

# City of La Palma

## Agenda Item No. 7



MEETING DATE: March 3, 2020  
TO: CITY COUNCIL  
FROM: INTERIM CITY MANAGER  
SUBMITTED BY: Michael Matsumoto, Financial Consultant  
AGENDA TITLE: Mid-Year Operating Report and Budget Adjustments  
Fiscal Year 2019-20

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### **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 2019-20 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, 2019, 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, 2019), 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 \$947,000 from the beginning of the fiscal year from \$29.4 million to \$28.5 million at December 31, 2019. 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. In fiscal year 2018-19, the spendable fund balance had declined \$663,000 by December 31, 2018, but the spendable fund balance increased by June 30, 2019. This \$947,000 change is accounted for as follows:

- General Fund decreased by \$2,432,000
- Special Revenue Funds increased by \$514,000
- Capital Projects Funds increased by \$1,060,000
- Water & Sewer Funds increased by \$91,000
- Internal Service Funds decreased by \$180,000

The remainder of the financial review section will focus on the activity in the funds which account for the majority of the \$947,000 change 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 \$5.6 million (50% of the budget) through December 31, 2019. In addition to this \$0.9 million shortfall of revenues under expenditures, transfers to other funds were recorded totaling \$1.7 million, as budgeted. This total net outflow of \$2.6 million accounts for the majority of the \$2.4 million reduction in spendable fund balance, with the remaining change coming from the timing related to current receivables and payables.

### **Revenues**

Due to the timing of major revenue receipts, total General Fund revenue is at 40% of the adopted budget through the end of the second quarter. The City anticipates receiving revenue of \$12.1 million by fiscal year-end, an estimated net increase of \$259,180 over the adopted budget. The following are proposed changes to budgeted revenues:

1. \$11,520 reduction to property tax. This change comes from revised estimates from the City's revenue consultant.
2. \$34,900 reduction to sales tax. This change comes from revised estimates from the City's revenue consultant.
3. \$265,000 increase to transaction and use tax. This change comes from revised estimates from the City's revenue consultant. The State is currently analyzing certain vendors within the City who may not need to collect the transaction and use tax. As a result, the revenue estimate does not include amounts for these vendors.
4. \$50,000 reduction to utility users tax based on trend data from the first half of the year.
5. \$90,600 increase to residual property tax remittances from the County. This change comes from revised estimates from the City's revenue consultant.

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 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 through December 31 (31% of the \$4.0 million budget). The property tax line item includes secured and unsecured property taxes (budgeted at \$2.4 million) as well as the property tax in lieu of vehicle license fees (budgeted at \$1.6 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 estimates a \$11,000 reduction to the adopted budget for property tax revenue.**
- **Sales Tax:** The second largest budgeted revenue source, sales tax, has \$787,000 recorded through December 31 (39% of the \$2.0 million budget). Sales tax receipts lag by two to three months, and a budget amendment reducing sales tax revenue by \$35,000 is proposed, reflecting the year's actual trend as estimated by the City's revenue consultants. **The City estimates a \$34,900 reduction to the adopted budget for sales tax revenue.**
- **Transaction & Use Tax:** The transaction and use tax is the City's third largest revenue source. Through December 31, \$814,000 has been received (59% of the \$1.4 million adopted budget and 49% of the proposed amended budget of \$1.64 million). These receipts follow the same payment track as sales tax, and receipts lag by two to three months. A budget amendment is proposed to increase budgeted revenue by \$265,000, using estimates received from the City's contracted analytic firm. **The City a \$265,000 increase to the adopted budget for transaction and use tax.**

- Utility Users Tax: The fourth largest budgeted revenue source is utility users tax. Payments received through December 31 total \$403,000 which is 41% of the adopted budget and 43% of the proposed amended budget. This is lower than the \$438,000 revenue that was reported through mid-year of the prior year, and a budget amendment of \$50,000 is proposed to reduce budgeted revenues in accordance with this trend. **The City estimates a \$50,000 reduction to the adopted budget for utility users tax.**

