

QUARTERLY FINANCIAL REPORT

JANUARY 19, 2016

FOURTH QUARTER, 2014-15



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 June 30, 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	\$ 4,518,500	\$ 4,446,767	98%
Expenditures	5,457,299	4,835,558	89%
Transfers in (out), net	266,444	16,795	6%
Use of fund balance	672,355	672,355	100%
Surplus (deficit)	<u>\$ -</u>	<u>\$ 300,359</u>	
Total fund balance, beginning		3,313,489	
Total fund balance, ending		2,941,493	
Spendable fund balance, ending		<u>\$ 2,567,395</u>	
Fund balance as a percent of total expenditures		<u>61%</u>	

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.

The general fund ended the year well with a total fund balance of \$2.94 million, of which \$2.56 million was available for spending.

The City Manager recommended using \$580,126 of the general fund reserve to engage in one-time uses in the 2014-15 budget, including capital projects and prior year encumbrances, which was later augmented to \$672,355 to accommodate additional one-time expenditures. \$300,359 was not used, however, and was subsequently appropriated in the 2015-16 budget.

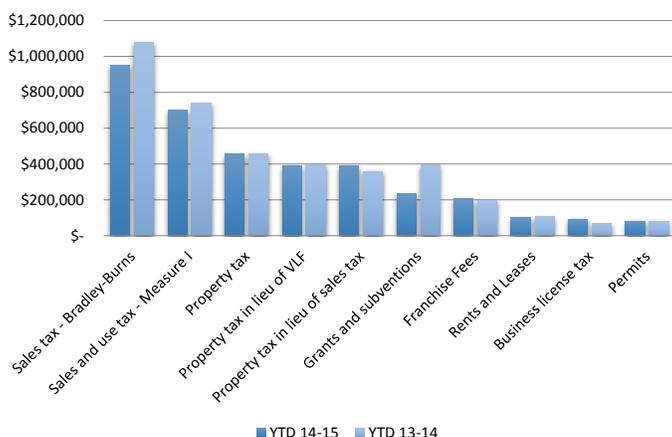
TOP 10 REVENUES. The City's top ten revenue sources account for approximately 80% of total general fund income. Focusing on these sources can provide a useful understanding of the City's revenue position.

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) were down 12.1% from a year ago due in part to weaker sales in the City's transportation sector, most notably the price of gas. As anticipated at mid-year, the declining price of gas had an adverse effect on this revenue source. Additionally, the wind down of the

TOP TEN REVENUES COMPARED FY 14-15 TO FY 13-14



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state's triple flip was not implemented as expected and resulted in lower cash receipts. The wind down will continue into the 2015-16 FY.

Measure I collections also were weaker than anticipated and down from last year for similar reasons, although Triple Flip adjustments do not apply. We will monitor both these revenue sources closely and recommend adjustments to the FY 2015-16 budget later, if needed.

Property tax. Receipts came in lower than anticipated as the county continues to process Prop 8 (1978) property value adjustments. 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 down slightly compared to a year ago; however we are optimistic recovered property values and current homes values will be reflected in 2015-16 tax receipts. Property values remain stable at the very least.

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. The 8.3% increase is the result of final true-up processes by the state and County Auditor-Controller.

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 lower than last year due to a lower RSTP draw from the lump sum 3-year disbursement in 2013-14.

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.

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 lower charges to the water and sewer enterprise for use of general governmental resources.

TOP TEN GENERAL FUND REVENUES BUDGET TO ACTUAL

Top Ten Revenues	Budget	YTD Actual	Percent
Sales tax - Bradley-Burns	\$ 1,053,492	\$ 948,056	90.0%
Sales and use tax - Measure I	730,299	701,963	96.1%
Property tax	484,190	454,422	93.9%
Property tax in lieu of VLF	408,000	391,441	95.9%
Property tax in lieu of sales tax	376,306	388,586	103.3%
Grants and subventions	198,952	235,064	118.2%
Franchise fees	193,194	204,994	106.1%
Rents and leases	160,319	99,853	62.3%
Business license tax	95,000	92,105	97.0%
Permits	69,050	81,506	118.0%
Total	\$ 3,768,802	\$ 3,597,989	95.5%

