

QUARTERLY FINANCIAL REPORT

MARCH 31, 2016

THIRD 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 March 31, 2016. 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	\$ 4,406,287	\$ 2,780,850	63%
Expenditures	4,578,044	3,018,894	66%
Transfers in (out), net	(36,826)	-	0%
Use of fund balance	304,671	-	0%
Surplus (deficit)	\$ 96,088	\$ (238,043)	
Total fund balance, beginning		2,915,585	
Total fund balance, ending		2,677,542	
Spendable fund balance, ending		\$ 2,303,444	
Fund balance as a percent of total expenditures		89%	

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.

Three-quarters of the way through the year the general fund expended 66 percent of its appropriation and received 63 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.

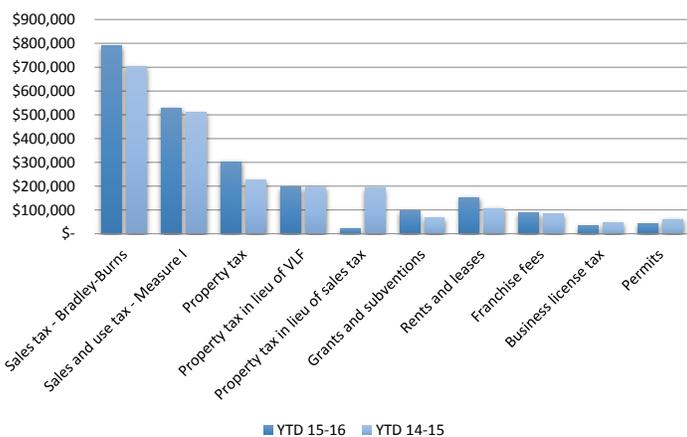
TOP 10 REVENUES. The City's top ten revenue sources account for approximately 80 percent of total general fund income. Focusing on these sources can provide a useful understanding of the City's revenue position.

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 up eight percent from a year ago despite weaker sales in the City's transportation sector. The increase is due in large part to the economic stimulus on the City from the summer fires. Although 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.

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



CITY OF LAKEPORT

Finance Department
225 Park Street
707.263.5615

QUARTERLY FINANCIAL REPORT

MARCH 31, 2016

THIRD QUARTER, 2015-16

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 lower than budgetary estimates because of reduced use of water and sewer services provided by the general fund.

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

TOP TEN GENERAL FUND REVENUES BUDGET TO ACTUAL

Top Ten Revenues	Budget	YTD Actual	Percent
Sales tax - Bradley-Burns	\$ 1,141,026	\$ 789,236	69.2%
Sales and use tax - Measure I	730,893	528,925	72.4%
Property tax	595,790	303,448	50.9%
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	131,228	95,849	73.0%
Rents and leases	360,219	152,544	42.3%
Franchise fees	188,000	87,708	46.7%
Business license tax	95,000	33,585	35.4%
Permits	92,500	43,444	47.0%
Total	\$ 4,122,998	\$ 2,252,896	54.6%

TOP TEN GENERAL FUND REVENUES COMPARED

Top Ten Revenues Compared	YTD 15-16	YTD 14-15	Percent Change
Sales tax - Bradley-Burns	\$ 789,236	\$ 702,734	12.3%
Sales and use tax - Measure I	528,925	510,120	3.7%
Property tax	303,448	227,211	33.6%
Property tax in lieu of VLF	196,724	195,721	0.5%
Property tax in lieu of sales tax	21,433	194,293	-89.0%
Grants and subventions	95,849	68,649	39.6%
Rents and leases	152,544	106,408	43.4%
Franchise fees	87,708	83,540	5.0%
Business license tax	33,585	46,954	-28.5%
Permits	43,444	60,550	-28.3%
Total	\$ 2,252,896	\$ 2,196,179	2.6%

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.

