



2nd Quarter Financial Report

OVERVIEW

This report summarizes the City's financial position for the fiscal year through the second quarter ending December 31, 2019 for the General Fund, Water and Wastewater Funds, and the Reidy Creek Municipal Golf Course. The purpose of the report is to provide City Council, City Management, and the Escondido community an update on the City's fiscal status based on the most recent financial information available. The revenue projections and budget information include adjustments for encumbrances, carryovers, and any other supplemental appropriations approved by the City Council as of December 31, 2019.

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).

GENERAL FUND

At the end of the second quarter, the General Fund appears to be tracking as expected. The Projected Results as of December 31, 2019 shown below are based on past history of the timing of revenues collected and expenditure activity.

General Fund revenues are at 34% of the amended budget, while expenditures are at 46%. Due to one-time revenue received through December, actual revenues are higher than revenue projected by about \$3.3 million. Expenditures are in line with budgeted activity and projected amounts.

**General Fund
Comparison of Projected Budget to Actuals
As of December 31, 2019**

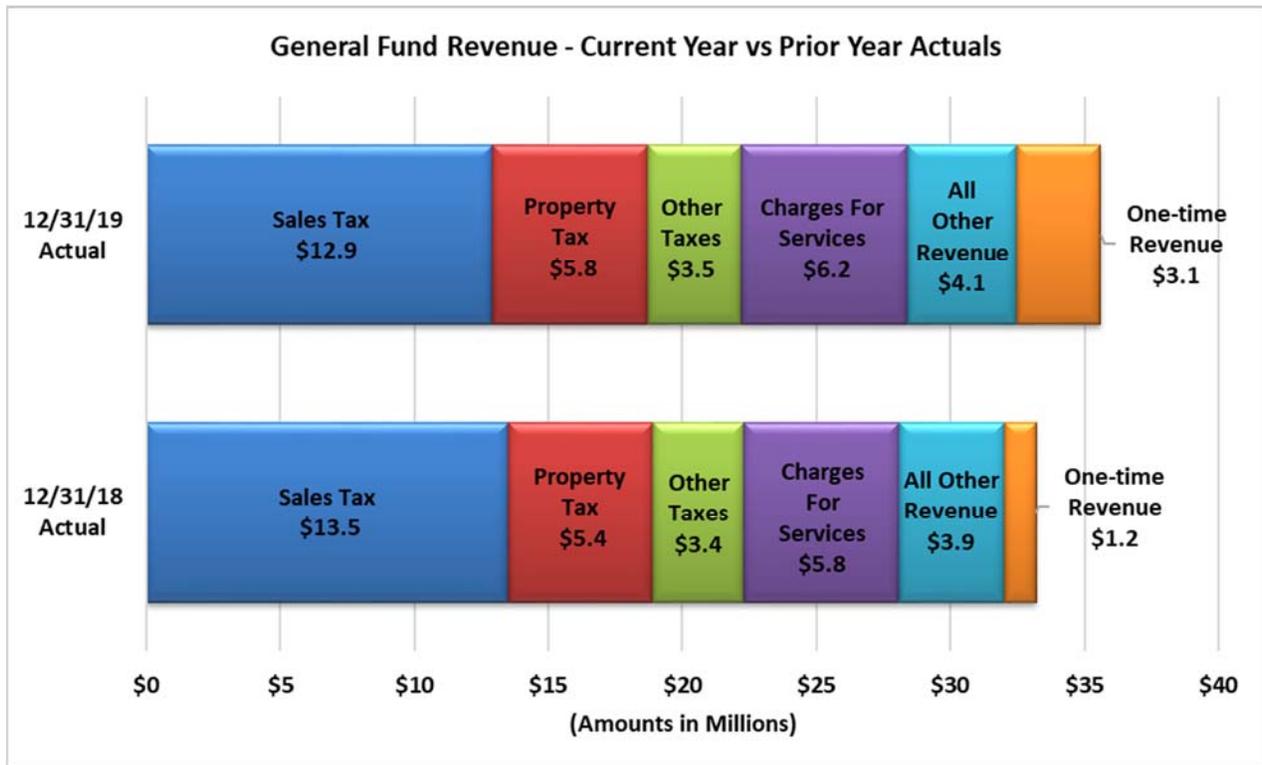
	ANNUAL AMENDED BUDGET	PROJECTED RESULTS as of 12/31/19	ACTUAL RESULTS as of 12/31/19	VARIANCE OVER/(UNDER)
Total Revenue	\$105,388,885	\$34,008,948	\$35,663,736	\$1,654,788
Total Expenditures	107,185,375	50,375,997	49,289,541	103,533
Other Sources (Uses) – Note 1	1,436,060	1,436,060	1,436,060	-
Total Sources over (Uses)	(360,430)	-	-	-

