City of Culver City, California

City Council Agenda Item Report

Meeting Date: February 12, 2007	Item Number: A-4
AGENDA ITEM: Fiscal 2005-06 Year-end Financial Budget Monitoring Report	
Contact Person/Dept.: Mary V. Noller, Sr. Budget Analyst	Phone Number: (310) 253-6012
Fiscal Impact: Yes [] No [X]	General Fund: Yes [] No []
Public Hearing: [] Action Item: [X]	Attachments: [X]
Public Notification: Master Notification 2/7/07	
Department Approval: Marlee Chang (02/05/2007)	City Attorney Approval:: Heather Iker (02/08/2007)
City Controller Approval: Marlee Chang (02/05/2007)	City Manager Approval: Jerry B. Fulwood (02/08/2007)

RECOMMENDATION:

Staff recommends the City Council receive a presentation on the Year-end Fiscal 2005-06 Budget.

BACKGROUND:

The City Controller's Office prepares monthly, quarterly, mid-year, and year-end budget monitoring reports for the City Council once the City Treasurer's Office has closed the books of the respective time periods.

General Fund

Total actual General Fund expenditures at the end of Fiscal 2005-06 were $79.27 million, and total General Fund revenues were $83.03 million. The end result of the approximately $3.7 million operating surplus was mostly due to **one-time revenues,** including $2.62 million from the Warner Parking Lot.

It should be noted that there was a $5.6 million Land Acquisition transaction executed in fiscal 2005-06 by the City on behalf of the Redevelopment Agency. The Agency reimbursed the City for the full cost of that transaction. Currently, the $5.6 million is shown on the City's annual Comprehensive Financial Report as "reserved for land held for resale." Ultimately, this money will be returned to the Redevelopment Agency when development of the land has taken place.

It should also be noted that expenditures are understated in fiscal 2005-06 as many employees worked without a labor contract for more than half of the fiscal year. As a result, no negotiated salary and benefit increases for these employees were expended in fiscal 2005-06. Retro-active pay of approximately $500,000 was carried forward from fiscal 2005-06 to fiscal 2006-07 for payroll distribution. If these personnel expenses would have been expended in fiscal 2005-06, the General Fund would still have met the 96% appropriation limit.

The final 2005-06 year-end budget review reflects an unreserved General Fund fund balance of $27.76 million, or 35% of total General Fund operating expenditures from 2005-06. The adopted 2006-07 budget includes approximately $1.3 million appropriation which was transferred from the General Fund reserve to fund capital projects; therefore, $1.3 million of the surplus has already been earmarked for capital spending in 2006-07.

An important point should be noted that the General Fund fund balance has approximately $2 million that might need to be fully committed to fulfill Fund 420 Capital appropriations for the new Fire Station #3. 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 per 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.

<u>Enterprise Funds</u>

The Refuse Fund came in under projected revenue receipts by a minor 0.5%, and were $9.85 million. Expenditures finished the year at 92% of the adjusted budget, and were $9.46 million. As a result, the fund showed an annual operating surplus of $390,000.

The Transit Fund finished the year slightly over operating revenue projections at $15.66 million. This was due in part to the timely receipt and recording of federal and state monies. Expenditures, including both operating and capital items, were 70% of the adjusted budget, and were $16.54. A few Transit capital projects were not completed in 2005-06, and have been carried over to fiscal 2006-07.

The Sewer Fund came in over revenue projections by approximately 10%. This was partly attributable to Sewer Facility Charges coming in above projections from a new development project. Sewer operating appropriations were 86% expended, with overall Sewer appropriations 56% expended. Several budgeted Sewer capital projects were not completed in fiscal 2005-06, and have been carried over to fiscal 2006-07.

Self-Insurance Fund

The Self-Insurance Fund was able to increase its cash balance to approximately $3.9 million at the end of fiscal 2005-06. However, it is anticipated that the City will be responsible for at least $1 million, the entire self insured retention (SIR) limit, for outstanding general liability litigation issues. Thus the cash balance will potentially be reduced to **$2.9 million**. Litigation is still pending and the end result of the financial impact is still uncertain.

FISCAL ANALYSIS:

Final results for the General Fund in fiscal 2005-06 were very positive, mainly due to one-time revenue receipts such as the $2.62 from the sale of the Warner Parking Lot. General Fund Departments, for the most part, were able to hold expenditures within the 96% target. Overall, most funds were able to hold spending within the restraints of available revenues or reserves.

ATTACHMENTS:

- Fiscal 2005-06 Year-end Budget Report
- Fiscal 2005-06 Year-end Expenditure Summary
- Fiscal 2005-06 Year-end Revenue Summary

MOTION:

That the City Council:

Receive the presentation of the Year-end Fiscal 2005-06 Budget.