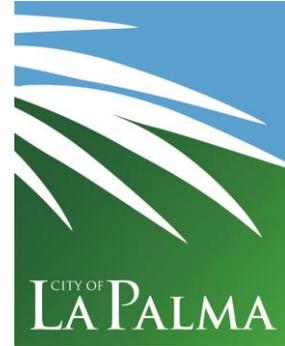


City of La Palma

Agenda Item No. 4



MEETING DATE: March 15, 2016
TO: CITY COUNCIL
FROM: CITY MANAGER
SUBMITTED BY: Laurie A. Murray, City Manager
AGENDA TITLE: Mid-Year Operating Report and Budget Adjustments, Fiscal Year 2015-16

RECOMMENDED ACTION:

It is recommended that the City Council take the following actions:

- a) Receive the presentation on the Second Quarter, Mid-Year Operating Report;
- b) Approve a Resolution amending the Fiscal Year 2015-16 Budget to adjust certain Department and Program budgets.

BACKGROUND:

Staff is presenting a mid-year, comprehensive report to Council and the public on the state of the City's finances.

This report provides the following information:

- A snapshot of the City's spendable fund balances at December 31, 2015, as well as the year-to-date change in spendable fund balances.
- A review of the General Fund's revenue and expenditures through the second quarter of the fiscal year (50% of the year as of December 31, 2015), including brief discussions of relevant proposed budget amendments. A detailed analysis of the proposed budget amendments is presented in this report.

For the quarterly report, financial data is reported on a cash basis, meaning that revenue is reported when cash is received and expenditures are reported when cash payments are made. Many revenue and expenditure transactions do not occur at uniform times or at equal intervals throughout the year. Consequently, although the second quarter represents 50 percent of the fiscal year, not all line items will be at 50 percent of the budget as of the end of the second quarter.

Making sense of the information presented herein requires consideration of the cash flow factors of major revenues and expenditures. For instance, while expenditure outflows for normal

operations tend to be relatively even, the cash flow timing of capital expenditures and major revenues such as property taxes are not as equalized.

FINANCIAL SUMMARY AND MID YEAR BUDGET ADJUSTMENTS:

The intent of this mid-year financial summary report is to provide an understanding for the changes in spendable fund balance. Attached are the following summary schedules through mid-year at December 31, 2015:

- Schedule of General Fund Revenues
- Schedule of General Fund Expenditures by Department
- Schedule of General Fund Expenditures by Category
- Schedule of Spendable Fund Balances by Fund
- Schedule of Proposed Mid-Year Budget Adjustments.

With data for six months of the year's revenue and expenditures, staff is proposing budget adjustments to bring the original budget estimates into line with the year's actual activity. The revenue and expenditure schedules include these proposed budget amendments as overview information.

The City's overall spendable fund balance (the sum of cash, investments, and current receivables less current liabilities) has declined by \$2.6 million from the beginning of the fiscal year, from \$29.5 million to \$26.9 million at December 31, 2015. In comparison, the City's spendable fund balance declined by \$1.4 million during this same period in the prior year. The reason for this additional decline of \$1.2 million is due to changes in revenue and expenditures as explained in the remainder of this report. This \$2.6 million reduction in spendable fund balance is accounted for as follows:

- General Fund decreased by \$1.3 million
- Special Revenue Funds increased by \$0.2 million
- Capital Project Funds decreased by \$0.2 million
- Internal Service Funds decreased by \$0.7 million
- Water & Sewer Enterprise Funds decreased by \$0.6 million

The balance of the financial review section will focus on these funds and proposed mid-year budget adjustments.

General Fund

As shown in the attached charts, General Fund revenues total \$3.7 million (36% of the adopted budget and 37% of the proposed amended budget) and expenditures total \$5.1 million (51% of the adopted budget and 50% of the proposed amended budget) through December 31, 2015.

Revenues

Due to the timing of major revenue receipts, total General Fund revenue is at 36% of the original budget of \$10.4 million through the end of the second quarter. **The City anticipates receiving revenue of \$9.9 million by fiscal year end (96% of the adopted budget).**

The original revenue budget of \$10.4 million has a proposed net reduction of \$449,000 (4%) with the most significant changes resulting from the following:

Proposed Decreases in Budgeted General Fund Revenue

- Sales tax revenue decrease of \$703,000
- Transient occupancy tax decrease of \$45,000

Proposed Increases in Budgeted General Fund Revenue

- Property taxes revenue increase of \$79,000
- Residual property tax revenue increase of \$66,000
- Licenses and permits revenue increase of \$43,000
- Charges for services increase of \$23,000
- AB939 solid waste fees increase of \$25,000
- Successor Agency loan repayments increase of \$67,000

The sales tax reduction is the most significant budget change and is discussed below. The Successor Agency loan repayment was originally budgeted at zero, but the City is now expecting to receive a \$67,000 repayment in June due to available tax increment money. All other proposed revenue budget changes are a result of trend increases during the first six months of the fiscal year.

The three largest revenue sources are property tax, sales tax, and utility users tax. Together, these three revenues account for 70% of the General Fund's adopted revenue budget.

- **Property Tax:** The General Fund's largest revenue source, property tax, has \$1.1 million revenue recorded through December 31 (33% of the adopted \$3.3 million budget and 32% of the proposed amended \$3.4 million budget). This percentage of revenue received is comparable with the prior year where the City had received 31% of the annual property tax revenue by mid-year of FY 2014-15.

