Today’s Agenda & Objectives

1. • Public Comment
2. • Introduction/Review Agenda & Objectives
3. • Comments from the City Manager
4. • Recap of the June 11 Strategic Planning Session
5. • Economic overview
6. • Overview of Preliminary FY 2019-20 Budget
7. • Council Feedback on Allocation of General Fund Reserves for FY 2019-20
8. • City Council Additional Priorities and Direction regarding FY 2019-20 Budget
9. • Wrap Up and Next Steps
Comments from the City Manager
Recap of June 11 Strategic Planning Session

- Council’s priority items (received 3 or more voting dots) for Fiscal Year 2019-2020
  - Continue to advocate for El Segundo’s interests regarding LAX expansion
  - Consider guidelines for use of potential revenue from golf course lease
  - Determine future of the Teen Center
  - Identify further infrastructure and downtown improvements for Main Street
  - Attract senior living facilities to El Segundo
  - Identify areas within the community that are appropriate for housing
  - Obtain an “Age Friendly City” designation
  - Conduct a study of repurposing city hall
  - Develop a unique value proposition for attracting new businesses

- Come back in August with a revised Strategic Plan & work items
Economic Overview by Treasury Department

- Unemployment
- Inflation
- GDP
- Fed Rate Projections
- Yield Curve Rate Changes
Average Inflation Projections - March, 2019

- PCE inflation
- Core PCE inflation
Overview of Preliminary FY 2019-20 Budget
## Estimated FY 2019 – 2020 Fund Balance

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GENERAL FUND</strong></td>
<td></td>
</tr>
<tr>
<td>Beginning Unassigned Fund Balance at October 1, 2018 (based on FY 2017-18</td>
<td>$21,064,124</td>
</tr>
<tr>
<td>audited CAFR)</td>
<td></td>
</tr>
<tr>
<td>Plus revised year-end estimated revenues for FY 2018-19</td>
<td>75,472,984</td>
</tr>
<tr>
<td>Less revised estimated year-end expenditures for FY 2018-19 (includes</td>
<td>(78,390,000)</td>
</tr>
<tr>
<td>transfers out)</td>
<td></td>
</tr>
<tr>
<td><strong>Beginning Fund Balance at October 1, 2019</strong></td>
<td>18,147,108</td>
</tr>
<tr>
<td>Plus estimated revenues for FY 2019-20</td>
<td>76,648,000</td>
</tr>
<tr>
<td>Less estimated expenditures for FY 2019-20</td>
<td>(76,637,574)</td>
</tr>
<tr>
<td>Estimated Ending Unassigned Fund Balance at September 30, 2020</td>
<td>18,157,534</td>
</tr>
<tr>
<td>Required reserve of 19% per City Council fund balance policy</td>
<td>14,561,139</td>
</tr>
<tr>
<td><strong>Over/(Under) reserve policy at September 30, 2020</strong></td>
<td>$3,596,395</td>
</tr>
</tbody>
</table>
# FY 2019-20 Budget Assumptions

## Personnel Costs
- Increases based on current multi-year MOUs
- Minimum hourly wage effective each January 1:
  - 2019 = $12
  - 2020 = $13
  - 2021 = $14
  - 2022 = $15
- CalPERS pension costs continue to rise (increase of ~$1M from prior year)
  - **Public Safety Rate**: 71.4% for FY 2019-20 steadily increasing to 99.5% in FY 2029-30
  - **Misc. Rate**: 26.7% for FY 2018-19 steadily increasing to 33.8% in FY 2029-30
  - Rates begin to decrease annually in FY 2030-31 for both the Public Safety and Miscellaneous plans and normalize to 18% and 9%, respectively, around 2045

## Operating & Maintenance (O&M) Budgets
- Departmental O&M budgets used a modified zero-based budgeting methodology with CPI increase reflected per contractual requirement
- No dollars allocated towards new Technology or Infrastructure Projects
- Utilized a 5% vacancy rate across all Departments with staff of 5 or more FTEs
### FY 2019 – 2020 Preliminary Proposed General Fund Revenues Budget

