



PUBLIC HEARING

City of San Bernardino Request for Council Action

Date: May 15, 2024

To: Honorable Mayor and City Council Members

From: Charles A. Montoya, City Manager
Suzie Soren, Deputy City Manager
Jeannie Fortune, Deputy Director of Finance & Management Services

Department: Finance & Management Services

Subject: **Presentation of the City Manager's Proposed Fiscal Year 2024/25 and Fiscal Year 2025/26 Budget (All Wards)**

Recommendation:

It is recommended that the Mayor and City Council of the City of San Bernardino:

1. Conduct the Public Hearing on the proposed Fiscal Years 2024/25 and 2025/26 Operating Budget and Capital Improvement Plan;
2. Receive and file the proposed budget for Fiscal Years 2024/25 and 2025/26 Operating and Capital Improvement Plan presentation and provide direction to staff.

Executive Summary

The City Manager's Proposed Budget provides the Mayor and City Council with a budget for the Fiscal Years 2024/25 and 2025/26. This staff report and presentation will provide an overview of the City Manager's proposed operating and capital budgets.

Background

Section 701 of the City Charter provides that the City Manager shall prepare and submit a proposed budget to the Mayor and City Council for the ensuing fiscal year. The Budget provides a financial plan for all City funds and activities for the upcoming fiscal year and includes a multi-year capital plan. This year, the City will propose a new biennial budget that encompasses Fiscal Years 2024/25 and 2025/26.

The City has adopted a biennial budget planning process. While this process includes adopting the budget annually, every two years the City goes through the process of budgeting for the full two years, forecasting revenue, expenditures, and capital

spending. During the interim years the City completes a more informal mid-biennial update, which includes a review of the forecast considering economic trends, and adjustments to the second-year budget as necessary or as recommended by the City Manager. Fiscal year 2023/24 was an interim year, and FY 2024/25 marks the beginning of a new two-year budget cycle.

Discussion

The Fiscal Years 2024/25 and 2025/26 Operating and Capital Improvement Budget recommendations were guided by the Mayor and City Council's Strategic Targets and Goals for the City of San Bernardino. The four overarching categories of these Targets and Goals are:

- Improved Operational and Financial Stability
- Focused, Aligned Leadership and Unified Community
- Improved Quality of Life
- Economic Growth & Development

The purpose of the public hearing this evening is to review and discuss the proposed biennial budgets for Fiscal Years 2024/25 and 2025/26 (Attachment 1). The proposed budget contains a full review of the estimated available resources and the recommended allocations of these resources. The budget document (Attachment 1) provides an in-depth look at the programs and services provided by the city and allows the Mayor and City Council to make critical policy decisions.

The overview provided in this report includes a forecast of revenues, expenditures, and a review of fund balance for the General Fund, the capital improvement plan, including ongoing projects, and proposed additions. A brief overview of the proposed comprehensive budget totals across all funds is also described below.

To ensure transparency in the budgeting process, the City of San Bernardino has made the full proposed budget available online through our partners at OpenGov here: <https://stories.opengov.com/sanbernardinoca/published/RcJlJl4Ai> [Proposed Fiscal Years 2025 & 2026 Budget Book](#).

Overview of FY 2024/25 and FY 2025/26 Proposed Budget – All Funds

The FY 2024/25 Proposed Budget totals \$331.7 million in revenues and \$312.7 million in expenditures, and the FY 2025/26 Proposed Budget totals \$350.4 million in revenues and \$330.1 million in expenditures across all budgeted funds. These amounts reflect an increase of approximately 15.7% in revenues and 18.1% in expenditures from the FY 2023/24 Adopted Budget of \$286.7 million in revenues and \$262.9 million in expenditures.

FY 2024/25 & FY 2025/26 TOTAL PROPOSED BUDGET

<u>Fund</u>	<u>Adopted 2023-24</u>	<u>FY 2024-25 Proposed</u>	<u>FY 2025-26 Proposed</u>
Revenues			
General Fund Revenues	\$ 208,349,947	\$ 236,603,800	\$ 253,166,066
Other Fund Revenues	\$ 78,368,978	\$ 95,076,919	\$ 97,268,983
Total Proposed Revenues	\$ 286,718,925	\$ 331,680,719	\$ 350,435,049
Expenditures			
General Fund Expenditures	\$ 198,758,027	\$ 237,733,763	\$ 252,961,302
Other Fund Expenditures	\$ 64,125,084	\$ 74,988,484	\$ 77,164,377
Total Proposed Expenditures	\$ 262,883,111	\$ 312,722,247	\$ 330,125,679

The City's Budget includes governmental, proprietary, and internal service funds, including grants and other restricted funds designated for specific services and purposes provided by the higher levels of government (i.e., Federal, State, and County governments and agencies). Many of the City's special and restricted funds receive ongoing revenue streams, while some are one-time competitive grants and require careful monitoring and record-keeping.

