

OVERVIEW OF ESTIMATED REVENUES

Background: Staff members from all 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 changes over which the City has no control, affect the ultimate amount of monies going into the City's coffers. These variables 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 2016-17 is estimated at \$76,777,900, representing an increase of \$4,721,511 from the FY 2015-16 midyear amount. Significant operating revenue sources include: taxes, projected to increase \$3,609,000, or 6.1%; licenses and permits anticipated to increase \$117,740 or 7.9% due to an increase in construction/excavation permits offset by a \$30,000 decrease in street/curb/parking permits and a \$1,750 decrease in miscellaneous licenses/permits; fines and forfeitures projected to increase 14.2% primarily due to an increase in parking citations; use of money and property revenue expected to increase 10.9% due to increased investment earnings and rents and percentages; intergovernmental revenues from the State expected to decrease by \$41,500 or 45.4% due to a larger than expected distribution of SB90 revenue in FY 2015-16; charges for services estimated to increase \$591,271, or 9.1%, with the only decreases in other building fees; other revenues anticipated to increase by \$5,000 (0.3%) due to an increase in program donations.

Revenue from overhead is derived from sources internal to the City. The FY 2016-17 amount of \$8,176,790 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 2016-17 General Fund operating revenues compared to FY 2015-16 midyear amounts, unless otherwise indicated.

Property Tax revenue for FY 2016-17 is projected to increase by \$1,200,000, or 5.4%, to \$23,500,000. Overall, the economy is recovering, with improvement in the housing market. Redondo Beach's housing market remained 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 \$280,000, to \$6,700,000, in FY 2016-17. Property tax in lieu of VLF is vehicle license fee revenue classified as property tax, and the 4.4% increase in this revenue source parallels growth in base 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 decrease \$873,000, or 7.4%, to \$10,955,000. The sales tax revenue estimate reflects the loss of Nordstrom to Torrance and the transition away from triple flip revenue which included a final FY 2015-16 true-up payment.

Utility Users' Tax (UUT) revenue is projected to be flat in FY 2016-17 at \$7,600,000. Even with rates increasing, consumers' conservation efforts are holding UUT stable. 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 54.8%, or \$2,630,000, to \$7,430,000. This upswing is driven by two new hotels expected to come on line in FY 2016-17 and a reduction from \$8,000,000 to \$3,000,000 in the Marine Avenue hotel reserve account requirement allowing the City to begin receiving the TOT revenue. Annually, one twelfth of the Marine Avenue hotel revenue and ten percent of all other TOT revenue is dedicated to funding tourism promotional and service activities of the Redondo Beach Visitors' Bureau.

Franchise Fees are projected to decrease by \$28,000, or 1.4%, to \$1,968,000 for FY 2016-17. 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 and taxicabs operating within the City, revenues from franchise fees reflect moderate increases, which is in line with growth in local operations. Cable television franchise fees represent about 50% of the overall franchise fee revenue estimate for FY 2016-17, while projected revenue from the electricity franchise represents about 20%. The franchise revenue generated from the sale and transport of natural gas utilized to power the local AES power plant represents approximately 20% of the total franchise fee estimate. Cyclical uncertainties of the 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 at to \$1,150,000.

Property Transfer Tax revenue for FY 2016-17 is projected to grow by 400,000, or 20.0%, to \$2,400,000. Generally, the real estate market has increased, with Redondo Beach's prime beach areas retaining their value to a great degree and still being purchased.

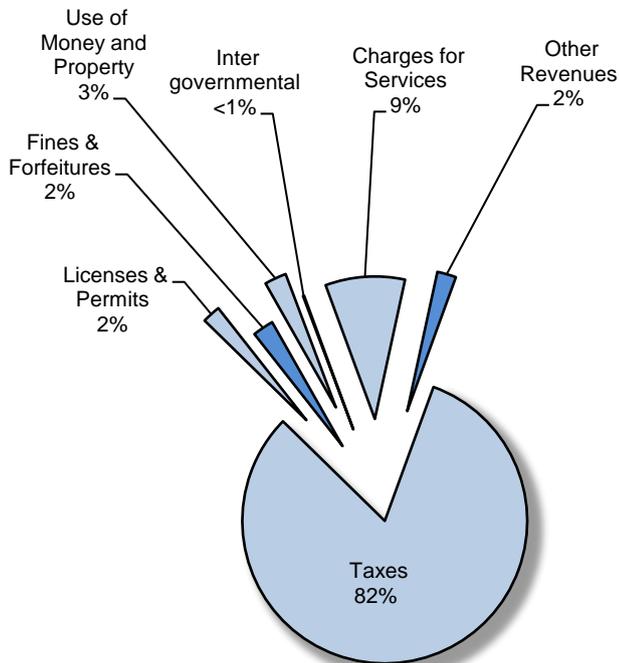
Investment Earnings for the General Fund for FY 2016-17 are projected to increase by \$40,000, or 8.9%, to \$490,000. This increase is attributable to stable interest rates within the investment marketplace together with a larger portfolio. The three major components of the portfolio are: liquid investments 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 2016-17 adopted General Fund operating revenues compared with the FY 2015-16 midyear budget operating revenues:

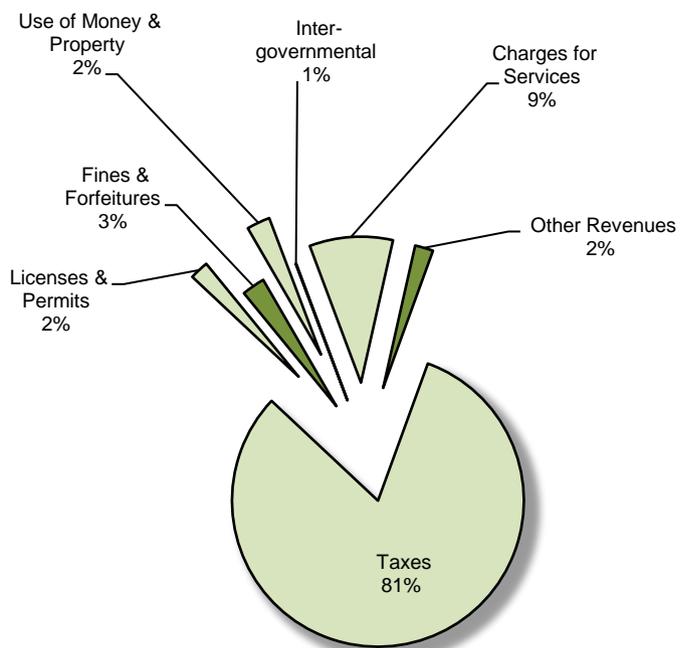
| <i>General Fund</i> | Midyear 2015-16 | Adopted 2016-17 | Increase/ (Decrease) | |
|------------------------------|----------------------------|----------------------------|---------------------------------|-------------|
| Taxes | 58,914,000 | 62,523,000 | 3,609,000 | 6.1% |
| Licenses & Permits | 1,487,383 | 1,605,123 | 117,740 | 7.9% |
| Fines & Forfeitures | 1,723,530 | 1,968,530 | 245,000 | 14.2% |
| Use of Money and Property | 1,790,874 | 1,985,874 | 195,000 | 10.9% |
| Intergovernmental | 91,500 | 50,000 | (41,500) | (45.4%) |
| Charges for Services | 6,499,497 | 7,090,768 | 591,271 | 9.1% |
| Other Revenues | 1,549,605 | 1,554,605 | 5,000 | 0.3% |
| Revenue From Outside Sources | 72,056,389 | 76,777,900 | 4,721,511 | 6.6% |
| Overhead | 8,176,790 | 8,176,790 | - | 0.0% |
| Total General Fund | 80,233,179 | 84,954,690 | 4,721,511 | 5.9% |

**GENERAL FUND REVENUES
FROM OUTSIDE SOURCES**

**Midyear Revenues
FY 2015-16**



**Adopted Revenues
FY 2016-17**



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 \$14,430,768, decreasing from the FY 2015-16 midyear budget by \$9,896,714 or 40.7%. The Intergovernmental Grants Fund, where monies received from Federal, State and other governmental agencies are used primarily for capital improvement projects, is projected to decrease by \$9,719,091, or 85.1%. Revenue in this fund tends to fluctuate from year to year, depending on resources received from other governmental agencies. Additionally, the FY 2015-16 budget includes grant funding for capital improvement projects carried over from the prior year.

