

MEMORANDUM

TO: CITY COUNCIL

FROM: DEBBIE MALICOAT, DIRECTOR OF ADMINISTRATIVE SERVICES *DM*

SUBJECT: CONSIDERATION OF FISCAL YEAR 2014-15 MID-YEAR BUDGET REPORT

DATE: FEBRUARY 24, 2015

RECOMMENDATION:

It is recommended the City Council:

1. Approve detailed budget adjustments listed in the Mid-Year budget report;
2. Approve Schedule A;
3. Approve (Deny) requests for additional appropriations in the General Fund, Sales Tax Fund and Street Fund; and
4. Adopt a Resolution creating the Accounting Manager job classification

IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:

The General Fund ending balance will be impacted by the approval of the recommended revenue and appropriation adjustments as follows:

Projected Fund Balance in Original Budget:		\$3,740,704
Higher beginning Fund Balance	\$1,304,756	
Net increase in Revenue	368,100	
Net increase in Expenditures	(1,240,613)	
Net	<u>102,725</u>	
Total Increase to General Fund Balance		<u>432,243</u>
Projected Fund Balance at 6/30/15		<u>\$4,172,947</u>

The recommended budget adjustments are anticipated to have a minimal impact on staff workload.

BACKGROUND:

Each year, the City Council adopts a budget, which commits resources to the accomplishment of its policies. The Administrative Services Department prepares budget updates for the City Council.

CONSIDERATION OF MID YEAR BUDGET REPORT

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The purpose of the City's Mid Year Budget Report is to:

- Compare revenues received and expenditures made to budgeted amounts to determine appropriate adjustments.
- Report on Departmental accomplishments.
- Provide a link between the City budget, the financial records, and the independent financial audit.
- Compare current revenues and expenditures against the prior fiscal year.

ANALYSIS OF ISSUES:

As detailed in the attached Mid-Year Budget Report, revenues and expenditures are generally on target for this point in the fiscal year, with only minor budget adjustments recommended at this time.

The beginning General Fund balance is **\$4,942,735**, which was an increase of **\$1,255,799** from the prior year and was 36% of General Fund expenditures at year-end.

The current projected available General Fund Balance for June 30, 2015 is **\$4,172,947**, an increase of \$432,243 from the projected fund balance of \$3,740,704 published in the FY 2014-15 Budget. This fund balance is projected to be 27% of appropriations, which is above the City Council fund balance goal of 20%. The increase in the projected fund balance is largely due to unexpended project budgets in the prior year, which increased the beginning fund balance, and higher than expected revenues in the current year.

As part of the Mid Year process, staff is asked to review their current budgets and determine if any adjustments are required. General Fund recommendations result in a net increase in appropriations of **\$178,000** and an increase of **\$368,100** in revenue and transfers.

An increase of revenues is recommended for the Sales Tax Fund (**\$63,348**) in addition to an expenditure request of **\$50,000** and increased appropriation is requested in the Streets Fund (**\$31,000**), which is offset by added revenues. Detailed descriptions of these requests are included in the Mid-Year Report and shown on Schedule A.

In each case, there is urgency or a timing issue that prevents these requests from waiting until the 2015-17 budget is developed. The repair of lighted mid-block crosswalks is a public safety issue, virtualization of the servers would be most efficiently completed before the Police department personnel reoccupy the building and increasing the budget for contract inspections is necessary to accommodate current building permit activity.

As described more fully in the Mid-Year Budget Report, staff is recommending the reclassification of the Accounting Supervisor position to a new Accounting Manager position. This will reflect the current job duties, level of responsibility, education and experience required for the position. Although there is no financial impact of this in the current fiscal year due to savings in the department, Council adoption of the new job description is required.

Management Reporting System Status Report

The Management Reporting System Status Report on departmental budget goals is presented as a separate section at the end of this report.

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ALTERNATIVES:

The following alternatives are provided for City Council consideration:

1. Approve the recommended actions
2. Do not approve the recommended actions;
3. Provide direction to staff.

ADVANTAGES:

The Mid Year Budget Report provides an updated review of the City finances in the current fiscal year, allocates additional funding to meet unanticipated needs and complete projects, and maintains a fund balance that exceeds the City's minimum reserve policy amount.

DISADVANTAGES:

Based on the recommendations, departmental budgets maintain current service levels, no significant new projects or programs are recommended.

ENVIROMENTAL REVIEW:

No environmental review is required for this item.

PUBLIC NOTIFICATION AND COMMENTS:

The Agenda was posted in front of City Hall on Thursday, February 19, 2015. The Agenda and report were posted on the City's website on Friday, February 20, 2015. No public comments were received.

Attachment(s):

1. Mid Year Budget Report

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ARROYO GRANDE ESTABLISHING THE JOB DESCRIPTION AND SALARY RANGE FOR THE POSITION OF ACCOUNTING MANAGER

WHEREAS, the findings of an operational assessment of the Administrative Services Department recommend structuring the management and responsibilities of the Department; and

WHEREAS, the job description for the Accounting Supervisor position is no longer reflective of the responsibilities, duties, education and experience level required by the Department; and

WHEREAS, the City Council of the City of Arroyo Grande ("City") deems it in the best interest of the City to eliminate the existing Accounting Supervisor position and to establish an Accounting Manager position assigned to the Administrative Services Department; and

WHEREAS, the City Council of the City of Arroyo Grande ("City") deems it in the best interest of the City to establish a job description for the position of Accounting Manager, a copy of which is incorporated hereto as Exhibit "A"; and

WHEREAS, the City Council of the City of Arroyo Grande ("City") deems it in the best interest of the City to establish a salary range for the position of Accounting Manager, which will be placed on the full-time salary schedule.

NOW, THEREFORE BE IT RESOLVED that the City Council of the City of Arroyo Grande does hereby eliminate the position of Accounting Supervisor and establishes the position of Accounting Manager to perform the duties and responsibilities set forth in the job description attached as Exhibit "A". The permanent full-time position of Accounting Manager shall receive the rate of pay as follows:

Range M-42
\$5,677 - \$6,905 per month

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BE IT FURTHER RESOLVED that this Resolution shall become effective as of February 27, 2015.

On motion of Council Member _____, seconded by Council Member _____, and on the following roll call vote, to wit:

AYES:
NOES:
ABSENT:

the foregoing Resolution was passed and adopted this 24th day of February, 2015.

