Revenue Measure Committee Meeting
Agenda

April 24, 2024
6:00 PM – Regular Meeting
City Hall Training Room
319 N. Douty St.

CALL TO ORDER REGULAR SESSION:

ROLL CALL:

PUBLIC COMMENT:

This is the time for citizens to comment on subject matters within the jurisdiction of the Revenue Measure Committee. This is also the public's opportunity to request an item from the Consent Calendar be pulled for discussion purposes or to comment on any item on the agenda. State law does not allow the committee to discuss or take action on issues not on the agenda, except that members of the committee or staff may briefly respond to statements made or questions posed by persons exercising their public testimony rights (Gov. Code sec. 54954.2). A maximum of three minutes is allowed for each speaker. Please begin your comments by stating your name and providing your city of residence.

CONSENT CALENDAR:

Consent Calendar items are considered routine and will be enacted in one motion. There will be no separate discussion of these matters unless a request is made and then the item will be removed from the Consent Calendar to be discussed and voted upon by a separate motion.

A. City Clerk: Approval of the Minutes of the April 17, 2024 Meeting

GENERAL BUSINESS:

A. Committee discussion and Recommendation to the City Council regarding the need for a revenue measure

B. Finance: Discussion of final thoughts and considerations

ADJOURN:

4.A.

AGENDA
STAFF REPORT

MEETING DATE: 4/24/2024	AGENDA SECTION: CONSENT CALENDAR

SUBJECT:
Approval of the Minutes of the April 17, 2024 Meeting

RECOMMENDATION:

Recommendation: Approval of the Minutes of the April 17, 2024 Meeting

Recommended Motion: I move to approve the Minutes of the April 17, 2024 Meeting

BACKGROUND:

FISCAL IMPACT:

None

ATTACHMENTS:
1. RMC 4.17.24 MINUTES

Revenue Measure Committee Regular Meeting
Minutes

April 17, 2024 6:00 PM
City Hall Training Room
319 N. Douty St.

CALL TO ORDER REGULAR SESSION:

6PM called to order

ROLL CALL:

6pm, roll call was taken, 12 members present, Member Leach was absent (arrived 6:02p). 13 members present during meeting

PUBLIC COMMENT:

This is the time for citizens to comment on subject matters within the jurisdiction of the Revenue Measure Committee. This is also the public's opportunity to request an item from the Consent Calendar be pulled for discussion purposes or to comment on any item on the agenda. State law does not allow the committee to discuss or take action on issues not on the agenda, except that members of the committee or staff may briefly respond to statements made or questions posed by persons exercising their public testimony rights (Gov. Code sec. 54954.2). A maximum of three minutes is allowed for each speaker. Please begin your comments by stating your name and providing your city of residence.

6:01pm public comment opened. Dave Ayers from Hanford provided public comment. Frank Etulain from Hanford Professional Firefigthers provided public comment.

CONSENT CALENDAR:

Consent Calendar items are considered routine and will be enacted in one motion. There will be no separate discussion of these matters unless a request is made and then the item will be removed from the Consent Calendar to be discussed and voted upon by a separate motion.

Motion by Vice-Chair Strawn, 2nd by Member Barone, motion passed 13-0

A. Approval of the Minutes of the April 10, 2024 Meeting

GENERAL BUSINESS:

A. Finance: Presentation and review of Draft Expenditure Plan for potential revenue measure

Director Tavarez presented to the RMC direction from City Council and review of a draft Staff Expenditure Plan based on RMC priorities and preliminary National Community Survey results. A motion was made by Member Chavarin, 2nd by Member Lofy to accept the Staff Expenditure Plan as presented and review further. After much discussion, the motion was amended to include updates as moved by consensus of the RMC during discussion by Member Chavarin and the motion passed 13-0. After an update of the Expenditure Plan to include estimated costs of all items as adopted, the RMC discussed further, no further amendments were adopted by the RMC. A final motion to adopt the draft RMC Expenditure Plan was moved by Vice-Chair Strawn, 2nd by Member Barone. The final motion to adopt passed 13-0.

ADJOURN:

8:07pm

AGENDA
STAFF REPORT

MEETING DATE: 4/24/2024	AGENDA SECTION: GENERAL BUSINESS

SUBJECT:
Committee discussion and Recommendation to the City Council regarding the need for a revenue measure

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Recommendation: Staff recommends that the Revenue Measure Committee (RMC) discuss the process so far and determine if a recommendation to the City Council for a revenue measure is warranted.

Recommended Motion: I move to recommend to the City Council that there is:
(one of two options)
a. Yes, there is a need for revenue measure
b. No, there is no need for a revenue measure

Background:
At the April 17, 2024, Revenue Measure Committee meeting, the RMC unanimously(13-0) adopted a proposed 10-year Expenditure Plan that the committee agreed shows recommended priority areas of need for the City (Attachment A). As an initial point of reference for the RMC, staff drafted a 10-year Expenditure Plan (Attachment B) based on the priorities identified by the RMC and department head expertise, which staff believes was also supported by preliminary results of the National Community Survey. The draft Staff Expenditure Plan has been updated to include all wording updates from the RMC.

The priority areas in the General Fund would put the City in a better position to be able to protect and preserve the services and facilities that residents and businesses may most value and appreciate. Other areas of need were discussed. However, only items that had consensus of the RMC were included. Annual potential expenditures range from $18.2 million to $23.8 million in year 10 of the plan.

Over the course of nine meetings and over 20 hours, the RMC has focused on departments considering operations, facilities and other needs in all areas of the General Fund. The City of Hanford is facing tight financial conditions in the General Fund in current years, and is projected to have expenditures exceeding revenues without additional revenue and or cuts to services. Options to maintain or make significant improvements to General Fund-supported services or facilities will be challenging and would take many years to achieve financial capability to pay for significant capital needs such as a Public Safety Building, or new Fire Stations or apparatus, and Streets.

General Fund Budget Overview:

Adoption of the Fiscal Year 2023/2024 and 2024/2025 budgets were balanced but came with restricted budgets and deferral of facility and equipment needs. As shown in department presentations, there are many additional needs that the budget does not begin to be able to address.

The FY24 & FY25 Biennial Budget consists of all City funds, including the General Fund, Enterprise Funds, Internal Service Funds, Special Funds and Capital Funds. The proposed budget for FY 2023/2024 is $124,811,761 and for FY 2024/2025 is $117,772,065 as shown in Table 1A/1B, Summary of Proposed Appropriations 2023/2024 and 2024/2025.

