



DATE: March 17, 2020

TO: Mayor and City Council

FROM: Director of Finance

SUBJECT: FY 2020 Mid-Year Budget: FY 2020 Mid-Year Budget Review and General Fund Long Range Financial Model Update

RECOMMENDATION

That Council 1) reviews the FY 2020 Mid-Year Budget; 2) adopts resolutions providing amendments to the previously adopted City of Hayward Operating and Capital Improvement Budgets for Fiscal Year 2020; and 3) prioritizes remaining Council supported revenue strategies.

SUMMARY

This report presents the mid-year review of the FY 2020 Adopted Budget, and an update to the General Fund Long Range Financial Model (model) presenting proposed changes and projected year-end results based on current trends and data. While staff considers the entire City budget in its mid-year review, this report focuses primarily on the General Fund. On January 15, 2020, an update to the General Fund Long Range Financial Model was presented to the Council Budget and Finance Committee for review and feedback.

Proposed FY 2020 mid-year expenditures net a total increase of \$5.7 million in General Fund expenses. Of this amount, \$5.1 million is related to previously authorized and approved appropriations, and proposed FY 2020 mid-year expenditure requests total increase of \$0.6 million. The proposed FY 2020 mid-year expenditures are largely one-time in nature. Table 1 and Table 2 below detail the key changes in General Fund expenditures related to previous Council authorized and approved appropriations, and proposed new FY 2020 mid-year requests:

TABLE 1: PREVIOUS COUNCIL AUTHORIZED AND APPROVED APPROPRIATIONS

Previous Council Approved Appropriations	FY 2020 Impact (\$)
Illegal Tobacco Sales Enforcement Program - Overtime	\$9,703
Salary Plan Update	\$243,039
Personnel Expenses	\$252,742
City Center Demolition	\$4,401,150
City parking enforcement vehicle/equipment	\$95,000
Security Services - Maple/Main Development Site	\$142,000
Byrne Grant Appropriation	\$42,492

Delinquency Prevention Network (DPN) Contract	\$8,950
Contract Services - Strategic Planning Services	\$108,881
Community Development Block Grant	\$4,000
Non-Personnel Expenses	\$4,802,473
Previous Council Approved Appropriations Subtotal	\$5,055,215

TABLE 2: PROPOSED NEW FY 2020 MID-YEAR REQUESTS

Proposed Mid-Year Request (NEW)	FY 2020 Impact (\$)
Delete/Add Finance Tech. (1.0) for Admin. Secretary (1.0) (Finance)	(\$6,474)
Personnel Expenses	(\$6,474)
Latent Print Case Management Software (Police)	\$33,000
Contract Services (Finance)	\$20,000
Contract Services (Human Resources)	\$59,000
Software - NeoGov Implementation (Human Resources)	\$22,000
Hayward Area Shoreline JPA - Contribution (Development Services)	(\$12,000)
Consultant Services (Development Services)	\$400,000
PERB Settlement Adjustment	\$7,393
Library Expenses to be Reimbursed by Literacy Council	\$7,184
Transfer-Out to Facilities Management Fund for Library Expenses	\$70,000
Transfer-Out to Facilities Capital	\$28,000
Transfer-Out to Hayward Area Shoreline JPA	\$12,000
Non-Personnel Expenses	\$646,577
Proposed Mid-Year Requests (NEW) Subtotal	\$640,103
TOTAL GENERAL FUND EXPENSES	\$5,695,318

General Fund revenues are expected to exceed the originally projected FY2020 amount by \$3.5 million. Changes in revenue projections are detailed in Table 4 of the attached report. Key changes in the General Fund revenues are as follows:

Projected increase in Sales Tax over budgeted amounts	\$3,711,881
Projected decrease in Cannabis Tax below budgeted amount	(\$240,000)

If mid-year requests are approved as proposed, the FY 2020 Revised Budget would result in a projected shortfall, requiring the use of \$1.8 million in General Fund Reserves for FY 2020.

This report provides an overall update to the City's General Fund long-term outlooks, and review of strategies to assist in achieving long-term fiscal sustainability.

