



Legislation Text

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Report to Mayor and City Council

Tuesday, May 15, 2018

Discussion

SUBJECT:

FISCAL YEAR 2018-19 BUDGET WORKSHOP #3 (CITY COUNCIL)

I. SUMMARY

The draft FY18-19 General Fund budget is a deficit of \$2.2 million. The City Council is asked to consider additional proposals tonight totaling \$0.6 million, which may bring the budget deficit to \$2.8 million. This is prior to any personnel changes or contributions for special events to be considered at the Budget Workshop of May 29th, as well as any wage increases that may be negotiated with the employee bargaining groups.

The Measure C Citizens Oversight Committee has provided recommendations to the City Council for the draft FY18-19 budget, which are included in this report.

The purpose of tonight's workshop is to consider the Sheriff contract, the Animal Control contract, other expenditure proposals, and prioritize capital improvement projects.

II. RECOMMENDATION

1. RECEIVE General Fund budget recommendations from the Measure C Citizens Oversight Committee.
2. PROVIDE additional direction to staff regarding the draft FY18-19 budget.

III. ALTERNATIVES

TAKE another action deemed appropriate by City Council.

IV. BACKGROUND

The draft General Fund expenditure budget of \$87 million is reported in 2,000+ line items spread over 150+ programs. The City Council does not review every line item, and relies upon its professional staff to vet the draft budget and make recommendations. The City

Council makes budget decisions based upon requests initiated by City Council, outside factors such as rate increases from outside agencies that provide service, and recommendations from staff regarding service level and delivery.

The City has a finite amount of revenue available to fund expenditures. Therefore, the increasing cost for one service reduces the revenue available for other services; and the City Council is asked to re-balance the budget. For example, increasing costs of employee retirement, does the City reduce the current workforce and service to the public? When the costs of public safety increase faster than revenues, does the City reduce discretionary programs? Does the City Council ask voters to approve a new revenue source to preserve service levels?

Budget decisions for restricted revenue sources are typically limited and less frequent, due to the limitations on eligible expenditures. Tonight the City Council will be asked to review the prioritization of capital projects, including the use of restricted monies to fund them.

The City Council held FY18-19 budget workshops on March 20th and April 17th, and has scheduled a dedicated workshop for May 29, 2018. Due to time limitations, the May 29th discussions are expected to include personnel requests and special events only. This agenda item includes discussion of the Capital Improvement Program, the Sheriff contract, the Animal Control contract, and other budget discussion topics for FY18-19.

Measure C Citizens Oversight Committee Recommendations

On April 10th and May 8th, the Measure C Committee reviewed and discussed the draft FY18-19 budget. On May 8th, the Committee made the following recommendations.

1. Discontinue paying a stipend for all Committees and Commissions, which may save approximately \$83,000 annually.
2. Do not use General Fund money for Special Events. The draft budget does not include any allocations for Special Events yet, as those decisions are scheduled for May 29th.
3. Do not use General Fund money for the Rose Parade. The City Council directed staff to refrain from including any allocation for the Rose Parade in the draft FY18-19 budget.
4. Do not use General Fund money for air travel to Soka, Japan. The draft FY18-19 currently includes \$10,000 for this purpose.
5. Continue increasing user fees to capture 100% of the City's cost. Staff will present another fee update for City Council consideration on June 19th.
6. Do not add a City Holiday. The City Council is considering an additional holiday this evening, with an estimated out of pocket cost of \$4,820 for essential services that must continue when City Hall is closed.
7. Continue requesting voluntary contributions from residents and mandatory fees

- from non-residents for use of the Stroke Center. The fees were established in 2017.
8. Do not provide any further free room use after the current promise to two cultural arts organizations expires. The full revenue rental value is estimated at \$70,488 annually.
 9. Suspend the White Linen Event for 2018. Estimated revenues and expenditures for this event have not yet been proposed or discussed.
 10. Reprioritize Public Safety to be the #1 priority for the budget, maintained at a minimum of 25% of the General Fund budget.
 11. If the City Council chooses to use the General Fund balance in excess of the reserve policy level, use it for street repair.
 12. Use the General Fund Reserve to balance the budget for FY18-19.