Table 1A

	Summary of Proposed Appropriations			
	2023/2024			
Fund Type	Operations	Capital	Debt	Total
General Fund	39,616,571	-	3,956,066	43,572,637
Enterprise Funds	31,492,904	8,070,115	4,000,415	43,563,434
Internal Service Funds	13,291,937	1,383,590	91,818	14,767,345
Special Funds	5,642,863	17,265,482	-	22,908,345
Total	90,044,275	26,719,187	8,048,299	124,811,761

Table 1B

	2024/2025			
Fund Type	Operations	Capital	Debt	Total
General Fund	40,225,758	-	3,865,794	44,091,552
Enterprise Funds	31,752,000	8,413,040	4,068,890	44,233,930
Internal Service Funds	13,331,433	491,190	91,406	13,914,029
Special Funds	4,845,074	10,687,480	-	15,532,554
Total	90,154,265	19,591,710	8,026,090	117,772,065

The General Fund:

The General Fund is the City's most discretionary funding source that receives revenues from Sales Tax, Property Taxes, Business Tax, Transient Occupancy Tax among other revenues including fees for recovery of costs. There are several areas of essential services that are paid for out of the General Fund including Policy, Fire, Streets, Administration, Parks/Recreation and Planning/Community Development.

This budget is very tight for the City's General Fund, in short, it was a challenge to have a balanced budget as required by Council-adopted resolution. In addition, economic forecasts indicate a slow down in revenue, so cost increases due to inflation and salary increases were hard pressed to be fully offset. For the past several years, the City has been 'tightening its belt'. However, there are limits as to what can be done as personnel costs are the majority of costs (over 70% of General Fund expenditures) and there are essential costs of operating that must be covered. All non-fixed costs were scrutinized by staff.

Proving to be a significant challenge to balancing the City's General Fund is the $12.5 million settlement agreed to in early 2023 of which $7.5 million has been paid. This depleted the GF reserve to approximately 6%, well below the 35% goal (15% operating, 20% fiscal emergency). The remaining $5 million must be paid over the next four years at $1.25 million annually. This will have a direct impact to the General Fund budget over the next four years as the City must set aside funding for this debt payment (which was formerly in retirement operating costs as an 'Unfunded Accrued Liability' payment to CalPERS) in addition to all other operating, capital and existing debt demands.

The total General Fund budget for FY 24 & 25 is $43,572,637 million and $44,091,552 million respectively (total of all revenues and transfers in), as seen in Table 2. A summary showing GF organizational comparisons can be seen in Table 3.

Table 2

General Fund Proposed Budget 2023/2024 and 2024/2025

	2023/2024	2024/2025
Revenues		
General Fund (Non Departmental)	(34,768,814)	(35,249,930)
Admin	(737,000)	(749,000)
Com. Develop.	(290,300)	(290,300)
Eng & Streets	(278,250)	(278,250)
Parks & CS	(836,960)	(846,960)
Fire	(585,950)	(590,950)
Police	(1,609,650)	(1,620,450)
Total Operating Revenues	(39,106,924)	(39,625,840)
Allocations In	(4,465,712)	(4,465,712)
Total Revenues	(43,572,636)	(44,091,552)
Expenses*		
General Fund (Non Departmental)	161,302	146,847
Admin	4,363,156	4,416,501
Com. Develop	1,323,488	1,248,834
Eng & Streets	4,734,203	4,874,933
Parks & CS	4,884,531	4,746,077
Fire	7,368,398	7,586,478
Police	16,781,493	17,206,088
Total Expenses	39,616,571	40,225,758
* Capital Outlay Included		
Debt Liability	2,722,754	2,688,294
Debt Service	1,070,624	1,005,971
Debt Service Transfers to Non-GF	162,688	171,529
Total Net (Balanced)/Deficit	-	-
General Fund Capital	-	-
Total General Fund Appropriation	43,572,637	44,091,552

Table 3

PROPOSED SUMMARY OF GF BUDGETS AS OF 05/30/23						
ORG	PROPOSED 2025 BUDGET	PROPOSED 2024 BUDGET	2023 REVISED BUDGET	CURRENT 2023 ACTUALS	2022 REVISED BUDGET	2022 ACTUA
NON-DEPARTMENTAL REVENUES	(35,103,083)	(33,774,178)	(32,190,884)	(29,401,160)	(28,981,962)	(29,114,000)
ONE-TIME REVENUES (Includes ARPA funds & POB proceeds, litigation exp transfer)	-	(833,334)	(2,833,333)	(5,667,651)	(200,000)	(28,055,767)
ADMINISTRATION	2,108,109	2,066,764	2,575,257	1,906,691	1,912,813	2,806,025
COMMUNITY DEVELOPMENT*	734,937	809,591	1,206,640	(982,916)	714,161	107,060
POLICE	15,583,138	15,169,343	14,559,816	10,813,957	13,544,596	26,185,688
FIRE	6,745,528	6,532,448	7,173,791	5,266,194	6,953,267	14,202,432
PARKS & REC**	3,762,499	3,910,953	13,219,734	2,316,717	13,213,056	5,071,615
PUBLIC WORKS	2,303,078	2,162,348	3,120,848	1,987,823	2,715,630	4,445,388
SUB-TOTAL	**(3,865,794)**	**(3,956,065)**	**6,831,869**	**(13,760,345)**	**9,871,561**	**(4,351,559)**
DEBT SERVICE	-	-	-	1,139,410	-	12,646,158
TRANSFER OUT/DEBT	3,865,794	3,956,066	77,197		73,154	
TOTAL NET (BALANCED)/DEFICIT	-	-	**6,909,066**	**(12,620,935)**	**9,944,715**	**8,294,599**

INCLUDES $25M PENSION OBLIGATION BOND PROCEEDS TO PAY TO CALPERS FOR UNFUNDED ACCRUED LIABILITY.

FY22 EXPENSES: THE HIGHER THAN USUAL COSTS ARE ATTRIBUTED TO THE INITIAL PENSION OBLIGATION BOND COST. FOR FUTURE, POB REMAINING COSTS WILL BE PAID YEARLY AND DIRECTLY FROM THE GF UNTIL FY 2034.

* Community Development no longer includes Building Safety (formerly Building Inspection). Building Safety is now an Enterprise fund not in the General Fund, beginning FY24.

**Revised budget due to Heroes Park appropriation of $8.5M and would be offset by incoming grant once received.

The following summarizes how the General Fund was balanced. Although they are not extraordinary steps, they are not ideal, and not sustainable long-term (deferral of expenses eventually need to be paid up).

FY24 - balanced (due to one-time revenues which should not be relied on for ongoing costs)
FY25 - balanced (some reserve deferrals required and operating budget decreases)

Spending over what revenues are received would lead to a structural deficit budget, which is something that should not occur per City Council resolution. It also goes against Council goals established in March 2023, plus it is not sound fiscal practice and unsustainable in the long term.

