



City Council Agenda Item Staff Report

CITY OF SAN BRUNO

DATE: February 13, 2024

TO: Honorable Mayor and Members of the City Council

FROM: Alex D. McIntyre, City Manager

PREPARED BY: Nick Pegueros, Chief Financial Officer

SUBJECT: Consider Adopting the Fiscal Year 2024-25 Top Priority Initiatives and Budget Principles, and Provide Direction on Requests for Additional Information for Initiatives that are Currently On Hold Pending Resource Allocation

BACKGROUND:

The City Council conducts an annual strategic initiatives and prioritization retreat to provide City staff with the direction required for the upcoming fiscal year budget preparation. The Council held the Annual Strategic Initiatives and Prioritization Retreat on February 2, 2024, at the San Bruno Senior Center.

DISCUSSION:

At the retreat, City Council received a report on anticipated budgetary headwinds, a development pipeline update, recommended budget principles and a preliminary General Fund forecast, a review of Fiscal Year 2023-24 (FY24) strategic initiatives, and a preview of the Fiscal Year 2024-25 (FY25) Capital Improvement Program budget. Following each of City staff's presentations, the Council engaged in questions and discussion and provided input to staff for consideration and refinement. The ultimate goal of the retreat was to reach consensus on the FY25 Strategic Initiatives and Top Priorities. This action requests City Council formal adoption of the City Council's consensus.

FY25 Initiatives and Top Priorities

For FY25, City staff requested that the City Council review FY24 adopted initiatives and reach a consensus on projects continuing into FY25 as well as identify five "top priority" initiatives ("Priority Initiatives"). This approach differs from previous years by focusing staff resources on several initiatives that the Council desires to complete or make substantial progress in the upcoming fiscal year. The Council identification of Priority Initiatives provides the City Manager with clarity to strategically redeploy authorized City Council appropriations to achieve Priority Initiative milestones. An example of a redeployment is pausing staff or contractor resources on a strategic initiative that is not a Priority Initiative to focus the capacity on a top priority, as needed, to achieve identified milestones.

The City Council reached a consensus on initiatives for FY25 (Attachment 1) including five Priority Initiatives. City staff has prepared conceptual scopes of work and budget estimates for the Priority Initiatives to assist the City Council in considering these top priorities for FY25. If

approved by the City Council, staff will prepare comprehensive scope of work descriptions with quarterly milestones and budgets for consideration and adoption in the FY25 budget. The Priority Initiatives, pending City Council final adoption, are as follows:

1. Assess the fiscal feasibility of the Transit Corridor Plan

The Transit Corridor Plan (TCP) was adopted in 2013, and established a vision, development framework infrastructure needs, and an implementation plan for revitalizing the major corridors of El Camino Real, San Bruno, San Mateo and Huntington Avenues within San Bruno.

The plan identified 26 implementation actions, which were to be implemented in the Short Term (1-3 years), Mid-Term (4-6 years), and Long Term (6-10 years). Most actions were assigned to the City. As 11 years have passed since the TCP adoption, the City should assess how many of the implementation actions were completed, and what kept other actions from being completed. Staff believes financial reasons were a key factor in why more implementation actions were not completed. Achieving the vision relies on a combination of City and private efforts. The costs associated with achieving the TCP vision are significant for the City, for public improvements, and for property owners, for private improvements and development.

The proposed assessment of the fiscal feasibility would identify realistic funding options for the City, with analysis of case studies where other communities have made such investments and how the tax base was strengthened. The assessment would also identify what new private development in the current market actually requires for the project to be financially feasible. This analysis would include detailing the specific changes in land use development regulations the City should consider adopting to facilitate development projects, as well as methods the City can utilize to incentivize owners and tenants to improve their properties.

2. Conduct a comprehensive employee classification and compensation study

An employee classification and compensation plan is a comprehensive review of the City's current classification system (job descriptions) and comparable salaries for similar work in the City's comparative agencies.

The City will retain a consultant to complete a 360-degree review of each position (i.e., the position, their supervisor, human resources, and the position's bargaining unit representatives) to document each position's responsibilities, the time spent on tasks, and skills necessary to succeed in the classification. Once complete, the consultant will identify classifications in comparable cities performing the same tasks.