The property tax line item includes secured and unsecured property taxes (budgeted at \$2.0 million) as well as the property tax in lieu of vehicle license fees (budgeted at \$1.3 million). Secured and unsecured property tax payments are distributed in two main payments; the first payment is distributed in December during the second quarter, and the second payment is distributed in April during the fourth quarter. Property tax payments in lieu of vehicle license fees will be received in two installments; the first distribution will be in January 2016 (during the third quarter) and the second installment will be in May 2016 (during the fourth quarter). **The City anticipates receiving all property tax revenue as budgeted and is proposing an increase of \$78,800 to the property tax revenue budget.**

- **Sales Tax:** The next largest revenue source is sales tax which has \$823,000 revenue recorded at December 31 (29% of the adopted \$2.8 million budget and 39% of the proposed amended \$2.1 million budget). Sales tax receipts lag by two to three months, and the \$823,000 recorded revenue is comprised of the following:
 - July – September 2015 actual receipts of \$739,300
 - FY 2014/15 additional receipts of \$83,300

Typically, the City would have received the estimate for October 2015's sales tax share by the end of the second quarter, but due to receipt of too much sales tax revenue in the prior year, the City received a payment of zero for the month of October. The City knows that the estimate for the November payment will be for \$44,000 and the December estimate will be for \$210,500. As a result of these repayments and a general reduction in sales tax receipts, **net sales tax revenue for the fiscal year is estimated to be \$2,119,000** which is \$703,400 less than the original budget. Two factors contribute to the decline in the year's sales tax revenue: 1) is the approximately \$223,000 take back of prior overpayments that was expected in FY 2014-15; and 2) is a decline in oil prices.

Also included in the sales tax line item is property tax in lieu of sales tax (budgeted at \$739,200 with a proposed amended budget of \$661,000). Payments for this will be received in two equal installments; the first distribution will be in January 2015 (during the third quarter) and the second installment will be in May 2015 (during the fourth quarter). Due to the reduction in sales tax revenue, the property tax in lieu of sales tax is also anticipated to be less than originally budgeted.

- **Utility Users Tax:** The third largest revenue source is utility users tax, budgeted at \$1.1 million. Payments received through December 31 total 44% of budget at \$498,000. Utility users tax payments lag by one month; consequently, extrapolating the five months of payments received through December 31 to six months results in an estimate of \$597,000 which is 52% of the budget. **The City anticipates receiving \$10,000 more than the originally budgeted utility users tax revenue of \$1,139,300.**

Expenditures

The General Fund's expenditures total \$5.05 million at December 31 (51% of the \$9.9 million adopted budget and 50% of the proposed amended budget of \$10.0 million). This is comparable to the prior year, where 49% of the General Fund's annual expenditures were incurred by the end of the second quarter. **With proposed budget amendments, Staff anticipates that expenditures within all departments will match the proposed amended budget amounts at fiscal year-end.**

The original General Fund expenditure budget of \$9,879,000 is proposed to be increased by \$166,000 to \$10,045,000, a 1.7% increase. The transfer out to COR is proposed to remain at \$250,000 for the year. As explained in more detail below, the General Government and Administrative Services Department is requesting an increase of \$181,600 and the Community Development Department is requesting an increase of \$1,000 while the Police Department is proposing a decrease of \$16,200.

- The General Government and Administrative Services Department is comprised of the divisions for City Council, City Manager, Legal Services, Administration, City Clerk, Community Promotions, Fiscal Services, Human Resources, and Technology & Communications. The adopted budget for this department totals \$2.7 million, and as of December 31, expenditures total \$1.7 million (62% of the adopted budget).

The proposed budget change is a net increase of \$181,600 (6.7%). This net increase is due to the following major changes: \$55,300 new professional services agreement for public engagement, \$20,100 for additional labor attorney expenses, and \$100,000 for

termination pay due to long-term employees leaving the City's employment. There is also a \$30,000 proposed increase to professional accounting services due to a vacancy, but this increase is basically offset by salary and benefit savings due to the vacancy.

- The Police Department has the largest expenditure budget at \$4.7 million (48% of the total General Fund adopted budget). As of December 31, expenditures totaled \$2.3 million (48% of the adopted budget). The Police Department budget has proposed reductions of \$16,200, mainly a result of savings from vacancies in the police administration division. There are other offsetting proposed budget changes in various professional service and materials/supplies costs.
- The Community Services Department covers a wide range of services that are provided to the citizens including Health & Wellness, Recreation Facility Operations, Special Events, Youth and Family Services, Citywide Maintenance, Engineering, Parks & Medians, and Street Maintenance divisions. This department has an original budget of \$2.0 million and has no proposed changes. As of December 31, expenditures total \$901,000 (45% of the adopted budget).
- The Community Development Department accounts for the Building and Safety, Code Enforcement, and Planning divisions. This department has an original budget of \$454,000 with a requested increase of \$1,000 (0.2%). As of December 31, expenditures totaled \$190,000 (42% of the adopted budget). The requested increase is due to advertising costs being higher than anticipated when the budget was prepared.

The expenditure outflows for normal operations are at 51 percent of the budget: Personnel costs total \$3.6 million (55% of the adopted budget, higher than 50% due to employee retirements occurring in the first half of the year), and Maintenance & Operations costs total \$1.5 million (45% of the adopted budget). The cash flow timing of capital expenditures is not as equalized, and capital outlay costs total \$5,000 (15% of the adopted budget).

It is important to note that \$81,000 in additional savings to the General Fund are expected due to labor savings.

Special Revenue Funds

Special Revenue funds are comprised of a variety of funds whose revenues are restricted for specific purposes. During the six months ending December 31, 2015, the spendable fund balance of special revenue funds increased by \$274,000 to \$1.5 million. The special revenue funds with the most significant activity through December 31, 2015 are the Streets Fund (with an increase to spendable fund balance of \$67,000), the Measure M2 Fund (with an increase to spendable fund balance of \$88,000), the Supplemental Law Enforcement Fund (with an increase to spendable fund balance of \$19,600), and the Successor Agency Housing Entity Fund (with an increase to spendable fund balance of \$85,900).

