AGENDA SECTION: OTHER BUSINESS
AGENDA ITEM #9
REPORT # 12-10

STAFF REPORT
COUNCIL MEETING DATE:
January 23, 2012

ITEM FOR COUNCIL CONSIDERATION:

Review of Fiscal Year 2011-12 Mid-Year Financial Results and Adjustment of Appropriations

City Manager _____
Signature

Administrative Services _____
Signature

ACTION ITEM ___; NON-ACTION ITEM x

STAFF RECOMMENDATION: No changes to the budget are being recommended at this time. Receive the report and direct staff as appropriate.

MOTION: None Required

I. BACKGROUND/DISCUSSION:

Each fiscal year the City conducts a mid-year review of the budget in order to examine financial results and trends as they compare to budget projections. This report compares mid-year results of the current budget year to the full year revenue and expenditure estimates in order to identify corrections or adjustments that may be necessary.

This report also reviews the condition of significant revenue and expenditure categories and other important conditions known or anticipated at this time that are expected to impact the budget. In this context, the mid-year budget also informs early staff work being done for the 2012-2013 fiscal year Budget. The ad hoc Budget Committee (Clark, Stein) met on January 18, to review the mid-year results being presented herein.

The mid-year results indicate that the City's budget projections within each fund were generally sound. Of primary interest is the General Fund, which is the funding source for a majority of the City's basic services including law enforcement. The adopted 2011-12

budget projected General Fund expenses (which includes transfers necessary to balance other Funds) exceeding revenues by approximately ($173,001).

General Fund revenues for the first half of the year are $150 K or 5.3% ahead of last year and expenditures are $292 K or 5.4% less than last year. The 2012 budget projected decreased income ($166 K) from 2011 levels in conjunction with decreased costs and other-fund subsidies of $405 K. In this way the projected loss in the 2011 General Fund Balance of ($412 K) would be reduced to a loss of ($173 K) in 2012. Mid-year results are generally consistent with the revenue and expense estimates made in the budget. Exhibit I shows actual, budget and variance to budget figures half way through the year. Although the General Fund shows a significant unfavorable variance this is to be expected as significant triple-flip property tax, sales tax and franchise taxes are received in the last half of the year. Especially encouraging are the favorable variances in funds that are expected to require General Fund subsidy support such as Park Development, Park Maintenance, Right of Way and Recreation Services. A favorable showing to budget may mean that these subsidies can be reduced.

The national recession continues to be in a slow recovery mode, according to experts. The City continues to benefit from not having volatility in local economic factors that affect its revenue sources, e.g., not having a large amount of new homes that experienced steep drops in real estate market prices, and not having large retailers such as auto dealers that experienced significant drops in sales. This same consistency is expected to result in a slow and modest recovery of City revenues in years to come.

II. FINANCIAL CONSIDERATIONS:

Property Tax

The adopted budget projected an increase of a little less than 1% in property tax over the prior year. Year to date results indicate that this forecast will hold.

Staff is projecting no increase in the property taxes over the budgeted amount of $2,602,936.

Sales Tax

Sales tax revenues are currently running slightly behind budget projections but as mentioned earlier there are significant triple-flip revenues that are received later in the year. Sales tax revenues can be very volatile due to numerous factors such as late payments, misallocations, double up payments, etc. Currently the City is repaying a ($104,000) negative adjustment which is anticipated in the budget.

Staff is projecting no change in the budgeted sales tax revenue estimate of $1,499,000.

Transient Occupancy Tax

The 2011-12 Adopted Budget projected TOT revenue at $1,499,000, slightly more than what was the final 2010-11 estimate. Revenues to date are running 3.5% better than last year and staff projects that this trend will continue.

No change is recommended.

Franchise Fees

The City collects franchise fees from various private business operators that use the public rights-of-way in order to bring their services to customers in the City. Total revenue from franchise fees is budgeted just over $540,000. The City currently has franchise agreements with Harrison Industries (trash), Cox Cable (cable television), Southern California Edison (electricity), and Southern California Gas Company (natural gas). Electric and gas franchise revenues are received later in the year. To date franchise fee revenues are tracking right at prior year same period levels.

No change is recommended.

Investment Income

The City invests primarily in the Local Agency Investment Fund (LAIF) and Treasury Notes. The City relies on interest income to provide revenue to the operating budget and seeks to maximize returns within the parameters established by law and the City's investment policy. The budget projected $200,000 in General Fund investment income.

