



# City of La Quinta

**CITY / SA / HA / FA MEETING DATE:** June 16, 2015

**AGENDA CATEGORY:**

**ITEM TITLE:** ADOPT RESOLUTION TO APPROVE FISCAL YEAR 2015/2016 BUDGET AND ESTABLISH CITY'S APPROPRIATIONS LIMIT

**BUSINESS SESSION:** 2

**CONSENT CALENDAR:**

**STUDY SESSION:**

**PUBLIC HEARING:**

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## **RECOMMENDED ACTION:**

Adopt a Resolution approving the Fiscal Year 2015/2016 Budget and establish the City's appropriations limit.

## **EXECUTIVE SUMMARY:**

- The Fiscal Year 2015/2016 Proposed Budget ("Budget") consists of the City, Housing Authority and Financing Authority budgets.
- The Budget, received by City Council on May 19, 2015, projected \$38,421,300 in General Fund revenues, \$38,524,500 in planned expenditures, and a budget surplus of \$87,200.
- Subsequently, at the June 2, 2015 Study Session, staff recommended a number of cost saving measures as well as additions for Council consideration. Staff was directed to prepare a final budget that incorporated changes resulting in a revised surplus of \$170,200.
- Council also approved the five-year Capital Improvement Program (CIP), which includes additional General Fund funded CIP projects for Fiscal Year 2015/2016 in the amount of \$3,634,000; funding for these projects is included in the Budget, which pledges the \$170,200 operating surplus and \$3,463,800 of unappropriated General Fund reserves.

## **FISCAL IMPACT:**

The Budget anticipates total revenues of \$38,611,700 and total expenditures \$38,441,500, leaving an operational surplus of \$170,200. The adopted CIP requires \$3,634,000 of General Fund revenue to fund all of the 2015/16 projects. The CIP expenditures increase total General Fund expenditures to \$42,075,500; these additional expenditures will be funded from the \$170,200 operations surplus and \$3,463,800 of reserves.

## **BACKGROUND/ANALYSIS:**

The draft Budget, presented to the Council on May 19, 2015, was balanced with revenue exceeding expenditures by \$87,200. That same evening, Council received the Police Services Study that provided recommendations to improve service delivery efficiencies while reducing police service costs. The Council directed staff to include these service efficiency recommendations in the Budget, which will reduce operating costs by \$460,000, thus increasing the Budget revenue/expenditure spread to \$547,200.

### **Savings Allocation**

Council also provided direction to incorporate the following supplemental requests into the Budget:

- **\$30,000** to fund the net cost of adding the following three administrative support positions:
  - Administrative Technician in Community Development Department
  - Office Assistant assigned to both Public Works and Code
  - Management Assistant in the City Manager's Office

The total, fully burdened (salary and benefits) cost of these three positions is \$206,100. However, these costs would be offset by not funding the Information Services Analyst position (\$117,900) in the City Manager's Office (eliminating that position) and reducing contract services budgets in Community Development and Public Works by \$58,200.

- **\$27,000** to reclassify the following positions:
  - Assistant Civil Engineer to Associate Engineer - Public Works
  - Associate Planner to Principal Planner - Community Development
  - Senior Account Clerk to Permit Technician - Customer Center
  - Senior Account Clerk to Account Technician - Finance
- **\$150,000** for the Village Program Environmental Impact Report.
- **\$120,000** to expand Code Compliance (program parameters will be presented to the Council and the community in July/August 2015).
- **\$50,000** to expand the City's marketing budget.

Direction was also provided to incorporate the following two recommendations that do not have any impact on the Budget:

- Reclassify an Administrative Technician to Management Assistant in the Finance Department.
- Move the Business Analyst position from Finance to the City Manager's Office.

With the inclusion of these recommendations, total revenues are projected to be \$38,611,700 and total expenditures \$38,441,500, leaving an operational surplus of \$170,200. Additional CIP projects of \$3,634,000 increase expenditures to \$42,075,500.

