



AGENDA
SPECIAL CITY COUNCIL MEETING
CITY OF BANNING, CALIFORNIA

June 23, 2020
4:00 P.M.

Council Chamber
99 E. Ramsey Street
and via Video/Teleconference

Due to the COVID-19 pandemic emergency, and to protect the health and safety of all participants, this meeting is being held in person and via video/teleconference. Pursuant to Governor Newsom’s Executive Orders, members of the Banning City Council, staff and public may observe and participate in this meeting electronically or telephonically as outlined below:

To observe and participate in the on-line video portion of the meeting through your personal computer or device enter the following or click on the link:

<https://us02web.zoom.us/j/87854735304?pwd=NFhzbkFXbVFTeG9ZRINHekFEczJldz09>

Meeting ID: 818 2711 7050

Password: 784851

One tap mobile: 12532158782,,81827117050#

Dial in: +1 669 900 9128

Meeting ID: 818 2711 7050

Find your local number: <https://us02web.zoom.us/j/87854735304?pwd=NFhzbkFXbVFTeG9ZRINHekFEczJldz09>

To observe the live meeting through your personal computer, but not participate with video or oral comments, you may use your computer or smart phone to enter the following or click on

the link: <https://banninglive.viebit.com>

or on the Banning Government Channel on Cable Television

You may also Email comments to: sdelafuente@banningca.gov

I. CALL TO ORDER

Roll Call – Council Members Happe, Pingree, Wallace, Welch and Mayor Andrade

II. PUBLIC HEARING

- 1. Recommended Budget Proposal for Fiscal Years 2021 and 20221
(Jennifer Christensen, Administrative Services Director)

Recommendation: 1) Adopt Resolution No. 2020-81 approving the Two-Year Budget for Fiscal Years 2020-2021 and 2021-2022 for the City of Banning; 2) Adopt Resolution No. 2020-6 UA approving the Two-Year Budget for Fiscal Years 2020-2021 and 2021-2022 for the Banning Utility Authority; 3) Adopt Resolution No. 2020-5 SA approving the Two-Year Budget for Fiscal Years 2020-2021 and 2021-2022 for the Banning Successor Agency; 4) Adopt Resolution No. 2020-82 approving the Gann Limit for Fiscal Year 2020-2021; and 5) Adopt Resolution No. 2020-83 amending the Classification and Compensation Plan.

III. ADJOURNMENT

NOTICE: Pursuant to Government Code § 54954.3(a), the only public comment that will be permitted during this Special Meeting is that pertaining to items appearing on this special meeting agenda. Any member of the public may address this meeting of the Mayor and Council on any item appearing on the agenda by approaching the microphone in the Council Chambers and asking to be recognized, either before the item about which the member desires to speak is called, or at any time during consideration of the item. A five-minute limitation shall apply to each member of the public, unless such time is extended by the Mayor. No member of the public shall be permitted to “share” his/her five minutes with any other member of the public.

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the City Clerk's Office (951) 922-3102. **Notification 48 hours prior to the meeting** will enable the City to make reasonable arrangements to ensure accessibility to this meeting. [28 CFR 35.02-35.104 ADA Title II]

The City of Banning promotes and supports a high quality of life that ensures a safe and friendly environment, fosters new opportunities and provides responsive, fair treatment to all and is the pride of its citizens



CITY OF BANNING CITY COUNCIL REPORT

TO: CITY COUNCIL

FROM: Douglas Schulze, City Manager

PREPARED BY: Jennifer Christensen, Administrative Services Director
Suzanne Cook, Deputy Finance Director

MEETING DATE: June 23, 2020

SUBJECT: Recommended Budget Proposal for Fiscal Years 2021 and 2022

RECOMMENDED ACTION:

That the City Council:

1. Adopt Resolution No. 2020-81 approving the Two-Year Budget for Fiscal Years 2020-2021 and 2021-2022 for the City of Banning;
2. Adopt Resolution No. 2020-6 UA approving the Two-Year Budget for Fiscal Years 2020-2021 and 2021-2022 for the Banning Utility Authority;
3. Adopt Resolution No. 2020-5 SA approving the Two-Year Budget for Fiscal Years 2020-2021 and 2021-2022 for the Banning Successor Agency;
4. Adopt Resolution No. 2020-82 approving the Gann Limit for Fiscal Year 2020-2021; and
5. Adopt Resolution No. 2020-83 amending the Classification and Compensation Plan.

