



Council Agenda Report

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Subject: Fiscal Years 2022-23 and 2023-24 Preliminary Budget Overview

Date: April 19, 2022

Facts

1. The City Council is required to adopt a comprehensive operating and capital expenditure budget to authorize the receipt of revenues and to authorize, guide, and direct City activities no later than June 30 each year.
2. During the [February 15, 2022 City Council meeting](#), the City Council directed staff to return to a two-year budget cycle and endorsed the budget development calendar.
3. On February 26, 2022, the City Council held a [special meeting](#) to review and update the City Council Goals for the upcoming budget cycle, to receive a preliminary fiscal outlook, and to establish budgetary priorities for the budget cycle.
4. After the City Council Goals setting session, the City's executive leadership team held a day-long planning session to align department workplans with the updated City Council priorities.
5. Staff has been simultaneously developing recommendations for staffing, programs, services and capital projects to include in the proposed budget.
6. Budget development for the upcoming fiscal year remains ongoing, with preliminary information available.

Options

1. Take no action;
2. Approve the updated City Council Goals for Fiscal Years 2022-23 and 2023-24; and receive and file this report and provide any desired direction on the preparation of the Fiscal Years 2022-23 and 2023-24 budget items outlined within the report;
3. Provide alternative direction.

Analysis and Conclusions

City Council Goals and Priorities

Based on feedback, input and direction from the City Council, the City Council Goals document (Attachment 1) has been updated to reflect:

- 1) Changes requested and input provided by the City Council at the Goal Setting meeting on February 26, 2022;
- 2) Changes to reflect alignment between anticipated department work plans for the next two years, estimated available funding and City Council priorities;
- 3) Updates to priority areas to reflect more action-oriented activities for staff to pursue, accomplish and report measure outcomes in tandem with City Council Goals;
- 4) Recategorization of specific action items to more appropriately align with the respective overarching goal; and
- 5) Minor formatting for clarity and readability.

Staff is requesting the City Council provide any additional direction, updates or changes to the document and adopt the document.

Updated Revenue Projections

The City’s major revenue sources continue to show strong signs of recovery and growth compared to pre-pandemic levels. Property tax, sales and use tax, voter-approved add-on sales taxes (i.e., Measure’s J-20 and E-12) and transient occupancy tax revenues remain on track to meet or exceed budget projections. However, record inflation, sustained high fuel prices and the potential for an economic slowdown will likely temper revenue growth when compared to the prior 12 months. Modest growth is anticipated through the upcoming budget cycle, which will allow for strategic investments to address City Council Goals and community priorities.

	FYE 2021	%	FYE 2022	%	FYE 2023	%	FYE 2024	%
	Actual	Chg	Projected	Chg	Estimated	Chg	Estimated	Chg
Sales Tax	\$12,077,864	18%	\$14,010,322	16%	\$14,430,600	3%	\$14,863,500	3%
Measure E-12	5,790,874	19%	6,717,414	16%	6,926,700	3%	7,134,500	3%
Measure J-20	3,080,064	n/a	13,434,828	336%	13,853,400	3%	14,269,000	3%
Property Tax	11,723,491	1%	12,400,650	6%	12,711,800	3%	13,161,200	4%
Hotel Tax	7,132,691	40%	8,881,987	25%	9,503,700	7%	10,125,500	7%
Other Taxes	4,928,369	8%	5,125,503	4%	4,065,000	(21)%	4,167,000	3%
Charges for Service	3,581,649	22%	2,982,926	(17)%	2,692,500	(10)%	2,547,500	(5)%
All Other Revenue	6,811,221	25%	4,026,785	(41)%	3,761,900	(7)%	3,834,600	2%
Total	<u>\$55,126,223</u>	<u>16%</u>	<u>\$67,580,415</u>	<u>23%</u>	<u>\$67,945,600</u>	<u>1%</u>	<u>\$70,102,800</u>	<u>3%</u>

