

Financial *Status Report*

December 31, 2019

This report summarizes the City of Carlsbad's General Fund revenues and expenditures through December 31, 2019. It compares revenues and expenditures for the first half of fiscal year 2019-20 and fiscal year 2018-19. In addition, the financial status of the Water and Wastewater Enterprises 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.

General Fund Revenues



Property Taxes (\$24.4 million) – In December, the city began to see a much larger flow of property tax revenues. Property taxes reflect a seven percent increase over fiscal year 2018-19. According to the County of San Diego Assessor's Office, assessed values in Carlsbad have increased by 6.2 percent for fiscal year 2019-20. This is the seventh year in a row that Carlsbad's assessed values have increased from year to year, and in line with assessed value increases with other cities in San Diego County for the year. This reflects continued strength in the housing market and new construction. The increase in this year's assessed values was due to a large increase in the assessed values of commercial properties in the city; the city saw smaller increases in residential and industrial property values for the year. This is the fifth year in a row since the Great Recession ended, that the city saw increases in assessed values in all three property components (residential, commercial and industrial).

The primary reason that property taxes for the first six months of the fiscal year have increased by seven percent as compared to the prior fiscal year are:

- Current taxes are up by \$1.4 million or 6.5 percent primarily due to an increase in assessed values.
- Aircraft taxes are up by \$207,000 or 17.9 percent due to an increase in the number of aircraft being housed at the airport.
- Payments for previous year's taxes are up by \$15,000.
- Supplemental taxes are down by \$7,000 due to a decrease in property resales to date.
- Unitary taxes are up by \$96,000 or 81.1 percent due to timing differences.



Sales Taxes (\$19.8 million) – For the first six months of the fiscal year, sales tax revenues are \$1.3 million (or 7 percent) higher than the same time period in the previous fiscal year. Sales tax revenues for the year represent the first advance of the city's fourth calendar quarter sales tax revenues, the city's third calendar quarter sales tax revenues, a large portion of the city's second calendar quarter of 2019 sales tax revenues, a portion of the clean-up for the first quarter of calendar year 2019, and some miscellaneous clean-up revenue from calendar

year 2018. The state is still transitioning from their legacy system to a new system, and they have changed the timing in which they remit sales tax revenues to the city. Until they have been operating their new remittance program for a year, it will be challenging to compare sales tax revenues by quarter as there are some timing differences at this time.

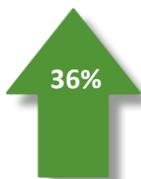
For sales occurring in the third calendar quarter of 2019 (the most recent data available), key gains were seen in motor vehicle supply wholesalers; traveler accommodations; automobile dealers; machinery, equipment and supply wholesalers; and amusement parks. During the same period, key declines were seen in miscellaneous durable goods merchant wholesalers; household appliances wholesalers; electronics and appliance stores; grocery stores; and used merchandise stores. The largest economic segments in the city continue to be automobile dealers, restaurants, clothing stores, general merchandise stores, gas stations, amusement parks, grocery stores and traveler accommodations. Together, they generate 68 percent of the city's sales tax revenues.



Transient Occupancy Tax (\$14.9 million) – The city's third highest General Fund revenue source on an annual basis is Transient Occupancy Tax (TOT or hotel tax), estimated at \$28.5 million for the current fiscal year. A tax of 10 percent of the rent amount is collected on all occupancies less than 30 days (transient) in duration. TOT collected for the first six months of the fiscal year reflects a decrease of \$68,000, 0.45 percent less than the previous year. The main reason

for the decrease is a drop in group occupancy. Year-to-date TOT figures represent taxes collected on hotel receipts through the month of November 2019.

Currently, there are 4,764 hotel rooms, 668 timeshares and 264 registered short-term vacation rentals. The average occupancy of hotel rooms over the most recent 12 months has been 69 percent, which is three percent less than last year's average at this time.



Income from Investments and Property (\$4.0 million) – For the first six months of the fiscal year, income from investments and property is up \$1.1 million compared to the previous fiscal year.

