



# FY2020-21 OPERATING & CAPITAL BUDGET

CITY COUNCIL MEETING

Jovan D. Grogan, City Manager  
Keith DeMartini, Finance Director

June 23, 2020

# Objective

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## Hold Public Hearing and Adopt Resolutions

- Approving FY2020-21 Operating and FY2021-25 Capital Improvement Program Budget
- Approving City Appropriations (Gann) Limit for FY2020-21

# Agenda



- I. General Fund
- II. Enhancements
- III. Reserves
- IV. Enterprise Funds
- V. Internal Service Funds
- VI. Capital Improvement Program (CIP)
- VII. Measure G
- VIII. Vehicles
- IX. Master Fee Schedule
- X. Gann Limit
- XI. Alternatives
- XII. Request to City Council
- XIII. Questions & Discussion

# City Council Budget Deliberation Dates



Date	Description	Meeting Start Time
May 26	Study Session: <b>Presentation of Proposed Budget</b>	7:00pm
May 27	Study Session: <b>Budget Retreat</b> <ul style="list-style-type: none"> <li>• <i>Departmental Budget Presentations</i></li> <li>• <i>Review of Enterprise, Internal Service Funds and Other Special Funds</i></li> </ul>	10:00am
June 4	Study Session: <b>City Council Strategic Initiatives</b>	6:00pm
June 11	Study Session: <b>Enterprise and Internal Service Funds and Departments &amp; Capital Improvement Program</b> <ul style="list-style-type: none"> <li>• <i>Discuss Projects and Unfunded Needs for Streets, Water, Sewer, Storm Water, &amp; General Facilities</i></li> <li>• <i>Questions and Discussion</i></li> </ul>	2:00pm

# City Council Budget Deliberation Dates



Date	Description	Meeting Start Time
June 15	<b>Citizen's Revenue Measure Oversight Committee</b> <ul style="list-style-type: none"><li>• Committee &amp; Bylaws Overview</li><li>• Receive FY2020-21 Proposal to Allocation Measure G Funds</li><li>• Answer Questions</li><li>• Provide Feedback to Staff and the City Council regarding allocating Measure G Funds in FY2020-21</li></ul>	5:00pm
June 23	Budget Hearing: <b>Budget Hearing &amp; Adoption</b>	7:00pm

# FY2020-21 Budget Overview



**\$180M All  
Fund Budget**

**\$49M  
General Fund  
Budget**

**265 FTE  
Positions**

**102 Capital  
Improvement  
Projects**

# Fiscal Condition Summary



- ❖ **General Fund** – Significant projected deficit and progress needed to achieve fiscal sustainability.
- ❖ **Stormwater** – Prolonged deficits projected without additional support from the General Fund or additional parcel fees.
- ❖ **Vehicle, Equipment, Technology Replace Funds** – Insufficient annual set asides and reserves to meet replace needs without support from the General Fund.
- ❖ **Self-Insurance Fund** – Enhanced reserves needed.
- ❖ **Facilities & Building Reserve Fund** – Significant unmet needs. Insufficient annual set asides and reserves to meet replace needs without support from the General Fund.
- ❖ **CityNet Services** – Substantial progress this year, but long-term viability contingent of Fiber-to-the-Home project. Owes General Fund \$14M.
- ❖ **General Fund Reserve** – Limited available cash.
- ❖ **Water Fund** – Stable and sustainable.
- ❖ **Wastewater Fund** – Stable and sustainable.
- ❖ **Measure G** – New voter approved sale tax measure to provide \$4M annually pre-COVID-19 (\$2.9M projected in FY20-21).