The consultant will then conduct a total compensation survey with the equivalent classification established in each comparative agency, which considers base pay, pay premiums, health and welfare benefits, pension/retirement benefits, vacation allowances, paid holidays, paid and unpaid closures, etc. The classification study can take up to 18 months to complete, given the level of data collection and the number of parties involved. A compensation study takes an additional six months. The resulting reports do not guarantee any impact on compensation, given that compensation is subject to negotiations with the applicable bargaining unit representatives. Estimated project completion is June 30, 2026.

3. Finalize Downtown Park improvement plans: Centennial Plaza, Florida and Posy Parks

The Downtown Park Projects are three independent projects that will improve the aesthetics, vitality, and public use of the Downtown. The Centennial Plaza project will provide a central urban public space that will be functional for small community events, musical performances, gatherings and general public social use with seating areas and landscaping. Bids were received for Centennial Plaza in January and the consideration of award of the construction contract is scheduled for the February 13, 2024 City Council Meeting. If approved, a project manager will be procured and construction on the project will begin in late March or early April. The project is expected to take approximately 6 months to complete.

The Florida Park Project is in the final stages of design. It is anticipated that 95% design construction plans, construction estimates, and bid documents will be completed in March 2024. The project as currently proposed will feature a multiuse lawn, walkways and benches, a small exercise area, a fenced play area, a new fence, heart themed seating, and a refurbished entry edging fence.

The Posy Park project scope of work includes an examination of improvements to the existing inoperable fountain, existing artwork that is in need of repair, improved landscaping, bike lockers, and benches. Staff is working with Waterworks and a leak detection company to determine the origin of the leaks in the fountain to put together a scope of work moving forward.

4. Initiate Downtown beautification efforts including greening, banners, and marquee sign

This is a multifaceted project that includes the revitalization of the planters along San Mateo Avenue and the replanting of street trees on Jenevein Avenue and the southern end of San Mateo Avenue. This portion of the project will require identification and repair of the lateral irrigation lines, sidewalk work, excavation and replanting of planters, and ongoing maintenance. There are many unknowns with the under-sidewalk irrigation system that will not surface until work has begun. Along with the greening efforts, the north and south end medians will be addressed.

The second part of the project is to design and produce a new collection of custom themed City street pole banners for various times of the year. There would be three sets of new banners that would be rotated seasonally as follows:

- Holiday/winter banners for mid-November through mid-January;
- Patriotic/summer banners for Memorial Day through Labor Day; and,
- General San Bruno theme banners for remaining times of the year.

The final part of the project is the replacement of the marquee sign at the southern end of San Mateo Avenue (at El Camino Real), which was damaged, and the top half removed with a scrolling digital/LED board

5. Stabilize CityNet's fiscal sustainability

As of June 30, 2023, the CityNet Fund (Fund) had a negative equity balance of \$21.5 million, comprised of negative cash and non-cash liabilities such as unfunded pension liabilities. The negative equity balance included \$16.0 million owed to the General Fund due to multi-year reliance on advances from the General Fund to sustain operating expenditures, including franchise fees, internal service allocations, and general overhead allocations.

The Fund has been experiencing annual operating losses, including losses of \$794,852 in FY23 and \$859,995 in the prior year. City staff is working to improve CityNet's revenue and subscription margins. One major step was increasing service rates between 9% and 12% effective August 1, 2023, which improved year-over-year operating income for the first six months of Fiscal Year 2023-24 (FY24).

However, additional rate increases, potentially between 2% and 5%, are being considered to further financial stability. In FY24, City staff will evaluate whether rate increases are sufficient to begin repayment of the amounts owed to the General Fund. The CityNet Enterprise may no longer be a going concern if rate increases are insufficient to repay amounts owed to the General Fund. In December 2023, the City issued a Request for Interest to gauge the private-sector's appetite to acquire CityNet's customer base and infrastructure as part of a broader strategy to ensure continuity of services to the community. Interest has been shown and staff will continue to explore possible new ownership of CityNet.

