



CITY OF MARTINEZ

**CITY COUNCIL AGENDA
February 15, 2012**

TO: Mayor and City Council

FROM: Alan Shear, Assistant City Manager
Cathy Spinella, Finance Manager

SUBJECT: Adopt a Resolution Amending the Fiscal Year 2011-12 Budget and Approving the Recommended Mid-Year Budget Adjustments

DATE: February 8, 2012

RECOMMENDATION:

Adopt a Resolution Amending the Fiscal Year 2011-12 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 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 mid-year. All budgetary procedures conform to State regulations and Generally Accepted Accounting Principles (GAAP).

On June 15, 2011, the City Council approved Resolution 070-11 adopting the 2011-12 budget. With the fiscal year at a halfway point, staff has completed a review of the first six months of the budget year, which includes the General Fund, Special Revenue Funds, Internal Services Funds and Enterprise Funds. Staff presented and discussed the adjustments with the Budget Subcommittee on February 7, 2012, who recommended forwarding to the full Council.

General Fund

The City began Fiscal Year 2011-12 with a balanced operating budget, where revenues are equal to expenditures. With review of the mid-year activity and projections, staff is recommending only one adjustment to revenue, with an offsetting adjustment to expense to maintain a balanced budget. Below, Table 1 shows revenues and Table 2 shows expenditures. Each table shows a variance between the first half of Fiscal Year 2010-11 to the first half of Fiscal Year 2011-12; the adopted budget for Fiscal Year 2011-12; and proposed adjustments to the current Fiscal Year Budget.

MID YEAR REVIEW 2011 - 2012 GENERAL FUND REVENUES *Table 1*

	Mid-Year 12/31/10	Mid-year 12/31/11	Variance From Prior Year	2011-12 Adopted Budget	Proposed Budget Revisions	2011-12 Revised Budget
REVENUE						
Taxes	\$ 5,738,474	\$ 5,848,191	\$ 109,718	\$ 15,959,727		\$ 15,959,727
Licenses, Permits & Fees	272,230	270,440	(1,790)	460,010		460,010
Fines & Forfeitures	162,979	101,619	(61,360)	365,054	(30,000)	335,054
Intergovernmental	190,010	201,898	11,887	581,660		581,660
Charges for Services	177,207	317,898	140,691	473,010		473,010
Use of Money & Property	35,358	26,621	(8,737)	122,408		122,408
Other Revenue	537,278	530,324	(6,954)	559,312		559,312
TOTAL	7,113,536	7,296,991	183,455	18,521,181	(30,000)	18,491,181

As Table 1 shows, revenue is \$183,455 higher than mid-year 2010-11. It is important to note that although revenues show an increase over last year, it is not necessarily due to revenue growth. The major variances compared to last year are explained below.

- Taxes had a variance of \$109,718 that is mostly attributable to Business License of \$106,000 as a result of the renewal notices being mailed a month later than usual because of an update with a new system release to the City’s financial software. Sales Tax is up slightly by \$13,000; however this includes a one-time payment of a misallocation from one of our major tax revenue producers for the 4th Quarter 2008. With that, after meeting with our sales tax consultant, staff still feels the City will meet the projected budget. Document Transfer tax is up by \$32, 000; however Property Tax has a decrease of \$48,000 over this time last year.
- Fines & Forfeitures are down by \$61,360 primarily in parking citations and tow releases. The decrease is due to the vacancy of a Police Assistant position that will remain frozen as part of the balanced budget passed in June 2011. Some of the salary savings is being used to offset the revenue loss with a corresponding reduction in expense.
- Charges for Services are up by \$140,691 over last year. Of this amount, \$38,941 is in swimming pool revenue because the pool was not open in the first half of last fiscal year; planning, engineering and inspections fees are up by \$89,984 due to an upswing in permits for work in the public right away, as both PG&E and AT&T have had large projects within the city. AT&T installed new fiber optic lines on Alhambra Ave and Marina Vista, as well as Green Street. Another \$14,517 is in day care fees due to increase enrollment over last year. However, there are offsetting increases in expenditures for the Day Care Administer, which is tied to revenue received.

The proposed budget adjustment of \$30,000 to Charges for Services is for the decrease in revenue in parking citations and tow releases. The reduction in the Police Department, shown below in Table 2, offsets this loss of revenue.

