



STAFF REPORT TO THE CITY COUNCIL

DATE: Regular Meeting of June 27, 2017

TO: Members of the City Council

SUBMITTED BY: David Biggs, City Manager
Annie To, Director of Finance

SUBJECT: Public Hearing on Proposed FY 2017/18 City of Hercules Budget Plan including the First Year of the Five Year 2017–2022 Capital Improvement Budget

RECOMMENDED ACTION:

Open the Continued Public Hearing, Receive a Staff Report, Take Public Testimony, Close the Public Hearing, and adopt the following resolutions (Attachment 1):

- a. Approving the FY 2017/18 City of Hercules Budget Plan which includes the First Year (2017/18 Fiscal Year) of the Five-Year (2017-2022 Fiscal Years) Capital Improvement Budget and making certain designations and fund balance adjustments, approving (16) annual contracts for services in a total amount of \$533,430.
- b. Approving the FY 2017/18 Hercules Public Financing Authority Budget Plan Consisting of Debt Service in the amount of \$2,217,819.
- c. Establishing the Appropriations Limit for the FY 2017/18 in accordance with Proposition 111 and Article XIII B.

COMMISSION/SUBCOMMITTEE ACTION AND RECOMMENDATION:

The Finance Commission did a first look at General Fund revenues on March 27, 2017; a first look at General Fund Expenses on April 17, 2017. The Commission also received an introduction to the proposed FY 2017/18 Budget on May 22, 2017 and undertook a subsequent review on May 31, 2017. On June 19, 2017, the Commission completed their review of the budget and at the end the meeting the Commission supported the budget with three specific recommendations to the City Council:

- That the Library be funded for one year based on the Foundations offer and subject to the \$44,000 in costs getting us to the 43 hours offered
- They expressed concerns about the increasing general fund subsidy of Parks & Rec and believe that should be the subject of a more detailed review before next year's budget and asked if the Council would like them to form a subcommittee to review this in more detail

- That Fund Balance Decision Packages #18-3 and #18-4 related to OPEB and Pensions should be funded as a high priority.

FISCAL IMPACT OF RECOMMENDATION:

If adopted as proposed, the total City Budget with Addendums & Corrections will be as follows:

DESCRIPTION	ALL FUNDS	GENERAL FUND
FY 17-18 Proposed Revenue	\$70,302,409	\$14,342,646
FY 17-18 Proposed Expenditure	\$69,938,173	\$13,668,066
FY 17-18 Net of Revenue & Exp.	\$364,236	\$674,580

This is before any Decision Packages or Budget Referrals are incorporated into the Budget by final action of the City Council. On this basis, there is an operating surplus in the General Fund. After recommended Decision Packages, there would still be an operating surplus of \$83,682. Available one-time funding would be applied to a variety of one-time purposes including capital investments and meeting other critical expenditure or reserve needs of a one-time nature.

DISCUSSION:

The City Council conducted a first public hearing on the proposed FY 2017/18 Budget on June 13, 2017, and the public hearing was continued to June 27, 2017. The revised proposed FY 2017/18 Budget including the City Manager's Budget Message is available on-line on the City's website (www.ci.hercules.ca.us) and through the following link:

Attached is a listing of Addendums & Corrections for incorporation into the proposed General Fund Budget (Attachment 3). Additional information has been added to Alternate Decision Package #18-1 – Library Extra Hours Funding to reflect the discussion at the first Budget Public Hearing, which is attached (Attachment 4). Also attached are the four additional Budget Referrals (Attachment 5) which arose out of the June 13th public hearing. In addition, an updated version of the Budget Balancing Worksheet is attached which reflects the Addendums & Corrections (Attachment 6) and other updates to reflect the City Manager's revised recommendations, it also lists those initial Budget Referrals which the City Council expressed tentative interest in adding at the first Budget Public Hearing.

Following the close of the public hearing this evening, the City Council is requested to consider approval of the Decision Packages recommended by the City Manager with whatever changes the City Council may desire, together with any Budget Referrals which the City Council wishes to approve. At the meeting the Budget Balancing Worksheet will document which items are to be incorporated into the approved budget and will ensure a balanced budget and that no more one-time funding is allocated than available.

