

**R-22**

CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

333 West Ocean Boulevard 6th Floor • Long Beach, CA 90802

September 17, 2013

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Receive and file the Fiscal Year 2013 Third Quarter Budget Performance Report. (Citywide)

DISCUSSION

This report includes information on the City's Fiscal Year 2013 (FY 13) budget performance through June 30, 2013 for all funds, with particular emphasis on the General Fund.

Summary

As of the end of the third quarter, expenditures in all City funds are still expected to end the year within budget, General Fund revenues are anticipated to exceed expenses by \$36.9 million, which will be reserved at year-end for one-time use in accordance with the FY 14 Adopted Budget. The current estimate of the FY 13 General Fund ending fund balance is \$675,000.

FY 13 General Fund Expenditures

After the third quarter of FY 13, 71 percent of Adjusted General Fund appropriations have been expended, which is roughly on pace with the spending pattern of the previous fiscal year. The current FY 13 Budget includes adjustments to capture the savings from the agreement with the International Association of Machinists and Aerospace Workers (IAM) to have employees pay their total employee contribution rate to CalPERS. The estimated savings to the City's General Fund of approximately \$2.5 million (\$6.3 million in All Funds) in FY 13 is reserved as part of the available one-time funds to be used in FY 14. Current estimates also include the repayment to the Successor Agency for debt service payments in FY 12 and the release of reserve to offset that expense.

As a result of the timing of the Third Quarter Budget Adjustment report scheduled to be heard by the City Council with this performance report, a few departments appear to be over-budget. This is the result of a timing issue; once the third quarter budget adjustments, with offsetting revenues are approved, the General Fund will be back within appropriation. Staff will continue to closely monitor expenses and report any significant changes.

FY 13 General Fund Revenue

Revenue projections as of the third quarter are estimated at \$451.9 million, or 13.8 percent above adjusted budget. Of this amount, \$51.6 million or 11 percent are one-time revenues and were unbudgeted at the start of the fiscal year. Unbudgeted one-times will be discussed later in this report.

During the third quarter of the fiscal year, the General Fund experienced higher than expected growth in several revenues, including property tax, transient occupancy tax and pipeline franchise revenue. These revenues declined during the economic downturn and are now experiencing a rebound. Per the County of Los Angeles, payments of property taxes have been made more timely and with fewer delinquencies than in the recent past. Over the past few years, delinquencies have comprised 3 to 4 percent of all property taxes; fewer delinquencies have resulted in additional revenue to the General Fund. Transient Occupancy Tax has also experienced increases. Revenue per average room in Long Beach was up by 7.8 percent during the first six months of 2013 compared to the same period in 2012, resulting in an increased year-end projection of approximately 9 percent. Gas pipeline franchise revenue is also experiencing a rebound from record lows.

While many of the major revenues are experiencing growth, others have not experienced a turnaround. Telephone Utility Users Tax (UUT) and Emergency Ambulance billing are both performing below budgeted levels. A 5 percent decline in the Telephone UUT revenue projection reflects the impact of constant price declines in the mobile phone industry, as well as the growing trend of prepaid cellular phones by customers. As part of the FY 13 Adopted Budget, Emergency Ambulance revenue was increased by \$1.25 million in recognition of the additional Medicaid reimbursements made possible by AB 678. Federal and State approval and implementation of this reimbursement program has taken longer than expected and revenues associated with it are no longer anticipated in FY 13; revenue estimates have been adjusted accordingly.

A list of top 40 General Fund revenues is included in Attachment C.

One-time Resources

The FY 13 Adopted Budget included \$16.9 million in one-time revenues and expenses. Revenues were primarily from Uplands Oil revenue over \$70/bbl and anticipated one-time back payment of Ground Emergency Medical Transport per AB 678. Of this \$16.9 million, \$3.6 million in Emergency Ambulance revenue attributed to the adoption of AB 678 is no longer anticipated in FY 13, but is instead expected in FY 14. Expenses that were to be funded in FY 13 by anticipated AB 678 funds will instead be funded by other General Fund revenues that have exceeded budget projections.