No change is recommended.

Licenses & Permits

Licenses & Permits were set at $192,200 in the adopted budget. Significant building activity to date is making this target likely to be met.

No change is recommended.

Charges for Services

Charges for Services were set at $293,000 in the adopted budget. This is higher than recent history because of the implementation of a new fee schedule last spring.

No change is recommended.

GENERAL FUND OPERATING EXPENSES

Personnel Costs

Wanting to hold the line on these costs most management level employees received no salary increase again this year. A 40 hour furlough was observed during the week

between Christmas and New Years. In addition employees are absorbing 3% of salary to fund pension costs.

OTHER FUNDS:

No changes to other funds are being recommended at this time.

Several cost cutting actions were implemented in the current budget year such as a reduction in Sheriff services, a reduction in pool hours, a 40 hour furlough for full time employees and a 5% reduction in wage rates for part-time employees.

In a separate agenda item your Council will be considering revisiting the Sheriff contract reductions. Your Council may wish to provide staff direction concerning the other reductions at this time. For example, staff estimates that the cost of restoring pool hours for the remaining four months of the year would cost an additional $5,000.

III. ATTACHMENTS:

Exhibit I

Budget to Date

Fund		Revenue		Transfers In	Expenditures		Transfers Out	Excess / (Deficit)	Reserve Changes
	TOTAL	**$5,495,916**	**100.0%**	**$458,190**	**$5,838,467**	**100.0%**	**$458,190**	**($342,552)**	**$0**
10	GENERAL FUND	3,432,160	62.4%	266,754	3,532,727	60.5%	64,818	101,369	(186,205)
13	GENERAL RESERVE FUND	13,825	0.3%	0	0	0.0%	0	13,825	0
11	TRAFFIC SAFETY FUND	20,441	0.4%	0	30,143	0.5%	0	(9,702)	7,374
20	REVOLVING FUND	641,942	11.7%	0	599,050	10.3%	50,470	(7,578)	0
21	REPLACEMENT FUND	882	0.0%	0	7,500	0.1%	0	(6,619)	0
22	PARK DEVELOPMENT FUND	1,500	0.0%	0	17,575	0.3%	0	(16,075)	16,075
23	PARK MAINTENANCE FUND	104,250	1.9%	13,096	131,316	2.2%	43,222	(57,192)	57,192
25	GAS TAX FUND	162,690	3.0%	82,346	252,450	4.3%	62,809	(70,223)	0
26	LOCAL TRANSPORTATION FUND	6,229	0.1%	0	6,250	0.1%	93	(114)	0
27	MEASURE A FUND	360,000	6.6%	20,042	219,875	3.8%	33,208	126,960	0
28	TIDELANDS TRUST FUND	189,874	3.5%	0	117,013	2.0%	64,427	8,435	0
29	STREET LIGHTING FUND	142,725	2.6%	0	121,545	2.1%	33,513	(12,334)	0
31	TRUST & AGENCY FUND	116,580	2.1%	0	112,396	1.9%	4,184	0	0
33	R-O-W ASSESSMENT DISTRICT FUND	97,553	1.8%	50,958	170,021	2.9%	27,042	(48,553)	48,553
38	PBIA FUND	15,089	0.3%	0	16,679	0.3%	0	(1,591)	0
39	AB 939 FUND	37,504	0.7%	0	20,900	0.4%	47,753	(31,150)	0
41	MEASURE-D FUND	0	0.0%	0	275,000	4.7%	0	(275,000)	0
42	CAPITAL IMPROVEMENT FUND	5,000	0.1%	0	5,000	0.1%	0	0	0
48	RECREATION SERVICES FUND	147,675	2.7%	24,995	203,029	3.5%	26,654	(57,012)	57,012

