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Report Regarding Study Session on the Bi-annual FY 2019-21 Budget. (*Justin Lovell, Financial Services Manager*)

### **RECOMMENDATION**

**It is recommended that the City Council provide feedback to staff in preparation for City Council budget approval on June 26, 2019.**

### **BACKGROUND/DISCUSSION**

On May 1, 2019, the Budget Standing Committee of the City Council, comprised of Councilmember Mark Addiego and Councilmember Flor Nicolas, reviewed the proposed budget and their comments have been incorporated into the attached proposed FY 2019-21 operating budget.

Beginning with Fiscal Year (FY) 2017-18, the City made the strategic shift away from a one-year operating budget cycle to a biennial operating budget cycle. Fiscal Year 2019-20 represents the second biennial operating budget. The biennial budget provides a two-year outlook with the first year presented to City Council for budget approval and the second year presented as a business plan, subject to adjustment.

### **Citywide Overview**

The Finance Department maintains 44 different funds for the tracking of City's revenues and expenses. The largest fund, the General Fund, is discussed in greater detail below. Excluding Internal Service Funds and Capital Improvement Program (CIP) projects, the City is anticipated to receive \$167.3 million in revenues and have \$142.1 million in operating expenditure. The majority of operating surplus is dedicated to CIP funding. The CIP will be presented as a separate item to the City Council.

### **General Fund**

The General Fund is the City's primary operating fund, serving as the funding source for City Administration, Police, Fire, Library and Parks and Recreation services. Changes in principal General Fund Revenue types are discussed in detail below.

### ***General Fund Revenues***

Overall, General Fund total revenues are projected to be \$112.6 million excluding transfers in, a \$7.2 million increase in revenues in FY 2019-20 compared to the FY 2018-19 adopted budget. The additional revenues are driven by the budget assumptions detailed below.

Property tax serves as the City's largest revenue source, and is shaped by Proposition 13, which limits the annual property tax to one percent of the assessed value of land and property, and limits the annual increase in assessed value to two percent. Excluding revenues from excess Educational Revenue Augmentation Fund (ERAF), property tax revenues are projected to increase by \$2.2 million, a 6.8 percent increase over the FY 2018-19 adopted budget. The trend is largely driven by an increase in current year secured property assessed value. The increase in assessed value is driven by new properties entering the tax roll and the reassessment of existing properties due to building improvements.

Sales tax revenues are projected to increase to \$18.7 million in FY 2019-20, a \$1.5 million, a 9.1 percent increase compared to the adopted FY 2018-19 budget. The General Fund sales tax does not include Measure W, a transactions and use tax approved by South San Francisco voters in November 2015, which is budgeted in a separate fund and is discussed in the next section.

In November 2018, the South San Francisco voters approved Measure FF, a measure that will gradually increase the Transient Occupancy Tax (TOT) from 10 percent to 14 percent. On January 1, 2019, the TOT increased to 12 percent. The next increase to 13 percent will take effect January 2020, followed by an increase to 14 percent January 2021. Current trends indicate vibrant tourism and passenger traffic at San Francisco International Airport (SFO), high average hotel room rates occupancy rates, and strong hotel demand. These factors, In addition to the opening of a new hotel in South San Francisco in 2019, contribute to the increasing TOT revenues. In FY 2019-20 the TOT is expected to increase by \$1.1 million to \$16.8 million compared to the FY2018-19 adopted budget.

### ***General Fund Expenditures***

FY 2019-20 General Fund Expenditures are projected to be \$111.3 million, \$3.2 million more, than the FY 2018-19 adopted budget. Of the General Fund expenditures, salaries and benefits represent nearly 78 percent of the General Fund expenditure budget. The primary drivers of salaries and benefits costs are salary, representing 60 percent of costs followed by contributions to California Public Employee Retirement System (CalPERS) for the City's pension plan represents 24 percent of salaries and benefits costs. The increase in salaries and benefits expenses include; a three percent salary increase, an increase in the City's minimum wage to \$15 per hour, and additional contributions to CalPERS, together have increased \$5.1 million compared to the FY2018-19 adopted budget. Of the \$5.1 million, CalPERS contribution increased by \$3.2 million compared to FY2018-19 adopted budget. There are also position upgrades included in the Department requests, all of which are detailed in the Department Operating Summaries section below.

