

Quarterly Financial Report

NOVEMBER 17, 2011

FIRST QUARTER, 2012



100 Years of pride, progress and service.

OVERVIEW

This report summarizes the City's overall financial activity and position for the fiscal year through September 30, 2011.

ADJUSTED BUDGETS AND REVENUE ESTIMATES. The revenue projections and budget expenditures include adjustments for any supplemental appropriations made by the Council as of September 30th.

GENERAL FUND

GENERAL FUND FINANCIAL CONDITION

General Fund Balance	Budget	YTD Actual	Percent
Revenues	4,185,183	444,610	11%
Expenditures	4,541,311	811,185	18%
Transfers, In (Out) Net	(53,939)	-	0%
Balance, Start of the Year	3,125,852	3,125,852	-
Total Operations (Rev-Exp)	(356,128)	(366,575)	-

GENERAL FUND RESERVE FINANCIAL CONDITION

General Fund Reserve Balance	Budget	YTD Actual	Percent
Revenues	4,271	-	0%
Expenditures	-	-	0%
Transfers	-	-	0%
Balance, Start of the Year	1,295,781	1,295,781	-
Fund Balance, Year-to-Date	1,300,052	1,295,781	-

GENERAL FUND FINANCIAL CONDITION. With 25% of the year complete, General Fund revenues are at 11% of budgeted estimates while expenditures are at 18%. The table to the left illustrates the current operating surplus (deficit) for the General Fund.

The City maintains a separate reserve fund for the General Fund. There are no budgeted appropriations from this fund in fiscal year 2011/2012. Any revenue to the Reserve Fund is the result of interest earnings.

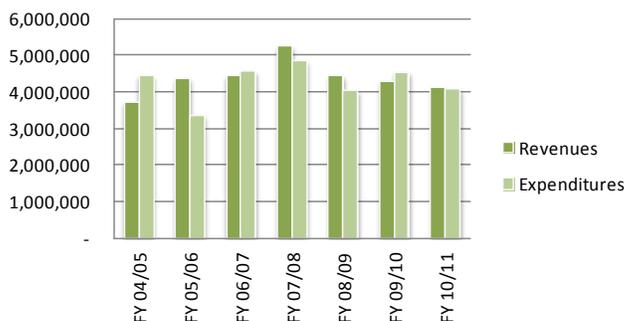
Though revenues appear to be lagging at 11% year-to-date, much of that is accounted for in property tax receipts. Unlike sales tax receipts, which are received by the City monthly, property taxes generally are received semi-annually. Further discussion of their expected condition is below.

TOP TEN REVENUES. The City's top ten revenue sources account for approximately 90% of total General Fund income. Focusing on these sources can provide an excellent understanding of the City's revenue position.

Overall, these key revenues are performing as projected based on initial estimates, payment schedules, and past trends for the first quarter.

Sales Tax. The City collects sales tax from two sources: normal Bradley-Burns sales taxes - which are shared between City, county, and the state - and a ½ cent sales and use tax, commonly referred to as Measure I and devoted entirely to the City. Both tax sources are general taxes and can be used for any regular general government

GENERAL FUND SEVEN-YEAR FINANCIAL COMPARISON



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purpose.

Due to the “triple flip,” the City only receives 75% of our base sales taxes from State allocations; the remaining 25% portion is remitted to the City from the county in January and June. Sales tax is the top revenue source for the City; however, it is a volatile source of revenue and can be affected by numerous factors. As the City enters the fall and early winter seasons, we anticipate sales tax to be slightly lower (2-3%) than budgetary estimates for this time of the year. Sales tax compared to this time last year is down by 1.85%.

Trash Collection. This essentially is a pass-through collection for services provided by the City franchise solid waste collector, Lakeport Disposal. Current collections are on par with estimates.

Property Tax. The first major apportionment of the 2011-12 taxes occurs in December or early January. Housing prices are expected to remain relatively flat with no significant declines expected. Initial budget estimates were conservative, and we believe the first receipts to come in will be on par with those estimates.

Property Tax in Lieu of VLF (Vehicle License Fee). These are property tax shares allocated to cities and counties beginning in FY 04-05 as compensation for Vehicle License Fees (VLF) revenues previously allocated to cities and counties by the state. Similar to property tax receipts, we expect this amount to total close to budget estimates for this time of the year.

Property Tax in Lieu of Sales Tax (Triple Flip). This is a mechanism used to repay the state fiscal recovery bonds pursuant to Prop 57 of 2004. Under the Triple Flip, the local sales and use tax rate is reduced from 1.00% to 0.75% with the 0.25% diverted to repay state fiscal recovery bonds. Cities and counties are reimbursed for the lost revenue from a shift of property tax revenue. Similar to property tax receipts, we expect this amount to total close to budget estimates.

