

OVERVIEW OF ESTIMATED REVENUES

Background: Staff members from several departments worked in concert with Financial Services staff to develop revenue projections for the coming fiscal year. The projections reflect a somewhat conservative yet consistent approach with both established budget practices and financial principles. Staff considered the qualitative and quantitative methods of forecasting and used techniques such as trend analysis, economic indicators, consultant advice, and professional judgment to arrive at a consensus as to forecasted operating revenue. Revenue forecasting is one of the most challenging aspects in the budget process, as many unknown variables, including economic changes over which the City has no control, affect the ultimate amount of monies going into the City's coffers. These variables also include the impact of fluctuations in the local, regional, statewide, and national economies; consumer habits and demands; and the fiscal impacts of legislative changes.

GENERAL FUND

General Fund revenue from outside sources for FY 2012-13 is estimated at \$62,281,227 representing an increase of \$848,861 from the FY 2011-12 midyear amount. Significant operating revenue sources include: taxes, projected to increase \$951,000, or 1.9%; ; licenses and permits anticipated to increase 6.1% primarily due to remodels and other home improvement construction; fines and forfeitures projected to decrease 5.3% due to fewer restitution payments; use of money and property revenue expected to decrease 2.4% due to lower interest rates and a recessive economy; intergovernmental revenues expected to be zero, as Federal and State governments struggle financially; charges for services estimated to remain flat; and other revenues should increase \$15,131, or 1.5%, due to increases in program donations.

Revenue from overhead is derived from sources internal to the City. The FY 2012-13 amount of \$6,249,628 reflects overhead charged to departmental budgets (to best reflect each department's true operating costs), with the corresponding revenue included in the General Fund.

Below are highlights of significant FY 2012-13 operating revenues compared to FY 2011-12 midyear amounts, unless otherwise indicated.

Property Tax revenue for FY 2012-13 is projected to increase by \$100,000, or 0.5%, to \$19,200,000, excluding property tax in lieu of VLF and homeowners' exemptions. This increase has its roots in a slowly recovering economy reflecting improvement in the housing market. As well, to comply with Proposition 13, the FY 2012-13 estimate includes a positive CPI adjustment. The positive FY 2011-12 CPI adjustment also favorably impacts the State's allocation of sales tax currently classified as property tax. Redondo Beach's housing market has been fairly stable through the housing downturn due to its coastal location. Property tax revenue is the City's number one source of operating revenue.

Property Tax in Lieu of VLF revenue is projected to increase by \$85,000, to \$5,500,000 in FY 2012-13. Property tax in lieu of VLF is vehicle license fee revenue classified as property tax and closely parallels growth in City property tax revenue. In FY 2004-05, cities and counties began receiving additional property tax to replace vehicle license fee (VLF) revenue that the State did not allocate due to budget concerns.

Sales and Use Tax revenue is projected to increase \$822,000, or 8.8%, to \$10,177,000. Sales tax revenue is generally up due to new businesses replacing closures and an increase in consumer spending. Continued increases in consumer spending are expected with a decline in the Los Angeles county unemployment rate and an increase in personal income. This projection is conservatively based on analysis of current trends, including annual adjustments to the State “triple flip” sales tax apportionment, receipts from the City’s largest sales tax sources, levels of consumer disposable income, heightened regional sales tax competition and moderating consumer confidence.

Utility Users’ Tax (UUT) revenue is projected to remain flat as increasing energy costs are offset by less usage. This estimate is based upon analysis of the projected performance from each of the categorical components of the City’s UUT tax base, including electricity, natural gas, telecommunications, water, and cable television. UUT revenue provides support for essential City operational services.

Transient Occupancy Tax (TOT) revenue is projected to increase by 0.6%, or \$20,000, to \$3,450,000. This modest upswing is driven by more personal travel as the economy improves. Rising energy costs and continuing high (though decreasing) unemployment will continue to depress the travel industry. Business travel is predicted to lag behind personal travel. International travel is expected to decrease as the Euro drops in value against the dollar and Japan recovers from earthquake damage. Annually, ten percent of the City’s TOT revenue, or \$345,000 projected for FY 2012-13, is dedicated to funding tourism promotional and service activities of the Redondo Beach Visitors’ Bureau.

Franchise Fees are projected to decrease by \$20,000, or 1.1%, to \$1,875,000 for FY 2012-13. Components of franchise fee revenue include Time Warner cable television operations, Southern California Edison electricity franchise, Southern California Gas operations, Verizon, and taxicab franchise operations. With the exception of revenues from Southern California Gas, revenues from franchise fees reflect moderate increases, which is in line with growth in local operations. Cable television franchise fees represent 48% of the overall franchise fee revenue estimate for FY 2012-13, while projected revenue from the electricity franchise represents 22%. The franchise revenue generated from the sale and transport of natural gas utilized to power the local AES power plant represents 26% of the total franchise fee estimate. Cyclical uncertainties of the deregulated energy environment and their impacts upon the productive utilization rate of the AES power plant require a conservative estimate from this revenue source.

Business License Tax revenue is expected to remain flat for FY 2012-13 at \$1,250,000. Construction, retail and dining establishment activities appear to be stabilizing.

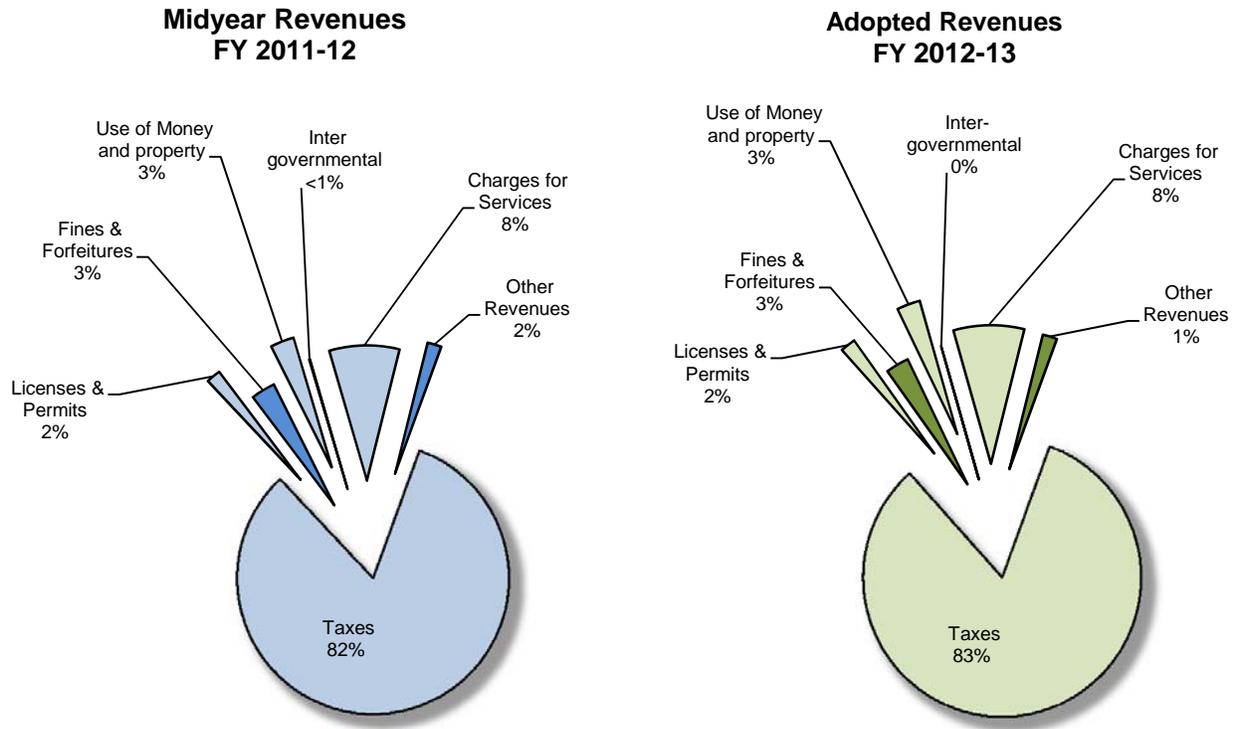
Property Transfer Tax revenue for FY 2012-13 is projected at \$1,450,000, a decrease of \$8,000, or 1.0%. Generally, the real estate market has continued to weaken, but Redondo Beach's prime beach areas have retained their value to a great degree and are still being purchased. Overall projected performance of property transfer tax revenue has been conservatively estimated for FY 2012-13. As with all key operating revenue sources, trends with respect to this revenue source will be closely monitored and revised, if necessary, at the midyear fiscal review.

