

CITY COUNCIL STAFF REPORT

Current Business Item No. 15 (B)

May 12, 2021

File No. 0430-30

SUBJECT: Fiscal Year 2021/22 Preliminary Operating Budget Status

DEPARTMENT: Finance Department

RECOMMENDATION:

It is requested that the City Council review the proposed Fiscal Year 2021/22 General Fund Preliminary Operating Budget status, provide policy concurrence or alternative direction on the recommendations for closing the structural budget gap, and authorize staff to return with the Fiscal Year 2021/22 General Fund Operating Budget for final adoption on June 9, 2021.

ANALYSIS:

Prior to the economic impacts of COVID-19, the General Fund long-term financial plan projected annual deficits growing to \$13 million by Fiscal Year 2023/24 and further deficits continuing over the next 15 years. The City's Multi-Year Financial Plan adopted in the Fiscal Year 2020/21 Operating Budget accounted for the anticipated economic impacts of the pandemic and projected a budget deficit of \$8 million in FY2021/22. In spite of many positive economic developments, federal aid packages, and a robust vaccine rollout in recent months, the restrictions from the COVID-19 pandemic have continued to negatively impact certain General Fund revenue sources although not to the degree that was anticipated one-year ago.

The City's budget process begins in December each year with a review and update of the General Fund long-term financial plan. Despite the positive revenue projections, the underlying structural gap remains. The amended financial plan continues to project an \$8 million operating deficit in FY2021/22. In prior fiscal years, Departments were required to submit budget reductions which averaged around an 8% decrease from the prior year. Even after these cost saving measures, the budget relied on \$4 million of one-time funds to balance. As the local economy slowly recovers from the pandemic and yet no new revenue source has been identified for the upcoming fiscal year, the cost reductions to prepare and balance the budget for FY2021/22 would require a significant impact on City staff and the services the City provides. Compounding the issue is the increasing pressure for City services, particularly in the areas of traffic safety and homelessness.

Until revenue is increased on an ongoing and structural basis, the City must continue to rely on short-term, one-time resources to continue operations and avoid drastic cuts to City services. Since at least 2017, the City has maintained balance as a result of modest economic growth and stability and a combined strategy of a hardline on expenditures, cost saving measures that included reducing staff, deferring infrastructure maintenance, investing in technology to reduce ongoing costs, and outsourcing services. Recent budget structures were also combined with the use of one-time resources. The conditions and these approaches left the City able to preserve municipal operations without the use of

General Fund Reserves, while also setting aside funds in the Section 115 Irrevocable Pension Trust Fund.

To maintain a balanced budget for this year, and yet continue an appropriate level of service, staff is recommending that the City Council now adopt a budget that utilizes a portion of the Section 115 Irrevocable Pension Trust.

In February 2018, City Council authorized the establishment of a Section 115 Irrevocable Pension Trust Fund. The Trust Fund is used to set aside and hold money to meet future pension liabilities and can be used to provide economic relief during recessionary cycles and/or rate increases that are significantly above anticipated projected employee rate increases. Funds placed in this Trust can also be used to offset the City's "normal" CalPERS costs, such that if funds are necessary for other purposes, a certain amount of flexibility is present.

When the Pension Trust Fund was established, a funding policy for contributions to the Fund was recommended and included the four years of annual Successor agency Redevelopment Loan Repayments that began in Fiscal Year 2018/19, future proceeds from the sale of City Property belonging to the General Fund, and a portion of General Fund surplus at the end of each fiscal year, if one exists. As of March 31, 2021, the Section 115 Pension Trust Fund has a balance of \$14,780,855.

To meet the increased demand for City services, infrastructure maintenance and repair needs, and address the \$8 million deficit with a balanced budget for Fiscal Year 2021/22 staff recommends the City Council use the final one-time source of funds from the Successor Agency Redevelopment Loan repayment of \$2.2 million and transfer \$6.1 million from the Section 115 Pension Trust Fund.

