

Quarterly Financial Report

APRIL 30, 2012

THIRD 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 March 31, 2012.

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

GENERAL FUND

GENERAL FUND FINANCIAL CONDITION

General Fund Balance	Budget	YTD Actual	Percent
Revenues	4,031,756	2,542,400	63%
Expenditures	4,321,120	2,987,148	69%
Transfers, In (Out) Net	(53,939)	-	-
Balance, Start of the Year	1,254,826	1,254,826	-
Total Operations (Rev-Exp)	(343,303)	(444,747)	-

GENERAL FUND FINANCIAL CONDITION. With 75% of the year complete, General Fund revenues are at 63% of budgeted estimates while expenditures are at 69%. 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.

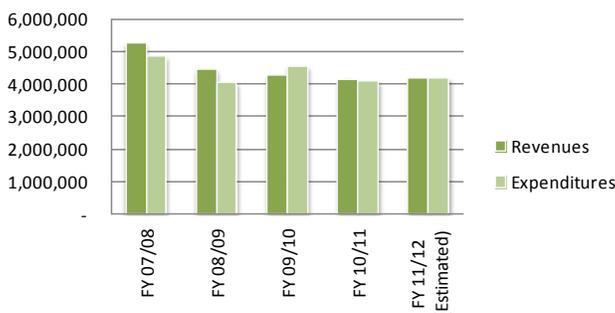
GENERAL FUND RESERVE FINANCIAL CONDITION

General Fund Reserve Balance	Budget	YTD Actual	Percent
Revenues	4,271	5,236	123%
Expenditures	-	-	-
Transfers	-	-	-
Balance, Start of the Year	1,295,781	1,295,781	-
Fund Balance, Year-to-Date	1,300,052	1,301,017	-

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. In the second quarter, 2012, we anticipated a year-end surplus in the general fund; however, due to higher than anticipated insurance deductible costs, we expect the General Fund to realize an actual net deficit of approximately \$57,000 – still much lower than the budgeted deficit of \$343,303.

**GENERAL FUND
FIVE-YEAR FINANCIAL COMPARISON**



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.

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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 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. We are seeing that now as sales taxes are expected to exceed budgetary estimates by as much as 6%.

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. 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. Though cash receipts to-date are lagging compared to estimates, we expect final amounts received to be on par with budget estimates.

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 have rebounded slightly from the same time last year, but are still below budget estimates. The actual revenue received by year-end will depend largely on the weather and condition of Clear Lake going into late May/early June.

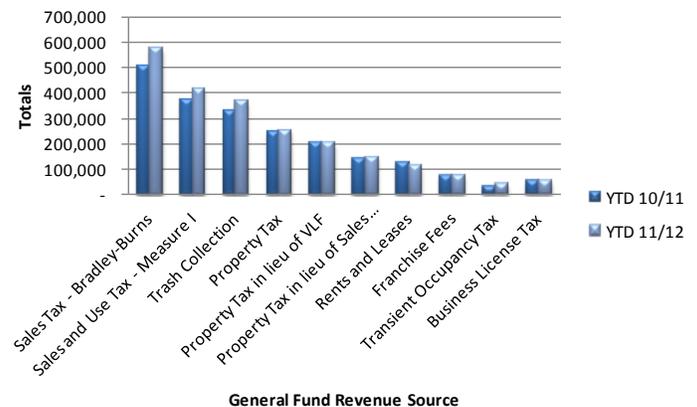
TOP TEN GENERAL FUND REVENUES BUDGET TO ACTUAL

Top Ten Revenues	Budget	YTD Actual	Percent
Sales Tax - Bradley-Burns	890,677	577,733	65%
Sales and Use Tax - Measure I	619,431	417,496	67%
Trash Collection	428,621	365,566	85%
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	115,503	81%
Franchise Fees	134,253	74,750	56%
Transient Occupancy Tax	85,000	40,964	48%
Business License Tax	66,553	52,345	79%
Total	3,464,296	2,243,333	65%

TOP TEN GENERAL FUND REVENUES COMPARED

Top Ten Revenues Compared	YTD 10/11	YTD 11/12	Percent
Sales Tax - Bradley-Burns	506,195	577,733	14%
Sales and Use Tax - Measure I	371,121	417,496	12%
Trash Collection	325,928	365,566	12%
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	125,575	115,503	-8%
Franchise Fees	73,504	74,750	2%
Transient Occupancy Tax	33,359	40,964	23%
Business License Tax	55,288	52,345	-5%
Total	2,076,499	2,243,333	8%

Top Ten Revenues Compared FY 10/11 to FY 11/12



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EXPENDITURES BY DEPARTMENT CITY-WIDE

Expenditures by Department	Budget	YTD Actual	Percent
City Council	102,729	62,123	60%
Administration	428,743	301,078	70%
City Attorney	115,299	75,936	66%
Finance	413,469	299,799	73%
Planning	237,568	131,251	55%
Building	165,010	119,309	72%
City Engineer	241,806	174,639	72%
Public Works: Westshore Pool	100,651	47,536	47%
Police	1,798,590	1,164,606	65%
Public Works: Roads	2,365,523	798,037	34%
P Works: Parks, Buildings, Grounds	234,156	152,902	65%
Redevelopment/Economic Development	2,855,551	359,847	13%
Lakeport Housing	743,196	521,006	70%
Water	1,925,535	1,469,733	76%
Sewer	1,304,156	810,030	62%
Total	13,031,982	6,487,832	50%