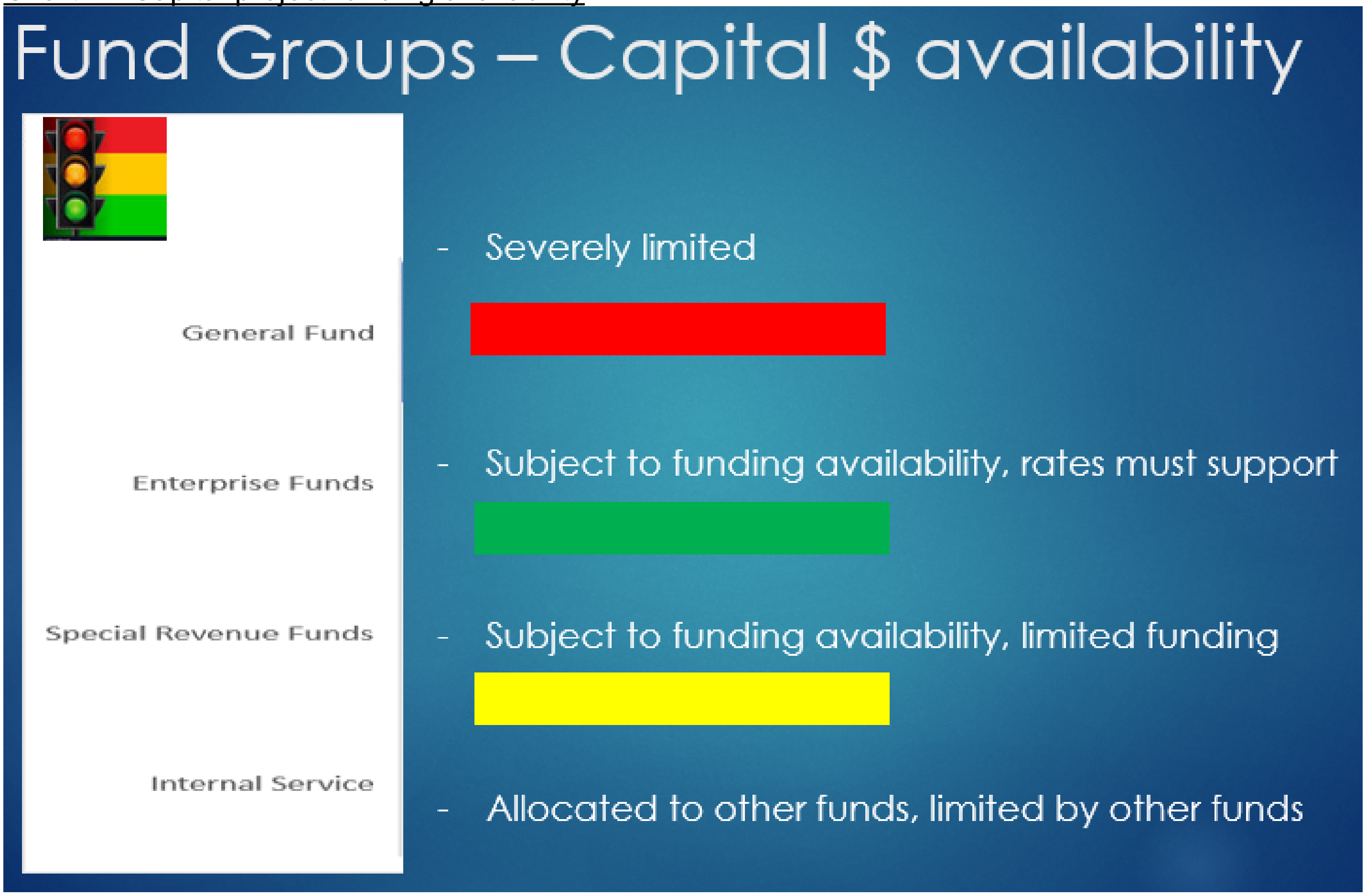
The following actions for a balanced budget are reflected in the budget:
•Budget positions at projected steps (not top step as done in past) - Included in summary
•Include "optimistic" revenue projections (usually conservative) - Included in summary
•Substantially reduce operating budgets for departments to include most essential costs only - some further reductions were included for FY25
•Defer reserve (set asides) for future purchases (such as vehicles, equipment and facilities) - $300k in fleet reserve for non public safety vehicles and $400k in facility reserves in FY25 included
•Freeze new positions in the General Fund (until budget is balanced without deferral of reserves and surplus is forecasted)
•Freeze vacant General Fund positions unless essential for ongoing operations - Recommended for budget period at City Manager's discretion

General Fund Capital Project Outlook

Due to no projected surplus, no projects were recommended to be funded from the General Fund unless they are offset by grants or existing reserves, or of utmost need. Included in the budget is a Capital Improvement Program (CIP) that outlines what capital projects will be done by the City in the upcoming budget period. Fiscal years FY24 (7/1/2023-6/30/2024) and FY25 (7/1/2024-6/30/2025) are the upcoming budget years recommended for adoption. The City adopts a five year Capital Improvement Program which includes future projects in FY26, FY27 and FY28, anything outside the FY24 and FY25 budget years have no appropriation or authorization to spend (listed for planning purposes only).

Funding for capital funds can be summarized as follows (Chart 1):

Chart 1 - Capital project funding availability



CITY OF HANFORD CAPITAL PROJECT RANKINGS
As projects are recognized and developed when presented to City Council for consideration, they are ranked in the following manner. In the current budget, there is very little money for capital projects, unless it is taken from the available fund balance in the General Fund or additional revenues are realized.

General Fund Project Ranking Level Ranking Sub Ranking
1: Highest of highest importance, operational impact A: Health and Safety
2: Useful but lower priority B: Highly desirable, useful
3: Improvements but can wait

In the General Fund, the following principles were implemented for the budget period:

- No General Fund CIP unless absolutely essential
- No new positions unless fully offset by new revenues or proven cost reductions
- Fees are recommended to offset costs as much as possible
- No new spending from prior budget unless a health or safety issue necessitates a purchase
- Adhering to purchasing procedures for optimal pricing on purchases
- Personnel costs are not budgeted at top step this proposed budget. Personnel costs are usually included at top step of pay in order to handle unknowns or changes that may occur (this can also help realize some salary savings at year end which helps maintain a balanced budget and will help the

City recover its reserve)
- Staff will continually look to update/enhance cost allocations to offset General Fund costs in order to confirm other funds pay their appropriate share
- As needed and available, re-allocate reserves for CIP priority projects. Although this will delay other projects/needs, higher priority needs can be funded without currently impacting the General Fund

Based on the recommendation from the RMC, staff recommendations, and information from the National Community Survey and professional polling, the final version of any Expenditure Plan, as well as any proposed ballot language for a potential measure, and the strategy of how the City gets information out to voters, will be decided on by City Council.

