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Title: PUBLIC HEARING AND BUDGET REVIEW FOR THE QUADRENNIAL OPERATING BUDGET AND CAPITAL IMPROVEMENT PROJECTS BUDGETS FOR FISCAL YEARS 2018-21

Sponsors:

Indexes:

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Attachments: 1. Presentation of Proposed Budget FY18-21 Public Hrg 060517.pdf, 2. City Manager Draft Budget Message FY2018-21 060517.pdf, 3. All Funds Budget FY2018-21 Spreadsheet 060517.pdf, 4. Budgetary Assumptions FY2018-21.pdf, 5. Presentation of Proposed CIP Budget FY2018-21.pdf, 6. CIP FY2018-21 Ranking and Cost Budget.pdf, 7. Public Hearing Notice - Budget Review June 5, 8. Proof of Publication - Budget Review Public Hearing

Date	Ver.	Action By	Action	Result
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PREPARED BY: J. KELLY SESSIONS

DATE OF MEETING: 06/05/17

SUBJECT:

PUBLIC HEARING AND BUDGET REVIEW FOR THE QUADRENNIAL OPERATING BUDGET AND CAPITAL IMPROVEMENT PROJECTS BUDGETS FOR FISCAL YEARS 2018-21

CITY MANAGER RECOMMENDATION

Conduct public hearing and provide direction to staff for final action on June 19, 2017

COMPLIANCE STATEMENTS

Budget Spending Controls (All), General Fund Reserves Protection - Fund Balance (City Council, City Manager) and Increase Financial Transparency - Biennial Budget (Finance) are adopted policy items under the FY 2016/17 Council Priority Workplan, effective October 1, 2016.

CEQA Compliance Statement

This is not a project as defined by CEQA.

BACKGROUND

The San Pablo Budget Ordinance (Municipal Code Section 3.04) establishes the need for a City budget as a means of achieving the City Council’s vision and priorities through the establishment of spending plans and resource allocations to accomplish those plans. The Budget Ordinance (Chapter 3.04 of the San Pablo Municipal Code) further establishes the process and method of creating and executing the budget.

In addition to the Council’s action to set this public hearing, and presentation and consideration of the Preliminary Four-Year “Quadrennial” FY 2017-2021 Draft General Fund Operating Budget (Draft Budget) at a public meeting of the City Council’s Budget, Fiscal & Legislative Standing Committee on

May 24, 2017, this action continues the public process to adopt that spending plan for the next four-year budget cycle, with a major mid-point adjustment/update expected after completion of years 1 and 2, for the remaining FY 2019/20 and FY 2020/21 spending periods.

In compliance with San Pablo Municipal Code Section 3.04.250, City Council took action at its regularly scheduled meeting on May 15, 2017 to set a public hearing of the budget for June 5, 2017. The place and time of the public hearing was published and otherwise duly noticed to the community (see attached). Per Code Section 3.04.240, this public hearing on the budget provides an opportunity “at which all interested persons shall be given an opportunity to be heard, for or against the estimates of any item thereof.” Barring unforeseen delays, the budget package will be brought back to City Council for final adoption on June 19, 2017 and the budget document will be released in its entirety. Unless otherwise directed by the City Council, it is expected that the action on June 19 can be placed on the consent calendar.

The attachments to this staff report provide further information regarding the proposed budget, including the PowerPoint presentation outlining the budget. In summary, this is the City’s first Four-Year “Quadrennial” Draft Budget, and is being presented by the City Manager to the City Council for consideration and review as balanced for the four year budget cycle as proposed. In addition, the proposed budget addresses the following major cost factors, as follows:

- Includes Employer Labor MOUs Cost Factors previously approved by City Council
- Presents a stable overall City financial condition for now
- Recognizes two successive fiscal years (FY14/15 & FY15/16) with positive Audited Fund Balances (\$4.7M + \$9.1M) totaling \$13.9M in GF Designated Reserves (January 2016 & 2017 combined)
- Provides for Fiscal Resiliency Reserves (\$19.2M) and GF Designated Reserves (\$18.9M), which have provided positive bond ratings and a source of project funding
- Shows refinancing of \$2.7M in RDA/LSA Debt Obligations
- Includes anticipated annual debt obligations for \$11.8M in proposed 2017/18 Lease Revenue Bonds for new City Hall project
- Recommends continuing the practice of using One-time Funding for Economic Development Projects (Year-end audited fund balance)
- Provides no (0%) annual growth factor on expenditure side to curb costs and eliminate budget “creep”

Economic Uncertainty Issues

As the City Council reviews the Draft Budget, the City Manager advises that there are unknown fiscal risks during this current period of economic recovery and rebounding of the U.S. Economy. With this fiscal uncertainty and risk, a more permanent, long-term financial strategy to avoid the constant cycle of adding increased operating costs or budgeting which far exceeds the City’s financial and debt service capacity must be closely monitored over the next four year budget period. Any fluctuations in

revenues will result in a direct adjustment to expenditure plans to avoid deficit spending in future years. There needs to be constant monitoring of efficient spending (versus the reluctance to make frivolous spending) in the future due to the fiscal risk warnings outlined by the City Manager in this City Budget Message (See Attachment). Additionally, the City Manager recommends the City Council acknowledge the following financial guiding principles as the City continues to exercise “fiscal resiliency” over the next four year budget cycle, as follows:

- Continue service delivery efficiencies using new emerging technologies to minimize annual operating costs; and
- Promote new revenue growth opportunities; and
- Exercise fiscal discipline and spend within appropriated budget levels; and
- Target one-time funding investments from GF Designated Reserves to meet economic development goals has been a positive impact to the City. Note: Limited audited fund balance is projected for one-time spending on economic development projects in 2018-21; and
- Continual growth by City Council of the Casino Revenue Sustainability Reserve

Budget, Fiscal and Standing Committee Review

On May 24, 2017, the Budget, Fiscal & Legislative Standing Committee (Kinney/Valdez) met and reviewed the Draft Budget presentation. The Standing Committee voted unanimously (2-0) to forward the Draft Budget to the City Council with no recommended changes to the scheduled public hearing on June 5, 2017 for consideration and review.

Gann Appropriations Limit

State Government Code Section 7910 requires the governing body of each local jurisdiction to establish its appropriations limit each fiscal year pursuant to Article XIII B of the California Constitution. Also known as the “Gann Appropriations Limit,” this reporting requirement is being addressed under a separate resolution and will be included in the Adopted Budget as required by State law.

FISCAL IMPACT

Establishment of the Adopted Budget creates a resource allocation and spending plan over the approved fiscal period. Public presentation of the budget, however, is for informational purposes only and has no actual fiscal impact until City Council adoption.