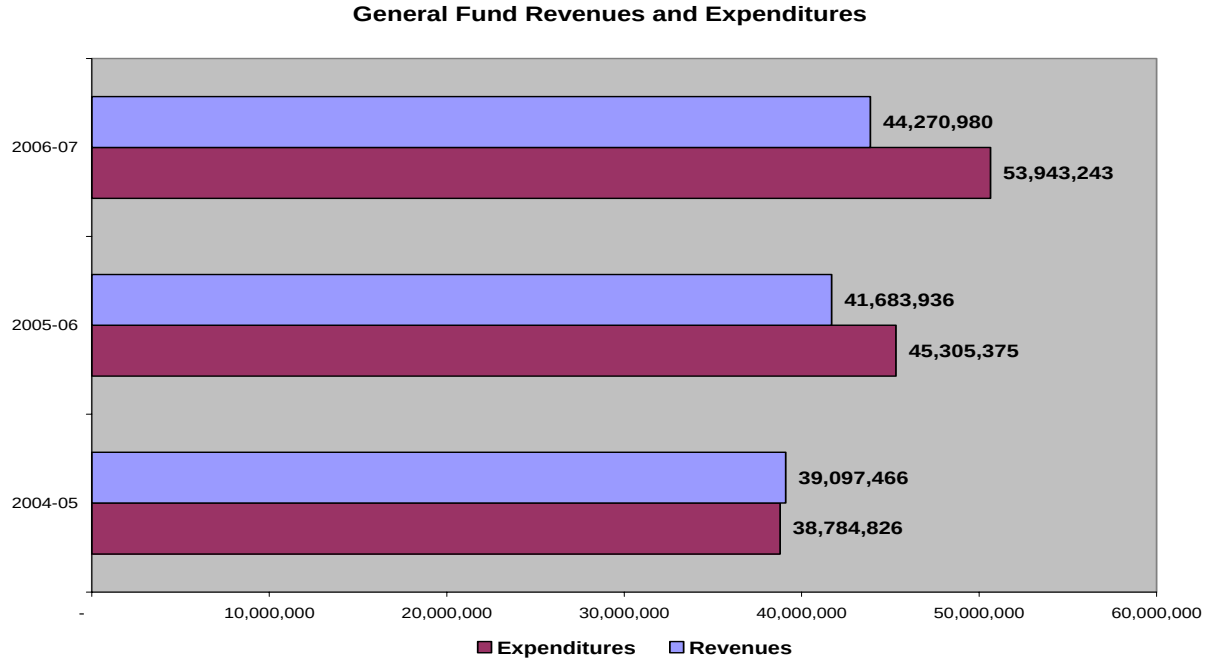
City of Oceanside - 2nd Quarter Financial Report FY 2006-07

This quarterly report reflects the City of Oceanside's financial position for fiscal year 2006-07 through December 31, 2006. The second quarter report concentrates on the General Fund, the major enterprise funds, and the internal service funds of the City.

General Fund Overview:

With 50% of the fiscal year complete, General Fund revenues total $44.3 million, or 40.5% of projected revenues. Revenues are up from the same time period one year ago when revenues totaled $41.7 million. Revenues are lower than expenditures mid-way through the fiscal year, because many revenues are not received in equal monthly installments, i.e., property taxes, and many revenues are accrued one to two months into the new fiscal year, i.e., sales taxes and transient occupancy taxes. General Fund expenditures are $53.9 million or 46.8% expended compared to the previous fiscal year where year-to-date expenditures totaled $45.3 million, or 43.2% of budget. It is important to keep in mind that the quarterly report includes "adjusted" budget numbers which include any budget adjustments made during the first half of the fiscal year, including carry forward amounts for encumbrances not expended during the previous fiscal year (2005-06).

The chart below summarizes the second quarter revenues and expenditures of the City's General Fund for the past three years.



	General Fund Revenues			General Fund Expenditures		
	Adjusted Budget	Actual	% Received	Adjusted Budget	Actual	% Expended
2006-07	109,428,764	44,270,980	40.5%	115,336,609	53,943,243	46.8%
2005-06	97,117,088	41,683,936	42.9%	104,819,630	45,305,375	43.2%
2004-05	89,789,918	39,097,466	43.5%	89,688,731	38,784,826	43.2%

General Fund Operating Position:

With revenues on track for this time period during the fiscal year and expenditures at slightly less than 50%, the General Fund is projected to complete the fiscal year with an operating surplus. Expenditures

will still need to be closely monitored, as revenues are projected to just cover expenditures for the fiscal year.

