



Legislation Details (With Text)

File #: 2017-415 **Version:** 1 **Name:**
Type: Discussion **Status:** Agenda Ready
File created: 5/17/2017 **In control:** City Council
On agenda: 6/6/2017 **Final action:**
Title: FISCAL YEAR 2017-18 BUDGET WORKSHOP #4 (CITY COUNCIL)
Sponsors:
Indexes:
Code sections:
Attachments: 1. Vacant Positions, 2. Community Services Proposals, 3. City Events Summary

Date	Ver.	Action By	Action	Result
------	------	-----------	--------	--------

Report to Mayor and City Council

Tuesday, June 06, 2017

Discussion

SUBJECT:

FISCAL YEAR 2017-18 BUDGET WORKSHOP #4 (CITY COUNCIL)

I. SUMMARY

The draft budget contained herein includes recommendations from the City Council Budget Subcommittee; which have reduced the draft FY17-18 General Fund budget deficit from \$6.8 million to \$4.1 million or 5.4% of General Fund revenue. The Budget Subcommittee (Mayor Pro Tem Davis-Holmes and Councilmember Hicks) has met 8 times to review staff proposals and to make recommendations.

The draft FY17-18 budget does not include any cost-of-living wage increases for employees, or the impact of any potential new revenue sources.

Staff requests further direction from City Council; and recommends the City Council conduct a public hearing to consider adoption of the FY17-18 budget on June 20, 2017.

II. RECOMMENDATION

PROVIDE additional direction regarding the draft FY17-18 budget.

III. ALTERNATIVES

TAKE another action deemed appropriate by City Council.

IV. BACKGROUND

Draft Budget Status

At the 3rd budget workshop on May 16th, the draft FY17-18 General Fund budget deficit was estimated to be \$6,760,223. City Council provided additional direction on May 16th which has been incorporated into the draft budget.

Since May 16th, the Budget Subcommittee has met 2 additional times, and has made recommendations to reduce the draft deficit. A summary of the changes since May 16th follows.

Net Activity reported May 16	\$ (6,760,223)
Sales Tax Revenue Estimate Revision	(404,589)
Use of Section 115 Trust	1,000,000
Reclassify PIO Typist Clerk II to a Senior Clerk	(5,922)
Potential Hiring Freeze	1,312,902
Sheriff Savings	225,991
Community Services Proposals	520,434
Community Services Uniforms	(24,000)
Other Immaterial Changes/Updates	34,118
Net Activity for June 6	\$ (4,101,289)

Sales Tax Revenue

General Fund revenue estimates were prepared for the April 18th workshop. Small adjustments have been made as new information becomes available. However, we just received a significant revision to the FY17-18 sales tax estimate from the City's sales tax audit/analysis consultant, HdL Companies.

Several factors contribute to the \$404,589 revision. A computer company relocated to Vista, but Carson has continued to receive the sales tax allocation. HdL expects the City will receive a large reallocation correction during FY17-18 for this error. In addition 3 other sales tax generators received audit corrections that will impact the City's FY17-18 revenue by approximately \$235,000.

The budgeted sales tax revenue for FY16-17 is \$24,162,070. The revised estimate for FY17-18 is \$24,397,018 (a 1.0% increase from FY16-17).

Employee Compensation & Proposed Hiring Freeze

The proposed FY17-18 budget does not include any cost-of-living wage increases; but does include increases for the City's contribution to the employee pension plan and retiree health insurance totaling approximately \$1 million.

For FY16-17, the City Council approved using one year of interest earnings from the Section 115 Trust for retiree health insurance. Staff recently requested a \$983,796 reimbursement from the Trust based upon the City Council direction. The Budget Subcommittee recommends using another \$1 million of interest earnings from the Trust to help pay for FY17-18 retiree health insurance premiums expected to total \$2.2 million. To date, the Trust has earned total interest of \$3,625,687. If the City Council approves the Budget Subcommittee's recommendation, the remaining interest balance will be \$1,641,891 (\$3,625,687, less \$983,796 used in FY16-17 and \$1,000,000 to be used in FY17-18).

The proposed FY17-18 budget includes an employee reclassification supported by the Budget Subcommittee. The Typist Clerk II in the Public Information Office would be reclassified to a Senior Clerk for an additional cost of \$5,922.

