



Department of Finance

Recommended Fiscal Year 2025 Operating Budget

June 3, 2024
City Council Meeting
Item 10





State Budget

Governor's Proposed Reductions

- Public Health - Cut \$1,031,000 of “core” public health funding.
 - > Supports 8 FTEs
 - > Funds non-grant public health needs
 - Supports investigations (Dengue, oyster norovirus)
 - Supports PORT case management
 - Public information
 - Public health nurses
 - > Return to Pre-COVID funding.
 - > Joint Legislative Budget Plan rejects this cut.
 - > Local advocacy efforts ongoing.



State Budget – Governor's 260 cuts

- Public Health - \$60,000 reduction for Medi Cal enrollment program.
- Eliminate funding for Library's summer lunch program - \$30,000.
 - > PRCS/PUSD programs will remain.
- Housing – eliminate HHAP 6 funding.
 - > HHAP 1-5 funded street outreach, emergency sheltering, and Rapid Rehousing program.
 - > City has sufficient funds to get through FY 2025.
 - > Joint Legislative Budget Plan rejects this cut.
 - > Local advocacy efforts ongoing.



State Budget – Governor's 260 cuts

- Indirect or Application based funding:
 - > Public Health - \$100 million reduction of workforce development in the public health sector.
 - Public health nurses, health educators, support staff
 - > Housing - Remove funding for Super NOFA (Notice of Funding Availability). The grant/funding program where affordable housing construction dollars are allocated to projects.



Follow-up on Committee Requests

- Police Department

- > Consider funding for 5 Police Officer positions.

- PD is authorized for 240 sworn positions, but 235 are funded due to long term vacancies. PD has a focus on retention and recruitment but does not expect exceed 235 filled positions in FY 2025.
 - Goal is to be able to reach 240 in FY 2026.
 - City utilizes vacancy factors to maintain a balanced budget.

- > Provide funding for emergency motel vouchers.

- PD exploring model used by PORT (Fire and Public Health).
 - PD can likely use same existing funds available to PORT.
 - Will return in first half of FY 2025 to allocate additional funding, if necessary.



Follow-up on Committee Requests

- Parks, Recreation, and Community Services
 - > **Can we open Kennedy and Villa Parke Pools for Sundays during the summer (3 months)?**
 - Yes, can be done using existing summer filled positions.
 - Estimated cost for FY 2025 is \$25,000.
 - This would be for 14 Sundays, 8 hours per day.
 - > **Can we open the Robinson Recreation Center and Villa Parke Community Center on Sundays year-round?**
 - Not with existing staff. Would require the hiring of additional part-time employees. Direct staffing estimated cost for FY 2025 is \$125,000.
 - Have not estimated additional ancillary costs.
 - No programming would take place. Drop-in use only.



Follow-up on Committee Requests

- City Attorney

- > Cost/benefit analysis of keeping more in-house vs. using outside counsel?

Proposed Amendment: Additional \$510,000 appropriation from the General Fund.

- > Increase Outside Legal from \$2.2m to \$2.5m.
- > Add 1 FTE – Deputy City Attorney.
- > Continue towards finding the balance of the appropriate Outside Legal and in-house staff.
- > City Manager and City Attorney discussing management of costs related to Legal claims/litigation and advice in relation to Enterprise Risk Management.



Follow-up on Committee Requests

- Rose Bowl Operating Company – Family Golf
 - > May 28th and June 6th Community Meetings
 - > June 12th – Urban Forestry Advisory Committee
 - > Additional meeting(s) in late June or July.
 - > June 10th – City Council Finance Committee

Removed Family Golf from the Recommended Budget.

- > Reduction of Revenue Estimate – \$1.6m
- > Reduction of Appropriations – \$1.5m
- > Removes Net Income of \$72,000



Follow-up on Committee Requests

- Shoppers' Lane and South Lake parking lots and need for slurry or lot repairs.
 - > Staff will evaluate through CIP program funding.



