



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: June 8, 2022

TO: Mayor and Councilmembers

FROM: Administration Division, Finance Department

SUBJECT: Fiscal Year 2023 Recommended Operating And Capital Budget

RECOMMENDATION: That Council:

- A. Hear and consider the recommendations of the Finance Committee based on the Committee's review of certain aspects of the Fiscal Year (FY) 2023 Recommended Budget;
- B. Approve certain adjustments to the Fiscal Year 2023 Recommended Budget identified by staff as detailed in the Schedule of Recommended Adjustments;
- C. Provide final direction to staff based on the Finance Committee's recommendations and Council's review of the Fiscal Year 2023 Recommended Budget over the last several weeks which included seven budget hearings; and
- D. Direct staff to develop a program to address commercial vacancy and draft an ordinance for the Central Business District.

EXECUTIVE SUMMARY

On April 19, 2022, the City Administrator presented her FY2023 budget to the City Council. Over a series of seven meetings, Council has heard from each of the departments regarding their budgets and workload for the next fiscal year. These meetings resulted in both staff recommended adjustments and Council requested changes. Those actions are summarized in the report below, and staff is seeking final direction from Council in order to seek Council's adoption of the FY2023 budget during the regular City Council meeting scheduled on June 21, 2022.

DISCUSSION:

On April 19, 2022, the City Administrator filed with the City the Fiscal Year 2023 Recommended Budget. Since that time, the City Council has held seven public hearings

during which each City department presented their budget, and the public had the opportunity to provide feedback to City Council. In addition, the Finance Committee reviewed certain portions of the recommended budget in more detail over four meetings.

With the completion of staff presentations, a budget work session was scheduled on June 8, 2022, for Council to deliberate and provide direction to staff prior to adoption scheduled for June 21, 2022. The items discussed below will be included in staff's report for Council to consider in their deliberations.

Finance Committee Review and Recommendations

General Fund Revenue Assumptions

On April 26, 2022, the Finance Committee received a report from staff regarding recent trends and economic assumptions used to develop non-departmental (i.e. taxes and other General Fund sources) revenues for the FY2023 budget. No changes have been made to the revenue budget at this time. Staff will continue to evaluate the sales and transient occupancy tax revenue assumptions given recent growth and recovery, but also considering negative impacts from an economic recession scenario.

General Fund Department Fee Changes

On May 3, 2022, the Finance Committee received a report from staff regarding proposed changes for the Finance, Human Resources, Library, Public Works, Fire, Parks and Recreation, Police, and Community Development departments as included in the recommended FY2023 budget. The Committee expressed support of all proposed changes. The fee changes are scheduled to be adopted by the City Council on June 21, 2022. After the Finance Committee's review of General Fund fee changes, the Police Department has proposed a new fee related to the "deemed approved alcohol regulatory ordinance."

Enterprise Fund Department Fee Changes

On May 10, 2022, the Finance Committee received a report from staff regarding proposed fee changes for the Downtown Parking, Airport, Solid Waste, Water, Wastewater, Golf, and Waterfront departments as included in the recommended FY2023 budget. The Committee expressed support of all proposed changes. The fee changes are scheduled to be adopted by the City Council on June 21, 2022.

The proposed, combined master fee schedule for FY2023 can be accessed [here](#) showing all staff recommended changes.

Budget Adjustments

On May 17, 2022, the Finance Committee received a report from staff regarding a summary of FY2023 budget topics discussed to date and provided their final recommendations to the City Council. Staff provided an update on ongoing analysis and review of revenue

assumptions. Staff also provided a list of ways in which outreach to the Spanish speaking community will be conducted regarding fee changes and the adopted budget.

The only staff recommended change presented to the Finance Committee was consolidating Solid Waste's shopping cart impound fee from two fees to one fee of \$90 for each response. The Finance Committee voted to approve this change.

Staff will provide a comprehensive list of all recommended changes to the FY2023 budget during the June 8, 2022, budget deliberation hearing.

