



Legislation Details (With Text)

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On agenda: 6/11/2019 **Final action:**
Title: ADOPTION OF FISCAL YEAR 2019-20 BUDGET, INCLUDING THE AWARD OF CONTRACT FOR ONGOING TECHNOLOGY SUPPORT TO PROSUM, INC. AND CONSIDERATION OF AN INCREASE TO THE TRANSIENT OCCUPANCY TAX RATE (Finance Director Viki Copeland)

Sponsors:

Indexes:

Code sections:

Attachments: 1. 1. Salary Ranges and Total Cost of Position Requests, 2. 2. Organizational Improvements - Summary, 3. 3. Revenue Study Session Draft List of Items, 4. 4. Salary Survey with Averages.pdf, 5. 5. Reso No. 19-xxxx - Budget Adoption with Exhibit A, 6. 6. On-Going Technology Support PSA with Proposal, 7. 7. 2019 TOT Rate Survey, 8. 8. SUPPLEMENTAL Memo from Finance Director Viki Copeland (submitted 6-11-19 at 3:30pm).pdf

Date	Ver.	Action By	Action	Result
6/11/2019	1	City Council		

**Honorable Mayor and Members of the Hermosa Beach City Council
Regular Meeting of June 11, 2019**

**ADOPTION OF FISCAL YEAR 2019-20 BUDGET, INCLUDING
THE AWARD OF CONTRACT FOR ONGOING TECHNOLOGY
SUPPORT TO PROSUM, INC. AND CONSIDERATION OF AN
INCREASE TO THE TRANSIENT OCCUPANCY TAX RATE
(Finance Director Viki Copeland)**

Recommended Action:

Staff recommends that the City Council:

1. Hear public testimony regarding the 2019-20 Budget;
2. Review the answers to Questions and Requests from the May 22, 2019 Budget Workshop (**Attachments 1 through 3**);
3. Approve the revisions to the Preliminary Budget as shown on page 3;
4. Approve contracts for services contained in the table herein;
5. Approve a contract with the firm of Prosum, Inc. for the ongoing technology support of the City's computer and networking technology systems for a one-year term commencing July 1, 2019 through June 30, 2020 and continuing on a month to month basis unless another agreement is put in place;

6. Consider directing staff to return with the documents necessary to place a measure on the ballot for the November 2019 election to ask voters if the Transient Occupancy Tax rate shall be increased from 12% to 14%; and
7. Adopt Resolution 19-xxxx, approving the 2019-20 Budget as presented in Exhibit A (attached to the resolution).

Executive Summary:

The 2019-20 Budget presents a balanced budget that includes a Contingency (Rainy Day Fund) of \$6,271,557, some added personnel, additional vehicles and capital projects that would move the City forward towards its goals. Two study sessions were held on April 30, 2019 and May 22, 2019 to present the Capital Improvement Program and 2019-20 Preliminary Budget, respectively. Changes requested by Council to the Capital Improvement Program at the Capital Improvement Program Study Session were incorporated into the Preliminary Budget.

Staff recommends two changes to the personnel requests originally presented in the Preliminary Budget: changing the request to add an Assistant City Manager to a Deputy City Manager and adding a request to change the remaining Environmental Analyst to a Senior Management Analyst. The change to Deputy City Manager would reduce the total cost of the position request by \$26,418 and the change to Senior Management Analyst is cost neutral.

The 2019-20 Budget contains contracts for ongoing services, including ongoing IT support. A table of recommended contracts is shown below. In addition, in April 2019, the City requested proposals from a list of 17 qualified firms providing technology support in the South Bay area and received six proposals. After reviewing all submitted proposals, it was determined that Prosum, Inc. is still the best value for the City and it is recommended that the contract with Prosum, Inc. should be approved for a one-year term commencing July 1, 2019 and continuing on a month-to-month basis unless another agreement is put in place. Prosum, Inc. submitted the lowest cost proposal of all firms.

Background:

The Capital Improvement Program Study Session was held on April 30, 2019 and the 2019-20 Budget Study Session was held on May 22, 2019. Slide shows overviewing the Capital Improvement Plan, operating budget, and Five Year Forecast were presented. Councilmembers reviewed the budget, commented and asked questions of the City Manager, Finance Director and department heads.

(Link to City Budget Page: <http://www.hermosabch.org/index.aspx?page=211>)

The slides from the Budget Workshop Presentation may also be viewed on the City Budget Page at the link above.

Discussion:

Answers to Questions and Requests from the May 22, 2019 Budget Workshop

The following items are provided as follow-up to questions or requests at the Budget Workshop on May 22, 2019:

- Cost of new positions recommended in the budget
 - A spreadsheet entitled “Salary Ranges and Total Cost of Position Requests” is attached as **Attachment 1**, that shows the cost of the new positions to the General Fund and the net cost of the other recommended changes, which is the number mentioned at the workshop. The salary range information was added to this spreadsheet since the workshop.
- More information on the requested new positions and other changes
 - A document entitled “Organizational Improvements - Summary” is attached as **Attachment 2**, which has an introduction from the City Manager and a listing of each position with more detailed information from the department requesting the new or changed position.
- A draft list of the items to be included at the Revenue Study Session is attached as **Attachment 3**. Staff is in the process of determining a date for this study session.
- Transient Occupancy Tax (TOT)-additional information below under TOT heading about considering an increase to the TOT at the upcoming November 2019 election.

