MEETING DATE: 03/12/2012

AGENDA ITEM: **Receipt and Filing of the Fiscal Year 2011-12 Mid-Year General Fund Budget Monitoring Report and Approval of Proposed Budget Amendments.**

ATTACHMENTS

City of Culver City

MID-YEAR GENERAL FUND
BUDGET MONITORING REPORT
(Through December 31, 2011)

FOR

FISCAL YEAR 2011-12

[illegible]

2011-12 Budget Monitoring Report
Mid-Year Report (as of 12/31/11)
General Fund

[illegible]

General Fund Operating Revenues through December are $26.573 **million**, or 33**%** of adjusted budgeted projections. **General Fund Expenditures** through December are **[illegible] million,** or **[illegible]%** of adjusted budgeted appropriations. Revenues often lag expenditures at this point in the year due to accruals, which occur at the end of the fiscal year.

This report will focus solely on the General Fund. Other Funds are performing close to expectations, and will be discussed further during the Fiscal Year 2012-2013 budget process.

In Fiscal 2008-09, Culver City was hit hard by the effects of the recession. Improvements in Sales Tax and certain other revenue categories are being seen, but expenditures continue to outpace revenues. The elimination of Redevelopment is having a significant impact on the General Fund, with several million dollars that previously flowed as reimbursement to the General Fund disappearing. While the City was successful in negotiating concessions with all of the bargaining groups, the short-term savings from these agreements will take two to three years to really phase in, and are more than offset by the losses attributable to Redevelopment. The structural deficit continues to persist at a significant level, requiring further expenditure reductions or an infusion of new or increased revenues.

R[illegible]MARY

General Fund Revenue Overview ***(as of 12/31/2011)***

- Through December, General Fund operating revenues are $26.573 million, or 32.9% of adjusted budget projections. This is approximately $723,000, or 2.7%, lower than the same time last Fiscal Year.

The table below shows a comparison between revenues received as of December 31 for the current and prior fiscal years:

MPAR DGNALFR N MDYER REPS FSLYERS 2010-2011 AND 2011-2012				
	Receipts as of 12/31/10	**Receipts as of 12/31/11**	**$ Change from 2010-11 to 2011-12**	**% Change from Fiscal 2010-11**
Property Tax	1,200,175	1,319,858	119,683	10.0%
Sales Tax	4,285,075	3,955,330	(329,745)	(7.7%)
Public Safety Sales Tax (PSAF)	100,290	112,311	12,021	12.0%
Business Tax	530,280	429,798	(100,482)	(18.9%)
Franchise Tax	207,800	111,074	(96,726)	(46.5%)
Real Property Transfer Tax	504,202	478,476	(25,726)	(5.1%)
Utility Taxes	6,394,989	6,385,167	(9,822)	(0.2%)
Transient Occupancy Tax (TOT)	1,392,825	1,549,175	156,350	11.2%
Commercial/Industrial Dev. Tax	36,570	135,938	99,368	271.7%
Licenses and Permits	911,520	1,219,137	307,617	33.7%
Intergovernmental	44,615	55,835	11,221	25.1%
Charges for Svcs. (Includes RDA billings)	5,434,324	6,115,604	681,280	12.5%
Fines and Forfeitures	2,059,340	1,163,072	(896,268)	(43.5%)
Use of Money & Property	190,298	214,741	24,443	12.8%
Interfund/Departmental (Admin. Allocation)	2,401,644	2,366,916	(34,728)	(1.4%)
Other Revenues	89,942	159,601	69,659	77.4%
Other (Interfund Transfers)	1,513,145	801,484	(711,661)	(47.0%)
TLGNALFN	**27,03 25,5**		**(7,3)**	**(2.%**

- Sales Tax is currently coming in lower than the same point last Fiscal Year, but this is mostly due to adjustments. Based on the projection from our Sales Tax consultant, it is expected to surpass last year's total by the end of the Fiscal Year. Based on this information, an increase to the budget projection is being recommended.
- Utility Taxes overall are performing at the same level they were at this time last year.
- Property Taxes are slightly above last year's level, supported by the 2% increase in assessed valuation for Fiscal Year 2011-2012.
- Business Tax is due by the end of February, and therefore is not a significant revenue source as of December 31. It is expected to perform at approximately the same level as last year.
- Transient Occupancy Tax (TOT) is slightly improved over the previous year, and staff is recommending an increased budget projection.
- Real Property Transfer Tax is difficult to predict as it relies on property sales, which have dropped considerably due to the economy. The mid-year total is consistent with the same point in time last year, and it is now expected to exceed the current budget. Therefore, an increased budget projection is recommended.
- Licenses and permits, greatly driven by residential and commercial construction permits, is showing improved performance over last year's total at this time. Because of this, an increased budget projection is recommended.
- Charges for Services is performing better than it was as of last year's mid-year review. However, this is the revenue category that includes most of the General Fund charges to the Redevelopment Agency. Due to the elimination of Redevelopment, this revenue source is being significantly reduced for the remainder of the year.

