



# CITY OF ESCONDIDO

## ATTACHMENT 1: SECOND QUARTER FINANCIAL REPORT

December 31, 2017

### OVERVIEW

This report summarizes the City's overall financial position for the period of July 1, 2016 through December 31, 2017. While the focus of this report is the General Fund, the financial status of 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, 2017.

### GENERAL FUND

At the end of the second quarter, General Fund revenues are at 33% of the amended budget, while expenditures are at 47%. Based on past history of revenue receipts and payment of expenditures, it appears that actual revenues through December are projected to be over budget by about \$1.6 million, mainly from one-time revenue. Actual expenditures through December are projected to be over budget by about \$500,000 as a result of increased strike team costs that are covered by fire mutual aid. With this adjustment, 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, 2017**

|                                       | ANNUAL<br>AMENDED<br>BUDGET | PROJECTED<br>BUDGET<br>as of<br>12/31/17 | ACTUAL<br>as of<br>12/31/17 |
|---------------------------------------|-----------------------------|--|-----------------------------|
| Total Revenue                         | \$97,477,390                | \$30,326,000                             | \$31,906,037                |
| Total Expenditures                    | 98,898,730                  | 46,130,000                               | 46,663,879                  |
| Other Sources (Uses) –<br>Note 1      | 977,280                     | 977,280                                  | 977,280                     |
| Total Sources over<br>(Uses) – Note 2 | (\$444,060)                 |  |                             |
| 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 18, 2017.

**General Fund Revenue:** General Fund total revenue was up 5% compared to the prior year or about \$1.5 million if you exclude one-time revenue. This increase occurred due to growth in sales tax, property taxes, franchise fees, transient occupancy tax and building permits. In addition, the City received one-time revenue from fire mutual aid of about \$937,000. Details of the General Fund revenue sources are outlined below.

| General Fund Revenue                        | Amended<br>Budget    | FY 2017/18<br>Actual | FY 2016/17<br>Actual |
|---|----------------------|----------------------|----------------------|
| Sales Tax                                   | \$ 38,298,510        | \$ 12,695,767        | \$ 12,217,600        |
| Property Tax                                | 25,381,000           | 5,079,209            | 4,732,558            |
| Other Taxes                                 | 12,547,000           | 3,701,618            | 3,343,814            |
| Intergovernmental                           | 2,812,000            | 1,448,416            | 962,396              |
| Permits & Fees                              | 1,097,000            | 633,038              | 517,771              |
| Fines & Forfeitures                         | 1,291,000            | 460,560              | 531,544              |
| Charges for Services                        | 11,244,000           | 5,292,314            | 5,449,649            |
| Investment & Property                       | 4,806,880            | 1,522,526            | 1,532,456            |
| One-Time Revenue                            | -                    | 1,072,589            | 1,087,537            |
| <b>Total with One-Time Revenue</b>          | <b>97,477,390</b>    | <b>31,906,037</b>    | <b>30,375,325</b>    |
| <b>Total excluding One Time<br/>Revenue</b> | <b>\$ 97,477,390</b> | <b>\$ 30,833,448</b> | <b>\$ 29,287,788</b> |

**Sales Tax:** Sales Tax revenues were up about \$478,000 more than the previous year, or up about 3%. We were projecting sales tax growth of 3% so we are on target to reach this amount. Key gains were seen in restaurants and building materials and declines were seen in general retail. The largest economic segments in the City continue to be new auto sales, restaurants, building materials and general retail. Together they generate 55% of the city's sales tax revenues.

**Property Tax:** Property Tax revenues are up about 7% or about \$347,000 compared to the prior year. This is because assessed value growth for Escondido in fiscal year 2017/18 was up 6.7% compared to the prior year.

**Other Taxes:** Other Taxes are up about \$358,000 compared to the prior year. This increase is mainly due to an increase in franchise fees, transient occupancy tax, and property transfer tax.

**Intergovernmental:** Intergovernmental revenue includes the Rincon fire services revenue, state mandated costs claims and various grants. This revenue is up about \$486,000 partially due to an increase in the monthly fee collected from Rincon fire services of about 6% and also due to a timing difference on the receipt of the Ground

Emergency Medical Transport (GEMT) grant in the amount of \$241,000 which should have been received last fiscal year.

**Permits & Fees:** Permits and fees have increased over the prior year by about \$115,000 or 22% due to increased development.

**Charges for Services:** Charges for Services have decreased over the prior year by about \$157,000. These decreases are from Engineering fees and Building plan check fees.