Streets Fund

During the six months ending December 31, 2014, the Streets Fund had an increase to spendable fund balance of \$67,000, a result of revenues exceeding expenditures. Revenues consist of remittances from the State for the City's share of gas tax. Through mid-year, revenues total

\$185,000 and are at 52% of the original budget. **The City is expecting to receive and expend/transfer the budgeted amounts of \$351,500 and \$359,700.**

Operating expenditures consist of costs for normal street maintenance, traffic signal operations and maintenance, and traffic control operations. Operating costs total \$96,100 through mid-year and are at 37% of the budget. This is comparable to the prior year where operating costs totaled 37% of the budget at mid-year.

Measure M2 Fund

During the six months ending December 31, 2015, the Measure M2 Fund had an increase to spendable fund balance of \$88,000, a result of revenues exceeding expenditures. Revenues consist of the City's share of revenues from the County's Measure M sales tax. Payments received through December 31 total 9% of the revenue budget at \$1.0 million. The budgeted revenues consist of the City's fair share of Measure M sales tax monies and an additional \$750,000 grant for use on the City's Arterial Pavement Management Program. **The City anticipates receiving Measure M2 monies as originally budgeted.**

Although \$1.3 million has been budgeted for the Arterial Pavement Management project, there have been no expenditures as of December 31, 2015. **This program cost is expected to approximate the budget by fiscal year end.**

Supplemental Law Enforcement Fund

During the six months ending December 31, 2015, the Supplemental Law Enforcement Fund had an increase to spendable fund balance of \$19,600. The City budgeted to receive \$100,200 in State money for front-line police services. Through mid-year, the City has received \$60,600 (60.5% of the budget). The City has charged \$41,000 against these monies through mid-year. **The City anticipates spending all of the money received during the year for front-line police services.**

Successor Agency Housing Authority Fund

During the six months ending December 31, 2015, the Successor Agency Housing Authority Fund had an increase to spendable fund balance of \$85,900. Monies received in and payment made out of this fund are related to the housing activities of the former redevelopment agency. **The City anticipates receiving and spending all of the money as budgeted.**

Capital Projects Funds

The Capital Projects Funds are comprised of the Capital Outlay Reserve Fund (COR) and the One-Time Projects Fund. The One-Time Projects Fund has costs totaling \$19,600 through mid-year for the Countywide 800 MHz Communication System. During the six months ending December 31, 2015, COR incurred costs of \$235,800 for capital project costs. The arterial pavement management and the energy efficiency projects are the major projects worked on through mid-year. Other projects that incurred costs through mid-year include storm drain, ADA, and building improvements.

Water and Sewer Funds

The water and sewer funds had a total reduction in spendable fund balance of \$560,000. The reason for this is because revenues are less than expenses. The revenues totaled \$962,000 but lag by one or two months because of accounting for year-end receivables. Although slightly below anticipated amounts, by year-end, revenues and expenditures are anticipated to approximate the budgeted amounts.

Internal Service Funds

The Internal Service Funds are comprised of the Risk Management, Vehicle Replacement, and Technology Replacement Funds. The Internal Service Funds began the year with a spendable fund balance of \$2.8 million which has been reduced by \$700,000 to \$2.1 million at December 31. The reduction in the spendable fund balance is mainly due to the annual insurance payments for workers' compensation, property, and general liability coverage which are due at the beginning of the fiscal year. The internal service funds recover costs by charging the General, Water, and Sewer Funds for their proportional share of the costs. This cost recovery is distributed evenly over the fiscal year, even when costs are incurred at the beginning of the fiscal year.

ALTERNATIVES:

The City Council can approve the recommended budget adjustments or direct staff to further review all or specific budget adjustments prior to approval.

FISCAL IMPACT:

Failure to adjust the budget now, in most cases, will merely cause the year end budget to have a large number of over and under expended accounts. Some of the recommended adjustments however are necessary to fulfill certain spending commitments or to authorize expenditures for programs or projects authorized subsequent to the adoption of the budget.

APPROVED:



City Manager

- Attachments:
1. Second Quarter Summary Schedules
 2. Proposed Resolution
 3. Recommended Mid-Year Budget Adjustments (Exhibit A of Proposed Resolution)

**MID-YEAR FINANCIAL REPORT, FISCAL YEAR 2015-16
GENERAL FUND REVENUES BY TYPE
FISCAL YEAR QUARTER ENDING DECEMBER 31, 2015**

| Revenue Type | FY 2015-16 | | | | | | | FY 2014-15 | | | Q2 Variance FY 2015-16 to FY 2014-15 Increase / <Decrease> |
|---------------------------|----------------------|---------------------------------|-------------------------------|------------------------------|---|---|---|---|--|---|--|
| | Adopted Budget | Proposed Budget Amendment | Proposed Amended Budget | Proposed Budget Change | Year-to-Date Actual through 12/31/2015 (50% of FY) | Q2 Actual as a % of Adopted Budget | Q2 Actual as a % of Amended Budget | Prior Year Actual Annual Revenue | Prior YTD Actual through 12/31/2014 (50% of FY) | Q2 Actual as a % of Annual Revenue | |
| Property Tax | \$ 3,311,500 | \$ 78,800 | \$ 3,390,300 | 2.38% | \$ 1,085,330 | 33% | 32% | \$ 3,260,967 | \$ 1,025,843 | 31% | \$ 59,487 |
| Sales Tax | 2,822,400 | (703,400) | 2,119,000 | -24.92% | 822,632 | 29% | 39% | 2,560,939 | 1,260,326 | 49% | (437,694) |
| Utility Users Tax | 1,139,300 | 10,000 | 1,149,300 | 0.88% | 497,865 | 44% | 43% | 1,126,749 | 476,890 | 42% | 20,975 |
| Residual Property Tax | 133,900 | 66,100 | 200,000 | 49.37% | - | 0% | 0% | 126,355 | - | 0% | - |
| Franchise Fees | 415,500 | (12,000) | 403,500 | -2.89% | 66,450 | 16% | 16% | 407,114 | 66,806 | 16% | (356) |
| Transient Occupancy Tax | 345,000 | (45,000) | 300,000 | -13.04% | 107,623 | 31% | 36% | 346,077 | 90,522 | 26% | 17,101 |
| Licenses and Permits | 295,200 | 43,000 | 338,200 | 14.57% | 248,085 | 84% | 73% | 357,912 | 163,232 | 46% | 84,853 |
| Intergovernmental | 33,000 | - | 33,000 | 0.00% | 19,313 | 59% | 59% | 51,591 | 11,866 | 23% | 7,447 |
| Charges for Services | 490,100 | 22,500 | 512,600 | 4.59% | 282,270 | 58% | 55% | 539,582 | 266,629 | 49% | 15,641 |
| Fines and Forfeitures | 161,000 | (800) | 160,200 | -0.50% | 60,731 | 38% | 38% | 144,972 | 56,304 | 39% | 4,427 |
| Use of Money and Property | 317,600 | - | 317,600 | 0.00% | 77,020 | 24% | 24% | 236,877 | 192,390 | 81% | (115,370) |
| Other Revenue | 291,500 | 92,100 | 383,600 | 31.60% | 133,565 | 46% | 35% | 321,842 | 198,239 | 62% | (64,674) |
| Interfund Charges | 626,600 | - | 626,600 | 0.00% | 293,850 | 47% | 47% | 283,100 | 141,550 | 50% | 152,300 |
| Total Revenues | \$ 10,382,600 | \$ (448,700) | \$ 9,933,900 | -4.32% | \$ 3,694,734 | 36% | 37% | \$ 9,764,077 | \$ 3,950,597 | 40% | \$ (255,863) |

