

## Legislation Text

File #: #20-029, Version: 1

**PREPARED BY:** REINA SCHWARTZ

**DATE OF MEETING:** 01/21/20

**SUBJECT:**

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN PABLO ESTABLISHING PRELIMINARY ALLOCATIONS FOR THE GENERAL FUND DESIGNATED RESERVES AT \$4,343,431 FOR FISCAL YEAR 2019/20 (MID-YEAR ADJUSTMENT - PHASE I) PER ADOPTED FISCAL RESILIENCY RESERVE POLICY

**CITY MANAGER RECOMMENDATION**

Adopt Resolution

**COMPLIANCE STATEMENTS**

Approval of this item does not fall within a specific adopted policy priority within the approved FY2019-21 City Council Priority Workplan but is necessary to support the funding needed for projects and programs contained within the Workplan.

**CEQA Compliance Statement**

This is not a project as defined by CEQA as a budget or financing mechanism pursuant to 14 Cal. Code of Regulations section 15378(b).

**BACKGROUND**

In order to protect the fiscal solvency of the City and to achieve greater fiscal resiliency, the City Council took the important step of establishing the *Fiscal Resiliency Reserve Policy* on October 21, 2013 (Resolution 2013-159). This policy established new reserves and determined to fund each by formula (the Catastrophic Reserve, Budget Stabilization Reserve, and City Manager's Contingency Account) or by a set amount within the General Fund Designated Reserve and Future Capital Projects Reserve (collectively the "GFDR" or Designated Reserves). The purpose of the reserves was to protect against natural disasters or manmade economic uncertainties and to set aside funding for other future known, but as of yet, unbudgeted one-time expenses.

On August 5, 2019, City Council approved the FY 2019/20 Designated Reserves at \$2,900,024. Since then, City Council has appropriated \$1,444,582 from the GFDR, leaving a remaining balance of \$1,455,442 as of December 31, 2019.

The FY2018/19 Comprehensive Annual Financial Report (CAFR), identified an increase in audited fund balance of \$2,887,989 which is available for assignment within the FY 2019/20 Designated Reserves.

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|---|----------------------|
| • FY 2018/19 GFDR Balance 8/1/19              | \$2,900,024          |
| • Expenditures & Appropriations since 1/16/18 | <u>(\$1,444,582)</u> |
| • Year to Date Fund Balance (12/31/19)        | \$1,455,442          |

- Year-end Audited Fund Balance Available (6/30/19) \$ 2,887,989
- **FY 2019/20 GFDR Available Balance** **\$ 4,343,431**

### Preliminary GFDR Allocations for FY 2019/20 (Mid- Year Adjustment - Phase I)

Staff proposes FY 2019/20 mid-year GFDR allocations (Phase I) at \$5,111,795. This amount includes \$1,098,677 in Major Operating Contingencies and \$4,013,118 in Future Capital Projects & Professional Services Reserves shown in the table below. It should be noted that the recommended allocations exceed currently available resources by \$768,364, so some allocations would remain unfunded until additional resources are available as the available resources total \$4,343,431.

FY 2019/20	
PROPOSED for January 21, 2020 City Council Approval	
	FY2019/20
<b>Major Operating Contingencies (Revised)</b>	
Compensated Employee Absences	\$0
CalPERS Method 5 Policy Smoothing Impacts	\$0
City Facility Maintenance & One-Time Improvements	\$0
SPEDC Operating (FY19/20) & Measure Q (FY19/20) Subsidy	\$562,500
IT Systems Maintenance, Replacement, CAD/RMS, Surveillance	\$536,177
Vehicle and Large Equipment Replacement	\$0
Succession Planning & HR Legal Issues	\$0
<b>Sub-Total</b>	<b>\$1,098,677</b>
<b>Future Capital Projects &amp; Professional Services Reserves</b>	
ADA Compliance/ADA Transition Plan (City-wide)	\$100,000
City-owned Medical Office Bldg Improvements (2023 Vale Road)	\$1,141,118
Drainage & NPDES MRP Compliance Facilities Improvements	\$0
San Pablo Dam Road Stabilization Improvements	\$750,000
Hillside Stabilization & Geo-Tech Studies/Improvements	\$500,000
Casino Revenue Sustainability Reserve	\$0
GIS Implementation	\$160,000
Fordham & El Portal Stabilization/Repairs	\$0
Soils storage - Wildcat Creek Trail project	\$500,000
Public Fiber/Smart Cell Technology	\$0
Pw Projects Grant Match Funds	\$862,000
<b>Sub-Total</b>	<b>\$4,013,118</b>
<b>Total Allocations</b>	<b>\$5,111,795</b>
<b>Over/(Under): (\$768,364) * Subject to re-allocation (Spring 2020)</b>	

Due to the anticipated (\$768,364) negative GFDR balance as proposed during FY 2019/20, the City Manager is recommending that the City Council approve the GFDR FY 2019/20 allocations as presented as a **Preliminary** FY 2019/20 GFDR Allocation (Mid-Year Adjustment - Phase I). As a result, the City Manager will not recommend any appropriations for City Council approval unless sufficient GFDR fund balance is available per adopted Resolution prior to June 30, 2020. At this time, the City Council can only appropriate available audited fund balance which is one-time funding totaling \$4,343,431.

### Potential FY 2019/20 GFDR Re-Programming Issues

During spring 2020, there will be further anticipated adjustment(s) to FY 2019/20 GFDR allocations. Once available, the City Manager will recommend an adjustment to the Preliminary FY 2019/20 GFDR Allocations (Mid-Year Adjustment - Phase I) to be proposed to the Budget, Fiscal & Legislative Standing Committee, and to the City Council for review and approval prior to June 30, 2020. However, such anticipated adjustments cannot be quantified at this time in part due to anticipated real estate negotiations.

### **Budget, Fiscal & Legislative Standing Committee Review**

On January 15, 2020, the Budget, Fiscal & Legislative Standing Committee (Pabon-Alvarado/Pineda) reviewed the year-to-date expenditures through December 31, 2019 from the FY 2019/20 General Fund Designated Reserves, as well as the audited fund balance figure from the FY2018/19 CAFR available for assignment to the GFDR. The Standing Committee recommended approval by the City Council as proposed in the above table.

### **FISCAL IMPACT**

This action proposes Preliminary FY 2019/20 mid-year GFDR allocations (Mid-Year Adjustment - Phase I) at \$5,111,795. The balance currently available for appropriation is \$4,343,431, so some items in the proposed FY2019/20 GFDR allocations as of 1/1/2020 are unfunded at this time. The action, however, does not involve the direct expenditure of funds or the creation of new budgets. Approval of these designations earmarks funds for potential future appropriation by the City Council to an approved capital improvement project or departmental expenditure account. This action demonstrates the City's continued commitment to prudent financial management and will assist the City in planning for expected costs in the future. Until additional funds are available, the maximum amount available for City Council appropriation by adopted Resolution prior to June 30 2020 is \$4,343,431.