

Letter From the City Manager

June 17, 2020

Honorable Mayor Michelle Roman, Members of City Council, and Residents of Kingsburg:

In accordance with City Charter 2.08.090(G), it is my pleasure to present the 2020-2021 recommended executive budget for the City of Kingsburg. The budget presents in summary form the revenues and expenditures from each of the City's funds.

The annual budget serves as the blueprint for policy decisions and is a direct corollary to the City's strategic initiatives, adopted by City Council. In 2018, Council completed the most recent update to our strategic planning process. The document serves as the City of Kingsburg's 2018-2023 Strategic Plan. Its purpose is to help the City prioritize its efforts, allocating both fiscal and human capital to achieve a shared vision and goals that also reflect community priorities and needs. The Plan is the result of a comprehensive review by Regional Government Services (RGS) of the City's current operations and finances, interviews with staff members and discussions with City Council members and an online survey taken by Kingsburg residents.

The findings and conclusions of the review and survey results were presented to Council and staff at a one-day Study Session. The Study Session, which was open to the public, resulted in the development of a Mission Statement, a Vision Statement, a set of Core Values and six Goals to guide the City's future operations:

1. Ensure Financial Stability
2. Improve Public Safety
3. Provide Recreation Opportunities for All Ages
4. Improve Community Communication
5. Increase Retail Opportunities
6. Promote Sustainable Development

Our annual budget process reflects our focus on transparency throughout the organization. It is our desire to present a budget that promotes accountability, increases engagement, and tells the story of our path to success. This document holds information that we believe is relevant to guide staff, Council and to inform our residents.

The FY21 budget process has been guided by these strategic principles and meets our commitment to a high level of service, our cultural history, and coincides with the financial parameters set by the City Council. The budget is the most important document that the City creates on an annual basis.

COVID-19 & the Unknown

FY2020 was shaping up to be another year of successful efforts to invest in the long-term viability of our community. New single-family housing was on the rise with over 90 new permits issued. Downtown investment, spurred by public-private partnerships, fueled new businesses improvements to existing structures. Quality of life investments through planning and citizen input saw new amenities installed at Athwal Park and the Crandell Swim Complex receiving a \$600,000 renovation.

As we entered the final quarter of our fiscal year, the entire world was impacted by the COVID-19 pandemic. U.S. state and local governments, on the front lines of the response to the pandemic of a new coronavirus disease, COVID-19, are projected to face record budget shortfalls. For Kingsburg, the area that stands to see the most impacts include:

- Sales Tax (including Measure E Public Safety)
- Transient Occupancy Tax (Hotel Bed Tax)
- Building Permit/Fees (predicated on overall development activity)
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- Special Revenues; Local Road Funding (predicated on fuel sales/tax)
- Recreation Fees (After School Recreation, Pool, Park Reservations, etc.)
- Property taxes could see an impact with failure to pay.
 - 2020 2nd Teeter was ~-2.5% less than 2019.

What is difficult is the unknown fallout of the COVID-19 emergency. Specifically, the shape and length of the recovery, the long-term impacts on our small businesses, and total revenue impacts. The California League of Cities is projecting a \$7B shortfall for local governments over the next two fiscal years. For Kingsburg, we're projecting a 10% reduction in revenues in the coming year, and have reduced our year over year spending by 3.5%.

Steps Taken

Faced with difficult decisions, officials acted quickly in the wake of the pandemic. While much of our discretionary programming was forced to halt, other discretionary spending was suspended, including:

- No travel or conferences through end of FY20
- Freeze on non-essential hiring
- Freeze on equipment purchases not already ordered (capital items)
- Revenue-neutral programs shut-down and those employees laid off (After School Rec, Summer Rec, Lifeguards, etc.)

For FY21, to make up for the lost revenue, the city will utilize reserves, money available from the previous year's budget and limit expenditures to ensure a balanced budget. The city does not have plans to lay off any employees, though. It should be noted, however, that there are no plans to draw down from the city's 20% General Fund reserve account. Instead, we will utilize separate funds that were created by sweeping

surplus revenues into designated accounts. These accounts:

- Economic Stabilization Fund
- CalPERS UAL Fund
- Equipment Reserve Fund

Although the total impact of the COVID-19 emergency on the City's finances continues to be uncertain, the City remains fiscally sound thanks to prudent and conservative planning by the City Council.

