Memorandum
Financial Services Department

TO: **Honorable Mayor and City Councilmembers**

THROUGH: **Peter Weiss, City Manager**

FROM: **Teri Ferro, Director of Financial Services**

DATE: **October 18, 2011**

SUBJECT: **Financial Status Report**

Attached please find a copy of the Financial Status Report for the first quarter ending September 30, 2011.

General Fund revenues as of September 30th came in at 13% which is typical at this time of year due to cyclical receipts of revenues. Historically revenues for the first quarter are in the 11% - 14% range.

Overall General Fund expenditures and purchase order encumbrances are at 25% of the amended budget. The amended budget includes FY 10/11 continued appropriations, funding for referendum petition, and KOCT telecommunication grant.

The following is a snapshot of General Fund revenues vs. expenditures as of September 30th.

Description	Amended Budget	YTD as of 1st Quarter	YTD % of Amended Budget
Revenues	$112,339,585	$14,970,205	13.33%
Expenditures	$113,486,743	$28,606,774	25.21%
Surplus/(Shortfall)	($1,147,158)		

RECOMMENDATION AND OUTLOOK

It is recommended to reduce the Solid Waste Fund 731"Waste Mgmt Rate Stabilization" revenue by $150,000 due to an over projection. There will be no impact to the Solid Waste expenditures.

General Fund revenues and expenditures are tracking in line with expectations, and there is no need for adjustments at this time.

There is a concern regarding the performance of the following revenues which will be closely monitored over the next three months for anticipated improvements:

Transient Occupancy Tax	(currently 14%)
Business License Tax and Administration Fee	(currently 19%)
Ambulance Billings	(currently 17%)
Property Mgmt Golf Course Reimbursement	(currently 0%)
Building Permits	(currently 16%)
Engineering Inspections	(currently 12%)
Planning Administration	(currently 16%)
Police Investigations Reimbursements	(currently 14%)

I am available to answer any questions you may have.

cc: City Clerk
City Treasurer
Department Directors

CITY OF OCEANSIDE
FINANCIAL STATUS REPORT
Fiscal Year 2011-12
First Quarter Ending September 30, 2011

The City has completed the first quarter of the 2011-12 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 11/12 budget on June 1, 2011 with approved General Fund revenues of $112,339,585 and expenditures of $112,475,422. Table 1 delineates the year-to-date changes to the General Fund budget as of September 30, 2011.

The amended budget for the First Quarter reflects an increase of $1,011,312 over the adopted budget. This is comprised of the following components:

- $1,015,273 continued appropriations from FY 10/11 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.
- $11,266 approved by Council on 8/17/11 for certifying the Referendum Petition (vacancy decontrol). This amount is funded from Unassigned Fund Balance.
- ($164,646) reduction approved by Council on 8/17/11 for Police Non-Sworn (OPON) contract.
- $149,428 approved by Council on 8/31/11 for KOCT Telecommunication Grant. This amount is funded from Committed reserves.

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

	Adopted Budget	Amended Budget	Increase (Decrease)
FIRST QUARTER			
Revenues	112,339,585	112,339,585	-
Expenditures	112,475,422	113,486,743	+1,011,321
SECOND QUARTER			
Revenues	-	-	-
Expenditures	-	-	-
THIRD QUARTER			
Revenues	-	-	-
Expenditures	-	-	-
FOURTH QUARTER			
Revenues	-	-	-
Expenditures	-	-	-

GENERAL FUND REVENUES

Fiscal Year 2011-2012 General Fund adopted revenues are projected to be $112,339,585 which represents a $935,326 or 0.82 percent decrease from the prior fiscal year. Included in the revenue projection is the use of one-time transfer from the Fleet Replacement Fund of $306,483 approved by Council on July 6, 2011 as a budget amendment.

Revenues received as of September 30, 2010 are approximately 13% of total projections. Historically, revenues for the first quarter are in the 11% - 14% range. Many of the taxes such as property taxes, sales taxes and franchise taxes are received either biannually or annually.