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. Data from the City's revenue consultants indicate that \$90,600 more will be received than was originally budgeted. **The City estimates a \$90,600 increase to the adopted budget for residual property tax revenue.**
- Franchise fees: Total revenue through December 31 is \$78,000 (19% of the \$402,000 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 proportionally low actual versus budget. **The City anticipates no change to the budget for franchise fee revenue.**
- Transient occupancy tax: Total revenue recorded through December 31 is \$106,000, which is 26% 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 no change to the budget for transient occupancy tax revenue.**
- Licenses and permits: Total revenue recorded through December 31 is \$303,000 (87% of the \$349,300 budget). Historically, 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 no change to the budget for license and permit revenue.**
- Intergovernmental: Total revenue recorded through December 31 is \$5,100 (5% of the \$102,900 budget). This revenue category varies from year to year, depending on what County and State revenue the City will receive for miscellaneous grants and other types of intergovernmental revenue such as mandated cost reimbursements. **The City anticipates no change to the budget for intergovernmental revenue.**
- Fines and forfeitures: Total revenue recorded through December 31 is \$31,000 (33% of the \$95,100 budget). While this is slightly less than the amount received through the end of the prior year's second quarter. **The City anticipates no change to the budget for fines and forfeiture revenue.**
- Use of money and property: During the fiscal year, the City records interest revenue as dividend and interest payments are received. At year-end, 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 gain on investments is \$99,900. **The City anticipates no change to the budget for use of money and property.**

- Other revenue: The main components of Other Revenue are sign lease revenues and the administrative allowance from the Successor Agency. The sign lease revenue has been received monthly and totals \$102,000 as budgeted. The administrative allowance from the Successor Agency is budgeted at \$249,000 and will be received in January and June, during the third and fourth quarters. **The City anticipates no change to the budget for other revenue.**

### Expenditures

The General Fund's expenditures total \$5.6 million at December 31 (50% of the \$11.2 million budget). This follows the trend of the prior year where expenditures totaled \$5.2 million through the end of the second quarter, which was 51% of the year's total expenditures.

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 \$707,200, and through December 31, expenditures total \$306,800 (43% 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 \$2.7 million, and through December 31, expenditures total \$1.8 million (67% 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 \$5.2 million. Through December 31, department expenditures total \$2.4 million (46% of the budget). **Expenditures are expected to approximate the 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 expenditures total \$891,000 (42% of the budget) through December 31. **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 \$470,200, and as of December 31, expenditures total \$219,000 (46% of the budget). A contract for a housing consultant was awarded by the City Council in December 2019, and a budget amendment of \$50,100 is proposed for the consultant's expected work through the end of the fiscal year. **Expenditures are expected to approximate the proposed amended budget of \$520,300 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 \$284,700 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 2018-19 General Fund surplus totaled \$1,138,660. The Emergency Fund balance at the end of second quarter was \$5,613,000; and with the proposed transfer will increase to \$5,897,700.

## **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 \$514,000 due to the receipt of restricted monies from Road Maintenance and Rehabilitation Account (RMRA), gas tax, Measure M, and the public safety grants in advance of spending for street and law enforcement purposes and housing loan interest payments. These increases are offset slightly by the expenditure of grant monies in advance of reimbursements for state and county public safety grants.

## **Capital Outlay Reserve and Civic Center Rehabilitation Reserve 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, RMRA, or park development funds. In FY 2019-20, a transfer of \$1.5 million from the General Fund has been recorded, as budgeted.

For FY 2019-20, the Capital Outlay Reserve Fund is estimated to provide \$5.1 million of funds for the City's projects which include \$2.1 million for facility improvement projects and \$3.0 million for street rehabilitation and intersection improvement projects. Through the end of the second quarter, the City has charged \$544,000 to projects funded by the Capital Outlay Reserve Fund. Capital project activity is expected to increase during the remainder of the year.