Amendments to Proposed Budget

Public Health Department

- Additional \$370,000 appropriation of General Fund.
 - > Housing previously funded \$120,000 for motel vouchers
- SAMHSA Grant.
 - > Increase revenue and appropriations by \$66,000 for mobile shower/laundry through October 2024.
- Home Instruction for Parents of Preschool Youngsters (HIPPY).
 - > Increase revenue and appropriations by \$457,362 and fund 2.5 FTE through FY 2026.
 - > State General Fund Expansion Grant to expand HIPPY program.



Amendments to Proposed Budget

Transportation Department

- Safe Streets and Roads for All Action Plan Grant.
 - > Increase revenue and appropriations by \$253,000.
 - > Develop a comprehensive action plan for safe and accessible walking, biking, and rolling in the City.
- Additional \$2.8 million appropriations across various parking funds.
 - > Replace outdated single-space meters with new pay-by-plate parking pay stations throughout the City.



Amendments to Proposed Budget

Public Works Department

- Increase Refuse Fund (406) revenue by \$5.9m reflect approved rates.
- Increase Sewer Fund (205) revenue by \$3.9m reflect approved rates.

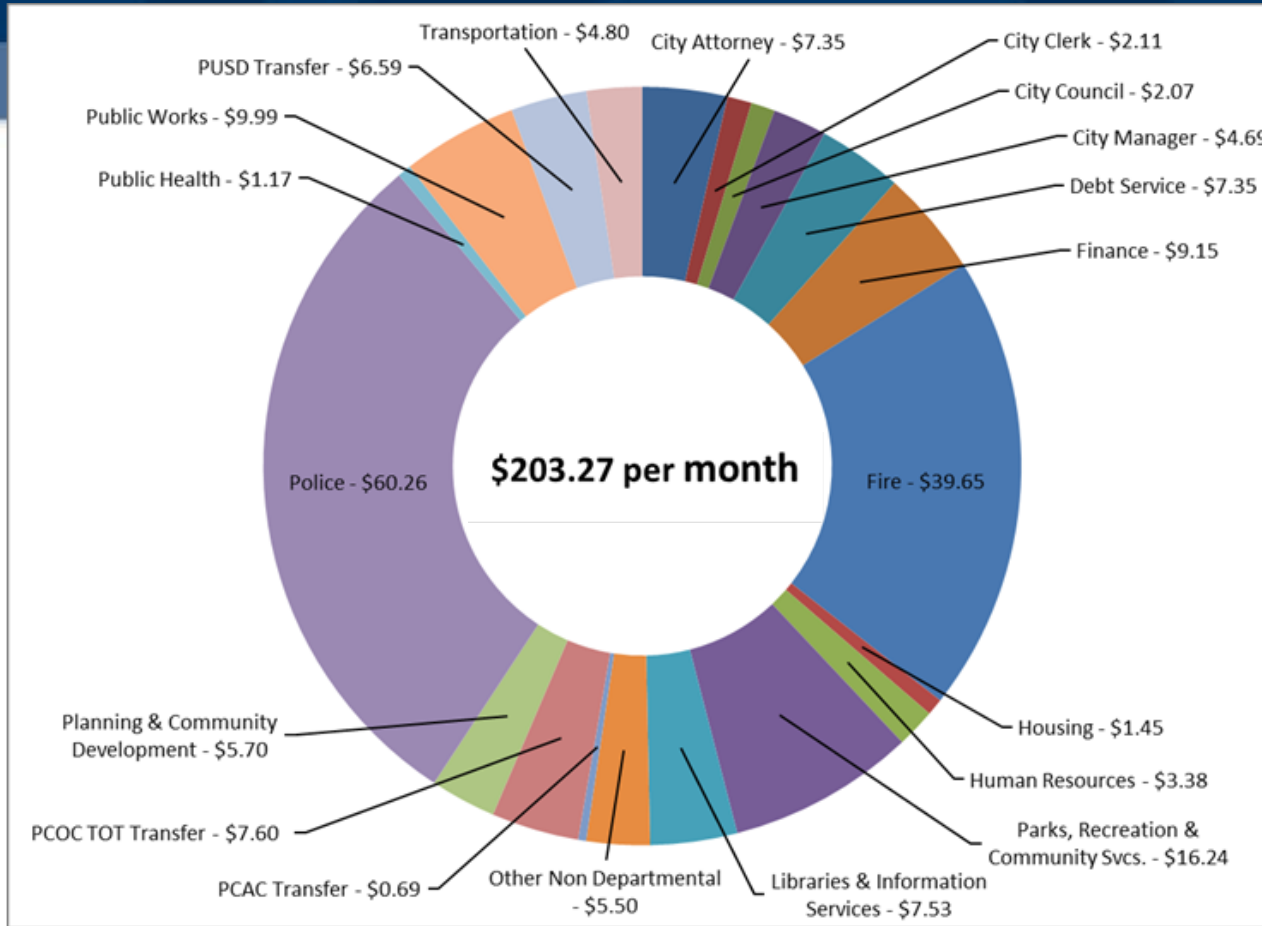


Future Discussion Topics

- Two much larger topics came up during Committee meetings that will require a deeper dive and Council priority setting discussions:
 - > Significant increase to the currently approved amount of 240 sworn positions in the Police Department.
 - > A 5-year plan to address/solve homelessness and what it would cost.
- Addressing either would require significant shift in spending and require the City to raise new revenue or reduce spending in other areas.



General Fund



- Insufficient General Fund to fully fund the City's needs (i.e., streets, fire stations, fire training, community centers, infrastructure).



Percentage of General Fund

	FY 25	FY 19		FY 25	FY 19
City Attorney	3.62%	2.80%	Other Non-Departmental	2.70%	1.56%
City Clerk	1.04%	1.16%	PCAC Transfer	0.34%	0.37%
City Council	1.02%	1.02%	PCOC TOT Debt Transfer	3.74%	4.26%
