



AGENDA REPORT

Meeting Date: June 7, 2011

Item Number: E-3

To: Honorable Mayor and City Council

From: Scott G. Miller, PhD., Director of Administrative Services/Chief Financial Officer
Don Harrison, Budget & Revenue Officer

Subject: RESOLUTION OF THE COUNCIL OF THE CITY OF BEVERLY HILLS ADOPTING THE ANNUAL APPROPRIATIONS LIMIT FOR THE FISCAL YEAR 2011/2012; AND,

RESOLUTION OF THE COUNCIL OF THE CITY OF BEVERLY HILLS APPROVING THE OPERATING BUDGET AND FINANCIAL POLICIES FOR THE 2011/2012 FISCAL YEAR AND APPROPRIATING FUNDS THEREFOR; AND

RESOLUTION OF THE COUNCIL OF THE CITY OF BEVERLY HILLS APPROVING THE CAPITAL IMPROVEMENT PROGRAM BUDGET FOR THE 2011/2012 FISCAL YEAR AND APPROPRIATING FUNDS THEREFOR.

Attachments:

1. Resolution Adopting the Annual Appropriations Limit
2. Resolution Adopting the Operating Budget and Financial Policies
3. Resolution Adopting the Capital Improvement Program Budget
4. Errata and Changes Made After Proposed Budget
5. Planning Commission Resolution No. 1611

RECOMMENDATION

It is recommended that the City Council adopt the resolutions approving the Fiscal Year 2011/12 Operating Budget and Financial Policies, Capital Improvement Program Budget and Annual Appropriations Limit.

INTRODUCTION

The purpose of this report is to request that the City Council adopt the Fiscal Year (FY) 2011/12 Operating Budget, Financial Policies, Capital Improvement Program Budget, and Appropriations Limit.

BACKGROUND

On May 3, 2011, staff presented a detailed overview of the City's present economic situation and future economy. At that time, the Proposed FY 2011/12 Budget was presented to the City Council and community. A subsequent Budget Study Session was held on May 17, 2011 and May 24, 2011. The purpose of these Study Sessions was to give the City Council and the community an opportunity to review each department's proposed budget including all programs, requested budget enhancements and capital improvement projects, to ask questions of staff from each department and make modifications or provide other direction to staff concerning the budget.

At its May 24, 2011 study session the City Council directed that the recommended \$157,950 funding of the community assistance organizations through the community assistance program be augmented by a \$220,000 transfer from the Transient Occupancy Tax funded marketing and holiday program. This would bring the total funding to \$377,950 for the community assistance program. The community assistance program is administered by the Community Services Department and provides for social services "safety net" programs to vulnerable or underserved members of the community.

In addition to these meetings, the City Council considered and adopted the Comprehensive Schedule of Taxes, Fees & Charges for FY 2011/12 at its regular meeting of April 21, 2011. This is a key item for the budget, as adoption of it helps determine the revenues available for the next fiscal year.

Operating and Capital Budgets

On the following page are the operating and capital program appropriations requested for each fund. The total appropriations requested are \$417,975,700.

Fund	Title	Operating Budget	Capital Program	Fund Total
01	General Fund	164,239,800	-	164,239,800
06	Infrastructure Fund	3,148,700	7,000,300	10,149,000
08	Capital Assets Fund	28,084,800	19,318,700	47,403,500
09	Housing Fund	9,200		9,200
10	HCDA Grant Fund	256,700		256,700
12	State Gas Tax Fund	6,000	1,286,900	1,292,900
16	Parks & Rec Facilities Fund	400,000	8,233,300	8,633,300
18	Fine Art Fund	39,300		39,300
19	Law Enforcement Fund	109,500		109,500
23	Comm Dev Technology Fund	22,400		22,400
24	Air Quality Improvement Fund	325,000		325,000
30	Prop A Local Transit Fund	899,300		899,300
31	Prop C Local Transit Fund	471,100	1,500,000	1,971,100
40	Equipment Replacement Fund	460,200		460,200
41	Information Technology Fund	5,145,800	3,981,500	9,127,300
42	Cable Television Fund	1,329,700	250,000	1,579,700
43	Reprographics/Graphics Fund	2,412,100		2,412,100
44	Employee Benefits Fund	1,891,900		1,891,900
45	Liability Claims Res Fund	6,053,700	210,900	6,264,600
46	Workers' Compensation Fund	2,860,000		2,860,000
47	Unemployment Insurance Fund	34,200		34,200
48	Policy, Admin, Legal (PAL) Fund	37,829,400		37,829,400
49	Vehicle Fund	6,284,400	2,240,000	8,524,400
56	1998 Lease Rev Bonds Fund	2,880,500		2,880,500
68	Westside Cities COG Agency	-		-
80	Water Enterprise Fund	31,144,900	4,429,100	35,574,000
81	Parking Enterprise Fund	37,614,300	1,040,300	38,654,600
83	Solid Waste Fund	15,098,900	521,700	15,620,600
84	Wastewater Enterprise Fund	9,697,000	5,581,900	15,278,900
85	Clean Water Utility Fund	3,365,800	266,500	3,632,300
Total		362,114,600	55,861,100	417,975,700

Financial Policies

Financial policies are adopted by the City Council annually and establish the framework for the overall fiscal planning and management of the City of Beverly Hills. These policies set forth guidelines against which current budgetary performance can be measured and proposals for future programs can be evaluated. Adherence to adopted financial policies promotes sound financial management, which helps maintain the City's AAA bond ratings, which provides a lower cost of capital and a minimum of unexpected impacts upon taxpayers and users of public services.

DISCUSSION

The City's operating and capital improvement program costs are budgeted among several funds. Funds are used in governmental accounting to represent and relate the purpose of expenditures to the revenue collected for specific activities.

The City's major fund types include the General Fund (for police, fire, parks and recreation, library and other services), Enterprise Funds (for parking, water, sanitation and waste disposal activities), Internal Service Funds (for vehicle and facilities maintenance, information technology, reprographic services, policy administration and legal, accounting, human resources, cable television, liability insurance, unemployment insurance, and workers' compensation), and Special Revenue/Other Funds (for miscellaneous grants and special revenue sources which have separate accounting requirements).

