COUNCIL AGENDA REPORT

DATE: NOVEMBER 18, 2019

TO: CITY COUNCIL

FROM: CHRIS GORSKY, ADMINISTRATIVE SERVICES DIRECTOR

SUBJECT: FISCAL YEAR 2019-20 FIRST QUARTER BUDGET REVIEW AND STATUS REPORT FOR THE THREE MONTH PERIOD ENDING SEPTEMBER 30, 2019

RECOMMENDATION:

A. Accept the Fiscal Year (FY) 2019-20 First Quarter Budget Review and Status Report for the three-month period ending September 30, 2019.

BACKGROUND:

The attached first quarter Budget Report covers the first three months of the fiscal year beginning July 1, 2019 and ending September 30, 2019. The report presents analysis related to the key General Fund revenues and expenditures by category as well as analysis of the City's special Measure I fund.

DISCUSSION:

First Quarter Budget Update: An analysis of the FY 2019-20 General Fund revenues confirms that the City's revenues continue to track in line with budgeted estimates, and within 1% of the prior year's first quarter results for both revenues and expenditures. The City's most economically sensitive revenue sources are Sales Tax and Transient Occupancy Tax (TOT), both are tracking at 16% of budgeted revenues, the same as in prior year's first quarter.

Staff has attached a Glossary of Terms as Appendix A to the Budget Status report. The Glossary of Terms is meant to aid the Council and public in identifying how accounts have been categorized in this report, i.e. Licenses and Permits, etc.

CONCLUSION:

The first quarter data cautions Staff and Council to continue conservative fiscal planning and efforts to sustain the City's economically sensitive revenues. Staff will continue to examine revenue and expenditure activity and work to identify opportunities to enhance revenues and preserve expenditures to support current and future operating capital and service needs. No Budget Adjustments are recommended at this time.

Attachments:

1. FY 2019-20 First Quarter Budget Update and Status Report for period ending September 30, 2019.
    a. Appendix A – Glossary of Terms

First Quarter Budget Report

FY 2019-2020

Table of Contents

INTRODUCTION 1
Timeframe and Limitations 1
Executive Summary 2
FY 2019-20 Recommended Budget Adjustments 2

GENERAL FUND – KEY REVENUE ANALYSIS 3
Sales Tax 3
Property Tax 4
Franchise Fees 5
Business License Tax 6
Transient Occupancy Tax 7
Charges for Services 8
Licenses and Permits 9
Medical Cannabis Dispensary Program 10

GENERAL FUND – KEY EXPENDITURE ANALYSIS 11
SALARIES AND BENEFITS 11
OPERATING EXPENDITURES 12

FINANCIAL SUMMARIES, PROJECTIONS AND RECOMMENDATIONS 13
General Fund 13
Special Revenue Fund 14

CONCLUSION 18

Introduction

This Quarterly Financial Report provides an analysis of the City's General and Special Revenue Funds revenues and expenditures for the first quarter of the 2019-20 fiscal year, the three months ending September 30, 2019.

The quarterly budget updates have two purposes. First, it provides regular updates to the City Council regarding revenue and expenditure trends to ensure the City Council has a strong understanding of the City's current financial condition so that it can proactively respond to unanticipated changes or emerging trends. Second, and equally important, these reports increase the transparency of City finances. The City is ultimately accountable to its residents to use the revenue it brings in efficiently and effectively to provide the highest quality services, and quarterly public reporting provides taxpayers with the information they need to hold the City to this standard.

With respect to revenues: The City regularly monitors and adjusts its year-end revenue projections based on revenue performance and other developments that may affect City revenues in order to develop a more accurate picture of the City's anticipated year-end financial position.

With respect to expenditures: The expenditure information in this report is extracted directly from the City's financial management system, and adjustments are made to account for certain known payments, reimbursements, or transfers between City departments and funds that have not yet been processed in the system at the time of publication. It represents a snapshot of City expenditures at a certain point in time and does not reflect final FY 2019/20 adjustments.

Timeframe and Limitations

The information in this report is the most accurate and up-to-date information available at the time of publication. However, this report is not an audited financial statement and the numbers provided herein are preliminary and subject to change as the year progresses. No data on revenues and expenditures is final until the City has completed its annual financial audit, which is released in the winter of each year for the prior year.

While expenditures exceeded revenues, this variance is due to uneven revenue receipting patterns at the beginning of the fiscal year. The other factors to be considered are: property tax revenue are received in the 2nd and 3rd quarters; there are some payments made at the beginning of the year, such as contracts and insurances; it is difficult to identify trends in only three months.

Executive Summary

First quarter revenue trends are flat when compared to the first quarter of Fiscal Year 2018-19. Revenues are similar to last years with minor decreases in the most economically sensitive revenues of Sales Tax and Transient Occupancy Tax (TOT). The impact of the Public Safety Power Shutoff's in Northern California will not be known until the mid-year review.

General Fund expenditure totals for the first quarter are trending lower than budget due to several open positions and the conservative use of funds by staff. Staff expects personnel costs to level out through the next two quarters and will continue to monitor these costs closely. Staff is doing a great job controlling operational expenditures with first quarter results at about 16% of budget. With only three months of data available, however, it is difficult to predict revenue and expenditure for the remainder of the year. In light of this, staff continues to be cautiously optimistic while monitoring fiscal developments very closely. Consequently, staff is not recommending budget adjustments for either revenues or expenditures at this time.

The Fiscal Year 2018-19 closing financial results continue to affirm the positive effects of the City's budgetary actions taken in response to the slow revenue growth. In developing the 2018-19 budget, City council approved a primarily status quo budget that held the line of service levels. This strategy, coupled with ongoing City-wide conservative expenditure allowances, and several open staffing positions generated a favorable General Fund closing balance of approximately $250,000 of available revenues over expenditures at fiscal year-end, June 30, 2019. This is an unaudited estimate and will be refined with completion of the City's year-end audit in December.

The City's General Fund reserves closed the year with unaudited amounts totaling approximately $2.1 million.

FY 2019-20 Recommended Budget Adjustments

There are no Budget Adjustments recommended for the first quarter. As the fiscal year progresses, staff will continue to closely monitor revenues and expenditure activities.

