



CITY OF ESCONDIDO

THIRD QUARTER FINANCIAL REPORT

March 31, 2017

OVERVIEW

This report summarizes the City's overall financial position for the period of July 1, 2016 through March 31, 2017. 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, 2017.

GENERAL FUND

At the end of the third quarter, General Fund revenues are at 61% of the amended budget, while expenditures are at 71%. 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 \$699,000, mainly from one-time revenue, and actual expenditures through March are projected to be under budget by about \$2.6 million. The General Fund is projected to end the current fiscal year with a surplus.

General Fund Comparison of Projected Budget to Actuals As of March 31, 2017

	ANNUAL AMENDED BUDGET	PROJECTED BUDGET as of 3/31/17	ACTUAL as of 3/31/17
Total Revenue	\$92,351,449	\$55,641,180	\$56,340,436
Total Expenditures	\$93,771,730	\$68,845,068	\$66,200,705
Other Sources (Uses) – Note 1	\$354,826	\$354,826	354,826
Total Sources over (Uses) – Note 2	(\$1,065,455)		
Reserve Balance			\$17,392,319

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 surplus during the year-end report to Council on October 26, 2016.

General Fund Revenue: General Fund total revenue was up 12% compared to the prior year or about \$6.1 million if you exclude one-time revenue. This increase was due to the end of the Triple Flip and increased paramedic revenue. In addition, the City received one-time revenue from fire mutual aid of about \$616,000, an additional \$374,000 from the sale of city property; and \$46,000 from State Mandated Cost claims. Details of the General Fund revenue sources are outlined below.

General Fund Revenue	Amended Budget	FY 2016/17 Actual	FY 2015/16 Actual
Sales Tax	\$ 37,218,000	\$ 21,541,239	\$ 16,995,899
Property Tax	24,548,000	13,431,615	12,962,403
Other Taxes	11,940,000	7,822,108	7,685,861
Intergovernmental	2,887,315	1,905,652	1,944,981
Permits & Fees	1,097,000	799,783	623,318
Fines & Forfeitures	1,402,000	793,998	902,776
Charges for Services	8,790,689	6,614,458	5,572,192
Investment & Property	3,400,000	2,080,627	2,040,091
Other Revenue	452,710	91,604	295,377
One-Time Revenue	615,735	1,259,352	1,651,629
Total with One-Time Revenue	92,351,449	56,340,436	50,674,527
Total excluding One Time Revenue	\$ 91,735,714	\$ 55,081,084	\$ 49,022,898

Sales Tax: Sales Tax revenues were \$4.5 million higher than the previous year, or up about 27%. This increase is the result of a timing difference due to the end of the Triple Flip. Last year at this time, the city would have received 75% of the 1% sales tax due for each advance with the remaining 25% paid in January and May. In the current fiscal year, the local sales tax advances reverted back to the original 1% amount.

Sales tax receipts through March are on target to reach projected growth of 4%. This increase over the prior year is due to growth in sales from new autos and leasing. We will continue to monitor sales tax results closely with third quarter sales tax results due in mid June.

Property Tax: Property Tax revenues are up about 3.6% or about \$469,000 compared to the prior year. This is because assessed value growth for Escondido in fiscal year 2016/17 was up 5.3% compared to the prior year.

Other Taxes: Other Taxes are up about \$136,000 compared to the prior year. The majority of this increase is from the Property Transfer Tax. In addition, business licenses fees

and transient occupancy tax are both up about 6% over the prior year.

Permits & Fees: Permits and fees have increased over the prior year by about \$176,000 due to increased development.

Fines & Forfeitures: Fines and forfeitures have decreased over the prior year by about \$109,000 due to lower collection of vehicle code fines and parking ticket fines.

Charges for Services: Charges for Services have increased over the prior year by about \$1 million. Paramedic revenue has increased \$1.2 million due to increased transport fees as well as a more successful collection rate.

General Fund Expenditures: General Fund total expenditures are up 3.8% compared to the prior fiscal year or about \$2.4 million. The significant reasons for this change include increases to salaries, CalPERS contributions, workers' compensation, utilities costs, and building maintenance internal service charges.

