

City of SAN MARCOS Financial Status Report

As of December 31, 2014



Report Overview

This report summarizes the City's financial performance for the six months ended December 31, 2014. Financial analysis for this report is provided for the General Fund and Capital Improvement Projects Program. The figures presented here are unaudited. The revenue projections and expenditure budgets include adjustments for carryovers and any supplemental appropriations made by City Council as of December 31, 2014.

Economy

The City of San Marcos' economic trends appear to mirror the San Diego region in general. San Diego County rounded out the year with outstanding job growth and a dramatic decline in unemployment, largely due to an above average drop in the labor force. Overall, over 44,500 jobs were added in San Diego County over the past year.

Decreases in gas prices means more money to spend on things other than gasoline. Additionally, an increase in the state minimum wage from \$8 to \$9 will boost incomes that will, in turn, put dollars back into the local economy. Consumer confidence advanced for the ninth month in a row, which is important since consumer spending is typically two-thirds or more of economic activity.

Although residential units authorized by building permits continue to lag, strong job growth and increasing incomes propel housing demands. The national Index of Leading Economic Indicators continues to be strong and has either advanced or remained unchanged for ten straight months, supporting a positive trend for our local economy.

General Fund

The General Fund is the general operating fund for the City and includes multiple programs, services, and activities to the citizens of San Marcos.

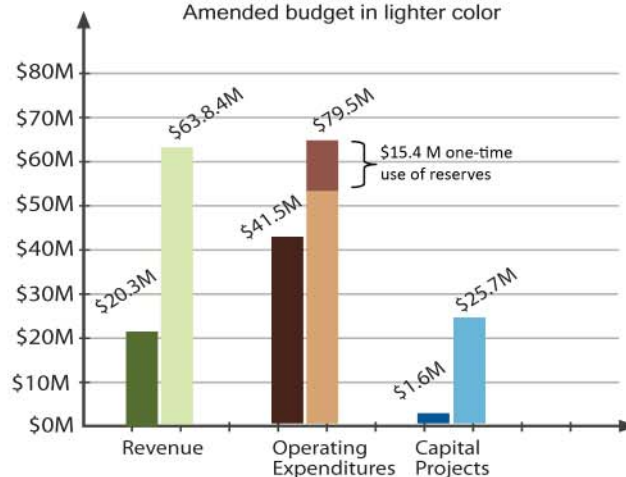
For FY 2014-15, the City is projected to maintain a positive operating position. At the end of the second quarter of each fiscal year, expenditures typically exceed revenues as a result of the timing of property tax and sales tax receipts, which are the City's largest two revenue sources. A better picture of the City's operating revenues can be seen at the end of the third quarter.

With 50% of the year complete, General Fund revenues are at 31.86% of projections which is very typical for this time of year due to the cyclical receipts of most revenues. Expenditures are at 52.23% which is trending on track at this time. (cont.. on page 2.)

General Fund FY 2014-15 Amended Budget vs. Actual

As of December 31, 2014

Actuals shown in darker color.
Amended budget in lighter color



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The FY 2014-15 original adopted budgets for revenues and operating expenses is \$63.8 million and \$63.7 respectively. The operating expenditure budget has been increased by \$398,156 due to carryover appropriations from FY 2013-14 and the use of one-time reserves in the amount of \$8,841,425 for the Lowe's building purchase/lease tenant improvements and \$6,537,501 of the DMV partnership contribution both approved by City Council.