# Projected FY2020-21 Deficit Summary



<b>General Fund</b>	<b>FY2020-21 Projected Deficit (Millions)</b>
Revenues	\$45.2
Expenditures	53.4
<b>Surplus / (Deficit)</b>	<b>(\$8.2)</b>

- Strategies to address both revenues and expenditures
- Additional strategies to ensure adequate fund balance



# FY2020-21 Revenue Shortfalls



## Impacts of COVID-19 Recession

- ❖ 40% Drop in Hotel Tax (TOT) Revenue
- ❖ 18% drop in Sales Tax Revenue
- ❖ 28% drop in new District “Measure G” Sales Tax Revenue
- ❖ 52% drop in Recreation revenues
- ❖ 28% drop in Senior Center revenues

# FY2020-21 Expenditure Changes



\$4M personnel cost increases + operating cost increases

- ❖ 75% of General Fund budget goes to personnel
- ❖ \$900K PERS pension cost increases
  - Normal bi-weekly cost
  - Annual portion of unfunded liability
- ❖ Health benefit costs
- ❖ Minor increases for supplies and contracts

# Budget Balancing Plan - Summary



Proposed Budget Balancing Strategies	FY2020-21 Proposed Reductions
CIP Project De-Funding, Alternative Funding or Scope Change	\$1,569,900
Delay filling 13 vacant positions in multiple departments	1,765,160
Personnel reduction of 1 Senior Code Enforcement Officer	158,130
Operating Expense Reductions	107,900
Eliminate Annual Equipment Reserve Allocation	340,600
Additional fund balance – transfer in from other funds	400,000
Utilize Measure G District Sales Tax Funds	2,000,000
Utilize General Fund Reserve	587,910
Utilize Available Fund Balance in the General Fund	500,000
Personnel Cost Reductions (various measures, subject to bargaining)	1,701,500
<b>Total</b>	<b>\$9,131,100</b>

# Additional Position Vacancy Holds



Position to be Held Vacant *	Department	FY2020-21 Projected Savings
Public Information Officer	City Manager's Office	\$149,000
Recreation Services Coordinator	Community Services	113,000
Firefighter	Fire	157,000
Firefighter	Fire	157,000
Police Officer	Police	153,000
<b>Total</b>		<b>\$729,000</b>

\* These 5 vacancies are in addition to the 12 positions in the City Manager's proposed budget. Total savings from all 17 vacancy holds in FY2020-21 is \$2.5 Million.

# General Fund Summary

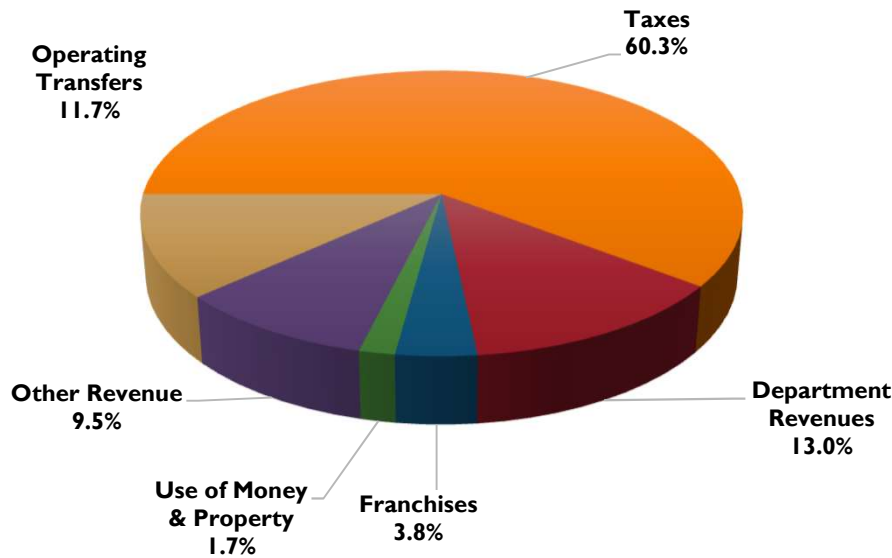


	<b>FY2019-20 Adopted Budget</b>	<b>FY2019-20 Estimated Actual</b>	<b>FY2020-21 Proposed Budget</b>
Beginning Fund Balance	<b>\$2,798,305</b>	<b>\$2,798,305</b>	<b>\$1,547,510</b>
Total Operating Revenues	50,111,247	47,522,730	48,805,458
Total Operating Expenditures	(50,436,351)	(48,773,525)	(49,352,968)
Surplus / (Deficit)	(325,103)	(1,250,795)	(547,510)
Ending Fund Balance	<b>\$2,473,202</b>	<b>\$1,547,510</b>	<b>\$1,000,000</b>