Operations within Enterprise Funds are funded by rates charged to customers and users of that service. Enterprise funds operate as a business. As such, revenues generated by Enterprise Funds that are not spent on operations are returned to the fund as reserves for operations and future capital projects. Internal Service Funds provide services to other funds, and any costs are allocated among City departments. City services and operations which do not generate revenue as a business or recover their costs through internal service allocations are included in the General Fund.

Capital Improvement Program Budget (CIP)

The City prepares annually a five-year projection of its capital improvement requirements. The Capital Improvement Program (CIP) budget is adopted as a preliminary spending plan, identifying priorities and likely timing of capital expenditures. Review of potential future project costs also allows the City Council to choose between competing priorities within this program budget.

Adoption of the CIP budget allows the City to anticipate future needs for capital funds. This, in turn, allows investigation and discussion of alternate sources of funding for such projects. Such early awareness of pending needs allows the City to better balance its limited funds between longer-term (capital) and short-term (operation) needs, reducing the potential for surprises.

In accordance with Government Code Section 65013, the Planning Commission in its capacity as the Planning Agency reviewed the CIP and found it to be consistent with the City's General Plan. A copy of the Planning Commission resolution is attached as Attachment 5.

The CIP budget was presented to the City Council for its considerations at the May 17, 2011 Budget Study Session. At that meeting, the City Council did not direct that changes be made to the CIP as presented.

Balancing the General Fund

As reported in the City Manager's message in the Proposed Budget and as outlined to the City Council at its May 3, 2011 budget study session, the preliminary General Fund budget an approximately \$4.5 million deficit. In order to balance the budget the following measures were used and are recommended as part of the FY 2011/12 Budget:

- Small equipment funding was reduced to \$1 million for FY 2011/12
- The General Fund contribution to the CIP will be reduced by \$1.5 million for FY 2011/12
- IT replacement charges to the General Fund were reduced by 20% or \$360,000
- The useful lives of under-utilized vehicles will be extended by one year saving \$200,000
- A change in how safety employees leaves are administered will save \$400,000
- Most non-safety employees will be required to take forty hours of unpaid furlough saving \$320,000
- The \$500,000 General Fund Budget Stabilization designation will be utilized as a revenue resource
- \$500,000 of Fund 48 balance will be transferred to the General Fund as a revenue resource

Changes After Proposed Budget

Attached is an errata/changes sheet which provides a list of changes made since the proposed budget was printed and presented to the City Council at its budget study sessions. These changes result from corrections of clerical errors made in the printed proposed budget and other changes as directed by the City Council. The net total of these changes is \$276,500 across all funds of which \$19,500 is in the General Fund.

Interfund Loans

An interfund loan is considered to be a temporary loan of money from one fund to another. There is a requirement of repayment within a reasonable time period. There is one interfund loan recommended to occur in FY 2011-12. This is a loan in the amount of \$600,000 from the Solid Waste Enterprise Fund to the Clean Water Utility Fund. Since the Clean Water Utility Fund is primarily financed through user charges established by City Council action, repayment will begin at such time that the fund is able to repay the loan amount.

However, staff estimates that the Parking Enterprise Fund and the Clean Water Utility Fund will need almost \$3 million in General Fund loans in FY 2012/13 unless revenue enhancement is implemented during the next fiscal year.

Annual Appropriations Limit

Article XIII B of the California Constitution, commonly known as the Gann Initiative, specifies that appropriations from the proceeds of taxes received by governmental entities may increase annually as follows: 1) by the calendar year change in City or County population, and 2) by the fiscal year change in California per capita personal income, or the change in non-residential assessed valuation in Beverly Hills.

The legislation also provides cities with the opportunity to annually choose the calculation factors which maximize or result in the highest appropriations limit. For example, to reflect the highest appropriations limit possible, a city could select the change in city population and per capita personal income one year, and select the change in county population and non-residential assessed valuation the following year.

The City Council is required to adopt the adjustment factors used by recorded vote.

The City's appropriations subject to limit for the base year 1978/79 were \$30,633,158, as calculated on Schedule A attached to the Annual Appropriations Limit resolution.

Using information provided by the State's Department of Finance on the change in California per capita personal income with the change in the Los Angeles County population, the City's appropriations limit for the Fiscal Year 2011/12 is \$175,703,219, as shown on Schedule B. This represents the upper limit on expenditures from proceeds of taxes, as defined in the California Constitution, and does not include other types of revenue. Therefore, the total appropriation amount for funds that receive tax revenue may be greater than \$175,703,219 when expenditures funded by other types of non-tax revenue are added.

As shown on Schedule C, the City is projected to continue to be well below the appropriations limit margin through Fiscal Year 2011/12 by approximately \$46.6 million. However, if the City were to receive substantial revenues in a short period of time over the next several years, other measures, including a possible election, would be needed to exceed the Gann limitation.

FISCAL IMPACT

The Proposed FY 2011/12 Operating Budget and Capital Improvement Budgets are balanced.

The General Fund Operating budget is \$164.2 million, the Internal Service Funds Operating budgets are \$92.4 million, the Enterprise Operating budget is \$96.9 million, and the budgets for all other funds are \$8.6 million, totaling \$362.1 million.

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The Proposed FY 2011/12 Capital Improvement Program Budget is \$55.9 million. Revenue projections, current fund balances, and fund net assets equal approximately \$856.7 million and are available to finance these operating and capital appropriations. As in the past, each individual CIP project will be brought forward for formal City Council review and approval prior to the award of any bids in excess of Council approved purchasing policies.

The total of Operating and Capital Budgets for all funds for FY 2011/12 is \$418 million.

As presented the General Fund budget recommended herein provides for a surplus balance of \$235,100, after deducting proposed expenditures from the projected revenue and use of other resources.



