



City of La Quinta

TO: Honorable Mayor and Members of the City Council

FROM: Patrick Griffin, Interim Finance Director

DATE: February 18, 2014

SUBJECT: FOLLOW UP FROM JANUARY 21, 2014 COMPREHENSIVE ANNUAL FINANCIAL REPORT PRESENTATION

At the January 21, 2014 City Council meeting, the City's Comprehensive Annual Financial Report (CAFR) was presented. Subsequent to staff's presentation, two specific Council inquiries were made. The specific inquiries that needed follow up related to 1) Quimby Fund (located on pages 91 and 103 of the CAFR) and 2) Budgetary Comparison Statement by Department (located on page 27 of the CAFR). For the Quimby Fund, there were general questions regarding the beginning and ending fund balances and the budget versus actual expenditures. For the budgetary comparison table, there were questions regarding specific City program overages.

Quimby Fund

Attachment 1 is a presentation of the financial information for the Quimby Fund for Fiscal Year ("FY") 2012/13. In addition, the attachment provides budgetary data for FY 2013/14 and future years Capital Improvement Program commitments.

For FY 2013/14, the Quimby Fund balance is estimated as follows:

Beginning Fund Balance (per CAFR)	\$8,241,869
Budgeted Revenue (interest earnings)	<u>20,000</u>
Estimated Ending Fund Balance FY 2013/14	\$8,261,869

Commitments going forward (FY 2013/14 and future Capital Improvement Program commitments) total \$9,822,775. The shortfall between existing fund balance and budgeted and future commitments is anticipated to be closed in future years with Quimby fees that will be paid as development occurs in the City.

Budgetary Comparison Statement by Department

During the January 21, 2014 City Council meeting, there were questions relating to specific department programs that had significant overages. In order to respond to these questions and to provide complete information, the attached schedules (Attachments 2 through 6) include data for any department program that had a variance greater than \$25,000. There were five programs in this category: Fiscal Services; Building & Safety Administration; Public Works Administration; Public Works Maintenance/Operations – Street; and Public Works Construction Management.

A critical component affecting four of these areas is a budgetary entry entitled “Reimbursed General Fund Expense.” This line item entry is established to capture costs contained in the general fund that can be paid from other, more restricted funds (for example Successor Agency and grant funds). To elaborate, it is appropriate for cities to allocate a portion of staff time and related support expenses to all the funds that are managed by them. The City centralizes the full cost for staff time and related support expenses in the general fund, then reimburses the general fund from restricted funds for a portion of those expenses. To accomplish this, the City’s practice has been to utilize the “Reimbursed General Fund Expense” budgetary line item to capture these reimbursements from restricted funds, and to complete a quarterly journal entry based on actual activity of the various restricted funds. Thus, this budgetary line item, which contains a beginning budget and subsequent journal entries, may end the year with a negative balance (depending on level of activity of the various restricted funds).

As outlined above, the “Reimbursed General Fund Expense” budgetary line item is an internal accounting function that has no relationship to the department program’s *actual* expenditures for personnel, goods and services, or capital purchases. Rather, it is a method to reimburse the general fund for legitimate expenses that can be allocated to restricted funds. As such, the attached data for the five program areas analyzed begins with reversing the “Reimbursed for General Fund Expense” out, so that the data presented reflects the actual expenditure variance in each department program.

Removing this line item from each of the five department programs results in the following actual variances:

Fiscal Services	- 25,646
Building & Safety Inspection	- 71,491
Public Works Administration	19,391
Public Works Street Maintenance	84,765
Public Works Engineering Services	125,935

Additional information regarding each program is attached.

Attachments:

1. Quimby Fund
2. Analysis of Budget to Actual Expenditure Variances - Fiscal Services
3. Analysis of Budget to Actual Expenditure Variances - Building & Safety Inspection
4. Analysis of Budget to Actual Expenditure Variances - Public Works Administration
5. Analysis of Budget to Actual Expenditure Variances - Public Works Street Maintenance
6. Analysis of Budget to Actual Expenditure Variances - Public Works Engineering Services

Quimby Fund

Project	12/13 Budget	Expenditure
Community Sports Park Acquisition	7,553,933.00	-
Senior Center HVAC Upgrade	719.00	
Sports Complex Lighting Rehab	888,875.00	53,579.75
Senior Center ADA Improvements	287,577.00	443.75
SilverRock ADA Improvements	64,048.00	980.80
Civic Center, LA Quinta Park, Library ADA Improvements	266,928.00	33,281.80
	<u>9,062,080.00</u>	<u>88,286.10</u>

