



DATE: June 13, 2017

CATEGORY: Public Hearing

DEPT.: City Manager's Office/Finance and Administrative Services

TITLE: **Public Hearing for the Fiscal Year 2017-18 Proposed Budget**

RECOMMENDATION

Convene a public hearing, accept public comment, and provide input on the Fiscal Year 2017-18 Proposed Budget.

BACKGROUND

The Fiscal Year 2017-18 Proposed Budget has been prepared in accordance with Section 1103 of the City Charter, the State Constitutional limit on the proceeds of taxes, and all applicable regulations. It contains the proposed financial plan for the General Operating Fund (GOF), and all other City funds, as well as the Shoreline Regional Park Community (Shoreline Community).

The budget process for Fiscal Year 2017-18 started in November 2016, with instructions to departments for preparation of budget requests. A brief summary of the budget development and adoption timeline is included below:

- **December 16, 2016:** Department budget requests due to Finance and Administrative Services Department.
- **February 14, 2017:** The Midyear Budget Status Report and GOF Preliminary Forecast for Fiscal Year 2017-18 were presented to City Council.
- **February 2017:** Department budget meetings with City Manager and Budget Review Team.
- **March 28, 2017:** Study Session for a preliminary review of the Five-Year Capital Improvement Program (CIP).

- **April 27, 2017:** Narrative Budget Report—General Operating and Other Funds, Utility Rate recommendations, and Five-Year Financial Forecast and the Proposed Fiscal Year 2017-18 Through Fiscal Year 2021-22 Capital Improvement Program.
- **May 2, 2017:** Community Development Block Grant (CDBG) public hearing on funding for nonprofits.
- **May 16, 2017:** Adoption of the City Council Major Goals for Fiscal Years 2017-18 and 2018-19, and approval of the projects to implement them.
- **June 6, 2017:** Adoption of the Proposed Fiscal Years 2017-18 through 2021-22 Capital Improvement Program.
- **June 13, 2017:** Public hearing on the Fiscal Year 2017-18 Proposed Budget, including water, sewer, and trash and recycling rates, and various fees.
- **June 20, 2016:** Public hearing on the Fiscal Year 2017-18 Proposed Budget, including water, sewer, and trash and recycling rates, and various fees, and funding for the Fiscal Year 2017-18 CIP, with adoption scheduled after the Public Hearing.

Tonight's public hearing provides an opportunity for public input on the Proposed Fiscal Year 2017-18 Budget. Any changes directed by Council prior to formal adoption will be included in the Adopted Budget scheduled for a public hearing on June 20, 2017.