Note 1: Other 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 23, 2019.

General Fund Revenue: General Fund operating revenue was up compared to the prior year by 1.6% or about \$506,000 excluding one-time revenue. Although property tax, other tax revenue, and charges for services reported increases over the prior year, sales tax revenues have declined. Details of the General Fund revenue sources are outlined below.

	FISCAL YEAR 2019/2020 BUDGET	ACTUAL REVENUE AS OF 12/31/2019	ACTUAL REVENUE AS OF 12/31/2018	PRIOR YEAR VS CURRENT YEAR VARIANCE OVER/(UNDER)
Sales Tax	\$38,947,000	\$12,912,751	\$13,483,413	(\$570,662)
Property Tax	29,226,000	5,867,661	5,437,934	429,727
Other Taxes	13,383,000	3,540,481	3,385,292	155,189
Charges For Services	11,314,400	6,151,902	5,797,391	354,511
Intergovernmental	3,063,000	1,570,983	1,310,389	260,594
Fines and Forfeitures	1,226,000	494,551	544,020	(49,469)
Permits and Licenses	944,500	483,935	467,034	16,901
Investment and Other Revenue	5,065,000	1,563,476	1,653,869	(90,393)
TOTAL OPERATING REVENUE	\$103,168,900	\$32,585,740	\$32,079,342	\$506,398
One-time Revenue	2,219,985	3,077,996	1,206,491	1,871,505
TOTAL REVENUE	\$105,388,885	\$35,663,736	\$33,285,833	\$2,377,903

Sales tax is the largest General Fund revenue source at 37% of total revenue followed by property tax, other taxes, and charges for services. The chart below shows the major categories of revenue that have been collected through December 31, 2019 compared to the revenue collected in the prior year through December 31, 2018.



Sales Tax: Sales Tax revenues were \$570,000 lower than the previous year or down about 4%. Sales tax revenues distributed to the City as of December 2019 represent sales that occurred between July and October 2019 as well as continued clean up payments from previous activity. In late Fiscal Year 2018, the California Department of Tax and Fee Administration implemented a new sales tax reporting software system. The state is still transitioning from their legacy system to a new system, and they have changed the timing in which they remit sales tax revenues to the city. Until they have been operating their new remittance program for a full year, it will be challenging to compare sales tax revenues by quarter, as there are ongoing timing differences of sales tax distributions to all Cities.

Sales occurring in the second calendar quarter of 2019 (the most recent data available) show a total economic sales tax gain of 0.7% over the prior year with gains in Transportation of 0.6%, Construction of 4.2%, and Food Products of 0.4%. During the same period, declines were seen in General Retail of (3.4%) predominantly from department store sales.

Property Tax: Property Tax revenue is up \$430,000 or about 7.0% compared to this time in the prior year. The largest portions of property tax revenue is distributed by the County in December and April each year and supplemental property tax in lieu of VLF revenue is distributed in January and May. The FY2019/2020 Operating Budget projected property tax growth of 3%, the City is on target to reach this amount.

