



City of Alameda
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June 1, 2023

Honorable Mayor and Members of the City Council:

I am pleased to present the City of Alameda's Biennial Budget for Fiscal Years (FYs) 2023-24 and 2024-25. The development of this two-year budget has been a collaborative effort among City staff, Department Heads, the City Council, and the community. The result is a comprehensive financial plan that reflects our commitment to delivering high quality services and improving the quality of life for all of our residents and businesses.

Overall, the City remains in a strong financial position due to stable property taxes with a significant fund balance that is funding one-time capital improvement projects.

The budget reflects a balanced and practical approach that maximizes resources while ensuring the City maintains strong reserves to weather economic uncertainties. This budget includes key investments in the following priority areas identified in the City Council's draft Strategic Plan:

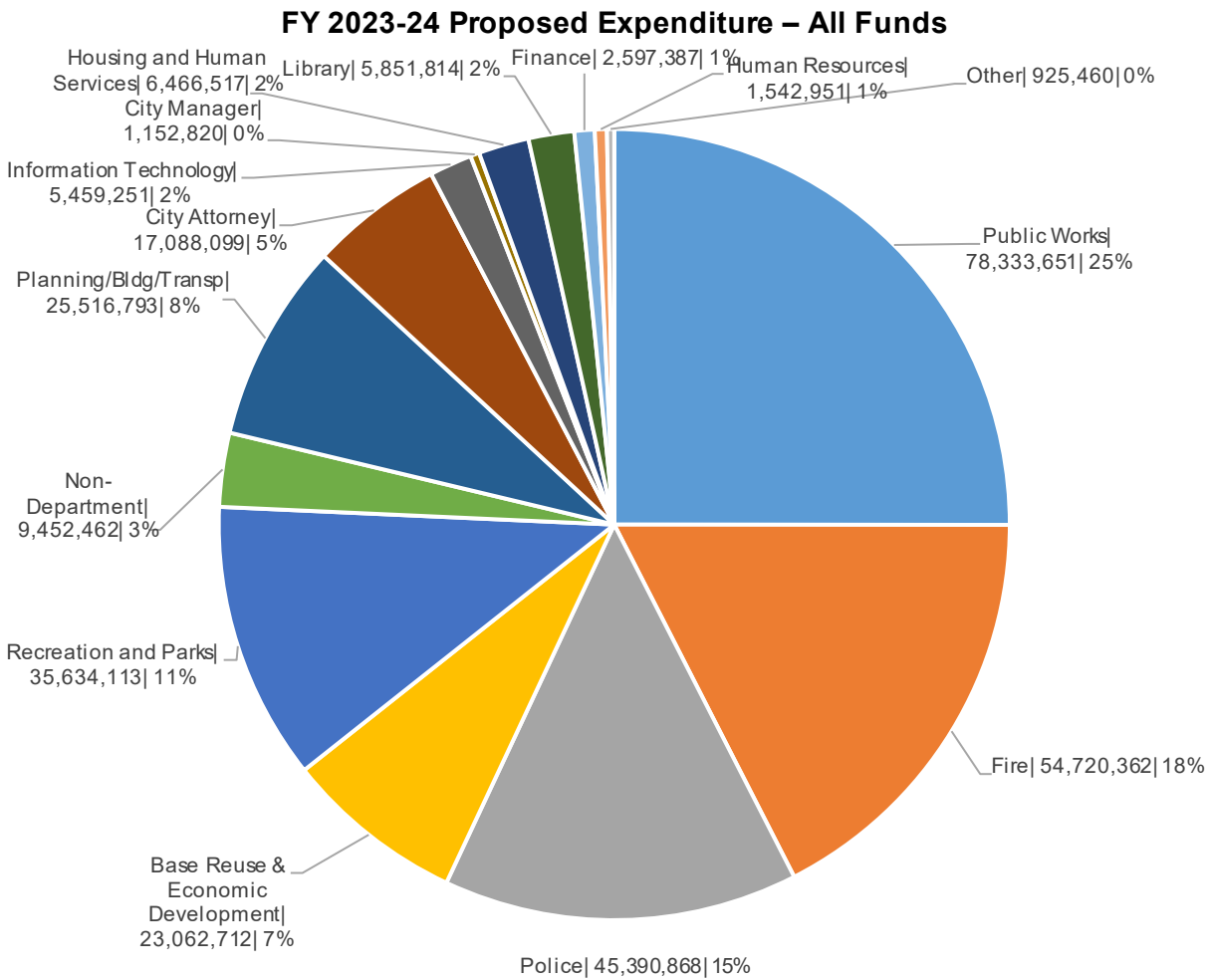
- **House all Alamedans** - Shifting resources currently housed in Community Development (now the Base Reuse and Economic Development Department) to the City Manager's Office for improved advocacy and program management plus the addition of one full-time management analyst to improve service delivery capacity.
- **Build Resilience to Climate Change and Water Level Rise** - \$200,000 to update the Climate Action and Resiliency Plan and groundwater analysis plus significant capital projects funded by grants.
- **Enhance Community Safety and Services** - \$4.6 million for public safety vehicle replacement and outdated communications and rescue equipment replacement.
- **Invest in Transportation and Infrastructure** – \$1.25 million investment to implement the Americans with Disabilities Act (ADA) project plan, \$1 million in Civic Center Garage safety improvements, and City building safety improvements in the amounts of \$2.5 million in Year 1 and \$2.7 million in Year 2.
- **Practice Fiscally Responsible and Inclusive Governance** – Creation of a Municipal Fiscal Resilience Plan to help weather financial challenges and remain fiscally stable over the long term; expand business economic development activities, including at Alameda Point; and begin implementation of the Diversity, Equity, Inclusion and Belonging plan once approved by City Council.