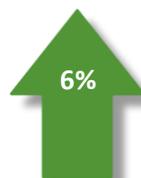
Interest income is up \$195,000 for the year due to the combination of a 1.64 percent increase in the average daily cash balance combined with an eleven percent increase in the average yield on the portfolio for the year (an increase in the yield from 1.924 percent last fiscal year to 2.136 percent in the current fiscal year).

Income from property sales and rentals is up by \$865,000 for the year, primarily due the sale of the former Fire Station #3 to a private party.



Business License Tax (\$2.4 million) – All entities doing business in the City of Carlsbad are required to have a valid business license. Business license revenue is estimated at \$4.6 million for the current fiscal year. Business license revenues are down \$4,000, or 0.2 percent, lower than the previous fiscal year.

There are currently 9,926 licensed businesses operating within the city, 154 more than the prior year. The majority of taxed businesses (6,638 businesses) are located in Carlsbad, with 2,463 of these businesses home-based.



Interdepartmental Charges (\$2.4 million) – Interdepartmental charges are \$131,000 or six percent, higher than last year. These charges are generated through engineering services charged to capital projects (up \$5,000); reimbursed work from other funds (up \$23,000 due to a timing difference); and miscellaneous interdepartmental expenses charged to funds outside the General Fund for services performed by departments within the General Fund (up 5.9 percent, or \$103,000), the result of increased personnel and, maintenance and operations costs.



Development Related Revenues (\$1.9 million) – Development related revenues, which include building permits, planning fees, building department fees, and engineering fees, reflect a significant, but expected decrease for the first six months of the fiscal year.

Development related fees are paid by developers to cover the cost of reviewing and monitoring development activities, such as plan checks and inspections. Engineering plan check fees are one of the first fees paid during the initial stages of development. Some of the activity in December included the Six on Madison residential project, the Village Walk condominiums, work at the Carlsbad Inn, and improvements at Ionis Pharmaceuticals.

One source of development related revenue is building permits, which are down 16 percent compared to last fiscal year. The decrease in building permit revenue is derived from the combination of a decrease in the valuation of new construction, a large decrease in residential permitting activity, and a moderate increase in commercial/industrial permitting activity to date. The year-to-date valuation of new construction in the current fiscal year is \$111.8 million, while it was \$115.2 million in the previous fiscal year, a three percent decrease. In December, Carlsbad issued building permits for six residential units, a decrease from the 26 residential units permitted in November. In the northwest quadrant, building permits were issued for five residential dwelling units: four permits for single-family detached homes as part of Phase 9 at Cypress at the Preserve and one permit for a second dwelling unit. In the northwest quadrant, one building permit was issued for a single-family detached home. For the current fiscal year, 101 residential permits have been issued, as compared to 145 residential permits issued during the same period last year.

During the month of December, three permits were issued for commercial and industrial space. Two commercial permits were issued for 723 square feet as part of a minor exterior addition at Hoehn Honda and 4,776 square feet as part of a school building at the Army and Navy Academy. In addition, 55,352 square feet of industrial space was permitted for SMAC manufacturing. Year-to-date, there has been 220,078 square feet of commercial/industrial permits issued compared to 174,693 square feet of commercial/industrial permits issued during the same period last year.



Recreation Fees (\$1.8 million) – Recreation fees are generated through instructional classes, camps, youth and adult sports, special events, parent participation preschool, senior programs, and various aquatic programs. Recreation revenues are down by 0.6 percent compared to last year at this time. This decrease is partly due to lower participation in summer camps and aquatic programs this past summer, although a sharp increase in instructional classes

offset this drop in revenues. In addition, the city has transitioned away from selling concessions at the Alga Norte Community Park in order to have time to reanalyze the service, impacting revenues for the year.



Franchise Taxes (\$1.5 million) – Franchise taxes are generated from public utility sources, such as San Diego Gas & Electric (SDG&E), trash collection franchises, fiber optic antenna systems and cable franchises conducting business within city limits. Franchise tax revenue is estimated at \$5.6 million for the current fiscal year. Year-to-date franchise taxes are \$117,000 lower than the same period last year.

