

# Financial Status Report

Prepared by the Finance Department



April 30, 2011

This report summarizes the City of Carlsbad's General Fund revenues and expenditures through April 30, 2011. It compares revenues and expenditures for the first ten months of Fiscal Year 2010-11 and Fiscal Year 2009-10. In addition, the financial status of the Water and Wastewater Enterprises and the Village Project Area of the Redevelopment Agency are included. This report is for internal use only. The figures presented here are unaudited and have not been prepared in accordance with Generally Accepted Accounting Principles (GAAP).

Carlsbad's revenue trends appear to mirror the San Diego region in general. Therefore, on a monthly basis, this report will provide the most recent economic data for the area: The San Diego County Economic Indicators. We believe this information provides the reader with some insight on the direction of the local economy.

## San Diego County Economic Indicators

<p><b>March 2011</b></p>  <p>Up 1.00%</p> <p><b>Index of Leading Economic Indicators</b></p>	 <p>Down 0.36%</p> <p><b>Stock Prices</b></p>  <p>Up 0.92%</p> <p><b>Consumer Confidence</b></p>
 <p>Up 1.70%</p> <p><b>Building Permits</b></p>	 <p>Up 1.27%</p> <p><b>Help Wanted Advertising</b></p>
 <p>Up 1.89%</p> <p><b>Unemployment Insurance</b></p>	 <p>Up 0.86%</p> <p><b>National Economy</b></p>

Source: University of San Diego School of Business Administration, *USD Index of Leading Economic Indicators*, April 28, 2011.

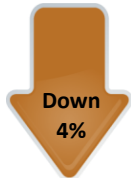
## According to the USD Index of Leading Economic Indicators Report:

The USD Burnham-Moores Center for Real Estate's Index of Leading Economic Indicators for San Diego County rose 1.0 percent in March. The gain was led by big increases in building permits, initial claims for unemployment insurance, and help wanted advertising. Local consumer confidence and the outlook for the national economy were also up solidly. The only negative was a small drop in local stock prices. With March's gain, the USD Index has now risen or been unchanged for two full years.

The outlook for the local economy continues to be positive. One area where things are picking up is the labor market, with 24,700 jobs added in San Diego County between March 2010 and March 2011. Sectors showing good job growth include administrative, support, and waste services (up 6,500 year-over-year); professional, scientific, and technical services (up 5,900); leisure and hospitality (up 4,800); and health care (up 3,800). Construction (down 1,000 jobs year-over-year) and manufacturing (down 700) are the sectors that continue to lag. While the gain is welcome, the local economy still has a long way to go to fully recover. At the March rate of job growth, it will take another four years to get back to the same level of employment as the peak in December 2007. The local unemployment rate remains high, having topped the double digit mark now for 22 consecutive months.

Residential units authorized by building permits finished the first quarter of 2011 up almost 72 percent compared to the same period in 2010. The gain was due exclusively to a surge in multi-family units authorized, which was nearly quadrupled (up 293 percent) compared to the first quarter of 2010. Single-family permits actually fell by 12 percent during the period. Both sides of the labor market were strong. Initial claims for unemployment insurance fell for the third month in a row, which is a positive for the USD Index and a sign that layoffs are easing in the local economy. On the hiring side of the market, help wanted advertising has also increased for three straight months. Despite both labor market components being positive, the local unemployment rate rose to 10.2 percent in March, up from 10.1 percent in February. Local consumer confidence increased for the 11<sup>th</sup> month in a row in March. So far, consumer confidence has not been affected by the big run-up in gasoline prices, which has had a negative impact on confidence in the past. Local stock prices fell for the first time in eight months. This matched the behavior of most of the other market indexes, as all but the Dow Jones Industrial Average were down slightly in March. The outlook for the national economy continues to be positive as the national Index of Leading Economic Indicators was up for the ninth consecutive month. But the advance estimate of GDP growth for the first quarter of 2011 showed the national economy growing at only a 1.8 percent annualized rate as bad weather and disruptions from the earthquake and tsunami in Japan negatively affected the economy. This is down from the GDP growth rate of 3.1 percent in the fourth quarter of 2010.<sup>1</sup>

## Top General Fund Revenues



**Property Taxes (\$39.6 million)** – Property taxes reflect a four percent decrease over Fiscal Year 2009-10. According to the County of San Diego Assessor's Office, assessed values in Carlsbad have decreased by 1.3 percent for Fiscal Year 2010-11. The assessed values in San Diego County have decreased 1.56 percent. This is the second

year that Carlsbad and the County of San Diego's assessed values have decreased from year to year. This reflects the continuing countywide slow down in property valuation and new construction, as well as an increase in foreclosures.

<sup>1</sup> University of San Diego School of Business Administration, *USD Index of Leading Economic Indicators Up Sharply in March*, April 28, 2011.

