



**CITY OF OCEANSIDE
FINANCIAL STATUS REPORT
Fiscal Year 2010-11
Second Quarter Ending December 31, 2010**

The City has completed the second quarter of the 2010-11 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 BUDGET POSITION

The City Council adopted the FY 10/11 budget on June 23, 2010 with approved General Fund revenues of \$113,274,911 and expenditures of \$113,274,957. Table 1 delineates the year-to-date changes to the General Fund budget as of December 31, 2010.

The amended budget for the First Quarter reflects an increase of \$1,049,488 over the adopted budget. This is comprised of the following components:

- \$690,814 carry-forward from FY 09/10 for incomplete projects and programs in accordance with Administrative Directive 20. This amount has been set aside in the General Fund Balance as Assigned and Committed reserves.
- \$80,000 for year-end financial services work approved by City Council on August 25, 2010. This amount will be funded from Unassigned Fund Balance.
- \$143,374 for OFA labor agreement approved by City Council on September 22, 2010. This amount will be funded from Unassigned Fund Balance.
- \$135,300 for Fire modular buildings at the training center approved by City Council on September 22, 2010. This amount will be funded from a corresponding increase to the revenues as a transfer from Fund 503.

The amended budget for the Second Quarter reflects an increase of \$910,258 above the First Quarter amendments. This is comprised of the following components:

- \$35,114 carry-forward from FY 09/10 for incomplete projects and programs in accordance with Administrative Directive 20. This amount has been set aside in the General Fund Balance as Assigned and Committed reserves.
- \$80,000 for a draft EIR for the Interstate 5 North Coast Corridor project approved by City Council on September 22, 2010. This amount is funded from a corresponding increase to the revenues as a transfer from Fund 561 (Major Thoroughfare Fund).
- \$600,000 for the SANDAG Regional Beach Sand Project II approved by City Council on October 20, 2010. The amount was funded from new revenue from the Waste Management contract fee.
- \$41,715 for Police system upgrade at the evidence storage facility approved by City Council on November 10, 2010. This amount was funded from a corresponding increase to revenues from the evidence trust fund.
- \$250,000 for Harbor Police "Operation Stonegarden" grant expenses approved by City Council on November 10, 2010. This amount is funded from a corresponding increase to the revenues as a transfer from the Harbor Unrestricted Fund Balance.
- Reduction of \$17,521 for OFMA contract approved by City Council on December 1, 2010.
- Reduction of \$79,050 for OPOA contract approved by City Council on December 1, 2010.



**Table 1
CHANGES TO GENERAL FUND BUDGET
Fiscal Year 2010-2011**

	Adopted Budget	Amended Budget	Increase (Decrease)
FIRST QUARTER			
<i>Revenues</i>	113,274,911	113,410,211	+135,300
<i>Expenditures</i>	113,274,957	114,324,445	+1,049,488
SECOND QUARTER			
<i>Revenues</i>	-	114,801,926	+1,391,715
<i>Expenditures</i>	-	115,234,703	+910,258
THIRD QUARTER			
<i>Revenues</i>	-	-	-
<i>Expenditures</i>	-	-	-
FOURTH QUARTER			
<i>Revenues</i>	-	-	-
<i>Expenditures</i>	-	-	-

GENERAL FUND REVENUES

Fiscal Year 2010-2011 General Fund revenues were adopted to be \$113,274,911 which represents a \$9.6 million or 7.8 percent decrease from the prior fiscal year. Included in the revenue projection is the use of one-time “capital project” reserves in the amount of \$548,437. The amended revenue budget of \$114,801,926 includes an additional \$1,527,015 consisting of \$1,000,000 contract fee from Waste Management, \$100,000 fire inspection fees, \$41,715 miscellaneous revenue from police evidence fund, \$135,300 transfer in from public facilities fund, and \$250,000 transfer in from harbor fund.

Revenues received as of December 31, 2010 are approximately 36% of total projections. Historically, revenues for the second quarter are in the 35% - 40% range. Many of the taxes such as property taxes, sales taxes and franchise taxes are received either biannually or annually.

Table 2 highlights the amount and percentage received in each of the major revenue types. A discussion follows below on any trending or concerns noted.

Property Taxes comprise 41% of the total General Fund revenues and are primarily received in the December/January and

April/May timeframes. Revenues recognized at the end of the second quarter are at 29.49%, and consist of the following components:

Current Taxes – according to the County’s tax apportionment schedule, the City can expect to receive 40% of the current “secured” portion by December, along with 95% of the current “unsecured”. The City received 40% of the secured, and 78% of unsecured respectively as of December 31st.