The Fiscal Year 2021/22 Preliminary Operating Budget Sources and Uses are as follows:

Sources of Funds:

Operating Revenue	\$107,219,510
Transfer from Gas Tax Fund	2,055,000
Transfer from Section 115 Pension Trust Fund	6,086,040
Advance Payback from Successor Agency - Redevelopment	2,194,370
TOTAL, Sources	<u><u>\$117,554,920</u></u>

Uses of Funds:

Operating Budget	\$117,063,760
Transfer to Reidy Creek Golf Course – Debt Service	365,620
Transfer to Successor Agency – Housing	25,000
Transfer to Vehicle Parking District	100,540
TOTAL, Sources	<u><u>\$117,554,920</u></u>

REVENUE PROJECTIONS

The projected Fiscal Year 2021/22 General Fund revenue estimate is \$107.2 million.

The Fiscal Year 2020/21 amended revenue is the starting point to forecast revenue in the next fiscal year based on factors such as economic indicators, development in the City, past revenue history, and ongoing impacts from the COVID-19 pandemic. The FY2021/22 projected operating revenue is estimated to increase \$3.6 million or 3% over the FY2020/21 amended revenue projection.

The following are the basic components underlying the revenue projections in FY2021/22, followed by an explanation of each category in the following paragraphs:

Revenue	FY2020/21 Amended	FY2021/22 Projected	Change	%
Sales Tax	\$39,431,300	\$42,147,300	\$2,716,000	7%
Property Tax	30,022,000	30,925,000	903,000	3
Other Taxes	13,039,800	13,680,000	640,200	5
Charges for Services	10,396,820	10,169,710	(227,110)	(2)
Intergovernmental	3,487,000	3,341,000	(146,000)	(4)
Fines & Forfeitures	750,000	908,000	158,000	21
Permits & Licenses	1,918,020	1,412,500	(505,520)	(26)
Rental Income	3,783,000	3,738,000	(45,000)	(1)
Other Revenue	830,200	898,000	67,800	8
Total Operating Revenue	\$103,658,140	\$107,219,510	\$3,561,370	3%
One-Time Revenue	2,737,580	-	(2,737,580)	(100)
Total Revenue	\$106,395,720	\$107,219,510	\$823,790	1%

Sales tax revenue is highly sensitive to economic conditions and is impacted by the levels of unemployment, consumer confidence, and per-capita income that drive spending and growth in sales tax receipts. While these numbers were at record highs leading into 2020, the economic impacts of the restrictions due to COVID-19 reduced the FY2019/20 revenue by \$2.0 million or 5% from the prior fiscal year and an additional decline of 3% was expected in FY2020/21. The restrictions from the COVID-19 pandemic have continued to negatively impact sales tax revenue when compared to the prior year activity. However, bright spots which included increased receipts from construction activities and the County Pool (reflecting the City's share of online sales) led to an actual increase in revenue by \$1.1 million or 4.7% from the prior year.

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The City works closely with its sales tax consultant, Avenulnsights, in projecting sales tax revenue. Based on Avenulnsights analysis of the trend in year-to-date tax receipts and an examination of the local economy, the City's sales tax revenue is anticipated to increase in FY2021/22 by 7% to reach \$42.1 million.

The largest economic segments in the City are transportation, construction, and receipts from the County Pool. Together these segments generate 70% of the total sales tax revenues. The transportation segment includes new and used auto sales and service stations, and is projected to increase by 8% or \$1.0 million from the prior year. Due to stimulus funds, rising vaccination rates and the progressive reopening of the economy, consumer confidence and spending are anticipated to continue to increase resulting in a strong demand for new and used auto sales. The construction sales tax segment accounts for revenue generated from building materials, including both wholesale and general retail, and is projected to increase by 16% from the prior year. This is due to an increase in the price of goods, such as lumber and steel, an increase in ongoing development and construction projects in the City, and a continuation of home improvement projects from homeowners. The economic sales tax category which has been negatively impacted throughout the pandemic continues to be general retail sales in brick and mortar stores like family apparel, department, and electronics/appliance stores, projected to decline by 5% compared to the prior fiscal year. Conversely, online sales are projected to increase by 5.6% from the prior year, which reflects the shift from brick and mortar stores to online sales.