The primary reasons that property taxes for the first ten months of the new fiscal year have decreased by four percent as compared to the prior fiscal year are:

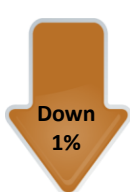
- Current taxes are down by \$563,000, or 1.5 percent, due to a decrease in assessed values.
- Aircraft taxes are down by \$629,000 due to one-time revenues received in the prior fiscal year.
- Supplemental taxes are up by \$56,000 due either to timing differences and/or an increase in home resales whereby the sales price of the home exceeded the previous assessed value.
- Payments for previous years' taxes are down by \$459,000 due to reassessments of commercial and industrial property.
- Unitary taxes are up by \$64,000 due to timing differences.



**Sales Taxes (\$19 million)** – For the first ten months of the new fiscal year, sales tax revenues are \$2.2 million (or 13 percent) higher than the same time period in the previous fiscal year. Sales tax revenues to date represent the actual sales tax receipts for the second, third and fourth quarters of calendar year 2010, the first of two “triple flip” payments from the state, as well as the first two advances of the city’s first calendar quarter of 2011 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 primary factors in the increase over the prior fiscal year is the result of a 6.4 percent increase in sales tax revenues during the second calendar quarter of 2010; a 10.7 percent increase in sales tax revenues during the third calendar quarter of 2010; a 10.8 percent increase in sales tax revenues during the fourth calendar quarter of 2010; a 31.5 percent increase in the “triple flip” payment from the state due to economic growth and a negative correction made in the previous fiscal year; and the State Board of Equalization raising the monthly advance for the first calendar quarter of 2011 versus the same quarter last fiscal year by 9.3 percent.

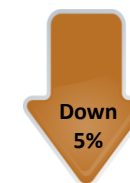
For sales occurring in the fourth calendar quarter of 2010 (the most recent data available), key gains could be seen in office equipment, new auto sales, furniture/appliance stores, department stores and service stations. During the same period, key declines could be seen in chemical products, health and government, and business services. Excluding one-time payments received as the result of audit findings, payments for previous quarters, etc., actual sales tax transactions were up 9.2 percent for sales occurring in the 12 months ended December 31, 2010 over the same 12-month period last year.

The largest economic segments in the city continue to be new auto sales, restaurants, apparel stores, department stores and miscellaneous retail. Together, they generate 64 percent of the city’s sales tax revenues.



**Transient Occupancy Tax (\$9.5 million)** – Transient Occupancy Taxes (TOT) for the first ten months of the fiscal year reflect a decrease of \$125,000, one percent less than the previous year. Lower business volumes at two of the city’s larger hotels accounted for most of this variance, with one of the hotels undergoing a major renovation. Year-to-date TOT figures represent taxes collected on hotel receipts through the month of March 2011.

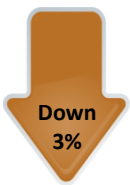
Currently, there are 3,617 hotel rooms and 1,050 vacation rentals (timeshares) in the city. The average occupancy of hotel rooms over the most recent twelve months has been 57 percent, one percentage point above last year’s average.



**Franchise Taxes (\$4.1 million)** – Franchise taxes are generated from public utility sources such as San Diego Gas & Electric (SDG&E), trash collection franchises, fiber optic antenna systems and cable franchises conducting business within city limits. Year-to-date franchise taxes are down \$224,000 over the same period last year. A ten percent increase in cable television franchise revenues (Time Warner and AT&T),

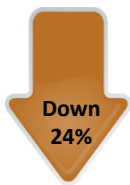
a two percent increase in trash collection revenues and a ten percent increase in the fiber optic antenna system franchise fee were completely offset by an 18 percent decrease in the annual franchise fees paid by SDG&E.

SDG&E pays franchise taxes for the use of public land over which they transport gas and electric services. In addition, SDG&E pays an “in-lieu” franchise tax based on the value of gas and electricity transported through SDG&E lines, but purchased from another source. The majority of “in-lieu” taxes collected is from Cabrillo Power, the operator of the Encina Plant. The “in-lieu” tax was put in place to capture the franchise taxes on gas and electricity that is transported using public lands, but which would not otherwise be included in the calculations for franchise taxes. The franchise taxes paid by SDG&E are down in total by 18 percent. Net electricity sales were flat, while gas sales decreased by four percent. The “in-lieu” taxes are down by 43 percent for the year. The decrease in “in-lieu” taxes is a reflection of the amount of utilities transported through SDG&E lines but not purchased from SDG&E.



**Business License Tax (\$3.0 million)** – Business license revenues are down \$84,000 compared to Fiscal Year 2009-10. This decrease is due entirely to a timing difference in the receipt of three of the city’s larger annual license payments. These companies paid their previous year’s license in March and April, but have not yet paid for this year’s licenses.

There are currently 8,815 licensed businesses operating within the city, 73 more than last year’s 8,742. The majority of taxed businesses (6,192 businesses) are located in Carlsbad, with 2,588 of these businesses home-based.