Investment Earnings for the General Fund for FY 2012-13 are projected to decrease by \$70,000, or 10.4%, to \$600,000. This decline is attributable to lower interest rates within the investment marketplace, a reduction in the overall size of the portfolio and the financial unfeasibility of the annual TRANS program. The three major components of the portfolio are: liquid investments with the State Local Agency Investment Fund, and both Federal Agency and high-grade corporate Medium-Term Note Investments structured with a 1 to 5 year investment maturity matrix. Enhanced cash management activities serve as core elements of the City Treasurer's comprehensive cash management program. In addition, implementation of a strategically focused capital improvement program (CIP) cash management plan will serve to enhance investment returns from CIP funding sources, while ensuring CIP program liquidity.

Below is a summary of the FY 2012-13 adopted General Fund operating revenues compared with the FY 2011-12 midyear budget operating revenues:

<i>General Fund</i>	Midyear 2011-12	Adopted 2012-13	Increase/ (Decrease)	
Taxes	50,650,000	51,601,000	951,000	1.9%
Licenses & Permits	1,052,885	1,116,620	63,735	6.1%
Fines & Forfeitures	1,780,900	1,685,900	(95,000)	(5.3%)
Use of Money and Property	1,729,960	1,688,563	(41,397)	(2.4%)
Intergovernmental	43,027	-	(43,027)	(100.0%)
Charges for Services	5,141,900	5,140,319	(1,581)	(0.0%)
Other Revenues	1,033,694	1,048,825	15,131	1.5%
Revenue From Outside Sources	61,432,366	62,281,227	848,861	1.4%
Overhead	6,249,628	6,249,628	-	0.0%
Total General Fund	67,681,994	68,530,855	848,861	1.3%

GENERAL FUND REVENUES FROM OUTSIDE SOURCES



SPECIAL REVENUE FUNDS

All Special Revenue Funds are for a specific purpose and are not available for other programs. The combined projected revenue in the Special Revenue Funds is \$15,068,175, decreasing from the FY 2011-12 midyear budget by \$4,683,738 or 23.7%. The Intergovernmental Grants Fund, where monies received from Federal, State and other governmental agencies are used for capital improvement projects, is projected to decrease by \$3,293,139, or 62.2%. This is largely due to no new Federal stimulus money being received by the City. Revenue in this fund tends to fluctuate from year to year, depending on resources received from other governmental agencies. With financial difficulties at the Federal and State levels, government sponsored programs have seen substantial funding cuts that directly impact grant programs.

ENTERPRISE FUNDS

Enterprise Funds account for operations that are financed and operated in a manner similar to private business where the costs of providing goods or services to the general public are financed or recovered primarily through user charges. Please note that adopted FY 2012-13 revenues are compared to FY 2011-12 midyear amounts unless otherwise indicated.

Harbor Tidelands Fund: Based on projections provided by Harbor staff, revenues for FY 2012-13 in the Harbor Tidelands Fund including parking revenue, lease revenue, investment earnings and miscellaneous revenue, are projected at \$5,293,187, down \$187,543, or 3.4%.

Harbor Uplands Fund: Based on projections provided by Harbor staff, revenues for FY 2012-13 in the Harbor Uplands Fund including parking revenue, lease revenue, investment earnings and miscellaneous revenue, are projected at \$3,767,288, down \$99,262, or 2.6%.

Solid Waste Fund: FY 2012-13 revenues for the Solid Waste Fund are expected to increase slightly, \$31,155, or 0.9% to \$3,568,382.

Wastewater Fund: FY 2012-13 revenues are projected to increase by \$934,600 or 37.7% to \$3,416,018 primarily due to rate increases, approved by Council in 2012.

Transit Fund: FY 2012-13 revenues are expected to decrease slightly by \$2,807 or 0.12% to 2,296,253. Revenue for Beach City Transit reflects current information available from outside funding sources. As an example, Transit Revenue from Other Governments reflects the funding the City will receive from El Segundo, Hermosa Beach, and Manhattan Beach for Line 109. Staff has estimated a lower amount for this funding source in 2012-13 because the City will receive additional monies for Transit Operations from Metro. Additionally, in FY 2012-13, the Fixed Route Fare Revenues are conservatively projected based on actuals in FY 2011-12 and reflect the planned service changes (cancellation of Route 104) previously authorized.

INTERNAL SERVICE FUNDS

In order to determine the true cost of each operating department, internal service fund charges are allocated to each user department. These charges, in turn, represent revenue to each Internal Service Fund. With the exception of the Self-Insurance Program, Vehicle Replacement Funds, and Printing and Graphics Fund, The internal service funds are the same as midyear. Due to the changes made to the Self-Insurance and Vehicle Replacement funds, they are described in more detail below.

Self-Insurance Program Fund: The Self-Insurance Program Fund is the basis for allocating liability, workers' compensation and unemployment insurance to all departments. Revenue for FY 2012-13 is estimated to be \$4,086,515, down \$333,015 or 7.5% from FY 2011-12 midyear budget.

Vehicle Replacement Fund: This fund accounts for charges to departments that utilize the City's Fleet Services Division for maintenance and repairs, which includes the costs of fuel, vehicles and equipment. In addition, rental charges are assessed based on the estimated future replacement cost of the vehicles. This fund increased by \$64,900, or 2.2%, to \$3,011,124 and remains essentially flat when compared to the FY 2011-12 midyear budget.

Building Occupancy Fund: Building maintenance costs are allocated to all City departments through the Building Occupancy Fund. These costs are allocated to all funds including the Special Revenue Funds and Harbor Enterprise Funds.

Information Technology Fund: The Information Technology Fund includes Information Technology's personnel expenses, computer and telecommunications maintenance costs and charges for equipment replacement. All costs are charged back to end users.

Printing and Graphics Fund: This fund was established for the purpose of allocating printing and graphics charges to all departments using the services of the in-house print shop. On February 1, 2012 Printing and Graphics was merged with Information Technology and will be part of the allocation from that department with the FY 2012-13 update at midyear.

Emergency Communications Fund: The Emergency Communications Fund includes replacement of emergency communications equipment and emergency communications operating expenses. All costs are charged back to the users, which are primarily the Police, Fire and Public Works departments.

Major Facilities Repair Fund: The Major Facilities Repair Fund is a recently created (FY 2009-10) internal service fund set up for potential, but yet unknown, larger repair costs associated with the aging public facilities.

TWO-YEAR COMPARISON OF ESTIMATED REVENUES BY FUND

<i>Fund</i>	Adopted 2011-12	Midyear 2011-12	Adopted 2012-13	Increase/ (Decrease)	
General Fund:					
Taxes	49,734,062	50,650,000	51,601,000	951,000	1.9%
Licenses and Permits	1,042,420	1,052,885	1,116,620	63,735	6.1%
Fines and Forfeitures	1,780,900	1,780,900	1,685,900	(95,000)	(5.3%)
Use of Money and Property	1,769,960	1,729,960	1,688,563	(41,397)	(2.4%)
Intergovernmental	220,360	43,027	-	(43,027)	(100.0%)
Charges for Services	5,177,690	5,141,900	5,140,319	(1,581)	(0.0%)
Other Revenues	1,025,629	1,033,694	1,048,825	15,131	1.5%
Overhead	6,383,731	6,249,628	6,249,628	-	0.0%
Total General Fund	67,134,752	67,681,994	68,530,855	848,861	1.3%
State Gas Tax	1,766,700	1,766,500	1,764,371	(2,129)	(0.1%)
Storm Drain Improvement	35,000	35,000	35,000	-	0.0%
Street Landscaping and Lighting	1,603,500	1,603,500	1,600,500	(3,000)	(0.2%)
Local Transportation Tax	32,815	32,815	90,859	58,044	176.9%
Proposition A	950,399	949,699	985,995	36,296	3.8%
Proposition C	797,548	796,548	825,749	29,201	3.7%
Measure R	583,166	583,166	606,502	23,336	4.0%
Air Quality Improvement	78,700	78,600	78,800	200	0.3%
Intergovernmental Grants	4,780,102	5,297,938	2,004,799	(3,293,139)	(62.2%)
Comm Develop Block Grant	369,894	377,738	266,341	(111,397)	(29.5%)
Housing Authority	6,088,509	6,088,509	6,088,509	-	0.0%
Parks and Recreation Facilities	10,000	16,000	15,000	(1,000)	(6.3%)
Narcotic Forfeiture and Seizure	104,000	63,800	106,400	42,600	66.8%
Subdivision Park Trust	75,000	150,000	150,000	-	0.0%
Disaster Recovery	62,100	22,100	21,200	(900)	(4.1%)
Capital Projects	390,000	1,890,000	428,150	(1,461,850)	(77.3%)
Harbor Tidelands	5,481,230	5,480,730	5,293,187	(187,543)	(3.4%)
Harbor Uplands	3,838,550	3,866,550	3,767,288	(99,262)	(2.6%)
Solid Waste	3,515,576	3,537,227	3,568,382	31,155	0.9%
Wastewater	2,453,795	2,481,418	3,416,018	934,600	37.7%
Transit	2,292,295	2,299,060	2,296,253	(2,807)	(0.1%)
Self-Insurance Program	3,650,849	4,419,530	4,086,515	(333,015)	(7.5%)
Vehicle Replacement	2,975,831	2,946,224	3,011,124	64,900	2.2%
Building Occupancy	2,239,558	2,289,652	2,289,652	-	0.0%
Information Technology	2,774,113	2,379,441	2,379,441	-	0.0%
Printing and Graphics	242,023	242,004	-	(242,004)	(100.0%)
Emergency Communications	2,687,303	2,600,465	2,600,465	-	0.0%
Major Facilities Repair	108,868	115,017	115,017	-	0.0%
Total Before Adjustments	117,122,176	120,091,225	116,422,372	(3,668,853)	(3.1%)
Less: Internal Svc Funds/Overhead	20,536,409	20,774,572	20,381,211	(393,361)	(1.9%)
Total City	96,585,767	99,316,653	96,041,161	(3,275,492)	(3.3%)
Redevelopment Agency	6,621,634	6,621,634	-	(6,621,634)	(100.0%)
Successor Agency	-	-	1,366,600	1,366,600	n/a
Community Financing Authority	-	-	329,337	329,337	n/a
Grand Total	103,207,401	105,938,287	97,737,098	(8,201,189)	(7.7%)