Fiscal Impact:
If a transactions and use tax (sales tax) revenue measure were to be supported, the City would bring in revenue projected to be approximately:

Rate	Projected Revenue
0.25%	$4,800,000
0.50%	$9,600,000
0.75%	$14,400,000
1.0%	$19,200,000
1.25%	$24,000,000
1.50%	$28,800,000
1.75%	$33,600,000
2.00%	$38,400,000

ATTACHMENTS:
1. RMC EP v1 4.24.24
2. Staff EP v2 4.24.24
3. City of Hanford Budget Book

CITY OF HANFORD
Initial Spending Plan With Maintenance and Emerging Needs
All Amounts in Thousand

		Plan Elements													
Year	Units	Police		Units	Fire		Streets		Units	Parks and Community Services		Units	Maintenance & Emerging Needs @ 3%		Total Expenditures
1							New Elements								
	8	***Police Officers***	***1,280***	3	***Firefighters***	***330***	***Road Rehabilitation/Pavement Pres***	***6,000***	2	***Park Maintenance Employees ****	***260***	2	***Code Compliance Officers ****	***320***	
	8	***Police Cars and Equipment***	***840***		***Station #4 Design***	***600***	**** and associated costs***			**** Equipment/Vehicles***			**** Equipment/Vehicles***		
	3	***Professional Staff ****	***300***		***Station Improvements/Equipment***	***100***			1	***Recreation Coordinator***	***90***		***Community Cleanup/Abatement for Code***	***100***	
		Prof Staff Cars and Equipment*	***180***		***Communications Equipment***	***825***				***Existing Parks Additional Maintenance***	***160***		***City Owned Building Maintenance***	***151***	
		**** Dispatchers, Records and CSO Officers***								***Existing Parks Additional Improvements***	***280***				
		Public Safety Building Land/Reserve	***6,550***												
		Subtotals	9,150			1,855		6,000			790			571	18,366
2							New Elements								
		Public Safety Building Design	***3,000***		***Station #4 Construction Reserve***	***295***									
				1	***Fire Engine***	***1,200***									
							Continuing Elements								
	8	Police Officers	1,306	3	Firefighters	337	Road Rehabilitation/Pavement Preser	6,180	2	Park Maintenance Employees	163	2	Code Compliance Officers	184	
	8	Police Cars and Equipment - exp	160		Station Improvements/Equipment	100	* and associated costs		1	Recreation Coordinator	92		Community Cleanup/Abatement for Code Co	100	
	3	Professional Staff	306				3% annual increase			Existing Parks Additional Maintenance	162		City Owned Building Maintenance	299	
		Public Safety Building Reserve	4,000							Existing Parks Additional Improvements	283				
		Subtotals	8,772			1,932		6,180			699			582	18,165
3							New Elements								
					Station #4 Construction	***6,825***			1	***Park Maintenance Employee***	***80***				
										**** Equipment/Vehicles***	***60***				
							Continuing Elements								
	8	Police Officers	1,331	3	Firefighters	343	Road Rehabilitation/Pavement Preser	6,365	2	Park Maintenance Employees	250	2	Code Compliance Officers	187	
	8	Police Cars and Equipment - exp	160		Station Improvements/Equipment	100	* and associated costs		1	Recreation Coordinator	94		Community Cleanup/Abatement for Code Co	100	
	3	Professional Staff	312				3% annual increase			Existing Parks Additional Maintenance	163		City Owned Building Maintenance	307	
		Public Safety Building Reserve	3,000							Existing Parks Additional Improvements	286				
		Subtotals	4,803			7,268		6,365			932			594	19,963
4							New Elements								
		Public Safety Building Furnishings	***2,000***	1	***Firefighter***	***110***									
		Public Safety Building Completion *	***4,600***	9	***Station #4 Staffing***	***1,800***									
		**** debt payment***			***Station #4 Furnishings/Equipment***	***1,000***									
							Continuing Elements								
	8	Police Officers	1,357	3	Firefighters	350	Road Rehabilitation/Pavement Preser	6,556	3	Park Maintenance Employees	254	2	Code Compliance Officers	191	
	8	Police Cars and Equipment - exp	160		Station Improvements/Equipment	100	* and associated costs		1	Recreation Coordinator	95		Community Cleanup/Abatement for Code Co	100	
	3	Professional Staff	318				3% annual increase			Existing Parks Additional Maintenance	165		City Owned Building Maintenance	315	
										Existing Parks Additional Improvements	288				
		Subtotals	8,435			3,360		6,556			803			606	19,760
5							New Elements								
	4	***Police Officers***	***640***	1	***Ladder Truck***	***2,400***									
		Police Cars and Equipment (new & replacem	***820***												
		Professional Staff vehicle replacements (2)	***160***												
	2	***Professional Staff***	***200***												
							Continuing Elements								
	8	Police Officers	1,382	4	Firefighters	475	Road Rehabilitation/Pavement Preser	6,753	3	Park Maintenance Employees	254	2	Code Compliance Officers	194	
	8	Police Cars and Equipment - exp	40	9	Station #4 Staffing	1,800	* and associated costs		1	Recreation Coordinator	95		Community Cleanup/Abatement for Code Co	100	
	3	Professional Staff	324		Station Improvements/Equipment	110	3% annual increase			Existing Parks Additional Maintenance	165		City Owned Building Maintenance	324	
		Public Safety Building debt payment	4,600							Existing Parks Additional Improvements	288				
		Subtotals	8,166			4,785		6,753			803			618	21,126
5 Year Totals			**39,326**			**19,200**		**31,855**			**4,027**			**2,972**	**97,380**
		Average Per Year	7,865			3,840		6,371			805			594	19,476
			40%			20%		33%			4%			3%	
6							New Elements								
					Fire Engine Replacement	***1,250***			2	***Park Maintenance Employees***	***120***				
					Training Facility - Station #2	***750***				**** Equipment/Vehicles Replacements***					
							Continuing Elements								
	12	Police Officers	2,112	4	Firefighters	528	Road Rehabilitation/Pavement Preser	6,956	5	Park Maintenance Employees	432	2	Code Compliance Officers	198	
	12	Police Cars and Equipment - exp	240	9	Station #4 Staffing	1,938	* and associated costs		1	Recreation Coordinator	97		Community Cleanup/Abatement for Code Co	100	
	5	Professional Staff	560		Station Improvements/Equipment	110	3% annual increase			Existing Parks Additional Maintenance	166		City Owned Building Maintenance	332	
		Public Safety Building debt payment	5,000							Existing Parks Additional Improvements	291				
		Subtotals	7,912			4,576		6,956			1,107			630	21,181

CITY OF HANFORD
Initial Spending Plan With Maintenance and Emerging Needs
All Amounts in Thousand

