



CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

R-32

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

December 18, 2007

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Receive and file the Fiscal Year 2007 Year-End Budget Performance Report.
(Citywide)

DISCUSSION

This report reflects the City's Fiscal Year 2007 (FY 07) budget performance through September 30, 2007. The information provided is unaudited as the audit for FY 07 will not be completed until approximately March 2008.

The report includes financial information for all funds and departments with multi-year comparisons. 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

The FY 07 Adopted Budget totaled \$2.2 billion for the City's 21 departments, and was later amended to \$2.4 billion during the fiscal year by the City Council. Of that amount, \$377.4 million comprised the General Fund budget, which was subsequently increased to \$396.1 million during the fiscal year to provide core municipal services such as public safety, public works, recreation and library services.

As of fiscal year-end, actual expenditures for all departments and all funds are \$2.3 billion. Revenues for all departments and all funds are \$2.3 billion. Unspent grant and capital project funds will be carried forward into subsequent fiscal years to support multi-year projects or grant-funded activities. For the General Fund, actual expenditures for all departments were \$392.6 million, or \$3.5 million less than the Adjusted Budget of \$396.1 million, primarily due to salary savings generated through vacancies. Actual General Fund revenues for all departments totaled \$385.5 million. The difference between budgeted revenue and expense reflects the use of fund balance and transfers.

FY 07 was the fourth year of the City's Financial Strategic Plan (Plan). Approximately \$102 million in structural budget solutions were included in the General Fund and related fund budgets from FY 04 – FY 07, \$10 million of which were implemented in FY 07. These solutions, which have included the reduction of programs, services and positions, as well as increased revenue and cost recovery, have placed a significant strain on the organization as it has significantly downsized operations to focus primarily on basic core

functions. After four years of significant budget reductions, departments were particularly challenged in FY 07 to contain expenses within appropriations. As resources required to provide public safety, infrastructure maintenance, library, recreation and other general government services have been reduced significantly over the past four years, the demand for services has continued to grow.

To assist departments in ending the year in balance, and to compensate for planned one-time revenues that did not materialize, available one-time reserve funds were exhausted or reduced to the extent possible. Notably, the Police Department required a \$7 million General Fund budget adjustment in the fourth quarter of the fiscal year to address a \$10 million overage. As of September 30, 2007, the General Fund ended FY 07 with a \$220,060 (or 0.01 percent) ending fund balance, to be carried forward into FY 08.

FY 07 General Fund Revenue

As of fiscal year-end, \$385.5 million of General Fund revenue was received. Year-end revenues were \$2.3 million (or 0.6 percent) lower than adjusted budget, due to lower than budgeted receipts in revenues such as Secured Property Taxes, Sales Tax, CIP-Engineering, Gas Users Tax & Penalties, Unsecured Property Tax, and Emergency Ambulance Fees. Parking Citations, Prior-year Secured Property Tax, Transient Occupancy Tax, Interest-pooled Cash, Electric Company Franchise Fees and Charges for Special Services all performed above budgeted levels, partially offsetting declines in other revenue sources.

FY 07 year-end revenues are \$17.3 million (or 4.7 percent) higher than FY 06. This is due in part to slight increases in Secured Property Taxes, Sales Tax, Pipeline Fees, Property Tax In-Lieu-of Vehicle License Fee payments, as well as a \$4 million one-time transfer of reserve funds that support the costs for employee health, dental and life insurance. Without the reserve fund transfer, the increase in year-end revenues over FY 06 was 3.6 percent.

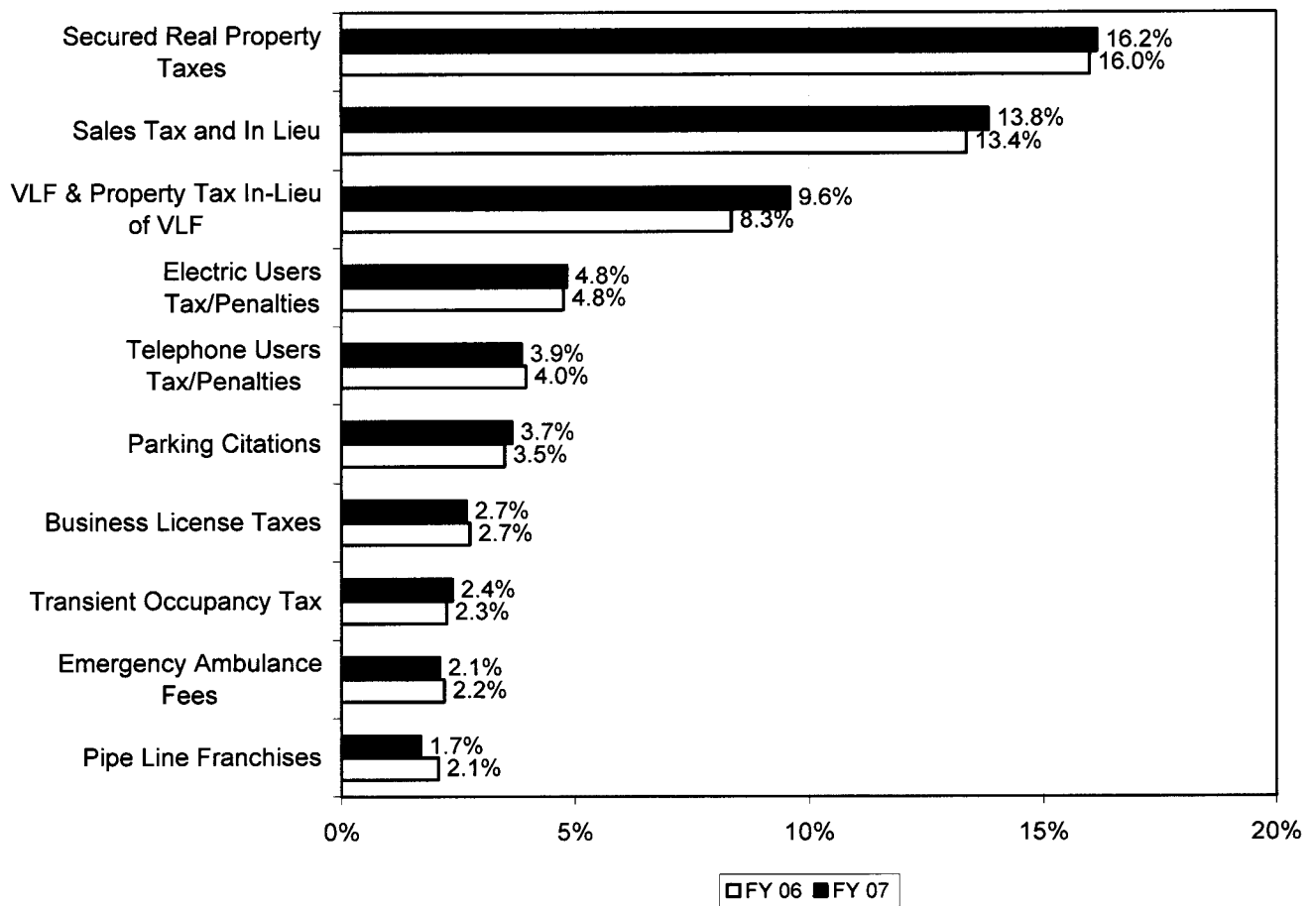
The table below highlights FY 07 performance for selected General Fund revenues:

