



CITY OF ESCONDIDO

ATTACHMENT 1: FOURTH QUARTER FINANCIAL REPORT

June 30, 2018

OVERVIEW

This report summarizes the City's overall financial position for the period of July 1, 2017 through June 30, 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 June 30, 2018.

GENERAL FUND

The General Fund ended Fiscal Year 2017/18 with net sources over uses of about \$3 million. These results were achieved because actual operating expenditures were under budget by about \$2.3 million and actual operating revenues were over budget by about \$1 million.

**General Fund
Comparison of Projected Budget to Actuals
As of June 30, 2018**

	Final Budget	Actual
Total Revenue	\$98,957,930	\$100,039,805
Total Expenditures	100,687,145	98,391,300
Other Sources (Uses) – Note 1	1,401,900	1,381,057
Total Sources over (Uses) – Note 2	(\$327,315)	\$3,029,562
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 4.5% compared to the prior year or about \$4.2 million if you exclude one-time revenue and adjust for the inclusion of the Recreation Department in the General Fund. This increase was due to increases in property taxes, the residual payment

from the Redevelopment Property Tax Trust Fund, franchise fees, and grants. In addition, the City received one-time revenue from fire assistance of about \$1.3 million and \$1.7 million from the sale of City property. 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	\$ 36,573,403	\$ 36,088,340
Property Tax	26,236,000	26,255,814	24,346,068
Other Taxes	13,248,000	13,147,895	12,360,789
Intergovernmental	3,011,040	3,250,368	2,594,822
Permits & Fees	1,294,000	1,183,587	1,222,686
Fines & Forfeitures	1,186,000	1,081,447	1,191,723
Charges for Services - Note 1	10,401,000	10,695,760	10,910,261
Investment & Property	4,719,005	4,822,130	4,128,989
One-Time Revenue	1,513,375	3,029,401	991,923
Total with One-Time Revenue	98,957,930	100,039,805	93,835,601
Total excluding One Time Revenue	\$ 97,444,555	\$ 97,010,404	\$ 92,843,678

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

Sales Tax: Sales Tax revenues are expected at \$36.6 million, representing an increase in revenue of \$485,000 but lower than projected by 2%. In late Fiscal Year 2018, the California Department of Tax and Fee Administration (CDTFA) implemented a new sales tax reporting software system and modified the schedule of sales tax distributions to the City.

While the distribution schedule change discussed above should have provided additional one-time revenue, unforeseen complications with the software update impeded the CDTFA's ability to process a significant amount of sales tax returns. These complications delayed distribution of sales tax to all cities and resulted in lower actual receipts. The State will be distributing these revenues later this year, which is beyond the City's 60-day accrual policy, so this will be recognized as one-time revenue in Fiscal Year 2018/19.

Currently, the amount of remaining sales tax to be distributed is expected to be approximately \$800,000. Had the City received this amount during the current fiscal year, our sales tax projected growth of 3.5% would have been met.

Property Tax: Property Tax revenue is expected at \$26.2 million, which is \$1.9 million higher than the prior year or up about 8%. This is because assessed value growth for Escondido in Fiscal Year 2017/18 was up 7% compared to the prior year.

Other Taxes: Other Taxes are up about \$787,000 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 Redevelopment Agency's reduction in outstanding debt service payments, which results in a larger ending residual balance. The larger ending residual balance is a shared amount that all the taxing entities share. In addition, franchise fees are up 5% 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 grants, this was up about \$655,000 compared to the prior year. This increase was primarily from Rincon fire services and Ground Emergency Medical Transportation reimbursements.

Charges for Services: Charges for services have remained about the same compared to the prior year if you adjust for the inclusion of the Recreation Department charges for services included in the General Fund.

Investment and Property: Income from investments and property is up about \$700,000 compared to the prior year if you adjust for the inclusion of the rental income that in the past was reported in the Recreation Fund. In addition, the City is receiving reimbursements from developers for outside professional services costs to facilitate the review of project proposals. The corresponding professional service expenses are paid for by the Planning Department.

General Fund Expenditures: General Fund total expenditures are up 5% compared to the prior fiscal year or about \$5 million if you adjust for the inclusion of the Recreation Department in the General Fund. 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	\$ 6,104,355	\$ 5,581,686	\$ 5,700,454
Community Services - Note 1	7,164,555	6,960,751	6,955,652
Community Development	4,837,020	4,017,640	3,880,385
Public Works	13,110,765	12,828,371	11,302,657
Public Safety	66,435,595	66,212,577	62,982,291
Other Expenditures	3,034,855	2,790,275	2,571,322
Total	\$ 100,687,145	\$ 98,391,300	\$ 93,392,761

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

REIDY CREEK GOLF COURSE FUND

The 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. While revenues were up about 4% compared to the prior year, they were under budget by \$43,901. With revenues coming in less than budgeted and expenditures slightly under budget, a transfer of \$35,576 is needed to cover the loss for the fiscal year.

Reidy Creek Golf Course	Annual Budget	FY 17/18 Actual	FY 16/17 Actual
Revenues	584,870	540,969	521,803
Expenditures	(690,020)	(681,695)	(672,341)
Other Sources (Uses)	247,150	247,150	131,000
Total Sources Over (Under) Use	142,000	106,424	(19,538)

ENTERPRISE FUNDS

Water Fund: The Water Fund ended the year with net operating income of \$5.5 million, which was lower than the prior year by about \$900,000. This was the result of a 16% increase in operating expenses compared to the prior year or about \$7.6 million, which came primarily from increased purchased water costs. This amount was offset by increased operating revenue of \$6.7 million or 13% which was due to increased water consumption and a 5.5% rate increase that went into effect in March 2017.

Water Fund	Annual Budget	FY 2017/18 Actual	FY 2016/17 Actual
Operating Revenues	56,510,000	59,696,574	52,936,039
Operating Expenses	(51,741,170)	(54,191,411)	(46,543,635)
Operating Income	4,768,830	5,505,163	6,392,404
Nonoperating Rev (Exp)	(711,575)	747,131	(782,560)
Transfer to Capital			
Projects and Debt Srvc	(7,226,655)	(5,372,731)	(5,202,594)
Total Sources over Uses	(3,169,400)	879,563	407,250

Wastewater Fund: The Wastewater Fund ended the year with net operating income of \$10.4 million, which was up about \$600,000 compared to the prior year. This was the result of an increase in operating revenue of about \$300,000 due to a 5% rate increase in March 2017. In addition, expenditures were lower than the prior year by about \$300,000 due to decreased operating costs from chemicals and equipment repairs. Non-operating revenue is up about 4.7 million compared to the prior year. This increase is from increased capital project reimbursements from the City of San Diego and connection fees.

Wastewater Fund	Annual Budget	FY 2017/18 Actual	FY 2016/17 Actual
Operating Revenues	34,500,000	34,464,077	34,166,602
Operating Expenses	(24,758,390)	(24,101,153)	(24,412,291)
Operating Income	9,741,610	10,362,924	9,754,311
Nonoperating Rev (Exp)	(1,325,055)	5,951,331	1,273,209
Transfer to Capital Projects and Debt Srvc	(11,134,965)	(12,410,787)	(10,770,992)
Total Sources over Uses	(2,718,410)	3,903,468	256,528

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.