



# CITY OF ESCONDIDO

## ATTACHMENT 1: SECOND QUARTER FINANCIAL REPORT

### December 31, 2018

#### OVERVIEW

This report summarizes the City's overall financial position for the period of July 1, 2018 through December 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 December 31, 2018.

#### GENERAL FUND

At the end of the second quarter, General Fund revenues are at 33% of the amended budget, while expenditures are at 47%. Based on past history of revenue receipts and payment of expenditures, it appears that actual revenues through December are projected to be over budget by about \$2.1 million, mainly from one-time revenue. Actual expenditures through December are projected to be under budget by about \$316,000 so the General Fund is on track to reach projected revenue and expenditures in the current fiscal year

**General Fund  
Comparison of Projected Budget to Actuals  
As of December 31, 2018**

	ANNUAL AMENDED BUDGET	PROJECTED BUDGET as of 12/31/18	ACTUAL as of 12/31/18
Total Revenue	\$101,120,750	\$31,148,000	\$33,300,619
Total Expenditures	102,908,270	48,492,306	48,175,696
Other Sources (Uses) – Note 1	1,664,380	1,664,380	1,664,380
Total Sources over (Uses)	(\$123,140)		
Reserve Balance			\$17,392,319

Note 1: Total Sources (Uses) include transfers in and advances from other funds less transfers out and advance repayments. In addition, Council approved the use of General Fund surplus during the year-end report to Council on October 24, 2018.

**General Fund Revenue:** General Fund total revenue was up 2% compared to the prior year or about \$585,000 if you exclude one-time revenue. This increase occurred due to growth in sales tax, property taxes, transient occupancy tax and engineering fees. In addition, the City received one-time revenue from fire assistance of about \$938,000 and one-time sales tax revenue of \$355,000. Details of the General Fund revenue sources are outlined below.

General Fund Revenue	Amended Budget	FY 2018/19 Actual	FY 2017/18 Actual
Sales Tax	\$ 38,508,250	\$ 13,128,413	\$ 12,695,767
Property Tax	27,033,000	5,217,503	5,079,209
Other Taxes	14,097,000	3,605,724	3,701,618
Intergovernmental	3,055,000	1,310,389	1,448,416
Permits & Fees	1,319,000	467,034	633,038
Fines & Forfeitures	1,156,000	542,050	460,560
Charges for Services	10,744,500	5,562,295	5,292,314
Investment & Property	4,438,000	1,585,525	1,522,526
One-Time Revenue	770,000	1,881,686	1,072,589
<b>Total with One-Time Revenue</b>	<b>101,120,750</b>	<b>33,300,619</b>	<b>31,906,038</b>
<b>Total excluding One Time Revenue</b>	<b>\$ 100,350,750</b>	<b>\$ 31,418,933</b>	<b>\$ 30,833,448</b>

**Sales Tax:** Sales Tax revenue is projected to be over budget by about \$800,000 at fiscal year-end. As reported in the City's Fourth Quarter Financial Report dated June 30, 2018, the California Department of Tax and Fee Administration (CDFTA) implemented a new sales tax reporting software system and modified the schedules of sales tax distribution to cities. Complications with the software update impeded the CDFTA's ability to process a significant amount of sales tax returns. This delayed distribution of sales tax to the City resulting in lower than anticipated sales tax revenue in Fiscal Year 2017/18 by about 2%.

Since the fiscal year-end, the State has distributed cleanup payments that are estimated to be about \$355,000 of delayed Fiscal Year 2017/18 sales tax revenue. Due to the City's 60-day accrual policy, these amounts will be recognized as one-time revenue in Fiscal Year 2018/19.

After adjusting for this one-time revenue, sales tax revenues were up about \$433,000 more than the previous year, or up about 3.4%. We were projecting sales tax growth of 3% so we are on target to reach this amount. Key gains were seen in building materials and declines were seen in general retail. The largest economic segments in the City continue to be new auto sales, restaurants, building materials and

general retail. Together they generate 58% of the city's sales tax revenues.

**Property Tax:** Property Tax revenues are up about 3% or about 138,000 compared to the prior year. This is because assessed value growth for Escondido in fiscal year 2018/19 was up 5.8% compared to the prior year. We were projecting growth of 3% so we are on target to reach this amount.

