

PREPARED BY THE FINANCE DEPARTMENT

Financial *Status Report*



September 30, 2023

This report summarizes the City of Carlsbad's General Fund revenues and expenditures through September 30, 2023. It compares revenues and expenditures for the first three months of fiscal year 2023-24 and fiscal year 2022-23. 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 (\$4.2 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 6.26% for fiscal year 2023-24. This is the 11th 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 and commercial properties in the city; the city saw a smaller increase in industrial property values for the year. This is the ninth 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 2023-24, the county is now experiencing historically low for-sale housing inventory with housing prices remaining steady.

The property taxes for the first three months of the fiscal year have increased by 27% as compared to the prior fiscal year. The primary reasons for the increase are:

- Current taxes are up by \$211,000 or 18.4% mainly due to increased assessed property values along with a higher number of property owners paying their annual taxes early when compared to last year. The first large receipt of taxes will be received by the city in December.
- Aircraft taxes are also up \$750,000 or 42% due to an increase in aircraft assessed values (32%) combined with an increase in the number of aircrafts being housed at the airport.



Sales Taxes (\$15.7 million) – For the first three months of the fiscal year, sales tax revenues are \$2.4 million 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 calendar quarter of 2023 and the first advance for the third calendar quarter of 2023.

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. The city is anticipating that this growth in sales will level off and slowdown this fiscal year.

For sales occurring in the second calendar quarter of 2023 (the most recent data available), key year-over-year gains were seen in new auto sales and light industry. The largest economic segments in the city are automobile dealers, general retail stores, and restaurants. Together, they generate approximately 70% of the city's sales tax revenues.

A significant portion of the year-over-year increase is attributed to the auto sales sector and a correction in methodology for how respective sales were being assigned and reported. It is not yet determined whether this will be a one-time or ongoing experience.



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 \$32.8 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 2023. TOT collected for the first three months of the fiscal year reflects a slight increase of \$31,000 or 0.3%, more than the previous year.

Currently, there are 4,768 hotel rooms in service (of 5,059 total rooms built in the city and 423 registered short-term vacation rentals). The average occupancy of hotel rooms over the most recent 12 months has been 72.3% which is slightly lower than 72.7% 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 \$6.4 million for the current fiscal year. Business license revenues are up \$34,000, or 2%, from the previous fiscal year. The increase is due to an increase in license renewal revenue offset by a reduction in penalty revenue from overdue business license renewals when compared to the prior year.

There are currently 9,395 licensed businesses operating within the city, 167 less than the prior year. The majority of taxed businesses (6,291 businesses) are located in Carlsbad, with 2,300 of these businesses home-based.



Interdepartmental Charges (\$1.5 million) – Interdepartmental charges are up by \$106,800 when compared with the same period last year. These charges are generated through engineering services charged to capital projects (up \$61,000 due to more staff time 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 (up \$45,600).



Income from Investments and Property (\$1.7 million) – For the first three months of the fiscal year, income from investments and property is up \$345,500 compared to the previous fiscal year. This increase is largely due to a 63% rise in yield from 1.51% as of September 2022 to 2.33% as of September 2023 along with a 10.8% increase in the average cash balance held in the General Fund.

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 a target range of 5.25%-5.5% as of July 2023. While 2022 saw repeated and large interest rate hikes, 2023 has experienced smaller interest rate hikes at a slower and more deliberate pace.



Recreation Fees (\$1.4 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 \$85,150 compared to last year at this time. Half of this increase is attributable to an increase in aquatic lesson revenue.



Development Related Revenues (\$1 million) – Development related revenues, which include building permits, planning fees, building department fees, and engineering fees, reflect a 15% decrease 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 the first fiscal quarter of fiscal year 2023-24 included permits associated with the new residential construction of 24 second dwelling units, 12 condominiums, 6 single family homes, 259 apartments (Aviara Apartments) and various homeowner improvements. Commercial permit activity included permits associated with a preschool (13,500 sq. ft.) There were no commercial buildings permitted during the first quarter.