Property tax revenues also represent a major funding source for the City at 29% of the General Fund. The major factors influencing property tax revenue are the annual inflation adjustment under Proposition 13, number of home sales, and increased median home prices. The consumer price index in California (the "CCPI") from October 2018 to October 2019 was 2.98% and this caused the inflation factor that was applied to the FY2020/21 tax roll to be the full 2% allowed by Proposition 13. CCPI for the period of October 2019 to October 2020 fell to 1.036% and this resulted in the inflation adjustment to be applied to tax roll values for FY2021/22 to be 1.036%, just over half of the rate for FY2020/21. However, assessed valuations will be positively influenced by the current and projected development activity, such as permit, inspection and plan checks, in conjunction with the current low interest rate environment, which indicate continued growth in property sales. Growth is expected to continue and housing demand, especially in the new home market, remains strong. As a result, overall property tax revenue is estimated at \$30.9 million in FY2021/22 and represents a 3% increase from the prior fiscal year.

Also included in Property Tax revenues is the Property tax in lieu of Vehicle License Fees ("VLF") which is estimated to increase by 3% to reach projected revenue of \$15.7 million. This revenue is in addition to the regular apportionment of property taxes received. In 2004, the Legislature permanently reduced the Vehicle License Fee rate from two percent to 0.65 percent and compensated cities for their revenue loss with a like amount of property taxes, dollar-for-dollar. Each agency's property tax in lieu of VLF allocation increases annually in proportion to the growth in gross assessed valuation in the City based on the prior year assessment role.

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Other taxes, which include franchise fees, transient occupancy tax, business license fees, property transfer tax and the Redevelopment Property Tax Trust Fund (“RPTTF”) residual payment, account for 13% of General Fund revenue. These other taxes are projected to increase by 5% to reach projected revenue of \$13.7 million. The City collects franchise fee revenues from San Diego Gas and Electric (SDG&E), cable companies conducting business within City limits, and Escondido Disposal Incorporated (EDI) for trash collection services. Overall franchise fee revenues are projected to be \$7.4 million, an increase of 1.6% from the prior year. Revenue growth is projected based on population, inflation factors, and historic revenue trends. In addition, due to the mass deployment of vaccines and pent up demand for travel, Transient Occupancy Tax is projected to increase by 5% to reach \$1.7 million.

Charges for services are projected to remain stable compared to the prior fiscal year with estimated revenue of \$10.2 million. Charges for services include paramedic fees and Community Services fees for recreational and community activities. Revenue estimates are based on the projected number of facilities and classes, number of participants, fee levels, and staff’s estimate of demand for programs and services.

Permits and licenses that are collected for building, plumbing, electrical, mechanical, fire code and mobile-home permits are projected to decrease from the amended FY2020/21 revenue but increase by 52% compared to the FY2019/20 actual revenue in the upcoming year to reach a projected revenue of \$1.4 million. This is due to increases in the number of new building permits from several large development projects located in the City.

Fines and forfeitures are projected to increase slightly from the prior fiscal year to reach \$908,000. Fines and forfeitures are collected by the City for vehicle code fines, parking ticket fines, other court fines, library fines, code enforcement citations and impound fees.

Rental Income and Other Revenues includes income from City owned properties, interest earned from investing activities, and other miscellaneous receipts. This revenue from investment and miscellaneous income is projected to remain flat to reach revenue of \$4.6 million. The City plans to prepay the annual unfunded accrued liability (“UAL”) for the Safety and Miscellaneous Plans in July 2021, which will result in additional benefit to the General Fund.

While staff proposes using approximately \$2.2 million of Advance Payback from Successor Agency – Redevelopment to balance the budget, the City is not currently budgeting any one-time revenue in Fiscal Year 2021/22. The City’s financial policy allows for the use of one-time resources to pay for non-recurring expenditures, provide transitional funding of operations for a limited time period, add to reserves, or pay down unfunded liabilities. One-time revenue budgeted in Fiscal Year 2020/21 included fire assistance reimbursements of \$1.3 million and CARES Act funding of \$1.5 million.

