



DISCUSSION

City of San Bernardino Request for Council Action

Date: April 17, 2024

To: Honorable Mayor and City Council Members

From: Charles A. Montoya, City Manager;
Barbara Whitehorn, Director of Finance and Management Services

Department: Finance

Subject: **City Manager's Preliminary Proposed Biennial FY 2024/25 and FY 2025/26 Operating and Capital Budget**

Recommendation:

It is recommended that the Mayor and City Council of the City of San Bernardino receive and file the City Manager's Proposed Budget for the FY 2024/25 and FY 2025/26 Operating and Capital Budget.

Executive Summary

The City Manager's Proposed Budget provides the Mayor and City Council with a balanced 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

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

This overview includes a forecast of revenues, expenditures, and review of fund balance for the General Fund, the capital improvement plan, including ongoing projects, and proposed additions.

This is the first meeting of three meetings for the biennial budget process. The next meeting, to be held on May 15, 2024, will be the Budget Public Hearing. Finally, the formal adoption of the Budget is proposed to take place on June 5, 2024.

Revenues

Revenues are projected to end FY 2023/24 at approximately \$218.6 million. This represents an increase of \$10.3 million over the FY 2023/24 adopted budget for revenues of \$208.3 million. The City has seen revenue increases year-over-year from sale and use tax and Measure S (transaction and use tax), as well as other revenue streams, including franchise fees, licenses and permits, which includes developer fees driven by increasing development, industrial, commercial and residential within the City, investment income, which is driven by higher interest rates improving the rate of return on the City's investments, and utility user tax, a revenue that in the last few years has been declining. Utility user tax is a tax on utilities within the city limits. As residential and commercial consumers engage in more conservation behavior regarding energy usage and take advantage of programs that incentivize the purchase of solar panels, utility bills, and therefore the tax collected on the total cost of utilities has declined. However, in the last two years, the cost of fuel underlying utilities has increased exponentially, driving the cost of utilities up such that this category of revenue increased significantly (19%) in FY 2023/24 and is anticipated to continue to grow over the next two years. This trend is not forecast to continue over the long term.

Cannabis revenues have been surprisingly low over the last year. These revenues have been lower than anticipated primarily due to illegal competition cutting into the profits of legal operations. State-wide the decrease in cannabis tax collections in calendar year 2023 was nearly 9.5%. Experts anticipate that this trend will not continue as the State is expected to crack down on illegal operators.

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

Expenditures

FY 2024/25 and 2025/26 expenditures include increases in all departments to ensure that the existing levels of service are maintained, and in some cases increased service levels are recommended. In developing the General Fund Biennial Budget, alignment with the Mayor and City Council's Strategic Goals was paramount to ensure that programs, projects, and services both uphold the commitments of the Mayor and City Council as well as meeting the needs of the community. The Strategic Goals are below.



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

CITY OF SAN BERNARDINO PROPOSED EXPENDITURES FY 2024/25 & FY 2025/26			
Department	FY 2023/24 Amended	FY 2024/25 Proposed	FY 2025/26 Proposed
Mayor	\$ 305,812	\$ 316,585	\$ 328,257
City Council	1,092,321	1,219,448	1,266,453
City Clerk	1,908,667	1,836,372	1,874,739
Legal Services	5,309,583	5,181,587	5,536,580
General Government	11,131,069	10,420,266	13,194,135
<i>Transfer out to Animal Services</i>	<i>4,269,976</i>	<i>7,547,205</i>	<i>8,535,050</i>
City Manager	3,420,261	5,156,385	5,708,085
Human Resource & Risk Management	3,059,953	2,784,522	3,042,376
Finance & Management Services	5,671,902	6,612,495	7,241,806
Economic Development	498,790	1,785,363	2,002,329
Special Assessment District	150,000	150,000	150,000
Capital Improvement Operating Contribution	950,618	-	-
Community Development & Housing	14,039,199	14,808,952	16,192,944
Police	119,810,135	131,704,344	137,046,166
Parks Recreation & Community Services	5,448,878	6,000,401	6,389,934
Public Works	34,863,813	35,591,030	37,647,120
Library Services	2,933,028	4,975,029	4,952,283
Total General Fund Expenditures	\$ 214,864,005	\$ 236,089,984	\$ 251,108,257

Parks, Recreation and Community Services Investments

Focus areas for the Parks, Recreation and Community Services Department include improvements to the City's parks, 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 intended to improve the quality of service to the community and the ability of our Parks and Recreation staff to provide service within our parks. As discussed, the Parks Ranger programs has been shifted to the Police Department and hiring for that program is underway.

Parks and Recreation has two (2) Program Coordinator positions with the Mid-Year follow-up item before Mayor and City Council this evening, April 17, 2024. These two positions are grant funded through December 31, 2024, after which the City will need to find additional grant funding, fund the positions within the General Fund, or not fund the positions. Given the need for the positions to continue to expand and improve service to the community, the latter option is not recommended.