The General Fund Overview (Attachment 1) also provides the revised General Fund budget based on these modifications.

### **General Fund Reserves**

Total General Fund reserves, currently \$89,398,517, are projected to decrease by 3.9 percent or \$3,463,800 to \$85,934,717 during Fiscal Year 2015/2016. The General Fund Reserves Overview (Attachment 2) details the changes in the reserve composition and is summarized below:

<b>Estimated General Fund Reserves at 6/30/16:</b>	
Non-spendable (advances, receivables, etc.)	\$ 57,066,029
Designated for specific use (retiree medical obligation)	\$ 1,523,401
Emergency reserves (40% of expenditures)	\$ 14,656,600
Cash flow reserves (10% of expenditures)	\$ 3,664,150
Unappropriated fund balance	\$ 9,024,537
<b>Total Reserves</b>	<b>\$ 85,934,717</b>

Per Council direction in February 2015, the City's reserve policy had been amended as follows:

- Maintain a cash flow reserve in an amount equal to 10 percent of budgeted operational expenditures (previously it was 8.25 percent), and
- Set a reserve for emergencies in an amount equal to 40 percent of budgeted operational expenditures (previously it was 35 percent plus \$4.0 million).

The Council also discussed establishing an economic development reserve. The amount this reserve would be was not established pending further discussion regarding the City's economic development strategies.

### **Appropriations Limitation Calculation (Gann Limit)**

Annually, the City is required to prepare the Gann Limit in accordance with Article XIII B of the State Constitution. The Gann initiative limits growth in government spending to changes in population and inflation. The Gann Limit for Fiscal Year 2015/2016 is \$109,037,717. This means that the City must not spend revenues subject to this limitation over \$109,037,717. City revenues subject to the Gann Limit are \$37,391,100; therefore, the City is significantly below the limit by a margin of \$71,646,617 (Attachment 3).

## **Continuing Appropriations/Encumbrance Carryovers**

The list of estimated continuing appropriations and encumbrance carryovers (Attachment A to the Budget Resolution) reflects City commitments to projects, services or purchases that were made in Fiscal Year 2014/2015 but were not completed, fulfilled, or paid for by the end of the fiscal year. The encumbrance carryovers are \$157,100 and the continuing appropriations are \$319,300 for a total of \$476,400.

These unexpended funds remain available but Council approval is needed to re-appropriate them for use in 2015/16 (since all appropriations lapse at the end of the fiscal year). The encumbrance carryover items are for purchase orders and/or contracts issued to a specific vendor but the service or supplies have not been charged. The continuing appropriations items are funds for services or projects that were approved by the City Council but not yet contracted for. When Council originally approves a project budget, funds are budgeted but the timeframe to complete the project may extend into the next fiscal year. The continuing appropriations (\$50,000) is for the additional marketing activities the Council identified on June 2, 2015.

CIP and grant carryovers are not included as they are part of the year-end process and will be included in the 2014/2015 year-end report.

## **ALTERNATIVES**

Council may further adjust the various appropriations included in the recommended Fiscal Year 2015/2016 budget.

Report prepared by: Rita Conrad, Finance Director

Report approved for submission by: Frank J. Spevacek, City Manager

- Attachments:
1. General Fund Overview
  2. General Fund Reserves Overview
  3. Gann Limit Calculation

**RESOLUTION NO. 2015 -**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LA QUINTA, CALIFORNIA, ESTABLISHING THE CITY'S APPROPRIATION LIMIT FOR FISCAL YEAR 2015/2016 AND APPROVING A BUDGET FOR FISCAL YEAR 2015/2016**

**WHEREAS**, each year the La Quinta City Council adopts a Budget for Revenues and Expenditures for the upcoming Fiscal Year; and

**WHEREAS**, the City Council desires to make provisions for a level of services commensurate with the needs of the City; and

**WHEREAS**, the City Council has reviewed said budget and has had several public meetings to receive public input; and

**WHEREAS**, the City Council has, after due deliberation and consideration, made such amendments in the proposed budget as it considers desirable; and

**WHEREAS**, Section 7910 of the Government Code of the State of California provides that each year the governing body of each local jurisdiction shall, by resolution, establish its appropriations limit for the following fiscal year; and

**WHEREAS**, Section 7902(b) of the Government Code sets forth the method for determining the said appropriations limit, to be based upon the limit applicable for the prior fiscal year and adjusted for changes in the cost-of-living and in City population.

