FISCAL SUSTAINABILITY STUDY SESSION

ITEM 7a: Presentation on the Scope of Work for a Comprehensive Fiscal Sustainability Project

City Council Meeting
November 27, 2018

Jovan D. Grogan, City Manager
Objectives

- Discuss the need for a comprehensive approach to addressing the City’s fiscal sustainability
- Outline preliminary scope of work and timeline
- Discuss project resources and leadership
- Obtain City Council feedback
Agenda

1. General Fund Overview
   - FY 2018-19 Budget
   - Known Needs and Challenges
   - Reserves

2. Comprehensive Fiscal Sustainability Project
   - Project Goals
   - Preliminary Scope of Work
   - High-level Timeline
   - Resources / Project Leadership

3. Council Discussion and Feedback
## FY 2018-19 General Fund (GF) Budget

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Revenue</td>
<td>$46,308,409</td>
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<tr>
<td>Expenditures</td>
<td>47,969,836</td>
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<tr>
<td>Deficit</td>
<td>(1,661,427)</td>
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<tr>
<td>Use of Fund Balance</td>
<td>1,661,427</td>
</tr>
<tr>
<td>Balanced Budget</td>
<td>$0</td>
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Known General Fund Needs and Challenges

- **Infrastructure upgrades**
  - For example...
    - **Fire Facility Upgrades**
      Administration and Fire Station 51
      Fire Station 52 (≈$10-12 million)
    - **Roads**
      PCI to decrease at current funding levels
      Need additional $6-8 million annually to increase PCI to target level of 80
    - **Stormwater System** (≈$25M for Priority 1-2 projects in Stormwater Master Plan)
    - **Streetlight Poles** (≈$10M to replace 680 poles)
    - **Library Upgrade/Expansion**
    - **Curb Ramp** (≈$5M in deferred maintenance)
    - **Irrigation Controller Replacements**
      - 14 Parks + City Hall

San Bruno’s Pavement Condition Index (PCI) and Funding Levels

SB1 to generate an additional $750K annually beginning in FY 2018-19
Known General Fund Needs and Challenges…

- **Rising Pension Costs and Other Employee Costs**
  - Significant Increases in Pension Costs
  - Upcoming Labor Negotiations
  - Rising Medical Benefit Cost
    - 5% increase in 2019

City’s share of pension cost is projected to increase by $5.6 million by FY 2024-25

$1.5 million next fiscal year (FY 2019-20)
Known General Fund Needs and Challenges…

- City Operations
  - Facility Maintenance Staffing and Projects
    - Enhancement of preventative and regular maintenance
    - HVAC upgrades
    - Corporation Yard improvements
    - ADA compliance
  - Economic Development Personnel
  - Urban Forestry Management and Wildfire Prevention
  - Technology Upgrades
The Good News

• Local economy shows continued signs of growth

• New Recreation and Aquatic Center funded by SB Community Foundation

• San Bruno has healthy General Fund “rainy day” reserves

• General Fund Reserve Balances @ June 30, 2018
  ❖ General Fund Reserve: $11M (or 25%)
  ❖ Emergency Disaster Reserve: $3M
  ❖ Equipment Reserve: $5M
  ❖ Fund Balance: $2M
  ❖ CIP Reserve: $7M*

*Budgeted in FY 2018-19 and allocated to Fire Station 52 Rebuild
Fiscal Condition Takeaways

• Q1 Summary: Revenue and expenditure trends normal, no major issues.

• Fiscal Condition: Stable but not sustainable.
  o Budget balanced by using fund balance
  o Healthy General Fund reserves
  o $1.7 million (or 3.5%) budget deficit not insurmountable
  o However…
    Significant unmet needs:
      ❖ Failing infrastructure
      ❖ Rising pension and other employee costs
      ❖ Additional resources required to enhance City operations and meet community expectations

• No need for alarm. Time to develop strategies and implement solutions.
Comprehensive Fiscal Sustainability Project

PROJECT OVERVIEW

Three goals...

