

City of La Palma

Agenda Item No. 6



MEETING DATE: February 20, 2018

TO: CITY COUNCIL

FROM: CITY MANAGER

SUBMITTED BY: Sea Shelton, Administrative Services Director

AGENDA TITLE: Mid-Year Operating Report and Budget Adjustments, Fiscal Year 2017-18

RECOMMENDED ACTION:

It is recommended that the City Council take the following actions:

- a) Receive the presentation on the Second Quarter Operating Report and Proposed Mid-Year Adjustments
- b) Approve a Resolution amending the Fiscal Year 2017-18 Budget to adjust certain revenue, department, and program budgets.

BACKGROUND:

Staff is presenting a mid-year, comprehensive report to Council and the public on the state of the City's finances.

This report provides the following information:

1. A snapshot of the City's spendable fund balances at December 31, 2017, as well as the year-to-date change in spendable fund balances.
2. A review of the General Fund's revenue and expenditures through the second quarter of the fiscal year (50% of the year as of December 31, 2017), including brief discussions of relevant proposed budget amendments. A detailed analysis of the proposed budget amendments is presented as an attachment to this report.

For the quarterly report, no quarter-end accruals are recorded. Revenue is essentially reported when cash is received and expenditures are essentially reported when cash payments are made. Many revenue and expenditure transactions do not occur at uniform times or at equal intervals throughout the year. Consequently, although the second quarter represents 50 percent of the fiscal year, not all line items will be at 50 percent of the budget as of the end of the second quarter.

Making sense of the information presented herein requires consideration of the cash flow factors of major revenues and expenditures. For instance, while expenditure outflows for normal operations tend to be relatively even, the cash flow timing of capital expenditures and major revenues such as property taxes are not distributed as evenly.

FINANCIAL SUMMARY:

Attached for review are the following quarterly summary schedules:

- Schedule of General Fund Revenues
- Schedule of General Fund Expenditures by Department
- Schedule of General Fund Expenditures by Category
- Schedule of Spendable Fund Balances by Fund

With data for six months of the year, staff is proposing budget adjustments to bring the original budget estimates into line with the year's actual activity. The revenue and expenditure schedules include these proposed budget amendments as proposed adjustments to the adopted budget amounts.

The City's overall spendable fund balance (the sum of cash, investments, and current receivables less current liabilities) has declined by \$1.7 million from the beginning of the fiscal year from \$28.5 million to \$26.8 million at December 31, 2017. This \$1.7 million change is accounted for as follows:

- General Fund decreased by \$1,136,000
- Special Revenue Funds increased by \$46,000
- Capital Projects Funds decreased by \$39,000
- Water & Sewer Funds decreased by \$134,000
- Internal Service Funds decreased by \$473,000

The remainder of the financial review section will focus on the activity in the funds which account for the majority of the \$1.7 million change in spendable fund balance and on the proposed mid-year adjustments.

General Fund

As shown in the attached charts, General Fund revenues totaled \$5.3 million (46% of the proposed amended budget) while expenditures totaled \$6.5 million (45% of the proposed amended budget) as of December 31, 2017. The excess of expenditures over revenues equals the \$1.1 million reduction in spendable fund balance.

Revenues

Due to the timing of major revenue receipts, total General Fund revenue is at 46% of the budget through the end of the second quarter. The City anticipates receiving revenue of \$11.56 million by fiscal year-end (100.5% of the adopted budget), an estimated net increase of \$53,000 over the adopted budget. The largest proposed changes to budgeted revenues include a \$170,000 increase to sales tax revenues based on revised estimates from the City's contracted analytic firm, offset by a \$148,000 decrease to the annual display sign fee resulting from a delay in the completion of the billboard project. A detailed analysis of the proposed budget amendments is provided in the attachment to this report.

Following is a discussion of the four largest General Fund revenue sources: property tax, sales tax, transaction and use tax, and utility users tax. Together, these four revenues account for approximately 70% of the General Fund's revenue budget.