MID-YEAR FINANCIAL REPORT, FISCAL YEAR 2015-16
GENERAL FUND EXPENDITURES BY DEPARTMENT
FISCAL YEAR QUARTER ENDING DECEMBER 31, 2015

| Department | FY 2015-16 | | | | | FY 2014-15 | | | Q2 Variance FY 2015-16 to FY 2014-15 Increase / <Decrease> | | |
|------------------------------|---------------------|---------------------------------|-------------------------------|------------------------------|---|---|---|--|--|--|--|
| | Adopted Budget | Proposed Budget Amendment | Proposed Amended Budget | Proposed Budget Change | Year-to-Date Actual through 12/31/2015 (50% of FY) | Q2 Actual as a % of Adopted Budget | Q2 Actual as a % of Amended Budget | Prior Year Actual Annual Expenditures | | Prior YTD Actual through 12/31/2014 (50% of FY) | Q2 Actual as a % of Annual Expenditures |
| General Government/Admin Svc | \$ 2,690,700 | \$ 181,590 | \$ 2,872,290 | 6.75% | \$ 1,680,875 | 62% | 59% | \$ 1,427,948 | \$ 652,424 | 46% | \$ 1,028,451 (1) |
| Police | 4,713,200 | (16,200) | 4,697,000 | -0.34% | 2,280,433 | 48% | 49% | 4,840,193 | 2,408,644 | 50% | (128,211) |
| Community Services | 2,021,300 | - | 2,021,300 | 0.00% | 901,106 | 45% | 45% | 1,956,538 | 1,004,589 | 51% | (103,483) |
| Community Development | 454,100 | 1,000 | 455,100 | 0.22% | 190,139 | 42% | 42% | 526,198 | 230,050 | 44% | (39,911) |
| Total | \$ 9,879,300 | \$ 166,390 | \$ 10,045,690 | 1.68% | \$ 5,052,553 | 51% | 50% | \$ 8,750,877 | \$ 4,295,707 | 49% | \$ 756,846 |

Note 1: The increase is due to charging employee benefits costs and a portion of the technology/communications costs to the General Fund Administration Department in FY 15/16 rather than to Internal Service Funds as was done in FY 14/15. The comparable prior year's employee benefits costs that were charged to the Internal Service Fund totaled \$1,371,360 and the comparable prior year's technology/communications costs that were charged to the General Fund totaled \$149,671. When these prior year costs are considered, then the Administration Department change from the prior year results in a decrease in costs of \$492,580.

**MID-YEAR FINANCIAL REPORT, FISCAL YEAR 2015-16
GENERAL FUND EXPENDITURES BY CATEGORY
FISCAL YEAR QUARTER ENDING DECEMBER 31, 2015**

| Expenditure Type | FY 2015-16 | | | | | FY 2014-15 | | | Q2 Variance FY 2015-16 to FY 2014-15 Increase / <Decrease> | | |
|-----------------------------|---------------------|---------------------------------|-------------------------------|------------------------------|---|---|---|--|--|--|--|
| | Adopted Budget | Proposed Budget Amendment | Proposed Amended Budget | Proposed Budget Change | Year-to-Date Actual through 12/31/2015 (50% of FY) | Q2 Actual as a % of Adopted Budget | Q2 Actual as a % of Amended Budget | Prior Year Actual Annual Expenditures | | Prior YTD Actual through 12/31/2014 (50% of FY) | Q2 Actual as a % of Annual Expenditures |
| Personnel Services | \$ 6,576,000 | \$ 40,940 | \$ 6,616,940 | 0.62% | \$ 3,583,958 | 55% | 54% | \$ 5,969,578 | \$ 2,932,004 | 49% | \$ 651,954 (1) |
| Maintenance and Operations | 3,267,200 | 125,450 | 3,392,650 | 3.84% | 1,463,338 | 45% | 43% | 2,772,165 | 1,357,391 | 49% | 105,947 (2) |
| Capital Outlay/Improvements | 36,100 | - | 36,100 | 0.00% | 5,257 | 15% | 15% | 9,134 | 6,312 | 69% | (1,055) |
| Total | \$ 9,879,300 | \$ 166,390 | \$ 10,045,690 | 1.68% | \$ 5,052,553 | 51% | 50% | \$ 8,750,877 | \$ 4,295,707 | 49% | \$ 756,846 |

Note 1: The increase is due to charging employee benefits costs to the General Fund Administration Department in FY 15/16 rather than to an Internal Service Funds as was done in FY 14/15. The comparable prior year's employee benefits costs that were charged to the Internal Service Fund totaled \$1,371,360. When these prior year costs are considered, then the personnel services cost change from the prior year results in a decrease in costs of \$719,406.

