

CITY COUNCIL

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Agenda Item No.: 5

Date: June 9, 2010

TO: Honorable Mayor and Members of the City Council

FROM: Gilbert Rojas, Director of Finance

SUBJECT: Financial Report for the Quarter Ended March 31, 2010

RECOMMENDATION:

It is requested that Council receive and file the third quarter financial report.

PREVIOUS ACTION:

On March 24, 2010, the City Council received and approved the second quarter financial report.

BACKGROUND:

Quarterly financial reports present written financial updates to Council concerning certain funds of the City based on the most recent financial information available. These quarterly financial reports include budgetary information for each fund, along with the actual resources received to date, in addition to the use of these resources in fulfilling each fund's financial plan. The reports also provide year to date information for the General Fund, Reidy Creek, Water, and Wastewater Funds.

Respectfully submitted,



Gilbert Rojas
Director of Finance



OVERVIEW

This report summarizes the City's overall financial position for the period of July 1, 2009 through March 31, 2010. The purpose of this report is to provide the City Council, management and the citizens with an update on the City's financial status based on the most current financial information available.

Adjusted Budget and Revenue Estimates

The revenue projections and budget include adjustments for encumbrances, carryovers, and any other supplemental appropriations approved by the City Council as of March 31, 2010.

GENERAL FUND

General Fund Financial Conditions – With $\frac{3}{4}$ of the year completed, the General Fund revenues were at 61% of revised budget, and expenditures were at 71%.

Overall, the City's General Fund total revenues were on target for the third quarter. The majority of the revenues were performing as projected based on revised estimates, payment schedules and past trends for the third quarter. Any significant variances are noted below.

General Fund Balance	Revised Budget	YTD Actual	Percent
Revenues	66,064,725	40,472,051	61.26%
Expenditures	76,635,160	54,036,479	70.51%
Other Sources (Uses)	(1,056,765)	(1,616,765)	152.99%
Fund Balance, Beg of Year (1)	28,970,975	28,970,975	-
Fund Balance, Year-to-Date (1)	17,343,775	13,789,782	-

(1) This amount excludes the reserved balance, which is a portion of the City's fund balance that is not available for appropriations. The reserved fund balance at the beginning of the year and year to date was \$10,763,363 and \$10,099,102 respectively.

Quarterly Financial Report –Third Quarter Ending March 31, 2010

Revenues by Category

Revenues by Category	Revised Budget	YTD Actual	% Received
Sales Tax & Property Tax in Lieu of Sales Tax	20,600,400	12,541,460	60.88%
Property Tax and Property Tax in Lieu of VLF	20,978,800	11,443,584	54.55%
Franchise Fees	5,400,000	3,252,038	60.22%
All Other Taxes	3,520,000	2,504,015	71.14%
Permits and Licenses	935,000	760,670	81.36%
Fines and Forfeitures	2,380,000	1,506,480	63.30%
Intergovernmental	2,750,000	1,760,974	64.04%
Building/Planning/Engineering Fees	618,000	522,179	84.49%
Paramedic & Other Charges for Services	4,800,200	3,725,325	77.61%
Interest and Other Revenues	4,082,325	2,455,326	60.15%
Total Revenues	66,064,725	40,472,051	61.26%

Sales Tax & Property Tax in Lieu of Sales Tax

Sales tax and Property Tax in Lieu of Sales Tax revenue received through the third quarter were better than projected by approximately \$0.5 million. During the second quarter the City anticipated a -15% decline in sales tax, but the actual decline was only -4%, which was far better than expected. The transportation industry was the only category that showed a quarterly increase of about 2%, which can be attributed to increased auto sales and revenues from service stations.

Property Tax

Revenues collected through March 31 were slightly less than projected by approximately -\$0.2 million. This is mainly due to declines in supplemental taxes, which are driven by declining home values and home foreclosures.

Franchise Fees

Franchise fees from Cox Cable, AT &T, and Escondido Disposal were consistent with collections for the same period last year. Franchise fees from SDG&E collected through March 31, 2010 came in lower than estimated by about -\$0.3 million due to the falling natural gas prices.

Fines and Forfeitures

Fines and forfeitures were below projections for the current year due to declines in red light photo citations and code enforcement citations.

Paramedic and Other Charges for Services

Other charges for services were above projections for the current year due to unanticipated monies received from the Fire Mutual Aid fund.

Interest and Other Revenue

Other revenue was slightly lower than projections due to a continual decrease in ground lease rent received from the Westfield North County Mall, which was a result of various tenant vacancies.

Quarterly Financial Report –Third Quarter Ending March 31, 2010

Expenditures- Operating costs and departmental operating expenditures were on target for the third quarter of the year as summarized below.

