



2ND QUARTER BUDGET REPORT FISCAL YEAR 2019



Fiscal Year 2018-19

Budget Highlights

- Adopted budget for Fiscal Year 2018-2019 is balanced with no impact to the General Fund reserves.
- Adopted budget included the funding for five Peace Officers in the Police Department.
- Deployment of twelve full-time firefighters using the SAFER grant received in Fiscal Year 2017-2018.
- Funding for several City initiatives including:
 - Bayfront Development Project
 - Master Plan for University and Innovation District
 - Climate Action Plan 2020 Update with the Community Choice Aggregation outreach and analysis



Fiscal Year 2018-19

Budgetary Notes

- Measure A Sales Tax Measure approved by voters on 6/5/2018
 - Measure A revenue collection started on October 1st
 - Amended the Intended Expenditure Plan, Budget, and Authorized Positions
- Measure Q Commercial Cannabis Tax Measure approved by voters on 11/6/18
- Sales Tax revenues anticipated to be approximately \$1.0 million higher than budgeted in FY 2019
 - State of CA has encountered difficulties with the collection and distribution of Sales Tax revenues statewide
 - The additional revenues is related to funds that were due to the City in FY 2018, but not received until FY 2019



Fiscal Year 2019

Second Quarter Monitoring Report

Fiscal Year 2019 General Fund Budget

Description	Amended FY 2019	Projected FY 2019
Revenues:		
MAJOR DISCRETIONARY REVENUES	\$ 143.8	\$ 146.5
OTHER GENERAL FUND REVENUES	\$ 44.9	\$ 47.0
TOTAL REVENUES	\$ 188.7	\$ 193.5
Expenditures:		
PERSONNEL SERVICES	\$ 128.3	\$ 129.5
OTHER EXPENDITURES	\$ 60.4	\$ 61.5
TOTAL EXPENDITURES	\$ 188.7	\$ 191.0
TOTAL GENERAL FUND SURPLUS/(DEFICIT)	\$ -	\$ 2.5



Fiscal Year 2019 Revenue Projections

Revenue Category	FY 2019 Amended Budget	FY 2019 Projected Budget	Variance
Property Taxes	\$ 35,301,977	\$ 35,312,736	\$ 10,759
Sales Tax	33,698,020	34,674,606	976,586
Measure P Sales Tax	18,085,000	19,299,000	1,214,000
Measure A Sales Tax	13,430,000	13,430,000	-
PT in lieu of Motor Vehicle License Fee (VLF)	21,886,241	22,333,660	447,419
Franchise Fees	11,691,843	11,691,843	-
Utility Users Tax	5,605,396	5,605,396	-
Transient Occupancy Taxes	4,102,798	4,102,798	-
Development Revenue	1,250,153	1,250,153	-
License and Permits	1,448,143	1,448,444	301
Fines, Forfeitures, Penalties	1,241,423	1,241,423	-
Use of Money & Property	2,953,166	2,953,166	-
Other Local Taxes	2,598,193	2,598,193	-
Police Grants	837,440	837,440	-
Revenue from Other Agencies	1,327,635	1,338,964	11,329
Charges for Services	7,921,718	7,921,718	-
Interfund Reimbursements	9,648,924	11,256,924	1,608,000
Other Revenue	2,006,965	2,007,265	300
Transfers In	13,709,581	14,180,142	470,561
TOTAL REVENUES	\$ 188,744,616	\$ 193,483,871	\$ 4,739,255



Fiscal Year 2019 Expense Projections

Department	FY 2019 Amended Budget	FY 2019 Projected Budget	Variance
City Council	\$ 1,626,561	\$ 1,626,561	\$ -
Boards & Commissions	27,783	27,783	-
City Clerk	984,447	991,189	6,742
City Attorney	3,163,225	3,163,225	-
Administration	2,216,056	2,216,056	-
Information Technology	3,817,967	3,817,967	-
Human Resources	2,888,499	2,888,499	-
Finance	3,987,938	3,987,938	-
Non-Departmental	38,693,602	39,907,603	1,214,001
Animal Care Facility	2,966,306	2,966,306	-
Economic Development	2,128,750	2,128,750	-
Planning & Building	2,900,096	2,900,096	-
Engineering/Capital Project	8,953,842	8,953,842	-
Police	56,625,786	56,370,100	(255,686)
Fire	30,827,479	32,206,659	1,379,180
Public Works	11,823,153	11,842,152	18,999
Parks and Recreation	10,914,193	10,914,193	-
Library	4,108,278	4,119,907	11,629
TOTAL EXPENDITURE BUDGET	\$ 188,653,961	\$ 191,028,826	\$ 2,374,865



Measure Q Commercial Cannabis Tax Measure

- March 2018 - City adopts ordinance to permit, regulate and license commercial cannabis activity in the City
- August 2018 – City Council adopts ordinance to establish a general tax on cannabis business activity
- November 2018 - Measure Q Commercial Cannabis Tax Measure approved by voters
- January 2019 – City Council adopts resolutions setting tax rates
 - 7% of gross receipts on all cannabis business excluding cannabis cultivation businesses
 - \$15 per square foot of canopy on all cannabis cultivation businesses
- January 2019 – Finance Department reviewing applications for prospective cannabis businesses



Fiscal Year 2019

Second Quarter Adjustments

DEPARTMENT	PERSONNEL SERVICES	SUPPLIES & SERVICES	OTHER EXPENSES	TOTAL EXPENSE	TOTAL REVENUE	NET COST
GENERAL FUND						
City Clerk	\$ -	\$ -	\$ 6,742	\$ 6,742	\$ (6,742)	\$ -
Fire Department	\$ 1,600,000	\$ -	\$ -	\$ 1,600,000	\$ (1,649,744)	\$ (49,744)
Information Technology	\$ -	\$ 50,000	\$ (50,000)	\$ -	\$ -	\$ -
Library Department	\$ -	\$ 11,629	\$ -	\$ 11,629	\$ (11,629)	\$ -
Non-Departmental	\$ -	\$ 59,404	\$ -	\$ 59,404	\$ (59,404)	\$ -
Parks and Recreation	\$ 10,000	\$ (10,000)	\$ -	\$ -	\$ -	\$ -
Public Works Department	\$ -	\$ 19,000	\$ -	\$ 19,000	\$ (19,000)	\$ -
TOTAL OTHER FUNDS	\$ 1,610,000	\$ 130,033	\$ (43,258)	\$ 1,696,775	\$ (1,746,519)	\$ (49,744)



Fiscal Year 2019

Second Quarter Adjustments

Other Funds Significant Budget Adjustments

- Federal Grants – Appropriation of \$600,000 in revenues and \$700,000 in expenses for various federal grants.
- Sewer Income Fund/Sewer Service Revenue Fund: Transfer of appropriation of \$2.0 million from the Sewer Income Fund to the Sewer Services Revenue Fund. This is a budgetary adjustment designating the correct funding source.
- Trunk Service Revenue Fund/Sewer DIFs Fund – Transfer of appropriation of approximately \$1.0 million in revenue and \$350,000 in expenses from the Trunk Service Revenue Fund to the Sewer DIFs Fund. This is a budgetary adjustment designating the correct funding source.
- All proposed adjustment result in a net increase for the Other Funds by \$311,516.



LONG-TERM FINANCIAL PLAN (LTFP) FISCAL YEAR 2020 TO 2024



LTFP Forecast Summary (FY2020 – FY2024)

Description	Forecast FY 2020	Forecast FY 2021	Forecast FY 2022	Forecast FY 2023	Forecast FY 2024
Revenue Projections (millions)					
MAJOR DISCRETIONARY REVENUES	\$ 151.22	\$ 154.03	\$ 156.91	\$ 159.87	\$ 162.90
OTHER REVENUES	\$ 43.84	\$ 43.42	\$ 43.25	\$ 43.53	\$ 43.80
NEW DEVELOPMENT REVENUES	\$ 3.12	\$ 4.24	\$ 5.22	\$ 6.21	\$ 7.18
TOTAL REVENUES	\$ 198.18	\$ 201.69	\$ 205.39	\$ 209.60	\$ 213.88
Year-over-Year Change	5.37%	1.77%	1.83%	2.05%	2.04%
Expenditure Projections (millions)					
PERSONNEL SERVICES EXPENDITURES	\$ 134.76	\$ 138.99	\$ 143.50	\$ 148.14	\$ 152.05
OTHER EXPENDITURES	\$ 67.20	\$ 68.09	\$ 69.83	\$ 69.05	\$ 70.25
NEW DEVELOPMENT EXPENDITURES	\$ 2.01	\$ 2.14	\$ 2.88	\$ 2.99	\$ 3.11
TOTAL EXPENDITURES	\$ 203.97	\$ 209.22	\$ 216.21	\$ 220.18	\$ 225.41
Year-over-Year Change	8.45%	2.58%	3.34%	1.84%	2.38%
TOTAL GENERAL FUND SURPLUS/(DEFICIT)	\$ (5.79)	\$ (7.53)	\$ (10.82)	\$ (10.58)	\$ (11.53)
SURPLUS/(DEFICIT) AS % OF BUDGET	-2.84%	-3.60%	-5.00%	-4.80%	-5.11%
HIGH PRIORITY PROGRAMS					
Peace Officer Funding	\$ 0.81	\$ 1.72	\$ 2.71	\$ 3.80	\$ 4.96
TOTAL GENERAL FUND SURPLUS/(DEFICIT)	\$ (6.61)	\$ (9.25)	\$ (13.53)	\$ (14.38)	\$ (16.49)
SURPLUS/(DEFICIT) AS % OF BUDGET	-3.24%	-4.42%	-6.26%	-6.53%	-7.32%



Fiscal Year 2020- 2024 Outlook

- LTFP projects expenditures to outpace revenues on an annual basis throughout the term of the outlook.
 - FY 2020: \$6.6 million deficit
 - FY 2024: \$16.5 million deficit
- Pension costs one of primary drivers of growing expenses
- Any economic downturn will have a negative impact on the projections within the LTFP



Next Steps

February 2019	<ul style="list-style-type: none">• 2nd Quarter FY 2019 Financial Report
March 2019	<ul style="list-style-type: none">• City Council Budget Workshop: FY 2020 Baseline Budget Projection Discussion
April 2019	<ul style="list-style-type: none">• City Council Budget Workshop: FY 2020 Budget Projection Discussion, Updated LTFP Discussion
May – TBD	<ul style="list-style-type: none">• Hold two public workshops to provide overview of proposed budget
May 2019	<ul style="list-style-type: none">• 3rd Quarter FY 2019 Financial Report
May 2019	<ul style="list-style-type: none">• City Council: Present City Manager's Proposed Fiscal Year 2019-20 All Funds Budget and CIP Overview
June 2019	<ul style="list-style-type: none">• Public Hearing and Recommend Council adoption of Proposed FY 2019-20 Budget (All Funds)



City Council

Comments/Feedback