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# CITY OF POMONA

## COUNCIL REPORT

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March 18, 2019

To: Honorable Mayor and Members of the City Council

From: Linda Lowry, City Manager

Submitted By: Andrew Mowbray, Interim Finance Director/City Treasurer

**SUBJECT: Fiscal Year 2018-19 General Fund Mid-Year Budget Review, Adoption of Resolution 2019-25 Amending the Fiscal Year 2018-19 Operating Budget and Amending the FY 2018-19 Authorized Staffing Levels**

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### **RECOMMENDATION:**

It is recommended that the City Council take the following actions:

1. Review the Fiscal Year 2018-19 General Fund Mid-Year Budget Report.
2. Adopt Resolution 2019-25 amending the FY 2018-19 Operating Budget and the Fiscal Year 2018-19 Authorized Staffing Levels.
3. Adopt Resolution 2019-32 amending the Memorandum of Understanding between the City of Pomona and the Pomona City Employees' Chapter of the Teamsters Local 1932 (PCEA).
4. Adopt Resolution 2019-33 amending Appendix B Memorandum of Understanding between the City of Pomona and the Pomona Mid-Management Confidential Employees Association.
5. Adopt Resolution 2019-34 amending Appendix A of the Personnel Rules and Regulations for Management Group A and B Employees.
6. Adopt Resolution 2019-35 amending the City of Pomona's Positions and Salary Schedule pursuant to the California Code of Regulations (CCR) Title 2, Section 570. 5 and Amendments to CCR Section 571, Subdivision (b).

**EXECUTIVE SUMMARY:** This report summarizes the City's General Fund overall financial position for the current fiscal year through December 2018. The General Fund is the largest operating fund in the City and is used to account for all the City's general revenues such as Taxes, Charge for Services, Permit Revenue, Investment Income and Intergovernmental Revenues which are mostly revenues from the County and State. General Fund expenditures are related to the rendering of general services, including by not limited to Public Safety, Parks and Recreation services, Public Works, Administration and Legislative services for the City. This report will cover the following areas:

- General Fund Overview
- General Fund Summary of Revenue
- General Fund Expenditure Detail By Category and Detail By Department

- General Fund Recommended Mid-Year Budget Amendments
- General Fund Fiscal Year 2018-19 Anticipated Budget Fund Balance
- Recommended Staffing Changes
- Non-General Fund Recommended Mid-Year Budget Amendments

**FISCAL IMPACT:** The adoption of Resolution 2019-25 (Attachment No.1) will increase the General Fund and other Non-General Funds as reflected in Table 1.

**Table 1 - Fiscal Year 2018-19 Mid-Year Requests**

<b>General Fund</b>	<b>Revenue Estimates</b>	<b>Appropriation Changes</b>
General Fund Appropriations/Revenue Estimates (101-XXXX-XXXXX-00000)	\$6,232,000	\$404,973
<b>Non General Funds</b>	<b>Revenue Estimates</b>	<b>Appropriation Changes</b>
Water Fund (571-8122-51012-00000)	\$0	\$3,112
Successor Agency (315-6201-51012-00000)	\$0	\$3,360
<b>Total Non General Fund Appropriations</b>	<b>\$0</b>	<b>\$6,472</b>
<b>Total Appropriations</b>	<b>\$6,232,000</b>	<b>\$411,445</b>

**PREVIOUS RELATED ACTION:** City Council approved the Budget Preparation Calendar, Guiding Principles and Process for FY 2018-19 on November 20, 2017. City Council adopted the FY 2018-19 Operating Budget, Housing Authority Budget, and the Five-Year Capital Improvement Program on June 4, 2018, with amendments to the General Fund operating budget approved on June 18, 2018, July 2, 2018, August 6, 2018, September 10, 2018, September 18, 2018 and October 15, 2018, November, 18, 2018 and December 17, 2018.

## **DISCUSSION:**

**2018-19 GENERAL FUND MID-YEAR OVERVIEW** – At adoption on June 4, 2018 and as shown in Table 2, FY 18-19 General Fund revenues were \$102.7M and appropriations were \$107.4M, with an adopted net deficit of \$4.7M. The General Fund budget has been amended since adoption, with appropriations now projected to exceed revenues by \$5M. With regard to actuals for the year, with 50% of the year complete, General Fund revenues are at 36% of projections and expenditures are at 47%. With the disparity of revenue collections versus expenditures, General Fund has expended \$13.7M more than it has collected in the current fiscal year (as of December 31, 2018). This cash flow is normal due to the timing of tax receipts and is one of the primary reasons the 17% Fund Balance called for within the City’s Fiscal Sustainability Policy is necessary. The appropriations and revised revenue estimates proposed within this report could create a surplus in the amount of \$842K.

