

Financial *Status Report*

December 31, 2022

This report summarizes the City of Carlsbad's General Fund revenues and expenditures through December 31, 2022. It compares revenues and expenditures for the first six 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 (\$29.8 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 six months of the fiscal year have increased by 13% as compared to the prior fiscal year. The primary reasons for the increase are:

- Current taxes are up by \$2.6 million or 11% mainly due to increased assessed values.
- Supplemental and surplus property taxes are \$348,000 higher when compared with the prior year.
- Aircraft taxes are also up \$590,000 or 44% due to an increase in aircrafts being housed at the airport.



Sales Taxes (\$26.6 million) – For the first six months of the fiscal year, sales tax revenues are \$853,000 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 fourth calendar quarter of 2022, the third calendar quarter of 2022 sales tax revenues and the city's remaining first and second calendar quarter 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 third 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 retail stores, and restaurants. Together, they generate 76% of the city's sales tax revenues.



Transient Occupancy Tax (\$20.2 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 November 2022. TOT collected for the six months of the fiscal year reflects an increase of \$3.4 million, or 21%, 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 395 registered short-term vacation rentals. The average occupancy of hotel rooms over the most recent 12 months has been 56.4% which is slightly down from 56.9% at this time last year.



Business License Tax (\$2.9 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 \$419,000 or 13%, 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 9,502 licensed businesses operating within the city, 22 less than the prior year. The majority of taxed businesses (6,320 businesses) are located in Carlsbad, with 2,379 of these businesses home-based.



Interdepartmental Charges (\$2.9 million) – Interdepartmental charges are up by \$297,000 when compared with the same period last year. These charges are generated through engineering services charged to capital projects (up \$183,000 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 \$104,000).



Income from Investments and Property (\$3.0 million) – For the first six months of the fiscal year, income from investments and property is up \$357,000 compared to the previous fiscal year. This increase is largely due to a rise in yield from 1.12% as of December 2021 to 2.01% as of December 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 4.25%-4.50% as of December 2022. While 2022 saw repeated and large interest rate hikes, 2023 is expected to see a few smaller hikes earlier in the year, but rates could then hold steady, or even fall for much of 2023.



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 up by \$375,000 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 (\$2.4 million) – Development related revenues, which include building permits, planning fees, building department fees, and engineering fees, reflect a 20% increase for the first six 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 the second fiscal quarter of 2022 included permits associated with commercial permit revisions, second dwelling units, single family detached, and various tenant improvements.

One source of development related revenue is building permits, which are up 44% compared to last fiscal year. The year-to-date valuation of new construction in the current fiscal year is \$114.4 million. This represents a \$43.5 million, or 61%, increase over the previous fiscal year.



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 \$6.9 million for the current fiscal year. Year-to-date franchise taxes are \$190,000 higher when compared to the same period last year.

Cable television franchise revenues (Spectrum and AT&T) are up \$81,000 representing a relatively nominal amount of change for subscription services (premium video, equipment rental, on-demand, and programming services). An increase in trash collection revenue of \$109,000 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 (\$2.1 million) – The city bills any individual who is transported in one of the city’s ambulances. Through December 2022, receipts from ambulance fees are up \$678,000, or 48%, compared to last fiscal year. The increase in revenue for the first six months of the fiscal year is mainly due to an increase in the number of billable transports, 3,618 in the first six months of fiscal year 2022-23 versus 2,787 at the same time in the prior fiscal year.



Other Revenue Sources (\$845,000) – Other revenue sources have increased by \$170,800 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 is related to higher amounts received for developer funded studies in the current fiscal year when compared to the prior fiscal year.



Other Licenses and Permits (\$440,000) – 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 \$108,000 is primarily a result of decreased coastal development permits compared to the same period last year.



Fines and Forfeitures (\$231,000) – 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 \$46,500 is mainly due to increases in code violations.



Intergovernmental Revenues (\$552,000) – 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 \$552,000 received this year which represents a nominal decrease over the same period last year.



Transfer Taxes (\$467,000) – 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 (\$532,000) – 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 \$133,000 or 33% mainly due to an increase in fire mutual aid response.

