



# AGENDA STAFF REPORT

**DATE:** August 10, 2022

**TO:** Mayor and City Council

**APPROVED BY:** Esperanza Colio Warren, City Manager *Esperanza Colio Warren*

**PREPARED BY:** Sandra L. Fonseca, Interim Finance Director *Sandra L. Fonseca*

**SUBJECT:** Approval of a Resolution of the City Council of the City of Calexico Reaffirming and Updating the Budget for Fiscal Year July 1, 2022 to June 30, 2023

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## Recommendation:

It is recommended the City Council pass a resolution to clarify, reaffirm, and update the 2022-23 Adopted Budget.

## Background:

On June 30, 2022, the City Council approved a continuing budget resolution for the 2022-23 fiscal year (Resolution 2022-42) followed by a resolution adopting the 2022-23 Proposed Budget for individual funds and programs (Resolution 2022-43). On July 20, 2022, the City Council also adopted budget policies to clarify the authority delegated to the City Manager to conduct operations and to affirm the City’s commitment to long-term financial stability by setting target operating reserves and retirement obligation funding policies (Resolution 2022-45).

Today’s proposed resolution seeks to now clarify the final 2022-23 Approved Budget by reaffirming the 2022-23 budget authorities collectively adopted through Resolutions #2022-42, #2022-43, and #2022-45. The resolution also updates the budget for certain items that City Council members have requested to be added and removes one capital project for later consideration.

## Discussion & Analysis:

City Council received a briefing on the Proposed Budget on June 14, 2022. Budget Hearings were conducted with the City’s program staff on June 21, 2022 to provide opportunity for questions and public input. Also on June 21, 2022, staff met with the Economic Development Finance Advisory Commission to present and discuss the Proposed Budget. The Measure H Advisory Oversight committee discussed and recommended the Measure H section of the budget to City Council on June 8, 2002.

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During the budget process, certain equipment replacement and discretionary capital projects were discussed and recommendations for additional consideration on these items were noted by City Council members.

The City Council further met to consider adoption of the full proposed budget on June 27, 2022. Action was not taken on the Proposed Budget. Instead, City Council requested staff to return with a continuing budget resolution as a bridge until the recently appointed City Manager had assumed duties in July.

On June 30, 2022, City Council adopted the 2022-23 budget through a series of two resolutions. First, a continuing budget resolution was adopted (Resolution 2022-42). Also, to fully meet the City’s employee contract agreements, insurance obligations, vendor contractual obligations, and grant/bond funded project timelines, the City Council then adopted a supplemental 2022-23 budget resolution that, along with the continuing budget resolution, adopted the budget for specific City funds and programs. The result of the combined resolutions was adoption of substantially all of the 2022-23 Proposed Budget, with certain discretionary items held out for subsequent discussion and consideration by the New City Manager and City Council. The exceptions from the Proposed Budget that were excluded in Resolution #2022-43 included approximately \$34,000 in discretionary General Fund operating budget requests and the discretionary capital project and equipment spending listed in the Proposed Budget in Local Capital Fund #411.

Since June 30, 2022, City Council members have submitted additional requested updates to the 2022-23 budget. The proposed resolution updates the budget for the following items:

- A. The 2022-23 budget for the Water Capital Fund Project #987 “Switch to Hypochlorine,” of \$85,000 is deferred pending further City Council discussion/consideration of project options.
- B. The existing Federal American Rescue Plan Act appropriations previously adopted by City Council in 2021-22 are updated at this time with the following reclassification from the Emergency Responder Funds. Unspent balances are approved for carryover into 2022-23.
  - \$210,000 Police vehicles (February 2022 Disbursement)
  - \$ 9,000 Fire Hose
- C. The General Fund operating budget is increased by the following department line items that were included in the Proposed Budget but not included or previously approved in Resolution #2022-43 because they were small amounts. With the addition of these General Fund expenditures, projected General Fund revenues will balance with authorized General Fund expenditures.

