



Legislation Text

File #: 23-087, **Version:** 1

Adopt Resolution to Approve 2022-2023 Budget Amendment for 2021-2022 Year-End, One-Time Appropriation of Surplus Funds for the General Fund, Special Revenue Funds, Capital Improvement Projects Fund, and Fiduciary Fund

SUMMARY AND RECOMMENDATIONS

Staff report for City Council resolution to approve 2022-23 budget amendment for 2021-22 year-end, one-time appropriation of surplus (revenue exceeding expenditures) funds for General Fund, Special Revenue Fund, Capital Improvement Fund, and Fiduciary Fund.

BACKGROUND

The City Council approves annual budgets based on the best revenue and expenditure information available several months prior to the adoption of budget appropriation. The City Council initially approved the 2022-23 budget on June 28, 2021. As a result, budget adjustments are periodically necessary for circumstances that arise and require additional budget appropriations.

ANALYSIS

Subject to finalizing the annual audit, the City estimates a 2021-2022 General Fund surplus- revenue exceeding expenditures- of \$11,945,000. These funds result from stronger-than-projected revenues and controlled expenditures across multiple departments. Sales Tax and Property Transfer Tax revenues alone exceeded estimates by \$5,700,000 and total 2021-22 expenditures were \$1,800,000 less than projections. Staff recommends a 2022-23 budget amendment appropriating a total of \$11,945,000 of one-time funds. General Fund transfers from Fund Balance would be appropriated as follows.

Median Maintenance

Staff proposes appropriating \$272,500 in the Median Maintenance (010-33-052) account. The proposed appropriation allows for roadway median renovation, including replacing irrigation system and plants. Final cost estimates will determine the median location(s) to be improved. Without this project appropriation, the existing planting will remain unirrigated and will have reduced lifespans.

Pension Trust

Staff proposes appropriating and transferring \$5,972,500 to the Pension Trust. In September 2015, the City Council adopted the Prioritizing Unfunded Liability Liquidation (PULL) Plan, which affirmed a 5-year goal of setting aside an additional \$5,000,000 toward reducing unfunded liabilities. The PULL Plan calls for the City to direct up to 50 percent of all annual General Fund carryover funds toward unfunded liabilities. In addition, the plan directs 50 percent of all General Fund land sales toward PULL. In 2021, the City Council authorized establishing the Section 115 Pension Trust with PARS (managed by HighMark Capital Management). The City's objective is setting aside funds and accumulating investment earnings to buydown the City's unfunded pension liability. The City's prior contributions to the Trust totals \$14,723,000.

The Net Pension Liability reported as of June 30, 2022, amounts to \$141,217,000. Transferring \$5,972,500 to the Pension Trust further reduces outstanding Net Pension Liability by 4%.

Long-Term Navigation Center

Staff proposes appropriating \$3,200,000 in the Long-Term Navigation Center (190-63-824) account related to the anticipated acquisition of the Nimitz Motel site. Community Development staff is currently showing this gap after leveraging existing federal, state, and local affordable housing/homeless funds. The City will re-apply to California Project Homekey in spring 2023 for acquiring and renovating the motel into an interim navigation center/shelter and then to long-term permanent supportive housing.

If approved by the State, the City may receive the \$3,200,000 funding reimbursed under Homekey. The \$3,200,000 is seen as the maximum needed to fill the funding gap.

Washington Manor Park Pool Renovation

Staff proposes appropriating \$1,000,000 in the Washington Manor Pool Refurbishment (210-62-002) account. The pool surface has failed and needs to be replaced. In addition, the in-water play structure (already renovated one time) is at the end of its life and requires restoring. Finally, the concrete deck around the pool has been etched by chlorine water and requires substantial repair.

Appropriating \$1,000,000 in the Capital Project Fund for the Washington Manor Park Pool Renovation project will resurface the existing pool, replace the play structure, and repair the concrete deck.

Enterprise Resource Planning System Replacement

Staff proposes appropriating \$1,500,000 in the Financial Software System Replacement (688-13-133) account. This project allows for the acquisition and conversion to a new Enterprise Resources Planning system for recording and reporting City financial transactions and personnel activity. A total of \$1,879,000 has been appropriated for the project, with a remaining project balance of \$1,528,000.

The anticipated overall cost for the new ERP is estimated to be up to \$4,500,000, consisting of \$3,000,000 for software, training, and consulting services and \$1,500,000 for staffing in support of the installation. Appropriating \$1,500,000 currently leaves the total project unfunded in the amount of \$1,100,000.

REVIEW BY FINANCE COMMITTEE

The 2022-23 budget amendment for 2021-22 year-end, one-time appropriation of surplus (revenue exceeding expenditures) funds for General Fund, Special Revenue Fund, Capital Improvement Fund, and Fiduciary Fund was reviewed by the Finance Committee on February 22, 2023. The Finance Committee unanimously recommended the proposed budget amendment be moved forward to the City Council for adoption.

FISCAL IMPACT

The proposed budget amendment for 2021-22-year end one-time appropriation of surplus funds allows for General Fund, Special Revenue Funds, Capital Improvement Projects Fund, and Fiduciary Fund projects and a trust set-aside. Staff recommends the 2022-23 budget amendment appropriating a total of \$11,945,000.

ATTACHMENT

- Attachment A: Resolution Approving 2022-23 Budget Amendment
- Attachment B: Table 1, 2, 3, and 4

PREPARED BY

T. Michael Yuen, Finance Director