MID YEAR REVIEW 2011 - 2012 GENERAL FUND EXPENDITURES						Table 2
	Mid-Year 12/31/10	Mid-year 12/31/11	Variance From Prior Year	2011-12 Adopted Budget	Proposed Budget Revisions	2011-12 Revised Budget
REVENUE						
General Government	\$ 587,599	\$ 489,597	\$ (98,002)	\$ 1,162,873		\$ 1,162,873
Non-Departmental	423,963	447,618	23,655	1,066,863		1,066,863
Admin Services	362,850	361,063	(1,787)	758,701		758,701
Public Works	1,702,208	1,698,888	(3,320)	3,505,914		3,505,914
Police	5,017,892	4,789,774	(228,118)	9,985,637	(30,000)	9,955,637
Community Development	1,009,915	1,072,584	62,669	2,039,202	0	2,039,202
TOTAL	9,104,427	8,859,524	(244,903)	18,519,190	(30,000)	18,489,190

As Table 2 shows, expenses are down by \$244,903 over last year, which was expected with the budget cuts the City made when the budget was adopted in June. The major differences are as follows:

- General Government has a decrease due to the City Manager’s secretary reduced to part-time in the budget process; attorney costs are less due to costs associated with a land use lawsuit in Fiscal Year 2010-11.
- Police has a decrease from last year with freezing two police officer positions and the police assistant position; the vacancy of a records clerk position, which was reduced to part-time as part of the budget.
- Community Development has an increase with the opening of the pool.

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. The General Fund unassigned fund balance is estimated to be approximately \$3.3 million at June 30, 2012.

Recommended Non-General Fund Budget Adjustments

The Budget Subcommittee also accepted staff’s recommendations to increase expenditures in two non-general funds:

- Increase expense in the Gas Tax Fund by \$50,000: to rebuild the pedestrian bridges at F Street and at Alhambra Way by the Public Works Department; patching numerous potholes, and the replacement of concrete curbs and sidewalks in several areas. There is still additional drainage and paving work remaining in this fiscal year.
- Increase expense in the Water Fund by \$705,000: for the capital project identified in the Master Plan as Chemical Room Concrete Repair and Tank Relocation. (1) To repair the concrete in the chemical room at the Water Treatment Plant where liquid chemicals are stored and used to filter untreated water in concrete vaults adjacent to the settling basins. Over the years, the walls have developed cracks that seep chemicals into the adjacent room. The chemicals have corroded the concrete walls to the point of exposing the reinforcing rebar. (2) Tank relocation of underground storage tanks. County Health

Services has just re-categorized the concrete vaults as “underground storage tanks” even though the vault north wall and top are completely exposed and accessible. The vaults do not currently comply with the more stringent underground tank requirements. This project will involve the purchase of two high density polyethylene (or similar) aluminum tanks, and the construction of a secondary containment structure, cover, and piping. A third tank will be installed near the new fluoride tank to store caustic materials and will be of similar design.

Project Update

On September 7, 2011, Council authorized the expansion of the parking lot on the Intermodal Facility Phase III Project. The project is funded with Measure J funds and part of the funding is to pay for the cost to acquire additional right-of-way for the vehicular bridge over Alhambra Creek and parking lot access. The City became aware that property on Berrellessa Street was being sold of the Estate of Peter Mercurio by probate court through a sealed bid process. Staff was directed to offer a bid up to \$60,000 for the property by the City Council in closed session, due to the sealed bid process. On November 22, 2011 the City was successful in purchasing 135 Berrellessa Street through the probate sale for \$51,550. This cost is funded with Measure J funds. There are no budgetary adjustments that need to be made for this expense.

FISCAL IMPACT:

The budget amendments proposed for the Gas Tax Fund of \$50,000 and the Water Fund of \$705,000 will come from each funds’ Fund Balance respectively. There is no fiscal impact to the General Fund.

ACTION:

Adopting resolution authorizing mid-year budget adjustments for Fiscal Year 2011-12.

Attachment: Resolution

APPROVED BY:


City Manager

RESOLUTION NO. -12

**APPROVING THE MID-YEAR ADJUSTMENTS TO THE ADOPTED BIENNIAL
BUDGET FOR THE 2011-2012 FISCAL YEAR**

WHEREAS, in June 2011, the City Council adopted the Biennial Budget for the City of Martinez for Fiscal Years 2011-12 and 2012-13; and

WHEREAS, at mid-year, it is necessary to amend the budget to update certain general fund, special revenue fund and enterprise fund revenue projections and expenditures; and

WHEREAS, those changes to the 2011-12 Fiscal Year Budget have been described, including their fiscal impact, in the attached staff report.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Martinez adopts the revisions to the 2011-12 Fiscal Year Budget as provided for in the attached staff report.

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I HEREBY CERTIFY that 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 15th day of February, 2012 by the following vote:

AYES:

NOES:

ABSENT:

RICHARD G. HERNANDEZ, CITY CLERK
CITY OF MARTINEZ