



Fiscal Year 2020/21 Third Quarter  
Financial Report

**OVERVIEW**

This report summarizes the City’s financial position for the fiscal year through the second quarter ending March 31, 2021 for the General Fund, Water and Wastewater Funds, and the Reidy Creek Municipal Golf Course. The purpose of the report is to provide City Council, City Management, and the Escondido community an update on the City’s fiscal status based on the most recent financial information available. The revenue projections and budget information include adjustments for encumbrances, carryovers, and any other supplemental appropriations approved by the City Council as of March 31, 2021.

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).

**GENERAL FUND**

The General Fund Fiscal Year 2020/21 operating budget was adopted as a balanced budget without the use of reserves but relied on one-time revenues of \$4.0 million from the Redevelopment Loan payment to the City. As a result of COVID-19, projected operating revenue was reduced by 5% or about \$5.5 million dollars from the prior fiscal year. Cost saving measure were implemented including reductions in staff and services, resulting in a net increase of 1% to the total operating expense budget from the prior fiscal year.

At the end of the third quarter, General Fund revenues are at 65% of the amended budget, while expenditures are at 69%. Actual revenues are higher than projected by about \$2.5 million primarily due to increases for Sales Tax, Property Tax, and revenues from development projects received through the third quarter of the fiscal year. Expenditures are in line with budgeted activity and projected amounts. The Projected Results as of March 31, 2021 shown below are based on past history of the timing of revenues collected and expenditure activity.

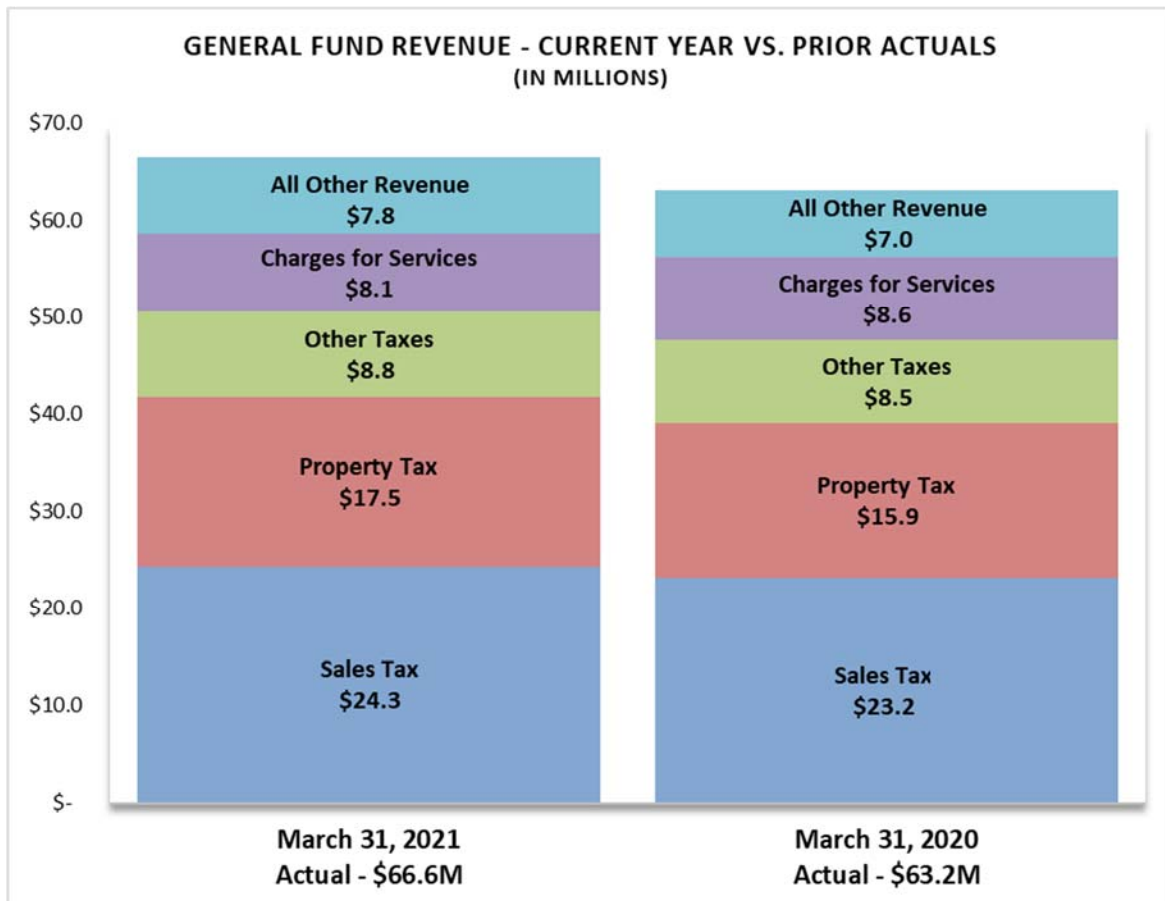
**General Fund  
Comparison of Projected Budget to Actuals**

