

# Mid-Cycle Budget Update 2018-19

City Council Workshop  
May 18, 2018



# Mid-Cycle Budget Workshop Objectives

1. Provide update on current 2-year budget
  - a. Current FY 2017-18
  - b. Upcoming FY 2018-19
2. Look ahead to 5-year forecast through 2022
3. With this context, discuss mid-cycle policy options
  - a. Department program requests?
  - b. New initiatives?
  - c. Maximize pension funding?
  - d. Hold reserves to future needs?
  - e. Potential revenue measures?

# 2017-18 General Fund Status

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How does the current year look?

# 2017-18 General Fund Status

- Actions at March 2018 mid-year report
  - Revenues: +\$7 million (including large transfer tax pick up)
  - Expenditures: included \$16 million pension reserve payments (December \$11 million, March \$5 million)
  - Baseline revenues covered baseline expenditures
- Update: May 2018 projection
  - Revenues: +\$1 million (transfer tax from Site A, mutual aid/GEMT)
  - Expenditures: on track
  - Budget amendment: +\$88k homelessness
  - Baseline revenues continue to cover baseline expenditures, with surplus

# 2017-18 General Fund Status

	<u>FY17-18 Mid-Year</u>	<u>May 2018 Updates</u>	<u>FY17-18 Projected</u>	
<b>Revenues</b>				
Baseline Revenues	\$ 95,126,000	\$ 281,000	\$ 95,407,000	Taxes; Fire Mutual Aid; GEMT
Large Transfer Taxes	3,900,000	750,000	4,650,000	Sale of Site A
	<u>99,026,000</u>	<u>1,031,000</u>	<u>100,057,000</u>	
<b>Expenditures</b>				
Baseline Expenditures	94,671,869	88,000	94,759,869	Homelessness Budget Added
Pension/OPEB Reserve	16,360,068	-	16,360,068	
	<u>111,031,937</u>	<u>88,000</u>	<u>111,119,937</u>	
<b>Net Annual Activity</b>				
Baseline Operations	\$ 454,131	\$ 193,000	\$ 647,131	
With Large Transfer Taxes	\$ 4,354,131	\$ 943,000	\$ 5,297,131	
With Pension/OPEB Reserve	<u>\$ (12,005,937)</u>	<u>\$ 943,000</u>	<u>\$ (11,062,937)</u>	
<b>Available Fund Balance</b>				
25% Operating Reserve	\$ 23,667,967		\$ 23,689,967	
Ending Balance Above 25% Reserve	6,804,937		7,265,437	
	<u>\$ 30,472,904</u>		<u>\$ 30,955,404</u>	

# 2018-19 General Fund Update

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How does next year look?

2nd year of the 2-year budget

## 2018-19 General Fund Revenues

	<b><u>2016-17</u></b>	<b><u>2017-18</u></b>	<b><u>2018-19</u></b>
	<b><u>Actual</u></b>	<b><u>Projected</u></b>	<b><u>Projected</u></b>
Property Taxes	36,090,128	37,894,000	39,229,000
Property Transfer Tax	10,333,813	14,500,000	10,385,000
Sales Tax	10,094,100	10,250,000	10,444,000
UUT	9,061,296	9,308,000	9,494,000
Franchise	5,345,930	5,319,000	5,319,000
Transient Occupancy Tax	2,126,612	2,100,000	2,100,000
Business License	2,087,317	2,220,000	2,220,000
Program Revenues	6,087,048	5,985,000	5,938,000
Cost Allocation Reimbursements	7,032,897	6,642,000	
Sale of Property	1,514,513		
Other	1,250,587	1,620,000	1,598,000
Transfers In	3,289,000	4,219,000	4,222,000
Total	<b><u>\$ 94,313,241</u></b>	<b><u>\$ 100,057,000</u></b>	<b><u>\$ 90,949,000</u></b>

# 2018-19 General Fund Updates

## Revenue

- Total
  - +\$3.5 million from adopted budget
  - +\$0.4 million from March 2018 projection (mid-year report)
- Property related taxes, including MVLF
  - Includes residual tax increment flowing through Successor Agency
  - +\$2 million from adopted budget 4% growth vs. prior year
- Other taxes
  - +\$0.6 million Sales Tax, 2% growth vs. prior year
  - +\$1.4 million Transfer Tax, from \$9 to \$10.4 million



# 2018-19 General Fund Updates

## Expenditures

- Salary changes
  - +\$0.5 million - Other (mutual aid OT, pension rates, BRI)
- Benefit changes
  - \$(1.0) million - pension reserve payment savings
- Net changes
  - \$(0.5) million decrease in expenditures

## 2018-19 General Fund Projection (Baseline)

	<b>Adopted Budget</b>	<b>Revenue/ Salary Updates</b>	<b>Cost Plan Net Impact</b>	<b>Mid-Cycle Projection</b>
<b>Revenues</b>	\$ 92,993,000	\$3,925,000	\$ (5,969,000)	\$90,949,000
<b>Expenditures</b>	95,863,000	(536,000)	(5,263,000)	90,064,000
<b>Net Annual Activity</b>	(2,870,000)	4,461,000	(706,000)	885,000
<b>Available Fund Balance</b>				
25% Operating Reserve	23,965,750			22,918,554
Ending Balance Above 25% Reserve	2,348,458			3,655,816
Draw on Operating Reserve	(2,870,000)			
	<u>\$ 23,444,208</u>			<u>\$26,574,370</u>