General Fund Status Update

The General Fund budget has been updated with current information as follows.

| | General Fund |
|---|-----------------------|
| Estimated Net Activity, Budget Workshop #2 | \$ (1,472,369) |
| PBF Energy Pipeline Franchise Increase | 300,000 |
| Reduce UUT Revenue Estimate | (621,000) |
| Sheriff Contract Update | (14,197) |
| County Animal Control | (203,729) |
| Colony Cove Bond | 33,338 |
| Part-Time PIO | (25,000) |
| Replace 50 PC's | (57,488) |
| Firewall Hardware & Software | (17,746) |
| Other Immaterial Updates/Corrections | (88,048) |
| Estimated Net Activity, Budget Workshop #3 | \$ (2,166,239) |

An update of the Five-Year Model snapshot follows, which indicates that the General Fund Balance may continue to exceed the Policy Reserve level (20% of annual expenditures) through FY18-19.

| | FY17-18 | FY18-19 | FY19-20 | FY20-21 | FY21-22 | FY22-23 |
|-------------------|---------------|----------------|----------------|----------------|----------------|----------------|
| Beginning Balance | \$ 18,713,002 | \$ 22,508,655 | \$ 20,342,416 | \$ 15,187,233 | \$ 9,358,979 | \$ 2,658,874 |
| Revenue | 88,905,181 | 85,246,797 | 85,909,475 | 89,185,922 | 91,562,221 | 93,994,816 |
| Expenditures | (84,350,031) | (86,833,337) | (90,484,959) | (94,434,477) | (97,682,627) | (100,401,122) |
| Net Transfers | (759,497) | (579,699) | (579,699) | (579,699) | (579,699) | (579,699) |
| Net Activity | \$ 3,795,653 | \$ (2,166,239) | \$ (5,155,183) | \$ (5,828,254) | \$ (6,700,105) | \$ (6,986,005) |
| Ending Balance | \$ 22,508,655 | \$ 20,342,416 | \$ 15,187,233 | \$ 9,358,979 | \$ 2,658,874 | \$ (4,327,131) |
| Policy Level | 16,870,006 | 17,366,667 | 18,096,992 | 18,886,895 | 19,536,525 | 20,080,224 |

Revenue Estimates Updated

The City was recently able to renegotiate the pipeline franchise fee with PBF Energy, resulting in an additional \$400,000 of annual revenue going forward. The City Attorney's office is currently drafting the new agreements, which are expected to become effective no later than September 30, 2018. Therefore, staff has included an estimate of \$300,000 for additional FY18-19 revenue.

Approximately 2/3 of the City's Utility Users Tax (UUT) revenue is derived from natural gas, and is impacted by market pricing of the commodity. In FY16-17, the price of natural gas averaged \$36.37 per therm, and total UUT revenue was \$7,030,672. Recently the price has been on a roller coaster, dropping as low as \$22.45 per therm. Staff conservatively estimates the FY18-19 revenue at \$7.0 million, which is a \$0.6 million reduction from the original estimate prepared during this budget season.

Sheriff Contract

On May 3rd, the City received final FY18-19 rates from the Sheriff's Department. The previous FY18-19 budget estimate has been updated, resulting in an increase of \$574,414 or 3.1% (previously reported \$560,217 or 3.0%).

As reported on April 17th, the Sheriff contract has been reduced by 3 units over the last two years, including 2 Detectives and 1 Sergeant. The Sheriff Captain recommends restoring at least 2 units for FY18-19. The Sheriff contract is currently 22% of the draft FY18-19 General Fund budget.

The Captain's first recommendation is to add a Special Area Lieutenant (cost of \$283,498) who is expected to:

1. Provide oversight of all three special assignment teams;
2. Manage special projects at the request of the elected officials and City Manager;
3. Provide detailed oversight of crime, traffic, community relations, and the school/gang intervention programs;

4. Assist in long-term recruitment planning;
5. Assist with management of StubHub related services;
6. Mentor and train existing personnel; and
7. Assist in the overall supervision of the entire City of Carson contract, including 4 Sergeants and 64 Deputies.

With the addition of this position, the Sheriff Captain's goal is to institute additional public education and school/parks programs.

The second recommendation is for 2 Traffic Enforcement units (one Motor unit for \$310,896 and one Regular unit for \$321,330). At a minimum, the Captain highly recommends one Motor unit at this time. Traffic enforcement fine revenue could increase by \$190,000 per year with one additional unit, resulting in a net cost of roughly \$121,000.

