

CITY COUNCIL

For City Clerk's Use:

☐

APPROVED

☐

DENIED

Reso No. _____

File No. _____

Ord No. _____

Agenda Item No.: 12

Date: June 13, 2012

TO: Honorable Mayor and Members of the City Council
FROM: Gilbert Rojas, Director of Finance
SUBJECT: Financial Report for the Quarter Ended March 31, 2012

RECOMMENDATION:

It is requested that Council receive and file the third quarter financial report and approve the following amendment to the Fiscal Year 2011/12 operating budget.

Approve a budget adjustment to increase General Fund revenue estimates by \$920,505 to reach budgeted revenue of \$73 million.

FISCAL ANALYSIS:

The net effect of this proposed amendment to the General Fund operating budget in Fiscal Year 2011/12 will be the anticipation of Sources (Revenues) being greater than Uses (Expenses).

PREVIOUS ACTION:

On March 7, 2012, the City Council received and approved the Fiscal Year 2011/12 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, Recreation Fund, Reidy Creek, Water, Wastewater, and Community Development Commission Funds.

Respectfully submitted,



Gilbert Rojas
Director of Finance

Date of Request: June 13, 2012

Department: Finance

Division: _____

Project/Budget Manager: <u>Gil Rojas</u>	<u>x4322</u>
Name	Extension

Council Date (if applicable): June 13, 2012
(attach copy of staff report)

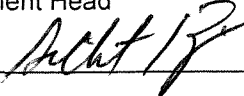
_____	Budget Balances
_____	General Fund Accts
_____	Revenue
_____	Interfund Transfers
_____	Fund Balance

FM\105 (Rev.08/06)

Explanation of Request:

Increase General Fund revenue estimates by \$920,505 to reach budgeted revenue of \$73 million.

APPROVALS

Department Head	Date
	5/29/12
Finance	Date

City Manager	Date
City Clerk	Date

Distribution (after approval):

Original: Finance

Quarterly Financial Status Report



Prepared by the Finance Department

Third Quarter Ending March 31, 2012

This report summarizes the City's overall financial position for the period of July 1, 2011 through March 31, 2012. While the focus of this report is the General Fund, the financial status of the Water and Wastewater Enterprises, the Recreation Fund, the Reidy Creek Municipal Golf Course, and the Community Development Commission 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).

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, 2012.

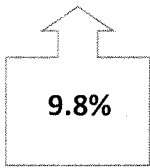
General Fund

At the end of the second quarter, General Fund revenues are at 60% of the revised budget, while expenditures are at 71%. Based on past history of revenue receipts and payment of expenditures, the General Fund is on track to meet budgeted revenue and expenditures in the current fiscal year.

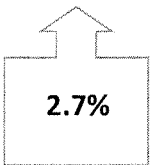
General Fund Balance	Original Budget	Revised Budget	Actual	Actual/ Revised
Revenues	\$72,081,425	\$73,012,160	\$43,771,875	60%
Expenditures	72,543,740	72,795,565	51,708,257	71%
Other Sources (Uses)	462,315	(562,440)	(350,440)	62%
Fund Balance, Beg of Year	34,641,542	34,641,542	34,641,542	
Fund Balance, End of Year (1)	\$34,641,542	\$34,295,697	\$26,354,720	

- (1) The amount in revised end of year fund balance represents unspendable fund balance of \$5.5 million and committed or assigned fund balance of \$28.8 million. The \$5.5 million in unspendable fund balance is for advances to other funds and non-current loans receivable. Amounts included in committed or assigned fund balance are for Daley ranch improvements, emergency reserve, economic development and underground waivers. The General Fund has no unassigned fund balance.

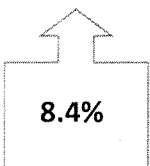
General Fund Revenues



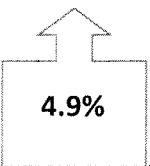
Sales Taxes (\$15.7 million) – Sales tax revenue received through March 31, 2012 increased from the previous fiscal year during the same time frame by about \$1.4 million or 9.8%. For sales occurring in the second quarter of fiscal year 2011/12 (the most recent data available), the City saw sales tax receipts increase with gains in every economic category. The City's largest economic category, transportation, experienced an increase in sales tax of 21.6% over calendar year second quarter 2011. This category includes new/used auto sales that saw growth in quarterly sales tax revenue of 38%. This is in line with the state economy in which the California New Car Dealers Association reported that California's new-car dealers sold 1.29 million new cars and trucks in 2011 – a 9.9 percent improvement over 2010.