## 2018-19 New Program Requests

### General Fund Summary

Fire	\$	1,108,267
Police	\$	231,617
Parks	\$	45,000
Community Development	\$	170,000
Administration	\$	54,979
		<hr/>
	\$	1,609,863

## 2018-19 New Budget Requests (General Fund)

Requesting Department	Description	Cost	Comment
Fire	Fire Marshall	\$ 365,723	Management and oversight to the AFD's Fire Prevention and Community Paramedicine programs
Fire	Fire Captain / Training	\$ 288,385	To recruit, train and employ a diversified workforce
Fire	Dive Rescue Program	\$ 130,000	Currently AFD is not equipped or trained for Dive Rescue
Fire	Outside Vehicle Repairs	\$ 100,000	Increase based on recent year trend
Fire	Other Operating Cost Augmentations	\$ 74,200	CPR Devices / Microfiche Services / Inspection Reports / Part Time / Training
Fire	Community Paramedicine Grant	\$ 60,000	Local Match for Community Paramedicine Grant - Funding through November 2018
Fire	Dispatch Services	\$ 52,959	County Communications Center Contract / Based on Alameda Call Volume.
Fire	Emergency Operations Center (EOC)	\$ 37,000	25% Share of Emergency Operation Center

## 2018-19 New Budget Requests (General Fund)

Requesting Department	Description	Cost	Comment
Police	Police	\$ 138,617	Other Operating Cost Augmentations
Police	Maintenance Contracts	\$ 56,000	Various Operating Contracts
Police	Emergency Operations Center (EOC)	\$ 37,000	25% Share of EOC
Recreation & Parks	Park Maintenance	\$ 45,000	Removing trees posing safety hazards / Specialized Arborist reports
Community Development	Homelessness Programs	\$ 120,000	Mobile Outreach Contract / In the field support / Approved by City Council March 2018
Community Development	Immediate Impact Grant	\$ 50,000	Homeless Outreach Team / Paid from County grant - no net budget impact
Administration	Administration	\$ 54,979	City Council / City Clerk / City Manager Augmentation Requests

## 2018-19 New Budget Requests (Non-General Fund)

Requesting Department	Description	Cost	Comment
Fire	SAFER Grant	\$ 493,000	Paid from Federal Grant Funds - Six positions with Grant Extension until October 2018
Fire	Community Paramedicine Program	\$ 258,000	Paid from Grant Funds - Three positions with Grant Extension until November 2018
Police	State COPS Grant	\$ 70,023	Various Safety Equipment
Library	Electricity	\$ 73,700	Annualized billing correction / West End HVAC / Paid from Library Fund Reserves
Base Reuse	Leasing Operations	\$ 525,000	Infrastructure and Environmental / Minor Capital Projects
Base Reuse	Maintenance	\$ 377,500	AMP Infrastructure Upgrades / PG&E Infrastructure Upgrades / Improved Backflow Prevention Program / Cost Recovery
Risk Management	Claim Settlements	\$ 500,000	Significant litigation matters



## 2018-19 New Budget Requests (Non-General Fund)

Requesting Department	Description	Cost	Comment
Community Development	CDBG	\$ 1,066,434	Housing and other services for low-and-moderate income persons
Community Development	Public Art	\$ 282,500	Award for Public Art Projects
Community Development	Cannabis	\$ 150,000	Planning / Building Cannabis
Community Development	Tidelands	\$ 75,000	Lease Negotiation / Documents
Community Development	Façade Grants	\$ 75,000	Grants to business and property owners to improve and enhance retail districts
Community Development	Planning	\$ 13,000	Planning / Building Operating Costs / Bank Fees
Community Development	HOME	\$ 9,865	Updated Fund Balance
Public Works	Facilities Maintenance Fund	\$ 316,895	City-wide Janitorial Contract (June 05th, 2018 agenda)
Public Works	Fleet / Equipment Replacement Fund	\$ 120,000	Correction to Vehicle Replacement Budget / No change in replacement schedule / Paid from Fund Reserves