City Manager	2.31%	2.17%	Planning & Community Development	2.80%	3.13%
Debt Service	3.62%	5.52%	Police	29.65%	31.38%
Finance	4.50%	4.38%	Public Health	0.58%	0.00%
Fire	19.51%	19.52%	Public Works	4.91%	8.76%
Housing	0.71%	0.53%	PUSD Transfer	3.24%	0.00%
Human Resources	1.66%	1.82%	RBOC Transfer	0.00%	0.00%
Parks, Recreation & Community Svcs.	7.99%	4.49%	Transportation	2.36%	2.46%
Libraries & Information Services	3.70%	4.68%		100.0%	100.0%



Percentage Take Away

- 100% of the Estimated General Fund Revenue is allocated each year.
- PRCs and PW should be combined due to shift of Parks Maintenance from PW to PRCs.
- Other Non-Departmental increase is due to increased General Liability costs.
- Public Health previously received no General Fund direct funding.



Building the Budget

- Filled positions are budgeted at filled rate plus merit and MOU growth.
- Vacant positions are budgeted based on estimates of timing to fill.
- Services and supplies are based on estimated contractual escalators and CPI adjustments.
- Internal Services are based on utilization rates, causal factors, and inflationary adjustments.
- Capital Outlay is historically focused on unique equipment or vehicle purchases.



General Fund Revenues

- Taxes – voter approval required.
- Fee or Charge – a charge imposed on an individual for service that person chooses to receive. May not exceed the estimated reasonable cost to provide the service.
 - > Constitution Article XI, Sections 7 & 9, Prop. 218.
- Assessments – a charge levied to pay for a public improvement or services within a predefined district.
 - > Property-owner approval.



General Fund Revenues

- Other revenues that support operations:
 - > Franchise fees
 - > Rents
 - > Investment earnings
 - > Licensing or permits
 - > Fines or penalties
- Every type of revenue has legal limitations on what may be charged and collected.
- The City Council considered many types of revenue opportunities prior to placing Measure I on the ballot. We can revisit those.