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

Table 2
GENERAL FUND REVENUES
Fiscal Year 2011-2012

Revenue Type	Adopted Budget	Amended Budget	YTD as of 1st Quarter	YTD % of Amended Budget
Property Taxes	45,131,200	45,131,200	915,166	2.03%
Sales Taxes	17,307,800	17,307,800	2,586,992	14.95%
All Other Taxes	10,706,600	10,706,600	1,805,631	16.86%
Licenses & Permits	1,534,160	1,534,160	315,369	20.56%
Fines/Forfeitures	4,643,060	4,643,060	966,476	20.82%
Use of Money & Property	4,837,754	4,837,754	1,538,533	31.80%
Intergovernmental	1,013,152	1,013,152	241,404	23.83%
Charges for Services	17,230,524	17,230,524	3,890,896	22.58%
Other Revenue & Transfers	9,892,335	9,892,335	2,709,738	27.39%
Use of Reserves	43,000	43,000	n/a	n/a
Total	**112,339,585**	**112,339,585**	**14,970,205**	**13.33%**

Property Taxes comprise 40% 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 first quarter are at 2%, and consist of the following components:

Current Taxes – according to the County's tax apportionment schedule, the City can expect to receive 45% of the current "unsecured" portion in September. The City received 47% of the amount projected, so this portion appears to be on target. The initial distribution of the "secured" portion of current taxes will be received in December.

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, and the City has received $42k or 20% of projections.

In-Lieu of VLF – approximately 29% of the total property tax revenue ($13.3 million) comes from In-Lieu of VLF which is distributed in January and May.

Prior Year Property Taxes – the City budgeted $300,000 for collection of prior year taxes (which includes penalties and interest); 62% has been received as of the first quarter.

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 15%.

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 September 30th, the City has only received two months' payment.

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 September 30th, the City has only received two months' payment.

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 9.5% of the total General Fund revenues, with first quarter remittance totaling 17% 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 September 30th is at 14% which represents two months of receipts (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, which would be reflected in the October report.

Card Room Tax – this tax is 5% on gross revenues for the Ocean's 11 card room, with 29% of projected revenues received as of September 30th.

Business License Tax – the business license tax is $0.50 per $1,000 gross revenues. The City has received 19% as of September 30th, 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 and from SDG&E on an annual basis in April. The amount received as of September 30th is the first quarter COX remittance.

Licenses & Permits comprise less 1.4% of the total General Fund revenues, and is slightly below target with approximately 21% received during the first 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 21% of these revenues were received during the first quarter. The largest component of Fines & Forfeitures is parking citations.

Use of Money and Property comprise 4.3% 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 31% has been received at September 30th. Revenues received on cell tower ROW exceed 41% of projections; while revenues received for the Municipal Golf Course is at 42% of projections. Revenues from parking machines and meters are cyclical due to the tourist season, and as of September 30th approximately 24% has been received.

Intergovernmental comprise slightly less than 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. Almost 24% has been received as of September 30th.

Charges for Services comprise 15% of the total General Fund revenues, with approximately 23% being received as of September 30th. Ambulance billing is a large component of this revenue type. Development related revenues are coming in slightly lower than anticipated at approximately 18% for the first quarter.

Other Revenues and Transfers comprise 8.8% of the total General Fund revenues, of which 27% has been received as of September 30th. The Finance Department has established a mechanism to automatically transfer 1/12th of the budgeted transfers each month.

GENERAL FUND EXPENDITURES

Fiscal Year 2011-2012 General Fund expenditures are budgeted to be $112,475,434 which represents an approximate $800,000 reduction from the prior fiscal year. The amended budget as of September 30th has been increased to $113,486,734 as noted in Table 1.

Table 3 highlights the amount and percentage expended by each department. The YTD Actual & PO's column includes outstanding encumbered Purchase Orders in the total, which provides a better representation of monies spent or committed for the first quarter.

As of September 30th, the General Fund has expended or committed 25.2% of the amended budget. All departments are within 25% of budgeted expenditures with the following exceptions noted:

Financial Services: the department has encumbered over $724,000 in purchase orders. Only 19% of the actual budget has been expended at September 30th.

