

# AB 6255

## Direction on 2022 Year-end Surplus and Deferred Budget Proposals

May 23, 2023



# Agenda

- Background Summary
  - 2022 year-end surplus
  - Financial management policies
- Staff Recommendation & Council Discussion
  1. Fund Balances & Reserves
  2. Budget proposals & CAP action items



# 2022 Year-end Surplus

- Surplus dollars can be used on general services.
- Best practice – draw down most restricted resources first.

<b>Surplus Resources</b> as of 12/31/2022 <i>(\$ in thousands)</i>	<b>Total</b>
Unassigned ARPA Funds	\$1,938
Unassigned General Fund balance	\$1,523
Contingency Fund balance above target funding level	\$218

# Financial Management Policies

- ❑ Adopted September 2021.
- ❑ Provide guidance to replenish the City reserves and strategic uses of one-time year-end savings.

# Financial Management Policies

## Section 6.2 suggested guidance for year-end savings

1. Replenish operating balances and reserves to target levels.
2. Reduce liabilities related to sinking funds.
3. Fund one-time investments, projects, or studies.
4. Make one-time contributions to the Emerging Innovations Reserve.
5. Increase funding for capital purposes.
6. Restore previous program service reductions.
7. Create program and service enhancements.

# Fund Balances & Reserves

- Total of 31 distinct fund balances and reserves.
- Only 3 reserves do **not** meet 2023 target funding levels.

Surplus Resources	Balance as of 12/31/22	2023 Target Funding level	Underfunded Amount
Compensated Absences Reserve	\$751,055	\$798,310	\$47,255
YFS Fund Operating Fund Balance	\$386,140	\$1,250,000	\$863,860
Self-Insurance Claim Reserve	\$54,750	\$60,000	\$5,250

# Staff Recommendation

Underfunded Fund Balance & Reserves	Unassigned Surplus	
	General Fund	Contingency Fund
Compensated Absences Reserve	\$47,255	
YFS Fund Operating Fund Balance	\$82,275	\$217,725
Self-Insurance Claim Reserve	\$5,250	

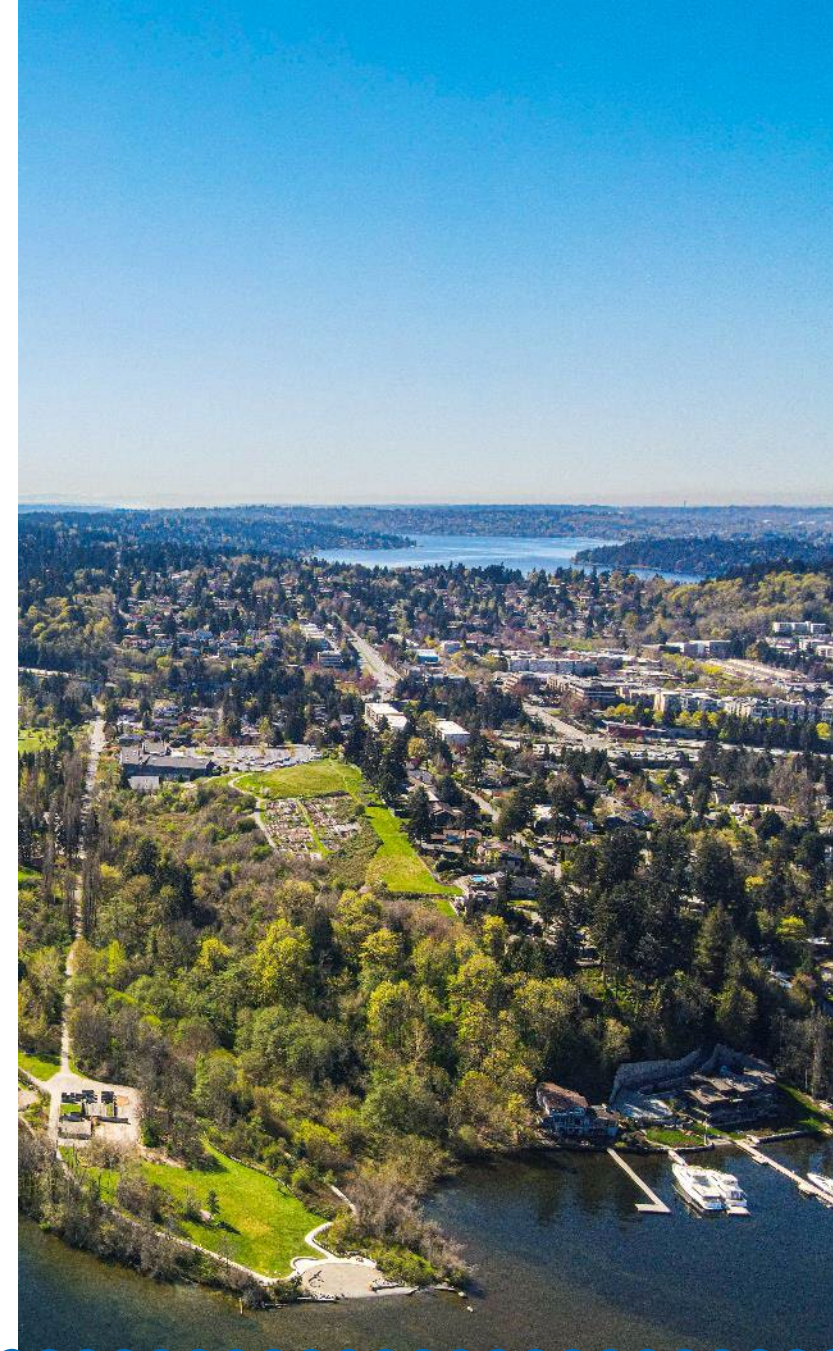
**Meet 2023 Fund Balance & Reserve Target Funding levels.**