FY 2025 Budget Appropriations

Department of Finance

Total Budgeted Appropriations

(including Affiliated Agencies and CIP)

(in millions)

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

Full-Time Equivalent Positions

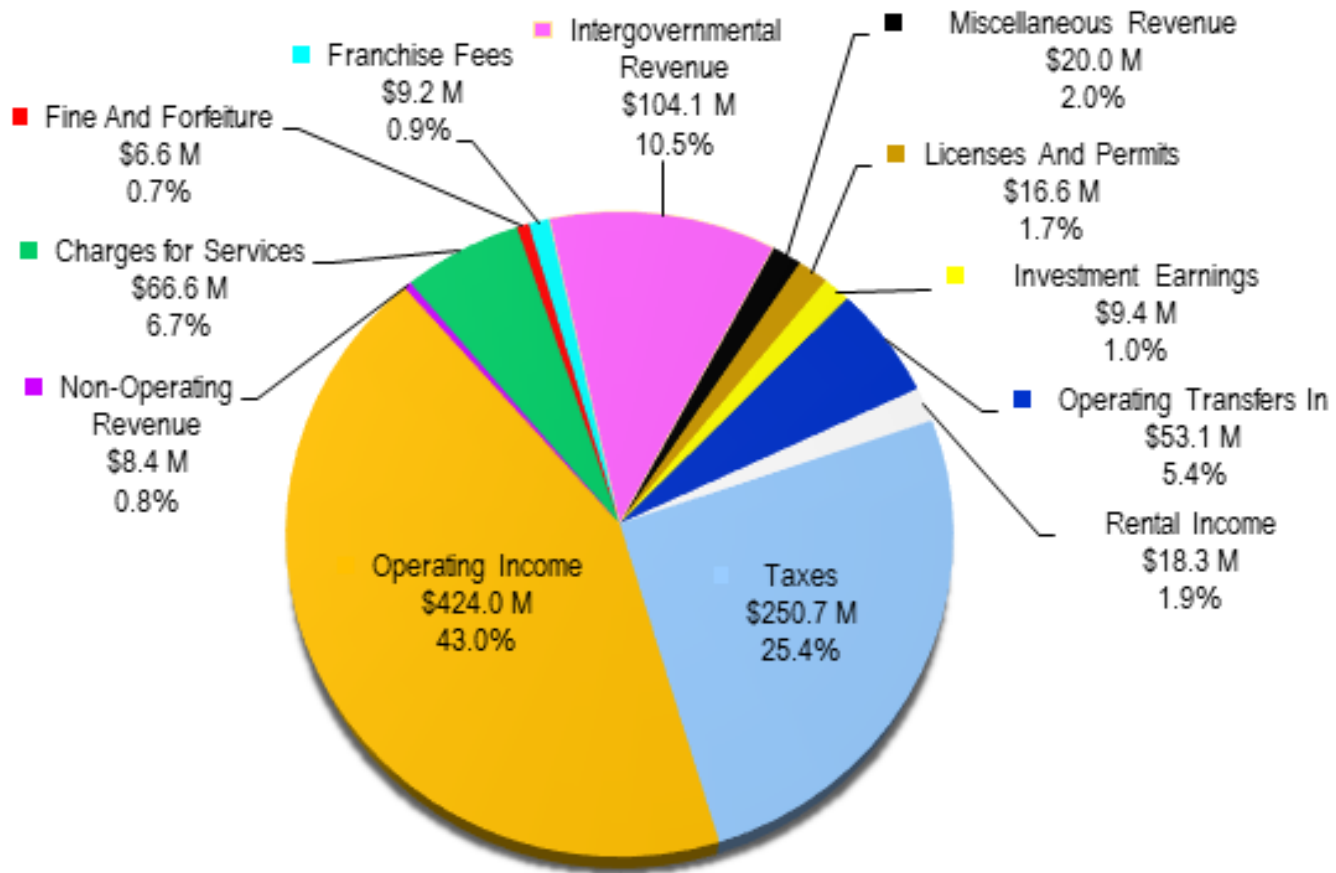
(including Affiliated Agencies)