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 FY 2016-17 revenues are compared to FY 2015-16 midyear amounts unless otherwise indicated.

Harbor Tidelands Fund: Based on estimates provided by Waterfront staff, revenues for FY 2016-17 in the Harbor Tidelands Fund, including parking revenue, lease revenue, investment earnings and miscellaneous revenue, are projected to remain relatively flat at \$6,118,379, up \$30,069.

Harbor Uplands Fund: Based on estimates provided by Waterfront staff, revenues for FY 2016-17 in the Harbor Uplands Fund including parking revenue, lease revenue, investment earnings and miscellaneous revenue, are projected at \$4,666,400, up \$46,000, or 1.0%.

Solid Waste Fund: FY 2016-17 revenues for the Solid Waste Fund are expected to increase by \$9,189, or 0.2%, to \$4,023,057.

Wastewater Fund: FY 2016-17 revenues are expected to decrease \$150,000 to \$5,412,284 or 2.7% with one-time capital facility fees for large construction projects received in FY 2015-16.

Transit Fund: The majority of the revenue in the Transit Fund is from other governmental agencies. The FY 2016-17 intergovernmental revenue is expected to increase by \$196,260, or 8.9%, to \$2,394,590. The charges for services and other revenue is projected to remain relatively flat.

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 Information Technology Fund, revenue in the internal service funds is the same as midyear. Descriptions of all internal service funds together with any changes in their revenue estimates are described in more detail below. Charges to the operating departments are updated with each year's midyear budget review. Therefore FY 2016-17 revenue estimates in only those internal service funds with revenue from other sources vary from the midyear amounts.

Self-Insurance Program Fund: The Self-Insurance Program Fund is the basis for allocating liability, workers' compensation and unemployment insurance to all departments

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. Revenue in this fund remains flat at \$3,617,557 when compared to the FY 2015-16 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.

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 only the Police, Fire and Public Works Departments.

Major Facilities Repair Fund: The Major Facilities Repair Fund was 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 2015-16 | Midyear 2015-16 | Adopted 2016-17 | Increase/ (Decrease) | |
|------------------------------------|--------------------|--------------------|--------------------|-------------------------|---------------|
| General Fund: | | | | | |
| Taxes | 58,376,000 | 58,914,000 | 62,523,000 | 3,609,000 | 6.1% |
| Licenses and Permits | 1,492,383 | 1,487,383 | 1,605,123 | 117,740 | 7.9% |
| Fines and Forfeitures | 1,723,530 | 1,723,530 | 1,968,530 | 245,000 | 14.2% |
| Use of Money and Property | 1,663,574 | 1,790,874 | 1,985,874 | 195,000 | 10.9% |
| Intergovernmental | 50,000 | 91,500 | 50,000 | (41,500) | (45.4%) |
| Charges for Services | 6,422,937 | 6,499,497 | 7,090,768 | 591,271 | 9.1% |
| Other Revenues | 1,548,705 | 1,549,605 | 1,554,605 | 5,000 | 0.3% |
| Overhead | 7,588,928 | 8,176,790 | 8,176,790 | - | 0.0% |
| Total General Fund | 78,866,057 | 80,233,179 | 84,954,690 | 4,721,511 | 5.9% |
| State Gas Tax | 1,459,462 | 1,459,462 | 1,414,396 | (45,066) | (3.1%) |
| Storm Drain Improvement | 36,000 | 65,000 | 42,000 | (23,000) | (35.4%) |
| Street Landscaping and Lighting | 1,576,500 | 1,576,500 | 1,576,500 | - | 0.0% |
| Local Transportation Tax Article 3 | 43,310 | 43,310 | 45,122 | 1,812 | 4.2% |
| Proposition A | 1,234,785 | 1,234,785 | 1,277,514 | 42,729 | 3.5% |
| Proposition C | 1,043,001 | 1,043,001 | 1,080,029 | 37,028 | 3.6% |
| Measure R | 767,410 | 767,410 | 793,715 | 26,305 | 3.4% |
| Air Quality Improvement | 80,500 | 80,500 | 80,500 | - | 0.0% |
| Intergovernmental Grants | 612,369 | 11,425,976 | 1,706,885 | (9,719,091) | (85.1%) |
| Comm Develop Block Grant | 266,182 | 568,285 | 252,533 | (315,752) | (55.6%) |
| Housing Authority | 5,795,686 | 5,795,686 | 5,900,335 | 104,649 | 1.8% |
| Parks and Recreation Facilities | 20,000 | 20,000 | 20,600 | 600 | 3.0% |
| Narcotic Forfeiture and Seizure | 24,000 | 24,000 | 3,000 | (21,000) | (87.5%) |
| Subdivision Park Trust | 200,620 | 200,620 | 206,639 | 6,019 | 3.0% |
| Disaster Recovery | 1,440 | 22,947 | 31,000 | 8,053 | 35.1% |
| Capital Projects | 519,000 | 519,000 | 508,500 | (10,500) | (2.0%) |
| Harbor Tidelands | 6,128,430 | 6,088,310 | 6,118,379 | 30,069 | 0.5% |
| Harbor Uplands | 4,625,400 | 4,620,400 | 4,666,400 | 46,000 | 1.0% |
| Solid Waste | 3,969,757 | 4,013,868 | 4,023,057 | 9,189 | 0.2% |
| Wastewater | 5,407,093 | 5,562,284 | 5,412,284 | (150,000) | (2.7%) |
| Transit | 2,198,330 | 2,198,330 | 2,394,590 | 196,260 | 8.9% |
| Self-Insurance Program | 5,291,577 | 6,510,741 | 6,510,741 | - | 0.0% |
| Vehicle Replacement | 3,278,757 | 3,617,557 | 3,617,557 | - | 0.0% |
| Building Occupancy | 3,031,028 | 3,878,838 | 3,878,838 | - | 0.0% |
| Information Technology | 3,093,702 | 3,223,503 | 3,218,503 | (5,000) | (0.2%) |
| Emergency Communications | 3,767,329 | 3,750,667 | 3,750,667 | - | 0.0% |
| Major Facilities Repair | 123,628 | 128,404 | 128,404 | - | 0.0% |
| Total Before Adjustments | 133,461,353 | 148,672,563 | 143,613,378 | (5,059,185) | (3.4%) |
| Less: Internal Svc Funds/Overhead | 26,109,034 | 29,208,105 | 29,208,729 | 624 | 0.0% |
| Total City | 107,352,319 | 119,464,458 | 114,404,649 | (5,059,809) | (4.2%) |
| Successor Agency | 1,300,692 | 1,300,692 | 1,402,569 | 101,877 | 7.8% |
| Housing Successor Agency | 100,703 | 100,703 | 210,991 | 110,288 | 109.5% |
| Community Financing Authority | 343,971 | 343,971 | 365,923 | 21,952 | 6.4% |
| Public Financing Authority | 840,100 | 840,100 | 840,900 | 800 | 0.1% |
| Grand Total | 109,937,785 | 122,049,924 | 117,225,032 | (4,824,892) | (4.0%) |

