



CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

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

June 15, 2004

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

SUBJECT: Fiscal Year 2004 Mid-Year Budget Performance Report (Citywide)

DISCUSSION

This Midyear report provides an update of the City's financial performance for the first half of Fiscal Year 2004 (FY 04) and discusses the expenditure and revenue trends for the period October 2003 through March 2004, as well as budget projections for the remainder of the fiscal year. Due to the continued focus on the resolution of the City's projected structural deficit, this report will focus primarily on the General Fund, which provides for traditional municipal services, such as police, fire, parks and recreation, libraries and public works. To provide a complete financial picture of the City's budgetary performance, however, the report covers a broad spectrum of financial information for all funds and departments with Year-to-Date (YTD) performance analysis and multi-year comparisons.

FY 04 is the first year of the Three-Year Financial Strategic Plan (Plan). The City Manager-imposed hiring freeze and purchasing curtailment continues to generate additional savings to allow for a multi-year approach to addressing the City's structural deficit. These policies have helped the City realize savings in the General Fund and other funds throughout the first six months of the year and continue to produce needed carry-over savings. The City Manager's \$12 million target carry-over fund balance for the year will be discussed in more detail later in this report.

As of this writing, the State Legislature is deliberating its FY 05 budget. That budget, in addition to recent voter-approved initiatives, will have negative financial and cash flow impacts on the City's General Fund. The known impacts, and some of the expected impacts, are discussed in this report, including those impacting Sales Tax, Vehicle License Fee and Property Tax revenues. The final amount of revenue losses to the City will not be known until the State adopts its budget.

FY 04 REVENUE PERFORMANCE

With six months of the fiscal year complete, current revenue projections appear to be holding a stable course. Despite the myriad legislative and legal issues that could jeopardize the City's revenue streams in the coming months, including the Governor's May Revise Budget that was released on May 14, 2004, current forecasts, or estimates to close (ETCs) are in line with budgeted estimates.

Revenue Performance – Non-General Funds

Some detail is provided below for several non-General Fund revenues for the City Council's information:

Transient Occupancy Tax –Special Advertisement and Promotions Fund

FY 03 Actual	FY 04 Adjusted Budget	FY 03 March YTD	FY 04 March YTD	FY 04 YTD over/(under) FY 03 YTD	FY 04 Estimates to Close (ETC)
\$3,789,210	\$4,442,000	\$1,836,237	\$1,879,334	\$43,097	\$4,100,000

It may be helpful to provide background on the City's Transient Occupancy Tax (TOT). The 12 percent TOT is collected on all visitors staying at city hotels. The TOT revenue is allocated as follows by the relevant ordinances:

- **General Fund:** Half (50 percent) of all TOT revenue collected citywide is allocated to the General Fund.
- **Redevelopment (RDA) Fund:** Half of all TOT revenue collected from the hotels within the RDA Downtown Project Area is allocated to the RDA Fund. The Downtown Project Area hotels generate much of the City's total TOT revenue.
- **Special Advertisement and Promotions (Promotions) Fund:** Half of the TOT revenue collected citywide from all but the Downtown Project Area hotels is allocated to the Promotions Fund.

The General Fund and RDA Fund benefit greatly from the City's focus on downtown development and the Convention and Visitors Bureau's (CVB) efforts to attract visitors to the downtown area. For FY 03, of the total \$13.1 million collected citywide from the TOT, approximately 72 percent flowed directly to the General Fund and RDA Fund. Moreover, of the Citywide total, 42 percent of the TOT was generated by the downtown hotels. The Promotions Fund receives only 28 percent of the total City TOT revenue, none of it generated by downtown hotels.

As a result, Promotions Fund TOT revenues, which essentially support the \$3.7 million annual payment to the CVB, are not sufficient to fully offset the \$5.1 million Promotions Fund expenditure budget. This has been the case for several years. In the past, RDA TOT was available to make up the difference. However, all the RDA TOT is needed to close the gap in the Aquarium bond payments.

Although FY 04 performance was expected to improve significantly for Promotions Fund area hotels, YTD receipts for Promotions Fund TOT are only 2.4 percent higher than FY 03 March YTD receipts. As a result, current ETCs (forecasts) are \$342,000 less than the Adopted Budget. Unless revenue performance increases, or expenditures are curtailed for the remainder of the fiscal year, this reduction in revenue would place the Special Advertising and Promotions Fund out of balance by fiscal year end. Recommendations to

deal with the Promotion Fund's financial shortfall will be included with the FY 05 Proposed Budget, and may include the use of one-time Tidelands Fund oil revenue.

Transient Occupancy Tax –Redevelopment Agency Fund

FY 03 Actual	FY 04 Adjusted Budget	FY 03 March YTD	FY 04 March YTD	FY 04 YTD over/(under) FY 03 YTD	FY 04 Estimates to Close (ETC)
\$2,777,511	\$2,972,726	\$1,338,824	\$1,380,940	\$42,116	\$3,140,000

Due to a 5.1 percent increase in confirmed convention bookings for FY 04 reported by the CVB, as well as the compounding effect of an expected 5.7 percent growth in downtown hotel occupancy and room rates, the City expected a 7 percent increase in RDA TOT revenue over FY 03 Actuals when the Budget was adopted. FY 04 March YTD receipts are 3.2 percent higher than FY 03 March YTD receipts. Based on recent updates from downtown hotels, staff is expecting to finish the year strong, with \$169,274 projected (5.6 percent) over the FY 04 Adjusted RDA TOT Budget.

Motor Vehicle In Lieu – Health Fund

FY 03 Actual	FY 04 Adjusted Budget	FY 03 March YTD	FY 04 March YTD	FY 04 YTD over/(under) FY 03 YTD	FY 04 Estimates to Close (ETC)
\$4,752,699	\$5,607,103	\$3,037,482	\$2,796,373	(\$241,109)	\$5,607,103

This revenue was temporarily impacted by the "Poison Pill" provision in State Law, which allowed the State to stop VLF payments to local health jurisdictions under certain State fiscal conditions (Health VLF is restricted by State law and can only be spent on Health programs). As of March 1, 2004, the City had lost approximately \$525,000 of this revenue. The Health Department froze expenditures for certain social services programs to maintain the Fund's balance. This issue has since been resolved through legislative actions. The City Health Fund will be reimbursed from VLF for all lost revenue to date. Thus ETCs are at original levels.

General Fund Revenue

FY 03 Year-End Actuals	FY 04 Adjusted Budget	FY 03 March YTD	FY 04 March YTD	FY 04 YTD over/(under) FY 03 YTD	FY 04 Estimates to Close (ETC)
\$367,586,241	\$350,696,907	\$196,418,449	\$179,098,500	(\$17,319,949)	\$356,695,905

As stated earlier, revenue projection to close this fiscal year appear to be on target for the General Fund. General Fund revenues are approximately \$17.3 million lower than at this time last year, due to less use of one-time resources in FY 04 and earlier than scheduled receipts during FY 03. Nonetheless, current revenue ETCs for FY 04 are \$6 million (or 1.8 percent) higher than the adjusted budget. The ETCs, however, include \$2.9 million in street sweeping lease financing proceeds earmarked for the purchase of new street sweepers, and a \$1 million loan repayment from the Airport Fund for prior-year Fire services that was budgeted in a non-revenue holding account. Excluding these items, revenue estimates are expected to be higher than budget by \$2.1 million (0.6 percent) which will assist with achieving the desired \$12.0 million carryover.

In addition, the ETCs also include \$2.2 million in additional SERRF Profit Transfer and \$2.6 million in additional Uplands Oil Transfer revenue. The City Manager has recommended that these one-time resources be set-aside in the Operating Reserve pending the resolution of the FY 05 budget deficit. Possible uses for these reserved funds will be to backfill anticipated lost SERRF profit transfer in FY 06 (due to the scheduled shutdown and maintenance of the facility), and support for enterprise-wide technology investments to achieve further service delivery efficiencies. After excluding these unbudgeted revenues, base estimated year-end revenues could be \$2.8 million under budgeted levels.

This shortfall in revenues is reflective of several major revenue losses, including an expected \$2 million loss of Sales Tax due to the implementation of the State's Triple Flip (the shift of local sales tax revenue to the State), a \$1 million loss of Electric UUT due to a proposed State Power Rebate, and a likely shortfall in marketing revenue. This estimate does not take into account the Governor's proposed State FY 05 ERAF property tax shifts, which will be discussed later in this report. The Governor's "May Revise" Budget provides an update of the State's budget strategy. A summary of these and other revenues, including detail on the Top 40 General Fund revenues, is included as **Attachment A**.

The following sections provide more detailed analysis on some of the City's larger General Fund revenues.

Secured Property Tax

FY 03 Actual	FY 04 Adjusted Budget	FY 03 March YTD	FY 04 March YTD	FY 04 YTD over/(under) FY 03 YTD	FY 04 Estimates to Close (ETC)
\$48,642,542	\$52,043,000	\$27,649,195	\$29,283,970	\$1,634,775	\$51,243,000

This is an *ad valorem* tax on real property of approximately 1 percent of assessed valuation. The FY 04 Adopted budget reflects a 7 percent-projected growth in Secured Property Tax in the General Fund. As expected, Year-to-Date performance through April 2004 is 7.2 percent higher than April 2003. Staff's financial model that forecasts revenue is based on 19 years of historical receipts; which smoothes-out year-over-year anomalies. The forecasting model indicates that receipts may close the year \$800,000 under budget, a variance of 1.5 percent from budget. However, there are still several payments from the County to be received, with a final cleanup payment in August. Final results may deviate from this forecast.

