



City of Rialto

Legislation Text

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For City Council Meeting [October 26, 2021]

TO: Honorable City Council

APPROVAL: Marcus Fuller, City Manager

FROM: Arron Brown, Deputy City Manager
Stephen Erlandson, Director of Finance

..Title

Request City Council to: (1) Receive a Presentation Providing an overview of the Preliminary General Fund Ending Fiscal Year 2020-2021, (2) Adopt **Resolution No. 7791** Amending the Fiscal Year 2021-22 Fiscal Budget, and (3) Adopt **Resolution No. 7792** Updating the Citywide Class and Compensation Table for Full-Time and Part-Time Employees.

(ACTION)

BACKGROUND

On August 11, 2020, Council approved adopted the FY2020-21 budget, on March 9, 2021 Council updated the Budget with the Mid-Year presentation. Staff is in the process of preparing the FY 2020-21 close. In an ongoing process to enhance the City's financial transparency this staff report represents the preliminary findings as presented herein.

ANALYSIS/DISCUSSION

The General Fund ended Fiscal Year 2020-21 in a sound financial position. Due to higher than projected revenues in Sales Tax (discussed below) in conjunction with significant expenditure savings, the fiscal year is currently anticipated to end with an estimated surplus of \$23.2 million. This estimate is based on unaudited numbers that may change slightly as a result of the annual audit process currently underway and scheduled to be completed early next year. However, based on past experience, the City's unaudited numbers are often an accurate predictor of the final balance of the General Fund.

Sales Tax Revenue

The City has several logistics-based warehousing centers that either operate through a subsidiary or are wholly owned by the vendor. In the case of a fulfillment center that is operated by a subsidiary or third-party, the sales generated at that site is not considered a "point-of-sale" and the local sales taxes generated by those sales are remitted to the state, collected, and disbursed through a "County Pool" with each City and the County receiving a proportionate share of the local sales tax revenues.

However, in the case of a fulfillment center that is wholly owned by the vendor, the sales are considered "point-of-sale" and all local sales taxes generated at that site are received directly by the City without sharing through a "County Pool." Commencing January 2021, a certain fulfillment center changed its ownership structure for their sites and these fulfillment centers are now considered a

“point-of-sale” facility, and all local sales tax revenues are now received directly by the City.

Prior to 2021 and extending back to approximately 2012, this certain fulfillment center operated with a subsidiary and the local sales tax revenues were distributed through a “County Pool.” With the recent change of ownership structure with this certain fulfillment center, the total amount of local sales tax revenues distributed through the “County Pool” has significantly decreased and has caught the attention of many cities that do not have fulfillment centers operating within their boundaries. These cities have initiated an effort to focus attention on the allocation of local sales tax revenues from cities hosting these fulfillment centers to cities that do not have them.

It is unknown if the California Legislature will ultimately step into the issue of redistributing local sales tax revenues generated by fulfillment centers, but out of an abundance of caution Staff has set aside and reserved 20% of the additional sales tax revenues received in Fiscal Year 2020-21 due to this change. This set aside is to ensure if there is an action to reverse the direct allocation of local sales tax revenues to the City, the City will have a reserve from which to pay these revenues back to the “County Pool” if it were required. This reserve of sales tax revenue has been accounted for in the estimated surplus of \$23.2 million.

Staff has prepared a Table identifying the originally adopted FY 2020-21 General Fund revenues and expenditures, and comparing the originally adopted amounts to the Mid-Year FY 2020-21 Revision, and to estimated FY 2020-21 Year End amounts.

Due to the continued high pace of economic development in Rialto, sales tax revenues have significantly increased over the last several years. As shown in the following Table, the originally adopted FY 2020-21 General Fund Budget estimated \$18.8 million and at FY 2020-21 Year End Staff is now estimated this amount to have doubled to \$37.4 million. Much of this increase is due to the aforementioned change in operation of a certain fulfillment center located in Rialto.

With the exception of property tax revenue, all other sources of General Fund revenue exceeded the estimates provided at the FY 2020-21 Mid-Year Revision.

