MEETING DATE: 11/25/2013

AGENDA ITEM: **Fiscal Year 2012-13 General Fund Preliminary Year End Report.**

ATTACHMENTS

City of Culver City

PRELIMINARY YEAR END REPORT
FISCAL YEAR 2012-13
GENERAL FUND

CITY OF CULVER CITY
2012-13 Preliminary Year End Report
General Fund

INTRODUCTION

During Fiscal Year 2012-13, there was a continued recovery in the overall economy, as well as the local economy. Additionally, the resources available to the General Fund were assisted by the increased Transient Occupancy Tax rate increase being effective for the full fiscal year, along with a partial quarter of receipts from Measure Y. For the first time in several years, revenues outpaced expenditures by $2.1 million. This was an improvement from the estimated $1.6 million operating deficit at the time the Fiscal Year 2013-2014 budget was presented to City Council. This $3.7 million improvement to the financial results for the year is attributable to a $2.9 million improvement in projected revenues and expenditures of $0.8 million less than projected.

The Finance Department is working with the City's independent auditors to complete the financial statements for FY 2012-13. While the numbers in this report should correspond with the final audited results, they are considered preliminary until the audit and annual financial statements are complete. This report discusses the preliminary results of the General Fund only. Other City funds will be discussed in the staff report presenting the audited financial statements for Fiscal Year (FY) 2012-13.

REVENUES SUMMARY

General Fund Revenue Overview (as of 06/30/2013)

General Fund revenues slightly exceeded the adjusted FY 2012-13 budget by $2.8 million, or 3.4%. Revenue categories that performed under the adjusted budget, such as Sales Tax, Utility Users' Tax – Telecommunications, Use of Money and Property, and Other – Transfers, were offset by categories that exceeded the budget, such as Property Tax, Business Tax, Real Property Transfer Tax, Transient Occupancy Tax and Charges for Services.

Total General Fund revenue for FY 2012-13 was higher than FY 2011-12 by approximately $6.5 million, or 8.1%. This was primarily due to increased receipts for Property Tax, Sales Tax, Measure Y, Transient Occupancy Tax, and Use of Money and Property. The table below summarizes the General Fund revenue results for FY 2012-13:

GENERAL FUND REVENUES					
	2011-12 ACTUALS	ADJUSTED BUDGET 2012-13	2012-13 ACTUALS	% RECEIVED	BUDGET VARIANCE
Property Tax	4,224,516	4,940,000	6,291,986	127.4%	1,351,986
Sales Tax	16,970,122	17,700,000	18,095,663	102.2%	395,663
Measure Y	0	1,800,000	1,163,591	64.6%	(636,409)
Public Safety Sales Tax (PSAF)	350,992	345,000	338,601	98.1%	(6,399)
Business Tax	9,930,602	10,050,000	10,253,802	102.0%	203,802
Franchise Tax	1,271,563	1,350,000	1,399,727	103.7%	49,727
Real Property Transfer Tax	1,732,998	1,700,000	2,382,116	140.1%	682,116
Electricity UUT	5,823,861	6,000,000	5,976,520	99.6%	(23,480)
Gas UUT	949,193	1,000,000	978,089	97.8%	(21,911)
Water UUT	1,241,373	1,175,000	1,252,729	106.6%	77,729
Telecomm UUT	5,605,205	5,525,000	5,396,223	97.7%	(128,777)
Cable UUT	744,076	775,000	915,247	118.1%	140,247
Transient Occupancy Tax (TOT)	3,781,092	4,800,000	5,195,349	108.2%	395,349
Commercial/Industrial Dev. Tax	204,452	400,000	405,100	101.3%	5,100
Licenses and Permits	2,481,562	2,503,323	2,604,208	104.0%	100,885
Intergovernmental	3,460,453	3,470,837	3,495,781	100.7%	24,944
Charges for Services	6,779,991	6,568,710	7,264,871	110.6%	696,161
Fines and Forfeitures	3,064,774	3,509,700	3,543,606	101.0%	33,906
Use of Money & Property	490,776	2,074,000	1,425,760	68.7%	(648,240)
Other Revenues	1,502,481	558,112	920,220	164.9%	362,108
Other - Transfers	9,184,776	7,244,878	6,995,455	96.6%	(249,423)
TOTAL GENERAL FUND	**$79,794,858**	**$83,489,560**	**$86,294,645**	**103.4%**	**$2,805,085**

