

*Fiscal Year 2015 Interim Financial Statements  
For the Six Months Ended December 31, 2014 (50% of Year Elapsed)*

### General Fund Revenues

The table below summarizes General Fund revenues for the six months ended December 31, 2014. 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 seasonally adjusted based on a 3-year average of collections through the same period. 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, 2014 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	\$ 21,726,115	\$ 8,264,614	\$ 8,475,993	\$ 211,379	39.01%	38.04%	\$ 7,873,848	7.6%
Property Tax	27,164,000	9,618,772	9,873,692	254,920	36.35%	35.41%	9,405,586	5.0%
UUT	7,257,800	3,675,350	3,567,847	(107,503)	49.16%	50.64%	3,548,584	0.5%
TOT	17,641,400	10,239,069	10,832,023	592,954	61.40%	58.04%	9,490,697	14.1%
Bus License	2,571,200	991,198	1,099,330	108,132	42.76%	38.55%	1,069,479	2.8%
Prop Trans Tax	678,000	306,456	276,089	(30,367)	40.72%	45.20%	336,468	-17.9%
<b>Total Taxes</b>	<b>77,038,515</b>	<b>33,095,459</b>	<b>34,124,974</b>	<b>1,029,515</b>	<b>44.30%</b>	<b>42.59%</b>	<b>31,724,662</b>	<b>7.6%</b>
License & Permits	233,500	116,750	95,441	(21,309)	40.87%	50.00%	95,729	-0.3%
Fines & Forfeitures	3,207,487	1,603,744	1,608,075	4,332	50.14%	50.00%	1,594,496	0.9%
Franchise Fee	3,771,000	1,870,416	1,905,522	35,106	50.53%	49.60%	1,855,070	2.7%
Use of Money & Property	1,026,021	513,011	457,522	(55,489)	44.59%	50.00%	457,848	-0.1%
Intergovernmental	742,517	371,259	280,897	(90,362)	37.83%	50.00%	1,048,947	-73.2%
Fee & Charges	20,425,632	10,212,816	10,060,339	(152,477)	49.25%	50.00%	9,545,507	5.4%
Miscellaneous	9,354,942	4,677,471	4,809,094	131,623	51.41%	50.00%	4,736,194	1.5%
<b>Total Other</b>	<b>38,761,099</b>	<b>19,365,466</b>	<b>19,216,890</b>	<b>(148,576)</b>	<b>49.58%</b>	<b>49.92%</b>	<b>19,333,791</b>	<b>-0.6%</b>
<b>Total Before Budgeted Variances</b>	<b>115,799,614</b>	<b>52,460,924</b>	<b>53,341,863</b>	<b>880,940</b>			<b>51,058,453</b>	
Anticipated Year-End Var	1,200,000	600,000	-	(600,000)	0.00%	50.00%	-	0.0%
<b>Total Revenues</b>	<b>\$ 116,999,614</b>	<b>\$ 53,060,924</b>	<b>\$ 53,341,863</b>	<b>\$ 280,940</b>	<b>45.59%</b>	<b>45.06%</b>	<b>\$ 51,058,453</b>	<b>4.5%</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, 2014. For interim financial statement purposes, revenues are reported on a cash basis (i.e. when the funds are received). Total revenues are \$280,940 above the budget through December 31, 2014; however, total revenues collected before budgeted variances were \$880,940 over YTD budget. Major revenues and significant variances are discussed below.

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**Sales Taxes**

Sales tax revenue for the first six months of the fiscal year was \$211,379 above the YTD budget on a cash basis. However, while representing two quarterly sales tax payments year-to-date, the revenues received through December 31, 2014 provide information for the growth in sales tax revenues earned for the quarter ended September 30, 2014, which were 6.9% over those from the prior year. Sales tax revenues continue to show recovery from growth lost during the recession. Staff projects sales tax revenues to be above the original budget of \$21.3 million by approximately \$672,000.

**Property Tax**

Property tax revenue was \$254,920 above the YTD budget at December 31, 2014. Revenue growth for Fiscal Year 2014 is trending higher than expected based on information provided by the County of Santa Barbara relative to increases in assessed values which were just over 5% per county records. Property tax revenues are projected to exceed the adopted budget by approximately \$505,000 at year-end.