	<b>FY2020/21 AMENDED BUDGET</b>	<b>PROJECTED RESULTS MARCH 31, 2021</b>	<b>ACTUAL RESULTS MARCH 31, 2021</b>
Total Operating Revenue	\$103,291,860	\$64,120,300	\$66,621,450
Total Operating Expenditures	(109,964,120)	(78,074,530)	(76,227,660)
Net Operating Transfers	1,449,630	1,449,630	1,449,630
One-Time Revenue (Budgeted)	3,997,350	3,997,350	3,997,350

**GENERAL FUND REVENUE**

	FISCAL YEAR 2020/21 AMENDED BUDGET	MARCH 31 2021 ACTUAL REVENUE	MARCH 31 2020 ACTUAL REVENUE	PRIOR YEAR VS CURRENT YEAR VARIANCE OVER/(UNDER)
Sales Tax	\$35,991,300	\$24,321,020	\$23,238,990	\$ 1,082,030
Property Tax	30,022,000	17,517,300	15,891,510	1,625,790
Other Taxes	13,504,800	8,836,740	8,458,210	378,530
Charges for Services	11,852,020	8,142,230	8,562,360	(420,130)
Intergovernmental	4,564,520	2,531,530	2,848,420	(316,890)
Fines and Forfeitures	1,226,000	586,180	808,330	(222,150)
Permits and Licenses	1,218,020	1,645,510	686,790	958,720
Rental Income	4,083,000	2,482,890	2,311,670	171,220
Other Revenue	830,200	557,480	469,420	61,060
<b>TOTAL OPERATING REVENUE</b>	<b>\$103,291,860</b>	<b>\$66,621,450</b>	<b>\$63,544,560</b>	<b>\$3,318,750</b>

Sales tax is the largest General Fund revenue source at 35% of total revenue followed by property tax, other taxes, and charges for services. The chart below shows the major categories of revenue that have been collected through March 31, 2021 compared to the revenue collected in the prior year through March 31, 2020.



**Sales Tax (\$23.3 million)**

The Sales Tax revenue projected in the Fiscal Year 2020/21 Operating Budget is \$36 million, a decrease of \$3 million or 7.5% over the FY2019/20 amended sales tax forecast. The decrease was mainly due to projected declines in sales tax receipts from transportation and general retail offset by increases in projected revenue from online sales received through the County Pool.

Sales tax revenues distributed to the City as of March 2021 represent sales that occurred between July 2020 and January 2021 and increased by \$1.1 million or 4.7% from the prior year.

The largest sales tax segment, 33% of total sales tax revenue, is Transportation, which includes new and used auto sales, auto repair shops, and service stations. Revenue decreased by 10% compared to the prior year primarily due to decreases from service stations as the price as well as the demand for fuel decreased due to the COVID-19 pandemic. As projected, revenue from General Retail declined by \$1.3

