

*Fiscal Year 2016 Interim Financial Statements  
For the Six Months Ended December 31, 2015 (50% of Year Elapsed)*

### General Fund Revenues

The table below summarizes General Fund revenues for the six months ended December 31, 2015. For interim financial statement purposes, revenues are reported on a cash basis (i.e. when the funds are received). The table below includes the budgeted totals as well as the year-to-date (YTD) budget, which for tax revenues and franchise fees have been adjusted based on a 3-year average of collections through the same period to account for seasonal variations. Because tax revenues are not collected evenly throughout the year, adjusting the year-to-date budget to reflect the unique collection pattern for each type of tax allows for a more meaningful comparison to year-to-date results. For all other revenues, the Year-to-Date Budget column represents 50% (6 months out of the 12 elapsed) of the annual budget column. Unlike tax revenues, these revenues tend to be collected more evenly throughout the year.

<b>Summary of Revenues For the Six Months Ended December 31, 2015 GENERAL FUND</b>								
	<b>Current Year Analysis</b>					<b>Prior Year Analysis</b>		
	<b>Annual Budget</b>	<b>YTD Budget *</b>	<b>YTD Actual</b>	<b>YTD Variance</b>	<b>YTD Percent Rec'd</b>	<b>3-Year Average Bench- mark</b>	<b>Prior Year YTD Actual</b>	<b>Variance Prior Yr To Current Yr</b>
Sales & Use Tax	\$ 23,367,961	\$ 8,883,466	\$ 8,359,744	\$ (523,722)	35.77%	38.02%	\$ 8,475,993	-1.4%
Property Tax	28,742,300	10,121,447	10,467,921	346,474	36.42%	35.21%	9,873,692	6.0%
UUT	7,219,700	3,667,184	3,559,856	(107,328)	49.31%	50.79%	3,567,847	-0.2%
TOT	19,707,100	11,364,439	10,872,039	(492,400)	55.17%	57.67%	10,832,023	0.4%
Bus License	2,624,400	1,025,025	1,082,806	57,781	41.26%	39.06%	1,099,330	-1.5%
Prop Trans Tax	659,100	289,953	384,795	94,842	58.38%	43.99%	276,089	39.4%
<b>Total Taxes</b>	<b>82,320,561</b>	<b>35,351,513</b>	<b>34,727,161</b>	<b>(624,352)</b>	<b>42.19%</b>	<b>42.59%</b>	<b>34,124,974</b>	<b>1.8%</b>
License & Permits	219,700	109,850	74,076	(35,774)	33.72%	50.00%	95,441	-22.4%
Fines & Forfeitures	3,201,487	1,600,744	1,170,467	(430,277)	36.56%	50.00%	1,608,075	-27.2%
Franchise Fee	3,219,400	1,610,022	1,477,021	(133,001)	45.88%	50.01%	1,905,522	-22.5%
Use of Money & Property	1,053,059	526,530	464,565	(61,965)	44.12%	50.00%	457,522	1.5%
Intergovernmental	733,468	366,734	838,095	471,361	114.26%	50.00%	280,897	198.4%
Fee & Charges	21,571,641	10,785,821	11,282,320	496,500	52.30%	50.00%	10,060,339	12.1%
Miscellaneous	10,443,843	5,221,922	5,211,278	(10,644)	49.90%	50.00%	4,809,094	8.4%
<b>Total Other</b>	<b>40,442,598</b>	<b>20,221,621</b>	<b>20,517,822</b>	<b>296,201</b>	<b>50.73%</b>	<b>49.92%</b>	<b>19,216,890</b>	<b>6.8%</b>
<b>Total Before Budgeted Variances</b>	<b>122,763,159</b>	<b>55,573,134</b>	<b>55,244,982</b>	<b>(328,151)</b>			<b>53,341,864</b>	
Anticipated Year-End Var	2,000,000	1,000,000	-	(1,000,000)	0.00%	50.00%	-	0.0%
<b>Total Revenues</b>	<b>\$124,763,159</b>	<b>\$ 56,573,134</b>	<b>\$ 55,244,982</b>	<b>\$(1,328,151)</b>	<b>44.28%</b>	<b>44.94%</b>	<b>\$ 53,341,864</b>	<b>3.6%</b>

\* YTD Budget for Taxes is calculated based on a 3-year average of collections for each revenue source; for all other revenues, YTD Budget is calculated on a straight-line basis based on the number of months elapsed.