TOP TEN GENERAL FUND REVENUES COMPARED

Top Ten Revenues Compared	YTD 14-15	YTD 13-14	Percent Change
Sales tax - Bradley-Burns	\$ 948,056	\$ 1,078,173	-12.1%
Sales and use tax - Measure I	701,963	736,948	-4.7%
Property tax	454,422	457,591	-0.7%
Property tax in lieu of VLF	391,441	396,571	-1.3%
Property tax in lieu of sales tax	388,586	358,753	8.3%
Grants and subventions	235,064	395,948	-40.6%
Franchise Fees	204,994	193,921	5.7%
Rents and Leases	99,853	106,033	-5.8%
Business license tax	92,105	65,262	41.1%
Permits	81,506	81,490	0.0%
Total	\$ 3,597,989	\$ 3,870,691	-7.0%

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 up significantly from a year ago due in part to increased business filings and the timing of payments received.

Permits. Fees collected from the issuance of building and planning permits are essentially flat from last year but exceeded budget estimates due to increased 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	\$ 146,712	\$ 86,903	59%
Administration	519,584	516,992	100%
City Manager: Econ Dev	114,000	39,950	35%
City Attorney	148,398	150,414	101%
Finance	583,621	557,783	96%
Planning	303,633	295,289	97%
Building	228,746	147,651	65%
Housing	505,434	195,938	39%
Engineering and IT	3,190,737	1,307,305	41%
Police	2,811,249	2,546,623	91%
Public Works:			
Roads & Infrastructure	1,612,988	891,601	55%
Parks, Building, Grounds	575,843	485,651	84%
Westshore Pool	88,505	51,277	58%
Water O&M	3,175,989	2,335,197	74%
Sewer O&M	1,781,509	1,702,979	96%
CLMSD Special Projects	45,658	19,630	43%
Total	\$ 15,832,607	\$11,331,183	72%

EXPENDITURES BY MAJOR CATEGORY CITY-WIDE – BUDGET TO ACTUAL

Expenditures by Major Category	Budget	YTD Actual	Percent
Salaries and benefits			
Active employee	\$ 4,384,029	\$ 3,806,098	87%
Retiree	369,262	362,196	98%
Total	4,753,291	4,168,294	88%
Operations			
Departmental	3,277,444	2,908,013	89%
Non-departmental	422,630	449,196	106%
Total	3,700,074	3,357,209	91%
Loans/grants	427,511	178,667	42%
Debt service	1,112,022	1,133,350	102%
Capital improvements	7,743,622	4,438,405	57%
Total	\$ 17,736,521	\$13,275,925	75%
Reconciliation to Expenditures by Department			
Departmental	\$ 15,832,607	\$11,331,183	
Non-departmental	1,903,914	1,944,741	
Total	\$ 17,736,521	\$13,275,925	75%

DEPARTMENTAL EXPENDITURES

Departmental expenditures City-wide (i.e., general fund, special revenues funds, RDA Successor Agency, water and sewer) were 72% of budgeted appropriations. Non-departmental activity brought expenditures up to 75%.

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 was 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 June 30, 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 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 generally is in line with expectation; however, water conservations measures appear to have had an effect.

Expenditures overall are up by 2.8% from the year prior, driven by non-USDA financed capital expenditures. Primary increases consisted of healthcare, retirement, and costs associated with managing USDA projects. Operating expenses related to service demands, which were higher due to drought conditions, were responsible primarily for increases in this area. Debt service was up due to additional bridge loan financing draws.

USDA expenditures for water projects totaled over \$2.89 million in the fiscal year. Related costs 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 revenue from rates reflects this adjustment, and the increase from a year ago appear considerably higher than a year ago. We are still examining the reason for this and will report to council after 2015-16 mid-year.