Unsecured Property Tax

FY 03 Actual	FY 04 Adjusted Budget	FY 03 March YTD	FY 04 March YTD	FY 04 YTD over/(under) FY 03 YTD	FY 04 Estimates to Close (ETC)
\$2,540,349	\$2,809,000	\$1,330,644	\$1,500,564	\$169,920	\$2,939,000

This tax applies to personal property such as intangible personal property and possessory interest (leases). March FY 04 YTD receipts are consistently exceeding prior YTD earnings by \$130,000 and staff expects this trend to continue.

Sales and Use Tax

	FY 03 Actuals	FY 04 Adjusted Budget	FY 03 March YTD	FY 04 March YTD	FY 04 YTD over/(under) FY 03 YTD	FY 04 Estimates to Close (ETC)
Sales & Use Tax	\$42,345,525	\$41,287,000	\$21,591,550	\$19,878,257	(\$1,713,293)	\$39,276,000
Rebate Agreements	\$1,712,683	\$2,226,500	\$400,979	\$271,920	(\$129,059)	\$2,258,500
Net Sales & Use Tax	\$40,632,842	\$39,060,500	\$21,190,571	\$19,606,337	(\$1,584,234)	\$37,017,500

When excluding the one-time payments received during FY 03, March FY 04 YTD receipts are approximately 2.7 percent less than FY 03 YTD receipts due to lackluster holiday sales activity. The State's "Triple Flip" will reduce revenue for the remainder of the year. The voter-approved State Proposition 57 (known as the "Triple-Flip") exchanges 25 percent of local government sales tax revenue for property taxes. This exchange causes a delay in cash receipts from Sales Taxes, which are received monthly, to Property Taxes, which are received each January and May. The "Triple-Flip" takes affect July 1, 2004 and is expected to reduce Sales Tax revenue to the City's General Fund by over \$2 million this fiscal year.

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The lost revenue will be paid to the City in installments to be received next fiscal year in the form of Property Tax. The "Triple-Flip" exchanges will continue each year as long as the State Bonds issued under Prop 57 remain outstanding. The chart below highlights the projected impacts of the "Triple Flip".

		Estimated Receipts Status Quo	Estimated Receipts with ¼ cent "Triple Flip"			Variance
		Sales Tax	Sales Tax	Sales Tax Backfill	Total Receipts	Received/ (Deferred)
Sales Period	City Receipts					
Oct-June	Dec-Aug	\$29,080,800	\$29,080,800	\$0	\$29,080,800	\$0
July	September	3,078,200	2,764,200	0	2,764,200	(314,000)
August	October*	3,078,200	2,308,650	0	2,308,650	(769,550)
September	November*	4,038,800	3,029,100	0	3,029,100	(1,009,700)
Total		\$39,276,000	\$37,182,750	\$0	\$37,182,750	(\$2,093,250)

*The October and November 2004 payments will be recorded to FY 04 because they will be the result of FY 04 sales.

Despite the dark cloud placed by the State over the City's sales tax revenue, there is reason for cautious optimism for this revenue source. As has been discussed previously, retail establishments have come on line over the past several months in Long Beach, having a positive impact on the City's Sales Tax revenue. The chart below shows revenue growth, by quarter for the past two fiscal years (FY 02 – FY 04 YTD). As the chart demonstrates, a positive trend can be found in three of the four major retail areas of the city, with the Towne Center Area on pace to increase its revenue by 19 percent and the CityPlace area on pace to close the current fiscal year 76 percent higher than during FY 03.

Quarterly Sales Tax Earnings by Major Shopping Areas

Fiscal Year Receipts	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	Total
Sales Period	July-Sept	Oct-Dec	Jan-March	April-June	
Los Altos Area					
FY 02	\$338,721	\$447,868	\$334,884	\$350,035	\$1,471,508
FY 03	326,900	442,404	331,855	345,443	1,446,602
FY 04	349,655	440,981	n/a	n/a	--
Towne Center Area					
FY 02	\$439,284	\$506,260	\$416,968	\$468,417	\$1,830,929
FY 03	471,298	636,036	531,736	594,511	2,233,580
FY 04	614,197	715,665	n/a	n/a	--
Marina Pacifica Area					
FY 02	\$111,861	\$109,141	\$134,934	\$122,686	\$478,622
FY 03	118,953	143,832	112,764	123,102	498,651
FY 04	104,080	136,122	n/a	n/a	--
CityPlace Area					
FY 02	\$ 12,500	\$ 15,867	\$ 11,903	\$ 12,495	\$ 52,766
FY 03	16,382	123,096	110,474	118,645	368,597
FY 04	139,411	186,050	n/a	n/a	--

Transient Occupancy Tax (TOT) – General Fund

FY 03 Actual	FY 04 Adjusted Budget	FY 03 March YTD	FY 04 March YTD	FY 04 YTD over/(under) FY 03 YTD	FY 04 Estimates to Close (ETC)
\$6,566,720	\$6,829,000	\$3,175,060	\$3,260,274	\$85,214	\$7,007,000

Hotels are required to remit Transient Occupancy Tax collected, in a given month, by the end of the following month. There has been positive growth for this revenue source, both due to increased bookings in local hotels as well as increased room rates. The charts below compare the monthly averages for the last two fiscal years (FY 02 – FY 04 YTD) for both occupancy rates as well as daily room rates.

Long Beach Hotel Occupancy Rates

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	YTD Avg.
FY 2004	71.5%	66.1%	56.3%	67.9%	75.7%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	67.5%
FY 2003	70.4%	65.8%	57.2%	65.1%	75.6%	70.1%	64.8%	67.5%	73.2%	77.1%	77.6%	69.9%	69.5%
Variance	1.1%	0.3%	(0.9%)	2.8%	0.1%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(2.0%)
FY 2002	67.1%	68.8%	47.4%	66.8%	69.1%	71.9%	73.2%	70.4%	70.8%	73.7%	75.5%	71.1%	68.0%

Long Beach Hotel Average Daily Room Rates

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	YTD Avg.
FY 04	\$122.22	\$101.54	\$98.59	\$109.91	\$113.35	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$109.12
FY 03	\$123.96	\$101.26	\$93.31	\$108.79	\$108.80	\$110.39	\$126.07	\$108.09	\$101.67	\$102.47	\$99.19	\$98.66	\$106.89
Variance	(\$1.74)	\$0.28	\$5.28	\$1.12	\$4.55	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$1.90
FY 02	\$104.57	\$100.08	\$86.53	\$105.47	\$105.10	\$108.90	\$128.51	\$109.50	\$110.02	\$101.44	\$98.28	\$102.51	\$105.12

The 4 percent revenue growth built into the FY 04 General Fund budget is expected from additional room nights generated by a full year of Carnival Cruise Lines' presence and due to increased convention bookings. The CVB reported a 24.7 percent increase in their room night bookings from FY 03 to FY 04, equaling nearly 50,000 more room night bookings in FY 04; however, City Financial Management staff did not assume a 24.7 percent increase in revenue. Several local hotels contacted reported that they expect 2 to 3 percent growth in FY 04, above their initial forecasts. That is consistent with City staff's forecast. Therefore, the current forecast is that General Fund TOT will close the year at approximately \$7.0 million, which is \$178,000 or 2.6 percent above the FY 04 budget.

Electric Company Franchise Fee

FY 03 Actual	FY 04 Adjusted Budget	FY 03 March YTD	FY 04 March YTD	FY 04 YTD over/(under) FY 03 YTD	FY 04 Estimates to Close (ETC)
\$6,271,788	\$5,997,000	\$3,593,874	\$2,968,814	(\$625,060)	\$5,997,000

The City receives 1.66 percent of the gross revenue from all electrical energy sold by Southern California Edison (SCE) within the City, exclusive of energy used for street lighting. Payments are received quarterly. The 4.4 percent reduction in the FY 04 Budget from FY 03 actuals account for a full year of the 13 percent CPUC-approved electric rate reduction. Due to the timing of receipts, there is not sufficient data to forecast year-end results with any degree of confidence. Staff will prepare a forecast when the next payment is received in May.

Pipeline Franchise Fee

FY 03 Actual	FY 04 Adjusted Budget	FY 03 March YTD	FY 04 March YTD	FY 04 YTD over/(under) FY 03 YTD	FY 04 Estimates to Close (ETC)
\$7,091,421	\$5,500,000	\$2,418,403	\$2,636,808	\$218,405	\$6,600,000

The Current ETC is \$1.1 million over the budgeted projection, based upon a recent estimate provided by the Southern California Gas Company.

UUT Rates

Total UUT (Telephone, Electric, Gas and Water)

FY 03 Actual	FY 04 Adjusted Budget	FY 03 March YTD	FY 04 March YTD	FY 04 YTD over/(under) FY 03 YTD	FY 04 Estimates to Close (ETC)
\$50,962,665	\$44,611,000	\$26,201,313	\$22,812,273	(\$3,389,040)	\$44,480,000

A 6 percent UUT rate is in effect for FY 04. The last UUT rate reduction will be implemented in FY 05 (October 1, 2004) to a rate of 5 percent. Each one percentage point reduction in the UUT rate equates to a loss of approximately \$7 million in revenue.

