



Mid-Year Budget Update 2018-19

City Council
March 19, 2019

Tonight's Objectives

Presentation

- ▶ Receive update on General Fund financial projections
- ▶ Review Pension/OPEB funding status
- ▶ Discuss Mid-Year budget amendments request

Action

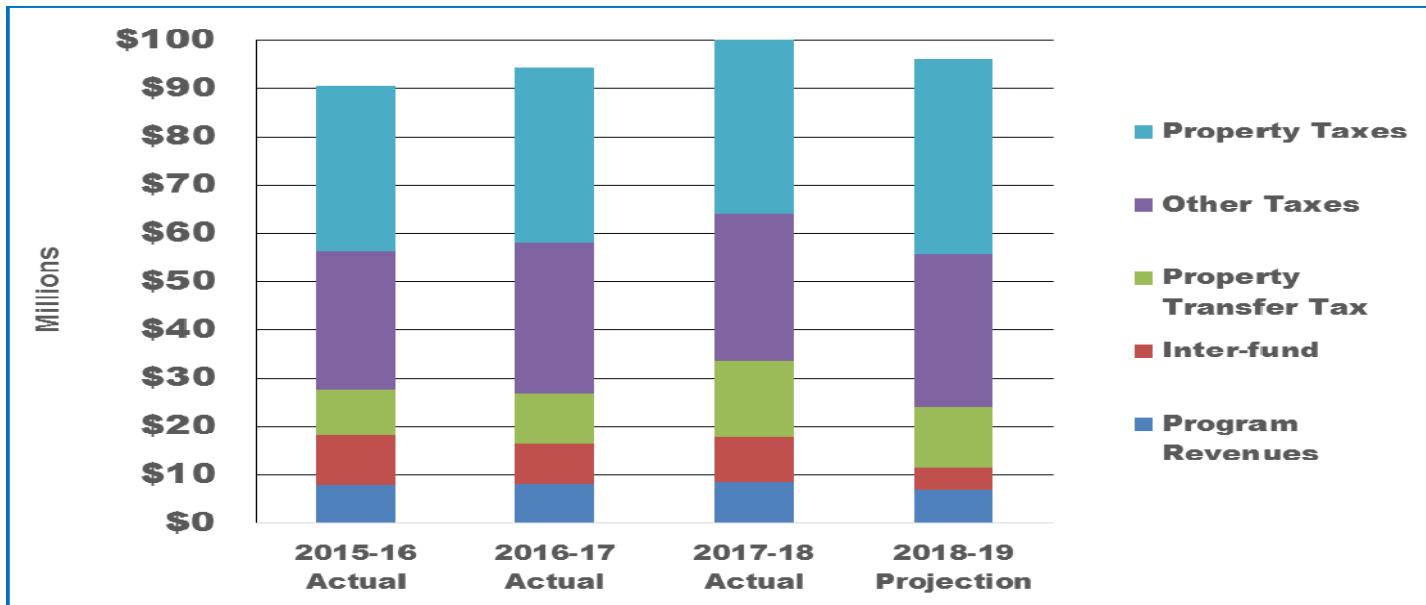
- ▶ Consider resolutions to amend 2018-19 Budget and workforce changes

General Fund Highlights

- ▶ Strong revenue growth improves City's financial position
 - Transfer tax continues to deliver revenue for now
 - Caution: 13% of budget dependent upon real estate sales
- ▶ Mid-Year operating expenditure requests
 - Focused on special programs and capital expenditures
- ▶ Changing CalPERS/OPEB assumptions
 - CalPERS/OPEB funding policy is reducing risk



