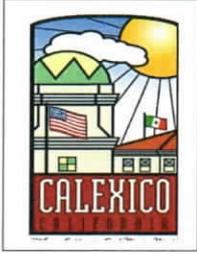


**AGENDA  
ITEM**

**1**





# AGENDA STAFF REPORT

**DATE:** May 9, 2017

**TO:** Mayor and City Council

**APPROVED BY:** Armando G. Villa, City Manager *Armando G. Villa*

**PREPARED BY:** Gabriela T. Garcia, Deputy City Clerk

**SUBJECT:** Appointment to the Measure H Committee by Council Member Hodge.

=====

**Recommendation:**

Appointment by Council Member Hodge to the Measure H Committee.

**Background:**

In 2005, Council voted to change the way appointments were made to all City boards, commissions, and committees. The new ordinance states that the term of an appointee will run concurrently with the appointing councilmember's term, and the term of the appointee will automatically terminate at the time the election results are certified by the City. (Calexico Municipal Code section 2.19.050).

Pursuant to section 2.19.010, each councilmember will appoint one member to each board, commission or committee. No ratification/approval by the whole Council is required. All commissions, boards and committees are now composed of only five members. Council Member Hodge appointed Mr. Wong to the Measure H Committee on March 15, 2017. At the meeting of April 19, 2017, Council Member Hodge advised Mr. Wong did not accept the commission and requested the Clerk to advertise the position for appointment in May.

**Discussion & Analysis:**

The vacancy on the Measure H Committee was announced on the City website, and City bulletin boards. The criteria for an appointee to hold office is listed below:

1. Pursuant to Ordinance No. 1159, Section 2.19.030 Eligibility Sections A-E:
  - A. To be eligible for, and to hold appointment, each appointee shall neither hold public office, or City employment, nor shall he/she be an officer of any local, state or national partisan official group. All members of commissions, boards and committees of the City shall be residents of the city or shall regularly work within the City.





- B. Members of the City Council may be appointed by the majority of the City Council to attend commission, board or committee meetings as liaisons to the City Council.
- C. Appointee shall be subject to the conflict-of-interest sections of the Political Reform Act of 1974.
- D. An individual may serve on only one (1) committee, board or committee at any time.
- E. With the exception of the Planning Commission, which shall receive compensation as determined by the City Council, members commissions, boards and committees shall serve without compensation, provided that the City Manager or City Council may authorize the reimbursement of reasonable expenses incurred by the members in the performance of their duties.

**Fiscal Impact:**

None.

**Coordinated With:**

None.

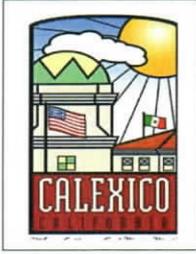
**Attachment:**

None.



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# AGENDA STAFF REPORT

**DATE:** May 9, 2017

**TO:** Mayor and City Council

**APPROVED BY:** Armando G. Villa, City Manager *Armando G. Villa*

**PREPARED BY:** Gabriela T. Garcia, Deputy City Clerk

**SUBJECT:** Appointment to the Business Improvement District by Mayor Pro Tem Hurtado.

=====

**Recommendation:**

Appointment to the Business Improvement District by Mayor Pro Tem Hurtado.

**Background:**

In 2005, Council voted to change the way appointments were made to all City boards, commissions, and committees. The new ordinance states that the term of an appointee will run concurrently with the appointing councilmember's term, and the term of the appointee will automatically terminate at the time the election results are certified by the City. (Calexico Municipal Code section 2.19.050).

Pursuant to section 2.19.010, each councilmember will appoint one member to each board, commission or committee. No ratification/approval by the whole Council is required.

**Discussion & Analysis:**

The vacancy on the Business Improvement District Commission advertised in local newspapers and on the City website, and City bulletin boards. The criteria for an appointee to hold office is listed below:

1. Pursuant to Ordinance No. 1159, Section 2.19.030 Eligibility Sections A-E:
  - A. To be eligible for, and to hold appointment, each appointee shall neither hold public office, or City employment, nor shall he/she be an officer of any local, state or national partisan official group. All members of commissions, boards and committees of the City shall be residents of the city or shall regularly work within the City.
  - B. Members of the City Council may be appointed by the majority of the City Council to attend commission, board or committee meetings as liaisons to the City Council.
  - C. Appointee shall be subject to the conflict-of-interest sections of the Political Reform Act of 1974.