Revisions to Preliminary Budget

The following revisions to the Preliminary Budget are recommended and reflected in the budget summary included with the budget resolution attachment. Other formatting and grammatical corrections will be made in the Adopted Budget that do not affect the amounts in the budget summary.

General Fund

- Change the recommended Assistant City Manager position to a Deputy City Manager position. The new salary range is \$123,312 to \$142,764. This would reduce the total cost of the position request by \$26,418. The difference would be placed in Prospective Expenditures, increasing the balance to \$94,971.
- Reclassify the one remaining Environmental Analyst position to a newly recommended Senior Management Analyst position. The salary range would be the same as the Environmental Analyst position.

Contracts for Services

The following contracts, budgeted in various departments, are for outsourced services or services where particular expertise is required. Rather than submitting them individually on future agendas, they are included here en masse. Comments regarding staff's satisfaction with the current providers are included. The contracts are on file for review in the Finance Department.

<u>DEPARTMENT/CONTRACTOR</u>	<u>SERVICE PROVIDED</u>	<u>TERM/AMOUNT</u>
Community Development		
Accela, Inc.	Accela, Inc. provides the permit software annual subscription for Community Development. The contract is for a term of five years (6/30/19 to 6/29/2024) with an increase each year of the contract for a total of \$165,646	
		6/30/19-6/29/2024 - \$31,200 for year 1.
Police Department		
Absolute International Security	Security Guard Service: Absolute International Security provides trained personnel to perform security guard services for weekends and special events on Pier Pl throughout the year. Contractor is responsible for providing personnel with training, equipment, and adequate supervision for successful performance of their security guard duties. The City entered into a one-year agreement with American Guard Services during the 19 fiscal year. An extension for the 20 fiscal year is a result of satisfactory performance by the contractor.	
		7/1/19-6/30/20 - \$109,252
American Guard Services, Inc.	Crossing Guard Service: American Guard provides trained personnel to perform crossing guard duties throughout the City at designated hours and location during the academic school year. Contractor is responsible for providing personnel with training, equipment, and adequate supervision for successful performance of crossing guard duties. The City entered into a one-year agreement with American Guard Services during the 19 fiscal year and a one year extension for the 20 fiscal year. An extension for the 20 fiscal year is a result of satisfactory performance by the contractor.	
		7/1/20-6/30/20 - \$130,248

Contract for Ongoing Technology Support

The City hired Dennis Vlasich of Sirius Technology Strategies to assist with the development, release, and evaluation of an RFP to determine if the City is getting the best value for its technology

support, currently under contract with Prosum, Inc. who has been the City's provider for over 10 years. Mr. Vlasich interviewed all the department heads prior to issuance of the RFP to hear about priorities, concerns and feedback regarding Prosum, Inc.'s current service. The consensus was that the incumbent vendor, Prosum, Inc. was providing good service and support. The only comment was that some felt that one more additional day onsite would assist with staying on top of projects and would help the departments be more productive.

An RFP was developed using the existing contract deliverables in the current Prosum, Inc. agreement and consolidating the added security and network monitoring services that were added this year to the original agreement. Backup services were also combined into the contract. The deliverables were expanded somewhat to include changes in the technology industry, particularly the support of cloud services, which are becoming more prevalent for municipal software services. The RFP was released on April 16, 2019 and responses were received on May 9, 2019

Six proposals were received on May 9, 2019 with annual costs ranging in price from \$199,063 to \$242,760.

Proposals submitted:

Vendor	Proposed Pricing	Status	Notes
Prosum Inc	\$199,063	Qualified respondent	Incumbent vendor
Interwest	\$200,820	Qualified respondent	
CBE	\$215,136	Non-responsive	Incomplete response
Saalex	\$227,451	Unqualified (not responsible respondent)	No local references, staff or facilities
DivergeIT	\$242,760	Non-responsive	Incomplete response
Amicus	Unavailable	Non-responsive	Did not send response forms in proper format

As shown above, CBE and DivergeIT were determined to be non-responsive since their responses were incomplete. Saalex was determined to be unqualified since they had no local references, staff or facilities. Amicus was determined to be non-responsive since the response forms were not sent in the proper format.

References were contacted for the only other fully qualified firm, Interwest. References came back

positive and the company represents a viable option for the City, however, since the price was slightly higher, staff concludes that the disruption, cost and risk of changing vendors at this point is not warranted. City staff is satisfied with the service from Prosum, Inc. and they are still the best value for the services provided. They submitted the lowest proposal among all vendors.

