




STAFF REPORT TO THE CITY COUNCIL

DATE: Regular Meeting of April 14, 2020
TO: Honorable Mayor and Members of the City Council
SUBMITTED BY: Dawn Merchant, Finance Director 
APPROVED BY: Ron Bernal, City Manager
SUBJECT: Fiscal Year 2019-21 Mid-Year Budget Review

RECOMMENDED ACTION

It is recommended that the City Council provide input and direction on the draft mid-year budget options and adjustments to the fiscal year 2019-21 budget.

FISCAL IMPACT

The fiscal impact of all requested amendments is outlined in the report.

DISCUSSION

The City is nearing the end of the first year (FY20) of the two-year budget cycle. A mid-year budget review is being presented to incorporate any changes that have come to fruition since the adoption on the budget in June 2019 as well as discuss some other items for Council consideration. While this review will focus primarily on the General Fund, there are some amendments to other funds outlined in this report.

Since staff first began pulling information together for this process, the State and City have declared emergencies as a result of the COVID-19 pandemic. Agencies throughout the state have yet to see or definitively determine the fiscal impacts to our budgets but we know Antioch will experience impacts at least to our sales tax dollars as many businesses have been closed or seen significantly reduced sales. Additionally, the State is allowing some businesses to defer remittance of payments for up to one year which will also impact revenue on at least a short-term basis.

To address the anticipated impacts of the crisis, we are presenting two mid-year budget proposals and outlying projections to the Council; one based on the budget with adjustments to fiscal years 2020 and 2021 for only estimated sales tax impacts as a direct result of the COVID-19 emergency (Version 1) and one based on a full recession scenario with a much longer and more significant impact to future sales tax revenues using estimates from our consultant, MuniServices along with some other assumptions (Version 2).

MID-YEAR BUDGET OVERVIEW (VERSION 1)

The budget is almost through its first fiscal year of the two-year budget cycle. This mid-year review requests adjustments to both FY20 and FY21. Version 1 of the mid-year budget requests result in net savings to the General Fund of \$663,364 in FY20 and a net cost to the General Fund of \$1,395,295 in FY21. A synopsis of significant adjustments each fiscal year follows:

Fiscal Year 2020

Revenues

- \$118,481 increase in sales taxes (includes effect of COVID-19 impact on business closures/reduced sales).
- Added \$275,000 projected revenue from cannabis fees for the two dispensaries located in the City.
- \$350,000 increase in projected building permit revenue based on year to date and permits in the pipeline.
- \$120,000 increase in plan check, inspection fees and encroachment permit revenue based on year to date figures.
- \$215,758 increase in gas and electric franchise revenue based on actual received.
- Approximately \$260,000 in other miscellaneous revenues received in excess of projections.

Expenditures

- \$175,000 added to City Attorney budget for outside legal counsel needed. The initial budget was put together in coordination with contract City Attorney at the time with best information available and now that the City has a full time City Attorney, this figure needs to be revised to reflect the actual need.
- Increase of \$91,000 of transfer out to the landscape districts for increase labor costs for firebreaking and weed abatement, as well as irrigation and other repairs needed.
- \$150,000 added to the budget for possible COVID-19 expenditures. These costs, if spent, may be reimbursable by Cal OES or FEMA in the future.
- \$250,000 increased contribution to recreation programs due to lost revenues from the shelter in place restrictions.

Fiscal Year 2021

Revenues

- \$502,700 decrease in sales taxes due to the impact of the COVID-19 emergency business closures and reduced sales.
- \$150,000 increase in grant revenue for SB2 planning grant awarded to Community Development.
- Added \$600,000 projected revenue from cannabis fees for the two dispensaries located in the City.

Expenditures

- \$175,000 added to City Attorney budget for outside legal counsel needed. The initial budget was put together in coordination with contract City Attorney at the time with best information available and now that the City has a full time City Attorney, this figure needs to be revised to reflect the actual need.
- \$212,483 net increase in expenditures for the personnel requests outlined in the next section.

- \$150,000 increase in Community Development expense for reimbursable grant expenditures under SB2 planning grant.
- Increase of \$170,000 of transfer out to the landscape districts for increase labor costs for firebreaking and weed abatement, as well as irrigation, soundwall and other repairs needed.
- \$100,000 added to the budget for median enhancement work to meet the City's Strategic and Vision plan goals.
- \$130,000 increased budget for golf course water based on historical.
- \$142,302 increased personnel costs for the Community Development Technician approved by Council on December 10, 2019. The resolution approving the position did not amend the FY21 budget for the cost.
- Increased budget for electricity costs by \$65,000 based on historical data.
- \$170,424 increase in contribution to the Recreation Special Revenue Fund for the hiring of a new Recreation Director. This assumes six months of salary to overlap with the current Director for succession planning.

