



CITY COUNCIL AGENDA STATEMENT



MAY 22, 2012, Item 3

ITEM TITLE: QUARTERLY FINANCIAL REPORT FOR THE QUARTER ENDING MARCH 31, 2012
RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA AMENDING THE FISCAL YEAR 2011/2012 BUDGET AND APPROPRIATING FUNDS THEREFOR

SUBMITTED BY: DIRECTOR OF FINANCE *MR*

REVIEWED BY: CITY MANAGER *SC ST*

ASSISTANT CITY MANAGER *ST*

4/5THS VOTE: YES NO

SUMMARY

Section 504 (f) of the City Charter requires quarterly financial reports to be filed by the Director of Finance through the City Manager.

The quarterly financial reports are intended to give the public and City Council an overview of actual expenditures and revenues through March 31, 2012 as well as a projection of how the City expects to end the current fiscal year. Staff is also requesting a number of budget amendments to various funds to account for changes that have occurred since the adoption of the budget.

ENVIRONMENTAL REVIEW

The Environmental Review Coordinator has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that filing of the quarterly financial status report is not a "Project" as defined under Section 15378 of the State CEQA Guidelines because it will not result in a physical change to the environment; therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines the actions proposed are not subject to CEQA.

RECOMMENDATION

That the City Council accept the Third Quarter Financial Report and adopt the resolution amending the fiscal year 2011-12 budget.

BOARDS/COMMISSION RECOMMENDATION

Not applicable.

DISCUSSION

Attached for your consideration is the financial report for the third quarter of fiscal year 2011/12. The detailed financial report for the quarter ending March 31, 2012 (Attachment 1) discusses the financial outlook for the City's General Fund for fiscal year 2011/12.

The following chart summarizes the year end projections based on actual revenue and expenditure trends through the third quarter.

General Fund Reserve	Amended Budget	Projected (millions) June 30, 2012
Reserves - July 1, 2011 (audited)	\$11.90	\$11.90
Revenues & Transfers In	125.7	125.0
Expenditures & Transfers Out	(127.0)	(125.4)
Projected Surplus/Deficit	\$0.00	(\$0.4)
Projected Fund Balance - June 30, 2012	\$11.90	\$11.50
Percentage of Operating Budget	9.5%	9.2%

Overall, the third quarter financial projections reflect a deficit for the General Fund. The projected \$422,000 deficit is due to a one time appropriation for a capital project. Staff will continue to review expenditures to identify potential savings to assist in mitigating impacts to the General Fund reserves by year end. Staff will also continue to monitor revenue trends and make adjustments as necessary.

General Fund Revenues – Based on activity through the end of the third quarter, General Fund revenues improved slightly from the second quarter but continued to track below budget expectations by approximately \$664,000. Overall this represents a projected shortfall of less than 1% of budgeted revenues. To follow is a brief summary of some of the major revenue changes.

- Discretionary revenues:
 - Property Tax revenues are trending lower than budget by approximately \$442,000 or -2% of anticipated property tax revenues. This projected shortfall is due to assessed values remaining relatively flat from the prior

- year and lower collections of delinquent taxes. Staff had assumed a 4% growth in property tax revenues.
- Sales Tax revenues are trending higher than budget by approximately \$400,000 or +1% of anticipated sales tax revenues. The projected sales tax revenues are based on information received from the City's sales tax consultants, HdL Companies, using actual sales tax received through the first three quarters of calendar year 2011.
 - Motor vehicle license fee (MVLF) revenues are trending lower than budget by approximately \$913,000 or -5% of anticipated MVLF revenues. This projected shortfall is related to the State take away of MVLF revenues of approximately \$687,000. The State take away occurred in August, shortly after the budget was adopted. The decrease in MVLF revenues also reflects a smaller shortfall in MVLF in lieu revenues projected at \$226,000.
 - Franchise Fee revenues are trending higher than budget by approximately \$260,000 or +3% of anticipated franchise fee revenues. This projected increase is related to increased revenues realized in gas and electricity.
- Program revenues:
 - Charges for Services revenues are trending higher than budget by approximately \$774,000 or +11% of anticipated Charges for Services revenues. This increase reflects a variety of changes in this category – most notably it includes approximately \$498,000 in reimbursement revenue from the City's ambulance transport provider American Medical Response (AMR) based on contract changes approved earlier this year. Other notable increases include jail revenues and Fire construction inspection fees.
 - Fines, Forfeitures and Penalties revenue is trending lower than budget by approximately \$962,000 or -43% of anticipated Fines, Forfeitures, and Penalties revenue. This decrease is a combination of various revenue shortfalls – most notably decreased parking citations, code enforcement violations, and negligent vehicle impound processing fees.
 - Licenses and Permits revenue is trending higher than budget by approximately \$330,000 or +40% of anticipated Licenses and Permits revenue. This increase reflects higher than anticipated Housing Permits and Building Permits.
 - Variances in the other revenue categories net to a projected shortfall of \$106,500.

General Fund Expenditures – Based on activity through the end of the third quarter, General Fund expenditures are tracking below budget by approximately \$206,000 which represents a budget savings of less than 1%.

The following table reflects the projected year end expenditures by department.

Department	Budget	Projected	+/-
City Council	\$ 1,286,619	\$ 1,286,619	\$ -
Boards and Commissions	\$ 40,076	\$ 25,076	\$ (15,000)
City Clerk	\$ 1,407,780	\$ 953,015	\$ (454,765)
City Attorney	\$ 2,255,035	\$ 2,174,986	\$ (80,049)
Administration	\$ 1,698,163	\$ 1,704,669	\$ 6,506
Information Technology Services	\$ 2,869,481	\$ 2,869,481	\$ -
Human Resources	\$ 2,108,634	\$ 2,102,188	\$ (6,446)
Finance	\$ 3,193,464	\$ 3,133,114	\$ (60,350)
Non-Departmental	\$ 11,926,892	\$ 12,045,078	\$ 118,186
Animal Care Facility	\$ 2,137,321	\$ 2,207,810	\$ 70,489
Development Services (GF)	\$ 2,740,510	\$ 2,750,409	\$ 9,899
Police	\$ 41,987,896	\$ 42,010,161	\$ 22,265
Fire	\$ 21,686,275	\$ 22,107,095	\$ 420,820
Public Works	\$ 23,513,855	\$ 23,301,343	\$ (212,512)
Recreation	\$ 3,312,411	\$ 3,312,411	\$ -
Library	\$ 3,517,601	\$ 3,492,511	\$ (25,090)
Total Expenditures	\$ 125,682,013	\$ 125,475,966	\$ (206,047)

Note: As summarized in the above table, there are various departments that are projected to exceed their expenditure budgets. No changes are recommended at this time for the Administration, Development Services (General Fund), or Police departments. Staff will continue to monitor these departments and make the adjustments as needed in order to end the year within budget. Should transfers be needed for these departments they will be included as part of the year-end budget adjustment report.

