The City has completed the third quarter of the fiscal year (“FY”) 2018-19. This report summarizes the activities of the City’s General Fund, but is not meant to be inclusive of all finance and accounting transactions. It is intended only 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.

**GENERAL FUND FINANCIAL POSITION**

The General Fund is comprised of budgeted operating revenues of $42,153,000 and operating expenditures of $45,391,263 for FY 2018-19. Expenditures contained in the General Fund account for direct services provided to the citizens of San Carlos including General Government, Police Services, Fire Services, Parks and Recreation, Community Development, and Public Works.

**TOP SEVEN GENERAL FUND REVENUES**

The City’s “Top 7” sources account for approximately 92% of the General Fund’s year-to-date total operating revenue in FY 2018-19.

Overall, these key operating revenues performed as projected based on payment schedules and past trends for the third quarter of the fiscal year. Any significant variations are noted below:

- Property Tax – The majority of the City’s property taxes are received in December and April. The property taxes received through quarter three are approximately $1 million higher compared to last
fiscal year mostly due to increased property values. It is expected that this revenue category will be higher than budget this year due to the increased values.

- **Sales Tax** – Revenues through the quarter are 75% of budget and approximately $202,000 more than the same period of the prior year mostly in the restaurants and hotels, food and drugs, fuel and service stations, and autos and transportation groups. The State of California implemented a new software system for sales taxes and the implementation caused a delay in payment processing leading to timing differences in cash receipts. The State is almost all caught up with the adjustments but the City’s sales tax advisor is estimating that the cash receipts will be trued-up by the end of the fiscal year.

- **Charges for Services** – The majority of the revenues collected in this quarter are for recreation classes, inspection fees, and building plan checks. Compared to the third quarter of the prior year, there was a decrease of approximately $183,000. Plan check and inspection fee revenues can vary from year to year due to the timing of large scale development projects.

- **Vehicle In-lieu** – The first distribution of this revenue category was in December and approximately $180,000 higher than the previous year due to increased property values. The second distribution is in April. We expect the total revenue for the year to be higher than budgeted due to the increase in property values.

- **Other Taxes** – These include Transient Occupancy Tax (“TOT”) and Franchise fees. Total revenue is $533,000 higher than quarter three of the prior year mainly due to the opening of the new Residence Inn Hotel and increased occupancy at the hotels. The new increase in the TOT rate also went into effect on January 1, 2019.

- **Licenses & Permits** – Revenues are approximately $209,000 higher than at the same point in the prior year and are on track to meet the full year budget. Similar to Charges for Services, this revenue can vary from year to year due to the timing of development projects.

- **Use of Money and Property** – This revenue stream is $369,000 higher than at the end of quarter three in the prior year mainly due to greater investment returns and revenue from the new digital billboard starting to come in for the first time during this quarter.

- **Other Revenues** – This revenue category includes business registration fees, vehicle code fines, various cost reimbursements and grants and is higher than quarter three of the prior year by approximately $324,000 partially due to the new financial services contract with Commute.org, more parking citations, and higher business registration revenues.

### GENERAL FUND EXPENDITURES

As shown in the table below, expenditures are generally on target for the third quarter of the fiscal year. Any significant variations have been noted.

<table>
<thead>
<tr>
<th>EXP BY DEPT</th>
<th>FY 2017-2018</th>
<th>FY 2018-2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Revised Budget</td>
<td>3rd Qtr YTD Actual</td>
</tr>
<tr>
<td>General Government</td>
<td>$7,723</td>
<td>$4,785</td>
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<tr>
<td>Community Development</td>
<td>5,219</td>
<td>3,009</td>
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<tr>
<td>Fire</td>
<td>9,580</td>
<td>7,447</td>
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<tr>
<td>Police</td>
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<td>7,335</td>
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<tr>
<td>Parks &amp; Recreation</td>
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<td>2,100</td>
</tr>
<tr>
<td>Public Works</td>
<td>5,803</td>
<td>3,816</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>$41,393</td>
<td>$28,492</td>
</tr>
</tbody>
</table>

- **Overall**, expenditures across non-safety departments are in line with what has been budgeted this year.
- **General government expenditures** are slightly higher compared to the previous year due to increased salaries and benefits costs and the addition of the new Management Analyst position.
- **Community Development expenditures** were lower compared to last year largely due to the timing of payments for development-related professional services.
- **Fire and Police expenditures** are higher than the same period last year due to higher contracted amounts to provide those services, payments for annual Unfunded Accrued Liability (“UAL”) and the pension obligations.
- **All other departments’ expenditures** are mostly in line when compared at the same point in the prior year.
• Salaries and benefits expenditures are approximately $452,000 higher than the third quarter last year. The increase is mostly due to higher payments for annual UAL and the pension obligations for Police and Fire, the Council-approved performance bonus for the City Manager, and prior vacancies being filled in various departments.

• Professional Services expenditures include payments to outside consultants related to fire and police protection, police dispatch services, planning consultants, legal and auditing services and recreation instructors. Expenditure in this category is in line with the prior year.

FOR MORE INFORMATION:
This summary is based on detailed information produced by the City’s Finance Division. If you would like additional information or have any questions about this report, please call (650) 802-4213.