

**JOINT MEETING
REPORT OF OFFICERS**

DATE: **March 25, 2014**

TO: **Mayor and Members of the City Council**

FROM: **June Overholt, Administrative Services Director / Deputy City Manager**

SUBJECT: **FY 2013/14 Mid-Year Budget Review**

RECOMMENDATION: That the City Council approve City Resolution No. 2014-20, the Banning Utility Authority Resolution No. 2014-04 UA and the Successor Agency Resolution No. 2014-06 SA authorizing the Administrative Services Director to make necessary budget adjustments to implement the mid-year analysis.

BACKGROUND: The budgets for the City, Banning Utility Authority and Successor Agency for FY 2013/14 were adopted on June 25th, 2013. The budget is a dynamic document that may be amended throughout the year as a result of unforeseen changes in revenue or expenditure requirements. These adjustments often relate to an award of a grant. These changes require City Council or Agency Board action for approval. The purpose for the mid-year review is to determine if any budget adjustments are necessary to the budget.

The Fund Summary Status is the primary budget document that is adopted, managed and evaluated throughout the year. Below are some observations about the report:

- The “Available Balance @ July 1, 2013” is updated during midyear to reflect the actual available balances from June 30, 2013.
- The Adjusted Revenue and Adjusted Expenditures include all authorized appropriations approved by Council from July 1, 2013 through December 31, 2013, plus any continuing appropriations/encumbrances that were carried forward. Finally, it includes the midyear budget adjustments.
- The “Projected (Proj) Balance @ June 30, 2014” shows the projected, estimated ending balances (reserves/fund balance). These will also be used as the starting point for the next budget cycle. The Projected Balance assumes that all revenues and all expenditures will occur as budgeted.

A complete list showing the adjustment requested for each affected account is contained in the detailed attachments for each resolution. Adjustments to the salary accounts have been summarized on one line for each affected fund. The remainder of this report will highlight changes to the budget of the major funds.

General Fund

The original General Fund budget was adopted as balanced. The following table provides a summary of the net changes to the estimated General Fund budget. Adjustments made during the first six months of the year include continuing appropriations (police grants awarded in prior years where the reimbursement revenue had not been received or fully spent) and encumbrances (open purchase orders at year end where the work was still in progress at year end and any new appropriations approved by Council).

General Fund	
Beginning budget net gain (loss) to reserves	0
<u>Adjustments during first 6 months:</u>	
Encumbrances	(196,888)
Net new appropriations	(8,746)
Net continuing appropriations - grants	157,565
Net continuing appropriations - other	(173,989)
<u>Budget adjustments (before midyear)</u>	<u>(222,058)</u>
<u>Midyear adjustments</u>	
ADD - net increases in revenue	245,356
SUBTRACT - net increases in expenditures	(521,769)
<u>Midyear adjustments</u>	<u>(276,413)</u>
Revised net gain (loss) to General Fund	(498,471)

REVENUES: Regarding the midyear revenue review, the net impact is an increase in estimates by \$245,356. The primary areas of improvement are:

Midyear Adjustments to Revenues

Property Taxes	89,296
Sales Tax	17,222
Pass Thru – CRA	64,650
Permits & Plan Checks	50,406
Miscellaneous - net	<u>23,782</u> <i>(Interest, Reimbursements, Other Taxes and Fees)</i>
	<u>\$245,356</u>

An improvement in property tax and sales tax is a good indication that the economy is showing signs of turning around. – The Pass Thru – CRA reflects the increased property tax the General Fund receives as a result of the dissolution of the Redevelopment Agency (RDA). Each time there is RDA increment available, the County distributes the funds to the affected taxing entities, which includes the General Fund. – The increase in Permits and Plan Checks is another indication that the economy may be improving. This source of revenue is unpredictable as it depends solely on whether developers and property owners are willing to invest in construction projects. Part of the permit revenues are offset by an increase in professional services as it relates

to paying for professional services with Willdan. – Net miscellaneous adjustments include several increases and decreases in estimated revenues. The major changes were reductions in estimated interest income and a reimbursement to the General Fund for prior year expenditures.

