



**CITY OF OCEANSIDE
FINANCIAL STATUS REPORT
Fiscal Year 2007-2008
Quarter ending March 31, 2008**

The City has completed the third quarter of the 2007-08 Fiscal Year. This report summarizes the activities of the operating funds, but is not meant to be inclusive of all finance and accounting transactions. It is intended only to provide Council and the public with an overview of the state of the City's general fiscal condition.

GENERAL FUND FINANCIAL POSITION

The City Council adopted the second year of its two year budget on May 16, 2007 with approved General Fund revenues of \$115,500,945 and expenditures of \$119,887,695. The variance of expenditures over revenues of \$4,386,750 was funded from operating surplus and unallocated General Fund Reserves.

Since the original budget adoption, revenues have been revised to \$115,876,188 and expenditures revised to \$136,365,011 as reported for the second quarter. The additional expenditures consist of budgeted expenditures carried over from FY 06-07 for projects that were not completed by June 30th totaling \$3,625,177; along with \$12,852,139 approved for Capital Improvement Projects from the previous fiscal year.

For the third quarter ending March 31, 2008, revenues and expenditures increased \$597,174 to \$116,473,362 and \$136,962,185, respectively. The increase for both revenues and expenditures is based on a transfer of \$597,174 from Community Development General Project Fund for Police activities.

Table 1 provides a snapshot of the General Fund at March 31, 2008.

**Table 1
Actual Revenue and Expenditures**

General Fund	Revised Budget	3rd Qtr YTD Actual	%
Revenue	116,473,362	73,584,864	63.18%
Expenditure	136,962,185	86,409,294	63.09%

In order to provide a comprehensive analysis on General Fund activities, Tables 2 and 3 delineate a historical look at revenues and expenditures during this reporting period using information from FY 2004-05 to the present.

**Table 2
Historical View of Quarterly Revenues**

General Fund Revenues			
Fiscal Year	Revised Budget	3 rd Qtr YTD Actual	%
2007-08	116,473,362	73,584,862	63.18%
2006-07	109,428,764	74,564,285	67.83%
2005-06	97,147,088	69,400,653	71.44%
2004-05	89,789,918	63,093,685	70.27%

The trend shows that revenue receipts at third quarter have slowly declined over the past few years. Part of this continues to be attributed to the state's delay in sales taxes, VLF taxes, and other compensations resulting from the "triple flip*". As reported last quarter, development-related fees continue to underperform with a decline of 22% over this same period last year. The decline is attributed to a reduction in applications for building and construction permits.

The dip in General Fund expenditures for third quarter 2006-07 is due in large part to budgeting funds for capital projects such as El Corazon Senior Center, Fire Station #1 and Fire Station #7 that were in various stages of development. For FY07-08 over \$12 million in General Fund capital funding was brought forward from FY06-07 for these projects. This continues to have an impact on current year expenditures.

With the exception of 2006-07, the trend for expenditures continues to exceed 63 percent at third quarter for the past few years.

**Table 3
Historical View of Quarterly Expenditures**

General Fund Expenditures			
Fiscal Year	Revised Budget	3 rd Qtr YTD Actual	%
2007-08	136,962,185	86,409,294	63.09%
2006-07	129,751,746	77,755,182	59.93%
2005-06	104,988,369	71,991,897	68.57%
2004-05	92,087,388	61,407,890	66.68%



**CITY OF OCEANSIDE
FINANCIAL STATUS REPORT
Fiscal Year 2007-2008
Quarter ending March 31, 2008**

GENERAL FUND REVENUES

Table 4 highlights Oceanside's top ten revenues which account for approximately 92% of total General Fund projected revenues. Focusing on these categories gives us a good picture of our overall revenue position.

**Table 4
Oceanside's Top Ten Revenues**

General Fund			
Top Ten Revenues	Revised Budget	3rd Qtr YTD Actual	%
Property Tax	48,044,030	27,734,092	57.73%
Sales Tax	20,255,130	13,458,559	66.45%
General Admin/In Lieu	13,933,791	9,961,275	71.49%
Plan Check/Review	5,682,780	2,108,885	37.11%
Franchise Fee	4,045,300	1,136,614	28.10%
Fines and Forfeitures	3,894,110	3,170,455	81.42%
Public Safety Services	3,092,300	2,184,283	70.64%
Reimbursement for Services	2,791,196	2,119,744	75.94%
Business Licenses	2,702,090	2,018,835	74.71%
Rents and Leases	2,341,911	1,878,327	80.20%
Sub Total	106,857,638	65,847,196	61.62%
All other Revenue	9,615,724	7,737,668	80.47%
	116,473,362	73,584,864	63.18%

