

PREPARED BY THE FINANCE DEPARTMENT

Financial *Status Report*



September 30, 2022

This report summarizes the City of Carlsbad's General Fund revenues and expenditures through September 30, 2022. It compares revenues and expenditures for the first three months of fiscal year 2022-23 and fiscal year 2021-22. 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 (\$3.3 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 8.13% for fiscal year 2022-23. This is the tenth 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 regional

housing market. The increase in this year's assessed values is due to a large increase in the assessed values of residential properties in the city; the city saw smaller increases in commercial and industrial property values for the year. This is the eighth 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 property taxes for the first three months of the fiscal year have increased by 32% as compared to the prior fiscal year. The primary reasons for the increase are:

- Current taxes are up by \$192,000 or 20% mainly due to increased assessed values.
- Supplemental and surplus property taxes are \$111,000 higher when compared with the prior year.
- Aircraft taxes are also up \$501,000 or 39% due to an increase in aircrafts being housed at the airport.



Sales Taxes (\$13.3 million) – For the first three months of the fiscal year, sales tax revenues are \$673,000 higher than the same period in the previous fiscal year. Sales tax revenues for the current fiscal year represent the city's first advance for the third calendar quarter of 2022, the second calendar quarter of 2022 sales tax revenues and a portion of the city's first calendar quarter of 2022 sales tax revenues.

In the prior fiscal year, the city saw accelerated recovery from the impacts of the COVID-19 pandemic including the shelter-in-place orders, which essentially shut down all non-essential businesses, and where small businesses in the State of California were allowed to defer sales tax payments. FY 2021-22 experienced historically high levels of sales tax revenues.

For sales occurring in the second calendar quarter of 2022 (the most recent data available), key year-over-year gains were seen in general retail, food products, transportation, and business-to-business. During the same period, key declines were seen in construction. The largest economic segments in the city are automobile dealers, general merchandise stores, and restaurants. Together, they generate 82% of the city's sales tax revenues.



Transient Occupancy Tax (\$11.6 million) – The city’s third highest General Fund revenue source on an annual basis is Transient Occupancy Tax (TOT or hotel tax), estimated at \$28.8 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 August 2022. TOT collected for the three months of the fiscal year reflects an increase of \$1.6 million, or 16%, more than the previous year.

Currently, there are 4,775 hotel rooms in service (of 5,056 total rooms built in the city), 668 timeshares and 382 registered short-term vacation rentals. The average occupancy of hotel rooms over the most recent 12 months has been 73% which is up from 59% at this time last year.



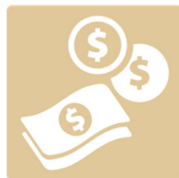
Business License Tax (\$1.5 million) – All entities doing business in the City of Carlsbad are required to have a valid business license. Business license revenue is estimated at \$6.2 million for the current fiscal year. Business license revenues are down \$466,000 or 24%, from the previous fiscal year. The decrease is due to a reduction in payments received for overdue business license renewals and penalties that were received last year and as a result of COVID-19.

There are currently 9,562 licensed businesses operating within the city, 57 more than the prior year. The majority of taxed businesses (6,359 businesses) are located in Carlsbad, with 2,391 of these businesses home-based.



Interdepartmental Charges (\$1.4 million) – Interdepartmental charges are up by \$141,000 when compared with the same period last year. These charges are generated through engineering services charged to capital projects (up \$89,000 due to more staff time charged to capital projects); reimbursed work from other funds (no change); and miscellaneous interdepartmental expenses charged to funds outside the General Fund for services performed by departments within

the General Fund (up \$52,000).



Income from Investments and Property (\$1.4 million) – For the first three months of the fiscal year, income from investments and property is up \$160,000 compared to the previous fiscal year. This increase is largely due to a rise in yield from 1.15% as of September 2021 to 1.51% as of September 2022.

Throughout the pandemic, the Federal Reserve had maintained an effective benchmark rate between 0 and 0.25%. However, inflation has been on a historic rise for much of the last year and resulted in the Federal Reserve increasing benchmark rates all the way to 3%-3.25%. With future rate hikes anticipated, the portfolio’s yield will continue on an upward trend.



Recreation Fees (\$1.3 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 up by \$290,000 compared to last year at this time. While programs began to reopen more in the summer of 2021, this increase can also be attributed to recovery growth since the onset of the pandemic.