GENERAL FUND – KEY REVENUE ANALYSIS

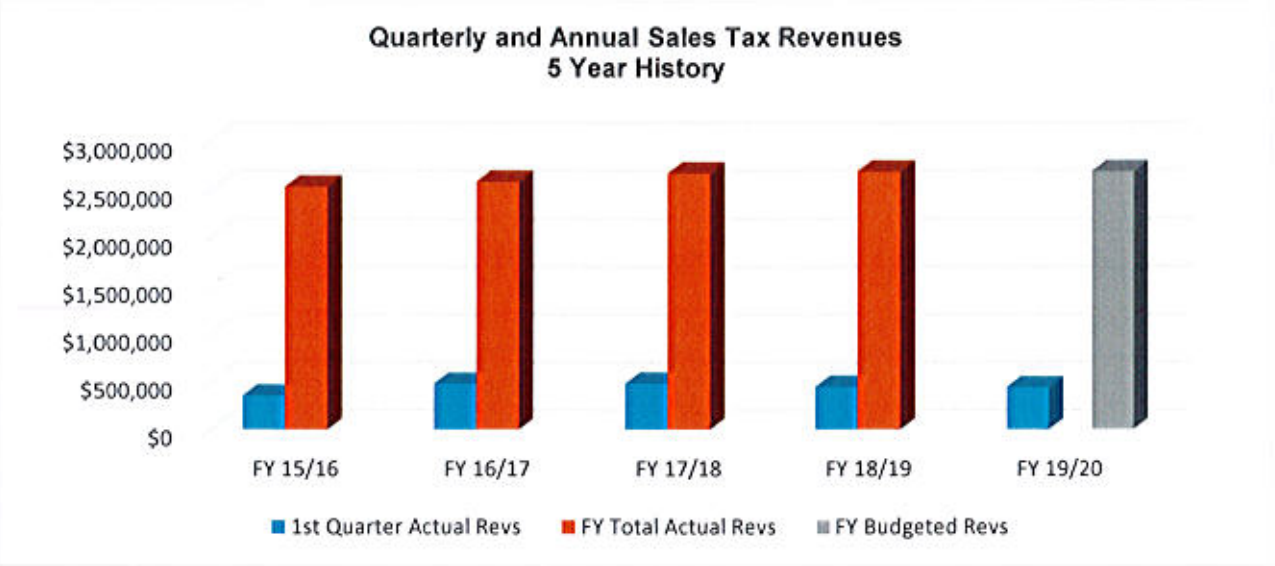
The following discussion provides a status of significant General Fund revenue sources as of the first quarter, ending September 30, 2019. Staff monitors each revenue source closely and may recommend certain revenue adjustments based on revenue actuals or state budget actions.

Sales Tax

Sales tax is the largest revenue source for the City's General Fund, accounting for 46.5% of budgeted General Fund revenues for FY 2019-20. The City's general fund receives 0.87 cents for every 7. 5 cents of sales tax paid per dollar on retail sales and taxable services transacted within Sonora.

South Dakota v. Wayfair decision established that the State can collect sales tax from goods that are sent into the State. The City sales tax revenues are benefitting from this change.

Analysis – First quarter receipts are within range of those in the same period in the past fiscal year. Staff will continue to monitor sales tax receipts and meet with the City's sales tax consultant's Muni Services to analyze trends. Any budget recommendations for adjustments will be brought forth with the mid-year update.

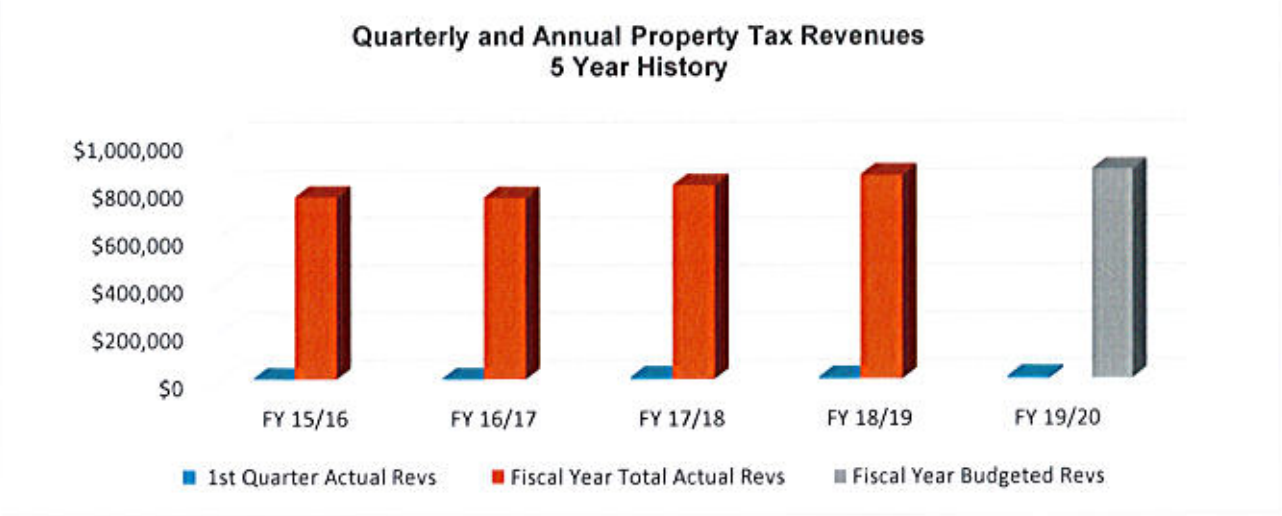


	FY 15/16	FY 16/17	FY 17/18	FY 18/19	FY 19/20
1st Quarter Actual Revs	$354,359	$478,941	$480,913	$446,149	$438,651
FY Total Actual Revs	$2,539,835	$2,590,324	$2,678,336	$2,696,000	
FY Budgeted Revs					$2,692,000
1st Quarter % of Total	13.95%	18.49%	17.96%	16.55%	16.29%
Recommended Budget Revisions					**No Change**

Property Tax

Property tax is the second largest revenue source for the City's General Fund, accounting for 15.1% of budgeted General Fund revenues in FY 2019-20. Property tax is levied by the Tuolumne County Assessor's Office at 1% of a property's assessed value, of which the City receives approximately 12.6 cents per dollar paid on property located within the municipal limits of Sonora.

Analysis – Property Tax distributions are largely received in the third and fourth quarters, however the chart below depicts the 1st quarter receipts for the past four years as compared to the current fiscal year. First quarter receipts are trending consistent with prior years. Property tax revenue for FY 2019-20 was budgeted consistent with previous year's actuals projecting relative flat real estate transactions.

