



City of San Leandro

Meeting Date: June 15, 2020

Staff Report

File Number: 20-227

Agenda Section: PUBLIC HEARINGS

Agenda Number: 5.A.

TO: City Council

FROM: Jeff Kay
City Manager

BY: Liz Warmerdam
Interim Finance Director
Assistant City Manager

FINANCE REVIEW: Liz Warmerdam
Interim Finance Director

TITLE: Staff Report for a City of San Leandro City Council Resolution for a Public Hearing and Adoption of the Proposed Final Fiscal Year 2020-21 Budget including Revenue and Expenditure Appropriations (for the General Fund, Special Revenue Funds, Enterprise Funds, and Internal Service Funds)

SUMMARY AND RECOMMENDATIONS

Staff recommends the City Council conduct a public hearing and take public testimony regarding the Proposed Final Budget including revenue and expenditure appropriations for Fiscal Year (FY) 2020-2021. At the conclusion of the public hearing, staff recommends approving the resolution including amendments to the approved Biennial Budget for Fiscal Years 2019-2020 and 2020-2021 and appropriations for FY 2020-2021 (no change to the Public Financing Authority Fund or the Successor Agency Funds).

BACKGROUND

The City Council approved the FYs 2019-2020 and 2020-2021 Biennial Budget on June 3, 2019. The approved biennial budget is the City's plan for resource allocation that guides and insures implementation of City Council policies and priorities. The budget implements the City Council's vision and direction for the broad range of services meeting the needs of the community.

The plan and vision of the Biennial Budget for FY 2019-20 and 2020-2021 unfolded on target through December 31, 2019 and into the late winter. In mid-March 2020, the impacts of the COVID-19 pandemic became fully apparent nationally, in the Bay Area, and in San Leandro. The precautionary measures recommended to control the COVID-19 pandemic directly impacted all City residents and businesses, the City organization, and the delivery of City services.

The curtailment of City services on March 16, 2020, and the unprecedented loss of revenues stemming from the COVID-19 pandemic and related economic slowdown is anticipated to impact the City's financial condition from March 2020 at least through the entirety of FY 2020-2021.

While the City Council adopted a balanced budget for FY 2019-2020 and an initial budget with a manageable deficit for 2020-2021, the financial impacts of the COVID-19 pandemic require action to address significant revenue loss.

While exact data measuring the immediate and longer-term financial impacts on the City are limited at this time, state and national sources clearly indicate immediate and severe economic decline due to Alameda County's Shelter in Place order, followed by recession and a slow recovery.

Discussion

Following the budget presentation and City Council discussion on May 18, 2020, the City Manager proposes amending the FY 2020-2021 budget to reflect revenue and expenditure changes resulting from conditions caused by the COVID-19 pandemic. The total amended General Fund revenue for FY 2020-2021 is \$109,177,700, a decrease of \$8,867,000 from the originally adopted budget.

The City Manager recommends amended expenditures in FY 2020-2021 totaling \$117,680,700. Expenditure adjustments include both expenditure reductions to offset the use of reserves totaling \$5,471,700 and additional General Fund expenditure requests reviewed with the City Council on May 18, totaling \$1,240,700. The adjusted General Fund revenue/expenditure gap amounts to \$8,503,000-requiring the use of available General Fund reserves.

Revenues

The City Manager recommends revenues totaling \$109,178,000 in FY 2020-2021, a decrease of \$8,867,000. The General Fund tax revenue decrease related to decline in economic activity due to the COVID-19 pandemic includes Sales Tax and Transaction & Use Taxes, Real Property Transfer Tax, and Transient Occupancy Tax. The details of the projected budget revenue decreases in FY 2020-2021 are in **Attachment 1 - Table 1**.

Expenditures

The City Council Adopted Budget for FY 2020-2021 included a negative General Fund revenue/expenditure gap of \$2,305,000. Projected revenue losses resulting from COVID-19 have increased this projected gap to \$8,503,000. As a result, the City Manager recommends a number of actions to significantly reduce FY 2020-2021 expenditures and minimize both the gap and the level of reserves required to balance the budget. The City Manager recommends the following six steps to significantly reduce FY 2020-2021 expenditures:

- Selective hiring freeze;
- Supplies and Services expenditure reductions by all departments;
- Reductions and restrictions in travel spending in all departments, with the exception of mandatory travel for professional certifications;
- Reduce General Fund allocations to Internal Service Funds;
- Eliminate selected General Fund financed Capital Projects; and
- Amend Fire contract budget to reflect actual expenditure level.