Plan Elements

Year	Units	Police			Fire		Streets			Parks and Community Services			Maintenance & Emerging Needs @ 3%		Total Expenditures
7							***New Elements***								
							Continuing Elements								
	12	Police Officers	2,150	4	Firefighters	538	Road Rehabilitation/Pavement Preser	7,164	5	Park Maintenance Employees	440	2	Code Compliance Officers	202	
	12	Police Cars and Equipment - exp	240	9	Station #4 Staffing	1,976	* and associated costs		1	Recreation Coordinator	99		Community Cleanup/Abatement for Code C	100	
	5	Professional Staff	570		Station Improvements/Equipment	110	3% annual increase			Existing Parks Additional Maintenance	168		City Owned Building Maintenance	341	
		Public Safety Building debt payment	6,400							Existing Parks Additional Improvements	294				
		Subtotals	9,360			2,624		7,164			1,001			643	20,792
8							***New Elements***								
				1	***Firefighter***	***120***									
					Small Truck - Type 6 Apparatus Replacen	***500***									
							Continuing Elements								
	12	Police Officers	2,189	4	Firefighters	547	Road Rehabilitation/Pavement Preser	7,379	5	Park Maintenance Employees	448	2	Code Compliance Officers	205	
	12	Police Cars and Equipment - exp	240	9	Station #4 Staffing	2,014	* and associated costs		1	Recreation Coordinator	101		Community Cleanup/Abatement for Code C	100	
	5	Professional Staff	580		Station Improvements/Equipment	100	3% annual increase			Existing Parks Additional Maintenance	171		City Owned Building Maintenance	351	
		Public Safety Building debt payment	6,400							Existing Parks Additional Improvements	300				
		Subtotals	9,409			3,281		7,379			1,020			656	21,745
9							***New Elements***								
					Fire Engine Replacement	***1,250***									
							Continuing Elements								
	12	Police Officers	2,227	5	Firefighters	696	Road Rehabilitation/Pavement Preser	7,601	5	Park Maintenance Employees	456	2	Code Compliance Officers	209	
	12	Police Cars and Equipment - exp	240	9	Station #4 Staffing	2,052	* and associated costs		1	Recreation Coordinator	103		Community Cleanup/Abatement for Code C	100	
	5	Professional Staff	590		Station Improvements/Equipment	200	3% annual increase			Existing Parks Additional Maintenance	173		City Owned Building Maintenance	360	
		Public Safety Building debt payment	6,400							Existing Parks Additional Improvements	302				
		Subtotals	9,457			4,198		7,601			1,034			669	22,959
10							***New Elements***								
		Police Vehicles and Equipment (replacement	***1,480***												
		Professional Staff vehicle replacements (3)	***255***												
							Continuing Elements								
	12	Police Officers	2,266	5	Firefighters	708	Road Rehabilitation/Pavement Preser	7,829	5	Park Maintenance Employees	464	2	Code Compliance Officers	212	
	12	Police Cars and Equipment - exp	240	9	Station #4 Staffing	2,090	* and associated costs		1	Recreation Coordinator	104		Community Cleanup/Abatement for Code C	100	
	5	Professional Staff	600		Station Improvements/Equipment	200	3% annual increase			Existing Parks Additional Maintenance	174		City Owned Building Maintenance	370	
		Public Safety Building debt payment	6,400							Existing Parks Additional Improvements	305				
		Subtotals	11,241			2,998		7,829			1,048			682	23,798
5 Year Totals for Years 6-10			**47,379**			**17,677**		**36,928**			**5,209**			**3,281**	**110,475**
		Average Per Year	9,476			3,535		7,386			1,042			656	22,095
		Total Years 1-10	86,705			36,877		68,783			9,237			6,253	207,854
Total			42%			18%		33%			4%			3%	100%

10 Year Result		**Police**		**Fire**	**Roads**		**Parks and Community Services**		**Maintenance and Emerging Needs**
	12	Police Officers	5	New Firefighters	Road Rehabilitation/Pavement Preservation *	5	Park Maintenance Employees	2	Code Compliance Officers
	12	Police Cars and Equipment	9	Station #4 Staffing	* and associated costs	1	Recreation Coordinator		Equipment and Vehicles
	5	Professional Staff		Station #4	(PCI to 65)		Equipment and Vehicles		Community Cleanup/Abatement for Code Compliance
		Police Vehicle and Equipment Replacements		Station Improvements/Equipment			Equipment and Vehicles Replacements		City Owned Building Maintenance
		Public Safety Building		Communications Equipment			Existing Parks Additional Maintenance		
				Training Facility			Existing Parks Additional Improvements		
				Fire Engine					
				Ladder Truck					
				Fire Engine Replacement (2)					
				Small Truck - Type 6 Apparatus Replacement					

CITY OF HANFORD
Initial Spending Plan With Maintenance and Emerging Needs
All Amounts in Thousand

Year	Units	Police		Units	Fire		Streets		Units	Parks and Community Services		Units	Maintenance & Emerging Needs @ 3%		Total Expenditures
							Plan Elements								
1							*New Elements*								
	8	Police Officers	1,280	3	Firefighters	330	Road Rehabilitation/Pavement Pres	6,000	2	Park Maintenance Employees *	260	2	Code Compliance Officers *	320	
	8	Police Cars and Equipment	840		Station #4 Design	600	* and associated costs			* Equipment/Vehicles			* Equipment/Vehicles		
	3	Professional Staff *	300		Station Improvements/Equipment	100			1	Recreation Coordinator	90		Community Cleanup/Abatement for Code	100	
		Prof Staff Cars and Equipment*	180		Communications Equipment	825				Existing Parks Additional Maintenance	160		City Owned Building Maintenance	151	
		* Dispatchers, Records and CSO Officers								Existing Parks Additional Improvements	280				
		Public Safety Building Land/Reserve	6,550												
		Subtotals	9,150			1,855		6,000			790			571	18,366
2							*New Elements*								
		Public Safety Building Design	3,000		Station #4 Construction Reserve	295									
				1	Fire Engine	1,200									
							Continuing Elements								
	8	Police Officers	1,306	3	Firefighters	337	Road Rehabilitation/Pavement Preser	6,180	2	Park Maintenance Employees	163	2	Code Compliance Officers	184	
	8	Police Cars and Equipment - exp	160		Station Improvements/Equipment	100	* and associated costs		1	Recreation Coordinator	92		Community Cleanup/Abatement for Code C	100	
	3	Professional Staff	306				3% annual increase			Existing Parks Additional Maintenance	162		City Owned Building Maintenance	299	
		Public Safety Building Reserve	4,000							Existing Parks Additional Improvements	283				
		Subtotals	8,772			1,932		6,180			699			582	18,165
3							*New Elements*								
					Station #4 Construction	6,825			1	Park Maintenance Employee	80				
										* Equipment/Vehicles	60				
							Continuing Elements								
	8	Police Officers	1,331	3	Firefighters	343	Road Rehabilitation/Pavement Preser	6,365	2	Park Maintenance Employees	250	2	Code Compliance Officers	187	
	8	Police Cars and Equipment - exp	160		Station Improvements/Equipment	100	* and associated costs		1	Recreation Coordinator	94		Community Cleanup/Abatement for Code C	100	
	3	Professional Staff	312				3% annual increase			Existing Park Additional Maintenance	163		City Owned Building Maintenance	307	
		Public Safety Building Reserve	3,000							Existing Park Additional Improvements	286				
		Subtotals	4,803			7,268		6,365			932			594	19,963
4							*New Elements*								
		Public Safety Building Furnishings	2,000	1	Firefighter	110									
		Public Safety Building Completion *	4,600	9	Station #4 Staffing	1,800									
		* debt payment			Station #4 Furnishings/Equipment	1,000									
							Continuing Elements								
	8	Police Officers	1,357	3	Firefighters	350	Road Rehabilitation/Pavement Preser	6,556	3	Park Maintenance Employees	254	2	Code Compliance Officers	191	
	8	Police Cars and Equipment - exp	160		Station Improvements/Equipment	100	* and associated costs		1	Recreation Coordinator	95		Community Cleanup/Abatement for Code C	100	
	3	Professional Staff	318				3% annual increase			Existing Parks Additional Maintenance	165		City Owned Building Maintenance	315	
										Existing Parks Additional Improvements	288				
		Subtotals	8,435			3,360		6,556			803			606	19,760
5							*New Elements*								
	4	Police Officers	640	1	Ladder Truck	2,400									
		Police Cars and Equipment (new & replacem	820												
		Professional Staff vehicle replacements (2)	160												
	2	Professional Staff	200												
							Continuing Elements								
	8	Police Officers	1,382	4	Firefighters	475	Road Rehabilitation/Pavement Preser	6,753	3	Park Maintenance Employees	254	2	Code Compliance Officers	194	
	8	Police Cars and Equipment - exp	40	9	Station #4 Staffing	1,800	* and associated costs		1	Recreation Coordinator	95		Community Cleanup/Abatement for Code C	100	
	3	Professional Staff	324		Station Improvements/Equipment	110	3% annual increase			Existing Parks Additional Maintenance	165		City Owned Building Maintenance	324	
		Public Safety Building debt payment	4,600							Existing Parks Additional Improvements	288				
		Subtotals	8,166			4,785		6,753			803			618	21,126
5 Year Totals			**39,326**			**19,200**		**31,855**			**4,027**			**2,972**	**97,380**
		Average Per Year	7,865			3,840		6,371			805			594	19,476
			40%			20%		33%			4%			3%	
6							*New Elements*								
					Fire Engine Replacement	1,250			2	Park Maintenance Employees	120				
					Training Facility - Station #2	750				* Equipment/Vehicles Replacements					
							Continuing Elements								
	12	Police Officers	2,112	4	Firefighters	528	Road Rehabilitation/Pavement Preser	6,956	5	Park Maintenance Employees	432	2	Code Compliance Officers	198	
	12	Police Cars and Equipment - exp	240	9	Station #4 Staffing	1,938	* and associated costs		1	Recreation Coordinator	97		Community Cleanup/Abatement for Code C	100	
	5	Professional Staff	560		Station Improvements/Equipment	110	3% annual increase			Existing Parks Additional Maintenance	166		City Owned Building Maintenance	332	
		Public Safety Building debt payment	5,000							Existing Parks Additional Improvements	291				
		Subtotals	7,912			4,576		6,956			1,107			630	21,181

