



CITY OF CARSON

Legislation Text

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Report to Mayor and City Council

Tuesday, June 18, 2019

Discussion

SUBJECT:

PUBLIC HEARING TO CONSIDER ADOPTION OF RESOLUTION NO. 19-120, ADOPTING THE FISCAL YEAR 2019-2020 BUDGET IN THE GENERAL FUND AND SPECIAL REVENUE FUNDS (CITY COUNCIL)

CONSIDER RESOLUTION NO. 19-123-CSA, ADOPTING THE FISCAL YEAR 2018-19 BUDGET FOR THE CARSON SUCCESSOR AGENCY (SUCCESSOR AGENCY)

CONSIDER RESOLUTION NO. 19-121-CHA, ADOPTING THE FISCAL YEAR 2018-19 BUDGET FOR THE CARSON HOUSING AUTHORITY (HOUSING AUTHORITY)

CONSIDER RECEIPT OF 2019 CAPITAL IMPROVEMENT PLAN (CITY COUNCIL)

I. SUMMARY

The City Council has held 4 budget workshops and provided direction to staff for the Fiscal Year 2019-2020 budget. The Public Hearing Notice was published on June 8th, and the draft budget has been on file with the City Clerk's Office for public viewing since June 11th. The proposed budget resolutions are attached to this staff report and ready for the City Council to consider adoption.

The City Council is asked to consider adopting a \$2.9 million deficit budget for the General Fund. The proposed deficit is equivalent to 3.4% of General Fund revenue. The General Fund balance is estimated to be \$23.5 million at the end of Fiscal Year 2019-2020; which is approximately \$5.1 million higher than the City Council policy reserve of \$18.3 million (or 20% of budgeted expenditures).

The Fiscal Year 2019-2020 projected deficit was further reduced by the expected one-time revenue from Tesoro Community Benefit Agreement Milestone payment, and the 3% vacancy rate applied to the personnel budget (\$1.1 million decrease).

The structural budget deficit persists as the City's expenditures increase faster than its revenues. For example, the Sheriff contract is increasing by \$1 million (or 5%) overall based upon the same number of service units. The City's CalPERS unfunded liability

payment for Fiscal Year 2019-2020 will total \$7.3 million which is \$2.4 million increase compared to Fiscal Year 2018-2019. However, total General Fund revenue is only expected to increase by 2%, including the new Oil Industry tax. The proposed Fiscal Year 2019-2020 budget includes \$39.5 million of funding for capital projects. The proposed funding for capital projects is from restricted monies only, with no funding from the General Fund.

II. RECOMMENDATION

1. OPEN the public hearing, TAKE public testimony for the proposed Fiscal Year 2019-2020, and CLOSE the public hearing.
2. WAIVE further reading and ADOPT Resolution No. 19-120, A RESOLUTION OF THE CITY OF CARSON CITY COUNCIL ADOPTING THE FISCAL YEAR 2019-2020 BUDGET IN THE GENERAL FUND AND SPECIAL REVENUE FUNDS (Exhibit A)
3. WAIVE further reading and ADOPT Resolution No 19-123-CSA, A RESOLUTION OF THE BOARD OF THE SUCCESSOR AGENCY TO ADOPT THE FISCAL YEAR 2019-2020 BUDGET (Exhibit B)
4. WAIVE further reading and ADOPT Resolution No. 19-121-CHA, A RESOLUTION OF THE BOARD OF THE CARSON HOUSING AUTHORITY ADOPTING THE FISCAL YEAR 2019-2020 BUDGET (Exhibit C)
5. APPROVE the 2019 Capital Improvement Plan.
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III. ALTERNATIVES

DO NOT ADOPT the proposed Fiscal Year 2019-2020 budget and PROVIDE additional direction to staff.

IV. BACKGROUND

This staff report includes the information and resolutions necessary to adopt the Fiscal Year 2019-2020 budget for the City, Carson Successor Agency (CSA), and Carson Housing Authority (CHA). The recommendation is for the City Council to conduct a Public Hearing and consider adoption of the proposed Fiscal Year 2019-2020 via the attached resolutions.

The City Council has held 4 budget workshops to provide direction for the draft Fiscal Year 2019-2020 on March 20th, May 7th, June 4th and June 11th.

On June 4th, the City Council directed staff to add the City Manager's funding recommendation for personnel requests (1.0 Full Time Employee (FTE) Senior Planner and 1.0 Full Time Employee (FTE) Animal Control Officer), \$290,000 of funding for City Events, \$150,000 for Citywide Training Program, \$120,000 for Summer Youth Employment Program and \$50,000 of funding for the March 30, 2020 Special Elections.

In addition to the direction on June 4th, staff has updated several revenue estimates. As reported on June 5th, the City's General Fund is expected to receive proceeds of \$750,000 one-time revenue payment from Tesoro Community Benefit Agreement by June 30, 2019.

A summary of General Fund forecast for Fiscal Year 2019-2020 is as follow:

Estimated Beginning Fund Balance 7/1/2019	\$26,439,164
Proposed Operating Revenues	\$88,652,165
Proposed Operating Expenditures	\$91,627,456
Use of Fund Balance	(\$2,975,291)
Estimated Ending Fund Balance 6/30/2020	\$23,463,873
City Council Reserve Policy (20%)	\$18,325,873

The estimates indicate the General Fund balance will be higher than the City Council Reserve Policy of 20% of budgeted expenditures by \$5 million.