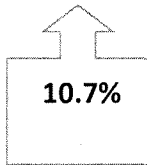
Property Taxes (\$11.5 million) – Property tax revenues collected through March were up about \$307,000 compared to amounts collected last year at this time. This increase is the result of an increase in assessed values of about .78% for property located in the City. This was the result of a lower number of residential property tax appeals, positive new assessments resulting from change in ownership and new construction activity and the positive indexing factor on Prop 13 values. This City also received an additional statutory payment of about \$116,000 from the Escondido Redevelopment Agency as part of the final closeout process.



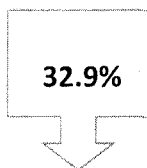
Franchise Fees (\$3.8 million) – Franchise fees are generated from privately owned utility companies and other businesses for the privilege of using City rights-of-way while conducting business within City limits. Businesses that are required to pay franchise fees to the City include: San Diego Gas and 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 received by the General Fund are up about \$294,000 compared to last year at this time. This is because the franchise fee collected from Cox Cable is now all going to the General Fund while in previous years a portion of this fee was used to support Recreation programs.



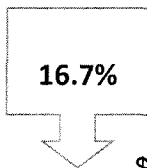
All Other Taxes (\$2.5 million) – All other taxes include transient occupancy tax (TOT), property transfer tax, transfer station fees and business licenses. In total, these revenues are up over last year by about \$118,900. Business license revenues increased by approximately \$30,000 compared to the last fiscal year or about 2.6%. TOT receipts reflected an increase of approximately \$129,000 or 20% greater than last fiscal year. Part of this increase of \$72,000 came from prior year unpaid taxes that will be collected over the next 2 years as part of a court ordered settlement. The transfer station fee is about equal to the amount collected last year. The property transfer tax is down about \$40,000 compared to last fiscal year due to the slowdown in real estate sales.



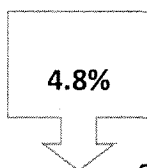
Intergovernmental (\$1.9 million) – Intergovernmental revenues include vehicle license fees, the Rincon fire services agreement, state library grants, senior nutrition grants, P.O.S.T. reimbursement, and state mandated cost reimbursements. Revenues in this category have increased over prior year by about \$187,000. This increase is primarily from the amount collected for fire services in the Rincon Fire District which is up about \$195,000 compared to receipts received through March last year at this time. This increase is offset by a decrease of about \$42,000 in grant revenue mainly from the library literacy grant.



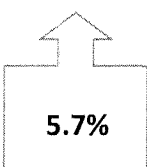
Permits & Licenses (\$697,000) – The City collects permit fees for building, plumbing, electrical, mechanical, fire code, and mobile-home permits. The tow license fee is also included in this revenue grouping. Permits and license fee revenue is down about \$342,000 compared to last year at this time mainly due to a decrease in building permit fees.



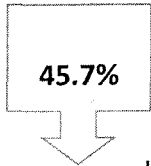
Fines and Forfeitures (\$1.1 million) – Fines and forfeitures are collected by the City for red light photo citations, vehicle code fines, parking ticket fines, other court fines, library fines, code enforcement citations and impound fees. The City recognizes revenues when the citizen pays the fine or forfeiture as opposed to when the fine is imposed. These revenues are down about \$218,000. This decrease in revenue is the result of decreases in red light camera fines, impound fees, and parking ticket fines.



Charges for Services (\$3.8 million) – Charges for services include paramedic fees, false alarm fees, fingerprinting revenue, abandoned vehicle fees, alarm registration, library fees, senior center fees, planning fees, building plan check fees, engineering fees, fire prevention inspection fees, fire mutual aid and passport processing fees. Revenues collected this year have decreased compared to prior year at this time by about \$193,000 due to declines in paramedic fees and community development fees. Community Development Fees which include planning fees, building plan check fees and engineering fees are down due to the continued slowdown in construction.