The most significant variances are reflected in the following departments:

- City Clerk – the projections included in the Third Quarter Financial Report reflect net savings of approximately \$454,000 in the City Clerk budget. This largely reflects the projected savings from the Elections budget. The projected expenditures reflect the cost of the June election and one ballot measure.
- Public Works – The projections for the Third Quarter Financial Report for the Public Works Department estimated savings of \$212,000. The projections reflect savings in personnel services and utility costs that are projected to be lower than budgeted levels. Savings in Personnel Services reflect savings due to vacancies.
- Non-Departmental – the projections included in the Third Quarter Financial Report reflect net deficit of approximately \$118,000. This variance is largely due

to a reduction in the Non-Departmental CIP budget to reflect the closure of capital improvement budgets funded through Redevelopment. The Non-Departmental budget continues to reflect savings in the Supplies and Services category from lower than expected unemployment insurance costs.

- Fire – the projections for third Quarter Financial Report reflect that the Fire Department will exceed their budget by approximately \$420,000 which is largely due to a projected overage in Personnel Services. The projection for Constant Minimum Staffing in the Fire Department has improved from what was previously reported. Personnel costs due to injury leave and other personnel issues resulted in an increased use of Constant Minimum Staffing overtime. Although there has been improvement, the department is still projected to exceed the budget in this category by approximately \$373,000. Also contributing to the Fire department projected overage is the need to replace personal protective equipment and unanticipated costs in fleet maintenance. The Fire Department is projected to mitigate this deficit and remain under its budgeted net cost with unanticipated American Medical Response (AMR) revenue and better than expected fire inspection revenue.

As stated earlier, the third quarter financial projections indicate some potential challenges. Staff will continue reviewing expenditures to identify potential savings to assist in mitigating any impacts to the General Fund reserves by year end. Staff will also continue to monitor revenue trends and make adjustments as necessary.

FISCAL YEAR 2011-12 BUDGET TRANSFERS AND APPROPRIATION REQUESTS

For government entities, a budget creates a legal framework for spending during the fiscal year. After the budget is approved there are circumstances that require adjustments to the approved budget. Per the City Charter, the City Council may amend the budget through a 4/5th vote.

General Fund:

Staff is requesting various budget amendments in the General Fund. The fiscal impact of the budget amendments is noted with each requested change.

- The Recreation Department – Approval is requested for an appropriation in the amount of \$4,540 based on unanticipated revenues in the form of a grant from the Friends of Parks and Recreation. The grant funding will pay for recreational swimming at the City's two pools for the month of June during the school summer break. Loma Verde Pool will be open for recreational swimming on Mondays, Wednesdays and Fridays from 12:00 – 2:30 pm, and Parkway Pool will be open for recreational swimming on Tuesdays and Thursdays from 12:00 pm – 2:30 pm., and Saturdays from 12:00 pm – 3:00 pm.

- The Public Works Department – Approval is requested for an appropriation in the amount of \$120,000 based on unanticipated recycling revenues from the State. A minor CIP project will be created with these funds. The project will allow the department to address building repairs associated with vandalism at various city facilities and other repairs, (ranging from \$7,000 to \$10,000 per improvement) that will aid in reducing a backlog of various building maintenance projects. This will include painting, stucco and drywall, electrical and roofing repairs required at various City facilities.
- Fire Department – The Fire Department is requesting an appropriation in the amount of \$133,000 for the brush management program. This appropriation will budgeted as a minor CIP project and will be fully offset by unanticipated recycling revenues from the State. Funds will be used to provide vegetation management for Rice Canyon.

As noted in the previous section there are various departments that are projected to exceed their expenditure budgets. No changes are recommended at this time for Administration, Development Services (General Fund), or Police. Staff will continue to monitor these departments and make the adjustments as needed in order to end the year within budget. Should transfers be needed for these departments they will be included in the year-end budget adjustment report. Staff is recommending various transfers in order to conclude fiscal year 2011-12 operations without incurring operating deficits in individual expenditure categories. Staff recommends a transfer to the Animal Care Facility that will be offset with a reduction in the Non-Departmental budget. Staff also recommends an inter-department transfer in the Library department. Finally, an appropriation is recommended to address projected overages in the Fire Department, this appropriation will be fully offset by unanticipated revenue. All of these changes result in no net impact to the General Fund. Below is a brief description of the recommended changes:

- Transfer from Non-Departmental to the Animal Care Facility (ACF) – The third quarter projections reflect savings in the Non-Departmental budget related to savings in unemployment insurance. The transfer of \$70,500 from Non-Departmental to the ACF will not negatively impact the Non-Departmental budget.
 - ACF - A transfer of \$70,500 is recommended to address a projected overage in the Personnel Services of the Animal Care Facility budget. These additional costs are a result of the addition of contracted spay and neuter clinics services at the Sweetwater Animal Shelter for newly adopted animals and additional hourly staffing needed to maintain current service levels. The clinics are revenue offset but due to other

revenue shortfalls a transfer from Non-departmental is recommended to address the needs in Personnel Services.

- Library – Approval is requested for an inter-departmental transfer in the Library department to align the budget with projected expenditures. The most recent projections for the Library department indicate that they will exceed their Personnel Services budget and Supplies and Services budget. However, there are sufficient savings in the department's Utilities budget to offset these expenditures. Increased personnel services costs are due to hourly wages costs resulting from the opening of the Otay Ranch Town Center Library. Supplies and services costs are also due to materials purchased for the opening of the Otay Ranch Town Center Library. Staff recommends a transfer of \$40,000 to Personnel Services and \$45,000 to Supplies and Services from the Utilities budget (\$85,000).
- Fire Department – Approval is requested for an appropriation in the amount of \$420,800 for increased personnel services (\$373,200) and supplies and services costs (\$47,600). As discussed in the previous section, the increase in personnel services costs are due to injury leave and other personnel issues which resulted in an increased use of Constant Minimum Staffing overtime. Increased supplies and services costs are due to higher than anticipated costs for replacing personal protective equipment and unanticipated costs in fleet maintenance. These costs will be fully offset by appropriating unanticipated American Medical Response (AMR) revenue and better than expected fire inspection revenue.

In summary, the proposed changes to the General Fund will result in the appropriation of \$678,673 that is offset by additional revenue. The other requested adjustments are cost neutral. These changes result in no net fiscal impact to the General Fund.

Other Funds:

The following reflects the proposed budget changes to other funds. The fiscal impact of the budget amendments is noted with each requested change.

American Recovery Reinvestment Act (ARRA) Fund - The following Transfers/Changes are requested to be approved for the ARRA Fund:

- Cilantro Store Program – A transfer in the amount of \$75,000 is requested from the other expenses expenditure category to the services supply category for the Cilantro Store Program in order to align the budget with actual expenditures.
- Southern Border Narcotics Grant Program – Approval of a transfer of \$185,000 from the supplies and services expenditure category to the personnel services

category in the Southern Border Narcotics Grant Program. The transferred funds will be utilized to fund personnel costs of a police agent assigned to this program.

