2011-12 Quarterly Financial Report
1st Quarter Ending September 30, 2011

OVERVIEW

This financial report summarizes the City's General Fund financial position for the fiscal year through September 30, 2011, which is one quarter or 25% 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

With only one quarter into the fiscal year, it is difficult to project with high degree of certainty where we will be at the end of this fiscal year. Regular quarterly updates will be provided as the fiscal year progresses. Table 1 shows quarter to quarter comparison and the current estimated actual figures (column E) compared to the adopted budget (column D). The positive variance of $1.55M came from adjusting Property Tax, Sales Tax and Hotel Tax with a higher base from prior year actual revenues, offset by reduction in Vehicle License Fee. As a result, the ending fund balance for the General Fund is estimated to be $2.25M at June 30, 2012. This estimate is somewhat speculative at this point with having completed only one-quarter of the fiscal year. Revenues will be closely monitored and a revised update will be provided at the end of the 2nd quarter after updated valuations for liabilities in Worker's Compensation and General Liability which may require increased funding from any revenues above the budget estimate.

Table 1
2011-12 Quarter to Quarter Comparison
Adopted Budget vs. Estimated Actual
(In millions)

	A	B	C	D	E	F
	Actual YTD 9/30/10	Actual YTD 9/30/11	B - A Variance	Budget 2011-12	Est Actual 2011-12	E - D Variance
Beginning Budgetary Fund Balance	**$ -**	**$ -**	$ -	**$ 0.70**	**$ 0.70**	$ -
Plus Revenues	6.44	6.46	0.02	77.36	78.91	1.55
Transfers In (incl gas tax,others**)**	0.54	0.54	0.00	1.62	1.62	0.00
Subtotal	6.98	7.00	0.02	78.98	80.53	1.55
Less Expenditures	17.01	17.03	0.02	78.27	78.27	0.00
Transfers Out (incl CIP,others**)**	-	-	0.00	0.71	0.71	0.00
Subtotal	17.01	17.03	0.02	78.98	78.98	0.00
Surplus(deficit)				0.00	1.55	1.55
Ending Budgetary Fund Balance				**0.70**	**2.25**	**1.55**

GENERAL FUND REVENUES

Actual General Fund revenue collections through September 30, 2011 are at 8.4%, versus 25% after 3 months of the fiscal year. Table 2 shows actual collections for the major four revenue sources and the percent collected when compared to the adopted budget. Table 3 shows the comparison to the same period last year.

Table 2
2011-12 General Fund Revenue Collection
As of 9/30/11

REVENUE	11-12 Budget	Actual YTD 9/30/11	% of Estimate
Property Tax	$29,770,893	$0	0.0%
Sales Tax	18,271,814	980,738	5.4%
Property Transfer Tax	4,000,000	319,465	8.0%
Hotel Tax	3,601,910	765,316	21.2%
Other Revenue	21,714,404	4,398,043	20.3%
Total Revenue	**$77,359,021**	**$6,463,562**	**8.4%**

Table 3

REVENUE	Actual YTD 9/30/10	Actual YTD 9/30/11	Increase/ (decrease)
Property Tax	$28,645	$0	(28,645)
Sales Tax	930,697	980,738	50,041
Property Transfer Tax	510,922	319,465	(191,457)
Hotel Tax	547,287	765,316	218,029
Other Revenue	4,417,636	4,398,043	(19,593)
Total Revenue	**$6,435,187**	**$6,463,562**	**28,375**

Property Tax No money was received in the first quarter. The July, August and September receipts earned in 2010-11 were all accrued back to the prior fiscal year. The first 2011-12 property tax installment will be received in December. The adopted budget assumed 0% growth in secured property tax. The 11-12 estimated actual was based on a higher base than the adopted budget and the same 0% growth assumption. As a result, the 11-12 receipt is estimated to be $469K higher than the adopted budget.

Sales Tax collections are at 5.4% of the adopted budget. Year-to-date (YTD) collections include only the July advance payment. The July, August and partial September receipts earned in 2010-11 were all accrued back to the prior fiscal year. The adopted budget assumed a 2% growth. Based on prior year actual revenue, the 11-12 estimated actual has been increased to include the same 2% growth assumption but from the higher base and results in an additional $954K above the adopted budget.

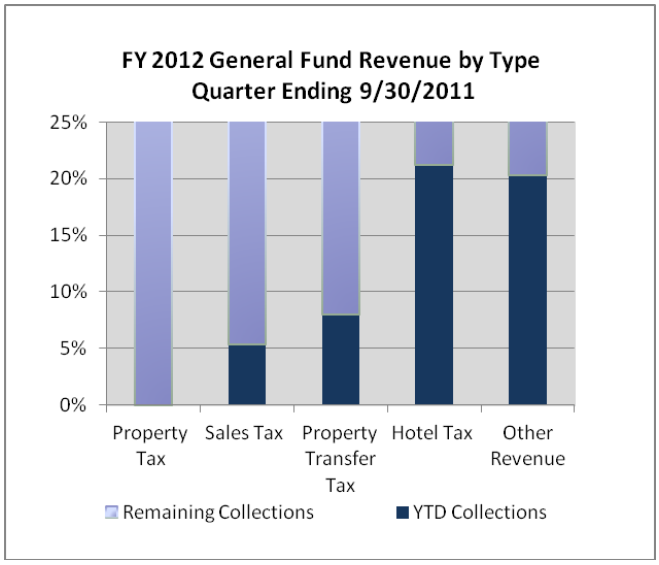
Property Transfer Tax collections are at 8.0% of the adopted budget after 3 months and reflect only the payment for the month of July. The trend of the July, August and September payments indicates the adopted budget of $4 million to be on track, which would be the same as the prior year.