Income from Interest and Property (\$2.4 million) – Income from interest and property includes rent received from leased City property and interest income on City investments. This revenue is up \$132,000 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.



Other Revenue (\$205,000) – Other revenue includes contributions to the City, NSF check charges, damages to City property, sale of City property, mobile home fees, and reimbursement from outside agencies and other miscellaneous revenue. Other Revenue collected during the year is down by about \$173,000 compared to last year. This decrease is mainly due to the elimination of the City sponsoring the OASIS program and the corresponding revenue.

General Fund Expenditures

Operating costs and departmental operating expenditures are on target for the third quarter of the year as summarized below. Total expenditures are lower than the prior year third quarter by about \$.7 million which represents a savings of 1.3% if you exclude the decrease from the elimination of the OASIS program and their corresponding expenditures. The amount expended to date is approximately 71% of the total amount budgeted for in fiscal year 2011-12.

GENERAL FUND REVENUE COMPARISON - BUDGET TO ACTUAL					
	FY 2011-2012 Revised Budget	FY 2011-2012 Year to Date Actual	YTD Projected Revenue	Variance Over (Under)	%
TAXES					
SALES TAX AND IN LIEU SALES TAX	\$27,499,000	\$15,729,125	\$15,679,253	\$49,872	0.3
PROPERTY TAX AND IN LIEU VLF	20,775,000	11,534,315	11,517,829	\$16,486	0.1
FRANCHISE TAX	5,620,000	3,783,461	3,784,778	(\$1,317)	0.0
BUSINESS LICENSE TAX	1,482,000	1,172,099	1,176,040	(\$3,941)	-0.3
TRANSIENT OCCUPANCY TAX	1,169,000	778,489	773,431	\$5,058	0.7
TRANSFER STATION FEE	671,000	388,315	422,252	(\$33,937)	-8.0
PROPERTY TRANSFER TAX	370,000	174,567	223,736	(\$49,169)	-22.0
TOTAL TAXES	57,586,000	33,560,371	33,577,319	(\$16,948)	-0.1
INTERGOVERNMENTAL					
VEHICLE LICENSE FEES	469,000	377,421	339,175	\$38,246	11.3
RINCON FIRE AGREEMENT	1,900,000	1,107,946	1,149,335	(\$41,389)	-3.6
GRANTS	581,500	454,039	372,889	\$81,150	21.8
TOTAL INTERGOVERNMENTAL	2,950,500	1,939,406	1,861,399	\$78,007	4.2
PERMITS AND LICENSES	981,000	697,398	769,494	(\$72,096)	-9.4
FINES AND FORFEITURES	1,493,000	1,090,600	1,016,901	\$73,699	7.2
CHARGES FOR SERVICES					
PARAMEDIC FEES	3,692,430	2,635,263	2,699,952	(\$64,689)	-2.4
POLICE SERVICES	596,000	253,585	296,104	(\$42,519)	-14.4
COMMUNITY SERVICES	85,000	71,559	63,204	\$8,355	13.2
COMMUNITY DEVELOPMENT FEES	691,000	469,037	505,828	(\$36,791)	-7.3
OTHER SERVICES	539,000	396,850	431,639	(\$34,789)	-8.1
TOTAL CHARGES FOR SERVICES	5,603,430	3,826,294	3,996,727	(\$170,433)	-4.3
INCOME FROM INT & PROPERTY	3,982,000	2,452,258	2,456,915	(\$4,657)	-0.2
OTHER REVENUE	416,230	205,548	230,020	(\$24,472)	-10.6
TOTAL GENERAL FUND	\$73,012,160	\$43,771,875	\$43,908,775	(\$136,900)	-0.3