- Fines and Forfeitures are significantly lower than the same time last year. This revenue category is primarily made up of red light camera violations and moving violations written by Culver City traffic enforcement. It appears most of the reduction is due to red light camera violations. Due to construction projects related to the Metro line and Sepulveda Boulevard, a number of cameras have been out of operation. During the July 2011 through December 2011 period, there were nearly 3,500 less red light camera violations issued than the previous year. While the completion of construction should ultimately result in more violations, the budget projection for this revenue category must be reduced for the current fiscal year.
- Use of Money and Property includes rent charges to the Redevelopment Agency, which cannot be charged for the remainder of the Fiscal Year. Coupled with all-time low investment returns, a reduction in the budget projection is recommended.
- The revenue associated with the City's Cost Allocation Plan must also be reduced for certain costs that can no longer be funded by the Redevelopment Agency.
- Other Revenues and Interfund Transfers are expected to meet current budget projections. This revenue category is significantly lower than the same period last year due to one-time transfers in Fiscal Year 2010-2011. An increase in the budget projection of $130,000 for Interfund Transfers is recommended to cover required expenditure increases that will be discussed in the following section of the report.

The following table represents the current General Fund revenue budget, receipts through December 31, 2011, and a revised projection for Fiscal Year 2011-2012:

MID-YEAR GENERAL FUND

	ADOPTED BUDGET 2011-12	PRELIMINARY RECEIPTS AS OF 12/31/11	% RECEIVED AS OF 12/31/11	REVISED BUDGET PROJECTED 2011-12
Property Tax	3,925,000	1,319,858	33.6%	3,925,000
Sales Tax	16,542,000	3,955,330	23.9%	16,700,000
Public Safety Sales Tax (PSAF)	342,000	112,311	32.8%	342,000
Business Tax	10,050,000	429,798	4.3%	10,050,000
Franchise Tax	1,350,000	111,074	8.2%	1,350,000
Real Property Transfer Tax	1,000,000	478,476	47.8%	1,400,000
Utility Taxes	15,120,000	6,385,167	42.2%	15,120,000
Transient Occupancy Tax (TOT)	3,050,000	1,549,175	50.8%	3,150,000
Commercial/Industrial Dev. Tax	250,000	135,938	54.4%	250,000
Licenses and Permits	1,949,310	1,219,137	62.5%	2,100,000
Intergovernmental	3,631,227	55,835	1.5%	3,631,227
Charges for Svcs. (Includes RDA billings)	11,729,920	6,115,604	52.1%	9,839,920
Fines and Forfeitures	4,099,700	1,163,072	28.4%	2,750,000
Use of Money & Property	688,000	214,741	31.2%	550,000
Interfund/Departmental (Admin. Allocation)	5,100,030	2,366,916	46.4%	4,590,030
Other Revenues	242,230	159,601	65.9%	242,230
Other (Interfund Transfers)	1,589,257	801,484	50.4%	1,719,257
TOTAL GENERAL FUND	[illegible]	[illegible]		

Total revenues for Fiscal Year 2011-2012 are expected to be approximately $3.1 million lower than the current budget. As discussed previously, this is primarily due to a significant decrease in Fines and Forfeitures and reimbursements previously received from the Redevelopment Agency. Staff is recommending budget amendments to reflect these updated projections.

EXPENDITURE SUMMARY

General Fund Expenditure Overview ***as of 12/31/2011)***

- Overall, General Fund expenditures through December were $37.073 million or 43.9**%** of appropriations. Continued salary savings from vacant positions and, to a lesser extent, departments spending less O&M, has resulted in lower levels of expenditures.

- Through April, all General Fund departments are at or under 48% of their expenditure budget.

