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**Title:** FISCAL YEAR 2015-16 BUDGET AMENDMENTS AND APPROPRIATIONS CONTINUED TO FISCAL YEAR 2016-17 (CITY COUNCIL)

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**Attachments:** 1. Exhibit A Reso 16-105, 2. Exhibit B Reso 16-106, 3. Exhibit C Cont App Ops, 4. Exhibit D Cont App CIP, 5. Exhibit E GF Summary

Date	Ver.	Action By	Action	Result
9/20/2016	1	City Council		

**Report to Mayor and City Council**

Tuesday, September 20, 2016

Consent

**SUBJECT:**

**FISCAL YEAR 2015-16 BUDGET AMENDMENTS AND APPROPRIATIONS CONTINUED TO FISCAL YEAR 2016-17 (CITY COUNCIL)**

**I. SUMMARY**

At the end of each fiscal year, some budgeted projects are not completed and must be carried forward to the next fiscal year. In addition, some programs require year-end budget amendments to improve financial reporting and budgetary compliance.

**II. RECOMMENDATION**

- ADOPT Resolution No. 16-105, A RESOLUTION OF THE CITY OF CARSON CITY COUNCIL AMENDING THE FISCAL YEAR 2015-16 BUDGET IN VARIOUS FUNDS OF THE CITY FOR FISCAL YEAR-END BUDGET AMENDMENTS AND APPROPRIATIONS CONTINUED TO FISCAL YEAR 2016-17.
- ADOPT Resolution No. 16-106, A RESOLUTION OF THE CITY OF CARSON CITY COUNCIL AMENDING THE FISCAL YEAR 2016-17 BUDGET IN VARIOUS FUNDS OF THE CITY FOR APPROPRIATIONS CONTINUED FROM FISCAL YEAR 2015-16.

1.

### III. ALTERNATIVES

TAKE another action deemed appropriate by the City Council.

### IV. BACKGROUND

The FY15-16 budget includes appropriations for projects that were not completed by June 30<sup>th</sup>. Staff requests amendments to reduce the FY15-16 budget and increase the FY16-17 budget, to continue these appropriations to FY16-17. In most cases there is no net fiscal impact, as illustrated below.

<u>FY16-17</u>	
Beginning Fund Balance	higher than expected, due to unspent FY15-16 appropriations
Revenue	unchanged
Expenditures	increased for the continued appropriations
Ending Fund Balance	no change

There are 2 continuing appropriations lists accompanying this staff report: Operating Budget and Capital Improvement Program (CIP). The justifications for each request are included in the Exhibits. There is additional information related to funding changes for some CIP projects, described in detail below. Staff requests fiscal year-end budget amendments for these funding changes.

#### Citywide Sidewalk Assessment (project 1509) FY15-16 budget of \$100,000

The Citywide sidewalk assessment was budgeted in the Federal Highway Planning Fund 20 for FY15-16. However, it was determined the project is not eligible for the federal funding. As this is a Citywide assessment, Staff recommends using the redevelopment bond proceeds transferred to the City for the portion of the project within the former redevelopment project areas (40% or \$40,000). There is no other funding source identified for the remainder of the project. Due to the safety concerns that precipitated a sidewalk assessment, Staff recommends funding the remaining 60% or \$60,000 of the project with Unassigned General Fund Balance. Staff requests the appropriation be continued to FY16-17; to be funded with bond proceeds and Unassigned General Fund Balance.

#### Fiat/Moneta Street Improvement (project 1039) FY15-16 budget \$216,200

The Fiat/Moneta Street improvement project was budgeted in the Park Development Fund 16. Moneta Street provides the access to Veteran's Park; and therefore, when the FY15-16 budget was prepared, Staff believed the improvements were eligible for funding from the Park Development Fund; which accounts for Quimby Act fees. Upon inquiry from Councilman Santarina during the June 13, 2016 budget workshop, Staff determined the project is not eligible to be funded with Quimby fee revenue. Staff requests the appropriation be continued to FY16-17; to be funded with Gas Tax Fund 12.