**NOW, THEREFORE, BE IT RESOLVED** by the City of La Quinta to adopt, as follows:

SECTION 1. The appropriations limit for the City of La Quinta established in accordance with Section 7902(b) of the California Government Code, for Fiscal Year 2015/2016 is \$109,037,717.

SECTION 2. It is hereby found and determined that in compliance with Government Code Section 7910, the documentation used in the determination of said appropriations limit for Fiscal Year 2015/2016 was available to the public in the Finance Department of the City and in the Office of the City Clerk at least fifteen days prior to this date.

SECTION 3. The Fiscal Year 2015/2016 Budget which is on file with the City Clerk is hereby approved.

SECTION 4. Continuing Appropriations which remain unspent and were authorized by Council in Fiscal Year 2014/2015 are approved in the Fiscal Year 2015/2016 Budget in an amount not to exceed \$500,300. Of this amount, \$319,300 is in General

Fund Continuing Appropriations (Exhibit A).

SECTION 5. Encumbrances for Fiscal Year 2014/2015 for committed appropriations are approved in the Fiscal Year 2015/2016 Budget in an amount not to exceed \$157,100. (Exhibit A).

SECTION 6. Budget adjustment procedures are approved as follows:

- A. Additional appropriations and the transfer of cash or unappropriated fund balance from one fund to another shall be made only upon City Council approval.
- B. Transfers of budgeted appropriations between divisions or capital projects shall be made only upon City Council approval.
- C. Transfers of budgeted appropriations between accounts within a division or capital project may be made with the approval of the City Manager or his designee.
- D. Prior year budget continuing Appropriations and Encumbrances for unexpended capital project and grant appropriations remaining from uncompleted prior year capital projects and grant programs shall be made with City Manager approval. These carry-over appropriations are for prior year Council approved capital projects and shall not exceed the approved project budget.

SECTION 7. The City Council, recognizing the need for maintaining Fund Balance reserves has established a General Fund Cash Flow Reserve for Fiscal Year 2015/2016 of 10% of the Fiscal Year 2015/2016 operating budget which amounts to \$3,664,150 for Fiscal Year 2015/2016, and has also established a General Fund Emergency Reserve for Fiscal Year 2015/2016 of 40% of the Fiscal Year 2015/2016 operating budget which amounts to \$14,656,600. The two aforementioned reserve categories cannot be appropriated without the explicit approval of the City Council.

SECTION 8. The City Manager shall render a monthly report to the City Council on the status of City operations as it relates to the approved budget and any amendments thereto.

**PASSED, APPROVED, and ADOPTED** at a regular meeting of the La Quinta City Council held on this 16th day of June, 2015, by the following vote:

**AYES:**

**NOES:**

**ABSENT:**

**ABSTAIN:**

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Linda Evans, Mayor  
City of La Quinta, California

**ATTEST:**

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SUSAN MAYSELS, City Clerk  
City of La Quinta, California

(SEAL)

**APPROVED AS TO FORM:**

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William Ihrke, City Attorney  
City of La Quinta, California





