



Legislation Details (With Text)

File #: 21-0976 **Version:** 1 **Name:**
Type: Budgetary **Status:** Passed
File created: 10/18/2021 **In control:** City Council
On agenda: 11/3/2021 **Final action:** 11/3/2021
Title: Fiscal Year 2022 Quarter 1 Budgetary Adjustments.

Sponsors:

Indexes:

Code sections:

Attachments: 1. Staff Report, 2. Exhibit 1-Interfund Loan Agreement WR (572) to Reclaimed (567)

Date	Ver.	Action By	Action	Result
11/3/2021	1	City Council	approved	

REQUEST FOR CITY COUNCIL ACTION

DATE: 11/03/2021

TO: Honorable Mayor and City Council Members

FROM: Finance Department

SUBJECT:
Fiscal Year 2022 Quarter 1 Budgetary Adjustments.

EXECUTIVE SUMMARY:

Staff is recommending Quarter 1 budget adjustments for Fiscal Year (FY) 2022 in the operating and capital budgets.

RECOMMENDED ACTION:

That the:

- a. City Council approve the following General Fund budgetary adjustments:
 1. Transfer \$14,000, within the Community Services Department, from the salaries/benefits budget to the services/supplies budget for training.
 2. Appropriate \$33,000 and increase revenue estimates by the same amount for an additional location of the Kids Club After-school Program, located at Benjamin Franklin Elementary School.
 3. Reduce the Emergency 911 Phone System capital improvement project (CIP #70100)

and decrease revenue estimates by \$45,483 for maintenance of the Dispatch Vesta 911 phone system.

- b. City Council appropriate \$32,000, in the Asset Forfeiture Fund 250, to the Police Department operating budget to purchase handheld radio batteries.
- c. City Council appropriate \$40,815, in the Residential Refuse/Recycling Fund 260, to the Utilities Department operating budget for solid waste compliance audits and approve a change order to MSW Consultant's purchase order for the same amount, for a total Purchase Order of \$127,315. Approve a potential cash transfer of \$40,815 from the General Fund to the Residential Refuse/Recycling Fund 260, with final amount to be determined based on year-end actuals.
- d. City Council appropriate \$120,000, in the Dwelling Development Tax Fund 289, to the Harrison Shelter Phase 2 project (CIP #75025).
- e. City Council appropriate \$2,000, in the Low Mod Income Housing Fund 291, to the Community Services operating budget for computer equipment.
- f. City Council appropriate \$65,964 and increase revenue estimates by the same amount (\$36,450 Family Literacy Services and \$29,514 Adult Family Literacy), in the Adult and Family Literacy Grant Fund 442, to the Community Services operating budget for the FY 2022 literacy services grant award.
- g. City Council appropriate \$15,000, in the LMD 84-2 Zone 10 Fund 460, to the Community Services operating budget for weed abatement costs.
- h. City Council appropriate \$100,000, in the Reclaimed Water System Fund 567, to the Booster Station Rehabilitation project (CIP #7034). Authorize a potential loan of \$19,109 from the Water Reclamation Utility Fund 572 to the Reclaimed Water Utility Fund 567, with the final amount to be determined based on year-end actuals.
- i. City Council approve an inter-fund and repayment agreement between the Water Reclamation Utility Fund 572 and the Reclaimed Water Utility Fund 567.
- j. Corona Utility Authority (CUA) and Corona Housing Authority (CHA) review, ratify, and to the extent necessary, direct that the City Council take the above actions.

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. The Finance Department prepares a consolidated request for the City Council's consideration.

