



MEMORANDUM

Agenda Item #: 10
Meeting Date: April 9, 2019

TO: HONORABLE MAYOR AND CITY COUNCIL

**FROM: ANTON DAHLERBRUCH, CITY MANAGER /s/
SHARON DEL ROSARIO, FINANCE DIRECTOR /s/**

**SUBJECT: FISCAL YEAR 2018-2019 REVENUE AND EXPENDITURE REVIEW AND
RESOLUTION R19-10 FOR APPROVING MID-YEAR APPROPRIATIONS**

DATE: APRIL 9, 2019

THE ISSUE

Shall the City Council “receive and file” this report providing a mid-year overview of 2018-2019 fiscal year revenues and expenditures, and approve Resolution R19-10 authorizing mid-year budget appropriations?

BACKGROUND

It is the practice of the City of Palos Verdes Estates, and a generally accepted best practice for cities, to adopt a multi-year budget. In doing so, the City has a multi-year plan and projection for priorities and financial matters. It also saves a significant amount of time and expense associated with preparing, evaluating and adopting a budget. As part of the budget, the City Council approves budget *appropriations* – revenues and expenditures for the fiscal year. Appropriations are the authority for the City to pay the cost of providing services and completing projects. Appropriations are approved annually in June by Resolution for each, and the entire, fiscal year. Throughout the year, appropriations may be approved / modified for unanticipated expenditures and revenues, as necessary.

The budgeting process

The City’s 2018-2020 Biennial Operating Budget and Capital Plan was adopted by the City Council on June 26, 2018. At that time, revenues and expenditures for fiscal year 2018-2019 were

appropriated¹. The adoption process of the biennial budget² by the City Council has historically included the following steps and components:

1. Mid-year budget status update and report with request for mid-year appropriations*
2. Third-quarter budget status update and report*
3. Presentation of year-end revenue, expenditure and project projections, and presentation / discussion of future year revenue forecast
4. Workshop to identify City Council priorities and review / validate the base budget³
5. Workshop to discuss and approve “decision packages” (changes to the base budget) and capital improvement projects based on the City Council’s priorities⁴
6. Meeting(s) for annual review and approval of Investment Policy, and for review of update to Schedule of Fees and Charges
7. Public Hearing on the biennial budget and capital plan, and the Schedule of Fees and Charges
8. Planning Commission review / approval of capital improvement projects for conformance with the General Plan
9. City Council meeting to approve the budget and capital plan with adoption of the associated Resolutions

After adoption of the budget and capital plan with the associated Resolutions, the City performs the following steps for the remainder of the period covered by the biennial budget:

10. First-quarter status update and report*
11. Mid-year budget status update and report with request for mid-year appropriations*
12. Third-quarter budget status update and report*
13. Meeting(s) for annual review and approval of Investment Policy, and for review of update to Schedule of Fees and Charges
14. Presentation of year-end revenue, expenditure and project projections

¹ The biennial budget is the two-year plan for appropriations that cover operations, services and projects. Appropriations for funding City operations, services and projects occur annually, typically in June of each year, before the beginning of the fiscal year on July 1. After July 1 and throughout the year, as circumstances change and City business is conducted, appropriations are requested that modify the budget; the adjustments are primarily for authorizing expenditures that do not match or trend with the two-year budget plan and existing appropriations. The appropriations for funding fiscal year 2019-2020 operations, services, and projects beginning July 1, 2019 will be presented to the City Council in the upcoming months.

² The steps described herein are typical for a municipal budget, whether it is an annual budget or a biennial budget.

³ The result of this workshop is: 1) an explanation of the staff resources for day-to-day operations, services and projects and 2) the identification of any excess staff resources and / or unrestricted fund balance that is available for the Council to allocate to priorities or new initiatives and projects.

⁴ Through the discussion at this workshop, the City Council may / can allocate excess staff resources and / or unrestricted fund balance to its priorities. It will also determine what, if any, base budget resources will be reallocated or redirected to achieve the City Council’s priorities.

* Analysis and preparation of the quarterly report(s) begin approximately 45 days after the end of the quarter. This is because it is approximately 45 days after the end of the month that the quarterly financial figures are reconciled.

15. Budget overview workshop with discussion and requests for modifications to the second year of the biennial budget
16. Public Hearing and approval of second year annual budget appropriation
17. First quarter status update and report
18. Begin again with #1 above

At any time, at its discretion, the City Council can/may change this process and the calendar⁵.

Step 11: Mid-year budget status update and report with mid-year appropriations

This 2018-2019 mid-year budget report presents the City's current revenues and expenditures in relation to the adopted budget at mid-year. This includes a review of revenues (specifically property tax and building permit fees) and expenditures (by individual department), a reconciliation of the budget and actual figures to the City's audited financial reports, and review of projected Fund Balances.

Steps 12 through 16

Immediately after this mid-year review, the second year of the biennial budget process is proposed and currently calendared as follows:

- A. April 20, 2019 City Council teambuilding workshop: The City Council will meet and discuss priorities and goals for working together and the upcoming year.
- B. April 23, 2019 City Council meeting: Review of Schedule of Fees and Charges.
- C. May 28, 2019 City Council meeting: Staff will present a third quarter report comparing the City's budget to actual revenues and expenditures for the third and fourth quarter.
- D. June 11, 2019 City Council budget workshop: Staff will present an overview of the budget and year-end projections specifically including presentations about property tax revenue, pensions, insurance, contracting, departmental costs, and changes in projected revenues and expenditures. This will include consideration of adjustments to the second year of the biennial budget pertaining to the allocation of resources, priorities, revenues, expenditures and capital projects.
- E. June 25, 2019 City Council meeting: Public hearing and adoption of 2019-2020 appropriations and updates to the Schedule of Fees and Charges. Review and approval of Gann Limit and Investment Policy.

⁵ The biennial budget and capital plan process and calendar is conducted with the routine, on-going, and project responsibilities of the Finance Department, notably including the year-end closing of financial records and preparation of the CAFR that begins every April / May and concludes the following January / February. For this and all its work responsibilities, the Department consists of two professional staff (Director and Senior Accountant) and two support staff (Permit Technicians). For fiscal year 2018-2019, the Department has been additionally authorized with a part-time Budget Analyst. The Department is responsible for finance management and administration, fiscal reporting and filing, payroll, purchasing, banking, business license administration, accounting, and the processing of accounts payable and receivable.

Purpose of this report

This report is to provide the mid-year budget status update and report with mid-year appropriations (Step 11 above), and is also intended to answer the following questions:

- What are current year-to-date revenues and expenditures and how are they tracking compared to the original budget adopted for fiscal year 2018-2019?
- Are projected Fund balances better or worse than expected?
- How are Capital Improvement Projects proceeding?
- What budget adjustments (appropriations), if any, are necessary?

DISCUSSION

What are current year-to-date (YTD) revenues and expenditures and how are they tracking compared to the original budget adopted for fiscal year 2018-2019?

As of December 31, 2018, revenues and expenditures are consistent and in alignment with expectations at mid-year (50% of the year completed). For further review, see **Attachment A**, the Revenue Budget to Actual Comparisons - General Fund; and **Attachment B**, Budget Expenditures by Program - General Fund. Highlights are as follows:

1. General Fund revenue is consistent with the budget at mid-year with property tax revenue being slightly higher (greater) than expected. The City receives 40% of estimated property taxes during December which would have resulted in \$3,318,518, but the City actually received \$3,457,320 or \$138,802 above estimates, representing a 4.18% favorable variance.
 - Property Tax revenue is trending higher at mid-year at 42% of the budget. Staff will continue to monitor this. The firm of HdL, used by the City to project and analyze property tax revenue, has provided an update to their five-year revenue estimate; they estimate that year-end annual revenue is projected to increase.
 - The General Fund *Revised Adjusted Budget* reflects the City's exchange of SCE Rule 20A credits with the City of Rolling Hills for General Fund revenue in the amount of \$675,295. This exchange was approved by the City Council on September 25, 2018 and funds were received in February 2019.
 - The General Fund *Revised Adjusted Budget* also reflects the loss of Stable concession fees starting in March of 2019 due to the new concession agreement. The total reduction in the 2018-2019 adopted budget is \$11,666⁶.

⁶ A demand letter has been sent to the former concessionaire for approximately \$10,000 remaining due to the City. If the City is unable to collect the outstanding monies or incurs costs to receive payment, there will be a greater reduction at year-end.

Key revenue indicators at mid-year are as follows (excerpt from Attachment A):

REVENUE SOURCES	18-19	18-19	18-19	17-18	18-19
	ADOPTED BUDGET	REVISED ADJUSTED BUDGET	ACTUAL YTD 12-31-18	ADJUSTED BUDGET TO ACTUAL %	ADJUSTED BUDGET TO ACTUAL %
GENERAL FUND REVENUES	<i>a</i>	<i>(a+b+c)</i>	<i>d</i>	<i>% of/e</i>	<i>% of d/(a+b)</i>
PROPERTY TAX	8,296,297	8,296,297	3,457,320	41.23%	41.67%
PROPERTY TAX - IN LIEU	1,514,992	1,514,992	0	0.00%	0.00%
SALES TAX	354,000	354,000	138,125	36.50%	39.02%
REAL ESTATE TRANSFER TAX	200,000	200,000	98,549	50.06%	49.27%
BUSINESS LICENSE TAX	221,250	221,250	42,036	9.72%	19.00%
FRANCHISE FEES	578,500	578,500	71,719	11.90%	12.40%
COMMUNITY DEVELOPMENT	1,532,500	1,539,500	744,970	70.99%	48.61%
INTEREST INCOME	135,900	135,900	45,858	70.38%	33.74%
KEY REVENUES	12,833,439	12,840,439	4,598,578	37.12%	35.83%
CONCESSIONS AND RENT	1,343,600	1,344,917	587,685	44.21%	43.74%
LICENSES & PERMITS	30,500	30,500	12,073	14.14%	39.58%
SAFETY FINES	150,000	150,000	50,427	36.97%	33.62%
SERVICE CHARGES	49,000	49,000	29,335	78.85%	59.87%
OTHER FEES	54,500	741,795	17,413	1.65%	31.95%
OTHER REVENUES	1,627,600	2,316,212	696,933	33.28%	42.82%
REVENUES BEFORE TRANSFERS	14,461,039	15,156,651	5,295,511	36.54%	36.62%
TRANSFERS IN	5,095,552	5,115,172	2,129,461	52.91%	41.79%
TOTAL REVENUES INCLUDING TRANSFERS	19,556,591	20,271,823	7,424,972	38.25%	37.97%

2. General Fund (operating) expenditures are at 49.74% percent of the budget at the halfway point in the year. This is a favorable position of 0.26% below budget expectations. See **Attachment B** for the General Fund department budget to actual expenditures by program. This attachment includes proposed mid-year budget appropriations.

