

Quarterly Financial Report

APRIL 29, 2011

THIRD QUARTER, 2011



100 Years of pride, progress and service.

OVERVIEW

This report summarizes the City's overall financial position for the fiscal year through March 31, 2011. Staff will provide a detailed analysis of the City's financial condition to the Council as part of the 2011/12 budget development and review process.

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, 2011.

GENERAL FUND

GENERAL FUND FINANCIAL CONDITION

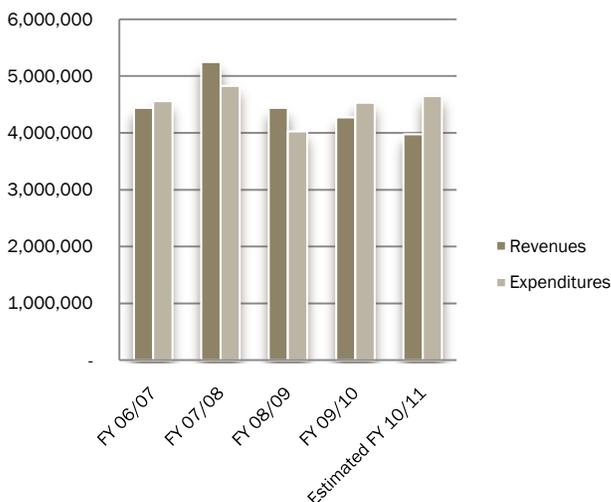
| General Fund Balance | Budget | YTD Actual | Percent |
|-----------------------------------|------------------|------------------|----------|
| Revenues | 3,977,671 | 2,785,421 | 70% |
| Expenditures | 4,645,262 | 3,037,853 | 65% |
| Transfers | 74,280 | - | 0% |
| Balance, Start of the Year | 1,036,398 | 1,036,398 | - |
| Total Operations (Rev-Exp) | (667,591) | (252,432) | - |

GENERAL FUND FINANCIAL CONDITION. With 75% of the year complete, General Fund revenues are at 70% of budgeted estimates while expenditures are at 65%. The table to the left illustrates the current operating surplus (deficit) for the General Fund.

The City maintains a separate reserve fund for the General Fund. There are no budgeted expenditures from this fund. Any revenue to the Reserve Fund is the result of interest earnings.

Though revenues appear to be lagging at 70% year-to-date, much of that is accounted for in property tax receipts. Unlike sales tax receipts, which are received by the City monthly, property taxes generally are received semi-annually. Further discussion of their expected condition is below.

**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 as projected based on initial estimates, payment schedules, and past trends for the third quarter.

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.

Due to the "triple flip," the City only receives 75% of our base sales taxes from State allocations; the remaining 25% portion is remitted to

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the City from the county in January and June. Sales tax is the top revenue source for the City; however, it is a volatile source of revenue and can be affected by numerous factors. As the City enters the spring and early summer recreation seasons, we expect sales taxes to exceed budget estimates by year end, most likely by 2-4%.

Trash Collection. This essentially is a pass-through collection for services provided by the City franchise solid waste collector, Lakeport Disposal. Current collections are on par with estimates.

Property Tax. The first major apportionment of the 2010-11 taxes occurred in December, 2010. Though foreclosures in the City appear to be leveling off, property values remain depressed and value assessments may continue to decline. Initial budget estimates were conservative, and we believe that final receipts will total close to them.

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.

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 total close to budget estimates.

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.

Transient Occupancy Tax (TOT). Year-to-date revenues from this source are down nearly 20% from the same time last year; however, TOT revenues are based seasonally for Lakeport. 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.

