



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: October 2, 2012

TO: Mayor and Councilmembers

FROM: Accounting Division, Finance Department

SUBJECT: Fiscal Year 2012 Year-End Results For The General Fund

RECOMMENDATION: That Council:

- A. Hear a report from staff regarding the final results of operations, including final reserve balances, for the General Fund for Fiscal Year Ended June 30, 2012; and
- B. Approve the proposed adjustments to Fiscal Year 2012 estimated revenues and appropriations in the General Fund and Capital Outlay Fund as contained in Attachment 2 related to disallowed costs incurred by the former Redevelopment Agency that must be absorbed by the City, and the transfer of half of the General Fund year-end surplus to the Capital Outlay Fund.

DISCUSSION:

At the City Council meeting of August 7th, staff presented interim financial statements and a narrative analysis for the quarter ended June 30, 2012. At that time, staff indicated that year-end adjustments were still being recorded; and as a result, staff would be presenting year-end results for the General Fund at a future meeting.

Staff has now completed all year-end adjustments and the City's annual financial audit is well underway. While it is possible that additional adjustments may arise out of the audit, staff does not anticipate any further changes to the results being presented in this report.

The focus of this report is on providing a summary of the final results of operations and their impacts on reserve balances for the General Fund. A summary of revenues and expenditures for the fiscal year ended June 30, 2012 is presented in Attachment 1, with a comparison to budgeted amounts.

In conjunction with this report, staff is also recommending final adjustments to the Fiscal Year 2012 budget primarily due to the final decisions made by the Successor Agency's Oversight Board which have resulted in additional costs incurred by the former Redevelopment Agency that now must be absorbed by the City.

The other recommended adjustment is to appropriate the transfer of 50% of the year-end surplus totaling \$930,486 as discussed later in this report. This recommendation stems from new reserve policies scheduled for adoption on the same day of this report and calls for the transfer of 50% of the General Fund year surplus to the Capital Fund to provide additional funding for capital projects.

Summary of Year-End Results – General Fund

The table below summarizes the General Fund results of operations for Fiscal Year 2012, before any amendments to the budget recommended in this report. In summary, total revenues exceeded total expenditures by approximately \$1.9 million. A number of factors played into the positive year-end results; however, the most notable results were in expenditures which were significantly below budget.

General Fund				
Fiscal Year Ended June 30, 2012				
	Amended Budget	Year-End Totals	Encumbrances	Variance Favorable (Unfavorable)
Total Revenues	\$ 103,501,124	\$ 103,619,668	\$ -	\$ 118,544
Total Expenditures	<u>104,047,789</u>	<u>101,758,695</u>	<u>316,614</u>	<u>1,972,480</u>
Addition to (Use of) Reserves	<u>\$ (546,665)</u>	<u>\$ 1,860,973</u>	<u>\$ (316,614)</u>	<u>\$ 2,091,024</u>

While revenues ended the year just \$118,544 ahead of budget, actual results were more favorable since the budgeted revenues include "Anticipated Year-End Variance" which represents expected savings in expenditures that occur each year primarily from turnover in staff and vacancies. Excluding this amount, actual revenues ended the year approximately \$1.3 million over budget, with tax revenues realizing most of the positive results. Detailed revenue and expenditure information is provided in Attachment 1.

General Fund Reserves

The General Fund ended the year with a surplus of \$1,860,973. Per the newly proposed reserve policies, \$930,486 (50%) of the surplus will be transferred to the Capital Outlay Fund; an equal amount will be added to reserve balances. While the total reserves in the General Fund will in effect increase by \$930,486, most of this (\$669,495) will be used to fund the increase in policy reserve requirement based on the growth of the Fiscal Year 2013 adopted budget relative to Fiscal Year 2012. Thus, the continuing shortfall of reserves relative to policy requirements has been narrowed by \$260,991. Although not significant, it is still another forward step in closing the gap.

The status of reserves at June 30, 2012 is summarized below. Note that the Capital Reserve has been eliminated based on Council's direction.

