

# **FY 2019-20**

# **Financial Update**

**January 28, 2020**

# Economic Environment

- Recession?
- Beacon (Thornberg) – 2% growth in 2020 and 2.5% in 2021
- UCLA Anderson – 1.7% growth in 2020 and 1.9% in 2021  
“There remains a significant risk of recession in late 2020, albeit somewhat less than we previously thought”      UCLA Anderson Forecast Dec 2019
- Wall Street Journal Economic Forecasting Survey

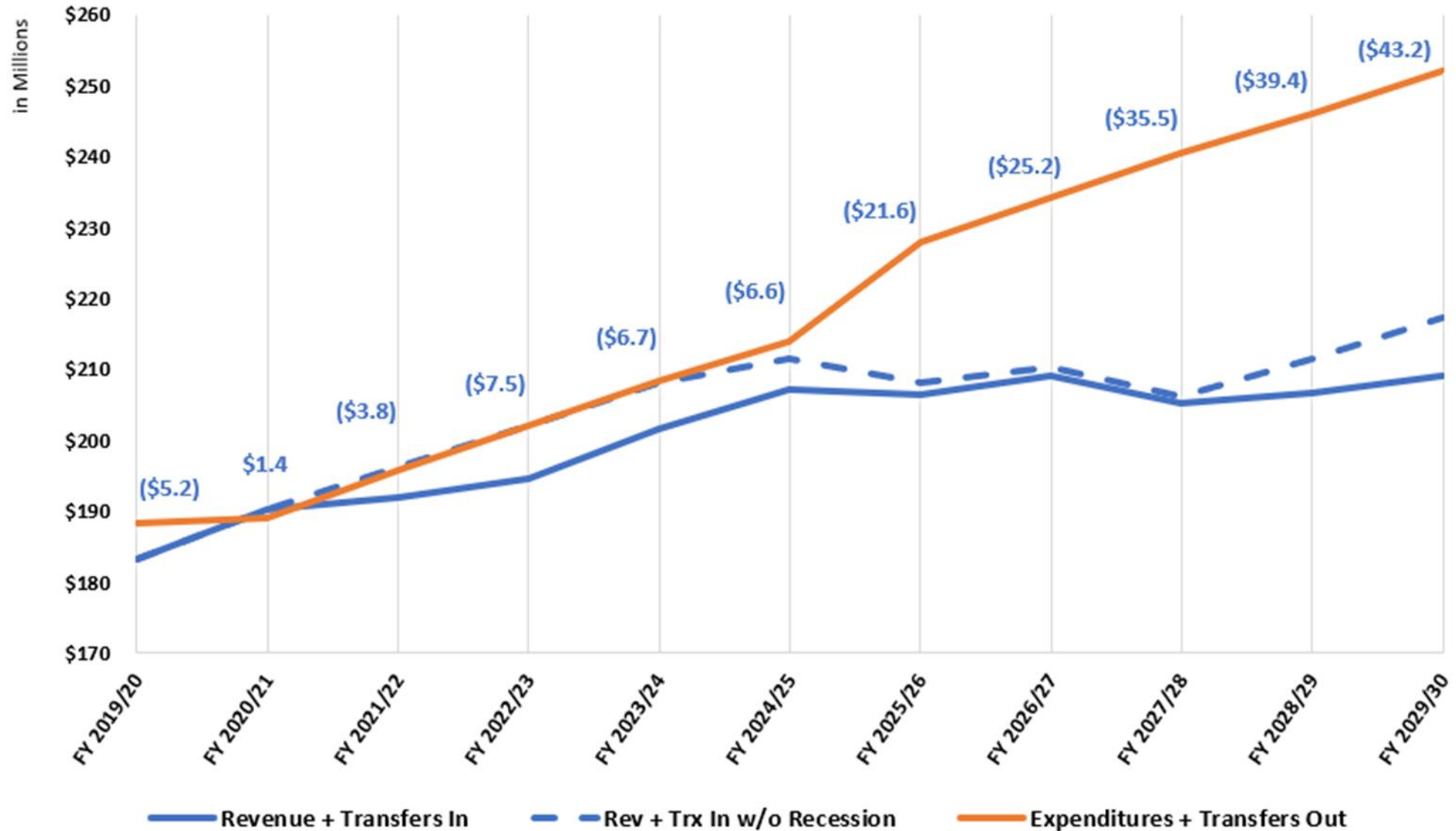
# Economic Environment

- Why all the Optimism?
  - Record tight labor markets
  - Increased earnings
  - Falling Interest Rates
  - Housing