JIM HILL, MAYOR

ATTEST:

KELLY WETMORE, CITY CLERK

APPROVED AS TO CONTENT:

ROBERT MCFALL, INTERIM CITY MANAGER

APPROVED AS TO FORM:

TIMOTHY J. CARMEL, CITY ATTORNEY

CITY OF ARROYO GRANDE

ACCOUNTING MANAGER

Class specifications are intended to present a descriptive list of the range of duties performed by employees in the class. Specifications are not intended to reflect all duties performed within the job.

DEFINITION

To supervise, assign, and review the work of staff responsible for performing accounting functions including payroll, cash receipts, accounts payable, business licensing, utility billing and customer service; to oversee and participate in all work activities; and to perform a variety of technical tasks relative to assigned area of responsibility.

SUPERVISION RECEIVED AND EXERCISED

Receives direction from the Director of Administrative Services.

Exercises direct supervision over clerical accounting staff.

ESSENTIAL AND MARGINAL FUNCTION STATEMENTS – *Essential and other important responsibilities and duties may include, but are not limited to, the following:*

Essential Functions:

1. Plan, prioritize, assign, supervise, review and participate in the work of staff responsible for complex accounting functions including payroll, cash receipts, accounts payable, business licensing, utility billing and customer service; review and audit claims, computer generated records and other related documentation for accuracy.
2. Establish schedules and methods for providing accounting services; identify resource needs; review needs with appropriate management staff; allocate resources accordingly.
3. Develop and standardize procedures and methods to improve and continuously monitor the efficiency and effectiveness of assigned programs, service delivery methods and procedures; assess and monitor workload, administrative and support systems, and internal reporting relationships; identify opportunities for improvement and make recommendations to the Director of Administrative Services.
4. Participate in the selection of accounting staff; provide or coordinate staff training; work with employees to correct deficiencies; implement discipline procedures.
5. Participate in the preparation of the City's budget; coordinate budget preparation with the Director of Administrative Services.
6. Prepare journal entries and reconcile general ledger and subsidiary accounts related to postings from payroll, accounts payable, cash receipts, and accounts receivable; prepare monthly financial statements, including distribution to departments; prepare numerous monthly, quarterly and annual financial reports.
7. Perform internal audits of assigned accounts and balances; reconcile differences.
8. Examine, reconcile, balance and adjust accounting records; reconcile and prepare complex bank reconciliations for multiple accounts.
9. Balance and receipt assigned department cash transmittals and prepare bank deposits; edit cash receipts and prepare starting cash.

Essential Functions: (Continued)

10. Oversee utility billing activities; grant extensions for payment as appropriate; assist the general public with utility billing questions and provide appropriate information.
11. Respond to and resolve difficult and sensitive inquiries and complaints from inside and outside the organization.
12. Prepare a wide variety of financial, analytical and statistical reports, including year-end reporting, budgetary reports, assisting in the preparation of the Comprehensive Annual Financial Report (CAFR), and preparing other legal documents and management analysis. Assist the Director of Administrative Services with financial reports and research projects as assigned.
13. Prepare analysis and workpapers pursuant to Generally Accepted Accounting Principles (GAAP) and Generally Accepted Auditing Standards (GAAS).
14. Attend and participate in professional group meetings and training classes; stay abreast of new laws and regulations in the field of financial services.
15. Operate computer and supporting word processing and spreadsheet applications; perform computer data entry; maintain computerized records and files.
16. Serve as acting Director of Administrative Services in his/her absence.
17. Respond and perform assigned duties in the event of a City declared emergency.
18. Perform related duties and responsibilities as required.

QUALIFICATIONS

Knowledge of:

Operations, services and activities of a municipal accounting program.
General and governmental accounting and auditing principles, methods and procedures (GAAP/GAAS).
Principles of supervision, training and performance evaluation.
Principles and procedures of financial record keeping and reporting.
Basic mathematical principles.
Modern office procedures, methods and equipment including computers.
Applicable computer software applications.
Pertinent Federal, State and local codes, laws and regulations.
Techniques for providing a high level of customer service by effectively dealing with the public, vendors, contractors, and City staff.

Ability to:

Oversee the accounting functions for accounts payable, utility billing, payroll, accounts receivable, business licensing and customer service.
Select, supervise, train and evaluate staff.
Evaluate and develop improvements in operations, procedures, policies, or methods.
Plan, organize, review and evaluate the work of lower level staff.
Maintain complex general and subsidiary accounting records.
Prepare clear and concise reports and spreadsheets, including computer generated financial reports.
Operate office equipment including computers and supporting word processing and spreadsheet applications.
Respond to requests and inquiries from the general public.
Interpret, explain and enforce City policies and procedures applicable to assigned area of responsibility.
Maintain confidentiality in all work areas.

Work independently in the absence of supervision.
Communicate clearly and concisely, both orally and in writing.
Use tact, initiative, prudence, and independent judgment within general policy, procedural, and legal guidelines.
Establish, maintain and foster positive and harmonious working relationships with those contacted in the course of work.
Maintain effective audio-visual discrimination and perception needed for making observations, communicating with others, reading, writing and operating assigned equipment.
Maintain physical condition appropriate to the performance of assigned duties and responsibilities.

Experience and Training Guidelines

Any combination of experience and training that would likely provide the required knowledge and abilities is qualifying. A typical way to obtain the knowledge and abilities would be:

Experience:

Five years of highly responsible experience in accounting, including one year of supervisory or lead responsibility.

Education:

Equivalent to a Bachelors degree from an accredited college or university with major course work in accounting, finance, business administration, or other closely related field.

License or Certificate:

Possession of, or ability to obtain, an appropriate, valid driver's license.

WORKING CONDITIONS

Environmental Conditions:

Office environment; exposure to computer screens; extensive contact with the general public in a customer service environment.

Physical Conditions:

Essential and marginal functions may require maintaining physical condition necessary for walking, standing or sitting for prolonged periods of time; light lifting or carrying; extensive use of computer keyboard; near visual acuity to review financial reports.