<table>
<thead>
<tr>
<th>General Fund Revenues</th>
<th>FY 2018-2019 Year-end Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Taxes</td>
<td>8,216,000</td>
</tr>
<tr>
<td>Sales Tax</td>
<td>11,400,000</td>
</tr>
<tr>
<td>Transient Occupancy Tax</td>
<td>14,000,000</td>
</tr>
<tr>
<td>Franchise Tax</td>
<td>3,600,000</td>
</tr>
<tr>
<td>Utility Users Taxes</td>
<td>6,489,000</td>
</tr>
<tr>
<td>Other Taxes</td>
<td>450,000</td>
</tr>
<tr>
<td>TRA/Chevron</td>
<td>6,171,627</td>
</tr>
<tr>
<td>Business Licenses</td>
<td>12,420,000</td>
</tr>
<tr>
<td>Other Licenses &amp; Permits</td>
<td>1,741,765</td>
</tr>
<tr>
<td>Fines &amp; Forfeitures</td>
<td>411,380</td>
</tr>
<tr>
<td>Interest &amp; Rentals</td>
<td>824,000</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>1,821,660</td>
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<tr>
<td>Charges for Services</td>
<td>5,490,595</td>
</tr>
<tr>
<td>Other Revenues</td>
<td>2,436,957</td>
</tr>
<tr>
<td><strong>Total Operating Revenues</strong></td>
<td><strong>75,472,984</strong></td>
</tr>
<tr>
<td><strong>Transfers in</strong></td>
<td>-</td>
</tr>
<tr>
<td><strong>Total General Fund Revenues</strong></td>
<td><strong>75,472,984</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>General Fund Revenues</th>
<th>FY 2019-2020 Proposed Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Taxes</td>
<td>8,276,934</td>
</tr>
<tr>
<td>Sales Tax</td>
<td>11,500,000</td>
</tr>
<tr>
<td>Transient Occupancy Tax</td>
<td>14,600,000</td>
</tr>
<tr>
<td>Franchise Tax</td>
<td>3,600,000</td>
</tr>
<tr>
<td>Utility Users Taxes</td>
<td>6,420,000</td>
</tr>
<tr>
<td>Other Taxes</td>
<td>300,000</td>
</tr>
<tr>
<td>TRA/Chevron</td>
<td>6,200,000</td>
</tr>
<tr>
<td>Business Licenses</td>
<td>12,800,000</td>
</tr>
<tr>
<td>Other Licenses &amp; Permits</td>
<td>1,723,376</td>
</tr>
<tr>
<td>Fines &amp; Forfeitures</td>
<td>411,140</td>
</tr>
<tr>
<td>Interest &amp; Rentals</td>
<td>824,000</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>1,851,490</td>
</tr>
<tr>
<td>Charges for Services</td>
<td>5,656,290</td>
</tr>
<tr>
<td>Other Revenues</td>
<td>24,484,770</td>
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<tr>
<td><strong>Total Operating Revenues</strong></td>
<td><strong>76,648,000</strong></td>
</tr>
<tr>
<td><strong>Transfers in</strong></td>
<td>-</td>
</tr>
<tr>
<td><strong>Total General Fund Revenues</strong></td>
<td><strong>76,648,000</strong></td>
</tr>
</tbody>
</table>
## FY 2018-2019 Year-end Estimates compared to Proposed FY 2019 – 2020 General Fund Expenditure Budget