ANALYSIS:

Item a - General Fund budgetary adjustments

1. Transfer \$14,000 from the salaries/benefits budget to the services/supplies budget in the Community Services Department. The budget transfer is requested to provide strengths-based training to the fifty (50) full-time employees across all divisions in the newly re-organized Community Services Department. The purpose is to integrate with one another across the multiple divisions and continue to create a positive culture with the addition of two (2) supervisors from the Utilities Department and Planning and Development Department being transferred to the Community Services Department to form the Community Assistance and Building Maintenance divisions, as well as the addition of full-time staff that were also transferred from these divisions. The strengths-based training is meant to leverage the strengths of all full-time staff so that it can create efficiencies, prioritize providing the best customer service to the community, and positive work culture, as well as provide on-going support to all staff as well as invest in their professional development and retain employees. The transfer of \$14,000 is funded from existing salaries/benefits savings that exists due to vacancies.
2. Appropriate \$33,000 and increase revenue estimates for a new kids' club location at Benjamin Franklin Elementary. Parental demands and high success from Eisenhower Elementary prompted community interest in opening another after-school site in the immediate area, at Benjamin Franklin Elementary. The funding will provide for part-time positions and operating costs. The budget increase will be offset with revenues from the families that participate in the after-school program. The location is set to begin in January 2022.
3. Reduce the Emergency 911 Phone System (CIP #70100) and decrease revenue estimates by \$45,483 for maintenance of the Dispatch Vesta 9-1-1 phone system. In the FY 2016 capital improvement plan budget, replacement of the Emergency 911 Phone System was authorized. 911 phone systems throughout the State of California are managed by the State's Office of Emergency Services. The necessary funding for replacing the 911 phone systems is generated from a 911 service fee paid on every phone bill. The emergency 911 phone system was approved and accepted by the Police Department on August 19, 2016. At the time of purchase, the vendor, Carousel Industries, was authorized to submit a purchase order of \$428,907.62 on the City's behalf directly to the State of California. This purchase order allowed the vendor to submit billing requests directly to the State of California Office of Emergency Services through the designated funding allotment for the City of Corona. The funding is identified by the volume of 911 calls received each year. This purchase order included five years of maintenance on the system.

The 911 phone system is now in the sixth year, and Carousel Industries will provide maintenance at the cost of \$45,483 for FY 2022. When the budget was prepared for FY 2022, it was determined that the City of Corona would pay this maintenance, and the State of California would reimburse the City of Corona for these costs. A recent change at the State of California contracts department now allows the State to pay the vendor directly. The State of California Office of Emergency Services would prefer to move forward and enable Carousel Industries to continue invoicing the State directly for payment. With this change, the City of Corona will issue a zero-dollar purchase order to Carousel Industries and will not incur the maintenance costs from Carousel Industries or have the revenue from the State of California.

Item b - appropriate \$32,000, in the Asset Forfeiture Fund 250, for handheld radio batteries.

The Police Department is requesting an appropriation of \$32,000 in the Asset Forfeiture Fund 250, to purchase 200 handheld radio batteries that will enhance the safety of our personnel and the community. The batteries will be replacing 200 batteries that are past the warranted service life of 14 months. On two separate occasions, the Police Department has had catastrophic battery failures due to overuse and overcharging. As batteries near the end of service, the power diminishes tremendously, causing dead batteries amid service calls and patrol shifts, this is a safety issue for personnel. The additional batteries will allow our field personnel to remain in service without returning to the station for a fresh battery. This equipment is an appropriate purchase for the funding source.

Item c - appropriate \$40,815, in the Residential Refuse/Recycling Fund 260, for solid waste compliance audits and approve a change order to MSW Consultant's purchase order for the same amount, for a total Purchase Order of \$127,315.

The Utilities Department oversees and manages the City of Corona (City) Waste and Recycling program which includes administrative and regulatory compliance tasks required for State-Mandated solid waste diversion regulations. On February 17, 2021, the Utilities Department issued Request for Proposals (RFP) 21-051RH seeking a solid waste and recycling consultant to aid and support the City with meeting the State's regulatory requirements. MSW Consultants (MSW) was selected to provide these services. MSW's proposal included 104 hours to conduct compliance audits as one of the assigned tasks. Due to the COVID-19 pandemic, the City and Waste Management have conducted education and outreach efforts electronically which have not garnered a significant amount of responses from City of Corona's businesses to comply with State and City regulations. The Department feels that in-person site visits will be more effective to increase compliance, however, site visits will require additional hours from the consultant. Currently, the number of non-compliant businesses in Corona is 1,359. To reach compliance with the existing regulations (AB 341 and AB 1826, Mandatory Commercial Recycling and Mandatory Organics Commercial Recycling, respectively) the Utilities Department is requesting an additional appropriation and change order for our solid waste consultant, MSW Consultants. MSW will assist with in-person site visits/assessments to a select number of businesses in the City to provide education and bring businesses to compliance prior to the end of August 2022, which will avoid possible enforcement actions by CalRecycle.

