



Council Agenda Report

From: Ryan Cornell, Finance Manager
Tom Frutchey, City Manager

Subject: Adoption of FY 2018-19 and 2019-20 Operating and Capital Budget and FY 2018-19
Appropriation Limit

Date: June 19, 2018

Facts

1. City Council is required to adopt a comprehensive operating and capital expenditure budget in order to authorize the receipt of revenues and to authorize, guide and direct City activities no later than June 30, each year.
2. On February 17, 2018, the City Council held a Visioning and Goal-Setting Workshop that provided Councilmembers, the public, and staff a variety of opportunities to provide input and to fully participate in the development of the vision and goals for the City.
3. On March 6, 2018, City Council held a follow-up discussion of the workshop outcomes, in order to obtain additional public input and finalize City goals and strategic initiatives.
4. Due to the complexity of the City's financial statements and budgets, staff reported three different segments of the budget into smaller components. In doing so, it was intended to better explain its operations and individual challenges. As such, staff presented to City Council the General Fund Budget Update on May 7, 2018, the Enterprise Funds Budget Update on May 15, 2018, and the recommended capital expenditures and service level options on June 5, 2018.
5. The FY 2018-19 and 2019-20 Biennial Budget Report contains all projected revenues, appropriations and transfers, and shall be implemented by the City Manager per Council policies and direction. The direction and suggestions from the Council at the previous sessions have been incorporated into the proposed budget.
6. The FY 2018-19 staffing authorization includes 219.46 full-time equivalent positions as shown in the Budget Report.
7. Article XIII B of the State Constitution, added in November 1979 when voters approved Proposition 4, requires state and local governments to annually approve an appropriations limit.
8. The appropriations limit may be adjusted annually by a factor comprising the change in population combined with either the change in California per capita personal income or the change in the local assessment roll due to the local non-residential construction. The data required to complete the calculation is provided by the State of California, Department of Finance.

Options

1. Take no action;
2. Adopt the Biennial Budget for Maintenance and Operations and Capital Appropriations for the FY 2018-19 and FY 2019-20, as presented, and approve an appropriations limit for FY 2018-19;
3. Amend or modify the above options.

Analysis and Conclusions

The City's Biennial Budget provides funding for all City services, infrastructure investments, and activities to be performed beginning on July 1, 2018 through June 30, 2020.

The first step in this process is to examine existing accounting, budgetary, and financial reporting and analyze the efficiency and effectiveness of existing programs and reporting. As such, staff is recommending a few changes in the financial reporting of the City such as: establishing a Capital Improvement Program Fund, establishing an appropriated City-wide contingency fund, establishing adequate funding for vehicle and equipment replacement, and revising the process in which we handle Interdepartmental Charges.

Secondly, City presented estimated revenues for all funds for the next four years as well as personnel and operating expenses at current service levels. The total City-wide revenues are estimated to be \$87.3 million in FY 2018-19 and \$86.4 in FY 2019-20. General Fund revenues remain steady and are projected to be \$42.8 million in FY 2018-19. Of the \$42.8 million, 76% is derived from sales, property and transient occupancy taxes.

The budget includes salary and benefit costs based on the current labor agreements, known or anticipated employee step increases, and estimated health and retirement benefit increases. It is anticipated that salary and benefits will comprise approximately 60% of General Fund operating expenses over the next two years. This is a similar ratio when compared to other cities in San Luis Obispo County. Total salary and benefits in FY 2018-19 are estimated to be \$23.7 million and \$24.6 million in FY 2019-20. To reiterate, those amounts are based on current labor agreements and if all positions are filled for the entire fiscal year. Any new agreements reached with labor groups are not reflected in this amount nor any personnel savings from labor vacancies.

The next step in the budget process was to determine capital and infrastructure needs and service level enhancements. At the June 5, 2018 public hearing, Council reviewed the full set of options included in the proposed budget, offered additional options, and provided informal direction. Although all items presented to Council on June 5th are essential, fiscal constraints prohibit the City to perform all of them. With that being said, traffic engineering studies and the Traffic Signal Technician have been removed from the proposed budget and the facility maintenance software program has been reduced from \$50,000 to \$25,000.

How to Read the Budget. The City's Budget is comprised of eleven main sections: The City Manager's Budget Message, Community Profile, Council Goals, Budget Summaries, Fund Overviews and Forecasts, Authorized Positions, Department and Program Overviews, Capital Expenditures, Inter-fund Transfers, Long-term Debt Obligations and Appendices.

City Manager's Budget Message: City Manager's transmittal letter to the City Council provides an overview of the key challenges and opportunities being addressed in the budget, including budget issues and policies that led to the development of the budget and the recommendation to City Council.