FY25 Initiatives Carried Forward from FY24

City staff is currently making progress toward twelve of the City Council's 32 adopted FY24 initiatives. In the discussion, City staff provided an update on the Climate Action Plan explaining that work is currently underway to assess the feasibility of the initiative. As part of the budget process, City staff will reconfirm that projects have sufficient resources to deliver the expected scope. As part of this process, staff may need to develop the expected scope to ensure clarity of expectations and agreed-upon timelines and milestones. The following initiatives are expected to continue into FY25:

- Adopt an Affordable Housing Fund Implementation Plan
- CAFE Age Friendly Certification Process
- Cannabis Regulations and Permitting
- CBC Governance and Workplan Review
- City Offices Renovations
- Citywide Wildfire Mitigation Project & Public Education Programs Covering Fire Safety and Emergency Preparedness
- Climate Action Plan
- Crestmoor Wildfire Mitigation Project
- Expand and improve productivity for the Community Development Department
- Explore alternative options to the regulated output (RO) streetlight system.
- HEART Committee, TSPC Committee, Culture & Arts Committee Review
- Implement Online Permitting

Initiatives On Hold Pending Resource Allocation

City staff transmitted the following list of FY24 strategic initiatives that are currently on hold pending resource allocation. Updates to the adopted FY24 strategic initiative tiled noted in red in response to feedback provided by City Council on February 2nd.

- Adopt-a-Drain Program
- Affordable housing, including development partnership
- City of San Bruno sign/arch at Caltrain Station
- Citywide metrics

- Citywide street sweeping
- Community fiber upgrade
- Designation of special parking zones
- Develop an economic development initiative around attracting businesses and developers to execute on the Transit Corridor Plan vision
- Develop an economic development program focused on small, medium, and large businesses
- ~~Downtown Streetscape Plan Improvements Downtown Greening / Landscape Plan~~
- Establish a City Council ad hoc committee to examine solutions to address citywide parking
- Summer Saturdays or Sundays for street closures
- Expanded Way finding signage (~~excludes Downtown parking lots way finding signage~~)

FY25 Budget Principles

The City Council received the FY25 recommended budget principles, as outlined in Attachment 2, which are crucial in guiding both the development of the City Manager's recommended budget and making the highest and best use of available funds in any given fiscal year. Budget principles establish a foundation for sound financial management and strategic planning, aiming to align resource allocation with City Council directed service levels and priorities while also achieving a balanced budget. The recommended principles emphasize fiscal sustainability, acknowledging the risks posed by financial uncertainties to the City's stability and capacity to address challenges. The principles also establish transparency and accountability in the budgeting process by enhancing the City's financial health, improving services to the community, and establishing the City as a preferred employer.

During their retreat presentation and discussion, Council members raised questions about the role of a vacancy factor in the City's financial planning and how salary savings are presented when viewing historical and forecast personnel costs. City staff's recommendation to include a vacancy factor is intended to present a more accurate reflection of salary expenses, recognizing the likelihood of unfilled positions, and making year-over-year comparisons more meaningful. With a vacancy factor, the City Council has discretion to allocate funds from these vacancies towards more urgent needs or to improve City reserve fund balances. For the FY25 budget, City staff will clearly outline the anticipated vacancy factor, and related salary savings, and detail the allocation of these savings within the proposed budget. Ultimately, the decision to adopt the recommended vacancy factor and the programs funded by salary savings rests with the City Council.

FISCAL IMPACT:

There is no fiscal impact resulting from this action. City staff will prepare the City Manager's Recommended Budget based on the City Council's final action on this item. Initiatives without sufficient funding will be identified in the Recommended Budget.

ENVIRONMENTAL IMPACT:

The action is not a project subject to CEQA. City Council's action is not considered a "Project" per CEQA Guidelines and therefore no further environmental analysis is required.

RECOMMENDATION:

Consider Adopting the Fiscal Year 2024-25 Priority Initiatives and Budget Principles, and Provide Direction on Requests for Additional Information for Initiatives that are Currently On Hold Pending Resource Allocation.

ALTERNATIVES:

1. Modify the FY25 Initiatives or Top Priorities
2. Modify the FY25 Budget Principles

ATTACHMENTS:

1. FY25 Initiatives Summary
2. FY25 Budget Principles