

CITY COUNCIL

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Reso No. _____ File No. _____

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Agenda Item No.: 14

Date: November 2, 2011

TO: Honorable Mayor and Members of the City Council

FROM: Gilbert Rojas, Director of Finance

SUBJECT: Financial Status Report for Fiscal Year 2010-11

RECOMMENDATION:

It is requested that Council receive and file the financial status report for fiscal year 2010-11 and adopt Resolution No. 2011-140 which modifies the City Council Policy on Fund Balances.

FISCAL ANALYSIS:

This report provides Council a written end of fiscal year financial status of selected funds of the City for Fiscal Year 2010-11. The report provides actual revenues and expenditures for fiscal year 2010-11 compared to Fiscal Year 2009-10 for the General Fund, the Redevelopment Agency, the Water and Wastewater Enterprises, Reidy Creek Municipal Golf Course and the Recreation Fund. The financial highlights for each of these funds is summarized below:

- The General Fund adopted a Fiscal Year 2010-11 budget relying on employee compensation reductions, budget reductions, and the use of \$4 million from the Reserve. Because actual revenues came in over projections and planned compensation and budget reductions were achieved, the General Fund's projected use of Reserve funds will be around \$500,000. This leaves a Reserve balance at June 30, 2011 of \$19.7 million dollars. In addition the Economic Development Reserve is (net) \$9.1 million dollars.
- The Redevelopment Agency's fund balance decreased from \$15.2 million dollars to a negative \$8.8 million dollars. This is the result of the Agency paying back the general fund \$20 million dollars in long term advance loans. This presents a short term (within the fiscal year) cash flow problem that will be addressed by an inter-fund loan from the General Fund. Currently the Agency cannot afford to take on any new additional expenses.
- The Water Fund and the Wastewater Fund ended the year with an increase to fund balance of \$2.8 million dollars and \$300,000 respectively. The Water increase was significantly over the budgeted plan however still below the amount needed to fund vital construction projects. It is estimated that Water must raise 24 million dollars in capital funds. The Wastewater Fund balance increase was significantly below the budgeted plan for FY 2010/11. It is estimated that

the income generated by these funds will be used to increase the capital and operating reserves to levels recommended by the most recent rate study following City Council policy.

- The Reidy Creek Municipal Golf Course ended the year breaking even. Although revenue was down by 4% due to the economy and weather conditions, expenditures were reduced by 4% to offset this loss in revenue. J. C. Resorts, who manages our golf course, made a huge marketing push in June to accomplish breaking even.
- The Recreation Fund increased fund balance for fiscal year 2010-11 from \$462,541 to \$596,790. The increase can be attributed to two revenue sources that are not cost recovery revenue - Cox franchise fees, and lease of the Vineyard Golf Course. It is recommended that the City Council decide the best use of this fund balance during consideration of the FY 2012/13 budget.

CORRELATION TO THE CITY COUNCIL ACTION PLAN:

This item relates to the Council's Action Plan regarding Financial Stability.

PREVIOUS ACTION:

On March 23, 2011, and May 11, 2011, the City Council received and approved the quarterly financial reports.

BACKGROUND:

This year-end financial status report presents a written financial update to Council concerning certain funds of the City and their year-end financial information. This report includes budgetary information for selected funds, along with actual revenues and expenditures for the year. In addition, it provides Council a summary of each of these funds' financial plan and whether the plan was achieved during the year. The first week of December, Council will be receiving the Escondido Comprehensive Annual Financial Report (CAFR), which is prepared in accordance with generally accepted accounting principles (GAAP).

Respectfully submitted,



Gilbert Rojas
Director of Finance

Quarterly Financial Status Report



Prepared by the Finance Department

Fourth Quarter Ending June 30, 2011

This report summarizes the City's overall financial position for the period of July 1, 2010 through June 30, 2011. While the focus of this report is the General Fund, the financial status of the Redevelopment Agency (Community Development Commission), the Low and Moderate Housing Fund, the Water and Wastewater Enterprises, the Vehicle Parking District, the Recreation Fund, and the Reidy Creek Municipal Golf Course are included. This report is for internal use only. The figures presented here are unaudited and have not been prepared in accordance with Generally Accepted Accounting Principles (GAAP).

General Fund

The City General Fund ended the fiscal year better than projected. Originally, the fiscal year 2010-11 budget anticipated using \$4.1 million from our reserves. Our mid-year financial report estimated an improvement in revenues of \$1.8 million and our anticipated use of reserves was reduced to \$2.3 million. Now that our books are closed, the actual amount of loss that the General Fund Reserves will cover is only \$514,000. This makes our June 30, 2011 reserve ending balance \$19.7 million. In addition, during the year the City Council took action to set up an Economic Development Reserve of \$9.1 million (net). The City also has a portion of fund balance that has an intended (or assigned) use in the amount of \$1.1 million. The intended use of these funds

includes improvements for Daley Ranch, undergrounding utilities and purchase order commitments. The last portion of Fund Balance is the nonspendable category. This amounts to \$5.4 million and represents advances that will not be converted to cash until future periods. All of the above mentioned items

General Fund Balance	Original Budget	Final Budget	Actual	Variance Over (Under)
Revenues	\$67,594,000	\$69,752,660	\$69,704,306	(\$48,354)
One Time Revenue		15,088,154	15,088,154	0
Expenditures	73,385,515	73,618,325	71,747,825	(1,870,500)
Other Sources (Uses)	1,718,690	(9,406,055)	(9,405,910)	145
Fund Balance, Beg of Year	31,691,483	31,691,483	31,691,483	-
Fund Balance, End of Year (1)	\$27,618,658	\$33,507,917	\$35,330,208	\$1,822,291

comprise the General Fund Balance of \$35.3¹ million.

Actual General Fund revenues for the year were \$69.7 million excluding one-time revenue of \$15.1 million received from interest earned on an advance to Redevelopment. This is an improvement in revenues of \$1.7 million or 2.5% higher than revenue received in the previous year. Actual General Fund expenditures were \$71.7 million which was \$1.9 million less than budgeted and \$3.6 million less than the prior year. The next few pages of this report provide detail of General Fund revenue and expenditures.

General Fund Revenues


15%

Sales Taxes (\$25.1 million) – Sales tax revenue for the year was up \$3.3 million or 15 percent higher than the previous fiscal year. This increase in revenue exceeded the City's final budgeted amount by about \$500,000. Sales tax receipts during April through June 2011 grew by 11.2%. This increase in the City's sales tax numbers is in line with growth seen throughout the area. San Diego County and the State have also experienced positive growth for the April through June 2011 quarter of 7.7% and 10.3% respectively. In addition, this is the City's sixth straight quarter reflecting like quarter growth. The reason for this positive sales tax growth was observed in all the economic categories within the City except construction which was down 3.4%. For sales occurring in the second calendar quarter of 2011, the biggest increases could be seen in food products (8.4%), transportation (16.4%), and business to business (15.6%). Within these categories, the economic segments with the largest gains were new auto sales (22.2%) and service stations (25.7%). The largest economic segments in the city continue to be new auto sales, department stores, service stations, restaurants, and retail building materials. Together, they generate 51% of the city's sales tax revenues.


