



## CITY OF MILPITAS AGENDA REPORT (AR)

<b>Item Title:</b>	Review Fiscal Year 2021-22 Mid-Year Report, Approve FY2021-22 Mid-year Budget Amendments, Adopt a Resolution Amending Resolution No. 1626, the Classification Plan, to Reclassify Positions, Approve and Adopt the Pay Schedule titled "New Job Classifications/Salary Table", and Amend Budgeted Allocated Positions, and Approve and Authorize the City Manager to Negotiate and Execute a contract amendment with Bateman Community Living, LLC (dba TRIO COMMUNITY MEALS, LLC) FY21-22 for additional meals through the Senior Nutrition Program, not to exceed \$124,000
<b>Category:</b>	<a href="#">Leadership and Support Services</a>
<b>Meeting Date:</b>	<a href="#">2/15/2022</a>
<b>Staff Contact:</b>	Lauren Lai, Finance Director, 408-586-3111
<b>Recommendation:</b>	<ol style="list-style-type: none"><li>1. Review the FY 2021-22 Mid-Year Report</li><li>2. Approve FY 2021-22 Mid-Year Budget Amendments</li><li>3. Adopt a Resolution Amending Resolution No. 1626, the Classification Plan, to Reclassify Positions, Approve and Adopt the Pay Schedule titled "New Job Classifications/Salary Table", and Amend Budgeted Allocated Positions</li><li>4. Approve and Authorize the City Manager to Negotiate and Execute a contract amendment with Bateman Community Living, LLC (dba TRIO COMMUNITY MEALS, LLC) FY21-22 for additional meals through the Senior Nutrition Program, not to exceed \$124,000.</li></ol>

### **Background:**

On June 1, 2021, the City Council approved the Fiscal Year (FY) 2021-22 Adopted Operating Budget in the amount of \$195.2 million and the General Fund Budget in the amount of \$110.8 million. After adoption of the budget, staff monitors revenues and expenditures for all funds with an emphasis on the General Fund and Enterprise Funds.

Per the California Code of Regulations § 570.5, any CalPERS agency such as the City is required to bring all pay schedules for its CalPERS benefited employees before the governing board for review and approval.

### **Analysis:**

This staff report provides FY2021-22 mid-year budget adjustments and position change recommendations for Council consideration. The final section of this report discusses the recommendation to adopt salary tables for various employee classifications.

### **General Fund**

On June 1, 2021, the City Council approved the Fiscal Year (FY) 2021-22 Adopted Operating General Fund Budget in the amount of \$110.8 million. As of December 31, 2021, the City received \$31.9 million in revenues and incurred \$60.3 million in expenditures. Revenues and expenditures are seasonal with cash flow fluctuations due to timing of revenue receipts and City services rendered. As such, actual percentage of revenues may not match the lapsed time period.

## Revenues

For the six months ending December 31, 2021, the General Fund has received \$31.9 million. The proposed FY21-22 mid-year adjustments total \$1.5 million, resulting in \$112.8 million FY21-22 amended revenue budget.

	Adopted Budget	BCF Through 1/20/22	Amended Budget (1/20/22)	Proposed Mid-Year	Amended Budget Mid-Yr
	FY 21-22	FY 21-22 Amend	FY21-22	Amendments	FY 21-22
<b>Revenues</b>					
Property Taxes	\$ 41,269,918	\$ -	\$ 41,269,918	\$ -	\$ 41,269,918
Sales & Use Tax	\$ 25,633,000	\$ -	\$ 25,633,000	\$ 1,002,511	\$ 26,635,511
Sales Tax - Measure F	\$ 6,308,250	\$ -	\$ 6,308,250	\$ -	\$ 6,308,250
Transient Occupancy Tax	\$ 7,713,638	\$ -	\$ 7,713,638	\$ (243,552)	\$ 7,470,086
Licenses, Permits & Fines	\$ 10,276,817	\$ -	\$ 10,276,817	\$ (361,053)	\$ 9,915,764
Charges for Services	\$ 4,225,969	\$ -	\$ 4,225,969	\$ 459,099	\$ 4,685,068
Franchise Fees	\$ 5,751,133	\$ -	\$ 5,751,133	\$ (452,477)	\$ 5,298,656
Use of Money and Property	\$ 500,000	\$ -	\$ 500,000	\$ (200,000)	\$ 300,000
Other Taxes	\$ 1,023,421	\$ -	\$ 1,023,421	\$ -	\$ 1,023,421
Intergovernmental	\$ 1,154,571	\$ 520,181	\$ 1,674,752	\$ 1,038,907	\$ 2,713,659
Other Revenues	\$ 370,000	\$ 13,000	\$ 383,000	\$ -	\$ 383,000
Operating Transfers In	\$ 6,552,931	\$ -	\$ 6,552,931	\$ 300,000	\$ 6,852,931
Use of Reserves	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Sources</b>	<b>\$ 110,779,648</b>	<b>\$ 533,181</b>	<b>\$ 111,312,829</b>	<b>\$ 1,543,435</b>	<b>\$ 112,856,264</b>