Total FY 2020-21 General Fund revenue was adopted at \$100.9 million at the Mid Year Revision and is now estimated to be \$117.7 million at FY 2020-21 Year End for a surplus of \$16.8 million.

Total FY 2020-21 General Fund expenditures was adopted at \$100.2 million and is now estimated to be \$94.5 million for a surplus of \$5.7 million.

Total estimated surplus for FY 2020-21 Year End is estimated at \$23.2 million less encumbered Purchase Order balances of \$0.7 million for an available surplus of \$22.5 million.

GENERAL FUND REVENUES AND EXPENDITURES					
	2020-21 Adopted Budget	2020-21 Revised Budget	2020-21 Estimated Current	Increase/ (Decrease)	Actual % to Budget
Total Revenues by Source					
Sales Tax	\$ 18,765,350	\$ 23,456,780	\$ 37,427,863	\$ 13,971,083	160%
In Lieu Property Tax (VLF)	14,695,250	15,551,132	15,646,226	95,094	101%
Property Taxes	13,194,155	14,473,955	13,895,985	(577,970)	96%
Utility Users Tax	13,081,510	14,051,250	14,251,308	200,058	101%
Other Taxes	5,595,540	5,595,540	6,429,104	833,564	115%
All Other Sources	35,738,266	23,835,535	26,112,969	2,277,434	110%
Total General Fund Revenues	\$ 101,070,071	\$ 96,964,192	\$ 113,763,455	\$ 16,799,263	117%
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Transfers In	\$ 3,946,701	\$ 3,975,456	\$ 3,975,456	\$ -	100%
Total Revenues	\$ 105,016,772	\$ 100,939,648	\$ 117,738,911	\$ 16,799,263	117%
Total Expenditures by Department					
City Council	\$ 608,916	\$ 608,916	\$ 566,282	\$ (42,634)	93%
Management	1,231,322	2,141,418	2,232,643	91,225	104%
City Clerk	1,721,361	1,799,117	1,628,941	(170,176)	91%
Human Resources	1,279,329	1,279,329	1,034,991	(244,338)	81%
Finance	2,487,276	2,487,276	2,110,380	(376,896)	85%
Community Development	4,522,829	4,441,761	3,035,686	(1,406,075)	68%
Fire	24,147,565	24,437,309	24,607,823	170,514	101%
Police	40,687,582	40,772,701	37,878,669	(2,894,032)	93%
Community Compliance	1,148,658	1,148,658	788,465	(360,193)	69%
Community Services	4,342,584	4,144,059	3,251,607	(892,452)	78%
Public Works	11,306,273	12,000,851	8,977,128	(3,023,723)	75%
Treasurer	630,182	633,022	583,930	(49,092)	92%
Non Departmental	4,846,734	1,907,932	4,722,277	2,814,345	248%
Total General Fund Expenditures	\$ 98,960,611	\$ 97,802,349	\$ 91,418,822	\$ (6,383,527)	93%
Transfers Out	\$ 2,251,290	\$ 2,388,120	\$ 2,388,120	\$ -	100%
PO Roll-Forwards			\$ 730,313	\$ 730,313	
Total Expenditures	\$ 101,211,902	\$ 100,190,469	\$ 94,537,255	\$ (5,653,214)	94%
Surplus (Deficit)	\$ 3,804,870	\$ 749,179	\$ 23,201,656	\$ 22,452,477	

