

Legislation Text

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DATE OF MEETING: 05/20/19

SUBJECT:

PUBLIC HEARING AND BUDGET REVIEW FOR THE MID-CYCLE UPDATE TO THE QUADRENNIAL OPERATING BUDGET AND CAPITAL IMPROVEMENT PROJECTS BUDGET FOR FISCAL YEARS 2019/20 AND 2020/21

RECOMMENDATION

Conduct Public Hearing; authorize placement on June 3, 2019 Council meeting for adoption of operating and CIP budgets

COMPLIANCE STATEMENTS

Council Priority Workplan Compliance Statement:

Enhance Community Resilience (City Council) is a Major Policy Goal and *Diversify the Revenue Stream* is a Top City Council Priority item under the adopted FY 2019-21 City Council Priority Workplan, effective March 1, 2019.

CEQA Compliance Statement

This is not a project as defined by CEQA.

BACKGROUND

On June 19, 2017, the City Council adopted the FY 2018-21 Quadrennial Budget (Resolution 2017-123) with adjustments approved in Year 2 of the budget on June 18, 2018 (Resolution 2018-082). This report will provide key information regarding proposed budgetary changes for Years 3 and 4 of the four-year budget (FY 2019/20 and FY 2020/21).

When originally presented, the FY 2018-21 Quadrennial Budget was a four-year appropriation balanced in each of the separate fiscal years, with Years 1 and 2 generally budgeted individually and Years 3 and 4 generally increased by a modest formula. That approach was successful and will most likely be repeated in future quadrennial budget cycles. Per original discussions with Council, staff has undertaken a major budget review at mid-cycle and is now presenting the final two years of the four-year budget. Like the original Quadrennial Budget, this mid-cycle update is also balanced in each fiscal year, with revenues and expenditures standing at \$45.6 million in Year 3 and \$47.0 million in Year 4. Individual line-item budgets are available for review in the attachments.

BUDGET IS BALANCED IN BOTH FISCAL YEARS

	<u>FY 19/20 Proposed</u>
Revenues	\$45,633,313
Expenditures	<u>\$45,633,313</u>
Difference	\$0
	<u>FY 20/21 Proposed</u>
Revenues	\$46,992,922
Expenditures	<u>\$46,992,922</u>
Difference	\$0

Mid-cycle Revenues

Staff took a conservative approach in projecting the City's revenue stream. Year 3 and 4 revenues are based on actuals, with Year 3 being set at the average of the last three full fiscal years or at the actuals of Fiscal Year 2017/18, whichever is less. Year 4 revenues are generally budgeted flat with some notable exceptions:

- Casino Business License Tax: Year 3 increases by \$2.9 million to \$25.2 million, which is less than FY 2017/18 actuals and significantly less than projected 2018/19 revenues. Year 4 revenues increase by an additional \$700,000 to \$26.5 million, which is still less than FY 2018/19 projections.
- Property and Sales Tax: revenues were set at levels recommended by Hinderliter de Llamas (HdL), the City's tax consultant. Property tax increases by approximately \$960,000 in Year 3, which carries over into Year 4. Sales tax increases by approximately \$172,000 in Year 3 and picks up an additional \$25,000 in Year 4. Measure Q and Measure K each add approximately \$64,000 annually.
- Utility Users Tax (UUT): the budget adds approximately \$145,000 in Year 3 to be consistent with actuals; this increase also carries over into Year 4.

FY 20 Proposed Revenue Budget		FY 21 Proposed Revenue Budget	
Object Type	2019/20 Budget	Object Type	2020/21 Budget
Casino Revenue (BLT & PILOT)	27,158,300	Casino Revenue (BLT & PILOT)	28,492,909
Intergovernmental	4,400,844	Intergovernmental	4,400,844
Sales Tax	4,187,000	Sales Tax	4,212,000
Utility Users Tax	2,535,170	Utility Users Tax	2,535,170
Property Taxes	2,427,420	Property Taxes	2,427,420
Other Taxes	1,503,700	Other Taxes	1,503,700
Use of Property and Money	1,199,555	Use of Property and Money	1,199,555
Charges for Services	863,905	Charges for Services	863,905
Licenses and Permits	661,400	Licenses and Permits	661,400
Fines and Fees	278,670	Fines and Fees	278,670
Miscellaneous Revenue	270,350	Miscellaneous Revenue	270,350
Grants	147,000	Grants	147,000
Total	45,633,313	Total	46,992,922

Mid-cycle Expenditures

Staff also took a conservative approach in budgeting expenditures. Departments were instructed that any deviations from the approved Quadrennial baseline budget (BL) had to be explained and justified; wholesale increases were not allowed to curb costs and eliminate budget “creep”.

