

# STAFF REPORT



## FINANCIAL SERVICES

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**DATE:** May 25, 2021

**TO:** Justin Hess, City Manager

**FROM:** Jennifer Becker, Financial Services Director  
BY: Leana Mkrtchyan, Budget Manager

**SUBJECT:** Adopt Resolutions Adopting the Fiscal Year 2021-22 Annual Budget, Citywide Fee Schedule, and Appropriations Limit

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### **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 2021-2022, 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 2021-2022.
4. Adopt a RESOLUTION OF THE HOUSING AUTHORITY OF THE CITY OF BURBANK ADOPTING THE BUDGET FOR THE FISCAL YEAR 2021-2022.
5. Adopt a RESOLUTION OF THE PARKING AUTHORITY OF THE CITY OF BURBANK ADOPTING THE BUDGET FOR THE FISCAL YEAR 2021-2022.
6. Adopt a RESOLUTION OF THE COUNCIL OF THE CITY OF BURBANK ADOPTING THE 2021-2022 CITYWIDE FEE SCHEDULE.

**BACKGROUND:**

The FY 2021-22 Proposed Budget documents were distributed on April 22, 2021, 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 27, and May 4, 2021, during which staff presented a detailed overview of the Proposed Citywide FY 2021-22 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 2021-22 Citywide Budget**

The following chart provides a Citywide snapshot of the proposed resources and appropriations for FY 2021-22. Total appropriations for the FY 2021-22 Proposed Budget of \$698.2 million are roughly \$28.1 million more than the Adopted FY 2020-21 Budget, an increase of approximately 4.2 percent.

<b>FUND/FUND GROUP</b>	<b>PROPOSED RESOURCES</b>	<b>PROPOSED APPROPRIATIONS</b>
General Fund	\$ 199,656,560	\$ 204,062,002
Special Revenue Funds (incl. Cap. Projects Fund)	55,400,230	46,260,565
Internal Services Funds	56,576,440	70,457,746
Water Reclamation & Sewer	19,415,000	21,153,131
Water and Electric (BWP)	275,014,184	315,923,211
Refuse Collection and Disposal	18,549,036	19,801,041
Successor Agency	8,677,218	6,991,922
Housing Authority	11,962,204	12,799,293
Parking Authority	552,111	751,201
<b>TOTAL ALL FUNDS</b>	<b>\$ 645,802,982</b>	<b>\$ 698,200,112</b>

**Council Follow-up Items**

During the budget study sessions held on April 27 and May 4, 2021, the City Council requested additional information on several items related to the budget. Staff prepared follow-up memorandums addressing each of these items and copies were provided to the City Council and made available for public review prior to the public hearing.

The following is a summary of the requested follow-up items:

	<b>Date of Request</b>	<b>Department</b>	<b>Item</b>
1)	4/27/2021	Burbank Water & Power	Financial Assistance Programs Offered by BWP
2)	4/27/2021	Financial Services	Management Services' Budget Request for a Department of Transportation Electronic Recordkeeping System
3)	4/27/2021	Fire	FY 2021-22 Travel and Training Budget Overview
4)	4/27/2021	Library	Potential Utilization of College Students as Instructors in the Spark! Digital Media Lab
5)	4/27/2021	Management Services	5-Year History of New Positions/Upgrades
6)	4/27/2021	Parks & Recreation	Burbank Program, Activity, and Service Subsidy Program – Participant Update
7)	4/27/2021	Police	Summary of the FY 2021-22 Traffic Bureau Staffing and Budget
8)	4/27/2021	Public Works	Homeless Encampment Cleanups Budget Request
9)	4/27/2021	Public Works	Retention Issues Related to Refuse Drivers
10)	5/4/2021	Community Development	Burbank Bridge Grand Opening
11)	5/4/2021	Community Development	Placing a City Identifier on or Near the Burbank Bridge
12)	5/4/2021	Fire	Requests Presented by the Burbank Fire Fighters' Association
13)	5/4/2021	Parks & Recreation	Ongoing Funding for the Arts
14)	5/4/2021	Police	Increasing the Stipend Paid to Reserve Police Officers by 3%

### **General Fund's Financial Status**

Based on the estimated revenue and proposed recurring appropriations, staff is projecting a recurring General Fund deficit of \$6.8 million in FY 2021-22 (see detail contained within the FY 2021-22 General Fund Projected Spendable Fund Balance in Attachment 6). Factoring in the anticipated ending balance from FY 2020-21, American Rescue Plan funding, COVID-19 savings measures, formal reserve adjustments, proposed one-time appropriations, and the proposed contribution to CalPERS as part of the multi-year pension funding plan, staff is projecting an available balance of \$24,587,125 in the General Fund at the end of FY 2021-22.

### **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 Council's policy, the FY 2021-22 proposed budget includes an allocation of half of the Measure P sales tax revenue to Fund 534 in addition to the annual General Fund maintenance of effort contribution of \$4.7 million. The FY 2021-22 Proposed Capital Improvement Program (CIP) includes nearly \$18 million in proposed capital spending, alongside \$4.6 million in annual Fund 534 maintenance dollars. Included in the \$18 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 bridge safety measures. The FY 2021-22 proposed capital plan was presented to the Infrastructure Oversight Board (IOB) during public meetings in February and March, and the IOB approved the plan on March 25, 2021. A summary of all new and continuing CIP projects for FY 2021-22 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 2021-22 appropriation limit is estimated to be \$232,202,677. The actual amount of the appropriations contained in the budget that is subject to the limit is \$149,638,178. The difference between the City's appropriation limit and the amount proposed to be appropriated that is subject to the limit is \$82,564,499. 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 2021-22, total General Fund appropriations of \$204,062,002 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. As shown in Attachment 7, the General Fund Financial Forecast projects a recurring deficit of \$6.8 million for the FY 2021-22. The deficit is expected to drop to \$3.4 million in FY 2022-23, as the economy continues to rebound from the economic downturn caused by the COVID-19 pandemic and the City's pension obligation bonds are largely paid off, leaving the General Fund free of bonded debt. The recurring deficit averages just over \$3 million for the remaining years of the forecast as projected revenues and anticipated appropriations grow at approximately the same rate. Should the budget be adopted as proposed, the City is projected to have a one-time General Fund year-end balance of \$24.6 million at the end of FY 2021-22.

The economic crisis resulting from the COVID-19 pandemic has resulted in the loss of an estimated \$30 million in General Fund revenues over the last two fiscal years, in addition to financial impacts on many other City funds. However, the City Council's prior strategic actions and prudent financial management, along with \$26 million in assistance from the American Rescue Plan, have helped position the City in a relatively solid financial condition. The General Fund remains in a positive cash position, and future recurring deficits are projected at less than 1.5% of the total General Fund Budget. With continued 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 thrive as the post pandemic economic recovery takes hold. 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 2021-2022, 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 2021-2022.

Attachment 3: A RESOLUTION OF THE HOUSING AUTHORITY OF THE CITY OF BURBANK ADOPTING THE BUDGET FOR THE FISCAL YEAR 2021-2022.

Attachment 4: A RESOLUTION OF THE PARKING AUTHORITY OF THE CITY OF BURBANK ADOPTING THE BUDGET FOR THE FISCAL YEAR 2021-2022.

Attachment 5: A RESOLUTION OF THE COUNCIL OF THE CITY OF BURBANK ADOPTING THE FY 2021-2022 CITYWIDE FEE SCHEDULE.

Attachment 6: General Fund Projected Spendable Fund Balance FY 2021-22

Attachment 7: General Fund Financial Forecast

Attachment 8: Summary of CIP Projects by Category FY 2021-22

Correspondences