

RESOLUTION NO. 2017-22

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MARINA RECEIVING FISCAL YEAR 2016-17 MID-YEAR FISCAL REPORT, AUTHORIZING FINANCE DIRECTOR TO MAKE APPROPRIATE ACCOUNTING AND BUDGETARY ENTRIES AND PROVIDE STAFF WITH ANY FURTHER DIRECTION IN THE MATTER

WHEREAS, the Finance Director presented the FY2016-17 General Fund mid-year fiscal report, and;

WHEREAS, the FY2016-17 estimated revenues and expenditures were determined by the City Manager and Directors based upon historical information, third party resources, (if available), and anticipated activities for the remainder of the fiscal year, and;

WHEREAS, these are Staff's estimates during a dynamic economic climate and actual results will differ, and;

WHEREAS, this report focuses on the General Fund.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Marina does hereby:

1. Accept the fiscal year 2016-17 mid-year fiscal report;
2. Authorize the finance director to make necessary accounting and budgetary entries; and

PASSED AND ADOPTED by the City Council of the City of Marina at a regular meeting duly held on the 7th day of March, 2017, by the following vote:

AYES: COUNCIL MEMBERS: Morton, O'Connell, Brown, Delgado

NOES: COUNCIL MEMBERS: None

ABSENT: COUNCIL MEMBERS: Amadeo

ABSTAIN: COUNCIL MEMBERS: None

Bruce C. Delgado, Mayor

Anita Sharp, Deputy City Clerk

March 1, 2017

Amended

Item No. **11b**

Honorable Mayor and Members
of the Marina City Council

City Council Meeting
of March 7, 2017

**CITY COUNCIL CONSIDER ADOPTING RESOLUTION NO. 2017-,
RECEIVING GENERAL FUND FISCAL YEAR 2016-17 MID-YEAR FISCAL
REPORT, AUTHORIZING FINANCE DIRECTOR TO MAKE APPROPRIATE
ACCOUNTING AND BUDGETARY ENTRIES AND PROVIDE STAFF WITH
ANY FURTHER DIRECTION IN THE MATTER**

REQUEST:

It is requested the City Council consider:

1. Adopting Resolution No. 2017- receiving the General Fund Fiscal Year 2016-17 Mid-Year Fiscal Report;
2. Authorizing Finance Director to make appropriate accounting and budgetary entries, and;
3. Provide staff with any further direction in the matter.

BACKGROUND:

The City adopted budget is an estimation of the City resources, revenues and expenditures for a fiscal year period, which is July 1st through June 30th. During the fiscal year, the City Council may authorize changes to the adopted budget. Also, actual events may differ from the adopted budget estimates. As such, after December 31st (six months of the fiscal year), a “mid-year” fiscal report is presented with updated financial estimations. Although the estimations are based upon thorough review of historical trends and third party expert data/advice, when available, these remain estimates and actual results may differ. This report reflects Council budget actions through 2/7/2017 and focuses on the General Fund.

GENERAL FUND ANALYSIS:

The City remains financially disciplined and the General Fund balance improved from the adopted FY16/17 budget. However, Staff recommends using fund balance primarily to address the proposed desalination plant environmental impact report (EIR). Otherwise, most of the budget revisions are cost neutral with correlating revenues, and the service level is consistent with the adopted budget.