CITY OF HANFORD
Initial Spending Plan With Maintenance and Emerging Needs
All Amounts in Thousand

Plan Elements

Year	Units	Police		Units	Fire		Streets		Units	Parks and Community Services		Units	Maintenance & Emerging Needs @ 3%		Total Expenditures
7							***New Elements***								
							Continuing Elements								
	12	Police Officers	2,150	4	Firefighters	538	Road Rehabilitation/Pavement Preser	7,164	5	Park Maintenance Employees	440	2	Code Compliance Officers	202	
	12	Police Cars and Equipment - exp	240	9	Station #4 Staffing	1,976	* and associated costs		1	Recreation Coordinator	99		Community Cleanup/Abatement for Code C	100	
	5	Professional Staff	570		Station Improvements/Equipment	110	3% annual increase			Existing Parks Additional Maintenance	168		City Owned Building Maintenance	341	
		Public Safety Building debt payment	6,400							Existing Parks Additional Improvements	294				
		Subtotals	9,360			2,624		7,164			1,001			643	20,792
8							***New Elements***								
				1	***Firefighter***	***120***									
					Small Truck - Type 6 Apparatus Replacen	***500***									
							Continuing Elements								
	12	Police Officers	2,189	4	Firefighters	547	Road Rehabilitation/Pavement Preser	7,379	5	Park Maintenance Employees	448	2	Code Compliance Officers	205	
	12	Police Cars and Equipment - exp	240	9	Station #4 Staffing	2,014	* and associated costs		1	Recreation Coordinator	101		Community Cleanup/Abatement for Code C	100	
	5	Professional Staff	580		Station Improvements/Equipment	100	3% annual increase			Existing Parks Additional Maintenance	171		City Owned Building Maintenance	351	
		Public Safety Building debt payment	6,400							Existing Parks Additional Improvements	300				
		Subtotals	9,409			3,281		7,379			1,020			656	21,745
9							***New Elements***								
					Fire Engine Replacement	***1,250***									
							Continuing Elements								
	12	Police Officers	2,227	5	Firefighters	696	Road Rehabilitation/Pavement Preser	7,601	5	Park Maintenance Employees	456	2	Code Compliance Officers	209	
	12	Police Cars and Equipment - exp	240	9	Station #4 Staffing	2,052	* and associated costs		1	Recreation Coordinator	103		Community Cleanup/Abatement for Code C	100	
	5	Professional Staff	590		Station Improvements/Equipment	200	3% annual increase			Existing Parks Additional Maintenance	173		City Owned Building Maintenance	360	
		Public Safety Building debt payment	6,400							Existing Parks Additional Improvements	302				
		Subtotals	9,457			4,198		7,601			1,034			669	22,959
10							***New Elements***								
		Police Vehicles and Equipment (replacement	***1,080***												
		Professional Staff vehicle replacements (3)	***255***												
							Continuing Elements								
	12	Police Officers	2,266	5	Firefighters	708	Road Rehabilitation/Pavement Preser	7,829	5	Park Maintenance Employees	464	2	Code Compliance Officers	212	
	12	Police Cars and Equipment - exp	240	9	Station #4 Staffing	2,090	* and associated costs		1	Recreation Coordinator	104		Community Cleanup/Abatement for Code C	100	
	5	Professional Staff	600		Station Improvements/Equipment	200	3% annual increase			Existing Parks Additional Maintenance	174		City Owned Building Maintenance	370	
		Public Safety Building debt payment	6,400							Existing Parks Additional Improvements	305				
		Subtotals	10,841			2,998		7,829			1,048			682	23,398
5 Year Totals for Years 6-10			**46,979**			**17,677**		**36,928**			**5,209**			**3,281**	**110,075**
		Average Per Year	9,396			3,535		7,386			1,042			656	22,015
		Total Years 1-10	86,305			36,877		68,783			9,237			6,253	207,454
Total			42%			18%		33%			4%			3%	100%