Development Related Revenues (\$1.1 million) – Development related revenues, which include building permits, planning fees, building department fees, and engineering fees, reflect a 20% increase for the first three months of the fiscal 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 September 2022 included permits associated with commercial permit revisions, reroofing, second dwelling units, single family detached, and tenant improvements.

One source of development related revenue is building permits, which are up 30% compared to last fiscal year. The year-to-date valuation of new construction in the current fiscal year is \$54.4 million. This represents a \$8.5 million, or 18.5%, increase over the previous fiscal year.



Franchise Tax (\$734,000) – 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 \$6.9 million for the current fiscal year. Year-to-date franchise taxes are \$14,000 lower when compared to the same period last year.

Cable television franchise revenues (Spectrum and AT&T) are up \$9,000 representing a relatively nominal amount of change for subscription services (premium video, equipment rental, on-demand, and programming services). A decrease in trash collection revenue of \$23,000 resulted from the city’s new contract with Republic and represents a relatively nominal amount of change when considering applied rates and the number of trash customers.

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 46% of the city’s franchise taxes are anticipated to be received from SDG&E in April 2023.



Ambulance Fees (\$976,000) – The city bills any individual who is transported in one of the city’s ambulances. Through September 2022, receipts from ambulance fees are up \$308,000, or 46%, compared to last fiscal year. The increase in revenue for the first three months of the fiscal year is mainly due to an increase in the number of billable transports, 1,802 in the first three months of fiscal year 2022-23 versus 1,419 in the prior fiscal year.



Other Revenue Sources (\$305,000) – Other revenue sources have decreased by \$36,500 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 decrease to date is

primarily driven by a reduction in miscellaneous reimbursements related to the regional Innovate 78 initiative. Carlsbad was the lead agency in the prior fiscal year and was reimbursed from neighboring cities for this shared agency cost.



Other Licenses and Permits (\$224,000) – 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 decrease of \$19,000 is primarily a result of decreased coastal development permits compared to the same period last year.



Fines and Forfeitures (\$129,000) – 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 increase to date of \$36,000 is mainly due to increases in code violations.



Intergovernmental Revenues (\$111,000) – Intergovernmental revenues include homeowners property tax exemption revenue and miscellaneous receipts received from the state or federal governments, as well as local school districts. Various miscellaneous receipts comprise the \$111,000 received this year which represents a nominal increase over the same period last year.



Transfer Taxes (\$115,000) – 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 decreased over the same period last year due to a decrease in property transfers.



Other Charges or Fees (\$97,000) – 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 up by \$500 or 1% and have remained relatively flat over the same period last year.

A detailed schedule of General Fund revenues is provided on the following page.

