

STAFF REPORT



FINANCIAL SERVICES

DATE: May 24, 2022

TO: Justin Hess, City Manager

FROM: Jennifer Becker, Financial Services Director
By: Leana Mkrtchyan, Deputy Financial Services Director

SUBJECT: Adoption of Resolutions Adopting the Fiscal Year 2022-23 Annual Budget, Citywide Fee Schedule, and Appropriations Limit

RECOMMENDATION:

1. Provide further direction as necessary regarding the budget follow-up requests.
2. Adopt A RESOLUTION OF THE COUNCIL OF THE CITY OF BURBANK ADOPTING THE BUDGET FOR THE FISCAL YEAR 2022-2023, AND MAKING APPROPRIATIONS FOR AMOUNTS BUDGETED.
3. Adopt A RESOLUTION OF THE COUNCIL OF THE CITY OF BURBANK DETERMINING AND ESTABLISHING THE CITY'S APPROPRIATIONS LIMIT FOR THE FISCAL YEAR 2022-2023.
4. Adopt A RESOLUTION OF THE HOUSING AUTHORITY OF THE CITY OF BURBANK ADOPTING THE BUDGET FOR THE FISCAL YEAR 2022-2023.
5. Adopt A RESOLUTION OF THE PARKING AUTHORITY OF THE CITY OF BURBANK ADOPTING THE BUDGET FOR THE FISCAL YEAR 2022-2023.
6. Adopt A RESOLUTION OF THE COUNCIL OF THE CITY OF BURBANK ADOPTING THE FISCAL YEAR 2022-2023 CITYWIDE FEE SCHEDULE.

BACKGROUND:

The Fiscal Year 2022-23 Proposed Budget documents were distributed on April 21, 2022, for the City Council’s review and made available to the public at the City Clerk’s Office, the Financial Services Department, the Burbank Library branches, and on the City’s website. Budget Study Sessions were held on April 26, and May 3, 2022, during which staff presented a detailed overview of the Proposed Citywide FY 2022-23 Budget and Fee Schedule, along with the General Fund Five-Year Financial Forecast and the Citywide Capital Improvement Program. The purpose of these sessions was to provide Council the opportunity to review each department and fund’s budget, ask questions, review new budget requests, and make modifications to the budget and fee schedule.

DISCUSSION:

FY 2022-23 Citywide Budget

The following chart provides a Citywide snapshot of the proposed resources and appropriations for FY 2022-23. The total appropriations for the FY 2022-23 Proposed Budget of \$791.8 million are roughly \$92.6 million more than the Adopted FY 2021-22 Budget, an increase of approximately 13%.

FUND/FUND GROUP	PROPOSED RESOURCES	PROPOSED APPROPRIATIONS *
General Fund	\$ 202,487,129	\$ 219,694,022
Special Revenue Funs (incl. Cap Projects Fund)	54,990,715	49,584,606
Internal Services Funds	70,632,664	82,045,170
Water Reclamation & Sewer	19,236,000	22,591,080
Water and Electric (BWP)	276,148,520	373,751,961
Refuse Collection and Disposal	19,623,484	21,440,601
Successor Agency	8,685,284	7,416,505
Housing Authority	14,352,394	14,059,178
Parking Authority	679,247	1,226,915
TOTAL ALL FUNDS	\$ 666,835,437	\$ 791,810,038

*Proposed Appropriations are funded by FY 2022-23 total citywide revenues as well as the use of available fund balances.

Council Follow-up Items

During the budget study sessions held on April 26 and May 3, 2022, the City Council requested additional information on several items related to the budget. The following is a summary of the requested follow-up items:

