



Legislation Details (With Text)

File #: 17-235 **Version:** 1 **Name:** Public Hearing and Adoption of Proposed Biennial budget for FY 2017-18 and FY 2018-19

Type: Staff Report **Status:** Filed

In control: City Council

On agenda: 6/5/2017 **Final action:** 6/5/2017

Enactment date: **Enactment #:**

Title: Staff Report for the Public Hearing and Adoption of the Proposed 2017-18 and 2018-19 Biennial Budget for the City of San Leandro, the Successor Agency to the Redevelopment Agency of the City of San Leandro, and the San Leandro Public Financing Authority

Sponsors: David Baum
Finance Director

Indexes:

Code sections:

Attachments: 1. CC 6-5-17 Proposed Biennial Budget

Date	Ver.	Action By	Action	Result
6/5/2017	1	City Council	Received and Filed	Pass

Staff Report for the Public Hearing and Adoption of the Proposed 2017-18 and 2018-19 Biennial Budget for the City of San Leandro, the Successor Agency to the Redevelopment Agency of the City of San Leandro, and the San Leandro Public Financing Authority

SUMMARY AND RECOMMENDATION

Staff recommends that the City Council conduct a public hearing and take public testimony regarding the City Manager’s Proposed Biennial Budget, for fiscal years 2017-18 and 2018-19. At the conclusion of the public hearing and after Council’s deliberations, staff requests that Council provide final direction regarding the 2017-18 and 2018-19 proposed Biennial Budget adoption.

Specifically, staff recommends that the City Council approve the following Resolutions to adopt the City Manager’s fiscal years 2017-18 and 2018-19 Proposed Biennial Budget as reviewed by City Council on May 15, 2017:

1. Resolution adopting the Biennial Budget of the City of San Leandro for fiscal years 2017-18 and 2018-19.
2. Resolution adopting the Biennial Budget for the Successor Agency to the Redevelopment Agency of the City of San Leandro (SARA) for fiscal years 2017-18 and 2018-19.
3. Resolution adopting the Biennial Budget of the Public Financing Authority of the City of San Leandro for fiscal years 2017-18 and 2018-19.

BACKGROUND

On May 15, 2017, the City Manager presented the Proposed Biennial Budget for 2017-18 and 2018-

19. The Biennial Budget represents the City's fundamental financial planning and communications tool, describing how resources are allocated to implement Council policies and goals, as well as providing the legal basis for the expenditure of public funds.

Overall, the Biennial Budget expenditures proposed for 2017-18 and 2018-19 total \$198.6 million and \$186.7 million, respectively. The City's General Fund accounts for \$114.4 million in 2017-18, and \$115.1 million in 2018-19. The SARA is \$10.5 million and \$4.0 million for 2017-18 and 2018-19, respectively. Enterprise activities (Water Pollution Control Plant, Environmental Services, Shoreline and Storm Water) are \$13.9 million and \$14.3 million for 2017-18 and 2018-19, respectively. Capital Improvement activities are \$31.0 million and \$24.5 million for 2017-18 and 2018-19, respectively; and all other fund activities equal \$28.8 million and \$28.8 million for 2017-18 and 2018-19, respectively.

On November 8, 2016, San Leandro voters approved Measures OO, PP, and NN, which assess a gross receipts tax to cannabis businesses, increase the City lodging tax to 14%, increase tax on parking lots, and on warehouses and reduce tax for small businesses. The ballot measures mentioned that new cannabis taxes will support social services, public art, programs that celebrate diversity, multilingual programming and other general city services. The new lodging tax can be used to enhance library programming for children, more space for books, reference materials and public access computers, enhancing parks and infrastructure and other general services. Finally, the modified business taxes can be used to address infrastructure improvements. Combined, these taxes are expected to raise up to \$2 million over the next two years, although receipt of revenues will be phased and is not entirely predictable at this time.

Effective April 1, 2015, the voters of San Leandro approved an additional half cent increase to the City's transaction and use tax (Measure HH) to sunset in 30 years on March 31, 2045. The approval of Measure HH promises to protect and maintain City services. The additional transaction and use tax revenues support street and road repairs; public safety, such as, 911 emergency response, neighborhood police patrols, anti-gang enforcement; library services and recreation and human services. The successful measure also supports after school programs for youth including homework assistance and reading programs, school resource officers and crossing guards, filling potholes and maintaining residential streets and will continue working towards meeting the ever increasing service demands throughout the City. Projections indicate the City will receive \$11 million to \$13 million per year through 2045.