One source of development related revenue is building permits, which are up 7% compared to last fiscal year. The year-to-date valuation of new construction in the current fiscal year is \$105 million. This represents a \$51 million, or 94%, increase over the previous fiscal year.



Franchise Tax (\$917,000) – 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 \$7.1 million for the current fiscal year. Year-to-date franchise taxes are \$183,000 higher when compared to the same period last year.

Cable television franchise revenues (Spectrum and AT&T) are down \$17,000 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 \$200,000 resulted from the city’s most recent contract 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 46% of the city’s franchise taxes are anticipated to be received from SDG&E in April 2024.



Ambulance Fees (\$1.6 million) – The city bills any individual who is transported in one of the city’s ambulances. Through September 2023, receipts from ambulance fees are up \$621,000, or 64%, compared to last fiscal year. The increase in revenue for the first three months of the fiscal year is mainly due to changes to the ambulance fee schedule that the City Council approved in June 2023 along with an increase in the number of billable transports, 1,914 in the first three months of fiscal year 2023-24 versus 1,892 at the same time in the prior fiscal year.



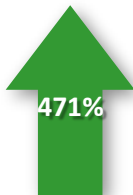
Other Revenue Sources (\$234,000) – Other revenue sources have decreased by \$80,500 and include revenues received by the city to offset the costs of special studies or projects for developers; reimbursements for damage done to city streets, rights-of-way, and other city-owned property; donations; and miscellaneous reimbursed expenses and refunds of prior year fees. The decrease to date is related to higher amounts received for developer funded studies in the prior fiscal year when compared to the current fiscal year.



Other Licenses and Permits (\$229,000) – 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 \$5,000 is primarily a result of increased right of way permits when compared to the same period last year.



Fines and Forfeitures (\$104,000) – 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 \$25,000 is mainly due to decreases in code violation assessments (\$22,500) when compared to the previous fiscal year as well as the elimination of overdue fines (\$8,000) for library materials offset by a small increase in parking and vehicle citations and fees.



Intergovernmental Revenues (\$633,500) – 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. Various miscellaneous receipts comprise the \$663,500 received this year which represents an increase of 471% over the same period last year. This increase is mainly due to state reimbursements received for two planning related state grant awards.



Transfer Taxes (\$158,000) – 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 over the same period last year due to an increase in property transfers.



Other Charges or Fees (\$122,700) – 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 \$25,000, or 26% mainly due to an increase in annual fire inspection fees and false alarm response fees when compared to the prior fiscal year.