Revenue Source	FY 07 Revenue	Revenue as % of Adjusted Budget	Notes
Secured Property Tax	\$62,320,147	94.9%	The City received the last property tax distribution from the County in August. The total payments are net of administrative costs charged to the City, which increased by 75 percent over the previous year. Lower than expected receipts from the County are attributable to the effects of roll corrections, refunds, delinquencies and increased administrative costs. It is anticipated that the performance of this key revenue source will be significantly impacted by the current downturn in the real estate market in FY 08.

Revenue Source	FY 07 Revenue	Revenue as % of Adjusted Budget	Notes
Sales and Use Tax, combined with Property Tax In-Lieu of Sales Tax (Triple Flip Backfill)	\$53,305,416	96.8%	In 2004, the Sales and Use Tax payments were reduced by 25 percent for the State Triple Flip and are fully offset by the bi-annual Property Tax In-Lieu-of Sales Tax payment from the State. Throughout FY 07, receipts trended lower than budget due to an economic slowdown and Property Tax In-Lieu-of Sales Tax payments that were lower than initial projections. In addition, the City did not receive two quarters of receipts from a major sales tax producer, approximating \$400,000, given the pending appeal of a related sales tax ruling. Despite this loss, one-time sales activity by Edison Material Supply boosted receipts in the last quarter of the fiscal year.
Motor Vehicle In-Lieu Tax (VLF), combined with Property Tax In-Lieu-of VLF	\$36,971,510	99.3%	Payments for VLF are received monthly, while Property Tax In-Lieu-of VLF payments are received in January and May. Property Tax In-Lieu-of VLF receipts came in at budget. VLF receipts were slightly below budget due to lower VLF collections resulting from a decline in new auto sales.
Utility Users Tax	\$41,781,595	96.6%	Despite Southern California Edison's 2.6 percent rate decrease in the second quarter, electric UUT collections came in only slightly below budget due to the effect of increased electricity usage due to unseasonably warm weather. Natural gas UUT collections are less than anticipated due to lower gas commodity prices than in the prior year. Water UUT collections were at budget. Telephone UUT collections reflect an overall slowing in the growth of this revenue as users give up landlines for the exclusive use of cell phones. In the future, auditors will investigate whether phone companies are charging UUT inappropriately, which may lead to a decline in revenue. Staff is also investigating the implications of a recent court ruling regarding City of Los Angeles telephone UUT charges, and its potential negative impact on City of Long Beach telephone UUT remittances.
Uplands Oil Transfer	\$14,303,554	89.4%	The Adopted FY 07 revenue was based on an oil price of \$48.00/bbl. Actual FY 07 revenue for Wilmington Crude averaged \$55.17/bbl for the fiscal year. A 4th quarter budget adjustment increased the transfer by \$4.0 million due to the rise in the price of oil. The actual transfer to the General Fund was \$1.7 million less than expected due to increased costs by unit operators, which impacted net revenues.
Parking Citations	\$14,088,187	108.3%	Collections for Parking Citations are above budget due to fully staffed parking enforcement operations.
Business License Tax	\$10,310,856	93.9%	The Business License Tax actuals are lower than budget due to the limited availability of staffing resources to dedicate to revenue recovery.
Emergency Ambulance Fees	\$8,084,308	90.4%	Reductions in Medicare/MediCal payments and the changing payor mix, comprising more uninsured, negatively impacted year-end collections. Collection levels were comparable to FY 06.
Transient Occupancy Tax	\$9,154,215	106.5%	Increased room and occupancy rates led to an increase in Transient Occupancy Tax receipts.
Pipeline Franchises	\$6,529,022	94.2%	Southern California Gas Pipeline Franchise fee payments reflect declines in the volume and price of gas transported to the electric plants.

A summary of the top 40 General Fund revenues with year-end actuals is included in **Attachment A**, and a year-to-year (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 General Fund revenue; in aggregate, the Top 10 represents \$237.9 million, or 61.7 percent, of General Fund revenues. For reference, the General Fund commitment to Police and Fire Department expenditures in FY 07 was \$248.8 million, comprising 64.6 percent of General Fund revenues.

Exhibit 1 – Top 10 General Fund Revenue Sources as a Percentage of FY 07 (\$385.5 million) and FY 06 (\$368.2 million) Receipts.



General Fund Revenue By Department

Attachment C provides a breakdown of General Fund revenue performance by department. Many of the departmental variances are captured in the footnotes to this attachment. The Police Department realized the highest level of General Fund revenue of all operating departments at \$21.8 million, followed by Financial Management at \$17.2 million and Public Works at \$16.9 million. Parks, Recreation & Marine, Police and Public

Works ended the year with higher than expected General Fund revenues. Overall, however, General Fund revenue citywide came in 0.6 percent lower than expected.