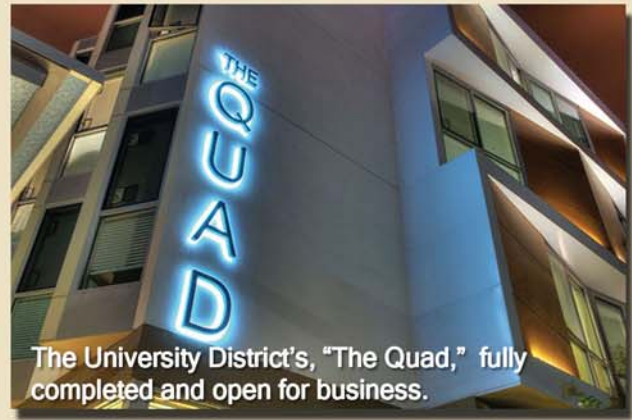
General Fund Revenues

Sales Taxes: For the first six months of the new fiscal year, sales tax revenues are approximately \$3.9 million and are 3.76% higher than the same time period in the previous fiscal year. Sales tax revenues for the year represent the actual sales tax receipts for the second and third quarters of the calendar year, as well as the first advance of the City's fourth calendar quarter of 2014 sales tax revenues. Advances are based on prior year activity adjusted by either a positive or negative growth factor, and are not a true indicator of the current economy. The State Board of Equalization applied a positive 8.5% growth factor to the monthly advances for the fourth calendar quarter of 2014.

For sales occurring in the third calendar quarter of 2014 (the most recent data available), key gains were seen in autos and transportation, restaurants, and food and drugs. Key declines were seen in building and construction and business and industry.

Property Taxes: The majority of property tax revenue is collected in December and April each year. According to the County of San Diego Assessor's Office, assessed values in San Marcos have increased by 8.72% for fiscal year 2014-15 which is higher than the average of all city growth in San Diego County of 6.02%. The increase in this year's assessed values was mostly attributable to increases in residential and commercial properties, which reflects a continued improvement in the housing market and new construction.

General Fund Revenues by Source			
Source	Budget	YTD Actual	%
Taxes & Special Assessments	\$ 37,494,266	\$ 7,388,144	19.70%
Licenses & Permits	5,088,642	1,315,284	25.85%
Intergovernmental	897,943	357,224	39.78%
Charges for Services	8,305,003	4,450,150	53.58%
Fines & Forfeitures	306,000	153,576	50.19%
Use of Money & Property	6,145,066	3,961,331	64.46%
Developer Fees	16,500	28,659	-
Miscellaneous Revenues	479,270	179,576	37.47%
Other Financing Sources	5,088,500	2,500,000	49.13%
Total	\$ 63,821,190	\$ 20,333,944	31.86%



Licenses and Permits: Licenses and Permits revenue consist of franchise fees, business license fees, building permits, and other building and planning permits and fees. Franchise fees are generated from public utility sources such as San Diego Gas and Electric, trash collections, and cable franchises conducting business within City limits. This revenue is collected quarterly and yearly starting in the second quarter of the fiscal year. Building and other permit revenue such as grading, electrical, mechanical, and plumbing are trending lower than the same time period in the previous fiscal year but are in line with budget at this point.

Intergovernmental: Includes federal, state, and local grant revenue, fire mitigation fees, recycling revenue, motor vehicle fees, and state mandate reimbursement. The majority of this revenue is collected quarterly and yearly starting in the second quarter of the fiscal year.

Charges for Services: Includes various plan check and zoning related fees, administrative fees, ambulance billings, and community service revenue from various recreational activities. Charges for services are tracking at 53.58% of budget.

Fines & Forfeitures: Includes vehicle, parking, and court fines as well as miscellaneous penalty fines. At 50.19% of budget, these revenues are tracking on target with budget.

Use of Money & Property: Includes realized and unrealized investment income and rental income. Rental and ground lease revenue from the Civic Center make up approximately 60% of this budget. A sale of City property took place in July 2014, unanticipated at the time of budget, resulting in higher revenue for the reporting period. Recurring rental income is on target with budget for this reporting period.

Other Revenues: Developer Fees and other Miscellaneous Revenue are often one-time revenues and vary year to year. Other Financing Sources are transfers from other City funds for general fund reimbursements for operations related to the Community Facilities Districts and the Creekside Marketplace Fund. These transfers typically take place at the end of the fiscal year.

General Fund Expenditures

As of December 31, 2014, \$41.5 million or 52.23% of the General Fund operating budget had been expended. Functional areas in the General Fund are performing at expected budgeted levels.

During this past quarter, City Council approved the use of reserves for two projects within the City. Use of reserves in the amount of \$8,841,425 was approved for the purchase of the former Lowe's building and subsequent tenant improvements to be made for WinCo and Hobby Lobby expected to be completed in the second quarter of 2015. Another \$6,537,501 was also approved as a partnership contribution to assist in the construction of the California State Department of Motor Vehicle (DMV) building at 600 Rancheros Drive.