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

**GENERAL FUND
REVENUE COMPARISON**

	REVENUE BUDGETED FOR FY 2023-24	REVENUE EXPECTED THROUGH 09/30/23	ACTUAL FY 2023 AS OF 09/30/22	ACTUAL FY 2024 AS OF 09/30/23	CHANGE FROM YTD 2023 TO YTD 2024	PERCENT CHANGE
TAXES						
PROPERTY TAX	\$84,246,868	\$3,244,993	\$3,359,126	\$4,254,488	\$895,362	27%
SALES TAX	51,064,943	12,109,909	13,324,521	15,685,796	2,361,275	18%
TRANSIENT OCCUPANCY TAX	32,861,193	11,136,397	11,617,301	11,648,275	30,974	0.3%
FRANCHISE TAX	7,084,717	663,854	734,049	917,206	183,157	25%
BUSINESS LICENSE TAX	6,435,502	1,501,335	1,482,976	1,517,020	34,044	2%
TRANSFER TAX	1,624,950	137,290	115,537	157,882	42,345	37%
TOTAL TAXES	183,318,173	28,793,778	30,633,510	34,180,667	3,547,157	12%
INTERGOVERNMENTAL						
VEHICLE LICENSE FEES	83,951	0	0	0	0	0%
HOMEOWNERS EXEMPTIONS	353,000	0	0	0	0	0%
OTHER REIMBURSEMENT	599,000	32,861	111,012	633,560	522,548	471%
TOTAL INTERGOVERNMENTAL	1,035,951	32,861	111,012	633,560	522,548	471%
LICENSES AND PERMITS						
BUILDING PERMITS	1,250,000	263,477	464,022	497,495	33,473	7%
OTHER LICENSES & PERMITS	850,500	193,552	224,176	229,200	5,024	2%
TOTAL LICENSES & PERMITS	2,100,500	457,029	688,198	726,695	38,497	6%
CHARGES FOR SERVICES						
PLANNING FEES	442,000	119,079	159,061	156,746	(2,315)	-1%
BUILDING DEPARTMENT FEES	861,000	301,312	333,599	186,209	(147,390)	-44%
ENGINEERING FEES	774,000	157,085	201,082	141,848	(59,234)	-29%
AMBULANCE FEES	6,798,000	1,519,213	976,342	1,597,552	621,210	64%
RECREATION FEES	2,598,600	1,123,696	1,352,274	1,437,430	85,156	6%
OTHER CHARGES OR FEES	1,584,245	116,239	97,395	122,728	25,333	26%
TOTAL CHARGES FOR SERVICES	13,057,845	3,336,624	3,119,753	3,642,513	522,760	17%
FINES AND FORFEITURES	276,200	87,879	128,207	103,898	(24,309)	-19%
INCOME FROM INVESTMENTS & PROPERTY	5,948,225	1,171,511	1,360,344	1,705,816	345,472	25%
INTERDEPARTMENTAL CHARGES	5,746,232	1,336,516	1,393,584	1,500,405	106,821	8%
OTHER REVENUE SOURCES	987,000	146,426	314,739	234,256	(80,483)	-26%
TRANSFERS IN	10,000	0	0	0	0	0%
TOTAL GENERAL FUND	\$212,480,126	\$35,362,624	37,749,347	\$42,727,810	\$4,978,463	13.2%

(1)

(1) Calculated General Fund revenues are 21% above estimates as of September 30, 2023.

Expenditures

Total General Fund expenditures and encumbrances-those funds either spent or committed for specific expenses- through the month of September 2023 are \$72.4 million, compared to \$79.5 million at the same time last year. The remaining budget available through the fiscal year ending June 30, 2024, is \$168.7 million, or 70%. If funds were spent in the same proportion as the previous year, the General Fund would have 64.4% or \$144.1 million available. Excluding transfers out, contingencies, and non-departmental charges, the percentage available on September 30, 2023, is 67.5%, slightly more than the 67.0% available on September 30, 2022.

The fiscal year 2023-24 budget was developed with a focus on resiliency over the long-term and reflects a call for departments to increase efficiency and find new ways to reduce ongoing spending. In addition to lowering base spending in the General Fund by \$2.3 million at a time when inflation is 6%, the adopted budget reduced city staffing by the equivalent of 12 positions.

With the development and adoption of the city's fiscal year 2023-24 budget, the city forecasted that ongoing spending will exceed ongoing revenues as soon as fiscal year 2025-26. Since the adoption of this year's budget and the close of fiscal year 2022-23, staff presented an updated forecast at the City Council meeting of October 24, 2023, that showed this shortfall is now projected to occur in fiscal year 2028-29, which was driven by stronger-than-expected revenue performance. This year's budget scales back custodial services, nonessential park maintenance, printing and other administrative expenses, travel and training for city staff, and city cell phone use, among other areas expected to have a minimal impact on the community.

