



FY 19 Year-End Performance Report Summary

Budget Oversight Committee

February 11, 2020

Presentation Outline - Highlights from FY 19 Year-End Report

- General Fund
 - FY 19 Surplus Overview
 - Recommended Uses of Funds Available
- Measure A
 - FY 19 Surplus Overview
 - Recommended Uses of Funds Available
- General Fund Revenue Policies and Projection Methodologies
- Select Other Funds

FY 19 Year-End Performance Report Context

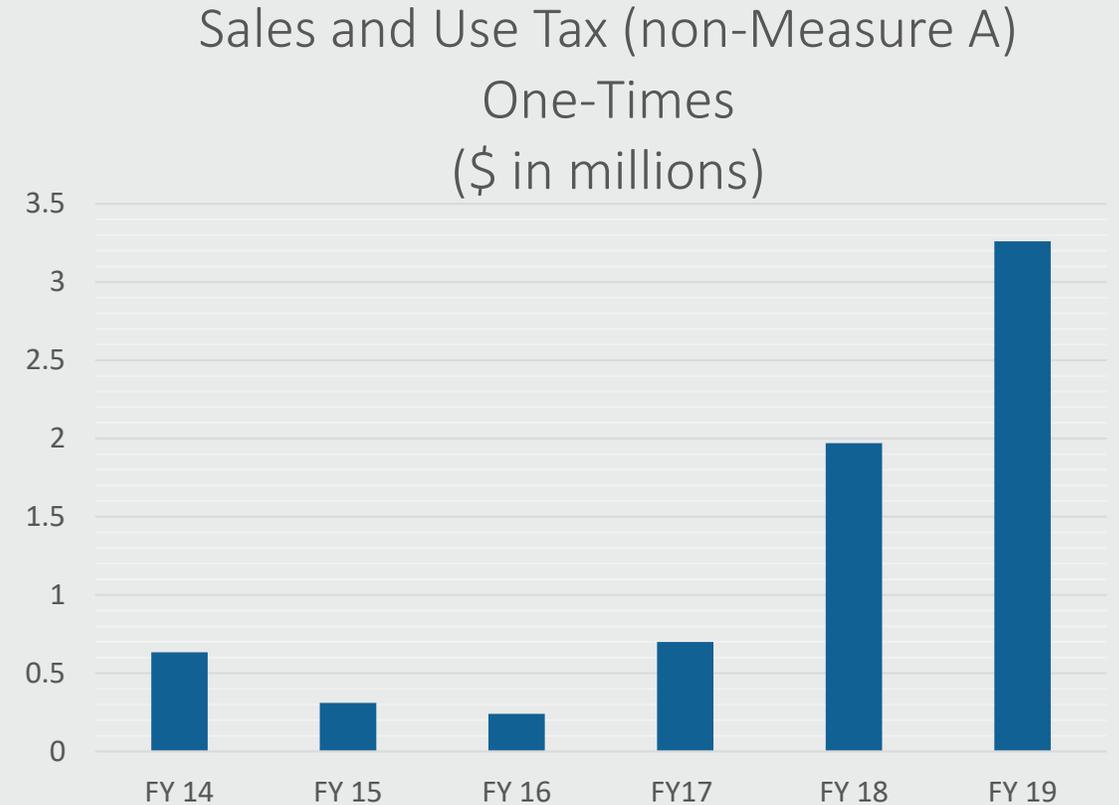
- Information is unusually preliminary this year due to the implementation of a new accounting system as part of the massive LB COAST ERP project
- Delays in closing books are not unusual during transition to a major new financial system
- Staff will provide updates, if there are significant changes to the numbers

General Fund Surplus Overview

- FY 19 Year-End Surplus of \$7.98 million (\$222k for the Uplands Oil Fund)
 - Less than 1.5% of General Fund, but higher than typical
- Major Contributing Factors
 - Sales and Use Tax (non-Measure A): economic growth and one-times
 - Proactive management and savings
- Great News and Great Needs
 - Surplus has allowed funding for some critical priorities, but not FY 20 labor costs
 - FY 20 and FY 21 will likely have additional revenue (still likely a shortfall in FY 21)
 - Significant cost challenges remain to be addressed in FY 21