Cable television franchise revenues (Spectrum and AT&T) are down by \$20,000 due to a decrease in the number of paid subscription services (premium video, equipment rental, on-demand, and programming services). An increase in trash collection revenue of \$18,000 is due to a small increase in trash rates combined with additional trash customers. Additionally, the reclassification of fiber optic antenna system lease payment fees from franchise fees (last fiscal year) to income from investments and property (current fiscal year) resulted in a \$115,000 decrease in revenue from the prior year.

Approximately 46 percent of the total franchise tax revenue anticipated for the year will be collected from SDG&E during the month of April 2020.



Ambulance Fees (\$1.5 million) – The city bills any individual who is transported in one of the city’s ambulances. Through December 2019, receipts from ambulance fees are up \$235,000, or 19 percent, compared to last fiscal year. A portion of the increase is due to additional transports as compared to last fiscal year at this time. The number of billable transported patients for the first six months of fiscal year 2019-20 (2,767) versus fiscal year 2018-19 (2,721) has increased moderately. In addition, the city has seen a large drop in bad debt write-offs and write downs.



Other Revenue Sources (\$772,000) – Other revenue sources have increased by \$63,000 and include revenues received by the city to offset the costs of special studies or projects for developers; reimbursements for damage done to city streets, rights-of-way, and other city-owned property; donations; reimbursement from the Gas Tax Fund for traffic signal maintenance; and miscellaneous reimbursed expenses and refunds of prior year fees. The increase to date was primarily driven by reimbursements received for the Innovate 78 Regional EDC contract services largely reduced by a decrease in revenues received by the city to offset the costs of special studies by developers.



Other Licenses and Permits (\$752,000) – Other licenses and permits consist of fire protection services, right-of-way, lagoon, grading, hazardous uses, and other miscellaneous permit revenues. These permits usually increase/decrease along with increases/decreases in development activity. These revenues can vary throughout the year. The large increase to date was derived from increased revenues from retroactive right-of-way billings going back to July of 2017.



Transfer Taxes (\$403,000) – When real property is sold, the County Assessor’s Office charges a transfer tax. The transfer tax rate in San Diego County is \$1.10 per thousand multiplied by the selling price of the property. The city receives 50 percent of the transfer tax charged for sales within the City of Carlsbad. Year-to-date revenues have decreased significantly indicating a slowdown in the sales market for residential, commercial and industrial real property.



Other Charges or Fees (\$301,000) – Other charges or fees are generated through the sale of city documents, such as staff reports, blueprints and copies; general fees collected for false alarms, easements and agreements, weed abatement and kiosk signs; audio/visual rental fees; and general services, such as mutual aid response, mall police services, emergency response services, reports, etc. The decrease to date reflects the elimination of audio/visual fees at the libraries and a reduction in false alarm fees (prior year timing differences).



Fines and Forfeitures (\$293,000) – Fines and forfeitures represent fees collected for code violations, parking citations, overdue fines, and returned checks. The city recognizes revenues when the citizen pays the fine or forfeiture, as opposed to when the fine is imposed. The slight decrease to date is due to higher parking citation revenues completely offset by a drop in code violations.



Other Intergovernmental Revenues (\$223,000) – Other intergovernmental revenues include miscellaneous receipts received from the state or federal governments, as well as local school districts. Included in the \$223,000 received this year are state mandated costs reimbursements, a library adult learning grant, a state family literacy grant, Regional Response Group funding, Peace Officer Standards and Training (POST) reimbursements, and Police overtime task force reimbursements. The large decrease for the year is a result of an OES reimbursement received for the 2014 Poinsettia Fires in the prior fiscal year.



Homeowners' Exemptions (\$54,000) – When property taxes are calculated on a particular parcel of property, the first \$7,000 of property value is excluded from the property tax calculation. The state then reimburses the city for this mandated exemption. This reimbursement is entitled Homeowners' Exemption revenue and is shown under intergovernmental revenues.

