



PISMO BEACH COUNCIL AGENDA REPORT

SUBJECT/TITLE:

MID-CYCLE BUDGET ADJUSTMENTS FOR FISCAL YEAR 2015

RECOMMENDATION:

1. Receive report and presentation for information and consideration.
2. Approve recommended budget changes.

Staff will present the final resolution for Council's approval on July 15, 2014, pending Council's July 10, 2014 decisions.

EXECUTIVE SUMMARY:

The City of Pismo Beach operates on a two-year budget cycle, which has many advantages including: improved long-term planning, coordination of multi-year capital projects, and efficiency of staff time as budget preparation only occurs every other year. However, to maintain accuracy of the budget and maintain the City's financial plan, it is important to update it periodically (e.g., every six months) to ensure the budget reflects current revenues received and operating costs and trends. The purpose of this agenda item is to provide an opportunity for the City Council to review, approve and/or make changes to the City staff's recommended FY 2015 Mid-Cycle Budget Adjustments.

On July 1, 2014, the Council received a Third Quarter Financial Update for FY 2014 based on actual revenues received and expenditures through March 31, 2014. This report updates the Council on staff's forecasts of where the City's funds will end FY 2014 and, both projects additional revenues and recommends changes for FY 2015. The recommended adjustments are items that were not included in the FY 2015 Adopted Budget, but are important to include now to reflect current revenue projections, expenses, operations, and investment opportunities. Key adjustments include:

- Appropriating additional projected General Fund, Half-Cent Sales Tax Fund, Lodging Business Improvement District Fund, and Park Development Fund revenues
- Implementing the start of the downtown revitalization efforts
- Creating efficiencies by reducing General Fund budgets where services could be done more cost effectively or where reductions made sense
- Investing additional resources that are available (General Fund, Half-Cent Sales Tax funds, Park Development Funds, and Parking Enterprise Funds) in our community to implement a public arts program, improve parks and parking lots, and safety
- Appropriating additional funds for the City's general liability insurance costs
- Reflecting updated costs for contracts and other operational and technical adjustments

The total fiscal impact of these budget adjustments is a net additional appropriation across all funds of \$92,058 in FY 2015. The "fiscal impact" is a positive number if there are net additional revenues or a net reduction in expenditures. The fiscal impact is a negative number

if there is a decrease in revenues or a net increase in expenditures. A large portion of the funds being spent are on one-time investments and not ongoing costs. If all of the proposed Mid-Cycle Budget Adjustments are approved, the General Fund ending unassigned fund balance is projected to be \$843 thousand better than the amount assumed in the FY 2015 current revised budget. All other funds have sufficient revenues or fund balance to cover any additional costs. The following table summarizes the fiscal impact by fund and fiscal year.

FY 2015 Proposed Mid-Cycle Adjustments Financial Impact by Fund

Fund	Fund Title	One-time Impact	Ongoing Impact	Total Impact
100	General Fund	\$ 130,172	\$ 712,670	\$ 842,842
105	Half-Cent Sales Tax Fund	293,750		293,750
222	PEG Fund	(13,484)		(13,484)
243	Grants-NonCapital	(2,511)		(2,511)
265	LBID	-	56,800	56,800
275	Chapman Estate Fund	(110,052)	(36,260)	(146,312)
305	Park Development Fund	(465,000)		(465,000)
404	PFA Debt Service		185	185
512	Water Fund		7,884	7,884
513	Water Tax (Lopez/State)		(325,490)	(325,490)
521	Wastewater Treatment		(7,364)	(7,364)
551	Parking Enterprise	(115,000)	(6,879)	(121,879)
619	Motor Vehicle Fund	(211,478)	-	(211,478)
Total Impact All Funds		\$ (493,603)	\$ 401,546	\$ (92,058)

DESCRIPTION OF PROPOSED BUDGET ADJUSTMENTS BY CATEGORY

This report looks at revenues and expenditures by category and provides explanations as to why the adjustments are recommended. The following table provides a summary of the financial impact of all the recommended changes by category. A positive number is an increase in revenue appropriation or decrease in expenditure appropriation. A negative number is a decrease in revenue appropriation or increase in expenditure appropriation. Expenditures are largely offset by revenues or cost savings and are explained in greater detail below. Descriptions of each category are provided after the table.

**FY 2015 Proposed Mid-Cycle Adjustments Financial Impact by Category
(All Funds)**

Category	One-time Impact	Ongoing Impact	Total Impact
New Revenues	\$ 512,000	\$ 974,800	\$ 1,486,800
Downtown Revitalization	(145,000)		(145,000)
Park Improvements	(550,000)		(550,000)
Efficiency Reductions	87,122	76,659	163,781
Department Request	(51,700)	(138,150)	(189,850)
CJPIA Retrospective Deposit		(160,272)	(160,272)
Operational & Technical Adjustment	(337,525)	(344,286)	(681,812)
Technology Budget Adjustment		(3,005)	(3,005)
Council member request	(8,500)	(4,200)	(12,700)
Total All Categories	\$ (493,603)	\$ 401,546	\$ (92,058)

New Revenue

Based on updated FY 2014 financial projections and updated projections for FY 2015, City staff recommends that Council recognize an additional \$918 thousand in General Fund revenues, an additional \$427 thousand in Half-Cent Sales Tax Revenues, an additional \$56,800 in Lodging Business Improvement District (LBID) Fund assessment revenues, and \$85 thousand more in the Park Development Fund. A list of these revenues is provided below, followed by a brief description of each revenue source.