Other Taxes: Other Taxes have increased by \$155,000 compared to the prior year. In June 2019, City Council approved an amended franchise tax agreement with Escondido Disposal Incorporated (EDI) that went into effect July 1, 2019. The amended agreement included an increase in the Host Fee imposed by the City on EDI for materials accepted at the Escondido Resource Recovery facility on W. Mission Avenue from refuse generators located outside the City of Escondido. This revenue has increased by \$103,000 compared to the prior year. Transient Occupancy Tax and Business License Tax also increased by about \$25,000 each compared to the prior year.

Charges for Services: Charges for services have increased over the prior year by about \$355,000. This is due to an increase in revenues collected from Community Development including engineering and planning fees. Paramedic billing payments for emergency medical services have also increased from the prior year. In early 2019, the Department of Health Care Services (DHCS) established the Ground Emergency Medical Transport (GEMT) Quality Assurance Fee (QAF) program to provide supplemental Medi-Cal payments to GEMT providers. Using data collected from GEMT providers, DHCS calculates an annual GEMT QAF rate that will be imposed on each emergency medical transport provided by each GEMT providers subject to QAF. The QAF collected will be used to increase reimbursement to GEMT providers by application of an add-on to the fee-for-services (FFS) fee schedule rate for the affected emergency medical transport billing codes.

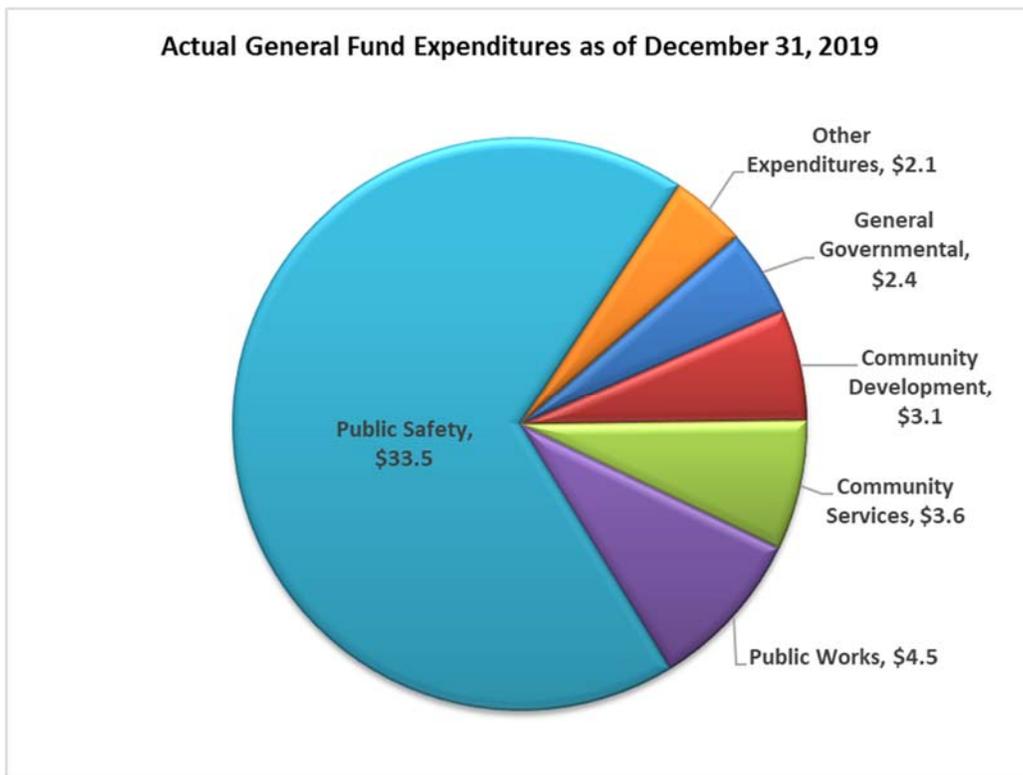
Intergovernmental: Intergovernmental revenue includes the Rincon fire services agreement, state mandated cost claims, and various grants, and increased \$260,000 compared to the prior year primarily due to the timing of various grant reimbursements. In addition, the amount of state mandated cost claim reimbursements received from the State increased by \$40,000 compared to the prior year.