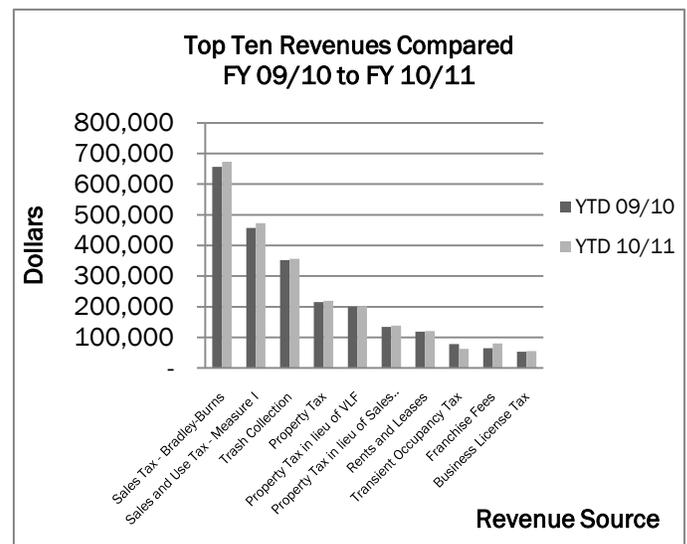
Franchise Fees. This includes revenues from franchise fees paid by PG&E, MediaCom (Cable), and trash collection. Revenue appears to be ahead of what was expected for this time of year and we anticipate that trend to continue to year end.

TOP TEN GENERAL FUND REVENUES

| Top Ten Revenues | Budget | YTD Actual | Percent |
|-----------------------------------|------------------|------------------|------------|
| Sales Tax - Bradley-Burns | 879,419 | 672,738 | 76% |
| Sales and Use Tax - Measure I | 618,292 | 472,221 | 76% |
| Trash Collection | 472,435 | 356,752 | 76% |
| Property Tax | 400,776 | 219,457 | 55% |
| Property Tax in lieu of VLF | 394,696 | 201,609 | 51% |
| Property Tax in lieu of Sales Tax | 277,784 | 138,892 | 50% |
| Rents and Leases | 160,946 | 120,629 | 75% |
| Transient Occupancy Tax | 120,000 | 62,305 | 52% |
| Franchise Fees | 101,409 | 80,450 | 79% |
| Business License Tax | 80,000 | 55,228 | 69% |
| Total | 3,505,757 | 2,380,281 | 68% |

TOP TEN GENERAL FUND REVENUES COMPARED

| Top Ten Revenues Compared | YTD 09/10 | YTD 10/11 | Percent |
|-----------------------------------|------------------|------------------|-------------|
| Sales Tax - Bradley-Burns | 656,157 | 672,738 | 2.53% |
| Sales and Use Tax - Measure I | 456,805 | 472,221 | 3.37% |
| Trash Collection | 352,230 | 356,752 | 1.28% |
| Property Tax | 215,448 | 219,457 | 1.86% |
| Property Tax in lieu of VLF | 199,342 | 201,609 | 1.14% |
| Property Tax in lieu of Sales Tax | 134,153 | 138,892 | 3.53% |
| Rents and Leases | 118,692 | 120,629 | 1.63% |
| Transient Occupancy Tax | 78,181 | 62,305 | -20.31% |
| Franchise Fees | 65,058 | 80,450 | 23.66% |
| Business License Tax | 53,210 | 55,228 | 3.79% |
| Total | 2,329,276 | 2,380,281 | 102% |



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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. Current receipts are slightly above what was estimated for this time of the year but are still 4% lower than this time last year.

EXPENDITURES. Operating costs are generally below estimates for this time of year. Total general fund operations are at 65% of approved appropriations. Nearly all departments are at or below their expected expenditure levels with the exception of the following:

- The Finance Department currently shows significantly higher expenditures than would be expected for this time of year. Retiree health benefits are currently paid from this department, and expenditures to date have exceeded budget estimates. All other expenditures in the Department are at or below appropriations.
- Expenditures for the Westshore Pool are higher than was anticipated for this time of year. The primary cause of this was higher than expected cost for part-time employees (lifeguards) during the last swimming season. The higher expenditures, however, were offset by higher than anticipated revenue collected in entry fees. Staff has analyzing the needs of the pool for the remainder of the fiscal year and will bring budget amendment recommendations to Council before fiscal year end.