- Energy Efficiency & Conservation Block Grant (EECBG) – Approval of transfers of \$18,760 and \$50,000 from the Supplies and Services and the CIP Project Expenditures budget categories, respectively, to the Other Expenses category are requested within the American Recovery & Reinvestment Fund. The requested transfer of funds would allow the City to utilize unencumbered Energy Efficiency & Conservation Block Grant (EECBG) funds to continue providing incentives to residents completing home energy upgrades under the Chula Vista Home Upgrade, Carbon Downgrade Program. To date, approximately 90 local homeowners have participated in the incentive program and reduced their energy use by 24% on average.

Park Acquisition and Development (PAD) Funds – The City historically deposited all Park Acquisition and Development (PAD) fees into a single fund. Within that fund, the City administratively tracked the balance of PAD funds for each development area in the City. In fiscal year 2010-11, a new fund was created to account for PAD fees collected in western Chula Vista separately from PAD fees collected in eastern Chula Vista. The proposed transfer establishes the initial fund balance of the new Western PAD Fee Fund and completes the administrative task of separating the PAD fee monies into Eastern and Western PAD Fee funds. An appropriation of \$615,985 will be added to the PAD fund for this transfer; a corresponding transfer in of an equal amount will be added to the Western PAD fund.

State Library Act Fund – the fiscal year 2011-12 budget included an appropriation of \$200,000 for costs related to opening the Library Storefront at the Otay Ranch Town Center. A transfer of \$70,000 from the Capital expenses category to the Supplies and Services category is needed to align the budget with actual expenditures. This transfer will allow the costs for office equipment and furnishings that do not meet the threshold for capital equipment to be posted to the correct object. There is no net fiscal impact resulting from this transfer.

Home Program – Approval of a transfer in the amount of \$464,000 from the Capital expense category to Non-CIP Capital expense category for the Home Program. The Home Program is a down payment assistance program for low income first time homebuyers funded with Federal HOME grant funds. The transfer of funds will facilitate the tracking of expenses related to this program allowing for improved administration of program funds.

Parking Meter Fund – Approval of an increase in the amount of \$50,000 in the Other Expenses category is requested for the Parking Meter Fund. This increase is requested to address an overage in the Parking Meter Fund resulting from increased pass-through fees collected on Chula Vista parking citations and remitted to the County of San

Diego. All parking citations issued in the City include the collection of the full pass-through fee to be remitted to the County. This increased expenditure is fully offset by parking citation revenues collected in excess of budgeted revenues.

In summary, the proposed Non-General Fund changes will result in an increase in appropriations in the amount of \$615,985 in Park Acquisition and Development Fund and a \$50,000 increase for the Parking Meter Fund.

DECISION MAKER CONFLICT

Staff has reviewed the decision contemplated by this action and has determined that it is not site specific and consequently, the 500-foot rule found in California Code of Regulations section 18704.2(a)(1) is not applicable to this decision.

CURRENT YEAR FISCAL IMPACT

There is no fiscal impact resulting from accepting the Quarterly Financial Report. Additional appropriations requests amending the FY 2011-12 budget are fully offset by corresponding revenues, transfers or expenditure savings.

Approval of the resolution amending the fiscal year 2011/12 budget will result in the following appropriations. The resulting fiscal impacts to various funds are also listed in the following table.

Summary of Budget Appropriations and Amendments by Department and/or Fund

Dept/Fund	Description	Exp	Rev	Net
General Fund:				
Public Works	Minor CIP Expense For City Building Repair	\$ 120,000	\$ 120,000	\$ -
Fire Department	Minor CIP Expense For Brush Management	\$ 133,333	\$ 133,333	\$ -
Fire Department	To address Personnel Services Proj. Overage	\$ 373,200	\$ 373,200	\$ -
Fire Department	To address Supplies and Services Proj. Overage	\$ 47,600	\$ 47,600	\$ -
Recreation	Appropriation of donation Friends of Parks & Rec.	\$ 4,540	\$ 4,540	\$ -
Various Inter-Dept Transfers:				
Animal Care Facility	To address Personnel Services Proj. Overage	\$ 70,500	\$ -	\$ 70,500
Non-Departmental	Projected Supplies and Services Savings	\$ (70,500)	\$ -	\$ (70,500)
Intra-Department Transfer				
Library	To address Personnel Services Proj. Overage	\$ 40,000	\$ -	\$ 40,000
Library	To address Supplies and Services Proj. Overage	\$ 45,000	\$ -	\$ 45,000
Library	Projected Utility Savings	\$ (85,000)	\$ -	\$ (85,000)
Subtotal General Fund		\$ 678,673	\$ 678,673	\$ -
Other Funds:				
ARRA - Cilantro Store Prog.	Transfer from Other Expenses	\$ (75,000)	\$ -	\$ (75,000)
ARRA - Cilantro Store Prog.	Transfer to Supplies and Services	\$ 75,000	\$ -	\$ 75,000
ARRA - S. Border Narcotics Prog.	Transfer to Personnel Services	\$ 185,000	\$ -	\$ 185,000
ARRA - S. Border Narcotics Prog.	Transfer From Supplies and Services	\$ (185,000)	\$ -	\$ (185,000)
ARRA - Energy Efficiency Conserv.	Transfer From Supplies and Services	\$ (18,760)	\$ -	\$ (18,760)
ARRA - Energy Efficiency Conserv.	Transfer From CIP Project Expenditures	\$ (50,000)	\$ -	\$ (50,000)
ARRA - Energy Efficiency Conserv.	Transfer to Other Expenses	\$ 68,760	\$ -	\$ 68,760
Western PAD Fee Fund	Transfer Western PAD Fund Balance From PAD	\$ -	\$ 615,985	\$ (615,985)
Park Acquisition & Development	Transfer Western PAD Fund Balance From PAD	\$ 615,985	\$ -	\$ 615,985
Parking Meter Fund	To address increase in Pass Through Fees	\$ 50,000	\$ 50,000	\$ -
Home Program	Transfer from Capital Expense	\$ (464,000)	\$ -	\$ (464,000)
Home Program	Transfer to Non-CIP Capital expense	\$ 464,000	\$ -	\$ 464,000
State Library Act Fund	Transfer From Capital Expenses	\$ (70,000)	\$ -	\$ (70,000)
State Library Act Fund	Transfer to Supplies and Services	\$ 70,000	\$ -	\$ 70,000
Subtotal Other Funds		\$ 665,985	\$ 665,985	\$ -
Total All Funds		\$ 1,344,658	\$ 1,344,658	\$ -

ONGOING FISCAL IMPACT

There are no ongoing fiscal impacts resulting from the budget amendments described above.

ATTACHMENTS

1. Third Quarter Financial Report



OVERVIEW

This financial report summarizes the City's General Fund financial position for the fiscal year through March 31, 2012 and projecting out to June 30, 2012. The purpose of this report is to provide the City Council, Management and the Citizens of Chula Vista an update on the City's fiscal status based on the most recent financial information available.

