



Midyear Budget Update 2017-18

City Council
March 20, 2018

Tonight's Objectives

Presentation

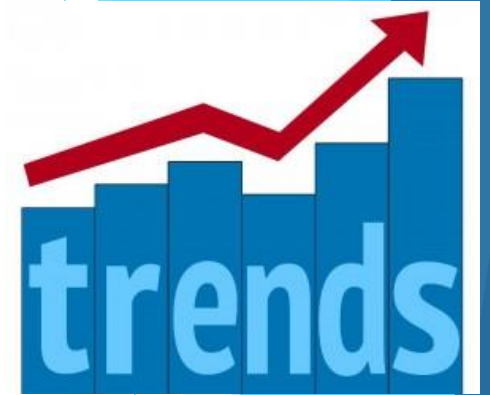
- ▶ Receive update on General Fund financial projections
- ▶ Review Pension/OPEB funding status
- ▶ Discuss Midyear budget amendment request

Action

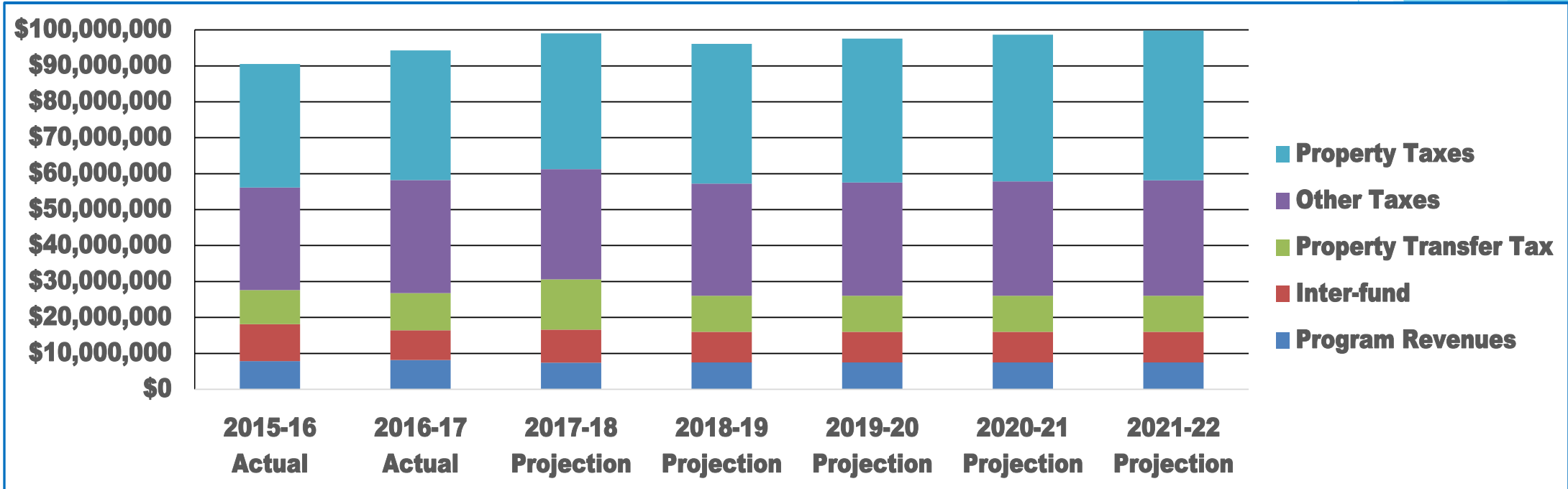
- ▶ Consider resolution to amend 2017-18 budget

General Fund Highlights

- ▶ Strong revenue growth improves City's financial position
 - Transfer tax continues to deliver revenue for now
 - Caution: 10% of budget dependent upon real estate sales
- ▶ Minimal midyear operating expenditure requests
 - Focused on new programs and equipment replacement
- ▶ Changing CalPERS/OPEB assumptions shadow long-term forecast
 - Deficits return in 5-Year projection
 - New CalPERS/OPEB funding policy is reducing risk



General Fund Revenues



- ▶ 2017-18 Midyear adds +\$7 million vs. original budget
- ▶ 2017-18 includes \$4 Million transfer tax on 3 properties
- ▶ Total 2017-18 General Fund revenues \$99 Million +

