

Tulare City Council
FY2021/22
Budget Study Session



April 20, 2021
6:00 p.m.

OFFICE OF THE CITY MANAGER

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Reviewed by:	City Manager; City Council	Revision Date: n/a

1. PURPOSE.

The City of Tulare budget and financial policies are subject to California State law, the Tulare City charter, generally accepted accounting principles (GAAP), and City Council adopted ordinances and resolutions. The standards set by these authorities establish budget calendar dates, provide for budget control, describe the budget amendment process after budget adoption, and identify appropriate methods for budgeting, accounting, and reporting. The City’s resources and appropriations policies are extensions of the laws established by the State of California through the City Council and follow GAAP for local governments and budgeting practices. Budget practices and policies are reviewed to ensure that current financial practices are in place. Areas for future policy development and updates may include post-retirement benefits and a periodic review and update of the City’s existing reserve policies.

2. POLICY.

Budget Practices - Budget Process and Calendar

The budget process enables the City Council to make resource allocation decisions, including choices about staffing, technology, equipment, and priorities to be addressed in the coming fiscal year. The City of Tulare’s Annual Operating Budget is adopted by the City Council by June 30 each year. Although the City Council first reviews the budget in May, the City Manager’s Office, the Finance Department, and other departments begin to prepare it at least six months prior. Throughout the year, staff provides quarterly revenue projections and updates on the City’s financial performance, and continues to assess City needs. In producing the budget, the Budget Team receives input from the public, City Council, and staff.

In November or December, the City Manager provides an update to the City Council on the current year’s budget and outlines policy issues facing the City. Together, they establish objectives for the upcoming year. At the mid-year budget review that typically takes place in February, the City Council provides feedback and direction regarding proposed priorities for the future programming of General Fund resources. With this direction and the Finance Department’s revenue projections, each department prepares a proposed budget. The Budget Team works closely with department managers to ensure that budgets reflect the City Council’s interests, priorities, and goals.

Several weeks before the budget is adopted, the City Manager presents the budget for the coming year to the City Council along with information on current year accomplishments and future year goals. Copies of the proposed budget documents are available to the public at public hearings, and they are also available in the City Clerk's Office, and on the City's website. Included in the City Manager's presentation are an update of the City's financial position and long-range plan; a review of the national, State, and local economies; a discussion of financial policies; and an update on department activities. After reviewing the proposed budget and receiving public comment at public hearings, the City Council may direct staff to revise the proposed budget. On or before June 30, the City Council votes to adopt the budget, including any revisions to the proposed budget. At any time after the adoption of the budget, the City Council may amend or supplement the budget.

Upon final adoption by the City Council, the budget becomes the legal authorization for the various departments to expend resources, subject to conditions established by the City Manager and City Council. Through a resolution adopted by the City Council, the City Manager is authorized to transfer appropriations as needed from any account in the budget to any other accounts within the same fund to meet overall budget requirements.

Citizen Participation

Citizens of Tulare participate in the budget planning process in various ways, such as participating on Council-appointed boards and commissions, attending budget study sessions and public hearings, or meeting with City staff.

Public hearings for the budget adoption typically occur at the end of May and the beginning of June. Citizens have the opportunity to speak about budget issues at these hearings and at any City Council meeting during the year.

Other Major Planning Processes

The budget is one of three major citywide planning tools. The General Plan, which governs land use and development, and the Capital Improvement Program (CIP) are the other two. Each planning process informs the others, and together they enable coordinated planning for operating City services, maintaining the City's investment in public infrastructure, and developing land consistently with community interests.

The City of Tulare's current general plan was adopted on October 7, 2014. This document can be referred to as a city's "Constitution" for growth and development and the policy foundation upon which all development and land use decisions are based.

The Tulare General Plan establishes a twenty-five-year vision for the community based on technical and legal requirements, extensive discussions with the community, and policymaker input.

The CIP planning process takes place every year and is a planning tool to look at a five-year window of projects. The amount of General Fund to be transferred to the CIP is determined in the annual Operating Budget process, and may vary annually from the

amount projected as revenue in the CIP. The General Fund capital plan involves transfers for general capital needs and a specific transfer for Information Technology capital replacement and other technology needs.

Basis of Budgeting

Revenues: The City receives revenues from a variety of sources. Property tax and sales tax comprise approximately 48% of the General Fund, but are controlled by the State Legislature. The City receives the balance of its revenues from local taxes, fees, charges for services, and transfers from other funds for General Fund services. Revenue projections for the coming budget year are comprised of the estimated actual revenue projected for the current year, and estimation based on past growth and prior year actual. The City has a long-standing practice of dedicating one-time revenues to fund a variety of one-time projects. Increases in the General Fund associated with one-time revenues are not programmed for ongoing operations in the multi-year forecasts. This ensures that future revenues and expenditures are reasonably projected.

Sales Tax Budgeting. Basing long term programs and service plans on one-year revenue spikes can lead to funding challenges when sales taxes fall off. Therefore, the City will budget its sales tax related revenues (5% regular Bradley-Burns Act taxes and the 1% sales tax repayment from property taxes that was part of the “Triple Flip”, and its own Measure “I” sales tax) on the basis of a rolling 5-year average of four past actual fiscal year receipts and the estimates for the year before the fiscal year for which the budget is being prepared.

When actual revenues are actually received above the budgeted rolling average it will be used for one-time issues. For example, the one-time highs could be used in whole or in part for funding deficiencies in the City’s capital replacement accounts for high cost vehicles and equipment (for example, fire apparatus) and building capital replacement (for example roofs and HVAC systems). This way the one-time money is programmed only after it is actually received.