Expenditures

Total General Fund expenditures and encumbrances through the month of December 2019 are \$106.8 million, compared to \$91.2 million at the same time last year. This leaves \$94.2 million, or 46.9 percent, available through the fiscal year ending June 30, 2020. If funds were spent in the same proportion as the previous year, the General Fund would have 53.1 percent available.

Excluding the transfers out, contingencies, and non-departmental charges, the percentage available at December 31, 2019 is 47.6 percent, moderately less than the 52.5 percent available at December 31, 2018. In July 2019, the city paid their entire CalPERS unfunded actuarial liability payment for the year versus amortizing the payment over the fiscal year (this was done in the prior fiscal year). By making the payment in July, the city will save a total of \$380,645 across all city funds (\$329,017 in the General Fund). In addition, the encumbered \$4.5 million in December 2019 (one-time costs) for an upgraded digital information network that will save the city \$715,000 per year during the next five years.

The adopted General Fund budget for fiscal year 2019-20 increased by \$11.3 million due to the following factors:

- Increased personnel costs (increase of \$8.5 million):
 - \$6 million in additional salary costs associated with previously negotiated wage increases as well as the net addition of 34 full-time staff and an increase of 11.37 part-time staff
 - \$900,000 in additional retirement costs due to PERS rate increases and higher salaries
 - Increased workers' compensation rates of \$451,000
 - Increased health insurance rates of \$900,000
- Increased maintenance and operations costs (increase of \$4.2 million):
 - General increases in internal service charges
 - Increases for new programs (i.e. homeless response program, North Beach lifeguard program, general price increases, costs associated with the hiring of new employees (vehicles, computers, training, etc.), and general contract increases)
- Increased capital outlay costs of \$300,000
- Decreased transfers out of the General Fund:
 - Decrease of \$1.5 million in a transfer to the Workers' Compensation Fund
 - Decrease of \$400,000 in the annual transfers to the Infrastructure Replacement and General Capital Construction Funds
 - Increase of \$175,000 in the annual transfers to the city's Lighting and Landscaping District #1 Funds

Council Contingency

The City Council has allocated \$1.5 million out of the General Fund budget for unanticipated emergencies or unforeseen program needs. As of December 31, 2019, \$214,051 has been authorized out of the council contingency account.

CONTINGENCY ACCOUNT USE OF FUNDS			
EXPLANATION	AMOUNT	DATE	RESOLUTION NUMBER
ADOPTED BUDGET	\$1,500,000		
USES:			
Legal Services to Assist the City with the Community Choice Energy Project	(20,000)	04/16/2019	2019-052
Winning Teams Grant for the Carlsbad High School Speech and Debate Boosters	(53)	10/28/2019	City Manager
Upfront Start Up Costs for the Clean Energy Alliance JPA	(150,000)	11/12/2019	2019-229
Employee Short-term and Long-term Disability Insurance Changes	<u>(43,998)</u>	12/10/2019	2019-245
TOTAL USES	<u>(214,051)</u>		
AVAILABLE BALANCE	<u><u>\$1,285,949</u></u>		

Detailed schedules of General Fund revenues and expenditures are provided on the following pages.