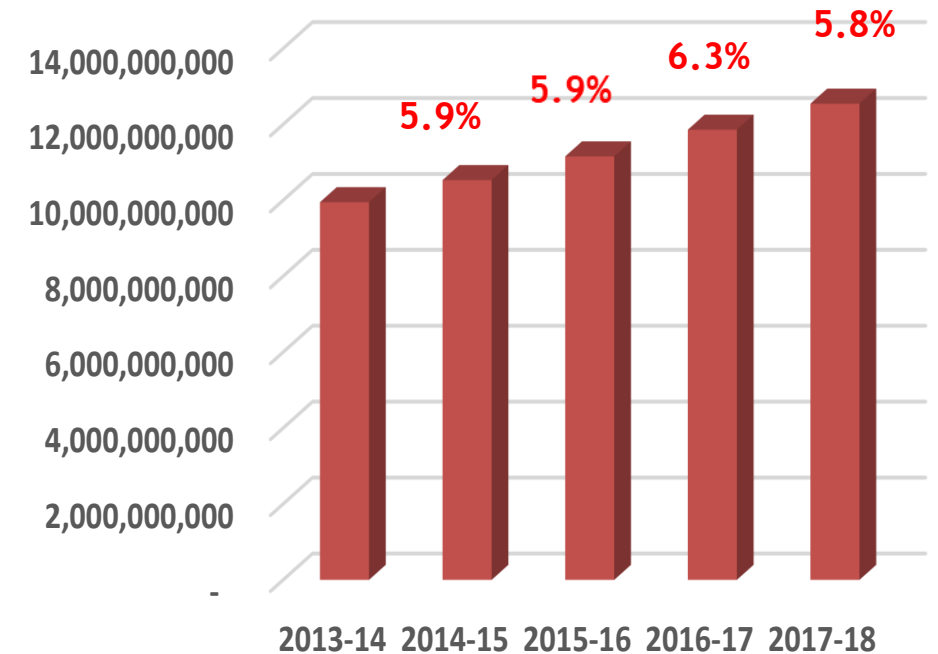
General Fund Revenues

Property Tax

- ▶ 2017-18 Assessed Valuation
+5.8% Annual City-wide growth
- ▶ Successor Agency revenue exceed requirements
Additional Residual Tax Increment to City
- ▶ 2017-18 Budget (Property, Residual TI, MVLF)

Original Budget	\$36,134,000
Budget Increase	<u>+1,650,000</u>
Midyear	\$37,784,000

City of Alameda
Assessed Property Values



General Fund Revenues

Sales Tax

Source: HDL

2017-18 Budget	\$9,650,000
Budget Increase	<u>+300,000</u>
2017-18 Midyear	\$9,950,000



- ▶ Prior Year 2016-17 included extra one-time Triple Flip unwind
- ▶ 2017-18 Midyear Projection 1% less than prior year