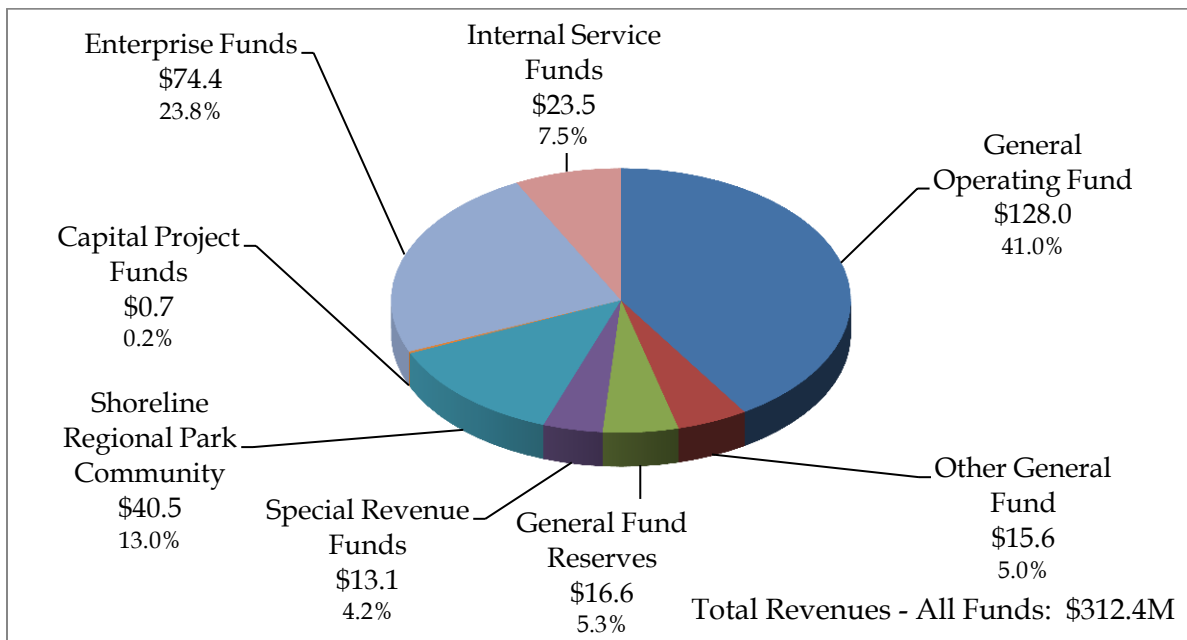
ANALYSIS

The Proposed Budget for Fiscal Year 2017-18 **totals \$312.4 million in revenues and \$359.4 million in expenditures.** Expenditures are greater than revenues as some expenditures, such as capital projects, are funded from existing balances. At the April 27, 2017 Narrative Budget Study Session, the City Manager presented the Fiscal Year 2017-18 Budget recommendations. The City Council discussed the recommendations and requested additional information on various items. Attachment 1 provides information prepared by staff in response to City Council requests at the Narrative Budget Study Session.

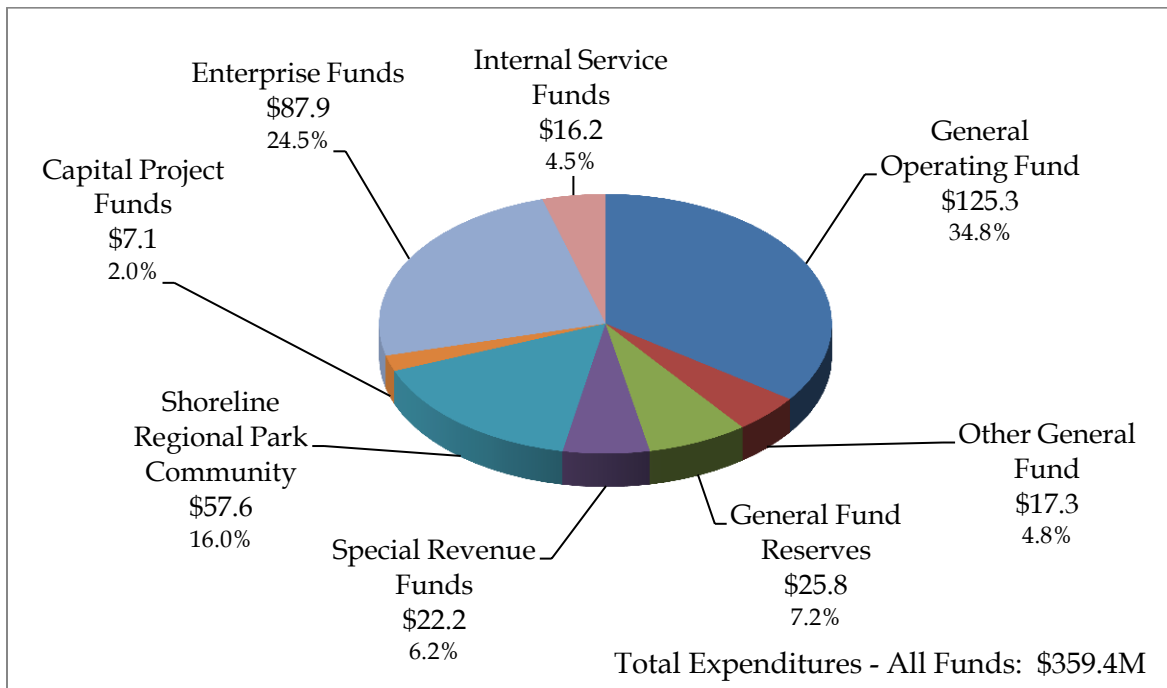
The items below have been added/modified by staff since the Narrative Budget Study Session and are included in the Proposed Budget:

- Transportation Manager Position—Increased funding \$17,300 to \$216,700 (GOF 0.75 \$162,500 and SRPC 0.25 \$54,200)
- Communications Training Supervisor Position—\$189,700 (GNOF limited-period)
- Public Safety Dispatch Overhire Position—\$172,100 (GNOF limited-period)
- Two Police Officer Trainee Positions—\$157,900 (GNOF limited-period)
- City Utility Cost Increase—Reduced funding \$140,000 to \$60,000 (GOF)
- Associate Planner and Office Assistant II Positions (1/2-year funding)—\$136,000 (Community Stabilization and Fair Rent Act limited-period)
- Project Sentinel—\$60,000 (GNOF limited-period and Community Stabilization and Fair Rent Act limited-period)
- Nonprofit Agency Funding—\$49,600 (GNOF limited-period)
- Senior Planner Position (0.25)—\$37,300 (BMR Housing)
- Open City Hall Subscription—Removed reduction of \$12,000 (GNOF limited-period)
- Visual Arts Committee—\$10,000 (GNOF limited-period)
- Community Health Awareness Council (CHAC)—Increased funding \$6,700 to \$9,500 (GOF)
- Furniture for Committee Room—\$3,000 (GNOF limited-period)
- Rebudget items have been included in the Proposed Budget and more detailed information can be found on the Major Program Changes section of the division pages and the proposed Limited-Period list.

**Total Fiscal Year 2017-18 Proposed Revenues – All Funds
(dollars in millions)**



**Total Fiscal Year 2017-18 Proposed Expenditures – All Funds
(dollars in millions)**

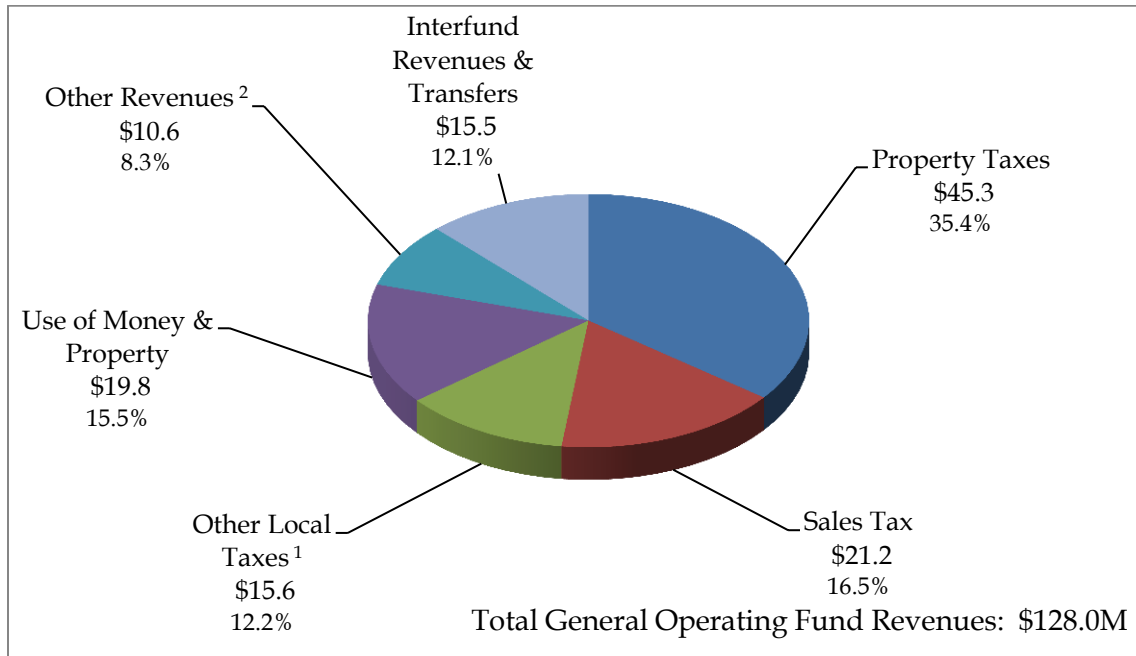


The GOF is the single largest City fund and provides funding for the core services of the City, such as Police, Fire, Parks, Recreation, Library, some Planning and Public Works,

as well as Administration. The GOF Proposed Budget includes the recommendations presented at the Narrative Budget Study Session, as well as the additional staff recommendations discussed above. An updated summary is as follows (dollars in thousands):

