

REPORT TO THE CITY COUNCIL AND SUCCESSOR AGENCY



DATE: February 19, 2019

TITLE: Approval of the 2018-2019 Budgetary Adjustments for Revenues, Expenditures, and Transfers for the Fiscal Year Ending June 30, 2019

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Reviewed by: Linda Kelly, Finance Director

RECOMMENDATION

Approve the mid-year budgetary adjustments as stated for FY 2018-19 Budget, with revenues totaling \$984,689 and expenditures totaling \$963,303.

BACKGROUND:

Every two years, the City Council approves a two-year budget which is the financial plan for the Consolidated General Fund, Fiduciary Funds, Restricted Funds, Capital Improvement Funds, Special Revenue Funds, Agency Funds, and the Successor Agency Fund.

During the regular course of business, budgetary adjustments are completed by Staff and approved by Department Heads, the Finance Director, and the City Manager (if necessary). Budget adjustments allow the City to continue daily operations, update revenue and expense estimates (based on actual performance), adjust salary and benefit costs for position changes, and address increased demands for contracted services. Additionally, budget adjustments ensure on-going general repairs, maintenance, and tenant improvements to the City's aging public facilities and equipment are funded.

During the fiscal year, the City's Finance staff reviews revenue, expenditure, and transfer line items in all funds and makes the necessary budget adjustments in compliance with governmental accounting standards, as well as the City's policy requiring City Council approval.

DISCUSSION:

Consolidated General Fund

(General Fund, Public Safety Fund, and Health and Wellness Foundation Fund)

To date, the Consolidated General Fund budgeted revenues for FY 2018-2019 were increased by a grand total of \$984,689 based on actual revenues received and updated estimates through the end of the fiscal year in the following categories:

Property Taxes	\$ 183,000
Transient Occupancy Tax Revenue	\$ 100,000
Special Revenue (Cultivation)	\$ 190,015
Special Revenue (Dispensaries)	\$ 170,082
Franchise Fees	\$ 50,000
Utility Users Tax	\$ 10,000
Building Permits	\$ 162,500
Planning Fees	\$ 97,500
Encroachment Permit	\$ 4,000
Grading Permits	\$ (70,000)
Engineering Fees	\$ (174,000)
General Plan Maintenance Surcharge	\$ 5,000
Investment Earnings	\$ 35,000

Grant Funding	\$ 27,000
Administrative Costs Reimbursement	\$ 194,592

Throughout the fiscal year, changes in personnel occur due to changes in positions and benefit costs. In January, medical and dental insurance premiums increased by almost 16 percent for the 2019 calendar year. This adjustment represents increased costs for the first six months of 2019. Budgetary adjustments will be made in various departments total \$82,175 for changes in salary and benefit costs.

The City utilizes contract labor in many of its departments for various projects or to fill in for vacant positions. The City is in the process of hiring an Associate Engineer. During this process, staff is hiring a temporary employee so as not to fall behind on capital and development projects. Budgetary adjustments need to be made in Public Works totaling \$45,000.

Each year, the City continues to deal with on-going repairs for city and public facilities and equipment due to age and usage. Extensive repairs need to be made to the Fire Station's roof, the Health & Wellness Facility's pool and vans, City storm drains, and various City buildings. Based on actual expenses to date, planned maintenance, and unanticipated emergency repairs through the end of the fiscal year, budgetary adjustments need to be made in the amount of \$266,631.

The Police Department has received a grant from Desert Healthcare District to purchase defibrillators. This equipment will be used for emergency response and the equipment will be kept at the jail, animal control, and in the patrol cars. The purchase of the equipment has also included training. A budgetary adjustment of \$27,000 will need to be made to the Police Department.

During the fiscal year, the City has experienced some changes in operational expenses. Some of the changes are due to the purchase of new equipment, such as an events stage, mail folding machine, and usage of licensing. Other changes include items such as donations to the Food Now program. A budgetary adjustment on the amount of \$20,200 will need to be made to various accounts.

In an effort to improve tracking short-term rentals in the City, staff would like to purchase software from STR Helper. This software, which is used by several cities in the Coachella Valley, can assist City staff in identifying vacation rentals that are advertised online. Once the rentals are identified, staff can assist the owners to get their rentals certified and in compliance with the City's municipal code. A budgetary adjustment of \$40,000 will need to be made to the IT Department.

At the end of every fiscal year, 25% of the marijuana tax revenues received are transfer to the Marijuana Reserves Fund. Based on estimates of the marijuana tax revenue for Fiscal Year 2018-2019, the amount added to the reserve should be \$808,847. Budgetary adjustment to the marijuana reserve line item were increased by a total of \$459,597.

The changes in the Consolidated General Fund are:

Revenue increases	\$ 984,689
Expenditure Increases	<u>\$ 481,006</u>
Revenue over Expenditures	\$ 503,683
Increase in Marijuana Reserves	<u>\$ 459,597</u>
Net Use to Fund Balance	\$ 44,086

The \$44,086 of revenues over expenditures will be added to the fund balance of the Consolidated General Fund.

Restricted Funds

Emergency Preparedness Fund - \$20,000 budgetary adjustment for Fire Emergency Preparedness Cameras. Expenditures will be covered by fund balance.

Community Facilities District Fund - \$200 budgetary adjustment for utility costs. Expenditures will be covered by fund balance.

Cabot's Museum Fund - \$2,500 budgetary adjustment for supplies and maintenance for the new office facilities at the museum. Expenditures will be covered by a transfer from the General Fund.

FISCAL IMPACT

The overall fiscal impact to revenues in the Consolidated General Fund total \$984,689. Increases to various departmental expenditures and increase in the Marijuana Reserve in the Consolidated General Fund total \$940,603, for a net total (revenues less expenditures) of \$44,086.

An overall increase of \$22,700 in operational cost line items of the following restricted funds: Emergency Preparedness (246) \$20,000, Community Facilities District (569-599) \$200, and Cabot's Museum Fund (270) \$2,500.

EXHIBITS:

- 1) Consolidated General Fund Budgetary Adjustments for 2018-2019