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## CITY COUNCIL STAFF REPORT

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**TO:** Honorable Mayor and City Council                      **DATE:** March 2, 2020  
**FROM:** Matthew Bronson, City Manager  
**PREPARED BY:** Deanne Purcell, Administrative Services Director  
**SUBJECT:** FY 2019-20 Mid-Year Budget Appropriations Changes

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### **RECOMMENDATION**

Approve FY 2019-20 mid-year budget appropriations changes including \$1 million “reinvestment” of one-time funds for paydown of CalPERS pension cost liabilities and infrastructure projects.

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### **BACKGROUND**

On February 18, 2020, the Council received a report on the City’s current financial condition and financial projections for revenues and expenditures over the next five years. Overall, the City is in a solid financial condition both for this current fiscal year and the next several years given the growth in revenues particularly the cannabis tax revenues and prudent cost management of City expenditures. However, additional funding is still needed to address ongoing needs such as police patrol, fire and emergency medical services, street maintenance, and other services.

As part of the February 20<sup>th</sup> report, staff identified a number of mid-year budget appropriation changes with no net impact to the General Fund for the Council’s consideration along with a proposed \$1 million “reinvestment” of one-time funds for a paydown of the City’s CalPERS pension cost liabilities and infrastructure projects. The Council concurred with these items and provided direction for staff to return for formal approval on March 2 along with a description of the proposed infrastructure projects.

### **FY 2019-20 Mid-Year Budget Adjustment Requests**

In reviewing the mid-year budget status, departments had the opportunity to address any unforeseen needs that became known. Staff is requesting the Council’s consideration of budget appropriation changes for the General Fund totaling \$457,952 with a revenue offset of \$391,152. As discussed below, the net cost of \$66,800 from these appropriations can be absorbed within the current General Fund budget with no actual cost impact. The appropriations requested for the Wastewater Fund total \$50,700 which is for the cost of a generator carried over from FY 2018-19. Below is further detail on these requested appropriation changes by department:

#### **City Management**

The City has received a total of \$227,050 to date from the County of San Luis Obispo related to SB 1090 for the closure of Diablo Canyon Power Plant. A budget appropriation of \$227,050 is requested for economic development uses which will be offset by the additional \$227,050 in revenue received. The Council discussed potential uses of these funds on November 4, 2019. In addition, a vehicle was purchased in the amount of \$26,800 for the Cannabis Program for the sergeant assigned to this division which is currently budgeted in City Management. Savings from the line item for cannabis audits should be able to absorb the cost of the vehicle since some of

the audits won't take place until later on in the year, due to the number of audits and the timing to complete, the cost will be incurred in the next fiscal year, meaning there is no impact to the General Fund budget to purchase the vehicle for FY 2019-20.

### Police Department

The County annually allocates \$10,000 to the City related to the Nuclear Power Plant Grant. In the current fiscal year, the County increased its grant amount to \$164,102. These funds will be used to purchase an emergency generator, changeable message traffic sign, and various technology equipment upgrades in the Council Chamber, which serves as the City's Emergency Operations Center, and must be expended by June 30, 2020. An increase of \$164,102 is requested and will be offset by the \$164,102 grant revenue. In addition, the interior of the Police Department needs repairs/remodel in both the upstairs and downstairs workspaces. Staff requests to use \$50,000 of salary savings for these needed improvements in addition to funding identified below.

### Public Works

A generator was budgeted in the Wastewater Fund and purchased in FY 2018-19 but not expended until FY 2019-20 when the equipment was received. A budget appropriation in the amount of \$50,700 is recommended for approval by the Council to cover the cost of the generator.

## **\$1 Million Reinvestment of Excess General Fund Reserves**

Based on the mid-year status of the City's budget and financial forecast, staff is recommending a \$1 million "reinvestment" of one-time funds from the City's General Fund reserves for one-time expenditures that include:

- \$500,000 to pay down the City's unfunded pension liability costs directly to CalPERS which would save an estimated \$800,000 in interest over the life of the liability. For the Council's reference, the City's unfunded pension liability is approximately \$12 million, and the City previously has not been in a position to make such an extra payment.
- \$500,000 to address one-time infrastructure needs as identified below:
  - \$250,000 – Community infrastructure that includes:
    - \$100,000 Streetlights park/street tree planting
    - \$50,000 Tree planting
    - \$50,000 Park improvements and deferred maintenance
    - \$25,000 New citywide street signs
    - \$25,000 New EV charging stations (in addition to \$20K APCD grant)
  - \$250,000 – City facilities that include:
    - \$100,000 City Hall improvements
    - \$50,000 Fire Station improvements
    - \$40,000 City pool vehicles replacement
    - \$25,000 Police Station improvements (in addition to \$50K salary savings)
    - \$25,000 Community Center improvements
    - \$10,000 Corporation Yard equipment

These infrastructure projects are further identified in Attachment 2 and intended to be carried out with funds expended by the end of the current fiscal year prior to the new adopted budget starting

on July 1, 2020. The chart on the next page shows that using \$1 million of reserves for one-time needs will bring the ending General Fund reserves balance to 27% of operating expenditures, which provides a reasonable cushion beyond the current policy goal of 20% General Fund reserves and additional reserves capacity for funding needs in FY 2020-21.