Description	Cost
Original Proposal Amount - Solid Waste Consulting Services (includes the cost for approx. 100 in-person site visits/assessments)	\$86,500
Additional amount needed (to assist with an additional 250 in-person site visits/assessments)	\$40,815
Total Amount for Purchase Order	\$127,315

Item d - appropriate \$120,000, in the Dwelling Development Tax Fund 289, to the Harrison Shelter Phase 2 project (CIP #75025).

On November 18, 2020, the City Council awarded Notice Inviting Bid (NIB) 21-011CA to J.A. Urban for \$1,001,816.89 for the Phase 1 Harrison Shelter Rehabilitation Project with change orders authorized up to 20% of the contract amount or \$200,363.38. An additional \$125,000 was budgeted for design, construction management, and project management bringing the Phase 1 project total to

\$1,327,180.27.

During the Phase 1 construction, new partnerships were developed to support the Homeless Strategic Plan. As a result of these new partnerships and team discussions about maximum functionality of the Shelter/Navigation Center, staff proposed additional improvements to enhance the provision of multi-disciplinary services at the Shelter/Navigation Center.

On June 2, 2021, City Council approved staff recommendations to proceed with plans for Phase 2 renovations which will include building modifications to accommodate Centro Medico Community Clinic, Security System Enhancements, and a Dog Run Shelter/Patio Cover.

Accordingly, City Council directed staff to proceed with cost estimates, develop a Phase 2 scope of work, contractor bid selection process, and return to City Council with recommendations.

The Phase 1 renovation project had unanticipated costs related to the fire protection system and disabled access improvements. Although the fire protection system improvements have been completed, the disabled access improvements are still outstanding.

In addition, there are other Phase 2 costs associated with design, project management, staff support and other miscellaneous costs.

To ensure that staff can complete the outstanding disabled access improvements as well as complete the project design and bid process, staff recommends that \$120,000 be transferred from the Dwelling Development Tax Fund 289 to the Harrison Shelter Phase 2 CIP #75025289. A breakdown of the \$120,000 appropriation is as follows:

Description	Cost
Outstanding ADA Improvements	\$40,000
Phase 2 Design Costs	\$50,000
Project Management/Staff Support	\$10,000
Contingency/Miscellaneous Costs	\$20,000
Total	\$120,000

At the conclusion of the bid process, staff will return to City Council for approval of a construction contract for the Phase 2 improvements. At that time, the total Phase 2 budget will be adjusted to represent the final project budget.

Item e - appropriate \$2,000, in the Low Mod Income Housing Fund 291, for computer equipment. The Community Assistance and Transportation functions recently transferred to the Community Services Department from the Planning and Development and Public Works departments. The technology that came with that transfer was insufficient, causing interruptions in service. The appropriation is for the purchase of a desktop computer and Surface Pro tablet to work while offsite at the airport, housing complexes, and the Harrison Avenue Shelter Project.

Item f - appropriate \$65,964 and increase revenue estimates by the same amount (\$36,450 Family

Literacy Services and \$29,514 Adult Family Literacy), in the Adult and Family Literacy Grant Fund 442, for the FY 2022 literacy services grant award.

- Family Literacy: In Fiscal Year 2019, the Corona Public Library (CPL) was awarded funds from the California State Library to support family literacy. The funding has allowed the Library's Literacy program to expand services to families of low-literate adults to improve their reading and writing skills and foster literacy in the home.

CPL has been awarded \$36,450 for Fiscal Year 2022 to support existing family literacy programming in the community. These funds will be used to strengthen the services provided to learners enrolled in the California Library Literacy Services program and support the library in reaching out to and engaging underserved adults and families. Some of the grant dollars also fund a portion of one existing part-time staff position involved in literacy programming.