	Date of Request	Department	Item
1)	4/26/2022 and 5/3/2022	Police	Use salary savings from the Deputy Chief differential to pay for \$15,000 PPE request - PD will provide a follow-up memorandum before 5/17/2022
2)	4/26/2022	Financial Services	Explore biennial budget for Enterprise Funds – coming back to the City Council at a later date
3)	4/26/2022	PW/CDD	Provide an update on Olive-Sparks-Verdugo re-design – included in PW presentation on 5/3/2022
4)	4/26/2022	PW/CDD	Provide more information on scramble crosswalk in Downtown Burbank to increase pedestrian safety – included in PW presentation on 5/3/2022
5)	4/26/2021	PW/CDD	Provide options on San Fernando Boulevard reconfiguration, including car-free promenade and one-way street – included in PW presentation on 5/3/2022 and 5/17/2022
6)	4/26/2022	PW/CDD	Provide an update on traffic calming measures on Glenoaks Boulevard – included in PW presentation on 5/3/2022 and 5/17/2022
7)	4/26/2022	Burbank Water and Power	Provide information regarding assistance for low-income BWP customers – BWP will bring back a report in June
8)	5/3/2022	Public Works	Bring back options for funding the design and scope of Olive Bridge widening and improvements -- included in PW presentation on 5/17/2022
9)	5/3/2022	Parks and Recreation	Increase cultural arts budget by \$200,000 over the next four years using one-time funds – P&R will provide a follow-up memorandum before 5/17/2022

Financial Status of the General Fund

Based on the forecasted FY 2022-23 revenue and proposed recurring appropriations, staff is projecting a recurring balance of approximately \$280,605 in FY 2022-23 (see detail contained within the FY 2022-23 Budget Matrix in Attachment 6). Factoring in the anticipated ending balance from FY 2022-23, contributions to reserves, and proposed one-time appropriations, staff is expecting an available non-recurring balance of \$12,145,592 in the General Fund at the end of FY 2022-23.

General Fund Reserve Strategies

As part of the FY 2022-23 budget study sessions, the City Council directed staff to incorporate the following reserve strategies into the adopted budget to ensure that Burbank is well-positioned to address any future economic fluctuations and downturns.

1. Staff is recommending that the City Council approve a revision to the City's Financial Policies to increase General Fund reserves from 20% to up to 25% by adding a third "Budget Stabilization" reserve, as outlined in the text below. The total formal reserve adjustment for FY 2022-23 equates to \$11,530,266.

"We will maintain a designated General Fund working capital reserve equivalent to 15% of the General Fund's operating budget, designated emergency reserve equivalent to 5% of the General Fund's operating budget, and a budget stabilization reserve equivalent to up to 5% of the General Fund's operating budget."

2. The City maintains a compensated absences reserve within the General Fund, currently funded at \$2.5 million, or 20% of the total long-term liability. Compensated absences are absences for which employees will be paid either in the current year (short-term) or at a future date in time (long-term), such as vacation, sick leave, and universal leave. The General Fund Departments are reimbursed for the financial impact of those cash outs when they cannot be absorbed within their individual budgets. Staff is recommending that the City Council approve increasing the funding level of the compensated absences reserve from 20% to 25% to provide a slightly higher buffer for the City as the demographics of Burbank's workforce evolve over time. The total contribution to compensated absences reserve for FY 2022-23 is \$1,097,810.
3. Contribute funds to the City's Section 115 Trust in accordance with the City's current Pension Funding Commitment Policy stating that "any year-end General Fund balance, in excess of 6% of the General Fund's budgeted recurring appropriations, be used to fund employee pension liabilities (either through a 115 trust or through direct payment to the benefit administrator i.e. CalPERS). This annual funding commitment will be required if employee pension benefits are less than 90% funded." In June 2020, the City established a Section 115 Trust for pension obligations and contributed \$10.7

million in FY 2020-21. No additional contributions were made in FY 2021-22, as the regulations dictating how to calculate the amount of “revenue loss” under the American Rescue Plan Act of 2021 (ARPA) were not yet established by the U.S. Treasury Department. As such, the General Fund Balance did not officially meet the 6% threshold. Based on the projected FY 2022-23 year-end balance, the amount to be contributed to the Section 115 Trust in FY 2022-23 would be \$6.7 million, but that figure will be revised based on actual results.

