



Date: August 19, 2019

To: Patrick H. West, City Manager *T.H.W.*

From: John Gross, Director of Financial Management *J.G.*

For: Mayor and Members of the City Council

Subject: **Funding of Engine 17 and 6 Police Officers – Final Report**

With the adoption of the Proposed FY 19 Budget, the City Council asked the City Manager to report back on a plan to implement the enhancement of Engine 17 and 6 Police Officers. The City Manager has periodically reported on the status throughout the budget development process and this memorandum completes the reporting on this item. As noted in the recent release of the Proposed FY 20 Budget, structural funds were not available to add these services in the budget. However, one-time funds have been identified to add Engine 17 on a temporary basis and also for Police or other one-time uses. With City Council direction to add funding for Engine 17, the Fire Department could put the engine in service starting around October 1, 2019.

During the budget development process, in furtherance of its efforts to find funding, staff applied for a SAFER grant for three years of one-time grant funding for Engine 17, which is still pending. More importantly, \$9.6 million in current and future projected unallocated Measure A funding was set aside for potential public safety enhancements. In addition, very recent information from the City's independent revenue consultant indicates that there may be additional one-time funding from Measure A ranging from \$1 to \$3 million in FY 19, although if there is, it is currently not expected to continue structurally into FY 20 or the future. We expect to have an updated projection for FY 19 by late September, and we will know the actual position no later than February.

Based on this information, we can fund Engine 17 with one-time resources using \$5.9 million of the previously identified \$9.6 million in one-time Measure A monies to fund the restoration of Engine 17 using a reserve engine for two years on a one-time basis unless structural funding is identified, although such funding is not currently projected. If the City Council wanted to extend the time beyond two years, alternatives could include utilizing a less expensive resource or more non-conventional staffing such as peak-load staffing. Additional study would be required to evaluate these models. The remaining \$3.7 million of one-time Measure A funding would be available over the next few years for other one-time public safety uses such as police overtime, infrastructure funding for the currently closed Fire Station 9, or for any other infrastructure purpose.

The potential uses of the \$9.6 million set aside is summarized in the following table based on the projected timing of when the Measure A funds would be available.

Projected One-Time Funding Available from Measure A for Engine 17 and Other

One-Time Measure A Sources (in \$ m)	FY 20	FY 21	FY 22-23	Total
Estimated Available for Engine 17	3.0	3.0		5.9
Estimated Available for Other	1.0	1.0	1.6	3.7
Total	4.0	4.0	1.6	9.6

Potential additional from FY 19 Year-End **1.0 to 3.0**
(Finalized by February 2020)

Budget shortfalls are currently projected for the next three fiscal years, although the budget situation will change as time moves and more information becomes available. While the SAFER grant is still pending, based on the current financial projection, acceptance of the award may not be recommended as it may make adjusting to the City's projected FY 21 and FY 22 projected budget shortfall more difficult.

The City Council can initiate Engine 17 using the above one-time funding for FY 20 and plan for FY 21, through a motion as part of the budget adoption night motions:

- *Motion to include Engine 17 operations using a reserve fire engine into the FY 20 budget using one-time Measure A funds, and to reserve \$2,950,000 in one-time Measure A funds as part of the out-year plan to fund Engine 17 in FY 21. Increase appropriations in the General Fund Group in the Fire Department by \$2,950,000 and decrease appropriation in the General Fund Group in the Citywide Activities Department by \$2,475,779.*

The City Council can also allocate the remaining \$1,014,644 in FY 20 to Police or other public safety one-time, with a similar motion (see below) as part of the budget adoption night motions. The City Council may also allocate the remaining funds of \$2,646,865 (\$3.7 million less the \$1.0 million) available in the out-years as part of the Measure A out-year plan. Please note, this motion language assumes funds going to a one-time public safety purpose in the General Fund. If these funds are allocated to infrastructure, slightly different language will need to be used:

- *Motion to add <insert purpose> into the FY 20 budget using one-time Measure A funds, and increase appropriations in the General Fund Group in the <X Department> by \$1,014,644. Additionally, allocate \$2,646,865 as part of the out-year plan for <insert purpose>*

The City Council may also choose to appropriate or reserve the identified additional Measure A funds for any purpose identified by the City Council Measure A Resolution, generally public safety or infrastructure.

If you have any questions, please contact me at (562) 570-6427 or Budget Manager Grace H. Yoon at (562) 570-6408.

JG:GHY
K:/BUDGET/FY 20/BUDGET ADOPTION/ENGINE 17 AND PD ADDS TFF/08-19-19 TFF - ENGINE 17 ONE-TIME FUNDING.DOCX

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