	<b>FY 2019-20 Projected</b>
<b>General Fund</b>	
Revenues	\$ 13,241,300
Expenditures	12,685,600
Annual Surplus	555,700
Beginning Reserves	3,647,500
One-Time Reserves Reinvestment	(1,000,000)
Ending Reserves	<u>\$ 3,203,200</u>
<b>Percent of Operating Expenditure:</b>	<b>27%</b>

Lastly, the Council provided direction to increase the General Fund reserves policy goal to 25% to provide greater capacity for future economic downturns and related financial uncertainties. Staff will return to the Council with revised financial policy language as part of the upcoming FY 2020-21 budget process to reflect this change with next year's budget.

### **FISCAL IMPACT**

The General Fund appropriations requested related to the Mid-Year review total \$457,952 with a revenue offset of \$391,152, for a net of \$66,800. The net of \$66,800 can be absorbed with current appropriations, therefore there is no impact to the General Fund. The Wastewater Fund appropriations requested total \$50,700. This request is a carryover item from FY 2018-19, where it was originally approved and purchased with the adopted FY 2018-19 budget, but not expended or received until the following FY 2019-20. The additional \$1 million appropriation requested for the paydown of the City's pension costs liabilities (\$500,000) and the infrastructure needs (\$500,000) would be funded from General Fund reserves as one-time expenditures.

### **ALTERNATIVES**

The City Council has the following alternatives to consider:

1. Approve FY 2019-20 mid-year budget appropriation changes including \$1 million "reinvestment" of one-time funds for paydown of CalPERS pension cost liabilities and infrastructure projects ; or
2. Provide staff with alternative direction.

### **PUBLIC NOTIFICATION**

The agenda was posted in accordance with the Brown Act.

### **ATTACHMENTS**

1. Budget Adjustment Request
2. Recommended Infrastructure Projects for FY 2019-20 Mid-Year Reinvestment

Approvals/workflow 1. Dept Head 2. Admin Svcs 3. City Council 4. City Manager	<b>City of Grover Beach</b> <b>BUDGET ADJUSTMENT REQUEST</b> Mid-year Appropriation Request	Budget JE #  AGENDA DATE <span style="background-color: yellow;">3/2/2020</span>
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DESCRIPTION	Account #	PROJECT #	AMOUNT
<b>REVENUE SOURCES</b>			
Diablo Canyon Settlement	01-000-44080-000		\$227,050
Services-Auditing	01-124-54105-000		26,800
<b>TOTAL REVENUES</b>			<b>\$253,850</b>
<b>EXPENDITURE USES</b>			
Contractual Obligations	01-000-54110-000		\$227,050
Equipment Purchase	01-124-57000-000		26,800
<b>TOTAL EXPENDITURES</b>			<b>\$253,850</b>

**JUSTIFICATION: (attach letter if required) - City Management request-**  
 1) Diablo Settlement-use for Economic Development \$227,050; 2) Vehicle purchase \$26,800 for Sgt in Cannabis program use savings from services-auditing budget

<b>REQUESTED BY:</b>  _____ Date                      Department Head	<b>REVIEWED &amp; APPROVED BY:</b>  _____ Date                      Administrative Services
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**APPROVED** by the City Council of the City of Grover Beach, State of California, this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_. Agenda Item No. \_\_\_\_\_

ATTEST: \_\_\_\_\_  
 Deputy City Clerk

**APPROVED BY:**  
  
 \_\_\_\_\_  
 Date                      City Manager

Approvals/workflow 1. Dept Head 2. Admin Svcs 3. City Council 4. City Manager	<b>City of Grover Beach</b> <b>BUDGET ADJUSTMENT REQUEST</b> Mid-year Appropriation Request	Budget JE #  AGENDA DATE <div style="background-color: yellow; text-align: center;">3/2/2020</div>
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DESCRIPTION	Account #		PROJECT/GRANT #	AMOUNT
<b>REVENUE SOURCES</b>				
Revenue from Other Agencies	01-000-44060-000		9001	\$164,102
Salaries	01-192-50010-000			50,000
<b>TOTAL REVENUES</b>				<b>\$214,102</b>
<b>EXPENDITURE USES</b>				
EOC Upgrades	01-191-52135-000		9001	\$55,000
Back-up Generator	01-164-57000-000		9001	\$68,020
Satellite Phones (3)	01-191-52135-000		9001	7,400
Portable Radios (10)	01-164-54040-000		9001	4,300
Portable Message Sign	01-192-57000-000		9001	21,307
IT Upgrades	01-191-52135-000		9001	8,075
PD Repairs/Remodel				50,000
<b>TOTAL EXPENDITURES</b>				<b>\$214,102</b>