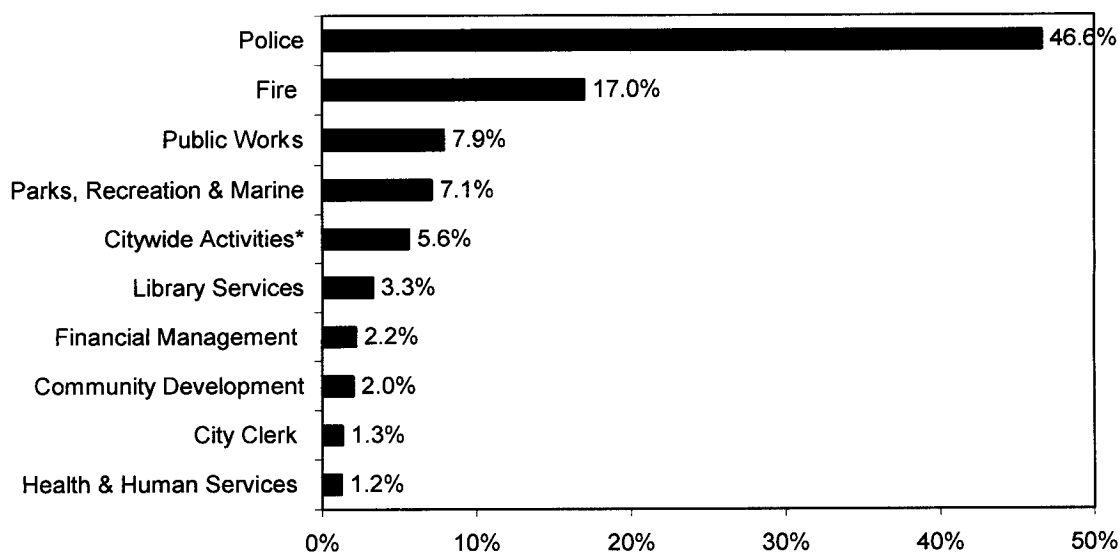
FY 07 General Fund Expenditures by Department

Actual General Fund spending at the department level was 6.5 percent higher than FY 06 actual expenditures due in large part to increased Police Department spending. Department spending for all departments other than the Police Department was 2.9 percent higher than FY 06. **Attachment D** provides General Fund spending by department for FY 07. **Attachment E** displays General Fund spending at the department level as compared to the departments' adjusted budgets, including an FY 07 to FY 06 comparison.

All departments ended the year with General Fund expenditures within adjusted budget limits with the exception of the Police Department. The Police Department exceeded its General Fund FY 07 final adjusted budget by \$1.6 million. This was primarily as a result of the unavailability of traditional salary savings to cover historic overages in overtime, equipment and materials. A \$7 million General Fund budget adjustment was provided in the fourth quarter of the fiscal year to address the overage and keep the Department within its overall legal appropriation limit.

Exhibit 2 below show's the City's top 10 General Fund expenditures by department in FY 07 as a percentage of total General Fund expenditures. In aggregate, the Top 10 represents \$368.8 million, or 94.2 percent, of General Fund expenditures. Together, Police and Fire account for 63.6 percent of General Fund expenditures. Police, Fire, Public Works and Parks, Recreation and Marine account for 78.6 percent of General Fund expenditures.

Exhibit 2 – Largest FY 07 Year End General Fund Expenditures by Department, as a Percentage of the \$392.6 million Total Expenditures.



*Citywide Activities include debt payments, pass through transactions, old Police and Fire pension plan, General Fund CIP funding, etc.

FY 07 Expenditure Performance – All Funds

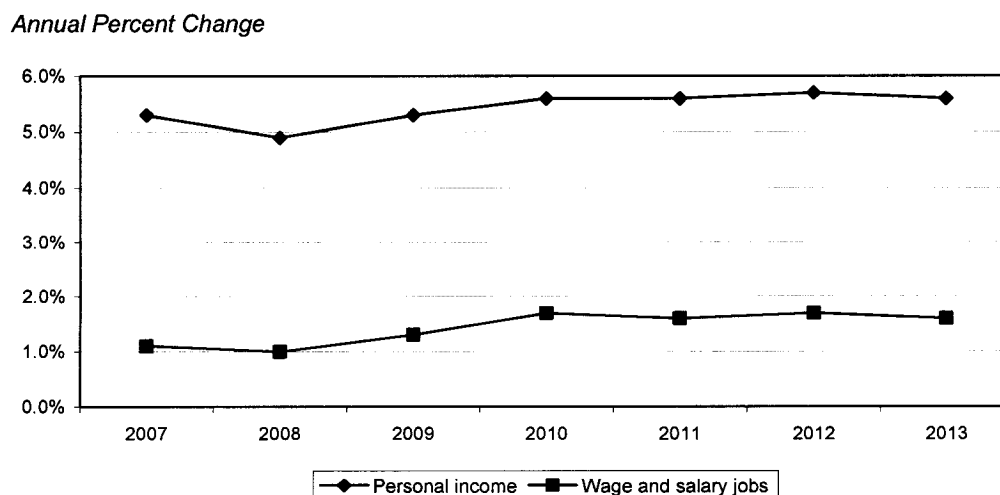
The City's Adopted FY 07 Budget for all funds includes \$2.2 billion of annual funds, carryover (multi-year grants and capital projects funds) of \$379.9 million, prior year encumbrances (goods and services ordered in FY 06 but received in FY 07) and mid-year City Council approved budget amendments. Combined, the total Adjusted City Budget as of September 30, 2007 was \$2.4 billion. Please see **Attachment F** for a breakdown of Citywide expenditures by fund.

FY 08 General Fund Outlook

Though the FY 07 General Fund Budget ended in balance, all departments were challenged more than ever to contain expenses within legal limits. Following four years of budget reductions in the face of increasing service demands, with the concerted effort by departments to save cost where possible, it was still necessary to exhaust or reduce available one-time reserve funds to end the year in balance.

As we look to FY 08, significant fiscal challenges remain on the horizon. Long Beach's financial outlook is influenced by multiple factors, including national and local economic trends, the State of California's budget, current commitments for service delivery and negotiated commitments to the workforce. As demonstrated in Exhibit 3 below, California is expected to experience relatively modest growth in personal income and wage and salary jobs over the coming years, largely due to a loss in jobs related to construction and real estate. In FY 08, California will continue to experience declines in home sales and new construction and the increase in the number of foreclosures that has resulted from the bursting of the real estate bubble. California is currently experiencing record numbers of foreclosures and has one of the highest foreclosure rates in the country.

Exhibit 3 – California Economic Forecast Shows Modest Economic Growth Through 2013.



Source: "California's Fiscal Outlook: LAO Projections 2007-08 Through 2012-13," Legislative Analyst's Office, November 14, 2007.

In addition to challenges posed by the economy, the state is grappling with a growing budget deficit in the current and future fiscal years. According to the November 14, 2007 Fiscal Outlook from the State Legislative Analyst, Elizabeth Hill, the State's budget is short nearly \$10 billion in revenue to balance its FY 09 budget. Despite the protections that local governments were afforded in the Proposition 1A constitutional amendment, the State still has the ability to borrow property tax, vehicle license tax and Proposition 42 funds, which could create a significant hole in Long Beach's key General Fund revenues in FY 09 and beyond. While these revenue sources can only be borrowed twice in 10 years and must be paid back with interest within 3 years, even the temporary loss of these revenue streams would have a significant impact on the City's ability to provide core services. Further Redevelopment funds are not protected by Proposition 1A provisions and could be subject to an ERAF-type shift, thereby redirecting yet another revenue source away from the City.