Attachment 1 - Table 2 details the recommended expenditure reductions in FY 2020-2021 reviewed by the City Council on May 18, 2020.

The City Council initially adopted the FY 2020-2021 expenditure appropriations based on the best projections available nearly one year ago. Since that time, and as discussed earlier in this staff report, conditions have changed that require amendments to the previously approved General Fund expenditure levels. These revisions are required to maintain current operations and service levels in several Departments. **Attachment 1 - Table 3**, details the recommended additional appropriations reviewed by the City Council on May 18th.

Maintaining current operations and service levels in FY 2020-2021 also requires amendments to expenditure appropriations in several other City funds. Funds requiring amendment include Asset Seizure, Grants, Information Technology, Self-Insurance, and Equipment Maintenance. **Attachment 1 - Table 4** details the recommended additional appropriations for All Other Funds. In addition, the final budget for other funds includes adjustments to revenues in 18 funds and \$2 million for Administrative Support Allocation appropriation for specific Special Revenue funds, Enterprise funds and Internal Service funds as shown on Exhibit 1 attached to the resolution.

FISCAL IMPACT

The total amended General Fund revenues for Fiscal Year 2020-2021 are \$109,177,657. The City Manager recommends amended expenditures totaling \$117,680,714. The remaining projected General Fund revenue/expenditure gap is \$8,503,057-requiring the use of available reserve funds.

Staff requests City Council approval of the total All Funds amended revenues of \$177,428,122 and total amended All Funds expenditures of \$191,069,181 requiring the use of available total reserves of \$13,641,059 for the General Fund and all Other Funds for FY 2020-2021 (no changes to the Public Financing Authority Fund or the Successor Agency Funds).

ATTACHMENT

Attachment 1 (Table 1, Table 2, Table 3, and Table 4)

PREPARED BY

Elizabeth Warmerdam, Interim Finance Director/Assistant City Manager

TABLE 1
General Fund Revenue Amendments 2020-21

REVENUE	AMENDMENT AMOUNT	DESCRIPTION
Property Tax	\$857,400	Secured property tax assessment increase 3% reported by Alameda County.
Sales/ Transaction & Use Taxes	(5,569,900)	Projected 17% revenue decrease from taxable sales, primarily impacting general retail, auto & transportation, construction, and restaurants & hotels (9.5% decrease in 2019-20 related to COVID 19).
Real Property Transfer Tax	(1,163,500)	Projected 23% revenue decrease from taxable property sales of residential, commercial and industries properties (25% decrease in 2019-20 based on COVID 19).
Transient Occupancy Tax	(525,500)	Projected 51% revenue decrease in tax related to hotel/motel occupancy (18% decrease in 2019-20 based on COVID 19.)
Utility Users Tax	(690,800)	Projected continuing revenue trend impacting electricity and gas bills.
Charges for Current Services	(355,000)	Projected COVID 19 impacts primarily effecting Community Development, Fire, Police, and Recreation program revenues.
Other Revenues	(1,420,600)	Projected COVID 19 impact on building permit revenue.

TABLE 2
2020-21 Expenditure Reductions
Offsetting Projected Use of Reserves

EXPENDITURE	REDUCTION AMOUNT	DESCRIPTION
Non-Departmental	\$(2,000,000)	Selective hiring freeze. Total expenditure decrease dependent on vacant position with effort to limit impact on service levels.
Services and Supplies	(500,000)	All department reductions in supplies and services, 5% across the board.
Training and Travel	(100,000)	All department reductions in non-essential travel. Police POST training exempted. Discretionary travel eliminated, attendance at out of town conferences restricted.
Transfers Out— Internal Service Funds	(500,000)	Reduce one-year General Fund allocation to Internal Service Fund operations.
Transfers Out— Capital Projects	(1,900,000)	Reduction/delay in General Fund contribution to Capital Improvement Projects, defunding Police Range Renovation Project, Floresta Monterey Traffic Signal Project, and Main Library Restrooms Project.
Fire Service Contract	(471,700)	Reduction reflects actual expenditure level for contract.

