City of Culver City, California

City Council Agenda Item Report

Meeting Date: February 12, 2007	Item Number: A-5
AGENDA ITEM: Fiscal 2006-07 Mid-Year Budget Monitoring Report	
Contact Person/Dept.: Nick Kimball, Sr. Budget Analyst	Phone Number: (310) 253-6013
Fiscal Impact: Yes [X] No []	General Fund: Yes [X] No []
Public Hearing: [] Action Item: [X]	Attachments: [X]
Public Notification: Master Notification List 02/08/2007	
Department Approval: Marlee Chang (02/05/2007)	City Attorney Approval: Heather Iker (02/07/2007)
City Controller Approval: Marlee Chang (02/05/2007)	City Manager Approval: Jerry B. Fulwood (02/07/2007)

RECOMMENDATION:

Staff recommends the City Council receive a presentation on the Fiscal 2006-07 Mid-Year Budget and adopt proposed budget amendments.

Budget amendment requires 4/5^{ths} vote.

BACKGROUND/DISCUSSION:

The City Controller's Office prepares monthly, quarterly, mid-year, and year-end budget reports for the City Council once the City Treasurer's Office has closed the books for the respective time periods. This mid-year budget monitoring report provides the City Council with a snap shot of expenditures and revenues through the first half of the fiscal year and identifies any financial issues as they relate to the budget.

General Fund

Through the first 6 months of Fiscal 2006-07, total General Fund expenditures are $36,322,000, or 47% of the adjusted budget. General Fund revenues are $28,062,000, or 37.5% of the adjusted budget. As a point of reference, over the last three fiscal years (2003-04 through 2005-06), the average expenditures at mid-year are 48% and the average revenue receipts at mid-year are 33%. *Note*: A majority of General Fund revenues are received AFTER mid year, including Business Tax (beginning in February) and Sales Tax In-Lieu (January and May).

General Fund expenditures are on target and revenues are approximately 4.5% above average. Most of the increased revenues are attributable to increased collections in UUT, TOT, Property Transfer Tax, and red light photo enforcement. Increases in the TOT and Real Property Transfer Tax are mainly one-time revenues as they are due to a bankruptcy settlement and audit findings, respectively. A discussion and analysis regarding the reasons for the strong revenue collections is included in the mid-year Budget Monitoring Report (Attachment 1).

The General Fund beginning balance for fiscal 2006-07 was $27.7 million, or 35% of fiscal 2005-06 General Fund operating expenditures. The adopted 2006-07 budget includes approximately $1.3 million appropriation for capital projects and a $500,000 increase in the fund balance resulting from the sale of property to the Redevelopment Agency, which will result in a net reduction of the fund balance to $26.9 million. If the proposed budget amendments are adopted (see proposed amendments below), the reserve would be reduced to approximately $26.4 million, which is just below 35% of 2006-07 operating expenditures.

Proposed Budget Amendments:

1. One-time $500,000 increase to the Police Department budget. This increase is to cover the one-time signing compensation received by the POA as part of their labor negotiations, which was not included in the adopted 2006-07 Budget.

2. Increase the Public Works Building Maintenance Division by $52,750. This increase is to reinstate the budget for the maintenance painter position, which was originally slated to be eliminated through attrition in November 2006 when the incumbent employee retired, whose since delayed retirement plans.

3. Reduce the appropriation in the Asset Seizure Fund for the Police Firing Project (P-832) by $289,832 due to the reduction in scope of the project. The resulting total budget for the project will be reduced from $939,832 to $650,000.

Additionally, Public Works and Sanitation staff has requested that the following two capital projects be created and funded by the Refuse Fund:

1. Purchase a GPS tracking system for commercial roll-off vehicles ($14,500). This purchase will be the 1st phase of a 2 phase implementation with the second phase rolling out July 1, 2007. Implementing a GPS tracking solution will facilitate route management, assist dispatch in routing customer service requests, and mitigate tort liability.

2. Implement a Sanitation billing/routing/account management software solution ($45,000). This project will be funded by the Refuse Fund and managed by IT.

Enterprise Funds

There are no significant budgetary issues in the Refuse, Transit and Sewer funds at this time.

Internal Service Funds

There are no significant budgetary issues to report in the Equipment Replacement, Fleet Services & Equipment Maintenance, and Central Stores funds at this time.

The Self Insurance Fund operational expenditures are within the budget target; however, due to outstanding general liability litigation settlements, the SIF reserve may potentially be reduced up to $1 million. Currently, the Self Insurance Fund has a sufficient reserve to cover these settlement costs. Consequently, Self Insurance charges may increase slightly in subsequent years to recover the hit to the fund's reserve.

FISCAL ANALYSIS:

If revenue collections continue to remain strong through the second half of the fiscal year, and departments continue to hold to their expenditure targets, the General Fund may realize a slight budget surplus this fiscal year; however, a majority of the increases include one-time revenues, which may cause revenue collections in the second half of the year to level off somewhat.

The fund balances in the General Fund and Refuse Fund are sufficient to accommodate the requested budget amendments. It is anticipated that the Refuse rate will be increased next fiscal year in order to cover increased costs.

ATTACHMENTS:

1. Fiscal 2006-07 Mid-Year Budget Report
2. Fiscal 2006-07 Mid-Year Revenue Summary
3. Fiscal 2006-07 Mid-Year Expenditure Summary

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MOTION:

That the City Council:

Receive the presentation of the Fiscal 2006-07 Mid Year Budget Monitoring Report;

and

Adopt proposed amendments to the Fiscal 2006-07 Budget:

A. Increase Police Department budget $500,000 to cover the signing bonuses approved as part of the MOU negotiations;

B. Increase the Building Maintenance Division in the Public Works Department budget $52,750 to reinstate the maintenance painter position;

C. Decrease the appropriation in the Asset Seizure Fund by ($289,832) for the Police Fire Range (P-832);

D. Create a capital project and appropriate $14,500 from the Refuse Fund to purchase a GPS tracking system for commercial roll-off vehicle;

E. Create a capital project and appropriate $45,000 from the Refuse Fund to implement a Sanitation billing/routing/account management software solution.

A budget amendment requires 4/5ths vote