



CITY COUNCIL AGENDA STATEMENT



FEBRUARY 26, 2013, Item 4

ITEM TITLE: QUARTERLY FINANCIAL REPORT FOR THE QUARTER
ENDING DECEMBER 31, 2012

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
CHULA VISTA MAKING VARIOUS AMENDMENTS TO
THE FISCAL YEAR 2012/13 BUDGET TO ADJUST FOR
VARIANCES, APPROVING POSITION TRANSFERS, AND
APPROPRIATING FUNDS THEREFOR

SUBMITTED BY: DIRECTOR OF FINANCE/CITY TREASURER *Mr*

REVIEWED BY: CITY MANAGER *[Signature]*
ASSISTANT CITY MANAGER *[Signature]*

4/5THS VOTE: YES NO

SUMMARY

The Finance Department prepares quarterly financial reports for the General Fund that reflect budget to actual comparisons, projected revenues and expenditures, and highlight major variances that may require additional action or changes. The quarterly financial reports are in compliance with Section 504 (f) of the City Charter, which requires that quarterly financial reports be filed by the Director of Finance through the City Manager.

In preparing the quarterly financial projections, staff has identified various budget changes that are needed to better reflect actual revenues and expenditures. For government entities, a budget creates a legal framework for spending during the fiscal year. After the budget is approved there are circumstances, which arise that could require adjustments to the approved budget. Council Policy 220-02 "Financial Reporting and Transfer Authority" was established in January of 1996 and allows for budget transfers to be completed. Transfers exceeding \$15,000 require Council approval. Further, Council may amend the budget at any meeting after the adoption of the budget with a 4/5ths vote. Staff is recommending changes in the General Fund as well as various other funds that require Council approval.

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 report and approve the resolution.

BOARDS/COMMISSION RECOMMENDATION

Not applicable.

DISCUSSION

The Finance Department prepares quarterly financial reports for the General Fund that reflect budget to actual comparisons, projected revenues and expenditures, and highlight major variances that may require additional action or changes. The quarterly financial reports are in compliance with Section 504 (f) of the City Charter, which requires that quarterly financial reports be filed by the Director of Finance through the City Manager.

Attachment A – Quarterly Financial Report provides the financial outlook for the General Fund for the current fiscal year and includes summary information for revenues and expenditures.

The following chart summarizes the projections for June 30, 2013 based on revenue and expenditure trends through the second quarter of fiscal year 2012/13.

General Fund Reserves	Amended Budget	Projected (Millions)
Reserves - July 1, 2012 (audited)	\$ 11.9	\$ 11.9
Revenues & Transfers In	\$ 124.6	\$ 126.4
Expenditures & Transfers Out	\$ 126.6	\$ 125.9
Projected Surplus/Deficit	\$ (2.0)	\$ 0.5
Projected Fund Balance for June 30, 2013	\$ 9.9	\$ 12.4
Percentage of Operating Budget	7.8%	9.8%

Notes:

1. The Amended Budget reflects a deficit due to the appropriations from reserves for the Bonita/Long Canyon Repair CIP (\$514,000), South Bay Community Services Domestic Violence Response Team (\$60,000), and the land purchase at 610 Bay Blvd. (\$1.4 million).

2. The projected revenues and expenditures for June 30, 2013 reflect a surplus of approximately \$0.5 million due to unanticipated revenues and to a smaller degree projected expenditure savings.
3. The expenditures reflected in the Amended Budget column reflect the Council Adopted Budget plus Council approved amendments - it does not reflect the carryover for capital improvement projects and other encumbrances (purchase orders).

Based on recent revenue and expenditure trends, the General Fund is projected to end the current fiscal year with a surplus of approximately \$0.5 million. General Fund revenues are tracking to exceed budget by approximately \$1.8 million. This change reflects the net change in various revenue categories. Major changes include better than expected Property Tax, Sales Tax, and prior year revenues. Positive economic trends are somewhat offset by lower than anticipated program revenues. General Fund expenditures are expected to be below budget by approximately \$0.7 million. This decrease largely reflects greater than anticipated personnel services savings in various departments.

The summary table on page 2 reflects an estimated \$2.0 million deficit based on the budget – this deficit reflects Council approved use of reserves for the Bonita/Long Canyon Repair Capital Improvement Project (\$514,000), funding for the South Bay Community Services' Domestic Violence Response Team (\$60,000), and the land purchase of 610 Bay Boulevard (\$1.4 million). The appropriation for the purchase of 610 Bay Boulevard occurred in the Third Quarter but for projection purposes it is included in the second quarter financial report. As discussed above, better than expected revenues and expenditure savings are projected to offset the use of reserves. At this time, it is anticipated that the General Fund will end the year with a modest surplus.

There are some areas of concern that staff will monitor and recommend adjustments as needed. Areas of concern include the following:

- Department program revenues – Several program revenues are trending low when compared to budget, including parking citations, negligent vehicle impound fees, code enforcement violations, and staff time reimbursements. These trends are reflected in the projections for June 30, 2013. Staff will continue to analyze revenue trends with the goal of avoiding negatively impacting the General Fund.
- Attorney Services – Due to several outstanding legal claims in major cases, staff anticipates there may be a need to appropriate or transfer funds for costs related to attorney services prior to the end of the fiscal year. If this does become necessary, this change will be brought back for Council consideration at a later date.

More information on the General Fund revenues and expenditures can be found in the attached Second Quarter Financial Report.

