



CITY COUNCIL AGENDA STATEMENT



November 13, 2018

File ID: 18-0505

TITLE

- A. QUARTERLY FINANCIAL REPORT FOR THE QUARTER ENDING SEPTEMBER 30, 2018
- B. RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA MAKING VARIOUS AMENDMENTS TO THE FISCAL YEAR 2018/19 BUDGET TO ADJUST FOR VARIANCES AND APPROPRIATING FUNDS; AMENDING THE CAPITAL IMPROVEMENT PROGRAM BUDGETS FOR THE PAVEMENT MINOR REHABILITATION CIP PROJECT (STL0433), THE CIP TRAFFIC PROJECT (TRF0354), THE CIP STREET MAJOR CIP PROJECT (STM0396), AND THE 610 BAY BLVD BUILDING REPAIR (GGV0238) THEREFOR (4/5 VOTE REQUIRED)
- C. RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA APPROVING A SALARY ADJUSTMENT FOR THE CITY CLERK

RECOMMENDED ACTION

Council accept the report and adopt the resolutions.

SUMMARY

The Finance Department, in collaboration with City departments, prepares quarterly financial reports for the General Fund that reflect budget to actual comparisons, projected revenues and expenditures, and highlight major variances that may require additional action or changes as of September 30, 2018. The quarterly financial reports are in compliance with Section 504 (f) of the City Charter, which requires that quarterly financial reports be filed by the Director of Finance through the City Manager.

In preparing the quarterly financial projections, staff has identified various budget changes that are needed to reflect actual revenues and expenditures or address changes in budgetary needs. For government entities, a budget creates a legal framework for spending during the fiscal year. After the budget is approved by the City Council, there are circumstances which arise that could require adjustments to the approved budget. Council Policy 220-02 "Financial Reporting and Transfer Authority" was established in January of 1996 and allows for budget transfers and adjustments to be completed. This report discusses budget adjustments that staff recommends in the General Fund as well as various other funds to address identified fiscal issues.

In addition to the Fiscal Year 2018/2019 budget recommendations for City funds, this report includes an update on Measure P actual revenues and expenditures as of September 30, 2018.

Finally, on September 26, 2017, the City Council of the City of Chula Vista appointed Kerry Bigelow to serve as the City Clerk effective September 29, 2017 and subsequently approved the City Clerk Employment

Agreement. City Staff submits to City Council a proposed salary adjustment to increase Ms. Bigelow's base annual salary from the current \$130,600 to the City Clerk salary range maximum of \$154,636.82, after one year of employment and in alignment with the previous City Clerk's salary, effective November 23, 2018.

ENVIRONMENTAL REVIEW

The Development Services Director has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that filing of the quarterly financial status report is not a "Project" as defined under Section 15378 of the State CEQA Guidelines because it will not result in a physical change to the environment; therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines the actions proposed are not subject to CEQA.

BOARD/COMMISSION/COMMITTEE RECOMMENDATION

Not applicable.

DISCUSSION

1. QUARTERLY REPORT

The First Quarter Report is developed using three months of recorded (July 2018 through September 2018) activity for Fiscal Year 2018/2019 as of September 30, 2018. The data in this report is the most current data available; however, the data and projections are subject to change.

This report will provide summary information for the following areas:

- Major General Fund Revenues
- Adjustments to General Fund Expenditures
- Adjustments to non-General Fund funds
- Update to the Measure P Fund

Attachment A – Quarterly Financial Report provides additional information for the financial outlook for the General Fund for the current fiscal year including City revenues and expenditures; and a summary of the Long Term Financial Plan (LTFP) covering FY 2020 – FY 2029.

The Finance Department will continue to monitor the City's actual revenues and expenditures and will provide any significant changes in subsequent quarterly budget monitoring reports.

General Fund Overview

The City's FY 2019 financial outlook is primarily unchanged as overall General Fund revenues are projected to slightly exceed expenditures by approximately \$0.4 million. The positive change is primarily due to a positive adjustment to the Property Tax In-Lieu Vehicle License Fee based upon updated information from the County of San Diego and slight decreases in departmental expenditures. Additional information on General Fund revenue and expenditures are provided in the attachment to this report.

Major General Fund Revenues

The City's major General Fund revenues, which make up approximately 78% of the City's General Fund revenues, are projected to be over the Adopted Budget amounts by approximately \$0.3 million primarily as

a result of increased projections for the Property Tax in Lieu of Vehicle License Fee (previously accounted for as Motor Vehicle License fees) by \$0.3 million. All other Major revenues are anticipated to meet their projected revenue year-end estimates. Table 1: Fiscal Year 2018/2019 Major General Fund Revenue Projections summarizes the revenue projections.