Updated General Fund Reserves/One-Time Funding Availability

The City Council prioritized fiscal wellbeing by, in part, adopting comprehensive fiscal policies, including a rainy-day reserve requirement. Fund reserve helps mitigate unforeseen events and provide an initial buffer against significant or sudden revenue declines. The City’s Fiscal Policy states “the City shall maintain unrestricted reserves of no less than 30% of the 10-year revenue trend.” Because the City has continued to see revenues exceeding expenditures over the past several fiscal years, unrestricted reserves of the General Fund on June 30, 2022 are projected to be \$30.8 million, or 57% of revenues, exceeding minimum reserves by approximately \$15-16 million. Additionally, it has taken time to recruit for positions utilizing proceeds from Measure J-20, and as such, an additional, one-time, balance of \$4.5 million is expected at the end of the fiscal year.

Funds above the reserve policy level are a significant resource for the City Council to address multiple one-time funding needs across the organization. Staff will be recommending the City Council dedicate 100% of the available funds above the minimum general reserve policy level to specific capital projects. The focus will be on bringing large capital projects to “shovel ready” status. Capital projects identified for this funding include State Route 46/Airport Road overcrossing, South Vine Street Bridge and Realignment Project, downtown lighting, library, recreation and parks capital needs. Further details of the proposed allocations will be included in staff’s presentation and based on the direction from Council, included in the proposed budget.

Preliminary Measure J-20 Spending Plan

In November 2020, voters approved Measure J-20, a one-cent supplemental sales tax. Measure J-20 is projected to generate \$12 million or more annually in sales tax revenues. The main priorities for spending the Measure J-20 SST revenue are to support police, fire and street maintenance activities. The Fiscal Year 2021-22 budget reflects the first full year of revenues received under Measure J-20. As part of the measure implementation plan, the City Council approved:

- Seven sworn and two civilian positions within the Police Department;
- Six sworn and one civilian position within the Fire Department; and
- Two positions within the Streets Maintenance Division.

Additional one-time investments were made in public safety facilities, such as construction of Fire Station No. 3; technology for the police department, such as upgrading the data 9-1-1 communications system; and supplementing the City’s [6-Year Street Maintenance and Repair Plan](#).

The proposed FY 2022-23 and 2023-24 Measure J-20 workplan (hereinafter referred to as the “Plan”) continues to make significant investments in public safety and streets. Investments in ongoing operations from the first phase of implementation are fully funded, in addition to several additional proposed staffing augmentations to the police and fire departments are outlined below.

	Police Department	FYE 2021 Actual	FYE 2022 Estimated	FYE 2023 Proposed	FYE 2024 Proposed
Phase 1	Dispatch Supervisor	\$ 57,507	\$ 150,104	\$ 142,800	\$ 151,500
	Records Clerk	-	19,309	-	-
	Police Officers x7	-	146,440	1,165,400	1,198,100
Phase 2	Commander	-	-	266,300	265,900
	Police Officers x7	-	-	1,165,400	1,198,100
	Dispatcher	-	-	129,300	133,000
	Administrative Assistant	-	-	93,300	93,200
	Training Coordinator Reclassification	-	-	51,400	54,000
Phase 3	Deputy Police Chief	-	-	-	294,700
	Sergeant	-	-	-	231,600
	Police Officers x7	-	-	-	1,198,100
	Dispatcher	-	-	-	133,000
	Total Police Department	\$ 57,507	\$ 315,853	\$ 3,013,900	\$ 4,951,200

If authorized, and fully implemented, the police department is proposed to increase by 29.5 full-time equivalent (FTE), 25 of which are sworn staff. As a result, the plan will continue to improve response times and provide essential police services to the community.

The plan also includes funding to provide incentives for lateral police officer recruitment to fill current and future vacancies. Incentive programs have become a very common tool among law enforcement agencies nationwide, as qualified applicant pools have shrunk while demand for public safety services continues to increase. There are a significant number of police officers who live in the north county, but work for other agencies. This program will focus efforts on attracting these officers to the department. Lastly, the Plan includes all necessary equipment (e.g., firearms and police cruisers) as well as tenant improvements required for the police substation currently planned at the Second Wind Way location.