<b>AGENDA ITEM</b>  <hr/>
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- D. An individual may serve on only one (1) committee, board or committee at any time.
  - E. With the exception of the Planning Commission, which shall receive compensation as determined by the City Council, members commissions, boards and committees shall serve without compensation, provided that the City Manager or City Council may authorize the reimbursement of reasonable expenses incurred by the members in the performance of their duties.
2. Persons being appointed to the Business Improvement District must be 1) Business owner in the District; 2) Property Owner in the District; 3) Employee to a business in the District.

**Fiscal Impact:**

None.

**Coordinated With:**

None.

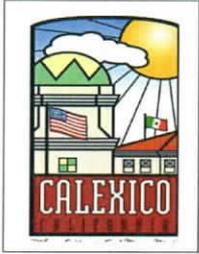
**Attachment:**

None.



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# AGENDA STAFF REPORT

**DATE:** May 9, 2017

**TO:** Mayor and City Council

**APPROVED BY:** Armando G. Villa, City Manager *Armando G. Villa*

**PREPARED BY:** Gabriela T. Garcia, Deputy City Clerk

**SUBJECT:** Consideration by Council Member Pacheco to Remove his Current Appointee to the Economic Development/Financial Advisory Commission and Re-Advertise the Vacancy.

=====

**Recommendation:**

None.

**Background:**

At the meeting of May 3, 2017, Council Member Pacheco stated his consideration to remove his current appointee Economic Development/Financial Advisory Commission due to extenuating circumstances.

**Fiscal Impact:**

None.

**Coordinated With:**

None.

**Attachment:**

None.

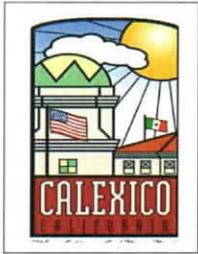
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# AGENDA STAFF REPORT

**DATE:** May 9, 2017

**TO:** Mayor and City Council

**APPROVED BY:** Armando G Villa, City Manager 

**PREPARED BY:** Eduardo Gutierrez, Interim Finance Director

**SUBJECT:** 2015-16 Audited Financial Statements including:  
a. Basic Financial Statements and Independent Auditor's Report, June 30, 2016  
b. (Federal) Single Audit and Independent Auditor's Reports, June 30, 2016  
c. Transportation Development Act Article 3 and 8e (Non-Transit), June 30, 2016 & 2015  
d. Transportation Development Act Article 8c (Transit), June 30, 2016 and 2015

=====

**Recommendation:**

This report transmits the City's 2015-16 audited financial statements. It is recommended that the City Council receive a presentation from the City's independent auditor with the results of their audit. This report is for information only.

**Background:**

Each year the City contracts with an independent Certified Public Accountant to conduct an audit of the City's financial statements. The Pun Group has conducted the 2015-16 audit during March and April, 2017. The 2015-16 audit is now complete and the financial statements are ready for publication.

The City's annual financial statements meet the requirements of Muni Code Section 2.14.050 which requires the Finance Director to submit "a complete financial statement and report for the preceding year." City bond covenants and grant programs also require an annual audit of the City's financial statements. The City's financial report is prepared using generally accepted accounting principles established by the Government Accounting Standards Board.

This audit continues to improve the timeliness of City financial reporting. The City fell behind with its annual audits during 2014 and 2015 after a long financial system conversion and a period of staff turnover. The June 30, 2014 audit was issued after 13 months in July 2015. The June 30, 2015 audit was issued after 17 months in November 2016. This June 30, 2016 audit schedule has been accelerated and is issued 6 months after the prior 2015 audit and 10 months



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after the June 30, 2016 year end. The City anticipates continued timeline improvement for the upcoming June 30 2017 audit. In California, the industry best practice and norm is to issue audited City financial statements within six months of the fiscal year end.