- **Property Tax:** The General Fund's largest revenue source, property tax, has \$1.2 million revenue recorded at December 31 (35% of the \$3.6 million budget). The property tax line item includes secured and unsecured property taxes (budgeted at \$2.2 million) as well as the property tax in lieu of vehicle license fees (budgeted at \$1.4 million). Secured and unsecured property tax payments are distributed in four payments: 40% is distributed in December during the second quarter, 10% is distributed in January during the third quarter, 40% is distributed in April during the fourth quarter, and the final 10% is distributed in May during the fourth quarter. Property tax payments in lieu of vehicle license fees are received in two installments: 50% is distributed in January during the third quarter and the remaining 50% is distributed in May during the fourth quarter. **The City anticipates receiving all property tax revenue as budgeted.**
- **Sales Tax:** The second largest revenue source, sales tax, has \$1.1 million recorded at December 31 (49% of the adopted budget and 46% of the proposed amended budget). Sales tax receipts always lag by two to three months, and **actual sales tax revenue is expected to be \$2.35 million for the fiscal year (108% of the adopted budget).**
- **Transaction & Use Tax:** The transaction and use tax is the third largest revenue source. There is \$1.2 million recorded at December 31 (89% of the \$1.35 million budget). These receipts follow the same payment track as sales tax, and receipts lag by two to three months. Transaction and Use Tax revenues are inflated by payment errors by two businesses in both 2nd Quarter (April-June) and 3rd Quarter (July-Sept.) Net receipts after removing the payment errors is \$613,700. This amount is also slightly inflated since advances from the State were likely higher than they would have been without the payment errors. Since it is unknown when exactly the State will be making payment corrections, staff will be monitoring transaction and use tax receipts carefully to ensure that overpayments are set aside to mitigate the effect of future payment corrections. FY 2017-18 is the first full year for the transaction and use tax, so there is no comparable prior year data. **Annual revenue is expected to be \$1.35 million after removing payment errors, as budgeted.**
- **Utility Users Tax:** The fourth largest revenue source is utility users tax, budgeted at \$969,000 with proposed budget amendments of \$81,000. Payments received through December 31 total \$450,000 which is 46% of the adopted budget (43% of the proposed amended budget). Utility users tax payments lag by one month; consequently, extrapolating the five months of payments received through December to six months results in an estimate of \$540,000 which is 56% of the adopted budget. **The City anticipates receiving \$1.05 million in utility users tax revenue for the fiscal year.**

Following are descriptions of smaller revenue sources which have uneven revenue streams:

- Franchise Fee revenue totaled 65,700 through December 31 (15% of the \$430,000 adopted budget). The City receives payment from its largest franchise fee source in one payment for the entire fiscal year in April of each year resulting in the proportionality low actual vs. budget. Franchise fees are trending lower than anticipated in the adopted

budget. **The City anticipates receiving \$400,000 in franchise fee revenue for the fiscal year.**

- Licenses and Permits revenue totaled \$261,500 through December 31 (75% of the \$349,200 adopted budget). The City collects approximately 85% of its business license revenue during the first half of the fiscal year accounting for the proportionately high actual vs. budgeted percentage in this category. Licenses and Permits are down from the same period last fiscal year by \$61,400 due to an anticipated reduction in citywide building activity. **The City anticipates receiving all license and permit revenue as budgeted.**

Expenditures

The General Fund's expenditures total \$6.5 million at December 31 (46% of the \$14.2 million budget as currently amended and 45% of the proposed amended budget of \$14.4 million). In comparison, the prior year expenditures totaled \$4.7 million through the end of the second quarter. The increase of \$1.8 million is explained mainly by two major expenditures:

- 1) In August 2017, the City approved a budget amendment of \$1,560,000 for the acquisition of property by the Community Development Department. The property was acquired for \$1,555,000 in August.
- 2) The required payment for the unfunded actuarial liability for pensions increased from \$738,000 in FY 2016-17 to \$860,000 in FY 2017-18.

With proposed budget amendments, staff anticipates that expenditures within all departments will match the proposed amended budget amounts at fiscal year-end.

Following is a general discussion of each General Fund department:

- The General Government Department is comprised of the divisions for City Council, City Manager, Legal Services, and City Clerk. The budget for this department totals \$633,800 and has proposed amendments of \$25,000 in the Legal Services division. The additional legal expenses are due higher legal activity in Community Development and Economic Development. As of December 31, expenditures total \$275,000 (43% of the adopted budget and 42% of the proposed amended budget).
- The Administrative Services Department is comprised of the divisions for Administration, Fiscal Services, Human Resources, and Technology and Communications. The budget for this department totals \$4.8 million and has proposed amendments of \$95,600 in the Human Resources division. The additional expenditures is due to an increase to the Actuarially Determined Contribution (ADC) towards the City's OPEB trust. A more detailed discussion on the trust is included later in this report. As of December 31, expenditures total \$1.5 million (32% of the adopted budget and 31% of the proposed amended budget). The budget for this department includes a \$2.5 million one-time additional payment toward the City's unfunded pension obligation. The City made the required payment of \$860,000 toward the unfunded actuarial liability in July; the additional \$2.5 million one-time payment has not yet been made. Although included in the budget, staff was directed to bring the \$2.5 million payment to Council during mid-year budget discussions for final approval prior to making the payment. Discussion on the payment is included as a separate item on the February 20 agenda.