General Fund			
Status of Reserves as of June 30, 2012			
	<u>Per City Policy</u>	<u>Actual</u>	<u>Difference</u>
Disaster Reserves	\$ 15,747,982	\$ 15,747,982	\$ -
Contingency Reserves	10,498,654	6,961,656	(3,536,998)
Totals	<u>\$ 26,246,636</u>	<u>\$ 22,709,638</u>	<u>\$ (3,536,998)</u>

Recommended Budget Adjustments

The recommended adjustments are contained in Attachment 2 and discussed below.

Impacts of Disallowed Costs of the Former Redevelopment Agency

On August 7th, 2012 the City Council approved adjustments to the budget to reflect the decisions of the Successor Agency's Oversight Board which disallowed certain costs incurred by the former Redevelopment Agency. The effect of the Oversight Board's determinations was that the disallowed capital project costs required funding from the General Fund. The budgetary impact was to increase capital transfers from the General Fund General Government Department to the Capital Outlay Fund where the project costs are accounted for. These costs were funded in part from additional property taxes received in the General Fund, which represent the City's share of property taxes previously received by the City's former Redevelopment Agency.

Staff has been continuously analyzing previously RDA-funded projects, and upon further review, identified additional project costs that were not approved as enforceable obligations by the Oversight Board. An additional \$392,470 was identified as disallowed, mostly due to contracts entered into with third parties and engineering costs related to work performed on capital improvement projects prior to the dissolution date of January 31, 2012. These costs are in addition to the amounts previously presented and approved by the City Council. Including the budget adjustment in this report, the General Fund has funded about \$878,000 in disallowed costs related to the dissolution of the RDA.

To fund these costs, staff recommends increasing estimated Property Tax revenues by \$388,589, which is the unused balance of the total \$873,896 received in June from the County as the City's 13% share of the total tax increment revenues that would have been allocated to the former Redevelopment Agency (RDA). As noted above, a portion of the \$873,896 has already been used to fund other costs incurred by the RDA that were disallowed, per Council action on August 7th, 2012. Staff also recommends allocating \$3,881 from General Fund appropriated reserves to cover the difference between the total disallowed costs of \$392,470 and the \$388,589 available in property taxes.

The entire \$392,470 will be appropriated in the General Government Department as a transfer to the General Capital Outlay Fund to pay for the disallowed costs.

Transfer of General Fund Year-End Surplus to the Capital Outlay Fund

Pursuant to the newly proposed reserve policies subject to adoption on October 2, 2012, staff recommends transferring \$930,486 from the General Fund to the Capital Outlay Fund, which represents 50% of the \$1,860,973 year-end surplus.

ATTACHMENTS: 1. Summary of General Fund Revenues and Expenditures
2. Summary of Recommended Adjustments to the Fiscal Year 2012 Budget

PREPARED BY: Ruby Carrillo, Accounting Manager

SUBMITTED BY: Robert Samario, Finance Director

APPROVED BY: City Administrator's Office

City of Santa Barbara
Summary of Revenues and Expenditures - General Fund
Fiscal Year Ended June 30, 2012

	Amended Budget	Year-End Totals	Variance Favorable (Unfavorable)
REVENUES:			
Taxes			
Sales & Use Tax	\$ 17,949,013	\$ 19,444,253	\$ 1,495,240
Utility Users Tax	7,144,500	6,986,966	(157,534)
Property Tax	23,548,307	23,712,312	164,005
Transient Occupancy Tax	13,018,252	13,661,699	643,447
Business License Tax	2,229,800	2,202,400	(27,400)
Real Property Transfer Tax	410,000	438,620	28,620
Total Taxes	<u>64,299,872</u>	<u>66,446,251</u>	<u>2,146,379</u>
Other Revenues			
Franchise Fees	3,593,200	3,578,619	(14,581)
Licenses	182,900	226,177	43,277
Fines & Forfeitures	2,927,016	2,713,328	(213,688)
Use of Money & Property	1,138,779	1,231,018	92,239
Intergovernmental	502,650	323,312	(179,338)
Fees and Service Charges	15,779,238	15,207,689	(571,549)
Administrative Overhead	6,111,818	6,111,818	-
Miscellaneous Revenues	1,398,491	1,311,579	(86,912)
Transfers In	7,567,160	6,469,877	(1,097,283)
Total Other	<u>39,201,252</u>	<u>37,173,417</u>	<u>(2,027,835)</u>
Total Revenues	<u>\$ 103,501,124</u>	<u>\$ 103,619,668</u>	<u>\$ 118,544</u>
EXPENDITURES:			
Mayor and City Council	\$ 725,196	\$ 708,296	\$ 16,900
City Attorney	1,950,640	1,922,715	27,925
City Administrator	2,040,589	1,985,430	55,159
Finance	4,392,750	4,312,453	80,297
Administrative Services	1,947,674	1,769,908	177,766
Community Development	10,091,759	9,064,338	1,027,421
Fire	21,086,991	20,949,622	137,369
Police	34,648,043	34,168,442	479,601
Public Works	6,823,956	6,530,733	293,223
Library	4,032,487	3,820,223	212,264
Parks & Recreation	12,795,695	12,751,001	44,694
Community Promotion	3,512,009	3,775,534	(263,525)
Total Expenditures	<u>\$ 104,047,789</u>	<u>\$ 101,758,695</u>	<u>\$ 2,289,094</u>
YEAR-END SURPLUS		<u>\$ 1,860,973</u>	