The table above summarizes General Fund revenues for the six months ended December 31, 2015. For interim financial statement purposes, revenues are reported on a cash basis (i.e. when the funds are received). Total revenues are \$328,152 below YTD budget before budgeted variances. Major revenues and significant variances are discussed below.

*Fiscal Year 2016 Interim Financial Statements  
For the Six Months Ended December 31, 2015 (50% of Year Elapsed)*

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**Sales Taxes**

Sales tax revenue for the first six months of the fiscal year is \$523,722 below the YTD budget on a cash basis. While representing two quarterly sales tax payments year-to-date, the revenues received through December 31, 2015 provide information for the growth in sales tax revenues earned for the quarter ended September 30, 2015, which were 3.4% below those from the prior year. Sales tax revenue is impacted by various factors, including falling gas prices and low inflation. In addition, various one-time significant adjustments, such as refunds of prior period overpayments, negatively impacted sales tax revenue for the quarter ended September 30, 2015. Staff projects sales tax revenues to be below the original budget of \$23 million by approximately \$1,064,100 by fiscal year-end.

**Property Tax**

Property tax revenue is \$346,475 above the YTD budget at December 31, 2015. Revenue growth for Fiscal Year 2016 is trending higher than expected based on information provided by the County of Santa Barbara relative to increases in assessed values, which were over 6% per county records. Property tax revenues are projected to exceed the adopted budget by approximately \$664,000 at year-end.

**Utility Users Tax**

Utility users' tax revenues are \$107,328 below the year-to-date budget. These returns represent a 0.2% decrease over the same six-month period last year. The two primary reasons for the reduction in utility users' taxes is the increasing segmentation in the telephony market, which impacts traditional landline telephone and cellular telephone service, and a decline in natural gas prices. Based on current projections, revenues are expected to be more than \$300,000 below budget at year-end.

**Transient Occupancy Tax**

Transient occupancy tax revenue is \$492,400 below the YTD budget at December 31, 2015. Overall revenue growth for the first six months of Fiscal Year 2016 is approximately zero. Transient occupancy tax revenue is impacted by various factors, such as the number of available hotel and motel rooms and room rates. The closure of a well-established motel in the City is one of the factors that has impacted TOT revenues in the current fiscal year. Based on current projections, revenues are expected to be more than \$667,813 below budget at year-end.

**Business License Tax**

Business license revenue is \$57,781 above the year-to-date budget; however, this is a 1.5% decrease from the prior year. The majority of business license renewals occur in the second half of the fiscal year. Based on current projections, business license revenues are projected to be about \$25,000 below budget.

*Fiscal Year 2016 Interim Financial Statements  
For the Six Months Ended December 31, 2015 (50% of Year Elapsed)*

**License and Permits**

License and permits revenue is \$35,774 below the YTD budget at December 31. This variance is largely the result of a decline in taxicab permit revenue and animal licensing revenue in the first six months of the year. Staff is projecting increased license and permits revenue in the second half of the fiscal year.

**Fines and Forfeitures**

Fines and forfeitures revenues are \$430,277 below the year-to-date budget. This variance is primarily due to a timing difference in the recording of December police parking citation revenues. Due to the implementation of a new billing system for police parking violations in the first half of fiscal year 2016, all December parking citation revenue amounting to approximately \$350,000 was recorded in January. With the timing adjustment, revenues are slightly below budget by approximately \$100,000 at December 31, 2015.

**Franchise Fee**

Franchise fee revenues are down nearly 42.4%, or \$429,000, compared to the same six-month period last year. The City has been setting aside moneys from the 1% electricity franchise fee surcharge in a special holding account pending the result of litigation challenging the legality of the fee. The City has collected \$390,366 for this fee in the first six months. In addition, franchise fee revenues are below year-to-date budget by \$133,001. Similar to the UUT trends highlighted above, a decline in local natural gas prices is affecting City franchise fee revenues.

**Intergovernmental**

Intergovernmental revenue is approximately \$471,361 above the YTD Budget. The largest component of intergovernmental revenue is mutual aid reimbursements received by the Fire Department for providing assistance to other agencies. The City is reimbursed for the actual costs of providing assistance plus an overhead factor. The Fire Department budgeted \$423,000 in reimbursements and has received \$682,100 in reimbursements as of December 31.