**Interdepartmental Charges (\$2.5 million)** – Interdepartmental charges are \$803,000, or 24 percent lower than last year. These charges are generated through engineering services charged to capital projects (down 38 percent or \$401,000), reimbursed work from other funds (down eight percent or \$600) and miscellaneous interdepartmental expenses charged to funds outside the General Fund for services performed by departments within the General Fund (down 18 percent or \$401,000). During the

previous fiscal year, the city went through a restructuring that moved several engineers and their associated costs to the city’s enterprises (the Water and Wastewater Funds). This reduced the amount of engineering labor in the General Fund being charged to capital projects and the amount of miscellaneous interdepartmental expenses being charged to the enterprises.



**Ambulance Fees (\$2.1 million)** – The city bills any individual who is transported in one of the city’s ambulances. Through April 2011, receipts from ambulance fees are up four percent or \$90,000 higher than last fiscal year at this time. The number of billable transported patients in the first ten months of Fiscal Year 2010-11 (3,477) versus Fiscal Year 2009-10 (3,520) has decreased slightly. However, additional billings for mileage, supplies and medications have led to the increase in revenues.



**Income from Investments and Property (\$2.1 million)** – For the first ten months of the fiscal year, income from investments and property is down \$866,000 compared to the previous fiscal year.

Interest income is down for the year due to the combination of a 0.24 percent decrease in the average daily cash balance combined with a 19.6 percent decrease in the average yield on the portfolio for the first ten months of the fiscal year (a drop in the yield from 2.57 percent last fiscal year to 2.07 percent in the current fiscal year). In addition, during July 2009, the Village Project Area of the Redevelopment Agency paid back \$500,000 in interest on their advance from the General Fund. This did not occur in the current fiscal year.

Income from property rentals is lower by \$53,000 due in part to reduced park site rentals, senior center rentals, pool rentals and library learning center rentals.

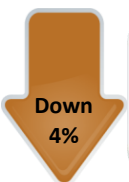


**Development-Related Revenues (\$2.0 million)** – Development-related revenues, which include building permits, planning fees, building department fees, and engineering fees, reflect a small increase for the year. During the second half of the previous fiscal year, the city began to see an increase in development (primarily residential), throughout the city. The city originally projected that development-related revenues would continue to show small growth from the previous fiscal year. Up until December 2010, development within the city had slowed down considerably. However, with the adoption of the 2010 California Building Codes, which became effective January 1, 2011, several residential developers pulled building permits for phases that had been in plan check. Pulling these building permits prior to the effective date allows them to construct these units without having to process revisions or code updates. Development has continued on a steady pace since the adoption of the new building code.

Development related fees are paid by developers to cover the cost of reviewing and monitoring development activities such as plan checks and inspections. One of the larger development related revenue sources thus far in the year is engineering plan check fees, which is one of the first fees paid during the initial stages of development. Some of the activity in April included the development of a five lot residential subdivision in the La Costa area of the city.

Another source of development related revenue is building permits, which are up four percent as compared to last fiscal year. The increase in building permit revenue is derived from the combination of an increase in the valuation of new construction combined with an increase in the number of residential and commercial/industrial building permits issued. The year-to-date valuation of new construction in the current fiscal year is just under \$143.3 million, while it was just under \$132.0 million in the previous fiscal year, an 8.6 percent increase. The pace of construction increased in the month of April as builders pulled permits for 21 homes. In the southeast quadrant, nine permits were issued for single-family homes located in the Amberly neighborhood in La Costa Oaks North. In the northeast quadrant, 11 permits were issued for single-family dwellings as part of the Rockrose neighborhood in Robertson Ranch. In addition, one permit was issued for a second dwelling unit. For the first ten months of the fiscal year, 212 residential permits were issued, as compared to 265 permits issued during the same period last year.

No permits were issued in the city for new industrial, commercial or office space in April. Year-to-date there has been a combined 498,039 square feet in commercial/industrial permits issued, as compared to 109,149 square feet at this time in Fiscal Year 2009-10.



**Recreation Fees (\$1.4 million)** – Recreation fees are generated through instructional classes, camps, youth and adult sports, the triathlon, special events, parent participation preschool, senior programs, various aquatic programs, and lagoon permits. Year-to-date recreation fee revenue is \$64,000 lower than the previous fiscal year. The largest factors in this year’s decrease are lower participation in youth and adult sports, instructional classes (lower enrollment and fewer classes being offered), senior trips/classes (senior trips stopped after the first quarter of the previous fiscal year), recreational swim and aquatic programs (impacted by the renovations at Carlsbad High School), and reduced enrollment in the preschool program. These decreases were partially offset by higher participation in aquatic lessons, special events, the triathlon, and day camps.



