



October – December 2017

### CURRENT FINANCIAL CONDITION

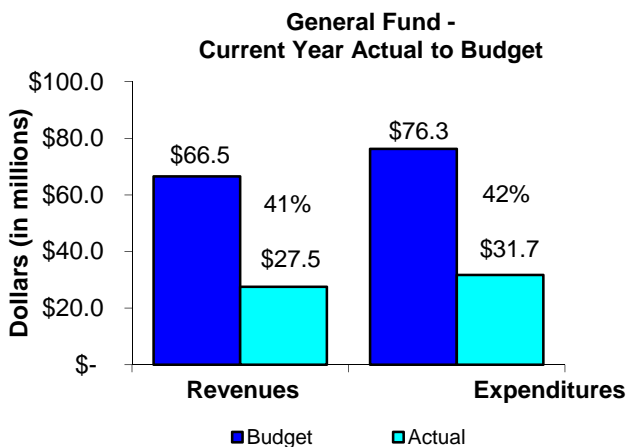
In FY 2017-18, the City is budgeted to maintain a positive operating position. At the end of the second quarter expenditures exceed revenues as a result of the timing of property tax receipts. Revenues and expenditures are within budgetary expectations for this time of the year.

### GENERAL FUND

General Fund revenues through the second quarter total \$27.5 million, or 41% of the \$66.5 million annual budget. General Fund revenue is \$2.0 million higher than last year's second quarter total revenue.


General Fund expenditures total \$31.7 million for the second quarter, or 42% of the \$76.3 million annual budget, as compared to \$30.3 million at this time last year. In total, expenditures ended the quarter \$1.4 million higher than the same period for the prior year.


Further information on General Fund revenues and expenditures are discussed further in this report.





### GENERAL FUND REVENUES


Revenues by Category	Budget	YTD Actual	%
Property Taxes	31,142,000	13,973,720	45%
Sales Tax	9,668,000	3,411,470	35%
Transient Occ. Tax	2,735,000	1,211,139	44%
Other Taxes	3,513,000	743,256	21%
Permits & Fees	1,767,770	918,420	52%
Intergovernmental	3,390,580	240,407	7%
Service Charges	5,498,370	3,018,405	55%
Fines	562,000	284,081	51%
Interest, Rents, Other	2,944,770	1,693,922	58%
Interfund Transfers	5,303,070	2,012,742	38%
	<b>66,524,560</b>	<b>27,507,562</b>	<b>41%</b>


➤ **Property Taxes:**  Property taxes total \$14 million, primarily from secured taxes, and are up \$1.0 million as compared to this quarter in the prior year. The increase is attributed to continued growth in assessed valuations as well as some new development.


➤ **Sales Tax:**  Sales tax receipts amount to \$3.4 million at the end of the 2nd quarter, as compared to \$3.6 million in the prior year, with the decrease mainly due to one-time receipts received in the previous year.


➤ **Transient Occupancy Taxes (TOT):**  Transient occupancy taxes total \$1.2 million, about the same as this time last fiscal year.


➤ **Other Taxes:**  Other taxes, consisting mostly of franchise fees and business licenses, total \$743,000, \$76,000 higher than the prior year mainly as a result of gains in Business License revenue. The largest franchise fees, from SDG&E and Southern California Gas, are remitted in April of each year.

➤ **Permits & Fees:**  Permits and fees are at \$918,000, a \$62,000 increase compared to last year primarily due to increases in building and other construction permits as compared to the prior year.

➤ **Intergovernmental:**  Intergovernmental, mainly from grant revenues, is at \$240,000, about \$140,000 higher than the previous year due to additional grant revenue for the Safe Routes to Schools program.

➤ **Service Charges:**  Service charges, from general government, public safety, parking meter and recreation, amount to \$3.0 million, about \$119,000 higher than the 2nd quarter of the prior year, with decreases in ambulance service charges offset by higher plan check fees and higher recreation service charges.

➤ **Fines:**  Fine revenue totals \$284,000, \$80,000 higher than the prior year, with \$135,000 of increases in administrative citations offset by decreases in parking violations and vehicle code fines.

➤ **Interest, Rents & Other:**  Interest, rents and other reimbursements total \$1.7 million, about \$447,000 higher than the prior year partly due to moving Negocio lease revenue to the General Fund and also new concession revenues from the Ole Hanson Beach Club. Also, higher site rental revenue and investment returns were realized, but were somewhat offset by lower miscellaneous reimbursements.