## 2018-19 New Budget Requests (Non-General Fund)

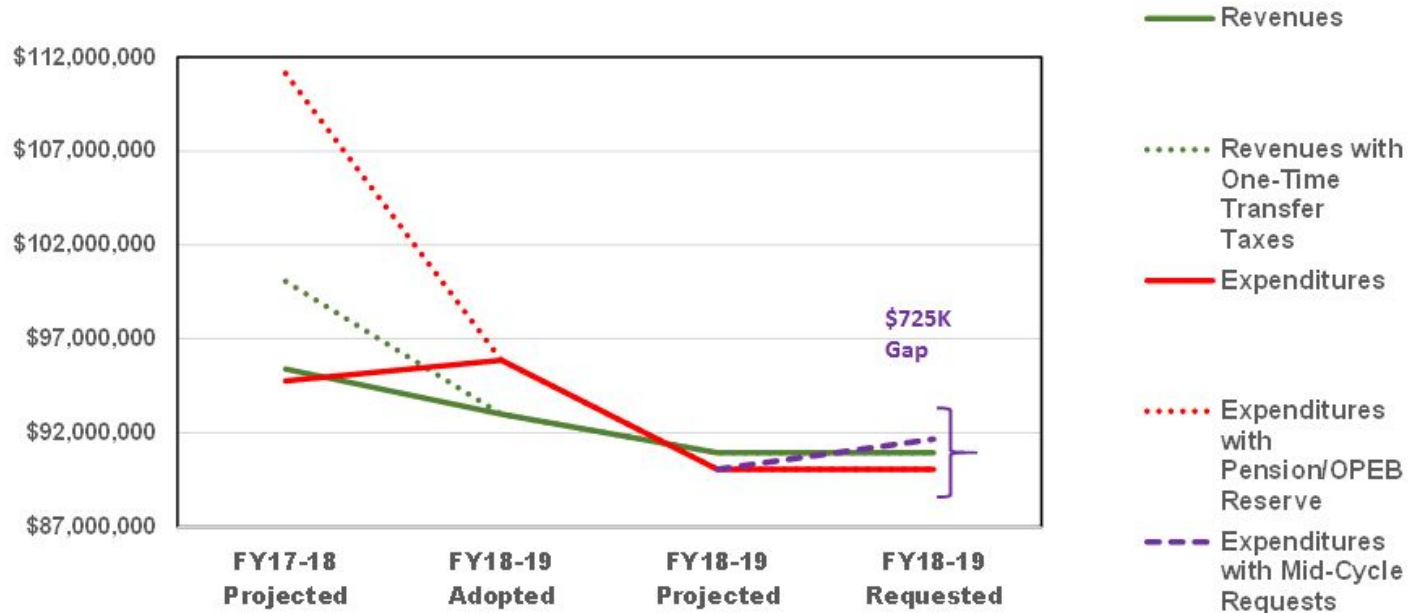
Requesting Department	Description	Cost	Comment
Recreation & Parks	Golf Course Capital Project	\$ 500,000	Parking Lot Improvement / Greenway Gold lease amendment / Paid from Capital Projects Fund Balance Reserve
Recreation & Parks	Mastick Senior Center Capital Project	\$ 100,000	Front Entry Improvements / Paid from Mastick Senior Fundraising Reserves
Capital Projects	Seaplane Lagoon Ferry Terminal	\$ 7,500,000	Accelerates existing Project - Paid from Developer Contribution
Capital Projects	Jean Sweeney Cross Alameda Trail	\$ 110,000	Interim Bikeway & Pedestrian Improvements / Connection for Sherman Park users / Paid from Measure B/BB Reserves



## 2018-19 General Fund Projection (With New Program Requests)

	Adopted Budget (a)	Mid-Cycle Updates	Cost Plan Net Impact	Mid-Cycle Projection	With Program Requests
<b>Revenues</b>	\$ 92,993,000	\$ 3,925,000	\$ (5,969,000)	\$ 90,949,000	\$ 90,949,000
				-	
<b>Expenditures</b>					
Baseline Expenditures	95,863,000	(536,000)	(5,263,000)	90,064,000	90,064,000
Program Requests					1,610,000
	95,863,000	(536,000)	(5,263,000)	90,064,000	91,674,000
				-	-
<b>Net Annual Activity</b>					
Baseline Operations	(2,870,000)	\$ 4,461,000	\$ (706,000)	\$ 885,000	\$ (725,000)
<b>Available Fund Balance</b>					
25% Operating Reserve	23,965,750			22,516,089	22,918,554
Ending Balance Above 25% Reserve	2,348,458			4,661,980	3,655,816
Draw on Operating Reserve	(2,870,000)				
	\$ 23,444,208			\$ 27,178,069	\$ 26,574,370