Supplemental Taxes – these taxes are assessed when there is new construction to property or change of ownership. They are distributed monthly based on a county-wide “pooled” formula. Due to the continued county-wide decline in home sales and values, for the first quarter the City has received \$77k or 24% of projections.

In-Lieu of VLF – approximately 29% of the total property tax revenue (\$13.4 million) comes from In-Lieu of VLF which is distributed in January and May.

Prior Year Property Taxes – the City budgeted \$1,108,000 for collection of prior year taxes (which includes penalties and interest); 33% has been received as of the second quarter.



**Table 2
GENERAL FUND REVENUES
Fiscal Year 2010-2011**

Revenue Type	Adopted Budget	Amended Budget	YTD as of 2nd Quarter	YTD % of Amended Budget
Property Taxes	46,377,000	46,377,000	13,675,264	29.49%
Sales Taxes	17,307,800	17,307,800	4,888,934	28.25%
All Other Taxes	10,960,300	10,960,300	3,721,076	33.95%
Licenses & Permits	838,600	838,600	433,553	51.70%
Fines/Forfeitures	4,670,600	4,670,600	1,821,449	39.00%
Use of Money & Property	4,635,984	4,635,984	1,860,371	40.13%
Intergovernmental	1,590,000	1,590,000	684,501	43.05%
Charges for Services	16,853,539	17,995,254	9,818,532	54.56%
Other Revenue & Transfers	9,492,651	9,877,951	4,986,688	50.48%
Use of Reserves	548,437	548,437	n/a	n/a
Total	113,274,911	114,801,926	41,890,368	36.49%

Sales Taxes comprise 15% of the total General Fund revenues, and consist of three components. Revenues recognized at the end of the first quarter are at 28.25%.

Bradley Burns Uniform Sales & Use Tax – this law provides for city/county rate of 1% to support local government general funds. (Effective July 1, 2004, ¼ of the one percent was confiscated by the State to guarantee state deficit bonds approved by Proposition 57 – also known as the Triple Flip.) The City receives a monthly “advance” of this portion from SBOE, with a “true up” each quarter. However, it should be noted that SBOE is several months in arrears in remitting payment to the City. As of December 31st, the City has received July-October payments totaling 36% of projections.

Prop 172 Safety Funds – the 0.5% Public Safety Tax was approved by voters in 1993 to permanently extend a temporary state tax that had been enacted to offset the state’s fiscal crisis, and can only be used for specified public safety purposes. Remittance comes from the County each month, and as of December 31st, the City has received July-October payments totaling 45% of projections.

Sales Tax Compensation Funds – this constitutes the Triple Flip payment of the ¼ of one percent that is withheld by the State. Payment is remitted in January and May from County property taxes.

All Other Taxes comprise 10% of the total General Fund revenues, with second quarter remittance totaling 34% of projections.

Transient Occupancy Tax – the City collects 10% of the room rent charged by a hotel operator to tourists occupying a hotel room within the City for a period of less than 30 days. TOT receipts as of December 31st is at 45% which represents receipts through November 2010 (hotel operators have 30 days after month or quarter end to remit their tax return and check to the City.) The majority of businesses remit their tax returns on a quarterly basis.

Card Room Tax – this tax is 5% on gross revenues for the Ocean’s 11 card room, with 54% of projected revenues received as of December 31st.

Business License Tax – the business license tax is \$0.50 per \$1,000 gross revenues. The City has received 33% as of December 31st, but this is not an area of concern since many



of the licenses are renewed in the beginning of the calendar year.

Franchise Tax – the City receives franchise taxes from Cox Communications on a quarterly basis with a one-month delay and from SDG&E on an annual basis in April. The amount received as of December 31st is 17% which includes receipts for one quarter only.

Licenses & Permits comprise less than 1% of the total General Fund revenues, and is on target with approximately 52% received during the second quarter.

Fines & Forfeitures comprise 4% of the total General Fund revenues and includes revenue from abandoned vehicle abatements (AVA), impound fees, false alarms, red light photo fines, administrative citations, parking citations and other miscellaneous fines. Approximately 39% of these revenues were received through the second quarter. The largest component of Fines & Forfeitures is parking citations, of which the City budgeted an additional \$200,000 this year due to a proactive effort by the Revenue Division to collect on outstanding parking citations. This effort commenced in October due to timing of awarding a contract to a new collection agency in September. As of December 31st, this revenue has generated 44% of projections, and will be closely monitored throughout the year.