Rents and Leases. This is revenue collected from other funds/agencies, i.e. Redevelopment, Water, Sewer, etc., for the use of City offices and facilities and for Council’s time spent acting as the governing body of those agencies. The City Manager reduced the amount being drawn from those funds in the current adopted budget after analyzing the actual net effect of those activities on those funds.

Transient Occupancy Tax (TOT). Year-to-date revenues from this source are up 35% from the same time last year; however, TOT revenues are based seasonally for Lakeport. As such, it is difficult to predict where it will be after the spring and summer when the fiscal year ends. Staff continues to monitor this revenue

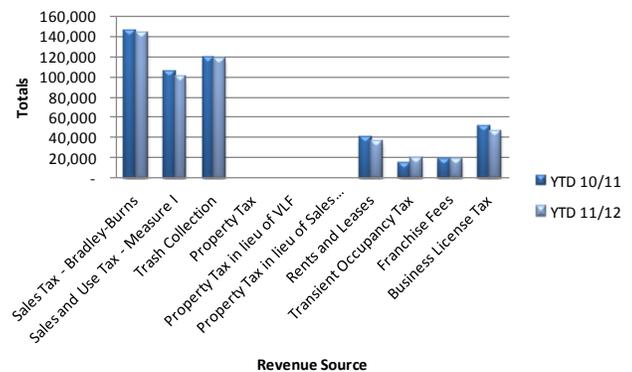
TOP TEN GENERAL FUND REVENUES

Top Ten Revenues	Budget	YTD Actual	Percent
Sales Tax - Bradley-Burns	890,677	142,751	16%
Sales and Use Tax - Measure I	619,431	100,471	16%
Trash Collection	428,621	117,905	28%
Property Tax	408,792	-	0%
Property Tax in lieu of VLF	377,400	-	0%
Property Tax in lieu of Sales Tax	310,988	-	0%
Rents and Leases	142,581	35,645	25%
Franchise Fees	134,253	18,973	14%
Transient Occupancy Tax	85,000	19,805	23%
Business License Tax	66,553	46,116	69%
Total	3,464,296	481,665	14%

TOP TEN GENERAL FUND REVENUES COMPARED

Top Ten Revenues Compared	YTD 10/11	YTD 11/12	Percent
Sales Tax - Bradley-Burns	145,444	142,751	-2%
Sales and Use Tax - Measure I	105,470	100,471	-5%
Trash Collection	119,603	117,905	-1%
Property Tax	-	-	0%
Property Tax in lieu of VLF	-	-	0%
Property Tax in lieu of Sales Tax	-	-	0%
Rents and Leases	40,210	35,645	-11%
Franchise Fees	18,504	18,973	3%
Transient Occupancy Tax	14,661	19,805	35%
Business License Tax	50,569	46,116	-9%
Total	494,460	481,665	-3%

Top Ten Revenues Compared FY 09/10 to FY 10/11



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source closely.

Franchise Fees. This includes revenues from franchise fees paid by PG&E, MediaCom (Cable), and trash collection. Revenue appears to be ahead of what was expected for this time of year and we anticipate that trend to continue to year end.

Business License Tax. Businesses that operate within City limits are required to obtain a business license. A tax is assessed for the privilege of doing so, the proceeds of which are available for unrestricted use in the General Fund. Current receipts are below what was estimated for this time of the year and are nearly 9% lower than this time last year.

EXPENDITURES. Operating expenditures City-wide (i.e., general fund, special revenues funds, RDA, water and sewer) generally are below estimates for this time of year. Total city-wide operations are at 14% of approved appropriations. Nearly all departments are at or below their expected expenditure levels.

Through administrative policy - adopted by the City Council - the City Manager is authorized to approve budget transfers within departments and funds, not to exceed \$2,500 per object (line item) within the fiscal year. The City Manager may also transfer funds between departments so long as the transfer involves the same object and does not exceed \$2,500/transfer in the fiscal year. Any budget transfer request above \$2,500 must be considered and approved by the City Council.

Council is advised to contact the City Manager directly with concerns about expenditure levels or department heads to inquire about the status of specific projects or programs.