The Civic Center Rehabilitation Reserve Fund increased by \$54,000 as a result of a budgeted transfer of \$50,000 from the General Fund in addition to interest earnings.

## **Water and Sewer Funds**

The Water and Sewer Funds had a total addition to spendable fund balance of \$91,000 through December 31 due to revenues exceeding expenses. This means that through mid-year, water and sewer rates were sufficient to cover the 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 \$2.8 million which has been reduced by \$0.2 million to \$2.6 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.

## **ALTERNATIVES:**

The City Council can approve the recommended budget adjustments or direct staff to further review all or specific budget adjustments prior to approval.

## **FISCAL IMPACT:**

The adjustments identified will increase estimated revenues by \$232,280 and increase appropriations by \$82,920. Also, there will be a transfer of \$284,700 from the General Fund to the Emergency Reserve Fund. As of the end of the second quarter, staff anticipates that actual revenues and expenditures will generally approximate the budgeted numbers by fiscal year-end.

## **RECOMMENDED ACTION:**

It is recommended that the City Council adopt the proposed resolution to amend the budget.

## **APPROVED:**

  
\_\_\_\_\_  
Financial Consultant

  
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Interim 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 Resolution
  3. Recommended Mid-Year Budget Adjustments (Exhibit A of Proposed Resolution)

# Attachment 1

**SECOND QUARTER FINANCIAL REPORT, FISCAL YEAR 2019-20  
GENERAL FUND REVENUES BY TYPE  
QUARTER ENDING DECEMBER 31, 2019**

Revenue Type	FY 2019-20							FY 2018-19			Q2 Variance FY 2019-20 to FY 2018-19 Increase / <Decrease>
	Adopted Budget	Proposed Mid-year Budget Amendment	Proposed Amended Budget	Proposed Budget Change	Year-to-Date Actual through 12/31/2019 (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 12/31/2018 (50% of FY)	Q2 Actual as a % of Annual Revenue	
Property Tax	\$ 4,012,300	\$ (11,520)	\$ 4,000,780	-0.29%	\$ 1,235,798	31%	31%	\$ 3,863,599	\$ 1,204,195	31%	\$ 31,603
Sales Tax	2,000,000	(34,900)	1,965,100	-1.75%	787,292	39%	40%	2,010,833	954,014	47%	(166,722)
Transaction & Use Tax	1,376,000	265,000	1,641,000	19.26%	813,934	59%	50%	1,663,764	735,576	44%	78,358
Utility Users Tax	980,000	(50,000)	930,000	-5.10%	403,079	41%	43%	951,388	438,264	46%	(35,185)
Residual Property Tax	122,400	90,600	213,000	74.02%	-	0%	0%	156,224	-	0%	-
Franchise Fees	402,000	-	402,000	0.00%	77,748	19%	19%	437,747	59,968	14%	17,780
Transient Occupancy Tax	409,000	-	409,000	0.00%	105,851	26%	26%	398,343	113,054	28%	(7,203)
Licenses and Permits	349,300	-	349,300	0.00%	302,654	87%	87%	366,063	249,450	68%	53,204
Intergovernmental	102,900	-	102,900	0.00%	5,078	5%	5%	38,885	1,582	4%	3,496
Charges for Services	500,700	-	500,700	0.00%	248,158	50%	50%	495,744	228,866	46%	19,292
Fines and Forfeitures	95,100	-	95,100	0.00%	31,019	33%	33%	83,110	37,062	45%	(6,043)
Use of Money and Property**	414,400	-	414,400	0.00%	285,034	69%	69%	568,945	262,744	46%	22,290
Other Revenue	494,200	-	494,200	0.00%	106,952	22%	22%	499,041	112,472	23%	(5,520)
Interfund Charges	634,000	-	634,000	0.00%	317,000	50%	50%	587,700	293,850	50%	23,150
<b>Total Revenues</b>	<b>\$ 11,892,300</b>	<b>\$ 259,180</b>	<b>\$ 12,151,480</b>	<b>2.18%</b>	<b>\$ 4,719,597</b>	<b>40%</b>	<b>39%</b>	<b>\$ 12,121,386</b>	<b>\$ 4,691,097</b>	<b>39%</b>	<b>\$ 28,500</b>

\*\* The City typically holds investments rather than realizing losses by selling before maturity; therefore, the active investment portfolio's unrealized market value gain as of December 31 of \$99,893 (per US Bank) has been excluded.



