

Mid-Cycle Budget Update Fiscal Year 2024-25

City Council Workshop

May 21, 2024

Agenda

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3. Proposed Budget Overview
4. Revenue Adjustments
5. Expenditure Adjustments
6. Departmental Funding Requests
7. Workforce Changes
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Executive Summary

- **Budget Update Overview:**

- The Mid-Cycle Budget Update provides an overview of significant adjustments in revenue and expenditures and aims to ensure that the city remains on a stable financial path while addressing current needs and priorities.
- The City's finances are stable with forecasted \$29.34 million in residual fund balance in addition to \$39 million in policy reserves.
- The amount of General Fund reserves needed between adoption of the FY 2024-25 Baseline Budget, \$6.05 million, and the Adjusted Baseline Budget **decreased** by \$3.7 million resulting in an adjusted use of reserves of \$2.68 million.
- Staff is requesting an additional use of net reserves of \$3.3 million to maintain existing service levels and prioritize community needs in FY 2024-25, resulting in \$5.98 million use of reserves.
- Since adoption of the budget in June 2023, economic headwinds have impacted some revenues categories.
- The proposed Midcycle Budget has a slight structural imbalance of \$2.45 million, which is equivalent to current revenue loss due to economic headwinds.

Executive Summary (cont....)

- **Proposed General Fund Midcycle Budget:**
 - The proposed General Fund midcycle budget is **\$144.57 million**, an increase aimed at supporting essential city services.
 - This budget covers key areas such as public safety, public works, and recreation.
- **Proposed All Funds Budget:**
 - The total proposed midcycle budget, encompassing all funds, is **\$324.43 million**.
 - This includes special revenue funds, enterprise funds, and capital improvement funds.
- **New Positions:**
 - Introduction of three new positions: an Investigator to strengthen public safety, an Administrative staff member to support increased workload, and an IT Executive Assistant to enhance IT department operations.

Background

- **Biennial Budget Adoption:**

- The FY 2023-25 Biennial Budget was adopted in June 2023, setting the financial plan for two fiscal years.
- Adjustments have been made throughout the current fiscal year (FY 2023-24) resulting in a FY 2024-25 Adjusted Baseline Budget, which is the starting point for the FY 2024-25 Midcycle Budget.
- This budget focused on maintaining service levels, addressing capital needs, and ensuring fiscal sustainability.

- **Workshop Objectives:**

- The primary objectives of this workshop are to review the overall budget factors, discuss proposed changes, and ensure alignment with the City's strategic priorities.
- This includes evaluating the financial health of the City and making necessary adjustments to maintain fiscal discipline.

The Starting Point: General Fund Adjusted Baseline Budget

FY 2024-25 Revenues	Ongoing	One-time	Total
FY 2024-25 General Fund Baseline Revenue Budget (approved June 2023)	\$ 131,409,875	\$ 2,867,623	\$ 134,277,498
Revenue Adjustments	\$ 4,443,765	\$ 1,253,101	\$ 5,696,866
FY2024-25 Adjusted Revenue Baseline, starting point for Midcycle Budget	\$ 135,853,640	\$ 4,120,724	\$ 139,974,364

FY 2024-25 Expenditures			
FY 2024-25 General Fund Baseline Expenditure Budget (approved June 2023)	\$ 134,779,146	\$ 5,551,650	\$ 140,330,796
Expenditure Adjustments (FY 2023-24 Midyear Budget, personnel adjustments, technical corrections, cost allocation adjustments)	\$ 1,856,689	\$ 463,048	\$ 2,319,737
FY2024-25 Adjusted Expenditure Baseline, starting point for Midcycle Budget	\$ 136,635,835	\$ 6,014,698	\$ 142,650,533

- The Adjusted Baseline Budget incorporates:
 - \$2.32 million of expenditure changes from amendments adopted for the FY 2023-24 Midyear Budget, as well as necessary personnel adjustments, technical corrections, and cost allocation adjustment.
 - \$5.70 million of anticipated revenue adjustments that include increases for fees for services, taxes and one-time transfers into the General Fund from other funds.

Current Adopted Use of Residual Fund Balance

- The FY 2024-25 *Adopted* Budget included a planned use of \$6.05 million of residual fund balance.
- The FY 2024-25 *Adjusted* Baseline Budget reduces reliance on residual fund balance to \$2.68 million, reduction of \$3.38 million
- The FY 2024-25 *Proposed* Midcycle is requesting an additional use of net reserves of \$3.3 million to maintain existing service levels and prioritize community needs in FY 2024-25, resulting in \$5.98 million use of reserves, which is still \$0.07 million less than the adopted budget.