Priorities Expressed by Council During the Budget Review Process

Beginning in May 2022, the City Council received presentations from all City departments providing details on the respective recommended budgets. During the course of those budget meetings, Council expressed interest in several items that would have a budgetary impact in FY2023. In addition, there were items discussed at the Finance Committee that were requested to be brought back to the full City Council. These items are discussed below.

Considerations for All Departments

City Council provided feedback to staff regarding the usability of and information displayed in the new online budget tool. Staff prioritized developing a departmental revenue and expenditure summary table for each major fund that will complement the summary table. The summary table consolidated information for all funds in to one table. This new departmental revenue and expenditure table will provide an additional level of transparency and usability beyond what was produced in prior budget books.

In preparation for the FY2023 budget process, staff developed a framework for displaying reserves in a consistent way across all major funds. Staff first presented an overview of these reserves during the budget work session on March 10, 2022, and then each department presented a more detailed overview and explained impacts to those reserves during the department budget hearings. Additional enhancements to the presentation of reserves will occur in preparing for the FY2024-2025 financial plan that will more accurately define "available" reserves. Currently, these are reserves that exceed the minimum reserves required as adopted by Council resolution; however, these reserves may be used in the coming years to invest in many capital improvement and deferred maintenance projects which may not have been programmed at this time. Staff will work to identify those specific projects and how they may impact the City's reserves.

Over the past few weeks, staff have continued to review and refine the position budgets for each department to ensure accuracy and completeness. This review uncovered a few changes that require adjustments for position salaries, group insurance, PERS pension costs, and Medicare. General Fund expenditures are decreasing by \$317,415 while all other enterprise and other funds will have expenditure increasing by \$600,265.

The City Administrator has also directed all department heads to consider purchasing a set of parking passes for employees to use to park in City parking lots when coming to work. The program details and timeline will be evaluated further. This program will not require any additional expenditure appropriation in FY2023 as departments will be directed to fund the program from existing, budgeted line items.

Library

On March 8, 2022, the City Council appropriated \$650,000 of the second tranche of American Rescue Plan Act (ARPA) funds to open up the libraries seven days a week. The City Council expressed their support for opening the Eastside Branch an additional day, which would cost \$250,000, but provided direction that the remaining \$400,000 would be reallocated to the General Fund to partially offset revenues that have been lost directly related to COVID to continue to fund public safety and other services to help avoid any further cuts to service delivery.

The City Council also expressed interest in holding a special Finance Committee meeting in the coming months to understand revenues, expenditures, grants, programming, operations, and other topics in preparation for the FY2024-2025 financial planning process.

Airport

A decrease of parking revenue of \$436,768 is being proposed based on different uses of leased facilities and changes to rental car and parking assumptions. Also, an existing Engineering Technician position is proposed to increase from 0.50 FTE to a full 1.00 FTE to address increased work priorities and attract additional candidates. This staffing adjustment will likely reduce the need to hire outside consultants for future projects.

Waterfront

The Commercial Fisherman of Santa Barbara (CFSB), a local non-profit made a request to the Waterfront Department for \$50,000 for a grant match to address the longstanding infrastructure needs of the commercial fishing fleet and to promote the local seafood industry. In preparation for the FY2023 budget process, the Finance Committee gave direction to staff on October 12, 2021 to not consider outside agency funding requests. This request was considered by the department and presented to the Harbor Commission. Although the Harbor Commission is supportive of CFSB, they denied the request seeking additional information before making their final decision. At the May 5, 2022 budget hearing, the City Council expressed support of this request to be included in the department's FY2023 operating budget.

Information Technology (IT)

Staff is requesting technical budget adjustments that are required to ensure the new Project Manager position and the IT capital improvement projects are funded completely.

Fire

On May 24, 2022, the City Council approved of the purchase of two fire apparatus by leveraging an existing master lease purchase agreement the City has with Banc of America. An additional expenditure allocation of \$198,778 is included to transfer funds to Fleet in order to make the required lease payment in FY2023.