**Transient Occupancy Tax**

TOT revenue was \$592,954 above the YTD budget at December 31, as shown on the table on the previous page. It is 14% higher than the same six-month period in the prior year. Based on current projections, revenues are expected to be more than \$839,000 above budget at year-end.

**Business License Tax**

Business License revenue is \$108,132 above the year-to-date budget, which also represents a 2.8% increase over the prior year. Based on current projections, however, business license revenues are projected to be about even with budget at year-end.

**Utility Users Tax**

Utility Users Tax revenues are \$107,503 below the year-to-date budget. These returns, however, do represent a 0.5% increase over the same six-month period last year. The two main drivers of this slow growth is the increasing segmentation in the telephony market (which pushes down overall traditional landline telephone and cellular telephone service) and the collapse in world oil prices (which reduces the price and demand for natural gas). Based on our current projections, revenues are expected to be more than \$239,000 below budget at year-end.

**Intergovernmental**

Intergovernmental revenue was approximately \$90,362 below 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 \$124,898 in reimbursements as of December 31. Fire Department staff are projecting to meet the budget by year-end.

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**Miscellaneous**

Total Miscellaneous revenue is \$131,623 above the year-to-date budget primarily due to unanticipated revenues from litigation settlements. 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.

Operating-Transfers In is \$93,350 below the year-to-date budget. The variance is due to a delay by the County in remitting traffic citation revenue to the City, thereby impacting total transfers in to the General Fund through December 31. Staff anticipates this revenue to be at budget by year-end.

Miscellaneous Revenue General Fund For the Six Months Ended December 31, 2014								
Type of Misc. Revenue	Annual Budget	YTD Budget	YTD Actual	Budget Variance	Percent Received YTD	Prior Year YTD	Prior Year Variance	Percent Variance
Miscellaneous	1,660,410	\$ 830,205	1,055,177	\$ 224,972	63.5%	921,192	\$ 133,985	14.5%
Indirect Allocations	6,411,155	3,205,578	3,205,578	-	50.0%	3,146,370	59,208	1.9%
Operating-Transfers In	1,283,377	641,689	548,339	(93,350)	42.7%	668,632	(120,293)	-18.0%
<b>Total</b>	<b>\$ 9,354,942</b>	<b>\$ 4,677,472</b>	<b>\$ 4,809,094</b>	<b>\$ 131,623</b>	<b>51.4%</b>	<b>\$ 4,736,194</b>	<b>\$ 72,900</b>	<b>1.5%</b>

**Fees & Service Charges**

Overall, fees and service charges are \$152,477 below 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.

Community Development fees are approximately \$74,400 below the year-to-date budget. This variance is mostly due to a slow start in building-related activity charges, such as planning work orders and building permit fees. However, these revenues are expected to trend upward for the remainder of the year, and in the case of building permits are projected to be over budget by \$67,000.

Parks & Recreation fees are approximately \$199,500 below the year-to-date budget. Most of the increase will be realized later in the year, as parks & recreation programs tend to get higher participation in the summer. However, staff projects there will be an overall shortfall of about \$21,000 mostly due to lower participation in the Active Adults Program, including decreased Arts and Crafts Show membership and dance class attendance.

Public Safety fees are approximately \$52,900 below the year-to-date budget. Most of the variance is due to dismissal fees in the Police Department, largely as a result of temporary decreased staffing in the parking citation section. False alarm billing revenues are also lower

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than projected, but are expected to increase in the latter part of the year as businesses exceed the free false alarm threshold.

Public Works fees are approximately \$83,200 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 budget by year-end.

Reimbursement revenues are approximately \$255,714 above the YTD budget. The variance is mostly due to revenues of approximately \$147,000 remitted by the State in the current year for SB90 mandated cost reimbursements from fiscal years 1995 through 1998.