**City of Santa Barbara
Proposed Budget Adjustments**

	<u>Increase (Decrease) in Appropriations</u>	<u>Increase (Decrease) in Estimated Revenues</u>	<u>Addition to (Use of) Fund Balance</u>
GENERAL FUND			
Non-Departmental			
Appropriated Reserves	(3,881)	-	3,881
Property Tax Revenues	-	388,589	388,589
General Government			
Transfer to Capital Outlay Fund to pay for disallowed capital project costs due to RDA dissolution	392,470	-	(392,470)
Transfer to Capital Outlay Fund per new reserve policies- represents 50% of FY 2012 year-end surplus	930,486	-	(930,486)
Total General Fund	<u>\$ 1,319,075</u>	<u>\$ 388,589</u>	<u>\$ (930,486)</u>
CAPITAL PROJECT FUNDS			
Capital Outlay Fund			
Transfers in from General Government (RDA dissolution)	\$ -	\$ 392,470	\$ 392,470
Transfers in from General Government (50% of FY 2012 year-end surplus)	-	930,486	930,486
Capital Projects:			
Helena Parking Lot Development	1,980	-	(1,980)
PD Annex Lease Costs	2,930	-	(2,930)
Fire Dept Administration Annex	47,750	-	(47,750)
DP Structure Construction Imp	15,800	-	(15,800)
Lower West Downtown Street Lighting	310,690	-	(310,690)
Carrillo Rec Ctr Restoration	13,320	-	(13,320)
Total Capital Outlay Fund	<u>\$ 392,470</u>	<u>\$ 1,322,956</u>	<u>\$ 930,486</u>



CITY OF SANTA BARBARA General Fund



Fiscal Year 2012 Results of Operations

October 2, 2012

GENERAL FUND

Background

- ◆ Presented June 30, 2012 Interim Statements on August 7, 2012
 - Indicated that when all adjustments have been booked, we'd return with final results for just the General Fund.
- ◆ We also have recommended adjustments to the budget for Council consideration

GENERAL FUND

Year-End Results

	Amended Budget	Year-End Results	Encumbr.	Variance Favorable (Unfavorable)
Total Revenues	\$ 103,501,124	\$ 103,619,668		\$ 118,544
Total Expenditures	104,047,789	101,758,695	\$ 316,614	1,972,480
Net	\$ (546,665)	\$ 1,860,973	\$ (316,614)	\$ 2,091,024

GENERAL FUND

Year-End Results

	Amended Budget	Year-End Results	Encumbr.	Variance Favorable (Unfavorable)
Total Revenues	\$ 102,301,124	\$ 103,619,668		\$ 1,318,544
Total Expenditures	102,847,789	101,758,695	\$ 316,614	772,480
Net	\$ (546,665)	\$ 1,860,973	\$ (316,614)	\$ 2,091,024

Moves \$1.2 Million Anticipated Year-End Variance to Expenditures from Revenues

GENERAL FUND

Year-End Results

	Amended Budget	Year-End Results	Encumbr.	Variance Favorable (Unfavorable)
Total Revenues	\$ 102,301,124	\$ 103,619,668		\$ 1,318,544
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Net	\$ (546,665)	\$ 1,860,973	\$ (316,614)	\$ 2,091,024