The Parks, Recreation and Community Services budget is proposed to increase just over 10% for FY 2024/25, from \$5.45 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 amount will be 29.

Library Services

The Library Services Department focus areas include continuing to increase staffing in the branch libraries, increasing resources for the community, 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 that are a direct result of 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 to improve branch service levels. The annual cost is approximately \$82,787 with salary, benefits, and other costs (IT, office supplies, etc.).

The Library Services Budget is proposed to increase 70% from FY 2023/24 Amended Budget of \$2,933,028 to the Proposed 2024/25 Budget of \$4,975,029, as the City invests more in library operations, services, and technology. The FY 2025/26 Budget remains steady year-over-year.

The Library Network Administrator and the Library Network Technician full-time equivalent positions will be transferred from Library Services to the IT Department. The technology within the libraries requires significant upgrades to both hardware and software. Moving the positions to the IT department should allow more effective and efficient management of the upgrade process.

With the addition of one position and the transfer out of two, the total Library Service staff will be 21 full-time equivalent positions.

Investing in 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.

Public Works is requesting the following additional positions: one (1) Engineering Technician and one (1) NPDES Inspector II. The breakdown of costs for these positions is below.

Number	Title	Annual Salary &	
		Benefits	Total
1	Engineering Technician	98,029	98,029
1	NPDES Inspector II	114,640	114,640
	NPDES Software & Hardware	149,497	149,497
	IT and Other Costs (per position)	5,000	10,000
			372,166

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.

The Public Works FY 2024/25 Proposed Budget is \$35,591,030, a 2.1% increase over the FY 2023/24 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%.

The total staffing for the Public Works Department will be 143 full-time equivalent

positions.

Public Safety Investments – Police

Focus areas for the Police Department 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 2023/24, 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. There are also eleven (11) positions that have been brought forward with the item that is before the Mayor and Council this evening, April 17, 2024. Within the 11 positions, there are 3 Police Dispatchers.

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. Considering the result of the study, the Police Department is requesting an additional four (4) Police Dispatchers (in addition to the three mentioned above), one (1) Police Dispatch Supervisor, and one (1) Police Dispatch Manager, for a total of six (6) positions and a budgetary impact of \$692,455. The breakdown is below.

		Annual Salary &	
Number	Title	Benefits	Total
4	Police Dispatchers	97,950	391,800
1	Police Dispatch Supervisor	120,847	120,847
1	Police Dispatch Manager	137,011	137,011
	Training & Education	2,132	12,796
	IT and Other Costs (per position)	5,000	30,000
			<u>692,455</u>

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 great deal of time that could be better used. A custody transport service will transport multiple individuals at once and remove the need for patrol officers to take this time from their day.

The Police Department’s FY 2024/25 Proposed Budget is \$131,704,334, a 9.9% increase over FY 2023/24. 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 of 2023, accounts for another 13%.

The Police Department will have 460 full-time equivalent positions. If the 14 full-time equivalent positions proposed in the previous item before the Mayor and City Council are approved, the Police Department will then have 474 full-time equivalent positions.

Human Resources & Risk Management and Finance & Management Services

Human Resources and Finance are internal service departments. Internal service departments ensure that the departments that are public facing have the adequate resources and support that they need. Internal service departments include not only Human Resources and Finance, but also Information Technology Services. Human Resources and Finance are included in the General Fund Budget and IT is a separate Internal Service Fund.

Focus areas for Human Resources & 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.

		Annual Salary & Benefits	Total
Number	Title		
1	Senior Office Assistant	69,959	69,959
	IT and Other Costs (per position)	5,000	5,000
			<u>74,959</u>

HR added the following positions in FY 2023/24, one (1) HR Technician, one (1) HR Analyst II, and one (1) Supervising HR Analyst, for a total annual ongoing cost of \$321,551.

With the addition of the above, the total Human Resources and Risk Management staffing will be 18 full-time equivalent positions.

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; however, there remain policies that are outdated or need additional refining.

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 more complex tasks.

Number	Title	Annual Salary & Benefits		Total
1	Accounting Technician III	89,677		89,677
	IT and Other Costs (per position)	5,000		5,000
				<u>94,677</u>

Finance added one (1) Payroll Technician with the FY 2023/24 Budget for a total cost of \$77,849.

Finance is recommending the transfer of the Enterprise Resource Planning (ERP) Manager position to the Information Technology Services Department to ensure that the planning and transition to the new software goes smoothly. With the transfer of this position and the addition of the above position, the total staff in the Finance & Management Services Department will be 31 full-time equivalent positions.