Actual To Date

Fund		Revenue		Transfers In	Expenditures		Transfers Out	Excess / (Deficit)	Reserve Changes
	TOTAL	**$4,494,623**	**100.0%**	**$458,190**	**$4,663,395**	**100%**	**$458,190**	**($168,772)**	**$0**
10	GENERAL FUND	2,987,775	54.4%	266,754	3,563,242	76.4%	64,818	(373,531)	(141,171)
13	GENERAL RESERVE FUND	7,790	0.2%	0	0	0.0%	0	7,790	0
11	TRAFFIC SAFETY FUND	10,489	0.2%	0	2,424	0.1%	0	8,065	0
20	REVOLVING FUND	0	0.0%	0	0	0.0%	50,470	(50,470)	31,548
21	REPLACEMENT FUND	225	0.0%	0	3,192	0.1%	0	(2,967)	0
22	PARK DEVELOPMENT FUND	76	0.0%	0	5,903	0.1%	0	(5,827)	5,827
23	PARK MAINTENANCE FUND	129,646	2.9%	13,096	138,904	3.0%	43,222	(39,384)	39,384
25	GAS TAX FUND	200,958	4.5%	82,346	197,342	4.2%	62,809	23,154	0
26	LOCAL TRANSPORTATION FUND	4,587	0.1%	0	0	0.0%	93	4,494	0
27	MEASURE A FUND	271,550	6.0%	20,042	80,691	1.7%	33,208	177,694	0
28	TIDELANDS TRUST FUND	305,017	6.8%	0	140,619	3.0%	64,427	99,972	0
29	STREET LIGHTING FUND	163,302	3.6%	0	65,661	1.4%	33,513	64,128	0
31	TRUST & AGENCY FUND	4,184	0.1%	0	0	0.0%	4,184	0	0
33	R-O-W ASSESSMENT DISTRICT FUND	113,239	2.5%	50,958	171,013	3.7%	27,042	(33,859)	33,859
38	PBIA FUND	25,408	0.6%	0	7,950	0.2%	0	17,458	0
39	AB 939 FUND	54,964	1.2%	0	34,191	0.7%	47,753	(26,980)	0
41	MEASURE-D FUND	10,845	0.2%	0	18,800	0.4%	0	(7,955)	0
42	CAPITAL IMPROVEMENT FUND	2,833	0.1%	0	2,833	0.1%	0	0	0
48	RECREATION SERVICES FUND	201,735	4.5%	24,995	230,630	4.9%	26,654	(30,554)	30,554

Variance to Budget

Fund		Revenue		Transfers In	Expenditures		Transfers Out	Excess / (Deficit)	Reserve Changes
	TOTAL	**($1,001,293)**	**100.0%**	**$0**	**$1,175,072**	**100%**	**$0**	**$173,780**	**$0**
10	GENERAL FUND	(444,385)	-12.9%	0	(30,515)	-0.9%	0	(474,900)	(23,971)
13	GENERAL RESERVE FUND	(6,035)	-43.7%	0	0	0.0%	0	(6,035)	0
11	TRAFFIC SAFETY FUND	(9,952)	-48.7%	0	27,719	92.0%	0	17,767	0
20	REVOLVING FUND	(641,942)	-100.0%	0	599,050	100.0%	0	(42,892)	23,971
21	REPLACEMENT FUND	(657)	-74.5%	0	4,308	57.4%	0	3,652	0
22	PARK DEVELOPMENT FUND	(1,424)	-94.9%	0	11,672	66.4%	0	10,248	0
23	PARK MAINTENANCE FUND	25,396	24.4%	0	(7,589)	-5.8%	0	17,808	0
25	GAS TAX FUND	38,269	23.5%	0	55,108	21.8%	0	93,377	0
26	LOCAL TRANSPORTATION FUND	(1,642)	-26.4%	0	6,250	100.0%	0	4,608	0
27	MEASURE A FUND	(88,450)	-24.6%	0	139,184	63.3%	0	50,734	0
28	TIDELANDS TRUST FUND	115,143	60.6%	0	(23,606)	-20.2%	0	91,537	0
29	STREET LIGHTING FUND	20,578	14.4%	0	55,884	46.0%	0	76,462	0
31	TRUST & AGENCY FUND	(112,396)	-96.4%	0	112,396	100.0%	0	0	0
33	R-O-W ASSESSMENT DISTRICT FUND	15,686	16.1%	0	(992)	-0.6%	0	14,694	0
38	PBIA FUND	10,320	68.4%	0	8,729	52.3%	0	19,049	0
39	AB 939 FUND	17,461	46.6%	0	(13,291)	-63.6%	0	4,170	0
41	MEASURE-D FUND	10,845	**********	0	256,200	93.2%	0	267,045	0
42	CAPITAL IMPROVEMENT FUND	(2,167)	-43.3%	0	2,167	43.3%	0	0	0
48	RECREATION SERVICES FUND	54,060	36.6%	0	(27,602)	-13.6%	0	26,459	0

EXHIBIT 1