Salaries and Benefits

- All MOU labor increases are included, including potential merit increases.
- Salaries and benefits are budgeted at their actual cost.
- All known increases are fully funded, including PERS smoothing increases.
- 1.0 FTE is added, which is cost neutral and fully funded by equivalent reductions in the professional services account.

FY 19/20 Expenditure Budget		FY 20/21 Expenditure Budget	
Object Type	Proposed	Object Type	Proposed
Salary and Benefits	29,213,318	Salary and Benefits	30,334,059
Service and Supplies	15,255,732	Service and Supplies	15,518,601
Capital Outlay	1,164,262	Capital Outlay	1,140,262
Total	45,633,313	Total	46,992,922

Services and Supplies

- \$695,000 was added to the Police Department budget to reflect the costs of maintaining full staffing and for the increased use of technology.
- \$300,000 was added to fund activities and programs of the Childhood Obesity Prevention Advisory Group (COPAG) as approved by City Council under Resolutions 2018-047 and 2018-059.
- Includes a City commitment of \$1 million annually to fund the CIP budget.

Departmental Budgetary Changes

Summary changes from each department are as follows:

DEPARTMENTAL BUDGETS 2019/20 Budget	
General Government	
City Council	3,269,239
City Attorney	515,440
City Manager	1,942,315
Administrative Services	2,005,933
Multi Department	6,154,863
Community & Econ Developmt	1,936,290
Community Services	4,258,574
Public Works	5,253,094
Police	19,297,565
Capital Projects	1,000,000
Total	45,633,313

Administrative Services

The Finance Division budget has a net increase of \$65,962 (16%) due to the addition of an InTime timekeeping software annual subscription (\$19,099), Springbrook Cloud Financial System annual subscription (\$37,178), OpenGov Budget Builder annual subscription (\$13,110), and annual arbitrage rebate services for bond management (\$5,000).

The Information Technology Division proposes to convert a vacant IT Technician position to an IT Manager position at an additional cost of \$56,358 annually, for a total net increase to the Administrative Services budget of \$123,320.

City Manager's Office

Although the City Council budget increases by \$150,000; those funds are already committed: \$50,000 for support to the San Pablo Economic Development Corporation (EDC) and \$100,000 to fund the COPAG, both funded from lease revenue from the new digital LED sign

The City Manager's budget increases by \$3,500 annually to fund the upgraded subscription for records management services from Laserfiche to Avante for a total net increase of 4%.

DEPARTMENTAL BUDGETS 2020/21 Budget	
General Government	
City Council	3,234,452
City Attorney	528,262
City Manager	1,979,987
Administrative Services	2,053,626
Multi Department	6,498,188
Community & Econ Developmt	1,965,934
Community Services	4,353,063
Public Works	5,333,038
Police	20,046,371
Capital Projects	1,000,000
Total	46,992,922

Community & Economic Development

The Department proposes to add 1.0 Chief Building Official for inspection duties currently performed by contract with 4Leaf. This addition is completely cost neutral, with the position being funded by a reduction in professional services contracts of \$150,000 in Year 3 and \$200,000 in Year 4.

Community Services (CS)

The proposed budget adds \$200,000 to Youth, Schools & Community Partnerships (YSCP) to fund COPAG per Council direction.

The budget also adds \$13,000 for staff uniforms, approximately \$8,000 for employee work scheduling software fees, and \$6,200 for increased park restroom cleaning. Lastly, the Senior Services budget was folded into the Recreation budget for ease of administration (approximately \$25,000). Total net increase to CS is \$243,743 (16%).

Multi-Departmental (MD)

Additional expenses of \$30,000 for future office space rental for Code Enforcement was added to the budget as well as increases of \$38,821 to the City's MPA insurance costs. PERS smoothing payments to pay for unfunded accrued pension liabilities (UAL) were already budgeted previously; however, the City was able to tighten its cost projections, such that the overall MD budget decreased by more than \$147,000 (-2%).

Police (PD)

Nearly \$700,000 was added to the PD budget, \$160,000 of which pertained to the costs of full-staffing (\$60,000 in uniforms, \$73,000 in training, and \$27,000 in rental equipment, primarily for vehicle rentals until sufficient vehicles can be purchased to accommodate new staffing levels).