One Time Receipts. “One-time receipts” are those revenues or other receipts in excess of \$100,000 which are otherwise unrestricted, and which are only expected to be received on one occasion or on more than one occasion but at uncertain or irregular intervals. Upon City Council designation of a particular receipt as a “one-time receipt,” *one hundred percent of said proceeds will be allocated to backfill any deficit first*, with any remainder allocated to the following uses in the percentages shown:

- Thirty percent (30%) to streets, roadway and other transportation infrastructure for capital repairs; and
- The lesser of twenty percent (20%) or the amount needed to eliminate a computed vehicle/equipment funding deficit to the fleet replacement fund to be allocated among General Fund related vehicles and equipment classes; and
- Ten percent (10%) to the General Fund base reserve until such time as the reserve is equal to 25% of General Fund expenditures and operating transfers out for

operating purposes and at such time as the 25% of General Fund base reserve goal is met then zero percent (0%) to such purpose; and

- Twenty percent (20%) to be appropriated for technology, capital projects, retrofits, and similar activities that are able to demonstrate a return on investment in the form of hard cost savings to the City and
- Twenty percent (20%) council discretion.

Designated “one-time receipts” will not be budgeted for ongoing programs, salaries, and annually reoccurring costs that are highly likely to repeat in the future.

Expenditures: The City budgets at the governmental fund level, and funds are grouped for budget presentation. Major fund groups include the General Fund, Special Revenue funds, Debt Service, Enterprise Funds Internal Service Funds and Capital funds. While all funds budgeted are included in the operating budget, this document focuses on the General Fund, which contains the majority of the City’s discretionary resources for basic services such as police, fire, and parks, library and recreation services. Departmental base budgets for a given budget year are determined by the following process:

Starting with the adopted budget for the prior year -

Reducing the adopted prior year budget for any one-time appropriations the department received;

Implement any increase or decreases associated with negotiated bargaining unit agreements or with contracts and services;

Implementing any necessary service reductions or enhancements determined by the City Manager.

City funds are budgeted on the modified accrual basis of accounting. This method recognizes revenues when they become measurable and available to finance expenditures of the period. Expenditures are recorded when the related fund liability is incurred with the exception of principal and interest on long-term debt, which are recorded when due.

Basis of Budgetary Accounting

The basis of budgetary accounting that follows describes how the City presents the estimated revenues, budgeted expenditures and expenses, and capital asset purchases in this budget. This description can help the reader understand the differences and similarities in the budget presentation of such financial elements compared to how they are presented in other City publications, such as the City’s CIP or its annual Comprehensive Annual Financial Report (CAFR).

The City uses a “fixed budget” presentation which establishes a spending cap at the fund level, with departmental budgetary guidelines. Department budgets cannot be exceeded without special authorization.

The budget is generally prepared on the same basis of accounting used by the City in its CAFR. This terminology comes from the accounting standards used for governments which are established by the Governmental Accounting Standards Board (GASB). These

standards constitute generally accepted accounting principles (GAAP) for local governments.

In the Required Supplementary Information section of the CAFR, the City compares actual revenues and expenditures for the accounting period to both the originally adopted budget and the final budget (the adopted budget with any adjustments) for estimated revenues and expenditure appropriations.

Expenditures are budgeted in the governmental funds on the modified accrual basis of accounting and expenses are budgeted in proprietary funds on the full accrual basis of accounting. The primary difference between the two bases of accounting is that “expenditures” emphasize the reporting of financial resource outflows (cash and cash-like resources) in the period in which they are disbursed, while “expenses” emphasize the matching of the obligation to disburse economic resources (cash and all other assets causing a change in fund net assets) to the period in which the obligation was incurred by the City.

Capital asset acquisitions are shown somewhat differently in the budget than in the CAFR. “Capital Assets” are used in the City’s operations, have an estimated useful life of more than one fiscal year, and cost \$5,000 or more. These long-lived assets include land and buildings and their improvements, vehicles, machinery and equipment, and streets and sidewalks. The City’s planned capital asset purchases are shown in two places in the Budget: (1) in the departmental capital outlay for capital assets to be purchased from annual operating appropriations during the budgeted fiscal year, and (2) in the Capital Budget Summary (CIP) for capital assets to be acquired over several years or which involve particular financing plans. In the CAFR Fund Financial Statements, all capital asset acquisitions are reported in the governmental funds acquiring them as “Capital Outlay” on their operating statements, and in the proprietary funds, the acquiring funds report their acquisition as uses of cash on their statements of cash flow (the assets are also capitalized on their balance sheets).

Budget Account Structure

Budget transactions occur under an established account code structure organized by funding source (fund/fund number). An account code is comprised of eleven numbers, which represent the fund, department/division activity code, and object code. Object codes describe the transaction type within the fund and department.

Operating/Capital Expenditure Accountability

The annual budget sets appropriations by fund or with further allocation by department or program. At the fund level, expenditures may not legally exceed appropriations. The City Manager is authorized to transfer budgeted amounts between departments or programs within any fund. The City Council may adopt supplemental appropriations during the year.

Long-Term Financial Planning

Risk Management/Health Insurance

The City of Tulare uses a risk management program to reduce its workers' compensation and general liability claim costs. The City participates in the Central San Joaquin Valley Risk Management Authority to provide processing of claims, pooling of claims exposure and excess insurance coverage, one for general liability coverage and one for workers' compensation coverage. The joint powers authorities and the City rely on estimates prepared by professional actuaries to set aside funds adequate to meet potential losses. The City covers losses up to \$100,000 per claim and then claims are pooled after that to \$500,000 for both coverages. Excess coverage provided by an additional joint powers authorities covers claims in excess of \$500,000 for both general liability and workers' compensation claims. Reserve funds are set as follows:

General Liability: a minimum of one-year premium in reserve plus an additional \$250,000 set aside for Human Resources Contingency costs for attorney fees and hearing costs.”

Workers Compensation: a minimum of one-year premium in reserve.

The city may participate in an Authority to provide health insurance benefits to its employees. While in a risk pooling environment the city would follow the policy of the plan. The City's policy is to set the reserve account at no less than four months' worth of premium to handle any unanticipated increases that occur mid budget year.