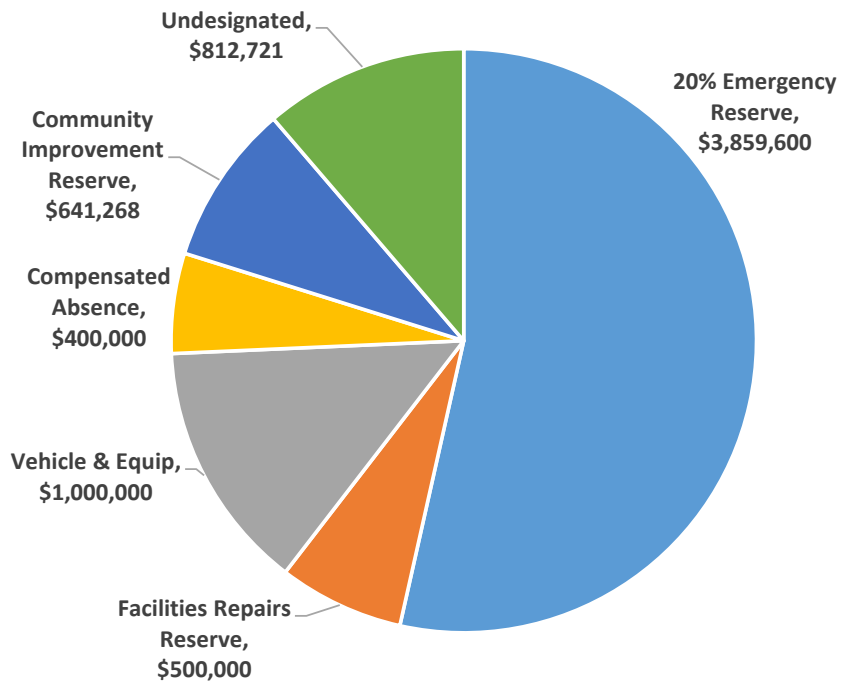
Amended Report – This report was amended to reflect these changes: (1) increase water project EIR professional services to \$150k, (2) reduce NPDES adjustment to \$22k (3) include police grant – BSCC and (4) allocate fund balance to Community Improvement Reserve (Council approved on 6/21/16).

As summarized below, the estimated ending fund balance (6/30/2017) is \$7.2M net, with revenues of \$19.2M and expenditures of \$19.3M.

General Fund FY16/17 Budget	Estimated FY16/17
Beginning Fund Balance	\$ 8,915,900
Revenues	\$ 19,180,900
Expenditures	\$ 19,298,000
Net Increase/(Decrease) to Fund Balance	\$ (117,100)
Ending Fund Balance	\$ 8,798,800
<u>Estimated Combined Fund Balance</u>	
General Fund	\$ 8,798,800
Development Activity Fund 50	\$ (1,585,211)
Estimated General Fund, net of Dev Act	\$ 7,213,589

General Fund Designations – Within the adopted FY16/17 budget, Council adopted certain designations for the General Fund balance. Based upon that approach, Staff allocated the \$7.2M *net* General Fund balance, noting that any additional amounts were put into the “undesigned” category.

20% Emergency Reserve	\$ 3,859,600
Facilities Repairs Reserve	\$ 500,000
Vehicle & Equip	\$ 1,000,000
Compensated Absence	\$ 400,000
Community Improvement Rsv	\$ 641,268
Undesignated	\$ 812,721
	\$ 7,213,589



The \$7.2M balance above is a reflection of on-going fiscal discipline and stewardship; however, the balance remains insufficient to address and fund the unmet needs. It remains an on-going dialogue with the City Council and community as to funding resources and service level that defines Marina’s quality of life, public safety and welfare. These unmet needs include the following:

- Pavement Streets maintenance (\$2.5M per year, \$30M project backlog)
- Facility Projects Fund (\$ TBD)
- ADA Compliance (\$ TBD)
- Sidewalks maintenance & improvement (\$7.6M estimated)
- Storm Drain maintenance (\$ TBD)
- Parks maintenance & improvements (\$ TBD)
- Traffic Signal replacement (average cost \$100,000 x 21 units)
- Fire Engine or Truck (\$0.5M - \$1M estimate)
- Vehicle Savings Fund (\$400k per year or \$4.2M replacement value)
- Comp Absence Liability (\$1.2M per audit)
- Unfunded Retiree Health (\$2.3M)
- Unfunded Pension (\$13M)
- Blight Removal (\$ TBD)
- Program/Department Information Technology
- Other Services/Priorities (\$ TBD)

Beginning General Fund Balance (7/1/2016) – The favorable beginning balance (net \$7.3M) is a reflection of on-going fiscal stewardship, higher than expected revenues and continual cost management. FY2015-16 revenues were 4% (\$0.7M) higher than the final budget. City economic projects and the general economy created higher tax revenues (+2% or \$0.3M) and community development charges for services (+14% or \$0.2M). FY2015-16 expenditures were 1% (\$0.3M) lower than the final budget, which was primarily due to positions budgeted but not filled. It was difficult to recruit multiple concurrent vacant positions.

