

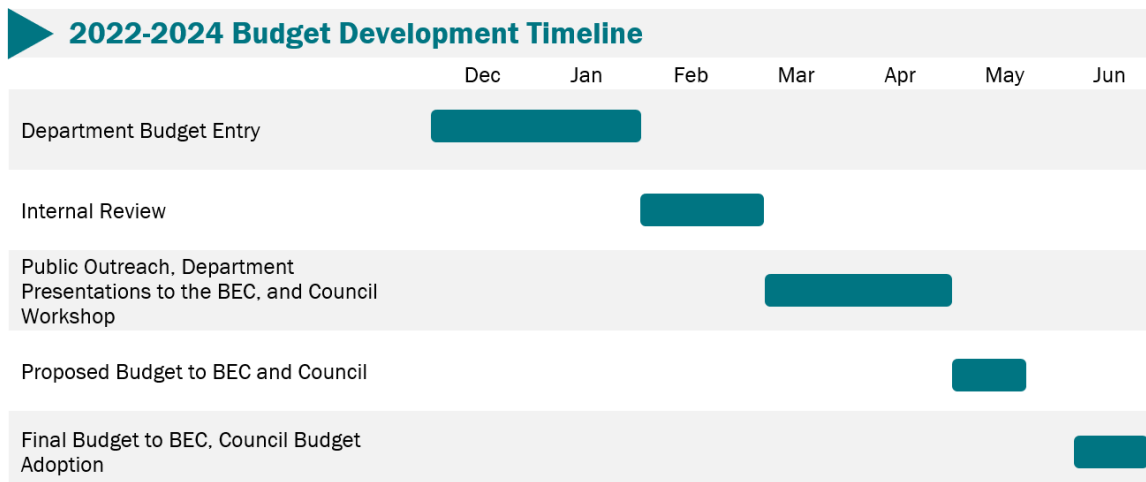
2022-2024 Biennial Budget: General Fund & Measure Z Baseline Budgets

Budget Engagement Commission
December 9, 2021

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BUDGET DEVELOPMENT TIMELINE




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BUDGET GOALS









1. Leverage Priority Based Budgeting (PBB) to identify and reallocate funding to critical unfunded needs.
2. Implement a financing strategy of planned contributions and withdrawals to/from the Section 115 Trust to smooth the annual fiscal impact of the combined CalPERS UAL and 2020 Pension Obligation Bond payments.



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PBB IN THE 2022-2024 BUDGET

PBB INSIGHTS	CRITICAL UNFUNDED NEEDS
<div style="border: 1px solid #ccc; border-radius: 10px; padding: 10px; margin-bottom: 10px;">  Brainstorm Insights/ideas about PBB Programs </div> <div style="border: 1px solid #ccc; border-radius: 10px; padding: 10px; margin-bottom: 10px;">  Evaluate ideas and recommend Insights for final consideration </div> <div style="border: 1px solid #ccc; border-radius: 10px; padding: 10px;">  Select Insights to implement in FY 2022/23 budget cycle </div>	<div style="border: 1px solid #ccc; border-radius: 10px; padding: 10px; margin-bottom: 10px;">  Submit requests for Critical Unfunded Needs </div> <div style="border: 1px solid #ccc; border-radius: 10px; padding: 10px; margin-bottom: 10px;">  Review and rank requests within quartile based on order of priority </div> <div style="border: 1px solid #ccc; border-radius: 10px; padding: 10px;">  Determine which needs to fund this year vs. in future years </div>
<div style="background-color: #1a3d54; color: white; padding: 10px; border-radius: 10px; display: flex; align-items: center;">  Funding available through PBB Insights to allocate to Critical Unfunded Needs </div>	<div style="text-align: center; font-size: 2em; font-weight: bold;">=</div> <div style="background-color: #8b2323; color: white; padding: 10px; border-radius: 10px; display: flex; align-items: center;">  Final List of Critical Unfunded Needs to fund in FY 2022/23 ranked in order of priority </div>


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Prior Fiscal Years

The two fiscal years leading up to the budget cycle play an integral part in development of the baseline budget, budget goals, and budget strategy.