Los Angeles County Animal Control

Animal Control recently provided information to the City regarding planned rate increases over the next six years to gradually eliminate the county's subsidy for services. The primary driver of the rate increase is the impound fee, which is currently \$32.79 per day. The fee structure would change to a "per-impound" fee as opposed to "per-day" fee. The proposed per-impound fee is \$205.65 for FY18-19, which would continue to increase to reduce the county subsidy. In addition, the county is proposing a new per-capita fee, initially estimated at \$54,365 for FY18-19.

| | FY17-18 | FY18-19 | FY19-20 | FY20-21 | FY21-22 | FY22-23 | FY23-24 |
|--------------------------------|------------------|------------------|------------------|--------------------|--------------------|--------------------|--------------------|
| Per-Day Fee | \$ 32.79 | N/A | N/A | N/A | N/A | N/A | N/A |
| Per-Impound Fee | N/A | \$ 205.65 | \$ 254.16 | \$ 305.41 | \$ 359.52 | \$ 416.61 | \$ 476.80 |
| NEW Per Capita Fee | N/A | \$ 54,365 | \$ 56,240 | \$ 58,114 | \$ 59,989 | \$ 61,864 | \$ 63,738 |
| Impound Services | \$241,367 | 384,360 | 475,025 | 570,811 | 671,943 | 778,644 | 891,139 |
| Other Shelter Services | 27,104 | 19,201 | 19,554 | 19,919 | 20,295 | 20,682 | 21,081 |
| Field Services | 389,348 | 401,848 | 413,888 | 426,323 | 439,103 | 452,278 | 465,847 |
| License Processing | 28,148 | 29,014 | 29,880 | 30,747 | 31,699 | 32,652 | 33,605 |
| Subtotal Costs | \$685,967 | \$888,788 | \$994,587 | \$1,105,914 | \$1,223,029 | \$1,346,120 | \$1,475,410 |
| Offsetting Fee/Penalty Revenue | (448,564) | (447,656) | (447,656) | (447,656) | (447,656) | (447,656) | (447,656) |
| Net Cost to City | \$237,403 | \$441,132 | \$546,931 | \$ 658,258 | \$ 775,373 | \$ 898,464 | \$1,027,754 |
| County Subsidy | \$506,974 | \$384,322 | \$316,721 | \$ 244,690 | \$ 168,023 | \$ 86,516 | \$ - |

County staff is proposing a net cost increase for Carson in the amount of \$203,729 for FY18-19 (an 86% increase). Annual increases over the following five years would average \$117,324, or 18% per year. Staff forwarded a letter to the county outlining our concerns with the proposal (see Exhibit A). If the proposal is adopted by the county, the City Council may consider directing staff to research the City's other options for providing animal control. The increased cost has been included in the draft FY18-19 budget as a

placeholder.

Cultural Arts Contracts

The City currently provides cash contributions to various cultural arts organizations. For FY17-18, the cash contributions total \$85,550 and were distributed as follows.

| | | | |
|-----------------------|----------|-------------------|----------|
| Sophisticated Dance | \$15,300 | Monteclaro CCMF | \$13,900 |
| Mariachi Academy | \$12,500 | Rockin Blues | \$11,600 |
| Int'l Printing Museum | \$9,750 | CSUDH Art Gallery | \$7,500 |
| C2R Productions | \$7,500 | Alexey Steele | \$7,500 |

Staff continues to recommend moving away from cash contributions, and negotiating an exchange of services between the City and the organizations. The negotiations are not complete for all 8 organizations, and the FY18-19 application process has already begun. The application, recommendation, and selection process is extremely time consuming for both staff and the Cultural Arts Commission; which is one of the reasons for a recommendation to move away from the current process.

For FY18-19, staff recommends moving to a calendar-year process as follows.

1. Budget the status quo, or 50% of the allocations listed above, for the first half of FY18-19 (total of \$42,775 for July-December 2018). This will reduce uncertainty for the currently contracted organizations, and provide additional time to finalize recommendations for moving forward.
2. Complete the selection and/or negotiation process for current applicants by November 2018, in time for 2019 contract awards. Appropriate any cash contributions at that time.

Additional City Holiday

On April 17th, an additional City holiday for Rosa Parks was proposed. The States of California and Missouri commemorate Rosa Parks Day on her birthday February 4th, while the states of Ohio and Oregon commemorate the occasion on the anniversary of the day she was arrested, December 1st. Considering the City acknowledges February as African-American History Month, Councilwoman Davis-Holmes recommended selecting a date in March to coincide with Women's History Month. If approved by City Council, some City facilities would be closed and full-time staff would be paid for the holiday. Staff recommends March 8th, as it is International Women's Day and represents the importance of overall gender equality. A total of \$4,820 would be added to the draft budget to provide overtime for essential services.