BACKGROUND

On May 21, 2019, Council adopted the FY 2020 Operating Budget projecting a net positive position at fiscal year end and an increase to the General Fund Reserves of \$0.3 million¹. Since the time of adoption of the FY 2020 Budget, the City's projected fiscal position has changed significantly. As a result of additional Council approved appropriations and proposed mid-year requests, the City's General Fund net position decreased, projecting a use of \$1.9 million in reserves to balance the budget. The largest of these appropriations is related to demolition expenses for the recently acquired City Center building. In December, Council authorized a General Fund appropriation of \$4.4 to fund hazardous materials abatement and demolition of the City Center building². Demolition of the City Center building is considered a one-time expense. It is expected that expenses related to the acquisition and demolition of the City Center building could potentially be fully recovered upon the sale of the property. The Council has approved an additional \$0.7 million in other appropriations related to contract services and grant appropriations since the adoption of the FY 2020 Operating Budget.

On January 15, 2020, an update to the General Fund Long Range Financial Model was presented to the Council Budget and Finance Committee for review and feedback.

This report includes an update to the model as part of the FY 2020 mid-year review, reflecting the proposed changes in revenue projections and expenditure adjustments.

DISCUSSION

GENERAL FUND REVENUES

FY 2020 General Fund revenues are projected to be \$3.5 million higher than originally projected. This is primarily attributed to projected increases in sales tax revenues and Cannabis Tax revenue projections.

The following analysis highlights key revenue variances as it pertains to FY 2020 mid-year projections and the impact on future year projections as outlined in the model.

Sales Tax (increase of \$3.7 million) – The amount projected at the time of adoption did not anticipate continued growth in the economy. Previous forecasts projected a slowing of the economy in FY 2020. Preliminary projections also did not account for significant short-term growth in the transportation industry.

Cannabis Tax (decrease of \$250,000) – The FY 2020 Adopted Budget projected Cannabis Tax revenue at \$250,000. Many of the approved cannabis business operators are still working to complete the entitlement process. This adjustment is to reflect actual Cannabis Tax receipts received thus far.

GENERAL FUND EXPENDITURES

¹ City of Hayward Council on May 21, 2019

<https://hayward.legistar.com/LegislationDetail.aspx?ID=3952693&GUID=7C3FB881-BCFB-431E-862D-7916B6C6811B>

² City of Hayward Council on December 3, 2019

<https://hayward.legistar.com/LegislationDetail.aspx?ID=4263965&GUID=635A7662-752A-43D6-BC31-328887055949>

FY 2020 General Fund total adjustments include FY 2019 carryforwards, previous Council authorized and approved appropriations, and mid-year requests. FY 2020 General Fund expenditures, including proposed mid-year requests and previous Council authorized and approved appropriations are projected to be \$5.7 million higher than anticipated at the time the City adopted its budget. Of this amount, \$5.1 million is related to previously authorized and approved appropriations, and proposed FY 2020 mid-year expenditure requests total an increase of \$0.6 million. The proposed FY 2020 mid-year requests are largely one-time in nature. FY 2019 budget carryforwards total \$1.4 million and were approved with the FY 2019 Operating Budget. The following analysis highlights key expenditure variances as it pertains to FY 2020 mid-year projections and the fiscal impacts on future year projections, as illustrated in the model.

Staffing Expense

Overall, the staffing expense budget will increase by a net total of \$246,268. The following provides detail on the changes in the staffing expense budget:

- Staffing Changes (decrease of \$6,474) – A net change of 0.0 FTE in the Finance Department is included as part of the mid-year review. In order to better serve the business needs of the department, staff proposes that one (1.0) Finance Technician position be deleted and replaced by one (1.0) Administrative Secretary position. Table 3 below summarizes the fiscal impact. This change results in a net salary savings.

TABLE 3: STAFFING CHANGES SUMMARY

POSITION CHANGE	FY 2020
<u>Finance Department</u>	
Delete 1.0 FTE Finance Technician	\$ 142,635
Add 1.0 FTE Administrative Secretary	\$136,141
TOTAL IMPACT TO GENERAL FUND	(\$6,474)

- Overtime Expense (increase of \$9,703) – Appropriation to increase overtime expenses for activities related to illegal tobacco sales enforcement, offset by a California State Department of Justice grant.
- Salary Plan Update (increase of \$243,039) – An update to the Salary Plan was approved by Council on December 17, 2019. The Salary Plan update included equity adjustments per the SEIU MOU on a recent salary survey completed in accordance with the terms as outlined in the negotiated agreement with SEIU, and additional adjustments to other specific job classifications.

