



DATE: June 17, 2020
TO: Honorable Mayor and City Councilmembers
FROM: Financial Services Department
SUBJECT: FY 2019-20 THIRD QUARTER FINANCIAL STATUS REPORT

SYNOPSIS

Staff submits the third quarter Financial Status Report and recommends that the City Council accept the report.

BACKGROUND

The City Council adopted the FY 2019-20 budgets on June 5, 2019, with approved General Fund revenues of \$158.24 million and expenditures of \$157.62 million. The City adopted budget for all funds is \$485.75 million in revenues and \$575.74 in expenditures.

The report summarizes the General Fund major operating funds results as of March 31, 2020 and is not meant to be inclusive of all transactions. It compares revenues and expenditure for nine months of FY 2019-20 to budget and actual results. The financial status of the Water Utilities and Harbor enterprise funds are also included. The report is intended only to provide Council and the public with an overview of the state of the City's general fiscal condition as of March 31, 2020.

Subsequent to March 31, due to the COVID-19 pandemic and resulting economic changes, the FY 2019-20 General Fund budget required adjustment. Sales tax, transient occupancy tax, business license and parking revenues made up the majority of the \$4.5M in reductions. In order to offset the revenue reduction, a \$1.3M reduction in the maintenance and operations budget and \$3.2M in personnel vacancy factor were reduced. Staff is closely monitoring revenues and expenditures and will provide updates as needed.

FISCAL IMPACT

There is no fiscal impact.

INSURANCE REQUIREMENTS

Does not apply.

COMMISSION OR COMMITTEE REPORT

Does not apply.


CITY ATTORNEY'S ANALYSIS

The referenced documents have been reviewed by the City Attorney and approved as to form.

RECOMMENDATION

Staff submits the third quarter Financial Status Report and recommends that the City Council accept the report.

PREPARED BY:


Jane M. McPherson
Financial Services Director

SUBMITTED BY:


Deanna Lorson
City Manager

REVIEWED BY:

Michael Gossman, Assistant City Manager



ATTACHMENT:

Financial Status Report

**CITY OF OCEANSIDE
FINANCIAL STATUS REPORT
Fiscal Year 2019-20
Third Quarter Ending March 31, 2020**

This report summarizes the activities of the major operating funds and 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. This report is for the quarter ending March 31, 2020.

GENERAL FUND BUDGET POSITION

The City Council adopted the FY 2019-20 budgets on June 5, 2019, with approved General Fund revenues of \$158.24 million and expenditures of \$157.62 million. In the following sections, the amounts in the tables listed as Amended Budget include supplemental appropriations approved by Council throughout the year.

Subsequent to March 31, due to the COVID-19 pandemic and resulting economic changes, the FY 2019-20 General Fund budget required adjustment. Sales tax, transient occupancy tax, business license and parking revenues made up the majority of the \$4.5M in reductions. In order to offset the revenue reduction, a \$1.3M reduction in the maintenance and operations budget and use of \$3.2M in personnel vacancy factor were used to balance the budget change.

GENERAL FUND REVENUES

Table 1 highlights the amount and percentage of revenues received in each of the major classifications as of March 31, 2020. The preliminary first quarter results show General Fund revenues coming in at 65 percent of budget which is consistent with prior year revenues. Revenue receipts are cyclical in nature and are not received evenly throughout the year.

**Table 1
GENERAL FUND REVENUES
As of March 31, 2020
In Thousands**

	2019-20 Adopted Budget	2019-20 Amended Budget	2019-20 Year-To-Date Actuals	YTD % of Amended Budget
Revenue Type				
Property Taxes	\$ 65,464	\$ 65,464	\$ 38,397	59%
Sales & Use Taxes	23,215	23,215	14,668	63%
Transient Occupancy Tax	8,342	8,367	5,390	64%
All Other Taxes	4,143	4,143	2,688	65%
Ambulance Billing	4,734	4,984	3,919	79%
Charges for Service	11,566	12,315	8,039	65%
Fines and Forfeitures	3,870	3,874	2,695	70%
Intergovernmental	479	479	339	71%
Licenses and Permits	5,457	5,452	4,434	81%
Other Revenue and Transfers	20,645	21,859	16,310	75%
Franchise Fees	4,185	4,185	1,125	27%
Use of Money & Property	6,137	6,137	5,508	90%
Total Revenues	\$ 158,235	\$ 160,473	\$ 103,514	65%

Property Taxes comprise 41 percent of the total General Fund revenues and are primarily received in the March/January and April/May timeframes. Property tax revenues through March 31 are at 59 percent of the adopted budget. Property taxes are up 6 percent over prior year actuals.