EXHIBIT A

City of La Quinta Fiscal Year 2014/2015 to Fiscal Year 2015/2016 Continuing Appropriations and Encumbrance Carryovers							
Requesting Department	Account	Description	Continuing Appropriation	Revenues	Transfers In/Out	Encumbrances	Total
City Manager	101-1002-60101	professional - franchise review and audits	45,000				45,000
	101-1002-60320	professional- revenue enhancement options	50,000				50,000
	<b>Total</b>		<b>95,000</b>	-	-	-	<b>95,000</b>
City Clerk	101-1005-60103	professional - scanning services				8,700	8,700
	<b>Total</b>		-			<b>8,700</b>	<b>8,700</b>
Finance/Central Services	101-1007-60441	liability insurance premium (timing)	209,000				209,000
	101-1006-60103	professional - contract accounting guidance				10,000	10,000
	<b>Total</b>		<b>209,000</b>	-	-	<b>10,000</b>	<b>219,000</b>
Community Services	101-3001-60157	rent (Colonel Paige, Adams Elementary programs)	3,300				3,300
	101-3004-80100	Library LED lighting				35,500	35,500
	101-3005-60104	Community Services Assessment				20,000	20,000
	101-3007-60461	marketing/brand refresh				30,000	30,000
	<b>Total</b>		<b>3,300</b>			<b>85,500</b>	<b>88,800</b>
Police	101-2001-71031	Equipment for COP vehicle funded with Trilogy Grant	10,700				10,700
	<b>Total</b>		<b>10,700</b>				<b>10,700</b>
<b>Community Development</b>							
Planning	101-6002-60103	professional-zoning map & ordinance consistency with General Plan				16,000	16,000
	<b>Total</b>		-			<b>16,000</b>	<b>16,000</b>
Public Works	101-7002-60320	travel/training PW conference (APWA)	1,300				1,300
	101-7003-60141	slurry seal program				36,900	36,900
	<b>Total</b>		<b>1,300</b>	-	-	<b>36,900</b>	<b>38,200</b>
<b>Total General Fund</b>			<b>319,300</b>	-	-	<b>157,100</b>	<b>476,400</b>
Equipment Replacement Fund	501-0000-71030	contingency for Animal Control truck	65,000				65,000
	<b>Total</b>		<b>65,000</b>				<b>65,000</b>
Information Technology Fund	502-0000-56220	upgrades for power users and non standard machines	14,000				14,000
	502-0000-60300	2012 server software license upgrades	20,000				20,000
	502-0000-80100	investment management software	22,000				22,000
	502-0000-60301	network core upgrade-end of service	60,000				60,000
	<b>Total</b>		<b>116,000</b>	-	-	-	<b>116,000</b>
<b>Grand Total</b>			<b>500,300</b>	-	-	<b>157,100</b>	<b>657,400</b>

Note - The appropriations and encumbrances listed will be adjusted to reflect actual expenditures as of June 30, 2015 in Fiscal Year 2014-2015



**CITY OF LA QUINTA  
GENERAL FUND OVERVIEW  
FISCAL YEAR 2015-2016 PROPOSED**

*June 16, 2015*

**ESTIMATED CURRENT RESOURCES**

**REVENUES:**

TAXES	\$	24,706,300
LICENSES & PERMITS	\$	1,181,300
INTERGOVERNMENTAL	\$	10,358,100
CHARGES FOR SERVICES	\$	1,197,200
FINES & ASSESSMENTS	\$	208,400
OTHER/MISCELLANEOUS	\$	770,000

**TOTAL REVENUES** \$ 38,421,300

**TRANSFERS IN** \$ 190,400

**TOTAL ESTIMATED CURRENT RESOURCES** **\$ 38,611,700**

**ESTIMATED CURRENT REQUIREMENTS**

CITY COUNCIL	\$	283,300
CITY MANAGER	\$	1,101,500
CITY ATTORNEY	\$	380,000
HUMAN RESOURCES	\$	330,600
CITY CLERK	\$	523,100
COMMUNITY SERVICES	\$	4,911,000
FINANCE	\$	935,500
CENTRAL SERVICES	\$	1,157,400
POLICE	\$	13,939,600
FIRE	\$	6,208,700
COMMUNITY DEVELOPMENT	\$	3,528,800
PUBLIC WORKS	\$	2,657,400

