



# CITY OF ESCONDIDO

## ATTACHMENT 1: THIRD QUARTER FINANCIAL REPORT

March 31, 2018

### OVERVIEW

This report summarizes the City's overall financial position for the period of July 1, 2017 through March 31, 2018. While the focus of this report is the General Fund, the financial status of 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, 2018.

### GENERAL FUND

At the end of the third quarter, General Fund revenues are at 63% of the amended budget, while expenditures are at 72%. 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 \$1.5 million, mainly from property tax increases and one-time revenue, and actual expenditures through March are projected to be under budget by about \$1.4 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, 2018**

|                                    | ANNUAL AMENDED BUDGET | PROJECTED BUDGET as of 3/31/18 | ACTUAL as of 3/31/18 |
|------------------------------------|-----------------------|--------------------------------|----------------------|
| Total Revenue                      | \$98,474,390          | \$60,111,000                   | \$61,614,255         |
| Total Expenditures                 | \$100,213,605         | \$73,520,287                   | \$72,107,897         |
| Other Sources (Uses) – Note 1      | (\$1,101,720)         | (\$1,101,720)                  | (\$691,976)          |
| Total Sources over (Uses) – Note 2 | (\$2,840,935)         |                                |                      |
| 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 on October 18, 2017. Council also approved the transfer of \$1,984,000 to initially fund the Pension Trust.

**General Fund Revenue:** General Fund total revenue was up 6% compared to the prior year or about \$3.5 million if you exclude one-time revenue. This increase was due to increases in property taxes and the residual payment from the Redevelopment Property Tax Trust Fund. In addition, the City received one-time revenue from fire mutual aid of about \$1.4 million and \$141,000 from utility underground waiver fees. Details of the General Fund revenue sources are outlined below.

| General Fund Revenue                    | Amended Budget       | FY 2017/18 Actual    | FY 2016/17 Actual    |
|---|----------------------|----------------------|----------------------|
| Sales Tax                               | \$ 37,349,510        | \$ 22,134,641        | \$ 21,541,239        |
| Property Tax                            | 26,236,000           | 15,053,797           | 13,431,615           |
| Other Taxes                             | 13,248,000           | 9,204,488            | 7,822,108            |
| Intergovernmental                       | 2,989,000            | 2,100,321            | 1,905,652            |
| Permits & Fees                          | 1,294,000            | 855,048              | 799,783              |
| Fines & Forfeitures                     | 1,186,000            | 742,001              | 793,998              |
| Charges for Services - Note 1           | 10,376,000           | 7,335,150            | 7,830,500            |
| Investment & Property                   | 3,829,505            | 2,313,626            | 2,279,127            |
| Other Revenue                           | 494,000              | 278,455              | 91,604               |
| One-Time Revenue                        | 1,472,375            | 1,596,728            | 1,259,352            |
| <b>Total with One-Time Revenue</b>      | <b>98,474,390</b>    | <b>61,614,255</b>    | <b>57,754,978</b>    |
| <b>Total excluding One Time Revenue</b> | <b>\$ 97,002,015</b> | <b>\$ 60,017,527</b> | <b>\$ 56,495,626</b> |

Note 1: FY 2016/17 Charges for Services amount was amended to include Recreation.

**Sales Tax:** Sales Tax revenues were \$593,000 higher than the previous year, or up about 3%. We were projecting sales tax growth of 3% so we are on target to reach this amount. This increase over the prior year is due to growth in sales from retail and wholesale construction and leasing. We will continue to monitor sales tax results through the remainder of the year.

**Property Tax:** Property Tax revenues are up about 12% or about \$1.6 million compared to the prior year. This is because assessed value growth for Escondido in fiscal year 2017/18 was up 7% compared to the prior year. We were projecting growth of 3%, so we are above our projections by about \$600,000.

**Other Taxes:** Other Taxes are up about \$1.4 million compared to the prior year. The majority of this increase is from the Redevelopment Property Tax Trust Fund (RPTTF) residual payment. This is the result of the former Redevelopments Agency's reduction in outstanding debt

service payments, which results in a larger ending residual balance. The larger ending residual balance is shared amount all the taxing entities, and the City of Escondido receives a share. In addition, franchise fees are up 13% over the prior year. This increase is primarily from SDG&E.

**Intergovernmental:** Intergovernmental revenue includes the Rincon fire services agreement, state mandated cost claims, and various grant and was up about \$195,000 compared to the prior year. This increase was primarily from Rincon fire services

**Charges for Services:** Charges for Services have decreased over the prior year by about \$495,000. This decrease is due to a decline in Engineering fees collected.