- **Property Tax Revenues** received are 57.73% as of March 31, 2008. This time last year property tax revenues were at 61.94% and are primarily received in the December/January and April/May timeframes. Property tax revenue projections continue with guarded optimism as the housing market in Southern California continues to slow. The City has contracted with HdL Companies to monitor property tax revenues.
- **Sales Taxes** collected are in excess of 66% of projected revenues which is a decrease of 3.85% from the same time one year ago. As part of the State's "triple flip**", the City receives sales tax compensation

payments in late January and late May. Sales tax revenues have three components. The first component is what is received from the County of San Diego.

The second and third components are part of the triple flip (Prop 172 funds and the Compensation Fund). The funds received from the County are on track at 71.87%. The Prop 172 and Compensation Fund revenues are lagging at 61.41% and 51.22%, respectively.

- **General Admin/In Lieu** represents 10% of the overall General Fund budget. The City budgets this percentage of salaries which is charged to all departments to cover administrative costs. The year-to-date actual of 71.49% is in line with what was received the prior year during this same timeframe.
- **Plan Check/Permit** revenues are below projected expectations having decreased approximately 22% over this same time last year. This is mostly due to a decrease in building permit and plan check requests from developers with the severe drop in the housing market. These revenues will need to be watched closely since only 37% of projected revenues have been received thus far.
- **Franchise Fee** revenues are on track this quarter at 28%. This time last year the franchise fees were at 27%. Revenues from Cox Communications are collected on a quarterly basis with a one-month delay in receipt. Payment from SDG&E is received on an annual basis in April.
- **Fines and Forfeitures** collected represent 81.42% of projected revenues which is an increase of approximately 7.8% from the prior year or an additional \$634,961. This increase is due to a more aggressive collections effort.
- **Public Safety Services** revenue received during this quarter is 71% which reflects an increase of almost 7% from last year. The majority of this revenue category comes from ambulance billings.



**CITY OF OCEANSIDE
FINANCIAL STATUS REPORT
Fiscal Year 2007-2008
Quarter ending March 31, 2008**

- **Reimbursement for Services** are on track this quarter at 76%. These revenues are primarily due to reimbursements for Fire services.
- **Business License** revenue is reported at 74% so far this quarter and is up 6% over the same time last year. The majority of the businesses in the City of Oceanside have renewal dates in January.
- **Rents and Leases** are well above projections and represents approximately 80% of revenues received this quarter. During the same time last year, revenue was reported at 68%. A majority of the percentage increase is due to receipt of \$550,354 in lease payments for cellular phone towers.
- **Other Revenues** consists of miscellaneous revenues which make up approximately 8% of the General Fund budget. This quarter \$7,737,668 or 80% in revenue has been received.

The Financial Services expenditure percentage is at 51.13%. Approximately \$1.3 million was carried forward from FY 06-07 for incomplete projects (financial system upgrade and consultant services). With this amount factored out, the expenditure percentage is at 63%.

Development Services expenditure percentage of 58.18% includes a FY 06-07 carry forward of \$298,431. Factoring out this amount for incomplete projects, the expenditure percentage is at 62%.

The non-departmental expenditure percentage of 37.23% is based mostly on FY 06-07 carry forward for a portion of the Capital Improvement Program that is funded with General Fund monies. The CIP is a five-year expenditure plan and these funds will continue to be carried forward until the projects are completed.

ENTERPRISE FUNDS

The following tables summarize the revenues and expenditures for the major enterprise funds. These include the Water Fund, Sewer Fund, Solid Waste Fund, Airport Fund, and Harbor and Beaches Fund. Deviations are summarized in the narrative below each chart.

GENERAL FUND EXPENDITURES

General Fund expenditures total \$86,409,294 or 63.10%. Table 5 indicates the expenditure ratios for all departments. Those under 60% are discussed separately.

