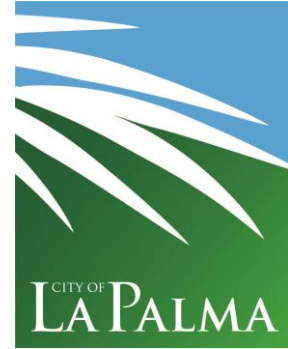


City of La Palma

Agenda Item No. 6



MEETING DATE: February 19, 2019

TO: CITY COUNCIL

FROM: CITY MANAGER

SUBMITTED BY: Sea Shelton, Administrative Services Director

AGENDA TITLE: Mid-Year Operating Report and Budget Adjustments, Fiscal Year 2018-19

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 2018-19 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, 2018, 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, 2018), 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. Except at fiscal year-end when accruals are recorded in accordance with accounting standards, 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 transactions through the second quarter represent 50 percent of the fiscal year, not all line items will be at 50 percent of the budget at mid-year.

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 by Type
- 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 amendments 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 reduced by current liabilities) has declined by \$664,000 from the beginning of the fiscal year from \$26.8 million to \$26.2 million at December 31, 2018. As explained in more detail in the following section, this reduction is essentially a result of cash flow timing for major revenue sources and some expenditure uses. This \$664,000 change is accounted for as follows:

- General Fund decreased by \$826,000
- Special Revenue Funds increased by \$22,000
- Capital Projects Funds increased by \$430,000
- Water & Sewer Funds increased by \$132,000
- Internal Service Funds decreased by \$422,000

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

General Fund

As shown in the attached charts, General Fund revenues totaled \$4.7 million (40% of the budget) while expenditures totaled \$5.2 million (49% of the budget) as of December 31, 2018. The excess of expenditures over revenues in addition to transfers of \$0.4 million to capital projects approximates the \$0.8 million reduction in spendable fund balance.

Revenues

Due to the timing of major revenue receipts, total General Fund revenue is at 40% of the budget through the end of the second quarter. The City anticipates receiving revenue of \$11.6 million by fiscal year-end (99% of the adopted budget), an estimated net decrease of \$125,600 from the adopted budget. There are five proposed changes to budgeted revenues:

1. \$140,000 reduction to transaction and use tax
2. \$20,000 reduction to utility users tax
3. \$25,000 reduction to ordinances & miscellaneous fines
4. \$35,600 increase to the annual display sign fee revenue
5. \$23,800 increase to intergovernmental revenue for the Orange County Proposition 69 grant award.

Following is a discussion of the four largest General Fund revenue sources, including budget amendments, where applicable: property tax, sales tax, transaction and use tax, and utility users tax. Together, these four revenues account for approximately 72% of the General Fund's revenue budget.

- **Property Tax:** The General Fund's largest revenue source, property tax, has \$1.2 million revenue recorded through December 31 (32% of the \$3.8 million budget). The property tax line item includes secured and unsecured property taxes (budgeted at \$2.3 million) as well as the property tax in lieu of vehicle license fees (budgeted at \$1.5 million). Secured property tax payments are distributed in four main payments with estimated distributions of 40% in November/December during the second quarter, 10% in January/March during the third quarter, 40% in April during the fourth quarter, and the final cleanup distribution at the end of the fiscal year. 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 budgeted revenue source, sales tax, has \$954,000 recorded through December 31 (45% of the \$2.1 million budget). Sales tax receipts lag by two to three months, and **actual sales tax revenue is expected to be \$2.1 million, as budgeted.**
- **Transaction & Use Tax:** The transaction and use tax is the City's third largest revenue source. There is \$736,000 recorded through December 31 (46% of the \$1.59 million adopted budget and 51% of the proposed amended budget of \$1.45 million). These receipts follow the same payment track as sales tax, and receipts lag by two to three months. During much of FY 2017-18, the transaction and use tax remittances included overpayments that were corrected later in the year; consequently, the 96% reported as collected by last year's mid-year is not useful for comparative purposes. A budget amendment is proposed to reduce budgeted revenue by \$140,000, as recommended by the City's contracted analytic firm. **The City anticipates receiving \$1.45 million in transaction and use tax by fiscal year-end.**
- **Utility Users Tax:** The fourth largest budgeted revenue source is utility users tax. Payments received through December 31 total \$438,000 which is 43% of the adopted budget and 44% of the proposed amended budget. This is slightly lower than the \$450,000 revenue that was reported through mid-year of the prior year, and a budget amendment of \$20,000 is proposed to reduce budgeted revenues in accordance with this trend. **The City anticipates receiving \$995,000 in utility users tax by fiscal year-end.**

