



City of Chula Vista

Staff Report

File#: 17-0249, **Item#:** 13.

PRESENTATION OF THE CITY MANAGER'S PROPOSED BUDGET FOR FISCAL YEAR 2017-18 WITH POTENTIAL OPTION TO PROVIDE ADDITIONAL FIRE ENGINE COMPANY PER CITY COUNCIL DIRECTION INCLUDING PROPOSED BUDGET REDUCTIONS FOR COUNCIL CONSIDERATION (This item was continued from 5/23/17.)

OPTION A: RESOLUTION OF THE CITY COUNCIL/SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY/ HOUSING AUTHORITY OF THE CITY OF CHULA VISTA ACCEPTING THE CITY MANAGER'S PROPOSED OPERATING AND CAPITAL IMPROVEMENT BUDGETS AS AMENDED TO INCLUDE AN ADDITIONAL FIRE CREW AND BUDGET REDUCTIONS FOR FISCAL YEAR 2017-18 AS THEIR PROPOSED BUDGETS, RESPECTIVELY, AND SETTING THE TIME AND PLACE FOR A PUBLIC HEARING FOR FINAL CONSIDERATION AND ADOPTION OF SAME

OPTION B: RESOLUTION NO. 2017-090 OF THE CITY COUNCIL/ NO. 2017-001 OF THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY/ NO. 2017-001 OF THE HOUSING AUTHORITY OF THE CITY OF CHULA VISTA ACCEPTING THE CITY MANAGER'S PROPOSED OPERATING AND CAPITAL IMPROVEMENT BUDGETS FOR FISCAL YEAR 2017-18 AS PRESENTED ON MAY 23, 2017, AS THEIR PROPOSED BUDGETS, RESPECTIVELY, AND SETTING THE TIME AND PLACE FOR A PUBLIC HEARING FOR FINAL CONSIDERATION AND ADOPTION OF SAME, WITH DIRECTION THAT IF THE SAFER GRANT IS NOT APPROVED THE CITY MANAGER WILL RETURN MID-YEAR WITH THE ADDITIONAL FIRE CREW AND RESPECTIVE BUDGET AMENDMENTS AS WELL AS DIRECT THE CITY MANAGER TO UPDATE THE CITY COUNCIL ON A QUARTERLY BASIS THE FISCAL YEAR 2018-19 BUDGET FORECAST AND FUNDING OPTIONS AS WELL AS PROVIDE A LONG-TERM PLAN TO ADDRESS STAFFING SHORTFALLS IN PUBLIC SAFETY

RECOMMENDED ACTION

Council/Successor Agency/Housing Authority hear the presentation, and, provide comments and proposed changes. If Council is prepared to approve the budget, with or without modifications, as the City Council Proposed Budget, the City Council/Successor Agency/Housing Authority may adopt the resolution and set the time and place for a public hearing for final consideration and adoption of the budget.

SUMMARY

In compliance with the City Charter, on May 18, 2017, the City Manager submitted a balanced Fiscal Year 2017-18 proposed budget to the City Council (See Attachment A). During the May 23, 2017 City

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Council meeting, staff provided an overview of the City Manager's Proposed Budget to the City Council and the general public. Based upon the comments and recommendations provided at the meeting by the International Association of Firefighters (IAFF) local chapter, the City Council directed staff to identify potential budget options to add fire personnel needed to establish a new engine company and budget reductions in order to maintain a balanced budget.

Staff will present the draft budget revisions to the City Council. Staff recommends that the Council/Successor Agency/Housing Authority hear the presentation, provide comments, and proposed changes (if any). If Council chooses to adopt the resolution, the public hearing for the final consideration and adoption of the budget will be held on June 20, 2017.

ENVIRONMENTAL REVIEW

The Development Services Director has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that approval of the fiscal year 2017-18 City Manager proposed budget as the City Council proposed budget is not a "Project" as defined under Section 15378 of the State CEQA Guidelines because it will not result in a physical change to the environment; therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines the actions proposed are not subject to CEQA.

Environmental Notice

The activity is not a "Project" as defined under Section 15378 of the California Environmental Quality Act State Guidelines; therefore, pursuant to State Guidelines Section 15060(c)(3) no environmental review is required.