#### Wilmington/I-405 Interchange (project 919) FY15-16 budget \$16,050,226

This interchange project is funded with federal highway money (\$4,680,016), redevelopment bond proceeds (\$5,283,137), funding from the MTA Call for Projects (\$5,506,913), and utility undergrounding fees collected by the City (\$580,160). The utility undergrounding fees were previously deposited into the General Fund; but will be moved to new Special Revenue Fund 49 when the books are closed for FY15-16, as approved by City Council during the budget process. Staff requests the appropriation be continued to FY16-17; to be recorded in the new fund.

#### Dominguez Channel Trash Reduction (project 1363) FY15-16 budget \$660,000

This project is primarily funded with a state grant. However, the budget includes a \$90,000 contribution from the General Fund, in the form of a cash transfer from the General Fund to the CIP State Grants Fund 86. The General Fund contribution provides funding for staff time associated with the project. Instead of making the cash transfer from the General Fund to Fund 86, Staff has been charging hours worked to the General Fund using the project ledger for tracking purposes. Staff wishes to carryover the unspent General Fund money to FY16-17 to complete the project; however, the carryover will be posted to an expenditure account, instead of a cash-transfer account.

#### Year-End Budget Amendment - Legal Services

- ***NFL Expenses and Reimbursements***

The FY15-16 budget for legal services was \$2,370,550. With the FY15-16 Midyear Financial Report, Staff recommended an increase of \$500,000 related to the fully reimbursable former NFL proposal, to be offset with reimbursement revenues received by the City from the Chargers and Raiders, for a net fiscal impact of zero to the City's general fund. The City has now finalized its accounting with the Chargers and the Raiders and has now received all legal services billings for that matter through June 2016, and the total amount of reimbursable legal fees for FY15-16 on the reimbursable NFL account was closer to \$1,000,000. Therefore, Staff recommends a second amendment for \$500,000, to again be offset with reimbursement revenue received by the City from the Chargers and Raider for a net fiscal impact of zero to the City's general fund. The primary component of total FY15-16 reimbursable legal fees is related to the former NFL proposal (\$819,912). Even though staff is seeking a budget adjustment from the Council, it is only a line item issue and the entire adjustment amount being sought is already reimbursed by the Chargers and the Raiders.

- ***Former City Clerk Investigation/ Temporary Restraining Orders/ Recall Election Costs***

However, beyond the NFL proposal reimbursable expenses, FY15-16 was a uniquely busy year for one time legal expenses as follows.

1. In light of over 20 employees' written complaints, the City Manager was obligated

to conduct a formal investigation of the former City Clerk which necessitated the need of a 2nd law firm (not the City Attorney's office) to be retained in connection with that investigation. Obviously, this was a major undertaking and was not anticipated nor was it budgeted for.

2. The Council also provided direction to the City Attorney's office to obtain 2 temporary restraining orders - one against the former City Clerk and members of the public he had deputized who were violating the City's security measures in his office and one against Monet Gavino a former employee who was harassing the current city clerk - again both unique circumstances, not anticipated nor budgeted for.
3. The City also incurred unique Election expenses this fiscal year given the recall of the former city clerk and the fact that members of the City Attorney's office had to be uniquely involved in providing direction on election issues during the investigation and the recall process.

Items 1-3 in the aggregate caused approximately an additional \$250,000 of legal expenses to the City.

- ***Colony Cove Litigation***

The City also incurred an unanticipated one-time expense in connection with the federal jury trial of Colony Cove v. City of Carson; in which the park owner filed a fair return regulatory takings claim against the City, with two law firms representing him in federal court, challenging the rental review board's decision on his rent increase applications. To date, the City's mobile home park litigation had been bench trials (i.e., no evidence, just an administrative record and a one day judge trial), and the budget was prepared accordingly. This case however was filed in federal court; and consisted of extensive discovery (5 years of records), depositions of over 8 expert witnesses, and a week and a half jury trial. This litigation cost the City \$645,000; which was well over the expected amount based on past history. In comparison, it should be noted that the City Attorney's office cost on this trial was approximately only 20% of the legal fees the park owner spent on the litigation. In Court documents filed by the park owner, he submitted evidence of incurring and spending over \$3.5 million in attorney's fees on this case. This of course is a onetime expense and the trial is over.