Hotel Tax collections are 21.2% of the adopted budget and reflect 2 months of collections. YTD collections reflect a 26% increase over the same period in the prior fiscal year. The adopted budget assumed a 3% growth over the prior year. Based on prior year revenue, the 11-12 estimated actual has been increased to include the same 3% growth assumption but from the higher base and results in an additional $287K above the adopted budget.

Other Revenues

Other Revenue collections are at 20.3% of the adopted budget. The ERAF reimbursement, PG&E franchise payment and other major business license renewals will not be received until the third quarter.

Chart 1



GENERAL FUND EXPENDITURES

General Fund actual expenditures are 21.8% versus 25% after 3 months of the fiscal year. Table 4 shows YTD expenditures by category and all categories are under the budget and tracking below 25% expended except the contribution to General Liability Insurance Fund, which is exactly at 25%. Table 5 shows the comparison to the same period last year.

Table 4
2011-12 Expenditures by Category as of 9/30/11

EXPENDITURE	11-12 Budget	Actual YTD 9/30/11	% of Estimate
Personnel	59,498,599	13,315,233	22.4%
Operating	15,402,651	3,003,047	19.5%
Capital Outlay	2,093,179	516,536	24.7%
Liability Insurance	780,000	195,000	25.0%
Operating Reserve	500,000	0	0.0%
Total Operating Exp	**$78,274,429**	**$17,029,816**	**21.8%**

Table 5

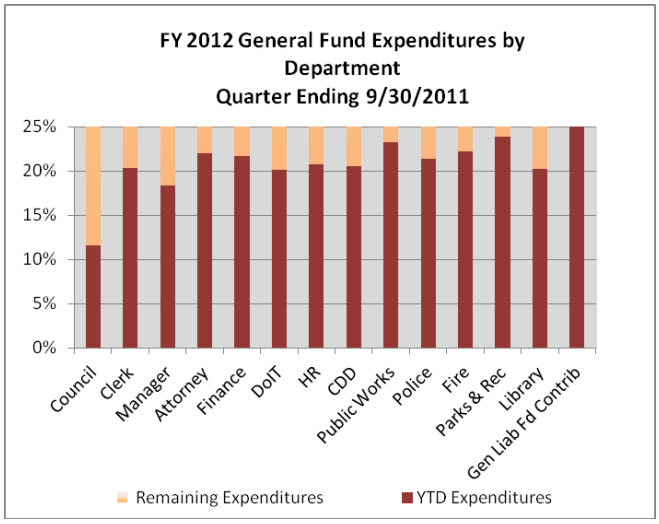
EXPENDITURE	Actual YTD 9/30/10	Actual YTD 9/30/11	Increase/ (decrease)
Personnel	13,035,013	13,315,233	280,220
Operating	3,266,182	3,003,047	(263,135)
Capital Outlay	515,993	516,536	543
Liability Insurance	195,000	195,000	0
Operating Reserve	0	0	0
Total Operating Exp	**$17,012,188**	**$17,029,816**	**17,628**

As shown in Table 6, all departments were less than 25% of budget after one quarter of the year.

Table 6
2011-12 Expenditures by Department as of 9/30/11

EXPENDITURE	11-12 Budget	Actual YTD 9/30/11	% of Estimate
Council	$375,756	$43,428	11.6%
Clerk	$441,226	$89,802	20.4%
Manager	$798,232	$146,837	18.4%
Attorney	$788,906	$173,591	22.0%
Finance	2,306,003	499,961	21.7%
DoIT	2,760,115	556,757	20.2%
HR	1,305,506	270,721	20.7%
CDD	778,894	159,767	20.5%
Public Works	4,492,127	1,046,675	23.3%
Police	27,573,155	5,889,616	21.4%
Fire	18,145,325	4,034,716	22.2%
Parks & Rec	11,831,593	2,828,409	23.9%
Library	5,397,591	1,094,536	20.3%
Gen Liab Fd Contrib	780,000	195,000	25.0%
Non-departmental (Op Res)	500,000	0	
Total Expenditure	**$78,274,429**	**$17,029,816**	**21.8%**

Chart 2



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 24.8% and are tracking lower than expenses which are at 29% at the 3 month mark. YTD revenues are down 2.5% when compared with the first 3 months of the prior year. The lagging economy and competition from other courses in the region are the primary reasons. There is the potential for a year-end operating deficit of approximately $200K which does not include adequate funding for operating and capital reserves. Staff is currently focused on developing policy options that will result in a long term solution for this imbalance.

