

STAFF REPORT

TO: HONORABLE MAYOR / CHAIR AND CITY COUNCIL / BOARD MEMBERS
FROM: ROBERT PERRAULT, CITY MANAGER / EXECUTIVE DIRECTOR
SUBJECT: MID-YEAR BUDGET REVIEW AND RECOMMENDATIONS

BACKGROUND

In July of 2010, the City Council and the Agency Board adopted a two-year budget covering FY 11 and FY 12 for the City and Agency. On a regular basis, staff provides financial status reports to the Council and Board. Staff has completed our analysis of revenues and expenditures of the budgeted revenues and expenditures through the mid-point of the first fiscal year for both entities and is forwarding this analysis on to the Council / Board. Based on this analysis, staff is recommending the City Council adopt a Resolution transferring \$14,000 from the General Fund to the Special Events Fund, and \$60,957 from the Sewer Fund to the South 4th Street Capital Improvement Project. Staff is also recommending the Agency Board adopt a Resolution appropriating an additional \$55,300 in Agency funds for anticipated expenditures for the remainder of the fiscal year.

DISCUSSION


Staff has completed a mid-year analysis of the FY 11 Budget and this analysis is attached to this report (*please see Attachment 3*). Outlined below are summaries of the key components of the analysis report provided by the Administrative Services Director:

General Fund

General Fund revenues are projected to be slightly more than budgeted. While the property tax secured projection (\$60,795) remains lower than anticipated Sales Tax, the cumulative effect is expected to be \$67,000 over original budget figures. Overall, revenues are projected to exceed original budget estimates by \$104,183.

Conversely, expenditures are expected at year end to be \$432,600 lower than originally projected. Personnel cost reductions put in place, with the assistance of organized labor units and a continued personnel hiring freeze, account for much of the reduction. The City currently has 55 full time employees. Since the freeze on hiring was implemented approximately two years ago, eight (8) allocated positions remain vacant. Included in the list of vacant positions are three (3) in Police Patrol, two (2) in Public Works, two (2) in Community Development, and

APPROVED FOR FORWARDING



**ROBERT PERRAULT
CITY MANAGER / EXECUTIVE DIRECTOR**

Please Review for the Possibility of a Potential Conflict of Interest:

- | | |
|--|-----------------------------------|
| <input checked="" type="checkbox"/> None Identified by Staff | <input type="checkbox"/> Bright |
| <input type="checkbox"/> Shoals | <input type="checkbox"/> Molnar |
| <input type="checkbox"/> Nicolls | <input type="checkbox"/> Peterson |

Meeting Date: February 22, 2011

Agenda Item No. CC/IA-1

one (1) in Parks and Recreation. You will note from the analysis report that electricity costs are expected to be a little higher than anticipated. I want to assure the Council / Agency Board that we are achieving lower utility costs in City facilities where the retrofit improvements were completed. However, streetlights and park lighting was not included in the retrofit work, and costs associated with lighting are a bit higher.

As noted in the attached analysis report, the General Fund budget is expected to be balanced and the use of Reserve funds avoided, provided that revenue estimates are realized. This projection includes the sale of City-owned property estimated at approximately \$300,000.

Staff is also recommending that \$14,000 be transferred from the General Fund to subsidize the Special Events Fund. Last year, the City began using the Special Events Fund to track all of the revenue and expenditures attributable to the Special Events operated by the Parks and Recreation Department. The purpose is to isolate these costs and revenues from the General Fund in an effort to make the events self supporting. Last year, the fund had a negative balance of \$14,000 at year's end; hence staff is recommending a fund transfer from the General Fund. This year, expenditures in the Special Events fund are continuing to exceed revenues. Management and Department staff will continue efforts to make these events self sufficient.

Wastewater Enterprise Fund

The Wastewater Fund is expected to remain balanced with revenues exceeding expenditures through the end of the fiscal year. Staff is recommending the Council authorize the transfer of \$60,967 from the Sewer Fund to Capital Improvement Project #326 South 4th Street Project, to cover the final retention payment to the contractor, which was made in FY 11.

