

DISCUSSION

THIRD QUARTER BUDGET AMENDMENTS FISCAL YEAR 2014-15

On May 12, 2015 the Finance Department submitted the Third Quarter Financial Report for the quarter ending March 31, 2015. This report complements the Third Quarter Financial report containing the recommended budget adjustments in the General Fund as well as various other funds resulting from staff's review of budget operations through end of the third quarter for fiscal year 2014-15.

In preparing the quarterly financial projections, staff identified various budget changes that are needed to better reflect actual revenues and expenditures or address changes in budgetary needs. The following section reflects the recommended budget amendments for the General Fund by Department, as well as Other Funds by fund.

General Fund Budget Amendments - Staff is recommending budget amendments in the following departments: City Council, Non-Departmental, Animal Care Facility, Library, Fire, Police, Public Works, and Human Resources. These changes result in no net fiscal impact to the General Fund.

Non Departmental - The following budget adjustments are requested for the Non-Departmental budget:

- The City has recently received \$160,400 in unanticipated revenue from the sale of two easements to the Sweetwater Authority for wells to expand the Reynolds Desalinization Plant. The budgetary impact of these revenues was assumed in the projections included in the Third Quarter Financial Report. Staff is recommends appropriating these revenues so that they are reflected in the current fiscal year budget. Staff is also recommending appropriating \$30,000 of these revenues to the Non-Departmental Non-CIP project expenditures expense category for improvements to the west side parking lot that serves the Public Services building on the City's main campus. This lot was not fully completed at the time the City Hall complex was reconstructed because it was anticipated that Fire Station No. 1, immediately adjacent to the lot would be relocated. However, at later date it was decided that the station would remain for the foreseeable future. As a result, the parking lot was left unfinished lacking full functionality with only one access point.
- Non-Departmental/City Council - The fiscal year 2015 City Council budget includes a prior year carryover of \$15,000 in the Supplies and Services expense category. The expenditures related to this budget are citywide in nature; they include partial funding for the Continuous Improvement Academy. Staff is requesting to transfer these funds from the City Council budget to the Non- Departmental budget to more accurately reflect the use of these citywide expenditures. There is no net fiscal impact to the General Fund as a result of this change.
- Non-Departmental/Telegraph Canyon Drainage Plan DIF - Earlier this fiscal year, City Council approved an appropriation of \$1.8 million from General Fund (operating) reserves for the Telegraph Canyon Erosion Repair CIP. Since that time, staff has been evaluating the feasibility of using Telegraph Canyon Drainage Plan DIF funds for these project costs. Staff is requesting to transfer the project budget from the General Fund to the Telegraph Canyon

Drainage Plan DIF. While further work is needed to update the Telegraph Canyon Drainage Plan DIF staff is confident that this is an eligible funding source. Public Works staff will return to Council before the end of the calendar year with a fee update that includes the Telegraph Canyon Erosion Repair project as a facility in the Telegraph Canyon Drainage Plan DIF. At this time staff is requesting the elimination of the \$1.8 million appropriation in the General Fund and the addition of an appropriation of \$1.8 million in the Telegraph Canyon Drainage Plan DIF. Should it be determined at a later date that the Telegraph Canyon Drainage Plan DIF is not an eligible funding source, the General Fund will need to repay project costs to date and assume any remaining project costs.

Animal Care Facility (ACF) - The ACF has received donations from various sources and unanticipated revenues totaling \$82,000. Staff is requesting to appropriate these funds to address various operational needs. The funds will be used to replace one Animal Control Truck (\$36,000), replace one Animal Transport Unit (\$19,000), purchase one Transit Connect Van (\$23,000), and associated maintenance costs fund associated maintenance costs for one year (\$4,000). Staff is requesting an appropriation of \$82,000 to the Transfers Out category of the Animal Care Facility budget for these costs. \$78,000 to the Equipment Replacement Fund for the purchase of the vehicles and equipment, and \$4,000 to the Central Garage Fund for the associated maintenance costs. This appropriation will be fully offset by unanticipated revenue. The requested appropriation results in no net fiscal impact.

Fire Department - The Fire Department is requesting the following budget adjustments based on revenue reimbursements from various sources:

- The Fire Department has received reimbursements in the amount of \$127,768 and is expecting to receive an additional \$91,733 from the State of California Office of Emergency Services. These reimbursements are related to costs associated with staff time and travel for Chula Vista Fire Department strike team deployments for mutual aid agreements to assist in statewide firefighting efforts. Staff is requesting Council to amend the Fire Department budget by appropriating \$219,501 to the Personnel Services expense category to reimburse for incurred overtime costs.
- The Fire Department has also received \$13,159 in reimbursement for its participation in the Urban Search & Rescue - Task Force 8 (TF-8) from the City of San Diego. Staff is requesting that \$10,830 from this reimbursement be appropriated to the Personnel Services expense category to reimburse for incurred overtime costs and \$2,329 to the Supplies and Services category to offset travel costs within the Fire Department budget.