Community Profile: This section gives the reader a brief overview of the community as a whole, including information regarding the City's current services and form of government as well as a brief history of the City and today's economy. It includes City demographics as well as interesting facts and data as the City's budget needs to be considered in light of a deep and broad understanding of the assets, needs, and characteristics of the community we serve, both now and into the future.

Council Goals: The Council adopted its overall goals on March 6, 2018. These goals are supported and enhanced by the City's overall Economic Strategy and by a staff-initiated strategic planning effort. The Council may choose to update these goals at any time.

Budget Summary: A budget is a spending document that provides funding for all City services, infrastructure needs and activities to be performed beginning on July 1, 2018 through June 30, 2020. As such, it can be viewed at several different levels. The Budget Summary examines the broader resource allocation patterns and trends for all City funds.

Fund Overviews and Forecasts: As a result of Proposition 13 and other statewide measures, the City has little control over the amount of revenues that are generated to support General Fund activities. Thus, the needs of our residents, as well as the revenues available to address those needs, are determined primarily by broader economic trends and events.

Authorized Positions: The City Council is the sole authority to add or remove staff positions in the City. Any changes to staffing levels must be adopted by Council Resolutions.

Department and Program Overviews: The City is an extremely complex service organization, offering a large number of services over a broad range of programs. In order to fully understand these services, it is necessary to examine the programs offered by each of the City's departments. Each department's overview presents the following:

- Organization structure of the department- This assists in adequately depicting the relationship between Full Time Equivalents (FTE's) and the departments functions.
- Department Mission Statement- Specific to each individual department highlighting the underlying priorities and purpose of the department.
- Department Overview- Statement regarding the scope of work or services provided by each department.
- Major Accomplishments over the past 2 fiscal years.
- Major Goals for the next 2 fiscal years.
- Key Metrics and Performance/Workload Measures.
- Service Level Options (if applicable)- Additional services that can be provided and are recommended enhancements to existing services, if the Council chooses.
- Department Financial Summary- A brief, department specific summary that lists positions per department as well as expenditure totals. This summary provides comparative information from the previous fiscal year(s) for additional analysis.

Capital Expenditures: In order to offer the City's services, there must be a significant and ongoing investment in capital assets, including real estate, streets and roads, facilities, equipment, and natural amenities (such as street trees and walking trails). This section looks at the City's Capital Improvement Project including possible funding sources and anticipated categories of funding uses. Given the high costs of capital assets, and the impacts they have on the operating programs, capital expenditures for the next two years are identified separately and highlighted.

Inter-fund Transfers: The City of Paso Robles uses transfers to charge one fund for services provided by another fund. A transfer is an accounting transaction that moves money from one fund to another. The cost of the service to be provided to another fund is made up of two types of costs, direct costs and indirect costs. Direct costs are those expenses that can be directly attributed to an activity such as vehicle replacement. Indirect costs are expenses not readily identifiable with a particular action or service, but rather are incurred for a joint purpose, which benefits more than one fund/department. Common examples of indirect costs are accounting, personnel, building maintenance, and utility expenses. Though indirect costs are not readily identifiable with direct operating programs, they can be allocated based on rational and logical methods. The City utilizes four types of inter-fund transfers: operating, cost allocation, capital and equipment replacement transfers.

Long-term Debt Obligations: The City issues a variety of different types of debt including capital leases, General Obligations Bonds, Revenues Bonds, as well as State Loans. Each loan has different fiscal requirements and debt payment amounts and terms.

Appendices: The appendices provide much of the detail necessary for a complete understanding of the budget. This section includes the following:

- Resolutions- Including adoption of the Biennial Budget, adoption of the Appropriations Limit, approving the Annual Comprehensive Fee Schedule;
- Fiscal Policy;
- Budget Guide;
- Outline of Fund Structure and Description of Funds;
- Glossary; and
- List of Acronyms

Fiscal Impact

The total appropriations for FY 2018-19 is \$113,613,510 and \$125,522,305 for FY 2019-20.

There is no fiscal impact regarding the appropriations limit. The City's proceeds from taxes and expenditures continue to be well below the appropriations limit. The appropriations limit is \$50,784,241 while total City appropriations subject to the limit is \$36,865,700 (72.6% of the proceeds of taxes to the appropriation limit).

Recommendation

1. Approve Resolution No. 18-XXX (A), adopting the Biennial Budget for Maintenance and Operations and Capital Appropriations for the FY 2018-19 and FY 2019-20, as presented, with Council-directed adjustments, for all funds and for all expenditures, and direct the City Manager to implement the budget.
2. Approve Resolution No. 18-XXX (B), adopting \$50,784,241 as the City's appropriation limit for the fiscal year ending June 30, 2019.