In some instances, a fund may have available fund balances that have accumulated over time and are expended as the need arises and/or to complete specific projects within assigned timeframes. As such, the Budget contains many separate funds with specific accounting and reporting requirements per government regulations and, in some cases, statutes.

The City's General Fund is not restricted and can be used to provide a broad array of public services. It is comprised of multiple revenue sources, including taxes, for example, property tax, sales and use tax, transaction and use tax (Measure S), transient occupancy tax (hotel tax), cannabis sales tax and others, user fees, fines, facility rentals, development-related fees, and other miscellaneous revenues.

Operating Budget – All Funds

The Proposed Budget increase of over \$47.8 million, or 18.1%, for a total of \$312.7 million in the Operating Budget portion of the FY 2024/25 and FY 2025/26 Budget across all funds is primarily attributed to addressing the City Council's goal of Focused, Aligned Leadership, unified Community, and Improved Quality of Life. The most notable increases are Animal Services, with an increase of \$5.7 million in expenditures, and the Liability Fund, with an increase of \$11.7 million in expenditures.

Capital Budget – All Funds

The Capital Budget of \$13.2 million and \$17.5 million in FY 2024/25 and FY 2025/26, respectively, across all funds, reflects the City's Capital Improvement Program (CIP) Budget. Additional details regarding the CIP Budget were presented at the April 17,

2024, Preliminary Proposed session and will be explained in much greater detail in the CIP section of the FY 2024/24 and FY 2025/26 Adopted Budget Book.

Overview of FY 2024/25 and FY 2025/26 Proposed Budget – General Fund

The Proposed FY 2024/25 and FY 2025/26 General Fund Operating Budgets total \$237.7 million in FY 2024/25 and \$253.0 million in FY 2025/26. This reflects an increase of 19.6% from the FY 2023/24 Adopted Budget of \$198.8 million. Despite a budgeted use of fund balance of \$1,129,963 in FY 2024/25, the budget reflects a small surplus of \$204,764 in FY 2025/26, continuing the positive trajectory for the General Fund. The budgeted use of fund balance in FY 2024/25 supports the additional positions added through the FY 2023/24 Mid-Year follow-up item, as well as additional items proposed by City Council.

General Fund Revenue Highlights

The FY 2024/25 and FY 2025/26 Proposed Budget for General Fund Revenues totals \$236.6 million and \$253.2 million respectively. FY 2024/25 represents a 13.6% increase from the FY 2023/24 Adopted Budget. Measure S (transaction and use tax) and Sales and Use Tax continue to be the main revenue sources within the General Fund, representing 47% of the total revenues for both fiscal years. These revenue sources have stabilized from the levels seen during the pandemic; the forecast includes a 1-5% increase in FY 2024/25 and FY 2025/26 over the FY 2023/24 Adopted Budget.

Several revenue categories within the General Fund are expected to continue to increase, such as investment income, use of money and property, utility user tax, other taxes, and licenses and permits. These revenues are used to cover public safety, parks and community services, development services, and other activities and programs.

Below is a table with the forecast revenues for FY 2024/25 and FY 2025/26.

CITY OF SAN BERNARDINO REVENUE ESTIMATES
FY 2024/25 & FY 2025/26

Revenue Category	FY 2023/24 Projected Year- End	FY 2024/25 Proposed	FY 2025/26 Proposed
Charges for Services	\$ 9,087,250	\$ 10,319,801	\$ 11,042,187
Fines and Forfeitures	1,397,000	1,593,262	1,704,790
Franchise Tax	13,280,000	14,939,265	15,985,014
Intergovernmental Income	5,348,374	2,949,650	3,156,126
Investment Income	900,000	999,900	1,069,893
Licenses & Permits	14,378,500	16,989,167	18,178,409
Measure S Transaction & Use Tax	50,528,000	53,550,000	57,298,500
Miscellaneous	3,844,697	4,238,231	4,534,907
Other Taxes	9,550,000	11,599,680	12,411,658
Cannabis Tax	2,800,000	3,460,800	3,703,056
Property Tax In Lieu of VLF	23,000,000	25,806,000	27,612,420
Sales and Use Tax	57,088,000	58,623,667	62,727,324
Use of Money and Property	2,357,000	2,640,627	2,825,471
Utility Users Tax	25,000,000	28,893,750	30,916,313
Total General Fund Revenues:	\$ 218,558,821	\$ 236,603,800	\$ 253,166,066

Sales and Use Tax and Measure S (Transaction and Use Tax)

Sales and Use Tax in the City of San Bernardino represents 25% of the total General Fund revenues and is estimated to be \$58.6 million and \$62.7 million in FY 2024/25 and FY 2025/26, respectively. Measure S in the City of San Bernardino represents 23% of the total General Fund revenues and is estimated to be \$53.6 million and \$57.3 million in FY 2024/25 and FY 2025/26, respectively. Fairly strong job numbers and the relatively low unemployment rate allowed consumer spending to remain solid in FY 2023/24, and the City continues to see strong performance in these categories while much of the State is in a period of decline.