FY 2015 Projected Revenues

Revenues	One-time Impact	Ongoing Impact	Total Impact
General Fund			
Trans Occupancy Tax	\$ -	\$ 568,000	\$ 568,000
Property Tax	-	200,000	200,000
Plan Check Fees	-	145,000	145,000
Building Permits	-	80,000	80,000
Spec Event Permits	-	(75,000)	(75,000)
Subtotal General Fund	\$ -	\$ 918,000	\$ 918,000
Half Cent Sales Tax Fund			
Half Cent Sales Tax	427,000	-	427,000
LBID Fund			
LBID Assessment Revs		56,800	56,800
Park Development Fund			
Development Fees	85,000	-	85,000
Total All Fund Revenues	\$ 512,000	\$ 974,800	\$ 1,486,800

- Transient Occupancy Tax (TOT) Revenues: Based on the first nine months of FY 2014, staff recommends appropriating \$568 thousand of additional TOT revenues in FY 2015 in the General Fund. This represents a 2% increase over the FY 2014 projected actuals of \$7,900 thousand, which is a conservative projection based on the average annual growth rate.
- Property Tax Revenues: Staff recommends that Council appropriate an additional \$200 thousand of additional property tax revenues based on the San Luis Obispo County Auditor Controller's most recent estimates. This increase represents a growth of 3% in property values. This growth primarily represents a partial or full restoration of assessed property values that were previously assessed at a lower value per Proposition 8 and will be assessed at the market value. Other factors for this 3% increase include other assessed value growth reflecting a 0.454% Consumer Price Index (CPI) increase, new construction, and changes in ownership.
- Permit Fee Revenues: Staff recommends appropriating \$225 thousand of additional permit fee revenues in the FY 2015, including \$145 thousand additional plan check fees and an additional \$80 thousand additional building permit revenues. These additional revenues are due to projected number of building permits issued for vacant lots of the Vistas at Pismo Village on Wadsworth Avenue, a number of vacant lots that are being developed for single family homes on tract 2554, Costa Del Sol and Costa Brava, 110 Oak Park, Price Canyon, and Mattie Road.
- Special Event Fees: In the last Mid-Cycle update on January 7, 2014, staff recommended appropriating \$25,000 of Special Event fee revenues in FY 2014 and \$75,000 in FY 2015 to reflect additional fees collected for special events. Based on projected actual Special Event fee revenues, this projection will not be achieved. Additionally, most of the special event fee revenues are already being collected in various department budgets to offset costs. Staff recommends that Council reduce the Special Event Fee revenue budget by \$75 thousand.
- Half Cent Sales Tax Revenues: Staff recommends appropriating an additional \$427 thousand of Half Cent Sales Tax Revenues, including \$160 thousand based on the most recent FY 2014 projected actual revenues and \$267 thousand from a prior year due to a misallocation from the County in FY 2012, which we adjusted for in FY 2013 by creating a deferred revenue in the event the State Board of Equalization decreased the City's sales tax revenues for that year. As those funds are clear, City staff plans on recognizing the additional \$267 thousand in FY 2015.
- LBID Assessment Revenues: Based on the first nine months of FY 2014, staff recommends appropriating \$57 thousand of additional LBID Assessment revenues in FY 2015 in the LBID Fund. This represents a 2% increase over the FY 2014 projected actuals of \$790 thousand, which is a conservative projection based on the 5 year average growth rate of 3.5%.

- Park Development Fund Fees: Staff recommends appropriating \$85 thousand of one-time park development impact fees based on the various developments listed in the Permit Fees Revenue section above. There is a potential to see around \$500 thousand of one-time Park Development Fee revenues based on the various plans submitted to the City. However, this fee is issued when the City issues a permit and based on the complex plans submitted, these fees may not be realized in FY 2015.

Downtown Revitalization

On June 3, 2014, the City Council approved the Pismo Beach Downtown Strategic Plan and supported moving forward with some short term downtown enhancement opportunities. City staff recommends that the Council invest \$545 thousand in the downtown to begin implementing these short term goals. This funding is accomplished by appropriating a net additional \$145 thousand from two funding sources for some of these opportunities. The Plan will serve as a blueprint for all Downtown Revitalization investments. The following table provides a summary of the components of implementing the short term downtown enhancement opportunities and studies to further define the opportunities for the area.