Pension and Post-employment Benefits

The City provides pension and medical benefits for its public safety and non-safety employees through three contracts with CalPERS. The contracts include benefit levels negotiated by the City with its employee units and for which it has executed contract amendments. The plans also include some benefit levels approved by the State Legislature without contract amendment and funding mechanisms approved by the CalPERS Board of Administration.

Human Services Special Revenue Fund Contingency Reserve

City Council policy is to maintain a Human Services Special Revenue Fund Contingency Reserve to help mitigate the effects of economic downturns and natural disasters, and to maintain flexibility in staffing or program levels during times of temporary decreases in grant or contract funding. The contingency reserve will be funded \$50,000 initially. In future years calculations shall be done to look at the city's potential liability in regards to cash outs at the separation of employment. Once complete liability is determined staff will recommend future funding allocations from both the general fund and all enterprise funds.

General Fund Reserve Account

Under council direction a 25% general fund reserve is maintained. This 25% is equal to 4 months of operating expenditure which also includes debt service.

General Fund Contingency Reserve

Contingency Reserve funds help mitigate the effects of unanticipated situations natural disasters, severe, unforeseen events, as well as any California Public Employees' Retirement System (CalPERS) liabilities. The Contingency Reserve also serves as back-up liquidity to the Risk Management Fund if this need were to arise. The Contingency Reserve is funded at a level at least equal to 1% of annual operating expenditures and transfers out. All uses of the Contingency Reserve must be approved by the City Council. Any such uses are to be repaid to the Contingency Reserve over a period of no more than three years.

General Fund Capital Asset Replacement Reserve

The General Fund Capital Asset Replacement Reserve provides a source of working capital for upgrading or replacing structures or non-vehicle related equipment.

Economic Incentive Reserve

The Economic Incentive Reserve is to be funded annually up at 1% of general fund operating transfers out. This reserve is used at the discretion of council to assist new development or existing businesses expand. Use of the Economic Development Application process adopted by council on March 6, 2012 (Resolution #12-22) applies to these funds.

Technology and System Improvement Reserve

The City Council will fund an annual contribution of ½% of the general fund and ¼% shall be charged to the Development Services funds and Utility funds, operating transfer out to the technology and system improvement reserve to provide a source of capital for the following:

- Ongoing hardware and software acquisition
- Technology investment
- System improvement

This level of reserve is maintained to the extent market conditions and revenues permit. All uses of the reserve must be approved by the City Manager and are budgeted as part of the capital improvement planning process.

Development Services Unallocated Fund Balance

When annual fee revenues exceed expenditures and amounts needed to maintain the Development Cost Center reserves at planned levels, the Development Services Department will evaluate the development fee structure during the subsequent fiscal year. The evaluation will take into account equity to fee payers, changes in fee structures to encourage compliance with safety codes, economic forecasts for development and maintenance of responsive and high-quality customer services. The purpose of this

evaluation will be to develop recommendations regarding possible reductions in fee levels that would be funded through use of the unallocated fund balance for the budget year that begins twelve months after the end of the fiscal year that results in an unallocated fund balance.

Election Reserve

The City of Tulare is required to pay fees for all Special and Council elections. In order to eliminate the increase and decrease in funding, a flat \$20,000 per year contribution to the reserve and capped at \$50,000 to smooth the fiscal impacts of every two years elections with the occasional special election.

Property Maintenance Reserve

The City of Tulare owns numerous buildings and property's that are leased/rented out to private individuals. Leases/Agreements are individual the property. Rents collected from properties that are in excess of the direct costs for the buildings shall be held in a Property Maintenance Reserve to offset costs of repairs to those rental buildings/properties. Examples of repairs shall include roof repair/replacement, heating and air conditioning, painting, restroom repair. Reserves may also be used for weed abatement and maintenance of vacant property.

Debt Capacity, Issuance and Management

Short-Term Operating Debt

Current revenues will cover expenses associated with the day-to-day operations of the City. However, because the City receives the majority of its property tax revenues twice during the year, and sales tax revenues may fluctuate during the year, the City may experience temporary cash shortfalls. In order to finance these possible cash shortfalls, the City may incur short-term operating debt [typically, Tax and Revenue Anticipation Notes (TRANs)]. The amount of short-term operating debt will be based on cash flow projections for the fiscal year and will comply with applicable federal and State regulations. Operating revenues will be pledged to repay the debt, which will generally be repaid in one year or less. The costs of such borrowings will be minimized to the greatest extent possible.

Interfund Loans

The City Council and/or Board of Public Utilities to approve short-term loans of one year or less and long-term advances of ten years or less between City funds under the following terms and conditions:

1. The City Council and/or Board of Public Utilities are authorized to approve loans of one year or less and advances of ten years or less between City funds; provided, that such loans and advances comply with the interfund borrowing policy and that the City Manager and Finance Director concur that such loans and advances are in the financial best interests of the City under the existing circumstances.