Community Center Art Installation

To complete the Community Center Renovation project, the City Council may consider an art installation to beautify the reception area. One proposal would add a one-time allocation of \$40,000 to the General Fund budget to provide for the art installation.

Capital Improvement Plan

Public Works, Community Services and Finance staff has collaborated to prioritize quantified capital improvement projects, and propose planned funding for the next five years from restricted monies only. No General Fund money is proposed for capital improvement projects.

Projects were prioritized LO, MED, and HI based upon the following impacts.

| | | |
|---------------|----------------------|--------------------|
| Public Safety | Funding Availability | Asset Preservation |
| Efficiency | Essential Service | Service Expansion |

Planned funding is based upon the best information currently available. As more information is received, priorities and the proposed plan will change.

Staff expects that \$7.6 million of projects can be funded in FY18-19 (see Exhibit B for “Funded” list of projects). If an anticipated Quimby fee is received timely, staff would propose funding an additional 2 park projects with \$2.2 million of the revenue. This would bring the FY18-19 CIP to \$9.8 million.

| | |
|-------------------------------------|--------------------|
| Recurring Restricted Sources | \$5,167,764 |
| Use of Andeavor Contribution | 1,000,000 |
| Use of Coop Bond Proceeds | 1,430,000 |
| Subtotal | \$7,597,764 |
| Use of Non-Recurring Quimby Revenue | 2,200,000 |
| Total Proposed FY18-19 | \$9,797,764 |

| | |
|-------------------------------|--------------------|
| Building Projects | \$1,430,000 |
| Pavement Projects | 3,697,764 |
| Traffic Signals | 450,000 |
| Park Projects | 3,730,000 |
| Other Projects | 490,000 |
| Total Proposed FY18-19 | \$9,797,764 |

Staff has also identified more than \$35 million of projects that remain unfunded (see Exhibit C for “Unfunded” list of projects). This does not include the \$11.46 million of sidewalk improvements, projects to improve storm water permit compliance, or the ongoing need for at \$8 million to maintain pavement each year.

After reviewing the “Funded” and “Unfunded” lists, the City Council may direct staff to make changes as desired. Only the FY18-19 column of the “Funded” list would be adopted with the FY18-19 budget.

Per request of the City Council, staff has included a map of the pavement maintenance zones in the City (see Exhibit D), and maps of the annual slurry seal program that include Main Street (see Exhibit E).

Other Expenditure Updates

Colony Cove Bond: Following the recent victory for the Colony Cove case, staff has removed the \$33,338 placeholder to continue paying for the appeal bond.

Public Information Office Part-Time Help: Staff has included \$25,000 in the draft FY18-19 budget to provide for temporary assistance with public information related to Charter City and other proposals for the November 2018 general election.

Computer Equipment Replacements: The Information Technology Manager was recently able to provide recommendations to replace 50 aged personal computers (approximately 1/8 of the total supported) and update firewall hardware and software. The total cost of the recommendations is \$75,234, which has been added to the draft FY18-19 budget. An ongoing replacement program for computer equipment has not been funded in recent years due to budget constraints. The City supports approximately 400 desktops/laptops. If the computers are on a five-year replacement cycle, then approximately 80 should be replaced each year (roughly \$100,000). This does not include servers and other hardware.

Future Discussion Items

The Community Services Department will provide separate staff reports for the Youth Sports Officials proposal and ActiveNet recreation management software. Other outstanding items include decorative outdoor lighting for the Community Center and the provision of Wi-Fi at the City's parks.

May 29th Budget Workshop

Although a dedicated budget workshop has been scheduled for May 29th, available time is limited; and therefore, staff is planning to limit the May 29th report to personnel recommendations and special events. In preparation for the workshop, the Mayor requested special events recommendations from each City Council Member. Any recommendations received by May 22nd will be included in the agenda report.

V. FISCAL IMPACT

None specifically associated with this staff report. The summary of General Fund status and estimates for FY18-19 will continue to be updated throughout the budget process.

VI. EXHIBITS

- A. Letter to Los Angeles County Animal Control (page 10)
- B. Funded list of Capital Improvement Projects (page 11)
- C. Unfunded list of Capital Improvement Projects (pages 12-16)
- D. Map of Pavement Maintenance Zones in the City (page 17)
- E. Maps of Annual Slurry Seal Zones 5 and 6 (pages 18-19)

A.

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