



CITY OF ESCONDIDO

ATTACHMENT 1: THIRD QUARTER FINANCIAL REPORT March 31, 2019

OVERVIEW

This report summarizes the City's overall financial position for the period of July 1, 2018 through March 31, 2019. 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 March 31, 2019.

GENERAL FUND

At the end of the third quarter, General Fund revenues are at 61% of the amended budget, while expenditures are at 71%. Based on past history of revenue receipts and payment of expenditures, it appears that actual General Fund revenues through March are projected to be over budget by about \$635,000, mainly from increased property taxes, engineering fees and paramedic revenue. Actual expenditures through March are projected to be under budget by about \$2 million. The General Fund is projected to end the current fiscal year with a surplus.

**General Fund
Comparison of Projected Budget to Actuals
As of March 31, 2019**

	ANNUAL AMENDED BUDGET	PROJECTED BUDGET as of 3/31/19	ACTUAL as of 3/31/19
Total Revenue	\$102,715,250	\$61,738,285	\$62,373,596
Total Expenditures	\$104,197,770	\$75,940,070	\$73,915,660
Other Sources (Uses) – Note 1	(\$1,714,620)	(\$1,714,620)	(\$1,714,620)
Total Sources over (Uses) – Note 2	(\$3,197,140)		
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 on October 24, 2018. Council also approved the transfer of \$1,000,000 to fund the Pension Trust.

General Fund Revenue: General Fund total revenue was up 2% compared to the prior year or up about \$1 million, if one-time revenue is excluded. This increase was due to increases in property taxes, engineering fees and paramedic revenue. In addition, the City received one-time revenue from fire mutual aid of about \$1.2 million and \$178,000 from prior year sales tax revenue. Details of the General Fund revenue sources are outlined below.

General Fund Revenue	Amended Budget	FY 2018/19 Actual	FY 2017/18 Actual
Sales Tax	\$ 38,683,750	\$ 22,794,126	\$ 22,134,641
Property Tax	27,208,000	14,932,598	15,053,797
Other Taxes	14,097,000	8,156,317	9,204,488
Intergovernmental	3,119,000	2,204,581	2,100,321
Permits & Fees	1,319,000	663,344	855,048
Fines & Forfeitures	1,156,000	873,065	742,001
Charges for Services	10,864,500	8,211,622	7,335,150
Investment & Property	4,019,000	2,423,390	2,313,626
Other Revenue	533,000	770,569	278,455
One-Time Revenue	1,716,000	1,343,984	1,596,728
Total with One-Time Revenue	102,715,250	62,373,596	61,614,255
Total excluding One Time Revenue	\$ 100,999,250	\$ 61,029,612	\$ 60,017,527

Sales Tax: For the first nine months of the fiscal year, sales tax revenues are up \$659,000 or 3% higher than the prior year if you adjust for the timing differences created by the California Department of Tax and Fee Administration (CDTFA). We were projecting sales tax growth of 3% so we are on target to reach this projection.

The CDTFA implemented a new sales tax reporting software system and modified the schedule of sales tax distribution to cities. Complications with the software update impeded the CDTFA's ability to process a significant amount of sales tax returns in Fiscal Year 2017/18. These delayed payments were received by the City in Fiscal year 2018/19. In addition, the CDTFA changed the timing of the second quarter sales tax cleanup payment from September to August which changed the fiscal year this revenue is recognized. The net effect of these changes is \$178,000 of additional sales tax revenue, which will be classified as one-time revenue from sales tax in Fiscal Year 2018/19.

Property Tax: Property Tax revenues received through March, 2019, are down about 1% or about \$122,000 compared to the prior year. The reason for this decline is

the result of property tax payment timing differences, as property tax payments received through April, 2019 are actually up 5% or \$454,000 compared to the prior year. This is because assessed value growth for Escondido in fiscal year 2018/19 was up 5% compared to the prior year. We were projecting growth of 3%, so we are above our projections by about \$172,000.

Other Taxes: Other Taxes are down about \$1 million compared to the prior year. The majority of this decrease is from the Redevelopment Property Tax Trust Fund (RPTTF) residual payment, franchise fees and the property transfer tax. The reason for the decrease in the RPTTF residual payment is the result of the former Redevelopment Agency's increase in outstanding debt service payments, which results in a smaller ending residual balance. The smaller ending residual balance is shared amount all the taxing entities, and the City of Escondido receives a share. This decrease to the City was about \$400,000 compared to the prior year. In addition, the franchise fee in lieu payment received from SDG&E is down 28% or \$276,000 over the prior year due to less natural gas being used at the power plant. The property transfer tax is also down about \$260,000 compared to the prior year due to the lower number of property sales in Escondido.