Departments are reasonably in-line with their respective budget at mid-year, and in most cases where the line-item budget is exceeded, there are savings in other line-items to cover costs. To cover costs where additional funding is necessary to maintain service levels and operations, there is sufficient Undesignated Fund Balance. Alternatively, services and personnel reductions will be necessary to cover the current and projected shortfall.

Other highlights include:

- a. To align with the California Joint Powers Insurance Authority (CJPIA) property insurance invoices, department insurance allocations have been adjusted.
- b. Legal costs are higher than the budget for two reasons. Liebert Cassidy Whitmore (LCW) legal costs are higher than the budget due to prolonged labor contract negotiations and legal involvement in personnel claims, grievances, and investigations. Best Best & Krieger (BBK) legal costs are higher because of the non-retainer services for code enforcement and various litigation matters.

- c. The Department titled *City Properties* has been adjusted to reflect the 2018-2019 portion of the Stable stipend expenditure per the new concession agreement.
- d. There are three departments currently above their budget. The Finance Department is 1.69% above due to continued department vacancies which resulted in the use of professional accounting services, and the Treasury function that has incurred higher than estimated merchant fee costs. Staff is adding into its 2019-2020 work plan the review and analysis of alternative merchant service vendors for reducing merchant fee costs. The Fire department is currently 6.13% over the budget due to the timing of invoice payments; invoice payments reflect seven months of invoices in the year-to-date actuals.
- e. For fiscal year 2018-2019, the Police Department is not projected to require a budget adjustment as a result of the July 2018 - January 2020 Memorandum of Understanding (MOU) for salary and benefit adjustments. The 4% salary increase was effective the first pay-period following the ratification of the MOU - February 4, 2019 (impacting approximately 5 months of Fiscal Year 2018-2019.) This is because there has been offsetting budget savings resulting from eliminated positions since adoption of the 2018-2020 budget.
- f. Community Development revenue (building and inspection fees) are trending lower than estimated in the biennial budget plan. This may be due to a variety of factors; staff believes a primary factor is the applicant's rush mid-fiscal year 2017-2018 to submit applications and pay building and inspection fees before the City's fee increases were effective. At the conclusion of fiscal year 2018-2019, any reduction in building and inspection related activities and associated fees will be offset by a reduction in operating expenses, specifically contract services payments for building and inspection services to HR Green. Expenses for building and inspection services are based on a percentage of the revenue received by the City. See **Attachment G** for a view of the historical revenue trend.

On March 28, 2019, the City was informed by the Los Angeles County Fire Department that 2018-2019 contract service costs are increasing 6.26% from 2017-2018. **See Attachment I.** The City budget anticipated an increase of 3% based on the historical average; as such, approximately \$162,000 additional will be necessary for 2018-2019 services. Per the correspondence, it may be paid in fiscal year 2019-2020; as such, an appropriation is not necessary at this time and could be incorporated in the 2019-2020 budget appropriation. Please note, due to contract cap limitations, the 2018-2019 actuals are projected to be under budget by approximately \$150,000, which may partially offset these charges in 2019-2020. Also in June with the 2019-2020 budget appropriations, an additional budget adjustment of approximately \$275,000 will be necessary for the 2019-2020 fire service contract.

- 3. Capital Improvement year-to-date expenditures are at \$299,677 and expenditures are projected to be \$1,127,133 by year-end. A portion of these expenditures will be offset by restricted funding sources.

The adopted budget of \$4.7 million reflects the allocation and appropriation of funds for priority and authorized projects. By appropriating these funds, the City commits its resources to them and recognizes the outstanding funding needed for other projects. In other words, the funding is

set aside for the projects desired so the funding is not diverted to other purposes. Funded projects are initiated based on a variety of factors that include: City Council direction, safety/risk/liability, mandates, staffing availability, maintenance schedules, project complexity, and emergencies. For cash flow and financial projections, staff is working with the Finance Advisory Committee to project the timing of the committed projects and available restricted funding resources. The limited number of infrastructure projects that commence in a year reflect the time it takes to initiate and develop projects once the budget is authorized, City Council priorities and direction (e.g., entry triangle and Via Corta traffic study) and day-to-day matters (e.g., emergency Pinale Lane sink hole, curb/gutter repair, slurry seal, etc.) that compete for available staff time⁷ and consultant resources.

Are projected Fund balances better or worse than expected?

The June 30, 2019 projected General Fund Balance is \$1,287,554 higher than the June 30, 2018 year-end Audited Fund Balance.

It is relevant to note that the fiscal year 2017-2018 Comprehensive Annual Financial Report (CAFR) presents a \$459,061 higher (better) Fund balance for beginning fiscal year 2018-2019 than what was originally budgeted. As such, the total Fund Balance will meet and exceed the Fund Balance required by the City’s Reserve Policy. The important major fund reserve and balance projections follow:

FUNDS	Audited Fund Balance June 30, 2018	Adjusted Fund Balance June 30, 2019
Fiscal Policy Reserve	7,200,000	9,216,135
Undesignated	3,055,152	2,326,571
Total General Fund	10,255,152	11,542,706
Special Projects	956,829	931,445
Fire/Paramedic Parcel Tax	142,172	0
PVE Law Enforcement		
Transit Proposition A	38,867	69,997
Capital Improvement Fund	5,120,706	1,725,886
Sewer Capital Projects Fund	3,718,492	2,956,243
Total Other Governmental Funds *	2,147,302	2,787,063
Equipment Replacement	2,231,019	2,023,078
Insurance	1,051,968	1,056,968

* - Other Governmental Funds include - Gas Tax, Drug Intervention, Police Grants, Corrections, Measure R, Prop C, Parklands, RMRA and Measure M

⁷ The City has one staff person for all engineering (permit and project review), project management (for capital projects) and contract administration (solid waste, contract services, etc.) who is the Public Works and Community Development Director.

The General Fund balance includes the transfer from the PVE Law Enforcement Fund for Police Department expenditures. The Fiscal Policy Reserve has been updated to reflect 50% of adjusted expenditures for fiscal year 2018-2019. These projections also include the impact of proposed budget adjustments presented within this report.

How are Capital Improvement Projects proceeding?

Pages 80 and page 81 of the fiscal year [2018-2020 biennial budget](#) includes a comprehensive listing of all Capital Improvement Projects (CIPs) that are both on-going and scheduled for completion. The approved projects comprise \$4.2 million of the Capital Improvements Fund.

Given the materiality of the CIP budget and expenditures, and their public significance, **Attachment C** of this report provides an itemized status update for all projects. Similar reports are shared internally with staff to ensure that budget allocations are maintained.

What budget adjustments, if any, are necessary?

It is not the City’s practice to artificially inflate operational (departmental) budgets for unexpected circumstances or have a cushion in line-items for the “what ifs” that may occur during the year and biennial budget plan⁸. It has been the philosophy that intentionally padding the budget reduces the availability of funds; precludes decisions to address the funding of services, goals and priorities; may entice unnecessarily spending at the end of the fiscal year; or result in expenditures that are not the highest priority and best use of the funds. The philosophy is therefore, also, that the City can/will appropriate funds for new or increased expenditures throughout the year as necessary. For the General Fund, the Undesignated Fund Balance serves as the source of funding for the appropriations that are necessary. As necessary, the other Funds have a Fund Balance from which to appropriate expenditures.

In turn, the mid-year budget review is an opportunity to review operational activities for making necessary budget adjustments. This aligns beginning estimates (the budget plan) with current events and year-end forecasts. It is an important part of the budget cycle, supports planning for subsequent years, and serves to assess fiscal and operational activity. This mid-year analysis has resulted in the following proposed revenue and expenditure budget adjustments, in **Attachment D**, for review, consideration and approval by the City Council with Resolution R19-10.

⁸ The biennial budget plan includes a contingency line item. The amount of money in this line item varies from year-to-year. As such, the line-item is held for a variety of purposes including, for example, personnel matters (e.g., outcome of MOU negotiations), routine operational needs (e.g., holiday leave buyback, property insurance), and specifically designated priority projects when funding is available (e.g., equipment inventory).

Resolution R19-10 addresses the following adjustments:

GENERAL FUND REVENUES		
TREE TOPPING/REMOVAL		7,000
MISCELLANEOUS REVENUE- Confidence Foundation - PD Safety Equipment purchase		12,000
UTILITY CHARGE FOR BALLFIELD USAGE		12,983
STABLE CONCESSION FEE		(11,666)
SCE RULE 20A EXCHANGE (received funds February 2019)		675,295
TOTAL		695,612

- Tree Topping/Removal revenue increase of \$7,000 – this was a new fee for fiscal year 2018-2019 and actuals are estimated to be higher than originally planned.
- Miscellaneous revenue increase of \$12,000 – to adjust for the donation received towards a purchase of Police Department safety equipment purchased in the first half of the year.
- Utility charge for George Allen Ballfield usage revenue increase of \$12,983 – this is for reimbursement of utility costs that was not originally planned.
- Stable concession fee revenue reduction of (\$11,666) – to adjust for the loss of concession fees resulting from the new stable concession agreement.
- SCE Rule 20A Exchange revenue increase of \$675,295 – to adjust for the general funds received as a result of exchanging of Rule 20A monies with the City of Rolling Hills.