Staffing Requests

- Customer Service Representative - This position would add an additional Customer Service Representative for water utility billing. The department currently has 6 Representatives. The volume of work has increased dramatically over the last couple of years. Adding an additional position would increase efficiency, productivity, and customer response as well as provide much needed staffing coverage for absences whether due to vacations, illness, etc. The position would be split 50% to the Water Enterprise Fund and 50% to the Sewer Enterprise Fund. The estimated cost of salary and benefits totaling \$100,660 has been added to the FY21 mid-year request.
- Deputy Director of Public Works – This position was frozen by the prior Public Works Director as he wanted to try a different organizational approach to Public Works. With his departure, it has become evident that this is a vital managerial position needed to help oversee the large Public Works operations staff and functions. It is also important to be able to act on the Director's behalf during absences. The estimated cost of salary and benefits totaling \$265,113 has been split one-third each to the General Fund (\$88,371), Water Enterprise (\$88,371) and Sewer Enterprise (\$88,371) FY21 mid-year request.
- Assistant City Engineer – This position was frozen by the prior Public Works Director. With his departure, it has become evident that this is a vital position needed as the City is going through major new development projects and there are more in the pipeline. Currently, the City has only a Junior Engineer level person in development and there are around 2,000 new lot entitlements approved for which plans and maps are processed for final approvals. There are more entitlement projects in the pipeline that require extensive review and need higher level knowledge and skills to ensure there is minimal impact on City's infrastructure and services. To meet the increasing demand for complex development services staff is requesting to budget the Assistant City Engineer in place of a budgeted vacant Project Manager position to help oversee the large Public Works operations staff and functions. The estimated cost difference of salary and benefits between

an Assistant City Engineer and budgeted cost of the Project Manager is \$112,324, with \$28,081 of this amount included in the General Fund FY 21 mid-year budget request with the assumption that 75% of the salary will be charged to development and CIP projects.

- Lead Water Treatment Plant Operator – This would be a new salary classification/job specification to be added that would be funded out of the Water Enterprise Fund. This position is not only needed to staff the upcoming Brackish Water Plant, but to also create a better pathway to management through a lead position. The position will promote increased efficiency, productivity and reduce overtime incurred at the water treatment plant. The cost range of salary and benefits for this new position is estimated between \$187,661 and \$208,132. For purposes of this request, 6 months of salary have been included in the mid-year request offset by a reduction of \$38,000 in overtime for a net budget request of \$55,830. A formal job specification and salary schedule will need to be created that will be brought back to Council at a future date by Human Resources.
- Public Works Technician – This is an additional position requested to undertake technical and administrative tasks that currently lie with Operations Supervisors and/or mid-managers within the operations side of Public Works in order to increase efficiency and deliverables. The collections and distribution side of Public Works has a Technician position that has been invaluable to providing assistance and support in that area and providing the same level of support in operations will further aid in the success in this area. The estimated cost of salary and benefits for this position included in the FY21 mid-year request is \$128,086 to be split 49% to the General Fund, 25% to the Vehicle Maintenance Fund, 8% to the Marina Fund and 18% to the Information Services (GIS) Fund. The cost of this position will be fully offset with other budget reductions (contractual services and part time help) that can take place as a result of adding this additional position. Public Works is proposing to reduce various budget line items totaling \$128,100 broken down as follows:
 - \$63,100 reduction of expenses in the General Fund;
 - \$12,500 reduction of expenses in the Marina Fund;
 - \$40,000 reduction of expenses in the Vehicle Maintenance Fund (net budget savings of \$7,985); and
 - \$12,500 reduction of expenses in the Information Services (GIS) Fund
- Youth Services Network Manager – This position was requested by City Council to be brought back at mid-year after hearing the presentation on youth services at the February 25th Council meeting. The estimated cost of this position in FY21 is \$200,000 for salary and benefits and is included in the General Fund budget mid-year request to be funded with the \$750,000 Measure C money allocated to Recreation Services in FY21. A formal job specification and salary schedule will need to be created that will be brought back to Council at a future date by Human Resources.
- Police Sergeant – This would be a conversion of a vacant Police Officer position to a Sergeant position for a revised staffing total of 11 Sergeant positions (verses

10 in the adopted budget) and 88 Officer positions (verses 89 in the adopted budget). The estimated FY21 cost difference is \$77,062 and has been added to the General Fund FY21 mid-year request.