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



Total Revenues

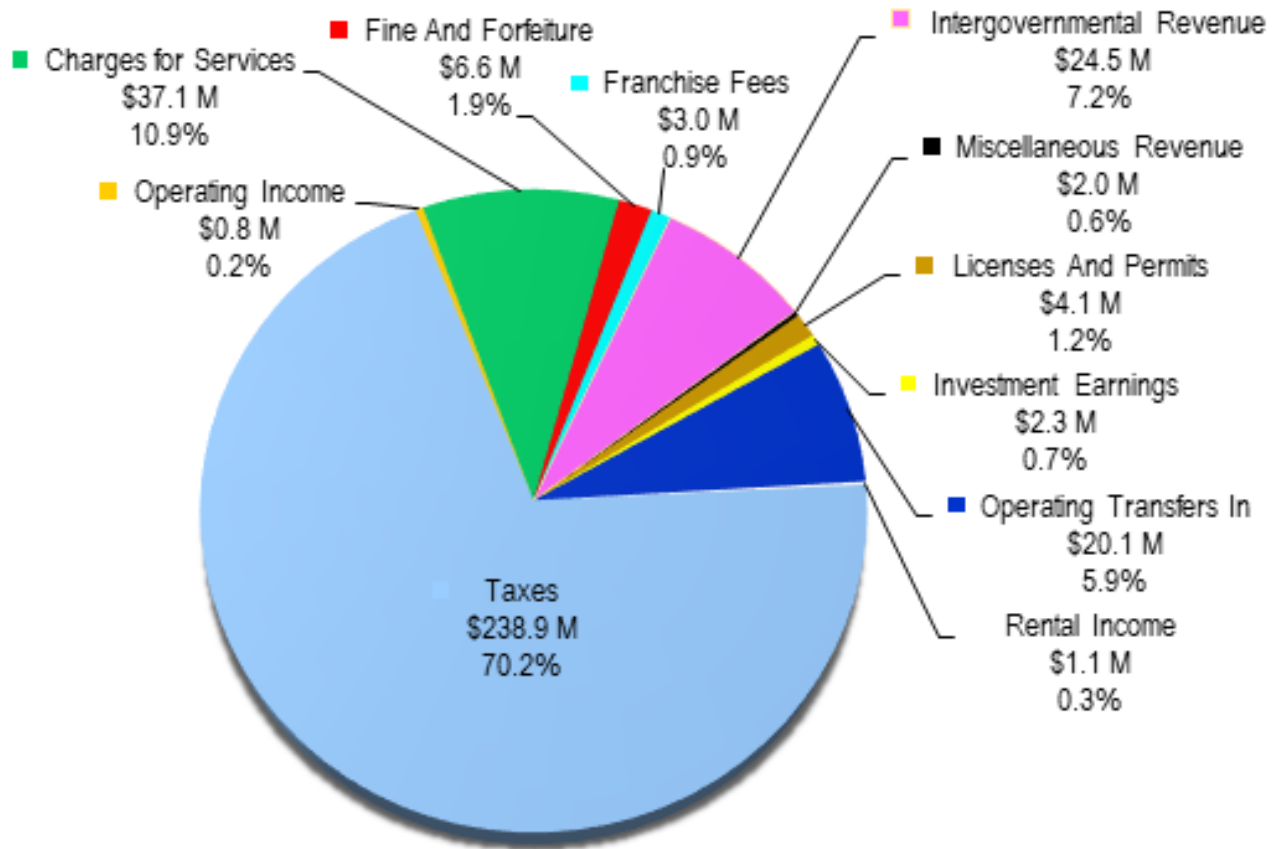
FY25 REVENUE BY CATEGORY – ALL FUNDS (\$987.0 Million)