EXPENDITURES: The expenditure budget has been increased by \$521,769. The adjustments to expenditures include net payroll increase of \$80,749, an increase for contract services for an interim city manager contract of \$50,000, an increase in city attorney costs of \$264,897 related to increased labor attorney services and litigation, and increased Police overtime budget of \$100,125 to cover service demands due to vacancies or absences of injured officers.

ENDING BALANCE/ "RESERVES": The Balance @ July 1, 2013 is \$3,357,176. This includes the emergency contingency, the litigation contingency, encumbrances and continuing appropriations reported in the June 30, 2013 audit report. The General Fund balance reserves of \$546,342 that were assigned to the litigation contingency, encumbrances and continuing appropriations are sufficient to cover the budget deficit. It is also possible that budget savings or an unexpected improvement in revenues would be sufficient to cover the budget deficit.

The Emergency Contingency Commitment is currently at 25% of the operating budget. Each year the Council adopts the Budget and Fiscal Policies as part of the Budget document. The policy established a Contingency Commitment of a minimum of \$1.5M or up to 25% if funds are available. Any increase in Reserves provides critical resources to the City for unexpected emergencies and cash flow needed, due to the irregularity of the receipt of certain revenues.

Banning Utility Authority

The Utility Authority includes the Water, Wastewater, and Reclaimed Water funds. The Water Operations Fund has an improved financial outlook. However, the Wastewater Operations Fund has a projected deficit of \$204,944 due to continuing appropriations and encumbrances, new appropriations approved by Council, and adjustments recommended at mid-year. Overall, the projected year-end balance for June 30, 2014 shows an improvement from what was originally approved by \$23,000. Reserve balances for both utilities are still within the 10% reserve policy requirement. Both utilities still have a lean budget with limited operational capital projects.

The operational funds for the utilities should be structurally balanced. Costs and operations should be funded through rates and fees collected from customers. The other utility related funds may function with a deficit since these are funded through revenue sources collected in prior years (i.e. development fees, bond funds) and are intended for major projects.

Staff is in the process of a new rate study that will provide tools to staff and council on how to address when a rate increase might be needed to address existing operational needs, infrastructure improvements and/or regulatory demands. Regulatory demands are creating a burden for new infrastructure improvements.

Electric

Electric Operations expenditures were lower than projected primarily due to reduced prices for Cap & Trade allowances and lower generation output from our Ormat geothermal facility. The projected ending fund balance meets the City reserve goal of 10% of operating expenditures.

Other Funds

The other funds have been reviewed and adjusted as needed to reflect actual trends or to resolve deficit fund balances. The Fund Summary Schedule has been updated to reflect the midyear recommendations. Column 4 of the Fund Summary Schedule (Attachment A) indicates the expected annual effect of FY 2013/2014 activity. Most of the deficits (losses) are in capital funds that utilize existing fund balance to complete budgeted projects.

The Airport Fund has an operating deficit. This includes a contingency grant match for a capital project that is in progress. The automated fueling station project is near completion. This project should generate additional fuel sales.

Successor Agency (previously the CRA)

The midyear review for the Successor Agency includes minor adjustments to align the budget with the items approved on the ROPS that cover this budget year.

December Interim Financial Report

The December report provides a snapshot status of the budget and actual activity for the first six months of the fiscal year. The report focuses on the General Fund and provides information to assist readers in understanding the General Fund revenues and expenditures.

FISCAL DATA: The proposed resolutions will enable the Administrative Services Director to post budget adjustments to the accounts for the City of Banning, Banning Utility Authority and the Banning Successor Agency. The effects of these adjustments will be to change estimated revenues, expenditures and ending fund balances as shown on the Fund Summary Schedule (Attachment A).

