

Quarterly Financial Report

JANUARY 31, 2012

SECOND QUARTER, 2012



100 Years of pride, progress and service.

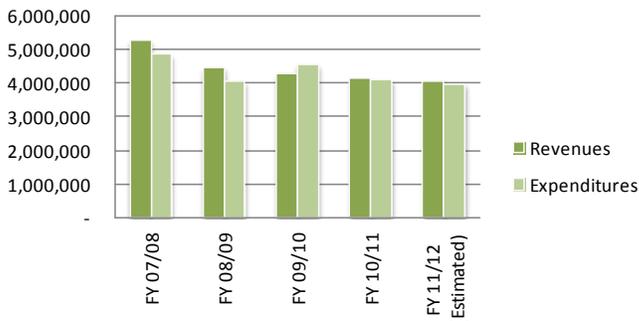
GENERAL FUND FINANCIAL CONDITION

General Fund Balance	Budget	YTD Actual	Percent
Revenues	3,928,218	1,990,544	51%
Expenditures	4,273,925	1,856,786	43%
Transfers, In (Out) Net	(53,939)	-	0%
Balance, Start of the Year	1,254,826	1,254,826	-

GENERAL FUND RESERVE FINANCIAL

General Fund Reserve Balance	Budget	YTD Actual	Percent
Revenues	4,271	4,924	115%
Expenditures	-	-	0%
Transfers	-	-	0%
Balance, Start of the Year	1,295,781	1,295,781	-

GENERAL FUND FIVE-YEAR FINANCIAL COMPARISON



OVERVIEW

This report summarizes the City's overall financial activity and position for the fiscal year through December 31, 2011.

ADJUSTED BUDGETS AND REVENUE ESTIMATES. The revenue projections and budget expenditures include adjustments for any supplemental appropriations made by the Council as of December 31st.

GENERAL FUND

GENERAL FUND FINANCIAL CONDITION. With 50% of the year complete, General Fund revenues are at 51% of budgeted estimates while expenditures are at 43%. The table to the left illustrates the current operating surplus (deficit).

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.

Revenues are higher than anticipated for this time of year largely due to strong sales and property tax receipts. Additionally, COPS funding, which was not budgeted originally by the City, was restored with the final state budget. Further discussion of their expected condition is below.

The bar graph to the left compares revenues to expenditures over the last four year, with an estimate of the year-end actual for 2011/12. As the result of several factors, including increased revenues and one-time cost savings, staff estimates revenues to exceed expenditures in the general fund and that a surplus may be realized.

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 better than 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

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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 purpose.

Original estimates indicated that sales tax may slump slightly through the course of the year but pick up in the spring and early summer. That period of growth appears to have come early and is projected to remain strong through year end, growing by as much as 2-3%. Sales tax is the top revenue source for the City; however, it is a volatile source and can be affected by numerous factors.

Trash Collection. This essentially is a pass-through collection for services provided by the City franchise solid waste collector, Lakeport Disposal. The City retains a portion for administrative costs. Current collections are ahead of schedule and are trending positively.

Property Tax. The first major apportionment of the 2011-12 taxes was received in late January, but was included in this quarterly report due to its significance. Receipts were higher than anticipated and, with the elimination of redevelopment, may increase further by year-end.

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 exceed budget estimates, but will watch it closely.

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, as well as for City-owned property leased out to private interests. This revenue is on pace with budgeted estimates.

Transient Occupancy Tax (TOT). Year-to-date revenues from this source are down 20% (a significant change from just a quarter ago); however, TOT revenues are based seasonally for Lakeport.

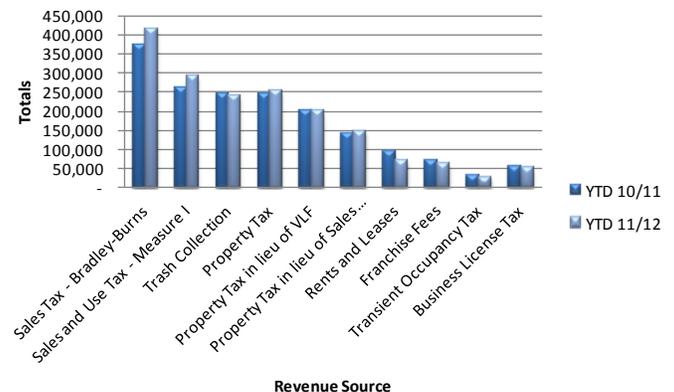
TOP TEN GENERAL FUND REVENUES BUDGET TO ACTUAL

Top Ten Revenues	Budget	YTD Actual	Percent
Sales Tax - Bradley-Burns	890,677	416,450	47%
Sales and Use Tax - Measure I	619,431	291,644	47%
Trash Collection	428,621	240,822	56%
Property Tax	408,792	252,552	62%
Property Tax in lieu of VLF	377,400	199,403	53%
Property Tax in lieu of Sales Tax	310,988	147,021	47%
Rents and Leases	142,581	71,291	50%
Franchise Fees	134,253	62,687	47%
Transient Occupancy Tax	85,000	26,056	31%
Business License Tax	66,553	51,266	77%
Total	3,464,296	1,759,191	51%

TOP TEN GENERAL FUND REVENUES COMPARED

Top Ten Revenues Compared	YTD 10/11	YTD 11/12	Percent
Sales Tax - Bradley-Burns	374,854	416,450	11%
Sales and Use Tax - Measure I	261,308	291,644	12%
Trash Collection	247,712	240,822	-3%
Property Tax	245,029	252,552	3%
Property Tax in lieu of VLF	201,609	199,403	-1%
Property Tax in lieu of Sales Tax	138,892	147,021	6%
Rents and Leases	93,822	71,291	-24%
Franchise Fees	69,285	62,687	-10%
Transient Occupancy Tax	32,462	26,056	-20%
Business License Tax	54,228	51,266	-5%
Total	1,719,202	1,759,191	2%

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



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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 source closely but expects it to end considerably lower than anticipated.

Franchise Fees. This includes revenues from franchise fees paid by PG&E, MediaCom (Cable), and trash collection. Revenue continues to exceed expectations 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. Receipts are down from this time last year; however they are exceeding budget estimates, and staff anticipates them to end better than expected by June 30.

DEPARTMENT 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 34% of approved appropriations. This can attributed to cost savings by departments and the delay of hiring several budgeted positions. Nearly all departments are at or below their expected expenditure levels.

The pie chart to the bottom right illustrates how budgeted expenditures in the current fiscal year are allocated across all departments.

The City Manager recently met with each department to review expenditures through December 31st. In February she will bring the results of that review to the Council along with detailed revenue and expenditure estimates through year-end and a budget amendment for consideration. No net increases in appropriations will be recommended, but changes between specific budget items will be.

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	46,758	46%
Administration	426,823	166,683	39%
City Attorney	112,434	43,673	39%
Finance	395,374	181,924	46%
Planning	227,772	101,725	45%
Building	164,583	74,128	45%
City Engineer	240,472	107,739	45%
Public Works: Westshore Pool	100,651	41,268	41%
Police	1,765,049	782,731	44%
Public Works: Infrastructure	2,365,523	348,261	15%
P Works: Parks, Buildings, Grounds	234,156	119,474	51%
Redevelopment/Economic Development	2,863,801	291,924	10%
Lakeport Housing	743,196	467,993	63%
Water	1,861,593	893,001	48%
Sewer	1,270,201	560,036	44%
Total	12,874,357	4,227,318	33%

EXPENDITURES BY MAJOR CATEGORY CITY-WIDE

Expenditures by Major Category	Budget	YTD Actual	Percent
Salaries and Benefits	4,261,995	2,035,697	48%
Active Employee		1,830,709	
Retiree		204,988	
Operations	3,833,645	1,685,578	44%
Departmental		1,232,205	
Non-Departmental		247,269	
Trash Collection		206,104	
Debt Service	1,441,735	728,565	51%
Capital Improvements	4,167,223	435,839	10%
Total	13,704,598	4,885,679	36%

EXPENDITURES BY MAJOR CATEGORY CITY-WIDE



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ENTERPRISE FUNDS

Unlike the General Fund, enterprise funds are proprietary in nature, meaning revenues must generally meet 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 seemingly low at 37% of budget, currently are on par with estimates for this time of year - revenue from water rates is slightly over 56%. The discrepancy lies in the fact that proceeds to fund the purchase of the Green Ranch have not been received. The application for a low-interest, long-term loan with USDA Rural Development continues to move forward successfully. The proceeds of that loan will go toward financing much needed infrastructure improvement, including the purchase of the Green Ranch. Several sources, including the general fund, will provide bridge financing to the water fund until the USDA loan has been funded.

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 significant activity has occurred in this fund to date.

Sewer Fund revenues continue to perform 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.

It should be noted that the revenues reported here are from billings as of December 31st. Actual payments received generally are in line, but the incidence of late payments, reduced payments, red notices, shutoffs, and accounts being submitted to collections has increased.

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	737,161	37%
Expenditures			
Admin/Operations	1,142,314	475,027	42%
CIP Projects	662,073	359,723	54%
Debt Service	254,069	104,000	41%
Balance, Start of the Year	250,912	250,912	-

SEWER ENTERPRISE OPERATIONS

Sewer Fund Working Capital	Budget	YTD Actual	Percent
Revenues	1,712,533	910,813	53%
Expenditures			
Admin/Operations	1,475,485	575,656	39%
CIP Projects	40,825	1,121	3%
Debt Service	187,260	121,680	65%
Balance, Start of the Year	586,048	586,048	-

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/Econ Dev	Program		
Housing	Program		
Total Departments		8	8

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REDEVELOPMENT

In late December, the State Supreme Court ruled against redevelopment agencies in California by upholding AB1X 26, termed the "Dissolution Bill." Effective February 1, 2012, all redevelopment agencies in the state will be dismantled and their assets transferred to respective county auditor-controllers for disposition by successor agencies. The net effect of this action relieves the state's general fund from statutory commitments to fund public education and local public safety activities, instead placing significant burden on the general funds of local government.

The City has elected to serve as the successor agency for the Lakeport RDA, including assuming its housing function. As part of its efforts to wind down and close the RDA, substantial resources were needed in time, materials, and labor - and will continue to be in the coming months - to complete or cancel remaining contracts and projects, defease bonds, and service ongoing commitments. The City will now act as a fiduciary of RDA assets, holding them in trust until directed to do otherwise by an oversight board and the State Department of Finance.

Similar to enterprise funds, redevelopment funds are used by a number of City departments to carry out administrative, financial, operational, and programmatic functions of the RDA. The chart to the right illustrates this activity. Many of these departments will be impacted significantly as a result the loss of redevelopment.

There are many unknowns as to how the dissolution process is supposed to unfold. The Council, RDA Board, and staff have taken all necessary steps to prepare for the transition. The City has received the Agency's first tax increment check of the year, and staff has been notified by the County Auditor-Controller that it will be the last.

Property taxes received by the RDA will now remit to local taxing agencies pursuant to formulas which dictated their former pass-through amounts. The City's general fund will realize a slight increase in property tax as a result and will receive a small administrative cost allowance to manage the successor agency functions, but those amounts will be insufficient to offset the overall loss of revenue that the RDA generated.

Staff is in regular contact with legal counsel regarding the dissolution and is following developments closely. In the interim, the most recent financial information pertaining to the RDA is presented here.

REDEVELOPMENT OPERATIONS

Redevelopment Working Capital	Budget	YTD Actual	Percent
Revenues			
Tax Increment	731,404	344,898	47%
Other	144,516	932	1%
Expenditures			
Admin/Operations	429,907	146,542	34%
CIP Projects	191,692	86,108	45%
Debt Service	322,680	132,132	41%
Pass-Throughs	182,851	473	0%
Transfers Out	-	-	0%
Balance, Start of the Year	2,779,449	2,779,449	-

LAKEPORT RDA HOUSING OPERATIONS

Housing Set-Aside Working Capital	Budget	YTD Actual	Percent
Revenues			
	190,260	88,834	47%
Expenditures			
Admin/Operations	90,638	67,896	75%
CIP	300	-	0%
Housing Loans/Grants	36,822	30,792	84%
Trasnfers Out	60,000	-	0%
Balance, Start of the Year	593,679	593,679	-

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

STACEY MATTINA, MAYOR AND CHAIR

TOM ENGSTROM, MAYOR PRO TEM

BOB RUMFELT

SUZANNE LYONS

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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