

STAFF REPORT
City of Lancaster

CB 1
06/28/16
MVB

Date: June 28, 2016

To: Mayor Parris and City Council Members

From: Mark V. Bozigian, City Manager
Barbara Boswell, Finance Director

Subject: **Adoption of the First Year and Approval of the Second Year of the Fiscal Years 2016-17 and 2017-18 Biennial Budget and Related Resolutions**

Recommendations:

- a. Adopt **Resolution No. 16-34**, adopting the first year and approving the second year of the proposed City of Lancaster Fiscal Years 2016-17 and 2017-18 General Fund Operating Budget, Special Funds Budget, and Capital Improvements Budget, as specified in the Budget Document, and as amended in Attachment A.
- b. Adopt **Resolution No. 16-35**, establishing the annual Appropriations Limit for Fiscal Year 2016-17.
- c. Adopt **Resolution No. 16-36**, amending Resolution No. 15-29 establishing the citywide fee schedule related to cost of services.
- d. Adopt **Resolution No. 16-37**, authorizing an amendment to the final budget for Fiscal Year 2015-16 and authorizing the write off of two accounts receivables, pursuant to Administrative Policy and Procedure No 200-10, Accounts Receivable Recognition and Write Off Policy.
- e. Adopt **Resolution No. 16-38**, amending Resolution No. 14-64 establishing a compensation schedule for various classifications for employees of the City.

Background:

The City is required to adopt a budget by July 1 of each year that establishes appropriations and estimated revenues for the upcoming fiscal year. The proposed budget is a culmination of many months of work by the City Council and staff in reviewing priorities and evaluating programs to meet those priorities. A Public Hearing to review the budget was held on June 14, 2016.

For the first time, the City is adopting a two-year budget. The proposed Biennial Budget has been revised from the document presented to the public on June 14 to reflect final changes based on new information received. The Proposed Budget as revised is \$175.8 million in fiscal year 2016-17 and \$155.3 million in fiscal year 2017-18. The actions tonight establish the spending and appropriations limits for fiscal year 2016-17. Staff will return in June 2017 with budget and appropriations limit resolutions for the 2017-18 fiscal year.

Total revenues in fiscal year 2016-17 are estimated at \$166.4 million with \$9.4 million coming from existing fund balance for future use. The 10% operating reserve and 18% financial stability reserve in the general fund are preserved in the proposed budget.

The proposed fiscal year 2016-17 budget is broken into the following categories:

Salaries & Benefits	\$37,486,980
Operations & Maintenance	98,252,642
Capital Outlay	12,442,555
Capital Improvement	<u>27,664,858</u>
TOTAL	<u>\$175,847,035</u>

The General Fund operating expenditures for fiscal year 2016-17 are proposed at \$60,377,467 with no funding for capital improvement projects. Operating revenues are projected at \$61,824,235.

New funding for the fiscal year 2016-17 Capital Improvement Program is proposed at \$27,664,858. Project categories are segregated into as follows:

Streets & Pavement Management:	\$ 13.1 M
Maintenance & Repair:	10.1 M
Transportation Safety:	1.8 M
Facilities & Fixtures	0.9 M
Other Projects:	<u>1.8 M</u>
TOTAL	<u>\$27.7 M</u>

Amendment to FY 2015-2016 Budget

In accordance with proper governmental accounting and financial reporting practices, staff recommends amendments to the fiscal year 2015-16 adopted budget to adjust estimated revenues and adopted expenditures.

Appropriations Limit

In addition to adopting the budget, the City is also required to calculate the appropriations limit on an annual basis and adopt a resolution that sets the limit. The limit is adjusted each year by two factors that are provided by the state Department of Finance. They are the change in population and the change in California per capita income. Based on these factors, the appropriations limit is set at \$182,030,983 for fiscal year 2016-17. The budget is well below this limit, as required by law.

Fee Adjustment

Several fee “clean-up” items are included as a result of municipal code number adjustments and corrections.

Amendment to Classification Schedule

Staff also recommends amending the current classification schedule, removing the Human Resources Analyst position from Mid-Management class and addition to Professional-Supervisory class.

MVB:BB:NR

Attachments:

Fiscal Years 2016-17 and 2017-18 Biennial Budget - On file in the City Clerk's Department and on the City's website www.cityoflancafterca.org

Resolution No. 16-34

Resolution No. 16-35

Resolution No. 16-36

Resolution No. 16-37

Resolution No. 16-38