Fees and Service Charges General Fund For the Six Months Ended December 31, 2014								
Department	Annual Budget	YTD Budget	YTD Actual	Budget Variance	Percent Received YTD	Prior Year YTD	Prior Year Variance	Percent Variance
Finance	\$ 949,905	\$ 474,953	\$ 476,494	\$ 1,542	50.16%	\$ 461,281	\$ 15,213	3.3%
Community Development	4,587,515	2,293,758	2,219,425	(74,333)	48.38%	2,168,681	50,744	2.3%
Parks & Recreation	3,049,474	1,524,737	1,325,222	(199,515)	43.46%	1,305,375	19,847	1.5%
Public Safety	653,827	326,914	274,008	(52,906)	41.91%	246,664	27,344	11.1%
Public Works	5,951,301	2,975,651	2,892,517	(83,134)	48.60%	2,807,211	85,306	3.0%
Library	762,398	381,199	381,352	153	50.02%	363,832	17,520	4.8%
Reimbursements	4,471,212	2,235,606	2,491,320	255,714	55.72%	2,192,463	298,857	13.6%
<b>Total</b>	<b>\$ 20,425,632</b>	<b>\$ 10,212,816</b>	<b>\$ 10,060,339</b>	<b>\$ (152,477)</b>	49.25%	<b>\$ 9,545,507</b>	<b>\$ 514,831</b>	5.4%

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

It is important to note that the table on page 1 includes \$1,200,000 for anticipated year-end budget variances. The \$1.2 million is roughly equal to 1.0% 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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**General Fund Expenditures**

The table below summarizes the General Fund budget and year-to-date expenditures through December 31, 2014. 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.

SUMMARY OF EXPENDITURES GENERAL FUND For the Six Months Ended December 31, 2014							
Department	Adjusted Annual Budget	YTD Budget	YTD Actual	YTD Variance Without Encumbrance	Encum- brance	YTD Variance With Encumb Favorable (Unfavorable)	
						\$	%
Mayor & Council	\$ 3,408,507	\$ 1,954,097	\$ 2,265,066	\$ (310,969)	\$ 274,273	\$ (585,242)	-17.2%
City Attorney	2,303,695	1,177,764	1,144,286	33,478	23,918	9,560	0.4%
City Administrator	2,284,173	1,146,084	989,816	156,268	79,277	76,991	3.4%
Administrative Svs.	2,037,450	1,024,939	892,856	132,083	39,810	92,273	4.5%
Finance	5,129,491	2,486,162	2,394,964	91,198	295,654	(204,456)	-4.0%
Police	38,222,049	19,206,580	18,950,562	256,018	338,382	(82,364)	-0.2%
Fire	22,988,643	11,573,173	11,873,972	(300,799)	48,946	(349,745)	-1.5%
Public Works	7,898,371	3,815,150	3,496,851	318,299	355,544	(37,245)	-0.5%
Parks & Recreation	15,780,292	8,016,388	7,414,727	601,661	269,850	331,811	2.1%
Library	5,028,385	2,396,327	2,442,094	(45,767)	39,838	(85,605)	-1.7%
Community Development	10,024,563	5,282,343	4,758,009	524,334	521,202	3,132	0.0%
Non-Departmental	2,610,877	1,600,990	1,278,198	322,792	660	322,132	12.3%
<b>Total</b>	<b>\$ 117,716,496</b>	<b>\$ 59,679,997</b>	<b>\$ 57,901,401</b>	<b>\$ 1,778,596</b>	<b>\$ 2,287,354</b>	<b>\$ (508,758)</b>	<b>-0.4%</b>
<b>% of annual budget</b>		<b>50.7%</b>	<b>49.2%</b>	<b>1.5%</b>	<b>1.9%</b>	<b>-0.4%</b>	

As shown above, 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 \$59.7 million at December 31, compared to actual expenditures of \$57.9 million, resulted in a favorable variance of approximately \$1.8 million. Significant variances in departments are discussed below.

**Mayor and Council** expenditures are over the YTD budget by approximately \$311,000. 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. In the prior year, the third quarter payment was made in January; however, for Fiscal Year 2015, this payment was made in December 2014 thereby reporting 75% of contract expenditures by mid-year. Staff anticipates expenditures to be within budget at year-end.

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**Fire Department** expenditures are over the YTD budget by approximately \$301,000. This variance is due to higher than anticipated mutual aid expenditures during the first six months of Fiscal Year 2015. 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 \$512,000 in comparison to budgeted mutual aid expenditures of \$351,300. However, the Fire Department has received about \$125,000 in mutual aid reimbursement revenues as of December 31, and anticipates an additional amount of \$437,000 that has already been billed but not yet received. Mutual aid revenues are projected to exceed expenditures by \$50,000 for all mutual aid activities through December 31, 2014. 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 2015 mutual aid activities. At this time, staff anticipates expenditures, excluding mutual aid, will be within budget by year-end.

