



To: Mayor and City Council

From: Alan Shear, Assistant City Manager

Subject: Amending the Fiscal Year 2015-16 Budget and Approving
Mid-Year Budget Adjustments

Date: February 9, 2016

Recommendation

Adopt a Resolution amending the fiscal year 2015-16 Budget and approving the recommended mid-year budget adjustments.

Background

The City's Operating Budget is developed on a biennial basis and adopted by the City Council. The City Council approves any additional appropriations from the fund balance and any adjustments to the adopted biennial budget in excess of 1%. Per the budget document, these budget adjustments are presented to the City Council in the middle of the fiscal year. All budgetary procedures conform to State regulations and Generally Accepted Accounting Principles (GAAP).

The City Council approved Resolution 079-15 adopting the 2015-17 Biennial Budget on June 17, 2015. Staff has completed a review of the first six months of the 2015-16 budget year, encompassing the General Fund, Special Revenue Funds, Internal Services Funds and Enterprise Funds. Staff presented and discussed the proposed mid-year budget adjustments with the Budget Subcommittee on February 10, 2016. The Subcommittee recommended forwarding the adjustments presented to the full Council for approval.

Discussion

General Fund:

The City began Fiscal Year 2015-16 with a balanced operating budget, with revenues equal to expenditures. The following budget adjustments have occurred since the approval of the budget in June 2015. On July 15, 2015, Council approved \$14,605 from Unassigned Fund Balance to Main Street Martinez for a concert production at the Martinez Waterfront Amphitheater. On November 4, 2015 Council approved the re-appropriation of Fiscal Year 2014-15 encumbrances to the current fiscal year as part of the Comprehensive Annual Financial Report review. Also on November 4, 2015, Council approved allocating \$1,390,659 of Unassigned Fund Balance to Assigned Fund Balance.

In reviewing the year-to-date General Fund activity and projections, staff recommends amendments to both revenue and expenditures. These amendments include the following:

Revenue Adjustments \$694,958

Taxes: *Totaling \$321,000*

- Increase property tax by \$221,000 and Property Tax Swap by \$55,000 due to an increase in assessed valuation.
- Increase Transient Occupancy Tax by \$45,000 due to current trend.

Intergovernmental: *Totaling \$99,084*

- Increase state mandate claims for reimbursements by \$44,000 as a result of funds received that were not expected in this year.
- Increase Public Safety Sales tax \$40,000 based on trend.
- Increase Motor Vehicle In-lieu by \$15,084 for collection from the State for Fiscal Year 2014-15 they consider "excess collection".

Charges for Services: *Totaling \$164,000*

- Increase planning fees by \$14,000 based on actual fees received to date.
- Increase engineering plan check fees by \$150,000 for fees collected from Discovery Builders.

Fines and Forfeits: *Totaling \$20,000*

- Increase parking citations based on current trend.

Miscellaneous Revenue: *Totaling \$90,874*

- Increase for interest payments received from the State for state mandated claims.

These adjustments total an increase in revenue of \$694,958. Table 1 below shows these increases under the "Proposed Budget Revisions" column, along with year-to-date revenues for the first half of Fiscal Year 2015-16.

Table 1

	Mid-Year 12/31/15	Fiscal 2015/16 Adopted Budget	Proposed Budget Revisions	Fiscal 2015/16 Proposed Budget
REVENUE				
Taxes	\$ 6,741,584	\$ 17,753,361	\$ 321,000	\$ 18,074,361
Intergovernmental	262,610	528,300	99,084	627,384
Licenses, Permits & Fees	357,051	671,500	(0)	671,500
Charges for Services	633,348	934,510	164,000	1,098,510
Fines and Forfeits	171,007	412,500	20,000	432,500
Use of Money & Property	57,991	160,000	(0)	160,000
Miscellaneous	178,845	145,113	90,874	235,987
TOTAL	\$ 8,402,434	\$ 20,605,284	\$ 694,958	\$ 21,300,242

The General Fund's largest revenue source, property tax, was budgeted with an increase of 2% over what the City received in Fiscal Year 2014/15. The City's property tax consultant recently recommended increasing revenue another 3% to capture the increase in assessed valuation over Fiscal Year 2014/15. The City's second largest revenue source, sales tax and sales tax in-lieu is expected to meet budget of \$4,300,000 for 2015/16.

Expenditure Adjustments \$383,730

General Government: *Totaling \$30,000*

- Increase of \$8,000 for social security for new hires.
- Increase of \$2,000 for materials for Sister City in China.
- Increase legal costs for project labor agreement \$20,000

Administrative Services: *Totaling \$95,000*

- Increase by \$22,000 for recruitment cost.
- Increase \$8,000 for overtime in Personnel.
- Increase \$65,000 for buyback of leave time.

