



Legislation Details (With Text)

File #: 07-0229 **Version:** 1 **Name:** FM - FY07 1st Qrt Budget Perf. Report
Type: Agenda Item **Status:** Approved
File created: 2/28/2007 **In control:** City Council
On agenda: 3/6/2007 **Final action:** 3/6/2007
Title: Recommendation to refer the Fiscal Year 2007 First Quarter Budget Performance Report to the Budget Oversight Committee. (Citywide)
Sponsors: Financial Management
Indexes: Report
Code sections:
Attachments: 1. 030607-R-24sr&att.pdf

Date	Ver.	Action By	Action	Result
3/6/2007	1	City Council	approve recommendation	Pass

Recommendation to refer the Fiscal Year 2007 First Quarter Budget Performance Report to the Budget Oversight Committee. (Citywide)

This report provides an update on the City's Fiscal Year 2007 (FY 07) budget and operational performance through December 31, 2006. The report covers a broad spectrum of financial information for all funds and departments with multi-year comparisons, charts and graphs to provide a clear picture of the City's financial situation. While the focus of the financial report is the General Fund, exceptional performance (both positive and negative) in other funds is highlighted where applicable.

Summary

Resources required to provide public safety, infrastructure maintenance, library, recreation and other general government services were reduced significantly the past four years, yet the public demand for City services continues to grow. With the elimination of the structural deficit providing a sense of stability, but by no means actual fiscal security, the pressure to provide services that the City cannot yet afford has begun to mount. As previously communicated, the additional compensation increases for police officers that were granted during the first quarter of the fiscal year have committed all projected growth in discretionary resources through Fiscal Year 2010. Therefore, it is imperative that the fiscal discipline that made the Financial Strategic Plan a success be steadfastly maintained.

As of December 31, 2006, the total adjusted General Fund expenditure budget was \$378.7 million, with budgeted revenue of \$377.4 million. The difference between budgeted revenue and expense reflects the one-time use of fund balance. After the first three months of the fiscal year, overall expenditures and revenues are on target. With 25 percent of the fiscal year complete, approximately 20 percent of anticipated General Fund revenue has been collected; revenues are not expected to be received evenly throughout the fiscal year. During the same period, approximately 25.3 percent of the adjusted General Fund budget has been expended. The total Adjusted City Budget for all funds as of December 31, 2006 was \$2.67 billion. With 25 percent of the year complete, expenditure performance in all funds is at approximately 17.6 percent year-to-date.

Focus on Results (FOR) Long Beach is the City's commitment to performance management designed to help departments improve operational efficiency and effectiveness, and to provide an improved means by which the City can communicate public value created by its programs and services. By creating a direct link between program results and the budgets that support them, FOR Long Beach gives the City the tools to support decisions that allocate scarce resources to the highest priority service areas. As the second year of FOR Long Beach proceeds, the City will see improvements in the type of data that is collected and how well that data is analyzed. Again, significant progress has been made toward the full integration of the principles and management tools of FOR Long Beach into the daily business of the City. This first quarter report, as with all quarterly budget and operational performance reports going forward, includes Highlights of Departmental performance.

FY 07 General Fund Revenue (See attached pdf staff report for "Revenue Source" chart)

Current and projected revenue performance is based upon a variety of sources, and includes both structural and one-time revenues. We must recognize the risks inherent in projecting revenue, many of which the City has limited, if any, authority to affect. Overall, year-to-date General Fund revenue is \$76.3 million, or approximately 20.2 percent of total projected revenue, and is close to the expected performance after the first quarter of the year. Performance to date numbers for revenue are down slightly from FY 06, but will recover when expected revenue from transfers from other funds to the General Fund are received. The table above highlights year-todate performance for selected General Fund revenues.

A summary of the top 40 General Fund revenues is included in **Attachment A**, and a year-toyear (FY 06 to FY 07) comparison of the top 15 General Fund revenues is included in **Attachment B**. Exhibit 1 below shows the City's top 10 General Fund revenue sources in FY 07 as a percentage of total year-to-date General Fund revenue.

Exhibit 1 - Top 10 FY 07 General Fund Revenue Sources as a Percentage of the \$76.3 million Total Year-toDate (See attached pdf staff report for chart)

Please also see **Attachment C** for a breakdown of General Fund revenue by department.

FY 07 General Fund Expenditures

The Adopted General Fund budget for FY 07 was \$377.4 million. As of December 31, 2006, the total adjusted General Fund budget was \$378.7 million, including the City Council approved budget adjustments totaling approximately \$1.3 million primarily due to added grant funded or revenue offset programs or projects. The overall year-to-date General Fund spending is \$95.9 million, or 25.3 percent of budget, with 25 percent of the Fiscal Year complete. **Attachment D** provides a listing of all departments' year-to-date General Fund expenditure performance.