Budget Amendments

In preparing the quarterly financial projections, staff has identified various budget changes that are needed to better reflect actual revenues and expenditures. For government entities, a budget creates a legal framework for spending during the fiscal year. After the budget is approved there are circumstances, which arise that could require adjustments to the approved budget. Council Policy 220-02 "Financial Reporting and Transfer Authority" was established in January of 1996 and allows for budget transfers to be completed. Transfers exceeding \$15,000 require Council approval. Further, Council may amend the budget at any meeting after the adoption of the budget with a 4/5ths vote. Staff is recommending changes in the General Fund as well as various other funds that require Council approval.

General Fund Amendments

Staff is recommending budget amendments in Human Resources, Administration, Development Services (General Fund), Police, Fire and Public Works departments. These changes result in no net fiscal impact to the General Fund.

Human Resources and Administration – On December 11, 2012 Council approved various position reclassifications through Resolution number 2012-244. At that time modifications were made to the City's organizational structure, these changes included the addition of a Deputy City Manager position and the elimination of the Human Resources and ITS Director position. The Deputy City Manager was added to the Human Resources department. Staff is now recommending that the Deputy City Manager position be transferred from the Human Resources Department to the Administration Department. This change would result in no net fiscal impact to the General Fund.

Development Services (General Fund), Police, and Fire – The Finance Department is recommending changing the expenditure category for the Wireless & Data Access Charges object. This change would move this object from the Utilities category to the Supplies and Services category. This transfer will affect the Development Services (General Fund), Police, and Fire departments. These changes would result in no net fiscal impact to the General Fund.

Public Works – Staff is requesting budget adjustments that result in no net fiscal impact to the General Fund. These changes are:

- A transfer of \$17,000 in budgeted revenues from the Other Revenue category to the Use of Money and Property category. This change will align the budget with the correct revenue category.
- An increase in the minor-CIP for improvements to Eucalyptus Park of \$1,700. This appropriation will be offset by lease revenues and fully accounts for the total contract amount related to the American Legion lease agreement.

Police – On December 11, 2012, City Council approved the addition of 1.0 Fiscal Agent (FA) Regional Forensics Laboratory (RCFL) Network Engineer dedicated to the

examination of digital evidence in support of criminal investigations. Subsequently, it was determined that this full-time position should be budgeted in the Police Grant Fund. In order to transfer this grant funded position from the Police Department (General Fund) to the Police Grants fund, staff is requesting a budget adjustment that moves personnel costs and associated revenues in the amount of \$45,854 from the General Fund to the Police Grant Fund. There is no net fiscal impact to the General Fund as a result of this adjustment. This adjustment is also discussed in the following section as it affects the Police Grant Fund.

Amendments to Other Funds

Staff is recommending budget amendments to the following other funds:

Energy Conservation Fund and Development Services Fund – As discussed above, the Finance Department is recommending changing the expenditure category for the Wireless & Data Access Charges object. This change would move this object from the Utilities category to the Supplies and Services category. This transfer will affect the Energy Conservation Fund and Development Services Fund. These changes result in no net fiscal impact to their respective funds.

American Recovery and Reinvestment Act (ARRA) Fund – Staff is requesting a budget transfer of \$3,000 and an appropriation of \$15,962 to the City's Home Upgrade, Carbon Downgrade program. This program provides low-interest loans to homeowners completing energy-saving upgrades. Repayments from existing homeowner loans will be appropriated into the American Recovery Act Fund in order to support additional energy retrofits in the community. These funds were originally provided through federal Energy Efficiency & Conservation Block Grants and can only be used for this purpose. The requested budget changes results in a no net fiscal impact to this fund.

Bicycle Facilities Fund – CIP TF348, Accessible Pedestrian Signal Upgrade, has been completed and staff is requesting that the project balance of \$7,607 be returned to SANDAG. To achieve this, \$7,607 must be transferred from the CIP Project Expenditures category to the Other Expenses category. These funds were specified only for this project and at completion any unused funds must be returned to SANDAG. The requested transfer results in a no net fiscal impact to this fund.

California Library Services Act Fund – staff is requesting two changes in this fund, they are as follows:

- Staff is requesting a transfer in the amount of \$25,000, from the CIP Project Expenditures category to the Supplies and Services category. This transfer is requested to purchase office furniture for the Civic Center and South Chula Vista branches. Most library chairs in use at Civic Center and South Chula Vista branches are original to the buildings, making them 37 and 18 years old respectively. More than 20 million visitors have used them during that time period. A recent inventory shows 150 chairs missing as a result of prolonged wear and breakage. Chairs are being purchased at this time to replace missing and/or broken. There is no net fiscal impact to the California Library Services Act Fund as a result of this transfer.

- Staff is also requesting an appropriation of \$50,000 to the Supplies and Services category of this fund. These funds will be used to complete the strategic visioning component of the Library Facilities Master Plan. Chula Vista Public Library is completing the update of the Library Facilities Master Plan, last updated in 1998. The facilities master plan portion was completed in draft form in July 2011. Following Council's request, a more extensive strategic visioning component, reflecting the experience and perspective gained through operation of the cutting edge express library operation at Otay Ranch Town Center, is now being undertaken. The appropriation of \$50,000 will be made from the available reserves of this fund.

Police Grant Fund – As discussed above, the Police Department acts as the fiscal agent for various law enforcement programs which are funded through various State and Federal agencies. In October 2012, the Regional Computer Forensics Laboratory (RCFL) Director asked the Police Department to hire one full-time permanent FA (Fiscal Agent) RCFL Network Engineer instead of part-time hourly positions. The San Diego RCFL is a one-stop, full service forensics laboratory and training center devoted entirely to the examination of digital evidence in support of criminal investigations. After Council accepted the FA RCFL Network Engineer on 12/11/2012, it was determined that this full-time position should be budgeted in the Police Grant Fund instead of the General Fund. The requested budget adjustment moves personnel costs and associated revenue in the amount of \$45,854 from the General Fund to the Police Grant Fund. There is no net fiscal impact to Police Grant Fund as a result of this adjustment.