1.9%

Property Taxes (\$20.4 million) – Property tax revenues collected by the City were down \$.4 million over last year. This decline is due to Prop 8 reductions, foreclosures, commercial property tax appeals and lower prices on home sales. In fiscal year 2010-11, these factors caused assessed value in Escondido to decrease by 1.2%. However, this decline in assessed value is an improvement over last fiscal year when property values in the City were down 8%.


2%

Franchise Fees (\$4.8 million) – Franchise fees are generated from privately owned utility companies and other businesses for the privilege of using City rights-of-way while conducting business within City limits. Businesses that are required to pay franchise fees to the City include: San Diego Gas and Electric (SDG&E) on gas and electric services, Cox Cable and AT&T for cable and video services, and Escondido Disposal for refuse collection services. Franchise fees were down \$.1 million compared to last year primarily due to a decline in the in-lieu franchise fee collected from SDG&E. The decrease in in-lieu taxes was the result of less natural gas used at the Palomar Energy power plant.


.6%

All Other Taxes (\$3.5 million) – All other taxes include transient occupancy tax (TOT), property transfer tax, transfer station fee and business licenses. In total, these revenues are down over last year by about \$20,000. Business license revenues decreased by approximately \$82,000 compared to the last fiscal year or about 5.4%. TOT receipts reflected an increase of approximately \$71,000 or 7.4% greater than last fiscal year. The transfer station fee is up about \$13,000 or 2% compared to last year. The property transfer tax is down about \$21,000 compared to last fiscal year. This revenue is down due to the depressed real estate market in Escondido.



3.6%

Intergovernmental (\$2.8 million) – Intergovernmental revenues include vehicle license fees, the Rincon fire services agreement, state library grants, senior nutrition grants, P.O.S.T. reimbursement, and state mandated cost reimbursements. Revenues in this category have increased over prior year by about \$.1 million. This increase was due to additional funding from Vehicle License fees of \$45,000, Regional Auto Theft grant of \$80,000, Public Library Foundation Grant of \$50,000 and an increase in mandated cost claim reimbursements from the State of \$15,000. These increases offset a decrease of about \$155,000 in revenue collected from the Rincon Fire Agreement. This revenue is a property tax based fee, so the decrease in this fee correlates with the decline in property assessed values.



5.3%

Development-Related Revenues (\$1.5 million) – Development related revenues, which include building permits, planning fees, building department fees, and engineering fees, reflected a decrease of approximately \$84,000 in revenue collected compared to the prior fiscal year. This decrease in revenue is mainly from building permits. These declines are the result of fewer residential permits being issued during the year compared to the prior year.



13.3%

Fines and Forfeitures (\$1.9 million) – Fines and forfeitures are collected by the City for red light photo citations, vehicle code fines, parking ticket fines, other court fines, library fines, code fine or forfeiture as opposed to when the fine is imposed. These revenues are down about \$300,000. The decrease in revenue is the result of decreases in vehicle code fines, parking ticket fines, impounds fees and red light camera fines.



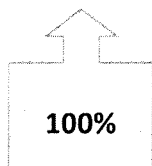
9%

Charges for Services (\$5.1 million) – Charges for services include false alarm fees, fingerprinting revenue, abandoned vehicle fees, alarm registration, library fees, senior center fees, the OASIS program, paramedic fees, fire prevention inspection fees, fire mutual aid and passport processing fees. Revenues collected this year have decreased compared to prior year due to declines in police services revenue from abandoned vehicle abatement revenue (payment timing issue), paramedic fees and fire mutual aid.

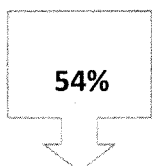


13.9%

Income from Interest and Property (\$3.9 million) – Income from interest and property includes rent received from leased City property and interest income on City investments. This revenue is up \$.5 million compared to last year at this time due to rental payments collected from new lease agreements with tenants at the Harmony Grove and Spruce Street properties. The increase in revenue from rental property is offset by a decrease in investment earnings of about \$90,000. This decrease is attributed to a decline in the City's portfolio yield.



Redevelopment Interest (\$15.1 million) – Redevelopment interest is the interest portion received by the General Fund for the partial repayment of the loan owed by the CDC to the City approved by Council on February 16, 2011. The principal payment on the loan was \$4,911,846. These funds will be segregated as committed fund balance to be spent on capital projects that spur economic development.



Other Revenue (\$.7 million) – Other revenue includes contributions to the City, NSF check charges, damages to City property, sale of City property, mobile home fees, reimbursement from outside agencies and other miscellaneous revenue. Other Revenue collected during the year is down by about \$.8 million compared to last year. This decrease is due a large developer contribution of \$1 million received in the prior year.

General Fund Expenditures

Total General Fund expenditures for fiscal year 2010-11 equaled \$71.7 million. This was \$1.9 million less than what was budgeted and \$3.7 million less than prior year expenditures. Expenditure savings were achieved by a combination of department budget reductions, the elimination of positions and a reduction in building maintenance internal service charges.

GENERAL FUND					
REVENUE COMPARISON - BUDGET TO ACTUAL					
	FY 2010-2011 Original Budget	FY 2010-2011 Final Budget	FY 2010-2011 Actual	Variance Over (Under)	%
TAXES					
SALES TAX AND IN LIEU SALES TAX	\$23,247,000	\$24,667,000	\$25,147,480	\$480,480	1.9
PROPERTY TAX AND IN LIEU VLF	20,641,000	20,309,000	20,368,514	59,514	0.3
FRANCHISE TAX	5,000,000	5,177,000	4,770,340	(406,660)	-7.9
BUSINESS LICENSE TAX	1,555,000	1,521,000	1,438,041	(82,959)	-5.5
TRANSIENT OCCUPANCY TAX	935,000	957,000	1,025,120	68,120	7.1
TRANSFER STATION FEE	687,000	651,000	663,096	12,096	1.9
PROPERTY TRANSFER TAX	343,000	388,000	365,589	(22,411)	-5.8
TOTAL TAXES	52,408,000	53,670,000	53,778,180	108,180	0.2
INTERGOVERNMENTAL					
VEHICLE LICENSE FEES	375,000	455,000	477,958	22,958	5.0
RINCON FIRE AGREEMENT	1,700,000	1,620,000	1,564,296	(55,704)	-3.4
GRANTS	590,000	741,190	778,630	37,440	5.1
TOTAL INTERGOVERNMENTAL	2,665,000	2,816,190	2,820,884	4,694	0.2
DEVELOPMENT-RELATED FEES	1,212,000	1,424,000	1,491,605	67,605	4.7
FINES AND FORFEITURES	2,090,000	2,090,000	1,895,447	(194,553)	-9.3
CHARGES FOR SERVICES					
PARAMEDIC FEES	3,500,000	3,778,000	3,587,744	(190,256)	-5.0
POLICE SERVICES	1,026,000	1,026,000	934,186	(91,814)	-8.9
COMMUNITY SERVICES	107,000	107,000	99,820	(7,180)	-6.7
OTHER SERVICES	490,000	505,000	530,215	25,215	5.0
TOTAL CHARGES FOR SERVICES	5,123,000	5,416,000	5,151,965	(264,035)	-4.9
INCOME FROM INT & PROPERTY	3,608,000	3,616,000	3,868,069	252,069	7.0
REDEVELOPMENT INTEREST	-	15,088,154	15,088,154	-	-
OTHER REVENUE	488,000	720,470	698,156	(22,314)	-3.1
TOTAL GENERAL FUND	\$67,594,000	\$84,840,814	\$84,792,460	(\$48,354)	-0.1