Fire Department	FYE 2021 Actual	FYE 2022 Estimated	FYE 2023 Proposed	FYE 2024 Proposed
Administrative Captain	\$ -	\$ 44,225	\$ 228,100	\$ 230,100
Firefighters x 6 ¹	-	174,976	411,300	874,600
Original 6 SAFER Firefighters	-	-	822,600	874,700
Deputy Fire Chief	-	-	275,400	283,000
Fire Prevention Specialist	-	-	120,200	127,700
Total Fire Department	\$ -	219,201	1,857,600	2,390,100

Note 1 to table above: Three of the six firefighters approved in the current fiscal year are fully funded from a second Staffing for Adequate Fire and Emergency Response (SAFER) grant. The expenses shown above are net of the grant revenue. The grant expires during FY 2023-24 which, at that time, Measure J-20 will fund 100% personnel costs moving forward.

As shown in the table above, the plan invests in the City’s Fire and Emergency Services Department, consistent with the [Five-Year Strategic Plan](#) recently endorsed by the City Council. As proposed, the plan will add one deputy chief, one fire inspector and will now cover 100% of the six firefighter costs previously funded through the original SAFER grant. This plan will allow the department to build capacity, enhance succession planning and maintain necessary staffing levels of firefighters to respond effectively to the growing number of calls for service.

The plan also includes funding the shortfall for the replacement of fire engines in the second year of the budget. The shortfall is simply the difference between the set-aside funds collected in the replacement fund and the actual cost to replace the fire engine.

For the street and road maintenance component of Measure J-20, the plan, as previously discussed with Council, has been to fund the Measure E-12 shortfall of the 6-Year Street Maintenance and Repair Plan; \$2.3 million in FY 2021-22; \$4.4 million in FY 2022-23; and \$2.5 million in FY 2023-24. However, because of the delay in filling public safety positions, staff is recommending an additional allocation of \$2 million in budget savings (out of the \$4.5 million in reserves mentioned earlier in the report) in FY 2022-23 to accelerate the 6-Year Street Maintenance and Repair Plan, as well as a separate allocation of \$600,000 to fund significantly deferred safety issues associated with signage, roadway striping and markings.

Preliminary Organizational Restructuring Plan

As discussed during the February 26, 2022 Goals Setting Session, staff proposes a reorganization (hereinafter referred to as the “reorg”) impacting the City Manager’s Office, Administrative Services, Public Works, and Community Services Departments. The most significant portion of the reorg separates the utilities functions of the City (i.e., sewer, refuse, water and utility billing) into a standalone Utilities Department and realigns specific functions under the Public Works and Community Services Departments as well as realigning the Information Technology Division under Administrative Services Department. The reorganization is designed to accomplish several objectives, including:

1. Recognizing the significant regulatory and operational impacts that continue to face City-operated utilities that require comprehensive, specialized management and focused staffing efforts;
2. Improving alignment of like-type operations within the respective departments;
3. Improving succession planning and professional development of staff;
4. Increasing organizational capacity in alignment with City Council Goals, community priorities and service level expectations

In summary, the reorganization proposes to make the following organizational changes (see Attachment 2 for further detail):

- Create a standalone Utilities Department, including the addition of a Utilities Director position;
- Move the Median and Trees Unit (including oversight of the Landscape and Lighting Districts) from Community Services Department to the Public Works Department;
- Move the Facilities function from Community Services Department to the Public Works Department (including special events);
- Retain a Parks Maintenance and Trails Unit within the Community Services Department, with added staff to focus on enhanced maintenance of City parks, as well to improve safety and quality of life experience within City parks;
- Invest one-time funding to purchase equipment to ensure each unit has independent utility and capacity to address community needs by reducing instances where equipment sharing is necessary;
- Retain stormwater management and compliance within the Public Works Department; and
- Move the Information Technology Division under Administrative Services Department to align citywide central services under one department.

As proposed, the reorg will add 10 total new positions to achieve the objectives outlined above. The projected cost for the positions is \$1.3 million.

Next Steps

The next step in the budget process is for staff to return to the City Council in early May to discuss department budgets, supplemental requests for staffing and capital projects (outside of Measure J-20 outlined above) and specific capital allocations. A special meeting of the City Council will be scheduled for the week of May 9th to discuss proposed budget allocations in advance of budget adoption.