Cannabis Tax

Cannabis Tax revenue came in under budgetary expectations for FY 2022/23. Statewide, cannabis tax collections are down by 9.5% for the calendar year 2023, primarily attributed to illegal operators cutting into the sales of legal operations and consequently diminishing the amount of tax collected on legal sales. Analysts predict that statewide crackdowns on illegal operators should mitigate this somewhat in the next couple of years. Locally, legal operators, with the exception of one who is no longer in possession of a city license to operate, are up to date with their payments. FY 2023/24 is anticipated to end the year with \$2,800,000 in total cannabis tax collections. Cannabis Tax in FY 2024/25 and 2025/26 is budgeted at \$3,460,800 and \$3,703,056, respectively. While these are significant increases, they should not be unrealistic if the state is working to resolve the issue of illegal operations.

Investment Income and Use of Money and Property

The Investment Income and Use of Money and Property categories represent just under 2% of the total General Fund revenues but have significant increases from the

FY 2023/24 Adopted Budget. Investment income is estimated to be approximately \$1.0 million in FY 2024/25 and FY 2025/26, compared to the \$540,000 adopted in FY 2023/24. Use of Money and Property is estimated to be \$2.6 million and \$2.8 million in FY 2024/25 and FY 2025/26, respectively, compared to the \$604,000 adopted in FY 2023/24. These increases are indicative of the higher interest rates in the current market. As the City invests strategically and higher interest rates continue, this category of revenue is likely to trend upward.

Utility User Tax

The Utility User Tax (UUT) category represents 12.2% of the total General Fund revenues and is estimated to be \$28.9 million and \$30.9 million in FY 2024/25 and FY 2025/26, respectively. This category is estimated to see a 38% increase from the FY 2023/24 Adopted Budget due to the increase in energy prices related to inflation and other factors impacting the cost of providing utilities. As the city continues to invest in economic development, increased commercial and industrial activity results in higher utility consumption, which drives additional UUT. This tax has been trending downward over time and is not anticipated to continue to increase over the long term. Both residential and commercial consumers are investing in solar, working toward energy efficiency, and engaging in energy-conserving behaviors.

Licenses & Permits

The Licenses & Permits category consists of various fees for licensing for businesses, building permits, construction permits, etc., and represents 7% of the total General Fund revenue. This category is estimated to be \$17.0 million and \$18.2 million in FY 2024/25 and FY 2025/26, respectively, which is a 33% increase from the FY 2023/24 Adopted Budget. Though interest rates remain high, San Bernardino remains one of the most affordable cities in California for housing. Increases in new homes and population drive developer-related fees and other ancillary revenues like taxes when new businesses follow new residential developments.

General Fund Expenditure Highlights

The Proposed General Fund Budget for FY 2024/25 and FY 2025/26 includes total expenditures of \$237.7 million and \$253.0 million, respectively. Of this amount, 63.2% of the total budgeted expenditures are personnel-related costs such as full-time salaries, part-time salaries, health insurance, CalPERS retirement, and CalPERS unfunded liability. These amount to \$150.3 million and \$161.4 million for FY 2024/25 and FY 2025/26, respectively, an increase of over 21.3% altogether from the FY 2023/24 Adopted Budget of \$131.4 million. 33.6% of the total budgeted expenditures are related to ongoing maintenance, operation, contractual, legal, internal service charges, and capital costs. These account for \$79.8 million and \$82.8 million for FY 2024/25 and FY 2025/26, respectively, an increase of over 30% altogether from the FY 2023/24 Adopted Budget of \$63.0 million. The remaining 3.2% of the total expenditures are related to from the General Fund to the Animal Services Fund. In FY

2024/25 and FY 2025/26, the estimated transfer from the General Fund into Animal Services is \$7.7 million and \$8.5 million annually. The FY 2024/25 and FY 2025/26 Proposed Budget for expenditures includes the following significant items:

- An increase of \$1.0 million to the Legal Services department to better align with the anticipated expenses in the next few years while several high-profile cases move towards completion;
- An increase of \$10.0 million in internal service charges to the General Fund to support the Liability Fund;
- A \$1.3 million increase in utilities, driven by higher utility costs discussed above;
- A \$1.5 million increase in Community Development & Housing to support the implementation of the General Plan update;
- A \$1.3 million increase in building maintenance within Public Works to support the Strategic Initiative of increased security services to secure public spaces;
- A \$4.4 million increase in the annual required CalPERS unfunded liability payment;
- A \$1.0 million increase in the annual required CalPERS contribution;
- Positions increased by \$1.4 million during the FY 2023/24 Mid-Year follow-up item.

The following table summarizes the estimated expenditures for the General Fund FY 2023/24 year-end and the proposed expenditures for FY 2024/25 and 2025/26 by department. The individual department increases beyond existing service levels, and staffing follows.

