



Town of Los Altos Hills

Mid-Year Financial Update (7/1/16 through 12/31/16)

BUDGET VS. ACTUAL ANALYSIS

General Fund

Through mid-year, General Fund total revenues is \$5.1 million - 47% of budget. Staff expects the total revenues will exceed budget by June 30, 2017. This is primarily driven by increases in **property taxes** and planning/building related revenues (**permits & charges for services**). **Property taxes** are expected to total \$5.3 million at year end, based on the latest estimates from Santa Clara County. **Permits & charges for services** are expected to be higher than the original projection due to increased activities in new construction and remodeling activities. **Taxes other than property and franchise fees** are at 40% and 39%, respectively, of the annual budget due to timing of revenue collection. For example, business license tax, Comcast franchise fee, and PG&E franchise fee are collected in the second half of the year.

General Fund expenditures are on track to stay within budget. Departmental operating expenditures range from 41% to 45% of budget, except Parks & Recreation (36% of budget). Parks & Recreation will have more expenditures occurring in the second half of the year for summer programs and events.

Sewer Fund

Sewer revenues of \$1.8 million, or 61%, include the first installment of **sewer assessment**. Historically, the Town receives more **sewer assessment** payments in the first distribution. By June 30, 2017, sewer assessment charges at year end will approximate to the budgeted \$2.7 million and total sewer revenues should meet budget.

Sewer operating expenses are tracking within budgeted amounts at 42% through mid-year. **Sewer capital expenses** are 13% of budget due to timing of project expenses related to the Annual Sewer Rehab Project and Sanitary Sewer Master Plan (SSMP). See *2016-17 Mid-Year Updates on Capital Projects* for more information.

Other Non-Major Funds

Other non-major funds include Citizens Option for Public Safety (COPS) Fund, Parks & Recreation In-Lieu Fee Fund, and Special Donation Fund.

Discussion: The Town receives approximately \$100,000 from the COPS program each year. The fund is restricted for supplemental law enforcement. In 2016/17, the Town budgeted \$250,000 for an additional sheriff to enhance patrol services, funded by General Fund.

Recommendation: For better accounting and compliance with COPS, the budget amendment includes recommendation to use COPS fund for the additional sheriff, and any difference between the actual expenditures and COPS funding will be subsidized by General Fund.

About This Report: This report summarizes the Town's mid-year financial status by providing an analysis of revenues and expenditures through the first half of the fiscal year for the General, Sewer, and other non-major funds. The intent of this report is to provide a brief update on how these funds are performing in comparison to the adjusted budget. This mid-year financial report is prepared using a soft close, an abbreviated closing procedure, for timely reporting. Only major transactions, such as property tax, sewer assessment revenues, sewer maintenance and treatment M&O costs, and major capital expenditures, were accrued for this mid-year report.

GENERAL FUND	2016-17 Amended Budget	YTD 12/31/16 Actual	% of Annual Budget
REVENUES:			
PROPERTY TAX	5,045,260	2,457,284	49%
TAXES OTHER THAN PROPERTY	530,000	213,552	40%
FRANCHISE FEES	498,900	193,223	39%
PERMITS & CHARGES FOR SERVICES	2,664,900	1,344,948	50%
OTHER REVENUES	233,200	156,738	67%
OVERHEAD ALLOCATION-IN	1,744,200	690,452	40%
REVENUES TOTAL	10,716,460	5,056,197	47%
EXPENDITURES:			
ADMINISTRATION	2,121,060	876,938	41%
PUBLIC SAFETY	1,687,100	729,409	43%
COMMUNITY DEVELOPMENT	2,625,730	1,191,690	45%
PUBLIC WORKS	1,655,514	718,778	43%
PARKS & RECREATION	782,978	279,722	36%
NON-DEPARTMENTAL	0	1,183	0%
EXPENDITURES TOTAL	8,872,382	3,797,720	43%
TRANSFERS IN (OUT):			
TRANSFERS IN	1,067,198	1,065,139	100%
TRANSFERS (OUT)	(949,410)	(460,073)	48%
TRANSFERS TOTAL	117,788	605,066	514%
NET CHANGE IN GENERAL FUND	1,961,866	1,863,543	95%