General Fund Revenue

The proposed Fiscal year 2019-2020 General Fund revenue estimates are totaling \$88.6 million, including a minimum Oil Industry Business License Tax of \$4.7 million. Oil Industry Business License tax collection began in January 2018. The City is still unable to establish a solid forecast. The new tax revenue estimate may grow as more information becomes available. It is also too early to provide estimates for potential Cannabis Tax revenue, if any at all.

Sales tax comprises roughly one-third of General Fund revenue. Due to a continued growth auto sales, the revenue is expected to increase by 3% for Fiscal Year 2019-2020, from \$24.7 million to \$25.7 million.

Property tax comprises roughly one-fifth of General Fund revenue. The assessed values

are projected to increase by 1.5% for most parcels. Finance staff's estimate for the new Oil Industry Business License Tax show an annual revenue of \$4.7 million. The auditor's report has been received and reviews are in process which will help assess future revenue estimates.

General Fund Expenditures

The proposed Fiscal Year 2019-2020 General Fund expenditures total \$91.6 million. This is an overall expected increase of 3.2% or \$3 million compared to Fiscal Year 2018-2019.

Employee compensation is approximately 40% of the General Fund budget. Employee compensation includes wages and benefits. In Fiscal Year 2018-19 the City implemented a 3% increase in wages as a result of negotiations with the City's bargaining groups. The primary benefit costs are health insurance (City contribution capped), employee pension costs (PERS), and retiree health insurance. Employee pension and retiree health insurance expectations are discussed below.

Projected Employee Compensation Levels for Fiscal Year 2019-2020					
Department	FTE Filled	Part-Time	FTE Vacant	Overtime	Total
City Clerk	\$750,687	\$5,229		\$18,433	\$774,349
City Council	\$923,417	\$12,348			\$935,765
City Manager	\$4,183,291	\$191,338	\$613,278	\$59,540	\$5,047,447
City Treasurer	\$478,802		\$146,819	\$1,741	\$627,362
Community Deve	\$1,582,063	\$3,104	\$250,130	\$2,287	\$1,837,584
Community Servi	\$5,612,217	\$4,820,534	\$908,717	\$29,692	\$11,371,160
Finance	\$3,147,017	\$374,096	\$195,450	\$8,124	\$3,724,687
Human Resource	\$1,113,505	\$25,614	\$227,670		\$1,366,789
Public Works	\$10,507,254	\$367,785	\$1,241,083	\$128,188	\$12,244,310
Grand Total	\$28,298,253	\$5,800,048	\$3,583,147	\$248,005	\$37,929,453

A summary of the City's CalPERS contributions follows. The Fiscal Year 2019-2020 payment will total \$7,261,952, which is \$2.4 million higher than Fiscal Year 2018-2019. The City's CalPERS will increase by \$5.8 million from the 2017-18 level by 2022-2023.

	2017-2018	2018-2019	2019-2020	2020-2021
Payment	\$4,869,400	\$5,968,035	\$7,261,952	\$8,580,793
Increase from 2017-2018		\$1,098,635	\$2,392,552	\$3,711,393
Year Over Year Increase	N/A	\$1,098,635	\$1,293,917	\$1,318,841
Year Over Year % Increase	N/A	22.5%	21.6%	18.2%

The Sheriff's contract is approximately 22% of the General Fund budget. The Sheriff has provided rate increases for Fiscal Year 2019-2020. Cost of services will increase by 5%, which

includes an increase in the contribution to the liability trust fund, which will increase from a 10.5% surcharge of services to 11%.

	Fiscal Year 2018-2019	Fiscal Year 2019-2020	Increase
Sheriff Contract	\$20,008,576	\$21,034,000	\$1,025,424

The resulting overall increase is expected to be 5% for Fiscal Year 2019-2020. This assumes a status-quo to the number of units.

V. FISCAL IMPACT

The fiscal impact of the proposed Fiscal Year 2018-2020 budget for all funds of the City, CSA and CHA is summarized in the attached Fund Summary (see Exhibit I).

VI. EXHIBITS

- A. Resolution 19-120, A RESOLUTION OF THE CITY OF CARSON CITY COUNCIL ADOPTING THE FISCAL YEAR 2019-2020 BUDGET IN THE GENERAL FUND AND SPECIAL REVENUE FUNDS (pages 6-9)
- B. Resolution 19-123-CSA, A RESOLUTION OF THE BOARD OF THE SUCCESSOR AGENCY TO ADOPT THE FISCAL YEAR 2019-2020 BUDGET (pages 10-11)
- C. Resolution 19-121-CHA, A RESOLUTION OF THE BOARD OF THE CARSON HOUSING AUTHORITY ADOPTING THE FISCAL YEAR 2019-2020 BUDGET (pages 12-13)
- D. Reconciliation of Changes to General Fund Estimates during the 2019 Budget Process (page 14)
- E. City Events Summary (page 15)
- F. 2019 Capital Improvement Plan (pages 16)
- G. Fiscal 2019-2020 Fund Summary (page 17)

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