- ***Carousel Tract Litigation***

Lastly, the City incurred the one-time unanticipated expense related to the Carousel Tract issues. Based on the residents' requests and the City Council's direction, the City Attorney played an active role in mediating, managing and overseeing the clean-up process; as well as ensuring protection of residents' rights in the settlement agreement between Girardi & Keese and Dole (the developer).

Mindful of budget constraints and one-time legal expenses, the City Attorney has proactively written off approximately \$400,000 of fees for FY15-16. This discount was in response to the Council's request to limit fees, without limiting the quality of the legal services provided.

But even with the generous discount proactively provided by the City Attorney's office,

adding up these one-time extraordinary and unbudgeted legal expenses including the additional expenses for the Colony Cove, Carousel Tract matters, the approximately \$250,000 expenses related to the former City Clerk, and other small miscellaneous items staff requests a budget amendment of \$1.2 million from Unassigned General Fund Balance for these additional one-time legal fees.

Year-End Budget Amendment - Dolphin Park Restroom project 999

On February 3, 2015, the City Council accepted the Dolphin Park Restroom project 999 as complete. However, a final invoice was paid for the project in March 2016 for \$52,625. There was no FY15-16 budget, as the project had been completed prior to preparation of the FY15-16 budget. Staff requests a year-end housekeeping amendment to the Bikeway TDA Article 3 Fund 17 for the project. Staff had previously obtained approval from Metro. The adjustment will be for both the reimbursement revenue from Metro and the corresponding expenditure, for a net fiscal impact of zero.

**V. FISCAL IMPACT**

For appropriations continued from FY15-16 to FY16-17, there is no fiscal impact as noted above. However, the calculated available amount to carryover is based upon expenditures as of August 9, 2016. The maximum amount of the carryover will be the amount authorized by City Council with the proposed resolution. The actual amount of each carryover will be based upon the actual available after final FY15-16 invoices are paid; which may be less than the carryover authorized with this agenda item.

For the year-end amendments, the fiscal impact is summarized below.

<b>Fund Name</b>	<b>Estimated 6/30/2017 Available Balance</b>	<b>Year-End Budget Amendments</b>	<b>Revised 6/30/2017 Available Balance</b>
General Fund Unassigned	\$ 2,795,575	(1,260,000)	\$ 1,535,575
Gas Tax	\$ 337,719	(216,200)	\$ 121,519
Park Development Fund	\$ 19,008	216,200	\$ 235,208
Bikeway TDA Article 3	\$ 10,645	-	\$ 10,645
Federal Highway	\$ -	100,000	\$ 100,000
Utility Underground	\$ 1,132,103	(580,160)	\$ 551,943
Bond Proceeds	\$15,854,021	(40,000)	\$15,814,021

**VI. EXHIBITS**

A - Resolution No. 2016-105, A RESOLUTION OF THE CITY OF CARSON CITY COUNCIL AMENDING THE FISCAL YEAR 2015-16 BUDGET IN VARIOUS FUNDS OF THE CITY FOR FISCAL YEAR-END BUDGET AMENDMENTS AND APPROPRIATIONS CONTINUED TO FISCAL YEAR 2016-17 (pages 6-8)

B - Resolution No. 2016-106, A RESOLUTION OF THE CITY OF CARSON CITY COUNCIL AMENDING THE FISCAL YEAR 2016-17 BUDGET IN VARIOUS FUNDS OF THE CITY FOR APPROPRIATIONS CONTINUED FROM FISCAL YEAR 2015-16 (pages 9-10)

C - FY15-16 Continuing Appropriations - Operating Budget (pages 11-13)

D - FY15-16 Continuing Appropriations - Capital Improvement (pages 14-15)

E - General Fund Budget Summary - Fiscal Year 2016-17 (page 16)

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