

PROPOSED FY 2021/22 ANNUAL BUDGET

Finance Department

City Council Meeting
May 18, 2021

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Citywide Overview

CITYWIDE FY 2021/22 ANNUAL BUDGET

Operating Budget	\$1,101,993,529
Capital Budget*	115,852,325
Total FY 2021/22 Proposed Annual Budget	\$1,217,845,854

***Capital projects** are funded through available operating revenues, bond proceeds, grants, fund reserves, and other funding sources. Bond and grant revenues are not included in the emergency budget but are budgeted when the bond is issued or when a grant is awarded and approved by City Council for use on a capital project.

CITYWIDE BUDGET SUMMARY - OPERATING

Revenue & Transfers In	\$1,144,349,789
Expenditures & Transfers Out	1,101,993,529
Net Operating Budget	\$42,356,260



General Fund balancing measures affect both the General Fund and Measure Z.



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Potential Pandemic Impacts Continue

Although meaningful recovery anticipated in FY 2021/22, we still expect ongoing impacts on some revenues and expenditures.

- Revenues related to development, recreational activity, travel, etc. are expected to experience a gradual recovery.
- Reduced capital project activity may limit General Fund expenditure offsets (Charges to Others) for qualifying expenditures.
- General Fund subsidies to other funds may be higher than expected if civic events do not return to pre-pandemic levels.
- Ongoing impact to Public Parking revenues



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FY 2021/22 General Fund Budget Goals

1. Address the General Fund structural deficit and the potential impacts of the pandemic on City finances.
2. Prepare a contingency plan if the General Fund Transfer from the Electric Fund is invalidated by a trial court, in an amount to be determined.



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General Fund Overview

GENERAL FUND BUDGET SUMMARY

Revenue & Transfers In	\$287.0 M
Expenditures & Transfers Out	\$297.0 M
Balancing Measure – Expenditure Reductions	(10.0) M
Net Surplus/(Deficit)	\$-



Approximately \$2M of balancing measure achieved by moving 14 firefighter positions to Measure Z and reducing the Fire Vehicle Replacement Plan funding by the same amount for a net zero effect to the Measure Z spending plan.



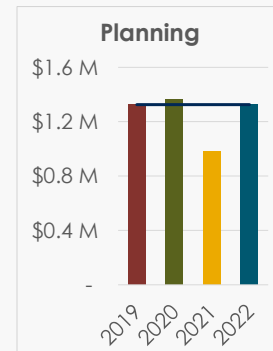
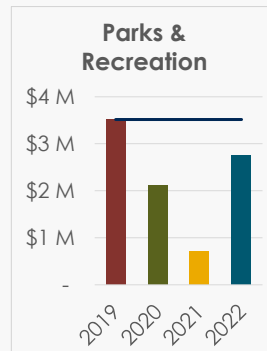
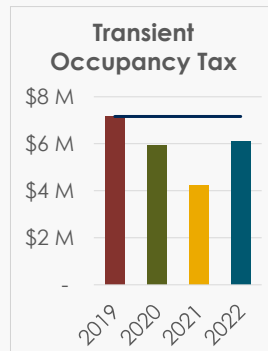
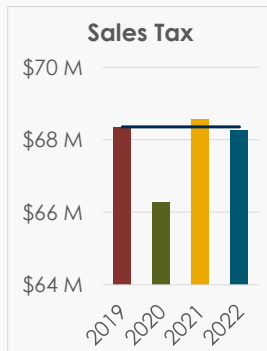
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Major Revenue Assumptions

Although meaningful recovery is anticipated in FY 2021/22, we still expect pandemic impacts on some General Fund revenues. The largest projected impacts are:



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Expenditure Methodology

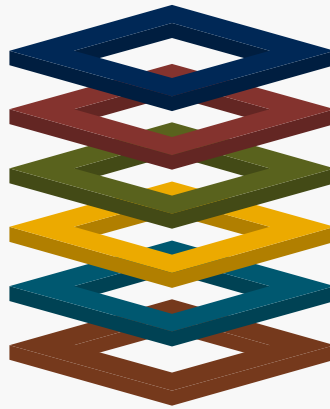
Personnel
Employee demographics
(pay rate, annual merit,
benefit elections).