General Fund Revenues



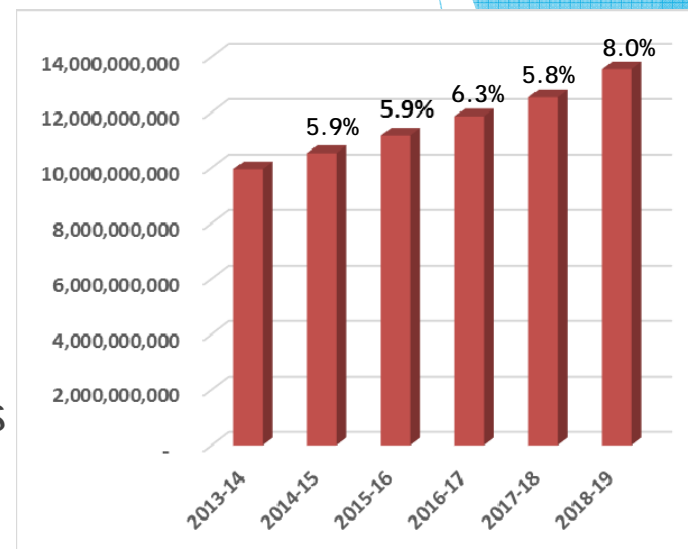
- ▶ 2018-19 Mid-Year adds +\$5 million vs. Mid-Cycle budget
- ▶ 2018-19 includes \$2 Million transfer tax on 2 properties
- ▶ Total 2018-19 General Fund revenues \$96 Million +

General Fund Revenues

Property Tax

- ▶ 2018-19 Assessed Valuation
+8.0% Annual City-wide growth
- ▶ Successor Agency revenue exceed requirements
Additional Residual Tax Increment to City
- ▶ 2018-19 Budget (Property, Residual TI, MVLF)

Mid-Cycle Budget	\$39,229,000
Budget Increase	<u>+1,126,000</u>
Mid-Year	\$40,355,000



General Fund Revenues Transactions and Use Tax

2018-19 Budget	\$0
Budget Increase	<u>+800,000</u>
2018-19 Mid-Year	\$800,000



- ▶ Half cent increase approved by voters in November 2018
- ▶ Effective date April 1, 2019
- ▶ Challenging to estimate future growth

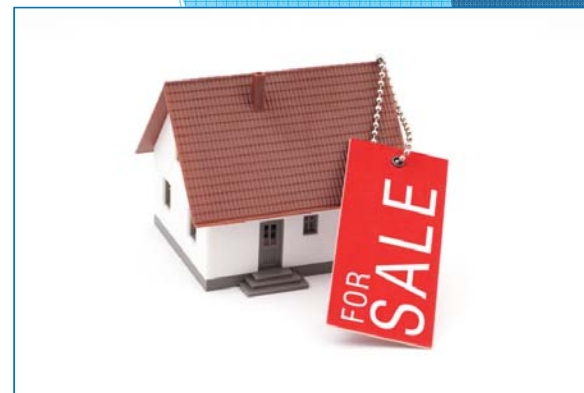
General Fund Revenues

Transfer Tax

- ▶ Real Estate Sales generate significant tax revenue
 - Highly volatile source for baseline salary/operating costs
- ▶ \$2.1 million year-to-date 2018-19 from 2 parcels
 - Unusual and non-recurring source

▶ 2018-19 Mid-Year projection

Mid-Cycle Budget	\$ 10,385,000
Budget Increase	<u>2,115,000</u>
Mid-Year	\$12,500,000



General Fund Revenues

Program Revenue Adjustments

▶ Fire:

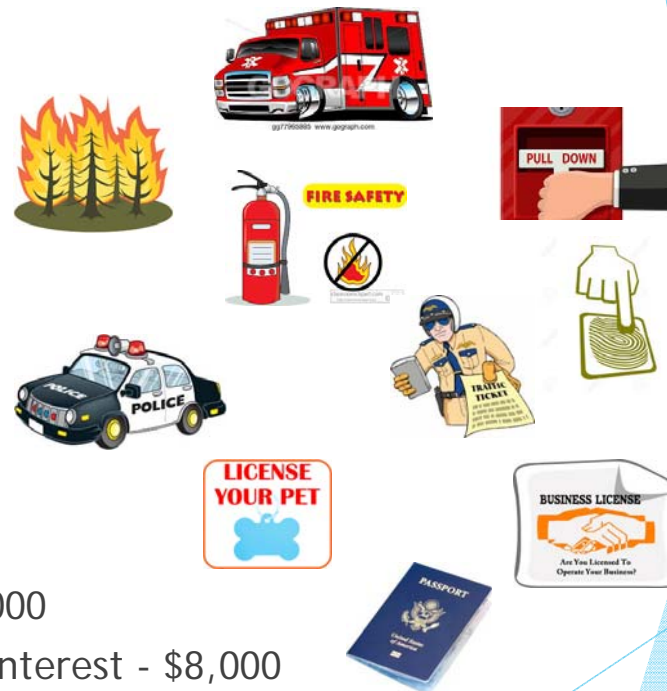
- ▶ Mutual Aid - \$550,000
- ▶ Ambulance fees/GEMT - \$295,000
- ▶ Other (net) - \$0