- Property Tax receipts exceeded the prior year by 48.9%, and exceeded the adjusted budget projection by 27.4%. However, most of this increase is due to one-time distributions of former redevelopment tax increment and not a result of dramatic assessed value increases. At the time of the projection, staff inadvertently excluded a one-time distribution (referred to above) of over $1 million. Otherwise, the projection would have been much closer to the actual result.

- Sales Tax receipts exceeded the prior year by 6.6%, and exceeded the adjusted budget projection by 2.2%. Continued economic recovery has resulted in sales tax receipts growth over the past year.

  Measure Y went into effect on April 1, 2013. Actual receipts were $0.6 million less than anticipated. This is primarily just due to timing differences in when receipts are actually received, with several hundred thousand attributable to FY 2012-13 being recognized in FY 2013-14.

- Real Property Transfer Tax exceeded the prior year by 37.5%, and exceeds the adjusted budget projection by 40.1%. This revenue source is dependent on real estate sales transactions occurring, and can vary wildly from year to year. The sale of a significant commercial property can greatly inflate the amount received in a particular year. While it is good news that this item performed so well in FY 2012-13, this performance cannot be counted on as operating revenue for future years.

- Generally, by combining all categories, UUT performed closely to adjusted budget projections, and was only slightly higher than the previous year. Increased competitiveness amongst cell phone providers, along with more consumer utilization of pre-paid plans led to a slight decline in Telecomm UUT. This is an area for future concern that staff is monitoring.

- Transient Occupancy Tax (TOT) exceeded the prior year by 37.4%, and exceeded the adjusted budget projection by 8.2%. FY 2012-13 marked the first full year of the increased tax rate (from 12% to 14%), which would account for a 17% increase over the prior year. Obviously, the realized increase was much greater than that, showing that hotel occupancy and room rates are both increasing. This was the highest year of TOT receipts in the City's history.

- Commercial/Industrial Development Tax is another revenue that is very hard to predict, and varies significantly from year to year. It is completely dependent upon new commercial development activity. The amount realized in FY 2012-13 was approximately double the prior year amount.

- Charges for Services exceeded the prior year by 7.2%, and exceeded the adjusted budget projection by 10.6%. This category consists of a variety of charges administered by virtually all City departments. Primary factors in the increase were building related fees, parks facility rentals and recreation class fees.

- Fines and Forfeitures is primarily comprised of red light camera violations and moving violations written by Culver City traffic enforcement. These sources exceeded the prior year by 15.6%, and slightly exceeded the adjusted budget projection by 1.0%. The primary reason for the increase is red light camera intersections that had been out of service for parts of the prior year due to construction being back in service.

- Use of Money & Property includes interest income and income from the rental of city property. Receipts exceeded the prior year by 190.5%, and fell short of the adjusted budget projection by 31.3%. The increase over the prior year was due to rental income received from the Pacific Theater being accounted for in the General Fund after the dissolution of redevelopment. This rental income fell short of budget expectations due to decreased theater attendance compared to the prior year.

- Other Revenues consists primarily of unscheduled or unanticipated revenues outside of the other categories. These are normally one-time items, with the exception of the annual sign revenue from Westfield. Year to year fluctuations in this category are expected.

- Other – Transfers is comprised of interfund transfers and cost allocation transfers from other funds. Revenue was 23.8% lower than last year because of the State action to dissolve Redevelopment Agencies, and 3.4% lower than the adjusted budget projection due to less administrative cost reimbursement from the Successor Agency than anticipated.