Note 2: The increase is due to charging a portion of the technology/communications costs to the General Fund Administration Department in FY 15/16 rather than to an Internal Service Fund as was done in FY 14/15. The comparable prior year's technology/communications costs that were charged to the General Fund totaled \$149,671. When these prior year costs are considered, then the Maintenance and Operations costs change from the prior year results in a decrease in costs of \$43,724.

**MID-YEAR FINANCIAL REPORT, FISCAL YEAR 2015-16
SPENDABLE FUND BALANCE - FISCAL YEAR CHANGE
THROUGH THE FISCAL YEAR QUARTER ENDING DECEMBER 31, 2015**

| <u>Fund #</u> | <u>Fund Title</u> | <u>Balance 6/30/2015</u> | <u>Balance 12/31/2015</u> | <u>FY Change through 12/31/2015</u> |
|---------------|--|------------------------------|-------------------------------|---|
| 1 | General Fund | \$ 2,004,315 | \$ 712,778 | \$ (1,291,537) |
| 3 | Emergency Reserve Fund | 8,996,969 | 8,996,969 | - |
| 5 | Economic Development Fund | 249,556 | 228,814 | (20,742) |
| | Subtotal General Funds | 11,250,840 | 9,938,561 | (1,312,279) |
| 11 | Streets Fund | 1,313 | 68,362 | 67,049 |
| 12 | Measure M2 | 272,264 | 360,441 | 88,177 |
| 15 | Air Quality Fund | 71,590 | 76,810 | 5,220 |
| 16 | PEG Fund | 181,417 | 186,525 | 5,108 |
| 20 | Asset Seizure Fund | 38,518 | 31,782 | (6,736) |
| 21 | Public Safety Augmentation Fund | 53,553 | 62,736 | 9,183 |
| 22 | Supplemental Law Enforcement Fund | 42,487 | 62,130 | 19,643 |
| 23 | SVC Authority for Abandoned Vehicles | 25,851 | 25,934 | 83 |
| 33 | Park Development Fund | 43,689 | 43,830 | 141 |
| 38 | SA Housing Entity Fund | 536,961 | 622,827 | 85,866 |
| | Subtotal Special Revenue Funds | 1,267,643 | 1,541,377 | 273,734 |
| 35 | Capital Outlay Reserve Fund | 4,701,378 | 4,480,205 | (221,173) |
| 36 | One-Time Projects Fund | 681,459 | 661,851 | (19,608) |
| | Subtotal Capital Projects Funds | 5,382,837 | 5,142,056 | (240,781) |
| 50 | Water Fund | 1,284,351 | 848,395 | (435,956) |
| 55 | Water Capital reserve Fund | 3,787,494 | 3,760,944 | (26,550) |
| | Subtotal Water Related Funds | 5,071,845 | 4,609,339 | (462,506) |
| 52 | Sewer Fund | 966,702 | 957,922 | (8,780) |
| 56 | Sewer Capital Reserve Fund | 2,816,992 | 2,729,908 | (87,084) |
| | Subtotal Sewer Related Funds | 3,783,694 | 3,687,830 | (95,864) |
| 60 | Risk Management/Insurance | 466,696 | (364,859) | (831,555) |
| 61 | Employee Benefits Fund | 40,929 | 41,558 | 629 |
| 62 | Building Maintenance & Replacement Fund | 824,861 | 827,503 | 2,642 |
| 63 | Vehicle Replacement Fund | 863,537 | 948,464 | 84,927 |
| 64 | Technology Replacement Fund | 583,668 | 607,126 | 23,458 |
| | Subtotal Internal Service Funds Funds | 2,779,691 | 2,059,792 | (719,899) |
| | Total All Funds | \$ 29,536,550 | \$ 26,978,955 | \$ (2,557,595) |

Note: Spendable Fund Balance is defined as cash and current assets less current liabilities.

RESOLUTION NO. 2016-__

**A RESOLUTION OF THE CITY COUNCIL OF
THE CITY OF LA PALMA AMENDING THE
FISCAL YEAR 2015-16 ADOPTED BUDGET**

WHEREAS, the City Manager did on March 15, 2016, present to the City Council an update of estimated revenues and expenditures for Fiscal Year 2015-16; and

WHEREAS, the City Council did receive information about various adjustments needed to Department and Program budgets in order to align projected expenditures and revenues with appropriations; and

WHEREAS, the proposed amendments to the Fiscal Year 2015-16 budget are enumerated in Exhibit A to this resolution; and

WHEREAS, the adopted Fiscal Year 2015-16 Budget will be revised so as to reflect each and all of the amendments which the City Council, up to the time of adoption of this Resolution, believes should be made as per Exhibit A; and

NOW, THEREFORE, The City Council of the City of La Palma does hereby resolve as follows:

SECTION 1. The amendments for the Fiscal Year 2015-16 adopted budget as so amended, modified, revised, and corrected including those changes directed by the City Council at the March 15, 2016, Council Meeting, are approved and adopted. In adopting said budget amendments, the City Council hereby approves and instructs the City Manager to implement the distribution of the salary detail, supplies and services detail, capital outlay and improvements detail, policy revisions, and contractual arrangements as necessary.

SECTION 2. The transfer of General Fund funds over and above the cash float reserve amount as of June 30, 2015, and as outlined in Exhibit A, as so amended, modified, revised, and corrected including those changes directed by the City Council at the March 15, 2016, Council Meeting are approved and adopted. In approving such transfers, the City Council hereby approves and instructs the City Manager to implement the transfers.