Investment and Other Revenue: Investment and Other Revenue includes rental income, interest earned from investing activities, and other miscellaneous receipts. This category of revenue is down slightly compared to the prior year primarily from a decrease in rental revenue due to vacant city owned property.

One-Time Revenue: The FY2019-2020 operating budget included the use of one-time resources of unclaimed deposits as transitional funding to cover the structural budget gap until an additional recurring revenue source has been approved. The one-time revenue of \$3 million reported at December 2019 includes \$1.2 million of unclaimed deposits that became the property of the General Fund in July 2019 after a public notification was performed. In addition, \$1.1 million has been received as part of the property sale at 1600 West Ninth Avenue commonly known as Windsor Gardens approved by City Council in August 2019. The remaining \$2.5 million from the property sale is to be received by the City before the end of the fiscal year. The remaining one-time revenue is due to reimbursements from outside agencies for various services performed by the City as well as fire assistance reimbursements.

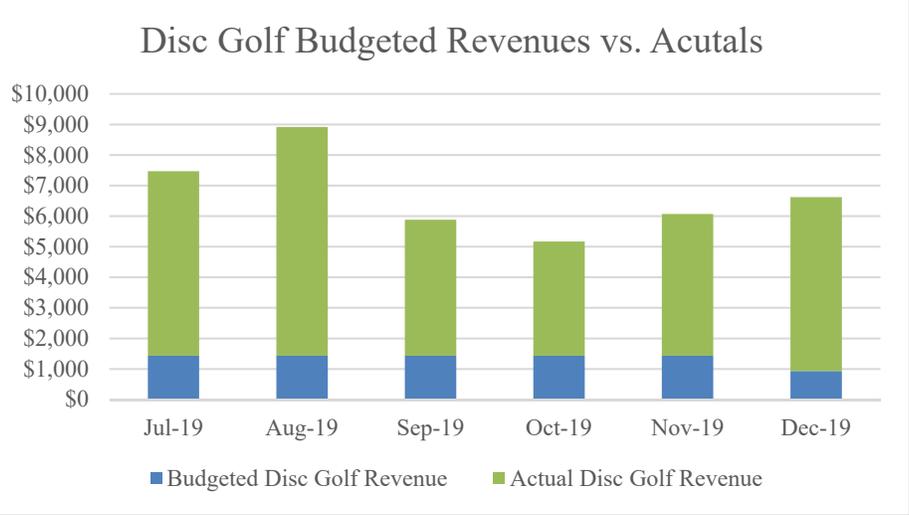
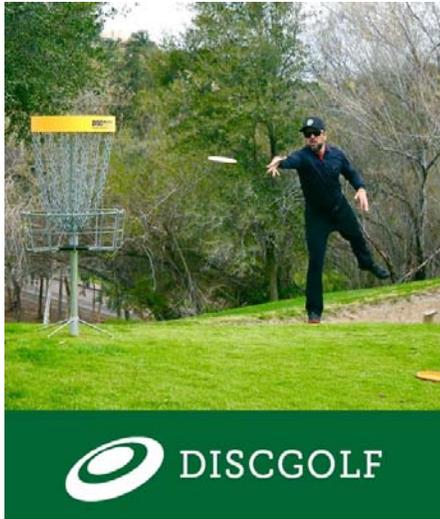
General Fund Expenditures: General Fund total expenditures are up 2.3% compared to the prior Fiscal Year or about \$1.1 million. The FY2019-20 General Fund Operating Budget increased by approximately \$4 million or 4% compared to the Fiscal Year 2018-19 revised Operating Budget so the General Fund departments are on track to meet this target.