- Sales & Use Tax (Increase \$1,002,511): Personal and business sales transactions increased in 2021. HdL provides sales tax audit and reporting to the City. For FY2021-22, HdL estimates City Sales & Use tax revenue at \$25.7 million or approximately \$1 million higher than the adopted budget.
- Transient Occupancy Tax (TOT) (Decrease \$243,522): Revenues are 67% higher than last year at the same time primarily due to easing of COVID-19 restrictions. However, the TOT had some flattening trends in fall 2021. Two new hotels are anticipated grand opening in the upcoming months and the FY2021-22 TOT revenue is amended to reflect a mid-year opening.
- Licenses, Permits and Fees (Decrease \$361,053): For FY2021-22, the proposed amendment decreases revenue by \$0.4 million, resulting in estimated License, Permits & Fees of \$9.9 million. The proposed amendments align the estimated budget with current trends, as follows:
  - Building Plan Check - The proposed decrease is \$0.9 million as the FY2021-22 adopted budget was overstated. The anticipated FY2021-22 revenue is \$2 million which is the highest level since 2017.
  - Building Miscellaneous Revenues – The proposed increase is \$0.7 million and FY2021-22 revenue estimate is \$1.4 million. Building Miscellaneous Fees is for the fees called miscellaneous fees on the City fee schedule. A large part of this is stand-alone electrical, mechanical, and plumbing permits.
  - Various Fire Permits - The proposed decrease is \$0.1 million, net and FY2021-22 revenue estimate is \$2 million
- Charges for Services (Increase \$459,099): For FY2021-22, the proposed amendment increases revenue by \$0.4 million, resulting in estimated Charges for Services of \$4.7 million. The proposed amendments align the estimated budget with current trends, as follows:
  - Recreation Fees – The proposed decrease is \$0.4 million and FY2021-22 revenue estimate is \$0.9 million. COVID-19 continues to impact Recreation programs and recovery.

- Police Charges for Services – The proposed increase is \$0.4 million as the FY2021-22 adopted budget was understated. The anticipated FY2021-22 revenue is \$0.7 million and relates to the police services for Great Mall.
- Rents and Concession -- The proposed increase is \$0.2 million and FY2021-22 revenue estimate is \$0.5 million.
- Plan Check and Discretionary Reviews – The proposed increase is \$0.2 million and FY2021-22 revenue estimate is \$0.2 million.
- Franchise Fees (Decrease \$452,477): Garbage franchise – commercial and cable television franchises are both trending lower than the adopted budget. Cable subscriptions have decreased due to other entertainment platform not subject to franchise tax. For FY2021-22, the proposed amendment reduces the revenue by \$0.5 million, resulting in estimated City franchise revenue of \$5.3 million.
- Intergovernmental (Increase \$1,038,907): For FY2021-22, the proposed amendment increases intergovernmental revenue by \$1 million for the Fire strike team State reimbursement (\$0.9M overtime and \$0.1M for administrative services). This is offset by the correlating budget overtime amendment.
- Use of Money and Property (Decrease \$200,000): Revenues are 71% lower than last year at the same time due to lower invested cash balance. Per Council direction, in June 2020, staff transferred \$33.9 million of General Fund CalPERS reserve to establish the Section 115 Pension Trust, which is recorded in an Internal Service Fund. Chandler Asset manages the City funds and estimates FY2021-22 interest income of \$0.3 million or \$0.2 million less than the adopted budget. This aligns with the current trend and current investment environment.
- Operating Transfer-In (Increase \$300,000): For FY2021-22, the proposed amended increases revenue by \$0.3 million, resulting in estimated City \$2.7 million. This aligns the CFD 2008 revenues and use of funds for General Fund services.

### Expenditures

For the six months ending December 31, 2021, the General Fund incurred \$60.3 million of expenditures and encumbrances. The proposed FY21-22 mid-year adjustments total \$1.5 million, resulting in \$112.3 million FY21-22 amended expenditure budget.

