

CITY OF OCEANSIDE FINANCIAL STATUS REPORT Fiscal Year 2009-10 Third Quarter Ending March 31, 2010

The City has completed the third quarter of the 2009-10 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 June 10, 2009 with approved General Fund operating revenues of \$122,837,261 and operating expenditures of \$124,042,267. On July 1st, the City implemented a new Chart of Accounts, which consolidated Funds 108 and 287 into the General Fund, and also reclassified "transfers in" as a revenue funding source. Consequently, the budget amounts appear to differ from the adopted Council Resolution. A full reconciliation was conducted the second quarter.

Table 1
Changes to Operating Budget

Expenditures	Adopted Budget	Amended Budget	Increase (Decrease)				
	124,042,267						
First Quarter		132,884,729	8,842,462				
Second Quarter		133,933,206	1,048,477				
Third Quarter		134,175,842	242,636				
Fourth Quarter							

Table 1 delineates the year-to-date changes to the operating budget as of March 31, 2010.

The first quarter increase of approximately \$8.8 million represents \$6.8 million of prior year carry forwards for both operating and

infrastructure in compliance with Administrative Directive 20; appropriation of \$1.5 million for Fire Station 8; and appropriation of \$0.5 million for a special election.

The second quarter increase of \$1 million represents \$1.2 million increase in due to the consolidation of harbor police in the General Fund; appropriation of \$0.3 million for the Humane Society; offset by a \$0.5 million reduction per the Budget Reduction Plan adopted by Council in October 2009.

The third quarter increase of \$242,000 is attributable to the \$193K appropriation for repairs of Harbor Police rescue boats; and \$49K of carry forwards.

GENERAL FUND REVENUES

Oceanside's top ten revenues account for approximately 87% of total General Fund revenues earned. Table 2 on the following page delineates the top ten revenues.

Economic conditions led to revenue reductions in October 2009 totaling \$5.2 million, predominantly in property and sales taxes. Transfers In increased \$1.2 million representing funding from the Harbor Fund for the consolidation of harbor police in the General Fund. The net reduction to General Fund revenues in the third quarter is \$4 million.

Property Tax Revenues recognized at the end of the third quarter are 54.76% or \$25.7 million. Total property tax revenues are comprised of the following:

Current Taxes – third quarter property tax receipts distributed by the County is \$15,592,222 which represents 50% of projections. This amount is consistent with County estimates and the City's revised revenue projections.

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 county-wide decline in home sales and values, for the third quarter the City has received \$191,808 or 35.5% of projections.

In-Lieu of VLF — approximately 29% of the total property tax revenue comes from in-lieu of VLF which is distributed in January and June. The City received \$6,773,513 on January 26th which is on target with projections.

Table 2
Oceanside's Top 10 General Fund Revenues

	Adouted	Amandad	VTD oo of	% of
	Adopted	Amended	YTD as of	Amended
Description	Budget	Budget	3rd Qtr	Budget
Property Tax	51,611,000	46,963,500	25,715,809	54.76%
Sales Tax	18,936,600	18,436,600	9,988,787	54.18%
Gen'l Admin	14,914,400	14,914,400	10,389,020	69.66%
Fine/Forfeiture	4,217,000	4,217,000	2,784,189	66.02%
Franchise Fee	4,009,500	4,009,500	1,230,180	30.68%
TOT	3,503,500	3,503,500	1,610,306	45.96%
Safety Services	3,075,000	3,075,000	2,905,842	94.50%
Rents/ Leases	2,804,600	2,804,600	2,141,114	76.34%
Reimb Service	2,847,400	2,847,400	2,483,701	87.23%
Business Lic's	2,813,700	2,813,700	1,833,058	65.15%
Subtotal	108,732,700	103,585,200	61,082,006	58.97%
All Other	8,986,600	11,244,309	7,575,730	67.37%
Transfers In	5,117,961	3,965,228	1,736,949	43.80%
Total	122,837,261	118,794,737	70,394,685	59.26%

Prior Year Property Taxes – the City budgeted \$943,000 for collection of prior year taxes (which includes penalties and interest). Over 76.6% has been received as of March 31st which is partially attributed to financial institutions paying back taxes on foreclosed homes.