**SECOND QUARTER FINANCIAL REPORT, FISCAL YEAR 2019-20**  
**GENERAL FUND EXPENDITURES BY DEPARTMENT**  
**QUARTER ENDING DECEMBER 31, 2019**

Department	FY 2019-20							FY 2018-19			Q2 Variance FY 2019-20 to FY 2018-19 Increase / <Decrease>
	Adopted Budget	Proposed Mid-year Budget Amendment	Proposed Amended Budget	Proposed Budget Change	Year-to-Date Actual through 12/31/2019 (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 12/31/2018 (50% of FY)	Q2 Actual as a % of Annual Expenditures	
General Government	\$ 707,200	\$ -	\$ 707,200	0.00%	\$ 306,792	43%	43%	\$ 633,722	\$ 286,742	45%	\$ 20,050
Administrative Services (Note 1)	2,720,500	-	2,720,500	0.00%	1,829,201	67%	67%	2,415,824	1,630,772	68%	198,429
Police	5,190,800	-	5,190,800	0.00%	2,363,948	46%	46%	4,736,822	2,257,343	48%	106,605
Community Services	2,137,300	-	2,137,300	0.00%	891,494	42%	42%	1,999,596	857,307	43%	34,187
Community Development	470,200	50,100	520,300	10.66%	218,509	46%	42%	407,030	173,381	43%	45,128
<b>Total</b>	<b>\$ 11,226,000</b>	<b>\$ 50,100</b>	<b>\$ 11,276,100</b>	<b>0.45%</b>	<b>\$ 5,609,944</b>	<b>50%</b>	<b>50%</b>	<b>\$ 10,192,994</b>	<b>\$ 5,205,545</b>	<b>51%</b>	<b>\$ 404,399</b>

Note 1: FY 2019-20 costs are proportionately high due to making the required payment for the City's unfunded pension obligation in July.

**SECOND QUARTER FINANCIAL REPORT, FISCAL YEAR 2019-20  
GENERAL FUND EXPENDITURES BY CATEGORY  
QUARTER ENDING DECEMBER 31, 2019**

Expenditure Type	FY 2019-20					FY 2018-19			Q2 Variance FY 2019-20 to FY 2018-19 Increase / <Decrease>		
	Adopted Budget	Proposed Mid-year Budget Amendment	Proposed Amended Budget	Proposed Budget Change	Year-to-Date Actual through 12/31/2019 (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 12/31/2018 (50% of FY)	Q2 Actual as a % of Annual Expenditures
Personnel Services	\$ 7,199,800	\$ (30,000)	\$ 7,169,800	-0.42%	\$ 3,806,269	53%	53%	\$ 6,535,272	\$ 3,546,416	54%	\$ 259,853
Maintenance and Operations	3,895,500	80,100	3,975,600	2.06%	1,790,261	46%	45%	3,606,321	1,646,544	46%	143,717
Capital Outlay/Improvements	130,700	-	130,700	0.00%	13,414	10%	10%	51,401	12,585	24%	829
<b>Total</b>	<b>\$ 11,226,000</b>	<b>\$ 50,100</b>	<b>\$ 11,276,100</b>	<b>0.45%</b>	<b>\$ 5,609,944</b>	<b>50%</b>	<b>50%</b>	<b>\$ 10,192,994</b>	<b>\$ 5,205,545</b>	<b>51%</b>	<b>\$ 404,399</b>