GENERAL FUND EXPENDITURES		
PUBLIC WORKS	SSARP* 10% MATCH - Traffic Study Operations Budget	12,500
CITY PROPERTIES	STABLE STIPEND	100,000
POLICE	CONFIDENCE FOUNDATION - PD Safety Equipment	12,000
CITY ATTORNEY	LCW AND BBK SERVICES	80,000
PUBLIC WORKS	DUDE SOLUTIONS CONTRACT - Over Initial Estimate	9,100
ALL DEPT	INSURANCE ALLOCATION	51,900
TOTAL		265,500

**SSARP GRANT - systemic safety analysis report program grant to assist local agencies in performing collision analysis*

- Public Works expenditure increase of \$12,500 – to provide the City’s match of 10% of expenditures; the SSARP Grant funding is \$112,500. The SSARP Grant revenue is held in the Special Restricted Fund 06, and will be used towards a traffic study.
- City Properties expenditure increase of \$100,000 – to provide for the City’s 2019 stipend obligation toward the Stable facility based on the new concession agreement. The total commitment is \$125,000. The remaining \$25,000 will be adjusted with the 2019-2020 fiscal year appropriation.
- Police Department expenditure increase of \$12,000 – to cover the cost of safety equipment purchased in the first half of the year. This expenditure is fully offset by a donation that has been received, as represented by an adjustment in revenues.
- Legal counsel expenditure increase of \$80,000 – to cover an increase in services, and associated costs for Liebert Cassidy Whitmore related to negotiations with the labor unions, counsel on compliance with laws and regulations, and personnel matters (grievances, investigations, etc.) and for Best Best & Krieger for non-retainer legal services in response to litigation matters.
- Public Works expenditure increase of \$9,100 – to pay the balance of the contract with Dude Solutions to perform the citywide equipment inventory and assessment. The actual contract

exceeded the original estimate that was paid with available funds appropriated in the adopted budget (in the contingency line-item).

- Insurance Allocation adjustment – for appropriating the CJPIA property invoice of \$51,900 that was not included in the original biennial budget plan.

During the past years, the City has delayed several requests by HR Green for adjustments in compensation: the formula applicable for building and inspection services, and a cost-of-living adjustment (COLA) in professional service hourly rates. Since 2015 when the City entered into an agreement with HR Green, there has been no adjustment in compensation while the Consumer Price Index (CPI) has increased approximately 9%. To address the HR Green agreement, staff is preparing for a City Council discussion at an upcoming meeting prior to consideration and adoption of the fiscal year 2019-2020 budget appropriation.

The \$695,612 revenue increase for appropriation is 3.55% of total General Fund revenue (inclusive of transfers) of \$19,556,591. The \$265,500 expenditure increase for appropriation is 1.42% of total General Fund expenditures (inclusive of transfers) of \$18,718,769.

OTHER FUNDS		
FUND 05 - COPS FUNDS	UPDATE REVENUE ESTIMATE	63,188
FUND 06 - SPECIAL REV	SSARP GRANT* - Revenue	112,500
FUND 06 - SPECIAL REV	SSARP GRANT* - Expenditure	112,500
FUND 60 - EQP REPL	PHONE SYSTEM ADDITIONAL INVOICE - Expenditure	7,550
FUND 65 - INSURANCE	INSURANCE DEPARTMENT ALLOCATION - Revenue	51,900
FUND 65 - INSURANCE	PROPERTY INSURANCE INVOICE - Expenditure	51,900

- COPS Funds (SLESF) revenue increase of \$63,188 – to adjust for revenues higher than originally estimated in the biennial budget plan.
- Special Restricted Fund revenue and expenditure increase of \$112,500 – to adjust for SSARP Grant funds and related expenditures for the traffic study. There is a net zero impact to the Fund.
- Equipment Replacement Fund expenditure increase of \$7,550 – to appropriate funds for an additional invoice for the phone system equipment originally budgeted in fiscal year 2017-2018.
- Insurance Fund revenue and expenditure increase of \$51,900 – to adjust the original budget allocation for the CJPIA property invoice of \$51,900 that was not included in the original biennial budget plan for fiscal year 2018-2019.

ALL FUNDS - MID-YEAR BUDGET TRANSFERS		
FUND 60 - EQP REPL **	TRANSFER IN - FOR HYBRID VEHICLE PURCHASE	1,569
FUND 06 - SPECIAL REV	TRANSFER OUT - FOR HYBRID VEHICLE PURCHASE	(1,569)
FUND 01 - GENL FUND	TRANSFER IN - CLOSE FIRE PARCEL TAX FUND	19,620
FUND 22 - FIRE PARCEL	TRANSFER OUT - CLOSE FIRE PARCEL TAX FUND	(19,620)
FUND 30 - CAP PROJECTS	TRANSFER IN - FOR TDA PEDESTRIAN FACILITIES	56,815
FUND 06 - SPECIAL REV	TRANSFER OUT - FOR TDA PEDESTRIAN FACILITIES	(56,815)

** Original cost of vehicle was transferred into Equip Rplmnt in 17-18 - vehicle purchased in 18-19

- Transfer to Equipment Replacement Fund from the Special Restricted Fund of \$1,569 – to cover the invoice for the approved purchase of a hybrid vehicle for the Police Department. The vehicle

was originally budgeted in fiscal year 2017-2018. This represents the residual invoice amount of the purchase to be covered by SCAQMD⁹ funding recorded in the Special Restricted Fund.

- Transfer to the General Fund from the Fire Parcel Fund tax of \$19,620 – to transfer the estimated residual ending fund balance of tax monies received in 2018-2019 for contract fire services.
- Transfer to Capital Improvement Fund from the Special Restricted Fund of \$56,815 – to adjust transfers for TDA¹⁰ monies received in fiscal year 2018-2019 to be used towards citywide pedestrian facilities, specifically sidewalk upgrade projects, through the Capital Improvement Fund.

Finally, at this time or a later time, the City Council may want to consider appropriating funds within the Undesignated Fund Balance toward the City’s unfunded accrued liability (UAL) for pensions, capital improvement projects and / or equipment replacement. Toward this end,

- In approximately 3 months, it is expected that GovInvest will have its pension projection software functional for projecting pay-down scenarios. Concurrently, the City can consider funding options such as a Section 115 Trust. The consulting services of GovInvest or others may be necessary to ascertain such options. The Finance Advisory Committee may provide a recommendation in this regard.
- The 2018-2020 biennial plan included a relatively small transfer of the Undesignated Fund Balance in the General Fund to the Capital Improvement Fund for future or new projects.
- The accumulated Fund Balance in the Equipment Replacement Fund has grown over the years as a result of receiving transfers from the General Fund without an equivalent expenditure for the replacement of equipment. As such, to assist in balancing the 2017-2018 fiscal year operating budget, funds were transferred from the Equipment Replacement Fund to the General Fund. For the 2018-2020 biennial plan, there are no transfers from the General Fund to the Equipment Replacement Fund; rather a consultant has been retained (Dude Solutions) to complete an equipment and inventory analysis to establish necessary funding levels. The analysis is anticipated to be completed within the upcoming two months at which time it is anticipated that the Finance Advisory Committee will provide a recommendation in this regard.

FISCAL IMPACT

All the budget adjustments are presented in **Attachment D**. The fiscal impact of each budget adjustment is presented by Fund and type of transaction.

The General Fund net fiscal impact for all proposed budget adjustments is favorable, a positive increase of \$449,732. See **Attachment E** for the General Fund fiscal impact and adjusted ending Fund Balance.

The Fiscal Impact for all other funds is as follows:

Fund 05 – COPS Funds (SLESF) - an increase in funds of \$63,188.

Fund 06 – Special Restricted Funds - a decrease in funds of (\$58,384) (due to fund transfer out).

⁹ South Coast Air Quality Management District

¹⁰ State of California Transportation Development Act

- Fund 22 – Fire Parcel Tax Fund - a decrease in funds of (\$19,620) (due to fund transfer out).
- Fund 30 – Capital Improvement Fund - an increase in funds of \$56,815 (due to fund transfer in).
- Fund 60 – Equipment Replacement Fund - a decrease in funds of (\$5,981).
- Fund 65 – Insurance Fund - no fiscal impact.

NOTIFICATION

This matter is posted and noticed for the City Council meeting. With a link to this staff report, the Finance Advisory Committee is advised of this item on the City Council agenda.

ALTERNATIVES AVAILABLE TO THE CITY COUNCIL

1. Receive and file the mid-year budget report and approve Resolution R19-10 as presented or with modifications.
2. Request further information.
3. Provide alternate direction.
4. Decline to act.

CONCLUSION / RECOMMENDATION

City staff was prepared to present the mid-year budget review and appropriation in February 2019. Through the routine review and coordination of agenda items, this matter was postponed to the March 12th Council meeting. The postponement was primarily because of other items on the City Council agenda in February¹¹ and ultimately for waiting until the new City Council is convened. Subsequently, the March 12th Council meeting was cancelled following the election, and the following March 26th meeting was largely devoted to the City Council reorganization. The added time provided staff with the opportunity to refine and improve the schedules for presentation and as templates for future reporting. Therefore, this report is being presented to the Council on April 9, 2019.

It is recommended that the City Council receive and file the mid-year budget and approve Resolution R19-10.

