

Fiscal Year 2007-2008 Quarter ending June 30, 2008 (Unaudited)

The City has completed the fourth quarter of the 2007-08 Fiscal Year. The Comprehensive Annual Financial Report (CAFR) will be available in November-December and will more thoroughly address the entire 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 fourth quarter ending June 30, 2008 unaudited revenues and expenditures are reported at \$116,991,314 and \$122,674,404, respectively. Revenues received represent 100.3% of estimated projections and expenditures represent 89.5% of estimated projections. It is expected that the remaining 10.5% in expenditures will be carried forward to the FY 2008-09 fiscal year due to projects that weren't completed in FY 2007-08.

Table 1 provides a snapshot of the General Fund at June 30, 2008.

Table 1
Actual Revenue and Expenditures

Actual Nevertae and Expenditures				
General	Revised	4 th Qtr YTD	%	
Fund	Budget	Actual		
Revenue	116,650,037	116,991,314	100.3%	
Expenditure	137,138,860	122,674,404	89.5%	

Tables 2 and 3 delineate a historical look at General Fund revenues and expenditures during this reporting period using information from FY 2004-05 through FY 2007-08.

Table 2
Historical View of Quarterly Revenues

	General Fund Revenues				
		4 th Qtr			
Fiscal	Revised	YTD			
Year	Budget	Actual	%		
2007-08	116,650,037	116,991,314	100.3%		
2006-07	109,936,995	111,243,433	101.2%		
2005-06	97,147,088	105,229,441	108.3%		
2004-05	89,818,887	100,074,694	111.4%		

The trend shows that revenue receipts at fourth 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 29% over this same period last year. The decline is attributed to a reduction in applications for building and construction permits. On the positive side it is encouraging to finish out the fiscal year with overall revenues meeting budgeted projections

The dip in General Fund expenditures for fourth quarter 2006-07 and 2007-08, as compared to the prior years, 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 carried forward from FY06-07 for these projects. This continues to have an impact on current year expenditures.

As multi-year project funds are carried forward each fiscal year, it is anticipated that the trend for expenditures will continue below the 90% threshold.

Table 3
Historical View of Quarterly Expenditures

General Fund Expenditures				
Fiscal	Revised	4 th Qtr YTD		
Year	Budget	Actual	%	
2007-08	137,138,860	122,674,404	89.5%	
2006-07	131,052,111	110,239,671	84.1%	
2005-06	106,196,369	102,550,722	96.6%	
2004-05	92,629,601	89,291,049	96.4%	



Fiscal Year 2007-2008 Quarter ending June 30, 2008 (Unaudited)

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	4 th Qtr YTD Actual	%	
Property Tax	48,044,030	48,763,339	101.5%	
Sales Tax	20,255,130	19,355,845	95.6%	
General Admin/In Lieu	13,933,791	13,633,572	97.8%	
Plan Check/Review	5,682,780	2,884,954	50.8%	
Franchise Fee	4,045,300	3,932,716	97.0%	
Fines and Forfeitures	3,894,110	4,344,699	111.6%	
Public Safety Services	3,092,300	4,049,586	130.9%	
Reimbursement for Services	2,791,196	2,821,789	101.1%	
Business Licenses	2,702,090	2,649,049	98.0%	
Rents and Leases	2,341,911	2,457,129	104.9%	
Sub Total	106,782,638	104,892,678	98.2%	
All other Revenue	9,867,399	12,098,636	122.6%	
	116,650,037	116,991,314	100.3%	

- Property Tax Revenues received at the end of the fourth quarter are in line with what was received this time last year at 102%. Property tax revenues are primarily received in the December/January and April/May timeframes. Property tax revenue projections for FY 2008-09 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 represent 96% of projected revenues which is a decrease of 3.6% from the same time one year ago. As part of the State's "triple flip*", the City receives sales tax compensation payments twice a year.

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 less than projected at 94%. The Prop 172 and Compensation Fund revenues are at 89% and 103%, respectively.

