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Staff Report for a City of San Leandro City Council Resolution to Amend the Adopted Fiscal Year 2020-21 Budget for General Fund and Capital Improvement Projects Fund Revenues and Expenditures

SUMMARY AND RECOMMENDATIONS

Staff recommends the City Council approve the proposed budget amendments to the General Fund, Capital Improvement Project (CIP) Fund, and certain capital projects for Fiscal Year (FY) 2020-2021.

BACKGROUND

The COVID-19 pandemic has had significant financial impacts on cities across the nation. The length and depth of its affects remain unknown. A prolonged economic downturn will continue to impact General Fund revenues and the City’s essential services and programs. To ensure the City’s fiscal health and sustain vital services, the City amended the biennial budget in June 2020 to reflect projected revenue losses resulted from the pandemic. In addition, the City implemented a number of measures to control costs such as a selective hiring freeze and reductions to contributions to capital projects to preserve cash.

ANALYSIS

Following the budget amendment in June 2020, staff continued to identify strategies to reduce the projected budget deficit for Fiscal Year 2020-21. In July 2020, staff sought feedback and direction from the Facilities & Transportation Committee and the Finance Committee regarding potential budget solutions. The General Fund makes significant annual contributions to the CIP Fund to support the City’s infrastructure. Besides funding from the General Fund, a number of capital projects are supported by bond funds such as the Casa Peralta project and the Family Aquatic Center Competition Pool (Manor Pool) improvements. The potential budget solutions focused on the following key areas:

- Reduce General Fund support for certain projects and transfer unspent funds back to the General Fund;
- Swap General Fund money with bond fund money and defer some capital projects; and
- Use future Park Development Impact fees for recreation facility improvements.

The Committees' discussion focused on the capital projects presented below. The Committees also discussed the Manor Pool, Street Overlay Rehabilitation, and Street Sealing projects. Since the unspent General Fund balance for Manor Pool is only \$23,000 and repair and maintenance of City Streets is one of the community's highest priorities, staff is not proposing funding reductions from these projects.

The proposed adjustments below are based on the ranges recommended by the two Committees. The transfers out to the General Fund total \$4.9 million, and the swap of bond funds between capital projects total \$2.1 million. See EXHIBIT 1 "Transfers".

Boat Harbor Deconstruction

Staff proposes to transfer \$1.5 million back to the General Fund and fund this project with the proceeds from sale of land to the Shoreline Developer. Land sale is expected to generate \$29.0 million and is anticipated to be used for Mulford Marina Branch Library, a shoreline park, City share of street improvements, and cost of reviewing and approving private developments.

Storm Water Trash Capture Project

Staff proposes to transfer \$1.0 million back to the General Fund and defer the project. The General Fund will still need to support this project in the future; however, staff recently confirmed that the compliance requirement has been extended to June 30, 2025.

Casa Peralta Improvements

Staff proposes to transfer \$265,000 back to the General Fund and defer the majority of this project. In addition, staff proposes to transfer \$1.1 million of the unspent bond funds to the Boys and Girls Club Pool and \$1.0 million to the Farrelly Pool Replacement project. However, approximately \$500,000 is needed to repair the roof and protect the building from future deterioration.

Boys and Girls Club Pool and Farrelly Pool Replacement

Staff proposes to transfer \$2.1 million back to the General Fund and replace funding with bond funds from the Casa Peralta project. Depending on the timing of the development project described below and the timing of the pool projects, there is the potential to use development impact fees for these two projects.

Alvarado Street Park

The City expects to receive approximately \$10.0 million in park development fees from the Maximus residential project on Alvarado Street for use on a downtown park likely at the current fire training site. Potentially \$2.1 million is available for the Boys and Girls Club Pool and the Farrelly Pool Replacement projects. Because the revenue has not been received, no proposed adjustments are recommended at this point. Should the City decide to use Park Development Impact fees for the pool projects, the bond funds can be transferred back to the Casa Peralta project in the future.

Reduction of Transfers in to Capital Improvement Projects Fund

On June 15, 2020, the City Council approved an amendment to the biennial budget for FY 2020-21.

The City Council approved a decrease of \$1.9 million in transfers out from the General Fund for CIP. This expenditure decrease was reflected on Exhibit 1 that was attached to the resolution. A budget amendment is being proposed to reflect the corresponding decrease to CIP revenues, or transfers in, of \$1.9 million. This is merely a correction to the record.

FISCAL IMPACT

Staff requests that the City Council approve the proposed budget amendment to the General Fund, the CIP Fund, and the capital projects described above. While some projects continue to incur costs, actual transfers will not exceed the amounts presented in the table above. The proposed adjustments are reflected in Exhibit 1 "Revised" attached to the resolution. The net impact of these actions would result in a savings of \$4.9 million for the General Fund, helping the City preserve its reserves and assist with weathering the revenue losses resulting from the COVID-19 pandemic.

PREPARED BY

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