### **Discussion & Analysis:**

The City's auditors have issued the following four reports which are included as attachments to this staff report:

1. Basic Financial Statements and Independent Auditor's Report, June 30, 2016

This report includes the City's financial position and results of current operations for the General Fund and other individual City program funds. The report also includes City-wide financial statements presented on the full accrual basis of accounting that include long-term bond, pension, and retiree health obligations.

2. (Federal) Single Audit and Independent Auditor's Reports, June 30, 2016

This report includes the results of the auditor testing of the City's federal grant programs and also includes internal control recommendations. The City expended \$2.7 million of federal awards during 2015-16 to support roadway improvements, airport runway improvements, and affordable housing programs.

3. Transportation Development Act Article 3 and 8e (Non-Transit), June 30, 2016 and 2015

This report and its format is required by the State Transportation Development Act. Reporting is limited to the City's Article 3 (pedestrian and bicycle) and Article 8e (other street/non-transit) state grant programs.

4. Transportation Development Act Article 8c (Transit), June 30, 2016 and 2015

This report and its format is required by the State Transportation Development Act. Reporting is limited to the City's Article 8c (transit) state grant program. The City's transit program was merged with other regional transit services in 2015 and discontinued. This report includes the final disbursement of residual TDA transit grant funds back to the Local Transportation Authority.

### **Fiscal Impact**

#### *General Fund*

On March 15, 2017, City Council received an update on the June 2016 year-end results. At that time, the cumulative General Fund balance deficit at June 30, 2016 was reported at \$3.7 million. A \$3.5 million loan from the Wastewater Fund was previously approved on June 30, 2016 to finance this deficit. Also during the March 15, 2017 meeting, City Council discussed a number of major fiscal control issues that created the conditions in which led to the 2015-16 operating loss and General Fund deficit, including two years of budgets that double counted the Measure



H sales tax revenue; lack of current financial records and audits to measure its financial position; a stalled General Ledger software conversion; and executive and staff turnover.

Since March 15, 2017, additional 2016 transactions have been recorded to correct expenditure allocations between fiscal years and to close out Housing and Capital Grant funds for unreimbursed expenditures that needed backfill from the General Fund. At this time, the cumulative and audited General Fund deficit at June 30, 2016 is \$4 million, or \$500,000 more than the authorized \$3.5 million Wastewater Loan. This additional June 2016 deficit will be addressed as the City considers its 2017-18 budget and long-term plan to rebuild its reserves.

*Other Significant Long-term Obligations*

The June 30, 2016 financial statements report the following balances for several significant long-term obligations. These obligations are not short-term budget issues but can be expected to impact future year budgets as payments become due.

\$ 2.3 million	JPIA - Retrospective installment insurance charges (matures 2021)
\$10.0 million	Measure H Bond Principal (matures 2030; paid from Measure H revenue)
\$13.1 million	Measure D Bond Principal (matures 2032; paid from Measure D revenue)
\$13.2 million	Water Bond Principal (matures 2037; paid from Water customer charges)
\$17.8 million	Net Pension Liability – Unfunded portion of accrued pension obligations
\$28.0 million	Retiree Medical – Unfunded portion of accrued pension obligations

**Coordinated With:**

All City Departments have contributed information to assist the City’s independent auditor in the conduct of their annual audit.

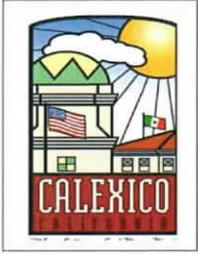
**Attachments:**

1. Basic Financial Statements and Independent Auditor’s Report, June 30, 2016
2. (Federal) Single Audit and Independent Auditor’s Reports, June 30, 2016
3. Transportation Development Act Article 3 and 8e (Non-Transit), June 30, 2016 and 2015
4. Transportation Development Act Article 8c (Transit), June 30, 2016 and 2015



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# AGENDA STAFF REPORT

**DATE:** May 9, 2017

**TO:** Mayor and City Council

**APPROVED BY:** Armando G Villa, City Manager *Armando Villa*

**PREPARED BY:** Eduardo Gutierrez, Interim Finance Director *Eduardo Gutierrez*

**SUBJECT:** Consideration of Resolution of the City of Calexico Approving the Midyear Amendment of the 2016-17 General Fund Budget.