Use of Money and Property comprise 4% of the total General Fund revenues and includes interest earnings on the City's investment portfolio, as well as general rents and leases, cell towers in right-of way and City property, Municipal Golf Course, Harbor Tidelands, and parking machines collections. Over 40% has been received at December 31st. Revenues received on cell tower ROW are at 45% of projections. While revenues received for the Municipal Golf Course remain at less than 7% of projections, it is expected that the Municipal Golf Course will commence remittance of monthly receipts starting January 2011, with a reduced revenue projection of \$300,000 instead of the \$440,000 originally adopted. Revenues from parking machines and meters are cyclical due

to the tourist season, and as of December 31st over 55% have been received.

Intergovernmental comprise 1% of the total General Fund revenues and includes Motor Vehicle In-Lieu (VLF), Homeowner Property Tax Exemptions, POST reimbursement, and other grants and inter-agency reimbursements. Over 43% has been received as of December 31st with over \$104,000 received from the State for prior year mandate reimbursements that were not budgeted. The VLF revenues received by the State are at 48% of projections. Several public safety reimbursement revenues are below projections (POST, OUSD, RATT, JUDGE, NTF, RTF, etc.).

Charges for Services comprise 15% of the total General Fund revenues, with approximately 55% being received as of December 31st. Ambulance billing is a large component of this revenue type. Finance staff has been proactive in getting billings out within 10 days, and consequently has invoiced 82% of revenue projections as of December 31st (note: these invoices are considered Accounts Receivable with appropriate processes in place to collect the payments). Development related revenues are coming in higher than anticipated at approximately 65% for the second quarter due to the submittal of several developer projects. The City is cautious on these submittals, which may need to be refunded if the developer scales back the projects. The \$1,000,000 "contract fee" from Waste Management has been received. Fire Inspection Fees were increased \$100,000 based on Council adoption in October, but as of December 31st none of these revenues have been received.

Other Revenues and Transfers comprise 8% of the total General Fund revenues, of which 50% has been received as of December 31st. The Finance Department has established a mechanism to automatically transfer 1/12th of the budgeted transfers each month.



GENERAL FUND EXPENDITURES

Fiscal Year 2010-2011 General Fund expenditures were adopted to be \$113,274,857 which represents an 8.3 percent reduction or \$10.3 million from the prior fiscal year. The amended budget as of December 31st has been increased to \$115,234,703 as noted in Table 1.

Table 3 highlights the amount and percentage expended by each department. Please note that YTD Actual & PO's now include outstanding encumbered Purchase Orders in the total. This provides a better representation of monies expended or committed for the second quarter compared to the amended budget.

As of December 31st, the General Fund has expended or committed 49.1% of the amended budget. Most departments are below 50% of budgeted expenditures. Two exceptions are noted as follows:

Non-Departmental: this budget includes the Humane Society contract for animal control, with an outstanding Purchase Order of \$460,057 for the contract approved by City Council. Factoring out this PO reflects actual expenditures at 45%.

Fire: this budget includes an outstanding Purchase Order of \$307,755 for the Rancho JPA operations contract. Factoring out this PO reflects actual expenditures at 51%.

**Table 3
GENERAL FUND EXPENDITURES
Fiscal Year 2010-2011**

Department	Adopted Budget	Amended Budget	YTD Actual and PO's as of 2 nd Quarter	YTD % of Amended Budget
GENERAL GOVERNMENT				
City Council	890,314	890,314	430,263	48.33%
City Clerk	1,059,024	1,085,672	539,177	49.66%
City Treasurer	318,847	318,847	152,630	47.87%
City Manager	717,746	717,746	318,227	44.34%
City Attorney	1,522,054	1,522,054	719,217	47.25%
Financial Services	4,405,163	4,946,592	2,363,169	47.77%
Human Resources	811,103	811,103	403,214	49.71%
Non-Departmental	5,208,564	5,208,564	2,839,733	54.52%
PUBLIC SAFETY				
Fire	23,101,544	23,403,697	12,223,343	52.23%
Police	46,315,035	46,541,097	23,053,050	49.53%
PUBLIC WORKS				
Public Works	10,651,214	11,301,789	5,010,450	44.33%
COMMUNITY DEVELOPMENT				
Development Services	7,365,457	7,486,266	3,272,127	43.71%
COMMUNITY/CULTURAL SERVICES				
Neighborhood Services	4,939,703	4,944,625	2,311,908	46.76%
Library	4,752,663	4,788,591	2,369,191	49.48%
Economic Development	1,216,526	1,267,746	585,723	46.20%
Total	113,274,957	115,234,703	56,591,422	49.11%