**Table 2 - Fiscal Year 2018-19 Mid-Year Summary**

2018-19	Adopted	Prop Mid		Mid Year Budget*	As of Dec 31' 18	% Rec'd/ Exp'd	Year End Estimate
		Amended Budget*	Year Amendments				
Total Revenue	\$102,701,164	\$103,367,166	\$6,232,000	\$109,599,166	\$37,018,618	36%	\$109,216,120
Total Expense	\$107,394,313	\$108,352,100	\$404,973	\$108,757,073	\$50,749,910	47%	\$106,051,398
<b>Net</b>	<b>(\$4,693,149)</b>	<b>(\$4,984,934)</b>	<b>\$5,827,027</b>	<b>\$842,093</b>	<b>(\$13,731,292)</b>		<b>\$3,164,722</b>

\* Amended Budget includes approved council actions to date

**2018-19 GENERAL FUND OPERATING REVENUE** - General Fund revenues received as of December 2018 are only 36%. This is due to revenue sources that are received in July and August that are accrued back to the prior fiscal year and other large revenue sources that are received on a quarterly or bi-annual basis in January or spring. Actual year-end results are difficult to predict at this time; however, as reflected in Table 3, overall the General Fund revenues in FY 2018-19 are coming in higher in comparison with the same reporting period in FY 2017-18 in some categories. Tax revenues make up 86% of the General Fund's budgeted revenue and, therefore, merit a more detailed discussion as presented below.

**Table 3 - Fiscal Year 2018-19 Mid-Year Revenue Summary**

	2017-2018 ACTUALS TO DATE	2017-2018 Mid Year	% ACTUALS/ BUDGET	2018-2019 AMENDED BUDGET	2018-2019 MID YEAR BUDGET	2018-2019 Mid Year	% ACTUALS/ BUDGET	2018-2019 YEAR END ESTIMATE
All Property Taxes	\$34,927,706	\$6,846,444	20%	\$38,964,732	\$38,964,732	\$10,317,339	26%	\$39,000,985
All Sales & Use Tax	\$18,913,339	\$6,315,491	33%	\$18,754,400	\$21,111,400	\$7,075,527	38%	\$21,903,400
All Utility Tax	\$16,455,057	\$7,515,380	46%	\$17,687,803	\$17,687,803	\$7,491,430	42%	\$16,966,808
All Other Taxes	\$14,462,116	\$5,363,124	37%	\$13,072,900	\$13,072,900	\$4,482,022	34%	\$13,170,300
All Other Sources	\$13,906,187	\$5,111,344	37%	\$14,887,331	\$18,762,331	\$7,652,300	51%	\$18,174,627
<b>Total Revenue</b>	<b>\$98,664,405</b>	<b>\$31,151,783</b>	<b>32%</b>	<b>\$103,367,166</b>	<b>\$109,599,166</b>	<b>\$37,018,618</b>	<b>36%</b>	<b>\$109,216,120</b>

Property Taxes – Typically, property tax revenues are received from November through August. In addition, due to various State actions, the City receives “In Lieu” property tax twice a year in January and June. Property Taxes are trending higher than the total amount received last fiscal year by \$4.0M. This substantial increase is primarily due to one-time revenue from the sale of a former RDA property and an increase in property tax in lieu of VLF. Successor Agency Residual property tax revenues are anticipated at \$1.1M; however, in the future, this residual income may be required to be used to pay the Successor Agency’s Deferral Loan Agreement with the County. Repayment of the County loan deferral has yet to be initiated.

Sales Tax – The total revenue budget from Retail Sales Tax is derived from two distinct sources; a 1.0% share of local sales (from the State and County Pools) and allocations of Public Safety Augmentation Fund (PSAF) sales tax from the County. These two sources were budgeted at \$18.8M in FY 2018-19. This source of revenue is typically responsive to economic

circumstances. Based on the revenues received through December 31, 2018, the total of these two sales tax revenue sources is anticipated to come in over budget, with an additional \$792K anticipated. With the recent passage of Tax Measure PG, a third sales tax revenue source, will be remitted to the City beginning in the final sales quarter of FY 2018-19. The City's Tax Consultants estimate that \$2.36M, in previously unbudgeted revenues will be received this Fiscal Year from the new Transaction and Use Tax and therefore staff is requesting a revised estimate of this amount to include in the FY 2018-19 budgets as discussed herein.