## 2018-19 General Fund Mid-Cycle Projection (With New Program Requests)



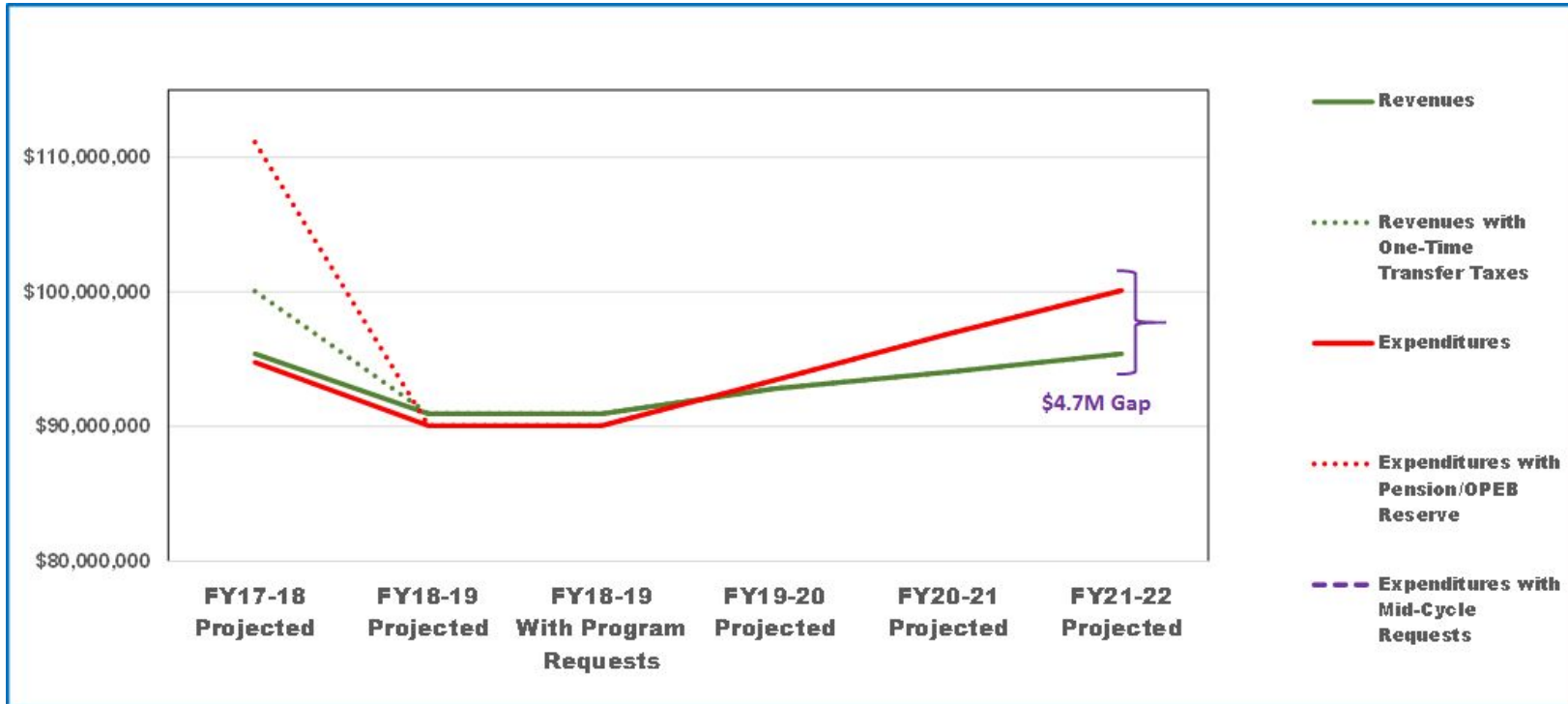
# General Fund 5-Year Forecast

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What is the future trend?

# 2018-19 General Fund 5-Year Forecast

## May 2018 (Without New Budget Requests)



# 2018-19 General Fund 5-Year Forecast

## May 2018 (Without New Budget Requests)

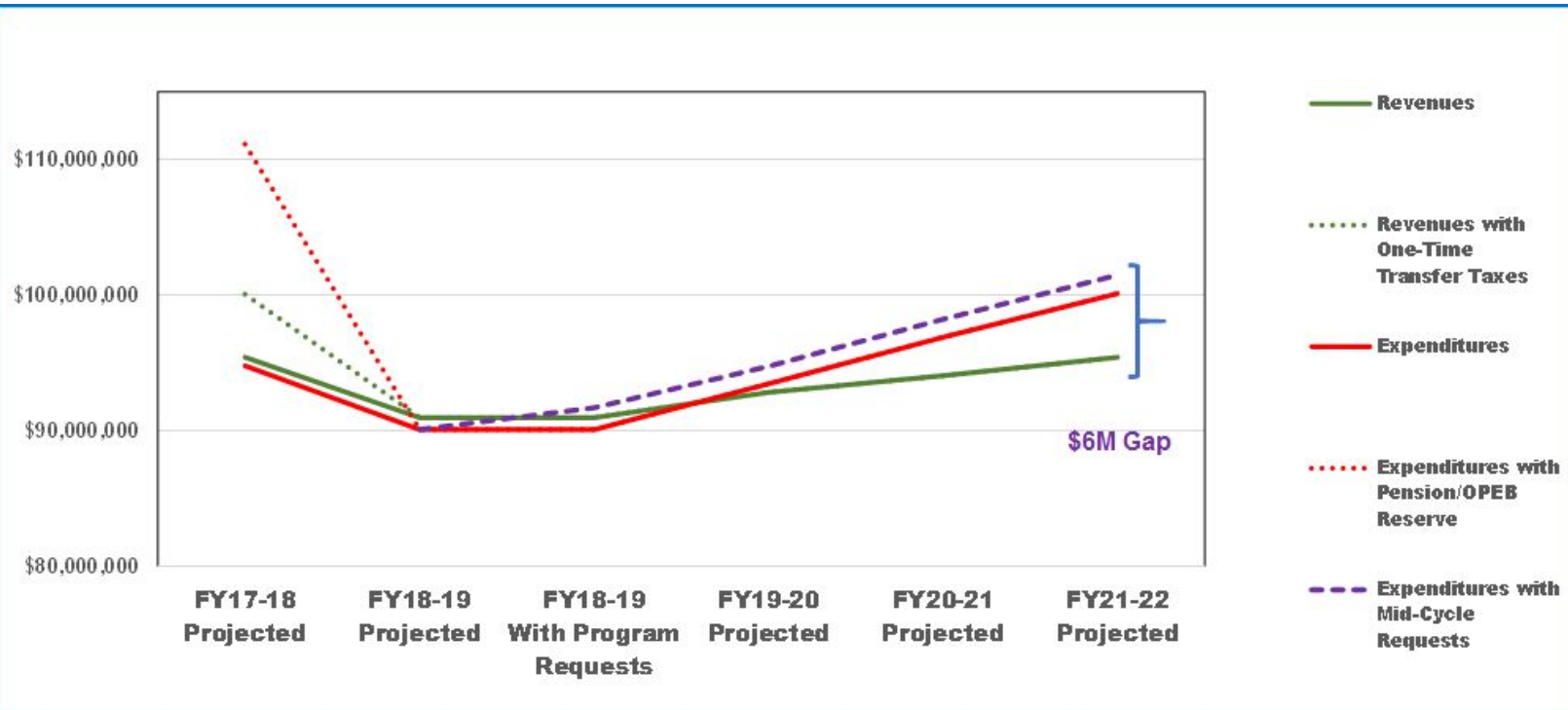
	FY18-19 Projected	FY18-19 Requested	FY19-20 Projection	FY20-21 Projection	FY21-22 Projection
<b>Revenues</b>	\$ 90,949,000	\$ 90,949,000	\$ 92,818,000	\$ 94,034,000	\$ 95,389,000
<b>Expenditures</b>					
Baseline Expenditures	90,064,000	90,064,000	93,443,000	96,885,000	100,107,000
Mid-Cycle Budget Requests	90,064,000	90,064,000	93,443,000	96,885,000	100,107,000
<b>Net Annual Activity</b>	<b>\$ 885,000</b>	<b>\$ 885,000</b>	<b>\$ (625,000)</b>	<b>\$ (2,851,000)</b>	<b>\$ (4,718,000)</b>
<b>Available Fund Balance</b>					
Operating Reserve	22,516,089	22,918,554	23,360,750	23,098,370	18,380,370
Ending Balance Above 25% Reserve	4,661,980	3,655,816	2,588,620		
	<b>\$ 27,178,069</b>	<b>\$ 26,574,370</b>	<b>\$ 25,949,370</b>	<b>\$ 23,098,370</b>	<b>\$ 18,380,370</b>

