



**CITY OF PACIFIC GROVE**  
**300 Forest Avenue, Pacific Grove, California 93950**

**AGENDA REPORT**

**TO:** Honorable Mayor and Members of the City Council  
**FROM:** James L. Becklenberg, Acting Deputy City Manager  
**MEETING DATE:** March 3, 2010  
**SUBJECT:** Receive Mid-Year FY 2009/10 Budget Update and Approve First Reading of an Ordinance Amending the Approved Budget Of The City Of Pacific Grove For The Fiscal Year 2009/10  
**CEQA:** This does not constitute a “project” under California Environmental Quality Act (CEQA) guidelines.

**RECOMMENDATION**

Receive the Budget Update, introduce and hold the first reading of an Ordinance to amend the FY 2009/10 budget, and direct staff to publish a summary of the proposed ordinance, as approved by the City Attorney, in accord with Charter Article 15.

**DISCUSSION**

As a result of aggressive cost-cutting last summer and the subsequent avoidance of disruptions from a state raid on cities’ revenues, the City’s financial health continues to improve. Projected total revenues for this fiscal year continue to exceed projected total expenditures, yielding net revenue to continue restoring General Fund reserves to desired levels and helping address those City funds for which the General Fund is ultimately responsible that still have negative fund balances.

Revenue performance, in total, is slightly ahead of original budget projections: \$14.9 million instead of the \$14.8 million budgeted. On the expenditure side, staff estimates approximately \$90,000 of savings for the year, based on actual expenditures so far. At this time in the fiscal year, the budget must be updated for actions taken by the City Council since the fiscal year began and to adjust the budget for circumstances unforeseen last spring when staff developed the budget. These adjustments along with their effects on the budget and the projected bottom line are summarized in the following table and described on the next page.

### Recommended Changes to FY 2009/10 General Fund Budget

	General Fund fund balance June 30, 2010 before adjustments (estimated) with changes presented to the City Council in October 2009	2,304,221
	<u>REVENUE CHANGES</u>	
	Revenue estimate adjustments	200,169
A	Add building services revenue (CC action 8/5/10)	354,090
	<b>REVENUE CHANGE TOTAL</b>	<b>554,259</b>
	<u>EXPENDITURE CHANGES</u>	
A	Add building services contract costs (CC action 8/5/10)	(320,000)
B	Transfer for retiree medical long-term liabilities (CC action 9/16/09)	(57,747)
C	Add transfer for omitted property insurance payment	(34,968)
D	Staffing changes (CC action 12/16/09)	(6,767)
E	Increase Library budget for cost of accrued employee leave payout	(26,500)
F	Increase Museum budget for costs related to transition to Foundation management	(45,000)
	<b>REQUIRED EXPENDITURE BUDGET CHANGE TOTAL</b>	<b>(490,982)</b>
	Projected additional savings	90,000
	Net change	<b>153,277</b>
	General Fund fund balance June 30, 2010 after required adjustments (estimated)	2,457,498

- A. *Add building services costs and revenue (\$354,090 revenue and \$320,000 expenditure):* When the current year budget was adopted, the City had not completed the procurement for contract building services. For budget purposes, we assumed that the service provider (ultimately the City of Monterey) would collect fees due from customers and remit the portion due to the City. The final contract provides that the City collects all fees and remits the contract share (75%) to the City of Monterey. Therefore, we must include all estimated building and plan check revenue along with the related contract costs in the budget.
- B. *Transfer for retiree medical long-term liabilities (\$57,747):* In September 2009, the City received a valuation and report on the future costs of existing retiree medical benefits. In order to avoid incurring additional unfunded liabilities, the City Council directed staff to include these costs in the budget each year and transfer the cash to a separate fund reserved for paying these benefits when they come due. The amount to be transferred in the current year relates to the liabilities incurred in FY 2008/09 and FY 2009/10, for a total of \$104,656. A portion of these costs had already been budgeted in the current year. The remaining General Fund portion, \$57,747 is recommended to be allocated and appropriated in department budgets for transfer to the special fund established for tracking these costs.
- C. *Transfer for a property insurance premium omitted from the original budget (\$34,968):* Staff realized that the City's property insurance premium was not properly budgeted in the original budget. The amount of the premium must be allocated to department budgets with the allocated amounts to be transferred to the Risk Management Fund. The total premium is \$65,006, with the General Fund department allocations totaling \$34,968.
- D. *Staffing modifications (\$6,767):* In December 2009, the City Council approved minor staffing adjustments with a total General Fund impact of \$6,767.