Utility Users Tax (UUT) – Currently budgeted at \$17.7M, utility tax revenue represents 17% of General Fund revenues. A portion of this revenue source is accrued to the prior fiscal year, therefore, the current amount received of \$7.5M, does not represent a full quarter of receipts. Based on a comparison of last year's first two quarter receipts to the same two quarters this year, actuals are trending slightly lower, therefore the year-end estimate has been lowered by \$721K.

Other Taxes - This category includes Business Licenses, Transient Occupancy Tax, Property Transfer Tax and Franchise Fees, which represent 13% of total General Fund revenues. These sources, collectively, are budgeted at \$13.1M, almost aligned with FY 2017-18 actuals. \$2M of Franchise Fee revenues for Water/Sewer/Refuse enterprises, which were previously budgeted within this category, have been accounted for within "Other Sources" below, due to a recommended change in methodology. While receipts for Property Transfer Tax appear strong, franchise fees are a large part of this category and payments from the two largest payers – SCE and The Gas Company – will not be received until April 2019; therefore, staff is not recommending a change to the revenue estimate for this category at this time.

Other Sources – All Other Sources include Fees, Licenses, Permits and Revenue from Use and Property categories and make up 14% of General Fund Revenues. Currently Licenses and Permits are trending higher, with the "Fees" category closely aligned to finish within the estimated amount. As discussed in the budget amendments section below (page 6) the Building Services Contract will require an appropriation with a corresponding increase in revenue. Los Angeles County Fire Paramedic Pass thru revenues are trending slightly higher due to a backlog in billing from the prior fiscal year FY 2017-18. Staff is requesting a revised estimate for this line item. Public Works staff is preparing a proposal regarding the sale of cell tower leases for future Council consideration, which could result in increased revenues estimated at \$3.2M. These estimates along with other proposed revised revenue estimates are covered in the amendment section on page 6. As mentioned above, reimbursement from Enterprise Funds has been moved from the Other Taxes category to "Transfers in" and will bring in about \$1.7M from the Enterprise Funds. This change is due to the creation of a reimbursement model from Enterprise Funds for cost incurred and benefits provided by the General Fund.

Revenue Summary – In summary, the budgeted revenues from tax related items discussed above represent 86% of the City's General Fund. Although revenues received through December 2018 are increasing in areas of Property Tax and Sales Tax, the significant reduction in Other Taxes is offset with the increase in Others Sources related to the reimbursement model methodology for Enterprise Funds. Utility Users Tax is projected to come in under budget by \$721K. When accounting for potential one-time cell tower lease revenues, the increased Paramedic Pass Thru receipts and the previously unbudgeted Measure PG Transaction Use Tax revenues, Revenue

Estimates are projected to end the year above budgeted expenditures. This anticipated surplus will provide for a contribution to General Fund reserves in accordance with the General Fund Reserve Policy within the City's Fiscal Sustainability Policy.

### **EXPENDITURES**

At the halfway point of the Fiscal Year, as of December 31, 2018 overall General Fund appropriations are 47% expended. All departments, with the exception of City Administration, which is slightly over due to the timing of controllable contract expense billings, are within budget at Mid-Year. All other categories are within an acceptable range of year-to-date expenditures in relation to the total appropriations for the year. The following provides a breakdown of the FY 2018-19 appropriations, and Mid-Year Expenditures by Category (Table 4) and then by Department (Table 5).