OPERATING BUDGET

The total proposed Fiscal Year 2021/22 General Fund Operating Budget is \$117.1 million. It has increased by approximately \$7.1 million or 6% compared to the revised Fiscal Year 2020/21 Operating Budget. The following chart shows General Fund expenditures by department and compares the total FY2021/22 projected expenditures to the current fiscal year revised operating budget.

Staff proposes certain significant budget changes to reflect specific public service needs, and hence reflect City priorities in the FY2021/22 Operating Budget. Policy concurrence on these priorities is requested and they are discussed below.

Department	FY2020/21 Revised Expenses	FY2021/22 Projected Expenses	Change	%
General Government Services	\$6,322,290	\$6,283,090	\$(39,200)	(1)%
Community Services	8,797,200	9,184,420	387,220	4
Community Development	4,753,660	5,033,840	280,180	6
Public Works	10,135,970	12,281,870	2,145,900	21
Engineering	2,645,010	3,027,830	382,820	14
Police	46,245,600	49,006,130	2,760,530	6
Fire	27,155,770	27,914,950	759,180	3
California Center for the Arts	2,443,000	2,412,680	(30,320)	(1)
Other Expenses	1,465,630	1,918,950	453,320	31
Total Expenditures	\$109,964,130	\$117,063,760	\$7,099,630	6%

Traffic Safety

The FY2021/22 proposed budget includes a multi-faceted strategy to improve traffic flow and safety throughout the City. This strategy impacts the Engineering, Police, and Public Works department budgets. The strategy provides resources necessary to improve the City’s infrastructure, operate a responsive transportation system and to address transportation safety. The annual cost for the additional resources is approximately \$540,000.

Staff proposes this addition to the budget for several reasons. When compared to 59 similar-sized cities, Escondido ranks 9th for fatal and injury crashes, 8th for alcohol involved crashes, 12th for pedestrian involved crashes, and 15th for speed-related crashes. During FY2021/22, a systematic analysis of collision data will be conducted to identify cost effective improvement strategies with the goal of reducing collisions CityWide. This Local Roadway Safety Plan (LRSP) will make the City eligible

for continued grants through the Highway Safety Improvement program to make the recommended safety-related improvements to the City's transportation network.

From an efficiency standpoint, this strategic priority also provides a plan to improve the responsiveness of the City's transportation system. Escondido has been selected to receive \$1.16 million in Caltrans Highway Safety Improvement funds to upgrade its traffic signal communication and controller system. The upgraded hardware and communication system will better respond to traffic conditions, alert staff to detection and other equipment failures, and also allow staff to access real-time video images at priority intersections so that adjustments can be made in response to severe congestion and emergencies. The new controllers will also provide safety benefits, such as red/green light extensions where conflicts are detected. To maximize the benefit from this grant funded aspect, the budget includes:

- **Improve:** A City Traffic Engineer position is recommended to manage preparation of the Local Roadway Safety Plan, signal communication and controller system upgrade project, and ongoing traffic signal synchronization throughout the City. The expertise of a registered Professional Traffic Engineer will enhance the City's ability to manage and improve its transportation network. Escondido is the only City in North County that lacks a management level position in Traffic Engineering, and with the exception of one, all have a City Traffic Engineer position.
- **Operate:** An Electrician position is recommended to proactively test, repair and adjust signal equipment, including detection loops, cameras, interconnect cables, and communications system. This position would address detection alerts, including notices when a detector hasn't triggered during a specified timeframe and may require attention. On a weekly basis, current staff encounter more than 15 signal-related items requiring attention that are generally found as a result of a complaint. The alerting capabilities of the new signal system and routine inspections will allow staff to make repairs without the need for the travelling public to experience significant delays. The addition of an electrician will allow staff to move from a reactive maintenance program to a proactive preventative maintenance program on traffic signal infrastructure.
- **Address Primary Collision Factors:** Two Traffic Police Officer positions are recommended to improve traffic safety and responsiveness. According to the most current Office of Traffic Safety data, in a category of 59 California cities of similar size, the City of Escondido ranks 10th worst for total traffic safety, 9th for fatal and injury traffic collisions, 25th for fatal and injury hit and run collisions, 8th for alcohol-related fatal and injury collisions, 23rd for bicycle collisions, and 12th for pedestrians injured or killed. In 2020, nearly 22% of the 927 documented collisions in Escondido involved alcohol. The Escondido Police Department needs more officers who are highly trained in both DUI and DUI drug investigations. Having skilled DUI investigators and trained drug recognition experts would help reduce the number of persons injured and killed in crashes in the City. In addition, increased enforcement for distracted driving, motorcycle safety, and bicycle-pedestrian violations would further reduce the number of persons injured or killed in