Non-Departmental: the Humane Society contract has been encumbered in full. Only 23% of the actual budget has been expended at September 30th.

Fire: the department has encumbered over $564,000 in purchase orders. Only 25% of the actual budget has been expended at September 30th.

Public Works: the department has encumbered over $1.4 million in purchase orders. Only 18% of the actual budget has been expended at September 30th.

Table 3
GENERAL FUND EXPENDITURES
Fiscal Year 2011-2012

Department	Adopted Budget	Amended Budget	YTD Actual and PO's as of 1st Quarter	YTD % of Amended Budget
GENERAL GOVERNMENT				
City Council	891,586	891,586	191,898	21.52%
City Clerk	1,073,842	1,099,908	271,334	24.67%
City Treasurer	309,501	309,501	68,523	22.14%
City Manager	680,619	755,619	129,819	17.18%
City Attorney	1,535,860	1,535,860	304,729	19.84%
Financial Services	4,361,867	4,563,860	1,591,707	34.88%
Human Resources	694,834	694,834	200,855	28.91%
Non-Departmental	5,265,589	5,415,017	1,853,361	34.23%
PUBLIC SAFETY				
Fire	23,512,844	23,491,661	6,389,691	27.20%
Police	47,560,302	47,489,839	10,601,968	22.32%
PUBLIC WORKS				
Public Works	10,035,047	10,681,047	3,301,355	30.91%
COMMUNITY DEVELOPMENT				
Development Services	6,844,115	6,848,595	1,430,993	20.89%
COMMUNITY/CULTURAL SERVICES				
Neighborhood Services	4,293,502	4,293,502	992,197	23.11%
Library	4,381,041	4,381,041	1,016,248	23.20%
Economic Development	1,034,873	1,034,873	262,096	25.33%
Total	**112,475,422**	**113,486,743**	**28,606,774**	**25.21%**

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 and developer connection). Debt service is not included. 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 (excluding debt service)
Fiscal Year 2011-2012

	Adopted Budget	Amended Budget	YTD Actuals and PO's as of 1st Quarter	YTD % of Amended Budget
Water Sales	49,601,115	49,601,115	13,212,230	26.64%
Developer Fees	400,000	400,000	0	0.00%
Grants	2,058,920	2,058,920	158,488	7.70%
Other Revenue	950,544	950,544	296,341	31.18%
Inter-fund Transfers In	20,500	687,529	673,013	83.34%
TOTAL OPERATING REVENUES	**53,031,079**	**53,031,079**	**14,340,072**	**27.04%**
Use of Reserves	6,406,827	6,406,827	0	n/a
TOTAL FUNDING SOURCES	**59,437,906**	**59,437,906**	**14,340,072**	**n/a**
EXPENDITURES				
Administration & General	31,325,394	31,415,035	3,866,028	12.31%
Flood Control/Storm Drains	785,666	785,666	196,416	25.00%
Water Distribution	1,503,241	1,503,241	437,348	29.09%
Water Filtration Plant	1,520,451	1,520,451	996,575	65.54%
Desalting Plant	2,245,681	2,245,681	827,098	36.83%
Water Maintenance	2,078,391	2,078,391	616,248	29.65%
Water Meter Service	1,926,718	1,926,718	557,222	28.92%
Clean Water Program	1,191,615	1,231,362	201,795	16.39%
Other Water Programs	1,228,829	1,228,829	285,118	23.20%
Inter-fund Transfers Out	900,000	900,000	225,000	25.00%
Replacement Projects (capital)	2,204,882	2,204,882	367,833	16.68%
Connection Projects (capital)	7,325,750	7,325,750	1,816,523	24.80%
TOTAL EXPENDITURES	**54,236,618**	**54,366,006**	**10,393,204**	**19.12%**
OPERATING INCOME/(LOSS)	**5,201,288**	**5,071,900**	**3,946,868**	**n/a**

WATER FUND REVENUES

Overall revenues for the Water Combined Funds are at 27.04% at the end of the first quarter as noted in Table 4 above. This is approximately 5% below projections based on historical water consumption.

