



XIII.17. - Receive Update on the FY 2018-19 Proposed Operating Budget and 2018-2023 Proposed Capital Improvement Program

Finance Department

May 1, 2018

Background

- Study session on April 10, 2018
 - ❑ Draft Fiscal Year 2018-19 Proposed Operating Budget
 - ❑ Draft 2018-2023 Proposed Capital Improvement Program (CIP)
- Helpful in guiding staff towards the completion of the annual operating budget and CIP.
- As a result of direction received on April 10, staff made several changes to the Proposed Operating Budget and CIP.
- Staff requests Council confirmation of direction before finalizing both documents to be considered for adoption at May 10 public hearing.



A Focus on Stakeholder Engagement



Priorities Identified



- Public Safety
- Infrastructure and Community Facilities Maintenance
- Transportation and Transit
- Economic Development and Job Growth
- Fiscal Responsibility

Employee Engagement

- Two Open Houses to employees to discuss Proposed FY 2018-19 Operating Budget:
 - ❑ April 24, 2018 - Police Department Community Room (3pm)
 - ❑ **May 2, 2018 - Community Center Auditorium (11:30am)**
- Follow up to ongoing engagement with employees:
 - ❑ December 12, 2017 - Discussion with all Labor Groups
 - ❑ January 5 to 19, 2018 - Employee Survey
 - ❑ February/March 2018 - Needs Discussions within Departments
 - ❑ April 6, 2018 - City Manager e-mail introduction to budget
- Employee desire for more front-line operational personnel
 - ❑ **SAFER Grant** in progress to hire 4 additional firefighters.
 - ❑ **PD Recruitment Team** to fill vacant police officer positions.
 - ❑ While not all 22.25 new positions being proposed in the FY 2018-19 budget directly serve the public, all new positions support services and City priorities which do.
 - ❑ Follows up on 11 new front-line operational personnel added to Public Works in FY 2017-18.
 - ❑ Staffing models will continue to be examined in future budgets to ensure effective operations which meet City growth demands and the needs of the public.



Police Recruitment

- Created a Police Department Recruitment Team
 - ❑ (1) Sergeant and (8) Police Officers
 - ❖ Targeting Police Academies, Colleges, Sporting Events, City Sponsored Events, Military Bases
 - ❑ Adding a Dispatch Recruitment
- Recruitment Site Visits
 - ❑ January 2018 to May 2018
 - ❖ 39 Recruitment Visits
 - ❖ Over 2,300 Potential Applicants Contacted (Jan to April 2018)
- Reviewing Hiring Incentives for Lateral / Entry Level Police Officers
- Implementing Hiring Orientation
- In April 2018, (5) Police Officers Hired



Proposed Operating Budget Changes

- **\$681,000** projected General Fund operating surplus in FY 2018-19.
- Council requested and voted on the following seven (7) changes:



Rank	Requested Change	FY 2018-19 Cost
1	ADD Teen Center Program	\$92,000
2	ADD Community Outreach Administrator REMOVE Assistant to the City Manager	265,000 (265,000)
3	ADD Park Fee Subsidy	12,000
4	ADD Additional General Fund (GF) Reserves	0
5	ADD Classification and Compensation Study	472,000
T6	ADD Youth Job Program	75,000
T6	ADD Senior Shuttle Service	30,000
TOTAL		\$681,000

- In addition, staff is applying for SAFER grant, which would fund part of 4 firefighting personnel. Will request budget amendment when grant awards made July - October 2018.

Proposed CIP Changes



Council requested changes from April 10 Workshop:

- Move-up start of Restroom/Snack Shack Renovation

Now Combined with Skate Park Project - Under Design

- Design, CEQA, Permits, Dept. Health: **Late 2018/Spring 2019**
- Construction Start: **Summer 2019**
- Estimated Completion: **Summer/Fall 2020**

- Eliminated Project No. 5107 Mains Street/Library Park.

- Add new Midtown Park Projects - (Funded from closure of 5107).

- Add additional funding for new Carlo Street Park.

- All changes can be funded by current resources.

Additional Staff Recommended Reserves

- Staff recommends several additional General Fund reserves based on best practices and to increase long-term fiscal sustainability in Milpitas.
- To be funded by one-time remaining Unassigned General Fund balance of \$10.4 million as of the end of June 30, 2017.
 - ❑ \$2.65 million proposed to fund CIP projects; leaving \$7.75 million.



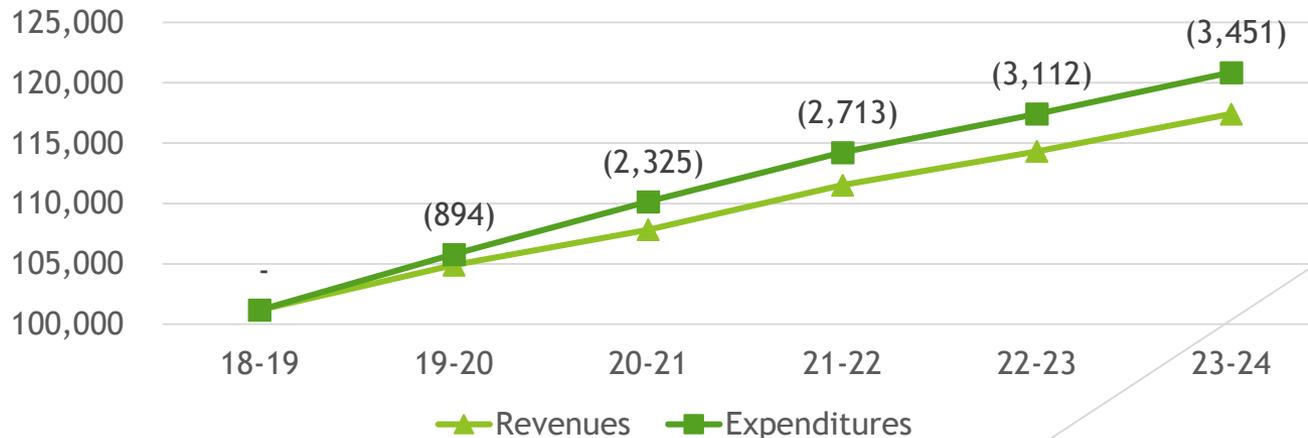
Description	Recommended Reserve Level for FY 2018-19	Recommended Long-Term Target
Budget Stabilization	\$4,000,000	\$8,300,000
Facilities Replacement	2,000,000	10,000,000
Technology Replacement	1,000,000	5,000,000
Artificial Turf Replacement	750,000	2,000,000
TOTAL	\$7,750,000	\$25,300,000

Five-Year General Fund Forecast



(\$ in thousands)	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24
Revenues	\$101,178	\$104,898	\$107,829	\$111,519	\$114,315	\$117,409
Expenditures	101,178	105,792	110,154	114,232	117,427	120,860
Surplus(Deficit)	\$0	\$(894)	\$(2,325)	\$(2,713)	\$(3,112)	\$(3,451)

- Future year projected deficits could be addressed through use of existing and newly proposed General Fund reserve balances.
- Newly proposed ballot measures could also help to mitigate future year projected deficits and provide funding for enhanced services needed for a growing community.



Recommendations

1. Receive update on the FY 2018-19 budget process
2. Provide staff with direction on the FY 2018-19 Proposed Operating Budget
3. Provide staff with direction on the 2018-23 Capital Improvement Program
4. Provide staff with direction on additional General Fund Reserves



Questions

