



STAFF REPORT

Meeting Date: March 4, 2014
Item Number: A-3
To: Honorable Mayor & City Council
From: Don Rhoads, Director of Administrative Services / CFO
Don Harrison, Budget and Revenue Officer
Subject: Fiscal Year 2013/14 Mid-Year Budget Status Report

INTRODUCTION

It is a good financial management practice to periodically review the City's fiscal status throughout the year. This report is intended to provide the City Council with highlights regarding the status of the General Fund budget at the half-way point in the fiscal year. A more detailed presentation will be made at the March 4 Study Session.

The General Fund budget adopted by the City Council on June 18, 2013 included estimated revenues of \$184,694,295, and so far this fiscal year several major revenue sources are coming in above expectations as will be described below. In addition, with a revised budget of \$173,018,585, General Fund expenditures through December 31, 2013 were slightly under budget at \$78,811,851, or 46% of budget spent.

REVENUES

Overall mid-year revenues look strong, and are likely to exceed budget by year's end by over \$7 million as shown in the chart below.

General Fund Revenue

Revenue Type	Original FY 2013/14 Estimate	Revised FY 2013/14 Estimate	Percent Change
Property Tax	\$ 43,675,000	\$ 45,500,000	4.2%
Sales Tax	26,080,000	28,500,000	9.3%
TOT	32,063,000	34,050,000	6.2%
Business Tax	37,900,000	38,500,000	1.6%
Other Revenue	44,976,295	45,806,085	1.8%
Total	\$184,694,295	\$ 192,356,085	4.1%

Property Tax

The assessor reported this past summer that the assessed valuation for the City of Beverly Hills increased by 6.6%. This revenue had been estimated to increase by about 3% on top of a lower projected actual for FY 2012/13. As result this revenue is estimated to increase an additional \$1.8 million over the original estimate. While home sales are reported to be slowing, home values have continued to rise. This will result in continued improvement of property tax revenue.

Sales Tax

Sales tax revenue continues to grow at a higher rate than estimated. In FY 2012/13, sales tax increased by 16.1% over the prior year, creating a higher base from which to grow than was expected when revenue estimates were developed for the current year. On top of this the City's revenue consultant, HdL, projects growth in the current year of about 9.9% over FY 2012/13.

Transient Occupancy Tax (TOT)

TOT revenue is up 15% so far this year compared to FY 2012/13. A significant portion of this increase is attributable to comparisons against lower revenues last year due to the closure for renovations of a wing of one of the City's major hotels last year. With all rooms now available in the current year, mid-year revenues have grown due to this increase in the number of available rooms, as well as increased occupancy and room rates. We expect this rate of increase to moderate over the remainder of the year as comparisons will then be against periods when the renovated wing was reopened. Thus we estimate that TOT revenue will increase by about \$2 million over the original estimate.

Business Tax

Given that business tax for 2014 was just due on January 31st, it is difficult to project year-end revenue at this point. However, based on year-end actual revenue for FY 2012/13, which exceeded estimates, we now estimate that business tax will increase by \$600,000 or 1.6% over the original estimate.

Other Revenue

Other revenue consists of all the remaining smaller General Fund revenue accounts. We made modest adjustments to the other taxes and licenses and permits categories based on the prior year-end revenue that exceeded current year original estimates and we project an increase of about \$800,000 in other revenue, or 1.8%, over original estimates.

EXPENDITURES

General Fund expenditures are presented below by department or special function. Overall, mid-year expenditures are equal to 46% of the \$173,018,585 revised budget. This compares well with the prior five year average of actual expenditures through December as a percent of budget of 48%.

General Fund Expenditures

Through December 31, 2013

	<u>Revised Budget</u>	<u>Actual</u>	<u>Used</u>
Policy & Management	\$ 574,435	\$ 180,000	31%
Administrative Services	1,074,744	546,876	51%
Police	55,136,193	25,662,033	47%
Fire	35,512,615	16,581,768	47%
Community Development	14,363,228	6,318,289	44%
Public Works Services	13,090,159	6,316,631	48%
Capital Assets Department	703,726	297,722	42%
Community Services	42,457,317	18,194,227	43%
Non-Departmental	4,580,936	1,012,682	22%
Tourism & Marketing	5,100,120	3,462,018	68%
Beverly Hills Centennial	<u>425,112</u>	<u>239,605</u>	56%
	<u>\$173,018,585</u>	<u>\$78,811,851</u>	46%

GENERAL FUND FINANCIAL FORECAST

Below is a revised forecast of the General Fund finances through the end of this fiscal year. After adjusting projected revenue and budget adjustments to expenditures, year-end available fund balance is projected to be about \$6 million. This figure is likely to increase as there is usually a significant amount of budget savings, which will add to the available balance at year-end.

General Fund Financial Forecast

	2013/14
	<u>Revised</u>
Revenues	\$192,356,085
Expenditures	-173,018,585
Net Transfers	<u>-13,632,570</u>
Net Operating Surplus	5,704,930
Beginning Fund Balance	115,590,393
Transfer of 12/13 yr-end avail. balance	<u>-14,040,000</u>
Ending Fund Balance	<u>107,255,323</u>
General Fund reserves	
Economic/Contingency Reserve	76,942,434
Budget stabilization	2,000,000
Long-term receivables	7,354,743
Long-Term advances to other funds	<u>14,961,475</u>
Total Reserves	<u>101,258,652</u>
Available Fund Balance	<u><u>\$5,996,671</u></u>

A more detailed presentation of the City's fiscal status will be presented at the March 4 Council Study Session. In addition, the more comprehensive mid-year status report document that provides further details and an overview of accomplishments, work plan status, service indicator status and the status of capital improvement projects will be available later in March. Finally, the Proposed FY 2014-15 Budget will be delivered to the City Council in late April, followed by several Budget Study Sessions in May.



Don Harrison
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Management, Budget &
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Don Rhoads
Director of Administrative Services /CFO
Approved By