Fiscal Impact

There are no fiscal impacts by adopting the City Council Goals and receiving and filing this presentation.

Recommendation (Option 2)

Approve the City Council Goals for Fiscal Years 2022-23 and 2023-24 and receive and file this report and provide any desired direction on the preparation of the Fiscal Years 2022-23 and 2023-24 budget items outlined within the report.

Attachments

1. Updated Fiscal Years 2022-23 and 2023-24 City Council Goals Document
2. Current and Proposed Organizational Structure

Proposed Fiscal Year 2022-23 and 2023-24 City Council Goals
Subject to approval by the City Council

Goal Areas

1. Economic Development and Vitality
2. Infrastructure
3. Housing and Homelessness
4. Public Safety
5. Quality of Life Amenities
6. Governance

Economic Development & Vitality

1. Adopt Updated Economic Development Strategic Plan
 - a. Support local businesses, including information-sharing and resource referrals
 - b. Promote Paso Robles as a destination for the “Remote Economy”
 - c. Diversify the area economy
 - d. Establish cannabis governance framework
2. Spaceport and Tech Corridor
 - a. Complete Spaceport Feasibility Study
3. Expand Broadband
 - a. Expand internet access and connectivity
 - b. Adopt a regional broadband strategic plan
4. Develop Long Term and Strategically Aligned Partnerships:
 - a. Chamber of Commerce
 - b. Travel Paso
 - c. Visit SLO CAL
 - d. Paso Robles Wine Country Alliance
 - e. Main Street Association
 - f. Hispanic Business Association

Infrastructure & Facilities

1. Maintain Existing Infrastructure
 - a. Invest Measure J-20, Measure E-12 Supplemental Sales Tax and other funding to enhance City streets
 - b. Develop maintenance plan to maintain city facilities
 - c. Develop facilities replacement plan for facilities nearing end of useful life
2. Enhance Existing Infrastructure
 - a. Improve streetlighting downtown
 - b. Enhance wayfinding signage
 - c. Enhance downtown parking lots by improving pavement conditions and lighting

3. Prepare for Community Growth
 - a. Develop Shovel Ready Transportation Projects:
 - i. State Route 46/Union Road Overpass
 - ii. Huer-Huero Creek Bridge
 - iii. Vine Street Realignment and Bridge
 - b. Update Developer Impact Fees
 - c. Identify preferred control system for Adaptive Signal Control Program
 - d. Fund Mill Road parallel route annexation
 - e. Determine funding options to construct needed City facilities, such as City Hall, Library Expansion and a Downtown Parking Garage
 - f. Implement Bike and Pedestrian Plan
 - i. Salinas River/Grand Loop Bike Trail
 - ii. Prepare plans, specifications, and estimates for N. River Road class 1 segment
4. Improve Traffic Safety
 - a. Implement neighborhood traffic calming program
 - b. Implement [2021 Local Roadway Safety Program](#) recommendations
 - c. Improve traffic congestion on streets adjacent to education facilities by engaging the school district and Cuesta College
 - d. Develop a maintenance plan for trails and bike paths, including wayfinding, lighting and security

Housing and Homelessness

1. Enhance Emergency Sheltering Services
 - a. Enhance emergency shelter service delivery and reduce the number of unsheltered individuals by partnering with ECHO and other stakeholders
 - b. Create Regional Homeless Services Strategic Plan with ECHO and other stakeholders including County of San Luis Obispo Homeless Manager and Behavioral Health Department
 - c. Evaluate regional homelessness coordinator/collaborative model of service coordination
2. Increase Supply of Affordable and Market Rate Housing Units
 - a. Develop concierge program to guide prospective developers through the City's permitting and public meeting processes
 - b. Develop plan to ensure the Community Development Department is prepared for significant projected development over the next five years
 - c. Support affordable housing development through site selection assistance and fee deferrals
 - d. Advance opportunities to update land use designations to facilitate construction of new high-density residential units
3. Maintain Vibrancy of Existing Neighborhoods
 - a. Proactively maintain public assets within residential areas
 - b. Augment City resources to maintain City infrastructure within residential areas