Approximately \$13.75 million of the General Fund's FY 07 budget is for one-time expenditures to be paid for using anticipated one-time revenues and some structural revenue. Budgeted onetime expenditures include items such as additional street rehabilitation and slurry sealing, critical facility repairs, 311 system design, a park tree trimming contract and support to the Health Fund to cover some Citywide overhead costs.

Sources of one-time revenue included the FY 07 beginning fund balance of \$1.7 million, reimbursement from other funds of \$1.5 million based on cost allocations for prior year services, land sale proceeds of \$9.9 million, transient occupancy audit revenue of approximately \$45,000, and use of \$300,000 previously set-aside to stock the new Mark Twain library as well as the Mayor's recommended, and City Council-approved, use of \$400,000 for a one-time augmentation of the Library's general book budget.

FY 07 General Fund Expenditures by Department

Though there were few expenditure performance exceptions at the department level, those worth noting include:

- > Citywide Activities reflects spending at 58.7 percent of budget year-to-date. This is primarily due to the fact that there are expenditure transfers to the Capital Improvement Fund that took place earlier in the year and that the Adjusted Budget reflects anticipated savings from the employee health insurance optimization study. These structural savings are still anticipated, and will be shifted from Citywide Activities into the budgets of impacted departments.
- > The Police Department is at 26.1 percent of budget. The successful effort to fill vacant police officer positions by conducting additional academies is reducing vacancy savings historically available to pay for overtime associated with covering shifts. As part of the First Quarter Budget Adjustment in January, the Department received an appropriation increase of \$2.35 million to cover the longevity incentive for FY 07.
- > Library Services is spending at 19.6 percent due to time needed to hire staff in order restore extended Library days/hours.

Exhibit 2 - Largest FY 07 General Fund Expenditures Year-to-Date by Department, as a Percentage of the \$95.9 million Total Expenditures. *(See attached pdf staff report for chart)*

After one quarter, the majority of General Fund expenditures have come from departments providing public safety services. Of the \$95.9 million expended to date, the Police Department (46 percent) and Fire Department (16.5 percent) comprise 62.5 percent of the total General Fund year-to-date expenditures. Exhibit 2 on the previous page shows the largest departments as a percentage of General Fund year-to-date expenditures.

Attachment E displays General Fund spending at the department level as compared to the departments' current adjusted budget, including an FY 07 to FY 06 comparison. FY 07 General Fund expenditures total 25.3 percent of the \$378.7 million budget, compared to 24.7 percent of the \$363.8 million budget for the same time period in FY 06.

FY 07 Expenditure Performance - All Funds

The City's Adopted FY 07 Budget for all funds includes \$2.66 billion of annual funds, carryover (multi-year grants and capital projects funds) of \$442.8 million, prior year encumbrances (goods and services ordered in FY 06 but received in FY 07), and mid-year City Council approved budget amendments. Combined, the total Adjusted City Budget as of December 31, 2006 was \$2.67 billion. Please see **Attachment F** for a breakdown of Citywide expenditures by fund.

While it is not expected that department or fund expenditures would occur equally throughout the fiscal year or be fully expended in the current fiscal year due to the inclusion of multi-year projects, monitoring the rate of expenditure is a helpful indicator of resource management. With 25 percent of the year complete, expenditure performance in all funds is at approximately 17.6 percent year-to-date. Overall, there are no fund performance anomalies to note.

Other Significant Issues

Health Fund

The Health Fund, which is primarily funded by grants from other agencies, supports services that form an important link in the community safety continuum. Unfortunately, the Department of Health and Human Services (DHHS) has been facing, and aggressively addressing, significant reductions to its grant funding the past few years. Furthermore, traditional funding sources from the State and Federal level are shrinking, cost recovery on services to underrepresented communities remains difficult, and demands are higher than ever for services.

As a result, the Health Department has been experiencing both cash flow and budgeting challenges throughout the fiscal year. To aid in finding a solution to this ongoing situation, an optimization study reviewing how the City finances health and human services has been initiated. Through this study, DHHS will review its funding structure, mechanisms utilized by other local health agencies to fund public health programs, its service and staffing levels, and program costs. A final report for use in building the FY 08 budget is expected to be ready for the City Manager's consideration by late Spring.

Focus on Results - Operational Performance

The City of Long Beach is committed to responsiveness, transparency and accountability to the community. There is no more important tool to achieving this commitment than the City's performance management program, Focus on Results (FOR) Long Beach. Tracking performance measures for 160 Programs citywide helps departments to improve operational efficiency and effectiveness, and to communicate the public value of its services. FOR Long Beach gives the City the tools to support difficult decisions about scarce resources, insuring that the public's money is allocated to their highest priority issues.

