

Financial *Status Report*

December 31, 2024

This report summarizes the City of Carlsbad's General Fund revenues and expenditures through December 31, 2024. It compares revenues and expenditures for the first half of fiscal year 2024-25 and fiscal year 2023-24. In addition, the financial status of the Water, Wastewater and Golf Course Enterprise Funds 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 (\$34.4 million) – The majority of property tax revenue is collected in December and April each year. According to the County of San Diego Assessor's Office, assessed values in Carlsbad have increased by 4.99% for fiscal year 2024-25. This is the 12th 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. The increase in this year's assessed values

is due to increases in the assessed values of residential, 4.8%, and industrial, 7.4%, properties in the city; the city saw a smaller increase, 1.5%, in commercial property values for the year. This is the 10th 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). Although increases in residential assessed values were recorded for fiscal year 2024-25 and for-sale home prices are remaining steady, the county is experiencing historically low for-sale housing inventory as higher interest rates are decreasing home affordability.

The property taxes for the first half of the fiscal year have increased by 5% as compared to the prior fiscal year. The primary reasons for the increase are:

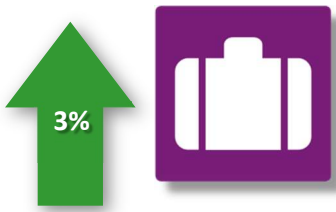
- Current taxes are up by \$1,741,000 or 6.1% mainly due to increased assessed property values. The first installment of taxes was received by the city in December.
- Supplemental taxes are down \$259,000 or 35%, these taxes are driven by change in assessed value due to change in property ownership.
- Aircraft taxes are also up \$182,000 or 6% due to an increase in aircraft assessed values.



Sales Taxes (\$30.5 million) – For the first half of the fiscal year, sales tax revenues are \$160,000, or 0.5%, higher than the same period in the previous fiscal year. Sales tax revenues to date for the current fiscal year represent the city's sales tax revenues for the second and third calendar quarter of calendar year 2024 as well as the first advance for the fourth calendar quarter of 2024.

In fiscal year 2021-22, the city experienced accelerated recovery after the impacts of the COVID-19 pandemic. Fiscal year 2022-23 saw historically high levels of sales tax revenues driven by inflation and sustained by consumer demand. Fiscal year 2023-24 revealed a leveling off of sales growth and slowdown in consumer activity. This leveling off continues into the current fiscal year as revenue trends remain slightly lower than a year ago overall. Consumers are more likely to wait for greater improvement of household economic conditions before extending themselves again, inspiring the next sales tax growth cycle.

The largest economic segments in the city are automobile dealers, general consumer goods, and restaurants. Together, they generate approximately 63% of the city’s sales tax revenues. For sales occurring in the third calendar quarter of 2024 (the most recent data available), Carlsbad’s cash basis sales were up 2.9%, when compared to the third quarter of 2023. The city’s largest sector, auto dealers, showed higher new car sales, which is attributable to the correction of a taxpayer error. With this in mind, and on an economically adjusted basis, the city’s sales tax receipts were actually down approximately 6% over the previous year and driven mainly by a decline in consumer demand, likely in response to the sustained inflationary period combined with future uncertainty with the new administration.



Transient Occupancy Tax (\$19.7 million) – The city’s third highest General Fund revenue source on an annual basis is Transient Occupancy Tax (TOT or hotel tax), estimated at \$34.8 million for the current fiscal year. A tax of 10% of the rent amount is collected on all occupancies less than 30 days (transient) in duration. Year-to-date TOT figures represent taxes collected on hotel receipts through the month of November 2024. TOT collected for the first half of the fiscal year reflects an increase of \$612,000 or 3%, when compared to the previous year.

Currently, there are 5,059 hotel rooms in the city and 449 registered short-term vacation rentals. The average occupancy of hotel rooms over the most recent 12 months has been 71.6% which is slightly higher when compared to this time last year of 70.3%. Average daily room rates in October, November and December of 2024 were 3% higher than the previous year on average. While occupancy rates remain stable, it will be important to monitor the impact of average daily room rate fluctuations on occupancy rates moving forward.



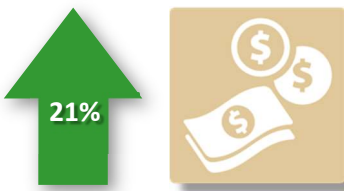
Business License Tax (\$3.0 million) – All entities doing business in the City of Carlsbad are required to have a valid business license. Business license revenue is estimated at \$6.6 million for the current fiscal year. Business license revenues are down by \$128,000, or 0.4%, from the previous fiscal year. The decrease is due to a 2% decrease in license renewal revenue combined with a reduction in penalty revenue from overdue business license renewals.