### **Department Operating Summaries**

The Department Operating Summaries reflect all planned expenditures by department, inclusive of all funds. Only additional budget requests are described below. The proposed FY2019-20 expenditure budget by department is included in attachment 1. The budget requests are marked as either one-time, on-going, or limited. There are approximately \$2.7 million in additional budget requests with \$1.3 million in one-time budget requests and \$1.4 million for on-going requests. In addition to the expense, there is \$930,750 in revenues and funding from other sources to offset the additional budget requests.

### ***City Council***

There are no changes or additions to the City Council base budget.

### **City Clerk**

#### On-Going, \$160,000

The City Clerk is requesting adding new position, an Assistant City Clerk. The Assistant City Clerk position is a single position mid-management classification, responsible for directing, overseeing and supervising the administrative and technical operations and staff.

### **City Treasurer**

There are no changes or additions to the City Treasurer base budget.

### **City Attorney**

#### One-Time, \$50,000

The City Attorney is requesting an additional \$50,000 for legal services related to the formation of the planned East of 101 Community Facilities District (CFD) that is part of the Mobility 2020 plan.

### **City Manager**

#### One-Time, \$75,000

- Census Support, \$50,000
- Professional Services for Executive Team Training, \$12,500
- Citywide Community Survey, \$12,500

The City Manager is requesting additional budget to support the census count in South San Francisco and to increase the professional services budget for executive management team training and conducting a citywide community survey.

### **Finance Department**

#### One-Time, \$153,200

- Postage Machine replacement, \$18,200
- Special tax consultant, \$50,000
- Master Fee Study, \$85,000

The Finance Department manages citywide mailing and distribution. An important component is a postage machine and sorter. The current machine is at the end of its useful life and due for replacement.

In 2018, the City Council approved a two-year agreement with David Taussig and Associates (DTA) to provide special tax consulting services related to the evaluation and study of forming a community facilities district. Staff requires additional \$50,000 in support by DTA as the possible formation of an East of 101 Community Facilities District continues to be evaluated.

The Finance Department is requesting \$85,000 for a Master Fee Study. The last Fee Study and update was conducted in FY 2016-17. The fee study at that time principally focused on the building permit and development fee revenue. It is time to create a more comprehensive citywide Master Fee Study for all fees. The best practice to evaluate fees every three years.

#### On-Going, \$61,930

- Payroll Technical Support-Personnel Data Systems, \$30,000
- Postage Machine Annual Maintenance, \$4,570
- Upgrade Financial Services Manager to Deputy Finance Director, \$27,360

As staff is continually refining the new payroll system to meet the needs of employees, there is a need to have sufficient budget to have technical support to modify reports and processes as needed to meet the business needs of payroll. As part of a new postage machine, there is an annual maintenance charge.

Staff is requesting to upgrade one Financial Services Manager to Deputy Finance Director. This upgrade will provide career growth and succession planning for the department.

### **Non-Departmental**

The FY 2019-20 operating budget remains largely unchanged from prior year. It reflects adjustments to the cost of Animal Control and C/CAG in accordance with estimates received for FY 2019-20.

### **Human Resources Department**

#### One-Time, \$130,500

- Labor Negotiations Consulting, 70,000
- Sexual Harassment Training - AB1343, \$7,000
- Executive Leadership Academy Overview and 360 Assessment, \$28,500
- Human Resources Assessment and Strategic Planning, \$25,000

The Human Resources is requesting additional funds to provide third-party negotiator to assist the labor negotiations of four bargaining units (AFSCME 829, Teamsters-Mid-management, Teamsters-Confidential, and IUOE Local 39). Additionally, the department is requesting budget to develop a Citywide strategic plan for human resources. As part of SB 1343 all employees are required to have sexual harassment training. This request for \$7,000 will cover the cost of training all part-time and hourly employees.

As the first citywide internal leadership academy wraps up in the late spring, the Human Resources department is requesting funding to conduct an abridged leadership academy for the executive unit in the fall of 2019.

### **Economic and Community Development**

#### One-Time, \$286,000, offset \$150,000 from General Plan Maintenance Fee

- Planning Commission Minutes Transcription, 6,000
- Planning Consultant Staff Augment, \$130,000
- West of 101 Transportation Master Plan, \$150,000, offset \$150,000 from General Plan Maintenance Fee

Economic and Community Development (ECD) staff is requesting \$6,000 annually for a service that would transcribe Planning Commission minutes. This will allow the Administrative Assistant in the Planning Division to focus on cost recovery projects and other priority duties for the Planning Division.