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

- Residual property taxes: The City has no receipts recorded through mid-year, which is the same as the prior year's collection results. **By year-end, the City anticipates receiving the \$100,000 that was budgeted.**
- Franchise fees: Total revenue through December 31 is \$60,000 (16% of the \$386,800 budget). The City receives payment from its two largest franchise fee sources in one payment for the entire fiscal year in April of each year resulting in the proportionally low actual versus budget. **The City anticipates receiving \$386,800 in franchise fee revenue for the fiscal year, as budgeted.**
- Transient occupancy tax: Total revenue recorded through December 31 is \$113,000, which is 29% of the budget. The City receives four quarterly payments, with each payment received after the end of the applicable quarter. Consequently, only the first quarter's payment has been received by December 31. **The City anticipates receiving \$385,000 in transient occupancy tax revenue for the fiscal year, as budgeted.**
- Licenses and permits: Total revenue recorded through December 31 is \$249,000 (67% of the \$374,500 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 versus budgeted percentage in this category. **The City anticipates receiving all license and permit revenue as budgeted.**
- Fines and forfeitures: Total revenue recorded through December 31 is \$37,100 (31% of the adopted \$120,100 budget and 39% of the proposed amended budget). A reduction of \$25,000 is proposed to the budget for Ordinance and Miscellaneous fines to better reflect the year's trends. **The City anticipates receiving \$95,100 as shown in the proposed amended budget.**
- Use of money and property: During the fiscal year, the City records interest revenue as dividend and interest payments are received. At year-end, in accordance with governmental accounting standards, the City adjusts interest revenue to record unrealized gains and losses based on market values of investments at that point in time. Because the City typically holds investments to maturity rather than realizing gains or losses by selling before maturity, this change in interest revenue is only recorded at fiscal year-end for financial reporting purposes. At December 31, the unrecorded, unrealized loss on investments is \$161,700. **Through December 31, dividend and interest revenue of \$263,000 has been recorded with an annual total budget of \$332,400 anticipated.**

Expenditures

The General Fund's expenditures total \$5.2 million at December 31 (49% of the \$10.6 million budget). In comparison, the prior year expenditures totaled \$6.5 million through the end of the second quarter; the prior year's costs were disproportionately high due to a \$1.5 million property acquisition in August 2017.

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 \$676,600, and as of December 31, expenditures total \$286,700 (42% of the budget). **Expenditures are expected to approximate the budget at fiscal year-end.**
- The Administrative Services Department is comprised of the divisions for Administration, Community Promotions, Fiscal Services, Human Resources, and Technology and Communications. The budget for this department totals \$2.6 million, and as of December 31, expenditures total \$1.6 million (63% of the budget). The costs are proportionately high through the end of the second quarter due to making the required annual payment for the City's unfunded pension obligation in July. **Expenditures are expected to approximate the budget at fiscal year-end.**
- The Police Department has an expenditure budget of \$4.7 million and has a proposed budget increase of \$23,800 which matches a proposed increase to budgeted grant revenue. In November 2018, staff submitted a grant funding request to the Orange County Proposition 69 Committee to fund various DNA and forensics programs within the La Palma Police Department. The Department requested \$23,800 of funding for Patrol DNA/Forensic kits, an advanced CSI kit, an evidence drying cabinet, evidence room freezers, and an outdoor crime scene preservation kit. On February 5, 2019, the Board of Supervisors approved the funding request. The La Palma Police Department will use these one-time grant funds to purchase the indicated DNA and forensics items and then receive reimbursement funding from the County.