Operating Expenses

A number of adjustments are needed at mid-year to fund necessary and/or unanticipated expenditures, and to appropriate prior year carried forward requests into FY 2020.

Carryforward Requests (increase of \$1.4 million):

A carryforward is unspent budget that is linked to a commitment such as a contract, requisition, or purchase order. The carryforward of commitment to a new fiscal year carries with it the unspent budget associated with the balance of the commitment. Carryforward represent budget amounts that were previously authorized and approved by Council during the prior fiscal year.

Previous Council Approved Appropriations - FY 2020 (increase of \$4.8 million):

City Council previously authorized and approved appropriations totaling \$4.8 million. Previously authorized and approved appropriations are as follows:

- City Center Demolition (increase of \$4,401,150);
- City parking enforcement vehicle/equipment (increase of \$95,000);
- Security measures/services at Maple/Main development project site (increase of \$142,000);
- Byrne Grant Award allocation (increase of \$42,492)
- Delinquency Prevention Network (DPN) contract award appropriation (increase of \$8,950); and
- Contract Services for Strategic Planning Services (increase of \$108,881)

Proposed FY 2020 Mid-Year Requests – New (Increase of \$646,577):

- Transfer In/Out (increase of \$110,000): \$12,000 transfer-out to Hayward Area Shoreline JPA fund (HASPA); \$70,000 transfer-out to Facilities Management Fund for unanticipated PG&E costs for the Library; and \$28,000 transfer-out to Facilities Capital for Space Planning project
- PERB Settlement (increase of \$7,393) – Increase of \$7,393 for final PERB Settlement.
- Contract Services (net increase of \$467,000) – Additional contract services are necessary in multiple departments. Development Services is requesting \$400,000 for consultant services for outside plan check, inspection, and permit technicians with anticipated offsetting revenue; a reduction of \$12,000 for annual HASPA contributions (General Fund); an increase of \$25,000 for executive search services for a key executive position vacancy in Human Resources; \$14,000 for consulting services for new technology pilot program in Human Resources; and \$40,000 for contract services related to additional audit work.
- Office/Operating Supplies (increase of \$62,184) – The Police Department is requesting an increase of \$33,000 for latent print software previously approved by City Council (General Fund). The Human Resources department is requesting \$22,000 for the purchase of NeoGov performance management software (General Fund). Library is requesting an increase of \$7,184 in expenses to be reimbursed by the Literacy Council. All expenses related to Literacy Council are fully reimbursable.

The amounts shown below in Table 4 demonstrate the General Fund impact of the changes being proposed as part of the City's FY 2020 Mid-Year Budget Review from the time that Council adopted the City's Operating Budget in May of 2019. In total, the changes presented for consideration will require the projected use of \$1.8 million in General Fund reserves.