ECONOMIC UPDATE

The National Forecast¹ - In his March 2012 report, UCLA Anderson Forecast Senior Economist David Shulman details how the unseasonably warm winter weather drove the consumer economy. The impact of the mild winter manifested in several respects, including an unusually low number of workers being kept away from their jobs and lower home-heating bills (aided by plummeting natural gas prices, which helped offset higher gasoline prices) — all of which acted as stimulants for the labor markets. But, Shulman writes, "We suspect that once the weather and the seasonal adjustment factors normalize in March and April, the economic data won't look so ebullient." Shulman also writes that "the stronger employment data are not appearing to translate into stronger overall GDP growth." He argues that part of the recent gains in employment was a response to prior growth, not expectations for future growth.

The California Forecast² - In the California report, Senior Economist Jerry Nickelsburg discusses how the state's unemployment rate is historically the same or slightly higher than the U.S. rate. The U.S. as a whole saw a decline in its overall labor force, as discouraged workers removed themselves from actively seeking employment. In California, the same removal from the labor force did not occur, and this accounts for much of the difference in rates between the state and the nation.

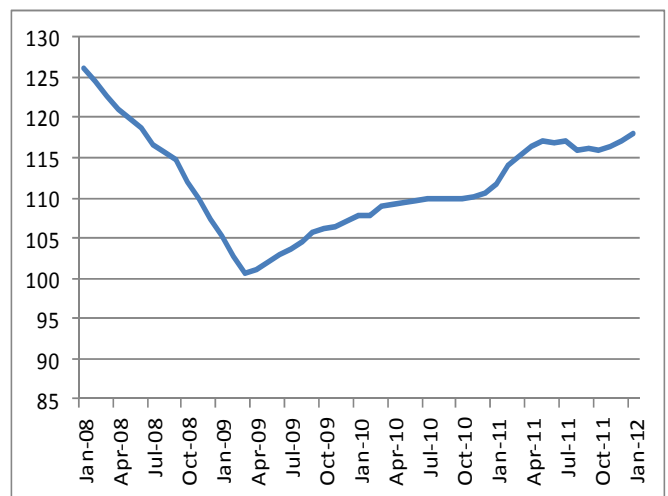
The California forecast is for employment growth of 1.9 percent in 2012, 2.0 percent in 2013 and 2.6 percent in 2014. Payrolls will grow more slowly, at 1.3 percent, 1.9 percent and 2.5 percent, respectively. Real personal income growth is forecast to be 2.4 percent in

2012, followed by 2.1 percent in 2013 and 3.2 percent in 2014.

The San Diego Forecast³ - The USD Burnham-Moores Center for Real Estate's Index of Leading Economic Indicators for San Diego County rose 0.9 percent in January. The advance was led by improvement in consumer confidence, local stock prices and the indicator for initial claims for unemployment insurance. Help wanted advertising and the outlook for the national economy were also up solidly. The only component that declined in January was building permits. After a stretch of six months that alternated between advancing and declining, the January 2012 USD Index was the third straight month that exhibited an increase in the index.

October's decline pushed the string of alternating declines and advances in the USD Index to six straight months. With no turning point being signaled, the outlook for the local economy remains unchanged from what was previously reported: positive but weak growth through at least the first half of 2012. The chart below reflects the San Diego Index of Leading Economic Indicators from January 2007 to January 2012.

San Diego Index of Leading Economic Indicators



¹Source: UCLA Anderson Forecast, March 2012
²Source: UCLA Anderson Forecast, March 2012

³Source: University of San Diego School of Business Administration, USD Index of Leading Economic Indicators, November 2011; retrieved from URL: <http://home.sandiego.edu/~agin/usdlei/index.html>

GENERAL FUND SUMMARY

General Fund Reserves - The General Fund Reserve policy was established to ensure that the City's finances are managed in a manner which will:

1. Continue to provide for the delivery of quality services
2. Maintain and enhance service delivery as the community grows in accordance with the General Plan
3. Minimize or eliminate the need to raise taxes and fees because of temporary revenue shortfalls
4. Establish the reserves necessary to meet known and unknown future obligations and ability to respond to unexpected opportunities.

In November 2009, the City Council approved a resolution updating the City's General Fund Reserve Policy. As part of the update, the policy set a new long-term goal for a higher level of reserves; increasing the policy for reserve levels from 8% to 15%. The City started the current fiscal year with an available reserve of 9.5%.

The final audited numbers for fiscal year 2010/11 were presented to Council in January 2012. The following table reflects the audited General Fund reserves as of July 1, 2011.

General Fund Reserve	Amended Budget	Projected (millions)
Reserves - July 1, 2011 (audited)	\$11.9	\$11.9
Revenues & Transfers In	125.7	125.0
Expenditures & Transfers Out	(125.7)	(125.4)
Projected Surplus/Deficit	\$0.0	(\$0.4)
Projected Fund Balance – June 30, 2012	\$11.9	\$11.5
Percentage of Operating Budget	9.5%	9.2%

The third quarter financial projections indicate that there continue to be some challenges in the General Fund. The projected deficit is \$422,000 for the current year. Staff will be recommending budgetary adjustments to various departmental budgets in order to avoid deficits in specific expenditure categories. Staff is currently reviewing expenditures to identify potential savings to assist in mitigating impacts to the General Fund reserves by year end. Staff will also

continue to monitor revenue trends and make adjustments as necessary.

Based on activity through the end of the third quarter, General Fund revenues are tracking below budget expectations by approximately \$664,000, which represents a projected shortfall of less than 1%. Variances in the City's major revenue sources are discussed in further detail in the revenue section of this report. Program revenues continue to be challenging as there were some unanticipated revenue shortfalls in parking citations, code enforcement violations, and negligent vehicle impound processing fees. Some positive trends in program revenue include the reimbursement revenue from American Medical Response (AMR) based on contract changes approved earlier this year and better than expected revenues from Housing Permits and Building Permits.

Based on activity through the end of the third quarter, General Fund expenditures are tracking below budget by approximately \$206,000 which represents a budget savings of less than 1%. There are various departments that are projected to exceed their expenditure budgets that include: Fire, Animal Care Facility and Police departments. Staff will continue to monitor these departments and make the adjustments as needed in order to end the year within budget. Should transfers be needed for these departments they will be included as part of the year-end budget adjustment report. Most of the savings are reflected in the City Clerk and Public Works departments. City Clerk departmental savings reflect savings for election costs and Public Works department savings reflect personnel service savings due to vacant positions.