=====

## Recommendation:

It is recommended that the City Council consider a resolution to amend the 2016-17 budget to reflect year-to-date revenue trends and to adjust expenditures to maintain a balanced budget for the fiscal year.

## Background:

The 2016-17 annual budget was adopted by City Council on June 30, 2016.

On January 11, 2017, six months into the fiscal year, the City Council received a midyear budget monitoring report. At that time, the City Council took action to amend the budget to update revenue projections and expenditure appropriations with the intent to maintain a balanced budget for the fiscal year. The January 11, 2017 budget amendment included the results of revenue fee increases and contract negotiations with employee associations that contributed to maintaining a balanced budget.

On April 19, 2017, the City Council received a 9-month midyear budget report that identified a newly emerging 2016-17 General Fund budget shortfall of approximately \$1 million. The City Council directed the City Manager to return with options to rebalance the budget with reductions to be effective within the fiscal year.

This report returns with a proposed budget amendment to again rebalance the 2016-17 General Fund budget. Because the General Fund's fund balance is depleted, ongoing budget monitoring and adjustments such as this action are an important step to respond to current trends and to control expenditures within available resources. The proposed action continues the City's path to fiscal recovery.

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## **Discussion & Analysis:**

The proposed budget amendment is detailed by program and line item on Exhibit 1 to the proposed resolution.

General Fund revenue budget adjustments are proposed to align with year-to-date trends for property tax, sales tax, franchise fees, transient occupancy tax, and other minor revenue sources. A new revenue budget line is proposed to reflect a previously awarded contribution from the Heffernan District to support Fire Department operations.

Expenditure adjustments are proposed to augment the Fire Department budget for unachieved employee contract savings that have been backfilled with the recent Heffernan District contribution. Salary and benefits have also been adjusted to address year-to-date trends in other departments including unbudgeted employee leave payouts and Fire Department leave backfill. The January 2017 budget amendment included a placeholder vacancy assumption and this amendment spreads the vacancy assumption to individual departments based upon year-to-date trends and projected costs for the remaining pay periods of the fiscal year

Expenditure increases are proposed for the Police Department to backfill for underachieved grant funding from the Operation Stonegarden and Asset Forfeiture programs. Increases are proposed to Administration/Finance/Non-Department expenditures for unbudgeted contract and operating costs. An expenditure increase is also proposed to remove residual Measure H support for General Fund programs other than as approved for Police and Fire salaries and for a Fire Department equipment lease.

Offsetting expenditure line item reductions have been identified to match proposed increases. Program reductions have been pulled from unexpended operating budgets primarily in the Police, Public Works, and Community Services departments. Successor Housing Low/Mod funds have been identified to help support housing staff costs.

The largest source of General Fund expenditure savings is from favorable cost trends in each of the City's self-insurance programs, including the medical, unemployment, and workers compensation internal service funds. Year-to-date costs in these insurance programs indicate that budgeted contributions by program departments can be reduced to return the available surplus to help re-balance the General Fund. As the City develops a long-term financial strategy, each of the City's self-insurance programs will benefit from strategic operating reserves to best protect the City from unexpected claims. At this time, however, surplus internal service fund cash reserves are proposed to be drawn to balance the budget.

## **Fiscal Impact**

Proposed General Fund revenue adjustments match expenditure adjustments to maintain a balanced budget within the 2016-17 fiscal year. However, the General Fund carries forward a deficit from the prior year that has been substantially financed through a previously approved loan from the Wastewater Fund. The 2016-17 General Fund budget includes the first of four annual installment payments to retire the Wastewater Fund loan and to begin to restore General Fund solvency.



The proposed amendment also establishes a budget for nine funds that were omitted from the original budget. Appropriations in these funds are financed from grants, community donations, program income, and property levies.

**Coordinated With:**

All City Departments have been contacted to assist in identifying adjustments to rebalance the 2016-17 budget.