GENERAL FUND				
REVENUE COMPARISON - PRIOR YEAR TO CURRENT YEAR				
	July - June 2010	July - June 2011	Prior Year to Current Year Change	%
TAXES				
SALES TAX AND IN LIEU SALES TAX	\$21,798,209	\$25,147,480	\$3,349,271	15.4
PROPERTY TAX AND IN LIEU VLF	20,759,812	20,368,514	(391,298)	-1.9
FRANCHISE TAX	4,870,014	4,770,340	(99,674)	-2.0
ALL OTHER TAXES	3,511,633	3,491,846	(19,787)	-0.6
TOTAL TAXES	50,939,668	53,778,180	2,838,512	5.6
INTERGOVERNMENTAL				
VEHICLE LICENSE FEES	432,493	477,958	45,465	10.5
RINCON FIRE AGREEMENT	1,719,123	1,564,296	(154,827)	-9.0
GRANTS	572,210	778,630	206,420	36.1
TOTAL INTERGOVERNMENTAL	2,723,826	2,820,884	97,058	3.6
DEVELOPMENT-RELATED FEES	1,575,226	1,491,605	(83,621)	-5.3
FINES AND FORFEITURES	2,186,227	1,895,447	(290,780)	-13.3
CHARGES FOR SERVICES				
PARAMEDIC FEES	3,829,596	3,587,744	(241,852)	-6.3
POLICE SERVICES	1,074,577	934,186	(140,391)	-13.1
COMMUNITY SERVICES	98,680	99,820	1,140	1.2
OTHER SERVICES	655,839	530,215	(125,624)	-19.2
TOTAL CHARGES FOR SERVICES	5,658,692	5,151,965	(506,727)	-9.0
INCOME FROM INT & PROPERTY	3,395,062	3,868,069	473,007	13.9
OTHER REVENUE	1,524,986	698,156	(826,830)	-54.2
REVENUE BEFORE ONE-TIME ITEMS	68,003,687	69,704,306	1,700,619	2.5
REDEVELOPMENT INTEREST		15,088,154	15,088,154	100.0
TOTAL GENERAL FUND REVENUE	\$68,003,687	\$84,792,460	\$16,788,773	24.7

GENERAL FUND			
EXPENDITURE STATUS BY DEPARTMENT - BUDGET TO ACTUAL			
	FY 2010/11 Final Budget	FY 2010/11 Actual	Variance Over (Under)
GENERAL GOVERNMENT			
CITY COUNCIL	\$289,985	\$289,134	(851)
CITY MANAGER/VIDEO SERVICES	1,129,730	1,118,964	(10,766)
CITY ATTORNEY	245,645	225,198	(20,447)
CITY CLERK	461,875	440,826	(21,049)
CITY TREASURER	284,075	279,549	(4,526)
SUBTOTAL GENERAL GOVERNMENT	2,411,310	2,353,671	(57,639)
ADMINISTRATIVE SERVICES			
FINANCE	1,000,400	998,537	(1,863)
HUMAN RESOURCES/RISK MGMT	469,870	411,881	(57,989)
INFORMATION SYSTEMS	2,065,145	2,082,823	17,678
SUBTOTAL ADMINISTRATIVE SERVICES	3,535,415	3,493,241	(42,174)
COMMUNITY SERVICES			
LIBRARY	3,298,825	3,106,275	(192,550)
OLDER ADULT SERVICES	600,690	595,459	(5,231)
NUTRITION CENT.	260,550	229,990	(30,560)
OASIS	255,615	224,750	(30,865)
SUBTOTAL COMMUNITY SERVICES	4,415,680	4,156,474	(259,206)
COMMUNITY DEVELOPMENT			
PLANNING	1,253,905	1,201,396	(52,509)
CODE ENFORCEMENT	887,945	810,382	(77,563)
BUILDING	697,595	639,721	(57,874)
SUBTOTAL COMMUNITY DEVELOPMENT	2,839,445	2,651,499	(187,946)
PUBLIC WORKS			
ENGINEERING	1,846,780	1,510,178	(336,602)
STREETS	5,049,715	4,951,975	(97,740)
PARKS	2,360,935	2,299,436	(61,499)
SUBTOTAL PUBLIC WORKS	9,257,430	8,761,589	(495,841)
PUBLIC SAFETY			
POLICE	32,494,100	32,776,737	282,637
FIRE	16,859,960	16,619,736	(240,224)
EMERGENCY MGT.	121,065	59,851	(61,214)
SUBTOTAL PUBLIC SAFETY	49,475,125	49,456,324	(18,801)
OTHER			
NON-DEPARTMENTAL	1,431,220	647,027	(784,193)
COMMUNITY RELATIONS	252,700	228,000	(24,700)
SUBTOTAL OTHER	1,683,920	875,027	(808,893)
TOTAL GENERAL FUND	\$73,618,325	\$71,747,825	(\$1,870,500)

GENERAL FUND				
EXPENDITURE STATUS BY DEPARTMENT - PRIOR YEAR TO CURRENT YEAR				
	July - June 2010	July - June 2011	Prior Year to Current Year Change	%
GENERAL GOVERNMENT				
CITY COUNCIL	\$249,993	\$289,134	\$39,141	15.7
CITY MANAGER/VIDEO SERVICES	1,105,546	1,118,964	13,418	1.2
CITY ATTORNEY	314,418	225,198	(89,220)	-28.4
CITY CLERK	472,087	440,826	(31,261)	-6.6
CITY TREASURER	276,726	279,549	2,823	1.0
SUBTOTAL GENERAL GOVERNMENT	2,418,770	2,353,671	(65,099)	-2.7
ADMINISTRATIVE SERVICES				
FINANCE	999,560	998,537	(1,023)	-0.1
HUMAN RESOURCES/RISK MGMT	431,586	411,881	(19,705)	-4.6
INFORMATION SYSTEMS	2,010,805	2,082,823	72,018	3.6
SUBTOTAL ADMINISTRATIVE SERVICES	3,441,951	3,493,241	51,290	1.5
COMMUNITY SERVICES				
LIBRARY	3,333,735	3,106,275	(227,460)	-6.8
OLDER ADULT SERVICES	644,484	595,459	(49,025)	-7.6
HOUSING/NEIGHBORHOOD SER.	48,114	-	(48,114)	-100.0
NUTRITION CENT.	234,589	229,990	(4,599)	-2.0
OASIS	194,424	224,750	30,326	15.6
SUBTOTAL COMMUNITY SERVICES	4,455,346	4,156,474	(298,872)	-6.7
COMMUNITY DEVELOPMENT				
PLANNING	1,444,241	1,201,396	(242,845)	-16.8
CODE ENFORCEMENT	1,065,574	810,382	(255,192)	-23.9
BUILDING	652,002	639,721	(12,281)	-1.9
SUBTOTAL COMMUNITY DEVELOPMENT	3,161,817	2,651,499	(510,318)	-16.1
PUBLIC WORKS				
ENGINEERING	1,948,860	1,510,178	(438,682)	-22.5
STREETS	6,079,993	4,951,975	(1,128,018)	-18.6
PARKS	2,428,739	2,299,436	(129,303)	-5.3
SUBTOTAL PUBLIC WORKS	10,457,592	8,761,589	(1,696,003)	-16.2
PUBLIC SAFETY				
POLICE	33,553,499	32,776,737	(776,762)	-2.3
FIRE	17,116,463	16,679,587	(436,876)	-2.6
SUBTOTAL PUBLIC SAFETY	50,669,962	49,456,324	(1,213,638)	-2.4
OTHER				
NON-DEPARTMENTAL	484,310	647,027	162,717	33.6
COMMUNITY RELATIONS	315,000	228,000	(87,000)	-27.6
SUBTOTAL OTHER	799,310	875,027	75,717	9.5
TOTAL GENERAL FUND	\$75,404,748	\$71,747,825	(\$3,656,923)	-4.8