- General Admin/In Lieu represents 12% of the overall General Fund budget. The City budgets this percentage of salaries which is charged to all departments to cover administrative costs. The yearto-date projection of 98% 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 12% 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 next fiscal year.
- Franchise Fee revenues received this quarter came in at 97% or 3% under projections. This time last year the franchise fees were at 84%. 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 112% of projected revenues which is an increase of approximately 11% from the prior year or an additional \$858,286. This increase is due to more aggressive collections effort.
- Public Safety Services revenue received during this quarter exceeds 100% which reflects an increase of almost 34% from last year. The majority of this revenue category comes from ambulance billings.
- Reimbursement for Services exceed 100%. These revenues are primarily due to reimbursements for Fire services.



Fiscal Year 2007-2008 Quarter ending June 30, 2008 (Unaudited)

- Business License revenue is reported at 98% for this quarter and is 1% lower this 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 represent 105% of revenues received this quarter. During the same time last year, revenue was reported at 88%. Some of the percentage increase is due to receipt of \$683,022 in lease payments for cellular phone towers.
- Other Revenues consists of miscellaneous revenues which is approximately 8% of the General Fund budget. This quarter \$12,098,636 or 123% in revenue has been received. This increase can be attributed to increases in TOT taxes, parking meters, and investment earnings.

GENERAL FUND EXPENDITURES

General Fund expenditures total \$122,674,404 or 89.5%. Table 5 indicates the expenditure ratios for all departments. Those exceeding 100% are discussed separately.

Table 5
General Fund Expenditures

Department	Revised Budget	4 th Qtr YTD Expenditures	%
City Council	954,243	884,569	92.7%
City Clerk	1,190,864	1,018,434	85.5%
City Treasurer	313,301	318,241	101.6%
City Manager	1,265,398	1,071,210	84.7%
City Attorney	1,712,819	1,677,934	98.0%
Financial Services	6,692,903	4,724,685	70.6%
Human Resources	961,402	983,259	102.3%
Econ Development	640,857	539,342	84.2%
Development Svcs	5,434,258	4,429,975	81.5%
Neighborhood Svcs	5,025,704	4,457,808	88.7%
Police	48,882,822	46,296,197	94.7%
Fire	22,767,437	23,786,183	104.5%
Public Works	10,878,060	9,958,692	91.5%
Library Services	6,368,840	5,898,670	92.6%
Harbor-Beaches	2,524,730	2,663,037	105.5%
Sub Total	115,613,638	108,708,236	94.0%
Non-Departmental	21,525,222	13,966,168	64.9%
Total	\$137,138,860	122,674,404	89.5%

The Treasurer's office over-expended by \$4,940 in the areas of personnel expenses, under budgeting for Council meetings and for conferences and meetings.

Human Resources over-expended by \$21,857. The majority of the expenses are in personnel expenses.

The Fire department over-expended their budget by \$1,018,746 in the areas of personnel, overtime, hourly extra help, travel/training, cellular phone usage, and general administration allocation.

The Harbor-Beaches department over-expended by \$138,307 in the areas of beach and pier maintenance.

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.

Table 6 Water Fund

	Revised Budget	4 th Qtr YTD Actual	%
Revenues	45,118,610	48,441,200	107.4%
Expenditures	45,154,647	43,021,834	95.3%

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. Fourth quarter expenditures are at 95.3% which are on target. Revenue projections exceed projections in the areas of investment earnings, fines and penalties, and revenues from the San Diego County Water Authority.



Fiscal Year 2007-2008 Quarter ending June 30, 2008 (Unaudited)

Table 7 Sewer Fund

	Revised Budget	4 th Qtr YTD Actual	%
Revenues	20,479,729	23,949,356	116.9%
Expenditures	23,679,188	26,920,645	113.6%

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. Revenues estimates are provided by the WUD at \$20,479,729 and exceeded projections at the end of the fourth 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 100%. Expenditures exceeded the budget by \$3,241,457. Non-budgeted expenditures of \$5,638,360 for depreciation for equipment/machinery were booked in the fourth quarter. There were net savings of \$2.3 million in the remaining accounts.