- The Police Department has an expenditure budget at \$4.6 million and has no proposed amendments. As of December 31, expenditures total \$2.1 million (45% of the budget). The current year's expenditures through the end of the second quarter remain consistent with the prior year's expenditures of \$2.1 million at mid-year.
- The Community Services Department covers a wide range of services that are provided to the citizens including Health & Wellness, Recreation Facility Operations, Special Events, Youth and Family Services, Citywide Maintenance, Engineering, Parks & Medians, and Street Maintenance divisions. This department has an adopted budget of \$2.1 million and has proposed amendments of \$8,000 for additional tree trimming services. As of December 31, expenditures total \$860,000 (41% of the budget). The current year's expenditures through mid-year remain consistent with the prior year's expenditures of \$850,000.
- The Community Development Department accounts for the Building and Safety, Code Enforcement, and Planning divisions. The adopted budget for the year was \$495,000, but was amended to \$2.055 million to provide funding for a property which was acquired in August 2017. The department is proposing \$16,500 in budget amendments. Additional expenses were incurred in the Planning division due to an unanticipated need for contract planning services due to Family and Medical Leave Act (FMLA) leave. As of December 31, expenditures totaled \$1.8 million (86% of the amended budget and 85% of the proposed amended budget).

The Emergency Reserve Fund and the Economic Development Fund are considered to be part of the General Fund for reporting purposes. The Emergency Reserve Fund has a proposed budget amendment of \$95,100 to meet the required funding level per the City's Fund Balance Reserve Policy. The policy states that the fund should have a minimum fund balance of 50% of General Fund expenditures as of the beginning of each fiscal year. The adopted budget at the beginning of FY 2017-18 totaled \$10,156,800 which does not include the one-time payment of \$2.5 million towards the City's unfunded pension obligation. The Emergency Fund balance with the proposed budget adjustment total \$5,080,000. The Economic Development fund has a proposed budget amendment of \$50,000 to add funding for contract services to assist with economic development.

Special Revenue Funds

The Special Revenue Funds consist of funds with revenue sources that are restricted by outside parties to specific types of expenditures. The revenues consist of remittances of state gas taxes, County Measure M taxes, grants, South Coast Air Quality funding, park development fees, and housing-related sources, and other similar remittances.

The spendable fund balance increased by \$46,000 mainly due to the receipt of restricted monies in advance of spending for street and law enforcement purposes.

The Special Revenue Funds have proposed budget amendments of \$726,000 which represent carryovers of unspent budgeted money from fiscal year 2016-17, mainly for Arterial Street Rehabilitation projects.

Capital Outlay Reserve & One-Time Projects Funds

The City's capital improvement program is for multi-year projects which improve City facilities, buildings, grounds, streets, parks, and roads. The Capital Outlay Reserve Fund accumulates monies for funding of projects which are not able to be funded by other sources such as gas tax, Measure M, or park development funds. For FY 2017-18, the Capital Outlay Reserve Fund is estimated to provide \$1.2 million of funds for the City's projects which include City Yard, City Hall, and Police Facility projects. As of the end of the second quarter, the City has charged \$360,000 to projects funded by the Capital Outlay Reserve and One-Time Projects Funds. Project activity is expected to increase during the remainder of the year and there are proposed budget amendments of \$149,500 which represent carryovers of unspent budgeted money from fiscal year 2016-17 for the City Hall ADA restroom improvement project and the thermal striping of arterial lanes project.

Water & Sewer Funds

The Water and Sewer Funds had a total reduction in spendable fund balance of \$134,000 at December 31. The reason for this is because revenues are less than expenses. Expenses total \$948,000 while revenues total \$814,000 but lag by one to two months because of accounting for year-end receivables. The Water Capital Reserves Fund has proposed budget amendments of \$250,000 which represent carryovers of unspent budgeted money from fiscal year 2016-17 for the Walker Well Pump replacement project, the pipeline condition assessment project, and repairs to the 183rd Street water system.

Internal Service Funds

The Internal Service Funds began the year with a spendable fund balance of \$2.9 million which has been reduced by \$473,000 to \$2.4 million at December 31. The majority of the activity in the Internal Service Funds occurs in the Risk Management/Insurance Fund, and the reduction in the spendable fund balance is mainly due to the annual insurance payments for workers' compensation, property, and general liability coverage which are due at the beginning of the fiscal year. Payments from other funds are charged evenly over the fiscal year and are calculated to fully reimburse the internal service fund for costs.

OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

The City provides post-employment benefits to retired employees in the form of a contribution towards their medical premium under the CalPERS health plan which provides medical insurance benefits to eligible retirees in accordance with various labor agreements. During Fiscal Year 2013-14, the City made a one-time contribution of \$1,500,000 to prefund an Other Post-Employment Benefit (OPEB) trust with California Employers' Benefit Trust (CERBT) Fund program which is administered by CalPERS. Typically agencies prefund their OPEB once they have determined that the employer has incurred a substantial long-term liability. In most cases, employers can make long-term investments to cover these obligations through a separate trust fund that should, over time, result in a lower total cost for providing postemployment benefits.