**GENERAL FUND
REVENUE COMPARISON**

	EXPECTED BUDGET AS OF 12/31/19	ACTUAL FY 2018 AS OF 12/31/18	ACTUAL FY 2019 AS OF 12/31/19	CHANGE FROM YTD 2019 TO YTD 2020	PERCENT CHANGE
TAXES					
PROPERTY TAX	\$23,508,229	\$22,690,818	\$24,357,174	\$1,666,356	7%
SALES TAX	16,872,549	18,435,510	19,762,217	1,326,707	7%
TRANSIENT OCCUPANCY TAX	16,250,696	14,983,319	14,915,580	(67,739)	0%
FRANCHISE TAX	1,507,647	1,631,138	1,514,382	(116,756)	-7%
BUSINESS LICENSE TAX	2,108,491	2,432,985	2,428,894	(4,091)	0%
TRANSFER TAX	373,741	543,122	403,220	(139,902)	-26%
TOTAL TAXES	60,621,353	60,716,892	63,381,467	2,664,575	4%
INTERGOVERNMENTAL					
VEHICLE LICENSE FEES	0	0	0	0	0%
HOMEOWNERS EXEMPTIONS	51,688	51,720	53,750	2,030	4%
OTHER	308,277	892,380	222,540	(669,840)	-75%
TOTAL INTERGOVERNMENTAL	359,965	944,100	276,290	(667,810)	-71%
LICENSES AND PERMITS					
BUILDING PERMITS	218,287	865,460	727,515	(137,945)	-16%
OTHER LICENSES & PERMITS	410,377	500,660	751,728	251,068	50%
TOTAL LICENSES & PERMITS	628,663	1,366,120	1,479,243	113,123	8%
CHARGES FOR SERVICES					
PLANNING FEES	326,860	441,151	239,262	(201,889)	-46%
BUILDING DEPARTMENT FEES	418,698	593,002	549,587	(43,415)	-7%
ENGINEERING FEES	275,388	263,606	333,412	69,806	26%
AMBULANCE FEES	1,123,817	1,217,012	1,452,011	234,999	19%
RECREATION FEES	1,978,780	1,825,987	1,815,306	(10,681)	-1%
OTHER CHARGES OR FEES	226,943	352,114	301,209	(50,905)	-14%
TOTAL CHARGES FOR SERVICES	4,350,485	4,692,872	4,690,787	(2,085)	0%
FINES AND FORFEITURES	375,867	294,331	292,790	(1,541)	-1%
INCOME FROM INVESTMENTS & PROPERTY	2,561,189	2,928,788	3,988,675	1,059,887	36%
INTERDEPARTMENTAL CHARGES	2,352,728	2,269,246	2,399,750	130,504	6%
OTHER REVENUE SOURCES	522,557	708,475	771,766	63,291	9%
TRANSFERS IN	370	10,000	10,000	0	0%
TOTAL GENERAL FUND	\$71,773,178	\$73,930,824	\$77,290,768	\$3,359,944	5%

(1)

(1) Calculated General Fund revenues are 7.7 percent above estimates as of December 31, 2019.

**GENERAL FUND
EXPENDITURE STATUS BY DEPARTMENT**

DEPT DESCRIPTION	TOTAL BUDGET FY 2019-20	AS OF 12/31/19		
		AMOUNT COMMITTED (b)	AVAILABLE BALANCE	% AVAILABLE (c)
POLICY AND LEADERSHIP GROUP				
CITY COUNCIL	\$610,440	\$247,575	\$362,865	59.4%
CITY ATTORNEY	1,983,374	1,031,114	952,260	48.0%
CITY MANAGER	3,768,258	1,584,617	2,183,641	57.9%
CITY TREASURER	249,061	98,548	150,513	60.4%
COMMUNITY OUTREACH AND ENGAGEMENT	2,190,976	1,282,062	908,914	41.5%
TOTAL POLICY AND LEADERSHIP GROUP	8,802,109	4,243,916	4,558,193	51.8%
ADMINISTRATIVE SERVICES				
FINANCE	7,111,619	3,558,201	3,553,418	50.0%
HUMAN RESOURCES	6,105,720	2,754,828	3,350,892	54.9%
TOTAL ADMINISTRATIVE SERVICES	13,217,339	6,313,029	6,904,310	52.2%
PUBLIC SAFETY				
POLICE	46,356,173	25,909,066	20,447,107	44.1%
FIRE	26,755,219	14,363,040	12,392,179	46.3%
TOTAL PUBLIC SAFETY	73,111,392	40,272,106	32,839,286	44.9%
COMMUNITY SERVICES				
CITY CLERK SERVICES	1,679,971	629,873	1,050,098	62.5%
COMMUNITY AND ECONOMIC DEVELOPMENT	15,125,811	7,593,550	7,532,261	49.8%
LIBRARY AND CULTURAL ARTS	14,988,475	6,861,293	8,127,182	54.2%
PARKS AND RECREATION	20,951,851	11,818,928	9,132,923	43.6%
TOTAL COMMUNITY SERVICES	52,746,108	26,903,644	25,842,464	49.0%
PUBLIC WORKS				
PUBLIC WORKS ADMINISTRATION	2,228,693	1,045,954	1,182,739	53.1%
ENVIRONMENTAL MANAGEMENT	1,125,523	675,904	449,619	39.9%
GENERAL SERVICES	11,065,806	5,645,031	5,420,775	49.0%
TRANSPORTATION	8,431,567	4,358,984	4,072,583	48.3%
TOTAL PUBLIC WORKS	22,851,589	11,725,873	11,125,716	48.7%
NON-DEPARTMENTAL & CONTINGENCY				
OTHER NON-DEPARTMENTAL (a)	17,502,637	5,824,595	11,678,042	66.7%
TRANSFERS OUT	11,473,000	11,473,000	0	0.0%
CONTINGENCY	1,285,949	0	1,285,949	100.0%
TOTAL NON-DEPT & CONTINGENCY	30,261,586	17,297,595	12,963,991	42.8%
TOTAL GENERAL FUND	\$200,990,123	\$106,756,163	\$94,233,960	46.9%