Public Works: *Totaling \$27,000*

- Increase of \$1,000 for cost increase at the library for utilities.
- Increase of \$3,000 for janitorial services.
- Increase of \$8,000 for unmet liability costs.
- Increase of \$7,000 social security on new hires.
- Increase of \$8,000 for buyback of leave time.

Police: *Totaling \$147,500*

- Increase of \$75,000 for buyback of leave time.
- Signing Incentive \$72,500

Community Development: *Totaling \$84,230*

- Increase of \$70,000 for buyback of leave time.
- Increase of \$7,000 for social security for new hires.
- Increase of \$2,230 to Main Street Martinez for concert.
- Increase of \$5,000 for copies of the general plan.

These adjustments total an increase of \$383,730 to expenditures, shown below in Table 2 under "Proposed Budget Revisions," along with actual expenditures for the first half of Fiscal Year 2015-16.

Table 2

<i>Table 2</i>				
	Mid-Year 12/31/15	Fiscal 2015/16 Adopted Budget	Proposed Budget Revisions	Fiscal 2015/16 Proposed Budget
EXPENSE				
General Government	\$ 618,315	\$ 1,202,798	\$ 30,000	\$ 1,232,798
Non-Departmental	680,248	1,641,492		1,641,492
Admin Services	587,662	1,180,875	95,000	1,275,875
Public Works	1,896,051	4,013,402	27,000	4,040,402
Police	5,199,770	10,367,021	147,500	10,514,521
Community Development	1,187,885	2,249,805	84,230	2,334,035
Sub-total	10,169,931	20,655,393	383,730	21,039,123
Transfers Out	1,408,461	1,576,659		1,576,659
TOTAL	\$ 11,578,392	\$ 22,232,052	\$ 383,730	\$ 22,615,782

As stated in the budget document, the City will exercise prudent fiscal management by maintaining an adequate fund balance to protect the City in times of economic uncertainty or unforeseen circumstances. If mid-year budget adjustments are approved, the General Fund Unassigned Fund Balance is estimated to be approximately \$5.5 million at June 30, 2016.

Adjustments to non-general fund Funds

Water Fund: *Totaling \$64,091*

- Increase for buyback of vacation \$28,000
- Fencing for Alhambra Reservoir \$36,091

Measure C/J Fund:

- Revenue Adjustment of \$60,000 for increase over budget for the 18% LSM payment.
- Expenditure Adjustment for a Traffic Study of the Arnold Drive Corridor \$10,000.

Fiscal Impact

The budget amendments to the General Fund will net an increase in Unassigned Fund Balance of \$311,228. The budget amendments to the Water Fund decrease the Fund’s Restricted Net Assets by \$64,091. The net budget amendments to the Measure C/J Fund will increase the Assigned Fund Balance of Measure C/J Fund by \$50,000.

Attachment

- Resolution

APPROVED BY: 
 Interim City Manager

RESOLUTION NO. -16

**APPROVING THE MID-YEAR ADJUSTMENTS TO THE ADOPTED BIENNIAL BUDGET
FOR THE 2015-2016 FISCAL YEAR**

WHEREAS, on June 17, 2015, the City Council adopted the Biennial Budget for the City of Martinez for Fiscal Years 2014-15 and 2015-16; and

WHEREAS, at mid-year, it is necessary to amend the budget to update revenue projections and expenditures; and

WHEREAS, at mid-year, it is necessary to amend the budget to update adjustments to the General Fund, Water Enterprise Fund and Measure C/J Special Revenue Fund; and

WHEREAS, those changes to the 2015-16 Fiscal Year Budget have been described, including their fiscal impact, in the attached staff report; and

WHEREAS, staff met with the Budget Subcommittee on February 10, 2016, and the Budget Subcommittee recommended forwarding the revisions to the 2015-16 Fiscal Year Budget to the full City Council; and

WHEREAS, as stated in the budget document, the City will exercise prudent fiscal management by maintaining an adequate fund balance to protect the City in times of economic uncertainty or unforeseen circumstances.

NOW, THEREFORE, BE IT RESOLVED the City Council adopts the revisions to the 2015-16 Fiscal Year Budget as provided for in the attached staff report.

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I HEREBY CERTIFY the foregoing is a true and correct copy of a resolution duly adopted by the City Council of the City of Martinez at a Regular Meeting of said Council held on the 17th day of February, 2016, by the following vote:

AYES:

NOES:

ABSENT:

RICHARD G. HERNANDEZ, CITY CLERK
CITY OF MARTINEZ