



FY 17-18 Budget Study Session

FY 17-18 Budget Study Session #1



Purpose

The purpose of this session is for the staff to introduce our proposed FY17-18 budget to the City Council and our residents.

Further study sessions on May 23 (required) and May 30 (if needed) will provide the primary opportunities for Council discussion and direction that will result in a final, Council-approved budget.



FY 17-18 Budget Study Session

Budget Schedule

- Feb '17: 10-year Budget Forecast Received by City
- Mar '17: Council budget guidance received by Staff
- Apr '17: FY18 Goals and Objectives Approved by Council
- Apr '17: Developed FY17-18 Budget based on Council budget guidance and FY18 Council objectives.
- May 9: FY18 Budget Study Session #1
- May 23: FY18 Budget Study Session #2
- May 30: FY18 Budget Study Session #3 (if needed)
- Jun 13: Council adopts FY18 budget
- Jun 27: Last Opportunity to adopt budget before FY18 starts



FY 17-18 Budget Study Session Presentation Agenda

- Overview Items
 - 10-year Budget Forecast Review and Assessment
 - City staff organization
 - Salary schedule / MOU negotiations update
- FY16 Base Budget
 - Overview
 - Staff Sections and Special Funds
 - Council “Gifts”
- Future Program Cut discussion



Introduction

- Tonight is introduction of staff proposed budget
- Councilmember meetings next week
- May 23 Study Session – Council deliberation and direction
- May 30 Study Session – further deliberation and discussion
- Departmental Slides, and overview of worksheets.