▶ Police

- ▶ Mutual Aid - \$85,000
- ▶ Animal License fees - (\$150,000)
- ▶ Other (net) - \$8,000

▶ Other

- ▶ City Clerk passport processing fees - \$10,000
- ▶ Finance business license processing fees/interest - \$8,000



General Fund Revenues

Program Revenue Adjustments

▶ 2018-19 Mid-Year projection

Mid-Cycle Budget	\$5,938,000
Budget Increase	<u>806,500</u>
Mid-Year	\$6,744,500

Proposed Mid-Year Budget Amendment

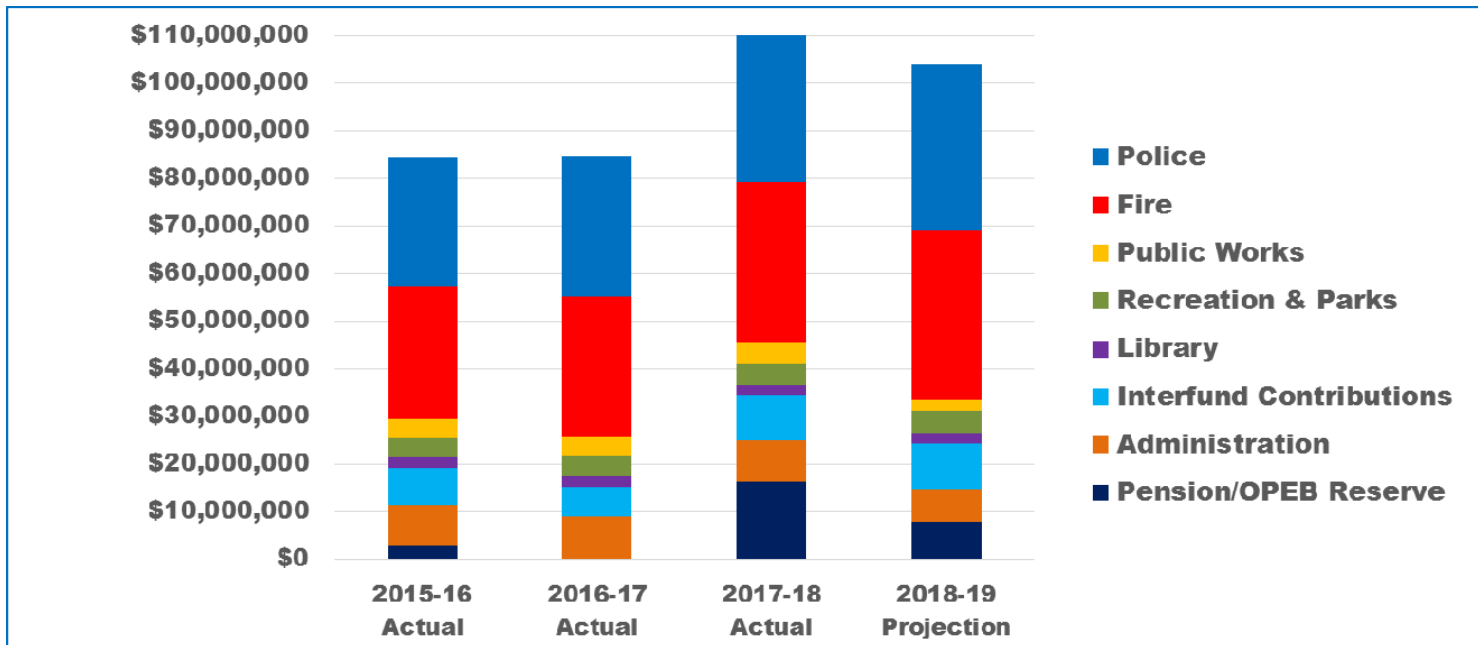
General Fund Revenues

Property and Related Tax	\$1,126,000
Transfer Tax	2,115,000
Transactions and Use Tax	800,000
Franchise Fees	(176,000) *
Program revenues	806,500
Transfers In	<u>241,000</u> **
	\$4,912,500

* Franchise fee reduction due to trending down of cable franchise and PG&E bankruptcy

