



**SPECIAL CITY COUNCIL MEETING AGENDA
TUESDAY, FEBRUARY 26th, 2019 5:00 P. M.
SAN DIMAS COUNCIL CONFERENCE ROOM
245 E. BONITA AVE.**

CITY COUNCIL:

Mayor Curtis W. Morris
Mayor Pro Tem John Ebner
Councilmember Emmett Badar
Councilmember Denis Bertone
Councilmember Ryan A. Vienna

1. CALL TO ORDER

2. ORAL COMMUNICATIONS

(For anyone wishing to address the City Council on an item on this agenda. Under the provisions of the Brown Act, the legislative body is prohibited from taking or engaging in discussion on any item not appearing on the posted agenda.)

a. Members of the Audience

3. STUDY SESSION

- a. 2018-19 Mid-year Budget Report.
- b. Topics for the 2019-20 City of San Dimas Budget

4. ADJOURNMENT

The next meeting is on Tuesday, February 26th, 2018, 7:00 p.m.



Notice Regarding Americans with Disabilities Act: In compliance with the ADA, if you need assistance to participate in a city meeting, please contact the City Clerk's Office at (909) 394-6216. Early notification before the meeting you wish to attend will make it possible for the City to make reasonable arrangements to ensure accessibility to this meeting [28 CFR 35.102-35.104 ADA Title II].

Copies of documents distributed for the meeting are available in alternative formats upon request. Any writings or documents provided to the City Council regarding any item on this agenda will be made available for public inspection at the Administration Counter at City Hall and at the San Dimas Library during normal business hours. In addition most documents are posted on the City's website at www.cityofsandimas.com

Posting Statement: I declare under penalty of perjury that on February 22nd, 2019, I posted a true and correct copy of this agenda on the bulletin board in the Civic Center Plaza of City Hall at 245 E. Bonita Ave., Los Angeles County Library 145 North Walnut Avenue, United States Post Office 300 E. Bonita Ave, the bulletin board at the Von's grocery store located at 1160 Via Verde, San Dimas, Ca 91773 and on the City's website www.cityofsandimas.com/minutes.cfm as required by law.

February 22nd, 2019
Date

Debra Black

Debra Black, Assistant City Clerk



Agenda Item Staff Report

To: Honorable Mayor and Members of City Council
For the meeting of February 26, 2019

From: Blaine Michaelis, City Manager

Initiated by: Ken Duran, Assistant City Manager

Subject: Mid-Year FY 18-19 Budget Update and Preliminary FY 19-20 Budget Discussion

There are four main objectives of the Study Session. 1) Provide a FY 18-19 mid-year budget review. 2) Provide an update on the status of FY 18-19 major projects. 3) Outline the FY 19-20 budget process and goals. 4) Provide some preliminary projects and programs for next year's budget and seek ideas from Council on projects or programs to consider for next year's budget.

MID-YEAR FY 2018-19 BUDGET REVIEW

OVERVIEW

In June 2018 the City Council adopted the FY 2018-19 budget. The adopted General Fund budget was balanced with anticipated revenues of \$23,610,950 and expenditures of \$23,124,843. Total expenditures for all Funds were budgeted at \$35,435,694. In November the City's auditors finalized the year-end audit for FY 2017-18 and the City Council received a report on year-end revenues and expenditures and ending fund balance. The audited year end General Fund fund balance was \$18,110,999. Staff presented that to maintain a 75% reserve fund balance; \$1,320,000 would be available for distribution. At that time the Council approved the transfer and or use of a portion of the reserves:

- Fund 12 – Infrastructure Fund – Past practice had been to allocate the equivalent amount of 10% of annual sales tax to Fund 12. This is a practice that staff continues to believe is a good starting point to provide an on-going source of revenue to this Fund. The Council approved the transfer of \$1,320,000 to Fund

12 for future infrastructure projects. This is just over double the amount transferred the prior year.