ENTERPRISE FUNDS

Enterprise funds, also known as business-type activities, are used to account for the acquisition, operation and maintenance of governmental facilities and services that are entirely or predominantly self-supporting by user charges. The operations of Enterprise Funds are accounted for in such a manner as

to show a profit or loss similar to comparable private enterprise. The financial status of operating funds for Water, Sewer and Solid Waste Disposal are discussed below. Please note that Water and Sewer budgets consist of multiple funds (operating, replacement, debt service and developer connection), and generally accepted accounting principles (GAAP) call for fiscal analysis of Enterprise Funds to reflect a roll up all funds into one report.

Table 4
WATER COMBINED FUNDS
Fiscal Year 2010-2011

	Adopted Budget	Amended Budget	YTD as of 2 nd Quarter	YTD % of Amended Budget
Water Sales	45,472,000	45,472,000	21,951,133	48.27%
Developer Fees	385,000	385,000	204,565	53.13%
Other Revenue	1,547,774	1,547,774	2,656,472	171.63%
Inter-fund Transfers In	2,821,998	2,821,998	2,174,586	77.06%
Use of Reserves	6,697,653	6,697,653	n/a	n/a
TOTAL REVENUES	56,924,425	56,924,425	26,986,756	47.41%
EXPENDITURES				
Administration & General	4,481,204	4,481,204	2,059,129	45.95%
Flood Control/Storm Drains	872,962	872,962	439,406	50.34%
Water Source of Supply	25,210,401	25,210,401	8,157,472	32.36%
Water Pumping	110,800	110,800	26,739	24.13%
Water Treatment	1,605,964	1,605,964	1,040,396	64.78%
Desalting Plant	2,106,228	2,106,228	1,199,902	56.97%
Transport & Distribution	1,795,048	1,795,048	1,027,790	57.26%
Meter Service	2,102,803	2,102,803	980,984	46.65%
Clean Water Program	1,202,593	1,202,593	594,851	49.46%
Other Water Programs	1,211,026	1,211,026	934,875	77.20%
Inter-fund Transfers Out	3,999,235	3,999,235	2,753,198	68.84%
Replacement Projects (capital)	4,984,512	4,984,512	2,407,398	48.30%
Connection Projects (capital)	2,831,083	2,831,083	684,919	24.19%
Debt Service	2,353,557	2,353,557	1,197,095	50.86%
TOTAL EXPENDITURES	54,867,416	54,867,416	23,504,154	42.84%
INCOME/(LOSS)	2,057,009	2,057,009	3,482,602	--



WATER FUND REVENUES

Overall revenues for the Water Combined Funds are at 47.41% at the end of the second quarter as noted in Table 4 above.

Water Sales – this revenue comprise 80% of the total revenues for the Water Department, and the City has received over 48% as of December 31st. Based on historical water use, typically 55% of the annual water sales is realized during the period of July – December. Actual use (sales) of 48% is less than historical trending due to, in part, unseasonably wet weather conditions.

Developer Fees – this revenue is collected from developers for future connection of their projects into the City's water system. These funds are segregated for connection projects, and the City has received approximately 53% of projections as of December 31st.

Other Revenue – this category includes interest earnings, grants, fines and other miscellaneous revenue. The actual revenue received includes a one-time unbudgeted settlement of \$1.7 million, which puts the total category at 171% as of December 31st.

Use of Reserves – the adopted budget includes the use of approximately \$6.7 million

of reserves for capital projects (both replacement and connection). These are monies that have been collected in prior years and set aside for capital projects.

WATER FUND EXPENDITURES

Table 4 also highlights the amount and percentage expended by each water program. Please note that YTD Actual & PO's now include outstanding encumbered Purchase Orders in the total. This provides a better representation of monies expended or committed for the second quarter compared to the amended budget.

As of December 31st, the Water Department has expended or committed 42.8% of the amended budget. Of this amount, approximately \$3.5 million is committed via Purchase Orders not yet expended.

Reductions in water use due to mandated cutbacks have affected the amount of revenue due to water sales. Water Utilities staff is monitoring monthly revenues and expenses, and will make adjustments as necessary to ensure spending does not exceed actualized revenues.



