AGENDA REPORT

Meeting Date: January 24, 2012

Item Number: F–2

To: Honorable Mayor and Members of the City Council; and

Honorable Chairman and Directors of the Parking Authority

From: Scott G. Miller, PhD., Director of Administrative Services/Chief Financial Officer

Don Harrison, Budget & Revenue Officer

Subject: **RESOLUTION OF THE PARKING AUTHORITY OF THE CITY OF BEVERLY HILLS APPROVING THE OPERATING BUDGET FOR THE 2011/2012 FISCAL YEAR AND APPROPRIATING FUNDS THEREFOR; AND CITY COUNCIL APPROPRIATION OF SUBSIDY CONTRIBUTION OF $5,000,000 TO PARKING AUTHORITY.**

Attachments:

1. Resolution Adopting the Operating Budget and Financial Policies
2. Parking Authority FY 2011/12 Budget

RECOMMENDATION

It is recommended that the Parking Authority adopt the resolution approving the budget for operation of its parking facilities for FY 2011/12 and adopting financial policies, in accordance with the Property Management Agreement entered into December 19, 2011; and that the City Council appropriate $5,000,000 from unappropriated General Fund balance as a subsidy contribution to the Parking Authority.

INTRODUCTION

The purpose of this report is to request that the Parking Authority adopt the Fiscal Year (FY) 2011/12 Operating Budget and Financial Policies; and that the City Council appropriate funds to subsidize the operations of the Parking Authority.

BACKGROUND

On September 30, 2011, certain City parking assets were transferred from the City to the Parking Authority, pursuant to a Purchase and Sale Agreement dated August 16, 2011. On December 19, 2011, the City Council and Parking Authority entered into a Property Management Agreement for the management of the Parking Authority's facilities. That Property Management Agreement set forth a requirement that the City as manager of the facilities present an initial operating budget for FY 2011/12 to the Authority for consideration and adoption by January 31, 2012.

DISCUSSION

The FY 2011/12 City of Beverly Hills Parking Authority's Budget provides for the operation of the Parking Authority's facilities for the period from September 30, 2011 through the end of the fiscal year, June 30, 2012. Total revenues are projected at $22,920,400, including $8,922,600 in parking fee and meter revenue, $8,036,900 in lease revenue, $5,000,000 in City subsidy contributions to the Parking Authority and $960,900 in other revenues. Included in this is an annualized reduction of $450,000 due to the agreement with G & L Properties concerning parking rates at 461 N. Bedford. Appropriations total $22,794,800, including $16,890,900 in contractual expense to the City for its management and operation of the parking facilities and its capital contributions for debt service and capital improvements, $5,902,900 for the principal and interest for the repayment of loans by the City, and $1,000 for material and supplies related to the start-up of operations of the Authority.

For the Parking Authority budget, the scope and level of services and maintenance of the facilities is unchanged from that which was envisioned in the FY 2011/12 City Parking Enterprise budget with the exception of the Civic Center Parking Structure and the 9333 Third Street parking structure which are retained by the City. The attached budget is presented in summary form. The accounting for the Parking Authority will be structured such that the revenues and expenditures for each facility may be clearly and individually identified, allowing for operational and fiscal analysis of each.

The attached resolution also adopts the financial policies consistent with the City's for the Parking Authority.

FISCAL IMPACT

The Parking Authority's budget is modestly balanced with $125,600 more revenue than expenditures due to the City's subsidy contribution to the Authority in the amount of $5,000,000. Without this subsidy contribution the Parking Authority's budget would provide for a deficit of $4,874,400.

Don Harrison
Budget and Revenue Officer
Budget and Management Approval

Scott G. Miller,
Chief Financial Officer
Approved By

Attachment 1

RESOLUTION NO. 12-R-________

RESOLUTION OF THE PARKING AUTHORITY OF THE CITY OF BEVERLY HILLS APPROVING THE OPERATING BUDGET FOR THE 2011/2012 FISCAL YEAR AND APPROPRIATING FUNDS THEREFOR

The Board of the Parking Authority of the City of Beverly Hills does resolve as follows:

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

Section 2. Appropriations in the amount not to exceed $22,794,800.00 are authorized for the purpose of carrying on the business of the Parking Authority.

Section 3. The Executive Director of the Parking Authority ("Executive Director") or his designee may make budget adjustments to accounts, provided that the Parking Authority is within its approved budget.

Section 4. The Executive Director or his designee may appropriate up to $300,000 during the Fiscal Year from Parking Authority balance to any accounts as long as it meets the purposes of the Authority. An annual report shall be made to the Board of the Parking Authority describing each transfer and the reason therefore.

Section 5. The Board of the Parking Authority ratifies the prior payment of budgeted demands from those funds which have been certified or approved by the Executive

Director or his designee 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 6. The Parking Authority hereby adopts the Comprehensive Financial Policies of the City of Beverly Hills Parking Authority for Fiscal Year 2011/2012, attached hereto as Exhibit A.

Section 7. The Secretary of the Parking Authority 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 Board of the Parking Authority.

Section 8. In the case of fee-based activities, if the revenues for such programs exceed the amount budgeted, the Board of the Parking Authority hereby authorizes the Executive Director or his designee to increase the appropriation of said activity in the same amount of the increased revenue.

Section 9. The Executive Director or his designee is authorized to make such other revisions, individual appropriation line-items, changes in summaries, totals, grand totals, and other portions of the budget document as necessary to reflect and implement the programs specified in this resolution, and in full accordance to the direction provided by the Board of the Parking Authority up until the adoption of this resolution.