2. Each loan or advance approved by the City Council and/or Board of Public Utilities will be documented in a writing signed by the City Manager and the Finance Director that states all of the following:
 - a. The purpose for which the loan or advance is being made.
 - b. The identification of both the lending and borrowing fund, or funds.
 - c. The dollar amount of the loan or advance.
 - d. The maturity date on which all principal together with all accrued and unpaid interest will be due and payable.
 - e. The scheduled dates and amounts of all principal and interest installment payments.
 - f. The applicable nominal interest rate or discount rate.
 - g. The borrowing fund's right to make full prepayment at any time without penalty.
 - h. The source or sources from which the borrowing fund or funds is expected to repay the loan or advance.
3. All loans and advances will be repaid by the borrowing funds. Because each loan or advance is expected to be free from risk of default, the Finance Director will establish the nominal interest rate or discount rate to be applied to each transaction using then prevailing interest rates on indebtedness of a comparable term issued by the Treasury Department of the United States of America.
4. No individual loan or advance approved by the City Council and/or Board of Public Utilities will exceed the sum of five million dollars (\$5,000,000), and the total of all loans and advances so approved and outstanding at any one time will not exceed the sum of twenty million dollars (\$20,000,000).
5. Although the loans and advances will be unsecured, an adequate source of repayment or refunding (including future external debt issuance) is to be identified. Under all circumstances, repayment of the loans will be subordinate to claims and encumbrances established by covenants related to any debt, regardless of issue date, issued into the external financial markets by the City of Tulare, the Tulare Public Financing Authority, or any of them (collectively, the City and/or its affiliated agencies).
6. No loans or advances will be made from a City fund that is reasonably likely during the contemplated term of the loan or advance to need the same cash to pay for projects or activities for which the lending fund originally received the cash. No loan or advance will be made that will either violate any law, or cause the City and/or its affiliated agencies to breach any restrictive covenant, contractual provision, or grant term. Any loan of developer impact fees will be reported in accordance with California Government Code Section 66006(G).
7. No loan or advance will be made involving any of the following: any funds holding State Gas Tax proceeds (including, without limitation, the Special Gas Tax Street Improvement Fund), any funds holding federal streets and highway monies, any

funds holding revenues collected pursuant to voter-approved measures (including, without limitation, Proposition 1B funds and general obligation bond funds) or trust funds.

Long-Term Capital Debt

The long-term capital debt policy sets the parameters for issuing debt and provides guidance in the timing and structuring of long-term debt commitments. In addition to this policy, there is a separate policy for land-based financings (typically, Mello-Roos community facility districts and local improvement districts). The following provisions guide the City's consideration of issuing long-term debt:

1. The City uses debt financing only for one-time capital improvement projects and unusual equipment purchases, and only under the following circumstances:
 - a. When the project is included in the City's five-year capital improvement program and is in conformance with the City's General Plan.
 - b. When the project is not included in the City's five-year capital improvement program, but it is an emerging critical need whose timing was not anticipated in the five-year capital improvement program, or it is a project mandated immediately by State or federal requirements.
 - c. When the project's useful life, or the projected service life of the equipment, will be equal to or exceed the term of the financing.
 - d. When there are designated revenues sufficient to service the debt, whether from project revenues, other specified and reserved resources, or infrastructure cost-sharing revenues.
 - e. Debt financing (other than tax and revenue anticipation notes) is not considered appropriate for any recurring purpose such as current operating and maintenance expenditures.
2. The project priority process used in developing the City's five-year capital improvement program, including criteria used in evaluating projects and project viability, is reviewed by the City Council as part of the annual update of the five-year capital improvement program.
3. The following criteria are used to evaluate pay-as-you-go versus long-term debt financing in funding capital improvements:
 - a. Factors that favor pay-as-you-go:
 - i. Current revenues and adequate fund balances are available.
 - i. Project phasing is feasible.
 - ii. Debt levels would adversely affect the City's credit rating.
 - iii. Market conditions are unstable or present difficulties in marketing.
 - b. Factors that favor long-term financing:

- i. Revenues available for debt service are considered sufficient and reliable so that long-term financing can be marketed with an appropriate credit rating.
 - ii. The project for which financing is being considered is of the type that will allow the City to maintain an appropriate credit rating.
 - iii. Market conditions present favorable interest rates and demand for municipal financings.
 - iv. A project is mandated by State or federal requirements and current revenues and fund balances are insufficient to pay project costs.
 - v. A project is immediately required to meet or relieve capacity needs.
 - vi. The life of the project or asset financed is five years or longer.
4. The following are considered in evaluating appropriate debt levels:
 - a. General Fund-supported debt service will not exceed 7% of total General Fund budgeted expenditures and transfers out at the time of issuance.
 - b. The General Fund may be used to provide back-up liquidity to improve the viability of a self-supported debt issue (i.e., not land-based financings), but only if the General Fund is not exposed to significant risk of loss of assets or impairment of liquidity. This evaluation of risk will consider such things as the following:
 - i. Volatility and collectability of the revenue source identified for repayment of the debt.
 - ii. The likelihood the General Fund will be reimbursed within one year for any payments it might potentially need to make in its role as back-up guarantor. If the City Council determines the risk of loss of assets or impairment of liquidity to the General Fund to be relatively minimal, self-supported debt service for debt that relies on the General Fund as a back-up guarantor will not exceed 7% of General Fund budgeted expenditures and transfers out. This limitation is separate from and in addition to the debt limitation for General Fund-supported debt service described in Section 4.a., above.
5. The costs of developing and maintaining a land-based long-term debt policy will be borne by the development community, which uses this type of financing.
6. The City will follow all State and federal regulations and requirements regarding bond provisions, issuance, taxation, and disclosure.
7. The adoption of resolutions of intent will be considered whenever bond issuance is contemplated to increase the flexibility related to funding costs related to the project (e.g., project development costs, architectural costs, studies, etc.).
8. Costs incurred by the City, such as bond counsel and financial advisor fees, printing, underwriters' discount, and project design and construction costs, will be charged to the bond issue to the extent allowable by law.