Community Development Commission



6.1%

OPERATING REVENUES

Tax Increment (\$19 million) – The decline in tax increment revenue of \$770,625 is due to Prop 8 reductions, foreclosures, the lower prices on home sales and commercial property tax appeals. These factors caused property assessed values in the Escondido Redevelopment area to decline by 2.5% in fiscal year 2010-11.

Interest Income (\$185,693) – Interest income decreased by \$.5 million compared to last fiscal year due to a combination of a decreasing cash balance of about \$23 million and a 17.4% decrease in the yield on the City's pooled investment portfolio. The decline in cash balance is due to a partial repayment of principal and interest on an advance owed by the CDC to the General Fund.



39.3%

OPERATING EXPENDITURES

Community Development (\$717,470) – The majority of the increase in Community Development expenditures is due to legal, financial and redevelopment consulting work paid to evaluate the design and construction of a proposed minor league baseball park.

Debt Expense (\$10.9 million) – Debt expense includes bond principal and interest payments for the Series 2001 Lease Revenue Bonds, 2007A Lease Revenue Refunding Bonds, and the 2007B Taxable Lease revenue Refunding Bonds. The CDC Housing Debt Service Fund also repaid a \$1,026,467 loan issued from the California Housing Financing Agency in accordance with the HELP program for the Community Development Commission's multifamily rehabilitation loan program.

Agency Tax Sharing Agreement (\$9.1 million) – The Agency's tax sharing payments increased by about \$5.3 million compared to last year. This was the result of the CDC having sufficient tax revenues to pay all their agreed upon deductions and begin distributing shared revenues to the taxing entities that the CDC has Tax Sharing Agreements.

NON-REOCCURRING ITEMS

Other Revenues – In the prior fiscal year, the CDC received \$1.6 million from the County of San Diego as a result of a settlement between the CDC and the County for miscalculating their portion of tax increment revenue.

Debt Expense (\$15.1 million) - The increase in debt expense is due to the partial repayment of the advance owed by the CDC to the General Fund approved by Council on February 16, 2011. The CDC repaid the General Fund \$15,088,154 in interest and \$4,911,846 of principal.

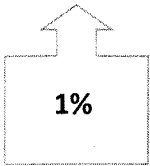
Supplemental Educational Revenue Augmentation Funds (\$1.7 million) – The CDC was required to make a SERAF payment to the state in the amount of \$1.7 million during the current year.

Purchase of City Property (\$5.6 million) – In September 2010, the CDC purchased three vacant lots located on Juniper Street and Grand Avenue to develop parking lots. In December 2010, the CDC purchased property on Spruce Street for about \$5 million for the proposed ballpark.

CDC Fund Balance – The CDC began the year with a positive fund balance of \$15.5 million. Non-reoccurring items such as the partial repayment of principal and interest on the advance to the General Fund, the SERAF payment, and purchase of property have resulted in an end of year fund balance of negative \$8.8 million.

COMMUNITY DEVELOPMENT COMMISSION					
DEBT SERVICE & CAPITAL PROJECT FUNDS					
	FY 2010/11 Adopted Budget	July - June 2010	July - June 2011	Prior Year to Current Year Change	%
REVENUES					
TAX INCREMENT	\$19,132,000	\$ 19,863,033	\$ 19,092,408	\$ (770,625)	-3.9%
INTEREST INCOME	255,000	669,874	185,693	(484,181)	-72.3%
OTHER REVENUES	349,640				0.0%
TOTAL OPERATING REVENUE	19,736,640	20,532,907	19,278,101	(1,254,806)	-6.1%
EXPENDITURES					
COMMUNITY DEVELOPMENT	766,469	32,412	717,470	685,058	2113.6%
DEBT EXPENSE	10,851,615	11,007,328	10,883,297	(124,031)	-1.1%
AGENCY TAX SHARING AGREEMENT	9,218,000	3,817,295	9,101,406	5,284,111	138.4%
TOTAL OPERATING EXPENDITURES	20,836,084	14,857,035	20,702,173	5,845,138	39.3%
NON-REOCCURRING REVENUE (EXPENSES)					
OTHER REVENUES		1,671,224		(1,671,224)	
DEBT EXPENSE	(15,088,154)		(15,088,154)	(15,088,154)	
SERAF	(2,000,000)	(8,556,226)	(1,761,576)	6,794,650	
PURCHASE OF PROPERTY	(5,612,368)		(5,609,644)	(5,609,644)	
TOTAL NON-REOCCURRING ITEMS	(22,700,522)	(6,885,002)	(22,459,374)	(15,574,372)	
TOTAL REVENUE OVER EXPENDITURS	\$ (23,799,966)	\$ (1,209,130)	\$ (23,883,446)	\$ (22,674,316)	

Low & Moderate Income Housing Fund



OPERATING REVENUES

Tax Increment (\$4.8 million) – Tax increment revenue received by Housing is down by about \$193,000. This is because Housing's share of tax increment is 20% of the total tax increment received by the CDC, which decreased in the current year.

Interest Income (\$362,564) – Interest income decreased by about \$100,000 compared to last fiscal year due to a combination of a decreasing cash balance in this fund of about \$4 million and a 17.4% decrease in the yield on the City's pooled investment portfolio. The decline in cash balance is due to increased loans to affordable housing developers and non-profits for the Crossings Project, the Juniper Senior Village Project, and improvements To the Windsor Gardens apartments.

Intergovernmental (\$816,036) – At the end of the 4th quarter, the CDC has received \$816,036 in Housing and Economic Recovery Act funds to be used for Neighborhood Stabilization Program activities. These funds were received from the California Department of Housing and Community Development, which were passed through from the U.S. Department of Housing and Urban Development. These monies are being used to purchase abandoned or previously developed properties for future affordable housing units.

Lease Income (\$75,321) – A mobile home rent increase was approved and has been billed for resulting in an increase in lease income.

Other Income (\$9,377) – HELP fees are deposited into this account. HELP fees are application/renewal fees related to the first time home buyer loan program.

OPERATING EXPENDITURES



Community Development (\$1.6 million) – Operating cost and departmental operating expenditures are 14.8% higher at the end of the fiscal year as summarized below. This increase in expenditures was the result of monies being spent on property using the Neighborhood Stabilization Program. Federal stimulus funds under the Neighborhood Stabilization Program have been used since fiscal year 2009-2010 to purchase abandoned or previously developed properties for future affordable housing units.