Federal Grants Fund – The Fire Department manages the Emergency Performance Management Grant (EMPG), which is federal funding from the U.S. Department of Homeland Security. The grant period for EMPG typically aligns with the City's fiscal year (July to June). A grant extension was approved for the EMPG 2011 award, extending the end date from 6/30/2012 to 12/31/2012. The extension was approved after the FY 2012/13 budget was adopted and unspent grant funds were not carried over to the current fiscal year. The Fire Department is requesting to appropriate \$52,332 to the Supplies and Services category of the Federal Grants Fund, which is fully offset by homeland security grant funds. Therefore, there is no net fiscal impact to the Federal Grants Fund as a result of this appropriation.

Development Services Fund – Development Services has experienced a sharp increase in the use of credit cards as a form of payment. As a result the Department has exceeded the budget for credit card transactions fees and is requesting an appropriation of \$45,000 to the Other Expenses category for these increased expenditures. These additional expenditures will be offset by unanticipated revenues resulting in no net fiscal impact to the Development Services Fund.

Public Facilities Development Impact Fee Fund – Staff is recommending an appropriation of \$59,545 from the PFDIF to the California Library Services Act Fund to reimburse the fund for costs incurred in a prior year as part of the development of the Library Facilities Master Plan. There is sufficient fund balance in the PFDIF for the costs

associated with this expense. The reimbursement of \$59,545 will result in a positive impact to the California Library Services Act 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. Staff is not independently aware, nor has staff been informed by any City Councilmember, of any other fact that may constitute a basis for a decision maker conflict of interest in this matter.

CURRENT YEAR FISCAL IMPACT

There is no fiscal impact resulting from accepting the Quarterly Financial Report.

Approval of the resolution amending the fiscal year 2012/13 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:				
Human Resources	Transfer Deputy City Manager from Human Resources to Administration	\$ (76,454)	\$ -	\$ 76,454
Administration	Transfer Deputy City Manager from Human Resources to Administration	\$ 76,454	\$ -	\$ (76,454)
Development Services (General Fund)	Transfer Wireless & Data Access Charges from Utilities category to Supplies and Services category (\$9,100)	\$ -	\$ -	\$ -
Police	Transfer Wireless & Data Access Charges from Utilities category to Supplies and Services category (\$66,080)	\$ -	\$ -	\$ -
Fire	Transfer Wireless & Data Access Charges from Utilities category to Supplies and Services category (\$22,000)	\$ -	\$ -	\$ -
Public Works	Transfer & appropriation for American Legion lease revenue and appropriation to Non-CIP Project Expenditures	\$ 1,700	\$ 1,700	\$ -
Police	Transfer RCFL Network Engineer from General Fund to Police Grant Fund	\$ (45,854)	\$ (45,854)	\$ -
	Subtotal General Fund	\$ (44,154)	\$ (44,154)	\$ -
Other Funds:				
Energy Conservation Fund	Transfer Wireless & Data Access Charges from Utilities category to Supplies and Services category (\$668)	\$ -	\$ -	\$ -
Development Services Fund	Transfer Wireless & Data Access Charges from Utilities category to Supplies and Services category (\$10,000)	\$ -	\$ -	\$ -
ARRA	Appropriation for the City's Home Upgrade, Carbon Downgrade program	\$ 15,692	\$ 15,692	\$ -
Bicycle Facilities	Transfer for the TF348 completion and refund to SANDAG	\$ -	\$ -	\$ -
CA Library Services Act	Transfer CIP Project Expenditures to Supplies and Services for office furniture expense	\$ -	\$ -	\$ -
CA Library Services Act	Appropriation to Supplies and Services for strategic visioning component of the Library Facilities Master Plan	\$ 50,000	\$ -	\$ (50,000)
CA Library Services Act	Appropriation for the reimbursement from the Public Facilities DIF for Library Facilities Master Plan costs incurred in prior years	\$ -	\$ 59,545	\$ 59,545
Police Grants	Transfer RCFL Network Engineer from General Fund to Police Grant Fund	\$ 45,854	\$ 45,854	\$ -
Federal Grants	Appropriation for Emergency Performance Management Grant extension	\$ 52,332	\$ 52,332	\$ -
Development Services Fund	Appropriation for increased credit card fee expenses	\$ 45,000	\$ 45,000	\$ -
Public Facilities DIF	Appropriation to reimburse CA Library Services Act Fund for prior year costs for Library Facility Master Plan	\$ 59,545	\$ -	\$ (59,545)
	Total Other Funds	\$268,423	\$218,423	\$ (50,000)
Total Budget Amendments		\$224,269	\$174,269	\$ (50,000)

Approval of the resolution results in no net fiscal impact to the General Fund, Energy Conservation Fund, Development Services Fund, ARRA fund, Bicycle Facilities fund, Police Grants fund.

The changes related to the California Library Services Act Fund will result in a positive fiscal impact of \$9,545. The changes related to the PFDIF fund will result in a negative fiscal impact of \$59,945 – this fund has sufficient reserves for this appropriation.

ONGOING FISCAL IMPACT

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

ATTACHMENTS

Second Quarter Financial Report

Prepared by: Angelica Aguilar, Budget and Analysis Manager, Finance Department

OVERVIEW

This financial report summarizes the City's General Fund financial position for fiscal year 2013 through December 31, 2012 and projecting out to June 30, 2013. 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.