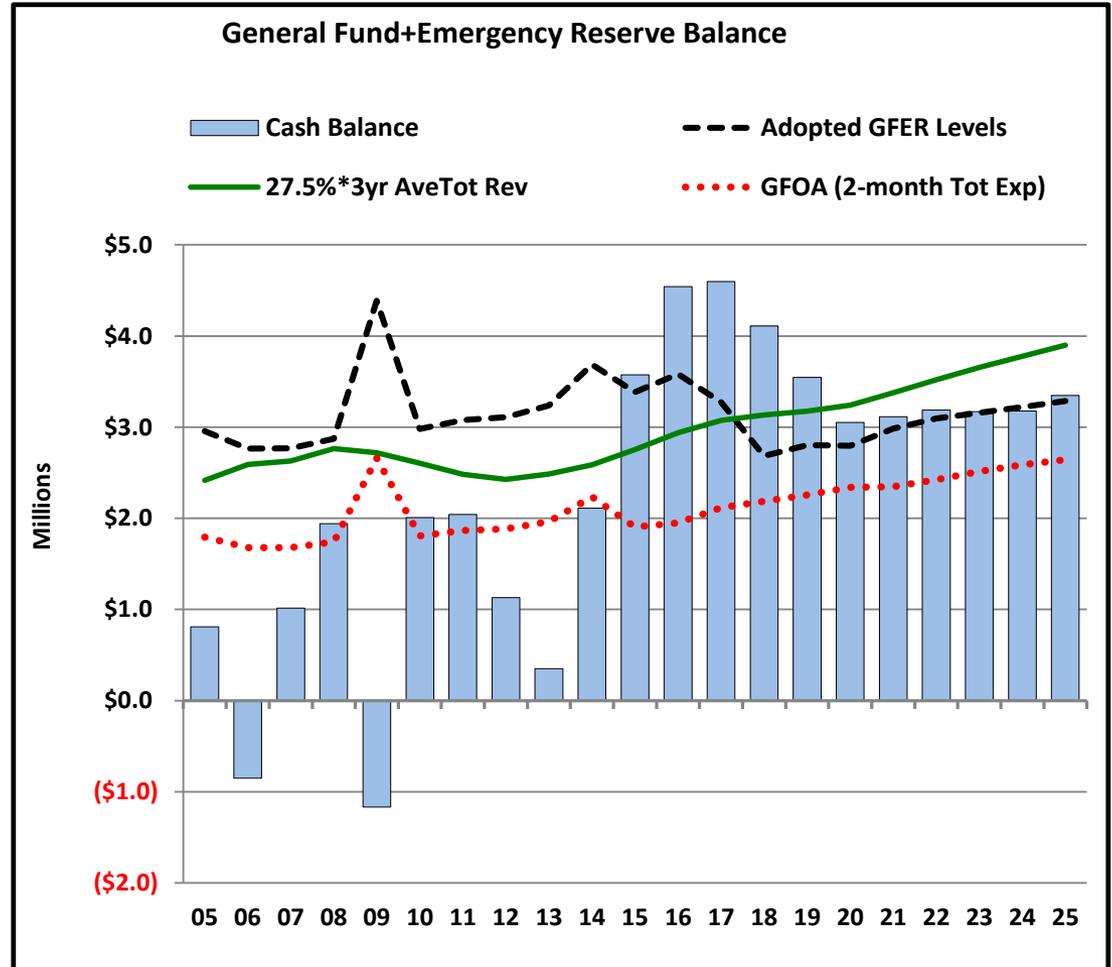
Overview Items

10-Year Budget Forecast



Long Term Budget Concern

- Feb '16 forecast
- GFER drops \$1.5M over next 3 years – due to PERS bump and forecasted recession.
- GFER stabilizes at \$3M and begins to increase.
- Council adopted interim GFER levels to address the PERS and recession concerns.

