

QUARTERLY FINANCIAL REPORT

APRIL 10, 2013

THIRD QUARTER, 2012-13

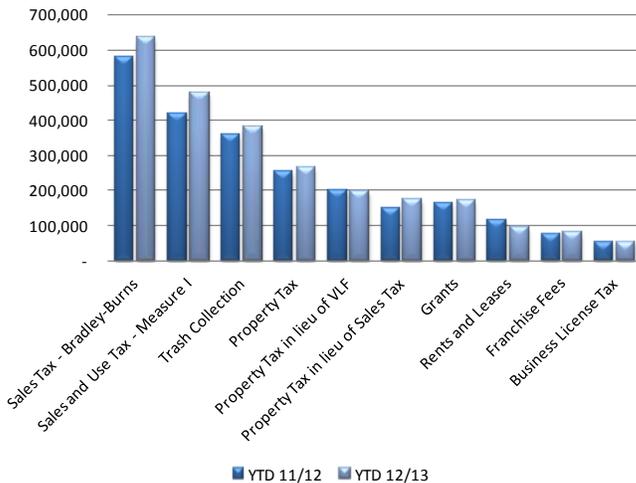


100 Years of pride, progress and service.

GENERAL FUND FINANCIAL CONDITION

General Fund Balance	Budget	YTD Actual	Percent
Revenues	4,414,375	2,643,202	60%
Expenditures	4,197,801	2,655,963	63%
Transfers, In (Out) Net	(91,574)	-	0%
Balance, start of the year	3,011,032	3,011,032	
Total operations (Rev-Exp)	125,000	(12,761)	
Balance, end of the year	3,136,032	2,998,271	

TOP TEN REVENUES COMPARED FY 11/12 TO FY 12/13



OVERVIEW

City management is pleased to present this quarterly financial report summarizing the City's overall financial activity and position through March 31, 2013.

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

GENERAL FUND

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.

Though the general fund beginning balance was \$3.01 million - this includes resources not available for spending, including land held for resale and short-term interfund loans receivable - cash assets set aside as reserves at the beginning of the year totaled \$1.49 million. The City Manager did not recommend using this reserve in the 2012-13 fiscal year.

General fund revenue is reported at 60% of total budget estimates. This is slightly higher than expectations for this time of year. Expenditures are on pace with budgeted estimates, as well. A more detailed discussion of these sources and uses is provided below.

TOP 10 REVENUES. The City's top ten revenue sources account for approximately 90% 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.

In an unfortunate change from prior reporting periods, transient and occupancy taxes (TOT) fell off the list of top ten general revenues, its relegation being a direct result of a sluggish tourism season throughout the county during the late summer and early fall. In its place, interagency sources (grants) ascends into the top ten.

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 1/2 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 analysis of this general revenue source indicated a steady

CITY OF LAKEPORT

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QUARTERLY FINANCIAL REPORT

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THIRD QUARTER, 2012-13

increase throughout the year, despite the City's retail sensitivity to seasonal factors. We expect this trend to continue and sales tax receipts to come in strongly by year end, driven by car sales and service stations (gas).

Trash Collection. This essentially is a pass-through collection for services provided by the City franchise solid waste collector, Lakeport Disposal. Revenues are reported 6% higher than in 2012 due a small CPI increase, a small increase to the tipping fee, and new customer accounts.

Property Tax. Though the housing market is beginning to recover modestly, the increase observed here is in part due to the reallocation of former redevelopment housing funds, which were remitted by the City to the County and redistributed to local taxing agencies. The chart below illustrates where local property tax collected from City property owners is allocated. Slightly less than 10.5% is allocated to the City. The majority is distributed to local schools and the County of Lake.

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). Collections are slightly lower than a year ago by 1%. This revenue source typically mirrors regular property tax collections, minus the redevelopment redistribution enhancement and will remain flat for 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 regular sales tax, we expect this revenue source to continue performing strongly compared to a year ago.

Grants. The City receives two grants to be used to fund public safety activities, known as COPS and CHRP. CHRP funds a single officer in the Police Department, whereas the COPS grant is used for any general public safety purpose.

Franchise Fees. This includes revenues from franchise fees paid by PG&E, MediaCom (Cable), and trash collection. Revenue from this source overall is on par with estimates and modestly higher when compared to a year ago.

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 has declined over the last year due to the loss of the Redevelopment Agency.

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 up from a year ago and on pace to meet budget estimates.

