



DATE: November 19, 2014
TO: Honorable Mayor and City Councilmembers
FROM: Financial Services Department
SUBJECT: **First Quarter 2014-15 Financial Status Report**

SYNOPSIS

Staff submits the First Quarter 2014-15 Financial Status Report for review by the City Council as an information only item.

BACKGROUND

The Financial Services Department submits a quarterly financial status report to the City Council to determine if any corrective action is necessary.

ANALYSIS

The City has completed the first quarter of the 2014-15 fiscal year (July 1 – September 30). The attached report summarizes the activities of the General Fund, Water Utilities Funds (Water, Sewer and Solid Waste) and the Harbor Fund. The report is not meant to be inclusive of all finance and accounting transactions and excludes encumbrances. It is intended only to provide City Council and the public with an overview of the state of the City's general fiscal condition.

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. Overall General Fund expenditures are at 25% of the current budget. The current budget for the first quarter includes adjustments for supplemental appropriations and Council items approved during the first quarter.

Overall revenues for the Water Combined Funds are at 25% at the end of the first quarter. Expenditures at September 30th are 14% of the current budget.

Revenues for the Sewer Combined Funds are at 22% at September 30th. As of first quarter, the Sewer Combined Funds has expended 19% of the current budget.

The Solid Waste Disposal Fund has overall revenues of approximately 28% first quarter. Expenditures as of first quarter are 18% of current budget.

Overall revenues for the Harbor Fund ended at 33% 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 services.

FISCAL IMPACT

No corrective action is recommended at this time.

INSURANCE REQUIREMENTS

Insurance requirements are not applicable.

COMMISSION OR COMMITTEE REPORT

Commission or Committee report is not applicable.

CITY ATTORNEY'S ANALYSIS

City attorney's analysis is not applicable.

RECOMMENDATION

Staff submits the First Quarter 2014-15 Financial Status Report for review by the City Council as an information only item.

PREPARED BY:


James R. Riley
Financial Services Director

SUBMITTED BY:


Steven R. Jepsen
City Manager

REVIEWED BY:

Michelle Skaggs-Lawrence, Assistant City Manager



ATTACHMENTS:

Financial Status Report for First Quarter Ending September 30, 2014



**CITY OF OCEANSIDE
FINANCIAL STATUS REPORT
Fiscal Year 2014-15
First Quarter Ending September 30, 2014**

The City has completed the first quarter of the 2014-15 fiscal year. This report summarizes the activities of the operating funds, but is not meant to be inclusive of all finance and accounting transactions and excludes encumbrances. 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 2014-15 budget on June 11, 2014 with approved General Fund revenues of \$128.4 million, expenditures of \$128.4 million with an additional \$2 million use of reserves. In the following sections, the amounts in the tables listed as Current Budget may include supplemental appropriations.

GENERAL FUND REVENUES

Table 1 highlights the amount and percentage of revenues received in each of the major classifications. General Fund revenues as of September 30th are 13% of budget, which is typical at this time of year due to the cyclical nature of revenue receipts.

**Table 1
GENERAL FUND REVENUES
Fiscal Year 2014-2015
In Thousands**

Revenue Type	2014-2015 Adopted Budget	2014-2015 Current Budget	2014-2015 Year-To- Date Actuals	YTD % of Amended Budget
Property Taxes	50,159	50,159	887	2%
Sales Taxes	21,279	21,279	1,621	8%
Transient Occupancy Tax (TOT)	4,500	4,500	744	17%
All Other Taxes	3,470	3,470	815	23%
Licenses & Permits	2,089	2,089	368	18%
Franchise Fees	4,107	4,107	0	0%
Fines/Forfeitures	4,189	4,189	750	18%
Use of Money & Property	5,261	5,268	1,910	36%
Intergovernmental	499	499	114	23%
Ambulance Billing	3,450	3,450	916	27%
Charges for Services	16,655	16,763	5,001	30%
Other Revenue & Transfers	12,774	12,774	3,213	25%
Total Revenues	128,431	128,546	16,340	13%
Use of Reserves	1,986	2,476		N/A
Total Funding Sources	130,417	131,022	16,340	12%

Property Taxes comprise 39% of the total General Fund annual 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%.