**Table 5
SEWER COMBINED FUNDS
Fiscal Year 2010-2011**

	Adopted Budget	Amended Budget	YTD as of 2 nd Quarter	YTD % of Amended Budget
Sewer Service Fees	30,476,604	30,476,604	14,133,673	46.38%
Developer Fees	450,000	450,000	306,177	68.04%
Other Revenue	150,000	150,000	183,729	122.49%
Inter-fund Transfers In	5,738,137	5,738,137	2,869,068	50.00%
Use of Reserves	1,197,941	1,197,941	n/a	n/a
TOTAL REVENUES	38,012,682	38,012,682	17,492,647	46.02%
EXPENDITURES				
Administration & General	4,739,551	4,739,551	2,308,886	48.72%
Transport & Collection	4,732,248	4,732,248	2,611,542	55.19%
La Salina Wastewater	3,078,386	3,078,386	1,718,332	55.82%
San Luis Rey Wastewater	7,217,234	7,217,234	3,934,383	54.51%
Laboratory	680,247	680,247	291,875	42.91%
SCADA Program	319,208	319,208	124,091	38.87%
GIS Program	315,119	315,119	129,128	40.98%
Inter-fund Transfers Out	6,025,297	6,025,297	3,012,654	50.00%
Replacement Projects (capital)	1,197,942	1,197,942	702,810	58.67%
Debt Service	5,738,137	5,738,137	808,191	14.08%
TOTAL EXPENDITURES	34,043,369	34,043,369	15,641,892	45.95%
INCOME/(LOSS)	3,969,313	3,969,313	1,850,755	--

SEWER FUND REVENUES

Overall revenues for the Sewer Operating Fund are at 46.02% at the end of the second quarter as noted in Table 5 above.

Sewer Service Fees – this revenue comprise 80% of the total revenues for the Sewer Department, and the City has received 46% as of December 31st.

Developer Fees – this revenue is collected from developers for future expansion of their projects into the City’s wastewater system. These funds are segregated for expansion projects, and the City has received approximately 68% of projections as of December 31st.

Use of Reserves – the adopted budget includes the use of approximately \$1.2 million

of reserves for miscellaneous capital projects (capital replacement). These are monies that have been collected in prior years and set aside for capital projects.

SEWER FUND EXPENDITURES

Table 5 highlights the amount and percentage expended by each sewer program. Please note that YTD Actual & PO’s now include outstanding encumbered Purchase Orders in the total. This provides a better representation of monies expended or committed for the second quarter compared to the amended budget.

As of December 31st, the Sewer Department has expended or committed 46% of the amended budget. Of this amount, approximately \$3.0 million is committed via Purchase Orders not yet expended.



**Table 6
SOLID WASTE DISPOSAL FUND 731
Fiscal Year 2010-2011**

	Adopted Budget	Amended Budget	YTD as of 2 nd Quarter	YTD % of Amended Budget
REVENUES				
Trash P/U Fees	21,330,061	21,330,061	11,281,676	52.89%
Miscellaneous Revenues	0	0	1,621	--
Use of Reserves	292,583	292,583	n/a	n/a
TOTAL REVENUES	21,622,644	21,622,644	11,283,297	52.18%
EXPENDITURES				
Personnel	1,795,524	1,809,765	805,441	44.51%
Maintenance & Operations	16,871,858	16,871,858	7,047,015	41.77%
Internal Service Charges	1,582,589	1,568,348	784,170	50.00%
Inter-Fund Transfers Out	716,673	716,673	358,338	50.00%
Rate Stabilization Set-Aside	656,000	656,000	328,002	50.00%
TOTAL EXPENDITURES	21,622,644	21,622,644	9,322,966	43.12%
INCOME/(LOSS)	0	0	1,960,331	--

SOLID WASTE DISPOSAL FUND REVENUES

Overall revenues for the Solid Waste Disposal Fund are at 52.18% at the end of the second quarter as noted in Table 6 above.

Trash Pick-Up Fees – these fees are collected to provide all the costs associated with solid waste disposal. Approximately 53% has been received as of December 31st. There are no concerns at this time.

As of December 31st, the Solid Waste Disposal Fund has expended or committed 43% of the amended budget. All categories are within 50% of budgeted expenditures.

SOLID WASTE DISPOSAL FUND EXPENDITURES

Table 6 highlights the amount and percentage expended by expenditure category. Please note that YTD Actual & PO's now include outstanding encumbered Purchase Orders in the total. This provides a better representation of monies expended or committed for the second quarter compared to the amended budget.