Environmental Determination

BOARD/COMMISSION RECOMMENDATION

Not applicable.

DISCUSSION

Fire Engine Company

The City Council directed the City Manager to identify potential budget revisions to add a fire engine company in the Eastern section of the City in the fiscal year 2017-18 budget.

The request to add a 4-person crew to a fire station in the Eastern section of the City would add cost to the General Fund of approximately \$2.1 million per year (12 additional Fire Personnel). For fiscal year 2017-18, the additional fire personnel cost is estimated at \$0.5 million (due to an anticipated Fire Academy start date in January 2018) as well as an additional one-time General Fund costs for a Fire academy which is estimated at \$0.6 million. The additional fiscal year 2017-18 General Fund impacts related to the new fire engine company totals \$1.1 million and included in the amended City Manager proposed budget. This impact will grow to \$2.1 million in fiscal year 2018-19 and will necessitate the

identification of additional budget reductions in the next year's budget.

Staffing for Adequate Fire and Emergency Response (SAFER) Grant

On May 23, 2017, City Council also approved consent item 17-0079 in support of the SAFER grant application. If awarded, this grant would partially fund an additional twelve firefighters throughout the City. This staffing would allow four existing stations to increase from 3-person crews to 4-person crews. The additional fiscal year 2017-18 General Fund impacts related to the SAFER grant are \$0.7 million (estimated staffing cost \$0.2 million and academy cost of \$0.5 million). Funding for this item was to be identified upon grant approval but due to the magnitude of the financial impacts when coupled with the additional engine company in the eastern section of the City, it is fiscally prudent to identify the anticipated needed General Fund reductions at this time. These identified reductions are not included in the amended City Manager's proposed fiscal year 2017-18 budget.

Potential Fiscal Year 2017-18 Budget Reductions

Including the additional 24 fire personnel will add an estimated \$3.1 million in costs to the General Fund in fiscal year 2018-19 and increases in future fiscal years as the grant funding declines. Recruitment for the additional 12 fire personnel for the new engine company would begin upon budget adoption. The estimated cost is \$1.1 million in fiscal year 2017-18, with a January 2018 start date of the fire academy. This estimate assumes that the operation of the additional fire engine company will begin in May 2018. The following table summarizes the estimated General Fund impact for the addition of the new engine company.

Description	Revenues	Expenditures	FY18 Net Impact
4.0 Staffing - Additional Engine in East Chula Vista (May-June only)	\$ -	\$ 527,398	\$ (527,398)
Academy - Additional Engine in East Chula Vista			
Fire Academy Personnel: Prep and Instruction	\$ -	\$ 297,335	\$ (297,335)
New Firefighter Uniforms and Equipment	\$ -	\$ 151,200	\$ (151,200)
Technical Rescue OT/Backfill	\$ -	\$ 32,811	\$ (32,811)
Miscellaneous Academy Costs	\$ -	\$ 59,151	\$ (59,151)
ADDITION TO FY2018 GENERAL FUND	\$ -	\$ 1,067,896	\$ (1,067,896)

In order to maintain a balance budget, the following budget cuts are recommended with the goal of minimizing service level impacts to the community. We anticipate that there will be positions eliminated and 11 layoffs and impacts related to the following services:

Phase I - Addition of Fire Engine

- Marketing and Communication
- Cultural Arts Program
- Economic Development

- Special Events
- Fire Administration
- Code Enforcement
- City Attorney Administration
- Contracting out custodial services

Phase II - Acceptance of SAFER Grant

- Support Departments (IT, Finance and HR)
- City Manager Administrative Support
- Public Works Administration
- Mayor and Council Operating Budget

Attachment A lists the projected costs for each phase and the specific positions proposed to be eliminated and estimated cost savings. Revisions for the fiscal year 2017-18 City Manager's Proposed Budget has been identified to reflect the changes as part of the Phase I implementation.

As shown in Attachment A, the anticipated Phase I fiscal year 2017-18 impact have a net increase in total appropriations to the General Fund of \$78,795, but the General Fund remains balanced.