GENERAL FUND

Final Revenues - Taxes

	Amended Budget	Year-End Totals	Variance Favorable (Unfavorable)
Taxes			
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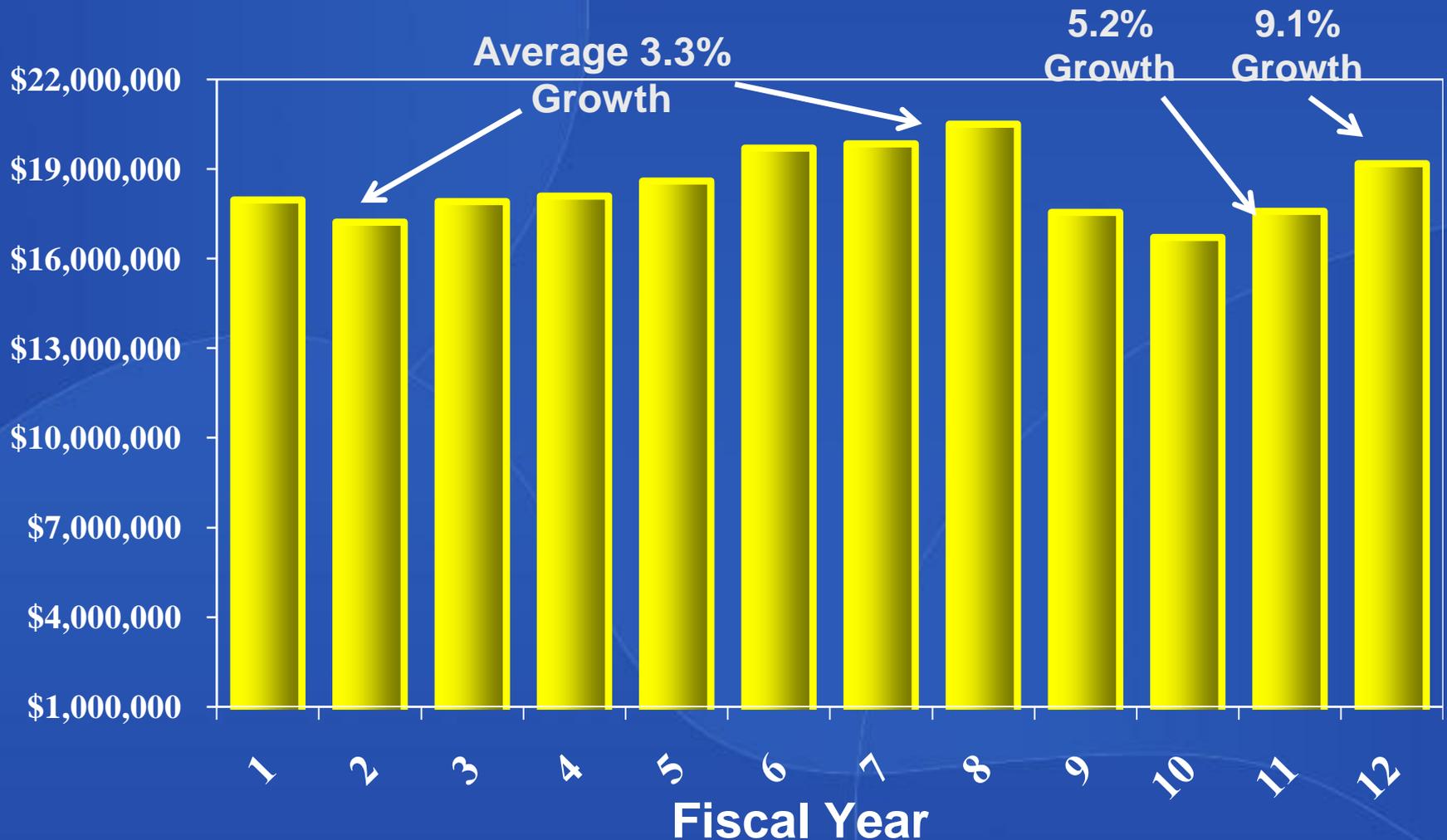
GENERAL FUND