Public Works

- Public Works/Human Resources - An appropriation of \$45,000 to the Other Expense Category of the Traffic Signal & Street Lighting budget is requested for the repair and replacement of traffic operation equipment due to vehicle accidents. The Other Expense appropriation will be offset by a revenue appropriation in the Human Resources Department from reimbursement revenue that has been recovered from the responsible insurance companies
- An appropriation of \$62,000 to the Supplies and Services Category of the Park Maintenance Budget for the purchase of sod for Montevalle Park is requested. Restoration of the play field

must be performed in spring in order to capture the growth and establishment season required for the successful restoration of the playing field. This appropriation will be offset by transfer of savings from the Public Works Personnel Services expenditure category resulting from unanticipated salary savings due to vacancies.

- An appropriation of \$25,000 to the Supplies and Services Category of the Building Projects budget for repairs at the Chula Vista Community Park parking lot. This appropriation will be offset from projected savings within the Public Works Personnel Services expenditure category. Personnel Services has unanticipated salary savings due to vacancies.

Library - The Library has received donations totaling \$924; these donations include: Friends of the Heritage Museum (\$624) and (\$300) from Connie Fey in the name of her sister Jackie Fey Lindensmith. The donation from the Friends of the Heritage Museum will be used for operating expenses at the Heritage Museum per their MOU agreement. The donation from Connie Fey will be used to purchase children's books. Staff is requesting that \$755 be appropriated to the Supplies and Services budget, and that \$169 be appropriated to the Utilities budget; these appropriations will be fully offset by unanticipated revenue resulting in no net fiscal impact.

Budget Amendments to Other Funds - In addition to the General Fund changes requested above, staff is also recommending a number of changes to other funds. These changes are as follows.

Workers Compensation Fund - Expenses in the Workers Compensation fund are projected to exceed budget. Staff recommends an appropriation of \$675,000 to the Other Expenses budget category in order to fund workers compensation claims projected to be incurred through the end of the current fiscal year. Note that this appropriation may place this fund into a deficit depending on the level of actual expenditures for the current fiscal year. Based on current expenditure trends, the projected deficit is approximately \$300,000 for the fiscal year ending June 30, 2015. Staff will continue to monitor expenses in this fund and return to Council to address shortfalls in reserves.

Development Services Fund - The following budget adjustments are requested in the Development Services Fund:

- Development Services has experienced an increase in the use of credit cards as a form of payment. As part of the 2nd Quarter Report a transfer was requested, however subsequent to preparing the 2nd Quarter Report, a greater than anticipated increase in volume has occurred. As a result the Department is projected to exceed the budget for credit card transaction fees. Staff is requesting a transfer of \$38,000 from Personnel Services to the Other Expenses category for these increased expenditures. There is no net fiscal impact as a result of this transfer.
- Pursuant to California Public Resources Code 2705, the City must collect a fee established by the State from each building permit to fund the State's Strong-Motion Instrumentation Program. The City retains 5% of the fees collected and the remaining 95% is reimbursed to the State through the Other Expenses category of the Development Services budget. Staff is requesting an appropriation of \$24,000 to the Other Expenses category of the Development Services Fund, due to higher than anticipated permit activity. This appropriation would be offset by fees collected for the Strong-Motion Instrumentation Program. There is no net fiscal

impact to the fund as a result of this appropriation.

2004 Certificate of Participation Civic Center Project Phase I Fund - An appropriation of \$1,400 from the available balance of the 2004 Certificate of Participation Civic Center Project Phase I Fund to the Supplies and Services budget category is requested. The additional appropriations will be used to fund services that provide disclosure report preparation, account management and arbitrage calculation reports that are required for the management of this fund in accordance with SEC regulations.

2010 Certificate of Participation Refinance Fund - An appropriation of \$1,800 from the available balance of the 2010 Certificate of Participation Refinance Fund to the Supplies and Services budget category is requested. The additional appropriations will be used to fund services that provide disclosure report preparation, account management and arbitrage calculation reports that are required for the management of this fund in accordance with SEC regulations.