10 Year Result	Units	Police	Units	Fire	Roads	Units	Parks and Community Services	Units	Maintenance and Emerging Needs
	12	Police Officers	5	New Firefighters	Road Rehabilitation/Pavement Preservation *	5	Park Maintenance Employees	2	Code Compliance Officers
	12	Police Cars and Equipment	9	Station #4 Staffing	* and associated costs	1	Recreation Coordinator		Equipment and Vehicles
	5	Professional Staff		Station #4	(PCI to 65)		Equipment and Vehicles		Community Cleanup/Abatement for Code Compliance
		Police Vehicle and Equipment Replacements		Station Improvements/Equipment			Equipment and Vehicles Replacements		City Owned Building Maintenance
		Public Safety Building		Communications Equipment			Existing Parks Additional Maintenance		
				Training Facility			Existing Parks Additional Improvements		
				Fire Engine					
				Ladder Truck					
				Fire Engine Replacement (2)					
				Small Truck - Type 6 Apparatus Replacement					

City of Hanford
FY 2023/2024 and 2024/2025 Budget

Proposed Version - 6/06/2023

Last updated 06/14/23

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INTRODUCTION

Executive Summary

Mario Cifuentez II, City Manager

Dear Mayor and members of the City Council,

We are pleased to submit the Fiscal Year 2024 and 2025 Biennial Budget for your review and consideration. The document contemplates Hanford's current short-term economic outlook and provides an overview of City-wide revenue and expenditure projections, with a focus on the General Fund and outlook on General Fund Reserves. This document is comprised of a 2-year operating plan, a 5-year capital improvement program, and appropriations for debt service and other uses. Of utmost importance, this budget reflects the direction that Council provided to establish the service priorities and goals of the Hanford community while maintaining fiscal prudence and oversight. This budget demonstrates to the public, your commitment to services, fiscal sustainability and investment in our City's infrastructure.

City Council's Budget Goals and Priorities

This budget is aligned with Council's goals, as established in a City Council Workshop in March 2023, to address short and long-term goals for the City to:

- Improve quality of life
- Maintain and improve fiscal sustainability
- Have community outreach and open governance
- Continue commitment to customer service
- Look to be an employer of choice

The City's Budget serves as the basis for implementing these goals, by providing a financial plan over the next two years for staff to adhere to. This budget serves all of the above goals through a fiscally sustainable plan for the City, which provides enough financial resources to work towards improvements. This budget was developed with the acknowledgement of the challenge caused by limited financial resources. Accordingly, the City must look to outside funding or alternate funding sources to increase progress on all strategies for implementation of the City's goals.

Summary and Introduction

As the City comes out of the pandemic, staff will routinely revisit budget assumptions and projections, based on updated revenue and expense figures, and bring that analysis to Council for direction and action. Unlike a recession, the pandemic disproportionally affected businesses, Cities, and Counties. Cities like Hanford were impacted negatively in many ways due to the required shut down of the places of gathering, recreation programs, fire inspections, and limitations on day-to-day interaction with the community and other City departments. Despite these challenges, the City of Hanford saw steady growth in sales tax which is now (and projected to) slowing down. Property taxes have been growing steadily for the City and is anticipated to keep a positive trend with new development and annual assessment adjustments. Proprietary (Enterprise) funds have been stable and provide for almost half of the City's budget, which provides a positive outlook for a significant area of the City's budget.

In early 2023, a legal settlement was reached of $12.5 million to be paid from the General Fund, of which $7.5 million was immediately paid with the remainder to be paid over four years. This has left Hanford in a condition of depleted financial reserves equal to approximately 7% of operating reserves. This level is well below the 35% requirement adopted by City Council. Although this settlement spared the City from risk of an enormous $50+ million lawsuit, there is significant burden to be borne of $1.25 million payments for the next four years by the General Fund, which significantly restricts options to expand services in this upcoming two-year budget.
As a result of the impact to the General Fund from the settlement and rising operating costs, the City will be even more challenged to maintain current levels of operations. There are several key assumptions staff will look to for improving the General Fund.

- No annual increases in staffing (unless offset by grants or revenue increases)
- Limited allocations to infrastructure reserves
- Limited options to engage in special projects or one-time expenses

Constraining growth in staff positions will need to be a primary approach to balancing the City's budget over the next few years. Consequently, there will become more prevalent areas in the organization where service demands exceed staff resources.
With care and work towards maintaining a balanced budget, the City's financial condition will improve. The City Council has established a Financial Reserve Policy for a 35% General Fund reserve (15% for operating reserves and 20% for financial emergencies). Maintaining a balanced budget will be paramount to begin to rebuild the reserves. This is in addition to setting aside appropriate reserves for fleet, computers, and facilities.

The City must keep an eye on rising costs from unfunded mandates, deferred maintenance of facilities, equipment and amenities, while maintaining competitive employee compensation and benefits. In the most recent labor negotiations, the City Council took steps to approve wage adjustments in order to maintain competitive salaries. Moreover, while the community has continued to grow, service levels have not necessarily kept pace. There were a few positions added in the past budget cycle that account for several years of pent-up demand to maintain service levels and address overgrowing areas of concern, such as a Parks Resource Officer, Communications, Purchasing and Information Technology for the City. These areas directly address City Council's goals of improving the quality of life for residents, community outreach, fiscal sustainability and improving customer service. While the City's General Fund budget is balanced for Fiscal Year (FY) 2023/24 (24) and 2024/25 (25), it does not address all of the City's long-term liabilities/needs, such as public safety staffing, facility and street maintenance and new infrastructure.

Historically, maintenance of the City's parks, Police Station, Fire Stations, City Hall, and other facilities has been underfunded and therefore, deferred. This budget corrects the underfunding for reserves in FY24. However, in FY25 facility reserves and non-safety fleet reserves will be deferred in order to bring the General Fund budget into balance. While this budget does not address all deferred maintenance, it does include funding for minor repairs. Regardless, continuing to identify opportunities to reduce costs, increase revenue, update service delivery plans, and form new partnerships remains imperative to moving forward. These challenges, and our focus on delivering the most effective services with the most significant impact, are the impetus for our operating plan.

Budget Overview and Highlights

This budget is a balanced budget, albeit with some significant challenges. Over the next several years, due to the City's large settlement and payments of $1.25 million annually, this extraordinary event drains resources for the City in areas of public safety, parks, recreation, streets and community development. In fiscal year 2024, the budget was able to be balanced due to one-time revenues that cannot be counted on for long-term sustainability. Fiscal year 2025 presented even more challenges due to increases in costs in addition to the settlement payment, such as wage increases, operating cost increases and ongoing debt payment for retirement costs.
The 2024-2025 Biennial Budget is comprised of all City funds, including the General Fund, Special Revenue Funds, Capital Funds, Enterprise Funds and Internal Service Funds. The proposed budget appropriation of $124.8 million in FY 2024 and $117.8 million in FY 2025 as shown in Table 1A/B– Summary of Proposed Appropriations.