GENERAL FUND PROPERTY TAX

Description

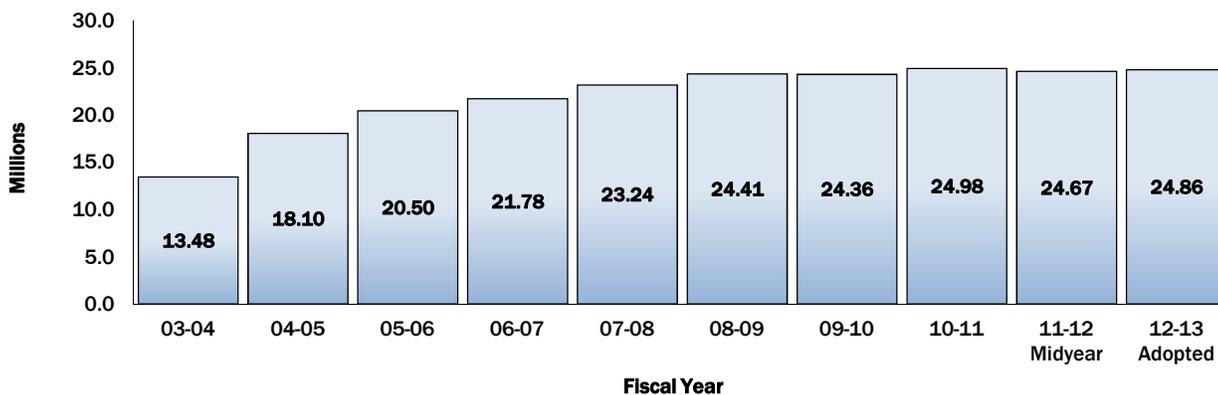
Property tax is imposed on real property (land and permanently attached improvements such as buildings) and tangible personal property (moveable property) located within the City. Property is assessed by the County Assessor except for certain public utility properties which are assessed by the State Board of Equalization. The property tax rate is based on 1.0% of the assessed value. For every \$1 of property tax collected, \$0.166 goes to the City. The property tax graph presented below includes the property tax in lieu of VLF and homeowner exemptions.

Background

Growth in property tax is realized from the 2.0% annual increase allowed by Proposition 13, increased valuation occurring due to any new construction activity, and the reassessment of property due to resale. In FY 2010-11, even with the CPI used in Proposition 13 property value calculation negative, property tax revenue rose.

Outlook

Property tax revenue for FY 2012-13 is projected to increase by \$100,000, or 0.5%, to \$19,200,000, excluding property tax in lieu of VLF and homeowners' exemption. The major contributors to this rise will be an improving economy and stabilizing housing market. While homeowners' exemption is predicted flat, property tax in lieu of VLF will increase by \$85,000 (1.6%) to \$5,500,000 similar to the increase in real estate values. Property tax revenue is the City's number one source of operating revenue.



GENERAL FUND SALES AND USE TAX

Description

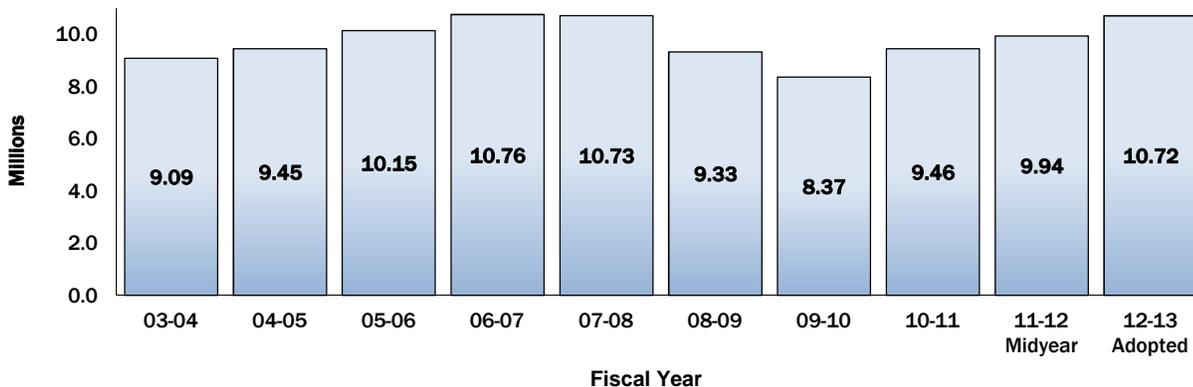
Sales and use tax is imposed upon most retail transactions. The Los Angeles County rate is currently 9.75% of the sale price of taxable goods and services sold at retail in Redondo Beach. The City receives 1.0% of the taxable sales while the remainder is allocated to the State, the County and various transit authorities. The sales tax data presented below includes the Public Safety Augmentation Fund (PSAF) and the State “triple flip” sales tax.

Background

In FY 1993-94, pursuant to voter approval, 1/2% of the State's portion of the sales tax levy was reallocated to local government to augment support for public safety services. The annual local value of this sales tax re-allocation to support police and fire services is projected to be \$540,000 for FY 2012-13. Sales and use tax revenue is somewhat cyclical in nature, responding to local and state economic trends. Since 2010 we have seen a steady uptick in sales tax revenue, growing approximately 13% in FY 2010-11 and approximately 5% in FY 2011-12. For FY 2012-13, we are projecting an increase of 8.8%, which reflects signs of an improving economy.

Outlook

Sales and use tax revenue exclusive of PSAF is projected to increase by \$822,000, or 8.8%, from midyear 2011-12 to \$10,177,000, while PSAF Revenue is expected to decrease by \$48,000. The increase in sales and use tax is driven by new businesses bringing in sales to Redondo. This projection is conservatively based on analysis of current revenue trends, including annual adjustments to the State “triple flip” sales tax apportionment; receipts from our largest sales tax sources; levels of consumer disposable income; heightened regional sales tax competition; improving consumer confidence; and in-depth analysis of a variety of components within our local sales tax data base influencing the overall performance of our sales and use tax revenue stream.



GENERAL FUND UTILITY USERS' TAX

Description

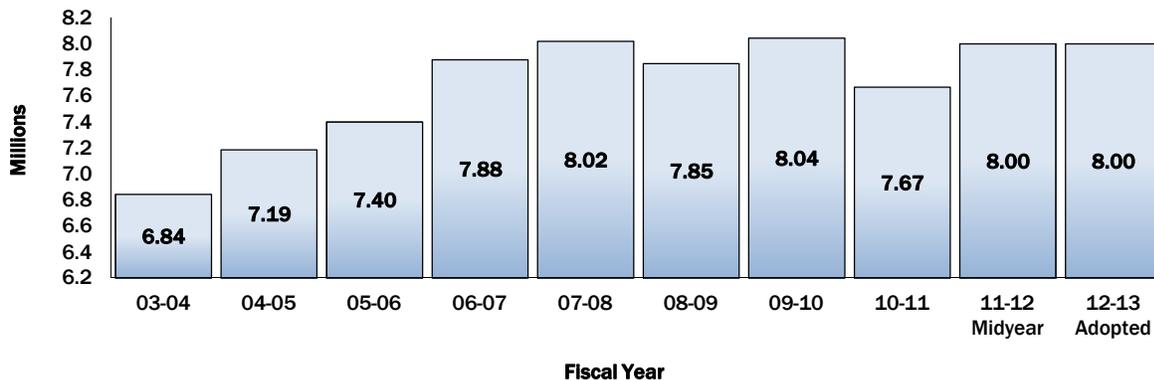
The utility users' tax (UUT) is imposed on consumers of electric, gas, cable television, water and telephone services. Since 1969, most residents and nearly all businesses in the City pay the UUT, which is imposed at 4.75%.

