City of Culver City, California

City Council Agenda Item Report

Meeting Date: 02/25/08		Item Number: J-1
AGENDA ITEM: Fiscal 2006-07 Year-end Financial Budget Report		
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Fiscal Impact: Yes [] No [X]	General Fund: Yes [] No []	
Public Hearing: []	Action Item: [X]	Attachments: [X]
Public Notification: Master Notification 02/20/08		
Department Approval: Jeff Muir (02/19/08)	City Attorney Approval: Carol Schwab (by H. Baker) (02/19/08)	
Fiscal Impact Review: Jeff Muir (02/19/08)	City Manager Approval: Jerry B. Fulwood (02/21/08)	

RECOMMENDATION:

Staff recommends the City Council and the Redevelopment Agency receive a presentation on the Year-end Fiscal 2006-07 Budget.

BACKGROUND / DISCUSSION:

The Budget & Finance Office prepares quarterly, mid- year, and year-end budget monitoring reports for the City Council and the Redevelopment Agency once the books have been closed for the respective time periods.

City of Culver City

General Fund

Total actual General Fund expenditures at the end of Fiscal 2006-07 were $76.94 million, and total General Fund revenues were $80.14 million. The end result of the approximately $3.2 million operating surplus was mostly due to higher than anticipated revenues in Sales Tax and UUT revenue categories, one-time revenues in Transient Occupancy Tax (TOT), Charges for Services, and Use of Money & Property revenue categories, and lower than anticipated expenditures primarily due to vacancies.

The final 2006-07 year-end budget review reflects an unreserved General Fund fund balance of $31.9 million, or 41.4% of total General Fund operating expenditures from 2006-07. The adjusted 2007-08 budget includes approximately $4.5 million appropriation, which is transferred from the General Fund reserve to fund capital projects. The surplus realized from 2006-07 was instrumental in being able to fund the $1.623 million Public Safety RMS capital project and an additional $1.5 million for new Fire Station #3.

An important point should be noted that the General Fund fund balance now has approximately $3.5 million committed to fulfill Fund 420 Capital appropriations for the new Fire Station #3. Two-million of this amount had previously been approved per discussion of potential pay-back opportunities. It is anticipated that approximately $1 million may be received from the sale of the three lots on which the current Fire Station #3 sits. There are also opportunities for the City to receive grant funding for all, or a portion of, the $1 million that was appropriated as a loan from the General Fund reserve. If these actions occur, the appropriated $2 million from the General Fund reserve will be released back to the reserve; otherwise, the General Fund is expected to provide the project funding needs.

Enterprise Funds

The Refuse Fund came in over projected revenue receipts by 1.2%, for a total of $10.5 million. Expenditures finished the year at 88.2% of the adjusted budget, and were $10.1 million. As a result, the fund showed an annual operating surplus of approximately $455,000.

At the end of fiscal 2006-07, the Refuse Fund had a remaining loan amount of $1.227 million, which is allocated as follows: $733,000 – General Fund; $428,500 – Equipment Replacement Fund; $65,500 – Innovation Fund.

The Transit Fund finished the year over operating revenue projections at $18.51 million. This was due in part to the timely receipt and recording of federal and state monies. Also, Transportation received funds throughout the fiscal year for an STA Grant in the amount of approximately $1.5 million, when budgeted projections were $250,000. Expenditures, including both operating and capital items, were 72.7% of the adjusted budget, and were $17.56 million. A few Transit capital projects were not completed in 2006-07 and have been carried over to fiscal 2007-08. These projects include the CNG fueling stations and the Smart Bus project.

The Sewer Fund came in over revenue projections by approximately 3.4%. Sewer operating appropriations were 88.5% expended, with overall Sewer appropriations 55.9% expended. Several budgeted Sewer capital projects were not completed in fiscal 2006-07, and have been carried over to fiscal 2007-08. (Note: Several of these projects have been completed in fiscal 2007-08.)

Self-Insurance Fund

The Self Insurance Fund ended fiscal 2006-07 with a relatively healthy cash reserve balance of approximately $5 million and decreased the future liability obligation (i.e. future value of current workers' compensation and liability claims) by $2.4 million compared to the balance on June 30, 2006. Despite these positive improvements, the ultimate net costs associated with the settlement reached with the property owners affected by the Culver Crest hill slide, including the cost to repair the hill side, will significantly impact the fund balance of the Self Insurance fund in the following fiscal years.

The Self Insurance fund cash reserve is projected to decrease by approximately $3.5 million in fiscal 2007-08. During the upcoming budget process, staff will develop a strategy to re-establish the fund reserve, and will assess if an increase in liability reserve charges to operating departments is needed over the next few years.

Culver City Redevelopment Agency

The beginning balance for unrestricted funds in Fiscal Year 2006-07 was approximately $23 million. The ending balance for FY 2006-07 (and beginning balance for 2007-08) was approximately $12.5 million.

On-going revenues were strong and came in approximately $6 million over budget. This was driven mainly by stronger than budgeted tax increment receipts (approximately $4 million over budget), interest income (approximately $425,000 over budget), parking revenues (approximately $350,000 over budget), and Pacific Theater income (approximately $900,000 over budget).

One-time revenues were significantly over budget (approximately $12 million). This is the result of a number of land sale revenues that were not originally budgeted at the beginning of the year, including 4043 Irving Place, 9900 Culver Boulevard, and a Lindblade property (this was a pass-through for relocation assistance; a corresponding expenditure was also recorded).