There are currently 9,925 active business licenses, 435 more than the prior year. The majority of taxed businesses (6,714 businesses) are located in Carlsbad, with 2,533 of these businesses home-based.



Interdepartmental Charges (\$2.6 million) – Interdepartmental charges are down by \$437,000 or 14% when compared with the same period last year. These charges are generated through engineering services charged to capital projects; reimbursed work from other funds; and miscellaneous interdepartmental expenses charged to funds outside the General Fund for services performed by departments within the General Fund. The decrease this year is the result of the budgeted decrease in the miscellaneous interdepartmental expense charged

from the General Fund to other funds, which is based on the city’s most recent cost allocation plan.



Income from Investments and Property (\$4.4 million) – For the first half of the fiscal year, income from investments and property is up \$757,000 compared to the previous fiscal year. This increase is due to several factors including a 24% rise in yield from 2.49% as of December 2023 to 3.03% as of December 2024 along with a 0.9% increase in the average cash balance held in the General Fund as well as interest earned of \$471,000 fiscal year to date on the city’s Section

115 Pension Trust. The City Council approved the establishment of a Section 115 Pension Trust in 2023 for purposes of mitigating CalPERS’ volatility, maintaining local control over city assets and preparing for potential future decreases in CalPERS’ discount rate. An initial contribution of \$10 million was authorized by the City Council followed by a second annual contribution of \$7.5 million in October 2024.

Inflation which had been on a historic rise for much of 2022 and into 2023 which resulted in the Federal Reserve increasing benchmark rates all the way to a target range of 5.25%-5.5% as of July 2023, the highest it has been in more than 20 years.

The Federal Reserve began cutting interest rates in late 2024, first lowering the range to 4.75%-5.0% in September, followed by further reductions to 4.5%-4.75% in November and 4.25%-4.5% in December. Recent indicators suggest that economic activity has continued to expand at a solid pace, with the unemployment rate moving up but remaining low. Inflation has made further downward progress but remains somewhat elevated. While many experts predict additional rate cuts in the months ahead, the Federal Reserve has indicated it will proceed with caution.



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 \$160,000 compared to last year at this time. The decrease in revenue is due to the temporary deferral of class payments, which will be recognized when the classes occur.



Development Related Revenues (\$2.4 million) – Development related revenues, which include building permits, planning fees, building department fees, and engineering fees, reflect a 16% increase, or \$332,000, for the first half of the fiscal year when compared to the same time last year.

Development related fees are paid by developers to cover a portion of 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. Activity during the first half of fiscal year 2024-25 included permits associated with the new residential construction of 26 second dwelling units across the city, 65 condominiums (Coral Springs at Marja Acres), 97 apartments (FPC Residential at Ponto and Romeria Pointe), 3 single family homes and various homeowner improvements. Commercial building permit activity included Grand Pacific Autograph Hotel (28,170 sq. ft.) Toyota of Carlsbad (26,665 sq. ft.) and additional footage for Palomar Airport Road car wash (3,111 sq. ft.). Industrial permit activity included three shell buildings (61,753 sq. ft.) in the Carlsbad Oaks North Industrial Park.

One source of development related revenue is building permits, which are \$1.04 million for the current fiscal year compared to \$1.01 million from the prior fiscal year, a 3% increase.



Franchise Tax (\$1.7 million) – Franchise taxes are generated from public utility sources, such as San Diego Gas & Electric (SDG&E), trash collection franchises, and cable franchises conducting business within city limits. Franchise tax revenue is estimated to be at \$8.9 million for the current fiscal year. Year-to-date franchise taxes are \$800 lower, or 0.1%, when compared to the same period last year.

Cable television franchise revenues (Spectrum and AT&T) are down \$70,400 representing a decrease in the number of subscription service subscribers (premium video, equipment rental, on-demand, and programming services) as more customers continue to move to streaming services. This was offset by an increase of \$69,600 in trash collection revenue mostly from contracted rate adjustments with Republic Services, the city's waste services provider.

SDG&E pays franchise taxes for the use of public land over which they transport gas and electric services. In addition, SDG&E pays an "in-lieu" franchise tax based on the value of gas and electricity transported through SDG&E lines but purchased from another source. The "in-lieu" tax was put in place to capture the franchise taxes

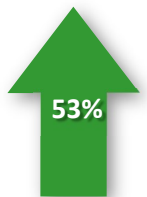
on gas and electricity that is transported using public lands, but which would not otherwise be included in the calculations for franchise taxes. Approximately 48% of the city's franchise taxes are anticipated to be received from SDG&E in April 2025.