Highlight - Sales Tax was a Contributing Factor to Surplus

- \$6.1 million above anticipated level
- City's increased share of countywide pool has also contributed to better performance
- Significant one-time revenues due to strong economy



General Fund Recommended Uses of Funds Available

Recommended Uses of Funds Available for General Fund and Uplands Oil Fund (\$ in millions)	General Fund	Uplands Oil Fund
Ending Funds Available as of September 30, 2019	\$7.98	\$0.22
5% Unfunded Liability Policy	(0.40)	(0.01)
City Council Offices Budget Savings for Council District Priority Fund (Divide by Nine)	(0.48)	-
City Auditor Budget Savings Carryover to FY 20	(0.29)	-
City Prosecutor Budget Savings Carryover to FY 20	(0.30)	-
Atlantic Farms Year-Round Homeless Shelter	(1.75)	-
Continuing Homeless Weekend Services Pilot	(0.30)	-
Extending the Homeless Winter Shelter – from end of March to June	(0.12)	-
Winter Shelter – Payment to County for Start-up Costs	(0.08)	-
Innovation Research/Delivery on Homeless Services	(0.20)	-
Homeward Bound Homeless Reunification Program	(0.03)	-
Subtotal (continued on next slide)	(3.94)	(0.01)

General Fund Recommended Uses of Funds Available

Recommended Uses of Funds Available for General Fund and Uplands Oil Fund (\$ in millions)	General Fund	Uplands Oil Fund
Subtotal (from previous slide)	(3.94)	(0.01)
Fire Diversity Officer	(0.25)	-
Diseased Magnolia Trees Removal and/or Treatment	(0.90)	-
LB COAST Financial/HR System Implementation and Stabilization	(1.50)	-
City Council Directed Initiatives (Strategic Plan)	(0.10)	-
Redistricting Efforts (partial costs)	(0.34)	-
Tree Trimming Needs	(0.23)	-
Additional Sidewalk Investment	(0.50)	-
Additional Council District Priority Funds (Divide by Nine)	(0.23)	-
Negotiated Labor Agreement Costs	-	(0.21)
Total Recommended Uses	(7.98)	(0.22)
Ending Funds Available (9/30) After Recommended Uses	0.00	0.00

Additional Critical Needs for FY 20 Remain Unfunded

- FY 20 costs related to negotiated labor agreements (estimated at \$12 million)
- Other critical unfunded one-time costs
- Fund labor costs from surplus generated in FY 20 or through a draw-down of reserves

Measure A Performed Above Expectations

- FY 19 Measure A revenues have similar revenue growth and one-time patterns as sales tax
- There is \$4.3 million in surplus unallocated Measure A funds available at year-end FY 19



Recommended Uses of Unallocated Measure A Funds Available

- Start FY 20 Police Academy class #95 earlier (July 2020): \$1.8 million
- Assist with converting a former landfill site to the new Davenport Park: \$800,000
- El Dorado Field Turf conversion project: \$1.5 million
- Irrigation pumps: \$100,000
- Tree stump removal: \$100,000

***Contingent Appropriation for first \$3 million of FY 20 surplus towards Police Academy Building Project funding shortfall