GENERAL FUND PROPERTY TAX

Description

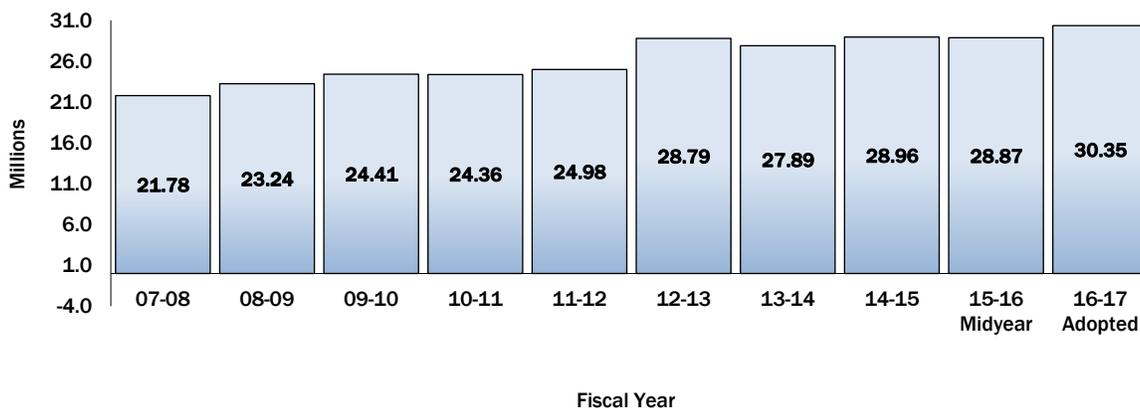
Property tax is imposed on real property (land and permanently attached improvements such as buildings) and tangible personal property (moveable property) located within the City. Property is assessed by the County Assessor except for certain public utility properties which are assessed by the State 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 2012-13, housing funds of the former Redevelopment Agency were returned to the State and redistributed to local jurisdictions.

Outlook

Property tax revenue for FY 2016-17 is projected to increase by \$1,200,000, or 5.4%, to \$23,500,000, excluding property tax in lieu of VLF (\$6,700,000) and homeowners' exemption (\$150,000). The major contributors to this increase are an improving economy and improving housing market. While homeowners' exemptions are predicted flat, property tax in lieu of VLF will increase by \$280,000 (4.4%) to \$6,700,000 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

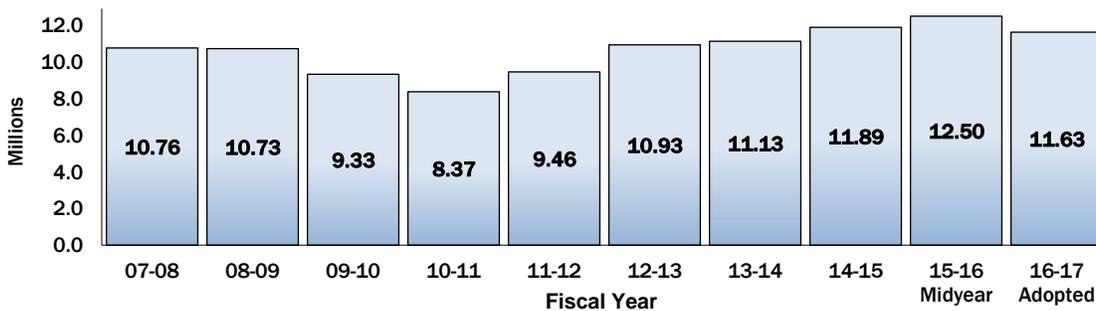
Sales and use tax is imposed upon most retail transactions. The Los Angeles County rate is currently 9% of the sale price of taxable goods and services sold at retail in Redondo Beach. The City receives 1.0% of the taxable sales while the remainder is allocated to the State, the County and various transit authorities. The sales tax data presented below includes the Public Safety Augmentation Fund (PSAF) and, for fiscal years prior to FY 2016-17, 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 with PSAF revenue. The annual local value of this sales tax re-allocation to support police and fire services is projected to be \$670,000 for FY 2016-17. Sales and use tax revenue is somewhat cyclical in nature, responding to local and state economic trends. It has been growing steadily since 2010. The FY 2015-16 midyear projection includes the final true-up payment of “triple flip” revenue.

Outlook

Sales and use tax revenue exclusive of PSAF is projected to decrease by \$873,000, or 7.4%, from midyear 2015-16 to \$10,955,000, while PSAF revenue is expected to remain the same at \$670,000. The projected decrease in sales and use tax reflects the first full year without Nordstrom, a major revenue contributor.



GENERAL FUND UTILITY USERS' TAX

Description

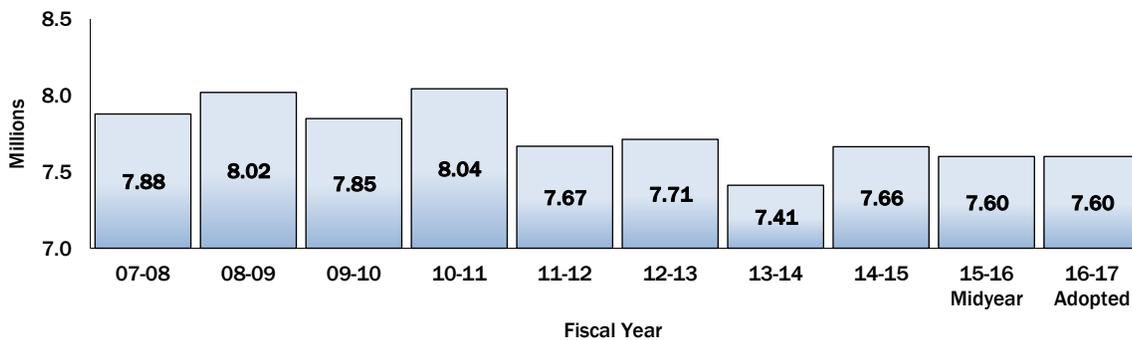
The utility users' tax (UUT) is imposed on consumers of electric, gas, cable television, water and telephone services. Since 1969, most residents and nearly all businesses in the City pay the UUT, which is imposed at 4.75%.

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. FY 2012-13 revenue included a one-time lump-sum payment from Verizon for taxes previously protested.

Outlook

UUT revenue for FY 2016-17 is projected remain flat from midyear at \$7,600,000. This is attributable to consumers' conservation efforts amidst increased rates.



GENERAL FUND TRANSIENT OCCUPANCY TAX

Description

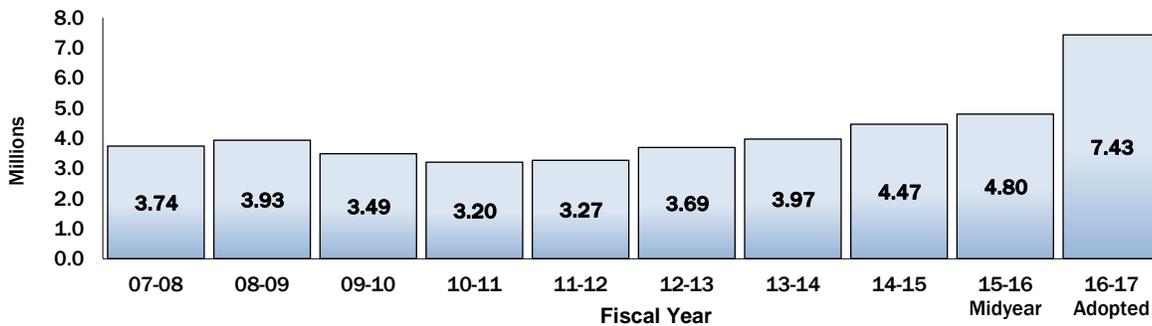
Transient occupancy tax (TOT) is imposed on occupants of hotel, motel, inn, tourist home or other lodging facilities unless such occupancy is for 30 days or longer. The tax is applied to the customer's lodging bill.

