



Department of Finance

# Recommended Fiscal Year 2025 Operating Budget

May 6, 2024  
City Council Meeting  
Item 19





# FY 2025 Budget Appropriations

Department of Finance

## Total Budgeted Appropriations

(including Affiliated Agencies and CIP)

(in millions)

	<b>FY 2023 Actuals</b>	<b>FY 2024 Adopted</b>	<b>FY 2025 Recommended</b>
General Fund	\$304.7	\$323.7	\$340.7
All Funds	\$1,000.9	\$1,240.5	\$1,147.5

## Full-Time Equivalent Positions

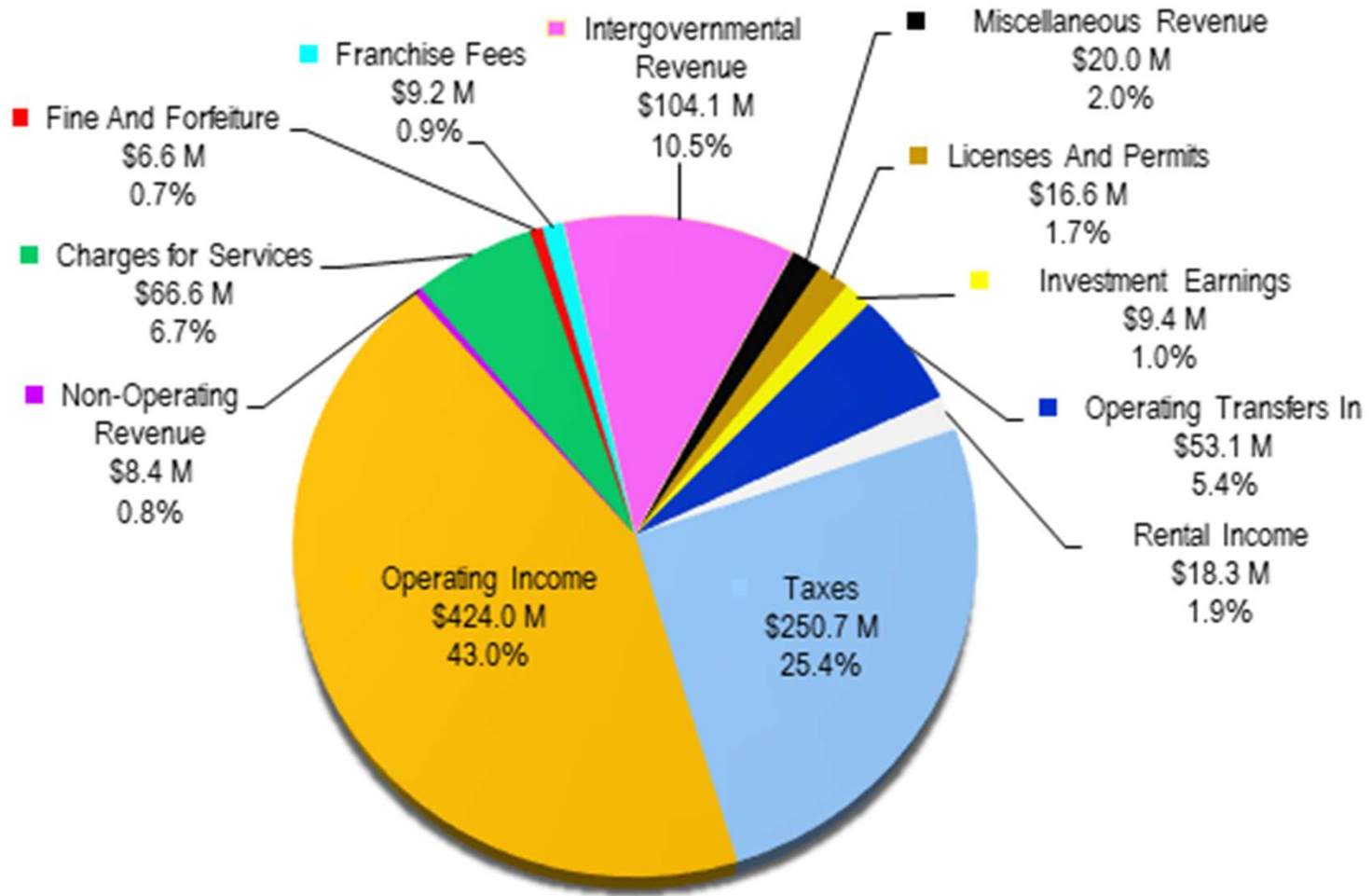
(including Affiliated Agencies)

