



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

**Table 2
Historical View of Quarterly Revenues**

General Fund Revenues			
Fiscal Year	Revised Budget	2nd Qtr YTD Actual	%
2007-08	115,876,188	43,447,521	37.49%
2006-07	109,428,764	43,863,480	40.08%
2005-06	97,117,088	41,683,936	42.92%
2004-05	89,789,918	39,097,466	43.54%

The City has completed the second 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, the revenues have been revised to \$115,876,188 and expenditures revised to \$136,365,011. 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.

Information discussed in the remainder of this report is based on the approved revised budget. Table 1 provides a snapshot of the General Fund at December 31, 2007.

**Table 1
Actual Revenue and Expenditures**

General Fund	Revised Budget	2nd Qtr YTD Actual	%
Revenue	115,876,188	43,447,521	37.49%
Expenditure	136,365,011	58,674,341	43.03%

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.

The trend shows that revenue receipts at second quarter have slowly declined over the past few years. Part of this is attributed to the state's delay in sales taxes, VLF taxes, and other compensations resulting from the "triple flip*". Sales tax revenues reflect overlapping payments by some businesses in FY 06-07, which consequently were resolved and not reflected in FY 07-08. In addition, development-related fees showed a significant decline of 18% over this same period last year. The decline is attributed to a reduction in applications for building and construction permits. The trend for expenditures has held steady at 43 percent at second quarter for the past few years.

**Table 3
Historical View of Quarterly Expenditures**

General Fund Expenditures			
Fiscal Year	Revised Budget	2nd Qtr YTD Actual	%
2007-08	136,365,011	58,674,341	43.03%
2006-07	116,736,609	50,643,233	43.38%
2005-06	104,819,630	45,305,374	43.22%
2004-05	89,688,731	38,784,825	43.24%

GENERAL FUND REVENUES

Table 4 on the following page 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.



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Table 4
Oceanside's Top Ten Revenues

General Fund			
Top Ten Revenues	Revised Budget	2nd Qtr YTD Actual	%
Property Tax	48,044,030	14,791,749	30.79%
Sales Tax	20,255,130	7,269,480	35.89%
General Admin/In Lieu	13,933,791	6,801,143	48.81%
Plan Check/Review	5,682,780	1,298,203	22.84%
Franchise Fee	4,045,300	570,679	14.11%
Fines and Forfeitures	3,894,110	2,101,392	53.96%
Public Safety Services	3,092,300	1,485,847	48.05%
Reimbursement for Services	2,791,196	1,448,649	51.90%
Business Licenses	2,702,090	1,134,709	41.99%
Rents and Leases	2,341,911	1,398,078	59.70%
Sub Total	106,782,638	38,299,929	35.87%
All other Revenue	9,093,550	5,147,592	56.61%
	115,876,188	43,447,521	37.49%

- **Property Tax Revenues** received are 30.79% as of December 31, 2007. This time last year property tax revenues were at 31.09% 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 approximately 36% of projected revenues which is a decrease of 5.80% from the same period one year ago. As part of the State's "triple flip*", the City receives sales tax compensation payments in late January and late May. As the City has yet to receive compensation, this will account for the slight decrease in sales tax revenues. For comparative purposes, the City received \$922,500 in January 2007. We will be closely monitoring this revenue source to reach the estimated revenue level of \$20.2 million.

- **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 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 18% 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 23% of projected revenues have been received thus far.

- **Franchise Fee** revenues are on track this quarter at 14%. This time last year the franchise fees were at 13.75%. 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 53.96% of projected revenues which is an increase of approximately 25% from the prior year or an additional \$420,116. This increase is due to a more aggressive collections effort.

- **Public Safety Services** revenue received during this quarter is 48% which reflects an increase of almost 10% from last year. The majority of this revenue category comes from ambulance billings.

- **Reimbursement for Services** are on track this quarter at 51.90%. These revenues are primarily due to reimbursements for Fire services.

- **Business License** revenue is reported at 42% so far this quarter and is up slightly over the same time last year. The majority of the businesses in the City of Oceanside have renewal dates in January. The third quarter ending March 31st will provide a better indicator of business license activity with regard to projected revenues.



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- **Rents and Leases** are well above projections and represents approximately 60% of revenues received this quarter. During the same time last year, revenue was reported at 45%. A majority of the percentage increase is due to receipt of \$489,472 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 \$5,147,592 or 56.6% in revenue has been received which is in line with revenue projections.

GENERAL FUND EXPENDITURES

General Fund expenditures total \$58,674,341 or 43%. Table 5 indicates the expenditure ratios for all departments. Those under 40% are discussed separately.