Table 1A — Summary of Proposed Appropriations

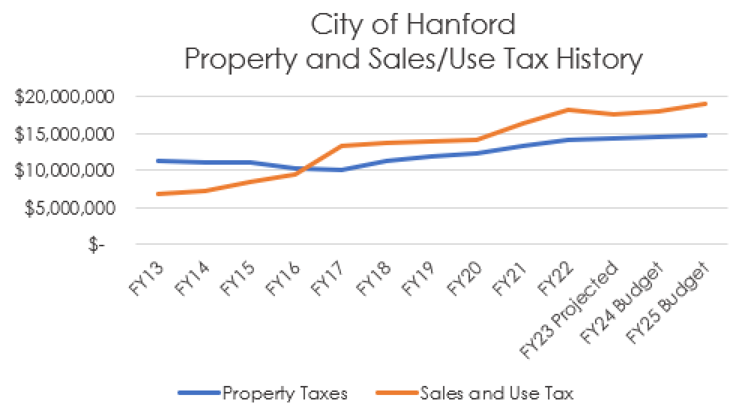
	2023/2024			
Fund Type	Operations	Capital	Debt	Total
General Fund	39,616,571	-	3,956,066	43,572,637
Enterprise Funds	31,492,904	8,070,115	4,000,415	43,563,434
Internal Service Funds	13,291,937	1,383,590	91,818	14,767,345
Special Funds	5,642,863	17,265,482	-	22,908,345
Total	90,044,275	26,719,187	8,048,299	124,811,761

Table 1B

	2024/2025			
Fund Type	Operations	Capital	Debt	Total
General Fund	40,225,758	-	3,865,794	44,091,552
Enterprise Funds	31,752,000	8,413,040	4,068,890	44,233,930
Internal Service Funds	13,331,433	491,190	91,406	13,914,029
Special Funds	4,845,074	10,687,480	-	15,532,554
Total	90,154,265	19,591,710	8,026,090	117,772,065

The General Fund serves as the City's primary and largest fund. This fund is not restricted and as such the City has discretion to use this funding for a broad array of services. It supports general municipal services such as police, fire, parks, recreation services, community development, and general government. This fund is comprised of multiple revenue sources including, but not limited to, taxes (from property, sales, and hotel taxes, etc)

The City's main revenues of sales and property tax have shown to be strong over the past several years, however, the pandemic resulted in stronger than normal sales tax for the City due to an increase in online and local sales from people being home more. Based on forecasts from consultants, sales tax is anticipated to grow slower. Sales tax is typically the most volatile main revenue source for a City, it is important to be cautious on reliance of this revenue. That being said, staff is using 'optimistic' projections which do not take into account any potential for an economic recession that many economist predict may occur in the coming years.



Challenges

The following actions are integrated into the budget:

- Budget positions at projected steps (not top step as done in past)
- Include "optimistic" revenue projections (typically "most likely")
- Reduce operating budgets for departments – *Fiscal Year 2025*
- Defer reserve (set asides) for future purchases – *Fiscal Year 2025*
    - Fleet –*deferral of non public safety reserves (~$300k)*
    - Facilities –*100% deferral (~$400k)*
- Freeze new positions in the General Fund until reserves begin to recover – *ongoing recommendation*
- Freeze vacant General Fund positions unless essential for ongoing operations and/or look for opportunities to offset costs in recruitment of replacements- *recommended*

These actions, while necessary to balance the budget, decrease the City's likelihood of significant budgetary savings, which in turn would help restore the City's fiscal operating and emergency reserve.

While the local economy continues to be strong, the City cannot afford to let down its guard and dismiss its adherence to the fiscally sound policies and decisions in order to restore financial reserves for future economic distresses. The majority of the City's funds are doing well. Revenues are up generally, and departments are controlling their expenditures to the best of their abilities, however costs for goods and services continue to rise. Overall, the City is in good financial shape albeit with a low General Fund reserve. However, like all government agencies throughout California, the City is faced with increases in pension costs, health care, minimum wage, annual operating costs, aging infrastructure, and a potential economic downturn.

Hanford, like many agencies across the state, is struggling to retain current employees and fill vacant positions. Employees are the City's most important resource as they serve Hanford residents by providing high quality programs and services. In order to retain employees, the City must compensate them appropriately and competitively for the work they perform, attempting to keep pace with the labor market. The City entered into a three-year agreement with all bargaining groups which started July 1, 2022 and ends June 30, 2025 and increases employee wages annually. Many corporations are now allowing employees to work a modified schedule or providing options to work from home. The battle to fill positions and retain employees has employers looking at hiring bonuses, referral bonuses, wage increases, and other workplace flexibility. Implementation of some of these options results in additional costs to the City.

While revenue forecasts show growth in all categories, we must recognize that foreign and domestic factors (i.e., inflation, housing prices, supply chain disruptions, etc.) could negatively impact the growth and expansion of our local economy. Any of these factors could also cause an economic downturn. We are optimistic, but we must also be fiscally responsible by striving to have sufficient reserves, balanced budgets, and prudent spending policies.

CONCLUSION AND ACKNOWLEDGEMENTS

This budget message provides an overview of the City's financial plan for the next two years and the major priorities and issues that helped shape the budget. Please note that the City's budget document is an essential expression of our city's core mission, City Council goals, and ultimately, the community's vision.

We extend thanks to both the City Council and City staff for the strong partnership that has brought us to this point and will carry us into the future. This budget document is the result of continuous review and dialogue with Department Directors and their staff over the past six months. This budget could not have been produced without their creative ideas, open discourse, professional discipline, and desire to serve.

We would also like to specifically thank the City staff that prepared this document. The preparation of this budget document could not have been possible without the intense efforts and long hours dedicated by the Finance Department. The Finance Director would particularly like to acknowledge Finance Manager Destiny Borba, Financial Analyst Aubrey Carri, and Payroll Analyst Penny Sutphin for their direct efforts.

Finally, we want to thank the City Council for their support of the City departments. We look forward to working with you over the next two fiscal years, as we make this proposed budget a reality.

Sincerely,

Mario Cifuentez II
City Manager

Chris Tavarez, C.P.A.
Finance Direct

5.B.

AGENDA
STAFF REPORT

MEETING DATE: 4/24/2024	AGENDA SECTION: GENERAL BUSINESS

SUBJECT:
Discussion of final thoughts and considerations

RECOMMENDATION:

Recommendation: That the Revenue Member Committee have discussion of final thoughts and considerations.

BACKGROUND:

During this item, the Revenue Member Committee will have discussion of final thoughts and considerations.

It is important to note that the City Council makes final determinations if a ballot measure is presented to voters, development of a ballot measure and final ballot language. Experts in the field of polling, ballot measures/identify community needs and communication of information have been and will be recommended to City Council over the next few months.

Professional experts, in conjunction with staff, will work to present City Council with the most updated information possible in order to assist in final decisions for a potential ballot measure.
- FM3 Consulting (Polling)
- Trust for Public Land (Community Needs)
- To be determined May 7, 2024 at City Council Meeting (Public Outreach/Information Consultants)

After discussion, each member will be provided materials to be able to provide their individual thoughts which will be accumulated by staff and provided to City Council.

FISCAL IMPACT:

Not applicable

ATTACHMENTS:
None