CITY OF LAKEPORT

Finance Department
225 Park Street
707.263.5615

QUARTERLY FINANCIAL REPORT

MARCH 31, 2016

THIRD QUARTER, 2015-16

EXPENDITURES BY DEPARTMENT CITY-WIDE – BUDGET TO ACTUAL

Expenditures by Department	Budget	YTD Actual	Percent
City Council	\$ 100,642	\$ 50,959	51%
Administration	603,119	329,178	55%
City Manager: Econ Dev	352,500	129,433	37%
City Attorney	151,250	115,853	77%
Finance & IT	650,815	404,218	62%
Planning	2,239,473	392,638	18%
Building	278,351	169,987	61%
Housing	121,745	26,440	22%
Engineering	121,745	26,440	22%
Police	2,086,948	1,331,464	64%
Public Works:			
Administration & Compliance	565,932	400,206	71%
Roads & Infrastructure	2,255,627	535,259	24%
Parks, Building, Grounds	674,678	214,408	32%
Westshore Pool	117,191	28,658	24%
Water O&M	3,615,094	1,388,220	38%
Sewer O&M	5,205,092	1,922,670	37%
CLMSD Special Projects	10,750	1,721	16%
Total	\$ 19,150,952	\$ 7,467,752	39%

EXPENDITURES BY MAJOR CATEGORY CITY-WIDE – BUDGET TO ACTUAL

Expenditures by Major Category	Budget	YTD Actual	Percent
Salaries and benefits			
Active employee	\$ 4,743,248	\$ 3,266,672	69%
Retiree	297,360	181,569	61%
Total	5,040,608	3,448,240	68%
Operations			
Departmental	2,963,224	2,091,122	71%
Non-departmental	436,430	270,754	62%
Total	3,399,654	2,361,876	69%
Loans/grants	332,500	108,578	33%
Debt service	1,526,730	1,106,097	72%
Capital outlay	11,024,015	1,984,010	18%
Total	\$ 21,323,507	\$ 9,008,801	42%
Reconciliation to Expenditures by Department			
Departmental	\$ 19,150,952	\$ 7,467,752	
Non-departmental	2,172,555	1,541,049	
Total	\$ 21,323,507	\$ 9,008,801	42%

DEPARTMENTAL EXPENDITURES

Departmental expenditures City-wide (i.e., general fund, special revenues funds, RDA Successor Agency, water and sewer) were 39 percent of budgeted appropriations. Non-departmental activity brought expenditures up to 42 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 March 31, 2016, departments reported expenditures below expected budgeted appropriations with no exceptions.

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.

CITY OF LAKEPORT

Finance Department
225 Park Street
707.263.5615

QUARTERLY FINANCIAL REPORT

MARCH 31, 2016

THIRD QUARTER, 2015-16

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 2.4 percent from the year prior. Primary decreases resulted from changed and capital outlays. Operating expenditures were higher due to changes in service demands. Debt service was up due to payment on 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 8.0 percent from a year ago.

Expenditures overall are up 18.4 percent from the year prior. Primary decreases resulted from changed operating expenditures and capital outlays. Operating expenditures were higher due to changes to service demands. Debt service was down due to regular changes in the amortization schedules.

WATER ENTERPRISE OPERATIONS

Water O&M Revenue, Expenditures, and Changes in Working Capital	3/31/2016	3/31/2015	Percent Change
Revenues			
Operating	\$ 1,291,892	\$ 1,205,856	7.1%
Non-operating	-	-	-
Total	1,291,892	1,205,856	107.1%
Expenditures			
Operating:			
Salaries and benefits	558,001	540,904	3.2%
Materials, supplies and service costs	325,729	325,729	0.0%
Total	883,731	866,633	2.0%
Non-operating:			
Debt service	265,204	247,157	7.3%
Capital outlay	31,673	96,388	-67.1%
Total	296,877	343,545	-13.6%
Total expenditures	1,180,608	1,210,178	-2.4%
Revenue over (under) expenditures	\$ 111,284	\$ (4,322)	
Working capital	\$ 696,701	\$ 506,644	37.5%