Non-Personnel
Departments: Flat against
FY 2019/20 adopted
budget



Fund Subsidies
Convention Center and
Entertainment Fund (Fox
Block) subsidies set to pre-
pandemic estimates



Debt & UAL Payments
2020 POB impacts and
CalPERS required UAL
payments



Charges to Others
Expenditure offsets for
qualifying expenditures to
capital projects



Cheech Marin Art Museum
Fund subsidy \$343,000 fund
subsidy based on opening
in February 2022

BALANCING MEASURE: \$10 Million Vacancy Savings.

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Electric GFT

1. The GFT provides an unrestricted revenue source to the General Fund.
 - a. Funds services that include, but are not limited to: 911 response, fire, paramedic, police, street repairs, parks, senior services, homelessness and other general services.
2. The Electric Transfer currently provides approximately \$40 million annually, or about 14% of the total General Fund operating budget.
3. Loss of the GFT would present significant impacts to city services and compromise departments' ability to advance Council's strategic priorities.

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Measure Z Overview

FY 2021/22 Proposed Spending Plan (in millions)

	2021 Projected ¹	2022 Proposed	2023 Projected	2024 Projected	2025 Projected	2026 Projected
Beginning Unallocated Reserves	\$52.6	\$21.2	\$28.4	\$31.9	\$38.7	\$44.0
Revenue	64.3	64.8	65.7	66.7	67.7	68.7
Expenditures	95.7	57.6	62.2	59.9	62.4	63.5
Ending Unallocated Reserves	\$21.2	\$28.4	\$31.9	\$38.7	\$44.0	\$49.2

¹Projected FY 2020/21 expenditures include unexpended allocations for project items from prior years, i.e. amounts that are likely to be carried over if unexpended at fiscal year ending 2020/21.



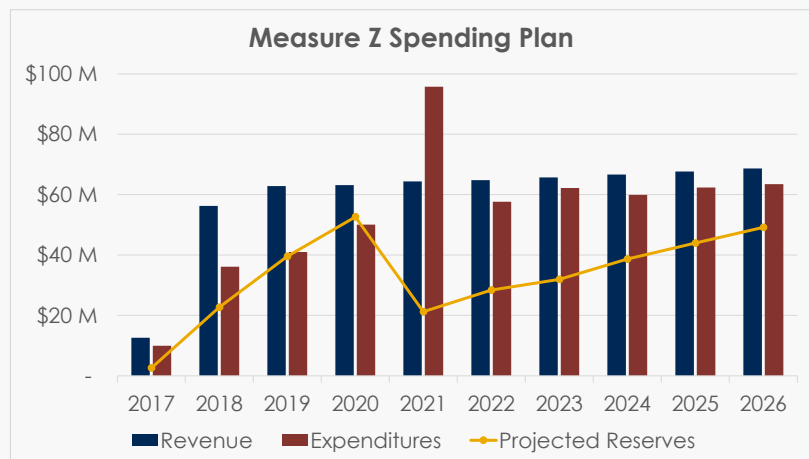
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Measure Z Spending Plan

- Revenue projections:
 - FY 2020/21: Updated to 2.4% growth over prior year
 - FY 2021/22: 1% growth over FY 2020/21 revised projection
- Expenditures:
 - Fire vehicle reallocation of ~\$2 million to Fire personnel for General Fund Fire Dept vacancy savings target
- Spending allocations average 92% of projected revenues from 2022 through 2026