- Lead Customer Service Representative – This position is being requested as a promotional position for the existing Customer Service Representative (CSR) classification and not an additional position in order to create an intermediate supervisory/training role to fall in between the CSR and Finance Services Supervisor classifications. Currently, the most senior CSR's are tasked with providing training to new CSR's, daily task scheduling, training on software updates, any new policies, handling first level response for escalated customer service issues, etc. although these is not part of the job specification. The most senior CSR's also back up the Accounting Technician role for billing during absences. Creation of this classification will recognize the higher-level tasks being performed and help create a pathway to management. A formal job specification and salary schedule will still need to be created that will be brought back to Council at a future date by Human Resources. The increased cost of the position of \$5,886 has been added 50% to the Water Enterprise Fund and 50% to the Sewer Enterprise Fund FY21 mid-year request.
- Business License Representative II – This position is being requested as a promotional position for the existing Business License Representative classification and not an additional position. Typically, one of the two Business License Representative positions takes the lead on software maintenance/issues/updates, following new legislation implementation and training the other position in these matters based on their length of service in the position and job knowledge obtained during that time. Creation of this classification will recognize the higher-level tasks being performed and length of service of the employee. A formal job specification and salary schedule will need to be created that will be brought back to Council at a future date by Human Resources. The increased cost of the position of \$14,259 has been added to the General Fund FY21 mid-year request.
- Senior Civil/Traffic Engineer – This would be a conversion of a Junior Engineer position in the adopted budget to a Senior Civil or Traffic Engineer instead to meet the demands and expertise needed in the engineering division. The position is currently split 25% General Fund, 50% Gas Tax, 12.5% Water Enterprise Fund and 12.5% Sewer Enterprise. The estimated cost difference of \$30,598 split over the funds has been added to the FY21 mid-year request.

Other Expenditure Considerations

Council had previously requested more information on getting additional parking enforcement contracted by the Police Department. A report was provided to Council from the Police Department at the December 10, 2019 Council meeting regarding the estimated cost. No budget has been included in the mid-year request so it is up for Council discussion if they would like to propose a budget allocation for this. Should Council want to include a mid-year budget amendment, the Police Chief recommends an increase of 40 hours per week as outlined in the prior report to Council for a FY21 amendment of \$65,575 in General Fund expenditures with an increase of parking fines of \$40,000

(\$25,575 net budget impact). As this is not included in the mid-year budget figures, Council would need to specifically add this to the motion to approve the budget.

In light of the emergency situation and the potential fiscal implications to the City's revenue base, we are asking Council to consider whether to move forward with the following one-time revenue projects, other items Council directed during this fiscal year budget, and new vacant budgeted and requested positions that would require a General Fund contribution, in order to maintain General Fund reserves for budget stabilization during this crisis:

- Wayfinding budgeted out of one-time revenues for a total of \$250,000 for a master plan and signs.
- Utility box artwork budgeted out of one-time revenues for a total of \$88,000.
- Murals budgeted out of one-time revenues for a total of \$70,000.
- Homeless services budgeted out of one-time revenues for a total of \$367,322.
- Economic Development programs included in FY20 in the amount of \$229,750 which includes the following: banners (\$90,000), advertising (\$64,750 left not encumbered to existing contracts), incentives (\$50,000), awning/façade improvements (\$25,000). Additionally, FY21 includes \$725,000 for the following: marketing (\$465,000), economic studies (\$140,000), fiber optic studies (\$45,000) and incentives (\$75,000).
- Creation of Youth Network Services Manager position as previously directed by Council and included in this mid-year request in FY21 for \$200,000 to be paid out of the \$750,000 allocated to Recreation out of the 1% sales tax money.
- Increased spending for youth recreation of \$350,000 in FY20 and \$750,000 (Youth Network Manager to come out of this) in FY21.
- \$100,000 in median improvements included in the FY21 mid-year budget request.
- OPEB unfunded liability funding in FY20 and FY21. \$450,000 has already been placed in the Section 115 trust in this current fiscal year. Council may direct to maintain the remaining \$850,000 in the budget stabilization this year and not set aside the \$1.3M budgeted to put in the trust next fiscal year.
- Assistant City Manager (already budgeted/vacant) – FY20 budgeted General Fund cost of \$37,424 and FY21 General Fund cost of \$408,438. Position critical to perform management and administrative duties, undertake a variety of special projects for the City Manager and serve as Acting City Manager as required.
- Public Information Officer/Communications Officer (already budgeted/vacant) – FY21 General Fund cost of \$180,595. Position was requested by Council to be a liaison for the City to the public on a variety of topics. Will perform research, write and edit press releases, social media management, design, photo editing, website maintenance, and communications tasks necessary to develop and administer the

City's community relations and public information. A portion of this function is currently being contracted out at an annual cost of \$96,000.