Ambulance Fees (\$3.7 million) – The city bills any individual who is transported in one of the city's ambulances. Through December 2024, receipts from ambulance fees are up \$336,000, or 10%, compared to last fiscal year. The increase in revenue for the half of the fiscal year is mainly due to changes to the ambulance fee schedule that the City Council approved in June 2024 based on an updated cost of service study (increases effective Sept 1, 2024). Billable transports totaled 3,829 in the first half of fiscal year 2024-25 versus 3,992 at the same time in the prior fiscal year.



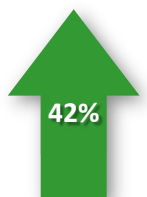
Other Revenue Sources (\$232,000) – Other revenue sources have decreased by \$109,000 when compared to the prior year and include revenues received by the city to offset the costs of special studies or projects for developers; reimbursements for damage done to city streets, rights-of-way, and other city-owned property; donations; and miscellaneous reimbursed expenses. The decrease to date is related to a decrease in general reimbursed expenses when compared to the prior year.



Other Licenses and Permits (\$806,000) – 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. Other licenses and permit revenues can vary throughout the year. To date, the increase of \$278,000 over the prior year is primarily a result of increased right of way (\$90,000), coastal development and grading permits (\$74,000) and fire inspection services (\$47,000) when compared to the same period last year.



Fines and Forfeitures (\$188,000) – 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 decrease to date of \$3,000 is mostly due to a slight decrease in parking citations when compared to the previous fiscal year.



Intergovernmental Revenues (\$1,403,000) – Intergovernmental revenues include homeowners property tax exemption revenue and miscellaneous receipts and grants received from the state or federal governments, as well as local school districts. The increase of \$413,000 received this year includes FEMA COVID-19 reimbursement of \$780,000 which was offset by a decrease of \$538,000 in state reimbursements received for two planning related state grant awards in the prior year. These state grants were completed in the prior year and no additional receipts this fiscal year will be received.



Transfer Taxes (\$526,000) – When real property is sold, the County Assessor’s Office charges a transfer tax. The transfer tax rate in San Diego County is \$0.0011 multiplied by the selling price of the property. The city receives 50% of the transfer tax charged for sales within the City of Carlsbad. Revenues have increased by \$8,000 over the same period last year due to an increase in property transfers.



Other Charges or Fees (\$574,000) – 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; and general services, such as mutual aid response, mall police services, emergency response services, reports, etc. These fees are down by \$223,000, or 28% mainly due to a decrease in mutual aid response reimbursements when compared to the prior fiscal year.

A detailed schedule of General Fund revenues is provided below:

**GENERAL FUND
REVENUE COMPARISON**

	REVENUE BUDGETED FOR FY 2024-25	REVENUE EXPECTED THROUGH 12/31/24	ACTUAL FY 2024 AS OF 12/31/23	ACTUAL FY 2025 AS OF 12/31/24	CHANGE FROM YTD 2024 TO YTD 2025	PERCENT CHANGE
TAXES						
PROPERTY TAX	\$94,901,892	\$33,302,301	\$32,701,345	\$34,383,742	\$1,682,397	5%
SALES TAX	59,382,534	31,181,883	30,379,803	30,539,472	159,669	0.5%
TRANSIENT OCCUPANCY TAX	34,776,940	19,533,974	19,120,221	19,731,910	611,689	3%
FRANCHISE TAX	8,883,315	1,914,540	1,738,561	1,737,775	(786)	-0.05%
BUSINESS LICENSE TAX	6,560,060	3,155,447	3,100,617	2,972,407	(128,210)	-4.1%
TRANSFER TAX	1,676,136	645,307	518,500	526,378	7,878	2%
TOTAL TAXES	206,180,877	89,733,451	87,559,047	89,891,684	2,332,637	3%
INTERGOVERNMENTAL						
VEHICLE LICENSE FEES	140,000	0	0	0	0	0%
HOMEOWNERS EXEMPTIONS	245,000	37,117	49,142	48,281	(861)	-2%
OTHER REIMBURSEMENT	544,000	337,979	940,045	1,354,400	414,355	44%
TOTAL INTERGOVERNMENTAL	929,000	375,096	989,187	1,402,681	413,494	42%
LICENSES AND PERMITS						
BUILDING PERMITS	2,400,000	1,316,323	1,010,424	1,040,425	30,001	3%
OTHER LICENSES & PERMITS	973,500	428,599	527,814	806,147	278,333	53%
TOTAL LICENSES & PERMITS	3,373,500	1,744,922	1,538,238	1,846,572	308,334	20%
CHARGES FOR SERVICES						
PLANNING FEES	813,000	364,024	383,902	487,474	103,572	27%
BUILDING DEPARTMENT FEES	924,000	445,950	360,211	401,896	41,685	12%
ENGINEERING FEES	872,000	343,125	333,014	489,722	156,708	47%
AMBULANCE FEES	7,650,000	3,876,079	3,325,165	3,660,860	335,695	10%
RECREATION FEES	3,459,066	2,025,691	1,932,912	1,772,756	(160,156)	-8%
OTHER CHARGES OR FEES	1,690,500	806,333	796,801	574,206	(222,595)	-28%
TOTAL CHARGES FOR SERVICES	15,408,566	7,861,202	7,132,005	7,386,914	254,909	4%
FINES AND FORFEITURES	351,700	161,735	191,139	187,728	(3,411)	-2%
INCOME FROM INVESTMENTS & PROPERTY	7,041,490	2,776,885	3,624,004	4,381,065	757,061	21%
INTERDEPARTMENTAL CHARGES	5,427,750	2,743,121	3,073,469	2,636,342	(437,127)	-14%
OTHER REVENUE SOURCES	348,500	213,654	340,600	231,918	(108,682)	-32%
TRANSFERS IN	33	0	0	0	0	0%
TOTAL GENERAL FUND	\$239,061,416	\$105,610,067	104,447,689	\$107,964,904	\$3,517,215	3%