Table 1 - Fiscal Year 2018/2019 Major General Fund Revenue Projections

Revenue Category	FY 2019 Adopted Budget	FY 2019 Projected Budget	Variance
Property Tax	\$ 35,301,977	\$ 35,301,977	\$ -
Sales Tax	\$ 33,698,020	\$ 33,698,020	\$ -
Measure P Sales Tax	\$ 18,085,000	\$ 18,085,000	\$ -
PT in lieu of Motor Vehicle License Fee (VLF) ¹	\$ 21,886,241	\$ 22,224,361	\$ 338,120
Franchise Fees	\$ 11,691,843	\$ 11,691,843	\$ -
Utility Users Taxes	\$ 5,605,396	\$ 5,605,396	\$ -
Transient Occupancy Tax	\$ 4,102,798	\$ 4,102,798	\$ -
Total	\$ 130,371,275	\$ 130,709,395	\$ 338,120

¹Property Tax in Lieu of Vehicle License Fees was previously accounted for as Motor Vehicle License fees (VLF) in the State Revenue category. VLF was replaced by a backfill from property taxes following the permanent reduction of the VLF rate from 2% to 0.65% in 2004.

Note: In June 2018, Chula Vista voters approved the Measure A Sales Tax Measure. This tax is to commence on October 1, 2018 and will be accounted for in the Second Quarter Financial Report.

The remaining General Fund revenues (not represented in Table 1) are anticipated to net a slight increase (less than \$0.1 million) over the Adopted Budget. All the General Fund revenues are summarized in Attachment A. The overall General Fund revenues are projected to exceed the Adopted Budget by approximately \$0.4 million.

It should be noted that the City anticipates Sale Tax revenue to be increased by approximately \$1.0 million from the FY 2019 Adopted Budget amount due to difficulties encountered by the State during the annual collection process. A budget adjustment is not recommended at this time as the State is still determined the amount of the adjustment due to the City. A budgetary adjustment will be brought forward during a subsequent quarterly monitoring report once more specific information is provided by the State.

Major General Fund Expenditures

The City’s major General Fund expenditures, which make up approximately 84% of the City’s General Fund expenditures, are shown in the table below. As of the end of the first quarter, overall personnel service expenditures are slightly statistically elevated which may be due to the seasonal/cyclical nature of specific staffing needs within certain City departments such as Parks and Recreation. Staff will continue to monitor expenditures to identify any costs that might continue to trend higher than anticipated and propose future actions to address these expenses. Additionally information related to departmental expenditures is provided in the attachment.

Table 2 - Fiscal Year 2018/2019 General Fund Major Expenditure Projections

Revenue Category	FY 2019 Adopted Budget	FY 2019 Projected Budget	Expended to date	% Expended
Personnel Services	\$ 128,211,584	\$ 128,201,584	\$ 40,165,582	31.3%
Supplies and Services	\$ 13,674,261	\$ 13,684,261	\$ 3,785,484	27.7%
Utilities	\$ 4,783,376	\$ 4,783,376	\$ 1,371,679	28.7%
Total	\$ 146,669,221	\$ 146,669,221	\$ 45,322,745	30.9%

Note: In June 2018, Chula Vista voters approved the Measure A Sales Tax Measure. This tax is to commence on October 1, 2018 and will be accounted for in the Second Quarter Financial Report.

General Fund Adjustments

At the conclusion of the first quarter of fiscal year 2019, the proposed adjustments are minor inter- and intra- Department transfers or are appropriations associated with offsetting revenue. The proposed adjustments are anticipated to result in a net decrease of General Fund costs of approximately \$91,000. The following chart provides a summary of the proposed budgetary adjustments.

Table 3 - General Fund Adjustments Summary - 1st Quarter Fiscal Year 2018-19

DEPARTMENT/FUND	Footnote	PERSONNEL SERVICES	SUPPLIES & SERVICES	TRANSFERS OUT	TOTAL EXPENSE	TOTAL REVENUE	NET COST
GENERAL FUND							
Non-Departmental	1	-	-	4,407	\$ 4,407	\$ -	\$ 4,407
Animal Care Facility	2	3,650	13,550	-	\$ 17,200	\$ (18,220)	\$ (1,020)
Economic Development	3	1,472	-	-	\$ 1,472	\$ -	\$ 1,472
Police	4	167,792	-	-	\$ 167,792	\$ -	\$ 167,792
Fire	5	(40,600)	(79,400)	-	\$ (120,000)	\$ 120,000	\$ -
Public Works	6, 7	(201,839)	40,133	-	\$ (161,706)	\$ (100,000)	\$ (261,706)
Parks and Recreation	6	(1,541)	-	-	\$ (1,541)	\$ -	\$ (1,541)
Library	3, 8	(59)	15,590	-	\$ 15,531	\$ (15,590)	\$ (59)
TOTAL OTHER FUNDS		\$ (71,125)	\$ (10,127)	\$ 4,407	\$ (76,845)	\$ (13,810)	\$ (90,655)