Currently, there are 26 vacant positions. The budget for 5.5 of the vacant positions is being used to fund mitigating services such as temporary interim appointments (e.g. Assistant City Manager) and special projects (e.g. the RSG contract in Community Development). The Budget Subcommittee recommends a partial hiring freeze, as outlined in Exhibit A, which would save the General Fund \$1,312,902 for FY17-18. The Budget Subcommittee has recommended using \$146,068 of the budget to hire 10 temporary part-time maintenance aides to serve the City's maintenance needs. If the City Council agrees with the Budget Subcommittee's recommendations, the City's labor negotiating team will need to meet & confer with the bargaining groups on this cost-saving measure.

Sheriff Park Enforcement Team

The Sheriff's services are divided into three primary sections: General Law, the COPS Team, and the Park Enforcement Team. The Park Enforcement Team is comprised of 3.4 patrol units and 1 Sergeant. The Budget Subcommittee has proposed a reorganization of supervisory duties, wherein the Sergeants who supervise other sections also supervise the Park Enforcement Team. Captain Skeen agreed that the reorganization could be made to save \$225,991 on the City's Sheriff Contract for FY17-18, but recommends a future study to determine whether the current level of service is adequate for the City. With this change, the cost of the Sheriff Contract will be \$18,417,483 (24% of General Fund revenue); which is an overall 3.5% increase from FY16-17.

Community Services Proposals

The Budget Subcommittee has reviewed various proposals for Community Services programs over the course of 4 meetings. Proposals have included fee increases and service level decreases. The proposals recommended by the Budget Subcommittee are summarized in Exhibit B. Any increases to fees may impact participation.

If the City Council agrees with the recommendations, they will be included with the proposed update to the Uniform Schedule of Fees. City Council is scheduled to conduct a public hearing and consider proposed fee increases on June 20, 2017. If new fees are adopted on June 20th, they will become effective August 21, 2017. Many summer programs have already been advertised at current rates, and facility rentals have already been reserved for a number of months. Therefore, the City will not realize the full impact of

any fee increases during FY17-18.

The Community Services proposals may generate a combination of increased revenue and decreased expenditures totaling approximately \$520,434 for FY17-18 (\$736,455 annualized).

On May 16th, the City Council requested staff return with a list of approved fee waivers. The following waivers total \$85,311.

	Rent Waiver	Equipment Waiver	Total	Expires
Mariachi Academy	\$ 20,357	\$ 5,182	\$25,539	6/30/2019
Carson Women's Club	\$ 5,674	\$ 2,374	\$ 8,048	N/A
Sophisticated Dance	\$ 21,762	\$ 3,232	\$24,994	6/30/2019
Batongmalaque Fdtn	\$ 17,490	\$ 9,240	\$26,730	6/30/2019

Five-Year Model

The Five-Year Model has been updated with the draft FY17-18 General Fund budget as presented tonight. A summary of results follow.

Estimated	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22
Beginning Balance	\$18,710,435	\$12,783,162	\$8,681,873	\$ 2,021,219	\$(6,216,662)	\$(15,412,314)
Revenue	76,906,298	75,587,391	77,271,220	78,967,272	81,944,894	83,361,088
Expenditures	79,303,099	79,231,981	83,652,175	86,725,454	90,560,847	93,714,700
Net Transfers	(3,530,472)	(456,699)	(279,699)	(479,699)	(579,699)	(679,699)
Ending Balance	\$12,783,162	\$ 8,681,873	\$2,021,219	\$(6,216,662)	\$(15,412,314)	\$(26,445,630)
Reserve Policy	15,860,620	15,846,396	16,730,435	17,345,091	18,112,169	18,742,940

The Model indicates the General Fund balance will remain below the City Council's policy threshold (20% of annual budgeted expenditures). The Model also indicates that if there are no significant changes in the budget structure, the General Fund balance will be depleted by autumn 2019.

Many of the City's expenditures are tied to public safety and mandated programs required by federal, state and local law. Many services are provided by City employees, complicating potential budget cuts that may result in lay-offs or furloughs. The City's residents have expectations for services such as recreation programs and maintenance of streets and parks. Correcting the budget deficit will require careful study of expenditures and consideration of new revenue sources. For these reasons, staff continues to recommend a multi-year approach to balancing the budget; and expects the adopted FY17-18 budget will continue to deplete the General Fund balance.

In January 2016, the City Council declared a fiscal emergency for 12 months. Considering the current proposed budget deficit, the City Council may want to consider declaring another fiscal emergency.

Summary of Capital Improvement Program (CIP)

The draft FY17-18 budget includes projects funded entirely with restricted money. There is no General Fund contribution to the CIP. Recommendations were vetted and supported by

the Budget Subcommittee. The proposed list of projects was presented to the City Council during the April 18th budget workshop.