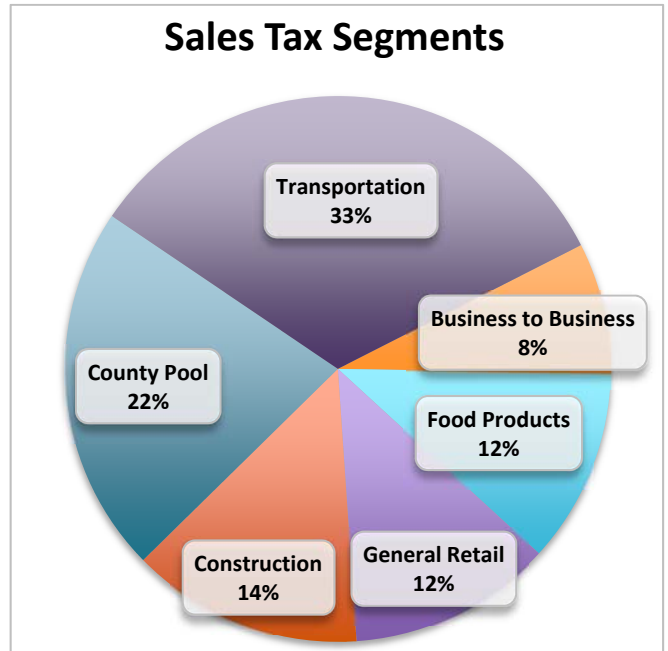
million or about 22% compared to the prior year primarily due to decreases in receipts from apparel and department stores. Food Products and Business to Business receipts also declined from the prior year by 7% and 5% due to the continued restrictions and closures in place as a result of the pandemic.

The losses were partially offset by an increase in revenue received through the County Pool, which accounts for 19% of the sales tax revenue received this fiscal year. The increase in activity is due to the implementation of the AB 147 Wayfair decision beginning in April 2019, which extended sales and use taxes to out-of-state retailers engaged in business in California. Online sales taxes are distributed to the City through the San Diego County pool and the City receives a percentage share proportionate to the City's annual sales tax receipts. In addition to the new taxable sales under AB 147, the continued COVID-19 restrictions pushed consumers from brick and mortar stores to online sales during the holiday season resulting in an increase of \$1.7 million compared to the prior fiscal year.

The Construction sales tax segment accounts for revenue generated from building materials, including both wholesale and general retail, increased from the prior year by about 6% as homeowners completed housing projects during the stay-at-home orders. Construction and development activity have also increased throughout the City during the fiscal year.

**Property Tax (\$17.5 million)**

Property Tax revenue has increased by \$1.6 million or about 10.0% compared to this time in the prior year primarily due to the timing of cash receipts distributed by the County. The largest portions of property tax revenue are distributed by the County in December and April each year. The FY2020/21 Operating Budget projected property tax growth of 2% due to an increase in overall assessed values of properties in Escondido and the City is on track to meet this amount.



**Other Taxes (\$8.8 million)**

Other Taxes include franchise fee revenues, transient occupancy tax, and business license revenue and combined have increased by \$378,410 compared to the prior year.

The City collects franchise fee revenues from San Diego Gas and Electric (SDG&E), cable companies conducting business within City limits, and Escondido Disposal Incorporated (EDI). Revenues received from franchise agreements increased by \$556,850 from the prior fiscal year primarily due to the timing of payments received and an increase in fees collected from EDI and SDG&E.

Transient Occupancy Tax, also known as hotel tax, accounts for 2% of General Fund operating revenues, or about \$1.7 million. Revenue has decreased by \$240,600 compared to the prior year. Due to the COVID-19 pandemic, many hotels have remained closed or partially closed during the first six months of the fiscal year.

All entities doing business in the City are required to have a valid business license. The business license tax is calculated based on annual gross receipts; business license revenue from the 2020 calendar year is based off of 2019 gross receipts. Business license revenues have increased by about \$213,000 from the previous fiscal year through March.

**Charges for Services (\$8.1 million)**

Due to the public health orders, City recreation facilities and services have been restricted or closed. The inability to hold recreation programs has resulted in refunds of fees collected for classes and programs already scheduled as well as the loss of recreation program revenue of approximately \$702,000 compared to the prior year.

The decrease in recreation program revenues were offset by increases in charges for development related services, which include engineering and planning fees. Development related fees are paid by developers to cover the cost of reviewing and monitoring development activities, such as plan checks and inspections, and have increased by about \$365,000 compared to the prior year.