ATTACHMENTS

- A – Revenue Budget to Actual Comparisons – General Fund December 2018 - Mid Year Review
- B – Budget to Actual Expenditures by Program – General Fund December 2018 - Mid Year Review
- C – Budget to Actual Expenditures – December 2018 CIP Status Report
- D – Mid-Year Budget Appropriations Fiscal Year 2018-2019
- E – General Fund Adjusted / Revised Ending Fund Balance Roll-Forward Fiscal Year 2018-2019
- F – Resolution R19-10
- G – Community Development Revenue Trend
- H – Summary of Approved Budget Adjustments & Administrative Reclasses
- I – Palos Verdes Estates 18-19 Final Fire Department Cost 19-20 Estimate

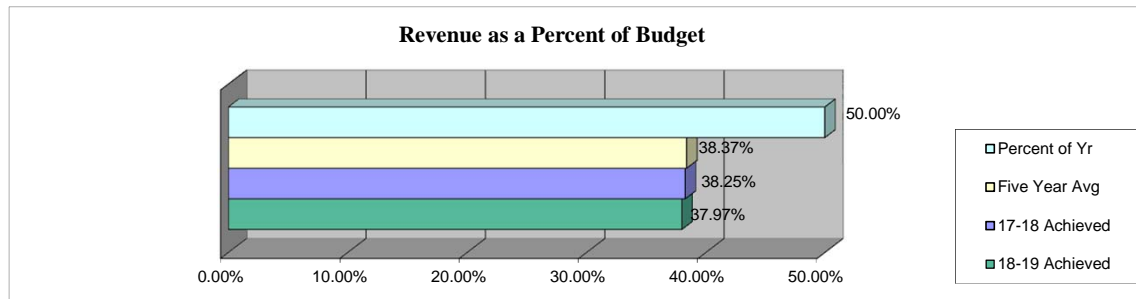
¹¹ In February 2019, the items on the City Council’s agenda included, for example, Planning Commission appeals, Parklands lawsuit settlement, Rancho Palos Verdes model for the Finance Advisory Committee, Leaf Blower policy, Chambers Use policy and GovInvest software



City of Palos Verdes Estates
Approved Biennial Budget FY 2018-2020
Revenue Budget to Actual Comparisons - General Fund
Year to Date (YTD) thru December 31, 2018 - Mid Year Review

REVENUE SOURCES	HISTORICAL REFERENCE								17-18		18-19		FIVE YEAR AVERAGE	PERCENT OF YEAR EXPIRED
	17-18 ADOPTED BUDGET	17-18 ADJUSTED BUDGET	17-18 AUDITED ACTUAL YTD 12-31-18	18-19 ADOPTED BUDGET	APPROVED BUDGET ADJUSTMENTS	PROPOSED MID-YEAR BUDGET ADJUSTMENTS	18-19 REVISED BUDGET	18-19 ACTUAL YTD 12-31-18	BUDGET TO ACTUAL %	BUDGET TO ACTUAL %				
	e	f		a	b	c	(a+b+c)	d	% of f/e	% of d/(a+b)				
GENERAL FUND REVENUES														
PROPERTY TAX	7,981,689	7,981,689	3,290,512	8,296,297	0	0	8,296,297	3,457,320	41.23%	41.67%				
PROPERTY TAX - IN LIEU	1,375,395	1,375,395	0	1,514,992	0	0	1,514,992	0	0.00%	0.00%				
SALES TAX	379,000	379,000	138,351	354,000	0	0	354,000	138,125	36.50%	39.02%				
REAL ESTATE TRANSFER TAX	200,000	200,000	100,111	200,000	0	0	200,000	98,549	50.06%	49.27%				
BUSINESS LICENSE TAX	208,000	208,000	20,211	221,250	0	0	221,250	42,036	9.72%	19.00%				
FRANCHISE FEES	569,206	569,206	67,711	578,500	0	0	578,500	71,719	11.90%	12.40%				
COMMUNITY DEVELOPMENT	994,000	994,000	705,627	1,532,500	0	7,000	1,539,500	744,970	70.99%	48.61%				
INTEREST INCOME	70,000	70,000	49,267	135,900	0	0	135,900	45,858	70.38%	33.74%				
KEY REVENUES	11,777,290	11,777,290	4,371,790	12,833,439	0	7,000	12,840,439	4,598,578	37.12%	35.83%				
CONCESSIONS AND RENT	1,323,100	1,323,100	584,945	1,343,600	0	1,317	1,344,917	587,685	44.21%	43.74%				
LICENSES & PERMITS	30,500	30,500	4,314	30,500	0	0	30,500	12,073	14.14%	39.58%				
SAFETY FINES	150,000	150,000	55,454	150,000	0	0	150,000	50,427	36.97%	33.62%				
SERVICE CHARGES	58,000	58,000	45,736	49,000	0	0	49,000	29,335	78.85%	59.87%				
OTHER FEES	539,591	539,591	8,905	54,500	0	687,295	741,795	17,413	1.65%	31.95%				
OTHER REVENUES	2,101,191	2,101,191	699,353	1,627,600	0	688,612	2,316,212	696,933	33.28%	42.82%				
REVENUES BEFORE TRANSFERS	13,878,481	13,878,481	5,071,143	14,461,039	0	695,612	15,156,651	5,295,511	36.54%	36.62%				
TRANSFERS IN	1,623,746	1,623,746	859,123	5,095,552	0	19,620	5,115,172	2,129,461	52.91%	41.79%				
TOTAL REVENUES INCLUDING TRANSFERS	15,502,227	15,502,227	5,930,266	19,556,591	0	715,232	20,271,823	7,424,972	38.25%	37.97%	38.37%	50.00%		
Revenue Over (Under) Prior Year Dollars								1,494,706						
Budget to Actual Over (Under) Prior Year %									-0.29%					
Budget to Actual Over (Under) Annual Average %												-0.40%		

*Included General Fund Stable revenues for FY 17/18

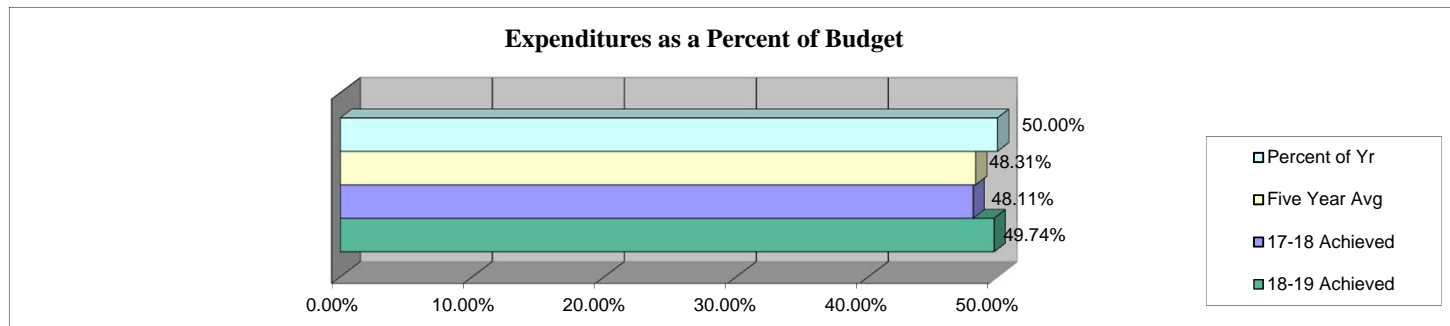




**City of Palos Verdes Estates
Approved Biennial Budget FY 2018-2020
Budget to Actual Expenditures by Program - General Fund
Year to Date (YTD) thru December 31, 2018 - Mid Year Review**

DEPT / DIVISION EXPENDITURES	18-19 ADOPTED BUDGET	APPROVED & ADMIN RECLASS BUDGET ADJUSTMENTS	18-19 ADJUSTED BUDGET	PROPOSED MID-YEAR BUDGET APPROX"PTIONS	18-19 REVISED ADJUSTED BUDGET	18-19 YEAR TO DATE ACTUAL *	% OF ADJUSTED USED	ADJUSTED BALANCE AVAILABLE	% OF ADJUSTED AVAILABLE	% of Yr
										50.00%
	a	b	(a+b=c)	d	(c+d=e)	f	% f/c	(c-f=g)	% g/c	% UNDER (OVER)
CITY MANAGER	626,905	2,453	629,358	1,030	630,388	291,058	46.25%	338,300	53.75%	
CITY ATTORNEY	213,000	-	213,000	80,000	293,000	125,379	58.86%	87,621	41.14%	
CITY CLERK	280,197	49,853	330,050	512	330,562	106,450	32.25%	223,600	67.75%	
NON-DEPARTMENTAL	297,227	(161,957)	135,270	4,602	139,872	53,226	39.35%	82,045	60.65%	
ADMINISTRATION	1,417,329	(109,651)	1,307,678	86,144	1,393,822	576,112	44.06%	731,566	55.94%	5.94%
FINANCE	796,437	16,931	813,368	1,030	814,398	415,714	51.11%	397,654	48.89%	
CITY TREASURER	44,963	115	45,078	526	45,604	28,045	62.22%	17,033	37.78%	
FINANCE	841,400	17,046	858,446	1,556	860,002	443,760	51.69%	414,686	48.31%	-1.69%
POLICE	6,896,226	108,149	7,004,375	27,130	7,031,505	3,442,905	49.15%	3,561,470	50.85%	0.85%
FIRE	5,121,957	-	5,121,957	-	5,121,957	2,874,705	56.13%	2,247,252	43.87%	-6.13%
BUILDING	874,471	(10,425)	864,046	6,135	870,181	262,605	30.39%	601,441	69.61%	
PLANNING	371,269	16,098	387,367	5,625	392,992	211,852	54.69%	175,515	45.31%	
PARKLANDS	1,318,683	3,327	1,322,010	2,914	1,324,924	647,582	48.98%	674,428	51.02%	
PLANNING & BUILDING	2,564,423	9,000	2,573,423	14,674	2,588,097	1,122,038	43.60%	1,451,385	56.40%	6.40%
PUBLIC WORKS ADMIN	883,429	17,508	900,937	29,782	930,719	432,751	48.03%	468,186	51.97%	
STREETS	193,551	-	193,551	2,914	196,465	56,557	29.22%	136,994	70.78%	
CITY PROPERTIES	206,402	-	206,402	103,300	309,702	86,114	41.72%	120,289	58.28%	
PUBLIC WORKS	1,283,382	17,508	1,300,890	135,996	1,436,886	575,422	44.23%	725,468	55.77%	5.77%
GENERAL FUND EXPENDITURES BEFORE TRANSFERS	18,124,717	42,052	18,166,769	265,500	18,432,269	9,034,942	49.73%	9,131,827	50.27%	0.27%
TRANSFERS OUT	552,000	-	552,000	-	552,000	276,000	50.00%	276,000	50.00%	0.00%
GENERAL FUND EXPENDITURES INCLUDING TRANSFERS	18,676,717	42,052	18,718,769	265,500	18,984,269	9,310,942	49.74%	9,407,827	50.26%	0.26%