HISTORICAL RESIDUAL FUND BALANCE



- Available residual funds can change from year-to-year depending upon local economic conditions
- The dramatic increase in FYs 2020-2022 is largely due to:
 - Historical staffing vacancies in Public Safety, and
 - Significant increases in revenues derived from property transfer taxes.
- Estimated FY 2024-25 starting residual balance of \$29.34 million is net of:
 - \$6.05 million use of fund balance adopted in June 2023
 - \$15 million assigned for construction of the Aquatic Center
 - \$39 million in reserves required by City Council policy

Proposed Midcycle Budget Overview

- **General Fund Budget:**

- The proposed General Fund budget is **\$144.57 million**, reflecting the city's commitment to maintaining essential services and investing in priority areas.
- Key expenditures include personnel costs, operational expenses, and strategic investments in public safety and community services.

- **All Funds Budget:**

- The total proposed budget for all funds is **\$324.43 million**, which includes the General Fund and other funds like capital improvement and special revenue funds.
- This comprehensive budget supports a wide range of city functions and projects, ensuring balanced growth and development.

- **Strategic Alignment:**

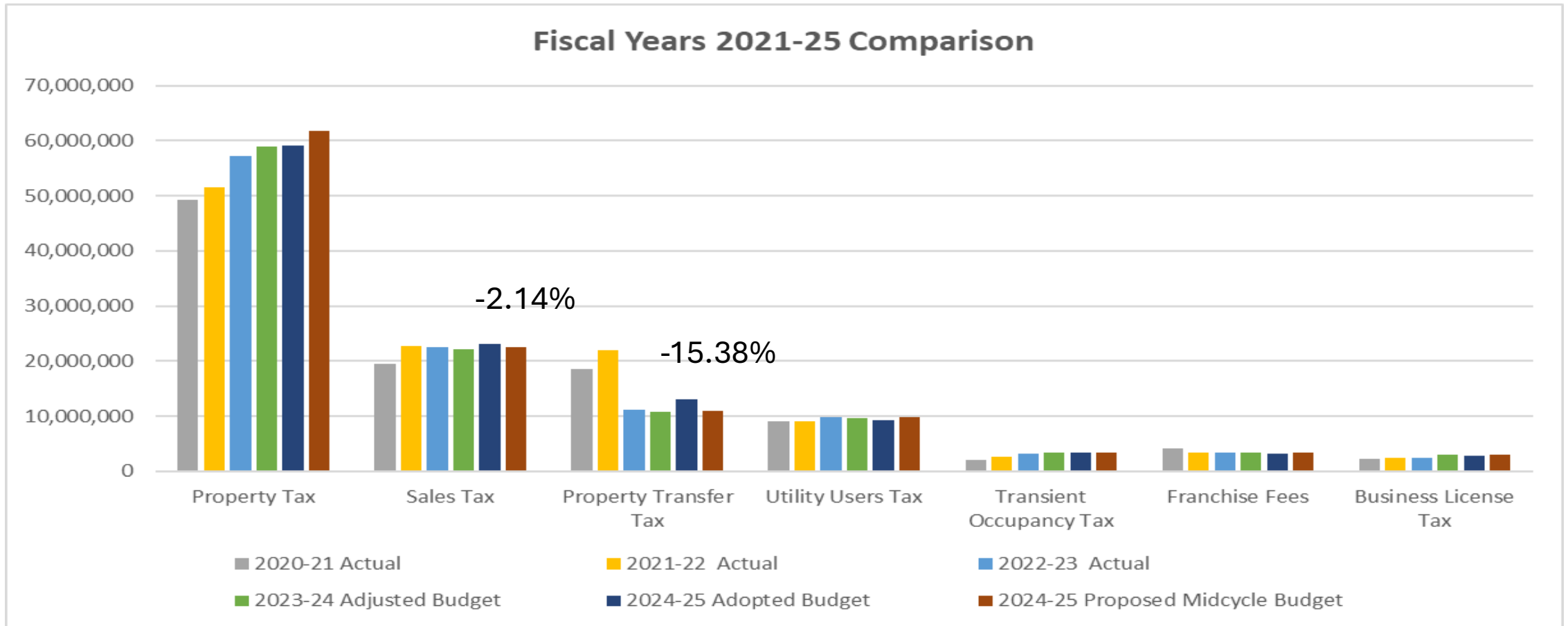
- The budget aligns with the City's Strategic Plan, emphasizing fiscally responsible governance, equity, and inclusivity.
- This involves prioritizing resources for key initiatives, ensuring equitable service delivery, and fostering an inclusive community environment.

