



AGENDA REPORT

SAN CLEMENTE CITY COUNCIL MEETING
Meeting Date: March 11, 2019

Agenda Item 1A

Approvals:

City Manager [Signature]

Dept. Head [Signature]

Attorney [Signature]

Finance JLR

Department: Finance and Administrative Services
Prepared By: Jake Rahn, Financial Services Officer

Subject: *FY 2018-19 2ND QUARTER REPORT AND MID-YEAR BUDGET ADJUSTMENTS*

Fiscal Impact: Yes. Mid-year budget adjustments are an increase of \$2,238,530 for revenues and an increase of \$918,870 for expenditures. General Fund revenues increase \$1,364,020 and expenditures increase \$58,570.

Summary: The City's 2nd Quarter report provides an update to Council for the 2018-19 fiscal year. In connection with the 2nd Quarter report staff conducts a mid-year review to identify and adjust for budgetary differences. These budget adjustments include both revenue and expenditure items and are presented in Attachment A.

Background: The City's FY 2018-19 2nd Quarter report includes a financial report, performance measures, and informational updates on capital items. As part of this review, revenue and expenditure budgetary variances are identified and a listing of proposed adjustments for any changes to the adopted budget is prepared.

Discussion: The 2nd Quarter financial report contains an overview of the City's financial condition through the second quarter of the fiscal year. The financial report contains a comparison and assessment of revenue and expenditure patterns as compared to the prior fiscal year. Additionally, the report includes departmental performance measures and updates on the Capital Improvement Program. In conjunction with this mid-year report, a review of all revenue and expenditure line items is conducted by all City departments to identify and adjust for budget variances. Several budget adjustments were identified based on unanticipated changes or additional information received subsequent to the budget adoption.

After the proposed adjustments, the General Fund unassigned fund balance is projected to total \$6.3 million at the end of FY 2018-19. The General Fund operating position will remain positive and increase from \$154,000 to \$1.3 million after the proposed revenue and expenditure adjustments. The operating position (excluding the effects of one-time revenues and expenditures) is summarized as follows:

Adjusted Operating Revenues	\$ 65.0 million
Adjusted Operating Expenditures	(63.7 million)
General Fund Operating Position (<i>Revised</i>)	\$1.3 million

Detailed revenue adjustments are recommended based upon a comparison of actual receipts and current year activity. Revenue increases total \$2,238,530, with a net

General Fund increase of \$1,364,020 and a net increase of \$874,510 in other City funds. General Fund operating revenue increases include tax revenue increases of \$1,135,000 mostly in property tax, \$100,000 increase to ambulance service charges, \$140,000 related to construction inspection fees, and other revenue decreases of \$10,980. General Fund revenue adjustments are summarized in the following table:

General Fund Revenue adjustments:

Property taxes	\$ 825,000
Other taxes	310,000
Ambulance service	100,000
Construction inspection fees	140,000
Other revenue changes (net)	(10,980)
Total revenue change – increase (decrease)	\$ 1,364,020

Other funds budgeted revenues increase \$874,510. The largest revenue increases are grant revenues of \$166,250 and sewer connection fees of \$150,740. Other revenue (funding) adjustments include a transfer of \$500,000 within the Sewer Fund to support the Operating Fund from Depreciation Reserves.

As with revenues, operating costs are normally reviewed and adjusted at the mid-point of the fiscal year. Expenditure budget adjustments total an increase of \$918,870, with an increase of \$58,570 in the General Fund and a net increase of \$860,300 in other funds. General Fund expenditure increases total \$58,570, with a majority of the increases resulting from unplanned activities, such as a grounded sailboat and other maintenance related activities. General Fund expenditure adjustments are summarized in the following table:

General Fund Expenditure adjustments:

Maintenance items	\$ 67,370
Other costs (net)	(8,800)
Total expenditure change - increase (decrease)	\$ 58,570

Other funds budgeted expenditure adjustments are a net increase of \$860,300. These include \$500,000 for a transfer within the Sewer Fund and \$218,510 to fund grant related sidewalk improvements.

Detailed information on all revenue and expenditure adjustments are an attachment to this report.

Recommended

Action:

STAFF RECOMMENDS THAT the City Council

- 1) Approve the FY 2018-19 2nd Quarter Report, and
- 2) Approve and authorize the mid-year budget adjustments listed in "Attachment A".

Attachments:

FY 2018-19 2nd Quarter Report for the period ending December 31, 2018
Attachment A – Listing of Mid-Year Adjustments