9. The City will seek credit enhancements, such as letters of credit or insurance, when necessary for cost-effectiveness.
10. The City will monitor compliance with bond covenants and adhere to federal arbitrage and disclosure regulations. Any instances of non-compliance will be reported to the City Council.
11. The City will seek to maintain its current bond rating and will ordinarily not consider long-term debt that, through its issuance, would cause the City's bond rating to be lowered.
12. The City will maintain good communications with bond rating agencies about its financial condition and will follow a policy of full disclosure in every financial report and bond prospectus (Official Statement).
13. The City will generally conduct financings on a competitive basis; however, negotiated financings may be used where market volatility or the use of an unusual or complex financing or security structure is a concern with regard to marketability.
14. The City will select a financial advisor and/or investment banker and bond counsel on a competitive basis; these advisors will be retained for at least four years to provide continuity and allow them to develop an understanding of the City's needs. Other outside service providers may be selected by developers or owners, subject to the City's approval. Trustees and/or paying agents will be selected by competitive bid.
15. Interfund borrowing will be considered to finance high priority needs on a case-by-case basis, but only when planned expenditures in the fund making the loan would not be affected. Interfund borrowing may be used when it would reduce costs of interest, debt issuance, and/or administration.
16. The term of the long-term debt instrument will not exceed the useful life of the asset or forty years, whichever is less.
17. Bond proceeds will be invested in accordance with the provisions of the bond indenture. Funds set aside for debt service will only be used for that purpose.
18. In choosing the appropriate long-term debt instrument, cost, economic equity, political acceptability, and flexibility will be considered. Refunds will be considered to reduce interest costs or principal outstanding, or to eliminate restrictive debt covenants. Pooled financings with other government agencies will be considered, as appropriate.

Financing Instruments

There are many different types of long-term debt instruments available. Depending on the specific circumstances, the City will consider using the following types of financing instruments:

1. General Obligation Bonds - Bonds backed by the full faith and credit of the City. The taxing power may be an unlimited ad valorem tax, subject to State law, or a limited tax, usually on real estate and personal property. A special rate is incorporated in the property tax bill annually to pay for debt service. A two-thirds voter approval is required for authorization. Because it is secured by a tax levy, this structure has strong marketability and lower interest costs.
2. Revenue Bonds - Bonds are secured by revenues generated by the facility that is financed or by dedicated user fees. Voter approval may or may not be required. Planning is more complex because costs and revenues affect each other. Credit enhancement (e.g., insurance or letter of credit) may be needed because of the limited source of debt service payment.
3. Certificates of Participation - The City enters into a lease agreement with another party (a lessor, such as a joint powers authority) to lease an asset over a defined period of time at a prearranged annual payment. Voter approval is generally not required. Lease payments are made primarily from General Fund revenues. Current law requires the lessee to make lease payments only if the facility has beneficial use. The legislative body has to appropriate annual debt service payments. For the security of the bondholders, a reserve fund is normally established and held by a trustee until all bonds are paid. Interest during project construction must be capitalized. An "asset transfer" structure, whereby an existing facility is used as security to finance construction or acquisition of another project, may be used for flexibility.
4. Assessment Bonds - Bonds are issued to develop facilities and basic infrastructure for the benefit of properties within the assessment district. Assessments are levied on properties benefited by the project. Voter approval is not required. Instead, a majority vote of the property owners with a majority of assessments is needed to authorize the issue. The issuer's recourse for non-payment is foreclosure. This type of bond is normally not rated. The bonds may be issued under the provisions of the 1911, 1915 or Mello-Roos Bond Act, whichever is most appropriate.
5. Master Lease Agreements - The City enters into a lease agreement with a provider to lease equipment or facilities whose useful life is too short to finance with long-term debt. Various pieces and types of real and personal property from different vendors over a period of time can be acquired under one master lease agreement. Interest can be fixed or tied to an index. Financing costs are normally minimal, but the interest cost may be higher than with other instruments.

6. Vendor-Financed Leases - A vendor of equipment acts as the lessor and investor, and holds the lease for its full term or may assign the lease. The motivating factor to the vendor is usually to encourage future sales of its product.

7. Marks-Roos Bonds - Bonds are issued by a joint powers authority to buy other bond issues. By pooling bond issues, marketability can be improved and administration costs are reduced.

8. Bond Anticipation Notes - Notes are issued to provide temporary financing, to be repaid by long-term financing. The bridge financing has a maximum maturity of three years.



Rob Hunt, City Manager

6-1-2020

Date

CITY OF TULARE
 ACTUAL, ESTIMATED AND PROJECTED REVENUE AND EXPENDITURES
 FISCAL YEAR 2019-2020 TO 2025-2026

	Actual 2019-2020	Estimated 2020-2021	Projected 2021-2022	Projected 2022-2023	Projected 2023-2024	Projected 2024-2025	Projected 2025-2026
<u>Revenue</u>							
Property Taxes	6,194,380	6,619,350	6,950,320	7,297,840	7,662,730	8,045,870	8,448,160
Sales Tax & Measure I	16,362,280	15,893,300	17,837,900	18,600,400	19,314,800	19,997,200	20,647,600
Utility Users Tax	5,737,810	6,200,000	6,000,000	6,060,000	6,120,600	6,181,800	6,243,600
Hotel/Motel Tax	1,431,230	1,500,000	1,600,000	1,648,000	1,697,400	1,748,300	1,800,700
Franchise Fees	1,112,830	1,190,000	1,200,000	1,236,000	1,273,100	1,311,300	1,350,600
Motor Vehicle	5,895,130	6,192,040	6,547,000	6,743,400	6,945,700	7,154,100	7,368,700
Others	6,722,000	6,923,660	7,131,370	7,345,300	7,565,700	7,792,700	8,026,500
Total Revenue	43,455,660	43,945,050	47,100,350	48,930,940	50,580,030	52,231,270	53,885,860
<u>Expenditures</u>							
Salary & Benefits	28,812,560	29,973,310	31,911,520	32,093,480	33,169,870	34,178,300	35,078,680
Maintenance & Operations	10,219,420	10,449,630	10,836,890	11,060,520	11,289,020	11,522,500	11,761,080
Debt Service/Debt Transfer	2,560,520	2,217,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000
Oversize Payment	199,100	233,330	110,820	110,820			
Vehicle Replacement	797,140	275,250	535,200	550,000	550,000	550,000	550,000
Operating Transfer for Projects	250,000	200,000	200,000	250,000	250,000	250,000	250,000
Operating Transfer	2,336,540	2,189,320	2,567,850	2,636,790	2,656,680	2,677,560	2,699,490
Total Expenditures	45,175,280	45,537,840	48,362,280	48,901,610	50,115,570	51,378,360	52,539,250
Net Revenue/(Expenditures)	(1,719,620)	(1,592,790)	(1,261,930)	29,330	464,460	852,910	1,346,610

Assumptions:

- Property Taxes - 5% increase each year
- Sales tax - based on information from MuniServices
- Utility Users Tax - 1% increase each year for new residents
- Hotel/Motel, Franchise Tax, Motor Vehicle and Others - 3% increase
- Salary and Benefit - increase PERS, Workers Comp Insurance and Health Insurance, all others remain the same
- Maintenance & Operations 2.00% increase

PERS flat allocation per CalPERS Projection based on reduced discount rate - taken into account a lump sum payment with a 3% savings - future years used the 30 year amortization rate schedule, in fiscal year 20-21 the 20 year amortization rate will be implemented and will increase the amount the City will be required to pay.