Telephone Utility Users Tax

FY 03 Actual	FY 04 Adjusted Budget	FY 03 March YTD	FY 04 March YTD	FY 04 YTD over/(under) FY 03 YTD	FY 04 Estimates to Close (ETC)
\$18,412,302	\$18,562,000	\$8,831,765	\$9,085,097	\$253,332	\$19,006,000

The 0.8 percent growth in FY 04 budget includes a full year of increased cell phone UUT revenues from AT&T and Verizon, and should offset the UUT rate reduction. FY 04 March YTD receipts are 2.9 percent more than FY 03 March YTD receipts. Staff expects the Telephone UUT to close the year \$444,000 (or 2.3 percent) over budget.

Electric Utility Users Tax

FY 03 Actual	FY 04 Adjusted Budget	FY 03 March YTD	FY 04 March YTD	FY 04 YTD over/(under) FY 03 YTD	FY 04 Estimates to Close (ETC)
\$23,426,752	\$18,272,000	\$12,857,066	\$9,170,652	(\$3,686,414)	\$17,272,000

The 22 percent reduction from FY 03 actuals in the FY 04 Adopted Budget is due to the PUC-approved 13 percent reduction in the electric rates for the full fiscal year, as well as the 1 percentage point UUT rate decrease. Staff forecasts a \$1 million (or 5.4 percent) shortfall by the end of FY 04.

Gas Utility Users Tax

FY 03 Actual	FY 04 Adjusted Budget	FY 03 March YTD	FY 04 March YTD	FY 04 YTD over/(under) FY 03 YTD	FY 04 Estimates to Close (ETC)
\$5,540,557	\$4,580,000	\$2,769,547	\$2,999,741	\$230,194	\$5,005,000

The Gas UUT revenue received by the City is determined by the cost of natural gas purchased by the City and the volume sold. The Long Beach Energy Department currently has a natural gas purchase contract with Coral Energy Resources, L.P. that began on April 1, 2003 and will end on March 31, 2006. This agreement includes a winter price ceiling of \$1.00 per therm and a floor price of \$0.30 per therm. The chart below shows the April 2004 and annual average prices through April.

Long Beach Gas Purchase Price per Therm

Fiscal Year	April 2004	Year-To-Date Annual Average
FY 2004	\$0.479	\$0.552
FY 2003	\$0.432	\$0.428
FY 2002	\$0.335	\$0.258

Based on YTD performance, staff projects Gas UUT revenue may close the year \$425,000 (or 9.2 percent) over the FY 04 Adopted budget.

Water Utility Users Tax

FY 03 Actual	FY 04 Adjusted Budget	FY 03 March YTD	FY 04 March YTD	FY 04 YTD over/(under) FY 03 YTD	FY 04 Estimates to Close (ETC)
\$3,583,054	\$3,197,000	\$1,742,935	\$1,561,555	(\$181,380)	\$3,197,000

It is anticipated that this revenue will close the fiscal year on budget.

Business License Tax (BLT)

FY 03 Actual	FY 04 Adjusted Budget	FY 03 March YTD	FY 04 March YTD	FY 04 YTD over/(under) FY 03 YTD	FY 04 Estimates to Close (ETC)
\$8,158,748	\$8,899,600	\$4,152,409	\$4,754,750	\$602,341	\$9,300,000

Business License Taxes are paid by Long Beach businesses and residential rental property owners. The tax is approximately \$258 per business site plus an employee surcharge. The 9.1 percent increase in the FY 04 Adopted budget accounts for the elimination of last year's one-time 15 percent discount program that was intended to promote businesses to get licensed. Revenue is forecasted to close the year slightly over budget.

Motor Vehicle In Lieu - General Fund

FY 03 Actual	FY 04 Adjusted Budget	FY 03 March YTD	FY 04 March YTD	FY 04 YTD over/(under) FY 03 YTD	FY 04 Estimates to Close (ETC)
\$22,487,884	\$28,249,000	\$13,153,271	\$10,788,187	(\$2,365,084)	\$27,697,097

The Motor Vehicle In Lieu Fee (VLF) is collected by the State and distributed on a per capita basis. Both the City's General Fund and Health Fund (\$5.6 million for FY 04) receive VLF

allocations. The Health Fund's allocations were discussed previously, while this section discusses only the General Fund's allocations.

The 25.6 percent increase in the FY 04 Adopted budget over FY 03 actuals reflects the loss of \$5.5 million of VLF backfill in the summer of FY 03. FY 04 March YTD receipts are 18 percent lower than FY 03 March YTD receipts. The adjusted budget was adjusted with the expectation that the rate would be fully restored. The shortfall in current year revenue is due to approximately \$800,000 of anticipated VLF backfill for the month of November 2003 that was not paid by the State. Also, a VLF payment of \$432,250 that is usually received in February was not received until April and is therefore not reflected in the mid-year data. The State Controller's Office reported that the required cash was not available to make the payment at the scheduled time (the \$432,250 is a special payment received annually, in addition to normal monthly payments). The regular April 2004 payment was \$2,504,496 and is in line with current estimates. However, the May 2004 payment was short by \$364,000; these funds were directed by the State to counties' health programs. In addition, we now know that the Governor's May budget revision includes the elimination of the VLF backfill and other VLF reductions to pay for State and County programs. Should the proposals be adopted, Long Beach will receive very little VLF for the last quarter of our FY 04. Until the Governor's proposals are adopted by the Legislature; however, the anticipated revenue losses are not included in ETCs.

Interest Earnings – General Fund

FY 03 Actual	FY 04 Adjusted Budget	FY 03 March YTD	FY 04 March YTD	FY 04 YTD over/(under) FY 03 YTD	FY 04 Estimates to Close (ETC)
\$4,513,004	\$3,762,316	\$2,238,601	\$1,686,604	(\$551,998)	\$3,259,000

Current earnings continued to decline as City funds invested in higher interest rate securities matured were reinvested in securities at currently low market rates. In addition, the General Fund cash balances are lower than expected due to the loss of the VLF backfill payments from July through December. Due to the continuing decline in YTD earnings and assuming that the Feds will keep interest rates low through the November election, current forecast indicates earnings will be \$503,316 lower than budget.

Other (GF) Revenues

FY 03 Actual	FY 04 Adjusted Budget	FY 03 March YTD	FY 04 March YTD	FY 04 YTD over/(under) FY 03 YTD	FY 04 Estimates to Close (ETC)
\$44,124,004	\$29,108,436	\$20,665,971	\$18,689,602	(\$1,976,369)	\$32,727,079

Other revenues include grants, user fees (such as plan check fees), City overhead charges to non-General Funds, transfers from other funds, vehicle code fines and other miscellaneous revenues. The 33.7 percent drop from FY 03 actuals to the FY 04 Adopted Budget is due to the reduced use of one-time transfers in FY 04. The current forecast reflects unbudgeted revenue of \$2.9 million from Street Sweeping Lease proceeds. This lease revenue has or will be used to acquire street sweeping equipment, are restricted to that purpose and are not available for discretionary purposes.

General Fund Revenue By Department

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 realize or exceed their revenue budget estimates, there are a few departments worth highlighting:

- The City Clerk will realize less Microfilm revenue since the Police and Planning and Building Departments are scanning permit records instead of using microfilm.
- In FY 04, \$1 million in new marketing and sponsorship revenue was added to the Department of Community Development's projected General Fund revenue. The majority of the revenue was to come from two new programs: an Affinity Credit Card program (\$575K) and the Signs of Support (\$304K). Unfortunately, the Affinity Card program proved not to be a viable revenue source. The City has begun to move forward with the Signs of Support (advertising on City vehicles); however, due to staffing challenges delaying the full development of these and other marketing opportunities, revenues lag way behind projections. Current estimates-to-close for marketing and sponsorship revenues in the Department equate to \$100,000. In an effort to meet their revenue target, increased effort will be placed in this area to identify both long-term programs and immediate opportunities during the remainder of the year.
- Health and Human Service will be realizing greater than budgeted General Fund revenues due to increased revenue from animal license fees/charges and facility rentals.
- Technology Services revenue is low because CityPlace parking revenue is lower than anticipated. When full build-out occurs, revenue is expected to increase.
- The higher projected performance for Citywide Activities revenue is attributable to an additional \$2.2 million SERRF profit transfer and \$2.6 million Upland Oil profit transfer, as mentioned previously in this report; these revenues will be held in reserve for future anticipated revenue needs.

Please see **Attachment B-2** for a complete overview of General Fund revenue by department on a Year-to-Year basis, as well as other performance highlights by department as reported previously during the fiscal year.

With the exception of marketing revenue in the Department of Community Development and CityPlace garage revenue (which continues to lag due to slowed opening of stores), none of these departmental revenue performance fluctuations in the General Fund are cause for concern. The Department of Financial Management will continue to work with departments to realize budgeted revenue targets. As discussed earlier, overall General Fund revenues are projected to finish the year \$2.1 million (0.6 percent) over budgeted levels, which help achieve a modest level of carryover to assist in balancing the FY 05 budget.

FY 04 EXPENDITURE PERFORMANCE

The City's Adopted FY 04 Expenditure Budget for all funds was \$1.66 billion, plus an estimated carry-over budget for multi-year grants and capital project funds of \$265.7 million. With the addition of approved amendments, the total Adjusted City Budget as of March 31, 2004 was \$1.97 billion. With 50 percent of the year complete, only 37.7 percent of the City's budget in all funds has been expended to date. This level of spending is in line with historical trends due to seasonal fluctuation in expenditures. Please see **Attachment C** for an overview of the FY 04 Budget with a breakdown of citywide Year-to-Date expenditures by fund.