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, one-twelfth of the Marine Avenue hotel TOT and ten percent of the other hotels TOT is contributed to the Redondo Beach Visitors' Bureau to support marketing and tourism in the City.

Outlook

FY 2016-17 TOT revenue is projected to increase by \$2,630,000, or 54.8%, from midyear levels to \$7,430,000. This reflects the completion and opening of two new hotels in the City and a reduction in the Marine Avenue hotel reserve account requirement allowing the City to begin receiving the TOT revenue.



GENERAL FUND FRANCHISE FEES

Description

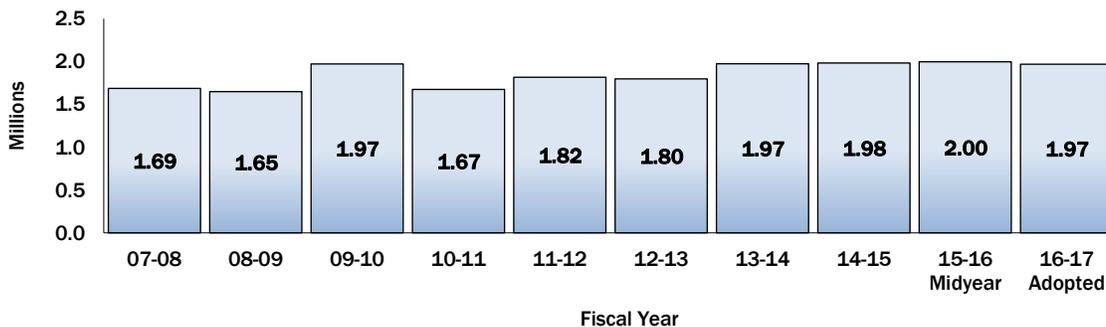
Franchise fees are imposed upon privately-owned utility companies for the privilege of using City streets or rights-of-way. The fees are based on a percentage of each utility company's gross receipts.

Background

The City collects franchise fees from Time Warner Cable, Southern California Edison, Southern California Gas Company, Verizon, and local taxicab operators. In December 1992, the City successfully negotiated with Southern California Gas Company a 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. Power levels at the AES power plant vary dramatically, significantly impacting franchise fee revenues attributable to power plant operations.

Outlook

Franchise fees are projected to decrease by \$28,000, or 1.4%, to \$1,968,000 from midyear FY 2015-16 to FY 2016-17. With the exception of revenues from Southern California Gas, which vary based upon power plant capacity utilization, and taxicab operators; revenues from franchise fee sources reflect moderate increases in line with growth in local utility service operations. Cable television franchise revenue sources represent historically about 50% of the overall franchise fee revenue, while projected revenue from the electricity franchise represents 20%. The gas franchise revenue generated from the sale and transport of natural gas utilized to power the local AES power plant represents 20% of the total franchise fee estimate, while taxicab franchise fee revenue comprises 4% of the overall franchise fee revenue. Miscellaneous franchises, including water utilities, make up the rest. Cyclical uncertainties of the deregulated energy environment and the impact on productive utilization rate of the AES power plant require continued utilization of a conservative estimate for this revenue source.



GENERAL FUND BUSINESS LICENSE TAX

Description

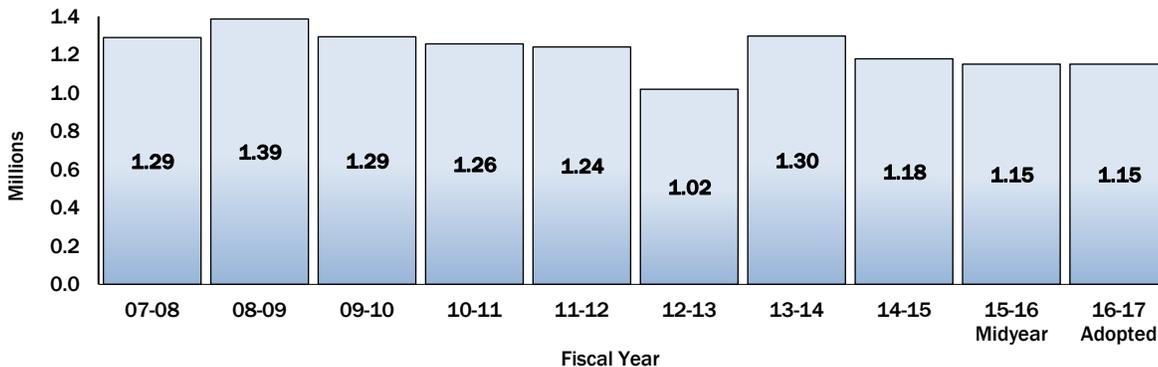
Business license tax is imposed on commercial establishments for the privilege of conducting business within the City. The majority of the tax is levied using two factors - a flat rate system and a per employee charge.

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 2016-17 revenue estimate of \$1,150,000 is projected flat from midyear.



GENERAL FUND PROPERTY TRANSFER TAX

Description

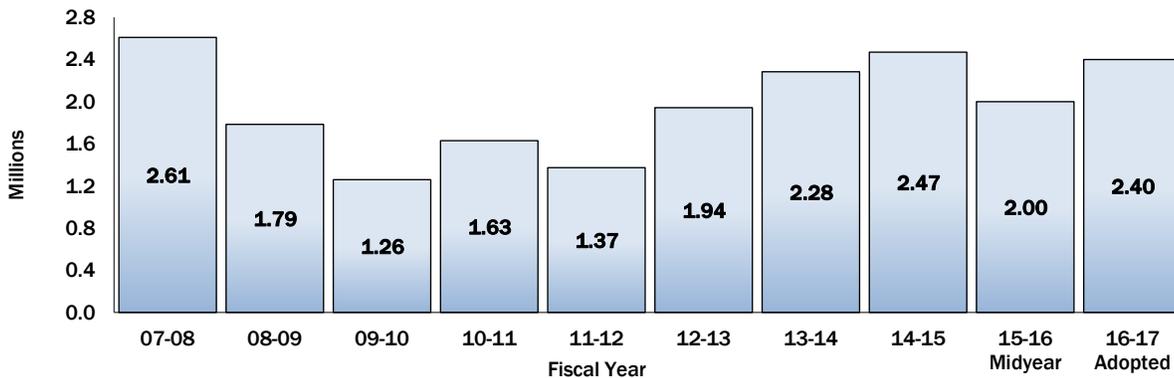
Property transfer tax is imposed on any conveyance of real property when a change in "deed" is filed with the County Registrar-Recorder.

Background

The City's tax rate is \$1.10 per \$500 in sale value and revenue fluctuates with the sale of property in Redondo Beach.

Outlook

Property Transfer Tax revenue is expected to increase by \$400,000 from midyear to \$2,400,000. The beach area retains its desirability and value, and as long as mortgage rates continue to be low, it is projected that property in Redondo Beach will continue to be sold at a good pace.



GENERAL FUND LICENSES AND PERMITS

Description

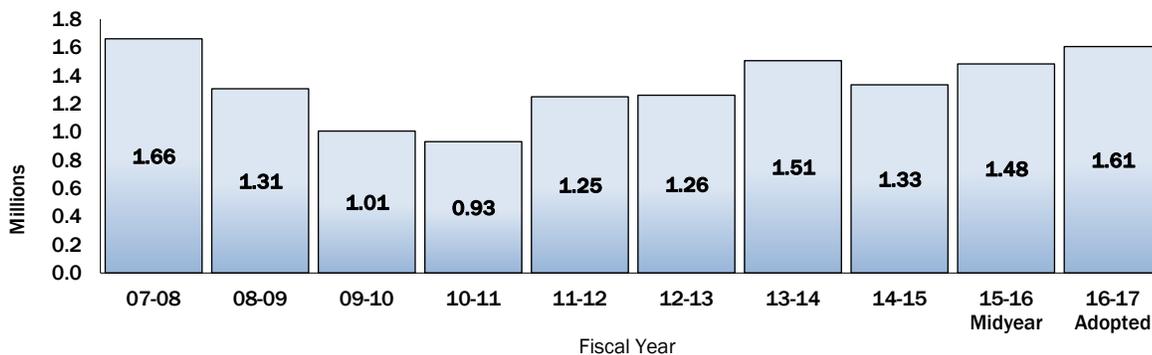
These fees are imposed for the processing of all construction permits, bicycle and canine licenses, and preferential parking permits.