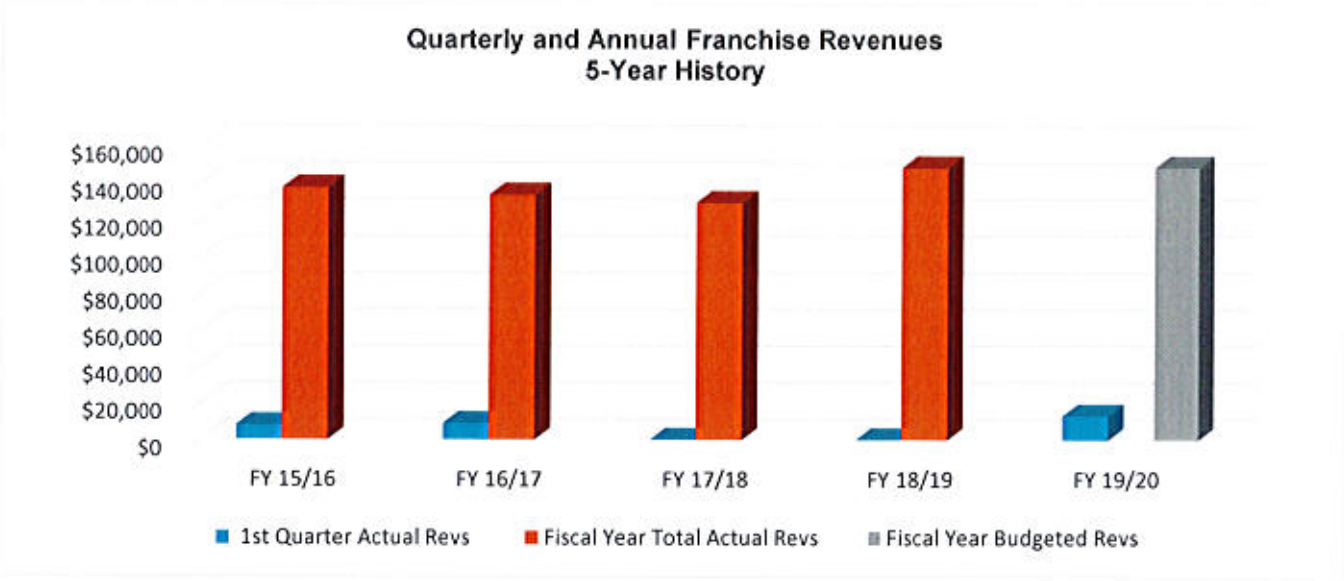


	FY 15/16	FY 16/17	FY 17/18	FY 18/19	FY 19/20
1st Quarter Actual Revs	$2,528	$3,606	$10,292	$8,130	$9,726
Fiscal Year Total Actual Revs	$766,380	$763,175	$815,179	$856,100	
Fiscal Year Budgeted Revs					$876,900
1st Quarter % of Total	0.33%	0.47%	1.26%	0.95%	1.11%
Recommended Budget Revisions					No Change

Franchise Fees

Franchise fees are collected by the City for the privilege of operating a utility service within Sonora, and as a fee in lieu of a business license tax. Franchise fees are currently received from Comcast for cable television, PG&E for electric services, and Waste Management for solid waste collection services. Franchise fees represent 2.6% of budgeted General Fund revenues in FY 2019-20.

Analysis – Historically, franchise payments are not remitted equally throughout the fiscal year; therefore, first quarter receipts are not necessarily predictive. Total franchise fee revenues to date are 9% of budgeted total receipts, consistent with what was budgeted.

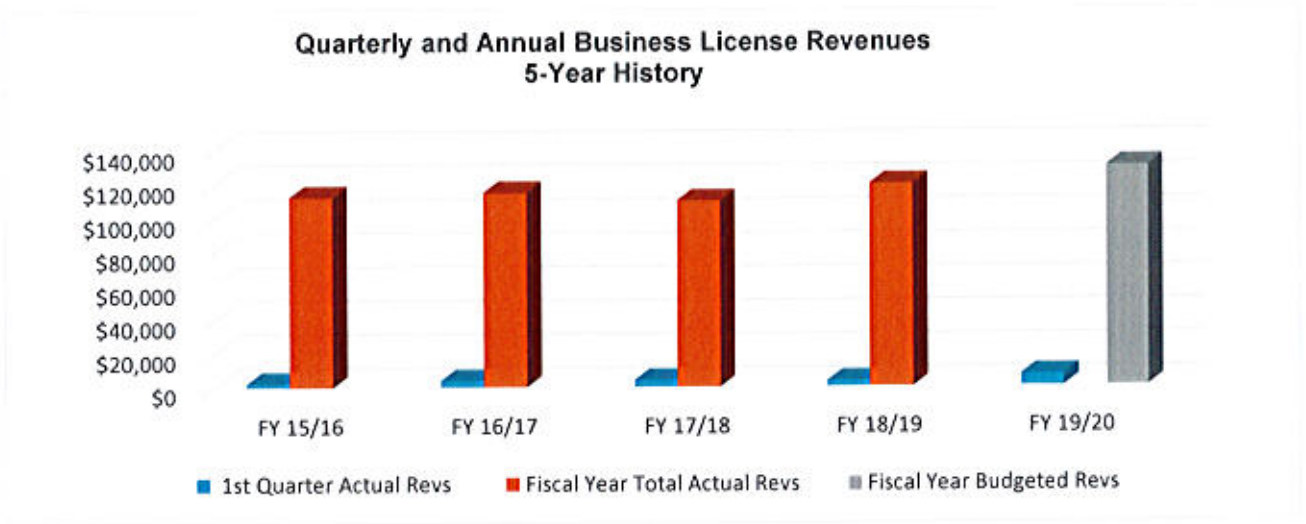


	FY 15/16	FY 16/17	FY 17/18	FY 18/19	FY 19/20
1st Quarter Actual Revs	$7,796	$8,936	$0	$0	$13,173
Fiscal Year Total Actual Revs	$137,567	$133,700	$129,401	$148,600	
Fiscal Year Budgeted Revs					$148,600
1st Quarter % of Total	5.67%	6.68%	0.00%	0.00%	8.86%
Recommended Budget Revisions					**No Change**

Business License Tax

The City requires all businesses located within Sonora, or those that operate within Sonora, to obtain a business license. The amount of business license tax paid by each business is based on the designated zone the business is in or operating in and the number of business employees. These activities account for approximately 2.2% of annual general fund operating revenues. Annual renewal payments are due in January of each year.

Analysis – Business license tax revenue has remained consistent over the last five years and are typically budgeted at approximately 2% of general fund total revenues. Current year first quarter revenues are trending slightly higher than those of the previous year. Annual business license tax renewal revenue is primarily received in the second and third quarter of each year, therefore, first quarter performance is not necessarily predictive. Staff will continue its auditing efforts this year to bring past due accounts current and work with business to collect fees.



	FY 15/16	FY 16/17	FY 17/18	FY 18/19	FY 19/20
1st Quarter Actual Revs	$2,328	$3,849	$4,034	$3,347	$6,693
Fiscal Year Total Actual Revs	$112,580	$115,150	$110,150	$120,000	
Fiscal Year Budgeted Revs					$130,000
1st Quarter % of Total	2.07%	3.34%	3.66%	2.79%	5.15%
Recommended Budget Revisions					**No Change**

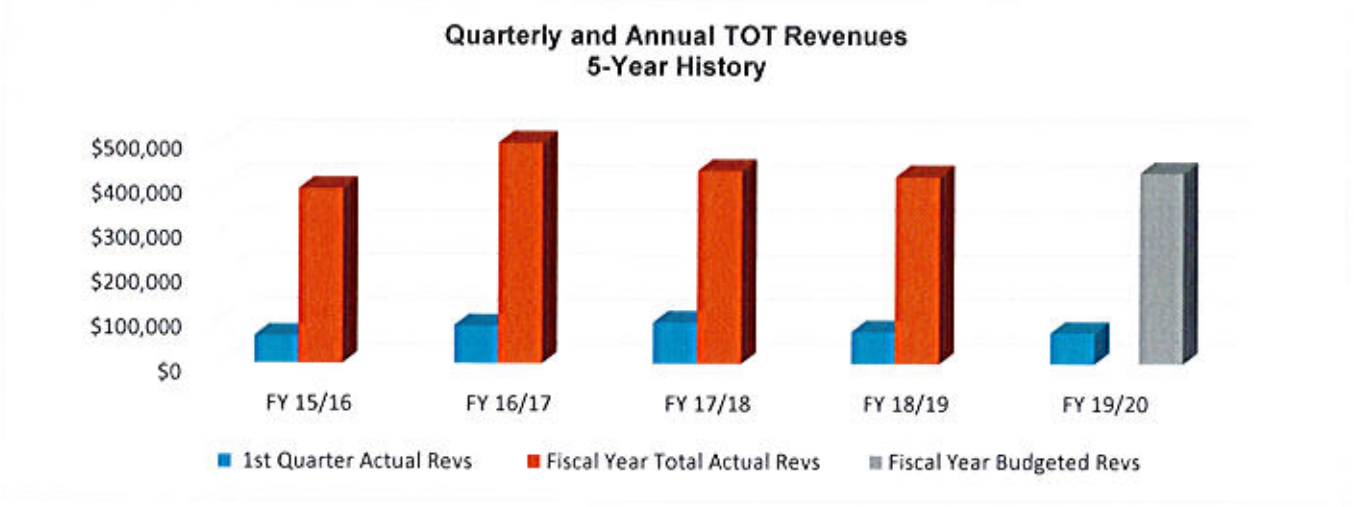
Transient Occupancy Tax

The City levies a 10% transient occupancy tax (TOT) on all hotel and motel rooms within the municipal limits of Sonora. This tax helps to fund City services provided to transitory visitors to Sonora and is shared with the Tuolumne County Visitors Bureau.

