



CITY OF SAN CARLOS

Quarterly Financial Report

Third Quarter of Fiscal Year 2024-25

The City has completed the third quarter, ended March 31, 2025, of the fiscal year (FY) 2024-25. This report summarizes the activities of the City's General Fund, which is the primary operating fund of the City and is used to account for most operating activities. This report 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.

GENERAL FUND FINANCIAL POSITION

The General Fund is comprised of budgeted operating revenues of \$57,243,090 and operating expenditures of \$66,107,540 for FY 2024-25. Expenditures in the General Fund account for direct services provided to the residents of San Carlos, including General Government services, Police services, Fire services, Parks and Recreation, Community Development and Public Works.

| GENERAL FUND | FY 2023-2024 | | | FY 2024-2025 | | |
|----------------------------|----------------|--------------------|-------------|----------------|--------------------|-------------|
| numbers in 000's | Revised Budget | 3rd Qtr YTD Actual | % of budget | Revised Budget | 3rd Qtr YTD Actual | % of budget |
| Revenues | \$ 55,339 | \$ 40,657 | 73.5% | \$ 57,243 | \$ 39,063 | 68.2% |
| Expenditures | 62,234 | 43,690 | 70.2% | 66,108 | 42,957 | 65.0% |
| Net Alloc & Transfers | (4,005) | (4,966) | 124.0% | (579) | (1,647) | 284.5% |
| Net Change in Fund Balance | (10,900) | (7,999) | 73.4% | (9,444) | (5,541) | 58.7% |
| Balance, Start of Year | 54,472 | 54,472 | 100% | 58,985 | 58,985 | 100% |
| Balance Year-to-Date | \$ 43,572 | \$ 46,473 | 106.7% | \$ 49,541 | \$ 53,444 | 107.9% |

TOP SEVEN GENERAL FUND REVENUES

The City's seven main revenue sources accounted for approximately 94.5% of the General Fund's year-to-date total operating revenue in FY 2024-25.

| REV BY TYPE | FY 2023-2024 | | | FY 2024-2025 | | |
|---------------------------|----------------|--------------------|-------------|----------------|--------------------|-------------|
| numbers in 000's | Revised Budget | 3rd Qtr YTD Actual | % of budget | Revised Budget | 3rd Qtr YTD Actual | % of budget |
| Property Tax | \$ 17,979 | \$ 11,818 | 65.7% | \$ 19,464 | \$ 12,222 | 62.8% |
| Sales Tax | 13,064 | 8,417 | 64.4% | 13,331 | 7,995 | 60.0% |
| Charges for Services | 5,123 | 4,758 | 92.9% | 5,168 | 4,527 | 87.6% |
| Vehicle In Lieu | 3,911 | 2,151 | 55.0% | 3,407 | 2,998 | 88.0% |
| Other Taxes | 6,301 | 2,840 | 45.1% | 6,589 | 3,082 | 46.8% |
| Licenses & Permits | 2,590 | 3,239 | 125.1% | 2,668 | 2,900 | 108.7% |
| Use of Money and Property | 2,975 | 2,612 | 87.8% | 3,235 | 3,204 | 99.0% |
| Other Revenues | 3,396 | 4,822 | 142.0% | 3,381 | 2,135 | 63.1% |
| Total Revenues | \$ 55,339 | \$ 40,657 | 73.5% | \$ 57,243 | \$ 39,063 | 68.2% |

Overall, these key operating revenues largely performed as projected based on payment schedules, past trends, and the expectation of continuing economic growth. Any significant variations in the different revenue categories compared to the third quarter of the prior year and the budget are noted below:

- Property tax. Most of the City's property taxes are received in December and April. The property taxes received through the third quarter were \$404,000 higher compared to the third quarter of last fiscal year due to increases in the property tax assessment rolls to account for changes in property ownership and tenant improvements.

- **Sales Tax.** Revenues for the quarter were \$422,000 lower than in the same period of the prior year. California retail sales statewide and regional data continue to show a decline in sales tax revenues particularly in building and construction group activity and building materials sales which are driving the reduction. Contributing factors to the decline include higher business operating costs and a shift to conservative spending given the uncertainty of the economy.
- **Charges for Services.** Key development and plan check revenue lagged compared to the third quarter of the previous year due to the timing of receipts and large-scale projects contributing to a decrease of \$231,000 but overall revenue is still on target at 87.6% of the budget.
- **Vehicle in-lieu (VLF).** The revenue received as of the third quarter of the current fiscal year was \$847,000 more than the prior year mainly due to the receipt of the county-wide shortfall for FY 2022-23.
- **Other Taxes.** These include Transient Occupancy Tax (TOT) and Franchise fees. Total revenue was \$242,000 higher than in the third quarter of the prior year mainly due to higher TOT receipts compared to prior year. Franchise fees were also slightly higher due to the timing of receipts. TOT revenues are still struggling to return to pre-pandemic levels and are projected to be approximately 10% lower than budgeted for the full year.
- **Licenses & Permits.** Revenues were \$339,000 lower than at the same point in the prior year due to permit payments received for the 405 Industrial development in the prior year. Similar to Charges for Services, this revenue category can vary from year to year due to the timing of development projects, and it has already surpassed the total budgeted revenue for the year as of the third quarter.
- **Use of Money and Property.** This revenue stream was \$592,000 higher than in the third quarter of the prior year due to stronger interest earnings and revenue coming in from the new digital billboard at 611 Industrial.
- **Other Revenues.** This revenue category includes business registration fees, vehicle code fines, various cost reimbursements, and grants. The reason for the decrease in the current year compared to last is the one-time \$2.5 million profit sharing payment in relation to Wheeler Plaza received in the prior year.