**Other Revenue Sources (\$1.0 million)** – Other revenue sources have increased by \$41,000 and include revenues received by the city to offset the costs of special studies or projects for developers; reimbursements for damage done to city streets, right-of-ways, and other city-owned property; donations; reimbursement from the Gas Tax Fund for traffic signal maintenance; miscellaneous reimbursed expenses and refunds of prior

year fees.



**Other Intergovernmental Revenues (\$886,000)** – Other intergovernmental revenues include miscellaneous receipts received from the state or federal governments, as well as local school districts. Included in the \$886,000 received this year are reimbursements from local school districts for school resource officers, reimbursements for Peace Officer Standards and Training (POST), a state homeland security grant, a federal grant enhancing security along the border, state library grants, a habitat restoration grant, state mandated costs reimbursements and law enforcement assistance. A major factor in this year’s increase is the timing of the payments received from the school districts.



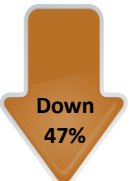
**Fines and Forfeitures (\$798,000)** – Fines and forfeitures represent fees collected for code violations, parking citations, overdue fines, and returned checks. The city recognizes revenues when the citizen pays the fine or forfeiture, as opposed to when the fine is imposed. The largest factor in the decrease in revenues is a reduction in the number of parking citations being issued by the city. Another factor in this decrease is the fact that moving violations during the first three quarters of Fiscal Year 2010-11 (July 2010 – March 2011) were down 15 percent. However, significant data backlogs at the traffic court prevent accurate reporting of current citation numbers.



**Other Licenses and Permits (\$659,000)** – Other licenses and permits consist of plumbing, electrical, mechanical, right-of-way, grading, conditional land use, lagoon, and other miscellaneous permit revenues. These permits usually increase/decrease along with increases/decreases in development activity.



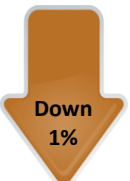
**Transfer Taxes (\$555,000)** – When real property is sold, the County Assessor’s Office charges a transfer tax. The transfer tax rate in San Diego County is \$1.10 per thousand multiplied by the selling price of the property. The city receives 50 percent of the transfer tax charged for sales within the City of Carlsbad. A recent upturn in home resales has led to the increase in transfer taxes.



**Other Charges or Fees (\$436,000)** – Other charges and fees are generated through the sale of city documents such as agenda bills, blueprints and copies, general fees collected for false alarms, easements and agreements, weed abatement and kiosk signs, audio/visual rental fees, and general services such as mutual aid response, mall police services, emergency response services, reports, etc. The largest factor contributing to the year-to-date decrease is the reimbursement received from the City of Los Angeles for the Batiquitos Lagoon enhancement project, including reimbursing the city for administrative costs, in the prior fiscal year.



**Vehicle License Fees (\$262,000)** – Vehicle License Fees (VLF) have increased by \$19,000 over 2009-10 figures. VLF revenues are allocated to the various jurisdictions throughout the state on a prorated basis, based on population. VLF collected through April 2011 represents transactions occurring through March 2011. A recent upturn in new car sales has led to this increase.



**Homeowners’ Exemptions (\$186,000)** – When property taxes are calculated on a particular parcel of property, the first \$7,000 of property value is excluded from the property tax calculation. The state then reimburses the city for this mandated exemption. This reimbursement is entitled Homeowners’ Exemption revenue and is shown under intergovernmental revenues.

## Expenditures

Total General Fund expenditures and encumbrances through the month of April 2011 are \$92.8 million, compared to \$98.4 million at the same time last year. This leaves \$41 million, or 30.6 percent, available through the fiscal year-end on June 30, 2011. If funds were spent in the same proportion as the previous year, the General Fund would have 28.2 percent available. Excluding the transfers out, contingencies, and non-departmental charges, the percentage available at April 30, 2011 is 24.6 percent, slightly more than the 24.4 percent available at April 30, 2010. Due to the continuation of the "Great Recession," there was only a small difference between the General Fund budget adopted for Fiscal Year 2010-11 and Fiscal Year 2009-10. The spending level in the prior fiscal year was slightly higher through the first ten months compared to the current fiscal year. A major factor in this difference was the funding of the Human Capital Management System (HCMS) that was transferred from the General Fund to the General Capital Construction Fund last fiscal year.

The City Council has allocated \$500,000 out of the General Fund budget for unanticipated emergencies or unforeseen program needs. As of April 30, 2011, \$8,013 has been authorized out of the contingency account, as shown in the chart below.

<b>CONTINGENCY ACCOUNT USE OF FUNDS</b>			
<b>EXPLANATION</b>	<b>AMOUNT</b>	<b>DATE</b>	<b>RESOLUTION NUMBER</b>
<b>ADOPTED BUDGET</b>	\$500,000		
<b>USES:</b>			
"In Kind" Service Assistance for the 2010 Carlsbad High School Homecoming Parade	(3,422)	09/28/2010	2010-230
"In Kind" Service Assistance for the Carlsbad Christmas Bureau	(2,563)	11/23/2010	2010-255
"In Kind" Service Assistance for the Mitchell Thorp Foundation	(995)	01/11/2011	2011-008
"In Kind" Service Assistance for Boy Scout Troup 748 Special Event	(1,033)	04/05/2011	2011-056
<b>TOTAL USES</b>	<u>(8,013)</u>		
<b>AVAILABLE BALANCE</b>	<u><u>\$491,987</u></u>		

Detailed schedules of General Fund revenues and expenditures are provided on the following pages.