- Risk Manager (already budgeted/vacant) – FY21 cost of \$196,000 that is allocated from the Loss Control Internal Service Fund to all funds with personnel as a portion of workers compensation. As the General Fund has the highest proportionate share of personnel costs, a majority of this will be allocated to the General Fund. Position charged with overseeing and coordinating the City's Workers Compensation, liability, safety and employee benefits programs and working with City Departments in the areas of Injury Illness and Prevention Programs, Workers Compensation, Return to Work Program, Industrial Disability Retirements, Insurance, Liability, Safety, employee Benefits (benefits administration, retirement liaison, employee assistance program, employee wellness programs, employee recognition programs).
- Computer Technician (already budgeted/vacant) – FY21 cost of \$115,555 that is allocated from the Information Services Internal Service Fund amongst the funds based on number of phones and computers they have. As the General Fund has the highest proportionate share of employees with technology, a majority of this will be allocated to the General Fund. Position critical to meet demands of increased staffing, including Police. Will install hardware and software, provide end-user support for personal computer systems, and assist with administration of the data network.
- Unhoused Resident Coordinator Part-time position (included as part of the \$367,322 homeless services one time revenues/spending budget) – Position requested by Council to initiate and cultivate collaborative partnerships with agencies and groups that work with or provide services/support to the unhoused in the City in order to develop an unhoused network/collaborative to bring services and housing to the unhoused. There is no budget beyond FY20 and \$75,000 in additional funding would be required to fund this position in FY21. A portion of this work is currently being contracted out at a cost of \$70,000.
- Creation of Youth Network Services Manager position as previously directed by Council and included in this mid-year request in FY21 for \$200,000 to be paid out of the \$750,000 allocated to Recreation out of the 1% sales tax money.
- Deputy Director of Public Works (new request) - \$265,113 total FY21 cost with \$88,371 allocated to the General Fund. Position critical to direct, manage, supervise and coordinate activities and operations of the Operations Division and Collection Systems/NPDES division within Public Works including streets, fleet, parks and landscape, facilities, marina wastewater and storm water systems. Deputy Director will coordinate assigned activities with other divisions, departments, and outside agencies and act as the Public Works Director in his/her absence.
- Assistant City Engineer (new request) - The estimated cost difference of salary and benefits between an Assistant City Engineer and budgeted cost of the Project Manager is \$112,324, with \$28,081 of this amount included in the General Fund FY 21 mid-year budget request (assumption that 75% of the cost will be allocated

to development and CIP projects). This position would replace the Project Manager position in new development so the cost would be the difference between the two positions. Position will direct, manage, supervise, and coordinate the activities and operations of the Engineering & Development Services and Capital Improvement Divisions within the Public Works Department including land development, traffic and transportation engineering, and capital projects engineering; coordinate assigned activities with other divisions, departments, and outside agencies.

- Public Works Technician (new request) - \$128,100 total FY21 cost completely offset by budget reductions in other operating and part time help accounts. \$62,769 is allocated to the General Fund with budget reductions of \$63,100 offsetting. Position to perform a variety of routine and complex, paraprofessional, technical and development services work within the Collection Systems, Water Distribution and Water Treatment Plant Divisions of the Public Works Department.
- Senior Civil/Traffic Engineer (new request) - \$30,598 total FY21 increased cost of changing the position from a Junior Engineer to a Senior Engineer. \$4,710 is allocated to the General Fund. Position to perform advanced level professional engineering work in design, construction and maintenance of public works projects; plan and coordinate a major public works program; and supervise engineering division staff and activities.
- Police Sergeant (new request) - \$77,062 total FY21 General Fund increased cost of converting a vacant Police Officer position to a Sergeant. Position responsible for patrol and law enforcement operations on an assigned shift and to perform technical duties in a specialized field of law enforcement.
- Business License Representative II (new request) - \$14,259 total FY21 General Fund increased cost of adding promotion opportunity for existing Business License staff. Position is a more senior level of the Business License Representative classification based on knowledge and experience. Creating to add a secondary classification level in line with other City classifications that have a I, II and/or III level.

A table summarizing the above bullet points with each item and position with cost included in the FY20 and FY21 budgets either currently or as part of the mid-year requests in Versions 1 and 2 of the budget follows.

Summary of General Fund Budget Items for Council Consideration

		FY20 Budget	FY21 Budget/Mid- Year
Wayfinding	Already budgeted	\$250,000	\$0
Utility box artwork	Already budgeted	88,000	0
Murals	Already budgeted	70,000	0
Economic Development programs	Already budgeted	229,750	725,000
Median improvements	Mid-year request	0	100,000
Homeless services	Already budgeted	367,322 ²	0
Enhanced recreation spending	Already budgeted	350,000	550,000 ¹
OPEB unfunded liability	Already budgeted	850,000	1,300,000
POSITIONS:			
Unhoused Resident Coordinator (PT)	² \$75K included in homeless services above	0 ²	0
Youth Network Services Manager	Mid-year request	0	200,000 ¹
Assistant City Manager	Already budgeted	37,424	408,438
PIO	Already budgeted	0	180,595
Risk Manager	Already budgeted	0	196,000
Deputy Director of Public Works	Mid-year request	0	88,371
Assistant City Engineer	Mid-year request	0	28,081
Computer Technician	Already budgeted	0	115,555
Senior Civil/Traffic Engineer	Mid-year request	0	4,710
Police Sergeant	Mid-year request	0	77,062
Business License Representative II	Mid-year request	0	14,259
Public Works Technician	Mid-year request	0	0 ³
Total		\$2,242,496	\$3,988,071

¹These two together total the \$750,000 increased spending for recreation included in the adopted budget.