Sales Taxes comprise 15 percent of the total General Fund revenues. Revenues received through March 31 are at 63 percent of the adopted budget, which is consistent with this time last year. Sales tax is flat compared to the prior year actuals.

Transient Occupancy Tax comprise 5.3 percent of total General Fund revenues. The City collects 10 percent of the room rent charged by a hotel or vacation rental operator to tourists occupying a room within the City for a period of less than 30 days. The City also collects a 1.5 percent assessment of the room rent for short-term rentals and 2.5 percent for hotel rooms which is passed through to Visit Oceanside for marketing purposes. As of March 31, TOT is at 64 percent of adopted budget, and is up 13 percent over the prior year.

GENERAL FUND EXPENDITURES

Table 2 highlights the amount and percentage expended by each department to date. As of March 31, the General Fund expended 70 percent of the amended budget.

**Table 2
GENERAL FUND EXPENDITURES
As of March 31, 2020
In Thousands**

Department	2019-20 Adopted Budget	2019-20 Amended Budget	2019-20 Year-To-Date Actuals	YTD % of Amended Budget
General Government				
City Council	\$ 1,012	\$ 1,015	\$ 663	65%
City Clerk	1,299	1,430	806	56%
City Treasurer	368	369	310	84%
City Manager	926	919	679	74%
City Attorney	1,965	1,998	1,453	73%
Non Departmental	7,927	12,274	8,583	70%
Non Depart CALPERS Add'l Payment	600	5,396	5,324	99%
Financial Services	6,080	6,202	4,225	68%
Human Resources	736	739	507	69%
Economic Development	707	894	435	49%
Public Safety				
Police	61,815	62,654	45,072	72%
Fire	33,024	34,663	24,711	71%
Public Works				
Property Mgmt	1,090	1,142	728	64%
Public Works	12,351	12,812	8,221	64%
Harbor & Beaches	4,056	4,075	2,495	61%
Community Development				
Development Services	10,123	10,592	6,502	61%
Community/Cultural Svcs				
Library	5,836	5,909	4,153	70%
Neighborhood Services	7,703	8,123	5,555	68%
Total Expenditures	\$ 157,616	\$ 171,208	\$ 120,423	70%

The General fund Expenditure Budget exceeds the General Fund Revenue Budget by \$10.7M. The majority of the budget deficit is due to \$9.1M in one-time reserves being used for one-time expenditures approved by City Council during the year. The one-time use of reserves was for the following projects:

- Airport Taxiway Grant Match
- Pier Brace Replacement Project
- General Plan Update
- COVID-19 Food Program
- CalPERS Unfunded Liability Pay Down

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 through 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 Combined Water Funds are at 68 percent of the adopted budget as of March 31 as shown in Table 3.

WATER FUND EXPENDITURES

Table 3 highlights the amount and percentage expended and encumbered by each water program. As of March 31, the Water Combined Funds have expended and encumbered 71 percent of the operating amended budget. Operating revenues exceed operating expenditures by \$7.6 million. As of March 31, capital project expenses and encumbrances are 44 percent of the total capital budget. Expenditures for capital projects can vary depending on the stage of the project.