Background

Approximately 84% of this revenue 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 industry.

Outlook

The City expects to see an increase of \$117,740 or 7.9% to \$1,605,123 in this revenue source in FY 2016-17. The increase is projected for construction/excavation permits offset by decreases in street/curb/parking permits and miscellaneous licenses and permits.



GENERAL FUND FINES AND FORFEITURES

Description

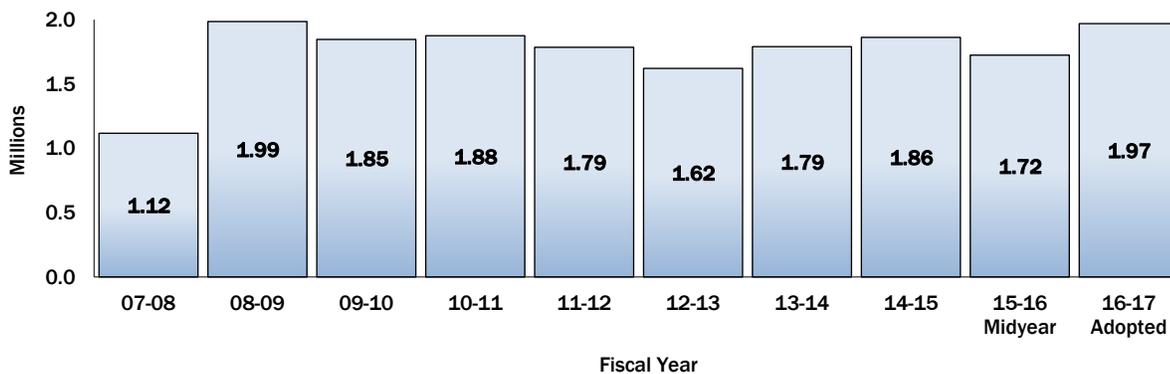
Fines are imposed on persons receiving tickets for vehicle code and/or parking violations in the City. In addition, reimbursements are required through the courts for direct billing of police services associated with arresting offenders or criminals.

Background

In FY 2003-04 through FY 2006-07, the allocation of parking citation revenue was split between the General Fund and the Solid Waste Fund. Beginning in FY 2007-08, the parking citation revenue was shifted back into the General Fund.

Outlook

Estimates for FY 2016-17 show fines and forfeitures revenue increasing by \$245,000 to \$1,968,530. This upturn is due to a projected improvement in parking citation revenue of \$250,000 partially offset by a decrease in restitution.



GENERAL FUND USE OF MONEY AND PROPERTY

Description

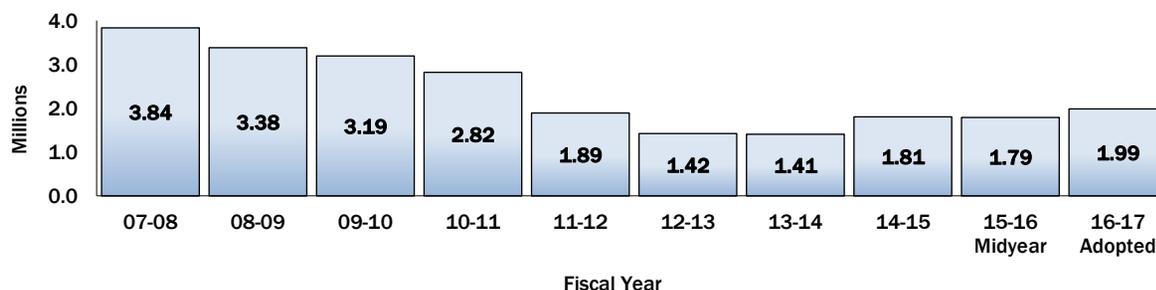
Use of money and property revenue is derived from two sources: (1) the investment and management of City surplus funds in accordance with State law, the City Charter, and the City’s Statement of Investment Policy, and (2) the use of various City facilities and recreational venues, including Aviation, 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 and the Budget and Finance Commission 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 2016-17 is projected to increase by \$195,000, or 10.9%, to \$1,985,874. This increase is attributable to an increase in investment income of \$40,000 and an increase in rents and percentages of \$155,000. The estimate of investment income for FY 2016-17 is \$490,000, reflecting an increase of 8.9% above mid-year 2015-16. The investment income estimate is conservatively based upon an increased level of funds within the investment portfolio and stable market interest rates. The continued low interest rate environment projected for FY 2016-17 impacts investment income generated from three major components of the investment portfolio: liquid investments with the State Local Agency Investment Fund, investments in Federal Agency Securities, and investments in high grade Corporate Medium Term Notes, structured within a 1- to 5- year maturity range.



GENERAL FUND INTERGOVERNMENTAL

Description

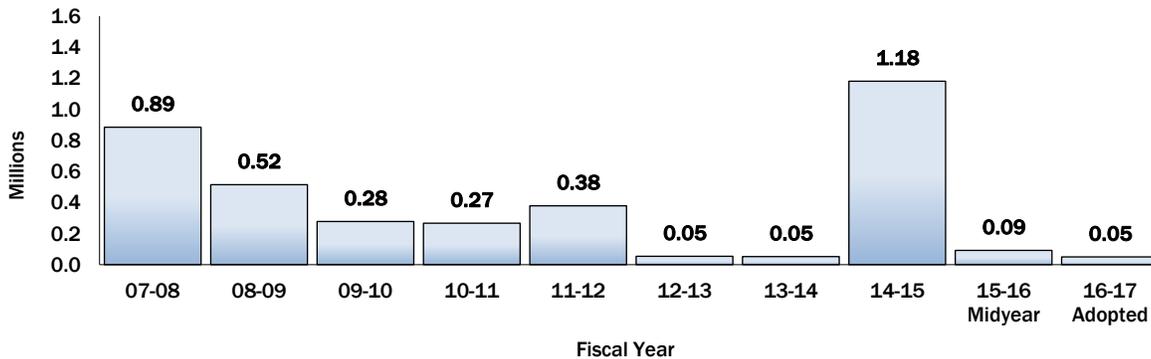
Intergovernmental revenue comes from other governmental agencies. The majority of this revenue is received from State subventions. Examples have historically included motor vehicle (registration) in-lieu tax (MVIL), SB90 reimbursements, and the California Library Services Act.

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. For the last several years, there has been a steady decrease in the allocation of money to local governments from the State. FY 2014-15 revenue included a one-time back payment of SB90 reimbursements.

Outlook

Intergovernmental revenue for FY 2016-17 is estimated to be \$50,000, reflecting a decrease in revenue of \$41,000 from midyear. This decrease is due to a slightly higher than estimated bump in SB90 revenue in FY 2015-16. For FY 2016-17, \$30,000 is projected for motor vehicle/in lieu and \$20,000 for SB90 State mandated cost reimbursement.