** Unspent General Fund contribution to EOC/Fire Station 3 construction

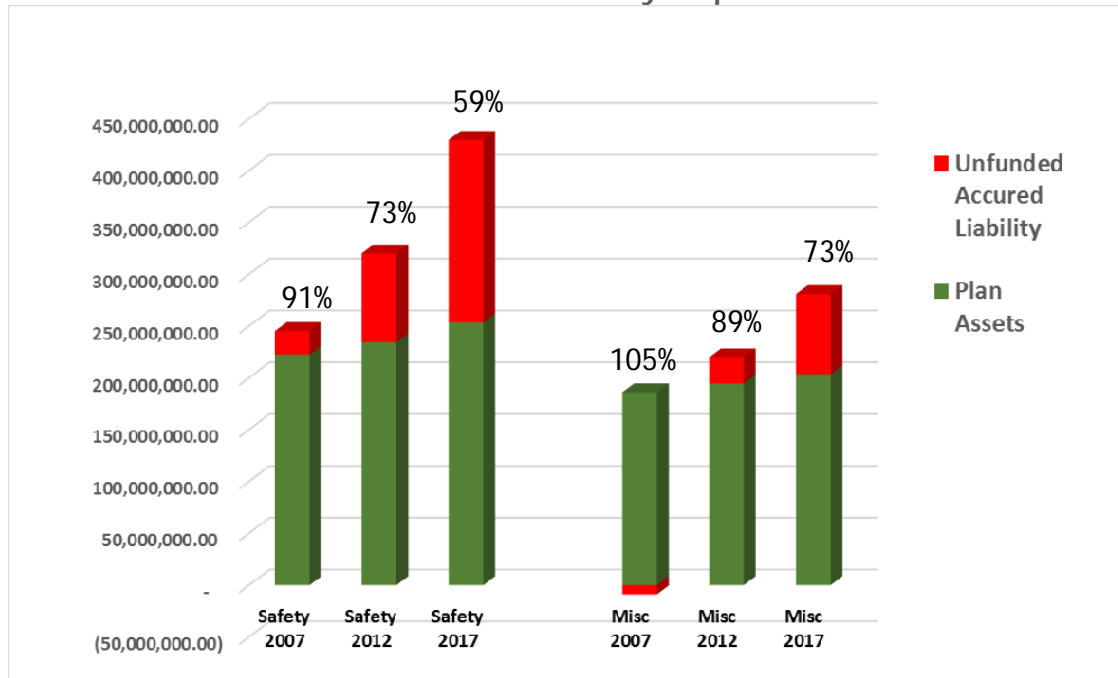
General Fund Expenditures



- ▶ 2018-19 Mid-Year adds \$1,214,000 operating expenditures (Contract services, Mutual Aid OT, Special Election) and \$1,012,000 to capital projects
- ▶ 2018-19 Mid-Year sets budget for Pension/OPEB reserve policy payments
- ▶ 2018-19 General Fund operating expenditures \$96 million; with pension reserve \$104 million

CalPERS Pension Funding Status

→ June 2017 CalPERS Actuary Report



<u>June 2017</u>	<u>Safety</u>	<u>Miscellaneous</u>	<u>Total</u>	<u>General Fund</u>
Accrued Liability	\$ 429,505,573	\$ 280,833,232	\$ 710,338,805	\$ 523,337,560
Plan Assets	253,587,646	203,560,016	457,147,662	321,601,110
Unfunded	175,917,927	77,273,216	253,191,143	201,736,451
General Fund % of Total				80%

General Fund Pension/OPEB Funding Policy

Policy

- ▶ 50% of prior year Available Fund Balance in excess of 25% of Operating Expenditures committed to Pension/OPEB Reserve
- ▶ Contribute surplus from closed pension plans 1079/1082 as plans wind down

2018-19 Budget

Mid-Cycle Projection (not budgeted)	\$6,772,674
Mid-Year (based on FY 2017-18 actuals)	\$7,947,172

2018-19 Operating Projections

June 2019 Estimated Pension Reserve \$3.5 million

Estimate will be updated after 2018-19 audit for 2019-20 Implementation

CaIPERS / OPEB Contributions and Account Balances

CaIPERS Contributions		\$10,695,076
PARS IRC Section 115 Trust:		\$15,673,266
Pension		
City	\$3,565,017	
Net Investment Earnings (as of 1/31/19)	(\$48,764)	
OPEB Contributions		
City	\$9,075,000	
Employees	\$1,514,322	
Net Investment Earnings (as of 1/31/19)	\$1,567,691	