(1)

(1) Calculated General Fund revenues are 2% above estimates as of December 31, 2024.

Expenditures

Total General Fund expenditures and encumbrances – those funds either spent or committed for specific expenses – through the month of December 2024 (the first half of the fiscal year) are \$131.1 million, compared to \$129.5 million at the same time last year. The remaining budget available through the fiscal year ending June 30, 2025, is \$122.2 million, or 48%. If funds were spent in the same proportion as the previous year, the General Fund would have 46% or \$112.0 million available. Excluding transfers out, contingencies, and non-departmental charges, the percentage available on December 31, 2024, is 46.3%, 0.6% more than the 45.7% available on December 31, 2023.

The fiscal year 2024-25 budget was developed with a focus on resiliency over the long-term during a time of continued economic uncertainty. The adopted budget prioritizes the goals in the City Council's 5-Year Strategic Plan, which was based on input from thousands of community members and approved in 2022.

The adopted budget eliminates the projected General Fund deficit from the five-year financial forecast that had been previously forecasted since 2019. A structural deficit describes a situation when projected ongoing spending is expected to increase at a faster rate than anticipated ongoing revenue. The city's five-year financial forecast currently shows a balanced budget through 2031.

Healthy revenues, increased efficiencies, cost reductions and new budget policies and practices over the past several years have worked together to close the gap. However, economic uncertainty remains as the city transitions from focusing on building and development to maintaining what has been created. As such, the adopted budget for fiscal year 2024-25 continues to focus on finding new cost savings and reducing ongoing spending while continuing to grow city reserves, prioritizing capital project funding and maintaining high quality service levels.

The adopted General Fund budget for fiscal year 2024-25 increased by 10.0% or \$21.5 million when compared to last fiscal year due to:

- Increased personnel costs (increase of \$4.6 million or 3.6%):
 - \$1.3 million in salaries and wages due to negotiated salary increases offset by a reduction in total full-time equivalent positions of 9.7.
 - \$2.1 million in retirement benefits costs.
 - \$0.2 million in health insurance costs.
 - \$0.9 million increase in other personnel costs (Medicare, unemployment and disability benefits).
- Increased maintenance and operations costs (increase of \$0.7 million or 1.3%):
 - Overall, total maintenance and operations costs were projected with small increase, Fiscal year 2021-22 and 2022-23 experienced inflationary increases ranging between 4.1% and 8.3% which drove the city's need to contain costs and identify areas for reduction with minimal service level impacts. Although inflation has declined compared to previous periods, it was still ranging between 3.6% and 5.2% when the FY 2024-25 budget was being developed. As a result, the fiscal year 2024-25 budget adopted a minimal increase to maintenance and operations given the lingering inflation in the economy.
- Increase in transfers to other city funds (increase of \$15.6 million or 71.4%):
 - Per Council Policy 91, Long Term General Fund Capital Funding Policy, the city annually budgets 6% of General Fund revenues as a transfer to the Infrastructure Replacement Fund, General Capital Construction Fund and the Technology Investment Capital Fund to help fund major new construction, maintenance and replacement of city infrastructure and facilities and the city's future technology needs. For FY 2024-25 this amounted to \$14.4 million, split evenly between these three capital project funds.
 - \$13.8 million in additional transfers, compared with \$7.4 million last year, was budgeted for the General Capital Construction Fund resulting from the estimated General Fund surplus. The General Capital Construction Fund is funded by the General Fund and includes many capital projects programmed in the

future. The level of funding necessary to fully fund these projects is an increasing concern. This one-time transfer amount will assist with funding the city's general capital construction into the future.