²\$75K for part time position is included in the \$367,322 homeless services budget.

³\$62,762 General Fund share of cost completely offset by budget reductions in other expenses in mid-year request.

MID-YEAR BUDGET RECESSION SCENARIO (VERSION 2)

As cities everywhere do not yet know the true economic impact of the Covid-19 restrictions, we have prepared an alternate budget version assuming recessionary impacts beginning in this fiscal year out through fiscal year 2025/26 projections. Assumptions include a severe drop in sales taxes (\$2,292,071 reduction from adopted), reduction in business license taxes (\$500,000) and no increases to our property tax base next year (\$783,541 reduction from adopted budget) and the outlying years. This budget also assumes: 1) only \$450,000 put in the OPEB trust in FY20, no other funds set aside and instead used to stabilize the budget; and 2) Recreation programs and rentals will not resume until July and the water park will remain closed now throughout all of next fiscal year resulting in increased subsidy of \$433,725 for lost revenue this year and only a \$500,000 subsidy to the water park in FY21 to maintain minimum operations to keep the building/pool/equipment maintained and safe resulting in a General Fund savings of \$321,338. This budget version contains all other requests included in Version 1 of the mid-year budget. Note that this does not include potential impacts to our pension contributions as a result of the monumental losses the PERS retirement investments have incurred from the market volatility occurring. Agency contribution rates will reflect the losses beginning with FY23 and ramp up for 5 years through FY26. The losses will then be amortized on a flat basis for 15 years ending in FY42.

Budget Summary

The next tables reflect a summary of both Version 1 and Version 2 of the mid-year budget for fiscal years 2019/20 and 2020/21 side by side with the current adopted budgets for comparative purposes. Version 1 is the budget only including sales tax and lost recreation revenue impacts from the emergency, while Version 2 is the recession scenario.

Budget Summary Comparison – Version 1

	2019-20 Current	2020-21 Current	2019-20 Version 1	2020-21 Version 1
Beginning Balance, July 1	\$23,959,863	\$19,640,196	\$23,959,863	\$23,959,863
Revenue Source:				
Taxes	44,962,583	47,121,822	45,453,671	46,745,821
1% Sales Tax	9,555	0	15,002,000	15,702,000
Taxes – Measure C	15,145,698	15,706,984	21,754	0
Licenses & Permits	1,280,000	1,280,000	1,660,500	1,280,000
Fines & Penalties	135,000	135,000	118,000	118,000
Investment Income & Rentals	570,000	575,000	570,000	575,000
Revenue from Other Agencies	296,937	288,976	369,438	444,622
Current Service Charges	2,917,282	4,114,491	3,253,530	4,725,091
Other Revenue	879,000	618,000	1,079,637	617,800
Transfers In	3,433,778	3,587,987	3,439,019	3,587,987
Total Revenue	69,629,833	73,428,260	70,967,549	73,796,321
Expenditures:				
Legislative & Administrative	5,255,706	4,981,737	5,260,985	5,224,746
Finance	1,488,046	1,779,552	1,457,918	1,801,077
Nondepartmental	5,454,510	2,878,769	5,736,187	3,028,769
Public Works	9,688,648	8,704,812	9,925,177	9,332,038
Police Services	43,174,583	46,080,870	43,087,384	46,222,932
Police Services-Measure C	9,555	0	21,754	0
Police Services-Animal Support	1,507,669	1,812,617	1,507,669	1,812,617
Recreation/Community Svs.	2,626,493	3,030,382	2,876,493	3,200,806
Community Development	4,744,290	4,694,549	4,750,285	5,067,659
Total Expenditures	73,949,500	73,963,288	74,623,852	75,690,644
Surplus/(Deficit)	(4,319,667)*	(535,028)	(3,656,303)*	(1,894,323)
Budget Stabilization Transfer	0	0	3,656,303	1,894,323
Ending Balance, June 30	\$19,640,196	\$19,105,168	\$23,959,863	\$23,959,863
Committed-Comp. Absences	113,691	115,000	113,691	115,000
Committed-Litigation Reserve	300,000	500,000	300,000	500,000
Committed-Comm. Dev. Fees	0	0	679,179	827,179
Unassigned Fund Balance	\$19,226,505	\$18,490,168	\$22,866,993	\$22,517,684
Percentage of Revenue	27.61%	25.18%	32.22%	30.51%

*FY20 deficit due in large part to \$1.9M for Eames Settlement and \$2.08M of FY19 unspent project budgets and encumbrances re-appropriated into FY20 budget.