**Table 3
WATER COMBINED FUNDS
As of March 31, 2020
In Thousands**

Operating	2019-20 Adopted Budget	2019-20 Amended Budget	2019-20 Year-To-Date Actuals	2019-20 Year-To-Date Encumbrances	YTD % of Amended Budget
Revenues					
Water Sales	\$ 67,857	\$ 67,857	\$ 45,824	N/A	68%
Developer Fees	1,442	1,442	998	N/A	69%
Other Revenue	2,035	2,035	1,591	N/A	78%
Transfers In	21	764	403	N/A	53%
Total Operating Revenues	\$ 71,355	\$ 72,098	\$ 48,817	N/A	68%
Expenditures					
Administration & General	\$ 38,892	\$ 38,914	\$ 22,883	\$ 263	59%
Flood Control/Storm Drains	765	765	574		75%
Water Distribution	1,605	1,584	1,191	97	81%
Water Filtration Plant	1,945	1,949	1,242	148	71%
Desalting Plant	2,719	2,750	1,390	475	68%
Water Maintenance	2,512	2,572	1,967	(6)	76%
Water Meter Services	2,870	3,250	1,872	635	77%
Clean Water Program	1,389	1,481	838	160	67%
Recycled Water	716	717	378	35	58%
Other Water Programs	3,625	3,704	1,888	846	74%
Miscellaneous Projects	100	110	46	22	61%
CALPERS Add'l Payment	371	519	689		133%
Total Operating Expenditures	\$ 57,510	\$ 58,316	\$ 34,958	\$ 2,675	65%
Depreciation/GASB 31 Expenses	-	-	3,622	N/A	-
Total Expenditures	\$ 57,510	\$ 58,316	\$ 38,581	\$ 2,675	71%
Transfers Out & Internal Service	2,692	3,685	2,625	-	71%
Total Expenditures and Transfers	\$ 60,203	\$ 62,001	\$ 41,206	\$ 2,675	71%
Operating Income/Loss	\$ 11,153	\$ 10,098	\$ 7,611	N/A	-
Capital Projects					
	2019-20 Adopted Budget	2019-20 Amended Budget	2019-20 Year-To-Date Actuals	2019-20 Year-To-Date Encumbrances	YTD % of Amended Budget
Transfer In	\$ 1,375	\$ 1,375	\$ 1,336	N/A	97%
Total Capital Revenues	\$ 1,375	\$ 1,375	\$ 1,336	N/A	97%
Replacement Projects	\$ 16,978	\$ 25,569	\$ 1,001	\$ 1,710	11%
Connection Projects	39,800	51,269	3,615	27,465	61%
Total Capital Expenditures	\$ 56,778	\$ 76,838	\$ 4,616	\$ 29,175	44%

SEWER FUND REVENUES

Table 4 shows overall revenue and expenditures for the Sewer Fund as of March 31. Sewer Combined Fund revenues are at 94 percent of budget. Impacting the expenditures to date is depreciation expense that is not budgeted.

SEWER FUND EXPENDITURES

Table 4 also highlights the amount and percentage expended and encumbered by each sewer program. As of March 31, Sewer Combined Funds have expended 46 percent of the adopted expenditure budget. Capital Project expenses and encumbrances are at 24 percent of budget. As in the Water Fund, most of the capital projects are in the planning and design phase and the majority of funds have yet to be expended.

Table 4
SEWER COMBINED FUNDS
As of March 31, 2020
In Thousands

Operating	2019-20 Adopted Budget	2019-20 Amended Budget	2019-20 Year-To-Date Actuals	2019-20 Year-To-Date Encumbrances	YTD % of Amended Budget
Revenues					
Sewer Service & Flow Fees	\$ 39,756	\$ 39,756	\$ 29,231	N/A	74%
Developer Fees	1,372	1,372	853	N/A	62%
Other Revenue	2,181	2,181	2,041	N/A	94%
Transfers In	-	-	13	N/A	-
Total Operating Revenues	\$ 43,309	\$ 43,309	\$ 32,138	N/A	74%
Expenditures					
Administration & General	\$ 6,273	\$ 6,433	\$ 4,697	\$ 292	78%
Facilities Maintenance	1,883	1,888	1,189	202	74%
Sewer Collections	3,668	3,679	2,498	135	72%
La Salina Wastewater	3,355	3,363	2,124	319	73%
San Luis Rey Wastewater	7,181	7,191	4,135	1,250	75%
Sewer Laboratory	754	757	519	9	70%
SCADA Program	847	850	553	23	68%
GIS Program	316	317	190	-	60%
Miscellaneous Projects	1,963	1,951	829	806	84%
CALPERS Add'l Payment	438	591	198		33%
Total Operating Expenditures	\$ 26,678	\$ 27,020	\$ 16,930	\$ 3,037	74%
Depreciation/GASB 31 Expense	\$ -	\$ -	\$ 5,863	N/A	-
Total Expenditures	\$ 26,678	\$ 27,020	\$ 22,793	\$ 3,037	96%
Transfer Out & Internal Service	\$ 2,288	\$ 2,302	\$ 1,716	N/A	75%
Total Expenditures and Transfers	\$ 28,966	\$ 29,322	\$ 24,508	\$ 3,037	94%
Operating Income/Loss	\$ 14,343	\$ 13,987	\$ 7,629	N/A	-
Capital Projects					
Transfer In	\$ 3,228	\$ 3,228	\$ 2,421	N/A	75%
Miscellaneous Income	251	251	-	N/A	0%
Total Capital Revenues	\$ 3,478	\$ 3,478	\$ 2,421	N/A	0%
Replacement Projects	\$ 63,247	\$ 92,805	\$ 3,594	\$ 18,821	24%
Expansion Projects	833	1,583	-	-	0%
Total Capital Expenditures	\$ 64,080	\$ 94,388	\$ 3,594	\$ 18,821	24%

SOLID WASTE DISPOSAL FUND REVENUES

Overall revenues for the Solid Waste Disposal Fund are at 77 percent of the amended budget as of March 31.

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

Waste Management Collector Payment – contract with Waste Management, 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 March 31, the Solid Waste Disposal Fund has expended 67 percent of the amended operating budget and has expended or encumbered 94 percent of the budgeted capital projects.

**Table 5
SOLID WASTE DISPOSAL FUND 731
As of March 31, 2020
In Thousands**

Operating	2019-20 Adopted Budget	2019-20 Amended Budget	2019-20 Year-To-Date Actuals	2019-20 Year-To-Date Encumbrances	YTD % of Amended Budget
Revenues					
Trash P/U Fees	\$ 21,133	\$ 23,285	\$ 17,725	N/A	76%
Waste Mgmt Collector Payment	2,129	2,129	1,652	N/A	78%
City Waste Services	3,801	3,826	3,054	N/A	80%
Other Revenue	32	4	2	N/A	59%
Total Operating Revenues	\$ 27,095	\$ 29,244	\$ 22,434	N/A	77%
Expenditures					
Personnel	\$ 646	\$ 648	\$ 376		58%
Maintenance & Operations	20,101	22,412	13,710	725	64%
Internal Service Charges	1,263	1,263	947		75%
Interfund Transfers Out	5,702	5,717	4,277		75%
CALPERS Add'l Payment	-	10	29		279%
Total Operating Expenditures	\$ 27,713	\$ 30,050	\$ 19,339	\$ 725	67%
Depreciation/GASB 31 Expense	\$ -	\$ -	\$ 105	N/A	-
Operating Income/(Loss)	\$ (618)	\$ (806)	\$ 2,990	N/A	-
Capital Projects					
Solid Waste Projects	\$ -	\$ 448	\$ 408	\$ 14	94%
Total Capital Expenditures	\$ -	\$ 448	\$ 408	\$ 14	94%

HARBOR FUND REVENUES

Overall revenues for the Harbor Fund are at 72 percent of amended budget as of March 31 as noted in Table 6. Slip rental revenue is at 75 percent of budget and parking revenue is at 66 percent of budget. The parking revenue flow is seasonal with the peak of collections in the first quarter of the year.

Subsequent to March 31, due to COVID-19, the Harbor revenues will be closely watched due to reduced revenues for parking due to lot closures which in turn impacts the restaurants and shops.

HARBOR FUND EXPENDITURES

Table 6 highlights the amount and percentage expended by expenditure category. As of March 31, the Harbor Fund has expended 74 percent of the expenditure budget. Operating expenditures exceed operating revenues \$.1 million. As of March 31, capital project expenses spent 37 percent of the total budget. Expenditures for capital projects can vary depending on the stage of each construction project.