CalPERS and pension funding has been and will continue to be a challenge for participating agencies. CalPERS administers the city's defined benefit pension plan and costs have been increasing in past years as CalPERS addresses a structural shortfall in plan assets to cover unfunded liabilities. In support of CalPERS strategies for plan sustainability and as part of the city's strategic, long-term approach to financial management, the city actively manages its unfunded pension liability. Since fiscal year 2016-17, the City Council has approved additional discretionary payments of \$56.4 million to decrease future costs of the city's unfunded actuarial liability and strive to achieve a minimum pension-funded ratio of 80% funded, with a target funded ratio range of 80% to 85%, in accordance with City Council Policy Statement No. 86.

CalPERS latest actuarial valuation report (as of June 30, 2023), the city had a combined pension funded status of 73.7%, reduced from the prior year's status of 74.6%. This reduction was predominantly driven by CalPERS' fiscal year 2022-23 investment return of 5.8%, below their target of 6.8% and will be reflected in the city's required contributions in fiscal year 2025-26.

The City Council approved the establishment of a Public Agencies Post-Employment Benefits Trust (Section 115 Trust) in September 2023. This trust allows the city to stabilize pension cost volatility, maintain local control over the city's assets and earn a potentially higher rate of return than if the assets were kept within the General Fund. The City Council approved an initial trust contribution of \$10 million on September 26, 2023. As of December 31, 2024, the city's Section 115 Trust had a balance of \$18,798,900. Considering the assets held by CalPERS as well as the assets held in the city's trust, the combined pension funded status as of December 2024 is 75.8%.

Identifying a potential structural deficit early has allowed the city to take a thoughtful approach to solutions, exploring new ways to reduce spending and increase revenue. While the projected future deficit has been pushed out beyond the 5-year forecasted period, city staff will continue to monitor financial and economic trends and provide regular updates to the City Council throughout fiscal year 2024-25.

A detailed schedule of General Fund expenditures is provided on the next page.