<b>GENERAL FUND REVENUE COMPARISON</b>					
	<b>EXPECTED BUDGET AS OF 04/30/11</b>	<b>ACTUAL FY 2010 AS OF 04/30/10</b>	<b>ACTUAL FY 2011 AS OF 04/30/11</b>	<b>CHANGE FROM YTD 2010 TO YTD 2011</b>	<b>PERCENT CHANGE</b>
<b>TAXES</b>					
PROPERTY TAX	\$40,323,428	\$41,136,779	\$39,605,971	(\$1,530,808)	-4%
SALES TAX	16,875,689	16,769,980	18,997,412	2,227,432	13%
TRANSIENT TAX	10,052,001	9,653,355	9,528,343	(125,012)	-1%
FRANCHISE TAX	4,453,562	4,368,212	4,144,662	(223,550)	-5%
BUSINESS LICENSE TAX	3,098,164	3,094,387	3,010,134	(84,253)	-3%
TRANSFER TAX	486,406	458,354	555,463	97,109	21%
<b>TOTAL TAXES</b>	<b>75,289,251</b>	<b>75,481,067</b>	<b>75,841,985</b>	<b>360,918</b>	<b>0%</b>
<b>INTERGOVERNMENTAL</b>					
VEHICLE LICENSE FEES	321,882	243,766	262,280	18,514	8%
HOMEOWNERS EXEMPTIONS	190,512	188,084	186,483	(1,601)	-1%
OTHER	693,593	737,236	885,908	148,672	20%
<b>TOTAL INTERGOVERNMENTAL</b>	<b>1,205,987</b>	<b>1,169,086</b>	<b>1,334,671</b>	<b>165,585</b>	<b>14%</b>
<b>LICENSES AND PERMITS</b>					
BUILDING PERMITS	539,793	599,892	623,688	23,796	4%
OTHER LICENSES & PERMITS	638,498	637,053	659,063	22,010	3%
<b>TOTAL LICENSES &amp; PERMITS</b>	<b>1,178,291</b>	<b>1,236,945</b>	<b>1,282,751</b>	<b>45,806</b>	<b>4%</b>
<b>CHARGES FOR SERVICES</b>					
PLANNING FEES	361,923	325,862	175,283	(150,579)	-46%
BUILDING DEPARTMENT FEES	496,709	437,822	559,209	121,387	28%
ENGINEERING FEES	686,560	537,385	601,707	64,322	12%
AMBULANCE FEES	2,190,203	2,005,411	2,095,528	90,117	4%
RECREATION FEES	1,522,208	1,488,839	1,425,100	(63,739)	-4%
OTHER CHARGES OR FEES	413,390	815,127	435,967	(379,160)	-47%
<b>TOTAL CHARGES FOR SERVICES</b>	<b>5,670,992</b>	<b>5,610,446</b>	<b>5,292,794</b>	<b>(317,652)</b>	<b>-6%</b>
<b>FINES AND FORFEITURES</b>	<b>945,499</b>	<b>887,478</b>	<b>798,479</b>	<b>(88,999)</b>	<b>-10%</b>
<b>INCOME FROM INVESTMENTS &amp; PROPERTY</b>	<b>2,846,299</b>	<b>2,971,697</b>	<b>2,105,429</b>	<b>(866,268)</b>	<b>-29%</b>
<b>INTERDEPARTMENTAL CHARGES</b>	<b>2,312,891</b>	<b>3,313,133</b>	<b>2,510,618</b>	<b>(802,515)</b>	<b>-24%</b>
<b>OTHER REVENUE SOURCES</b>	<b>1,081,119</b>	<b>994,544</b>	<b>1,035,328</b>	<b>40,784</b>	<b>4%</b>
<b>TRANSFERS IN</b>	<b>455</b>	<b>600,000</b>	<b>4,028</b>	<b>(595,972)</b>	<b>-100%</b>
<b>TOTAL GENERAL FUND</b>	<b>\$90,530,783</b>	<b>92,264,396</b>	<b>\$90,206,083</b>	<b>(\$2,058,313)</b>	<b>-2%</b>

(1)

(1) Calculated General Fund revenues are 0.4% below estimates as of April 30, 2011.