FY 2020/21 Actuals

- \$26.6M** Revenues **exceeded budget**
- \$28.1M** Full 10% contingency revenue reduction in emergency budget was **not needed.**
- ↓
- 18.2%** Extraordinary and unexpected growth in sales tax revenue
- \$5.8M** CARES Act Funding for Public Safety

FY 2021/22 Projection

- Much **higher base** for future sales tax projections.
- Transient Occupancy Tax recovering more quickly than expected.
- Charges for Services continue to lag compared to pre-COVID revenues.



GENERAL FUND BASELINE BUDGET


<i>(in millions)</i>	2018/19 Actuals	2019/20 Actuals	2020/21 Actuals	2021/22 Projections	2022/23 Baseline	2023/24 Baseline
Revenue	\$278.67	\$279.45	\$298.03	\$300.65	\$310.89	\$319.03
Expenditures	271.38	280.48	262.14	288.04	306.12	311.52
Surplus/(Deficit)	\$7.29	\$(1.03)	\$35.89	\$12.61	\$4.77	\$7.51



KEY REVENUE ASSUMPTIONS

(in millions)	2019	2020	2021	2022*	2023	2024
Property Tax	9.2%	2.1%	3.9%	4.5%	3.0%	0.8%
Sales and Use Tax	6.6%	-3.1%	18.2%	3.6%	2.9%	2.9%
Utility Users Tax	1.9%	3.7%	5.3%	3.2%	3.8%	3.6%
Transient Occupancy Tax	5.5%	-16.8%	-2.6%	5.5%	16.1%	3.0%
Non-Development Charges for Services	-10.6%	-16.2%	-7.2%	15.6%	9.5%	8.0%
Developer Fees & Charges for Services	4.1%	4.4%	-21.1%	4.8%	1.9%	1.9%
General Fund Transfer	0.5%	-0.8%	1.7%	2.9%	5.4%	4.6%
Measure Z Transfer	-35.4%	38.0%	0.0%	0.0%	0.0%	0.0%
All Other Revenues	0.0%	-6.1%	15.0%	-25.9%	-1.2%	1.9%
Total Revenues	-2.0%	0.3%	6.6%	0.9%	3.4%	2.6%

*Projected


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KEY EXPENDITURE ASSUMPTIONS

Personnel Assumptions

- All positions funded
- Current MOUs (no salary increases)
- Safety overtime % of base salaries
 - Police: 11.5%
 - Fire: 35%

CalPERS UAL Required Payments


Safety	\$11.2M (13.8% ↑)	\$12.2M (8.9%↑)
Misc	\$5.0M (2.6% ↑)	\$5.3M (4.2% ↑)

