



City of Chula Vista

Staff Report

File#: 16-0407, **Item#:** 2.

RESOLUTION NO. 2016-206 OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA MAKING VARIOUS AMENDMENTS TO THE FISCAL YEAR 2015/16 BUDGET TO ADJUST FOR VARIANCES, AND APPROPRIATING FUNDS THEREFOR (4/5 VOTE REQUIRED)

RECOMMENDED ACTION

Council adopt the resolution.

SUMMARY

As part of the fiscal year 2016 year-end process, staff has reviewed budget to actual reports to identify potential budget overages at either the category or fund level. Various budget changes are needed to align the budget with year-end actuals.

ENVIRONMENTAL REVIEW

The Development Services Director has reviewed the proposed activity, appropriating funds per settlement terms, for compliance with the California Environmental Quality Act (CEQA) and has determined that this activity 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.

ENVIRONMENTAL NOTICE

The activity is not a "Project" as defined under Section 15378 of the California Environmental Quality Act State Guidelines; therefore, pursuant to State Guidelines Section 15060(c)(3) no environmental review is required.

BOARD/COMMISSION RECOMMENDATION

None

DISCUSSION

As part of the fiscal year 2016 year-end process, staff has reviewed budget to actual reports to identify potential budget overages at either the category or fund level. Various budget changes are needed to align the budget with year-end actuals.

For government entities, a budget creates a legal framework for spending during the fiscal year. After the budget is approved 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 to be completed. Transfers exceeding \$15,000 require Council approval. Further, Council may amend the budget at any meeting after the adoption of the budget with a 4/5ths vote. Staff is recommending changes in the General Fund and

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various other funds to align budget with year-end actuals where the actuals have exceeded budget.

Fiscal Year 2015-16 Budget Amendments - All Funds

Staff is recommending various adjustments and transfers to City Departmental and Fund budgets. These transfers between revenue and expense categories are recommended in order to address unanticipated budget overages and ensure correct accurate year-end reporting. The recommended budget adjustments are summarized as follows:

General Fund Adjustments:

General Fund Department	Description	Expense	Revenue	Net Cost
City Attorney	Transfer \$101,000 from Personnel Services savings to Supplies and Services for outside attorney fees.	\$ -	\$ -	\$ -
Administration	Transfer \$26,100 from Personnel Services savings to Supplies and Services for contractual services.	\$ -	\$ -	\$ -
Non-Departmental	Transfer \$134,287 from Capital and appropriate \$40,530 to Supplies and Services for unanticipated contractual services, offset by unanticipated revenue.	\$40,530	\$40,530	\$ -
	Transfer \$20,031 from the Museum Demolition Non-CIP Project to the Civic Center Library Remodel Non-CIP Project for unanticipated expenditures.	\$ -	\$ -	\$ -
	Appropriate \$285,803 to the Transfers Out category for costs related to project STL387. This will be offset with unanticipated revenue.	\$285,803	\$285,803	\$ -
Police	Transfer to the Personnel Services category (\$233,400) from savings in the Transfer Out (\$158,212) and Utilities (\$75,188) categories for higher than anticipated overtime costs.	\$ -	\$ -	\$ -
	Appropriate \$55,200 to the Supplies and Services category largely due to higher than anticipated travel expenditures.	\$55,200	\$ -	\$55,200
	Appropriate \$108,100 to the Other Expenses category as a result of unanticipated expenditures.	\$108,100	\$ -	\$108,100
Fire	Appropriate \$7,250 and transfer \$56,350 from Personnel Services and \$23,320 from Utilities categories to the Supplies and Services category for higher than anticipated expenditures. The appropriation will be offset by unanticipated revenues.	\$7,250	\$7,250	\$ -
Public Works	Reduction of Utilities budget to fund appropriations to the Police Department.	(\$163,300)	\$ -	(\$163,300)

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	Transfer \$129,400 from Personnel Services to Supplies and Services to fund higher than anticipated contractual services expenditures.	\$ -	\$ -	\$ -
	Transfer \$50,000 from Utilities to Capital for the purchase of a park maintenance mower.	\$ -	\$ -	\$ -
Recreation	Transfer \$30,500 from Supplies and Services to Other Expenses for credit card transaction fees.	\$ -	\$ -	\$ -
TOTAL GENERAL FUND		\$333,583	\$333,583	\$ -

Other Fund Adjustments:

Fund	Description	Expense	Revenue	Net Cost
Supplemental Law Enforcement Services Fund (SLESF)	Appropriate \$6,941 to the Transfers Out category for higher than anticipated expenditures in the Promise Neighborhoods program.	\$6,941	\$ -	\$6,941
Police Grants Fund	Appropriate \$6,941 to the Transfers In category to reflect additional revenue for the Promise Neighborhoods program.	\$ -	\$6,941	(\$6,941)
	Reduction in Transfers In revenue from the General Fund due to lower than anticipated grant expenditures requiring a grant match.	\$ -	(\$158,212)	\$158,212
Asset Seizure Fund	Transfer \$25,000 from Supplies and Services to Capital for vehicle outfitting costs.	\$ -	\$ -	\$ -
Transit Capital Projects	Transfer \$50,000 from Capital to Supplies and Services for building repairs.	\$ -	\$ -	\$ -
Trunk Sewer Capital Reserve	Transfer \$18,980 from Other Expense to Supplies and Services for allocation of banking and investment services costs.	\$ -	\$ -	\$ -
AD97-2 Fund	Appropriate \$285,803 in Transfers In revenues for costs related to project STL387.	\$ -	\$285,803	(\$285,803)
RDA 2008 TARBS Proj Fund - SA	Appropriate \$9,500 to Other Expenses for the 3 rd Avenue Streetscape Improvement.	\$9,500	\$ -	\$9,500
TUT Common Fund	Transfer \$10,035 from Capital to Transfers Out to reimburse the Equipment Replacement Fund for the purchase of a Police Department Vehicle.	\$ -	\$ -	\$ -
Equipment Replacement Fund	Reimbursement from the TUT Common Fund for the purchase of a Police Department vehicle.	\$ -	\$10,035	(\$10,035)
Bicycle Facilities Fund	Appropriate \$13,215 to Supplies and Services for contracted services.	\$13,215	\$ -	\$13,215

TOTAL OTHER FUNDS	\$29,656	\$144,567	(\$114,911)
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Investment Management Services and Bank Charges

In an effort to more accurately portray city-wide administrative financial costs, staff allocated the associated investment management and bank services costs across all City funds as part of the fiscal year 2015-16 year-end closing process. In most instances, the allocation of these costs were able to be absorbed within the existing budget structures of most of the City's funds and did not result in creating deficits among the expenditure categories within these funds. However, in some instances the allocation of the administrative financial costs did result in deficits to the expenditure categories of these funds, as the existing budget structure was not able to absorb the additional costs. Staff is therefore recommending an appropriation of \$21,293 to the Supplies and Services category and an appropriation of \$11,716 to the Other Expenses category in order to balance out the deficits that resulted in the various funds due to the allocation of the financial administrative costs. These appropriations will be made from the available fund balances of these funds and are summarized in the table below:

Fund	Supplies & Services	Other Expenses	Total
Gas Tax	\$2,067	\$1,161	\$3,228
Sewer Income	\$942	\$529	\$1,471
Sewer Facility Replacement	\$5,421	\$3,045	\$8,466
OV Road Fee Recovery District	\$434	\$ -	\$434
EL Greens II AD 94-1 Impvt	\$534	\$300	\$834
Telegraph Canyon Drainage DIF	\$2,100	\$1,180	\$3,280
PFDIF - Civic Center Expansion	\$2,234	\$1,254	\$3,488
Corporation Yard Relocation	\$641	\$360	\$1,001
Library for Eastern Territory	\$6,387	\$3,587	\$9,974
Otay Ranch Vlg 1, 5, & 6 Ped Bridge DIF	\$533	\$300	\$833
TOTAL	\$21,293	\$11,716	\$33,009

Inter-Fund Loan Adjustments

In addition to the above, staff is requesting budget adjustments related to inter-fund loans. In fiscal year 2015, the City Council established a formal inter-fund loan policy. At the same time, staff presented new repayment schedules that brought inter-fund loans into compliance with the newly adopted policy. An accounting entry was posted in fiscal year 2015 to align the accounting of the inter-fund loans with the newly developed repayment schedules. During fiscal year 2016, staff identified a number of adjustments required to the 2015 accounting entry. The recommended adjustments are needed in order to more accurately account for inter-fund loans and post loan repayments for fiscal year 2015 and fiscal year 2016 based on the updated loan repayment schedules. The following table details the budget amendments needed in order to bring the budget in line with the recommended transfers in and transfers out needed for the loan repayments. Where possible, budget reductions are also incorporated in the proposed changes in order to mitigate the budgetary impact. In addition to the budget amendments listed below, staff made various balance sheet adjustments to align the accounting with the updated loan repayment schedules.