The budget represents the City's fiscally responsible and accountable financial plan for the two upcoming fiscal years; provides a transparent, comprehensive statement of the City's organization, operations, projected revenues, and estimated expenditures; and serves as a strategic tool in communicating, implementing, and monitoring City Council direction and priorities related to City operations.

Overview of the Citywide Budget for FYs 2023-24 and 2024-25

The City’s total proposed expenditure budget (excluding transfers) for FY 2023-24 is \$313.2 million, with the General Fund comprising 39.5%, or \$123.8 million. The proposed budget funds a total of 506.0 full time equivalent positions (FTEs), excluding positions of Alameda Municipal Power (AMP), for FY 2023-24. For the second year of the biennial budget, FY 2024-25, the total proposed expenditure budget (excluding transfers) is \$281.4 million, with the General Fund comprising 46.1%, or \$129.8, funding a total of 507.0 FTE positions, excluding AMP.

Of the FY 2023-24 proposed expenditure budget (all City funds including capital), approximately 25.0% is for Public Works, 17.5% for the Fire Department, 14.5% for the Police Department, with the remainder for Recreation and Parks, Planning/Building/Transportation, Base Reuse and Economic Development, Library, Administration and other programs provided by the City, as shown below:



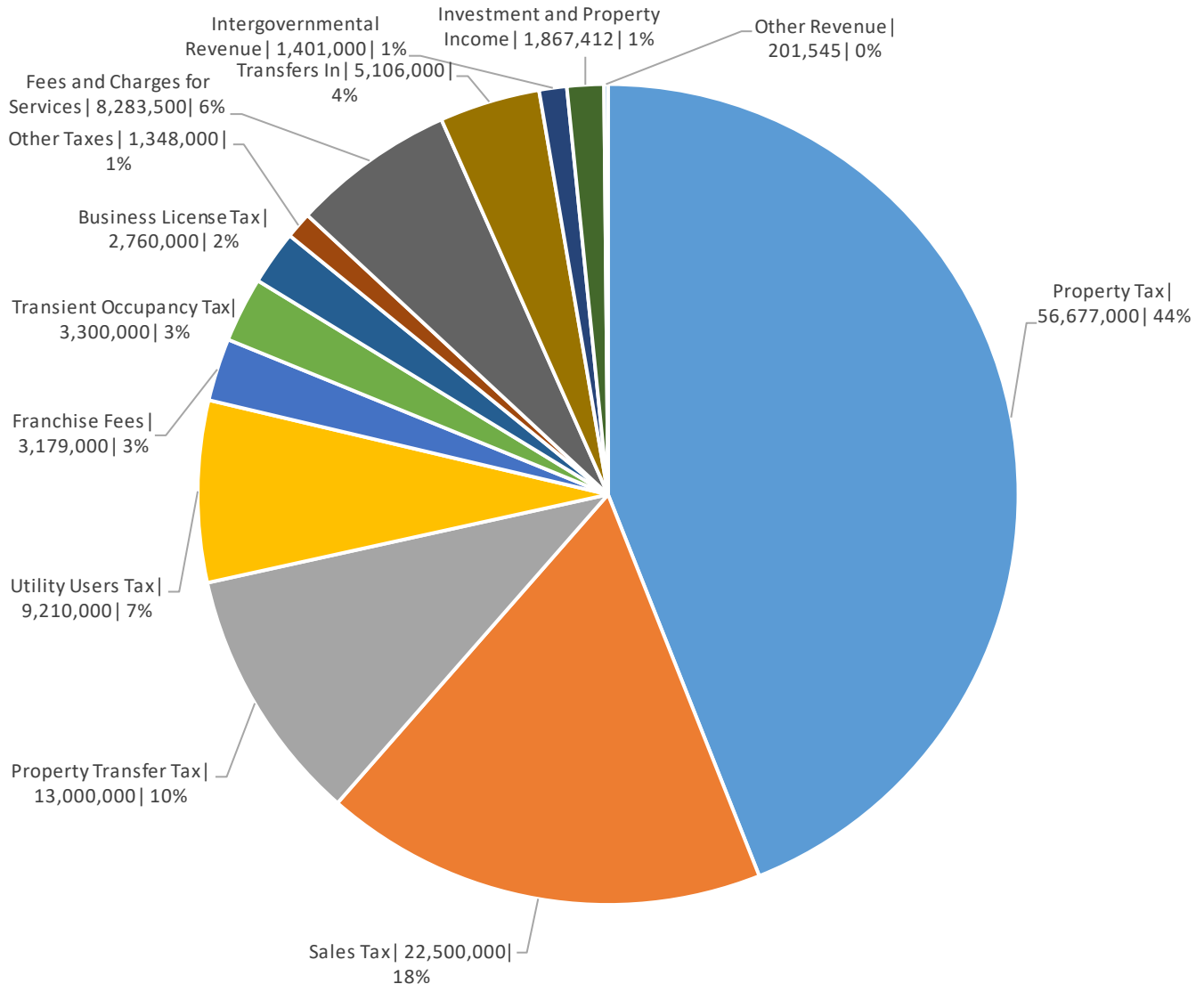
Overview of the General Fund Operating Budget for FYs 2023-24 and 2024-25