**Table 5
General Fund Expenditures**

Department	Revised Budget	3 rd Qtr YTD Expenditures	%
City Council	954,243	652,555	68.38%
City Clerk	1,190,864	751,424	63.10%
City Treasurer	313,301	232,023	74.06%
City Manager	1,265,398	799,505	63.18%
City Attorney	1,712,819	1,222,769	71.39%
Financial Services	6,692,903	3,430,791	51.13%
Human Resources	961,402	738,865	76.85%
Econ Development	640,857	389,711	60.81%
Development Svcs	5,434,258	3,161,415	58.18%
Neighborhood Svcs	5,025,704	3,179,241	63.26%
Police	48,882,822	33,590,798	68.72%
Fire	22,590,762	16,894,655	74.79%
Public Works	10,878,060	7,157,124	65.79%
Library Services	6,368,840	4,356,068	68.40%
Harbor-Beaches	2,524,730	1,837,691	72.79%
Sub Total	114,839,789	78,394,635	68.26%
Non-Departmental	21,525,222	8,014,659	37.23%
Total	\$136,962,185	\$86,409,294	63.10%

**Table 6
Water Fund**

	Revised Budget	3 rd Qtr YTD Actual	%
Revenues	39,564,235	30,282,031	76.5%
Expenditures	40,065,253	25,464,810	60.8%

The Water Division of the Utilities Department operates two water treatment plants and maintains 650 miles of waterline and 12 reservoirs to provide potable water to all Oceanside residents. Year-to-date expenditures are at 60.8%. Expenditures at or below 60% for the third quarter include water pumping, desalting plant, water laboratory, and the water GIS program. Revenue projections are within third quarter projections.



**CITY OF OCEANSIDE
FINANCIAL STATUS REPORT
Fiscal Year 2007-2008
Quarter ending March 31, 2008**

**Table 7
Sewer Fund**

	Revised Budget	3 rd Qtr YTD Actual	%
Revenues	20,479,729	16,596,444	81.0%
Expenditures	23,679,188	14,927,554	63.0%

The Sewer Division of the Utilities Department collects, treats, and disposes of wastewater. In October 2007, a sewer rate increase was approved and implemented in November. Sufficient revenue will be generated to offset expenditures. Revenues estimates are provided by the WUD at \$20,479,729 and are exceeding projections at the end of the third quarter. The earnings investment pool is exceeding revenue projections, as is other reimbursement for services. In addition sewer replacement charges, sewer flow and sewer capacity revenues are in excess of 80%. Expenditures are in line with the other expenditure ratios for services on a city-wide basis.

**Table 8
Solid Waste Fund**

	Revised Budget	3 rd Qtr YTD Actual	%
Revenues	21,082,900	16,458,128	78.1%
Expenditures	21,054,985	14,198,656	67.4%

The solid waste fund revenue and expenditure projections are on target this quarter. The City's contract for solid waste pickup comprises 76% of this fund's budget expenses. The City pays one month in arrears, making this fund's expenses on track at the end of the third quarter.

**Table 9
Airport Fund**

	Revised Budget	3 rd Qtr YTD Actual	%
Revenues	385,000	351,043	91.2%
Expenditures	588,257	387,089	65.8%

The Airport fund accounts for the operation of the Oceanside (General Aviation) Airport. The high percentage of revenue is based on an increase of over \$4,000 from miscellaneous income. Revenues of \$385,000 this fiscal year is not sufficient to support appropriations of \$588,257. The fund will have a projected deficit of approximately \$368,842 at the end of the fiscal year. The deficit will be offset by funding from the unallocated reserves from the General Fund. The City is currently reviewing proposals from Airport Management firms to oversee operations of the airport and provide infrastructure and other improvements.

**Table 10
Harbor and Beaches Fund**

	Revised Budget	3 rd Qtr YTD Actual	%
Revenues	5,551,580	4,244,696	76.5%
Expenditures	5,681,145	4,011,721	70.6%

The Harbor fund accounts for the operation and maintenance of the Oceanside Small Craft Harbor. Funding for operating expenses is provided by user charges. As the table depicts, budgeted expenditures exceed projected revenues, however, the fund currently has a healthy reserve to fund the deficit, but will not be able to support long-term deficit spending.

INTERNAL SERVICE FUNDS

The following tables summarize the revenues and expenditures of the Internal Service Funds which includes Risk Management, Employee Benefits, Workers' Compensation, Fleet Management, Information Technology, and City Buildings.

**Table 11
Risk Management**

	Revised Budget	3 rd Qtr YTD Actual	%
Revenues	3,888,290	3,021,543	77.7%
Expenditures	5,016,622	3,094,459	61.7%

Risk Management revenues are on track at approximately 78%. Revenues in this fund are made up of general liability charges to all City departments based upon a formula utilizing budgeted expenditures and past claims history. The original budget for the Risk Management Fund was \$3,638,089, however an additional \$1,378,533 was appropriated for the Arroyo/Comanche litigation bringing the total budget to \$5,016,622. Third quarter revenues are on target. Expenditures are at approximately 62% of the Risk Management budget which is in line with the City expenditure ratios overall.