Lastly, the City must prepare to address several critical issues through the identification of new revenue sources or reductions in all areas of the organization. These future challenges include:

1. Despite a major optimization effort of the Police Department and overhaul of its budget, the Department may be facing a structural budget imbalance of \$4-6 million. Every effort is being made to reduce spending streamline operations, limit the use of overtime and increase revenue to close this potential gap.
2. The Police Officers Association labor agreement calls for salary increases in 2008 and 2009 worth an estimated \$11.5 million over current compensation rates (\$7.9 million in 2008 and \$3.6 million in 2009). Additionally, the Firefighters Association and IAM labor agreements will be renegotiated in FY 08, which may also impact the General Fund.
3. Beginning in FY 08, the City must begin reporting its unfunded GASB 45 liability for retiree health care benefits. Fully funding this liability will cost an estimated \$3.6 million annually.

Conclusion

FY 07 posed yet another challenging year for the City to provide myriad services to the community under strained fiscal conditions. While the General Fund ended the fiscal year in balance, due to fluctuations in major revenue sources as well as significant cost overruns in the Police Department, one-time resources as well as department budget savings were required.

The FY 08 budget, while structurally balanced, will once again be challenged. As economic indicators worsen, the City's major General Fund revenue streams may generate lower than expected resources. In addition, as the state looks to solve its budget shortfalls with local revenues, the City must prepare for possible reductions in service. Consequently, the City Manager has imposed a \$5 million General Fund savings target in departments, as well as cost controls on management hiring, compensation and employee travel.

Going into the FY 09 budget development process, a potential structural deficit will likely grow based on the variables outlined above. Therefore, the community, City Council and staff may need to prepare for an FY 09 budget that either includes new revenue sources or reflects a strategic downsizing of the organization to ensure a sustainable level of service.

TIMING CONSIDERATIONS

City Council action on this matter is not time critical.

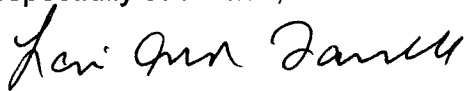
FISCAL IMPACT

There is no fiscal impact associated with the recommended action.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



LORI ANN FARRELL
DIRECTOR OF FINANCIAL MANAGEMENT/CFO

ATTACHMENTS

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APPROVED:


PATRICK H. WEST
CITY MANAGER

September 2007
General Fund Revenue (Top 40)
Fiscal Year 2007
(100% of Year Completed)

Attachment A

TOP 40 GENERAL FUND REVENUES	FY 06 Actuals	FY 07 Adjusted Budget	FY 07 September Actuals (Unaudited)	FY 07 September Actuals Over/(Under) FY 06 September Actuals	% of FY 07 Adj Budget
SECURED REAL PROPERTY TAXES ¹	\$ 58,843,473	\$ 65,637,308	\$ 62,320,147	\$ 3,476,674	94.9%
CITY SALES AND USE TAX & IN-LIEU SALES AND USE TAX ²	49,098,623	55,040,000	53,305,416	4,206,793	96.8%
VEHICLE LICENSE FEE & PROPERTY TAX IN-LIEU OF VLF ³	30,668,630	37,230,000	36,971,510	6,302,880	99.3%
ELECTRIC USERS TAX & PENALTIES ⁴	17,479,286	18,750,150	18,623,762	1,144,476	99.3%
TELEPHONE USERS TAX & PENALTIES ⁵	14,543,335	15,260,000	14,869,613	326,279	97.4%
PARKING CITATIONS ⁶	12,850,577	13,010,000	14,088,187	1,237,609	108.3%
BUSINESS LICENSE TAXES ⁷	10,101,826	10,985,000	10,310,856	209,031	93.9%
PIPELINE FEES ⁸	6,599,061	10,783,373	10,210,204	3,611,143	94.7%
EMERGENCY AMBULANCE FEES ⁹	8,102,939	8,944,000	8,084,308	(18,631)	90.4%
TRANSIENT OCCUPANCY TAX ¹⁰	8,273,736	8,598,250	9,154,215	880,479	106.5%
PIPELINE FRANCHISES ¹¹	7,609,608	6,930,000	6,529,022	(1,080,587)	94.2%
ELECTRIC COMPANY FRANCHISES ⁴	6,320,914	6,890,000	7,211,550	890,636	104.7%
GAS USERS TAX & PENALTIES ¹²	5,795,553	6,190,000	5,277,312	(518,241)	85.3%
INTEREST-POOLED CASH ¹³	3,876,636	5,109,450	6,054,011	2,177,374	118.5%
AMERICAN GOLF LEASE	4,080,807	4,245,000	4,396,919	316,112	103.6%
PRIOR YEAR SECURED REAL PROPERTY ¹⁴	4,830,642	3,850,000	5,834,296	1,003,654	151.5%
VEHICLE CODE FINES ¹⁵	3,003,644	3,300,000	3,052,871	49,227	92.5%
LAND,BLDG,R/W,EASEMENT,APT RENTALS	3,336,297	3,228,134	3,418,241	81,944	105.9%
CIP-ENGINEERING CHARGES ¹⁶	2,028,818	3,150,000	2,093,942	65,123	66.5%
WATER USERS TAX & PENALTIES	2,903,452	3,043,000	3,010,908	107,456	98.9%
CHARGES FOR SPECIAL SERVICES ¹⁷	3,178,922	2,974,840	3,870,567	691,645	130.1%
MISC REFUNDS & REIMB	3,650,594	3,227,662	3,139,835	(510,760)	97.3%
OIL PRODUCTION TAX	2,243,749	2,323,000	2,208,394	(35,355)	95.1%
REDEV. REIMB.-NORTH LB	2,108,789	2,189,679	2,221,222	112,433	101.4%
REAL PROPERTY TRANSFER TAX ¹⁸	2,330,140	1,800,000	1,670,668	(659,472)	92.8%
UNSECURED PERSONAL PROPERTY TAXES ¹⁹	1,287,706	1,729,500	821,955	(465,751)	47.5%
MISC REVENUE FROM OTHER AGENCIES ²⁰	768,727	1,626,155	1,150,984	382,257	70.8%
OFF-STREET PARKING ²¹	1,412,566	1,598,556	1,442,273	29,707	90.2%
OTHER DEPT CHGS TO GOVTL FUNDS ²²	1,543,622	1,231,415	1,101,578	(442,044)	89.5%
METERED/OTHER PARKING	975,875	1,190,000	1,091,717	115,842	91.7%
ASSET MANAGEMENT CHARGES	1,499,040	1,180,354	1,197,891	(301,149)	101.5%
CITY/MISC/BOND REFI ADVANCES ²³	1,146,292	1,146,292	1,271,360	125,068	110.9%
FACILITY RENTAL ²⁴	669,332	1,018,667	774,068	104,735	76.0%
INTEREST-LOAN REPAYMENTS ²⁵	522,470	968,948	572,815	50,345	59.1%
FIRE PLAN CHECK FEES ²⁶	995,394	950,000	898,774	(96,620)	94.6%
SELF-SUSTAINING CLASSES-REC	789,351	863,442	836,002	46,650	96.8%
ACTIVITY CHARGES-REC	841,866	861,734	812,480	(29,386)	94.3%
INTANGIBLE PERSONAL PROPERTY TAXES	942,295	853,000	1,005,905	63,610	117.9%
EL DORADO PARK FEES	738,696	806,903	760,861	22,165	94.3%
TRANSFERS FROM OTHER FUNDS	41,528,659	35,848,493	35,929,568	(5,599,091)	100.2%
SUBTOTAL TOP 40 GENERAL FUND REVENUES	329,521,944	354,562,305	347,596,205	18,074,261	98.0%
SUBTOTAL ALL OTHER REVENUES ²⁷	38,653,544	33,208,334	37,923,390	(730,155)	114.2%
TOTAL	\$ 368,175,489	\$ 387,770,639	\$ 385,519,595	\$ 17,344,106	99.4%