Two additional projects have been added to the list since April 18th. On May 16th, the City Council agreed to add the Scott Park Pool project to the list, to be funded with 2 years of the City’s Measure A allocation. In addition, the City recently received a CalFire grant award of \$267,915 for a Tree Planting project; which requires a 25% match that can be funded from the City’s expected Measure M allocation.

Location	Improvement	Estimate	Funding
Anderson Park	Parking Lot Lighting	\$ 85,000	Load Shed restricted money
Citywide	Facility Condition Assessment	\$ 100,000	Successor Agency Bond Proceeding
Citywide	Pavement Overlay	\$ 750,000	Gas Tax, Prop C, Measure M
Citywide	Concrete Replacement Program	\$ 260,000	CDBG, TDA Article 3
Citywide	Pavement Slurry Seal	\$ 990,000	Gas Tax, Prop C, Measure M
Citywide	City Facility ADA Compliance Upgrades	\$ 150,000	CDBG
Citywide	Rapid Bus Priority System	\$ 636,350	Grant, Contribution, Prop A
Citywide	Sepulveda Blvd Widening	\$2,592,000	Federal Hwy Bridge pgm, Measure M
Citywide	Green Streets & Sustainability Program	\$ 275,693	Measure M
Citywide	Tree Planting	\$ 357,220	CalFire Grant, Measure M
Scott Park	Pool Upgrade	\$ 500,000	Quimby Fees & Measure A
Dolphin Park	Accessible Playground	\$ 250,000	Donation
Citywide	Wilmington/I-405 Interchange	\$ 150,000	Rubberized Asphalt Grant
Citywide	Carson Street Master Plan Improvements	\$ 750,000	Successor Agency Bond Proceeding
Total		\$8,846,265	

Summary of City Events

On May 16th, the City Council requested staff return with the summary of the April 18th City Council direction for funding City events in FY17-18. Based upon current and previous City Council support, staff has added \$7,000 for the annual Sheriff Foundation luncheon. The list of funded events can be found in Exhibit C.

The Community Services Department is presenting a separate staff report on this same agenda with an update of the 50th Anniversary event budget.

Cost-Based Fees

The City charges two types of fees: those for service provided directly to one customer, and those for use of the City’s property. State law does not limit what the City can charge for use of its property (e.g. facility rentals). The only limit is what the market will bear. However, state law does limit service fees to cost recovery only. In other words, the City cannot charge more than its cost to provide a specific service.

The method for calculating such fees is: staff time multiplied by the Fully-Burdened Hourly Rate (FBR). The FBR includes wages, benefits and allocated overhead. To determine the FBR, a cost-based fee study is done to allocate overhead to each employee. Overhead includes supervision, building maintenance, computer equipment and other supplies, liability insurance, record-keeping, legal advice, and many other costs. It is a complex calculation performed by a specialized consultant, and typically takes a year or more to complete. The City needs a cost-based fee study to comprehensively update its fees.

However, staff continues to recommend postponing a fee study until the Tyler Munis ERP system implementation has been completed. Many of the City's business practices are expected to change during the implementation; which will impact calculation of each FBR, in some cases significantly.

In the meantime, simple fee calculations can be done to recover wages and benefits.

Potential Future Impacts to Budget

After the budget is adopted for FY17-18, staff may present additional proposals to City Council which could impact the budget. These proposals have not been included in the draft FY17-18 budget.

- Staff is in process of calculating costs for a variety of Public Works fees, and will likely bring forward another update to the Uniform Schedule of Fees after the new fiscal year begins.
- Management may propose additional staffing reorganizations with a fiscal impact.
- Additional capital improvement projects may be proposed if additional restricted funding is secured.
- The City Council may be asked to consider various new/increased revenue measures.

Next Steps

Staff recommends conducting a public hearing on June 20, 2017 to consider adoption of the proposed FY17-18 budget. A public hearing on June 20th for an update to the Uniform Schedule of Fees is also recommended.

V. FISCAL IMPACT

There is no immediate fiscal impact resulting from direction provided by City Council. The draft FY17-18 budget will be updated and presented to City Council for consideration at the public hearing scheduled for June 20th.

VI. EXHIBITS

A - Staff Vacancies (page 7)

B - Community Services Proposals (page 8)

C - City Events (page 9)

Prepared by: Kathryn Downs, Director of Finance