**Intergovernmental (\$2.5 million)**

Intergovernmental revenue includes the Rincon fire services agreement, state mandated cost claims, and various grants, and decreased \$318,890 compared to the prior year primarily due to the timing of various grant reimbursements.

**Fines & Forfeitures (\$586,870)**

Fines & forfeitures represent fees collected for code enforcement citations, vehicle code violations, parking citations, overdue fines, and impound fees. The decrease of \$221,460 to date is due to closures and restrictions in activity as a result of the COVID-19 pandemic.

**Permits and Licenses (\$1.5 million)**

Revenue generated from permits and licenses has increased by \$958,000 from the prior year primarily due to building permits. The increase in building permit revenue is due to increases in the number of new residential permits and commercial/industrial permitting to date.

**Rental Income and Other Revenues (\$3.0 million)**

Rental Income and Other Revenue includes rental income, interest earned from investing activities, and other miscellaneous receipts. This category of revenue has increased slightly compared to the prior year primarily due to the timing of miscellaneous receipts.

**GENERAL FUND OPERATING EXPENDITURES**

General Fund expenditures are at 69% percent of the budget through the third quarter of the fiscal year. Expenditures have decreased from the prior year and are slightly less than the amount projected due to vacant staff positions as recruitments are being performed as well as a decrease in contract services and utility expenses as a result of the closures of facilities due to the pandemic.

	<b>FISCAL YEAR 2020/21 AMENDED BUDGET</b>	<b>MARCH 31 2021 ACTUAL REVENUE</b>	<b>MARCH 31 2020 ACTUAL REVENUE</b>	<b>PRIOR YEAR VS CURRENT YEAR VARIANCE OVER/(UNDER)</b>
<b>General Government</b>	\$6,427,950	\$3,697,050	\$4,005,350	\$(367,730)
<b>Community Services</b>	8,691,570	5,189,470	5,752,280	(502,970)
<b>Community Development</b>	7,398,655	4,809,500	4,876,740	(67,240)
<b>Public Works</b>	10,135,940	6,887,060	7,373,230	(486,170)
<b>Police</b>	46,245,605	33,124,340	33,497,010	(372,670)
<b>Fire</b>	27,155,775	19,948,720	19,100,610	848,110
<b>California Center for the Arts</b>	2,443,000	1,725,760	1,927,020	(201,260)
<b>Other Expenditures</b>	1,465,630	845,350	603,620	241,730
<b>TOTAL OPERATING EXPENDITURES</b>	<b>\$109,964,125</b>	<b>\$76,227,660</b>	<b>\$77,135,860</b>	<b>\$(908,200)</b>

**GENERAL FUND ONE-TIME REVENUE (\$2.7 million)**

In addition to the budgeted one-time revenues of \$4.0 million from the Redevelopment Loan payment to the City, unanticipated funds totaling \$2.7 million dollars have been received as of March 2021.

**Fire Mutual Aid Reimbursements - \$1,234,440**

The City's Fire Department staff can be deployed to assist other State agencies with responses to fires and other incidents. The California Office of Emergency Services reimburses the City for the time and resources of the staff deployed. As of March, reimbursements of \$1,231,442 have been received.

**CARES Act Funding - \$1,506,140**

Through the Coronavirus Relief Fund, the CARES Act provided for payments to State, Local, and Tribal governments navigating the impact of the COVID-19 outbreak. The City of Escondido was allocated \$2,713,486 from the County of San Diego and \$1,889,210 from the State; a total of \$4,602,696. The CARES Act requires that the payments from the Coronavirus Relief Fund only be used to cover expenses that are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19).

In the prior fiscal year, the General Fund reported \$953,330 of expenses that were eligible for reimbursement under the CARES Act. Additional expenses of \$1.5 million were incurred between July and September 2020, the eligibility period of the grant funds. These expenses include the purchase of Personal Protective Equipment and related supplies, payroll costs of personnel and services diverted to a substantially different use, such as Community Services staff delivering Senior Meals, as well as the costs incurred for public safety and public health employees who were substantially dedicated to mitigating or responding to COVID-19 public health emergency.