General Fund Revenue Adjustments

- **General Fund Revenue Increase:** An increase of **\$5.70 million** in General Fund revenues.
 - **Property Tax:** 4.72% increased revenue due to higher property valuations, but slower than anticipated.
 - **Sales Tax:** Sales tax revenue remains flat and transaction and use tax revenue is forecasted to decline reflecting decrease economic activity.
 - **Real Property Transfer Tax:** Forecasted to be -\$2 million less than the adopted budget.
 - **Fees and Services:**
 - Adjustments in fees for City services to better reflect the cost of providing these services, assuming Council approval of proposed fee schedule this evening.
 - These adjustments ensure that the City can continue to offer high-quality services without compromising financial stability.
 - **One-time Transfers:** Inclusion of one-time transfers from other funds or reserves.
- **Other Adjustments:** Minor adjustments in other revenue categories to reflect updated projections.

Economic Headwinds

- Since adoption of the budget in June 2023, economic headwinds have impacted some revenues categories.
- The categories below account for 82% of General Fund Revenues.
- The minimal forecasted growth in some these categories is insufficient to offset expenditure growth
- Overall revenue growth in major ongoing revenue categories was much slower (or flat!) than originally forecasted.



Proposed FY 2024-25 Midcycle Budget

- The City's finances are stable with forecasted \$29.34 million in residual fund balance in addition to \$39 million in policy reserves.
- The amount of General Fund reserves needed between adoption of the FY 2024-25 Baseline Budget, \$6.05 million, and the Adjusted Baseline Budget decreased by \$3.7 million resulting in an adjusted use of reserves of \$2.68 million.
- Staff is requesting an additional use of net reserves of \$3.3 million to maintain existing service levels and prioritize community needs in FY 2024-25, resulting in \$5.98 million use of reserves.
- The proposed Midcycle Budget has a slight structural imbalance of \$2.45 million, which is equivalent to current revenue loss due to economic headwinds.

Workforce Changes- Additions and Repurposing Existing Positions

- **City Attorney** (1 FTE addition, split funded)
 - New position & classification- Investigator
 - FY 2024-25 \$14,000 General Fund, \$94,954 all Funds
- **Recreation & Parks** (1 FTE addition, General Fund)
 - Upgrade one Rec Services Manager to an Assistant Recreation and Parks Director.
 - Downgrade one Recreation Specialist to TWO Recreation Assistants
 - FY 2024-25 aggregate cost including reduction in overtime budget: - \$53,644
- **Information Technology** (1FTE addition, ISF funded)
 - Add one Executive Assistant
 - FY 2024-25 \$156,441 Fund 606

Workforce Changes- Repurposing Existing Positions

- **City Manager** (no additional FTE)
 - Upgrade one Executive Assistant to one Principal Executive Assistant
 - Downgrade one Executive Assistant to one Office Assistant, including reclassifying partial funding from Fund 606 to General Fund
 - Aggregate FY 2024-25 impact \$29,445 General Fund
- **Police Department** (no additional FTE)
 - Upgrade one Lieutenant to one Captain
 - Upgrade three Sergeants to Lieutenants
 - FY 2024-25 impact \$178,945 General Fund, HOWEVER should offset a need for future increases in overtime
- **Public Works** (no additional FTE)
 - Upgrade one Administrative Services Coordinator to ADA Coordinator (new classification)
 - Upgrade one Senior Clerk to One Administrative Technician III
 - Aggregate FY 2024-25 impact \$25,279 General Fund, \$25,391 all Funds

City Council Adopted Strategic Priorities



Operation and Maintenance Requests will be presented in alignment with City Council adopted Strategic Priorities

Department Funding Requests

- **Overview:** Each department submitted funding requests to address specific needs and priorities.
- **Alignment with Strategic Priorities:** Ensuring that departmental requests align with the City's strategic goals and long-term planning.
 - **Workforce Changes** focus on repurposing existing positions, when ever possible, to provide enhanced service delivery and long-term cost savings