City of
Arroyo Grande
Administrative Services Department



MID-YEAR BUDGET REPORT
FISCAL YEAR 2014-2015

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City of Arroyo Grande

Mid-Year Budget Report - 2014/15

February 24, 2015

Overview

The City's Mid-Year Report is prepared to compare the revenues and expenditures occurring during the first six months of the fiscal year against budgeted amounts to determine appropriate adjustments; to report on departmental accomplishments; to provide links between the City budget, the financial records, and the independent financial audit and; to compare revenues earned and expenses made during the first six months of the Fiscal Year (FY) 2014-15 against the FY 2013-14 figures. This information is provided in the following format:

Schedule A: The starting point is the audited FY 2013-14 ending fund balances, which is also the beginning Available Fund Balances for the FY 2014-15. Combining the beginning Available Fund Balances with the estimated revenues, transfers, and appropriations adopted in the Biennial Budget and this report, provides the estimated ending fund balances.

As a result of a comprehensive review, adjustments are recommended where actual receipts and disbursements are materially different from the budgeted amounts. Although budget adjustments are recommended across several City funds, the emphasis of the Mid-Year Budget Report continues to be directed at the General Fund. The General Fund is deemed to be the most critical as it provides most services commonly associated with government (i.e., public safety, recreation, parks, building, public works, planning, etc.) and is limited primarily by tax-generated revenues.

Summary of Key Points

- Overall, revenues are recovering and the City is benefitting from the widespread economic gains. Sales taxes are increasing in all major categories, property taxes are trending upward and there continues to be increased registration in the City's recreation programs. Expenditures have largely remained at budgeted levels, with the exception of some one-time events.
- The total Citywide Fund balance (restricted and unrestricted net position) at June 30, 2014 was \$19.5 million, which was an increase of approximately 3.3% or \$3 million compared to June 30, 2013. The beginning General Fund balance was \$4.9 million, which was an increase of nearly \$1.3 million from the prior year and represents 31% of General Fund expenditures. The audited Fund Balances reported in the Comprehensive Annual Financial Report (CAFR) have been incorporated into the beginning fund balances on Schedule A. There are a couple of adjustments to the beginning fund balances that are different from the CAFR. There is an adjustment to subtract the fixed asset balances from the

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Water Fund and Sewer Fund in order to reflect a more accurate expendable fund balance.

- The City Council has established an Undesignated General Fund Balance goal of 20% of annual appropriation with a minimum goal of 15%. The City's Undesignated General Fund Balance represents the available resources to provide funding for future contingencies such as earthquakes, civil unrest, economic fluctuations, major infrastructure repairs and investment in capital for improved productivity and efficiencies. Inadequate reserves increase financial risk, negatively impact cash flow, and reduce the City's ability to attract and sustain economic development and growth.

The current projected available General Fund Balance for June 30, 2015 is \$4.2 million, an increase of \$432,243 from the projected fund balance of \$3.7 million published in the original budget. This projected fund balance is 27% of appropriations, which exceeds the City Council fund balance goal of 20%. The increase in the projected fund balance is largely due to one-time savings in the prior year and higher than expected revenues in the current year. The projected Fund Balance assumes revenues are received exactly as budgeted, all budget expenditures are made, and all capital transfers required by the CIP Program are completed. Historically, the General Fund has not been required to fund all budgeted capital transfers and expenditures at year-end are traditionally less than budgeted.

- The Management Reporting System Status Report is presented as a separate section at the end of this report. This provides a status report of departmental budget goals and work plans.

Budget Changes Approved To-Date

Various budget changes have been approved by the Council or City Manager, as appropriate, since the adoption of the original Budget in June 2014. The following list summarizes these changes, which are reflected in the Adjustments to Appropriations column of Schedule A.

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Approved budget changes to-date			
General Fund		Capital Outlay Fund (General Fund Transfer)	
OpenGov software contract	\$ 4,900	Old Ranch Rd lot improvements	\$ 33,500
Bulletproof vest grant	8,500		
Facility/ work order software contract	4,500		
City Mgr Recruitment (from contingency)	26,000	Park Development Fee Fund	
Fiber connectivity contract (from contingency)	24,000	Heritage Square Park restrooms	\$ 200,000
Reduction of contingency	(50,000)		
Total General Fund	\$ 17,900		

Mid Year Budget Requests

As part of the mid-year process, departments were asked to review their current budgets and determine if any adjustments should be proposed in this report. Departments have been asked to closely monitor their budgets and spend only what is necessary. At this time, staff is only recommending minor adjustments to the General Fund departmental budgets that are necessary due to timing considerations, increases that are supported by additional revenues, and one-time project funding.

General Fund Expenditures:

Staff is proposing additional expenditures totaling \$178,000 in the General Fund as described below.

- **Community Development** - Staff is requesting an additional \$18,500 for consultant services in order to continue responding to construction inspection needs. This is due to higher than anticipated building activity in the community, particularly with solar installations. This request is offset by additional revenues anticipated from building fees.
- **Administrative Services** - Staff is requesting the reclassification of the Accounting Supervisor position to a newly created classification of Accounting Manager. In a recent review of the job duties, education and experience requirements, it became apparent that the current job classification and description is no longer adequate for the position. The Administrative Services Director has collaborated with the Human Resources Manager to develop an accurate job description, compared the position to others of similar scope and responsibility within the City and conducted a salary comparison of the other cities in the county. Based on this analysis, staff recommends approving a

resolution establishing the position of Accounting Manager, with the salary range of M-42 (\$5,677 to \$6,905 per month). This pay range is also used for the Planning Manager position. Due to salary savings in the current fiscal year, the reclassification will not require an additional appropriation in FY 2014-15; however there will be an ongoing annual cost of approximately \$10,000. The department will partially offset this added cost by underfilling one Senior Accounting Clerk with an Accounting Clerk position.

- **Previous Council Actions** - Since the budget was adopted, the Council has directed and approved the use of funds for several purposes; however, formal appropriation of funding was not previously implemented. Therefore, staff requests the appropriation of \$17,000 for the purpose of conducting an investigation by the Sintra Group, the cost of which is reflected in the City Attorney's budget, \$67,200 for payout of accrued leave by the previous City Manager and \$75,300 in severance costs.

General Fund Revenues:

Staff is proposing additional revenues totaling \$362,620 in the General Fund as described below.