Background

Funds provided from this key tax-based operating resource have remained relatively stable over the past few years. In FY 2008-09 the citizens of Redondo Beach passed a bill to keep the UUT at the same rate as prior years. In March 2009, local voters approved Measure A, the Utility Users' Tax Telecommunications Modernization Ordinance, updating the City's UUT Ordinance in response to changes in both telecommunications services and technology. Approval of this measure served to protect the telecommunications portion of this critical operation revenue source from a variety of legislative and legal challenges impairing the future viability of UUT resources.

Outlook

Utility users' tax (UUT) revenue for FY 2012-13 is projected to remain flat at 8,000,000. This is attributable to increases in energy costs being offset by conservation.



GENERAL FUND TRANSIENT OCCUPANCY TAX

Description

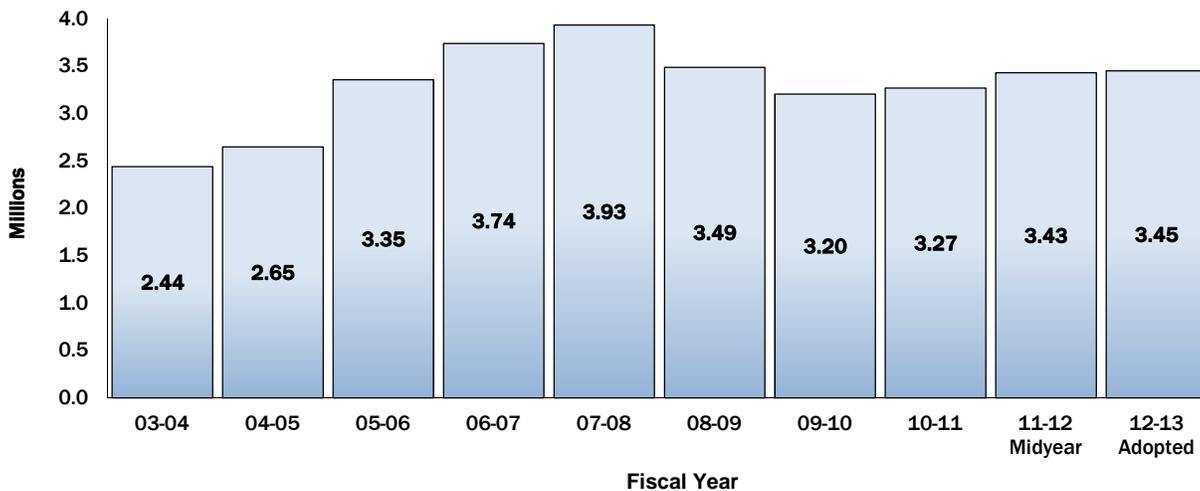
Transient occupancy tax (TOT) is imposed on occupants of hotel, motel, inn, tourist home or other lodging facilities unless such occupancy is for 30 days or longer. The tax is applied to the customer's lodging bill.

Background

The current voter-approved TOT rate of 12% became effective July 2005, increasing from the prior 10% rate. Although the City collects the entire amount of the tax, 10% of total TOT revenue is contributed to the Redondo Beach Visitors' Bureau to support marketing and tourism in the City.

Outlook

FY 2012-13 TOT revenue is projected to increase by \$20,000 or 0.6% from prior midyear levels to \$3,450,000. This reflects the recovering economy, but the travel industry still suffers from rising energy costs, continuing high (though decreasing) unemployment, the Euro's drop in value against the dollar, and Japan's recovery from earthquake damage.



GENERAL FUND FRANCHISE FEES

Description

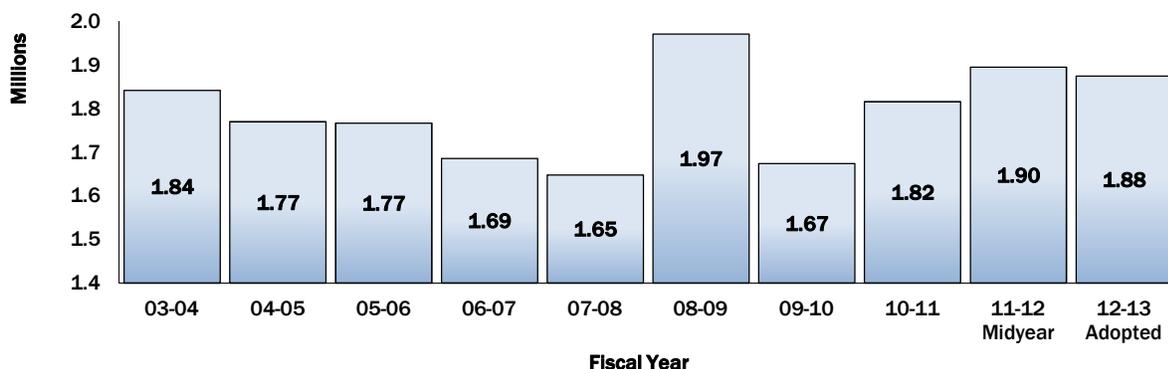
Franchise fees are imposed upon privately-owned utility companies for the privilege of using City streets or rights-of-way. The fees are based on a percentage of each utility company's gross receipts.

Background

The City collects franchise fees from Time Warner Cable, Southern California Edison, Southern California Gas Company, Verizon, and local taxicab operators. The City does not collect a franchise fee from telephone companies, as the State collects this fee statewide. In December 1992, the City successfully negotiated with Southern California Gas Company a new franchise agreement on gas transported, but not sold by the gas company. An in-lieu fee was instituted, which effectively recovered all revenues lost through the deregulation of gas sales. Over the most recent years, power levels at the AES power plant have been dramatically reduced, significantly lowering franchise fee revenues attributable to power plant operations.

Outlook

Franchise fees are projected to decrease by \$20,000, or 1.1%, to \$1,875,000 for FY 2012-13 from midyear FY 2011-12. With the exception of revenues from Southern California Gas, which vary based upon power plant capacity utilization, revenues from franchise fee sources reflect small increases in line with growth in local utility service operations. Cable television franchise revenue sources represent 48% of the overall franchise fee revenue estimate for FY 2012-13, while projected revenue from the electricity franchise represents 22%. The gas franchise revenue generated from the sale and transport of natural gas utilized to power the local AES power plant represents 26% of the total franchise fee estimate, while taxicab franchise fee revenue comprises 4% of the overall franchise fee revenue. Cyclical uncertainties of the deregulated energy environment and their impact upon the productive utilization rate of the AES power plant require continued utilization of a conservative estimate from this revenue source.



GENERAL FUND BUSINESS LICENSE TAX

Description

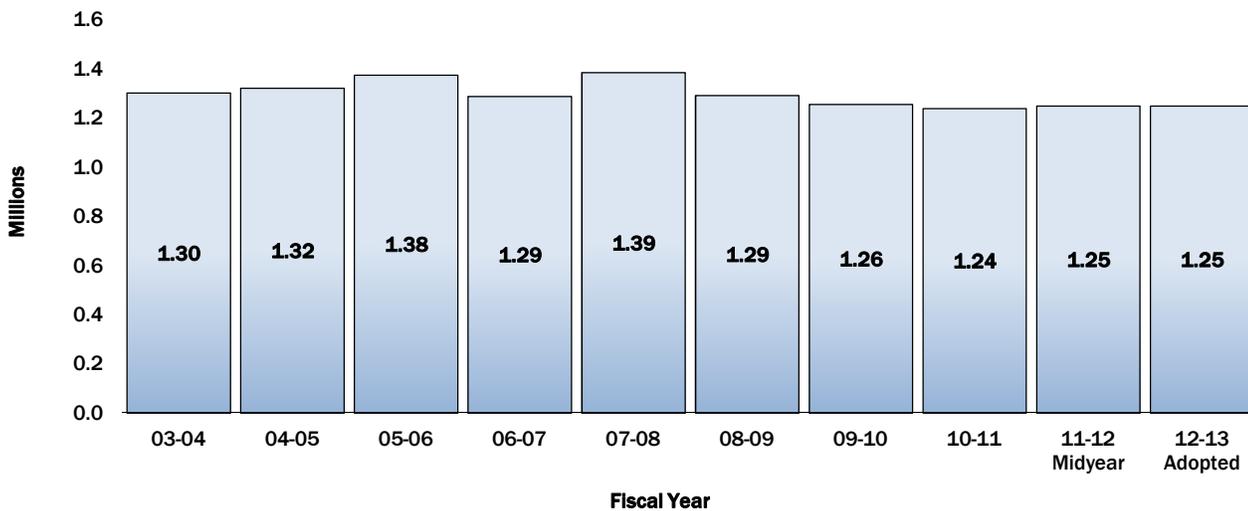
Business license tax is imposed on commercial establishments for the privilege of conducting business within the City. The majority of the tax is levied using two factors - a flat rate system and a per employee charge.

