



STAFF REPORT

Report on Mid Year Financial Results – December 31, 2003

Honorable Mayor and Members of the City Council
Finance Commissioners:

Summary : The City of Belmont performs a Mid-Year Review of it's financial results. The attached reports and analysis summarize the financial results for the six months ended December 31, 2003 and identifies mid term corrective action required to the Budget.

Background and Discussion:

Executive Summary-

Staff has prepared an Executive Summary. The Executive Summary includes a recap of the FY 03 fiscal status, recommends budget corrections, and addresses other Mid-Year Budget clean-up items.

This summary is shown as Attachment 1.

Mid Year Financial Results-

To further assist in the analysis of the Mid-Year Review, six month financial results provide a summary-to-detail perspective.

The highest level report is titled Performance at a Glance. This report measures performance in two important areas: General Fund balance trends and year to date revenues and expenditures on a budget to actual basis. These measurements are indicative of the City's general financial health and the ability to meet expected results.

The mid-level report is titled Fund Recap at a Glance. On a single page, this report lists all year to date revenue and expenditure activity by fund. Furthermore, a comparison to budget is provided. This report is intended to highlight economic activity at the fund level and focus attention on budgetary compliance.

The detail report is titled Statement of Revenues and Expenditures – Budget Variance Report and is intended as a companion to the Fund Recap at a Glance report. This report can be used to "drill down" to the detail information for purposes of comparing the year to date budget (i.e., what we thought we were going to receive or spend for the period) against actuals (i.e., what we really received or spent during the period) for

each major revenue source and expenditure division/service center. To facilitate the Council and Commission's review and reconciliation to other reports, the expenditure detail has been sorted in both functional and fund orders.

These reports are shown as Attachment 2.

Budget Augmentation Requests and Implementing Resolution-

Staff has prepared a draft budget resolution for Council's consideration. The budget resolution incorporates requests that fall into the following categories: 1) new appropriations required to complete the fiscal year or 2) items reflecting actions previously approved by City Council. In the former case, departments have prepared explanations for divisions/service centers with unfavorable expenditure budget variances at mid-year (\$10,000) or projected year end (\$25,000) and any corrective action planned to mitigate the variance. It is important to note most department budgets are well within the approved budget authority.

The implementing resolution and explanations are presented as Attachment 3.

Budget Correction Plan-

The Midyear Report will also ask City Council to approve a resolution implementing the "Budget Corrective Action Plan - Schedule B" cuts adopted by Council in October 2003. These cuts, totaling \$480,189 on an annual basis, offset the FY 2004 revenue shortfalls resulting from state impacts and continued economic weakness calculated at that time.

Council may recall that these Schedule B cuts were part of a larger comprehensive Budget Correction Plan that addressed revenue shortfalls and maintained the City's strategic 5-year General Fund reserve. The Plan represented a disciplined approach to sound financial planning by offsetting the expected structural gap between recurring revenues and ongoing appropriations in a sustainable manner and consistent with the principles established by Council.

The Schedule B Budget Correction Plan strategies are shown as Attachment 4.

Despite the actions taken above to address budgetary deficits, the persistent anemia in the local economy and unprecedented workers compensation costs increases have resulted in a revised estimated \$1.2 million General Fund budget deficit for FY 2004. Further corrective action of nearly \$.7 million is required. As part of the oral presentation, staff will outline measures to address this situation.

Other Budgetary Actions-

The Recreation Fund and Development Services Fund have been adversely impacted by the downturn in the economy and are likely to experience structural, recurring deficits if corrective action is not taken. Specific actions contemplated by the funds are as follows:

- Recreation Fund-

The Parks & Recreation Commission reviewed and approved a proposal developed by staff to address the program subsidy for this service area and ongoing program deficits. That proposal calls for three major subsidy levels as follows:

Subsidy Level	Program	Subsidy Amount
High	Teens, Seniors & Aquatics	67% to 100%
Medium	Camps, Summer School & Special Events	34% to 66%
Low	Adult Sports, Special Classes & Day Care	0% to 33%

All of Recreation's program offering can be allocated into one of these three areas. Given these subsidy levels, a fixed subsidy amount and fee-modeling tool, the Recreation Service Centers can better manage their fees and program offering to achieve budgetary compliance.

The new subsidy fee structure will be included as part of the FY 2005 Master Fee Schedule.

- *Development Services Fund-*
Staff has taken a number of steps to mitigate the effects of the structural gap for this service area. Those steps include charging City projects planning fees, re-allocating housing element work to the RDA Low & Moderate Income Housing Fund, assessing engineering fees and revising staff assignments. As a consequence of implementing these actions, this fund is now on track for FY 2004. However, further proposals are contemplated and will be incorporated into the FY 2005 Budget submittal. Those proposals will include additional revenue increases to appropriately cover the cost of service, expenditure reductions and the potential of reallocating certain activities to General Fund supported advance planning.

Follow Up: Record amendments to the budget per approved resolution.

Fiscal Impact: Reference the budget resolution and Budget Correction Plan.

Recommendation: Direct staff to prepare a resolution amending the FY 04 Budget.