There are no recommended changes to the Other Funds budget from previously proposed. The following table summarizes the total impact of the Phase I changes on the fiscal year 2017-18 proposed budget.

Updated Fiscal Year 2017-18 Proposed Budget

DESCRIPTION	REVENUES	EXPENDITURES	NET IMPACT
General Fund as Proposed in May 18 Budget Document	\$ 166,587,259	\$ 166,587,259	\$ -
General Fund Adjustments (Phase I Only)	\$ 78,795	\$ 78,795	\$ -
Updated General Fund	\$ 166,666,054	\$ 166,666,054	\$ -
Other Funds as Proposed in May 18 Budget Document	\$ 197,239,385	\$ 206,383,652	\$ (9,144,267)
Adjustments to Other Funds	\$ -	\$ -	\$ -
Updated Other Funds	\$ 197,239,385	\$ 206,383,652	\$ (9,144,267)
Updated All Funds - Appropriations for FY2017	\$ 363,905,439	\$ 373,049,706	\$ (9,144,267)
Use of Reserves (Excludes General Fund)	\$ 9,144,267	\$ -	\$ 9,144,267
TOTAL ALL FUNDS	\$ 373,049,706	\$ 373,049,706	\$ -

Attachment B, Recommended Expenditures by Department and category, summarizes the Fiscal Year 2017-18 City Manager's Proposed Budget as revised. The Schedule of Revenues is also included as Attachment C.

The table below summarizes the changes in Citywide staffing levels as part of the Phase I implementation. It is important to note that the total full-time equivalent (FTE) count only reflects that addition of the fire engine crew. Due to timing, the amended fiscal year 2017-18 proposed budget authorized position list cannot include the reduction in position count. While the amended proposed budget does reduce funding for the eliminated positions, staff will need to return to City Council mid-year to update the authorized position count to reflect these reductions. The amended Proposed Staffing by Department/Fund for fiscal year 2017-18 is included as Attachment D.

Description	FTE
Citywide staffing as Proposed in May 18 Budget Document	993.75
General Fund - Addition of Fire Engine Company	12.00
Updated Proposed FY2018 Staffing	1,005.75

Successor Agency Update

In the original proposed budget the property tax revenue projections included the repayment of \$0.7 million from the Successor Agency to the City for an outstanding loan balance. The allocation of those Successor Agency revenues has recently been denied by the State Department of Finance. We will continue to seek collection of funds but it will require additional time. Staff will monitor the property tax revenues during fiscal year 2017-18 and return to Council with additional budgets adjustments if the property taxes revenues received are lower than budgeted revenues. This is informational only and not reflected in the fiscal impact section below.

DECISION-MAKER CONFLICT

Staff has reviewed the decision contemplated by this action and has determined that it is not site-

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specific and consequently, the 500-foot rule found in California Code of Regulations Title 2, section 18702.2(a)(11), is not applicable to this decision for purposes of determining a disqualifying real property-related financial conflict of interest under the Political Reform Act (Cal. Gov't Code § 87100, et seq.).

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

LINK TO STRATEGIC GOALS

The City's Strategic Plan has five major goals: Operational Excellence, Economic Vitality, Healthy Community, Strong and Secure Neighborhoods and a Connected Community. This action supports the Operational Excellence goal by communicating the City Manager's proposed budget for fiscal year 2016-17 in an open and transparent manner. This transparency supports City Initiative 1.3.1. - "Foster public trust through an open and ethical government."

CURRENT YEAR FISCAL IMPACT:

There is no fiscal impact in fiscal year 2016-17 as a result of this resolution.