* - Year to date expenditures include encumbered amounts





**City of Palos Verdes Estates
Approved Biennial Budget FY 2018-2020
Capital Funds
Year to Date (YTD) thru December 31, 2018 - Mid Year Review**

FUND	PROJECT #	PROJECT TYPE	CAPITAL PROJECT	% of Year 50.00%						PROJECT STATUS UPDATE			
				18-19 ADOPTED BUDGET	APPROVED BUDGET ADJUSTMENTS	PROPOSED MID- YEAR BUDGET ADJUSTMENTS	18-19 ADJUSTED BUDGET	YEAR TO DATE EXP	ADJUSTED AVAILABLE BALANCE	% OF ADJUSTED USE	Year End 18-19	Year End 19-20	
	80050	Streets & Roadways	SLURRY SEAL	242,800			242,800	-	242,800	0.00%	0%	100%	
	80103	Streets & Roadways	CROSS GUTTER	35,000			35,000	5,036	29,964	14.39%	31%	0%	
	80800	Streets & Roadways	STREET CONST. & MT.	364,000			364,000	1,538	362,463	0.42%	54%	100%	
	80891	Streets & Roadways	ON-CALL ROADWAY MAINT/RE	412,580			412,580	225,805	186,775	54.73%	78%	0%	
	80896	Streets & Roadways	ADA UPGRADES CITYWIDE	302,500			302,500	-	302,500	0.00%	8%	73%	
	80909	Streets & Roadways	PVDW TRIANGLE STUDY	100,000			100,000	-	100,000	0.00%	61%	100%	
	81300	Streets & Roadways	CURB & GUTTERS	126,523			126,523	-	126,523	0.00%	0%	62%	
	80047	Traffic Safety	TRAFFIC CALMING	27,500			27,500	-	27,500	0.00%	0%	49%	
	81310	Traffic Safety	GUARDRAIL PROJECT	253,000			253,000	6,919	246,081	2.73%	6%	100%	
	81315	Traffic Safety	REFLECT ROAD REG SIGNS	100,000			100,000	-	100,000	0.00%	0%	50%	Ongoing
	80849	Facility Improvements	CITY HALL SAFETY PROJECT	110,000			110,000	-	110,000	0.00%			pending study
	80855	Facility Improvements	CITY HALL ADA IMPROVEMEN	188,000			188,000	-	188,000	0.00%			pending study
	80898	Facility Improvements	EOC CONVERSION	47,000			47,000	-	47,000	0.00%	99%	n/a	
	80899	Facility Improvements	SERVER ROOM UPGRADE	150,000			150,000	-	150,000	0.00%	7%	100%	
	80900	Facility Improvements	ADA UPGRADES FOR CITY HALL & PD	200,000			200,000	-	200,000	0.00%	5%	100%	
	80100	Infrastructure	REPAIRS STORM	400,000			400,000	970	399,030	0.24%	6%	88%	
	80102	Infrastructure	CATCH BASIN REPLACEMENT	375,000			375,000	-	375,000	0.00%	0%	67%	
	80159	Infrastructure	MS4: FULL CAPTURE SM BAY	210,000			210,000	20,006	189,994	9.53%	59%	100%	
	80904	Infrastructure	CTY STM DRN #3 REPAIR	300,000			300,000	-	300,000	0.00%	0%	100%	
	80906	Beautification	TREE MGMT PLAN	50,000			50,000	-	50,000	0.00%	0%	100%	
	80910	Beautification	FARNHAM MARTIN PARK FNTN	23,500			23,500	-	23,500	0.00%	0%	100%	
	80911	Beautification	ROSSLER FOUNTAIN UPGRADE	1,500			1,500	-	1,500	0.00%	100%	n/a	
	80913	Beautification	LNDA BY PLZA ENHANCEMENT	150,000			150,000	10,208	139,793	6.81%	100%	n/a	
	80916	Beautification	TREE INVENTORY	50,000			50,000	-	50,000	0.00%	0%	100%	
30 - CAPITAL IMPROVEMENT YEAR TO DATE CAPITAL EXPENDITURES				4,218,903	-	-	4,218,903	270,481	3,948,422	6.41%			
	80920	Beautification	PARKLANDS PROJECTS	70,000			70,000	-	70,000	0.00%			Triangle Project \$20K - 3rd Qtr
31 - PARKLANDS				70,000	-	-	70,000	-	70,000	0.00%			
	80101	Infrastructure	SEWER REPAIR	-			-	-	-	0.00%			
	80155	Infrastructure	VIA CORONEL/ZURITA UPGRA	325,000			325,000	1,530	323,470	0.47%	11%	100%	
	80158	Infrastructure	SEWER COND ASSESSMENT	100,000			100,000	27,666	72,334	27.67%	77%	100%	
62 - SEWER				425,000	-	-	425,000	29,196	395,804	6.87%			
Grand Total				4,713,903	-	-	4,713,903	299,677	4,414,226	6.36%			

FUND BALANCE ROLL-FORWARD	BEGINNING FUND BALANCE	ADJUSTED REVENUES	ADJUSTED EXPENDITURES	ADJUSTED CAPITAL EXPENDITURES	NET TRANSFERS	PROJECTED ENDING FUND BALANCE
30 - CAPITAL IMPROVEMENTS	5,120,706	48,000	-	4,218,903	776,083	1,725,886
31 - PARKLANDS	51,166	500	-	70,000	70,000	51,666
62 - SEWER	3,718,492	29,000	366,249	425,000	-	2,956,243



City of Palos Verdes Estates
Approved Biennial Budget FY 2018-2020
Summary of Mid-Year Budget Appropriations
Fiscal Year 2018/2019

			<i>Description</i>
GENERAL FUND REVENUES			
TREE TOPPING/REMOVAL		7,000	Updated Budget for New Fee - Estimate
MISCELLANEOUS REVENUE- Confidence Foundation - PD Safety Equipment purchase		12,000	Donation received -see expenditure below
UTILITY CHARGE FOR BALLFIELD USAGE		12,983	New Revenue
STABLE CONCESSION FEE		(11,666)	Per Agreement
SCE RULE 20A EXCHANGE (received funds February 2019)		675,295	Per Council Approval
TOTAL		695,612	SEE COLUMN "C" - GF REVENUES
GENERAL FUND EXPENDITURES			
PUBLIC WORKS	SSARP* 10% MATCH - Traffic Study Operations Budget	12,500	Per Grant City pays 10% towards exp
CITY PROPERTIES	STABLE STIPEND	100,000	Per Agreement
POLICE	CONFIDENCE FOUNDATION - PD Safety Equipment	12,000	see Revenues above
CITY ATTORNEY	LCW AND BBK SERVICES	80,000	Additional services
PUBLIC WORKS	DUDE SOLUTIONS CONTRACT - Over Initial Estimate	9,100	Update to Budget - actual contract
ALL DEPT	INSURANCE ALLOCATION	51,900	Update to Budget for Property Invoice
TOTAL		265,500	SEE COLUMN "D" - GF EXPENDITURES
<i>*SSARP GRANT - systemic safety analysis report program grant to assist local agencies in performing collision analysis</i>			
OTHER FUNDS			
FUND 05 - COPS FUNDS	UPDATE REVENUE ESTIMATE	63,188	Rev Update- higher than originally estimated
FUND 06 - SPECIAL REV	SSARP GRANT* - Revenue	112,500	Rev Update - account for grant revenues
FUND 06 - SPECIAL REV	SSARP GRANT* - Expenditure	112,500	Exp Update - account for grant project
FUND 60 - EQP REPL	PHONE SYSTEM ADDITIONAL INVOICE - Expenditure	7,550	Exp Update to Budget for additional invoice
FUND 65 - INSURANCE	INSURANCE DEPARTMENT ALLOCATION - Revenue	51,900	Rev Update to Budget for Property Invoice
FUND 65 - INSURANCE	PROPERTY INSURANCE INVOICE - Expenditure	51,900	Exp Update to Budget for Property Invoice
ALL FUNDS - MID-YEAR BUDGET TRANSFERS			
FUND 60 - EQP REPL **	TRANSFER IN - FOR HYBRID VEHICLE PURCHASE	1,569	Additional charge - to cover total cost**
FUND 06 - SPECIAL REV	TRANSFER OUT - FOR HYBRID VEHICLE PURCHASE	(1,569)	Additional charge - to cover total cost**
FUND 01 - GENL FUND	TRANSFER IN - CLOSE FIRE PARCEL TAX FUND	19,620	SEE COLUMN "C" - GF REVENUES
FUND 22 - FIRE PARCEL	TRANSFER OUT - CLOSE FIRE PARCEL TAX FUND	(19,620)	additional revenues received
FUND 30 - CAP PROJECTS	TRANSFER IN - FOR TDA PEDESTRIAN FACILITIES	56,815	TDA Pedestrian Facilities
FUND 06 - SPECIAL REV	TRANSFER OUT - FOR TDA PEDESTRIAN FACILITIES	(56,815)	TDA Pedestrian Facilities