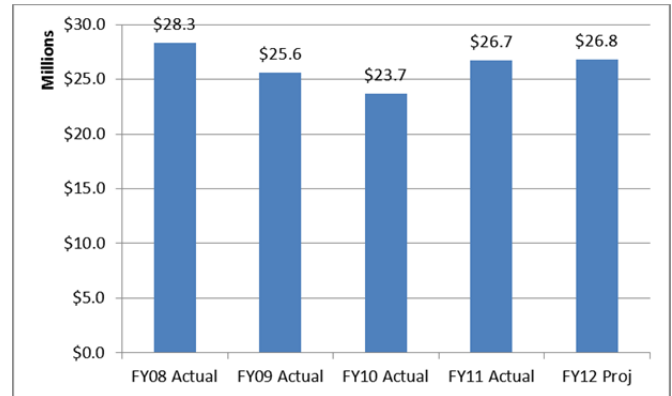
Revenues

Reflected in the following table are discretionary and departmental programmatic revenues. The projections indicate both discretionary and programmatic revenues are trending down when compared to budget. Updated sales tax figures and other revenues may help to mitigate some of the projected shortfalls. Staff will continue to monitor revenue trends and make adjustments as necessary.

General Fund Revenues

Category	Budget	Projected	+/-
Property Taxes	\$ 25,230,494	\$ 24,788,367	\$ (442,127)
Sales Tax	\$ 19,837,472	\$ 20,094,856	\$ 257,384
Motor Vehicle License Fees	\$ 17,201,233	\$ 16,287,965	\$ (913,268)
Other Revenues	\$ 14,389,933	\$ 14,485,824	\$ 95,891
Transfers From Other Funds	\$ 12,472,414	\$ 12,101,965	\$ (370,449)
Franchise Fees	\$ 7,533,386	\$ 7,793,000	\$ 259,614
Charges for Services	\$ 7,088,768	\$ 7,863,152	\$ 774,384
Sales Tax in lieu	\$ 6,563,322	\$ 6,701,782	\$ 138,460
Utility Users Taxes	\$ 3,240,633	\$ 3,405,335	\$ 164,702
Other Agency Revenue	\$ 2,699,027	\$ 2,646,163	\$ (52,864)
Use of Money and Property	\$ 2,285,498	\$ 2,412,180	\$ 126,682
Fines, Forfeitures & Penalties	\$ 2,199,885	\$ 1,238,315	\$ (961,570)
Transient Occupancy Taxes	\$ 2,086,377	\$ 2,108,878	\$ 22,501
Business License Tax	\$ 1,213,000	\$ 1,192,815	\$ (20,185)
Real Property Transfer Tax	\$ 849,816	\$ 777,016	\$ (72,800)
Licenses and Permits	\$ 825,630	\$ 1,155,699	\$ 330,069
Total Revenue	\$ 125,716,888	\$ 125,053,312	\$ (663,576)

Sales Tax



Property Taxes - The City of Chula Vista receives property tax revenue based upon a 1.0 percent levy on the assessed value of all real property. Property tax is the City's second largest revenue source, representing 20.2 percent of General Fund revenues in the fiscal year 2011/12 adopted budget.

Sales Tax (Sales Tax and Sales Tax in lieu) - Sales tax is projected to be the City's largest revenue source, representing 21.1 percent of General Fund revenues in the fiscal year 2011/12 adopted budget.

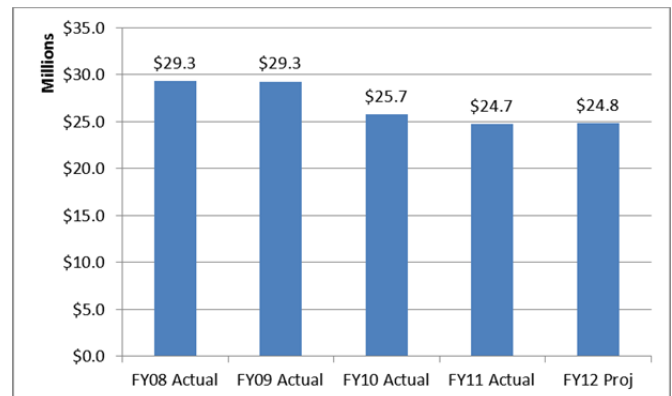
City staff has received sales tax data from the City's sales tax consultant, HdL Companies, for the fourth quarter of calendar year 2011. They report that the change in sales tax receipts between fourth quarter calendar year 2011 and fourth quarter calendar year 2010 increased by 7.9 percent Statewide, by 7.8 percent in San Diego County and 4.5 percent in Chula Vista.

Sales tax projections for sales tax and sales tax in-lieu for the current fiscal year indicate that sales tax is tracking close to budget with a slight positive trend. Based on the most recent report received from the HdL Companies, the City is expected to realize an additional \$395,900 in sales tax when compared to budget.

The following chart represents actual sales tax collections since fiscal year 2007/08. Fiscal year 2011/12 is projected and does not reflect actual collections.

Property tax projections remain unchanged from the second quarter, and indicate that these revenues are trending down when compared to budget. This shortfall is due to assessed values remaining relatively flat from prior year. A projected shortfall of \$442,100 is projected for this revenue category, a shortfall of approximately - 1.7%. The following chart represents actual property tax collections since fiscal year 2007/08. Fiscal year 2011/12 is projected and does not reflect actual collections.

Property Tax



Motor Vehicle License Fee (VLF). With the State Budget Act of 2004, the allocation of VLF revenues to cities and counties was substantially changed. For FY 2005/06 and beyond, the majority of VLF revenues for each city will grow essentially in proportion to the growth in the change in gross assessed valuation. Due to the new formula by the State, 96% of the City's VLF revenues fluctuate with changes in assessed values in the City. The other 4 percent of VLF revenues received by the City are based on a per capita formula.

For the 2011-12 fiscal year, the Governor signed SB89. Provisions in SB89 shift hundreds of millions of Vehicle License Fee revenues to fund the state law enforcement grants.

Statewide, SB89 takes \$130 million of city general revenue and shifts it to save state law enforcement grant programs. Less than \$100 million of these police grant funds will go back to cities.

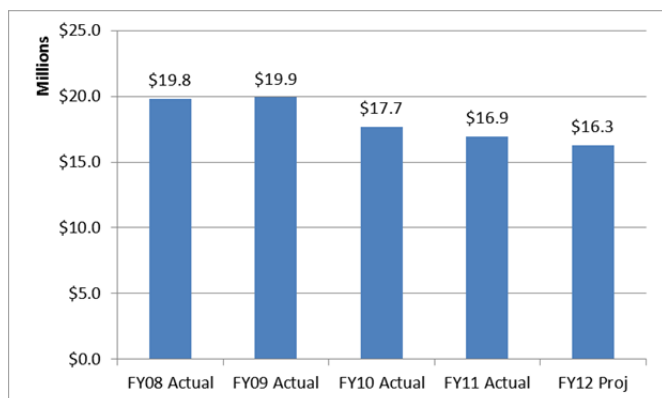
The City of Chula Vista is estimated to lose approximately \$687,029 due to the State take away. This estimated loss will be offset by one-time VLF back-payments received from the State in the current fiscal year.