PROJECTED IMPACTS TO FY 2018-19 FORCASTED DEFICITS

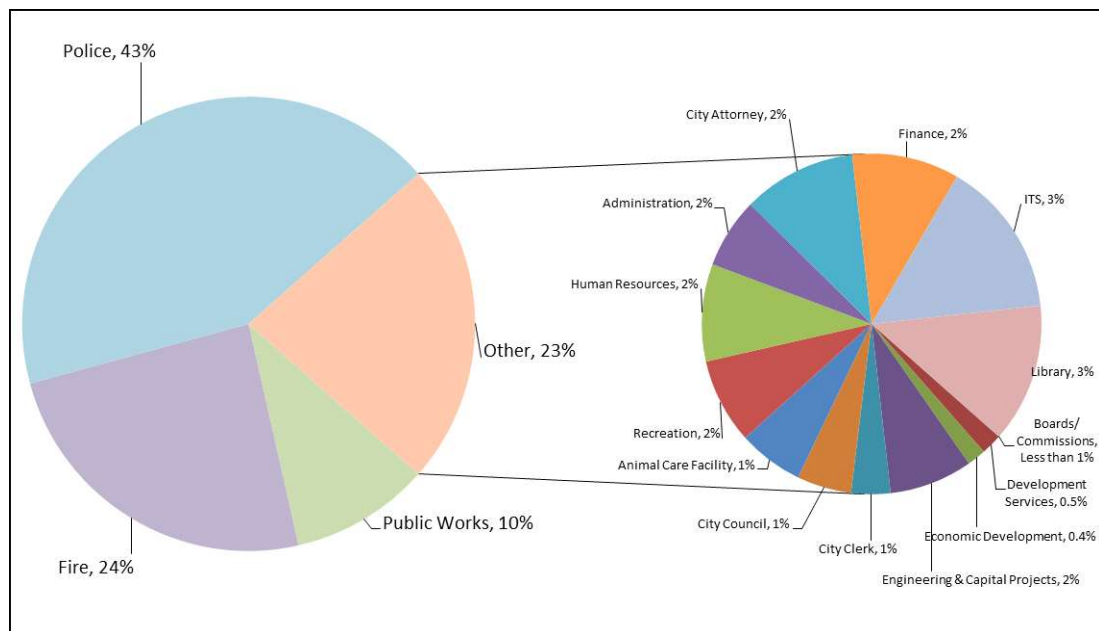
The City Manager proposed budget presented at the City Council meeting on May 23, 2017, noted that the anticipated budgetary deficit for fiscal year 2018-19 General Fund budget was \$6.4 million. The deficit is largely due to the continued increases in pension costs as presented to the City Council during the March 2, 2017 Long-Term Financial Plan workshop and as discussed in information items included as Attachment E and Attachment F.

With the addition of the additional fire engine crew and SAFER grant positions, the projected General Fund deficit for fiscal year 2018-19 has increased to \$7.3 million and the net cost for public safety combined may increase to approximately 70% of the General Fund net cost. The recommended cuts, which are being taken to fund the additional fire personnel, would not be available to assist in balancing the following fiscal year making it more difficult to structurally balance the budget without significant service level impacts which can be viewed negatively by the rating agencies.

For demonstration purposes, if the City were to have to cut \$7.3 million from the General Fund and not allocate any cuts to the public safety departments, there would be significant impacts to all remaining services. As demonstrated below, the total net cost for all of Library and Recreation combined is \$5.3 million (5% of General Fund Net Cost). This is largely due to the fact that the

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significant cuts taken during the Great Recession were never restored. Included below are the net cost (Expenses - Program Revenues) by department updated to reflect Phase I and Phase II changes.



Staff will continue to work with the various departments to find cost saving measures and identify new revenues in order to minimize the impacts to the community as we continue to work towards a structurally balanced fiscal year 2018-19 budget. The Long-Term Financial Plan which was presented to the City Council in March 2017, as well as the City Manager proposed budget, identify potential solutions which could assist in reducing the ongoing structural deficits. Staff will be

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updating the City Council periodically throughout the year on short and long range financial planning.

PROJECTED IMPACTS TO THE LONG-TERM FINANCIAL PLAN

The following tables summarize the projected impacts that Phase I and Phase II will have on the 10-year forecast.