Don Harrison
Budget and Revenue Officer

Budget and Management Approval



Scott G. Miller,
Chief Financial Officer

Approved By

Attachment 1

RESOLUTION NO. _____

RESOLUTION OF THE COUNCIL OF THE CITY OF
BEVERLY HILLS ADOPTING THE ANNUAL
APPROPRIATIONS LIMIT FOR THE FISCAL YEAR
2011/2012

WHEREAS, the voters of California on November 6, 1979, added Article XIII B to the State Constitution placing various limitations on the appropriations of the State and local governments; and

WHEREAS, Article XIII B provides that the appropriations limit for the Fiscal Year 2011/2012 is calculated by adjusting the base year appropriations for changes in the cost-of-living and population; and

WHEREAS, cost-of-living is defined as either the change in California per capita personal income or the change in non-residential assessed valuation; and

WHEREAS, population is defined as either the change in City or County population; and

WHEREAS, the information necessary for making these adjustments is attached in Schedules A, B and C.

NOW, THEREFORE, the City Council of the City of Beverly Hills does resolve as follows:

Section 1. The annual adjustment factors for Fiscal Year 2011/2012 shall be the California per capita personal income change over the prior year and the County of Los Angeles population change over the prior year. The City Council reserves the right to recalculate and adopt new limitations on a future date.

Section 2. The appropriations subject to limitation in Fiscal Year 2011/2012 for the City of Beverly Hills shall be \$175,703,219.

Section 3. The Mayor shall sign this Resolution and the City Clerk shall certify and attest to the passage and adoption of this Resolution, and thereupon the same shall take effect and be enforced.

Section 4. The City Clerk shall certify to the adoption of this resolution and shall cause this resolution and his certification, together with proof of publication, to be entered in the Book of Resolutions of the Council of this City.

ADOPTED:

BARRY BRUCKER
Mayor of the City of
Beverly Hills, California

ATTEST:

(SEAL)

BYRON POPE
City Clerk

Approved as to form:



LAURENCE S. WIENER
City Attorney

Approved as to content:

JEFFREY KOLIN
City Manager



SCOTT G. MILLER
Chief Financial Officer

**CITY OF BEVERLY HILLS
APPROPRIATIONS SUBJECT TO LIMIT
BASE YEAR 1978-1979**

SCHEDULE A

FUND NO.	1978/79 APPROPRIATIONS	APPROPRIATED TRANSFERS OR RESERVES	DEDUCT ENTERPRISE & REVOLVING	DEDUCT DEBT SERVICE	DEDUCT UNQUALIFIED TRANSFERS	DEDUCT REAPPROPRIATIONS FROM 1977-78	ADJUSTED TOTAL
01	\$ 22,393,762	\$ 1,456,000	\$ -	\$ -	\$ (3,127,000)	\$ (147,076)	\$ 20,575,686
02	765,329	-	-	-	-	(448,182)	317,147
03	138,776	-	-	-	-	(41,642)	97,134
04	1,950,000	-	-	-	(1,950,000)	-	-
06	31,154	-	-	-	-	(31,154)	-
07	629,302	-	-	-	-	(418,432)	210,870
08	8,170,335	3,040,205	-	-	-	(3,194,115)	8,016,425
09	36,085	-	-	-	-	(10,500)	25,585
10	48,881	-	-	-	-	(42,055)	6,826
11	87,737	-	-	-	-	(2,637)	85,100
12	38,000	-	-	-	-	(38,000)	-
14	30,675	-	-	(30,675)	-	-	-
15	949,000	-	-	-	-	-	949,000
17	7,383	-	-	-	-	-	7,383
19	116,044	-	-	-	-	-	116,044
24	196,325	-	-	(196,325)	-	-	-
26	93,400	-	-	(93,400)	-	-	-
27	63,875	-	-	(63,875)	-	-	-
34	137,668	-	-	-	-	(133,710)	3,958
40	731,228	-	(731,228)	-	-	-	-
43	213,333	-	(213,333)	-	-	-	-
45	720,000	-	(720,000)	-	-	-	-
46	457,000	-	(457,000)	-	-	-	-
50	17,000	-	-	-	-	-	17,000
67	680,117	-	-	-	-	(480,117)	200,000
70	5,000	-	-	-	-	-	5,000
80	7,106,161	-	(7,106,161)	-	-	-	-
81	2,144,496	-	(2,144,496)	-	-	-	-
82	8,572,676	-	(8,572,676)	-	-	-	-
83	400,375	-	(400,375)	-	-	-	-
84	837,846	-	(837,846)	-	-	-	-
	\$ 57,768,963	\$ 4,496,205	\$ (21,183,115)	\$ (384,275)	\$ (5,077,000)	\$ (4,987,620)	\$ 30,633,158

