



## CITY OF COMMERCE AGENDA REPORT

**TO:** Honorable City Council

**Item No.** \_\_\_\_\_

**FROM:** City Administrator

**SUBJECT:** Mid-Year Budget Review – A Resolution Amending the Annual Operating and Capital Budgets for Fiscal Year 2016-2017, and Amending Resolution No. 16-83

**MEETING DATE:** MARCH 7, 2017

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### **RECOMMENDATION:**

Approve and adopt the proposed Resolution amending the annual operating and capital budgets for fiscal year 2016-2017, and amending Resolution No.16-83, and assign the number next in order.

### **PURPOSE:**

The purpose of this report is to provide the City Council with a review of the City's financial status as of December 31, 2016, and to request Council approval of mid-year adjustments to the Fiscal Year (FY) 2016-17 approved Budget using FY 2015-16 surplus funds.

Moreover, this report is intended to provide the City Council with an accurate as possible picture of how the City's General Fund is operating six months into the fiscal year based on the original revenue and expenditure estimates. The middle of the fiscal year is also a good time to consider whether expenditures, outside the realm of the original approved budget, have surfaced which would potentially jeopardize the current budget authority and thus, require Council action of appropriate budgetary adjustments.

### **BACKGROUND:**

Normally, the Finance Department asks each department to review their existing budgetary appropriations to determine whether any changes need to be made as a result of unanticipated costs that may have occurred thus far during the fiscal year thru six months. As a result of that review conducted during the past several weeks, it was determined that although most departments are able to absorb the majority of unanticipated costs through budgetary savings in other areas, there are some expenditures that will cause several departments to be in jeopardy of overspending their budgets by year-end.

## GENERAL CITY'S FINANCIAL STATUS:

After several years of being the conveyor of bad news, I wanted to inform the City Council and the community that the General City has ended off on a positive note for three consecutive years.

### Status of the City's General Fund thru December 31, 2016

#### **Revenues**

|                           | <b><u>FY 2015-16</u></b> | <b><u>FY 2016-17</u></b> | <b><u>Variance</u></b> |
|---------------------------|--------------------------|--------------------------|------------------------|
| Taxes                     | \$ 6,918,493             | \$ 8,262,812             | \$1,344,319            |
| Licenses & Permits        | \$ 1,672,566             | \$ 1,225,292             | \$ ( 447,274)          |
| Fines & Penalties         | \$ 80,727                | \$ 72,606                | \$ ( 8,121)            |
| Use of Money              | \$ 75,624                | \$ 77,927                | \$ 2,303               |
| Other Agencies            | \$ 653,698               | \$ 507,193               | \$ ( 146,505)          |
| Current Charges           | \$ 10,263,751            | \$10,927,878             | \$ 664,127             |
| Activities Fees           | \$ 219,316               | \$ 235,572               | \$ 16,256              |
| Other Revenues            | \$ 691,961               | \$ 744,553               | \$ 52,592              |
| Transfer from Other Funds | <u>\$ 0</u>              | <u>\$ 0</u>              | <u>\$ 0</u>            |
| <b>Total</b>              | <b>\$20,576,136</b>      | <b>\$22,053,833</b>      | <b>\$1,477,697</b>     |

#### **Expenditures**

|                           | <b><u>FY 2015-16</u></b> | <b><u>FY 2016-17</u></b> | <b><u>Variance</u></b> |
|---------------------------|--------------------------|--------------------------|------------------------|
| City Council              | \$ 86,014                | \$ 93,792                | \$ 7,778               |
| Administration            | \$ 380,303               | \$ 449,267               | \$ 68,964              |
| City Clerk                | \$ 122,192               | \$ 147,765               | \$ 25,573              |
| Legal Services            | \$ 248,588               | \$ 315,765               | \$ 67,177              |
| Human Resources           | \$ 514,828               | \$ 545,660               | \$ 30,832              |
| PIO / Graphics            | \$ 253,717               | \$ 271,794               | \$ 18,077              |
| Finance / Info Technology | \$ 958,868               | \$ 1,074,004             | \$ 115,136             |
| Public Wks & Dev Services | \$ 1,967,562             | \$ 2,233,593             | \$ 266,031             |

|                            |                     |                     |                      |
|----------------------------|---------------------|---------------------|----------------------|
| Community Services         | \$ 1,093,323        | \$ 1,183,444        | \$ 90,121            |
| LA Public Safety Contracts | \$ 8,209,631        | \$ 8,604,097        | \$ 394,466           |
| Library Services           | \$ 1,621,405        | \$ 1,688,204        | \$ 66,799            |
| Parks & Recreation         | \$ 5,387,161        | \$ 5,746,144        | \$ 358,983           |
| General Services           | <u>\$ 4,223,098</u> | <u>\$ 4,006,430</u> | <u>\$ ( 216,668)</u> |
| <b>Total</b>               | <b>\$25,066,690</b> | <b>\$26,359,959</b> | <b>\$1,293,269</b>   |