**% of Expenditures (25%  
per Policy)**

	<b>25%</b>	<b>25%</b>	<b>25%</b>	<b>24%</b>	<b>18%</b>
<b>Draw on Operating Reserve</b>	-	-	-	\$ (1,122,880)	\$ (5,523,500)

# 2018-19 General Fund 5-Year Forecast

## May 2018 (With New Budget Requests)



# 2018-19 General Fund 5-Year Forecast

## May 2018 (With New Budget Requests)

	FY18-19 Projected	FY18-19 Requested	FY19-20 Projection	FY20-21 Projection	FY21-22 Projection
<b>Revenues</b>	\$ 90,949,000	\$ 90,949,000	\$ 92,818,000	\$ 94,034,000	\$ 95,389,000
<b>Expenditures</b>					
Baseline Expenditures	90,064,000	90,064,000	93,443,000	96,885,000	100,107,000
Mid-Cycle Budget Requests		1,610,000	1,290,000	1,322,000	1,350,000
	90,064,000	91,674,000	94,733,000	98,207,000	101,457,000
<b>Net Annual Activity</b>	<b>\$ 885,000</b>	<b>\$ (725,000)</b>	<b>\$ (1,915,000)</b>	<b>\$ (4,173,000)</b>	<b>\$ (6,068,000)</b>
<b>Available Fund Balance</b>					
Operating Reserve	22,516,089	22,918,554	23,683,250	20,486,370	14,418,370
Ending Balance Above 25% Reserve	4,661,980	3,655,816	976,120		
	<b>\$ 27,178,069</b>	<b>\$ 26,574,370</b>	<b>\$ 24,659,370</b>	<b>\$ 20,486,370</b>	<b>\$ 14,418,370</b>

*% of Expenditures (25% per*

*Policy)*

*Draw on Operating Reserve*

**25%**

**25%**

**25%**

**21%**

**14%**

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\$ (4,065,380)

\$ (6,880,500)

# General Fund 5-Year Forecast Assumptions

## Revenue - Property Tax

- +2-3% assessed values
- Increased residual tax flow from successor agency (with Site A)
- New development projects in pipeline provide additional growth potential; but not included in this forecast
- +1% growth Transfer Tax 2019-22
- Sales, UUT, Franchise 0-2%
- New Fire Department cost recovery savings



