



City of Long Beach
Working Together to Serve

Memorandum

Attachment B

Date: January 22, 2010

To: Patrick H. West, City Manager *[Signature]*

From: Lori Ann Farrell, Director of Financial Management *[Signature]*

For: Members of the Budget Oversight Committee

Subject: Fiscal Year 2010 First Quarter Status Report

This report provides an overview of the economic outlook as well as an update on the City's Fiscal Year 2010 (FY 10) revenue performance and projections.

The FY 10 Adopted Budget eliminated a projected \$38.3 million General Fund structural deficit created in part by the global financial downturn and the collapse of the national economy. Some early signs indicate that the recession may be slowing down. Consumer confidence increased for the first time in three months as the pace of job cuts slowed. Consumer spending also rose modestly for the sixth time in seven months. The economy still remains weak, however, and the much-awaited economic recovery will be slow. Consumer credit is in its 10th straight month of decline, the longest since the Federal Reserve began keeping records in the 1940's. Construction spending fell for the seventh straight month, led by declines in homebuilding and fewer commercial projects. See Attachment 1 for the latest report on economic indicators.

General Fund revenues are heavily dependent upon those parts of the economy hardest hit by the recession – the housing market and consumer spending. With respect to Property Tax revenue alone, a three to four percent reduction in receipts is anticipated from FY 09 levels largely due to the most recent data issued by the Los Angeles County Assessor's Office indicating that the Assessed Valuations for the City of Long Beach have been reduced by 2.9 percent. In addition, \$10,799,560 of the City's property tax revenue is being "borrowed" by the state to address their budget deficit. The first property tax take-away occurred on December 18, 2009, for a total of \$5,399,780. Fortunately, the City was able to negotiate a solution to negate the impacts of this raid that will allow us to borrow up to 3 years of Subsidence Fund interest to make the City whole. Similarly, Sales and Use Tax is projected to decrease by 4 percent from FY 09 actual revenues based on recent performance. In addition, the hotel industry continues to be impacted by the economic downturn with lower occupancy rates than last year as well as reduced hotel room rates.

The State has also informed us that they will be withholding \$1,757,755 of anticipated In-Lieu Sales Tax (i.e. Triple Flip) in FY 10 to recoup the overpayment of In-Lieu Sales tax to the City in FY 09.

Patrick H. West, City Manager
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Based on these trends, an adjustment to the FY 10 General Fund Revenue Budget is recommended to more accurately reflect recent revenue performance. In sum, General Fund revenue is currently projected to come in approximately \$6 million under budget. However, on a positive note, the current price of oil per barrel is \$68/bbl. An increase to the Uplands Oil Transfer of an equal amount can provide much needed revenue to balance the budget without cutting departmental programs and services to the public or eliminating positions mid-year. The Department of Financial Management will continue to track revenue closely and keep you apprised of any significant changes in our estimates.

ATTACHMENTS

CC: MAYOR AND MEMBERS OF THE CITY COUNCIL
SUZANNE FRICK, ASSISTANT CITY MANAGER
REGINALD I. HARRISON, DEPUTY CITY MANAGER
ALL DEPARTMENT HEADS

Economic Indicators
Week of 01/22/10

Type			Note	Source
Leading				
	Stock Market (DJIA)	10,389.88	Close as of Thurs., 1/22/10.	Bloomberg
	Oil	\$70.405/bbl	Midway Sunset as of 1/21/10. The City's oil price per barrel is based on the West Texas Intermediate (WTI) Index.	LBGO
	PPI (December)	+0.2%	Largely due to a sharp jump in food costs. Core producer prices, excluding volatile food and energy costs, were unchanged. Moderate increase after a 1.8% gain in November.	Commerce Dept.
	Index of Leading Economic Indicators (December)	+1.1%	Rose more than anticipated, a sign the economy will keep growing through the first half of the year. Fewer firings, rising stock prices and low interest rates propelled the index. Sustained demand and faster economic growth will hinge on employment gains that have yet to materialize.	Conference Board
	Housing Starts (Dec)	-4.0%	Bad weather kept builders away from worksites. Unusually high Nov temps led to some homes that would have started in Dec to start in Nov. Up 0.2% versus December 2008, the first year-over-year increase since March 2006.	Commerce Dept.
	Building Permits (Dec)	+10.9%	Month/Month. After a 6.9% increase in Nov. Builder optimism remains high, however, future housing market reports will tell us if expectations translate into higher sales.	US Census
Lagging				
	State of CA Unemploy. Rate (Dec)	12.4%	Unchanged from Nov. 38,000 fewer jobs in CA in Dec than Nov. More than 2.2 mil w/o work, which doesn't include 500k who are underemployed and 115k who have give up looking for work.	Labor Dept.

