

Additional

Budget Referrals

FY 2017/18

Budget Referral # 18-16: Provide a more detailed explanation as to the increasing subsidy from the General Fund for Parks & Recreation services and what can be done to mitigate the increases.

Response: The Parks and Recreation Department is constantly working to control expenditures, increase revenue and ultimately minimize the gap between the two. In review of the Parks & Recreation budget for the past 3 years, the best indicator is to look at the actuals for each fiscal year. While there is a varying level of subsidy from the General Fund for FY 2017-18, it has been less than what is projected in the Adopted Budget for each of these years.

Chart 1 is a revised summary chart for Parks & Recreation which corrects a summation error and shows the projected General Fund support for these programs is \$519,600.

CITY OF HERCULES PROJECTED FINANCIAL PERFORMANCE OVERVIEW JUNE 13, 2017 FY 2017-18 PARKS AND RECREATION			
Department	FY17/18 Proposed Revenue	FY17/18 Proposed Expenses	FY17/18 Variance
Administration	31,595	2,039	29,556
Facilities	212,000	198,083	13,917
Neighborhood Ctrs- Liability Insurance	35,000	-	35,000
Security Guards	12,000	-	12,000
Lupine DC	95,000	87,882	7,118
Ohlone DC	-	72,466	(72,466)
Ohlone CC	115,000	193,353	(78,353)
Hanna CC	155,000	264,219	(109,219)
Lupine CC	135,000	205,696	(70,696)
Rec Classes	75,000	165,090	(90,090)
Senior	15,000	65,475	(50,475)
Tiny Tots	205,000	164,535	40,465
Swim Center	250,000	376,032	(126,032)
Sports	130,000	122,053	7,947
Teen	-	23,503	(23,503)
Youth/Teen	110,000	155,129	(45,129)
TOTAL	1,575,595	2,095,555	(519,960)
** Library Revenue and Expenditures Below			
Library	FY17/18 Proposed Revenue	FY17/18 Proposed Expenses	FY17/18 Variance
Revenue	14,000	-	14,000
Professional Service	-	26,500	(26,500)
Repair & Maintenance	-	3,500	(3,500)
Grounds Repair & Maintenance	-	5,000	(5,000)
HVAC	-	5,000	(5,000)
Repair & Maintenance Service	-	-	-
Electricity	-	27,500	(27,500)
Gas	-	6,600	(6,600)
Interfund/Allocation	-	20,419	(20,419)
TOTAL	14,000	94,519	(80,519)

Chart 2 is a Summary of the Parks and Recreation Revenues and Expenditures from FY 2014-15 to FY2016-17 (as of 06-13-17)

		Fiscal Year	Values							
			2015		2016		2017		B2015 vs B2016	B2016 vs B2017
Type	Fund Descripti	Activity Basic Account Descriptio	Sum of Budget Plan	Sum of YTD Actuals	Sum of Budget Plan	Sum of YTD Actuals	Sum of Budget Plan	Sum of YTD Actuals		
1. REV	GENERAL FUND	CHARGES FOR SERVICES	1,720,500	1,604,294	1,615,700	1,538,541	1,564,942	1,350,480	(104,800)	(50,758)
		MISCELLANEOUS REVENUE	68,000	39,519	68,000	84,340	53,250	32,374	0	(14,750)
1. REV Total			1,788,500	1,643,813	1,683,700	1,622,881	1,618,192	1,382,854	(104,800)	(65,508)
2. EXP	GENERAL FUND	CAPITAL OUTLAY	0	1,292	0	0			0	0
		INTERFUND/ALLOC/TRANSFERS	169,212	142,659	169,212	151,936	166,371	124,778	0	(2,841)
		OFFICE EXPENSES	127,179	95,937	111,925	84,599	101,579	77,733	(15,254)	(10,346)
		OTHER EXPENSES	(36,931)	(19,319)	(38,953)	(13,412)	0	(26,525)	(2,022)	38,953
		SALARIES AND BENEFITS	1,203,370	1,158,521	1,287,287	1,259,722	1,365,679	1,108,094	83,917	78,392
		SERVICES	520,148	447,926	544,939	478,815	745,537	223,091	24,791	200,598
2. EXP Total			1,982,978	1,827,015	2,074,410	1,961,660	2,379,166	1,507,173	91,432	304,756
Adjustments to Services							745,537			
Parks & Rec		Parks & Rec Facilities Improvements [One-Time]					50,000			
Parks & Rec		17-7 Basketball court					22,000			
Parks & Rec		17-8 Restroom Facility in Duck Pond Park					150,000			
Parks & Rec		17-10 Youth Program - Movie night, free swim lesson, tent					10,000			
Total Decision Packages							232,000			
Adjusted Services			520,148	447,926	544,939	478,815	513,537	223,091	24,791	(31,402)
2. EXP TOTAL WITHOUT DECISION PACKAGES			1,982,978	1,827,015	2,074,410	1,961,660	2,147,166	1,507,173	91,432	72,756
NET OF REVENUES AN EXPENDITURES			(194,478)	(183,202)	(390,710)	(338,780)	(528,974)	(124,319)		