# General Fund 5-Year Forecast Assumptions

## Expenditures

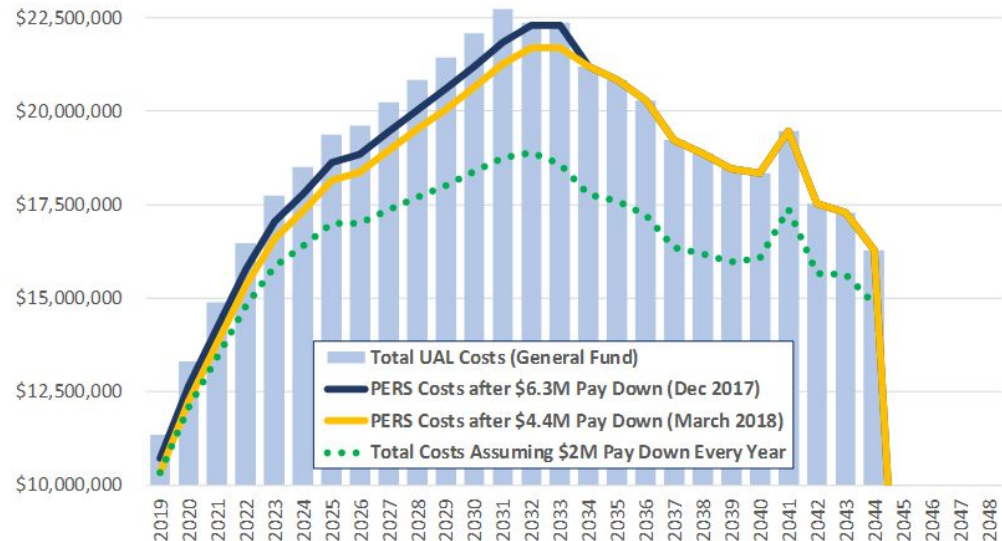
- Salaries and benefits
  - Cost of living +1-2% per year
  - Medical +3% per year
  - PERS +15% average growth per year

# General Fund Annual CalPERS Payments

## 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

### Unfunded Liability for Past Service Cost



## Other Considerations

- Housing/homelessness
  - Legal aid trust fund
  - Housing assistance fund
- UP parcel acquisition “Jean Sweeney” (\$1-2 million)
- Labor contract negotiation
- CalPERS liability
- Alameda Point streets/parks maintenance transition to City operations
- FY 18-19 and 19-20 SAFER grant funding if not renewed
- First Response Advanced Life Support (\$200k/year)
- Employment settlement agreement

# We Have Been Here Before

## General Fund Budget Overview (continued)

5 Year Projections for FY13-14 through 17-18 (in millions)  
Without proposed changes

	13-14	14-15	15-16	16-17	17-18
Revenues	\$72.8	\$73.9	\$75.0	\$ 76.3	\$ 77.7
Expenses	76.3	79.1	81.7	83.8	86.0
Deficit For Year	<b>\$(3.5)</b>	<b>\$(5.2)</b>	<b>\$(6.7)</b>	<b>\$ (7.5)</b>	<b>\$ (8.3)</b>
Ending Available Fund Balance	<b>\$18.5</b>	<b>\$13.3</b>	<b>\$ 6.6</b>	<b>\$ (0.9)</b>	<b>\$ (9.2)</b>
% of Expenses	24%	17%	8%	-1%	-11%

Ending Available Fund Balance assumes **no** cost-saving measures are taken.



# Discussion: Balancing Short/Long Term Issues

## How can we ensure fiscal sustainability?

- Scale back 18/19 mid-cycle budget requests (on-going vs. one-time)
- Continue to pay down pension obligation?
  - \$1 million pay down = Est. \$100,000 or 10% annual savings
- Consider Fire Department cost recovery plan (2019)
- Use of one-time reserves
- Potential revenue measure

# Potential Revenue Measures

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# Potential Revenue Measures: Overview

- Significant financial challenges that may require reduced expense and/or increased revenue
- Alameda has had fewer revenue measures than our neighbors: Berkeley (19), Oakland (14), San Leandro (7), Alameda (4)
- Potential options include:
  1. No measure
  2. Cannabis tax
  3. Infrastructure bond
  4. Sales tax
- Timing/phasing: some options might be better fit for 2018; potential to explore other options for future elections

## Option #1: No Measure

Pros	Cons
No cost	Continues funding gaps
Limits tax or fee increases	Delays long-term solutions to structural deficits and deferred maintenance
Provides more time to consider a future measure	Postponement creates risk of less favorable economic conditions



## Option #2: Cannabis Tax

- **Estimated Annual Revenue:** \$260,000-\$770,000
- **Voter Threshold:** Requires 50% plus 1 voter approval
- **Tax Rate:** 4% excise tax applied to all cannabis businesses excluding testing labs and medicinal cannabis dispensaries (could include future adult use, but not accounted for in estimated revenue as no adult use is yet permitted)
- **Use of Funds:** General Fund

Pros	Cons
Likely to succeed (65% support)	Significantly less revenue raised than other measures
New tax prior to existence of operating businesses	Uncertainty from preemption and Taxpayer Fairness proposition

## Option #3: Infrastructure Bond

- **Estimated Annual Revenue:** \$6 million annually (\$95 million bonded)
- **Voter Threshold:** Requires 67% voter support
- **Tax Rate:** Property owners pay \$23/\$100,000 of assessed (not market) value
- **Use of Funds:** Restricted to capital needs

Pros	Cons
Addresses significant capital needs with significant revenue	Difficult 2/3 voter threshold
Extensive public outreach already complete	Significant capital needs would remain
Surveys suggest viability (70-73% support)	Does not address operating deficit