**General Fund Expenditures:** General Fund total expenditures are up 6% compared to the prior fiscal year or about \$4 million. The significant reasons for this change include increases to salaries, CalPERS contributions, workers' compensation, radio replacement and Regional Communications System Financing.

| General Fund Expenditures   | Amended Budget       | FY 2017/18 Actual    | FY 2016/17 Actual    |
|-----------------------------|----------------------|----------------------|----------------------|
| General Government          | \$ 6,068,355         | \$ 3,821,859         | \$ 4,039,648         |
| Community Services - Note 1 | 7,164,555            | 4,802,159            | 5,059,523            |
| Community Development       | 4,787,020            | 2,932,365            | 2,725,111            |
| Public Works                | 13,081,225           | 9,174,034            | 7,892,117            |
| Public Safety               | 66,029,595           | 49,184,117           | 46,293,097           |
| Other Expenditures          | 3,082,855            | 2,193,363            | 2,054,104            |
| <b>Total</b>                | <b>\$100,213,605</b> | <b>\$ 72,107,897</b> | <b>\$ 68,063,600</b> |

Note 1: FY 2016/17 Community Services expenditures were amended to include Recreation.

**REIDY CREEK GOLF COURSE FUND**

The current year Reidy Creek Golf Course budget was balanced using a transfer from the General Fund of \$105,150. Other Sources and Uses reflect this transfer and a transfer to cover the prior year's operating loss of \$142,000. Current year revenues are up about 2% and expenditures are 4% more than the prior year. Bases on this trend the fund is projected to end the year with a loss of about \$60,000.

| Reidy Creek Golf Course               | Annual Budget  | FY 17/18 Actual | FY 16/17 Actual |
|---------------------------------------|----------------|-----------------|-----------------|
| Revenues                              | 584,870        | 387,691         | 379,534         |
| Expenditures                          | (690,020)      | (514,912)       | (495,966)       |
| Other Sources (Uses)                  | 247,150        | 247,150         | 122,000         |
| <b>Total Sources Over (Under) Use</b> | <b>142,000</b> | <b>119,929</b>  | <b>5,568</b>    |

**ENTERPRISE FUNDS**

**Water Fund:** The Water Fund operating revenue increased by \$4.7 million or 11.6% from the prior year. The increase is due to an 8.1% increase in water consumption (kilo gallons) and a 5.5% rate increase in March 2017. Operating expenses increased by \$2.2 million or 6.8% compared to the prior year; these increased costs were primarily from negotiated staff contracts and purchased water.

| Water Fund                     | Annual Budget      | FY 2017/18 Actual | FY 2016/17 Actual |
|--------------------------------|--------------------|-------------------|-------------------|
| Operating Revenues             | 54,905,000         | 45,149,202        | 40,440,866        |
| Operating Expenses             | (51,495,695)       | (34,899,111)      | (32,669,689)      |
| Operating Income               | 3,409,305          | 10,250,091        | 7,771,177         |
| Nonoperating Rev (Exp)         | (979,630)          | 740,153           | (566,654)         |
| Transfer to Capital            |                    |                   |                   |
| Projects and Debt Srvc         | (11,982,255)       | (1,375,302)       | (4,571,035)       |
| <b>Total Sources over Uses</b> | <b>(9,552,580)</b> | <b>9,614,942</b>  | <b>2,633,488</b>  |

**Wastewater Fund:** Net operating revenue decreased \$191,000 from the prior year due to the following: Sewer Service Charges increased \$889,000 due to a 5% rate increase in March 2017; \$1.2 million decrease in San Diego Treatment charges which in the prior year included some \$614,000 project reimbursements which had not yet been reclassified to CIP reimbursement; Recycled Water sales increased \$174,000 from prior year. Operating expenditures decreased \$87,000 (0.5%) from prior year 3<sup>rd</sup> quarter.

| Wastewater Fund                | Annual Budget      | FY 2017/18 Actual | FY 2016/17 Actual |
|--------------------------------|--------------------|-------------------|-------------------|
| Operating Revenues             | 34,500,000         | 24,454,536        | 24,645,844        |
| Operating Expenses             | (24,283,543)       | (16,201,204)      | (16,287,903)      |
| Operating Income               | 10,216,457         | 8,253,332         | 8,357,941         |
| Nonoperating Rev (Exp)         | (1,965,895)        | 302,215           | (1,214,176)       |
| Transfer to Capital            |                    |                   |                   |
| Projects and Debt Srvc         | (11,134,965)       | 1,984,181         | (6,294,938)       |
| <b>Total Sources over Uses</b> | <b>(2,884,403)</b> | <b>10,539,728</b> | <b>848,827</b>    |

**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).