- Adult Literacy: The Corona Public Library (CPL) applies annually for funds to support the Adult Literacy program. Fiscal Year 2022 CPL has been awarded \$29,514. This grant provides for one-on-one literacy tutoring for adults. Tutoring encompasses a myriad of skills from reading to math and from financial literacy to basic computer skills.

The Adult Literacy program has been in existence since 1994. It is funded almost exclusively through grants from the California State Library, for which the City must apply annually. This funding supports the purchase of supplies and resources, such as educational software and online resources for our volunteer tutors and their adult learners. Training for volunteer tutors and staff is also funded as is the partial funding of an existing part-time position.

The annual funds are supplemented with other grants, donations, and general City revenues when they are available. Due to the impact of COVID-19, 14 existing tutor/learner pairs are connecting virtually or in person. The Adult literacy grant has allowed for the creation of a partnership with Corona Norco Unified School District (CNUSD) Adult school, and this class currently has 20 English Literacy and Civics (ELAC) students.

Item g - appropriate \$15,000, in the LMD 84-2 Zone 10 Fund 460, for weed abatement costs.

The Fire Department, in cooperation with the Community Services Department, is requesting an appropriation of \$15,000 to add to the contract with Environmental Land Management, Inc. The funds will be utilized for additional acres of weed abatement in the landscape maintenance area.

Item h - appropriate \$100,000, in the Reclaimed Water System Fund 567, to the Booster Station Rehabilitation project (CIP #7034).

The City of Corona, Utilities Department (UD), utilizes booster stations to transfer potable or reclaimed water from one pressure zone into another due to changes in elevation and topography. Without functioning booster stations, UD would not be able to provide potable water and reclaimed water to customers of South Corona.

The Border Reclaimed Water Booster station located at 2525 Border Avenue has four (4) submersible pumps powered by 300-hour motors which each pump approximately 1,800 gallons per minute (GPM) to the Gilbert Reclaimed Water Storage Tank and into the reclaimed water system. As part of proactive maintenance, pump no. 3 and its motor were removed and replaced in May 2021.

However, in July 2021, the motor failed during the warranty period and was taken out of service for warranty related repairs.

Meanwhile, pump no. 2 short-circuited unexpectedly on September 27, 2021. The Border Reclaimed Water Booster station has a peak demand requiring three (3) pumps running simultaneously to meet the reclaimed water system demands. With two (2) pumps out of service, the station was working at half capacity.

The motor for pump no. 2 was replaced on an emergency basis by the City's on call contractor, Legend Pump and Well Services. Pump no. 2 is currently in service and working satisfactorily.

This unexpected expense was not included in the Reclaimed Water Utility Operating Budget. The Utilities Department requests an appropriation to the Booster Station Rehabilitation CIP 73040567 in the amount of \$100,000 from the Reclaimed Water Utility fund to cover the cost of the motor replacement.

Item i - Inter-fund loan agreement between Water Reclamation Utility Fund 572 and Reclaimed Water Utility Fund 567.

In order for the Reclaimed Water Utility system to allow more customers to convert to recycled water, the system must expand. By expanding the Reclaimed Water Utility system, the demand for potable water is reduced, resulting in increased water conservation. When a water system is initially established, the capital spending for the utility is high, and operating revenue cannot always fully support capital costs. This will continue until the system is established and more customers are brought online.

In order to fund the capital spending that is not covered by operating revenue, the utility needed to borrow funds. In May 2003, the State Water Resources Control Board (SWRCB) approved a State Revolving Fund (SRF) Loan to the City of Corona for the expansion of the Reclaimed Water Utility system in the amount of \$19,960,000. In December 2003, the loan amount was increased by \$9,980,000 to \$29,940,000 to cover increasing capital costs. In September 2006, the Reclaimed Water Utility fund made the first payment on this loan. Debt service payments will continue on this loan through September 2025.

As the Reclaimed Water Utility continued to expand, the debt service payments for the SRF loan plus the high capital improvement project budget created a need for an additional loan. The Utilities Department chose to borrow the funds in the form of an inter-fund loan from the Water Reclamation Utility fund (572). In FY2018 and FY2019, the Reclaimed Water Utility fund (567) borrowed \$1,854,604 and \$1,760,084 respectively from the Water Reclamation Utility fund (572), resulting in a total inter-fund loan of \$3,614,688.

