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Title:	Recommendation to receive and file the Fiscal Year 2012 Year-End Budget Performance Report, and increase appropriations in various funds across many departments for various purposes to reflect final expenditures. (Citywide)				
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Date	Ver.	Action By	Action	Result
2/5/2013	1	City Council	approve recommendation	Pass

Recommendation to receive and file the Fiscal Year 2012 Year-End Budget Performance Report, and increase appropriations in various funds across many departments for various purposes to reflect final expenditures. (Citywide)

This report reflects the City's Fiscal Year 2012 (FY 12) budget performance and technical adjustments. The information provided is preliminary. The books for FY 12 are not fully closed and the audit for FY 12 will not be completed until approximately the end of March 2013. The report includes financial information for all funds and departments. While the financial report primarily discusses the General Fund, significant variances in other funds are highlighted where applicable.

The technical FY 12 year-end appropriation adjustments are included in the second part of this report to correct any funds that surpassed their appropriation limits.

YEAR-END PERFORMANCE REPORT

All Funds

The FY 12 Adopted Budget totals \$2.8 billion and covered 21 departments, including the separately managed Water and Harbor Departments. After a poor start in terms of revenues, FY 12 ended better than expected from a revenue perspective. The information that follows is based on a preliminary close of the City's financial books.

The City's FY 12 Adopted Budget for all funds includes \$2.8 billion of annual funds, \$652.5 million of carryover (multi-year grants and capital project funds) and prior year encumbrances (goods and services ordered in FY 11 but received in FY 12), and \$7.2 million of City Council-approved budget amendments, bringing the total Adjusted City Budget to \$4.2 billion. Please see Attachment A for a breakdown of Citywide expenditures by fund.

The City has seven fund types divided into 39 funds that comprise the \$4.2 billion adjusted budget. Most of these funds are restricted funds, such as the Harbor Fund, Gas Fund and Tidelands Funds that are designated for specific and limited activities. The majority of core community services provided in the City, such as police and fire services, libraries and parks are largely supported by the General Fund, which comprises only 9.7 percent of the entire Adjusted City budget. For a discussion of notable fiscal performance in non-General Fund funds, please see the Other Funds section of this report.

General Fund

The General Fund ended the fiscal year with a small funds available balance of approximately \$500,000. Due mainly to revenues improving the latter half of the year over original projections, the General Fund was able to set aside approximately \$3.6 million for liabilities in FY 13 for potential State disallowed RDA expenditures.

General Fund Revenues were \$397.4 million, including \$5.2 million intended for reservations for specific purposes (CalPERS/ Furlough protection per POA contract, Police Department repayment to Asset Forfeiture Fund and the emergency reserve increase from Uplands Oil), and not for normal ongoing operations. Expenditures totaled \$386.6 million at fiscal year-end, plus \$1.5 million in carry over expenses (i.e., City Council approved one-times related to Uplands Oil), significantly less than the adjusted budget.

The steps taken by the City in FY 12 to manage the budget through a weak economy were successful. All Departments managed their individual budgets well and revenues showed signs of stabilization.

General Fund Revenue

As of fiscal year-end, \$397.4 million of General Fund revenue was received, including one-time revenue. General Fund revenue net of one-times was \$380.7 million. A General Fund mid-year revenue shortfall was projected as a result of economically impacted revenue sources such as Utility Users Tax, Pipeline Franchise Fees, Towing and SERRF Fund transfers, among others. One-time revenues deferred from FY 11 were planned to mitigate the under-performing revenues. As a result of better performance in departmental revenues, changes to accounting for revenue accruals, which resulted in one-times revenue growth in FY 12 and the continued rebound in Citywide revenues such as property tax and sales tax, the General Fund ended FY 12 with more revenue than projected at mid-year.

The three largest General Fund revenues, Secured Property Tax, Sales and Use Tax, Property Tax In-lieu of VLF/Motor Vehicle In-Lieu, ended the fiscal year between 1.1 percent and 2.7 percent above projected levels. While a portion of the variance in Motor Vehicle In-Lieu was the result of a prior-year correction by the State, the other revenue increases were a result of better than expected revenue growth.

The combination of the mid-year revenue adjustments, improved revenue performance in some areas and unanticipated one-time revenues eliminated the need for supplemental revenue action to balance the budget. As a result, the \$5 million in deferred FY 11 transfers from other funds, authorized by the City Council for transfer in FY 12, was not needed and remains in the respective

financial funds.

Attachment C provides a breakdown of General Fund revenue performance by department. Many of the departmental variances are identified in the footnotes to this attachment.

General Fund Expenditures by Department

Actual General Fund spending for FY 12 at the department level came in at \$386.6 million, or at 96.3 percent of the adjusted budget, as shown in Attachment D. All departments ended the fiscal year with General Fund expenditures within adjusted budget limits. In response to a projected revenue shortfall at mid-year, the City Manager initiated a 1 percent savings target for departments to come in under budget by 1 percent to ensure that the General Fund was not overspent. Actions taken by Departments to curtail spending not only met the 1 percent savings target, but exceeded it.