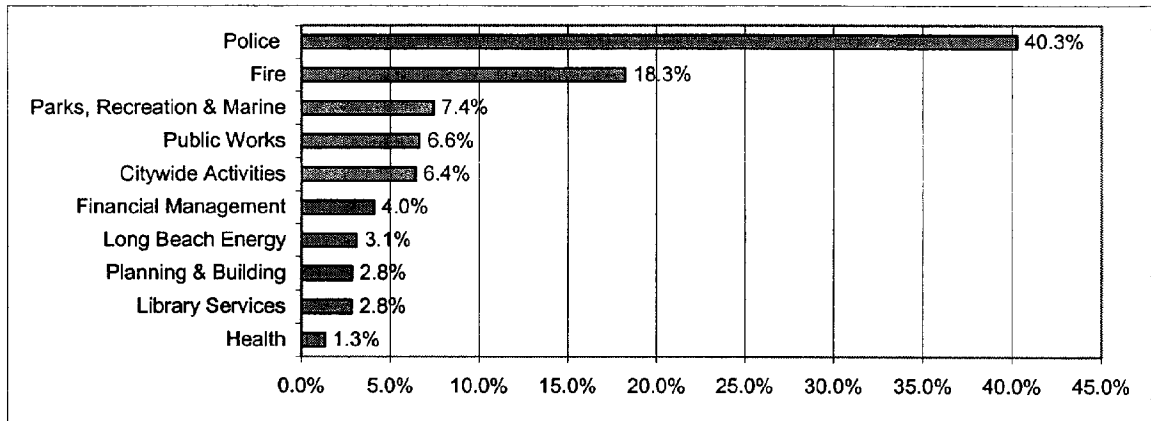
General Fund Expenditures By Department

The Adopted General Fund budget for FY 04 was \$360.6 million. Budget appropriation adjustments totaling approximately \$6.2 million have been added primarily for the carry-over of FY 03 grant funding, including over \$3 million for Fire Department grants. As of March 31, 2004, the total adjusted General Fund budget was \$366.7 million, reflecting City Council-approved adjustments made during the first six months of the fiscal year.

In line with the City's Financial Policies, **Attachment D-1** provides an overview of all departments' Year-to-Date General Fund expenditure performance compared to FY 03 expenditures. With 50 percent of the year expired, the overall Year-to-Date General Fund spending is 46.7 percent of budget. Current ETCs submitted by departments project that the General Fund budget will end the year at 99.5 percent of the adjusted budget. **Attachment D-2** displays a Year-to-Year comparison of expenditure performance by department.

The majority of General Fund expenditures remain directed toward public safety. The Police Department (40.3 percent of expenditures) and Fire Department (18.3 percent of expenditures) expenditures comprised 58.6 percent of the total General Fund actual expenditures Year-to-Date. Chart 1 below shows the most significant General Fund actual Year-to-Date expenditures, by department. Police Department expenditures are higher than expected due to high overtime usage during the federally enacted "Orange Alert" terrorism awareness mobilization in December. This higher-than expected usage of overtime will be monitored closely, to ensure the department does not exceed its total appropriations for FY 04.

Chart 1 – Largest FY 04 General Fund Expenditures by Department, as a Percentage of Total Year-to-Date Expenditures

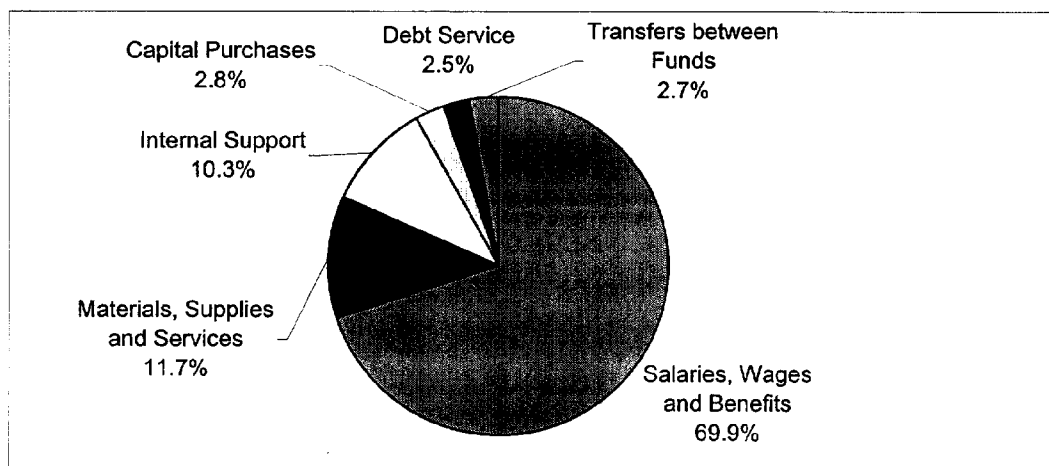


*Citywide Activities include debt payments, pass through transactions, old Police and Fire pension plan, General Fund project funding, etc.

General Fund Expenditures by Category

Salaries, Wages and Benefits continue to be the largest portion of actual expense in the General Fund at 69.9 percent. Although Salaries, Wages and Benefits represent 72.6 percent of the budgeted expense, Transfers between Funds executed early in the fiscal year represent a larger than expected share of total expense. This category comprised 2.7 percent of Year-to-Date expenditures but is only 0.9 percent of the FY 04 Budget. Materials, Supplies, and Services was the second largest category of expense at 11.7 percent of Year-to-Date General Fund expenditures. Please see the chart below for a breakout of Year-to-Date expenditures by category.

Chart 2 – General Fund Expenditure Performance FY 04 by Category, as a Percentage of Total Year-to-Date Expenditures



As of March 2004, expenditure performance in the General Fund is in line with expectations. The Department of Financial Management will continue to work with departments to ensure that the City Manager's expenditure policies are implemented and a maximum amount of savings is generated to help the City achieve the Plan targets.

Other Related Issues

General Fund Carry-over Target

The City Manager has established for his Department Directors, the goal of achieving a \$12 million carry-over target for use in balancing the FY 05 Budget, through strict adherence to the hiring freeze, spending curtailment, and improved revenue performance. However, ETCs submitted by departments at mid-year project an approximate carry-over fund balance of only \$9 million. While revenue performance is encouraging due to unbudgeted revenue from oil and SERRF profits, and some departments are projecting significant savings for FY 04, departments must work harder to generate critical savings and maximize revenue opportunities for the remainder of the fiscal year if this target is to be achieved.

Beyond the City's local budget performance, however, are the potential losses of revenue during the remainder of FY 04 due to the State budget. Detail is provided on the State budget below.

State Budget Losses

On May 13, 2004, the FY 05 May Revision of the Governor's Budget was released. In an effort to resolve the State's continued budget crisis, the Governor has proposed several take-aways of local government revenue, as well as some reductions in program funding that will have an impact on the City of Long Beach starting in the City's FY 04.

Impacts on the General Fund Revenue

There are two main provisions in the Governor's May Revision that will have a significant impact on two key General Fund revenues, Vehicle License Fees (VLF) and Sales Taxes, starting in July 2004.

Vehicle License Fees

The Governor has asked for local governments to contribute \$1.3 billion in local revenue to the State (take-away). Of this amount, \$350 million will come from counties, \$350 million will come from cities, \$350 million from Special Districts and \$250 million from Redevelopment Agencies.

The take-away that will affect cities and counties will be executed through a permanent reduction of the VLF rate from 2 percent to 0.65 percent, effective July 1, 2004, which will effectively eliminate the State Backfill payments (67.5 percent of the VLF payments currently being made by the State General Fund to counties and cities). This loss of monthly VLF backfill revenue will be replaced by a semi-annual "Property Tax in Lieu" payment from the State to local governments.

Also, due to State requirements to provide Health and Welfare Realignment Funding and cover the fixed administrative costs of managing the VLF program, the allocation of the remaining amount of VLF revenue (32.5 percent) will go first to Health and Welfare Realignment programs, then to the State VLF administration, and then to cities on a per capita basis. These two VLF actions will reduce the City of Long Beach's VLF revenue by roughly 87.5 percent (from approximately \$29 million to approximately \$3.6 million) on an ongoing basis as of July 1, 2004.

Due to the timing of the State's redistribution of VLF and the City of Long Beach's fiscal year, the loss of this VLF revenue will result in a permanent deferral of Long Beach General Fund revenues by approximately \$9.2 million in FY 04, \$0.5 million in FY 05, and \$0.2 million in FY 06.

Part of the recently negotiated deal to secure the Governor's support for the Constitutional amendment to protect local government revenue (see State Budget League Negotiations section below) was ironically a permanent \$5.01 million "state general fund contribution" in the form of property tax payment reduction from the State in both FY 05 and FY 06. Factoring these additional losses, the combined effects of the VLF swap and the proposed State takeaway from local governments will result in the following losses in General Fund revenues: \$9.2 million in FY 04, \$5.5 million in FY 05, \$5.2 million in FY 06.

According to Michael Coleman, Special Consultant to the League of California Cities, the fiscal impact to the cities and counties in VLF is purely a matter of cash flow since each agency is reimbursed on a dollar for dollar basis with supplemental property tax in lieu of VLF. While the City will be losing roughly 87.5 percent of its General Fund VLF, it will be entirely reimbursed for that loss from the supplemental property tax in lieu of VLF - except for the "state general fund contribution" in FY 05 and in FY 06. Despite the fact that the City will receive the In Lieu Property Tax payments, there will be a \$9.2 million cash flow shortage the proposal creates for Long Beach in FY 04 and FY 05.