As of December 31, department expenditures total \$2.3 million (48% of the adopted budget). **Expenditures are expected to approximate the proposed, amended budget at fiscal year-end.**

- 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 a budget of \$2.1 million and has a proposed increase of \$5,000 to add a Hometown Heroes concert on June 29 to the summer concert series. This specific concert will honor Hometown Heroes, with a special focus on veterans of the Korean War. As of December 31, expenditures total \$857,000 (40% of the budget). **Expenditures are expected to approximate the budget at fiscal year-end.**
- The Community Development Department accounts for the Building and Safety, Code Enforcement, and Planning divisions. This department has a budget of \$468,000, and as of December 31, expenditures total \$173,000 (37% of the budget). The prior year's costs through December 31 totaled \$1.76 million due to the \$1.5 million acquisition of property in July 2017. **Expenditures are expected to approximate the budget at fiscal year-end.**

Emergency Reserve Fund and General Fund Unassigned Fund Balance

The Emergency Reserve Fund is considered to be part of the General Fund for reporting purposes. The Emergency Reserve Fund has a proposed budget amendment of a transfer of \$156,400 from the unassigned General Fund balance. The transfer is to meet the City's Fund

Balance Reserve Policy that at the end of each fiscal year when audited General Fund revenues exceed expenditures, a minimum of 25% of any year-end operating surplus is allocated to the Emergency Reserve Fund. The FY 2017-18 General Fund surplus totaled \$625,600 minus large one time expenditures and an interfund transfer to the General Fund. The Emergency Fund balance at the end of second quarter was \$5,291,100; and with the proposed transfer will increase to \$5,447,500.

The available General Fund unassigned fund balance minus the transfer to the Emergency Reserve fund and funds set aside for potential future Residual Property Tax revenue loss from a business going non-profit in FY 17-18 totals \$1,785,744. Per the City's Fund Balance policy available General Fund unassigned fund balance can be allocated for any other purpose the City Council deems appropriate, including leaving the funds in unassigned fund balance or putting the funds in the Emergency Reserve Fund.

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, state road maintenance and rehabilitation funds, County Measure M taxes, grants, South Coast Air Quality funding, police grant funds, park development fees, housing-related sources, and other similar remittances.

The spendable fund balance increased by a net of \$22,000 due to the receipt of 1) restricted monies from Road Maintenance and Rehabilitation Account (RMRA), gas tax, Measure M, and the Supplemental Law Enforcement Fund in advance of spending for street and law enforcement purposes and housing loan interest payments. These increases are offset by the expenditure of grant monies in advance of grant reimbursements for the Community Development Block Grant and state and county public safety grants.

A revenue budget adjustment in the amount of \$22,232 to the Successor Agency Housing Entity Fund has been included in the mid-year adjustments. The adjustment is to account for the 20% of RPTTF funds that were received as part of the ROPS 18-19 2002 City Loan Repayment that is required to be deposited in the fund.

Capital Outlay Reserve

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 (COR) Fund accumulates monies for funding of projects which are not able to be funded by other sources such as gas tax, Measure M2, Road Maintenance Rehabilitation Account (SB1), or park development funds. For FY 2018-19, COR is estimated to provide \$2.8 million of funds for the City's projects which include \$1.5 million for facility improvement projects and \$1.3 million for street rehabilitation and intersection improvement projects. As of the end of the second quarter, the City has charged \$21,000 to projects funded by COR. Capital project activity is expected to increase during the remainder of the year.

An increase of \$50,000 is being requested in COR to replace the electronic readerboard at the Community Center. The readerboard was originally purchased in November 2009. In summer of 2018, the readerboard began experiencing display issues. Daktronics, the service provider, has made 4 site visits and staff has been in constant (bi-weekly) contact with their technicians discussing solutions. The display continually experiences random presentation freezes and

reboots; and at various times, the presentation remains frozen until a power cycle or software reset is initiated. Both steps are effective in getting the presentations to cycle again but after some time the same issue occurs. Per Daktronics' technicians, the equipment and software is outdated and becomes increasingly problematic with time. The readerboard was scheduled to be replaced in FY 2020-21 but with the constant malfunctions, staff believes replacement in FY 2018-19 is necessary.

In addition to funding for the readerboard, a budget adjustment in the amount of \$5,500 is being requested in COR for expenses incurred as part of the citywide street median rehabilitation project that are not eligible for M2 or RMRA funds including a citywide mailer inviting residents to a community meeting on the street median project and a presentation by the City's landscape architect at the meeting.