Estimated Revenues – The estimated revenue of \$19.2 million includes stronger tax revenues, Police Grant, Fire SAFER grant and Fire out-of-county mutual aid, which have offsetting expenditures. The TOT or hotel tax budget assumed a 5% growth while actual year-to-date growth is 4%.

Revenues	Adopted FY16/17	Estimated	Increase/ (Decrease) Budget
Property Tax in Lieu of MV Tax	\$ 2,850,000	\$ 2,934,700	\$ 84,700
Sales Tax (Bradley-Burns)	\$ 2,282,200	\$ 2,331,300	\$ 49,100
Sales Tax (Measure F)	\$ 2,903,400	\$ 2,946,000	\$ 42,600
TOT	\$ 2,835,000	\$ 2,702,600	\$ (132,400)
Business License Tax **	\$ 115,000	\$ 137,000	\$ 22,000
Franchise Tax	\$ 850,000	\$ 904,100	\$ 54,100
Police Grant - BSCC **	\$ -	\$ 40,000	\$ 40,000
Fire SAFER Grant **	\$ -	\$ 81,000	\$ 81,000
Fire Mutual Aid **	\$ 30,000	\$ 177,000	\$ 147,000
Fire Plan Check **	\$ 15,000	\$ 25,000	\$ 10,000
Total	\$ 11,880,600	\$ 12,278,700	\$ 398,100
** Matching Revenues & Expenditures			

Estimated Expenditures – The estimated expenditures of \$19.3 million includes mostly new expenditures which have matching revenues (refer to **). However, Staff recommends using fund balance primarily to address the proposed desalination plant environmental impact report (EIR), which is a one-time expenditure and appropriate use of fund balance. The National Pollutant Discharge Elimination System (NPDES) is an on-going obligation and Staff will bring the professional service contract to Council in March. NPDES is on-going program expenditures and needs to be built into the operating budget. Otherwise, much of the revisions within this report are cost neutral with correlating revenues, and the service level is consistent with the adopted budget.

Expenditures	Adopted FY16/17	Estimated	Increase/ (Decrease) Budget
Desal EIR response - prof svcs	\$ -	\$ 150,000	\$ 150,000
NPDES - estimated prof svc thru 6/30/17	\$ 60,000	\$ 82,200	\$ 22,200
Storm Preparedness (prior yr carryforward)	\$ -	\$ 35,000	\$ 35,000
911 Dispatch JPA Project Study	\$ -	\$ 9,000	\$ 9,000
Business License services **	\$ 5,000	\$ 26,000	\$ 21,000
Police Grant - BSCC (Vehicle & Computers) **	\$ -	\$ 40,000	\$ 40,000
Fire SAFER Grant - Staffing **	\$ -	\$ 30,000	\$ 30,000
Fire SAFER Grant - Professional Services **	\$ -	\$ 25,000	\$ 25,000
Fire SAFER Grant - Supplies **	\$ -	\$ 26,000	\$ 26,000
Fire Mutual Aid - OT **	\$ 199,800	\$ 319,800	\$ 120,000
Fire Mutual Aid - Equipment **	\$ 48,500	\$ 75,500	\$ 27,000
Fire Prof Svc - Other for plan check **	\$ 36,000	\$ 46,000	\$ 10,000
Total	\$ 349,300	\$ 864,500	\$ 515,200
** Matching Revenues & Expenditures			

Estimated Ending General Fund Balance (6/30/2017) – The estimated 6/30/2017 *net* General Fund balance is approximately \$7.2 million, which is designated into multiple categories.

FISCAL IMPACT:

Should the City Council accept this report and approve the budget amendments, the FY 2016-17 General Fund includes estimated revenues of \$19.2 million, estimated expenditures of \$19.3 million and estimated ending 6/30/17 *net* fund balance of \$7.2 million.

CONCLUSION:

This request is submitted for City Council consideration and possible action.

Respectfully submitted,

Lauren Lai, CPA
Finance Director
City of Marina

REVIEWED/CONCUR:

Layne P. Long
City Manager
City of Marina