Sewer Enterprise Fund

Sewer revenues are at 0.1% and are tracking lower than expenses which are at 20% at the 3 month mark. YTD revenue is not a good indicator of the true receipts since all the sewer services charges come in on the property tax roll in December and April. It is estimated that revenue will come in at 97% of the budget and expense at 90% of the budget at year end. The operating surplus of approximately $5.5M will be sustained and is necessary to maintain the AA Bond rating.

Fire Prevention Fund

Fire Prevention revenues are at 22.9% and are tracking slightly higher than expenditures which are at 22.7% at the 3 month mark. YTD revenues are up 4.6% when compared with the first 3 months of the prior year. YTD expenditures are tracking lower than in previous years. The budgeted transfer of $300K from

General Fund will be partially used to fund operations ($100K) with the balance added to beginning fund balance and used to achieve the goal of a fund balance equal to 3 months of operating expenditures by year end.

Construction Services Fund

Construction Services revenues are at 38.2% and are tracking higher than expenditures which are at 19.8% at the 3 month mark. YTD revenues are up 35.3% when compared with the first 3 months of the prior year. There has been a marked increase in residential activities with two major multi-family projects submitted for plan review. Commercial activities have increased slightly as the various tenant improvement projects at Hillsdale Shopping Center continued. The number of counter customers has increased 10%. An operating surplus of approximately $600K is estimated at year-end, improving the beginning fund balance of $1.3M to approximately $1.9M at year year-end. A reserve equals to 4.1 months operating expenses ($800K) has been achieved, which exceeds the goal of a reserve equal to 3 months.

Table 7

REVENUE	11-12 Budget	Actual YTD 9/30/11	% of Budget
Golf	$2,901,000	$719,942	24.8%
Sewer	26,452,500	38,981	0.1%
Fire Prevention	1,475,733	337,474	22.9%
Construction Services	2,878,853	1,100,115	38.2%
Total Revenue	**33,708,086**	**2,196,512**	**6.5%**

Table 8

EXPENSE	11-12 Budget	Actual YTD 9/30/11	% of Budget
Golf	$2,770,390	$803,244	29.0%
Sewer	22,317,950	4,527,474	20.3%
Fire Prevention	1,598,306	362,022	22.7%
Construction Services	2,865,242	566,110	19.8%
Total Expenditure	**29,551,888**	**6,258,850**	**21.2%**

Chart 3

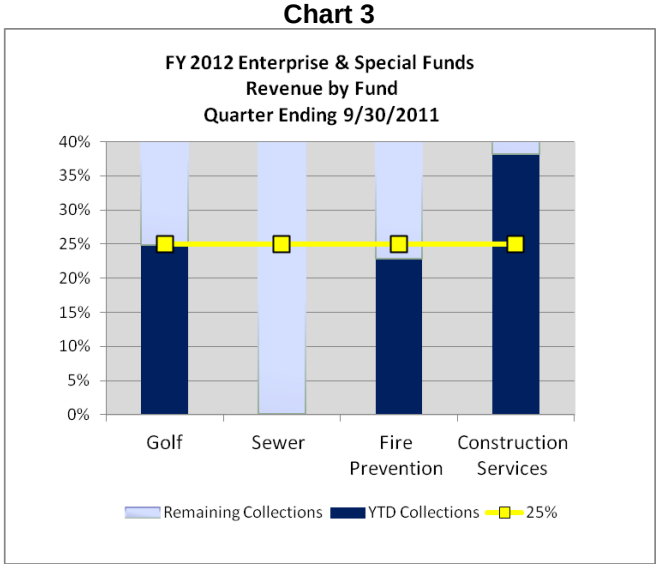
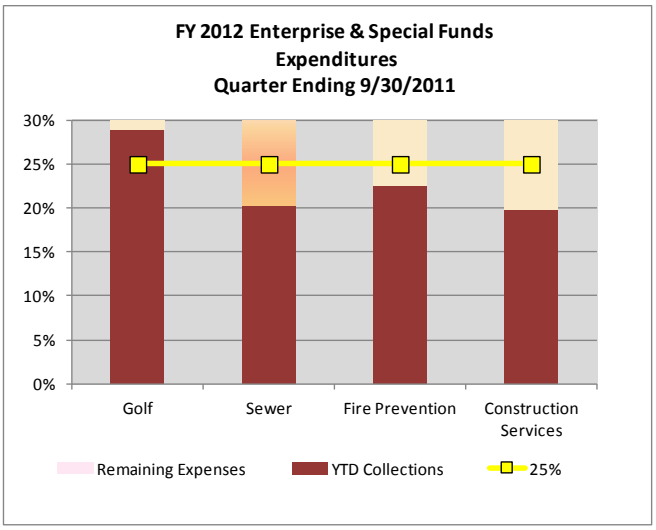



Chart 4