

City of SAN MARCOS

Financial Status Report

As of June 30, 2014

Report Overview

This report summarizes the City's financial performance for Fiscal Year 2013-14 (July 1, 2013 through June 30, 2014). Financial analysis for this report is provided for the General Fund and Capital Improvement Projects Program. The revenue projections and expenditure budgets include adjustments for carryovers, mid-year adjustments and supplemental appropriations made by City Council during the fiscal year. The figures presented here are unaudited.

Economy

Recent economic news has been favorable and the economy continues to grow at a modest pace. Employment reports were weaker than expected, however, the trailing three months moving average of payroll growth, particularly nonfarm payroll, remains consistent with modest growth. Recent housing data shows improved activity while consumer spending data has been mixed. Overall, the economy is continuing to show signs of steady, modest growth.

The City of San Marcos' revenue trends appear to mirror the San Diego region. Continued growth in construction, leisure and hospitality, and health care is anticipated for the remainder of 2014. Residential units authorized by building permits continue to remain on a steady upward trend and our local economy is continuing along a healthy growth path.

General Fund

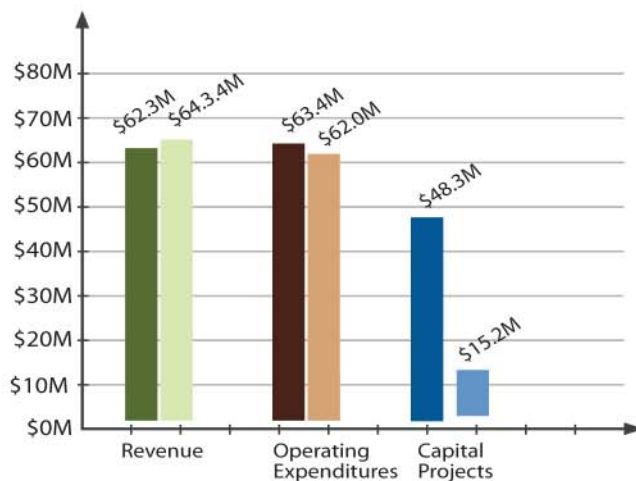
The General Fund is the general operating fund for the City and includes multiple programs, services, and activities to the residents of San Marcos.

The FY 2013-14 financial results for the General Fund were positive, with revenues and expenditures ending the year at 103% and 98% of budget, respectively.

The FY 2013-14 adopted budget for revenues and operating expenses is \$62.3 million and \$62.3 million respectively. The operating expenditure budget has been increased by \$1,038,058 due to carryovers from FY 2012-13 and mid-year approved budget adjustments.

General Fund FY 2013-14 Budget vs. Actual

As of June 30, 2014
Actuals shown in lighter color.



General Fund Revenues

Sales Taxes:

For FY 2013-14, sales tax revenues amounted to \$15.8 million, approximately \$461,698 or 3.0% over the projected budget. This is also approximately \$1.4 million, or 9.8% higher than the previous fiscal year. For sales occurring January thru March of 2014 (the most recent data available), key gains could be seen in building and industry, restaurants and hotels, and autos and transportation. Proceeds from general consumer goods were flat primarily due to the ongoing shift from brick-and-mortar stores to online retailers, many of which allocate the local sales tax to the countywide allocation pools. The largest economic segments in the City continue to be new auto (including RV) and transportation, department stores, miscellaneous retail and restaurants.

Property Taxes:

The majority of property tax revenue is collected in December and April each year. Beginning in the second quarter of the fiscal year, the City began to see a much larger flow of property tax revenue. According to the County of San Diego Assessor's Office, assessed values in San Marcos have increased by 4.05% for FY 2013-14 which is higher than the average of all city growth in San Diego County of 3.46%. The increase in this year's assessed values was mostly attributable to increases in residential and commercial properties which reflects a slight improvement in the housing market and new construction.

General Fund Revenues by Source			
Source	Budget	YTD Actual	%
Taxes & Special Assessments	\$ 37,798,784	\$ 36,025,826	95.31%
Licenses & Permits	4,491,636	4,825,796	107.44%
Intergovernmental	975,554	848,094	86.93%
Charges for Services	7,626,149	9,306,322	122.03%
Fines & Forfeitures	219,000	350,952	160.25%
Use of Money & Property	6,628,939	6,684,780	100.84%
Developer Fees	-	48,148	-
Miscellaneous Revenues	274,000	1,801,849	657.61%
Other Financing Sources	4,303,000	4,376,714	101.71%
Total	\$ 62,317,062	\$ 64,268,481	103.13%



Licenses & Permits: Licenses & 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 beginning in the second quarter of the fiscal year. Licenses & Permits ended the year at \$4.8 million, approximately \$334,160 over budget.

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 ended the year at \$9.3 million, approximately \$1.7 million over budget. This increase is primarily due to one-time revenue attributable to increased development activity.

Fines & Forfeitures: Includes vehicle, parking, and court fines as well as miscellaneous. Includes vehicle, parking, and court fines as well as miscellaneous penalty fines. Activity for parking fines increased significantly over the prior year and currently is approximately \$119,135 over budget. Overall for FY 2013-14, Fines & Forfeitures were \$350,952 or 160.3% over 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. Year to date this revenue source came in on target at 100.8% of budget.