EXPENDITURES BY MAJOR CATEGORY CITY-WIDE

Expenditures by Major Category	Budget	YTD Actual	Percent
Salaries and Benefits	4,655,176	2,806,083	60%
Active Employee		2,548,500	
Retiree		257,583	
Operations	3,984,589	2,403,712	60%
Departmental		2,080,443	
Non-Departmental		10,291	
Trash Collection		312,978	
Debt Service	1,441,735	1,125,905	78%
Capital Improvements	4,167,223	965,330	23%
Total	14,248,723	7,301,030	51%
Reconciliation to Expenditures by Department			
Departmental	13,031,982	6,487,832	
Non-Departmental	808,875	500,220	
Trash Collection	407,866	312,978	
Total	14,248,723	7,301,030	

Franchise Fees. This includes revenues from franchise fees paid by PG&E, MediaCom (Cable), and trash collection. Revenue from this source overall continues to exceed expectations 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. Receipts are down from this time last year but 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. City-wide departmental operations are at 50% of approved appropriations. This can be attributed to cost savings by departments, delay of hiring several budgeted positions, and delays in the start of construction projects. Nearly all departments are at or below their expected expenditure levels.

Total City expenditures to date are at 51% of budgeted appropriations, which, in addition to departmental costs, include retiree health costs, trash franchise costs, and debt service of the 91-1 sewer assessment district.

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.

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.

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ENTERPRISE FUNDS

Unlike the General Fund, enterprise funds are proprietary in nature, meaning revenues generally must meet expenses. The City operates two enterprise activities: 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 ENTERPRISE

Water fund revenues, though seemingly low at 50% of budget, currently are on par with estimates for this time of year - revenue from water rates is over 72%. As we move into late spring and early summer, water usage is expected to increase and revenues will rise. We estimate water revenue to reach budget estimates by year-end.

SEWER ENTERPRISE

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 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.

It should be noted that the revenues reported here are from billings as of March 31. Actual payments received generally are in line, but the incidence of late payments, reduced payments, red notices, shutoffs, and accounts being submitted to collections have 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	2,056,096	1,019,110	50%
Expenditures			
Admin/Operations	1,207,490	759,292	63%
CIP Projects	662,073	752,247	114%
Debt Service	254,069	104,000	41%
Balance, Start of the Year	250,912	250,912	-
Total Operations (Rev-Exp)	(67,536)	(596,429)	-

SEWER ENTERPRISE OPERATIONS

Sewer Fund Working Capital	Budget	YTD Actual	Percent
Revenues	1,746,488	1,366,355	78%
Expenditures			
Admin/Operations	1,515,991	898,352	59%
CIP Projects	40,825	4,060	10%
Debt Service	187,260	189,787	101%
Balance, Start of the Year	586,048	586,048	-
Total Operations (Rev-Exp)	2,412	274,156	-

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

The Lakeport Redevelopment Agency was officially dissolved February 1, 2012. The City retained the function as the Successor Agency for the purpose of winding down the former agency's affairs, while an oversight board was established, pursuant to AB1X 26, to review and oversee the dissolution process.

The primary duties of the newly created 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 below).

The use of housing funds and other assets has not clearly been determined by the California Legislature. Until such time when we are certain of the fate of former agency housing funds, they will remain with the City. No further activity will occur in the housing fund until then.

Staff is in regular contact with legal counsel regarding the dissolution and is executing the direction of the oversight board expeditiously. The City has retained the accounting structure of the former agency on its books. The most recent financial information pertaining to the former RDA is presented here.

SUCCESSOR AGENCY ADMINISTRATIVE BUDGET

2/1/2012 -
1/31/2013

ADMINISTRATIVE COSTS BY FUNCTION

General administration	\$	75,911
Oversight Board operational costs		45,000
Financial management and debt administration		75,911
Planning and Engineering for Ongoing Projects		50,607
Project and contract completion		5,607
Total		253,037

SOURCES OF FUNDING

Low and moderate income housing fund	-
Bond proceeds	-
Reserve balances	-
Administrative cost allowance	253,037
Redevelopment Property Tax Trust Fund	-
Total	253,037
(Surplus)/Deficit	\$ -

SUCCESSOR AGENCY OPERATIONS

Redevelopment Working Capital	Budget	YTD Actual	Percent
Revenues			
Tax Increment	731,404	344,898	47%
Other	144,516	3,794	3%
Expenditures			
Admin/Operations	429,907	317,938	74%
CIP Projects	255,125	51,935	20%
Debt Service	322,680	325,459	101%
Pass-Throughs	182,851	86,697	47%
Transfers Out	-	-	0%
Balance, Start of the Year	2,779,449	2,779,449	-
Net Fund Balance	2,464,806	2,346,112	-

LAKEPORT RDA HOUSING OPERATIONS

Housing Set-Aside Working Capital	Budget	YTD Actual	Percent
Revenues			
	190,260	90,730	48%
Expenditures			
Admin/Operations	90,638	88,243	97%
CIP	300	-	0%
Housing Loans/Grants	36,822	72,292	196%
Transfers Out	60,000	-	0%
Balance, Start of the Year	593,679	593,679	-
Net Fund Balance	596,179	523,874	-

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 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. 104

PUBLIC WORKS DIRECTOR

DOUG GRIDER 263.0751, EXT. 105

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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