Long-Term Financial Plan (FY2018 to Y2022)

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Description	Proposed FY 2018	Forecast FY 2019	Forecast FY 2020	Forecast FY 2021	Forecast FY 2022
Major Revenues	\$ 125.87	\$ 127.62	\$ 131.87	\$ 135.05	\$ 138.32
New Development Revenues	\$ -	\$ 3.41	\$ 3.09	\$ 4.20	\$ 5.18
Other Revenues	\$ 41.18	\$ 41.68	\$ 41.95	\$ 42.23	\$ 42.07
TOTAL GENERAL FUND REVENUES	\$ 167.04	\$ 172.71	\$ 176.91	\$ 181.48	\$ 185.56
Personnel Services	\$ 88.10	\$ 91.97	\$ 93.29	\$ 95.06	\$ 96.87
Flex/Insurance	\$ 12.19	\$ 12.78	\$ 13.57	\$ 14.58	\$ 15.67
PERS	\$ 24.33	\$ 28.14	\$ 30.94	\$ 33.96	\$ 36.93
Salary Savings (On Going)	\$ (0.84)	\$ (0.87)	\$ (0.90)	\$ (0.93)	\$ (0.96)
New Development Expenditures	\$ -	\$ 2.86	\$ 3.82	\$ 4.87	\$ 8.36
Other Expenditures	\$ 43.26	\$ 45.90	\$ 47.38	\$ 49.27	\$ 51.16
TOTAL GENERAL FUND EXPENDITURES	\$ 167.04	\$ 180.78	\$ 188.10	\$ 196.81	\$ 208.02
Administrative Actions (Energy Efficiency Projects)	\$ -	\$ 0.83	\$ 1.65	\$ 1.65	\$ 1.65
SURPLUS/(DEFICIT) WITH ADMINISTRATIVE ACTIONS	\$ -	\$ (7.25)	\$ (9.54)	\$ (13.68)	\$ (20.81)
Long-Term Financial Plan (FY2023 to FY2027)					
Description	Forecast FY 2023	Forecast FY 2024	Forecast FY 2025	Forecast FY 2026	Forecast FY 2027
Major Revenues	\$ 141.67	\$ 145.11	\$ 148.64	\$ 152.26	\$ 151.10
New Development Revenues	\$ 6.12	\$ 7.09	\$ 8.02	\$ 8.99	\$ 10.50
Other Revenues	\$ 42.35	\$ 42.63	\$ 42.92	\$ 43.21	\$ 43.51
TOTAL GENERAL FUND REVENUES	\$ 190.14	\$ 194.84	\$ 199.58	\$ 204.46	\$ 205.11
Personnel Services	\$ 98.71	\$ 100.60	\$ 102.52	\$ 104.48	\$ 106.48
Flex/Insurance	\$ 16.85	\$ 18.13	\$ 19.52	\$ 21.03	\$ 22.67
PERS	\$ 39.64	\$ 41.89	\$ 44.55	\$ 45.88	\$ 47.92
Salary Savings (On Going)	\$ (0.99)	\$ (1.02)	\$ (1.05)	\$ (1.08)	\$ (1.11)
New Development Expenditures	\$ 9.71	\$ 11.12	\$ 12.67	\$ 14.26	\$ 16.01
Other Expenditures	\$ 52.30	\$ 53.39	\$ 54.50	\$ 55.65	\$ 51.73
TOTAL GENERAL FUND EXPENDITURES	\$ 216.22	\$ 224.11	\$ 232.71	\$ 240.22	\$ 243.70
Administrative Actions (Energy Efficiency Projects)	\$ 1.65	\$ 1.65	\$ 1.65	\$ 1.65	\$ 1.65
SURPLUS/(DEFICIT) WITH ADMINISTRATIVE ACTIONS	\$ (24.43)	\$ (27.62)	\$ (31.48)	\$ (34.11)	\$ (36.94)

ATTACHMENTS

Attachment A: Detailed Listing of Proposed Budget Cuts - Phase I and II

Attachment B: Expenditures by fund, department and category

Attachment C: Revenues by fund, account and fiscal year

Attachment D: Staffing by department, classification and fund

Attachment E: Long-Term Financial Plan Report (as in May 23, 2017 Budget Document)

Attachment F: CalPERS Circular Letter - Discount Rate Change (Council Info. Item)

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AttachmentG: Revised City Manager Proposed Budget Sections to include discussion regarding SAFER grant and the addition of 12 Fire Crew Personnel.

Staff Contact: David Bilby, Finance Director