WATER ENTERPRISE OPERATIONS

Water O&M			
Revenue, Expenditures, and Changes in Working Capital			
	6/30/2015	6/30/2014	Percent Change
Revenues			
Operating	\$ 1,863,573	\$ 1,690,781	10.2%
Non-operating	4,253	734	479.5%
Total	1,867,827	1,691,515	110.4%
Expenditures			
Operating:			
Salaries and benefits	739,864	748,673	-1.2%
Materials, supplies and service costs	526,199	519,722	1.2%
Total	1,266,062	1,268,395	-0.2%
Non-operating:			
Debt service	261,286	251,430	3.9%
Capital outlay	120,709	82,798	45.8%
Total	381,995	334,228	14.3%
Total expenditures	1,648,058	1,602,623	2.8%
Revenue over (under) expenditures	\$ 219,769	\$ 88,892	
Working capital	\$ 727,717	\$ 511,272	42.3%

SEWER ENTERPRISE OPERATIONS

Sewer O&M			
Revenue, Expenditures, and Changes in Working Capital			
	6/30/2015	6/30/2014	Percent Change
Revenues			
Operating	\$ 2,502,245	\$ 1,728,143	44.8%
Non-operating	36,331	40,156	-9.5%
Total	2,538,576	1,768,299	143.6%
Expenditures			
Operating:			
Salaries and benefits	848,533	756,355	12.2%
Materials, supplies and service costs	658,797	608,901	8.2%
Total	1,507,329	1,365,256	10.4%
Non-operating:			
Debt service	189,084	172,964	9.3%
Capital outlay	657,467	83,809	684.5%
Total	846,552	256,773	229.7%
Total expenditures	2,353,881	1,622,029	45.1%
Revenue over (under) expenditures	\$ 184,695	\$ 146,270	
Working capital	\$ 1,514,601	\$ 1,229,621	23.2%

Expenditures overall are up from the year prior due to increased operating costs. Primary increases consisted of healthcare and retirement costs, as well as the allocation of staff to sewer projects. Debt service was up this year compared to last due to timing differences in payments.

USDA expenditures for sewer projects totaled over \$272,347 in the fiscal year.

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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 \$197,032 was requested in FY 2014-15. As of June 30, 2015, the City expended \$197,032 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 2004, the City entered into an 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; however, past practice has been for Lakeport Disposal to conduct the commercial billing. The City retains a 3% fee for administrative costs in providing residential billing as well as the associated 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, 2014 - June 30, 2015	
EXPENSES	
General administration	\$ 197,032
Debt service	354,948
Bond proceed use	33,169
Total	\$ 585,149

SUCCESSOR AGENCY ADMINISTRATIVE BUDGET TO ACTUAL

Successor Agency Administrative Budget to Actual		
July 1, 2014 - June 30, 2015		
	Budget	Actual
ADMINISTRATIVE COSTS BY FUNCTION		
Personnel costs	\$ 151,664	\$ 149,506
Materials, supplies, and service costs	37,842	18,961
Capital outlay	4,373	4,362
Overhead	3,153	24,203
Total	197,032	197,032
SOURCES OF FUNDING		
Administrative cost allowance	197,032	197,032
Total	197,032	197,032
Funding sufficiency (deficiency)	\$ -	\$ -

GARBAGE BILLINGS AND PASS-THROUGHS

	6/30/2015	6/30/2014	Percent Change
Franchise Trash Hauler Billings			
Billings	\$ 532,044	\$ 519,279	2.5%
Less:			
Franchise trash fee, residential	(53,204)	(51,928)	2.5%
Administrative fee, 3%	(15,961)	(15,578)	2.5%
Billings, net	462,878	451,773	
Remittances to hauler	\$ 437,589	\$ 451,773	-3.1%
Balance due	25,289	-	-

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



MARTIN SCHEEL
MAYOR AND BOARDS
CHAIR



STACEY MATTINA
MAYOR PRO TEM
BOARDS VICE CHAIR



MARC SPILLMAN



MIREYA TURNER



KENNETH PARLET

CITY MANAGEMENT TEAM

CITY MANAGER

MARGARET SILVEIRA
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FINANCE DIRECTOR

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JANEL CHAPMAN
IN MEMORIAM



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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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