CITY OF SAN BERNARDINO PROPOSED EXPENDITURES FY 2024/25 & FY 2025/26			
Department	FY 2023/24 Year-End Projected	FY 2024/25 Proposed	FY 2025/26 Proposed
Mayor	\$ 305,812	\$ 403,756	\$ 425,651
City Council	1,092,321	1,243,619	1,300,847
City Clerk	1,748,820	1,942,869	1,994,357
Legal Services	5,304,826	5,181,587	5,536,580
General Government	11,734,400	10,420,266	13,194,135
City Manager's Office	3,440,261	5,243,556	5,805,481
Human Resource & Risk Management	2,975,837	2,784,522	3,042,376
Finance & Management Services	5,580,156	6,612,496	7,241,806
Economic Development	-	1,785,363	2,002,329
Community Development & Housing	12,092,145	15,004,584	16,413,508
Police	116,734,761	132,847,479	138,329,846
Parks Recreation & Community Services	5,224,619	6,000,401	6,389,934
Public Works	31,164,575	35,591,030	37,647,120
Library Services	2,924,322	4,975,030	4,952,282
Special Assessment District	114,321	150,000	150,000
Capital Improvement Operating Contribution	2,000,000	-	-
<i>Transfer out to Animal Services</i>	<i>4,269,976</i>	<i>7,547,205</i>	<i>8,535,050</i>
Total General Fund Expenditures	\$ 206,707,152	\$ 237,733,763	\$ 252,961,302

Personnel Costs

During Fiscal Year 2023/24, 103 positions were added, excluding any positions added through grants. As part of the Strategic Initiatives proposed in Fiscal Year 2023/24, the City added 35 positions. To enable Animal Services to adequately serve the anticipated doubling of the Regional Partnerships for Animal Services, the City added 34 positions, 3 of which are included in the 35 added with the Strategic Initiatives.

Fiscal Year 2024/25 marks the last year of MOUs entered into beginning in 2021 with all bargaining units. The City is currently undergoing a comprehensive classification and compensation study; the potential impact of this study was considered during the development of the biennial budget. The staff that serves the City of San Bernardino is a vital resource to both the organization and the community, and it is an important step to ensure that our compensation and benefits packages are competitive in the marketplace. The collective impact of adding new positions increases salaries, benefits, and, ultimately, pension liability, all of which impact the General Fund operating budget.

Beginning FY 2024/25, the total authorized full-time equivalent positions will be 942, exclusive of City Council Members and the Mayor.

Mayor

The April 17, 2024, budget workshop indicated that the proposed amount for the City Council in FY 2024/25 and FY 2025/26 amounts were \$316,585 and \$328,257, respectively. The City Council has proposed the addition of one (1) full-time Administrative Assistant within the Mayor's Office to allow for adequate support of the Mayor. Currently, there is only one (1) support staff member within the Mayor's Office. This change in the Mayor's personnel makes the new proposed budget for FY 2024/25 and FY 2025/26 \$403,756 and \$425,651, respectively. The Mayor's Office proposed full-time equivalent positions will be increased by one (1), bringing the authorized personnel count to two (2), exclusive of the Mayor.

City Council

The April 17, 2024, budget workshop indicated that the proposed amount for the City Council in FY 2024/25 and FY 2025/26 amounts were \$1,219,448 and \$1,266,453, respectively. After feedback from the Mayor and City Council regarding their increased budgets for Meetings and Conferences, the City Manager has revised their travel budgets to increase by 10% from their previous budget of \$6,000 as opposed to doubling their total travel budget, bringing each Ward's travel budget to \$6,600. Furthermore, City Council has proposed the addition of two (2) full-time Administrative Assistant within the Council Office to allow for adequate support of the Council Members. Currently, there are only two (2) support staff members within the Council Office. This change in the City Council's budget makes their new proposed budget for FY 2024/25 and FY 2025/26 \$1,243,619 and \$1,300,847, respectively. The Council

Office proposed full-time equivalent positions will be increased by two (2), bringing the Council Office authorized personnel count to four (4), exclusive of City Council members.

City Clerk

On April 17, 2024, during the FY 2024 Mid-Year follow-up item, the Mayor and City Council authorized the addition of one (1) Records Management Specialist within the Department. The FY 2024/25 impact for this position is \$101,497, and \$5,000 for IT and other miscellaneous costs, bringing the total impact to \$106,497. The total FY 2025/26 cost is forecasted to be \$113,618. The Department's proposed full-time equivalent positions will be 9.

City Manager's Office

The City Manager's Office proposed FY 2024/25 and FY 2025/26 budget increase is due to the positions approved by City Council FY 2023/24. These positions consist of two (2) Deputy City Managers, one (1) Auditor I, one (1) Auditor II, and one (1) Legislative & Government Affairs Manager. This change in the City Manager personnel makes the new proposed budget for FY 2024/25 and FY 2025/26 \$5,243,556 and \$5,805,481, respectively.