Proposed Mid-Year Budget Amendment

General Fund Expenditures

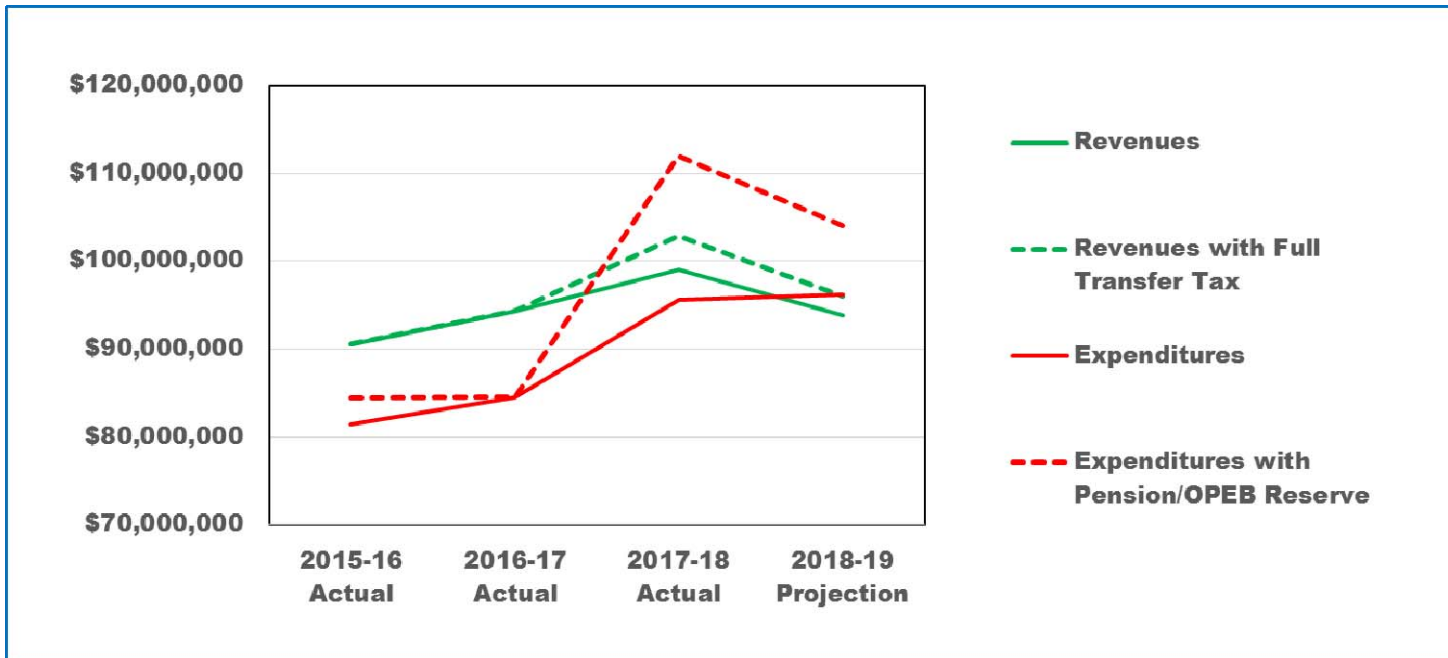
Economic Development	\$88,000
Fire	476,000
City Clerk	650,000
Capital Projects contributions	<u>1,012,000</u>
	\$2,226,000
Pension/OPEB Reserve Contribution	<u>7,947,172</u>
	\$5,599,068

General Fund

2018-19 Mid-Year Projection

	Adopted Budget	Previous Adjustments	Mid-year Adjustments	Mid-year Projection
Revenues				
Baseline	\$ 91,067,000	\$ -	\$ 2,797,500	\$ 93,864,500
Large parcel tax receipts			2,115,000	2,115,000
With Full Transfer Tax	91,067,000	-	4,912,500	95,979,500
Expenditures				
Operations	91,075,000	2,852,735	2,226,000	96,153,735
Pension/OPEB Reserve			7,947,172	7,947,172
	91,075,000	2,852,735	10,173,172	104,100,907
Net Annual Activity				
Operations	(8,000)	(2,852,735)	2,686,500	(174,235)
With Pension/OPEB Reserve	(8,000)	(2,852,735)	(5,260,672)	(8,121,407)