Total Revenues	\$128,022
Total Expenditures	<u>(117,293)</u>
Operating Balance	10,729
Contribution to CalPERS	(4,000)
Contribution to OPEB	(2,000)
Transfer to SPAR	<u>(2,000)</u>
Ending Balance	\$ <u>2,729</u>

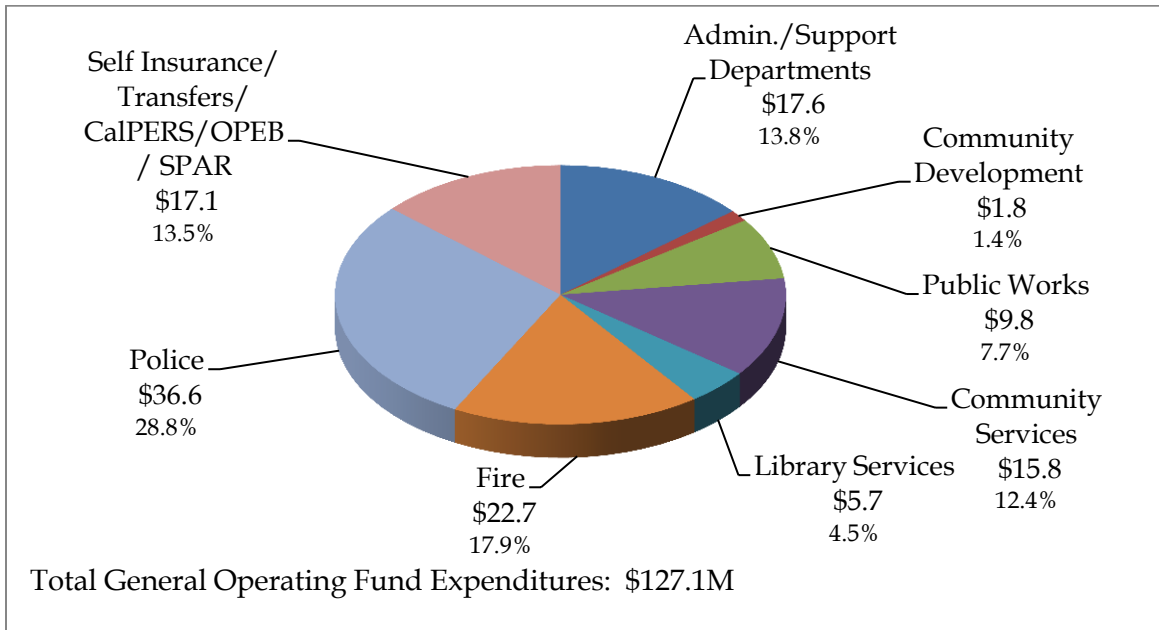
**Total Fiscal Year 2017-18 Proposed Revenues – GOF
(dollars in millions)**



¹ Other Local Taxes is comprised of Transient Occupancy Tax (TOT), Utility Users Tax (UUT), and Business Licenses.

² Other Revenues is comprised of Licenses, Permits & Franchise Fees, Fines & Forfeitures, Intergovernmental, Charges for Services, and Miscellaneous.

**Total Fiscal Year 2017-18 Proposed Expenditures – GOF
 (dollars in millions)**



¹ Admin./Support Departments include: City Council, City Clerk, City Attorney, City Manager, Information Technology, and Finance and Administrative Services.

Note: Does not include the \$1.8 million budget savings, but includes the \$4.0 million for the CalPERS Liability, \$2.0 million for the Retirees' Health Liability, and \$2.0 million to the SPAR.

As discussed at the Narrative Budget Study Session and in the Fiscal Year 2017-18 Proposed Budget Transmittal Letter, the City is in the desirable position of continued strong revenue growth, creating the ability to address unfunded liabilities related to employee benefits. At the Study Session, Council reviewed staff's analysis and recommendation and supported the strategy to contribute a significant amount of one-time funds toward the City's unfunded pension liability, thereby reducing future large increases in the City's annual required contribution toward this obligation. Council discussed the options presented for the funding and supported staff's recommendation to modify the level of the General Fund Reserve from a flat 25.0 percent to a range of 20.0 percent to 25.0 percent and the Compensated Absences Reserve from being fully funded to a minimum level of 80.0 percent funded. A Council report for the proposed modifications to Council Policy A-11 is on the Council's agenda for earlier this evening.

