport from County of Santa

Clara during the 1st Quarter of FY 2015, so the prior year includes only seven months of operations, compared to nine months in the current year.

Enterprise Funds Operating Expenses						
	3rd Quarter YTD Actuals		% Change Inc(Dec)	Adjusted Budget		
	FY 2016	FY 2015		FY 2016	%	
Electric	\$ 75,970	\$ 78,604	(3%)	\$ 115,409	66%	
Water	20,134	19,366	4%	32,778	61%	
Refuse	19,859	18,687	6%	29,697	67%	
Gas	14,911	15,676	(5%)	29,515	51%	
Wastewater treatment	14,972	13,569	10%	20,430	73%	
Wastewater collection	9,479	9,237	3%	14,750	64%	
Storm Drainage	1,952	1,856	5%	3,169	62%	
Fiber Optic	1,345	1,052	28%	1,989	68%	
Airport	767	835	(8%)	1,535	50%	
Operating Expenses YTD	\$ 159,389	\$ 158,882	0%	\$ 249,272	64%	

Electric Fund expenses have decreased \$2.6 million, or 3 percent, from same period prior year. The volume of market purchases has increased due to delayed solar projects and lower delivery of hydroelectric purchases due to the ongoing drought, while commodity market prices were lower than expected.

Water Fund expenses increased \$0.8 million primarily due to per unit commodity cost increase from \$2.93 to 3.75, offset by reduced consumption.

Refuse Fund expenses increased \$1.2 million, or 6 percent, over prior year due to costs associated with the new food scraps collection program.

Gas Fund expenses decreased due to labor credits resulting from assignment of staff to the Water Fund, reduced customer incentives and reduced contract services expense.

Wastewater Treatment Fund expenses have increased 7 percent over the same period last year due to overtime expense for plant bypasses and emergency work, and higher costs for chemicals and electrical work.

Fiber Optics Fund expenses are 21 percent higher than the same period last year primarily due to lower labor credits from Electric Fund. In the prior year, Fiber Optics received labor credits due to their staff being reassigned to work on streetlight and traffic signal outages.

Pension and Retiree Medical Liabilities

Long-term unfunded liabilities for pension and retiree medical continue to dominate any discussion of the City's long-range financial planning. City Council met in September 2015 and again in November 2015 to discuss the unfunded pension liability. Staff had recommended setting aside \$1.3 million of the FY 2015 General Fund surplus to use as seed funding for a Section 115 trust account. This account would be used to fund contribution gaps during economic downturns. The Finance Committee and Council approved the recommendation. The \$1.3 million will be moved from the General Fund Budget Stabilization Reserve to the trust account in FY 2017, and other funds will also contribute to the trust account. Staff will provide Council with a funding and policy plan, with a goal of making annual contributions.

As of June 30, 2015 the City's unfunded pension and retiree medical liabilities totaled \$451 million, of which approximately \$300 million is the General Fund share. Effective June 30, 2015 the pension liability was disclosed in the City's government-wide financial statements as required by the Governmental Accounting Standards Board (GASB). In addition, new accounting standards for presentation of the retiree medical liability were enacted by GASB and will be effective for FY 2018.

In order to slow the growth of pension costs over the long term, the City implemented a second tier pension formula in 2011 (2% @ 60), and the California Public Employees' Pension Reform Act of 2013 (PEPRA) mandated a third tier pension formula of 2% @ 62 effective January 1, 2013. Following is a table which shows the employee count in each of the Miscellaneous and Safety plans as of March, 2016. As of that date, 32 percent of the City's full-time employees were enrolled in Tier 2 and Tier 3 plans, compared to 29 percent as of November, 2015.

Miscellaneous Plans			
Employee Group		# of Employees	
		Mar 2016	Nov 2015
City Council and Council Appointed Officers	Tier 1	6	6
	Tier 2	2	2
	Tier 3	3	3
Sub-total		11	11
Management and Professional	Tier 1	106	112
	Tier 2	49	48
	Tier 3	35	34
Sub-total		190	194
Service Employees International Union	Tier 1	352	369
	Tier 2	64	67
	Tier 3	125	101
Sub-total		541	537
Utilities Management	Tier 1	45	44
	Tier 2	0	0
	Tier 3	2	1
Sub-total		47	45

Safety Plans			
Employee Group		# of Employees	
		Mar 2016	Nov 2015
IAFF	Tier 1	70	74
	Tier 2	7	7
	Tier 3	10	8
Sub-total		87	89
Fire Chiefs Association	Tier 1	5	5*
	Tier 2	0	0
	Tier 3	0	0
Sub-total		5	5
Fire Management	Tier 1	4	4
	Tier 2	0	0
	Tier 3	0	0
Sub-total		4	4
PAPOA	Tier 1	59	63**
	Tier 2	4	3
	Tier 3	10	11
Sub-total		73	77
Police Management Association	Tier 1	6	7
	Tier 2	1	1
	Tier 3	0	0
Sub-total		7	8
Police Management	Tier 1	1	1
	Tier 2	0	0
	Tier 3	0	0
Sub-total		1	1