Through administrative policy - adopted by the City Council - the City Manager is authorized to approve budget transfers within departments and funds, not to exceed \$2,500 per object (line item) within the fiscal year. The City Manager may also transfer funds between departments so long as the transfer involves the same object and does not exceed \$2,500/transfer in the fiscal year. Any budget transfer request above \$2,500 must be considered and approved by the City Council.

Council is advised to contact the City Manager directly with concerns about expenditure levels or department heads to inquire about potentially outstanding purchases or projects.

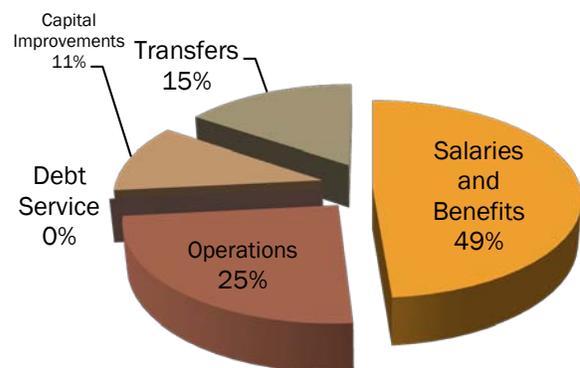
GENERAL FUND EXPENDITURES BY FUNCTION

| Expenditures by Function | Budget | YTD Actual | Percent |
|--------------------------|------------------|------------------|------------|
| General Government | 1,006,413 | 770,674 | 77% |
| Public Safety | 1,837,981 | 1,304,837 | 71% |
| Engineering/Public Works | 1,764,868 | 962,341 | 55% |
| Total | 4,609,262 | 3,037,853 | 66% |

GENERAL FUND EXPENDITURES BY DEPARTMENT

| Expenditures by Department | Budget | YTD Actual | Percent |
|------------------------------------|------------------|------------------|------------|
| City Council | 112,027 | 86,963 | 78% |
| Administration | 125,919 | 92,047 | 73% |
| City Attorney | 49,030 | 16,178 | 33% |
| Finance | 342,619 | 311,066 | 91% |
| Planning | 161,344 | 95,369 | 59% |
| Building | 136,096 | 92,451 | 68% |
| City Engineer | 59,376 | 41,346 | 70% |
| Public Works: Westshore Pool | 79,379 | 76,600 | 96% |
| Police | 1,787,578 | 1,290,550 | 72% |
| Animal Control | 30,000 | 8,456 | 28% |
| Park Ranger | 20,403 | 5,830 | 29% |
| Public Works: General | 1,104,264 | 458,680 | 42% |
| P Works: Parks, Buildings, Grounds | 222,308 | 155,354 | 70% |
| Trash Collection | 414,921 | 306,962 | 74% |
| Total | 4,645,264 | 3,037,853 | 65% |

Budgeted Expenditures by Major Category



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ENTERPRISE FUNDS

Unlike the General Fund, enterprise funds are proprietary funds which generally match revenues to expenditures. 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 at 53% currently, are on par with budget estimates. The discrepancy lies in the fact that proceeds to fund the purchase of the Green Ranch have not been received. Conversely, Water Fund expenditures do not include the purchase of Green Ranch except for the earnest deposit of \$50,000 being held in escrow. Overall, operating expenditures for the fund are on pace with estimates.

The Water enterprise maintains a special revenue expansion fund. Except for interest earnings, no activity has occurred in this fund to date.

Sewer Fund revenues are performing better than anticipated. Expenditures to date are on pace with 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.

The Sewer enterprise maintains a special revenue expansion fund. Except for interest earnings, no activity has occurred in this fund to date.

