



## City Council Agenda Item

**City Council Meeting Date:** June 24, 2019

**TO:** Jim Throop, City Manager

**FROM:** Dean Albro, Management Services Director  
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**SUBJECT:** Consideration and Adoption of Resolution No. 6265(19) Adopting a Biennial Budget for Fiscal Years 2019-2021; or Adoption of Resolution No. 6266(19) Continuing City Operations Under the Current Budget Until Up To July 31, 2019

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### **Recommendation:**

Staff recommends the City Council:

- 1) Adopt Resolution No. 6265(19) adopting the Biennial Budget Fiscal Years (FY) 2019-2021, as described herein (Attachment 1); or
- 2) Adopt Resolution No. 6266(19) authorizing the continuance of operations into FY 2019-20 at FY 2018-19 appropriation levels (Attachment 2); and
- 3) Give alternate direction for the development of the Biennial Budget.

### **Background:**

On December 8, 2018, staff presented the results of the 2018 Comprehensive Annual Finance Report and kicked off the first Budget Workshop for the Biennial Budget FYs 2019-21. The preliminary budget deficit was estimated to be \$3.9 million. On March 19, 2019, staff returned with the mid-year update for the FY 2018-19 with an estimated deficit of \$649,576, which reflected holding on average 23 positions in the General Fund. The Biennial Budget deficit was adjusted to \$3.6 million after all salaries, unfunded accrued liabilities for pension (UAL), and revenue estimates were updated. Staff then requested direction from the City Council for the preparation of the Biennial Budget FYs 2019-21. The direction was given to return a balanced budget without any tax measures.

On April 17, 2019, staff presented the CalPERS history for the unfunded accrued liabilities from the retroactive changes in benefit formulas and the amount of interest that would be required over the 30-year payment amortization schedule. City departments and divisions also demonstrated the effect of the 8.7% expected reductions in expenditures to balance the General Fund. On May 15, 2019, staff presented requested information

from the City Council to include Division needs, examples of how other cities in the local area managed their UAL, information about available options for a sales taxes, and a number of different options available to balance the General Fund by reducing expenditures without a tax measure. On May 28, 2019, staff presented a number of different options and the City Council directed staff to combine those options for the draft budget.

**Discussion:**

**Biennial Budget FYs 2019-21 – Expenditure Reductions**

On March 9, 2019, the City had its Goal Setting Workshop to establish City Council Goals to be incorporated into the Biennial Budget FYs 2019-21. The outcome was very similar to results of close to 1,000 residents who took the City Survey, which asked what citizens wanted in their city. The top priorities were Public Safety, Community Development that improve opportunities for residents and businesses, community involvement for improving the City, and Financial Sustainability by developing a financial plan to tackle the General Funds structural deficit.

The structural deficit projected for the Biennial Budget FYs 2019-21 was estimated at \$3.6 million. That would be approximately \$1.8 million per year, assuming no held positions. On May 28, 2019, the City Council directed staff as follows:

Positions to be held:

- Parks – Park Maintenance Worker (1) FTE
- Parks – Park Ranger (.75) FTE
- Police – Police Officers (3) FTE.
- Various – City Manager Discretion Vacancies (\$509,000)

Positions to be eliminated:

- Recreation – Office Staff Assistant (.75) FTE
- Economic Development – Office Staff Assistant (1) FTE
- Planning – Assistant Planner (1) FTE
- Planning – Associate Planner (1) FTE
- Code Enforcement – Senior Code Enforcement Officer (1) FTE
- Code Enforcement – Development Services Assistant I / II (1) FTE
- Fire – Battalion Chief (1) FTE
- Fire – Reduce Roster for Overtime \$600,000

The City Council also gave direction for the elimination of Code Enforcement and the Economic Development Divisions.

The General Fund, after all the above adjustments, will be required to use over \$300,000 in reserves to balance the revenues to expenditures. These budget reductions would

need to be put into place immediately following the adoption of the budget in order to meet the approved budget appropriation limit by the end of each fiscal year.

**Fiscal Impact:**

This report presents a draft budget for the City Council to review and, if the City Council wishes, adopt.

**Conclusion:**

June 30, 2019 is the end of Fiscal Year 2017-2019. No funds have been allocated for operation of the City past that date. The City Council may choose to either adopt the Biennial Budget FYs 2019-2021 by adopting Resolution No. 6265(19), or if not, then adopt Resolution No. 6266(19) continuing the current Biennial Budget FYs 2017-2019 to continue City operations until July 31, 2019, or until the new budget is adopted.

Respectfully submitted,

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Dean Albro, Management Services Director

**APPROVED FOR SUBMITTAL TO THE CITY COUNCIL:**

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Jim Throop, City Manager

- Attachments: 1) Resolution No. 6265(19) Adopting the 2019-2021 Budget  
2) Resolution No. 6266(19) Continuing the 2017-2019 Budget