EXPENDITURES SUMMARY

General Fund Expenditure Overview (as of 06/30/2013)

Overall, General Fund expenditures were $84,199,242, or 95.5**%** of appropriations.

Total General Fund expenditures for FY 2012-13 were 3.8% (approximately $3.1 million) more than FY 2011-12.

GENERAL FUND EXPENDITURES					
	2011-12 ACTUALS	**ADJUSTED BUDGET 2012-13**	**2012-13 ACTUALS**	**% EXPENDED**	**BUDGET VARIANCE**
ADMINISTRATION	$1,228,081	$1,278,605	$1,283,248	100.4%	($4,643)
CITY CLERK	$463,243	$375,400	$355,336	94.7%	$20,064
CITY ATTORNEY	$1,475,243	$1,842,899	$1,685,020	91.4%	$157,879
FINANCE	$4,448,495	$4,509,342	$4,414,704	97.9%	$94,638
HUMAN RESOURCES	$998,797	$1,046,704	$1,090,615	104.2%	($43,911)
INFORMATION TECH.	$3,054,292	$2,853,150	$2,703,103	94.7%	$150,047
PARKS, REC. & COMMUNITY SVCS	$5,868,940	$6,785,988	$6,403,661	94.4%	$382,327
POLICE DEPARTMENT	$27,910,635	$31,216,643	$29,227,373	93.6%	$1,989,270
FIRE DEPARTMENT	$16,148,703	$17,348,554	$16,987,109	97.9%	$361,445
COMMUNITY DEVELOPMENT	$6,745,827	$5,663,134	$5,314,945	93.9%	$348,189
PUBLIC WORKS	$8,808,140	$9,702,782	$9,201,039	94.8%	$501,743
NON-DEPARTMENTAL	$2,527,279	$3,208,600	3,049,922	95.1%	$158,678
Transfers	$701,350	$500,000	$500,000	100.0%	($0)
Retiree Health Pre-funding	$750,291	$1,850,000	$1,983,167	107.2%	($133,167)
TOTAL GENERAL FUND	**$81,129,316**	**$88,181,801**	**$84,199,242**	**95.5%**	**$3,982,559**

As is common, position vacancies during the course of the year create savings versus the budget. There is a lag time between when positions become vacant and when a recruitment process is completed and a new individual put in place. While the formal hiring freeze has been lifted, the City still reviews each vacancy prior to conducting a recruitment. To the extent no vacancies occur during a particular year, the full budget appropriation authority would be required, and therefore such annual savings are considered one-time, or non-recurring.

Year to year comparisons of actual expenditures within a department can be difficult if there are vacancies that exist in one year that did not in a prior year, or vice versa. This can make it appear that departmental expenditures increased or decreased more than they would all other things being equal. Beyond such year to year variations, there were several items that worked to increase or decrease expenditures over the prior year:

- Safety salary increases from the Salary Initiative Ordinance, an increase in retirement contribution rates, and increases in health care costs resulted in higher costs for Police and Fire.
- Increased retirement contribution rates and health care costs also occurred in non-safety departments.
- The General Fund increased its contribution towards pre-funding retiree health care benefits by $1.2 million over the prior year.
- Community Development Department costs decreased due to the elimination of a number of positions that were formerly funded by the Redevelopment Agency.
- Non-Departmental costs for utilities and insurance premiums increased.

CONCLUSION

It was originally anticipated there would be a General Fund deficit for FY 2012-13 of $1.6 million. Revenues $2.9 million over projections coupled with $0.8 million in additional expenditures savings over projections resulted in a surplus of $2.1 million. A significant portion of the revenues over projections were due to one-time items, or revenue sources that vary significantly from year to year. The expenditure savings are also considered one-time. The final results of FY 2012-13 will be factored into any revised projections for the FY 2013-14 budget when the Mid-Year Budget Monitoring Report is completed.