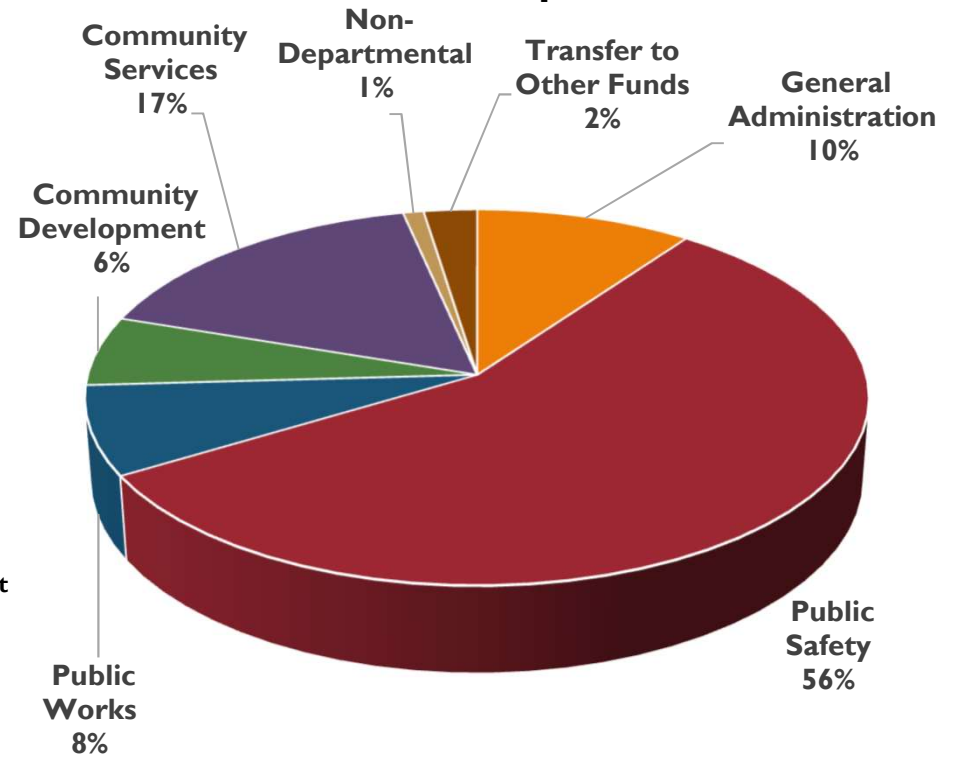
# General Fund Summary



### General Fund Revenues



### General Fund Expenditures



# General Fund Revenues



Revenue Source	FY2019-20 Amended Budget	FY2019-20 Estimated Actual	FY2020-21 Proposed Budget	% Change in Budget
Taxes	\$33,097,802	\$30,492,255	\$29,450,830	-11%
Franchises	1,903,000	1,855,560	1,871,561	-2%
Use of Money & Property	961,691	1,022,647	827,837	-14%
Allocation & Other Revenues	8,140,719	8,546,481	10,318,228	27%
Department Revenues	8,803,119	5,605,787	6,337,002	-28%
<b>Total</b>	<b>\$52,906,331</b>	<b>\$47,522,730</b>	<b>\$48,805,458</b>	<b>-8%</b>

# General Fund Expenditures



Department	FY2019-20 Amended Budget	FY2019-20 Estimated Actual	FY2020-21 Proposed Budget	% Change in Budget
General Government	\$5,669,260	\$5,269,024	\$5,533,707	-2%
Police	19,620,149	18,736,270	19,310,788	-2%
Fire	11,611,019	11,474,003	11,781,624	1%
Public Works	4,184,643	4,234,329	4,234,953	1%
Community & Economic Development	3,715,469	3,592,966	3,297,691	-11%
Community Services	9,702,303	8,792,899	9,087,555	-6%
Non-Departmental*	(3,726,046)	(3,325,966)	(3,893,350)	0%
<b>Total</b>	<b>\$50,776,798</b>	<b>\$48,773,525</b>	<b>\$49,352,968</b>	<b>-3%</b>

\*Note: Non –Departmental includes cost allocation recovery and transfer out for debt service payments.

