



CITY OF PACIFIC GROVE
300 Forest Avenue, Pacific Grove, California 93950

AGENDA REPORT

TO: Honorable Mayor and Members of the City Council

FROM: Patty Maitland, Finance Director

MEETING DATE: January 20, 2016

SUBJECT: Fiscal Year 2015-16 Budget Modifications and First Reading of an Ordinance Amending the FY 2015-16 Budget

CEQA STATUS Does Not Constitute a "Project" per California Environmental Quality Act (CEQA) Guidelines

RECOMMENDATION

Introduce and hold the first reading of an ordinance amending the Fiscal Year 2015-16 (FY 2015-16) Budget and direct that publication of the ordinance will be satisfied by publication of a summary, approved by the City Attorney.

DISCUSSION

The City Council received the Annual Financial Audit Report on November 18, 2015. At that time, the auditor noted nine outside funds that contained negative balances. This report seeks Council's authorization to reconcile the negative fund balances (with the exception of the Workers' Compensation Fund which Council took action on November 4, 2015). In addition to this reconciliation, other unanticipated expenses have arisen since the Council authorized a budget amendment on November 4, 2015.

The following details the inter-fund transfers or appropriation changes that will reconcile the negative fund balances. These inter-fund transfers are administrative in nature and, with the exception of the Community Development Block Grant transfer, do not require additional General Fund contributions.

Negative Fund Balances

Storm Water Fund (Fund 44). Excess expenditures were settled with Davis Wright Tremaine in October 2014. Settlement dollars were erroneously deposited into the General Fund (which funds the Storm Water Fund) instead of into Fund 19. Reduce appropriations to \$373,145 and transfer \$37,891 to People's Desal Fund 19.

CDBG Grant Fund 37. On March 6, 2012, the Council approved an application to the State for a \$600,000 Community Development Block Grant (CDBG) to fund Housing Rehabilitation Loans. The grant was ultimately awarded to the City, however, no Council action was taken to transfer \$600,000 to the CDBG Fund 37. Fund 37 received a \$150,000 loan via Council action on

September 17, 2014 and Council extended the loan on October 7, 2015 for the current fiscal year. This action loans the additional \$450,000 to Fund 37 that the Council originally committed to in March 2012. As the expenditures are reimbursed by the State, the General Fund loan of \$600,000 will gradually be repaid.

Supplemental Law Enforcement Services Fund 43 (SLESF). Sufficient revenues will be received in Fund 37 to fund the School Resource Officer Program (contract payments from the School District). This administrative correction reduces the current year appropriations to ensure a negative fund balance does not reoccur in this fiscal year. Reduce current year appropriations to \$90,418.

People's Desal Fund 19. (See notes for Storm Water Fund 44). A settlement with Davis Wright Tremaine in October 2014 was intended to balance the excess expenditures in this fund. However, the settlement amount was deposited into the General Fund instead of into Fund 19. Receive \$37,891 from Fund 44 and close the fund.

Traffic Congestion Relief Fund 16. A FY 2014-15 departmental expenditure was incorrectly charged to Fund 16 instead of Fund 18. Receive \$8,223 from Gas Tax Fund 18 and re-close Fund 16.

Library Book Fund 11. Book purchases exceeded available revenues. When a special purpose fund such as this has a negative balance at year end, it is customary to transfer operating funds, in this case Library operating funds, to clear the negative balance. Decrease Library General Fund Operating Division 401 appropriations by \$5,836. Receive \$5,836 from the General Fund.

Vehicle Abandonment Fund 45. It was anticipated that a more robust Vehicle Abandonment Program would generate higher revenues in the fund resulting in expenditures exceeding available revenue. When a special purpose fund such as this has a negative balance at year end, it is customary to transfer operating funds, in this case Police operating funds, to clear the negative balance. Decrease Police Operating Division appropriations by \$363 and transfer \$363 from the General Fund.

In summary, only the CDBG Grant Fund modification impacts the General Fund and that action is to fulfill a Council authorization made in 2012. All other modifications listed above have corresponding debits and credits between the funds and are neutral to the General Fund.

Unanticipated Expenditures

In addition to the above, the following unanticipated issues have arisen requiring Council authorization in the form of budget modifications.

Sewer Lateral Loans (Fund 78). Increase appropriations by \$40,000 to enable the City's Sewer Lateral Repair/Replacement Loan Program to improve sewer lateral lines connected to homeowners' residences. These loans carry an interest rate of three percent per annum and repayment on the loan principal and interest are deferred until the property is sold. The loans are secured by a deed of trust on the property. There is sufficient fund balance in Fund 78 to accommodate this increase in appropriations. This transfer does not impact the General Fund.

Golf Course (Fund 77). Increase appropriations in the Golf Course Operating Fund 77 by \$95,622 for tree removal (\$14,012), netting (\$31,510), counter top replacement (\$11,600), and grease interceptor (\$38,500). These expenses do not fall under the responsibility of either CourseCo (golf course management) or Aqua Terre (Point Pinos Grill operator). The tree removal and netting expenditures were due to a court settlement requiring the work to be completed by the City. The counter top replacement and grease interceptor are City responsibilities as the owner of the premises and to ensure appropriate maintenance of the facilities. There are sufficient funds in Fund 77 to accommodate this increase in appropriations. This increase in appropriations does not impact the General Fund.