GENERAL FUND				
REVENUE COMPARISON - PRIOR YEAR TO CURRENT YEAR				
	July - March 2011	July - March 2012	Prior Year to Current Year Change	%
TAXES				
SALES TAX AND IN LIEU SALES TAX	\$14,329,281	\$15,729,125	\$1,399,844	9.8
PROPERTY TAX AND IN LIEU VLF	11,227,418	11,534,315	306,897	2.7
FRANCHISE TAX	3,489,044	3,783,461	294,417	8.4
BUSINESS LICENSE TAX	1,142,143	1,172,099	29,956	2.6
TRANSIENT TAX	649,159	778,489	129,330	19.9
TRANSFER STATION FEE	388,452	388,315	(137)	0.0
PROPERTY TRANSFER TAX	214,774	174,567	(40,207)	-18.7
TOTAL TAXES	31,440,271	33,560,371	2,120,100	6.7
INTERGOVERNMENTAL				
VEHICLE LICENSE FEES	343,473	377,421	33,948	9.9
RINCON FIRE AGREEMENT	912,506	1,107,946	195,440	21.4
GRANTS	495,715	454,039	(41,676)	-8.4
TOTAL INTERGOVERNMENTAL	1,751,694	1,939,406	187,712	10.7
PERMITS AND LICENSES	1,038,950	697,398	(341,552)	-32.9
FINES AND FORFEITURES	1,309,010	1,090,600	(218,410)	-16.7
CHARGES FOR SERVICES				
PARAMEDIC FEES	2,793,777	2,635,263	(158,514)	-5.7
POLICE SERVICES	224,653	253,585	28,932	12.9
COMMUNITY SERVICES	75,251	71,559	(3,692)	-4.9
COMMUNITY DEVELOPMENT FEES	540,124	469,037	(71,087)	-13.2
OTHER SERVICES	385,439	396,850	11,411	3.0
TOTAL CHARGES FOR SERVICES	4,019,244	3,826,294	(192,950)	-4.8
INCOME FROM INT & PROPERTY	2,320,474	2,452,258	131,784	5.7
OTHER REVENUE	378,559	205,548	(173,011)	-45.7
TOTAL GENERAL FUND REVENUE	\$42,258,202	\$43,771,875	\$1,513,673	3.6

GENERAL FUND			
EXPENDITURE STATUS BY DEPARTMENT - BUDGET TO ACTUAL			
	FY 2011/12	FY 2011/12	
	Revised Budget	Year to Date Actual	% Exp
GENERAL GOVERNMENT			
CITY COUNCIL	\$273,305	\$210,718	77.1
CITY MANAGER/VIDEO SERVICES	948,230	748,500	78.9
CITY ATTORNEY	196,685	99,045	50.4
CITY CLERK	528,025	345,468	65.4
CITY TREASURER	289,905	207,668	71.6
SUBTOTAL GENERAL GOVERNMENT	2,236,150	1,611,399	72.1
ADMINISTRATIVE SERVICES			
FINANCE	1,092,420	704,365	64.5
HUMAN RESOURCES/RISK MGMT	466,790	256,489	54.9
INFORMATION SYSTEMS	921,685	628,621	68.2
SUBTOTAL ADMINISTRATIVE SERVICES	2,480,895	1,589,475	64.1
COMMUNITY SERVICES			
LIBRARY	3,227,310	2,318,136	71.8
OLDER ADULT SERVICES	609,395	431,452	70.8
NUTRITION CENT.	259,180	178,507	68.9
SUBTOTAL COMMUNITY SERVICES	4,095,885	2,928,095	71.5
COMMUNITY DEVELOPMENT			
PLANNING	1,279,490	863,384	67.5
CODE ENFORCEMENT	889,670	598,626	67.3
BUILDING	700,870	472,754	67.5
SUBTOTAL COMMUNITY DEVELOPMENT	2,870,030	1,934,764	67.4
PUBLIC WORKS			
ENGINEERING	1,918,810	1,216,377	63.4
STREETS	5,034,505	3,665,123	72.8
PARKS	2,377,350	1,498,809	63.0
SUBTOTAL PUBLIC WORKS	9,330,665	6,380,309	68.4
PUBLIC SAFETY			
POLICE	33,126,745	24,503,945	74.0
FIRE/EMERGENCY MGT.	17,452,605	12,459,606	71.4
SUBTOTAL PUBLIC SAFETY	50,579,350	36,963,551	73.1
OTHER			
NON-DEPARTMENTAL	1,058,540	216,664	20.5
COMMUNITY RELATIONS	144,050	84,000	58.3
SUBTOTAL OTHER	1,202,590	300,664	25.0
TOTAL GENERAL FUND	\$72,795,565	\$51,708,257	71.0