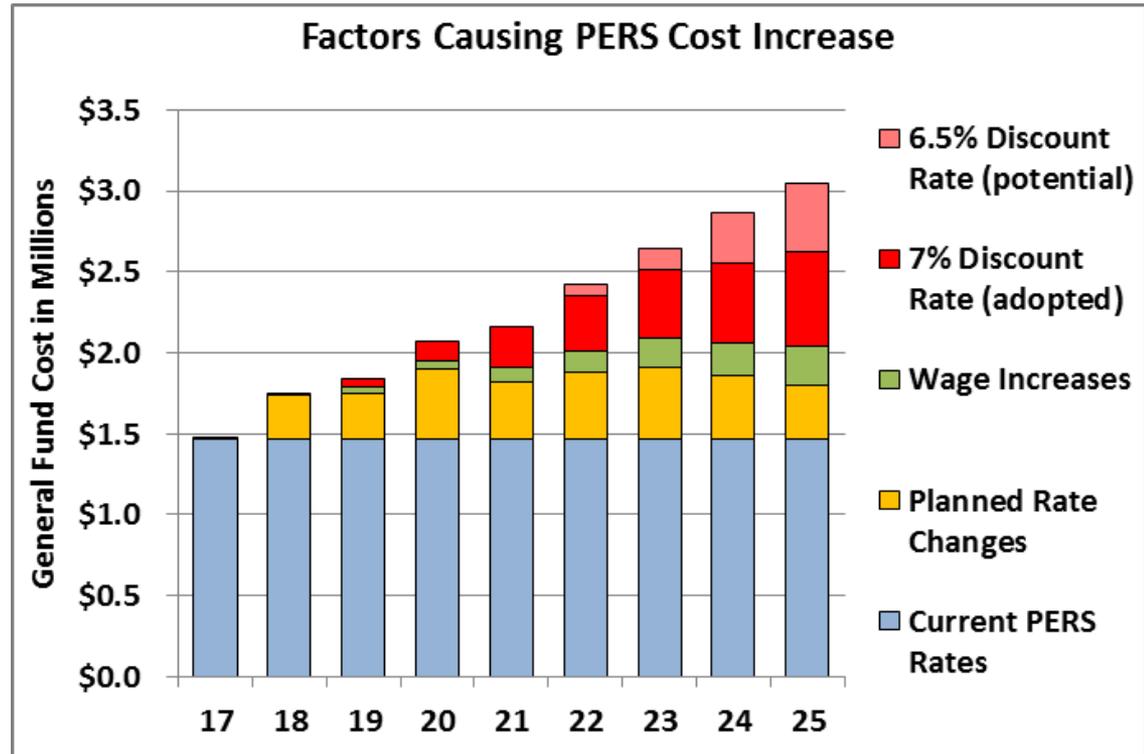




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CalPERS Effect

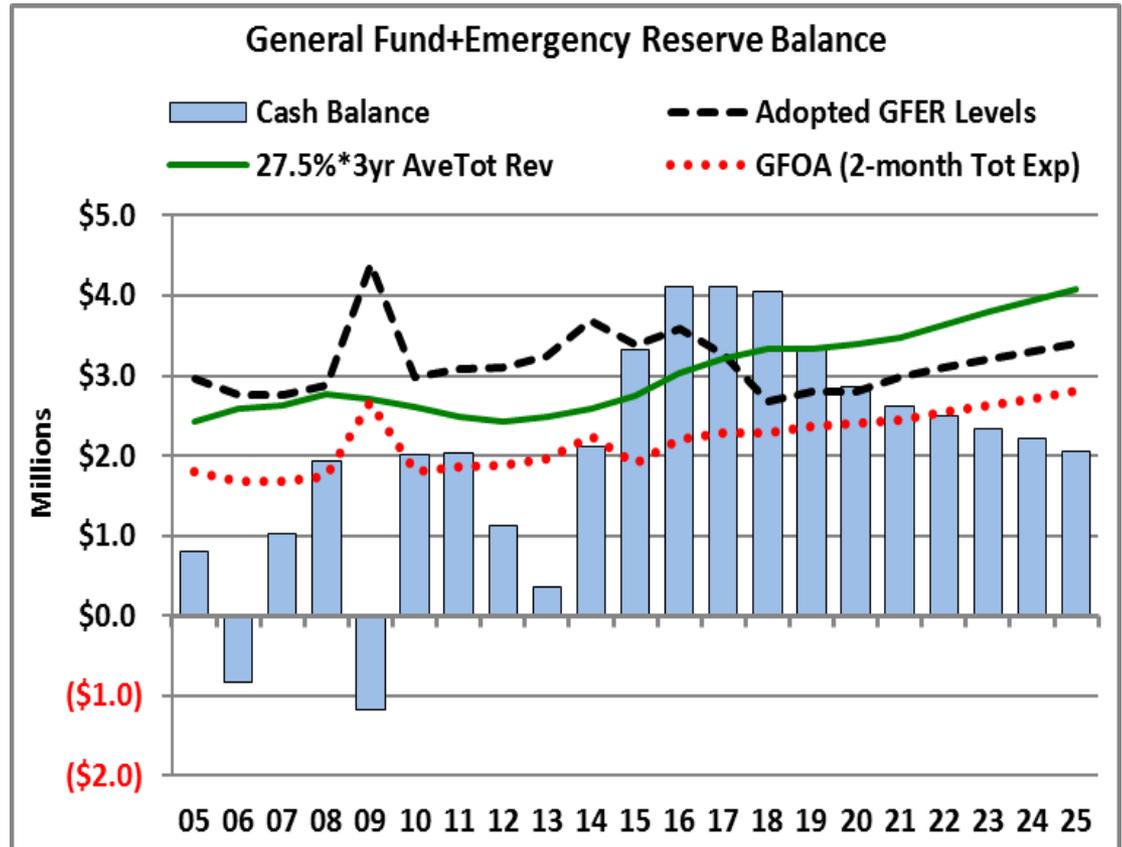
- Dec '16 CalPERS Board decision to reduce discount rate
- \$1.3M increase in 8 years if discount rate is cut to 6.5%
- Discount rate reduction to 6.5% is very likely.
- Planning now as if 6.5% rate is a sure thing.





Long Term Budget Concern

- Feb 17 adjusted forecast
- Assumes cutting \$650K from current service level.
- \$250K Cut from this budget
- Planning \$200K both FY19 budget and additional \$200K from FY20 budget.
- This shows us ending FY20 at Council approved level





\$4-5M Budget Gap (Not Deficit)

- Our revenues are about \$4-5M short of our requirements.
 - CalPERS Increases \$1.1M
 - Streets \$1.7M
 - Capital Replacement \$1.0M
 - Rec/Maint and Beauty \$450K
 - New Projects \$250K
 - Salary Equity \$300K
- This is not a deficit, it is a gap between what we have and what we would like to have.
- Our FY18 General Fund Revenues are ~\$13.6M.
- We need GF revenues of about \$17-18M to fully fund the above services