ECONOMIC UPDATE

The National Forecast¹ - In the December 2012 report, the UCLA Anderson Forecast says that Gross Domestic Product (GDP) will grow at less than a 2% annual rate through mid-2013. While November's GDP growth gain was small, it was still positive, so the outlook for the local economy is positive for 2013. One potential concern to the economy was partially dealt with when the outgoing Congress reduced the impact of the "fiscal cliff" by making permanent the income tax rate cuts for the vast majority of taxpayers. However, the two percent reduction in the payroll tax was not extended, which would particularly affect low and middle income workers, who tend to spend a very high portion of their take-home pay. The forecast expects growth to pick up and exceed 3% for most of 2014 with housing activity leading the way. Unemployment will stay close to the current 7.9% rate in 2013, but gradually decline to 7.2% by the end of 2014. Inflation is expected to be above the Fed's 2% target by the end of the forecast period. This may signal an end to the zero interest rate policy that has been in place since late 2008.

The California Forecast² - In the California report, Senior Economist Jerry Nickelsburg examines the economic consequences of Proposition 30, which Nickelsburg refers to as "the most important change in the Golden State since the September UCLA Anderson Forecast release." On the positive side, writes Nickelsburg, Proposition 30 provides a way forward in funding state investment in education and providing at least some funding for the realignment of services. On the negative side, it does not address the issues of the way in which Californians fund state government for the long-run, which could make things worse rather than better.

The current California forecast calls for the state's employment to grow 1.3% in 2013 and 2.4% in 2014. Payrolls will grow at 1.4% and 2.2% in the respective forecast years. The real personal income growth rate is forecasted to be 1.8% in 2013 followed by 3.1% in 2014. Unemployment will fall through 2013 and will average approximately 9.7% for the year. In 2014 it is expected that the unemployment rate will drop to 8.4% on average, a percent higher than the U.S. forecast.

The San Diego Forecast³ - The USD Burnham-Moores Center for Real Estate's Index of Leading Economic Indicators for San Diego County rose 0.1 percent in November. The gain was led by a strong positive move for initial claims for unemployment insurance, along with smaller gains for consumer confidence and help wanted advertising. These outweighed moderate declines in building permits, local stock prices, and the outlook for the national economy to push the USD Index to its 11th increase in the last 13 months.

The USD forecast further states that while November's gain was small, it was nevertheless positive indicating a positive outlook for the economy in 2013. However, the local economy is still at risk from unresolved issues related to the "fiscal cliff" that may result in the sequestration of government spending for local domestic and defense program. Such government cutbacks in spending in these areas would likely adversely affect the local economy. The chart below reflects the San Diego Index of Leading Economic Indicators from January 2007 to November 2012.

San Diego Index of Leading Economic Indicators



¹Source: UCLA Anderson Forecast, December 2012

²Source: UCLA Anderson Forecast, December 2012

³Source: University of San Diego School of Business Administration, USD Index of Leading Economic Indicators, November 2012; retrieved from URL: <http://home.sandiego.edu/~agin/usdlel/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.

The following table reflects the audited General Fund reserves as of June 30, 2012 as well as the projected General Fund reserves for June 30, 2013.

General Fund Reserve	Amended Budget	Projected (millions)
Reserves - July 1, 2012 (audited)	\$ 11.9	\$ 11.9
Revenues & Transfers In	\$ 124.6	\$ 126.4
Expenditures & Transfers Out	\$ (126.6)	\$ (125.9)
Projected Surplus/Deficit	\$ (2.0)	\$ 0.5
Projected Fund Balance for June 30, 2013	\$ 9.9	\$ 12.4
Percentage of Operating Budget	7.8%	9.8%

Notes:

1. The Amended Budget reflects a deficit due to the appropriations from reserves for the Bonita/Long Canyon Repair CIP (\$514,000), South Bay Community Services Domestic Violence Response Team (\$60,000), and the land purchase at 610 Bay Blvd. (\$1.4 million).
2. The projected revenues and expenditures for June 30, 2013 reflect a surplus of approximately \$0.5 million due to unanticipated revenues and to a smaller degree projected expenditure savings.
3. The expenditures reflected in the Amended Budget column reflect the Council Adopted Budget plus Council amendments - it does not reflect the carryover for capital improvement projects and other encumbrances (purchase orders).

The Council Adopted budget for fiscal year 2012/13 included the use of \$574,000 in reserves. This funded the Bonita-Long Canyon Repair CIP (\$514,000) and continued funding for South Bay Community Services'

Domestic Violence Response Team (\$60,000). In January 2013, Council authorized the use of \$1.4 million in General Fund reserves for the purchase of 610 Bay Boulevard. While this appropriation occurred in the Third Quarter, it is included in the Second Quarter Financial Report for projection purposes.

Based on activity through the end of the second quarter, General Fund revenues and expenditures are tracking slightly better than budget. Staff is projecting a modest surplus in the General Fund. This surplus reflects \$1.8 million in better than anticipated revenues and approximately \$0.7 million in expenditure savings. At this time, the General Fund is expected to end the current fiscal year with a surplus of \$0.5 million. As of the end of the second quarter, projected fund balance is expected to improve to \$12.4 million or 9.8% of the operating budget by the end of the current fiscal year.

There are some areas of concern that staff will continue to monitor, including further shortfalls in program revenues and increased attorney services expenditures related to outstanding claims in major cases.