State Grants Fund - The Library Department has received \$11,235 in State grant funding to support the Literacy Program. The purpose of the grant from the California State Library, through the California Library Literacy Services, is to support adult literacy services in a library setting. This enables the library to continue to provide literacy services in the Educational Services Wing at the South Chula Vista Library in partnership with a volunteer literacy organization, Lauderbach Literacy Council. The Library Department is requesting to appropriate these funds to the Personnel Services expenditure category to fund hourly staff for the Literacy program.

Equipment Replacement Fund - Staff is requesting an appropriation of \$43,144 to the Equipment Replacement Fund's Capital expense category for the purchase of a replacement Battalion Chief emergency response vehicle that was irreparably damaged in the course of responding to a call for service. The vehicle needs to be replaced as soon as possible in order to ensure proper Battalion Chief response readiness capability. This appropriation is for the cost of the vehicle only and does not include outfitting expenses that will be subsequently required. The appropriation will be made from the available balance of the Equipment Replacement Fund; however the City expects to be reimbursed for this vehicle via insurance liability proceeds as it was not liable for the vehicle damages resulting from this incident.

Staff is requesting an additional appropriation of \$78,000 to the Equipment Replacement Fund's Capital expense category for the purchase of Animal Control Facility (ACF) vehicles previously discussed in this report. These vehicles will be funded by Transfers In revenues from the General Fund that are funded through donations received by the (ACF).

Central Garage Fund - A \$4,000 appropriation is requested to the Transfers In revenue category of the Central Garage Fund to offset the first years maintenance costs of the vehicles to be purchased for the Animal Care Facility as previously discussed in this report.

Telegraph Canyon Drainage Plan DIF - Staff is requesting the appropriation of \$1.8 million to the Telegraph Canyon Drainage Plan DIF Fund. The appropriation will be used to fund work for the Telegraph Canyon Erosion Repair project as was previously discussed in the report.

DECISION-MAKER CONFLICT

Staff has reviewed the property holdings of the City Council member and, for each of the decisions contemplated by this action, either: (i) is not site specific; (ii) does not involve property which is within 500 feet of member property holdings; or (iii) solely concerns the repair, replacement or maintenance of existing streets, sewer, storm drainage or similar facilities and, as such, the financial effect of the decision on real property is presumed not to be material, pursuant to California Code of Regulations Title 2, sections 18705.2(c).

Staff is not independently aware, nor has staff been informed by any City Councilmember, 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."

CURRENT YEAR FISCAL IMPACT

General Fund - Approval of the resolution amending the fiscal year 2014/15 budget will result in appropriations and budget amendments in the following departments: City Council, Human Resources, Non-Departmental, Animal Care Facility, Fire, Public Works, and Library. These budget amendments will reduce budget appropriations by \$1.4 million and increase revenues by \$0.5 million. The fiscal impact related to the elimination Telegraph Canyon Erosion repair CIP, sale of the easements, and the City Hall Campus parking lot project were all reflected in the Third Quarter Financial Report submitted to Council earlier this month. Tonight's action allows for the approval of the budget amendments related these changes. Overall, the General Fund will reflect a negative balance of \$0.3 million with the approval of these amendments. The budgeted deficit reflects prior Council appropriations from General Fund reserves.

Summary of General Fund Budget Appropriations and Amendments by Department

Other Funds - Approval of the resolution amending the fiscal year 2014/15 budget will result in appropriations and budget amendments to various funds. The corresponding fiscal impact is included in the table below.

Summary of Budget Appropriations and Amendments by Fund

In addition to the appropriations included above, staff is also recommending a number of transfers between expenditure categories for various departments and funds. These changes result in no net fiscal impact.

Summary of Requested Transfers within Departments/Funds

There is no net fiscal impact to the Development Services Fund or the States Grant Fund that result from these amendments.

Projected impacts to the remaining funds are as follows:

- The Central Garage Fund will improve by \$4,000.
- The appropriation to the Equipment Replacement Fund of \$121,144 will be offset by \$78,000 in unanticipated revenues; the remaining appropriation \$43,144 will come from the available fund balance of this fund.
- The appropriation of \$675,144 in the Workers Compensation Fund will be made from the available fund balance of this fund.
- The appropriation of \$1,400 in the 2004 Certificate of Participation Civic Center Project Phase I Fund will be made from the available fund balance of this fund.
- The appropriation of \$1,800 in the 2010 Certificate of Participation Refinance Fund will be made from the available fund balance of this fund.
- The \$1.8 million appropriation to the Telegraph Canyon Drainage DIF Fund will be made from the available fund balance of this fund.

ONGOING FISCAL IMPACT

Staff will continue to monitor and analyze revenue and expenditure trends and incorporate changes as necessary into future financial reports and/or budgets.

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