**Table 4 - Fiscal Year 2018-19 Mid-Year Expenditure Summary**

	<b>2018-2019 AMENDED BUDGET</b>	<b>% OF TOTAL</b>	<b>2018-2019 MID YEAR EXP</b>	<b>% Expended</b>	<b>2018-2019 MID YEAR BUDGET</b>	<b>2018-2019 YEAR END ESTIMATE</b>
By Category						
Personnel	\$59,042,120	54%	\$27,464,583	47%	\$59,119,535	\$57,055,574
Controllable Expenses	\$7,504,044	7%	\$2,910,067	39%	\$7,800,594	\$7,475,201
Required Expenses	\$30,473,792	28%	\$14,928,610	49%	\$30,504,800	\$30,136,005
Allocation and Utilities	\$8,371,046	8%	\$4,040,913	48%	\$8,371,046	\$8,432,550
Recovered Costs	(\$1,461,880)	-1%	(\$730,940)	50%	(\$1,461,880)	(\$1,461,880)
Capital	\$133,380	0%	\$0	0%	\$133,380	\$124,350
Transfers to Other Funds	\$4,289,598	4%	\$2,136,676	50%	\$4,289,598	\$4,289,598
<b>Total Expense</b>	<b>\$108,352,100</b>	<b>100%</b>	<b>\$50,749,909</b>	<b>47%</b>	<b>\$108,757,073</b>	<b>\$106,051,398</b>

**Table 5 - Fiscal Year 2018-19 Mid-Year Department Summary**

	<b>2018-2019 AMENDED BUDGET</b>	<b>% OF TOTAL</b>	<b>2018-2019 MID YEAR EXP</b>	<b>% Expended</b>	<b>2018-2019 MID YEAR BUDGET</b>	<b>2018-2019 YEAR END ESTIMATE</b>
By Department						
All General Services	\$2,129,320	2%	\$1,051,310	49%	\$2,154,320	\$2,146,245
All Recovered Costs	(\$1,461,880)	-1%	(\$730,940)	50%	-\$1,461,880	(\$1,461,880)
All Mayor & Council	\$489,996	0%	\$241,585	49%	\$501,004	\$506,111
All City Clerk	\$690,977	1%	\$256,887	37%	\$753,292	\$761,052
All City Attorney	\$1,490,303	1%	\$548,325	37%	\$1,490,303	\$1,186,969
All Human Resources	\$1,152,762	1%	\$517,254	45%	\$1,152,762	\$1,141,923
All Finance	\$2,139,154	2%	\$997,294	47%	\$2,314,154	\$2,086,461
All City Administration	\$939,899	1%	\$491,996	52%	\$939,899	\$936,459
All Development Services	\$4,691,167	4%	\$2,252,699	48%	\$4,802,417	\$4,415,868
All Police	\$57,717,849	53%	\$26,725,803	46%	\$57,723,149	\$55,965,763
All Fire	\$26,941,624	25%	\$13,470,811	50%	\$26,941,624	\$26,941,624
All Public Works	\$6,944,251	6%	\$2,922,111	42%	\$6,944,251	\$6,943,979
All Neighborhood Services	\$3,426,306	3%	\$1,515,323	44%	\$3,441,406	\$3,499,832
All Library	\$1,060,372	1%	\$489,451	46%	\$1,060,372	\$980,992
<b>Total Expense</b>	<b>\$108,352,100</b>	<b>100%</b>	<b>\$50,749,909</b>	<b>47%</b>	<b>\$108,757,073</b>	<b>\$106,051,398</b>

As reflected in Table 5, most Departments have expended 50% or less of budget at Mid-Year. Under current budgetary allocations, Public Safety represents 78% of all General Fund expenditures. Table 4 shows the category of “Personnel” trending dramatically below adopted figures, with as much as \$2M in savings anticipated due to vacancies in several Departments. A large portion of this amount is due to the vacancies within the Police Department. However, staff is requesting that the Council approve additional appropriations in the amount of \$405K. These recommended actions are covered in detail within the next section.

### **FY 2018-19 RECOMMENDED GENERAL FUND BUDGET AMENDMENTS**

*General Service Required Contract Increase* – City Tax consultants provide sales tax review and audit services. The budget for these services can fluctuate based on the firm’s findings. Staff is requesting an appropriation of \$25,000 for a total budget of \$70,000 through the end of June 2019. Increased audit services provided in the current Fiscal Year creates increased sales tax revenues in future years when the funds are collected.

*City Clerk Departmental Increase* – Due to the departure of the City Clerk in June 2018, an interim City Clerk was hired as well as an hourly employee to assist with the City Clerk operations and specifically for the November 2018, election. During the recruitment for a new City Clerk, hourly expenses incurred totaled an additional \$52K. Additionally the new City Clerk was hired in December 2018, along with an adjustment in the City Clerk position’s salary scale, an additional \$10K is needed to fund the City Clerk position. Therefore an appropriation of \$62K is requested.