Revenues

The following table compares the amended budget and the updated revenue projections for the General Fund. The projections indicate some variances in revenues when compared to budget but in total, revenues are expected to exceed the budget by \$1.8 million. Major revenue variances include the following:

- A net increase of \$1.8 million in Property Tax revenue which includes a one-time adjustment related to the dissolution of redevelopment agencies. A portion of this revenue will be ongoing; staff is working with the County of San Diego to determine the anticipated ongoing amount.
- A one-time payment from the County of San Diego totaling approximately \$1.0 million related to overcharging of administrative fees in prior years.
- Other adjustments include increases in discretionary revenue based on better than expected revenues for fiscal year 2012 and the continuation of those positive trends in the current fiscal year. These increases are reflected in Sales Tax, Franchise Fees, and Transient Occupancy Taxes.
- A shortfall of a \$0.5 million in "transfers from" other funds. This shortfall reflects a reduction in the loan repayment to the General Fund from the Successor Agency to the Redevelopment Agency.

- A shortfall of \$894,000 in Fines, Forfeitures, and Penalties, which reflects shortfalls in the following program revenues:
 - Code Enforcement Violations (\$553,000)
 - Negligent Vehicle Impound Processing Fees (\$216,000)
 - Parking Citations (\$113,000)
- A variance of approximately (\$700,000) related to shortfalls in staff time reimbursements. This shortfall is reflected in the Other Revenue category.

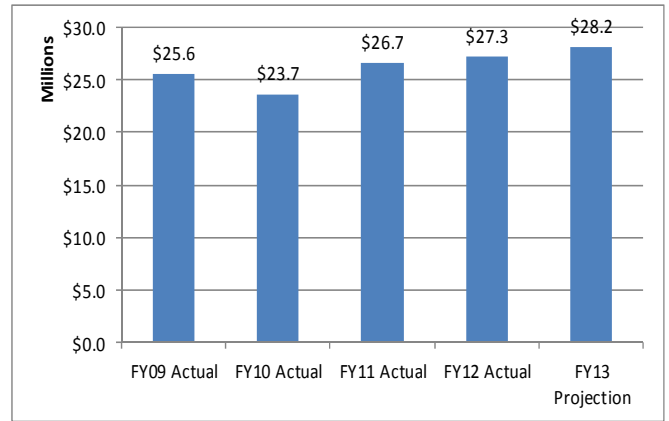
Projections for sales tax and sales tax in-lieu for the current fiscal year indicate that sales tax is tracking slightly better than budget based on activity through September 2012. Based on the most recent report received from the HdL Companies, the City is expected to realize an additional \$336,500 in sales tax when compared to budget.

The following chart represents actual sales tax collections since fiscal year 2008/09 and the projection for fiscal year 2012/13.

General Fund Revenues

Category	Amended Budget as of 12/31/13	Q2 Projected 6/30/13	Variance
Property Taxes	\$ 24,665,351	\$ 26,430,111	\$ 1,764,760
Sales Tax	\$ 20,839,000	\$ 21,301,779	\$ 462,779
Sales Tax in lieu	\$ 6,995,000	\$ 6,868,735	\$ (126,265)
Motor Vehicle License Fees	\$ 16,125,085	\$ 16,253,201	\$ 128,116
Other Revenues	\$ 12,123,346	\$ 12,599,035	\$ 475,689
Transfers From Other Funds	\$ 11,858,758	\$ 11,308,925	\$ (549,833)
Franchise Fees	\$ 7,939,054	\$ 8,311,068	\$ 372,014
Charges for Services	\$ 7,439,241	\$ 7,704,177	\$ 264,936
Utility Users Taxes	\$ 3,477,253	\$ 3,477,253	\$ -
Other Agency Revenue	\$ 3,580,628	\$ 3,352,815	\$ (227,813)
Use of Money and Property	\$ 2,512,040	\$ 2,598,227	\$ 86,187
Fines, Forfeitures & Penalties	\$ 1,854,695	\$ 960,400	\$ (894,295)
Real Property Transfer Tax	\$ 784,786	\$ 784,786	\$ -
Transient Occupancy Taxes	\$ 2,128,105	\$ 2,315,966	\$ 187,861
Business License Tax	\$ 1,261,460	\$ 1,178,944	\$ (82,516)
Licenses and Permits	\$ 990,037	\$ 945,975	\$ (44,062)
Total General Fund	\$124,573,839	\$126,391,397	\$1,817,558

Sales Tax



Sales Tax (Sales Tax and Sales Tax in lieu) - Sales tax is projected to be the City's largest revenue source, representing 22.3% of General Fund revenues in the fiscal year 2012/13 adopted budget.

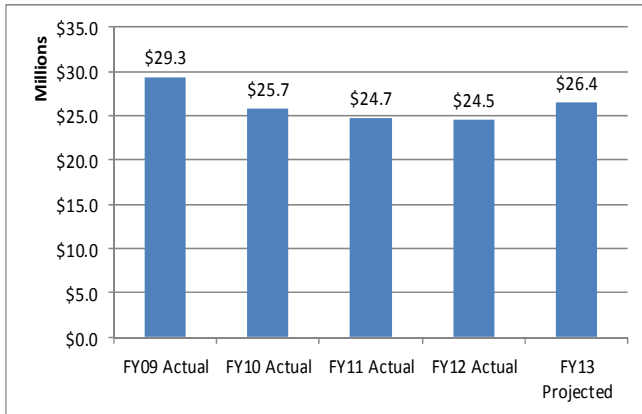
HdL Companies, the City's sales tax consultant, recently provided data for the third quarter of calendar year 2012. They report that the change in sales tax receipts between third quarter calendar year 2012 and third quarter calendar year 2011 increased by 6.6% Statewide, by 5.7% in San Diego County and 3.5% in Chula Vista.

Property Taxes - The City of Chula Vista receives property tax revenue based upon a 1.0% levy on the assessed value of all real property. Property tax is the City's second largest revenue source, representing 19.8% of General Fund revenues in the fiscal year 2012/13 adopted budget.