Due to the large number of development projects and the desire to deliver high levels of customer service, the Planning Division is requesting \$130,000 to provide staff augmentation through a consultant to provide planning services.

Staff is requesting an additional \$150,000 to complete a transportation master plan for the West of 101 area. Planning Division staff is currently working with a consultant to complete an East of 101 Transportation Master Plan. Funding for Transportation Master Plan will come from General Plan Maintenance Fees. The East and West 101 Transportation Master plans will support and be a component of the General Plan update.

#### On-Going, \$135,000, offset from \$25,000 in revenue

- Professional Services - TDM and Nexus Study, \$135,000, revenue \$25,000

In FY 2018-19 Planning Division staff hired a consultant to audit all Transportation Demand Management (TDM) programs in the East of 101 area. The next step in the process is to monitor these TDMs, which, thereby, will improve traffic circulation. The second task for this firm would be to modify the TDM ordinance to require residential/multi-family developments to have TDMs as part of their entitlements as well. Staff is also requesting that the funds also conduct a nexus study to recover the cost of construction coordination.

Limited, \$21,000

- Holiday Decorations Program, \$21,000

ECD staff are requesting additional \$21,000 per year for five years to cover the costs of the downtown holiday decorations program, which includes the ongoing maintenance fees for installation/removal, and the expected costs of replacing damaged or missing items.

**Fire Department**

One-Time, \$392,930, offset \$56,550 from Public Safety Impact Fee

- Fire Prevention Staff Development, \$7,500
- Data Analytics Package, \$38,000
- Lucas Device Purchase, \$96,893
- Multigas Detection Equipment, \$22,686
- Diesel Exhaust Capture System, \$124,000
- Ballistic Vests, \$11,244
- Station Alerting System Annual Maintenance, \$12,708
- Vehicle Based Wireless Vehicle Location Routers, \$25,000
- Thermal Imaging Camera, \$8,300
- Provide twelve (12) personnel with Rescue Systems, \$25,800
- Rescue System 3 Training, \$25,800

The Fire Department one-time requests include training and staff development and replacement and maintenance of systems and equipment used as part of the departmental operations. Additional requests include a data analytics package that will be used to produce detailed data on the performance and demands of the Fire Department. Of the total \$392,930 in additional one-time requests, \$56,550 of the expenses will come from the Public Safety Impact fee.

On-Going, \$81,765, Revenue \$300,000

- Government Contract Increase, \$23,115
- Postage, \$4,000
- Ambulance Billing Services \$50,500
- Inventory tracking software maintenance \$4,150
- EMS revenue increase, \$300,000

The City's contract with the County of San Mateo for public safety communications increased approximately 8.5 percent. The Fire Department is requesting \$54,500 related to increased costs for ambulance billing services that is offset by increased ambulance transportation revenue.

**Police Department**

One-Time, \$60,000, offset by \$60,000 from Police Asset Seizure funds.

The Police Department is requesting funding for training and duty ammunition. This request is offset from funding by the police asset seizure fund.

**Public Works**

One-Time, \$3,000

- New Bluebeam Revu Software, \$3,000

The Public Works Department is requesting additional funds to purchase Bluebeam Revnu software to that facilitate mark up and notes on electronically submitted development and construction plans.

On-Going \$100,000

- Storm Water Consulting Service \$25,000
- Parking District Professional Services, \$75,000

The Public Works Department is requesting an additional \$25,000 in the Stormwater Fund professional services budget to assist with mitigation of unforeseen storm drain system damage. Public Works is also requesting an increase of \$75,000 in the Parking District Fund to cover additional costs related to fire alarm maintenance and HVAC maintenance at the Miller Avenue Parking Garage and additional credit card processing fees related to increased smart parking meter usage.

**Library Department**

One-Time, \$22,000

- Envisionware Management Consoles, \$7,000
- E-books (Overdrive), \$15,000

The Library Department is requesting \$7,000 to replace the Envisionware Management Consoles (servers) to ensure a secure library network environment. E-books are rapidly gaining in popularity with a 47% increase in total checkouts from calendar year 2017 to calendar year 2018. Because of the increased popularity of items, the average wait time has increased from 22 to 28 days. The trend of increased popularity of these items is expected to continue, and increasing the budget by \$15,000 will allow the system to maintain an acceptable level of service.