The adopted General Fund budget for fiscal year 2023-24 increased by 9.3% or \$18.5 million when compared to last fiscal year due to:

- Increased personnel costs (increase of \$6 million or 4.8%):
 - \$5.2 million in salaries and wages due to negotiated salary increases offset by a reduction in total full-time equivalent positions of 12.06.
 - \$0.2 million in health insurance and retirement benefits costs.
 - \$0.6 million increase in other personnel costs (Medicare, unemployment and disability benefits).
- Increased maintenance and operations costs (increase of \$5.6 million):
 - Overall, total maintenance and operations costs are projecting an increase, however, this category includes a one-time appropriation of \$5.22 million from General Fund reserves toward regional efforts to lower the railroad tracks in Carlsbad. Excluding this one-time use of reserves, the maintenance and operations costs are projected to increase just 0.7% for fiscal year 2023-24 when compared to fiscal year 2022-23. With year-over-year increases in inflation of 8.2% and 6.4%, respectively, this relatively minor increase in maintenance and operations is a tremendous achievement that was accomplished through a strategic analysis of budget reductions.
- Increase in transfers to other city funds (increase of \$8.3 million):
 - 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.
 - \$7.4 million in additional transfers was budgeted for the General Capital Construction Fund and funded by the General Fund's budgeted operating 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 funded status of 80% in accordance with City Council Policy Statement No. 86.

CalPERS latest actuarial valuation report (as of June 30, 2022), the city had a combined pension funded status of 74.6%, reduced from the prior year's status of 86%. This reduction was predominantly driven by CalPERS' fiscal year 2021-22 investment loss of -6.1%. This negative return will not impact the city's required contributions until fiscal year 2024-25.

The City Council approved the establishment of a Public Agencies Post-Employment Benefits Trust (Section 115 Trust) on September 12, 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.

City staff will continue to provide regular financial updates to the City Council throughout fiscal year 2023-24. 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.

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 09/30/23		
	BUDGET FY 2023-24	BUDGET FY 2023-24 (a)	AMOUNT COMMITTED (b)	AVAILABLE BALANCE	% AVAILABLE (c)
POLICY AND LEADERSHIP GROUP					
CITY ATTORNEY	\$2,115,596	\$2,115,596	\$567,062	\$1,548,534	73.2%
CITY CLERK	1,274,455	1,298,267	302,046	996,221	76.7%
CITY COUNCIL	607,078	609,881	123,155	486,726	79.8%
CITY MANAGER	2,184,823	2,298,394	627,624	1,670,770	72.7%
CITY TREASURER	279,149	279,149	52,238	226,911	81.3%
COMMUNICATIONS & ENGAGEMENT	1,953,098	2,227,156	829,532	1,397,624	62.8%
TOTAL POLICY AND LEADERSHIP GROUP	8,414,199	8,828,443	2,501,657	6,326,786	71.7%
ADMINISTRATIVE SERVICES					
ADMINISTRATION	784,107	807,692	203,945	603,747	74.7%
FINANCE	5,323,368	5,726,992	1,538,763	4,188,229	73.1%
HUMAN RESOURCES	5,029,995	5,238,274	1,375,131	3,863,143	73.7%
INNOVATION & ECONOMIC DEVELOPMENT	2,608,489	2,812,757	930,802	1,881,955	66.9%
TOTAL ADMINISTRATIVE SERVICES	13,745,959	14,585,715	4,048,641	10,537,074	72.2%
PUBLIC SAFETY					
POLICE	55,615,155	60,314,650	18,678,724	41,635,926	69.0%
FIRE	37,882,886	41,689,777	13,074,905	28,614,872	68.6%
TOTAL PUBLIC SAFETY	93,498,041	102,004,427	31,753,629	70,250,798	68.9%
COMMUNITY SERVICES					
COMMUNITY SERVICES ADMINISTRATION	585,411	733,802	303,818	429,984	58.6%
COMMUNITY DEVELOPMENT	11,012,958	13,516,576	4,645,525	8,871,051	65.6%
HOUSING & HOMELESS SERVICES	2,765,195	3,219,743	1,493,435	1,726,308	53.6%
LIBRARY & CULTURAL ARTS	13,637,285	14,157,554	3,728,345	10,429,209	73.7%
PARKS & RECREATION	21,055,565	22,019,703	8,970,320	13,049,383	59.3%
TOTAL COMMUNITY SERVICES	49,056,414	53,647,378	19,141,443	34,505,935	64.3%
PUBLIC WORKS					
PUBLIC WORKS ADMINISTRATION	1,562,272	1,595,344	406,690	1,188,654	74.5%
CONSTRUCTION MANAGEMENT & INSPECTIONS	3,257,906	3,341,081	1,011,810	2,329,271	69.7%
ENVIRONMENTAL SUSTAINABILITY	1,178,783	1,580,542	701,681	878,861	55.6%
FACILITIES	7,497,115	8,752,270	3,558,612	5,193,658	59.3%
TRANSPORTATION	9,732,215	10,876,588	3,500,972	7,375,616	67.8%
TOTAL PUBLIC WORKS	23,228,291	26,145,825	9,179,765	16,966,060	64.9%
NON-DEPARTMENTAL & CONTINGENCY					
(d) OTHER NON-DEPARTMENTAL	1,356,700	2,062,990	349,001	1,713,989	83.1%
VILLAGE TRENCHING	5,220,000	5,220,000	0	5,220,000	100.0%
OPERATING TRANSFERS OUT	21,910,000	28,210,000	5,477,499	22,732,501	80.6%
CONTINGENCY	500,000	500,000	0	500,000	100.0%
TOTAL NON-DEPT & CONTINGENCY	28,986,700	35,992,990	5,826,500	30,166,490	83.8%
TOTAL GENERAL FUND	\$216,929,604	\$241,204,778	\$72,451,635	\$168,753,143	70.0%