crashes. The two additional positions are designed to target the three most common causes of collisions: DUI, speed, and intersection violations.

As outlined, this strategic priority proposes a wholistic approach to transportation safety and efficiency. Targeted infrastructure improvements and necessary enforcement are designed to improve safety and reduce collisions. Collisions that do occur are addressed in an efficient manner to minimize impact to the travelling public. Finally, the budget provides more responsive signals that are proactively operated and maintained.

Homelessness

Homelessness is a national, statewide, regional, and local challenge. The City recently created and reviewed a [“Strategy for Addressing Homelessness”](#) with the City Council to articulate and implement the best approaches for addressing community impacts while being sensitive to the importance of tackling underlying causes and helping people. The City works with property owners, businesses, citizens and professional partners to manage and reduce homelessness.

In order to carry out the strategy and meet the demand for service, the FY2021/22 proposed budget includes additional resources. Because current staffing does not meet our needs, both Public Works and the Escondido Police Department require additional resources as outlined below:

Public Works. Currently, activities are only conducted and staffed five days per week. However, the demands for service around homeless encampment clean-up, patrolling hotspots, and removing refuse occur every day and not simply Monday thru Friday. Without a weekend presence, the City experiences an increase in blight-related activities and calls for service. Technological improvements have led to data supporting this endeavor: Weekend-related reports from residents average 54 requests per weekend. As it currently stands, such requests are not addressed until Monday, at the earliest, causing a ripple effect of backlogs throughout the week.

The Public Works Department is proposing that weekend staff perform the following essential functions:

- Respond to Report It! app requests.
- Support Police (COPPS) units with Homeless and transient calls for service.
- Debris and refuse removal – Clean up and removal of debris in the public, private, County and Caltrans rights of way.
- Encampment assessments – Disbanding encampments
- Patrolling Grand Ave. and the Escondido Creek Trail – On Monday through Friday, the Public Works team supports a “porter” for these areas, but use increases on the weekends.
- Graffiti eradication – Responding to graffiti Report It! app requests, discovery and covering of graffiti tags seven days per week rather than six.

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- First Responder – Responds, repairs, assesses risk levels, and determines corrective actions to reported issues CityWide such as sign repairs, vegetation removal, sidewalk lifts, fence repairs, tree-related requests, traffic control, potholes, street sweeping requests (accident-related) etc.

In order to staff a seven-day work week for essential functions, the following changes are proposed in the current budget:

- Convert one temporary part-time Department Specialist to one full-time Department Assistant.
- Convert six existing 1000-hour temporary part-time Graffiti staff to 1500-hour temporary part-time employees.
- Add one new full-time Department Assistant.
- Add two new full-time Maintenance Tech I/II's (Encampment Crew).
- Add one new full-time Lead Maintenance Tech (First Responder).

The budget also includes a new debris truck with outfitting at a total estimated cost of \$52,000. The additional debris truck will benefit the City along with the seven-day work week by replacing resources shifted to handle increasing homelessness-related calls for service and restore the ability to maintain hardscape maintenance and weed abatement in the City's right of way.