One-time revenues realized in FY 13 are now projected at a net of \$43.4 million (excluding \$10.8 million in a Subsidence Fund loan repayment from the State). These one-time revenues include RDA related one-times, litigation proceeds related to County property tax administrative fees, SERRF Tip Fees, and PERS savings from the IAM employees. FY 13 one-time funds not spent in FY 13 are designated for reservation at year-end for expenditure in FY 14 based on the FY 14 Budget as adopted by City Council.

FY 13 Expenditures – All Other Funds

There are no spending concerns to report at this time. Please see Attachment A for a complete summary of expenditures by fund.

FY 13 Revenues – All Other Funds

There are no spending concerns to report at this time.

TIMING CONSIDERATIONS

City Council action on this matter is requested on September 17, 2013.

HONORABLE MAYOR AND CITY COUNCIL
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SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



JOHN GROSS
DIRECTOR OF FINANCIAL MANAGEMENT

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ATTACHMENTS

APPROVED:



PATRICK H. WEST
CITY MANAGER

**CITY OF LONG BEACH EXPENDITURES BY FUND
THROUGH JUNE 2013**

FUND	FY 13 New Allocation	Estimated All-Years Carryover	FY 13 Adopted Appropriation	Amendments	Adjusted Budget	Year-to-Date Actuals	Year-End Estimate	Percentage Spent
	\$	\$	Funds With All Years Carryover		\$	\$	\$	
AIRPORT	41,525,641	46,244,717	87,770,358	2,531,158	90,301,516	40,461,433	57,998,600	45%
BUSINESS ASSISTANCE	653,313	1,274,382	1,927,695	-	1,927,695	10,903	655,557	1%
CAPITAL PROJECTS	15,244,166	61,107,593	76,351,759	19,523,214	95,874,973	13,135,901	16,208,680	14%
CIVIC CENTER	10,745,535	1,013,629	11,759,164	(28,005)	11,731,159	6,237,317	10,693,362	53%
COMMUNITY DEVELOPMENT GRANTS	21,847,759	25,902,111	47,749,870	1,236,020	48,985,890	18,901,352	30,601,818	39%
FLEET SERVICES	31,899,605	1,149,572	33,039,177	28,567,639	61,606,816	44,825,832	53,994,605	79%
GAS	146,163,008	10,695,714	156,858,722	2,160,417	159,019,139	93,631,866	141,893,358	59%
GAS TAX STREET IMPROVEMENT	14,449,979	28,410,487	42,860,466	703,000	43,563,466	7,313,085	12,331,356	17%
GENERAL GRANTS	6,479,428	22,059,111	28,538,539	10,168,569	38,707,108	16,777,610	17,378,006	49%
GENERAL SERVICES	38,171,162	8,983,873	47,155,035	2,822,975	49,978,010	32,003,266	43,853,851	64%
HARBOR	942,830,909	942,830,909	942,830,909	18,310,227	961,141,136	618,424,060	942,869,365	64%