DEPARTMENTAL EXPENDITURES SUB TOTAL \$ 35,956,900

TRANSFERS OUT \$ 6,118,600

**TOTAL ESTIMATED CURRENT REQUIREMENTS** **\$ 42,075,500**

**SURPLUS/(SHORTFALL) REVENUES TO EXPENDITURES** **\$ (3,463,800)**

**June 2, 2015 to June 16, 2015 changes:**

**June 2, 2015 projected surplus** **\$ 87,200**

Police contract savings	\$	460,000
Eliminate IT position	\$	117,900
Reduce temporary staffing	\$	58,200
Cost for 3 new positions	\$	(206,100)
Cost for 4 reclassifications	\$	(27,000)
Village EIR cost	\$	(150,000)
Code Compliance enhancement	\$	(120,000)
Enhanced marketing	\$	(50,000)

**Net Savings/(costs)** **\$ 83,000**

**Revised Surplus June 2, 2015** **\$ 170,200**

Additional CIP projects approved \$ (3,634,000)

**Revised Surplus/(Shortfall) with CIP included:** **\$ (3,463,800)**



CITY OF LA QUINTA						
GENERAL FUND RESERVES OVERVIEW						
ESTIMATED FOR 6/30/16						
ESTIMATED GENERAL FUND RESERVES	ESTIMATED AT 6/30/2015	PAYMENT FROM SUCCESSOR AGENCY	ADDITION TO RESERVE PER 6/2/15 STUDY SESSION	ADDITIONAL CIP PROJECTS PER 6/2/15 CIP APPROVAL	ADJUSTMENTS TO CASH FLOW & EMERGENCY RESERVES BASED ON BUDGETED EXPENDITURES OF \$38,611,700	ESTIMATED AT 6/30/2016
NON-SPENDABLE	\$58,466,029	\$ (1,400,000)				\$57,066,029
DESIGNATED FOR SPECIFIC USE (OPEB)	\$1,523,401					\$1,523,401
EMERGENCY RESERVES (40% as of 7/1/15)	\$16,034,995				\$ (1,378,395)	\$14,656,600
CASH FLOW CONTINGENCY (10% as of 7/1 15)	\$2,836,820				\$ 827,330	\$3,664,150
UNAPPROPRIATED (INCLUDES CARRYOVERS)	\$10,537,272	\$1,400,000	\$ 170,200	\$ (3,634,000)	\$ 551,065	\$9,024,537
<b>TOTAL ESTIMATED RESERVES</b>	<b>\$89,398,517</b>	<b>\$0</b>	<b>\$170,200</b>	<b>\$ (3,634,000)</b>	<b>\$0</b>	<b>\$85,934,717</b>

<b>SUMMARY</b>	
RESERVES 6/30/15	\$89,398,517
NET CHANGE	\$ (3,463,800)
RESERVES 6/30/16	\$85,934,717

Net = \$3,463,800

**CALCULATIONS FOR CASH FLOW AND EMERGENCY RESERVES:**

Budgeted Expenditures	\$	40,275,500					
Less: CIP contribution	\$	(3,634,000)					<i>Additional CIP is not part of operating budget</i>
Operating Expenditures	\$	36,641,500					
Cash Flow Reserve:	\$	36,641,500	x	10%	=	\$ 3,664,150	\$ 2,836,820 \$ 827,330
Emergency Reserves:	\$	36,641,500	x	40%	=	\$ 14,656,600	\$ 16,034,995 \$ (1,378,395)
							Net adjustment \$ (551,065)