GENERAL FUND				
EXPENDITURE STATUS BY DEPARTMENT - PRIOR YEAR TO CURRENT YEAR				
	July - March 2011	July - March 2012	Prior Year to Current Year Change	%
GENERAL GOVERNMENT				
CITY COUNCIL	\$215,406	\$210,718	(\$4,688)	-2.2
CITY MANAGER / VIDEO SERVICES	830,774	748,500	(82,274)	-11.0
CITY ATTORNEY	111,237	99,045	(12,192)	-12.3
CITY CLERK	306,248	345,468	39,220	11.4
CITY TREASURER	213,291	207,668	(5,623)	-2.7
SUBTOTAL GENERAL GOVERNMENT	1,676,956	1,611,399	(65,557)	-4.1
ADMINISTRATIVE SERVICES				
FINANCE	666,584	704,365	37,781	5.4
HUMAN RESOURCES / RISK MGMT	255,924	256,489	565	0.2
INFORMATION SYSTEMS	1,545,775	628,621	(917,154)	-145.9
SUBTOTAL ADMINISTRATIVE SERVICES	2,468,283	1,589,475	(878,808)	-55.3
COMMUNITY SERVICES				
LIBRARY	2,263,187	2,318,136	54,949	2.4
OLDER ADULT SERVICES	431,963	431,452	(511)	-0.1
NUTRITION CENT.	151,517	178,507	26,990	15.1
OASIS	175,866		(175,866)	0.0
SUBTOTAL COMMUNITY SERVICES	3,022,533	2,928,095	(94,438)	-3.2
COMMUNITY DEVELOPMENT				
PLANNING	862,298	863,384	1,086	0.1
CODE ENFORCEMENT	589,858	598,626	8,768	1.5
BUILDING	470,673	472,754	2,081	0.4
SUBTOTAL COMMUNITY DEVELOPMENT	1,922,829	1,934,764	11,935	0.6
PUBLIC WORKS				
ENGINEERING	1,091,347	1,216,377	125,030	10.3
STREETS	3,511,584	3,665,123	153,539	4.2
PARKS	1,643,072	1,498,809	(144,263)	-9.6
SUBTOTAL PUBLIC WORKS	6,246,003	6,380,309	134,306	2.1
PUBLIC SAFETY				
POLICE	24,460,157	24,503,945	43,788	0.2
FIRE	12,086,502	12,459,606	373,104	3.0
SUBTOTAL PUBLIC SAFETY	36,546,659	36,963,551	416,892	1.1
OTHER				
NON-DEPARTMENTAL	271,079	216,664	(54,415)	-25.1
COMMUNITY RELATIONS	226,678	84,000	(142,678)	-169.9
SUBTOTAL OTHER	497,757	300,664	(197,093)	-65.6
TOTAL GENERAL FUND	\$52,381,020	\$51,708,257	(\$672,763)	-1.3

Recreation Fund

OPERATING REVENUES



4.1%

Overall Recreation operating revenues are down about \$151,000 compared to last year at this time. Key reasons for this change are discussed below:

Fees for Services (\$1,320,368) – 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 the Skate Park. Revenues through March are up 25.3% or \$266,800. These increases are due to increased fees in Recreation programs and increased attendance.

Golf Course Rent (\$55,197) – Golf Course Rent collected from the Vineyard Golf Course has increased slightly compared to last fiscal year. The Vineyard Golf Course is owned by the City of Escondido and the City of San Diego and managed by a private golf company that is responsible for the operating expenses. The City receives operating revenue from the management company as part of the lease agreement.

Other Rent (\$275,188) – Other Rent collected during the year is about the same compared to last year. The Recreation Fund receives rental income from East Valley Community Center rental spaces and cellular antenna site rentals.

On Track State Grant (\$640,847) – On Track State Grant revenue collected during the year is up about 15% in comparison to last year due to the timing of the billing for this grant. In December of this year \$85,450 was billed for, which had not been billed at this time in the prior 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 (\$551,421) – Interest and Principal on Loans collected during the year have decreased compared to last year by about \$25,000. 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.

4.1%

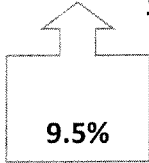
OPERATING EXPENDITURES (\$2,613,705) – Operating expenditures are down 4.1% or about \$112,000 in comparison to the prior year. This reduction is due to a reduction in staff.

