



City of Chula Vista

Staff Report

File#: 15-0177, **Item#:** 6.

QUARTERLY FINANCIAL REPORT FOR THE QUARTER ENDED MARCH 31, 2015

RECOMMENDED ACTION

Council accept the report.

SUMMARY

The Finance Department 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. 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. A projection for the Development Services Fund is also included in this report.

ENVIRONMENTAL REVIEW

The Development Services Director has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that the activity is not a "Project" in accordance with Section 15378(b)(4) of the State CEQA because it involves only acceptance of the quarterly fiscal report, therefore it is governmental fiscal activity which does not involve any commitment to any specific project and will not result in a potentially significant physical impact on the environment; therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines the activity is not subject to CEQA. Thus, no environmental review is necessary.

BOARD/COMMISSION RECOMMENDATION

Not applicable.

DISCUSSION

General Fund Overview

The Finance Department 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. 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.

Attachment A - Quarterly Financial Report provides the financial outlook for the General Fund for the current fiscal year and includes summary information for revenues and expenditures.

The following chart summarizes the projections for June 30, 2015 based on revenue and expenditure trends through the third quarter of fiscal year 2014/15 for the City's General Fund.

The Amended Budget column includes all Council approved changes to the fiscal year 2014/15 adopted budget that have taken place through the end of the third quarter ending March 31, 2015 with one exception. Earlier this year, City Council approved an appropriation of \$1.8 million for a capital improvement project, Telegraph Canyon Road Erosion Repair. Staff is currently looking at alternative funding options for this project and has therefore been removed from the Amended Budget and Projected columns. Staff will return to City Council to take formal action on this issue but for purposes of this report, staff is assuming that an alternative funding source will be identified. Finally, the Amended Budget column reflects City Council approved budget appropriations with a net impact including funding for the purchase of a property on Third Avenue, costs related to propositions on the November 2014 ballot, and funding for the Districting Commission.

The Projected column lists the fiscal year 2014/15 projections for revenues and expenditures as of June 30, 2015.

General Fund Operating Reserves	Amended Budget	Projected (millions)
Reserves - July 1, 2014 (audited)	\$14.3	\$14.3
Revenues & Transfers In	\$137.9	\$137.8
Expenditures & Transfers Out	(\$140.1)	(\$139.4)
Less Telegraph Canyon CIP	\$1.8	\$1.8
Projected Surplus/Deficit	(\$0.4)	\$0.2
Projected Fund Balance for June 30, 2015	\$13.9	\$14.6
Percentage of Operating Budget	10.1%	10.6%

Notes:

1. The Amended Budget and Projected totals do not include prior year appropriations for capital improvement projects and other encumbrances totaling \$3.7 million that were carried forward to the fiscal year 2014/15 budget. These expenditure impacts are already reflected in the fund balance as of July 1, 2014 and are therefore not included in the above table.
2. On March 3, 2015 City Council approved an appropriation of \$1.8 million from reserves to establish a capital improvement project, Telegraph Canyon Road Erosion Repair. Staff is evaluating an alternative funding source for this project, therefore, this appropriation and projected costs are not reflected in the above table.

The City's financial outlook appears stable through the end of the third quarter. Staff is projecting revenues of \$137.8 million and expenditures of \$139.4 million, for a projected positive impact of \$0.2 million. As discussed above, this projection excludes the projected costs associated with the Telegraph Canyon Erosion Repair CIP.

Overall, General Fund revenues are tracking close to budget and are projected to be \$0.1 million

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lower than the amended budget. This decrease is due to projected decreases in Utility User's Tax, Revenue from Other Agencies, Charges for Services, and Transfers In revenues that are projected to be \$1.8 million lower than the current budgeted level. This decrease is largely offset by a combined projected increase of \$1.7 million in Franchise Fees, Property Taxes, Transient Occupancy Taxes, Use of Money and Property, and Other revenues.

Staff is projecting \$0.7 million in savings in General Fund departments based on year to date expenditure trends. Most City departments are on track to end the year with expenditure savings. Expenditure savings largely reflect greater than anticipated salary savings. Combined, the projected revenues and expenditures result in a net positive impact of \$0.2 million as stated above.

Details of projected General Fund revenues and expenditures can be found in Attachment 1 (Third Quarter Financial Report).

Development Services Fund Overview

The Development Services Department Enterprise fund consists of Land Development, Development Planning, the DSF Front Counter and the Building Division. Based on trends through the third quarter, staff is conservatively projecting to end the fiscal year with a projected deficit of \$0.9 million for the current fiscal year, which would put the Development Services Fund in an overall deficit. Projections for the same time last fiscal year indicated a similar trend. It is important to note that the nature of the work in the enterprise fund is beginning to change from one of processing planning documents (deposit account based) to one of processing building and improvement plans (flat fee based). This change in activity may require modification to the existing composition of staff in Development Services Fund in order to remain responsive to the type and quantity of work being processed.

The table below compares the budgeted revenue and expenditures to the projected revenues and expenditures for June 30, 2015. Expenditures are currently on trend to exceed revenues. Staff has been making adjustments to respond to this shortfall. Additional adjustments in Fiscal Year 2016 will be proposed to further mitigate impact to the Development Services Fund.

Development Services Fund Summary

Development Services Fund	Amended Budget	Projected
Reserves - July 1, 2014*	685,631	685,631
Revenues & Transfers In	7,160,836	6,294,266
Expenditures & Transfers Out	(7,350,542)	(7,176,526)
Projected Surplus/Deficit	(189,706)	(882,266)
Projected Fund Balance for June 30, 2015	495,925	(196,631)

*Does not account for compensated absences of \$343,118

DECISION-MAKER CONFLICT

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Staff has reviewed the decision contemplated by this action and has determined that it is not site specific and consequently, the 500-foot rule found in California Code of Regulations section 18705.2 (a)(11), is not applicable to this decision. Staff is not independently aware, and has not been informed by any 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."

CURRENT YEAR FISCAL IMPACT

There is no fiscal impact resulting from accepting the Quarterly Financial Report.

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.

ATTACHMENT

1. Third Quarter Financial Report

Staff Contact: Angelica Aguilar, Finance Department