  The table below provides a comparison between the first six months of Fiscal Year 2011-2012 and the same period for the prior year:

COMPARISON OF GENERAL FUND EXPENDITURES
FISCAL 2010-11 AND 2011-12

	ADJUSTED BUDGET 2010-11	PRIOR YEAR EXPENDED AS OF 12/31/10	% EXPENDED AS OF 12/31/10	ADJUSTED BUDGET 2011-12	PRIOR YEAR EXPENDED AS OF 12/31/11	% EXPENDED AS OF 12/31/2011
CITY COUNCIL/CITY MANAGER	1,330,645	669,251	50.3%	1,248,050	562,022	45.0%
CITY CLERK	357,861	152,604	42.6%	406,334	164,647	40.5%
CITY ATTORNEY	1,876,390	833,616	44.4%	1,874,109	603,946	32.2%
FINANCE	4,255,627	1,660,608	39.0%	4,484,464	1,949,104	43.5%
HUMAN RESOURCES	1,042,361	441,255	42.3%	1,009,757	450,497	44.6%
INFORMATION TECH.	3,192,090	1,371,892	43.0%	3,202,789	1,329,658	41.5%
PARKS, REC. & COMMUNITY SVC	6,370,744	2,845,838	44.7%	6,513,168	2,817,737	43.3%
POLICE DEPARTMENT	28,412,656	12,702,236	44.7%	29,078,721	13,031,145	44.8%
FIRE DEPARTMENT	15,381,125	7,096,687	46.1%	15,991,579	7,680,377	48.0%
COMMUNITY DEVELOPMENT	7,231,614	3,126,089	43.2%	7,240,504	2,973,546	41.1%
PUBLIC WORKS	9,541,736	4,082,911	42.8%	9,496,427	3,886,917	40.9%
NON-DEPARTMENTAL	4,061,872	1,246,820	30.7%	4,494,994	1,255,594	27.9%
Transfers	2,892,068	1,414,966	48.9%	701,350	367,342	52.4%
Cost Savings	0	0	-	(1,340,000)	0	0.0%
Projected Excess Appropriation	(325,000)	0	0.0%	0	0	-
TOTAL GENERAL FUND	[illegible]	[illegible]	[illegible]			

*Percent expended represents the percent of the adusted budget expended as of the end of the period covered in this report.

In aggregate, total expenditures through six months have decreased by approximately $0.6 million. Most of this decrease is attributable to a reduction in transfers to other City funds. Finance Department expenditures are higher for Fiscal Year 2011-2012 as all positions are currently staffed, where there were vacancies that existed in the prior year. Similarly, the Police Department expenditures are higher primarily due to fewer vacancies, though vacancies do exist at the present time. Fire Department expenditures are higher due to an increase in Constant Staffing overtime.

As a percentage of total adjusted budget, the expenditure pattern for Fiscal Year 2011-2012 (at 43.9% of budget), is very consistent with the same point last year (44.0%). The combination of a hiring freeze on non-safety positions, vacancies in safety positions while recruitments are underway, and departments keeping a close eye on operations and maintenance costs have allowed the General Fund to come in well under 50% through the first half of the year.

The table below reflects a comparison of expenditures to date versus the adjusted budget, as well as a column for recommended budget adjustments for the mid-year

MID-YEAR GENERAL FUND EXPENDITURES

	ADOPTED BUDGET 2011-12	ADJUSTED BUDGET 2011-12	PRELIMINARY EXPENDED AS OF 12/31/11	% EXPENDED AS OF 12/31/11	RECOMMENDED BUDGET 2011-12
CITY COUNCIL/CITY MANAGER	$1,241,653	$1,248,050	$562,022	45.0%	$1,248,050
CITY CLERK	$406,130	$406,334	$164,647	40.5%	$406,334
CITY ATTORNEY	$1,779,809	$1,874,109	$603,946	32.2%	$1,874,109
FINANCE	$4,362,836	$4,484,464	$1,949,104	43.5%	$4,484,464
HUMAN RESOURCES	$971,186	$1,009,757	$450,497	44.6%	$1,009,757
INFORMATION TECH.	$3,047,898	$3,202,789	$1,329,658	41.5%	$3,232,789
PARKS, REC. & COMMUNITY SVCS	$6,406,924	$6,513,168	$2,817,737	43.3%	$6,513,168
POLICE DEPARTMENT	$29,015,288	$29,078,721	$13,031,145	44.8%	$29,078,721
FIRE DEPARTMENT	$15,920,241	$15,991,579	$7,680,377	48.0%	$16,091,579
COMMUNITY DEVELOPMENT	$7,121,357	$7,240,504	$2,973,546	41.1%	$7,240,504
PUBLIC WORKS	$9,346,339	$9,496,427	$3,886,917	40.9%	$9,496,427
NON-DEPARTMENTAL	$4,488,451	$4,494,994	$1,255,594	27.9%	$4,494,994
Transfers	$700,000	$701,350	$367,342	52.4%	$701,350
Cost Savings	($1,340,000)	($1,340,000)	$0	0.0%	($4,716,000)
[illegible]	[illegible]	[illegible]			

*Percent expended represents the percent of the adjusted budget expended as of the end of the period covered in this report.