- Fund 20 – Park Development Fund – To continue with the policy to build-up this Fund the Council approved the transfer of \$625,000 for future park projects.
- Pension Unfunded Liability – Council continued the practice of paying down the Pension Unfunded Liability by allocating \$200,000 in additional PERS payments.

GENERAL FUND AND SPECIAL FUND REVENUE

Staff has reviewed the actual revenue received through the first 6 months of the FY 18-19 and projections of revenue for the remaining 6 months. We anticipate overall General Fund revenue to meet the budget at the end of the year. A detailed review of the significant revenue sources follows.

General Fund

Property Tax - Property tax revenue was budgeted at \$3 million. Based upon remittance to date and in consultation with our property tax consult we estimate property taxes at year end to be close to budget, \$2.93 million. This is about 4.5% above last year. In addition, with the dissolution of the Redevelopment Agency the City began to receive residual property tax distributions. This is a difficult source of revenue to estimate because of the fluctuations in ROPS obligations. This year that amount was budgeted at \$380,000. We estimate it may be closer to \$280,000. In addition the City received its share of the proceeds from the Bonita and Eucla property in the amount of \$77,088. This is one-time revenue and staff is accounting for it separately to be used for a yet to be determined one-time expense.

Sales Tax - Sales Tax projections were budgeted at \$6.43 million. We anticipate the actual sales tax collected for the year may be close to \$6.49 million, close to budget. Some sectors were up, for example gas stations due to higher prices. However, there is one gas station that has been closed most of the year due to remodel which impacts the overall sales tax. This is an example of the volatility of this source of revenue.

Franchise Taxes – Collectively franchise taxes were budgeted at \$2.2 million. Some utility franchises don't report until the end of the year. The Waste Management franchise fees are tracking slightly above projections. The cable television franchise segment that is tracking slightly above budget, however, we reduced the projected revenues due to declining cable subscriptions over recent years.

Transient Occupancy Tax – (TOT) – TOT was budgeted at \$1.63 million. Remittance to date reflects a continued strength in occupancy for each of the 5 hotels/campgrounds, which should result slightly exceeding the budget, \$1.74. We also included in this year's budget, funds for a consultant to audit the TOT remittance for each of the hotels. The audits will commence soon.

Business License – Budget for business license was \$493,000. Revenue is expected to meet budget.

Document Stamp Tax – The document stamp tax is a fee collected by the County on property transactions within the City. The amount last year decrease significantly over prior years so we decreased the budget amount this year to \$185,000. This is unpredictable revenue but it is tracking to meet budget.

Building Permits and Plan Check Fees – With building activity very unpredictable, we budget very conservatively. The budget amount was \$561,000, even though the actual amount collected last fiscal year was \$713,564. Year to date we are tracking to exceed budget again. Year to date we have collected \$492,538 or 87% of budget.

Vehicle License In-Lieu Fees – The projected budget for what was formerly known as Vehicle License Fees was \$3.7 million. Based upon our first remittance we will receive \$3.85 million this year. This revenue source comes from the State in the form of additional property tax in proportion to the amount that would have been redeemed as Vehicle License fees.

Planning Fees – Like building fees, planning fees which include DPRB, zoning, subdivision and environmental review fees, were budgeted conservatively at \$34,500. Year to date revenues have already exceeded budget at \$38,645.

Street Permit Fees – Like other permit fees street permit fees are unpredictable. Budget is \$25,000; however, year to date is \$96,020 due to significant amount of utility work again this year.

Recreation and Recreation Center Fees – Recreation revenue was budgeted at \$587,400 and Recreation Center revenue at \$274,000. Recreation revenue comes from program participation fees. The revenue fluctuates based on the costs for various programs. As such, associated expenses for those programs also fluctuate. It appears that overall revenues for general recreation and the Recreation Center are tracking close to last year and should meet budget.

EXPENDITURES

Staff also looked at General Fund operating expenditures to date and projected year-end estimates. Collectively General Fund operating expenses appear to be on track to remain within budget. There are some specific line items expenses that may be slightly above budget but there are others that will be below budget.