<b>GENERAL FUND EXPENDITURE STATUS BY DEPARTMENT</b>				
DEPT DESCRIPTION	TOTAL	AS OF 04/30/11		
	BUDGET FY 2010-11	AMOUNT COMMITTED (b)	AVAILABLE BALANCE	% AVAILABLE*
<b>POLICY/LEADERSHIP GROUP</b>				
CITY COUNCIL	\$416,011	\$284,777	\$131,234	31.5%
CITY MANAGER	1,722,462	1,211,442	511,020	29.7%
COMMUNICATIONS	930,056	781,882	148,174	15.9%
CITY CLERK	293,504	166,922	126,582	43.1%
CITY ATTORNEY	1,387,154	1,059,881	327,273	23.6%
CITY TREASURER	214,915	141,772	73,143	34.0%
RECORDS MANAGEMENT	879,071	618,192	260,879	29.7%
<b>TOTAL POLICY/LEADERSHIP</b>	<b>5,843,173</b>	<b>4,264,868</b>	<b>1,578,305</b>	<b>27.0%</b>
<b>INTERNAL SERVICES</b>				
FINANCE	4,057,212	3,015,074	1,042,138	25.7%
HUMAN RESOURCES	2,964,089	2,061,366	902,723	30.5%
PROPERTY AND ENVIRONMENTAL MANAGEMENT	5,951,663	4,645,764	1,305,899	21.9%
<b>TOTAL INTERNAL SERVICES</b>	<b>12,972,964</b>	<b>9,722,204</b>	<b>3,250,760</b>	<b>25.1%</b>
<b>PUBLIC SAFETY</b>				
POLICE	28,535,220	22,600,953	5,934,267	20.8%
FIRE	16,649,838	13,053,752	3,596,086	21.6%
<b>TOTAL PUBLIC SAFETY</b>	<b>45,185,058</b>	<b>35,654,705</b>	<b>9,530,353</b>	<b>21.1%</b>
<b>COMMUNITY DEVELOPMENT</b>				
COMMUNITY AND ECONOMIC DEVELOPMENT	10,423,303	7,662,118	2,761,185	26.5%
HOUSING AND NEIGHBORHOOD SERVICES	466,838	350,108	116,730	25.0%
<b>TOTAL COMMUNITY DEVELOPMENT</b>	<b>10,890,141</b>	<b>8,012,226</b>	<b>2,877,915</b>	<b>26.4%</b>
<b>COMMUNITY SERVICES</b>				
PARKS AND RECREATION	14,234,732	10,132,825	4,101,907	28.8%
LIBRARY AND ARTS	11,602,077	8,496,757	3,105,320	26.8%
<b>TOTAL COMMUNITY SERVICES</b>	<b>25,836,809</b>	<b>18,629,582</b>	<b>7,207,227</b>	<b>27.9%</b>
<b>PUBLIC WORKS</b>				
TRANSPORTATION	10,869,962	7,852,820	3,017,142	27.8%
UTILITIES	288,319	202,851	85,468	29.6%
<b>TOTAL PUBLIC WORKS</b>	<b>11,158,281</b>	<b>8,055,671</b>	<b>3,102,610</b>	<b>27.8%</b>
<b>NON-DEPARTMENTAL &amp; CONTINGENCY</b>				
OTHER NON-DEPARTMENTAL (a)	13,756,144	1,036,618	12,719,526	92.5%
TRANSFERS OUT	7,635,850	7,428,850	207,000	2.7%
CONTINGENCY	491,987	0	491,987	100.0%
<b>TOTAL NON-DEPT &amp; CONTINGENCY</b>	<b>21,883,981</b>	<b>8,465,468</b>	<b>13,418,513</b>	<b>61.3%</b>
<b>TOTAL GENERAL FUND</b>	<b>\$133,770,407</b>	<b>\$92,804,724</b>	<b>\$40,965,683</b>	<b>30.6%</b>

(a) Other non-departmental includes technology innovation, property tax administration fees, assessment district administration, citywide litigation expenses, and other items not attributed to a specific department.

(b) Total committed includes expenditures and encumbrances.

\* Amount available would be 28.2% if funds were spent in the same proportion as the previous year.