During the FY 2017-18 budget development process, the City Council directed staff to explore options to fully fund the City's OPEB trust after completion of the biennial actuarial valuation. The previous valuation was as of July 1, 2015. The City engaged Bartel Associates to complete the

required actuarial valuation as of June 30, 2017, and received the final report in November of 2017.

<i>Dollar amounts in thousands</i>	July 1, 2015 Valuation	June 30, 2017 Valuation		
		Cash Subsidy	Implied Subsidy	Total
Actuarial Accrued Liability (AAL)	2,138	1,950	747	2,697
Actuarial Value of Assets	<u>1,491</u>	<u>1,564</u>	—	<u>1,564</u>
Unfunded AAL (UAAL)	647	386	747	1,133
Funded Percentage	70%	80%	0%	58%

The funded status of the plan is equal to the AAL less plan assets. The City's AAL has significantly increased from the previous valuation due to the inclusion of the implied subsidy. Agencies that provide retiree health benefits through CalPERS health plans (PEMHCA) are required under Government Accounting Standards Board (GASB) statement 45 that the implied subsidy be calculated in accordance with Actuarial Standard of Practice (ASOP) No. 6. ASOP 6 requires the implied subsidy for PEMHCA agencies for any valuation on or after March 31, 2015. In PEMHCA, the implied subsidy is the benefit retirees derive from paying the same premiums as active employees. Because younger people are generally healthier than older people, retirees on average have higher health expenses than employees. This results in an (implied) active premium payment which subsidizes the cost for older retirees (subsidy). The inclusion of the implied subsidy increases the Unfunded AAL (UAAL) to \$1.133 million or 58% funded.

The actuarial valuation uses a 6.75% discount rate. This represents the median expected long term return on the true assets, based on Bartel Associates' capital market model. The previous actuarial valuation as of July 1, 2015, assumed a discount rate of 7.0%. The CERBT Strategy 1 portfolio that the City's OPEB trust is currently invested in has the following reported historical performance:

CERBT Strategy 1 Performance as of December 31, 2017							
	1 month	3 months	Fiscal YTD	1 year	3 years	5 years	Since Inception (June 1, 2007)
Net Return	1.53%	4.34%	8.27%	16.6%	7.02%	7.99%	4.99%

In order to ensure proper funding to the OPEB trust, the actuarial valuation provides the required Actuarially Determined Contribution (ADC) for FY 2017-18 and FY 2018-19. The ADC is the value of the benefits earned during the year plus an amount to keep the plan on track for funding. Due to the significant increase in the AAL, the ADC has also grown considerably since the last valuation. In order to provide City Council an option to increase the funded status after realization that reaching fully funded status would be more difficult due to the amount of the UAAL, staff had also requested that the actuarial provide an alternate strategy. The two strategies are outlined below.

Strategy 1: Pay the full ADC to the trust, with trust reimbursement to the City for benefit payments each year.

Strategy 2: Make the following contributions:

- Basic Contribution – Contribute the full ADC (cash subsidy and implied subsidy) to the trust, and do not request a reimbursement from the trust for benefit payments.
- Additional Contribution – Contribute additional \$500,000 to the trust in FY 2017-18 to reduce unfunded liability.

	Strategy 1		Strategy 2	
	2017-18	2018-19	2017-18	2018-19
Normal Cost	81,000	84,000	81,000	84,000
UAAL Amortization	<u>86,000</u>	<u>89,000</u>	<u>86,000</u>	<u>32,000</u>
ADC	167,000	172,000	167,000	116,000
Additional Contribution	—	—	<u>500,000</u>	—
Total Trust Contribution	167,000	172,000	667,000	116,000

It was the hope that the City could increase its OPEB funding level in FY 2017-18. In August of 2017 the City acquired a property in La Palma that required use of available unassigned General Fund balance. Due to this unexpected purchase, the City will need to delay making additional funding payments to the OPEB trust. At this time staff would recommend at least the basic contribution recommended in Strategy 2. The City will make its full ADC to the trust and not request any reimbursement for benefit payments. Even without the \$500,000 additional payment just making the basic contribution without requesting reimbursement from the trust will improve the funding level of the trust. Until the trust reaches an adequate funding level, staff does not recommend drawing reimbursements from the trust for benefit payments.

FISCAL IMPACT:

Failure to adjust the budget now, in most cases, will merely cause the year-end budget to have a large number of over- and under-budgeted accounts. Some of the recommended adjustments, however, are necessary to fulfill certain spending commitments or to authorize expenditures for programs or projects authorized subsequent to the adoption of the budget.