SEWER FUND	2016-17 Amended Budget	YTD 12/31/16 Actual	% of Annual Budget
REVENUES:			
SEWER ASSESSMENT	2,709,800	1,669,275	62%
SEWER CONNECTION	238,500	120,310	50%
OTHER SEWER REVENUES	9,400	16,720	178%
REVENUES TOTAL	2,957,700	1,806,305	61%
EXPENSES:			
OPERATING EXPENSES	2,303,200	977,775	42%
CAPITAL EXPENSES	2,295,075	291,604	13%
EXPENSES TOTAL	4,598,275	1,269,379	28%
NET CHANGE IN SEWER FUND	(1,640,575)	536,926	-33%

Non-Major Funds (combined)	2016-17 Amended Budget	YTD 12/31/16 Actual	% of Annual Budget
REVENUES:			
COPS FUND	100,400	63,090	63%
PARKS & REC IN-LIEU FUND	42,000	519	1%
SPECIAL DONATIONS FUND	40,000	40,800	102%
REVENUES TOTAL	182,400	104,409	57%
EXPENDITURES:			
LAW ENFORCEMENT	40,000	124,985	312%
CODE ENFORCE & EMERGENCY PREP.	108,600	48,392	45%
EXPENDITURE TOTAL	148,600	173,377	117%
NET CHANGE IN FUND BALANCE	33,800	(68,968)	-204%

Town of Los Altos Hills

Mid-Year Financial Update (7/1/16 through 12/31/16) (Continued)

OTHER FINANCIAL HIGHLIGHTS

- At mid-year, the Town's **General Fund fund balance** increased by \$1.8 million to a total of \$11.58 million (see Chart 1 and Table 4, Column H). This is due to (a) revenues exceeded expenditures through mid-year; (b) approximately \$1 million were transferred into General Fund from Storm & Pathway Operations Funds as a result of fund consolidation (see Table 4, Column E).
- Out of the \$11.58 million General Fund Fund Balance, \$2.12 million were **reserved** for IT/Equipment Replacement (\$15K), Pension (\$500K), Disaster Contingency (\$1.25MM), and Operating Contingency (\$350K); and approximately \$1.15 million was **earmarked** for capital improvement projects. At mid-year, General Fund has \$8.3 million unassigned fund balance (see Chart 1).
- As of 12/31/2016, the Town has a **total cash and investment** balance of \$18.3 million. The Town maintains a working capital ranging \$2~\$4 million to meet ongoing operating needs. Remaining available funds are invested in Local Agency Investment Fund (LAIF) and California Asset Management Program (CAMP). At mid-year, the Town has \$3.2 million in Wells Fargo Checking Account, \$2 million in LAIF and \$13.1 million in CAMP (see Chart 2).

2016/17 BUDGET AMENDMENT

City Council Approved Action:

- Carryover Encumbrance (9/15/2016)
- Increase Special Donation Fund revenue by \$40,000 (11/17/2016)

Staff Recommended Mid-year Budget Amendment:

- Move the budget for an add'l sheriff from General Fund to COPS Fund:
 - Decrease General Fund expenditures by \$250,000
 - Increase COPS Fund expenditures by \$250,000
- Increase General Fund expenditures by \$55,000 for code enforcement services to improve response to nuisance complaints and code violations.
- Increase Pathway Capital Fund expenditures by \$12,000 for the West Loyola/ Mora Drive Pathway Study.
- Correct carryover encumbrance for pathway capital projects:
 - Increase Pathway Capital Fund expenditures by \$49,158
 - Decrease Street Capital Fund expenditures by \$49,158