General Fund Revenue Policies Aim for Balance or Small Surplus

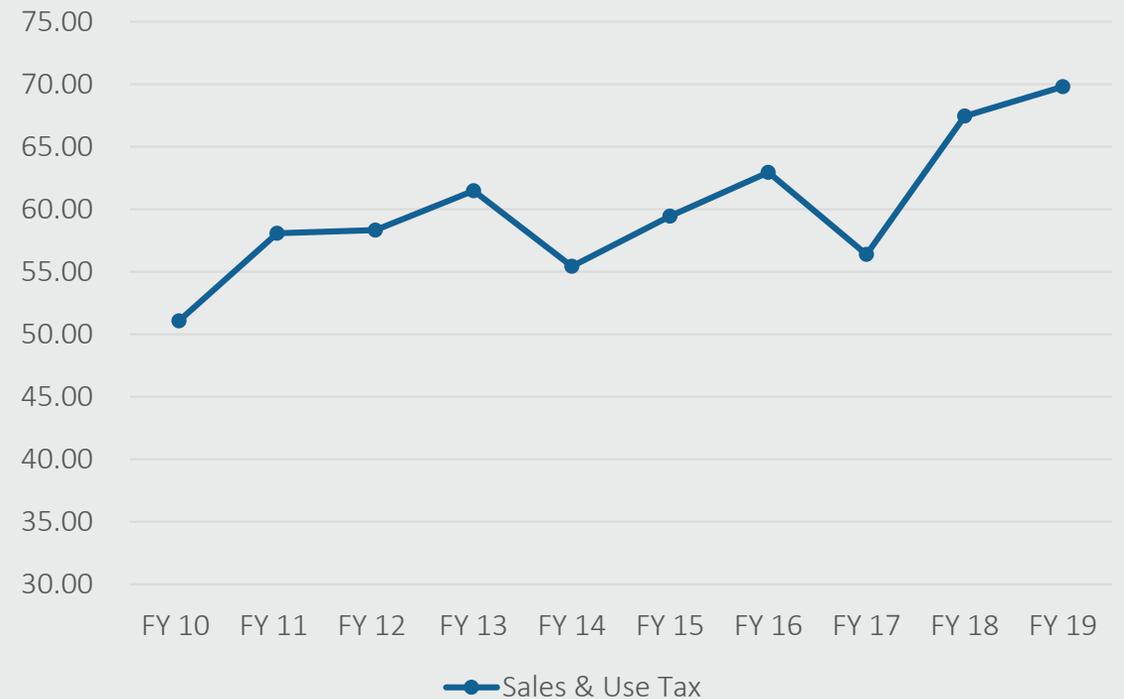
- Per City's Financial Policy #10, the City's revenue projection should use a methodology that is reasonably conservative
 - Revenue should be projected in a way not likely to lead to a revenue shortfall and not be so conservative that the projection is always substantially under revenues.
- Typically results in a surplus at year-end to be used for one-time critical needs that are currently without funding
- Revenues are evaluated on an ongoing basis
 - Staff continually review and evaluate revenue trends
 - Projected improvements and declines are incorporated into subsequent projections

Revenues Can Be Challenging to Project

Sales and Use Tax Example

- Variability, even in good economic times
- Significant fluctuations in one-time revenues
- One-time revenues historically excluded from projections

Sales and Use Tax FY 10 – FY 19
(\$ in millions)



Making Adjustments to Future Projection Strategy

- Staff developing new techniques and approaches to improve projections
 - Address one-time revenues, specifically for good economic times
 - Utilizing assistance of expert consultants for Sales and Use Tax and Property Tax revenues to assist with identifying patterns and improving forecasting
- Implement beginning with FY 20 projections and FY 21 budget development

Overview of Select Other Funds

Insurance Fund

- Settlement & claim losses has risen in recent years, particularly for General Liability
- Additional funding will be needed in future years; level needed is being evaluated

Special Advertising and Promotions Fund

- FY 19 projected to end year with \$5.1 million funds available
- It is estimated to go down to \$1.9 million by the end of FY 20 due to one-time draw down of funds available for Council adopted priority projects and preliminary revenue adjustments

Tidelands Operations Fund

- Oil budgeted at \$55/bbl and averaged \$63/bbl
- Due to LB COAST transition, ending funds available is not available at this time
- Staff will bring back recommendations in future report

A nighttime photograph of a city skyline with various buildings and palm trees, their lights reflecting in a body of water in the foreground. A semi-transparent white box is overlaid on the left side of the image, containing the title and date.

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