Community Development & Housing

The Mayor and City Council also requested the inclusion of two (2) additional Community Development Technicians to complete permit checks during the April 17, 2024, budget workshop. The FY 2024/25 cost for a Community Development Technician, inclusive of both salaries and benefits, is \$92,816, and \$5,000 for IT and other miscellaneous costs, the cost for two positions for FY 2024/25 is \$195,632. The forecasted cost for FY 2025/26 is \$220,566. With the addition of the above and the transfer out of Real Property Services to Economic Development, the Department's full-time equivalent positions will be increased to 76.

Economic Development

Economic Development is a new department, added with the Strategic Initiatives. A director has yet to be hired as of the writing of this report. The initial plan was to add a director, three (3) managers, and an administrative assistant, as well as transfer three (3) existing full-time positions: a manager, a project manager, and a specialist from Community Development & Housing, for a total of eight (8) positions. In February of 2024, a Deputy Director position was added, and Real Estate Services, with three (3) positions, was also transferred from Community Development.

Public Safety - Police

The Police Department's focus areas are quality of life for the community, public engagement, organizational effectiveness, employee development, recruitment, and retention.

The Police Department added thirteen (13) critical positions during FY 2024, not including the three (3) Park Ranges and one (1) Park Ranger Supervisor, which were initially added to the Parks and Recreation Department and then later transferred to the Police Department. On April 17, 2024, during the FY 2023/24 Mid-Year follow-up item, the Mayor and City Council authorized an addition of eleven (14) positions within the department. These positions consisted of six (6) Community Service Officers, five (5) Police Record Technicians, and three (3) Police Dispatchers. The FY 2024/25 cost for the fourteen (14) positions, inclusive of both salaries and benefits, is \$1,073,135, and \$70,000 for IT and other miscellaneous costs, bringing the total cost for FY 2024/25 is \$1,143,135. The total forecasted cost for FY 2025/26 is \$1,283,679.

A recent study conducted to evaluate the number of staff needed to effectively respond to calls for service determined that the police dispatch center is significantly understaffed, given the number of calls for service. With the addition of the dispatchers through the FY 2023/24 Mid-Year follow-up item, the Police department is requesting the addition of one (1) Civilian Range Master, one (1) Police Records Manager, one (1) Police Dispatch Supervisor, and one (1) Police Dispatch Manager. The FY 2024/25 cost for the four (4) positions, inclusive of both salaries and benefits, is \$649,658, and \$42,797 for IT and other miscellaneous costs, bringing the total cost for FY 2024/25 to \$692,455. The forecasted cost for FY 2025/26 is \$757,485.

The Police Department is also requesting an ongoing operational increase of \$700,000 to contract custodial transport services to transport individuals who have been arrested to the County facility in Rancho Cucamonga. Currently, patrol officers must transport individuals to the facility, which takes a significant amount of time that could be better used within the community. A custody transport service will transport multiple individuals at once, removing the need for patrol officers to take this time from their patrol duties.

The Police Department's FY 2024/25 Proposed Budget is \$132,847,479, a 10.6% increase over FY 2023/24 Amended Budget. This increase includes the addition of the \$2 million city-wide security contract, which was previously included in the Public Works budget, and the \$506,000 Park Ranger Program, which was previously included in the Parks and Recreation budget. These transfers account for 21% of the increase. The Quality-of-Life Team, added with the Strategic Initiatives in October 2023, accounts for another 13%. With the addition of the above, the Department's full-time equivalent positions will be increased to 478.

Parks, Recreation and Community Services

Focus areas for the Parks, Recreation and Community Services Department include improvements to the City's parks and community centers, ensuring access to services for seniors, increasing the services offered at the parks and community centers, and adding to youth sports and aquatics.

Parks and Recreation added six (6) positions in FY 2023/24, including the four (4) positions for the Park Ranger Program that were later transferred to the Police Department. These and the other two (2) positions, the Deputy Director, and a Community Recreation Program Supervisor, were added with the intent to improve the quality of service to the community and the ability of our Parks and Recreation staff to provide service within our parks.

Parks and Recreation has four (4) Program Coordinator positions that are currently grant-funded through December 31, 2024. The City is proposing that these four (4) positions be fully funded through the General to continue expanding and improving services to the community.

The Parks, Recreation and Community Services budget is proposed to increase just over 6.9% for FY 2024/25, from \$5.6 million to \$6.00 million, and increase another 6.5% in FY 2025/26, not inclusive of any potential grants or new programming. The Department's proposed full-time equivalent positions will increase to 29.

Public Works, Operations and Maintenance

Focus areas for the Public Works Department include clean and safe streets, infrastructure resilience, community outreach and education, and environmental stewardship. Department management is also focused on recruitment and retention since operational challenges due to understaffing are an ongoing issue.

The Public Works FY 2024/25 Proposed Budget is \$35,591,030, a 2.1% increase over the FY 2024 Amended Budget. It should be noted that the Public Works proposed budget decreased by the amount of the city-wide security contract, which was transferred to the Police Department. This contract is approximately \$2 million annually, which represents a 5% decrease in the Public Works budget. If the security contract is not factored into the FY 2023/24 budget, the increase year-over-year is approximately 8%.