Additional Investments in:

Enhance Community Safety & Services

		Ongoing	One-Time	Total
Rec & Park	Increase Part-Time Pay - Aquatics & Swim Center	\$ 453,250	\$ -	\$ 453,250
Rec & Park	Increase Part-Time Pay - Other Recreation Programs	\$ 47,380	\$ -	\$ 47,380
Rec & Park	Increase Utilities - Electricity, Water, Phone Service	\$ 91,800	\$ -	\$ 91,800
Rec & Park	Increase Utilities - Payment to AUSD for Electricity - Encinal Boat Ramp	\$ -	\$ 17,100	\$ 17,100
Rec & Park	Increase Recreation Supplies - Recreation Programs	\$ 28,200	\$ -	\$ 28,200
Rec & Park	Increase Professional Services - Payment to AUSD for Encinal Access	\$ -	\$ 75,274	\$ 75,274
Rec & Park	Increase Professional Services - Recreation Programs & Administrative	\$ 33,000	\$ -	\$ 33,000
Rec & Park	Increase Other Services - Based on FY23/24 actuals projections	\$ 33,750	\$ -	\$ 33,750
Rec & Park	Increase Ground Maintenance Supplies	\$ 15,000	\$ -	\$ 15,000
Base Reuse & Econ Dev	Add Professional Services - Special Event Grants	\$ -	\$ 200,000	\$ 200,000
Fire	Increase Professional Services - Analyst Application	\$ 15,000	\$ 10,000	\$ 25,000
Fire	Increase Dispatch Services - Alameda County	\$ 43,820	\$ -	\$ 43,820
Fire	Increase Part-Time Pay - Fire Inspections (Increase Revenue Offset)	\$ 22,000	\$ -	\$ 22,000
Fire	Upgrades to Fire Inspection Software		\$ 150,000	\$ 150,000
General Fund Total Enhance Community Safety & Services		\$ 783,200	\$ 452,374	\$ 1,235,574

Additional Investments in:

Build Resilience to Climate Change & Water Level Rise

PBT	Increase Professional Development - Sustainability Update	\$ 4,100	\$ -	\$ 4,100
PBT	Increase Professional Services - CASA Intern	\$ 6,000	\$ -	\$ 6,000
General Fund Total Build Resilience to Climate Change & Water Level Rise		\$ 10,100	\$ -	\$ 10,100

Invest in Alameda's Transportation, Infrastructure, & Economy

Police	Increase Police Administration Building Improvements	\$ -	\$ 165,000	\$ 165,000
General Fund Total Invest in Alameda's Transportation, Infrastructure, &		\$ -	\$ 165,000	\$ 165,000

House All Alamedans & End Homelessness

City Manager	Increase Services - Homelessness Prevention and Outreach	\$ -	\$ 185,000	\$ 185,000
City Manager	Increase Services - Extend Days for Winter Warming Shelter	\$ -	\$ 50,000	\$ 50,000
General Fund Total House All Alamedans & End Homelessness		\$ -	\$ 235,000	\$ 235,000

Additional Investments in:

Practice Fiscally Responsible, Equitable & Inclusive Governance

Public Works	Increase Cost Allo - Fleet Maintenance Collision Repair for Uninsured	\$ -	\$ 74,437	\$ 74,437
Public Works	Reduce Cost Allocation - Rec & Park Facility Maintenance	\$ (55,000)	\$ -	\$ (55,000)
Rec & Park	Increase Part-Time Pay & Janitorial Supplies - Facility Maintenance	\$ 122,200	\$ -	\$ 122,200
Rec & Park	Increase Professional Development - Training	\$ 10,000	\$ 13,500	\$ 23,500
Fire	Increase Professional Services - Mental Health and Wellness Program	\$ -	\$ 25,000	\$ 25,000
Fire	Increase Overtime - Training	\$ -	\$ 240,000	\$ 240,000
City Attorney	Transfer to Golf Fund for litigation expenses	\$ -	\$ 200,000	\$ 200,000
City Attorney	Increase Cost Allo - Wrks' Comp and Gnrl Lia due to additional expenses	\$ 185,700	\$ -	\$ 185,700
City Attorney	Increase Part-Time Pay	\$ -	\$ 47,563	\$ 47,563
General Fund Practice Fiscally Responsible, Equitable & Inclusive Governance		\$ 262,900	\$ 600,500	\$ 863,400

Aggregate Strategic Priority Investments in Other Funds

- Many strategic investments in Other Funds are offset by additional revenues or transfers in.
- A detail listing of both revenues and expenditures can be found in the staff report and Exhibit 1 to the staff report.
- Highlights from other funds:
 - Updating the 5-year Information Technology Master Plan
 - Additional funding for Day Center and Safe Parking Relocation Project
 - Additional funding for pavement rehabilitation

Additional Use of Residual Fund Balance?