Sales Tax by Major Industry Group

Business And Industry

Count: 651

Restaurants And Hotels

Count: 318

General Consumer Goods

Count: 1,739

State & County Pools

Fuel And Service Stations

Count: 20

Food And Drugs

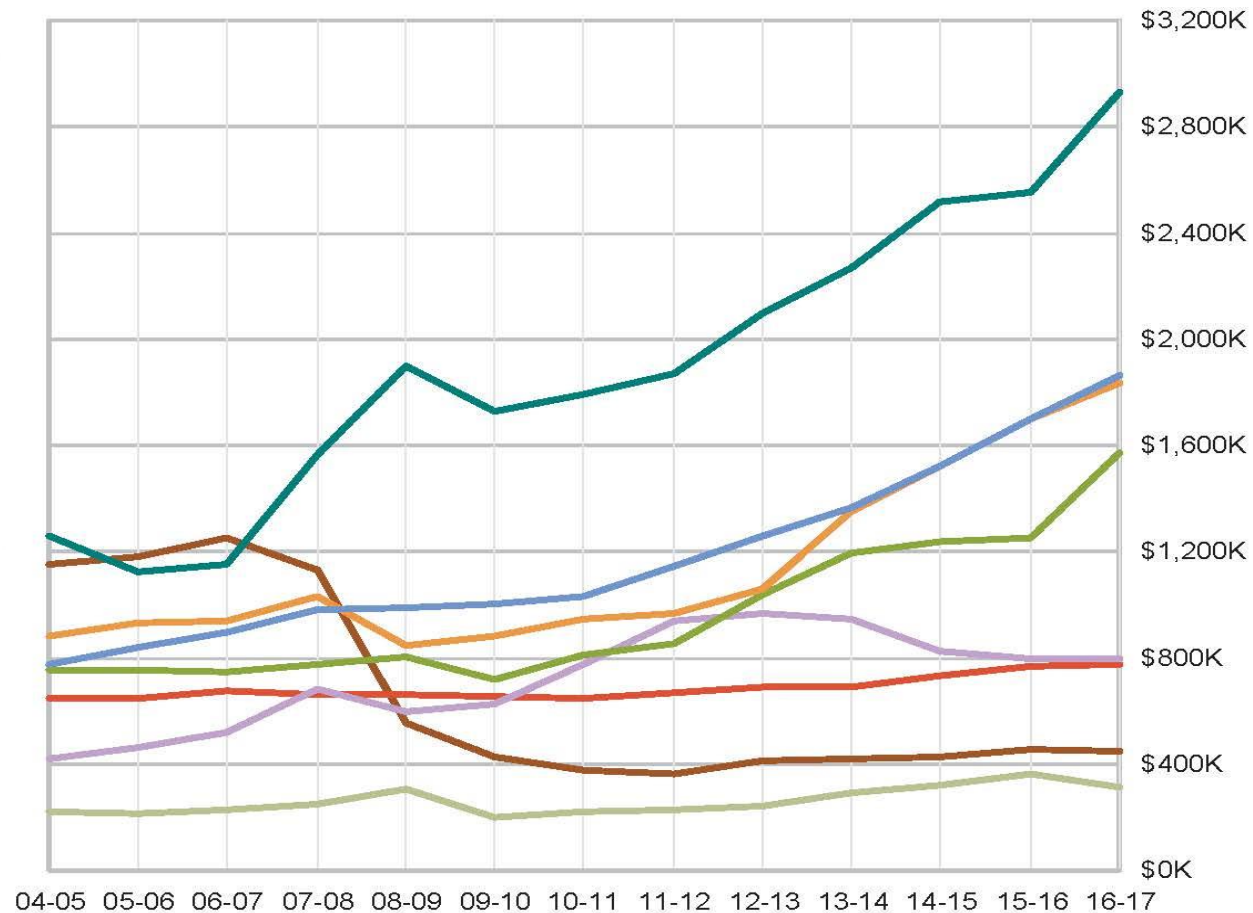
Count: 98

Autos And Transportation

Count: 127

Building And Construction

Count: 71



► 30+% of annual sales tax revenue is concentrated with 5 companies

General Fund Revenues

Transfer Tax

- ▶ Real Estate Sales generate significant tax revenue
 - Highly volatile source for baseline salary/operating costs
- ▶ \$4 million year-to-date 2017-18 from 3 parcels
 - Unusual and non-reoccurring source

▶ 2017-18 Midyear projection

Original Budget	\$ 8,750,000
Budget Increase	<u>5,250,000</u>
Midyear	\$14,000,000