General Fund Amendment Footnotes

- 1 - Increase appropriations of \$4,407 for Transfers-Out for the Police Department JAG grant.
- 2 - Increase of \$17,200 for grant revenues and expenses for the Animal Care Facility Department.
- 3 - Budget correction for personnel services related to the restructuring and transfers of the Cultural Arts program from the Economic Development to Library Department in a net increase of \$1,413.
- 4 - Transfer \$165,531 expense appropriations for personnel services to the General Fund for the Promise Neighborhood grant that expired in FY 2018, and other budget adjustments of \$2,261 related to position cost changes.
- 5 - Transfer \$120,000 from the General Fund for revenues and expenses for the Fire Training - Technical Rescue program originally funded with grant funds.
- 6 - Budget correction reducing expenses by \$163,247 related to the restructuring and transfers of the Parks Division from the Public Works Department to the Parks and Recreation Department.
- 7 - Adjustment to the Public Works revenue budget of \$100,000 related to Staff Time Reimbursements.
- 8 - Increase of \$15,590 for revenues/expenses related to grant awards in the Library Department.

The significant adjustments to the General Fund Expenditures are described below.

- Transfer the appropriations for personnel services for the Police Department Budget from the Promise Neighborhood grant to the General Fund for \$165,531.
- Decrease the Public Works Department budget for the Parks Division that was transferred as part of the FY 2019 restructuring to the Parks and Recreation Department for \$161,706. Decrease of the personnel services budget by \$201,839, and an adjustment to the supplies and services budget by \$40,133.
- Transfer \$120,000 from the General Fund to Other Funds related to the training division revenues

and expenses that are tied to funding provided originally by the UASI Grant for the Fire Training-Technical Rescue program.

Other Funds Adjustments

The following recommended adjustments are for funds outside of the General Fund. The proposed adjustments, displayed in Table 4, have a net cost of approximately \$0.4 million, which are entirely funded with fund balances or current year available revenues. A brief discussion follows the table on the major proposed adjustments.

Table 4 - Other Funds Adjustments Summary - 1st Quarter Fiscal Year 2018-19

FUND	Footnote	PERSONNEL SERVICES	SUPPLIES & SERVICES	OTHER CAPITAL	CIP BUDGET	TRANSFERS OUT	TOTAL EXPENSE	TOTAL REVENUE	NET COST
OTHER FUNDS									
Transportation Grants-Gas Tax Fund	1	-	-	-	(920,941)	-	\$ (920,941)	\$ 920,941	\$ -
Parking Meter Fund	2	-	151,449	-	-	-	\$ 151,449	\$ -	\$ 151,449
Asset Seizure Fund	3	-	(30,000)	-	-	-	\$ (30,000)	\$ 30,000	\$ -
Other Grants	4	48,600	86,900	-	-	-	\$ 135,500	\$ (135,500)	\$ -
Local Grants	3, 5	(4,201)	39,850	-	-	-	\$ 35,649	\$ 22,426	\$ 58,075
Federal Grants	6, 7, 8, 9, 10	(681,065)	305,000	-	-	-	\$ (376,065)	\$ 217,556	\$ (158,509)
State Grants	6, 11	522,756	75,000	-	-	15,000	\$ 612,756	\$ (434,014)	\$ 178,742
CFD 08M Vlg 6 McMillin & OR Fund	12	-	27,000	-	-	-	\$ 27,000	\$ -	\$ 27,000
Central Garage Fund	13	-	-	35,000	-	-	\$ 35,000	\$ -	\$ 35,000
Transit Capital Projects	14	-	-	88,866	-	-	\$ 88,866	\$ -	\$ 88,866
Capital Improvement Projects	15	-	-	-	50,000	-	\$ 50,000	\$ (50,000)	\$ -
TOTAL OTHER FUNDS		\$ (113,910)	\$ 655,199	\$ 123,866	\$ (870,941)	\$ 15,000	\$ (190,786)	\$ 571,409	\$ 380,623