*City Council Departmental Increase* – Annually, each council district is provided an appropriation for the elected councilmember to use for expenses associated with the office, including technology purchases, office supplies, fees for conferences and seminars and councilmember contributions to various City organizations in the form of “The finding of public benefit” items. This budget is set each fiscal year with a CPI increase or decrease based on the previous years’ allocation. During an election year if an incumbent is not re-elected, this line item budget is divided into a prorated allotment, with the newly elected councilmember receiving 7/12 of the annual budget for the period from December – June. This past practice has been done for many years when a City Council seat changes. As a result, departing councilmembers are assumed within the Budget, to have an allocation of 5/12 of the normal annual amount. Staff is requesting an additional appropriation \$11K to offset the total amount of outgoing Councilmember expenditures that exceeded the 5/12 budgetary allotment.

*Development Services Departmental Increases* – Staff is requesting an increase in appropriations for \$111,250 due to the following:

- The contract for Building and Safety services will need to increase \$81K as result of the Building Permit Revenues increasing in the current fiscal year. The City contract with Interwest results in the company receiving a 65% share of Building and Safety division revenues collected. With a \$125K increase in Building permit revenue projected (discussed below), this appropriation needs to increase to fund the monthly contract.
- Code Compliance needs to increase supplemental legal services due to pallet yard enforcement and increased legal services for several open Code Compliance related

cases. In addition, the Division needs to increase abatement services due to expenses that should have occurred in FY 2017-18, but were recorded in FY 2018-19. Related to this, revenue estimates for administration citations and abatements either have exceeded the year end estimate or are trending higher than estimated. Staff is requesting an appropriation of \$20K for Supplemental Legal Services and \$10K for the Abatement line item in the Code Compliance Division. Staff anticipates that the overall impact to the General Fund will be significantly offset by additional revenues actualized within the Division by year-end.

*Police Departmental Increases* – At the January 7, 2019 City Council meeting the Police Department crossing guard contract was discussed. At the time of the meeting, City staff was directed to fund additional crossing guard services in the amount of \$5K to add a crossing guard near Harrison Elementary school.

*Neighborhood Services Departmental Increases* – After an analysis and review of full time earnings in the Community Services Division of Neighborhood services, this personnel category is trending higher than budgeted. It appears that there were either errors in accounting for step increases or retroactive increases. The Department is requesting \$15K to cover these unanticipated personnel costs.

*Finance Departmental Increase* – Related to Measure PG which voters approved on November 6, 2018, a Transaction and Use Tax (TUT) of .75% was established. Associated with this tax will be increased annual sales tax revenues (discussed below). In addition, the California Department of Tax and Fee Administration (CDTFA) will charge the City a preparatory fee of no more than \$175K for services related to the implementation of this Tax. At this time, this is just an estimate, and once the Tax is in effect (April 2019), CDTFA will determine the final amount, which will be divided among all of the cities and counties implementing a TUT. The Department is conservatively requesting a \$175K appropriation for these services.

## **Revenue Items**

*Transaction and Use Tax - Measure PG* – On August 6, 2018, the City Council adopted Resolution No. 2018-118 submitting a three quarters of one percent (0.75%) sales tax measure to the City of Pomona's qualified electors at the General Municipal Election on Tuesday, November 6, 2018. The tax measure passed and the tax will begin to be remitted to the City for the final sales quarter of FY 2018-19. The City's Tax Consultants estimate that \$2.36M will be received this Fiscal Year and therefore staff is requesting a revised estimate of this same amount.

*Los Angeles County Fire Paramedic Pass Through* – Los Angeles County Fire Department provided a projection that the City of Pomona total ambulance credits for FY 2018-19 will be \$1.0M. The reason for the increase is primarily because FY 2017-18 invoices to the ambulance providers were being questioned and payments were delayed until data issues were resolved, which resulted in many 2017-18 ambulance invoices being paid in FY 2018-19. Staff is requesting a revised revenue increase of \$550K for FY 2018-19 (Budget is currently \$450K).