On May 16, 2017, City Council discussed and adopted the Fiscal Years 2017-18 and 2018-19 City Council Major Goals and Projects and directed staff to include authorization to appropriate the funding required for these projects as part of the Fiscal Year 2017-18 budget adoption process. The Narrative Budget included funding for some items; however, nine priority projects were identified (see Table A below) that require \$810,000 of additional funding, including \$175,000 from the General

Non-Operating Fund. As a result of the timing of the adoption of the Goals and Projects, the funding for these additional projects is not included in the Proposed Budget Document, but will be included in what will be presented to City Council for budget adoption on June 20, 2017.

Table A – Proposed New Projects that Require Funding

Project	Dept.	Additional Funding Request	
		Amount	Source(s)
1.6 Collaborate with regional partners to improve access to information and referral resources for immigrants.	CMO	\$50,000 (in addition to \$25,000 placeholder in the Narrative Budget)	General Fund: LP
2.12 Short-Term Residential Rental Regulations (Airbnb).	CDD	\$50,000	General Fund: LP
2.6 Begin marketing and RFP process for Lot 12.	CDD	\$150,000	BMR Fund 207
2.9B Terra Bella Visioning and Development Principles.	CDD	\$150,000	Land Use Documentation Fee
2.8 Community Benefit Financial Study for Gatekeeper Applications.	CDD	\$50,000	Development Services Fund
3.2 Downtown Parking Long-Term Solutions – Shared and Paid Parking Study.	CDD	\$200,000	Parking Fund
3.4 North Bayshore – Residential TDM Guidelines.	CDD	\$60,000	Shoreline Fund 258
4.A Reform the Environmental Sustainability Task Force to provide volunteer resources to support sustainability initiatives.	CDD	\$75,000	General Fund: LP
4.2 North Bayshore – District Sustainability Performance Measurements.	CDD	\$25,000	Shoreline Fund 258

In addition, a new item, that is not included in the Proposed Budget, has been added for City Council consideration as follows:

- Cable TV Broadcasting Equipment – \$42,500 (Cable)

In 2016, KMVT requested an additional \$85,000 from the Public, Educational, and Governmental (PEG) fund to purchase a high-definition live television unit for mobile broadcasts, updated radio equipment, and two portable high-definition digital switchers. Through the Fiscal Year 2016-17 Adopted Budget, the City Council authorized a one-time payment of \$42,500 and directed staff to negotiate the other half of the cost with KMVT during negotiations for a new agreement and appropriate as part of the Fiscal Year 2017-18 budget. Council authorized the execution of the new agreement with KMVT on June 6, 2017.

The items above are not included in the Fiscal Year 2017-18 Proposed Budget. Any changes to the Fiscal Year 2017-18 Proposed Budget approved by Council prior to formal adoption will be included in the Adopted Budget scheduled for a public hearing on June 20, 2017.

FISCAL IMPACT

The Proposed Budget provides a fiscal plan for the City for Fiscal Year 2017-18 with a structurally balanced GOF and projected year-end operating balance of \$2.7 million. This does not include the full impact of any final agreements with labor groups, which would reduce the operating balance.

ALTERNATIVES

Council may request modifications to the Fiscal Year 2017-18 Proposed Budget as presented or provide other direction.

PUBLIC NOTICING

Agenda posting, notice of fee modification as requested, and notice of the public hearing was published in two newspapers of general circulation.

Prepared by:

Helen Ansted
Principal Financial Analyst

Suzanne Niederhofer
Assistant Finance and Administrative
Services Director

Approved by:

Patty J. Kong
Finance and Administrative
Services Director

Daniel H. Rich
City Manager

HA-SN/7/CAM
530-06-13-17CR-E

- Attachments: 1. Fiscal Year 2017-18 Narrative Budget Follow-Up
2. [Fiscal Year 2017-18 Proposed Budget](#)