There are limited adjustments to the expenditure budget proposed. They are summarized as follows:

- The Information Technology budget is increased by $30,000 to fund a limited-term Computer Programmer position for the remainder of the Fiscal Year. This position is required to assist with the conversion and implementation of the new Financial and Human Resources System. This position will also be included in the Fiscal Year 2012-2013 Recommended Budget. The position will be eliminated at the completion of the project, which is expected to be mid-2013. The position is fully funded by a transfer from the Financial System Implementation project budget into the General Fund.
- The Fire Department budget is increased by $100,000 due to significant required maintenance that has occurred on certain fire apparatus. This cost is being offset by a transfer from the Equipment Replacement Fund.
- The Adopted Fiscal Year 2011-2012 Budget included a negative line item for cost savings in the amount of $1.34 million. This was the amount of savings assumed to be achieved through negotiations with the bargaining groups. Based on the final negotiated agreements with all bargaining groups, there is limited savings that will be recognized in the current Fiscal Year. The majority of the short-term savings will phase in over the course of the next two to three fiscal years. There were also significant long-term savings negotiated, that will phase in over a much longer period of time. Based on the expenditure pattern for the year-

to-date, existing vacancies, and the known results of negotiations, staff is estimating the General Fund will end the year at approximately 96% expended. In order to formally reduce the total General Fund appropriations, the Cost Savings line item will be increased to $4.72 million.

The result of these items is that the total General Fund appropriations for expenditures in Fiscal Year 2011-2012 will reduce from $84.4 million to $81.2 million. The City Manager and Chief Financial Officer will work to ensure that overall expenditures throughout all departments do not exceed this amount.

FIVE YEAR PROJECTION

For the current Fiscal Year 2011-2012, it is projected that expenditures will exceed revenues by approximately $3.4 million. General Fund reserves will be used to make up this deficit. The deficit in the adopted budget was $2.8 million, so it has increased by $0.6 million. Due to the loss of certain Redevelopment-related revenues and the lower moving citation revenues, the City is fortunate to have mostly offset these reductions in the current year with expenditure savings.

Based on the estimated expenditure and revenue estimates for the current fiscal year, staff has performed a high-level update of the five-year forecast. This forecast assumes continued slow growth in most revenues. Some notable changes include the following:

- Approximately $7 million in revenues received from Redevelopment to fund direct and indirect staff, and other activities, are eliminated in 2012-2013 and beyond.
- It is assumed the Successor Agency to the Redevelopment Agency will receive some funding for administration, and $600,000 is assumed to reimburse core staff costs in Fiscal Year 2012-2013 and 2013-14, declining in subsequent years.
- It is assumed that approximately $250,000 of staff costs can also be charged directly to the various bond-funded projects that have been approved.
- It is assumed the Housing Authority will reimburse the General Fund for a core level of staffing of approximately $485,000. It is also assumed the Housing Authority will pay approximately $100,000 in overhead costs to the General Fund.
- While net revenue from the Pacific Theater agreement was formerly accounted for in the Redevelopment funds, the Theater is City property and this revenue will be reflected in the General Fund in subsequent years.
- The ballot measure to increase the Transient Occupancy Tax from 12% to 14% is assumed to be approved by the voters in April, resulting in approximately $500,000 in additional revenues in future years.

On the expenditure side, the forecast includes the resulting assumptions from all of the new MOU’s. For Fiscal Year 2012-2013 and thereafter, there is no ‘assumed’ savings against budgeted positions. To convert some of the savings being realized during the current year into future years, permanent staffing reductions or other reorganizations will be necessary. Other assumptions of note include:

- The known increases to public safety positions as a result of the Salary Initiative Ordinance are included for the years covered by the L.A. City and L.A. County contracts. For the final two years of the forecast, there is an assumption of 2% in annual increases.
- There are no cost-of-living increases assumed for non-sworn personnel during the entirety of the forecast.
- There is an assumption that a major reorganization will take place with many of the positions formerly funded by the Redevelopment Agency, and approximately $2.35 in personnel costs will be reduced. More specifics will be forthcoming at the onset of the 2012-2013 budget development process.