APPROVED:



 Administrative Services Director



 City Manager

Attachments:

1. Second Quarter Summary Schedules:
 - General Fund Revenue Summary
 - General Fund Expenditure by Department
 - General Fund Expenditures by Category
 - Spendable Fund Balance Summary
2. Proposed Resolution
3. Recommended Mid-Year Budget Adjustments (Exhibit A of Proposed Resolution)

**SECOND QUARTER FINANCIAL REPORT, FISCAL YEAR 2017-18
GENERAL FUND REVENUES BY TYPE
QUARTER ENDING DECEMBER 31, 2017**

Revenue Type	FY 2017-18							FY 2016-17			Q2 Variance FY 2017-18 to FY 2016-17 Increase / <Decrease>
	Adopted Budget	Proposed Budget Amendment	Proposed Amended Budget	Proposed Budget Change	Year-to-Date Actual through 12/31/2017 (50% of FY)	Q2 Actual as a % of Adopted Budget	Q2 Actual as a % of Amended Budget	Prior Year Actual Annual Revenue	Prior YTD Actual through 12/31/2016 (50% of FY)	Q2 Actual as a % of Annual Revenue	
Property Tax	\$ 3,597,100	\$ -	\$ 3,597,100	0.00%	\$ 1,242,922	35%	35%	\$ 3,557,988	\$ 1,070,865	30%	\$ 172,057
Sales Tax	2,180,000	170,000	2,350,000	7.80%	1,070,924	49%	46%	2,233,852	882,019	39%	188,905
Transaction & Use Tax	1,350,000	-	1,350,000	0.00%	1,199,526	89%	89%	526,509	-	Note 1	1,199,526
Utility Users Tax	969,000	81,000	1,050,000	8.36%	450,014	46%	43%	1,024,147	449,159	44%	855
Residual Property Tax	133,600	-	133,600	0.00%	-	0%	0%	270,154	45,988	17%	(45,988)
Franchise Fees	430,000	(30,000)	400,000	-6.98%	65,710	15%	16%	379,624	85,570	23%	(19,860)
Transient Occupancy Tax	375,000	-	375,000	0.00%	108,418	29%	29%	377,595	106,618	28%	1,800
Licenses and Permits	349,200	-	349,200	0.00%	261,545	75%	75%	492,886	323,026	66%	(61,481)
Intergovernmental	2,000	-	2,000	0.00%	-	0%	0%	14,616	3,810	26%	(3,810)
Charges for Services	505,000	-	505,000	0.00%	233,235	46%	46%	584,068	280,069	48%	(46,834)
Fines and Forfeitures	130,200	(30,000)	100,200	-23.04%	39,192	30%	39%	94,945	40,583	43%	(1,391)
Use of Money and Property	405,000	-	405,000	0.00%	220,440	54%	54%	265,316	233,330	88%	(12,890)
Other Revenue	494,500	(147,900)	346,600	-29.91%	130,350	26%	38%	430,272	138,279	32%	(7,929)
Interfund Charges	587,700	-	587,700	0.00%	293,850	50%	50%	587,700	293,850	50%	-
Total Revenues	\$ 11,508,300	\$ 43,100	\$ 11,551,400	0.37%	\$ 5,316,126	46%	46%	\$ 10,839,672	\$ 3,953,166	36%	\$ 1,362,960

Note 1: The Transaction and Use Tax was approved by the voters in November 2016. The first remittances were received in the last quarter of FY 2016/17. An expected adjustment for a payment error is expected which will lower actual receipts by fiscal year end. It is anticipated that actual revenues received will more closely match budget.

**SECOND QUARTER FINANCIAL REPORT, FISCAL YEAR 2017-18
GENERAL FUND EXPENDITURES BY DEPARTMENT
QUARTER ENDING DECEMBER 31, 2017**

Department	FY 2017-18					FY 2016-17			Q2 Variance FY 2017-18 to FY 2016-17 Increase / <Decrease>		
	Adopted Budget**	Proposed Budget Amendment	Proposed Amended Budget	Proposed Budget Change	Year-to-Date Actual through 12/31/2017 (50% of FY)	Q2 Actual as a % of Adopted Budget	Q2 Actual as a % of Amended Budget	Prior Year Actual Annual Expenditures		Prior YTD Actual through 12/31/2016 (50% of FY)	Q2 Actual as a % of Annual Expenditures
General Government	\$ 633,800	\$ 25,000	\$ 658,800	3.94%	\$ 274,696	43%	42%	\$ 591,718	\$ 263,584	45%	\$ 11,112
Administrative Services	4,845,900	95,600	4,941,500	1.97%	1,533,553	32%	31%	4,571,181	1,258,319	28%	275,234
Police	4,592,700	-	4,592,700	0.00%	2,061,354	45%	45%	4,269,004	2,116,374	50%	(55,020)
Community Services	2,088,900	8,000	2,096,900	0.38%	860,455	41%	41%	1,783,402	848,945	48%	11,510
Community Development (Note 1)	2,055,500	16,500	2,072,000	0.80%	1,762,043	86%	85%	467,668	213,618	46%	1,548,425
Total	\$ 14,216,800	\$ 145,100	\$ 14,361,900	1.02%	\$ 6,492,101	46%	45%	\$ 11,682,973	\$ 4,700,840	40%	\$ 1,791,261

** Includes a budget adjustment approved during the first quarter for a property acquisition.

Note 1: FY 2017/18 costs are proportionately high due to a \$1.55M property acquisition during the first quarter.