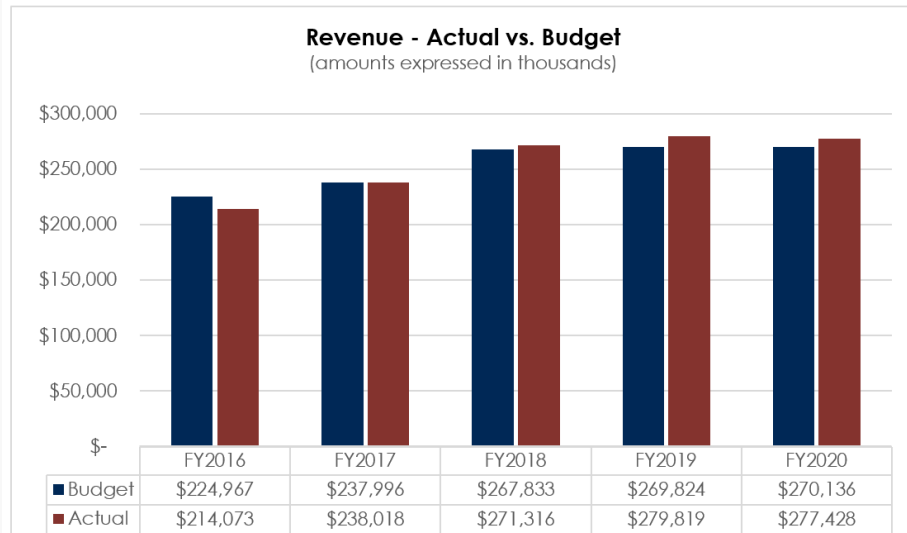
\$5,000,000 policy reserves set aside are not represented in the chart. FY 2021 expenditures include unexpended project allocations from prior years.



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General Fund & Measure Z 5-Year History

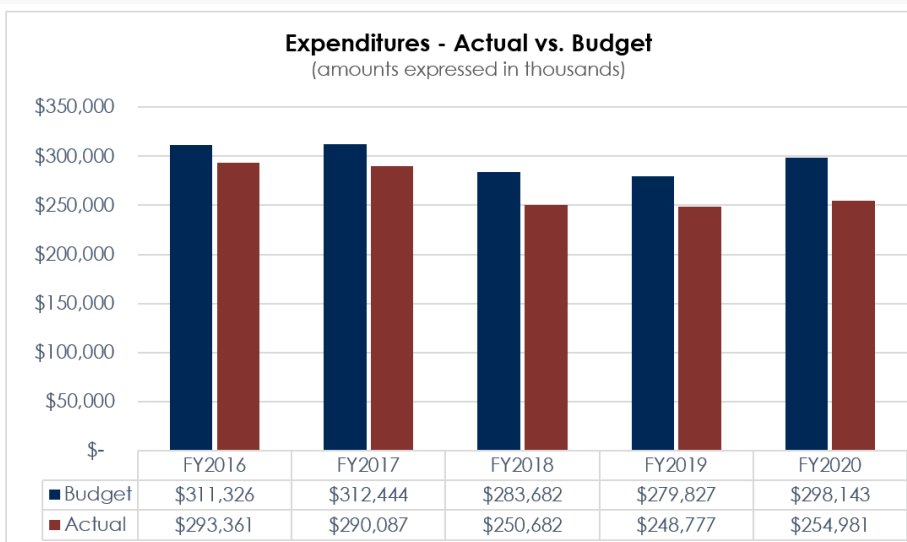


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General Fund & Measure Z 5-Year History