In addition to the shortfall discussed above, there is a shortfall of approximately \$226,000 in the State Motor Vehicle License in lieu revenue due to assessed values remaining relatively flat from prior year.

The combined effect of both of these impacts indicates a short-fall of \$913,000 in VLF revenue for the current fiscal year, unchanged from the second quarter.

The following chart reflects actual VLF revenue since fiscal year 2007/08. Fiscal year 2011/12 is projected and does not reflect actual collections.

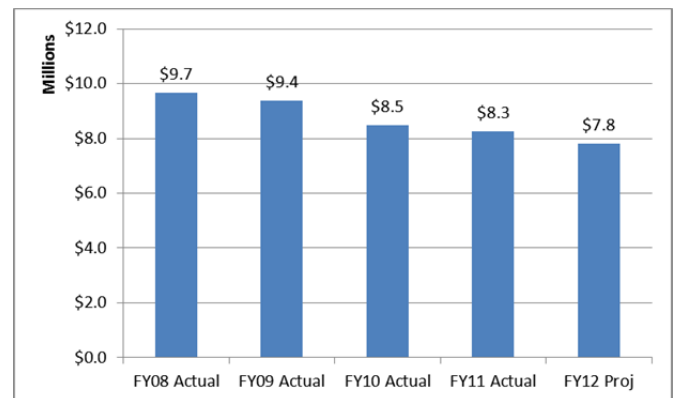
Motor Vehicle License Fees



Franchise Fees - Franchise fee revenues are generated from public utility sources such as San Diego Gas & Electric (2% on gas and 1.25% on electricity), trash collection franchises (9.05% fee), and cable franchises (5% fee) conducting business within City limits. SDG&E collects the franchise fee from Chula Vista customers and remits these revenues to the City. Trash franchise fees and cable fees are based on fixed rates and remitted to the City on a monthly and quarterly receipt of the revenues respectively.

Current projections for Franchise Fee revenues are unchanged from the second quarter. They indicate that these revenues are trending to exceed budget by approximately \$259,600; an increase of approximately 3.3% when compared to budget. The following chart reflects actual Franchise Fee revenue since fiscal year 2007/08. Fiscal year 2011/12 is projected and does not reflect actual collections. The chart reflects the drop off in Franchise Fee revenues due in part to lower natural gas prices and the loss of revenue from the closure of the South Bay Power Plant.

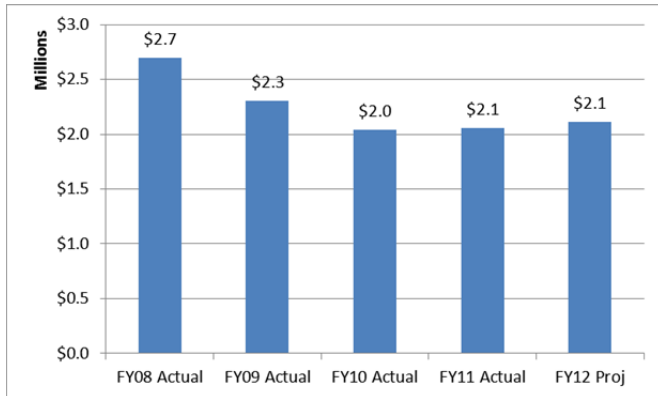
Franchise Fees



Transient Occupancy Tax (TOT) - The City receives 10 percent of hotel and motel room rates for stays less than 30 days. Current projections for TOT revenues indicate that TOT revenues are tracking slightly above the budgeted level.

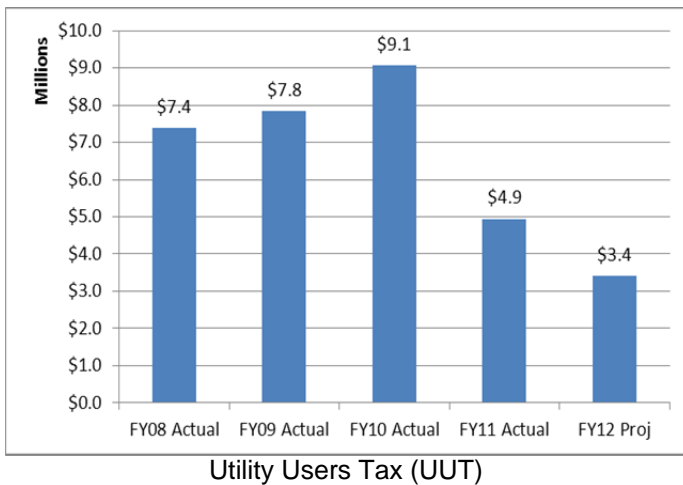
The following chart reflects actual TOT revenue since fiscal year 2007/08. Fiscal year 2011/12 is projected and does not reflect actual collections.

Transient Occupancy Tax (TOT)



Utility Users Tax (UUT) - The City adopted its Utility Users Tax (UUT) in 1970. The City of Chula Vista imposes a UUT on the use of telecom at the rate of 5% of gross receipts and the UUT on natural gas services is \$0.00919 per therm and \$0.00250 per kilowatt on electricity services, which equates to approximately a 1% tax.

Current projections for UUT revenues indicate these revenues are tracking above the budget level by \$164,000. The following chart reflects actual UUT revenue since fiscal year 2007/08. Fiscal year 2011/12 is projected and does not reflect actual collections.



Expenditures

The General Fund's Amended Budget reflects the Council adopted budget of \$124.6 million and mid-year appropriations of \$1.0 million approved by City Council. The following table reflects the General Fund amended budget and actual expenditures by department as of March 31, 2012. In total, Departments have expended 70 percent of the General Fund budget after 75 percent of the fiscal year has elapsed.

General Fund Expenditures as of 3/31/2012

Department	Amended Budget	Exp 3/31/2012	% Exp
City Council	\$ 1,286,619	\$ 877,796	68%
Boards & Comissions	\$ 40,076	\$ 3,604	9%
City Clerk	\$ 1,407,780	\$ 468,131	33%
City Attorney	\$ 2,255,035	\$ 1,350,801	60%
Administration	\$ 1,698,163	\$ 1,241,572	73%
Info Tech Services	\$ 2,869,481	\$ 2,143,948	75%
Human Resources	\$ 2,108,634	\$ 1,484,353	70%
Finance	\$ 3,193,464	\$ 2,287,736	72%
Non-Departmental	\$ 11,926,892	\$ 7,576,759	64%
Animal Care Services	\$ 2,137,321	\$ 1,606,327	75%
Development Svcs (GF)	\$ 2,740,510	\$ 1,978,167	72%
Police	\$ 41,987,896	\$ 30,362,814	72%
Fire	\$ 21,686,275	\$ 15,989,055	74%
Public Works	\$ 23,513,855	\$ 16,144,297	69%
Recreation	\$ 3,312,411	\$ 2,325,473	70%
Library	\$ 3,517,601	\$ 2,351,898	67%
Total General Fund	\$ 125,682,013	\$ 88,192,731	70%

The following table reflects the projected June 30, 2012 expenditures for the General Fund by Department.