Water Enterprise Fund

The Water Fund is in the process of a slow financial recovery. Based on current revenue projections, revenues are expected to be \$500,000 less than anticipated by the end of the fiscal year. The lowered revenue projection is due in part to the phased rate adjustments and to lower water sales during the first half of the year. On a positive note, expenditures are also less than projected. Personnel costs are expected to be \$75,000 less than anticipated, stemming from the authorized personnel reductions. Staff is also anticipating a cost savings of \$60,000 in services and supplies. The major reason for the savings is the credit received from Lopez Lake operations for FY 10. This credit was given on the January invoice the City received from the County. Although the overall financial recovery is slow, staff is projecting the fund will have a positive cash balance of \$35,000 and no additional changes are recommended at this time.

Improvement Agency

Staff is recommending modifications to the Agency budget to assist the Agency Board in carrying out its objectives. As noted from page 6 of the attached analysis report, a number of the modifications are focused on making better use of existing resources. Staff is also seeking to increase the appropriation to cover the following:

- Complete funding of the West Grand Avenue Master Plan (funding had originally been budgeted over a two-year period);

- Retain a consultant to assist with implementing zone changes associated with the recently adopted West Grand Avenue Master Plan; and
- Cover full cost of Agency analysis for a potential bond issue.

The net increase to the Improvement Agency is expected to be \$55,300.

ALTERNATIVES

The Council /Agency Board have the following alternatives to consider:

1. The Council could adopt the Resolution subsidizing funds from the General Fund to the Special Projects Fund in the amount of \$14,000 and appropriating Sewer Funds in the amount of \$60,957; and the Agency Board could adopt the Resolution appropriating \$55,300 to the Agency Fund;
2. The Council / Agency Board could modify and then adopt the Resolutions, as modified; or
3. The Council / Agency Board could provide additional direction to staff.

RECOMMENDED ACTIONS

It is recommended that the:

- 1) **City Council** adopt the Resolution amending the Annual Appropriation Resolution to subsidize \$14,000 from the General Fund to the Special Event Fund and \$60,957 from the Sewer Fund to the South 4th Street Capital Improvement Project; and
- 2) **Agency Board** adopt the Resolution amending the Annual Appropriation Resolution to appropriate an additional \$55,300 to the Agency Fund.

FISCAL IMPACTS

Should the Council / Agency Board adopt the Resolutions as recommended, the following fiscal impacts will take place:

- The General Fund will be reduced by \$14,000 and the Special Events Fund will be increased by the same amount.
- The Sewer Fund will be decreased by \$60, 957.
- Appropriations to the Improvement Agency will be increased by \$55,300.

PUBLIC NOTIFICATION

The agenda was posted in accordance with the Brown Act.

Attachments

1. City Council Resolution
2. Improvement Agency Resolution
3. FY 11 Mid-year Budget Review from Administrative Services Director Chapman

RESOLUTION NO. 11-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GROVER BEACH, CALIFORNIA, ADOPTING THE 1st AMENDMENT TO THE ANNUAL APPROPRIATION RESOLUTION NO. 10-47 BY PROVIDING CHANGES TO THE WASTEWATER SYSTEM FOR \$60,957 FOR PROJECT 326 FINAL EXPENDITURES NOT IN FY 11 BUDGET AND TO PROVIDE A SUBSIDY TO THE SPECIAL EVENT FUND IN THE AMOUNT OF \$14,000 TO COVER FY 10 EXPENDITURES

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF GROVER BEACH:

THAT Section 1 of Part III of the Annual Appropriation Resolution No. 10-47 be and is hereby amended as follows:

		<u>Increase/(Decrease)</u>
TO:	NON DEPARTMENTAL Transfers Out (To Fund 42)	\$14,000
FROM:	NON DEPARTMENTAL General Contingency	<u>(14,000)</u>
	Total Section 1	<u>\$ -0-</u>

THAT account titles and numbers requiring adjustment by this Resolution are as follows:

		<u>Sources</u>	<u>Uses</u>
<u>General Fund</u>			
Resources/Uses:			
A/C No.: 01-000-2840	General Contingency	\$14,000	\$ -0-
A/C No.: 01-000-4000	Transfers Out	<u>-0-</u>	<u>\$14,000</u>
	Total General Fund	<u>\$14,000</u>	<u>\$14,000</u>

THAT the purpose of this Resolution is to appropriate \$14,000 for the subsidy to the Special Event Fund to cover costs from FY 10.