Budget Summary Comparison – Version 2

	2019-20 Current	2020-21 Current	2019-20 Version 2	2020-21 Version 2
Beginning Balance, July 1	\$23,959,863	\$19,640,196	\$23,959,863	\$23,959,863
Revenue Source:				
Taxes	44,962,583	47,121,822	45,453,671	44,965,821
1% Sales Tax	9,555	0	15,002,000	14,409,088
Taxes – Measure C	15,145,698	15,706,984	21,754	0
Licenses & Permits	1,280,000	1,280,000	1,660,500	1,280,000
Fines & Penalties	135,000	135,000	118,000	118,000
Investment Income & Rentals	570,000	575,000	570,000	575,000
Revenue from Other Agencies	296,937	288,976	369,438	444,622
Current Service Charges	2,917,282	4,114,491	3,253,530	4,725,091
Other Revenue	879,000	618,000	1,079,637	617,800
Transfers In	3,433,778	3,587,987	3,439,019	3,587,987
Total Revenue	69,629,833	73,428,260	70,967,549	70,723,409
Expenditures:				
Legislative & Administrative	5,255,706	4,981,737	5,260,985	5,224,746
Finance	1,488,046	1,779,552	1,457,918	1,801,077
Nondepartmental	5,454,510	2,878,769	5,736,187	2,778,769
Public Works	9,688,648	8,704,812	9,925,177	9,332,038
Police Services	43,174,583	46,080,870	43,087,384	46,222,932
Police Services-Measure C	9,555	0	21,754	0
Police Services-Animal Support	1,507,669	1,812,617	1,507,669	1,812,617
Recreation/Community Svs.	2,626,493	3,030,382	3,060,218	2,879,668
Community Development	4,744,290	4,694,549	4,750,285	5,067,659
Total Expenditures	73,949,500	73,963,288	74,807,577	75,119,506
Surplus/(Deficit)	(4,319,667)*	(535,028)	(3,840,028)*	(4,396,097)
Budget Stabilization Transfer	0	0	3,840,028	4,396,097
Ending Balance, June 30	\$19,640,196	\$19,105,168	\$23,959,863	\$23,959,863
Committed-Comp. Absences	113,691	115,000	113,691	115,000
Committed-Litigation Reserve	300,000	500,000	300,000	500,000
Committed-Comm. Dev. Fees	0	0	679,179	827,179
Unassigned Fund Balance	\$19,226,505	\$18,490,168	\$22,866,993	\$22,517,684
Percentage of Revenue	27.61%	25.18%	32.22%	31.84%

*FY20 deficit due in large part to \$1.9M for Eames Settlement and \$2.08M of FY19 unspent project budgets and encumbrances re-appropriated into FY20 budget.

Both budget versions project health reserves at the end of each fiscal year above the 20% target in the City's reserve policy. Each budget year reflects a transfer in from the Stabilization Fund to balance the budget. It is important to note that the large deficit spending reflected in this current fiscal year in both budget versions is mainly attributed to two factors: the one time Eames settlement payment of \$1.9M and \$2.08M of prior year (FY19) remaining project budget and encumbrances re-appropriated into the current fiscal year in November 2019.

General Fund projections for each budget version are attached (Attachments A & B). Based on information we have available as of today, in Version 1, reserves begin to dwindle in FY24 as stabilization funds are completely drained. In Version 2, stabilization funds are completely drained a year earlier, and the City runs out of money in FY25.

OTHER FUND BUDGET ADJUSTMENTS

Budget amendments for other funds are outlined in Attachment C. The most significant adjustments included are:

- **RMRA Special Revenue Fund** – The City received TDA grant funding in the current fiscal year and new projections for RMRA revenues were released resulting in \$276,871 more in revenues projected for FY20 and \$223,746 in FY21.
- **Gas Tax Special Revenue Fund** – A total of \$518,600 is being requested between the two fiscal years for enhanced median improvements.
- **Water Enterprise Fund** – A total of \$605,355 is being requested between the two fiscal years for the new CSR (50%) and Lead Water Treatment Plan Operator positions requested, funding for 1/3 of the Deputy Director position, a slight increase in part time help costs and an increased projection for electricity costs.
- **Sewer Enterprise Fund** – A total of \$214,059 is being requested in FY21 for 50% of the cost for the new CSR position requested, 1/3 of the Deputy Director position and increased part time help costs.
- **SLLMD Special Revenue Funds** – A total of \$527,212 is being requested between the two fiscal years due a combination of significant increases in labor for firebreak and turf mowing. The amendment also includes one-time costs for greenbelt lighting upgrades, re-landscaping the right of way on Davison Drive and James Donlon and irrigation repairs. The work results in additional General Fund contributions to lighting and landscaping of \$91,000 in FY20 and \$171,500 in FY21.
- **Development Impact Fee Fund** - \$255,476 is being requested in FY20 for the purchase of two motorcycles for the two new traffic officers and City Hall modifications.