(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 64.4% 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:	
NONE AS OF SEPTEMBER 30, 2023	0
TOTAL USES	0
AVAILABLE BALANCE	\$500,000

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 during fiscal year 2023-24:

DONATIONS FISCAL YEAR 2023 - 24					
Department	Intention	July	Aug.	Sept.	Total
Parks & Recreation	Leo Carrillo Ranch Cash Donations	\$458	\$450	\$2,592	\$3,500
Parks & Recreation	Opportunity Grant Donations	769	745	497	2,011
Parks & Recreation	Senior Center Cash Donations	195	210	224	629
Parks & Recreation	Senior Meals Cash Donations	2,310	2,028	2,061	6,399
Parks & Recreation	Senior Transportation Cash Donations	112	180	111	403
Parks & Recreation	Special Events Cash Donations	0	0	1,000	1,000
Parks & Recreation	Teen Program Cash Donations	0	0	1	1
Parks & Recreation	Parks Maintenance Cash Donations	1,850	0	0	1,850
	Subtotal - Parks & Recreation	\$5,694	\$3,613	\$6,486	\$15,793
Library & Cultural Arts	Book Purchases	\$0	\$0	\$0	\$0
Library & Cultural Arts	Support Library Programs and Services	0	2	100	102
	Subtotal - Library & Cultural Arts	\$0	\$2	\$100	\$102
Fire	Food gifts for crews	\$0	\$0	\$24	\$24
Fire	Misc. supplies and equipment	0	0	0	0
	Subtotal - Fire	\$0	\$0	\$24	\$24
Total Donations		\$5,694	\$3,615	\$6,610	\$15,919

