



Legislation Details (With Text)

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Title: Staff Report for the Public Hearing and Adoption of the Proposed 2013-14 and 2014-15 Biennial budgets 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

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Staff Report for the Public Hearing and Adoption of the Proposed 2013-14 and 2014-15 Biennial budgets 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 2013-14 and 2014-15. At the conclusion of the public hearing and after Council's deliberations, staff requests that Council provide final direction regarding the 2013-14 and 2014-15 proposed biennial budget adoption:

City Council approve the following Resolutions to adopt the City Manager's fiscal years 2013-14 and 2014-15 Proposed Biennial Budget as reviewed by City Council on May 20, 2013:

1. Resolution adopting the biennial budget of the City of San Leandro for fiscal years 2013-14 and 2014-15.
2. Resolution adopting the biennial budget for the Successor Agency to the Redevelopment Agency of the City of San Leandro (SARA) for fiscal years 2013-14 and 2014-15.
3. Resolution adopting the biennial budget of the Public Financing Authority of the City of San Leandro for fiscal years 2013-14 and 2014-15.

BACKGROUND

During the City's budget process, City Council directed staff to prepare and propose a biennial budget during the next budget cycle. Therefore, on May 20, 2013 the City Manager presented the Proposed Biennial Budget for 2013-14 and 2014-15. 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 expenditure biennial budget proposed for 2013-14 and 2014-15 total \$124.7 million and \$126.5 million, respectively. The City's General Fund accounts for \$80.0 million in 2013-14, and \$82.8 million in 2014-15. The SARA is \$7.3 million and \$6.5 million for 2013-14 and 2014-15, respectively; Enterprise activities (Water Pollution Control, Environmental Services, Shoreline Fund and Storm Water Fund) are \$13.2 million and \$14.0 million for 2013-14 and 2014-15, respectively; and all other fund activities equal \$24.2 million and \$23.2 million for 2013-14 and 2014-15, respectively.

The General Fund budget reserves were used to close the revenue and expenditure imbalance for both fiscal years. A transfer from Community Impact reserves of \$200,000 and a transfer from Economic Uncertainty of \$300,000 will be appropriated in 2013-14. For 2014-15, a transfer from Community Impact reserves of \$1,000,000 and a transfer from Economic Uncertainty of \$135,000 will be appropriated.

The City would have faced reductions if not for the infusion of revenue from Measure Z, a temporary quarter cent sales tax measure approved by over 60% of the voters in the November 2010 election. Measure Z's passage will bring in about \$4.3 million annually in additional revenue, allowing the City to maintain existing service levels. Even with our reductions in staffing and services, Measure Z's passage, and the beginnings of an economic recovery, we still face economic challenges. Indeed, our five year forecasts for all funds show that sustaining balanced budgets in subsequent years will be difficult.

Budget preparation, analyses and revisions have become year-round endeavors. Staff began planning the 2013-14 and 2014-15 biennial budget in November, 2012, and started discussions with City Council on January 26, 2013. This is the first time the City has proposed a biennial budget as requested by City Council. As part of the biennial budget process, the City Council reaffirmed its vision for the City during its goal setting session in January 2013. 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 number of budget work sessions that focused on budget forecasts, effects of the Great Recession, the dissolution of the Redevelopment Agency, and the City's capital needs.

Budget Analysis

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

- Unfunded Liabilities,
- the ability for San Leandro's revenues to sustain the cost of providing services,
- the unwinding of the Redevelopment Agency,
- labor negotiations, and
- Community partnerships.

The 2013-14 and 2014-15 General Fund biennial budget reflects revenue growth largely attributed to property tax revenues, sales tax revenues and utility user's tax revenues which constitute over 90% of the revenue increase. Staff continued to perform a detailed line-item budget review of all funds and departments with minimal impact due to 2011-12 fiscal years' findings of \$1.2 million reductions.

The forecast for the General Fund reflects deficits in the subsequent years, which is driven by revenue estimates' inability to sustain anticipated increases in operating costs. Staff has discussed revenue concepts with Council to help close the gap, especially with the quarter-cent transaction and sales tax scheduled to sunset March 31, 2018.

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 is the only fund that is projected to be in deficit for 2013-14 and 2014-15. A parking rate survey is currently being conducted with the results to be reported later in calendar year 2013. Any parking rate changes will be proposed to Council in efforts to balance this fund and staff will continue to monitor program costs.

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 26, 2013 City Council Planning Session established goals for the new fiscal year's biennial budget and reviewed the overall biennial budget and forecast assumptions.
- March 25, 2013 City Council held a Budget Work Session on the proposed 2013-14 and 2014-15 biennial budget: General Fund preliminary budget and multi-year forecast, and Capital Improvement Program.
- April 8, 2013 City Council held a Budget Work Session on the proposed 2013-14 and 2014-15 biennial budget: General Fund follow-up items, All Other Revenue Funds, and revenue concepts.
- May 6, 2013 City Council held a Public Hearing and approved the increases in fees and charges for City department services for fiscal year 2013-14 and the annual CPI adjustment to the City's EMS Tax, 9-1-1 Tax and the Business License Tax.
- May 14, 2013 City Council received the City Manager's 2013-14 and 2014-15 Proposed Biennial Budget document.
- May 20, 2013 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 2013-14 and 2014-15 proposed biennial budget for all City funds is \$124.7 million and \$126.5 million, respectively. The 2013-14 and 2014-15 proposed biennial budget for the General Fund Budget is \$80.0 million and \$82.8 million, respectively.

Budget Authority

- The Charter of the City of San Leandro.

CONCLUSION

Staff recommends the City Council adopt the attached Resolutions approving the 2013-14 and 2014-15 Biennial Budgets for the City, and its various agencies and component units.

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