

QUARTERLY FINANCIAL REPORT

JANUARY 31, 2014

SECOND QUARTER, 2013-14



125 Years of pride, progress and service.

OVERVIEW

City management is pleased to present this quarterly financial report summarizing the City's overall financial activity and position through December 31, 2013. This financial information is unaudited. For audited information, or to find greater detail, please refer to the City's Comprehensive Annual Financial Report (CAFR), which is released by December 31 following the end of the fiscal year.

ADJUSTED BUDGETS AND REVENUE ESTIMATES. The revenue projections and budget expenditures presented herein include budget adjustments approved by the City Council.

GENERAL FUND

GENERAL FUND FINANCIAL CONDITION

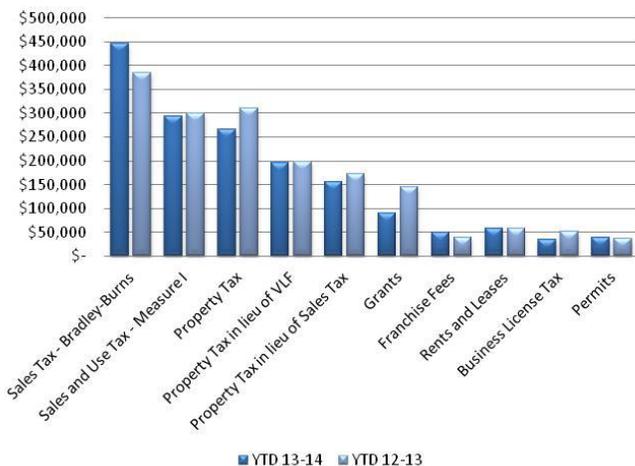
General Fund Balance	Budget	YTD Actual	Percent
Revenues	\$ 4,444,939	\$ 2,073,122	47%
Expenditures	4,616,632	2,129,796	46%
Transfers in (out), net	(7,085)	-	0%
Use of fund balance	200,000	-	0%
Surplus (deficit)	\$ 21,222	\$ (56,674)	
Total fund balance, beginning		\$ 3,595,072	
Total fund balance, ending		3,538,398	
Spendable fund balance, ending		\$ 2,026,959	

GENERAL FUND FINANCIAL CONDITION. The City's general fund is its primary source of discretionary resources for the provision of service deemed necessary and desirable by the citizens of Lakeport and the City Council.

The general fund realized a surplus of over \$320,000 in fiscal year 2012-13. This increased the general fund balance to \$3.33 million, which includes resources not available for spending, such as land held for resale and short-term interfund loans receivable. Cash assets set aside as reserves at the beginning of the year totaled \$1.82 million. The City Manager recommended using \$200,000 of this reserve to engage in one-time uses in the 2013-14 budget. Of this amount, \$100,000 was programmed toward dock replacement at Library Park and another \$100,000 for additional road repairs.

With 50% of the year in the books, revenue is being reported at 47% of total budget estimates. We believe that our conservative revenue estimates are still appropriate and are not recommending any changes to them at mid-year. A more detailed discussion of the primary general fund revenue sources is provided below.

TOP TEN REVENUES COMPARED FY 13-14 TO FY 12-13



TOP 10 REVENUES. The City's top ten revenue sources account for approximately 81% of total general fund income. Focusing on these sources can provide a useful understanding of the City's revenue position.

The bar graph to the left illustrates the performance of top ten revenues as compared to a year ago.

Trash collection has been removed from the list, as it is a pass-through to the City's franchise trash hauler and, with the exception of a 3% administrative fee withheld by the City, not available for general governmental purposes. More information on trash billings and pass-throughs to the City's franchise trash hauler, Lakeport Disposal, is presented on page 5.

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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 governmental purpose.

Overall, sales taxes receipts are in line with budget estimates and are performing better than a year ago overall. Measure I collections were two percent lower than last year.

Property Tax. As the housing market continues to recover, property values (and resulting taxes) remain relatively flat. We experienced a surge in residential property sales during 2011 and 2012, driving home values upward, but that trend has cooled in recent months. This revenue source is down compared to a year ago due to last year’s one-time spike in property tax from the dissolution of the Lakeport Redevelopment Agency.

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 the state’s take of Vehicle License Fees (VLF). This revenue source typically mirrors regular property tax collections and is down just slightly from a year ago.