PD is also requesting additional funding for enhanced service levels, including: evidence capture costs for Department-issued mobile devices (\$52,000); evidence capture costs for Axon Fleet (i.e. BWC's, Dashcam, Autonomous Activation & Evidence.com at \$102,000); meeting supplies for community events (e.g. National Night Out, CERT, Coffee with a Cop, etc. at \$10,000); development of an Emergency Preparedness Plan and necessary training (\$100,000); redaction contract services to increase public access to police records and in response to new State laws (\$120,000); annual subscription rate for Peregrine software for technology integration and virtual filing with the District Attorney (\$150,000); one-time costs to move Code Enforcement to new location (\$50,000); and maintenance expense for the citywide public safety camera system (\$100,000). The total net increase to the PD supplies and services budget is \$695,323 (29%).

Public Works

Public Works proposes several changes to their budget, which include increases for WCCTAC annual dues (\$8,695); subscription to USA North for notifications of digging in the City right-of-way (\$3,640); Earth Team litter removal contracts (\$13,200); extension of the Civic Spark Fellow Program (\$17,600); and expected increases in PG&E utility expenses (\$46,500). However, Public Works has also proposed several offsetting reductions, resulting in a total net decrease of \$46,126, (-2%)

CIP Budget

The CIP budget for projects funded in FY 2019/20 totals \$22.8 million and \$23.1 million for FY

2020/21 projects. Total current project costs are estimated at \$140.4 million, with \$57.5 million already appropriated in a prior fiscal year and additional funding of \$39.5 million needed in a future fiscal year. Projects are separated into ten different categories by project type. A new long-term CIP budget will be developed at the end of FY 2020/21.

Public Hearing for the Mid-Cycle Review

Per Municipal Code section 3.04.270, mid-cycle budget amendments do not require a special published public notice or a public hearing. However, at adoption of the initial Quadrennial Budget, staff committed to City Council to return with a major mid-point adjustment/update after completion of Years 1 and 2. To honor that commitment, City Council took action at its regularly scheduled meeting on April 15, 2019 to set a public hearing on the budget for May 20, 2019. 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 3, 2019 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 3 can be placed on the consent calendar.

Budget, Fiscal and Legislative Standing Committee Review

In addition to tonight’s public hearing, the proposed mid-cycle budget was reviewed at a public meeting of the City Council’s Budget, Fiscal & Legislative Standing Committee on May 8, 2019. The Standing Committee (Pabon-Alvarado/Pineda) supported the proposed mid-cycle adjustments and recommended moving the budget forward to the full Council for review and approval. Furthermore, the Standing Committee further acknowledged that the proposed mid-cycle budget is fiscally constrained by the City’s GANN Appropriation Limit for the forthcoming FY 2019-21 period. Therefore, additional proposed expenditures are not recommended by the City Manager in order to maintain compliance with City’s GANN Appropriation Limit during the FY 2019-21 period at this time. Note: A separate agenda item will be scheduled at the next regular meeting regarding the City’s ongoing compliance with the GANN Appropriation Limit requirements per Article XIIIB of the State Constitution.

FISCAL IMPACT

This report addresses proposed adjustments to Years 3 and 4 of the adopted FY 2018-21 Quadrennial Operating Budget and recommends adjustments to the FY 2019/20 and 2020/21 CIP budget.

FY 2019/20 revenues and expenditures are proposed to increase by \$3.6 million over baseline (8% increase), from \$42.1 million to \$45.6 million. FY 2020/21 revenues and expenditures are proposed to increase by \$3.7 million over baseline (8% increase), from \$43.3 million to \$47.0 million.

TOTAL BUDGET ADJUSTMENTS

	<u>FY20 Quad BL</u>	<u>FY20 Proposed</u>	<u>Delta</u>	<u>%</u>
Revenues	\$42,065,977	\$45,633,313	\$3,567,336	8%
Expenditures	\$42,065,977	\$45,633,313	\$3,567,336	8%
	<u>FY21 Quad BL</u>	<u>FY21 Proposed</u>	<u>Delta</u>	<u>%</u>
Revenues	\$43,342,152	\$46,992,922	\$3,650,770	8%
Expenditures	\$43,342,152	\$46,992,922	\$3,650,770	8%

The CIP project budget is proposed to be set at \$22.8 million in FY 2019/20 and \$23.1 million in FY 2020/21.

Attachments:

- FY 2019/20 and 2020/21 Proposed Revenue Budget Detail
- FY 2019/20 and 2020/21 Proposed Expenditure Budget Detail
- FY 2019/20 and 2020/21 Proposed CIP Budget
- Resolution 2017-123 Quadrennial Budget Adoption
- Resolution 2018-082 Year 2 Amendments to Quadrennial Budget
- Proof of Publication for Public Hearing