



**City of Long Beach Memorandum**  
*Working Together to Serve*

Attachment C

**Date:** March 16, 2010  
**To:** Patrick H. West, City Manager  
**From:** Lori Ann Farrell, Director of Financial Management/CFO  
**For:** Members of the Budget Oversight Committee  
**Subject:** Special Advertising and Promotions Fund Performance

As of Fiscal Year 2009 (FY 09), the Special Advertising and Promotions (SAP) Fund reflected a \$420,812 fund balance at year-end.

The SAP Fund supports contracts and services primarily in the City Manager's Office and the Department of Parks, Recreation and Marine (PRM). Technology Services and Citywide Activities Departments also impact the Fund, but on a smaller scale for government access television contracts and citywide indirect costs, respectively. FY 10 expense for these functions expected to be approximately \$400,000 lower than in FY 09.

Primary revenue sources for the Fund are Transient Occupancy Taxes (generated from non-Downtown RDA, non-Airport hotels in the City) and PRM's Office of Special Events and Filming (OSEF) permit fees for both special events and filming operations. The following chart summarizes performance of the Fund, as well as the FY 10 budget and FY 10 ETC.

Chart 1 - SAP Fund Balance-- FY 09 Actual, FY 10 Budget and FY 10 ETC

	FY 2009 Actual	FY 2010 Budget	FY 2010 ETC
Beginning Fund Balance	\$2,590,998	\$420,812	\$420,812
Revenue	5,163,060	6,258,741	5,757,194
Expense	(7,333,246)	(6,192,831)	(6,111,205)
Ending Fund Balance	\$420,812	\$486,722	\$66,801

**City Manager Department**

Expenses in the City Manager's Office are primarily to oversee the contracts for the Arts Council (\$370,000) and the Convention and Visitors Bureau (\$3,815,366). The FY 10 contract for the Arts Council reflects a reduction of \$170,000, and the Convention and Visitors Bureau contract was reduced by \$115,000.

It should be noted that 100 percent of SAP funding for the City Manager's Office is derived from TOT, which ended FY 09 below budgeted expectations by \$2.15 million, and actual performance is falling by \$1.36 million year-over-year, from FY 08 to FY 09. With budgeted TOT revenue of \$4.86 million in FY 10, contrasted against a 9 percent decline in occupancy rates and an 8 percent decline in average room rates through the first quarter of the fiscal year, it is likely that TOT revenue will once again fall short of anticipated levels due to a slow economic recovery.

Based on the continued poor performance of TOT, it is likely that mid-year budget reductions and/or revenue enhancements will be necessary to close FY 10 with a positive fund balance.

**Department of Parks, Recreation and Marine**

The following chart summarizes SAP Fund revenues and expenses in the Department:

Chart 2 – PRM Performance in SAP Fund – FY 09 Actual, FY 10 Budget and FY 10 ETC

	FY 2009 Actual	FY 2010 Budget	FY 2010 ETC
Revenue	1,349,282	1,373,741	1,361,500
Expense	(1,800,395)	(1,652,937)	(1,639,806)
<b>NET FUND SUPPORT</b>	<b>(\$451,113)</b>	<b>(\$279,196)</b>	<b>(\$278,306)</b>

Annual SAP Fund expenditures exceed revenue due to non-reimbursable community events such as the Summer Concert series, Municipal Band and other community programs.

Chart 3 – Community Recreation Performance in SAP Fund– FY 09 Actual, FY 10 Budget and FY 10 ETC

	FY 2009 Actual	FY 2010 Budget	FY 2010 ETC
Revenue	32,143	195,000	182,500
Expense	(582,496)	(400,718)	(397,065)
<b>NET FUND SUPPORT</b>	<b>(\$550,353)</b>	<b>(\$205,718)</b>	<b>(\$214,565)</b>

Office of Special Events and Filming (OSEF)

The OSEF is comprised of separate Special Events and Filming operations, and works closely with the Convention and Visitor's Bureau (CVB) and the Downtown Long Beach Business Associates (DLBA) to plan events that drive business to the local hospitality industry. The cost of OSEF's Filming operation is fully compensated by permit fee revenue, while its Special Events operations have depended on permit revenue but also available SAP Fund balance to cover its costs. Over 100 new special events were held in Long Beach in FY 09, with many events either fully or partially subsidized by the City. Attachment C-1 lists the FY 09 events that were partially paid for by permit fees, and Attachment C-2 lists the events that were fully subsidized by the City.

Chart 4 – Special Events and Filming Performance in SAPFund – FY 09 Actual, FY 10 Budget and FY 10 ETC

	FY 2009 Actual	FY 2010 Budget	FY 2010 ETC
Revenue	1,317,138	1,178,741	1,179,000
Expense	(1,176,249)	(1,214,221)	(1,201,898)
<b>NET FUND SUPPORT</b>	<b>\$140,889</b>	<b>(\$35,480)</b>	<b>(\$22,898)</b>

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**Recommendations**

- Measures to improve financial sustainability and cost recovery in the SAP Fund are necessary to ensure an ongoing structural balance. It is recommended that the Budget Oversight Committee request the City Manager to re-evaluate and reduce the subsidy level provided for special events that are not currently achieving full cost recovery (Attachment C-1).

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CC: SUZANNE FRICK, ASSISTANT CITY MANAGER  
REGINALD I. HARRISON, DEPUTY CITY MANAGER  
PHIL HESTER, DIRECTOR OF PARKS, RECREATION AND MARINE