



CITY OF ESCONDIDO

ATTACHMENT 1: FOURTH QUARTER FINANCIAL REPORT

June 30, 2017

OVERVIEW

This report summarizes the City's overall financial position for the period of July 1, 2016 through June 30, 2017. 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 June 30, 2017.

GENERAL FUND

The General Fund ended fiscal year 2016/17 with net sources over uses of about \$1.9 million. These results were achieved because actual operating expenditures were under budget by about \$3.3 million, offsetting the negative results of actual revenue coming in under budget by about \$1 million.

**General Fund
Comparison of Final Budget to Actuals
As of June 30, 2017**

	FINAL BUDGET	ACTUAL
Total Revenue	\$92,492,012	\$91,445,806
Total Expenditures	\$94,146,723	\$90,807,315
Other Sources (Uses) Note 1	\$1,122,826	\$1,277,826
Total Sources over (Uses) Note 2	(\$531,885)	\$1,916,317
Reserve Balance		\$17,392,319

Note 1: Other 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 Reserves during the year-end report to Council on October 26, 2016.

General Fund Revenue: General Fund total revenue was up 3.3% compared to the prior year or about \$2.9 million if you exclude one-time revenue. Actual revenue came in under budget by about \$1 million, which was mainly due to sales tax projections. The City received one-time revenue from fire mutual aid of about \$616,000 and \$376,000 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	\$ 36,088,340	\$ 35,580,717
Property Tax	24,307,000	24,346,068	23,249,072
Other Taxes	12,176,000	12,360,789	11,499,609
Intergovernmental	2,938,573	2,594,822	2,907,434
Permits & Fees	1,097,000	1,222,686	934,455
Fines & Forfeitures	1,402,000	1,191,723	1,347,167
Charges for Services	8,957,994	8,860,510	8,342,948
Investment & Property	3,779,710	3,788,945	3,711,349
One-Time Revenue	615,735	991,923	3,191,393
Total with One-Time Revenue	92,492,012	91,445,806	90,764,144
Total excluding One Time Revenue	\$ 91,876,277	\$ 90,453,883	\$ 87,572,751

Sales Tax: Sales Tax revenues were about \$508,000 higher than the previous year, but were under budget by about \$1 million. This is because sales tax was projected to grow annually by 4% and actual growth was 1.4%. Sales tax results per quarter in fiscal year 2016/17 saw growth of 1.7%, 4.7%, 2.2%, and .1%, respectively. The City economic segments that contributed to this increase were new auto sales and restaurants.

Property Tax: Property Tax revenues are up about 5% or about \$1.1 million 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 \$861,000 compared to the prior year. This increase is mainly from an increase in franchise fees, transient occupancy tax, property transfer tax, and business license fees.

Intergovernmental: Intergovernmental revenue includes the Rincon fire services agreement, state mandated costs claims and various grants and was down about \$313,000 compared to the prior year. This was due to a timing

difference in the receipt of funds from Ground Emergency Medical Transport and Rincon fire service fees.

Fines and Forfeitures: Fines and forfeitures are down about \$155,000 compared to the prior year, with the majority of this decrease coming from decreased collection of vehicle code fines and parking citations.

Charges for Services: Charges for services have increased over the prior year by about \$518,000. This increase is mainly from paramedic transport fees, which is the result of a 5% increase in the number of transports and a fee increase that went into effect on July 1, 2016.

General Fund Expenditures: General Fund total expenditures are up 1% compared to the prior fiscal year or about \$908,000 but were under budget by about \$3.3 million. Lower than anticipated expenditures occurred for employee services due primarily to employee attrition.