Park Development Fund

The Park Development Fund is funded through park development fees which are charged for new development to fund park development and improvements. At the end of the second quarter, the Park Development Fund spendable balance was \$101,100. During the FY 2018-19 budget development process, funding for an exercise par course at Central Park was proposed. It was removed from the FY 2018-19 budget with the direction that it be brought back to City Council at mid-year for possible reinstatement into the budget. During the City Council's Goal Setting meeting on January 25, 2019, staff was directed to include funding in the amount of \$40,000 out of the Park Development Fund for the exercise par course in the FY 2018-19 mid-year budget adjustments. The exercise park course project includes the installation of 9 pieces of exercise equipment between the basketball and tennis courts. Additionally, signs would be placed along the Edison Right-of-Way path to connect walkers to this new amenity.

Water and Sewer Funds

The Water and Sewer Funds had a total addition to spendable fund balance of \$132,000 at December 31 due to revenues exceeding expenses. This means that water and sewer rates are sufficient to cover actual cash outflow. This trend is expected to continue and actual revenues and expenses are anticipated to approximate budget at year-end.

Internal Service Funds

The Internal Service Funds began the year with a spendable fund balance of \$2.7 million which has been reduced by \$0.4 million to \$2.3 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 internal service funds for incurred costs. A budget adjustment to the Vehicle Replacement Fund is included in the proposed mid-year budget adjustments to account for \$21,520 of revenue received from the auction of eight (8) surplus vehicles.

FISCAL IMPACT:

As of the end of the second quarter, staff anticipates that actual FY 2018-19 General Fund revenues will exceed expenditures by fiscal year-end even with the proposed mid-year adjustments. Prior to mid-year adjustments, the FY 2018-19 General Fund Budget had an

anticipated a surplus of \$537,870. After mid-year adjustments, the estimated FY 2018-19 General Fund surplus is \$383,470. With a little less than half the fiscal year still remaining, the anticipated General Fund surplus amount will likely be adjusted. Even with likely modifications, staff does anticipate a General Fund surplus for FY 2018-19. Over the next few months as FY 2019-20 budget development meetings take place, better surplus estimates will be provided.

APPROVED:



Administrative Services Director



City Manager

- Attachments:
1. Second Quarter Summary Schedules:
 - General Fund Revenue Summary
 - General Fund Expenditures by Department
 - General Fund Expenditures by Category
 - Spendable Fund Balance Summary
 2. Proposed Mid-Year Budget Adjustments Resolution

SECOND QUARTER FINANCIAL REPORT, FISCAL YEAR 2018-19
GENERAL FUND REVENUES BY TYPE
QUARTER ENDING DECEMBER 31, 2018

Revenue Type	FY 2018-19							FY 2017-18			Q2 Variance FY 2018-19 to FY 2017-18 Increase / <Decrease>
	Adopted Budget	Proposed Mid-year Budget Amendment	Proposed Amended Budget	Proposed Budget Change	Year-to-Date Actual through 12/31/2018 (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 12/31/2017 (50% of FY)	Q2 Actual as a % of Annual Revenue	
Property Tax	\$ 3,816,100		\$ 3,816,100	0.00%	\$ 1,204,195	32%	32%	\$ 3,731,600	\$ 1,242,922	33%	\$ (38,727)
Sales Tax	2,100,000		2,100,000	0.00%	954,014	45%	45%	2,502,894	1,070,924	43%	(116,910)
Transaction & Use Tax	1,590,000	(140,000)	1,450,000	-8.81%	735,576	46%	51%	1,250,535	1,199,526	96%	(463,950)
Utility Users Tax	1,015,000	(20,000)	995,000	-1.97%	438,264	43%	44%	992,221	450,014	45%	(11,750)
Residual Property Tax	100,000		100,000	0.00%	-	0%	0%	147,467	-	0%	-
Franchise Fees	386,800		386,800	0.00%	59,968	16%	16%	377,451	65,710	17%	(5,742)
Transient Occupancy Tax	385,000		385,000	0.00%	113,054	29%	29%	391,991	108,418	28%	4,636
Licenses and Permits	374,500		374,500	0.00%	249,450	67%	67%	340,730	261,545	77%	(12,095)
Intergovernmental	10,500	23,800	34,300	226.67%	1,582	15%	5%	8,465	-	0%	1,582
Charges for Services	485,500		485,500	0.00%	228,866	47%	47%	501,869	233,235	46%	(4,369)
Fines and Forfeitures	120,100	(25,000)	95,100	-20.82%	37,062	31%	39%	92,271	39,192	42%	(2,130)
Use of Money and Property**	332,400		332,400	0.00%	262,744	79%	79%	265,242	220,440	83%	42,304
Other Revenue	458,900	35,600	494,500	7.76%	112,472	25%	23%	483,412	130,350	27%	(17,878)
Interfund Charges	587,700		587,700	0.00%	293,850	50%	50%	587,700	293,850	50%	-
Total Revenues	\$ 11,762,500	\$ (125,600)	\$ 11,636,900	-1.07%	\$ 4,691,097	40%	40%	\$ 11,673,848	\$ 5,316,126	46%	\$ (625,029)