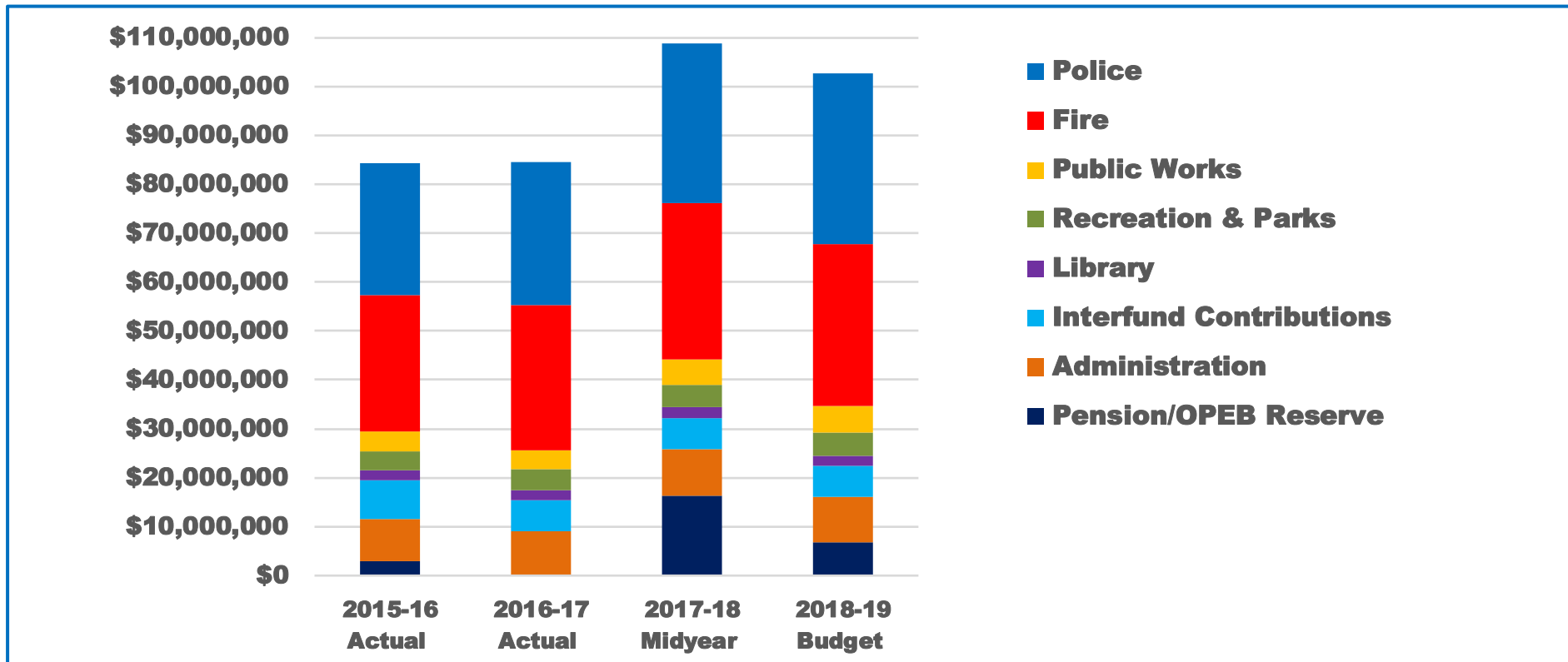
Proposed Midyear Budget Amendment

General Fund Revenues

Property and Related Tax	\$1,650,000
Transfer Tax	5,250,000
Sales Tax	300,000
Franchise Fees	<u>-200,000 *</u>
	\$7,000,000

* Franchise fee reduction due to updated Solid Waste calculation

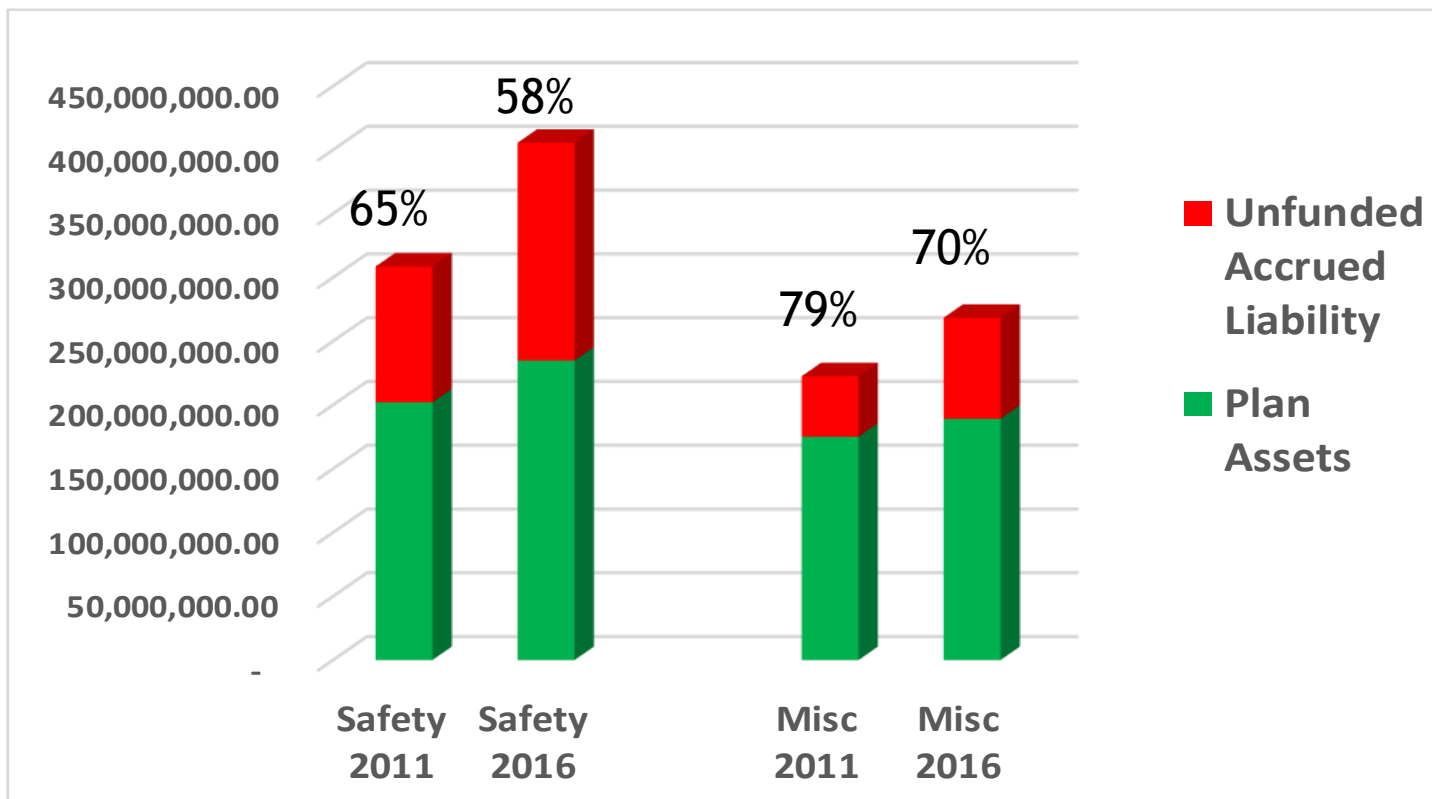
General Fund Expenditures



- ▶ 2017-18 Midyear adds +382,000 operating expenditures (Equipment, Cannabis)
- ▶ 2017-18 Midyear updates budget for Pension/OPEB reserve policy payments
- ▶ 2017-18 General Fund operating expenditures \$94 million; with pension reserve \$111 million