An expenditure increase of \$75,647 is required to correct the mobile data computer replacement project budget.

Human Resources

The FY2023 Human Resources Budget included three reclassifications that were cost-neutral by reducing the Supplies and Services line items. Additionally, the first phase of the Classification and Compensation Study was recently approved by Council using ARPA funds.

While the Department is now conducting live scans for new employees, revenue for this new service is yet to be determined and will not be known for an additional one or two quarters of the new Fiscal Year.

Over the last two years, the City Council has expressed an interest in better understanding the demographic makeup of the city's employees and in a more robust Diversity, Equity, and Inclusion (DEI) program. The Department will continue to look for ways to further develop this program.

City Administrator

The City Council expressed interest in understanding the level of staff commitment that is required to support the boards and commissions. The table below is a summary of the results of a brief survey that was conducted to estimate the number of full-time equivalent (FTE) positions allocated to supporting them in the current fiscal year. In total, 16.38 FTEs are required to support 39 boards and commissions.

Board / Commission	Department(s)	Estimated Annual FTE Support
Access Advisory Committee	Public Works	0.19
Airport Commission	Airport	0.20
Architectural Board of Review	Community Development	1.65
Arts Advisory Committee	City Admin / Library	0.47
Arts and Crafts Show Advisory Committee	Parks and Recreation	0.25
Building & Fire Code Board of Appeals	Community Development / Fire	0.15
Citizens' Oversight Committee	Finance / Others	0.03
Civil Service Commission	Human Resources	0.02

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Community Development & Human Services Committee	Community Development	1.55
Community Events & Festivals Committee	City Admin / Library	0.16
Community Formation Commission	Human Resources	0.02
Creeks Advisory Committee	Parks and Recreation	0.12
De La Guerra Plaza Revitalization Design Advisory Committee	Public Works	0.09
Downtown Parking Committee	Public Works	0.05
Farmers Market Subcommittee	Public Works	0.00
Fire & Police Commission	Police / Fire	0.03
Golf Advisory Committee	Parks and Recreation	0.12
Harbor Commission	Waterfront	0.40
Historic Landmarks Commission	Community Development	2.00
Independent Redistricting Commission	City Admin	0.02
Integrated Pest Management Advisory Committee	Parks and Recreation	0.12
Library Advisory Committee - County of Santa Barbara	Library	0.07
Library Board	Library	0.16
Living Wage Advisory Committee	Finance	0.02
Measure P Committee	Police	0.00
Neighborhood Advisory Council	Public Works	0.12
Parks and Recreation Commission	Parks and Recreation	0.67
Planning Commission	Community Development	1.05
Rental Housing Mediation Board	Community Development	1.20
Santa Barbara Arts and Crafts Show Advisory Committee	Parks and Recreation	0.25
Santa Barbara Youth Council	Parks and Recreation	0.38
Sign Committee	Community Development	0.88
Single Family Design Board	Community Development	1.65
Sister Cities Board	Mayor & Council / City Admin	0.01
Staff Hearing Officer	Community Development	0.95
State Street Advisory Committee	Community Development	0.70
Street Tree Advisory Committee	Parks and Recreation	0.36
Transportation & Circulation Committee	Public Works	0.10
Water Commission	Public Works	0.17
Total		16.38

The City Council expressed interest in considering a reduced annual allocation of funds to Visit Santa Barbara from \$1,338,600 to \$1,000,000, which would result in \$338,600 of savings to the General Fund. It was also suggested that all other non-profit grant allocations be referred to the Finance Committee for additional review and recommendations in preparation for the FY2024-2025 financial plan process.

Finance

The department's FY2023 recommended budget includes a new convenience fee for businesses that choose to pay their business license tax, utility user tax, parking, downtown, and old town improvement district assessments online with a credit card. The Water, Wastewater, and Solid Waste enterprise operating budgets include an expenditure line item to pay for the convenience/processing fees associated with utility bill payer online payments. The current processing fees that the City pays are approximately \$200,000, which is proportionately split among all three enterprises.