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. The 9% decrease from last year is likely due to timing differences in payment to the City and is not indicative of significant decrease in sales tax activity.

Grants. The City receives three grants to fund public safety activities. The federal CHRP grant has been closed out, which funded a single officer in the Police Department. The Department is exploring the possibility of applying for a new CHRP grant for fiscal year 2014-15.

Franchise Fees. This includes revenues from franchise fees paid by PG&E, MediaCom (Cable), and Lakeport Disposal. Revenue from this source overall is on par with estimates and is reflected higher here due to timing differences as to when payments were received.

Rents and Leases. This is revenue collected from leasing properties to private parties and other funds/agencies, i.e. water, and sewer enterprises. This revenue source is on par with budget estimates.

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. Receipts are down

TOP TEN GENERAL FUND REVENUES BUDGET TO ACTUAL

Top Ten Revenues	Budget	YTD Actual	Percent
Sales Tax - Bradley-Burns	\$ 982,023	\$ 445,953	45%
Sales and Use Tax - Measure I	709,466	292,768	41%
Property Tax	503,500	266,593	53%
Property Tax in lieu of VLF	400,000	195,781	49%
Property Tax in lieu of Sales Tax	390,513	155,747	40%
Grants	139,952	90,657	65%
Franchise Fees	126,273	49,234	39%
Rents and Leases	117,000	57,248	49%
Business License Tax	70,000	34,371	49%
Permits	52,500	38,943	74%
Total	\$ 3,491,227	\$ 1,627,295	47%

TOP TEN GENERAL FUND REVENUES COMPARED

Top Ten Revenues Compared	YTD 13-14	YTD 12-13	Percent Change
Sales Tax - Bradley-Burns	\$ 445,953	\$ 384,523	16%
Sales and Use Tax - Measure I	292,768	299,031	-2%
Property Tax	266,593	309,830	-14%
Property Tax in lieu of VLF	195,781	197,980	-1%
Property Tax in lieu of Sales Tax	155,747	171,877	-9%
Grants	90,657	145,940	-38%
Franchise Fees	49,234	38,675	27%
Rents and Leases	57,248	58,003	-1%
Business License Tax	34,371	51,480	-33%
Permits	38,943	37,726	3%
Total	\$ 1,627,295	\$ 1,695,065	4%

significantly from a year ago due to timing differences of payments received. It is on par with revenue estimates.

Permits. Fees collected from the issuance of building and planning permits are up from last year due to increased building and planning activity.

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EXPENDITURES BY DEPARTMENT CITY-WIDE – BUDGET TO ACTUAL

Expenditures by Department	Budget	YTD Actual	Percent
City Council	\$ 77,744	\$ 44,094	57%
Administration	468,438	205,385	44%
City Manager: Econ Development	1,592,500	19,600	1%
City Attorney	123,869	106,786	86%
Finance	527,255	226,541	43%
Planning	275,280	66,103	24%
Building	126,028	64,379	51%
Housing	536,198	22,308	4%
Engineering and Information Technology	4,373,264	151,774	3%
Police	1,732,227	918,231	53%
Public Works:			
Roads & Infrastructure	1,386,222	460,857	33%
Parks, Building, Grounds	278,826	132,971	48%
Westshore Pool	118,413	33,279	28%
Water O&M	1,296,203	602,835	47%
Sewer O&M	1,322,413	469,199	35%
Total	\$ 14,234,880	\$ 3,524,342	25%

EXPENDITURES BY MAJOR CATEGORY CITY-WIDE – BUDGET TO ACTUAL

Expenditures by Major Category	Budget	YTD Actual	Percent
Salaries and Benefits			
Active Employee	\$ 4,234,861	\$ 2,100,878	50%
Retiree	501,238	188,813	38%
Total	4,736,099	2,289,691	48%
Operations			
Departmental	4,139,658	1,367,974	33%
Non-Departmental	942,558	322,503	34%
Total	5,082,216	1,690,477	33%
Loans/Grants	456,860	7,979	2%
Debt Service	1,141,248	865,449	76%
Capital Improvements	5,321,992	231,136	4%
Total	\$ 16,738,415	\$ 5,084,732	30%
Reconciliation to Expenditures by Department			
Departmental	\$ 14,234,880	\$ 3,524,342	
Non-Departmental	2,503,535	1,560,390	
Total	\$ 16,738,415	\$ 5,084,732	30%

DEPARTMENTAL EXPENDITURES

Departmental expenditures City-wide (i.e., general fund, special revenues funds, RDA Successor Agency, water and sewer) were 25% of budgeted appropriations. Non-departmental activity brought expenditures up to 30% of appropriations.

