CITY COUNCIL AGENDA STATEMENT

CITY OF CHULA VISTA

October 16, 2018 File ID: **18-0416**

TITLE

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA MAKING VARIOUS AMENDMENTS TO THE FISCAL YEAR 2017/2018 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 2017-2018 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 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

As part of the fiscal year 2017-2018 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, circumstances arise that may require adjustments to the approved budget. The City Council Policy No. 220-02 "Financial Reporting and Transfer Authority" permits budget transfers to be completed. Transfers that exceed $15,000 require City Council approval. The City Council may amend the budget at any meeting after the adoption of the budget with a 4/5ths vote. Staff is seeking approval for recommended adjustments in the General Fund and various other funds to align budget with year-end

actual expenditures where the actuals have exceeded budget. A report on the full results of fiscal year 2017-2018, including audited actual revenues and expenditures, will be provided following the completion of the annual audit and with the presentation of the Comprehensive Annual Financial Report.

Fiscal Year 2017/2018 Budget Adjustments

Staff is recommending various adjustments, appropriations, and transfers to City Departmental and Fund budgets that require City Council authorization.

General Fund Adjustments

In the General Fund, some of the transfers are between expense categories within the same Department and some transfers are between Departments. There are also proposed budget adjustments reflecting increased revenue where needed to address unanticipated expenditure category overages and ensure correct accurate year-end reporting. The recommended budget adjustments are shown in the table below. There is no overall net cost to the General as a result of the proposed budget adjustments.

General Fund Adjustments Summary - 4th Quarter Fiscal Year 2017-18

DEPARTMENT/FUND	PERSONNEL SERVICES	SUPPLIES & SERVICES	OTHER EXPENSES	TRANSFERS OUT	UTILITIES	OTHER CAPITAL	NON-CIP BUDGET	CHARGES FOR SERVICES	TOTAL EXPENSE	TOTAL REVENUE	NET COST
GENERAL FUND											
City Council	(4,378)	(64,590)	-	-	(570)	(3,190)	-	-	$ (72,728)	$ -	$ (72,728)
City Clerk	(32,000)	32,000	-	-	-	-	-	-	$ -	$ -	$ -
City Attorney's Office	(110,026)	(41,488)	-	-	(795)	(4,948)	-		$ (157,257)	$ -	$ (157,257)
Administration	32,537	16,107	-	-	-	(3,416)	-	-	$ 45,228	$ -	$ 45,228
Information Technology	(22,117)	(128,252)	-	-	(8,823)	(82,578)	-	-	$ (241,770)	$ -	$ (241,770)
Human Resources	(216,889)	(14,588)	-	-	-	(7,209)	-	-	$ (238,686)	$ -	$ (238,686)
Finance	(80,000)	80,000	-	-	-	-	-	-	$ -	$ -	$ -
Non-Departmental	-	600,000	-	1,840,769	-	1,229,470	-	-	$ 3,670,239	$ (3,145,239)	$ 525,000
Animal Care Facility	(26,962)	(25,000)	-	-	-	(6,207)	-	-	$ (58,169)	$ -	$ (58,169)
Economic Development	(123,504)	(67,000)	-	-	-	-	-	-	$ (190,504)	$ -	$ (190,504)
Development Services	-	(23,000)	-	-	-	-	-	-	$ (23,000)	$ -	$ (23,000)
Engineering/Capital	(365,698)	(91,300)	(36,146)	-	-	-	(50,000)	-	$ (543,144)	$ -	$ (543,144)
Police	(92,000)	-	(10,000)	-	-	-	-	-	$ (102,000)	$ -	$ (102,000)
Fire	830,375	86,303	-	-	4,042	-	-	-	$ 920,720	$ (305,271)	$ 615,449
Public Works	31,947	(122,365)	-	-	542,116	-	-	-	$ 451,698	$ -	$ 451,698
Recreation	-	(21,263)	-	-	-	-	-	-	$ (21,263)	$ -	$ (21,263)
Library	27,750	19,065	-	-	15,146	-	-	(25,000)	$ 36,961	$ (25,815)	$ 11,146
TOTAL OTHER FUNDS	**$ (150,965)**	**$ 234,629**	**$ (46,146)**	**$ 1,840,769**	**$ 551,116**	**$ 1,121,922**	**$ (50,000)**	**$ (25,000)**	**$ 3,476,325**	**$ (3,476,325)**	**$ -**

While there is no net cost to the General Fund from the proposed budget adjustments, there are several key items to note.

