

# *City of Brisbane*

## *Agenda Report*

To: City Council via City Manager

From: Stuart Schillinger, Administrative Services Director

Subject: Adoption Resolutions to Approve the Fiscal Year 2020/21 and 2021/22 Budgets

Date: Meeting of June 4, 2020

### **Purpose:**

To provide a fiscal plan which provides flexibility to City Council and the Community to provide for services during the time of unknown circumstances while planning for the long-term recovery.

### **Recommendation:**

Adopt the attached resolutions to approve the budget for Fiscal Year (FY) 2020/21 and FY 2021/22.

### **Background:**

The City adopts a two year budget. It last adopted a budget in June 2018. With uncertainty surrounding the impact of COVID19 and the reduced ability to hold in-person meetings the City manager this year is proposing a high level budget with the understanding that he and the Finance staff will monitor revenues and expenditures and bring changes to the City Council as needed.

### **Discussion**

The major financial impacts from COVID19 are projected to be decreases in Sales Tax, Transient Occupancy Tax, and Charges for Services.

For the current Fiscal Year (2019/20) staff is projecting that revenues will be down approximately \$1.1 million from our expectation at mid-year. We anticipate that we will be down about \$700,000 in Transient Occupancy Tax and \$400,000 in Sales Tax. Our Economic Development Manager has spoken with the hotels who say their occupancy is down 80 to 90 percent. Our Sales Tax will be down for the quarter due to the shelter in place. This will mean that we anticipate the City's General Fund starting Fund Balance for FY 2020/21 will be \$7.8 million.

Staff projection on revenues for FY 20/21 for the General Fund without COVID19 would have been approximately \$23 million. We anticipate a decrease of about \$4.4 million due to the economic impact of COVID19.

Major Revenue Sources impacted by COVID 19	FY 2018/19 Actual	FY 2020/21 Projected (prior to COVID19 Outbreak)	FY 2020/21 Projected (After COVID 19 Outbreak)
Property Tax	\$4,202,000	\$4,548,000	\$3,905,000
Sales Tax	\$5,606,000	\$6,000,000	\$5,000,000*
Transient Occupancy Tax	\$2,890,000	\$3,200,000	\$1,600,000
Business Licenses	\$4,938,000	\$4,379,000	\$4,305,000
Recreation Fees	\$646,000	\$596,000	\$216,000
Totals	\$18,282,000.00	\$18,723,000.00	\$15,026,000.00

\*Avenu (City's Sales Tax Auditor) estimates FY 20/21 \$5.166 million and FY 21/22 \$5.385 million

Due to the reduction in revenues staff is making the following suggestions in regarding expenditures:

Continue to provide necessary services for FY 20/21

Plan for a return to normal operations in FY 2021/22 and FY 2022/23.

Freeze open positions where possible and use existing staff to fill necessary positions

Use reserves as required to meet the above initiatives.

Delay funding pension reserve and new program initiatives until full impact of COVID19 is known.

Based on open positions and delaying new programs, reducing or eliminating non-essential programs or services it is anticipated that the City will need to use \$2.5 million of reserves in FY 2020/21 and \$2.4 million in FY 2021/22.

Over the past decade the City has built up its reserves to be able to continue to provide necessary services during times of economic stress. The City Council has looked at a three prong reserve policy

Recession Reserve – To be used during times of national economic downturns.

Emergency Reserve – To be used during times of local events which increases the City's need to spend money or decreases the City's ability to collect anticipated revenues.

Annual Reserve – To be used for one-time events which either increase expenditures or decreases revenues.

Staff recommends using both the Recession Reserve and Emergency Reserve to meet the objectives outline above. The COVID19 event has both National and local implications.

Based on budgeted projections staff anticipates the available reserves as shown below.

Reserve	June 30 ,2020	June 30, 2021	June 30, 2022
Recession Reserve	\$3,225,000	\$2,004,000	\$767,000
Emergency Reserve	\$3,225,000	\$2,004,000	\$767,000
Annual Reserve	\$2,100,000	\$2,020,000	\$2,162,000

## Different Economic Scenarios

The above projections are based on conservative estimates of the impact of COVID-19 on the economy.

