



March 17, 2020

City Council Meeting
Fiscal Year 2019-20 Mid-Year Budget

FY 2019-20 Mid-Year Update *Budgetary Overview*

- In preparing the mid-year adjustments for City Council's consideration:
 - A review of the FY 2018-19 year-end CAFR numbers was performed.
 - A review of FY 2019-20 actual activity through February 2020 was performed, including a review of the status of CIP Projects.
 - Operating departments reviewed their needs through the end of the fiscal year, with a focus on trying to achieve an overall savings.
 - An analysis of current economic conditions, revenue trends, and one-time events was performed.
 - A high-level review of fees and charges was performed.
- Based on staff's review, a City-wide net decrease in the operating budget of \$394,355 is being proposed for Council's approval.

FY 2019-20 Mid-Year Update *General Fund Goals*

General Fund Goals:

- One of our primary goals during any budget review is to protect General Fund dollars whenever possible. Use of restricted funds will always be recommended first.
- Second, ensure the General Fund is in a positive position and add funds to our reserves.

Overall, with the proposed adjustments, the City is still in a stable financial position and the General Fund will end the year with a net surplus of \$225,556.

FY 2019-20 Mid-Year Update *Revenues*

- Mid-year revenue adjustments are proposed for the following purposes:
 - Revenue adjustments are being proposed to align the budget with updated fiscal projections based on FY 2018-19 actuals and expected activity through the end of the fiscal year.
 - Revenue adjustments are being proposed based on updated timelines of proposed new developments. Several projects, which were initially projected to be approved during the current fiscal year, will not be finalized until FY 2020-21 or the subsequent year.

FY 2019-20 Mid-Year Update *Expenditures*

- Mid-year expenditure adjustments are proposed for the following purposes:
 - Most proposed adjustments are for maintenance and operations expenditures. Each operating department reviewed budgets to identify savings, as well as areas of need through the end of the year.
 - Personnel adjustments for vacant position savings have been incorporated into the adjustments.
 - Updating the transfers in / transfers out among funds will better align activities with available funding and will ensure City funds are in a fiscally strong position.

FY 2019-20 Mid-Year Update General Fund Overview

- Given the proposed mid-year adjustments:
 - The General Fund will still close the year with a surplus.
 - Adjusted revenues still exceed expenditures by \$225,556:

	Revenues	Expenditures
Current Budget	\$42,169,641	\$42,230,089
Mid-Year Revenue & Expenditure Adjustments	(\$493,299)	(\$719,303)
Transfer Adjustments	<u>\$0</u>	<u>(\$60,000)</u>
Revised Budget	\$41,676,342	\$41,450,786

FY 2019-20 Mid-Year Update *General Fund Revenues Overview*

- The proposed net decrease to General Fund revenues is \$493,299
- Adjustments are being proposed to property tax, sales tax, and transient occupancy tax (TOT) based on FY 2018-19 actuals:
 - Staff is projecting reductions to the original budget as follows:
 - Property tax decrease = \$46,882
 - Sales tax decrease = \$215,052
 - TOT decrease = \$521,743
- Decreases are offset by increases in other revenues:
 - AB 1290 Reimbursement (Former RDA Property Tax) = \$360,000
- Taking all adjustments into account, revenues still exceed expenditures.

FY 2019-20 Mid-Year Update *General Fund Expenditures Overview*

- Proposed net decrease in General Fund expenditures = \$719,303:
 - Incorporates adjustments in maintenance and operations expenditures across various General Fund operating departments
 - Incorporates adjustments for vacancy savings
 - Incorporates the reallocation of retiree medical expense to other funds, so that each fund pays its fair share. This results in a reduction of \$188K in expenditures in the General Fund.
- *Taking proposed expenditure decreases into account, total revenues exceed total expenditures in the General Fund by \$225,556 for the fiscal year.*

FY 2019-20 Mid-Year Update *CIP Adjustments*

CIP adjustments are being proposed to better align appropriate funding with project expenditures and to formalize certain actions taken by Council during the year.

- Two (2) projects have no proposed changes.
- Five (5) projects include budget adjustments only, with no other changes.
- Given the current timing of some CIP initiatives, three (3) projects will be deferred until the next fiscal year. Staff is working diligently at completing the necessary submittals and approval processes through Caltrans Dept. of Local Assistance.
- Staff will continue to focus on wrapping up existing projects scheduled for this year.
- Total net decrease to CIP budgets = \$3.4 million

FY 2019-20 Mid-Year Update

New Fees and Fee Adjustments

Fee Description	Department	Old Fee	New Fee	Comments
Environmental Cleanup Fee	Public Works	\$0	Actual Cost	New fee to recoup staff time.
New Account Activation Fee (Water Service)	Public Works	\$25	\$50	Increase to recoup full cost of service.
CalARP Facility Permit and Annual Inspection Fee	Fire	\$0	\$655	New hazmat fee being required by LA County Hazmat Division.
Program Material Fee	Community Serv.	\$0	\$10	New fee to recoup cost of replacement materials.
Security Guard Overtime Fee	Community Serv.	\$0	\$46.50	New fee to recoup full cost of service.
Passport Expedite Fee	Community Serv.	\$0	\$26.35	State fee required for each application.
Non-Refundable Application Filing Fee	Community Serv.	\$0	\$750	New fee to recoup staff time.
Family Hike and Campout	Community Serv.	\$150 (Non-Res) \$75 (Res)	\$100	Fee adj. to comply with County Grant funding requirements.
Public Works Filming Fee	Community Serv.	\$0	Actual Cost	New fee to recoup staff time.

Next Steps

- Staff will closely monitor the budget and will keep Council updated if additional adjustments are needed through the end of the fiscal year.
- Staff will closely monitor the impacts of COVID-19 and will return to Council with an update. We are already starting to consider possible adjustments that can be made.
- Staff is beginning preparation of the FY 2020-21 Budget Update.
 - Council study sessions to be held in May 2020.
 - Budget approval anticipated in June 2020.



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Questions?

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