Total	Tier 1	509	531
	Tier 2	115	117
	Tier 3	165	139
Grand Total Misc Plans		789	787

Total	Tier 1	145	154
	Tier 2	12	11
	Tier 3	20	19
Grand Total Safety Plans		177	184

%	Tier 1	65%	67%
	Tier 2	15%	15%
	Tier 3	21%	18%

%	Tier 1	82%	84%
	Tier 2	7%	6%
	Tier 3	11%	10%

Tier 1	2.7% @ 55
Tier 2	2% @ 60
Tier 3	2% @ 62

* 4 @ 3% @ 50; 1 @ 2.7% @ 55

** Excludes police trainees (4/2)

Attachments:

- Attachment A: General Fund Third Quarter Financial Report (XLSX)
- Attachment B: General Fund Second Quarter Financial Report (XLSX)
- Attachment C: Third Quarter Public Safety OT Analysis (XLSX)

ATTACHMENT A
CITY OF PALO ALTO
GENERAL FUND THIRD QUARTER FINANCIAL REPORT
FISCAL YEAR ENDING JUNE 30, 2016
(in thousands)

Categories	BUDGET		ACTUALS (as of 03/31/2016)			
	Adopted Budget	Adjusted Budget	Pre Encumbr	Encumbr	Actual	% of Adj Budget
Revenues & Other Sources						
Sales Tax	27,630	28,430	-	-	13,143	46%
Property Tax	35,067	35,967	-	-	22,453	62%
Transient Occupancy Tax	18,791	21,991	-	-	13,794	63%
Documentary Transfer Tax	6,852	7,052	-	-	3,854	55%
Utility Users Tax	11,189	10,489	-	-	8,690	83%
Motor Vehicle Tax, Penalties & Fines	2,180	2,180	-	-	1,538	71%
Charges for Services	25,399	24,700	-	-	13,654	55%
Permits & Licenses	8,211	8,280	-	-	5,515	67%
Return on Investment	824	824	-	-	778	94%
Rental Income	15,296	15,226	-	-	11,794	77%
From Other Agencies	1,659	1,591	-	-	1,902	120%
Charges To Other Funds	11,930	11,929	-	-	8,956	75%
Other Revenues	323	869	-	-	1,931	222%
Total Revenues	165,351	169,528	-	-	108,002	64%
Operating Transfers-In	18,589	19,141	-	-	13,332	70%
Encumbrances and Reappropriation	-	6,934	-	-	-	-
Contribution from Budget Stabilization Reserve	-	-	-	-	-	-
As Assumed in the Adopted Budget	1,732	1,732	-	-	-	-
Total Sources of Funds	185,672	197,335	-	-	121,334	64%
Expenditures & Other Uses						
City Attorney	3,101	3,730	10	414	2,144	69%
City Auditor	1,175	1,261	-	20	843	68%
City Clerk	1,328	1,374	-	77	731	59%
City Council	455	482	34	28	310	77%
City Manager	3,008	3,513	250	353	2,304	83%
Administrative Services	7,635	7,987	20	122	5,892	76%
Community Services	24,804	26,521	32	2,198	17,591	75%
Development Services	11,901	12,282	41	459	7,530	65%
Fire	26,532	26,774	8	296	20,499	78%
Library	8,555	8,974	47	199	5,794	67%
Office of Emergency Services	1,051	1,184	81	89	787	81%
Office of Sustainability	423	555	-	76	399	86%
Human Resources	3,555	4,090	13	329	2,672	74%
Planning and Community Environment	8,900	11,139	96	1,053	6,480	68%
Police	36,859	36,725	106	274	26,790	74%
Public Works	15,017	15,807	385	1,277	10,924	80%
Non-Departmental	8,662	8,348	-	-	4,816	58%
Total Expenditures	162,961	170,746	1,123	7,264	116,506	73%
Operating Transfers-Out	1,834	5,374	-	-	1,876	35%
Transfer to Infrastructure	20,877	29,258	-	-	15,658	54%
Total Use of Funds	185,672	205,378	1,123	7,264	134,040	69%

ATTACHMENT B
CITY OF PALO ALTO
GENERAL FUND SECOND QUARTER FINANCIAL REPORT
FISCAL YEAR ENDING JUNE 30, 2016
(in thousands)