	Adopted Budget	BCF Through 1/20/22	Amended Budget (1/20/22)	Proposed Mid-Year	Amended Budget Mid-Yr
	FY 21-22	FY 21-22 Amend	FY21-22	Amendments	FY 21-22
<b>EXPENDITURES</b>					
Salaries	\$ 54,095,348		\$ 54,095,348	\$ 931,305	\$ 55,026,653
Benefits	\$ 34,299,944		\$ 34,299,944		\$ 34,299,944
Services & Supplies	\$ 21,029,263		\$ 21,029,263	\$ 612,130	\$ 21,641,393
Debt Services	\$ 1,012,800		\$ 1,012,800		\$ 1,012,800
Capital Outlay	\$ -		\$ -		\$ -
Operating Transfers Out	\$ 342,293		\$ 342,293		\$ 342,293
<b>Total Uses</b>	<b>\$ 110,779,648</b>	<b>\$ -</b>	<b>\$ 110,779,648</b>	<b>\$ 1,543,435</b>	<b>\$ 112,323,083</b>
<b>Annual Surplus/(Deficit)</b>	<b>\$ (0)</b>	<b>\$ 533,181</b>	<b>\$533,181</b>		<b>\$533,181</b>
*FY2021-22 Amended Budget reflects council approved amendments through 1/20/22 and the \$533,181 surplus will offset by approximately \$500,000 of encumbrance / appropriation expenditure carry forward.					

- Salaries (Increase \$931,305): For FY2021-22, the proposed amendment increases salaries by \$0.9 million due to the following:
  - Fire reimbursable overtime for strike team amendment is \$0.9 million increase.
  - Reclassifications of Junior Accountant is \$11k amendment increase. Council previously approved the reclassification of the Accounting Technician II to Junior Accountant (resolution # 8881).
  - Reclassification of vacant Junior Planner to Planning Technician is \$9k amendment decrease.
  - Vacancy saving is estimated at \$2.2 million (or 2.4% of staffing costs) in the adopted budget. This proposed amendment allocates the savings amongst the departments accordingly.
- Services & Supplies (Increase \$612,130): For FY2021-22, the proposed amendment increases services & supplies by \$0.6 million due to the following:
  - Fire recruitment costs amendment is \$147,000 amendment increase.
  - Utilities (gas and water) cost higher and CIP energy projects delayed, combined the amendment is \$275,000, net increase.
  - General liability and worker's compensation insurance combined premium amendment is \$127k.
  - Recreation senior nutrition program costs increased due to higher participation and higher costs. The proposed increase amendment is \$47,000. The program experienced an exponential increase in participation from an average of 80 meals per day, pre-pandemic, to a new consistent daily average of 126 meals per day. In response to the continuing need, an additional \$25,000 of ARPA funding was approved by City Council to assist with funding the program for the remainder of FY2021-22. Staff has continued to monitor the daily average of meals served to determine adequate funding and contract allotment. A contract amendment for the meal provider is needed in the amount of \$46,900 to fund services through the end of the fiscal year.

### Other Funds

- Enterprise funds (#400, 450, 295 and 500) - The proposed amendment is to increase appropriation \$33,573 for General Liability insurance premium, net amongst these funds.
- Solid Waste Services Fund 280 - The proposed amendment is to increase revenues (MSI deposit) and appropriation by \$250,000 for the Milpitas Sanitation request for assignment of contract project.
- Sewer Waste Water Operations Fund 450 - The proposed amendment is to increase appropriation \$484,000 for Common Interest Group legal services associated with the SJ/SC Regional Waste Water Facility.
- Affordable Housing Community Benefit Fund 216 – The proposed amendment is to increase appropriation \$123,000 related to the Turing Apartment CSCDA Project.
- ARPA Fund 180 –
  - Approve the Senior Buyer classification, which has appropriations previously approved in the ARPA administrative project.
  - Add four (4) fire fighters FTEs to position control, which were previously defunded due to COVID budget impacts and later funded via ARPA and summarized in the Informational Memo dated October 15, 2021. This has appropriation previously approved in the ARPA Public Safety project.
  - Restore Program Coordinator funded via ARPA, which has appropriations previously approved in the ARPA Community Events project.
- Fire Pumper – The proposed amendment is to increase revenue by \$170,000 and appropriation by \$70,000 to recognize revenue for reimbursable Fire strike team engine costs and appropriate funding for the Fire pumper purchased via ARPA funding.
- Capital Improvement Program (CIP)
  - CIP Project CP6118 – SJ/SC Regional Waste Water Facility (Sewer Infrastructure Fund 455)– The proposed amendment is to increase appropriation \$4.2 million to reflect the final FY2021-2022 contribution funded from the Sewer Infrastructure Fund for \$4,200,000. As part of the budget setting process for Regional Wastewater Facility, the City of San Jose provides all tributary agencies with a notice of their respective preliminary operations & maintenance (“O&M”) and capital contributions for the upcoming fiscal year in March, and the final O&M and

capital contributions are approved by the Treatment Plant Advisory Committee (TPAC) in May of each year. As with past practice, CP 6118 was updated with the preliminary contribution amounts as noted by San Jose in March 2021 to align with the City's timeline for approving the CIP budget. The contribution amounts provided by San Jose in March and in May typically do not vary significantly; however, for FY 2021-2022, the contribution amount did vary significantly to reflect the City's portion of the Dewatering Facility project that will be discussed at Treatment Plant Advisory Committee ("TPAC") at its February 10, 2022 meeting. There were no other project-related changes/additions between the preliminary and final Proposed 2022-2026 Regional Wastewater Facility ("RWF") CIP budget.

