City of Culver City, California

Agenda Item Report

Meeting Date: 11/08/10	Item Number: J-1
JOINT CITY COUNCIL/REDEVELOPMENT AGENCY BOARD AGENDA ITEM: Fiscal Year 2009-2010 Preliminary Year End Review.	
Contact Person/Dept.: Jeff Muir, CFO	Phone Number: 310.253.6016
Fiscal Impact: Yes [X] No []	General Fund: Yes [X] No []
Public Hearing: [] Action Item: [X]	Attachments: [X]
Public Notification: Meetings and Agendas – City Council (11/03/10); Meetings and Agendas – Redevelopment Agency (11/03/10)	
Department Approval: Jeff Muir (11/03/10)	City Attorney Approval: Carol Schwab (by H. Baker) (11/03/10) Agency General Counsel Approval: Murray Kane (by H. Baker) (11/03/10)
Fiscal Impact Review: Jeff Muir (11/03/10)	City Manager/Executive Director Approval: John M. Nachbar (11/03/10)

RECOMMENDATION:

Staff recommends the City Council and Agency Board receive an overview presentation on the Fiscal Year 2009/2010 Preliminary Year End Report.

DISCUSSION:

The numbers contained in the attached reports are the unaudited, preliminary year-end totals for Fiscal Year 2009/2010. The revenue and expenditure totals will be finalized when the City's auditors complete their review of the City's financial statements. It should be noted that the audit work has been substantially completed, and we do not expect material differences from the results presented in this report.

General Fund

The General Fund ended the fiscal year with revenue totaling $81.011 million and expenditures of $82.639 million, a net budget deficit exceeding $1.6 million. However, the Fiscal Year 2009/2010 revenues include one-time funding from the Equipment Replacement and Innovation Funds totaling $1.8 million, as well as proceeds of $0.395 million from the sale of property, so the actual operating budget deficit was over $3.8 million.

The General Fund's largest source of revenue is sales tax, which has declined dramatically over the last two years. Sales tax receipts totaled $14,314,155, which is over 20% lower than the receipts in Fiscal Year 2007/2008. Even the addition of new stores to the remodeled Westfield Culver City has not generated enough sales to fully offset lower consumer spending and the loss of major sale tax generators. Another area that has declined dramatically is building and development related fees and taxes. For example, in Fiscal Year 2007/2008 Commercial Industrial Development Tax revenue reached $2.1 million, but in Fiscal Year 2009/2010 revenue dropped to $0.191 million. On a brighter note, property tax receipts increased 7%[1] from Fiscal Year 2008/2009 and transient occupancy taxes remained steady, showing a slight increase.

General Fund expenditures ended the year lower than each of the last two fiscal years. This is a direct result of the hiring freeze (non-public safety) and a reduction of nonessential operations and maintenance expenditures. Compared to Fiscal Year 2008/2009, personnel expenditures increased 0.5%, operations and maintenance expenses decreased 1.2%, and transfers to other funds declined 68%. The decline in transfers to other funds is wholly attributable to the low level of funding for capital projects. Historically, the General Fund has transferred approximately $1.0 million to fund capital projects, but in an effort to reduce the budget deficit, the General Fund only transferred $0.205 million during Fiscal Year 2009/2010.

<u>Enterprise Funds</u>

The Refuse Fund ended the year with an operating surplus for the second consecutive year. Preliminary year-end Refuse Fund revenues are $11.18 million, and preliminary year-end expenditures are $10.5 million (not including depreciation expense).

Preliminary year-end 2009/2010 revenues for the Transportation Fund are $15.3 million and expenditures totaled $16.7 million. The Transportation Department's budget included appropriations of over $10 million for new buses, but this expenditure did not occur in 2009/2010, and funding has been carried over to Fiscal Year 2010/2011.

Preliminary results show Sewer Fund operating revenues at $9.9 million which is 3.6% higher than the prior year. Sewer operating expenses totaled $6,708,119. Operating expenses were lower than revenue due to lower than expected bills from the City of Los Angeles for use of the Hyperion wastewater treatment plant.

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[1] The 7% increase is due to a 2% increase in Assessed Values plus additional non-assessment roll revenues, such as escape assessments, unitary taxes, supplemental revenues, redemption payments, penalties and refunds. Non-assessment roll revenues may vary greatly from year to year.

Redevelopment Agency

The RDA finished Fiscal Year 2009/2010 with a surplus as revenues exceeded expenditures by approximately $2.6 million. Although tax increment revenues decreased slightly (about 2% lower in Fiscal Year 2009/2010 than in Fiscal Year 2008/2009), strong revenues from other sources, such as Pacific Theaters and RDA controlled parking offset that decrease. Overall, revenues increased by approx. 2% from Fiscal Year 2008/2009.

Expenditures increased by approximately 7% in Fiscal Year 2009/10. Although expenditures increased from Fiscal Year 2008/2009, they were still less than revenues due primarily to the impact the economy is having on development in the City. There are a number of projects that have been on hold for the last few years, keeping RDA expenditures relatively low. It is also important to note that the required $11 million SERAF payment was borrowed from the Low/Moderate Income Housing Fund. RDA expenditures are expected to increase over the next few years as development picks up and the ERAF/SERAF loans are repaid to the Low/Moderate Income Housing Fund.

Analysis of other funds is included within the attached reports.

ATTACHMENTS:

1. Fiscal 2009-2010 Preliminary Year End Report
2. Fiscal 2009-2010 Preliminary Year End City Budget Monitoring Report
3. Fiscal 2009-2010 Preliminary Year End RDA Monitoring Report

MOTION:

That the City Council and Agency Board:

Receive a presentation from the Chief Financial Officer on the Fiscal Year 2009-2010 Preliminary Year End Review.