



CITY OF COMMERCE AGENDA REPORT

TO: Honorable City Council

Item No. _____

FROM: City Manager

SUBJECT: Mid-Year Budget Review – A Resolution Amending the Annual Operating and Capital Budgets for Fiscal Year 2019-2020, and Amending Resolution No. 19-74

MEETING DATE: April 7, 2020

RECOMMENDATION:

Approve and adopt the proposed Resolution amending the annual operating and capital budgets for fiscal year 2019-2020, and amending Resolution No. 19-74, 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, 2020, and to request Council approval of mid-year adjustments to the Fiscal Year (FY) 2019-20 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 (7) 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 through six (6) months. As a result of the 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, it is a pleasure to inform the City Council and community that the General City has ended off on a positive note for five (5) consecutive years.

Status of the City's General Fund through January 31, 2020

Revenues

	<u>FY 2018-19</u>	<u>FY 2019-20</u>	<u>Variance</u>
Taxes	\$13,486,797	\$13,461,074	\$ (25,723)
Licenses & Permits	\$ 2,166,618	\$ 1,866,733	\$ (299,885)
Fines & Penalties	\$ 103,305	\$ 66,603	\$ (36,702)
Use of Money	\$ 100,935	\$ 320,902	\$ 219,967
Other Agencies	\$ 956,756	\$ 965,225	\$ 8,469
Current Charges	\$14,345,991	\$14,671,387	\$ 325,396
Activities Fees	\$ 324,375	\$ 240,270	\$ (84,104)
Other Revenues	\$ 947,456	\$ 604,023	\$ (343,433)
Transfer from Other Funds	<u>\$ 8,539</u>	<u>\$ 20,340</u>	<u>\$ 11,801</u>
Total	\$32,440,771	\$32,216,557	\$ 224,214

Expenditures

	<u>FY 2018-19</u>	<u>FY 2019-20</u>	<u>Variance</u>
City Council	\$ 125,559	\$ 126,652	\$ 1,093
Administration	\$ 544,146	\$ 653,495	\$ 109,349
City Clerk	\$ 121,172	\$ 142,990	\$ 21,818
Legal Services	\$ 280,005	\$ 375,527	\$ 95,522
Human Resources	\$ 657,004	\$ 902,189	\$ 245,185
PIO / Graphics	\$ 348,046	\$ 404,044	\$ 55,998
Finance / Info Technology	\$ 1,434,654	\$ 1,353,587	\$ (81,067)

Development Services	\$ 611,042	\$ 579,503	\$ (31,539)
Public Works	\$ 4,597,218	\$ 4,704,839	\$ 107,621
Community Services	\$ 1,536,147	\$ 1,072,422	\$ (275,066)
LA Public Safety Contracts	\$10,356,023	\$10,956,871	\$ 600,848
Library Services	\$ 2,126,623	\$ 2,471,404	\$ 344,781
Parks & Recreation	\$ 5,225,990	\$ 5,538,182	\$ 312,192
General Services	<u>\$ 7,111,183</u>	<u>\$ 7,352,579</u>	<u>\$ 241,396</u>
Total	\$34,886,152	\$36,634,285	\$1,748,133

DISCUSSION / ANALYSIS:

Although, the City's General Fund ended FY 2018-19 with a healthy surplus of approximately **\$3.855 million**, the City Council decided to appropriate only **\$973,517** 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
- Deposit some funds into either the OPEB and/or PERs Stabilization Trust Funds
- Set aside some funds for Economic Development purposes
- Utilize funds for one-time purchases during the upcoming budget process for FY 20-21

As it relates to the Measure AA items, these funds have been reallocated per Council Direction to complete various outstanding projects, continue the City's pavement management plan and support economic development projects within the City. In addition, Council set aside \$250,000 of Measure AA funds to deal with one-time unforeseen items. Staff recommends using a portion of these funds as indicated later in this report.

FY 2018-19 Surplus Funds (\$2,878,483) – Staff recommends utilizing \$52,000 as shown below, while retaining the majority of these funds as surplus for now. Staff will return with options for utilizing the surplus to fund the OPEB trust fund, the PERS stabilization trust fund and economic development projects. These funds may also be used during the upcoming FY 2020/2021 annual budget process.

Measure AA Public Facilities /Parks Mitigation Funding (\$250,000) – Staff recommends Council utilize \$53,370 of these funds as indicated below.

Community Benefits Funds – Staff recommends utilizing \$56,250 of these funds for programs and expenditures that provide benefits to the community as indicated below.

Commercial Cannabis Program (CCP) – Staff recommends utilizing \$11,000 of these funds for costs related to the implementation and management of the program as indicated below.

<u>Department</u>	<u>Funding Source</u>	<u>Amount</u>
<u>City Clerk</u>		
❖ June special election and signature verifications	(General Fund Reserve)	\$ 52,000
❖ Signature verification for cannabis referendum	(CCP)	\$ 11,000
<u>Public Works</u>		
❖ Security cameras for illegal dumping site	(Measure AA)	\$ 22,995
<u>Library Services</u>		
❖ Furniture upholstery	(Community Benefits)	\$ 4,000
❖ Chairs for program room	(Community Benefits)	\$ 1,700
<u>Community Services</u>		
❖ Mobile digital computers	(Community Benefits)	\$ 50,550
<u>Parks & Recreation</u>		
❖ New backboards and rims for basketball courts	(Measure AA)	\$ 9,975
❖ Patching of basketball courts	(Measure AA)	\$ 13,900
❖ Replace BVAC chairs	(Measure AA)	\$ 4,800
❖ Replace BVAC water fountain	(Measure AA)	<u>\$ 1,700</u>
TOTAL		\$172,620

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 2019-20 approved budget by **\$172,620**.

In summary:

	Recommended Items	\$172,620
Funding:	Measure AA Public Facilities /Parks Mitigation Funding	\$ 53,370
	Community Benefits Funds	\$ 56,250
	General Fund 18/19 Surplus	\$ 52,000
	Commerce Commercial Cannabis Program Funds	\$ 11,000

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: Josh Brooks, Acting Director of Finance/City Treasurer
Reviewed by: Vilko Domic, Assistant City Manager
Approved as to form: Noel Tapia, City Attorney
Respectfully submitted: Edgar P. Cisneros, City Manager

ATTACHMENTS:

1. Resolution

DS/staff reports, city council/Budget/FY 2019-2020/SR FY 19-20 Mid Year Budget 3-17-20 JB