Overview Items

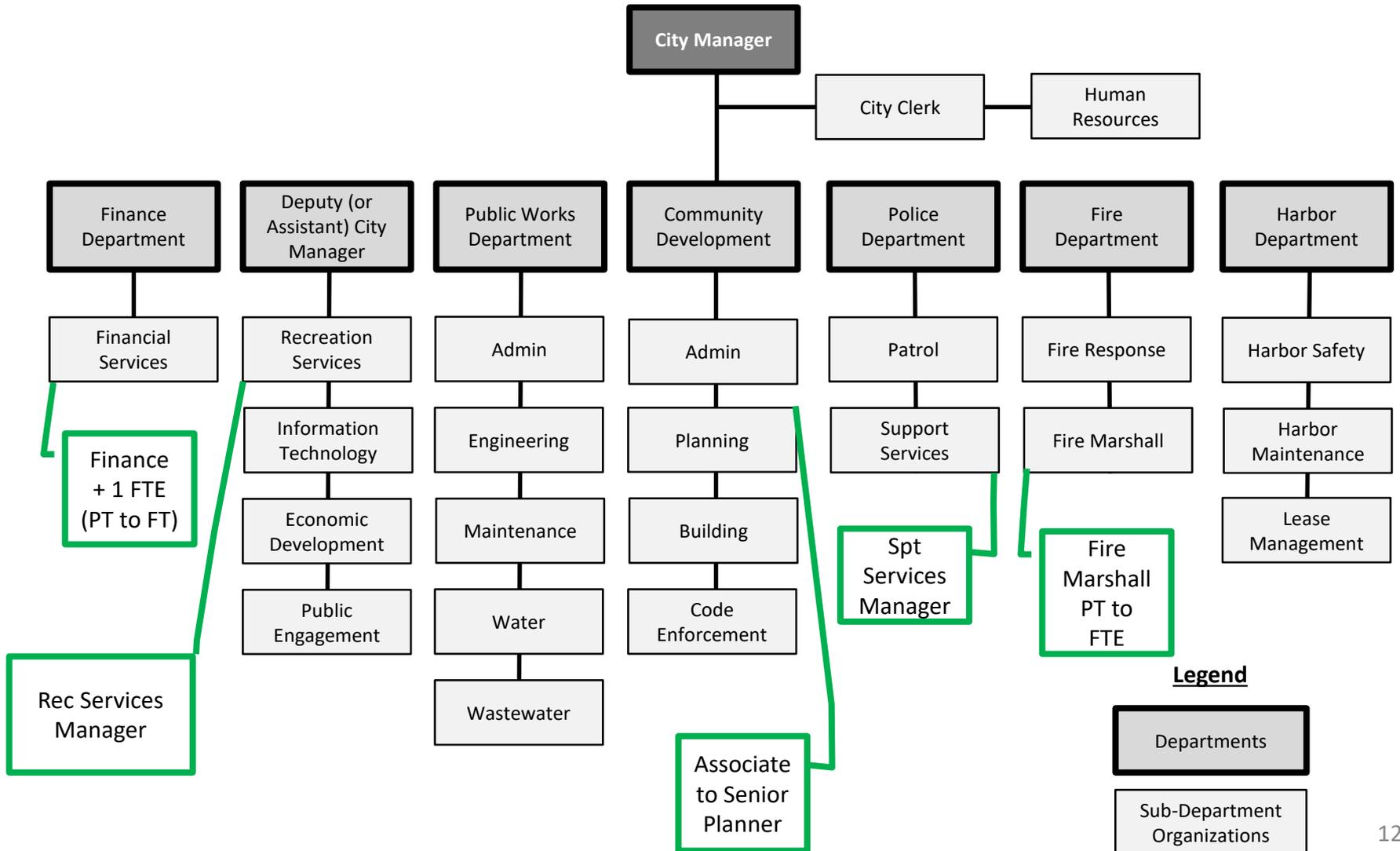
City Staff Organization



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FY17 FTE = 96.75
FY18 FTE = 98.75

City Staff Organization





Overview Items

Salary Schedule / Negotiation Update



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Salary Schedule / Negotiations

- City offer of 2.0% COLA is in this budget. (under negotiation)
- Greater than 2.0% will take budget into deficit.
- Salary schedule updates four positions: Rec Manager, Spt Services Manager, Senior Planner and Fire Marshal

WWTP OPERATOR II/LAB ANALYST	S	50,819	53,361	56,028	58,830	61,771	
RECREATION SUPERVISOR	S	51,755	54,342	57,060	59,912	62,908	
ASSISTANT PLANNER	S	52,077	54,681	57,414	60,285	63,300	
ASSISTANT CIVIL ENGINEER	S	54,157	56,864	59,707	62,694	65,828	
BUILDING INSPECTOR	S	54,157	56,864	59,707	62,694	65,828	
ENGINEERING TECHNICIAN IV	S	54,157	56,864	59,707	62,694	65,828	
WWTP LEADWORKER	S	54,157	56,864	59,707	62,694	65,828	
FIREFIGHTER	F	54,433	57,178	60,042	63,099	66,195	
HUMAN RESOURCES ANALYST	C	56,297	59,112	62,067	65,170	68,429	
SENIOR ACCOUNTING TECHNICIAN	C	56,297	59,112	62,067	65,170	68,429	
HARBOR BUSINESS COORD	S	56,373	59,193	62,151	65,258	68,522	
RECREATION COORDINATOR	S	56,373	59,193	62,151	65,258	68,522	TBD
POLICE OFFICER	P	56,599	59,429	62,402	65,521	68,798	72,238
HARBOR PATROL SUPERVISOR	S	59,463	62,436	65,558	68,835	72,277	
FIRE ENGINEER	F	59,510	62,477	65,619	68,880	72,348	
ASSOCIATE CIVIL ENGINEER	S	60,608	63,638	66,820	70,161	73,670	
ASSOCIATE PLANNER	S	60,608	63,638	66,820	70,161	73,670	
BUILDING INSPECTOR/PLANS	S	60,608	63,638	66,820	70,161	73,670	
COLLECTION SYSTEM SUPERVISOR	S	60,608	63,638	66,820	70,161	73,670	
MAINTENANCE FIELD SUPERVISOR	S	60,608	63,638	66,820	70,161	73,670	TBD
WATER SYSTEM SUPERVISOR	S	60,608	63,638	66,820	70,161	73,670	
WWTP SUPERVISOR	S	60,608	63,638	66,820	70,161	73,670	
MANAGEMENT ANALYST	M	61,883	64,980	68,227	71,639	75,221	
POLICE DETECTIVE	P	59,429	62,400	65,522	68,797	72,238	75,850
POLICE SCHOOL RESOURCE OFFICER	P	59,429	62,400	65,522	68,797	72,238	75,850
POLICE SENIOR OFFICER	P	59,429	62,400	65,522	68,797	72,238	75,850
POLICE CORPORAL	P	59,981	62,981	66,129	69,436	72,908	76,553
FIRE CAPTAIN	F	68,407	71,847	75,431	79,179	83,149	
CAPITAL PROJECTS MANAGER	M	72,374	75,993	79,793	83,781	87,971	
CONSOLIDATED MAINTENANCE SUPERINTENDENT	M	72,374	75,993	79,793	83,781	87,971	
INFORMATION SERVICES TECHNICIAN	M	72,374	75,993	79,793	83,781	87,971	
TOURISM MANAGER	M	72,374	75,993	79,793	83,781	87,971	TBD
POLICE SERGEANT	P	70,585	74,114	77,820	81,712	85,796	90,086



