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Title: Actions Pertaining to the FY 2017 Budget Update for the General Fund.
1. ***RESOLUTION - 21st amendment to the Annual Appropriation Resolution (AAR) No. 2016-118 to appropriate \$6,710,900 for operating programs and capital improvement projects citywide (Requires 5 affirmative votes)
2. ***RESOLUTION - 2nd amendment to the Position Authorization Resolution (PAR) No. 2016-119, adding three positions to the Development and Resource Management Department, effective November 3, 2016

Sponsors: Office of Mayor & City Manager, Finance Department

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Attachments: 1. 21st Amendment to the Annual Appropriation Resolution No. 2016-118.pdf, 2. 2nd Amendment to the Position Authorization Resolution No. 2016-119.pdf, 3. Memo to Council dated 06.20.2016 Deferred Maintenance Items in General Fund.pdf, 4. Supplement - PowerPoint Presentation.msg

Date	Ver.	Action By	Action	Result
11/3/2016	1	City Council	continued	

REPORT TO THE CITY COUNCIL

November 3, 2016

FROM: BRUCE RUDD, City Manager

THROUGH: RENENA SMITH, Assistant City Manager

BY: JANE SUMPTER, Budget Manager

SUBJECT

Actions Pertaining to the FY 2017 Budget Update for the General Fund.

1. ***RESOLUTION - 21st amendment to the Annual Appropriation Resolution (AAR) No. 2016-118 to appropriate \$6,710,900 for operating programs and capital improvement projects citywide (Requires 5 affirmative votes)
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RECOMMENDATION

Staff recommends that the City Council 1) adopt the 21st amendment to the Annual Appropriation Resolution (AAR) No. 2016-118 to appropriate \$6,710,900 for operating programs and capital improvement projects citywide; and 2) adopt the 2nd amendment to the Position Authorization Resolution No. 2016-119, adding three positions to the Development and Resource Management Department.

EXECUTIVE SUMMARY

As a part of the fiscal year 2016 financial close, the “true up” between revenues and expenditures was completed. The result reports an actual carryover that is \$5.8 million higher than the adopted carryover of \$4.2 million. The excess carryover is due to unanticipated net revenues of \$5.2 million and expenditure savings of \$571,500. After technical adjustments, noted below, the net carryover is \$4.5 million.

In developing the recommendations outlined in this report, the Administration first acted on the spending priorities that were adopted by Council during the budget hearings in June 2016. Per motion 29, should the carryover exceed the budgeted amount of \$4.2 million specific capital projects were to be funded. This spending plan, which is outlined below, is consistent with that motion.

In addition to the carryover, unanticipated revenue from the recent sale of the Boxcar parking lot is estimated to realize a total of \$1.4 million to the General Fund. This revenue, while not a part of the carryover, has also been recognized in the following recommendations.

BACKGROUND

In the normal course of the fiscal year close, a “true up” is made comparing estimated revenues and expenditures with what was actually received and spent. When this process was completed for FY 2016, it was determined that the carryover was \$5.8 million higher than the estimate adopted in the FY 2017 budget. There were several factors contributing to this additional amount.

Revenues

Net General Fund revenues were \$283.7 million, approximately \$5.2 million (1.8 percent) higher than the estimate of \$278.5 million. Property taxes were \$3.3 million higher, specifically in Secured Pension Override and Supplemental Roll categories. The latter is particularly challenging to estimate since it is a result of a change in ownership or completion of new construction. Revenues from Supplemental Roll taxes have varied widely in the past, from \$4.8 million in FY 2007 to \$336,000 in FY 2012. The bulk of the remaining surplus was spread throughout the revenue streams including Room tax, Business license, Franchise fees, Charges for Services and Intragovernmental revenues. Conversely, Sales Tax, Intragovernmental revenues, Prop 172 sales tax and Real Estate Transfer taxes were all slightly lower than estimated. Revenue transfers (net of purchase order close outs) were slightly higher than estimate.

Expenditures

FY 2016 General Fund actual expenditures were \$273.7 million, approximately \$571,500 or 0.2 percent lower than the estimate of \$274.3 million. Employee services costs were slightly lower than estimate; whereas operations and maintenance expenditures were higher than the

department's initial estimates; however interdepartmental charges were substantially lower than estimate, primarily due to lower fuel prices.

General Fund Recommendations

There are several technical adjustments to the budget that are needed and are outlined below:

- **Rebudgeted Items** - Rebudgeted items are those that were approved as a part of last year's budget, but have not yet been expended. There are three items that need to be reappropriated so that the projects may be completed in FY 2017: 1) Council carryover (\$55,000); 2) Council infrastructure carryover (\$264,100); and 3) funding for the MAP Point to hire additional outreach workers to address chronic homelessness (\$420,000).
- **Additional personnel costs** - As a result of the approval of Memorandum of Understanding with the Fire Basic and the implementation of the Local 39 (Blue-collar) class and compensation study, an additional \$565,800 will be required to cover the additional costs associated with these items.