NEXT STEPS

We are asking Council to carefully evaluate both versions of the budget presented and provide input and recommendations to staff so a proposed final version can be brought back to the City Council for adoption on April 28th. Whatever final mid-year budget is ultimately adopted, staff recommends an update be brought to the Council for review and discussion in August once the financial impacts of the COVID-19 crisis are better understood.

ATTACHMENTS

- A. General Fund Projections (Version 1)
- B. General Fund Projections – Recession Scenario (Version 2)
- C. Other Fund Mid-Year Amendments

GENERAL FUND PROJECTIONS - APRIL 14, 2020
VERSION 1

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Beginning Fund Balance	\$23,959,863	\$23,959,863	\$23,959,863	\$23,959,863	\$23,959,863	\$18,706,899	\$11,290,619
Taxes	45,453,671	46,745,821	48,429,922	49,909,918	51,431,651	52,985,636	54,599,413
Taxes - Measure C	21,754	0	0	0	0	0	0
1% Sales Tax	15,002,000	15,702,000	16,382,000	16,971,752	17,548,792	18,127,902	18,707,995
Services Charges/Permits	4,914,030	6,005,091	5,145,286	5,188,071	5,236,890	5,280,184	6,229,972
All Other Revenues	2,137,075	1,755,422	2,039,422	1,789,422	1,549,422	1,509,422	1,519,422
Transfers In	3,439,019	3,587,987	3,706,911	3,859,195	4,017,109	4,171,565	4,331,253
Total Revenues	70,967,549	73,796,321	75,703,541	77,718,358	79,783,864	82,074,709	85,388,055
		4%	3%	3%	3%	3%	4%
Personnel	47,119,870	54,210,666	57,448,588	60,730,411	63,535,370	66,254,625	68,901,710
Services/Supplies/Transfers	27,503,982	21,479,978	21,562,899	21,540,924	22,333,488	23,236,364	24,090,624
Total Expenditures	74,623,852	75,690,644	79,011,487	82,271,335	85,868,858	89,490,989	92,992,334
		1%	4%	4%	4%	4%	4%
Transfer In Budget Stabilization	3,656,303	1,894,323	3,307,946	4,552,977	832,030	-	-
Surplus/(Deficit)	-	-	-	-	(5,252,964)	(7,416,280)	(7,604,279)
Ending Fund Balance	\$23,959,863	\$23,959,863	\$23,959,863	\$23,959,863	\$18,706,899	\$11,290,619	\$3,686,340
Committed	1,092,870	1,442,179	1,444,579	1,447,027	1,449,524	1,452,071	1,454,669
Unassigned	\$22,866,993	\$22,517,684	\$22,515,284	\$22,512,836	\$17,257,375	\$9,838,548	\$2,231,671
Unassigned %	32.22%	30.51%	29.74%	30.77%	21.86%	11.99%	2.61%

Note: Stabilization funds utilized starting in FY20

GENERAL FUND RECESSION PROJECTIONS - APRIL 14, 2020
VERSION 2

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Beginning Fund Balance	\$23,959,863	\$23,959,863	\$23,959,863	\$23,959,863	\$17,550,221	\$5,914,766	(\$7,667,233)
Taxes	45,453,671	44,965,821	45,464,921	46,420,462	47,394,838	48,388,758	49,402,958
Taxes - Measure C	21,754	0	0	0	0	0	0
1% Sales Tax	15,002,000	14,409,088	14,152,729	14,658,057	15,163,386	15,668,715	16,174,044
Services Charges/Permits	4,914,030	6,005,091	5,145,286	5,188,071	5,236,890	5,280,184	6,229,972
All Other Revenues	2,137,075	1,755,422	2,039,422	1,789,422	1,549,422	1,509,422	1,519,422
Transfers In	3,439,019	3,587,987	3,706,911	3,859,195	4,017,109	4,171,565	4,331,253
Total Revenues	70,967,549	70,723,409	70,509,269	71,915,207	73,361,645	75,018,644	77,657,649
% Change		-0.3%	-0.3%	2%	2%	2%	4%
Personnel	47,119,870	54,210,666	57,448,588	60,730,411	63,535,370	66,254,625	68,901,710
Services/Supplies/Transfers	27,687,707	20,908,840	20,725,704	20,686,869	21,461,730	22,346,018	23,180,761
Total Expenditures	74,807,577	75,119,506	78,174,292	81,417,280	84,997,100	88,600,643	92,082,471
% Change		0%	4%	4%	4%	4%	4%
Transfer In Budget Stabilization	3,840,028	4,396,097	7,665,023	3,092,431	-	-	-
Surplus/(Deficit)	-	-	-	(6,409,642)	(11,635,455)	(13,581,999)	(14,424,822)
Ending Fund Balance	\$23,959,863	\$23,959,863	\$23,959,863	\$17,550,221	\$5,914,766	(\$7,667,233)	(\$22,092,055)
Committed	1,092,870	1,442,179	1,444,579	1,447,027	1,449,524	0	0
Unassigned	\$22,866,993	\$22,517,684	\$22,515,284	\$16,103,194	\$4,465,242	(\$7,667,233)	(\$22,092,055)
Unassigned %	32.22%	31.84%	31.93%	23.40%	6.09%	-10.22%	-28.45%