Debt Service (1 million) - The CDC Housing Debt Service Fund also repaid a \$1,026,467 loan issued from the California Housing Financing Agency in accordance with the HELP program for the Community Development Commission's multifamily rehabilitation loan program.

Low and Moderate Income Housing Fund Balance - The Low and Moderate Income Housing Fund ended the year with a fund balance of \$51.3 million. Of this amount, \$49.7 million is not readily available for spending and consists of outstanding loans made to support low and moderate income housing, advances to the CDC and land held for resale. The remaining fund balance of \$1.6 million is available for spending and came be used to support low and moderate income housing programs.

COMMUNITY DEVELOPMENT COMMISSION LOW AND MODERATE INCOME HOUSING FUND INCLUDING DEBT SERVICE AND CAPITAL PROJECT FUND					
	FY 2010/11 Adopted Budget	July - June 2010	July - June 2011	Prior Year to Current Year Change	%
REVENUES					
TAX INCREMENT	\$ 4,867,975	\$ 4,965,758	\$ 4,773,102	\$ (192,656)	-3.9%
INTEREST INCOME	75,000	465,827	362,564	(103,263)	-22.2%
INTERGOVERNMENTAL		493,794	816,036	322,242	65.3%
LEASE INCOME	48,000	47,609	75,321	27,712	58.2%
OTHER INCOME		14,573	9,377	(5,196)	-35.7%
TOTAL OPERATING REVENUE	4,990,975	5,987,561	6,036,400	48,839	0.8%
EXPENDITURES					
COMMUNITY DEVELOPMENT	1,183,850	1,404,526	1,612,339	207,813	14.8%
DEBT SERVICE	1,026,467		1,026,467	1,026,467	100.0%
TOTAL EXPENDITURES	2,210,317	1,404,526	2,638,806	1,234,280	87.9%
TOTAL REVENUES OVER EXPENDITURES	\$ 2,780,658	\$ 4,583,035	\$ 3,397,594	\$ (1,185,441)	-25.9%

VEHICLE PARKING DISTRICT

13.8%

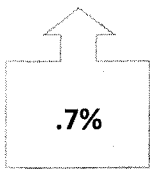
OPERATING REVENUES (\$42,589) – Parking permit revenue decreased 13.3% compared to the previous fiscal year due to the suspension of the downtown parking permit restrictions by the City Council on March 23, 2011. The no-enforcement policy will be in effect on a trial basis for a period of one year, with a status report coming back to Council in six months.

3.1%

OPERATING EXPENDITURES (\$73,244) – Operating expenditures related to the maintenance and utilities of City owned parking lots are approximately 3.1% less than the previous fiscal year. This is mainly from less water use at the public parking lots.

VEHICLE PARKING DISTRICT					
	FY 2010/11 Adopted Budget	July - June 2010	July - June 2011	Prior Year to Current Year Change	%
REVENUES					
PARKING PERMITS	\$ 85,800	\$ 42,808	\$ 37,110	\$ (5,698)	-13.3%
INVESTMENT INCOME	230	914	579	(335)	-36.7%
TOTAL OPERATING REVENUE	86,030	43,722	37,689	(6,033)	-13.8%
EXPENDITURES					
OFFICE SUPPLIES	500	375		(375)	-100.0%
UTILITIES	6,000	4,766	4,846	80	1.7%
CITY WATER	4,500	5,177	2,926	(2,251)	-43.5%
MAIL SERVICES	115	588	120	(468)	-79.6%
ALLOCATIONS IN	65,355	64,644	65,352	708	1.1%
TOTAL OPERATING EXPENDITURES	76,470	75,550	73,244	(2,306)	-3.1%
TRANSFER IN	34,000	34,000	34,000	0	0.0%
TOTAL REVENUES OVER EXPENDITURES	\$ 43,560	\$ 2,172	\$ (1,555)	\$ (3,727)	-171.6%

Recreation Fund



OPERATING REVENUES

Fees for Services (\$1.6 million) – Fees for services include monies collected for various Recreation programs such as Hockey, Soccer, Softball, Learn to Swim, Tiny Tots, Enrichment Classes, summer Day Camp and Skate Park. Revenues for the year are down about \$16,000 or 1%. These decreases are due to lower participation in Recreation programs as a result of the downturn in the economy.

Cable Franchise Fee (\$897,073) – Franchise Fee revenue is up about \$34,000 compared to last fiscal year, which is an increase of 3.9%. The Recreation fund receives 60% of the franchise fee paid by Cox Cable. Next year, the General Fund will receive all of this revenue.

Golf Course Rent (\$202,870) – Golf Course Rent collected from the Vineyard Golf Course is down slightly compared to last fiscal year. The Vineyard Golf Course is owned by the City of Escondido and the City of San Diego and rent from the golf course is shared equally between the City and San Diego. The golf course is managed by a private golf course management company that pays this rent to the City.

Other Rent (\$361,530) – Other Rent collected during the year is down about \$12,000 compared to last year. The Recreation Fund receives rental income from East Valley Community Center rental spaces and cellular antenna site rental.

On Track State Grant (\$857,805) – On Track State grant revenue collected during the year is down about \$27,000 or 3.1% compared to last year. The City receives these grant monies to offer free after-school day care to all students currently enrolled in certain schools in the City.

Interest and Principal on Loans (\$793,320) – Interest and Principal on Loans collected during the year have increased compared to last year by about \$60,000. The interest and principal loan payments paid to the City from the golf course management company are used to make the debt service payments on the bonds that built the golf course.



OPERATING EXPENDITURES (\$3.9 million) – Operating expenditures came in slightly under budget or about \$18,000. Current year to prior year expenditures were up about 4.9% or \$179,000. This increase came from temporary part-time employees.

RECREATION FUND BALANCE – The Recreation fund balance for fiscal year 2010-11 increased from \$462,541 to \$596,790. This increase can be attributed to the Cox Cable franchise fee and lease revenue from the Vineyard Golf Course that came in over projected revenue for the year.

RECREATION FUND					
	FY 2010/11 Revised Budget	July - June 2010	July - June 2011	Prior Year to Current Year Change	%
REVENUES					
FEES FOR SERVICES	\$ 1,730,500	\$ 1,584,603	\$ 1,568,792	\$ (15,811)	-1.0%
CABLE FRANCHISE FEES	770,000	863,086	897,073	33,987	3.9%
GOLF COURSE RENT	100,000	207,266	202,870	(4,396)	-2.1%
OTHER RENT	318,405	373,183	361,530	(11,653)	-3.1%
ON TRACK-STATE GRANT	910,120	885,322	857,805	(27,517)	-3.1%
PRINCIPAL ON LOANS	396,335	416,220	501,759	85,539	20.6%
INTEREST ON LOANS	317,000	306,658	291,561	(15,097)	-4.9%
OTHER REVENUE	-	12,950	50	(12,900)	-99.6%
TOTAL OPERATING REVENUE	4,542,360	4,649,288	4,681,440	32,152	0.7%
EXPENDITURES					
EMPLOYEE SERVICES	2,906,785	2,761,537	2,965,785	204,248	7.4%
MAINTENANCE AND OPERATIONS	692,010	567,819	614,800	46,981	8.3%
INTERNAL SERVICE CHARGES	430,755	503,479	431,324	(72,155)	-14.3%
ALLOCATIONS	(143,355)	(143,940)	(143,529)	411	-0.3%
TOTAL OPERATING EXPENDITURES	3,886,195	3,688,895	3,868,380	179,485	4.9%
TRANSFER OUT	678,810	607,095	678,810	71,715	11.8%
TOTAL REVENUES OVER EXPENDITURES	\$ (22,645)	\$ 353,298	\$ 134,250	\$ (219,048)	-62.0%

Water Enterprise Fund

OPERATING REVENUES



4.7%

Water Consumption Charges (\$24.3 million) – Water consumption revenue is down about \$2.5 million or 9.4% compared to last year mostly due to heavier than normal rainfall in late 2010 and early 2011 which decreased water demand. In addition, customers are conserving on water use due to tiered water rates.