The annual cost of the new contract for technology support including network monitoring, security, remote support and backup services is \$199,063. The budget amount for 2019-20 is \$202,653, therefore no additional appropriation is necessary.

Consideration of Adding an Increase to the TOT Rate to the November 2019 Ballot

At the budget workshop, it was mentioned that the idea of increasing the TOT would be discussed at the Revenue Study Session with the understanding that it could be placed on the November 2020 election. The City Attorney has advised, however, that a general tax measure must go on a general municipal ballot. This would mean that the next time that the tax could be increased would be either November 2019 or 2022.

Given this information, it is recommended that the City Council consider directing staff to return with the documents necessary to place a measure on the ballot for November 2019 to ask voters if the TOT tax rate shall increase from 12% to 14%. The Council would not be taking an action to increase the tax with this recommendation; just deciding whether to place this measure on the ballot in order to let the voters decide. Under Proposition 218, a tax may be increased only by voter action.

A 2/3 vote of the City Council (4 Councilmembers) is required to place a general tax increase on the ballot. A majority vote of the electorate is required for the measure to pass.

The TOT or "hotel tax" is the tax imposed on persons staying in hotels in the City, for periods of 30 days or less. The transient occupancy tax rate of 10% had been in effect since 1990, until it was changed by voter initiative to 12% in November 2015. This ballot measure had a passage rate of 84.93%. As reported in the 2019-20 Preliminary Budget, TOT receipts are at the highest level at approximately \$3.3 million from the existing eight (8) hotels, including the youth hostel. Occupancy is 80% for the first seven months compared to 80.4% for the same period last year. Los Angeles County hotel occupancy is 81.8% and South Bay is 82.2% for the same period. The TOT is an increasingly important source of revenue for the City, generating almost 8% of General Fund revenue.

Attached is a 2019 TOT Rate Survey (**Attachment 7**) of rates charged in nearby Southern California cities which shows that the average TOT is 12.2 or 12% in round numbers.

If the measure is approved, the 2% increase would generate an estimated additional \$550,000 in revenue from existing hotel rooms. For the hotel occupant with a room rate of \$100, an additional tax of 2% would be \$2; with a room rate of \$250, the additional tax would be \$5.

In order to continue providing the level and quality of services that residents and businesses have come to expect, staff recommends looking at revenue enhancements to provide the funding necessary for City operations. Increasing the TOT tax rate for visitors to the City assists with continuing to offer a high level of services for residents.

Should the City Council approve this item, staff would return with a resolution placing the proposal on the ballot for November 2019.

General Plan Consistency:

PLAN Hermosa, the City's long-range planning document, was adopted by the City Council in August 2017, and envisions a future where "Hermosa Beach is the small town others aspire to be; a place where our beach culture, strong sense of community, and commitment to sustainability intersect." One of the guiding principles to achieve the vision is to make decisions and take actions that help contribute to the City's economic and fiscal stability.

Other relevant General Plan policies are listed below:

Governance

- 1.2 Strategic planning. Regularly discuss and set priorities at the City Council and management level to prioritize work programs and staffing needs.
- 1.6 Long-term considerations. Prioritize decisions that provide long-term community benefit and discourage decisions that provide short-term community benefit but reduce long-term opportunities.

Parks and Open Space

- 1.1 Facility upgrades. Improve and update park and open space facilities on a regular basis.
- 2.6 Investment and maintenance. Prioritize the investment and maintenance of existing facilities prior to development and expansion of new facilities.

Infrastructure

- 1.2 Priority investments. Use City Council established priorities and the Capital Improvement Program (CIP) to identify and allocate funding for projects identified in the infrastructure plan.

Public Safety

- 5.2 High level of response. Achieve optimal utilization of allocated public safety resources and provide desired levels of response, staffing, and protection within the community.

Fiscal Impact:

The 2019-20 Budget, including all funds, estimates revenue of \$56,286,712 and appropriations of

\$66,765,030, of which \$12,653,963 is carryforward from prior year Capital Improvement Projects. These amounts incorporate all City Council directed changes identified through the Capital Improvement Program study session and the revisions to the position requests noted on page 2 of the staff report.

The General Fund is balanced with revenues and transfers in of \$42,490,723; appropriations and transfers out of \$41,688,055; and changes to fund balance of \$802,668. The General Fund includes a Contingency (Rainy Day Fund) of \$6,271,557, which is equal to 16% of the General Fund's operating budget.

Attachments:

1. Salary Ranges and Total Cost of Position Requests
2. Organizational Improvements - Summary
3. Revenue Study Session Draft List of Items
4. Salary Survey with Averages
5. Resolution 19-xxxx 2019-20 Budget Adoption, with Exhibit A- Budget Summary
6. On-Going Technology Support Professional Services Agreement with Proposal
7. 2019 TOT Rate Survey

Respectfully Submitted by: Viki Copeland, Finance Director

Legal Review: Mike Jenkins, City Attorney

Approved: Suja Lowenthal, City Manager