Analysis – The Tuolumne County Visitors Bureau's data showed that visitor spending increased 5.6% in 2018 over 2017 and direct travel spending increased to $264.2 million. This occurred with two fires in Tuolumne County that closed two highways at the peak of tourist season (Source: Visit Tuolumne County 2018-19 Annual Report.) This would be predictive of a continued strong tourism environment.

First quarter TOT revenues are trending comparable to the prior year first quarter results. TOT revenue for the current year was budgeted at 7.4% of general fund revenues, the same as the prior year's estimated year-end actuals.

The short-term rental industry in Sonora and elsewhere has expanded significantly in recent years with the introduction of online hosting platforms such as Airbnb, Homeaway, Flipkey, VRBO, and others. Staff is continuing efforts to ensure compliance of these short term rentals with all City regulations. Staff will continue to monitor this funding source closely to assess the need for future budget adjustments.

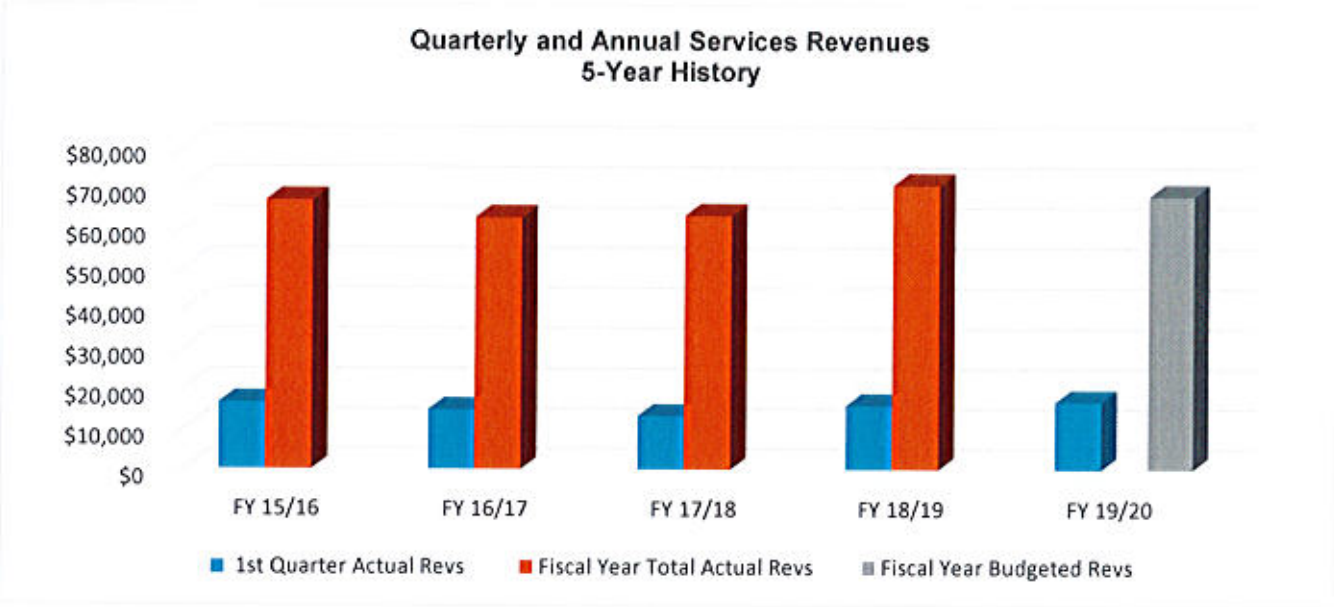


	FY 15/16	FY 16/17	FY 17/18	FY 18/19	FY 19/20
1st Quarter Actual Revs	$61,768	$85,016	$93,103	$72,152	$69,598
Fiscal Year Total Actual Revs	$392,487	$495,864	$433,539	$420,000	
Fiscal Year Budgeted Revs					$428,000
1st Quarter % of Total	15.74%	17.15%	21.48%	17.18%	16.26%
Recommended Budget Revisions					No Change

Charges for Services

City Service revenue consist primarily of Zoning and Subdivision fees, police and fire department services, street cleaning and banner installation fees. These fees and charges are assessed based on recovery formulas, which reflect approximate costs of providing these regulatory services.

Analysis – First quarter receipts are trending slightly higher than those in the same period in the prior fiscal year. Total budgeted revenues for services were budgeted slightly higher from the FY18/19 year end actuals, recognizing a pickup in regulatory services anticipated to be provided during the fiscal year. Staff will continue to monitor this revenue source; however, no budget revisions are recommended at this time.