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 | 1,846,584 | 980,452 | 53% |
| Expenditures | | | |
| Admin/Operations | 1,036,540 | 782,899 | 76% |
| CIP Projects | 614,550 | 55,634 | 9% |
| Debt Service | 254,159 | 105,069 | 41% |
| Balance, Start of the Year | 349,669 | 349,669 | - |
| Total Operations (Rev-Exp) | (58,665) | 36,849 | - |

SEWER ENTERPRISE OPERATIONS

| Sewer Fund Working Capital | Budget | YTD Actual | Percent |
|-----------------------------------|---------------|----------------|----------|
| Revenues | 1,673,822 | 1,388,490 | 83% |
| Expenditures | | | |
| Admin/Operations | 1,408,238 | 1,052,897 | 75% |
| CIP Projects | 18,000 | 17,015 | 95% |
| Debt Service | 189,460 | 189,458 | 100% |
| Transfers In | 27,742 | 27,743 | 100% |
| Balance, Start of the Year | 252,410 | 252,410 | - |
| Total Operations (Rev-Exp) | 85,866 | 156,862 | - |

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 | Program | | |
| Lakeport Housing | Program | | |
| Total Departments in Use | | 8 | 8 |

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REDEVELOPMENT

Redevelopment activities are funded by property tax increment revenue. There are two primary operating funds within the Agency: Redevelopment Admin/Debt Service and Low/Mod Housing Set-Aside. Twenty percent of all tax increment revenue must be devoted to low and moderate housing.

Revenues and expenditures for both redevelopment funds are on par with budgetary estimates. Though capital projects are budgeted in the current fiscal year, it is unlikely that construction on those projects will begin before June 30, 2011. The remainder of those funds will be carried forward to FY 11/12.

For administrative, financial, and reporting purposes, the Redevelopment Agency is considered a blended component unit of the City. City departments, [i.e. Redevelopment (7010) and Lakeport Housing (6010)] carry out the function and operations of the Agency.

Similar to enterprise funds, redevelopment funds are used by a number of City departments to carry out administrative, financial, operational, and programmatic functions. The chart to the right illustrates this activity.

REDEVELOPMENT OPERATIONS

| Redevelopment Working Capital | Budget | YTD Actual | Percent |
|-----------------------------------|----------------|------------------|----------|
| Revenues | | | |
| Tax Increment | 914,255 | 462,507 | 51% |
| Bond Proceeds | 3,071,522 | 541,493 | 18% |
| Expenditures | | | |
| Admin/Operations | 554,078 | 440,111 | 79% |
| CIP Projects | 2,606,758 | 516,264 | 20% |
| Debt Service | 325,456 | 323,263 | 99% |
| Pass-Throughs | 182,851 | 98,501 | 54% |
| Transfers In | 34,417 | - | 0% |
| Transfers Out | 182,851 | 110,139 | 60% |
| Balance, Start of the Year | 543,366 | 543,366 | - |
| Total Operations (Rev-Exp) | 168,200 | (484,278) | - |

LAKEPORT HOUSING OPERATIONS

| Housing Set-Aside Working Capital | Budget | YTD Actual | Percent |
|-----------------------------------|----------------|----------------|----------|
| Revenues | | | |
| | 5,105 | 5,090 | 100% |
| Expenditures | | | |
| Admin/Operations | 266,711 | 146,614 | 55% |
| CIP | 1,500 | - | 0% |
| Housing Loans/Grants | 200,000 | 70,764 | 35% |
| Transfers In | 574,973 | 597,749 | 104% |
| Balance, Start of the Year | 144,099 | 144,099 | - |
| Total Operations (Rev-Exp) | 111,867 | 385,461 | - |

DEPARTMENTAL USE OF REDEVELOPMENT FUNDS

| Department | Function | Fund | |
|---------------------------------|------------|---------------|-----------------|
| | | Redevelopment | Low/Mod Housing |
| Administration | Admin | 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 | X |
| Lakeport Housing | Program | | X |
| Total Departments in Use | | 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

INTERIM FINANCE MANAGER

DANIEL BUFFALO 263.5615, EXT. 16

COMMUNITY DEVELOPMENT/REDEVELOPMENT DIRECTOR

RICHARD KNOLL 263.8840

INTERIM 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

SUZANNE LYONS, MAYOR AND CHAIR

STACEY MATTINA, MAYOR PRO TEM

BOB RUMFELT

TOM ENGSTROM

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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