CITY OF NEWPORT BEACH
FINANCE COMMITTEE STAFF REPORT

May 7, 2012

TO: HONORABLE CHAIR AND MEMBERS OF THE COMMITTEE

FROM: Finance Department
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SUBJECT: QUARTERLY FINANCIAL REPORT – UPDATE 3/31/2012

ABSTRACT:

Finance has completed the quarterly financial status report dated 3/31/2012, as will also reported in the City Manager's Quarterly Business Report (QBR). We will update the committee on projected FY 2011-12 year end balances for revenues and expenditures within the General Fund as well as provide an overview of the FY 2012-13 General Fund proposed budget.

BACKGROUND:

In total, General Fund Revenue estimates are only slightly less optimistic than our midyear estimate reflecting an overall decrease $100,260, now estimated at $1.4 million over the original revenue budget. While there is continued optimism and prospect of additional growth in Sales taxes and Transient Occupancy Tax revenues, a few concerns regarding property tax collections materialized over the last quarter.

FY 2011-12 Revised Revenue Projections

Revenue Source	FY 2010-11 Actuals	Original Budget	Mid Year Revised Est.	3rd QTR Revised Est.	Change from Mid Yr Est.
Property Taxes	$ 71,630,345	$ 72,155,615	$ 72,612,217	$ 71,629,617	$ (982,600)
Sales Tax	18,455,181	18,788,167	19,219,170	19,760,000	540,830
Property Tax - In Lieu of Sales Tax	6,284,266	6,300,000	6,500,000	6,500,000	-
Transient Occupancy Tax	13,082,451	12,786,000	14,000,000	14,181,510	181,510
Business Licenses	4,111,245	3,910,000	3,850,000	3,850,000	-
Franchises	3,730,819	3,936,000	3,498,000	3,498,000	-
Community Development	5,492,327	5,465,260	5,845,441	5,845,441	-
Other	27,948,689	25,621,741	27,120,034	27,280,034	160,000
Transfer-In	3,116,700	6,500,000	4,000,000	4,000,000	-
Total Revenues & Transfers	**$ 153,852,024**	**$ 155,462,783**	**$ 156,644,862**	**$ 156,544,602**	**$ (100,260)**

The immediate indicators that gave rise to our sharp and immediate revision to the third quarter property tax estimate are two-fold. 1) Redemptions, penalties and interest distributions have declined abruptly, projected at $500,000 below budget in the second half of FY 2011-12, a further indicator that taxpayers have returned to a more timely payment schedule. A note from Treasurer Tax Collector Shari Freidenrich confirmed “the County Treasurer is on track to have the highest collection rate on secured property taxes in the past six years.” 2) Also significant, an upgrade to the Assessor’s Office electronic reporting system has caused delays in the production of the Supplemental tax update. From a discussion with the Auditor Controllers Office, we understand the County Assessor has only been able to produce one of four usual supplemental assessment updates. According to a direct conversation with Mr. Guillory, on May 3, 2012, the Assessor’s Office will provide one additional supplemental assessment to the Tax Collector before June. This delay, however, may result in very little additional Supplemental tax collections for the remainder of fiscal year 2011-12. More likely, the delayed supplemental billing will represent an increase to FY 2012-13 supplemental collections rather than any further revenue recognition in FY 2011-12. This estimated shortfall for FY 1012-13 also $500,000. The two estimates together have decreased our revenue estimates by $1 million since December 31, 2011.

NOTE: This information was confirmed after the production of the 2012-13 proposed budget documents and will be presented as an amendment to the 2012-13 budget.

For the FY 11-12 budget, the City Manager requested and received $8 million in structural budget cuts from the departments, and all departments continue to effectively manage their budgets in accordance to the City’s Fiscal Sustainability Plan.

Currently, it is expected that Departments will achieve an additional $3 million of operational savings. These savings are almost entirely as a result of personnel vacancies and are expected to produce a one-time windfall in FY 11-12. Departments are actively recruiting for these vacancies so the magnitude of these savings is not expected to reoccur in FY 2012-13.

CONCLUSION:

In summary, the General Fund FY 2011-12 is expected to close with a $4.5 million surplus between excess revenue and expenditure savings. This money will be available for the City Manager to assign toward FY 2012-13 Council priorities. Finance also has an overview of FY 2012-13 for the General Fund.

Prepared by:

/s/Tracy McCraner
Tracy McCraner
Finance Director