FY 2015 Proposed Downtown Projects

Fund	Downtown Project	One-time Impact
General Fund	Public Art Program	(30,000)
General Fund	Deappropriate Pier Plaza Seawall; Delayed until Study	400,000
General Fund	Downtown Lighting and Signage Installation	(400,000)
Parking Enterprise	Downtown Study - Parking Structure Study	(75,000)
Parking Enterprise	Parking Lot Seal & Restripe - Main, Wolosz & Pier Parking lots	(40,000)
Total All Funds		\$ (145,000)

- Public Art Program: One of the City Council’s goals is to implement a public art program. At a joint meeting of the Parks, Recreation and Beautification Commission and the City Council, the Council suggested to staff that we start trying to incorporate public art into City projects and improvements. Staff is proposing the City begin introducing public art into the downtown area through the installation of unique street furniture, bike racks, painting of utility boxes, etc. While a policy has yet to be approved, it is being worked on. In absence of a policy, staff is recommending an amount of seed funding that will allow for the purchase of streetscape furniture with a more whimsical or coastal feel. Additionally, funds could be used for a future public art piece and/or a program that funds art on utility boxes. These have proven to be quite successful. The public art program budget request is \$30,000 from the General Fund.
- Downtown Improvements Consistent with the Strategic Plan: City staff recommends that Council appropriate \$400 thousand from the General Fund for several immediate improvements in the downtown area consistent with the short-term priorities approved by the City Council as part of the downtown strategic plan. Improvements will include new

way finding and parking signage with the approved logo, street light pole hangers and banners for at least two occasions, overhead string lights and related electrical infrastructure along Price Street and Pomeroy between Dolliver Street and the entrance to the pier parking lot, the installation of additional benches, bike racks, and trash cans, and if funding remains, potential landscaping improvements along Price Street. To fund such improvements, staff is recommending that the Council deappropriate \$400 thousand from the Pier Plaza Seawall project as this work should be done in conjunction with the plaza improvements envisioned for the future per the strategic plan. Staff believes the wall is structurally sound enough to function, however, \$100,000 still remains in the budget to do a comprehensive structural study and minor repairs to the wall. This work will be done this year. Should major work need to be done sooner, staff would return to the Council with other funding options.

- Downtown Study – Parking Structure and Design Study: \$75,000 is being requested from the Parking Enterprise Fund to fund a study to examine design, location, funding, and potential partnership and mixed-use options for construction of parking structures downtown. This study will be done in conjunction with the circulation study currently being conducted. Consistent with the City Council’s direction to make no changes to parking or access until these studies are complete and other parking assets are online, and with direction to alter the Parking In Lieu Fee program, it is recommended this study get underway.
- Parking Lot Rehabilitation on Main, Wolosz, and Pier Parking lots: This item includes the sealing and restriping the Main, Wolosz, and Pier parking lots, and potential modifications to landscaping using \$40 thousand from the Parking Enterprise Fund.

In addition to the above Downtown Revitalization projects, staff will use already budgeted Half Cent Sales Tax funds allocated for sidewalk repairs and maintenance to pressure wash and seal the sidewalks. Staff tested a patch of the sidewalk and will be allocating \$50 thousand of those funds for this purpose.

Park Improvement Projects

City staff recommends \$550 thousand for park improvement projects using Park Development Fund unassigned fund balance. This includes \$350 thousand for Dinosaur Caves Park improvements and \$200 thousand for Price Historic Park Phase 1 implementation of the Price House Master Plan. Dinosaur Cave Park improvements could include striping Cliff Avenue, a retaining wall, a second row of parking, electricity, and playground equipment. Price Historic Park funding supports the Phase 1 implementation of the Price House Master Plan, including water and sewer connections, lights, parking, and security.

FY 2015 Park Improvement Projects

Fund Title	Description	One-time Impact
Park Development Fund	Dinosaur Caves Park improvements	(350,000)
Park Development Fund	Price Historic Park	(200,000)
		<u>(550,000)</u>

Efficiency Reductions

As part of the City Manager’s instructions to Departments for the Mid-Cycle Budget Review, the City Manager requested that Departments take a thorough look at their General Fund non-personnel operating costs and recommend areas that could be reduced to free up funds for other initiatives. These reductions should not reduce service levels to the community. The following list provides reductions in all General Fund Departments. Of the \$163,781 of efficiency reductions, \$87,122 are one-time savings and \$76,659 are ongoing savings. The one-time savings results from freezing the vacant Building Official position for the budget review period and increasing the California Code Check contract from \$120 thousand to \$180 thousand (an increase of \$60 thousand).

Building Division staffing change: As noted above, City staff proposes to freeze the vacant Building Official position for one year and increase the California Code Check contract from \$120 thousand to \$180 thousand (an increase of \$60 thousand). A separate contract adjustment will be presented to Council at a later date. In addition, staff proposes to move the Building Inspector I position to a Building Inspector II position for a total annual cost increase of \$10 thousand. This change will allow the City to achieve savings while still providing the same level of service by increasing the contracted services and promoting the current Building Inspector to fill in some of the technical work performed by the Building Official. Staff will revisit the potential of hiring a Building Official in FY 2016 and, if this were the case, correspondingly reduce the California Code Check contract.