Sales Taxes comprise 16% of the total annual General Fund revenues. Revenues recognized at the end of the first quarter are 8% of the current budget.

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 are at 17% of the current budget. The majority of businesses remit their tax returns on a quarterly basis which will be reflected in the second quarter report.

GENERAL FUND EXPENDITURES

Table 2 highlights the amount and percentage expended by each department. As of September 30th, the General Fund departments combined have expended on average 25% of the current budget.

**Table 2
GENERAL FUND EXPENDITURES
Fiscal Year 2014-2015
In Thousands**

Department	2014-2015 Adopted Budget	2014-2015 Current Budget	2014-2015 Year-To- Date Actuals	YTD % of Current Budget
GENERAL GOVERNMENT				
City Council	937	937	216	23%
City Clerk	1,125	1,131	276	24%
City Treasurer	326	331	90	27%
City Manager	1,912	2,018	454	22%
City Attorney	1,492	1,521	382	25%
Financial Services	5,239	5,273	1,113	21%
Human Resources	702	716	185	26%
Non-Departmental	5,423	6,209	1,912	31%
PUBLIC SAFETY				
Fire	25,810	26,862	7,001	26%
Police	51,226	51,600	13,004	25%
PUBLIC WORKS				
Public Works	13,106	13,106	2,905	22%
COMMUNITY DEVELOPMENT				
Development Services	7,779	7,887	1,747	22%
COMMUNITY/CULTURAL SERVICES				
Neighborhood Services	6,070	6,134	1,420	23%
Library	4,660	4,760	1,182	25%
Total by Department	125,806	128,484	31,888	25%
TRANSFER TO RESERVES				
PERS/Employee Wages	2,625	1,321		N/A
Total	128,431	129,805	31,888	25%
Use of Reserves	1,986	2,476	1,336	54%
Total Appropriations	130,417	132,281	33,224	25%



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 of all funds into one report.

WATER FUND REVENUES

Overall revenues for the Water Combined Funds are at 25% of the current budget at the end of the first quarter as noted in Table 3 below.

- Water Sales – this revenue is 95% of the total annual revenues for Water operations and is used for the purpose of purchasing, treating, transporting and delivering water to customers. This revenue also funds debt service and fixed asset replacement costs.
- Other Revenue - includes interest earnings, reimbursement for services, and sale of surplus equipment.
- Transfers In – includes transfers from intra-fund water funds, Gas Tax Fund and the Sewer Expansion fund.

WATER FUND EXPENDITURES

Table 3 highlights the amount and percentage expended by each water program. As of September 30th, the Water Combined Funds have expended 14% of the current budget. Operating expenditures did not exceed operating revenues. Expenditures for replacement projects were significantly lower than anticipated since many of the projects are still in the planning and design stages.



Table 3
WATER COMBINED FUNDS (excluding debt service)
Fiscal Year 2014-2015
In Thousands

	2014-2015 Adopted Budget	2014-2015 Current Budget	2014-2015 Year-To- Date Actuals	YTD % of Current Budget
REVENUES				
Water Sales	58,490	58,490	15,002	26%
Developer Fees	324	324	51	16%
Other Revenue	1,008	1,008	189	19%
TOTAL OPERATING REVENUES	59,821	59,821	15,241	25%
EXPENDITURES				
Administration & General	38,429	38,474	4,813	13%
Flood Control/Storm Drains	709	709	177	25%
Water Distribution	1,426	1,426	378	27%
Water Filtration Plant	1,581	1,581	277	18%
Desalting Plant	2,567	2,569	403	16%
Water Maintenance	2,328	2,275	540	24%
Water Meter Services	2,750	2,750	658	24%
Clean Water Program	1,197	1,280	188	15%
Other Water Programs	1,844	1,897	265	14%
Miscellaneous Projects	700	810	52	6%
TOTAL CASH EXPENSES	53,532	53,771	7,752	14%
Depreciation/GASB 31 Expenses	-	-	1,281	N/A
TOTAL OPERATING EXPENSES	53,532	53,771	9,033	17%
Transfers In	15,076	15,076	14,874	99%
Transfers Out	(14,800)	(14,800)	(14,800)	100%
OPERATING INCOME/(LOSS)	6,565	6,326	6,282	
CAPITAL PROJECTS				
Transfer In	685	685	860	126%
Misc. Income	-	-	112	N/A
TOTAL CAPITAL REVENUES	685	685	972	142%
Replacement Projects	25,973	28,679	486	2%
Connection Projects	7,295	10,983	2,204	26%
TOTAL CAPITAL EXPENSES	33,268	39,662	2,690	7%



SEWER FUND REVENUES

Overall revenues for the Sewer Combined Funds are at 22% at September 30th as noted in Table 4.