<table>
<thead>
<tr>
<th>Department</th>
<th>FY 2018-2019 Year-end Estimate</th>
<th>Department</th>
<th>FY 2019-2020 Proposed Budget</th>
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</thead>
<tbody>
<tr>
<td>City Attorney</td>
<td>611,250</td>
<td>City Attorney</td>
<td>617,363</td>
</tr>
<tr>
<td>City Clerk</td>
<td>513,901</td>
<td>City Clerk</td>
<td>523,318</td>
</tr>
<tr>
<td>City Council</td>
<td>251,541</td>
<td>City Council</td>
<td>263,489</td>
</tr>
<tr>
<td>City Manager</td>
<td>1,893,414</td>
<td>City Manager</td>
<td>1,924,568</td>
</tr>
<tr>
<td>City Treasurer</td>
<td>312,273</td>
<td>City Treasurer</td>
<td>318,979</td>
</tr>
<tr>
<td>Finance</td>
<td>2,331,337</td>
<td>Finance</td>
<td>2,374,970</td>
</tr>
<tr>
<td>Fire</td>
<td>15,964,187</td>
<td>Fire</td>
<td>17,357,903</td>
</tr>
<tr>
<td>Human Resources</td>
<td>1,004,459</td>
<td>Human Resources</td>
<td>1,022,512</td>
</tr>
<tr>
<td>Information Systems</td>
<td>2,059,988</td>
<td>Information Systems</td>
<td>2,095,296</td>
</tr>
<tr>
<td>Library</td>
<td>2,345,526</td>
<td>Library</td>
<td>2,382,169</td>
</tr>
<tr>
<td>Planning &amp; Building Safety</td>
<td>2,785,338</td>
<td>Planning &amp; Building Safety</td>
<td>2,886,747</td>
</tr>
<tr>
<td>Police</td>
<td>21,746,192</td>
<td>Police</td>
<td>23,306,235</td>
</tr>
<tr>
<td>Public Works</td>
<td>8,140,761</td>
<td>Public Works</td>
<td>8,225,970</td>
</tr>
<tr>
<td>Recreation &amp; Parks</td>
<td>7,140,244</td>
<td>Recreation &amp; Parks</td>
<td>7,358,492</td>
</tr>
<tr>
<td>Non-department</td>
<td>8,159,589</td>
<td>Non-department</td>
<td>5,979,563</td>
</tr>
<tr>
<td><strong>Total Operating Expenditures (YEE)</strong></td>
<td><strong>75,260,000</strong></td>
<td><strong>Total Operating Budget</strong></td>
<td><strong>76,637,574</strong></td>
</tr>
<tr>
<td>Transfers out</td>
<td>3,130,000</td>
<td>Transfers out</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total General Fund Expenditures</strong></td>
<td><strong>78,390,000</strong></td>
<td><strong>Total General Fund Expenditures</strong></td>
<td><strong>76,637,574</strong></td>
</tr>
<tr>
<td>Department</td>
<td>FY 2018-2019 Adopted Budget</td>
<td>Department</td>
<td>FY 2019-2020 Proposed Budget</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>-----------------------------</td>
<td>-----------------------------</td>
<td>-----------------------------</td>
</tr>
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<td>Recreation &amp; Parks</td>
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</tr>
<tr>
<td>Non-department</td>
<td>8,251,373</td>
<td>Non-department</td>
<td>5,979,563</td>
</tr>
<tr>
<td>Total Operating Budget</td>
<td>75,932,784</td>
<td>Total Operating Budget</td>
<td>76,637,574</td>
</tr>
<tr>
<td>Transfers out</td>
<td>3,130,000</td>
<td>Transfers out</td>
<td>0</td>
</tr>
<tr>
<td>Total General Fund Expenditures</td>
<td>79,062,784</td>
<td>Total General Fund Expenditures</td>
<td>76,637,574</td>
</tr>
</tbody>
</table>
FY 2018-19 Plus 5-Year Forecast

PROJECTED REVENUE & EXPENSES

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>75,472,984</td>
<td>76,648,000</td>
<td>77,406,000</td>
<td>78,273,000</td>
<td>79,173,000</td>
<td>80,083,000</td>
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<tr>
<td>Expenses</td>
<td>78,390,000</td>
<td>76,637,574</td>
<td>79,211,369</td>
<td>81,054,034</td>
<td>81,894,565</td>
<td>82,787,327</td>
</tr>
<tr>
<td>Net</td>
<td>10,426</td>
<td>(1,805,369)</td>
<td>(2,781,034)</td>
<td>(2,721,565)</td>
<td>(2,704,327)</td>
<td></td>
</tr>
</tbody>
</table>
Pension Costs Rising: Projections

- Pension costs are rising in the **short term** due to planned increases caused by CalPERS actuarial changes and lowering of the discount rate.