Non-Personnel CPI Increases

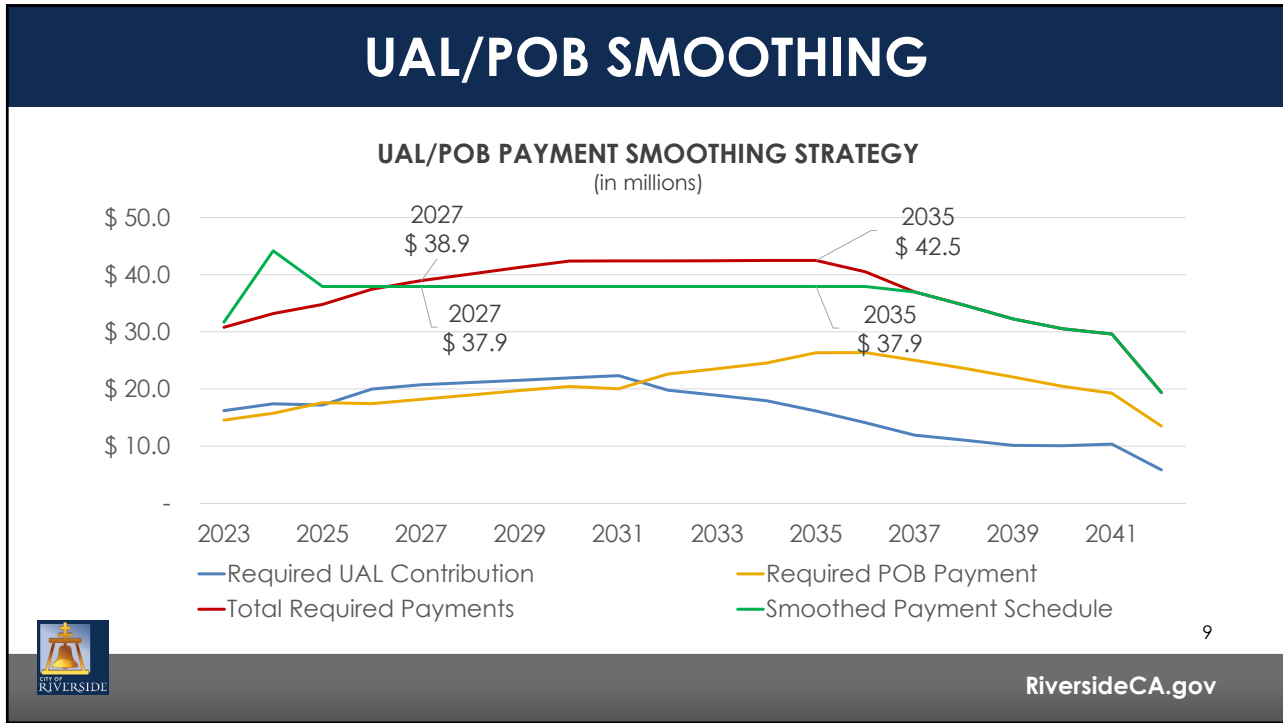
4.5%	3.0%
FY 2022/23	FY 2023/24

UAL/POB Smoothing

- Shift reduction in debt obligations to Section 115 Trust (FY 2023/24)
- Build Section 115 Trust to at least \$40M by FY 2026/27
- Strategize contributions/withdrawals to smooth annual fiscal impact


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MEASURE C CHALLENGE

<i>(in millions)</i>	2018/19 Actuals	2019/20 Actuals	2020/21 Actuals	2021/22 Projections	2022/23 Baseline	2023/24 Baseline
Baseline Revenue	\$278.67	\$279.45	\$298.03	\$300.65	\$310.89	\$319.03
Electric GFT					(42.83)	(44.74)
Revenues	\$278.67	\$279.45	\$298.03	\$300.65	\$268.06	\$274.29
Baseline Expenditures	\$271.38	\$280.48	\$262.14	\$288.04	\$306.12	\$311.52
Trust Contribution					(0.89)	(11.00)
Expenditures	\$271.38	\$280.48	\$262.14	\$288.04	\$305.23	\$300.52
Surplus/(Deficit)	\$7.29	\$(1.03)	\$35.89	\$12.61	\$(37.17)	\$(26.23)

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MEASURE Z SPENDING PLAN

(in millions)	2019	2020	2021	2022	2023	2024
Revenue	\$62.81	\$63.14	\$72.65	\$74.65	\$76.80	\$79.02
Expenditures	(40.99)	(49.56)	(50.85)	(67.54)	(65.85)	(63.84)
Encumbrances & Carryovers	-	-	(36.16)	-	-	-
Net Change in Fund Balance	\$21.82	\$13.58	\$(14.36)	\$7.11	\$10.95	\$15.18
Beginning Fund Reserves	\$22.74	\$39.56	\$53.14	\$38.78	\$45.89	\$56.84
Net Change in Fund Balance	21.82	13.58	(14.36)	7.11	10.95	15.18
Policy Reserve Set-Aside	(5.00)	-	-	-	-	-
Ending Unallocated Reserves	\$39.56	\$53.14	\$38.78	\$45.89	\$56.84	\$72.02



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SPENDING ITEM ASSUMPTIONS

- Continuation of items at existing funding level that have no defined end date.
- Police Headquarters and Museum Renovation were delayed to FY 2022/23 with the adoption of the FY 2020/21 emergency budget.
- Funding for Library Security Guards ended in FY 2021/22
- Public Works Streets Vehicle & Infrastructure Needs adopted in FY 2021/22 budget continues through FY 2024/25 according to the replacement plan.



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STRATEGIC PLAN ALIGNMENT

 **HIGH PERFORMING GOVERNMENT**

CROSS-CUTTING THREADS

**Community Trust**

**Equity**

**Innovation**


**Fiscal Responsibility**

**Sustainability and Resiliency**

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RECOMMENDATION

That the Budget Engagement Commission receive and provide input on the Fiscal Year 2022-2024 General Fund and Measure Z Baseline Budgets and budget goals.

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