Project	13/14 Budget
Community Sports Park Acquisition	3,159,542.00
Sports Complex Lighting Rehab	835,295.00
SilverRock ADA Improvements	63,067.00
Civic Center, LA Quinta Park, Library ADA Improvements	233,646.00
Miscellaneous Parks ADA Improvements	71,429.00
Fritz Burns Pool Enhancements	1,321,000.00
Senior Center Expansion	3,070,309.00
La Quinta Park Restroom	188,224.00
	<u>8,942,512.00</u>

	Future Commitments	
Miscellaneous Parks ADA Improvements	133,415.00	FY 14/15
Sports Complex ADA Improvements	161,472.00	FY 14/15
Boys & Girls ADA Improvements	100,000.00	FY 15/16
YMCA ADA Improvements	100,000.00	FY 16/17
Community Sports Park (additional funding)	385,376.00	AD Project
	<u>880,263.00</u>	

Analysis of Budget to Actual Expenditure Variances

As Presented in FY 2012-13 Comprehensive Annual Financial Report (CAFR)

Fiscal Services

Budget to Actual Variance per FY 2012-13 CAFR	- 109,077
Adjustment out for "Reimbursed General Fund Expense"	<u>83,431</u>
Actual Variance	- 25,646

Analysis

Over expenditures	- 39,634
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Salary and benefit expenditures exceeded budget due to payout of accrued leave to the former Finance Director. These costs were not expected and therefore not budgeted.

Under expenditures	13,989
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The Department underspent in various maintenance and operations accounts.

Analysis of Budget to Actual Expenditure Variances

As Presented in FY 2012-13 Comprehensive Annual Financial Report (CAFR)

Building & Safety Inspection

Budget to Actual Variance per FY 2012-13 CAFR - 64,519

Analysis

Over expenditures - 71,491

Plan Checks services were over budget due to the increase in building activity.

Under expenditures 6,972

The Department underspent in various maintenance and operations accounts.

Analysis of Budget to Actual Expenditure Variances

As Presented in FY 2012-13 Comprehensive Annual Financial Report (CAFR)

Public Works Administration

Budget to Actual Variance per FY 2012-13 CAFR	- 39,579
Adjustment out for "Reimbursed General Fund Expense"	<u>58,970</u>
Actual Variance	19,391

Analysis

Over expenditures	- 47,801
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 Salary and benefit expenditures exceeded budget due to payout of accrued leave to the former Management Analyst. These costs were not expected and therefore not budgeted.

Under expenditures	67,192
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 The Department underspent in various maintenance and operations accounts. The largest variance was \$64,067 in Contract Services Consultants.

Analysis of Budget to Actual Expenditure Variances

As Presented in FY 2012-13 Comprehensive Annual Financial Report (CAFR)

Public Works Street Maintenance

Budget to Actual Variance per FY 2012-13 CAFR	- 327,739
Adjustment out for "Reimbursed General Fund Expense"	<u>412,504</u>
Actual Variance	84,765
Analysis	
Over expenditures	- 25,989
<p> Salary and benefit expenditures exceeded budget due to standby and standby overtime pay (\$9,122); Contract Services/Technical (\$10,141). These costs were not expected and therefore not budgeted. Operating Supplies were over budget by (\$ 3,174) and Barricades were under budget by (\$3,552).</p>	
Under expenditures	110,755
<p> The Department underspent in various maintenance and operations accounts. The largest variances were \$33,822 in Street Striping and \$33,826 in Street Sweeping.</p>	

Analysis of Budget to Actual Expenditure Variances

As Presented in FY 2012-13 Comprehensive Annual Financial Report (CAFR)

Public Works Engineering Services

Budget to Actual Variance per FY 2012-13 CAFR	- 187,934
Adjustment out for "Reimbursed General Fund Expense"	<u>313,869</u>
Actual Variance	125,935

Analysis

Over expenditures	- 25,883
<p>Salary and benefit expenditures exceeded budget due to payout of accrued leave to the former Associate Engineer. These costs were not expected and therefore not budgeted.</p>	

Under expenditures	151,818
<p>The Department underspent in various maintenance and operations accounts. The largest variance was \$105,972 in Contract Services.</p>	