1. Understand Our Fiscal Challenge
2. Articulate Our Fiscal Challenge
3. Develop & Implement Strategies
Understanding Our Fiscal Challenge

Primary Task:
Develop a comprehensive understanding of the financial pressures and constraints on the City’s General Fund, today and into the foreseeable future.

High-level Scope of Work
1. Develop a 10-year operating budget forecast (GF revenues and expenses)
   Inputs:
   - GF Revenue Projections
   - Pension Costs & Projected Increases
   - Basic Operating Costs
   - Maintenance Expenses (current and needed)
   - New Recreation & Aquatic Center Business Plan
Understanding Our Fiscal Challenge…

High-level Scope of Work

2. Citywide Infrastructure Assessment w/ replacement cost and prioritization
   Inputs:
   • Public Use Facilities
     o Parks
     o Playgrounds
     o Ballfields
     o Library
     o Parking Lots
   • Roadways
   • Other Infrastructure
     o Sidewalks
     o Streetlight Poles
     o City Hall and Corporation Yards
   • IT Infrastructure and Software
Understanding Our Fiscal Challenge…

**High-level Scope of Work**

3. Health Assessment of Enterprise Funds
   - Cable TV
   - Storm Water
   - Water
   - Wastewater

4. Examine Fleet Management and Replacement

5. Assess Fixtures, Furniture and Equipment (FF&E) Replacements
Articulating Our Fiscal Challenge

**Primary Task:**
Communicate and establish a dialogue about the City’s fiscal outlook and challenges to the City Council, employees, and the community.

**High-level Scope of Work**
1. Enhance ongoing citywide communication
   - Social Media
   - Citywide publications (e.g. Focus Report from City Hall and Recreation Guides)
   - Presentations at community events and organizations
2. Citizen Surveys
3. Employee Newsletter and Focus Groups
4. Enhance Budgeting Process
   - Community Budget Presentations
   - City Council Budget Workshops
Develop and Implement Strategies

**Primary Task:**
Identify and analyze specific financial and operational strategies to achieve fiscal sustainability. Create an action plan and identify resources for implementation efforts.

**High-level Scope of Work**
1. Identify, analyze and prioritize strategies
   - Sample Strategy Categories:
     - Revenue Enhancement Measures
     - Expenditure Controls or Reductions
     - Organizational Efficiencies
     - Cost Shifts
2. Engagement of Employees, Residents and Businesses
3. City Council Policy Deliberations
Sample of Tasks Completed or Started

1. **Understanding Our Fiscal Challenge**
   - ADA Transition Plan (sidewalk, curb ramps)
   - Cable Enterprise Business Assessment
   - Employee Benefits and Post-Employment Cost Analysis
   - Pavement Condition Assessment
   - Stormwater Master Plan
   - Streetlight Pole Replacement Program
   - Wildfire Prevention Assessment Study

2. **Articulating Our Fiscal Challenge**
   - Budget documents and prior presentations at City Council Meetings
   - Enhancement of City Nextdoor presence
   - Preliminary FY 2019-20 budgeting process

3. **Develop & Implement Strategies**
   - Design for Fire Station 52 Replacement
   - Development Impact Fees
   - Examination of Fleet Management and Replacement
   - Initial Examination of New Revenue Options
   - Short-term Rental Ordinance (TOT extension)
Resources

- **Project Leadership**
  - City Manager
  - Finance Director

- **Project Funding**
  - Budgeted Funds
    - City Personnel
    - Funded Studies (actuarial analysis, fee study, etc.)
  - Additional Resources Needed (TBD)
    - Consultant Support
    - Focus Group and Meeting Facilitation Services
    - Polling Services
Timeline

• **Project Timeline**
  - Kickoff January/February 2019
  - Through December 2020
Comprehensive Fiscal Sustainability Project

Proposed Next Steps

1. Create Detailed Project Timeline and Finalize Key Components
2. Finalize Project Resources and Funding
3. Project Kickoff and Rollout
4. Initiate FY 2019-20 Budgeting Process
Council Feedback and Discussion