- E. *Increase Library budget for cost of accrued employee leave payment (\$26,500):* Last spring, strategies for balancing the current year's budget included eliminating, among other positions, a Library Assistant II position. This long-time employee retired from City service in July 2009, which resulted in the payment of routine, yet unbudgeted, accrued leave balances in the current fiscal year. This adjustment is necessary to ensure that all originally budgeted resources are available for maintaining current library hours.
- F. *Increase Museum budget for costs related to transition to Foundation management (\$45,000):* When the agreement with the Museum Foundation was finalized, staff advised the City Council that a budget adjustment would be necessary to cover all costs associated with transitioning the museum to Foundation management. Much of the additional costs apply to the current year only and will not be part of next year's budget. The costs include museum staff for approximately six weeks in the current fiscal year, an allocation of the City's pension allocation bond debt service, museum inventory services, and museum facility maintenance costs.

**Reserve Levels.** Concluding FY 2009/10 with an ending fund balance of nearly \$2.5 million would help restore General Fund reserves. However, since the General Fund effectively serves as the reserve for the entire City, it is important to consider the health of other funds when considering financial health regarding reserves. The table below shows the recent history of fund balances in the General Fund plus other funds that are largely dependent on the General Fund and are expected to have negative fund balances as of June 30, 2010:

**Fund Balance History for Funds Dependent on the General Fund**

6/30/06 – 6/30/10 est.

	6/30/06	6/30/07	6/30/08	6/30/09	6/30/10 est.
General Fund	\$1,186,125	\$833,057	\$892,705	\$1,978,092	<b>\$2,457,498</b>
Storm Water Fund	N/A	(200,627)	(91,661)	(14,437)	<b>50,000</b>
Civic Center Debt Service	(1,072)	10,644	25,368	33,871	<b>33,871</b>
Vehicle Replacement Fund	(21,460)	20,291	0	0	<b>0</b>
Liability Insurance Fund	(371,014)	114,411	225,943	17,346	<b>0</b>
Health Insurance Fund	0	(3,431)	22,643	22,643	<b>0</b>
Public Safety Augmentation (9-1-1) Fund	(19,157)	(223,867)	(294,728)	(197,374)	<b>(197,374)</b>
Cemetery Enterprise Fund	(192,517)	(124,919)	(111,510)	(202,008)	<b>(277,008)</b>
Workers Compensation Fund *	(2,225,128)	(1,819,734)	(1,799,719)	(1,305,713)	<b>(1,213,713)</b>
<b>TOTAL</b>	<b>(\$1,644,223)</b>	<b>(\$1,394,175)</b>	<b>(\$1,130,959)</b>	<b>\$332,420</b>	<b>\$853,274</b>

\* Figures represent the amount of total liabilities for future claims; extremely unlikely for entire balance to be due in a single year.

Considering these liabilities along with General Fund reserves provides a clearer picture of City reserves. Staff recommends transferring \$197,374 of the General Fund fund balance to the Public Safety Augmentation (9-1-1) fund to resolve its negative balance and \$250,000 to the Workers Compensation Fund to further reduce the unfunded liability. If approved by the City Council, the additional transfers would be appropriated from the General Fund for transfer through appropriate department budgets to the other funds, with the following impacts on fund balances:

### Result of Recommended Additional General Fund Transfers

	6/30/10 before rebalancing fund balances	6/30/10 est. after rebalancing fund balances
General Fund	\$2,457,498	\$1,986,973
Public Safety Augmentation (9-1-1) Fund	(197,374)	0
Cemetery Enterprise Fund	(277,008)	(277,008)
Workers Compensation Fund *	(1,213,713)	(963,713)
<b>TOTAL</b>	<b>\$853,274</b>	<b>\$853,274</b>

\* Figures represent the amount of total liabilities for future claims; extremely unlikely for entire balance to be due in a single year.

**Budget adjustments to other funds.** The following adjustments respond to circumstances in other funds that have arisen since the budget was adopted last spring. Since these adjustments are outside the General Fund, they do not affect the General Fund resources available for basic services.