On-Going, \$25,325

- Digital Resources, \$15,000
- Delivery Cost Increase, \$10,325

As an on-going budget request, the Library Department is requesting \$15,000 to maintain the number of databases, and electronic services available to the community. The Library has added targeted resources to ensure equal access to information and support City goals of diversity and business support. Digital resources include Ancestry.com for genealogical research, Pronunciator for language learning, A to Z for small business support, Discover & Go for access to historical and cultural sites, and BeanStack for early learners.

The Library Department is also requesting additional budget for the shared delivery cost increases across the Peninsula Library System. Costs for delivery of library items between consortium member facilities are based on a formula where each jurisdiction pays a percentage of the total cost based on the number of branches and the volume of items delivered. The total percentage is composed 25 percent on the number of stops and 75 percent on the volume of usage. South San Francisco comprises 6.48 percent of stops and 7.13 percent of

usage. Costs have increased for next fiscal year as the staffing model has been revised to implement a salary survey, create a Delivery Services Supervisor, and convert contract positions to hourly. A vehicle replacement plan is also being implemented to replace each of the 4 vehicles when they reach 10 years of service.

Limited, \$27,550

- RFID Equipment Maintenance, \$16,000
- Interns, \$11,550

Beginning in FY 2019-20 year, the maintenance costs for Library RFID equipment, including the self-checkout stations, the security gates, the staff desktop RFID pads, and the automated materials handling system, will increase because of the age of the equipment. The life of the equipment can be extended until the new Library is completed as part of the Community Civic Campus project by purchasing the \$16,000 per year warranty to ensure the equipment remains functional.

The City and the Library are dedicated to supporting community youth by providing them with work experience and knowledge about the benefits of working for local government agencies. In support of this, the Library intends to hire seven college interns each summer at a cost of \$11,550 to work on the Reader Leader peer tutoring program, Summer Reading, MakerSpace, Community Learning Center, Grand Library, social media and history projects. During the summer months, participation in library programs is greatly increased and the addition of interns will allow the Library to maintain the high quality of service with despite the increased demand.

**Information Technology**

One-Time, \$110,000

- Trakit Permitting System Upgrade, \$50,000
- Digital Conversion of City Documents, \$60,000

The Information Technology Department is requesting \$50,000 additional funds to continue the upgrade of existing Trakit permitting software to a new web based version. This program is used by Economic and Community Development, Fire, Public Works, and the Finance Departments. This upgrade will improve our online permitting and business license portal for a both efficiency and a better user experience. The Database Management fee is charged on permits issued and funding in that fund is sufficient to cover the cost of the upgrade.

As part of the IT Strategic Plan it is recommended to digitize documents and move them to the City document repository. Economic and Community Development and Fire Departments have started their conversion process. Staff is recommending to assist the Parks and Recreation Department, and continue to support Economic and Community Development Department toward the digital file storage transition.

On-Going, \$188,000

- GIS Consultant Services, \$150,000
- Trakit Support and Maintenance, \$30,000
- Police Car Computers - Maintenance, \$8,000

The Information Technology (IT) Department has a three year contract with AGS Consultant for Geographic Information Systems (GIS) services. GIS is an important component of IT services offered citywide. The existing contract expires in FY2019-20 and the IT Department will bring the contract to City Council for renewal.

The upgrade of the existing permitting software mentioned above will also require ongoing support and maintenance and require an annual appropriation. Lastly, the Police Department's vehicle computers require annual maintenance for optimal use which will cost \$8,000 annually.

### **Parks and Recreation Department**

#### One-Time, \$12,100, Revenues \$12,100

- SSFUSD Summer STEAM Expansion program, \$12,100, Revenues \$12,100

In early Fall 2018, representatives from the South San Francisco Unified School District (SSFUSD) reached out to staff at the Parks and Recreation Department about possible collaboration opportunities to support SSFUSD's STEAM (Science, Technology, Engineering, Art, and Math) Summer Program. In late November 2018, SSFUSD received a grant through the 2018 Student Support and Academic Enrichment (SSAE) grant by the California Department of Education that would support the cost of an extended care program operated by the Parks and Recreation Department in conjunction with the STEAM Summer Program. Both the STEAM Summer Program and extended care will be provided to participants at no cost.