TABLE 4: SUMMARY OF PROPOSED MID-YEAR CHANGES

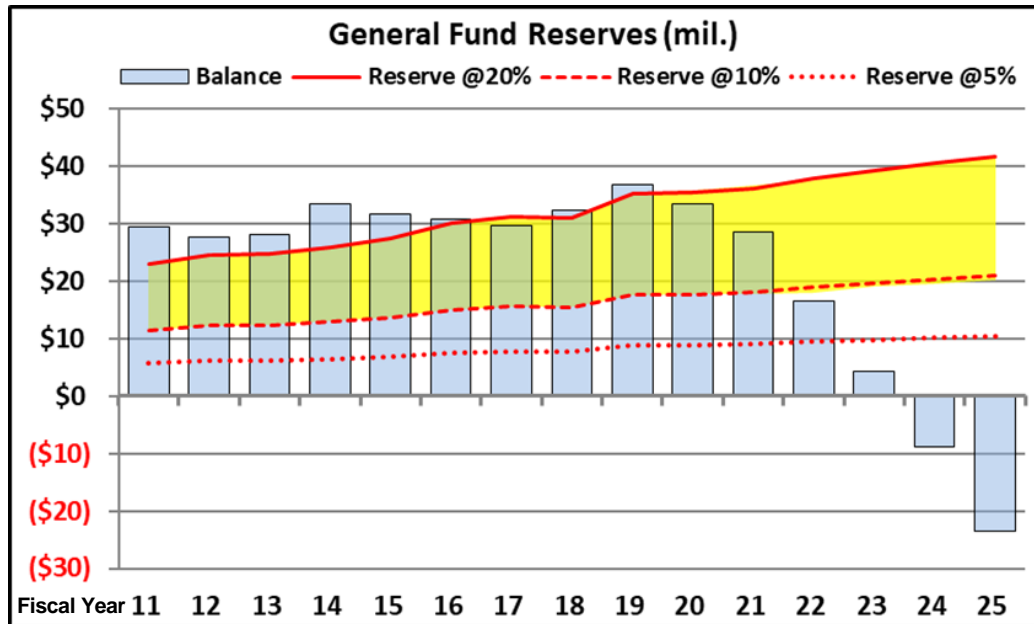
<i>\$ in thousands</i>	FY 2020 Adopted	Change	FY 2020 Mid-Year Revised
Revenue			
Sales Tax		\$3,711	
Cannabis Tax		(\$240)	
Intergovernmental Revenue		\$39	
Total Revenue	\$172,439	\$3,511	\$175,950
Expenditures			
Delete/Add Finance Tech. (1.0) for Admin. Secretary (1.0) - Finance		(\$6)	
Previous Council Approved Appropriation - Personnel Expenses		\$253	
Net Staffing Expenses	\$135,448	\$247	\$135,695
Latent Print Case Management Software (Police)		\$33	
Contract Services (Finance)		\$20	
Contract Services (Human Resources)		\$59	
Software - NeoGov Implementation (Human Resources)		\$22	
Hayward Area Shoreline JPA - Contribution (Development Services)		(\$12)	
Consultant Services (Development Services)		\$400	
PERB Settlement Adjustment		\$7	
Library Expenses to be Reimbursed by Literacy Council		\$7	
Previous Council Approved Appropriation - Non-Personnel Expenses		\$306	
Net Operating Expenses	\$27,798	\$843	\$28,641
Transfer-Out to Facilities Management Fund for Library Expenses		\$70	
Transfer-Out to Facilities Capital		\$28	
Transfer-Out to Hayward Area Shoreline JPA		\$12	
Previous Council Approved Appropriation - Transfer-Out		\$4,496	
Transfers to Other Funds	\$8,858	\$4,606	\$13,464
Total Expenditures	\$172,104	\$5,696	\$177,800
Total Surplus/(Shortfall)	\$335		(\$1,849)

GENERAL FUND LONG RANGE FINANCIAL MODEL UPDATE

Attachment V is an updated version of the model that includes projected changes in revenue and expenses impacting the City's projected year-end fiscal position for FY 2020. The FY 2020 Adopted Budget assumed an increase in General Fund Reserves of \$0.3 million by the end of the fiscal year. The model projected that General Fund Reserves would remain above 20% of the City's budgeted General Fund expenditures until the end of FY 2022, at which time reserve levels would dip to 15.9% of expenditures.

As part of the mid-year review process, the model has been updated to include current revenue projections, mid-year expenditure requests, and previous Council approved appropriations as discussed in this report. The updated model projects the use of \$1.8 million in General Fund Reserves. The significant change is primarily attributed to the Council approved appropriation of \$4.4 million for the City Center demolition. While the potential sale of the property could result in full cost recovery, the model does not include revenue assumptions should the sale of the property occur in the future.

Per current policy, General Fund Reserve should equal 20% of budgeted General Fund expenditures. Based on the updated model and current projections, the City is expected to fall short of compliance with the policy. Mid-year updates to the model project ending the fiscal year with a General Fund balance of 19.7% of FY 2020 General Fund expenditures. The graph below depicts revised General Fund revenues and expenditures based on updated FY 2020 projections.



MEASURE C FUND

Measure C Operating

The Council, as well as the ballot language for Measure C, established a number of spending priorities for these funds. These priorities include a mix of capital projects and funding allocations toward operating services. While Measure C revenues are to primarily be used to fund capital projects, operating activities, such as police services, addressing illegal dumping, litter control, and graffiti abatement also fulfill the promises of Measure C.