Infrastructure Investment Plan

In 2018, the City Council adopted the Infrastructure Maintenance, Repair, and Improvement Policy, allocating half of the Measure P sales tax revenue to the Municipal Infrastructure Fund 534. Adhering to the City Council’s adopted Infrastructure Maintenance, Repair, and Improvement Policy, the FY 2022-23 Proposed Budget continues to contribute half of the Measure P sales tax revenue to the Municipal Infrastructure Fund 534, in addition to the annual \$4.7 million General Fund maintenance of effort. The FY 2022-23 Proposed Capital Improvement Program (CIP) continues the City’s efforts towards addressing the City’s infrastructure needs, with nearly \$22.5 million proposed in capital spending, alongside \$4.6 million in annual Fund 534 maintenance dollars. Included in the \$22.5 million is an \$8 million annual investment in the City’s streets and sidewalks, along with a variety of capital projects which include building improvements, park playground and facility upgrades, and street and pedestrian improvements. Proposed projects were given a prioritization score based on five categories, including health and safety, system condition, joint agreement/legal requirements, coordination opportunity, and community interest. The prioritized projects were then presented to the Infrastructure Oversight Board (IOB) for review at two public meetings on February 24 and March 24, 2022, the second of which the IOB formally approved the capital plan for inclusion in the Proposed Budget. A summary of all new and continuing CIP projects for FY 2022-23 is included in Attachment 8.

Gann Initiative Appropriation Limit

The City is required by State law to establish an appropriation limit each fiscal year. Only those revenues received from proceeds of taxes are subject to this limit. This means that only certain revenues from funds such as the General Fund, the Gas Tax Fund, and various Transportation Funds are subject to the appropriation limit. All other funds that fall under the City Council’s control (i.e., Enterprise Fund rates and General Fund user fees) are exempt from this limitation.

Utilizing the most current price and population data provided by the State of California, the City’s FY 2022-23 appropriation limit is estimated to be \$247,811,027. The actual amount of the appropriations contained in the budget that is subject to the limit is \$161,993,388. The difference between the City’s appropriation limit and the amount

proposed to be appropriated that is subject to the limit is \$85,817,639. As a result, the City, in accordance with State law, is well below its appropriations limit.

CONCLUSION:

The adoption of the Budget sets forth the initial appropriations for the new fiscal year. For FY 2022-23, total General Fund appropriations of \$219,694,022 have been balanced against projected revenue and the use of General Fund balance. If adopted as is, the overall General Fund budget will be balanced as required by the City Charter. Based on the projected revenue and proposed recurring appropriations, staff is projecting a recurring balance of approximately \$280,605 in FY 2022-23 (see detail contained within the FY 2022-23 Budget Matrix in Attachment 7). Factoring in the anticipated ending balance from FY 2022-23, contributions to reserves, and proposed one-time appropriations, staff is expecting an available non-recurring balance of \$12,145,592 in the General Fund at the end of FY 2022-23.

With continued economic recovery, adherence to the City Council’s Financial Policies, a commitment to addressing future pension and infrastructure costs, and several large development projects on the horizon, Burbank is well-positioned to remain in solid fiscal health. However, the City must remain vigilant with our finances as the economic uncertainties seem far from over, with continued inflation and supply chain disruptions, elevated energy and fuel prices, Federal Reserve tightening, unforeseen consequences related to future COVID-19 variants, and geopolitical concerns resulting from the war in Ukraine. Staff will return to the City Council throughout the fiscal year with updates on the financial condition of the City.

ATTACHMENTS:

Attachment 1: A RESOLUTION OF THE COUNCIL OF THE CITY OF BURBANK ADOPTING THE BUDGET FOR THE FISCAL YEAR 2022-2023, AND MAKING APPROPRIATIONS FOR AMOUNTS BUDGETED.

Attachment 2: A RESOLUTION OF THE COUNCIL OF THE CITY OF BURBANK DETERMINING AND ESTABLISHING THE CITY’S APPROPRIATIONS LIMIT FOR THE FISCAL YEAR 2022-2023.

Attachment 3: A RESOLUTION OF THE HOUSING AUTHORITY OF THE CITY OF BURBANK ADOPTING THE BUDGET FOR THE FISCAL YEAR 2022-2023.

Attachment 4: A RESOLUTION OF THE PARKING AUTHORITY OF THE CITY OF BURBANK ADOPTING THE BUDGET FOR THE FISCAL YEAR 2022-2023.

Attachment 5: A RESOLUTION OF THE COUNCIL OF THE CITY OF BURBANK
ADOPTING THE FY 2022-2023 CITYWIDE FEE SCHEDULE.

Attachment 6: General Fund Projected Spendable Fund Balance FY 2022-23

Attachment 7: General Fund Financial Forecast

Attachment 8: Summary of CIP Projects by Category FY 2022-23

Correspondences