



AGENDA STAFF REPORT

DATE: June 11, 2018

TO: Honorable Mayor and City Council

THRU: Jill R. Ingram, City Manager

FROM: Victoria L. Beatley, Director of Finance/City Treasurer

SUBJECT: **Adopt the Operating Budget and 5-Year Capital Improvement Program (CIP); Approve the CIP Budget for FY 2018-2019; Set the Appropriations Limit for Fiscal Year 2018-2019; and Authorize Appropriations by Fund**

SUMMARY OF REQUEST:

That the City Council hold a public hearing and adopt Resolution 6833 adopting the Fiscal Year 2018-2019 Operating Budget and 5-Year Capital Improvement Program; approving the Capital Improvement Program budget for Fiscal Year 2018/2019; setting the Appropriations Limit for Fiscal Year 2018-2019; and authorizing appropriations by fund.

BACKGROUND AND ANALYSIS:

The City Council held two budget workshops on May 22nd and May 24th to review and solicit public input on the Proposed Budget and 5-Year Capital Improvement Program for Fiscal Year 2018-2019. The City Charter requires that the City Council hold this public hearing prior to the adoption of the budget.

The proposed budget was prepared based on City Council goals, state and federal mandates, and with consideration given to preserving core services that the City provides to the residents, businesses, and visitors of Seal Beach.

In addition to being made available on the City's website, copies of the proposed budget were made available to the public for purchase at the City Clerk's office and copies were distributed to the libraries for interested parties to review. Notice of the public hearing was published as required by law in the Sun Newspaper.

At the budget study sessions, the estimated deficit was \$477,600 as presented. This deficit is significantly less than the deficit that was presented to the City Council during their individual budget briefings. The primary reason for the decrease is the anticipated receipt of one-time funds. The revenue received will

be accounted for in the Tidelands Fund and eliminates the need for a transfer from the General Fund in FY 2018 – 2019.

During the May 24th Budget Workshop, staff received direction from the City Council on some additional adjustments to the budget. Based upon that direction, the Council Discretionary funding has been cut, some expenditure estimates have been updated based upon the most recent information received, and the proposed 2018-2019 Cost Recovery Schedule (fees and charges) has been completed and the proposed changes have been incorporated into the revenue budget.

The current estimated deficit is now \$145,200 and staff still needs direction on changes to the following item:

1. Senior Transportation

Although unbalanced, the budget as proposed is fiscally prudent. City staff is mindful of the constraints of the budget and, as always, will make decisions about expenditures that are in the best financial interest of the City.

In addition, per Ordinance No. 1643, Section 4.50.125 of the City Municipal Code requires that the rate of Utility Users Tax (UUT) be reviewed annually. Based on the Fiscal Year 2018-2019 revenue projections, UUT is the third largest revenue source to the General Fund providing approximately \$4.2 million of General Fund revenue.

The UUT funds several capital improvement projects needed in the City; such as street improvements, storm drains, and beach and pier projects. Without the City's UUT, it would be impossible to continue the aggressive capital improvement program established by the City and maintain the City's core services at the current levels. The current Utility Users' Tax rate is 10% on electric, gas, and telecommunications and 9% on pre-paid wireless services.

The attached resolution approving the City's Operating Budget and 5-Year Capital Improvement Program:

1. Adopts the Proposed Operating Budget and 5-Year Capital Improvement Program;
2. Approves the Capital Improvement Program budget for Fiscal Year 2018/2019;
3. Re-appropriates all encumbrances from Fiscal Year 2017-2018 for continued use in Fiscal Year 2018-2019;
4. Authorizes the City Manager to make appropriation transfers within functions and programs as long as such transfers do not increase the adopted annual budget appropriations; and
5. Establishes the Appropriations Limit for Fiscal Year 2018-2019 required under Article XIIB of the State Constitution.

ENVIRONMENTAL IMPACT:

There is no environmental impact related to this item.

LEGAL ANALYSIS:

There is no legal analysis required for this item.

FINANCIAL IMPACT:

For Fiscal Year 2018-2019, the General Fund estimated revenues are projected to be \$30,263,900 compared to operating appropriations and transfers out of \$37,422,600 resulting in an estimated fund balance decrease of \$7,158,700. Included in the appropriations of \$37,422,600 is \$6,703,700 for Capital Improvement projects. As a result of the changes highlighted in the staff report, General Fund operating expenses exceed operating revenues and operating transfers by \$455,000 including the two additional Police Officers.

RECOMMENDATION:

That the City Council hold a public hearing and adopt Resolution 6833 adopting the Fiscal Year 2018-2019 Operating Budget and 5-Year Capital Improvement Program; approving the Capital Improvement Program budget for Fiscal Year 2018/2019; setting the Appropriations Limit for Fiscal Year 2018-2019; and authorizing appropriations by fund.

SUBMITTED BY:

NOTED AND APPROVED:

Victoria L. Beatley

Jill R. Ingram

Victoria L. Beatley, Director of Finance/City Treasurer

Jill R. Ingram, City Manager

ATTACHMENTS:

- A. Resolution 6833
- B. Redline Version