**Miscellaneous**

Total miscellaneous revenue is \$10,644 below the year-to-date budget. The table below describes the largest components of miscellaneous revenue, which includes overhead cost recovery, transfers in, donations, administrative citations, auction revenue, City TV revenue, sale of property, insurance rebates, refunds, and other miscellaneous revenue.

Miscellaneous Revenue General Fund For the Six Months Ended December 31, 2015								
Type of Misc. Revenue	Annual Budget	YTD Budget	YTD Actual	Budget Variance	Percent Received YTD	Prior Year YTD	Prior Year Variance	Percent Variance
Miscellaneous	\$ 1,750,818	\$ 875,409	901,582	\$ 26,173	51.5%	\$ 1,055,177	\$ (153,595)	-14.6%
Indirect Allocations	7,180,832	3,590,417	3,595,444	5,028	50.1%	3,205,578	389,866	12.2%
Operating-Transfers In	1,512,193	756,097	714,251	(41,846)	47.2%	548,339	165,912	30.3%
<b>Total</b>	<b>\$ 10,443,843</b>	<b>\$ 5,221,922</b>	<b>\$ 5,211,278</b>	<b>\$ (10,644)</b>	<b>49.9%</b>	<b>\$ 4,809,094</b>	<b>\$ 402,183</b>	<b>8.4%</b>

***Fiscal Year 2016 Interim Financial Statements  
For the Six Months Ended December 31, 2015 (50% of Year Elapsed)***

Operating-transfers in is \$41,845 below the year-to-date budget. The variance is due to lower traffic safety citation revenues from the County, thus impacting total transfers in to the General Fund. Staff anticipates this revenue to be at budget by year-end but will be closely monitoring it over the next several months.

**Fees & Service Charges**

Overall, fees and service charges are \$496,500 over the YTD budget. The table below provides more details on fees and service charges by department. The more significant mid-year variances are also discussed.

Fees and Service Charges General Fund For the Six Months Ended December 31, 2015								
Department	Annual Budget	YTD Budget	YTD Actual	Budget Variance	Percent Received YTD	Prior Year YTD	Prior Year Variance	Percent Variance
Finance	\$ 961,454	\$ 480,727	\$ 484,666	\$ 3,939	50.41%	\$ 476,494	\$ 8,172	1.7%
Community Development	4,817,843	2,408,922	2,843,256	434,335	59.02%	2,219,425	623,831	28.1%
Parks & Recreation	3,189,480	1,594,740	1,860,629	265,889	58.34%	1,325,222	535,407	40.4%
Public Safety	611,342	305,671	220,975	(84,696)	36.15%	274,008	(53,033)	-19.4%
Public Works	6,357,295	3,178,648	3,115,379	(63,269)	49.00%	2,892,518	222,861	7.7%
Library	873,320	436,660	443,017	6,357	50.73%	381,352	61,665	16.2%
Reimbursements	4,760,907	2,380,454	2,314,399	(66,055)	48.61%	2,491,320	(176,921)	-7.1%
<b>Total</b>	<b>\$ 21,571,641</b>	<b>\$ 10,785,821</b>	<b>\$ 11,282,320</b>	<b>\$ 496,500</b>	<b>52.30%</b>	<b>\$ 10,060,339</b>	<b>\$ 1,221,982</b>	<b>12.1%</b>

Community Development fees are approximately \$434,000 above the year-to-date budget. This variance is mostly due to large increases in building permits, development permits and other planning and zoning-type fee revenue. Staff expects similar increases in the second half of the fiscal year and anticipates revenues will exceed budget by \$625,000 at fiscal year-end.

Parks & Recreation fees are approximately \$266,000 above the year-to-date budget. While there have been some general increases in participation of youth activity, aquatics, and sports programs, the primary reason for the increase is a change in accounting method, which recognized a portion of money received in Fiscal Year 2015 as revenue in Fiscal Year 2016, resulting in an increase in current year revenue figures. Staff anticipates revenues will either meet budget or be slightly below budget at fiscal year-end.

Public Safety fees are approximately \$84,000 below the year-to-date budget. Most of the variance is due to lower dismissal, vehicle release and document viewing fees in the Police Department. State laws regarding the towing of vehicles have changed, thereby reducing the number of towed vehicles and impacting vehicle release fee revenues. False alarm billing revenues are also lower than budgeted, but are expected to increase in the latter part of the year as businesses exceed the free false alarm threshold. Staff anticipates revenues to be below budget at year-end by \$100,000.