GENERAL FUND CHARGES FOR SERVICES

Description

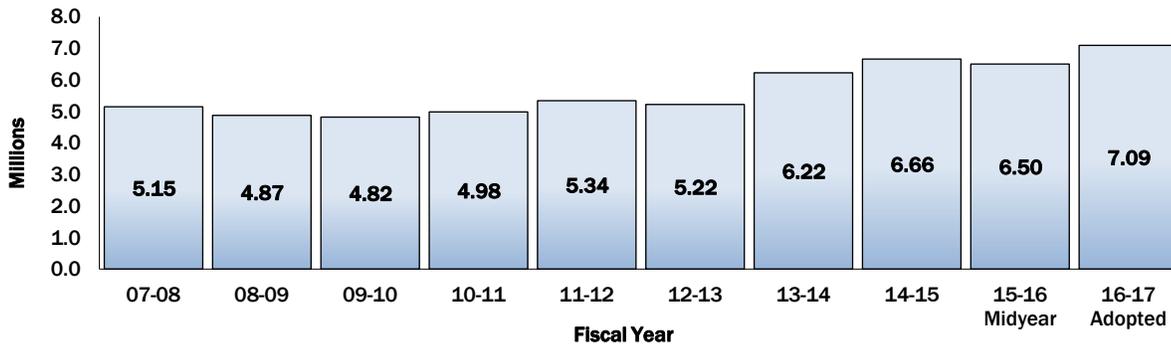
The City collects fees from users of, or participants in, City-provided services, such as plan checking, engineering services, parking meter fees, fire inspections, police booking fees, stand-by at special events, and recreational and cultural activities.

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 City fees was done in FY 2007-08 and FY 2008-09, raising a large percentage of the fees to full cost. Individual fees are usually updated during the annual budget process, however, changes to fees can be proposed at any time. Revenues from charges for services are impacted not only by rates, but also by usage.

Outlook

For FY 2016-17, forecasted revenue for charges for services will increase 9.1% or \$591,271 from midyear to \$7,090,768. While most of the fees are projected to show improvement or remain flat, only other building fees are projected to decrease.



REVENUE DETAIL
FISCAL YEARS FY 2012-13 TO 2016-17

| <i>Fund</i> | Actual 2012-13 | Actual 2013-14 | Actual 2014-15 | Mldyear 2015-16 | Adopted 2016-17 |
|-----------------------------------|-------------------|-------------------|-------------------|--------------------|--------------------|
| GENERAL FUND: | | | | | |
| Taxes: | | | | | |
| Property Tax | 23,000,296 | 21,894,283 | 22,669,749 | 22,300,000 | 23,500,000 |
| Property Tax in Lieu of VLF | 5,628,138 | 5,851,003 | 6,136,071 | 6,420,000 | 6,700,000 |
| Homeowners' Exemption | 156,967 | 145,927 | 149,285 | 150,000 | 150,000 |
| Sales and Use Tax | 10,228,355 | 10,450,402 | 11,185,345 | 11,828,000 | 10,955,000 |
| Public Safety Augumentation Fund | 705,784 | 679,625 | 703,845 | 670,000 | 670,000 |
| Utility Users' Tax | 7,711,580 | 7,412,250 | 7,664,385 | 7,600,000 | 7,600,000 |
| Transient Occupancy Tax | 3,693,144 | 3,970,786 | 4,464,811 | 4,800,000 | 7,430,000 |
| Franchise Fees | 1,796,606 | 1,973,182 | 1,981,936 | 1,996,000 | 1,968,000 |
| Business License Tax | 1,018,677 | 1,296,532 | 1,178,016 | 1,150,000 | 1,150,000 |
| Property Transfer Tax | 1,943,297 | 2,284,449 | 2,469,684 | 2,000,000 | 2,400,000 |
| Sub-total | 55,882,844 | 55,958,439 | 58,603,127 | 58,914,000 | 62,523,000 |
| Licenses and Permits: | | | | | |
| Construction/Excavation Permits | 994,773 | 1,333,053 | 1,168,326 | 1,249,863 | 1,399,353 |
| Street/Curb/Parking Permits | 160,706 | 71,550 | 70,795 | 145,400 | 115,400 |
| Miscellaneous Licenses/Permits | 104,027 | 99,899 | 94,391 | 92,120 | 90,370 |
| Sub-total | 1,259,506 | 1,504,502 | 1,333,512 | 1,487,383 | 1,605,123 |
| Fines and Forfeitures: | | | | | |
| Parking Citations | 1,343,165 | 1,581,592 | 1,666,713 | 1,500,000 | 1,750,000 |
| Vehicle Code Fines | 222,501 | 185,949 | 177,195 | 200,000 | 200,000 |
| Restitution | 55,292 | 22,372 | 18,173 | 23,530 | 18,530 |
| Sub-total | 1,620,958 | 1,789,913 | 1,862,081 | 1,723,530 | 1,968,530 |
| Use of Money and Property: | | | | | |
| Investment Earnings | 294,361 | 489,487 | 430,415 | 450,000 | 490,000 |
| Rents and Percentages | 1,129,757 | 918,678 | 1,375,057 | 1,340,874 | 1,495,874 |
| Sub-total | 1,424,118 | 1,408,165 | 1,805,472 | 1,790,874 | 1,985,874 |
| Intergovernmental: | | | | | |
| Motor Vehicle/In-Lieu | 34,912 | 28,894 | 27,910 | 30,000 | 30,000 |
| SB90 State Mandated Cost Reimb. | 19,129 | 23,417 | 1,125,734 | 61,500 | 20,000 |
| Grant Funding | - | - | 27,089 | - | - |
| Sub-total | 54,041 | 52,311 | 1,180,733 | 91,500 | 50,000 |

REVENUE DETAIL
FISCAL YEARS FY 2012-13 TO 2016-17

| <i>Fund</i> | Actual 2012-13 | Actual 2013-14 | Actual 2014-15 | Mldyear 2015-16 | Adopted 2016-17 |
|---|-------------------|-------------------|-------------------|--------------------|--------------------|
| Charges for Services: | | | | | |
| Administrative Fees | 63,868 | 152,508 | 162,492 | 129,820 | 139,350 |
| Parking Meter Fees | 1,337,622 | 1,603,999 | 1,819,685 | 1,685,000 | 1,950,000 |
| Police Service Fees | 347,224 | 343,642 | 344,514 | 303,200 | 426,800 |
| Fire Service Fees | 350,602 | 352,100 | 348,500 | 346,400 | 347,200 |
| Library Book Fines/Fees | 99,751 | 97,144 | 93,676 | 82,870 | 82,870 |
| Recreation Users Pay | 1,618,345 | 1,778,430 | 1,983,344 | 1,879,400 | 1,899,375 |
| Planning Fees | 263,322 | 214,447 | 276,021 | 282,505 | 316,480 |
| Building & Engineering Fees | 967,995 | 1,369,973 | 1,315,266 | 1,382,837 | 1,534,033 |
| State Energy Fees | 115,305 | 164,912 | 124,463 | 127,340 | 142,660 |
| Other Building Fees | 52,840 | 142,608 | 187,278 | 243,125 | 215,000 |
| Public Works Fees | 884 | 931 | 1,394 | 37,000 | 37,000 |
| Sub-total | 5,217,758 | 6,220,694 | 6,656,633 | 6,499,497 | 7,090,768 |
| Other Revenue: | | | | | |
| Miscellaneous Revenue | 726,694 | 569,782 | 819,112 | 1,511,605 | 1,511,205 |
| Program Donations | 67,328 | 34,101 | 56,405 | 37,000 | 42,400 |
| Claims Settlement | - | 8,972 | 62,829 | 1,000 | 1,000 |
| Sub-total | 794,022 | 612,855 | 938,346 | 1,549,605 | 1,554,605 |
| REVENUE FROM OUTSIDE SOURCES | 66,253,247 | 67,546,879 | 72,379,904 | 72,056,389 | 76,777,900 |
| Overhead | | | | | |
| Overhead Charges | 6,656,858 | 7,143,371 | 7,588,928 | 8,176,790 | 8,176,790 |
| Sub-total | 6,656,858 | 7,143,371 | 7,588,928 | 8,176,790 | 8,176,790 |
| TOTAL GENERAL FUND | 72,910,105 | 74,690,250 | 79,968,832 | 80,233,179 | 84,954,690 |
| STATE GAS TAX FUND: | | | | | |
| Taxes | 1,396,982 | 2,044,383 | 1,902,010 | 1,442,462 | 1,396,396 |
| Use of Money and Property | 6,266 | 24,331 | 18,642 | 13,000 | 14,000 |
| Charges For Services | - | - | 2,549 | - | - |
| Other Revenue | 548 | 3,375 | 30,126 | 4,000 | 4,000 |
| TOTAL STATE GAS TAX FUND | 1,403,796 | 2,072,089 | 1,953,327 | 1,459,462 | 1,414,396 |
| STORM DRAIN IMPROVEMENT FUND: | | | | | |
| Charges For Services | 60,961 | 47,974 | 37,390 | 65,000 | 42,000 |
| TOTAL STORM DRAIN IMPROVEMENT FUND | 60,961 | 47,974 | 37,390 | 65,000 | 42,000 |