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FY18 GF Budget



FY 17-18 Budget Study Session

Staff Process

- Used FY16-17 Budget as a guide.
- Relied on 10-year Budget Forecast.
- Implemented council-directed budget guidance (\$250K cut)
- Included projected 2.0% COLA consistent with CPI.
- Trimmed around \$100K of routine services to balance.
- Ended where we need to be: \$12K surplus.



Base Budget Overview

- Based on Council Goals and Objectives; and Budget Guidance
- Fully funds all primary, community-serving programs and services near FY17 levels.
- Cut \$250K in Capital Replacement and Project Accumulation Savings
- Retains recent increase in weekend / after hours bathroom cleaning and trash collection.
- Funds \$100K implementation of EDSP and DWSP.
- Trims some services such as tree trimming, PW intern, Economic Development Opportunity Fund, etc.



Revenue Overview

- Total revenues in line with 10-Year Budget Model Forecast, and County Assessor/Tax Collector figures
- Accounts for recent Master Fee Schedule update approved by Council
- Current year trending revenues verify projected accuracy of the 10-Year Budget Model Forecast figures
- Not anticipating economic downturn until FY2019 (e.g. no decline in revenues currently projected)



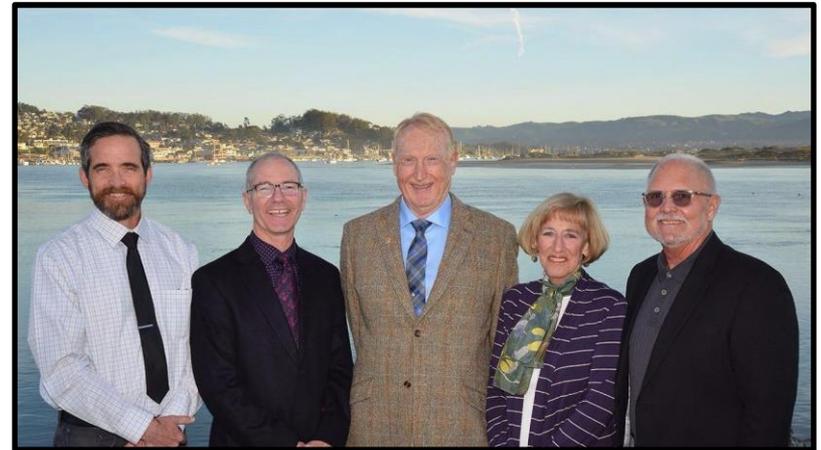
Staff Section Budgets

City Council:

- Personnel: costs for five Council members.
- Includes insurance share, LAFCO , League of CA Cities and EVC memberships
- Councilmember attendance at events such at the League of California Cities annual conference.