**Other Taxes:** Other taxes include franchise fees, transient occupancy tax, business licenses, and the transfer station fee. Other Taxes are down about \$96,000 compared to the prior year. This decrease is mainly due to a decrease in the franchise in lieu fees received from San Diego Gas and Electric which resulted from a decrease in natural gas used at the power plant.

**Intergovernmental:** Intergovernmental revenue includes the Rincon fire services revenue, state mandated costs claims and various grants. This revenue is down about \$138,000 compared to the prior year due to grant receipt timing differences.

**Permits & Fees:** Building permits and fees have decreased over the prior year by about \$166,000 or 26% due to decreased permitting activity.

**Charges for Services:** Charges for Services have increased over the prior year by about \$269,000. This increase is from Engineering fees.

**General Fund Expenditures:** General Fund total expenditures are up 3% compared to the prior fiscal year or about \$1.5 million. General Fund expenditures were projected to increase by 4% compared to the prior year so we are on track to meet this target. These projected increases are coming mainly from projected increases in salaries, CalPERS contributions, and new software such as Cityworks, PLL, time and attendance and budget software.

General Fund Expenditures	Amended Budget	FY 2018/19 Actual	FY 2017/18 Actual
General Government	\$ 5,862,450	\$ 2,164,261	\$ 2,261,240
Community Services	7,745,700	3,522,683	3,263,427
Community Development	4,644,125	1,822,130	1,888,937
Public Works	13,230,225	5,848,950	5,735,679
Public Safety	67,367,560	32,927,653	31,794,138
Other Expenditures	4,052,210	1,890,019	1,720,458
<b>Total</b>	<b>\$102,902,270</b>	<b>\$ 48,175,696</b>	<b>\$ 46,663,879</b>

**REIDY CREEK GOLF COURSE FUND**

The Reidy Creek Golf Course Fund FY 18/19 budget was balanced using a transfer from the general fund of \$24,590. Other Sources and Uses reflect this transfer and a transfer to cover the prior year's additional loss of \$36,000. Compared to the prior year, revenues are 7% less and expenditures are down 10%. This is due to the reduction in maintenance staff and maintained areas at the course. The fund is projected to end the year with a much smaller loss than last fiscal year but about \$65,000 more than budgeted.

Reidy Creek Golf Course	Annual Budget	FY 18/19 Actual	FY 17/18 Actual
Revenues	557,650	245,380	264,603
Expenditures	(582,240)	(323,251)	(358,399)
Other Sources (Uses)	60,590	60,590	145,000
<b>Total Sources Over (Under) Uses</b>	<b>36,000</b>	<b>(17,281)</b>	<b>51,204</b>

**ENTERPRISE FUNDS**

**Water Fund:** Net operating income through December 2018 was \$10 million, an increase of about \$300,000 from prior year. Operating revenue increased by \$1.5 million or 5% compared to the prior year due to a 5.5% rate increase in March 2018. Operating expenses increased by \$1.2 million or 6% compared to the prior year.

Water Fund	Annual Budget	FY 2018/19 Actual	FY 2017/18 Actual
Operating Revenues	60,275,000	33,720,290	32,183,082
Operating Expenses	(52,318,420)	(23,672,529)	(22,406,522)
Operating Income	7,956,580	10,047,761	9,776,560
Nonoperating Rev (Exp)	(985,160)	698,265	1,453,877
Transfer to Capital			
Projects and Debt Srvc	(3,862,630)	(1,305,940)	(1,257,680)
<b>Total Sources over Uses</b>	<b>3,108,790</b>	<b>9,440,086</b>	<b>9,972,757</b>

**Wastewater Fund:** Net operating income through December 2018 was \$10 million, an increase of \$1.2 million or 12% from prior year. Operating revenue increased by \$1.1 million or 6% compared to the prior year. Operating expenditures decreased slightly by \$37,000 or less than 1%.

Wastewater Fund	Annual Budget	FY 2018/19 Actual	FY 2017/18 Actual
Operating Revenues	35,900,000	20,633,902	19,488,609
Operating Expenses	(25,872,840)	(10,594,324)	(10,631,819)
Operating Income	10,027,160	10,039,578	8,856,790
Nonoperating Rev (Exp)	16,923,490	515,889	576,711
Transfer to Capital			
Projects and Debt Srvc	(19,846,895)	(1,750,573)	(1,688,665)
<b>Total Sources over Uses</b>	<b>7,103,755</b>	<b>8,804,894</b>	<b>7,744,836</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).