Notes: See next page

September 2007
General Fund Revenue (Top 40)
Fiscal Year 2007
(100% of Year Completed)

Attachment A

Top 40 Footnotes

Notes:

¹ The City received the last property tax distribution from the County in August. The total year-to-date payments are net of administrative costs charged to the City that increased by 75 percent over the previous year. Lower than expected receipts from the County are attributable to the effects of roll corrections, refunds, delinquencies and increased administrative costs.

² The Sales and Use Tax payments were reduced by 25 percent for the State Triple Flip and are offset by the bi-annual Property Tax In-Lieu of Sales Tax payment from the State. Throughout the year, receipts trended lower than budget due to an economic slowdown and Property Tax In-Lieu of Sales Tax payments that were lower than initial projections. In addition to this, the City did not receive two quarters worth of receipts from a major sales tax producer given the pending appeal of a related sales tax ruling. Despite this, one-time sales activity by Edison Material Supply boosted receipts in the last quarter of the fiscal year.

³ The first half of the Property Tax In-Lieu of VLF was received in January and the second payment in May. Actuals are slightly below budget due to lower VLF collections resulting from a decline in new auto sales.

⁴ Higher year over year revenue due to rate increases that occurred in the second quarter of FY 06.

⁵ Telephone UUT collections reflect an overall slowing in the year over year growth of this revenue as users give up land lines for cell phones. In the future, auditors will investigate whether phone companies are charging UUT inappropriately, thus leading to a decline in revenue.

⁶ Parking Citation collections were well above budget due to increased available resources for enforcement.

⁷ The Business License Tax actuals are lower than budget due to the limited availability of staffing resources to dedicate to revenue recovery.

⁸ Pipeline Fees came in below budget due to a negative audit adjustment against Safety Pipeline Fee receipts related to a previous years' postings. Overall, there is a notable increase in the year-to-date payments over last year due to the new Sewer Pipeline Fee revenue. Sewer Pipeline and Water fee payment came in at budget.

⁹ Factors such as reductions in Medicare/MediCal payments and the changing payor mix negatively impacted year-to-date collections.

¹⁰ Increased room and occupancy rates led to a significant increase in Transient Occupancy Tax actuals.

¹¹ The Pipeline Franchise payments reflect a decline in the volume and price of gas transported to electric plants over last year.

¹² Gas commodity costs and volume consumption were lower than in prior year.

¹³ Interest income higher year over year mainly due to the investment of FY 07 Tax Revenue Anticipation Note (TRAN) proceeds.

¹⁴ Supplemental property tax payments from changes of ownership and new construction trended well above FY 07 budget and FY 06 levels.

¹⁵ Actuals lower than budget due to negative accounting adjustments and County refunds.

¹⁶ Low revenues are due to low year-to-date Capital Project billings.

¹⁷ Police Department billings for security services far exceeded budgeted expectations.

¹⁸ Staff has uncovered that a County remittance of \$137,566 for the month of November was not received. An accounts receivable will be applied as an accounting adjustment.

¹⁹ Unsecured personal property tax payments are lower than expected due to delinquencies, valuation adjustments, and refunds.

²⁰ Community Development's revenue from the Premiere Marketing contract did not materialize due to prolonged contract negotiations.

²¹ With the discontinuation of American Airlines' service at the Long Beach Airport, related passenger off-street parking revenues was not actualized.

²² Interfund services provided by the Community Development Department were below budgeted projections.

²³ The Redevelopment Agency's principle payment for its \$1.3 million loan repayment to the General Fund posted in February for an amount more than budgeted, but the interest payments (recognized in the Other Revenue category) and the principle payment total \$1.3 million.

²⁴ FY 07 revenue projection over estimated additional revenue expected as a result of fee increases.

²⁵ The Community Development Department was anticipating revenue relating to the Insurance Exchange Building transaction in the amount of \$414,000; however, it was not realized in FY 07.

²⁶ Fire Plan Check Fee receipts came in lower than budget due to a decline in related development activity.

²⁷ Year-end actuals higher than budget due to the receipt of one-time unbudgeted revenues related to employee benefits savings and reserve overages.