Non-departmental activity includes debt service, retiree health administration, trash payment pass-throughs, and minor administrative expenses provided by third parties, including bank, merchant, and trustee fees.

A large portion of the budget is the downtown improvement project - funded by unspent former redevelopment bond proceeds - as well as other capital projects, including those funded by USDA.

City policy maintains budget control at the fund level. However, the Finance Department monitors expenditures at the object or account level (i.e., salaries and benefits, electricity, professional services, etc.) and reports that information monthly to all departments and the City Manager. As of December 31st, departments are reporting expenditures in whole below budgeted appropriations.

The City Manager meets with each department during the mid-year to review expenditures and potential budget adjustments. Adjustments made within any major category (e.g., salaries and benefits, operations, or capital outlay) typically are made by the City Manager upon request by a department head. Adjustments between those major categories, or net increases in appropriations to any particular fund or department require Council review and approval.

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ENTERPRISE FUNDS

The City provides two enterprise services: water and sewer, housed administratively within the Public Works 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 and sewer activities are accounted for like a business in the private sector using the full accrual basis. This is starkly different than governmental fund accounting, which uses the modified accrual basis and is concerned only with current spendable resources, what we call fund balance. Drawing comparisons of information between the two methods can cause confusion.

Information presented here is budgetary-based and not GAAP. Working capital is defined as the difference between current assets and current liabilities. It approximates fund balance in governmental funds. In other words, it's the resources available to meet ongoing operating, debt service, and capital activities in the near term. Non-cash expenses, typically part of full accrual accounting, are excluded from this presentation.

WATER ENTERPRISE

New rates went into effect January 1, 2013. Monthly revenue from rates reflects this adjustment, and the increase from a year ago is in line with budgetary estimates.

Expenditures overall are up from the year prior, driven by personnel and capital outlays. Other operating costs in materials, supplies, and other services were down compared to last year, in some part due to timing differences in insurance premium payments. Debt service was down this year due to timing differences in payments from last year.

SEWER ENTERPRISE

Rate adjustments for sewer went into effect July 1, 2013. Monthly revenue from rates reflects this adjustment, and the increase from a year ago is in line with budgetary estimates.

Expenditures overall are up from the year prior due to increased capital projects and personnel costs. Congruent to water, other operating costs in materials, supplies, and other services were down compared to last year, in some part due to timing differences in insurance premium payments. Debt service was down this year compared to last due to timing differences in payments.

WATER ENTERPRISE OPERATIONS

Water O&M				
Revenue, Expenditures, and Changes in Working Capital	12/31/2013		12/31/2012	Percent Change
Revenues				
Operating	\$ 906,468	\$ 684,298		32%
Non-operating	-	3,358		-100%
Total	906,468	687,656		76%
Operating expenditures				
Salaries and benefits	385,703	356,418		8%
Materials, supplies and service costs	220,384	302,566		-27%
CIP	12,459	1,661		650%
Debt Service	119,005	212,774		-44%
Total expenditures	737,551	873,419		18%
Change in working capital	168,917	(185,763)		-191%
Working capital, ending	\$ 564,525	\$ 451,608		25%

SEWER ENTERPRISE OPERATIONS

Sewer O&M				
Revenue, Expenditures, and Changes in Working Capital	12/31/2013		12/31/2012	Percent Change
Revenues				
Operating	\$1,097,327	\$ 935,682		17%
Non-operating	22,500	27,255		-17%
Total	1,119,827	962,937		86%
Operating expenditures				
Salaries and benefits	401,138	382,565		5%
Materials, supplies and service costs	253,414	369,543		-31%
CIP	37,135	9,825		278%
Debt Service	92,189	125,580		-27%
Total expenditures	783,876	887,513		13%
Change in working capital	335,951	75,424		345%
Working capital, ending	\$1,555,275	\$1,186,677		31%

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REDEVELOPMENT

The Lakeport Redevelopment Agency was officially dissolved February 1, 2012. The City retained the function as the Successor Agency to both the housing and non-housing assets for the purpose of winding down the former agency's affairs, while an oversight board was established, pursuant to AB1X 26 – and further revised under AB 1484 – to review and oversee the dissolution process.