Public Works is requesting new software and equipment for NPDES at a one-time cost of \$78,000 and ongoing costs of \$75,000 annually. The division's employees will also need four (4) iPads to interface with the new software in the field at a cost of \$6,500.

Public Works is requesting the following additional positions: one (1) Engineering Technician and one (1) NPDES Inspector II. The FY 2024/25 cost for the two (2) positions, inclusive of both salaries and benefits, is \$212,669. Technology and other miscellaneous costs are included in the request for software and iPads discussed above. The forecasted cost for the positions for FY 2025/26 is \$240,521.

Five (5) total positions were added for Public Works in FY 2023/24. These were one (1) Land Development Engineer, three (3) Engineering Project Managers, and one (1) Capital Projects Manager through the Strategic Initiatives.

With the addition of the positions detailed above, the Department's proposed full-time

equivalent positions will be increased to 143.

Library

The Library Services Department's focus areas include continuing to increase staffing in the branch libraries, increasing community resources, recruitment and retention, and staff training and development.

The Libraries are still well under the staffing level they enjoyed before the City declared bankruptcy in 2012. While the City has developed efficiencies as a lean organization, Library Services faces challenges directly resulting from understaffing.

During FY 2023/24, Library Services added two (2) full-time positions, one (1) Library Technician and one (1) Management Analyst. While the positions added over the last three years have allowed the libraries to expand hours and improve service, they are still behind and require additional support to provide the level of service that the community deserves.

The Library Services Department is requesting one (1) additional Library Technician to continue improving branch service levels. The cost for one (1) position in FY 2024/25, inclusive of both salaries and benefits, is \$82,787. The forecasted cost for FY 2025/26 is \$92,102.

The Library Services Budget is proposed to increase 58.8% from the FY 2023/24 Amended Budget of \$3,133,028 to the Proposed FY 2025 Budget of \$4,975,030 as the City invests more in library operations, services, and technology. The FY 2025/26 budget is proposed to remain consistent year-over-year.

Two (2) full-time equivalent positions, the Library Network Administrator, and the Library Network Technician, will be transferred from Library Services to the IT Department. The library technology requires significant upgrades to both hardware and software. Moving these positions to the IT Department will allow more effective and efficient management of the upgrade process and Library Services technology in the future.

With these transfers and the addition of the Library Technician, the Department's full-time equivalent positions will be increased to 21.

Human Resources & Risk Management and Finance & Management Services

Human Resources and Finance are internal service departments that ensure public-facing departments have the necessary resources and support. Internal service departments include Human Resources, Finance, and Information Technology Services. Human Resources and Finance are included in the General Fund Budget, and IT is a separate Internal Service Fund.

The focus areas for Human Resources and Risk Management include policy updates, the organization-wide classification and compensation study, and improvements to the

recruitment and onboarding process.

The HR Department is requesting the addition of one (1) Senior Office Assistant to assist with administrative tasks. HR is responsible for a significant amount of confidential information and files that are required by law to be maintained for a specific number of years, depending on the type of information. This Senior Office Assistant will be invaluable in helping the Department ensure that all confidential information is appropriately maintained according to law. The FY 2024/25 cost for the Senior Office Assistant, inclusive of both salaries and benefits, is \$69,959, and \$5,000 for IT and other miscellaneous costs, for a total in FY 2024/25 of \$74,959. The forecasted cost for FY 2025/26 is \$83,099.

HR added one (1) HR Technician, one (1) HR Analyst II, and one (1) Supervising HR Analyst in FY 2023/24. With the addition of the Senior Office Assistant, the Department's full-time equivalent positions will be increased to 18.

Finance and Management Services focus areas include recruitment and retention, employee development, and continuing to update policies. Since 2021, the Department has updated the Investment Policy, the Travel Policy, the Reimbursement Policy, the Cash Handling Policy, the Procurement Card Policy, the Purchasing Policy, and others. All policies require ongoing monitoring to ensure relevance, compliance, and alignment with the law.

Finance is requesting the addition of one (1) Accounting Technician III. This position will aid the Department with basic accounting duties, allowing higher-level accountants to focus more on journal entries and complex tasks. The FY 2024/25 cost for this position, inclusive of both salaries and benefits, is \$89,677, and \$5,000 for IT and other miscellaneous costs, bringing the total cost for FY 2025 to \$94,677. The forecasted cost for FY 2025/26 is \$108,879.

Other Funds

Animal Services Fund

Animal Services continues to focus on community education, improving access to spay and neuter services and working to find a full-time veterinarian to work with the shelter. The shelter has improved outcomes for animals in its care and has now entered regional partnerships with Fontana, Rialto, and Colton in addition to the existing partnerships with Loma Linda and Grand Terrace. Starting July 1, the new partnerships are anticipated to double the number of animals that the shelter serves.