Water Enterprise

WATER OPERATIONS FUND					
APRIL 30, 2011					
	BUDGET	YTD (*)	YTD (*)	CHANGE FROM	PERCENT
	FY 2010-11	04/30/2010	04/30/2011	YTD 2009-10 TO	CHANGE
				YTD 2010-11	
<b>REVENUES:</b>					
WATER DELIVERY	25,903,557	19,809,823	20,428,266	618,443	3.1%
MISC. SERVICE CHARGES	203,000	223,645	211,167	(12,478)	-5.6%
PROPERTY TAXES	2,730,000	2,487,017	2,419,622	(67,395)	-2.7%
FINES, FORFEITURES & PENALTIES	232,000	214,975	231,678	16,703	7.8%
OTHER REVENUES	628,927	291,180	3,429,299	3,138,119	1077.7%
<b>TOTAL OPERATING REVENUE</b>	<b>29,697,484</b>	<b>23,026,640</b>	<b>26,720,032</b>	<b>3,693,392</b>	<b>16.0%</b>
<b>EXPENSES:</b>					
STAFFING	3,479,854	2,312,214	2,745,987	433,773	18.8%
INTERDEPARTMENTAL SERVICES	1,963,573	2,166,338	1,588,901	(577,437)	-26.7%
PURCHASED WATER	14,580,578	10,821,957	10,316,057	(505,900)	-4.7%
MWD/CWA FIXED CHARGES	4,277,737	2,884,743	3,507,604	622,861	21.6%
OUTSIDE SERVICES/MAINTENANCE	1,238,290	487,352	636,290	148,938	30.6%
DEPRECIATION/REPLACEMENT	3,968,000	2,994,167	3,306,667	312,500	10.4%
CAPITAL OUTLAY	14,479	202,673	1,940.00	(200,733)	-99.0%
MISCELLANEOUS EXPENSES	1,842,183	1,048,105	1,403,725	355,620	33.9%
<b>TOTAL OPERATING EXPENSES</b>	<b>31,364,694</b>	<b>22,917,549</b>	<b>23,507,171</b>	<b>589,622</b>	<b>2.6%</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>(1,667,210)</b>	<b>109,091</b>	<b>3,212,861</b>	<b>3,103,770</b>	<b>-2845.1%</b>

(\*) Adjusted to reflect timing differences for water purchases and depreciation.

Revenues



- The increase in water delivery revenues is the net result of a combination of a 7 percent decrease in the number of water units sold and an average 18 percent increase in water rates charged to our customers (water sales and delivery charges) that went into effect in January 2011.
- A decrease in new account setup fees, same day turn on fees and new account charges is reflected in the decrease in miscellaneous service charges.
- Higher fines, forfeitures and penalties are the result of an increase in late charges due to rate increases that have occurred over the past couple of years.
- Reimbursements received by the Enterprise from the prior year Marbella lawsuit have led to the increase in other revenues.

Expenses



- A recent citywide reorganization moved some employees from the General Fund to the Water Enterprise. This resulted in higher staffing expenses and a reduction in interdepartmental services for the Enterprise.
- Although the amount of purchased water has decreased by 11 percent, two rate increases from the SDCWA that have occurred over the past couple of years, partially offset some of these savings.
- The purchase of valve maintenance equipment, new software and a new truck in the prior fiscal year is reflected in the decrease in capital outlay expenses for the year.
- The replacement of old meters with new automated meters is reflected in the higher outside services/maintenance and miscellaneous expenses.

Outlook

Currently, the operating results for the Enterprise reflect a year-to-date gain of \$3.2 million. A \$3.1 million insurance reimbursement from the prior year Marbella lawsuit has led to this gain for the year. In addition, a rate increase went into effect in January 2011. Based on activity to date, it is projected that the Enterprise will have a surplus between \$1.5 million and \$3 million by the end of the fiscal year.

## Wastewater Enterprise

WASTEWATER OPERATIONS FUND					
APRIL 30, 2011					
	BUDGET	YTD (*)	YTD (*)	CHANGE FROM	PERCENT
	FY 2010-11	04/30/2010	04/30/2011	YTD 2009-10 TO	CHANGE
				YTD 2010-11	
<b>REVENUES:</b>					
CHARGES FOR CURRENT SERVICES	9,672,083	7,785,831	8,180,344	394,513	5.1%
INTEREST	51,000	51,802	48,737	(3,065)	-5.9%
OTHER REVENUES	369,113	104,053	226,656	122,603	117.8%
<b>TOTAL OPERATING REVENUE</b>	<b>10,092,196</b>	<b>7,941,686</b>	<b>8,455,737</b>	<b>514,051</b>	<b>6.5%</b>
<b>EXPENSES:</b>					
STAFFING	2,190,929	1,270,773	1,691,985	421,212	33.1%
INTERDEPARTMENTAL SERVICES	843,809	1,058,678	698,532	(360,146)	-34.0%
ENCINA PLANT SERVICES	3,107,030	2,510,373	2,589,192	78,819	3.1%
OUTSIDE SERVICES/MAINTENANCE	614,149	210,725	179,931	(30,794)	-14.6%
DEPRECIATION/REPLACEMENT	3,451,000	2,710,000	2,875,833	165,833	6.1%
CAPITAL OUTLAY	0	20,795	0	(20,795)	-100.0%
MISCELLANEOUS EXPENSES	552,417	354,586	405,950	51,364	14.5%
<b>TOTAL OPERATING EXPENSES</b>	<b>10,759,334</b>	<b>8,135,930</b>	<b>8,441,423</b>	<b>305,493</b>	<b>3.8%</b>
<b>OPERATING INCOME/LOSS</b>	<b>(667,138)</b>	<b>(194,244)</b>	<b>14,314</b>	<b>208,558</b>	<b>107.4%</b>

(\*) Adjusted to reflect timing differences for Encina quarterly invoices and depreciation.