**GENERAL FUND
REVENUE COMPARISON**

	REVENUE BUDGETED FOR FY 2022-23	REVENUE EXPECTED THROUGH 09/30/22	ACTUAL FY 2022 AS OF 09/30/21	ACTUAL FY 2023 AS OF 09/30/22	CHANGE FROM YTD 2022 TO YTD 2023	PERCENT CHANGE
TAXES						
PROPERTY TAX	\$81,508,000	\$2,590,268	\$2,542,833	\$3,359,126	\$816,293	32%
SALES TAX	49,123,000	12,144,023	12,651,416	13,324,521	673,105	5%
TRANSIENT OCCUPANCY TAX	28,803,000	8,934,001	10,050,564	11,617,301	1,566,737	16%
FRANCHISE TAX	6,958,000	816,870	747,949	734,049	(13,900)	-2%
BUSINESS LICENSE TAX	6,242,000	1,837,641	1,948,716	1,482,976	(465,740)	-24%
TRANSFER TAX	1,570,000	177,829	246,777	115,537	(131,240)	-53%
TOTAL TAXES	174,204,000	26,500,631	28,188,255	30,633,510	2,445,255	9%
INTERGOVERNMENTAL						
VEHICLE LICENSE FEES	50,000	0	0	0	0	0%
HOMEOWNERS EXEMPTIONS	353,000	0	0	0	0	0%
OTHER REIMBURSEMENT	737,809	10,303	103,597	111,012	7,415	7%
TOTAL INTERGOVERNMENTAL	1,140,809	10,303	103,597	111,012	7,415	7%
LICENSES AND PERMITS						
BUILDING PERMITS	900,000	189,937	356,975	464,022	107,047	30%
OTHER LICENSES & PERMITS	963,000	222,545	243,600	224,176	(19,424)	-8%
TOTAL LICENSES & PERMITS	1,863,000	412,482	600,575	688,198	87,623	15%
CHARGES FOR SERVICES						
PLANNING FEES	456,000	128,068	195,634	159,061	(36,573)	-19%
BUILDING DEPARTMENT FEES	895,317	209,449	202,045	333,599	131,554	65%
ENGINEERING FEES	608,900	134,319	206,323	201,082	(5,241)	-3%
AMBULANCE FEES	3,850,000	751,102	668,244	976,342	308,098	46%
RECREATION FEES	2,315,500	910,707	1,062,368	1,352,274	289,906	27%
OTHER CHARGES OR FEES	1,504,300	85,289	96,896	97,395	499	1%
TOTAL CHARGES FOR SERVICES	9,630,017	2,218,934	2,431,510	3,119,753	688,243	28%
FINES AND FORFEITURES	210,750	57,516	93,594	129,407	35,813	38%
INCOME FROM INVESTMENTS & PROPERTY	5,481,000	1,178,132	1,200,225	1,360,344	160,119	13%
INTERDEPARTMENTAL CHARGES	5,236,449	1,233,601	1,252,016	1,393,584	141,568	11%
OTHER REVENUE SOURCES	996,029	287,483	341,243	304,739	(36,504)	-11%
TRANSFERS IN	10,000	10,000	10,000	0	(10,000)	-100%
TOTAL GENERAL FUND	\$198,772,054	\$31,909,082	\$34,221,015	\$37,740,547	\$3,519,532	10.3%

(1)

(1) Calculated General Fund revenues are 18% above estimates as of September 30, 2022.

Expenditures

Total General Fund expenditures and encumbrances through the month of September 2022 are \$79.6 million, compared to \$79.2 million at the same time last year. While the year-over-year change is only \$400,000 or 0.5%, there are varying factors in how each of the respective years' expenditure totals are derived. During the first quarter of fiscal year 2021-22, City Council authorized a \$10.7 million transfer related to the Technology Investment Program in support of the Strategic Digital Transformation Investment Program, a \$7.8 million transfer to the General Capital Construction Fund from fiscal year 2020-21 General Fund surplus, and a \$5.5 million additional discretionary payment to CalPERS. During the first quarter of fiscal year 2022-23, City Council authorized a \$10.2 million transfer to the city's Workers' Compensation Internal Service Fund, \$1 million transfer to the city's Risk Management Internal Service Fund, and \$1.4 million to the city's Fleet Maintenance Internal Service Fund. While surplus authorizations in accordance with City Council Policy Statement No. 87 were higher in fiscal year 2021-22 and resulted in additional expenditures through the first three quarters, the fiscal year 2022-23 adopted budget was \$13.8 million or 7.5% greater than the previous year which contributed to comparable expenditure totals in both years.

The remaining budget available through the fiscal year ending September 30, 2022 is \$144.1 million, or 64.4%. If funds were spent in the same proportion as the previous year, the General Fund would have 63.3% or \$136.8 million available.

Excluding the transfers out, contingencies, and non-departmental charges, the percentage available on September 30, 2022, is 67%, slightly less than the 68% available on September 30, 2021.

The adopted General Fund budget for fiscal year 2022-23 increased by 7.5% or \$13.8 million due to:

- Increased personnel costs (increase of \$9.8 million):
 - \$5.5 million in salaries and wages due to the addition of 24 new full-time positions and 3.4 full-time equivalent part-time positions.
 - \$3.5 million in health insurance and retirement benefits costs
 - \$0.8 million increase in other personnel costs (Medicare, unemployment and disability benefits)
 - (\$2.0) million in vacancy savings. The fiscal year 2022-23 budget introduced a mechanism for accounting for vacancy savings at the beginning of the budget cycle rather than at the end. This mechanism (1) reduces the amount of budget in the General Fund, (2) closer alignment between budgeted and actual personnel costs, (3) increased alignment with the city's 10-year forecast
- Decreased maintenance and operations costs (decrease of \$1.1 million):
 - Under the direction of the City Manager, departments were instructed to identify budgetary savings for fiscal year 2022-23 which resulted in a \$1.5 million reduction in base operating costs.
- \$6.5 million increase in transfers. This increase was a result of a temporary reduction in capital project transfers in fiscal year 2021-22 as a result of COVID-19 and its anticipated adverse fiscal impacts.