Chart 1
General Fund - Fund Balance: **\$11,584,719**
As of 12/31/2016

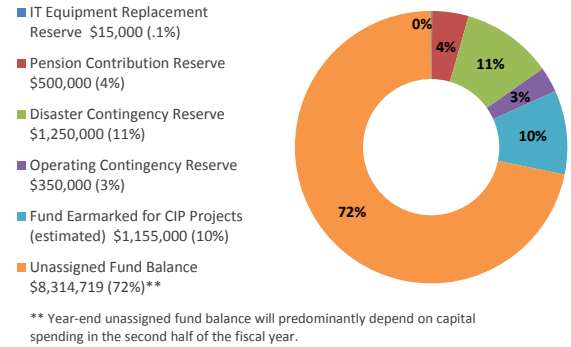


Chart 2
Cash and Investment Balance: **\$18,346,808**
As of 12/31/2016

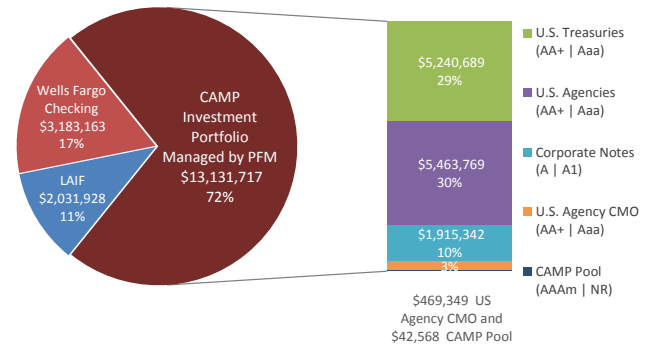


Table 4: Townwide Summary

Fund	Fund Description	Fund Balance as of 7/1/16	Revenues YTD 12/31/16	Expenditures YTD 12/31/16	Transfers In/(Out) - For Fund Consolidation	Transfers In/(Out) - For Operations/ Capital Projects	Net Change in Fund Balance	Fund Balance as of 12/31/16
011	General Fund	\$ 9,721,176	\$ 5,056,197	\$ (3,797,720)	\$ 1,065,139	\$ (460,073)	\$ 1,863,543	\$ 11,584,719
	Total General Fund	9,721,176	5,056,197	(3,797,720)	1,065,139	(460,073)	1,863,543	11,584,719
016	Parks & Recreation In-Lieu Fee Fund	109,529	519	-	-	-	519	110,048
021	Citizens Option for Public Safety (COPS) Fund	172,398	63,090	(173,377)	-	-	(110,287)	62,111
071	Special Donation Fund	21,132	40,800	-	-	-	40,800	61,932
012	Storm Drain Operations Fund**	426,316	-	-	(426,316)	-	(426,316)	-
013	Pathways Operations Fund**	638,823	-	-	(638,823)	-	(638,823)	-
017	Street Operations Fund**	338,756	-	-	(338,756)	-	(338,756)	-
	Total Special Revenues Funds	1,706,954	104,409	(173,377)	(1,403,895)	-	(1,472,863)	234,091
041	General Capital Project Fund	100,751	-	(63,507)	-	52,719	(10,788)	89,963
042	Pathways Capital Project Fund	306,250	162,123	(42,657)	-	-	119,466	425,716
043	Westwind Barn Capital Project Fund	105,143	21,643	(9,247)	-	-	12,396	117,539
045	Storm Drain Capital Project Fund	508,587	61,951	(1,317)	-	-	60,634	569,221
046	Street Capital Project Fund	65,682	152,026	(898,137)	338,756	407,355	-	65,682
	Total Capital Project Funds	1,086,413	397,743	(1,014,865)	338,756	460,074	181,708	1,268,121
048	Sewer Capital Project Fund	2,220,771	-	(291,604)	-	-	(291,604)	1,929,167
051	Sewer Operations Fund - Net of Fixed Assets	362,087	1,806,305	(977,775)	-	-	828,530	1,190,617
	Total Sewer Fund	2,582,858	1,806,305	(1,269,379)	-	-	536,926	3,119,784
TOTAL		\$ 15,097,401	\$ 7,364,654	\$ (6,255,341)	\$ -	\$ 1	\$ 1,109,314	\$ 16,206,715

** Storm, Pathway and Street Operations Funds (Fund 012, 013 and 017) have been consolidated into the General Fund (Fund 011) effective from fiscal year 2016/17.