Public Works fees are approximately \$63,000 below the year-to-date budget. The variance is due to engineering work order revenue being down at mid-year, which is expected to be under

*Fiscal Year 2016 Interim Financial Statements  
For the Six Months Ended December 31, 2015 (50% of Year Elapsed)*

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budget by year-end. Staff expects Public Works fees to be under budget by approximately \$200,000 at fiscal year-end.

Reimbursement revenues are approximately \$66,000 below the YTD budget. The variance is primarily due to certain interdepartmental reimbursements that are not booked until the end of the fiscal year.

**Anticipated Year-End Variances and Budgeted Savings from Concessions**

It is important to note that the table on page 1 includes \$2,000,000 for anticipated year-end budget variances. The \$2 million is roughly equal to 2.0% of budgeted operating expenditures in the General Fund and, although budgeted as revenue, represents staff's estimate of the favorable expenditure variances (i.e. expenditures *under* budget) for the year. As is the case each year, the Anticipated Year-End Variance budgeted will not reflect any actual revenues, but rather favorable variances in expenditures by year-end.

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*Fiscal Year 2016 Interim Financial Statements  
For the Six Months Ended December 31, 2015 (50% of Year Elapsed)*

**General Fund Expenditures**

The table below summarizes the General Fund budget and year-to-date expenditures through December 31, 2015. The “Adjusted Annual Budget” column represents the adopted budget, appropriation carryovers from the prior year, and any supplemental appropriations approved by Council in the current year.

As shown below, a year-to-date budget (labeled “YTD Budget”) column is included. This column has been developed based on a 3-year average of expenditures in order to adjust for the seasonal nature of certain expenditures, such as debt service and summer recreation programs. The table includes actual expenditures without encumbrances, and separate column for the variance after considering encumbrances. Inclusion of encumbrances can significantly distort the analysis of budgeted and actual expenditures during the year. Outstanding encumbrances include certain appropriations that were carried forward from prior year and contracts or blanket purchase orders that have been executed in the current year but are expected to be used throughout the year. The following discussion and analysis does not include the impact of encumbrances.

The year-to-date budget of \$64.2 million at December 31, compared to actual expenditures of \$60.4 million, resulted in a favorable variance of approximately \$3.6 million. Significant variances in departments are discussed below.

**Mayor and Council** expenditures are below the YTD budget by approximately \$265,000. The variance is mostly due to a timing difference in payments of approximately \$345,000 per quarter for the annual contract with Visit Santa Barbara to promote the City as a tourist destination and location for film production. Staff anticipates expenditures to be within budget at year-end.

**Administrative Services** expenditures are below the YTD budget by approximately \$186,000. The variance is mostly due to salary savings from several vacancies spread across the Human Resources, Information Services, and City Clerk Divisions. All positions are anticipated to be filled by March.

SUMMARY OF EXPENDITURES GENERAL FUND For the Six Months Ended December 31, 2015							YTD Variance With Encumb Favorable (Unfavorable)	
Department	Adjusted Annual Budget	YTD Budget	YTD Actual	YTD Variance Without Encumbrance	Encum- brance	\$	%	
Mayor & Council	\$ 3,442,809	\$ 2,128,345	\$ 1,863,356	\$ 264,989	\$ 1,152,112	\$ (887,123)	-25.8%	
City Attorney	2,557,604	1,336,348	1,206,301	130,047	54,501	75,546	3.0%	
City Administrator	2,197,094	1,113,268	1,051,933	61,335	49,918	11,417	0.5%	
Administrative Svs.	2,817,672	1,424,333	1,237,377	186,956	150,457	36,499	1.3%	
Finance	5,560,451	2,727,401	2,568,436	158,965	219,007	(60,042)	-1.1%	
Police	39,542,631	20,020,434	19,106,256	914,178	411,723	502,455	1.3%	
Fire	24,892,406	12,595,557	13,376,158	(780,601)	39,230	(819,831)	-3.3%	
Public Works	8,543,452	4,124,779	3,880,375	244,404	349,991	(105,587)	-1.2%	
Parks & Recreation	16,797,006	8,495,926	8,011,117	484,809	678,976	(194,167)	-1.2%	
Library	5,285,555	2,566,666	2,406,644	160,022	55,369	104,653	2.0%	
Community Development	10,808,266	5,600,843	4,832,773	768,070	872,684	(104,614)	-1.0%	
Non-Departmental	3,471,135	2,088,929	867,888	1,221,041	-	1,221,041	35.2%	
Total	<u>\$ 125,916,081</u>	<u>\$ 64,222,828</u>	<u>\$ 60,408,614</u>	<u>\$ 3,814,214</u>	<u>\$ 4,033,968</u>	<u>\$ (219,754)</u>	-0.2%	
<b>% of annual budget</b>		<b>51.0%</b>	<b>48.0%</b>	<b>3.0%</b>	<b>3.2%</b>	<b>-0.2%</b>		