**SECOND QUARTER FINANCIAL REPORT, FISCAL YEAR 2019-20**  
**SPENDABLE FUND BALANCE - FISCAL YEAR CHANGE**  
**THROUGH THE QUARTER ENDING DECEMBER 31, 2019**

<u>Fund #</u>	<u>Fund Title</u>	<u>Balance 6/30/2019</u>	<u>Balance 12/31/2019</u>	<u>FY Change through 12/31/2019</u>
1	General Fund	\$ 3,655,045	\$ 1,059,198	\$ (2,595,847)
3	Emergency Reserve Fund	5,447,500	5,613,000	165,500
5	Economic Development Fund	221,864	219,784	(2,080)
	<b>Subtotal General Funds</b>	<b>9,324,409</b>	<b>6,891,982</b>	<b>(2,432,427)</b>
10	Road Maintenance & Rehabilitation Account (RMRA)	\$ 393,402	\$ 499,050	105,648
11	Streets Fund	146,266	242,777	96,511
12	Measure M2	386,739	434,699	47,960
14	Community Development Block Grant	-	-	-
15	Air Quality Fund	159,205	165,984	6,779
16	PEG Fund	276,244	285,167	8,923
20	Asset Seizure Fund	72,737	73,490	753
21	Public Safety Augmentation Fund	228,729	220,095	(8,634)
22	Supplemental Law Enforcement Fund	214,597	241,781	27,184
23	SVC Authority for Abandoned Vehicles	27,158	27,438	280
24	BSCC Local Law Enforcement Grant	53,860	49,880	(3,980)
25	Community Foundation Public Safety Grant	801	104,472	103,671
33	Park Development Fund	67,423	68,120	697
38	SA Housing Entity Fund	775,060	903,182	128,122
	<b>Subtotal Special Revenue Funds</b>	<b>2,802,221</b>	<b>3,316,135</b>	<b>513,914</b>
35	Capital Outlay Reserve Fund	5,802,651	6,809,324	1,006,673
37	Civic Center Rehabilitation Reserve Fund	358,512	412,313	53,801
	<b>Subtotal Capital Projects Funds</b>	<b>6,161,163</b>	<b>7,221,637</b>	<b>1,060,474</b>
50	Water Fund	451,298	320,792	(130,506)
55	Water Capital reserve Fund	4,092,343	4,238,441	146,098
	<b>Subtotal Water Related Funds</b>	<b>4,543,641</b>	<b>4,559,233</b>	<b>15,592</b>
52	Sewer Fund	1,454,183	1,445,075	(9,108)
56	Sewer Capital Reserve Fund	2,313,989	2,398,619	84,630
	<b>Subtotal Sewer Related Funds</b>	<b>3,768,172</b>	<b>3,843,694</b>	<b>75,522</b>
60	Risk Management/Insurance	963,854	589,246	(374,608)
61	Employee Benefits Fund	303,750	306,889	3,139
62	Building Maintenance & Replacement Fund	53,671	54,225	554
63	Vehicle Replacement Fund	880,622	1,000,925	120,303
64	Technology Replacement Fund	596,270	666,316	70,046
	<b>Subtotal Internal Service Funds Funds</b>	<b>2,798,167</b>	<b>2,617,601</b>	<b>(180,566)</b>
	<b>Total All Funds</b>	<b>\$ 29,397,773</b>	<b>\$ 28,450,282</b>	<b>\$ (947,491)</b>

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

# Attachment 2

## RESOLUTION NO. 2020-\_\_

### A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LA PALMA AMENDING THE FISCAL YEAR 2019-20 ADOPTED BUDGET

**WHEREAS**, the Financial Consultant did on March 3, 2020, present to the City Council an update of estimated revenues and expenditures for Fiscal Year 2019-20; 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 2019-20 budget are enumerated in Exhibit A to this resolution; and

**WHEREAS**, the adopted Fiscal Year 2019-20 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 2019-20 adopted budget as so amended, modified, revised, and corrected including those changes directed by the City Council at the March 3, 2020, Council Meeting, are approved and adopted. In adopting the budget amendments, the City Council hereby approves and instructs the City Manager to implement changes as necessary.