*** Original cost of vehicle was transferred into Equip Rplmnt in 17-18 - vehicle purchased in 18-19*



**City of Palos Verdes Estates
Adjusted/Revised FY 18-19 Fund Balance Roll-Forward (based on Audited FY 17-18 Fund Balance)
General Fund
As of June 30, 2019**

GENERAL FUND	Audited Fund Balance June 30, 2018	Revenues	Expenditures	Transfers In	Transfers Out	Budget Change	Ending Fund Balance
	y	a	b	c	d	(a-b+c-d = e)	(y - e)

ADOPTED

Fiscal Policy Reserve *	7,200,000	-	-			-	9,062,359
Undesignated	3,055,152	14,461,039	18,124,717	5,095,552	552,000	879,874	2,072,668
Total General Fund Balance	10,255,152	14,461,039	18,124,717	5,095,552	552,000	879,874	11,135,026

APPROVED & ADMINISTRATIVE RECLASS BUDGET ADJUSTMENTS

Undesignated - General Fund	-	42,052	-	-	(42,052)		
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PROPOSED BUDGET ADJUSTMENTS

Undesignated - General Fund	695,612	265,500	19,620	-	449,732		
	<i>See attachment D</i>	<i>See attachment D</i>	<i>See attachment D</i>				

REVISED/ADJUSTED BUDGET

Fiscal Policy Reserve *	7,200,000	-	-	-	-	-	9,216,135
Undesignated	3,055,152	15,156,651	18,432,269	5,115,172	552,000	1,287,554	2,326,571
Total General Fund Balance	10,255,152	15,156,651	18,432,269	5,115,172	552,000	1,287,554	11,542,706

* The Fiscal Year Ending Balance 2018-2019 reflects the Fiscal Policy Reserve of 50% of Expenditures

RESOLUTION R19-10

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALOS VERDES
ESTATES, CALIFORNIA APPROVING FISCAL YEAR 2018-19 MID-YEAR BUDGET
ADJUSTMENTS**

THE CITY COUNCIL OF THE CITY OF PALOS VERDES ESTATES, CALIFORNIA DOES
RESOLVE AS FOLLOWS:

To authorize the adjustment of the FY 2018-2019 Budget as follows:

BUDGET ADJUSTMENT # 5

Attached hereto as EXHIBIT A.

The City Clerk shall certify to the passage and adoption of Resolution R19-10

PASSED, APPROVED AND ADOPTED on this 9th day of April, 2019.

Kenneth J. Kao, Mayor

ATTEST:

Lauren Pettit, City Clerk

APPROVED AS TO FORM:

Christi Hogin, City Attorney



City of Palos Verdes Estates
 Approved Biennial Budget FY 2018-2020
 Proposed Mid-Year Budget Adjustments
 Fiscal Year 2018/2019

FUND	ACCOUNT	CLASSIFICATION	DEPARTMENT	ADJUSTMENT CLASSIFICATION	JUSTIFICATION	REVENUE	EXPENDITURE	UNDESIGNATED GENERAL FUND IMPACT
01	37111	TREE TOPPING/REMOVAL		BUDGET REVENUE	Tree Trimming/Removal	7,000		7,000
01	38010	MISCELLANEOUS REVENUE		BUDGET REVENUE	Donation for Confidence Foundation	12,000		12,000
01	34750	BALLFIELD USAGE		BUDGET REVENUE	Utility charge for Ballfield usage	12,983		12,983
01	34710	STABLE CONCESSION FEE		BUDGET REVENUE	Reduction of Stable Revenue and increase to City Properties for Stable Stipend	(11,666)		(11,666)
01	38010	MISCELLANEOUS REVENUE		BUDGET REVENUE	SCE Rule 20A Exchange with Rolling Hills	675,295		675,295
01	5000-64425	PROFESSIONAL SERVICES	PUBLIC WORKS ADMIN	BUDGET EXPENDITURE	SSARP Grant R17-01 City's 10% match		12,500	(12,500)
01	3080-64430	CONTRACTUAL SERVICES	CITY PROPERTIES	BUDGET EXPENDITURE	Reduction of Stable Revenue and increase to City Properties for Stable Stipend		100,000	(100,000)
01	4000-63310	SAFETY EQUIPMENT	POLICE	BUDGET EXPENDITURE	Police Safety Equipment Purchase offset by Donation for Confidence Foundation		12,000	(12,000)
01	3040-64425	PROFESSIONAL SERVICES	CITY ATTORNEY	BUDGET EXPENDITURE	LCW and BBK- Legal services		80,000	(80,000)
01	5000-64430	CONTRACTUAL SERVICES	PUBLIC WORKS ADMIN	BUDGET EXPENDITURE	Dude Solutions Contract - True Up to actual contract cost		9,100	(9,100)
01	2000-66605	INSURANCE ALLOCATION	CITY MANAGER	BUDGET EXPENDITURE	Update to Budget for Property Invoice Dept Allocation		1,030	(1,030)
01	3000-66605	INSURANCE ALLOCATION	FINANCE	BUDGET EXPENDITURE	Update to Budget for Property Invoice Dept Allocation		1,030	(1,030)
01	3010-66605	INSURANCE ALLOCATION	CITY CLERK	BUDGET EXPENDITURE	Update to Budget for Property Invoice Dept Allocation		512	(512)
01	3020-66605	INSURANCE ALLOCATION	CITY TREASURER	BUDGET EXPENDITURE	Update to Budget for Property Invoice Dept Allocation		526	(526)
01	3080-66605	INSURANCE ALLOCATION	CITY PROPERTIES	BUDGET EXPENDITURE	Update to Budget for Property Invoice Dept Allocation		3,300	(3,300)
01	3160-66605	INSURANCE ALLOCATION	NON-DEPARTMENT	BUDGET EXPENDITURE	Update to Budget for Property Invoice Dept Allocation		4,602	(4,602)
01	4000-66605	INSURANCE ALLOCATION	POLICE	BUDGET EXPENDITURE	Update to Budget for Property Invoice Dept Allocation		15,130	(15,130)
01	4200-66605	INSURANCE ALLOCATION	BUILDING	BUDGET EXPENDITURE	Update to Budget for Property Invoice Dept Allocation		6,135	(6,135)
01	4800-66605	INSURANCE ALLOCATION	PLANNING	BUDGET EXPENDITURE	Update to Budget for Property Invoice Dept Allocation		5,625	(5,625)
01	5000-66605	INSURANCE ALLOCATION	PUBLIC WORKS ADMIN	BUDGET EXPENDITURE	Update to Budget for Property Invoice Dept Allocation		8,182	(8,182)
01	5100-66605	INSURANCE ALLOCATION	STREETS	BUDGET EXPENDITURE	Update to Budget for Property Invoice Dept Allocation		2,914	(2,914)
01	6000-66605	INSURANCE ALLOCATION	PARKLANDS	BUDGET EXPENDITURE	Update to Budget for Property Invoice Dept Allocation		2,914	(2,914)
SUBTOTAL - GENERAL FUND						\$ 695,612	\$ 265,500	\$ 430,112



**City of Palos Verdes Estates
Approved Biennial Budget FY 2018-2020
Proposed Mid-Year Budget Adjustments
Fiscal Year 2018/2019**