Source: City of San Bruno, City Manager’s Proposed Budget FY2020-21



# Enhancement Summary



Fund	Item	Ongoing Costs	One-Time Costs	New Revenue/ Expense Savings	Net Impact on Fund
General Fund	Fire Department Wellness Screening	\$35,000			\$35,000
General Fund	Planning & Housing Intern		12,000		12,000
General Fund	Housing Element Update	100,000		12,000	88,000
Measure G	Reclassify Lead Maintenance Worker to Parks Services Manager	157,250		113,890	43,360
Restricted Revenue	Install Library computer cable		12,146	12,146	

# Enhancement Summary



Fund	Item	Ongoing Costs	One-Time Costs	New Revenue/Expense Savings	Net Impact on Fund
Central Garage	Reclassify Parks & Facilities Manager to Facilities & Garage Services Manager (0.25 FTE)	39,267		40,630	(1,363)
Building & Facilities	Reclassify Parks & Facilities Manager to Facilities & Garage Services Manager (0.75 FTE)	117,299		121,391	(4,092)
Technology	Microsoft Office 365 Full City License	5,780			5,780
<b>Total</b>		<b>\$454,596</b>	<b>\$24,146</b>	<b>\$300,057</b>	<b>\$178,685</b>

# General Fund Reserves



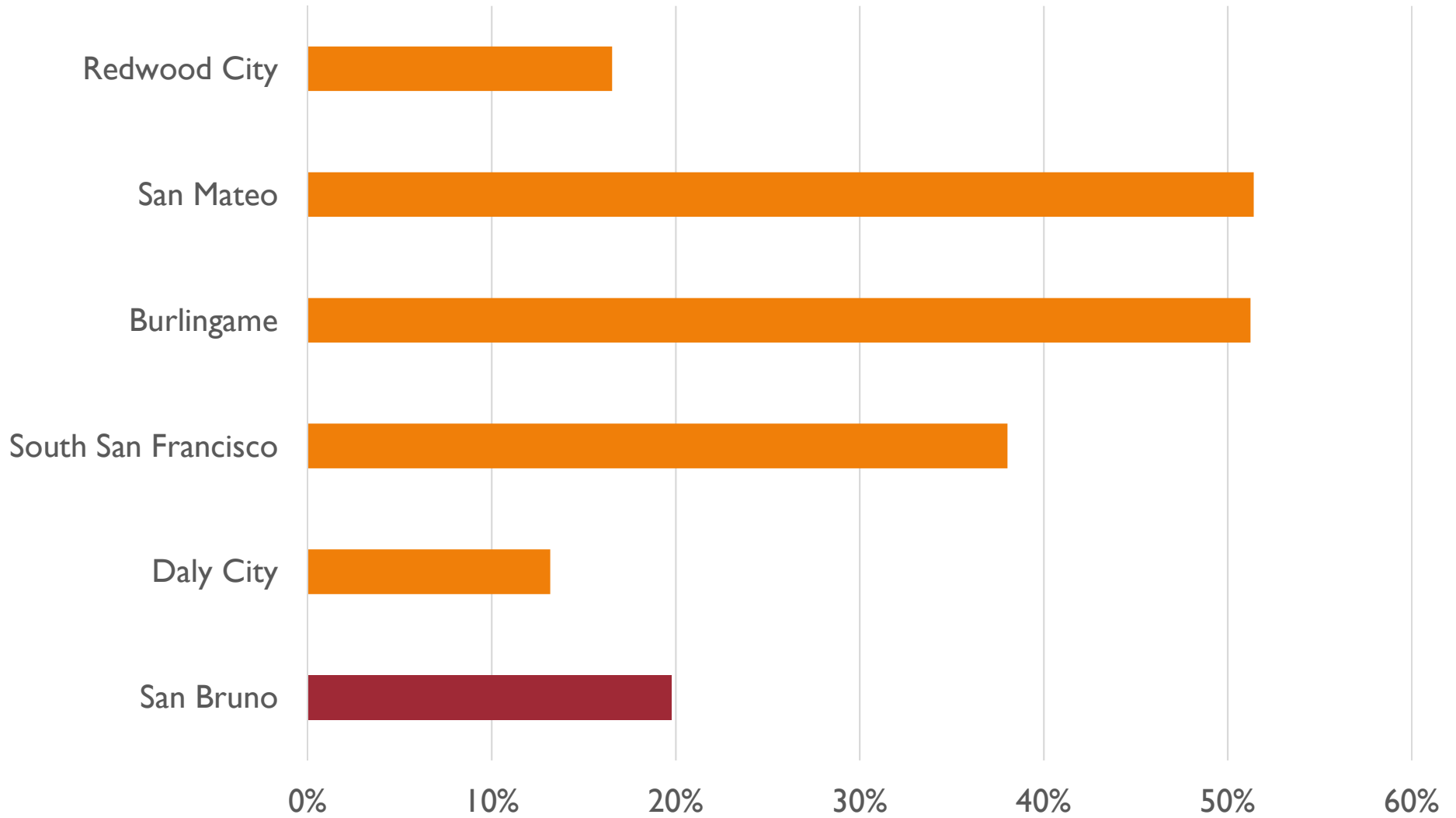
Reserve Type	Reserve Policy Target	FY2019-20 Estimated Ending Balance	FY2020-21 Budget Ending Balance
General Fund	\$1,500,000	\$1,547,510	\$1,000,000
General Fund Reserve	25% of annual, budget expenditures	12,613,134	12,022,285
General Fund Capital Reserve	Goal of \$5,000,000	5,102,456	4,921,902
Emergency Disaster Fund	Target of \$3,000,000	1,993,107	2,023,107
<b>Total</b>		<b>\$21,256,206</b>	<b>\$19,967,293</b>