FY 2020 Measure C operating fund total adjustments include FY 2019 carryforwards, previous Council approved appropriations, and a mid-year request. Proposed FY 2020 Measure C expenditure related requests total an increase of \$83,518. Proposed FY 2020 Measure C revenue is projected to be approximately \$1.4 million higher than originally projected. The following details the additional requests:

- FY 2019 budget carryforwards (increase of \$8,152)
- Salary Plan Update (increase \$23,209)
- Transfer-Out to Measure C Capital Fund for EBRCS Radio – Final Lease Payment (increase of \$52,157).

Measure C Capital

While Measure C funds operating programs and related expenses, Measure C funds are primarily used to fund capital projects. FY 2020 Measure C capital total adjustments include prior year carryforwards.

FY 2020 Council adopted expenditure appropriations of \$30.9 million in the Measure C capital fund. Total adjustments included in the mid-year review are \$34.4 million. Included in these adjustments are:

- \$34.3 million in FY 2019 carryforwards; and
- \$52,157 in proposed mid-year request

The FY 2020 Measure C capital mid-year request is to make the final lease payment for EBRCs radios.

Attachment VI is an update to the Measure C 20-Year Financial Forecast that includes projected changes in revenue and expenses impacting the projected year-end fiscal position for FY 2020.

OTHER FUNDS

Total adjustments for FY 2020 Other Funds include FY 2019 carryforwards, previous Council approved appropriations, and mid-year requests. Expenditure increases in Other Funds total \$21.4 million. Of this total, FY 2019 budget carryforwards total \$15.1 million; and appropriations previously approved by City Council total \$5.7 million. Increase in expenditure requests at mid-year amount to \$0.6 million. Detail of mid-year requests are as follows:

Proposed Mid-Year Requests (increase of \$0.6 million)

- Staffing Changes (net-zero impact): A net change of 0.0 FTE in the Information Technology Department is included as part of the mid-year review. In order to better serve the business needs of the department, it is proposed that one (1.0) IT Analyst position be deleted and replaced with one (1.0) Programmer Analyst position.
- Water and Sewer Funds (decrease of \$200,000): Administrative cleanup to remove transfers completed in the prior fiscal year to complete the safety-gap analysis;
- Maintenance Operations (increase of \$265,000): Increase of \$45,000 for contract services for temporary staffing to support the ongoing janitorial needs at the library during operational hours (Facilities Management Fund); \$70,000 for unanticipated PG&E expenses at the library (Facilities Management Fund); and \$150,000 vehicle replacement of two patrol vehicles totaled in recent accidents;
- PERB settlements (increase of \$10,632): Water Fund (\$6,941) and Sewer Fund (\$3,691);
- Police Department (increase of \$43,000): Increase of \$38,000 in Asset Forfeiture fund for the purchase of schedule express software, and \$5,000 for CNOA conference attendance;
- City Manager (net increase of 35,769): a reduction of \$20,989 to match the FY 2020 Federal HOME award project allocation, a net zero impact between funds Measure B Paratransit, Federal Grants, Housing Authority, and Affordable Housing for personnel reallocation, and \$56,758 for CDBG Public Services Program with expenditures offset by congruent revenue.

- Hazmat Settlements (increase of \$410,365): Increase to appropriate prior year fund balances from hazmat settlements.
- Hayward Area Shoreline JPA (increase of \$12,000): Appropriation of the City's contribution to the Hayward Area Shoreline JPA.

CAPITAL IMPROVEMENT FUNDS

Total adjustments for FY 2020 Capital Improvement Funds include FY 2019 carryforwards, previous Council approved appropriations, and mid-year requests. The FY 2020 Capital Improvement Budget adjustments total a net increase of \$188.7 million. Of this amount, FY 2019 carry forwards total \$168.4 million; and prior Council authorized and approved appropriations total \$10.2 million. Proposed mid-year adjustments reflect an increase in projected expenditures in the amount of \$10.1 million. **Table 5** provides detail of the proposed FY 2020 CIP mid-year changes.