Sales Tax "Triple Flip"

In addition to the May Revision VLF Swap, the City will also be impacted by the "Triple Flip" swap of $\frac{1}{4}\%$ Sales Tax for Property Tax in Lieu that voters approved in March 2004. The combined effects of the VLF swap and the "Triple Flip" to the City's General Fund will be approximately \$11.1 million in FY 04, \$8.1 million in FY 05 and \$5.3 million in FY 06.

The aforementioned losses do not include the State's promise to repay \$8.6 million of lost VLF Backfill payments from FY 03 and FY 04 resulting from the June 2003 "trigger" that suspended backfill payments. This repayment is expected on August 15, 2006 and would partially offset the FY 06 revenue losses.

Impacts on the Redevelopment Agency

According to the City's Redevelopment Administrator, if the Governor's proposals are approved by the legislature the Redevelopment Agency ERAF payment for FY 05 will be \$2,900,424. That is up from \$1.3 million originally proposed in January 2004. Please see State Budget League Negotiations section below for additional potential impacts to the Redevelopment Agency.

CALPERS Deferral

On April 20, 2004 the CALPERS Board of Directors authorized the deferment of up to 80 percent of the employer-portion of FY 05 PERS payments for qualifying jurisdictions. City staff is reviewing the requirements put forth by PERS to qualify, which includes certifying that all other PERS rate-restructuring options have been enacted. It appears that the City qualifies, but staff is still reviewing several key issues regarding the financial viability of the deferment and are in contact with PERS staff. Should Long Beach qualify, this would represent a one-time cost deferral in FY 05 of up to \$14.7 million for the General Fund. The City could defer a portion, all or none of this cost. However, the full cost of the General Fund PERS liability, estimated at approximately \$38 - \$40 million for FY 06, will come due as scheduled the following year.

It is important to consider that repayment of the deferred amount will be due beginning in FY 07, amortized with at 7.75 annual interest. The payments would result in higher PERS rates than currently expected beginning in FY 07. Until PERS provides the City the amortization methodology, we will not know the exact cost of this deferment. This option is being carefully researched by Financial Management staff. In turn, the decision to exercise, or not exercise, this option must be given careful consideration by the City Council. Additional analysis along with recommended options will be submitted to the City Council by staff, on or before June 1.

League of California Cities Ballot Initiative

The League of California Cities sponsored an initiative to amend the California State Constitution to legally protect local government resources from State take-aways. There were sufficient signatures gathered to qualify the initiative for the November ballot. Of grave concern, the Governor has apparently threatened the League that he would fight to defeat the League's local government reform and revenue protection initiative, if the League and cities that it represents did not agree to withdraw their support for the initiative. The Governor did offer as an alternative, a State sponsored ballot measure that would provide a stronger protection of general tax revenues, such as sales, property and Motor Vehicle In Lieu taxes. If enacted, the Governor's initiative would go into effect in FY 07. Until then, of course, the State can continue to have its way with us. The Governor's initiative also may not protect local taxes, such as the UUT or the business license tax. That fact went unnoticed by those involved in negotiations with the Governor.

State Budget League Negotiations

Similar to last year at this time, the State budget situation changes almost daily. In January, Governor Schwarzenegger unveiled his first proposed State budget, which gave local governments an idea of what his multi-year budget balancing strategy might be. As expected, there were no tax increases, and budget reductions to State programs were not significant. Like his predecessors, the Governor proposed to once again balance the State budget by shifting money away from local governments.

As of May 11, 2004, local government leaders throughout California have continued to negotiate with Governor Schwarzenegger regarding a two-year budget compromise where local governments would help the State one last time in exchange for long-term constitutional protection that prohibits the State from ever taking local government funds in the future. The compromise would have significant financial impact in the short-term in exchange for long-term fiscal stability. This arrangement would be memorialized via a constitutional amendment placed on the November ballot. Some of the key measures of the proposed agreement with Governor Schwarzenegger include:

- **VLF Reduction/New Property Taxes to Cities:** Lower the VLF rate permanently from the current 2.0 percent rate to 0.65 percent and provide property taxes to cities and counties to offset lost VLF backfill.
- **VLF Repayment:** Require repayment in 2006-07 of VLF backfill taken from local government last summer.
- **No Future Tax Raids:** Prohibit the state from taking the property tax, sales tax, and the remaining VLF of local governments.
- **Property Tax Backfill:** Guarantee payment of the property tax backfill to cities and counties due to Prop. 57 "triple flip" (which suspended ¼ cent local sales tax).
- **Sales Tax Returned:** Guarantee that the ¼ cent sales tax is returned to cities and counties when Prop. 57 bonds are repaid.
- **New ERAF Shift:** For the next two State fiscal years (FY 05 and FY 06), the State will shift \$1.3 billion in property taxes from local government, including approximately \$5.0 million each year from Long Beach. Recent developments resulting from the League's negotiations include a provision that provides maximum flexibility to cities to determine the source of this ERAF payment, including an option to utilize Redevelopment Agency funds.

Because the Governor's proposal has not been approved by the Legislature, no provision has been made in the proposed Long Beach budget for the potential, unknown losses. However, as indicated in the revenue section of this report, the City Manager has directed that certain unbudgeted, one-time funds be reserved pending the outcome of the State Budget deliberations.

Community Development and Health and Human Services Grants

Department of Health and Human Services

The Health Fund is used to account for revenues and expenditures associated with the City's public health programs. Major revenue sources for the Health Fund include: grants from government and private foundations (62 percent); State funds for core public health services (21 percent); permits and fees for services (14 percent); General Fund support (1 percent); and other revenues (2 percent).

Core public health services in Long Beach, as in all local health jurisdictions in California, are funded by a combination of vehicle license fees (VLF) and sales tax revenues. As such, the Health Fund was impacted by the temporary loss of VLF backfill earlier this fiscal year and the recent suspension of VLF payments to local health jurisdictions, which have combined to reduce departmental VLF revenues by \$1.3 million. The State, however, has provided a legislative solution to restore the "poison pill" lost funds (see below).

Budgets at the state and federal level, currently under development, will also impact the Health Fund. The State budget proposal released in January includes the elimination of teen pregnancy prevention grants and a reduction in Medi-Cal reimbursement rates. While there is still uncertainty at the federal level, there is the likelihood of reduced funding for public health and human services programs. Despite these significant challenges to the Health Fund's revenue streams, staff is taking steps to insure that Health Fund expenditures are in line with projected revenues for the remainder of FY 04 and for future fiscal years.

The State's "Poison Pill" Provision

In April 2004, San Diego County won a court battle against the State of California, suing for reimbursement of State-mandated social service program costs. While this was a victory for local governments' rights, it had the unintentional side effect of triggering, on March 1, 2004, an archaic clause in State law known as a "poison pill" provision. The "poison pill" provision provides that if any county successfully sues the State over operations of social welfare programs, the State would suspend VLF Realignment payments to every local health jurisdiction in the State. The State withheld \$92 million in VLF payments to date from local government health programs. For Long Beach, the Department of Health and Human Services (DHHS) received only 50 percent of its March 26 payment--resulting in an underpayment of about \$375,000 for March. There was no April VLF payment. The payment would have been approximately \$150,000. So, the total amount owed to the Health Department due to the "poison pill" provision would be approximately \$525,000. As a result, DHHS has frozen spending as this is creating cash flow concerns.

Community Development Department

Similar to the Health Fund, revenue sources for the Department of Community Development's (CD) programs including housing, workforce development and Community Development Block Grants (CDBG) are under threat from federal and state cutbacks. CD staff are preparing to make a full presentation on the status of these funding sources during the June 1, 2004 City Council Budget Workshop. In the meantime, the General Fund has been supporting these programs, since grant funds have been severely cut back. This support from the General Fund may or may not be fully reimbursed.

Updated Three-Year Financial Strategic Plan

As has been communicated previously, the City Manager has been working with his departments to develop an updated Plan that addresses previously unanticipated growth in the City's structural budget deficit (original projected at \$90 million; had grown to \$105 million over three years), changing economic conditions and the evolving priorities of the City Council and the community. Since March 2004, employees within all City Manager-departments have been working to develop cost reduction and revenue enhancement strategies to balance the FY 05 budget as well as continue to gradually reduce the City's structural budget gap. The City Manager and his Executive Management Team have reviewed all of the department-submitted options, and expect to present an Updated Plan with revised deficit projections to the City Council at the June 15, 2004 Budget Workshop. The Updated Plan will incorporate the impacts of the recently completed optimization studies, additional department cost savings and revenue ideas, and other changes to internal and external service delivery systems that contribute to the reduction of the City's structural budget deficit.

Labor Agreements Achieve Cost Savings

During FY 04, labor leaders have begun working with the City to negotiate contracts that achieve savings as anticipated in the Three-Year Plan. Earlier in the year, the Police, Fire and Lifeguard unions demonstrated leadership in generating \$3.7 million in savings for the City's General Fund. These savings were achieved through adjustments to the City's deferred compensation contribution, sick leave to deferred compensation conversion and sick leave to retiree health savings conversion benefits.