As we complete the first year of FOR Long Beach implementation, much has been accomplished. In the beginning of FY 06, departments began tracking key performance information. They are now tracking hundreds of performance measures and developing the strategies and expertise for reliable data collection systems and analysis. Over the next year, significant progress will be made through ongoing professional development and training of City staff, toward the full integration of performance management into the daily business of the City. This quarterly report includes the Highlights of Departmental Performance through December 2006 in **Attachment G**. Summarized below are a few highlights of department performance that are significant accomplishments on behalf of the community.

FY 07 Performance Highlights

Department: Fire (See Page G-7)

Program: Emergency Response Operations Program The Emergency Response Operations

Program was able to process emergency calls (answer to dispatch) within 60 seconds, 81 percent of the time in the 1st Quarter of FY 07, up from 68 percent in the 1st Quarter of FY 06. Rapid response to 9-1-1 emergency calls for service is essential to protecting the lives and property of the citizens of Long Beach.

Department: Police (See Page G-21)

Program: Patrol Program The Long Beach Police Department average response time for Priority One calls dropped to 4.4 minutes in the 1st Quarter of FY 07, exceeding expectations by 36 seconds. One of the most significant measures of efficient operations and effective crime fighting, the Patrol Program continues to respond to the most significant calls for service in a timely fashion, protecting lives and property.

Department: Community Development (See Page G-3)

Program: Youth Development Program The number of Long Beach youth (ages 14-24) receiving employment services from the Youth Development Program exceeded expectations by over 244 participants in the 1st Quarter of FY 07, an increase of nearly 41 percent over the proposed target and 241 participants more than the 1st Quarter of FY 06. These gains can be partially attributed to changes in service offered, school schedules and seasonal changes.

Department: Parks, Recreation & Marine (See Page G-17)

Program: Recreation Classes Program Enrollment levels in Parks, Recreation & Marine recreational and enrichment classes exceeded expectations for the 1st Quarter of FY 07. More than 7,100 participants enrolled in recreation classes, a 22 percent increase from the same time last year, contributing to the overall health of the community.

Department: Public Works (See Page G-23)

Program: Streets/Drainage Maintenance Program As a result of high winds and an increase in fallen trees in the month of December 2006, the Streets/Drainage Maintenance Program responded to 925 calls for service for the 1st Quarter of FY 07. This level of response exceeds last year's 1st Quarter performance by 784 calls or 556 percent. While the activities of this important Program continue to keep our neighborhoods and streets safe and clean, the Departments may need to reallocate resources from other Programs to fund the response to this unexpected demand.

Department: Library Services (See Page G-13)

Program: Library Resources Program The number of library resources used, including books, media (e.g., DVD's, CD's and books-ontape), and computer web hits at the public libraries reached 749,120 in the 1st Quarter of FY 07, . exceeding the number of resources used at this time last year by over 48,000 or 7 percent. The department has experienced a large increase in the use of electronic database information accessed through the department's enhanced website.

Department: Planning & Building (See Page G-19)

Program: Community Design & Development Program The number of major public hearing land use requests reviewed by the Community Design & Development Program reached 58 in the 1st Quarter of FY 07, exceeding last year's performance at this time by 32 percent. The increase in planning cases indicates strong growth and renewal in the City of Long Beach.

Department: City Manager's Office (See Page G-1)

Program: City Communication Program The City Communication Program issued 82 press releases in the 1st Quarter of FY 07, exceeding expectations by 9 percent and exceeding last year's 1 st

Quarter performance by nearly 37 percent. The number of press releases issued is a key indicator of transparency as the City strives to increase communication with the community.

Department: Health & Human Services (See Page G-9)

Program: Health Promotions/Preventative Health Program The Health Promotions/Preventative Health Program administered over 6,470 immunizations to the community in the 1st Quarter of FY 07, exceeding the Quarterly target of 3,999 immunizations by 62 percent. Immunizations fluctuate throughout the year to meeting seasonal demands such as the need for flu vaccines and annual back-to-school registration.

Department: Human Resources (See Page G-11)

Program: Occupational Safety Program City of Long Beach employees received 3,150 hours of safety training in the 1st Quarter of FY 07, exceeding last year's performance at this time by 23 percent. Safety training helps decrease overall occupational injury and illness and lowers the cost of service delivery to the community.

Conclusion

With General Fund revenues and expenditures tracking at budget through the first quarter, and concerns expressed about achieving certain one-time revenues, it is imperative that we maintain a firm position of fiscal restraint. Looking to the future, we must not lose sight of the fact that the City must address its existing retiree health commitments, the seismic integrity of City Hall, and the Police Officers Association labor agreement, and critical infrastructure to aging police and fire stations, sidewalks, streets and pipelines.

(Note: All table, charts and attachments are available for viewing in the pdf version of the staff report on the "attachments" tab.)

City Council action on this matter is not time critical.

There is no fiscal impact associated with the recommended action.

Approve recommendation.

NAME Michael A. Killebrew
TITLE Director of Financial Management

APPROVED:

GERALD R. MILLER
CITY MANAGER