Attachment

1. Resolution No. 18-XXX (A), adopting the Biennial Budget for Maintenance and Operations and Capital Appropriations for the FY 2018-19 and FY 2019-20
2. Resolution No. 18-XXX (B), authorizing the City's appropriation limit for FY 2018-19
3. Two-Year Proposed Budget for Fiscal Years 2018-19 and 2019-20

RESOLUTION NO. 18-XXX (A)

A RESOLUTION OF THE CITY COUNCIL OF THE EL CITY OF PASO DE ROBLES
ADOPTING THE BIENNIAL BUDGET FOR MAINTENANCE & OPERATIONS AND CAPITAL
APPROPRIATIONS FOR
FISCAL YEAR 2018-19 AND FISCAL YEAR 2019-20

WHEREAS, the City Council of City of El Paso de Robles is required to adopt a comprehensive operating and capital expenditure budget in order to authorize the receipt of revenues and to authorize, guide, and direct the City's activities; and

WHEREAS, the City Council of the City of El Paso de Robles conducted a Visioning and Goal-Setting Workshop on February 17, 2018; and

WHEREAS, the City Council of the City of El Paso de Robles adopted goals and strategic priorities on March 6, 2018; and

WHEREAS, the City Council of the City of El Paso de Robles held public hearings for the proposed Biennial Budget for Fiscal Years 2018-2019 and 2019-20 on May 7, May 15, June 5 and June 19, 2018; and

WHEREAS, the total City of El Paso de Robles appropriations, including the General Fund, Enterprise funds, Debt Service funds, Special Revenue funds, Capital Project funds, and Agency funds is \$113,613,510 for FY 2018-19 and \$125,522,305 for FY 2019-20; and

WHEREAS, staffing includes up to but not more than 209.46 full-time equivalents for FY 2018-19 and 211.46 for FY 2019-20, plus any additional positions approved by Council, in those numbers and within those classifications as described in the budget; and

WHEREAS, the budget document contains all projected revenues, appropriations, and transfers, and shall be implemented by the City Manager per this resolution.

NOW THEREFORE BE IT RESOLVED, by the City Council of the City of El Paso de Robles does hereby approve and/or direct the following budgetary actions:

1. The operating, debt service and capital improvement plan budget for the City of El Paso de Robles for the fiscal year beginning July 1, 2018, and ending June 30, 2019 is hereby adopted; and
2. General Fund revenues, as well as the revenues of all other funds, shall be continuously monitored in order to measure collections against estimates. The City Manager shall return at appropriate intervals to report on the progress and request any needed adjustments; and
3. At the close of each fiscal year, unexpended appropriations in the operating budget will carried forward to the next fiscal year as necessary to underwrite the expense of outstanding purchase commitments. Unexpended appropriations for authorized, but uncompleted projects, as approved by City Council, may be carried forward to the next succeeding fiscal year upon approval of the City Manager.

APPROVED by the City Council of the City of Paso Robles this 19th day of June 2018 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Steven W. Martin, Mayor

ATTEST:

Kristen L. Buxkemper, Deputy City Clerk

RESOLUTION NO. 18-XXX (B)

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF EL PASO DE ROBLES
APPROVING AN APPROPRIATION LIMIT FOR THE FISCAL YEAR 2018-19

WHEREAS, the City of El Paso de Robles must annually approve an appropriation limit; and

WHEREAS, the State of California has provided the necessary data for the City of El Paso de Robles to calculate its appropriation limit.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF EL PASO DE ROBLES DOES
HEREBY RESOLVE AS FOLLOWS:

Section 1. The City Council hereby approves the following appropriation limitation for the fiscal year ending June 30, 2019.

FY 2017-18 Appropriation Limit	\$48,991,164
Change in Population	-0.0001
Change in Income	0.0367
 Total Change	 0.0366
 FY 2018-19 Appropriation Limit	 \$50,784,241

APPROVED by the City Council of the City of El Paso de Robles this ___ day of June, 2018 by the following roll call vote.

AYES:
NOES:
ABSENT:
ABSTAIN:

Steven W. Martin, Mayor

ATTEST:

Kristen L. Buxkemper, Deputy City Clerk

Please Refer to Attachment Documents:

Adoption of FY 2018-19 and 2019-20 Operating and Capital Budget and FY 2018-19 Appropriation Limit

- **Attachment – Two-Year Proposed Budget**

www.prcity.com/government/departments/adminservices/pdf/budget/2yr-Prop-Budget-FY18-19_19-20.pdf

CC Agenda 6-19-18