General Fund Working Fund Balance Summary Fiscal Year 2021-2022						
	FY2019-20 Actual	FY 2020-2 Adopted Bu	FY 2020-2 Amended Budget	FY 2020-2 Estimated Actuals	FY2021-22 Adopted Bu	FY2021-22 Amended Budget
Beginning Projected Fund Balance-Unrestricted	\$ 25,134,766	\$ 25,134,766	\$ 25,134,766	\$ 25,134,766	\$ 47,331,645	\$ 47,331,645
Revenues	80,190,492	101,070,071	96,964,192	113,763,455	86,002,466	86,002,466
Transfers In	18,841,652	3,946,701	3,975,456	3,975,456	18,231,094	18,231,094
Total Revenue	99,032,144	105,016,772	100,939,648	117,738,911	104,233,560	104,233,560
Expenditures	(84,682,619)	(98,960,611)	(97,802,349)	(91,418,822)	(100,440,050)	(100,440,050)
Recommended Additional Expenditures	-	-	-	-	-	(18,700,000)
Additional Positions	-	-	-	-	-	(183,343)
Additional IT Internal Service Fund Positions	-	-	-	-	-	(347,631)
Transfers Out	(9,166,355)	(2,251,290)	(2,388,120)	(2,388,120)	(3,793,510)	(3,793,510)
PO Roll Forwards	-	-	-	(730,313)	-	-
Total Expenditures	(93,848,974)	(101,211,901)	(100,190,469)	(94,537,255)	(104,233,560)	(123,464,503)
Surplus/ (Deficit)	5,183,170	3,804,871	749,179	23,201,656	0	(19,230,943)
Ending/Projected Unrestricted Balance	\$ 25,134,766	\$ 28,939,657	\$ 25,883,947	\$ 48,336,421	\$ 47,331,645	\$ 28,100,602
Economic Uncertainty Reserve	\$25,773,249	\$25,773,249	\$25,773,249	\$25,773,249	\$26,778,027	\$26,778,027
Non-Spendable Reserves	\$24,399,474	\$24,423,033	\$24,423,033	\$24,423,033	\$24,423,033	\$24,423,033
Committed Reserves	\$12,214,045	\$7,214,045	\$7,214,045	\$7,214,045	\$7,214,045	\$7,214,045
Total Reserve Balances	\$ 87,521,534	\$ 86,349,964	\$ 83,294,274	\$ 105,746,748	\$ 105,746,748	\$ 86,515,777

As previously noted, the City anticipates ending FY 2020-21 with a General Fund net surplus of \$23.2 million, which will increase the unrestricted General Fund balance as of June 30, 2021 to \$48.3 million.

The City Council previously adopted a reserve policy of 30% to be held as restricted funds. For FY 2021-22 this restricted reserve amount is \$26.8 million and is accounted for separately in the total General Fund balance. Other advances or loans from the General Fund in the amount of \$24.4 million are being held as non-spendable reserves (for recently completed park construction, the prior perchlorate water litigation, etc.). Another \$7.2 million held as committed reserves for approved capital projects.

At FY 2020-21 Year End, the Total General Fund Balance is estimated at \$105.7 million or 100% of the City's annual General Fund operating budget. Although the City has a strong financial reserve, it is important to note that the City also has significant financial liabilities related to its Public Employees' Retirement System (PERS) unfunded accrued liability (UAL) for employee pension costs, as well as its Other Post Employment Benefits (OPEB) unfunded accrued liability (UAL) for retiree medical costs.

The FY 2020-21 Comprehensive Annual Financial Report (CAFR) reported the following PERS UAL amounts for Rialto employee pension costs (with these amounts reflecting UAL as of June 30, 2019):

- Miscellaneous (Non Safety) Employees: \$39.8 million
- Public Safety Employees: \$81.4 million

Total PERS UAL as of June 30, 2019, for all City employees and retirees is \$121.2 million.

As the City has sufficient financial reserves in both the restricted and unrestricted General Fund balance, Staff is recommending that the estimated surplus of \$23.2 million be allocated to additional expenditures in the FY 2021-22 General Fund budget. Specifically, Staff recommends amending the FY 2021-22 General Fund budget to appropriate \$19.2 million of the \$23.2 million estimated surplus for the items identified in this staff report. This will still allow \$4 million of the estimated surplus to remain in the unrestricted General Fund balance maintaining that balance at \$28.1 million, with total General Fund reserve estimated at \$86.5 million.

The following additional appropriations for FY 2021-22 are recommended:

Street Paving Repairs

Based on prior City Council direction, Staff recommends an appropriation of \$10 million for additional street reconstruction and pavement repairs. This appropriation will include funds necessary to repair the third segment of Riverside Avenue from the Metrolink tracks south to San Bernardino Avenue, and also provide additional funds for other local streets.