- Due to the City’s strategic decisions on actively reducing the pension liabilities, retired classic members being replaced with new “PEPRA” members, and investment returns on the PERS portfolio higher than expected over the prior two years, **projected pension costs have reduced**.
Key Contributing Factors to Rising Pension Costs

- Enhanced Benefits Based upon Unrealistic Expectations
- Recession and Poor CalPERS Investment Returns
- Increased cash outflows ($20.5 billion annually) from CalPERS
- Lowering the CalPERS Discount Rate (Assumed Rate of Return) on Investment Pool Assets

<table>
<thead>
<tr>
<th>Valuation Date</th>
<th>FY Required Contribution</th>
<th>Discount Rate</th>
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</thead>
<tbody>
<tr>
<td>June 30, 2015</td>
<td>2017-18</td>
<td>7.50%</td>
</tr>
<tr>
<td>June 30, 2016</td>
<td>2018-19</td>
<td>7.375%</td>
</tr>
<tr>
<td>June 30, 2017</td>
<td>2019-20</td>
<td>7.25%</td>
</tr>
<tr>
<td>June 30, 2018</td>
<td>2020-21</td>
<td>7.00%</td>
</tr>
</tbody>
</table>

- Revising Mortality Tables and other Actuarial Assumptions
- Shrinking Ratio of Active vs. Retired Employees
Overview of Individual Department Budget
New Requests/Large Variances from the prior year
Vacant Personnel Positions

• A total of 32 vacant full-time positions (as of June 2019)
• Vacancies by Department:
  ▪ City Manager – 1
  ▪ Fire – 3
  ▪ Police – 13
  ▪ Recreation & Parks – 1
  ▪ IS – 3
  ▪ Finance – 1
  ▪ Public Works – 6
  ▪ Planning & Building Safety – 4
CITY CLERK’S OFFICE
BUDGET REQUEST
FOR FISCAL YEAR 2019/2020

MARCH 2020 MUNICIPAL ELECTION
CONSOLIDATED WITH LOS ANGELES COUNTYWIDE ELECTION

$200,000 (One Time) – Estimated Cost for Consolidated Election Services
(budgeted $90,000 for previous elections)

$21,000 (One Time) – Estimated Cost for outreach to the voters

GOAL 1. Enhance Customer Service, Engagement and Communications
Operating Budget Request

- Additional funds for LAWA initiative - $75,000 (if approved would bring total LAWA initiative budget to $150,000): (Goal 5 – Champion Economic Development and Fiscal Sustainability)
City Manager’s Office
Communications & Economic Development

Option 1

Deputy City Manager

Office Specialist

Communications Manager

Economic Development Coordinator

Community Cable Program Manager

Computer Graphics Designer

Community Cable Program Specialist

Video Technicians (2)

Communications Coordinator

Budget
Communications Manager
Salary and Benefits: $150K-$180K
Communications Coordinator
Salary and Benefits: $90K-$128K
Office Specialist
Salary and Benefits: $70K-90K

Total: $310K-$398K

Salary and Benefits: $150K-$180K
Salary and Benefits: $90K-$128K
Salary and Benefits: $70K-90K

Total: $310K-$398K
City Manager’s Office: Communications & Economic Development

Option 2

- Deputy City Manager
- Office Specialist
- Communications Manager
- Economic Development Coordinator
- ESTV Supervisor
- Computer Graphics Designer
- Community Cable Program Specialist
- Video Technicians (2)
- Communications Coordinator
- Budget
  - ESTV Supervisor: Salary and Benefits: $120K-$140K
  - Communications Coordinator: Salary and Benefits: $90K-$128K
  - Office Specialist: Salary and Benefits: $70K-$90K
  - Total: $280K-$358K

Salary and Benefits:
- Communications Coordinator: $90K-$128K
- Office Specialist: $70K-$90K
- Total: $280K-$358K
City Manager’s Office: Communications & Economic Development

Option 2(a)

