

**CITY OF NEWPORT BEACH
FINANCE COMMITTEE STAFF REPORT**

July 12, 2011

TO: HONORABLE CHAIR AND MEMBERS OF THE COMMITTEE

FROM: Administrative Services Department
Tracy McCraner, Finance Director
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SUBJECT: PRELIMINARY YEAR-END CLOSING PROJECTIONS

DISCUSSION:

Fiscal year 2010-11 ended June 30, 2011, and we are beginning the year end close process. While it is too early in the close process to know some of our larger year end accruals, we are presenting preliminary projected revenue and expenditure balances for the Finance Committee. We last reported to the Finance Committee our quarter ending March 31, 2011, revenue estimates. Our "Top 3" revenue categories were trending to exceed our budget estimates by approximately \$2.5 million, cumulatively. Those projections, as shown below, have been preliminarily updated for June 30, 2011, and are trending to exceed budget by approximately \$3.1 million, cumulatively.

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|------------------------------------------------|----------------------------|
| 1) Property Taxes projected revenue surplus = | \$ 900,000 (up \$200,000) |
| 2) Sales Taxes projected revenue surplus = | \$1,000,000 (up \$400,000) |
| 3) TOT (hotel tax) projected revenue surplus = | \$1,200,000 (unchanged) |

The biggest change from last quarter end was the Sales Tax projection. Retail sales have been up consistently this fiscal year; however, the State has held the local government advances at historically lower levels. Our March clean up payment (received in June) was significantly higher than we had projected and the State has confirmed that the June clean up (to be received in September) should be higher as well. This has resulted in an increase of \$400,000 to our projected Sales Tax receipts.

Staff is still in the process of gathering the year end expenditure and payroll accrual data making the expenditure projections difficult at this time. Regardless, all operating departments have been diligent at monitoring their budgets throughout the year. The City Manager did not give the departments specific savings targets for FY 2010-11 since they were tasked with 10% targets, cumulatively, for both FY 2011-12 and FY 2012-13, but he did communicate his expectation that all departments create sustainable fiscal changes and the sooner the better. With what is known thus far, we are conservatively estimating approximately \$3 million in appropriations savings for the General Fund. This is predominantly salary savings for all departments, but also includes known savings in contract areas in the Municipal Operations Department.

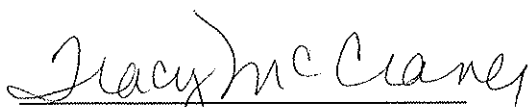
The table below projects the potential increase to the General Fund - Appropriations Reserve (preliminary and subject to change):

GENERAL FUND	
FY 2010-11 PROJECTED INCREASE TO APPROPRIATIONS RESERVE	
<u>DATED JULY 7, 2011 - PRELIMINARY</u>	
DESCRIPTION	AMOUNT
FY 2010-11 Activity:	
Revenue Surplus	\$ 3,100,000
Appropriations Savings	3,000,000
Net Increase Appropriations Reserve	<u>\$ 6,100,000</u>
City Manager Assignments:	
Revitalization Efforts	500,000
Tidelands Management	200,000
Marian Bergeson Pool Contribution	330,000
Subtotal Assignments	<u>\$ 1,030,000</u>
Preliminary Appropriations Reserve Increase	<u><u>\$ 5,070,000</u></u>

As detailed above, there is a projected increase to the Appropriations Reserve of \$5 million as of July 7, 2011. As stated earlier, it is very early in the year end process and this amount will change as we finalize our year end closing entries. Per Council Policy F-2, the appropriations reserve is available for any future Council appropriation or City Manager assignment.

These projections will be discussed in more detail in the next City Manager's Quarterly Business Report issued in August 2011.

Prepared by:



Tracy McCraner
Finance Director