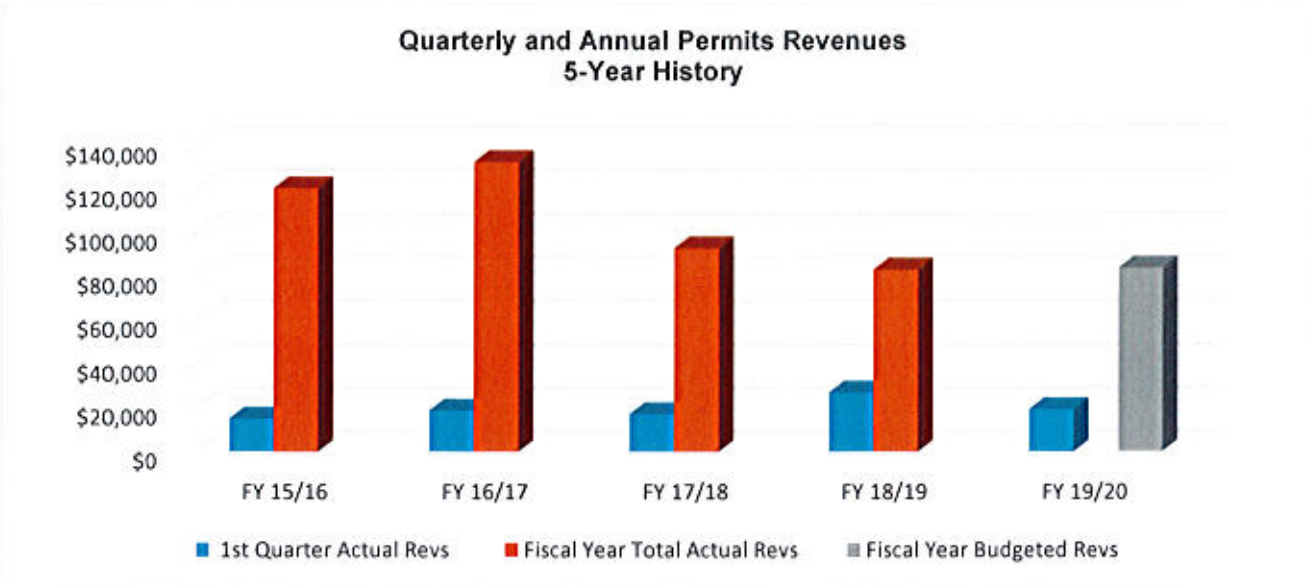


	FY 15/16	FY 16/17	FY 17/18	FY 18/19	FY 19/20
1st Quarter Actual Revs	$16,684	$14,883	$13,341	$16,036	$16,943
Fiscal Year Total Actual Revs	$67,026	$62,765	$63,247	$70,800	
Fiscal Year Budgeted Revs					$68,100
1st Quarter % of Total	24.89%	23.71%	21.09%	22.65%	24.88%
Recommended Budget Revisions					No Change

Licenses and Permits

Licenses and permits consist mainly of Building permits and encroachment permits which are collected by the City to offset administrative costs associated with overseeing the proper permitting aspects of development and City activities.

Analysis – First quarter licenses and permit revenue is trending similar to years past, but lower than 2018/19's first quarter revenues. Staff will continue to monitor this revenue source to assess the need for mid-year budget adjustments, however no budget revisions are recommended at this time.

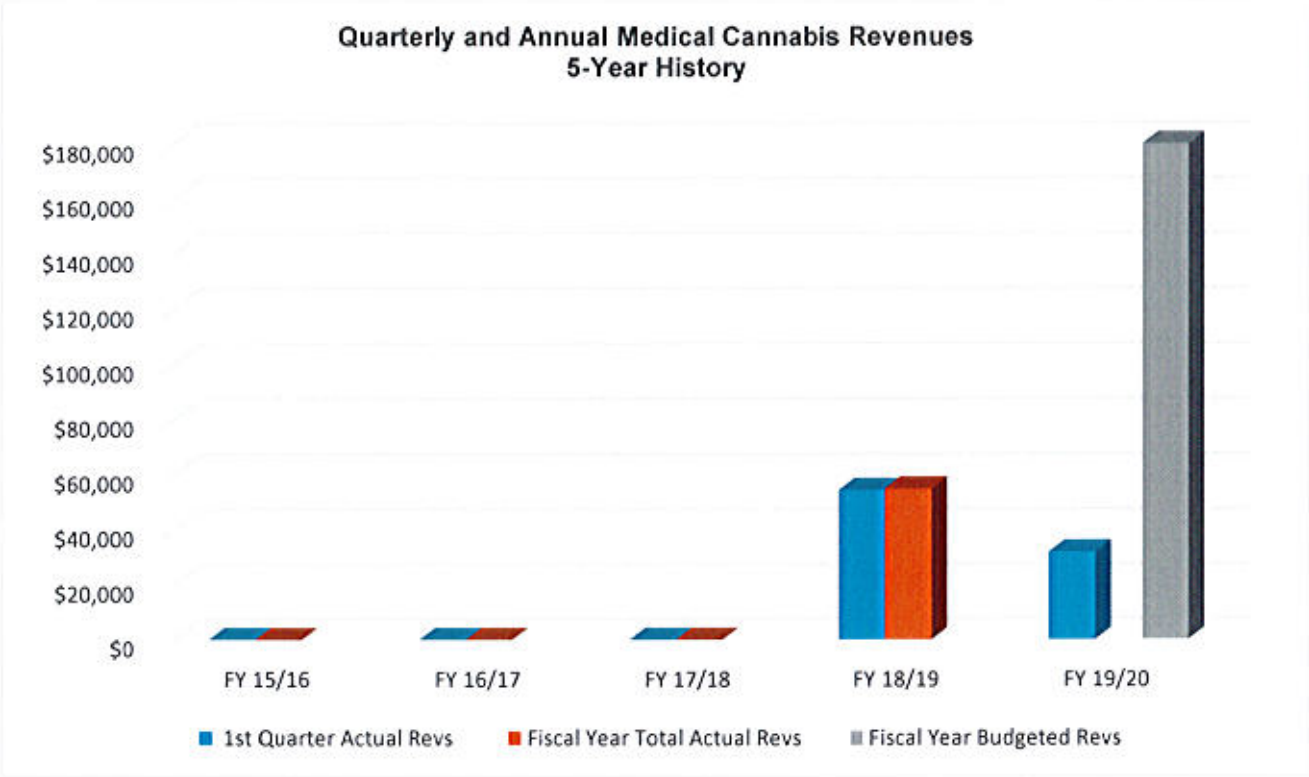


	FY 15/16	FY 16/17	FY 17/18	FY 18/19	FY 19/20
1st Quarter Actual Revs	$15,058	$18,758	$17,210	$27,089	$19,379
Fiscal Year Total Actual Revs	$120,949	$133,030	$93,456	$83,500	
Fiscal Year Budgeted Revs					$84,100
1st Quarter % of Total	12.45%	14.10%	18.42%	32.44%	23.04%
Recommended Budget Revisions					**No Change**

Medical Cannabis Dispensary Program

This program was created after voters approved Proposition 64 entitled the 'Control, Regulate and Tax Adult Use Marijuana Act" (AUMA) legalizing the adult use and possession of cannabis by persons 21 years of age and older. On January 16, 2018 the Sonora City Council adopted Ordinance 18-848 to regulate the operation of commercial cannabis business within the City of Sonora.

Analysis – First quarter revenues are in line with anticipated budget. No budget revisions are recommended at this time.



	FY 15/16	FY 16/17	FY 17/18	FY 18/19	FY 19/20
1st Quarter Actual Revs	$0	$0	$0	$54,444	$32,072
Fiscal Year Total Actual Revs	$0	$0	$0	$55,000	
Fiscal Year Budgeted Revs					$180,000
1st Quarter % of Total	0.00%	0.00%	0.00%	0.00%	17.82%
Recommended Budget Revisions					No Change

GENERAL FUND - KEY EXPENDITURE ANALYSIS

The following discussion provies a status of significant General Fund expenditures as of the first quarter, ending September 30, 2019. Staff monitors each revenue source closely and may recommend certain expenditure adjustments based on actuals or state budget actions.

SALARIES AND BENEFITS

Salaries and Benefits includes full-time employee salaries, elected official's stipends, temporary/relief employees, overtime, other salaries and benefits. Under typical circumstances, it would be expected that Salaries and Benefits would be at approximately 25% of total budget at the end of the first quarter.

Analysis – First quarter results are trending within range and similar to the same period in prior years, at approximately 22.8% of budgeted totals. Further analysis of these expenditure details indicates that benefits are trending at approximately 22.1% of budgeted totals but within the expected range for the 1st quarter. It is anticipated that benefit expenditures will be higher in the remainder of the budget year with fewer open positions and health benefit costs increasing in January 2020 by approximately 5%.

While salaries expenditures are trending consistent at 21.5%, overtime costs are high at approximately 38%. This has resulted due to a number of vacancies and staff will reassess any need for a budget adjustment in the Mid-year budget review. There is no recommendation for adjustments at this time.

