



Staff Report

File #: 22-0642

REQUEST FOR CITY COUNCIL ACTION

DATE: 08/03/2022

TO: Honorable Mayor and City Council Members

FROM: Finance Department

SUBJECT:
Fiscal Year 2022 Quarter 4 Budgetary Adjustments.

EXECUTIVE SUMMARY:

The City Council will consider budgetary adjustments for Fiscal Year 2022 based on the Quarter 4 results and staff recommendations for funding level changes. On a quarterly basis, staff presents an update to the City Council on the current fiscal year revenue and expenditures. As part of the process, departments review the operating and capital improvement project funding levels and provide recommendations for budgetary adjustments.

RECOMMENDED ACTION:

That the City Council:

- a. Authorize an Exception to Bidding pursuant to Municipal Code Section [3.08.140\(E\)](#) to Royal Industrial Solutions in the amount of \$200,000 for non-Allen-Bradley equipment and materials and authorize a Purchase Order with a total compensation amount of \$200,000 annually through June 30, 2026.
- b. Authorize the Purchasing Manager to issue a change order to Royal Industrial Solutions purchase order for non-Allen-Bradley equipment and materials in the amount of \$100,000, for a total of \$200,000 annually through June 30, 2026.
- c. Appropriate \$182,594 to the Fire Department's General Fund operating budget based on mutual aid fire activity.

- d. Authorize a continuing appropriation of the Homeless Program FY 2022 budget balance, currently estimated at \$300,000. The final amount will be determined based on the fiscal year-end balance in the program.
- e. Appropriate \$15,000 in CFD 97-1 Landscape Fund 248 for additional utility costs.
- f. Appropriate \$37,000 in LMD 84-1 Lighting Fund 446 for additional utility costs and interest expense.
- g. Appropriate \$995 in CFD 2016-3 Zone 12 Lemon Grove Fund 235 for additional utility costs.

BACKGROUND & HISTORY:

On a quarterly basis, the Finance Department provides a budget update to the City Council. As part of the quarterly process, departments provide operating and CIP adjustments that need to be addressed in the fiscal year (FY). The Finance Department prepares a consolidated request for the City Council's consideration.

ANALYSIS:

Items a and b - Authorize an Exception to Bidding pursuant to Municipal Code Section 3.08.140(E) to Royal Industrial Solutions in the amount of \$200,000 for non-Allen Bradley equipment and materials and authorize a Purchase Order with a total compensation amount of \$200,000 annually through June 30, 2026, and authorize the Purchasing Manager to issue a change order to Royal Industrial Solutions purchase order for non-Allen Bradley equipment and materials in the amount of \$100,000, for a total of \$200,000 annually through June 30, 2026.

On September 1, 2021, City Council approved a Professional Services Agreement with Royal Industrial Solutions for the purchase of Allen-Bradley hardware products for \$1,000,000 through June 30, 2026. Royal Industrial Solutions is the sole source provider of Allen-Bradley hardware products in the Inland Empire.

In addition to Allen-Bradley products, the Utilities Department also purchases other electrical components and supplies from Royal Industrial Solutions. These components and supplies are necessary to perform maintenance services, upgrades, and repairs for the reliability and redundancy of the water and water reclamation systems. These purchases are tracked through a separate purchase order to monitor bidding thresholds for items that are non-sole source.

Corona Municipal Code 3.08.140(E) authorizes the City to make an exception to competitive bidding when the City determines it is in the best interest of the City. In the past year, the City has continued to encounter challenges related to materials purchases. Lead times and pricing can be very unpredictable. Royal Industrial Solutions has proven its ability to source materials at a faster turnaround time than other vendors. They also guarantee the City a 15-20 percent discount on supplies.

Staff requests authorization to increase the total compensation for Royal Industrial Solutions by \$100,000 to \$200,000 per fiscal year for non-Allen-Bradley equipment and materials through June 30, 2026.

Item c - Appropriate \$182,594 to the Fire Department's General Fund operating budget based on mutual aid fire activity. The mutual aid support division in the Fire Department is currently operating in a deficit due to an increased fire suppression season and the support of other agencies in firefighting efforts. The State of California Office of Emergency Services (Cal OES) provides reimbursement for these costs in addition to an administrative component. Current revenue activity for mutual aid reimbursement is \$1,580,732. Actual revenue is \$630,737 higher than the original estimate of \$950,000.

Item d - Authorize a continuing appropriation of the Homeless Program FY 2022 budget balance, currently estimated at \$300,000. The final amount will be determined based on the fiscal year-end balance in the program. Consistent with City Council direction in the past, carry forward the unspent balance of the homeless program budget in the City Manager's office.

The balance is requested as the Homeless Strategic Plan has many programs in the developmental stages. The additional funds will be needed in Fiscal Year 2023 as multiple plan components are approved by City Council and subsequently implemented.

Item e - An appropriation of \$15,000 is requested in CFD 97-1 Landscape Fund 248. The FY 2022 operating budget for water utility costs and recycled water utility costs were underfunded. The Community Services Department will review and update the expenditure budget for the Fiscal Year 2023 water utility and recycled water utility.

Item f - An appropriation of \$37,000 is requested in LMD 84-1 Lighting Fund 446. The requested increase is for electric utility costs and interest expense. The interest expense for the inter-fund loan was originally budgeted for \$3,530, based on the estimated LAIF rate of 0.20%; however, the actual interest expense of \$10,403 was recorded based on the actual LAIF rate of 0.56%. The electric utility line item is over budget by approximately \$30,000 due to additional utility costs throughout the year. The Public Works Department will continue to research with Southern California Edison to ensure that the charges are correct and will review and update the electric utility budget for the Fiscal Year 2023 if needed.

Item g - An appropriation of \$995 is requested in the CFD 2016-3 Zone 12 Lemon Grove Fund 235. The requested increase is for additional recycled water utility costs in FY 2022. The Community Services Department will review and update the recycled water utility budget for Fiscal Year 2023.

FINANCIAL IMPACT:

Approval of Actions a and b have no additional financial impact. Funding is included in the FY 2022 and FY 2023 Utilities Department operating budget and the budget of certain Capital Improvement Projects. Funding in future fiscal years will be recommended through the budget process.

Approval of Action c will result in an appropriation in the amount of \$182,594 to the Fire Department's Operating Budget from the General Fund. Additional mutual aid revenues were received in FY 2022, based on the fire season, that offsets the appropriation. There is sufficient available fund balance for the recommended action.

Approval of Action d will have no additional financial impact.

Approval of Actions e, f, and g will result in appropriations, as noted below. There is a sufficient fund balance in each of the respective funds for approval of the recommended actions.

- Action e - \$15,000 to CFD 97-1 Landscape Fund 248.
- Action f - \$37,000 to LMD 84-1 Lighting Fund 446.
- Action g - \$995 to CFD 2016-3 Zone 12 Lemon Grove Fund 235.

ENVIRONMENTAL ANALYSIS:

This action is exempt pursuant to Section 15061(b)(3) of the Guidelines for the California Environmental Quality Act (CEQA), which states that a project is exempt from CEQA if the activity is covered by the general rule that CEQA applies only to projects that have potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the action is not subject to CEQA. This action is to approve budgetary adjustments for Fiscal Year 2022, and there is no possibility that approval of the recommended actions will have a significant effect on the environment. Therefore, no environmental analysis is required.

PREPARED BY: JULIE KENNICUTT, BUDGET MANAGER

REVIEWED BY: KIM SITTON, FINANCE DIRECTOR