Prop 1A Securitization - this provision was created to relieve California local public agencies the burden of loaning the state property tax revenues. The City will receive \$4.2 million for FY09/10; and \$2,107,616 has been received in January with the second payment scheduled for May 2010.

Sales Taxes earned \$9,988,787 or 54.18% of total projected revenues. There are three components of these revenues: true sales taxes known as the Bradley-Burns Sales Taxes which come from the State Board of Equalization each month; safety sales taxes known as Prop 172 Safety Funds which come from the County each month; and the sales tax compensation funds which come from the County twice a year. Third quarter Bradley-Burns sales taxes received total 57% of projections; Prop 172 sales taxes received total 58% of projections; and sales tax compensation fund received total 44.6% of projections.

Part of this shortage is due to a delay by SBOE in remitting payments, coupled with their reduction of "advanced payments". These are merely cash flow issues, since the City will ultimately receive the funds from the State, albeit at a future time. However, updated revenue estimates indicate additional erosion in the fuel, building and general consumer categories. While a reduction to sales tax revenues was made in October, it is anticipated that revenues for the remainder of FY09/10 will fall short an additional \$0.9 million.

General Admin/In Lieu represents roughly 12% of the overall General Fund revenues. The City budgets this as a percentage of salaries which is charged to all departments to cover administrative costs. Third quarter actual is 69.66%.

Fines & Forfeitures earned 66.02% of projected revenues. The revenues earned on parking citations are at 69.5% of projections. The remaining fees represent false alarm fees, impound fees, red light photo fees, and miscellaneous fines and fees.



Franchise Fees as of March 31st came in at 30.68%. 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.

Transient Occupancy Taxes (TOT) earned \$1.6 million or 45.96% through March 31st. Oceanside's Municipal Code Section 34.15 authorizes the City to collect 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 are down significantly which is indicative of the decline in leisure and business travel.

Public Safety Services consist primarily of ambulance billings. Revenues came in at 94.50% as of March 31st, 19% or \$563,310 of which were allowances for bad debt.

Rents and Leases are as expected at 76.34%. This category is comprised of general rents and leases, cell towers in right-of way and City property, Municipal Golf Course and Harbor Tidelands.

Reimbursement for Services for the third quarter is exceeding expectations at 87.23%. The revenues earned are primarily due to billing for Fire, Harbor and Utility services.

Business License revenue earned is reported below projections at 65.15% this quarter. These revenues normally trend higher in January through March which is when many businesses renew their licenses. The City continues to be proactive in ensuring that vendors who do business in Oceanside have a valid business license.

Other Revenues consists of miscellaneous revenues such as card room taxes and fees, investment earnings, plan check and inspection fees, parking meters, etc. Third quarter revenues in this category are below projections at 67.37%.

GENERAL FUND EXPENDITURES

At the end of the third quarter, all department expenditures are below projections.