Categories	BUDGET		ACTUALS (as of 12/31/2015)			
	Adopted Budget	Adjusted Budget	Pre Encumbr	Encumbr	Actual	% of Adj Budget
Revenues & Other Sources						
Sales Tax	27,630	28,430	-	-	6,909	24%
Property Tax	35,067	35,967	-	-	12,294	34%
Transient Occupancy Tax	18,791	21,991	-	-	9,051	41%
Documentary Transfer Tax	6,852	7,052	-	-	2,951	42%
Utility Users Tax	11,189	10,489	-	-	5,640	54%
Motor Vehicle Tax, Penalties & Fines	2,180	2,180	-	-	1,007	46%
Charges for Services	25,399	24,700	-	-	9,193	37%
Permits & Licenses	8,211	8,280	-	-	3,755	45%
Return on Investment	824	824	-	-	525	64%
Rental Income	15,296	15,226	-	-	7,851	52%
From Other Agencies	1,659	1,591	-	-	775	49%
Charges To Other Funds	11,930	11,929	-	-	5,984	50%
Other Revenues	323	869	-	-	392	45%
Total Revenues	165,351	169,528	-	-	66,327	39%
Operating Transfers-In	18,589	19,141	-	-	8,882	46%
Encumbrances and Reappropriation	-	6,934	-	-	-	-
Contribution from Budget Stabilization Reserve	-	-	-	-	-	-
As Assumed in the Adopted Budget	1,732	1,732	-	-	-	-
Total Sources of Funds	185,672	197,335	-	-	75,209	40%
Expenditures & Other Uses						
City Attorney	3,101	3,730	65	510	1,462	55%
City Auditor	1,175	1,261	-	24	548	45%
City Clerk	1,328	1,374	-	56	461	38%
City Council	455	482	4	42	207	52%
City Manager	3,008	3,513	250	195	1,516	56%
Administrative Services	7,635	7,987	15	203	3,974	52%
Community Services	24,804	26,521	242	2,830	12,042	57%
Development Services	11,901	12,282	-	418	4,804	43%
Fire	26,532	26,774	51	383	13,988	54%
Library	8,555	8,974	-	336	3,907	47%
Office of Emergency Services	1,051	1,184	50	165	494	60%
Office of Sustainability	423	555	-	58	277	60%
People Strategy and Operations	3,555	4,090	15	462	1,781	55%
Planning and Community Environment	8,900	11,139	167	1,252	4,202	50%
Police	36,859	36,725	57	430	17,971	50%
Public Works	15,017	15,807	381	977	7,431	56%
Non-Departmental	8,662	8,348	-	-	3,336	40%
Total Expenditures	162,961	170,746	1,297	8,341	78,401	52%
Operating Transfers-Out	1,834	5,374	-	-	1,250	23%
Transfer to Infrastructure	20,877	29,258	-	-	10,439	36%
Total Use of Funds	185,672	205,378	1,297	8,341	90,090	49%

Public Safety Departments
Overtime Analysis for Fiscal Years 2014 through 2016

	2014	2015	<i>thru 3/31/16</i> 2016
POLICE DEPARTMENT			
Overtime Expense			
Adopted Budget	\$1,500,000	\$1,500,000	\$1,500,000
Modified Budget	1,500,000	1,500,000	1,539,053
Net Overtime Cost - see below	<u>593,565</u>	<u>946,558</u>	<u>707,020</u>
Variance to Budget	<u>\$906,435</u>	<u>\$553,442</u>	<u>\$832,033</u>
Overtime Net Cost			
Actual Expense	<u>\$1,711,764</u>	<u>\$1,893,220</u>	<u>\$1,536,498</u>
Less Reimbursements			
Stanford Communications	54,552	62,000	33,208
Utilities Communications Reimbursement	29,845	36,614	18,204
Local Agencies (A)	8,905	10,417	7,630
Police Service Fees	<u>73,934</u>	<u>69,570</u>	<u>65,195</u>
Total Reimbursements	<u>167,236</u>	<u>178,601</u>	<u>124,238</u>
Less Department Vacancies	<u>950,963</u>	<u>768,061</u>	<u>705,240</u>
Net Overtime Cost	<u>\$593,565</u>	<u>\$946,558</u>	<u>\$707,020</u>
Department Vacancies (number of days)	4,251	3,223	3,242
Workers' Compensation Cases	14	16	7
Department Disabilities (number of days)	776	502	229
FIRE DEPARTMENT			
Overtime Expense			
Original Budget	\$1,424,414	\$1,424,414	\$1,382,714
Modified Budget	1,750,956	1,608,710	1,559,598
Net Overtime Cost - see below	<u>1,012,521</u>	<u>94,836</u>	<u>532,617</u>
Variance to Budget	<u>\$738,435</u>	<u>\$1,513,874</u>	<u>\$1,026,981</u>
Overtime Net Cost			
Actual Expense	<u>\$2,562,549</u>	<u>\$2,171,795</u>	<u>\$1,940,133</u>
Less Reimbursements			
Stanford Fire Services (B)	776,452	658,054	500,000
Cal-Fire/FEMA (Strike Teams)	<u>50,542</u>	<u>184,296</u>	<u>111,667</u>
Total Reimbursements	<u>826,994</u>	<u>842,350</u>	<u>611,667</u>
Less Department Vacancies	<u>723,034</u>	<u>1,234,609</u>	<u>795,849</u>
Net Overtime Cost	<u>\$1,012,521</u>	<u>\$94,836</u>	<u>\$532,617</u>
Department Vacancies (number of days)	2,618	3,712	2,870
Workers' Compensation Cases	18	10	10
Department Disabilities (number of days)	489	249	248

NOTES:

(A) Includes Animal Services contract with Los Altos and Los Altos Hills.

(B) Stanford reimbursed 30.3% of Fire Services through FY 2015. Of the FY 2016 total flat amount, \$6.5 million, \$500,000 estimated for overtime.