** The City typically holds investments rather than realizing losses by selling before maturity; therefore, the active investment portfolio's unrealized market value losses as of December 31 of \$161,700 have been excluded.

SECOND QUARTER FINANCIAL REPORT, FISCAL YEAR 2018-19
GENERAL FUND EXPENDITURES BY DEPARTMENT
QUARTER ENDING DECEMBER 31, 2018

Department	FY 2018-19					FY 2017-18			Q2 Variance FY 2018-19 to FY 2017-18 Increase / <Decrease>		
	Adopted* Budget	Proposed Mid-year Budget Amendment	Proposed Amended Budget	Proposed Budget Change	Year-to-Date Actual through 12/31/2018 (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 12/31/2017 (50% of FY)	Q2 Actual as a % of Annual Expenditures
General Government	\$ 676,630	\$ -	\$ 676,630	0.00%	\$ 286,742	42%	42%	\$ 611,112	\$ 274,696	45%	\$ 12,046
Administrative Services (Note 1)	2,604,100	-	2,604,100	0.00%	1,630,772	63%	63%	4,785,921	1,533,553	32%	97,219
Police	4,735,900	23,800	4,759,700	0.50%	2,257,343	48%	47%	4,229,480	2,061,354	49%	195,989
Community Services	2,128,900	5,000	2,133,900	0.23%	857,307	40%	40%	1,843,377	860,455	47%	(3,148)
Community Development (Note 2)	468,000	-	468,000	0.00%	173,381	37%	37%	2,048,888	1,762,043	86%	(1,588,662)
Total	\$ 10,613,530	\$ 28,800	\$ 10,642,330	0.27%	\$ 5,205,545	49%	49%	\$ 13,518,778	\$ 6,492,101	48%	\$ (1,286,556)

*Includes budget amendments of \$31,330 adopted through December 31.

Note 1: FY 208/19 costs are proportionately high due to making the required payment for the City's unfunded pension obligation in July.

Note 2: FY 2017/18 costs are proportionately high due to a \$1.55M property acquisition during the first quarter.

**SECOND QUARTER FINANCIAL REPORT, FISCAL YEAR 2018-19
GENERAL FUND EXPENDITURES BY CATEGORY
QUARTER ENDING DECEMBER 31, 2018**

Expenditure Type	FY 2018-19							FY 2017-18			Q2 Variance FY 2018-19 to FY 2017-18 Increase / <Decrease>
	Adopted* Budget	Proposed Mid-year Budget Amendment	Proposed Amended Budget	Proposed Budget Change	Year-to-Date Actual through 12/31/2018 (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 12/31/2017 (50% of FY)	Q2 Actual as a % of Annual Expenditures	
Personnel Services	\$ 6,652,000	\$ -	\$ 6,652,000	0.00%	\$ 3,546,416	53%	53%	\$ 8,470,576	\$ 3,226,157	38%	\$ 320,259
Maintenance and Operations	3,817,830	28,800	3,846,630	0.75%	1,646,544	43%	43%	3,439,836	1,697,802	49%	(51,258)
Capital Outlay/Improvements (Note 1)	143,700	-	143,700	0.00%	12,585	9%	9%	1,608,366	1,568,142	97%	(1,555,557)
Total	\$ 10,613,530	\$ 28,800	\$ 10,642,330	0.27%	\$ 5,205,545	49%	49%	\$ 13,518,778	\$ 6,492,101	48%	\$ (1,286,556)

*Includes budget amendments of \$31,330 adopted through December 31.