General Fund Revenue

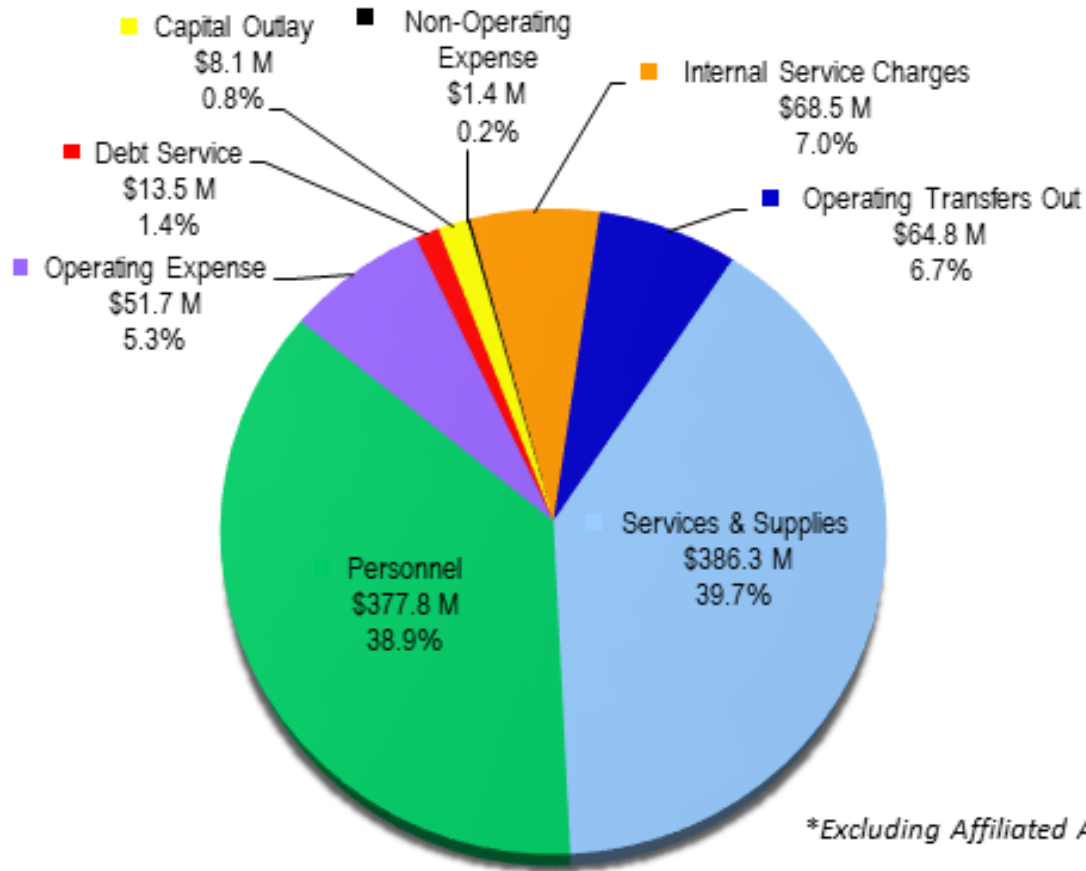
FY25 REVENUE BY CATEGORY – GENERAL FUND (\$340. Million)





