

#### OVERVIEW

This report summarizes the City's overall financial position for the period of July 1, 2015 through March 31, 2016. While the focus of this report is the General Fund, the financial status of the Community Services Fund, the Water and Wastewater Funds, 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).

The revenue projections and budget include adjustments for encumbrances, carryovers, and any other supplemental appropriations approved by the City Council as of March 31, 2016.

#### GENERAL FUND

At the end of the third quarter, General Fund revenues are at 56.5% of the amended budget, while expenditures are at 69.8%. Based on past history of revenue receipts and payment of expenditures, it appears that actual General Fund revenues through March are projected to be over budget by about \$979,000 and actual expenditures through March are projected to be under budget by about \$565,000; the General Fund is projected to end the year within budget.

#### *General Fund Comparison of Projected Budget to Actuals As of March 31, 2016*

	ANNUAL AMENDED BUDGET	PROJECTED BUDGET as of 3/31/16	ACTUAL as of 3/31/16
Total Revenue	\$89,648,193	\$49,695,779	\$50,674,527
Total Expenditures	\$91,277,878	\$64,319,722	\$63,754,894
Other Sources (Uses) – Note 1	\$1,167,595	\$1,167,595	\$1,303,595
Total Sources over (Uses) – Note 2	(\$462,090)	(\$13,456,348)	(\$11,776,772)
Reserve Balance			\$16,892,319

Note 1: Total Sources (Uses) include transfers in and advances from other funds less transfers out and advance repayments.

Note 2: Council approved the use of General Fund Reserves during the year-end report to Council on October 28, 2015.

**General Fund Revenue:** General Fund total revenue was up 6% compared to the third quarter of fiscal year 2014/15 or about \$2.6 million if you exclude one-time revenue and the "Triple Flip". The largest gains are in sales tax, property tax and charges for services. Details of these changes are outlined below.

General Fund Revenue	Amended Budget	FY 2015/16 Actual	FY 2014/15 Actual
Sales Tax	\$ 28,737,000	\$ 15,812,351	\$ 14,986,168
Sales Tax - Triple Flip	\$ 6,855,000	\$ 1,183,548	\$ 4,164,057
Property Tax	23,460,000	12,962,403	12,398,853
Other Taxes	12,020,000	7,685,861	7,730,207
Intergovernmental	3,159,338	1,944,981	1,927,037
Permits & Fees	778,435	623,318	638,667
Fines & Forfeitures	1,180,000	902,776	734,850
Charges for Services	7,604,285	5,572,192	4,964,876
Investment & Property	3,337,000	2,040,091	1,603,052
Other Revenue	416,220	295,377	284,351
One-Time Revenue	2,100,915	1,651,629	435,302
<b>Total with One-Time Revenue</b>	<b>89,648,193</b>	<b>50,674,527</b>	<b>49,867,420</b>
<b>Total excluding One Time Revenue &amp; Triple Flip</b>	<b>\$ 80,692,278</b>	<b>\$ 47,839,350</b>	<b>\$ 45,268,061</b>

**Sales Tax:** Sales Tax revenues were \$826,000 higher than the previous year, or up about 6%, and were higher than projected fiscal year 2015/16 sales tax growth of 4%. This increase over the prior year is mainly due to growth in sales tax collected on new auto sales, building materials wholesale, and restaurants.

**Sales Tax – Triple Flip:** The Triple Flip payment received in January 2016 was \$3 million less than the payment received in January 2015. This is a timing difference that will occur again in May 2016. Unlike previous fiscal years, the City will be receiving three Triple Flip payments in fiscal year 2015/16. The first two payments will be made in January and May, like in previous years, with the third payment being made in August 2016. The payment in August will be the final Triple Flip payment as the State has paid off the bonds related to the Triple Flip and the City will begin receiving 100% of our monthly sales tax advances versus the 75% allocation that occurred during the Triple Flip.

**Property Tax:** Property Tax revenues are up about 4.5% or about \$563,000 compared to the third quarter of the prior year. This is due to improvements in the residential real estate market and a positive California Consumer Price Index (CCPI) factor of 1.9%.

**Other Taxes:** Other Taxes are down about \$44,000 compared to the prior year. This decrease is mainly from a decrease in the in-lieu franchise fee payment received from SDG&E due to a decrease in natural gas prices. This amount is offset by an increase in revenue received from the transient occupancy tax which is up about 18%.

**Intergovernmental:** Intergovernmental revenue includes the Rincon fire services agreement, state mandated costs claims and various grants and was up only slightly compared to the prior year.

**Fines and Forfeitures:** Fines and forfeitures are up about \$168,000 or 23% compared to the prior year, with the majority of this increase coming from increased collection of code enforcement citations.

**Charges for Services:** Charges for Services have increased compared to the prior year by about \$607,000. This increase is due to increased development activity in the City, which has resulted in increased revenue from engineering fees.

**Income from Interest and Property:** Rental income has increased by \$437,000 compared to the prior year. The majority of this increase is a timing difference, however, \$108,000 is due to increased rent from the Westfield mall.

