



## 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 2018-2019, and Amending Resolution No. 18-78

**MEETING DATE:** February 19, 2019

---

### **RECOMMENDATION:**

Approve and adopt the proposed Resolution amending the annual operating and capital budgets for fiscal year 2018-2019, and amending Resolution No.18-78, 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 January 31, 2019, and to request Council approval of mid-year adjustments to the Fiscal Year (FY) 2018-19 approved Budget using reserve 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 seven 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 four consecutive years.

### Status of the City's General Fund thru January 31, 2019

#### **Revenues**

	<b><u>FY 2017-18</u></b>	<b><u>FY 2018-19</u></b>	<b><u>Variance</u></b>
Taxes	\$11,543,029	\$11,979,198	\$ 436,169
Licenses & Permits	\$ 2,029,650	\$ 2,037,540	\$ 7,890
Fines & Penalties	\$ 38,927	\$ 91,418	\$ 52,491
Use of Money	\$ 50,585	\$ 72,363	\$ 21,778
Other Agencies	\$ 688,647	\$ 717,289	\$ 28,642
Current Charges	\$14,432,139	\$14,234,796	\$ ( 197,343)
Activities Fees	\$ 305,350	\$ 300,801	\$ ( 4,549)
Other Revenues	\$ 804,753	\$ 926,836	\$ 122,083
Transfer from Other Funds	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Total</b>	<b>\$29,893,080</b>	<b>\$30,360,241</b>	<b>\$ 467,161</b>

#### **Expenditures**

	<b><u>FY 2017-18</u></b>	<b><u>FY 2018-19</u></b>	<b><u>Variance</u></b>
City Council	\$ 106,435	\$ 125,930	\$ 19,495
Administration	\$ 297,636	\$ 544,146	\$ 246,510
City Clerk	\$ 110,738	\$ 121,172	\$ 10,434
Legal Services	\$ 215,065	\$ 280,005	\$ 64,940
Human Resources	\$ 689,065	\$ 657,529	\$ ( 31,536)
PIO / Graphics	\$ 298,949	\$ 327,891	\$ 28,942
Finance / Info Technology	\$ 1,291,988	\$ 1,320,679	\$ 28,691
Public Wks & Dev Services	\$ 2,908,915	\$ 2,845,276	\$ ( 63,639)

Community Services	\$ 1,536,147	\$ 1,347,761	\$( 188,386)
LA Public Safety Contracts	\$ 9,978,226	\$10,356,023	\$ 377,797
Library Services	\$ 1,967,569	\$ 2,096,971	\$ 129,402
Parks & Recreation	\$ 7,320,944	\$ 7,334,106	\$ 13,161
General Services	<u>\$ 6,778,935</u>	<u>\$ 6,256,462</u>	<u>\$( 522,473)</u>
<b>Total</b>	<b>\$33,500,612</b>	<b>\$33,613,951</b>	<b>\$ 113,339</b>

## DISCUSSION / ANALYSIS:

Although, the City's General Fund ended FY 2017-18 with a healthy surplus of approximately **\$4.199 million**, the City Council decided to appropriate only **\$750,000** of these surplus funds during the budget process for departmental enhancement requests (inclusive of capital outlay requests). The mindset was to leave unallocated amount towards the following:

- Unforeseen matters that would arise during the current fiscal year
- Mid-Year requests – In order to address the deficiencies highlighted below, the City Council will have the discretion of using a portion of said surplus funds in the amount of **\$402,279**
- Deposit some funds into either the OPEB and/or PERs Stabilization Trust Funds
- Set aside some funds for Economic Development purposes

As it relates to the Measure AA items, it is being recommended that project savings/unallocated Category A funds be appropriated to address the items totaling **\$441,193**. The Measure AA Advisory Committee approved said amount at their meeting held on February 12, 2019.

In addition, staff is recommending that **\$62,643** of Water funds be allocated towards two projects highlighted below.