	<b>FY 2023 Adopted</b>	<b>FY 2024 Adopted</b>	<b>FY 2025 Recommended</b>
General Fund	1,028.10	1,062.15	1,080.27
All Funds	2,321.36	2,356.23	2,403.38



# Total Revenues

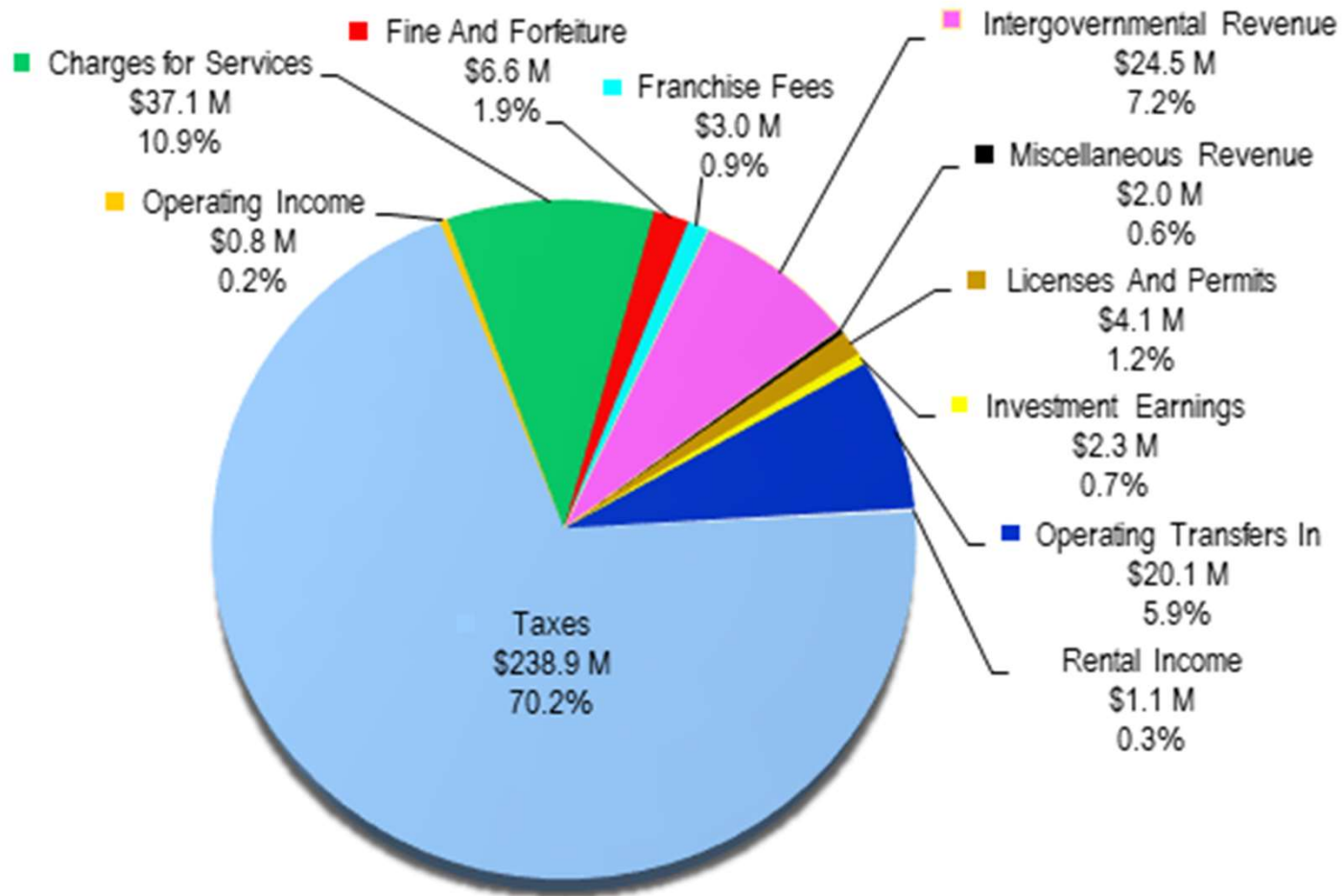
FY25 REVENUE BY CATEGORY – ALL FUNDS (\$987.0 Million)