CITY OF BEVERLY HILLS
 APPROPRIATIONS LIMIT
 AS DEFINED IN ARTICLE XIII B
 OF THE CALIFORNIA CONSTITUTION

SCHEDULE B

FISCAL YEAR	CPI/PER CAPITA INCOME CHANGE OR NON-RESIDENTIAL ASSESSED VALUE	POPULATION CHANGE CITY OR LOS ANGELES COUNTY	ADJUSTMENT FACTOR	APPROPRIATIONS LIMIT
1978/79	N/A	N/A	N/A	\$ 30,629,160
1979/80	10.170%	0.000%	1.10170	33,744,146
1980/81	12.110%	0.000%	1.12110	37,830,562
1981/82	9.120%	0.000%	1.09120	41,280,709
1982/83	6.790%	0.049%	1.06842	44,105,270
1983/84	2.350%	1.600%	1.03988	45,864,012
1984/85	4.740%	1.190%	1.05986	48,609,618
1985/86	3.740%	-0.290%	1.03439	50,281,377
1986/87	2.300%	1.180%	1.03507	52,044,816
1987/88	3.040%	0.043%	1.03084	53,650,038
1988/89	3.930%	1.120%	1.05094	56,382,979
1989/90	4.980%	-0.108%	1.04867	59,126,925
1990/91	4.210%	0.002%	1.04212	61,617,401
1991/92	4.140%	1.730%	1.05942	65,278,474
1992/93	19.950%	1.490%	1.21737	79,468,223
1993/94	3.060%	0.960%	1.04049	82,686,190
			Adjustment for Refuse Charges	(2,000,000)
1993/94 Revised Appropriations Limit				80,686,190
1994/95	0.710%	0.780%	1.01496	81,892,882
1995/96	4.720%	1.000%	1.05767	86,615,809
1996/97	4.670%	1.580%	1.06324	92,093,207
1997/98	4.670%	1.240%	1.05968	97,589,245
1998/99	4.150%	1.390%	1.05598	103,051,983
1999/00	4.530%	1.670%	1.06276	109,519,166
2000/01	4.910%	2.030%	1.07040	117,228,957
2001/02	7.820%	1.930%	1.09901	128,835,710
2002/03	-1.270%	1.450%	1.00162	129,043,889
2003/04	2.310%	1.480%	1.03824	133,978,770
2004/05	3.280%	1.380%	1.04705	140,282,825
2005/06	5.260%	0.710%	1.06007	148,710,099
2006/07	3.960%	0.170%	1.04137	154,861,838
2007/08	4.420%	0.720%	1.05172	162,871,019
2008/09	4.290%	0.860%	1.05187	171,318,966
2009/10	0.620%	0.880%	1.01505	173,898,098
2010/11	-2.540%	0.750%	0.98191	170,752,195
2011/12	2.510%	0.380%	1.02900	175,703,219
2011/12				\$ 175,703,219

**CITY OF BEVERLY HILLS
ARTICLE XIII B APPROPRIATIONS LIMIT**

SCHEDULE C

TYPE OF TAXES	FY 2010/11 PROJECTED	FY 2011/12 PROPOSED BUDGET	FY 2012/13 PROJECTED
GENERAL FUND			
Property Taxes	\$ 38,500,000	\$ 38,710,500	\$ 39,484,700
Sales Tax	21,000,000	21,630,000	22,278,000
Transient Occupancy Tax	25,000,000	25,875,000	26,651,300
Business License Tax	33,500,000	34,100,000	35,464,000
Other Taxes	699,000	832,000	844,500
Subventions/Grants	3,816,000	4,042,400	4,082,800
Interest Earnings	906,275	926,062	952,806
Total General Fund Taxes	<u>123,421,275</u>	<u>126,115,962</u>	<u>129,758,106</u>
OTHER FUND TAXES			
Park & Rec Construction Tax	2,174,824	2,174,824	2,174,824
Park & Rec Tax Interest Earnings	768,823	712,000	712,000
Total Other Funds Taxes	<u>2,943,647</u>	<u>2,886,824</u>	<u>2,886,824</u>
TAXES SUBJECT TO LIMIT	126,364,922	129,002,786	132,644,930
GANN LIMIT PER SCHEDULE B	<u>170,752,195</u>	<u>175,703,219</u>	<u>179,217,284</u>
(FUTURE + 2.0%)			
(SHORT LIMIT)/OVER LIMIT	<u>\$ (44,387,272)</u>	<u>\$ (46,700,433)</u>	<u>\$ (46,572,353)</u>

Attachment 2

RESOLUTION NO. _____

RESOLUTION OF THE COUNCIL OF THE CITY OF
BEVERLY HILLS APPROVING THE OPERATING BUDGET
AND FINANCIAL POLICIES FOR THE 2011/2012
FISCAL YEAR AND APPROPRIATING FUNDS THEREFOR

The Council of the City of Beverly Hills does resolve
as follows:

Section 1. That certain document entitled "City of Beverly Hills 2011/2012 Fiscal Year Budget", a copy of which is on file in the office of the City Clerk and the Beverly Hills Public Library, which may hereafter be amended by the Council, is hereby approved as the operating budget for the City of Beverly Hills for the Fiscal Year 2011/2012, beginning July 1, 2011.

Section 2. Appropriations in the amount not to exceed \$362,114,600 are authorized for the purpose of carrying on the business of the City.

Section 3. In adopting the Budget, the City Council hereby gives authority to the City Manager, after consultation with the Chief Financial Officer, to re-appropriate all unencumbered Fiscal Year 2010/11 appropriated fund balances and unexpended encumbrances of the Fiscal Year 2010/11 Operating and Budget.

Section 4. The City Manager after consultation with the Chief Financial Officer, may transfer appropriations between and among all funds, as defined in the Fiscal Year 2011/12 budget, up to the amount of \$362,114,600. A semi-annual report shall be made to the Council describing each transfer between funds and the reason therefore.

Section 5. The Chief Financial Officer may make budget adjustments to accounts within the same fund, provided that the fund is within its approved budget and that any transfer between departments within the same fund is authorized by the City Manager.

Section 6. The City Manager may transfer and appropriate up to \$300,000 during the Fiscal Year and the Chief Financial Officer may transfer and appropriate up to \$100,000 during the Fiscal Year from all fund balances to any accounts within that fund as long as it meets the purposes of that fund's designation. An semi-annual report shall be made to the Council describing each transfer and the reason therefore.

Section 7. Pursuant to the provisions of Section 37208 of the Government Code, the Council, by motion or resolution, may ratify the prior payment of budgeted demands from those funds which have been certified or approved by the Chief Financial Officer and may appropriate funds for non-budgeted items, and any

such appropriation for a non-budgeted item shall constitute an approval to issue a warrant in payment of a proper demand or demands therefore.

Section 8. The City Council hereby adopts the Comprehensive Financial Policies of the City for Fiscal Year 2011/12, as attached to this resolution.

Section 9. In the case of fee-based programs, if the revenues for such programs exceed the amount budgeted, the City Council hereby authorizes the Chief Financial Officer to increase the appropriation of said program in the same amount of the increased revenue.

Section 10. The Chief Financial Officer is authorized to make clerical and other non-substantive revisions to the Adopted Budget.

Section 11. The City Clerk shall certify to the adoption of this resolution and shall cause this resolution and his certification to be entered in the Book of Resolutions of the Council of this City.