September 2007
General Fund Revenue (Top 15)
FY 07 Compared to FY 06
(100% of Year Completed)

Attachment B

Ranking	General Fund Revenue Source	FY 06 Adopted Budget	FY 06 September YTD	% Received FY 06	FY 07 Adopted Budget	FY 07 September YTD	% Received FY 07	\$ Variance FY 07 to FY 06	Percent Change FY 07 to FY 06
1	Property Taxes ¹	\$ 58,015,000	\$ 58,843,473	101.4%	\$ 65,637,308	\$ 62,320,147	94.9%	\$ 3,476,674	5.9%
2	Sales and Use Tax & In-Lieu Sales and Use Tax ²	47,738,000	49,098,623	102.9%	55,040,000	53,305,416	96.8%	4,206,793	8.6%
3	Vehicle License Fee & Property Tax In-Lieu of VLF ³	25,250,000	30,668,630	121.5%	37,230,000	36,971,510	99.3%	6,302,880	20.6%
4	Electric Users Tax & Penalties ⁴	16,500,150	17,479,286	105.9%	18,750,150	18,623,762	99.3%	1,144,476	6.5%
5	Telephone Users Tax & Penalties	16,100,000	14,543,335	90.3%	15,260,000	14,869,613	97.4%	326,279	2.2%
6	Parking Citations ⁵	10,750,758	12,850,577	119.5%	13,010,000	14,088,187	108.3%	1,237,609	9.6%
7	Business License Taxes	9,930,000	10,101,826	101.7%	10,985,000	10,310,856	93.9%	209,031	2.1%
8	Pipeline Fees ⁶	6,650,053	6,599,061	99.2%	10,783,373	10,210,204	94.7%	3,611,143	54.7%
9	Emergency Ambulance Fees ⁷	8,240,000	8,102,939	98.3%	8,944,000	8,084,308	90.4%	(18,631)	-0.2%
10	Transient Occupancy Tax ⁸	8,150,000	8,273,736	101.5%	8,598,250	9,154,215	106.5%	880,479	10.6%
11	Pipeline Franchises ⁹	8,127,000	7,609,608	93.6%	6,930,000	6,529,022	94.2%	(1,080,587)	-14.2%
12	Electric Company Franchises ⁴	5,600,000	6,320,914	112.9%	6,890,000	7,211,550	104.7%	890,636	14.1%
13	Gas Users Tax & Penalties ¹⁰	5,700,000	5,795,553	101.7%	6,190,000	5,277,312	85.3%	(518,241)	-8.9%
14	Interest - Pooled Cash ¹¹	3,250,000	3,876,636	119.3%	5,109,450	6,054,011	118.5%	2,177,374	56.2%
15	American Golf Lease	4,100,000	4,080,807	99.5%	4,245,000	4,396,919	103.6%	316,112	7.7%
	TOP 15 TOTAL	\$ 230,000,961	\$ 240,164,197	104.4%	\$ 269,357,531	\$ 263,010,112	97.6%	\$ 22,845,915	9.5%

Notes:

¹ The City received the last property tax distribution from the County in August. The total year-to-date payments are net of administrative costs charged to the City that increased by 75 percent over the previous year. Lower than expected receipts from the County are attributable to the effects of roll corrections, refunds, delinquencies and increased administrative costs. ² The Sales and Use Tax payments were reduced by 25 percent for the State Triple Flip and are offset by the bi-annual Property Tax In-Lieu of Sales Tax payment from the State. Throughout the year, receipts trended lower than budget due to an economic slowdown and Property Tax In-Lieu of Sales Tax payments that were lower than initial projections. In addition to this, the City did not receive two quarters worth of receipts from a major sales tax producer given the pending appeal of a related sales tax ruling. Despite this, one-time sales activity by Edison Material Supply boosted receipts in the last quarter of the fiscal year. ³ The first half of the Property Tax In-Lieu of VLF was received in January and the second payment in May. Actuals are slightly below budget due to lower VLF collections resulting from a decline in new auto sales. ⁴ Higher year over year revenue due to rate increases that occurred after the second quarter of FY 06. ⁵ Parking Citation collections were well above budget due to increased available resources for enforcement. ⁶ Pipeline Fees came in below budget due to a negative audit adjustment against Safety Pipeline Fee receipts related to a previous years' postings. Overall, there is a notable increase in the year-to-date payments over last year due to the new Sewer Pipeline Fee revenue. Sewer Pipeline and Water fee payment came in at budget. ⁷ Factors such as reductions in Medicare/MediCal payments and the changing payor mix negatively impacted year-to-date collections. ⁸ Increased room and occupancy rates led to a significant increase in Transient Occupancy Tax actuals. ⁹ The year-to-date Pipeline Franchise payments reflect a decline in the volume of gas transported and the price of gas transported to electric plants over the same period last year. ¹⁰ Gas commodity costs and volume consumption are lower than in prior year. ¹¹ Interest income higher mainly due to the investment of FY 07 Tax Revenue Anticipation Note (TRAN) proceeds.

September 2007
Revenue Analysis by Department
General Fund - Fiscal Year 2007
(100% of Year Completed)

Attachment C

Department	FY 07 Adopted Budget	Amendments ¹	Adjusted Budget	Year End Actuals	
Mayor and City Council	\$ 1,250	\$ -	\$ 1,250	\$ -	-
City Attorney	2,750	-	2,750	\$ 714	26.0%
City Auditor	-	-	-	\$ 2,851	0.0%
City Clerk ²	126,714	900,000	1,026,714	\$ 1,500,469	146.1%
City Manager	-	-	-	\$ 210	-
City Prosecutor	-	-	-	\$ -	-
Community Development ³	8,267,424	-	8,267,424	\$ 5,860,772	70.9%
Financial Management	17,480,953	320,000	17,800,953	\$ 17,204,583	96.6%
Citywide Activities ⁴	294,196,003	7,833,998	302,030,001	\$ 299,270,898	99.1%
Fire ⁵	11,334,900	407,363	11,742,263	\$ 11,507,185	98.0%
Health and Human Services	1,693,415	-	1,693,415	\$ 1,646,873	97.3%
Human Resources	-	-	-	\$ 328	-
Library Services ⁶	1,060,665	17,534	1,078,199	\$ 980,311	90.9%
Parks, Recreation & Marine	8,461,599	-	8,461,599	\$ 8,662,835	102.4%
Planning & Building ⁷	90,574	-	90,574	\$ 184,694	203.9%
Police	18,109,053	885,592	18,994,645	\$ 21,787,811	114.7%
Public Works	16,580,852	-	16,580,852	\$ 16,909,062	102.0%
TOTAL	\$ 377,406,152	\$ 10,364,487	\$ 387,770,639	\$ 385,519,595	99.4%

Notes:

¹ Amendments reflect budget adjustments made during the fiscal year.

² State reimbursement for election absentee costs from previous years of approximately \$481K was received in March. The remaining revenue is an adjustment from the Records Office for initially overcharging. The Hart Voting System was purchased in FY 07 for \$972,000; of that, \$900,000 was lease financed and used to provide capital for the acquisition.

