



Legislation Text

File #: 19-0247, **Version:** 1

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 Proposed Budget for Fiscal Year 2019-2020 (Finance Director Charelian).

RECEIVE REPORT AND PROVIDE DIRECTION

RECOMMENDATION:

Staff recommends the City Council receive the presentation and provide direction in advance of the Public Hearing and Budget Adoption scheduled for June 4, 2019.

FISCAL IMPLICATIONS:

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:

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 2019-2020) was approved as a spending plan. The FY 2019-2020 approved budget will be adopted on June 4, 2019, with modifications as directed by the City Council. The FY 2019-2020 Budget, as modified, is presented in the Budget Addendum document, which is meant to be read in conjunction with the adopted biennial budget.

The Proposed Budget Addendum for FY 2019-2020 was first presented to the City Council on May 7, 2019. This overview outlined budgeted revenues, expenditures, changes in the fund balance due to transfer activity, and adjustments and carryforwards included in the Proposed Budget.

The City's Adopted Biennial Budget and Proposed Budget Addendum are available on the City's website at www.citymb.info/Budget <<http://www.citymb.info/Budget>>.

DISCUSSION:

Staff presented highlights of the Proposed Budget Addendum and the updated Five-Year Forecast during the City Council meeting on May 7, 2019, along with potential budget cuts of 1.2% to consider. During the meeting, the City Council requested staff to further review budgeted expenditures and achieve budget cuts of up to 4%.

On May 21, 2019, the City Council will be presented with departmental budget information and given the option to review and discuss the following items:

- Proposed Budget Addendum and Amendments to the Budget by department
- Potential budget cuts up to 4% as requested by the City Council
- Current open full-time positions

Staff was able to identify potential reductions within the operational budget, across all funds, which includes the General Fund, Internal Service Funds, and Special Revenue Funds (Attachment #3). Changes to one-time capital expenditures and required debt service were not considered in the process. Attachment #3 has four versions of the same information, to help sort and organize the presentation. The four versions are:

- Version A: Budget Cuts by Department/Program
- Version B: Budget Cuts by Expenditure Category
- Version C: Budget Cuts by Amount (High to Low)
- Version D: Budget Cuts by Anticipated Level of Community Impact (Low to High).

These schedules were also provided as addenda to the May 21st City Council agenda.

Staff weighed each potential budget reduction against the probable community impacts on current service levels and programs. Although the “needs” versus “wants” for certain services and programs are subjective, the general guidelines used to assess the impacts were as follows:

- Low impact: Little to no community/organizational impact
- Medium impact: Impact on internal City operations and/or staff; minimal impact to community services
- High Impact: Noticeable service impacts operationally and in the community.

As part of the review during the Budget Study Session, Attachments #1-5 contain potential topics for discussion along with budgetary impacts including:

- Proposed Budget Addendum
- Amendments to the Budget by Department
- Current open full-time positions
- Special event overtime costs
- Balance Sheet Trust Accounts

The direction provided by the City Council on these topics will be confirmed during the public hearing on June 4, 2019, and then incorporated into the final Biennial Budget Addendum document as adopted.

PUBLIC OUTREACH:

These dates are included on the City's calendar of events for which e-notifications are being sent and the Beach Reporter has recently included advertisements announcing the budget meeting schedule.

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. Potential Budget Cuts as Presented on May 7, 2019
3. Version A: Potential Budget Cuts By Dept/Program
Version B: Potential Budget Cuts By Expenditure Category
Version C: Potential Budget Cuts By Amount (High to Low)
Version D: Potential Budget Cuts By Community Impact (Low to High)
4. Current Open Positions
5. Balance Sheet Trust Accounts