**Parks and Recreation** expenditures are below YTD budget by approximately \$601,700. 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 will be filled by April 2015; budget savings of \$241,000 for the fiscal year are projected. Budget savings of \$145,000 are also expected from the Medians and Parkways program, as FY 2014 carryover funds were used for work performed in the current fiscal year.

**Library** expenditures are over the YTD budget by approximately \$45,800. The variance is due to unanticipated supplies purchases for the Central Library reorganization on the main floor, and the purchase of new color photocopiers for the public and staff. These costs will be offset by budget savings in personnel costs expected by year-end, and higher than projected Literacy Program revenues.

**Community Development** expenditures are below YTD budget by approximately \$524,400. This variance is largely attributed to salary savings resulting from position vacancies and hourly vacancies in Records, and approximately \$74,000 in across-the-board savings in Supplies and Services.

**Non-Departmental** expenditures are below YTD budget by approximately \$322,800. This variance is due to the programming of \$406,300 of appropriated reserves to cover contingencies that arise during the course of the fiscal year. As of December 31, \$70,200 appropriated reserves have been used.

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**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, 2014, 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</b>								
<b>For The Six Months Ended December 31, 2014</b>								
<b>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	\$ 20,645,776	\$ 9,998,749	\$ 10,209,649	\$ 210,900	49.5%	48.4%	\$ 10,355,759	-1.4%
Expenses	20,613,368	9,853,190	9,722,718	130,472	47.2%	47.8%	9,753,683	-0.3%
<b>Water Fund</b>								
Revenues	39,347,669	20,775,569	19,336,069	(1,439,500)	49.1%	52.8%	20,435,019	-5.4%
Expenses	47,698,870	24,073,620	21,863,189	2,210,431	45.8%	50.5%	19,605,326	11.5%
<b>Wastewater Fund</b>								
Revenues	18,883,613	9,562,662	9,136,257	(426,405)	48.4%	50.6%	9,252,543	-1.3%
Expenses	20,036,066	9,206,572	8,607,076	599,496	43.0%	46.0%	7,658,834	12.4%
<b>Downtown Parking Fund</b>								
Revenues	7,936,933	3,885,922	4,317,994	432,072	54.4%	49.0%	3,990,307	8.2%
Expenses	8,465,044	4,205,434	3,883,796	321,638	45.9%	49.7%	4,080,169	-4.8%
<b>Airport Fund</b>								
Revenues	15,469,349	7,821,303	8,075,886	254,583	52.2%	50.6%	7,840,086	3.0%
Expenses	15,786,050	7,537,839	7,136,053	401,786	45.2%	47.8%	7,531,792	-5.3%
<b>Golf Fund</b>								
Revenues	2,091,048	1,035,069	969,506	(65,563)	46.4%	49.5%	1,076,098	-9.9%
Expenses	2,080,245	1,101,698	1,072,524	29,174	51.6%	53.0%	1,117,059	-4.0%
<b>Waterfront Fund</b>								
Revenues	12,661,137	6,571,130	8,084,941	1,513,811	63.9%	51.9%	7,181,596	12.6%
Expenses	13,695,537	7,112,092	6,755,784	356,308	49.3%	51.9%	6,793,581	-0.6%
* 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.								

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The expenses shown in the preceding table do not include outstanding encumbrances at December 31, 2014. Inclusion of encumbrances can significantly distort the analysis of budgeted 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.

**Solid Waste Fund**

Solid Waste Fund revenues are above the year-to-date budget as of December 31 by approximately \$210,900 mostly due to the increase of solid waste rates. Expenses for the Solid Waste Fund are slightly below the YTD budget by approximately \$130,500. The variance is largely attributed to a timing difference in the semi-annual payment of approximately \$258,000 for regional fees to the County of Santa Barbara for waste management services. The payment is typically made in January. Staff anticipates expenditures will be within budget by year-end.

**Water Fund**

Water Fund revenues are below the year-to-date budget by approximately \$1.4 million, primarily due to a water sales revenue shortfall of \$1.2 million. Budgeted water sales revenue assumed a 20% demand reduction; however during the first half of the fiscal year, customers achieved a 23% 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 2015 may be below budget by approximately \$2.9 million.