RECREATION FUND BALANCE – The Recreation Fund balance at the beginning of this fiscal year was \$596,790. The Fiscal Year 2011-12 budget anticipates using \$252,545 of that balance this year.

RECREATION FUND					
	FY 2011/12 Adopted Budget	July - March 2011	July - March 2012	Prior Year to Current Year Change	%
REVENUES					
FEES FOR SERVICES	\$ 2,163,125	\$ 1,053,534	\$ 1,320,368	\$ 266,834	25.3
CABLE FRANCHISE FEES		449,338	-	(449,338)	-100.0
GOLF COURSE RENT	150,000	53,999	55,197	1,198	2.2
OTHER RENT	345,605	275,211	275,188	(23)	0.0
ON TRACK-STATE GRANT	904,490	555,419	640,847	85,428	15.4
PRINCIPAL ON LOANS	531,220	357,073	400,246	43,173	12.1
INTEREST ON LOANS	169,050	219,514	151,175	(68,339)	-31.1
OTHER REVENUE	104,480	51	-	(51)	-100.0
TOTAL OPERATING REVENUE	4,367,970	2,964,139	2,843,021	(121,118)	-4.1
EXPENDITURES					
EMPLOYEE SERVICES	2,723,190	2,099,845	1,925,212	(174,633)	-8.3
MAINTENANCE AND OPERATIONS	659,775	409,961	406,883	(3,078)	-0.8
INTERNAL SERVICE CHARGES	493,875	323,639	370,413	46,774	14.5
ALLOCATIONS	(138,395)	(107,514)	(88,803)	18,711	-17.4
TOTAL OPERATING EXPENDITURES	3,738,445	2,725,931	2,613,705	(112,226)	-4.1
TRANSFER OUT	882,070	678,810	882,070	203,260	29.9
TOTAL REVENUES OVER EXPENDITURES	\$ (252,545)	\$ (440,602)	\$ (652,754)	\$ (212,152)	48.2

Water Enterprise Fund

OPERATING REVENUES



Overall water operating revenues through March 31, 2012 are up about \$2.7 million over the previous year at this time. Key elements of this increase are the following:

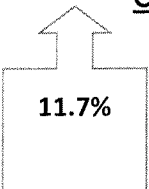
Water Consumption Charges (\$21.3 million) – The 9.8% increase in water consumption revenues was mainly due to a water rate increase of about 7% that went into effect on March 1, 2011. Another 12% increase occurred in February 2012. Additionally, unusually high rainfall in the prior year resulted in less purchased water used for irrigation in 2011.

Water Service Charges (\$7.9 million) - Water service charges are paid by customers for the cost to deliver water to their home or place of business based on the size and type of water meter. Water service charges increased by 9.3% primarily due to the rate increase in March 2011. As noted above, rates increased an additional 12% in February 2012.

Vista Irrigation District Filtration Fees (\$1.1 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. VID Filtration Fees increased by 13% compared to prior year fees at this time. This increase was due to increased filtered water usage by VID compared to last year.

Other Charges for Services (\$.9 million) – Other Charges for Services include meter installation fees, late penalties on utility bills, and electric power sales. This revenue is up slightly compared to last year at this time.

OPERATING EXPENSES



Operating expenses are up about \$2.9 million compared to last year at this time. Below are the reasons for this increase. Purchased water, which is the Utility's largest expense, increased 26.1% or \$2.6 million compared to last year at this time. This is partially because the cost to purchase water from San Diego County Water Authority went up about 7.5%. Also, due to the heavy rainfall in the prior year, purchased water decreased \$2.3 million in 2011 as local reservoirs filled to capacity and, as a result, less irrigation was required due to the rainfall.