Department	Budget	Projected	+/-
City Council	\$ 1,286,619	\$ 1,286,619	\$ -
Boards & Commissions	\$ 40,076	\$ 25,076	\$ (15,000)
City Clerk	\$ 1,407,780	\$ 953,015	\$ (454,765)
City Attorney	\$ 2,255,035	\$ 2,174,986	\$ (80,049)
Administration	\$ 1,698,163	\$ 1,704,669	\$ 6,506
Information Tech Svcs	\$ 2,869,481	\$ 2,869,481	\$ -
Human Resources	\$ 2,108,634	\$ 2,102,188	\$ (6,446)
Finance	\$ 3,193,464	\$ 3,133,114	\$ (60,350)
Non-Departmental	\$ 11,926,892	\$ 12,045,078	\$ 118,186
Animal Care Facility	\$ 2,137,321	\$ 2,207,810	\$ 70,489
Dev Services (GF)	\$ 2,740,510	\$ 2,750,409	\$ 9,899
Police	\$ 41,987,896	\$ 42,010,161	\$ 22,265
Fire	\$ 21,686,275	\$ 22,107,095	\$ 420,820
Public Works	\$ 23,513,855	\$ 23,301,343	\$ (212,512)
Recreation	\$ 3,312,411	\$ 3,312,411	\$ -
Library	\$ 3,517,601	\$ 3,492,511	\$ (25,090)
Total Expenditures	\$ 125,682,013	\$ 125,475,966	\$ (206,047)

Year-end projections indicate that based on activity through the end of the second quarter, General Fund expenditures are tracking below budget by approximately \$206,000, which represents a budget savings of less than 1%.

The major projected expenditure variances are reflected in the following departments:

- City Clerk – the projections included in the Third Quarter Financial Report reflect net savings of approximately \$455,000 in the City Clerk budget. This largely reflects the projected savings from the Elections budget. The projected expenditures reflect the cost of the June election and one ballot measure.
- Public Works – The projections for the Third Quarter Financial Report for the Public Works Department estimated savings of \$212,000. The projections reflect savings in personnel services and utility costs that are projected to be lower than budgeted levels. Savings in Personnel Services reflect savings due to vacancies.
- Non-Departmental – The projections included in the Third Quarter Financial Report reflect net deficit of approximately \$118,000. This variance is largely due to a reduction in the Non-Departmental CIP budget to reflect the closure of capital improvement budgets funded through Redevelopment. The Non-Departmental budget continues to reflect savings in the Supplies and Services category from lower than expected unemployment insurance costs.
- Police – The projections included in the Second Quarter Financial Report reflected that the Police Department will exceed their budget by approximately \$130,500, which was largely due to a projected overage in Personnel Services. The projection for the Third Quarter Financial Report indicates that the Police Department will mitigate most of the deficit by improving their projected savings levels across various expenditure categories.
- Fire – The projections for Third Quarter Financial Report reflect that the Fire Department will exceed their budget by approximately \$420,000 which is largely due to a projected overage in Personnel Services. The projection for Constant Minimum Staffing in the Fire Department has improved from what was previously reported. Personnel costs

due to injury leave and other personnel issues have resulted in an increased use of Constant Minimum Staffing overtime. Although there has been improvement in this area, the department is still projected to exceed the budget in this category by approximately \$373,000. Also contributing to the Fire department projected overage is the need to replace personal protective equipment and unanticipated costs in fleet maintenance. The Fire Department is projected to mitigate this deficit and remain under its budgeted net cost with unanticipated American Medical Response (AMR) revenue and better than expected fire inspection revenue.

Mid-Year Budget Amendments

Mid-year appropriations approved through three quarters of the fiscal year totaled \$808,885 with offsetting revenues resulting in no net impact to the General Fund.

The Council approved the following budget amendments during the third quarter:

Reference	Revenue	Expenditures	Net Impact
+1 Evidence Control Assistant & hourly	\$ 165,000	\$ 165,000	\$ -
Historic Preservation Commission	\$ -	\$ 2,825	\$ (2,825)
Regional Forensic Lab	\$ 84,051	\$ 80,818	\$ 3,233
Goodrich Donation - Rohr park trash bins	\$ 12,000	\$ 12,000	\$ -
State E-911 reimbursement for CAD interface	\$ 120,453	\$ 120,453	\$ -
Budget clean up item - various	\$ 101,402	\$ 101,402	\$ -
County Grant for Centennial History Walk	\$ 20,000	\$ 20,000	\$ -
Appropriations approved in Second Quarter:			\$ -
Donation for Books	\$ 45,000	\$ 45,000	\$ -
Misc Recreation budget changes	\$ 390,030	\$ 390,030	\$ -
ACF Cattery Expansion CIP	\$ 150,000	\$ 150,000	\$ -
Appropriations approved in Third Quarter:			\$ -
Library Foundation Donation	\$ 50,000	\$ 50,000	\$ -
Elimination of RDA Funded 3rd Ave. CIP	\$ -	\$ (2,500,000)	\$ 2,500,000
Transfer to RDA for Elimination of 3rd Ave. CIP	\$ -	\$ 2,500,000	\$ (2,500,000)
Elimination of RDA Funded Main St. CIP	\$ -	\$ (500,000)	\$ 500,000
2nd Quarter Clean-up	\$ 3,624	\$ 3,200	\$ 424
Bonita/Long Canyon Project	\$ -	\$ 466,000	\$ (466,000)
Council Appropriations	\$ 1,141,560	\$ 1,106,728	\$ 34,832

Budget Transfers

The following table reflects the administrative budget transfers that been approved through the third quarter.

Description	Dept	Amount	From/To
Adjustment for travel/conferences/ and meetings	City Council	\$ 3,000	Personnel Services to Supplies & Services
Realign budget and adjust wage related objects	City Council	\$ 5,416	Supplies & Services to Personnel Services
Transfer to account for copier costs	Administration	\$ 4,577	Personnel Services to Supplies & Services
Transfer to align budget with actual expenditures	Non-Dept	\$ 13,840	Capital to Supplies & Services
Hourly Wages for Otay Ranch Library Storefront	Library	\$ 15,000	Capital to Supplies & Services
Pressure Washer Purchase	Public Works	\$ 7,602	Capital to Supplies & Services
ACF Public Clinics	ACF	\$ 15,000	Personnel Services to Supplies & Services
Transfer to align budget with actual expenditures	City Council	\$ 700	Supplies & Services to Personnel Services

RESOLUTION NO. 2012-_____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA
AMENDING THE FISCAL YEAR 2011/2012 BUDGET AND
APPROPRIATING FUNDS THEREFOR

WHEREAS, On June 21, 2011 the City Council of the City of Chula Vista adopted a \$124.6 million General Fund budget for fiscal year 2011-12; and

WHEREAS, subsequently staff has identified various budget adjustments in the form of transfers and new appropriations that are recommended for approval; and