- **Property Tax** - Per discussions with the County, assessed valuations and supplemental assessments are higher than originally anticipated. This will result in an increase of \$182,500 in this revenue source in FY 2014-15.
- **Triple Flip VLF** - This revenue source grows by the same factors as Property Tax; therefore, staff is anticipating additional revenues of \$68,000 in FY 2014-15.
- **Transient Occupancy Tax** - With the addition of the Tourism Business Improvement District activity, and a general recovery in the tourism industry, revenues are projected to be higher than originally estimated. Staff is requesting an increase of \$66,900 in this revenue source for FY 2014-15.
- **Sales and Use Tax** - Per discussions with the City's sales tax consultant, sales tax revenues are expected to be slightly higher than initially estimated. Staff is requesting an increase of \$21,800 in this revenue source in FY 2014-15, as well as in the Sales Tax Fund, as mentioned below.
- **Triple Flip Sales Tax** - This revenue source is projected to decrease by \$41,300 from previous estimates for FY 2014-15 due to an over allocation of revenue in previous years from the State.
- **Other Revenues** - Based on an analysis of the performance of all revenues at this point of the fiscal year, various other adjustments totaling an additional \$64,720 in FY 2014-15 are anticipated.

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Other Funds:

Local Sales Tax Fund:

Per discussions with our sales tax consultant, sales tax revenues are expected to be higher than initially estimated. Staff is requesting an increase of \$63,350 to this revenue source. In addition, staff recommends appropriating \$50,000 of sales tax funding to implement a virtualized server environment at the police station. The new environment will be consistent with the virtualization project recently completed at City Hall. This information technology initiative will provide Disaster Recovery and redundancy throughout the City's network infrastructure, and will improve network and server performance. Completing the virtualization project at this time will allow staff to take advantage of a unique opportunity to leverage consulting and engineering resources currently available to support the Police Department remodel project, which is tentatively scheduled for completion this Spring.

Streets Fund:

Staff is requesting \$31,000 in order to repair the two mid-block lighted crosswalks on East Branch Street in the Village. The operation of these crosswalks is important in protecting public safety.

In general, revenues and expenditures in all other funds are on target with projections and prior year trends. No other adjustments are requested at this time.

General Fund Overview

Shown below is an overview of the revenues, expenses, and transfers for Fiscal Years 2012-13 and 2013-14 as of the mid-point of the fiscal year. As reflected, both revenues and expenditures are higher in the current fiscal year than they were at the same point in time last year.

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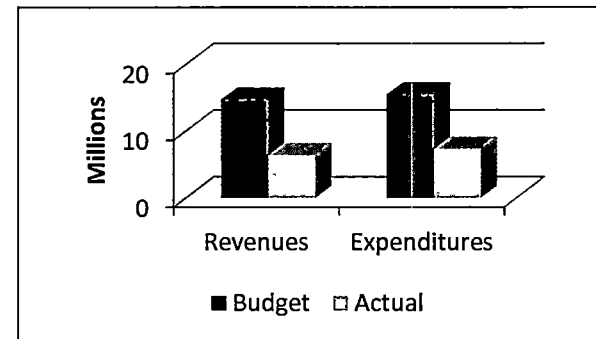
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General Fund	FY 2014-15	FY 2013-14	Variance
Revenues:			
Mid-Year Actual	\$5,218,946	\$4,600,786	\$618,160
Mid-Year Transfers	<u>1,173,461</u>	<u>1,019,682</u>	<u>\$153,779</u>
Total	6,392,407	5,620,468	\$771,939
Expenditures:			
Mid-Year Actual	<u>7,329,189</u>	<u>7,173,975</u>	155,214
Total	7,329,189	7,173,975	155,214
Impact on Fund Balance	<u>\$ (936,782)</u>	<u>\$ (1,553,507)</u>	<u>\$ 616,725</u>

Shown here is a graphic representation of the FY 2014-15 revenues and expenditures, to date, compared with the amended budget including the recommended Mid-Year adjustments. Transfers In and Transfers Out are included on this graph to present the total impact on the fund balance. Revenues are currently 39% collected and expenditures are 47% spent. This reflects the fact that not all revenues and expenditures occur evenly throughout the fiscal year. Significant variances are discussed later in the report, but in general, this trend is consistent with prior years.

General Fund Budget & Actual as of Dec. 31, 2014		
	Budget	Actual
Revenue/Transfers	\$14,748,220	\$6,392,407
Expenditures	15,518,008	7,329,189
Change in Fund Balance	\$ (769,788)	\$ (936,782)



After Mid-Year adjustments are recorded, the June 30, 2015 fund balance in the General Fund will be approximately \$4.2 million, if all budget projections are fulfilled. However, at June 30, 2015, the City may find that revenues have not met the budgeted projections and not all budgeted appropriations will be spent as year-end actual expenditures are traditionally less than budgeted amounts.

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General Fund Revenues

Total General Fund revenues are at 39% with half of the year complete. This is below 50% because the revenues only includes four months of Sales Tax revenue, five months of Transient Occupancy Tax (TOT) revenue and four months of Franchise Fee revenue. In addition, the first half of the triple flip amounts for sales tax \$396,850 and VLF \$680,450 are not received until January. The table shown below presents a comparison of the top ten revenue accounts. Because the top revenue sources account for approximately 75% of total General Fund revenues, changes here can have profound impacts. The mid-year budget includes additional revenues of \$362,620 in FY 2014-15 as discussed previously.

Title	Mid-Year Current Fiscal Year			Mid-Year Prior Fiscal Year			Actual Change
	Budget	Actual	%	Budget	Actual	%	
Property Tax	\$ 4,055,600	\$ 2,373,310	59%	\$ 3,799,000	\$ 2,234,050	59%	139,260
Sales & Use Tax	2,605,000	926,072	36%	2,429,800	851,337	35%	74,735
Triple Flip - VLF	1,360,900	-	0%	1,267,500	-	0%	-
Triple Flip - Sales Tax	793,700	-	0%	872,000	-	0%	-
Transient Occupancy Tax	857,400	376,181	44%	775,000	387,996	50%	(11,815)
Franchise Fees	570,000	142,982	25%	570,000	137,515	24%	5,467
Children in Motion	330,000	207,204	63%	300,000	183,545	61%	23,659
Telecommunication Site							
Leases	210,000	113,271	54%	204,000	114,450	56%	(1,179)
Building Permits	190,200	117,937	62%	186,200	93,564	50%	24,373
Planning Fees	174,900	108,038	62%	166,800	79,525	48%	28,513
Total	\$ 11,147,700	\$ 4,364,995	39%	\$ 10,570,300	\$ 4,081,982	39%	\$ 283,013

- **Sales Tax** - Sales tax is higher than the prior year due to an increase in sales activity in nearly every major sales category; the budget reflects this anticipated increase.
- **Property Tax** - Property tax is showing an increase and this is also reflected in the current year's budget.
- **Children in Motion** - This revenue is showing an increase of \$23,659 when compared to the prior year, primarily due to higher fees adopted for the program, but also due to slightly higher participation levels.