To address community needs while maintaining financial stability, the proposed budget includes ongoing funding for the Community Assessment Response & Engagement (CARE) Team led by the Fire Department, moving the Economic Development function from the Fleet Industrial Service Center Fund to the General Fund, Aquatic Center financing debt service, Alameda Police Department hiring initiative which reduces vacancy savings, and ongoing funding of the Safe Parking, Day Center, and Overnight Shelter programs.

General Fund Revenues

The General Fund’s major revenue sources are Property Tax (including Motor Vehicle License fee in-lieu), Sales and Use Taxes, Property Transfer Tax, and Utility Users Tax (UUT). Together they comprise 78.7% of total projected General Fund revenues for FY 2023-24, as shown on the chart below.

FY 2023-24 General Fund Revenues

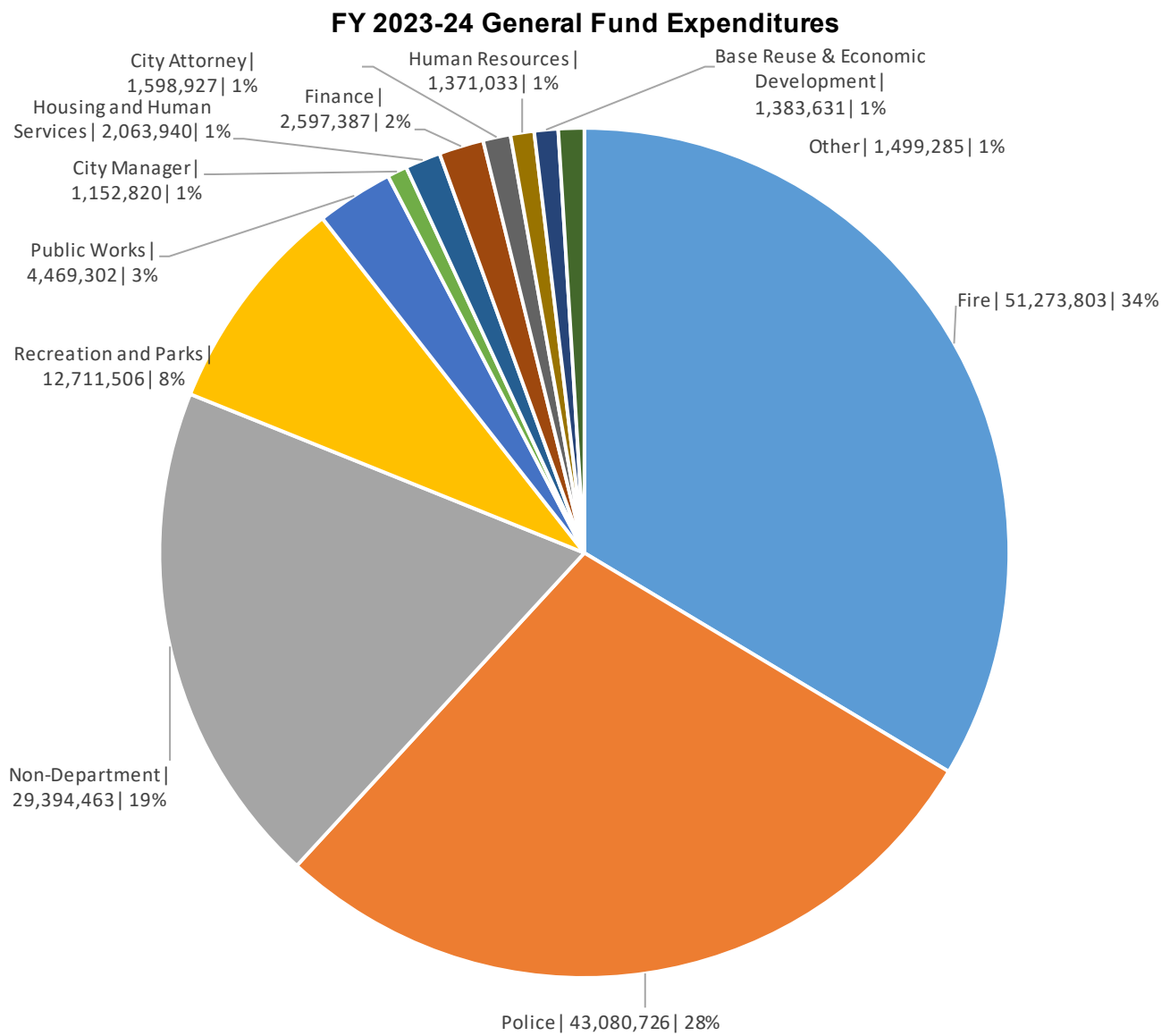


Total General Fund revenues for FY 2023-24 are projected to be approximately \$128.8 million, or approximately \$3.3 million lower than the FY 2022-23 revised budget projection of \$132.1 million. The decrease is due to the one-time receipt of \$7.5 million in American Rescue Plan Act of 2021 (ARPA) revenue replacement funds in FY 2022-23. In the second year of the biennial budget, FY 2024-25, General Fund revenues are projected to increase by approximately \$5.5 million to \$134.3 million. The revenue projections are based on staff’s analysis of local conditions and reflect information received from several sources, including the City’s Sales and Property Tax consultants.

General Fund Expenditures

The proposed budget increases General Fund expenditures from \$131.6 million in FY 2022-23 to \$152.6 million in FY 2023-24, including a one-time appropriation of \$15 million from General Fund residual fund balance for construction of the Aquatic Center. In FY 2024-25, the proposed General Fund expenditure budget is \$140.3 million. The growth in ongoing expenditures is due primarily to contractual salary increases, insurance premium increases, and incorporation of economic development activities in the General Fund.

Like most Californian cities, a significant portion of General Fund expenditures funds Public Safety (33.6% for Fire, 28.2% for Police), with the balance allocated between Recreation and Parks, Public Works, and administrative functions, as shown in the chart below. Although most General Fund dollars are allocated to Public Safety, it should be noted that other departments, such as Public Works, Base Reuse and Economic Development, and Planning/Building/Transportation, have other dedicated sources of funding in addition to the General Fund.



Organizational Changes