Department /Fund	Transfers Out	Supplies & Services	Transfers In	Net Cost	Staff Recommendation
GENERAL FUND					
Non-Departmental	\$ -	\$ -	\$ -	\$ -	Transfer \$383 in savings between budgeted Transfers Out for no net impact.
TOTAL GENERAL FUND	\$ -	\$ -	\$ -	\$ -	
OTHER FUNDS					
Storm Drain Fund	\$487,600	(\$100,000)	\$ -	\$387,600	Appropriate \$487,600 to Transfers Out and reduce Supplies and Services by \$100,000 for a net impact of \$387,600 to the available fund balance of the fund.
Trunk Sewer Capital Reserve	\$ -	\$ -	\$4,605,105	(\$4,605,105)	Appropriate \$4,605,105 in Transfers In revenues for a positive impact to the fund.
Sewer Facility Replacement	\$140	\$ -	\$116,596	(\$116,456)	Appropriate \$140 to Transfers Out and \$116,596 in Transfers In revenues for a positive impact to the fund.
Salt Creek Sewer Basin DIF	\$3,485,000	\$ -	\$2,525	\$3,482,475	Appropriate \$3,485,000 to Transfers Out and \$2,525 in Transfers In revenues for a net impact of \$3,482,475 to the available fund balance of the fund.
Long -Term Advances DSF - City	\$1,970,436	\$ -	\$788,424	\$1,182,012	Appropriate \$1,970,436 to Transfers Out and \$788,424 in Transfers In revenues for a net impact of \$1,182,012 to the available fund balance of the fund.
PFDIF - Fire Suppression System Expansion	\$1,130,824	\$ -	\$ -	\$1,130,824	Appropriate \$1,130,824 to Transfers Out from the available fund balance of the fund.
2004 COP Civic Center Projection Phase 1 Fund	\$ -	\$ -	(\$383)	\$383	Reduction in Transfers In revenue from the General Fund.
Transportation Development Impact Fee (TDIF)	\$256	\$ -	\$1,562,030	(\$1,561,774)	Appropriate \$256 to Transfers Out and \$1,562,030 in Transfers In revenues for a positive impact to the fund.
Park Acquisition & Development Fund (PAD)	\$41	\$ -	\$290,000	(\$289,959)	Appropriate \$41 to Transfers Out and \$290,000 in Transfers In revenues for a positive impact to the fund.
Wester Park Acquisition & Development Fund	\$290,000	\$ -	\$ -	\$290,000	Appropriate \$290,000 to Transfers Out from the available fund balance of the fund.
TOTAL OTHER FUNDS	\$7,364,297	(\$100,000)	\$7,364,297	(\$100,000)	
TOTAL ALL FUNDS	\$7,364,297	(\$100,000)	\$7,364,297	(\$100,000)	

DECISION-MAKER CONFLICT

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 Title 2, section 18702.2(a)(11), is not applicable to this decision for purposes of determining a disqualifying real property-related financial conflict of interest under 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."

CURRENT YEAR FISCAL IMPACT

Approval of the resolution amending the fiscal year 2015/16 budget will result in the following impacts:

General Fund - There is no net impact to the General Fund as the recommended adjustments to this fund are either revenue offset or neutral as a result of expenditure or revenue transfers within expenditure categories.

Other Funds - The Supplemental Law Enforcement Services Fund, Police Grants Fund, RDA 2008 TARBS Project Fund - SA, and the Bicycle Facilities Fund will be negatively impacted as adjustments that will decrease revenues or additional appropriations that will be made from the available balances of these funds. The AD97-2 Fund and the Equipment Replacement Fund will be positively impacted as a result of increased revenues resulting from the recommended changes. The recommended adjustments to the Asset Seizure Fund, the Transit Capital Projects Fund, The Trunk Sewer Capital Reserve and the TUT Common Fund are consist of offsetting transfer between expenditure categories and are neutral resulting in no net impact to these funds.

Inter-Fund Loan Adjustments - These adjustments are administrative in nature and are recommended in order to align the budgets of the affected funds with the current loan repayment schedules. The proposed adjustments will be made from the available balances of the affected funds. Where possible, budget reductions are also incorporated in the recommended changes in order to mitigate the budgetary impact.

Investment Management Services and Bank Charges - These appropriations are administrative in nature and will be made from the available balances of the affected funds. Future budgets may include appropriations for these costs thus precluding the need for fiscal year-end budget adjustments.

ONGOING FISCAL IMPACT

Staff will review the impacted budgets to identify potential ongoing impacts and may recommend changes during fiscal year 2017/18.

Staff Contact: David Bilby, Finance Department

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