(a) Other non-departmental includes technology innovation, property tax administration fees, assessment district administration, citywide litigation expenses, and other items not attributed to a specific department.

(b) Total committed includes expenditures and encumbrances.

(c) Amount available would be 53.1% if funds were spent in the same proportion as the previous year.

Water Enterprise

WATER OPERATIONS FUND					
DECEMBER 31, 2019					
	BUDGET	YTD (*)	YTD (*)	CHANGE FROM	PERCENT
	FY 2019-20	12/31/2018	12/31/2019	YTD 2018-19 TO	CHANGE
				YTD 2019-20	
REVENUES:					
WATER DELIVERY	\$ 40,207,000	\$ 23,003,212	\$ 21,833,450	\$ (1,169,762)	-5.1%
INTEREST	402,400	258,465	314,945	56,480	21.9%
MISC. SERVICE CHARGES	174,710	168,588	165,371	(3,217)	-1.9%
PROPERTY TAXES	3,479,500	1,519,550	1,621,621	102,071	6.7%
FINES, FORFEITURES & PENALTIES	284,000	173,328	160,251	(13,077)	-7.5%
OTHER REVENUES	752,300	197,482	221,632	24,150	12.2%
TOTAL OPERATING REVENUE	45,299,910	25,320,625	24,317,270	(1,003,355)	-4.0%
EXPENSES:					
STAFFING	3,715,409	1,795,299	1,931,987	136,688	7.6%
INTERDEPARTMENTAL SERVICES	2,655,773	1,230,205	1,329,905	99,700	8.1%
PURCHASED WATER	25,100,000	12,821,996	12,209,420	(612,575)	-4.8%
MWD/CWA FIXED CHARGES	6,500,000	3,294,140	3,137,855	(156,285)	-4.7%
OUTSIDE SERVICES/MAINTENANCE	2,568,532	270,028	378,194	108,166	40.1%
DEPRECIATION/REPLACEMENT	4,100,000	1,955,000	2,050,000	95,000	4.9%
MISCELLANEOUS EXPENSES	1,164,722	389,160	392,672	3,512	0.9%
CAPITAL OUTLAY	489,538	24,109	9,538	(14,571)	-60.4%
TOTAL OPERATING EXPENSES	46,293,974	21,779,937	21,439,572	(340,365)	-1.6%
OPERATING INCOME/(LOSS)	\$ (994,064)	\$ 3,540,688	\$ 2,877,698	\$ (662,990)	-18.7%

(*) Adjusted to reflect timing differences for water purchases and depreciation.

Revenues



- A 6.5 percent decrease in water volume sales compared to the prior fiscal year coupled with water rates being held flat during calendar year 2019 have led to lower water delivery revenues.
- A 7.9 percent increase in the average cash balance combined with an eleven percent increase in the yield in the Treasurer's portfolio has led to higher interest earnings.
- The change in property taxes is due to an increase in assessed property values.
- The decrease in fines, forfeitures and penalties is driven by a decrease in late charge revenue.
- The increase in other revenues is primarily due to higher volume of cell site leases revenue, increased revenue per lease, and an increase in insurance claim recoveries.