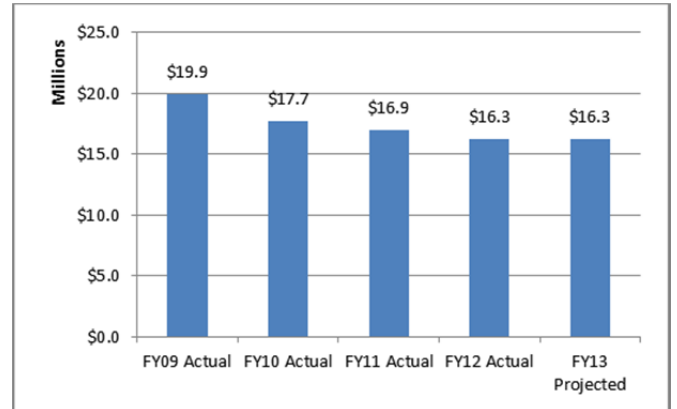
Property tax projections reflect a net increase of \$1.8 million when compared to budget. This change reflects the receipt of a one-time true up payment related to the dissolution of redevelopment agencies of \$2.0 million. This is offset by a projected shortfall in delinquent property tax revenues (\$160,000) and a smaller projected shortfall in unsecured property tax revenues (\$26,500).

The following chart represents actual property tax revenues since fiscal year 2008/09 and the projection for fiscal year 2012/13.

Property Tax



Motor Vehicle License Fees



Motor Vehicle License Fee (VLF) – With the State Budget Act of 2004, the allocation of VLF revenues to cities and counties was substantially changed. Since 2005/06 the majority of VLF revenues for each city grew 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 fluctuated with changes in assessed values in the City.

The other 4% of VLF revenues received by the City were based on a per capita formula but has since been shifted per SB89. Provisions in SB89 shifted hundreds of millions of Vehicle License Fee revenues to fund the state law enforcement grants. Statewide, SB89 took \$130 million of city general revenue and shifted it to save state law enforcement grant programs. This change applied to the 4% of VLF revenues that were based on a per capita formula. The City of Chula Vista lost approximately \$700,000 annually due to the State take away.

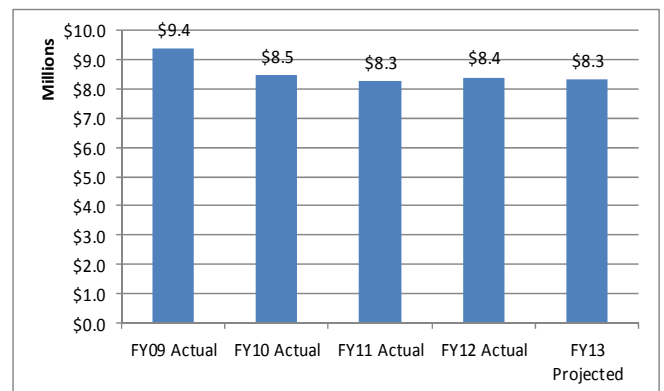
VLF revenues are projected to exceed budgeted levels by \$128,000 due to prior year collections. The following chart represents actual VLF revenues since fiscal year 2008/09 and the projection for fiscal year 2012/13.

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.

Projections for Franchise Fee revenues have been updated to continue the positive trend experienced in fiscal year 2012. Updated projections indicate that these revenues are trending to exceed budget by approximately \$372,000; an increase of approximately 4.7% when compared to budget.

The following chart represents actual franchise fee revenues since fiscal year 2008/09 and the projection for fiscal year 2012/13. 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.

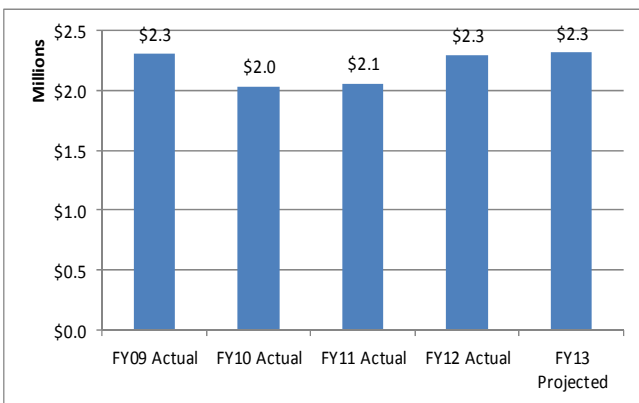
Franchise Fees



Transient Occupancy Tax (TOT) - The City receives 10% of hotel and motel room rates for stays less than 30 days.

Projections for TOT revenues have been updated to reflect the positive trend experienced in fiscal year 2012. Updated projections indicate that these revenues are trending to exceed budget by approximately \$187,900; an increase of approximately 8.8% when compared to budget. The following chart represents actual TOT revenues since fiscal year 2008/09 and the projection for fiscal year 2012/13.

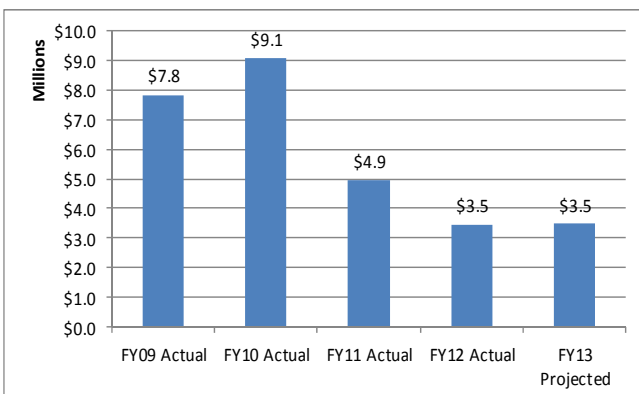
Transient Occupancy Tax (TOT)



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. 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 at budget. The following chart reflects actual UUT revenue since fiscal year 2008/09. Fiscal year 2012/13 is projected and does not reflect actual collections.