FY 2015 Proposed Efficiency Reductions

Division	One-time Impact	Ongoing Impact	Total Impact
Building Division	\$ 87,122	\$ (2,485)	\$ 84,637
City Clerk		4,500	4,500
City Council		2,355	2,355
CVB		2,100	2,100
Engineering		2,693	2,693
Finance/Accounting		2,050	2,050
Fire		2,700	2,700
Gov't Bldgs-City Hall		3,775	3,775
Human Resources		2,900	2,900
Non-Dept		34,741	34,741
Park Maintenance		3,660	3,660
Pismo Vets Hall		925	925
Planning		6,460	6,460
Police		7,700	7,700
Shell Beach Vets Hall		335	335
Street Maintenance		2,250	2,250
	\$ 87,122	\$ 76,659	\$ 163,781

Department Requests

The following table provides a list for Council's consideration representing \$190 thousand of various adjustments to improve City services to the public, reflect additional costs of doing business to maintain City service levels as demand for service levels increase, and budgeting to reflect projected actual costs.

The most significant costs include:

- \$35,000 for a Social media platform consultant to implement the City's presence in Facebook, Twitter, Instagram, and YouTube. The service would post press releases, City updates, Council agendas, videos about events in the City, and public service announcements. Most important, this platform would be a reliable source of information in the event of an emergency. This would direct citizens to the City's website and publish relevant information about City events and emergencies.
- \$15,000 for Happy Time Preschool building maintenance projects. This building is owned by the City.
- \$12,000 for electrical upgrades to the pier. Most events on the pier need power on both sides of the first and second diamond. Currently, the City uses generators on the pier, which are not fire safe, are loud, and create an odor. Electrical upgrades would allow the City to continue to host top rate events without the need for generators.
- \$26,000 for Police Overtime budget increases to reflect the actual overtime costs to cover for minimum staffing, proactive policing, mandated officer training, and increased special event coverage
- \$31,000 for Police temporary salary budget to reflect the actual temporary salary costs for ongoing part-time CALEA accreditation manager, two reserve patrol officers, and a reserve detective who supervises registered sex offenders, conducts follow up crime investigation, and backgrounds for all permit applicants
- \$30,000 for traffic safety or circulation improvements recommended by the City's Traffic Safety Committee (TSC). Each year, the TSC reviews various suggestions to improve safety throughout the City, however, the implementation of these improvements are often put on hold due to lack of funding. This budget would allow the TSC to spend \$30 thousand at its discretion on projects that have been approved by City Council. In the event that other funds can be used for the various improvements such as the Local Transportation Fund or Gas Tax Funds, staff would come back to Council to reallocate funds for the specific use.

FY 2015 Department Requests

Fund Title	Department/Division	Description	One-time Impact	Ongoing Impact	Total Impact
General Fund	Administration	Social Media Platform/consultant	-	(35,000)	(35,000)
	Engineering	Color Plotter with Scanner to replace broken versions	(4,500)		(4,500)
	Fire	Rope Rescue Equipment	(3,700)		(3,700)
	Gov't Bldgs-City Hall	Happy Time Preschool Building - Maintenance projects	(15,000)		(15,000)
	Human Resources	City staff development for employee training and customer service workshop		(3,500)	(3,500)
	Non-Department	Electrical Upgrades to the Pier	(12,000)		(12,000)
	Park Maintenance	Additional Portable Toilets For Events		(3,000)	(3,000)
	Planning	Augment the GP/Zoning Code updates budget for the 2014-2019 Housing element update	(2,000)		(2,000)
	Planning	Color Plotter with Scanner to replace broken versions	(4,500)		(4,500)
	Police	Police Overtime		(26,000)	(26,000)
	Police	Police Temporary Salary Budget		(31,000)	(31,000)
	Police	Hazmat Cleanup of Old City Hall	(10,000)	-	(10,000)
	Street Maintenance	Traffic Safety Committee improvements reserve		(30,000)	(30,000)
General Fund Subtotal			(51,700)	(128,500)	(180,200)
Water Fund	Water Operations	Water Main Leak Detection-required Best Management Practice for City's discharge permit		(9,000)	(9,000)
	Water Operations	Water Reuse Association Dues		(650)	(650)
Water Fund Subtotal				(9,650)	(9,650)
Total All Funds			(51,700)	(138,150)	(189,850)

CJPIA Retrospective Deposit Liability

The California Joint Powers Insurance Authority (CJPIA) is the City's provider of Risk Management Services, including Insurance coverage for Liability, Workers' Compensation, and Property Insurance. Each year the City makes an annual contribution to pay for this insurance coverage and at the end of the year, the CJPIA retroactively reviews the loss history and issues a partial refund or requests an additional deposit based on actual claims activity. This retrospective review is conducted on an annual basis. The aggregation of the additional deposit amounts is equal to the City's current outstanding balance, which is referred to as the City's retrospective deposit balance.

The amount of retrospective deposit liability due to CJPIA by July 20, 2014 is \$160,272.