Table 3
General Fund Expenditures

Description	Adopted Budget	Amended Budget	YTD as of 3rd Qtr	% of Amended Budget
City Council	963,231	951,466	611,442	64.26%
City Clerk	1,118,760	1,638,468	1,200,950	73.30%
City Treasurer	318,639	318,639	232,559	72.99%
City Manager	945,928	942,580	565,582	60.00%
City Attorney	1,720,962	1,720,962	1,199,133	69.68%
Financial Services	4,920,416	5,544,608	3,591,664	64.78%
Human Resources	1,008,071	1,006,071	656,330	65.24%
Econ and Comm Dev't	1,612,051	1,747,934	1,037,251	59.34%
Library	5,467,260	5,858,725	4,090,097	69.81%
Development Services	8,641,594	9,166,636	5,570,628	60.77%
Police	49,820,481	52,692,581	37,852,229	71.84%
Fire	24,920,500	25,083,374	18,395,624	73.34%
Public Works	7,404,683	7,516,087	4,832,026	64.29%
Harbor & Beaches	2,966,583	3,076,544	2,087,134	67.84%
Neighborhood Svs	6,167,743	6,410,552	4,050,573	63.19%
Subtotal	117,996,902	123,675,227	85,973,222	69.52%
Non Departmental	2,572,063	3,628,758	1,596,465	43.99%
Transfers Out	3,473,302	6,871,857	1,810,997	26.35%
Total	124,042,267	134,175,842	89,380,684	66.61%



ENTERPRISE FUNDS

The following tables summarize the operating revenues and expenditures for the major enterprise funds. These include Water, Sewer, Solid Waste, Airport and Harbor. Any surplus/shortfall between revenues and expenditures will be applied towards the appropriate Fund Balance. Deviations or concerns are summarized in the narrative below each table.

Table 4
Water Fund 711

Description	Adopted Budget	Amended Budget	YTD As of 3rd Qtr	% of Amended Budget
Revenues	45,656,021	45,656,021	28,970,440	63.45%
Expenditures	40,920,955	42,291,682	27,064,761	64.00%
Surplus/Shortfall	4,735,066	3,364,339	1,905,679	

The Water Division of the Utilities Department operates two water treatment plants and maintains 450 miles of waterline and 12 reservoirs to provide potable water to all Oceanside residents. Revenues and expenditures are within projections and there are no concerns at this time.

Table 5
Sewer Fund 721

Description	Adopted Budget	Amended Budget	YTD As of 3rd Qtr	% of Amended Budget
Revenues	26,936,001	26,936,001	20,837,301	77.36%
Expenditures	25,118,485	25,374,170	14,601,053	57.54%
Surplus/Shortfall	1,817,516	1,561,831	6,236,248	

The Sewer Division of the Utilities Department collects, treats and disposes of wastewater. Revenues and expenditures are within projections and there are no concerns at this time.

Table 6
Solid Waste Fund 731

Description	Adopted Budget	Amended Budget	YTD As of 3rd Qtr	% of Amended Budget
Revenues	22,534,339	22,534,339	16,302,390	72.34%
Expenditures	22,769,664	22,833,920	11,561,293	50.63%
Surplus/Shortfall	(235,325)	(299,581)	4,741,097	

The Solid Waste Fund includes the contract with Waste Management. Revenues and expenditures are within projections and there are no concerns at this time.

Table 7
Airport Fund 741

Description	Adopted Budget	Amended Budget	YTD As of 3rd Qtr	% of Amended Budget
Revenues	574,515	574,515	117,269	20.41%
Expenditures	606,645	606,645	196,662	32.42%
Surplus/Shortfall	(32,130)	(32,130)	(79,393)	

This fund accounts for the operation of the Oceanside General Aviation Airport. Revenues consist of rents/leases, fuel sales and miscellaneous income. At the end of the third quarter, revenues received amount to 20%, while expenses exceed 32%. This is attributed to the change in management services which occurred in September 2009, yet a corresponding budget adjustment was not adopted. Staff is reviewing this and will bring forth recommendations to modify the budget as needed.



Table 8 Harbor Fund 751

Description	Adopted Budget	Amended Budget	YTD As of 3rd Qtr	% of Amended Budget
Revenues	6,175,300	6,175,300	4,240,380	68.67%
Expenditures	6,145,493	9,527,596	3,779,561	39.67%
Surplus/Shortfall	29,807	(3,352,296)	460,819	

This fund accounts for the operation and maintenance of the Oceanside Small Craft Harbor. Funding for operations is provided by user charges. Revenues and expenditures are within projections and there are no concerns at this time. The increases to the budget is for various capital projects including restroom renovations, lift station, Marina Inn renovation, and the Harbor & Aquatics Center, and are funded by Fund Balances.