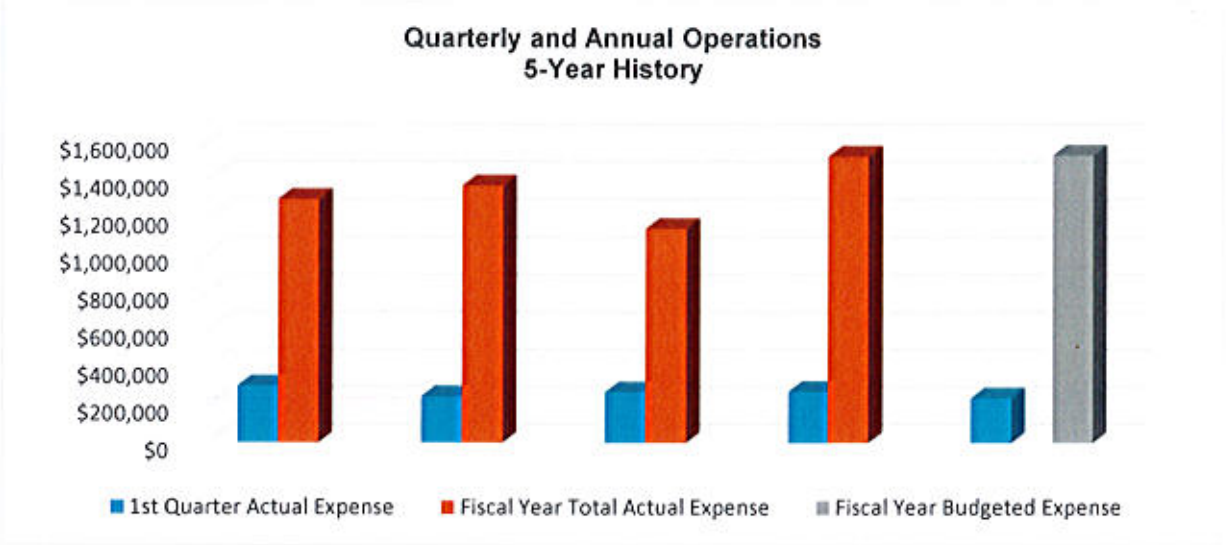
Quarterly and Annual Salaries & Benefits
5-Year History

	FY 15/16	FY 16/17	FY 17/18	FY 18/19	FY 19/20
1st Quarter Actual Expense	$732,111	$1,212,540	$875,189	$937,015	$968,794
Fiscal Year Actual Expense	$3,220,993	$3,376,740	$3,587,710	$3,963,704	
Fiscal Year Budgeted Expense					$4,257,791
1st Quarter % of Total	22.73%	35.91%	24.39%	23.64%	22.75%
Recommended Budget Revisions				No Change at this time	

OPERATING EXPENDITURES

Operating expenditures consists of all general fund costs to provide services, including supplies, materials and utilities. The categories of supplies and materials, the most controllable expenditure category, should trend around the 25% level for the first quarter. Depending on utility usage and rates, ideally utilities will trend at 25% or lower of total budgeted amounts.

Analysis – First quarter results are trending slightly lower than the same period in prior years, at approximately 18% of budgeted totals. Further analysis of these expenditure details indicates that both supplies/materials and utilities are trending low at 10% and 23% respectively. Staff remains very cognizant of budgeted expenditure authority and will monitor costs to mitigate exposure to the extent possible. The local Public Safety Power Shutoff (PSPS) event has caused increased costs in some budget items in this category, these will be realized in the next quarter. There is no recommendation for adjustments at this time.



	FY 15/16	FY 16/17	FY 17/18	FY 18/19	FY 19/20
1st Quarter Actual Expense	$302,599	$246,934	$271,135	$274,066	$238,636
Fiscal Year Total Actual Expense	$1,299,363	$1,372,222	$1,144,369	$1,527,876	
Fiscal Year Budgeted Expense					$1,534,585
1st Quarter % of Total	23.29%	18.00%	23.69%	17.94%	15.55%
Recommended Budget Revisions					**No Change**

FINANCIAL SUMMARIES, PROJECTIONS AND RECOMMENDATIONS

General Fund

The following table is the *Schedule of General Fund Operating Revenues. Vs. Operating Expenditures* for the first quarter of FY 2019-20, which includes comparison information from the prior year's 1st quarter results are trending consistent with those in the same period in the prior year.

City of Sonora
Schedule of General Fund
Operating Revenues vs. Operating Expenditures
For the Period Ending September 30, 2019

	Unaudited FY18/19 Final Balance	FY18/19 1st Qtr Actual	FY18/19 % YTD	FY19/20 Adopted Budget	FY19/20 1st Qtr Actual	FY19/20 % YTD
Revenues						
Sales and Use Tax	2,734,445	446,149	16%	$2,692,000	438,651	16%
Property Tax	854,910	17,020	2%	$1,077,400	34,697	3%
VLF Backfill Property Tax	403,778	-	0%	$413,000	-	-
Franchise Fees	140,968	-	0%	$148,600	13,173	9%
Business License	120,928	3,347	3%	$130,000	6,693	5%
Transient Occupancy Tax	502,339	72,152	14%	$428,000	69,598	16%
Licenses & Permits	99,682	34,088	34%	$117,200	43,239	37%
InterGovernmental	7,908	28,946	366%	$4,000	1,342	34%
Charges for Services	69,413	17,214	25%	$67,900	16,189	24%
Fines & Forfeitures	52,600	11,416	22%	$61,700	7,555	12%
Interest	39,188	5,547	14%	$25,000	-	-
Other Sources	179,830	32,387	18%	313,576	67,349	21%
Fund Transfers	91,338	-	-	$0	-	-
Total Revenues	5,297,327	668,266	13%	5,478,376	698,486	13%
Use of Other Funding Sources:						
General Fund Reserves	-	-	-	314,000	-	-
Total Other Funding Sources	-	-	-	314,000	-	-
Total Revenues plus Reserves	5,297,327	668,266	13%	5,792,376	698,486	12%
Expenditures						
Salaries	1,800,084	426,238	24%	1,953,636	420,009	21%
Overtime	178,116	40,374	23%	163,250	63,145	39%
Temporary and Relief	124,556	29,448	24%	117,260	20,317	17%
Other Salaries	67,872	33,414	49%	85,040	34,160	40%
Benefits	1,668,282	400,122	24%	1,941,605	431,331	22%
Supplies, Materials and Other	968,949	209,721	22%	1,323,570	207,154	16%
Utilities	163,749	41,314	25%	168,015	31,314	19%
Total Expenditures	4,971,608	1,180,631	24%	5,752,376	1,207,430	21%
Transfers In/Out	36,476	5,881	16%	40,000	6,391	16%
Total Operating Expenditures	5,008,084	1,186,512	24%	5,792,376	1,213,821	21%

The groups of financial summaries on the following pages present data by governmental fund type. For purposes of this 1st quarter report we have focused on the Measure I Special Revenue Fund. The fund information starts with a beginning fund balance, adds current year revenues, and subtracts current year expenditures, resulting in an ending fund balance. Adopted budget amounts are provided as a basis for comparison of actuals to date.