WHEREAS, these budget adjustments are necessary in order to properly reflect the expenditures that are programmed to fund the City's operations in the current fiscal year; and

WHEREAS, Council Policy 220-02 "Financial Reporting and Transfer Authority", requires that the City Council approve budget transfers between departments and/or amounts greater than \$15,000; and

WHEREAS, a budget appropriation of \$4,540 is recommended in the Recreation department based on unanticipated donated revenue from the Friends of Parks and Recreation. Funds will be utilized to pay for recreational swimming at the City's two pools (Loma Verde and Parkway) for the month of June during the school summer break; and

WHEREAS, a budget appropriation of \$120,000 is recommended in the Public Works department based on unanticipated recycling revenues from the State. These funds will be utilized to complete building repairs associated with vandalism at various city facilities and for minor capital improvement projects (CIP); and

WHEREAS, a budget appropriation of \$133,000 is recommended in the Fire Department for a brush management program to provide vegetation management services to Rice Canyon, this appropriation will be fully offset by unanticipated recycling revenues from the State; and

WHEREAS, a transfer of \$70,500 from the Non Departmental budget to the Animal Care Facility budget is recommended to address a projected overage in the Personnel Services of the Animal Care Facility budget, additional costs are a result of the addition of contracted spay and neuter clinics services at the Sweetwater Animal Shelter for newly adopted animals and additional hourly staffing needed to maintain current service levels. The clinics are revenue offset but due to other revenue shortfalls a transfer from Non-departmental is recommended to address the needs in Personnel Services; and

WHEREAS, approval is requested for an intra-departmental transfer in the Library department to align the budget with projected expenditures due to the opening of the Otay

Ranch Center Library, the recommended transfer is from the Utilities budget (\$85,000) to Personnel Services (\$40,000) and Supplies and Services (\$45,000); and

WHEREAS, approval is requested for an appropriation in the amount of \$420,800 for increased personnel services (\$373,200) and supplies and services costs (\$47,600) in the Fire Department. The increase in personnel services costs is due to injury leave and other personnel issues resulting in the increased use of Constant Minimum Staffing overtime. Increased supplies and services costs are due to higher than anticipated costs for replacing personal protective equipment and unanticipated costs in fleet maintenance. These appropriations will be fully offset by appropriating unanticipated American Medical Response (AMR) revenue and better than expected fire inspection revenue resulting in no impact to the City's General Fund; and

WHEREAS, a transfer in the amount of \$75,000 in the ARRA Fund is requested from the other expenses expenditure category to the services supply category for the Cilantro Store Program; and

WHEREAS, approval of a transfer of \$185,000 in the ARRA Fund is requested from the supplies and services expenditure category to the personnel services category in the Southern Border Narcotics Grant Program; and

WHEREAS, approval of a transfer of \$68,760 in the ARRA Fund is requested, \$18,760 from the supplies and services and \$50,000 from CIP project expenditures to the other expenses category (\$68,760) in the Energy Efficiency & Conservation Block Grant (EECBG) Program; and

WHEREAS, staff recommends an appropriation of \$615,985 in Park Acquisition and Development Fund's Transfers Out expense category from the available fund balance of that fund to complete the separation of the Eastern PAD fund and the Western PAD fund. This appropriation will allow for the transfer of the fund balance of the Western PAD fund, a Transfer In of \$615,985 will be also be added to the Western PAD fund; and

WHEREAS, a transfer of \$70,000 in the State Library Act Fund from the Capital expenses category to the Supplies and Services category is requested in order to align the budget with actual expenditures; and

WHEREAS, a transfer of \$464,000 in the Home Program Fund from the Capital expenses category to the Non-CIP Capital expense category is requested in order to align the budget with actual expenditures allowing for improved administration of HOME grant funds; and

WHEREAS, a budget appropriation of \$50,000 to Parking Meter Fund other expenses is requested to address overages in pass-through fees collected on Chula Vista parking citations and remitted to the County of San Diego to be fully offset by over-realized parking citation revenues.

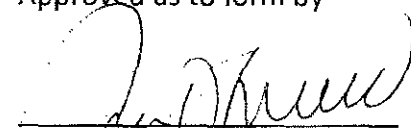
NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Chula Vista does hereby approve the following appropriations and/or transfers:

Dept/Fund	Personnel		Supplies & Other		Non-CIP Projects	Operating Capital	Transfers Out	Total Expenses	Revenue	Net Impact
	Services	Services	Expenses	Utilities						
General Fund:										
Public Works	\$ -	\$ -	\$ -	\$ -	\$120,000	\$ -	\$ -	\$ 120,000	\$ 120,000	\$ -
Recreation	\$ -	\$ 4,540	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,540	\$ 4,540	\$ -
Fire Department	\$ -	\$ -	\$ -	\$ -	\$133,333	\$ -	\$ -	\$ 133,333	\$ 133,333	\$ -
Inter-Dept Transfers:										
Animal Care Facility	\$ 70,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 70,500	\$ -	\$ 70,500
Non-Departmental	\$ -	\$ (70,500)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (70,500)	\$ -	\$ (70,500)
Library (intra-dept transfer)	\$ 40,000	\$ 45,000	\$ -	\$ (85,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fire Department	\$373,200	\$ 47,600	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 420,800	\$ 420,800	\$ -
Total General Fund	\$483,700	\$ 26,640	\$ -	\$ (85,000)	\$253,333	\$ -	\$ -	\$ 678,673	\$ 678,673	\$ -
Other Funds:										
ARRA - intra-dept transfer:										
Cilantro to Stores Program	\$ -	\$ 75,000	\$ (75,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SW Border Narcotics Program	\$185,000	\$ (185,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Energy Efficiency Conservation Prog.	\$ -	\$ (18,760)	\$ 68,760	\$ -	\$ -	\$ (50,000)	\$ -	\$ -	\$ -	\$ -
Home Program					\$464,000	\$ (464,000)	\$ -	\$ -	\$ -	\$ -
Park Acquisition & Development (PAD)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 615,985	\$ 615,985	\$ -	\$ (615,985)
Western PAD Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 615,985	\$ 615,985
Parking Meter Fund	\$ -	\$ -	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ 50,000	\$ 50,000	\$ -
State Library Act Fund	\$ -	\$ 70,000	\$ -	\$ -	\$ -	\$ (70,000)	\$ -	\$ -	\$ -	\$ -
Total Other Funds	\$185,000	\$ (58,760)	\$ 43,760	\$ -	\$464,000	\$ (584,000)	\$ 615,985	\$ 665,985	\$ 665,985	\$ -
Total Budget Amendments	\$668,700	\$ (32,120)	\$ 43,760	\$ (85,000)	\$717,333	\$ (584,000)	\$ 615,985	\$1,344,658	\$1,344,658	\$ -

Presented by

Approved as to form by

 Maria Kachadoorian
 Director of Finance/Treasurer


 Glen R. Goodins
 City Attorney