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- **Transient Occupancy Tax** - This revenue is showing a decrease of approximately \$11,800 when compared to the prior year. Based on staff's analysis, this due to timing of the receipt of TOT from hotels prior to December 31, 2014. Actual revenue trends are slightly higher than the prior fiscal year.
- **Building Permits & Planning Fees** - The increase in these revenue sources reflect an increase in activity in the construction industry. These revenues are difficult to predict and staff will continue to closely monitor them.
- All other variances are within normal ranges.

General Fund Expenditures

Most departmental expenses are under the 50% budget mark with total FY 2014-15 expenses at 47% of budget. Individual department/division differences between the current and prior fiscal year are highlighted in the table shown on the next page. This fiscal year, there is an increase of approximately \$1,240,600 in General Fund expenditures over the original budget. A portion of this increase reflects carryovers of \$1,011,200 from unspent expenditure and project budgets in the prior fiscal year, \$51,400 in appropriations previously approved by the City Council during the course of the first half of the current fiscal year and \$178,000 in mid-year requests included in this report.

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Title	Mid-Year Current Fiscal Year			Mid-Year Prior Fiscal Year			Actual Change
	Budget	Actual	%	Budget	Actual	%	
City Manager	\$ 527,090	\$ 162,859	31%	\$ 340,905	\$ 159,407	47%	\$ 3,452
Legislative & Info Svcs	411,290	177,933	43%	383,730	180,317	47%	\$ (2,384)
Retirees	200,000	64,557	32%	200,000	66,731	33%	\$ (2,174)
City Attorney	225,250	153,144	68%	183,250	109,617	60%	\$ 43,527
Administrative Services	772,690	356,614	46%	766,420	372,513	49%	\$ (15,899)
Community Development	770,790	299,782	39%	750,820	290,045	39%	\$ 9,737
Information Technology	372,555	193,051	52%	310,435	190,443	61%	\$ 2,608
Non Departmental	3,346,239	2,004,039	60%	2,333,045	1,694,075	73%	\$ 309,964
Police	5,720,944	2,489,449	44%	5,788,710	2,646,952	46%	\$ (157,503)
Building & Life Safety	270,740	118,488	44%	240,850	108,900	45%	\$ 9,588
Engineering	370,130	153,165	41%	400,190	154,230	39%	\$ (1,065)
Recreation Services	834,590	401,546	48%	819,060	373,326	46%	\$ 28,220
Public Works	1,695,700	754,562	44%	1,652,250	827,419	50%	\$ (72,857)
Total	\$ 15,518,008	\$ 7,329,189	47%	\$ 14,169,665	\$ 7,173,975	51%	\$ 155,214

- **City Attorney** - the increase is due to investigative expenses and additional workload in the current fiscal year.
- **Non-Departmental** - the \$309,964 increase is due to the accounting of transfers from the General Fund to the Capital Outlay Fund. This indicates progress in accomplishing the capital projects that are supported by the General Fund, such as the police station remodel.
- **Police** - The majority of this reduction is due to implementation of the contract with the Sheriff's Office for dispatch services.
- **Public Works** - the majority of this decrease reflects staffing vacancies in the current fiscal year.
- All other variances are within a normal range.

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Other Funds

Local Use Tax Fund (Fund 218)

This fund has been established to account for the ½ cent sales tax increase that was approved in November 2006. With four months of sales, this revenue source is at 35%. Based on information from the City's sales tax advisor, staff is recommending increasing this revenue by \$63,350. The estimated fund balance at the end of FY 2014-15 in this fund is \$522,941, which reflects appropriating \$50,000 for the server virtualization project.

Streets Fund (Fund 220)

The Street Fund is used to account for the receipt of Gas Tax revenues. All expenditures must be used for appropriate street related purposes. Gas Tax revenues are projected to be \$31,000 than originally anticipated; staff recommends utilizing these additional funds to repair the two mid-block lighted crosswalks on East Branch Street in the Village.

CIP (Capital Improvement Program) Fund (Fund 350)

The procedures of the CIP require that revenues equal expenses in this fund, which means the fund does not typically have a fund balance at year-end. If additional expenses are encountered in completing a project, funding must be found to match the expenses. In reverse, when additional revenues are found, the scope of the project can be expanded, previous funding returned to other funds, or revenues returned to the source.

Attachments

A brief overview of the attached schedules is provided to inform the reader of the purpose of each schedule.

- **Schedule A - Fund Balance.** This schedule is provided to incorporate prior year fund balance into the current year and to summarize the FY 2014-15 budget adopted by the City Council. This schedule includes adjustments that have previously been approved by the City Council and lists the current requested adjustments in total.
- **General Fund Summary.** This schedule provides a summary of the revenues, expenditures and fund balance with actual results for the prior fiscal year as well as the original FY 2014-15 Budget and proposed amended balances for FY 2014-15.
- **Management Reporting System Status Report.** This provides a status report of departmental budget goals.