- Deputy City Manager
- ESTV Supervisor
  - Computer Graphics Designer
  - Community Cable Program Specialist
  - Video Technicians (2)
- Communications Manager
- Economic Development Coordinator
- Communications Coordinator

Budget
- ESTV Supervisor: Salary and Benefits: $120K-$140K
- Communications Coordinator: Salary and Benefits: $90K-$128K
- Total: $210K-$268K
City Manager’s Office:
Communications & Economic Development

Option 3

Deputy City Manager

Office Specialist

Community Cable Program Manager

Computer Graphics Designer

Community Cable Program Specialist

Communications Manager

Communications Coordinator

Economic Development Coordinator

Budget
Communications Manager
Salary and Benefits: $150K-$180K

Total: $150K-$180K
City Council Chambers Audio/Visual Upgrade

Existing system:
• Outdated standard definition (SD) analog technology
• Showing signs of failure and is near the end of its operational life

Upgrade:
• Convert the control room to a high definition (HD) digital system
• Substantially improve the viewing experience and image quality of civic meetings and events
• Enhance community engagement and communications

Two Phases:
• Phase one: lower level television control room upgrade.
• Phase two: Council Chambers cameras and A/V equipment upgrade.

Phase One Budget: $40,000
Fire Department Budget

**Budget Enhancement**
- Fire Department Accreditation Program - $35,000 (multi-year project)
- Fire Prevention Laserfische - $25,000 (digitalize fire prevention files)
- Enhance Wellness Program - $24,000 (Mandatory EMS Personnel Vaccinations & cost increase medical exams)

**Capital Equipment**
- Self-Contained Breathing Apparatus (10-year life cycle replacement) - $75,000
Fire Department Budget – Personnel

Recruitment

- Battalion Chief (1 FTE) – Anticipated vacancy due to retirement (in-house promotional only)
- Fire Captain (1 FTE) – Anticipated vacancy due to promotion from Captain to BC (in-house promotional only)
- Fire Engineer (1 FTE) – Due to anticipated retirement (in-house promotional only)
- Firefighter Paramedic (3 FTEs) – Vacancies due to anticipated retirement and promotions (in-house promotional only)
- Firefighter (3 FTEs) – Vacancies due to promotions (open competitive)

- Fire Anticipates a net of three entry-level firefighter positions needed due to retirements within the Battalion Chief rank, Engineer rank and Firefighter Paramedic rank, with the remaining recruitments needed for promotion.
# Police Department – Sworn Staffing

<table>
<thead>
<tr>
<th>Position Title</th>
<th>Allocated Positions</th>
<th>Vacant Positions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief of Police</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Police Captain</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Police Lieutenant</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>Police Sergeant</td>
<td>11</td>
<td>1</td>
</tr>
<tr>
<td>Police Officer</td>
<td>43</td>
<td>6</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>62</strong></td>
<td><strong>7</strong></td>
</tr>
</tbody>
</table>

**NOTES**
- Six applicants have passed backgrounds and in final medical/psych testing
- One applicant in final background phase
- Two applicants in early/middle background phase
- 16 laterals/pre-service in most recent application pool
## Police Department – Civilian Staffing

<table>
<thead>
<tr>
<th>Position Title</th>
<th>Allocated Positions</th>
<th>Vacant Positions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crime Prevention</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Crime Analyst</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Property Officer</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>CSI</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Executive Assistant</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Police Assistant</td>
<td>8</td>
<td>2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Position Title</th>
<th>Allocated Positions</th>
<th>Vacant Positions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Records Supervisor</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Management Analyst</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Police Services Officer</td>
<td>8</td>
<td>2*</td>
</tr>
<tr>
<td>Police Cadet (part-time)</td>
<td>15</td>
<td>5*</td>
</tr>
<tr>
<td>Police Services Officer (part-time)</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

**TOTAL** 39 9
Police Department – Budget Increase Request

- Vital Medical $35,000 (Contract Services)
  - Increased training requirements
  - Increased number of arrests
  - Naloxone program (Implemented in current FY)
  - AED program
Police Department – Budget Increase Request