HEALTH	37,926,224	26,028,416	63,954,640	839,176	64,793,816	22,966,214	34,314,986	35%
HOUSING AUTHORITY	80,142,687	(235,037)	79,907,650	(162,661)	79,744,989	58,562,736	79,480,798	73%
HOUSING DEVELOPMENT	9,752,418	66,616,859	76,369,277	(18,852)	76,350,424	25,489,472	39,179,104	19%
INSURANCE	39,782,161	139,683	39,921,844	(57,289)	39,864,555	30,541,298	46,020,997	67%
REFUSE/RECYCLING	44,849,020	468,120	45,317,140	252,650	45,569,790	76,935,301	103,861,893	31%
SUCCESSOR AGENCY	44,487,890	201,506,061	245,993,951	(12,027)	245,981,924	77,360,956	144,544,043	32%
TIDELANDS	134,512,572	79,559,842	214,072,414	29,544,836	243,617,250	12,859,125	16,366,773	36%
TRANSPORTATION	18,118,136	17,738,097	35,856,233	-	35,856,233	12,859,125	16,366,773	36%
SUBTOTAL	\$ 1,679,571,614	\$ 598,663,228	\$ 2,278,234,842	\$ 116,381,046	\$ 2,394,615,888	\$ 1,211,269,324	\$ 1,813,185,169	51%
			Funds Without All Years Carryover					
BELMONT SHORE PKG METER	\$ 458,589		458,589	254,623	713,212	403,491	535,379	57%
CUPA	1,538,941		1,538,941	73,000	1,611,942	1,043,119	1,642,814	65%
DEBT SERVICE FUND	10,465,959		10,465,959	58,510,956	68,976,956	65,910,555	66,736,805	96%
DEVELOPMENT SERVICES	15,607,353		15,607,353	326,227	15,933,581	10,380,622	14,937,560	65%
EMPLOYEE BENEFITS	224,113,699		224,113,699	7,806	224,121,505	144,065,113	215,905,492	64%
GENERAL	396,831,241		396,831,241	6,612,480	403,443,722	285,140,592	419,543,422	71%
PARKING AND BUSINESS AREA IMPROVEMENT	6,725,021		6,725,021	15,170	6,740,191	3,808,909	6,070,928	57%
POLICE & FIRE PUBLIC SAFETY OIL PROD ACT	3,989,819		3,989,819	-	3,989,819	2,745,160	4,037,123	69%
SERRF	46,564,632		46,564,632	442,176	47,006,808	35,322,135	50,085,580	75%
SERRF - JPA	11,369,810		11,369,810	-	11,369,810	9,683,406	11,369,810	85%
SEWER	21,565,132		21,565,132	-	21,565,132	11,923,215	20,752,383	55%
SPECIAL ADVERTISING & PROMOTION	5,399,163		5,399,163	(14,921)	5,384,242	3,586,529	5,195,887	67%
TIDELAND OIL REVENUE	423,109,162		423,109,162	(43,499)	423,065,663	223,634,047	383,205,519	59%
TOWING	7,007,184		7,007,184	941,332	7,948,515	5,232,170	6,835,088	66%
UPLANDS OIL	33,721,740		33,721,740	4,536,735	38,258,475	31,699,658	39,572,396	83%
WATER	100,150,158		100,150,158	-	101,558,447	71,127,136	101,433,922	70%
SUBTOTAL	\$ 1,308,617,604	\$ -	\$ 1,308,617,604	\$ 71,662,126	\$ 1,380,279,729	\$ 905,705,857	\$ 1,347,860,108	66%
TOTAL - ALL FUNDS	\$ 2,988,189,218	\$ 598,663,228	\$ 3,586,852,446	\$ 188,043,171	\$ 3,774,895,617	\$ 2,116,975,182	\$ 3,161,045,277	56%