Adopted:

BARRY BRUCKER
Mayor of the City of
Beverly Hills, California

ATTEST:

(SEAL)

BYRON POPE
City Clerk

Approved as to form:



LAURENCE S. WIENER
City Attorney

Approved as to content:

Jeffrey Kolin
City Manager



SCOTT G. MILLER
Chief Financial Officer

City of Beverly Hills

Financial Policies

Section 1. Financial Reporting Policies

The City's accounting and financial reporting systems will be maintained in general conformance with state and federal laws, generally accepted accounting principles (GAAP), and the Government Finance Officers Association (GFOA). Further, the City will make every attempt to implement all changes to governmental accounting practices at the earliest practicable time.

The City's CAFR will be submitted to the GFOA Certification of Achievement for Excellence in Financial Reporting Program. The financial report should be in conformity with GAAP, demonstrate compliance with finance related legal and contractual provisions, disclose thoroughness and detail sufficiency, and minimize ambiguities and potentials for misleading inference.

The City's CAFR will also be submitted to national repositories identified by the City's bond trust agent as a continuing commitment to disclose thoroughness to enable investors to make informed decisions.

The City's Budget should satisfy criteria as a financial and programmatic policy document, as a comprehensive financial plan, as an operations guide for all organizational units and as a communications device for all significant budgetary issues, trends, and resource choices.

To provide a reasonable basis for making the Chief Financial Officer's (management's) required representations concerning the finances of the City of Beverly Hills, the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. The Chief Financial Officer is given the responsibility and authority to develop and maintain proper internal controls on all financial aspects of the City and maintain all the books of the City for inspection. Because the cost of internal controls should not significantly outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements.

The Chief Financial Officer shall evaluate the fiscal impact of proposed changes in all salaries or retirement benefits to be provided to any employee or employee association and present to the City Council.

The Chief Financial Officer shall endeavor to maintain cash reserves sufficient to fully fund the net present value of accruing liabilities including self-insurance provisions, obligations to employees for vested payroll and benefits and similar obligations as they are incurred, and to maintain the highest credit rating possible for the City.

The Chief Financial Officer shall prepare and present to the City Council interim revenue and expenditure trends to allow evaluation of potential discrepancies from budget assumptions.

The City Council shall avoid committing to new spending for operating or capital improvement purposes until an analysis of all current and future cost implications is completed and presented to it by the Chief Financial Officer.

Section 2. Operating Management Policies

The Chief Financial Officer is primarily responsible for the development, implementation, and evaluation of all financial and human resource management policies and procedures. However, all departments will participate in the responsibility of meeting policy goals, budget goals, and ensuring the long-term financial health of the City. Future work plans, program initiatives, and performance indicators will be developed to reflect current policy directives, projected resources, and future service requirements.

The budget process is intended to weigh all competing requests for City resources within expected fiscal constraints. Requests for new, ongoing programs made outside the budget process will be discouraged.

The City will endeavor to avoid budgetary and accounting procedures that balance the current budget at the expense of future budgets.

Budget development will use strategic multi-year fiscal planning, conservative revenue forecasts, and program-based cost accounting that require every program to be justified annually in terms of meeting intended objectives (“effectiveness criteria”). The process will include a diligent review of programs by staff, the Chief Financial Officer, and City Council.

Utilization of a program budget format will provide a basis for evaluation of service and other impacts of potential increases or decreases in funding.

Revenues will not be dedicated for specific purposes, unless required by law or generally accepted accounting practices (GAAP). All non-restricted revenues will be deposited in the General Fund (or other designated fund as approved by the Chief Financial Officer) and appropriated by the City Council.

Current revenues will fund current expenditures and a diversified and stable revenue system will be developed and maintained to protect programs from short-term fluctuations in any single revenue source.

Current operating expenditures for all fund types will include all allocable overhead operating costs. For the most part, these expenses will be charged to individual budget program elements as internal service fund charges. Included within the allocated service charges to Governmental Fund types will be funding adequate to maintain the approved capital program (unless financed through other debt instruments).

City staff shall strive to identify entrepreneurial solutions to recover costs of operating programs.

The City shall strive to avoid returning to the City Council for new or expanded appropriations. Exceptions may include emergencies, unforeseen impacts, mid-year adjustments or new opportunities.

Addition of personnel will only be requested to meet program initiatives and policy directives: after service needs have been thoroughly examined and it is substantiated that additional staffing will result in increased revenue or enhanced operating efficiencies. To the extent feasible, personnel cost reductions will be achieved through attrition or transfer

All non-enterprise user fees and charges will be examined or adjusted every year and undergo a thorough review to determine the 100% direct and indirect cost of service recovery rate at least every four years. The Council will strive to obtain 100% cost recovery rates, but will reserve the right to recover less as appropriate. The acceptable recovery rate and any associated changes to user fees and charges will be approved by the City Council following public review, each year.

Development impact fees, as permitted by state law, for capital expenses attributable to new development will be reviewed annually to ensure that fees recover 100% of direct and indirect development-related expenses and be approved by City Council. Any unfavorable balances in cost recovery will be brought to the City Council's attention by the Chief Financial Officer and affected Department Head, and evaluated from a departmental, program, and goals perspective.

Capital equipment replacement will be accomplished through a life cycle of funding mechanism and in some instances the use of a "rental" rate structure. The rates will be revised annually to ensure that charges to operating departments are sufficient for operation and replacement of vehicles and other capital equipment (fleet, computers, phones, and copier systems). The City shall endeavor to maintain adequate cash reserves to fund 100% replacement of certain capital equipment. Replacement costs will be based upon equipment lifecycle financial analysis developed by each department and approved by the Chief Financial Officer. Non-capital equipment replacement will be set up in a separate fund and will be accomplished through a life cycle funding mechanism developed by each department and implemented and approved by the Chief Financial Officer.

Grant funding will be considered to leverage City funds. Inconsistent and/or fluctuating grants should not be used to fund ongoing programs. Programs financed with grant monies will be budgeted in separate cost centers, and the service program will be adjusted to reflect the level of available funding. In the event of reduced grant funding, City resources will be substituted only after all program priorities and alternatives are considered.