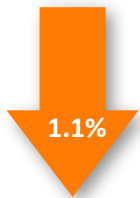
Water Enterprise

WATER OPERATIONS FUND September 30, 2023

	BUDGET FY 2023-24	YTD* 9/30/2022	YTD* 9/30/2023	CHANGE FROM YTD 2022-23 TO YTD 2023-24	PERCENT CHANGE
REVENUES:					
WATER DELIVERY	\$ 41,688,000	\$ 11,736,959	\$ 11,385,376	\$ (351,583)	-3.0%
INTEREST	389,000	78,085	163,692	85,607	109.6%
MISC. SERVICE CHARGES	441,000	77,839	105,302	27,463	35.3%
PROPERTY TAXES	4,729,000	89,197	98,806	9,609	10.8%
FINES, FORFEITURES & PENALTIES	411,000	1,422	93,049	91,627	6443.5%
OTHER REVENUES	491,000	102,196	110,740	8,544	8.4%
TOTAL OPERATING REVENUE	48,149,000	12,085,698	11,956,965	(128,733)	-1.1%
EXPENSES:					
STAFFING	4,782,779	1,083,427	1,223,068	139,641	12.9%
INTERDEPARTMENTAL SERVICES	3,765,584	735,291	941,222	205,931	28.0%
PURCHASED WATER	30,805,000	7,519,662	8,114,418	594,756	7.9%
MWD/CWA FIXED CHARGES	7,550,000	1,697,695	1,699,401	1,706	0.1%
OUTSIDE SERVICES/MAINTENANCE	2,491,059	116,077	86,970	(29,107)	-25.1%
DEPRECIATION/REPLACEMENT	5,000,000	1,125,000	1,250,000	125,000	11.1%
MISCELLANEOUS EXPENSES	986,543	101,965	117,516	15,551	15.3%
CAPITAL OUTLAY	99,302	0	60,936	60,936	100.0%
TOTAL OPERATING EXPENSES	55,480,267	12,379,116	13,493,531	1,114,414	9.0%
OPERATING INCOME/(LOSS)	\$ (7,331,267)	\$ (293,418)	\$ (1,536,566)	\$ (1,243,147)	423.7%

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

Revenues



- Decrease in water operating revenues due to 6.13% decrease in water volume sales, offset by increase in user rates effective January 2023.
- Interest earnings increased due to a 63% increase in the yield of the Treasurer's portfolio offset by a 3.3% decrease in the monthly average cash balance.
- The increase in misc. service charges is due to reimbursement for interdepartmental labor charges.
- The increase in property taxes is primarily due to increase in assessed property values.
- The increase in fines is due to reinstatement of customer late charges starting in January 2022.

Expenses



- The increase in staffing expenses includes salary increases combined with 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 decreased from the prior year due to a 7.8% rate increase in the variable cost of water purchased from the San Diego County Water Authority (SDCWA) offset by a 4.9% decrease in the amount of water purchased.
- Capital outlay decrease due to additional fleet vehicle purchase in prior year.

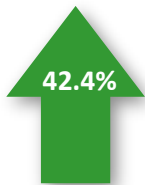
Wastewater Enterprise

WASTEWATER OPERATIONS FUND September 30, 2023

	BUDGET FY 2023-24	YTD* 9/30/2022	YTD* 9/30/2023	CHANGE FROM YTD 2022-23 TO YTD 2023-24	PERCENT CHANGE
REVENUES:					
CHARGES FOR CURRENT SERVICES	21,939,000	3,971,433	5,558,309	1,586,876	40.0%
INTEREST	110,000	21,878	59,065	37,187	170.0%
OTHER REVENUES	307,000	24,962	105,731	80,769	323.6%
TOTAL OPERATING REVENUE	22,356,000	4,018,273	5,723,105	1,704,832	42.4%
EXPENSES:					
STAFFING	3,322,088	682,898	839,807	156,909	23.0%
INTERDEPARTMENTAL SERVICES	1,929,134	337,343	481,667	144,324	42.8%
ENCINA PLANT SERVICES	6,000,000	1,075,000	1,972,764	897,764	83.5%
OUTSIDE SERVICES/MAINTENANCE	1,993,412	86,839	117,705	30,866	35.5%
DEPRECIATION/REPLACEMENT	5,300,000	1,325,000	1,325,000	0	0.0%
MISCELLANEOUS EXPENSES	827,614	77,590	143,149	65,559	84.5%
CAPITAL OUTLAY	24,651	28,719	245	(28,474)	-99.1%
TOTAL OPERATING EXPENSES	19,396,899	3,613,389	4,880,337	1,266,948	35.1%
OPERATING INCOME/LOSS	2,959,101	404,884	842,768	437,884	108.2%

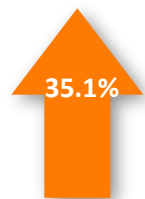
(*) Adjusted to reflect timing differences for Encina quarterly invoices and depreciation.