At the Council meeting on April 20th, 2004, the City Council approved the Memorandum of Understanding (MOU) between the LMBA and the City. This MOU represents a cooperative opportunity for City employees to contribute to the solution of the City's structural budget deficit. Long Beach managers have agreed to pay a percentage of retirement benefit costs, and have capped the monthly cost of health care for the City at \$600 per employee. In concept, effective October 1, 2004, there will be a lower tier of retirement benefits for new managers (down to 2.5 percent at 55), and these new managers will pay 5 percent of their retirement costs. This provision only applies to employees brought in from outside the organization. Savings generated during the remainder of the fiscal year will be limited, but the estimated annual savings to the General Fund by the agreement are estimated at approximately \$600,000 annually. FY 05 provisions will be finalized based on the negotiations with other bargaining units.

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

MK:AT:tl

Attachments

APPROVED:



GERALD R. MILLER
CITY MANAGER

**CITY OF LONG BEACH
GENERAL FUND REVENUES
as of March 31, 2004
(50% of fiscal year)**

	(Unaudited)	(Cash Basis)	(Cash Basis)				(Accrual Basis)					
	FY 02	FY 03	FY 03	FY 04	FY 04 Mar YTD	FY 04	FY 04	FY 04	% of	FY 04	FY 04	Variance
	Year-End	Year-End	March	March	Over/(Under)	Budgeted	YTD	March	FY 04 Adj	Adjusted	Current	Current ETC/ Adj Budget
TOP 40 GENERAL FUND REVENUES	Actuals	Actuals	YTD	YTD	FY 03 Mar YTD	Growth/(Loss)	Growth/(Loss)	YTD	Budget	Budget	ETC*	
SECURED REAL PROPERTY TAXES	45,641,330	48,642,542	27,849,195	29,263,970	\$ 1,634,775	7.0%	5.9%	\$ 29,283,970	56.3%	52,043,000	51,243,000	\$ (800,000)
CITY SALES AND USE TAX	38,427,651	42,345,526	21,591,550	19,878,257	(1,713,293)	-2.5%	-7.9%	13,628,657	33.0%	41,287,000	39,276,000	(2,011,000)
MOTOR VEHICLE IN LIEU TAX	27,434,551	22,487,884	13,153,271	10,788,187	(2,365,083)	25.6%	-18.0%	9,991,596	36.4%	28,249,000	27,897,997	(551,903)
TELEPHONE USERS TAX & PENALTIES	19,395,152	18,412,302	8,831,765	9,085,097	253,332	0.8%	2.9%	7,450,920	40.1%	18,562,000	19,006,000	444,000
ELECTRIC USERS TAX & PENALTIES	27,424,247	23,426,752	12,857,066	9,170,652	(3,686,414)	-22.0%	-28.7%	7,630,652	41.8%	18,272,000	17,272,000	(1,000,000)
PARKING CITATIONS	7,626,582	7,650,522	3,850,376	4,449,666	599,289	11.1%	15.6%	4,449,666	52.4%	8,496,487	9,300,000	803,513
BUSINESS LICENSE TAXES AND SURCHARGE	7,800,764	8,158,748	4,152,409	4,754,750	602,341	9.1%	14.5%	4,754,750	33.4%	8,899,680	9,300,000	400,400
HARBOR-FIRE	5,958,072	6,906,130	2,877,560	3,118,249	240,689	8.4%	8.4%	3,118,249	41.7%	7,483,792	7,483,792	-
TRANSIENT OCCUPANCY TAX	6,223,373	6,566,720	3,175,060	3,260,274	85,214	4.0%	2.7%	2,700,274	39.5%	6,829,000	7,007,000	178,000
GAS TAX-MAINTENANCE CHARGES	6,885,310	6,308,973	6,308,973	6,308,973	-	0.0%	0.0%	6,308,973	100.0%	6,308,973	6,308,973	-
ELECTRIC COMPANY FRANCHISES	6,389,618	6,271,788	3,693,874	2,968,814	(625,060)	-4.4%	-17.4%	1,398,924	23.3%	5,997,000	5,997,000	-
PIPE LINE FRANCHISES	3,686,877	7,091,421	2,418,403	2,636,808	218,405	-22.4%	9.0%	236,808	4.3%	5,500,000	6,600,000	1,100,000
GAS USERS TAX & PENALTIES	4,624,243	5,540,557	2,769,547	2,999,741	230,194	-17.3%	8.3%	2,945,209	64.3%	4,680,000	5,005,000	425,000
EMERGENCY AMBULANCE FEES	4,287,706	4,027,071	1,805,690	2,335,104	529,414	8.0%	29.3%	2,335,104	53.7%	4,350,000	4,850,000	500,000
CHARGES FOR SPECIAL SERVICES	1,324,160	1,641,034	472,145	745,234	273,089	146.8%	57.8%	1,049,603	18.4%	4,049,603	3,622,212	(427,391)
GAS-BILLING & COLLECTION SERVICES	3,855,266	3,891,241	1,945,620	1,972,578	28,958	1.4%	1.4%	1,972,578	50.0%	3,945,157	3,945,157	-
INTEREST-POOLED CASH	6,100,662	4,552,127	2,236,601	1,686,604	(551,998)	-17.4%	-24.7%	1,686,604	44.9%	3,759,316	3,259,000	(500,316)
PROP 172 FUNDS (SB509)	3,456,482	3,567,270	1,903,588	1,900,752	97,056	1.5%	5.4%	1,900,752	52.6%	3,619,000	3,500,000	(119,000)
VEHICLE CODE FINES	3,453,978	3,010,748	1,334,151	1,650,483	316,332	16.3%	23.7%	1,650,483	47.2%	3,500,000	3,650,000	150,000
AIRPORT-FIRE	3,333,922	2,640,783	1,320,392	1,665,914	346,523	26.2%	26.2%	1,665,914	50.0%	3,331,826	3,331,826	-
WATER USERS TAX & PENALTIES	4,262,224	3,583,054	1,742,935	1,561,555	(181,380)	-10.8%	-10.4%	1,489,897	46.6%	3,197,000	3,197,000	-
LAND,BLDG,R/W,EASEMENT,APT RENTALS	4,124,532	3,761,019	1,634,687	1,693,188	58,501	-16.3%	3.6%	1,693,188	53.8%	3,148,097	3,167,087	18,990
AMERICAN GOLF LEASE	3,637,159	3,693,520	1,642,253	1,533,697	(108,557)	-16.0%	-6.6%	1,533,697	49.6%	3,094,465	3,294,465	200,000
CIP-ENGINEERING CHARGES	3,627,776	3,689,636	1,844,932	1,285,639	(559,293)	-17.4%	-30.3%	1,285,639	42.2%	3,047,416	3,160,173	112,757
UNSECURED PERSONAL PROPERTY TAXES	2,234,790	2,540,349	1,330,644	1,500,564	169,920	10.6%	12.8%	1,500,564	53.4%	2,809,000	2,939,000	130,000
OTHER DEPT SVCS TO PROPRIETARY FUNDS	2,176,815	2,482,701	1,010,119	1,023,528	13,409	7.0%	1.3%	1,023,528	38.5%	2,655,893	2,279,595	(376,298)
PIPELINE FEE - WATER	-	-	-	1,249,592	1,249,592	0.0%	0.0%	1,249,592	50.0%	2,499,184	2,499,184	-
MISC REVENUE FROM OTHER AGENCIES	697,782	2,154,456	1,525,154	321,588	(1,203,566)	12.5%	-78.9%	321,588	13.3%	2,424,040	1,514,411	(909,629)
WATER-BILLING & COLLECTION	2,208,669	2,389,795	1,194,897	1,211,564	16,667	1.4%	1.4%	1,211,564	50.0%	2,423,128	2,423,128	-
OTHER DEPT CHGS TO GOVTL FUNDS	2,322,250	2,338,459	644,660	661,929	207,269	-5.8%	32.2%	661,929	38.7%	2,202,737	1,974,286	(228,451)
OIL PRODUCTION TAX	2,253,947	2,243,394	1,101,058	1,125,172	24,115	-7.4%	2.2%	1,125,172	54.2%	2,077,000	2,367,000	290,000
PIPELINE SAFETY FEES	1,624,451	1,883,572	1,702,146	1,961,994	259,848	-9.8%	15.3%	1,961,994	115.2%	1,703,000	1,961,994	258,994
MISC REFUNDS & REIMB	1,775,295	1,564,797	704,980	788,249	83,270	8.0%	11.8%	788,249	47.5%	1,659,302	1,819,223	159,921
REFUSE-BILLING & COLLECTION SERVICES	1,518,566	1,616,925	808,463	624,267	15,804	2.0%	2.0%	624,267	50.0%	1,648,534	1,648,534	-
BUILDING PLAN CHECK FEES	1,892,663	1,818,191	832,285	918,997	86,712	-12.0%	10.4%	918,997	57.4%	1,600,000	1,780,000	180,000
BUILDING PERMITS	2,322,543	2,076,091	1,280,841	658,501	(622,340)	-27.7%	-48.6%	658,501	43.9%	1,500,000	1,344,000	(156,000)
ASSET MANAGEMENT CHARGES	1,339,500	1,411,198	707,974	937,200	229,226	5.8%	32.4%	937,200	62.8%	1,493,372	1,493,372	-
EDA/TITLE IX ADVANCES	-	-	-	1,159,000	1,159,000	0.0%	0.0%	1,159,000	77.8%	1,490,035	1,159,000	(331,035)
HARBOR-POLICE	411,779	1,284,814	403,022	374,802	(28,220)	12.6%	-7.0%	374,802	25.9%	1,447,264	1,557,000	109,736
MISC GRANTS FEDERAL	5,001,551	5,158,928	1,314,703	325,990	(988,713)	-74.1%	-75.2%	325,990	24.4%	1,337,219	834,788	(502,431)
TRANSFERS FROM OTHER FUNDS	23,202,789	44,653,291	30,177,391	18,441,774	(11,735,617)	-12.5%	-38.9%	18,441,774	47.2%	39,069,031	43,901,529	4,832,498
SUBTOTAL TO 40 GENERAL FUND REVENUES	300,256,230	323,473,424	175,752,478	160,408,898	\$ (15,343,579)	-0.6%	-8.7%	\$ 145,630,460	45.3%	321,588,471	\$ 323,968,826	\$ 2,380,354
SUBTOTAL ALL OTHER REVENUES	\$ 67,798,133	\$ 44,112,817	20,665,971	18,689,602	\$ (1,976,389)	-34.0%	-8.6%	\$ 18,689,602	64.2%	29,108,436	32,727,079	3,618,644
TOTAL REVENUES	\$ 368,054,363	\$ 367,586,241	196,418,449	179,098,500	\$ (17,319,949)	-4.6%	-8.8%	\$ 164,220,052	46.8%	350,696,907	\$ 356,695,905	\$ 5,998,998