**GENERAL FUND
EXPENDITURE STATUS BY DEPARTMENT**

DEPARTMENT DESCRIPTION	ADOPTED	WORKING	AS OF 12/31/24		
	BUDGET FY 2024-25	BUDGET FY 2024-25 (a)	AMOUNT COMMITTED (b)	AVAILABLE BALANCE	% AVAILABLE (c)
POLICY AND LEADERSHIP GROUP					
CITY ATTORNEY	\$2,179,705	\$2,179,705	\$1,136,836	\$1,042,869	47.8%
CITY CLERK	1,273,604	1,339,731	624,421	715,310	53.4%
CITY COUNCIL	599,047	601,541	262,915	338,625	56.3%
CITY MANAGER	2,105,683	2,169,188	1,312,797	856,391	39.5%
CITY TREASURER	279,522	279,522	109,390	170,132	60.9%
COMMUNICATIONS & ENGAGEMENT	2,010,091	2,103,122	1,094,744	1,008,378	47.9%
TOTAL POLICY AND LEADERSHIP GROUP	8,447,652	8,672,809	4,541,103	4,131,706	47.6%
ADMINISTRATIVE SERVICES					
ADMINISTRATION	796,196	819,540	314,097	505,443	61.7%
FINANCE	5,631,964	5,940,913	3,177,801	2,763,112	46.5%
HUMAN RESOURCES	5,136,218	5,475,539	2,753,461	2,722,078	49.7%
ECONOMIC DEVELOPMENT	891,866	1,149,065	610,096	538,969	46.9%
TOTAL ADMINISTRATIVE SERVICES	12,456,244	13,385,057	6,855,455	6,529,602	48.8%
PUBLIC SAFETY					
POLICE	60,193,850	61,288,044	32,040,179	29,247,865	47.7%
FIRE	41,793,630	43,479,500	24,215,156	19,264,344	44.3%
TOTAL PUBLIC SAFETY	101,987,480	104,767,544	56,255,335	48,512,209	46.3%
COMMUNITY SERVICES					
COMMUNITY SERVICES ADMINISTRATION	592,261	740,652	450,764	289,888	39.1%
COMMUNITY DEVELOPMENT	10,998,825	13,168,772	7,327,258	5,841,514	44.4%
HOUSING & HOMELESS SERVICES	3,232,287	3,572,878	1,981,821	1,591,057	44.5%
LIBRARY & CULTURAL ARTS	14,522,844	14,880,569	7,236,907	7,643,662	51.4%
PARKS & RECREATION	22,759,082	23,082,519	12,716,799	10,365,720	44.9%
TOTAL COMMUNITY SERVICES	52,105,299	55,445,390	29,713,549	25,731,841	46.4%
PUBLIC WORKS					
PUBLIC WORKS ADMINISTRATION	1,533,038	1,543,404	754,752	788,652	51.1%
CONSTRUCTION MANAGEMENT & INSPECTIONS	3,068,292	3,152,583	1,501,503	1,651,080	52.4%
ENVIRONMENTAL SUSTAINABILITY	1,210,630	1,510,379	779,029	731,350	48.4%
FACILITIES	7,191,930	8,232,953	4,811,098	3,421,855	41.6%
TRANSPORTATION	10,741,202	11,198,697	6,487,288	4,711,409	42.1%
TOTAL PUBLIC WORKS	23,745,092	25,638,016	14,333,670	11,304,346	44.1%
NON-DEPARTMENTAL & CONTINGENCY					
(d) OTHER NON-DEPARTMENTAL	1,679,000	2,192,740	674,737	1,518,003	69.2%
VILLAGE TRENCHING	0	5,220,000	0	5,220,000	100.0%
OPERATING TRANSFERS OUT	37,547,678	37,547,678	18,773,844	18,773,834	50.0%
CONTINGENCY	500,000	492,334	0	492,334	100.0%
TOTAL NON-DEPT & CONTINGENCY	39,726,678	45,452,752	19,448,581	26,004,171	57.2%
TOTAL GENERAL FUND	\$238,468,445	\$253,361,568	\$131,147,693	\$122,213,875	48.2%

(a) Working budget includes the adopted budget, open encumbrances from the end of the prior fiscal year, approved carry forwards of the prior fiscal year and all other mid-year council approvals.

(b) Actual expenditures on a budgetary basis include encumbrances and exclude non-budgeted items.

(c) Amount available would be 46% if funds were spent in the same proportion as the previous year.

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

Council Contingency

The City Council has allocated \$500,000 out of the General Fund budget for unanticipated emergencies or unforeseen program needs. Below is a listing of the City Council’s contingency:

CONTINGENCY ACCOUNT	
USE OF FUNDS	
EXPLANATION	AMOUNT
ADOPTED BUDGET	\$500,000
USES:	
Winning Teams Grant: Carlsbad High School Lancer Dancers (Resolution 2024-246)	(7,666)
TOTAL USES	<u>(7,666)</u>
AVAILABLE BALANCE	<u>\$492,334</u>

Note 1 - City Council Policy 51 gives authorization to the City Manager, or designee, to approve Winning Teams and Community Spirit Grants up to \$5,000 per grant.

Donations

Carlsbad Municipal Code 2.08.100 authorizes the city manager to accept donations on behalf of the city in an amount or of value of up to \$5,000 per donation. These donations shall be used in accordance with the donor’s intent or added to the city’s contingency account. Below is a listing of all donations, that have been accepted by the city manager to date during fiscal year 2024-25:

Donations Fiscal Year 2024-25							
Department	Intention	Qtr. 1	Oct.	Nov.	Dec.	Qtr. 2	Total
Parks & Recreation	Leo Carrillo Ranch Cash Donations	\$1,761	\$507	\$3,375	\$331	\$4,213	\$5,974
Parks & Recreation	Opportunity Grant Donations	1,767	643	439	134	1,216	2,983
Parks & Recreation	Senior Center Cash Donations	59	0	0	0	0	59
Parks & Recreation	Senior Meals Cash Donations	6,261	2,279	1,832	1,617	5,728	11,989
Parks & Recreation	Senior Transportation Cash Donations	664	274	272	306	852	1,516
Parks & Recreation	Special Events Cash Donations	1,000	0	0	0	0	1,000
Parks & Recreation	Teen Program Cash Donations	1	242	0	210	452	453
Parks & Recreation	Parks Maintenance Cash Donations	0	0	0	0	0	0
Subtotal - Parks & Recreation		<u>\$11,513</u>	<u>\$3,945</u>	<u>\$5,918</u>	<u>\$2,598</u>	<u>\$12,461</u>	<u>\$23,974</u>
Library & Cultural Arts	Support Library Programs and Services	\$142	\$0	\$0	\$1,205	\$1,205	\$1,347
Subtotal - Library & Cultural Arts		<u>\$142</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,205</u>	<u>\$1,205</u>	<u>\$1,347</u>
Fire	Food gifts for crews	\$515	\$0	\$0	\$300	\$300	\$815
Subtotal - Fire		<u>\$515</u>	<u>\$0</u>	<u>\$0</u>	<u>\$300</u>	<u>\$300</u>	<u>\$815</u>
Total Donations		<u>\$12,170</u>	<u>\$3,945</u>	<u>\$5,918</u>	<u>\$4,103</u>	<u>\$13,966</u>	<u>\$26,136</u>