After the adoption of the budget, the Administration was able to successfully negotiate an agreement with the California High Speed Rail Authority for the sale of the Boxcar parking lot. This sale was subsequently approved by Council on October 13, 2016; the sale proceeds will total \$1.4 million. Using these funds, along with the remaining excess net carryover, the Administration recommends funding the following items:

Park Improvements and Deferred Capital Repairs (\$1.817 million) - One-Time Funding (T1=Tier 1 project; T2=Tier 2 project; Motion 29 denotes a project specifically mentioned in Council budget motion 29)

- *Complete funding for Southwest BMX park - \$100,000 (Motion 29)*
- *Roeding Park irrigation repairs - \$225,000 (T1)*
- *Einstein Park improvements - \$260,000 (T1)*
- *Fink White Park improvements - \$83,000 (T2)*
- *Sunset Park improvements - \$74,000 (T2)*
- *Woodward Park tot lot replacement - \$200,000 (T2)*
- *Carroza Park shade structure - \$75,000*
- *Melody Park light installation - \$300,000*
- *Cary Park light installation - \$400,000*
- *Fig Garden playground resurfacing - \$100,000.* The pour in place rubber surfacing for the playground has deteriorated to a point that the entire area needs to be replaced; part of this is due to a chemical reaction from the chlorinated water from the splash pad.

Public Safety Deferred Capital Repairs/Communication System Reserve (\$1.296 million) - One-Time Funding

- *Skywatch helicopter maintenance - \$255,000 (T1).* This mandatory 12-year maintenance

is a complete overhaul on helicopter #2 and a main rotor gear box overhaul for helicopter #1.

- *Demolition of former Property/Evidence building - \$170,000 (T1).* The department is in the process of moving to a larger, safer facility; this funding will enable the city to demolish the unused former fire station.
- *Fire Station 13 repairs - \$50,000 (T1)*
- *Fire Stations 3,4 and 11 security fences - \$100,000 (T2)*
- *Fire Station 9 bathroom remodel/repair - \$40,000 (T2)*

The above fire station projects are critical to ensure the safety and security of the station staff and the fire apparatus.

- *Replacement fire hoses - \$250,000.* While conducting flow tests the Fire Department found a number of hose lines were exhibiting excessive friction loss, thereby reducing the flow of water through the hose. Upon further examination, it was found the inner liner of the hose was separating from the inner jacket through a process called "Delamination." In effect, the inner liner was clogging the hose line. This could have catastrophic circumstances if such a problem occurred during firefighting operations. An inspection of all fire hose within the Department was completed and it was found that a large portion of the hose that was ten years or older displayed signs of delamination; therefore, an emergency purchase of fire hose to replace all hose that is 10 years old or older is recommended.
- *Public Safety communication reserve - \$460,900.* As a part of the FY 2016 budget, \$825,000 was transferred to begin the funding required to replace and upgrade the public safety communication system. A further transfer of \$460,900 is proposed to augment this reserve.

Parking Deferred Capital Repairs (\$1.162 million) - One-Time Funding

- *Replacement generator for Garage 8 - \$350,000 (T2)*
- *Repave Garage 8 approach - \$18,000 (T2)*
- *Garage 7 (Spiral) repairs - \$664,000*
- *Convention Center parking lot - \$130,000.*

The City recently contracted with Walter P. Moore to complete a facility assessment for City owned parking lots and garages. The facility assessment identified approximately \$9.1 million dollars of repairs over the course of the next ten years; of which \$2.1 million was needed for high priority items. It is critical that these high priority items be completed prior to the completion of the Fulton Street Reconstruction project (May 2017) and the public market proposed in the former Gottschalks Building (2018) as it is anticipated that the Spiral Garage will have a significant increase in use.

Other Deferred Capital Repairs - One-Time Funding

- *Neighborhood street projects - \$548,000 (Motion 29)*
- *Selland Arena doors - \$224,000 (T1)*
- *City Hall ADA compliance - \$440,000 (T2)*

Business Friendly Fresno - Ongoing Funding

- *Additional staffing for Building and Safety - \$250,000.* DARM is requesting three positions effective November 3, 2016; Supervising Plans Examiner, Development Services Facilitator/Project Manager, and a Professional Engineer. These positions are expected to provide the requisite supervision and staffing to meet and enhance process and permitting timelines as outlined by the Business Friendly Fresno (BFF) initiative. In particular, the Development Services Facilitator position is expected to provide customer service training to Building and Safety staff as well as make recommendations for process flow evaluation and shepherd Economic Development projects from submittal to permit issuance.

Neighborhood Revitalization - One Time Funding

- *SW CDC staffing - \$100,000*

The City Attorney's Office has reviewed and approved as to form the proposed 2nd Amendment to the Position Authorization Amendment No. 2016-119.

ENVIRONMENTAL FINDINGS

By the definition provided in the California Environmental Quality Act Guidelines Section 15378 this item does not qualify and is therefore exempt from the California Environmental Quality Act requirements.

LOCAL PREFERENCE

Local preference does not apply to the projects included in this report as this is a funding item only. Local preference (if applicable) will be considered at the time of contract award.

FISCAL IMPACT

The recommendations presented above are fully funded by the additional net General Fund carryover of \$4.5 million (\$5.8 million less technical adjustments and approved labor contract increases) and the \$1.4 million in sale proceeds from the Boxcar lot.

Attachments:

21st Amendment to the Annual Appropriation Resolution No. 2016-118

2nd Amendment to the Position Authorization Resolution No. 2016-119

Memo to Council dated 06/20/2016: Deferred Maintenance Items in the General Fund