Attachment "A" - Listing of FY 2018-19 Mid-Year Adjustments

REVENUES

Fund	Account #	Description	OP/OT	Adjustment Amount	Fund Affected			Purpose/Explanations
					General Fund	Other Funds		
001-000-	32250	Current Year Secured Taxes	OP	\$ 730,000	\$ 730,000	\$ -	-	Adjust based on updated property tax estimates
001-000-	31130	ERAF Property Tax	OP	135,000	135,000	-	-	Adjust based on updated property tax estimates
001-000-	31150	Prior Year Secured & Unsecured	OP	(40,000)	(40,000)	-	-	Based on current year actuals to date
001-000-	31210	Transient Occupancy Tax	OP	50,000	50,000	-	-	Based on current year actuals to date
001-000-	31230	Transient Occupancy Tax - VR	OP	275,000	275,000	-	-	Based on current year actuals to date
001-000-	31640	Cox Franchise	OP	(10,000)	(10,000)	-	-	Based on year to date and history
001-000-	31685	Parimutual Taxes	OP	(5,000)	(5,000)	-	-	Based on year to date and history
001-000-	32250	Grading Permits	OP	15,250	15,250	-	-	More projects than anticipated in year.
001-000-	34132	Improvement Plan Check Fees	OP	5,000	5,000	-	-	More projects than anticipated in year.
001-000-	34221	Ambulance Service Charges	OP	100,000	100,000	-	-	Based on YTD & History
001-000-	34231	Special Lifeguard Service Fees	OT	3,000	3,000	-	-	Increase in special events requiring lifeguard services
001-000-	34232	Junior Lifeguard Services	OP	11,500	11,500	-	-	Summer enrollment is anticipated to increase.
001-000-	34237	Film Permit Fees	OP	1,200	1,200	-	-	Increase in permits for July-September
001-000-	34520	Engineering Plan Reviews	OP	(2,000)	(2,000)	-	-	Less plan activity during the year.
001-000-	34531	Construction Inspection Fees	OT	140,000	140,000	-	-	More project activity, with one substantial project.
001-000-	34710	OHBC Pool - Admission fees	OP	(16,920)	(16,920)	-	-	Cooler weather, extended facility closures, closed Sunday's and major holidays.
001-000-	34711	SCAC Pool - Admission fees	OP	(79,340)	(79,340)	-	-	Cooler weather, extended facility closures, earlier closures on Friday.
001-000-	34712	Swimming Pool Program Fees	OP	(24,170)	(24,170)	-	-	Decrease in class registrations
001-000-	34713	OHBC Building - Class Fees	OP	(800)	(800)	-	-	Classes not held at this facility
001-000-	34714	SCAC Pool - Class Fees	OP	56,850	56,850	-	-	Increase in water aerobics and contract class participation
001-000-	34716	Community Center Classes	OP	13,000	13,000	-	-	Increase in class registrations
001-000-	34720	Offsite - Class Fees	OP	30,000	30,000	-	-	Increase in class registrations
001-000-	34725	Park - Class Fees	OP	22,000	22,000	-	-	Increase in class registrations
001-000-	34728	Beach - Class Fees	OP	11,000	11,000	-	-	Increase in class registrations
001-000-	34740	Recreation Special Events	OP	(1,270)	(1,270)	-	-	North Beach Market low attendance and vendor registrations
001-000-	36222	Community Center Rentals	OP	2,420	2,420	-	-	Increase in rentals (bookings and anticipated rentals)
001-000-	36231	OHBC rentals	OP	7,800	7,800	-	-	Increase in SCAT rentals
001-000-	36233	Sports Field Rentals	OP	(65,500)	(65,500)	-	-	Fewer tournaments and field rentals at Jim Johnson Memorial Sports Park, and discounts on additional sports partners.
017-000-	33171	Public Infrastructure Grant Revenue	OT	166,250	-	166,250	-	Public infrastructure grant revenue adjusted to expected amount.
052-000-	32375	Water Acreage Fees	OT	1,390	-	1,390	-	Higher activity than anticipated
052-000-	36810	Work Order	OP	1,130	-	1,130	-	Higher activity than anticipated
054-000-	32372	Sewer Connection Fees	OT	150,740	-	150,740	-	Higher amount of connections than anticipated
054-000-	39250	Transfer from Sewer Depreciation	OT	500,000	-	500,000	-	Transfer to support operating position
057-000-	36780	Donation	OT	55,000	-	55,000	-	Funds to be received from CRCC for capital project.
				\$ 2,238,530	\$ 1,364,020	\$ 874,510		