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 12/31/22	ACTUAL FY 2022 AS OF 12/31/21	ACTUAL FY 2023 AS OF 12/31/22	CHANGE FROM YTD 2022 TO YTD 2023	PERCENT CHANGE
TAXES						
PROPERTY TAX	\$81,508,000	\$26,818,122	\$26,327,011	\$29,791,844	\$3,464,833	13%
SALES TAX	49,123,000	24,757,971	25,792,391	26,645,722	853,331	3%
TRANSIENT OCCUPANCY TAX	28,803,000	14,926,845	16,792,389	20,238,806	3,446,417	21%
FRANCHISE TAX	6,958,000	1,658,640	1,518,697	1,708,792	190,095	13%
BUSINESS LICENSE TAX	6,242,000	3,118,791	3,307,305	2,887,870	(419,435)	-13%
TRANSFER TAX	1,570,000	773,643	1,073,599	606,629	(466,970)	-43%
TOTAL TAXES	174,204,000	72,054,013	74,811,392	81,879,663	7,068,271	9%
INTERGOVERNMENTAL						
VEHICLE LICENSE FEES	50,000	0	0	0	0	0%
HOMEOWNERS EXEMPTIONS	353,000	52,950	50,740	50,768	28	0%
OTHER REIMBURSEMENT	737,809	50,933	512,140	500,998	(11,142)	-2%
TOTAL INTERGOVERNMENTAL	1,140,809	103,884	562,880	551,766	(11,114)	-2%
LICENSES AND PERMITS						
BUILDING PERMITS	900,000	373,581	702,123	1,009,970	307,847	44%
OTHER LICENSES & PERMITS	963,000	499,933	547,232	439,391	(107,841)	-20%
TOTAL LICENSES & PERMITS	1,863,000	873,514	1,249,355	1,449,361	200,006	16%
CHARGES FOR SERVICES						
PLANNING FEES	456,000	252,105	385,111	246,652	(138,459)	-36%
BUILDING DEPARTMENT FEES	895,317	412,867	398,271	583,169	184,898	46%
ENGINEERING FEES	608,900	312,520	480,052	522,387	42,335	9%
AMBULANCE FEES	3,850,000	1,572,333	1,398,881	2,077,050	678,169	48%
RECREATION FEES	2,315,500	1,221,303	1,424,688	1,799,550	374,862	26%
OTHER CHARGES OR FEES	1,504,300	351,211	399,009	532,431	133,422	33%
TOTAL CHARGES FOR SERVICES	9,630,017	4,122,339	4,486,012	5,761,239	1,275,227	28%
FINES AND FORFEITURES	210,750	113,234	184,262	230,765	46,503	25%
INCOME FROM INVESTMENTS & PROPERTY	5,481,000	2,640,280	2,689,792	3,047,278	357,486	13%
INTERDEPARTMENTAL CHARGES	5,236,449	2,566,145	2,604,453	2,901,367	296,914	11%
OTHER REVENUE SOURCES	1,038,884	592,099	673,830	844,589	170,759	25%
TRANSFERS IN	10,000	10,000	10,000	0	(10,000)	-100%
TOTAL GENERAL FUND	\$198,814,909	\$83,075,507	87,271,976	\$96,666,028	\$9,394,052	10.8%

(1)

(1) Calculated General Fund revenues are 16% above estimates as of December 31, 2022.