**CITY OF OCEANSIDE
FINANCIAL STATUS REPORT
Fiscal Year 2007-2008
Quarter ending March 31, 2008**

**Table 12
Employee Benefits**

	Revised Budget	3 rd Qtr YTD Expenditures	%
Revenues	22,920,605	16,742,465	73.0%
Expenditures	20,888,893	16,446,672	78.7%

Employee Benefits revenues are in line with estimated projections. Revenues are projected at full staffing Citywide. Expenses represent approximately 79% for the quarter ending March 31, 2008. Expenditures are above the 75% mark this can be attributed to an increase in healthcare premiums. This time last quarter, expenditures represented 73.4%. It's possible that with the executed MOUs, that this fund could potentially go over budget by the end of the fiscal year. Although at year end for FY2006-07, this fund was on target with funds expended at 99.90%

**Table 13
Workers Compensation Fund**

	Revised Budget	3 rd Qtr YTD Actual	%
Revenues	3,471,881	2,953,715	85.1%
Expenditures	2,840,372	1,283,311	45.2%

Worker's Compensation revenues finished the third quarter at 85%. Expenses are lower than anticipated, finishing the third quarter at 45% of budget. The reduced expenses in the Worker's Compensation Fund are the direct result of improved management of claims and enhanced safety initiatives.

**Table 14
Fleet Management Fund**

	Revised Budget	3 rd Qtr YTD Actual	%
Revenues	7,678,103	5,778,118	75.3%
Expenditures	9,827,200	4,616,109	47.0%

Fleet Management revenues are within projections through the end of the third quarter. Revenues in this fund are collected from various departments for two purposes. The first charge is for maintenance and operations of vehicles equipped and the second charge is for future replacement of vehicles and equipment. Expenditures include an additional \$3,702,140 over the original budget of \$6,205,060 for fleet replacement. The additional funds represent FY 06-07 carry forward and a Council appropriation for new vehicles. Without the carry forward, the expenditure ratio would be at 74.3%.

**Table 15
Information Technology Fund**

	Revised Budget	3 rd Qtr YTD Actual	%
Revenues	5,519,794	4,089,597	74.1%
Expenditures	5,352,869	4,186,659	78.2%

Information Technology revenues are within projections through the end of the third quarter. Revenues in this fund are collected from all City departments based upon maintenance and support services provided from IT staff. Expenses are in excess of the 75% mark due to under budgeting in some of the service accounts. This same time last year, IT expenditures were at 80.55% and year end expenditures for FY 2006-07 were reported to be 98.8%. Therefore, its not anticipated that IT will go over budget.

**Table 16
City Buildings Fund**

	Revised Budget	3 rd Qtr YTD Actual	%
Revenues	6,103,429	4,580,359	75.0%
Expenditures	6,165,555	4,830,911	78.4%

City Building revenues are within projections through the end of the third quarter. Revenues in this fund are collected from each of the City departments based upon square footage of the space maintained by this internal service department. Although the expenditure ratio is exceeding the 75% threshold, this can be attributed to the timing of debt service for the 2005 COP for the Civic Center.

***TRIPLE FLIP**

In March 2004, voters approved Proposition 57, the California Economic Recovery Bond Act, which allowed the state to purchase bonds to reduce the state budget deficit. The legislature enacted provisions that will change how sales and use taxes and other revenues are distributed to schools and local governments after July 1, 2004. The new revenue swapping procedure is commonly referred to as the "triple flip". Prior to this legislation, the City of Oceanside received 1 cent of every dollar in sales tax. The "triple flip" reduced it to 3/4 cent with the remaining 1/4 cent being "backfilled" by the state in the form of sales tax compensation funds.

- Flip 1 has the state redirecting the 1/4 cent city sales taxes as "new revenue" to the state to pay off the state bond debt. This reduces the monthly receipts the City would have received from sales taxes.
- Flip 2 has the state backfilling city coffers with an equivalent amount of school property taxes on a dollar per dollar basis. This backfill amount occurs twice a year (January and May) with a final reconciliation at the end of the year.
- Flip 3 has the state's general fund reimbursing schools for their property taxes.