Water Service Charges (\$9.7 million) – Water service charges are paid by customers for the cost to deliver water to their home or places of business based on the size and type of water meter. This revenue is up by about \$366,000 or 3.9% compared to last year due to rate increases that went into effect in March 2011.

Vista Irrigation District Filtration and Other Fees (\$2.2 million) – The City and Vista Irrigation District (VID) own and operate the Water Treatment Plant. The City owns and operates the plant and has rights to 80% of the capacity. VID has rights to the remaining 20% of capacity. VID is billed for their share of costs for operating and maintaining the plant based on usage. Vista Irrigation District filtration and other fees increased 21.7%, or approximately \$389,000 from the prior year. This increase was due to increased filtered water usage by VID compared to last year. In the prior year, during the months of January through April 2010, water usage by VID was way down.

Other Charges for Services (\$1 million) – Other Charges for Services include meter installation fees, late penalties on utility bills, and electric power sales. Other charges for services are down about \$83,000 compared to last year due to a drop in electric power sales at the Bear Valley Power Plant. The plant was shut down for an extended period due to electrical failure caused by squirrels.

OPERATING EXPENSES



7.3%

Purchased Water (\$12.1 million) – Purchased water, which is the Utility's largest expense, decreased 22% or \$3.4 million compared to the prior year. This is because more local water was used due to higher than normal rainfall which filled local reservoirs in FY 2011.

Chemicals & Other Operating Supplies (\$3.4 million) – Chemicals and other operating supplies increased 40% due to the increased use of local water which requires more treatment/chemicals than purchased water.

Professional Services (\$1.1 Million) – Professional services were down about \$614,000 compared to last year. In the prior year, the City paid consultants to investigate the alternatives for the expansion of the Wohlford Dam and paid for the rate study for water rates.

NONOPERATING REVENUES (EXPENSES)

Intergovernmental (\$1.3 million) – The City received American Recovery & Reinvestment Act funding of \$3.25 million to replace six miles of aging waterlines referred to as the Alexander Area Waterline Replacement Project Phase II. This project was completed this year at a cost of about \$6 million. In addition to the stimulus grant, the remaining project funding came from a “Safe Drinking Water State Revolving Fund” loan.

Interest and Fiscal Charges (\$2.5 million) – Interest and fiscal charges include bond principal and interest payments for the Series 2000A Water Revenue Bonds, the 2002A Water Revenue Bonds, and the 2007 Water Revenue Bonds. The City also pays principal and interest payments on a Safe Drinking Water State Revolving Fund Loan each year.

CAPITAL CONTRIBUTIONS

Connection Fees (\$117,490) – A water connection right must be purchased through the City for anyone who wishes to connect to the City Water System. The decrease in revenue is due to the slow-down in development.

Developer Contributions (\$3 million) – Developer contributions are donated capital assets from developers. For the Water fund, these assets were water lines contributed by developers for the CarMax Superstores and housing subdivisions on Alexander Drive, Canyon Crest Drive, Eureka Springs Drive and Washington Avenue.

TRANSFERS IN (OUT)

Transfers Out (\$1.2 million) – Transfers Out of \$1.2 million were to the Street Fund to pay for a water line in the Washington Hills development.

WATER FUND NET INCOME

Income generated by the Water Fund will be used primarily to increase the capital and operating reserves to levels established by City Council policy following reserve levels recommended by the most recent rate study. Reserve levels will be important as large projects such as Wohlford Dam and the replacement of several water reservoirs are tackled.

WATER ENTERPRISE FUND					
	FY 2010-11 Revised Budget	July - June 2010	July - June 2011	Prior Year to Current Year Change	%
OPERATING REVENUES					
Water Consumption Charges	\$33,779,445	\$26,785,572	\$24,274,178	(2,511,394)	-9.4%
Water Service Charges	9,009,410	9,383,622	9,749,242	365,620	3.9%
Vista Irrigation Filtration & Other Fees	1,650,000	1,793,388	2,182,239	388,851	21.7%
Other Charges for Services	293,710	1,053,537	970,750	(82,787)	-7.9%
TOTAL OPERATING REVENUE	44,732,565	39,016,119	37,176,409	(1,839,710)	-4.7%
OPERATING EXPENSES					
Staffing	7,926,120	7,249,674	7,376,768	127,094	1.8%
Purchased Water	19,322,900	15,489,844	12,086,286	(3,403,558)	-22.0%
Chemicals & Operating Supplies	3,813,175	2,428,971	3,408,649	979,678	40.3%
Repairs and Maintenance	952,435	1,109,679	984,983	(124,696)	-11.2%
City Water	1,734,580	1,010,661	1,044,345	33,684	3.3%
Depreciation		2,800,295	2,873,496	73,201	2.6%
Professional Services	1,335,145	1,760,248	1,146,441	(613,807)	-34.9%
Utilities	807,750	630,734	692,694	61,960	9.8%
Other Operating Expenses	1,166,380	939,096	1,056,690	117,594	12.5%
Allocations	4,260,445	4,246,800	4,253,686	6,886	0.2%
TOTAL OPERATING EXPENSES	41,318,930	37,666,002	34,924,038	(2,741,964)	-7.3%
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental	1,420,712	1,553,150	1,330,714	(222,436)	-14.3%
Lake Fees and Concessions	800,000	805,015	827,029	22,014	2.7%
Investment Income	200,000	252,902	182,129	(70,773)	-28.0%
Other Revenues	434,000	145,984	128,509	(17,475)	-12.0%
Interest and Fiscal Charges	(2,470,615)	(2,527,734)	(2,463,651)	64,083	-2.5%
TOTAL NONOP REVENUES (EXPENSES)	384,097	229,317	4,730	(224,587)	-97.9%
CAPITAL CONTRIBUTIONS					
Connection Fees	375,000	1,064,626	117,490	(947,136)	-89.0%
Developer Contributions		2,736,323	2,968,635	232,312	8.5%
TOTAL CAPITAL CONTRIBUTIONS	375,000	3,800,949	3,086,125	(714,824)	-18.8%
TRANSFERS IN (OUT)					
Transfers In	150,000		150,000	150,000	
Transfers Out	(1,214,400)	(25,530)	(1,214,400)	(1,188,870)	
TOTAL TRANSFERS	(1,064,400)	(25,530)	(1,064,400)	(1,038,870)	
INCOME (LOSS)	3,108,332	5,354,853	4,278,826	(\$1,076,027)	-20.1%

Wastewater Enterprise Fund

OPERATING REVENUE



3.5%

Sewer Service Charges (\$21.4 million) – Sewer service charges decreased \$.8 million or 3.7% compared to last year. This is because the wastewater rates for residential customers changed from a flat fee to a flow-based calculation. This change was made so that rates better reflect the cost of services to customers. Overall this change has resulted in a decrease in revenue.