Health Insurance 5% increase each year

Workers Comp Insurance 5% increase each year

Liability insurance 5% increase each year

Chamber & Museum Contribution to remains the same each year.

Senior Service increase 5% for each outer years.

Administrative Fees to remains the same

Contribution to Development Services \$300,000 for each year, Property Management \$250,000 and Aviation \$50,000 each year

**CITY OF TULARE
CITY WIDE PROPOSED BUDGET
FISCAL YEAR 2021-2022**

	SALARIES & BENEFITS	MAINTEN- ANCE & OPERATIONS	CAPITAL OUTLAY/ IMPROVEMENTS	DEBT SERVICE	SUB-TOTAL EXPENDITURES	OTHER FINANCING USES	2021/22 PROPOSED
General Fund	31,911,520	11,372,090		110,820	43,394,430	4,967,850	48,362,280
Fleet Maintenance	1,092,650	2,105,650			3,198,300		3,198,300
Aviation	20,910	227,310			248,220		248,220
Senior Services	227,890	325,940			553,830		553,830
Development Services	2,306,740	672,210			2,978,950	2,020	2,980,970
Transit	253,850	4,069,600			4,323,450		4,323,450
Water	2,328,250	7,468,990	79,500	2,851,890	12,728,630	711,150	13,439,780
Solid Waste	4,106,770	6,173,450	279,500		10,559,720	506,150	11,065,870
Sewer/Wastewater	4,325,900	14,217,330		10,350,260	28,893,490	462,290	29,355,780
Financing Authority	2,170	9,920		2,216,400	2,228,490		2,228,490
Downtown Parking Maintenance		112,020			112,020		112,020
Parking & Business Impr Area(TIP)		88,000			88,000		88,000
OTS Grant		20			20	15,000	15,020
COPS Grant	163,670	2,330			166,000		166,000
Vehicle Abatement	41,640	580			42,220		42,220
Property Management	1,060,310	1,000,890			2,061,200		2,061,200
Dangerous Building Abatement		1,180	30,000		31,180		31,180
Landscape & Lighting	110,630	694,320			804,950		804,950
Employee Welfare	54,370	5,378,640			5,433,010		5,433,010
Workers Comp Insurance	89,290	2,812,080			2,901,370		2,901,370
General Insurance	73,660	1,487,700			1,561,360		1,561,360
Unemployment Insurance		50,000			50,000		50,000
Purchasing		1,500,000			1,500,000		1,500,000
Surface Water Management	150,170	371,740			521,910		521,910
CIP Administration	690,840	61,990			752,830		752,830
					0		
Total City Wide	49,011,230	60,203,980	389,000	15,529,370	125,133,580	6,664,460	131,798,040
% by Category	37.19%	45.68%	0.30%	11.78%	94.94%	5.06%	

General Fund Analysis Fiscal Year 2021-2022

Total General Fund Revenues & Transfer Ins

47,100,350

<u>DEPARTMENT</u>	<u>SALARIES & BENEFITS</u>	<u>MAINTEN- ANCE & OPERATIONS</u>	<u>DEBT SERVICE</u>	<u>SUB-TOTAL EXPENDITURES</u>	<u>OTHER FINANCING USES</u>	<u>2021/22 PROPOSED ACTUAL</u>	<u>RELATIVE PERCENTAGES</u>
City Council	17,970	73,060		91,030		91,030	0.19%
City Manager	438,290	129,520		567,810		567,810	1.21%
Finance	893,000	589,240		1,482,240		1,482,240	3.15%
Human Resources	332,440	235,530		567,970		567,970	1.21%
Information Technology	269,000	431,770		700,770		700,770	1.49%
Economic Development	106,030	79,120		185,150		185,150	0.39%
Code Enforcement	449,180	162,680		611,860		611,860	1.30%
Animal Shelter	732,490	387,670		1,120,160		1,120,160	2.38%
Non-Departmental		517,550		517,550	3,990,850	4,508,400	9.57%
Police	16,635,600	3,302,920		19,938,520		19,938,520	42.33%
Fire	7,710,160	1,593,380		9,303,540		9,303,540	19.75%
Streets/Graffiti/Storm Drain	1,158,150	1,289,140		2,447,290	505,000	2,952,290	6.27%
Parks & Recreation	2,198,330	1,899,810	54,330	4,152,470		4,152,470	8.82%
Library	970,880	680,850		1,651,730		1,651,730	3.51%
Storm Drainage		(150)	56,490	56,340	472,000	528,340	1.12%
Total, General Fund	31,911,520	11,372,090	110,820	43,394,430	4,967,850	48,362,280	
 % of Expenditures to Revenue	 66%	 24%	 0%	 90%	 10%	 100.00%	