Funding Options: The City has a *Risk Management Reserve* that could also be used to fund this payment, instead of using 100 percent *General Fund unassigned fund balance*. Starting in FY 2013-14, the General Fund unassigned fund balance contributes \$50,000 annually to a Risk Management Reserve. The City could use up to \$100,000 of this Reserve by FY 2014-15 to fund a portion of the retrospective deposit liability. This is a new reserve and the amount of retrospective payment will likely be recurring. Due to the recurring nature of the reserve and that there will only be \$100,000 in the reserve after the first two years, staff recommends that the City not use this reserve until more funds are available and when General Fund resources are not available. City staff recommends that the City pay off the \$160,272 retrospective liability using the General Fund unassigned fund balance.

Operational and Technical Costs

The following table provides a summary of the recommended operational cost appropriations and their financial impact, followed by a description of the items.

FY 2015 Proposed Operational & Technical Adjustments by Category and Fund

Operational & Technical Adjustments	Fund Title	One-time Impact	Ongoing Impact	Total Impact
Audit Cost Allocation	PFA Debt Service		185	185
Audit Cost Increase	General Fund		(2,400)	(2,400)
Capital Asset Policy	General Fund	-		-
Carryforward funds for vehicles	Motor Vehicle Fund	(211,478)		(211,478)
Carryforward funds for video & broadcasting equipment	PEG Fund	(13,484)		(13,484)
CCWA State Water Payment	Water Fund		(9,054)	(9,054)
Chapman Estate Budget	Chapman Estate Fund	(110,052)	(33,560)	(143,612)
City Clerk Reorganization	General Fund		-	-
City Website - CivicPlus annual support, maintenance, & hosting services	General Fund		(375)	(375)
COPS grant correction	Grants-NonCapital	(2,511)		(2,511)
COPS grant correction	General Fund	-		-
HdL Property Tax Consultant Services	General Fund		(720)	(720)
KCBX contract increase	General Fund		(2,400)	(2,400)
LAFCO cost increase	General Fund		(1,553)	(1,553)
Lopez Water Payment	Water Fund		34,081	34,081
Lopez Water Payment	Water Tax (Lopez/State)		(25,287)	(25,287)
Planning Commission Legal Ads & Publications	General Fund		(1,500)	(1,500)
Police Operating Costs	General Fund		-	-
Price St Erosion Project from General Fund to Half Cent Sales Tax Fund	General Fund	133,250		133,250
Price St Erosion Project from General Fund to Half Cent Sales Tax Fund	Half-Cent Sales Tax Fund	(133,250)		(133,250)
Price St Erosion Project from General Fund to Half Cent Sales Tax Fund	Capital Project Fund	-		-
Update online and print copies of Municipal Code	General Fund		(1,500)	(1,500)
Water Tax	Water Tax (Lopez/State)		(300,203)	(300,203)
Total All Operational & Technical Adjustments		\$(337,525)	\$(344,286)	\$ (681,812)

Audit Cost Allocation: Reduce the Auditor cost allocation to the Public Financing Authority (PFA) Debt Service Fund to end the year with a zero balance. Funding for this fund comes from the General Fund and the auditor cost would be absorbed by the General Fund.

Audit Cost Increase: Increase the Auditor cost to cover costs associated with a single audit.

Capital Asset Policy: Move budget in Capital Project accounts to non-capital project accounts. These are items that are not qualified as capital assets per the City's Capital Asset Policy and Procedures. There is no fiscal impact.

Carryforward Funds: Move expenditure budget appropriation from the prior year to FY 2015 for one-time items not yet purchased. These include vehicles and minor equipment in the Motor Vehicle Fund and Public Education Government (PEG) Fund.

Central Coast Water Authority (CCWA) State Water Payment: Additional \$9,054 of ongoing Water Enterprise Fund costs related to State Water variable costs related to water usage.

Chapman Estate Fund: City staff recommends that Council appropriate the following funds:

- Appropriate an additional \$100 thousand in revenues in FY 2015 from the Chapman Estate trust fund. The estate was initially assessed at a higher property value when the transfer was made in FY 2014. Since then the County Assessor Recorder has returned about \$100 thousand of paid property tax funds back to the trust fund, keeping the property value at its original level. The County Assessor Recorder estimates that another \$100 thousand will be returned in the second installment, but at this time, staff recommends appropriating only the received \$100 thousand.
- Appropriate \$1,200 for property rental revenues per the Chapman lease agreement.
- Appropriate \$143,612 of carryforward expenditure budget leftover from FY 2014 into FY 2015 and reallocate across various accounts based on actual expenditures.
- Appropriate \$101,200 thousand of the above stated additional revenues for major repairs and maintenance.

All these adjustments increase the Chapman Estate Fund revenue budget by \$101,200 and the expenditure budget by \$221,800. The net additional expenditure budget is covered by fund balance from the trust endowment not spent in the prior year.

City Manager / City Clerk reorganization: On January 7, 2014, the Council approved a recommendation to reorganize the Administration Department with the goal of providing more efficient service and support to the organization and community. Administration will be broken into the City Manager's Office, the City Clerk's Office, and the Conference and Visitor's Bureau. The Conference and Visitor's Bureau will remain unchanged. Staff recommends that the City Clerk have a separate division budget to track expenses. The change moves Administration and City Council Division line items specific to City Clerk, and creates a new City Clerk Division. There is no net fiscal impact to the General Fund.