Since the beginning of the fiscal year, staff has identified five grant funding sources that will offset some of the revenue shortfall. The City has been notified that all grants have been approved, none of which were budgeted. Of these, three grants are under contract and will realize additional revenues of \$800,000 and two other grants are still pending and award amounts are yet to be determined.

Expenses for the Water Fund are below the YTD budget by approximately \$2.2 million. The variance is mostly due to only 34% of total debt service costs of over \$5.1 million occurring in the first half of Fiscal Year 2015, as compared to approximately 48% in prior years. In addition, water purchases are lower in the first six months than projected by approximately \$780,000; however it is expected the water purchases budget will be spent during the remainder of the fiscal year. Staff anticipates expenditures will be within budget by year-end.

**Wastewater Fund**

Wastewater Fund revenues are below the YTD budget approximately \$426,400. The shortfall is related to the 23% reduction in water usage, as a portion of sewer service charges are based on discharges to the sewer system as measured through water usage. It is projected these revenues may be below budget by \$600,000 at year-end.

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Wastewater Fund expenses are approximately \$599,500 below the YTD budget. This variance is due to a large number of vacant positions this fiscal year, which have resulted in significant savings in personnel costs. Staff anticipates for positions to be filled within the next six months.

### **Downtown Parking Fund**

Downtown Parking Fund revenues are above the YTD budget by approximately \$432,100. Most of the variance is due to increased hourly parking and monthly parking revenues from an improved downtown economy and the use of credit cards in the lots. In addition, beginning in August 2014, there was a fee increase in the Cota Commuter Lot that realized higher revenues. Expenses are below the YTD budget by approximately \$321,600. This variance is primarily due to lower facilities and equipment repair costs in the first half of the year.

### **Airport Fund**

Airport Fund revenues are above the YTD budget at December 31 by approximately \$254,600 due to higher rental car and commercial aviation revenues. The rental car companies had a change in pricing to attract more customers that contributed to the increase, and higher rentals by non-airport users were also noted. As for commercial aviation revenues, airline terminal building rental and landing fees, as well as airfreight are 8.8% above budget. Changes to the United aircraft fleet mix toward bigger planes significantly increased boarding bridge usage and landing weights, which positively impacted revenues. An increase in freight and charter landing weights and fees also contributed to higher revenues.

Expenses for the Airport Fund are below the YTD budget by approximately \$401,800. The variance is mostly due to position vacancies in the department, and the closure of Long-Term Lot 2 throughout the holiday period. Approximately \$63,000 of the variance is due to equipment purchases that will be expensed in the second half of the fiscal year.

### **Golf Fund**

Golf Fund revenues are below the YTD budget by approximately \$65,600. The variance is mostly due to lower greens fee revenue; at mid-year, paid rounds are 6.4% below FY 2014 performance and 7.4% below the FY 2015 budget. Concession and range fee revenues are also down. The drought measures and general condition of the range have impacted revenues, and it is anticipated that any additional significant reduction in water allowances may impact further the quality of the turf areas on the course, which may further impact revenue generation. Overall, it is expected that revenues will end the year approximately \$96,000 under budget.

Golf Fund expenses are below the YTD budget by approximately \$29,200. Staff has been holding discretionary spending and seeking ways to reduce costs given the challenges faced in improving revenues. Cost savings are expected in salaries due to the retirement of a fulltime employee and the use of hourly staff to back fill the position. In addition, water conservation efforts are expected to reduce costs by about \$39,000. 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.

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For the Six Months Ended December 31, 2014 (50% of Year Elapsed)*

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**Waterfront Fund**

Waterfront Fund revenues are above the YTD budget by approximately \$1.5 million. Good summer weather, and an unseasonably warm fall and winter season contributed to significant increases in revenues through December 31. In particular, slip transfer fees are above projections, increasing about \$287,000 or 84% from the prior year. Leases with businesses on the wharf and harbor, and parking lots also realized higher revenues.

Expenses for the Waterfront Fund are below the YTD budget by approximately \$356,300. This variance is primarily due to equipment and computer hardware that will be purchased later in the fiscal year, 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.