Expenditures

Total General Fund expenditures and encumbrances through the month of December 2022 are \$124.4 million, compared to \$125.3 million at the same time last year. While the year-over-year change is only \$900,000 or 0.7%, 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, a \$1 million transfer to the city's Risk Management Internal Service Fund, and a \$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 two 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 June 30, 2023 is \$104.5 million, or 45.7%. If funds were spent in the same proportion as the previous year, the General Fund would have 43.5% or \$96.5 million available. Excluding transfers out, contingencies, and non-departmental charges, the percentage available on December 31, 2022, is 46.9%, slightly more than the 46.5% available on December 31, 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 12/31/22		
	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	\$2,103,944	\$1,038,835	\$1,065,109	50.6%
CITY CLERK SERVICES	1,394,162	1,450,310	531,647	918,663	63.3%
CITY COUNCIL	652,220	653,262	267,688	385,574	59.0%
CITY MANAGER	2,156,145	2,332,291	1,189,368	1,142,923	49.0%
CITY TREASURER	249,945	214,664	52,681	161,983	75.5%
COMMUNICATIONS & ENGAGEMENT	1,979,186	2,518,732	1,547,472	971,260	38.6%
TOTAL POLICY AND LEADERSHIP GROUP	8,465,166	9,273,203	4,627,691	4,645,512	50.1%
ADMINISTRATIVE SERVICES					
ADMINISTRATION	747,797	756,348	373,512	382,836	50.6%
FINANCE	5,472,176	6,035,401	3,157,376	2,878,025	47.7%
HUMAN RESOURCES	5,264,775	5,329,529	2,533,099	2,796,430	52.5%
INNOVATION & ECONOMIC DEVELOPMENT	2,585,951	2,653,533	1,287,601	1,365,932	51.5%
TOTAL ADMINISTRATIVE SERVICES	14,070,699	14,774,811	7,351,588	7,423,223	50.2%
PUBLIC SAFETY					
POLICE	51,240,884	57,699,507	30,014,885	27,684,622	48.0%
FIRE	37,756,943	39,502,653	20,309,613	19,193,040	48.6%
TOTAL PUBLIC SAFETY	88,997,827	97,202,160	50,324,498	46,877,662	48.2%
COMMUNITY SERVICES					
COMMUNITY SERVICES ADMINISTRATION	675,917	842,700	506,483	336,217	39.9%
COMMUNITY DEVELOPMENT	10,384,700	12,518,164	7,104,332	5,413,832	43.2%
HOUSING & HOMELESS SERVICES	3,134,115	3,838,192	2,194,495	1,643,697	42.8%
LIBRARY & CULTURAL ARTS	14,088,425	14,422,200	6,953,584	7,468,616	51.8%
PARKS & RECREATION	21,167,014	22,026,639	12,760,513	9,266,126	42.1%
TOTAL COMMUNITY SERVICES	49,450,171	53,647,895	29,519,407	24,128,488	45.0%
PUBLIC WORKS					
PUBLIC WORKS ADMINISTRATION	1,440,649	1,458,318	748,389	709,929	48.7%
CONSTRUCTION MANAGEMENT & INSPECTIONS	3,262,768	3,511,909	1,634,370	1,877,539	53.5%
ENVIRONMENTAL SUSTAINABILITY	1,159,789	1,624,413	981,079	643,334	39.6%
FACILITIES	6,768,736	8,366,112	5,029,096	3,337,016	39.9%
TRANSPORTATION	9,707,559	10,837,283	6,281,409	4,555,874	42.0%
TOTAL PUBLIC WORKS	22,339,501	25,798,035	14,674,343	11,123,692	43.1%
NON-DEPARTMENTAL & CONTINGENCY					
(d) OTHER NON-DEPARTMENTAL	1,021,658	3,634,892	557,696	3,077,196	84.7%
OPERATING TRANSFERS OUT	13,600,000	24,208,252	17,408,262	6,799,990	28.1%
CONTINGENCY	500,000	492,224	0	492,224	100.0%
TOTAL NON-DEPT & CONTINGENCY	15,121,658	28,335,368	17,965,958	10,369,410	36.6%
TOTAL GENERAL FUND	\$198,445,022	\$229,031,472	\$124,463,485	\$104,567,987	45.7%

(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 43.5% 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	(5,000)	8/8/2022	NA - See Note 1
Community Spirit Grant - Carlsbad High School - Lancer Day Parade	(861)	10/27/2022	NA - See Note 1
TOTAL USES	<u>(7,776)</u>		
AVAILABLE BALANCE	<u>\$492,224</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, that have been accepted during fiscal year 2022-23:

Donations Fiscal Year 2022 - 23

Department	Intention	Qtr. 1	Oct.	Nov.	Dec.	Qtr. 2	Total
Parks & Recreation	Leo Carrillo Ranch Cash Donations	\$6,166	\$689	\$341	\$299	\$1,329	\$7,495
Parks & Recreation	Opportunity Grant Donations	3,253	1,275	373	559	2,207	5,460
Parks & Recreation	Senior Center Cash Donations	1,894	678	149	1,135	1,962	3,856
Parks & Recreation	Senior Meals Cash Donations	3,392	\$1,913	\$1,290	\$1,177	4,380	7,772
Parks & Recreation	Senior Transportation Cash Donations	375	110	96	147	353	728
Parks & Recreation	Special Events Cash Donations	1,000	0	0	0	0	1,000
Parks & Recreation	Tree San Diego planting event (Stagecoach)	0	4,900	0	0	4,900	4,900
Subtotal - Parks & Recreation		\$16,080	\$9,565	\$2,249	\$3,317	\$15,131	\$31,211
Library & Cultural Arts	Book purchases	\$5,150	\$50	\$0	\$100	\$150	\$5,300
Library & Cultural Arts	Genealogy-subscriptions and memberships	0	0	0	3,039	3,039	3,039
Library & Cultural Arts	Films in Schulman Auditorium	0	0	1,050	0	1,050	1,050
Library & Cultural Arts	Support Library Programs and Services	148	1	6	2,000	2,007	2,155
Subtotal - Library & Cultural Arts		\$5,298	\$51	\$1,056	\$5,139	\$6,246	\$11,544
Total Donations		\$21,378	\$9,616	\$3,305	\$8,456	\$21,377	\$42,755