*Fiscal Year 2016 Interim Financial Statements  
For the Six Months Ended December 31, 2015 (50% of Year Elapsed)*

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**Police Department** expenditures are below the YTD budget by approximately \$914,000. This is due to the ongoing effect of the department's challenges in filling vacancies. Overtime is higher at December 31, however this is more than offset by salary savings.

**Fire Department** expenditures are over the YTD budget by approximately \$781,000. This variance is due to higher than anticipated mutual aid expenditures during the first six months of Fiscal Year 2016. Mutual aid expenditures relate to the cost of providing assistance to other locations throughout the state. As of December 31, mutual aid expenditures amounted to \$916,000 in comparison to budgeted mutual aid expenditures of \$367,500. However, the Fire Department has received approximately \$682,000 in mutual aid reimbursement revenues as of December 31, and anticipates an additional amount of \$520,000 that has already been billed but not yet received. Mutual aid revenues are projected to exceed expenditures by \$300,000 for all mutual aid activities through December 31, 2015. As there is the possibility of additional mutual aid activities by year-end, staff will be monitoring mutual aid revenues and expenditures and will request an adjustment at year-end to record the total revenues and appropriations for all fiscal year 2016 mutual aid activities.

Overtime for Minimum Staffing in Operations and the ARFF programs were higher than budgeted levels at mid-year, along with vacation cash out costs; however, the 10 vacant positions were filled in September with the graduates from the Fire Academy, which will greatly reduce overtime costs throughout the remainder of the year. At this time, staff anticipates expenditures, excluding mutual aid, will be within budget by year-end.

**Public Works** expenditures are below YTD budget by approximately \$244,000. The variance is mostly due to reduced salary and benefit costs as a result of vacant positions and retirements. The City Engineer retired and the position was vacant for four months before being filled. The City Surveyor and Survey Technician positions were vacated in August, and will remain unfilled for the remainder of the year. A budget savings of \$330,000 for the fiscal year is projected, which will offset the reduction in work order revenues referred to in Fees and Service Charges above.

**Parks and Recreation** expenditures are below YTD budget by approximately \$485,000. The variance is mostly due to reduced salary and benefit costs as a result of vacant positions. The department is actively recruiting new staff and anticipates that all vacant positions, including the Assistant Parks and Recreation Director position, will be filled by July 2016; budget savings of \$425,000 for the fiscal year are projected.

**Community Development** expenditures are below YTD budget by approximately \$768,000. This variance is largely attributed to salary savings resulting from position vacancies and hourly vacancies, and approximately \$55,000 in across-the-board savings in Supplies and Services. Land development and building construction activity is stretching staff resources. Therefore, some of the savings may be needed to hire contract or hourly staff before year-end.

**Non-Departmental** expenditures are below YTD budget by approximately \$868,000. This variance is due to the appropriation of anticipated year end reserves of \$1,887,742 established as an appropriated surplus to ensure some level of funds are available at year end to increase reserve balances and provide supplemental funding for capital. As of December 31, \$0 have been used.

***Fiscal Year 2016 Interim Financial Statements***  
***For the Six Months Ended December 31, 2015 (50% of Year Elapsed)***

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This variance is also due to the programming of \$400,000 of appropriated reserves to cover contingencies that arise during the course of the fiscal year. As of December 31, \$256,000 appropriated reserves have been used.



*Fiscal Year 2016 Interim Financial Statements  
For the Six Months Ended December 31, 2015 (50% of Year Elapsed)*

**Enterprise Fund Revenues and Expenses**

Unlike the General Fund, which relies primarily on taxes to subsidize programs and services, Enterprise Fund operations are financed primarily from user fees and other non-tax revenues. The table below summarizes Enterprise Fund revenues and expenses through December 31, 2015, with a comparison to the current year budget and prior year expenses through the first six months. Note that the “YTD Budget” column has been calculated based on a 3-year average collection rate through December 31<sup>st</sup>. This rate, which is shown as a percentage in the “3 Year Average” column, has been applied to the annual budget amount to arrive at the Year-to-Date Budget. This approach is used in recognition that enterprise fund revenues and certain expenses are seasonally affected and are not necessarily received or incurred evenly throughout the year.