**GENERAL FUND EXPENDITURES**



Expenditure by Type	Budget	YTD Actual	%
Salaries	12,512,710	5,531,944	44%
Benefits	5,391,510	2,664,418	49%
Supplies	1,355,500	408,684	30%
Contractual Services	36,224,680	16,024,955	44%
Other Charges	1,113,680	593,161	53%
Capital Outlay	9,679,880	1,119,289	12%
Interdepartmental	4,813,310	2,458,161	51%
Transfers & Debt	5,189,880	2,913,635	56%
<b>Total</b>	<b>76,281,150</b>	<b>31,714,247</b>	<b>42%</b>

Expenditure by Dept	Budget	YTD Actual	%
General Government	5,329,460	2,360,952	44%
City General	11,151,950	5,130,239	46%
Police	14,934,270	7,412,381	50%
Fire	9,468,150	4,676,710	49%
Comm. Development	6,007,440	2,246,765	37%
Public Works	22,740,890	6,707,836	29%
Beaches, Parks & Rec	6,648,990	3,179,364	48%
<b>Total</b>	<b>76,281,150</b>	<b>31,714,247</b>	<b>42%</b>

Expenditures at the end of the FY 2017-18 second quarter are \$31.7 million compared to prior year's \$30.3 million, which is an increase of \$1.4 million.

Departments with decreases from the prior year were Community Development and Public Works. All other departments had increases from the prior year. City General increased by \$0.9 million due to increases in legal costs, animal control costs, insurance costs and the PERS unfunded liability payment for past safety service costs. Police and Fire increased in total by \$0.7 million as a result of safety contract cost increases.

Other departments had minimal increases and decreases. Overall, costs are currently within anticipated results.

**ENTERPRISE FUNDS**

The following tables summarize the operating revenues, operating expenses, and changes in operating fund working capital for enterprise funds including Water, Sewer, Golf, Storm Drain and Clean Ocean funds.

**Revenues**

Revenue	Budget	YTD Actual	%
Water Fund	20,033,014	8,860,365	44%
Sewer Fund	9,058,922	3,713,232	41%
Golf Fund	2,152,112	1,223,672	57%
Storm Drain Fund	1,534,179	589,260	38%
Clean Ocean Fund	2,654,669	959,785	36%

Metered Water revenue is up \$452,000 compared to the previous year, with higher water consumption in potable and non-potable water. Sewer revenues decreased \$88,000 in the first half of FY 2017-18 based on wet winter month declines.

Golf Course revenue is up \$129,000 from higher green fees (\$76,000), golf cart rentals (\$42,000), and driving range fees (\$8,800), when compared to the second quarter of FY 2016-17.

Storm Drain and Clean Ocean fees are fixed and do not change significantly from year to year. Both are within budgeted expectations through the second quarter of FY 2017-18.

**Expenses**

Expenses	Budget	YTD Actual	%
Water Fund	21,716,014	8,635,586	40%
Sewer Fund	10,297,776	4,698,407	46%
Golf Fund	2,193,280	1,121,422	51%
Storm Drain Fund	1,750,750	794,907	45%
Clean Ocean Fund	4,752,330	939,533	20%

Water expenses are \$0.2 million higher when compared to the prior year after adjusting for the SRF Loan payment. Salary and benefit expenses, chemicals, and property insurance costs increased, but within budget expectations. For the Sewer Fund, increases in salary and benefits, chemicals, electricity, landfill, and other maintenance costs caused total operating expenses to increase \$288,000 year over year.

Golf expenses increased \$137,000 compared to the previous year. Increases included salary & benefits, purchased water, and electricity expenses. Clean Ocean expenses increased \$66,000 when compared to the second quarter of FY 2016-17.

**Working Capital**

Working Capital	Budget	YTD Actual
Water Fund	1,084,120	2,991,800
Sewer Fund	481,774	735,453
Golf Fund	-527,182	-383,764
Storm Drain Fund	421,839	432,763
Clean Ocean Fund	-207,186	1,910,727

Working capital levels are adequate in all Enterprise Funds except the Golf Fund. The Golf Fund has a negative working capital balance which will be improved once land proceeds are received.

**WHAT'S NEXT**

- **FY 2017-18 Mid-Year Report:** A City Council meeting by March 2018 will present mid-year results.
- **Long Term Financial Plan (LTFP):** A City Council meeting on March 12 will present the Long Term Financial Plan of the City.



Good. Positive Indicator;



Caution. Unsettled Indicator;



Problem. Negative Indicator