TABLE 3
Recommended Additional General
Fund 2020-21 Expenditure Appropriations

EXPENDITURE	BUDGET REVISION	DESCRIPTION
Salary and Benefits— Community Development	\$140,400	Project Specialist II (fulltime, temporary)—partial offset by eliminating Project Specialist I (part-time).
Salary and Benefits— Finance	(117,500)	Eliminate Cashier position.
Salary and Benefits— Library	\$64,600	Library Security Aides (2) part-time.
Services and Supplies— Finance	415,000	Consulting for accounting services and business licenses (offset by both increased revenue and on-going vacancy savings).
Services and Supplies— Fire	327,000	Emergency equipment including heart monitors and Luca devices.
Services and Supplies— Recreation & HS	65,000	Facility security services and quarterly graphic design.
Services and Supplies— City Manager	250,000	Community assistance and response to COVID-19.
Services and Supplies— City Manager	25,000	Building security and improvements.
Services and Supplies— CD-Housing	51,200	Housing consulting and loan/grants.
Services and Supplies— Police	20,000	Increased lab cost resulting from loss of grant funds.

TABLE 4
Recommended Additional All Other
Funds 2020-21 Expenditure Appropriations

EXPENDITURE	AMENDMENT AMOUNT	DESCRIPTION
Asset Seizure— Police	\$342,500	Public Records Act compliance.
Grants— Police	88,000	Training, wellness program, video services, and additional equipment for South Offices.
Grants— Recreation & HS	132,500	Administrative support (FT) for paratransit Shuttle expansion plan.
Information Technology— City Manager-IT	(220,400)	Position eliminations, upgrades, and changes (net).
Self-Insurance— Finance/Risk Mgt.	353,500	Increased insurance premiums for general liability, property, and auto/equipment.
Equipment Repair/Maintenance— Police	229,700	Replenish police fleet vehicles.



City of San Leandro

Meeting Date: June 15, 2020

Resolution - Council

File Number: 20-228

Agenda Section: PUBLIC HEARINGS

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TO: City Council

FROM: Jeff Kay
City Manager

BY: Liz Warmerdam
Interim Finance Director
Assistant City Manager

FINANCE REVIEW: Liz Warmerdam
Interim Finance Director

TITLE: RESOLUTION of the City of San Leandro City Council to Approve City Manager Recommended Amendments to the City of San Leandro Budget for Fiscal Year 2020-2021 (amends the General Fund, Special Revenue Funds, Enterprise Funds, and Internal Service Funds budget) and Recommended Appropriations from Fund Balance Reserves

WHEREAS, the City Council approves annual budgets based on the best revenue and expenditure information available at the time budgets are prepared; and

WHEREAS, budget adjustments are periodically necessary to address changes that may arise and which require additional budget appropriations or re-appropriations between budget line items; and

WHEREAS, the Fiscal Year 2020-2021 Budget was adopted by the City Council on June 3, 2019, and

WHEREAS, there were no 2020-21 budget amendments necessary for the Public Financing Authority Fund or for the Successor Agency to the Redevelopment Agency of the City of San Leandro Fund, and

WHEREAS, the City Council received a presentation on May 18, 2020 on the updated budget and the proposed budget amendments.

NOW, THEREFORE, the City Council of the City of San Leandro does RESOLVE as follows:

That the Fiscal Year 2020-2021 Budget is hereby amended as shown on that certain attached document entitled EXHIBIT 1, Proposed Budget Amendments.