**Attachments:**

1. Resolution to Amend to the 2016-17 Budget.



**RESOLUTION NO. 2017-xx**

**RESOLUTION OF THE CITY OF CALEXICO APPROVING  
THE MIDYEAR AMENDMENT OF THE 2016-17 GENERAL FUND BUDGET**

**WHEREAS**, the City Council adopted the 2016-17 Annual Budget on June 30, 2016;  
and

**WHEREAS**, on January 11, 2017, the City Council received a midyear budget report and amended the adopted 2016-17 budget to update revenue projections and expenditure appropriations with the intent to maintain a balanced budget for the fiscal year; and

**WHEREAS**, on April 19, 2017, the City Council received a 9-month midyear budget report that identified a newly emerging 2016-17 General Fund budget shortfall of approximately \$1 million, and the City Council directed the City Manager to return with options to rebalance the budget with reductions to be effective within the fiscal year; and

**WHEREAS**, the City program staff have reviewed and identified specific budget line items for reduction or deferral in the 2016-17 budget; and

**WHEREAS**, the City Manager has proposed a 2016-17 budget amendment with revenue and expenditure adjustments that will again rebalance the fiscal year budget through reduction and deferral of expenditures, as listed on Exhibit 1 to this resolution;

**NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED** by the City Council of the City of Calexico as follows:

1. The 2016-17 budget for the City of Calexico is amended as listed on Exhibit 1 to this resolution.

**PASSED AND ADOPTED** at a meeting of the City Council of the City of Calexico this 9th day of May, 2017.

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Armando G. Real, Mayor

ATTEST:

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Gabriela T. Garcia, Deputy City Clerk

APPROVED AS TO FORM:

---

Carlos Campos, Interim City Attorney



STATE OF CALIFORNIA    )  
COUNTY OF IMPERIAL   ) SS.  
CITY OF CALEXICO       )

I, Gabriela T. Garcia, Deputy City Clerk of the City of Calexico do hereby certify that the foregoing Resolution No. 2017-xx was passed and adopted by the City Council at a special session held on the 9<sup>th</sup> day of May, 2017 by the following vote to-wit:

AYES:  
NOES:  
ABSTAIN:  
ABSENT:

---

Gabriela T. Garcia, Deputy City Clerk



**2016-17 Mid-year Budget Update  
Proposed Budget Amendments  
May 9, 2017**

**General Fund**

Revenue Projection Updates

*To update revenue budget for current trends*

Residual Property Tax	\$ 150,000
Sales Tax	(50,000)
Franchise Fees	(168,000)
Transient Occupancy Tax	(81,000)
Investments	(15,000)
State VLF allocation	(16,000)
Heffernan Fire Grant	<u>560,000</u>

380,000

Expenditure Projection Increases

Salary and Benefit Updates

*To update salary/benefit budget for Heffernan grant funding*

111-20-250-51090-000 Fire Department - Unachieved contact savings, backfilled by grant	<u>560,000</u>
--	----------------

560,000

*To update vacancy and other salary/benefit costs trends by department*

*Includes reassignment of staff between departments*

*Includes unbudgeted Fire leave backfill and unbudgeted employee leave payouts*

*Includes allocation of Vacancy Assumption budgeted in Non-Department in January 2017*

111-20-210-51090-000 Police	(280,000)
111-20-216-51090-000 Parking Control	(55,000)
111-20-217-51090-000 Animal Control	(7,000)
111-20-250-51090-000 Fire (Includes unbudgeted leave backfill)	325,000
111-30-310-51090-000 Community Development - Engineer/Planning	(86,000)
111-30-330-51090-000 Community Development - Building and Code Enforcement	(19,000)
111-40-410-51090-000 Public works - Administration	(15,000)
111-40-414-51090-000 Public works - Fleet	(2,000)
111-40-416-51090-000 Public works - Park Maintenance	(15,000)
111-50-510-51099-000 Community Services - Library	(28,000)
111-50-520-51090-000 Community Services - Recreation	(46,000)
111-60-601-51090-000 Housing	45,000
111-10-150-51090-000 City Manager (Includes reallocation of HR Director)	40,000
111-10-160-51090-000 Finance	(150,000)
111-10-162-51090-000 Customer Service	(3,000)
111-10-180-51090-000 Non-Department/Removes January 2017 vacancy estimate	<u>896,000</u>