*Sale of Cell Towers* – On June 18, 2018 Council approved an agreement with Steep Steel, LLC, for City owned cellular communication asset management advice and entered into an agreement with Steep Steel on November 6, 2018. The agreement was to conduct a review, audit, and

analysis of active license agreements for wireless communication. As part of the November 19, 2018 First Quarter Budget Report, staff addressed the concern of the FY 2018-19 budgeted deficits and staff was exploring the sale of City cell-site leases which would produce a one-time revenues source for the General Fund. At this time City staff is working to finalize an agreement that would generate approximately \$3.2M of one-time General Fund revenue in FY 2018-19. A recommendation will be brought forward to the City Council next month. With the anticipation of this one-time revenue, staff requests a revised revenue estimate of \$3.2M be included in the FY 2018-19 Budget.

*Building Permits* - Development Services staff has indicated a few unanticipated Development projects have come online, including the new Hilton Hotel. These recently submitted plans were not in the original revenue estimates. As mentioned above the contract for Building and Safety services will need to increase as result of the Building Permit Revenues increasing in the current Fiscal Year. Staff estimates a \$125K increase in Building permit revenue which needs to be included in the revised revenue estimates.

### **FUND BALANCE POLICY**

On June 20, 2011, the City Council adopted resolution 2011-63A approving the City's Fund Balance Policy. The objectives of the policy were to comply with the Governmental Accounting Standards Board (GASB) Statement Number 54 – Fund Balance Reporting and Governmental Fund Type Definitions; establish formal reserve policies; build adequate reserves; and guide the City toward meeting its short and long-term obligations.

The Policy states that at the end of each fiscal year, the City shall have a Committed Fund Balance equal to 17% of operating expenditures and transfers out in the General Fund. The 17% is to be considered the minimum level. Based on audited FY 2017-18 figures, the General Fund balance was \$17.9M. However, based on the adopted budget deficit, with additional General Fund budget amendments since July 1, 2018, and the appropriations/revised revenue estimates proposed within the mid-year report, the FY 2018-19 estimated fund balance could equal \$18.8M, which would meet the Fund Balance Policy ultimate target of 17%. Table 6 shows how the \$5.8M of potential budget amendments for FY 2018-19 could increase the potential surplus to \$18.8M.

**Table 6 - Fiscal Year 2018-19 Estimated Fund Balance**

ITEM	2018-2019 BUDGET
<b>Fund Balance FY 2017-18 (Based on CAFR)</b>	<b>17,974,000</b>
Total Amended Revenue to Date	103,367,166
Total Amended Expense to Date	(108,352,100)
<b>Net Total To Date (Revenue/Expenditures)</b>	<b>(4,984,934)</b>
Total Request at March 18, 2019 City Council Meeting	5,827,027
<b>Anticipated 2018-19 Surplus Budgeted To Date</b>	<b>842,093</b>
<b>Updated Budgeted Fund Balance FY 2018-19</b>	<b>18,816,093</b>
Estimated Committed Fund Balance FY 2018-2019 Per Policy (17%)	18,488,702
Graduated Benchmark Per Policy as of June 30, 2019 (15.5%)	16,857,346



### **CITYWIDE STAFFING REQUESTS - FY 2018-19**

The staffing changes reflected below are detailed in the attached personnel resolutions (Attachments No. 1, 2, 3, 4 and 5.)

Public Works Director - This request is to increase the salary range for the Public Works Director position from EA-097 (Range: \$129,582 - \$173,655) to EA-099 (Range: \$136,145 - \$182,444). The primary reason for this request is to assist with recruitment and retention of the Public Works Director position. A recent salary survey showed the City's Public Works Director to be approximately 15% below market. The annual increase comparing the two position ranges top range is \$9K annually. Due to salary savings anticipated with the vacancy of the Public Works Director, no appropriation request is necessary for the FY 2018-19.

Water Resources Director – This request is to increase the salary range for the Water Resources Director position from EA-097 (Range: \$129,582 - \$173,655) to EA-099 (Range: \$136,145 - \$182,444). The modification will keep the salary range aligned with the salary range of the Public Works Director position. The annual financial impact at the positions highest range is \$9K and including benefits is \$12K. With an appropriation necessary to cover this increased cost with the effective date of March 31, 2018, the cost for the remainder of the Fiscal Year is \$3K and will be born by the Water Fund.

Development Services Department - One Code Compliance Manager position (MC-068- Group C) is requested to be reclassified to Code Compliance Supervisor position (MC-070-Group C). This change is recommended as the title and duties of supervisor better match current salary range and required responsibilities. The annual increase comparing the two position ranges top range is \$4K annually. Due to salary savings anticipated with the vacancy of the Code Compliance Manager, no appropriation request is necessary for the FY 2018-19.