Utility Users Tax (UUT)



Expenditures

The table below reflects an Amended General Fund budget of \$129.5 million. This number differs from the Amended Budget reflected on page 2 of this report due to the inclusion of prior year encumbrances of \$2.9 million. These prior year encumbrances largely reflect the carryover for capital improvement projects.

The following table reflects the General Fund amended budget and actual expenditures by department as of December 31, 2012. In total, Departments have expended 43% of the General Fund budget after 50% of the fiscal year has elapsed.

General Fund Expenditures as of 12/31/2012

Department	Amended Budget as of 12/31/13	Expended as of 12/31/12	% Expended
City Council	\$ 1,319,376	\$ 597,227	45%
Boards & Commissions	\$ 10,076	\$ 5,473	54%
City Clerk	\$ 918,722	\$ 435,147	47%
City Attorney	\$ 2,534,696	\$ 1,125,328	44%
Administration	\$ 1,940,148	\$ 822,370	42%
Information Tech Svcs	\$ 2,925,647	\$ 1,529,206	52%
Human Resources	\$ 2,168,213	\$ 998,150	46%
Finance	\$ 3,265,377	\$ 1,513,689	46%
Non-Departmental	\$ 10,762,651	\$ 2,076,649	19%
General Services	\$ 2,444,281	\$ 1,082,569	44%
Dev Services (GF)	\$ 2,872,771	\$ 1,329,580	46%
Police	\$ 44,140,736	\$ 19,748,404	45%
Fire	\$ 22,992,823	\$ 10,696,363	47%
Public Works	\$ 24,294,641	\$ 10,809,478	44%
Recreation	\$ 3,668,267	\$ 1,438,777	39%
Library	\$ 3,207,210	\$ 1,552,854	48%
Total Expenditures	\$ 129,465,635	\$ 55,761,264	43%

General Fund Projections by Department
for June 30, 2012

Summary of General Fund Budget Amendments

Department	Amended Budget as of 12/31/13	Q2 Projected 6/30/13	Variance
City Council	\$ 1,319,376	\$ 1,319,376	\$ -
Boards & Commissions	\$ 10,076	\$ 10,076	\$ -
City Clerk	\$ 918,722	\$ 801,078	\$(117,644)
City Attorney	\$ 2,534,696	\$ 2,422,397	\$(112,299)
Administration	\$ 1,940,148	\$ 1,885,978	\$(54,170)
Information Tech Srvcs	\$ 2,925,647	\$ 2,924,050	\$(1,597)
Human Resources	\$ 2,168,213	\$ 2,153,700	\$(14,513)
Finance	\$ 3,265,377	\$ 3,229,697	\$(35,680)
Non-Departmental	\$ 10,762,651	\$ 11,635,622	\$ 872,971
General Services	\$ 2,444,281	\$ 2,392,043	\$(52,238)
Dev Services (GF)	\$ 2,872,771	\$ 2,812,179	\$(60,592)
Police	\$ 44,140,736	\$ 43,580,860	\$(559,876)
Fire	\$ 22,992,823	\$ 22,992,823	\$ -
Public Works	\$ 24,294,641	\$ 23,866,729	\$(427,912)
Recreation	\$ 3,668,267	\$ 3,528,105	\$(140,162)
Library	\$ 3,207,210	\$ 3,207,210	\$ -
Total Expenditures	\$ 129,465,635	\$128,761,922	\$(703,713)

Date	Description	Revenue	Expenditure	Net Impact
7/12/2012	2012-146 - Target donation	\$ 1,800	\$ 1,800	\$ -
9/11/2012	2012-168 - Cool California Challenge	\$ 5,000	\$ 5,000	\$ -
9/11/2012	2012-170 - Target grant	\$ 2,000	\$ 2,000	\$ -
9/18/2012	2012-174 - Walmart donation	\$ 1,000	\$ 1,000	\$ -
9/18/2012	2012-177 - COPS grant	\$ 174,834	\$ 174,834	\$ -
9/25/2012	2012-181 - Animal Care Assistant	\$ 38,686	\$ 38,686	\$ -
	First Quarter Subtotal	\$ 223,320	\$ 223,320	\$ -
10/23/2012	2012-194 - 1st quarter cleanup	\$ 7,116	\$ 7,116	\$ -
11/20/2012	2012-210 - Rotary Club Donation	\$ 825	\$ 825	\$ -
11/20/2012	2012-211 - Vhcl Storage Fire Stn 8	\$ 9,750	\$ 9,750	\$ -
12/4/2012	2012-231 - South County AS Spay Svcs	\$ 39,000	\$ 39,000	\$ -
12/11/2012	2012-244 - Reclass of various positions	\$ -	\$ -	\$ -
12/11/2012	2012-250 - Network Engineer Addition	\$ 402	\$ -	\$ (402)
	Second Quarter Subtotal	\$ 57,093	\$ 56,691	\$ (402)
2/5/2012	2013-012 - 610 Bay Blvd Purchase*	\$ 27,600	\$ 1,457,600	\$ 1,430,000
	Third Quarter Subtotal	\$ 27,600	\$ 1,457,600	\$ 1,430,000
	Total Appropriations to date	\$ 308,013	\$ 1,737,611	\$ 1,429,598

Based on expenditure trends through the first six months, staff is projecting expenditure savings of \$704,000. These expenditure savings largely reflect savings in the personnel services category and in the utilities category. The variance of \$0.9 million in Non-Departmental reflects the budgeted salary savings which are now being realized in various departments. Currently, all City Departments are projected to be within budget or generate expenditure savings.