- Water Sales – this revenue comprise 82% of the total revenues for Water operations, and is used for the purpose of purchasing, treating, transporting and delivering water to customers. These revenues also fund debt service and fixed asset replacement costs.
- Grants – the Water department is eligible for funding from various federal and state grants for the following programs/projects: CBI-SLR Bacteria Tracking and 511 Pump Station.
- Other Revenue - includes interest earnings, reimbursement for services, settlements and sale of surplus equipment.

WATER FUND EXPENDITURES

Table 4 highlights the amount and percentage expended by each water program. The YTD Actual & PO's column includes outstanding encumbered Purchase Orders in the total, which provides a better representation of monies spent or committed for the first quarter. As of September 30th, the Water Combined Funds has expended or committed 19% of the amended budget.

Table 5
SEWER COMBINED FUNDS (excluding debt service)
Fiscal Year 2011-2012

	Adopted Budget	Amended Budget	YTD Actuals and PO's as of 1st Quarter	YTD % of Amended Budget
Sewer Service & Flow Fees	31,971,533	31,971,533	6,463,232	%
Developer Fees	500,000	500,000	0	0.00%
Other Revenue	1,260,324	1,260,324	55,496	4.40%
TOTAL OPERATING REVENUES	**33,731,857**	**33,731,857**	**6,518,728**	**19.33%**
Use of Reserves	252,500	252,500	0	n/a
TOTAL FUNDING SOURCES	**33,984,357**	**33,984,357**	**6,518,728**	**n/a**
EXPENDITURES				
Administration & General	4,377,060	4,377,060	1,078,752	24.65%
Facilities Maintenance	2,078,657	2,078,657	450,154	21.66%
Sewer Collections	3,131,680	3,135,265	818,243	26.10%
La Salina Wastewater	3,186,192	3,186,192	1,245,476	39.09%
San Luis Rey Wastewater	6,872,474	7,019,312	3,334,974	47.51%
Sewer Laboratory	902,120	916,492	161,349	17.61%
SCADA Program	322,535	322,535	73,488	22.78%
GIS Program	375,642	375,642	61,689	16.42%
Replacement Projects (capital)	3,246,133	3,246,133	377,398	11.63%
Expansion Projects (capital)	290,000	290,000	120,719	41.63
TOTAL EXPENDITURES	**24,782,493**	**24,947,288**	**7,722,242**	**30.95%**
OPERATING INCOME/(LOSS)	**9,201,864**	**9,037,069**	**(1,203,514)**	**n/a**

SEWER FUND REVENUES

Overall revenues for the Sewer Combined Funds are at 19% at the end of the first quarter as noted in Table 5 above.

- Sewer Service & Flow Fees – this revenue comprise 95% of the total revenues for Sewer operations, debt service and fixed asset replacement costs.
- Other Revenue - includes interest earnings, reimbursement for services, and Rainbow MWD pass-thru fees.

SEWER FUND EXPENDITURES

Table 5 highlights the amount and percentage expended by each sewer program. The YTD Actual & PO's column includes outstanding encumbered Purchase Orders in the total, which provides a better representation of monies spent or committed for the first quarter. As of September 30th, the Sewer Combined Funds has expended or committed 31% of the amended budget.

Table 6
SOLID WASTE DISPOSAL FUND 731
Fiscal Year 2011-2012

	Adopted Budget	Amended Budget	YTD Actuals and PO's as of 1st Quarter	YTD % of Amended Budget
REVENUES				
Trash P/U Fees	21,330,061	21,330,061	5,512,845	25.84%
Waste Mgmt Rate Stabilization	1,000,000	1,000,000	0	0.00%
Other Revenue	0	0	1,171	n/a
TOTAL OPERATING REVENUES	**22,330,061**	**22,330,061**	**5,514,016**	**24.69%**
Use of Reserves	1,700,000	1,700,000	0	n/a
TOTAL FUNDING SOURCES	**24,030,061**	**24,030,061**	**5,514,016**	**n/a**
EXPENDITURES				
Personnel	1,669,880	1,669,880	324,762	19.45%
Maintenance & Operations	17,198,358	17,198,358	2,888,519	16.80%
Internal Service Charges	1,940,251	1,940,251	485,064	25.00%
Inter-Fund Transfers Out	2,247,227	2,247,227	561,807	25.00%
Rate Stabilization Set-Aside	656,000	656,000	164,000	25.00%
TOTAL EXPENDITURES	**23,711,716**	**23,711,716**	**4,424,152**	**18.66%**
INCOME/(LOSS)	**318,345**	**318,345**	**1,089,864**	