The primary duties of the oversight board are to review and approve a Recognized Obligation Payment Schedule (ROPS), dispose of all remaining, former agency assets, and approve an administrative budget for the Successor Agency (provided to the right).

Under AB1X 26 and AB 1484, the City is due an annual administrative cost allowance of \$250,000. As of December 31, 2013, the City expended \$113,953 of that allowance in the performance of dissolution activities and in the planning of remaining projects identified in the most recent Recognized Obligation Payment Schedule (ROPS).

SOLID WASTE MANAGEMENT

In 2004, the City entered into an agreement with Lakeport Disposal, Inc. for the provision of refuse and recycling collection services made mandatory for all residents and businesses by the City Council.

Per the terms of that agreement, the City is to provide customer billing services for both residential and commercial. Past practice has been for Lakeport Disposal to conduct the commercial billing. The City retains a 3% fee for administrative costs in providing residential billing. The remaining amount collected from customers is passed through to the company.

Presented here is a schedule outlining the residential billing activity and subsequent remittance to the franchise hauler to date. A comparison is provided to the same time last year to illustrate any changes.

SUCCESSOR AGENCY ACTIVITIES

Successor Agency Activities	
July 1, 2013 - December 31, 2013	
EXPENSES	
General administration	\$ 113,953
Remittance to County Auditor-Controller	-
Debt service	194,124
Other obligations	882
Total	\$ 308,959

SUCCESSOR AGENCY ADMINISTRATIVE BUDGET TO ACTUAL

Successor Agency Administrative Budget to Actual		
July 1, 2013 - December 31, 2013	Budget	Actual to 12/31/2013
ADMINISTRATIVE COSTS BY FUNCTION		
General administrative overhead	\$ 93,690	\$ 39,244
Successor Agency operational costs	10,153	12,999
Financial management and debt administration	78,551	30,973
Planning and Engineering for dissolution	67,428	30,737
Project and contract completion	-	-
Total	249,822	113,953
SOURCES OF FUNDING		
Low and moderate income housing fund	-	-
Bond proceeds	-	-
Reserve balances	-	-
Administrative cost allowance	249,822	123,800
Redevelopment Property Tax Trust Fund	-	-
Total	249,822	123,800
Funding sufficiency (deficiency)	\$ -	\$ 9,847

GARBAGE BILLINGS AND PASS-THROUGHS

Franchise Trash Hauler Billings	12/31/2013	12/31/2012	Percent Change
Billings	301,793	295,791	2%
Less 3% admin	(9,054)	(8,874)	2%
Billings, net	292,739	286,917	
Remittances to hauler	255,132	251,980	1%
Balance due	37,607	34,937	-

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CITY COUNCIL, REDEVELOPMENT SUCCESSOR AGENCY BOARD, CLMSD BOARD OF DIRECTORS



KENNETH PARLET
MAYOR AND BOARDS
CHAIR



MARTIN SCHEEL
MAYOR PRO TEM
BOARDS VICE CHAIR



STACEY MATTINA



THOMAS ENGSTROM



MARC SPILLMAN

CITY MANAGEMENT TEAM

CITY MANAGER

MARGARET SILVEIRA 263.5615, EXT 32



FINANCE DIRECTOR

DANIEL BUFFALO 263.5615, EXT 16



CITY CLERK

JANEL CHAPMAN 263.5615, EXT 12



CHIEF OF POLICE

BRAD RASMUSSEN 263.5615, EXT 13



CITY ATTORNEY, INTERIM

DAVID RUDERMAN 263.5615, EXT 44



CITY ENGINEER & IT DIRECTOR

SCOTT HARTER 263.5615, EXT 11



ADMINISTRATIVE SERVICES DIRECTOR

KELLY BUENDIA 263.5615, EXT 30



PUBLIC WORKS DIRECTOR

MARK BRANNIGAN 263.263.3578, EXT 104



For More Information. This report is prepared by the City's Finance Department and is a summary based on detailed information produced by its 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.

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