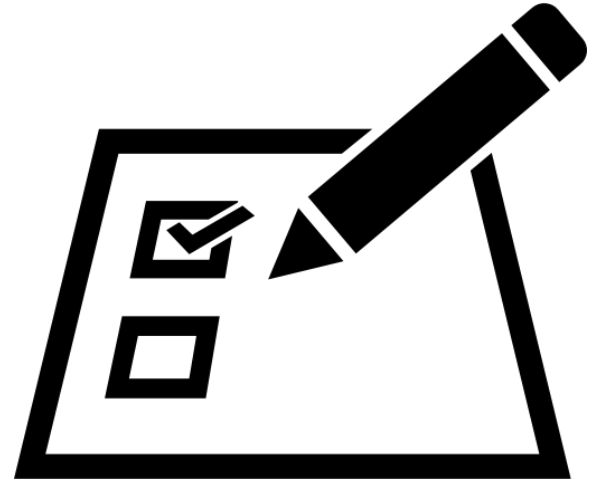
## Option #4: ½ Cent Sales Tax Increase

- **Estimated Annual Revenue:** \$4.9 million
- **Voter Threshold:** Requires 50% plus 1 voter approval
- **Use of Funds:** Available for operating and/or capital needs

Pros	Cons
Addresses significant needs and operating deficit	No guarantee for any specific program or project
Likely to succeed (64% support)	Some uncertainty with Taxpayer Fairness proposition
Visitors to Alameda contribute	Raises costs to consumers

## Future Ballots/Elections

- ❑ Winter 2019 -- Stormwater Fee  
*Request City Council's permission to initiate a mail-in ballot*
- ❑ Spring 2019 -- FY 2019-2021 Budget Process  
*Consider possible revenue measure options*
- ❑ November 2020, 2022, 2024 General Elections  
(sales tax eligible)
- ❑ June 2019, 2021, 2023 Special Elections
- ❑ November 2019, 2021, 2023 Special Elections



## Potential Schedule for 2018

**May 18:** Discuss revenue measures as part of FY 18/19 mid-cycle budget

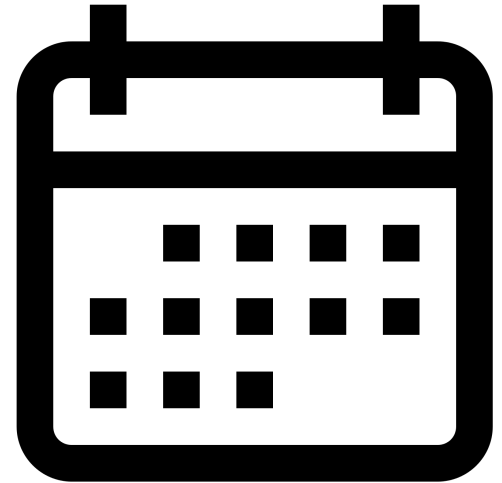
**June 5:** Provide direction on which, if any, revenue measures to consider for Nov 2018

**July 10:** Deadline to approve Infrastructure Bond (ordinance requires 2 readings)

**July 24:** Deadline to approve Cannabis, Sales Tax

**August:** Deadline to submit measures to Alameda County Registrar of Voters

**Nov 6:** General election



## Topics to Consider

#1 No Revenue Measure: should staff explore any of these or other revenue measures (i.e., transient occupancy or soda taxes) for placement on future ballots?

### #2 Cannabis Tax:

- *Tax rates*
  - set at 4% and applied to all cannabis businesses except testing labs and medicinal cannabis dispensaries
  - set at 4% for adult use cannabis sales in the event such businesses are permitted in the future
- *Nearby tax rates*
  - for adult use: Berkeley (5%), Oakland (5-10%)
  - for medicinal use: Berkeley (2.5%), Oakland (5%)
  - San Leandro: 6% for all permitted cannabis business types

# Topics to Consider

## #3 Infrastructure Bond:

- *Amount:* is \$95 million the right amount?
- *Alameda Point:* include AP's drinking water infrastructure? If yes, permit or require developer fee reimbursement for this expense? Reconcile with fiscal neutrality policy?
- *Specificity:* adopt percentages on the categories of infrastructure expenses? Include list of proposed projects for the first \$30 million in funding?
- *Guidelines:* adopt guidelines for projects in advance of the measure's vote?

# Topics to Consider

## #4 ½ Cent Sales Tax Increase:

- Is this the right time?
- Should a sales tax increase address both operations and capital needs?