The annual estimate of equipment, labor and materials needed to expand the Public Works workforce to cover a seven-day work week is approximately \$400,000 which will be partially offset by a reduction in standby and overtime pay.

Police Department. The Community Oriented Policing and Problem Solving (COPPS) Unit was re-established in January 2017. The unit's main purpose is to reduce crime and address public concerns through a community-based, problem-solving approach that enhances quality of life. The primary quality of life issue facing Escondido today is homelessness, and as a result, the COPPS Unit almost exclusively focuses on this issue.

The COPPS Unit is currently staffed with four police officers, one sergeant, and one lieutenant to address homelessness and quality of life issues. One of the four officers partners with a Psychiatric Emergency Response Team (PERT) Clinician on a full-time basis. The primary goal of PERT is to focus on people experiencing homelessness that suffer from acute mental illness. The three remaining officers focus their attention on patrolling known problem areas, handling calls for service, enforcement, prevention and outreach.

The Police Department is requesting three police officer positions be reinstated to the budget in order to increase the staffing levels of the COPPS Unit, at an estimated annual cost of \$382,000. The additional staffing will allow the COPPS Unit to provide a more effective, efficient and consistent level of service:

- Increased Coverage - Currently, the COPPS officers work business hours – Monday through Friday, 6 a.m. to 4 p.m. Although the officers will adjust their schedule when needed, the reason they work these hours is due to demand. The majority of calls for service and requests for assistance occur during these days of the week. With additional officers, the COPPS Unit could increase the days of the week and the hours of the day COPPS officers are working.
- Increased Proactivity - There tends to be an increase in the criminal element during nighttime hours. While this group does generate some calls for service during the day, they are typically more active during nighttime hours and are responsible for a great deal of chronic criminal activity in our problem areas. Having additional officers would provide the COPPS Unit the opportunity to work nighttime hours in order to address these issues and prevent further crime.
- COPPS/PERT - Due to the shortage of COPPS officers and the number of people experiencing homelessness, the COPPS/PERT team is forced to focus on enforcement instead of outreach and mental illness care. Currently, COPPS/PERT spends approximately 75 percent of their time on enforcement calls. Allowing the COPPS/PERT team the time and freedom to proactively engage people suffering from mental illness would increase their effectiveness in getting people connected to the appropriate services and reduce the number of police and medical calls for service.
- Assist Other Departments – As noted in the City’s strategy, a multi-disciplinary approach to dealing with the homeless problem is utilized. COPPS officers must be available to engage and respond to other Departmental requests for assistance.

Other General Fund Department Budget Highlights

General Government Services

General Government Services include the following departments: City Council, City Manager, City Attorney, City Clerk, City Treasurer, Finance, Human Resources, Risk, Information Systems, Enterprise Software and Web Administration, and Geographic Information Systems (“GIS”). Continued efficiencies and efforts by staff to minimize expenditures have resulted in a total combined decrease in expenditures of 1% over the prior year. Significant budget highlights include the transfer of the Business License function and Visit Escondido activities to the Economic Development division in the City Manager’s Department to better leverage these functions as a tool to drive decisions. As a result of the efficiencies created with updated software and payment website, a vacant customer service representative was removed from the Finance Department budget. A Business Analyst position was added to the Enterprise Software and Web Administration department to support the continued development of the Cityworks software and will be fully allocated out to the Water and Wastewater Funds.

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Community Services

Community Services includes the following departments: Communications, Digital Media Services, Recreation, Library Services, Older Adult Services, and Senior Nutrition. These combined department operating budgets total \$9.2 million in FY2021/22 and have increased \$387,220 or 4% over the prior year. High priority has been placed on communication with the public, transparency, and community engagement, which fall under the responsibility of this budget. In order to expand and enhance volunteer opportunities and philanthropic giving programs through the award-winning Volunteer Escondido HUB, a Management Analyst I/II position was added to the Recreation Department budget to oversee the program, which is primarily offset by the elimination of four part-time temporary positions.