General Fund Expenditures	Amended Budget	FY 2016/17 Actual	FY 2015/16 Actual
General Government	\$ 6,322,085	\$ 5,700,454	\$ 5,828,914
Community Services	4,674,833	4,370,206	4,357,854
Community Development	4,200,535	3,880,385	3,534,885
Public Works	12,296,685	11,302,657	11,100,365
Public Safety	63,396,400	62,982,291	62,535,313
Other Expenditures	3,256,185	2,571,322	2,542,201
Total	\$ 94,146,723	\$ 90,807,315	\$ 89,899,532

COMMUNITY SERVICES FUND

The Community Services Fund overall revenues are down about 5% compared to prior year's revenues. There was a 53% decrease in lease revenue. This is the result of anticipated terminations of cell tower leases, which resulted in approximately \$298,000 less revenue than the prior year in rent. The After School Education & Safety grant revenue received was also under budget by \$78,280, due to costs that were no longer eligible expenses for reimbursement under the grant. Overall expenditures were 1% less than the prior year and 3% under budget. The Community Services budget for FY 2016/17 was balanced by using \$36,285 of fund balance. Since revenues were lower than anticipated the Community Services fund used \$45,495 of fund balance, which is \$9,120 more than budgeted.

Community Services Fund	Annual Budget	FY 16/17 Actual	FY 15/16 Actual
Revenues	3,294,385	3,164,634	3,311,509
Expenditures	3,553,770	3,433,229	3,454,514
Other Sources (Uses)	223,100	223,100	223,100
Total Sources Over Uses	(36,285)	(45,495)	80,095

REIDY CREEK GOLF COURSE FUND

The Reidy Creek Golf Course Fund ended the year with an operating loss of \$141,726. With the number of golfers nationwide decreasing annually JC Resorts is continually working on marketing techniques and ideas to improve revenues on an ongoing basis. Unfortunately, a majority of the courses loss of revenue was due to flooding that occurred on the back nine of the course during the significant rains we had this winter. A transfer of \$145,000 is being requested to cover the year's losses and replace an irrigation filtration system at the golf course.

Reidy Creek Golf Course	Annual Budget	FY 16/17 Actual	FY 15/16 Actual
Revenues	664,395	521,803	545,664
Expenditures	664,395	663,529	667,261
Total Operating Loss		(141,726)	(121,597)
Other Sources (Uses)		131,000	167,000
Equipment Purchase		(8,812)	(35,085)
Total Sources Over (Under) Uses		(19,538)	10,318

ENTERPRISE FUNDS

Water Fund: The Water Fund operating revenue increased by \$3.8 million or 7.8% from the prior year. The increase is due to an increase in water consumption due to removal of the drought restrictions and a 5.5% rate increase in March 2016. Operating expenses increased by \$1.4 million or 3.2% compared to the prior year. The increase primarily is due to negotiated staff increases and City water. Operating income for the year was \$6.7 million.

Water Fund	Annual Budget	FY 2016/17 Actual	FY 2015/16 Actual
Operating Revenues	55,175,000	52,936,039	49,105,084
Operating Expenses	(50,676,535)	(46,285,786)	(44,865,148)
Operating Income	4,498,465	6,650,253	4,239,936
Nonoperating Rev (Exp)	(1,761,400)	374,239	707,800
Transfer to Capital			
Projects and Debt Srvc	(4,523,835)	(4,571,035)	(9,926,843)
Total Sources over Uses	(1,786,770)	2,453,457	(4,979,107)

Wastewater Fund: Operating revenue was up \$573,000 over the prior year: Sewer service charges increased \$771,000 due to a 6% rate increase in March 2016; \$1.57 million increase in San Diego Treatment charges due to a rate increase of \$600 per thousand kilo gallons; \$1.13 million decrease in recycled water sales due lower irrigation needs because of heavier rainfall; and \$631,000 decrease in other revenues due to less agency incentive revenue in FY 2017. Operating expenditures decreased by \$176,000 (1%) due to: staffing increased \$1.4 million due to negotiated increases; offset by decreases in professional fees of \$923,000 and

other operating expenses of \$1.1 million. Operating income for the year was \$11.4 million.

Wastewater Fund	Annual Budget	FY 2016/17 Actual	FY 2015/16 Actual
Operating Revenues	33,500,000	34,166,602	33,594,078
Operating Expenses	(23,836,550)	(22,768,299)	(22,944,190)
Operating Income	9,663,450	11,398,303	10,649,888
Nonoperating Rev (Exp)	(1,610,340)	(968,311)	(954,330)
Transfer to Capital Projects and Debt Srv	(9,923,135)	(10,143,133)	(24,220,472)
Total Sources over Uses	(1,870,025)	286,859	(14,524,914)

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.