2010-11 Quarterly Financial Report
3rd Quarter Ending March 31, 2011

OVERVIEW

This financial report summarizes the City's General Fund financial position for the fiscal year through March 31, 2011, which is three quarters or 75% through the fiscal year. Also included are Special Revenue Funds for Construction Services and Fire Prevention and Enterprise Funds for Golf Course Operations and the Sewer Utility. The purpose of this report is to provide City Council, City Management, and the Citizens of San Mateo an update on the City's fiscal status based on the most recent financial information available.

GENERAL FUND SUMMARY

The updated forecast has improved in both revenues and expenditures compared with the forecast developed as part of the Financial Sustainability process. Table 1 shows the current estimated actual figures (column C) compared to the revised estimate made during the financial sustainability process (column B). Previously, the 2nd quarter report identified the potential for an ending deficit fund balance of $885K, consistent with estimates made during the financial sustainability process. However, this now looks to have been moderated with revenues expected to be $550K higher primarily due to increased sales tax and hotel tax revenues and expenditures expected to be $2.35M lower due to additional departmental savings and unspent budget contingency. This will allow a projected increase in transfers of $1.32M to cover shortfalls in the General Liability Fund and prefund anticipated property tax reductions. This increase will be included in recommendations to City Council regarding any needed year-end budget adjustments. The increased transfers are necessary to cover an anticipated year-end shortfall in the General Liability Fund and to transfer funds to a separate designated reserve for an adverse legal settlement. Based on the most recent actuarial valuation, the General Liability Fund will require an additional $800K contribution to maintain reserves at a confidence level of 70% of expected costs, the marginally acceptable level. The adverse legal settlement involves a property tax dispute between San Mateo County and Genentech. The legal settlement involves annual property tax credits over the next six years reimbursing the company for tax overpayments from 1990 to 1999. All cities in San Mateo County will share in the property tax credits and San Mateo's share totals $533K over the six year period. As a result of these adjustments, the ending fund balance for the General Fund is estimated to be $700K.

Table 1
2010-11 Adopted Budget vs. Revised Estimate vs. Estimated Actual
(In millions)

	A Budget 2010-11	B Revised Estimate 2010-11	C Est Actual 2010-11	D C - D Variance
Beginning Fund Balance	**$ 0.56**	**$ 1.10**	**$ 1.10**	$ -
Plus Revenues	77.88	76.93	77.48	0.55
Transfers In (incl gas tax,others)	1.62	1.62	1.62	0.00
Subtotal	79.50	78.55	79.10	0.55
Less Expenditures	76.92	77.50	75.15	(2.35)
Transfers Out (incl CIP,others)	3.03	3.03	4.35	1.32
Subtotal	79.95	80.53	79.50	(1.03)
Surplus(deficit)	(0.45)	(1.98)	(0.40)	1.58
Ending Fund Balance	**0.11**	**(0.88)**	**0.70**	**1.58**

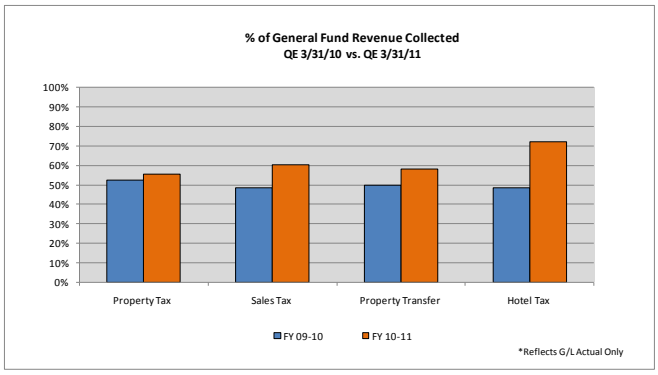
GENERAL FUND REVENUES

Actual General Fund revenue collections through March 31, 2011 are at 62.8%, versus 75% after 9 months of the fiscal year. Table 2 shows actual collections for the major four revenue sources and the percent collected when compared to the revised estimate. Chart 1 shows the comparison to the same period last year.