**Table 5
General Fund Expenditures**

Department	Revised Budget	2 nd Qtr YTD Expenditures	%
City Council	954,243	442,309	46.35%
City Clerk	1,190,864	494,024	41.48%
City Treasurer	313,301	155,397	49.60%
City Manager	1,265,398	544,892	43.06%
City Attorney	1,712,819	826,223	48.24%
Financial Services	6,692,903	2,300,066	34.37%
Human Resources	961,402	492,324	51.21%
Econ Development	640,857	257,639	40.20%
Development Svcs	5,434,258	2,066,062	38.02%
Neighborhood Svcs	5,025,704	2,120,265	42.19%
Police	48,285,648	22,595,422	46.80%
Fire	22,590,762	11,628,561	51.47%
Public Works	10,878,060	4,458,125	41.00%
Library Services	6,368,840	2,858,524	44.88%
Harbor-Beaches	2,524,730	1,335,080	52.88%
Sub Total	114,839,789	52,574,913	45.78%
Non-Departmental	21,525,222	6,099,425	28.34%
Total	\$136,365,011	\$58,674,341	43.03%

The Financial Services expenditure percentage is at 34.37%. Approximately \$1.5 million was carried forward from FY 06-07 for incomplete projects (financial system upgrade, office reconfiguration, and consultant services.) With this amount factored out, the expenditure percentage is at 45%.

Development Services expenditure percentage of 38.02% which includes a FY 06-07 carry forward of \$298,431. Factoring out this amount for incomplete projects, the expenditure percentage is at 40%.

The non-departmental expenditure percentage of 28.34% 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.

**Table 6
Water Fund**

	Revised Budget	2 nd Qtr YTD Actual	%
Revenues	41,362,748	22,099,159	53.4%
Expenditures	41,825,540	21,183,424	50.6%
The Water Fund includes operations and debt service. Year-to-date expenditures are at 50.6%. Although expenditures are exceeding revenues, in October 2007, a rate increase was approved by the City Council and took effect the first billing after October 20, 2007.			

**Table 7
Sewer Fund**

	Revised Budget	2 nd Qtr YTD Actual	%
Revenues	24,894,143	9,978,364	40.0%
Expenditures	28,634,573	10,821,665	37.8%
The Sewer operating fund accounts for the operation (including wastewater treatment) of the City's sewer facility, a self-supporting activity which provides services on a user charge basis. Revenues are projected at \$24.8 million. Even with a healthy revenue stream, the projected revenue is not sufficient to support the budgeted expenditures. In October 2007 a sewer rate increase was approved and implemented in December.			



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**Table 8
Solid Waste Fund**

	Revised Budget	2 nd Qtr YTD Actual	%
Revenues	21,082,900	11,011,859	52.2%
Expenditures	21,054,985	9,061,915	43.0%

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 second quarter.

**Table 9
Airport Fund**

	Revised Budget	2 nd Qtr YTD Actual	%
Revenues	385,000	234,484	60.9%
Expenditures	588,257	291,973	49.6%

The Airport fund accounts for the operation of the Oceanside (General Aviation) Airport. 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.

**Table 10
Harbor and Beaches Fund**

	Revised Budget	2 nd Qtr YTD Actual	%
Revenues	5,551,580	2,930,936	52.8%
Expenditures	5,681,145	2,728,621	48.0%

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	2 nd Qtr YTD Actual	%
Revenues	3,888,290	1,783,727	45.9%
Expenditures	5,016,622	1,786,255	35.6%

Risk Management revenues are on track at approximately 46%. 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. Without the additional appropriation, the 2nd quarter YTD expenditure ratio would be at 49%.

**Table 12
Employee Benefits**

	Revised Budget	2 nd Qtr YTD Expenditures	%
Revenues	22,920,605	10,682,599	46.6%
Expenditures	20,888,893	11,302,221	54.1%

Employee Benefits revenues are in line with estimated projections. Revenues are projected at full staffing Citywide. Expenses represent 54% for the quarter ending December 31, 2007. Expenditures are above the 50% mark which can be attributed to an increase in retirement premiums.

**Table 13
Worker's Compensation**

	Revised Budget	2 nd Qtr YTD Actual	%
Revenues	3,471,881	1,894,394	54.6%
Expenditures	2,840,372	788,814	27.8%

Worker's Compensation revenues finished the second quarter at approximately 55%. Expenses are lower than anticipated, finishing the second quarter at approximately 28% of budget. The reduced expenses in the Worker's Compensation Fund are the direct result of improved management of claims and enhanced safety initiatives.



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**Table 14
Fleet Management Fund**

	Revised Budget	2 nd Qtr YTD Actual	%
Revenues	7,808,406	3,855,203	49.4%
Expenditures	9,907,200	2,848,238	28.7%

Fleet Management revenues are within projections through the end of the second 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 42.4%.

**Table 15
Information Technology Fund**

	Revised Budget	2 nd Qtr YTD Actual	%
Revenues	5,519,794	2,726,329	49.4%
Expenditures	5,352,869	2,958,550	55.3%

Information Technology revenues are within projections through the end of the second 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 50% mark due to under budgeting in some of the service accounts.

**Table 16
City Buildings Fund**

	Revised Budget	2 nd Qtr YTD Actual	%
Revenues	6,103,429	3,052,230	50.0%
Expenditures	6,165,555	3,495,391	56.7%

City Building revenues are within projections through the end of the second 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 50% threshold, this can be attributed to payment 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.*