THAT the balance in General Fund estimated year-end Cash Balance would be \$2,133,040 after adoption of this Resolution.

THAT Section 42 of Part III of the Annual Appropriation Resolution No. 10-47 be and is hereby amended as follows:

		<u>Increase/(Decrease)</u>
TO:	NON DEPARTMENTAL Fund Balance	\$14,000
FROM:	NON DEPARTMENTAL Transfers In (From Fund 01)	<u>(14,000)</u>
	Total Section 42	<u>\$ -0-</u>

THAT account titles and numbers requiring adjustment by this Resolution are as follows:

		<u>Sources</u>	<u>Uses</u>
<u>Special Event Fund</u>			
Resources/Uses:			
A/C No.:	42-000-2800 Fund Balance	\$ -0-	\$14,000
A/C No.:	42-000-3000 Transfers In	<u>\$14,000</u>	<u>\$ -0-</u>
	Total Special Event Fund	<u>\$14,000</u>	<u>\$14,000</u>

THAT the purpose of this Resolution is to appropriate \$14,000, for the subsidy to the Special Event Fund, to cover costs from FY 10.

THAT the Special Event Fund estimated year-end Cash Balance would be (\$28,000) after adoption of this Resolution.

THAT Section 05 of Part III of the Annual Appropriation Resolution No. 10-47 be and is hereby amended as follows:

		<u>Increase/(Decrease)</u>
TO:	NON DEPARTMENTAL Fund Balance	(\$60,597)
FROM:	CAPITAL IMPROVEMENT PLAN Project 326	<u>60,597</u>
	Total Section 5	<u>\$ -0-</u>

THAT account titles and numbers requiring adjustment by this Resolution are as follows:

		<u>Sources</u>	<u>Uses</u>
<u>Wastewater Fund</u>			
Resources/Uses:			
A/C No.: 05-000-2800	Fund Balance	\$60,597	\$ -0-
A/C No.: 05-326-4874	Capital Construction	<u>\$ -0-</u>	<u>\$60,597</u>
Total Wastewater Fund		<u>\$60,597</u>	<u>\$60,597</u>

THAT the purpose is to appropriate \$60,597 to cover retention costs budgeted in FY 10 but not paid until FY 11.

THAT the balance in Wastewater Fund estimated year-end Cash Balance would be \$2,132,427 after adoption of this Resolution.

On motion by Council Member, seconded by Council Member and on the following roll call vote, to wit:

AYES: Council Members -
NOES: Council Members -
ABSENT: Council Members -
ABSTAIN: Council Members -

the foregoing Resolution was **PASSED, APPROVED, AND ADOPTED** at the Regular Meeting by the City Council of the City of Grover Beach, California, this 22nd day of February, 2011.



JOHN P. SHOALS, MAYOR

ATTEST:

DONNA L. McMAHON, CITY CLERK

RESOLUTION NO. IA - 11-

**A RESOLUTION OF THE CITY OF GROVER BEACH IMPROVEMENT AGENCY
ADOPTING THE 1st AMENDMENT TO THE ANNUAL APPROPRIATION RESOLUTION
NO. 10-09 BY PROVIDING VARIOUS CHANGES TO THE IMPROVEMENT AGENCY
AREA ONE – ADMINISTRATIVE FUND TO ASSIST THE AGENCY BOARD IN
CARRYING OUT ITS OBJECTIVES**

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF GROVER BEACH:

THAT Section 21 of Part III of the Annual Appropriation Resolution No. 10-09 be and is hereby amended as follows:

		<u>Increase/(Decrease)</u>
TO:	IMPROVEMENT AGENCY DEPARTMENT Improvement Area No. 1	\$55,300
FROM:	NON DEPARTMENTAL Fund Balance	<u>(55,300)</u>
	Total Section 1	<u>\$ -0-</u>

THAT account titles and numbers requiring adjustment by this Resolution are as follows:

	<u>Sources</u>	<u>Uses</u>
<u>Agency Area One – Administrative Fund</u>		
Resources/Uses:		
A/C No.: 21-000-2800	Fund Balance	\$55,300
A/C No.: 21-931-4310	Services - Legal	5,000
A/C No.: 21-931-4380	Services - Other	4,500
A/C No.: 21-931-4390	Contractual Obligations	-0- 2,300
A/C No.: 21-000-4000	Special Projects	<u>-0- \$62,500</u>
Total General Fund	<u>\$64,800</u>	<u>\$64,800</u>

THAT the purpose of this Resolution is to appropriate \$55,300 from fund balance to assist the Agency Board in carrying out its objectives.

