



Folsom City Council Staff Report

MEETING DATE:	2/28/2023
AGENDA SECTION:	Old Business
SUBJECT:	Resolution No. 10998 - A Resolution Directing the Finance Director to Add Two Community Service Officer Positions to the Police Department Budget in the General Fund and Appropriation of Funds
FROM:	Finance Department

RECOMMENDATION / CITY COUNCIL ACTION

This item is submitted, without recommendation, for City Council determination.

BACKGROUND / ISSUE

At the January 24, 2023, City Council meeting, the Finance Director gave a mid-year budget review. As part of the review, the projections from the first quarter financial report were revisited. With expenditures expected to exceed total revenues at the end of the fiscal year, a year-end deficit of \$165,000 is projected.

As part of the mid-year budget review, the City Council had the opportunity to discuss any proposed mid-year budget adjustments, and because the General Fund is projected to end the fiscal year with a deficit, the only opportunity for an addition to the budget is to use the unassigned fund balance, or the “emergency reserve.”

A motion was made by a councilmember to add two Community Service Officer positions to the FY 2022-23 budget and to appropriate funds from the unassigned fund balance to pay for these positions. The motion passed with a three-two vote. Per the City of Folsom Municipal Code, this action needs to be approved by resolution.

POLICY / RULE

Section 3.02.030, Subsection H of the Folsom Municipal Code states, in part, that “prior to the City Council making any supplemental appropriation the City Manager shall certify that monies in excess of those estimated in the budget are available for appropriation. Any such supplemental appropriation shall be made for the fiscal year by resolution, up to the amount of any excess.”

Section VI. Undesignated Fund Balances (Reserves), Subsection A. General Fund Reserve of the City’s Financial Policies states that “the City shall maintain an Undesignated Fund Balance (reserve) for the General Fund of no less than 15% of the annual operating expenditures. The Undesignated Fund Balance will be used to provide for temporary financing for unanticipated extraordinary needs of an emergency nature; for example, costs related to a natural disaster or calamity, economic recession, or an unexpected liability created by Federal or State legislative action. Funds shall be appropriated from the Undesignated Fund Balance only after the Finance Director and the City Manager have prepared an analysis and presented to City Council. The analysis shall provide sufficient evidence to establish that the remaining Undesignated Fund Balance is adequate to offset potential downturns in revenue sources and provide a sufficient cash balance for daily financial needs. The analysis shall address the nature of the proposed expenditure and the revenue requirement in subsequent budget years.

Prior to allocating funds from the Undesignated Fund Balance, the City Council shall find that an emergency or extraordinary need exists to justify the use of these funds.”

ANALYSIS

The initial cost of adding two Community Service Officers is \$216,539 in salary, benefits and equipment. These are ongoing costs that will increase over time.

In order to amend the budget, the Council will need to:

1. Find that an emergency or extraordinary need exists to justify the use of the unassigned fund balance
2. Authorize the additional positions
3. Appropriate revenue of equal value, and
4. Make appropriations to various salary, benefit and equipment accounts

In deliberating such an amendment, the Council should consider the following:

1. You are doing so in isolation of considerations to other programs or capital projects.
2. There are known factors that will impact the FY2023-24 budget. For example, (A) we know that the upcoming FY2023-24 budget must accommodate increases approved in collective bargaining agreements this year, (B) we know that departmental operating and maintenance costs have increased significantly in recent years due to inflation but the constrained budget has not allowed for standard CPI increases to be added to operating line items, (C) we were notified by Sacramento County that they are replacing their

property tax software system and during the next two years the property tax administration fees the City pays to the County will increase, adding up to \$375,000 a year in additional expenses and (D) we know that the Fire Department overtime budget is significantly underfunded and does not reflect the reality of department overtime costs.

3. Prudent budgeting would suggest that on-going costs should be funded by on-going revenue streams.

FINANCIAL IMPACT

During the January 24, 2023 meeting the unassigned fund balance in the General Fund was suggested as a means of covering the costs of these positions. This is a one-time use of fund balance to pay for an on-going expense. This is not a good budget practice.

This action would be a planned use of fund balance and would reduce the unassigned fund balance by \$216,539 or 0.94%.

ATTACHMENT

1. Resolution No. 10998 - A Resolution Directing the Finance Director to Add Two Community Service Officer Positions to the Police Department Budget in the General Fund and Appropriation of Funds

Submitted,



Stacey Tamagni, Finance Director/CFO
Office of Management and Budget

RESOLUTION NO. 10998

A RESOLUTION DIRECTING THE FINANCE DIRECTOR TO ADD TWO COMMUNITY SERVICE OFFICER POSITIONS TO THE POLICE DEPARTMENT BUDGET IN THE GENERAL FUND AND APPROPRIATION OF FUNDS

WHEREAS, a motion was made by a councilmember at the January 23, 2023, City Council meeting to add two Community Service Officer positions to the FY 2022-23 budget and to appropriate funds from the unassigned fund balance to pay for these positions; and

WHEREAS, the motion passed with a three-two vote; and

WHEREAS, the City of Folsom Municipal Code requires this action be approved by resolution; and

WHEREAS, the General Fund is projected to end the 2022-23 fiscal year with a deficit, the only opportunity for an addition to the budget is to use the unassigned fund balance, or the “emergency reserve;” and

WHEREAS, the City’s Financial Policies state that the Undesignated Fund Balance will be used to provide for temporary financing for unanticipated extraordinary needs of an emergency nature; and

WHEREAS, the City’s Financial Policies state that prior to allocating funds from the Undesignated Fund Balance, the City Council shall find that an emergency or extraordinary need exists to justify the use of these funds:

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Folsom finds that an emergency or extraordinary need exists to justify the use of the undesignated fund balance;

AND, BE IT FURTHER RESOLVED that the City Council of the City of Folsom directs the Finance Director to add two Community Service Officer positions to the General Fund (010) in the Police Department, appropriate \$216,539 to the Police Department budget in the General Fund (010), and appropriate a use of the unassigned fund balance in the General Fund (010) in the amount of \$216,539 to pay for these positions.

PASSED AND ADOPTED this 28th day of February, 2023, by the following roll-call vote:

AYES: Councilmember(s):
NOES: Councilmember(s):
ABSENT: Councilmember(s):
ABSTAIN: Councilmember(s):

Rosario Rodriguez, MAYOR

ATTEST:

Christa Freemantle, CITY CLERK

*This page intentionally left blank
to facilitate double-sided printing.*



CITY OF
FOLSOM
DISTINCTIVE BY NATURE