In the Legislative Department, the District Offices and Mayor's Office operate and manage their own individual budgets. Seven of the nine District Offices and the Mayor's Office ended the year within budget. Those District Offices with surpluses in excess of \$500 will be requesting the reallocation of those funds to Departments for projects within their districts as part of the FY 13 First Quarter Budget Adjustments. The other two Council Districts exceeded their FY 12 budgets; one has requested a reallocation of their funds in this report to cover their overage, while the other District's overage will be covered by fund balance in the General Fund.

RDA Impact to the General Fund

The Successor Agency to the Redevelopment Agency of the City of Long Beach was created as a result of State legislation AB 1X 26 (dissolution of redevelopment agencies as of February 1, 2012). One of the main functions of the Successor Agency is to oversee current projects until completion with approval from the State of California Department of Finance (DOF). After clarifications and decisions from the DOF on allowable contracts and expenses, there have been impacts to the General Fund as certain expenses were, at least temporarily, rejected by the State. In FY 12, the disallowed expenses include \$3.6 million in debt repayments.

In addition, the Due Diligence Review (DDR) report for the Housing Fund was completed and reviewed by the DOF with no disallowed costs found. As of this writing, a report for the Successor Agency has been completed and submitted for review to the DOF. The DDR report for the Successor Agency disallowed approximately \$68,000 in transfers. Other transactions may be impacted at a later date when the State finalizes reimbursements and appeals. An update will be provided to the Mayor and City Council during the Budget kickoff presentation in the spring.

Other Funds

Towing

The Towing Fund supports towing operations to clear vehicles involved in accidents, impound vehicles, and also supports the City's fleet. In FY 12, there was a 3.8 percent decline in completed tows, down from 13,681 in FY 11 to 13,250 in FY 12. As a result, towing fee vehicle storage fees and lien sales revenue experienced declines, resulting in year-over-year revenue declines of \$706,611. Personnel costs and other discretionary expenses were reduced by \$250,721 for a net decline of \$455,888.

Police & Fire Public Safety Oil Production Act (Proposition H)

On May 1, 2007, the voters approved the Police and Fire Public Safety Oil Production Tax (Proposition H), a special tax of 25 cents, with an annual CPI increase on every barrel of oil produced, restricted to fund police and fire services. The tax assessed in FY 12 was \$0.27/barrel of oil produced. The Fund began FY12 with a balance of \$637,789 and ended with \$959,748. The FY 13 Adopted Budget includes appropriation authority for both the Police and Fire departments to spend a combined \$800,000 of the excess FY 12 ending fund balance. The remaining balance will be addressed in future budgets.

Uplands Oil

The Uplands Oil Fund supports the oil operations outside the Tidelands area and accounts for all costs and revenues for the City's proprietary oil interests and for the accumulation of reserves to pay for the City's portion of well abandonment and site-clearance liabilities. Revenues and expenditures fluctuate significantly throughout the year due to changes in the price of oil. Oil production costs and transfers to the General Fund make up the majority of expenditures.

On October 4, 2011, the City Council authorized the expenditure of \$18.4 million in one-time oil revenue for one-time public safety, infrastructure and technology projects. Attachment E summarizes the expenditures associated with those one-time funds. The total transfer in FY 12 was \$31.3 million, including \$12.9 million of reliable base oil revenue budgeted at \$55 per barrel for ongoing operations. As of fiscal year-end, the Uplands Oil Fund has an ending available fund balance of \$4.4 million, which will be included in the FY 14 Proposed Budget.

TECHNICAL FY 12 YEAR-END APPROPRIATION ADJUSTMENTS

On September 6, 2011, the City Council adopted the Appropriations Ordinance governing the City's Adopted Budget for FY 12. Periodically, changes in revenue or operating conditions require appropriation adjustments. For example, in certain cases these adjustments enable departments to expend recently awarded grant revenue for which there is no existing appropriation. In addition, changes for multi-year grants/projects are necessary to bring appropriations in line with final grant/project award amounts. In accordance with the City's practice, these adjustments are presented quarterly to the City Council for consideration.

Uplands Oil Fund

On May 22, 2012, the City Council approved an increase to the Long Beach Gas and Oil Department's appropriations for its oil operations budget based on an estimated annual average price of \$100 per barrel. Oil prices, and thus its associated expenses, were higher than expected. Therefore, an additional appropriation increase of \$1.2 million is required to account for the higher production and operating costs. Oil revenues offset this appropriation increase. This appropriation is for oil production costs and has no relation to the use of net oil revenue for General Fund operations or one-time costs.

- Increase appropriations in the Upland Oil Fund (SR 134) in the Long Beach Gas & Oil Department (GO) by \$1,200,000 offset by oil revenues.

Municipal Band

The Department of Parks, Recreation and Marine (PR) is requesting an appropriation increase in the

amount of \$91,000 to pay for activities associated with the 2012 Municipal Band Summer Concert Season. Revenues generated from sponsorship and private donations offset this appropriation increase.