Balanced revenue and expenditure forecasts will be prepared by the Chief Financial Officer to examine the City's ability to absorb operating costs due to changes in the economy, service demands, and capital improvements. The forecast will be updated annually and include a four or five-year outlook. The Chief Financial Officer will prepare and present these estimates to the City Council at least once a year.

Alternative means of service delivery will be evaluated by the Chief Financial Officer to ensure that quality services are provided to our citizens at the most competitive and economical cost. Departments, in cooperation with the City Manager and Chief Financial Officer, will identify all activities that could be provided by another source and review options/alternatives to current service delivery. The review of service delivery alternatives and the need for the service will be performed annually or on an “opportunity” basis.

Cash and Investment programs will be maintained in accordance with the Government Code and the adopted investment policy and will ensure that proper controls and safeguards are maintained. City funds will be managed in a prudent and diligent manner with an emphasis on safety of principal, liquidity, and financial return on principal, in that order. Pursuant to State law, the City Treasurer and the Chief Financial Officer, at least annually, shall recommend necessary revisions to the City Council of a detailed investment policy. In addition to liquidity requirements, the City Treasurer and Chief Financial Officer will also consider the appropriateness of investment decisions vis-à-vis debt management.

The City, through the Chief Financial Officer and the Administrative Services Department, will follow an aggressive, consistent, but sensitive policy of collecting revenues, with proper internal controls, to meet the needs of the City and follow all applicable state and federal laws.

Section 3. Capital Management Policies

A five-year Capital Improvement Plan (CIP) will be developed and updated annually, including anticipated funding sources. Capital improvement projects are defined as infrastructure or equipment purchases or construction which results in a capitalized asset and having a useful (depreciable) life of two years or more.

The CIP will attempt to include adequate funding to support repair and replacement of deteriorating infrastructure and avoidance of a significant unfunded liability.

Proposed capital projects will be considered through the City budget development process and reviewed and prioritized by a cross-departmental team regarding accurate costing (design, capital, and operating) as well as the Chief Financial Officer for overall consistency with the City’s goals and objectives. The City’s Chief Financial Officer will then identify financing sources for the highest-ranking projects. Prior to adoption by the City Council, the CIP will be reviewed by the Planning Commission for conformity with the General Plan.

Capital project contract awards will include a fiscal impact statement disclosing the expected operating impact of the project and when such cost is expected to occur.

Pay-as-you-go Capital Improvement Plan financing should account for a minimum of 50 percent of all capital improvement projects for each five-year planning period. Pay-as-you-go financing is defined as all sources of revenue other than City debt issuance, i.e., fund balance contributions, developer contributions, grants, endowments, etc. Pay-as-you-go financing should generally be considered as the

preferred option. However, the potential for debt issuance that provides additional economic and/or strategic values could be considered as recommended by the Chief Financial Officer.

The City shall endeavor to apply restricted funds (i.e., In-lieu Parking, Gas Tax Funds or existing Bond proceeds) to capital projects before using “unrestricted” funds.

Section 4. Debt Management Policies

The Chief Financial Officer will seek to maintain and, if possible, improve the current bond rating(s) in order to minimize borrowing costs and preserve access to credit.

New debt issues, and refinancing of existing debt, must be analyzed for compatibility within the City’s overall financial planning and approved by the Chief Financial Officer. The review shall not be limited to cash flow analysis, potential for unexpected revenue surprises, and the maintenance of the City’s bond ratings. Annual debt service shall not produce an inordinate impact upon future operations.

The Chief Financial Officer will ensure that City Debt Service costs within the General Fund should not exceed 15% of the City’s operating revenue in order to control fixed costs and ensure expenditure flexibility. Improvement District, Enterprise Fund and general obligation debt service is not included in this calculation because it is paid by district property owners, service users or taxpayers and is not an obligation of future general fund revenues.

General Obligation debt, which is supported by property tax revenue which grows in proportion to the City’s assessed valuation and/or property tax rate increases, may be utilized if/when authorized by voters. Other types of debt (e.g., water, sewer, and parking) may also be utilized when they are supported by dedicated revenue sources (e.g., fees and user charges) and recommended by the Chief Financial Officer.

Debt financing should not exceed the useful life of the infrastructure improvement with the average (weighted) bond maturities at or below thirty years, unless otherwise authorized by Council.

A ratio of current assets to current liabilities of at least 2/1 will be maintained to ensure the City’s ability to pay short-term obligations.

Utility rates will be set, at a minimum, to ensure the ratio of revenue to debt service meets our bond indenture requirement (generally a minimum of 125% of debt service). In addition, higher revenue to expense ratios may be needed to secure the City’s bond rating, as determined by the Chief Financial Officer. When calculating debt services coverage for internal purposes, the minimum pay-as-you-go capital expense for each enterprise fund will be considered a part of the operating costs to be covered by pre-debt service revenues. The City goal will be to maintain the required debt service coverage with this additional cost factored into the equation. Use of a 5-year budget projection, including capital project requirements, will provide assurance that all needs are considered by the Chief Financial Officer, the Public Works Commission and City Council as revenue requirements are considered.

Section 5. Reserve Policies

General Fund

All fund designations and reserves will be evaluated annually by the Chief Financial Officer for long-term adequacy and use requirements in conjunction with development of the City's balanced five year financial plan.

It is a goal of the City to obtain and maintain a general operating reserve in the form of cash, of at least 40% of operating revenues. The first 25% shall be considered a contingency reserve to cover normal seasonal cash flow variations, as well as unforeseen emergency or catastrophic impacts upon the City. Funds in excess of 25% may be used for short term economic investment in the community when justified by projected financial return to the City and specifically authorized by the City Council, upon recommendation of the Chief Financial Officer.

