



CITY COUNCIL
HOUSING AUTHORITY AND
SUCCESSOR AGENCY TO THE EL CAJON
REDEVELOPMENT AGENCY

Council Chamber
200 Civic Center Way
El Cajon, CA 92020

Joint Special Meeting Agenda JUNE 11, 2019, 2:00 p.m.

Bill Wells, Mayor
Steve Goble, Deputy Mayor
Gary Kendrick, Councilmember
Bob McClellan, Councilmember
Phil Ortiz, Councilmember

Graham Mitchell, City Manager
Vince DiMaggio, Assistant City Manager
Morgan Foley, City Attorney
Angela Cortez, City Clerk

CALL TO ORDER: Mayor Bill Wells

ROLL CALL: City Clerk Angela Cortez

PLEDGE OF ALLEGIANCE TO FLAG AND MOMENT OF SILENCE

REPORT:

1. Fiscal Year 2019-20 Preliminary Annual Budget Summary

RECOMMENDATION:

That the City Council, Housing Authority, and the City of El Cajon as Successor Agency to the former Redevelopment Agency receives the proposed City of El Cajon Fiscal Year 2019-20 Preliminary Budget Summary.

ADJOURNMENT: The Joint Special Meeting of the El Cajon City Council/ El Cajon Housing Authority/Successor Agency to the El Cajon Redevelopment Agency held this 11th day of June 2019 is adjourned.



**City Council
Agenda Report**

DATE: 06/11/2019
TO: Honorable Mayor and City Councilmembers
FROM: Clay Schoen, Director of Finance
SUBJECT: Fiscal Year 2019-20 Preliminary Annual Budget Summary

RECOMMENDATION:

That the City Council, Housing Authority, and the City of El Cajon as Successor Agency to the former Redevelopment Agency receives the proposed City of El Cajon Fiscal Year 2019-20 Preliminary Budget Summary.

BACKGROUND:

The City of El Cajon Fiscal Year 2019-20 Preliminary Budget Summary is presented for discussion at the June 11, 2019 City Council Advisory Meeting. This meeting is held in advance of the June 25, 2019 regularly scheduled City Council meeting, where this budget will be submitted for the City Council's final consideration. This forum is intended to provide information and allow time for discussion in advance of adoption.

Due to the size of the document, it is not included as part of this report. However, copies have been provided to the Mayor, Deputy Mayor, and each Councilmember. Additionally, the proposed Fiscal Year 2019-20 Preliminary Budget Summary is available for review in the City Clerk's Office, the Finance Department, and on the City's website at the following link (www.cityofelcajon.us/your-government/departments/finance/budgets-financial-policies).

FISCAL IMPACT:

The Fiscal Year 2019-20 Preliminary Annual Budget Summary is presented as an informational/discussion item and will be submitted for adoption at the regularly scheduled June 25, 2019 City Council meeting.

Prepared By: Clay Schoen, Director of Finance

Reviewed By: N/A

Approved By: Graham Mitchell, City Manager

Attachments

Budget Message (FY2019-20)

DRAFT

June 2019

Honorable Mayor, City Council, and El Cajon Residents:

I am pleased to present the City of El Cajon Fiscal Year 2019-2020 (FY 2019-20) Annual Budget. The annual budget is the financial embodiment of the City Council's goals, policies, and objectives for the coming year. This budget document serves as the City's financial plan based on the Five-Year Business Plan and the Comprehensive Annual Financial Report (CAFR). The City's budget focuses on priorities such as fiscal stability, public safety, public infrastructure, and community (such as recreation, culture, and public events).

The FY 2019-20 budget presents a balanced operating budget in which projected General Fund expenditures are not anticipated to exceed General Fund revenue. However, to accomplish this objective, the General Fund relies on \$887,314 in the CalPERS Reserve Fund to mitigate drastic increases in the City's CalPERS retirement contribution in the upcoming year.

The following points highlight important factors in the FY 2019-20 budget:

- As we near the end of FY 2018-19, the City anticipates receiving \$566,000 more in General Fund revenue than was projected in last year's budget and the City will likely spend \$1.8 million less than expected, resulting in a General Fund balance approximately \$2.37 million better than anticipated.
- General Fund Revenue is anticipated to increase by \$1.8 million in FY 2019-20 over the previous year. This represents an overall increase of 2.4 percent. Additional analysis is provided in subsequent sections of the budget document.
- General Fund Expenditures are anticipated to decrease by \$2.04 million in FY 2019-20 from the previous year's budget. However, this reduction is due to a one-time transfer of almost \$5 million for renovations to the Magnolia Performing Arts Center (MPAC) in the previous year. Excluding MPAC costs from FY 2018-19, there is an increase in General Fund expenditures of \$2.8 million or about 3.7 percent. Additional analysis is provided in subsequent sections of the budget document.
- One of the most significant increases in FY 2019-20 expenditures is the City's pension cost—an increase of \$2.16 million or 13 percent from the previous year.
- City employees are represented by five labor groups. Labor agreements for each of the groups expire on June 30, 2019. Over the past month, new agreements have been reached and the FY 2019-20 budget reflects costs associated with the five new labor agreements with terms between four and five years.
- At the end of FY 2019-20, the budget anticipates a combined General Fund balance and reserve of \$44.86 million.
- The City's 33 non-General Fund budgets, with combined expenditures of nearly \$108 million in FY 2019-20, support many of the City's objectives.

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The FY 2019-20 budget maintains service levels while meeting other priorities. The following sections demonstrate how community priorities are accomplished through this budget.

Fiscal Stability

The FY 2019-20 budget maintains a strong General Fund reserve of nearly \$45 million. This reserve balance represents approximately 57 percent of the City's General Fund expenditures. This balance will protect the City in the event of an economic or natural disaster and will allow the City to maintain services. During the upcoming fiscal year, the City will continue to seek strategies to reduce costs while augmenting revenue.

Economic Development

The FY 2019-20 budget includes \$1.2 million for economic development activities. A significant amount of this allocation is for development agreements entered into over the past few years to facilitate vital development (Courtyard Marriott and new car dealerships—BMW, Honda, and Mercedes Benz). Other monies have been allocated for business development activities related to the City's five Opportunity Zones and business attraction.

Public Safety

The FY 2019-20 budget includes compensation increases to public safety employees in order to fill vacancies and retain trained staff. Also, this budget reflects the Police Department's ongoing use of the Special Enforcement Unit to address quality of life issues including the impacts of homelessness on the community. Additional funding toward homeless programs and reacting to homelessness continues to be a budget priority in FY 2019-20.

Public Infrastructure

Throughout FY 2019-20, the City will continue to implement its aggressive street maintenance program by allocating various transportation funds toward street paving, installation of sidewalks, and improvements to drainage systems. In addition, significant funding toward Citywide pedestrian safety and ADA improvements is included in the budget, funded by approximately \$10.5 million in grants. Significant improvements are budgeted along Washington Avenue, Jamacha Road and Madison Avenue.

SANDAG Smart Growth Grant funding in the amount of \$2.5 million was obtained for improvements along El Cajon Boulevard to revitalize the area surrounding the El Cajon Transit District.

Of the \$39 million in appropriation for infrastructure improvements in FY 2019-20, \$34.6 million is from non-General Fund sources.

Community (Recreation, Culture, and Public Events)

The FY 2019-20 budget allocates significant resources towards community events and recreation. The budget funds important community events such as Fourth of July Celebration, HauntFest, American on Main Street, Mother Goose Parade, and ten movies in the parks. Through these events, the City anticipates attracting 200,000 visitors to Downtown. The budget also provides management of the opening of the Magnolia Performing Arts Center. This will attract thousands of visitors to El Cajon and will have a significant economic impact on surrounding businesses.

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Wells Park improvements are also included in the FY 2019-20 budget along with assistance in funding lights at Montgomery Middle School fields, new playground surfacing at Fletcher Hills Recreation Center, solar lighting at Bill Beck Park and Kennedy Park, additional sports field fencing at Tuttle Park, and shade structure for the playground at Kennedy Park.

Conclusion

The FY 2019-20 budget represents a fiscally sound plan that effectively addresses the fiscal realities facing California cities. It allocates scarce resources to meet community needs and priorities. Lastly, it reflects the need to consider budget tightening measures that will allow the City to continue providing high levels of service in FY 2019-20 and beyond.

Staff recognizes the State's increasing and on-going efforts to dictate local government spending priorities and increasing the number of unfunded mandates that negatively impact the City's fiscal future. Because of this and shifts occurring in the economy, staff continues to analyze opportunities to provide more efficient services, including modifications to staffing models within the City. I believe that this analysis is important to ensure that customer service levels are sustainable.

This budget document is the result of the dedicated effort of the entire City of El Cajon team, led by the Finance Department. The Finance Department, working with all City departments and the executive team has prepared a budget that reflects the values and vision set forth by the City Council. The City Council's continued leadership, stability, and foresight continue to be the primary ingredients in El Cajon's success.

Finally, under the direction of the City Council, I am honored to lead a team of committed municipal employees with a passion to serve the El Cajon community.

Respectfully submitted,

Graham Mitchell
City Manager