- c. Develop education and enforcement tools to ensure properties are maintained to community standards
- d. Improve and restore City-maintained landscaping

Public Safety

1. Invest in Public Safety Infrastructure Upgrades
 - a. Complete Police Substation, Fire Station 3, 911 upgrade projects
2. Operate public safety agencies efficiently to:
 - a. Reduce response times
 - b. Enhance community engagement
 - c. Support emergency operations by procuring necessary equipment and vehicles
 - d. Maximize partnerships with regional agencies
3. Adopt public safety recruitment and retention programs
 - a. Focus on lateral candidates residing in the north county
 - b. Meet target staffing goals as outlined in Measure J-20 staffing plan
4. Implement Vegetation Management Programs
 - a. Salinas Riverbed
 - b. Fern Canyon
 - c. Wildland Urban Interface

Quality of Life Amenities

1. Maintain and Expand Library and Recreation Programming, Events, and Activities
 - a. Paso Play on Wheels
 - b. Library Teen Programming
 - c. Teen after-school programming at Centennial Park
 - d. Adult drop-in recreational programs at Centennial Park
 - e. Provide staffing to restore weekend and evening recreation programming
 - f. Introduce books-by-mail library program for homebound residents
 - g. Implement a "loan-a-librarian" program for local organizations to request a librarian as a guest speaker
 - h. Expand utilization of library facilities through partnerships with local service clubs, government agencies and private sector industries
 - i. Develop library marketing plan
2. Enhance Park Maintenance
 - a. Restore staffing for field maintenance program at Barney Schwartz Park
3. Expand Library, Parks, and Trails Systems
 - a. Complete Pump Track Barney Schwartz Park
 - b. Identify options for Pioneer Park replacement amenities
 - c. Construct pickle ball courts at Sherwood Park

- d. Provide co-working and “maker space” services at Centennial Park
4. Support a Thriving Downtown
 - a. Monitor and evaluate on-street parking program
 - b. Develop standards and process for parklet installations
 - c. Develop framework for public art funding
 - d. Enhance pedestrian and bicycle infrastructure
 - e. Activate Railroad Street Design Plan
 - f. Develop pedestrian lighting improvement plans
 - g. Develop alley and pedestrian accessibility improvement plans

Governance

1. Enhance and Amplify Strategic Communication Efforts
 - a. Develop citywide strategic communications plan
 - b. Create digital asset library to highlight City programs, services, projects and activities
 - c. Improve Internal Stakeholder Communications
 - i. Communicate goals, objectives, and service delivery expectations to City staff
 - ii. Develop crisis communication plan
 - d. Improve External Stakeholder Communications
 - i. Communicate all city activities, projects, programs and services to the public and visitors to enhance community knowledge and strengthen trust in local government
 - ii. Create brand standards and consistency across all City media platforms, including web sites and social media
 - iii. Communicate investments being made through Measure J-20 and E-12
2. Collaboration
 - a. Continue to liaison closely with school districts and higher educational institutions
 - b. Advance discussions with all potential regional partners to create collaboration
3. Enhance Diversity, Equity and Inclusion
 - a. Develop Outreach Plan
 - i. Plan mobile city hall events throughout the community
 - b. Increase awareness of civic engagement opportunities, including advisory body, volunteer and employment and vendor opportunities with the City
 - c. Support culturally diverse community events
4. Improve Service Delivery
 - a. Complete a comprehensive compensation and classification study and review recruitment and retention programs
 - b. Invest in professional development opportunities and plan for staffing succession
 - c. Develop customer service expectations and standards
 - d. Refresh City Hall entrance and lobby area to provide a better customer experience

5. Fiscal & Policy

- a. Implement an online fiscal transparency tool to provide real time revenue and expenditure data to all stakeholders
- b. Prepare for and facilitate the 2022 general election
- c. Develop preliminary legislative platform that outlines legislative priorities and interests and provide general authority and direction to staff regarding advocacy efforts on behalf of the City

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