### Revenues



- The increase in charges for current services is primarily the result of an additional 2,075 new residential account fees over the past twelve months, as well as a ten percent rate increase that went into effect in January 2011.
- The increase in other revenues is the result of engineers within the Enterprise charging their time to capital improvement projects.

### Expenses



- A recent citywide reorganization moved some employees from the General Fund to the Wastewater Enterprise. This resulted in higher staffing expenses and a reduction in interdepartmental services for the Enterprise.
- Encina plant services to date are the actual costs for the first and second quarters of the fiscal year, and an estimate of the third and fourth quarter billings.
- Additional vector rental expenses in the prior fiscal year is a major factor in this year's outside services/maintenance variance.
- Depreciation expenses have been increasing on an annual basis as the Enterprise acquires new equipment and replaces old equipment.
- The purchase of replacement parts and the repairs and maintenance of numerous sewer lift stations has impacted miscellaneous expenses.

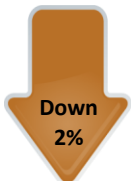
### Outlook

Currently, the operating results for the Enterprise reflect year-to-date net income of \$14,314. Based on activity to date, it is projected that the Enterprise will end the year with operating income over operating expenses between a deficit of \$670,000 and a small operating income, as the largest expenses for the Enterprise, Encina plant and depreciation expenses, are only recorded on a quarterly basis. In addition, during the second half of the fiscal year the Enterprise will see higher revenues due to the recent rate increase. There is a sufficient retained earnings balance to cover this projected deficit.

Redevelopment Agency

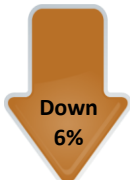
CARLSBAD REDEVELOPMENT AGENCY VILLAGE PROJECT AREA OPERATIONS, DEBT SERVICE AND CAPITAL FUNDS APRIL 30, 2011					
	BUDGET FY 2010-11	YTD 04/30/2010	YTD 04/30/2011	CHANGE FROM YTD 2009-10 TO YTD 2010-11	PERCENT CHANGE
<b>REVENUES</b>					
PROPERTY TAXES	2,580,000	2,486,785	2,453,777	(33,008)	-1.3%
INTEREST	28,000	38,301	29,099	(9,202)	-24.0%
OTHER REVENUES	19,000	16,416	18,942	2,526	15.4%
<b>TOTAL OPERATING REVENUE</b>	<b>2,627,000</b>	<b>2,541,502</b>	<b>2,501,818</b>	<b>(39,684)</b>	<b>-1.6%</b>
<b>EXPENDITURES</b>					
STAFFING	170,559	137,402	140,303	2,901	2.1%
INTERDEPARTMENTAL SERVICES	77,515	64,685	64,596	(89)	-0.1%
RENTALS & LEASES	55,078	50,971	50,777	(194)	-0.4%
DEBT EXPENSE	1,321,740	1,045,328	1,043,947	(1,381)	-0.1%
CAPITAL OUTLAY	1,844,938	55,062	31,237	(23,825)	-43.3%
OUTSIDE SERVICES, MAINT & MISC	436,042	225,718	146,642	(79,076)	-35.0%
<b>TOTAL OPERATING EXPENDITURES</b>	<b>3,905,872</b>	<b>1,579,166</b>	<b>1,477,502</b>	<b>(101,664)</b>	<b>-6.4%</b>
<b>TOTAL OPERATING REVENUES OVER EXPENDITURES</b>	<b>(1,278,872)</b>	<b>962,336</b>	<b>1,024,316</b>	<b>61,980</b>	<b>6.4%</b>

**Revenues**



- According to the San Diego County Assessor, assessed values in the Village Project Area have increased by 0.59 percent in Fiscal Year 2010-11.
- Interest revenues have decreased due to the combination of a 13 percent decrease in the average cash balance for the year and a 19.6 percent decrease in the yield on the Treasurer’s portfolio.
- An increase in building rentals has impacted other revenues for the first ten months of the fiscal year.

**Expenditures**



- The small increase in staffing expenditures is due to slightly higher salaries and related benefits.
- Parking lot and building rentals are encumbered in full at the beginning of the fiscal year.
- Both bond service payments have been made for the fiscal year. The SERAF payment will be made during the month of May 2011.
- In the prior fiscal year, costs related to the installation of additional street lights could be seen in the higher capital outlay expenditures.
- The costs associated with concrete repairs; the retrofitting of street lights to be more energy efficient; and additional signage were higher in the previous fiscal year at this time, and this reduction is reflected in the lower outside services, maintenance and miscellaneous expenditures in the current fiscal year.

**Outlook**

Depending on the how quickly the capital improvements for the New Village Arts building are completed, it is anticipated that the Agency will end the year with operating revenues over operating expenditures between a deficit of \$500,000 and net income of \$500,000 due lower than projected expenditures for the year. There is a sufficient fund balance to cover the projected deficit.