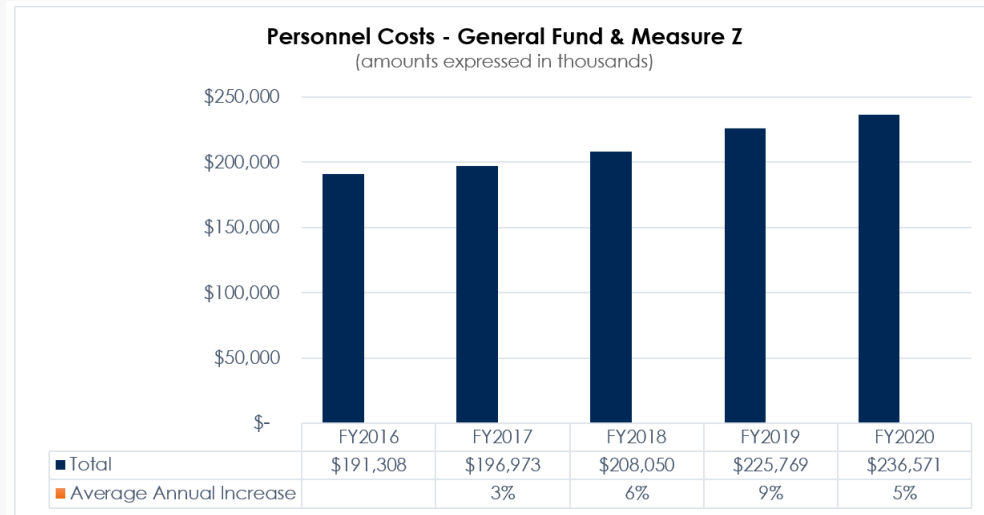


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General Fund & Measure Z 5-Year History

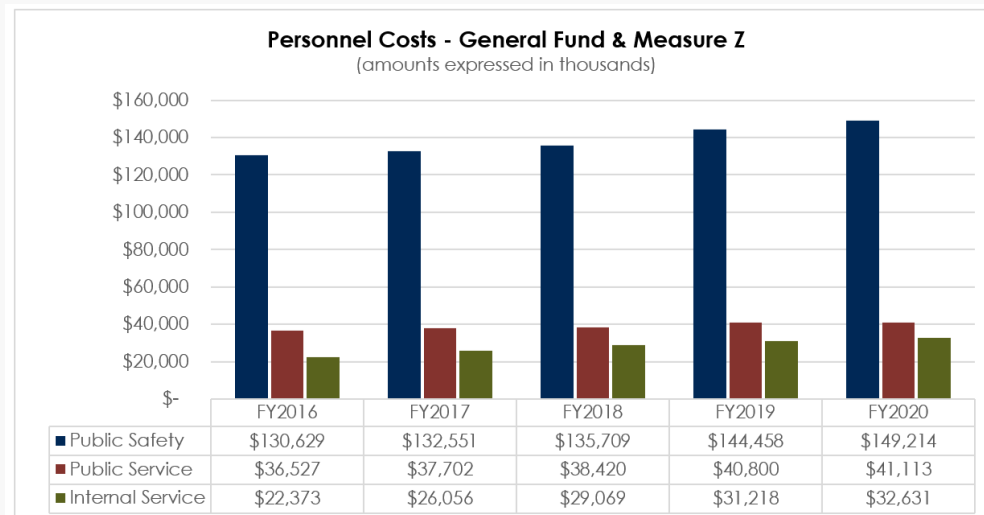


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General Fund & Measure Z 5-Year History

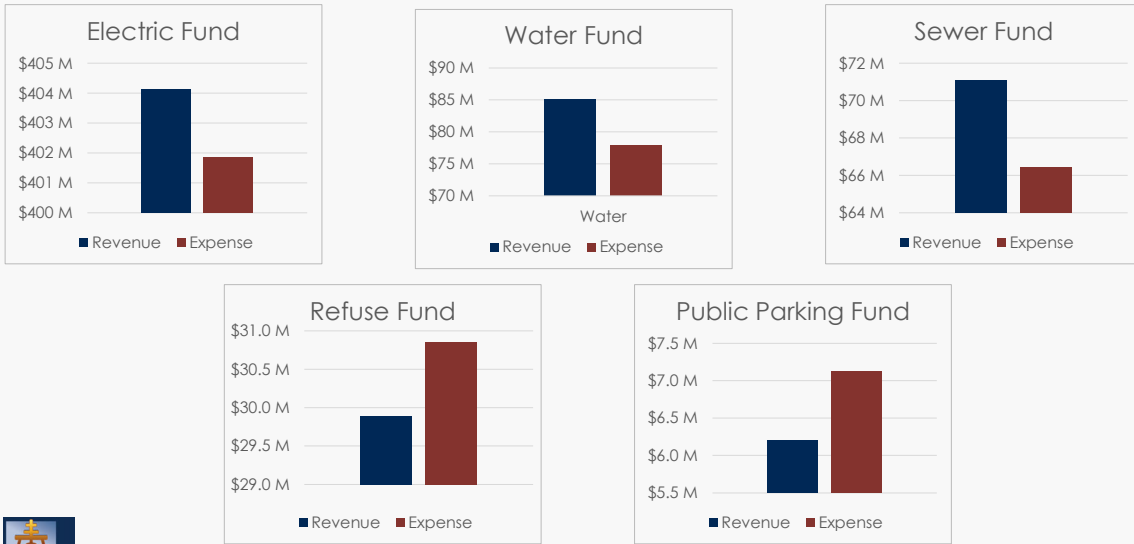


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Major Enterprise Funds - Operating