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 2011-12 Adopted Budget	July - March 2011	July - March 2012	Prior Year to Current Year Change	%
OPERATING REVENUES					
Water Consumption Charges	\$35,468,420	\$19,362,146	\$21,259,213	1,897,067	9.8
Water Service Charges	9,549,975	7,198,730	7,867,188	668,458	9.3
Vista Irrigation Filtration & Other Fees	1,650,000	1,015,307	1,146,920	131,613	13.0
Other Charges for Services	150,000	874,980	888,581	13,601	1.6
TOTAL OPERATING REVENUE	46,818,395	28,451,163	31,161,902	2,710,739	9.5
OPERATING EXPENSES					
Staffing	7,860,575	5,261,658	5,270,218	8,560	0.2
Purchased Water	21,805,200	9,900,374	12,480,498	2,580,124	26.1
Chemicals & Operating Supplies	3,125,345	2,322,433	2,399,159	76,726	3.3
Repairs and Maintenance	901,135	749,565	653,198	(96,367)	-12.9
City Water	1,734,580	832,217	924,843	92,626	11.1
Professional Services	1,320,595	1,153,287	1,295,568	142,281	12.3
Utilities	886,660	493,377	424,072	(69,305)	-14.0
Other Operating Expenses	1,168,035	606,438	773,520	167,082	27.6
Allocations	4,262,095	3,401,973	3,398,044	(3,929)	-0.1
TOTAL OPERATING EXPENSES	43,064,220	24,721,322	27,619,120	2,897,798	11.7
NONOPERATING REVENUES (EXPENSES)					
Lake Fees and Concessions	800,000	550,739	594,390	43,651	7.9
Investment Income	200,000	112,707	37,519	(75,188)	-66.7
Other Revenues	434,000	702,976	166,550	(536,426)	-76.3
Interest and Fiscal Charges	(2,425,225)	(1,593,088)	(1,620,157)	(27,069)	1.7
TOTAL NONOP REVENUES (EXPENSES)	(991,225)	(226,666)	(821,698)	(595,032)	262.5
CAPITAL CONTRIBUTIONS					
Connection Fees	375,000	67,620	141,170	73,550	108.8
TOTAL CAPITAL CONTRIBUTIONS	375,000	68,626	143,151	73,550	107.2
TRANSFERS IN (OUT)					
Transfers Out	(2,450,000)	(14,400)		14,400	
TOTAL TRANSFERS	(2,450,000)	(14,400)		14,400	
INCOME (LOSS)	687,950	3,557,401	2,864,235	(693,166)	-19.5

Wastewater Enterprise Fund

OPERATING REVENUE



10.2%

Overall wastewater operating revenues through March 31, 2012 are down about \$2.1 million from the previous year at this time. Key elements of this decrease are the following:

Sewer Service Charges (\$15.6 million) – Sewer service charges decreased by about \$1.3 million or 7.7% compared to last year at this time. 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 (\$0.7 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 decreased \$0.76 million from the previous year due to a prior year catch-up billing of \$0.75 million related to the 2009-10 fiscal year. A similar catch-up entry will be done for the 2010-11 year as well.

Recyclable Water Sales (\$1.96 million) – The City's largest user of recycled water is Palomar Energy Center. These revenues from all users are down slightly by about 2.9%.

OPERATING EXPENSES



4.9%

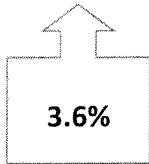
Wastewater operating expenses are up about \$556,000 over the previous year at this time. This increase came mainly from increased utility, supply and repair costs plus added professional services fees paid for the sewer master plan upgrade.