SECTION 3. The budget amendments for the Fiscal Year 2015-16 as now before this City Council and as enumerated in Exhibit A, and as amended, modified, revised, and corrected by the City Council and staff, in open session, shall be placed on file in the office of the City Clerk, shall be open to public inspection, and are expressly incorporated in this Resolution and made a part hereof.

SECTION 4. The City Manager is hereby authorized and instructed to take all steps necessary to implement this resolution.

SECTION 5. The City Manager, for the purpose of administrative necessity in implementing the budget, shall have the authority to transfer monies to the appropriate item, account, program, or fund to cover expenditures which have been approved by the City Council, except where such transfer is expressly prohibited in a resolution or ordinance approved by the City Council such as utility replacement funds.

APPROVED AND ADOPTED by the City Council of the City of La Palma at a regular meeting held on the 15th day of March 2016.

Gerard Goedhart
Mayor

ATTEST:

Kimberly Kenney
Deputy City Clerk

STATE OF CALIFORNIA)
COUNTY OF ORANGE) SS.
CITY OF LA PALMA)

I, KIMBERLY KENNEY, Deputy City Clerk of the City of La Palma, California,
DO HEREBY CERTIFY that the foregoing Resolution was adopted by the City Council of
said City at a regular meeting of said City Council held on the 15th day of March 2016, and
that it was so adopted by called vote as follows:

AYES:

NOES:

Kimberly Kenney
Deputy City Clerk

Fund

| | Item Description | Adopted Budget | Budget Adjustment | Amended Budget | Justification | |
|---------------------------|------------------------------------|---|---------------------|---------------------|---|---|
| General Fund (001) | | | | | | |
| Revenues | | | | | | |
| 001 | 4010-00000 | Property Tax - Secured Current | \$ 1,764,000 | \$ 49,900 | \$ 1,813,900 | Revised HdL/County Estimates |
| 001 | 4011-00000 | Property Tax - Secured Homeowner | \$ 12,300 | \$ 1,200 | \$ 13,500 | Revised HdL/County Estimates |
| 001 | 4012-00000 | Property Tax - Secured Public Utility | \$ 36,700 | \$ 900 | \$ 37,600 | Revised HdL/County Estimates |
| 001 | 4013-00000 | Property Tax - Secured Supplemental Roll | \$ 51,000 | \$ 2,100 | \$ 53,100 | Revised HdL/County Estimates |
| 001 | 4014-00000 | Property Tax - VLF In-Lieu | \$ 1,305,700 | \$ 24,300 | \$ 1,330,000 | Revised HdL/County Estimates |
| 001 | 4020-00000 | Property Tax - Unsecured Current | \$ 71,300 | \$ (1,200) | \$ 70,100 | Trending Lower |
| 001 | 4022-00000 | Property Tax - Unsecured Prior Year | \$ 1,000 | \$ 300 | \$ 1,300 | Trending Higher |
| 001 | 4030-00000 | Property Tax - Miscellaneous | \$ 20,500 | \$ 800 | \$ 21,300 | Trending Higher |
| 001 | 4040-00000 | Property Transfer Tax | \$ 49,000 | \$ 500 | \$ 49,500 | Trending Higher |
| | | | | | Revised HdL Estimates \$226,000 clawback expected in FY 2014-15 taken in FY 2015-16 | |
| 001 | 4050-00000 | Sales Tax | \$ 2,083,200 | \$ (624,200) | \$ 1,547,000 | Revised HdL Estimates |
| 001 | 4051-00000 | Sales & Use Tax | \$ 739,200 | \$ (79,200) | \$ 661,000 | Trending Higher |
| 001 | 4060-00000 | Utility Users Tax | \$ 1,139,300 | \$ 10,000 | \$ 1,149,300 | Trending Higher |
| 001 | 4072-00000 | Residual Property Tax | \$ 133,900 | \$ 66,100 | \$ 200,000 | Trending Higher |
| 001 | 4081-00000 | Franchise Fees | \$ 317,000 | \$ (12,000) | \$ 305,000 | Trending Lower |
| 001 | 4083-00000 | Transient Occupancy Tax | \$ 345,000 | \$ (45,000) | \$ 300,000 | Trending Lower |
| 001 | 4101-00000 | Business Licenses | \$ 181,000 | \$ 14,000 | \$ 195,000 | Trending Higher |
| 001 | 4103-00000 | Building Permits | \$ 63,200 | \$ 14,800 | \$ 78,000 | Trending Higher |
| 001 | 4104-00000 | Plumbing Permits | \$ 9,000 | \$ 3,000 | \$ 12,000 | Trending Higher |
| 001 | 4105-00000 | Electrical Permits | \$ 29,400 | \$ 1,400 | \$ 30,800 | Trending Higher |
| 001 | 4106-00000 | Mechanical Permits | \$ 11,200 | \$ 6,800 | \$ 18,000 | Trending Higher |
| 001 | 4107-00000 | Grading Permits | \$ - | \$ 3,000 | \$ 3,000 | New projects |
| 001 | 4301-00000 | Plan Check Fees | \$ 32,000 | \$ (2,000) | \$ 30,000 | Trending Lower |
| 001 | 4302-00000 | Building Issuance Fees | \$ 12,000 | \$ (1,800) | \$ 10,200 | Trending Lower |
| 001 | 4304-00000 | Precise Plans/Conditional Use Permits/Variances | \$ 10,000 | \$ (5,900) | \$ 4,100 | Trending Lower |
| 001 | 4305-00000 | Environmental Reviews | \$ - | \$ 6,000 | \$ 6,000 | Trending Higher |
| 001 | 4307-00000 | Parcelization, Zone Change, GO | \$ - | \$ 10,000 | \$ 10,000 | Trending Higher |
| 001 | 4308-00000 | Miscellaneous Planning | \$ 1,000 | \$ 28,000 | \$ 29,000 | Projected Business Use Changed |
| 001 | 4315-00000 | Landscape Maintenance | \$ 3,100 | \$ (1,600) | \$ 1,500 | Trending Lower |
| 001 | 4402-35010 | Day Camp Program | \$ 95,000 | \$ (10,000) | \$ 85,000 | Trending Lower |
| 001 | 4403-34020 | July 4th Distance Run | \$ 18,500 | \$ (2,700) | \$ 15,800 | Actuals Lower |
| 001 | 4410-34030 | La Palma Days | \$ 17,000 | \$ 2,500 | \$ 19,500 | Actuals Higher |
| 001 | 4505-00000 | Code Enforcement Citations | \$ 1,000 | \$ (800) | \$ 200 | Trending Lower |
| 001 | 4705-00000 | AB 939 | \$ 25,100 | \$ 25,100 | \$ 50,200 | To Collect for 14/15 |
| 001 | 4800-00000 | Loan Repayments | \$ - | \$ 67,000 | \$ 67,000 | Unisource Loan Payment from ROPS 15-16A RPTTF |
| | | | \$ (448,700) | | | |
| | Total General Fund Revenues | \$ 10,382,600 | \$ (448,700) | \$ 9,933,900 | | |

