

OVERVIEW

This report summarizes the City's overall financial position for the period of July 1, 2018 through June 30, 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 June 30, 2019.

GENERAL FUND

The General Fund ended Fiscal Year 2018/19 with net sources over uses of about \$1.5 million. These results were achieved because actual operating expenditures were under budget by about \$2.4 million which was offset by actual operating revenues coming in under budget by about \$500,000 and carryover requests of \$382,000.

General Fund Revenue: General Fund total revenue was up 3.6% compared to the prior year or about \$3.5 million if you exclude one-time revenue. This increase was due to increases in sales taxes, property taxes, charges for services and investment income. In addition, the City received one-time revenue from fire assistance of about \$1 million and \$812,000 million 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	\$ 37,872,250	\$ 37,866,788	\$ 36,573,403
Property Tax	27,541,000	27,640,898	26,255,814
Other Taxes	13,066,000	12,678,515	13,147,895
Intergovernmental	3,292,000	3,229,197	3,250,368
Permits & Fees	1,024,000	888,019	1,183,587
Fines & Forfeitures	1,236,000	1,262,089	1,081,447
Charges for Services	11,732,500	11,528,109	10,695,760
Investment & Property	5,026,000	5,453,930	4,822,130
One-Time Revenue	2,082,715	1,824,593	3,029,401
Total with One Time Revenue	\$ 102,872,465	\$ 102,372,138	\$ 100,039,805
Total excluding One Time Revenue	\$ 100,789,750	\$ 100,547,545	\$ 97,010,404

General Fund Comparison of Projected Budget to Actuals As of June 30, 2019

	Final Budget	Actual
Total Revenue	\$102,872,465	\$102,372,138
Total Expenditures	104,354,985	101,977,228
Other Sources (Uses) – Note 1	1,455,860	1,103,930
Total Sources over (Uses)	(\$26,660)	\$1,498,840
Reserve Balance		\$17,392,319

Note 1: Other Sources (Uses) include transfers in, the use of prior year General Fund surplus and advances from other funds less transfers out and advance repayments.

Sales Tax: Sales Tax revenues were \$1.3 million higher than the previous year, or up about 3.5% if you adjust for one-time revenue. This was in line with Fiscal Year 2018/19 projected sales tax growth. This increase over the prior year is mainly due to growth in sales tax collected on building materials wholesale and service stations. These gains were offset by declines in sales tax collected from new auto sales and general retail.

In late Fiscal Year 2018, the State established the California Department of Tax and Fee Administration (CDTFA) to begin collecting and distributing sales tax replacing the California State Board of Equalization. During this same time period the CDTFA implemented a new sales tax reporting software system. Complications with the software update impeded the CDTFA's ability to process a significant amount of sales tax returns. These complications delayed distribution of sales tax to all cities in Fiscal Year 2017/18. This resulted in prior year sales tax revenue of \$812,000 being received in Fiscal Year 2018/19. For future forecasting purposes, this revenue has been reclassified to one-time revenue in Fiscal Year 2018/19.

Property Tax: Property Tax revenue is \$27.6 million, which is \$1.4 million higher than the prior year or up about 5.3%. This is because assessed value growth for Escondido in Fiscal Year 2018/19 was up 5% compared to the prior year.

Other Taxes: Other Taxes are down \$469,000 compared to the prior year. The majority of this decrease is from the franchise in lieu payment we receive from SDG&E. This revenue has declined by about \$550,000 compared to the prior year due to less natural gas being used at the power plant. This decrease was offset by business license fee increases of \$121,000.

Intergovernmental: Intergovernmental revenue includes the Rincon fire services agreement, state mandated cost claims, and various grants, and remained fairly flat compared to the prior year.

Charges for Services: Charges for services have increased over the prior year by about \$832,000. This increase is mainly from engineering fees and paramedic transport fees. Engineering fees are up about \$365,000 compared to the prior year due to increased residential construction projects. Paramedic transport fees are up about \$355,000 compared to the prior year due to less contractual write-offs because Medicare and Medi-Cal transports were down.

Investment and Property: Income from investments and property is up about \$632,000 compared to the prior year mainly from increased investment income and reimbursement from the North County Transit District (NCTD). Investment income is up about \$306,000 compared to the prior year mainly due to the prepayment of the unfunded accrued liability for the Safety Plan in July, 2018. The NCTD reimbursement of \$379,000 is for law enforcement services where needed within the NCTD's service areas within City limits.