RECOMMENDED BY:



June Overholt
Interim City Manager

CITY OF BANNING
Fund Summary Status
MidYear FY14 Projections
FY 2013-14

#	FUND NAME	(1) Available Resources @ July 1, 2013	(2) FY 2013-14 Adjusted Revenue	(3) FY 2013-14 Adjusted Expenditures	(4) Proj. YTD Gain/(Loss) (Col. 2-3)	(5) Proj. Balance @ June 30, 2014 (Col. 1+4)
<i>Governmental Funds</i>						
001	General	3,357,176	13,856,021	14,354,492	(498,471)	2,858,705
	Sub-Total	3,357,176	13,856,021	14,354,492	(498,471)	2,858,705
<i>Special Revenue Funds</i>						
002	Developer Deposit Fund	2,964	449,309	449,309	-	2,964
003	Riverside County MOU	234,369	450,150	569,439	(119,289)	115,080
100	Gas Tax Street	532,078	1,392,828	1,875,844	(483,016)	49,062
101	Measure A Street	1,327,109	914,847	1,507,226	(592,379)	734,730
103	SB300 Street Improvement	93,159	425	22,346	(21,921)	71,238
104	Article 3 - Sidewalk Construction	13,259	-	-	-	13,259
110	C.D.B.G.	-	508,975	508,975	-	-
111	Landscape Maintenance Assmt. Dist.#1	215,361	138,139	128,994	9,145	224,506
132	Air Quality Improvement	206,098	30,250	43,000	(12,750)	193,348
140	Asset Forfeiture	2,498	-	-	-	2,498
148	Supplemental Law Enforcement	86,191	125,100	211,191	(86,091)	100
149	Public Safety - Sales Tax	-	-	-	-	-
150	State Park Bond Act	933	-	-	-	933
190	Housing Authority Fund	12	-	-	-	12
200	Special Donations	18,413	9,025	6,500	2,525	20,938
201	Senior Center Activities	59,225	6,650	13,000	(6,350)	52,875
202	Animal Control Reserve	4,896	-	-	-	4,896
203	Police Volunteer	2,833	-	2,613	(2,613)	220
300	City Hall COP Debt Service*	2,563	437,001	437,001	-	2,563
360	Sun Lakes CFD #86-1	34,958	-	-	-	34,958
365	Wilson Street #91-1 Assessment Debt	45,421	-	-	-	45,421
370	Area Police Computer	17,293	46,669	46,699	(30)	17,263
375	Fair Oaks #2004-1 Debt Service	188,242	202,429	199,943	2,486	190,728
376	Cameo Homes	45,700	100	-	100	45,800
	Sub-Total	3,133,575	4,711,897	6,022,080	(1,310,183)	1,823,392