Total Appropriations

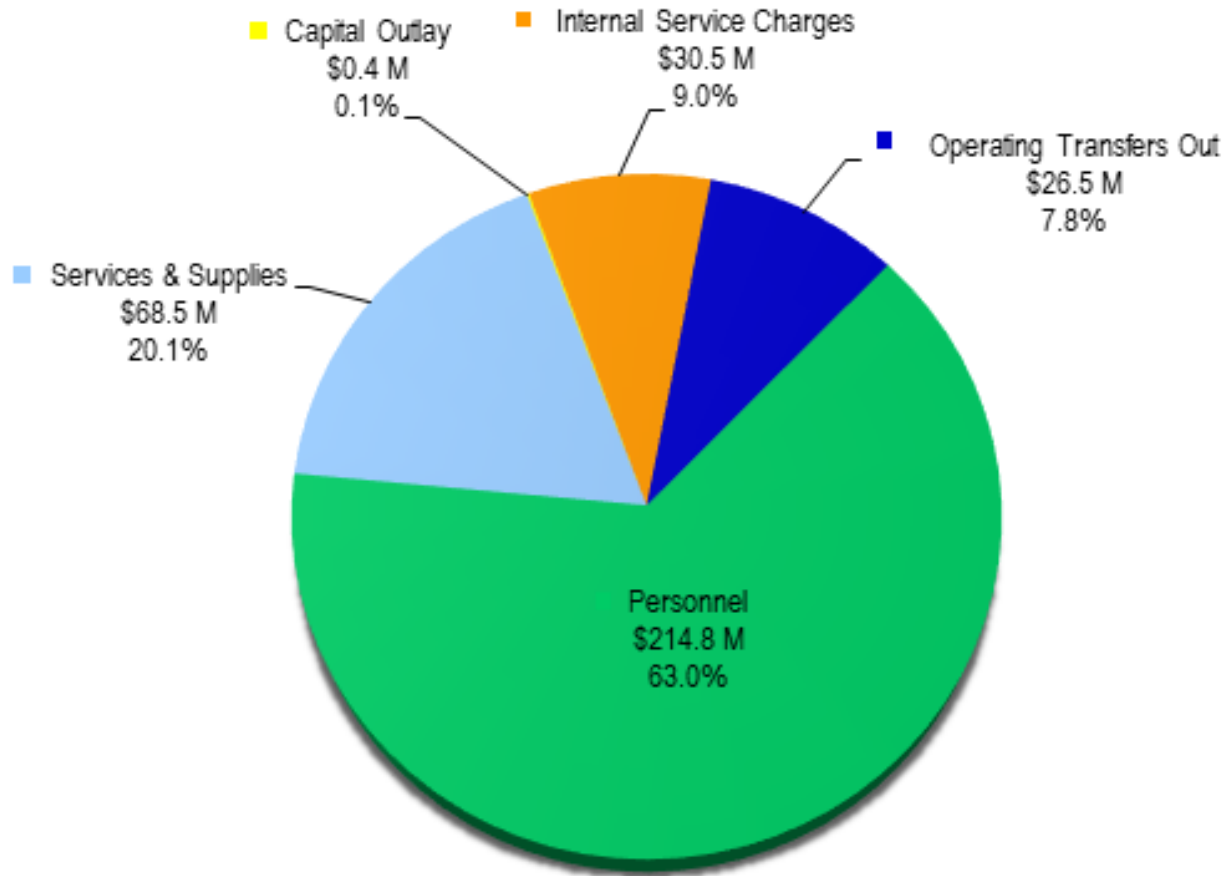
FY25 APPROPRIATIONS BY CATEGORY – ALL FUNDS (\$972.1 Million)





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
Beginning Amount Available for Appropriations	0	18,086,075	18,086,075	6,803,101	1,587,157	(382,051)	(3,661,049)	(5,831,290)
Revenues								
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
Total Revenues	356,780,016	324,874,143	333,944,347	340,530,272	351,636,043	362,090,339	372,824,365	383,927,873
Expenses								
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
Total Expenses	303,568,437	357,266,717	357,266,717	340,746,216	353,605,251	365,369,337	374,994,605	389,241,969
Operating Income/(Loss)	53,211,579	(32,392,574)	(23,322,370)	(215,944)	(1,969,208)	(3,278,998)	(2,170,240)	(5,314,096)
Ending Amount Available for Appropriations	53,211,579	(14,306,499)	(5,236,295)	6,587,157	(382,050)	(3,661,048)	(5,831,289)	(11,145,385)
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		-				
Net Income/(Loss) with Reserve Contribution	18,086,075	6,803,101	10,873,305	1,587,157	(382,050)	(3,661,048)	(5,831,289)	(11,145,385)



General Fund Reserves

FY 2024

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



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.