- Counseling Team International $36,000 (Contract Services)
  - Implemented current FY and funded with employee engagement
  - Provides counseling, critical incident debriefing, and training
  - Shared Police Department/Fire Department expense
Recreation & Parks – Budget Increases

• Incremental increase of 2.4% (not including personnel)
• 2.4% = $49,300
• Increases due to:
  • CPI increases in landscape/tree maintenance contracts
  • Program enhancements/additions (to be off-set by program revenue)
  • Training & Development
  • Marketing endeavors
Recreation & Parks – Personnel Vacancy

• TREE MAINTENANCE WORKER
  • Tree Crew made up of one (1) Supervisor and two (2) Tree Maintenance Workers
  • Position is required to perform safe operations
Library

Library Priorities, FY 2019-2020

- Technology Upgrades
  - Integrated Library System RFP (End of 2019)
  - Possible Mid-Year Request for Migration Costs
- Expand Community Outreach
- Activate Library Park
  - Rec & Parks Partnership
  - 2020 Friends of the Library Funding Request
  - Additional allocation would speed up implementation
- Grow Teen Services
- Develop Early Literacy Services
- Fine Free Children’s Library Card
  - $10,000 projected revenue reduction if implemented
- Arts and Culture Initiatives
  - Possible Cultural Development Fund Implementation
    - Strategic Use of Consultants
    - Possible Reorganization as Opportunity Arises
- Develop Age Friendly Library Action Plan
Current (Vacant)
• Information System Developer
• .5 PT Unfunded

Proposal:
• Change to an Administrative Specialist
• Fund the P/T Analyst
• 2 Technical Services

Net impact of ISD’s personnel requests:
• $40,420 - Administrative Specialist
• ($20,928) - Fund Part Time position
• ($19,492) - 2 Technical Services
• 0 – Net Budget Savings or Increases
Information Systems Department Utilization

Staff 9.5 FTEs

- Keeping the Lights on (35%)
  Planning, & Executing Maintenance, Service Tickets, Incident Response, Cyber Security
- Staff Technical Training (5%)
- Technical Projects (15%)
  - Executing on S-M-L
  - Evaluating technology
  - Testing & Deployment
  - User training
- Administrative (20%)
  - Meeting w/ peers,
  - Project portfolio,
  - Contract mgmt,
  - Budget mgmt
  - Processing invoices
  - Board / Committee
  - Cyber Security
  - Software licenses mgmt
- Technology Innovation (15%)
  Enterprise Architecture & Design
- 5%
6206 – Contractual Services:

- As part of the technical infrastructure upgrade, ISD strongly recommends relocating the City’s Data Center to the Equinix facility which will cost $8,000/month

  - Previous Budget: $36,400
  - Requested Budget: $134,000
  - Variance: $97,600 (new request that would be ongoing)
6/14/2019

6217 – Software Maintenance:

• As new technical projects are initiated reoccurring software license costs are realized

• Ingested additional software items previously budgeted in other departments

• True up of some licenses:
  ▪ Previous Budget: $428,361
  ▪ Requested Budget: $745,134
  ▪ Variance: $316,773 (new dollars)
    • 26% new software licenses or reclassified
    • 63% increase due to the need for additional licenses and to “True-up” licenses used but not paid
    • 11% remained the same,
    • -7% of old and unused licenses removed
Net Impact of Technical & Professional Services Increase Request:

• Category increased $191,061 (support of projects)
  ▪ One-time ask for new dollars

• This additional amount covers:
  ▪ Business Analysts,
  ▪ Project Managers
  ▪ Technical Analysts
## Finance Department Vacancy

**Proposal (continued):**

- **Full-time Accounting Specialist reclassified to an Accounting Technician**
  - Total increase in compensation: $9,442

**Net impact of Finance Department personnel requests:**

- **($18,400)** – Sr. M/A to M/A
- **$9,442** – reclassify A/S to A/T
- **($8,958)** – Net Budget Savings

### Proposal:

- **Reduce position to Management Analyst in FY 2019-20:** $134,270

### Total budget Impact:

- Savings of ($18,400)
- Total Compensation: $152,670

### Full-time Senior Management Analyst (currently vacant)

- Total Compensation: $152,670

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6/14/2019
Finance Department Budget Discussions – Operations and Maintenance Budget

