



# CITY COUNCIL AGENDA STATEMENT



August 4, 2020

File ID: 20-0328

## **TITLE**

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA MAKING VARIOUS AMENDMENTS TO THE FISCAL YEAR 2020/21 ADOPTED BUDGET TO ADJUST FOR VARIANCES AND APPROPRIATING FUNDS THEREFOR (4/5 VOTE REQUIRED)

## **RECOMMENDED ACTION**

Council adopt the resolution.

## **SUMMARY**

The Finance Department, in collaboration with City departments, has identified various budget changes that are needed to reflect actual revenues and expenditures or address changes in budgetary needs for the FY2020/21 Adopted Budget. For government entities, a budget creates a legal framework for spending during the fiscal year. After the budget is approved by the City Council, there are circumstances which arise that could require adjustments to the approved budget. Council Policy 220-02 "Financial Reporting and Transfer Authority" was established in January of 1996 and allows for budget transfers and adjustments to be completed. This report discusses budget adjustments that staff recommends in the General Fund as well as various other funds to address identified fiscal issues.

### COVID-19 Budgetary Impact

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in China, and has since spread worldwide. On March 19, 2020, the Governor issued a statewide Order directing all residents to stay home and effected City operations and businesses throughout the State.

As a result of COVID-19, there is limited access to City facilities including Parks, Libraries, and other non-essential buildings. Non-Essential businesses within the State have either closed or have limited operations. Tourism and travel activities are limited, and a reduction of hotel operations have occurred. Entertainment events at venues within the City have ceased or been modified to limited and socially distanced events.

The revenue categories that have the most sensitivity to the current economic environment are Sales related taxes, Transient Occupancy Taxes, and charges for services that are within the Other Revenue category. Due to the closure or limited and modified use of Parks and Recreation as well as Library facilities have resulted in the layoff of hourly employees while full-time staff have shifted to alternative ways of offering services or supporting the community in other essential ways as of March 2020, and an increase in other costs for public safety and other departments.

## **ENVIRONMENTAL REVIEW**

The Director of Development Services has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that the activity is not a "Project" as defined under

Section 15378 of the State CEQA Guidelines because the proposed activity consists of a governmental fiscal/funding mechanism which does not result in a physical change in the environment; therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines, the activity is not subject to CEQA. Thus, no environmental review is required.

#### **BOARD/COMMISSION/COMMITTEE RECOMMENDATION**

Not applicable

#### **DISCUSSION**

COVID-19 has caused stress on both the City's staff resources and financial resources. While we all recognize the challenges this virus has caused to our community and economy, the fiscal impacts are still widely unknown. As a result of the unknown nature of COVID-19, City Management decided to move forward with the recommended adoption of the budget without accounting for the economic downturn. The budget was adopted with an additional salary savings target of approximately \$1.5 Million that is not anticipated to be met based on available revenue projections. Staff anticipates at least an additional \$2.5 million in lost revenue to programs as a result of the economic shutdowns. The total estimated deficit is \$4 million.

To be methodical in the approach to balance the Fiscal Year 2020/21 budget, staff is recommending implementing budget adjustments in the following phases:

- Phase 1 budget adjustments due to overstated salary savings of approximately \$1.5 million and anticipated \$2.5 million loss of program revenues (\$4.1 million in total)
- Phase 2 budget adjustments will include updates to the Major Revenues economic losses related to the impacts of COVID-19 including: sales tax; Transit Occupancy Taxes; Utility Users Taxes; etc.
- Phase 3 budget adjustments will include updated information that was not included in the previous phases such as long-term potential impacts and how workloads are shifting as a result of Covid-19.

This \$4 million dollar anticipated deficit is the initial target for Phase 1 of the budget balancing process for Fiscal Year 2020/2021. This amount would have been much more were it not for the CARES Act funding that the City has already received ( \$4.8 million from the County) and ( anticipated State funding of \$3.3 million) to offset changes in staff duties and all COVID-19 related expenses.

Staff anticipates having more information available later in the fiscal year in order to make additional budget balancing decisions with the goal of maintaining critical services to the public.

#### **Fiscal Year 2020/21 Adopted Budget**

The Fiscal Year 2020/21 Adopted Budget for the General Fund totaled \$206.7 million, and the requested budget adjustments will result in a Revised Budget of \$202.8 million.

