



City of Rialto

Legislation Text

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For City Council Meeting [June 25, 2019]

TO: Honorable Mayor and City Council

APPROVAL: Rod Foster, City Administrator

FROM: Jessica Brown, Finance Director

Request City Council to:

1. Conduct a Public Hearing on the City's 2019-20 Proposed Budget.
2. Adopt a Resolution to approve and adopt including:
 - a. **Resolution No. 7540, RHA Resolution No. 004-19, and RUA Resolution No. 07-19** for the City's 2019-20 Proposed Budget and authorization for adjustments for final fund balance;
 - b. **Resolution No. 7541** establishing the City's 2019-20 appropriations limit; and
 - c. **Resolution No. 7542** establishing the City's General Fund committed fund balance of June 30, 2019.
3. Authorize capital expenditures in 2019-20 only for approved Capital Improvement Projects that are being carried forward from 2018-19 that are already in design or construction as detailed in Attachment A and suspend all new Capital Improvement Projects from commencing until the revised 2020-2024 Capital Improvement Plan is presented and approved by Council.
4. Adopt **Resolution No. 7543, RHA Resolution No. 005-19 and RUA Resolution No. 08-19** to Continue the Fiscal Year 2018-19 Budget and Contracts.

POWERPOINT (ACTION)

BACKGROUND:

In accordance with Section 2.04.140 of the Rialto Municipal Code, the City Administrator must present the fiscal budget to the City Council for approval annually. Under the direction of the Finance Director, the Finance Department conducts the analysis and makes the projections required to complete the budget document after receiving input from all of the City departments. The process begins in March and requires the cooperation of staff organization-wide.

The Finance Director and Interim City Administrator met with the Budget Committee and presented draft budget projections.

ANALYSIS/DISCUSSION:

The 2019-20 Proposed Budget includes appropriations of \$326.7 million which reflects an increase of \$5.6 million. As presented, the Proposed Budget is cash balanced and it recommends taking advantage of available ongoing and one-time funding to either maintain or increase existing City services levels and programs.

Fund Type	2018-19 Revised Budget	2019-20 Proposed Budget	Change From Prior Year
General Fund	\$ 119,393,719	\$ 96,743,996	\$ (22,649,723)
Capital Project Funds	23,348,268	15,504,486	(7,843,783)
Debt Service	1,814,595	2,182,947	368,352
Depreciation	5,813,870	6,648,150	834,280
Enterprise Funds	4,586,846	5,666,166	1,079,320
Internal Service Fund	10,896,577	11,416,288	519,711
Rialto Housing Authority	206,702	156,730	(49,972)
Rialto Utility Authority	44,448,384	73,148,339	28,699,956
Special Revenue Fund	98,161,389	102,052,495	3,891,105
Successor Agency	12,439,495	13,150,862	711,367
Total	\$ 321,109,846	\$ 326,670,459	\$ 5,560,613

The 2019-20 Projected Budget is cash balanced and reflects a \$3.8 million structural deficit; that staff is pleased to report is an approximate 45% decrease of \$3.1 million from 2018-19. This deficit consists of \$1.6 million of current retiree medical benefits to be funded from the City's Other Post-Employment Benefits (OPEB) Section 115 Trust; as well as \$2.2 million of recruitment salary savings as a result of current and new vacant positions projected to not be filled until after October 1, 2019. In future years, the structural deficit will be eliminated once these expenses are funded through current year operating revenues.

General Fund

The General Fund is the general operating fund of the City and the 2019-20 Proposed General Fund budget of \$96.7 million funds 351.79 full-time equivalent positions in 11 departments.

Operating Funds	2018-19 Revised Budget	2019-20 Proposed Budget	Change From Prior Year
General Fund			
Council/Administrator	\$ 1,217,682	\$ 1,469,539	\$ 251,857
City Clerk	548,641	640,435	91,794
City Treasurer	477,177	562,903	85,726
Code Enforcement	1,042,285	1,022,178	(20,106)
Development Services	13,019,790	4,679,783	(8,340,008)
Finance	2,010,679	2,138,996	128,318
Fire	21,580,249	23,779,309	2,199,061
Human Resources	942,988	957,360	14,372
Management Services	1,060,787	915,249	(145,538)
Non Departmental	33,586,915	12,992,749	(20,594,166)
Police	33,534,578	36,832,921	3,298,343
Public Works	10,371,949	10,752,574	380,625
Total General Fund	\$ 119,393,719	\$ 96,743,996	\$ (22,649,723)

The Proposed Budget reflects a decrease of \$22.6 million as compared to the 2018-19 Revised Budget mainly due to a decrease in operating transfers out in the Non Departmental budget as a result of a one-time transfer of \$17.5 million for the Frisbie Park Project in 2018-19. General Fund expenditures include operations traditionally associated with activities that are not required to be accounted for or paid by another fund.