- Sewer Service & Flow Fees – this revenue comprise 94% of the total annual 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.
- Transfers In – includes intra-fund transfer from Sewer Debt Service Fund and Successor Agency Capital Fund.

SEWER FUND EXPENDITURES

Table 4 highlights the amount and percentage expended by each sewer program. As of first quarter, the Sewer Combined Funds has expended 19% of the current budget. As in the Water Fund, most of the replacement projects were in the planning and design phases and therefore, a significant amount of funds have yet to be expended.



Table 4
SEWER COMBINED FUNDS (excluding debt service)
Fiscal Year 2014-2015
In Thousands

	2014-2015 Adopted Budget	2014-2015 Current Budget	2015 Year-To- Date Actuals	YTD % of Current Budget
Sewer Service & Flow Fees	36,005	36,005	7,887	22%
Developer Fees	360	360	54	15%
Other Revenue	835	835	270	32%
TOTAL OPERATING REVENUES	37,199	37,199	8,211	22%
EXPENDITURES				
Administration & General	5,783	5,794	1,185	20%
Facilities Maintenance	2,408	2,408	429	18%
Sewer Collections	3,318	3,318	732	22%
La Salina Wastewater	3,273	3,300	700	21%
San Luis Rey Wastewater	7,241	7,243	1,307	18%
Sewer Laboratory	859	862	174	20%
SCADA Program	359	359	65	18%
GIS Program	278	278	55	20%
Miscellaneous Projects	1,005	1,078	51	5%
TOTAL CASH EXPENSES	24,522	24,639	4,699	19%
Depreciation/GASB 31 Expense	-	-	2,178	
TOTAL OPERATING EXPENSES	24,522	24,639	6,877	28%
Transfers In	10,900	10,900	11,127	102%
Transfer Out	(11,155)	(11,155)	(10,964)	98%
OPERATING INCOME/(LOSS)	12,422	12,305	1,498	
CAPITAL PROJECTS				
Transfer In	1,254	1,254	1,254	100%
Miscellaneous Income	730	730	-	N/A
TOTAL CAPITAL REVENUES	1,984	1,984	1,254	63%
Replacement Projects	20,212	31,860	517	2%
Expansion Projects	619	3,172	973	31%
TOTAL CAPITAL EXPENSES	20,831	35,031	1,490	4%



SOLID WASTE DISPOSAL FUND REVENUES

Overall revenues for the Solid Waste Disposal Fund are approximately 28% of the current budget at September 30th as noted in Table 5.

Trash Pick-Up Fees – these fees are collected to provide all the costs associated with solid waste disposal.

Waste Management Collector Payment – per the November 2010 contract with Waste Management, effective September 2012, the annual collector payment remitted is the greater of nine percent of gross receipts for the prior year or \$1.7 million.

SOLID WASTE DISPOSAL FUND EXPENDITURES

Table 5 highlights the amount and percentage expended by expenditure category. As of September 30th, the Solid Waste Disposal Fund has expended 18% of the current budget.