CASH BALANCE FOR GENERAL CIP

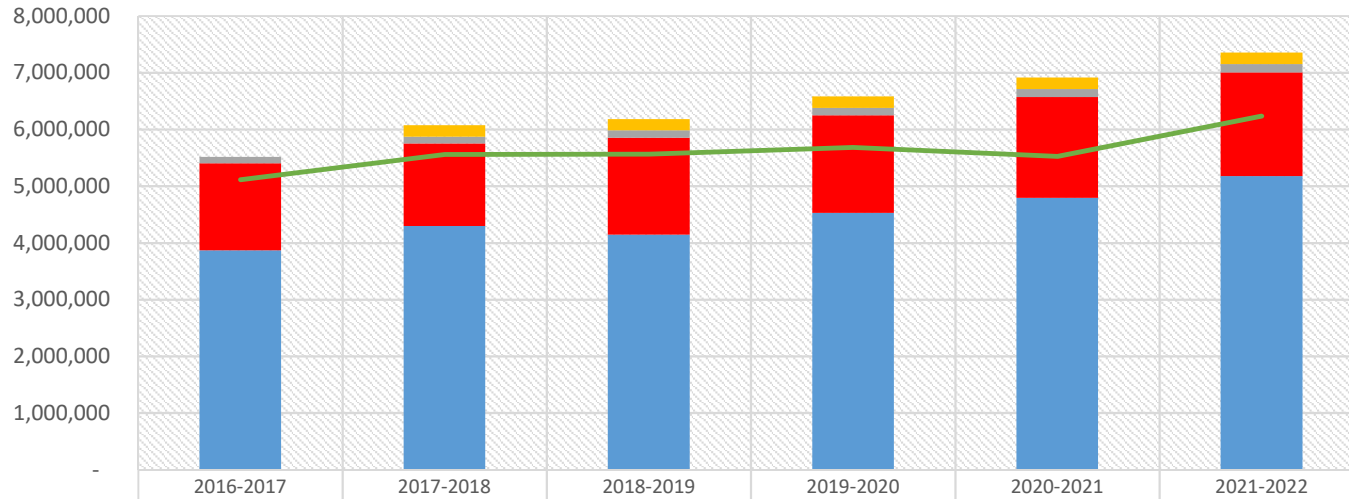
Cash Balance at March 19, 2021	1,408,780
Carryover Projects - Prior	155,000
2019-2020 Carryover Projects	161,950
2020-2021 Carryover Projects	<u>676,620</u>
Estimated Cash Balance at June 30, 2021	<u>415,210</u>
Proposed Revenue 2021-2022	<u>200,000</u>
Funds Available for 2021-2022	<u><u>615,210</u></u>

GENERAL FUND CIP PROPOSED PROJECTS						
	Projects	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026
Administration	Matching Contingency Funds	25,000	25,000	25,000	25,000	25,000
Administration	Annual Facilities Capital Maintenance	25,000	25,000	25,000	25,000	25,000
Administration	ADA Compliance Upgrades	40,000	40,000	40,000	40,000	40,000
Administration	Aerial Imagery		28,000			40,000
Storm Drain	MS4 Permit Compliance	75,000	75,000	75,000	75,000	75,000
Fire	Station 63 Asphalt Sealer Project	3,400				
Administration	Civic Affairs Conceptual Remodel		52,000			
Airport	Airport Main Ramp Rehab	92,500				
Fleet Maintenance	Fuel Island Bunker - Corporation Yard	25,000				
Airport	Airport Security Camera	42,000				
Fleet Maintenance	Refinish Shop Floors		25,000			
Airport	Airport Reconfiguration Design Taxi Way	7,700				
Parks	Live Oak Park Playground Replacement	117,000				
Parks	Prosperity Sports Park Playground Replacement	38,000				
Parks	Prosperity Sports Park Softball Field 1 Restoration		125,000			
Parks	Cypress Park Arbor 1 Improvement		25,500			
Parks	Prosperity Sports Park Softball Field 4 Restoration			125,000		
Parks	Cypress Park Arbor 2 Improvement			25,500		
Fire	All Fire Stations Replacing Carpet with Tile	50,000				
Fire	Fire Station New Locks and Security System	61,780				
Parks	Centennial Park Parking Lot Rehab		45,000			
Parks	Station 61 Concrete Project		200,000			
	Total Request	602,380	665,500	315,500	165,000	205,000

General Fund Proposed Expenditures by Categories Fiscal Year 2021-2022

<u>DEPARTMENT</u>	<u>SALARIES & BENEFITS</u>	<u>MAINTEN- ANCE & OPERATIONS</u>	<u>CAPITAL OUTLAY</u>	<u>DEBT SERVICE</u>	<u>CAPITAL IMPROVEMENTS</u>	<u>SUB-TOTAL EXPENDITURES</u>	<u>OTHER FINANCING USES</u>	<u>2021/22 PROPOSED ACTUAL</u>
City Council	17,970	73,060				91,030		91,030
City Manager	438,290	129,520				567,810		567,810
Finance	893,000	589,240				1,482,240		1,482,240
Information Technology	269,000	431,770				700,770		700,770
Economic Development	106,030	79,120				185,150		185,150
Human Resources	332,440	235,530				567,970		567,970
Code Enforcement	324,750	139,970				464,720		464,720
Code Enf - Measure I	124,430	22,710				147,140		147,140
Animal Shelter	732,490	387,670				1,120,160		1,120,160
Non-Departmental		517,550				517,550	3,990,850	4,508,400
Police--Administration	3,384,130	1,478,620				4,862,750		4,862,750
Police--Patrol	6,303,590	984,610				7,288,200		7,288,200
Police--Investigations	2,194,340	413,710				2,608,050		2,608,050
Police--Measure I	4,753,540	425,980				5,179,520		5,179,520
Fire	6,001,060	1,475,360				7,476,420		7,476,420
Fire--Measure I	1,709,100	118,020				1,827,120		1,827,120
Streets	1,050,430	505,990				1,556,420	305,000	1,861,420
Streets-Measure I							200,000	200,000
Streets Lights	11,550	734,110				745,660		745,660
Graffiti Abatement	96,170	49,040				145,210		145,210
Parks & Recreation Admini	343,420	130,280				473,700		473,700
Parks	1,177,820	1,397,150		54,330		2,629,300		2,629,300
Recreation & Community S	677,090	372,380				1,049,470		1,049,470
Library	970,880	680,850				1,651,730		1,651,730
Storm Drainage		(150)		56,490		56,340	472,000	528,340
Total, General Fund	31,911,520	11,372,090	0	110,820	0	43,394,430	4,967,850	48,362,280
 % by Category	 66%	 24%	 0%	 0%	 0%	 90%	 10%	 100%