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 2018-19
SPENDABLE FUND BALANCE - FISCAL YEAR CHANGE
THROUGH THE QUARTER ENDING DECEMBER 31, 2018

<u>Fund #</u>	<u>Fund Title</u>	<u>Balance 6/30/2018</u>	<u>Balance 12/31/2018</u>	<u>FY Change through 12/31/2018</u>
1	General Fund	\$ 2,405,223	\$ 1,368,604	\$ (1,036,619)
3	Emergency Reserve Fund	5,080,000	5,291,100	211,100
5	Economic Development Fund	221,864	221,864	-
Subtotal General Funds		7,707,087	6,881,568	(825,519)
10	Road Maintenance & Rehabilitation Account (RMRA)	\$ 93,659	\$ 192,502	98,843
11	Streets Fund	155,651	172,900	17,249
12	Measure M2	414,468	461,784	47,316
14	Community Development Block Grant (Note 1)	-	(213,259)	(213,259)
15	Air Quality Fund	134,338	140,661	6,323
16	PEG Fund	244,934	252,812	7,878
20	Asset Seizure Fund	88,014	88,779	765
21	Public Safety Augmentation Fund	192,652	200,311	7,659
22	Supplemental Law Enforcement Fund	150,180	209,217	59,037
23	SVC Authority for Abandoned Vehicles	26,385	26,611	226
24	BSCC Local Law Enforcement Grant	54,890	54,383	(507)
25	N. Orange County Public Safety Grant (Note 2)	-	(66,614)	(66,614)
33	Park Development Fund	100,196	101,055	859
38	SA Housing Entity Fund	741,321	797,659	56,338
Subtotal Special Revenue Funds		2,396,688	2,418,801	22,113
35	Capital Outlay Reserve Fund	5,582,427	5,959,481	377,054
36	One-Time Projects Fund	-	-	-
37	Civic Center Rehabilitation Reserve Fund	298,671	351,305	52,634
Subtotal Capital Projects Funds		5,881,098	6,310,786	429,688
50	Water Fund	581,689	581,033	(656)
55	Water Capital reserve Fund	4,033,100	4,062,885	29,785
Subtotal Water Related Funds		4,614,789	4,643,918	29,129
52	Sewer Fund	1,206,307	1,231,139	24,832
56	Sewer Capital Reserve Fund	2,329,815	2,408,286	78,471
Subtotal Sewer Related Funds		3,536,122	3,639,425	103,303
60	Risk Management/Insurance	889,914	485,642	(404,272)
61	Employee Benefits Fund	295,010	297,619	2,609
62	Building Maintenance & Replacement Fund	52,145	52,592	447
63	Vehicle Replacement Fund	862,531	798,860	(63,671)
64	Technology Replacement Fund	583,713	626,262	42,549
Subtotal Internal Service Funds		2,683,313	2,260,975	(422,338)
Total All Funds		\$ 26,819,097	\$ 26,155,473	\$ (663,624)

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

Note 1: Notice of Completion on ADA Ramp Project approved by City Council on 2/5/19. Awaiting CDBG grant reimbursement.

Note 2: City received grant monies in the amount of \$166,900 in January 2019

RESOLUTION NO. 2019-__

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
LA PALMA AMENDING THE FISCAL YEAR 2018-19
ADOPTED BUDGET**

WHEREAS, the Administrative Services Director did on February 19, 2019, present to the City Council an update of estimated revenues and expenditures for Fiscal Year 2018-19; 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 2018-19 budget are enumerated in Exhibit A to this resolution; and

WHEREAS, the adopted Fiscal Year 2018-19 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 2018-19 adopted budget as so amended, modified, revised, and corrected including those changes directed by the City Council at the February 19, 2019, 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 2018-19 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 19th day of February 2019.