# General Fund Revenue

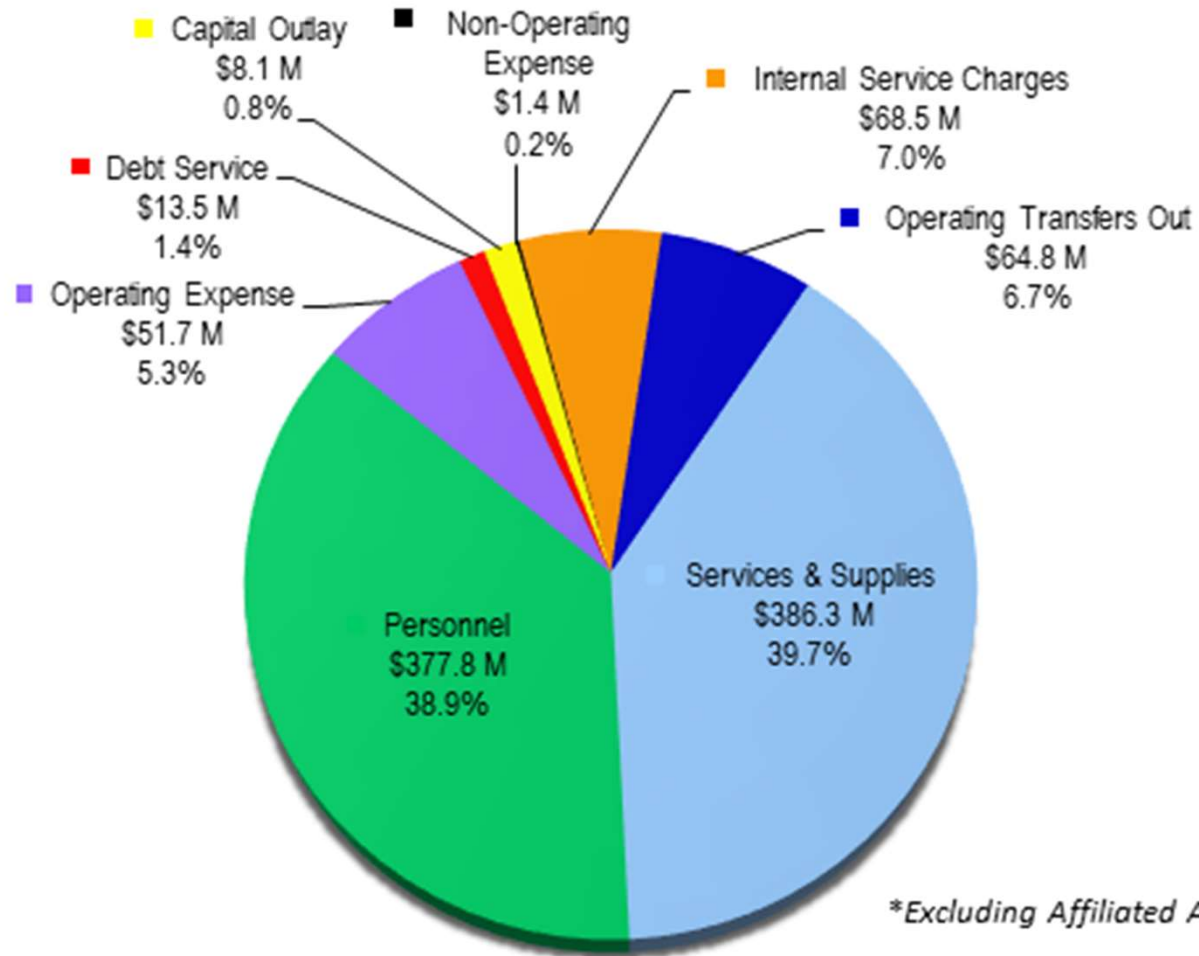
FY25 REVENUE BY CATEGORY – GENERAL FUND (\$340. Million)