Final Revenues – Sales Taxes

	Change		Change
FY 2010	Prior Yr	FY 2012	Prior Yr
\$ 4,255,906	3.9%	\$ 4,797,256	8.4%
4,377,436	2.7%	4,931,326	9.7%
3,838,812	3.0%	4,382,961	10.8%
4,232,565	11.1%	5,060,682	7.6%
\$ 16,704,719	5.2%	\$ 19,172,225	9.1%

GENERAL FUND

Sales Tax Revenues Over 12 Years



GENERAL FUND

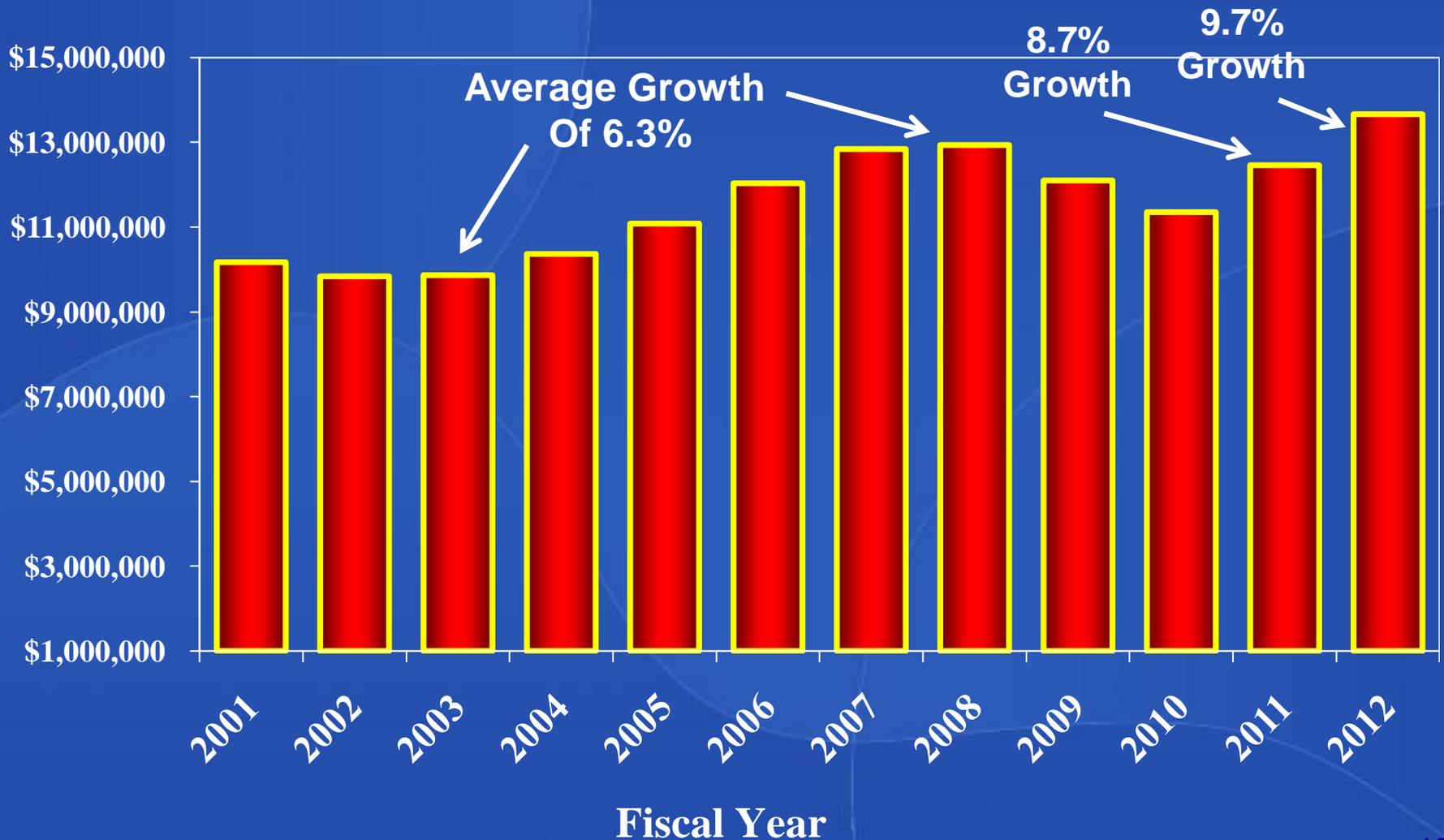
Final Revenues – Bed Taxes (TOT)

