



CITY OF LONG BEACH
DEPARTMENT OF FINANCIAL MANAGEMENT

C-7

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

September 21, 2004

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

SUBJECT: Fiscal Year 2004 July Budget Performance Report (Citywide)

DISCUSSION

This report provides an update on the City's Fiscal Year 2004 (FY 04) budget performance through July 2004. The report covers a broad spectrum of financial information for all funds and departments with Year-to-Date performance analysis and multi-year comparisons. The focus of this report, however, is the General Fund. As prescribed by the City's Financial Policies, exceptional performance during the reporting period (both positive and negative) in other funds will be highlighted where appropriate.

While it is not expected that department or fund revenue and expense would be collected and spent in equal amounts throughout the fiscal year, monitoring the rate of revenue generation and expense allocation is a helpful indicator of resource management. This report will continue to provide a Year-to-Date perspective for both revenue and expenditures, by department and fund. In addition, to increase the level of financial analysis made available to the City Council and community, this report highlights Year-to-Year (FY 03 to FY 04) comparisons of both revenue and expenditure performance, by department, in the General Fund. Such a comparison provides information that factors in seasonal fluctuations in performance. Highlighting fluctuations, as recommended in the City's Financial Policies, on a Year-to-Year basis gives a good indication of budgetary health.

Summary

Current General Fund revenue and other resources estimates-to-close (ETCs) are \$369.3 million, which is \$5.7 million lower than estimates provided in the June Revenue Report. The decrease in the estimated revenues is due to the loss of Vehicle License Fee (VLF) backfill from the State Budget actions; this loss is slated to be repaid by the State next fiscal year. Current General Fund expenditure ETCs equal \$369.6 million, which is \$8.6 million less than the adjusted budget as of July 2004.

The City Manager-imposed hiring freeze and purchasing curtailment continues to generate additional savings to assist with a multi-year approach to implementing the Three-Year Financial Strategic Plan (Plan). The same is true for the elected and appointed offices as well. These measures have helped the City realize savings in the General Fund and other funds throughout the ten months of the year and continue to produce needed carry-over savings. Despite the loss of VLF revenue, with the addition of one-time dividends from exceptional performance in the oil and waste-to-energy (SERRF) enterprise operations, it is estimated that a \$10.7 million carry-over savings will be achieved by the end of the fiscal year. A target of \$17.8 million had originally been established, but due to State budget impacts this has been reduced.

FY 04 REVENUE PERFORMANCE

General Fund Revenue

As reported earlier, these ETCs include several one-time revenues, including additional SERRF profit transfer and Uplands oil revenue. There will be shortfalls in some revenues, including an expected loss of approximately \$1.8 million in Sales Tax due to the implementation of the State's Proposition 57 "Triple Flip," a loss of approximately \$6 million in VLF revenue, and approximately \$1.0 million less Electric UUT due to last winter's State Power Rebate. Without these exceptional uncontrollable revenue losses, recurring revenue performance reflects slight growth (1.1 percent) over budgeted projections. A summary of all General Fund revenues, including detail on the Top 40 General Fund revenues, is included in **Attachment A**.

General Fund Revenue By Department

With ten months (83.3 percent) of the fiscal year complete, approximately 82.8 percent of budgeted revenue has been realized. Again, while individual departments are not expected to generate revenue equally throughout the year, the citywide rate of revenue generation to date can be considered encouraging. Please see **Attachment B-1** for an overview of Year-to-Date General Fund revenue by department. While year-end projections indicate that most departments will be realizing their revenue budget or exceeding it, there are a few departments worth highlighting:

- The Department of Library Services is projecting to receive only 91.6 percent of its budgeted revenue due to a decline in State Public Library Foundation (PLF) funding. Additionally some of its funding, such as revenue from the Foundation for the Family Learning Centers, has not yet been received, which accounts for the lower than average (54.9 percent) year-to-date revenue receipts.
- The Department of Parks, Recreation and Marine is estimating to realize approximately 96.4 percent of its revenue budget. This is mainly due to revenue-generating programs that were not implemented fully in FY 04 and lower than expected activity fees. The Department's year-to-date actuals are at 71 percent, since the Department realizes a large portion of revenue during the summer months. This pattern, along with year-end billing for County Bonds, accounts for the lower than average July actuals.

On a Year-to-Year basis, revenue levels through July 2004 are down only 2.5 percent. Lower revenue is attributable to reduced reliance on one-time transfers used to balance the General Fund. Departments with significant Year-to-Year revenue fluctuations, either in the positive or negative direction, have been reported in previous months and are indicated as footnotes on **Attachment B-2**.

FY 04 EXPENDITURE PERFORMANCE

The City's Adopted FY 04 Expenditure Budget for all funds was \$1.66 billion, plus the carry-over budgets for multi-year grants, encumbrances and capital project funds of \$265.7 million. With the addition of \$155.3 million in approved amendments, the total Adjusted City Budget as of July 31, 2004 was \$2.08 billion. The amendments are mainly found in the Tidelands Oil Revenue Fund, which was adjusted by \$52.8 million to appropriate increased payments to the State due to the inflated price of oil.

Also, similar to revenue performance, while it is not expected that department or fund expenditures would occur in equal allocations throughout the fiscal year, monitoring the rate of expenditure is a helpful indicator of resource management. With 83.3 percent of the year complete, 64.4 percent of the City's budget in all funds has been expended to date. Please note that while the All-Years Carryover is incorporated into the Adjusted Budget, it may not be spent during FY 04. Please see **Attachment C** for an overview of the FY 04 Budget with a breakdown of citywide Year-to-Date expenditures by fund. Fund performance worth noting include:

- The high year-to-date performance in the Park Development Fund (99.8 percent) is attributable to the one-time \$1.2 million internal transfer of new development fee revenues into Capital Project accounts, which occurred in October 2003.
- The budget for the Parking Authority Fund (94.3 percent) is predominately for Debt Service and related costs. A \$240,000 principal payment is made in one payment, with interest charged monthly.
- Performance in the Special Advertising and Promotion Fund (93.1 percent) is attributable to the annual payments to the Convention and Visitor's Bureau, which have already occurred.

General Fund Expenditures By Department

The Adopted General Fund budget for FY 04 was \$360.6 million. Budget appropriation adjustments totaling approximately \$17.6 million have been made primarily for the carry-over of FY 03 grant funding, including over \$1.2 million for Fire Department grants and \$12 million in Citywide activities. As of July 31, 2004, the total adjusted General Fund budget was \$378.2 million.

As called for in the City Council's Financial Policies, please see **Attachment D-1** for an overview of all departments' Year-to-Date General Fund expenditure performance and **Attachment D-2** for a Year-to-Year comparison of expenditure performance by department. The overall Year-to-Date General Fund spending is 79.4 percent of budget. On a Year-to-Year basis, General Fund spending is approximately \$8.6 million (2.8 percent) less than last year. Departments' spending reflects a reduction in resources available per the Three-Year Plan as well as an increased number of vacant positions due to the hiring freeze. There are no variances of significance that have not been previously reported.

TIMING CONSIDERATIONS

City Council action on this matter is not time critical.

FISCAL IMPACT

There is no fiscal impact associated with the recommended action.

IT IS RECOMMENDED THAT THE CITY COUNCIL:

Refer this report to the Budget Oversight Committee.

Respectfully submitted,



MICHAEL A. KILLEBREW
ACTING DIRECTOR OF FINANCIAL MANAGEMENT

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Attachments

APPROVED:



GERALD R. MILLER
CITY MANAGER