- Estimated All-Years Carryover is composed of multi-year grants and Capital Improvement Program (CIP) funds; unspent amounts are carried over to future years, resulting in a large adjusted budget.
- Overage due to unbudgeted CIS project. Additional appropriation will be requested and if approved, will be within appropriation by year-end.
- Overage related to an unbudgeted emergency hazardous material cleanup. Additional appropriation will be requested at year end.
- In November 2012, six lease revenue bonds were refunded. A budget adjustment increased the budget to pay off the previous series of bonds, which has already occurred.
- Police Department will balance and end within appropriation in Prop H once the year closes.
- A third quarter budget adjustment will be requested to increase appropriations by \$5.5 million due to the net income distribution to the LA County Sanitation and the General Fund.
- The major expense for this fund is debt service. As of March 2013, one principal payment of \$8 million and one interest payment of \$1.7M has occurred. There will only be one more interest payment in FY13 and no more principal payments.
- A third quarter budget adjustment will be requested to increase appropriations by \$9.9 million to reserve funds for FY 14 one-times.

CITY OF LONG BEACH GENERAL FUND EXPENDITURES SUMMARY

THROUGH JUNE 2013

Department	Adopted Budget	Adjusted Budget	Expenses thru June 2013	Year-End Estimate	Percentage of Adjusted Budget Expended - June 2012	Percentage of Adjusted Budget Expended - June 2013	Over/Under Last Year's Percentage
City Auditor	\$ 2,221,695	\$ 2,223,729	\$ 1,453,009	\$ 2,223,699	51%	65%	14%
1 City Attorney	1,809,962	1,790,668	1,715,766	1,693,052	87%	96%	9%
City Clerk	3,117,351	3,084,360	2,138,693	2,898,269	53%	69%	16%
City Manager	2,558,811	2,562,671	1,902,541	2,555,757	78%	74%	-4%
City Prosecutor	4,695,508	4,642,257	3,384,096	4,618,393	71%	73%	2%
2 Citywide Activities	32,143,667	39,004,403	15,146,958	54,140,419	24%	39%	15%
3 Civil Service	1,983,252	1,972,477	1,558,126	2,017,361	76%	79%	3%
4 Development Services	4,330,995	4,930,548	3,716,088	4,794,800	54%	75%	22%
5 Fire Department	70,336,452	70,220,269	53,827,901	70,723,852	72%	77%	5%
Financial Management	11,404,906	11,235,191	8,048,190	10,914,157	68%	72%	4%
Health and Human Services	902,387	925,199	554,794	921,834	69%	60%	-9%
6 Human Resources	445,013	501,550	735,034	644,229	77%	147%	69%
Legislative	4,649,853	4,576,204	3,414,214	4,576,204	74%	75%	0%
Library Services	12,436,537	12,318,290	8,346,739	12,318,290	71%	68%	-3%
7 Police Department	184,640,036	184,103,835	136,710,345	185,188,777	76%	74%	-1%
Parks, Recreation, and Marine	29,703,745	29,556,715	21,188,337	29,556,700	72%	72%	0%
Public Works	29,451,071	29,795,355	21,299,761	29,757,629	75%	71%	-3%
TOTAL	\$ 396,831,241	\$ 403,443,722	\$ 285,140,592	\$ 419,543,422	70%	71%	1%

1. The City Attorney's Office charges out a portion of their costs to enterprise funds. These charge-outs are delayed and will be made current by the end of July 2013.

2. The Department of Citywide Activity is projected to end the year within budget after the approval of two budget adjustments scheduled to be heard by the City Council in September. In the Third Quarter Budget Adjustments, \$16 million in appropriation will be requested to cover the \$10.8 million repayment of property tax to the Subsidence Fund and \$6.4 million to cover repayment to the Successor Agency for debt service payments made on behalf of the General Fund. Revenues to offset these expenditures have already been received.

3. Estimated overages due to advertising material cost for Police recruitment.

4. Due to the loss of Successor Agency funding for Code Enforcement, the amount of expense transfer from the General Fund to the Successor Agency is significantly lower in FY 13.

5. The Fire Department has approximately \$561,000 in appropriation adjustments for the early start of the Fire Academy pending in the Third Quarter Budget Adjustment report going to City Council in September.

6. Current overages are due to Federal Sequestration impacts on Workforce Development Bureau's grant funds. Additional appropriation will be requested as part of the Third Quarter Budget Adjustment report which will bring the department within budget.

7. The Police Department has approximately \$2 million in appropriation adjustments pending in the Third Quarter Budget Adjustment report going to City Council in September.