CalPERS Pension Funding Status

→ June 2016 CalPERS Actuary Report
Before New Pension/OPEB Funding Policy



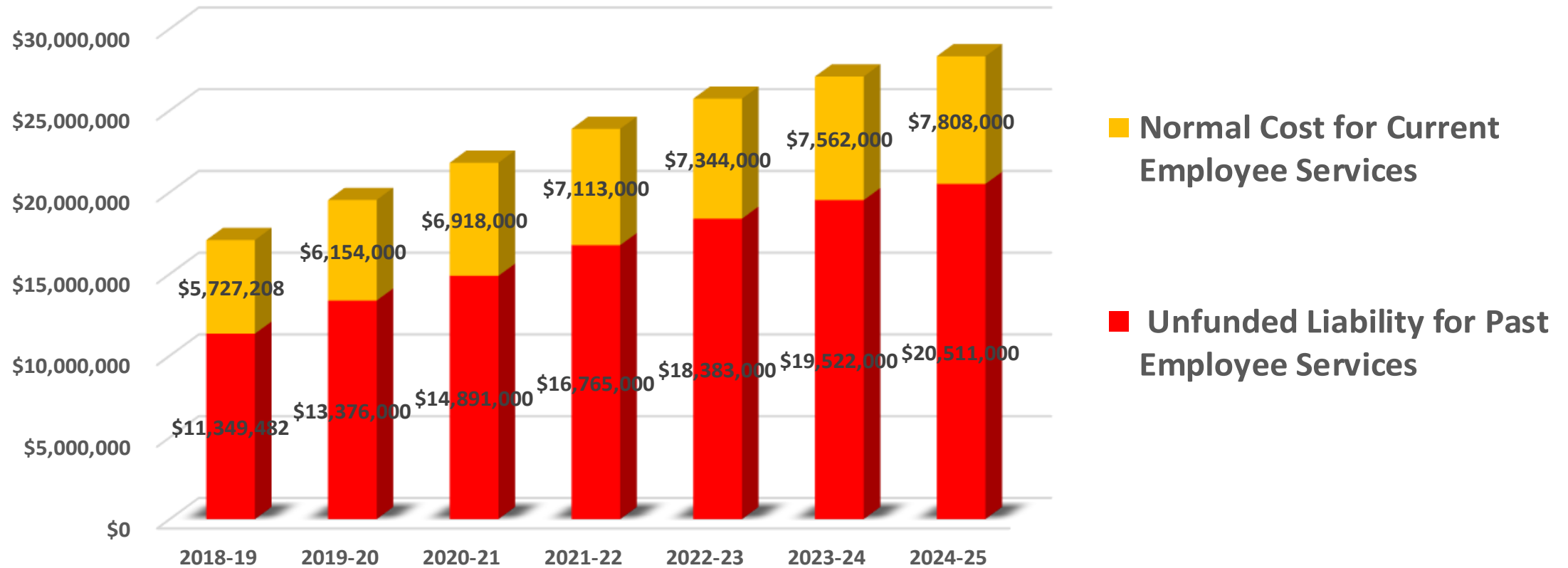
<u>June 2016</u>	<u>Safety</u>	<u>Miscellaneous</u>	<u>Total</u>	<u>General Fund</u>
Accrued Liability	\$ 405,671,933	\$ 268,433,783	\$ 674,105,716	\$ 496,939,419
Plan Assets	234,841,250	189,131,190	423,972,440	299,145,855
Unfunded	170,830,683	79,302,593	250,133,276	197,793,565
General Fund % of Total				79%

CalPERS Payment Schedule

Normal Cost and Unfunded Liability

General Fund

June 2016 Actuary Report, Prior to New Pension Funding Policy



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

2017-18 Budget/June 2017 Reserve Disbursement

OriginalOriginal Budget Projection	\$11,143,000
Midyear increase per policy	<u>5,217,068</u>
Total June 2017 Pension/OPEB Reserves	16,380,068