#### On-Going, \$620,120, Revenue \$327,100

- Buri Buri After School Expansion, \$231,300, Revenues \$183,500
- Ponderosa After School Expansion, \$228,300, Revenues \$143,600
- Public Art Funding, \$50,000
- Music Licenses, \$4,500
- Upgrade Technology for 11 Recreation Coordinators, \$4,500
- Activity Guide Increased Costs, \$5,000
- Increase uniform budget, \$23,000
- Increased Water Rates, \$41,246
- Sunday Recreation Classes, \$19,680, Revenues \$23,681
- Upgrade Parks Maintenance Worker to Arborist Technician (\$0)
- Upgrade PT Regular Rec Leader III to Rec Leader IV, \$2,000
- Upgrade 2.0 various PT Regular to 2.0 FTE Recreation Services Coordinator, \$6,595

On the February 27, 2019 City Council meeting, Parks and Recreation staff approved the expansion of the Buri Buri After School Recreation Program (ASRP) for FY2019-20 to increase the capacity of the ASRP to accommodate all of the children on the waiting list at the request of the South San Francisco Unified School District. The expansion of the Buri Buri ASRP necessitates the addition of 1 full-time equivalent (FTE) Recreation and Community Services Coordinator (Coordinator). This would be a new position within the Parks and Recreation Department. Staffing coverage is particularly critical for the licensed childcare programs, which are mandated to have a ratio of 14 students per teacher. The total cost for FY2019-20 is \$231,301 and there will be an estimated revenue of \$183,500.

Also at the request of SSFUSD has requested the expansion of the Ponderosa ASRP by 40 children. This increase will also require the addition of 1 full-time equivalent (FTE) Recreation and Community Services Coordinator (Coordinator). The total costs for FY2019-20 is \$228,301 and an estimated revenue of \$143,600.

Prior to the economic downturn, the Parks & Recreation department had a special fund for the purchase of public art. Staff intends to request funding for public art on a year-to-year basis as needed. Staff requests \$50,000 to support continued public art efforts in the new fiscal year.



The Parks & Recreation Department is requesting several additional budget items that have an on-going cost. As approved by City Council as part of the mid-year budget adjustment, Parks and Recreation is requesting an on-going \$4,500 for music licenses, allowing the Department to play licensed music during special events.

Staff working at recreation facilities throughout the City currently do not have City-issued cell phones and instead rely on their personal phones to contact and schedule staff, document pictures, communicate with each other during their shifts. The budget request of \$4,500 will purchase new cell phones and pay for the monthly plans. The cost to print and distribute the quarterly recreation activity guide has increased. The \$5,000 budget request represents the increase in annual printing costs.

The Recreation Division would like to begin hosting classes on Sundays at the MSB. The community has requested additional recreation opportunities and currently, does not offer any classes on Sunday. The initial plan would be to offer two sewing classes, private language lessons and additional private piano classes, which are currently in very high demand. The costs associated with offering Sunday classes would be offset by revenues from class fees.

The Parks Division is requesting to upgrade one Parks Maintenance Worker to a new Arborist Technician. The Arborist Technician will essentially serve as a lead tree trimmer, where they would work in the field, oversee large removal, pruning, and reforestation tasks, and assign work under the supervisor's direction. This position will allow the Parks Supervisor to reallocate his time toward improving the quality of work in all other currently assigned areas. This would also allow the Department to become more proactive in hazard assessment and storm preparation tree work, addressing public safety and liability, and training and equipment cycling per ANSI and OSHA safety standards, which in the long term, may realize savings due to tree related claims.

The Parks & Recreation Department requests to upgrade a Part Time Regular Recreation Leader III to a Recreation Leader IV. The current incumbent has been working in that capacity for 20 years and staff has come to rely on the person's in-depth knowledge and relationship with the community.

Lastly, the Parks & Recreation Department is requesting upgrading 2.0 FTE Part Time Regular positions to 2.0 FTE Recreation and Community Services Coordinators. One Recreation Services Coordinator will be dedicated to programming and activities on the 3rd floor at Magnolia Senior Center. The other 1.0 FTE Recreation Services Coordinator will be for the classes programs, including coordination and supervision of Recreation Instructors who work at all hours in different locations throughout the City. If approved, this position will offer great assistance to the Recreation Classes Supervisor and allow for growth and expansion of recreation class opportunities.