Other Funds - Amendment Footnotes

- 1 - Reduction of the FY 2019 Gas Tax revenues/expenses of \$920,941.
- 2 - Appropriate fund balance of \$151,449 for supplies and services in the Parking Meter Fund.
- 3 - Transfer \$30,000 in revenue/expenditures from Asset Seizure funds to the Local Grants funds.
- 4 - Appropriate \$7,500 in revenues and expenses for the Fire Department CERT program; transfer \$120,000 from the General Fund for revenues and expenses for the Fire Training - Technical Rescue program originally funded with grant funds; and, appropriate \$7,250 in revenues and expenses for the Police Department AB109 R3 program.
- 5 - Budget adjustment to Public Safety Realignment program resulting in a reduction of \$4,201 in expenses and \$52,426 in revenues, and increase Anti Money Laundering program expenses for supplies and services by \$9,850.
- 6 - Transfer \$579,756 in budgeted expenses and \$401,014 in budgeted revenues to the State Grants Fund for the SLESF grant for the Police Department.
- 7 - Transfer \$165,531 expense appropriations for personnel services to the General Fund for the Promise Neighborhood grant that expired in FY 2018.
- 8 - Appropriate \$380,000 in expenses and \$370,000 in revenues for the Treasury Asset Seizure program.
- 9 - Budget cleanup expense reductions of \$10,778 for various Police Department grants to match revenues (BJA Smart Policing program, Operation Stonegarden, OTS STEP grant, Regional Computer Forensic Lab, UASI grant).
- 10 - Grant revenue adjustments resulting in a net decrease of \$186,542 in revenues. Reduction of the Asset Seizure program revenue by \$360,000, increase HIDTA CBAG revenue by \$87,834, increase of the JAG revenue by \$4,407 from the General Fund, decrease of the Promise Neighborhood grant that expired in FY 2018 by \$57,500, and increase the SD Law Enforcement grant by \$138,717.
- 11 - Appropriate the Library Service/Tech Act Grant revenues and expenses of \$15,000, and appropriate the Literacy Program revenues and expenses of \$18,000 for the Library Department for a total of \$33,000.
- 12 - Appropriate \$27,000 of fund balance for supplies and services in the CFD 08M Vlg 6 McMillin & OR Fund.
- 13 - Appropriate \$35,000 of fund balance for other capital for the Central Garage Fund.
- 14 - Appropriate \$88,866 of fund balance for supplies and services for the Transite Capital Projects fund.
- 15 - Appropriate \$50,000 in revenue/expenditures from an insurance payment for CIP Expenditures for the 610 Bay Blvd Building Repair (GGV0238) project in the Capital Improvement Projects fund.

- Transportation Grants-Gas Tax Fund decrease of revenues and expenses by \$920,941. The estimates used to build the FY 2019 CIP Budget was based on the City receiving \$6.82 million in Gas Tax revenues, but more recent projections from the State of California decreased the allocation to \$5.86 million. The impact of the revenue decrease will result in the following changes to the individual CIP projects:
 - \$1,259,263 decrease to the Pavement Minor Rehabilitation CIP project (STL0433);
 - \$304,575 increase to the CIP Traffic project (TRF0354);
 - \$33,747 increase to the CIP Street Major CIP project (STM0396).

2. MEASURE P FUND OVERVIEW

In November 2016, Chula Vista voters approved Measure P, authorizing a ½ cent sales tax increase on retail sales within the City for ten years. The funding from the sales tax measure is to allow the City to make progress toward replacing and repairing failing City assets. In December 2016, the City Council adopted the expenditure plan for the Measure P funding. The expenditure plan identified critical deferred maintenance and infrastructure projects for which the Measure P funding was to be allocated toward.

The following table provides an update on the allocation and expenditures (unaudited) for the Measure P funds.

Table 5 - Measure P
Citywide Infrastructure, Facilities and Equipment Expenditure Plan
1/2 cent Sales Tax Revenues over 10 year period
Summary Table as of 9/30/18