SECOND QUARTER FINANCIAL REPORT, FISCAL YEAR 2017-18
GENERAL FUND EXPENDITURES BY CATEGORY
QUARTER ENDING DECEMBER 31, 2017

Expenditure Type	FY 2017-18							FY 2016-17			Q2 Variance FY 2017-18 to FY 2016-17 Increase / <Decrease>
	Adopted Budget**	Proposed Budget Amendment	Proposed Amended Budget	Proposed Budget Change	Year-to-Date Actual through 12/31/2017 (50% of FY)	Q2 Actual as a % of Adopted Budget	Q2 Actual as a % of Amended Budget	Prior Year Actual Annual Expenditures	Prior YTD Actual through 12/31/2016 (50% of FY)	Q2 Actual as a % of Annual Expenditures	
Personnel Services	\$ 8,914,800	\$ 95,600	\$ 9,010,400	1.07%	\$ 3,226,157	36%	36%	\$ 8,373,391	\$ 3,117,577	37%	\$ 108,580
Maintenance and Operations	3,578,800	49,500	3,628,300	1.38%	1,697,802	47%	47%	3,256,155	1,575,052	48%	122,750
Capital Outlay/Improvements (Note 1)	1,723,200	-	1,723,200	0.00%	1,568,142	91%	91%	53,427	8,211	15%	1,559,931
Total	\$ 14,216,800	\$ 145,100	\$ 14,361,900	1.02%	\$ 6,492,101	46%	45%	\$ 11,682,973	\$ 4,700,840	40%	\$ 1,791,261

** Includes a budget adjustment approved during the first quarter for a property acquisition.

Note 1: FY 2017/18 costs are proportionately high due to a \$1.55M property acquisition during the first quarter.

SECOND QUARTER FINANCIAL REPORT, FISCAL YEAR 2017-18
SPENDABLE FUND BALANCE AT DECEMBER 31, 2017
and FISCAL YEAR CHANGE OF SPENDABLE FUND BALANCE* THROUGH THE QUARTER END

<u>Fund #</u>	<u>Fund Title</u>	<u>Balance 6/30/2017</u>	<u>Balance 12/31/2017</u>	<u>FY Change through 12/31/2017</u>
1	General Fund	\$ 5,198,288	\$ 4,061,980	\$ (1,136,308)
3	Emergency Reserve Fund	4,984,900	4,984,900	-
5	Economic Development Fund	228,814	228,814	-
	Subtotal General Funds	10,412,002	9,275,694	(1,136,308)
11	Streets Fund	124,211	148,628	24,417
12	Measure M2	322,562	324,544	1,982
14	Community Development Block Grant	-	-	-
15	Air Quality Fund	113,679	119,396	5,717
16	PEG Fund	217,439	227,997	10,558
20	Asset Seizure Fund	118,917	102,980	(15,937)
21	Public Safety Augmentation Fund	159,479	167,818	8,339
22	Supplemental Law Enforcement Fund	99,732	167,375	67,643
23	SVC Authority for Abandoned Vehicles	26,303	26,457	154
24	BSCC Local Law Enforcement Grant	56,937	55,515	(1,422)
25	La Palma Community Foundation Grant (Note 1)	-	-	-
33	Park Development Fund	99,884	100,466	582
38	SA Housing Entity Fund	616,742	560,980	(55,762)
	Subtotal Special Revenue Funds	1,955,885	2,002,156	46,271
35	Capital Outlay Reserve Fund	5,220,232	5,304,796	84,564
36	One-Time Projects Fund	242,224	118,849	(123,375)
	Subtotal Capital Projects Funds	5,462,456	5,423,645	(38,811)
50	Water Fund	430,384	220,456	(209,928)
55	Water Capital reserve Fund	4,068,083	4,110,426	42,343
	Subtotal Water Related Funds	4,498,467	4,330,882	(167,585)
52	Sewer Fund	1,065,354	1,027,061	(38,293)
56	Sewer Capital Reserve Fund	2,268,954	2,340,568	71,614
	Subtotal Sewer Related Funds	3,334,308	3,367,629	33,321
60	Risk Management/Insurance	649,539	188,654	(460,885)
61	Employee Benefits Fund	294,060	295,831	1,771
62	Building Maintenance & Replacement Fund	51,983	52,286	303
63	Vehicle Replacement Fund	1,244,151	1,241,530	(2,621)
64	Technology Replacement Fund	682,010	670,343	(11,667)
	Subtotal Internal Service Funds Funds	2,921,743	2,448,644	(473,099)
	Total All Funds	\$ 28,584,861	\$ 26,848,650	\$ (1,736,211)

*Spendable Fund Balance is defined as cash and current assets less current liabilities.