The deficit has been increasing over the last three years from a low point. The main factors are declining revenues with budgeted revenues since FY 2014/15 having declined from \$1,750,500, excluding library revenue of \$38,000, to the proposed \$1,575,595 or accounting for \$174,905 of the net increase. As illustrated in the Chart 2, actual revenues have come in lower than budgeted over this period, hence the lower amounts budgeted in the subsequent year. This despite some fees being raised in each of these years.

The second component of the increasing gap between revenues and expenses is due to increasing labor costs. Many of the Parks & Recreation programs rely on staff who are paid minimum wage. The State of California has mandated an on-going increase in minimum wage and the change in FY 2015/16 was an 11% increase, and for FY 2016/17 it was a 5% increase. It will be 4.7% increase for FY 2017/18. In addition, regular full-time and part-time employees paid above minimum wage have also had some compensation increases. One time retention payments were 5% and 7.62% of pay in fiscal years 2015/16 and 2016/17 respectively. In addition, a 5% COLA was provided in FY 2016/17. This resulted in Salaries and Benefits, increasing from the \$1,203,370 budgeted in FY 2014/15 to \$1,365,679 in 2016/17, or a \$162,309 bump. The proposed budget for FY 2017/18 also anticipates a level of labor and benefit cost increases.

Some of the ways Parks & Recreation intend to increase revenue in the coming year is through the re-branding of a few programs like the Morning Care, and Child Care programs by turning them into license exempt programs called the "The Breakfast Club at the SPOT" and "Kaleidoscope Kidz, a recreational after school program"; expand programs that are doing well (i.e. adding an additional class to Tiny Tots), adding additional sports to try to recapture some of the youth sports revenue, and by creating new complimentary programs that will help reduce cost, and increase revenue, including an expanded array of summer day camp options program, field trips, senior trips, Fall and Spring Swim Lessons, more youth and adult sports.

Budget Referral # 18-17: What are the current City Council stipends and what parameters control those possibly being adjusted.

Response: The City Council stipend is currently \$831.60 a month. This has not been increased since 2009 with that amount having gone into effect in 2010. State law permits the Council stipend to be adjusted by no more than 5% a year though only effective when new terms start for Council Members. As such, if the City Council were to enact a change it would be for those Council Members whose terms would start in December 2018. The maximum annual salary for City Council Members as of December 2016 would now be \$1,170.14 if it had been increased to the maximum each year as permitted by law. The City Council could consider an adjustment to the stipend which is less than the maximum like as a cost of living increase such as that which may be provided to employees this year. For example, assuming the December 2015 to December 2016 consumer price index change for the Bay Area of 3.5%, is proposed as the change factor, the current stipend amount of \$831.60 per month would be increased to \$873.18 per month.

Budget Referral # 18-18: Provide an updated projection the estimated ending fund balance for FY 2016/17 including any carryover projects or activities which may reduce what may be available.

Response: The FY16-17 Year End Estimate and the FY16-17 Carryforwards for the General Fund are detailed in the following charts:

General Fund	FY 16-17 Year End Estimate
General Fund YE Revenue (Estimated)	\$ 15,117,391
General Fund YE Expenditures (Estimated)	\$ 12,940,842
Net of YE Rev and Expenditures (Estimated)	\$ 2,176,549
FY16-17 Carry Forwards	(\$821,680)
Year End Balance (Estimated)	\$ 1,354,869

FY16-17 Carry Forwards Detail	Amount
DESIGNATION FOR REUSABLE BAGS	\$ 19,000
DP16-1 RECORDS MANAGEMENT	\$ 50,000
DP02 PARKS & REC FACILITIES IMPROVEMENT	\$ 20,000
DP05 ENGINEERING INTERN	\$ 15,000
DP09 FORMER HMU LIGHTING EXCHANGE	\$ 150,930
DP11 GENERAL PLAN CIRCULATION ELEMENT UPDATE	\$ 78,000
DP13 FRANCHISE FEE/UUT AUDITS	\$ 40,000
DP14 COMMUNITY DEVELOPMENT INTERN	\$ 15,000
DP15 PARKING ENFORCEMENT OFFICER	\$ 19,750
DP16 FUNDING FOR MODULAR BUILDING REPLACEMENT	\$ 10,000
ADP01 HAZARD MITIGATION PLAN AND CLIMATE ADAPTATION STRATEGY	\$ 40,000
ADP04 INVESTMENT IN STREET MAINTENANCE	\$ 150,000
ADP05 REINSTATEMENT OF MINIMAL CODE ENFORCEMENT PROGRAM	\$ 50,000
BR17-08 RESTROOM FACILITY IN DUCK POND PARK	\$ 139,000
BR17-17 GRAFFITI PILOT PROG	\$ 25,000
TOTAL FY16-17 Carry Forwards	\$ 821,680

Budget Referral # 18-19: Provide more detailed information on available fund balance in Landscape & Lighting Assessment District 82-3 Citywide.