	FISCAL YEAR 2019/2020 BUDGET	ACTUAL EXPENDITURES AS OF 12/31/2019	ACTUAL EXPENDITURES AS OF 12/31/2018
General Government	\$6,258,960	\$2,429,194	\$2,164,763
Community Development	7,542,350	3,118,431	3,012,264
Community Services	8,205,540	3,609,501	3,541,811
Public Works	10,288,145	4,515,861	4,669,805
Public Safety	70,674,425	33,477,033	32,886,408
Other Expenditures	4,215,955	2,139,521	1,890,019
TOTAL OPERATING EXPENDITURES	\$107,185,375	\$49,289,541	\$48,165,069



REIDY CREEK GOLF COURSE FUND

In Spring of 2019 Reidy Creek launched Disc Golf at the course and revenues from it are far exceeding budgeted projections. Overall revenues are up 9% compared to the prior year and Disc Golf revenues are coming in at almost triple what was projected. Operating expenditures however are up 8% from the prior year due to increased maintenance costs largely due to golf cart repairs needed on aging carts. Although Disc Golf revenues are up, overall revenues are not in line with projections and with the increased maintenance costs the course is projected to end the year with a loss greater than the \$95,890 that was budgeted for FY 2020. Clubhouse improvements for the “Creekside Tavern” have passed planning approval and construction should be expected soon. Funds for these improvements were previously budgeted in a capital project for Reidy Creek Clubhouse Improvements.



REIDY CREEK GOLF COURSE	FY 2020 BUDGET	FY 2020 ACTUAL	FY 2019 ACTUAL
Total Revenues	\$564,885	\$266,431	\$245,380
Total Expenditures	(660,775)	(350,281)	(323,251)
Other Sources (Uses) – Note 1	225,890	225,890	60,590
Total Sources over (Uses)	\$130,000	\$142,040	\$(17,281)

Note 1: Other Sources (Uses) include a transfer from the General Fund of \$95,890 to balance the budget for FY 2019/20 and a transfer to cover the prior year loss of \$130,000.

WATER FUND

Net operating income through December 2019 was \$10 million, an increase of about \$700,000 from prior year. Operating revenue increased slightly by about \$200,000 or 0.5% compared to the prior year. Operating expenses decreased by about \$500,000 or 2% compared to the prior year. Overall water usage was slightly down and in turn purchased water was also down.

WATER FUND	FY 2020 BUDGET	FY 2020 ACTUAL	FY 2019 ACTUAL
Operating Revenues	\$61,875,000	\$33,918,813	\$33,720,290
Operating Expenses	(54,232,245)	(23,164,910)	(23,672,529)
Operating Income	7,642,755	10,753,903	10,047,761
Non-Operating Revenue (Expenses)	(1,138,370)	492,712	698,265
Transfer to Capital Projects and Debt Service Payments	(2,184,540)	(1,358,991)	(1,305,940)
Total Sources over Uses	4,319,845	9,887,624	9,440,086

WASTEWATER FUND

Net operating income through December 2019 was \$5.7 million, a decrease of \$4.3 million or 42% from prior year. Operating revenue decreased by \$3.6 million or 17% compared to the prior year due to a timing difference in revenue collected for treatment charges from the City of San Diego. Operating expenditures increased by about \$710,000 or 6% due in large to a timing difference in payment of expenditures.

WASTEWATER FUND	FY 2020 BUDGET	FY 2020 ACTUAL	FY 2019 ACTUAL
Operating Revenues	\$38,400,000	\$17,039,639	\$20,633,902
Operating Expenses	(27,051,750)	(11,304,027)	(10,594,324)
Operating Income	11,348,250	5,734,612	10,039,578
Non-Operating Revenue (Expenses)	(1,686,775)	(864,803)	515,889
Transfer to Capital Projects and Debt Service Payments	(6,108,905)	(1,715,000)	(1,750,573)
Total Sources over Uses	3,552,570	3,154,809	9,440,086

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.