The 2019-20 Proposed General Fund Budget includes \$100.0 million in revenue which reflects a \$4.7 million increase as compared to the 2018-19 Revised Budget.

Revenue Category	2018-19 Revised Budget	2019-20 Proposed Budget	Change From Prior Year
Charges for Current Services	\$ 7,281,100	\$ 8,307,300	\$ 1,026,200
Fines, Forfeits & Penalties	551,100	626,800	75,700
Licenses & Permits	5,292,700	5,398,380	105,680
Operating Transfers In	2,303,965	1,892,122	(411,843)
Other Revenue	786,400	610,190	(176,210)
Revenue from Other Agencies	5,805,340	5,821,340	16,000
RUA Lease & Contract Payments	3,140,530	3,140,530	-
Tax Revenue	60,243,560	64,271,289	4,027,729
Use Of Money	1,003,700	1,188,000	184,300
Total Revenue	86,408,395	91,255,951	4,847,556
One-Time Revenue	8,932,645	8,767,000	(165,645)
Total Including One-Time Revenue	\$ 95,341,040	\$ 100,022,951	\$ 4,681,911

This increase is mainly attributed to an increase in tax revenue of \$4.0 million as a result of increased sales and property tax revenue; as well as revenue associated with Development Agreements that are one-time in nature. All general tax receipts and fee revenue not allocated by law, Council policy, or contractual agreement to other funds, are accounted for in the General Fund.

Special Revenue Funds

The City's various Special Revenue Funds include grant program funds and other funds that by law are required to be segregated from other funds. The 2019-20 Proposed Special Revenue Fund Budget includes budgets for 31 different funds in the aggregate amount of \$102.1 million which reflects an increase of \$3.9 million as compared to the 2018-19 Revised Budget. This net increase is primarily due to an increase in Measure I and Gas Tax projects which are offset by a decrease in project expenditures for both Park and Fire Development Impact Fee funds.

Also included in Special Revenue Funds are various capital projects. Staff recommends the approval of the Special Revenue Fund 2019-20 Proposed Budget pending the future Council approval of all new Capital Improvement Projects.

Enterprise Funds

The City has three Enterprise funds including Cemetery, Community Services, and Utility Services funds. The total enterprise fund 2019-20 Proposed Budgets of \$5.7 million reflect an increase of \$1.1 million. This increase is primarily due to an increase in Community Services as a result of an increase in personnel expense related to both full time and part time personnel and Utility Services as a result of an increase in contract services.

Internal Service Funds

The City has five internal service funds including Fleet Maintenance, Workers' Compensation, General Liability, Information Technology, and Building Maintenance. The purpose of internal service funds is to centralize certain services that benefit all functions of the City. The expenditures of the internal service funds are allocated to all of the City's departments commensurate to the services

provided. The total internal service fund 2019-20 Proposed Budgets of \$11.4 million reflect an increase of \$519,711 primarily due to increases in both General Liability and Workers' Compensation funds as a result of an increase in anticipated claims; as well as an increase in the annual contribution to increase the funding levels of both funds. These increases are offset by a decrease in Information Technology due to a decrease in planned office equipment and machinery purchases.

Rialto Utility Authority

The Rialto Utility Authority (RUA) accounts for Water and Waste Water Services provided by Rialto Water Services. The 2019-20 Proposed RUA Budgets of \$73.1 million reflect an increase of \$28.7 million primarily due to an increase in capital improvement projects as detailed in Attachment A as compared to 2018-19 Revised Budget.

The Rialto Housing Authority

The Rialto Housing Authority (RHA) assumed the housing functions of the former Redevelopment Agency. The 2019-20 Proposed RHA Budget of \$156,730 reflects a decrease of \$49,972 primarily due to a decrease in contract services and personnel expense.

Capital Projects Funds

The Capital Projects Funds exist to enhance transparency by reporting one-time capital expenditures in a separate fund. The 2019-20 Proposed Capital Project Budget of \$15.5 million reflects a net decrease of \$7.8 million as compared to the 2018-19 Revised Budget. This decrease is primarily due to a decrease in Redevelopment Agency projects (\$12.9 million) offset by an increase of General Fund capital requests (\$5.0 million). The requested increases include:

- Equipment: An increase in equipment of \$1.5 million including the purchase of three (3) copiers, fire truck equipment, extraction equipment, self-contained breathing apparatus, driving and use of force simulators, office furniture, playground equipment, generators, HVAC replacement and various tools.
- Heavy Equipment: An increase in heavy equipment of \$490,000 including the purchase of a Caterpillar 289D Bobcat, two (2) John Deere tractors, and a concrete trailer.
- Information Technology Projects: An increase of \$505,000 for a Police Department network and cloud projects.
- Capital Improvement Projects: An increase of \$1.4 million for parking lot improvements, fire station doors at Fire Station 201, fencing and other replacement and rehabilitation projects.
- Rolling Stock: An increase of \$1.0 million for 13 replacement Ford Explorers, four (4) Ford F250 trucks, and 2 Ford F150 4X4 trucks.