# Total Appropriations

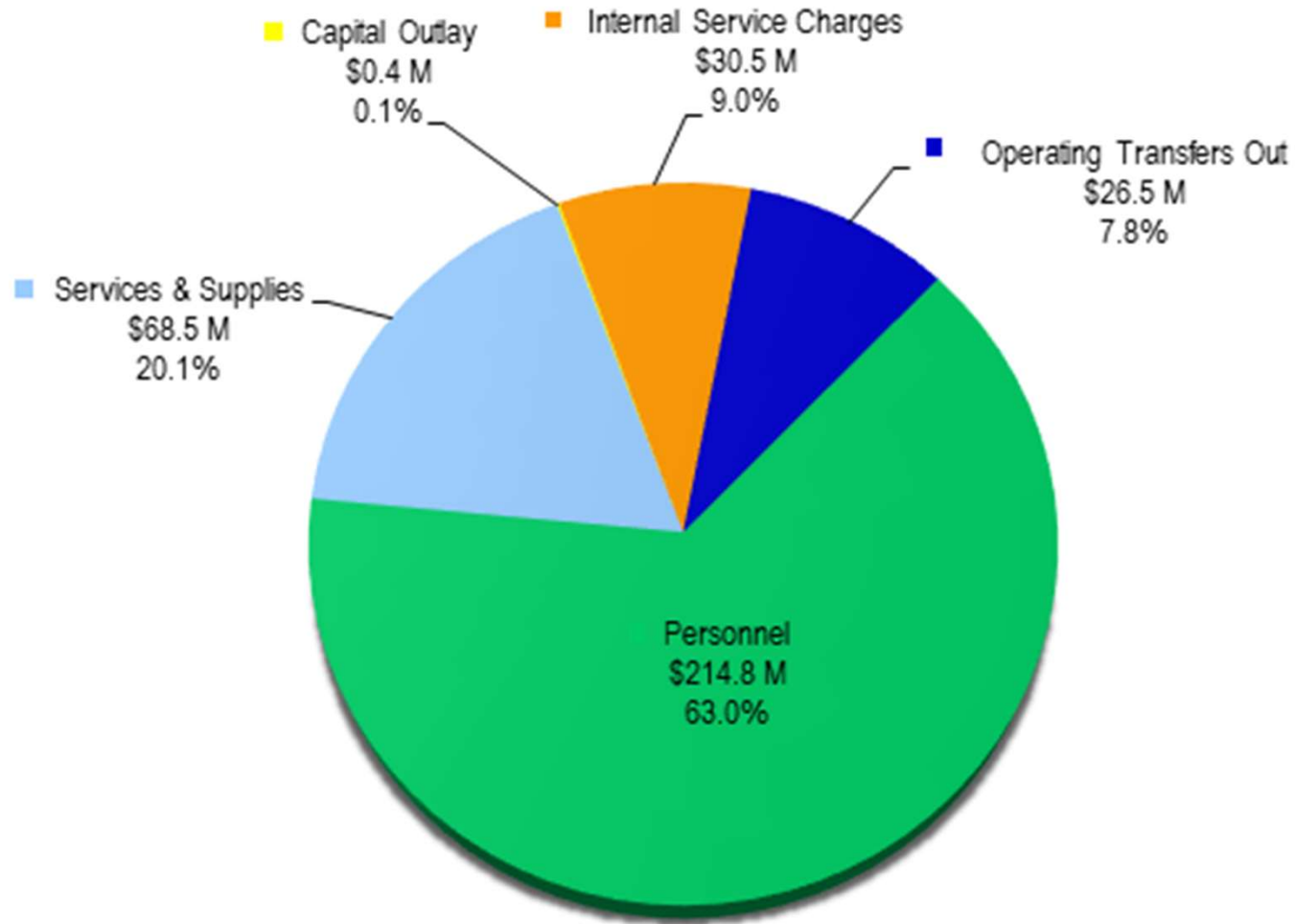
FY25 APPROPRIATIONS BY CATEGORY – ALL FUNDS (\$972.1 Million)





# General Fund Revenues

FY25 OPERATING REVENUES BY CATEGORY – GENERAL FUND (\$340.7 Million)





# Economic Conditions

- Fee and Charge based funds.
  - > Ongoing and higher than normal inflation and the reluctance to increase fees during the COVID-19 period has put increased pressure to increase fees now.
  - > Increased regulations (Federal, State, and Local) has resulted in:
    - Delayed revenues (Development fees)
    - Inability to recover full cost of service
    - Increased costs in near term to achieve compliance
  - > Departments will provide future fund outlooks for key funds.