General Fund Revenues:

General Fund revenues total $44,270,980 for the second quarter of fiscal year 2006-07, compared to $41,683,936 for the same time period the prior fiscal year. This is an increase of $2,587,044, or 6.2%. For the General Fund to reach projections, this positive trend must continue, as General Fund revenues are projected to increase 13% over the prior year's projections.

SECOND QUARTER FY 2006-07 General Fund Revenues

	1st Quarter	2nd Quarter	YTD Revenues	Adjusted Budget	% Received	Prior Year Same Period
Property Taxes	$ 931,995	$ 12,464,332	$ 13,396,327	$ 42,560,330	31.48%	$10,872,449
Sales and Use Taxes	3,704,691	4,012,101	7,716,792	19,476,090	39.62%	7,691,040
Transient Occupancy Taxes	637,860	632,398	1,270,258	2,363,320	53.75%	1,326,063
Franchise Fees	-	540,037	540,037	3,927,480	13.75%	509,241
Card Room Taxes and Fees	173,109	250,424	423,533	985,000	43.00%	482,242
Business Licenses	553,618	511,058	1,064,676	2,623,390	40.58%	1,235,882
Property Transfer Tax	74,408	239,157	313,565	1,530,450	20.49%	616,737
Permit Revenue	334,562	338,057	672,619	1,343,990	50.05%	748,451
Parking Meters, Lots, Permits	391,779	115,360	507,139	815,000	62.23%	425,320
Fines, Forfeitures and Penalties	829,013	852,263	1,681,276	3,444,110	48.82%	1,777,101
Investment Earnings	607,102	646,690	1,253,792	1,800,000	69.66%	753,659
Rents and Leases	515,018	524,142	1,039,160	2,288,181	45.41%	887,503
Motor Vehicle In Lieu	482,238	195,738	677,976	1,031,820	65.71%	3,370,523
Other Agencies	208,713	790,667	999,380	482,800	207.00%	227,175
Federal, State and Local Grants	72,207	-	72,207	100,000	72.21%	44,340
Doct Svs, Plan Ck, Inspec Srvc & Fees	963,234	703,495	1,666,729	4,339,190	38.41%	2,196,485
Public Safety Services	670,642	511,566	1,182,208	3,038,370	38.91%	1,414,913
Library Services and Fees	5,794	6,495	12,289	25,000	49.16%	12,201
Reimbursement for Services	729,365	725,454	1,454,819	2,682,449	54.23%	1,259,307
Recreation Services	16,033	5,081	21,114	14,000	150.81%	8,218
General Administration	2,980,894	2,980,897	5,961,791	13,051,677	45.68%	5,673,179
Misc Other Revenue and Contributions	163,971	108,821	272,792	291,117	93.71%	151,907
Land Sale	-	1,663,000	1,663,000	-	100.00%	-
Operating Transfers	203,750	203,751	407,501	1,215,000	33.54%	-
Total Revenues	$15,249,996	$29,020,984	$ 44,270,980	$109,428,764	40.46%	$41,683,936

Property tax revenues are 31% collected at December 31, 2006. Although this appears low, it is on track for the same time period in prior fiscal years. Because of the collection dates, property taxes were at 30% one year ago. Property tax collections have increased 23% over the prior year, with an increase of $2.5 million. Additionally, the City receives its "Property Tax In Lieu" payments from the state in two equal installments in late January and late May. The amount received in January (2006 was $5,410,654) is not yet reflected in this report. The City's property tax projections continue with guarded optimism as the housing market in Southern California continues to slow. Though making up a small percentage of General Fund revenues, property transfer taxes are a good example of the sluggish home sales with a decrease of 49% from the prior fiscal year and registering at only 20% of projections for the current fiscal year.

Sales and use taxes show less than a 1% increase over the same time period one year ago. Registering at 40% of projections is slightly behind the 45% of projections the previous fiscal year. As part of the State's "Triple Flip", the City receives sales tax compensation fund payments in late January and late May. This payment was $1,731,267 in January 2006. According to the City's sales tax consultants, HdL Companies, the City will need to closely monitor this revenue source to reach the estimated revenue level of $19 million.

Transient Occupancy Taxes finished the second quarter at 54% of projected revenue. The decrease

from the prior fiscal year of 4% is an accounting correction in accruing the June payments in fiscal year 2005-06. With the City having received over half of the projected revenue for the second quarter, this revenue is projected to meet budget.