Background

The flat rate has remained unchanged since FY 1991-92. During FY 2003-04, the cap on the number of employees subject to the \$18 per capita tax was removed. Estimates are based upon a combination of inflation factors, business growth, business turnover, collection percentage, and number of field inspections. In March 2005, the City put forth a ballot measure to raise the business license tax each year in an amount equal to the CPI. The voters did not approve this measure.

Outlook

The FY 2012-13 revenue estimate of \$1,250,000 remains flat. Construction, retail and dining establishment activities appear to be stabilizing.



GENERAL FUND PROPERTY TRANSFER TAX

Description

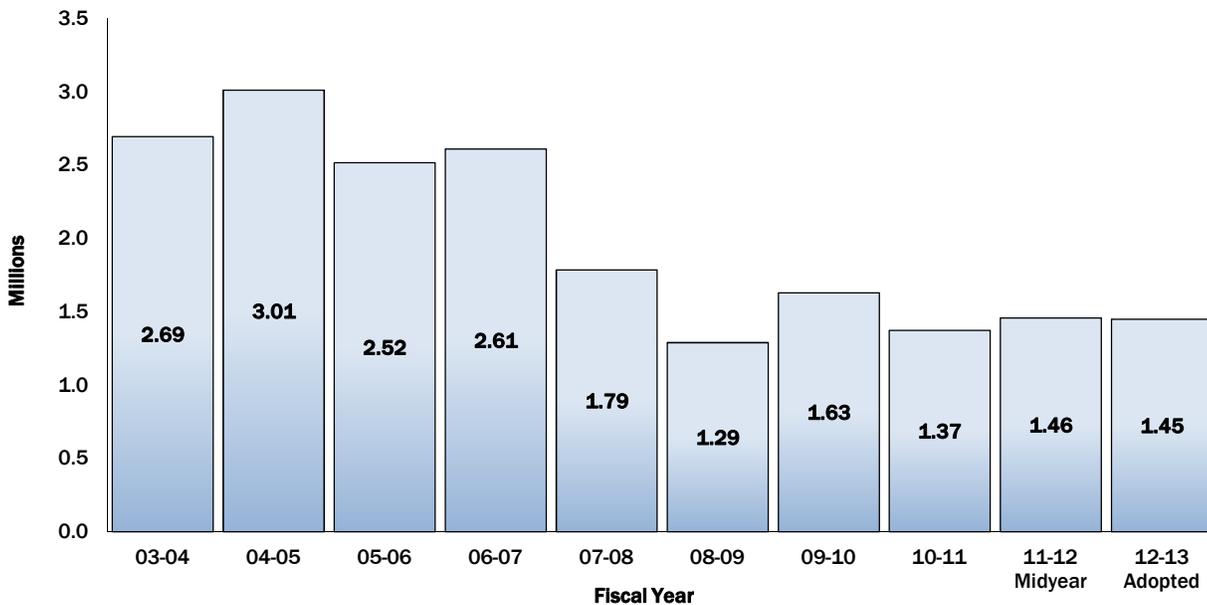
Property transfer tax is imposed on any conveyance of real property when a change in "deed" is filed with the County Registrar-Recorder.

Background

The City's tax rate is \$1.10 per \$500 in sale value and fluctuate with the sale of property in Redondo Beach. The performance of this cyclical revenue source has been complimented by continuing prior-year recoveries of City property transfer tax misallocated by the County.

Outlook

This revenue is expected to remain comparatively flat, decreasing only \$8,000 from midyear to \$1,450,000. The poor performance of this cyclical revenue source experienced over the past year is projected to continue into FY 2012-13. Local real estate transactions are tempered by unemployment and credit issues, but encouraged by the small upswing in the economy and continued low mortgage interest rates. The beach area still retains its desirability and value, and it is projected that property in Redondo Beach will continue to be sold at a moderate pace.



GENERAL FUND LICENSES AND PERMITS

Description

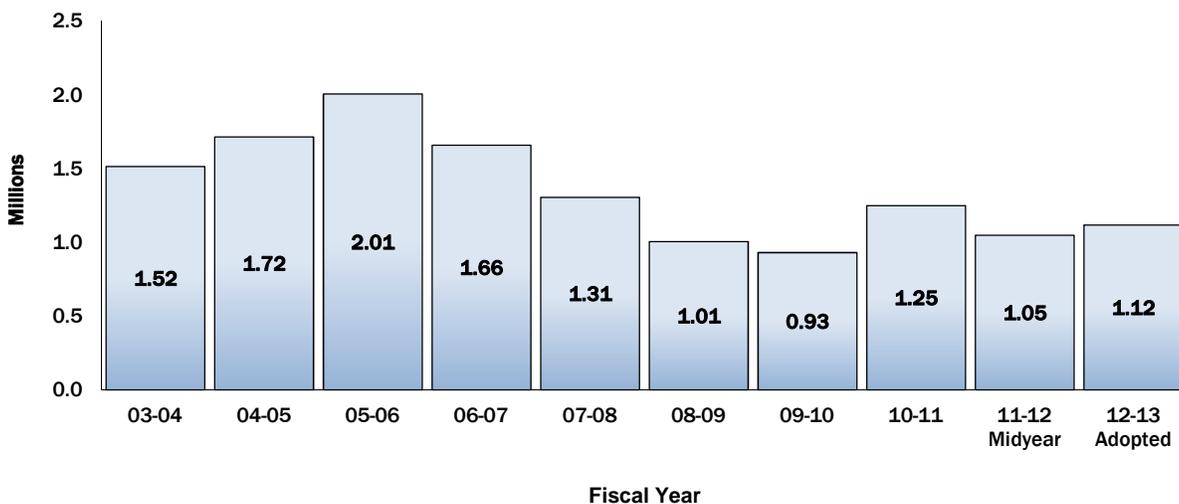
These fees are imposed for the processing of all construction activity permits, bicycle and canine permits, and preferential parking permits.

Background

Approximately 75% of this revenue source is from permits issued for construction activity. The cyclical trends in recent years are wholly attributable to economic cycles which impact the building and construction community.

Outlook

The City expects to see a small increase of \$63,735 or 6.1% to \$1,116,620 in this revenue source in FY 2012-13. The majority of the increase will be in the largest of these fees, construction permits, which is growing because of an upturn in home improvement type permits rather than new construction.



GENERAL FUND FINES AND FORFEITURES

Description

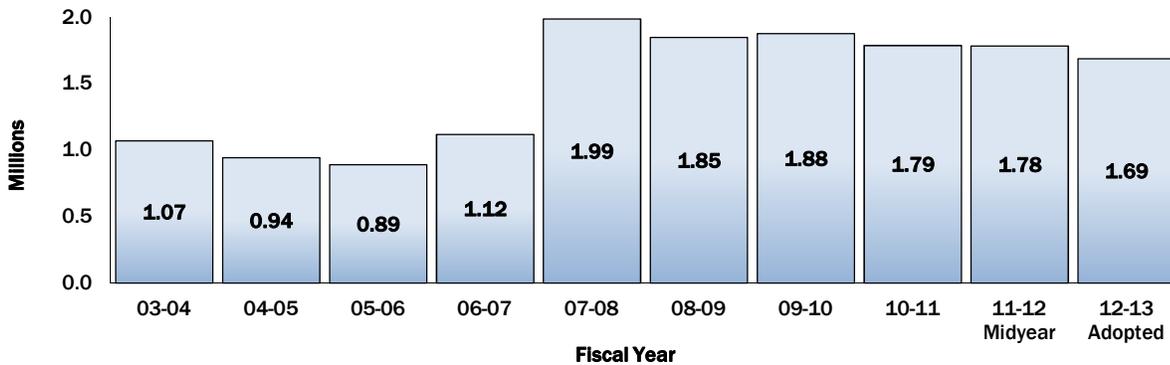
Fines are imposed on persons receiving tickets for vehicle code and/or parking violations in the City. In addition, reimbursements are required through the courts for direct billing of police services associated with arresting offenders or criminals.