**General Fund Expenditures:** General Fund total expenditures are up 7% compared to the prior fiscal year or about \$3 million. General Fund expenditures were projected to increase by 7% compared to the prior year so we are on track to meet this target. These projected increases are coming mainly from projected increases in salaries, CalPERS contributions, radio replacement and the City's contribution to the County Regional Communication System.

| General Fund Expenditures | Amended Budget       | FY 2017/18 Actual   | FY 2016/17 Actual    |
|---------------------------|----------------------|---------------------|----------------------|
| General Government        | \$ 5,944,440         | \$ 2,261,240        | \$ 2,391,997         |
| Community Services        | 7,073,690            | 3,263,427           | 3,266,048            |
| Community Development     | 4,702,555            | 1,888,937           | 1,690,309            |
| Public Works              | 12,946,870           | 5,735,679           | 5,054,488            |
| Public Safety             | 64,592,165           | 31,794,138          | 29,693,542           |
| Other Expenditures        | 3,639,010            | 1,720,458           | 1,602,336            |
| <b>Total</b>              | <b>\$ 98,898,730</b> | <b>\$46,663,879</b> | <b>\$ 43,698,720</b> |

**REIDY CREEK GOLF COURSE FUND**

The Reidy Creek Golf Course Fund FY 17/18 budget was balanced using a transfer from the general fund of \$105,150. Other Sources and Uses reflect this transfer and a transfer to cover the prior year's loss of \$142,000. Compared to the prior year, revenues are 4% less and expenditures are 5% more. Based on this trend the fund is projected to end the year with a greater loss than last fiscal year and about \$70,000 more than budgeted. Following prior discussion with Council, Staff continues to explore options with JC Resorts for business model changes to offset the losses associated with the Golf Course and will report back to Council as those proceed.

| Reidy Creek Golf Course                | Annual Budget  | FY 17/18 Actual | FY 16/17 Actual |
|--|----------------|-----------------|-----------------|
| Revenues                               | 584,870        | 262,103         | 271,903         |
| Expenditures                           | (690,020)      | (358,399)       | (342,920)       |
| Other Sources (Uses)                   | 247,150        | 145,000         | 122,000         |
| <b>Total Sources Over (Under) Uses</b> | <b>142,000</b> | <b>48,704</b>   | <b>50,983</b>   |

**ENTERPRISE FUNDS**

**Water Fund:** Net operating income through December 2017 was \$10.3 million, an increase of \$2.2 million from prior year. Operating revenue increased by \$2.3 million or 7.8% compared to the prior year due to increased water consumption and a 5.5% rate increase in March 2017. Operating expenses increased slightly by \$126,000 or less than 1% compared to the prior year.

| Water Fund                                    | Annual Budget      | FY 2017/18 Actual | FY 2016/17 Actual |
|---|--------------------|-------------------|-------------------|
| Operating Revenues                            | 54,905,000         | 32,183,082        | 29,846,936        |
| Operating Expenses                            | (51,183,295)       | (21,838,705)      | (21,712,743)      |
| Operating Income                              | 3,721,705          | 10,344,377        | 8,134,193         |
| Nonoperating Rev (Exp)                        | (1,320,030)        | 1,422,843         | (24,704)          |
| Transfer to Capital<br>Projects and Debt Srvc | (11,965,975)       | (1,258,282)       | (4,302,200)       |
| <b>Total Sources over Uses</b>                | <b>(9,564,300)</b> | <b>10,508,938</b> | <b>3,807,289</b>  |

**Wastewater Fund:** Net operating income through December 2017 was \$6.0 million, a decrease of \$389,000 from prior year. Operating revenue of \$16.6 million decreased \$295,000 or a decline of 1.7% compared to the prior year. Operating expenditures increased slightly by \$94,000 or less than 1%.

| Wastewater Fund  | Annual Budget      | FY 2017/18 Actual | FY 2016/17 Actual |
|--|--------------------|-------------------|-------------------|
| Operating Revenues   | 34,500,000         | 16,609,902        | 16,904,713        |
| Operating Expenses   | (27,171,410)       | (10,593,756)      | (10,499,313)      |
| Operating Income   | 7,328,590          | 6,016,146         | 6,405,400         |
| Nonoperating Rev (Exp)                                       | (1,965,895)        | 551,364           | (267,059)         |
| Transfer to Capital<br>Projects, Debt Srvc<br>and CIP Reimb. | (11,134,965)       | 1,190,095         | (5,218,429)       |
| <b>Total Sources over Uses</b>                               | <b>(5,772,270)</b> | <b>7,757,605</b>  | <b>919,912</b>    |

**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](http://www.escondido.org).