Table 2
2010-11 General Fund Revenue Collection as of 3/31/11

REVENUE	10-11 Revised Estimate	Actual 3/31/11	% of Estimate
Property Tax	$29,863,720	$16,549,921	55.4%
Sales Tax	17,723,000	10,672,560	60.2%
Property Transfer Tax	4,000,000	2,334,188	58.4%
Hotel Tax	3,250,000	2,342,652	72.1%
Other Revenue	22,089,000	16,388,015	74.2%
Total Revenue	**$76,925,720**	**$48,287,336**	**62.8%**

Chart 1



Property Tax collections are at 55.4% of the revised estimate after 9 months of the fiscal year. The first installment of secured property tax has been received and looks to be on track with the revised forecast of a 2% decline in secured property tax from the prior year. The majority of unsecured property tax has already been received but may fall short of the revised estimate by as much as $250K. The second installment of secured property tax will be recorded in April. Overall, the property tax category is estimated to be $93K lower than the revised estimate.

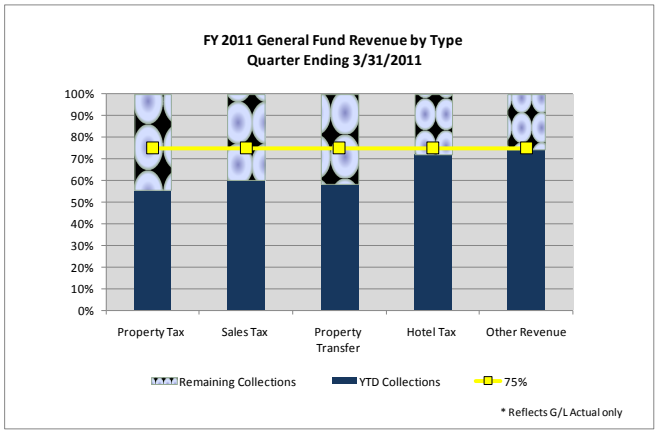
Sales Tax collections are at 60.2% of the revised estimate. Year-to-date (YTD) collections include only two full quarter receipts which is a 2% increase over the same period in the prior year, after adjusting for one time anomalies. These anomalies include Measure L ($1.1M), Triple Flip ($700K), and other one-time allocations and corrections ($300K). The revised estimate assumed a 0% increase over the prior year. Based on YTD performance, this estimate has been increased to assume a 2% increase for the year which would result in an additional $528K.

Property Transfer Tax collections are at 58.4% of the revised estimate and reflect 7 months of collections. YTD collections reflect a 4.38% increase over the same period in the prior fiscal year. The trend of those 7 months of collections indicates the annual revised estimate of $4 million continues to be on track, which would be an increase of 4.25% over the prior year.

Hotel Tax collections are 72.1% of the revised estimate and reflect 8 months of collections. YTD collections reflect a 40% increase over the same period in the prior fiscal year including revenue from Measure M. Factoring out Measure M, Hotel Tax collections are up 12%. There were only 3 months of Measure M collections in the prior year compared with 8 months in the current year. The revised estimate assumed a 2% increase over the prior year. Based on YTD performance, this estimate has been increased to assume an 8.5% increase for the year which would result in an additional $247K.

Other Revenues
Other Revenue collections are at 74.2% of the revised estimate. The ERAF reimbursement, PG&E franchise payment and other major business license renewals were all received in the third quarter.

Chart 2



GENERAL FUND EXPENDITURES
General Fund revised estimated expenditures are 69.6% versus 75% after 9 months of the fiscal year. Table 3 shows YTD expenditures by category and all categories are tracking under budget and below 75% expended, except the contribution to the General Liability Insurance Fund which is at exactly 75%.