Library Book Fund (Fund 11). A review of Fund 11 at mid-year indicates there will be insufficient funds to meet the fund's obligations for the remainder of the year. Transfer \$40,000 from Operating Donations Fund 31, Library Division 406 to the Library Book Fund. There are sufficient funds in Division 406 to effect this transfer and there is no impact the General Fund.

Community and Economic Development (CEDD) - Division TBD. Establish a new division under CEDD and set appropriations and revenues at \$300,000 to track reimbursable expenditures for the American Tin Cannery Hotel (Project Bella). Reimbursable expenditures include: Environmental Impact Report, Project Management and Election costs. Specific revenue codes will be established to track reimbursements by Domaine Hospitality Partners, LLC. If expenditures do not exceed the reimbursements by Domaine Hospitality Partners, LLC, this action does not impact the General Fund.

OPTIONS

1. Do nothing.
2. Fund only some of the requested modifications.

FISCAL IMPACT

The fiscal impact of the modifications to the General Fund is \$450,000 to fulfill the Council's 2012 commitment to funding a Housing Rehabilitation Program. This is, in effect, a loan from the General Fund to the CDBG Fund 37 which is repayable upon reimbursement of the Housing Rehabilitation Loan expenditures by the State. All other modifications and interfund transfers in this report are neutral to the General Fund.

ATTACHMENTS

1. Ordinance

RESPECTFULLY SUBMITTED:

Patty Maitland

Patty Maitland
Finance Director

REVIEWED BY:

Jocelyn Francis

Jocelyn Francis
City Manager Pro Tempore

**ORDINANCE OF THE CITY COUNCIL OF THE CITY OF PACIFIC GROVE
AMENDING THE APPROVED BUDGET FOR THE FISCAL YEAR 2015-16**

WHEREAS, the City Council approved the Fiscal Year 2015-16 Budget on June 17, 2015; and

WHEREAS, the City Council received the Annual Financial Audit Report on November 18, 2015 that noted nine outside funds that contained negative balances; and

WHEREAS, Staff indicated a recommendation would be presented to Council to resolve the negative fund balances; and

WHEREAS, the City Council approved the implementation of a 5-year refunding plan for the negative balance in the Workers' Compensation Fund on November 4, 2015; and

WHEREAS, additional unanticipated expenses that have arisen since the Council authorized a budget amendment on November 4, 2015; and

WHEREAS, the City Manager is recommending amendments to the FY 2015-16 Budget to reflect the City Council's expressed goals for the fiscal year budget; and

WHEREAS, in the enactment of this ordinance, the City followed the guidelines adopted by the State of California and published in the California Code of Regulations, Title 14, Section 15000, et seq. Enactment of this ordinance action does not constitute a "project" as defined by California Environmental Quality Act (CEQA) because it is an organizational or administrative activity that will not result in direct or indirect physical changes in the environment pursuant to the California Quality Act (CEQA), CEQA Guideline Section 15378.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF PACIFIC GROVE:

SECTION 1. The foregoing recitals are adopted as findings of the City Council as though set forth fully herein.

SECTION 2. The FY 2015-16 budget activities are is amended as follows:

Agenda No. 11A, Attachment 1
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Fund	Fund Name	Interfund Transfers and Changes in Appropriations
44	Storm Water Fund	Reduce appropriations to \$373,145 and transfer \$37,891 to People's Desal Fund 19.
01	General Fund	Transfer \$450,000 to Fund 37.
37	CDBG Grant Fund 2013	Receive \$450,000 from General Fund Reserves
43	SLESF Supp Law Enforcement Services (School Resource Officer)	Decrease appropriations to \$90,418
19	People's Desal	Receive transfer from Fund 44 and close the fund
18	Gas Tax Fund	Transfer \$8,223 to Fund 16
16	Traffic Cong Relief	Receive \$8,223 from Gas Tax Fund 18 and close the fund
01	Library Division 401	Decrease appropriations by \$5,836, Transfer \$5,836 to Library Book Fund 11
11	Library Book Fund	Receive \$5,836 from General Fund
01	Police Department Division 301	Decrease appropriations by \$363, Transfer \$363 to Fund 45
45	Vehicle Abandonment	Receive \$363 from General Fund
78	Sewer Lateral Loans	Increase appropriations by \$40,000, (budget \$40,000 of Fund 78 Balance)
77	Golf Course Fund	Increase appropriations by \$95,622, (budget \$95,622 of Fund 77 Balance)
31	Operating Donations (Division 406)	Transfer \$40,000 to Fund 11
01	General Fund	Establish new division and set revenues and appropriations at \$300,000

SECTION 3. The City Manager is directed to execute all documents and to perform all other necessary City acts to implement effect this Ordinance.

SECTION 4. In accord with Article 15 of the City Charter, this ordinance shall become effective upon adoption hereof.

PASSED AND ADOPTED BY THE COUNCIL OF THE CITY OF PACIFIC GROVE
this ____ day of _____, 2016, by the following vote:

AYES:

NOES:

ABSENT:

APPROVED:

BILL KAMPE, Mayor

ATTEST:

SANDRA KANDELL, Deputy City Clerk

APPROVED AS TO FORM:

DAVID C. LAREDO, City Attorney