### **Other Funds**

Below are highlights of some of the other funds major funds. All of the funds budgets for FY2019-20 are represented in Attachment 1.

### **Measure W - City**

Based on estimates provided by the City's sales tax consultants, revenue estimates for Measure W specific revenues are anticipated to be \$12.3 million for FY 2019-20 an increase of \$2.6 million compared to FY2018-19 adopted budget. The increase represent the strong economy in South San Francisco. The fund summary reflects planned expenditures of \$17.1 million in Capital Improvement Projects, including the Community Civic Center and street rehabilitation project.

### **Gas Tax**

In FY2019-20 the City will see the first year of gas tax revenue increase of nearly \$250,000 compared to

FY2018-19 after several years of decline. The increase in Gas Tax revenues is attributed to Senate Bill 1 (SB1), known as the Road Maintenance and Rehabilitation Account that the City receives as part of the local streets and roads program that is tracked in a separate fund. The current transfers to the General Fund and to the Storm Water Fund have been maintained, this will be the first time in three years that funding will be programed in the CIP at a modest \$445,000.

### **Measure A**

In 1988, San Mateo County voters approved a half-cent sales tax, known as Measure A, to fund various transportation needs throughout the county. In 2004, voters approved a tax extension through 2033. Measure A serves as a major funding source for the City's Capital Improvement Plan, proposed at \$2.3 million for FY 2019-20.

### **Road Maintenance & Rehabilitation (SB1)**

In November 2018, Proposition 6 was on the ballot that would have repealed SB1. Prop 6 did not pass, thus maintaining Road Maintenance and Rehabilitation Account funds. Staff is expecting \$1.1 million in revenues in FY2019-20 and is proposing a \$1.5 million appropriation for CIP projects.

### **San Mateo County Measure W**

In November 2018, the San Mateo County voters approved Measure W, a countywide ½ cent sales tax dedicated to congestion relief and road repair. Ten percent of the annual funds will be distributed to the San Mateo County cities on a formula basis similar to Measure A. The sales tax will begin collection on July 1, 2019. Staff anticipates that in the first year of the sales tax measure, South San Francisco will receive \$300,000 followed by approximately \$600,000 annually that will be initially programed to the City's Road Rehabilitation program as part of the CIP.

### **Community Development Block Grant (CDBG)**

The City's CDBG funding entitlement from the Department of Housing and Urban Development (HUD) has varied significantly over past years. The FY 2019-20 operating budget assumes that the City will receive \$462,000. The City Council approved the FY19-20 spending plan at the April 24, 2019 City Council meeting. As part of the City Council request, \$3,500 from the General fund will be programed to support the public service grants. The CDBG serves as the City's sole source of funding for community services provided by non-profit organizations to local residents.

### **Common Greens Maintenance District Funds**

Prior to Proposition 13, the City of South San Francisco created various maintenance districts, collectively known as the Common Greens. The districts are funded by a share of the one percent property tax levy, which reduces the City's share of the property tax levy; The City's share averages 17 percent. The FY 2019-20 operating budget for the Common Greens is proposed to have greater expenses than revenues. Over the next several years staff will evaluate how to best realign revenues with expenses in the Common Greens funds.

### **City Housing Fund**

In 2012, all Redevelopment Agencies in the State of California were dissolved pursuant to ABx 1 26. The City Council voted to accept the option to become the Successor Housing Agency to the Low/Moderate Income Housing Fund. The majority of revenues come from rent on city properties, and use of City Housing Fund reserves is restricted as follows:

- 0-30 percent Area Mean Income (AMI) Projects - Minimum of 30 percent of funds;
- 0-60 percent AMI Projects - Remaining 50 percent of funds; and
- 60-80 percent AMI Projects - Maximum of 20 percent of funds.

### **Solid Waste Management Fund**

The City receives a dedicated fee pursuant to the franchise agreement with the South San Francisco Scavenger Company, the City's exclusive solid waste management franchise. Revenues are projected at \$180,000 for the FY 2019-20 operating budget. Funds can be used to pay for monitoring and remediation costs associated with the closed Oyster Point landfill and for other solid waste reduction efforts. Additional revenue comes from forfeited solid waste deposits, which are used to further the City's solid waste diversion goals.