**SECTION 2.** The budget amendments for the Fiscal Year 2019-20 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 3rd day of March 2020.

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Peter L. Kim  
Mayor

ATTEST:

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Kimberly Kenney, CMC  
City Clerk

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

I, KIMBERLY KENNEY, 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 3rd day of March 2020, and that it was so adopted by called vote as follows:

AYES:

NOES:

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Kimberly Kenney, CMC  
City Clerk

# Attachment 3

Item Description	Adopted Budget	Budget Adjustment	Amended Budget	Justification
<b>General Fund (001)</b>				
<b>REVENUES</b>				
001 100 4014-00000	1,562,700	(11,520)	1,551,180	Revised Estimate
001 100 4050-00000	2,000,000	(34,900)	1,965,100	Revised HdL Estimate
001 100 4055-00000	1,376,000	265,000	1,641,000	Revised HdL Estimate
001 100 4060-00000	980,000	(50,000)	930,000	Trending Lower
001 100 4072-00000	122,400	90,600	213,000	Revised Estimate
<b>TOTAL GENERAL FUND REVENUES</b>	<b>11,892,300</b>	<b>259,180</b>	<b>12,151,480</b>	
<b>EXPENDITURES</b>				
<b>General Government</b>				
001 120 5010-00000	253,700	(30,000)	223,700	City Manager Vacancy Savings
001 110 6000-00000	2,500	30,000	32,500	City Manager Recruitment Costs
<b>Police Services</b>				
NONE				
<b>Community Services</b>				
NONE				
<b>Community Development</b>				
001 510 6000-00000	700	50,100	50,800	Housing Consultant - City Council 12/17/19
<b>Subtotal General Fund Expenditure Adjustments</b>		<b>50,100</b>		
<b>TRANSFERS OUT</b>				
035 300 4951-00000	350,000	-	350,000	
037 300 4951-00000	50,000	-	50,000	
003 300 4951-00000	165,500	284,700*	165,500	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.
<b>TOTAL TRANSFERS OUT</b>	<b>565,500</b>	<b>284,700</b>	<b>565,500</b>	
<b>TOTAL GENERAL FUND EXPENDITURE ADJUSTMENTS</b>		<b>334,800</b>		
<b>FY 2019-20 Surplus (Deficit)</b>				
Revenues	11,892,300		12,151,480	
Expenditures	(11,226,000)		(11,276,100)	
Transfer Out	(565,500)		(565,500)	
<b>FY 2019-20 Surplus (Deficit)</b>	<b>100,800</b>		<b>309,880</b>	
<b>UNASSIGNED GENERAL FUND BALANCE as of June 30, 2019</b>				
UNASSIGNED GENERAL FUND BALANCE as of June 30, 2019	3,282,300			
Transfer to COR - in original 19-20 budget	(1,140,000)			
Transfer to Emergency Reserve	(284,700)			
<b>AVAILABLE UNASSIGNED GENERAL FUND BALANCE</b>	<b>1,857,600</b>			

Item Description		Adopted Budget	Budget Adjustment	Amended Budget	Justification	
<b>OTHER FUNDS (Non-General)</b>						
<b>EXPENDITURES</b>						
<b>Housing (Low Income) Fund</b>						
038	710 6000-00000	Professional Contract Services	29,900	25,100	55,000	Professional Services - funded by Developer
<b>Vehicle Replacement Fund - Police</b>						
063	640 8050-00000	Vehicles	95,000	7,720	102,720	Quotes for vehicles slightly higher
063	640 8050-00000	Vehicles - other vehicles	130,000		130,000	
<b>Total Other Funds Expenditure Adjustments</b>			<b>254,900</b>	<b>32,820</b>	<b>287,720</b>	