In addition to cash specifically maintained in the General Fund, we recognize the following cash reserve resources as being available to meet sudden negative fiscal impacts in the short term:

- Capital Assets Fund (Fund 8)
- Equipment Replacement Fund (Fund 40)
- Information Technology Fund (Fund 41)
- Cable Television Fund (Fund 42)
- Reprographics/Graphics Fund (Fund 43)
- Employee Benefits Fund (Fund 44)
- Liability Self-Insurance Fund (Fund 45) (only in excess of required reserves)
- Worker's Compensation Self-Insurance Fund (Fund 46) (only in excess of required reserves)
- Vehicle Replacement Fund (Fund 49)

One-time revenue windfalls should be designated as a reserve or used for one-time expenditures. The funds are not to be used for on-going operations. To the extent such funds are not required for current expenditures, one-time expenditures and/or capital improvements such funds should be maintained as operating reserves or used to reduce debt.

For purposes of this policy, one-time revenue windfalls shall include:

- Lump sum (net present value) savings from debt restructuring
- CalPERS Rebates
- Tax Revenue growth in excess of 5% in a single year
- Sale of city-owned real estate
- Pure unexpected revenues (i.e. litigation settlement)
- Receipts from approved Development Agreements
- Contributions and Gifts

- Any other revenues the City Council may elect to designate as extraordinary

Sufficient reserves shall be maintained in internal service funds to prevent extended disruption of service in the event of natural disasters or other interruptions of revenue collections. Determination of adequate reserves will be reviewed annually by the Chief Financial Officer and guided by the following:

Self-Insurance Reserves (liability, workers' compensation, other) will be maintained at a level, which, together with purchased insurance policies, will adequately cover the City's property, liability, and health benefit risk. A qualified actuarial firm shall be retained and report on a bi-annual basis recommended appropriate funding levels. The City shall endeavor to maintain reserves equal to 90% of the estimated net present value of such liabilities.

Fleet Management, Building, Equipment and Information Technology reserves will be maintained based upon lifecycle replacement plans to ensure adequate fund balance required for systematic replacement of fleet vehicles, building components and systems, computers and related equipment, and operational contingencies. Operating departments will be charged over the useful life of the asset used. The City shall endeavor to stabilize funding by building reserves equal to the anticipated replacement cost of each asset class at end of useful life.

Enterprise Fund (Water, Solid Waste, Wastewater, Parking, and Stormwater) user fees and charges will be examined annually to ensure that they recover all direct and indirect costs of service, provide for capital improvements and maintenance, and maintain adequate reserves. Secondly, maintenance of cash reserves will provide a de facto rate stabilization plan. Rate increases shall be approved by the City Council following formal noticing and public hearing. Rate adjustments for enterprise operations will be based on five-year financial plans unless a conscious decision is made to the contrary. The target level of operating cash reserves shall be 50% of gross annual user revenues.

Contingency Reserves, to be determined annually by the Chief Financial Officer, will be maintained to offset unanticipated revenue shortfalls and/or unexpected expenditure increases. Contingency reserves may also be used for unanticipated and/or inadequately budgeted events threatening the public health or safety. Use of contingency funds shall be approved at recommendation of the Chief Financial Officer.

Budget Reserves are presented in the Comprehensive Annual Financial Report (CAFR) in the Financial Statement section designated as unreserved fund balance. The City's CAFR is available on the City's website at www.beverlyhills.org.

Section 6. Audit Policies

An annual audit will be performed by an independent public accounting firm with an audit opinion to be included with the City's published Comprehensive Annual Financial Report (CAFR).

The City Council will maintain a standing committee of its members to serve as the Audit Committee to provide oversight and review of the annual and special audits of the City. The Committee will meet at least twice annually with the City's independent auditor, once for a pre-audit meeting, and once for a review of the final audit results.

Internal audit activities are typically identified as work plan items in the operating budget and are approved by the City Council through the annual budget process. The results of these audits are then presented to the City Council Audit Committee for consideration and later reported to the full City Council for its review and consideration. Should conditions necessitate an urgent internal audit of a particular area not included as a work plan item, the Audit Committee will be advised and the results of the audit will be reviewed with the Committee.

Attachment 3

RESOLUTION NO. _____

RESOLUTION OF THE COUNCIL OF THE CITY OF
BEVERLY HILLS APPROVING THE CAPITAL
IMPROVEMENT PROGRAM BUDGET FOR THE 2011/2012
FISCAL YEAR AND APPROPRIATING FUNDS THEREFOR

The Council of the City of Beverly Hills does resolve
as follows:

Section 1. That certain document entitled "City of Beverly Hills 2011/12 Capital Improvement Program Budget," a copy of which is on file in the office of the City Clerk and the Beverly Hills Public Library, which may hereafter be amended by the Council, is hereby approved as the Capital Improvement Program budget for the City of Beverly Hills for the Fiscal Year 2011/2012, beginning July 1, 2011.

Section 2. Appropriations in the amount not to exceed \$55,861,100 are authorized in the City's various funds that have capital programs for the purpose of carrying on the Capital Improvement Program of the City.

Section 3. In adopting the Budget, the City Council hereby gives authority to the City Manager, after consultation with the Chief Financial Officer, to re-appropriate all Capital Improvement Program unencumbered Fiscal Year 2010/11 appropriated fund balances and unexpended encumbrances of the Fiscal Year 2010/11 Capital Improvement Program.

Section 4. The City Manager may transfer appropriations between and among all funds, as defined in the Fiscal Year 2011/12 Capital Improvement Program, up to the amount of \$55,861,100. A semi-annual report shall be made to the Council describing each transfer and the reason therefore.

Section 5. The Chief Financial Officer may make budget adjustments to accounts within same fund, provided that the fund is within its approved budget and that any transfer between funds is authorized by the City Manager.

Section 6. The City Manager may transfer and appropriate up to \$300,000 during the Fiscal Year and the Chief Financial Officer may transfer and appropriate up to \$100,000 during the Fiscal Year from all fund balances to any accounts within that fund as long as it meets the purposes of that fund's designation. A semi-annual report shall be made to the Council describing each transfer and the reason therefore.

Section 7. Pursuant to the provisions of Section 37208 of the Government Code, the Council, by motion or resolution, may ratify the prior payment of budgeted demands from those funds which have been certified or approved by the Chief Financial Officer and may appropriate funds for non-budgeted items, and any such appropriation for a non-budgeted item shall constitute an

approval to issue a warrant in payment of a proper demand or demands therefore.