Table 8 Solid Waste Fund

	Revised Budget	4 th Qtr YTD Actual	%
Revenues	21,082,900	20,961,319	99.4%
Expenditures	21,054,985	21,097,144	100.2%

The solid waste fund revenue and expenditure projections are on target this quarter. This budget pays for the solid waste pickup. Although expenses exceeded the budget by \$42,159, it can be attributable to an increase in the Solid Waste contract.

Table 9 Airport Fund

	Revised Budget	4 th Qtr YTD Actual	%
Revenues	385,000	464,274	120.6%
Expenditures	523,503	436,383	83.4%

The Airport fund accounts for the operation of the Oceanside (General Aviation) Airport. The high percentage of revenue is based on an additional revenues from rents/leases, fuel sales, and miscellaneous income. Revenues of \$464,274 exceed expenditures by \$27,891.

Table 10
Harbor and Beaches Fund

	Revised Budget	4 th Qtr YTD Actual	%
Revenues	5,551,580	5,649,621	101.7%
Expenditures	5,681,145	5,989,589	105.4%

The Harbor fund accounts for the operation and maintenance of the Oceanside Small Craft Harbor. Funding for operating expenses is provided by user charges. Although revenues exceed projections, expenditures exceeded the budget by \$308,444 in the areas of public safety and administration.

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	4 th Qtr YTD Actual	%
Revenues	3,888,290	3,929,777	101.1%
Expenditures	5,016,622	4,499,192	89.7%

Risk Management revenues exceed the projected revenues and 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. Expenditures are at approximately 89.7% of the Risk Management budget which is in line with the City expenditure ratios overall.



Fiscal Year 2007-2008 Quarter ending June 30, 2008 (Unaudited)

Table 12 Employee Benefits

	Revised Budget	4 th Qtr YTD Expenditures	%
Revenues	22,920,605	23,401,920	102.1%
Expenditures	20,888,893	23,100,545	110.6%

Employee Benefits revenues exceeded estimated projections. Revenues are projected at full staffing Citywide. Expenses exceeded the budget by \$2,211,652. The overage can be attributed to under budgeting for employer-funded PERS contributions. Despite the under budgeting, revenues have exceeded expenses this year.

Table 13
Worker's Compensation Fund

	Revised Budget	4 th Qtr YTD Actual	%
Revenues	3,471,881	3,902,499	112.4%
Expenditures	2,840,372	2,743,805	96.6%

Worker's Compensation revenues finished the fourth quarter at 112%. Expenses are in line with budget projections, finishing the year at 96.6%

Table 14 Fleet Management Fund

	Revised Budget	4 th Qtr YTD Actual	%	
Revenues	7,778,709	8,939,331	114.9%	
Expenditures	9,827,200	5,485,412	55.8%	

Fleet Management revenues exceed projections through the end of the fourth 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. Expenditures are at 55.8% as the fleet replacement funds have not been fully expended.

Table 15
Information Technologies Fund

	Revised Budget	4 th Qtr YTD Actual	%
Revenues	5,519,794	5,531,446	100.2%
Expenditures	5,352,869	5,463,444	102.1%

Information Technology revenues are within projections through the end of the fourth quarter. Revenues in this fund are collected from all City departments based upon maintenance and support services provided from IT staff. Expenses exceeded the budget by \$110,575. The overages occurred in the copier/printer, public safety system, audio-visual and SCADA accounts.

Table 16
City Building Fund

	Revised Budget	4 th Qtr YTD Actual	%
Revenues	6,103,429	6,105,682	100.0%
Expenditures	6,165,555	5,851,007	94.9%

City Building revenues are within projections through the end of the fourth 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. The revenues and expenditures are on target at the end of the fourth quarter.

*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