TOP TEN GENERAL FUND REVENUES BUDGET TO ACTUAL

Top Ten Revenues	Budget	YTD Actual	Percent
Sales Tax - Bradley-Burns	965,007	633,823	66%
Sales and Use Tax - Measure I	724,157	479,431	66%
Trash Collection	500,705	379,522	76%
Property Tax	440,054	265,376	60%
Property Tax in lieu of VLF	406,782	197,980	49%
Property Tax in lieu of Sales Tax	349,277	171,877	49%
Grants	191,880	168,910	88%
Rents and Leases	116,852	94,742	81%
Franchise Fees	126,664	81,596	64%
Business License Tax	69,215	53,123	77%
Total	3,890,593	2,526,380	65%

TOP TEN GENERAL FUND REVENUES COMPARED

Top Ten Revenues Compared	YTD 11/12	YTD 12/13	Percent
Sales Tax - Bradley-Burns	577,732	633,823	10%
Sales and Use Tax - Measure I	417,496	479,431	15%
Trash Collection	356,566	379,522	6%
Property Tax	252,552	265,376	5%
Property Tax in lieu of VLF	199,403	197,980	-1%
Property Tax in lieu of Sales Tax	147,021	171,877	17%
Grants	163,750	168,910	3%
Rents and Leases	115,502	94,742	-18%
Franchise Fees	74,749	81,596	9%
Business License Tax	52,345	53,123	1%
Total	2,357,116	2,526,380	7%

LAKEPORT PROPERTY TAX DISTRIBUTION

Where Lakeport Property Taxes Go	
Lakeport Unified School District	31.85%
Lake County	22.37%
County General Fund	20.41%
Library	1.08%
Fish & Game	0.09%
Flood General	0.79%
ERAF (Education Augmentation Fund)	15.00%
City of Lakeport	10.41%
Lakeport Co Fire	7.45%
Mendocino College	6.20%
County Office of Education	2.75%
Lake Co Vector Control	1.69%
Lakeport Muni Sewer	1.33%
Hartley Cemetery	0.96%
	100.00%

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QUARTERLY FINANCIAL REPORT

APRIL 10, 2013

THIRD QUARTER, 2012-13

DEPARTMENT EXPENDITURES

Departmental expenditures City-wide (i.e., general fund, special revenues funds, RDA Successor Agency, water and sewer) are at 44% of budgeted appropriations. A large portion of the budget consists of capital projects, including the downtown Main Street improvement project, funded by unspent former redevelopment bond proceeds. As of the date of this report, all reporting requirements have been satisfied for the City to receive authorization from the state to spend those bond funds. Authorization is expected in April.

The City 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 March 31st, departments are reporting expenditures in whole below budgeted appropriations.

City-wide budgeted expenditures are 49% of appropriations. This includes both departmental and non-departmental expenditures. A reconciliation has been provided at the bottom of the chart to the right to help understand the relationship of departmental to total City-wide expenditures.

Non-departmental expenditures include items for which the Finance Department administers but are not considered part of its operating costs. These items include most debt service, bank and merchant fees, retiree health premium payments, and other miscellaneous administrative expenses.

EXPENDITURES BY DEPARTMENT CITY-WIDE – BUDGET TO ACTUAL

Expenditures by Department	Budget	YTD Actual	Percent
City Council	91,251	50,059	55%
Administration	405,144	258,955	64%
City Manager: Econ Dev	2,298,866	8,853	0%
City Attorney	101,442	85,511	84%
Finance	440,039	300,774	68%
Community Development Planning	220,398	171,840	78%
Community Development Building	221,299	157,135	71%
Community Development Housing	346,261	159,639	46%
Engineering and Information Technology	266,293	188,833	71%
Police	1,663,764	1,132,127	68%
Public Works: Roads & Infrastructure	2,133,400	601,105	28%
Public Works: Parks, Building, Grounds	324,222	194,429	60%
Public Works: Solid Waste Management	445,000	322,155	72%
Public Works: Westshore Pool	108,343	54,318	50%
Public Works: Water O&M	1,431,344	821,419	57%
Public Works: Sewer O&M	1,570,930	834,743	53%
Total	12,067,996	5,341,895	44%

EXPENDITURES BY MAJOR CATEGORY CITY-WIDE – BUDGET TO ACTUAL

Expenditures by Major Category	Budget	YTD Actual	Percent
Salaries and Benefits	4,520,979	3,153,742	70%
Active Employee		2,774,205	
Retiree		379,537	
Operations	3,782,868	1,889,589	50%
Departmental		1,884,401	
Non-Departmental		5,188	
Debt Service	1,240,268	1,184,515	96%
Capital Improvements	3,668,696	209,562	6%
Total	13,212,811	6,437,408	49%

Reconciliation to Expenditures by Department

Departmental	12,067,996	5,341,895	
Non-Departmental	1,144,815	1,095,513	
Total	13,212,811	6,437,408	49%

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QUARTERLY FINANCIAL REPORT

APRIL 10, 2013

THIRD QUARTER, 2012-13

ENTERPRISE FUNDS

Unlike the General Fund, enterprise funds are proprietary in nature, meaning revenues generally must meet expenses. The City conducts two enterprise activities: water and sewer, housed administratively within the Public Works Department (merged with the Utilities Department in FY 2012-2013).

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.

Information presented here is budgetary-based and not GAAP. The purpose of the presenting this information here is not to evaluate the fiscal condition of the City's enterprise funds, but to compare and analyze budget to actual information.

WATER ENTERPRISE

Water fund activities are on pace with budgetary estimates. Revenue is reported at 60% of initial budgetary estimates, which is lower than expected for this time of year and down slightly from a year ago. This most likely is the result of a wetter fall season with weaker demand for irrigation.