Background

Beginning in FY 1998-99, legislation was enacted to return the vehicle code fine revenue to the cities. In addition, cities began to share in traffic school revenues. For FY 2003-04 through FY 2006-07, the allocation of parking citation revenue was split between the General Fund and the Solid Waste Fund. For those years, much of the revenue was shifted out of the General Fund. Beginning in FY 2007-08, the parking citation revenue was shifted back into the General fund.

Outlook

Estimates for FY 2012-13 show fines and forfeitures revenue decreasing by \$95,000 to \$1,685,900. Fewer restitution payments account for the total decrease.



GENERAL FUND USE OF MONEY AND PROPERTY

Description

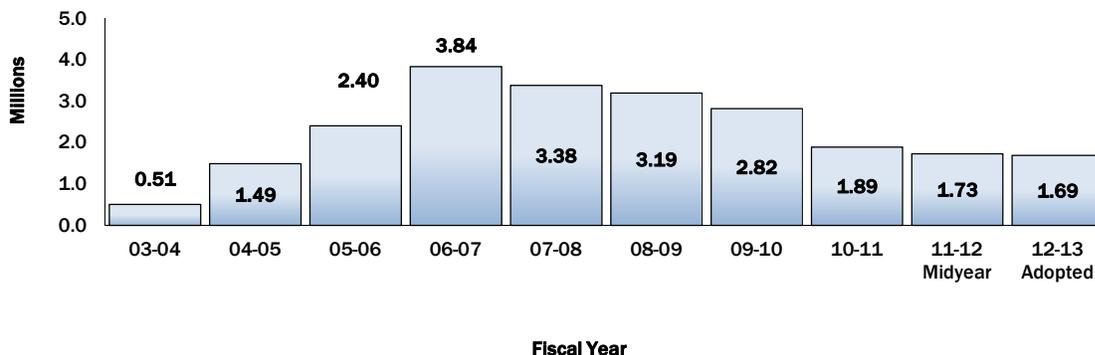
Use of money and property revenue is derived from two sources: (1) The investment and management of City surplus funds in accordance with State law, the City Charter, and the City's investment policy, and (2) The use of various City facilities, including Alta Vista tennis and racquetball courts, Aviation, Veterans' and Alta Vista parks and camping fees at Wilderness Park.

Background

The City invests surplus funds based upon requirements of the California Government Code, City Charter, and the City's Statement of Investment Policy. The investment policy is reviewed and approved by the Mayor and City Council on an annual basis. Investments are maintained in a prudent and professionally responsible manner ensuring sufficient liquidity, responding to both the City's operating and capital improvement cash flow requirements. Investment liquidity is maintained while honoring the primary fiduciary responsibility of ensuring the safety of all investments. Proactive investment management produces competitive investment returns measured against established investment portfolio performance benchmarks.

Outlook

The use of money and property for the General Fund for FY 2012-13 is projected to decline by \$41,397, or 2.4%, to \$1,688,563. This decline is attributable to a moderate reduction in investment income and a reduction in rents and percentages of \$28,603. The estimate of investment income for FY 2012-13 is \$600,000, reflecting a reduction of 10.4%, or \$70,000, below mid-year 2011-12. This estimate is conservatively postured based upon a reduced level of funds within the investment portfolio, continued low market interest rates, maturity of a significant portion of the City's investments in high yielding Corporate Medium Term Notes, the early call of numerous Federal Agency investment positions, and the financial unfeasibility of participation in the annual Statewide TRANS financing program. The continued low interest rate environment projected for FY 2012-13 impacts investment income generated from three major components of the investment portfolio: liquid investments with the State Local Agency Investment Fund, investments within Federal Agency Securities, and investments within high grade Corporate Medium Term Notes, structured within a 1 to 5 year maturity range.



GENERAL FUND INTERGOVERNMENTAL

Description

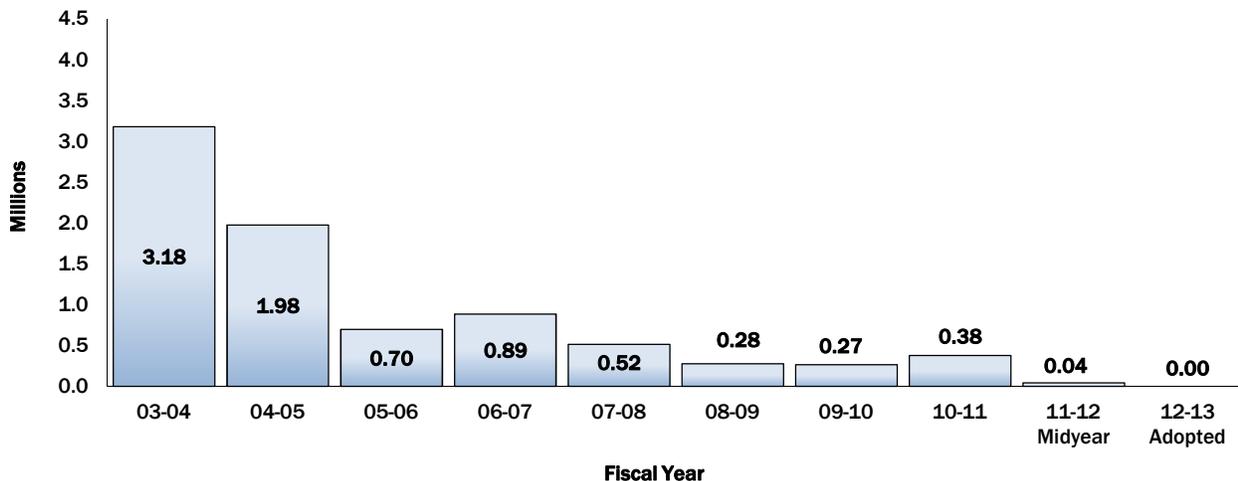
Intergovernmental revenue comes from other governmental agencies. The majority of this revenue is received from State subventions. Examples include motor vehicle (registration) in-lieu tax (MVIL), SB90 reimbursements, and the California Library Services Act.

Background

Revenue estimates are provided by the State Department of Finance, State Controller's Office and the State Board of Equalization utilizing trend and projection assumptions. Fluctuations in this revenue source are dependent on the grants and other state subventions received by the City. The steep decline in intergovernmental revenue from FY 2002-03 is primarily due to State officials' vehicle license fee (VLF) philosophies, reclassifications of VLF revenue and local assistance in balancing the State budget. In addition, during the same period of time, the State was withholding SB 90 State mandated cost reimbursements. In the following years there has been a steady decrease in the allocation of money to local governments from the State.

Outlook

Intergovernmental revenue for FY 2012-13 is estimated to be zero reflecting a decrease in revenue of \$43,027 from midyear, \$34,000 from motor vehicle/ in lieu and \$9,027 from State library allocation. This reflects financial difficulty at the State and Federal levels restricting grant and funding.



GENERAL FUND CHARGES FOR SERVICES

Description

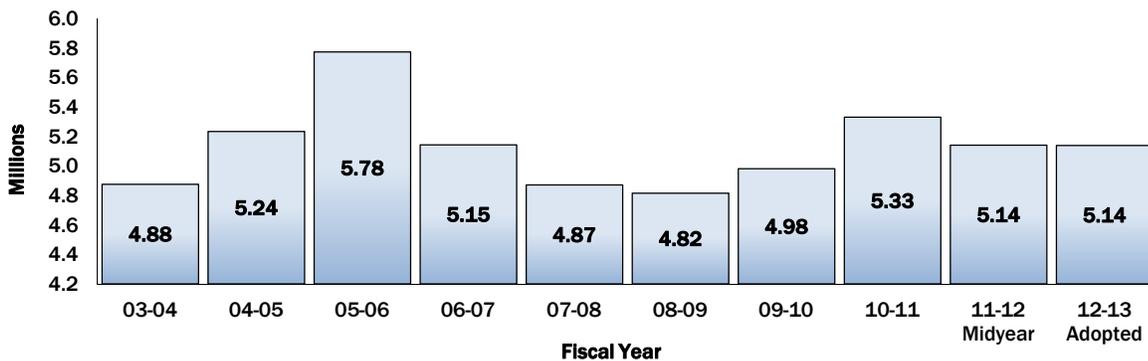
The City collects fees from users of, or participants in, City-provided services, such as plan checking, engineering services, parking meter fees, fire inspections, police booking fees, stand-by at special events, and recreational and cultural activities.