Measure I Revenue and Expenditures



	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
Streets		200,000	200,000	200,000	200,000	200,000
Code Enforcement	116,229	119,330	129,330	132,387	139,870	147,140
Fire	1,535,482	1,452,580	1,709,896	1,720,830	1,777,430	1,827,120
Police	3,866,139	4,299,191	4,142,888	4,527,541	4,795,040	5,179,520
Measure I Revenue	5,114,521	5,561,065	5,567,757	5,683,795	5,525,000	6,237,000

Requested New Positions FY 2021-22 Budget

Department	Division	Classification	C Step mo.	C Step Annual Salary	C Step Annual Salary + benefits	GF Impact	Notes/Funding Source	
Comm. Serv	Parks	Park Ranger		\$4,292	\$51,504	\$74,166	\$66,749	90% GF; 10% L & L
Public Works	Solid Waste	Senior Solid Waste Operator		\$3,843	\$46,116	\$66,407	none	Enterprise fund: Offset by increased revenue

Recommended Classification/Compensation Upgrades or Position Changes FY 2021-22 Budget

Department	Division	Classification	Current Mo. Salary Range	New Mo. Salary Range	New Annual Salary/ Benefits w/Reclass	Current Est. Annual Salary/ Benefits	Difference	GF Impact	Notes/Funding Source
Community Services	Sr. Center	Senior Services Administrator to Recreation Supervisor	\$6,676	\$5,162	\$89,199	\$115,363	-\$26,163	-\$26,163	downgrade of position so 3 Recreation Supervisors can rotate and cross train within department as necessary
Finance	Finance	Assistant Finance Director to Utility Billing Manager	\$8,087	\$5,619	\$97,096	\$139,743	-\$42,647	-\$42,647	downgrade position to provide utility billing oversight and provide 2nd manager under Finance Director
Fire	Admin	Administrative Assistant to Senior Administrative Assistant	\$4,103	\$4,603	\$79,540	\$70,900	\$8,640	\$8,640	sets position with all Department Head administrative staff
Police	Records	Police Receptionist to Police Records Assistant (2 positions)	\$2,747	\$3,362	\$58,095	\$47,468	\$10,627	\$21,254	position upgrade due to minimum wage issues and increased records duties
General Services	Fleet	Fleet Maintenance Supervisor to Fleet Maintenance Superintendent	\$6,227	\$6,551	\$113,201	\$107,594	\$5,607		position upgrade due to job responsibilities and create alignment in department under General Services Manager.
General Services	Admin	Safety & Regulatory Compliance Analyst to Safety Coordinator	\$6,383	\$5,010	\$86,573	\$110,299	-\$23,726		downgrade of position to provide support in safety program; General Services Manager to assume higher level safety responsibilities
General Services	Facilities Maint	Facilities Maintenance & Airport Operation Manager to Facilities Maintenance Superintendent	\$7,340	\$6,239	\$107,810	\$126,830	-\$19,020		no initial salary savings until position becomes vacant; y-rate current incumbent salary; to create alignment in department under General Services Manager
Public Works	WWTP	Wastewater Maintenance Technician Crew Leader to Wastewater Treatment Plant Maintenance Supervisor	\$5,749	\$5,923	\$102,348	\$99,342	\$3,006		provides supervisory structure at the plant on both the operations and maintenance sides; crew leader independently supervises maintenance workers
Public Works	Water	Water Conservation Officer to Water Conservation Worker	\$4,435	\$3,447	\$59,564	\$76,637	-\$17,073		Downgrade of position due to shift in duties; position does not warrant current pay grade (position vacant)
Public Works	Solid Waste	Solid Waste Manager (salary only)	\$6,983	\$7,638	\$131,985	\$120,666	\$11,318		Additional regulatory and reporting responsibilities; SW study and alignment within PW department among operations managers
								\$27,833	Est. General Fund Impact

ESTIMATED CASH BALANCE

	2020-2021	2021-2022	2022-2023	2022-2023	2023-2024	2024-2025
Estimated Beginning Cash Balance, July 1, 20XX	15,527,920	13,935,130	12,673,200	12,702,530	13,166,990	14,019,900
Revenue	43,945,050	47,100,350	48,930,940	50,580,030	52,231,270	53,885,860
Expenditure	45,537,840	48,362,280	48,901,610	50,115,570	51,378,360	52,539,350
Estimated Ending Cash Balance, June, 30, 20XX	13,935,130	12,673,200	12,702,530	13,166,990	14,019,900	15,366,410
	30.60%	26.20%	25.98%	26.27%	27.29%	29.25%
	3.67 Months	3.14 Months	3.12 Months	3.16 Months	3.28 Months	3.51 Months
25% Reserve	11,384,460	12,090,570	12,225,403	12,528,893	12,844,590	13,134,838

City of Tulare
 Support and Contributions from General Fund
 Fiscal Year June 30, 2022

Tulare Chamber of Commerce	12,500
Tulare County EDC	25,000
Clean up	75,000
Tulare Baseball Association	12,500
Tulare Softball Association	12,500
Tulare Historical Society	12,500
Senior Center	378,830
Castastrophic Fund	150,000
Personnel Fund	50,000
General Fund CIP Fund	200,000
Development Service Fund	300,000
Downtown Parking Fund	112,020
Property Management Fund	250,000
Surface Water Fund	272,000
Technology CIP Fund	300,000
Streets CIP Fund includes Measure I	505,000
Storm Drain CIP Fund	200,000

Total

2,867,850