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 funded status of 80% in accordance with City Council Policy Statement No. 86. CalPERS latest actuarial valuation report (as of June 30, 2021), the city had a combined pension funded status of 86% which was predominantly driven by CalPERS' fiscal year 2020-21 investment return of 21.3%. This positive return will not impact the city's required contributions until fiscal year 2023-24. CalPERS recently announced preliminary net investment return of -6.1% for fiscal year 2021-22 which will significantly reduce the city's total funded status and have a tremendous impact on the city's future costs. This negative return will not impact the

city's required contributions until fiscal year 2024-25. Staff will continue to monitor CalPERS' strategies and performance and report to City Council as necessary and appropriate.

The city will continue monitoring spending and intends to return to the City Council in early 2023 with a midyear review of the General Fund's budget. Staff plans to propose adjustments to current year revenue forecasts and may propose expenditure adjustments in line with the city's evolving economic situation.

A detailed schedule of General Fund expenditures is provided below.

GENERAL FUND EXPENDITURE STATUS BY DEPARTMENT					
DEPARTMENT DESCRIPTION	ADOPTED	WORKING	AS OF 09/30/22		
	BUDGET FY 2022-23	BUDGET FY 2022-23 (a)	AMOUNT COMMITTED (b)	AVAILABLE BALANCE	% AVAILABLE (c)
POLICY AND LEADERSHIP GROUP					
CITY ATTORNEY	\$2,033,508	\$2,029,455	\$587,800	\$1,441,655	71.0%
CITY CLERK SERVICES	1,394,162	1,450,310	246,304	1,204,006	83.0%
CITY COUNCIL	652,220	652,049	136,972	515,077	79.0%
CITY MANAGER	2,156,145	2,328,593	682,634	1,645,959	70.7%
CITY TREASURER	249,945	249,664	38,444	211,220	84.6%
COMMUNICATIONS & ENGAGEMENT	1,979,186	2,407,081	999,186	1,407,895	58.5%
TOTAL POLICY AND LEADERSHIP GROUP	8,465,166	9,117,152	2,691,340	6,425,812	70.5%
ADMINISTRATIVE SERVICES					
ADMINISTRATION	747,797	754,170	206,965	547,205	72.6%
FINANCE	5,472,176	6,064,795	1,797,561	4,267,234	70.4%
HUMAN RESOURCES	5,264,775	5,530,229	1,435,411	4,094,818	74.0%
INNOVATION & ECONOMIC DEVELOPMENT	2,585,951	2,700,033	698,721	2,001,312	74.1%
TOTAL ADMINISTRATIVE SERVICES	14,070,699	15,049,227	4,138,658	10,910,569	72.5%
PUBLIC SAFETY					
POLICE	51,240,884	54,047,488	16,942,963	37,104,525	68.7%
FIRE	37,756,943	39,367,248	11,434,502	27,932,746	71.0%
TOTAL PUBLIC SAFETY	88,997,827	93,414,736	28,377,465	65,037,271	69.6%
COMMUNITY SERVICES					
COMMUNITY SERVICES ADMINISTRATION	675,917	833,892	343,248	490,644	58.8%
COMMUNITY DEVELOPMENT	10,384,700	12,701,501	4,927,788	7,773,713	61.2%
HOUSING & HOMELESS SERVICES	3,134,115	3,928,349	1,737,647	2,190,702	55.8%
LIBRARY & CULTURAL ARTS	14,088,425	14,681,425	3,759,521	10,921,904	74.4%
PARKS & RECREATION	21,167,014	22,499,540	9,091,559	13,407,981	59.6%
TOTAL COMMUNITY SERVICES	49,450,171	54,644,707	19,859,763	34,784,944	63.7%
PUBLIC WORKS					
PUBLIC WORKS ADMINISTRATION	1,440,649	1,458,318	447,671	1,010,647	69.3%
CONSTRUCTION MANAGEMENT & INSPECTIONS	3,262,768	3,524,909	1,075,858	2,449,051	69.5%
ENVIRONMENTAL SUSTAINABILITY	1,159,789	1,644,685	775,237	869,448	52.9%
FACILITIES	6,768,736	8,415,460	3,450,743	4,964,717	59.0%
TRANSPORTATION	9,707,559	10,503,750	4,373,078	6,130,672	58.4%
TOTAL PUBLIC WORKS	22,339,501	25,547,122	10,122,587	15,424,535	60.4%
NON-DEPARTMENTAL & CONTINGENCY					
(d) OTHER NON-DEPARTMENTAL	1,021,658	1,212,249	368,457	843,792	69.6%
OPERATING TRANSFERS OUT	13,600,000	24,208,252	14,008,257	10,199,995	42.1%
CONTINGENCY	500,000	493,085	0	493,085	100.0%
TOTAL NON-DEPT & CONTINGENCY	15,121,658	25,913,586	14,376,714	11,536,872	44.5%
TOTAL GENERAL FUND	\$198,445,022	\$223,686,530	\$79,566,527	\$144,120,003	64.4%