- **Budget requests related to Strategic Plan** (Goal 5 – Champion Economic Development and Fiscal Sustainability)
  - Development of a formal policies and procedures manual - $20,000 (currently not included in proposed budget)
Human Resources Department -
Budget Requests

EMPLOYEE ENGAGEMENT PROGRAM - $200,000
(Goal 3 – Develop as a Choice Employer & Workforce)

I. Citywide training - $105,000 estimated one-time request (future year requests will be evaluated based upon success of the program).
   • Leadership Academy
   • Mid-Management Academy
   • Executives-City Manager Training
   • Miscellaneous Supervisory Training and Professional Development Training (for all City staff)

II. Wellness Program – $50,000

III. Employee Recognition Program - $20,000

III. Employee Survey - $25,000 estimated cost for conducting of an employee survey. This will include follow up meeting with employees and department.

Fiscal Impact: $0 – retain same funding level as FY 2018-19 for employee engagement programs
Planning & Building Safety

Professional Technical Services:

- +$90,000 (one time money) – to maintain level of service. Back fill – design, process and implement new permit system.
- + $25,000 per year – take over - Police dept plan review and inspection functions.
Public Works Department Budget Discussions

**Personnel Budget Proposals:**
- None required this year
- May request additional funding for consultant firm and outreach/education needs to address CalRecycle’s Solid Waste Compliance Order and new Solid Waste Ordinance requirements.

**Operational Budget:**
- Savings of ~$200,000/year due to new SW contract, Prop 218, and 3s and 4s being commercial
- New request to add $35,000 for Aquatics Center supplies and $10,000 for facilities maintenance supplies and contracting.
- Net reduction in PW General Fund budget of $155,000
Public Works Department
Vacant General Fund Positions

- **Street Maintenance Worker**
  - Vacancy due to resignation. Recommend filling to maintain current service levels.

- **Facilities System Mechanic**
  - Vacancy due to promotion. Internal recruitment completed and expected to be filled in July. Recommend filling to maintain current service levels.

- **Public Works Inspector**
  - Vacancy due to resignation. Recommend filling, as current Engineering Technician has been doing double-duty and conducting inspections in the public right-of-way on non-CIP work. Unsuccessful open recruitment completed last November. Hopeful that the new compensation package will result in a quality hire.

- **Senior Engineering Associate**
  - Vacancy due to resignation. Recommend filling to maintain CIP delivery capacity, especially in light of the upcoming facilities improvement program needs noted in Strategic Planning as a result of the Facilities Condition Assessment. Unsuccessful open recruitment completed in March. Hopeful that the new compensation package will result in a quality hire.

- **Part-Time Custodian**
  - Vacancy due to promotion. Recommend filling to maintain service levels. Responsible for the Public Works Water Plant and City Yard and provides necessary backup resources for custodial and light-maintenance duties after hours at other facilities. One part-time position was eliminated years ago.
Total Department Requests

- $1,167,476 – total department asks
<table>
<thead>
<tr>
<th>Upcoming Financial Decisions for FY 2019-20</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Continuing to allocate dollars for CalPERS unfunded liability and the pension trust</td>
</tr>
<tr>
<td>✓ Review of current business model for water and wastewater (sewer)</td>
</tr>
<tr>
<td>✓ Annual review of cost recovery policy and update the master fee study by CPI</td>
</tr>
<tr>
<td>✓ Negotiations with TopGolf</td>
</tr>
<tr>
<td>✓ Prioritizing and funding implementation of new technology</td>
</tr>
<tr>
<td>✓ Land use discussions</td>
</tr>
<tr>
<td>✓ Adoption of three-year CIP and infrastructure financing</td>
</tr>
<tr>
<td>✓ Support ongoing employee engagement program</td>
</tr>
<tr>
<td>✓ Update the code for Business License Tax and possible ballot measure</td>
</tr>
<tr>
<td>✓ Ongoing labor negotiations with two labor groups</td>
</tr>
</tbody>
</table>
Proposed GF Reserves for FY 2019 – 2020