R19-10

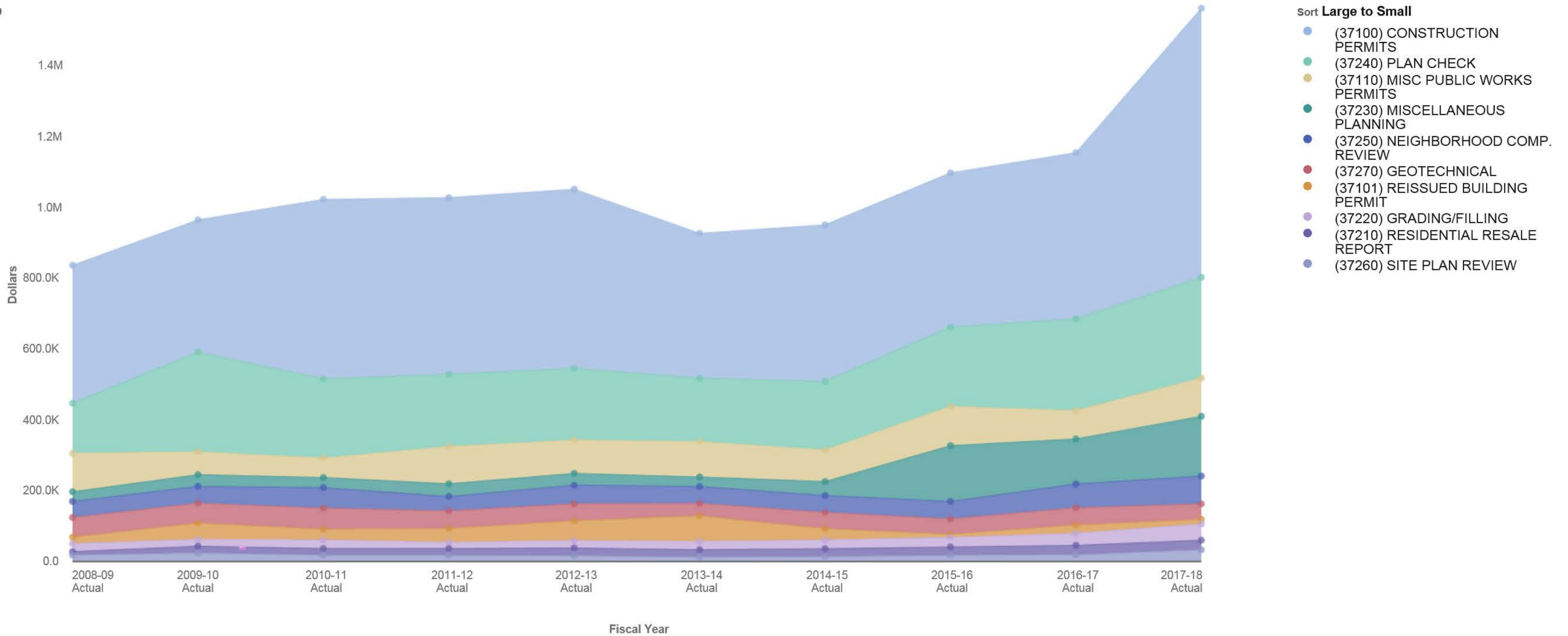
FUND	ACCOUNT	CLASSIFICATION	DEPARTMENT	ADJUSTMENT CLASSIFICATION	JUSTIFICATION	REVENUE	EXPENDITURE	UNDESIGNATED GENERAL FUND IMPACT
05	35305	COPS FUNDS		BUDGET REVENUE	COPS Funds increase to actuals	63,188		
06	35865	SSARP Grant		BUDGET REVENUE	SSARP Grant R17-01	112,500		
06	5000-64425	EXPENDITURE	PUBLIC WORKS ADMIN	BUDGET EXPENDITURE	SSARP Grant - PROFESSIONAL SERVICES - PUBLIC WORKS		112,500	
60	7000-70720	COMMUNICATION	CAPITAL OUTLAY	BUDGET EXPENDITURE	Packet Fusion - Shortel Call Reorder Base Package		7,550	
65	36900	CHARGES FOR SERVICES		BUDGET REVENUE	Update to Budget for Property Invoice Dept Allocation	51,900		
65	6900-65020	EXPENDITURE	INSURANCE	BUDGET EXPENDITURE	Update to Budget for Property Invoice Dept Allocation		51,900	
Grand Total - General Fund and Other Funds						\$ 923,200	\$ 437,450	\$ 430,112
TRANSFERS								
06	7500-69999	TRANSFER OUT	CAPITAL IMPROVEMENT		National Fleet Group - Purchase of 2019 Toyota Camry		1,569	
60	7000-39999	TRANSFER IN	CAPITAL OUTLAY		National Fleet Group - Purchase of 2019 Toyota Camry	1,569		
01	39999	TRANSFER IN			Close Fire Parcel Tax Fund	19,620		19,620
22	69999	TRANSFER OUT			Close Fire Parcel Tax Fund		19,620	
06	69999	TRANSFER OUT			TDA Pedestrian Facilities		56,815	
30	39999	TRANSFER IN			TDA Pedestrian Facilities	56,815		
Total - Transfers						\$ 78,004	\$ 78,004	\$ 19,620
Fund 01	General Fund							\$ 449,732
Fund 05	Other Funds:							
Fund 05	COPS Fund					\$ 63,188		
Fund 06	Special Projects Fund					\$ (58,384)		
Fund 22	Fire Parcel Tax					\$ (19,620)		
Fund 30	Capital Improvement Fund					\$ 56,815		
Fund 60	Equipment Replacement Fund					\$ (5,981)		
Fund 65	Insurance Fund					\$ -		

General Fund 10 Year Revenue Trend Analysis (excluding net transfers)

ATTACHMENT G

Note: PVE Law Enforcement Fund revenues are included in this presentation for FY 18/19 only

Updated On 7 Jan, 2019



	2008-09 Actual	2009-10 Actual	2010-11 Actual	2011-12 Actual	2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 Actual
(37100) CONSTRUCTION PERMITS	\$ 390,226	\$ 373,456	\$ 507,302	\$ 499,211	\$ 506,051	\$ 409,473	\$ 442,530	\$ 435,733	\$ 469,226	\$ 760,121
(37240) PLAN CHECK	140,992	281,766	223,897	204,390	203,030	178,959	194,088	224,477	259,623	284,495
(37110) MISC PUBLIC WORKS PERMITS	108,881	64,713	54,800	105,117	93,972	99,992	88,927	110,746	79,928	108,212
(37230) MISCELLANEOUS PLANNING	27,277	33,243	28,618	35,918	33,280	26,812	39,605	157,616	127,180	168,801
(37250) NEIGHBORHOOD COMP. REVIEW	45,470	47,220	57,640	40,515	52,435	47,490	47,395	49,235	67,286	78,752
(37270) GEOTECHNICAL	55,577	56,443	60,076	50,075	48,314	35,611	46,444	43,981	48,959	43,619
(37101) REISSUED BUILDING PERMIT	18,081	46,052	29,564	38,698	55,597	72,210	31,383	8,207	23,204	13,085
(37220) GRADING/FILLING	22,709	19,147	24,626	17,768	21,194	23,226	24,891	27,084	34,158	45,729
(37210) RESIDENTIAL RESALE REPORT	10,094	19,585	19,097	19,323	22,262	21,131	22,487	23,881	26,840	27,463
(37260) SITE PLAN REVIEW	18,032	23,902	17,818	17,464	16,113	12,565	13,924	17,464	18,880	32,980
Total	\$ 837,339	\$ 965,526	\$ 1,023,438	\$ 1,028,478	\$ 1,052,249	\$ 927,469	\$ 951,674	\$ 1,098,425	\$ 1,155,284	\$ 1,563,257



City of Palos Verdes Estates
Approved Biennial Budget FY 2018-2020
Summary of Approved Budget Adjustment & Administrative Reclasses
Fiscal Year 2018/2019

ADMINISTRATIVE RECLASSES

GENERAL FUND				
CITY CLERK	GRANICUS	9,600	Late Invoice	
CITY CLERK	PAGE FREEZER	5,688	Update to Budget	
CITY CLERK	TELEMESSAGE	1,440	Update to Budget	
NON DEPT	CONTINGENCY RESERVE	(16,728)	Use of contingency reserve	
NON DEPT	7% OF GENERAL SERVICES	2,800	Update to Budget	
NON DEPT	7% OF GENERAL SERVICES - CONTINGENCY RESERVE	(2,800)	Update to Budget	
PLANNING	RECLASS CODE ENFC. SALARY	13,873	Update to Budget - Department	
BUIDLING	RECLASS CODE ENFC. SALARY	(13,873)	Update to Budget - Department	
MULTIPLE DEPT	HOLIDAY LEAVE BUYBACK	111,000	Update to Budget for Holiday BuyBack	
NON DEPT	CONTINGENCY RESERVE	(111,000)	Use of contingency reserve	
PUBLIC WORKS	DUDE SOLUTIONS - CITY HALL NEEDS ASSESMENT	15,000	Estimate included in Contingency Reserve	
NON DEPT	CONTINGENCY RESERVE	(15,000)	Use of contingency reserve	
PLANNING	RECLASS SALARIES & BENEFITS TO PROF SVC	150,000	Update to Budget	
PLANNING	RECLASS SALARIES & BENEFITS TO PROF SVC	(150,000)	Update to Budget	
MULTIPLE DEPT	NON REPRESENTED MOU	9,803	R18-51, R18-52 & R18-53 to approve contract	
NON DEPT	NON REPRESENTED MOU	(10,301)	Use of contingency reserve	
MULTIPLE DEPT	PSE MOU	6,878	R18-50 to approve contract	
NON DEPT	PSE MOU	(8,928)	Use of contingency reserve	
GENERAL FUND SUB-TOTAL		(2,548) a	SEE COLUMN "B" - GF EXPENDITURES	
OTHER FUNDS				
FUND 02 - GAS TAX	NON REPRESENTED MOU	438	R18-51, R18-52 & R18-53 to approve contract	
FUND 02 - GAS TAX	PSE MOU	2,050	R18-50 to approve contract	
FUND 62 - SEWER	NON REPRESENTED MOU	60	R18-51, R18-52 & R18-53 to approve contract	
OTHER FUNDS SUB-TOTAL		2,548		
ADMINISTRATIVE RECLASSES				
TOTAL		0		

APPROVED BUDGET ADJUSTEMENTS

GENERAL FUND EXPENDITURE				
FINANCE	VIDEO RECORDING OF FAC MEETINGS	3,100	R18-42	9/25/2018
FINANCE	UPGRADE OF FINANCE PLUS SOFTWARE	10,000	R18-48	10/23/2018
CITY CLERK	ELECTION SERVICES	31,500	R18-47	10/23/2018
TOTAL		44,600 b	SEE COLUMN "B" - GF EXPENDITURES	
OTHER FUND EXPENDITURE				
FUND 05 - SLESF FUND	FUNDS FOR POLICE SAFETY EQUIP	65,000	R18-39	7/24/2018
FUND 05 - SLESF FUND	DISASTER PREPAREDNESS CONSULTANT	95,000	R18-41	9/25/2018
FUND 05 - SLESF FUND	NIXLE 360 REVERSE 911 SYSTEM	5,750	R18-49	11/13/2018
RECAP OF GENERAL FUND				
Administrative Reclasses		(2,548) a		
Budget Adjustments		44,600 b		
Total General Fund Approved		42,052		

BOARD OF SUPERVISORS

HILDA L. SOLIS
FIRST DISTRICT

MARK RIDLEY-THOMAS
SECOND DISTRICT

SHEILA KUEHL
THIRD DISTRICT

JANICE HAHN
FOURTH DISTRICT

KATHRYN BARGER
FIFTH DISTRICT



**COUNTY OF LOS ANGELES
FIRE DEPARTMENT**

1320 NORTH EASTERN AVENUE
LOS ANGELES, CALIFORNIA 90063-3294
(323) 881-2401
www.fire.lacounty.gov

"Proud Protectors of Life, Property, and the Environment"

DARYL L. OSBY
FIRE CHIEF
FORESTER & FIRE WARDEN

March 28, 2019

Anton Dahlerbruch, City Manager
City of Palos Verdes Estates
340 Palos Verdes Drive West
Palos Verdes Estates, CA 90274

Dear Mr. Dahlerbruch:

This is to advise you that on March 29, 2019, my Financial Management Division will provide your Finance Director your City's Fee Summary for the Final 2018-19 Fee and the Estimated 2019-20 Fee (Enclosure) for fire protection and emergency medical services.