City of Arroyo Grande
Fund Balance
 All Funds Operating Budget
 2014-15 Mid-Year Budget Update

Schedule A

		Estimated Total Available Fund Balance July 1, 2014	Original Revenues	Adjustment to Revenues	Operating Transfer In	Operating Transfer Out	FY 2013-14 Carryovers	Budgeted Appropriations	Adjustments to Appropriations	Estimated Total Available Fund Balance June 30, 2015
General Fund										
010	General Fund:	<u>\$4,942,735</u>	<u>\$11,951,320</u>	<u>\$362,620</u>	<u>\$2,434,280</u>	<u>\$979,939</u>	<u>\$170,774</u>	<u>\$14,171,395</u>	<u>\$195,900</u>	<u>\$4,172,947</u>
Special Revenue Funds:										
210	Fire Protection Impact Fees	\$136,459	\$20,250					\$4,700		\$152,009
211	Public Access Television	149,076	35,400				50,000			134,476
212	Police Protection Impact Fees	92,778	3,300				81,400	800		13,878
213	Park Development Fees	767,902	63,200				212,585	200,000		418,517
214	Park Improvement Fees	109,101	25,700			35,000		5,900		93,901
215	Recreation Community Center	51,899	1,700				34,676	400		18,523
216	Grace Lane Assessment District	57,859	10,562			2,600		13,300		52,521
217	Landscape Maintenance District	10,842	5,900			2,200		7,430		7,112
218	Local Use Tax Fund	1,685,507	2,052,152	63,348		1,483,150	1,486,938	257,980	50,000	522,939
219	Parkside Assessment District	359,391	43,308			3,800		20,700		378,199
220	Streets	0	442,100	31,000	322,620	76,300		688,420	31,000	0
221	Traffic Congestion Relief	0								0
222	Traffic Signal	624,409	32,500			30,000	200,000	7,500		419,409
223	Traffic Circulation	54,091	100							54,191
224	Transportation Facility Impact	2,050,439	60,000				1,128,805	13,800		967,834
225	Transportation	0	489,700			469,700		20,000		0
226	Water Neutralization Impact	322,215	52,000		200,000		5,000	401,050		168,165
230	Construction Tax	3,243								3,243
231	Drainage Facility	21,239					21,226			13
232	In-Lieu Affordable Housing	11,012	300					5,000		6,312
233	In-Lieu Underground Utility	199								199
240	Tourism Business Improvement Dis	38,292	180,000					171,880		46,412
241	Water Availability Fund	1,783,685	33,000				206,610	595,627		1,014,448
250	CDBG Grant Funds	0			121,975		15,949	106,026		0
271	State COPS Block Grant	178,423	300				65,000			113,723
	Total Special Revenue Funds	<u>\$8,508,061</u>	<u>\$3,551,472</u>	<u>94,348</u>	<u>\$644,595</u>	<u>\$2,102,750</u>	<u>\$3,508,189</u>	<u>2,520,513</u>	<u>\$81,000</u>	<u>\$4,586,024</u>

City of Arroyo Grande
Fund Balance
 All Funds Operating Budget
 2014-15 Mid-Year Budget Update

Schedule A

		Estimated Total Available Fund Balance July 1, 2014	Original Revenues	Adjustment to Revenues	Operating Transfer In	Operating Transfer Out	FY 2013-14 Carryovers	Budgeted Appropriations	Adjustments to Appropriations	Estimated Total Available Fund Balance June 30, 2015
Capital Project Funds:										
350	Capital Improvement Fund	\$34,838			\$10,319,549		\$6,924,575	\$3,394,974		\$34,838
	Total Capital Project Funds	<u>\$34,838</u>	<u>\$0</u>	<u>\$0</u>	<u>\$10,319,549</u>	<u>\$0</u>	<u>\$6,924,575</u>	<u>\$3,394,974</u>	<u>\$0</u>	<u>\$34,838</u>
Enterprise Funds:										
612	Sewer	\$1,036,145	\$1,056,000			\$506,400	\$274,512	\$326,100		\$985,133
634	Sewer Facility	375,948	21,500				30,000			367,448
640	Water Fund	4,501,913	4,083,600	2,583,400		4,659,100	395,973	1,303,822		4,810,018
641	Lopez Water	2,189,813	1,867,500	(1,859,000)	2,699,600	307,200		3,254,400		1,336,313
642	Water Facility	820,645	23,500			156,300	49,500			638,345
	Total Enterprise Funds	<u>\$8,924,464</u>	<u>\$7,052,100</u>	<u>\$724,400</u>	<u>\$2,699,600</u>	<u>\$5,629,000</u>	<u>\$749,985</u>	<u>\$4,884,322</u>	<u>\$0</u>	<u>\$8,137,257</u>
Trust and Agency Fund:										
751	Downtown Parking	193,036	9,300			2,600	139,761	3,525		56,450
	Total Trust & Agency Fund	<u>\$193,036</u>	<u>\$9,300</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,600</u>	<u>\$139,761</u>	<u>\$3,525</u>	<u>\$0</u>	<u>\$56,450</u>
	Grand Total All Funds	<u>\$22,603,134</u>	<u>\$22,564,192</u>	<u>\$1,181,368</u>	<u>\$16,098,024</u>	<u>\$8,714,289</u>	<u>\$11,493,284</u>	<u>\$24,974,729</u>	<u>\$276,900</u>	<u>\$16,987,516</u>

GENERAL FUND SUMMARY

FUND: 010 GENERAL FUND

ITEM	2012-13 ACTUAL	2013-14 ACTUAL	FISCAL YEAR 2014-15	
			ORIGINAL BUDGET	AMENDED BUDGET
Beginning Fund Balance	\$ 3,305,852	\$ 3,686,936	\$ 3,637,979	\$ 4,942,735
Revenues:				
Revenues	11,792,152	12,514,554	11,951,320	12,313,940
Transfers In	2,008,635	2,390,995	2,428,800	2,434,280
Total Revenues	13,800,787	14,905,549	14,380,120	14,748,220
Expenditures:				
Salaries and Benefits	8,259,050	8,648,137	9,124,700	9,284,200
Current Expenses	4,501,872	4,276,451	4,695,900	4,942,682
Debt Service	134,688	192,437	248,595	248,595
Capital Outlay	439,623	398,650	52,200	62,592
Transfers Out	84,470	134,075	106,000	979,939
Contingency	-	-	50,000	-
Total Expenditures	13,419,703	13,649,750	14,277,395	15,518,008
Total Operating Increases (Decreases)	381,084	1,255,799	102,725	(769,788)
Available Fund Balance	\$ 3,686,936	\$ 4,942,735	\$ 3,740,704	\$ 4,172,947



MANAGEMENT REPORTING SYSTEM
MID-YEAR BUDGET UPDATE FY 2014-15
JULY 1, 2014 - DECEMBER 31, 2014

DEPARTMENT: CITY ADMINISTRATION

Departmental Goals – Status Report

Complete	In-Progress/ Upcoming	Defer/ Delete	Revise/ New	
	X			Complete update of the Administrative Policy Manual.
X				Develop plan to implement new requirements of the Affordable Care Act.
X				Coordinate implementation of a comprehensive customer service program.
X				Coordinate establishment of a tourism business improvement district.
	X			Implement annual participation in the ICMA National Citizens' Survey to enhance public input and customer service feedback.
	X			Continue providing legal advice and assistance on all aspects of City business and represent the City in matters requiring legal action.
	X			Identify areas and develop standardized forms when appropriate.
	X			Coordinate Code Enforcement legal response to chronic cases.
X				Complete process of developing a City Charter for Council consideration to place on the ballot at the November 4, 2014 election.