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

**HISTORICAL HOUSE MOVED TO PRESERVE THE PAST
AND PAVE THE WAY FOR THE FUTURE CREEK DISTRICT**

General Fund Expenditures

General Fund Expenditures, excluding one-time transfers to the Replacement Funds in the amount of \$3,566,000 as authorized, ended the year at \$1.3 million (2.1%) under the amended budget. Health insurance came in below budget due to lower than expected premium rates. It is expected that approximately \$398,156 will be carried over for incomplete service contracts at June 30. Also included in the actual expenditures is approximately \$320,000 related to the Cocos Fire, which we anticipate to be reimbursed from grant funding during the following fiscal year. All in all city departments were diligent and prudent in their overall spending.

Capital Improvement Projects Program

The Capital Improvement Projects Program (CIP) budget is comprised of \$48.3 million of appropriations including mid-year budget adjustments approved in FY 2013-14. Approximately 31.5% of the CIP budget was expended during FY 2013-14.

CIP projects are complex multi-year projects. While staff project milestones completed in future fiscal years, the actual timing of projects can vary based on several factors.

Expenditures by project through June 30, 2014 are summarized in the following table:

Capital Improvements Projects Program			
CIP#/Project Description	Rev Budget	YTD Actual	%
88087 CITYWIDE ADA FACILITY PL	100,000	12,688	12.69%
88129 SOUTH LAKE PARK PHASED I	1,530,000	0	0.00%
88165 BORDEN RD-TOVR TO WOODWA	6,566,284	1,303,698	19.85%
88177 BARHAM-TOVR TO LA MOREE	210,000	0	0.00%
88179 S SANTA FE-SMILAX TO BOS	402,629	7,904	1.96%
88205 SM BLVD WIDENING AND DRA	320,000	0	0.00%
88214 CHANNEL WIDEN S. GRAND &	1,830,000	51,244	2.80%
88217 STOP & SPEED LMT SIGN RE	353,000	1,476	0.42%
88226 CONNOR'S PARK - SMES PAR	4,666,939	4,124,038	88.37%
88233 FIBER OPTIC INTERCONNECT	680,000	4,205	0.62%
88247 HWY 78 AUX LANE-WOODLAND	2,545,204	1,509,592	59.31%
88257 LAND ACQ FOR PARK DEVELO	3,288,135	0	0.00%
88263 BENT AVE BRIDGE & STREET	1,650,000	213,962	12.97%
88264 VIA VERA CRUZ BRIDGE & S	1,750,000	390,131	22.29%
88265 DISCOVERY ST WIDEN & FLO	823,718	610,400	74.10%
88269 GRAND/SMB/CRKSDE CIRCULA	550,000	621,219	112.95%
88270 HANSON SITE INFRASTRUCTU	775,000	64,218	8.29%
88503 UPDATE REGULATORY AND WA	358,000	8,960	2.50%
88504 E. MISSION RD FIBER OPTI	518,000	14,367	2.77%
88505 SM CREEK SPECIFIC PLAN-C	400,000	650,702	162.68%
88506 DRAINAGE IMP:STARSTONE/R	631,133	9,875	1.56%
88509 SM BLVD IMPROV @ KNIGHT	462,723	434,698	93.94%
88511 PALOMAR STATION PED BRID	300,000	88,026	29.34%
88519 MONTIEL PARK ENHANCEMENT	457,630	443,666	96.95%
88520 RICHLAND ELEMENTARY IMPR	539,500	34,105	6.32%
88524 BICYCLE & PEDESTRIAN MAS	80,000	31,262	39.08%
88529 CREEK ENV HABITAT EST AN	8,372,804	4,155,525	49.63%
88530 CITYWIDE ETHERNET	550,000	0	0.00%
88531 INSTALLATION OF SAFETY L	446,500	0	0.00%
88532 TRAFFIC MGMT SYSTEM ENHA	244,048	0	0.00%
88533 TWIN OAKS ELEMENTARY & H	480,889	47,661	9.91%
88534 BRADLEY PARK CHANNEL IMP	830,000	45,680	5.50%
88535 TOVR-COPPER CREEK STREET	267,100	236,622	88.59%
88536 RAIL TRAIL PHASE 2	1,200,000	0	0.00%
88537 WOODLAND PKWY HWY 78 INT	1,000,000	0	0.00%
88538 BRADLEY PARK CARETAKER U	500,000	1,820	0.36%
88539 ARMORLITE DR SMART GROWT	2,000,000	99,005	4.95%
88540 CIVIC CTR LANDSCAPE LID	231,750	16,067	6.93%
88541 LAS POSAS MITIGATION BAN	129,411	0	0.00%
88542 BORDEN RD WIDENING	258,744	0	0.00%
88543 LAS POSAS & MISSION RD P	40,000	0	0.00%
GRAND TOTAL	\$ 48,339,141	\$ 15,232,816	31.51%