Total by Major Category	10-Year Timeframe	Unaudited Totals	Remaining
REVENUES:			
Sales Tax Revenues	186,299,869	25,731,556	160,568,313
Investment Earnings	-	925,431	(925,431)
Miscellaneous	-	150,502	(150,502)
Total Revenues	\$ 186,299,869	\$ 26,807,488	\$ 159,492,380
EXPENDITURES:			
Fire Stations Repairs/Replacement	24,611,549	41,576	24,569,973
Fire Response Vehicles	19,847,580	2,935,823	16,911,757
Fire Safety Equipment	5,197,913	355,809	4,842,104
Total Fire Services	\$ 49,657,042	\$ 3,333,207	\$ 46,323,834
Police Response Vehicles	13,301,470	2,103,118	11,198,352
Public Safety Communication Systems	8,678,863	2,164,503	6,514,360
Police Facility Repairs	2,101,000	357,627	1,743,373
Police Equipment	611,145	-	611,145
Total Police Services	\$ 24,692,478	\$ 4,625,248	\$ 20,067,230
Streets	24,474,861	3,303,101	21,171,760
Other Infrastructure	14,154,295	464,593	13,689,702
Sports Fields and Courts	16,966,595	352,144	16,614,451
Non-Safety Vehicles	11,195,100	1,223,682	9,971,418
Other Public Facilities	14,286,000	781,017	13,504,983
Traffic Signal Systems	7,000,000	87,117	6,912,883
Park Infrastructure	10,307,740	346,475	9,961,265
Citywide Network Replacement	2,080,700	2,082,028	(1,328)
Citywide Telecommunications	2,000,000	1,195,372	804,628
Total Infrastructure	\$ 102,465,291	\$ 9,835,528	\$ 92,629,762
Total Proposed Allocations	\$ 176,814,811	\$ 17,793,983	\$ 159,020,826

3. Salary Adjustment

On September 26, 2017, the City Council of the City of Chula Vista appointed Kerry Bigelow to serve as the City Clerk effective September 29, 2017 and subsequently approved the City Clerk Employment Agreement.

Section 6C of the City Clerk Employment Agreement states, in part, “The City Council may increase the City Clerk’s Base Salary at any time in the sole discretion of the City Council.” Further, Section 6D reads, as follows:

City Clerk’s Base Salary increases approved by the City Council from time to time pursuant to this Agreement shall not require an amendment to this Agreement to be effective. Such may be set forth in an annual salary resolution or minute action approved by the City Council and ratified by resolution.

The proposed salary adjustment would increase Ms. Bigelow’s base annual salary from the current \$130,600 to the City Clerk salary range maximum of \$154,636.82, following one year of employment and in alignment with the prior City Clerk’s salary, effective November 23, 2018. Approval of Resolution C will reflect the salary adjustment for the City Clerk effective November 23, 2018.

DECISION-MAKER CONFLICT

Staff has reviewed the property holdings of the City Council of the City of Chula Vista members and has found no property holdings within 500 feet of the boundaries of the property which is the subject of this action. Consequently, this item does not present a disqualifying real property-related financial conflict of interest under California Code of Regulations Title 2, section 18702.2(a)(11), for purposes of the Political Reform Act (Cal. Gov’t Code §87100, et seq.).

Staff is not independently aware, and has not been informed by any City of Chula Vista City Council member, of any other fact that may constitute a basis for a decision maker conflict of interest in this matter.

LINK TO STRATEGIC GOALS

The City’s Strategic Plan has five major goals: Operational Excellence, Economic Vitality, Healthy Community, Strong and Secure Neighborhoods and a Connected Community. This action supports the Operational Excellence goal by communicating the City’s projected financial position for the current fiscal year in an open and transparent manner. This transparency supports City Initiative 1.3.1. - “Foster public trust through an open and ethical government.” Furthermore, the salary adjustment for the City Clerk supports the City-wide strategic goal of Operational Excellence by providing a salary that attracts and retains quality employees.

CURRENT-YEAR FISCAL IMPACT

The First Quarter Monitoring Report presents updates to revenue and expenditure projections as of September 30, 2018. As a result of the revised projected revenues and expenditures within this report, the overall General Fund revenues are projected to exceed projected expenditures by approximately \$0.4 million. Staff will continue to monitor actual revenue receipts and expenditures to determine if any budget adjustments will be needed in the future.

As presented in the attached resolution for a salary adjustment for the City Clerk, the salary adjustment is estimated to total a net cost of \$15,321. There is anticipated savings projected within the City Clerk’s Office supplies and services budget in the department to absorb the additional cost, resulting in no net impact to the General Fund. The budget transfer will be considered as part of the Finance Department’s Second Quarter Update.

Across the non-General Fund funds, multiple actions are recommended for the first quarter, leading to a net cost of approximately \$0.4 million to non-General Fund accounts. These costs are to be addressed with fund balances or revenues from current year services.

ONGOING FISCAL IMPACT

There is no ongoing fiscal impact related to the proposed budgetary actions for the General Fund. For the salary adjustment for the City Clerk, the ongoing cost associated with this proposed change is estimated at approximately \$28,372 annually. The overall cost will increase along with future cost of living adjustments and benefit changes. The cost will be incorporated into the baseline salary budgets of the City Clerk's Office in future fiscal years.

ATTACHMENTS

1. FY2019 First Quarter Financial Report

Staff Contact: David Bilby, Finance Department