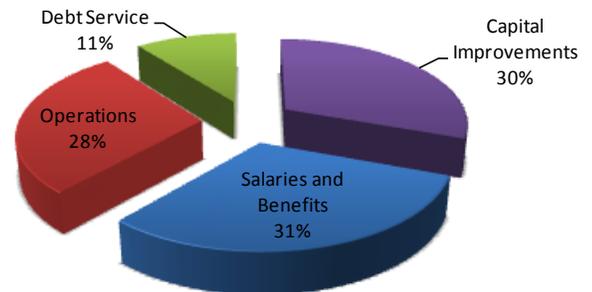
EXPENDITURES BY DEPARTMENT CITY-WIDE

Expenditures by Department	Budget	YTD Actual	Percent
City Council	102,729	22,163	22%
Administration	386,727	71,133	18%
City Attorney	112,434	16,420	15%
Finance	395,374	72,412	18%
Planning	227,772	30,620	13%
Building	164,583	31,955	19%
City Engineer	240,472	41,943	17%
Public Works: Westshore Pool	100,651	35,059	35%
Police	1,765,049	317,553	18%
Public Works: Streets	2,365,523	169,721	7%
P Works: Parks, Buildings, Grounds	234,156	43,724	19%
Redevelopment/Economic Development	2,863,801	248,906	9%
Lakeport Housing	743,196	196,854	26%
Water	1,861,593	208,030	11%
Sewer	1,270,201	318,347	25%
Total	12,834,261	1,824,840	14%

EXPENDITURES BY MAJOR CATEGORY CITY-WIDE

Expenditures by Major Category	Budget	YTD Actual	Percent
Salaries and Benefits	4,221,899	843,899	20%
Operations	3,833,645	853,857	22%
Debt Service	1,441,735	517,751	36%
Capital Improvements	4,167,223	58,710	1%
Total	13,664,502	2,274,217	17%

EXPENDITURES BY MAJOR CATEGORY CITY-WIDE



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ENTERPRISE FUNDS

Unlike the General Fund, enterprise funds are proprietary funds which generally match revenues to expenses. The City operates two enterprise funds: water and sewer, housed administratively within the Utilities Department. Through the collection of fees and charges, these funds should collect revenues sufficient enough to finance costs associated with administration/operations, capital improvements (CIP), and debt service.

Water Fund revenues, though at 21% currently, are on par with budget estimates. The discrepancy lies in the fact that proceeds to fund the purchase of the Green Ranch have not been received. Conversely, water fund expenses do not include the first installment of the Green Ranch purchase. It is anticipated that the general fund will provide bridge financing to the water fund for the purchase, which staff anticipates will be refinanced by a loan from USDA. The first payment of \$350,000 is expected to occur in November.

Overall, operating expenses for the fund are below budgetary estimates. Funding for capital improvements is nominal.

The Water enterprise maintains a special revenue expansion fund. Except for interest earnings, no activity has occurred in this fund to date.

Sewer Fund revenues are performing better than anticipated, while expenses to date are below budget estimates. This is due primarily to the District retaining sewer flows for treatment at its own facility as opposed to sending them north to LACOSAN. Funding for wastewater system capital improvements is nominal.

The Sewer enterprise maintains a special revenue expansion fund. Except for interest earnings, no activity has occurred in this fund to date.

Most City departments draw financial resources from the enterprise funds in the performance of administrative, financial, programmatic, and operational functions. The chart to the right illustrates this activity.

WATER ENTERPRISE OPERATIONS

Water Fund Working Capital	Budget	YTD Actual	Percent
Revenues	1,995,770	413,444	21%
Expenditures			
Admin/Operations	1,142,172	232,739	20%
CIP Projects	662,073	7,346	1%
Debt Service	254,069	-	0%
Balance, Start of the Year	250,912	250,912	-
Total Operations (Rev-Exp)	(62,544)	173,360	-

SEWER ENTERPRISE OPERATIONS

Sewer Fund Working Capital	Budget	YTD Actual	Percent
Revenues	1,712,533	491,646	29%
Expenditures			
Admin/Operations	1,472,770	261,403	18%
CIP Projects	40,825	-	0%
Debt Service	187,260	121,680	65%
Balance, Start of the Year	586,048	586,048	-
Total Operations (Rev-Exp)	11,678	108,563	-

DEPARTMENTAL USE OF ENTERPRISE FUNDS

Department	Function	Water	Sewer
Administration	Admin	X	X
City Attorney	Admin	X	X
Finance	Financial	X	X
Planning	Operations	X	X
Building	Operations	X	X
City Engineer	Operations	X	X
Police	Safety		
Public Works	Operations	X	X
Parks, Buildings, and Grounds	Operations		
Water Utility M&O	Operations	X	
Sewer Utility M&O	Operations		X
Redevelopment	Program		
Lakeport Housing	Program		
Total Departments in Use		8	8

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REDEVELOPMENT

Redevelopment activities are funded by property tax increment revenue. There are two primary operating funds within the Agency: Redevelopment Admin/Debt Service and Low/Mod Housing Set-Aside. Twenty percent of all tax increment revenue must be devoted to low and moderate housing.