MANAGEMENT REPORTING SYSTEM
MID-YEAR BUDGET UPDATE FY 2014-15
JULY 1, 2014 - DECEMBER 31, 2014

DEPARTMENT: ADMINISTRATIVE SERVICES

Departmental Goals – Status Report

Complete	In-Progress/ Upcoming	Defer/ Delete	Revise /New	
	X			Update Financial Section of the Administrative Policy Manual.
X				Assist with the completion of a Water and Sewer Rate Study.
	X			Update the City's Purchasing Policy.
X				Prepare and distribute an RFP for banking services.
	X			Cross train with Human Resources staff to improve customer service.
X				Complete the City's annual audits and comprehensive annual financial report (CAFR).
X				Obtain updated OPEB actuarial report.
X				Complete update of the City's Personnel Regulations.
	X			Complete update of the City's Administrative Policy Manual Personnel policies.
X				Implement online job applications through the City's website.



MANAGEMENT REPORTING SYSTEM
MID-YEAR BUDGET UPDATE FY 2014-15
JULY 1, 2014 - DECEMBER 31, 2014

DEPARTMENT: LEGISLATIVE & INFORMATION SERVICES

Departmental Goals – Status Report

Complete	In-Progress/ Upcoming	Defer/ Delete	Revise/ New	
	X			Update Citywide Records Retention Schedule to reflect City's reorganized structure and update Records Management Manual.
	X			Upgrade cablecasting and audio/visual systems in Council Chambers.
X				Coordinate November 2014 General Municipal Election.
	X			Complete web/public access portion of City LaserFiche project.
	X			Publish 8 issues of the City-wide newsletter for distribution to all City residences and businesses.
X				Conduct new Commissioners Orientation (2015).
X				Conduct biennial review of the Conflict of Interest Code (2014).
X				Update Municipal Code as new ordinances are adopted.
X				Coordinate annual records destruction pursuant to retention schedule.
	X			Develop recommendations for centralized records storage.
X				Develop request for proposal for website redesign and hosting.

Management Reporting System: Legislative & Information Services

Complete	In-Progress/ Upcoming	Defer/ Delete	Revise/ New	
	X			Meet all legal publishing and posting requirements.
	X			Complete Citywide network policy.
X				Perform replacement of seven (7) core servers between City Hall and Police Department.
	X			Upgrade Microsoft Windows network environment.
X				Upgrade Microsoft Exchange email environment.
	X			Upgrade Microsoft Exchange SQL database environment.
X				Replace primary copier/printer in Community Development Department.
	X			Complete CitizenServe egovernment software implementation.
	X			Increase network spare equipment inventory.
X				Implement virtualized server environment.
X				Implement enterprise level data backup solution.
X				Implement Voice over Internet Protocol (VoiP) phone solution.
X				Implement hosted and redesigned website.
X				Install data network and voice systems to support Police Department relocation to Woman's Club/Community Center
	X			Install data network and voice systems to support Police Department relocation back to newly remodeled facility.
X				Install emergency UPS/Generator system for City Hall server room
	X			Coordinate LaserFiche record indexing project for Engineering maps



MANAGEMENT REPORTING SYSTEM
MID-YEAR BUDGET UPDATE FY 2014-15
JULY 1, 2014 - DECEMBER 31, 2014

DEPARTMENT: COMMUNITY DEVELOPMENT

Departmental Goals – Status Report

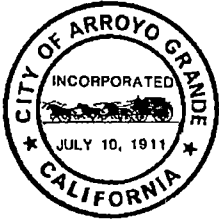
Complete	In-Progress/ Upcoming	Defer/ Delete	Revise/ New	
	X			Complete updates of Circulation, Conservation and Open Space elements.
	X			Develop work-plan for an update of remaining General Plan Elements, including Land Use, Agriculture, and Noise Elements.
	X			Create a database for designated and potential historic resources and districts.
	X			Designate structures as proposed by property owners and Continue Village Core assessment of historic structures.
	X			Develop work plan to identify and address obstacles to infill development along East Grand Avenue.
	X			Apply for grant funding to implement one or more projects identified in the Bicycle and Trails Master Plan.
	X			Process applications for Courtland Street and East Grand Avenue and East Cherry Avenue development projects.
	X			Prepare Development Code update regarding sign regulations.
	X			Codify affordable housing in-lieu fee.

Management Reporting System: Community Development

Complete	In-Progress/ Upcoming	Defer/ Delete	Revise/ New	
	x			Clark Property Easement. New appraisal indicates project is viable.
	x			Establish a James Way Open Space trail connection.
	x			Obtain consultant assistance for the preparation of the Land Use Element Update and Program EIR.
	x			Design the Bridge Street Bridge Rehabilitation Project.
	x			Coordinate future construction of extension of Castillo Del Mar behind Arroyo Grande High School.
		x		Construct the Water Well No. 11 Facilities Rehabilitation project. Design is complete. Project moved to Public Works for construction.
x				In conjunction with Planning Division, prepare and submit annual Stormwater Management Plan report to the Regional Water Quality Control Board.
	x			Develop Traffic and Circulation Fee Study and coordinate with Planning Division on Circulation Element Update.
x				Receive training and train other staff specific to required NPDES and storm water inspection and erosion control.
	x			Update Americans' with Disabilities Act (ADA) compliance plan.
x				Implement expanded interactive remote inspection through use of smart phone devices.
x				Assist in the implementation of the automated Planning tracking system.
x				Adopt the 2014 California Building Standards Codes with amendments.
				Provide applicable permitting and inspection for projected projects including:
x				Commercial building at the Five Cities Center (Pier One).
	x			Commercial buildings for the JJ's building and new Market.