Ongoing Initiatives

Several projects have been started or were completed in FY20.

New T-Mobile

On April 4, 2019, T-Mobile and Sprint (New T-Mobile) announced they would be locating their new Customer Experience Center (CEC) in Kingsburg, pending the approval of their merger by the federal government.

The announcement of the new CEC brings the creation of more than 1,000 new jobs, positioning the New T-Mobile to be one of the largest employers in the area.

The CEC will provide:

- 1,000+ new jobs;
- Contribute \$122mm to California's economy
- Pay an average wage that is 51% higher than the average wage in Fresno Co.
- New T-Mobile will become one of the largest and highest-paying employers in the Central Valley

The location of the call center will bring immediate economic impact to the entire Central Valley. An Economic Impact Assessment completed by the Berkeley Research Group concluded the CEC would directly and indirectly provide up to 1,500

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jobs and \$105 million to the economy of Fresno County on an annual basis. In FY20, the project was stalled due to litigation brought by several State Attorney Generals. Ultimately, New T-Mobile prevailed in their legal challenge and have been moving forward with plans to open their new facility.

Catalyst Thinking

The City has been an aggressive player as it relates to downtown development. Our public-private partnership (P3) programs continue to grow. Our programs now include nine (9) different ways to partner for economic development:

1. 25% reduction in impact fees for all new development
2. 50% rebate in City property taxes for new businesses for 36 months
3. 50% rebate in City sales tax for new businesses for 36 months
4. 21-day streamlined permit review and approval process
5. Additional impact fee reduction for new qualifying development in designated Business Improvement Zones (B.I.Z) – this area has been expanded to include the Business Park, Light Industrial area and Central commercial zone (Which includes downtown)
6. Façade/Alley Public/Private Partnership Matching Grant Program
7. Micro-Grant Public/Private Partnership Matching Grant Program
8. Upper Floor Rehabilitation Loan Program - to promote downtown living and re-use of second story space
9. New development incentive fund created utilizing residual payments from the dissolution of redevelopment – gives the council flexibility and a brand to partner with individual businesses.

New commercial projects in FY21 include the completed renovation of a 25+ year vacant

Woods Apparel building, Stone Plaza apartments, a new Adventist Health campus and New T-Mobile.

CalPERS Contributions

In December 2016, the CalPERS Board of Administration took a step to cut the “discount rate” by a half percentage point over the next three years. CalPERS CEO Marci Frost writes, “The discount rate is what CalPERS assumes their \$304 billion in investments will return in a typical fiscal year, July 1 to June 30. It’s a critical component of pension financial planning, because it’s used in calculating the amount of money those who are part of the CalPERS system contribute. Achieving a 7.5 percent return – the rate in place since 2012 – was now far less likely than it was just two years ago. Solid investment returns are the cornerstone of the CalPERS system: They pay for nearly two-thirds of every dollar paid out in pension benefits. But cutting the discount rate has real financial impacts for California taxpayers. The state, local public agencies, and school districts that make up CalPERS will have to contribute more money.”

For Kingsburg, the change equates to a \$7mm unfunded liability that will require significantly increased contributions on an annual basis.

In 2018, the Council adopted a financial resolution that created a ‘waterfall’ policy that designates any surplus funding to three designated funds:

1. CalPERS UAL (70%)
2. Economic Stabilization (15%)
3. Equipment Reserve (15%)

All three funds are designed to leverage the City’s current financial health to plan for the potential impact of future years.

In FY20, the Council made \$850,000 in additional discretionary payments to CalPERS resulting in an estimated interest savings

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totaling \$1,229,733 (~44% ROI), or approximately 17.5% of our outstanding UAL.

The city's UAL contribution is set to increase an additional \$65,000 in FY21, with over \$600,000 in total UAL payments.

Park Upgrades

The Community Services Commission continues their efforts on providing new options at several public parks, including efforts aimed at design and coordination of improvements at Athwal Park. A master plan of Athwal Park includes a partnership with the local soccer league, a housing-related parks grant, and amenities for the entire neighborhood (playground equipment, skate park, restrooms, etc.). Phase 1 of the project was funded through a generous grant from the Tri-County Health Care District with a skate park, fitness court and playground area installed and opened in October 2019.