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 2011-12 ADOPTED BUDGET	July - March 2011	July - March 2012	Prior Year to Current Year Change	%
OPERATING REVENUES					
Sewer Service Charges	\$23,830,700	\$16,927,645	\$15,628,014	(\$1,299,631)	-7.7
Treatment Charges - San Diego	1,850,000	1,455,726	699,006	(756,720)	-52.0
Recyclable Water Sales	3,150,000	2,014,682	1,957,092	(57,590)	-2.9
Other Charges for Service	85,000	179,354	193,201	13,847	7.7
TOTAL OPERATING REVENUES	28,915,700	20,577,407	18,477,313	(2,100,094)	-10.2
OPERATING EXPENSES					
Staffing	7,417,495	4,825,158	4,700,604	(124,554)	-2.6
Chemicals & Operating Supplies	1,788,905	793,413	952,358	158,945	20.0
Repairs and maintenance	1,087,750	878,303	976,395	98,092	11.2
Professional Services	2,899,745	1,585,297	1,841,710	256,413	16.2
Utilities	2,308,450	1,277,248	1,327,815	50,567	4.0
Allocations	2,330,680	1,549,870	1,548,868	(1,002)	-0.1
Other Operating Expenses	1,080,385	465,019	582,658	117,639	25.3
TOTAL OPERATING EXPENSES	18,913,410	11,374,308	11,930,408	556,100	4.9
NONOPERATING REVENUES (EXPENSES)					
Investment Income	500,000	364,386	132,844	(231,542)	-63.5
Other Revenues	292,500	199,198	156,194	(43,004)	-21.6
Interest and Fiscal Charges	(1,976,920)	(1,308,682)	(1,272,869)	35,813	-2.7
TOTAL NONOP REVENUES (EXPENSES)	(1,184,420)	(745,098)	(983,831)	(238,733)	32.0
CAPITAL CONTRIBUTIONS					
Connection fees	375,000	280,378	202,191	(78,187)	-27.9
TOTAL CAPITAL CONTRIBUTIONS	375,000	280,378	202,191	(78,187)	-27.9
TRANSFERS OUT	(25,000)	(34,300)	(25,000)	9,300	-27.1
INCOME (LOSS)	9,167,870	8,704,079	5,740,265	(2,963,814)	-34.1

Reidy Creek Golf Course Fund



OPERATING REVENUES (\$428,560) – Due to unusual weather patterns and an increased marketing effort overall revenues are up 3.6% in comparison to last year. With a particularly warm winter, we have seen an increase in rounds played in December by 30% and in February by 22%. However, there has been an increase in play at the twilight hours, which explains why green fees were less, but cart rentals were higher.



OPERATING EXPENDITURES (\$480,566) – With a warmer winter, maintenance supplies were not conserved as they were with the larger amount of rainfall we had last year which had reduced the amount of water, fertilizers and chemicals needed. Also during the first quarter of the year in 2010 there was not a lease agreement in place for the golf carts, which is why there is such a large increase this year in the golf cart lease expenditures in comparison to last year.

REIDY CREEK GOLF COURSE FUND					
	FY 2011-12 Adopted Budget	July - March 2011	July - March 2012	Prior Year to Current Year	%
REVENUES					
Green Fees	\$435,315	\$262,727	\$261,006	(\$1,721)	-0.7
Cart Rentals	176,205	115,990	128,982	12,992	11.2
Golf Merchandise Sales	41,720	26,992	29,252	2,260	8.4
Food and Beverage Rent	9,665	5,390	5,846	456	8.5
Other Golf Revenue	2,115	2,689	3,474	785	29.2
TOTAL REVENUES	665,020	413,788	428,560	14,772	3.6
EXPENDITURES					
Management Fee	70,905	51,104	52,288	1,184	2.3
Golf Course Operations	188,405	134,649	140,673	6,024	4.5
Golf Course Maintenance	292,410	201,223	214,063	12,840	6.4
Administrative & General	61,780	45,672	45,941	269	0.6
Golf Course Merchandise	25,450	17,370	19,697	2,327	13.4
Golf Cart Lease	4,800	2,335	3,980	1,645	70.4
Insurance	5,160	3,363	3,924	561	16.7
TOTAL EXPENDITURES	648,910	455,716	480,566	24,850	5.5
TOTAL REVENUES OVER EXPENDITURES	\$16,110	(41,928)	(52,006)	(\$10,078)	24.0

Community Development Commission

As of January 31, 2012 the Redevelopment Agency has been dissolved and the City of Escondido has elected to become the Successor Agency. The Successor Agency will be responsible for winding down the remaining activities of the dissolved Redevelopment Agency.

Due to the dissolution of the Commission and the timing of debt payments, the Successor Agency Redevelopment Fund has a negative cash balance of \$2.5 million at the end of the third quarter.

The City and the Successor Agency Oversight Board approved a Recognized Obligation Payment Schedule (ROPS) that includes required disbursements beginning July 1, 2012 through December 31, 2012 totaling \$12,565,046. The County of San Diego has tentatively quoted a reimbursement payment of \$3,818,815.

Staff is currently in the process of discussing this cash shortfall with the County Auditor Controller Office and the State Department of Finance.