Note 1: City received grant money from the La Palma Community Foundation in January 2018 in the amount of 163,400.

RESOLUTION NO. 2018-__

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
LA PALMA AMENDING THE FISCAL YEAR 2017-18
ADOPTED BUDGET**

WHEREAS, the Administrative Services Director did on February 20, 2018, present to the City Council an update of estimated revenues and expenditures for Fiscal Year 2017-18; and

WHEREAS, the City Council did receive information about various adjustments needed to Department and Program budgets in order to align projected expenditures and revenues with appropriations; and

WHEREAS, the proposed amendments to the Fiscal Year 2017-18 budget are enumerated in Exhibit A to this resolution; and

WHEREAS, the adopted Fiscal Year 2017-18 Budget will be revised so as to reflect each and all of the amendments which the City Council, up to the time of adoption of this Resolution, believes should be made as per Exhibit A; and

NOW, THEREFORE, The City Council of the City of La Palma does hereby resolve as follows:

SECTION 1. The amendments for the Fiscal Year 2017-18 adopted budget as so amended, modified, revised, and corrected including those changes directed by the City Council at the February 20, 2018, Council Meeting, are approved and adopted. In adopting said budget amendments, the City Council hereby approves and instructs the City Manager to implement the distribution of the salary detail, supplies and services detail, capital outlay and improvements detail, policy revisions, and contractual arrangements as necessary.

SECTION 2. The budget amendments for the Fiscal Year 2017-18 as now before this City Council and as enumerated in Exhibit A, and as amended, modified, revised, and corrected by the City Council and staff, in open session, shall be placed on file in the office of the City Clerk, shall be open to public inspection, and are expressly incorporated in this Resolution and made a part hereof.

SECTION 3. The City Manager is hereby authorized and instructed to take all steps necessary to implement this resolution.

SECTION 4. The City Manager, for the purpose of administrative necessity in implementing the budget, shall have the authority to transfer monies to the appropriate item, account, program, or fund to cover expenditures which have been approved by the City Council, except where such transfer is expressly prohibited in a resolution or ordinance approved by the City Council such as utility replacement funds.

APPROVED AND ADOPTED by the City Council of the City of La Palma at a regular meeting held on the 20th day of February 2018.

Gerard Goedhart
Mayor

ATTEST:

Kimberly Kenney
Deputy City Clerk

STATE OF CALIFORNIA)
COUNTY OF ORANGE) SS.
CITY OF LA PALMA)

I, KIMBERLY KENNEY, Deputy City Clerk of the City of La Palma, California,
DO HEREBY CERTIFY that the foregoing Resolution was adopted by the City Council of
said City at a regular meeting of said City Council held on the 20th day of February 2018,
and that it was so adopted by called vote as follows:

AYES:

NOES:

Kimberly Kenney
Deputy City Clerk

Fiscal Year 2017-18 Mid-Year Budget Adjustments



		Item Description	Adopted Budget	Budget Adjustment	Amended Budget	Justification	
General Fund (001)							
REVENUES							
001	100	4050-00000	Sales Tax	2,180,000	170,000	2,350,000	Revised HdL Estimate
001	100	4060-00000	Utility User Tax	969,000	81,000	1,050,000	Trending Higher
001	100	4081-00000	Franchise Fees	310,000	(30,000)	280,000	Current FY tracking closer to previous year (FY16-17 Total \$261,175)
001	100	4322-00000	Ordinance & Miscellaneous Fines	130,000	(30,000)	100,000	Trending Lower
001	100	4613-00000	Annual Display Sign Fee	204,000	(147,900)	56,100	Billboard Project completion later than anticipated
TOTAL GENERAL FUND REVENUES			11,508,300	43,100	11,551,400		
EXPENDITURES							
GENERAL GOVERNMENT - LEGAL SERVICES							
001	130	6010-00000	Legal Services	28,000	25,000	53,000	Anticipated need for legal services for development issues
ADMINISTRATIVE SERVICES - HUMAN RESOURCE							
001	170	5622-00000	Retiree Health Insurance	214,300	95,600	309,900	Additional funds needed for OPEB Actuarial Determined Contribution (ADC) per new actuarial valuation completed Nov. 2017
COMMUNITY SERVICES							
001	390	7420-00000	Street Tree Replacement	23,000	8,000	31,000	Additional tree trimming at 5062 La Palma Ave and Central Park
COMMUNITY DEVELOPMENT							
Planning							
001	540	6000-00000	Professional Contract Services	-	16,500	16,500	Contract planning services to cover FMLA leave
Subtotal General Fund Expenditure Adjustments					145,100		
TRANSFERS OUT							
035	300	4951-00000	Capital Outlay Reserve	350,000	-	350,000	
037	300	4951-00000	Civic Center Replacement Fund	400,000	-	400,000	
003	300	4951-00000	Emergency Reserve Fund	-	95,100	95,100	Add transfer out to Emergency Reserve Fund to meet Fund Balance Reserve Policy of 50% of Budgeted General Fund Expenditures
TOTAL TRANSFERS OUT			750,000	95,100	845,100		
TOTAL GENERAL FUND EXPENDITURE ADJUSTMENTS					240,200		