Franchise Fees appear low at 14% of projections. However, the payment from San Diego Gas & Electric is received once per year in April. In April 2006, this payment totaled $1,680,713. Additionally, revenues from Cox Communications are collected quarterly with a one-month delay in receipt (second quarter will be received in January). This revenue source is on track when compared to the prior fiscal year at 14% collected.

Business Licenses finished the second quarter at 41% of projected revenue. The majority of the businesses in the City of Oceanside have renewal dates in January. The third quarter will be more indicative of where this revenue source will finish this fiscal year.

Fines and Forfeitures are 49% of projections with a decrease from the prior fiscal year of 5%, or $96,000. Revenue sources that show a decrease from the prior fiscal year are street sweeping fines, red light photo fines, and traffic fines. This revenue source is expected to reach its year-end projection of $3.4 million.

Investment Earnings finished the second quarter at 70% of projected revenue. This is an increase over the prior fiscal year of 66%. Interest rates continue to climb, with the City's investment portfolio earning an average of 4.45% for December 2006, compared to December 2005 at 2.89%.

Charges for Current Services are at 46% of projected revenue for fiscal year 2006-07. This is less than a 1% decrease from the prior fiscal year.

General Fund Expenditures:

General Fund expenditures total $53,943,243, compared to $45,305,375 for the same time period the prior fiscal year. This is an increase of $8,637,868, or 19%. As summarized in the chart below, all General Fund departments are at or under approximately 50% expended for the second quarter of fiscal year 2006-07.

SECOND QUARTER FY 2006-07 General Fund Expenditures

Department	1Q FY06-07	2Q FY06-07	YTD Expenditures	Adjusted Budget	% Expended
City Council	$ 208,880	$ 239,779	$ 448,659	$ 941,560	48%
City Clerk	187,138	262,718	449,856	1,150,303	39%
City Treasurer	67,307	79,859	147,166	310,783	47%
City Manager	239,570	261,272	500,842	1,101,516	45%
City Attorney	315,410	415,388	730,798	1,645,970	44%
Financial Services	919,648	1,150,329	2,069,977	4,835,682	43%
Human Resources	212,442	213,096	425,538	895,767	48%
Economic Development	115,405	148,867	264,272	497,782	53%
Community Development	762,301	970,711	1,733,012	4,405,153	39%
Neighborhood Services	867,739	1,059,128	1,926,867	4,315,296	45%
Police	9,897,155	10,774,228	20,671,383	43,936,458	47%
Fire	4,907,231	5,816,351	10,723,582	22,568,770	48%
Public Works	2,073,535	2,427,632	4,501,167	10,260,801	44%
Library Services	1,238,068	1,336,247	2,574,315	5,582,898	46%
Harbor and Beaches	716,716	520,077	1,236,793	2,461,916	50%
Non-Departmental	2,769,508	2,769,508	5,539,016	10,425,954	53%
Total Expenditures	$25,498,053	$28,445,190	$53,943,243	$115,336,609	47%

Enterprise Funds:

The following tables summarize the revenues and expenses of the major enterprise funds of the City of Oceanside. These include the Water Fund, Sewer Fund, Solid Waste Fund and Harbor and Beaches Fund. Overall, revenues and expenses are on target for the first two quarters of fiscal year 2006-07. Any differences are summarized in the narrative below each chart.

Water	Adjusted Budget	Actual to Date	Percent
Revenues	$ 46,575,581	$ 22,519,014	48%
Expenses	$ 43,003,317	$ 19,120,556	44%

Sewer	Adjusted Budget	Actual to Date	Percent
Revenues	$ 25,336,491	$ 13,950,213	55%
Expenses	$ 23,721,999	$ 9,373,016	40%

The Water Fund year-to-date revenues, at 48% of budget, are normal for the end of the second quarter. The main reason revenues are lower than 50% is that anticipated grant revenues ($2.4 million) for the Loma Alta Lagoon Enhancement & Treatment Facility have not been received, as construction has not begun. Expense levels at 44% expended are in line for the second quarter of the fiscal year.

The Sewer Fund revenues are in line with the fiscal year budget at 55% received at December 31, 2006. Expenses are 40% of budget at the end of the second quarter 2006-07. Expenses for chemicals, minor supplies, and services are low for this time period, because of the cyclical nature of these purchases. Traditionally, most of these expenses are incurred in the second half of the fiscal year. Additionally, electricity is only 36% expended, as this expense is paid one month in arrears. All remaining expenses are on track at midway through the fiscal year.

