

LB-17

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Councilmember  
Johnson

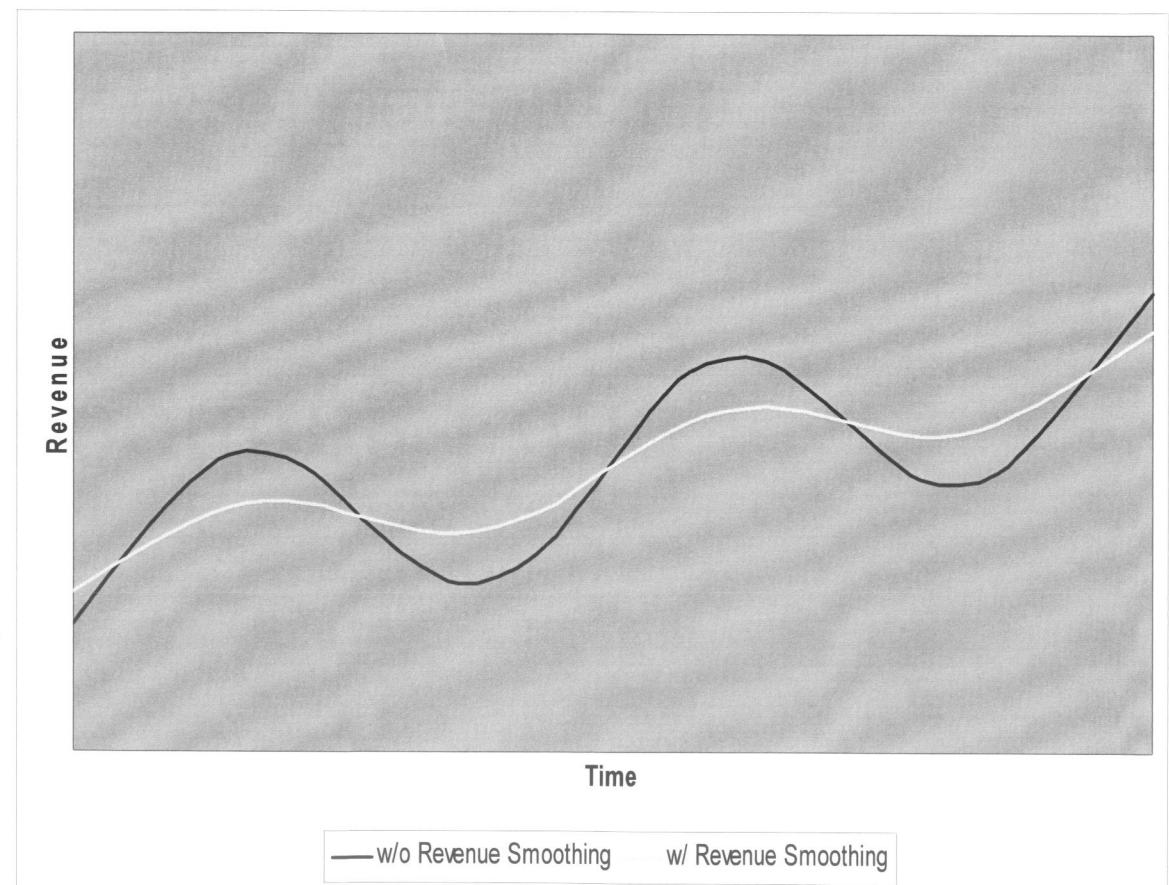
# Revenue Smoothing Fund

City of Long Beach

April 5, 2011

# What Is Revenue Smoothing?

- **Refers to mechanism for smoothing revenues between fiscal years**
- **Funds would be set aside in the years in which revenue is relatively high to allow for more resources in the years in which revenue is relatively low**



# Does Revenue Smoothing Fund Increase or Decrease Our Structural Budget Deficit?

- **No. By definition, a structural deficit means that our structural expenditures are above our structural revenues, so a solution must involve either raising revenue or decreasing expenditures.**
- **While revenue smoothing will help our long-term financial planning, additional solutions will be needed to solve our structural deficit.**
- **Revenue smoothing simply allows the city to minimize fluctuations in revenues, thus making better long-term spending decisions.**

Reminder...

**Revenue Smoothing does not increase or decrease revenue, it simply reallocates revenue to smooth the peaks and valleys.**

# How Can A RSF Help Long Beach Take a Long-Term Approach to Budget Challenges?

- **Fundamentally reduces fluctuations in our revenue stream:**

## *Hypothetical Scenarios*

### Without Revenue Smoothing

**Year 1 = 400 million**

**Year 2 = 420 million**

**Year 3 = 410 million**

### With Revenue Smoothing

**Year 1 = 405 million**

**Year 2 = 415 million**

**Year 3 = 410 million**

**Note that the total resources available over the 3 years (1.23 billion) are the same in both scenarios.**

# Considerations in Designing a Revenue Smoothing Fund

- **Long Beach faces compliance with GASB 54 this year.**
  - Designed to increase transparency in the use of city funds. Any revenue smoothing should be designed with GASB 54 compliance in mind.
- **Council has recently directed management to review current reserves for potential restructuring and consolidation.**
- **While the Council item presents one method of revenue smoothing, there are other methods to achieve the same goal while being consistent with GASB 54 and recent Council direction.**

# Motion

- Request the City Manager, consistent with GASB 54 and a comprehensive review and potential restructuring of our reserves, prepare a mechanism for smoothing revenues between fiscal years for Council consideration.