Below is the current forecast:

General Fund Forecast *[in thousands]*

	Current Plus Five-Year Forecast					
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Beginning **Appropriable** Fund Balance	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total GF Revenues	77,710	78,653	81,220	83,823	86,661	89,218
Total GF Expenditures	(79,776)	(86,675)	(89,039)	(90,931)	(92,553)	(94,226)
OPEB Contribution	(680)	(1,450)	(2,150)	(2,850)	(3,600)	(3,600)
Current Net Operating Surplus/Deficit	(2,747)	(9,472)	(9,969)	(9,958)	(9,492)	(8,608)
Est. Savings from Two-Tiered Pensions	0	51	93	101	193	243
2% TOT Increase	83	500	500	500	500	500
Reorganization	0	2,350	2,350	2,350	2,350	2,350
Adjusted Net Operating Surplus/Deficit	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One-time - Transfers to CIP Projects	(700)	(500)	(500)	(500)	(500)	(500)
One-time - Sale of Property	0	2,000	0	0	0	0
Total Net One-time	(700)	1,500	(500)	(500)	(500)	(500)
Gross Surplus/Deficit	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ending **Appropriable** Fund Balance	39,128	34,058	26,531	19,024	12,075	6,060
	49.48%	39.52%	29.97%	21.04%	13.12%	6.43%

Revenue Assumptions

Eliminates $[illegible] million received from RDA beginning in 12/13

Assumes reimbursement from Successor Agency for $[illegible]k in staff costs, declining over time

Assumes reimbursement of $[illegible]k in staff costs from Community Improvement bond projects

Assumes reimbursement from Housing Authority for [illegible] in staff costs

Assumes $[illegible]00k in Cost Allocation applied to Housing Authority

Assumes $[illegible].3 million in net Pacific Theater revenue

Assumes TOT increase is approved in April 2012

Expenditure Assumptions

Reflects results of negotiations in personnel cost projections

Reflects known salary ordinance increases for Safety through 14/15 and 2% per year thereafter

Reflects 0% salary adjustments to non-sworn positions over term of projection

Assumes full staffing of budgeted positions for 12/13 and beyond

Assumes elimination of $[illegible].5 million in former RDA / housing and other positions in 12/13

Estimates reduction in amount to fully fund OPEB based on negotiations (waiting on actuarial report)

Based on these current assumptions, the structural deficit is approximately $7 to $7.5 million. It is likely the upcoming proposed budget will include further recommended reductions.

As the City Council is aware, approximately 80% of General Fund expenditures are employee cost related and there are known cost increases coming for rising pension costs and responsibly funding retiree medical benefits. Over half of the General Fund budget is for public safety. Significant action is still required to bring ongoing expenditures in line with available ongoing revenues. With negotiations completed, there are limited options beyond more staff reductions. With the significant reductions that have already occurred, there will need to be visible and painful service reductions to accomplish this. It is also important to note the Five-Year Forecast above assumes only $500,000 per year in infrastructure investment. This is not nearly the investment that is required.

Attachment 2
Proposed Budget Adjustments

RN		
Business Unit	**Description**	**Amount**
10115100.313000	Sales Tax	(158,000)
10114400.317000	Real Property Transfer Tax	(400,000)
10114400.318000	Transient Occupancy Tax	(100,000)
10151500.321000	Building Permits	(90,000)
10151500.324000	Plumbing & Heating Permits	(60,690)
10153100.371100	Redevelopment Agency Billings	943,000
10155100.371100	Redevelopment Agency Billings	757,000
10131100.365740	Auditorium Rental	80,000
10131100.365720	Teen Center	50,000
10145600.367500	Hazardous Materials Fee	60,000
10140900.338200	Vehicle Code Fines	1,349,700
10115100.383200	Rent from RDA	92,000
10115100.382000	Interest Income	46,000
10153100.375000	Admin Cost Allocation	204,000
10155100.375000	Admin Cost Allocation	306,000
10199900.391307	Transfer-in - ERF	(100,000)
10199900.391420	Transfer-in - I & A	(30,000)
	TOTAL	**2,910**

RES		
Business Unit	**Description**	**Amount**
10124100.411100	Regular Salaries - IT	30,000
10145100.600800	Equip. Maintenance Charges	100,000
10189900.699100	TBD Personnel Rltd Cost Reductions	1,340,000
10189900.910300	Projected Excess Appropriations	(4,716,000)
	Subtotal	**(2,000)**
42099900.952101	Transfer-out - GF	(30,000)
30799900.952101	Transfer-out - GF	(100,000)
	TOTAL	**(00)**