City of Culver City, California

Agenda Item Report

Meeting Date: 02/09/09	Item Number: J-1
AGENDA ITEM: JOINT ITEM - Fiscal 2007-08 Year-end Financial Monitoring Report for the City and Redevelopment Agency	
Contact Person/Dept.: Mary V. Noller, Budget Division Manager Nick Kimball, Sr. Management Analyst	Phone Number: (310) 253-6012; (310) 253-6013
Fiscal Impact: Yes [] No [X]	General Fund: Yes [] No []
Public Hearing: [] Action Item: [X]	Attachments: [X]
Public Notification: Master E-Mail Notification List (02/04/09); Culver City Observer and Culver City News 01/29/09 and 02/05/09; Culver City Employees Association, Culver City Management Group, Culver City Fire Management Group, Culver City Firefighters Local 1927, AFL-CIO, Culver City Police Officers Association, and Culver City Police Management Group on 02/04/09.	
Department Approval: Jeff Muir (02/04/09)	City Attorney Approval: Carol Schwab (by H. Baker) (02/03/09)
Chief Financial Officer Approval: Jeff Muir (02/04/09)	City Manager Approval: Jerry B. Fulwood (02/04/09)

RECOMMENDATION:

Staff recommends the City Council and the Redevelopment Agency receive a presentation on the final Year-end Fiscal 2007-08 Financial Monitoring Report.

BACKGROUND / DISCUSSION:

The Finance Department prepares monthly, quarterly, mid-year, and year-end Financial Monitoring Reports for the City Council and the Redevelopment Agency once the accounting periods have been closed for the respective reporting cycle.

City of Culver City

General Fund

Total General Fund expenditures for Fiscal Year 2007-08 were $83.96 million and total General Fund revenues were $86.3 million. The General Fund ended the year with an operating surplus of $2.34 million. The surplus was primarily due to lower than expected expenditures from personnel vacancies, higher than anticipated business tax revenue and one-time developer fees, and higher than expected investment and interest income from bond refunds.

The final 2007-08 year-end budget review reflects a General Fund unreserved fund balance of $34.2 million, or 43.1% of total General Fund operating expenditures of 2007-08. The unreserved fund balance includes the $9 million dollar loan to the Redevelopment Agency.

Enterprise Funds

The Refuse Fund revenues totaled $10.8 million and were 5.8% below budgeted projections, but exceeded operating expenditures by 5.5%. As a result, the fund showed an annual operating surplus of approximately $565,000. At the end of fiscal 2007-08, the Refuse Fund had a remaining loan amount of $1.149 million, which is allocated as follows: $613,424 – General Fund; $401,236 Equipment Replacement Fund; $61,396 – Innovation Fund.

The Transit Fund finished the year with $16.1 million in operating revenue, 7% under the budgeted projections. Meanwhile, operating expenditures were 2.3% lower than expected and totaled $22.4 million. The disparity of the revenues and expenditures is due to the one-time purchase of capital assets.

The Sewer Fund operating revenues ended the year 14.1% higher than expected, due in part to one-time receipts from large developments. Operating expenditures were 19% lower than expected, due primarily to lower than expected Los Angeles City Hyperion Wastewater Treatment Plant costs. Because of the anticipated operating surplus, sewer user fees remained at current levels for 2008-09.

Self-Insurance Fund

The Self-Insurance Fund ended fiscal year 2007-08 with revenues of $7.7 million and expenditures of $10.7 million. The operating deficit is attributed to a transfer of $3.6 million to the CIP fund to repair the Cranks Road hillside. The fund's cash balance has decreased to $1.8 million, so during the upcoming budget process staff will develop a strategy to re-establish the fund reserve.

Culver City Redevelopment Agency

The beginning balance for unrestricted funds in Fiscal Year 2007-08 was approximately $13.7 million. The ending balance for FY 2007-08 (and beginning balance for 2008-09) was approximately $10.8 million.

Tax increment receipts, which are the Agency's primary source of revenue and account for approximately 90% of ongoing revenues, increased approximately 10%

over FY 2006-07 receipts. However, Pacific Theater revenue decreased by 48% from the previous year due to a sluggish economy and a lack of quality film product, which impacted the entire industry. Additionally, parking receipts decreased by approximately 8% from the prior year. The Writers' Guild strike in November, December, and part of January had a negative impact on film parking receipts, especially at the downtown parking structures.