³ The City Sponsorship Program start has been delayed due to protracted contract negotiations with Premiere Marketing.

⁴ Citywide Activities include tax revenues and pass through transactions.

⁵ Prior year-end accounts receivables were reversed this fiscal year and will be offset by deposits when received. Factors such as reductions in Medicare/MediCal payments and the changing payor mix have also negatively impacted year-to-date collections. In addition, various Accounts Receivables will be set up at fiscal year end bringing revenues closer to the ETC amount.

⁶ Public Library Fund Allocation funding is paid in one lump sum and the amount received fluctuates each year.

⁷ Year-end revenues appear high because they include revenues that will be allocated out to other funds.

September 2007
Expenditure Analysis by Department
General Fund - Fiscal Year 2007
(100% of Year Completed)

Attachment D

Department	FY 07 Adopted Budget	Amendments ¹	Adjusted Budget	Year End Actuals	
Mayor and City Council	\$ 5,115,005	\$ (44,413)	\$ 5,070,592	\$ 4,827,808	95.2%
City Attorney	3,626,460	1,292	3,627,751	\$ 3,260,463	89.9%
City Auditor	2,533,939	134,270	2,668,208	\$ 2,602,351	97.5%
City Clerk	3,019,004	2,114,787	5,133,792	\$ 5,052,364	98.4%
City Manager	3,531,282	147,857	3,679,138	\$ 3,642,660	99.0%
City Prosecutor	4,600,484	339,259	4,939,743	\$ 4,555,942	92.2%
Civil Service	2,813,620	48,234	2,861,854	\$ 2,867,370	100.2%
Community Development	7,801,127	472,746	8,273,874	\$ 7,897,080	95.4%
Financial Management	8,854,081	382,865	9,236,946	\$ 8,588,032	93.0%
Citywide Activities ²	18,303,433	4,589,131	22,892,564	\$ 22,012,911	96.2%
Fire	67,003,120	769,431	67,772,551	\$ 66,525,657	98.2%
Health and Human Services	4,873,669	28,206	4,901,875	\$ 4,890,146	99.8%
Human Resources	346,884	8,638	355,522	\$ 350,967	98.7%
Library Services ³	14,158,076	115,873	14,273,949	\$ 12,836,258	89.9%
Parks, Recreation & Marine	27,021,643	901,009	27,922,652	\$ 27,760,614	99.4%
Planning & Building ⁴	550,642	43,768	594,410	\$ 476,158	80.1%
Police ⁵	169,529,481	11,112,341	180,641,822	\$ 182,312,528	100.9%
Public Works	33,722,051	(2,454,291)	31,267,760	\$ 30,876,846	98.7%
TOTAL	\$ 377,404,000	\$ 18,711,003	\$ 396,115,004	\$ 391,336,155	98.8%

Notes:

¹ Amendments reflect budget adjustments approved by the City Council during the fiscal year, including prior-year encumbrances (purchase orders).

² Citywide Activities include debt service payments, as well as interdepartmental transfers made at the beginning of the fiscal year, including transfers to the Capital Improvement Fund for sidewalk repairs and Parks and Recreation capital projects. The Citywide Activities adjusted FY 07 budget also includes a negative budget of \$4 million in anticipation of savings from the Employee Healthcare Optimization Study.

³ Restoration of extended Library days/hours have been phased-in, beginning April 2007. Mark Twain Library was staffed beginning in August 2007.

⁴ Year-end actuals are under budget due to vacancies.

⁵ Police overtime is 118.5 percent of budget, which calculates to nearly \$1 million more in actual dollars expended or a 6.7 percent increase from FY 06 year end.

September 2007
Year to Date Expenditure Analysis by Department
General Fund - FY 07 Compared to FY 06
(100% of Year Completed)

Attachment E

Department	FY 06 Adjusted Budget	FY 06 YTD Actuals	% Spent FY 06	FY 07 Adjusted Budget	FY 07 YTD Actuals	% Spent FY 07	\$ Variance FY 07 to FY 06	% Spent FY 07 vs FY 06
Mayor and City Council	\$ 4,656,713	\$ 4,444,568	95.4%	\$ 5,070,592	\$ 4,827,808	95.2%	\$ 383,240	8.6%
City Attorney	3,427,944	3,007,489	87.7%	3,627,751	3,260,463	89.9%	252,975	8.4%
City Auditor ¹	2,608,897	2,230,662	85.5%	2,668,208	2,602,351	97.5%	371,689	16.7%
City Clerk	4,718,701	4,451,742	94.3%	5,133,792	5,052,364	98.4%	600,622	13.5%
City Manager	3,654,751	3,622,677	99.1%	3,679,138	3,642,660	99.0%	19,983	0.6%
City Prosecutor	4,215,365	4,197,425	99.6%	4,939,743	4,555,942	92.2%	358,517	8.5%
Civil Service	2,846,410	2,731,394	96.0%	2,861,854	2,867,370	100.2%	135,976	5.0%
Community Development ²	7,604,840	6,749,608	88.8%	8,273,874	7,897,080	95.4%	1,147,472	17.0%
Financial Management	8,213,392	8,101,165	98.6%	9,236,946	8,588,032	93.0%	486,867	6.0%
Citywide Activities ³	10,773,322	14,933,792	138.6%	22,892,564	22,012,911	96.2%	7,079,119	47.4%
Fire	68,700,372	67,158,140	97.8%	67,772,551	66,525,657	98.2%	(632,484)	-0.9%
Health and Human Services	4,367,052	4,331,761	99.2%	4,901,875	4,890,146	99.8%	558,385	12.9%
Human Resources	332,710	296,317	89.1%	355,522	350,967	98.7%	54,650	18.4%
Library Services	11,695,614	10,862,987	92.9%	14,273,949	12,836,258	89.9%	1,973,271	18.2%
Parks, Recreation and Marine	25,222,012	24,922,482	98.8%	27,922,652	27,760,614	99.4%	2,838,131	11.4%
Planning & Building ⁴	12,538,278	12,482,594	99.6%	594,410	476,158	80.1%	(12,006,436)	-96.2%
Police ⁵	163,653,332	164,313,232	100.4%	180,641,822	182,312,528	100.9%	17,999,296	11.0%
Public Works	29,690,054	28,537,797	96.1%	31,267,760	30,876,846	98.7%	2,339,049	8.2%
TOTAL	\$ 368,919,761	\$ 367,375,832	99.6%	\$ 396,115,004	\$ 391,336,155	98.8%	\$ 23,960,323	6.5%

Notes:

¹ Year to date expenditures are higher than the prior year because they include increases in annual financial audit costs, specialized audit services, and expenses that will be allocated out to other City departments.