Also, effective April 1, 2015, 70% of the voters of Alameda County approved an additional half cent increase to sales tax (Measure BB) to fix roads, increase bicycle and pedestrian safety, reduce traffic congestion and improve air quality. In San Leandro, the measure produces an annual revenue stream of \$1.5 million for street improvements. This revenue source is administered by the Alameda County Transportation Authority (ACTA) for a period of 30 years scheduled to sunset on March 31, 2045.

Staff began planning the 2017-18 and 2018-19 Biennial Budget in November, 2016, and started discussions with City Council on January 28, 2017. As part of the Biennial Budget process, the City Council reaffirmed its vision for the City during its planning session in January 2017. These areas of focus help set the framework for the City's budget development. Since January, staff has continued Biennial Budget discussions with the City Council through a budget work session and a Council meeting that focused on budget forecasts, unfunded liabilities, and the City's capital needs.

Budget Analysis

A number of factors influence the long-term fiscal health of the City:

- Unfunded liabilities
- Service level demands
- CalPERS rate change impact
- Labor agreement implementation
- Minimum wage implementation
- Community and social service programs support
- Fire contract services, equipment and increased CalPERS and OPEB costs
- Maintain reserve levels
- Capital Improvement Program

The 2017-18 and 2018-19 General Fund Biennial Budget reflects revenue growth largely attributed to sales tax revenues associated with Measure HH. The general fund includes sizeable transfers to the Capital Improvement Fund for both fiscal years of \$10.2 million and \$7.7 million, respectively. These transfers reflect the City's commitment to comply with the voters directives regarding the use of Measure HH funds.

In addition to the General Fund, the City maintains other key revenue funds that range from the Water Pollution Control Plant to Special Revenue funds. Multi-year forecasts for each fund, for the most part, show these funds to be balanced in terms of available resources and projected requirements for both fiscal years. There are, however, certain funds that will require additional attention in order to achieve long-term financial stability.

The Parking Fund and Storm Water Fund are the only funds projected to be in deficit for 2017-18 and 2018-19. A downtown parking study results will be presented to Council later in 2017. Implementation of the parking study will include an emphasis on achieving fiscal solvency for this fund. The Storm Water fund experienced a shortfall in 2015-16 of \$117,000, with the shortfall projected to increase to \$505,000 in 2022-23. The fund is only able to partially support basic storm drain maintenance; additional review and analysis are underway to mitigate or eliminate the anticipated shortfalls.

Current City Council Policy

- Article V of the City of San Leandro Charter requires the City Manager to submit the Proposed Budget to the City Council at least thirty-five days prior to the beginning of each fiscal year and for Council to adopt the Budget following a Public Hearing, by no later than June 30th.

Previous City Council Actions

- January 28, 2017 City Council Planning Session established goals for the new fiscal year's Biennial Budget and reviewed the overall Biennial Budget and forecast assumptions.
- April 10, 2017 City Council held a Budget Work Session on the proposed 2017-18 and 2018-19 Biennial Budget for all funds and the Capital Improvement Program.
- May 1, 2017 City Council held a Public Hearing and approved the increases in fees and charges for City department services for fiscal year 2017-18 and the annual CPI adjustment to the City's EMS Tax, 9-1-1 Tax and the Business License Tax.
- May 9, 2017 City Council received the City Manager's 2017-18 and 2018-19 Proposed Biennial Budget document.
- May 15, 2017 City Council discussed the proposed Biennial Budget.

Summary of Advisory Committee Review/Public Outreach Efforts

All City Council meetings were properly noticed in accordance with the City Charter and California law.

Fiscal Impact

The 2017-18 and 2018-19 proposed Biennial Budget for all City funds is \$198.6 million and \$186.7 million, respectively. The 2017-18 and 2018-19 proposed Biennial Budget for the General Fund Budget is \$114.4 million and \$115.1 million, respectively.

Budget Authority

- The Charter of the City of San Leandro.

CONCLUSION

Staff recommends the City Council adopt the attached Resolutions approving the 2017-18 and 2018-19 Biennial Budgets for the City, and its various agencies and component units.

PREPARED BY: David Baum, Finance Director, Finance