Background

The City establishes its user-fee structure to recover the full cost, or at least part of the cost, of providing services enjoyed by the users or participants. A comprehensive update to the Master Fee Schedule, which includes the rate structure for these fees, was done in FY 2007-08 and FY 2008-09 raising a large percentage of these fees to full cost. Individual fee modifications have been implemented as necessary since that time. However, these reviews only address the user rates; whereas, revenue is also impacted by usage.

Outlook

For FY 2012-13, forecasted revenue for charges for services will remain level with many of the revenue sources remaining relatively flat. Increases in building and engineering fees, other building fee and parking meter fees will be balanced by declines in police service fees and recreation users pay revenue.



REVENUE DETAIL
FISCAL YEARS 2008-2013

<i>Fund</i>	Actual 2008-09	Actual 2009-10	Actual 2010-11	Midyear 2011-12	Adopted 2012-13
GENERAL FUND:					
Taxes:					
Property Tax	19,002,928	18,899,214	19,416,007	19,100,000	19,200,000
Property Tax In Lieu Of VLF	5,246,175	5,306,121	5,403,259	5,415,000	5,500,000
Homeowners' Exemption	155,736	156,595	160,577	159,000	159,000
Sales and Use Tax	8,768,252	7,839,179	8,902,151	9,355,000	10,177,000
Public Safety Augumentation Fund	561,620	533,696	555,581	588,000	540,000
Utility Users' Tax	7,848,157	8,043,207	7,667,130	8,000,000	8,000,000
Transient Occupancy Tax	3,485,290	3,204,044	3,267,209	3,430,000	3,450,000
Franchise Fees	1,970,548	1,673,632	1,816,314	1,895,000	1,875,000
Business License Tax	1,293,056	1,256,462	1,240,024	1,250,000	1,250,000
Property Transfer Tax	1,289,860	1,630,015	1,373,600	1,458,000	1,450,000
Sub-total	49,621,622	48,542,165	49,801,852	50,650,000	51,601,000
Licenses and Permits:					
Construction/Excavation Permits	785,247	699,090	988,173	810,000	850,000
Street/Curb/Parking Permits	129,683	131,308	152,333	150,500	174,500
Miscellaneous Licenses/Permits	91,145	100,125	108,410	92,385	92,120
Sub-total	1,006,075	930,523	1,248,916	1,052,885	1,116,620
Fines and Forfeitures:					
Parking Citations	1,260,752	1,221,829	1,269,437	1,260,400	1,260,400
Vehicle Code Fines	437,768	338,883	360,483	300,000	300,000
Restitution	147,317	314,575	155,147	220,500	125,500
Sub-total	1,845,837	1,875,287	1,785,067	1,780,900	1,685,900
Use of Money and Property:					
Investment Earnings	1,781,175	1,542,262	654,177	670,000	600,000
Rents and Percentages	1,412,958	1,279,020	1,238,731	1,059,960	1,088,563
Sub-total	3,194,133	2,821,282	1,892,908	1,729,960	1,688,563
Intergovernmental:					
Motor Vehicle/In-Lieu	205,403	198,745	310,907	34,000	-
State Library Allocation	72,821	48,753	30,391	9,027	-
SB90 State Mandated Cost Reimb.	-	19,805	37,766	-	-
Sub-total	278,224	267,303	379,064	43,027	-

REVENUE DETAIL
FISCAL YEARS 2008-2013

<i>Fund</i>	Actual 2008-09	Actual 2009-10	Actual 2010-11	Midyear 2011-12	Adopted 2012-13
Charges for Services:					
Administrative Fees	49,654	25,099	57,470	49,340	39,180
Parking Meter Fees	1,049,565	1,218,095	1,262,489	1,214,700	1,230,989
Police Service Fees	609,179	513,961	518,368	465,700	417,400
Fire Service Fees	220,030	251,464	262,223	271,310	276,500
Library Book Fines And Fees	140,568	119,274	131,419	120,100	121,750
Recreation Users Pay	1,456,094	1,441,942	1,455,244	1,326,500	1,306,500
Planning Fees	131,236	185,360	155,906	150,000	157,500
Building & Engineering Fees	682,268	801,897	1,018,507	979,500	1,003,500
State Energy Fees	63,200	85,143	107,642	85,000	90,000
Other Building Fees	409,979	325,391	359,721	453,750	471,000
Public Works Fees	5,462	14,394	4,345	26,000	26,000
Sub-total	4,817,235	4,982,020	5,333,334	5,141,900	5,140,319
Other Revenue:					
Miscellaneous Revenue	171,558	285,568	96,307	952,540	952,525
Program Donations	121,044	170,251	200,094	81,154	96,300
Sub-total	292,602	455,819	296,401	1,033,694	1,048,825
REVENUE FROM OUTSIDE SOURCES	61,055,728	59,874,399	60,737,542	61,432,366	62,281,227
Overhead					
Overhead Charges	6,549,629	6,681,277	6,383,731	6,249,628	6,249,628
Sub-total	6,549,629	6,681,277	6,383,731	6,249,628	6,249,628
TOTAL GENERAL FUND	67,605,357	66,555,676	67,121,273	67,681,994	68,530,855

REVENUE DETAIL
FISCAL YEARS 2008-2013

<i>Fund</i>	Actual 2008-09	Actual 2009-10	Actual 2010-11	Midyear 2011-12	Adopted 2012-13
TRAFFIC CONGESTION RELIEF FUND:					
Use of Money and Property	18,742	32,098	5,440	-	-
Intergovernmental	512,768	612,879	-	-	-
TOTAL TRAFFIC CONGESTION RELIEF FUND	531,510	644,977	5,440	-	-
STATE GAS TAX FUND:					
Taxes	1,066,706	1,088,913	1,677,750	1,763,200	1,757,871
Use of Money and Property	18,997	16,993	333	2,800	2,500
Other Revenue	-	11,808	3,154	500	4,000
TOTAL STATE GAS TAX FUND	1,085,703	1,117,714	1,681,237	1,766,500	1,764,371
STORM DRAIN IMPROVEMENT FUND:					
Charges For Services	4,520	14,960	41,458	35,000	35,000
TOTAL STORM DRAIN IMPROVEMENT FUND	4,520	14,960	41,458	35,000	35,000
STREET LANDSCAPING/LIGHTING FUND:					
Use of Money and Property	108	1,761	-	-	-
Charges For Services	1,552,734	1,585,960	1,563,196	1,568,500	1,600,500
Other Revenue	-	11,000	-	35,000	-
TOTAL STREET LANDSCAPING AND LIGHTING FUND	1,552,842	1,598,721	1,563,196	1,603,500	1,600,500
LOCAL TRANSPORTATION TAX FUND:					
Intergovernmental	-	6,663	39,699	32,815	90,859
TOTAL LOCAL TRANSPORTATION TAX FUND	-	6,663	39,699	32,815	90,859
PROPOSITION A FUND:					
Use of Money and Property	56,951	47,993	30,759	12,300	11,100
Intergovernmental	898,553	858,629	914,895	937,399	974,895
TOTAL PROPOSITION A FUND	955,504	906,622	945,654	949,699	985,995
PROPOSITION C FUND:					
Use of Money and Property	83,940	102,849	61,390	19,000	17,100
Intergovernmental	749,854	712,270	760,171	777,548	808,649
TOTAL PROPOSITION C FUND	833,794	815,119	821,561	796,548	825,749
MEASURE R FUND:					
Taxes	-	428,556	564,866	583,166	606,502
Intergovernmental	-	3,891	-	-	-
TOTAL MEASURE R FUND	-	432,447	564,866	583,166	606,502
AIR QUALITY IMPROVEMENT FUND:					
Use of Money and Property	4,703	5,675	2,735	900	800
Intergovernmental	78,771	97,692	74,816	77,700	78,000
TOTAL AIR QUALITY IMPROVEMENT FUND	83,474	103,367	77,551	78,600	78,800