Expenditures by type	Revised Budget	YTD Actual	Percent Expended
Employee services	66,125,340	47,812,007	72.31%
Contract services	4,731,735	3,009,266	63.60%
Buildings Repairs and Maint	2,050,485	1,537,866	75.00%
Equipment	3,909,815	2,870,533	73.42%
Insurance	1,890,040	1,417,518	75.00%
Utilities	2,792,380	2,021,917	72.41%
Other operating cost	5,555,725	3,276,119	58.97%
Total by Type	87,055,520	61,945,226	71.16%
Allocations	(10,420,360)	(7,908,747)	75.90%
Total Expenditures	76,635,160	54,036,479	70.51%

Expenditures by department	Revised Budget	YTD Actual	Percent Expended
General Government	11,742,460	8,362,819	71.22%
Community Development	3,808,465	2,695,040	70.76%
Public Works	13,184,655	8,875,130	67.31%
Community Service	4,625,415	3,274,610	70.80%
Police	34,505,965	25,092,644	72.72%
Fire	17,794,320	13,125,106	73.76%
Other	1,394,240	519,876	37.29%
Total Departmental	87,055,520	61,945,225	71.16%
Allocations	(10,420,360)	(7,908,747)	75.90%
Total Expenditures	76,635,160	54,036,478	70.51%

Total expenditures were \$4 million lower than prior year third quarter, which represents a savings of approximately 7.5%. The savings were mainly due to a reduction of cost of employee services accomplished by: eliminating several vacant positions, freezing positions as they became vacant, and mandatory furloughs with salary and benefits reductions.

ENTERPRISE FUNDS

In general, enterprise fund revenues and expenditures performed as projected.

Water Fund

Working Capital	Budget	YTD Actual	Percent
Revenues	46,844,100	33,738,193	72%
Expenditures			
Operating programs	34,619,250	22,323,771	64%
Debt service	2,531,365	1,617,767	64%
Allocations	4,237,980	3,390,291	80%
Other sources (uses)	(4,924,930)	(7,974,330)	162%
Net changes in assets & liabilities	(770,000)	1,251,376	-
Net Assets, Beg of Year	5,069,200	5,069,200	-
Net Assets, Year to Date	4,829,775	4,752,610	-

Quarterly Financial Report –Third Quarter Ending March 31, 2010

The City entered into a funding agreement with the Safe Drinking Water State Revolving Fund and American Recovery and Reinvestment Act in the amount of \$ 5.8 million. Funds will finance the Alexander Area Phase II Water Line Replacement Project. Funds are 50% loan and 50% forgiveness of principal. During the third quarter, the revenue budget was increased by \$2.9 million to reflect 50% of the loan which will be forgiven. Overall, revenues were on target with their corresponding projections, except funding for the Alexander project, which has not yet been received.

Water fund revenues came in 3% higher than prior year. Increased fees for water services contributed to the increase of revenue, and helped offset the anticipated reduction in water usage during the 3rd quarter. Expenditures were slightly below budget, due to operating efficiencies and increased rainfall for the quarter. It is important to note that expenditures were approximately \$ 1.8 greater than last year's 3rd quarter expenditures. The increase in expenditures was due to the cost of purchasing water, which has increased significantly over the last year.

Net Assets were slightly lower than expected, due to the addition of the Alexander Area Phase II Water Line project, as mentioned above.

Wastewater Fund

Working Capital	Budget	YTD Actual	Percent
Revenues	29,086,300	21,760,100	75%
Expenditures			
Operating programs	16,848,325	10,028,129	60%
Debt service	2,108,225	1,343,732	64%
Allocations	2,431,600	1,604,760	66%
Other sources (uses)	(3,615,800)	(3,615,800)	100%
Net changes in assets & liabilities	(3,608,885)	(1,547,930)	-
Net Assets, Beg of Year	10,658,800	10,658,800	-
Net Assets, Year to Date	11,132,265	14,278,549	-

The Wastewater revenues were on target for the third quarter, and are expected to meet projections for the end of the year. Total revenues were \$ 2 million higher than previous year at this time, which has been attributed to the increase in services charge rates. Expenditures were slightly below budget due to efficiencies in operating costs. Net assets were currently higher than budgeted. The City anticipates Net Assets will continue to be higher, and its balance will be applied to capital projects as needed.

Quarterly Financial Report –Third Quarter Ending March 31, 2010

Reidy Creek Fund- Special Revenue Fund

Revenues generated by the Reidy Creek Golf Course were approximately \$50 thousand, or 10% less than same quarter last year. Consistent with prior quarter, declining revenues are attributed to both economic factors and weather conditions. Current economic conditions coupled with an increased amount of rainfall, have contributed to a decrease of 6% in the number of golf rounds played compared to the same quarter last year. Although total expenditures were also reduced by 9%, the operating loss was approximately 2% higher than last year same quarter. The city will continue to monitor its golf operations.

Working Capital	Budget	YTD Actual	Percent
Revenues	727,260	462,202	64%
Expenditures	724,905	478,555	66%
Other Sources & (uses)	50,000	50,000	100%
Balance, Beg of Year	25,700	25,700	-
Balance, Year to Date	78,055	59,347	-