The FY 2024/25 and FY 2025/26 Proposed Budget for Animal Services will increase by \$5.7 million over the FY 2023/24 Adopted Budget. Major shelter improvements and increased staffing levels are necessary to accommodate the increased animal intake, which, as discussed above, is expected to double. The three new partnership cities will contribute to the increased operational costs according to the number of animals brought in from each city and will contribute to the costs of a new shelter in the future.

The City has been preparing for this increase for the last several months, hiring additional staff and increasing capacity at the shelter. On December 6, 2023, the Mayor and City Council approved the hiring of 31 additional positions in Animal Services, and three positions were authorized as part of the Strategic Initiatives on October 18, 2023, for a total of 34.

The Animal Services Department FY 2024/25 Proposed Budget is \$10,341,916, an increase of 42.1% over the FY 2023/24 Amended Budget of \$7,278,049. This increase will allow the City to improve the services provided to the community as well as prepare for the increase in animals from the new regional partnerships. The FY 2025/26 budget is proposed to increase by 11.7% year-over-year to \$11,551,824. The Department's proposed full-time equivalent positions will be 71.

Liability Fund

The Liability Fund has experienced significantly increased claims in the last eighteen months. Staff recommended an increase during the FY 2023/24 Mid-Year Report of \$7 million to complete the fiscal year. With stop-loss insurance that does not take effect until a claim reaches a \$5 million threshold, lawsuits against the City can be extremely expensive. The FY 2024/25 and FY 2025/26 Proposed Budget for the Liability Fund will increase by \$11.7 million over the FY 2023/24 Adopted Budget. These additional funds support the trend of increasing litigation and liability costs over the past eighteen months. Bringing this fund to the appropriate expenditure levels allows litigation and liability costs to be covered within the adopted budget. As older existing claims against the City are settled, staff anticipates that the need for this fund to have a budget of this magnitude will no longer be necessary. Risk Management staff will monitor the claims and liabilities closely for developing trends.

Information Technology Fund

The Information Technology Fund is an Internal Service Fund. Costs associated with this fund are charged to the departments within the General Fund and the Animal Services Fund.

IT is currently focused on upgrading the City's IT infrastructure, with an emphasis on cybersecurity. Funds are allocated annually to replacing aging servers, switches, and other critical hardware to ensure the City is not at risk. Additionally, the Department conducts ongoing risk assessments and provides training to personnel city-wide to prevent cyberattacks rather than waiting to mitigate damage after the fact.

The FY 2024/25 IT Services Budget is \$9,549,488. This is a decrease of just over \$3 million from the FY 2024 Amended Budget; however, the funding for the ERP implementation budget is encumbered and will carry over into FY 2024/25.

IT is not requesting any new positions; however, the Inland Empire Media Group (IEMG), with one (1) full-time equivalent position and several part-time positions, is

being transferred from the General Government Department in the General Fund to the IT Fund, two (2) full-time equivalent Library IT positions, the Library Network Administrator and the Library Network Technician, currently in the Library Services Department, are moving to the IT Services Fund, and the ERP Manager position is also moving from Finance to IT. These transfers will increase the IT staffing from 15 full-time equivalent positions to 19.

Fleet Services

The FY 2024/25 budget is \$6.1 million. The proposed FY 2024/25 budget is an increase over the FY 2023/24 adopted budget; the FY 2023/24 amended budget includes contracts that were not fulfilled before the end of FY 2023 which carried over.

Workers Compensation Fund

The Workers Compensation Fund has historically been consistent in its annual increases year-over-year. The increase from FY 2023/24 to FY 2024/25 is approximately 3%. The forecast increase from FY 2024/25 to FY 2025/26 is approximately 4%.

General Fund Balance Overview

Category	ACFR 2022-23	FUND BALANCE	FUND BALANCE	FUND BALANCE
	<u>FUND BALANCE</u> <u>06-30-2023</u>	<u>FUND BALANCE</u> <u>06-30-2024</u>	<u>FUND BALANCE</u> <u>06-30-2025</u>	<u>FUND BALANCE</u> <u>06-30-2026</u>
Nonspendable	41,421,536	40,000,000	40,000,000	40,000,000
Restricted	2,086,366	2,000,000	1,800,000	1,800,000
Committed				
<i>Animal Services</i>	68,387	10,000,000		
<i>General Plan Update</i>	142,877	2,400,000		
<i>Measure S - Capital Projects</i>	81,762,949	73,512,719	64,561,199	54,637,148
15% Emergency Reserve	28,788,264	31,006,073	35,413,498	37,666,239
10% Economic Contingency Reserve	19,192,176	20,670,715	23,608,999	25,110,826
Unassigned	-	5,724,718	9,364,343	7,091,633
TOTAL FUND BALANCE	173,462,555	185,314,225	174,748,039	166,305,846
Positions Added April 17 (Proposed Use of Fund Balance)	-	-	(1,382,264)	(1,560,865)
Additional Administrative Positions (Proposed Use of Fund Balance)	-	-	(261,513)	(292,182)
Additional Prior Year (FY 2024/25) Use of Fund Balance	-	-	-	(1,643,777)
REVISED FUND BALANCE	173,462,555	185,314,225	173,104,262	162,809,022

The estimated year-end fund balance for the General Fund is \$173.1 million in FY 2024/25 and \$162.8 million in FY 2025/26. These numbers are estimates and are subject to change based on actual revenue and expenditures within the given fiscal years, as reported in the Annual Comprehensive Financial Report (ACFR).