Discretionary Spending:

- DS: \$8,000 for “benevolence” giving for worthy causes such as SCORE, Senior Nutrition, CRC, etc.
- Local Council Education and Training Event





Staff Section Budgets

City Manager:

- Personnel: City Manager
- Includes: share of utilities, insurance, supplies, etc.
- Includes: training and memberships

Discretionary Spending:

- DS: \$20,000 Economic Development Fund (Goal 1) (reduced \$5K)
- DS: \$5,000 for staff training
- DS: \$2000 for one advisory board recognition event





Staff Section Budgets

Major City-wide Contracts:

- \$7.5K PARS
- \$150K Legal (GF portion)
- \$60K AGP Video
- \$376K Dispatch (Sheriff and Cal Fire)
- \$9.5K DocuTeam
- \$10K Digital Map
- \$35K Ricoh for Copy Machines
- \$50K Visitor Center
- \$70K Animal Services

- Total = \$768,000*



*\$1,000 increase from FY17



Staff Section Budgets

City Clerk / Human Resources / Elections

- Personnel: Clerk, Deputy Clerk, HR Analyst
- Elections:
 - - ~\$10K toward 2018 election
- Clerk:
 - Share of utilities, insurance, supplies, etc.
 - Municipal code updates and required legal noticing
- HR:
 - Legal fees for labor negotiations, \$4.5K contract with Liebert Cassidy Whitmore
 - Ongoing City Clerk, Risk Management & HR training.
 - \$20k for employee recruitments, \$3,400 for new employee drug testing & fingerprinting





Staff Section Budgets

Deputy City Manager:

- Personnel: 1 x DCM
- Includes: share of utilities, insurance, supplies, etc.
- Includes: training and memberships

Goal / Discretionary Spending:

- \$5K for continued public communication through utility flyers





Staff Section Budgets

Police Department:

- Personnel: No change to FY17
- Includes: utilities, insurance, supplies, mandated training, special event details, etc
- Does not include \$105K of Measure Q funding.

Notes:

- Overtime savings due to full staffing
- School District cut SRO position – budget transitions SRO officer
- New equipment purchased through COPS Grant





Staff Section Budgets

Fire Department:

- Personnel: Includes recommended addition of (1) FTE Fire Marshal, offset by elimination of PTs & new Fees (TBD)
- Increased apparatus maintenance due to emissions and T5341
- Does not include Measure Q spending of ~\$357K
- Mutual Aid reimbursements adjusted during mid-year review.
- Manages EOC's budget, training and equipment ~ 6.5 K grant contingent



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Staff Section Budgets

Public Works Department:

- Personnel: No FTE Changes,
- Consolidated Maintenance Division is fully consolidated.
- Includes engineering, maintenance, storm drains, streets, street lighting, etc
- Does not include \$530K of Measure Q Streets



Discretionary spending:

- 6 tons of asphalt per week for 9 months is in budget
- \$38K required street sweeping contract – included in this budget
- \$25K for tree trimming (45% decrease)
- \$50K Engineering Consulting Services (25% decrease)
- Elimination of Paid intern Position – Part Time Labor (15% decrease)



Staff Section Budgets

Recreation Department:

- Personnel: No FTE change.

Notes:

- Pool construction planned completion Fall '17: programming costs included in budget

Rec spending:

- Includes \$5K for two Recreation Guides
- Includes \$5K for 4th of July and \$2.5K for downtown Halloween





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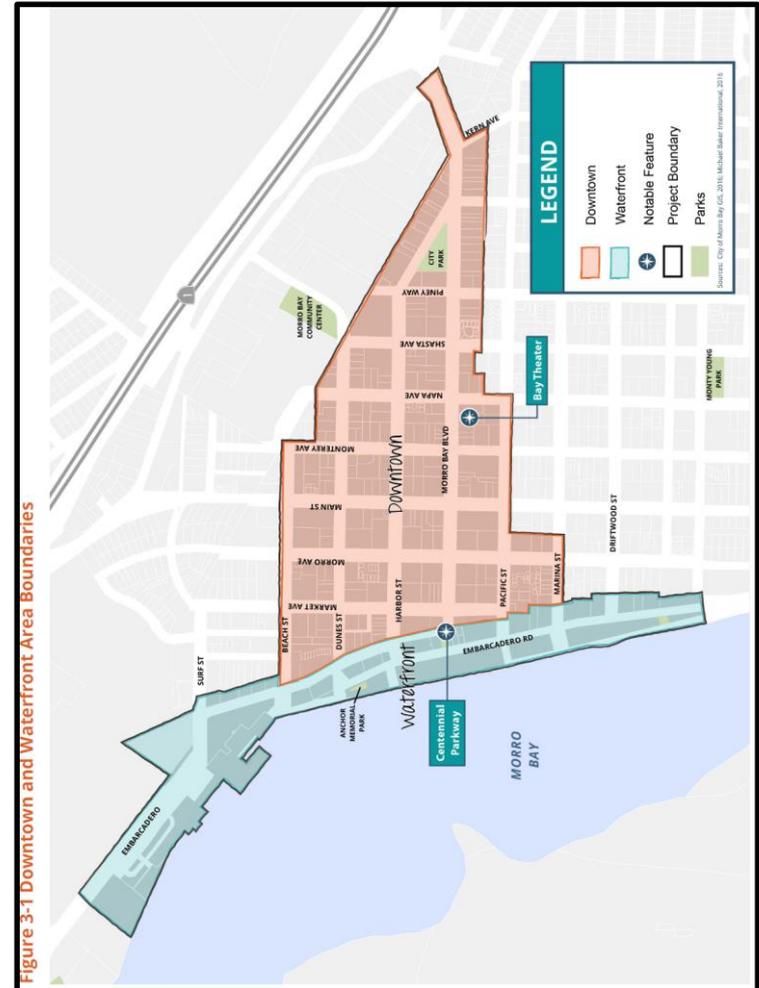
Staff Section Budgets