Response: A Citywide component is included in each of the City's five Landscape & Lighting Assessment Districts. In District 83-2, that is Zone 10. However, there is a city-wide component in the other four Districts – Victoria by the Bay, Hercules Village, Baywood, and Bayside. Each of the city-wide component fund balances above operating reserves could be available for capital projects in any of the City's parks and open space areas to the extent that any capital reserve goals are being met. Attached is a table which summarizes the FY 2017/18 fund balance status for all of the Districts. It is important to note, that as part of Citywide Landscape & Lighting Assessment District 83-2, a portion of the Zone 10 available fund balance covers the deficits and serves as the operating reserves for those Zones where there are none or that are not fully funded. As such, the available fund balance in Zone 10 is reduced by \$305,000 from what is shown as a result. The available fund balances for all of the Districts' citywide components already reflect \$500,000 in total budgeted capital improvements. The table below provides how much additional fund balance above the operating reserves may be available for citywide related capital projects:

District	Amount
83-2, Zone 10	\$ 168,212
Victoria by the Bay	\$ 42,034
Hercules Village	\$ 11,295
Baywood	\$ 3,770
Bayside	\$ 27,695
Total	\$ 253,006

Fund	Description	Zones	Beg Fund Balance	Operating Income	Operating Expense	Net Operating Cost	Required Operating Reserves	Available Ending Fund Balance
220	CITYWIDE L&L DIST 83-2	Zone 1	15,593.15	47,878.62	63,552.70	(15,674.08)	31,776.35	(31,857.28)
		Zone 2	66,989.59	72,803.32	62,739.20	10,064.12	31,369.60	45,684.11
		Zone 3 & 4	100,468.54	65,996.16	71,201.49	(5,205.33)	35,600.74	59,662.47
		Zone 5A	183,982.63	77,771.04	62,006.82	15,764.22	31,003.41	168,743.44
		Zone 5B	81,264.85	43,335.27	17,905.51	25,429.76	8,952.75	97,741.86
		Zone 5C	(17,853.98)	12,991.85	11,205.63	1,786.22	5,602.82	(21,670.58)
		Zone 6	(85,363.56)	22,085.21	48,505.03	(26,419.82)	24,252.51	(136,035.89)
		Zone 7	127,592.53	68,759.32	59,754.32	9,005.00	29,877.16	106,720.37
		Zone 8	168,399.60	167,129.98	134,430.85	32,699.13	67,215.42	133,883.31
		Zone 9	(93,890.23)	71,473.03	62,071.70	9,401.33	31,035.85	(115,524.75)
		Zone 10	1,109,125.50	788,423.58	1,082,553.30	(294,129.72)	341,783.58	473,212.20
		Total	1,656,308.62	1,438,647.38	1,675,926.55	(237,279.17)	638,470.19	780,559.26
221	VICTORIA BY THE BAY	Victoria	179,409.48	416,817.12	378,969.10	37,848.02	189,484.57	27,772.93
		Citywide	136,736.13	106,752.59	134,302.68	(27,550.09)	67,151.34	42,034.70
		Total	316,145.61	523,569.71	513,271.78	10,297.93	256,635.91	69,807.63
222	HERCULES VILLAGE L&L	Hercules Village	208,366.92	143,283.53	138,584.02	4,699.51	69,292.01	143,774.42
		Citywide	36,743.93	28,686.70	36,090.00	(7,403.30)	18,045.00	11,295.63
		Total	245,110.85	171,970.23	174,674.02	(2,703.79)	87,337.01	155,070.05
223	BAYWOOD ASSESS 04-1	Baywood	55,152.68	123,902.13	110,287.76	13,614.37	55,143.88	13,623.17
		Citywide	12,264.44	9,574.95	12,046.19	(2,471.24)	6,023.09	3,770.11
		Total	67,417.12	133,477.08	122,333.95	11,143.13	61,166.97	17,393.28
224	BAYSIDE ASSESS DIST	Bayside	(5,770.21)	116,154.94	57,225.46	58,929.48	28,612.73	24,546.54
		Citywide	75,274.01	63,323.20	73,934.39	(10,611.19)	36,967.19	27,695.63
		Total	69,503.80	179,478.14	131,159.85	48,318.29	65,579.92	52,242.17