



January – March 2018

CURRENT FINANCIAL CONDITION

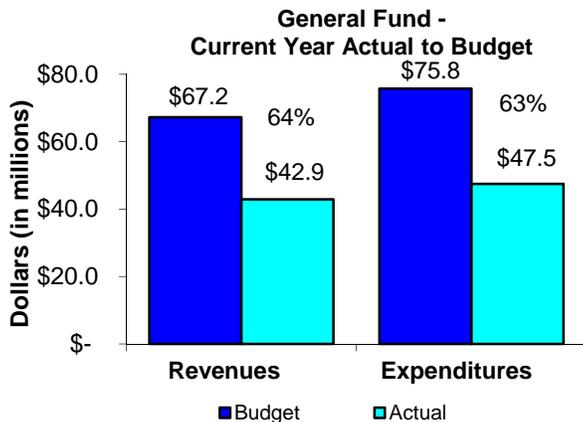
In FY 2017-18, the City is budgeted to maintain a positive operating position. At the end of the third quarter expenditures exceed revenues as a result of the timing of property tax receipts. Revenues and expenditures are within budgetary expectations for this time of the year.

GENERAL FUND

General Fund revenues through the third quarter total \$42.9 million, or 64% of the \$67.2 million annual budget. General Fund revenue is \$3.9 million higher than last year's third quarter total revenue.

General Fund expenditures total \$47.5 million for the third quarter, or 63% of the \$75.8 million annual budget, as compared to \$45.5 million at this time last year. In total, expenditures ended the quarter \$1.9 million higher than the same period for the prior year.

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



GENERAL FUND REVENUES

Revenues by Category	Budget	YTD Actual	%
Property Taxes	31,881,000	21,186,577	66%
Sales Tax	9,904,000	5,978,715	60%
Transient Occ. Tax	2,570,000	1,753,233	68%
Other Taxes	3,448,000	1,631,410	47%
Permits & Fees	1,788,540	1,475,057	82%
Intergovernmental	3,390,580	358,595	11%
Service Charges	5,203,790	4,483,913	86%
Fines	507,000	459,656	91%
Interest, Rents, Other	3,088,710	2,486,809	81%
Interfund Transfers	5,463,070	3,096,765	57%
	67,244,690	42,910,730	64%

➤ **Property Taxes:**  Property taxes total \$21.2 million, primarily from secured taxes, and are up \$2.3 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 \$6.0 million, compared to \$6.1 million in the prior year, with the decrease mainly due to one-time receipts received in the prior year and little growth in sales tax revenue.

➤ **Transient Occupancy Taxes (TOT):**  Transient occupancy taxes total \$1.8 million, about the same as this time last fiscal year.

➤ **Other Taxes:**  Other taxes, consisting mostly of franchise fees and business licenses, total \$1.6 million, \$72,000 higher than the prior year. 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 \$1.5 million, a \$316,000 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 \$359,000, about \$104,000 lower than the previous year, mostly due to one-time Waste Disposal and Sand Replenishment grants received in the prior year.

➤ **Service Charges:**  Service charges, from general government, public safety, parking meter and recreation, amount to \$4.5 million, about \$528,000 higher than the 3rd quarter of the prior year, mostly due to higher revenues from plan check fees, parking service charges, and recreation service charges.

➤ **Fines:**  Revenues from fines totals \$460,000, \$105,000 higher than the prior year, with decreases in parking violations and vehicle code fines offset by significant increases in administrative citations.

➤ **Interest, Rents & Other:**  Interest, rents and other reimbursements total \$2.5 million, about \$620,000 higher than the prior year from higher site rentals, concession revenues and investment returns, which were somewhat offset by lower miscellaneous reimbursements. Revenue from the Negocio leases was moved to the General Fund this fiscal year.



GENERAL FUND EXPENDITURES



Expenditure by Type	Budget	YTD Actual	%
Salaries	12,271,188	8,443,694	69%
Benefits	5,392,220	3,728,147	69%
Supplies	1,337,289	670,130	50%
Contractual Services	36,520,436	23,808,792	65%
Other Charges	1,162,980	819,504	70%
Capital Outlay	9,073,307	2,418,624	27%
Interdepartmental	4,813,310	3,669,466	76%
Transfers & Debt	5,194,130	3,924,125	76%
Total	75,764,860	47,482,482	63%

Expenditure by Dept	Budget	YTD Actual	%
General Government	5,349,133	3,753,991	70%
City General	11,183,577	7,133,774	64%
Police	14,939,270	11,132,458	75%
Fire	9,468,150	6,929,207	73%
Comm. Development	6,022,730	3,500,537	58%
Public Works	22,171,900	10,416,363	47%
Beaches, Parks & Rec	6,630,100	4,616,152	70%
Total	75,764,860	47,482,482	63%

Expenditures at the end of the FY 2017-18 third quarter are \$47.5 million compared to prior year's \$45.5 million, which is an increase of \$1.9 million.

All departments had increases from the prior year, but the largest individual increases were due to public safety and legal costs. City General increased by \$730,000 primarily due to increases in the PERS unfunded public safety pension payment (\$442,000) and in legal costs (\$230,000). The Police and Fire department costs increased by \$712,000 as a result of safety contract cost increases and higher ambulance costs.

Other departments had minimal increases. Overall, costs, in total, 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	20,048,714	13,593,547	68%
Sewer Fund	9,488,942	6,112,502	64%
Golf Fund	2,682,112	1,694,036	63%
Storm Drain Fund	1,536,115	1,057,432	69%
Clean Ocean Fund	2,654,669	1,755,148	66%

Metered Water revenue is up \$1.3 million compared to the previous year, with higher water consumption in potable and non-potable water. Sewer revenues increased \$120,000 in FY 2017-18 based on increased water consumption.

Golf Course revenue is up \$129,000 from higher green fees (\$114,000), golf cart rentals (\$7,000), and driving range fees (\$8,000), when compared to the third 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 third quarter of FY 2017-18.

Expenses

Expenses	Budget	YTD Actual	%
Water Fund	22,147,204	14,618,529	66%
Sewer Fund	10,436,006	7,161,438	69%
Golf Fund	2,193,280	1,619,629	74%
Storm Drain Fund	1,754,750	1,202,882	69%
Clean Ocean Fund	4,752,330	1,600,700	34%

Water expenses are \$1.2 million higher when compared to the prior year. Salary and benefit expenses, purchased water, chemicals, and electricity costs increased, but are 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 \$549,000 year over year.

Golf expenses increased \$163,000 compared to the previous year. Increases include salary & benefits, water, bank merchant fees, and electricity expenses. Clean Ocean expenses increased \$217,000 for contractual services when compared to the third quarter of FY 2016-17.

Working Capital

Working Capital	Budget	YTD Actual
Water Fund	668,630	1,742,138
Sewer Fund	773,564	671,692
Golf Fund	2,818	-411,607
Storm Drain Fund	419,775	492,960
Clean Ocean Fund	-207,186	2,044,923

Working capital levels are adequate in the Water, Clean Ocean and Storm Drain Funds. The Golf Fund has a negative working capital balance which will improve once land proceeds are received. The Sewer Fund balance will be addressed after completion of a Cost-of-Service Study.

WHAT'S NEXT

➤ **FY 2018-19 Budget:** A City Council workshop and public hearing to review the proposed FY 2018-19 budget will be held on Monday, May 21, 2018.



Good. Positive Indicator;



Caution. Unsettled Indicator;



Problem. Negative Indicator