Vehicle Replacement

As part of a separate staff report, Staff is recommending the acquisition of 87 new vehicles through lease-purchasing financing. Staff recommends an appropriation of \$1 million to account for the annual lease payment through FY 2021-22, and to hold on reserve balance for any required vehicle replacements throughout the year.

Workers' Compensation Fund

Currently the Workers' Compensation Fund has total assets of \$10.4 million and total liabilities of \$13.1 million. To fully fund the Workers' Compensation Fund, Staff recommends an appropriation through a transfer-out of the General Fund to the Workers' Compensation Fund of \$2.7 million.

Other Post-Employment Benefits (OPEB) Fund

Currently the OPEB Fund has total assets of \$18.9 million and total liabilities of \$63.8 million. The calculation determining the valuation of the City's Net OPEB Liability (Assets) is based on an actuarial study by a third-party (MacLeod Watts). As of fiscal year-end 2020-21, the City's actuarially determined Net OPEB Liability is \$44.9 million. The City has not contributed annually to the OPEB Fund, and Staff recommends an appropriation through a transfer-out of the General Fund to the PARS Section 115 trust account in the amount of \$5 million to reduce the City's Net OPEB Liability.

New Positions/ Modifications

Based on recent review of City operations, Staff is recommending the following personnel changes at a total cost of \$0.5 million. These personnel changes are subject to the meet and confer process with the perspective bargaining units.

Mayor and City Council

Mayor Robertson has requested the use of a paid intern; currently there is no expenditure budget identified in the FY 2021-22 General Fund Budget for interns or other part-time support for Mayor and City Council, and Staff recommends an expenditure appropriation of \$50,000 for this purpose.

Human Resources

Reclassify - Human Resource Assistant from Part-Time to Full-Time

- Annual cost salary & benefits \$26,232

Finance - Payroll

Reclassify - Administrative Analyst from Part-Time to Full-Time (New Position)

- Annual cost salary & benefits \$98,424 (6-month cost \$49,212)

Community Services

Add - Administrative Analyst

- Annual cost salary & benefits \$98,424 (6-month cost \$49,212)

Community Development

Sr Plans Examiner - Increase pay 10% per salary survey of surrounding Cities.

- Current salary range \$64,828 - \$86,877
- Proposed 10% salary adjustment \$71,311 - \$95,564

Information Technology

Add (New Position) - Director of Information Technology

- Annual cost salary & benefits \$242,827 (6-month cost \$121,414)

Add (New Position) - Information Technology Network Engineer (RMMA)

- Annual cost salary & benefits \$155,691 (6-month cost \$77,846)

Add (New Position) - Information Technology Business Systems Analyst (RMMA)

- Annual cost salary & benefits \$155,691 (6-month cost \$77,846)

Add - Information Technology Network Administrator (RMMA)

- Annual cost salary & benefits \$141,050 (6-month cost \$70,525)

ENVIRONMENTAL IMPACT

The request is not a Project as defined by Section 15378 of the California Environmental Quality Act (CEQA).

GENERAL PLAN CONSISTENCY

Complies with the following Rialto General Plan Guiding Principle:

Our 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.

LEGAL REVIEW

The City Attorney has reviewed and supports this staff report and resolutions.

FINANCIAL IMPACT

This action will authorize an additional appropriation of \$19.2 million in the FY 2021-22 General Fund budget from an estimated surplus of \$23.2 million generated in the prior FY 2020-21 General Fund budget.

Capital Improvement Budget Impact

This action will increase City's Capital Improvement Budget by \$10 million for street reconstruction and pavement repairs, including the third segment of Riverside Avenue between the Metrolink tracks and San Bernardino Avenue, and also appropriate \$1 million for vehicle replacements.

RECOMMENDATION

Staff recommends that the City Council:

- 1) Receive a Presentation Providing an overview of the Preliminary General Fund Ending Fiscal Year 2020-2021,
- 2) Adopt a Resolution Amending the Fiscal Year 2021-22 Fiscal Budget, and
- 3) Adopt a Resolution Updating the Citywide Class and Compensation Table for Full-Time and Part-Time Employees