Staff also recommends the approval of the 2019-20 Proposed Capital Budget pending the future Council approval of all new Capital Improvement Projects.

Personnel

The 2019-20 Projected Budget includes total personnel expense of \$67.9 million which reflects an increase of \$7.2 million and funds a total of 389 full-time equivalent positions which is an increase of 26 positions as compared to the 2018-19 Revised Budget. The majority of the increase in positions is requested in the General Fund (21.74 positions). This increase in the General Fund is primarily due to an increase of 9 positions in the Police Department to meet the public safety needs of the City; four (4) positions in the Finance Department to address the current workload, use of staffing contract services to meet the financial reporting requirements of the City, as well as the reorganization of the

Purchasing and Information Technology Divisions; and 5 positions in the Development Services Department and 2.74 positions in the Public Works Department to meet workload requirements and use of contract services.

Fund Type	2018-19 Revised Budget	2019-20 Proposed Budget	Change
General Fund	330.05	351.79	21.74
Internal Service Funds	15.00	16.10	1.10
Enterprise Funds	13.55	14.55	1.00
Other Funds	4.40	6.56	2.16
Total Positions	363.00	389.00	26.00

The increase in the requested positions also results in offsetting contract costs and revenues that have been included in the 2019-20 Projected Budget. The total cost of the increased positions of \$3.1 million is offset by additional revenue and contract and salary savings of \$2.7 million.

Offsetting Costs & Revenue	
Contract Savings	\$ 819,600
Salary Savings	
Reduction in Overtime	1,015,600
Position Offsets	509,941
Revenue	380,000
Total Offsetting Costs & Revenue	\$ 2,725,141

In addition to the full-time positions, the 2019-20 Proposed Budget also includes 49.33 part-time positions which reflects an increase of 15.39 part time positions. This increase is primarily due to an increase of 13.76 part time positions in the Community Services Department.

ENVIRONMENTAL IMPACT:

The action is exempt from California Environmental Quality Act (CEQA) pursuant to Section 15378(b) (5) of the CEQA Guidelines because the preparation of a budget plan is a governmental administrative activity that will not result in direct or indirect physical changes in the environment.

GENERAL PLAN CONSISTENCY:

Our City government will lead by example, and will operate in an open, transparent, and responsive manner that meets the needs of the citizens and is a good place to do business.

Goal 3-6: Require that all developed areas within Rialto are adequately served with essential public services and infrastructure.

Policy 3-6.1: Coordinate all development proposals with other affected public entities to ensure the provision of adequate public facilities and infrastructure services.

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Policy 3-6.3: Require an increasing level of public safety infrastructure and service capability tied to population increase and increasing service demand.

Policy 3-6.4: Complete infrastructure master plans for sewer, water, and drainage.

Policy 5-3.7: Add service level capability and infrastructure to meet increasing demand of new development.

LEGAL REVIEW:

The City Attorney has reviewed and approved this staff report.

FINANCIAL IMPACT:

Operating Budget Impact

The 2019-20 Budget, as presented in the Proposed Budget Book, includes appropriations for the City's General Fund, special revenue funds, capital project funds, internal service funds, and enterprise funds which total approximately \$326.7 million and fund 389 full-time budgeted staff.

Capital Improvement Budget Impact

Appropriations for 2019-20 for the City's capital improvement budget total approximately \$15.5 million and include funding for equipment, heavy equipment, information technology projects, capital improvement projects, and rolling stock. Staff recommends the approval of the 2019-20 Proposed Capital Budget pending the future Council approval of all new Capital Improvement Projects.

RECOMMENDATION:

1. Conduct a public hearing on the City's 2019-20 Proposed Budget.
2. Adopt a Resolution to approve and adopt including:
 - a. **Resolution No. _____, Rialto Housing Authority Resolution No. _____, and Rialto Utilities Authority Resolution No. _____** for the City's 2019-20 Proposed Budget and authorization for adjustments for final fund balance;
 - b. **Resolution No. _____** establishing the City's 2019-20 appropriations limit; and
 - c. **Resolution No. _____** establishing the City's General Fund committed fund balance of June 30, 2019.
3. Authorize capital expenditures in 2019-20 only for approved Capital Improvement Projects that are being carried forward from 2018-19 that are already in design or construction as detailed in Attachment A and suspend all new Capital Improvement Projects from commencing until the revised 2020-2024 Capital Improvement Plan is presented and approved by Council.
4. Adopt **Resolution No. _____, Rialto Housing Authority Resolution No. _____ and Rialto Utilities Authority Resolution No. _____** to Continue the Fiscal Year 2018-19 Budget and Contracts.