(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 council approvals.

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

(c) Amount available would be 63.3% 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	DATE	RESOLUTION NUMBER
ADOPTED BUDGET	\$500,000		
USES:			
Community Spirit Grant - Carlsbad Educational Foundation-Razorback Invitational	(1,915)	8/8/2022	NA - See Note 1
Community Spirit Grant - Carlsbad Chamber of Commerce - Older & Bolder Expo	<u>(5,000)</u>	8/8/2022	NA - See Note 1
TOTAL USES	<u>(6,915)</u>		
AVAILABLE BALANCE	<u>\$493,085</u>		

Note 1 - City Council Policy 51 gives authorization to the City Manager to approve Community Spirit Grants less than \$5,000.

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, excluding minor food donations such as donuts, that have been accepted during fiscal year 2022-23:

Donations Fiscal Year 2022 - 23

Department	Intention	July	Aug.	Sept.	Qtr. 1
Parks & Recreation	Leo Carrillo Ranch Cash Donations	\$4,970	\$711	\$485	\$6,166
Parks & Recreation	Opportunity Grant Donations	1,127	1,552	574	3,253
Parks & Recreation	Senior Center Cash Donations	728	334	832	1,894
Parks & Recreation	Senior Meals Cash Donations	1,063	1,284	\$1,045	3,392
Parks & Recreation	Senior Transportation Cash Donations	41	250	84	375
Parks & Recreation	Special Events Cash Donations	1,000	0	0	1,000
	Subtotal - Parks & Recreation	<u>\$8,929</u>	<u>\$4,131</u>	<u>\$3,020</u>	<u>\$16,080</u>
Library & Cultural Arts	Book purchases	\$50	\$50	\$5,050	\$5,150
Library & Cultural Arts	Support Library Programs and Services	3	55	90	148
	Subtotal - Library & Cultural Arts	<u>\$53</u>	<u>\$105</u>	<u>\$5,140</u>	<u>\$5,298</u>
Total Donations		<u>\$8,982</u>	<u>\$4,236</u>	<u>\$8,160</u>	<u>\$21,378</u>