Staff has looked at two additional scenarios which would increase revenues without impacting expenditures. In the case of just getting additional revenue from the current development at Sierra Point and receiving business license revenue from cannabis businesses staff would anticipate \$700,000 in additional revenues in FY 21/22 increasing our ending fund balance to about \$4.4 million.

If the economy begins to recover in FY 21/22 staff would anticipate approximately \$1.2 million in additional revenue over the base projection for an ending fund balance of about \$5.0 million dollars.

Additionally, the House of Representatives has passed a bill which would provide the City \$1,540,000 in FY 20/21 and \$770,000 in FY 21/22. If the City receives even half of this funding it would add an additional \$1.1 million in revenues.

## Future Considerations:

After the City begins to financially recover from the impact of COVID19 there are some long-term financial implications.

- PERS Rates – It is anticipated that by June 30, 2020 the PERS portfolio will not achieve its anticipated 7% rate of return for the year. For each percentage point below the 7% the City will accrue approximately \$860,000 more in unfunded liability and need to pay approximately \$81,000 in additional payments. These payments will not start until FY 2022/23. If PERS achieves a 0% growth for the year we would see an increase of approximately \$560,000 in our unfunded liability payment.
- Replacing reserves – If staff's projections are accurate the City will have used approximately \$4,900,000 of reserves to continue to provide services to the Community. Staff would recommend beginning to reimburse these starting in FY 2022/23 as well.
- Pension Trust Fund Reserves – Staff recommends not funding this until FY 22/23 as well. The goal was to reach \$5,000,000 which would have covered two years worth of our unfunded liability payment. With the anticipated growth in our Unfunded Liability Payment staff will recommend this Trust Fund grow accordingly as well

When taken together staff anticipates an additional \$1,760,000 will need to be allocated to these three uses starting in FY 2022/23. This is broken down as follows:

- PERS - \$560,000
- Reimburse Reserves \$700,000 a year for 7 years
- Pension Trust Fund \$500,000 for 10 years

This will continue to have impacts on our ability to begin new programs going forward.

## Fiscal Impact:

The General Fund budget for both years are balanced within the available resources.

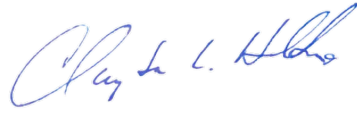
**Attachments:**

Resolution 2020-23  
Resolution GVMID 2020-01

**Stuart Schillinger**

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Stuart Schillinger  
Administrative Services Director



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Clay Holstine  
City Manager

**RESOLUTION NO. 2020-23**

**A RESOLUTION OF THE CITY COUNCIL  
OF THE CITY OF BRISBANE  
ADOPTING THE ANNUAL BUDGET  
FOR THE FISCAL YEAR 2020-2021 and FISCAL YEAR 2021-2022 AND  
MAKING APPROPRIATIONS FOR THE AMOUNTS BUDGETED**

**WHEREAS**, a proposed annual budget for the City of Brisbane for the Fiscal Years commencing July 1, 2020 and ending June 30, 2021 and July 1, 2021 and ending June 30, 2022 was submitted to the City Council

**NOW, THEREFORE, THE CITY COUNCIL DOES RESOLVE**, that the proposed budget, as submitted is adopted as the annual budget for the Fiscal Year commencing July 1, 2020 and ending June 30, 2021 and commencing July 1, 2021 and ending June 30, 2022 and thereby appropriates the amounts budgeted.

**PASSED, APPROVED AND ADOPTED** this 4th day of June 2020.

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Terry O'Connell  
Mayor

I hereby certify that the foregoing **Resolution No. 2020-23** was duly and regularly adopted at a regular meeting of the Brisbane City Council on June 4th, 2020 by the following vote:

AYES:  
NOES:  
ABSENT:

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Ingrid Padilla  
City Clerk

**RESOLUTION NO. GVMID 2020-01**

**A RESOLUTION OF GUADALUPE VALLEY  
MUNICIPAL IMPROVEMENT DISTRICT (GVMID)  
ADOPTING THE ANNUAL BUDGET  
FOR THE FISCAL YEARS 2020-2021 and 2021-2022  
MAKING APPROPRIATIONS FOR THE AMOUNTS BUDGETED**

**WHEREAS**, a proposed annual budget for the Guadalupe Valley Municipal District (GVMID) for the Fiscal Years commencing July 1, 2020 and ending June 30, 2021 and commencing on July 1, 2021 and ending on June 30, 2022 was submitted to the Board of Directors, and

**WHEREAS**, a public hearing and proceedings for the adoption of said budget have been duly held and

**NOW, THEREFORE BE IT RESOLVED** by the Board of Directors of the GVMID that the proposed budget, as submitted, is adopted as the annual budget for the Fiscal Year commencing July 1, 2020 and ending June 30, 2021 and Fiscal Year commencing on July 1, 2021 and ending on June 30, 2022 and thereby appropriates the amounts budgeted.