Note: Stabilization funds utilized starting in FY20

**ATTACHMENT C
OTHER FUND BUDGET AMENDMENTS - FY20 & 21**

Fund/Category	FY20 Amendment	FY21 Amendment	Purpose
Loss Control Internal Service Fund:			
Expenditures	\$ 93,931.00	\$ -	Increase for actual workers comp premium
Civic Arts Special Revenue Fund:			
Revenues	1,668.00	5,000.00	Rent for new Lynn House lease
RMRA Special Revenue Fund:			
Revenues	276,871.00	223,746.00	Revised RMRA projections/TDA grant revenues received
Solid Waste Special Revenue Fund:			
Expenditures	-	5,165.00	Increase in part time help needed
Recreation Special Revenue Fund:			
Revenues	100.00	100.00	Burrowing Owl CD interest
Expenditures	-	170,424.00	New Director salary overlap
Transfers In	-	(29,576.00)	Youth Network Manager to be funded Gen Fund/Dir. Overlap
Park in Lieu Special Revenue Fund:			
Revenues	71,731.00	-	Increase projections for Park in Lieu/Community Park fees
Traffic Signal Special Revenue Fund:			
Revenues	142,385.00	-	Increase projections for traffic signal fees
CFD 2016-01 Special Revenue Fund:			
Revenues	23,439.00	-	Increase based on amount to be received per County
Expenses	10,000.00	10,000.00	Administration expenses for district
Transfers Out	23,439.00	-	Increase transfer to Gen Fund based on revised revenues
CFD 2018-01 Special Revenue Fund:			
Revenues	(11,600.00)	-	Reduce assessments based on amount to be received per County
CFD 2018-02 Special Revenue Fund:			
Revenues	(26,714.00)	-	Reduce assessments based on amount to be received per County
Expenses	10,000.00	10,000.00	Administration expenses for district
Transfers Out	(18,198.00)	-	Reduce transfer to Gen Fund based on revised revenues
Vehicle Replacement Fund:			
Revenues	500,000.00	-	Revised vehicle replacement funds
Vehicle Maintenance Fund:			
Expenditures	-	(7,985.00)	25% new PW Tech position netted with expenditure reductions
Information Services Fund:			
Expenditures	-	143,773.00	Cloud archiving for cameras/GIS software cost increases/increase part time help/18% new PW Tech position netted with expense reductions
Prewett CIP Capital Project Fund:			
Revenues	118.00	-	Increase for AAPFFA reimbursement received current year
Measure J Special Revenue Fund:			
Revenues	8,235.00	-	TDA grant revenues received
Expenditures	-	(48,000.00)	Reduce staff time charged to fund based on historical data
Gas Tax Special Revenue Fund:			
Revenues	(70,000.00)	3,939.00	Revised Gas Tax projections
Expenditures	-	53,314.00	Convert Junior Engineer to Senior/Traffic Engineer
Capital Expenditures	125,000.00	393,600.00	Additional funding for expanded median enhancements
Water Enterprise Fund:			
Expenditures	32,825.00	574,530.00	FY20 = increased part time help costs; FY21 = new CSR position, new Lead Wtr Treat Plant Op position, 1/3 Deputy Director position increased projection for electricity costs, median costs, Jr Eng. to Snr.
Sewer Enterprise Fund:			
Expenditures	-	214,059.00	Increased part time help cost, 50% of new CSR position, 1/3 Deputy Director position, 12.5% of Senior Engineer position
Marina Enterprise Fund:			
Revenues	(6,000.00)	-	Reduce grant funding for Marina Restroom project
Expenditures	40,000.00	(2,255.00)	Mural work/8% new PW Tech position netted with expenditure reduction
Capital Improvements Fund:			
Capital Expenditures	1,276.00	-	Increase for year to date expenditures
SLLMD Special Revenue Funds:			
Expenditures	264,810.00	262,402.00	Firebreak/turf mowing labor increases; Davison & James Donlon re-landscaping needed; irrigation repairs needed
Transfers In	119,131.00	197,456.00	Increase transfer from Gen Fund for additional costs; increase Admin Fund transfer in from zones for additional work
Transfers Out	28,131.00	25,956.00	Increase transfer among zones to Admin Fund for additional work
Asset Forfeiture Special Revenue Fund:			
Capital Expenditures	59,000.00	-	Purchase of a training simulator
Child Care Special Revenue Fund:			
Expenditures	4,000.00	-	Repairs needed at Mary Rocha Child Care Center
Development Impact Fee Fund:			
Capital Expenditures	255,476.00	-	Two motorcycles for the two new traffic officers; City Hall modifications