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Title: Actions Pertaining to the FY 2018 Budget Update for the General Fund.
1. ***RESOLUTION - 47th amendment to the Annual Appropriation Resolution (AAR) No. 2017-165 to appropriate \$8,094,300 for operating programs and capital improvement projects citywide (Requires 5 affirmative votes) (Subject to Mayor's veto)
2. ***RESOLUTION - 3rd amendment to the Position Authorization Resolution (PAR) No. 2017-166 Entitled "A Resolution of the Council of the City Of Fresno establishing the number of positions authorized in the various departments and offices of the City for Fiscal Year 2018," to add one position to the Mayor and City Manager's Office and one position to the Parks, After School, Recreation and Community Services Department. (Subject to Mayor's veto)

Sponsors: Office of Mayor & City Manager

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Attachments: 1. 18 47th GF Carryover JES2 (3)_SRM Rev.pdf, 2. 3rd Amend 2017-166 PAR.pdf

Date	Ver.	Action By	Action	Result
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REPORT TO THE CITY COUNCIL

February 15, 2018

FROM: WILMA QUAN-SCHECTER, City Manager
Office of the Mayor & City Manager

BY: JANE SUMPTER, Assistant City Manager
Office of the Mayor & City Manager

SUBJECT

Actions Pertaining to the FY 2018 Budget Update for the General Fund.

1. ***RESOLUTION - 47th amendment to the Annual Appropriation Resolution (AAR) No. 2017-165 to appropriate \$8,094,300 for operating programs and capital improvement projects citywide (Requires 5 affirmative votes) (Subject to Mayor's veto)
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Mayor's veto)

RECOMMENDATION

It is recommended that the City Council adopt the 47th amendment to the Annual Appropriation Resolution (AAR) No. 2017-165 and Third amendment to the Position Authorization Resolution (PAR) No. 2017-166 that is needed to fund non personnel related expenses in Police, Fire and PARCS Departments, partially pay down the North Central Fire District Deficit Fund (NCFDF), as well as fund various park improvement projects and other critical tasks/projects.

EXECUTIVE SUMMARY

As a part of the fiscal year 2017 financial close, a reconciliation of revenues and expenditures was completed. The result reports an actual carryover that is \$8.6 million higher than the adopted carryover of \$8.7 million due to unanticipated net revenues of \$3.5 million and expenditure savings of \$5.2 million. After technical adjustments and rebudgets, the net unanticipated General Fund carryover is \$5.8 million.

In the normal course of the fiscal year close, reconciliation is completed comparing estimated revenues and expenditures with what was actually received and spent. When this process was completed for FY 2017, it was determined that the FY 2017 carryover was \$8.6 million higher due to revenues being slightly higher (\$3.2 million or 1.1%) and expenses being \$5.2 million lower than estimates. One key factor in FY 2017 expenses being lower was the movement of \$1.4 million in personnel costs from the General Fund to the NCFDF. This reclassification was done as a part of the overall review of the North Central issue. The review determined that costs initially placed in the General Fund should have been allocated to the NCFDF; this reclassification allowed for the more accurate costing contained in the contract that was approved by Council last year. However it was not anticipated in the General Fund's expenditure estimates for year end; thus the reclassification created a "savings" in the General Fund, **while restating and increasing the deficit in the NCFDF, one which will ultimately be covered by the General Fund.**

This is a significant consideration as the adopted FY 2018 Budget, unlike previous budgets, contemplates \$5.4 million in salary/expense savings. In addition, both Police, and Fire Departments have indicated that the inability to use salary savings to augment non-personnel related expenses will require \$1.5 million from the FY 2017 carryover to adequately cover FY 2018 expenses. Utility costs in the PARCS Department are also projected to be \$450,000 higher due to increases in water rates. It is important to note that while the City has the ability to use \$2 million of the carryover to fund these ongoing expenses in FY 2018, these expenses, along with paying down the NCFDF deficit will also impact the development of future budgets and the ability to fund other priorities.

Finally, a year-end reconciliation has also been completed for Community Development Block Grant (CDBG) Fund. As a result, \$902,200 needs to be rebudgeted to allow the Public Works Department the additional time needed to complete the Neighborhood Improvement Projects that were scheduled for FY 2017 but will not be done until this year.

BACKGROUND

Revenues

Net General Fund revenues were \$330.5 million, approximately \$3.4 million or 1.1 percent higher than the estimate of \$327.1 million. The two primary factors were Charges for Services, which was \$2.3 million above estimates and Room Tax, which exceeded estimates by \$1.1 million. Development revenues were the driver in Charges for Services; these revenues are tied to the economic cycle and until the current expansion slows these accounts will continue to experience healthy growth. Property taxes were \$407,000 higher, Sale and Use taxes were \$472,000 higher, however Intra- and Inter-governmental revenues; and Real Estate Transfer taxes were all slightly lower than estimated. Revenue transfers (net of purchase order close outs) were lower than estimate.

Expenditures

FY 2017 General Fund actual expenditures were \$295.6 million, approximately \$4.1 million or 1.4 percent lower than the estimate of \$299.7 million. Employee services costs were \$929,000 lower than estimate; this was due to a reclassification of personnel costs from the General Fund to the NCFDF, as noted in the narrative above. In addition, \$1.3 million of both Operations and Maintenance and Minor Capital expenditures were lower than the department's initial estimates; however those items which are tied to capital projects will be rebudgeted in FY 2018. Lastly, interdepartmental charges were also lower than estimate, primarily due to lower fuel prices.

General Fund Recommendations

As to the dispensation of carryover funds there are several technical adjustments to the budget that are needed and are outlined below:

- **Rebudgeted Items** - Rebudgeted capital projects are those that were approved as a part of last year's budget, but have not yet been expended/completed. There are five projects which were begun in FY 2017 that need to be reappropriated so that they may be completed in FY 2018.

After the rebudget, the net excess carryover is \$5.8 million. Using these funds, the Administration is recommending that funding be used to fund \$2 million in ongoing non-personnel related expenses in Police, Fire and PARCS Departments that have historically been funded through salary savings and partially pay down the NCFDF. The remaining balance of the carryover would be used to fund other critical tasks/projects including Phase I of the City Hall security project and an allocation to address the purchase/potential move of Fire Department headquarters.

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 \$5.8 million and \$902,200 in CDBG carryover funds.

Attachments:

- 47th Amendment to the Annual Appropriations Resolution
- Third Amendment to the Position Authorization Resolution