- Increase appropriations in the Tidelands Operations Fund (TF 401) in the Department of Parks, Recreation and Marine (PR) by \$50,000.
- Increase appropriations in the Special Advertising and Promotions Fund (SR 133) in the Department of Parks, Recreation and Marine (PR) by \$41,000.

Half Percent Sales Tax

The Police Department receives the Half Percent Sales Tax (Proposition 172) from the State of California, to be used for public safety activities. In FY 12, the amount received exceeded budget authority and an appropriation increase is requested.

- Increase appropriations in the General Grants Fund (SR 120) in the Police Department (PD) by \$488,534 offset by revenues.

Successor Agency AB 1484

Pursuant to AB 1484, the Successor Agency contracted with an independent auditor to complete a Due Diligence Review (DDR) to establish the amount of unencumbered Low-Moderate Income Housing Funds available for the transfer to the County Auditor-Controller for distribution to the taxing entities. The DDR report identified an unencumbered balance of \$30,940,972. In compliance with AB 1484, the funds are required to be remitted to the County Auditor-Controller by the Successor Agency. This budget adjustment accounts for the transfer from the Housing Successor Fund to the Successor Agency Fund in preparation for disbursement to the State Controller.

- Increase appropriations in the Housing Successor Fund (SR 135) in the Department of Development Services (DV) by \$30,940,972.

Successor Agency Debt Service Fund

The Successor Agency Debt Service Fund was established in February 2012 to account for payments of the former Redevelopment Agency's bond debt, pursuant to the dissolution of the Redevelopment Agency. The schedule used to budget the debt service was short \$1,212,854 and an appropriation increase is requested to fully fund debt service costs.

- Increase appropriations in the Successor Agency-Redevelopment Obligation Retirement Debt Service Fund (SA 277) in the Department of Development Services (DV) by \$1,212,854.

Harbor - Police MOU

The Police Department has exceeded appropriations in the Tidelands Operating Fund for the Port Security Unit. An appropriation increase is requested to account for services provided to the Port of Long Beach, offset by revenues from the Port.

- Increase appropriations in the Tidelands Operating Fund (TF 401) in the Police Department (PD) by \$114,098 offset by revenues.

Community Facilities District Debt Payment

During the transition of Asset Management Bureau to Public Works, the appropriation for servicing the annual debt payment for the CFD 2007-2 Belmont Shore 2009 SPCL TX BD was inadvertently omitted. This bond was issued to pay for capital improvement projects in the Belmont Shore Parking and Business Improvement Area. Dedicated parking meter revenue in Belmont Shore is used to pay this debt service.

- Increase appropriation in the Belmont Shore Parking Meter Fund (SR 136) in the Department of Public Works (PW) by \$160,470.

Council District Overage

The Eighth Council District was allocated \$500,000 in the Capital Projects Fund (CP) for District infrastructure repairs and projects, from the \$18.4 million in one-time FY 11 oil revenues. The Eighth Council District came in \$15,966 over their District Office budget, for costs incurred by the prior Councilmember. An appropriation increase is requested to move unspent one-time Uplands Oil funds from CP to the General Fund to cover the personnel overages.

- Increase appropriations in the General Fund (GP) in the Legislative Department (LD) by \$15,966.
- Decrease appropriations in the Capital Projects Fund (CP) in the Department of Public Works (PW) by \$15,966.

City Council action on this matter is required prior to the closing of the City's books for FY 12 at the end of January.

To accurately reflect FY 12 year-end transactions the following actions are requested:

- Increase appropriations in the Upland Oil Fund (SR 134) in the Long Beach Gas & Oil Department (GO) by \$1,200,000 offset by oil revenues.
- Increase appropriations in the Tidelands Operations Fund (TF 401) in the Department of Parks, Recreation and Marine (PR) by \$50,000 offset by revenues.
- Increase appropriations in the Special Advertising and Promotions Fund (SR 133) in the Department of Parks, Recreation and Marine (PR) by \$41,000 offset by revenues.
- Increase appropriations in the General Grants Fund (SR 120) in the Police Department (PD) by \$488,534 offset by revenues.
- Increase appropriations in the Housing Successor Fund (SR 135) in the Department of Development Services (DV) by \$30,940,972.
- Increase appropriations in the Successor Agency-Redevelopment Obligation Retirement Debt Service Fund (SA 277) in the Department of Development Services (DV) by \$1,212,854.
- Increase appropriations in the Tidelands Operating Fund (TF 401) in the Police Department (PD) by \$114,098 offset by revenues.
- Increase appropriations in the General Grants Fund (SR 120) in the Department of Parks, Recreation, and Marine (PR) by \$1,859,999.

- Increase appropriations in the Belmont Shore Parking Meter Fund (SR 136) in the Department of Public Works (PW) by \$160,470.
 - Increase appropriations in the General Fund (GP) in the Legislative Department (LD) by \$15,966.
- Decrease appropriations in the Capital Projects Fund (CP 201) in the Department of Public Works (PW) by \$15,966.

Approve recommendation.

JOHN GROSS
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:

PATRICK H. WEST
CITY MANAGER