**FY 2017-18 Surplus Funds (\$402,279)** – Staff is recommending that these funds be used for the following items:

### **Administration (\$151,000)**

- City Council Chambers Renovation / Upgrade **\$ 75,000**
- Administration Conference Room – Technology Upgrade / Furniture **\$ 70,000**
- National Police Week – Airfare/Hotel for the Sgt & Team to attend **\$ 6,000**

**Human Resources (\$25,000)**

- Legal Counsel for Continued Negotiation Efforts \$ 25,000

**Public Works & Development Services (\$62,643)**

- Station #4 – Carbon Water Treatment Replacement (WATER FUND) \$ 55,743
- SCADA Software Upgrade (WATER FUND) \$ 6,900

**Library Services (\$9,807)**

- Rosewood Library – Permanent Signage \$ 5,424
- Bristow Library – Homework Center File Cabinets & Chairs \$ 2,633
- Veteran's Library – Freestanding Multimedia Displays/Step Stools \$ 1,750

**Transportation (\$19,000)**

- Pre-Trip Inspection Solution for Excursion Fleet, Nissan & Pool Vehicles \$ 19,000

**Parks & Recreation (\$197,472)**

- Camp Commerce -- Purchase of 4X4 truck for the Camp Specialist \$45,000
- Various Locations Concrete Repair -- Emergency Repairs \$15,700
- Park Maintenance Overtime Hours -- Emergency Call Backs \$15,000
- Building Maintenance Overtime Hours -- Emergency Call Backs \$15,000
- Cultural Excursion -- Additional Funding \$15,000
- Various Facilities Plumbing Repairs -- Emergency Drain Repairs \$11,800
- Various Locations Backflow Device Plumbing Repairs \$10,178
- Sr. Center / Rosewood Park -- Purchase of Refrigerator / Freezer \$10,000
- Ms. Commerce Anticipated Overtime Hours -- PT in lieu of volunteer workers \$ 8,547
- Veteran's Park Scrubber -- New floor care requires an auto scrubber \$ 6,500
- Side Saddle Tool Boxes for 2 Maintenance Vehicles \$ 6,100
- Sr. Center / Various Park Locations -- Ice Machine Repairs \$ 5,025
- Snack Bar Ice Maker Replacement -- Emergency Replacement \$ 4,125
- Veteran's Park Landscape Equipment Rental \$ 3,700
- Bandini Park Plumbing Repairs -- Emergency Repairs \$ 3,500
- DLP Projector -- Used for Special Events \$ 3,127
- Various Locations Kitchen Fire System Repairs -- Testing & Urgent repairs \$ 2,342
- Adaptive Swim Lessons -- PT hours for intersession \$ 2,250

➤ BVAC Scoreboard -- Timing System Repair	\$ 2,100
➤ BVAC Monitor Replacement -- 2 burned out public display monitors	\$ 2,000
➤ Veteran's Park Fitness Equipment Replacement -- Irrepairable	\$ 2,000
➤ Rosewood Park Snack Bar HVAC Repair -- Repairs to blown compressor	\$ 1,594
➤ Central Receiving Drain Grates -- Creation of an area drain safety grates	\$ 1,584
➤ Camp Commerce -- Purchase of a Chemical Controller	\$ 1,500
➤ City Hall -- Installation of Baby Changing Tables	\$ 1,500
➤ Various Locations Landscape Updates -- Median areas	\$ 1,200
➤ BVAC Mirror Replacement -- Fitness Center was shattered	\$ 1,100

**Measure AA Funds (\$441,193)** – staff is recommending that these funds (from Project Savings/Unallocated Category A funds -- these were formally approved by the Measure AA Advisory Committee on February 12, 2019):

**Parks & Recreation (\$126,193)**

➤ Camp Commerce – Installation of a Front Entrance Safety Gate	\$ 33,500
➤ Rosewood Park Field – Lighting Installation	\$ 26,381
➤ Rosewood Park/BVAC – Camera Installation	\$ 25,488
➤ Data Center – HVAC Replacement (the unit is beyond its service life)	\$ 10,000
➤ Brenda Villa Aquatic Center – Emergency Boiler Repair	\$ 9,560
➤ Brenda Villa Aquatic Center – Emergency HVAC Repair	\$ 8,264
➤ Bristow Park Kitchen Repair/Replacement – Counters/cabinets/sink	\$ 6,500
➤ City Hall North Floor Replacement – Carpet damaged due to plumbing leak	\$ 6,500

**Public Works & Development Services (\$315,000)**

➤ Gage – Slauson Connectivity Project – Design Work	\$265,000
➤ Citywide Field Survey – Required by Metro	\$ 50,000

**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 2018-19 approved budget by **\$906,115**.

**In summary:**

	Recommended Items	<b>\$906,115</b>
<b>Funding:</b>	General Fund Surplus Funds	\$402,279
	Measure AA Project Savings/Unallocated Category A Funds	\$441,193
	Water Funds	\$ 62,643

**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: Noel Tapia, City Attorney  
Respectfully submitted: Edgar Cisneros, City Administrator

**ATTACHMENTS:**

**1. Resolution**

DS/staff reports, city council/Budget/2019/SR FY 18-19 Mid Year Budget 2-19-19 VD