Management Reporting System: Community Development

Complete	In-Progress/ Upcoming	Defer/ Delete	Revise/ New	
		x		Commercial buildings at the Courtland Street and East Grand Avenue. Duplicate.
	x			Detached single family residential homes at the Grace Lane subdivision.
	x			Apartments at the Pike and Elm Street project.
x				Co- cellular telephone carriers located at reservoir sites and Southern California Gas Company Advance Meter and City Repeater Equipment.
x				Increase percentage of code enforcement cases resolved within one month by 25%.
	x			Obtain required design exceptions from Caltrans for the Brisco Interchange project.
x				Complete bid/award and start construction of the Police Station project.
	x			Once funding secured scope design projects for Fair Oaks/FWY 101 off ramp and E. Branch Streetscape extension.



MANAGEMENT REPORTING SYSTEM
MID-YEAR BUDGET UPDATE FY 2014-15
JULY 1, 2014 - DECEMBER 31, 2014

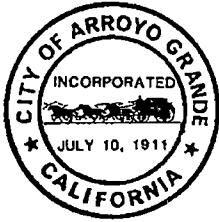
DEPARTMENT: POLICE DEPARTMENT

Departmental Goals – Status Report

Complete	In-Progress/ Upcoming	Defer/ Delete	Revise/ New	
	X			Maintain or exceed National UCR average clearance rate for Part 1 Crimes.
	X			Address the Police Department's facility needs.
	X			Continue the communications upgrade project with COPS grant funding including the establishment of full service public safety radio repeater sites.
	X			Expand and enhance Operation Blue Watch Police Video Surveillance system based on existing annual funding.
	X			Continue to promote consolidated public safety services.
	X			Work with Human Resources to transfer custody of identified personnel files currently held in the Police Department to Human Resources for assimilation.
	X			Continue to actively evaluate and implement cost saving measures including grants, state and federal surplus property programs and internal controls and audits.
X				Enhance Neighborhood Services Program to cover seven days a week through existing funding utilizing three temporary part time positions.
	X			Enhance focused traffic enforcement in targeted areas utilizing public education and

Management Reporting System: Police Department

Complete	In-Progress/ Upcoming	Defer/ Delete	Revise/ New	
				technology in partnership with Engineering and Public Works.
	X			Maintain minimum police patrol staffing of three field units at all times.
	X			Provide public safety public relations program to include presentations to community groups and schools and community problem resolution.
	X			Process, record and track code enforcement complaints to initiate inspection within 48 hours of complaint and citations within 4 months of non-compliance.
	X			Continue to support and enhance the Citizen Volunteer Program and participate in the South County Police volunteers.



MANAGEMENT REPORTING SYSTEM
MID-YEAR BUDGET UPDATE FY 2014-15
JULY 1, 2014 - DECEMBER 31, 2014

DEPARTMENT: PUBLIC WORKS

Departmental Goals – Status Report

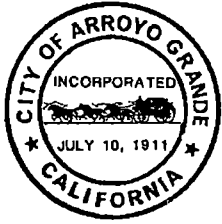
Complete	In-Progress/ Upcoming	Defer/ Delete	Revise/ New	
	X			Construct new 2,000 sf. PW Administration building and complete minor renovations to the existing Corporation Yard buildings.
X				Develop and implement automated work order and management system.
	X			Work with Building Division on update of Americans' with Disabilities Act (ADA) Compliance Plan.
X				Conduct a comprehensive municipal facility inspection for Storm Water Management Plan compliance.
	X			Establish routine facility inspections to identify and repair safety hazards and maintenance items.
X				Conduct Arch Flash evaluations and labeling to meet OSHA requirements and to improved employee safety practices.
	X			Complete revised Car Corral upgrade, Montego Street sidewalk infill project, Halcyon Road and Alpine Street improvements.
	X			Design and Install the Don Roberts field lights
X				Conduct the annual turf renovation project at the Soto Sports Complex fields in 2013

Management Reporting System: Public Works

Complete	In-Progress/ Upcoming	Defer/ Delete	Revise/ New	
				and 2014.
X				Design and construction of ADA accessibility improvements to Volunteer field in the Soto Sports Complex.
X				Design and construct the annual concrete repair projects on City sidewalks at various locations.
X				Secure a landscaping contractor through a competitive bid process to maintain various City park and landscape areas.
X				Conduct Annual Creek preservation and vegetation removal projects.
X				Improve maintenance of assessment district landscaped areas utilizing contracted landscape maintenance firms.
X				Plan and complete on schedule the annual pavement management program.
	X			City Landscape Area Irrigation Retrofit project
Utilities Division (Water and Sewer Funds)				
X				Construct Fair Oaks Phased Main Replacement (Alder to Halcyon).
X				Upgrade Leanna Drive Creek Crossing.
	X			Complete Trenchless Sewer Rehabilitation- Crown Terrace, Le Point, The Pike & Eman Court to Newman drive easements.
X				Complete painting the exterior of Reservoir 3
X				Complete the Water and Sewer rate study in coordination with the Finance Division.
X				Complete upgrades to the Water and Wastewater SCADA system, including purchasing and installing replacement radios.
x				Complete Sanitary Sewer Management Plan Audit requirements for State requirements for Standard Operating Procedures

Management Reporting System: Public Works

Complete	In-Progress/ Upcoming	Defer/ Delete	Revise/ New	
	X			Crown Terrace Sewer Main Replacement
	X			Well Number 11 Treatment plant
	X			Galvanized Service Replacements
	X			Water Conservation program implantation for Leak Detection and Residential retrofit programs



MANAGEMENT REPORTING SYSTEM
MID-YEAR BUDGET UPDATE FY 2014-15
JULY 1, 2014 - DECEMBER 31, 2014

DEPARTMENT: RECREATION SERVICES

Departmental Goals – Status Report

Complete	In-Progress/ Upcoming	Defer/ Delete	Revise/ New	
	X			Identify partnerships to help fund needed improvements at the Woman's Club Community Center.
	X			Complete storage sheds at Ikeda and Volunteer Fields within the Soto Sports Complex with funding from private donations and community support.
	X			Continue office organization efforts, program evaluations and staff training to increase efficiency and service levels.
X				Increase enrollment in the child care programs.
	X			Continue fund raising strategies for the Children In Motion program, with a goal of raising \$10,000 per year.
	X			Continue working with the Five Cities Community Services Foundation to raise funds for the proposed recreation center.
	X			Continue to increase utilization of Soto Sport Complex for tournaments and fall softball.
	X			Increase community outreach to inform citizens and broaden partnerships.