<b>SUMMARY OF REVENUES &amp; EXPENSES For The Six Months Ended December 31, 2015 ENTERPRISE FUNDS</b>								
	<b>Current Year Analysis</b>						<b>Prior Year Analysis</b>	
	<b>Annual Budget</b>	<b>YTD Budget *</b>	<b>YTD Actual</b>	<b>YTD Variance</b>	<b>YTD Percent</b>	<b>3 Year Average</b>	<b>YTD Actual</b>	<b>% Variance</b>
<b>Solid Waste Fund</b>								
Revenues	\$ 20,952,792	\$ 10,315,060	\$ 10,406,493	\$ 91,433	49.7%	49.2%	\$ 10,209,650	1.9%
Expenses	20,999,104	10,155,167	10,190,992	(35,825)	48.5%	48.4%	9,722,718	4.8%
<b>Water Fund</b>								
Revenues	45,448,662	24,533,188	22,717,442	(1,815,746)	50.0%	54.0%	19,336,069	17.5%
Expenses	52,607,764	25,672,589	24,626,270	1,046,319	46.8%	48.8%	21,863,189	12.6%
<b>Wastewater Fund</b>								
Revenues	18,580,927	9,435,395	9,427,849	(7,546)	50.7%	50.8%	9,136,257	3.2%
Expenses	21,183,782	9,729,711	9,511,522	218,189	44.9%	45.9%	8,607,076	10.5%
<b>Downtown Parking Fund</b>								
Revenues	8,383,944	4,191,134	4,301,591	110,457	51.3%	50.0%	4,317,994	-0.4%
Expenses	8,894,872	4,394,067	4,264,615	129,452	47.9%	49.4%	3,883,796	9.8%
<b>Airport Fund</b>								
Revenues	16,338,411	8,281,941	8,074,305	(207,636)	49.4%	50.7%	8,075,886	0.0%
Expenses	17,726,517	8,366,916	7,951,035	415,881	44.9%	47.2%	7,136,053	11.4%
<b>Golf Fund</b>								
Revenues	2,266,957	1,141,413	1,078,704	(62,709)	47.6%	50.4%	969,506	11.3%
Expenses	2,329,493	1,238,358	1,163,706	74,652	50.0%	53.2%	1,072,524	8.5%
<b>Waterfront Fund</b>								
Revenues	13,458,598	7,053,651	7,724,526	670,875	57.4%	52.4%	8,084,941	-4.5%
Expenses	14,233,529	7,038,480	6,946,801	91,679	48.8%	49.5%	6,755,784	2.8%
* The YTD Budget column has been calculated based on a 3-year average of collections for revenues, and of payments made for expenses through December 31, which has been applied to the annual budget.								

The expenses shown in the preceding table do not include outstanding encumbrances at December 31, 2015. Inclusion of encumbrances can significantly distort the analysis of budgeted

*Fiscal Year 2016 Interim Financial Statements  
For the Six Months Ended December 31, 2015 (50% of Year Elapsed)*

---

and actual expenditures after six months. Outstanding encumbrances include appropriations that were carried forward from prior year as part of the appropriation carryovers and contracts or blanket purchase orders that have been added in the current year but are expected to be spent over the coming months.

The following discussion highlights some of the more significant revenue and expense variances of the enterprise funds, in relation to budget or prior year.

**Water Fund**

Water Fund revenues are below the year-to-date budget by approximately \$1.8 million, primarily due to a water sales revenue shortfall of \$1.3 million. Budgeted water sales revenue assumed a 25% demand reduction; however during the first half of the fiscal year, customers achieved a 34% reduction in water usage. Conservation efforts have increased and customers are being conscientious due to the current drought situation. This is favorable news for water supply, but has significantly impacted revenues. Staff anticipates that total water sales for Fiscal Year 2016 may be below budget by approximately \$1.9 million.

Expenses for the Water Fund are below the YTD budget by approximately \$1 million. Debt service budget of \$4.7 million was over spent by \$1.2 million as 75% of these costs occurred in the first half of Fiscal Year 2016, as compared to approximately 34% in prior years. The debt service costs were offset by savings of \$1.8 million in materials and water purchases. It is expected that water purchases budget will be spent during the remainder of the fiscal year. Staff anticipates materials and special projects expenditures, however, will be below budget by approximately \$2 million at year-end, offsetting the reduction in revenues. A large portion of this includes savings in chemicals, waste disposal, and electricity, attributed to lower water sales.