## **DISCUSSION / ANALYSIS:**

The City's General Fund ended FY 2015-16 with a healthy surplus of approximately **\$3.2 million**. In addition to the healthy surplus, the City Council has discretion to an unallocated Measure AA amount of approximately **\$0.5 million**. With that said, staff is proposing that the Council entertain a parallel funding track to address a list of one-time items for FY 2016-17 -- **\$660,479** from the FY 2015-16 surplus funds and **\$833,050** from Measure AA funds.

**FY 2015-16 Surplus Funds (\$660,479)** – Staff is recommending that these funds be used for the following items (**Refer to Exhibit A for details**):

### **City-Wide (\$418,189)**

- Deputy Director of Engineering Services Recruitment -- (Sept 6th Agenda) **\$23,400**
- Cyber Forensic Investigations -- (Sept 20th Agenda) **\$15,028**
- Bridge Preventative Maintenance Program -- (Sept 20th Agenda) **\$12,000**
- East LA Parade -- (Oct 4th Agenda) **\$9,800**
- Information Technology Supplemental Services -- (Oct 18th Agenda) **\$61,600**
- LASD Contract (Addition of a Sergeant) -- (Nov 29th Agenda) **\$125,767**
- Addition of 2 Community Svcs Assistant Posts -- (Dec 6th Council Agenda) **\$20,000**
- Corrected Agreement with Rio Hondo College -- (Dec 6th Agenda) **\$9,000**
- Development Impact Fee Study -- (Dec 20th Agenda) **\$79,640**
- Feasibility & Cost Assessment Study (UP Sound Wall) -- (Jan 3rd Agenda) **\$15,000**
- Purchase of Outdoor Changing Enclosures (BVAC) -- (Feb 7th Agenda) **\$15,836**
- Commerce Dance Team: Hawaii World Finals 2017 – (Feb 7th Agenda) **\$24,118**
- Commerce Crush Volleyball: National Qualifiers -- (Feb 7th Agenda) **\$7,000**

### **Transportation (\$163,100)**

- Replacement of a 2004 Silverado (F350) – Parks & Rec **\$34,700**
- Replacement of a 1996 F250 (F250) – Parks & Rec **\$29,900**
- Replacement of a 1998 F250 (F150) – Public Works **\$28,300**
- Replacement of a 1999 F250 (F250) – Public Works **\$33,000**
- Replacement of a 1998 AstroVan (Expedition) – Public Safety **\$37,200**

**Parks & Recreation (\$26,890)**

- Age Group Champions Cup \$23,140
- Reclassification – Office Specialist to Sr. Office Specialist \$3,750

**Public Works & Development Services (\$19,500)**

- Speed Feedback Equipment \$10,000
- Planet Bid (set-Up / Annual Maintenance) \$9,500

**Library Services (\$15,400)**

- Bandini Library – Compact Disc Display Case \$4,800
- Bandini Library – Multi Media Display Case \$3,100
- Rosewood Library – Small Form Factor Workstation \$1,500
- Rosewood Library – Book carts (5) \$3,000
- Rosewood Library – Storage / Filing Cabinets (2) \$2,000
- Rosewood Library – Cubbie Storage Organizers (2) \$1,000

**Finance / Info Technology (\$9,750)**

- Reclassification – Sr. Office Assistant to Office Specialist \$2,750
- Reclassification – Business License Clerk to Finance Clerk \$2,500
- Compensation Adjustment – Purchasing Assistant \$4,500

**Public Safety / Community Services (\$7,650)**

- Emergency Preparedness – Uniforms \$5,000
- Emergency Preparedness – AED (Child/Infant Pads) & CPR Masks \$2,650

**Measure AA Funds (\$833,050)** – staff is recommending that these funds (an additional \$400,000 coming from the reserves) be used for the following items (these were formally approved by the Measure AA Committee on February 14, 2017) **(Refer to Exhibit A for details)**:

**Public Works & Development Services (\$400,000)**

- Veteran's Park Shooting Range Abatement Project \$400,000

**Parks & Recreation (\$433,050)**

- Floor Replacement/Repair -- Senior Center \$25,000
- Floor Replacement/Repair -- City Hall Employee Kitchen \$10,000

|   |                 |
|---|-----------------|
| ➤ Floor Replacement/Repair -- Transportation Center (Common Area)   | <b>\$25,000</b> |
| ➤ Floor Replacement/Repair -- Bandini Library Main Entrance         | <b>\$10,000</b> |
| ➤ Automatic Door Replacement/Repair -- Senior Center (North Doors)  | <b>\$7,000</b>  |
| ➤ Automatic Door Replacement/Repair -- Bandini Library              | <b>\$10,000</b> |
| ➤ HVAC Rooftop Unit Replacement -- Bandini Library                  | <b>\$25,000</b> |
| ➤ Drinking Fountains Replacement -- Rosewood / BVAC / Senior Center | <b>\$25,000</b> |
| ➤ Graffiti Film Replacement -- Rosewood Park / BVAC                 | <b>\$40,000</b> |
| ➤ Carpet Panel Replacement -- Rosewood Park / BVAC                  | <b>\$10,000</b> |
| ➤ Maintenance Station Fence / Gates Installation                    | <b>\$35,000</b> |
| ➤ Electronic Entry Lock System -- City Hall                         | <b>\$35,000</b> |
| ➤ Bleachers Purchase & Installation -- Brenda Villa Aquatic Center  | <b>\$10,000</b> |
| ➤ HVAC Rooftop Upgrades -- City Hall                                | <b>\$55,000</b> |
| ➤ Emergency Plumbing Repairs -- Veteran's Main Fire Line            | <b>\$14,000</b> |
| ➤ Emergency Plumbing Repairs -- Veteran's Stadium Sewer Line        | <b>\$24,000</b> |
| ➤ Emergency Plumbing Repairs -- Rosewood Park / BVAC Boiler         | <b>\$6,000</b>  |
| ➤ Emergency HVAC Repairs -- Rosewood Park / BVAC                    | <b>\$40,000</b> |
| ➤ Emergency HVAC Repairs -- BVAC DH #1 Compressor Replacement       | <b>\$10,000</b> |
| ➤ Park Maintenance -- Veteran's Field Renovation                    | <b>\$17,050</b> |

In summary:

|   |                    |
|---|--------------------|
| General Fund Fiscal Year Surplus        | <b>\$3,200,000</b> |
| City Hall Environmental Abatement       | \$1,000,000        |
| Water Well Construction                 | \$ 750,000         |
| (Structure as a loan to the Water Fund) |                    |
| OPEB                                    | \$ 500,000         |
| Recommended Items (Tonight)             | <u>\$ 660,479</u>  |
| <b>Remaining Surplus</b>                | <b>\$ 289,521</b>  |
| Measure AA Remaining Amount/Reserves    | <b>\$ 833,050</b>  |
| Recommended Items (Tonight)             | <u>\$ 833,050</u>  |
| <b>Remaining Surplus</b>                | <b>\$ 0</b>        |

#### ALTERNATIVES:

1. Approve staff recommendation
2. Provide staff with further direction

#### FISCAL IMPACT:

If the City Council approves staff's recommendation, the action would amend the FY 2016-17 approved budget (both operating and capital) by **\$1,493,529**. The authorized actions specifically to the General Fund surplus amount remaining would leave approximately

**\$289,521**, that can either be set-aside to address unforeseen costs that may arise for the remainder of the fiscal year, or simply place it in the reserves for the future as a contingency and/or consider an appropriation as part of the budget discussion for the upcoming FY 2017-18 budget process.

#### **RELATIONSHIP TO STRATEGIC GOALS:**

This report before the Council is not applicable to any specific 2016 Strategic Plan Guiding Principle; however, it is related to the following Strategic Focus Area: The City of Commerce will implement innovative and responsible policies and business practices to effectively manage its fiscal and human resources. The City will maintain a stable financial environment that is transparent and supports an outstanding quality of life for our community. City business practices will be efficient, business friendly and ensure exceptional customer service.

Recommended by: Vilko Domic, Director of Finance/City Treasurer

Approved as to form: Eduardo Olivo, City Attorney

Respectfully submitted: Jorge Rifá, City Administrator

#### **ATTACHMENTS:**

1. Exhibit A
2. Resolution

DS/staff reports, city council/Budget/2017/SR FY 16-17 Mid Year Budget 3-07-17 VD