Overall, the RDA received about $11 million less in FY 2007-08 than it did in FY 2006-07. This is due primarily to one-time land sale proceeds of approximately $12.5 million that were received in FY 2006-07 for the Lindblade properties, 4043 Irving Place, and 9900 Culver Blvd. The Agency received no land sale proceeds in FY 2007-08. Excluding the one-time land sale proceeds, the Agency received approximately $1.5 million more in FY 2007-08 than FY 2006-07, which is a result of strong tax increment growth.

Expenditures were approximately 91% of the adjusted budget. Expenditures in FY 2007-08 were well below expenditures in FY 2006-07 because there was significantly less land acquisition activity ($23 million land acquisition in FY 2006-07 vs. $6 million in FY 2007-08). Most of the budget savings in FY 2007-08 were due to a number of staff vacancies.

In May 2007, the Agency approved a $9 million loan from the City's General Fund to the Redevelopment Agency, which was used to substitute unrestricted funds for tax exempt bond funds for the Washington/Centinela project area. An interest payment of almost $500,000 was made in FY 2007-08, however, due to the land rich, cash poor financial position of the Agency, no principal payments were made in FY 2007-08. A $2 million principal payment was made early in FY 2008-09.

<u>Tax Exempt Bond Funds</u>

The beginning balance for tax exempt funds in Fiscal Year 2007-08 was approximately $24.9 million. The ending balance for FY 2007-08 (and beginning balance for 2008-09) was approximately $21.9 million. Approximately $1.1 million in interest income was earned in FY 2007-08 and $4.4 million was spent on bond funded projects. The table below shows the major projects that had bond funds allocated in 2007-08, the amount that was spent on each project in 2007-08, and the amount of funds that were carried over to 2008-09. Since many of these projects are large capital expenditures that span fiscal years, it is common that the expenditures are spread among fiscal years. Therefore, any unspent funds are carried over to the following year to maintain the funding to complete the project.

Program Description	Adjusted 2007-08 Budget	Actual 2007-08 Expense	Carryover to 2008-09
Downtown Street Improvements			
Washington Blvd Realignment	2,050,000	2,184,306	Complete
Town Plaza Expansion	2,500,000	123,373	2,376,627
Washington/National Demolition	352,926	271,323	Complete
Public Works Street Improvements	362,789	0	362,789
W. Washington Revitalization	60,000	60,000	Complete
Fire Station #3	2,641,843	1,748,829	893,014
Total Bond Fund	**$7,907,558**	**$4,387,831**	**$3,632,430**

There were a number of bond funded projects that were completed in 2007-08, including the Washington Boulevard Realignment, demolition at Washington/National, and a rehab grant on West Washington. The remainder of the projects is still ongoing.

During the fiscal year 2008-09 budget process, most of the remaining bond funds were allocated for various public improvement projects, including the General Plan update, parking improvements, and area improvement plans on Washington Blvd and Sepulveda Blvd.

Low/Moderate Income Housing Fund

The beginning balance for the Low/Moderate Income Housing Fund in Fiscal Year 2007-08 was approximately $15.1 million. The ending balance for FY 2007-08 (and beginning balance for 2008-09) was approximately $19 million. The Agency needs to begin to spend down this cash balance before the Housing fund gets into an excess surplus situation. The Housing Division is working with the Agency Board to develop a Comprehensive Housing Strategy to plan housing development activities over the next few years.

FISCAL ANALYSIS:

There is no fiscal impact from receiving this report.

ATTACHMENTS:

1. City FY 2007-08 Final Year-end Financial Monitoring Report

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2. Redevelopment Agency FY 2007-08 Final Year-end Financial Monitoring Report

MOTION:

That the City Council:

Receive and file the presentation of the 2007-08 Fiscal Year-end Financial Monitoring Report from the Chief Financial Officer.

That the Culver City Redevelopment Agency:

Receive and file the presentation of the 2007-08 Fiscal Year-end Financial Monitoring Report from the Chief Financial Officer