# Reserves – Cash Balances

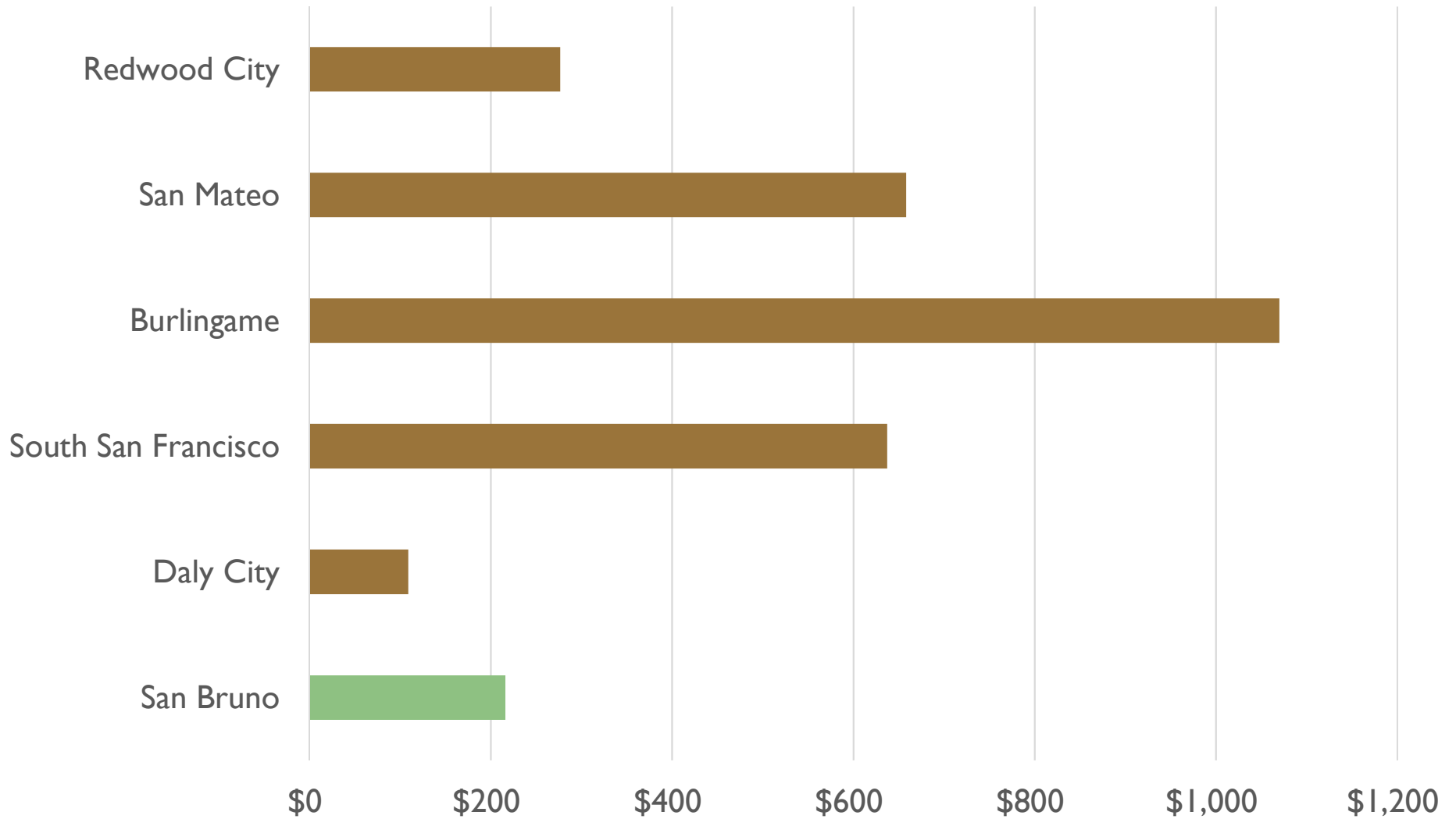


<b>Reserve Type</b>	<b>FY2020-21 Budget Ending Balance</b>
<b>Total General Fund Reserves</b>	<b>\$19,967,293</b>
City Net Services - Enterprise Fund Deficit	(13,642,816)
<b>General Fund Reserves – Cash Balance</b>	<b>\$6,324,477</b>
Equipment Reserve	3,438,160
One-Time Revenue	0
<b>Total Reserves – Cash Balance</b>	<b>\$9,762,637</b>

# Reserves Percent Comparison



# Reserves Per Capita Comparison



# Enterprise Fund Summary



Fund	FY2020-21 Revenue	FY2020-21 Expenditure	Surplus/ (Deficit)	FY2020-21 Ending Fund balance
Water	\$17,395,923	\$9,888,765	\$7,507,158	\$22,833,369
Wastewater	\$18,984,665	\$9,469,405	\$9,515,260	\$26,550,561
Stormwater	\$693,000	\$1,154,255	(\$461,255)	\$116,595
CityNet Services	\$10,837,377	\$9,979,423	\$857,954	(\$13,642,816)

# Internal Service Fund Summary



Fund	Reserve Policy Target	FY2019-20 Ending Balance	FY2020-21 Ending Balance	Budget Percent of Target
Central Garage	25% of annual, budget expenditures	\$237,376	\$108,935	100%
Building & Facilities	25% of annual, budget expenditures	79,860	248,431	100%
Technology	25% of annual, budget expenditures	128,429	162,361	100%
Self Insurance	N/A	310,889	500,852	N/A
<b>Total</b>		<b>\$756,554</b>	<b>\$1,020,579</b>	<b>100%</b>