Water Enterprise

WATER OPERATIONS FUND						
December 31, 2024						
	BUDGET	YTD*	YTD*	CHANGE FROM	PERCENT	
	FY 2024-25	12/31/2023	12/31/2024	YTD 2022-23 TO	CHANGE	
				YTD 2023-24		
REVENUES:						
WATER DELIVERY	\$ 45,000,000	\$ 21,789,600	\$ 23,411,911	\$ 1,622,311	7.4%	
INTEREST	660,456	352,792	395,920	43,128	12.2%	
MISC. SERVICE CHARGES	413,600	207,295	172,909	(34,386)	-16.6%	
PROPERTY TAXES	3,119,800	1,288,966	1,804,495	515,529	40.0%	
FINES, FORFEITURES & PENALTIES	378,500	197,671	231,659	33,988	17.2%	
OTHER REVENUES	513,000	221,075	236,963	15,888	7.2%	
TOTAL OPERATING REVENUE	50,085,356	24,057,399	26,253,857	2,196,458	9.1%	
EXPENSES:						
STAFFING	4,905,926	2,303,806	2,509,774	205,968	8.9%	
INTERDEPARTMENTAL SERVICES	3,475,547	1,883,304	1,737,951	(145,353)	-7.7%	
PURCHASED WATER	33,850,000	15,130,334	16,342,257	1,211,924	8.0%	
MWD/CWA FIXED CHARGES	7,710,000	3,398,802	3,626,094	227,292	6.7%	
OUTSIDE SERVICES/MAINTENANCE	2,943,455	275,999	384,035	108,036	39.1%	
DEPRECIATION/REPLACEMENT	5,100,000	2,489,459	2,550,000	60,541	2.4%	
MISCELLANEOUS EXPENSES	1,068,191	307,283	389,150	81,867	26.6%	
CAPITAL OUTLAY	143,211	60,936	33,510	(27,426)	-45.0%	
TOTAL OPERATING EXPENSES	59,196,330	25,849,923	27,572,771	1,722,849	6.7%	
OPERATING INCOME/(LOSS)	\$ (9,110,974)	\$ (1,792,524)	\$ (1,318,914)	\$ 473,609	-26.4%	

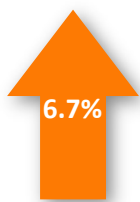
*Adjusted to reflect timing differences for water purchases and depreciation.

Revenues



- Increase in water operating revenues due to increase in user rates effective January 2024, combined with a 5.3% increase in water volume sales.
- Interest earnings increased due to a 24% increase in the yield of the Treasurer’s portfolio offset by an 14.7% decrease in the monthly average cash balance.
- The increase in property taxes is primarily due to an increase in assessed property values.
- The increase in fines is from rate increase of late and door hanger fees.
- The increase in other revenues is from higher revenue due to a loss recovery and reimbursed work from other departments.
- The decrease in miscellaneous service charges driven by private development requests.

Expenses



- The increase in staffing expenses due to negotiated salary adjustments in addition to annual required contribution to the city’s unfunded pension liability balance with CalPERS.
- Lower interdepartmental expenses resulted from the annual update of the citywide cost allocation.
- Purchased water expenses have increased from the prior year due to a 11.26% rate increase in the variable cost of water purchased from the San Diego County Water Authority (SDCWA) combined with a 8.3% increase in the amount of water purchased.
- Outside services increase from pump and asphalt repairs in current year.
- Miscellaneous expense increased from various parts and equipment purchases.
- Capital outlay decrease due to higher costs in prior year for excavator purchase.