BACKGROUND:

The recommended budget for the upcoming fiscal years ending 2021 and 2022 represents a balanced budget under difficult economic conditions and is presented to the City Council as a comprehensive budget to meet the city's standards, objectives and goals, while also meeting the State requirements for California cities and complying with the Banning Municipal Code Section 2.08.080 (H). This budget is presented as a two-year budget.

Over the course of the past several months, several key steps have been taken in order to prepare and present the recommended budget proposal for Fiscal Year 2021 and Fiscal Year 2022.

- On March 10, 2020, the City Council adopted a set of budget and financial policies.

- On April 14, 2020, the City Council received a report on emerging fiscal issues; the emerging fiscal issues included transit operations, loss of public safety funding, information technology needs, and infrastructure and facilities deferred maintenance needs.
- On April 28, 2020, the city held a budget workshop to provide the City Council an opportunity to review and discuss departments' preliminary budgets and special issues, receive public input on these items, and provide direction on policy issues or specific items for consideration prior to completion of the final Recommended Budget.
- On June 9, 2020, the city held an additional budget workshop to provide the City Council with an opportunity to receive updated economic and budget data based on budget reduction measures incorporated into the proposed budget for the upcoming two fiscal years.
- On June 16, 2020, the recommended budget for Fiscal Year 2021 and Fiscal Year 2022 was presented to the Budget and Finance Committee for review and comment.

Of particular importance for the upcoming budget cycle is the dramatic change in economic outlook for the City of Banning since March 2020 due to the coronavirus pandemic. In light of the anticipated fiscal challenges ahead for at least the span of the upcoming biennial budget, staff sought direction from Council to implement budget reduction strategies across all departments.

In addition to the operating and capital budget schedules for Fiscal Year 2021 and Fiscal Year 2022, the Gann limit calculation is included as part of the recommended budget proposal. The Gann limit sets the appropriations limit of each government agency for each fiscal year; it is the amount which total annual appropriations subject to limitation may not exceed and is established under Article XIII B of the California Constitution. The appropriations limit applies only to those revenues defined as "proceeds of taxes."

JUSTIFICATION:

Key Challenges and Emerging Issues

Every two years, the City develops a balanced budget while maintaining focus on community priorities, state and federal mandates, legislative and regulatory changes, and building a strong future. Some challenges are unique to the City of Banning, and some are common among most local government agencies.

As noted in the reports to City Council on April 14 and April 28, 2020, the City is faced with certain fiscal challenges that are impacting the upcoming two fiscal years and beyond:

- Public safety funding needs and loss of county funding to support public safety.

- Costs of contracting for fire services that include county administration costs in addition to Cal-Fire costs.
- Animal control contract cost increases of 100%.
- Information technology infrastructure, security, data storage and systems needs.
- Deferred maintenance needs.
- Transit operations costs.

In the short term, the solution to the challenge of balancing the budget is the use of available fund balance. However, use of available fund balance should not be viewed as a permanent solution. It will be imperative that the structural imbalance is addressed with structural changes that decrease expenditures as well as increase the city's amount and types of revenues.

General Fund and All Funds: Revenues, Expenditures and Use of Fund Balance

For Fiscal Year 2020-21, the proposed budget for the General Fund, including operating and capital, is comprised of \$18,018,847 in revenues, \$22,363,633 in expenditures, and \$4,344,786 in use of available fund balance. On a citywide basis, the proposed budget for All Funds, including operating and capital, is comprised of \$98,973,214 in revenues, \$123,270,873 in expenditures, and \$27,815,086 in use of available fund balance.