Public Contact: The meeting was properly noticed. As stated above, the Finance Commission and Parks & Recreation Commission have participated in the Budget Correction Plan review process. In addition, the labor organizations were consulted during the development of the Budget Correction Plan.

Alternatives: Direct staff to take other corrective measures.

Attachments:

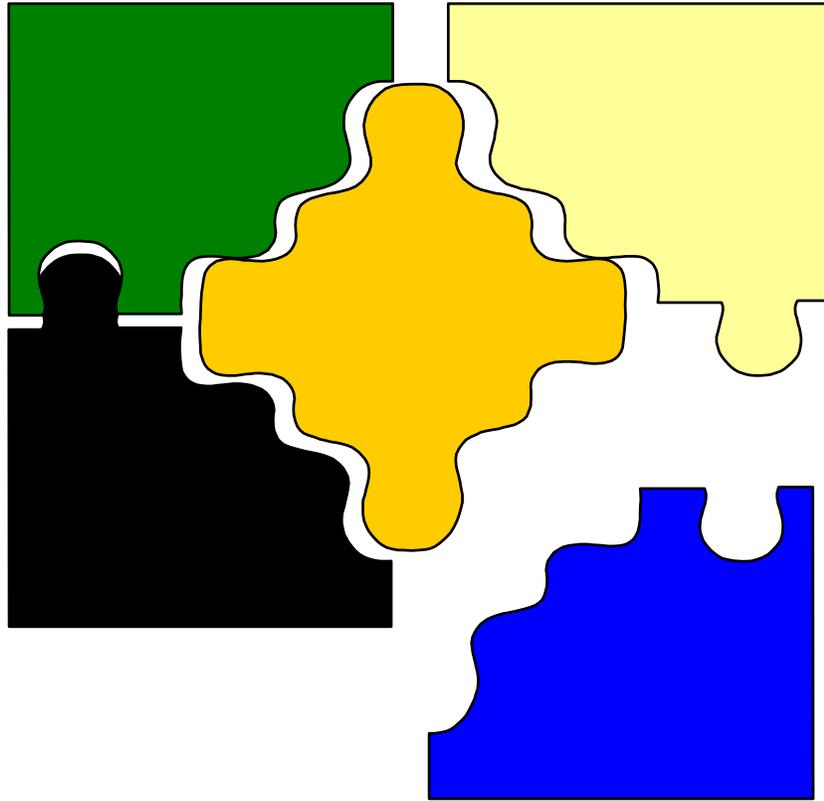
1. Executive Summary (City Council Meeting Presentation)
2. Financial Results Reports
3. Budget Resolution and Variance Explanations
4. Budget Correction Plan and Budget Resolution

Respectfully submitted,

Thomas Fil, Finance Director

Jere Kersnar, City Manager

City of Belmont



Report on Mid Year Financial Results

December 31, 2003

RESOLUTION NO. _____

RESOLUTION AMENDING THE FISCAL YEAR 2004 BUDGET AND APPROVING A REVISION TO REVENUE AND SUPPLEMENTAL APPROPRIATION.

WHEREAS, City of Belmont requires additional funding for expenditures identified hereto, and

WHEREAS, the City of Belmont City Council finds that it is necessary to augment the budget for those expenditures, and

WHEREAS, there is additional revenue and undesignated fund balances available to cover the augmentation, and

WHEREAS, the following accounts require adjustment to address the variances as a result of not being included in the regular budget process, and

Debit:

Fund	Account #	Description	Reference	Amount
625	7124	1070 Sixth Rentals	1	72,188.00
625	7125	1070 Sixth Rentals Common Area Maintenance	1	300.00
101	6363	Nutrition Site Grant	2	13,000.00
210	6302-8352	Development Review: Other Prof/Technical-Applicant	3	37,602.00
231	3304-8101	Proj. Mgmt: Regular Salaries	4	4,383.40
231	3304-8281	Proj. Mgmt: Benefit Stabilization	4	227.01
231	3304-8285	Proj. Mgmt: Workers Compensation	4	846.30
231	3304-8271	Proj. Mgmt: Section 125 Benefits	4	351.75
231	3304-8259	Proj. Mgmt: Deferred Comp	4	650.58
501	3101-8101	Planning & Proj. Mgmt: Regular Salaries	4	4,383.40
501	3101-8271	Planning & Proj. Mgmt: Section 125 Benefits	4	351.75
501	3101-8281	Planning & Proj. Mgmt: Benefit Stabilization	4	227.01
501	3101-8285	Planning & Proj. Mgmt: Workers Compensation	4	846.37
501	3101-8259	Planning & Proj. Mgmt: Deferred Comp	4	650.58
525	3103-8101	Storm Drain/NPDES: Regular Salaries	4	6,575.10