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<i>Capital Improvement Funds</i>						
400	Police Facilities Development	33,922	823	-	823	34,745
410	Fire Facility Development	932,015	2,535	-	2,535	934,550
420	Traffic Control Facility	423,751	850	45,000	(44,150)	379,601
421	Ramsey/Highland Home Traffic Signal	80,548	150	-	150	80,698
430	General Facilities	476,679	1,678	45,000	(43,322)	433,357
441	Sunset Grade Separation Fund	(2,286,484)	2,631,606	304,186	2,327,420	40,936
444	Wilson Median	376,909	500	-	500	377,409
451	Park Development	155,750	2,205	132,046	(129,841)	25,909
470	Capital Improvement Fund	638,193	400	-	400	638,593
Sub-Total		831,283	2,640,747	526,232	2,114,515	2,945,798
<i>Banning Utility Authority</i>						
660	Water Operations	6,343,195	10,667,217	9,076,140	1,591,077	7,934,272
661	Water Capital Facility Fee	4,872,620	23,500	3,274,486	(3,250,986)	1,621,634
663	BUA Water Capital Project Fund	2,341,891	3,200	500,000	(496,800)	1,845,091
669	BUA Water Debt Service Fund	85,003	2,289,205	2,289,855	(650)	84,353
Water Subtotal		13,642,709	12,983,122	15,140,481	(2,157,359)	11,485,350
680	Wastewater Operations	1,204,273	3,113,854	3,318,798	(204,944)	999,329
681	Wastewater Capital Facility Fees	10,657,246	30,000	770,000	(740,000)	9,917,246
683	BUA WWtr Capital Project Fund	3,270,590	1,200	543,061	(541,861)	2,728,729
685	State Revolving Loan	769,208	301,500	299,995	1,505	770,713
689	BUA Wastewater Debt Service Fund	89,226	393,618	393,193	425	89,651
Wastewater Subtotal		15,990,543	3,840,172	5,325,047	(1,484,875)	14,505,668
662	Irrigation Water	1,320,648	1,888,459	3,209,107	(1,320,648)	-
682	Wastewater Tertiary	3,743,649	336,000	1,885,459	(1,549,459)	2,194,190
Reclaimed Water Subtotal		5,064,297	2,224,459	5,094,566	(2,870,107)	2,194,190
Sub-Total		34,697,549	19,047,753	25,560,094	(6,512,341)	28,185,208

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<i>Enterprise Funds</i>						
600	Airport	167,841	809,992	948,380	(138,388)	29,453
610	Transit Operations	-	2,652,277	2,652,277	-	-
690	Refuse	617,444	3,251,500	3,107,857	143,643	761,087
	Subtotal	785,285	6,713,769	6,708,514	5,255	790,540
670	Electric Operations	7,820,296	30,005,100	28,202,269	1,802,831	9,623,127
672	Rate Stability	6,002,169	10,000	-	10,000	6,012,169
673	Electric Improvement	8,743,799	33,614	1,853,104	(1,819,490)	6,924,309
674	2007 Elec Rev Bond Project Fund	14,136,102	3,050	7,705,547	(7,702,497)	6,433,605
675	Public Benefit Fund	289,390	792,700	777,356	15,344	304,734
678	2007 Elec Rev Bond Debt Service	296,670	2,667,946	2,667,546	400	297,070
	Electric Subtotal	37,288,426	33,512,410	41,205,822	(7,693,412)	29,595,014
	Sub-Total	38,073,711	40,226,179	47,914,336	(7,688,157)	30,385,554
<i>Internal Service Funds</i>						
700	Risk Management Fund	951,476	2,759,729	2,674,585	85,144	1,036,620
702	Fleet Maintenance	625,289	1,106,859	1,111,131	(4,272)	621,017
703	Information Systems Services	117,430	406,282	462,904	(56,622)	60,808
761	Utility Billing Administration	171,231	1,634,150	1,707,652	(73,502)	97,729
	Sub-Total	1,865,426	5,907,020	5,956,272	(49,252)	1,816,174
<i>Successor Agency Funds</i>						
805	Redevelopment Obligation Retirement Fund	1,707,877	3,236,766	3,308,336	(71,570)	1,636,307
810	Successor Housing Agency	37,539	100	-	100	37,639
830	Debt Service Fund	(15,944)	4,058,779	3,992,969	65,810	49,866
850	Successor Agency	1,544,261	252,000	294,925	(42,925)	1,501,336
855	2007 TABS Bond Proceeds	8,547,159	3,000	1,297,711	(1,294,711)	7,252,448
856	2003 TABS Bond Proceeds	163,294	76,292	-	76,292	239,586
857	2003 TABS Bond Proceeds Low/Mod	449,692	1,000	-	1,000	450,692
	Sub-Total	12,433,878	7,627,937	8,893,941	(1,266,004)	11,167,874
	GRAND TOTAL ALL FUNDS	94,392,598	94,017,554	109,227,447	(15,209,893)	79,182,705

96