OP-Operating, OT-One-time

Attachment "A" - Listing of FY 2018-19 Mid-Year Adjustments

EXPENDITURES

Fund Affected

Fund	Program	Object	Description	OP/OT	Adjustment Amount	Fund Affected		Purpose/Explanations
						General Fund	Other Funds	
001	-142-	43570	Accounting and Auditing	OT	6,000	6,000	-	Funds to complete and overhead analysis on project charges
001	-202-	44756	Marine Unit Support	OP	10,000	10,000	-	Increase due to the Chamber of Commerce Marine event
001	-202-	44759	Homeless Prevention Program	OP	7,000	7,000	-	Homeless outreach costs (salesforce, premier success, lighting slare, and supplies)
001	-203-	44110	Dues and Subscriptions	OP	1,130	1,130	-	LAFCO dues increase
001	-226-	43202	OCFA Contractual Facilities	OP	(10,000)	(10,000)	-	Adjustment based on contractual amount
001	-226-	43611	OCSD Vehicle Replacement	OP	(2,000)	(2,000)	-	Adjustment based on contractual amount
001	-411-	43535	SFR Plan Check	OP	10,000	10,000	-	Additional funds for Shaw consultants
001	-411-	43891	Temporary Services	OP	(28,050)	(28,050)	-	Funds not required based on staffing levels
001	-412-	41320	Premium O/T	OP	3,000	3,000	-	More overtime need to cover based on inspector shortage.
001	-413-	43690	Other Professional Services	OP	(10,000)	(10,000)	-	As needed traffic services not required during this year.
001	-413-	43060	Travel and Training	OP	(2,000)	(2,000)	-	Less training opportunities available during this year.
001	-415-	43060	Travel and Training	OP	(1,000)	(1,000)	-	Less training opportunities available during this year.
001	-481-	43060	Travel and Training	OP	(1,450)	(1,450)	-	Deferred conference attendance until next fiscal year.
001	-481-	43640	Other Legal Services	OP	(20,000)	(20,000)	-	Legal services not needed as anticipated for public works.
001	-482-	43060	Travel and Training	OP	(1,750)	(1,750)	-	Delayed attendance at a planned conference and will consider next year
001	-482-	43890	Other Contractual Services	OP	(15,000)	(15,000)	-	Update hazard plan with staff and reconsider a consultant next year.
001	-482-	42380	Office Furniture	OP	(1,000)	(1,000)	-	Temporary furniture is being utilized until City Hall remodel is completed.
001	-617-	43425	Maintenance of Landscaping	OP	7,440	7,440	-	Landscape maintenance contract change
001	-622-	41030	Salaries, Part Time Hourly	OP	(1,600)	(1,600)	-	North Beach Market cancelled
001	-624-	43060	Travel and Training	OP	(2,500)	(2,500)	-	CPRS conference held in Sacramento, staff did not attend
001	-624-	43450	Maintenance of Operating Equip	OP	4,430	4,430	-	Replacement of ECR street banner cable
001	-624-	43590	Bank Merchant Fees	OP	10,000	10,000	-	Increase bank merchant fees based on activity to date
001	-625-	42150	Chemical Supplies	OP	(12,000)	(12,000)	-	Maintenance streamlined chemical regulation process
001	-625-	44550	Contract Class Instructors	OP	61,500	61,500	-	Increase in class registrations
001	-626-	43480	Contracted Custodial Services	OP	(4,460)	(4,460)	-	New custodial contract - cost savings
001	-628-	42390	Small Tools & Equipment	OP	(2,000)	(2,000)	-	Replaced scoreboard remotes with wireless system
001	-628-	43425	Maintenance of Landscaping	OP	10,000	10,000	-	Increase in maintenance service costs under contract
001	-629-	44540	Recreation Special Events	OP	(2,620)	(2,620)	-	North Beach Market supplies not purchased
001	-635-	43470	Maintenance of Park Facilities	OT	22,000	22,000	-	Unplanned replacement of failed pool chemical controller at LPVH.
001	-636-	43410	Maintenance of Facilities	OP	13,500	13,500	-	Cleaning and sanitizing of North Beach Restroom
001	-636-	43470	Maintenance of Beach Facilities	OT	10,000	10,000	-	Unplanned cleanup of grounded sailboat hull and debris
017	-896-	45300	Improvements Other than Bldgs	OT	218,510	-	218,510	Sidewalk improvements - Ave Palizada
031	862	45300	Improvements Other than Bldgs	OT	1,800	1,800	-	Funds for shade structure
052	-461-	43120	Property Insurance	OP	15,230	-	15,230	Cost adjustment to property insurance
052	-461-	43480	Contracted Custodial Services	OP	1,850	-	1,850	Higher costs based on new contract
052	-461-	43480	Other Legal Services	OP	9,000	-	9,000	Costs higher than anticipated
052	-462-	42280	Protective Supplies	OP	1,500	-	1,500	More supplies needed than anticipated
052	-463-	43060	Travel & Training	OP	3,300	-	3,300	Training required for new staff.
054	-476-	47156	Transfer to Sewer Fund	OT	500,000	-	500,000	Transfer to support sewer operating position
054	-471-	43120	Property Insurance	OP	(2,900)	-	(2,900)	Cost adjustment to property insurance
054	-471-	43480	Contracted custodial services	OP	1,850	-	1,850	Higher costs based on new contract
056	-661-	43120	Property Insurance	OP	350	-	350	Cost adjustment to property insurance
056	-666-	45300	Improvements Other than Bldgs	OT	43,310	-	43,310	Capital project adjusted based on estimated activity - tenant improvements.

Attachment "A" - Listing of FY 2018-19 Mid-Year Adjustments

EXPENDITURES

Fund	Program	Object	Description	OP/OT	Adjustment Amount	Fund Affected		Purpose/Explanations
						General Fund	Other Funds	
057	-542-	43483	Street Sweeping Services	OP	(30,000)	-	(30,000)	Cost adjustment based on new contract.
057	-543-	45300	Improvements Other than Bldgs	OT	95,000	-	95,000	Capital project amount adjusted based on estimated costs.
065	-824-	45600	Automotive Equipment	OP	1,500	-	1,500	Replacement of vehicles
					<u>\$ 918,870</u>	<u>\$ 58,570</u>	<u>\$ 860,300</u>	