City of La Quinta  
Gann Limit Appropriation Calculation  
FY 2015/2016

Year	(1) (\$) Prior Year Gann Limit	(2) City's Previous Year's Population	(3) City's Current Year's Population	(4) Population % Change	(5) U.S. CPI Annual % Change	(6) % Change in Local Non-Residential Construction	(7) % Change In Per Capita Income	(8) (\$) Current Year Gann Limit	(9) (\$) Compliance Amounts
92-93	14,240,507	12,932	14,840	14.80%	N/A	0.68%	-0.64%	16,452,801	4,452,292
93-94	16,452,801	14,840	15,693	5.75%	N/A	0.16%	2.72%	17,871,744	5,301,754
94-95	16,452,801	15,693	16,634	6.00%	N/A	0.14%	0.71%	19,077,886	6,561,880
95-96	19,077,886	16,634	17,101	2.81%	N/A	N/A	4.72%	20,539,255	7,762,496
96-97	20,539,255	17,101	18,045	5.52%	N/A	N/A	4.67%	22,685,183	8,257,148
97-98	22,685,183	18,045	19,217	6.49%	N/A	N/A	4.67%	25,286,762	9,667,831
98-99	25,286,762	19,217	20,444	6.38%	N/A	N/A	4.15%	28,017,719	12,222,332
99-00	28,017,719	20,444	21,763	6.45%	N/A	N/A	4.53%	31,176,447	9,801,749
00-01	31,176,447	21,763	24,240	10.77%	N/A	N/A	4.91%	36,229,777	10,785,551
01-02	36,229,777	24,240	26,321	12.66%	N/A	N/A	7.82%	44,008,314	12,181,391
02-03	44,008,314	26,321	28,715	10.52%	N/A	N/A	-1.27%	48,020,286	14,233,708
03-04	48,020,286	28,715	30,452	5.99%	N/A	N/A	2.31%	52,072,415	14,547,338
04-05	52,072,415	30,452	32,522	5.90%	N/A	N/A	3.28%	56,953,433	16,507,192
05-06	56,953,433	32,522	36,145	9.19%	N/A	N/A	5.26%	65,458,514	22,777,443
06-07	65,458,514	36,145	38,340	5.40%	N/A	N/A	3.96%	71,725,407	27,384,580
07-08	71,725,407	38,340	41,092	6.44%	N/A	N/A	4.42%	79,718,951	32,163,100
08-09	79,718,951	41,092	42,743	4.46%	N/A	N/A	4.29%	86,846,889	33,562,980
09-10	86,846,889	42,743	43,778	2.42%	N/A	N/A	0.62%	89,500,065	33,519,652
10-11	89,500,065	43,778	37,307 (1)	1.35%	N/A	N/A	-2.54%	88,404,325	30,055,388
11-12	88,404,325	37,307	37,836 (1)	1.42%	N/A	N/A	2.51%	91,910,124	29,884,568
12-13	91,910,124	37,688	38,075 (2)	1.03%	N/A	N/A	3.77%	96,357,500	31,954,838
13-14	96,357,500	38,190	38,412	0.55%	N/A	N/A	5.12%	101,848,105	33,412,900
14-15	101,848,105	38,412	39,032	1.61%	N/A	N/A	-0.23%	103,249,837	35,982,642
15-16	103,249,837	39,032	39,694	1.72%	N/A	N/A	3.82%	109,037,717	37,391,100

### GANN APPROPRIATION LIMIT ANALYSIS

In 1979, Proposition 4, the "Gann" initiative, was passed. The Proposition created Article XIII B of the State Constitution placing limits on the amount of revenue which can be spent by all entities of Government.

The Gann limit is adjusted annually by the following two factors:

Annual population change and the greater of the change in:

- 1) State Per Capita Income, or
- 2) The Local Assessment roll for local non-residential construction.

When a City reaches this limit, excess tax revenue must be returned to the State or Citizens through a process of refunds, rebates, or other means that may be defined at that time. The Gann limit for the City of La Quinta has increased steadily since 1984 and still provides the City with a comfortable operating margin. The revenue collection and spending limit for the City of La Quinta for FY 15/16 is \$109 million. "Proceeds of taxes" are projected to be \$37.4 million in FY 15/16 allowing the City a margin of \$71.6 million.

On the graph on the following page, the highest bars represent the spending limit and the lower bars represent the appropriation of taxes for the last fifteen years.

**CITY OF LA QUINTA**  
SPENDING LIMIT VERSUS APPROPRIATION OF PROCEEDS OF TAXES