Revenues



- Charges for current services are higher than in the prior year due primarily to a 20% rate increase that went into effect in January 2023.
- Interest earnings increased due to a 63% increase in the yield of the Treasurer's portfolio combined with a 39.5% increase in the monthly average cash balance.
- The increase in other revenues is due to customer late charges resuming after the COVID-19 pandemic in January 2022 and reimbursement for interdepartmental labor charges.

Expenses



- The increase in staffing expenses is driven by salary increases combined with 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.
- Higher miscellaneous expenses from purchase of parts and chemicals.
- The capital outlay in fiscal year 2022-23 was for lift station land acquisition costs.

Golf Course Enterprise

GOLF COURSE FUND September 30, 2023

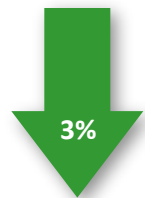
	BUDGET FY 2023-24	YTD 9/30/2022	YTD 9/30/2023	CHANGE FROM	
				YTD 2022-23 TO YTD 2023-24	PERCENT CHANGE
REVENUES:					
GOLF COURSE	5,271,000	1,627,339	1,630,506	3,167	0.2%
FOOD & BEVERAGE	4,025,000	1,247,244	1,222,047	(25,197)	-2.0%
PRO SHOP	434,000	128,483	122,361	(6,122)	-4.8%
PRACTICE CENTER	355,000	62,048	135,511	73,463	118.4%
OTHER REVENUES	164,500	177,948	328,642	150,694	84.7%
TOTAL OPERATING REVENUE	10,249,500	3,243,062	3,439,067	196,005	6.0%
EXPENSES:					
GENERAL & ADMINISTRATIVE	5,801,000	1,322,584	1,502,730	180,146	13.6%
COURSE & GROUNDS	1,311,000	387,230	375,883	(11,347)	-2.9%
FOOD & BEVERAGE	348,000	92,774	92,942	168	0.2%
PRO SHOP	97,000	32,524	16,340	(16,184)	-49.8%
COST OF SALES	1,207,000	339,213	357,103	17,890	5.3%
DEPRECIATION/REPLACEMENT	750,000	850,003	187,500	(662,503)	-77.9%
MISCELLANEOUS EXPENSES	347,040	(245,565)	48,602	294,167	-119.8%
CAPITAL OUTLAY	1,092,226	194,490	303,270	108,780	55.9%
TOTAL OPERATING EXPENSES	10,953,266	2,973,253	2,884,370	(88,883)	-3.0%
OPERATING INCOME/LOSS	(703,766)	269,809	554,697	284,888	105.6%

Revenues



- Primary operating revenues at the golf course have remained relatively consistent year over year. Inclement weather during the first quarter offset strong continued demand, moderate rate increases, and positive practice center activities.
- Other revenues increased notably over the prior period due to timing adjustments related to interest earnings on cash and investments on hand.

Expenses



- General & Administrative costs increased over the prior period as a result of cost of living increases and lingering inflation.
- This increase was absorbed by prudent operational spend over grounds maintenance, food & beverage, and the pro shop.
- Depreciation has decreased by 78% when compared to the prior year. This is due to the fact that the original course land improvements are now fully depreciated.
- Miscellaneous expenses appears to have increased significantly; however, the prior period experienced a one-time accounting adjustment for legal expenses that reduced the bottom line expense total.