**JUSTIFICATION: (attach letter if required) - Police Dept request-**  
 1) NPP Grant \$164,102 use for generator and IT equipment; 2) Detectives remodel/repairs-use salary savings from PD-operations budget

<b>REQUESTED BY:</b>	<b>REVIEWED &amp; APPROVED BY:</b>
_____ Date                      Department Head	_____ Date                      Administrative Services

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ATTEST: \_\_\_\_\_  
 Deputy City Clerk

**APPROVED BY:**

\_\_\_\_\_  
 Date                      City Manager

Approvals/workflow 1. Dept Head 2. Admin Svcs 3. City Council 4. City Manager	<b>City of Grover Beach</b> <b>BUDGET ADJUSTMENT REQUEST</b> Mid-year Appropriation Request	Budget JE #  AGENDA DATE <span style="background-color: yellow;">3/2/2020</span>
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DESCRIPTION	Account #	PROJECT/GRANT #	AMOUNT
<b>REVENUE SOURCES</b>			
Wastewater Fund			\$50,728
<b>TOTAL REVENUES</b>			<b>\$50,728</b>
<b>EXPENDITURE USES</b>			
Equipment Purchases	80-161-57000-000		\$25,364
Equipment Purchases	80-163-57000-000		\$25,364
<b>TOTAL EXPENDITURES</b>			<b>\$50,728</b>

**JUSTIFICATION: (attach letter if required) - Public Works request-**

1) Carryover FY 2018-19 appropriation for generator purchase \$50,700 to FY 2019-20

<b>REQUESTED BY:</b>	<b>REVIEWED &amp; APPROVED BY:</b>
_____ Date                      Department Head	_____ Date                      Administrative Services

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**ATTEST:** \_\_\_\_\_  
Deputy City Clerk

**APPROVED BY:**

\_\_\_\_\_  
 Date                      City Manager

Approvals/workflow 1. Dept Head 2. Admin Svcs 3. City Council 4. City Manager	<b>City of Grover Beach</b> <b>BUDGET ADJUSTMENT REQUEST</b> Mid-year Appropriation Request	Budget JE #  AGENDA DATE <span style="background-color: yellow;">3/2/2020</span>
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DESCRIPTION	Account #	PROJECT/GRANT #	AMOUNT
<b>REVENUE SOURCES</b>			
General Fund Reserves			\$1,000,000
<b>TOTAL REVENUES</b>			<b>\$1,000,000</b>
<b>EXPENDITURE USES</b>			
CalPERS	01-000-50100-000		\$500,000
Community Infrastructure	various	various	250,000
City Facilities	various	various	250,000
<b>TOTAL EXPENDITURES</b>			<b>\$1,000,000</b>

**JUSTIFICATION: (attach letter if required) - \$1M Reinvestment**

1) Paydown pension liability (CalPERS) \$500,000, 2) Community Infrastructure \$250,000 and 3) City Facilities \$250,000

<b>REQUESTED BY:</b>	<b>REVIEWED &amp; APPROVED BY:</b>
_____ Date                      Department Head	_____ Date                      Administrative Services

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**ATTEST:** \_\_\_\_\_  
Deputy City Clerk

**APPROVED BY:**

\_\_\_\_\_  
 Date                      City Manager

## Recommended Infrastructure Projects for FY 2019-20 Mid-Year Reinvestment

### **\$250,000 for Community Infrastructure**

- \$100,000 Additional streetlights (4) on North Oak Park and North 4<sup>th</sup> Street
- \$50,000 Tree planting at parks, Oak Park median, and West Grand Avenue
- \$50,000 Deferred maintenance and minor improvements at various parks
- \$25,000 New citywide street signs
- \$25,000 New EV charging stations at train station and replacement station at City Hall

### **\$250,000 for City Facilities**

- \$100,000 City Hall lobby flooring/door replacement and Chamber improvements
- \$50,000 Fire Station cabinets and flooring replacement
- \$40,000 City pool vehicles replacement
- \$25,000 Police Station workspace improvements (\$50,000 also allocated in salary savings)
- \$25,000 Community Center windows/doors replacement and plumbing improvements
- \$10,000 Corporation Yard equipment