General Fund Expenditures by Object			
Object	Amended Budget	YTD Actual	%
Salaries & Wages	\$ 20,927,874	\$ 21,404,692	102.28%
Health Benefits	2,728,508	2,500,247	91.63%
Retirement Benefits	5,235,956	5,600,512	106.96%
Other Personnel Expenses	1,102,144	1,133,427	102.84%
Contractual Services	23,875,688	22,335,350	93.55%
Supplies & Services	2,699,831	2,555,874	94.67%
Repair & Maintenance	1,694,515	1,464,492	86.43%
Utilities	2,178,544	1,831,325	84.06%
Capital Expenditures (Non CIP)	186,892	98,116	52.50%
Debt Service	75,204	78,687	104.63%
Other Operating Expenses	2,645,598	3,012,866	113.88%
Total	\$ 63,350,754	\$ 62,015,588	97.89%

General Fund Expenditures by Function			
Function	Amended Budget	YTD Actual	%
General Government	\$ 14,123,250	\$ 14,645,427	103.70%
Public Works	12,626,664	11,157,089	88.36%
Development Services	2,731,689	2,396,085	87.71%
Public Safety	30,670,073	30,130,454	98.24%
Culture And Recreation	2,593,248	2,791,680	107.65%
Other Financing Uses	605,830	894,853	147.71%
Total	\$ 63,350,754	\$ 62,015,588	97.89%

Capital Improvement Projects Program, continued

The City has completed and continues to work on a number of key projects.

Mary Young Connors Park on San Marcos Boulevard opened in June 2014. Located in a densely populated area of the City, this park has already become a tremendous asset to the City and the Richmar neighborhood.

The City completed Borden Road street improvements, which included an addition of a bridge and urban trail. Consisting of 700 linear feet of a 4-lane secondary arterial street and a bridge crossing the Twin Oaks Valley branch of the San Marcos Creek, this project completed an east-west traffic circulation north of Mission Road and improved access to the north entrance of Palomar College.

Construction is also wrapping up for the eastbound auxiliary lane on SR-78 between Woodland Parkway and Nordahl Road. This project included widening Mission Road undercrossing and adding an additional merging lane between Barham Drive and Nordahl Road on-ramps.

Laying the groundwork for the 214-acre San Marcos Creek District was also central to the CIP spending plan. A new four-lane bridge will be built to span the San Marcos Creek on Via Vera Cruz, and a two-lane bridge will do the same on Bent Avenue. Both bridges provide flood relief during the rainy season.

The plan also includes the widening of Discovery Street, construction of an adjacent flood wall, grading for the future Creekside Drive, reconfiguration of the creek channel, and added landscaping.

While we move forward with exciting new projects, we are also developing strategies for maintaining public infrastructure, equipment, vehicles and buildings. The City Council has been actively working to address the long-term maintenance needs and financial strategies to meet these needs.



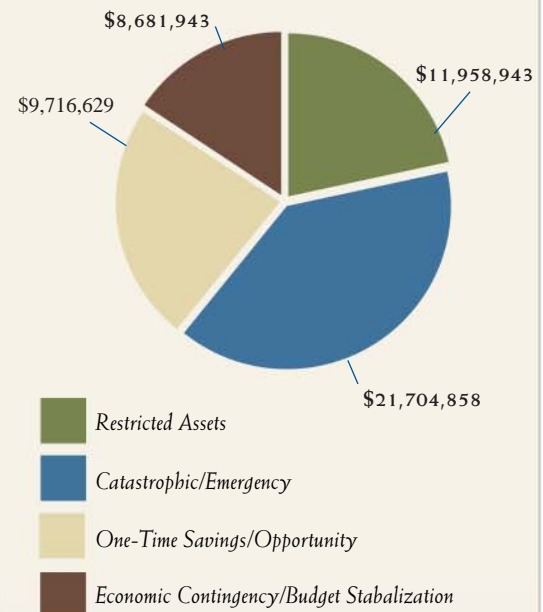
Fund Balance and Reserves

Positive actual results for FY 2013-14 both in revenues and expenditures provide excess reserves and intact reserve policy requirements. Currently, staff are projecting expenditures to come in under budget and revenues over budget producing a surplus of approximately \$2.2 million. Original reserves for FY 2013-14 were estimated at \$50.1 million. We expect to wrap up the year ahead of our target at approximately \$55.4 million, as shown in the graph, after finalizing FY 2012-13, a higher than expected surplus, and an unanticipated property sale for FY 2013-14.

The City commits to maintaining these 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.

The City is rebounding steadily from the recession and has experienced positive growth for the past two fiscal years in large revenue sources such as sales and property taxes. Although we are faced with many economic and fiscal challenges, more particularly, the effect of the state-wide drought, we will continue to weather the storm. We are in a good position to take advantage of new opportunities as well as maintain the critical service levels expected within our community.

General Fund Reserve Categories FY 2013-14 projection - \$55.4 million



For More Information

This summary report is derived from detailed financial information generated by the City's Finance Department. If you have any questions or would like additional information on this report, please contact the Finance Department, (760) 744-1050, ext. 3126.