*This appropriation was approved by Council on February 5th; for projection purposes it is included in this report. The table does not reflect other appropriations that may have occurred in the Third Quarter.

Mid-Year Budget Amendments

Mid-year appropriations approved through December 30, 2012 totaled \$280,011 with offsetting revenues of \$280,413. As mentioned previously, the expenditure projections also account for a \$1.4 million appropriation related to the purchase of 610 Bay Boulevard that was recently approved by Council.

The City Council approved the following budget amendments during through second quarter:

Budget Transfers

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

Summary of General Fund Budget Transfers

Date	Description	Department	Amount	From/To
Sep-12	Transfer for Civic Center signage improvement project.	Non-Departmental	\$ 15,000	Supplies & Services to Capital
Sep-12	Realign budget and adjust wage related objects	City Council	\$ 1,544	Supplies & Services to Personnel Services
Sep-12	Transfer to add budget for a one-time refund of fire inspection fees.	Fire	\$ 500	Utilities to Other Expenses
Nov-12	Refunds for overpayments	Human Resources	\$ 7,525	Supplies & Services to Other Expenses
Nov-12	Transfer to cover supplies and services expenses	Animal Care Facility	\$ 4,000	Utilities to Supplies & Services

RESOLUTION NO. 2013-_____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA MAKING VARIOUS AMENDMENTS TO THE FISCAL YEAR 2012/13 BUDGET TO ADJUST FOR VARIANCES, APPROVING POSITION TRANSFERS, AND APPROPRIATING FUNDS THEREFOR

WHEREAS, the City Charter states that at any meeting after the adoption of the budget, the City Council may amend or supplement the budget by motion adopted by the affirmative votes of at least four members; and

WHEREAS, staff is recommending various transfers between expense categories in order to better align the budget with actual revenues and expenditures; and

WHEREAS, staff is recommending transferring the Deputy City Manager position from the Human Resources Department to the Administration Department to better reflect the City's organizational structure; and

WHEREAS, the recommended budget amendments in the General Fund reflect a net decrease in expenditures and revenues of \$44,154 and result in no net fiscal impact to the General Fund; and

WHEREAS, the recommended appropriations to other funds reflect a net increase in expenditures of \$268,423 with offsetting revenues of \$218,423 resulting in a net fiscal impact of \$50,000; and

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Chula Vista does hereby amend the fiscal year 2012/13 budget and approve the following appropriations:

Dept/Fund	Personnel Services	Supplies & Services	CIP	Non-CIP Project	Other Expenses	Utilities	Transfers Out	Total Expenses	Revenue	Net Impact
General Fund:										
Human Resources	\$ (76,454)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (76,454)	\$ -	\$ 76,454
Administration	\$ 76,454	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 76,454	\$ -	\$ (76,454)
Development Services - GF	\$ -	\$ 9,100	\$ -	\$ -	\$ -	\$ (9,100)	\$ -	\$ -	\$ -	\$ -
Police	\$ (45,854)	\$ 66,080	\$ -	\$ -	\$ -	\$ (66,080)	\$ -	\$ (45,854)	\$ (45,854)	\$ -
Fire	\$ -	\$ 22,000	\$ -	\$ -	\$ -	\$ (22,000)	\$ -	\$ -	\$ -	\$ -
Public Works	\$ -	\$ -	\$ -	\$ 1,700	\$ -	\$ -	\$ -	\$ 1,700	\$ 1,700	\$ -
Total General Fund	\$ (45,854)	\$ 97,180	\$ -	\$ 1,700	\$ -	\$ (97,180)	\$ -	\$ (44,154)	\$ (44,154)	\$ -
Other Funds:										
Energy Conservation	\$ -	\$ 668	\$ -	\$ -	\$ -	\$ (668)	\$ -	\$ -	\$ -	\$ -
Development Services	\$ -	\$ 10,000	\$ -	\$ -	\$ 45,000	\$ (10,000)	\$ -	\$ 45,000	\$ 45,000	\$ -
ARRA	\$ -	\$ (3,000)	\$ -	\$ -	\$ 18,692	\$ -	\$ -	\$ 15,692	\$ 15,692	\$ -
Bicycle Facilities	\$ -	\$ -	\$ (7,607)	\$ -	\$ 7,607	\$ -	\$ -	\$ -	\$ -	\$ -
CA Library Services Act	\$ -	\$ 50,000	\$ (25,000)	\$ -	\$ 25,000	\$ -	\$ -	\$ 50,000	\$ 59,545	\$ 9,545
Police Grants	\$ 45,854	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,854	\$ 45,854	\$ -
Federal Grants	\$ -	\$ 52,332	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,332	\$ 52,332	\$ -
Public Facilities DIF	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 59,545	\$ 59,545	\$ -	\$ (59,545)
Total Other Funds	\$ 45,854	\$ 110,000	\$ (32,607)	\$ -	\$ 96,299	\$ (10,668)	\$ 59,545	\$ 268,423	\$ 218,423	\$ (50,000)
Total Budget Amendments	\$ -	\$ 207,180	\$ (32,607)	\$ 1,700	\$ 96,299	\$ (107,848)	\$ 59,545	\$ 224,269	\$ 174,269	\$ (50,000)


BE IT FURTHER RESOLVED, that the City Council of the City of Chula Vista does hereby amend the fiscal year 2012/13 budget the authorized position count of the following departments:

Department/Fund	Position	FTE
Human Resources	Deputy City Manager	(1.0)
Administration	Deputy City Manager	1.0
Net Change		-

Presented by

Approved as to form by

Maria Kachadoorian
Director of Finance/Treasurer



Glen R. Godgins
City Attorney