



Budget Engagement Commission

City of Arts & Innovation

TO: HONORABLE COMMISSIONERS **DATE: APRIL 5, 2018**

FROM: FINANCE DEPARTMENT **WARD: ALL**

SUBJECT: REVIEW OF PROPOSED FISCAL YEAR 2018-20 BIENNIAL BUDGET AND 2018-23 FIVE-YEAR FINANCIAL PLANS FOR GENERAL FUND AND MEASURE Z

ISSUE:

Receive and provide feedback on the proposed Fiscal Year 2018-20 Biennial Budget and 2018-2023 Five-Year Financial Plans for the General Fund and Measure Z.

RECOMMENDATION:

That the Budget Engagement Commission (BEC) review and provide input on the proposed Fiscal Year 2018-2020 Biennial Budget and 2018-23 Five-Year Financial Plans for the General Fund and Measure Z.

BACKGROUND:

As an advisory body to the City Council on budgetary matters, the Budget Engagement Commission’s input is critical to the development of the City’s two-year budget and five-year financial plans. In January 2018, the BEC received and provided input on the assumptions used to develop the baseline Fiscal Year (FY) 2018-20 Biennial Budget and 2018-23 Five-Year Financial Plans for the General Fund and Measure Z. The BEC subsequently received budget presentations from each City department, including the department’s preliminary balancing measures and unfunded needs. Following these meetings, as well as Community Budget workshops, City staff incorporated the feedback received from various sources and refined the balancing measures and unfunded needs. The recommended balancing measures and unfunded needs were presented to the BEC on February 22, 2018.

DISCUSSION:

FY 2018-2020 Proposed Biennial Budget

The City’s proposed budget totals \$1 billion for FY 2018-19 and \$1.04 B for FY 2019-20 across 50 funds. A summary of revenues and expenditures for each year are as follows:

		FY 2018-19	FY 2019-20
Revenue	\$	1,013,768,436	1,040,646,339
Expense		998,599,347	1,047,515,323
Grand Total		2,012,367,783	2,088,161,662

Attachment A provides a summary of revenues and expenditures by fund for more details.

Revenues and Expenditures

Overall the General Fund and the Enterprise Funds generate a majority of revenues for the City.

Attachment B provides a summary of the largest revenue funds that generate more than \$10 million annually for the City. Personnel is the largest expense to the City which includes all salaries and benefits. Attachment C provides a summary of categories for both revenues and expenditures City-wide and Attachment D provides a summary of categories for both revenues and expenditures relating to the General Fund only. On each expenditure category, “Charges to Others” shows as a negative because it represents the cost allocation plan which charges other funds for services, essentially considered a reimbursement.

Measure Z

The collection of the additional one-cent sales tax authorized by voters through Measure Z began on April 1, 2017. After hearing recommended Measure Z spending options from City staff and the Budget Engagement Commission (BEC), on May 16, 2017, the City Council approved the Measure Z Spending Plan for 33 initiatives covering public safety, financial discipline/responsibility, critical operating needs, facility capital needs, quality of life, and technology. Attachment E is the proposed five year spending plan for Measure Z, which is also incorporated into the City-wide budget.

2018-2023 Five-Year Financial Plans

A five-year plan allows the City to estimate impacts of policy decisions during the budget process on the City’s financial activity long-term. Five-year financial plans for the General Fund and Measure Z are presented within the City’s proposed budget; five-year plans for other major funds, including the Electric, Water, Sewer, Solid Waste, and Parking funds were presented separately to the BEC on April 5, 2018. The table below provides a summary of the General Fund’s Five-Year Plan.

	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Revenues	\$ 270,299,040	281,508,940	279,826,577	285,354,443	292,197,664
Expenditures	268,995,913	282,375,065	294,602,375	303,305,726	309,560,256
Surplus/(deficit)	1,303,127	(866,125)	(14,775,798)	(17,951,283)	(17,362,592)

While the shortfall in FY 2019-20 could be supplemented by the \$1.3 million surplus in FY 2018-19, the City will continue to seek revenue enhancements and identify opportunities to provide services more effectively and efficiently to address the forecasted deficits in the future. Attachment F provides a more detailed review similar to the Enterprise Funds.

FISCAL IMPACT:

There is no direct fiscal impact through the recommended actions of this report.

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 Approved by: Marianna Marysheva, Assistant City Manager

Attachments:

1. Attachment A – Budget Summary by Fund
2. Attachment B – Largest Revenues by Fund
3. Attachment C – City-wide Revenue and Expenditures Summary by Category
4. Attachment D – General Fund Revenue and Expenditures Summary by Category
5. Attachment E – Measure Z Five-Year Spending Plan
6. Attachment F – General Fund Five-Year Financial Plan