- CIP Project CP3402 - McCarthy Blvd. LLMD Improvement 95-1 – The proposed amendment defunds \$85,000 for the project due to insufficient reserve in LMD-95 Fund 235.
- CIP Project CP3719 - On-Call Storm Maintenance & Repair Services – The proposed amendment updates the funding source from Storm Drain Development CIP Fund 340 to General Government CIP fund #330.

### **Position-related Amendment Recommendations**

To improve service delivery and align the position complement to current service demands, Staff is proposing position recommendations in fire, building safety & housing, recreation, finance and housing. The recommendations include: four (4) position reclassifications, two (2) position addition/deletion and restoring five (5) positions. The fiscal impacts are summarized below and where possible absorbed within the existing FY2021-22 budget. These actions were previously approved by the City Council and/or through delegation to the City Manager. Staff request Council's approval to update the classification plans and/or pay schedules accordingly.

1. Four (4) Position Reclassifications
  - a. Finance Department – Reclass Accountant Technician II to Junior Accountant to align position to Department' operational needs. The fiscal impact is approximately \$11,500 to the General Fund. Council previously approved the Junior Accountant in resolution #8881 (FY2019-20 budget) and Staff request approval of the proposed pay range of \$83,473.37 - \$101,462.40.
  - b. Finance Department – Reclass Buyer to Senior Buyer for a limited term to support complex Federal procurement requirement for Federal Grants including American Rescue Plan Act (ARPA). Staff request approval of the proposed pay range \$103,512.46- \$126,023.04. Both the job description and proposed salary are currently under review with labor.
  - c. Planning Department – Reclass the underfilled Junior Planner to Planning Technician and the fiscal impact is approximately \$9,000 reduction to the General Fund. Staff request approval of the proposed pay range of \$76,739.00 - \$93,280.20.
  - d. Fire – Reclass a currently filled Administrative Analyst II to Senior Administrative Analyst based upon a classification study.
2. Two (2) Position Additions & Deletions
  - a. Building Safety & Housing Department – Add Senior Administrative Analyst and delete Housing Manager
  - b. Recreation & Cultural Services – Add Program Coordinator and delete Marketing Coordinator
3. Five (5) Restored Positions
  - a. Fire Department – Restore four (4) fire fighters that were defunded in FY2021-22. These positions are funded via ARPA in the first year, and provide the new ambulance services.
  - b. Recreation & Community Services – Restore Program Coordinator funded via ARPA in the first year.

### **Policy Alternative:**

Alternative 1: Do not approve FY 2021-22 Mid-Year Budget Amendment Recommendations

Pros: Not approving certain budget amendment recommendations will result in not aligning the budget with actual trends and make it more difficult to manage the budget and address urgent service demands.

Cons: The recommended budget amendment recommendations include urgent funding recommendations and adjustments to revenue estimates, positions and pay schedules.

Reason not recommended: Not approving the FY 2021-22 Mid-Year budget amendment recommendations will result in not funding certain programs, adjust revenue estimates to year-to-date revenue proceeds received, and adjust positions and/or pay schedules.

**Fiscal Impact:**

In summary, if Council approves the recommendations in this section, the General Fund revenues and appropriations would increase by \$1,543,435, respectively. General Fund reserves and fund balances would remain unchanged by the proposed amendments.

**California Environmental Quality Act:**

The action being considered is exempt from environmental review pursuant to CEQA Guideline 15378(b)(4) as a governmental fiscal activity without a commitment to any project that would result in a potentially significant impact on the environment. Further, it is also exempt pursuant to CEQA Guideline 15378(b)(2) as a continuing administrative activity including the purchases of supplies and personnel-related actions, etc.

**Recommendation:**

1. Review the FY 2021-22 Mid-Year Report
2. Approve FY 2021-22 Mid-Year Budget Amendments
3. Adopt a Resolution Amending Resolution No. 1626, the Classification Plan, to Reclassify Positions, Approve and Adopt the Pay Schedule titled "New Job Classifications/Salary Table", and Amend Budgeted Allocated Positions
4. Approve and Authorize the City Manager to Negotiate and Execute a contract amendment with Bateman Community Living, LLC (dba TRIO COMMUNITY MEALS, LLC) FY21-22 for additional meals through the Senior Nutrition Program, not to exceed \$124,000.

**Attachments:**

1. FY 2021-22 Mid-Year Budget Adjustment Recommendations
2. Exhibit A – New Job Classifications/Salary Table
3. Resolution