THAT the balance in Agency Area One – Administrative Fund estimated year-end Cash Balance would be (\$126,277) after adoption of this Resolution.

**Resolution No. 11-
Mid-Year Budget Amendments - Agency**

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On motion by Board Member, seconded by Board Member, and on the following roll call vote, to wit:

AYES: Board Members -
NOES: Board Members -
ABSENT: Board Members -
ABSTAIN: Board Members -

the foregoing Resolution was **PASSED, APPROVED, AND ADOPTED** at a Joint Meeting of the Grover Beach City Council / Improvement Agency, this 22nd day of February, 2011.



JOHN P. SHOALS, CHAIR

ATTEST:

DONNA L. McMAHON, AGENCY SECRETARY



CITY OF GROVER BEACH INTEROFFICE MEMORANDUM

TO: BOB PERRAULT, CITY MANAGER
FROM: GAYLA R. CHAPMAN, ADMINISTRATIVE SERVICES DIRECTOR
DATE: FEBRUARY 7, 2011
SUBJECT: FY 11 MID-YEAR BUDGET REVIEW

Gayla R. Chapman

BACKGROUND

At the mid-point of each budget year, a review of the City's financial position is brought before the City Council for its review. This financial review is intended to give the City Council an indication of how the budget compares to the actual revenues received and funds expended. It will also help staff in the preparation of our review of the City's Biennial Budget for FY 12.

DISCUSSION**GENERAL FUND**

The General Fund is the City's primary fund. Proceeds of taxes and major user fees are accounted for in this fund. Basic public services such as Police, Fire, Public Works, Administration, and Parks and Recreation are funded from these resources.

The City has adopted a Financial Policy which states that one-time resources will be used for one time expenditures, and the City will avoid using one-time resources to fund ongoing municipal services.

The FY 11 Budget was originally adopted with \$172,265 in carryover funds from the previous year. This left a budget deficit of \$278,849. In order to reduce this deficit, staff recommended during budget deliberations that the City enter into negotiations with employee organizations to reduce personnel costs by approximately \$185,000 (5%). Additionally, staff recommended the use of approximately \$100,000 in General Fund Reserves. Staff successfully negotiated with all bargaining units for the 5% reduction in personnel costs and the employee furlough program began July 30, 2010.

Revenues

The General Fund has a variety of revenue sources, from taxes to user fees. These revenues are grouped by category. Listed below are several of the major revenue sources along with the remaining revenues listed by revenue categories. The table lists the description of the revenue, the budget for the listed revenue, the revenue received to date for the item described, the projected revenue for the fiscal year and the variance of the projected revenue to the budget.

Description	Budget	FY 11 Projected	Variance
Property Taxes – Current Secured	\$2,789,123	\$2,728,328	(\$60,795)
Property Taxes – Street Lighting	\$422,999	\$473,430	\$50,431
All Other Property Taxes	\$153,500	\$172,352	\$18,852
Property Transfer Tax	\$30,000	\$20,233	(\$9,767)
Sales & Use Tax	\$631,000	\$685,000	\$54,000
Sales & Use Tax ½ %	\$455,000	\$468,000	\$13,000
All Other Taxes	\$903,000	\$912,009	\$9,009
Licenses & Permits	\$89,032	\$84,900	(\$4,132)
Vehicle Code Fines - County	\$68,000	\$39,165	(\$28,835)
Criminal Fines and Penalties - City	\$30,000	\$23,000	(\$7,000)
Recreation Facilities	\$44,000	\$32,700	(\$11,300)
Use of Money & Property	\$449,010	\$449,911	\$901
Revenues From Other Agencies	\$350,228	\$433,506	\$83,278
Recreation Class Fees	\$20,000	\$8,900	(\$11,100)
Service Charges	\$208,692	\$216,333	\$7,641
TOTAL GENERAL FUND REVENUE	\$6,643,584	\$6,747,767	\$104,183

Property Tax – Based on receipts to date staff is anticipating a reduction to Property Taxes Current Secured of approximately (\$60,000). This would indicate that there are properties within city limits that are delinquent in paying taxes. When looking at the various property taxes as a whole, we are projected to have an increase over the amount budgeted of \$8,500.