**One-Time Revenue:** The City has received one-time revenue of about \$1,652,000 through March of this year. Of this amount about \$614,000 was for fire mutual aid, an additional \$706,000 was received in sales tax due to the end of the Triple Flip, and \$284,000 was received from the State for payment of outstanding mandated cost claims.

**General Fund Expenditures:** General Fund total expenditures are up 4% compared to the prior fiscal year or about \$2,274,000. The significant reasons for this change include increases to salaries, PERS expenses, utilities, general liability insurance, and property insurance. The amount expended to date is approximately 70% of the total amount budgeted for the year.

General Fund Expenditures	Amended Budget	FY 2015/16 Actual	FY 2014/15 Actual
General Government	\$ 6,155,330	\$ 3,865,480	\$ 3,668,249
Community Services	4,773,178	3,071,696	3,413,674
Community Development	3,851,065	2,545,744	2,303,817
Public Works	11,606,945	7,822,133	7,118,888
Public Safety	62,268,365	44,391,461	42,990,898
Other Expenditures	2,622,995	2,058,380	1,985,409
<b>Total</b>	<b>\$ 91,277,878</b>	<b>\$63,754,894</b>	<b>\$ 61,480,935</b>

**COMMUNITY SERVICES FUND**

The Community Services Fund overall revenues are down about 4% in comparison to the prior year. Expenditures are about 2% lower than the prior year at this time. The Community Services Fund revised budget for FY 2015/16 is balanced by using \$112,165 of fund balance. After looking at projected revenues and expenditures, the Fund will likely end the year without having to use fund balance and may not need all of the General Fund transfer.

Community Services Fund	Annual Budget	FY 15/16 Actual	FY 14/15 Actual
Revenues	3,400,420	2,130,039	2,535,889
Expenditures	3,735,685	2,408,400	2,447,281
Other Sources (Uses)	223,100	223,100	217,897
<b>Net Income (Loss)</b>	<b>(112,165)</b>	<b>(55,261)</b>	<b>306,505</b>

**REIDY CREEK GOLF COURSE FUND**

Reidy Creek Golf Course Fund revenues are up about 10% compared to the prior year. Expenditures are about 4% higher than the prior year, but are in line with budgeted amounts. Based on this trend the Fund is projected to end the year with a loss similar to last fiscal year; which is projected to be approximately \$120,000.

Reidy Creek Golf Course	Annual Budget	FY 15/16 Actual	FY 14/15 Actual
Revenues	663,890	396,641	361,581
Expenditures	663,890	493,591	475,887
<b>Net Operating Income (Loss)</b>		<b>(96,950)</b>	<b>(114,306)</b>
Other Sources (Uses)		131,000	60,000
<b>Net Income (Loss)</b>		<b>34,050</b>	<b>(54,306)</b>

**ENTERPRISE FUNDS**

**Water Fund:** The Water Fund operating revenue decreased by \$6.5 million or 15.3% from the prior year. The decrease is due to less consumption as a result of customer water conservation. Operating expenses decreased by \$3.1 million or 9.8% compared to the prior year; these decreased costs were primarily from purchased water.

Water Fund	Annual Budget	FY 2015/16 Actual	FY 2014/15 Actual
Operating Revenues	60,544,000	36,239,310	42,781,829
Operating Expenses	(52,956,765)	(28,196,658)	(31,270,562)
Nonoperating Rev (Exp)	(816,820)	231,176	(917,814)
Transfer to Capital Projects and Debt Srvc	(6,780,280)	(2,281,361)	(12,209,036)
<b>Total Sources over Uses</b>	<b>(9,865)</b>	<b>5,992,467</b>	<b>(1,615,583)</b>

Beginning in fiscal year 2014/15, both the Water and Wastewater funds have set up an Operating, Debt and Capital Reserve that will be used to ensure that both funds

have adequate cash reserves to meet operating, capital and debt service requirements. The monies in this reserve can be used to meet emergency cash flow requirements, fund future capital projects and provide protection from default on annual debt service payments.

**Wastewater Fund:** Operating revenue was up \$2.3 million over the prior year. The increase consists of \$1.1 million due to back billing Sempra Energy for recycled water usage, \$700,000 is a back payment from Metropolitan Water District for recycled water incentives, and \$500,000 due to rate increases. Operating expenditures increased by \$1.8 million due to increases in staffing costs, chemicals, gas and electric costs and repairs to the plant.

Wastewater Fund	Annual Budget	FY 2015/16 Actual	FY 2014/15 Actual
Operating Revenues	29,605,000	24,405,166	22,080,591
Operating Expenses	(21,842,440)	(15,647,604)	(13,886,755)
Nonoperating Rev (Exp)	(2,132,350)	(1,470,821)	(1,331,446)
Transfer to Capital Projects and Debt Svc	(8,275,750)	(9,134,688)	(8,428,561)
Total Sources over Uses	(2,645,540)	(1,847,947)	(1,566,171)

#### FOR MORE INFORMATION

This summary report is based on detailed information generated by the City's finance department. If you have any questions or would like additional information on this report, please contact the finance department at (760) 839-4676 or visit [www.escondido.org](http://www.escondido.org).