TRANSIENT OCCUPANCY TAXES

Month	FY 2010	Change Prior Yr	FY 2011	Change Prior Yr	FY 2012	Change Prior Yr
July	\$ 1,393,219	-14.6%	\$ 1,571,324	12.8%	\$ 1,763,206	12.2%
Aug	1,474,189	-19.0%	1,591,121	7.9%	1,697,686	6.7%
Sept	1,106,152	-7.5%	1,154,834	4.4%	1,255,217	8.7%
Oct	944,230	-10.0%	1,058,405	12.1%	1,126,506	6.4%
Nov	672,636	-12.6%	752,641	11.9%	845,583	12.3%
Dec	588,594	-1.8%	651,909	10.8%	709,979	8.9%
Jan	685,633	0.8%	692,393	1.0%	774,725	11.9%
Feb	683,280	6.2%	742,361	8.6%	831,055	11.9%
Mar	823,759	8.4%	825,040	0.2%	950,142	15.2%
April	957,350	2.9%	1,060,466	10.8%	1,128,073	6.4%
May	1,001,965	6.0%	1,093,703	9.2%	1,168,811	6.9%
June	1,133,124	12.1%	1,264,961	11.6%	1,410,718	11.5%
FY Total	\$ 11,464,132	-4.8%	\$ 12,459,157	8.7%	\$ 13,661,699	9.7%

GENERAL FUND

TOT Revenues – 2001 - 2012



GENERAL FUND

Final Revenues – Other Revenues

	Amended Budget	Year-End Totals	Variance Favorable (Unfavorable)
Other Revenues			
Franchise Fees	3,593,200	3,578,619	(14,581)
Licenses	182,900	226,177	43,277
Fines & Forfeitures	2,927,016	2,713,328	(213,688)
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Intergovernmental	502,650	323,312	(179,338)
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Administrative Overhead	6,111,818	6,111,818	-
Miscellaneous Revenues	1,398,491	1,311,579	(86,912)
Transfers In	7,567,160	6,469,877	(1,097,283)
Total Other	39,201,252	37,173,417	(2,027,835)