Tax increment revenues were budgeted originally to be on par with the former fiscal year totals. However, recent estimates from the County Auditor-Controller indicate that total receipts may be less than was expected. The first release of tax increment from the county will not occur until December, at which time staff will analyze revenue estimates and recommend adjustments accordingly.

Expenditures for both redevelopment funds are on par with budgetary estimates. Though capital projects are budgeted in the current fiscal year, the full amount of appropriations may not be expended by June 30, 2012. The remainder of those funds may be carried forward to FY 12/13.

For administrative, financial, and reporting purposes, the Redevelopment Agency is considered a blended component unit of the City. City departments, [i.e. Redevelopment (7010) and Lakeport Housing (6010)] carry out the function and operations of the Agency.

Similar to enterprise funds, redevelopment funds are used by a number of City departments to carry out administrative, financial, operational, and programmatic functions. The chart to the right illustrates this activity.

REDEVELOPMENT OPERATIONS

Redevelopment Working Capital	Budget	YTD Actual	Percent
Revenues			
Tax Increment	914,255	-	0%
Other	144,516	-	0%
Expenditures			
Admin/Operations	426,439	63,000	15%
CIP Projects	82,000	26,319	32%
Debt Service	322,680	185,921	58%
Pass-Throughs	182,851	473	0%
Transfers Out	182,851	-	0%
Balance, Start of the Year	1,088,663	1,088,663	-
Net Fund Balance	950,613	812,949	-

LAKEPORT HOUSING OPERATIONS

Housing Set-Aside Working Capital	Budget	YTD Actual	Percent
Revenues			
	190,260	831	0%
Expenditures			
Admin/Operations	89,482	41,182	46%
CIP	300	-	0%
Housing Loans/Grants	36,822	14,792	40%
Transfers Out	60,000	-	0%
Balance, Start of the Year	597,150	597,150	-
Net Fund Balance	600,806	542,007	-

DEPARTMENTAL USE OF REDEVELOPMENT FUNDS

Department	Function	Fund	
		Redevelopment	Low/Mod Housing
Administration	Admin	X	x
City Attorney	Admin	X	
Finance	Financial	X	
Planning	Operations	X	X
Building	Operations	X	X
City Engineer	Operations	X	X
Police	Safety		
Public Works	Operations	X	
Parks, Buildings, and Grounds	Operations		
Water Utility M&O	Operations		
Sewer Utility M&O	Operations		
Redevelopment	Program	X	
Lakeport Housing	Program		X
Total Departments		8	5

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DEPARTMENT HEAD CONTACT INFORMATION

CITY MANAGER

MARGARET SILVEIRA 263.5615, EXT. 32

CITY CLERK

JANEL CHAPMAN 263.5615, EXT. 12

CITY ATTORNEY

STEVE BROOKES 263.7866

ADMINISTRATIVE SERVICES DIRECTOR

KELLY BUENDIA 263.5615, EXT. 30

FINANCE DIRECTOR

DANIEL BUFFALO 263.5615, EXT. 16

COMMUNITY DEVELOPMENT/REDEVELOPMENT DIRECTOR

RICHARD KNOLL 263.8840

CHIEF OF POLICE

BRAD RASMUSSEN 263.5615, EXT. 13

CITY ENGINEER

SCOTT HARTER 263.5615, EXT. 11

UTILITIES/CLMSD DIRECTOR

MARK BRANNIGAN 263.263.3578, EXT. 20

PUBLIC WORKS DIRECTOR

DOUG GRIDER 263.0751, EXT. 26

CITY COUNCIL, REDEVELOPMENT AGENCY BOARD, CLMSD BOARD MEMBERS

MEMBERS

SUZANNE LYONS, MAYOR AND CHAIR

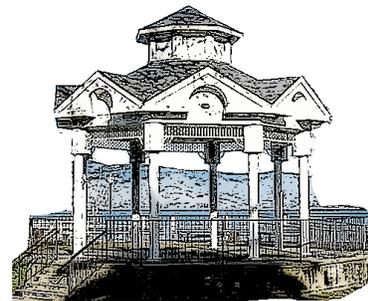
STACEY MATTINA, MAYOR PRO TEM

BOB RUMFELT

TOM ENGSTROM

ROY PARMENTIER

For More Information. This summary is based on detailed information produced by the City's financial management system. If you would like additional information, or have questions about this report, please call the Finance Department at 263.5615, ext 16.



The gazebo at Library Park.

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