² Early last fiscal year, the Department underspent compared to its budget. This fiscal year the Department is more in line with expenditures as compared to budget, which appears as a sizable increase in percentage of budget spent in the chart above.

³ Citywide Activities include debt service payments, as well as interdepartmental transfers made at the beginning of the fiscal year, including transfers to the Capital Improvement Fund for sidewalk repairs and Parks and Recreation capital projects.

⁴ For FY 07, Planning and Building transferred the majority of General Fund expenses into a new Development Services Fund. Of the remaining expenses, administrative transfers are still necessary to match the expenditure budget.

⁵ Police overtime is 118.5 percent of budget, which calculates to nearly \$1 million more in actual dollars expended or a 6.7 percent increase from FY 06 year end.

**September 2007
Expenditure Analysis by Fund
Fiscal Year 2007
(100% of Year Completed)**

Fund	FY 07 New Allocation	Estimated All-Years Carryover ¹	FY 07 Adopted Appropriation	Amendments ²	Adjusted Budget	Year End Actuals
Funds with All Years Carryover						
Airport	\$ 31,859,545	42,579,543	\$ 74,439,087	\$ 14,655,433	\$ 89,094,520	\$ 44,992,227 50.5%
Business Assistance	1,922,158	(467,418)	1,454,740	1,335,321	2,790,061	\$ 2,297,321 82.3%
Capital Projects	10,229,804	61,711,427	71,941,231	36,024,563	107,965,794	\$ 28,141,660 26.1%
Civic Center	1,412,576	12,908,624	14,321,200	1,241,424	15,562,624	\$ 6,922,027 44.5%
Community Development Grants	24,972,319	34,086,141	59,058,460	7,447,444	66,505,904	\$ 28,024,486 42.1%
Fleet Services	30,847,189	402,188	31,249,377	5,817,516	37,066,894	\$ 35,004,977 94.4%
Gas	134,102,008	1,552,192	135,654,201	208,140	135,862,340	\$ 114,114,789 84.0%
Gasoline Tax Street Improvement	16,218,563	24,015,103	40,233,666	(154,173)	40,079,493	\$ 11,748,763 29.3%
General Grants	8,594,063	14,813,996	23,408,059	9,034,966	32,443,025	\$ 23,068,392 71.1%
General Services	34,499,612	2,128	34,501,740	5,316,790	39,818,530	\$ 33,730,933 84.7%
Harbor	474,205,822	-	474,205,822	1,016,108	475,221,930	\$ 441,545,495 92.9%
Health	45,188,238	41,207,059	86,395,297	2,750,946	89,146,243	\$ 41,656,055 46.7%
Housing Authority	66,972,716	887,843	67,860,559	-	67,860,559	\$ 59,903,117 88.3%
Housing Development	39,282,888	40,289,317	79,572,206	16,220,066	95,792,272	\$ 26,747,098 27.9%
Insurance	36,685,600	-	36,685,600	520,890	37,206,491	\$ 30,605,216 82.3%
Parking Authority	-	-	-	-	-	\$ - -
Redevelopment	103,081,127	70,601,798	173,682,925	40,251,532	213,934,458	\$ 140,399,743 65.6%
Refuse/Recycling	40,263,890	163,016	40,426,906	811,211	41,238,117	\$ 37,358,160 90.6%
SERRF	46,352,085	(391)	46,351,694	63,158	46,414,852	\$ 45,305,889 97.6%
Sewer	14,119,120	2,009,489	16,128,609	-	16,128,609	\$ 15,576,437 96.6%
Tidelands Operating	113,191,473	15,448,595	128,640,068	6,715,046	135,355,114	\$ 126,308,852 93.3%
Transportation	14,415,576	19,688,601	34,104,177	(208,698)	33,895,479	\$ 13,883,732 41.0%
Water	81,969,042	-	81,969,042	-	81,969,042	\$ 77,192,090 94.2%
SUBTOTAL	\$ 1,370,385,415	\$ 381,899,252	\$ 1,752,284,667	\$ 149,067,684	\$ 1,901,352,351	\$ 1,384,527,462 72.8%
Funds Without All Years Carryover						
General	\$ 377,404,000	-	\$ 377,404,000	\$ 18,711,003	\$ 396,115,004	\$ 391,336,155 98.8%
Belmont Shore Parking Meter	636,837	-	636,837	6,733	643,570	\$ 566,283 88.0%
Certified Unified Program Agency (CUPA)	1,181,600	-	1,181,600	-	1,181,600	\$ 984,934 83.4%
Employee Benefits	208,931,346	-	208,931,346	98,686	209,030,032	\$ 191,108,881 91.4%
Development Services	14,696,596	-	14,696,596	-	14,696,596	\$ 13,503,845 91.9%
Park Development	1,053,575	-	1,053,575	-	1,053,575	\$ 1,053,575 100.0%
Parking & Business Area Improvement	5,951,500	-	5,951,500	980,588	6,932,088	\$ 5,839,081 84.2%
SERRF JPA	12,130,340	-	12,130,340	-	12,130,340	\$ 11,391,669 93.9%
Special Advertising & Promotion	5,849,888	-	5,849,888	442,759	6,292,647	\$ 6,235,363 99.1%
Tideland Oil Revenue	200,297,964	-	200,297,964	17,829,027	218,126,991	\$ 201,453,843 92.4%
Towing	9,238,168	-	9,238,168	1,002,937	10,241,105	\$ 8,860,694 86.5%
Upland Oil	20,718,698	-	20,718,698	4,466,224	25,184,922	\$ 23,114,592 91.8%
SUBTOTAL	\$ 858,090,512	-	\$ 858,090,512	\$ 43,537,957	\$ 901,628,469	\$ 855,448,915 94.9%
TOTAL - All Funds	\$ 2,228,475,927	\$ 381,899,252	\$ 2,610,375,179	\$ 192,605,641	\$ 2,802,980,820	\$ 2,239,976,377 79.9%

Notes:

¹ All-Years Carryover is composed of multi-year grants and Capital Improvement Program (CIP) funds; unspent amounts are carried over to future years.

² Amendments reflect budget adjustments approved by the City Council during the fiscal year including All-Years Carryover Budget Adjustments.