# CIP Summary



Fund	Carryover Appropriations	FY2020-21 Funding Request	FY2020-21 Project Funding	Total 5-Year Program
Water	\$21,330,461	\$857,159	\$22,187,620	\$66,987,620
Wastewater	21,139,486	1,660,544	22,800,030	57,020,030
Stormwater	1,650,799	(317,851)	1,332,948	2,832,948
CityNet Services	352,282	(352,282)	0	0
Parks	5,506,515	135,748	5,370,767	7,635,767
Facilities	5,197,653	15,900,145	21,097,798	55,697,798
Police	227,141	0	227,141	227,141
Streets	4,814,569	3,001,829	7,816,398	15,748,298
Technology	110,889	276,111	387,000	687,000
<b>Total</b>	<b>\$60,329,795</b>	<b>\$20,889,907</b>	<b>\$81,219,702</b>	<b>\$206,836,702</b>

# Measure G – Proposed Uses in FY2020-21



Item	FY2020-21 Proposed Budget
General Fund Transfer to Avoid Further Cuts to Fund Police, Fire and Park Maintenance	\$2,000,000
Street Sign Replacement Program	150,000
Parks Manager Enhancement Request ( <i>cost increase from position reclassification</i> )	44,000 *
Police Facility HVAC Replacement & Roof Repair	205,000
Street Light Pole Replacement Program	200,000
<b>Total</b>	<b>\$2,599,000</b>
<b><i>Projected Ending Fund Balance FY2020-21</i></b>	<b><i>\$462,017</i></b>

\* Citizen’s Revenue Measure Oversight Committee provided feedback to the City Council to use an alternative funding source for this request.

# Vehicles & Equipment Requests



Request	Fund	FY2020-21 Proposed Budget
Water Service Truck	Water Enterprise Fund	\$65,000
	<b>Total</b>	<b>\$65,000</b>

- Only critical equipment and vehicle requests included
- No Police, Parks and other vehicles
- Excludes Fire radios – grant application pending
- Citywide facilities and fleet assessment will inform future replacement schedules
- Fire apparatus assessment to begin in FY2020-21

# Master Fee Schedule



- List of all City fees posted on the website
- City Council receives the schedule annually during the budget process
- No updates to the fee schedule this budget cycle
- Plan to bring back a fee schedule proposal at the conclusion of the user fee study

# Gann Limit



- Voter approved initiatives to limit amount of tax-generated revenue
- Based on FY1978-79 budget adjusted each year
  - Cost of living
  - Population growth
- Adjusted FY2020-21 appropriation is well below the limit by 32%

# Alternatives



- Amend the appropriation amounts contained in the proposed budget at the time of the approval.
- Do not approve proposed budget appropriations effective July 1, 2020.
  - ✓ In this case, the City Council can adopt an alternate resolution assuring continued municipal operations.
  - ✓ An alternate resolution for this purpose is attached to this report.

# Budget Balancing Plan - Summary



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CIP Project De-Funding, Alternative Funding or Scope Change	\$1,569,900
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Personnel reduction of 1 Senior Code Enforcement Officer	158,130
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Eliminate Annual Equipment Reserve Allocation	340,600
Additional fund balance – transfer in from other funds	400,000
Utilize Measure G District Sales Tax Funds	2,000,000
Utilize General Fund Reserve	587,910
Utilize Available Fund Balance in the General Fund	544,000*
Personnel Cost Reductions (various measures, subject to bargaining)	1,701,500
<b>Total</b>	<b>\$9,175,100</b>

\* Increased from \$500,000 to \$544,000 for the Parks Manager Enhancement Request

# Personnel Cost Reduction Status



- Adoption of \$1.7 Million personnel cost reductions subject to labor negotiations
- 5 additional vacancy holds will save \$729,000
- Just under \$1M of savings left to identify
- Staff will adjust departmental budgets to reflect vacancy holds
- The adopted budget will remain balanced
- Staff are partnering with unions to identify alternatives to personnel reductions
- Staff will return to the City Council soon after the budget is adopted with specific reductions to achieve the required savings



# Request to City Council



## Hold Public Hearing and Adopt Resolutions

- Approving FY2020-21 Operating and FY2021-25 Capital Improvement Program Budget
- Approving City Appropriations (Gann) Limit for FY2020-21

# Questions and Discussion





THE END