General Fund Net Annual Activity



- ▶ 2018-19 includes one-time transfer tax revenue and Pension/OPEB contributions
- ▶ On-going revenue/expenditure gap for 2018-19 is \$174,000

Proposed Mid-Year Budget Amendment

Other Funds/Programs

Rent Stabilization

Rent Fee Revenue (\$550,000)

FISC Lease Revenue

Lease Revenue \$400,000

Transportation Services

Grant Revenue \$24,000

Community Development

Planning/Building Permits Revenue \$315,000

Proposed Midyear Budget Amendment

Other Funds/Programs

❖ Tidelands

Transfer to Capital Projects \$111,400

Encinal Boat Launch Facility construction soft costs and paving project

❖ Gas Tax

Transfer to Capital Projects \$130,000

Park Street Corridor funding shortfall

❖ Closed Pension Funds (Fire/Police) \$251,000

Increase pension contribution based on FY 2017-18 actual results

Proposed Mid-Year Budget Amendment Internal Service Funds

❖ Equipment Replacement

Fire Battalion Chief vehicle	\$75,000
Police taser maintenance contract	\$63,000

❖ Unemployment Insurance

Claims payments	\$100,000
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❖ Cable Franchise Equipment Replacement

Franchise Revenue	(\$19,000)
Chamber timing system installation	\$30,000

Proposed Mid-Year Budget Amendment

Internal Service Funds

❖ General Liability

Risk pool reduction in equity distribution (\$60,000)

❖ Pension Stabilization Fund

Contribution to CalPERS/PARS Trust \$7,698,172

❖ OPEB

Contribution to PARS Trust \$500,000

Proposed Mid-Year Budget Amendment

Capital Projects Funds

- | | |
|---|-------------|
| ▶ Estuary Park | \$60,000 |
| General Fund funded to reduce dirt pile and fence Phase 2 | |
| ▶ Encinal Boat Launch Facility | \$1,632,000 |
| General Fund and Tidelands Fund funded, Dept. of Boating and Waterways Grant funding of \$1,450,000 | |
| ▶ Park Street Corridor | \$130,000 |
| Gas Tax funded | |
| ▶ Pavement Management | \$81,400 |
| Tidelands Fund funded | |

Proposed Mid-Year Budget Amendment

Capital Projects Funds

- ▶ Climate Change \$236,375
CalTrans Grant funded
- ▶ Shoreline Park Pathway Lighting Replacement \$550,000
General Fund funded
- ▶ Modular Restroom at Alameda Point Gym \$250,000
General Fund funded

Proposed Mid-Year Workforce Changes

New Positions

- Planning, Building and Transportation
 - Add Permit Technician III position (full time, two year limited term)
 - Estimated annual cost is \$97,000. Position will be funded by planning and building permit fees.

- Finance
 - Add Senior Management Analyst position (full time)
 - Estimated annual cost \$164,000. Position will be funded by the General Fund.

Proposed Mid-Year Workforce Changes

Position Upgrades

➤ Public Works

- Upgrade Engineering Office Assistant position to Executive Assistant
- The estimated cost annually is \$22,000. Will be funded through cost allocation within the department and the General Fund
- Upgrade Transportation Engineer position to Supervising Civil Engineer
- The estimated cost annually is \$40,000. Will be funded by Measures B and BB.

Proposed Mid-Year Workforce Changes

Amend ACEA Salary Schedule

- Add new classification of Combination Building Inspector I
- Retitle current Combination Building Inspector to Combination Building Inspector II

- Equity Adjustments:
 - Combination Building Inspector classification series (three positions - Planning and Building Department)
 - Fire/Building Code Compliance Officer classification (Fire Department or Planning and Building Department)
 - Senior Fire Code Compliance Officer (Fire Department)
 - Senior Building Code Compliance Officer (Planning and Building Department)
 - Total estimated annual cost is \$117,750. \$108,950 will be funded by planning and building fees and \$8,800 by the General Fund.

Wrap Up

▶ Questions?

▶ Requested City Council Action

Consider Resolution to Amend 2018-19 Budget

Consider Resolutions for workforce changes