Wastewater Enterprise

WASTEWATER OPERATIONS FUND					
December 31, 2024					
	BUDGET	YTD*	YTD*	CHANGE FROM	PERCENT
	FY 2024-25	12/31/2023	12/31/2024	YTD 2022-23 TO	CHANGE
				YTD 2023-24	
REVENUES:					
CHARGES FOR CURRENT SERVICES	25,206,000	10,791,754	13,503,371	2,711,617	25.1%
INTEREST	288,780	132,883	166,572	33,689	25.4%
OTHER REVENUES	395,700	208,495	172,686	(35,809)	-17.2%
TOTAL OPERATING REVENUE	25,890,480	11,133,132	13,842,629	2,709,497	24.3%
EXPENSES:					
STAFFING	3,355,846	1,603,116	1,714,848	111,732	7.0%
INTERDEPARTMENTAL SERVICES	1,952,905	963,710	976,681	12,971	1.3%
ENCINA PLANT SERVICES	6,124,537	3,207,535	3,914,325	706,790	22.0%
OUTSIDE SERVICES/MAINTENANCE	1,768,726	215,655	254,165	38,510	17.9%
DEPRECIATION/REPLACEMENT	8,000,000	2,637,480	4,000,000	1,362,520	51.7%
MISCELLANEOUS EXPENSES	848,199	308,652	308,063	(589)	-0.2%
CAPITAL OUTLAY	26,087	572	2,287	1,715	299.8%
TOTAL OPERATING EXPENSES	22,076,300	8,936,720	11,170,369	2,233,649	25.0%
OPERATING INCOME/LOSS	3,814,180	2,196,412	2,672,260	475,848	21.7%

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

Revenues



- Charges for current services are higher than in the prior year due primarily to a 20% rate increase that went into effect in January 2024.
- Interest earnings increased due to a 24% increase in the yield of the Treasurer’s portfolio combined with a 6.6% increase in the monthly average cash balance.
- The decrease in other revenues reimbursement of charges received from Vista and reimbursed labor charges in prior year.

Expenses



- The increase in staffing expenses is due to negotiated salary adjustments in addition to annual required contribution to the city’s unfunded pension liability balance with CalPERS.
- Encina operating costs increased from higher staffing and costs for chemicals, energy and insurance.
- Depreciation increased from replacement of infrastructure has reached end of useful life.

Golf Course Enterprise

GOLF COURSE FUND December 31, 2024					
	BUDGET FY 2024-25	YTD 12/31/2023	YTD 12/31/2024	CHANGE FROM YTD 2023-24 TO YTD 2024-25	PERCENT CHANGE
REVENUES:					
GOLF COURSE	5,588,000	2,912,020	2,993,408	81,388	2.8%
FOOD & BEVERAGE	4,633,000	2,527,147	2,561,295	34,148	1.4%
PRO SHOP	451,000	228,971	189,694	(39,277)	-17.2%
PRACTICE CENTER	462,000	248,515	266,968	18,453	7.4%
OTHER REVENUES	209,000	387,233	403,024	15,791	4.1%
TOTAL OPERATING REVENUE	11,343,000	6,303,886	6,414,389	110,503	1.8%
EXPENSES:					
GENERAL & ADMINISTRATIVE	6,507,000	2,985,422	2,985,241	(181)	0.0%
COURSE & GROUNDS	1,264,000	640,035	703,271	63,236	9.9%
FOOD & BEVERAGE	384,000	187,125	203,349	16,224	8.7%
PRO SHOP	101,000	37,881	22,290	(15,591)	-41.2%
COST OF SALES	1,308,000	687,424	612,656	(74,768)	-10.9%
DEPRECIATION/REPLACEMENT	1,000,000	375,000	500,000	125,000	33.3%
MISCELLANEOUS EXPENSES	348,000	90,130	86,004	(4,126)	-4.6%
CAPITAL OUTLAY	1,154,266	554,418	202,149	(352,269)	-63.5%
TOTAL OPERATING EXPENSES	12,066,266	5,557,435	5,314,960	(242,475)	-4.4%
OPERATING INCOME/LOSS	(723,266)	746,451	1,099,429	352,978	47.3%

Revenues



- Primary operating revenues at the golf course have remained relatively consistent year over year. Slight increase in demand combined with increase in rates.
- Pro shop revenues decreased which was offset by increases in food and beverage, practice center and other revenues from interest earnings.

Expenses



- Course and grounds increase driven mostly by higher water use and rate.
- Cost of sales decrease correlated to sales in pro shop and focus on lower margins in food and beverage.
- Depreciation has increased from new assets placed in service for improvements and equipment.
- Miscellaneous expenses slightly decreased from prior year invoices for utility cost savings.
- Capital outlay higher in prior year from replacement of mower, utility carts and patio furniture.