Capital Improvement Plan and Projects

The Capital Improvement Plan (CIP) includes ongoing and proposed new projects. There are currently 71 ongoing active projects, which limits the capacity to add new projects.

Ongoing projects include (but are not limited to) projects in the following categories and Wards:

Buildings:

- The California Theatre Renovation (Ward 1)
- Encanto Community Center Renovation (Ward 1)
- Feldheym Library Improvements (Ward 1)

Parks & Recreation:

- Guadalupe Park/Sal Saavedra Field (Ward 1)
- Seccombe Lake Park (Ward 1)
- Roosevelt Bowl Rehabilitation (Ward 2)
- Speicher Park Ballfields & Parking Lot Improvements (Ward 2)
- Speicher Park Eastside Skate Park (Ward 2)
- Nicholson Park Improvements (Ward 6)

Streets and Bridges:

- Mt Vernon Bridge Replacement (Ward 1)
- Cross Street Bridge Replacement (Ward 2)
- University Parkway and I-215 Diverging Diamond Interchange (Ward 5 & 6)
- Route I-210 at Waterman Avenue Interchange Improvements (Ward 7)
- Pepper Avenue Rehabilitation (Multiple Wards)
- Street Rehabilitation at Twenty-One Locations (Multiple Wards)
- Street Rehabilitation at Three Locations (Multiple Wards)

Storm Drains

- Mt. Vernon Storm Drain (Ward 6)
- Sierra Way Storm Drain (Ward 7)

Traffic

- Genevieve & Ralston Circuits Upgrade (Ward 7)
- Dilemma Zone Detection at 49 Intersections (Multiple Wards)
- 224 Intersection Hardware Signal Upgrades (Multiple Wards)

Within the ongoing projects, a few require additional funding due to unforeseen circumstances, including unexpected delays, environmental hazards, increasing costs of materials and labor, or changes in the project scope. Those projects are as follows: California Theatre Renovation, Anne Shirrells Park Gazebo, and the Speicher Park Ballfields and Parking Lot Improvements.

Project	Ward	Status	FY 2024/25
			Funding
California Theatre Renovation	1	Design	1,000,000
Anne Shirrells Park Gazebo	6	Construction	25,000
Speicher Park Imp. (Ballfields, Parking Lot)	2	Design	1,300,000
			\$ 2,325,000

All three are proposed to be funded by the General Fund.

The following are newly proposed projects for FY 2024/25:

Project	Ward	FY 2024/25	FY 2025/26
Nicholson Park Community Ctr Ph. 2	6	1,000,000	-
28th Street Traffic Calming	7	170,500	130,000
Median on Rialto at Metrolink RR Xing	3	70,000	265,000
		\$ 1,240,500	\$ 395,000

Nicholson Park Community Center is proposed to be funded by the General Fund. The other two projects are proposed to be funded from RMRA Gas Tax, and Local Regional Circulation funds as well as possibly supplemented by the General Fund.

2021-2025 Strategic Targets and Goals

The review of the proposed budget aligns with all key targets of the City Council's Strategic Plan. The funding of projects and programs at every level of the organization ensure that the City can achieve the goals and priorities established by the Mayor and City Council.

Fiscal Impact

There is no direct fiscal impact from receiving the presentation of the Proposed Budget for Fiscal Years 2024/25 and 2025/26 Operating Budget and Capital Improvement Plan. The budget process ensures that allocating the City's resources aligns with the Mayor and City Council's vision and priorities for the community. Staff will return to the Mayor and City Council on June 5, 2024, to adopt the Fiscal Years 2024/25 and 2025/26 Operating Budget and Capital Improvement Plan.

Conclusion

It is recommended that the Mayor and City Council of the City of San Bernardino:

1. Conduct the Public Hearing on the proposed Fiscal Years 2024/25 and 2025/26 Operating Budget and Capital Improvement Plan;
2. Receive and file the Proposed Budget for Fiscal Years 2024/25 and 2025/26 Operating and Capital Improvement Plan presentation and provide direction to staff.

Attachments

Attachment 1 – Proposed Budget Book

Attachment 2 – Proposed Capital Improvement Plan 2025-2029

Attachment – Public Hearing Notice

Ward:

All Wards

Synopsis of Previous Council Actions:

April 17, 2024

Mayor and City Council received and filed the Fiscal Years 2024/25 and 2025/26 City Manager's Proposed Operating Budget and Capital Improvement Plan.