



# **BUDGET WORKSHOP**

## **APRIL 24, 2018**



# FY 2018 BUDGET



# FY2018 Projected Budget

## Fiscal Year 2017-2018 Projected General Fund Budget<sup>1</sup>

(millions)

<b>Revenues:</b>	
<b>Adopted Budget</b>	<b>\$166.59</b>
<i>Significant Adjustments</i>	
Measure P Bond Proceeds	18.69
Increase to Measure P funding projections	1.48
Funding via SAFER Grant	0.46
Increase in MVLF	0.32
FEMA Reimbursement <sup>2</sup>	1.6
Other Adjustments	1.64
<b>Projected Revenues</b>	<b>\$190.78</b>
<b>Expenditures:</b>	
<b>Adopted Budget</b>	<b>\$166.59</b>
<i>Significant Adjustments</i>	
Transfer of Measure P Bond Proceeds	18.69
Transfer of Measure P funding	1.48
Increase in Debt Service payments	1.49
Addition of Fire Academy	1.00
Supplies and Services <sup>2</sup>	1.60
Other Adjustments	0.34
<b>Projected Expenditures</b>	<b>\$191.19</b>
<b>SURPLUS/(DEFICIT)</b>	<b>(\$0.41)</b>

<sup>1</sup>As of the FY 2017-2018 Second Quarter Report (2/27/18).

<sup>2</sup> FEMA Reimbursement revenue and expense will be on Third Quarter Report (May 2018).



# FY 2019 GENERAL FUND BASELINE



# FY2019 Summary

## General Fund Revenues and Expenditures Summary (in millions)

Category	FY18 Adopted	FY19 Baseline	Change
Revenues	\$ 166.6	\$ 174.6	\$ 8.0
Expenditures	166.6	176.7	10.2
Surplus/Deficit	\$ -	\$ (2.2)	\$ (2.2)



# FY2019 Revenues

## General Fund Revenues Summary (in millions)

Category	FY18 Adopted	FY19 Baseline	Change	% Change
Property Taxes	\$ 33.6	\$ 35.3	\$ 1.7	5.0%
Sales Tax	32.9	33.7	0.8	2.3%
Measure P Sales Tax	16.3	18.1	1.8	10.8%
Franchise Fees	12.0	11.7	(0.3)	-2.3%
Utility Users Taxes	5.9	5.6	(0.3)	-4.4%
Transient Occupancy Taxes	4.3	4.1	(0.2)	-4.9%
Motor Vehicle License Fees	20.7	21.8	1.0	5.0%
Other Revenues	40.8	44.3	3.5	8.6%
<b>Total Revenues</b>	<b>\$ 166.6</b>	<b>\$ 174.6</b>	<b>\$ 8.0</b>	<b>4.8%</b>



# FY2019 Revenue Assumptions

- Major Revenue assumptions
  - Conservatively estimated to increase by \$4.5 million or 3.6%.
  - Adjustment to Franchise Fees, Utility Users Taxes, and Transient Occupancy Tax based on revised projections.



# FY2019 Revenue Assumptions (continued)

- Other Revenues assumptions
  - Transfers-In increase of \$2.5 million for
    - FEMA SAFER Grant \$1.0 million
    - PFDIF Loan Repayment \$1.5 million
  - Development Fee Revenue increase of \$0.8 million
  - Investment Earnings increase of \$0.6





# FY2019 Expenditures

## General Fund Expenditures Summary (in millions)

Category	FY18 Adopted	FY19 Baseline	Change	% Change
Personnel Services	\$ 99.1	\$ 103.0	\$ 3.9	3.9%
PERS	24.4	27.5	3.1	12.5%
Supplies and Services	14.2	16.1	1.8	13.0%
Other Expenses	0.6	0.7	0.1	8.4%
Capital	0.2	0.2	-	0.0%
Transfers Out	22.9	24.6	1.6	7.1%
Non-CIP Project Expend.	-	-	-	0.0%
Utilities	5.1	4.8	(0.3)	-5.5%
<b>Total Expenditures</b>	<b>\$ 166.6</b>	<b>\$ 176.7</b>	<b>\$ 10.2</b>	<b>6.1%</b>



# FY2019 Expenditure Assumptions

- Personnel Services assumptions
  - PERS Increase \$3.1 million
    - UAL Increase \$2.63 million
    - PERS Normal Cost Increase \$0.42 million
  - Personnel increase \$2.7 million
    - Addition of 5.0 Peace Officers
    - Addition of 12.0 Firefighters added in FY 2018
    - Approved MOU salary increases
  - Flex/Insurance increase \$1.2 million
- Supplies and Services assumptions
  - Bayfront Commitment increase \$1.3 million
  - Tyler Munis ERP increase \$0.3 million
  - Police Telecommunications increase \$0.2 million



# FY2019 Expenditure Assumptions (continued)

- Transfers Out
  - Measure P Sales Tax revenue transfer from the General Fund to the Measure P Fund increase of \$1.8 million.
- Utilities
  - Decrease of electricity costs related to the installation of new solar systems resulting in a decrease of \$0.3 million.



# LONG-TERM FINANCIAL PLAN FY2018 TO FY2028



# Fiscal Projections Summary (FY2018 – FY2023)

## Ten-Year Financial Forecast (millions)

Description	Forecast FY 2019	Forecast FY 2020	Forecast FY 2021	Forecast FY 2022	Forecast FY 2023
<b>TOTAL REVENUES</b>	<b>\$ 171.57</b>	<b>\$ 176.77</b>	<b>\$ 180.81</b>	<b>\$ 184.35</b>	<b>\$ 188.40</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 176.95</b>	<b>\$ 190.48</b>	<b>\$ 200.10</b>	<b>\$ 209.35</b>	<b>\$ 217.16</b>

\*Personnel expenses related to Millenia Station

<b>TOTAL GENERAL FUND SURPLUS/(DEFICIT)</b>	<b>\$ (5.47)</b>	<b>\$ (13.90)</b>	<b>\$ (19.29)</b>	<b>\$ (25.00)</b>	<b>\$ (28.76)</b>
<b>SURPLUS/(DEFICIT) AS % OF BUDGET</b>	<b>-3%</b>	<b>-7%</b>	<b>-10%</b>	<b>-12%</b>	<b>-13%</b>

<b>FY 2018 Post-Budget Adoption Changes</b>					
Utility Savings through Measure P Projects	\$ -	\$ 0.83	\$ 1.65	\$ 1.65	\$ 1.65
Utility Savings through Renewable solar bonds	\$ 0.28	\$ 0.28	\$ 0.30	\$ 0.33	\$ 0.34
Bayfront Commitment	\$ (1.26)	\$ (1.59)	\$ (1.63)	\$ (1.68)	\$ (1.73)
Ongoing Salary Savings	\$ 1.15	\$ 1.17	\$ 1.20	\$ 1.22	\$ 1.24
Development Fee Revenue	\$ 0.80	\$ 0.80	\$ 0.80	\$ 0.80	\$ 0.80
Interest Earning	\$ 0.80	\$ 0.40	\$ 0.40	\$ 0.40	\$ 0.40
PFDIF Loan Repayment	\$ 1.50	\$ -	\$ -	\$ -	\$ -
<b>TOTAL FY 2018 Post-Budget Adoption Changes</b>	<b>\$ 3.27</b>	<b>\$ 1.89</b>	<b>\$ 2.71</b>	<b>\$ 2.71</b>	<b>\$ 2.70</b>
<b>SURPLUS/(DEFICIT) WITH ADMINISTRATIVE ACTIONS</b>	<b>\$ (2.20)</b>	<b>\$ (12.01)</b>	<b>\$ (16.57)</b>	<b>\$ (22.28)</b>	<b>\$ (26.06)</b>



# Fiscal Projections Summary (FY2024 – FY2028)

## Ten-Year Financial Forecast (millions)

Description	Forecast FY 2024	Forecast FY 2025	Forecast FY 2026	Forecast FY 2027	Forecast FY 2028
<b>TOTAL REVENUES</b>	<b>\$ 192.52</b>	<b>\$ 196.66</b>	<b>\$ 200.93</b>	<b>\$ 199.95</b>	<b>\$ 188.63</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 224.28</b>	<b>\$ 231.33</b>	<b>\$ 238.65</b>	<b>\$ 241.26</b>	<b>\$ 234.59</b>

\*Personnel expenses related to Millenia Station

<b>TOTAL GENERAL FUND SURPLUS/(DEFICIT)</b>	<b>\$ (31.77)</b>	<b>\$ (34.67)</b>	<b>\$ (37.72)</b>	<b>\$ (41.31)</b>	<b>\$ (45.96)</b>
<b>SURPLUS/(DEFICIT) AS % OF BUDGET</b>	<b>-14%</b>	<b>-15%</b>	<b>-16%</b>	<b>-17%</b>	<b>-20%</b>

<b>FY 2018 Post-Budget Adoption Changes</b>					
Utility Savings through Measure P Projects	\$ 1.65	\$ 1.65	\$ 1.65	\$ 1.65	\$ 1.65
Utility Savings through Renewable solar bonds	\$ 0.32	\$ 0.33	\$ 0.34	\$ 0.35	\$ 0.35
Bayfront Commitment	\$ (1.79)	\$ (1.84)	\$ (1.89)	\$ (1.95)	\$ (2.01)
Ongoing Salary Savings	\$ 1.27	\$ 1.30	\$ 1.32	\$ 1.35	\$ 1.37
Development Fee Revenue	\$ 0.80	\$ 0.80	\$ 0.80	\$ 0.80	\$ 0.80
Interest Earning	\$ 0.40	\$ 0.40	\$ 0.40	\$ 0.40	\$ 0.40
PFDIF Loan Repayment	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL FY 2018 Post-Budget Adoption Changes</b>	<b>\$ 2.65</b>	<b>\$ 2.63</b>	<b>\$ 2.61</b>	<b>\$ 2.59</b>	<b>\$ 2.56</b>
<b>SURPLUS/(DEFICIT) WITH ADMINISTRATIVE ACTIONS</b>	<b>\$ (29.12)</b>	<b>\$ (32.04)</b>	<b>\$ (35.10)</b>	<b>\$ (38.71)</b>	<b>\$ (43.40)</b>



# LTFP Revenue Assumptions

- Major Revenues growth assumptions:
  - FY2019 includes updated information, based on revised revenue estimates.
    - Includes one-time revenue adjustments (i.e., loan repayments, Assessed Valuation increase for Property Tax related revenues, etc.)
    - Decreasing projections for TOT, UUT, and Franchise Fees to correct future revenue assumptions.
  - FY2020 – 28 assumes no changes to previous growth assumptions under the major revenue categories.



# Expenditure LTFP Assumptions

- Personnel Services
  - Includes a 2% wage inflation per year
  - PERS costs reflect estimated contribution rates provided by CalPERs Valuation Report as of June 30, 2016
  - Salary savings is now calculated at 2% per year (Salaries/PERS/Medicare)
  - Projects the cost estimates for 50.0 Peace Officers
  - An increase in Workers Compensation contributions





# Expenditure LTFP Assumptions (cont.)

- Supplies and Services
  - Assumes Millenia and Bayfront fire station in FY2020 and FY2022
  - Assumes Bayfront fire station operating costs will be reimbursed as part of the Bayfront Development
- Other expenditure categories:
  - Utilities at 5% per year net of new renewable energy projects
  - Other Expenses at 2% per year
  - Equipment at 0% per year
  - Transfers Out includes expenditures related to debt service payments and anticipated transfers to other funds



# Potential Solutions

- Technology
- Efficiency
- Use of One-Time Funds
- Public Private Partnerships
- Internship/Volunteer Programs
- Contract Services
- Service Levels
- Changing Service Delivery Model



# Potential Solutions (cont.)

- Fees/Cost Recovery
- Priority Based Budgeting
- Competitive Purchasing
- Municipal Code/Charter Updates
- Cannabis Sales Tax Measure



# Legislative Updates

- Statewide Sales Tax Update
- “California Rule” update
- SB1 “Gas Tax” Potential Ballot Measure



# Next Steps

April – May	<ul style="list-style-type: none"><li>• Staff will continue to refine the budget numbers.</li></ul>
May – TBD	<ul style="list-style-type: none"><li>• Hold two public workshops to provide overview of proposed budget</li></ul>
May 15	<ul style="list-style-type: none"><li>• 3<sup>rd</sup> Quarter FY 2018 Financial Report</li></ul>
May 22	<ul style="list-style-type: none"><li>• City Council: Present City Manager’s Proposed Fiscal Year 2018-19 All Funds Budget and CIP Overview</li></ul>
June 5	<ul style="list-style-type: none"><li>• Public Hearing and Recommend Council adoption of Proposed FY 2018-19 Budget (All Funds)</li></ul>

QUESTIONS?