**GENERAL FUND RESERVES**

In December 2015, City Council adopted a Fund Balance Policy and established a General Fund target Reserve balance of 25 percent of General Fund operating revenues in order to maintain adequate levels of fund balance based on a risk-based analysis, mitigate current and future risks, adequately provide for cash flow requirements, and to fund one-time unanticipated expenditure requirements.

Budgeted General Fund operating revenue in Fiscal Year 2020/21 is \$102,079,340 and 25% of this amount is \$25,519,835. The current General Fund Reserve balance is \$17,392,319, or 17% of budgeted operating revenue.

**Section 115 Irrevocable Pension Trust Fund**

In February 2018, City Council authorized the establishment of a Section 115 Irrevocable Pension Trust Fund. The Trust Fund is used to set aside and hold money to meet future pension liabilities and can be used to provide economic relief during recessionary cycles and/or rate increases that are significantly above anticipated projected employee rate increases. Funds placed in this Trust can also be used to offset the City's "normal" CalPERS costs, such that if funds are necessary for other purposes, a certain amount of flexibility is present. Another benefit is that funds held in the Trust can be invested in the same manner as funds in a typical pension fund rather than as part of the City's General Fund, which means a potentially higher rate of return.

When the Pension Trust Fund was established, a funding policy for contributions to the Fund was recommended and included the four years of annual Successor agency Redevelopment Loan Repayments of \$14 million that began in Fiscal Year 2018/19, future proceeds from the sale of City Property belonging to the General Fund, and a portion of General Fund surplus at the end of each fiscal year, if one exists.

As of March 31, 2021, the Section 115 Pension Trust Fund has a balance of \$14,780,855 which includes City contributions of \$12,855,585 plus investment earnings net of expenses of \$1,925,270. The 3-month rate of return of the investment portfolio is 2.11% and the 1-year rate of return is 11.42%.

The following table provides a summary of the activity since the establishment of the fund.

<b>Section 115 Pension Trust Fund</b>	
Initial Deposit	\$1,984,000
FY2017/18 General Fund Operating Results	1,000,000
Successor Agency Advance Repayment - FY2018/19 Budget	3,716,185
Successor Agency Advance Repayment - FY2019/20 Budget	2,657,860
FY2018/19 General Fund Operating Results	748,000
FY2019/20 General Fund Operating Results	2,749,540
Investment Earnings, net of expenses	1,925,270
<b>Balance as of March 31, 2021</b>	<b>\$14,780,855</b>

**REIDY CREEK GOLF COURSE FUND**

Reidy Creek Golf Course overall revenues are up 91% compared to the prior year. Disc Golf revenues continue to exceed expectations, coming in at 56% more than budgeted. The course has become an official host to professional disc golf tournaments which also leads to a number of practice rounds. Operating expenditures were up 33% from the prior year. The added activity at the course has led to an increase in expenses, primarily due to the maintenance and repairs of aging equipment. Most of the equipment that is being used was purchased in 2002 when the golf course opened and the repair costs continue to escalate. As of March 31, Reidy Creek total net income is \$123,242.

	<b>FISCAL YEAR 2020/21 BUDGET</b>	<b>MARCH 31 2021 ACTUAL</b>	<b>MARCH 31 2020 ACTUAL</b>
Total Revenues	\$620,780	\$730,938	\$381,211
Total Expenditures	(697,190)	(684,106)	(514,759)
<b>Net Operating Income / (Deficit)</b>	<b>(76,410)</b>	<b>46,832</b>	<b>(133,548)</b>
Budgeted Transfer from the General Fund	76,410	76,410	95,890
Additional Funding Approved at Yearend	-	-	38,025
<b>Total Sources over (Uses)</b>	<b>\$0</b>	<b>\$123,242</b>	<b>\$367</b>

Reidy Creek has a fleet of 26 golf carts that have exceeded their useful life and have become costly to maintain. The industry average for a golf cart's life expectancy is between 4-6 years, these carts were purchased in 2002 so they have more than doubled the expected useful life. However, the parts, including batteries, are now deteriorating rapidly. The current batteries were purchased in FY2018/19 with a total cost of \$20,000. Golf cart batteries typically need to be replaced every two years, so it is anticipated that these batteries will need to be replaced in FY2021/22.