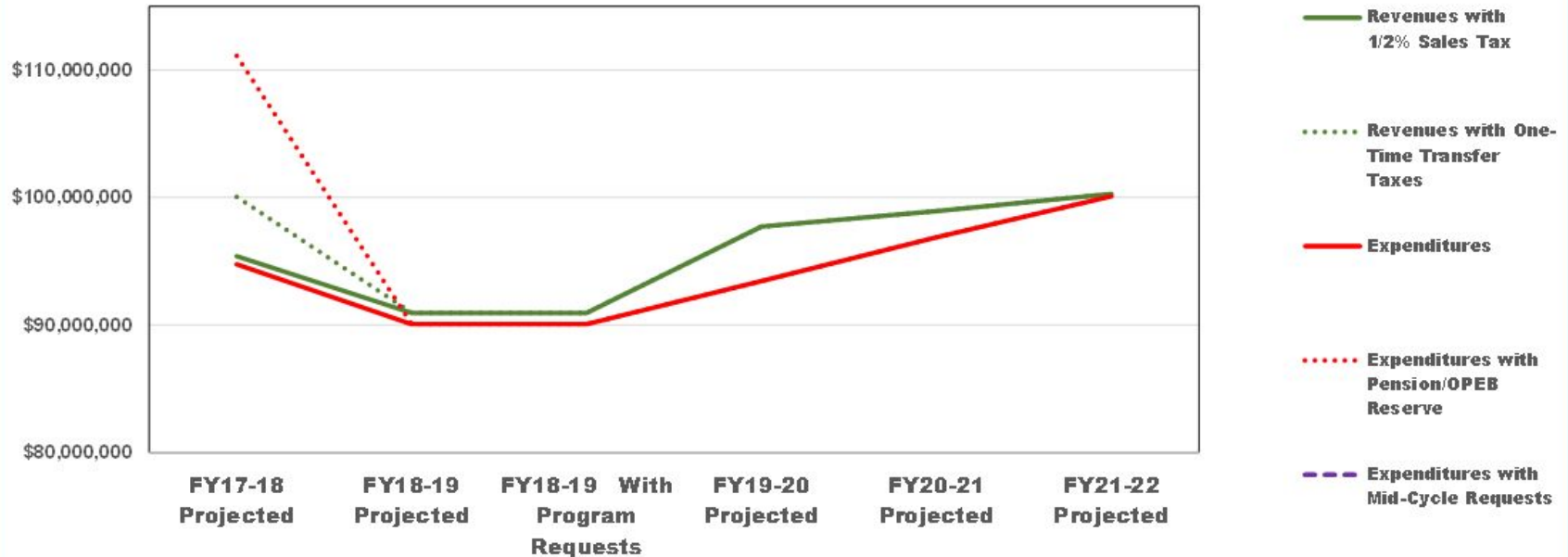
## Polling/Communications Support

- Previous polling done summer 2017 and early 2018
- Informational outreach prior to any election



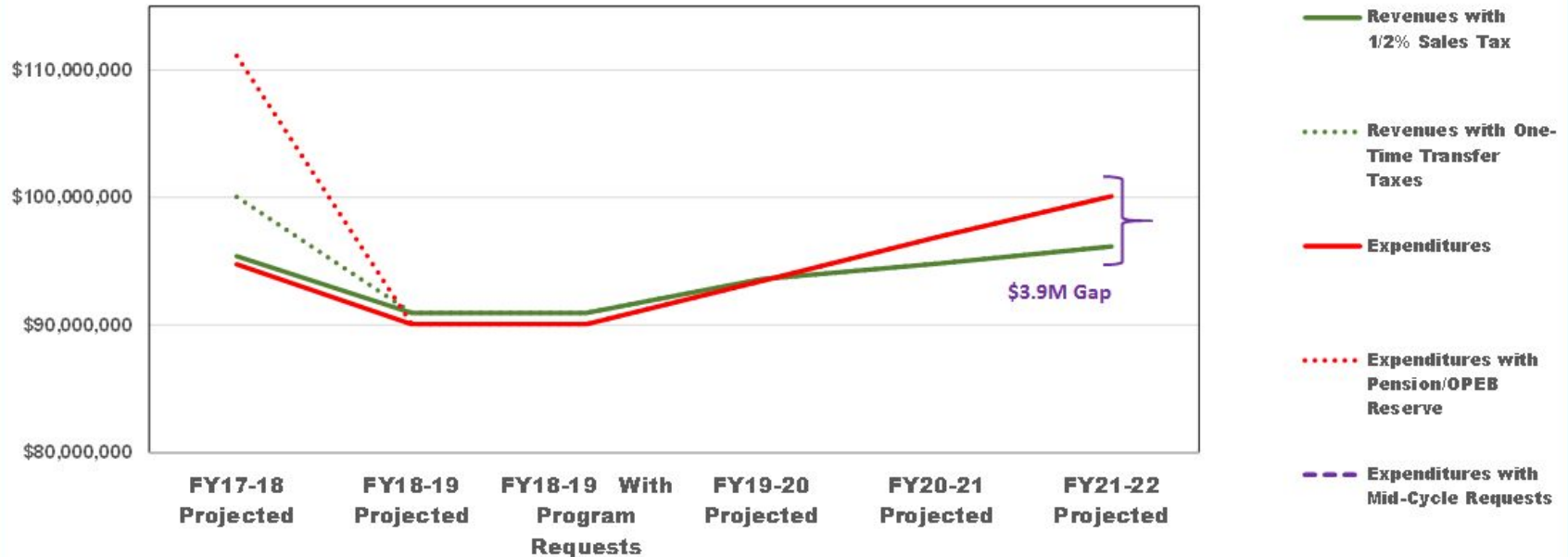
# 2018-19 General Fund 5-Year Forecast

May 2018 (With ½ Cent Sales Tax Ballot Measure)



# 2018-19 General Fund 5-Year Forecast

May 2018 (With Cannabis Tax)



## Recap: Topics for Discussion

- Department requests in FY 18/19
- Status quo or accelerate pension contributions
- Use of one-time reserves for other considerations
- Potential revenue measures