INTERNAL SERVICE FUNDS

The following tables summarize operating revenues and expenditures for the Internal Service Funds which includes Risk Management, Employee Benefits, Workers Compensation, Fleet Management, Information Services and City Building Services. Any surplus/shortfall between revenues and expenditures will be applied towards the appropriate Fund Balance. Deviations or concerns are summarized in the narrative below each table.

Table 9
Risk Management Fund 814

Description	Adopted Budget	Amended Budget	YTD As of 3rd Qtr	% of Amended Budget
Revenues	2,938,692	4,188,692	5,281,245	126.08%
Expenditures	3,000,695	4,311,251	5,739,279	133.12%
Surplus/Shortfall	(62,003)	(122,559)	(458,034)	

This fund accounts for all claim management, settlements, liability and property insurance for the entire City. Revenues are made up of service charges to all City departments at the fund level per Administrative Directive 18. The Water Department transferred additional revenue for the Tingzon settlement.

Table 10 Employee Benefits Fund 817

Description	Adopted Budget	Amended Budget	YTD As of 3rd Qtr	% of Amended Budget
Revenues	30,967,160	30,967,160	22,586,661	72.94%
Expenditures	27,605,992	27,610,754	22,746,964	82.38%
Surplus/Shortfall	3,361,168	3,356,406	(160,303)	

This fund is designed to function on a cost reimbursement basis, and is used to recover the full cost of providing all employee benefits. Costs are distributed at a business level. Expenses are a little higher than projections for this quarter due to the advanced payment of various benefits (i.e. health insurance).

Table 11
Workers Compensation Fund 818

Workers compensation rand cro				
Description	Adopted Budget	Amended Budget	YTD As of 3rd Qtr	% of Amended Budget
Revenues	3,319,962	3,319,962	2,433,383	73.30%
Expenditures	3,118,067	3,143,312	1,805,272	57.43%
Surplus/Shortfall	201,895	176,650	628,111	

This fund accounts for all claims management and settlements for workers compensation and safety services for the entire City. Revenues are made up of service charges to all City departments. Revenues and expenses are within projections, and there are no concerns in this area at this time.



Table 12 Fleet Management Fund 831

Description	Adopted Budget	Amended Budget	YTD As of 3rd Qtr	% of Amended Budget
Revenues	7,825,894	7,825,894	5,852,742	74.79%
Expenditures	7,705,233	7,823,647	3,016,007	38.55%
Surplus/Shortfall	120,361	2,247	2,836,735	

This fund accounts for all fleet management and replacement for the entire City. Revenues are made up of service charges to affected City departments. Revenues are within projections at this time. Expenses are at 38.55% as of March 31st, which reflects only 3% of the fleet replacement budget expended, while fleet management operations are at 66% of budget.

Table 13
Information Services Fund 841

Description	Adopted Budget	Amended Budget	YTD As of 3rd Qtr	% of Amended Budget
Revenues	5,822,554	5,822,554	4,397,221	75.52%
Expenditures	5,156,601	5,730,858	4,147,866	72.38%
Surplus/Shortfall	665,953	91,696	249,355	

This fund is designed to function on a cost reimbursement basis, and is used to recover the cost of providing information services to all departments. Revenues and expenditures are within projections. There are no concerns in this area at this time.

Table 14
City Building Services Fund 851

Description	Adopted Budget	Amended Budget	YTD As of 3rd Qtr	% of Amended Budget
Revenues	6,460,121	6,460,121	4,848,876	75.06%
Expenditures	6,554,736	6,875,721	4,650,445	67.64%
Surplus/Shortfall	(94,615)	(415,600)	198,431	

This fund is designed to function on a cost reimbursement basis, and is used to recover the cost of providing city building services to all departments. Revenues and expenditures are within projections. There are no concerns in this area at this time.