Property Transfer Taxes are currently lower than anticipated. This tax is assessed on the sale or transfer of real estate based on the property's value. The tax is based per each \$1,000 in value of property sold or transferred, and is split evenly between the County and the City. Receipts are anticipated to be approximately \$20,200, which is 33% lower than the amount budgeted of \$30,000.

The Sales Tax continues to be projected to be higher than the amount budgeted. When combining both the regular Sales Tax and the ½% add on Sales Tax staff is projecting the total to be \$67,000 greater than the amount budgeted.

Recreation Class fees based on revenues received to date are anticipated to be lower by at least (\$11,100) for FY 11.

Recreation Facility Rentals are currently anticipated to be lower than budgeted by (\$11,300) based on revenues received to date.

Vehicle Code Fines – County is estimated to be lower. Staff is estimating that the Vehicle Code Fines – County revenue will be lower by (\$28,835).

Criminal Fines and Penalties – City Collection is estimated to be lower than budgeted amounts by approximately (\$7,000).

Sale of Property is projected to include the sale of land to the Improvement Agency for Low- and Moderate- Income Housing in the amount of \$300,000. Staff will need to review the list of City-owned properties with the Council and recommend a property for sale. A parcel will need to be identified and the sale completed by June 30, 2011 since the current budget assumes the sale of property. If it is determined that a property not be sold this fiscal year, then the revenues will be reduced by the assumed \$300,000 sales price.

At this time other General Fund revenues are projected to be received at near budgeted amounts. When looking at the above-listed revenues for the first half of the year staff is projecting that revenues will be increased overall by \$104,183. If the Sale of Property does not occur, then there will be reduced revenues of (\$195,817).

Expenditures

City staff has worked to keep expenditures at a minimum. One noted across the board increased expenditure is in the cost of electricity. The total General Fund cost for electricity is expected to be over the budgeted amount by \$10,000. It is still too early to take into account the retrofit project potential savings. The retrofit includes both gas and electric service. The retrofit project was only for City Hall and City facilities. City wells and street lights were not included in the program.

Even with this cost increase, staff is expecting the General Fund Supplies and Services category to be at or near projections when combining all departments and line items. City staff has done an excellent job in keeping costs for supplies and services to a minimum.

Our main projected savings comes from the Salary and Benefits section of the General Fund Budget. Staff is projecting a 9% savings in Salary and Benefits due to furloughs, both negotiated and voluntary, as well as maintaining vacancies when an employee leaves City service.

General Fund Summary

As noted above, revenues are anticipated to be \$104,183 higher than projected during the budget preparation. Expenditures are projected to be approximately (\$432,600) less than the budget projection. The savings comes from the Salary and Benefits budgeted in the General Fund.

With the current projected increase, the projected savings in expenditures and the realization of revenue from property sale, the budget will end the fiscal year balanced and there will be no need to use reserves in FY 11. It is possible that should staff's assumptions regarding revenues and expenditures in FY 11 come to fruition revenues could exceed expenditures by an estimated \$47,000.

At the present time, the projected deficit in FY 12 is \$811,000. The budget contemplates the sale of an additional parcel of City-owned property in FY 12 in the amount of \$250,000. It should also be noted that the deficit figure does not include any savings that might be accrued from the extension of the personnel furlough or hiring freeze programs. Staff will return to the

Council in March with a list of options for addressing the deficit.

ENTERPRISE FUNDS

Wastewater Enterprise Fund

The Wastewater Enterprise Fund is anticipated to receive \$63,000 additional revenue for FY 11. The expenditures are anticipated to be \$40,000 higher than anticipated during the budget. The additional expenditures are due to costs associated with capital projects. Project 326 for Wastewater System Improvements from the FY 10 budget did not have the retention paid until FY 11. Therefore there is a budget amendment attached in the amount of \$60,957, which is the amount of the retention for the project.