CITY OF LONG BEACH GENERAL FUND REVENUE SUMMARY
THROUGH JUNE 2013

Notes	Revenues	FY 13 Adopted	FY 13 Adjusted Budget	FY 13 Actual Revenue YTD	Estimates-to-Close	Percentage of Adjusted received 3rd Qtr. FY 13	Percentage of Adjusted received 3rd Qtr. FY 12
1	SECURED REAL PROPERTY TAXES	\$ 69,900,000	\$ 69,900,000	\$ 75,435,807	\$ 88,099,954	108%	97%
	PROPERTY TAX RESIDUAL ABX1 26	-	-	30,950,628	30,955,682	0%	0%
	SALES AND USE TAX & IN-LIEU	60,871,556	60,871,556	48,724,977	59,915,225	80%	83%
	PROPERTY TAX IN-LIEU OF VLF	39,319,000	39,319,000	39,294,860	39,294,860	100%	100%
2	TRSFRR FR UPLAND OIL (SR134)	17,371,294	17,371,294	13,028,472	17,385,215	75%	50%
	ELECTRIC USERS TAX & PENALTIES	16,600,000	16,600,000	13,118,482	17,800,165	79%	70%
3	EMERGENCY AMBULANCE FEES	14,450,000	14,450,000	7,139,720	9,737,920	49%	79%
	TELEPHONE USERS TAX & PENALTIES	13,530,500	13,530,500	9,665,544	12,900,000	71%	67%
4	TRANSIENT OCCUPANCY TAX	13,015,403	13,015,403	10,467,762	14,250,000	80%	95%
	PARKING CITATIONS	12,418,043	12,418,043	10,237,161	13,072,828	82%	75%
	BUSINESS LICENSE TAXES	11,561,000	11,561,000	8,957,181	11,920,966	77%	73%
2	GAS-IN-LIEU	11,173,175	11,173,175	8,379,882	11,173,175	75%	50%
	ELECTRIC COMPANY FRANCHISES	6,210,679	6,210,679	4,867,065	6,112,000	78%	75%
	PIPELINE FEE-WATER	5,562,464	5,562,464	4,174,945	5,566,593	75%	72%
	OTHER DEPT SVCS TO PROPRIETARY FUNDS	5,057,433	5,057,433	3,016,133	5,108,507	60%	54%
	CHARGES FOR SPECIAL SERVICES	5,015,157	5,039,157	2,411,708	4,835,632	48%	59%
	AMERICAN GOLF LEASE	4,537,240	4,537,240	3,291,010	4,537,240	73%	63%
	PIPELINE FEE-SEWER	4,283,494	4,283,494	3,212,856	4,283,808	75%	72%
	WATER USERS TAX & PENALTIES	3,600,000	3,600,000	2,749,643	3,870,000	76%	70%
5	LAND,BLDG,R/W,EASEMENT,APT RENTALS	3,405,000	3,405,000	2,908,659	3,826,833	85%	104%
	GAS USERS TAX & PENALTIES	3,200,000	3,200,000	2,809,822	3,500,000	88%	79%
	MISC REFUNDS & REIMB	3,184,986	3,184,986	2,452,218	3,250,529	77%	68%
6	PIPELINE FRANCHISES	3,000,000	3,000,000	3,325,777	4,400,000	111%	54%
	VEHICLE CODE FINES	2,900,000	2,900,000	1,532,469	2,248,987	53%	59%
7	PROPERTY TAX STATUTORY PASS THROUGH	2,814,750	2,814,750	4,942,058	4,942,058	176%	53%
	PIPELINE SAFETY FEES	2,450,000	2,450,000	2,457,751	2,458,202	100%	101%
	HARBOR-POLICE	1,322,000	2,164,604	1,065,043	2,164,604	49%	59%
	OIL PRODUCTION TAX	1,845,000	1,845,000	1,410,571	1,970,000	76%	70%
	POLICE CHARGES FOR SPECIAL EVENTS	1,550,000	1,550,000	815,462	1,184,798	53%	65%
8	HAULER FEES	1,414,000	1,414,000	1,331,487	1,775,316	94%	66%
9	UNSECURED PERSONAL PROPERTY TAXES	1,400,000	1,400,000	410,261	615,000	29%	72%
10	DOG LICENSES & PENALTIES	1,381,634	1,381,634	721,038	1,259,729	52%	70%
	ASSET MANAGEMENT CHARGES	1,353,696	1,353,696	1,018,119	1,354,032	75%	78%
11	CIP-ENGINEERING CHARGES	1,279,957	1,279,957	500,705	1,050,000	39%	67%
	FIRE INSPECTION FEES	1,144,000	1,144,000	824,009	1,062,100	72%	68%
12	PRIOR YEAR SECURED REAL PROPERTY TAXES	1,100,000	1,100,000	1,341,295	2,080,000	122%	41%
	OTHER DEPT CHGS TO GOVT'L FUNDS	1,083,744	1,083,744	695,731	1,102,241	64%	67%
	METERED/OTHER PARKING	1,000,000	1,000,000	759,377	1,002,000	76%	85%
13	REAL PROPERTY TRANSFER TAX	990,000	990,000	1,167,339	1,775,000	118%	61%
14	TRNSFRS FRM OTHER FUNDS	24,315,904	24,074,314	21,713,268	25,266,603	90%	59%
	SUBTOTAL TOP 40 REVENUES	\$ 376,611,109	\$ 377,236,123	\$ 353,326,293	\$ 429,107,802	94%	78%
15	ALL OTHER REVENUES	\$ 20,220,132	\$ 19,938,734	\$ 17,735,381	\$ 22,805,793	89%	72%
	TOTAL GENERAL FUND REVENUES	\$ 396,831,241	\$ 397,174,858	\$ 371,061,674	\$ 451,913,596	93%	78%

