



Administrative Report

L.1., File # 22-4347

Meeting Date: 6/14/2022

To: MAYOR AND CITY COUNCIL
From: JENNIFER PAUL, FINANCE DIRECTOR

TITLE

CONTINUED PUBLIC HEARING TO CONSIDER THE FISCAL YEAR 2022-23 PROPOSED BUDGET, FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM, AND ASSOCIATED BUDGET RESPONSE REPORTS

- a. Reconvene the Public Hearing, take testimony;
- b. Continue the Public Hearing to June 21, 2022; and
- c. Receive and file Budget Response Reports.

EXECUTIVE SUMMARY

On May 16, 2022, in accordance with the City Charter, the Mayor and City Council received the Proposed Budget for FY 2022-23 and the Proposed Five-Year Capital Improvement Program (CIP). On May 17, 2022, the first Public Hearing on these documents was conducted and continued to June 7, 2022 and then again to June 14, 2022. The May 17th Public Hearing provided an introduction and summary of the proposed budget. The June 7th Budget Hearing focused on department operations. The June 14th Budget Hearing will be focused on proposed capital projects. The June 21st Hearing will be focused on Council consideration of Budget Adoption.

BACKGROUND

The Proposed Fiscal Year 2022-23 Budget is balanced in accordance with the City Council's adopted Financial Principles. If all recommended Decision Packages are adopted as modifications to the core budget, the General Fund's unallocated balance (total revenues over expenditures) would be \$1.8M. To date, 37 Budget Response Reports have been prepared and submitted to the City Council, 25 of which were provided for the June 7th Budget Hearing and 11 provided with this report (see attached). An additional 9 Budget Response Reports are scheduled to be delivered as Blue Folder Items for the June 14th meeting.

The City Manager's budget message describes the budget development process, the City's projected financial outlook for the upcoming fiscal year, proposed General Fund revenues and expenditures, and recommended decision packages. The departmental sections of the budget document discuss core service activities, key projects and assignments, and customer service and referral work measures. Financial Summary (mini-financial) reports in the document spotlight important business units.

The Capital Improvement Program (CIP) identifies the capital investment required to meet the City's

General Plan and other policy goals and to ensure good stewardship of public existing infrastructure. The CIP identifies the projects, their estimated costs, and the financing methods needed to implement the City's capital investment goals and the maintenance of new and existing infrastructure.

Given the number of demands on City finances, it is essential that available grant and restricted funds be coordinated and leveraged to maximize the City's capital resources and complete as many projects as possible. The proposed Capital Improvement Budget for FY 2022-23 accomplishes this goal and focuses on completing existing projects while addressing health and safety issues, legislated mandates and priorities arising out of the Mayor and City Council's strategic planning efforts. An element that is present this year is the significant increase in construction costs due to global supply chain issues. These rising costs further emphasize the need to complete projects as quickly as possible and add funding to existing projects to ensure there are sufficient resources through full construction.

The proposed FY 2022-23 CIP contains \$57.1M of carryover funding for 112 previously approved projects and \$33.7M of appropriations for 37 existing projects and 10 new projects, for a total FY 2022-23 CIP of approximately \$90.8M and 122 projects.

| | Carryover Funding | New Appropriations FY 22-23 | Total |
|---------------------------------|--------------------------|--|---------------------|
| Sewer Projects | \$8,143,921 | \$4,786,340 | \$12,930,261 |
| Drainage Projects | \$1,590,230 | \$1,383,000 | \$2,973,230 |
| Street Projects | \$27,908,859 | \$6,184,809 | \$34,093,669 |
| Waterfront Projects | \$9,020,110 | \$18,775,380* | \$27,795,490 |
| Park Projects | \$3,299,605 | \$530,000 | \$3,829,605 |
| Public Facility Projects | \$6,640,724 | \$1,928,116 | \$8,568,840 |
| General Improvement Projects | \$495,890 | \$100,000 | \$595,890 |
| | \$57,099,340 | \$33,687,645 | \$90,786,985 |

In summary, the Proposed FY 2022-23 Budget contains the following:

- The total annual budget including all funds is \$156.5 million.
- The total core General Fund Budget (with transfers and before decision packages) is roughly \$102 million.
- \$90.8 million of Capital Funding for 122 Projects.
- Funding for 425 Full-Time employees (before decision packages).
- 83 Decision Packages.
- A General Fund Contingency Reserve of \$8.26 million.
- A General Fund Unallocated Balance of \$1.8 million (if all proposed decision packages are approved).

COORDINATION

All City Departments participated in the preparation of the Fiscal Year 2022-23 City Manager's Proposed Budget and Five-Year Capital Improvement Program. The Budget and Finance Commission reviewed the Proposed Budget at their meetings on May 26, 2022 and June 9, 2022.

The Harbor Commission is scheduled to review the Proposed Budget on June 13, 2022. Commission feedback will be provided in a follow up Budget Response Report for consideration at the final Budget Hearing.

FISCAL IMPACT

The adopted version of the Fiscal year 2022-23 Budget will create the financial guideline for all City operations. The Fiscal Year 2022-27 Five-Year Capital Improvement Program is a planning document only. Funding for capital projects in the first year of the plan will be appropriated as part of the Fiscal Year 2022-23 Budget.

APPROVED BY:

Mike Witzansky, City Manager

ATTACHMENTS

Fiscal Year 2022-23 Budget Response Reports