REVENUE DETAIL
FISCAL YEARS FY 2012-13 TO 2016-17

| <i>Fund</i> | Actual 2012-13 | Actual 2013-14 | Actual 2014-15 | Mldyear 2015-16 | Adopted 2016-17 |
|--|-------------------|-------------------|-------------------|--------------------|--------------------|
| <i>STREET LANDSCAPING / LIGHTING FUND:</i> | | | | | |
| Use of Money and Property | (1,074) | 787 | - | - | - |
| Charges For Services | 1,549,351 | 1,538,481 | 1,526,719 | 1,576,500 | 1,576,500 |
| TOTAL STREET LANDSCAPING AND LIGHTING FUND | 1,548,277 | 1,539,268 | 1,526,719 | 1,576,500 | 1,576,500 |
| <i>LOCAL TRANSPORTATION ARTICLE 3 FUND:</i> | | | | | |
| Intergovernmental | 114,091 | 34,000 | 19,000 | 43,310 | 45,122 |
| TOTAL LOCAL TRANSPORTATION ARTICLE 3 FUND | 114,091 | 34,000 | 19,000 | 43,310 | 45,122 |
| <i>PROPOSITION A FUND:</i> | | | | | |
| Use of Money and Property | 3,736 | 26,841 | 15,619 | 7,500 | 8,000 |
| Intergovernmental | 1,052,390 | 1,143,831 | 1,191,917 | 1,227,285 | 1,269,514 |
| TOTAL PROPOSITION A FUND | 1,056,126 | 1,170,672 | 1,207,536 | 1,234,785 | 1,277,514 |
| <i>PROPOSITION C FUND:</i> | | | | | |
| Use of Money and Property | 17,351 | 62,381 | 40,123 | 25,000 | 27,000 |
| Intergovernmental | 874,446 | 947,895 | 987,963 | 1,018,001 | 1,053,029 |
| TOTAL PROPOSITION C FUND | 891,797 | 1,010,276 | 1,028,086 | 1,043,001 | 1,080,029 |
| <i>MEASURE R FUND:</i> | | | | | |
| Taxes | 653,912 | 708,066 | 741,666 | 763,510 | 789,715 |
| Use of Money and Property | 9,215 | 1,032 | 3,957 | 3,900 | 4,000 |
| TOTAL MEASURE R FUND | 663,127 | 709,098 | 745,623 | 767,410 | 793,715 |
| <i>AIR QUALITY IMPROVEMENT FUND:</i> | | | | | |
| Use of Money and Property | 1,457 | 644 | 665 | 500 | 500 |
| Intergovernmental | 80,832 | 83,597 | 84,017 | 80,000 | 80,000 |
| TOTAL AIR QUALITY IMPROVEMENT FUND | 82,289 | 84,241 | 84,682 | 80,500 | 80,500 |
| <i>INTERGOVERNMENTAL GRANTS FUND:</i> | | | | | |
| Intergovernmental | 3,149,451 | 548,607 | 2,219,847 | 11,425,976 | 1,706,885 |
| Other Revenue | 120,940 | - | - | - | - |
| TOTAL INTERGOVERNMENTAL GRANTS FUND | 3,270,391 | 548,607 | 2,219,847 | 11,425,976 | 1,706,885 |
| <i>COM DEV BLOCK GRANT FUND:</i> | | | | | |
| Intergovernmental | 150,467 | 453,957 | 367,874 | 568,285 | 252,533 |
| TOTAL COM DEV BLOCK GRANT FUND | 150,467 | 453,957 | 367,874 | 568,285 | 252,533 |
| <i>HOUSING AUTHORITY FUND:</i> | | | | | |
| Use of Money and Property | 539 | 443 | 153 | - | - |
| Intergovernmental | 5,934,309 | 5,163,582 | 5,396,250 | 5,795,686 | 5,900,335 |
| TOTAL HOUSING AUTHORITY FUND | 5,934,848 | 5,164,025 | 5,396,403 | 5,795,686 | 5,900,335 |

REVENUE DETAIL
FISCAL YEARS FY 2012-13 TO 2016-17

| <i>Fund</i> | Actual 2012-13 | Actual 2013-14 | Actual 2014-15 | Mldyear 2015-16 | Adopted 2016-17 |
|--|-------------------|-------------------|-------------------|--------------------|--------------------|
| <i>PARKS AND REC FACILITIES FUND:</i> | | | | | |
| Taxes | 16,000 | 29,200 | 28,400 | 20,000 | 20,600 |
| TOTAL PARKS AND REC FACILITIES FUND | 16,000 | 29,200 | 28,400 | 20,000 | 20,600 |
| <i>NARCOTIC FORF/SEIZURE FUND:</i> | | | | | |
| Fines And Forfeitures | 43,008 | 45,805 | 98,001 | 21,000 | - |
| Use of Money and Property | 5,430 | 22,799 | 7,312 | 3,000 | 3,000 |
| TOTAL NARCOTIC FORF/ SEIZURE FUND: | 48,438 | 68,604 | 105,313 | 24,000 | 3,000 |
| <i>SUBDIVISION PARK TRUST FUND:</i> | | | | | |
| Use of Money and Property | (4,409) | 2,343 | 351 | - | - |
| Other Revenue | 97,500 | 240,000 | 285,000 | 200,620 | 206,639 |
| TOTAL SUBDIVISION PARK TRUST FUND | 93,091 | 242,343 | 285,351 | 200,620 | 206,639 |
| <i>DISASTER RECOVERY FUND:</i> | | | | | |
| Charges For Services | 2,120 | 1,440 | 200 | 580 | 1,000 |
| Other Revenue | (40,904) | 3,375 | 40,186 | 22,367 | 30,000 |
| TOTAL DISASTER RECOVERY FUND | (38,784) | 4,815 | 40,386 | 22,947 | 31,000 |
| TOTAL SPECIAL REVENUE FUNDS | 15,294,915 | 13,179,169 | 15,045,937 | 24,327,482 | 14,430,768 |
| <i>PARKING AUTHORITY FUND:</i> | | | | | |
| Use of Money and Property | 16 | (7) | 14 | - | - |
| TOTAL PARKING AUTHORITY FUND | 16 | (7) | 14 | - | - |
| TOTAL DEBT SERVICE FUND | 16 | (7) | 14 | - | - |
| <i>CAPITAL PROJECTS FUND:</i> | | | | | |
| Use of Money and Property | 4 | 4 | 1 | - | - |
| Taxes | 227,675 | 231,077 | 236,203 | 250,000 | 235,000 |
| Intergovernmental | 317,683 | 261,993 | 265,239 | 268,500 | 273,000 |
| Other Revenue | 9,476 | - | 22,532 | 500 | 500 |
| TOTAL CAPITAL PROJECTS FUND | 554,838 | 493,074 | 523,975 | 519,000 | 508,500 |
| TOTAL GOVERNMENTAL FUNDS | 88,759,874 | 88,362,486 | 95,538,758 | 105,079,661 | 99,893,958 |
| <i>HARBOR TIDELANDS FUND:</i> | | | | | |
| Fines And Forfeitures | 20,918 | 36,957 | 47,890 | 35,000 | 35,000 |
| Use of Money and Property | 4,573,275 | 4,990,826 | 5,379,613 | 5,030,800 | 4,882,000 |
| Charges For Services | 1,055,229 | 1,082,202 | 1,273,515 | 991,500 | 1,170,869 |
| Other Revenue | 2,414,193 | (45,140) | 53,465 | 31,010 | 30,510 |
| TOTAL HARBOR TIDELANDS FUND | 8,063,615 | 6,064,845 | 6,754,483 | 6,088,310 | 6,118,379 |