The Budget Resolution sets forth designations necessary to ensure they are appropriately shown in the annual audit. In addition, the Budget Resolution makes adjustments to the fund balances for a variety of Landscape & Lighting Assessment Districts and Zones to reflect the reallocation of arterial costs as identified during the recent annual renewal process. In addition, the revenues and expenditures for those zones where the proposed increases in the assessments amounts failed will

be modified to reflect the reduced revenues and expenditure changes to maintain the status quo as outlined in Attachment 7.

Finally, the resolution approving the Budget also approves a number of annual contracts for services for which funding is included in the Budget.

The contracts being approved are set forth in the following table:

FIRM	DEPARTMENT	SERVICE	AMOUNT
AMS.Net	IT	Network Support & Maintenance	\$75,500
City of Pinole	IT	Cable Broadcasting	\$28,000
Sungard	IT	Financial & Business Applications Support & Maintenance	\$56,000
Vision	IT	Website Upgrade	\$37,280
Andre Mechanical Service	Public Works	Lift Station Maintenance	\$10,000
Bay Alarms	Public Works	Alarms	\$27,720
Clean Lakes	Public Works	Lake Treatment	\$12,495
Clean Streets	Public Works	Street Sweeping	\$66,000
County of Contra Costa (confirming the amount)	Public Works	Animal Control	\$150,000
Executive Heritage Janitorial	Public Works	Janitorial	\$15,540
Goats are Us	Public Works	Weed abatement	\$13,300
J.W. Enterprise	Public Works	Holding Tank	\$8,500
Kel Aire	Public Works	Air Conditioning Maintenance	\$11,485
Mission Uniform	Public Works	Uniforms	\$5,147
Terminex	Public Works	Pest Control	\$3,963
Valley Air	Public Works	Co Jen	\$12,500
TOTAL CONTRACTS			\$533,430

Hercules Public Financing Authority (PFA) Budget

The Hercules Public Financing Authority (PFA) budget plan for FY 2017-18 consists of debt service in the amount of \$2,217,819.

The PFA Debt Service Funds include the following:

PFA 2003B – This bond issue helped pay for the Hercules Community Library construction and is paid for solely out of the General Fund. Debt Service for FY 2017-18 is \$566,929;

PFA 2009 – Bio-Rad/Venture – This bond was issued to pay for the Venture Building on Linus Pauling Drive and is fully paid for by lease revenue and a guaranteed investment contract (GIC). Debt Service for FY 2017-18 is \$915,940;

PFA 2010 WWTP (July 2010) – This bond was issued to pay for analysis of different options to treat wastewater, upgrading internal sewer lines, and other improvements and is paid for by rate payers. Debt Service is \$734,950

Redevelopment Agency Budget

If adopted as proposed, the total Redevelopment Agency Revenue Budget will be \$11,225,465 and Expenditure Budget will be \$15,147,230. Currently, the BART parking lot revenue and expenditures are being booked in the Redevelopment Agency. There is a plan to move the Revenue and Expenditure Budget from the Redevelopment Agency (Fund 601 RDA – Operating Fund) to the City (Fund 470 - Facility Maintenance Fund) pending an upcoming consideration of a new agreement with BART and WESTCAT for operation of the BART parking lot.

Appropriation (Gann) Limit

The annual Appropriation (Gann) Limit establishes the maximum amount that can be appropriated to the General Fund.

Article XIII B of the California Constitution was approved by California voters in 1979 and has been amended a number of times since its adoption. Article XIII B creates a restriction on the amount of revenue that can be appropriated in any fiscal year.

Article XIII B requires all local government entities to establish an annual appropriation limit. The appropriation subject to limitation is to be based on the 1978-79 appropriation adjusted for changes in cost of living and population.

California Government Code Section 7910 requires each local government to establish its appropriation limit by resolution. Adoption of the attached resolution will approve the FY 2017/18 annual Appropriations Limit. For FY 2017/18, the Appropriations Limit has been determined to be \$398,226,207.

ATTACHMENTS:

1. Resolutions
2. Finance Commission Draft Minutes
3. Addendums & Corrections
4. ADP 18-1: Library Extra Hours Funding Supplemental Information
5. Additional Budget Referrals
6. Updated Budget Balancing Worksheet
7. L & L AD Supplemental Information