General Fund Expenditures by Object			
Object	Amended Budget	YTD Actual	%
Salaries & Wages	\$ 21,404,397	\$ 11,169,145	52.18%
Health Benefits	2,675,572	1,271,187	47.51%
Retirement Benefits	6,018,443	3,971,510	65.99%
Other Personnel Expenses	1,187,162	466,121	39.26%
Contractual Services	23,931,095	9,356,854	39.10%
Supplies & Services	2,750,929	972,188	35.34%
Repair & Maintenance	1,902,183	870,631	45.77%
Utilities	1,982,412	904,977	45.65%
Capital Expenditures (Non CIP)	187,350	66,484	35.49%
Debt Service	78,170	39,344	50.33%
Other, Transfers & Use of Reserves	17,403,482	12,441,789	71.49%
Total	\$ 79,521,195	\$ 41,530,230	52.23%

General Fund Expenditures by Function			
Function	Amended Budget	YTD Actual	%
General Government	\$ 14,845,311	\$ 7,790,102	52.48%
Public Works	12,539,824	6,399,638	51.03%
Development Services	3,044,257	1,259,049	41.36%
Public Safety	30,699,181	13,057,480	42.53%
Culture And Recreation	2,852,696	2,016,456	70.69%
Transfers & Use of Reserves	15,539,926	11,007,505	70.83%
Total	\$ 79,521,195	\$ 41,530,230	52.23%

Capital Improvements Projects Program				
CIP#	Project Description	Rev Budget	QTD Actual	%
81001	North Twin Oaks Valley Urban Trail	425,000	-	0.00%
83001	Richmar Park - Phase I	120,000	-	0.00%
84001	San Marcos Boulevard - Complete Street Multi-	230,000	47,113	20.48%
85001	Citywide Corrugated Metal Pipe (CMP) Replace	760,000	-	0.00%
85002	Drainage Master Plan	175,000	-	0.00%
86001	Replace Streetlights with LED Safety Lighting	1,100,000	-	0.00%
86002	San Marcos Boulevard at Discovery Street Inte	300,000	-	0.00%
86003	Street Rehabilitation	3,000,000	-	0.00%
87001	Radar Feedback Signs at Various Locations	266,500	16,640	6.24%
87002	Miscellaneous Traffic Improvements	50,000	12,500	25.00%
87003	Traffic Signal System Integration	70,000	-	0.00%
88005	Woodland Parkway Hwy 78 Interchange	1,000,000	-	0.00%
88087	Citywide ADA Infrastructure Improvements	739,081	463	0.06%
88129	South Lake Community Park	1,583,682	-	0.00%
88165	Borden Road Street Improvements and Bridge	3,000	2,994	99.80%
88177	Barham Drive Right-of-Way Acquisition	208,696	-	0.00%
88179	South Santa Fe - Smilax to Bosstick	340,000	228,581	67.23%
88214	Channel Widening South of Grand Avenue	1,830,000	12,558	0.69%
88217	Stop and Speed Limit Sign Replacement Project	342,487	135,558	39.58%
88226	San Marcos Elementary School (Connors Park	289,372	190,007	65.66%
88233	Various Traffic Safety Improvements: Fiber O	635,620	405,293	63.76%
88247	SR-78 Eastbound Auxiliary Lane Improvement	20,000	1,520	7.60%
88263	San Marcos Creek Specific Plan - Bent Avenu	1,400,000	126,047	9.00%
88264	San Marcos Creek Specific Plan - Via Vera Cri	1,599,250	115,001	7.19%
88265	San Marcos Creek District Specific Plan Projec	250,000	25,095	10.04%
88270	Rancho Coronado Park	500,000	-	0.00%
88503	Upgrade Regulatory and Warning Signs	324,682	2,413	0.74%
88504	East Mission Road Fiber Optic Project	495,700	1,974	0.40%
88505	San Marcos Creek District Specific Plan Projec	600,000	101,925	16.99%
88506	Starstone/La Rosa Road Drainage Improvemen	1,710,000	-	0.00%
88507	San Marcos Creek District Specific Plan Projec	150,000	637	0.42%
88511	Palomar Station Pedestrian Bridge	748,146	82,566	11.04%
88520	Richland Elementary School Safe Routes To S	454,500	-	0.00%
88524	Bicycle and Pedestrian Master Plan	70,000	15,801	22.57%
88530	Citywide Ethernet	80,000	14,134	17.67%
88531	Citywide Installation of LED Safety Lighting	446,500	11,157	2.50%
88532	Traffic Management System Enhancement	244,048	-	0.00%
88533	Twin Oaks Elementary School and Twin Oaks	431,200	528	0.12%
88534	Bradley Park Channel Improvements	255,000	33,121	12.99%
88535	Twin Oaks Over the Hill/Copper Creek Street Ir	28,600	-	0.00%
88539	Armorlite Drive Smart Growth Corridor Enhanc	1,950,000	51,095	2.62%
88540	Civic Center Landscape Low Impact Developm	231,750	1,264	0.55%
88545	San Marcos HighSchool Pedestrian Bridge	231,250	-	0.00%
88546	Traffic Signal and Pedestrian Improvements at	50,000	-	0.00%
Grand Total		\$25,739,064	\$1,635,985	6.36%