Special Revenue Fund

Special Revenue Funds account for the proceeds derived from specific revenue sources that are legally restricted or assigned to special purposes. The City's Special Revenue Funds include the Measure I which is the focus of the information provided in this 1st quarter report. The Measure I fund was established as a result of a 2004 voter approved ½% increase to sales tax within the City limits. With approval of the ballot measure, the sales tax increase which took effect January 1, 2005. The purpose of the initiative was to improve city services for residents, businesses, and visitors to the City of Sonora.

Measure I revenues for the first quarter are trending at 26% of total budgeted revenues. Across Police, Fire and Public Works Departments the expenditures are at 21%, 27% and 26% of budget, respectively, for the quarter.

Measure I Funds
Budget to Actual Comparison

	Police	1st Qtr %	Fire	1st Qtr %	Public Works	1st Qtr %
Beginning Fund Balance	474,444		90,926		425,277	
Budgeted Revenues	1,103,961		437,250		262,350	
Total Actual Revenues - 1st Qtr	290,096	26%	113,303	26%	68,660	26%
Budgeted Expenditures	1,146,169		494,719		278,913	
Total Actual Expenditures - 1st Qtr	243,556	21%	131,410	27%	73,234	26%
1st Quarter Ending Fund Balance	520,984		72,819		420,703	

The Police Department receives 60% of this revenue for the purpose of hiring additional law enforcement and support personnel; updating safety equipment, providing educational funding; replacing expired vehicles; and expanding Police facilities allowing for departmental growth. FY 19/20 1st quarter results are trending consistent with the same period in prior years as illustrated in the chart below. There are no budget recommendations at this time.

Measure I: Police Department

	FY 15/16	FY16/17	FY17/18	FY18/19	FY19/20
1st Quarter Actual Revenues	257,195	265,798	271,952	288,218	290,096
Fiscal Year Total Actual Revenues	983,490	1,043,339	1,099,908	1,099,908	
Fiscal Year Total Budgeted Revenues					1,103,961
1st Quarter Percent of Total	26.2%	25.5%	24.7%	26.2%	26.3%
1st Quarter Actual Expenditures	239,964	284,453	208,570	231,656	243,556
Fiscal Year Total Actual Expenditures	1,165,327	1,031,047	866,275	1,079,735	
Fiscal Year Total Budgeted Expenditures					1,146,169
1st Quarter Percent of Total	20.6%	27.6%	24.1%	21.5%	21.2%
Recommended Budget Revision					**No Change**

The Fire Department receives 25% of the Measure I generated revenue which provides funding for Engineer and Volunteer Firefighter positions, increased stipends for Intern Firefighters and benefit increases. FY 19/20 1st quarter revenues are trending consistent with the same period in prior years as illustrated in the chart below. Expenditures are trending slightly higher due to the use of services in the fire season. There are no budget recommendations at this time.

Measure I: Fire Department

	FY 15/16	FY16/17	FY17/18	FY18/19	FY19/20
1st Quarter Actual Revenues	104,508	110,044	113,313	119,349	113,303
Fiscal Year Total Actual Revenues	405,449	435,211	457,505	437,250	
Fiscal Year Total Budgeted Revenues					437,250
1st Quarter Percent of Total	25.8%	25.3%	24.8%	27.3%	25.9%
1st Quarter Actual Expenditures	102,108	135,706	102,809	120,220	131,410
Fiscal Year Total Actual Expenditures	405,649	436,025	510,043	494,719	
Fiscal Year Total Budgeted Expenditures					494,719
1st Quarter Percent of Total	25.2%	31.1%	20.2%	24.3%	26.6%
Recommended Budget Revision					**No Change**

The Public Works Department receives 15% of the Measure I generated revenue for the purpose of hiring additional personnel; equipment and facility enhancements and infrastructure improvements. FY 19/20 1st quarter revenues are trending consistent with the same period in prior years as illustrated in the chart below. There are no budget recommendations at this time.

Measure I: Public Works

	FY 15/16	FY16/17	FY17/18	FY18/19	FY19/20
1st Quarter Actual Revenues	62,339	66,251	67,988	73,076	68,660
Fiscal Year Total Actual Revenues	243,531	261,722	278,460	262,350	
Fiscal Year Total Budgeted Revenues					262,350
1st Quarter Percent of Total	25.6%	25.3%	24.4%	27.9%	26.2%
1st Quarter Actual Expenditures	38,487	63,748	42,731	68,659	73,234
Fiscal Year Total Actual Expenditures	204,766	215,749	208,451	278,913	
Fiscal Year Total Budgeted Expenditures					278,913
1st Quarter Percent of Total	18.8%	29.5%	20.5%	24.6%	26.3%
Recommended Budget Revision					**No Change**

CONCLUSION

The financial results from the prior fiscal year, coupled with the FY 2019-20 first quarter data, confirms the City's continued conservative fiscal planning and efforts to sustain its economically sensitive revenues while containing costs. As the fiscal year progresses, staff will continue to closely monitor revenue and expenditure activity and work to identify opportunities to enhance revenue to support current and future operating capital needs. No budget adjustments are recommended at this time.

Appendix A
2019-20 Adopted Budget
Budget Glossary

Annual Budget: A budget applicable to a single fiscal year.

Appropriation: An authorization made by the City Council, which permits officials to incur obligations against and to make expenditures of government resources. Appropriations are typically granted for a one-year period.

Audit: Prepared by an independent Certified Public Accountant (CPA), the primary objective of an audit is to determine if the City's Financial Statements present fairly the City's financial position and results of operations in conformity with generally accepted accounting principles. In conjunction with their performance of an audit, it is customary for an independent auditor to issue a Management Letter stating the adequacy of the City's internal controls as well as recommending improvements to the City's financial management practices.

Balanced Budget: Balanced budget is a budget with operating revenues equal to operating expenditures and neither a budget deficit nor a budget surplus. More generally, it refers to a budget with no deficit, but possible with surplus.

Budget: As the City's financial operating plan for the fiscal year, the budget displays the estimated expenditures (costs) for providing services and the estimated sources of revenue (income) to pay for them. Once the City Council adopts the budget, the total becomes the maximum spending limit. Sonora' budget encompasses fiscal year (July 1, through June 30).

Budget Amendment: The Council has the sole responsibility for adopting the City's budget, and may amend or supplement the budget at any time after adoption. The City Manager has the authority to approve administrative adjustments to the budget as outlined in the Financial and Administrative Policies set by Council.

Budget Document: The official financial spending and resource plan submitted by the City Manager and adopted by the City Council explaining the approved budget to the public and City Council.

Budget Message: Included in the opening section of the budget, the Budget Message provides the Council and the Public with a general summary of the most important aspects of the budget, comparative data from previous fiscal years, goals and objectives, and the views and recommendations of the City Manager.

Budget Overview: This section provides an overview of the changes adopted in the budget. Additionally, the significant impacts of budgetary changes are outlined along with dollar amounts (increase/decrease).

Building Permit: Fee required for new construction or for any alteration or addition to a residence or commercial building. The fee is based on square footage and valuation. Electrical or plumbing/mechanical work will require a similar permit.

Appendix A
2019-20 Adopted Budget
Budget Glossary

Business License Tax: A tax imposed on those conducting business within the City limits. Business License Tax is a non-regulatory tax implemented for the purpose of raising revenue to support General Fund activities.