With six weeks of additional economic data since the budget workshop on April 28, the City will only be able to adopt a balance budget for the upcoming budget cycle covering Fiscal Year 2021 and Fiscal Year 2022 based on utilization of available fund balance in the General Fund of \$4,344,786. This will leave an estimated fund balance of \$5,007,688 in the General Fund at the end of the fiscal year and available for Fiscal Year 2022 budget needs.

For FY 2022, the proposed budget for the General Fund, including operating and capital, is comprised of \$18,688,949 in revenues, \$22,252,434 in expenditures, and \$3,563,485 in use of available fund balance. On a citywide basis, the proposed budget for All Funds, including operating and capital, is comprised of \$96,949,563 in revenues, \$112,758,452 in expenditures, and \$14,949,021 in use of available fund balance.

Key revenue assumptions for the next two fiscal years are as follows:

- Total estimated General Fund operating revenue of \$12,908,713 as compared to actual revenue at June 30, 2019 of \$16,004,093 (a reduction of nearly 20%).
- Estimated reduction of sales tax revenues by 23%, reduction of revenue from Cabazon by 50%, and transient occupancy tax (TOT) by 12.5% caused by the global economic downturn for FY 2021. The recovery period for the economy is uncertain.
- Decrease in administration revenue from enterprise funds with new cost allocation plan in the amount of \$1.13 million.

- Increase in estimated cannabis tax revenue of \$700,000 for Fiscal Year 2021 and \$1,200,000 for Fiscal Year 2022.
- Increase in pre-stabilization medical billing revenue of \$400,000 annually.

Proposed Reductions to Expenditures

The original proposal for the budget included elimination of most capital projects and expenditures related to General Fund departments and activities. Capital projects in other funds were also deferred or delayed. Due to the magnitude and unknown recovery period for the economic downturn triggered by the pandemic, additional reduction efforts were implemented following the April 28 and June 9 budget workshops.

Despite volatile revenue projections due to the ongoing closure of the local and national economy, the recommended budget is balanced while minimizing impacts to service levels for Fiscal Year 2021 and Fiscal Year 2022. The recommended budget takes into account all information available in this uncertain time. The Proposed Budget for Fiscal Year 2021 is \$124,531,919 — a \$16.5 million, or 11.7% decrease from the Fiscal Year 2020 Adopted Budget. The Proposed Budget for Fiscal Year 2022 is \$114,979,470 — a \$26.1 million, or 18.5% decrease from the Fiscal Year 2020 Adopted Budget.

The following table summarizes the Fiscal Year 2021 reduction efforts made on behalf of the departments to adapt to the city's structural deficit and impacts of the economic downturn.

[Table on next page]

Staff Report: Recommended Budget Proposal for FY21 and FY22

June 23, 2020

Page 5 of 7

Fiscal Year 2021	General Fund	Other Funds	Citywide
Expenditure related changes:			
Personnel Related Decreases:			
Unfunding Positions	1,093,290	80,146	1,173,436
Reduction in Parks & Recreation Hours	118,721		118,721
Removing COLA increases	111,075	206,665	317,740
Furloughs	201,716	275,113	476,829
Leave Payouts	662,533	587,869	1,250,402
	<u>2,187,335</u>	<u>1,149,793</u>	<u>3,337,128</u>
Capital Budgets Expenditure Decreases:			
Streets (Gas Tax)		250,000	250,000
Measure A		65,000	65,000
Electric Fund		7,651,119	7,651,119
Fleet		18,626	18,626
Wastewater		271,438	271,438
	<u>-</u>	<u>8,256,183</u>	<u>8,256,183</u>
Revenue related changes:			
Revenue Increases:			
Medical Billing	400,000		400,000
Cannabis Tax Revenue	700,000		700,000
Permit Revenue			
Building & Safety	350,000		350,000
Engineering	785,000		785,000
Police Revenue PACT/RAID to cover Personnel Costs 100%/70%	327,668		327,668
	<u>2,562,668</u>	<u>-</u>	<u>2,562,668</u>
Revenue Decreases:			
Sales Tax Revenue 23%	679,921		679,921
TOT Revenue 12.5%	111,986		111,986
Cabazon Revenue 50%	314,979		314,979
	<u>1,106,886</u>	<u>-</u>	<u>1,106,886</u>
Fund Balance Changes:			
Fund Balances releases for Operating & Capital Budgets (Decreases)	4,344,786	23,950,207	28,294,993