Water Enterprise Fund

The Water Fund is in the process of slowly recovering its economic health. In June of last year the Council authorized phased rate adjustments for the Water Enterprise. The first adjustment occurred in July of last year and the second adjustment is scheduled to take place in March of 2011. As a result of the phased water rate adjustments and the heavy rainfall amounts in the fall, revenues in the Water Enterprise are projected to be \$500,000 less than originally projected in the budget.

Fortunately, expenditures are also to be less than budgeted. This is largely due to the 5% reduction in personnel costs stemming from the hiring freeze and the furlough program. It is estimated that approximately \$78,000 will be saved as a result of the measures. Staff is currently anticipating cost savings in Supplies and Services of \$60,000. The major reason for the savings is a credit received from Lopez Zone III for FY 10 which was given the City with our January 1, 2011 invoice from the County of San Luis Obispo.

On a positive note, the Water Enterprise is expected to have a cash balance of \$35,000 at the end of the year and no borrowing has been necessary. As staff committed to the Council in June, a rate review will be completed as part of the budget process.

Storm Water Fund

At the present time, there is no revenue source for the Storm Water Fund. Expenditures in the Storm Water Fund are proceeding as expected and staff anticipates them to be approximately \$14,000 lower than budget.

Building and Planning Fund

During the FY 11 Budget process, staff anticipated a deficit in the Building and Planning Fund of approximately (\$135,000). After reviewing the revenues and expenditures for the year, it shows the deficit growing to approximately (\$191,000). This is an increase in the deficit of (\$56,000). The fees for FY 11 continue to be based on actual staff time, and deposits are currently being taken for building and planning projects. Staff members are tracking their time against each project. On a monthly basis, staff time is deducted from deposits collected, and the revenue line items are updated.

The revenues for the Building and Planning Fund are anticipated as follows:

Description	Budget	FY 11 Projected	Variance
Building Permits	\$55,000	\$44,500	(\$10,500)
Sewer Permits	\$600	\$273	(\$327)
Street Encroachment Permit	\$2,200	\$2,200	\$-0-
Interest Income	(\$500)	(\$900)	(\$400)
Planning and Development Application Fees	\$25,000	\$9,000	(\$16,000)
Sale of Maps and Publications	\$200	\$300	\$100
Plan Check Fees – In House Building	\$9,000	\$7,800	(\$1,200)
Plan Check Fees – Planning in House	\$4,200	\$2,000	(\$2,200)
Plan Check Fees – Outsourcing Building	\$10,000	\$2,500	(\$7,500)
Building Engineering – Plan Check Cost Recovery	\$5,500	\$573	(\$4,927)
Plan Check Fees – Outsourced -- Fire Sprinkler	\$5,000	\$1,500	(\$3,500)
Planning Fees (Zoning Clearance) – In House	\$4,000	\$2,200	(\$1,800)
Planning Project Review - Outsourced	\$5,000	\$58	(\$4,942)
Planning Engineering Cost Recovery	\$2,400	\$859	(\$1,541)
Administrative Fees -- Pass Thru	\$1,500	\$1,200	(\$300)
Administrative Fees -- Building Related Fees	\$20,000	\$10,000	(\$10,000)
Administrative Fees – Planning Related Fees	\$34,000	\$27,335	(\$6,665)
Address Notification Fee	\$600	\$200	(\$400)
Miscellaneous	\$109,339	\$109,339	\$-0-
TOTAL BUILDING & PLANING FUND REVENUE	\$293,039	\$220,937	(\$72,102)

As shown in the table above, revenues are anticipated to be lower than budgeted by \$72,100. There continues to be a lack of building projects brought forward in the City. Approximately one half of the anticipated revenue for FY 11 is from the Environmental Impact Report for the Grover Beach Lodge and Conference Center. This revenue is noted in the miscellaneous line item. There is a corresponding expenditure for this item. Without this revenue source, the revenues that are anticipated to be collected in FY 11 would be down by one-third from the revenues collected in FY 10.

Total expenditures are anticipated to be slightly lower. Currently staff is projecting a decrease in expenditures of \$15,500. The savings is in the planning program. The building program is expected to be \$2,500 over the amount budgeted.

A review of the Building and Planning Fund is needed to develop a plan to balance the fund.