# Economic Conditions

- Grant or Special Revenue Funds
  - > State is delaying programs and grants due to budget challenges.
  - > Federal government is not increasing funds for operational programs.
  - > Federal Congressional Directed Spending is shrinking.
  - > Some special revenue sources are flat or declining.
  - > Overhead to support programs is increasing faster than funding source.
  - > Departments will provide future fund outlooks for key funds.





# General Fund Revenues

- Significant slow down in Property and Sales Tax revenues for FY 2025
  - > Property Tax – 3.0%, Sales Tax – 2.4%
- Transient Occupancy Tax
  - > Occupancy and rates have been flat after a period of strong recovery
  - > Business-related travel/weekday travel still lagging
- Utility Users Tax
  - > Increase in revenue related to inflation and higher rates



# General Fund Expenditures

- General Fund

- > Pension costs are increasing as CalPERS investments fell short of target the last two-years.
- > Inflation is impacting certain commodities in a significant way.
- > City is not immune to rising costs of utilities, especially electricity and water.
- > Cost of insurance and General Liability continues to experience large increases annually.
- > Increased pressure or need to fund services that were previously funded 100% with outside sources.



# Light & Power Fund Transfer to G.F.

- Adopted FY 2024 Budget anticipated utilizing \$5m in General Fund Operating Reserves to offset reduced GFT in FY 2024.
  - > Light and Power Fund finished FY 2023 better than expected.
  - > The GFT for FY 2024 can be the full \$18.0 million.
  - > The transfer in FY 2025 is planned to be \$18.0 million.
  - > This clean-up will be included as part of the resolution adopted with the FY 2025 Operating Budget.



# General Fund Outlook

- The future forecast for both property and sales tax growth is lower than normal.
  - > Property Tax – 4.5%, down from 7%
  - > Sales Tax – less than 3%, down from 8-9%
- Economic development will continue to play a vital role in growing out major tax bases.
- City has significant capital needs where no or insufficient grant funds are available.
  - > The City does not have funding to do the library repairs on its own.



# General Fund Five-Year

## General Fund Five-Year Forecast

	FY 2023	FY 2024	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
	Final	Rev. Budget	Forecast	Budget	Forecast	Forecast	Forecast	Forecast
<b>Beginning Amount Available for Appropriations</b>	<b>0</b>	<b>18,086,075</b>	<b>18,086,075</b>	<b>6,803,101</b>	<b>1,587,157</b>	<b>(382,051)</b>	<b>(3,661,049)</b>	<b>(5,831,290)</b>
<b>Revenues</b>								
Tax Revenues	256,099,426	250,860,100	254,930,304	265,657,100	275,442,388	284,542,670	293,888,284	303,568,090
Other Revenues	46,153,066	58,823,605	58,823,605	54,732,734	56,053,217	57,407,231	58,795,643	60,219,345
Contributions/Svs. From Other Funds	54,527,524	15,190,438	20,190,438	20,140,438	20,140,438	20,140,438	20,140,438	20,140,438
<b>Total Revenues</b>	<b>356,780,016</b>	<b>324,874,143</b>	<b>333,944,347</b>	<b>340,530,272</b>	<b>351,636,043</b>	<b>362,090,339</b>	<b>372,824,365</b>	<b>383,927,873</b>
<b>Expenses</b>								
Personnel	186,024,588	204,966,273	204,966,273	214,778,587	225,493,081	234,312,948	241,929,694	253,055,984
Debt Service	11,426,366	11,692,948	11,692,948	12,318,397	12,323,966	12,317,139	11,290,184	11,288,643
Contributions To Other Funds	18,195,625	25,609,821	25,609,821	14,180,877	14,464,495	14,753,784	15,048,860	15,349,837
Other Expenses	87,921,858	114,997,675	114,997,675	99,468,355	101,323,710	103,985,465	106,725,867	109,547,505
<b>Total Expenses</b>	<b>303,568,437</b>	<b>357,266,717</b>	<b>357,266,717</b>	<b>340,746,216</b>	<b>353,605,251</b>	<b>365,369,337</b>	<b>374,994,605</b>	<b>389,241,969</b>
<b>Operating Income/(Loss)</b>	<b>53,211,579</b>	<b>(32,392,574)</b>	<b>(23,322,370)</b>	<b>(215,944)</b>	<b>(1,969,208)</b>	<b>(3,278,998)</b>	<b>(2,170,240)</b>	<b>(5,314,096)</b>
<b>Ending Amount Available for Appropriations</b>	<b>53,211,579</b>	<b>(14,306,499)</b>	<b>(5,236,295)</b>	<b>6,587,157</b>	<b>(382,050)</b>	<b>(3,661,048)</b>	<b>(5,831,289)</b>	<b>(11,145,385)</b>
Contributions to Capital Projects		(7,137,700)	(7,137,700)					
Reserve for Capital & Other Funds	(33,860,146)	23,247,300	23,247,300	(5,000,000)	-	-	-	-
Reduction/(Contribution) to Policy Reserve	(1,265,358)	5,000,000		-				
<b>Net Income/(Loss) with Reserve Contribution</b>	<b>18,086,075</b>	<b>6,803,101</b>	<b>10,873,305</b>	<b>1,587,157</b>	<b>(382,050)</b>	<b>(3,661,048)</b>	<b>(5,831,289)</b>	<b>(11,145,385)</b>