## Fiscal Year 2020/21 Budget

Department Name	FY 2021 Exp Adopted Budget	FY 2021 Exp Revised Budget
City Council	\$ 1,625,016	\$ 1,540,062
Boards and Commissions	133,911	125,000
City Clerk	1,023,234	933,434
City Attorney	3,334,408	3,243,198
Administration	2,565,311	2,342,859
Information Technology Svcs	3,901,104	3,841,104
Human Resources	2,777,849	2,760,849
Finance	3,880,994	3,760,994
Animal Care Facility	2,841,013	2,841,013
Economic Development	1,929,793	1,795,524
Development Services	2,790,135	2,680,135
Engineering & Capital Projects	10,088,285	9,928,285
Police	58,282,874	57,482,874
Fire	34,231,070	33,908,070
Public Works	12,146,127	11,954,412
Parks and Recreation	11,096,351	10,176,351
Library	4,013,586	3,427,834
<b>Sub-total</b>	<b>\$ 156,661,061</b>	<b>\$ 152,741,998</b>
Non-Departmental	50,028,636	50,028,636
<b>TOTAL ALL DEPARTMENTS</b>	<b>\$ 206,689,697</b>	<b>\$ 202,770,634</b>

### General Fund Department Adjustments

The overall Phase I net impact reduction target was \$4.1 million, and each department was given a target to reach which included taking into account the closure of Library and Recreation facilities until the end of the calendar year. Funding is still in place for the second half of the fiscal year and we will be able to come back with modifications as necessary. In addition, departments were given directions to minimize the impact to the public and the services provided as part of their process. The following table provides an update on the recommended budget adjustments by each department:

### Phase I - Fiscal Year 2020/21 General Fund Budget Adjustments

DEPARTMENT	TOTAL EXPENSE	TOTAL REVENUE	NET COST
<b>GENERAL FUND</b>			
City Council	\$ (84,954)	\$ -	\$ (84,954)
Boards and Commissions	(8,911)	-	(8,911)
City Clerk	(89,800)	(5,800)	(95,600)
City Attorney	(91,210)	-	(91,210)
Administration	(222,452)	-	(222,452)
Information Technology Svcs	(60,000)	-	(60,000)
Human Resources	(17,000)	-	(17,000)
Finance	(120,000)	-	(120,000)
Animal Care Facility	-	(25,814)	(25,814)
Economic Development	(134,269)	-	(134,269)
Development Services	(110,000)	-	(110,000)
Engineering & Capital Projects	(160,000)	-	(160,000)
Police	(800,000)	-	(800,000)
Fire	(323,000)	(27,000)	(350,000)
Public Works	(191,715)	(76,142)	(267,857)
Parks and Recreation	(920,000)	-	(920,000)
Library	(585,752)	-	(585,752)
<b>TOTAL OTHER FUNDS</b>	<b>\$ (3,919,063)</b>	<b>\$ (134,756)</b>	<b>\$ (4,053,819)</b>

As a result of the analysis performed by department, expenses will decrease by \$3.9 million and revenues will increase by \$0.1 million for a total net cost impact of \$4.1 million. Positions are not being eliminated at this time. Frozen positions will be considered in future budget deliberations.

#### Position Changes

The following table reflects the positions that have been identified to be placed on the frozen list:

Department	FTE	Position Title
City Council	(1.00)	Admin Secretary-Mayor
Administration	(1.00)	Executive Secretary
Administration	(1.00)	Sr. Graphic Designer
Economic Development	(1.00)	Sr. Fiscal Office Specialist
Development Services	(1.00)	Planning Technician
Engineering/Capital Projects	(1.00)	Engineering Technician II
Fire	(1.00)	Fire Prevention Specialist
Fire	(1.00)	GIS Specialist (Non-General Fund)
Library	(1.00)	Librarian III
Library	(1.00)	Cultural Arts Program Manager
<b>TOTAL</b>	<b>(10.00)</b>	

### **DECISION-MAKER CONFLICT**

Staff has reviewed the property holdings of the City Council of the City of Chula Vista members and has found no property holdings within 1,000 feet of the boundaries of the property which is the subject of this action. Consequently, this item does not present a disqualifying real property-related financial conflict of interest under California Code of Regulations Title 2, section 18702.2(a)(11), for purposes of the Political Reform Act (Cal. Gov't Code §87100, et seq.).

Staff is not independently aware, and has not been informed by any City of Chula Vista City Council member, of any other fact that may constitute a basis for a decision maker conflict of interest in this matter.

### **CURRENT-YEAR FISCAL IMPACT**

As a result of the revised projected revenues and expenditures within this report, the adjustment of both revenues and expenses will result in a net impact reduction of approximately \$4.1 million overall. Staff will continue to monitor actual revenue receipts and expenditures to determine if any budget adjustments will be needed in the future.

### **ONGOING FISCAL IMPACT**

The long-term financial impacts of the COVID-19 crises are still unknown at this time. The Finance Department will continue to provide updated information as necessary.

### **ATTACHMENTS**

None

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