Capital Improvement Projects Program

The Capital Improvement Projects Program (CIP) budget is comprised of \$25.7 million of appropriations approved for FY 2014-15. Approximately 6.36% of the CIP budget has been expended at the end of the second quarter.

CIP projects are complex multi-year projects. During the annual budget process staff projects the project milestones that will be completed in future fiscal years. However, the actual timing of projects can vary based on several factors.

Expenditures by project through December 31, 2014 are summarized in the left table.

The City is actively working on a number of key projects. The University District's Quad third and final phase has been completed. The parking garage for the University District's next project, Block C, is underway. Block C is a mixed use project located immediately north of the Quad. As part of this project, a pedestrian paseo and urban plaza will be constructed.

Armorlite Drive design is complete and construction is scheduled to begin in April. Improvements include street parking, bike facilities, pedestrian pathways, lighting and landscaping and traffic calming measures. These improvements will accommodate a complete street concept consistent with SANDAG's Smart Growth Incentive Program. The project encourages use of alternative modes of transportation and, therefore, will effectively reduce greenhouse gas emissions via public transit integration and enhanced pedestrian and bike access. (cont. on page 4)



capital improvements cont.

The Radar Feedback Signs project currently under construction replaces existing stop and speed limit signs to the new retro-reflectivity requirements in the California Manual of Uniform Traffic Control Devices (CAMUTCD) which improves overall visibility and illumination of regulatory signs to the motoring public.

Various Traffic Safety Improvements currently in construction include installation of a new traffic signal at the intersection of Mulberry Drive and Rose Ranch Road to enhance the pedestrian and vehicular safety of the intersection and Mission Road Fiber Optic Traffic Signal Interconnect from City Hall to Bosstick Boulevard. This project component consists of the installation of fiber optic traffic signal interconnect cable and remote television cameras (CCTV) to enhance traffic flow along Mission Road and minimize the traffic delays and improve traffic safety associated with the SPRINT operation.

Maintaining public infrastructure, equipment, vehicles and buildings is top priority at this point in time. The City Council will hold a workshop in early 2015 to discuss long-term maintenance needs and financial strategies to address them.

Fund Balance and Reserves

The City accumulates financial reserves to provide stability and flexibility to respond to unexpected adversity and/or opportunities. The recovering economy and Council's guidance in recent years provides the City with opportunity to maintain reserve levels that are in furtherance of the City's policies, goals, and priorities. The continued health of the City's reserves lays the groundwork for greater community infrastructure investment and a strong government.

The City commits to maintaining reserves (total unassigned fund balance) at a minimum of 50% of General Fund annual operating expenditures allocated between Catastrophic/Emergency Reserve (50%), One-time Recurring Savings/Opportunity Reserve (30%), and Economic Contingency/Budget Stabilization Reserve (20%). The General Fund Reserve Policy is reviewed by the City Council as part of the annual operating budget review and adoption process.

For More Information

This summary report is derived from detailed financial information generated by the City's Finance Department. If you have any questions please contact the Finance Department at (760) 744-1050 or visit www.san-marcos.net.