Other Funds

Fund	FY 2023/24 Amended	FY 2024/25 Proposed	FY 2025/26 Proposed
Animal Services	\$ 7,278,049	\$ 10,509,218	\$ 11,551,824
<i>Internal Service Funds</i>			
Information Technology	\$ 12,597,832	\$ 9,549,488	\$ 9,893,993
Fleet Services	\$ 6,712,714	\$ 6,127,814	\$ 6,493,376
Liability	\$ 9,179,220	\$ 20,886,563	\$ 21,916,216
Workers Compensation	\$ 5,566,631	\$ 5,706,139	\$ 5,919,373

Animal Services, Investing in Regional Partnerships

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, Colton, Loma Linda, and Grand Terrace. Starting July 1, these partnerships are anticipated to double the number of animals that the shelter cares for.

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 partner cities will pay for the cost of sheltering the animals that are brought into the City's shelter on their behalf and will be making capital contributions to the improvements to the shelter facility.

The department added the following positions in FY 2023/24 to prepare for the regional partnerships:

Date		Position Title	Annual Cost	Initiative/Program
10/18/2023	1	Deputy Director of Animal Services	204,001	Strategic Initiatives
10/18/2023	1	Registered Vet Technician	81,259	Strategic Initiatives
10/18/2023	1	Veterinary Assistant	66,554	Strategic Initiatives
12/6/2023	1	Animal Services Manager	135,851	Regional Partnerships
12/6/2023	2	Animal Services Representatives	147,256	Regional Partnerships
12/6/2023	2	Animal Services Supervisor	222,678	Regional Partnerships
12/6/2023	8	Animal Shelter Attendants	589,024	Regional Partnerships
12/6/2023	5	Community Service Program Coordinators	475,035	Regional Partnerships
12/6/2023	2	Registered Vet Technicians	199,186	Regional Partnerships
12/6/2023	7	Senior Animal Service Representatives	554,253	Regional Partnerships
12/6/2023	1	Veterinarian	223,016	Regional Partnerships
12/6/2023	3	Veterinary Assistants	248,358	Regional Partnerships

3,146,471

The Animal Services Department FY 2024/25 Proposed Budget is \$10,509,218, an increase of 44% over the FY 2023/24 Amended Budget of \$7,278,048. This increase will allow the City to significantly expand the services provided to the community, as discussed above, and be ready for the increase in animals from the new regional partnerships. The Budget for FY 2025/26 is proposed to increase by 10% year-over-year to \$11,551,824.

The total number of staff in the Animal Services Department in FY 2024/25 will be 71 full-time equivalent positions.

Information Technology Fund

As discussed above, 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 that 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 2023/24 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, and two (2) full-time equivalent Library IT positions, the Library Network Administrator and the Library Network Technician, currently in the Library Services Department, are also moving to the IT Services Fund and the employees will be managed by the IT Department. Additionally, as discussed above, the ERP Manager position is moving from Finance to IT. These transfers will increase the IT staffing level from 15 full-time equivalent positions to 19.

Attached to this report is a list of all positions added in FY 2023/24 with the exception of those included in this report (which would be added in FY 2024/25) and those recommended with the item before the Mayor and Council tonight, April 17, 2024. Attachment 2 – List of FTE Positions Added in FY 2024.

Fleet Services

The FY 2024/25 Budget is \$6.1 million. The Proposed FY 2024/25 Budget is an increase over the adopted budget, the amended budget includes contracts that were not fulfilled before the end of FY 2022/23.

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 estimated increase from FY 2025 to FY 2026 is approximately 4%.

Liability Fund

The Liability Fund has experienced significantly increased claims in the last 12 to 18 months. Staff recommended an increase during the Mid-Year FY 2023/24 report of \$7 million to complete the fiscal year. With stop-loss insurance that does not begin until a claim reaches a \$5 million threshold, lawsuits against the City can be extremely expensive. The Liability Fund budget must be increased to ensure that the funds are available to meet the need.

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.

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 & 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.

The five-year CIP Budget and Planning document is attached to this report, Attachment 3 – 5-year CIP.

2021-2025 Strategic Targets and Goals

The ongoing review of budget priorities and strategies aligns with all four key Mayor and City Council Strategic Goals and Priorities.

Fiscal Impact

No fiscal impact is associated with this report. The FY 2024/25-2025/26 Budget includes capital spending which is, in part, funded by reserves (fund balance). These reserves have been previously designated for capital projects by the Mayor and City Council.

Conclusion

It is recommended that the Mayor and City Council of the City of San Bernardino receive and file the City Manager's proposed budget presentation for the FY 2024/25 and FY 2025/26 Operating and Capital Budget.

Attachments

- Attachment 1 – Presentation, City Manager's Proposed Budget - Fiscal Years 2024/25 - 2025/26
- Attachment 2 – List of FTE Positions Added in FY 2024
- Attachment 3 – 5-year CIP

Ward:

All Wards

Synopsis of Previous Council Actions:

None