The City Council expressed interest in potentially passing along the processing fees to utility bill payers instead of the City paying for them. In order to implement this change, the fee schedule would need to be amended in order to include the specific rates for these fees. Staff must also amend an existing agreement with our online payments provider to allow for this change. Staff would need to provide sufficient notice to bill payers informing the public of this additional fee that would appear on their utility bill and address any questions or concerns that arise.

Parks & Recreation

The City Council also expressed interest in holding a special Finance Committee meeting in the coming months to understand revenues, expenditures, grants, programming, operations, and other topics in preparation for the FY2024-2025 financial planning process. Staff is recommending to increase revenues by \$5,290 and increase expenditures by \$88,162 due to changes in Camp Calypso, an aquatics and paddle sports camp.

Community Development

The City Council expressed interest in developing a commercial vacancy ordinance and establishing a related program. Staff seeks direction from the Council regarding this program in order to address the appearance and safety of vacant buildings as part of the planned work of the department in FY2023. Staff from multiple departments would be required to contribute to this effort. Staff will then work to develop the ordinance and program and return to Council at a later date for ordinance adoption and approval.

Sustainability & Resilience

The City Council requested additional information to explain the staff requested loan increase or why the rate premium couldn't be mitigated by shifting work or funds from elsewhere. The loan increase is directly related to a higher accounts receivable balance than what was originally projected. The premium increase provides an additional \$1.2 Million to help prevent against uncertainties the program may experience in future years. Staff anticipates that these outstanding accounts receivables will be resolved in the coming months, and the Clean Energy program will then continue making all required loan payments back to the General Fund.

The City Council also requested additional information regarding the request to delay the annual repayment of \$400,000 to the General Fund for the \$2,000,000 start-up funds for the Clean Energy Program. The Enterprise is still requiring the use of this capital in order to stabilize operations and proposes to begin annual repayments starting in July 2024. This delay in repayment has already been incorporated into the recommended budget.

Staff is also recommending the reallocation of an Energy Analyst II, Finance Analyst II, and the Sustainability and Resilience Director positions to more appropriately align the support of those positions with budgeted programs, the net effect of which will reduce the need for General Fund support totaling \$195,807. Staff is also requesting that the 0.70 Code Enforcement Officer, housed in Environmental Services, be reclassified to a full-time Code Enforcement Officer in order to meet the increased demands on the Division.

Police

The City Council recently adopted a deemed approved alcohol regulatory ordinance. Staff are recommending a new fee of \$971 per business to be included in the Master Fee Schedule for FY2023. It is projected that the new fee will generate \$140,795 in FY2023, which is anticipated to fully recover the cost of a new Police Services Coordinator position that will be responsible for implementing the program.

Staff are proposing to eliminate one police officer position in order to more adequately fund training and recruitment functions totaling \$163,048.

An expenditure increase of \$100,000 is required to correct the mobile data computer replacement project budget.

Public Works

On May 24, 2022, the City Council approved of the purchase of two fire apparatus through leveraging an existing master lease purchase agreement the City has with Banc of America. Additional allocation revenues and lease expense of \$198,778 per year are proposed to be include in Fleet's budget in order to pay the required lease payments.

Historically, the Department has had a separate manager oversee the Fleet and Facilities Divisions. During FY2023, one manager has served in an acting capacity to oversee both divisions. The recommended budget included the reclassification of the Facilities Manager to a Facilities & Fleet Manager position to make this management structure permanent. Staff is proposing to permanently eliminate the Fleet Manager position, which will result in overall salary and fringe benefit savings in FY2023 and beyond.

ATTACHMENT: Schedule of Staff Recommended Adjustments

PREPARED BY: Natalija Glusac, Budget Manager

SUBMITTED BY: Keith DeMartini, Finance Director

APPROVED BY: City Administrator's Office