SEWER ENTERPRISE OPERATIONS

Sewer O&M Revenue, Expenditures, and Changes in Working Capital	3/31/2016	3/31/2015	Percent Change
Revenues			
Operating	\$ 1,761,393	\$ 1,631,205	8.0%
Non-operating	15,044	22,500	-33.1%
Total	1,776,437	1,653,705	107.4%
Expenditures			
Operating:			
Salaries and benefits	655,575	597,328	9.8%
Materials, supplies and service costs	514,334	422,824	21.6%
Total	1,169,909	1,020,152	14.7%
Non-operating:			
Debt service	141,049	142,674	-1.1%
Capital outlay	123,560	49,182	151.2%
Total	264,610	191,856	37.9%
Total expenditures	1,434,519	1,212,008	18.4%
Revenue over (under) expenditures	\$ 341,918	\$ 441,697	
Working capital	\$ 2,296,837	\$ 1,986,532	15.6%

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

CITY OF LAKEPORT

Finance Department
225 Park Street
707.263.5615

QUARTERLY FINANCIAL REPORT

MARCH 31, 2016

THIRD QUARTER, 2015-16

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 March 31, 2016, the City expended \$190,547 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. The City officially assumed that responsibility in January. Billings shown here reflect the addition of commercial accounts.

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 - March 31, 2016	
EXPENSES	
General administration	\$ 190,547
Debt service	326,265
Bond proceed use	195,568
Total	<u>\$ 712,379</u>

SUCCESSOR AGENCY ADMINISTRATIVE BUDGET TO ACTUAL

Successor Agency Administrative Budget to Actual		
July 1, 2015 - March 31, 2016		
	Budget	Actual
ADMINISTRATIVE COSTS BY FUNCTION		
Personnel costs	\$ 109,937	\$ 78,429
Materials, supplies, and service costs	16,743	50,007
Capital outlay	400	-
Overhead	82,815	62,111
Total	<u>209,894</u>	<u>190,547</u>
SOURCES OF FUNDING		
Administrative cost allowance	209,894	104,947
Total	<u>209,894</u>	<u>104,947</u>
Funding sufficiency (deficiency)	<u>\$ -</u>	<u>\$ (85,600)</u>

GARBAGE BILLINGS AND PASS-THROUGHS

Franchise Trash Hauler Billings	3/31/2016	3/31/2015	Percent Change
Billings	\$ 519,538	\$ 401,614	29.4%
Less:			
Franchise trash fee, residential	(51,954)	(40,161)	29.4%
Franchise trash fee, commercial	(51,954)	(40,161)	29.4%
Administrative fee, 4%	(18,184)	(12,048)	50.9%
Billings, net	397,447	309,243	
Remittances to hauler	\$ 381,092	\$ 280,400	35.9%
Balance due	16,355	28,843	-

CITY OF LAKEPORT

Finance Department
225 Park Street
707.263.5615

QUARTERLY FINANCIAL REPORT

MARCH 31, 2016

THIRD QUARTER, 2015-16

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

MARGARET SILVEIRA
MSILVEIRA@CITYOFLAKEPORT.COM



CHIEF OF POLICE

BRAD RASMUSSEN
BRASMUSSEN@LAKEPORTPOLICE.ORG



CITY ATTORNEY

DAVID RUDERMAN
DRUDERMAN@CITYOFLAKEPORT.COM



COMMUNITY DEVELOPMENT DIRECTOR

KEVIN INGRAM
KINGRAM@CITYOFLAKEPORT.COM



ADMINISTRATIVE SERVICES DIRECTOR

KELLY BUENDIA
KBUENDIA@CITYOFLAKEPORT.COM



PUBLIC WORKS DIRECTOR

MARK BRANNIGAN
MBRANNIGAN@CITYOFLAKEPORT.COM



FINANCE DIRECTOR

DANIEL BUFFALO
DBUFFALO@CITYOFLAKEPORT.COM



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.

CITY OF LAKEPORT

Finance Department
225 Park Street
707.263.5615