General Fund Revenue (Top 40)
Fiscal Year 2010
(25% of Year Completed)

Attachment 2

TOP 40 GENERAL FUND REVENUES	FY 10 Adopted Budget	FY 10 Adjusted Budget	FY 10 Adopted v. Adjusted Over/(Under)	FY 10 Estimates-to- Close
SECURED REAL PROPERTY TAXES	\$ 66,100,000	\$ 55,300,440	(10,799,560)	57,159,243
CITY SALES AND USE TAX & IN-LIEU SALES AND USE TAX	51,260,000	49,997,208	(1,262,792)	48,342,948
PROPERTY TAX IN-LIEU OF VLF	40,300,000	40,300,000	-	40,300,000
ELECTRIC USERS TAX & PENALTIES	17,630,000	17,630,000	-	17,630,000
PARKING CITATIONS	15,588,828	14,088,570	(1,500,258)	13,788,570
TELEPHONE USERS TAX & PENALTIES	15,200,000	15,200,000	-	15,200,000
PIPELINE FEES	12,470,040	12,470,040	-	12,470,040
TRANSIENT OCCUPANCY TAX	11,720,000	7,700,000	(4,020,000)	7,400,000
BUSINESS LICENSE TAXES	11,550,000	11,550,000	-	11,550,000
GAS-IN-LIEU	11,101,767	11,101,767	-	11,101,767
EMERGENCY AMBULANCE FEES	9,114,000	9,114,000	-	9,114,000
PIPE LINE FRANCHISES	8,270,955	8,270,955	-	8,270,955
TRSR FR UPLAND OIL (SR134)	6,547,022	10,447,022	3,900,000	10,547,022
ELECTRIC COMPANY FRANCHISES	6,300,000	6,300,000	-	6,300,000
CHARGES FOR SPECIAL SERVICES	5,697,427	5,697,427	-	5,218,547
GAS USERS TAX & PENALTIES	5,200,000	5,200,000	-	5,200,000
PRIOR YEAR SECURED REAL PROPERTY TAXES	5,000,000	5,000,000	-	5,000,000
AMERICAN GOLF LEASE	4,800,000	4,800,000	-	4,800,000
OTHER DEPT SVCS TO PROPRIETARY FUNDS	4,743,975	4,743,975	-	4,587,254
MISC REFUNDS & REIMB	4,088,382	4,088,382	-	4,215,874
WATER USERS TAX & PENALTIES	3,830,000	3,830,000	-	3,500,000
VEHICLE CODE FINES	3,740,000	3,740,000	-	3,500,032
OPER TRSF FR GEN SVC FD	3,671,153	3,671,153	-	3,671,153
LAND,BLDG,RW,EASEMENT,APT RENTALS	3,510,300	3,510,300	-	3,510,300
OPERATING TRSF FR TOWING	3,476,041	3,476,041	-	3,476,041
OIL PRODUCTION TAX	3,090,000	2,100,000	(990,000)	2,100,000
CIP-ENGINEERING CHARGES	2,689,976	2,689,976	-	2,689,976
INTEREST-POOLED CASH	2,506,950	1,370,000	(1,136,950)	1,370,000
REDEV. REIMB.-NORTH LB	2,328,082	2,328,082	-	2,328,082
CITY/MISC/BOND REFI ADVANCES	2,300,000	2,300,000	-	2,300,000
OPER TRSF FR SERRF	2,000,000	2,000,000	-	2,000,000
UNSECURED PERSONAL PROPERTY TAXES	1,470,000	1,470,000	-	1,400,000
MISC REV	1,343,162	1,343,162	-	1,332,985
FIRE PLAN CHECK FEES	1,302,950	1,302,950	-	1,302,950
ASSET MANAGEMENT CHARGES	1,269,321	1,269,321	-	1,269,321
METERED/OTHER PARKING	1,214,000	1,214,000	-	1,086,939
FIRE INSPECTION FEES	1,210,000	1,210,000	-	1,210,000
REFUSE HAULER PERMIT FEE	1,191,667	1,191,667	-	1,191,667
TRSR FR RDA-TOT RD225	-	4,020,000	4,020,000	3,700,000
TRSR FR SUBSIDENCE (NX421)	-	10,799,560	10,799,560	10,799,560
SUBTOTAL TOP 40 GENERAL FUND REVENUES	354,825,998	353,835,998	(990,000)	351,935,227
SUBTOTAL ALL OTHER REVENUES	30,508,916	31,498,916	990,000	31,098,357
TOTAL GENERAL FUND	385,334,914	385,334,914	-	383,033,584