Improvement Agency Areas One and Two

Agency Area One

As mentioned during the First Quarter Budget Review, revenues for the Improvement Agency Area One Administrative Fund are anticipated to be \$42,000 less than original revenue projections. This is due to reductions by the County for Property Tax Increment. To date there have been no significant supplemental property taxes received and the County is estimating this to continue for the remainder of the fiscal year.

Expenditures for the Administrative Fund have been reviewed and the following modifications are recommended in order to assist the Agency Board in carrying out its objectives:

Supplies and Services	Budget	Budget Change	Justification
Services Legal	\$15,000	(\$ 5,000)	Do not anticipate using entire budgeted amount
VCB Membership	\$ 5,000	(\$ 2,500)	Membership reduction
Appraisals	\$ 4,000	(\$ 2,000)	Do not anticipate full use
Marketing & Branding	\$ 5,700	(\$ 5,700)	Combine with City Marketing
City Marketing	\$10,000	\$8,000	Whizbang marketing expenditures
West Grand Ave. Master Plan	\$20,000	\$20,000	Program completed this year
Zoning Consultant	\$ - 0 -	\$20,000	Implement West Grand Ave. Plan
Fiscal Analyst	\$ - 0 -	\$20,000	Agency Fiscal Analysis for potential Bond Issue
Grover Beautiful Day	\$ - 0 -	\$ 2,500	Beautification on Grand Avenue
Net Increase		\$55,300	

The above mentioned changes are necessary to complete the planned expenditures for the remainder of the fiscal year. The increase in the West Grand Avenue Master Plan in FY 11 would eliminate the need for this expenditure in FY 12. Staff is currently anticipating a savings of \$12,000 in Salaries and Benefits for FY 11.

Agency Area One – Low and Moderate Housing Fund is projected to be receiving \$39,000 less in tax increment than was budgeted. The interest income is also projected to be lower by \$2,000.

Expenditures for the Housing Fund are projected to be lower than anticipated. The expenditure for the purchase of property is expected to be lowered to \$250,000 from \$300,000. Conversely

the amount set aside for an affordable housing project is requested to be increased to \$160,000 from \$100,000. The overall budget expenditures with these changes will be lower than the original budget by approximately \$45,000.

Agency Area Two

As projected during the first quarter review, Agency Area Two's revenue is projected to come in just above projection for both funds. (Administrative and Low- and Moderate- Income Housing).

Expenditures for Agency Area Two's Administrative Fund is expected to be lower by \$14,000 than budgeted, and the expenditures for the Low-and Moderate- Income Housing Fund is anticipated to be increased by \$60,000 to cover the costs of the CAPSLO housing rehabilitation projects.

Special Revenue Funds

Special Event Fund

The Special Event Fund was established as a means of tracking revenues and expenditures associated with the Special Events managed largely by the Parks and Recreation Department. The intent was to emphasize opportunities as it relates to cost recovery efforts of these events. At the end of FY 10, this fund had a negative balance of \$13,750. This trend has continued and is increasing in FY 11.

Since the Fund is not self supporting at this time, staff is requesting a budget amendment in the amount of \$14,000 from the General Fund to off-set the deficit for FY 10. Staff will continue to work cooperatively to increase special event self-sufficiency.

Development Impact Fees

Only one project has had Development Impact Fees during the first half of this year. Therefore revenues for all Development Impact Fees are expected to be significantly lower for FY 11.

Skate Park Fund

During our budget hearings for FY 11, it was discussed that the City would subsidize the Skate Park Fund for FY 11 and FY 12 in the amount of \$5,000 per year. With the grant from the Nicholls Foundation in the amount of \$7,500 and the \$5,000 in subsidy for this year, staff is anticipating the fund to come close to a zero fund balance for the end of the year.

Staff will continue to refine the skate park operational hours so that the City subsidy of \$5,000 per year and the revenue from the skate park will cover the associated expenses.

Final Thoughts

In conclusion, as staff moves to complete a mid-point review of the FY 11 & FY 12 Biennial Budget, we are looking at options to deal with the projected General Fund deficit in FY 12. Staff will continue to look for ways to efficiently and effectively provide municipal services within the City's limited resources. We will continue to explore opportunities to reduce expenditures, raise revenues, and find grant funding whenever possible to assist the City in accomplishing its goals.