TABLE 5: PROPOSED FY 2020 MID-YEAR CIP CHANGES

Mid-Year CIP Changes	FY 2020 Mid-Year Changes
Capital Projects (Fund 405) - Employee Engagement Survey not included in FY 2020 budget	\$35,000
Rte. 238 Corridor Improvements (Fund 410) – Transfer-Out: Reallocate Maintenance Staff and Contract Services	\$70,284
Rte. 238 Settlement Admin (Fund 411) - Transfer-in from Fund 410	(\$70,284)
Rte. 238 Settlement Admin (Fund 411) - Reallocate Maintenance Staff from Rte. 238 Corridor Improvements (Fund 410)	\$66,784
Rte. 238 Settlement Admin (Fund 411) - Reallocate Contract from Rte. 238 Corridor Improvements (Fund 410)	\$3,500
Rte. 238 Settlement Admin (Fund 411)- Maintenance Services for Homeless Abatement, Landscape/Weed Abatement, and Property Management	\$285,284
Water Improvement (Fund 604) - Administrative cleanup of FY2020 Adopted Budget	\$498,432
Sewer Improvement (Fund 612) - Administrative cleanup of FY2020 Adopted Budget	\$3,276,817
Airport Capital (Fund 621) - Sulphur Creek Mitigation FY2018 unspent budget balance appropriation	\$266,279
Airport Capital (Fund 621) - Miscellaneous FY2018 unspent budget balance appropriation	\$482,260
Facilities Improvements (Fund 726) – Space Planning Project	\$28,000
Administrative Transfer-Out to Operating Budget Correction; FY 2020 CIP inadvertently not included (Fund 210)	\$983,000
Administrative Transfer-Out to Operating Budget Correction; FY 2020 CIP inadvertently not included (Fund 410)	\$129,000
Administrative Transfer-Out to Operating Budget Correction; FY 2020 CIP inadvertently not included (Fund 604)	\$3,765,000
Administrative Transfer-Out to Operating Budget Correction; FY 2020 CIP inadvertently not included (Fund 611)	\$270,000
Total Net Change	\$10,089,356

COUNCIL SUPPORTED FISCAL STRATEGIES - LONG-TERM FINANCIAL OUTLOOK:

On January 15, 2020³, staff presented the Council Budget and Finance Committee with an update to the General Fund model. Despite the successful passage of Measure T, the long-term projection showed a significant continued structural deficit. In response to the review of the model, staff reviewed the strategies presented to the City Council during the Fiscal Sustainability work session held in October 2017. During the work session, staff unveiled the updated Model, and Council discussed various strategies in four categories to address the City's structural budget deficit, which included (1) revenue generating strategies, (2) cost shifting strategies, (3) expenditure control strategies, and (4) changes in provision of services that Council could implement to assist in closing the City's long-term structural budget gap.

Table 6 is a summary of Council supported strategies at the October 2017 fiscal sustainability work session. A status of each strategy is included to provide Council with an update on strategies that have yet to be implemented and may be reviewed and recommended for the full Council to assist with closing the projected structural budget gap.

TABLE 6: FISCAL SUSTAINABILITY STRATEGIES (OCTOBER 2017)

Council Supported Fiscal Sustainability Strategies	Status
Revenue Generation Strategies:	
Real Property Transfer Tax (RPTT): \$8.5 per \$1,000 (Place ballot in 2018)	Complete - Voters' passed Measure T in November 2018.
Transient Occupancy Tax (TOT) @ 12% - Projected annual revenue to \$1,200,000 with new hotels	Option considered viable by staff; however, formal action from Council is necessary prior to further pursuing the option.
Business License Tax (BLT) (Up from \$19.06-\$26.02 per capita- Projected annual revenue from \$2.9M to \$4.0M	Option considered viable by staff; however, formal action from Council is necessary prior to further pursuing the option.
Cannabis Tax Revenue	Complete - While the City has not realized revenue from the source, the voters have approved a cannabis tax.
Expenditure Controls/Cost Shifts:	
Update Cost Allocation Plan	Staff is finalizing the cost allocation plan.