Starting Forecasted Residual Fund Balance (in millions)		\$29.34
<u>Considered Use of Residual Fund Balance</u>		
Housing	Day Center and Safe Parking Relocation	\$0.75
Transportation	Street Safety CIP	\$0.25
Safety & Service	McKinley & Washington Park Playground Repair	\$0.12
Governance	Additional CalPERS Unfunded Liability Payment	\$3.00
Safety & Service	Sweeney Railroad Depot Repair	\$0.19
Safety & Service	New Turn-Out Gear for Fire Fighters	\$0.25
Transportation	Sidewalk Repairs	<u>\$2.00</u>
Subtotal Use of Residual Fund Balance		<u>\$6.56</u>
Remaining Forecasted Residual Fund Balance		<u>\$22.78</u>

- The City continues to maintain \$39 million in Policy Reserves.
- Additionally, in FY 2023-24 Friends of the Alameda Animal Shelter is requesting one-time funding of \$185,554 to close a developing budget gap.

Key Takeaways

- **General Fund Revenue and Expenditure Summary:**
 - Overview of the major revenue increases and expenditure adjustments.
 - Necessary increases to service charges to ensure high level services.
 - This includes detailed analysis of revenue sources and expenditure categories to highlight key changes.
 - Decreases or lack of growth in key revenues categories, including transfer taxes and sales/use taxes.
 - A slight structural imbalance of which is equivalent to current revenue loss due to economic headwinds.
 - Proposed comparable use of Residual Fund balance to maintain and enhance existing services
- **Financial Resilience:**
 - The City's finances are very stable with forecasted \$29.34 million in residual fund balance in addition to \$39 million in policy reserves.
 - This ensures that the city can weather economic fluctuations and continue to provide essential services.
- **Strategic Priorities:**
 - Ensuring that all budget changes support the City's strategic goals and priorities, focusing on long-term benefits and community impact.
 - This includes investments in capital needs, public safety, and community services to enhance quality of life for residents.

Questions and Discussion

- **Discussion Points:**

- Clarifications or questions on specific budget adjustments
- Implications of proposed changes on City services and operations
- Direction on any additional adjustments and/or use of fund balance, as well as any other considerations for final budget adoption

Expenditure Adjustments at Adjusted Baseline

- **Total Expenditure Changes:**
 - **\$2.32 million** in expenditure adjustments to reflect updated needs and priorities.
 - These changes include increases in personnel costs, operational expenses, and strategic investments.
- **Personnel Adjustments:**
 - Changes in staffing costs, including new hires, promotions, and salary adjustments, to attract and retain qualified personnel.
 - This ensures that the City has the necessary human resources to deliver essential services effectively.
- **Technical Corrections:**
 - Updates and corrections to previously adopted budget figures to ensure accuracy and transparency.
 - This includes adjustments for accounting changes, updated cost estimates, and reallocation of funds.
- **Cost Allocation Adjustments:**
 - Reallocation of costs across departments to better reflect actual service usage and improve budget efficiency.
 - This involves distributing shared costs, such as administrative support and facilities maintenance, based on usage.

Workforce Changes

- **New Positions:**

- **Investigator:** To strengthen the city's investigative capabilities and City Attorney's Prosecution Unit's efforts.
- **Administrative Staff:** To handle increased administrative workload and improve operational efficiency.
- **IT Executive Assistant:** To assist with technology and administrative tasks in the IT department, supporting digital transformation initiatives.

- **Position Downgrades/Deletions:**

- Downgrade or elimination of two positions to reallocate resources more effectively and align with current needs.
- This includes evaluating roles that are no longer critical and reallocating funds to higher-priority areas.

- **Position Conversions/Upgrades:**

- Conversion and upgrade of six positions to improve efficiency and meet evolving service demands.
- This involves reclassifying positions to better reflect their responsibilities and provide opportunities for career advancement.