**Table 5
SOLID WASTE DISPOSAL FUND 731
Fiscal Year 2014-2015
In Thousands**

	2014-2015 Adopted Budget	2014-2015 Current Budget	2014-2015 Year-To- Date Actuals	YTD % of Current Budget
REVENUES				
Trash P/U Fees	18,764	18,764	5,510	29%
Waste Mgmt Collector Payment	1,780	1,780	461	26%
Other Revenue	3,182	3,182	653	21%
TOTAL OPERATING REVENUES	23,725	23,725	6,625	28%
Use of Reserves				
TOTAL FUNDING SOURCES	23,725	23,725	6,625	28%
EXPENDITURES				
Personnel	17,592	17,592	2,937	17%
Maintenance & Operations	1,192	1,192	8	1%
Capital				
Internal Services Charges	1,402	1,402	350	25%
Inter-fund Transfers Out	5,355	5,355	1,339	25%
TOTAL CASH EXPENSES	25,541	25,541	4,634	18%
Depreciation/GASB 31 Expenses	-	-	-	
TOTAL OPERATING EXPENSES	25,541	25,541	4,634	18%
OPERATING INCOME/(LOSS)	(1,815)	(1,815)	1,992	



HARBOR FUND REVENUES

Overall revenues for the Harbor Fund are at 33% of current budget as of September 30th as noted in Table 6. The Harbor Fund has received approximately 34% in slip rental revenue as of September 30th. Leases and other revenue (parking meters) are of a cyclical nature.

HARBOR FUND EXPENDITURES

Table 6 highlights the amount and percentage expended by expenditure category. As of September 30th, the Harbor Fund has transferred 25% of the budget to the General and Risk Management Funds for services provided to the Harbor.

**Table 6
HARBOR FUND 751
Fiscal Year 2014-2015
In Thousands**

	2014-2015 Adopted Budget	2014-2015 Current Budget	2014-2015 Year-To- Date Actuals	YTD % of Current Budget
REVENUES				
Slip Rental Revenue	5,060	5,060	1,727	34%
Harbor Leases	1,033	1,033	220	21%
Interest	26	26	8	30%
Other Revenue (parking meters)	660	660	299	45%
TOTAL OPERATING REVENUES	6,778	6,778	2,254	33%
EXPENSES				
Transfer - Harbor Police	2,008	2,008	502	25%
Transfer - Harbor Admin	805	805	201	25%
Transfer - Harbor Maint	2,584	2,584	646	25%
Transfer - Prop Mgmt	38	38	10	25%
Transfer - Harbor Lifeguard	158	158	40	25%
Transfer - Risk Management	38	38	10	25%
Transfer - Tideland Lease	583	583	161	28%
Debt Service	408	408	-	0%
TOTAL CASH EXPENSES	6,623	6,623	1,569	24%
Depreciation/GASB 31 Expenses	-	-	174	
TOTAL OPERATING EXPENSES	6,623	6,623	1,743	26%
OPERATING INCOME/(LOSS)	155	155	511	
CAPITAL PROJECTS				
Harbor Capital Projects	640	660	0	0%
TOTAL CAPITAL EXPENSES	640	660	0	0%



BUDGET TRANSFERS

In compliance with Section OB-2 of Council Policy 200-13 “Financial Policies”, the City Manager has the authority to transfer monies appropriated within the same fund for the same department provided the total amount within a fund has not changed.

Budget transfers in excess of \$25,000 are presented to the City Council on a quarterly basis for notification purposes. Table 7 below highlights the budget transfers.

**Table 7
BUDGET TRANSFERS IN EXCESS OF \$25,000
Fiscal Year 2014-2015
July – September 2014 Activity Only**

Description of Business Unit or Project	From Account	To Account	Reason	Amount
Water Operating	Water Maintenance Regular Employees	Water Facilities Regular Employees	Properly Classify Expenditure	36,207
Sewer Projects	Misc. Sewer Projects Infrastructure <\$100K	SLRWWTP Facility Paint Project Bldgs/Plants	Properly Classify Expenditure	150,000
Club 55	Supplies & Services	Community Svc/Non Profit	Properly Classify Expenditure	30,000
Non-Departmental	Transfer to General Fund	Transfer to General Cap Project Fund	Properly Classify Transfer	25,000
Engineering Capital Proj	Engineering Capital Projects Regular Employees	Engineering Capital Projects Temp/Part Time Employees	Reallocate Budget	45,000
Morro Hills CFD	Morro Hills Spec Tax	Morro Hills (Imp/Area#1)	Properly Classify Revenue	628,692
Police	Public Safety Comm. Regular Employees	Public Safety Comm. Temp/Part Time Employees	Reallocate Budget	30,000