



Legislation Details (With Text)

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On agenda: 5/7/2019 **Final action:**
Title: Presentation of the Fiscal Year 2019-2020 Budget Addendum for the Second Year of the Biennial Budget (Finance Director Charelian).
DISCUSS AND PROVIDE DIRECTION

Sponsors:

Indexes:

Code sections:

Attachments: 1. Proposed Budget Addendum for FY 2019-2020, 2. FY 2019-2020 Potential Budget Cuts by Department, 3. General Fund Balance Sheet Trust Accounts, 4. PowerPoint Presentation

Date	Ver.	Action By	Action	Result
5/7/2019	1	City Council Regular Meeting		

TO:
Honorable Mayor and Members of the City Council

THROUGH:
Bruce Moe, City Manager

FROM:
Steve S. Charelian, Finance Director
Henry Mitzner, Controller
Libby Bretthauer, Senior Financial Analyst

SUBJECT:
Presentation of the Fiscal Year 2019-2020 Budget Addendum for the Second Year of the Biennial Budget (Finance Director Charelian).
DISCUSS AND PROVIDE DIRECTION

RECOMMENDATION:

Staff recommends that the City Council receive this report on the recommended modifications for the second year (FY 2019-2020) of the biennial budget.

FISCAL IMPLICATIONS:

The biennial budget adopted in June 2018 included fiscal years (FY) 2018-2019 and 2019-2020. The first year of the budget (FY 2018-2019) was adopted by resolution and the second year (FY 2019-20) was approved as a spending plan. The FY 2019-2020 approved budget will be adopted on June 4, 2019, with modifications directed by the City Council.

In March 2019, staff presented a mid-year budget report for FY 2018-2019. General Fund revenues at year-end are projected at \$76,305,699 and expenditures at \$73,777,030, resulting in a projected year-end surplus of \$2.5 million. Projected year-end transfers to other funds, including the

Stormwater Fund, Street Lighting Fund, and Pension Stabilization Trust Fund, total approximately \$1.6 million. In addition, the budget included transfers out to the CIP Fund (\$547,600) and IT Fund (\$600,299) for one-time projects. Taking into account year-end projections and all anticipated transfers, the unreserved General Fund balance is projected to be \$5.5 million at fiscal year-end.

The FY 2019-2020 Proposed Budget was prepared starting with the budget as approved in June 2018 and then modified to reflect more recent revenue projections, technical changes to meet operational needs, and the carryforward of one-time purchases and projects not completed in the current fiscal year. The FY 2019-2020 Proposed Budget includes expenditures across all funds totaling \$130,116,677. The General Fund is balanced with revenues of \$76,012,686 and expenditures of \$75,662,429, resulting in a projected surplus of \$350,257. Any unspent funds at year-end will revert to unreserved fund balance.

The FY 2019-2020 Budget also includes transfers out to other funds totaling nearly \$1.5 million, resulting in an overall reduction in General Fund balance by nearly \$1.1 million. Within the fund balance, \$19.1 million has been designated to policy and economic uncertainty reserves. The balance of \$4.2 million is currently unreserved and available for future one-time purposes at the direction of the City Council.

BACKGROUND:

A new biennial budget cycle commenced last year. On June 19, 2018, the City Council adopted the FY 2018-2019 Budget and approved the FY 2019-2020 Budget. The FY 2019-20 Budget was approved with a General Fund operating budget surplus of \$574,079.

Revenues	\$75,199,750
Expenditures	<u>\$74,625,671</u>
FY 2019-2020 Approved Surplus/(Deficit)	\$574,079

The City's Adopted Biennial Budget is available on the City's website at www.citymb.info/Budget <<http://www.citymb.info/Budget>>. The Proposed Budget Addendum for FY 2019-20 is online and attached to this report.

DISCUSSION:

The Proposed Budget Addendum for FY 2019-2020 includes itemized amendments resulting in a General Fund operating budget surplus of \$350,257.

Revenues	\$76,012,686
Expenditures	<u>\$75,662,429</u>
FY 2019-2020 Proposed Surplus/(Deficit)	\$350,257

To obtain an overview of the budget, staff recommends that City Council first review the Introduction Section of the Budget Addendum document for an explanation of proposed budget modifications. The Summaries section presents revenues and expenditures by fund and by category with these modifications included. Staff will present the budget highlights during the City Council meeting.

In addition, an updated Five Year Forecast (FY 2020 through FY 2024) is included in the budget. A detailed explanation of the Forecast will be presented during the budget overview. The projections take into account known changes on the horizon (including the City's CalPERS pension contribution rates) as well as staff estimates on less definitive areas such as revenue growth, workers

compensation and medical costs. It covers all City funds and includes the proposed five year Capital Improvements Plan. As the City Council directs changes to the Proposed Budget and CIP, these documents will be updated accordingly.

Budget Process and Opportunities for Community Input

The budget@citymb.info <mailto:budget@citymb.info> email option has been useful for gathering input from the community, and it will again remain active throughout the budget process in order for the community to communicate budget priorities to staff.

The Beach Reporter has recently included advertisements announcing the budget meeting schedule, which is as follows:

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|---------|---|
| May 7 | Budget Introduction - 6:00 PM in City Council Chambers |
| May 21* | Regular City Council Meeting - 6:00 PM in City Council Chambers |
| May 23 | Budget Study Session - 6:00 PM in City Council Chambers |
| June 4 | Public Hearing and Budget Adoption - 6:00 PM in City Council Chambers |

These dates have been included on the City's calendar of events for which e-notifications are being sent.

*If desired, the City Council may choose to further discuss the Operating and Capital Budget during the May 21st City Council Meeting.

May 23rd Budget Study Session

As requested by the City Council during last year's budget adoption hearing on June 19, 2018, Attachment #2 identifies potential budgetary savings in FY 2019-2020. These items, as identified by staff, are sorted by the anticipated level of impact on the community and organization.

More recently, the City Council held a Work Plan Study Session on April 23, 2019, and several new budgetary items were discussed. These Work Plan items could be added to the FY 2019-2020 budget as directed by the City Council. These potential additions included:

- Metlox WiFi Access Point;
- Homeless Services Assistance;
- Possible addition to Code Enforcement staff;
- Increasing Frequency of Power Washing on the Strand; and
- Downtown Beautification efforts.

Staff recommends the City Council review these items and provide direction on whether to incorporate any of these reductions or additions during the Budget Study Session on May 23, 2019.

Other Information Requested by the City Council

Attachment #3 categorizes General Fund balance sheet accounts held in trust by the City. The balance of each account, and specific purpose for which the funds can be used, is also identified.

PUBLIC OUTREACH/INTEREST:

Past and future opportunities for public input are described above.

ENVIRONMENTAL REVIEW:

The City has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that the activity is not a "Project" as defined under Section 15378 of the State CEQA Guidelines; therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines the activity is not subject to CEQA. Thus, no environmental review is necessary.

LEGAL REVIEW:

The City Attorney has reviewed this report and determined that no additional legal analysis is necessary.

ATTACHMENTS:

1. Proposed Budget Addendum for FY 2019-2020
2. FY 2019-2020 Potential Budget Cuts by Department
3. General Fund Balance Sheet Trust Accounts
4. PowerPoint Presentation