As you are aware, we have been invoicing your City since July 2018 based upon the Estimated 2018-19 Fee provided last March, which included a minor 0.2 percent increase. We cautioned in that estimate, as well as in our quarterly updates, that negotiations with our labor organizations were underway and would increase the Final 2018-19 Fee when negotiations concluded. While the new Memorandum of Understanding (MOU) with our firefighters' labor organization has not yet been ratified, following is a summary of the expected changes that will impact both the Final 2018-19 and Estimated 2019-20 fees:

- Proposed cost of living adjustment (COLA) and bonus increases that will result in an overall net 3.5 percent salary increase for the Final 2018-19 Fee and a 1.1 percent salary increase for the Estimated 2019-20 Fee:
 - 2.0 percent salary increase effective October 2018
 - 2.5 percent salary increase effective July 1, 2019
 - 2.0 percent Emergency Medical Technician bonus increase effective July 2018
 - 2.0 percent Paramedic bonus increase effective July 1, 2019
- Employee benefits, primarily for cafeteria plans, workers' compensation and retiree health insurance and other post-employment benefits:
 - 2.5 percent increase for the Final 2018-19 Fee
 - 3.2 percent increase for the Estimated 2019-20 Fee
- District Overhead:
 - 0.5 percent increase in the District Overhead for the Estimated 2019-20 Fee.

SERVING THE UNINCORPORATED AREAS OF LOS ANGELES COUNTY AND THE CITIES OF:

AGOURA HILLS
ARTESIA
AZUSA
BALDWIN PARK
BELL
BELL GARDENS
BELLFLOWER
BRADBURY

CALABASAS
CARSON
CERRITOS
CLAREMONT
COMMERCE
COVINA
CUDAHY
DIAMOND BAR
DUARTE

EL MONTE
GARDENA
GLEN DORA
HAWAIIAN GARDENS
HAWTHORNE
HERMOSA BEACH
HIDDEN HILLS
HUNTINGTON PARK

INDUSTRY
INGLEWOOD
IRVINDALE
LA CANADA-FLINTRIDGE
LA HABRA
LA MIRADA
LA PUENTE
LAKEWOOD
LANCASTER

LAWNDALE
LOMITA
LYNWOOD
MALIBU
MAYWOOD
NORWALK
PALMDALE
PALOS VERDES ESTATES

PARAMOUNT
PICO RIVERA
POMONA
RANCHO PALOS VERDES
ROLLING HILLS
ROLLING HILLS ESTATES
ROSEMEAD
SAN DIMAS
SANTA CLARITA

SIGNAL HILL
SOUTH EL MONTE
SOUTH GATE
TEMPLE CITY
WALNUT
WEST HOLLYWOOD
WESTLAKE VILLAGE
WHITTIER

Anton Dahlerbruch, City Manager
March 28, 2019
Page 2

The culmination of these changes will cause a 6.0 percent increase in the Final 2018-19 Fee from the Estimate provided last March. Also, the Estimated 2019-20 Fee will have a 4.8 percent increase compared to the Final 2018-19 Fee. Our service agreement anticipates that there will be years when such increases occur and provides a "soft cap" to lessen the impact to your City. Also, the difference between our Estimate and Final 2018-19 fees will be billed in 2019-20 as a prior year adjustment, so that your 2018-19 budget will not be impacted unless the City opts to pay the difference this year.

My financial management staff are available to meet with you and/or your Finance Directors to discuss the actual application of the cap and its impact on your City's payments. Please call Theresa R. Barrera, Financial Management Division Chief, at (323) 838-2301 to set up a meeting or to request more information.

As soon as the three-year MOU is ratified by our firefighters' labor organization, a copy will be sent to your City.

We will continue to provide your Finance Director with quarterly updates for any changes that may impact the Final 2019-20 Fee. If you have any questions, please contact me at (323) 881-6180.

Very truly yours,



DARYLL. OSBY, FIRE CHIEF

DLO:lr

Enclosure

c: Assistant Fire Chief Scott Hale

**LOS ANGELES COUNTY FIRE DEPARTMENT
CITY OF PALOS VERDES ESTATES - FEE SUMMARY**

	FINAL							ESTIMATE
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Actual Annual Fee (see attachments)	\$ 4,127,665	\$ 4,307,807	\$ 4,404,511	\$ 4,552,384	\$ 4,719,994	\$ 4,967,541	\$ 5,278,604	\$ 5,535,166
% Increase from Previous Fiscal Year	3.78%	4.36%	2.24%	3.36%	3.68%	5.24%	6.26%	4.86%
Annual Fee Limitation Excess Rollover	-	-	46,818	-	-	-	36,091	109,706
	<u>\$ 4,127,665</u>	<u>\$ 4,307,807</u>	<u>\$ 4,451,329</u>	<u>\$ 4,552,384</u>	<u>\$ 4,719,994</u>	<u>\$ 4,967,541</u>	<u>\$ 5,314,695</u>	<u>\$ 5,644,872</u>
Annual Fee Cap Percentage (1)	3.89%	3.23%	3.64%	3.89%	4.06%	4.48%	4.78%	5.16%
Annual Fee Limitation (percentage cap applied to prior year actual annual fee)	\$ 4,131,913	\$ 4,260,989	\$ 4,464,611	\$ 4,575,846	\$ 4,737,210	\$ 4,931,450	\$ 5,204,989	\$ 5,550,980
Annual Fee Limitation Excess (2)	-	46,818	-	-	-	36,091	109,706	93,892
Actual Net City Cost	\$ 4,127,665	\$ 4,260,989	\$ 4,451,329	\$ 4,552,384	\$ 4,719,994	\$ 4,931,450	\$ 5,204,989	To Be Determined
Estimated Net City Cost	\$ 4,131,037	\$ 4,260,989	\$ 4,432,846	\$ 4,522,970	\$ 4,659,578	\$ 4,931,450	\$ 5,013,801	\$ 5,550,980
Prior Year Fee Adjustment (3)	40,784	-	-	18,483 (6)	29,414	60,416	-	191,188
Current Year Fee Adjustment (4)	(3,372)	-	-	-	-	-	-	To Be Determined
Paramedic Pass-thru Fee Credit (5)	\$ (16,664)	\$ (9,380)	\$ (10,767)	\$ (17,663)	\$ (8,720)	\$ (19,094)	\$ (57,555)	To Be Determined
Total Net City Payment (7)	<u>\$ 4,151,786</u>	<u>\$ 4,251,609</u>	<u>\$ 4,422,079</u>	<u>\$ 4,523,790</u>	<u>\$ 4,680,272</u>	<u>\$ 4,972,772</u>	<u>\$ 4,956,246</u>	<u>\$ 5,742,168</u>
							Estimated Monthly Invoice	<u>\$ 478,514</u>

(1) Beginning in 2011, % cap determined by taking the average of the immediately preceding five years' actual annual fee % increase plus 1%.

(2) Amount that is deferred to a subsequent future fiscal year(s).

(3) Formula: Prior Year "Actual" minus Prior Year "Estimated" Net City Cost.

(4) Formula: Current Year "Actual" minus Current Year "Estimated" Net City Cost.

(5) Credits are posted directly to the monthly city billings based on actual revenue received from the ambulance companies. Actual year-end totals will not be available until the end of the fiscal year.

(6) Estimated amounts billed were based on the original March 2014 estimate rather than the updated April 2014 estimate. The difference was carried over as the Prior Year Fee Adjustment in 2015-16.

(7) Does not include any billing adjustment (i.e., utility usage).

**LOS ANGELES COUNTY FIRE DEPARTMENT
FEE-FOR-SERVICE CITIES ANNUAL FEE SCHEDULE**

*** CITY OF PALOS VERDES ESTATES ***

		<u>Staffing (a)</u>	<u>Resource Cost</u>	<u>Annual Rate (b)</u>
<u>2018-19</u>				
<i>Station Operations:</i>				
Fire Station 2	Engine	3	\$ 2,375,154	\$ 2,375,154
Fire Station 2	Squad	2	1,536,714	<u>1,536,714</u>
				\$ 3,911,868
District Overhead	34.9382%			<u>1,366,736</u>
FINAL 2018-19 FEE				<u>\$ 5,278,604</u>

(a) Station Operations staffing numbers reflect post positions (3 person staff each post position through a 56-hr work week). Station Operations include overtime required to maintain 24-hour constant staffing. Fire Prevention positions do not include overtime since constant staffing is not required.

(b) Rates for Squad staffing include paramedic bonuses, plus an additional paramedic bonus for the Fire Fighter on the engine.

**LOS ANGELES COUNTY FIRE DEPARTMENT
FEE-FOR-SERVICE CITIES ANNUAL FEE SCHEDULE**

*** CITY OF PALOS VERDES ESTATES ***

		<u>Staffing (a)</u>	<u>Resource Cost</u>	<u>Annual Rate (b)</u>
<u>2019-20</u>				
<i>Station Operations:</i>				
Fire Station 2	Engine	3	\$ 2,489,916	\$ 2,489,916
Fire Station 2	Squad	2	1,607,163	<u>1,607,163</u>
				\$ 4,097,079
District Overhead	35.1003%			<u>1,438,087</u>
ESTIMATED 2019-20 FEE				<u><u>\$ 5,535,166</u></u>

- (a) Station Operations staffing numbers reflect post positions (3 person staff each post position through a 56-hr work week). Station Operations include overtime required to maintain 24-hour constant staffing. Fire Prevention positions do not include overtime since constant staffing is not required.
- (b) Rates for Squad staffing include paramedic bonuses, plus an additional paramedic bonus for the Fire Fighter on the engine.