Expenses



- The increase in staffing expenses is due to the Enterprise paying their entire CalPERS unfunded actuarial liability payment for the year in July versus amortizing the payment over the fiscal year (this was done in the prior fiscal year). Additionally, salary expenses have increased in line with changes in headcount; however, this was partially offset by savings resulting from a conversion of retiree health insurance plans, ACWA JPIA¹, to CalPERS.
- An update and change in the methodology of the cost allocation plan has led to higher interdepartmental charges.
- The primary drivers of the decrease in purchased water are: a 6.5 percent decrease in the quantity of water purchased and a 0.3 percent rate decrease in the variable cost of water purchased from the San Diego County Water Authority (SDCWA). The decrease was partially offset by an increase in the cost of desalinated water.
- Lower 2020 SDCWA fixed charges are driven by lower 5-year rolling average of deliveries.
- The largest factors driving the outside services and maintenance cost increase are the implementation of the Water Shutoff Protection Act, the utility billing system upgrade, and asphalt repairs.

¹ The Association of California Water Agencies Joint Powers Insurance Authority

Wastewater Enterprise

WASTEWATER OPERATIONS FUND DECEMBER 31, 2019					
	BUDGET FY 2019-20	YTD* 12/31/2018	YTD* 12/31/2019	CHANGE FROM YTD 2018-19 TO YTD 2019-20	PERCENT CHANGE
REVENUES:					
CHARGES FOR CURRENT SERVICES	13,757,100	7,170,309	7,263,763	93,454	1.3%
INTEREST	155,800	96,802	106,939	10,137	10.5%
OTHER REVENUES	246,000	110,772	92,492	(18,280)	-16.5%
TOTAL OPERATING REVENUE	14,158,900	7,377,883	7,463,194	85,311	1.2%
EXPENSES:					
STAFFING	2,435,523	1,047,731	1,205,268	157,537	15.0%
INTERDEPARTMENTAL SERVICES	1,352,520	625,814	665,475	39,661	6.3%
ENCINA PLANT SERVICES	5,055,481	1,775,879	1,807,793	31,914	1.8%
OUTSIDE SERVICES/MAINTENANCE	1,110,016	132,218	185,036	52,818	39.9%
DEPRECIATION/REPLACEMENT	3,800,000	1,825,000	1,900,000	75,000	4.1%
MISCELLANEOUS EXPENSES	808,073	243,598	271,645	28,047	11.5%
CAPITAL OUTLAY	57,127	0	43,516	43,516	100.0%
TOTAL OPERATING EXPENSES	14,618,740	5,650,240	6,078,733	428,493	7.6%
OPERATING INCOME/LOSS	(459,840)	1,727,643	1,384,461	(343,182)	-19.9%

(*) Adjusted to reflect timing differences for Encina quarterly invoices and depreciation.

Revenues



- Charges for current services are up slightly due to increases in development throughout the city.
- A 2.7 percent increase in the average cash balance combined with an eleven percent increase in the yield in the Treasurer’s portfolio has led to higher interest earnings.
- The decrease in other revenues is attributable to a timing difference in interdepartmental beach bathroom cleaning billings.

Expenses



- Staffing expenses have increased compared to the prior year. This increase is due to the Enterprise paying their entire CalPERS unfunded actuarial liability payment for the year in July versus amortizing the payment of the fiscal year (as was done in the prior fiscal year). Additionally, salary expenses have increased in line with changes in headcount.
- An update and a change in the methodology of the cost allocation plan has led to higher interdepartmental charges.
- Encina plant services to date are a combination of actuals and an estimate of the annual Encina expense prorated monthly.
- The increase in outside services and maintenance was driven by the utility billing system upgrade and a cost of service study.
- The increase in miscellaneous expenses are primarily due to the timing of parts and equipment purchases.
- The capital outlay was made to purchase a vehicle and vehicle equipment.