Community Development Department:

- Personnel: No FTE increase. Associate Planner moves to Senior Planner.
- Includes: \$40,000 for outside Commercial Plan Check services. All plan check fees are charged to the applicant

Discretionary spending:

- \$100K for DWSP/EDSP implementation
- \$20,000 for consultant and Peer review services





FY16-17 Budget Special Revenue and Enterprise Funds



Measure Q Fund

Measure Q Fund:

- \$1.024M projected revenue

Allocation:

- \$530,000 to Streets*
- \$357K to Fire
- \$105K to Police*
- \$32K to consolidated Public Safety
 - \$15K for Emergency Plan update (MQ)
 - \$ 17.5 Black Hill Repeater repair and study (MQ)

Notes:

- \$91.5K Fire Station Debt
- *\$77K if required for SRO transition, else to streets



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MBTBID

MB TBID Special Revenue Fund:

- 3% assessment on hotels / motels.
- Budget based on TBID approved budget.
- 3 employees: 1 FTE and 2 PT
- Main expense is Marketing and PR Contract with Mental Marketing (Approved by Council)
- Includes \$60K to support events
- Includes \$30K for shoulder / off season opportunities (Goal #1)
- Includes \$9K for Visitors Guides
- Includes \$4,500 for Activity Passports (three)





Water and Sewer Funds

- Water and Sewer Rates passed in 2015 have righted these previously underwater funds.
- Funds are producing sufficient revenues over expenses to fund continued operations at the existing WWTP and continued State Water payments with debt coverage ratio.
- Council and community are actively discussing next steps for the WRF which will have an effect on this budget going forward.
(Will need to be amended.)



Staff Section Budgets

Water Fund:

- Personnel: Utilities Manager (Water and Wastewater)
- Revenue and Expenses based on Rate Model

Discretionary spending:

- The Utility Discount Program is continuing with ~120 financially challenged rate payers taking advantage of a ~10% reduction on tier water / sewer bills.
- Next version of this budget will move Major Maintenance Projects into the Capital Budget
- All expenditures are, as they must be by law, targeted at operations and maintenance of the system in question in order to keep that system operating effectively, efficiently, and safely.



Water Crew Repairing Main Line Break



Staff Section Budgets

Sewer Fund:

- Personnel: Utilities Manager (Water and Wastewater)
- Consolidating WWTP and Collections Crew into one Team
- Revenue and Expenses based on Rate Model
- Moved WRF project into 321 Fund – Audit Finding

Discretionary / Goal spending:

- Moved Major Maintenance Projects into the Capital Budget, except WWTP JPA items
- Maintained Expenses at historic levels
- All expenditures are, as they must be by law, targeted at operations and maintenance of the wastewater system in order to keep that system operating effectively, efficiently, and safely.



WWTP Crew Gas Piping Repair



Staff Section Budgets

Harbor Fund:

- Balanced w/small (~\$12K) revenue excess for Accumulation Fund & Capital needs

Discretionary / Goal spending:

- \$55K for Marine Services Facility feasibility study (requires Council re-affirmation to conduct after RFQ process)
- \$5K for Eelgrass Mitigation Policy development consultancy
- \$5K for small infrastructure beautification projects

Notes:

- Revenues primarily based on 10-Year Forecast model
- \$343,000 proposed grant funding