Solid Waste	Adjusted Budget	Actual to Date	Percent
Revenues	$ 21,082,900	$ 10,740,371	51%
Expenses	$ 20,366,385	$ 8,577,143	42%

Harbor and Beaches	Adjusted Budget	Actual to Date	Percent
Revenues	$ 5,364,590	$ 2,778,562	52%
Expenses	$ 5,408,260	$ 2,659,150	49%

The Solid Waste Fund revenues are expected to meet projected year-end revenues with 51% collected at December 31, 2006. Expenses total 42% of projected expenses at December 31, 2006. The City's contract for solid waste pickup comprises 76% of this fund's budgeted expenses. The City pays one month in arrears, making this fund's expenses on track at the end of the second quarter.

The Harbor and Beaches Fund revenues collected at December 31, 2006 total 52% of projections. Increased revenues include investment earnings at 74% of projected revenue and harbor parking lot fees at 67% of projections.

Internal Service Funds:

The following tables summarize the revenues and expenses of the internal service funds of the City of Oceanside. These include the Employee Services Fund, Workers' Compensation Fund, Risk Management Fund, Information Technology Fund, City Buildings Fund, and the Fleet Management Fund. The majority of revenues and expenses are in line with projections for fiscal year 2006-07. Any discrepancies are noted in the narrative following each chart.

Employee Services	Adjusted Budget	Actual to Date	Percent
Revenues	$ 21,885,623	$ 9,781,772	45%
Expenses	$ 20,566,009	$ 10,062,500	49%

Workers' Compensation	Adjusted Budget	Actual to Date	Percent
Revenues	$ 3,398,634	$ 1,721,353	51%
Expenses	$ 2,955,746	$ 786,180	27%

Employee Services Fund revenues are 45% of projected at December 31, 2006. Revenues in this fund are based on a percentage of actual payroll (salaries and benefits). Revenues are projected at full staffing Citywide. Because vacancies exist within the various City departments, this revenue source is less than 50% for the second quarter end. Expenses are on track at 49% of budget at December 31, 2006.

Workers' Compensation Fund revenues finished the second quarter on track at 51% of projected revenues. Expenses are lower than anticipated, finishing the second quarter at 27% of budget. The reduced expenses in the Workers' Compensation Fund are the direct result of improved management of claims with an improved pharmacy program, improved medical provider network, and enhanced safety initiatives, thereby reducing the severity of workers' compensation claims.

Risk Management	Adjusted Budget	Actual to Date	Percent
Revenues	$ 3,224,477	$ 1,603,049	50%
Expenses	$ 4,755,522	$ 2,118,592	45%

Information Technology	Adjusted Budget	Actual to Date	Percent
Revenues	$ 5,261,600	$ 2,631,599	50%
Expenses	$ 5,156,601	$ 2,908,686	56%

Risk Management Fund revenues are on track at 50% of projections at December 31, 2006. 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. Expenses for the Risk Management Fund are 45% of budgeted expenses at December 31, 2006. This fund includes budgeted expenses for anticipated litigation for which no expenses have been incurred during the first half of the fiscal year.

Information Technology Fund revenues are on track at 50% through the end of the second quarter of fiscal year 2006-07. Revenues in this fund are collected from all City departments based upon maintenance and support services provided from the information technology staff. Expenses are slightly elevated, closing the second quarter at 56% expended. Most of the maintenance agreements for the City's many software programs are due in advance with the majority of expenses being incurred during the first quarter of the fiscal year.

City Buildings	Adjusted Budget	Actual to Date	Percent
Revenues	$ 5,929,394	$ 2,968,886	50%
Expenses	$ 5,930,082	$ 3,403,437	57%

Fleet Management	Adjusted Budget	Actual to Date	Percent
Revenues	$ 7,783,595	$ 3,444,465	44%
Expenses	$ 8,721,126	$ 2,530,876	29%

City Buildings Fund revenues are collected from each of the City departments based upon square footage of the space maintained by this internal service department. Expenses are at 57% due to the debt service payment on City facilities. The August debt service payment included both principal and interest. The debt service payment due during the second half of the fiscal year will be comprised of interest only.

Fleet Management Fund revenues finished the second quarter on track at 44% collected at December 31, 2006. These revenues are collected from the various departments for two purposes. The first charge is for maintenance and operations of vehicles and equipment and the second charge is for future replacement of vehicles and equipment. Expenses are low at December 31, 2006, because budgeted capital expenses are at only 17% of budget. Most of the City's vehicle and large equipment purchases will take place in the second half of the fiscal year. This is because the Fleet Services Division completes a formal bid process for all vehicles and equipment. The City must take receipt of the new vehicles and equipment and once an invoice is received, the vendors are paid. This creates a lag in departmental expenses for the Fleet Management Fund.