As the expenses to repair the current fleet are expected to continue to increase, staff and JC Resorts Management have reviewed the estimated costs to purchase new golf carts and determined that purchasing the equipment would result in a net savings to the golf course operations. Therefore, staff is recommending to purchase and replace the 26 golf carts at an estimated price of \$160,000. Net operating income this fiscal year can be used towards the purchase. Secondly, the Creekside Tavern Renovation Project is nearly complete pending final inspections. The total project cost has come in under the amount budgeted, there is an estimated balance of \$30,000 in available funds. Fleet services will also be able to surplus the original fleet of golf carts once the new ones are in service and those funds will be used to offset the cost.

The increased use of the golf course and resulting net operating revenue are anticipated to continue into the next fiscal year, the FY 2021/22 proposed budget projects net income of \$95,940 with no transfer from the General Fund.

**WATER FUND**

Net operating income through March 2021 was \$12.5 million, an increase of \$3.6 million or 41% from prior year. Operating revenue increased by about \$6.4 million or 14% compared to the prior year, due to an increase in water usage. Because of the increase in overall water usage, the amount of purchased water also increased by about \$4.8 million. Non-operating revenue has increased by \$2.2 million compared to the prior year due to significant development in the City resulting in an increase in Water Connection Fees. Overall total sources over uses are at \$13 million.

	<b>FISCAL YEAR 2020/21 BUDGET</b>	<b>MARCH 31 2021 ACTUAL</b>	<b>MARCH 31 2020 ACTUAL</b>	<b>PRIOR YEAR VS CURRENT YEAR VARIANCE OVER/(UNDER)</b>
Operating Revenues	\$63,475,000	\$53,202,567	\$44,550,050	\$8,652,517
Operating Expenses	(55,944,030)	(40,637,646)	(35,683,845)	(4,953,801)
<b>Operating Income</b>	<b>\$7,530,970</b>	<b>\$12,564,921</b>	<b>\$8,866,205</b>	<b>\$3,698,716</b>
Non-Operating Revenue (Expenses)	(1,439,120)	2,306,871	68,288	2,238,583
Debt Service Payments	(1,952,560)	(1,823,839)	(1,358,991)	(464,848)
<b>Total Sources over Uses</b>	<b>\$4,139,290</b>	<b>\$13,047,953</b>	<b>\$7,575,502</b>	<b>\$5,472,451</b>

**WASTEWATER FUND**

Net operating income through March 2021 was \$7.9 million, a slight decrease from the prior year. Operating revenue increased by \$771,227 or 3% compared to the prior year due to an increase in sale of recycled water. Operating expenditures increased by \$1,008,190 or 6% primarily due to an increase in employee services and supplies. Non-operating revenue has increased by \$1.8 million due to significant development in the City resulting in an increase in Sewer Connection Fees. Overall total sources over uses are at \$6.1 million.

	<b>FISCAL YEAR 2020/21 BUDGET</b>	<b>MARCH 31 2021 ACTUAL</b>	<b>MARCH 31 2020 ACTUAL</b>	<b>PRIOR YEAR VS CURRENT YEAR VARIANCE OVER/(UNDER)</b>
Operating Revenues	\$39,900,000	\$26,185,427	\$25,414,200	\$771,227
Operating Expenses	(27,595,230)	(18,239,599)	(17,231,409)	(1,008,190)
<b>Operating Income</b>	<b>\$12,304,770</b>	<b>\$7,945,828</b>	<b>\$8,182,791</b>	<b>\$(236,963)</b>
Non-Operating Revenue (Expenses)	(1,630,770)	246,557	(1,643,928)	(1,890,485)
Debt Service Payments	(3,918,070)	(2,016,536)	(1,800,710)	215,826
<b>Total Sources over Uses</b>	<b>\$6,755,930</b>	<b>\$6,175,849</b>	<b>\$4,738,153</b>	<b>\$1,437,696</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)