Overall Outlook

Overall, the City is projecting an ~10% decrease in general fund revenues stemming from impacts due to the COVID-19 emergency.

The budget presented provides a structural balance utilizing fund balances to cover revenue shortfalls. We firmly believe our citizens demand and deserve the highest level of service delivery and quality of life amenities. As such, staff is not recommending any labor reductions in the upcoming budget. We're confident we have budgeted thoughtfully and responsibly over the past several years, allowing us to weather the current storm.

New Year Priorities

There are several new projects and ongoing initiatives that will continue our upward trajectory and investment in Kingsburg quality of life.

Unfortunately, the City lost a 100+ year old historic building to a structure fire in October 2016. Known by many as the former Hotel Stone, the building housed four separate small businesses, while the second story sat vacant. While the businesses have been relocated, the property was purchased and demolished this past year.

Serving as a focal point to the western entry to Draper Street and identified as a key property in the downtown corridor, the Council entered into a development agreement with the property owner to create mixed-use living/retail on the former Hotel Stone site. The new building will host 10 market-rate apartments with ground floor commercial space. Construction has been delayed due to COVID-19 impacts but is still slated to begin in 2020.

In addition, the building formerly housing Wood Apparel will open in summer 2020. The building, vacant for over 25 years, is currently being brought back to life through the investment of local business owners.

Staying the Course

In April 2017 Kingsburg was proud to be the first community in California to utilize the Community Planning Action Team (CPAT), a program of the American Planning Association. The program brought six expert planners from throughout California to provide a fresh look at recommendations to continue our downtown resurgence and ensure we remain proactive.

The City has been aggressive with implementing their recommendations. This includes providing capital funds to help implement new signage and pedestrian improvements. Currently, a steering committee comprised of downtown merchants is working on the logistics of creating a Business Improvement District that would provide annual funding for activities that would benefit the downtown and its business/property owners.

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Public Safety Focused

Measure E is a 1% public safety tax that passed with approximately 72% approval in 2018.

In the first few years of collecting new revenue, investment in public safety came swiftly, including:

- 6 New Employees (3 Police, 3 Fire/Medics)
- KPD - Tasers, Rifles, Tablets for Patrol Squads
- KPD - New Patrol Vehicles
- KFD- New Fire Engine
- KFD – new line radios
- KFD – New Personal Protective Equipment (PPE)

The coming year includes additional public safety activity:

- Maintains 6 employees from previous year (3 KFD, 3 KPD)
- KPD - Adds additional Public Safety Tech. 7/1/2020
- 4 KPD Patrol Vehicles (2 additional from General Fund)
- KFD – Station Safety Improvements
- KFD - Purchase New SCBA Filling Station
- KFD – New Personal Protective Equipment (PPE)

Quality Housing

Both revenues and expenditures have been influenced by the uptick in commercial and single-family residential building activity. Because of COVID-19 FY21 conservatively projects revenues for the upcoming year related to housing. We are cautiously optimistic that consumer confidence will continue to drive the market for new housing, but we will reevaluate our revenue predictions throughout the first six months of the new fiscal year.

Perhaps most importantly, all housing is required to meet development standards, which ensures high-quality development.

New housing tracts include pedestrian pathways, bike friendly access, and new neighborhood parks. Each of the subdivisions meets the specifications of the North Kingsburg Specific Plan, which places emphasis on quality of housing and neighborhood uniqueness.

In addition, the City has again partnered with Fresno Housing Authority to provide low-income housing options. A new Senior-living facility is currently underway, with completion slated towards the end of 2020.

In Conclusion

The 2020-2021 budget highlights the projects, people and goals that will guide the City of Kingsburg in the coming year. The budget presented is one that is structurally balanced, promotes engagement, and continues to invest in safety and community.

We're committed to providing the highest level of service and quality of life to our citizens. This budget document hopes to recognize the values that make Kingsburg what it is today, and is a reflection of each of our employees, businesses, and residents. Special thanks to the City's Finance Director, Alma Colado, Administrative Services Director, Christina Windover, and all staff who were a part of presenting the FY21 budget. We hope you find it a useful tool.

Respectfully,



Alexander J. Henderson; ICMA-CM
City Manager, Kingsburg, California