Expenditures
Administration/Administrative Services
 City Council

City Council

Fiscal Year 2014-15 Mid Year Budget Adjustments

| Fund | | Item Description | Adopted Budget | Budget Adjustment | Amended Budget | Justification |
|--|-------------------|-----------------------------------|-------------------|-------------------|-------------------|--|
| 001-110 | 6200-00000 | Meetings/Training | \$ 7,000 | \$ (2,500) | \$ 4,500 | Elimination of Americana Awards |
| 001-110 | 6220-00000 | Publications and Dues | \$ 8,600 | \$ 7,400 | \$ 16,000 | Reinstate League of California Cities Membership |
| City Manager | | City Manager | | | | |
| 001-120 | 5640-00000 | Retirement | \$ 12,000 | \$ 4,300 | \$ 16,300 | New City Manager in Tier 1 |
| 001-120 | 6000-00000 | Professional Services | \$ - | \$ 55,300 | \$ 55,300 | Public Engagement Consultant |
| City Attorney | | City Attorney | | | | |
| 001-130 | 6010-00000 | Legal Services | \$ 38,250 | \$ 20,050 | \$ 58,300 | Labor Attorney Expenses Trending Higher |
| Administrative Services | | Administrative Services | | | | |
| 001-140 | 5010-00000 | Salaries - Full Time | \$ 97,800 | \$ (24,200) | \$ 73,600 | Vacancy/Salary Savings |
| 001-140 | 5640-00000 | Retirement | \$ 10,700 | \$ (1,100) | \$ 9,600 | Salary Savings |
| 001-140 | 5910-00000 | Cell Phone Allowance | \$ 1,000 | \$ (300) | \$ 700 | Vacancy Savings |
| 001-140 | 6520-00000 | Postage | \$ 20,600 | \$ 6,500 | \$ 27,100 | Trending Higher |
| City Clerk | | City Clerk | | | | |
| 001-150 | 5010-00000 | Salaries - Full Time | \$ 81,400 | \$ (9,680) | \$ 71,720 | Vacancy/Salary Savings |
| 001-150 | 5640-00000 | Retirement | \$ 8,900 | \$ (400) | \$ 8,500 | Salary Savings |
| 001-150 | 6220-00000 | Municipal Code Update | \$ 2,900 | \$ 6,500 | \$ 9,400 | Larger than normal # of Ordinances |
| Accounting | | Accounting | | | | |
| 001-160 | 5010-00000 | Salaries - Full Time | \$ 151,500 | \$ (9,680) | \$ 141,820 | Vacancy/Salary Savings |
| 001-160 | 5500-00000 | Overtime | \$ 4,600 | \$ 900 | \$ 5,500 | Conversion/Long Term Leave |
| 001-160 | 5640-00000 | Retirement | \$ 16,600 | \$ (400) | \$ 16,200 | Salary Savings |
| 001-160 | 6000-00000 | Professional Services | \$ 118,600 | \$ 30,000 | \$ 148,600 | Accounting Services due to Vacancy |
| Human Resources | | Human Resources | | | | |
| 001-170 | 5750-00000 | Conversion/Termination Pay | \$ 357,000 | \$ 100,000 | \$ 457,000 | Large # of Long Term Employees Exited |
| Technology & Communications | | Administrative Services | | | | |
| 001-180 | 5300 | Overtime | \$ 1,100 | \$ (1,100) | \$ - | - Reduction due to Labor Negotiations |
| Subtotal Administration/Administrative Services | | | \$ - | \$ 181,590 | \$ - | |
| Police Admin | | Police Administration | | | | |
| 001-210 | 5230-00000 | Uniform | \$ 900 | \$ (300) | \$ 600 | Vacancy Savings |
| 001-210 | 5300-00000 | Overtime | \$ 800 | \$ (800) | \$ - | - Trending Lower |
| 001-210 | 5640-00000 | Retirement | \$ 37,500 | \$ (12,800) | \$ 24,700 | Vacancy Savings |
| 001-210 | 5620-00000 | Medical Dental Vision | \$ 23,200 | \$ (3,800) | \$ 20,900 | Vacancy Savings |
| 001-210 | 5910-00000 | Cell Phone Allowance | \$ 900 | \$ (400) | \$ 500 | Vacancy Savings |
| 001-210 | 6200-00000 | Meetings and Trainings | \$ 4,100 | \$ (1,000) | \$ 3,100 | Vacancy Savings |
| 001-210 | 6010-00000 | Legal | \$ 500 | \$ (500) | \$ - | - Vacancy Savings |
| Police Operations | | Police Operations | | | | |
| 001-220 | 6000-00000 | Professional Services | \$ 81,800 | \$ (10,000) | \$ 71,800 | Contract lower than estimated |