City Website Maintenance: The City's website costs have increased to reflect increases in maintenance, support, and hosting cost. This cost increase is \$375 in the General Fund.

COPS grant correction: The COPS grant is \$100 thousand per year. In FY 2014, \$97,489 was appropriated as this was the cost of the position that the grant was funding. However, the City should budget the remaining \$2,511 for future costs of this position. The full \$100 thousand of revenues were budgeted, and this recommendation budgets the expenditure in the Grant Fund.

HdL Property Tax Consultant: The City's property tax consultant is increasing their cost for services by 10%, representing a \$720 increase to the General Fund. This contract has not increased in costs since 2007.

KCBX/KCBXnet contract: On June 17, 2014, Council approved a contract with KCBX/KCBXnet to provide broadcasting services and Channel 20 operations. An additional \$2,400 is needed to cover the renewed contract, from the General Fund.

LAFCO: This represents \$1,553 of Local Agency Formation Commission (LAFCO) increased contract costs in the General Fund

Lopez Water Payment: The Lopez Water Payment has decreased by a net of \$8,794 (Water Tax increase of \$25,287 offset by Water Fund decrease of \$34,081) across both the Water Enterprise Fund and the Water Tax Fund. This is based on the Flood Control Zone May 2014 Revised Budget report.

Planning Commission legal ads & public notices: The City Clerk is submitting legal ads and public notices related to the Planning Commission, representing an increase of \$1,500 in costs for the General Fund.

Police Operating costs: This is a cost neutral change reducing the Laserfiche annual maintenance due to a contract reduction by \$2,000 and shifting that amount to fund the CLETS annual support fee.

Price Street Erosion Project Funding: Staff recommends that the Council move the Price Street Erosion project funding from the General Fund to the Half Cent Sales Tax Fund as this is an appropriate use of Half Cent Sales Tax funds. These project funds serve as a match to the \$400 thousand grant from the State Boating and Waterways grant.

Update online and print copies of the Municipal Code: The City Clerk's office will be updating the online and print copies of the Municipal code, which will cost \$1,500 in FY 2015.

Water Tax: The Water Tax Fund has a net \$300 thousand negative fiscal impact to account for fewer revenues than budgeted and increased costs. The Water Enterprise Funds have sufficient balances to cover the entire \$300 thousand cost impact.

- Regarding revenues, the Special Water Tax revenue budget projected \$1,442 thousand of projected tax revenues based on an estimated 2.0% CPI of the FY 2014 budget. However, FY 2014 actual revenues are \$1,252 thousand. FY 2015 projected revenues are \$1,316 thousand based on the updated water tax rate. This amount is \$64 thousand more than FY 2014 actuals, but \$126 thousand less than budget. The revenue budget needs to be reduced by \$126 thousand to reflect the actual State Water Tax projected revenues as determined by the new rates.
- Regarding expenditures, costs are projected to increase by \$174 thousand compared to the FY 2015 Adopted budget based on increased fixed costs (debt service and capital projects) for State Water. Note that State Water Tax costs change each year, increasing costs one year and then potentially decreasing costs the next year. This fluctuation is

primarily due to the timing of the payments. The Central Coast Water Authority (CCWA) provides estimates at the beginning of the year based on actual cost estimates (which is what the City budgets), and reconciles the costs based on their actual costs when they bill the City the following year. These true-up costs could result in decreases in one year, and increases the next.

Technology Budget Adjustment

As part of the January 10, 2014 Mid-Cycle Budget changes, a new Technology Service Fund was created to capture information technology (IT) costs that benefit multiple funds. At that point, only the IT Manager and the IT Strategic Plan projects were placed into that account. This new adjustment moves more technology budgets in a central location and charges each Fund and Department based on the number of computers, licenses, or other beneficial areas.

The net impact across all funds is an additional \$3,005 costs. This cost is primarily from the Human Resources NeoGov ongoing operating costs that were inadvertently not included in the FY 2015 budget, but have been offset by reductions in the Human Resources budget. NeoGov is the online hiring system software that allows for recruitment, application for current job opportunities, and checking the status of candidacy all online. The reallocation of costs shifts \$17 thousand of costs from the General Fund to the Water, Wastewater, and Parking Enterprise Funds that benefit from these central technology costs but were not being charged. The following table provides the ongoing fiscal impact of the technology budget adjustments by fund.

FY 2015 Proposed Technology Budget Adjustments by Fund

Fund	Ongoing Impact
General Fund	\$ 17,231
Water Fund	(7,493)
Wastewater Treatment	(7,364)
Parking Enterprise	(5,379)
Technology Service Fund	-
Motor Vehicle Fund	-
	\$ (3,005)

Council Member Requests

The City staff received four requests from Council members for funding in the FY 2015 Budget. The requests total \$12,700 for all funds as detailed in the following table.