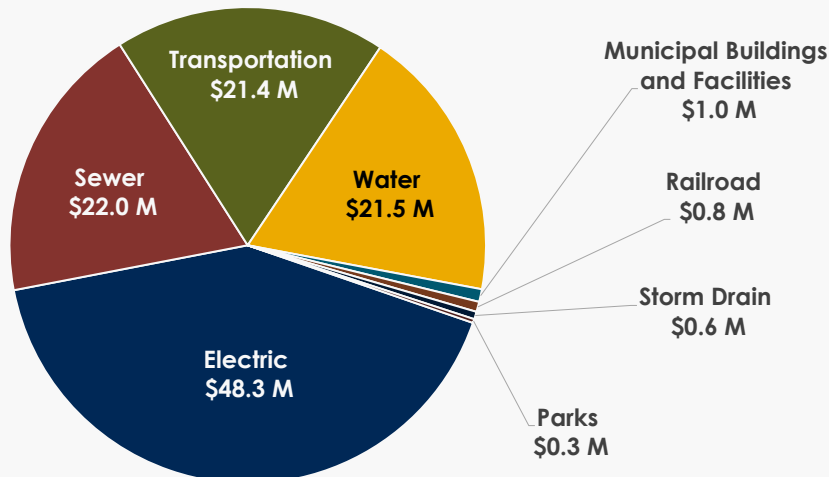


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Capital Improvements



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Potential Adjustments – All Funds

Fund	Revenue	Expenditure
General Fund	\$ 20,000	\$ (20,000)
Measure Z	-	3,965,000
Grants & Restricted Programs	133,574	133,574
Electric Fund	-	20,000
Total Adjustments	\$ 153,574	\$ 4,098,574

Not included above: Park Ranger Program, costs to be determined



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Potential Adjustments – Measure Z

PROPOSED MEASURE Z SPENDING PLAN 2021-2026					
Spending Items	Proposed FY 2021/22	Projected FY 2022/23	Projected FY 2023/24	Projected FY 2024/25	Projected FY 2025/26
FUND RESERVES					
Beginning Measure Z Fund Reserve	\$ 21,246,273	\$ 28,412,984	\$ 31,916,900	\$ 38,665,601	\$ 43,974,542
Five-Year Financial Plan Surplus/(Deficit)	7,166,711	3,503,916	6,748,701	5,308,941	5,203,918
Permanent Policy Reserve Set-Aside					
Ending Measure Z Fund Reserve	\$ 28,412,984	\$ 31,916,900	\$ 38,665,601	\$ 43,974,542	\$ 49,178,460
Fiscal Impact of Proposed Items					
Public Works Vehicles/Equipment	2,000,000	1,000,000	1,050,000	1,180,000	-
Parks & Recreation One-Time Needs	1,965,000	-	-	-	-
FUND RESERVES					
Beginning Measure Z Fund Reserve	\$ 21,246,273	\$ 24,447,984	\$ 26,951,900	\$ 32,650,601	\$ 36,779,542
Five-Year Financial Plan Surplus/(Deficit)	3,201,711	2,503,916	5,698,701	4,128,941	5,203,918
Ending Measure Z Fund Reserve	\$ 24,447,984	\$ 26,951,900	\$ 32,650,601	\$ 36,779,542	\$ 41,983,460



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Recommendations

That the City Council:

1. Receive and provide input on the proposed Fiscal Year 2021/22 Annual Budget; and
2. Set a public hearing date for adoption of the Fiscal Year 2021/22 Annual Budget for June 22, 2021.



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