Treatment Charges – San Diego (\$2 million) - The City operates the wastewater treatment facility for the benefit of the City and the Rancho Bernardo area of the City of San Diego. The City of San Diego is billed quarterly for these treatment charges. Treatment charges during the year were about 2.4% less than the previous year or about \$50,000.

Recyclable Water Sales (\$2.7 million) – Recycled water sales were down 11.4% or \$356,000 compared to last year primarily due to the prolonged shutdown of the Palomar Energy Center after a fire in one of the transformers. Palomar Energy is the largest recycled water customer for the City using about 67% of the recycled water that is produced each year.

Stormwater Management Charges (\$1.6 million) – These fees are collected from customers and used to ensure that the City is meeting mandated federal and state regulations concerning the quality of stormwater runoff from within the City. This revenue is up 14.3% or \$200,000 compared to last year. This increase in revenue is due to a fee increase that went into effect March 2011.

Other Charges for Service (\$143,480) – Other charges for services include industrial waste pretreatment fees paid by food service establishments and agency incentives received from San Diego County Water Authority and the Metropolitan Water District to cover construction costs associated with the water recycling program.

OPERATING EXPENSES



.9%

Operating expenses were down about .9% or about \$201,000. This decrease came mainly from staffing costs.

NONOPERATING REVENUES (EXPENSES)

Intergovernmental (\$.2 million) – The City of San Diego is responsible for certain capital improvements and upgrades to the Wastewater Treatment plant. During the current year, the City of San Diego paid about \$225,000 for these capital improvements to the plant.

Interest and Fiscal Charges (\$2 million) – Interest and fiscal charges include bond principal and interest payments for the Series 2004A Wastewater Bonds and the 2004B Wastewater Bonds, and the 2007 Water Revenue Bonds. The City also pays principal and interest payments on a State Revolving Fund Loan each year.

CAPITAL CONTRIBUCTIONS

Connection Fees (\$303,458) – A wastewater connection right must be purchased through the City for anyone who wishes to connect to the City Wastewater Treatment System. The decrease in revenue is due to the slow-down in development.

Developer Contributions (\$4.3 million) – Developer contributions are donated capital assets from developers. For the Wastewater fund, these assets were sewer lines contributed by developers for the CarMax Superstores and housing subdivisions on Alexander Drive, Canyon Crest Drive, Eureka Springs Drive and Washington Avenue.

WASTEWATER FUND NET INCOME

Similar to the Water Fund, income generated by the Wastewater Fund will be used to increase the capital and operating reserves to levels established by City Council policy following reserve levels recommended by the most recent rate study. Reserve levels will be important as wastewater capacity issues are addressed that will require bond financing.

WASTEWATER ENTERPRISE FUND					
	FY 2010-11 REVISED BUDGET	July - June 2010	July - June 2011	Prior Year to Current Year Change	%
OPERATING REVENUES					
Sewer Service Charges	\$22,430,700	\$22,268,077	\$21,436,950	(\$831,127)	-3.7%
Treatment Charges - San Diego	1,850,000	2,040,588	1,991,463	(49,125)	-2.4%
Recyclable Water Sales	3,000,000	3,112,445	2,756,716	(355,729)	-11.4%
Stormwater Management Charges	1,400,000	1,404,027	1,604,753	200,726	14.3%
Other Charges for Service	200,000	106,670	143,480	36,810	34.5%
TOTAL OPERATING REVENUES	28,880,700	28,931,807	27,933,362	(998,445)	-3.5%
OPERATING EXPENSES					
Staffing	7,429,430	6,891,375	6,662,057	(229,318)	-3.3%
Chemicals & Operating Supplies	1,797,300	1,277,768	1,303,623	25,855	2.0%
Repairs and maintenance	1,133,880	1,199,857	1,226,943	27,086	2.3%
Depreciation		4,736,832	4,788,343	51,511	1.1%
Professional Services	3,041,690	2,558,757	2,510,282	(48,475)	-1.9%
Utilities	2,229,540	1,990,187	1,907,468	(82,719)	-4.2%
Allocations	2,333,360	2,426,863	2,345,218	(81,645)	-3.4%
Other Operating Expenses	951,330	921,473	1,058,401	136,928	14.9%
TOTAL OPERATING EXPENSES	18,916,530	22,003,112	21,802,335	(200,777)	-0.9%
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental	150,000	276,897	225,219	(51,678)	
Investment Income	200,000	736,197	607,718	(128,479)	-17.5%
Other Revenues	292,500	129,143	211,856	82,713	64.0%
Interest and Fiscal Charges	(2,050,285)	(2,102,736)	(2,046,131)	56,605	-2.7%
TOTAL NONOP REVENUES (EXPENSES)	(1,407,785)	(960,499)	(1,001,338)	(40,839)	4.3%
CAPITAL CONTRIBUTIONS					
Connection fees	375,000	1,110,157	303,458	(806,699)	-72.7%
Developer Contributions		525,893	4,285,655	3,759,762	714.9%
TOTAL CAPITAL CONTRIBUTIONS	375,000	1,636,050	4,589,113	2,953,063	
TRANSFERS OUT	(184,300)	(15,800)	(184,445)	(168,645)	
INCOME (LOSS)	8,747,085	7,588,446	9,534,357	1,945,911	25.6%

Reidy Creek Golf Course Fund

-3.8%

OPERATING REVENUES (\$610,250) – The overall decrease in Reidy Creek's revenue is attributed to both economic factors and unusual weather conditions. This year there was a significant increase in the amount of rainfall, which contributed to a decrease of 4% in the number of golf rounds played compared to the prior year.

-3.4%

OPERATING EXPENDITURES (\$609,644) – While the rainfall reduced revenue, it also was a major contributor to the 5.9% decrease in maintenance costs which reduced the amount of water, fertilizers and chemicals needed so far for this year.

Reidy Creek's golf cart lease agreement was renewed this year; however, while this process was taking place there was a quarter where they were not under a lease agreement. This resulted in a 20.7% decrease compared to the prior year.

REIDY CREEK GOLF COURSE FUND					
	FY 2010-11 Adopted Budget	July - June 2010	July - June 2011	Prior Year to Current Year Change	%
REVENUES					
Green Fees	\$458,375	\$416,620	\$379,841	(\$36,779)	-8.8
Cart Rentals	181,105	168,042	172,049	4,007	2.4
Golf Merchandise Sales	35,815	35,111	39,751	4,640	13.2
Food and Beverage Rent	11,880	8,468	7,937	(531)	-6.3
Other Golf Revenue	2,295	5,943	10,672	4,729	79.6
TOTAL REVENUES	689,470	634,184	610,250	(23,934)	-3.8
EXPENDITURES					
Management Fee	69,105	66,731	68,577	1,846	2.8
Golf Course Operations	187,255	184,331	176,520	(7,811)	-4.2
Golf Course Maintenance	318,110	287,017	270,089	(16,928)	-5.9
Administrative & General	65,565	62,404	62,048	(356)	-0.6
Golf Course Merchandise	22,205	21,033	24,273	3,240	15.4
Golf Cart Lease	4,515	4,509	3,577	(932)	-20.7
Insurance	6,000	4,891	4,560	(331)	-6.8
TOTAL EXPENDITURES	672,755	630,916	609,644	(21,272)	-3.4
TOTAL REVENUES OVER EXPENDITURES	\$16,715	3,268	606	(\$2,662)	-81.5