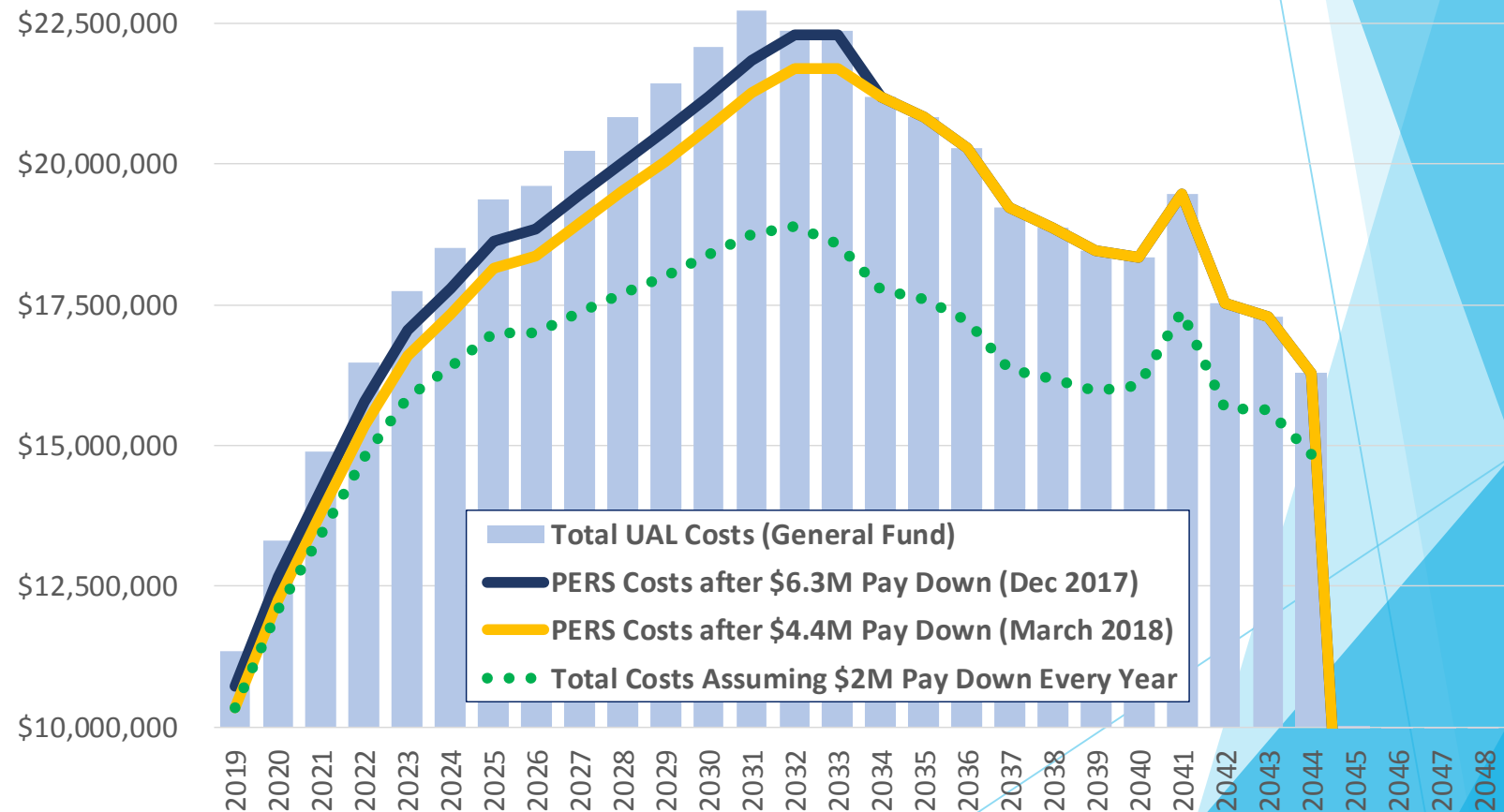
2017-18 Operating Projections

June 2018 Estimated Pension Reserve \$6.8 million

Estimate will be updated after 2017-18 audit for 2018-19 Implementation

General Fund Annual CalPERS Payments Unfunded Liability For Past Service Cost June 2016 Actuary Report

- ▶ Without action, payments double in 5 years
- ▶ Proactive funding policy is providing 18-19 budget relief
- ▶ \$1 million+ annual CalPERS savings
- ▶ \$25 million:
15 Year savings from combined 17-18 \$16 million CalPERS and 115 Trust investment



Proposed Midyear Budget Amendment

General Fund Expenditures

Community Development	\$203,000
-----------------------	-----------

Cannabis, Council referrals, North Housing MOU

EOC Building Operations	75,000
-------------------------	--------

Fire Equipment - rescue, communications	80,000
---	--------

Parks - light Pole covers/theft prevention	<u>24,000</u>
--	---------------

358,000

Pension/OPEB Reserve Contribution	<u>5,217,068</u>
-----------------------------------	------------------