FY 2015 Council Member Requests

Fund	Council Member Request	One-time Impact	Ongoing Impact	Total Impact
General Fund	Coastal Commission reception	\$ (3,500)	\$ -	\$ (3,500)
General Fund	Contribution Cal Poly Pismo Clam study	(5,000)		(5,000)
Chapman Estate Fund	Chapman Estate Committee Stipend \$25/meeting, 9 members, 1 mtg/month		(2,700)	(2,700)
Parking	Parking Advisory Committee Stipend \$25/meeting, 5 members, 1 mtg/month		(1,500)	(1,500)
Enterprise				
Total All Funds		\$ (8,500)	\$ (4,200)	\$ (12,700)

Recommendation

Staff recommends that the City Council receive this report and presentation for information and approve all changes to the FY 15 budget. Staff will present the final resolution for Council's approval on July 15, 2014 pending Council's July 10, 2014 decisions.

FISCAL IMPACT:

The proposed changes are supported by additional revenue, fund balance, and reallocated efficiency reductions to other areas. These changes require net additional revenue appropriation of \$1,804,084 and net additional expenditure appropriations of \$1,896,142 across all funds in FY 2015. The net impact is a cost of \$92,058 in FY 2015. The following table provides the change in appropriations by fund of the proposed budget adjustments.

FY 2015 Proposed Mid-Cycle Budget Adjustments by Fund

Fund	Fund Title	Revenue	Expenditure	Net
100	General Fund	\$ 920,511	\$ 77,669	\$ 842,842
105	Half-Cent Sales Tax Fund	427,000	133,250	293,750
222	PEG Fund		13,484	(13,484)
243	Grants-NonCapital		2,511	(2,511)
265	LBID	56,800	-	56,800
275	Chapman Estate Fund	101,200	247,512	(146,312)
301	Capital Project Fund	400,000	400,000	-
305	Park Development Fund	85,000	550,000	(465,000)
404	PFA Debt Service		(185)	185
512	Water Fund		(7,884)	7,884
513	Water Tax (Lopez/State)	(104,014)	221,476	(325,490)
521	Wastewater Treatment		7,364	(7,364)
541	Pier Fund	(388,000)	(388,000)	-
551	Parking Enterprise		121,879	(121,879)
601	Technology Service Fund	314,360	314,360	-
619	Motor Vehicle Fund	5,738	217,216	(211,478)
	Total Impact All Funds	\$ 1,818,595	\$ 1,910,653	\$ (92,058)
	Less Transfers	(14,511)	(14,511)	\$ -
	Net Appropriations	\$ 1,804,084	\$ 1,896,142	\$ (92,058)

General Fund Impact

For FY 2015, as shown in the following table, if the proposed Mid-Cycle Budget Adjustments are approved, the General Fund would have a projected net operating surplus of \$338 thousand and a \$1,779 thousand ending fund balance on June 30, 2015. Of this fund balance, \$1,348 thousand is unassigned fund balance available for appropriation.

FY 2015 General Fund Budget with Proposed Mid-Cycle Budget Adjustments

	B A	B	C C + A - B FY 2014-15 Revised Budget with Mid-Cycle Adjustments
(\$ thousands)	FY 2015 Budget	FY 2015 Mid- Cycle Adjustments	FY 2015 Mid- Cycle Adjustments
Unassigned Fund Balance	\$ 2,490	\$ -	\$ 2,490
Assigned Fund Balance	2,497	-	2,497
a Beginning Fund Balance	4,987	-	4,987
b Operating Revenues	16,949	921	17,869
c Operating Expenditures	17,453	78	17,531
d = b - c Net Operating Surplus/(Deficit)	(504)	843	338
e One-time/Capital Expenditures	3,546	-	3,546
f = a+d-e Ending Fund Balance	\$ 937	\$ 843	\$ 1,779
Unassigned Fund Balance	506	843	1,348
Assigned Fund Balance	100	-	100
Contribution to Reserves	331	-	331

Other Funds Impact

All other funds have sufficient fund balance and/or projected revenues to support the proposed budget adjustments. The following two tables show the key funds impacted by Mid-Cycle budget adjustments and reflect the funds assuming all adjustments are approved in FY 2015.

		Lodging Business			
		Half Cent Sales Tax Fund	Improvement District (LBID)	Chapman Estate Fund	Park Development Fund
A	Beginning Fund Balance	2,745,058	425,711	168,925	781,836
B	Projected Actual Revenue	1,567,000	805,800	101,200	110,000
C	Projected Actual Expenditure	4,085,920	960,936	270,125	784,547
D=B-C	Net Rev - Exp	(2,518,920)	(155,136)	(168,925)	(674,547)
E = A + D Projected Ending Fund Balance		<u>226,138</u>	<u>270,575</u>	-	<u>107,289</u>

		Water Enterprise	Water Tax (Lopez/ State)	Parking Enterprise	Technology Service Fund
A	Beginning Fund Balance	3,665,599	(0)	1,749,259	-
B	Projected Actual Revenue	3,702,500	2,081,540	501,000	314,360
C	Projected Actual Expenditure	3,353,298	2,005,351	484,244	314,360
D=B-C	Net Rev - Exp	349,202	76,189	16,756	-
E = A + D Projected Ending Fund Balance		<u>4,014,801</u>	<u>76,189</u>	<u>1,766,015</u>	-

Note: The ending fund balances for all funds does not reflect contributions to Outside Agencies. To the extent that funding for outside agencies are approved, the corresponding fund balances would decrease by that amount. This applies to the General Fund and the LBID Fund.