# General Fund Reserves

## FY 2024

<b>15% Emergency Reserve</b>	<b>\$ 43,952,969</b>
<b>5% Operating Reserve</b>	<b>14,650,989</b>
<b>Section 115 Trust – Pension</b>	<b>13,099,495</b>
<b>Section 115 Trust – OPEB</b>	<b>2,481,744</b>
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<b>Total</b>	<b>\$ 74,185,197</b>



# Proposed Enhancements

- Parking Enforcement
  - > Add 4.0 FTE – Parking Enforcement staff
  - > Offset cost by reducing contracted staff
  - > One-time purchase of vehicles – Electric Vehicles
- Fire Engineer – 40-hour
  - > Dedicated 40-hour Engineer focused on training, safety, and staff development
  - > Recruit Training Academy Cadre



# Proposed Enhancements

- Enterprise Risk Management & Employee Wellness
  - > 2.0 FTEs - One Senior Office Assistant, One Management Analyst IV
  - > Funding for leased office space
  - > 1.0 FTE – Sr. HR Analyst to support Employee Wellness and Benefits Division
- PRCS Boxing Program
  - > Increase by 0.53 FTE to create a full-time Recreation Services Specialist for the Boxing program





# Proposed Enhancements

- Tree Infrastructure Maintenance
  - > Additional funding to ensure regular tree maintenance.
  - > City tree inventory exceeds 60,000 trees.
- Public Health – General Fund Support
  - > Grant funds do not increase as fast our internal costs/overhead to support programs.
  - > Complaint investigations & enforcement duties.
  - > Additional office space needed.



# Proposed Enhancements

- Housing Staffing
  - > 2.0 FTEs – Junior Housing Assistant and Office Assistant
  - > Housing assistance and Rental assistance programs
- City Service Center
  - > 1.0 FTE – Office assistant to support increased needs of the CSC
- Transportation CIP
  - > 1.0 FTE – Planner funded through capital grants



# Proposed Enhancements

- Water and Power

- > 13.0 FTEs

- Support achieving 2030 Carbon Free policy goal.
    - Upgrade of Computerized Maintenance Management System (System is part of the CIP). Will facilitate monthly billing and time of use rates.
    - Electric Vehicle Charger maintenance.
    - Water treatment
    - Administrative Internships



# Recommendation

## Department of Finance

- Find that the proposed action is not a project subject to the California Environmental Quality Act (CEQA).
- Open the public hearing on City Manager's FY 2025 Recommended Operating Budget.
- Continue the public hearing to the regular meeting of the City Council on June 3, 2024, until a formal recommendation to adopt the FY 2025 Recommended Operating Budget is presented to the City Council.