Adopted:

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BARRY BRUCKER
Chairman of the Parking Authority of the City of Beverly Hills

ATTEST:

_____________________________ (SEAL)
BYRON POPE
Secretary of the Parking Authority

APPROVED AS TO FORM:

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LAURENCE S. WIENER
General Counsel

APPROVED AS TO CONTENT:

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JEFFREY C. KOLIN
Executive Director of the Parking Authority

EXHIBIT A

City of Beverly Hills Parking Authority

Financial Policies

Section 1. Financial Reporting Policies

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

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

The Authority's Budget should satisfy criteria as a financial policy document.

To provide a reasonable basis for making the required representations concerning the finances of the Parking Authority, the Authority has a comprehensive internal control framework that is designed both to protect the Authority's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Authority's financial statements in conformity with GAAP. The Executive Director or his designee is given the responsibility and authority to develop and maintain proper internal controls on all financial aspects of the Authority and maintain all the books of the Authority for inspection. Because the cost of internal controls should not significantly outweigh their benefits, the Authority'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 Executive Director or his designee 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 Authority.

The Executive Director or his designee, as appropriate, shall prepare and present to the Board of Directors of the Parking Authority interim revenue and expenditure trends to allow evaluation of potential discrepancies from budget assumptions.

The Authority should 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 Executive Director or his designee.

Section 2. Operating Management Policies

The Executive Director or his designee is primarily responsible for the development, implementation, and evaluation of all financial management policies and procedures. However, other officers, employees and/or contractors will participate in the responsibility of meeting policy goals, budget goals, and ensuring the long-term financial health of the Authority. 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 Authority resources within expected fiscal constraints. Requests for new, ongoing programs made outside the budget process will be discouraged.

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

Budget development should utilize 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 Executive Director or his designee, and Board of Directors.

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

The Authority shall strive to avoid returning to the Board of Directors 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.

Capital equipment replacement will be accomplished through a life cycle funding mechanism. The Authority 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 approved by the Executive Director or his designee.

The Authority shall endeavor to balance revenue and expenditures. Forecasts will be prepared by the Executive Director or his designee to examine the Authority'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 Executive Director or his designee will prepare and present these estimates to the Board of Directors at least once a year.

Alternative means of service delivery will be evaluated by the Authority to ensure that quality services are provided at the most competitive and economical cost. The Authority will identify 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 or the City of Beverly Hills' investment policy until the Authority adopts an investment policy. The Authority will ensure that proper controls and safeguards are maintained.

Authority 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. The Executive Director or his designee, at least annually, shall recommend necessary revisions to the Board of Directors of a detailed investment policy. In addition to liquidity requirements, the Executive Director or his designee will also consider the appropriateness of investment decisions vis-à-vis debt management.

The Authority, through the Executive Director or his designee, will follow an aggressive, consistent, but sensitive policy of collecting revenues, with proper internal controls, to meet the needs of the Authority 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 Authority budget development process and reviewed and prioritized regarding accurate costing (design, capital, and operating) as well as for overall consistency with the Authority's goals and objectives. The Authority's Executive Director or his designee will then identify financing sources for the highest-ranking projects.

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 Authority 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 Executive Director or his designee.

SECTION 4. DEBT MANAGEMENT POLICIES

The Executive Director or his designee will seek to establish and, improve the 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 Authority's overall financial planning and approved by the Executive Director or his designee. The review shall not be limited to cash flow analysis, potential for unexpected revenue surprises, and the maintenance of the Authority's bond ratings. Annual debt service shall not produce an inordinate impact upon future operations. The Executive Director or his designee will endeavor to minimize Authority Debt Service costs in order to control fixed costs and ensure expenditure flexibility.

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 the Board of Directors.

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

SECTION 5. RESERVE POLICIES

GENERAL FUND

All fund designations and reserves will be evaluated annually by the Executive Director or his designee for long-term adequacy and use requirements in conjunction with development of the Authority's balanced five year financial plan.

It is a goal of the Authority 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 Authority. Funds in excess of 25% may be used for short term economic investment in the community when justified by projected financial return to the Authority and specifically authorized by the Board of Directors, upon recommendation of the Executive Director or his designee.

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
- Sale of authority-owned real estate
- Pure unexpected revenues
- Contributions and Gifts
- Any other revenues the Board of Directors may elect to designate as extraordinary

Self-Insurance Reserves, where appropriate, will be maintained at a level, which, together with purchased insurance policies, will adequately cover the Authority'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 Authority shall endeavor to maintain reserves equal to 90% of the estimated net present value of such liabilities.

Contingency Reserves, to be determined annually by the Executive Director or his designee, 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 of an emergency nature. Use of contingency funds shall be approved at recommendation of the Executive Director or his designee.

Budget Reserves are presented in the Comprehensive Annual Financial Report (CAFR) in the Financial Statement section designated as unreserved fund balance.

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 Authority's published Comprehensive Annual Financial Report (CAFR).

The Board of Directors 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 Authority. The Committee will meet at least twice annually with the Authority's independent auditor, once for a pre-audit meeting, and once for a review of the final audit results.

Internal audit activities will be guided by the Audit Committee. The results of these audits are then presented to the Board of Directors Audit Committee for consideration and later reported to the full Board of Directors for its review and consideration. Should conditions necessitate an urgent internal audit of a particular area, the Audit Committee will be advised and the results of the audit will be reviewed with the Committee.

Attachment 2

Parking Authority of the City of Beverly Hills

FY 2011/12 BUDGET

Intergovernmental		$	464,700
Use of Money and Property		$	8,036,900
Service Fees and Charges		$	(282,800)
Miscellaneous Revenue		$	779,000
Revenue from Operations		$	8,922,600
City Subsidy		$	5,000,000
	TOTAL	***$***	***22,920,400***

Proposed Expenditures

Materials And Supplies		$	1,000
Ongoing Contractual Services		$	16,890,900
Other Charges		$	5,902,900
	TOTAL	***$***	***22,794,800***