ALTERNATIVES:

1. Provide direction to City staff to approve some of the budget adjustments
2. Provide direction to City staff to not approve any of the budget adjustments
3. Provide direction to City staff to modify the budget adjustments

ATTACHMENTS:

1. List of FY 2015 Budget Adjustments by Category

Prepared by:

Jim Lewis, City Manager

Nadia Feeser, Administrative Services Director

Susan West-Jones, Finance Manager

Jon Biggs, Community Development Director

Suzen Brasile, Conference & Visitors Bureau

Elaina Cano, City Clerk

Paul Lee, Fire Battalion Chief

Ben Fine, Public Works Director/City Engineer

Jeff Norton, Police Chief

Meeting Date: July 10, 2014

City Manager Approval:



List of FY 2015 Budget Adjustments by Category

- Positive amounts are additional revenues or cost savings.
- Negative amounts are additional costs or decreases in revenues.

Category	Description	One-time Impact	Ongoing Impact	Total Impact
New Revenues	General Fund Revenues	\$ -	\$ 918,000	\$ 918,000
	Park Development Fund Revenues	85,000		85,000
	Half Cent Sales Tax Fund Revenues	427,000		427,000
	LBID Fund		56,800	56,800
New Revenues Total		512,000	974,800	1,486,800
Downtown Revitalization	Public Art Program	(30,000)		(30,000)
	Downtown Lighting and Signage	-		-
	Downtown Study - Architect on Pier Plaza Park	-		-
	Downtown Study - Parking Structure Study	(75,000)		(75,000)
	Parking Lot Rehab - Main and Pier Parking lots	(40,000)		(40,000)
Downtown Revitalization Total		(145,000)		(145,000)
Park Improvements	Dinosaur Caves Park	(350,000)		(350,000)
	Price Historic Park	(200,000)		(200,000)
		(550,000)	-	(550,000)
Efficiency Reductions	Administrative Services Department		2,050	2,050
	Building	87,122	(2,485)	84,637
	City Manager		-	-
	City Council		2,355	2,355
	CVB		2,100	2,100
	Pismo Vets Hall		925	925
	Shell Beach Vets Hall		335	335
	Non-Departmental		34,741	34,741
	Recreation		-	-
	City Clerk		4,500	4,500
	Fire		2,700	2,700
	Human Resources		2,900	2,900
	Police		7,700	7,700
	Government Buildings		3,775	3,775
	Engineering		2,693	2,693
	Park Maintenance		3,660	3,660
	Street Maintenance		2,250	2,250
Planning		6,460	6,460	
Efficiency Reductions Total		87,122	76,659	163,781
CJPIA Retrospective				
Deposit	CJPIA Retrospective Deposit		(160,272)	(160,272)
CJPIA Retrospective Deposit Total			(160,272)	(160,272)

Catetory	Description	One-time Impact	Ongoing Impact	Total Impact
Department Request	Community Development Request	(6,500)		(6,500)
	City Manager Request		(38,500)	(38,500)
	CVB Request	-	-	-
	Fire Request	(3,700)		(3,700)
	Police Request	(10,000)	(57,000)	(67,000)
	Public Works Request	(31,500)	(42,650)	(74,150)
Department Request Total		(51,700)	(138,150)	(189,850)
Operational & Technical Adjustment	Capital Asset Policy	-		-
	Chapman Estate Budget	(110,052)	(33,560)	(143,612)
	COPS grant correction	(2,511)		(2,511)
	LAFCO		(1,553)	(1,553)
	Property Tax consultant contract		(720)	(720)
	Police Adjustment		-	-
	Water Tax		(300,203)	(300,203)
	Lopez Water Payment		8,794	8,794
	CCWA State Water Payment		(9,054)	(9,054)
	KCBX contract		(2,400)	(2,400)
	City Clerk Reorganization		-	-
	City Website		(375)	(375)
	City Clerk - Legal Ads & Municipal Code update		(3,000)	(3,000)
	Move Project funds from General Fund to Half- Cent Sales Tax Fund	-		-
	Audit Costs		(2,400)	(2,400)
	Carryforward funds	(224,962)		(224,962)
	Audit Cost Allocation		185	185
Operational & Technical Adjustment Total		(337,525)	(344,286)	(681,812)
Technology Budget Adjustment	Move Technology Budget to Technology Service Fund 601		(3,005)	(3,005)
Technology Budget Adjustment Total			(3,005)	(3,005)
Council member request	Coastal Commission reception	(3,500)		(3,500)
	Chapman Estate Committee Stipend		(2,700)	(2,700)
	Parking Advisory Committee Stipend		(1,500)	(1,500)
	Cal Poly Pismo Clam study	(5,000)		(5,000)
Council member request Total		(8,500)	(4,200)	(12,700)
Total All Categories		\$ (493,603)	\$ 401,546	\$ (92,058)