As part of the biennial budget, the City Manager recommends consolidating and moving existing funds from the Community Development Department to create the Division of Housing and Human Services within the City Manager's Office. The Housing function supports the development of new affordable housing in coordination with Planning, and furthers the preservation, rehabilitation, or construction of affordable housing. The Human Services function will support programs for low-income residents that preserve safety net services and implement goals set in the City's Five-Year Strategic Plan to Prevent and Respond to Homelessness in Alameda including:

- Secure a housing future for all Alamedans,
- Increase access to homeless emergency response services, and
- Mobilize the citywide response to homelessness.

As part of this change, the City Manager recommends renaming the Community Development Department to the Base Reuse and Economic Development Department, as it will continue to focus on Alameda Point development and economic development.

The City Manager also recommends transferring the Climate Action & Resiliency division from the City Manager's Office to the Planning, Building & Transportation Department. This change creates synergy with climate action and resiliency planning, land use planning, building regulation and transportation planning. It also puts climate action policy development and permit implementation within one department, as there is already significant cross over in these areas.

Workforce Changes

The budget includes the addition of 12 new full-time positions in FY 2023-24 in Base Reuse and Economic Development, City Clerk, City Manager, Fire, Human Resources, Library, Planning/Building/Transportation, Public Works, and Recreation & Parks departments and one new position in the Information Technology Department in FY 2024-25. Seven positions are recommended for upgrade in the City Manager, Finance, Planning/Building/Transportation, and Police departments with one upgrade in the Police Department pending the results of a classification study.

Summary

On behalf of all City employees, staff looks forward to working with the City Council and the community on the implementation of this policy document, which honors our commitment to maintaining the quality of life for our residents and businesses. The result of the City's efforts will be a continuing commitment to providing high-quality services to the Alameda community, maintaining facilities and infrastructure, and proactively responding to changing fiscal realities.

With the City Council's leadership and the help of our community, we can continue to maintain strong fiscal stewardship while ensuring our budget and financial policies reflect spending that is consistent with the community's priorities.

Respectfully submitted,

Jennifer Ott
City Manager