

STAFF REPORT



FINANCIAL
SERVICES

DATE: June 13, 2023

TO: Justin Hess, City Manager

FROM: Jennifer Becker, Financial Services Director
By: Leana Mkrtchyan, Deputy Financial Services Director
Joy Escalante, Budget Manager
Nathan Lightell, Administrative Analyst II

SUBJECT: Adoption of Resolutions Adopting the Fiscal Year 2023-24 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 2023-2024 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 2023-2024.
4. Adopt A RESOLUTION OF THE HOUSING AUTHORITY OF THE CITY OF BURBANK ADOPTING THE BUDGET FOR THE FISCAL YEAR 2023-2024.
5. Adopt A RESOLUTION OF THE PARKING AUTHORITY OF THE CITY OF BURBANK ADOPTING THE BUDGET FOR THE FISCAL YEAR 2023-2024.
6. Adopt A RESOLUTION OF THE COUNCIL OF THE CITY OF BURBANK ADOPTING THE FISCAL YEAR 2023-2024 AND FISCAL YEAR 2024-2025 CITYWIDE FEE SCHEDULE.

BACKGROUND:

The Fiscal Year 2023-24 Proposed Budget documents were distributed on May 4, 2023, 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 May 9, and May 16, 2023, during which staff presented a detailed overview of the Proposed Citywide FY 2023-24 Budget, Fee Study, 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 2023-24 Citywide Budget

The following chart provides a Citywide snapshot of the proposed resources and appropriations for FY 2023-24. The total appropriations for the FY 2023-24 Proposed Budget of \$848.6 million are roughly \$56 million more than the Adopted FY 2022-23 Budget, an increase of approximately 7%.

FUND/FUND GROUP	PROPOSED RESOURCES	PROPOSED APPROPRIATIONS *
General Fund	\$ 222,293,625	\$ 229,879,049
Special Revenue Funds (incl. Cap Projects Fund)	57,783,023	66,467,428
Internal Services Funds	84,643,746	97,632,336
Water Reclamation & Sewer	20,906,422	22,109,632
Water and Electric (BWP)	310,765,624	376,366,797
Refuse Collection and Disposal	22,110,433	33,653,163
Successor Agency	2,651,818	7,446,068
Housing Authority	12,800,189	14,218,191
Parking Authority	694,748	791,914
TOTAL ALL FUNDS	\$ 734,649,628	\$ 848,564,578

*Proposed Appropriations are funded by FY 2023-24 total citywide revenues as well as the use of available fund balances.

Council Follow-up Items

During the City Council Meeting on May 16, 2023, the City Council reviewed 14 discussion paper items related to the budget. At that time, the following items were approved by the City Council for incorporation into the proposed budget:

1. Addition of a Senior Assistant City Attorney Position - \$232,968 (Recurring)
2. Expansion of the Scope of Services for the City's Current State Legislative Advocacy Group - \$7,000 (Recurring)
3. Funding for the Burbank Historical Society 50th Anniversary Event – “up to” \$10,000 in matching funds (One-Time)

The City Council also requested staff to provide additional information related to the following items to be reviewed at the Budget Public Hearing. These items are included with this report as Attachment 9.

1. Budget Discussion Paper: Creation of an Additional Administrative Analyst I Position to Enhance Sister City Activities: Updated
2. Budget Discussion Paper: Interim Program for Renter Relocation Assistance
3. Budget Discussion Paper: Expansion of Homeless Outreach Services – Possible Implementation Goals and Metrics

General Fund Financial Status

Based on the forecasted FY 2023-24 revenue and proposed recurring appropriations, including the discussion papers approved by the City Council for incorporation into the budget on May 16, 2023, staff is projecting a recurring balance of approximately \$4.6 million in FY 2023-24 (see detail contained within the FY 2023-24 Budget Matrix in Attachment 6). Factoring in the anticipated ending balance from FY 2023-24, contributions to reserves, and proposed one-time appropriations, staff is expecting an available non-recurring balance of \$18,416,603 in the General Fund at the end of FY 2023-24.

Infrastructure Investment Plan

Adhering to the City Council's adopted Infrastructure Maintenance, Repair, and Improvement Policy, the FY 2023-24 Proposed Budget continues to contribute half of the Measure P transactions and use tax revenue to the Municipal Infrastructure Fund 534, in addition to the annual \$4.7 million General Fund maintenance of effort.

The FY 2023-24 Proposed Capital Improvement Program (CIP) continues the City's efforts towards addressing the City's infrastructure needs, with just over \$37.3 million proposed in capital spending, alongside \$5.7 million in annual Fund 534 maintenance dollars. 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 23 and April 27, 2023, 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 2023-24 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 2023-24 appropriation limit is estimated to be \$257,726,818. The actual amount of the appropriations contained in the budget that is subject to the limit is \$171,666,502. The difference between the City's appropriation limit and the amount proposed to be appropriated that is subject to the limit is \$86,060,316. As a result, the City, in accordance with State law, is well below its appropriations limit.

Environmental Review

This activity includes the FY 2023-24 Proposed Budget and has no potential for resulting in either a direct or a reasonably foreseeable indirect physical change in the environment. As such, is not a "project" subject to the requirements of the California Environmental Quality Act (CEQA) 14 Cal. Code Regs § 15378.

CONCLUSION:

The adoption of the Budget sets forth the appropriations for the new fiscal year. For FY 2023-24, total General Fund appropriations of \$229,879,049 have been balanced against projected revenues 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 \$4.6 million in FY 2023-24 (see detail contained within the FY 2023-24 General Fund Financial Forecast in Attachment 7). Factoring in the anticipated ending balance from FY 2023-24, contributions to reserves, and proposed one-time appropriations, staff is expecting an available non-recurring balance of \$18.4 million in the General Fund at the end of FY 2023-24.

Burbank is heading into FY 2023-24 with a proposed budget that reflects the City Council's goals and priorities, but still adheres to the City's values of fiscal responsibility.

The City is realizing higher revenues in the current inflationary environment and at the same time dealing with an increased cost of providing services to the community. The volatilities in the stock market are impacting pension costs, resulting in significant increases starting in FY 2024-25 and beyond. All these factors combined continue to drive expenditure growth at a faster pace than the growth in revenues. There is still a question of an impending recession that may result from rising interest rates, decreasing consumer confidence, and continued instability in the stock market and banking industry. Staff is committed to implementing the City Council's strategic initiatives to enhance revenues and invest one-time funds in order to eliminate future recurring budget gaps and ensure the long-term fiscal health of the City. 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 2023-2024, 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 2023-2024.

Attachment 3: A RESOLUTION OF THE HOUSING AUTHORITY OF THE CITY OF BURBANK ADOPTING THE BUDGET FOR THE FISCAL YEAR 2023-2024.

Attachment 4: A RESOLUTION OF THE PARKING AUTHORITY OF THE CITY OF BURBANK ADOPTING THE BUDGET FOR THE FISCAL YEAR 2023-2024.

Attachment 5: A RESOLUTION OF THE COUNCIL OF THE CITY OF BURBANK ADOPTING THE FY 2023-2024 AND FY 2024-2025 CITYWIDE FEE SCHEDULE.

Attachment 6: General Fund Projected Spendable Fund Balance FY 2023-2024

Attachment 7: General Fund Financial Forecast FY 2023-2024 through FY 2027-208

Attachment 8: Summary of CIP Projects by Category FY 2023-2024

Attachment 9: Discussion Paper Follow-up Items

Correspondences