Marshall Goodman
Mayor

ATTEST:

Kimberly Kenney, CMC
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 19th day of February 2019,
and that it was so adopted by called vote as follows:

AYES:

NOES:

Kimberly Kenney, CMC
Deputy City Clerk

Item Description				Adopted Budget	Budget Adjustment	Amended Budget	Justification
General Fund (001)							
REVENUES							
001	100	4055-00000	Transaction and Use Tax	1,590,000	(140,000)	1,450,000	Revised HdL Estimate
001	100	4060-00000	Utility Users Tax	1,015,000	(20,000)	995,000	Trending Lower
001	200	4280-00000	Prop 69 Grant Revenues	-	23,800	23,800	Proposition 69 (2004) Grant Award Approved by County of Orange
001	200	4322-00000	Ordinances & Miscellaneous Fines	120,000	(25,000)	95,000	Trending Lower
001	500	4613-00000	Annual Display Sign Fee	168,400	35,600	204,000	City's portion of landscaping/tree removal cost for Billboard project booked in fiscal year cost incurred allowing for full revenue to be book in FY 18-19.
TOTAL GENERAL FUND REVENUES				11,762,500	(125,600)	11,636,900	
EXPENDITURES							
Police Services							
001	260	7330-00000	Investigations - Special Departmental Supplies	500	23,800	24,300	Various DNA and forensics supplies funded by Proposition 69 (2004) grant funding
Community Services							
001	340	6000-34034	Special Events - Professional Contract Services	8,900	5,000	13,900	Hometown Heroes concert added to summer concert series
Subtotal General Fund Expenditure Adjustments					28,800		
TRANSFERS OUT							
035	300	4951-00000	Capital Outlay Reserve	350,000	-	350,000	
037	300	4951-00000	Civic Center Replacement Fund	50,000	-	50,000	
003	300	4951-00000	Emergency Reserve Fund	211,100	156,400	367,500	Additional transfer to meet Fund Balance Reserve Policy of 25% of previous year surplus to be transferred to Emergency Reserve Fund. Funded through Unassigned General Fund balance.
TOTAL TRANSFERS OUT				611,100	156,400	767,500	
TOTAL GENERAL FUND EXPENDITURE ADJUSTMENTS					185,200		

FY 2018-19 Surplus (Deficit)	CURRENT BUDGET	PROPOSED AMENDED BUDGET
Revenues	11,762,500	11,636,900
Expenditures	(10,613,530)	(10,642,330)
Transfer Out	(611,100)	(611,100)
FY 2018-19 Surplus (Deficit)	537,870	383,470

	As of June 30, 2018*		
AVAILABLE UNASSIGNED GENERAL FUND BALANCE	1,942,144	(156,400)	1,785,744

*Balance does not include 155,000 set aside for potential residual property tax revenue loss from LP Intercommunity Hospital property becoming tax exempt.

Fiscal Year 2018-19 Mid-Year Budget Adjustments

Exhibit A

		Item Description	Adopted Budget	Budget Adjustment	Amended Budget	Justification
Park Development Fund (033)						
EXPENDITURES						
033	900 8870-00000	Park Improvements	-	40,000	40,000	Exercise par course at Central Park
Total Park Development Fund Expenditure Adjustments			-	40,000	40,000	
Sucessor Agency Housing Entity Fund (038)						
REVENUES						
038	700 4951-00000	Transfers In	-	22,232	22,232	20% set aside from RPTTF 2002 City Loan Repayment included in ROPS 18-19
Total Sucessor Agency Housing Entity Fund Revenue Adjustments			-	22,232	22,232	
Capital Projects (035)						
EXPENDITURES						
035	900 8870-00000	Park Improvements	-	50,000	50,000	Replacement of electronic reader board at Community Center/Central Park
035	900 8134-00000	Median Rehabilitation	-	5,500	5,500	Expenses for citywide mailer and landscape architect attendance at community workshop not eligible for M2 or SB1 funds
Total Capital Projects Fund Expenditure Adjustments			-	55,500	55,500	
Vehicle Replacement Fund (063)						
REVENUES						
063	640 4708-00000	Vehicle Sales	-	21,520	21,520	Eight (8) surplus vehicles sold at auction
Total Vehicle Replacement Fund Revenue Adjustments			-	21,520	21,520	