Notes:

- FY 13 Secured Property Tax revenue includes a one-time payment of \$4.4M in settlement for the PTAF lawsuit and a reduction of \$1 million in the FY 13 administrative fee paid to the County. Long Beach has also received 7.9 percent more in secured property tax revenue than in FY 12, much of which has been offset by lower unsecured property tax revenue. Additionally, \$10.8 million in additional revenue is estimated to be repaid by the State in July 2013.
- The timing of operating transfers varied between FY 12 and FY 13.
- The budgeted \$3.6M in one-time and \$1.25M in ongoing ambulance revenue due to AB 678 has not yet been materialized. Reimbursement through AB 678 is now not anticipated to be received until FY 14.
- Revenue per average room in Long Beach was up by 7.8 percent during the first six months of 2013 compared to the same period in 2012. Additionally, revenue from hotels in the former RDA areas is now being recognized with non-RDA area TOT, increasing the perception of overall performance of TOT.
- As of 3rd Quarter, revenues from the lease agreement with the Long Beach Towne Center are above prior year actuals as a result of the timing of payments and of modestly higher revenue performance.
- The price of natural gas has rebounded from the low levels experienced in FY 12, as a result an increase in the franchise revenue has occurred.
- Tax increment property tax revenue from former RDA project areas is higher than in previous years as a result of increases in supplemental payments and climbing valuations. Additionally, payments from the County have been on a different schedule than in FY 12.
- Hauler Fee revenue is anticipated to end the year above budget. Current year revenue exceeds prior year to date revenue as a result of timelier payments.
- Property taxes are remitted by the County based on an apportionment factor, not on revenue received from a particular city. In FY 13, we have received less unsecured property tax and more secured property tax revenue. Additionally, an accounting change in FY 13 will result in revenue being acknowledged at the end of the fiscal year instead of the beginning of the fiscal year.
- FY 13 dog licenses and penalties revenue is below FY 12 month-to-date actuals as a result of turnover and Animal License Inspector vacancies, which resulted in the issuing of fewer licenses and penalties. The positions are now filled and revenue from licensing has increased compared to last year.
- Decreased actuals in CIP Engineering revenue are due to the decreased overhead rate between FY 12 and FY 14, in addition to less RDA projects as a result of dissolution and an increase in projects that are exempt from the CIP overhead (e.g., Measure D and grant funded).
- Delinquent property tax payments are collected and apportioned countywide. Declines in revenue are tied to reductions in countywide prior year payments and are not solely tied to supplemental payments by Long Beach property owners.
- Real Property Transfer Tax is directly tied to the value of properties sold in Long Beach. This revenue increase is reflective of increases in sale prices and/ or increases in properties sold.
- An unbudgeted one-time of SERRF Tip Fee Differential was received in FY 13.
- All Other Revenue includes \$2.1 million in one-times from the sale of City Hall East.