**Wastewater Fund**

Wastewater Fund revenues are in line with the YTD budget at mid-year. However, It is projected these revenues may be below budget by \$275,000 at year-end due to the 34% reduction in water usage and historical trends of lower water sales in the third and fourth quarters each year.

Wastewater Fund expenses are approximately \$218,000 below the YTD budget. This variance is due to a number of vacant positions this fiscal year, including the Wastewater Manager for several months, which have resulted in savings in personnel costs, as well as the timing of one time debt payments, due in May each year. Staff anticipates for positions will be vacant through the end of the year, resulting in a savings of approximately \$310,000.

**Downtown Parking Fund**

Downtown Parking Fund revenues are above the YTD budget by approximately \$110,000. While hourly parking remains strong, trend data dictates that more customers are parking in free areas, yet the paying customers are staying longer, therefore paying more than previously. This may be attributable to the usage of credit cards which is up 3% from prior year.

*Fiscal Year 2016 Interim Financial Statements  
For the Six Months Ended December 31, 2015 (50% of Year Elapsed)*

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Expenses are below the YTD budget by approximately \$129,000. The majority of this savings is tied to materials, supplies and services encumbered at mid-year, not yet spent. Staff anticipates expenditures to be within budget at year-end.

**Airport Fund**

Airport Fund revenues are below the YTD budget at December 31 by approximately \$207,600. Commercial Leases are below budget by approximately \$93,000 due to vacancies, loss of income from the sale of property and the delay in revenue receipt from High Sierra Grill. Reimbursement revenues were delayed for both the TSA law enforcement officer reimbursement and RPZ analysis. Both should be received by year end. The remainder of the reduction in revenues is spread across several revenue sources. Staff project revenues to be below budget by approximately \$264,000 at year end.

Expenses for the Airport Fund are below the YTD budget by approximately \$416,000. The variance is mostly due to position vacancies in the department, in Administration, Business Properties, Patrol and Certification and Operations. Patrol vacancies are being covered with overtime and hourly employees. Approximately \$54,000 of the variance is due to equipment purchases that will be expensed in the second half of the fiscal year. Staff project expenditures to be below budget at year-end by approximately \$700,000.

**Golf Fund**

Golf Fund revenues are below the YTD budget by approximately \$62,700. The variance is mostly due to lower greens fee revenue. At mid-year, paid rounds are 5.3% above Fiscal Year 2015 performance; however 0.7% below the Fiscal Year 2016 budget. Concession and range fee revenues are in line with budget at mid-year. Overall, it is expected that revenues will end the year approximately \$93,000 under budget.

Golf Fund expenses are below the YTD budget by approximately \$74,700. Projected salary savings of approximately \$147,000 are due to the retirement and vacancies, with the use of hourly staff to back fill positions. Despite water conservation efforts, rate increases will result in water charges over budget by \$66,000 by year end. Staff will be closely monitoring revenues and expenses over the next several months to determine the need to make any additional cost reductions to meet budget at year-end, as efforts are underway to transfer management of Golf Operations to Santa Barbara Golf, LLC, next fiscal year.

**Waterfront Fund**

Waterfront Fund revenues are above the YTD budget by approximately \$671,000. \$530,000 of this surplus is attributable to the Property Management Program. In particular, the harbor food service, wharf food service and the waterfront grill have received 63% of the budgeted revenues at mid-year. Continued good summer weather and warm fall and winter seasons contributed to significant increases in revenues through December 31. Cruise ships are over budgeted revenue by approximately \$59,000 as a result of three additional ships visiting Santa Barbara in the first six months. Staff anticipates that revenues for Fiscal Year 2016 will be over budget by approximately \$413,000, as most revenues trend lower in the second half of the year.

***Fiscal Year 2016 Interim Financial Statements  
For the Six Months Ended December 31, 2015 (50% of Year Elapsed)***

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Expenses for the Waterfront Fund are below the YTD budget by approximately \$91,700. This variance is primarily due to salary savings, and the programming of \$100,000 of appropriated reserves in the operating budget to cover contingencies that arise during the course of the fiscal year. As of December 31, no appropriated reserves have been used. Staff anticipates expenditures to be within budget at year-end.