Water Enterprise

WATER OPERATIONS FUND					
December 31, 2022					
	BUDGET	YTD (*)	YTD (*)	CHANGE FROM	PERCENT
	FY 2022-23	12/31/2021	12/31/2022	YTD 2021-22 TO	CHANGE
				YTD 2022-23	
REVENUES:					
WATER DELIVERY	\$ 41,300,000	\$ 21,919,401	\$ 22,032,282	\$ 112,881	0.5%
INTEREST	354,500	170,523	242,381	71,858	42.1%
MISC. SERVICE CHARGES	321,000	146,879	150,022	3,143	2.1%
PROPERTY TAXES	4,441,344	1,772,564	1,975,123	202,559	11.4%
FINES, FORFEITURES & PENALTIES	161,750	2,622	195,763	193,141	7366.2%
OTHER REVENUES	411,544	1,542,558	266,560	(1,275,998)	-82.7%
TOTAL OPERATING REVENUE	46,990,138	25,554,547	24,862,131	(692,416)	-2.7%
EXPENSES:					
STAFFING	4,301,517	2,172,765	2,251,886	79,121	3.6%
INTERDEPARTMENTAL SERVICES	3,161,356	1,470,317	1,581,586	111,269	7.6%
PURCHASED WATER	27,300,000	12,941,227	13,684,365	743,138	5.7%
MWD/CWA FIXED CHARGES	6,885,000	3,342,836	3,395,390	52,554	1.6%
OUTSIDE SERVICES/MAINTENANCE	2,411,554	364,415	321,107	(43,308)	-11.9%
DEPRECIATION/REPLACEMENT	5,000,000	2,250,000	2,499,998	249,998	11.1%
MISCELLANEOUS EXPENSES	1,106,939	332,284	355,556	23,272	7.0%
CAPITAL OUTLAY	77,088	0	32,776	32,776	100.0%
TOTAL OPERATING EXPENSES	50,243,454	22,873,844	24,122,664	1,248,819	5.5%
OPERATING INCOME/(LOSS)	\$ (3,253,316)	\$ 2,680,703	\$ 739,467	\$ (1,941,235)	-72.4%

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

Revenues



- Increase in water due to rate increase in March 2022 offset by a 1.4% decrease in water volume sales.
- Interest earnings increased due to a 45.2% increase in the yield of the Treasurer's portfolio combined with a 12% 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 salary increases and vacancies experienced in prior fiscal year offset by an 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.
- 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) combined with a 1.24% increase in the amount of water purchased.
- Miscellaneous expenses increased from timing of purchase of replacement meters.
- Capital outlay increased due to additional fleet vehicle purchase.

Wastewater Enterprise

WASTEWATER OPERATIONS FUND					
December 31, 2022					
	BUDGET	YTD*	YTD*	CHANGE FROM	PERCENT
	FY 2022-23	12/31/2021	12/31/2022	YTD 2021-22 TO	CHANGE
				YTD 2022-23	
REVENUES:					
CHARGES FOR CURRENT SERVICES	19,000,000	7,726,915	9,172,435	1,445,520	18.7%
INTEREST	95,000	47,916	63,011	15,095	31.5%
OTHER REVENUES	181,500	55,593	153,627	98,034	176.3%
TOTAL OPERATING REVENUE	19,276,500	7,830,424	9,389,073	1,558,649	19.9%
EXPENSES:					
STAFFING	2,971,244	1,370,981	1,431,934	60,953	4.4%
INTERDEPARTMENTAL SERVICES	1,519,845	672,776	756,091	83,315	12.4%
ENCINA PLANT SERVICES	4,665,000	3,129,258	3,013,640	(115,618)	-3.7%
OUTSIDE SERVICES/MAINTENANCE	1,825,185	177,424	190,978	13,554	7.6%
DEPRECIATION/REPLACEMENT	5,300,000	2,650,000	2,649,998	(2)	0.0%
MISCELLANEOUS EXPENSES	1,158,133	288,947	347,678	58,731	20.3%
CAPITAL OUTLAY	9,750	35,032	0	(35,032)	-100.0%
TOTAL OPERATING EXPENSES	17,449,157	8,324,418	8,390,319	65,901	0.8%
OPERATING INCOME/LOSS	1,827,343	(493,994)	998,754	1,492,748	-302.2%

(*) 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 March 2022.
- Interest earnings increased due to a 45.2% increase in the yield of the Treasurer's portfolio combined with a 12.3% 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 driven by salary increases offset by 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.
- Higher miscellaneous expenses from purchase of parts.
- The capital outlay in fiscal year 2021-22 was for the procurement of a utility truck.