**PASSED, APPROVED AND ADOPTED** this 4th day of June 2020.

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Terry O'Connell  
President of the Board

I hereby certify that the foregoing **Resolution No. GVMID 2020-01** was duly and regularly adopted at a regular meeting of the Guadalupe Valley Municipal Improvement District on June 4th, 2020 by the following vote:

AYES:  
NOES:  
ABSENT:

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Ingrid Padilla  
District Secretary

Fiscal year 20 21

Fiscal Year 20/21

	General Fund	Gas Tax Fund	Traffic Congestion Fund	Measure A	Sierra Point Lighting and Landscaping	National Pollution Discharge Elimination System	COPS - State Personnel Grant	Public Art	Utility Fund	Marina Fund	Dental Self Insurance	Self Insurance	Self Insured Workers Compensation	Motor Vehicle Replacement
Revenues	18,847,044	183,000	5,300	200,000	590,000	53,000	140,000	-	5,454,300	1,939,000	136,000	686,000	600,000	259,459
Transfers In	190,000					515,043	-							
Fund Balance	8,550,000	-	-	-	550,000	-	-	800,000	6,000,000	1,300,000	(80,000)	-	-	180,000
Total Available Resources	27,587,044	183,000	5,300	200,000	1,140,000	568,043	140,000	800,000	11,454,300	3,239,000	56,000	686,000	600,000	439,459
Expenditures														
City Council	173,043													
City Clerk	352,672													
City Manager	756,343													
Event Cosponsorship	25,190													
Open Space	365,806													
Finance	1,381,327													
Human Resources	595,431													
Legal Services-City Attorney	450,000													
Community Development	1,923,504													
Library	64,600													
Police--Administration & Personnel	880,719													
Police--Communications & Records	540,855													
Police--Police Patrol	3,251,101													
Fire--Administration & Personnel	3,881,555													
Public Works--Admin. & Engineering	618,456													
Public Works--Streets & Storm Drains	782,165													
Public Works--Buildings & Grounds	528,008													
Public Works--Parks Maintenance	116,223													
Public Works--Landscape Maintenance	284,697													
Public Works - Sierra Point Lighting and Landscape					613,360									
Public Works- Water									1,936,892					
Public Works- GVMID									2,077,424					
Public Works - NPDES						568,043								
Public Works - Sewer									1,916,123					
Public Works -- Office of Emergency Services	140,845													
Recreation--Admin & PB&R Comm.	304,089													
Recreation--Parks & Facility Maint.	351,902													
Recreation--Preschool, Youth & Teen	646,945													
Recreation--Adult Recreation	79,487													
Recreation--Senior Citizens	121,646													
Recreation--Special Events	147,633													
Recreation--Teen Activities	116,181													
Recreation--Aquatics	227,832													
Marina										1,227,605				
Non-Departmental/Central Services	613,770													
Capital Projects		183,000	5,300	200,000										
Debt Service	970,203									482,073				
Motor Vehicle Replacement	200,000													200,000
Facility Maintenance	50,000													
Transfer for NPDES	515,043													
Transfer for Low Income Rate Assistance	100,000													
Liability Insurance												686,000		
Wokers Compensation													600,000	
Dental Payments											145,000			
OPEB Trust														
Pension Trust														
Total Expenditures	21,557,270	183,000	5,300	200,000	613,360	568,043	-	-	5,930,439	1,709,678	145,000	686,000	600,000	200,000
Available Resources	6,029,774	-	-	-	526,640	-	140,000	800,000	5,523,861	1,529,322	(89,000)	-	-	239,459
Recession Reserve	2,004,779													
Emergency Reserve	2,004,779													
Regular Reserve	2,020,216													