Water Enterprise

WATER OPERATIONS FUND					
September 30, 2022					
	BUDGET	YTD (*)	YTD (*)	CHANGE FROM	PERCENT
	FY 2022-23	9/30/2021	9/30/2022	YTD 2021-22 TO	CHANGE
				YTD 2022-23	
REVENUES:					
WATER DELIVERY	\$ 41,300,000	\$ 11,736,959	\$ 11,769,181	\$ 32,222	0.3%
INTEREST	354,500	78,085	114,962	36,877	47.2%
MISC. SERVICE CHARGES	321,000	77,839	78,409	570	0.7%
PROPERTY TAXES	4,441,344	89,197	110,943	21,746	24.4%
FINES, FORFEITURES & PENALTIES	161,750	1,422	91,455	90,033	6331.4%
OTHER REVENUES	411,544	102,196	136,366	34,170	33.4%
TOTAL OPERATING REVENUE	46,990,138	12,085,698	12,301,316	215,618	1.8%
EXPENSES:					
STAFFING	4,301,517	1,082,080	1,197,411	115,331	10.7%
INTERDEPARTMENTAL SERVICES	3,161,356	735,291	790,563	55,272	7.5%
PURCHASED WATER	27,300,000	7,230,458	7,519,662	289,204	4.0%
MWD/CWA FIXED CHARGES	6,885,000	1,671,418	1,697,695	26,277	1.6%
OUTSIDE SERVICES/MAINTENANCE	2,411,554	116,077	131,952	15,875	13.7%
DEPRECIATION/REPLACEMENT	5,000,000	1,125,000	1,249,997	124,997	11.1%
MISCELLANEOUS EXPENSES	1,106,939	101,965	176,361	74,396	73.0%
CAPITAL OUTLAY	77,088	0	0	0	100.0%
TOTAL OPERATING EXPENSES	50,243,454	12,062,289	12,763,640	701,351	5.8%
OPERATING INCOME/(LOSS)	\$ (3,253,316)	\$ 23,409	\$ (462,324)	\$ (485,733)	-2075.0%

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

Revenues



- Increase in water due to rate increases in March 2022 and January 2023 offset by a 1.6% decrease in water volume sales.
- Interest earnings increased due to a 22.6% increase in the yield of the Treasurer's portfolio combined with a 14.3% increase in the monthly average cash balance.
- The increase in property taxes is primarily due to increase in assessed property values.
- The increase in fines is due to reinstatement of late charges starting in January 2022.

Expenses



- The increase in staffing expenses includes an annual required contribution to the city's unfunded pension liability balance with CalPERS and salary increases, and vacancies experienced in prior fiscal year.
- Higher interdepartmental expenses resulted from increased personnel related costs, and general liability insurance.
- Purchased water expenses have increased from the prior year due to a 7.7% rate increase in the variable cost of water purchased from the San Diego County Water Authority (SDCWA) offset by a 2.4% decrease in the amount of water purchased.
- Miscellaneous expenses increased from timing of purchase of replacement meters.

Wastewater Enterprise

WASTEWATER OPERATIONS FUND					
September 30, 2022					
	BUDGET	YTD*	YTD*	CHANGE FROM	PERCENT
	FY 2022-23	9/30/2021	9/30/2022	YTD 2021-22 TO	CHANGE
				YTD 2022-23	
REVENUES:					
CHARGES FOR CURRENT SERVICES	19,000,000	3,971,433	4,683,343	711,910	17.9%
INTEREST	95,000	21,878	27,870	5,992	27.4%
OTHER REVENUES	181,500	24,962	83,126	58,164	233.0%
TOTAL OPERATING REVENUE	19,276,500	4,018,273	4,794,339	776,066	19.3%
EXPENSES:					
STAFFING	2,971,244	681,551	780,076	98,525	14.5%
INTERDEPARTMENTAL SERVICES	1,519,845	337,343	378,947	41,604	12.3%
ENCINA PLANT SERVICES	4,665,000	979,258	968,397	(10,861)	-1.1%
OUTSIDE SERVICES/MAINTENANCE	1,825,185	86,839	73,919	(12,920)	-14.9%
DEPRECIATION/REPLACEMENT	5,300,000	1,325,000	1,324,997	(3)	0.0%
MISCELLANEOUS EXPENSES	1,158,133	77,590	73,300	(4,290)	-5.5%
CAPITAL OUTLAY	9,750	28,719	0	(28,719)	-100.0%
TOTAL OPERATING EXPENSES	17,449,157	3,516,300	3,599,636	83,336	2.4%
OPERATING INCOME/LOSS	1,827,343	501,973	1,194,703	692,730	138.0%

(*) 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 January 2023, the last rate increase was 20% in March 2022.
- Interest earnings increased due to a 22.6% increase in the yield of the Treasurer's portfolio combined with a 14.3% increase in the monthly average cash balance.
- The increase in other revenues is due to late charges starting in January 2022 and reimbursement for interdepartmental labor charges.

Expenses



- The increase in staffing expenses is mostly from an increase in the annual required contribution to the city's unfunded pension liability balance with CalPERS.
- Higher interdepartmental expenses resulted from increased personnel related costs, and general liability insurance.
- The capital outlay in fiscal year 2021-22 was for the procurement of a utility truck.