The Video Services department was renamed to Digital Media Services to better reflect the current scope of work performed by these staff. As part of Communications & Community Services, Digital Media Services staff ensure that residents have access to high quality broadcasts of City Council meetings and communicate important information to the public regarding policies, events, services, and activities of City government. Two temporary part-time positions were eliminated in the FY2021/22 budget and a full-time Digital Media Technician position was added.

Community Development

Community Development includes Planning, Code Enforcement, and Building. These departments guide the physical development of the City, protect life and property through the application of building codes and standards, and enhance the image and appearance of the City. These combined department operating budgets total \$5.0 million and have increased 6% compared to the prior year. A Senior Planner position was added to support environmental and climate-related matters required to be addressed by the Department. This senior level position will also assist with the heavier workload from increased development activity which has been well documented and is likely to continue.

Public Works

Public Works includes the Streets and Parks Department operating budgets. The Streets Department is responsible for filling potholes, maintaining sidewalks, cleaning storm water channels, replacing traffic signs, sweeping and lane striping City streets, and graffiti eradication. The Parks Department maintains the City's parks, median and parkway landscaping, open spaces, trees and landscaping at City facilities. Beginning in FY2021/22, Public Works will assume the responsibility of maintaining all City landscape maintenance activities, estimated at an annual cost of \$1.1 million. This requires the addition of 12 positions to the department as well as equipment purchases estimated at \$665,000. The employee services costs are partially offset by a decrease in professional services/contracts of about \$445,000.

Police

The Police Department improves community safety, enhances crime prevention, and provides emergency response. In FY2020/21, the Police Department's budget was reduced by thirteen full and part time positions. The FY2021/22 budget proposal includes the reinstatement of five Police Officers and one Public Safety Dispatcher. Overall, the Police Department's costs are increasing by \$2.7 million

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or 6% compared to the prior year to reach projected expenditures of \$46 million. The proposed budget includes community safety enhancements to the Computer Aided Dispatch System, contract negotiated animal control cost increase, negotiated salary increases, rising medical insurance, workers' compensation and pension costs, as well as the reinstatement of one Public Safety Dispatcher position, two Traffic Police Officers and three COPPS Police Officers to help address homelessness response.

Fire

The Fire Department provides emergency operations, emergency preparedness, and fire prevention services to safeguard lives and property. The FY2021/22 operating budget reflects an increase of \$752,400 or 3% increase compared to the prior year to reach projected expenditures of \$27.9 million. This budget includes negotiated salary increases, rising medical insurance costs, workers' compensation and pension costs, and cost increases for Emergency Medical Supplies such as oxygen, pharmaceuticals, PPE, and equipment. An additional Fire Prevention Specialist position is proposed to keep up with the increasing demand from development projects in the City addressing the same need discussed under Community Development. The increase in expenditures were offset by reductions in the funding for training supplies, firefighting tools and equipment, and maintenance on the fire training tower water pump service.

Other Expenses

Other Expenses accounts for expenditures that are not directly chargeable to other General Fund departments as well as funding for community events. The combined budgets total \$1.9 million in FY2021/22 and include expenditures for contractual salary and benefit obligations, various CityWide membership fees, consulting fees necessary for preparation of the 2022 Revenue Measure, and direct support provided by the City for the Community Fireworks program, Cruisin' Grand, and the Christmas Parade.

Enterprise Funds

The City's Enterprise Funds account for the financial activity of the City's water utility and the wastewater utility. The costs for providing these services to the public are recovered through user charges. Both the Water and Wastewater funds are investing in technology to reduce costs and maximize efficiencies. Below is a brief description of each department and a summary of the significant changes in their FY2021/22 Operating Budget.

