



CITY OF ESCONDIDO

SECOND QUARTER FINANCIAL REPORT

December 31, 2016

OVERVIEW

This report summarizes the City's overall financial position for the period of July 1, 2016 through December 31, 2016. While the focus of this report is the General Fund, the financial status of the Community Services Fund, the Water and Wastewater Funds, and the Reidy Creek Municipal Golf Course are included. This report is for internal use only. The figures presented here are unaudited and have not been prepared in accordance with Generally Accepted Accounting principles (GAAP).

The revenue projections and budget include adjustments for encumbrances, carryovers, and any other supplemental appropriations approved by the City Council as of December 31, 2016.

GENERAL FUND

At the end of the second quarter, General Fund revenues are at 32% of the amended budget, while expenditures are at 46%. Based on past history of revenue receipts and payment of expenditures, it appears that actual General Fund revenues through December are projected to be over budget by about \$1.1 million, mainly from one-time revenue, and actual expenditures through December are projected to be under budget by about \$727,000. The General Fund is on track to reach projected revenue and expenditures in the current fiscal year.

**General Fund
Comparison of Projected Budget to Actuals
As of December 31, 2016**

	ANNUAL AMENDED BUDGET	PROJECTED BUDGET as of 12/31/16	ACTUAL as of 12/31/16
Total Revenue	\$91,437,000	\$28,145,000	\$29,287,889
Total Expenditures	\$92,813,045	\$43,220,000	\$42,493,356
Other Sources (Uses) – Note 1	\$432,625	\$432,625	432,625
Total Sources over (Uses) – Note 2	(\$943,420)		
Reserve Balance			\$17,392,319

Note 1: Total Sources (Uses) include transfers in and advances from other funds less transfers out and advance repayments.

Note 2: Council approved the use of General Fund surplus during the year-end report to Council on October 26, 2016.

General Fund Revenue: General Fund total revenue was up 17.25% compared to the prior year or about \$4.1 million if you exclude one-time revenue. This increase was due to the end of the Triple Flip and increased paramedic revenue. In addition, the City received one-time revenue from fire mutual aid of about \$616,000 and \$374,000 from the sale of city property. Details of the General Fund revenue sources are outlined below.

General Fund Revenue	Amended Budget	FY 2016/17 Actual	FY 2015/16 Actual
Sales Tax	\$ 37,218,000	\$ 12,217,600	\$ 9,179,338
Property Tax	24,548,000	4,732,558	4,600,495
Other Taxes	11,940,000	3,343,814	3,265,340
Intergovernmental	2,843,000	962,396	1,167,984
Permits & Fees	1,087,000	517,771	424,365
Fines & Forfeitures	1,407,000	531,544	574,347
Charges for Services	8,712,000	4,543,213	3,627,410
Investment & Property	3,400,000	1,351,456	1,212,506
One-Time Revenue	282,000	1,087,537	792,965
Total with One-Time Revenue	91,437,000	29,287,889	24,844,750
Total excluding One Time Revenue	\$ 91,155,000	\$ 28,200,352	\$ 24,051,785

Sales Tax: Sales Tax revenues were \$3 million higher than the previous year, or up about 33%. This increase is the result of a timing difference due to the end of the Triple Flip. Last year at this time, the City would only have received 75% of the 1% sales tax due for each advance with the remaining 25% paid in January and May. In the current fiscal year, the local sales tax advances reverted back to the original 1% amount.

Sales tax receipts are under current year projections by about \$246,000 or 2%. We were projecting sales tax growth of 4%, but growth for the first quarter and October advance are only about 2%. We will continue to monitor sales tax results closely with second quarter sales tax results due out March 17th.

Property Tax: Property Tax revenues are up about 3% or about \$132,000 compared to the prior year. This is because assessed value growth for Escondido in fiscal year 2016/17 was up 5.3% compared to the prior year.

Other Taxes: Other Taxes are up about \$78,000 compared to the prior year. This increase is mainly from an increase in the in-lieu franchise fee payment received from SDG&E due the required change in the method used to calculate the fee.

Intergovernmental: Intergovernmental revenue includes the Rincon fire services revenue, state mandated costs claims and various grants. In the prior year, the State made "catch up" payments for previous year's state mandated cost claims resulting in a decrease in current year revenue compared to the prior year.

Permits & Fees: Permits and fees have increased over the prior year by about \$93,000 due to increased development.

Charges for Services: Charges for Services have increased over the prior year by about \$916,000. Paramedic revenue has increased \$1.0 million due to increased paramedic transports as well as a more successful collection rate.

General Fund Expenditures: General Fund total expenditures are down 2.6% compared to the prior fiscal year or about \$1.1 million and were under budget by about \$727,000. The significant reasons for these decreased expenditures are decreased utility costs and the increase in allocations out to other funds.

General Fund Expenditures	Amended Budget	FY 2016/17 Actual	FY 2015/16 Actual
General Government	\$ 6,018,970	\$ 2,391,997	\$ 2,635,727
Community Services	4,623,430	2,060,684	2,076,452
Community Development	3,970,020	1,690,309	1,739,883
Public Works	12,216,220	5,054,488	5,443,600
Public Safety	62,099,290	29,693,542	30,015,282
Other Expenditures	3,885,115	1,602,336	1,731,762
Total	\$ 92,813,045	\$42,493,356	\$ 43,642,706

COMMUNITY SERVICES FUND

The Community Services Fund overall revenues are down about 7% compared to prior year's revenues at this time, but in line with budgeted amounts. There was a 41% decrease in lease revenue from Cell Towers which resulted in \$126,265 less revenue than the prior year. Expenditures are in line with the prior year and budgeted amounts. The Community Services budget for FY 2016/17 was balanced by using \$36,285 of fund balance. After looking at projected revenues and expenditures, the Fund will likely end the year without having to use fund balance and may be able to reduce the \$223,100 General Fund transfer.

Community Services Fund	Annual Budget	FY 16/17 Actual	FY 15/16 Actual
Revenues	3,265,450	1,087,436	1,167,496
Expenditures	(3,524,835)	(1,611,393)	(1,600,288)
Other Sources (Uses)	223,100	223,100	223,100
Total Sources Over Uses	(36,285)	(300,857)	(209,692)

REIDY CREEK GOLF COURSE FUND

Reidy Creek Golf Course Fund revenues and expenditures are in line with the prior year. Revenues are only at 86% of budgeted amounts and expenditures are at 100% of budgeted amounts. Based on this trend the Fund is projected to end the year with a similar loss as last fiscal year; which is projected to be approximately \$120,000.

Reidy Creek Golf Course	Annual Budget	FY 16/17 Actual	FY 15/16 Actual
Revenues	664,395	271,903	263,935
Expenditures	664,395	(342,920)	(336,002)
Other Sources (Uses)		122,000	131,000
Total Sources Over (Under) Uses		50,983	58,933

ENTERPRISE FUNDS

Water Fund: The Water Fund operating revenue increased by \$4.1 million or 15.8% from the prior year. The increase is due to a 12.3% increase in water consumption and a 5.5% rate increase in March 2016. Operating expenses increased by \$1.7 million or 8.2% compared to the prior year; these increased costs were primarily from negotiated staff contracts, purchased water and City water.

Water Fund	Annual Budget	FY 2016/17 Actual	FY 2015/16 Actual
Operating Revenues	55,175,000	29,846,936	25,771,917
Operating Expenses	(50,676,535)	(21,712,743)	(20,062,666)
Operating Income	4,498,465	8,134,193	5,709,251
Nonoperating Rev (Exp)	(1,761,400)	(24,704)	(10,121)
Transfer to Capital Projects and Debt Srvc	(4,523,835)	(4,302,200)	(6,070,518)
Total Sources over Uses	(1,786,770)	3,807,289	(371,388)

Beginning in fiscal year 2014/15, both the Water and Wastewater funds have set up an Operating, Debt and Capital Reserve that will be used to ensure that both funds have adequate cash reserves to meet operating, capital and debt service requirements. The monies in this reserve can be used to meet emergency cash flow requirements, fund future capital projects and provide protection from default on annual debt service payments.

Wastewater Fund: Operating revenue increase \$122,000 from the prior year second quarter. Operating expenditures decreased by 5.8% due to decreases in professional fees, utilities and other capital outlay and miscellaneous expenses.

Wastewater Fund	Annual Budget	FY 2016/17 Actual	FY 2015/16 Actual
Operating Revenues	33,500,000	17,518,899	17,397,293
Operating Expenses	(23,836,550)	(10,499,313)	(11,105,235)
Operating Income	9,663,450	7,019,586	6,292,058
Nonoperating Rev (Exp)	(1,610,340)	(267,059)	(262,446)
Transfer to Capital Projects and Debt Svc	(9,923,135)	(5,832,615)	(16,744,323)
Total Sources over Uses	(1,870,025)	919,912	(10,714,711)

FOR MORE INFORMATION

This summary report is based on detailed information generated by the City’s finance department. If you have any questions or would like additional information on this report, please contact the Finance department at (760) 839-4676 or visit www.escondido.org.