* - The FY 04 Current ETC for Transfers from Other Funds includes \$2.2 million of SERRF Operating Transfer revenues directed to be transferred to the Operating Reserve by year-end.
 * - The FY 04 Current ETC for All Other Revenues includes \$1.0 million of Loan Payment revenues which are offset by a reduction in budgeted adjustment to fund balance transactions in FY 04.
 * - The FY 04 Current ETC includes \$2.9 million in Street Sweeping Lease proceeds that will be added to the budget in April per the Second Quarter Budget Adjustment.

March 2004 (Mid Year) Revenue Analysis by Department
General Fund - Fiscal Year 2004
(50% of Year Completed)

Department	FY 04 Adopted Budget	Amendments ¹	Adjusted Budget	Estimates-to-Close		Year-to-Date Actuals	% Received
Mayor and City Council	\$ -	\$ -	\$ -	\$ -		\$ 1,250	0.0%
City Attorney	5,000	-	5,000	5,000	100.0%	2,359	47.2%
City Auditor	-	-	-	-		250	0.0%
City Clerk	171,552	275,000	446,552	359,925	80.6%	30,367	6.8%
City Manager	-	-	-	-		1,865	0.0%
City Prosecutor	66,608	(43,557)	23,051	23,084	100.1%	5,778	25.1%
Civil Service	-	-	-	-		-	0.0%
Community Development	5,708,819	-	5,708,819	4,815,038	84.3%	2,400,841	42.1%
Financial Management	23,725,724	16,437	23,742,161	23,901,857	100.7%	12,414,424	52.3%
Citywide Activities ²	248,137,440	-	248,137,440	250,824,530	101.1%	124,897,505	50.3%
Fire	17,435,351	556,710	17,992,061	19,291,826	107.2%	10,541,085	58.6%
Harbor	-	-	-	-		-	0.0%
Health	1,880,623	-	1,880,623	2,025,794	107.7%	833,669	44.3%
Human Resources	-	-	-	750		464	0.0%
Library Services	1,113,822	27,396	1,141,218	1,027,861	90.1%	452,658	39.7%
Long Beach Energy	5,717,747	-	5,717,747	8,741,687	152.9%	5,905,870	103.3%
Oil Properties	-	-	-	-		-	0.0%
Parks, Recreation & Marine	8,463,956	(201,809)	8,262,147	8,263,360	100.0%	3,659,828	44.3%
Planning & Building	8,648,882	199,170	8,848,052	9,380,266	106.0%	4,643,527	52.5%
Police	21,670,352	(952,968)	20,717,384	19,485,265	94.1%	8,892,476	42.9%
Public Works	7,074,652	-	7,074,652	7,025,056	99.3%	4,200,928	59.4%
Technology Services	1,000,000	-	1,000,000	528,307	52.8%	213,354	21.3%
Water	-	-	-	-		-	0.0%
TOTAL	\$ 350,820,528	\$ (123,620)	\$350,696,907	\$355,699,606	101.4%	\$179,098,498	51.1%

Notes:

¹Amendments reflect Council approved adjustments made during the fiscal year.

²Citywide Activities include tax revenues, pass through transactions, etc.

Highlighted cells indicate variances explained in text of report.

Year to Date Revenue Analysis by Department
General Fund -
FY 03 compared to FY 04
(As of March 31, 2004)

Attachment B-2

Department	FY 03 Adjusted Budget	FY 03 Actuals YTD	FY 04 Adjusted Budget	FY 04 YTD Actuals	Difference from 03 to 04	% Variance
Mayor and City Council	\$ -	(15)	\$ -	1,250	\$ 1,265	8433.3%
City Attorney	5,000	593	5,000	2,359	1,766	297.8%
City Auditor	-	1,799	-	250	(1,549)	-86.1%
City Clerk	171,552	28,272	446,552	30,367	2,095	7.4%
City Manager	-	3,000	-	1,865	(1,135)	-37.8%
City Prosecutor	97,343	11,507	23,051	5,778	(5,729)	-49.8%
Civil Service	-	-	-	-	-	0.0%
Community Development	4,530,200	1,862,039	5,708,819	2,400,841	538,802	28.9%
Financial Management	21,403,609	11,852,142	23,742,161	12,414,424	562,282	4.7%
Citywide Activities ¹	261,956,185	146,618,925	248,137,440	124,897,505	(21,721,420)	-14.8%
Fire	17,770,680	7,758,645	17,992,061	10,541,085	2,782,440	35.9%
Harbor	-	-	-	-	-	0.0%
Health	1,792,906	476,652	1,880,623	833,669	357,017	74.9%
Human Resources	-	1,394	-	464	(930)	-66.7%
Library Services	1,561,773	689,684	1,141,218	452,658	(237,026)	-34.4%
Long Beach Energy	4,962,347	2,081,627	5,717,747	5,905,870	3,824,243	183.7%
Oil Properties	-	-	-	-	-	0.0%
Parks, Recreation & Marine	8,949,464	3,293,076	8,262,147	3,659,828	366,752	11.1%
Planning & Building	8,373,077	5,430,995	8,848,052	4,643,527	(787,468)	-14.5%
Police	25,881,961	11,497,460	20,717,384	8,892,476	(2,604,984)	-22.7%
Public Works	7,003,549	4,606,970	7,074,652	4,200,928	(406,042)	-8.8%
Technology Services	1,431,265	203,684	1,000,000	213,354	9,670	4.7%
Water	-	-	-	-	-	0.0%
TOTAL	\$365,890,911	\$ 196,418,449	\$350,696,907	\$ 179,098,498	(17,319,951)	-8.8%

Notes:

¹Citywide Activities include debt service payments.

Notes:

- On a Year –to-year basis, revenue levels for March 2004 are down 8.6 percent. This reduction in the level is mainly attributable to the revenue performance of Citywide activities and the Police Department. The revenue for Citywide activities is down \$21.7 million from march 2003 levels as a result primarily of fewer transfers of one-time funds into the General Fund. The budgeted transfer from the Southeast Resource Recovery Facility (SERRF) was \$9 million in FY 03 as a result of the Southern California Edison settlement, and is only \$2.5 million in FY 04 (please recall that the additional one-time transfer of \$2.2 was put into reserve), and the budgeted transfer from the Civic Center Fund was \$7.7 Million in FY 03 and only \$500,000 in FY 04. The Police Department has also experience a reduction in revenue due to the receipt of fewer grants, as compared to FY 03. Additionally, approximately \$900,000 of expected revenue budgeted in FY 04 was transferred to the General Grants Fund.
- Fire experienced a \$2.8 million increase above FY 03 revenue due to an increase in grant funding, a one-time loan repayment from the Long Beach Airport, and new proceeds from Long-Term Capital Debt.
- Health and Human Services is \$357,017 above last year's revenue performance due to the Police Department reimbursement for medical services at the jail. Police Medical expenses had not yet been expensed at this time in FY 03.
- Library Services revenue is down as compared to last year due to a reduction in donations.
- Long Beach Energy is \$3.8 million above FY 03 levels due primarily to one-time lease proceeds used to purchase new Street Sweepers.
- Planning and Building is \$787,468 below FY 03 level revenues primarily due to less high-dollar building permit activity. In FY 03, the permit fees on two 18-story condos with 278 units each located on Ocean Blvd. came in November 2002. Construction value was more than \$80 million.
- Public Works experienced a \$406,042 decrease in revenue, as compared year-to-year, due mainly to higher prior-year reimbursements of charges for CIP projects. This revenue will vary year-to-year, since it relates to capital projects.