Water Fund

The Water Fund operates the Water Treatment Plant that supplies water to approximately 26,000 residential, commercial and agricultural customers in the City. This Department also provides maintenance on the Escondido Canal that carries untreated water 14 miles from the intake on the San Luis Rey River to Lake Wohlford. The Department's Lakes and Open Space Division maintains Daley Ranch, Dixon Lake, and Lake Wohlford that provides fishing and boating to the community. The Water Fund budget increased by \$3.0 million or 5.2% compared to the prior year. These increases were primarily from increased employee service costs of \$798,770, increased

purchased water costs of \$900,000 that are passed through from the San Diego County Water Authority, increased water treatment chemical costs of \$200,000 due to increasing costs of manufacturing and delivering these products, and utilities increased by \$185,810 due mostly to rising costs in power. The rate of power consumption at the Treatment Plant has also increased because of the onsite chlorine generation system.

Wastewater Fund

The Wastewater Fund operates the Hale Avenue Resource Recovery Facility (“HARRF”) for the effective treatment of wastewater within the City’s jurisdiction. The Recycled Water division produces recycled water from the HARRF and distributes it to various City landscape irrigation customers including golf courses, school fields, City parks and green belts. The Environmental Programs Division administers a number of programs relating to water, wastewater and storm water compliance. The Wastewater Fund budget increased by \$1.5 million or 5% compared to the prior year. These increases were primarily due to employee service cost increases of \$817,640, including the addition of a Principal Engineer position, and increases to Maintenance and Operations to upgrade the City’s lift stations to replace old motor starters and upgrade/replace relay logic controls with programmable logic controllers (PLC’s) and to further increase plant and lift station security with additional cameras in strategic locations. Consulting services and maintenance contracts increased by \$303,680 in order to support the collection system hydraulic modeling and other specialized process equipment.

Other Funds

The following “Other Funds” which propose an increase or decrease of more than 10% as compared to the prior year adopted budget are as follows:

Reidy Creek Golf Course

The Reidy Creek Golf Course fund accounts for the transactions of the Reidy Creek Golf Course managed by JC Resorts. Due to the increase in activity at the course and continued popularity of Disc Golf, the fund is projecting a \$304,280 or 49% increase in operating revenue from the prior year with no transfer from the General Fund. Operating expenses are projected to rise by 19% or \$131,930 due to the increase in maintenance and staff costs needed to support the increase in activity.

Telecommunications

Telecommunications manages the City’s unified communication and collaboration services that include voice and data communications for City Hall and 24 remote locations. Due to strategic technology and service provider changes, the Telecommunications budget is proposing a decrease of \$64,230 compared to the prior year budget.

Mail and Mobile Services

The Mail and Mobile Services division of Information Systems provides traditional mail distribution, metering, and postage services as well as the management of the cellular services for all departments. The proposed budget increased by \$30,200 or 13.9% due to additional mandated requirements to provide notifications through the United States Postal Service as well as increases to the costs of postage.

Workers Compensation Insurance

The Workers' Compensation Fund was created to account for transactions related to the City's workers' compensation claims expenses and excess coverage premiums. The budget has increased by \$950,400 or 19.6% compared to the prior year due to anticipated higher cost claims that are projected to be paid in FY2021/22. The use of available reserves of \$527,410 is requested to balance this budget.

Property Insurance

The Property Insurance Fund accounts for the transactions related to obtaining property insurance for the City. This fund is proposing a 23.1% or \$208,350 increase to its total operating budget due to an increase in the property insurance premium. The increase is in line with insurance increases industry wide as a result of significant increases of property claims from catastrophic events including wildfires and hurricanes.

Potential Impact of the American Rescue Plan

At the time of publication of this staff report and the preliminary budget for Council consideration, the United States Department of the Treasury has not yet released guidelines on the permissible uses for funds expected under the American Rescue Plan. At present, Escondido will receive an anticipated amount of \$45 million. The funds are one-time funds, and must be expended in full by the end of December 2024. Staff will bring forward a separate budget recommendation with how those funds will be utilized based on the rules provided by the U.S. Department of Treasury which may result in an adjustment to the proposed General Fund or Enterprise Fund budgets for FY2021/22.

APPROVED AND ACKNOWLEDGED ELECTRONICALLY BY:

Christina Holmes, Director of Finance

05/06/21 9:59 a.m.

ATTACHMENTS: