

QUARTERLY FINANCIAL REPORT

FEBRUARY 2, 2016

SECOND QUARTER, 2015-16



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, 2015. 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	\$ 4,290,858	\$ 1,066,218	25%
Expenditures	4,509,244	2,138,605	47%
Transfers in (out), net	(36,826)	-	0%
Use of fund balance	304,671	-	0%
Surplus (deficit)	\$ 49,459	\$ (1,072,387)	
Total fund balance, beginning		2,915,585	
Total fund balance, ending		1,843,198	
Spendable fund balance, ending		\$ 1,469,100	
Fund balance as a percent of total expenditures		86%	

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.

Half way through the year the general fund expended 47 percent of its appropriation and received 25 percent of its anticipated revenue. A more detailed discussion is below.

The City Manager recommended using \$304,671 of the general fund reserve to engage in one-time uses in the 2015-16 budget, including capital projects and prior year encumbrances. No additional increase to the use of fund balance is being recommended at mid-year.

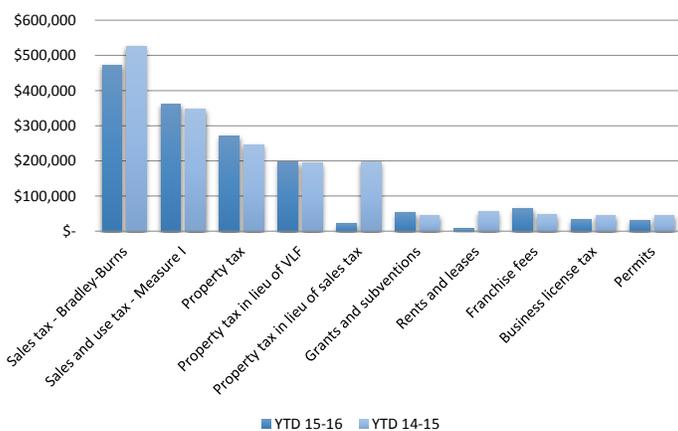
TOP 10 REVENUES. The City's top ten revenue sources account for approximately 80 percent of total general fund income. Focusing on these sources can provide a useful understanding of the City's revenue position.

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

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 (Bradley-Burns and Measure I) combined were down 6.7 percent from a year ago due in part to weaker sales in the City's transportation sector, most notably the price of gas. However, Measure I alone is higher than a year ago - most likely due to activity related to the recent fires. Although

TOP TEN REVENUES COMPARED FY 15-16 TO FY 14-15



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management expected lower receipts due to gas prices and the triple-flip wind down, we are encouraged that the impact won't be as significant as originally estimated.

We will continue to monitor both these revenue sources closely and recommend adjustments to the FY 2015-16 budget later, if needed.

Property tax. Receipts are trending higher than anticipated signaling the return of property value. Economically, the City experienced a surge in residential property sales during 2011 and 2012, driving home values upward, but that trend cooled in 2014-15. This revenue source is higher than the same time last year and is exceeding budgetary estimates. We expect this trend to continue.

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 follows regular property tax collections and is almost identical to last year, reflecting nominal changes to the property tax roll.

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. A final wrap up payment is expected by year end and is in line with budgetary estimates.

Grants and subventions. The City receives several grants and subventions to fund various activities, including public safety and transportation. These sources include COPS, RSTP, and mandated cost reimbursements for open meeting compliance. The amount to date is higher than last year due to significant receipts of mandated cost reimbursement from the state.

Rents and leases. This is revenue collected from leasing properties to private parties and other funds/agencies, i.e. water, and sewer enterprise. This revenue source is lower than last year due to timing difference in receipts. Overall this source is on track with budgetary estimates.

Franchise fees. This includes sales-based revenues from franchise fees paid by PG&E, MediaCom (Cable), and Lakeport Disposal. It is slightly higher this year than last due to timing differences in payments received and increases in trash collection revenue.

Business license tax. Businesses that operate within City limits are required to obtain a business license. The proceeds from the tax collected are available for unrestricted use in the general fund.

TOP TEN GENERAL FUND REVENUES BUDGET TO ACTUAL

Top Ten Revenues	Budget	YTD Actual	Percent
Sales tax - Bradley-Burns	\$ 1,141,026	\$ 471,102	41.3%
Sales and use tax - Measure I	730,893	361,222	49.4%
Property tax	507,290	269,860	53.2%
Property tax in lieu of VLF	408,000	196,724	48.2%
Property tax in lieu of sales tax	380,342	21,433	5.6%
Grants and subventions	250,335	51,454	20.6%
Rents and leases	189,120	6,761	3.6%
Franchise fees	188,000	64,167	34.1%
Business license tax	95,000	32,106	33.8%
Permits	92,500	30,523	33.0%
Total	\$ 3,982,506	\$ 1,505,353	37.8%

TOP TEN GENERAL FUND REVENUES COMPARED

Top Ten Revenues Compared	YTD 15-16	YTD 14-15	Percent Change
Sales tax - Bradley-Burns	\$ 471,102	\$ 525,873	-10.4%
Sales and use tax - Measure I	361,222	348,369	3.7%
Property tax	269,860	245,081	10.1%
Property tax in lieu of VLF	196,724	195,720	0.5%
Property tax in lieu of sales tax	21,433	197,195	-89.1%
Grants and subventions	51,454	45,147	14.0%
Rents and leases	6,761	54,682	-87.6%
Franchise fees	64,167	47,170	36.0%
Business license tax	32,106	45,326	-29.2%
Permits	30,523	45,850	-33.4%
Total	\$ 1,505,353	\$ 1,750,414	-14.0%

Receipts are down from a year ago due to the timing of payments received.

Permits. Fees collected from the issuance of building and planning permits are down relative to the same time last year due to decreased 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	\$ 100,642	\$ 35,793	36%
Administration	622,419	243,377	39%
City Manager: Econ Dev	241,500	52,268	22%
City Attorney	120,000	91,648	76%
Finance & IT	650,595	273,589	42%
Planning	2,235,913	204,997	9%
Building	246,618	112,610	46%
Housing	226,000	22,728	10%
Engineering	128,385	19,486	15%
Police	1,869,428	995,520	53%
Public Works:			
Administration & Compliance	546,632	284,575	52%
Roads & Infrastructure	2,251,627	395,196	18%
Parks, Building, Grounds	674,678	107,351	16%
Westshore Pool	117,191	23,078	20%
Water O&M	3,781,594	631,510	17%
Sewer O&M	5,120,092	1,132,904	22%
CLMSD Special Projects	10,750	-	0%
Total	\$ 18,944,064	\$ 4,626,629	24%

EXPENDITURES BY MAJOR CATEGORY CITY-WIDE – BUDGET TO ACTUAL

Expenditures by Major Category	Budget	YTD Actual	Percent
Salaries and benefits			
Active employee	\$ 4,469,675	\$ 2,378,370	53%
Retiree	297,360	117,609	40%
Total	4,767,035	2,495,979	52%
Operations			
Departmental	2,935,007	1,718,005	59%
Non-departmental	436,430	70	0%
Total	3,371,437	1,718,075	51%
Loans/grants	332,500	35,000	11%
Debt service	1,526,730	845,376	55%
Capital outlay	10,923,777	437,839	4%
Total	\$ 20,921,479	\$ 5,532,270	26%
Reconciliation to Expenditures by Department			
Departmental	\$ 18,944,064	\$ 4,626,629	
Non-departmental	1,977,415	905,641	
Total	\$ 20,921,479	\$ 5,532,270	26%

DEPARTMENTAL EXPENDITURES

Departmental expenditures City-wide (i.e., general fund, special revenues funds, RDA Successor Agency, water and sewer) were 24 percent of budgeted appropriations. Non-departmental activity brought expenditures up to 26 percent.

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

A large portion of the budget continues to be the downtown improvement project - funded by unspent former redevelopment bond proceeds - as well as other capital projects, including those funded by USDA. The majority of construction on Main Street is expected to commence in the spring and summer of 2016, and unspent bond proceeds will be carried over to next fiscal year to complete the project.

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 31, 2015, departments reported expenditures below expected budgeted appropriations with the following exceptions:

City Attorney: Cost related to specific legal activities were higher than anticipated. The City Manager is recommending changes to appropriations in other areas to compensate for the cost increases in legal services.

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 be challenging.

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

Rate adjustments went into effect January 1, 2014. Monthly operating revenue from rates reflects this, and the increase from a year ago is lower than expected - water conservations measures are having an effect.

Expenditures overall are down by 3.6 percent from the year prior. Primary decreases resulted from changed operating expenditures and capital outlays. Operating expenditures were lower due to reduced service demands. Debt service was up due to additional bridge loan financing draws.

USDA expenditures for water projects are tracked outside of operating activities in special funds and not reported on the face of these schedules.

SEWER ENTERPRISE

Rate adjustments for sewer went into effect July 1, 2013. Monthly operating revenue as a whole was up 5.9 percent from a year ago; however, a deeper examination of operating revenue generated from regular residential and commercial rates revealed them to be 33 percent higher. The difference was in delayed payments from the county for sewer service received.

Expenditures overall are down by 5.9 percent from the year prior. Primary decreases resulted from changed operating expenditures

WATER ENTERPRISE OPERATIONS

Water O&M			
Revenue, Expenditures, and Changes in Working Capital			
	12/31/2015	12/31/2014	Percent Change
Revenues			
Operating	\$ 983,254	\$ 955,970	2.9%
Non-operating	350	341	2.6%
Total	983,604	956,311	102.9%
Expenditures			
Operating:			
Salaries and benefits	397,888	434,272	-8.4%
Materials, supplies and service costs	185,240	248,701	-25.5%
Total	583,128	682,973	-14.6%
Non-operating:			
Debt service	267,754	173,083	54.7%
Capital outlay	22,926	50,754	-54.8%
Total	290,680	223,837	29.9%
Total expenditures	873,808	906,810	-3.6%
Revenue over (under) expenditures	\$ 109,796	\$ 49,501	
Working capital	\$ 727,717	\$ 511,272	42.3%

SEWER ENTERPRISE OPERATIONS

Sewer O&M			
Revenue, Expenditures, and Changes in Working Capital			
	12/31/2015	12/31/2014	Percent Change
Revenues			
Operating	\$ 1,290,252	\$ 1,218,072	5.9%
Non-operating	7,500	18,418	-59.3%
Total	1,297,752	1,236,490	105.0%
Expenditures			
Operating:			
Salaries and benefits	476,828	480,107	-0.7%
Materials, supplies and service costs	223,681	333,952	-33.0%
Total	700,509	814,059	-13.9%
Non-operating:			
Debt service	82,804	80,795	2.5%
Capital outlay	95,034	38,642	145.9%
Total	177,838	119,437	48.9%
Total expenditures	878,347	933,496	-5.9%
Revenue over (under) expenditures	\$ 419,405	\$ 302,994	
Working capital	\$ 1,514,601	\$ 1,229,621	23.2%

and capital outlays. Operating expenditures were lower due to reduced service demands. Debt service was up due to regular changes in the amortization schedules.

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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 as successor agency is due an annual administrative cost allowance of \$250,000, of which only \$209,894 was requested in FY 2015-16. As of December 31, 2015, the City expended \$104,947 of that allowance in the performance of dissolution activities identified in the most recent Recognized Obligation Payment Schedule (ROPS). Administrative expenditures in future periods are expected to be less than \$200,000 annually.

SOLID WASTE MANAGEMENT

In 2015, the City entered into a new 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. The City retains a 4% fee for administrative costs and a 10% franchise fee. 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, 2015 - December 31, 2015	
EXPENSES	
General administration	\$ 59,513
Debt service	198,455
Bond proceed use	95,262
Total	\$ 353,230

SUCCESSOR AGENCY ADMINISTRATIVE BUDGET TO ACTUAL

Successor Agency Administrative Budget to Actual		
July 1, 2015 - December 31, 2015		
	Budget	Actual
ADMINISTRATIVE COSTS BY FUNCTION		
Personnel costs	\$ 109,937	\$ 57,595
Materials, supplies, and service costs	20,243	3,931
Capital outlay	400	-
Overhead	79,315	39,657
Total	209,894	101,183
SOURCES OF FUNDING		
Administrative cost allowance	209,894	104,947
Total	209,894	104,947
Funding sufficiency (deficiency)	\$ -	\$ 3,764

GARBAGE BILLINGS AND PASS-THROUGHS

Franchise Trash Hauler Billings	12/31/2015	12/31/2014	Percent Change
Billings	\$ 319,897	\$ 313,019	2.2%
Less:			
Franchise trash fee, residential	(31,990)	(31,302)	2.2%
Administrative fee, 3%	(9,597)	(9,391)	2.2%
Billings, net	278,310	272,326	
Remittances to hauler	\$ 266,517	\$ 280,400	-5.0%
Balance due	11,793	(8,074)	-

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



MARC SPILLMAN
MAYOR AND BOARDS
CHAIR



STACEY MATTINA
MAYOR PRO TEM
BOARDS VICE CHAIR



MARTIN SCHEEL



MIREYA TURNER



KENNETH PARLET

CITY MANAGEMENT TEAM

CITY MANAGER

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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.

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