General Fund Expenditures: General Fund total expenditures are up 3.6% compared to the prior Fiscal Year or about \$3.6 million. The significant reasons for this change include increases to salaries, CalPERS contributions, and software costs.

General Fund Expenditures	Amended Budget	FY 2018/19 Actual	FY 2017/18 Actual
General Government	\$ 6,306,615	\$ 5,492,168	\$ 5,581,686
Community Services	7,826,000	7,566,076	6,960,751
Community Development	4,660,685	4,008,638	4,017,640
Public Works	13,310,435	13,316,844	12,828,371
Public Safety	68,763,005	68,665,303	66,212,577
Other Expenditures	3,488,245	2,928,199	2,790,275
Total	\$ 104,354,985	\$ 101,977,228	\$ 98,391,300

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 9% less due to increased rain from the prior year and the tunnel closure. Operating expenditures are down 5% due to the reduction in maintenance staff and maintained areas at the course. Disc golf opened this spring and clubhouse and signage improvements are underway. Funds for these improvements were previously budgeted in a capital project for Reidy Creek Clubhouse Improvements. Despite decreased maintenance costs, the fund will need a transfer of \$130,000 to cover the operating losses for the year.

Reidy Creek Golf Course	Annual Budget	FY 18/19 Actual	FY 17/18 Actual
Revenues	557,650	490,570	540,969
Expenditures	(602,240)	(664,219)	(681,695)
Other Sources (Uses)	80,590	80,590	247,150
Total Sources Over (Under) Uses	\$ 36,000	\$ (93,059)	\$ 106,424

ENTERPRISE FUNDS

Water Fund: The Water Fund ended the year with net revenue of \$7.9 million, which was lower than the prior year by about \$1 million. This was the result of a decrease in total water revenues of \$2.6 million compared to the prior year mainly due to decreased water consumption as a result of a wet winter. This amount was offset by decreased total water operating costs of \$1.6 million which was mainly due to decreased purchased water costs that were offset by increased salaries, pension costs and utilities.

The City has agreed to set charges for water services each year at rates sufficient to produce net revenues (after paying operating and maintenance expenses, excluding depreciation, GASB 68 pension accounting entries and interest) of at least 1.2 times debt services on the bonds. As shown on the below chart, the City has met this debt coverage in both fiscal years. Any excess net revenues are set aside for future capital projects.

Water Fund	FY 2018/19 Actual	FY 2017/18 Actual
Total Revenues	60,221,280	62,790,235
Total Operating Costs	(52,344,138)	(53,936,697)
Net Revenue	7,877,142	8,853,538
Amount Required:		
Debt Service Payments	(4,010,315)	(4,011,373)
Coverage required	1.2	1.2
Amount Required	(4,812,378)	(4,813,648)
Excess of Net Revenues	3,064,764	4,039,890

Wastewater Fund: The Wastewater Fund ended the year with net revenue of \$14.1 million, which was down about \$1 million compared to the prior year. This was the result of an increase in total wastewater operating costs of about \$1 million due to increases in salaries, pension costs, professional services and utilities. Wastewater total revenue remained flat compared to the prior year which was the result of increased sewer service charges and investment income that was offset by decreased recycled water revenue and sewer connection fees.

The City has agreed to set charges for wastewater services each year at rates sufficient to produce net revenues (after paying operating and maintenance expenses, excluding depreciation, GASB 68 pension accounting entries and interest) of at least 1.15 times debt services on the bonds. As shown on the below chart, the City has met this debt service coverage in both fiscal years. Any excess net revenues are set aside for future capital projects.

Wastewater Fund	FY 2018/19 Actual	FY 2017/18 Actual
Total Revenues	38,533,132	38,556,729
Total Operating Costs	(24,456,381)	(23,468,708)
Net Revenue	14,076,751	15,088,021
Amount Required:		
Debt Service Payments	(5,750,013)	(5,775,393)
Coverage Required	1.15	1.15
Amount Required	(6,612,515)	(6,641,702)
Excess of Net Revenues	7,464,236	8,446,319

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.