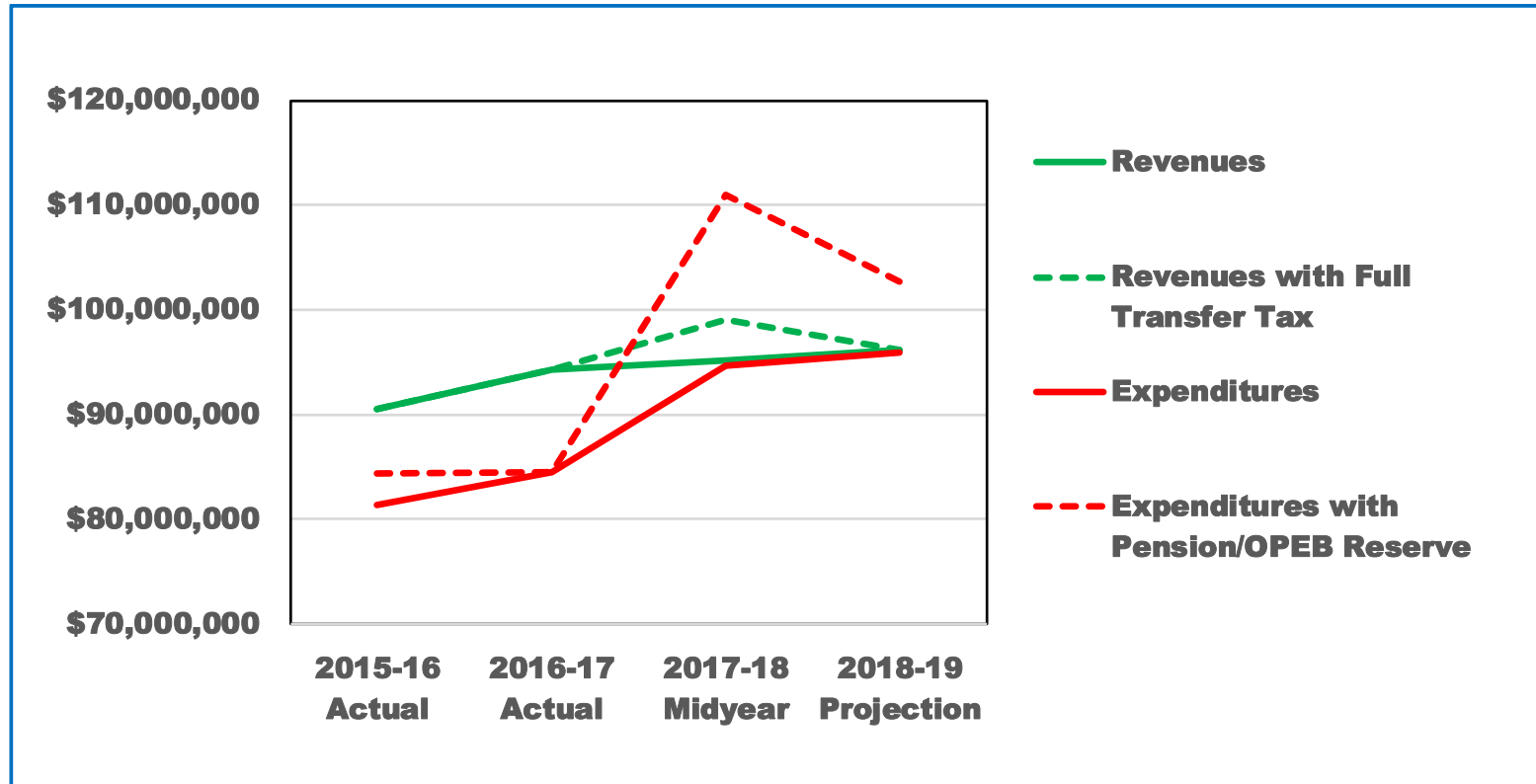
\$5,599,068

General Fund

2017-18 Midyear Projection

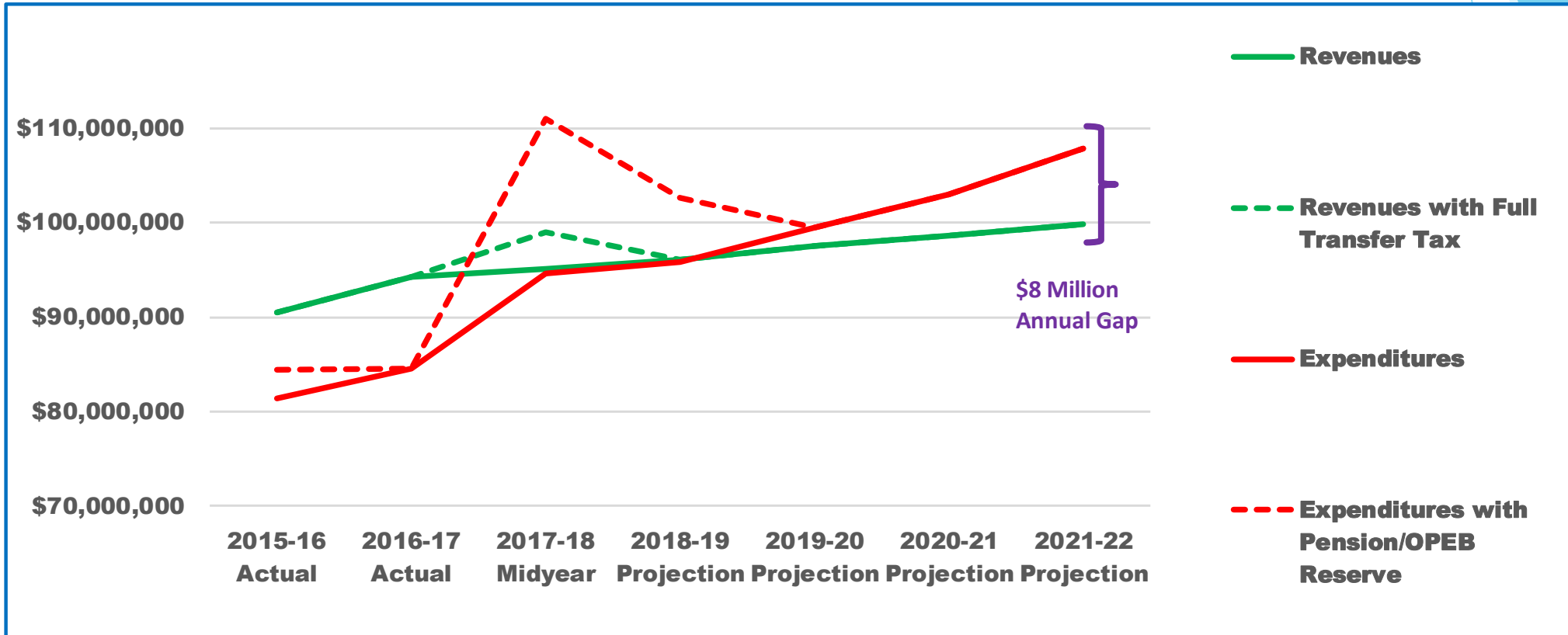
	Original Budget	Previous Adjustments	Midyear Adjustments	Midyear Proposal
Revenues	\$ 92,026,000	\$ -	\$ 7,000,000	\$ 99,026,000
Expenditures				
Operations	92,206,000	2,083,869	382,000	94,671,869
Prior Year Pension/OPEB Reserve	11,143,000		5,217,068	16,360,068
	103,349,000	2,083,869	5,599,068	111,031,937
Net Annual Activity				
Operations	(180,000)	(2,083,869)	6,618,000	4,354,131
With Pension/OPEB Reserve	(11,323,000)	(2,083,869)	1,400,932	(12,005,937)

General Fund Net Annual Activity



- ▶ 2017-18 includes one-time transfer tax revenue and Pension/OPEB contributions
- ▶ On-going revenue/expenditure gap closes for 2017-18 and 2018-19

General Fund 5-Year Forecast



- ▶ Revenue projections have been updated with Midyear trends
- ▶ Expenditures same as presented in 2017-2018 budget

Proposed Midyear Budget Amendment

Other Funds/Programs

Base Reuse

Lease Revenues	\$548,000
----------------	-----------

Alameda Point Expenditures	\$312,000
----------------------------	-----------

Solar Street Lights, Building Demolition,
Fire Inspections, Natural Gas billing correction

Library System

Electricity/Billing Correction	\$ 18,000
--------------------------------	-----------