**March 2004 (Mid Year) Expenditure Analysis by Fund
Fiscal Year 2004
(50% of Year Completed)**

Attachment C

Fund	FY 04 Adopted Budget	Amendments ¹	All-Years Carryover ²	Adjusted Budget	Year-to-Date Actuals	Remaining	% Spent
General	\$ 360,561,514	\$ 1,648,269	\$ -	\$ 362,209,783	\$ 168,975,248	\$ 193,234,535	46.7%
General Grants	\$ -	4,549,602	-	4,549,602	210,739	4,338,863	4.6%
Airport	36,938,880	2,414	16,989,494	53,930,788	13,253,664	40,677,124	24.6%
Belmont Shore Parking Meter	574,137	8	-	574,145	109,124	465,021	19.0%
Business Assistance	2,739,431	2,575	-	2,742,006	992,366	1,749,640	36.2%
Capital Projects	15,817,121	12,047,165	71,810,776	99,675,062	21,763,529	77,911,533	21.8%
Certified Unified Program Agency (CUPA)	864,756	-	-	864,756	364,037	500,719	42.1%
Civic Center	846,282	182,155	12,406,624	13,435,061	193,536	13,241,525	1.4%
Community Development Grants	24,703,049	1,071,938	40,016,551	65,791,538	10,976,170	54,815,368	16.7%
Employee Benefits	133,698,147	127,143	-	133,825,290	56,153,231	77,672,059	42.0%
Fleet Services	24,377,379	6,430,444	161,445	30,969,268	11,419,372	19,549,896	36.9%
Gas	84,725,707	1,061,799	7,198,075	92,985,581	46,519,522	46,466,059	50.0%
Gasoline Tax Street Improvement	10,748,973	150,000	15,832,769	26,731,742	8,293,817	18,437,925	31.0%
General Services	36,513,893	137,867	-	36,651,760	12,195,789	24,455,971	33.3%
Harbor	402,488,513	-	-	402,488,513	129,689,252	272,799,261	32.2%
Health	37,561,016	1,268,403	22,057,832	60,887,251	16,649,239	44,238,012	27.3%
Housing Authority	49,599,237	-	1,066,046	50,665,283	31,545,527	19,119,756	62.3%
Housing Development	12,019,350	5,452,207	5,119,721	22,591,278	6,343,942	16,247,336	28.1%
Insurance	37,393,207	195,534	-	37,588,741	17,634,523	19,954,218	46.9%
Park Development	1,245,907	-	-	1,245,907	1,221,777	24,130	98.1%
Parking & Business Area Improvement	2,445,000	-	-	2,445,000	837,164	1,607,836	34.2%
Parking Authority	507,437	-	-	507,437	131,204	376,233	25.9%
Redevelopment	59,063,988	22,177	26,860,603	85,946,768	25,229,371	60,717,397	29.4%
Refuse/Recycling	30,792,557	25,962	-	30,818,519	12,475,242	18,343,277	40.5%
SERRF	46,348,060	350	-	46,348,410	23,553,190	22,795,220	50.8%
SERRF JPA	10,927,492	-	-	10,927,492	325,475	10,602,017	3.0%
Sewer	10,831,707	-	-	10,831,707	3,765,622	7,066,085	34.8%
Special Advertising & Promotion	5,056,349	21,745	-	5,078,094	2,340,976	2,737,118	46.1%
Tidelands Oil Revenue	36,731,429	82,098	-	36,813,527	35,235,225	1,578,302	95.7%
Tidelands Operating	78,864,362	10,609,633	30,197,311	119,671,306	37,543,363	82,127,943	31.4%
Tidelands-Reserve for Subsidence	2,089,473	-	-	2,089,473	441,005	1,648,468	21.1%
Towing	5,970,173	8,742	-	5,978,915	2,615,850	3,363,065	43.8%
Transportation	15,485,060	600,000	16,027,372	32,112,432	6,049,509	26,062,923	18.8%
Upland Oil	8,681,527	-	-	8,681,527	5,383,387	3,298,140	62.0%
Water	73,608,520	-	-	73,608,520	33,398,396	40,210,124	45.4%
TOTAL	\$1,660,819,632	\$ 45,698,229	\$265,744,619	\$ 1,972,262,482	\$ 743,829,383	1,228,433,098	37.7%

Notes:

1 Amendments include prior year encumbrances and Council-approved adjustments made during the fiscal year.

2 Carryover of multi-year grants and CIP funds.

Highlighted cells indicate variances explained in text of report.

**March 2004 (Mid Year) Expenditure Analysis by Department
General Fund - Fiscal Year 2004
(50% of Year Completed)**

Department	FY 04 Adopted Budget	Amendments ¹	Adjusted Budget	Estimates-to Close		Year-to-Date Actuals	% Spent
Mayor and City Council	\$ 4,045,433	\$ 7,933	\$ 4,053,366	\$ 4,050,686	99.9%	\$ 1,783,447	44.0%
City Attorney	2,943,657	947	2,944,604	2,940,052	99.8%	1,353,174	46.0%
City Auditor	2,066,908	69,615	2,136,523	2,136,051	100.0%	1,263,158	59.1%
City Clerk	3,092,043	275,000	3,367,043	3,356,198	99.7%	990,944	29.4%
City Manager	3,853,356	70,018	3,923,374	3,803,503	96.9%	2,112,292	53.8%
City Prosecutor	3,886,247	(29,038)	3,857,209	3,749,625	97.2%	1,641,353	42.6%
Civil Service	2,431,069	34,491	2,465,560	2,468,060	100.1%	1,050,757	42.6%
Community Development	3,081,234	7,945	3,089,179	2,538,501	82.2%	1,009,617	32.7%
Financial Management	15,327,145	168,312	15,495,457	15,386,911	99.3%	6,845,605	44.2%
Citywide Activities ²	16,587,242	473,132	17,060,374	21,351,881	125.2%	10,820,186	63.4%
Fire	63,930,087	589,274	64,519,361	63,278,646	98.1%	30,814,556	47.8%
Harbor	-	-	-	-		-	0.0%
Health	4,833,704	8,247	4,841,951	4,623,161	95.5%	2,226,379	46.0%
Human Resources	338,145	40,135	378,280	306,826	81.1%	113,333	30.0%
Library Services	11,262,950	213,988	11,476,938	11,101,491	96.7%	4,742,973	41.3%
Long Beach Energy	5,711,817	2,621	5,714,438	8,287,444	145.0%	5,233,466	91.6%
Oil Properties	-	-	-	-		-	0.0%
Parks, Recreation & Marine	28,792,037	(211,655)	28,580,382	28,604,354	100.1%	12,579,143	44.0%
Planning & Building	11,477,117	472,003	11,949,120	10,757,129	90.0%	4,795,128	40.1%
Police	147,350,467	(688,632)	146,661,835	146,291,714	99.7%	68,110,779	46.4%
Public Works	28,548,221	143,823	28,692,044	24,718,109	86.1%	11,189,128	39.0%
Technology Services	1,002,636	109	1,002,745	785,375	78.3%	299,826	29.9%
Water	-	-	-	-		-	0.0%
TOTAL	\$ 360,561,515	\$ 1,648,269	\$ 362,209,783	\$ 360,535,717	99.5%	\$ 168,975,243	46.7%

Notes:

¹Amendments reflect Council approved adjustments made during the fiscal year.

²Citywide Activities include debt service payments.

Highlighted cells indicate variances explained in text of report.

Attachment D-2

Year to Date Expenditure Analysis by Department
General Fund -
FY 03 compared to FY 04
(As of March 31, 2004)

Department	FY 03 Adjusted Budget	FY 03 Actuals YTD	FY 04 Adjusted Budget	FY 04 YTD Actuals	Difference from 03 to 04	% Variance
Mayor and City Council	\$ 4,258,352	1,852,123	\$ 4,053,366	\$ 1,783,447	\$ (68,676)	-3.7%
City Attorney	3,233,594	1,335,029	2,944,604	1,353,174	18,145	1.4%
City Auditor	2,227,114	1,152,388	2,136,523	1,263,158	110,770	9.6%
City Clerk	2,950,266	1,125,637	3,367,043	990,944	(134,693)	-12.0%
City Manager	4,444,026	2,487,406	3,923,374	2,112,292	(375,114)	-15.1%
City Prosecutor	4,084,691	1,915,205	3,857,209	1,641,353	(273,852)	-14.3%
Civil Service	2,335,175	989,965	2,465,560	1,050,757	60,792	6.1%
Community Development	2,754,519	1,147,912	3,089,179	1,009,617	(138,295)	-12.0%
Financial Management	15,467,754	7,027,436	15,495,457	6,845,605	(181,831)	-2.6%
Citywide Activities ¹	29,674,400	19,842,455	17,060,374	10,820,186	(9,022,269)	-45.5%
Fire	64,477,584	29,775,819	64,519,361	30,814,556	1,038,737	3.5%
Harbor	-	-	-	-	-	0.0%
Health	4,530,455	2,197,308	4,841,951	2,226,379	29,071	1.3%
Human Resources	404,405	166,632	378,280	113,333	(53,299)	-32.0%
Library Services	11,755,985	4,971,614	11,476,938	4,742,973	(228,641)	-4.6%
Long Beach Energy	5,706,957	2,426,604	5,714,438	5,233,466	2,806,862	115.7%
Oil Properties	-	-	-	-	-	0.0%
Parks, Recreation & Marine	27,497,183	11,541,242	28,580,382	12,579,143	1,037,901	9.0%
Planning & Building	11,064,326	5,177,146	11,949,120	4,795,128	(382,018)	-7.4%
Police	148,803,933	71,459,513	146,661,835	68,110,779	(3,348,734)	-4.7%
Public Works	30,848,797	13,161,972	28,692,044	11,189,128	(1,972,844)	-15.0%
Technology Services	1,165,428	248,499	1,002,745	299,826	51,327	20.7%
Water	-	-	-	-	-	0.0%
TOTAL	\$377,684,944	\$ 180,001,905	\$362,209,783	\$ 168,975,244	(11,026,661)	-6.1%

Notes:

¹Citywide Activities include debt service payments.