RESOLUTION NO. 2011-140

A RESOLUTION OF THE CITY COUNCIL OF
THE CITY OF ESCONDIDO, CALIFORNIA,
MODIFYING THE CITY OF ESCONDIDO
FUND BALANCE POLICY, GENERAL FUND
RESERVE AND ECONOMIC DEVELOPMENT
COMMITMENT OF FUND BALANCE FOR
THE GENERAL FUND AND OTHER CITY
FUNDS

WHEREAS, the Governmental Accounting Standards Board ("GASB") has issued its Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions with the intent of improving financial reporting by providing fund balance categories that will be more easily understood; and

WHEREAS, the City Council of the City of Escondido has adopted Resolution No. 2011-56 the Fund Balance Policy; and

WHEREAS, the Fund Balance Policy provides that the City Council may commit General Fund balance for specific purposes by taking formal action and these committed amounts cannot be used for any other purpose unless the City Council removes or changes the specific use through the same formal action to establish the commitment; and

WHEREAS, the Finance Director has recommended to the City Council that the General Fund Reserve be equal to the remaining fund balance in the General Fund at June 30, 2011 for Fiscal Year 2010-11, and that the General Fund Economic Development Commitment of General Fund balance be established at the current June 30, 2011 balance; and

WHEREAS, the City Council has determined that the General Fund Reserve Commitment of General Fund balance be equal to the remaining fund balance in the General Fund at June 30, 2011 for Fiscal Year 2010-11, which is \$19,727,333; and that the General Fund Economic Development Commitment of General Fund balance be established at \$9,059,255 for Fiscal Year 2010-11.

WHEREAS, the City Council also commits fund balance for the Special Revenue Funds as presented in Exhibit "A" attached to this resolution and incorporated by this reference.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Escondido, California, as follows:

1. That the above recitations are true.
2. That the City Council hereby adopts the modified attached Fund Balance Policy presented in Exhibit "A".
3. That the City Council hereby establishes and approves the General Fund Reserve be \$19,727,333 at June 30, 2011 for Fiscal Year 2010-11, and the General Fund Economic Development Commitment of General Fund balance at \$9,059,255 for Fiscal Year 2010-11.
4. The City Council has determined that the specific purposes for which the General Fund Reserve be used to fund one-time unanticipated expenditure requirements, local disasters, or other financial hardships or downturns in the local or national economy.

5. The City Council has determined that the specific purposes for which the General Fund Economic Development Commitment be used to fund any capital project that spurs economic development.

6. The City Council hereby confirms that in any fiscal year in which recurring sources exceed recurring uses in the General Fund, the amount of the General Fund Reserve Commitment of General Fund balance will be increased by that amount.

7. The City Council commits fund balance for the Special Revenue Funds as presented in Exhibit "A".

City of Escondido Fund Balance Policy

Purpose

This Fund Balance Policy establishes the procedures for reporting unrestricted fund balance in the General Fund financial statements. Certain commitments and assignments of fund balance will help ensure that there will be adequate financial resources to protect the City against unforeseen circumstances and events such as revenue shortfalls and unanticipated expenditures. The policy also authorizes and directs the Finance Director to prepare financial reports which accurately categorize fund balance as per Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

Procedures

Fund Balance is essentially the difference between the assets and liabilities reported in a governmental fund. There are five separate components of fund balance, each of which identifies the extent to which the City is bound to honor constraints on the specific purposes for which amounts can be spent:

- Nonspendable fund balance (inherently nonspendable)
- Restricted fund balance (externally enforceable limitations on use)
- Committed fund balance (self-imposed limitations on use)
- Assigned fund balance (limitation resulting from intended use)
- Unassigned fund balance (residual net resources)

The first two components listed above are not addressed in this policy due to the nature of their restrictions. An example of nonspendable fund balance is inventory. Restricted fund balance is either imposed by law or constrained by grantors, contributors, or laws or regulations of other governments. This policy is focused on financial reporting of unrestricted fund balance, or the last three components listed above. These three components are further defined below.

Committed Fund Balance

The City Council, as the City's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal actions taken, such as an ordinance or resolution. These committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use through the same type of formal action taken to establish the commitment, a resolution. City Council action to commit fund balance needs to occur within the fiscal reporting period; however, the amount can be determined subsequently. The following will be classified as committed fund balance.

General Fund

Reserve

The City will commit the remaining fund balance in the General Fund at year end in order to maintain adequate levels of fund balance to mitigate current and future risks and to adequately provide for cash flow requirements and contingencies for unseen operating or capital needs the City. The Reserve balance is available to fund one-time unanticipated expenditure requirements, local disasters, or other financial hardships or downturns in the local or national economy.

When Reserve Funds are used the method for replenishing deficiencies including the source of funding and time period for replenishment to occur will be defined in the resolution.

The City Council may, by the affirming vote of three members, change the amount of this commitment and/or specific use of these funds.

Economic Development

The City's General Fund balance committed for economic development is established at \$9,059,255. The Economic Development balance is available to fund any capital project that spurs economic development.

The City Council may, by the affirming vote of three members, change the amount of this commitment and/or specific use of these funds.

Special Revenue Funds

Center for the Arts

The City will commit that portion of fund balance derived from charges for services generated from Arts Center Activities for the operations of the California Center for the Arts.

Parks & Recreation

The City will commit that portion of fund balance received from operating activities of City facilities (charges for services) for the operation of City parks and recreation facilities.

Daley Ranch Restoration

The City will commit that portion of fund balance received from the sale of mitigation credits to be used to provide fund restoration projects at Daley Ranch.

Reidy Creek Golf Course Fund

The City will commit that portion of fund balance received from operating activities of the golf course (charges for services) for the operation of the Reidy Creek Golf Course.

Recycling

The City will commit that portion of fund balance received from the sale of recycled materials to be used to further the effort of recycling within the City.

Vehicle Parking District

The City will commit that portion of fund balance provided by parking permit revenues for the maintenance and operation of City-owned public parking lots.

Ryan Trust

The City will commit monies received from the Frances B. Ryan Trust, which was established to create the Pioneer Room, a historical perspective of Escondido, to provide financing for its ongoing operation.

Hegyí Trust

The City will commit Funds received for the Hegyi Family Trust to be used to recognize library volunteers.

Assigned Fund Balance

Amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance.

This policy hereby delegates the authority to assign amounts to be used for specific purposes to the Finance Director for the purpose of reporting these amounts in the annual financial statements. A few examples of assigned fund balance follow.

Continuing Appropriations

Fund balance levels must be sufficient to meet funding requirements for projects approved in prior years and which must be carried forward into the new fiscal year.

Debt Service

Established to provide for future debt service obligations

Unassigned Fund Balance

These are residual positive net resources of the general fund in excess of what can properly be classified in one of the other four categories.

Fund Balance Classification

The accounting policies of the City consider restricted fund balance to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the City considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

This policy is in place to provide a measure of protection for the City against unforeseen circumstances and to comply with GASB Statement No. 54.