<b>Fire</b>		
Medical Supplies	\$	2,500
Vehicle parts and equipment		8,000
Vehicle Fuel & Oil		<u>10,000</u>
	\$	20,500

<b>Public Works</b>		
Admin/File Cabinets and Scanner	<u>5,000</u>	5,000
<b>Recreation</b>		
Operating Cost Increases	<u>1,333</u>	1,333
<b>Admin - Other</b>		
City Council/Discretionary Funds	2,500	
City History Book	<u>5,000</u>	
		<u>7,500</u>
		\$ 34,333

D. Capital Project #91-921 "311 Cesar Chavez Demolition" is approved for the amount of \$60,000 in Fund #411 Local Capital Fund.

E. The Successor Housing Fund #802 budget is increased for a \$87,000 transfer to the Local Housing Fund to consolidate the Non-CDBG portion of the Primavera Loan into the Housing Successor Fund which will free-up less restrictive balances in the Local Housing Fund.

F. The Measure H Fund #120 budget Line Item for \$100,000 for Parks and Recreation is clarified with the following subsets:

Library Roof (Addition to 2022 Q1 Balance)	\$ 17,000
Community Center Lighting	32,000
Other Recreation Programs	<u>51,000</u>
	<u>\$ 100,000</u>

G. The following list of vehicles that were originally proposed to be paid from 2021-22 General Fund surplus, through a 2021-22 transfer to the Local Capital Fund #411, are not yet approved and will be reconsidered after staff returns to City Council with the costs/options of purchasing equivalent full electric trucks along with the costs of related necessary infrastructure (mechanic training and chargers) for consideration as a future budget amendment.

Public Works – Medium Truck	\$ 30,000
Fleet – Service Truck	45,000
Fleet – Machinery	5,000
Facilities – Service Truck	30,000
Facilities – Medium Truck	45,000
Planning/Building Replacement Vehicle (2)	<u>40,000</u>
	<u>\$ 195,000</u>

As the new City Manager continues analysis and assessment of City operations, the initial 2022-23 budget may see ongoing proposed updates to implement new operating strategies and recommendations as they are developed.

**Fiscal Impact:**

This resolution reaffirms and updates the budget authority for the 2022-23 fiscal year.

**Coordinated With:**

All City Departments.

**Attachment(s):**

1. Resolution of the City Council of the City of Calexico Reaffirming and Updating the Budget for Fiscal Year July 1, 2022 to June 30, 2023.
2. Exhibit 1 to Resolution – 2022-23 Approved Budget.

**RESOLUTION NO. 2022-\_\_\_\_\_**

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CALEXICO REAFFIRMING AND UPDATING THE BUDGET FOR FISCAL YEAR JULY 1, 2022 TO JUNE 30, 2023**

**WHEREAS**, the City of Calexico is a general law city that operates under the council-manager form of government; and

**WHEREAS**, the City Council of the City of Calexico annually adopts a budget that estimates revenues and authorizes expenditures, subject to the City’s existing purchasing policies and procedures, employment policies and other adopted city policies; and

**WHEREAS**, the City Council of the City of Calexico received a presentation on the 2022-23 Proposed Budget at a meeting on June 14, 2022; held department budget hearings on June 21, 2022; and held follow-up budget discussions at meetings on June 27, 2022 and June 30, 2022, and

**WHEREAS**, the City Council of the City of Calexico adopted a continuing budget resolution (Resolution #2022-42) on June 30, 2022; and followed by approving a resolution adopting the 2022-23 Proposed Budget for specific individual funds and programs (Resolution #2022-43) also on June 30, 2022; and further followed by approving a resolution adopting budget policies for the 2022-23 fiscal year on July 20, 2022 (Resolution #2022-45); and

**WHEREAS**, the City Council would like to now clarify the 2022-23 approved budget by reaffirming the 2022-23 budget authorities adopted collectively through Resolutions #2022-42, #2022-43, and #2022-45; and