Table 6
HARBOR FUND 751
As of March 31, 2020
In Thousands

Operating	2019-20 Adopted Budget	2019-20 Amended Budget	2019-20 Year-To-Date Actuals	YTD % of Amended Budget
Revenues				
Slip Rental Revenue	\$ 5,538	\$ 5,538	\$ 4,150	75%
Harbor Leases	1,332	1,332	755	57%
Parking	1,033	1,033	682	66%
Interest	15	15	82	547%
Transfer & Waitlist Fees	89	89	65	73%
Inspection & Service Fees	24	24	20	83%
Other Fees & Income (i.e. Late, Key, Dump)	27	27	41	152%
Total Operating Revenues	\$ 8,058	\$ 8,058	\$ 5,795	72%
Expenditures				
Transfer - Harbor Police	\$ 2,398	\$ 2,398	\$ 1,799	75%
Transfer - Harbor Admin	959	959	719	75%
Transfer - Harbor Maint	3,097	3,097	2,323	75%
Transfer - Prop Mgmt	38	38	29	76%
Transfer - Harbor Lifeguard	204	204	153	75%
Transfer - Risk Management	9	9	7	78%
Transfer - Tideland Lease	743	743	559	75%
Debt Service	135	135	106	79%
Total Operating Expenditures	\$ 7,583	\$ 7,583	\$ 5,695	75%
Depreciation/GASB 31 Expense	\$ 474	\$ 474	\$ 277	58%
Total Expenditures	\$ 8,057	\$ 8,057	\$ 5,972	74%
Operating Income/(Loss)	\$ 1	\$ 1	\$ (177)	-
CAPITAL PROJECTS				
Harbor Projects	\$ 306	\$ 875	\$ 327	37%
Total Capital Expenditures	\$ 306	\$ 875	\$ 327	37%

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
January through March 2020**

Description of Business Unit or Project	Account	Reason	Amount
OPD-Support Operations	Overtime, Mtl Supplies & Svcs, Uniform	Reallocation of Expenditure	\$303,000
OPD-Investigations	Regular Employees, Temp/PT, Overtime, Fringe Benefit Burden, Machry & Equip <\$10K, Mtl Supplies & Svcs		(\$345,910)
OPD-Patrol	Regular Employees, Overtime, Fringe Benefit Burden, Professional Svs, Machry & Equip <\$10k, Travel & Conference, Uniform		\$42,910
Public Safety Communications	Regular Employees	Reallocation of Expenditure	(\$60,000)
Public Safety Communications	Temporary/Part Time, Overtime		\$60,000
Water Distribution	Regular Employees, Fringe-WC, Fringe Benefit Burden	Reallocation of Expenditure	(\$27,158)
Desalting Plant	Regular Employees, Fringe Benefit Burden		\$27,158
Fire Suppression	Regular Employees, Fringe Benefit Burden	Reallocation of Expenditure	(\$157,675)
Fire Suppression	Overtime		\$157,675
Enhanced Emergency SvcDelivery	Regular Employees, Fringe Benefit Burden	Reallocation of Expenditure	(\$80,000)
Enhanced Emergency SvcDelivery	Overtime		\$80,000
City Building Maintenance	Infrastructure < \$100K	Reallocation of Expenditure	(\$340,000)
City Building Maintenance	Overtime, Temp Agencies/Indiv, Repair and Maintenance, Matl Supplies & Svs, Uniform		\$340,000
COC Building Maintenance	Infrastructure < \$100K	Reallocation of Expenditure	(\$215,000)
COC Building Maintenance	Overtime, Professional Services, Repair and Maintenance, Matl Supplies & Svs, Uniform		\$215,000
Police/Library Bldg Maint	Temporary/Part Time, Temp Agencies/Individuals	Reallocation of Expenditure	(\$25,276)
Police/Library Bldg Maint	Overtime		\$25,276
Sewer Capital Projects	Professional Svc w/IT alloc	Reallocation of Expenditure	(\$40,000)
Misc Sewer Projects	Infrastructure < \$100K		(\$35,000)
Haymar Easement Protection	Professional Svcs		\$75,000

Description of Business Unit or Project	Account	Reason	Amount
Harbor Police	Professional Svcs, Travel & Cont, Training, Matl Supplies & Svcs, Dues, Books & Subs	Reallocation of Expenditure	(\$26,337)
Harbor Police	Overtime, Fringe Benefit Burden, Machry & Equip <\$10K		\$26,337
Pure Water Oceanside Phase 1	Infrastructure	Properly Classify Expenditures	(\$566,988)
Pure Water Oceanside Phase 1	Professional Svcs		\$566,988
Lower SLR WRF	Infrastructure	Properly Classify Expenditures	(\$875,000)
Lower SLR WRF	Professional Svcs		\$875,000
Pure Water Oceanside Phase 2	Infrastructure	Properly Classify Expenditures	(\$600,000)
Pure Water Oceanside Phase 2	Professional Svcs		\$600,000
Fire Suppression	Matl Supplies & Svcs	Reallocation of Expenditure	\$49,000
Fire Personnel Training	Machry & Equip		(\$49,000)