600,000

Other Operating Expenditure Updates

Police Department

Backfill underachieved Operation Stonegarden budget	142,000
Backfill underachieved Asset Forfeiture budget (camera programs)	273,000

415,000

Administration/Finance/Non Department

Housing - Administration/Audit costs	20,000
Finance - Bank Fees	80,000
Finance - Temporary Staffing	30,000
Finance - Professional Services (HDL, Moms, State reporting)	28,000
Finance - Audit Fees	37,000
Non-Department - League of California Cities dues	<u>20,000</u>

215,000

To Reallocate Measure H Reimbursement

Allocate Measure H Funds for final Fire Equipment Lease pmt	(204,000)
Remove Non-Department Measure H transfer to General Fund	<u>340,000</u>

136,000

**Subtotal, Expenditure Increases**

1,926,000

**Subtotal, Net General Fund Revenue/Expenditure Budget Gap before Proposed Reductions**

1,546,000



**Proposed Reductions to Balance Budget**

Police

111-20-210-53001-000	Materials & Supplies	(69,000)	
111-20-210-53028-000	Police Gear	(9,000)	
111-20-210-54010-000	Building maintenance	(17,000)	
111-20-210-55001-000	Prof. Services	(80,000)	
111-20-210-55011-000	Attorney Fees	(10,000)	
111-20-210-55016-000	Communications	(50,000)	
			(235,000)

Public Works

111-40-410-53001-000	Materials & Supplies	(29,000)	
111-40-410-55001-000	Prof. Services	(19,500)	
111-40-410-58001-020	Utility Payments	(30,000)	
111-40-410-58001-800	Utility Payments	(500)	
111-40-414-58001-020	Utility Payments	(4,000)	
111-40-416-54010-000	Building maintenance	(13,000)	
111-40-416-54011-000	Ground maintenance	(23,500)	
111-40-416-54012-000	Lighthing maintenance	(24,500)	
111-40-420-55028-000	Alarm/Security	(5,000)	
111-40-420-56014-000	Furniture & Fixture	(8,000)	
		-	(157,000)

Community Services

111-50-510-53001-000	Materials & Supplies	(26,000)	
111-50-510-55001-000	Prof. Services	(65,000)	
111-50-520-53001-000	Materials & Supplies	(35,000)	
111-50-520-55001-000	Prof. Services	(15,000)	
			(141,000)

Housing

601-60-601-59020-000	Administrative Reimbursement/Successor Housing	(200,000)	
			(200,000)

Administration

111-10-140-55001-000	Prof. Services	(100,000)	
111-10-150-55023-000	Outside legal council	(43,000)	
			(143,000)

Insurance Program Reductions

*To reduce insurance program contributions for favorable year-to-date cost trend*

*Reductions to be spread to all departments*

111-10-180-52012-000	Medical insurance-ISF Contrib	(150,000)	
111-10-180-52013-000	Worker's comp-ISF Contrib	(200,000)	
111-10-180-52014-000	Unemployment ins-ISF Contrib	(320,000)	
			(670,000)

**Subtotal, Proposed General Fund Cost Reductions**

(1,546,000)

**Net General Fund Budget Amendment**

Revenues	380,000
Expenditures	
Increases	1,926,000
Reductions	(1,546,000)
Net Expenditures	380,000
Net Revenues and Expenditures	\$ -

**Other Funds**

To establish budget for funds omitted in original 2016-17 budget

222	Community Donations	\$ 115,000
253	OES-Office Emergency Services (Grant)	12,300
712	Business Improvmnt Dist (BID)	30,000
802	Housing Successor     Administrative allowance and loan administration fees	202,000
840	CDBG Rev. Loans     Loan administration fees	13,000
841	Home Rev. Loans     Loan administration fees	1,000
842	SRRP Rev. Loans     Loan administration fees	32,000
843	Help Rev. Loans     Loan administration fees	3,000
906	Corsair CFD 2013-1	380,000
		<u>\$ 788,300</u>

