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Staff Report for the Public Hearing and Adoption of the Proposed 2015-16 and 2016-17 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 conducts a public hearing and take public testimony regarding the City Manager's Proposed Biennial Budget, for fiscal years 2015-16 and 2016-17. At the conclusion of the public hearing and after Council's deliberations, staff requests that Council provide final direction regarding the 2015-16 and 2016-17 proposed biennial budget adoption:

City Council approve the following Resolutions to adopt the City Manager's fiscal years 2015-16 and 2016-17 Proposed Biennial Budget as reviewed by City Council on May 18, 2015:

1. Resolution adopting the Biennial Budget of the City of San Leandro for fiscal years 2015-16 and 2016-17.
2. Resolution adopting the Biennial Budget for the Successor Agency to the Redevelopment Agency of the City of San Leandro (SARA) for fiscal years 2015-16 and 2016-17.
3. Resolution adopting the Biennial Budget of the Public Financing Authority of the City of San Leandro for fiscal years 2015-16 and 2016-17.

BACKGROUND

On May 18, 2015 the City Manager presented the Proposed Biennial Budget for 2015-16 and 2016-17. 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 2015-16 and 2016-17 total \$141.8 million and \$148.3 million, respectively. The City's General Fund accounts for \$93.5 million in 2015-16, and \$95.2 million in 2016-17. The SARA is \$4.8 million and \$4.6 million for 2015-16 and 2016-17, respectively; Enterprise activities (Water Pollution Control, Environmental Services, Shoreline Fund and Storm Water Fund) are \$14.1 million and \$16.8 million for 2015-16 and 2016-17, respectively; and all other fund activities equal \$29.4 million and \$31.7 million for 2015-16 and 2016-17, respectively.

Effective April 1, 2015, the voters of San Leandro approved an additional quarter cent increase to the City's transaction and use tax (Measure HH) for a total of a half cent increase and agreed to extend Measure Z temporary transaction and use tax, 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 will be used for 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, and will continue working towards meeting the ever increasing service demands throughout the City.

Also, effective April 1, 2015, 70% of the voters of Alameda County approved an additional half cent increase to transportation 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 \$1.25 to \$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 2015-16 and 2016-17 biennial budget in November, 2014, and started discussions with City Council on January 31, 2015. As part of the Biennial Budget process, the City Council reaffirmed its vision for the City during its goal setting session in January 2015. 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, aftermath of the Great Recession, 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
- Facility and maintenance needs
- Community and social services programs financial support
- Fire contract services and equipment
- Maintain reserve levels
- Labor negotiations

The 2015-16 and 2016-17 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 \$3.8 million and \$3.6 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 is the only fund that is projected to be in deficit for 2015-16 and 2016-17. A parking rate survey is currently being conducted with the results to be reported later in calendar year 2015. 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 31, 2015 City Council Planning Session established goals for the new fiscal year's Biennial Budget and reviewed the overall biennial budget and forecast assumptions.
- March 23, 2015 City Council held a Budget Work Session on the proposed 2015-16 and 2016-17 Biennial Budget: General Fund preliminary budget and multi-year forecast, and Capital Improvement Program.
- April 20, 2015 City Council held a Council meeting that included the proposed 2015-16 and 2016-17 Biennial Budget: General Fund follow-up items, and All Other Revenue Funds.
- May 4, 2015 City Council held a Public Hearing and approved the increases in fees and charges for City department services for fiscal year 2015-16 and the annual CPI adjustment to the City's EMS Tax, 9-1-1 Tax and the Business License Tax.
- May 11, 2015 City Council received the City Manager's 2015-16 and 2016-17 Proposed Biennial Budget document.
- May 18, 2015 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 2015-16 and 2016-17 proposed Biennial Budget for all City funds is \$141.8 million and \$148.3 million, respectively. The 2015-16 and 2016-17 proposed Biennial Budget for the General Fund Budget is \$93.5 million and \$95.2 million, respectively.

Budget Authority

- The Charter of the City of San Leandro.

ATTACHMENT

None.

PREPARED BY: David Baum, Finance Director, Finance