FY 18-19 CAPITAL PROJECT UPDATE

This year's work program again included a number of capital and major projects. At the Study Session staff will provide a further update and status of projects and answer any questions of Council.

FY 19-20 BUDGET PREPARATION

Staff has begun the FY 19-20 budget process with each Department and Division beginning to work on their individual budgets. Over the next several months staff will develop the preliminary budget which is anticipated to be presented to the City Council and the public for review on May 28th with a target for adoption on June 11th. Attached is the budget schedule.

The following is an outline of the general strategy staff proposes to take in approaching the preparation of this year's budget.

Overall Goals for FY 19-20 Budget

- Prepare a balanced General Fund budget utilizing conservative revenue projections and "live within our means" expenditures.
- Focus on completing scheduled projects and limit new major projects.
- Understand we are in an organizational transition and we may need to be flexible in staffing and organizational changes.
- Focus on the implementation of continuous organizational improvement concepts.
- Develop a Fiscal Sustainability Plan utilizing revenue and expenditure historic trends and projections.

Approaches to Building the Budget

- Assume minimal growth in on-going revenue sources.
- Anticipate multi-year expenditure increases in some specific areas such as PERS contributions, Sheriff's contract rates, Liability Trust Fund contributions.
- Incorporate succession planning into budget preparations
- Continue to develop strategies to rebuild capital improvement and equipment Funds (Funds 12, 20 and 70)
- Continue with the concept of multi-year planning for "super" public works projects.
- Develop a more comprehensive Housing Authority plan and budget.

Fiscal Sustainability Planning

There are several operating expenditures that will be experiencing some potentially significant increases over the next few years, for example PERS contributions and Sheriff's contract and Liability Trust Fund Costs. We also realize that our existing revenue sources are growing slower than some of our expenditure increases. Also, there is a need to establish a more systematic policy on allocating on-going funds to the capital Funds. Staff feels a good approach is to look at anticipated future revenue and expenditure projections to give us a clearer budget picture over the next 5 years. Staff has begun this process and analysis. Having this information will be helpful for staff and the Council in making budget decisions in any given year, in knowing how those decisions may impact future budgets. Also, it will give use information to determine if there is a need to consider and revenue enhancement strategies. Staff suggests that another budget Study Session be scheduled for late March or early April to look at these projections.

FY 19 – 20 PRELIMINARY BUDGET IDEAS

Department Directors will provide an oral presentation on some of their departments preliminary ideas for their respective budgets. In addition staff is seeking direction from the City Council regarding items to include in the budget review process. Staff will then include an analysis of these items in the budget decision making process.

Attachment: Budget Schedule

BUDGET SCHEDULE FY 2019-20

Budget Worksheets Available	January 14
Department Head Budget Meeting	January 25
<ul style="list-style-type: none">• Review budget worksheets, schedule, goals and objectives	
City Council/Staff Budget Study Session	February 26
<ul style="list-style-type: none">• Mid-year budget report• Present budget goals and objectives• Receive Council budget suggestions	
City Council/Staff Study Session	March or April
<ul style="list-style-type: none">• Review 5 Year Projections• Discuss Fiscal Sustainability Planning	
Department Budgets Due	April 1
Input Budget Numbers	Beginning April 2
Individual Department Budget Meetings	April 10-12
Final Revisions to Prelim. Budget Estimates to Finance	April 19
Revised Prelim. Budget Estimates Complete	April 24
City Council Review of Preliminary Budget	May 14
<ul style="list-style-type: none">• Present preliminary budget• Answer questions and obtain feedback	
City Council Review SDEA Proposal	May 14
Public Hearing on Preliminary Budget	May 14
Revised Proposed Budget from CM to Finance (Based upon feedback from Council and public hearing)	May 24
Final Proposed Budget Available	June 3
City Council Adoption of Final Budget	June 11