The Utilities Department requests to memorialize this loan in the form of an inter-fund loan and repayment agreement. Repayment of the loan will be based upon available working capital in the Reclaimed Water Utility fund (567) each year until the loan is paid in full. Until the principal is repaid, the Reclaimed Water Utility fund shall remit interest based upon the annualized Local Agency Investment Fund (LAIF) quarterly apportionment rates for the fiscal year but in no case will interest be charged greater than two percent.

FINANCIAL IMPACT:

Approval of the recommended actions will have fiscal impacts as noted below in the following tables.

GENERAL FUND	
Adopted Budget - FY 2022 Estimated Revenue Over Expenditures	\$ 14,593,660
Less Measure X Reserves	(13,144,418)
Previously Approved/Revised Budget Adjustments (Net)*	(56,501)
Current Estimated Revenue Over Expenditures	1,392,741
FY 2022 - Q1 - Kids Club Benjamin Franklin Elementary - Appropriation	(33,000)
FY 2022 - Q1 - Kids Club Benjamin Franklin Elementary - Revenue	33,000
FY 2022 - Q1 - Reduce 911 Phone System CIP #70100	45,483
FY 2022 - Q1 - Reduce Revenue Estimates for 911 Phone System Reimbursemet	(45,483)
FY 2022 - Q1 - Potential Transfer to Residential Refuse/Recycling Fund	(40,815)
Revised Estimated Revenue Over Expenditures [Note 1]	\$ 1,351,926
Budget Balancing Measures Reserve - Estimated 06/30/2021	27,665,595
Estimated FY 2022 Change in Budget Balancing Measures Reserve	1,351,926
Estimated Budget Balancing Measures Reserve - 06/30/22	\$ 29,017,521

* Approved through Council Action or other operational process.

Note 1: Includes other General Fund items on the November 3, 2021 agenda.

Governmental Funds - Fund Balance

Action	Fund	07/01/21 Est. Fund Balance	Budgeted Revenues/Sources	Budgeted Expenditures/Uses	Fund Balance Impacts	06/30/22 Est. Fund Balance
b	Asset Forfeiture Fund 250	\$354,654	\$6,634	(\$161,700)	Appropriation (\$32,000)	\$167,588
c	Residential Refuse/Recycling Fund 260	\$19,302	\$11,564,743	(\$11,584,045)	Appropriation (\$40,815) Transfer \$40,815	\$0
d	Dwelling Development Tax Fund 289	\$550,315	\$0	(\$135,816)	Appropriation (\$120,000)	\$294,499
e	Low Mod Income Housing Asset Fund 291	\$30,013,254	\$849,353	(\$175,335)	Appropriation (\$2,00)	\$30,685,272
f	Adult & Family Literacy Grant Fund 442	\$49,407	\$1,068	\$0	Appropriation (\$65,964) Revenue \$65,964	\$50,475
g	LMD 84-2, Zone 10 Fund 460	\$6,545,150	\$2,239,929	(\$1,392,542)	Appropriations (\$15,000)	\$7,377,537

Enterprise Funds - Working Capital

Action	Fund	07/01/21 Est. Working Capital	Budgeted Revenues/ Sources	Budgeted Expenditures/ Uses	Working Capital Impacts	06/30/22 Est. Working Capital
h	Reclaimed Water System Fund 567 [Note 1]	\$0	\$4,972,006	(\$4,891,115)	Appropriations (\$100,000) Potential Loan \$19,109	\$0
h	Water Reclamation Utility Fund 572 [Note 1, 2]	\$38,460,751	\$32,893,509	(\$39,646,327)	Potential Loan (\$19,109)	\$31,688,824

Note 1: Potential loan from Fund 572 to Fund 567 at fiscal-year end, if needed, based on actuals.

Note 2: Includes other Fund 572 items on the November 3, 2021 agenda.

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: KIM SITTON, FINANCE DIRECTOR

Attachments:

1. Exhibit 1 - Interfund Loan Agreement WR (572) to Reclaimed (567)