HVAC Capital Outlay	\$ 25,000
---------------------	-----------

Proposed Midyear Budget Amendment

Other Funds/Programs

FISC Lease Revenue

Catellus DDA Reimbursements	\$615,000
-----------------------------	-----------

Capital Project Expenditures	\$800,000
------------------------------	-----------

Construction of service road to access Estuary Park from Mitchell Avenue

Recreation Capital Projects	\$83,149
-----------------------------	----------

Re-allocate unused project appropriation from Encinal Boat Ramp to Estuary Park projects

Proposed Midyear Budget Amendment

Internal Service Funds

Equipment Replacement

Fire Truck Engine Emergency Rebuild	\$100,000
-------------------------------------	-----------

Unemployment Insurance

Claims payments	\$70,000
-----------------	----------

Follows two low claim years; consistent with prior trend

Proposed Midyear Budget Amendment

Capital Program Funding Swap

- ▶ CIP Project Funding Source reclass between funds
- ▶ To Prioritize Draw on Measure B/BB
- ▶ No Net Change in CIP Project Totals

Funds: Old Measure B, Measure B/BB, Gas Tax

Projects: Cross Alameda Trail, Otis Drive Traffic Calming
Signs, Curbs, and Painting,
Mecartney and Island Intersection, Sidewalk Repairs

Wrap Up

- ▶ Questions?

- ▶ Requested City Council Action

Consider Resolution to Amend 2017-18 Budget