Table 3

2010-11 Expenditures by Category as of 3/31/11

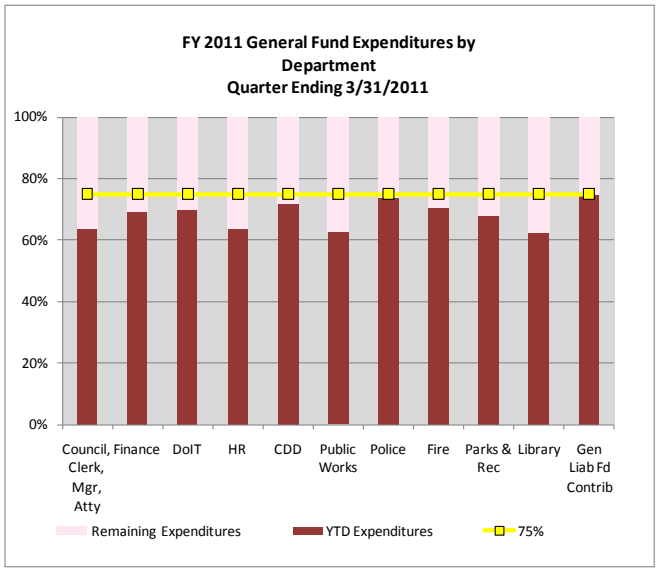
EXPENDITURE	10-11 Revised Estimate	10-11 at 3-31-11	% of Estimate
Personnel	58,965,203	42,234,629	71.6%
Operating	15,162,763	9,609,127	63.4%
Capital Outlay	2,093,179	1,550,045	74.1%
Liability Insurance	780,000	585,000	75.0%
Operating Reserve	500,000	0	0.0%
Total Operating Exp	**$77,501,145**	**$53,978,801**	**69.6%**

As shown in Table 4, all departments were less than 75% of budget after three quarters of the year. Overall, at 9 months into the fiscal year all departments are on track with the budgeted savings of $2.5M previously anticipated in the budget plus an additional savings of $1.9M from the revised estimate due to savings primarily from vacant positions.

Table 4
2010-11 Expenditures by Department as of 3/31/11

EXPENDITURE	10-11 Revised Estimate	Actual 3/31/11	% of Estimate
Council, Clerk, Mgr, Atty	$2,426,960	$1,553,059	64.0%
Finance	2,312,526	1,600,221	69.2%
DoIT	2,779,637	1,944,597	70.0%
HR	1,218,638	778,766	63.9%
CDD	767,132	552,777	72.1%
Public Works	4,563,499	2,867,562	62.8%
Police	26,866,110	19,847,137	73.9%
Fire	17,815,054	12,566,402	70.5%
Parks & Rec	12,071,640	8,227,101	68.2%
Library	5,524,949	3,456,179	62.6%
Gen Liab Fd Contrib	780,000	585,000	75.0%
Non-departmental (Op Res)	375,000	0	
Total Expenditure	**$77,501,145**	**$53,978,801**	**69.6%**

Chart 3



ENTERPRISE & SPECIAL REVENUE FUNDS

Enterprise Funds included in the quarterly report are Golf and Sewer. Special Revenue Funds included in the quarterly report are Fire Prevention and Construction Services.

Golf Enterprise Fund

Golf revenues are at 59% and are tracking lower than expenses which are at 75.7% at the 9 month mark. YTD revenues are down 6% when compared with the first 9 months of the prior year. The lagging economy, inclement weather and competition from other courses in the region are the primary reasons. There is the potential for a year-end operating loss in the range of $150K to $200K. The Parks & Recreation Department along with the golf professional and restaurant are partnering together on a number of new promotions that are expected to enhance play and increase business.

Sewer Enterprise Fund

Sewer revenues are at 23.7% and are tracking lower than expenses which are at 58.1% at the 9 month mark. YTD revenues are down 0.1% when compared with the first 9 months of the prior year. The percent of YTD revenues collected is skewed due to $30 million in bond proceeds budgeted but not yet realized. The percent of YTD expenses is also skewed due to a semi-annual debt payment for the new bond issue budgeted that will not be expended this fiscal year. Sewer revenues would be at 52.2% factoring out bond proceeds while expenses would be 64% factoring out a 4th quarter debt payment.