GENERAL FUND EXPENDITURES

In June 2023, the City Council approved several program changes and additional staffing changes for FY 2024-25 that were necessary to implement the strategic plan objectives, support the continued high level of development activity, manage the infrastructure projects, and advance increased communication need. Expenditures through the third quarter reached 65% of the annual budget, compared to 70% in the previous fiscal year. The 1.7% drop in overall spending is primarily the result of timing differences in invoicing and payment processing. Any significant variations are noted below.

| EXP BY DEPT | FY 2023-2024 | | | FY 2024-2025 | | |
|-------------------------|-----------------------|---------------------------|--------------------|-----------------------|---------------------------|--------------------|
| | Revised Budget | 3rd Qtr YTD Actual | % of budget | Revised Budget | 3rd Qtr YTD Actual | % of budget |
| <i>numbers in 000's</i> | | | | | | |
| General Government | \$ 14,187 | \$ 10,027 | 70.7% | \$ 14,997 | \$ 7,409 | 49.4% |
| Community Development | 8,709 | 5,078 | 58.3% | 9,110 | 5,229 | 57.4% |
| Fire | 12,245 | 9,303 | 76.0% | 12,900 | 9,995 | 77.5% |
| Police | 12,891 | 9,989 | 77.5% | 13,712 | 10,529 | 76.8% |
| Parks & Recreation | 5,074 | 3,419 | 67.4% | 5,357 | 3,669 | 68.5% |
| Public Works | 9,128 | 5,874 | 64.4% | 10,032 | 6,126 | 61.1% |
| Total Expenses | \$ 62,234 | \$ 43,690 | 70.2% | \$ 66,108 | \$ 42,957 | 65.0% |

- **General Government.** Expenditures were \$2,618,000 lower than in the third quarter of the prior year due to the timing of the pay down of CalPERS' Unfunded Accrued Liability (UAL) payment. A \$3 million payment was made in the prior year in January whereas the \$4 million payment made in the current year was made in April. Excluding the UAL payments, this category is \$382,000 higher than the third quarter in the prior year mostly due to increases in salaries and benefits.
- **Community Development.** Expenditures were \$151,000 higher due to the timing of professional services costs related to development and projects as compared to the third quarter of the prior year.
- **Fire.** Expenditures were \$692,000 greater than in the third quarter of the last fiscal year. This was primarily due to increases in costs for contracted fire services from the City of Redwood City

(\$402,000 through third quarter) and an increase in the annual pension payment related to the former Belmont-San Carlos Fire Department (\$215,000).

- Police. Expenditures were greater than the same period last year by \$540,000 due to the cost increases in the agreed law enforcement services contract with the San Mateo County Sheriff's Office and an increase in the annual pension payment to CalPERS.
- Parks and Recreation. Expenditures were \$250,000 higher compared to last year mainly due to higher utility costs, insurance related to special events, and professional services in response to the increased demand for classes.
- Public Works. Expenditures were \$252,000 higher than the prior year primarily due to an increase in utility costs and increased professional services to support current projects.

| EXP BY TYPE | FY 2023-2024 | | | FY 2024-2025 | | |
|-------------------------|----------------|--------------------|-------------|----------------|--------------------|-------------|
| | Revised Budget | 3rd Qtr YTD Actual | % of budget | Revised Budget | 3rd Qtr YTD Actual | % of budget |
| <i>numbers in 000's</i> | | | | | | |
| Salaries/Benefits | \$ 26,682 | \$ 19,487 | 73.0% | \$ 28,967 | \$ 17,940 | 61.9% |
| Professional Services | 30,649 | 21,175 | 69.1% | 32,161 | 21,689 | 67.4% |
| Other Operating | 4,720 | 2,874 | 60.9% | 4,791 | 3,227 | 67.4% |
| Capital Outlay | 183 | 154 | 84.2% | 189 | 101 | 53.4% |
| Total Expenses | \$ 62,234 | \$ 43,690 | 70.2% | \$ 66,108 | \$ 42,957 | 65.0% |
| Total City-wide FTEs | 101 | 92 | 91.1% | 103 | 100 | 97.1% |

- Salaries and benefits. At first glance, expenditures were \$1,547,000 lower than in the third quarter of last year. This was due to the timing of UAL payments to CalPERS as mentioned previously. Excluding those, year-to-date salaries and benefits expenditures increased by \$1,453,000 when compared to the third quarter of the prior year. This increase reflects general increases in personnel costs and the lower vacancy rate as compared to the prior year.
- Professional Services. Expenditures were \$514,000 higher compared to the same quarter of the prior year due to increased contract costs for Fire and Police services, as well as increased professional services support for Parks and Recreation classes, public record requests, and contractors for ongoing city projects under Community Development and Public Works.
- Other Operating. Expenditures were \$353,000 greater in the third quarter when compared to the same period in the prior year, mainly due to higher equipment maintenance and utilities costs.
- Capital Outlay costs were \$53,000 less than quarter three in the last fiscal year due to reduced equipment and fuel purchases.

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.