Public Works Department - One Public Services Specialist position (GS-052) is requested to be reclassified to Lead Landscape Maintenance Technician position (GS-052). This change is recommended to enable the City's Parks and Landscape Maintenance unit to better address the City's broad range of landscaping needs and manage the various landscape maintenance contracts. There is no salary adjustment, only a title change. Therefore f no appropriation request is necessary for the FY 2018-19.

Finance Department - One Senior Accountant (MC-068-Group C) position to Principal Accountant position (MC-072-Group C). This reclassification reflects the increase in duties in the audit preparation, oversight of the annual CAFR document, financial statement development, preparing the ROPS for the Successor Agency, complex accounting entries for the refunding of debt, and preparation of various audit schedules and reconciliations, which in turn has improved the City's ability's to report financial information. The annual financial impact at the recommend range is \$13K annually including benefits. With an appropriation necessary to cover this increased cost with the effective date of March 31, 2018, the cost for the remainder of the Fiscal Year is \$3K and will be appropriated in the Successor Agency.

**NON-GENERAL FUND RECOMMENDED FY 2018-19 MID-YEAR BUDGET AMENDMENTS**

CALHOME FUNDS Fund (F264) – There was a data entry error in the staff report that was approved by the City Council on January 28, 2019 entitled, “Public Hearing Amending the Consolidated Plan, the Fiscal Year 2018-2019 Annual Action Plan and the FY 2018-2019 City Operating Budget by Reallocating Funds and Appropriating Additional Community Development Block Grant (CDBG) Funds, HOME Investment Partnership (HOME) Program Funds, Emergency Solutions (ESG) Funds and Cal HOME Funds.” The resolution adopted a changing revenue estimates and appropriations to the different grants/funding sources. There was a minor error on page 2 of the staff report and Resolution 2019-12 pertaining to Cal Home Reuse funds, particularly pertaining to the fund number that was referenced, which is shown below:

<u>CALHOME Grant Funds</u>		
Reuse Funds (264-6726-40485-00000)	+ 41,044	\$ 41,044

Instead, the fund number for Cal Home Reuse Fund is 257, and the staff report and Resolution should be revised as follows:

<u>CALHOME Reuse Funds</u>		
Reuse Funds (257-6726-40485-00000)	+ 41,044	\$ 41,044

Staff is requesting that this error be corrected and reflected as stated above.

**CONCLUSION**

As stated in the Executive Summary, the purpose of this report is to give City Council a financial update of the FY 2018-19 Budget at the Mid-Year. Based on this information, staff is recommending the City Council adopt the amendments proposed herein, as well as the requested changes to the City’s authorized staffing level.

Although Staff was able to reduce the budget deficit due to one-time revenues, combined with the budget amendments requested in this Mid-Year report, an \$842K budgetary surplus is projected to be achieved. Based on staff estimates, this surplus, if actualized, would contribute to the General Fund Balance as stated in the reserve policy. If the projected year end estimates are realized based on position vacancies in several departments, the reserve contribution could reach as much as \$3M, which would help exceed the 17% policy requirement. However, the passage of Measure PG - Transaction and Use Sales Tax the City will stabilize revenues for at least the next 10 years. This increase in revenue will result in a larger adopted budget. As the budget is anticipated to increase over the years, the amount of committed fund balance per the policy will proportionately increase. Per the City’s Fiscal Sustainability Policy, one-time revenues should not be relied on for current operations and instead should be set aside for future capital needs as well as contributed to fund balance. These are all factors to consider as staff is currently preparing the FY 2019-20 Preliminary Budget, with revenues currently projected at \$114M. Over the next few months the 2019-20 Proposed Budget will be formulated and brought forward for discussion on Monday, May 13, 2019 at the annual Budget Study Session.

**ALTERNATIVE(S):** None

Prepared by:

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Andrew Mowbray  
Interim Finance Director/City Treasurer

**ATTACHMENT(S):**

Attachment No. 1 – Resolution No. 2019-25  
Attachment No. 2 – Resolution No. 2019-32  
Attachment No. 3 – Resolution No. 2019-33  
Attachment No. 4 – Resolution No. 2019-34  
Attachment No. 5 – Resolution No. 2019-35  
Attachment No. 6 – Exhibit A - Resolution No. 2019-35