Debt Service: Payment of the principal and interest on an obligation resulting from the issuance of bonds, notes, or Certificates of Participation (COPs).

Deficit: The excess of liabilities over assets.

Department: A major organizational unit of the City, which has been assigned overall management responsibility for an operation, or a group of related operations within a functional area. In Los Gatos, Department Heads are the chief administrators within a department.

Expenditure: The outflow of funds paid or to be paid for an asset obtained or goods and services obtained. Note: An encumbrance is not expenditure; an encumbrance reserves funds to be expended. (See encumbrances.)

Fines & Forfeitures: Collections received by the City for violation of local code and ordinance provisions. Accounts include Vehicle Code Fines, Parking Ordinance Fines, Court Fines, Parking tickets - Collection Agency and Collection Agency Booking Fees.

Fiscal Year: A 12-month period to which the annual operating budget applies and at the end of which the City determines its financial position and results of its operations. The City's fiscal year runs from July 1st to June 30th.

Franchise Fees: Imposed on utility companies for the privilege of doing business in the City. Fees are usually based upon a percentage of gross revenue derived from business conducted in the City. Accounts include PG&E, Cable TV and Solid Waste.

Fund: An independent fiscal and accounting entity with a self-balancing set of accounts in which cities record financial transactions relating to revenues, expenditures, assets and liabilities. Each fund type typically has a unique funding source and purpose. Establishing funds enables the City to account for the use of restricted revenue sources and carry on specific activities or pursue specific objectives.

Fund Accounting: System used by non-profit organizations, particularly governments. Since there is no profit motive, accountability is measured instead of profitability. The main purpose is stewardship of financial resources received and expended in compliance with legal requirements.

Fund Balance: Also known as financial position, fund balance is the excess of current assets over current liabilities, and represents the cumulative effect of revenues and other financing sources over expenditure and other financing uses.

Generally Accepted Accounting Principles (GAAP): Uniform minimum standards for financial accounting and reporting. They govern the form and content of the basic financial statements of the City.

Appendix A
2019-20 Adopted Budget
Budget Glossary

General Fund: In governmental accounting, fund used to account for all assets and liabilities of a non-profit entity, except those particularly assigned for other purposes in another more specialized fund. It is the primary operating fund of the City.

General Government: City Council, City Administrator, City Attorney, Human Resources, Finance, Community Development, Police, Fire and Public Works.

Governmental Funds: the fund used to account for all assets and liabilities of a government agency, except those particularly assigned for other purposes in another more specialized fund. There are five different types of governmental funds: the general fund (which is the primary operating fund), special revenue funds, debt service funds, capital project funds, and permanent funds.

Grant: External contributions, and/or gifts of cash, or other assets typically from another governmental entity to be used or expended for a specific purpose, activity, or facility. An example is Community Development Block grant funding from the Federal Government.

Interest Income: The prudent investment of idle funds. The types of investments that can be made are limited by the Government Code to protect the safety of taxpayers' money. The City's funds are invested in the Local Area Investment Fund (LAIF) Account.

Intergovernmental Revenue: Revenue received from other governmental agencies and municipalities, such as grants from the State or Federal government. Accounts include Proposition 172 - Public Safety, State Mandated Costs Refund, Post/Training Reimbursement and Motor Vehicle in Lieu Tax.

Internal Services Fund: The Internal Service Funds are used to finance and account for special activities and services performed by a designated City department for other departments on a cost reimbursement basis.

Inter-Fund Transfers: When the City moves money between its various funds, it makes an inter-fund transfer, referred to as transfers-in and transfers-out. In aggregate, transfers in and out offset each other for the fiscal year.

Licenses and Permits: Revenues earned by the issuance of licenses or permits levied in accordance with the benefits conferred by the license or permit. Accounts include Intermittent Vendor permits, Portable Food Vendor Permits, Building Permits, Parking Permits, Street, Curb, and Encroachment Permits.

Line-Item Budget: A budget that lists detailed expenditure categories (salaries & benefits, office supplies, travel, dues, rents, etc.) separately, along with the amount budgeted for each specified category. The Summary Budget reflects the program rather than line item budgets. The Detail Budget reflects the line-item detail.

Appendix A
2019-20 Adopted Budget
Budget Glossary

Major Fund: Major funds are funds whose revenues, expenditures/expenses, assets, or liabilities are at least 10 percent of corresponding totals for all governmental or enterprise funds and at least 5 percent of the aggregate amount for all governmental and enterprise funds for the same item The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

Motor Vehicle in Lieu Fee: A State fee charged for the privilege of operating a vehicle on public streets. A VLF is levied annually against the market value of a motor vehicle and is imposed by the State "in lieu" of local property taxes.
Non-major Fund: Non-major funds are all governmental and enterprises funds that are not classified as major funds.

Operating Budget: The operating budget is the primary means by which most of the financing of acquisition, spending and service delivery activities of a government are controlled. The use of annual operating budgets is required by law.

Other Revenues: Revenues from sources other than those specifically identified that are too immaterial in amount to justify the creation of new revenue account line items. Accounts include Rental Income, Parking Lot Rental income, Sale of Property, Cemetery receipts, Insurance/Accident Reimbursement, FEMA/OES/CDR Reimbursement, Insurance Premium Reimbursement, Opera Hall Facility Rental, Insurance Administration Fee, Opera Hall Piano Rental.

Personnel Benefits: Those benefits paid by the City as conditions of employment.

Personnel: City employees.

Property Tax: Imposed on real property (land and permanently attached improvements). The tax is based upon the assessed value of such property. Accounts include Secured and Unsecured property taxes, other property taxes, homeowners exemption, real property transfer tax and pass through from RDA.

Public Employees' Retirement System (PERS): Provided for the City's employees, by the State of California.

Resources: Total amounts available for appropriation including estimated revenues, inter-fund transfers, and beginning fund balances.

Revenue: Sources of income, which the City receives during a fiscal year. Examples of revenue include taxes, intergovernmental grants, charges for services, resources forward from the prior year, operating transfers for other funds, and other financing sources such as the proceeds derived from the sales of fixed assets.

Sales Tax: .87% is returned to the City by the State Board of Equalization on a monthly direct deposit basis.

Appendix A
2019-20 Adopted Budget
Budget Glossary

Service Charge: Charges for specific services rendered. Accounts include Zoning and Subdivision Fees, Sale of Maps & Publications, Fingerprint Services - PD, Police Department Services, Street Cleaning - State Highway, Fire Department Services, Debris Pick-up, and Banner Installation.

Services and Supplies: Expenditures for services and supplies which are directly related to a department's primary service activities.

Special Revenue Fund: an account established by a government to collect money that must be used for a specific project. **Special revenue funds** provide an extra level of accountability and transparency to taxpayers that their tax dollars will go toward an intended purpose.

Supplies: An expenditure classification for articles and commodities purchased for consumption or resale.
Taxes: Compulsory charges levied by the City, County and State for the purpose of financing services performed for the common benefit.

Transient Occupancy Tax: Imposed on hotels, motels, inns or other lodging facilities. The rate in Sonora is 10%.

Transfers In/Out: Money transferred from one City fund to another. Differs from revenues and expenses - see definition of these terms.