**WHEREAS**, the City Council would like to update certain items previously adopted with resolution #2022-43;

**NOW, THEREFORE**, be it resolved, determined, and ordered by the City Council of the City of Calexico:

**Section 1.** The fiscal year 2022-23 Budget, attached hereto as Exhibit 1, shall be the budget for the City of Calexico for the fiscal year 2022-23. This budget includes the following updates from prior budget resolutions:

- A. The 2022-23 budget for the Water Capital Fund Project #987 “Switch to Hypochlorine,” of \$85,000 is deferred pending further City Council discussion/consideration of project options.
- B. The existing Federal American Rescue Plan Act appropriations previously adopted by City Council in 2021-22 are updated at this time with the following reclassification from the Emergency Responder Funds. Unspent balances are approved for carryover into 2022-23

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			\$ 20,500
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Admin/File Cabinets and Scanner		<u>5,000</u>	
			5,000
<b>Recreation</b>			
Operating Cost Increases		<u>1,333</u>	
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**Section 2.** The City Manager, or duly appointed representative, has the authority to expend appropriated amounts subject to policies and procedures adopted by the City Council. Budget appropriations shall be controlled at the department level within the General Fund, at the fund level for other funds, and at the capital project level within the capital improvement program. The City Manager is authorized to transfer appropriations between accounts within a General Fund Department, and within other individual funds, to meet the operating needs of the City. The City Manager is also authorized to carry-over any unspent capital project or grant appropriations to the following fiscal year until the projects are complete.

**Section 3.** The City Manager, or duly appointed representative, is authorized to fill staff positions as listed in the full-time staff position chart in the budget.

**Section 4.** A General Fund and Internal Service Fund Operating Reserve Policy was established in the 2020-21 budget and is updated with this 2022-23 budget. It will be the City Council’s policy to target and build over 5-year period a fund balance reserve for the combined General Fund and Measure H Funds that follows the Best Practices established by the Government Finance Officers Association (September 2015) equal to 60 days (16%) of General Fund operations. For Internal Service Self-Insurance Funds, the Operating Reserve Policy will remain at a one-month reserve equal to 8% of annual operating expenditures. These reserves will provide contingency funds in the event of economic or other disruption in City operations.

**Section 5.** A Water and Wastewater Operating Reserve policy was established in the 2019-20 budget and continues with the 2022-23 budget. It is the City Council’s policy that both the Water and the Wastewater Enterprise Funds will maintain a \$3 million operating reserve. Water and Wastewater revenues that exceed the amounts needed to maintain this operating reserve will be transferred to the respective Water and Wastewater Capital Funds for investment in their long-term capital improvement programs.

**Section 6.** The City Manager is directed to establish an IRS Section 115 trust fund to accumulate resources to pay for the City’s OPEB (Other Post-Employment Benefits) obligations, specifically the City’s retiree medical benefit obligations, with a funding model similar to the CalPERS pension trust fund. The initial deposit to the trust fund will be funds accumulated in the Fund #602 Retiree Medical Internal Service Fund for this purpose as listed in the proposed budget.

**PASSED, ADOPTED and APPROVED** this 10<sup>th</sup> day of August, 2023, by the City Council of the City of Calexico.

\_\_\_\_\_  
Javier Moreno, Mayor

**ATTEST:**

\_\_\_\_\_  
Gabriela Garcia, City Clerk

**APPROVED AS TO FORM:**

\_\_\_\_\_  
Carlos Campos, City Attorney



State of California     )  
Count of Imperial     ) ss.  
City of Calexico     )

I, Gabriela T. Garcia, City Clerk of the City of Calexico do hereby certify the above Resolution No. 2022-\_\_\_\_\_ was approved at a special City Council meeting held on the 10th day of August, 2022, by the following vote to-wit:

AYES:  
NOES:  
ABSTAIN:  
ABSENT:

\_\_\_\_\_  
Gabriela T. Garcia, City Clerk