Fire Prevention Fund

Fire Prevention revenues are at 68.4% and are tracking lower than expenses which are at 71.7% at the 9 month mark. YTD revenues are up 1.5% when compared with the first 9 months of the prior year. YTD expenditures are tracking lower than in previous years. The projected deficit at year-end is estimated to be approximately $72K, which will be subsidized by the General Fund.

Construction Services Fund

Construction Services revenues are at 84.8% and are tracking higher than expenses which are at 66.7% at the 9 month mark. YTD revenues are up 58% when compared with the first 9 months of the prior year. There has been a marked increase in commercial activity with improvements for Serra High School, the Kaiser building and the Mervyns building tenant improvements underway. Residential permits issued YTD are up 9% from the first three quarters of the prior year and the number of counter customers has increased 35%. The goal is to work toward maintaining a balanced budget along with a surplus equal to 3 months of annual expenditures.

Table 5

REVENUE	10-11 Budget	Actual 3/31/11	% of Budget
Golf	$2,880,000	$1,699,386	59.0%
Sewer	54,913,900	12,995,414	23.7%
Fire Prevention	1,475,703	1,008,902	68.4%
Constructon Services	2,686,600	2,278,984	84.8%
Total Revenue	**61,956,203**	**17,982,686**	**29.0%**

Table 6

EXPENSE	10-11 Budget	Actual 3/31/11	% of Budget
Golf	$2,756,656	$2,087,258	75.7%
Sewer	24,779,319	14,386,806	58.1%
Fire Prevention	1,575,703	1,129,285	71.7%
Construction Services	2,524,451	1,683,081	66.7%
Total Expenditure	**31,636,129**	**19,286,430**	**61.0%**

Chart 4

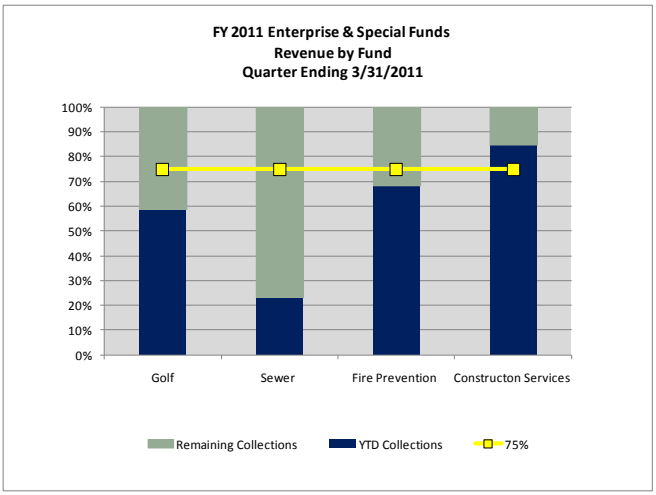
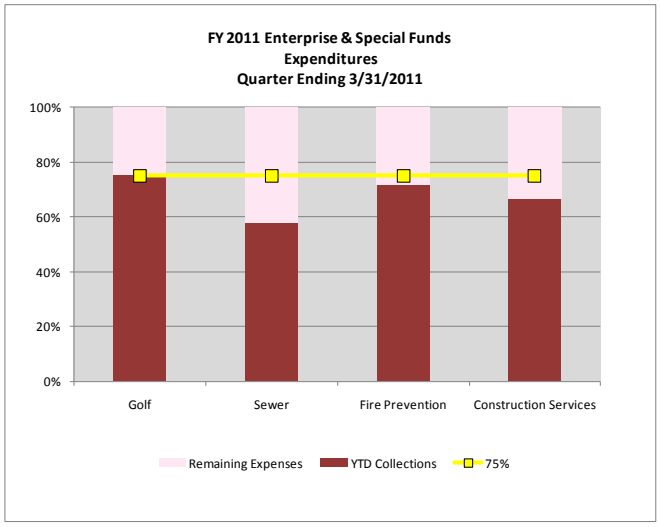



Chart 5