We were projecting growth in other taxes in Fiscal Year 2018/19 of 6%, but due to the above mentioned decreases, other taxes actually decreased by 3%, so we are under our projections by about \$1 million.

Intergovernmental: Intergovernmental revenue includes the Rincon fire services agreement, state mandated cost claims, and various grant and was up about \$104,000 compared to the prior year. This increase was primarily from Rincon fire services

Charges for Services: Charges for Services have increased over the prior year by about \$876,000. This increase is due to an increase in Engineering fees collected and paramedic revenue. We were projecting growth in charges for services in Fiscal Year 2018/19 of 3%, actual growth is 11% so we are above our projections by about \$868,000.

General Fund Expenditures: General Fund total expenditures are up 2.5% compared to the prior fiscal year or about \$1.8 million. General Fund expenditures were projected to increase by 4% compared to the prior year, so we are on track to meet this target. The significant reasons for this change include increases to salaries, CalPERS contributions, and new software.

	Amended Budget	FY 2018/19 Actual	FY 2017/18 Actual
General Fund Expenditures			
General Government	\$ 6,181,615	\$ 3,712,517	\$ 3,821,859
Community Services	7,826,000	5,344,929	4,802,159
Community Development	4,660,685	2,848,722	2,932,365
Public Works	13,310,435	9,257,353	9,174,034
Public Safety	68,605,790	50,427,357	49,184,117
Other Expenditures	3,613,245	2,324,782	2,193,363
Total	\$ 104,197,770	\$ 73,915,660	\$ 72,107,897

REIDY CREEK GOLF COURSE FUND

The Reidy Creek Golf Course Fund FY 18/19 budget was balanced using a transfer from the general fund of \$24,590 and \$20,000 was transferred mid-year for the replacement of golf cart batteries. Other Sources and Uses reflect these transfers and a transfer to cover the prior year's additional loss of \$36,000. Compared to the prior year, revenues are 10% less and expenditures are down 6%. This is due to the reduction in maintenance staff and maintained areas at the course. Staff met with JC Resorts to discuss a new revenue opportunity at the course. The course will be implementing disc golf this spring and will be moving forward with doing some improvements to their clubhouse and signage. Funds for these improvements were previously budgeted in a capital project for Reidy Creek Clubhouse Improvements. Despite decreased maintenance costs, the fund is projected to end the year with a loss of \$100,000 more than budgeted.

	Annual Budget	FY 18/19 Actual	FY 17/18 Actual
Reidy Creek Golf Course			
Revenues	557,650	345,978	387,691
Expenditures	(602,240)	(485,409)	(514,912)
Other Sources (Uses)	80,590	80,590	247,150
Total Sources Over (Under) Use	36,000	(58,841)	119,929

ENTERPRISE FUNDS

Water Fund: The Water Fund operating revenue decreased by \$475,000 or 1% from the prior year. The decrease is due to decrease in water consumption due to a wet winter. Operating expenses increased by \$1 million or 3% compared to the prior year; these increased costs were primarily from negotiated staff contracts and purchased water.

	Annual Budget	FY 2018/19 Actual	FY 2017/18 Actual
Water Fund			
Operating Revenues	60,275,000	44,662,741	45,138,314
Operating Expenses	(52,365,920)	(36,290,480)	(35,149,662)
Operating Income	7,909,080	8,372,261	9,988,652
Nonoperating Rev (Exp)	(985,160)	1,553,252	821,738
Transfer to Capital			
Projects and Debt Srvc	(3,862,630)	(1,305,940)	(1,257,680)
Total Sources over Uses	3,061,290	8,619,573	9,552,710

Wastewater Fund: Net operating revenue increased \$1 million from the prior year due to rate increases in March 2018. Operating expenditures decreased \$89,000 from prior year 3rd quarter.

Wastewater Fund	Annual Budget	FY 2018/19 Actual	FY 2017/18 Actual
Operating Revenues	35,900,000	25,575,394	24,445,066
Operating Expenses	(25,872,840)	(16,300,122)	(16,210,975)
Operating Income	10,027,160	9,275,272	8,234,091
Nonoperating Rev (Exp)	16,923,490	3,887,396	4,088,518
Transfer to Capital Projects and Debt Srvc	(19,846,895)	(1,750,573)	(1,688,665)
Total Sources over Uses	7,103,755	11,412,095	10,633,944

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.