GENERAL FUND

Final Expenditures

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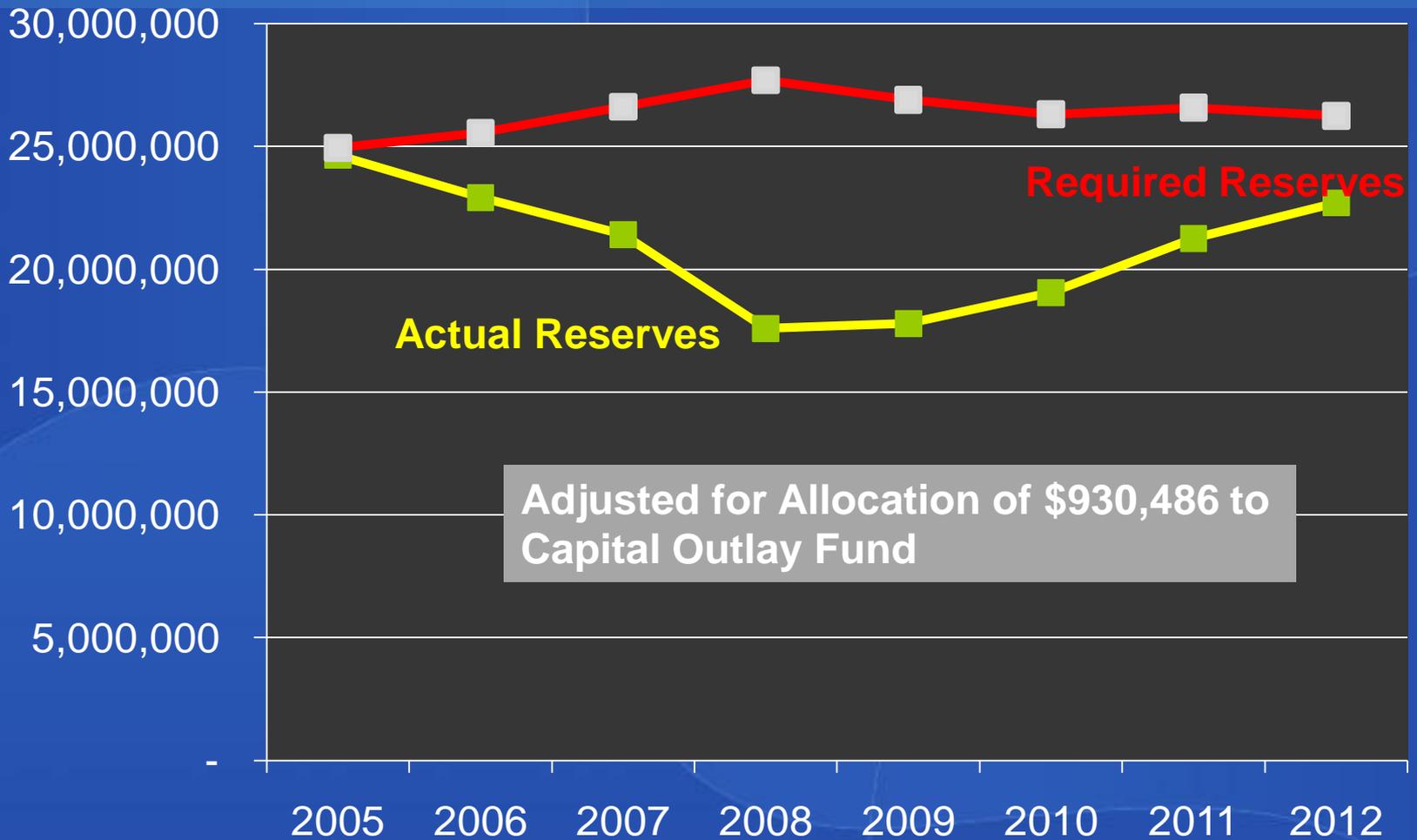
GENERAL FUND

Reserve Balances – June 30, 2012

General Fund Status of Reserves as of June 30, 2012

	<u>Per City Policy</u>	<u>Actual</u>	<u>Difference</u>
Disaster Reserves	\$ 15,747,982	\$ 15,747,982	\$ -
Contingency Reserves	<u>10,498,654</u>	<u>6,961,656</u>	<u>(3,536,998)</u>
Totals	<u>\$ 26,246,636</u>	<u>\$ 22,709,638</u>	<u>\$ (3,536,998)</u>

GENERAL FUND Reserve Balances – 2005 thru 2012



GENERAL FUND

Recommended Adjustments

- ◆ Impacts of Other Disallowed Capital Costs of Former RDA
- ◆ Transfer 50% of Year-End Surplus to Capital Outlay Fund

GENERAL FUND

Recommended Adjustments

	<u>Increase (Decrease) in Appropriations</u>	<u>Increase (Decrease) in Estimated Revenues</u>	<u>Addition to (Use of) Fund Balance</u>
GENERAL FUND			
Non-Departmental			
Appropriated Reserves	(3,881)	-	3,881
Property Tax Revenues	-	388,589	388,589
General Government			
Transfer to Capital Outlay Fund to pay for disallowed capital project costs due to RDA dissolution	392,470	-	(392,470)
Transfer to Capital Outlay Fund per new reserve policies- represents 50% of FY 2012 year-end surplus	930,486	-	(930,486)
Total General Fund	<u>\$ 1,319,075</u>	<u>\$ 388,589</u>	<u>\$ (930,486)</u>

CAPITAL OUTLAY FUND

Recommended Adjustments

	<u>Increase (Decrease) in Appropriations</u>	<u>Increase (Decrease) in Estimated Revenues</u>	<u>Addition to (Use of) Fund Balance</u>
Capital Outlay Fund			
Transfers in from General Government (RDA dissolution) \$	-	\$ 392,470	\$ 392,470
Transfers in from General Government (50% of FY 2012 year-end surplus)	-	930,486	930,486
Capital Projects:			
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Total Capital Outlay Fund	<u>\$ 392,470</u>	<u>\$ 1,322,956</u>	<u>\$ 930,486</u>