Fiscal Year 2014-15 Mid Year Budget Adjustments

| Fund | Item Description | Adopted Budget | Budget Adjustment | Amended Budget | Justification |
|-----------------------|--|----------------|---------------------|----------------|--|
| Police Patrol | Patrol | | | | |
| 001-235 | 6000-00000 Professional Services | \$ 33,800 | \$ 3,500 | \$ 37,300 | Moved from Asset Forfeiture (Blood Tests) |
| 001-235 | 7330-00000 Special Departmental Supplies | \$ 7,400 | \$ 1,000 | \$ 8,400 | Moved from Asset Forfeiture |
| 001-235 | 7410-00000 Range Fees | \$ 200 | \$ 2,100 | \$ 2,300 | Moved from Asset Forfeiture |
| Police Services | Services | | | | |
| 001-240 | 6000-00000 Professional Services | \$ 21,600 | \$ 5,000 | \$ 26,600 | Higher than normal Police Recruitments |
| Police Investigations | Investigations | | | | |
| 001-260 | 7500 Evidence & Property Control | \$ - | \$ 1,800 | \$ 1,800 | Moved from Asset Forfeiture |
| | Subtotal Police | | \$ (16,200) | | |
| Planning | Community Development | | | | |
| 001-540 | 6530-00000 Advertising | \$ 1,500 | \$ 1,000 | \$ 2,500 | Actuals Higher |
| | Subtotal Community Development | | \$ 1,000 | | |
| | Subtotal General Fund Expenditure Adjustments | | \$ 166,390 | | |
| | Transfers Out | | | | |
| | 6.4% of Revenues | \$ 610,100 | \$ (28,800) | \$ 581,300 | Transfer Reduced due to decrease in Revenues |
| | Total General Fund Expenditure Adjustments | | \$ 137,590 | | |
| | Revised FY 2014-15 Surplus (Deficit) | | | | |
| | Revised Revenues | \$ 9,933,900 | | | |
| | Revised Expenditures | \$ 10,045,690 | | | |
| | Revised Transfer | \$ 581,300 | | | Balance after Transfer to COR \$331,300 |
| | General Fund Labor Savings | \$ 81,000 | | | |
| | Revised FY 2014-15 Surplus (Deficit) | | \$ (612,090) | | |

Recommend that balance of transfer after \$250,000 transfer to COR remain in General Fund to reduce deficit to \$280,790

Streets Fund (011)

| Revenues | | | | | |
|----------|--|-------------------|------------------|-------------------|--------------------------------|
| 011 | 4208-00000 State Gas Tax Section 2103 | \$ 73,900 | \$ 600 | \$ 74,500 | Revised Projections from State |
| | 4210-00000 State Gas Tax Section 2105 | \$ 93,100 | \$ 3,600 | \$ 96,700 | Revised Projections from State |
| | 4211-00000 State Gas Tax Section 2106 | \$ 52,800 | \$ (800) | \$ 52,000 | Revised Projections from State |
| | 4212-00000 State Gas Tax Section 2107 | \$ 127,400 | \$ 6,800 | \$ 134,200 | Revised Projections from State |
| | Total Streets Fund Revenue Adjustment | \$ 347,200 | \$ 10,200 | \$ 357,400 | |

Measure M Funds (012)

| Revenues | | | | | |
|----------|---|------|------------|------------|---------------------------------------|
| 011 | 4224-00000 Measure M2 Comp Grant (OCTA) | \$ - | \$ 750,000 | \$ 750,000 | Corrections from Capital to Measure M |

Fiscal Year 2014-15 Mid Year Budget Adjustments

| Fund | | Item Description | Adopted Budget | Budget Adjustment | Amended Budget | Justification |
|-----------------------|---|--|---------------------------------|-------------------|----------------|---|
| | | Total Measure M Fund Revenue Adjustment | \$ - | \$ 750,000 | \$ 750,000 | |
| Asset Seizure Fund | Asset Seizure Fund (20) | | <i>Projected Ending Balance</i> | | \$ - | |
| | Revenues | | | | | |
| 4266-00000 | Overtime Reimbursement and Asset Seizures | | \$ 107,000 | \$ (94,000) | \$ 13,000 | |
| | | Total Asset Seizure Fund Revenue Adjustments | | \$ (94,000) | | |
| 020 | Expenditures | | | | | |
| 5300-00000 | Overtime | | \$ 72,000 | \$ (63,700) | \$ 8,300 | Employee Withdrawn from Program |
| 6000-00000 | Professional Services | | \$ 19,500 | \$ (8,000) | \$ 11,500 | Expenses Reduced due to Revenue Reduction |
| 6200-00000 | Meetings and Trainings | | \$ 10,800 | \$ (6,800) | \$ 4,000 | |
| 7330-00000 | Special Departmental Supplies | | \$ 49,100 | \$ (9,500) | \$ 39,600 | |
| 7500-00000 | Evidence & Property Control | | \$ 1,800 | \$ (1,800) | \$ - | |
| | | Total Asset Seizure Fund Expenditure Adjustments | | \$ (89,800) | | |
| | | Capital Outlay Reserve (035) | | | | |
| | | Revenues | | | | |
| | Measure M2 Comp Grant (OCTA) | | \$ 750,000 | \$ (750,000) | \$ - | - Corrections from Capital to Measure M |
| | | Total COR Fund Revenue Adjustments | | \$ (750,000) | | |
| Water Capital Reserve | Water Capital Reserve (055) | | <i>Projected Ending Balance</i> | | \$ - | |
| | Expenditures | | | | | |
| 055 | 000-9161-00000 | Carry over balance of Water Rate Study from FY 20 | \$ - | \$ 42,700 | \$ 42,700 | |
| | | Total Water Capital Reserve Expenditure Adjustments | | \$ 42,700 | | |