# Staff Recommendation

- ❑ To reach 2023 Fund Balance and Reserve Target Funding levels, assign the following:
  1. \$47,255 from General Fund Surplus to Compensated Absences Reserve.
  2. \$81,275 from General Fund Surplus and \$217,725 from Contingency Fund Surplus to the YFS Fund Operating Fund Balance.
  3. \$5,250 from General Fund Surplus to the Self-Insurance Claim Reserve.



# Deferred Budget Proposals & CAP Early Action Items



# Strategic Investments

## Exhibit 1 - Budget Proposals

- ❑ List originated from MAR 2022 Council planning session.
- ❑ Fall 2022, Council approved proposals tied to capital, street, and utility funds.
- ❑ Proposals tied to General and YFS Funds deferred to Q2 2023.
- ❑ 17 updated budget proposals.

# Strategic Investments

- City Manager recommendation includes proposals:
  - 2.1 Develop a Diversity Equity and Inclusion Plan
  - 2.2 Policy to Ban Use of Personal Fireworks
  - 2.3 Develop Park Land Acquisition Strategy & Land Donation Program
  - 2.13 Continuation of the 1.0 LTE Management Analyst
  - 2.15 New 1.0 LTE Assistant Planner Position
  - 2.18 New 1.0 LTE Support Services Foreman
  - 2.19 Initial Funding for City Hall Asbestos Testing and Abatement
  - 3.1 YFS Program Evaluation
  - 3.2 YFS Community Needs Assessment
  
- Qualified use of ARPA funds, financial impact of \$839,000.

# Strategic Investments

- Proposals staff seek City Council policy direction include:
  - 2.7 Restoration of I-90 ICW SOV access to WB I-90 HOV
  - 2.12 Establish a 0.5 LTE Town Center CPD Liaison
  - 2.17 Gun Buyback program
  
- Qualified use of ARPA funds.
  
- 2023-2024 financial impact at minimum \$136,000.

# Strategic Investments

## Exhibit 2 – Climate Action Plan Early Action Items

- ❑ CAP adopted in April 2023.
- ❑ List developed after creation of budget proposals.
- ❑ City efforts that contribute to GHG reductions.
- ❑ Part of larger collaborative work with state, county, and federal partners.



# Strategic Investments

- City Manager CAP action item recommendations include:
  - CD1.2 Composting/Recycling
  - NS2.5 Monitoring and maintenance baseline for all City open spaces
  - CC3.1 GHG tracking & reporting
  - TR1.6 Elimination of gas-powered blowers
  - BE1.7 Green Power Program
  - \* 2.4 Expand Curbside/Doorstep Recycling Options
- Qualified use of ARPA funds, financial impact of \$220,500.

# Strategic Investments

## Do not include unbudgeted biennial impacts

- ❑ Future of the civic campus facilities.
- ❑ Impacts from 2023 legislative update.
- ❑ Classification and compensation study.
- ❑ Groveland and Clark Beach master plans.
- ❑ Pace of inflation, among others.

# Staff Recommendation

- Discuss budget proposals and CAP early action items and provide staff direction on use of ARPA funds.



# Questions

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