³ Council Budget and Finance Committee on January 15, 2020

<https://hayward.legistar.com/LegislationDetail.aspx?ID=4302591&GUID=76B2E29F-0F52-4248-99B0-F05F0F8BAA3F&Options=&Search=>

Council Supported Fiscal Sustainability Strategies	Status
In partnership with and through the collective bargaining process with our employee groups identify potential cost saving strategies related to wages, benefits, and working conditions	Complete.
Service Delivery Changes:	
Prioritized Use of Measure C Revenue after projects completed	Strategy Ongoing - Reviewed and discussed annually during the City's budget process.
Fleet Utilization Improvements (5% fleet removal) (\$39,675 annual maintenance + \$82,300 replacement cost)	In Progress - Fleet Utilization Study currently underway.

The long-term financial projections show a continued structural deficit. To address this issue, there are two remaining supported strategies that can be deployed to positively impact the long-term fiscal health of the City. Staff solicited feedback from the Committee on the remaining two revenue generating strategies - an increase to the City's TOT and/or an overhaul of the City's Business License Tax Ordinance. During the presentation of these two strategies, the Committee recommended that staff proceed with presenting an increase to the City's TOT to the full Council for consideration to include on the November 2020 ballot.

The City of Hayward's TOT rate of 8.5 percent is the twelfth lowest among sixteen Bay Area cities of 100,000 or more residents, according to analysis provided by Management Partners for the October 2017 work session. Staff analysis performed in 2018 estimated that an increase in TOT to a new rate of 12.0 percent would generate an additional \$986,000 annually.⁴ Assuming the passage of a ballot measure in 2020, the Model estimates that a 12.0 percent TOT rate will generate an additional \$519,240 in FY 2021 and an average of \$859,900 annually through FY 2030. Analysis of additional strategies and updates to the Model will be provided to Council on an ongoing basis for their continued policy leadership in helping to ensure fiscal sustainability for the City while ensuring the highest level of service availability to the Hayward community.

Based on the Committee's recommendation, staff is seeking Council's direction as to whether it would recommend the placing of the increase to the City's TOT on the November 2020 ballot. To assist in Council deliberations and a final decision on whether to proceed to the ballot with an increase in the TOT, staff have requested a proposal from the City's preferred public-opinion research firm, Fairbanks, Maslin, Maullin, Metz & Associates (FM3) for a survey, or poll, to gauge voter support and attitudes on the subject. FM3 is prepared to work with staff to draft a survey that could administered in April with results presented later that month or in early. Depending on survey length (15 or 20 minutes) and sample size (400 or 600 respondents), the survey cost would range from \$29,500 to \$37,500.

⁴ City of Hayward City Council Meeting on July 17, 2018

<https://hayward.legistar.com/LegislationDetail.aspx?ID=3553050&GUID=5504B467-533C-4C23-9243-448F969C92EB&Options=&Search=>

In addition to gauging voter support and attitudes about a potential TOT-rate increase, the survey also affords the City to test opinion on related and other fiscal matters. Staff recommends that Council proceed with the polling at this time to further inform decision making on a possible ballot measure.

STRATEGIC ROADMAP

This agenda item supports Strategic Priority of Improve Organizational Health. Specifically, this item relates to the implementation of the following project:

Project 1, Part 1.a.: Evaluate an increase in the Transient Occupancy Tax

FISCAL IMPACT

The overall fiscal impact of the proposed mid-year adjustments is an increase to General Fund revenue of \$3.5 million, and an increase to General Fund expenditures of \$7.1 million (\$5.1 million in previously approved appropriations, \$0.6 million in proposed new requests; and \$1.4 million in carryforwards). All Other Funds (including Measure C) proposed adjustments will result in an increase of \$0.7 million in newly requested expenditures; and Capital Improvement Funds will result in a proposed net increase in expenditures of \$10.1 million in newly requested expenditures.

SUSTAINABILITY FEATURES

The actions in this report do not have an impact on sustainability. Sustainability elements are more directly identified with specific projects as they are carried out.

PUBLIC CONTACT/NEXT STEPS

Upon approval by Council of the recommendations contain herein, staff will post the budget amendments per the approved resolution. Staff will continue to refine the General Fund Long Range Model as part of the upcoming FY 2021 budget process. Staff will also proceed with polling on a potential November 2020 ballot measure, if directed by City Council to do so.

Prepared by: Nicole Gonzales, Deputy Director of Finance
Nicholas Mullins, Management Analyst I
Rick Rivera, Management Analyst I

Recommended by: Dustin Claussen, Director of Finance

Approved by:



Kelly McAdoo, City Manager