Expenditures also exceeded the adopted budget. Some expenditures, such as the county administration fee, statutory pass through payments, and housing set-aside are a set percentage of tax increment receipts per State redevelopment law. Therefore, as tax increment receipts increase, there is a corresponding increase in those expenditures, which equated to approximately $1.5 million over budget.

Additionally, the Agency purchased a large amount of land in 2006-07 amounting to almost $23 million. The majority of this amount was related to parcels near the Washington/National project area in anticipation of development related to the impending Expo Light Rail regional transportation project. All together, the Agency ran a deficit of approximately $11 million in 2006-07.

Despite the $11 million deficit, the ending balance of $12.5 million is higher than anticipated. In addition to the strong revenues that exceeded the budgeted amount by $6 million, RDA staff took a number of actions to curb expenditures during the fiscal year. Some of the actions that RDA staff took included shifting their focus to moving along existing projects prior to exploring new projects and freezing vacant positions through the end of the fiscal year. This resulted in a savings of approximately $3 million.

Tax Exempt Bond Funds

The beginning balance for tax exempt funds in Fiscal Year 2006-07 was approximately $12 million. The ending balance for FY 2006-07 (and beginning balance for 2007-08) was approximately $23.5 million. The increased fund balance is mainly the result of a re-allocation of funds, which will be discussed in more detail in the following sections of this report.

The table below shows the major projects that had bond funds allocated in 2006-07, the amount that was spent on each project in 2006-07, and the amount of funds that were carried over to 2007-08. 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 2006-07 Budget	Actual 2006-07 Expense	Carryover to 2007-08
Downtown Street Improvements			
Washington Blvd Realignment	2,050,000	331,637	1,718,363
Town Plaza Expansion	2,850,000	0	2,850,000
Washington/National	850,000	0	850,000
Public Works Street Improvements	1,001,072	677,336	0
Fire Station #3	2,896,933	257,503	2,639,430
Total Bond Fund	**$9,548,005**	**$1,266,476**	**$8,057,793**

There were a number of bond funded public works street improvements projects that were completed in 2006-07, including Culver Blvd/Keystone to Jasmine and Washington Blvd/Elenda to Sepulveda. The remainder of the projects are still ongoing.

Over the past few years, the Redevelopment Agency has acquired a number of properties throughout the City in furtherance of the Redevelopment Plan. While a number of the properties were purchased with unrestricted tax increment funds, several properties were purchased with tax exempt bond funds due to the anticipated project/proforma structure. For the properties that utilized bond funds to purchase the properties, there was the expectation that the residual land value from the subsequent sale of the property would not result in a return greater than five percent of the total bond issue (i.e. $1.5 million). Due to changes in the value and scope of two of these projects (i.e. Baldwin Hotel Site and Washington/Centinela), the return was projected to exceed five percent. This would violate one of the restrictions placed on tax-exempt bond funds.

In order to avoid this situation and give the Agency flexibility in the future use and disposition of those affected projects, it was necessary to replace the bond funds originally used to purchase the properties with unrestricted funds. To achieve this, unrestricted funds needed to be transferred to the tax exempt bond fund account, which effectively decreases the amount of unrestricted funds that are available and increases the amount of restricted tax exempt bond funds that are available.

As of July 1, 2006, there was approximately $12 million available in tax exempt bond funds. In order to give the Agency flexibility with respects to the Baldwin Motel Site project, the Agency approved transferring $1.7 million in unrestricted tax increment funds to tax exempt bond funds. An additional $1.8 million was earned in interest, which increased the available tax exempt bond funds to $15.5 million.

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. This further increased the available tax exempt bond funds to approximately $24.5 million. Of this amount, approximately $10 million was appropriated for projects (see Attachment 2). Therefore, approximately $14.5 million in tax exempt bond funds were available to be appropriated for qualified projects at the end of fiscal year 2006-07.

<u>Low/Moderate Income Housing Fund</u>

The beginning balance for Low/Moderate Income Housing Fund in Fiscal Year 2006-07 was approximately $12.9 million. The ending balance for FY 2006-07 (and beginning balance for 2007-08) was approximately $15.1 million. Towards the end of FY 2006-07, Housing and Community Development staff began work developing strategies to program the Low/Moderate Income Housing funds and develop a long term work program, which will be presented to the Redevelopment Agency at a later date. Initial work indicates there are sufficient projects to allocate the entire balance of the Low/Moderate Income Housing Fund.

FISCAL ANALYSIS:

There is no fiscal impact from receiving this report. Final results for the General Fund in fiscal 2006-07 were very positive, mainly due to higher than anticipated revenues in Sales Tax and UUT revenue categories, one-time revenues in Transient Occupancy Tax (TOT), Charges for Services, and Use of Money & Property revenue categories, and lower than anticipated expenditures primarily due to vacancies. General Fund Departments, for the most part, were also able to hold operating expenditures within the 96.5% target. The General Fund reserve percentage at the end of the fiscal year was approximately 41.4%. Overall, most funds were able to hold spending within the restraints of available revenues or reserves.

ATTACHMENTS:

1. City Fiscal 2006-07 Year-end Budget Report
2. City Fiscal 2006-07 Year-end Expenditure Summary
3. City Fiscal 2006-07 Year-end Revenue Summary
4. Agency Unrestricted Funds Cash Flow: 2006-07 Budget vs. Actual
5. Agency Tax Exempt Bond Funds Cash Flow: 2006-07 Budget vs. Actual

MOTION:

That the City Council:

> Receive and file the presentation of the Year-end Fiscal 2006-07 Budget from the Chief Financial Officer.

That the Culver City Redevelopment Agency:

> Receive and file the presentation of the Year-end Fiscal 2006-07 Budget from the Chief Financial Officer