FISCAL IMPACT:

For Fiscal Year 2020-21, the proposed budget for the General Fund, including operating and capital, is comprised of \$18,018,847 in revenues, \$22,363,633 in expenditures, and \$4,344,786 in use of available fund balance. This will leave an estimated fund balance of \$5,007,688 in the General Fund at the end of the fiscal year and available for Fiscal Year 2021-22 budget needs. For Fiscal Year 2021-22, the proposed budget for the General Fund, including operating and capital, is comprised of \$18,688,949 in revenues, \$22,252,434 in expenditures, and \$3,563,485 in use of available fund balance leaving an estimated fund balance of \$1,444,203 at the end of Fiscal Year 2022.

On a citywide basis, the proposed budget for Fiscal Year 2021 for All Funds, including operating and capital, is comprised of \$99,033,214 in revenues, \$124,531,919 in expenditures, and \$28,294,993 in use of available fund balance. The proposed budget for Fiscal Year 2022 for All Funds, including operating and capital, is comprised of \$97,829,498 in revenues, \$114,979,470 in expenditures, and \$17,103,674 in use of available fund balance.

OPTIONS:

1. Adopt Resolution No. 2020-81 approving the Two-Year Budget for Fiscal Years 2020-2021 and 2021-2022 for the City of Banning, Resolution No. 2020-06 UA approving the Two-Year Budget for Fiscal Years 2020-2021 and 2021-2022 for the Banning Utility Authority, Resolution No. 2020-5 SA approving the Two-Year Budget for Fiscal Years 2020-2021 and 2021-2022 for the Banning Successor Agency, Resolution No. 2020-82 approving the Gann Limit for Fiscal Year 2020-2021, and Resolution No. 2020-83 amending the Classification and Compensation Plan.

ATTACHMENTS:

1. Budget Proposal FY 2020-2021 and FY 2021-2022;
<https://banningca.gov/DocumentCenter/View/7520/Att-1-Budget-Proposal-for-FY21-and-FY22>
2. Resolution No. 2020-81 approving the Two-Year Budget for Fiscal Years 2020-2021 and 2021-2022 for the City of Banning;
<https://banningca.gov/DocumentCenter/View/7521/Att-2-Resolution-2020-81-Approving-2-Yr-Budget>
3. Resolution No. 2020-6 UA approving the Two-Year Budget for Fiscal Years 2020-2021 and 2021-2022 for the Banning Utility Authority;
<https://banningca.gov/DocumentCenter/View/7522/Att-3-Resolution-2020-6-UA-Approving-2-Yr-Budget>

4. Resolution No. 2020-5 SA approving the Two-Year Budget for Fiscal Years 2020-2021 and 2021-2022 for the Banning Successor Agency;
<https://banningca.gov/DocumentCenter/View/7523/Att-4--Resolution-2020-5-SA-Approving-2-Yr-Budget->
5. Resolution No. 2020-82 approving the Gann Limit for Fiscal Year 2020-2021; and
<https://banningca.gov/DocumentCenter/View/7524/Att-5-Resolution--2020-82-Approving-GANN-Limit>
6. Resolution No. 2020-83 amending the Classification and Compensation Plan.
<https://banningca.gov/DocumentCenter/View/7525/Att-6-Resolution-2020-83-Approving-Class-and-Compensation>

Approved by:



Douglas Schulze
City Manager