REVENUE DETAIL
FISCAL YEARS FY 2012-13 TO 2016-17

| <i>Fund</i> | Actual 2012-13 | Actual 2013-14 | Actual 2014-15 | Mldyear 2015-16 | Adopted 2016-17 |
|--|-------------------|-------------------|-------------------|--------------------|--------------------|
| <i>HARBOR UPLANDS FUND:</i> | | | | | |
| Fines And Forfeitures | 17,967 | 135,688 | 111,770 | 120,000 | 120,000 |
| Use of Money and Property | 2,189,401 | 2,400,785 | 2,317,527 | 2,456,000 | 2,457,000 |
| Charges for Services | 1,585,487 | 1,940,254 | 2,292,692 | 2,042,900 | 2,088,900 |
| Other Revenue | 25,675 | 49,286 | 979 | 1,500 | 500 |
| TOTAL HARBOR UPLANDS FUND | 3,818,530 | 4,526,013 | 4,722,968 | 4,620,400 | 4,666,400 |
| <i>SOLID WASTE FUND:</i> | | | | | |
| Licenses And Permits | 8,047 | 12,846 | 10,054 | 48,000 | 21,000 |
| Intergovernmental | 19,055 | 37,395 | 34,659 | 44,478 | 37,367 |
| Charges for Services | 3,388,305 | 3,356,372 | 3,559,444 | 3,760,190 | 3,800,690 |
| Other Revenue | 194,286 | 158,699 | 159,144 | 161,200 | 164,000 |
| TOTAL SOLID WASTE FUND | 3,609,693 | 3,565,312 | 3,763,301 | 4,013,868 | 4,023,057 |
| <i>WASTEWATER FUND:</i> | | | | | |
| Use of Money and Property | (11,405) | 101,856 | 87,408 | - | - |
| Charges For Services | 3,776,116 | 4,568,330 | 5,388,015 | 5,562,284 | 5,376,000 |
| Other Revenue | 26,041 | 37,646 | 46,096 | - | 36,284 |
| TOTAL WASTEWATER FUND | 3,790,752 | 4,707,832 | 5,521,519 | 5,562,284 | 5,412,284 |
| <i>TRANSIT FUND:</i> | | | | | |
| Intergovernmental | 1,579,555 | 1,672,094 | 1,754,725 | 1,765,880 | 1,991,140 |
| Charges For Services | 408,158 | 397,665 | 419,804 | 431,200 | 402,200 |
| Other Revenue | 16,287 | 821 | 749 | 1,250 | 1,250 |
| TOTAL TRANSIT FUND | 2,004,000 | 2,070,580 | 2,175,278 | 2,198,330 | 2,394,590 |
| TOTAL ENTERPRISE FUNDS | 21,286,590 | 20,934,582 | 22,937,549 | 22,483,192 | 22,614,710 |
| <i>SELF-INSURANCE PROGRAM FUND:</i> | | | | | |
| Charges For Services | 5,094,020 | 4,848,964 | 5,291,677 | 6,505,741 | 6,505,741 |
| Other Revenue | (660) | - | - | 5,000 | 5,000 |
| TOTAL SELF-INSURANCE PROGRAM FUND | 5,093,360 | 4,848,964 | 5,291,677 | 6,510,741 | 6,510,741 |
| <i>VEHICLE REPLACEMENT FUND:</i> | | | | | |
| Charges For Services | 2,951,629 | 2,778,022 | 3,168,757 | 3,570,057 | 3,520,057 |
| Other Revenue | 114,730 | 81,758 | 99,136 | 47,500 | 97,500 |
| TOTAL VEHICLE REPLACEMENT FUND | 3,066,359 | 2,859,780 | 3,267,893 | 3,617,557 | 3,617,557 |
| <i>BUILDING OCCUPANCY FUND:</i> | | | | | |
| Charges For Services | 2,226,807 | 2,400,525 | 3,031,028 | 3,878,838 | 3,878,838 |
| Other Revenue | - | - | 47,500 | - | - |
| TOTAL BUILDING OCCUPANCY FUND | 2,226,807 | 2,400,525 | 3,078,528 | 3,878,838 | 3,878,838 |

REVENUE DETAIL
FISCAL YEARS FY 2012-13 TO 2016-17

| <i>Fund</i> | Actual 2012-13 | Actual 2013-14 | Actual 2014-15 | Mldyear 2015-16 | Adopted 2016-17 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| <i>INFORMATION TECHNOLOGY FUND:</i> | | | | | |
| Charges For Services | 2,315,349 | 2,308,441 | 3,093,702 | 3,216,503 | 3,216,503 |
| Other Revenue | 3,081 | 843 | 5,501 | 7,000 | 2,000 |
| TOTAL INFORMATION TECHNOLOGY FUND | 2,318,430 | 2,309,284 | 3,099,203 | 3,223,503 | 3,218,503 |
| <i>EMERGENCY COMMUNICATIONS FUND :</i> | | | | | |
| Charges For Services | 2,238,483 | 2,381,932 | 3,405,204 | 3,388,542 | 3,388,542 |
| Other Revenue | 350,198 | 348,912 | 362,125 | 362,125 | 362,125 |
| TOTAL EMERGENCY COMMUNICATIONS FUND | 2,588,681 | 2,730,844 | 3,767,329 | 3,750,667 | 3,750,667 |
| <i>MAJOR FACILITIES REPAIR FUND:</i> | | | | | |
| Charges For Services | 113,987 | 129,023 | 123,628 | 128,404 | 128,404 |
| TOTAL MAJOR FACILITIES REPAIR FUND | 113,987 | 129,023 | 123,628 | 128,404 | 128,404 |
| TOTAL INTERNAL SERVICE FUNDS | 15,407,624 | 15,278,420 | 18,628,258 | 21,109,710 | 21,104,710 |
| LESS: INTERNAL CHARGES/OVERHEAD | 21,925,017 | 22,074,507 | 26,093,727 | 29,208,105 | 29,208,729 |
| TOTAL CITY | 103,529,071 | 102,500,981 | 111,010,838 | 119,464,458 | 114,404,649 |
| SUCCESSOR AGENCY | 1,754,618 | 1,041,743 | 1,324,668 | 1,300,692 | 1,402,569 |
| HOUSING SUCCESSOR AGENCY | 12,813 | 288,153 | 106,830 | 100,703 | 210,991 |
| COMMUNITY FINANCING AUTHORITY | 344,560 | 329,757 | 381,473 | 343,971 | 365,923 |
| PUBLIC FINANCING AUTHORITY | 881,365 | 576,033 | 552,715 | 840,100 | 840,900 |
| GRAND TOTAL | 106,522,427 | 104,736,667 | 113,376,524 | 122,049,924 | 117,225,032 |