#### Non-General Fund Adjustments to FY 2009/10 Budget

Fund	Amount	Recommended action
Lighthouse Maintenance and Improvement Fund (#27)	\$20,000	Increase budget to cover costs of planned maintenance and repairs. Unspent appropriations will remain in fund.
Library Operating Donations Fund (#31)	\$11,887	Increase appropriations to enable library to spend donations received, which have exceeded original budget estimates.
Museum Operating Donations Fund (#31)	\$27,706	Appropriate all operating donation revenues for transfer to the Museum Foundation, per the terms of the operating agreement.
Museum Operating Grants Fund (#30)	\$24,635	Appropriate all operating grant revenues for return to granting entity or transfer to the Museum Foundation, per the terms of the operating agreement.
Housing Fund (#15)	\$97,000	Increase appropriations to: 1) repay a 10-year old bank loan (\$75,000) that provided local matching funds for Federal CDBG grants. Repaying this loan will leave enough cash in the fund to meet all other planned obligations. 2) Pay for housing loan administration costs (\$22,000) that can be recovered through housing grants.
Risk Management Fund (#72)	\$65,006	Increase budget to cover the cost of a property insurance premium omitted from the original budget. The payment will be paid from transfers from operating department budgets into the fund.

Cemetery Fund (#75)	\$5,119	Increase appropriations to transfer funds to special fund for retiree medical liabilities (\$3,042) and pay for property insurance costs omitted from the original budget (\$2,077).
Sewer Fund (#76)	\$12,826	Increase appropriations to facilitate transfer of funds to pay for property insurance costs omitted from the original budget.
Golf Fund (#77)	\$43,135	Increase appropriations for golf marketing program approved by the City Council on January 6, 2010 (\$28,000) and to pay for property insurance costs omitted from the original budget (\$15,135).

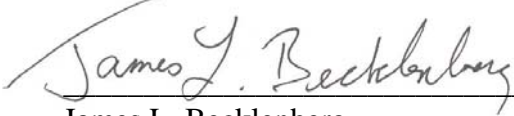
**FISCAL IMPACT**

None

**ATTACHMENTS**

Ordinance

RESPECTFULLY SUBMITTED:



James L. Becklenberg  
Acting Deputy City Manager



Thomas Frutchey  
City Manager

**ORDINANCE NO.**

**ORDINANCE AMENDING THE APPROVED BUDGET OF THE CITY OF  
PACIFIC GROVE FOR THE FISCAL YEAR 2009/10**

**WHEREAS**, the City Council approved the the Fiscal Year 2009/2010 Budget on June 3, 2009; and

**WHEREAS**, the City Council amended the FY 2009/10 Budget on November 4, 2009; and

**WHEREAS**, it is appropriate to record expenditures in the funds that best reflect the purpose of the expenditure; and

**WHEREAS**, appropriate recording of such expenditures causes total expenditures for the fund to exceed the approved expenditure budget for the fund; and

**WHEREAS**, the City Manager is recommending amendments to the FY 2009/10 Budget to reflect the City Council’s expressed goals for the fiscal year budget; and

**WHEREAS**, In the review of this matter, the City has followed those guidelines adopted by the State of California and published in the California Administrative Code, Title 14, Section 15000, et seq. Amending the City budget does not constitute a “Project” as that term is defined under the California Environmental Quality Act (CEQA), CEQA Guideline section 15378.

**NOW, THEREFORE, THE COUNCIL OF THE CITY OF PACIFIC GROVE DOES ORDAIN AS FOLLOWS:**

Section 1. The City Council determines that each of the Findings set forth above is true and correct, and by this reference incorporates those Findings as an integral part of this Ordinance.

Section 2. The expenditure budget for the General Fund is hereby amended as follows:

<b>Department</b>	<b>Increase (decrease) appropriations by:</b>
City Manager’s Office	\$13,708
Finance	(27,416)
Community Development	(6,941)
Public Works	27,416
<b>Total</b>	<b>\$6,767</b>

Section 3. The Fiscal Year 2009/10 Budget is hereby amended as follows:

<b>Fund Name</b>	<b>Fund Number</b>	<b>Increase appropriations by:</b>
Lighthouse Maintenance and Improvement Fund	27	\$20,000
Library Operating Donations Fund	31	\$11,887
Museum Operating Donations Fund	31	\$27,706
Museum Operating Grants Fund	30	\$24,635
Housing Fund	15	\$97,000
Risk Management Fund	72	\$65,006
Cemetery Fund	75	\$5,119
Sewer Fund	76	\$12,826
Golf Fund	77	\$43,135

Section 4. This ordinance shall become effective immediately following passage and adoption hereof.

**PASSED AND ADOPTED BY THE COUNCIL OF THE CITY OF PACIFIC GROVE** this \_\_\_\_\_, by the following vote:

AYES:

NOES:

ABSENT:

APPROVED:

\_\_\_\_\_  
CARMELITA GARCIA, Mayor

ATTEST:

\_\_\_\_\_  
JAMES L. BECKLENBERG, City Clerk

APPROVED AS TO FORM:

\_\_\_\_\_  
DAVID C. LAREDO, City Attorney