City of San Leandro
2020-21 Mid-Year Budget Update
Proposed Budget Amendments

EXHIBIT 1

	Revenues/ Transfers In	Expenditures/ Transfers Out	Reserves	Description
GENERAL FUND	\$118,045,460	\$120,349,415	(\$2,303,955)	Adopted Budget
<u>Revenues</u>				
Property tax	\$857,417			Updated County Assessments
Sales tax	(5,569,853)			Sales tax consultant projects decrease
Real Property transfer tax	(1,163,507)			Large dollar valued property sales down
Transient Occupancy tax	(525,527)			COVID-19 impact
Utility Users tax	(690,787)			UUT consultant projects decrease
Charges for Current Services	(354,963)			COVID-19 impact
Other Revenues	(1,420,584)			COVID-19 impact to investment earnings
<u>Expenditures</u>				
Salaries and benefits				
Community Development		\$140,409		New FT Proj Specialist, eliminate PT Proj Spec
Finance		(117,533)		Eliminate FT Cashier position
Library		64,561		New 2 PT Security Aides
Police		1,562,400		SLPOA & SLPMA MOUs approved 1/6/20 & 2/18/20
Non-departmental		(2,000,000)		Selective hiring freeze impact
Services and supplies				
City Council		(2,284)		Services & supplies \$500k decrease
City Manager		179,800		includes \$250k for COVID-19 costs
Community Development		(22,097)		Includes services/supplies \$500k decrease
Engineering & Transportation		(9,354)		Includes services/supplies \$500k decrease
Finance		400,674		Accounting and business licensing services
Library		(25,105)		Includes services/supplies \$500k decrease
Police		(108,287)		Includes services/supplies \$500k decrease
Public Works		(72,578)		Includes services/supplies \$500k decrease
Recreation & Human Services		11,199		Security services, graphic services
Non-departmental		(10,787)		Includes services/supplies \$500k decrease
Travel and training				
City Manager		(16,303)		Travel & training \$100k decrease
Community Development		(16,766)		Travel & training \$100k decrease
Engineering & Transportation		(4,191)		Travel & training \$100k decrease
Finance		(7,125)		Travel & training \$100k decrease
Police		(44,174)		Travel & training \$100k decrease
Public Works		(5,307)		Travel & training \$100k decrease
Recreation & Human Services		(3,642)		Travel & training \$100k decrease
Non-departmental		(2,493)		Travel & training \$100k decrease
Fire service contract		(471,726)		ACFD updated projection
Fire equipment		327,017		Replace fire engine & equipment cost increase
Internal service fund charges				
Facilities Maintenance		(100,000)		Facilities ISF allocation reduced \$100k
Information Technology		(115,009)		IT ISF allocation reduced \$100k
Equipment Maintenance		(300,000)		Equipment R&M ISF allocation -\$300k
Transfers out - CIP		(1,900,000)		Deferred 3 capital projects
Total General Fund	\$109,177,656	\$117,680,714	(\$8,503,058)	

EXHIBIT 1

City of San Leandro
2020-21 Mid-Year Budget Update
Proposed Budget Amendments

	Revenues/ Transfers In	Expenditures/ Transfers Out	Reserves	Description
OTHER FUNDS	\$73,270,221	\$70,462,755	\$2,807,466	Adopted Budget
Street & Traffic Improvements (DFSI)	(250,000)	11,530		Updated revenues & Admin Support allocation
Park Development Fees	(700,000)	17,950		Updated revenues & Admin Support allocation
Parking	90,000	23,810		Updated revenues & Admin Support allocation
Gas tax	(469,805)	159,650		Updated revenues & Admin Support allocation
Measure BB	(2,143,621)	0		ACTC updated revenue projections
Measure B	(46,693)	40,570		ACTC updated revenue; Admin support alloc.
Measure F	(2,000)	0		Updated VRF revenue projections
Asset Seizure	0	342,427		Equipment, service & training needs
Heron Bay Maintenance Assessment	0	28,790		Administrative Support allocation
Grants	(1,059,950)	220,471		Reduced grant funds; FT Paratransit position, PD equip.
CDBG	819,000	0		Increased CDBG funding
Housing Rehabilitation	(86,400)	0		Reduced County funding
Housing Services	(5,000)	0		Reduced interest income
Business Improvement District	(46,530)	0		Reduced grant funding
Water Pollution Control Plant	350,000	726,200		New grant & sewer rates; Admin Support allocation
Environmental Services	(100)	107,040		Administrative Support allocation
Shoreline	(965,656)	160,790		Reduced TOT, rental income; Admin Support alloc
Storm Water	0	66,830		Administrative Support allocation
Facilities Maintenance	(100,000)	190,820		GF reduced alloc; Admin Support allocation
Information Technology	(103,000)	16,764		GF reduced alloc; Admin Support allocation
Self Insurance	0	440,629		Administrative Support allocation
Equipment Maintenance	(300,000)	371,441		GF reduced alloc; Admin Support allocation
Total Other Funds	68,250,466	73,388,467	(5,138,001)	
GRAND TOTALS	177,428,122	191,069,181	(13,641,059)	
Adopted budget	\$191,315,681	\$190,812,170	\$503,511	
Budget amendments	(13,887,559)	\$257,011	(14,144,570)	
2020-21 Proposed budget	<u>\$177,428,122</u>	<u>\$191,069,181</u>	<u>(13,641,059)</u>	