Budget estimates for revenue are based on a rate structure that has been revised by the Council. New rates went into effect January 1, 2013.

Expenditures to date are lower than was anticipated due to unfilled vacancies in the water division and less demand on the system.

SEWER ENTERPRISE

Sewer fund activities are following a similar trend to the water fund. Revenue is reported at 62% of budget estimates, which are based on the current, increased rate structure adopted by the City Council in September. However, that rate increase will not affect this current fiscal year due to its delayed effective date of July 1, 2013.

Expenditures to date are reported lower than anticipated, due to some cost savings from unfilled, budgeted positions. Electricity and propane costs are also lower than anticipated.

DEPARTMENTAL USE

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	1,464,535	880,509	60%
Operating expenditures			
Salaries and benefits	674,771	465,329	69%
Materials, supplies and service costs	549,281	321,773	59%
CIP	111,996	1,661	1%
Debt Service	253,884	212,774	84%
Transfers (net)	(35,000)	-	0%
Total Operations (Rev-Exp)	(160,397)	(121,028)	

SEWER ENTERPRISE OPERATIONS

Sewer Fund Working Capital	Budget	YTD Actual	Percent
Revenues	2,010,581	1,254,832	62%
Operating expenditures			
Salaries and benefits	797,473	506,110	63%
Materials, supplies and service costs	785,618	435,467	55%
CIP	113,816	11,535	10%
Debt Service	190,560	190,385	100%
Transfers (net)	(40,000)	-	0%
Total Operations (Rev-Exp)	83,114	111,335	

DEPARTMENTAL USE OF ENTERPRISE FUNDS

Department	Function	Water	Sewer
City Council	Legislative	X	X
Administration	Admin	X	X
City Manager: Economic Development	Program		
City Attorney	Admin	X	X
Finance	Financial	X	X
Community Development: Planning	Planning	X	X
Community Development: Building	Capital	X	X
Engineering and Information Technology	Engineering	X	X
Community Development: Housing	Program		
Police	Safety		
Public Works: Roads	Capital	X	X
Public Works: Parks, Building, Grounds	Capital		
Public Works: Solid Waste Management	Health		
Public Works: Westshore Pool	Recreation		
Public Works: Water O&M	Operations	X	
Public Works: Sewer O&M	Operations		X
Total Departments		9	9

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QUARTERLY FINANCIAL REPORT

APRIL 10, 2013

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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 March 31, 2013, the City has expended \$192,895 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).

The cash assets of the former agency's housing fund – totaling \$395,956 – have been surrendered to the county. Of this amount, the City's general fund received a portion, as did the other taxing entities within the former agency's jurisdiction. The Lakeport Unified School District received the largest share of this redistribution, as indicated in the table below, followed by the County of Lake, ERAF (additional amount to the local school district), and the City.

In addition to this redistribution, the non-housing cash assets of the former agency also will be redistributed. The City has completed the reporting requirements with the state and is awaiting instructions for remittance of those funds (totaling \$259,908) to the County. Based on the allocation formula used to redistribute the housing funds, we expect the City to receive approximately \$27,049. A final determination from the State Department of Finance to confirm these amounts is still in process.

In total, the City's general fund will receive approximately \$68,000 in additional property taxes in the current fiscal year from this one-time bump, and the City will receive increased property taxes in perpetuity as a result of the former redevelopment agency's dissolution.

SUCCESSOR AGENCY ACTIVITIES

SUCCESSOR AGENCY ACTIVITIES

July 1, 2012 - March 31, 2013

EXPENSES

General administration	\$ 192,895
Remittance to County Auditor-Controller	395,956
Debt service	320,457
Other obligations	-
Total	<u>\$ 909,308</u>

SUCCESSOR AGENCY ADMINISTRATIVE BUDGET TO ACTUAL

SUCCESSOR AGENCY ADMINISTRATIVE BUDGET

July 1, 2012 - June 30, 2013

	Budget	Actual to 3/31/2013
ADMINISTRATIVE COSTS BY FUNCTION		
General administration	53,056	51,189
Oversight Board operational costs	30,907	27,694
Financial management and debt administration	67,253	44,991
Planning and Engineering for dissolution	98,784	69,021
Project and contract completion	-	-
Total	<u>250,000</u>	<u>192,895</u>
SOURCES OF FUNDING		
Low and moderate income housing fund	-	-
Bond proceeds	-	-
Reserve balances	-	-
Administrative cost allowance	250,000	250,000
Redevelopment Property Tax Trust Fund	-	-
Total	<u>250,000</u>	<u>250,000</u>
Funding sufficiency (deficiency)	-	<u>57,105</u>

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



TOM ENGSTROM
MAYOR AND BOARDS
CHAIR



STACEY MATTINA
MAYOR PRO TEM
BOARDS VICE CHAIR



KENNETH PARLET



MARTIN SCHEEL



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

STEVEN BROOKES 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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