### **Developer Deposit Fund**

The Developer Deposit Fund includes reserves that are funded by fees paid from developers. Staff requests that the City Council consider as funding sources for various efforts in the ECD and Fire Departments, which were presented in the department section of the staff report.

The General Plan maintenance fee is assessed as part of the permit issuance process to mitigate the impact of each submitted plan on the City's General Plan. ECD's budget request of \$150,000 for a West of 101 Transportation Master Plan city-wide multi-modal transportation plan asks to use the General Plan maintenance reserve as a funding source.

### **City Programs Fund**

The City Programs Fund is primarily comprised of various donations and other funds that are restricted for a specific purpose. The reserve for the City's share of asset seizure is included in the City Programs Fund, and is projected to serve as a funding source for the Police Department budget request in the amount of \$60,000 from the Police Assets Seizure funds for the purchase of ammunition.

### **Consolidated Impact Fees Fund**

The City has implemented a number of impact fees charged on new development to offset the impact on City infrastructure. The FY 2018-19 operating budget shows a transfer of \$9.8 million to CIP projects from impact fee funds. The East of 101 Sewer Impact Fee does not have sufficient revenues to continue with the Pump Station #2 Upgrade project that is critical to sewer collection system. In order to have sufficient funds the Sewer Capacity Charge will fund \$4.5 million of the project costs.

### **Sewer Fund**

FY2019-20 represent year three of the five year sewer rate plan. The sewer service fees will increase 2 percent as part of the plan. As part of the National Pollutant Discharge Elimination system (NPDES) permit the Water Quality Control Plant (WQCP) has a robust capital program. In FY2019-20, an additional \$12.1 million in CIP appropriations that will repair, replace, and upgrade critical components of the WQCP and the sewer collection system.

### **Storm Water**

Revenues from Storm Water services charges remain a challenge for South San Francisco and all local government agencies. In order to propose a rate increase, local governments must do so via a ballot measure. There are efforts to amend the state constitution to have storm water fees be subject to the Proposition 218 process, similar to other utility services. Absent a legislative fix, the City will have limited resources to address increasingly stringent regulatory compliance requirements.

### **Internal Service Funds**

Internal Service Funds serve as a means for an entity to charge itself for services and benefits that are provided to all operating departments. The City of South San Francisco has internal service funds for garage services, self-insurance, health and benefits, equipment replacement and information technology (IT).

### **Garage Fund**

The City's Public Works Department oversees and administers Garage Services.

### **Self-Insurance Fund**

The City receives risk management and mitigation services through its membership with the Pooled Liability Assurance Network Joint Powers Authority (PLAN JPA). The City also receives excess Workers' Compensation coverage through the California State Association of Counties Excess Insurance Authority (CSAC EIA). The respective premiums for each are paid from the Self-Insurance Fund and allocated to each operating fund and program through interdepartmental charges. The FY 2019-20 operating budget reflects cost increase based on estimates provided by our plan providers.

### **Health and Benefits Fund**

The Health and Benefits Fund provides payments to health care providers for medical, dental and vision premiums. The FY 2019-20 operating budget health and benefit charges decreased slightly

### **Equipment Replacement Fund**

The Equipment Replacement Fund accounts for replacement of the City's vehicles and other equipment. The FY 2019-20 operating budget \$350,000 for vehicles purchases and \$150,000 for computer replacement.

### **Information Technology (IT) Fund**

The IT Fund accounts for IT Department payroll costs, hardware replacement costs, and software licensing fees. The one-time and on-going items for FY 2019-20 were discussed in the department section.

### FISCAL IMPACT

In FY 2019-20 the City's General Fund, with \$112.6 million in revenues and \$111.3 million in expenditures, is projected to generate a surplus of \$2.6 million, before contributing to the General Fund reserves. At the close of the Fiscal Year, staff will review operating surplus and use surplus to meet the City's reserve requirements, in compliance with the City's Reserves Policy.

### RELATIONSHIP TO STRATEGIC PLAN

The budget is the City's spending plan that supports Priority Area 3, Financial Stability.

### CONCLUSION

The City's FY 2019-20 operating budget is balanced. Precluding operating funds that are employing a planned spend of existing reserves, all operating funds are projected to operate at a surplus.

### **Attachments:**

1. FY2019-21 Proposed Budget
2. PowerPoint - Proposed Budget FY2019-21