REVENUE DETAIL
FISCAL YEARS 2008-2013

<i>Fund</i>	Actual 2008-09	Actual 2009-10	Actual 2010-11	Midyear 2011-12	Adopted 2012-13
<i>INTERGOVERNMENTAL GRANTS FUND:</i>					
Intergovernmental	2,598,588	2,805,804	3,554,377	5,297,938	2,004,799
TOTAL INTERGOVERNMENTAL GRANTS FUND	2,598,588	2,805,804	3,554,377	5,297,938	2,004,799
<i>SOUTH BAY YOUTH PROJECT FUND:</i>					
Intergovernmental	137,096	-	-	-	-
TOTAL SOUTH BAY YOUTH PROJECT FUND	137,096	-	-	-	-
<i>COM DEV BLOCK GRANT FUND:</i>					
Intergovernmental	442,886	406,879	346,782	377,738	266,341
Other Revenue	22,800	10,640	15,660	-	-
TOTAL COM DEV BLOCK GRANT FUND	465,686	417,519	362,442	377,738	266,341
<i>WORKFORCE INVESTMENT ACT FUND:</i>					
Intergovernmental	89,935	-	-	-	-
TOTAL WORKFORCE INVESTMENT ACT FUND	89,935	-	-	-	-
<i>HOUSING AUTHORITY FUND:</i>					
Use of Money and Property	4,135	1,018	954	-	-
Other Revenue	86,509	96,940	-	-	-
Intergovernmental	5,892,230	6,192,724	6,215,361	6,088,509	6,088,509
TOTAL HOUSING AUTHORITY FUND	5,982,874	6,290,682	6,216,315	6,088,509	6,088,509
<i>PARKS AND REC FACILITIES FUND:</i>					
Taxes	11,200	11,200	12,800	16,000	15,000
TOTAL PARKS AND REC FACILITIES FUND	11,200	11,200	12,800	16,000	15,000
<i>NARCOTIC FORF/SEIZURE FUND:</i>					
Fines And Forfeitures	415,115	3,902	281,555	60,000	103,000
Use of Money and Property	32,081	39,489	21,192	3,800	3,400
TOTAL NARCOTIC FORF AND SEIZURE FUND:	447,196	43,391	302,747	63,800	106,400

REVENUE DETAIL
FISCAL YEARS 2008-2013

<i>Fund</i>	Actual 2008-09	Actual 2009-10	Actual 2010-11	Midyear 2011-12	Adopted 2012-13
<i>SUBDIVISION PARK TRUST FUND:</i>					
Use of Money and Property	1,051	5,423	-	-	-
Other Revenue	75,000	105,000	88,827	150,000	150,000
TOTAL SUBDIVISION PARK TRUST FUND	76,051	110,423	88,827	150,000	150,000
<i>DISASTER RECOVERY FUND:</i>					
Charges For Services	-	2,430	740	2,100	1,200
Other Revenue	261,415	146,712	61,152	20,000	20,000
TOTAL DISASTER RECOVERY FUND	261,415	149,142	61,892	22,100	21,200
TOTAL SPECIAL REVENUE FUNDS	15,117,388	15,468,751	16,340,062	17,861,913	14,640,025
<i>PIER PARK ST REHAB FUND:</i>					
Use of Money and Property	49	33	621	-	-
TOTAL PIER PARK ST REHAB FUND	49	33	621	-	-
<i>CAPITAL PROJECTS FUND:</i>					
Taxes	103,527	173,887	197,112	140,000	140,000
Intergovernmental	-	283,400	-	250,000	254,150
Other Revenue	61,500	1,000	819,041	1,500,000	34,000
TOTAL CAPITAL PROJECTS FUND	165,027	458,287	1,016,153	1,890,000	428,150
TOTAL GOVERNMENTAL FUNDS	82,887,821	82,482,747	84,478,109	87,433,907	83,599,030
<i>HARBOR TIDELANDS FUND:</i>					
Use of Money and Property	5,038,125	4,955,128	4,846,865	4,243,630	4,263,000
Intergovernmental	99,181	-	-	-	-
Charges For Services	829,740	1,072,884	904,293	1,073,100	992,057
Other Revenue	10,455	2,579	33,282	164,000	38,130
TOTAL HARBOR TIDELANDS FUND	5,977,501	6,030,591	5,784,440	5,480,730	5,293,187
<i>HARBOR UPLANDS FUND:</i>					
Use of Money and Property	2,275,520	2,298,261	2,089,392	1,998,000	2,009,000
Charges for Services	1,956,525	1,777,382	1,638,095	1,866,550	1,757,288
Other Revenue	7,714	1,342	8,075	2,000	1,000
TOTAL HARBOR UPLANDS FUND	4,239,759	4,076,985	3,735,562	3,866,550	3,767,288

REVENUE DETAIL
FISCAL YEARS 2008-2013

<i>Fund</i>	Actual 2008-09	Actual 2009-10	Actual 2010-11	Midyear 2011-12	Adopted 2012-13
SOLID WASTE FUND:					
Licenses And Permits	9,339	8,569	10,060	13,000	10,000
Intergovernmental	63,331	17,769	1,742	50,548	33,928
Charges for Services	2,992,476	3,356,843	3,444,779	3,323,679	3,372,054
Other Revenue	97,536	85,066	251,736	150,000	152,400
TOTAL SOLID WASTE FUND	3,162,682	3,468,247	3,708,317	3,537,227	3,568,382
WASTEWATER FUND:					
Use of Money and Property	207,922	97,669	73,284	23,800	21,400
Charges For Services	2,293,089	2,437,816	2,444,086	2,440,000	3,377,000
Other Revenue	15,000	5,356	18,795	17,618	17,618
TOTAL WASTEWATER FUND	2,516,011	2,540,841	2,536,165	2,481,418	3,416,018
TRANSIT FUND:					
Intergovernmental	755,236	1,850,970	1,221,881	1,733,591	1,771,164
Charges For Services	569,339	503,317	519,082	563,969	496,200
Other Revenue	17,089	1,595	8,351	1,500	28,889
TOTAL TRANSIT FUND	1,341,664	2,355,882	1,749,314	2,299,060	2,296,253
TOTAL ENTERPRISE FUNDS	17,237,617	18,472,546	17,513,798	17,664,985	18,341,128
SELF-INSURANCE PROGRAM FUND:					
Charges For Services	5,072,527	4,472,025	3,579,197	4,056,923	4,036,515
Other Revenue	5,625	204	-	362,607	50,000
TOTAL SELF-INSURANCE PROGRAM FUND	5,078,152	4,472,229	3,579,197	4,419,530	4,086,515
VEHICLE REPLACEMENT FUND:					
Charges For Services	2,826,302	2,879,548	2,853,431	2,853,824	2,823,824
Other Revenue	70,519	59,847	203,946	92,400	187,300
TOTAL VEHICLE REPLACEMENT FUND	2,896,821	2,939,395	3,057,377	2,946,224	3,011,124
BUILDING OCCUPANCY FUND:					
Charges For Services	2,683,393	3,121,591	2,239,558	2,289,652	2,289,652
TOTAL BUILDING OCCUPANCY FUND	2,683,393	3,121,591	2,239,558	2,289,652	2,289,652
INFORMATION TECHNOLOGY FUND:					
Charges For Services	2,564,268	2,778,082	2,774,113	2,379,441	2,379,441
Other Revenue	2,910	3,152	3,695	-	-
TOTAL INFORMATION TECHNOLOGY FUND	2,567,178	2,781,234	2,777,808	2,379,441	2,379,441

REVENUE DETAIL
FISCAL YEARS 2008-2013

<i>Fund</i>	Actual 2008-09	Actual 2009-10	Actual 2010-11	Midyear 2011-12	Adopted 2012-13
PRINTING & GRAPHICS FUND:					
Charges For Services	316,472	386,522	242,111	242,004	-
TOTAL PRINTING & GRAPHICS FUND	316,472	386,522	242,111	242,004	-
EMERGENCY COMMUNICATIONS FUND :					
Charges For Services	2,046,212	2,213,811	2,235,104	2,148,266	2,148,266
Other Revenue	468,091	468,090	452,199	452,199	452,199
TOTAL EMERGENCY COMMUNICATIONS FUND	2,514,303	2,681,901	2,687,303	2,600,465	2,600,465
MAJOR FACILITIES REPAIR FUND:					
Charges For Services	-	101,748	108,868	115,017	115,017
TOTAL MAJOR FACILITIES REPAIR FUND	-	101,748	108,868	115,017	115,017
TOTAL INTERNAL SERVICE FUNDS	16,056,319	16,484,620	14,692,222	14,992,333	14,482,214
LESS: INTERNAL CHARGES/OVERHEAD	22,176,674	22,669,106	20,514,894	20,774,572	20,381,211
TOTAL CITY	94,005,083	94,770,807	96,169,235	99,316,653	97,737,098
TOTAL REDEVELOPMENT AGENCY	10,038,848	6,775,638	3,868,187	6,621,634	-
TOTAL SUCCESSOR AGENCY	-	-	-	-	1,366,600
TOTAL COMMUNITY FINANCING AUTHORITY	-	-	-	-	329,337
GRAND TOTAL	104,043,931	101,546,445	100,037,422	105,938,287	97,737,098