Fiscal Year 2017-18 Mid-Year Budget Adjustments

Exhibit A

Item Description	Adopted Budget	Budget Adjustment	Amended Budget	Justification
FY 2017-18 Surplus (Deficit)	CURRENT BUDGET		PROPOSED AMENDED BUDGET	
Revenues	11,508,300		11,551,400	
Expenditures*	(14,216,800) *		(14,361,900) *	
Transfer Out	(750,000)		(845,100)	
FY 2017-18 Surplus (Deficit)	<u>(3,458,500)</u>		<u>(3,655,600)</u>	

*Expenditures include following one-time costs: \$1.56 million Property Acquisition (5062 La Palma Ave.) and \$2.5 million additional payment toward CalPERS Unfunded Pension Obligation

FY 2017-18 Surplus (Deficit) without one-time costs *	CURRENT BUDGET		PROPOSED AMENDED BUDGET	
Revenues	11,508,300		11,551,400	
Expenditures	(10,156,800)		(10,301,900)	
Transfer Out	(750,000)		(845,100)	
FY 2017-18 Surplus (Deficit)	<u>601,500</u>		<u>404,400</u>	

Economic Development Fund (005)

EXPENDITURES					
005 550 6000-00000	Professional Contract Services	-	50,000	50,000	Add funding for contract services to assist with economic development
Total Economic Development Fund Expenditure Adjustment		-	50,000	50,000	

Streets Fund (011)

EXPENDITURES					
011 900 8131-00000	Arterial Pavement Management	-	28,200	28,200	Carryover from FY16-17 for Arterial Street Rehab - Orangethorpe Ave. (Moody to Walker)
Total Streets Fund Expenditure Adjustments		-	28,200	28,200	

Community Development Block Grant - CDBG (014)

REVENUES					
014 300 4201-00000	CDBG Grant	225,000	(25,000)	200,000	ADA Ramp Constructin Project Phase II grant funds expected for FY 17-18
Total CDBG Fund Revenue Adjustments		225,000	(25,000)	200,000	

EXPENDITURES					
014 900 8865-00000	ADA Improvements	270,000	(70,000)	200,000	Portion of ADA Ramp Constructin Project Phase II covered by grant funds in FY 17-18
Total CDBG Fund Expenditure Adjustments		270,000	(70,000)	200,000	

Measure M (012)

EXPENDITURES					
012 900 8131-00000	Arterial Pavement Management	157,400	692,300	849,700	Carryover from FY16-17 for Arterial Street Rehab - Orangethorpe Ave. (Moody to Walker)
Total Measure M Fund Expenditure Adjustments		157,400	692,300	849,700	\$521,800 and Thermal Striping of all arterial lanes \$170,500

Fiscal Year 2017-18 Mid-Year Budget Adjustments

Exhibit A

Item Description				Adopted Budget	Budget Adjustment	Amended Budget	Justification
Asset Seizure Fund (020)							
EXPENDITURES							
020	280	7330-00000	Special Departmental Supplies	8,400	5,500	13,900	Carryover from FY16-17 for items received in FY17-18
Total Asset Seizure Fund Expenditure Adjustments				8,400	5,500	13,900	
Capital Projects (035)							
035	900	8865-00000	ADA Improvement	75,000	190,000	265,000	City Portion of CDBG ADA Ramp Construction Project (\$70,000) and Carryover from FY16-17 for City Hall ADA Restroom Improvement (\$120,000)
035	900	8131-00000	Arterial Pavement Management	15,000	29,500	44,500	Carryover from FY16-17 for Thermal Striping of all arterial lanes
Total Capital Projects Fund Expenditure Adjustments				90,000	219,500	309,500	
Water Capital Reserve Fund (055)							
055	900	7100-00000	Pump & Well Repair	150,000	75,000	225,000	Carryover from FY16-17 for Walker Well Pump Replacement Project
055	900	8432-00000	Pipeline Condition Assessment	-	52,400	52,400	Carryover \$39,600 from FY16-17 and \$12,800 additional funding needed to complete project
055	900	9131-00000	183rd St Water System Repairs	-	100,000	100,000	Carryover from FY16-17
Total Water Capital Reserve Fund Expenditure Adjustments				150,000	227,400	377,400	