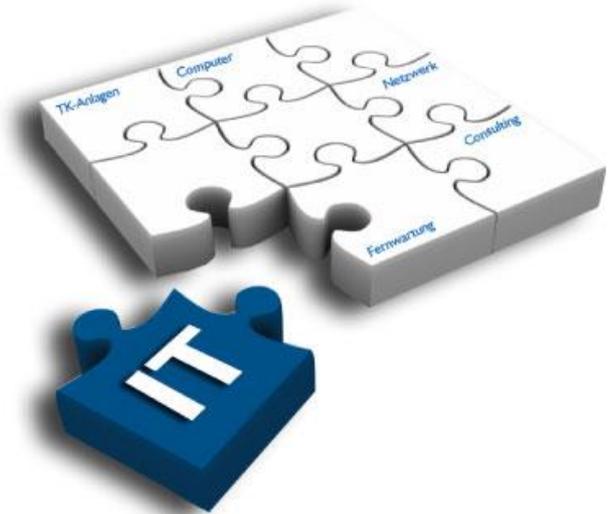




Staff Section Budgets

Information Technology ISF:

- Personnel: No change.
- Includes: share of utilities, insurance, supplies, etc.
- Includes: payment for expiring IT contracts and programs
- Continues improved City IT services



IT Spending:

- \$7K to move servers to Fire Station
- \$7K for IT Support Services
- \$23K for City Works
- \$20K for GIS



FY 17-18 Budget Study Session

Summary of Key Funds

Fund	Current Balance	FY16-17 Change	EOY 16-17 Balance
General Fund Emergency Reserve ¹	\$4,114,000	-\$585	\$4,113,415
Risk Management Fund ²	\$280,000	\$92,517	\$372,517
Capital Replacement Fund ³	\$200,000	\$0	\$200,000
Vehicle Replacement Reserve ⁴	\$146,000	\$25,000	\$171,000
Capital Projects Accumulation ⁵	\$260,000	\$0	\$260,000
Facility Maintenance Fund ⁶	\$222	\$0	\$222
General Plan Fund ⁷	\$240,000	\$0	\$240,000
Government Impact Fees ⁸	\$735,000	\$161,731	\$896,731
Compensable Leaves Fund ⁹	\$360,000	\$50,000K	\$410,000

1. EOY FY17-18 is ~\$1.4M above Council directed level.
2. Council directed minimum balance = \$100K. Potential due to potential requirements, recommend letting this build this year.
3. Savings account for replacement of existing facilities. Annual contribution should be around \$1M, FY18 contribution is zero.
4. Includes planned \$50K expense for replacement of Police Commander vehicle past service life.
5. Possible source of funds for future Embarcadero sidewalk widening and/or 41&Main intersection improvements.
6. General Maintenance fund. Funded by Distassios rents.
7. Sufficient funds remaining to complete GP/LCP rewrite.
8. Available for some unfunded requirements. Recommend Vet's , possible source for 41&Main
9. Strong balance to pay compensable leaves due to unprotected resignations / retirements.



Other Special Funds

- 051 - GFER
- 050 - Vehicle Replacement
- 052 – Facility Maintenance
- 200 – CDBG
- 250 – Gas Tax
- 280 – Traffic Safety
- 301 – Transit
- 302 – Bike Path
- 8312 – WWTP Relocation and Treatment Alternatives
- 430 – Risk Management
- 500 – Assessment Districts
- 599 – MB/CSD Wastewater Treatment
- 900 – Government Impact Fees



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Council Benevolence

Benevolence - \$8,000 available

<u>Activity</u>	<u>FY15-16 Amount</u>	<u>FY16-17 Recommendation</u>
Senior Nutrition	\$5000	\$5000
SLO Housing Trust	\$1000	\$1000
Community Resource Connections	\$1000	\$1000
SCORE	\$500	\$500
TBD (California Coastal Trail Project?)		\$500
Monday Night Dinners	Waive fees	Waive Fees
Total		\$8,000



Program Cut Initial “Menu”

- In March Council directed staff to cut a further \$400K from FY19 and FY20
- Council asked staff to begin now to identify where those cuts might be made – to allow for robust discussion in the coming year.
- Following are some representative areas of possible cuts:
 - \$550,000 Reduce street paving / preservation by up to \$550K
 - \$260,000 Drop to 3 firefighters on duty vs 4 (respond to 1 call at a time vs 2)
 - \$209,000 Drop from 3 police officers to 2 officers on duty at night
 - \$150,000 25% reduction in cleaning/maintenance/repair of public facilities and parks
 - \$95,000 Eliminate Teen Center Program
 - \$63,000 Reduce Tree Trimming to once every 10 years.
 - \$30,000 Cut all CA Conservation Corps labor for beautification / creek cleaning
 - \$27,000 50% reduction in pothole repair
 - \$15,000 Eliminate Staff Liaison / Program Coordinator to Senior Center
 - \$14,000 Eliminate FD Water Rescue Swimmer Program
 - \$12,500 Eliminate Mutt-mitt program



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Next Steps