Section 8. The Chief Financial Officer is authorized to make clerical and other non-substantive revisions to the Adopted Capital Improvement Program Budget..

Section 9. The City Clerk shall certify to the adoption of this resolution and shall cause this resolution and his certification to be entered in the Book of Resolutions of the Council of this City.

Adopted:

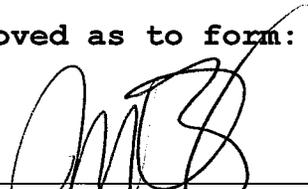
BARRY BRUCKER
Mayor of the City of
Beverly Hills, California

ATTEST:

(SEAL)

BYRON POPE
City Clerk

Approved as to form:



LAURENCE S. WIENER
City Attorney

Approved as to content:

JEFFREY KOLIN
City Manager



SCOTT G. MILLER
Chief Financial Officer

Attachment 4



CITY OF BEVERLY HILLS
ADMINISTRATIVE SERVICES

MEMORANDUM

TO: Honorable Mayor and City Council

FROM: Scott G. Miller, Director of Administrative Services/CFO
Don Harrison, Budget & Revenue Officer

DATE: June 1, 2011

SUBJECT: Errata and Other Changes to the Budget

The purpose of this memorandum is to provide the changes incorporated into the recommended budget for the City Council's consideration and adoption. These changes are the result of changed conditions, clerical errors made in compiling the proposed budget, and changes requested by the City Council in its review of the budget during budget study sessions. These changes are presented by order of fund.

Fund	Description	Net Change	Proposed Budget Page
01 - General Fund	Transfer \$220,000 from Tourism & Marketing (Program 0101311) to Community Services for Community Assistance Grant Funding (Program 0108803)	No Net Change	Forecast-6 & CS-43
01 - General Fund	Increase in Public Works due to clerical error in benefits number (Programs 0107301 & 0109501)	\$ 19,500	PW-52 & PW-70
48 - PAL Fund	Increase in Policy & Management from reclassification of Web Coordinator to Communications Manager as a result of desk audit (Program 4808302)	\$ 7,000	PM-20 & PM-21
48 - PAL Fund	Decrease in City Attorney due to reductions in projected case load during FY 2011/12 and recognition of reimbursed costs (Program 4800503)	\$ (250,000)	CA-7
48 - PAL Fund	Document Transfer Out From Fund 48 fund balance to match Transfer In to General Fund	\$ 500,000	SUM-4 & SUM-19
	Total Change to Operating Budget	\$ 276,500	

Attachment 5

RESOLUTION NO. 1611

A RESOLUTION OF THE PLANNING COMMISSION OF THE CITY OF BEVERLY HILLS REPORTING TO THE CITY COUNCIL ON THE CONSISTENCY OF THE PROPOSED 2011/12 CAPITAL IMPROVEMENT PROGRAM

The Planning Commission of the City of Beverly Hills hereby resolves as follows:

Section 1. California Government Code Section 65103 requires the planning agency of each city and county to annually review the capital improvement program (hereinafter, "CIP"). Pursuant to Government Code Section 65100, Paragraph C of Beverly Hills Municipal Code Section 10-1-102, assigns the planning agency function of the annual review of the CIP to the Planning Commission.

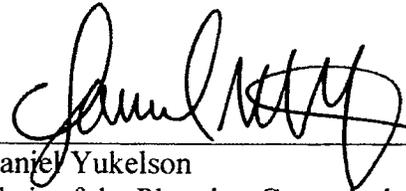
Section 2. On May 12, 2011, the Planning Commission, in its capacity as the Planning Agency, reviewed the City's Capital Improvement Program prepared for Fiscal Year 2011-2012, and covering the five-year period from Fiscal Year 2011-2012 through 2015-2016. Several projects were identified as potentially requiring further planning agency review prior to development, depending on refinements to the projects. However, the CIP overall advances the goals and objectives of the General Plan, and presents no impediments to achieving the goals and objectives of the General Plan.

Section 3. Based on the foregoing review, the Planning Commission hereby finds that the Capital Improvement Program for Fiscal Year 2011-2012, is consistent with the City's General Plan.

Section 4. The Secretary shall forward this Resolution to the City Council for its consideration together with the 2011/12 Capital Improvement Program.

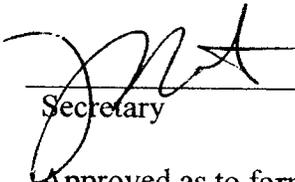
Section 5. The Secretary shall certify to the adoption of this Resolution and shall cause this Resolution and his certification to be entered in the Book of Resolutions of the Planning Commission of the City.

Adopted: **May 12, 2011**



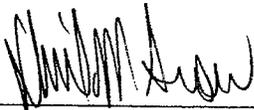
Daniel Yukelson
Chair of the Planning Commission of the
City of Beverly Hills, California

ATTEST:



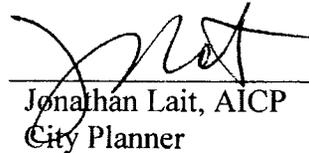
Secretary

Approved as to form:



David M. Snow
Assistant City Attorney

Approved as to content:



Jonathan Lait, AICP
City Planner

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) SS.
CITY OF BEVERLY HILLS)

I, JONATHAN LAIT, Secretary of the Planning Commission and City Planner of the City of Beverly Hills, California, do hereby certify that the foregoing is a true and correct copy of Resolution No. 1611 duly passed, approved and adopted by the Planning Commission of said City at a meeting of said Commission on May 12, 2011, and thereafter duly signed by the Secretary of the Planning Commission, as indicated; and that the Planning Commission of the City consists of five (5) members and said Resolution was passed by the following vote of said Commission, to wit:

- AYES: Commissioners Furie, Rosenstein, Cole, Vice Chair Corman, and Chair Yukelson.
- NOES: None.
- ABSTAIN: None.
- ABSENT: None.



JONATHAN LAIT, AICP
Secretary of the Planning Commission /
City Planner
City of Beverly Hills, California