525	3103-8281	Storm Drain/NPDES: Benefit Stabilization	4	340.55
525	3103-8285	Storm Drain/NPDES: Workers Compensation	4	1,269.38
525	3103-8271	Storm Drain/NPDES: Section 125 Benefits	4	527.66
525	3103-8259	Storm Drain/NPDES: Deferred Compensation	4	975.94
620	3201-8101	Fleet Mgmt: Regular Salaries	4	6,575.10
620	3201-8281	Fleet Mgmt: Benefit Stabilization	4	340.55
620	3201-8285	Fleet Mgmt: Workers Compensation	4	1,269.45
620	3201-8271	Fleet Mgmt: Section 125 Benefits	4	527.59
620	3201-8259	Fleet Mgmt: Deferred Compensation	4	975.87
341	4524-8049-8351	Park Improvements: Other Professional/Technical	5	15,000.00
341	4524-8049-9030	Park Improvements: Improvements	5	100,000.00
620	3201-8641	Automotive Svcs: Repair & Maintenance Supplies	6	16,500.00
822	6101-8632	Housing: Gas & Electricity	7	10,600.00
822	6101-8411	Housing: Water	7	1,200.00
337	4321-8368	Direct Access: Contribution/Donation	8	295,410.00
337	4321-9377	Direct Access: Interest-Oracle Agreement/Loans	8	5,004.17
210	6304-9601-9040	Inspections & Compliance: Machinery & Equipment	9	56,193.75
822	6101-8313	Housing: Property Tax-County Portion	10	359,716.00
841	4637-8313	RDA Bonds: Property Tax-County Portion	10	1,028,351.00
205	5301-8102	Rec General: Permanent Part-time	11	14,281.00
205	5302-8102	Programs: Permanent Part-time	11	1,361.00
205	5303-8102	Day Care: Permanent Part-time	11	12,844.00
625	5304-8102	Rec Facilities: Permanent Part-time	11	13,688.00
101	4999	Transfers Out	11	42,174.00
231	3303-8359	Transportation: Computer Software Licenses	12	42,600.00
210	6303-8331	Plan Check: Other Prof./Technical	13	40,000.00
210	6304-8331	Building Inspection: Other Prof./Technical	13	30,000.00
625	5304-8103	Rec Facilities: Temporary Part-time	14	20,000.00
210	6303-8351	Plan Checks & Permits	15	20,000.00

		TOTAL	\$2,280,308.26
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Credit:

Fund	Account #	Description	Reference	Amount
625	5499	Unreserved Retained Earnings	1	72,488.00
101	5299	Undesignated Fund Balance	2	13,000.00
210	6520	Geologic Hazard Review Fees	3	27,602.00
210	6522	Arborist Report Fees	3	10,000.00
231	5299	Undesignated Fund Balance	4	6,459.04
501	5299	Undesignated Fund Balance	4	6,459.11
525	5499	Unreserved Retained Earnings	4	9,688.63
620	5499	Unreserved Retained Earnings	4	9,688.56
341	5299	Undesignated Fund Balance	5	115,000.00
620	6751	Vehicle Maintenance Svc Fee	6	16,500.00
822	5299	Reserved for LMI Housing	7	11,800.00
337	8299	Reserved for Capital Project	8	300,414.17
210	6359	Miscellaneous State Grants	9	56,193.75
822	6101	Property Taxes-Secured	10	359,716.00
841	6101	Property Taxes-Secured	10	1,028,351.00
205	7601	Transfer from General Fund	11	28,486.00
625	7601	Transfer from General Fund	11	13,688.00
101	5299	Undesignated Fund Balance	11	42,174.00
231	6359	State Grants	12	42,600.00
210	6701	Engineering Fees	13	70,000.00
625	7151	Lodge & Cottage Rentals	14	20,000.00
210	6511	Plan Check Fees	15	20,000.00
		TOTAL		\$2,280,308.26

WHEREAS, the following explanations are provided in support of the budget adjustments,
and

Reference	Explanation
1	Eliminate duplicate 1070 Sixth Avenue Rentals budget in Fund 625.
2	Eliminate duplicate Nutrition Grant budget in Fund 101.
3	Increase budget for Development Review arborist and geotechnical consultants.
4	Establish budget for Public Works Admin Assistant hired during year.
5	Establish budget for Patricia Wharton Park improvements.
6	Establish budget for Automotive Services maintenance for Mid Pen.
7	Establish budget for CID Building utilities as specified in lease agreement.
8	Establish budget for transfer of Ralston/101 Interchange funds to Redwood City.
9	Establish budget for Code Enforcement Grant.
10	Increase budget to reflect GASB 34 accounting for County property tax pass through.
11	Increase budget for Recreation Permanent Part-time staff.
12	Establish budget for OTS grant.
13	Establish budget for Engineering Development Svcs consultants.

14	Increase budget for higher Building Rental activity.
15	Increase budget for higher Plan Check activity.

NOW, THEREFORE, BE IT RESOLVED, the City Council of the City of Belmont hereby amends the Fiscal Year 2004 Budget in the amount of \$2,280,308.26.

* * * * *

I hereby certify that the foregoing Resolution was duly and regularly passed and adopted by the City Council of the City of Belmont at a regular meeting thereof held on February 24, 2004.

AYES, CITY COUNCIL MEMBERS: _____

NOES, CITY COUNCIL MEMBERS: _____

ABSENT, CITY COUNCIL MEMBERS _____

ABSTAIN, CITY COUNCIL MEMBERS: _____

Clerk of the City Council

APPROVED:

Mayor of the City of Belmont