- The two single largest adjustments ($1.8 million and $1.2 million in the Non-Departmental Department) are related to the transfer of excess Measure P funds collected in the General Fund to Measure P Fund (Fund 220) and the accounting adjustment for a fire truck lease, respectively.
- The Fire Department exceeded its personnel services budget by approximately $830,000. A key contributor to this overage is the additional staffing at Fire Station 1 to establish 4.0 staffing levels. The additional staffing was unanticipated during the development of the fiscal year 2017-2018 budget and the additional costs were not budgeted. This is an adjustment to address the approved additional staffing.
- The proposed adjustments include an increase in Fire Department revenues of approximately $305,000 for Fire related inspection fees.

- However, it should be noted that a negative revenue variance of $459,014 is related to the FEMA SAFER grant budgeted in fiscal year 2017-2018 that will be received in fiscal year 2018-2019. The timing of the reimbursements for expenses incurred is contributing to the Fire Department exceeding its budget in fiscal year 2017-2018.

Other Fund Adjustments

The following recommended adjustments are for funds outside of the General Fund. The proposed adjustments have a net increase to revenues of approximately $1.9 million to the various identified funds. The proposed adjustments are to impact the fund balances or current year available revenues of the respective noted funds.

Other Funds Adjustments Summary - 4th Quarter Fiscal Year 2017-18

FUND	PERSONNEL SERVICES	SUPPLIES & SERVICES	OTHER EXPENSES	OTHER CAPITAL	NON-CIP BUDGET	TRANSFERS OUT	UTILITIES	TOTAL EXPENSE	TOTAL REVENUE	NET COST
OTHER FUNDS										
2016 Measure P Sales Tax	-	-	-	-	-	-	-	$ -	$ (1,840,769)	$ (1,840,769)
Other Grants	-	(330,500)	333,000	(2,500)	-	-	-	$ -	$ -	$ -
Federal Grants	(492,714)	(278,125)	-	-	-	(21,513)	-	$ (792,352)	$ 401,014	$ (391,338)
State Grants	495,839	275,000	-	-	1,050	38,008	-	$ 809,897	$ (417,509)	$ 392,388
Public Education & Government Fee	-	1,700	-	(1,700)	-	-	-	$ -	$ -	$ -
CFD 14M-B-EUC Millenia	-	-	-	-	-	-	-	$ -	$ (40,133)	$ (40,133)
Eastlake Maintenance District 1	-	-	-	-	-	-	-	$ -	$ (26,550)	$ (26,550)
CV Elite Athlete Training Center	-	101,100	-	-	-	26,550	(127,650)	$ -	$ -	$ -
2017 CREBs LRBs	-	150	(136)	-	-	-	-	$ 14	$ -	$ 14
Transportation DIFs	-	-	-	-	-	-	-	$ -	$ (73,233)	$ (73,233)
2016 TARBs	-	1,700	(1,700)	-	-	-	-	$ -	$ -	$ -
Other Transportation Program	-	-	-	-	-	73,233	-	$ 73,233	$ (1,881)	$ 71,352
TOTAL OTHER FUNDS	**$ 3,125**	**$ (228,975)**	**$ 331,164**	**$ (4,200)**	**$ 1,050**	**$ 116,278**	**$ (127,650)**	**$ 90,792**	**$ (1,999,061)**	**$ (1,908,269)**

The Other Funds proposed budget adjustments are primarily being derived by the following transactions:

- The 2016 Measure P Sales Tax revenue increase of $1.8 million is related to the transfer of excess revenues from the General Fund.
- The CFD 14M-B-EUC Millenia revenue increase of $40,133 is an accounting correction.
- The Eastlake Maintenance District revenue increase of $26,550 as a transfer from the CV Elite Athlete Training Fund to cover costs associated with maintenance fees.

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 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

The Fourth Quarter Monitoring Report presents revised revenue and expenditure projections as of October 1, 2018. Approval of the resolution amending the fiscal year 2017-2018 budget will result in the following impacts:

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

Other Funds – The proposed adjustments have a net reduction in costs of approximately $1.9 million to the various identified funds. Adjustments consist primarily of adjustments within expense categories, transfers across funds, and appropriation of revenue. The largest adjustment ($1.8 million) is due to the transfer of Measure P funds from the General Fund to the Measure P fund.

ONGOING FISCAL IMPACT

Staff will review the impacted budgets to identify potential ongoing impacts and may recommend changes during fiscal year 2018-2019.

ATTACHMENTS

None.

Staff Contact: David Bilby, Finance Department