SOLID WASTE DISPOSAL FUND REVENUES

Overall revenues for the Solid Waste Disposal Fund are at 25% at the end of the first 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 25% has been received as of September 30th.

Waste Management Rate Stabilization Fee – per the new contract with Waste Management, starting March 2012 they will be remitting $425,000 to the City on a quarterly basis. The revenue budget has been over projected by $150,000 for FY 11/12 and needs to be amended.

SOLID WASTE DISPOSAL FUND EXPENDITURES

Table 6 highlights the amount and percentage expended by expenditure category. YTD Actual & PO's include outstanding encumbered Purchase Orders in the total, which provides a better representation of monies expended or committed for the first quarter.

As of September 30th, the Solid Waste Disposal Fund has expended or committed 18% of the amended budget. There is a one-month delay in remitting payment to Waste Management, so as of September 30th there are only two monthly payments expended in Maintenance & Operations.

HARBOR FUND REVENUES

Overall revenues for the Harbor Fund are at 29% for the first quarter as noted in Table 7 below.

The Harbor Fund has received approximately 26% in slip rental revenue at September 30th. Leases and other revenue (interest earnings and parking meters) are higher than budget expectations due to the cyclical nature of these harbor activities.

HARBOR FUND EXPENDITURES

Table 7 highlights the amount and percentage expended by expenditure category. YTD Actual & PO's include outstanding encumbered Purchase Orders in the total, which provides a better representation of monies expended or committed for the first quarter.

As of September 30th the Harbor Fund has transferred 25% of the budget to the General and Risk Management Funds for those services. The Harbor & Aquatic Center capital project is funded from the Harbor Fund "reserves."

Table 7
HARBOR FUND 751
Fiscal Year 2011-2012

	Adopted Budget	Amended Budget	YTD Actuals and PO's as of 1st Quarter	YTD % of Amended Budget
REVENUES				
Slip Rental Revenue	4,403,000	4,403,000	1,135,209	25.78%
Harbor Leases	1,030,000	1,030,000	421,946	40.97%
Interest	100,000	100,000	13,485	13.48%
Other Revenue (parking meters)	430,000	430,000	179,775	41.81%
TOTAL OPERATING REVENUES	**5,963,000**	**5,963,000**	**1,750,415**	**29.35%**
Use of Reserves	3,225,000	3,225,000	n/a	n/a
TOTAL FUNDING SOURCES	**9,188,000**	**9,188,000**	**1,750,415**	**n/a**
EXPENSES				
Transfer – Harbor Police	1,809,236	1,809,236	452,309	25.00%
Transfer – Harbor Admin	729,479	729,479	182,370	25.00%
Transfer – Harbor Maint	2,224,849	2,224,849	556,212	25.00%
Transfer – Prop Mgmt	38,110	38,110	9,528	25.00%
Transfer – Risk Management	31,500	31,500	7,875	25.00%
Transfer – Harbor Lifeguard	150,868	150,868	37,717	25.00%
Transfer – Tideland Lease	476,170	476,170	102,220	21.47%
Debt Service	411,311	411,311	411,311	100.00%
TOTAL OPERATING EXPENSES	**5,871,523**	**5,871,523**	**1,759,542**	**29.97%**
Capital Projects	2,630,000	2,630,000	1,954,920	74.33%
TOTAL FUND EXPENSES	**8,501,523**	**8,501,523**	**3,612,242**	**42.49%**
INCOME/(LOSS)	**686,477**	**686,477**	**(1,861,827)**	