General Fund Expenditures	Amended Budget	FY 2016/17 Actual	FY 2015/16 Actual
General Government	\$ 6,198,385	\$ 4,039,648	\$ 3,865,480
Community Services	4,668,575	3,196,628	3,071,696
Community Development	4,145,030	2,725,111	2,545,744
Public Works	12,284,100	7,892,117	7,822,133
Public Safety	63,095,755	46,293,097	44,391,461
Other Expenditures	3,379,885	2,054,104	2,058,380
Total	\$ 93,771,730	\$66,200,705	\$ 63,754,894

COMMUNITY SERVICES FUND

The Community Services Fund overall revenues are down about 4% compared to prior year's revenues at this time, but in line with budgeted amounts. There was a 41% decrease in lease revenue from Cell Towers which resulted in \$126,265 less revenue than the prior year. Expenditures are in line with the prior year and budgeted amounts. The Community Services budget for FY 2016/17 was balanced by using \$36,285 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 be able to reduce the \$223,100 General Fund transfer.

Community Services Fund	Annual Budget	FY 16/17 Actual	FY 15/16 Actual
Revenues	3,294,385	2,037,776	2,130,039
Expenditures	(3,553,770)	(2,433,620)	(2,408,400)
Other Sources (Uses)	223,100	223,100	223,100
Total Sources Over Uses	(36,285)	(172,744)	(55,261)

REIDY CREEK GOLF COURSE FUND

Reidy Creek Golf Course Fund revenues are down 4% from the prior year and expenditures are in line with the prior year. The courses loss of revenue was due to flooding that occurred on the back nine of the course during the significant rains we had this winter. Based on this trend the Fund is projected to end the year with a loss slightly higher than last fiscal year; which is projected to be approximately \$140,000.

Reidy Creek Golf Course	Annual Budget	FY 16/17 Actual	FY 15/16 Actual
Revenues	664,395	379,534	396,641
Expenditures	664,395	(495,966)	(493,591)
Other Sources (Uses)		122,000	131,000
Total Sources Over (Under) Uses		5,568	34,050

ENTERPRISE FUNDS

Water Fund: The Water Fund operating revenue increased by \$4.2 million or 11.6% from the prior year. The increase is due to a 7% increase in water consumption and a 5.5% rate increase in March 2016. Operating expenses increased by \$4.5 million or 15.9% compared to the prior year; these increased costs were primarily from negotiated staff contracts, purchased water and City water.

Water Fund	Annual Budget	FY 2016/17 Actual	FY 2015/16 Actual
Operating Revenues	55,175,000	40,440,866	36,239,310
Operating Expenses	(50,676,535)	(32,669,689)	(28,196,658)
Operating Income	4,498,465	7,771,177	8,042,652
Nonoperating Rev (Exp)	(1,761,400)	(566,654)	231,176
Transfer to Capital Projects and Debt Srvc	(4,523,835)	(4,571,035)	(3,566,516)
Total Sources over Uses	(1,786,770)	2,633,488	4,707,312

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 increased \$241,000 from the prior year due to the following: Sewer Service Charges increased \$781,000 due to a 6% rate increase in March 2016; \$1.2 million increase in San Diego Treatment charges due to a rate increase of \$600 per thousand kilo gallons and to \$600,000 in capital reimbursements; \$1.2 million decrease in Recycled Water sales due lower irrigation needs because of heavier rainfall; and \$561,000 decrease in other revenues. Operating expenditures increased by 3.9% due to increases in staffing, repairs/maintenance and administrative costs.

Wastewater Fund	Annual Budget	FY 2016/17 Actual	FY 2015/16 Actual
Operating Revenues	33,500,000	24,645,844	24,405,166
Operating Expenses	(23,836,550)	(16,287,903)	(15,647,604)
Operating Income	9,663,450	8,357,941	8,757,562
Nonoperating Rev (Exp)	(1,610,340)	(1,214,176)	(1,470,821)
Transfer to Capital Projects and Debt Srvc	(9,923,135)	(6,294,938)	(10,872,641)
Total Sources over Uses	(1,870,025)	848,827	(3,585,900)

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.