Reserve Assumptions

- General Fund Reserve
  - Council’s Policy is to reach 20% of General Fund expenditures
  - Currently at 19%, or $13.7M in FY 2018-19
  - Staff is recommending to maintain the current reserve level of 19% in FY 2019-20
    - 19% = $14.6M
    - Alternative of 20% = $15.3M
    - Alternative of 18% = $13.8M
### Proposed Reserves & Trust Balances for FY 2019-20

- **General Fund Reserve Level of 19%:** $14,561,000
- **Economic Uncertainty Reserve:** $2,000,000
- **Equipment Replacement:** Fully funded to plan at ~$8.5 million
  - 100% replacement cost is ~$12.9 million (the cost if all items on the funding list were to be replaced today)
- **Pension Trust:** ~$2,500,000 (based on May 31, 2019 balance)
- **OPEB Trust:** ~$24,000,000 (based on May 31, 2019 balance)
## Preliminary FY 2019-20 General Fund Reserve Policy Options

<table>
<thead>
<tr>
<th></th>
<th>Option #1 (Recommended)</th>
<th>Option #2</th>
<th>Option #3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>19% of Expenditures</td>
<td>20% of Expenditures</td>
<td>18% of Expenditures</td>
</tr>
<tr>
<td><strong>Beginning Fund Balance at 10/1/2019</strong></td>
<td>$18,147,108</td>
<td>$18,147,108</td>
<td>$18,147,108</td>
</tr>
<tr>
<td><strong>Projected Revenue</strong></td>
<td>$76,648,000</td>
<td>$76,648,000</td>
<td>$76,648,000</td>
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<tr>
<td><strong>Projected Expenditures</strong></td>
<td>76,637,574</td>
<td>76,637,574</td>
<td>76,637,574</td>
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<tr>
<td><strong>Net +/-</strong></td>
<td>$10,426</td>
<td>$10,426</td>
<td>$10,426</td>
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<tr>
<td><strong>Ending Fund Balance at 9/30/2020</strong></td>
<td>$18,157,534</td>
<td>$18,157,534</td>
<td>$18,157,534</td>
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<tr>
<td><strong>Designated Reserve Requirement</strong></td>
<td>14,561,139</td>
<td>15,327,515</td>
<td>13,794,763</td>
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<tr>
<td><strong>Undesignated GF reserves</strong></td>
<td>$3,596,395</td>
<td>$2,830,019</td>
<td>$4,362,771</td>
</tr>
</tbody>
</table>
Feedback from Council on Allocating General Fund Reserves

~$3.5-$3.6 Million Available

- Capital & Facility Improvements
- Department Requests
- Employee Engagement
- Payment to section 115 Pension Trust Fund
- Pay down CalPERS unfunded pension liabilities
- Technology improvements

TOTAL
Fiscal Policy Discussions

- Staff recommends a policy objective that directs the City Manager to address a structural deficit in any given fiscal year to be resolved through actively managing vacancies.
Additional Fiscal Policy Discussions

• Continue Economic Development efforts
• Implementation of technology resulting in greater operational efficiencies
• Whether to seek new revenue sources and reevaluate existing revenue sources in subsequent years
  ▪ Business License Tax, UUT revision, Business Improvement Districts (BIDs), Landscape Improvement Districts (LMDs), City specific Property Transfer Tax, Local Use & Transaction Tax for Public Safety
• Identify new revenues or increase existing revenues
  ▪ Annual review of newly developed City-wide master fee schedule; including an annual CPI adjustment (scheduled for August Council meeting)
  ▪ Evaluate the cost of water & wastewater services
Council Comments
Next Steps on the Budget

• The second Budget Study Session is scheduled for the later part of July
• Prepare budget based on Council feedback from the Strategic Planning Session and two Budget Study Sessions (June and July)
• September 3\textsuperscript{rd} Budget adoption
• Optional date - September 18\textsuperscript{th} Budget adoption (if the budget is not adopted on Sept. 3\textsuperscript{rd})
Final Comments