# Economic Environment

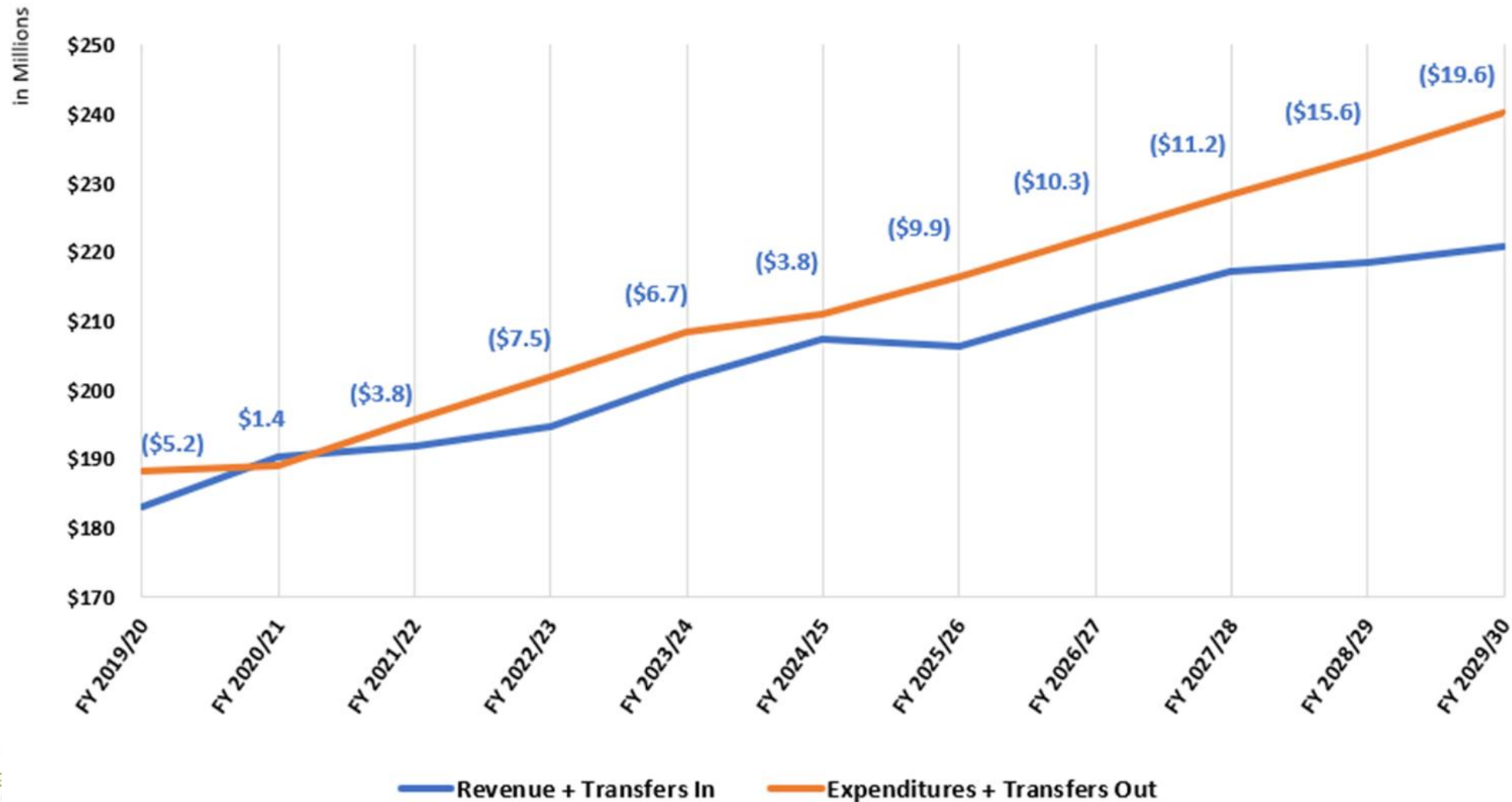
- Things to keep an eye on
  - Exports and the strong dollar
  - Automobile Credit Bubble?
  - Federal Deficits
  - Political Environment

# Long Range Financial Forecast



# Long Range Financial Forecast

## Assuming Continuation of Measures P& O



# Recession Assumptions

- Recession Begins in FY 2021-22
- Recurring on a 7-year cycle

	<u>Sales Tax</u>	<u>Property Tax</u>	<u>TOT</u>
Baseline	2.9%	4.4%	12.0%
Recession	-5.0%	-2.0%	-3.8%
Adjusted	-2.1%	2.4%	8.3%

Fiscal Year 2019-20

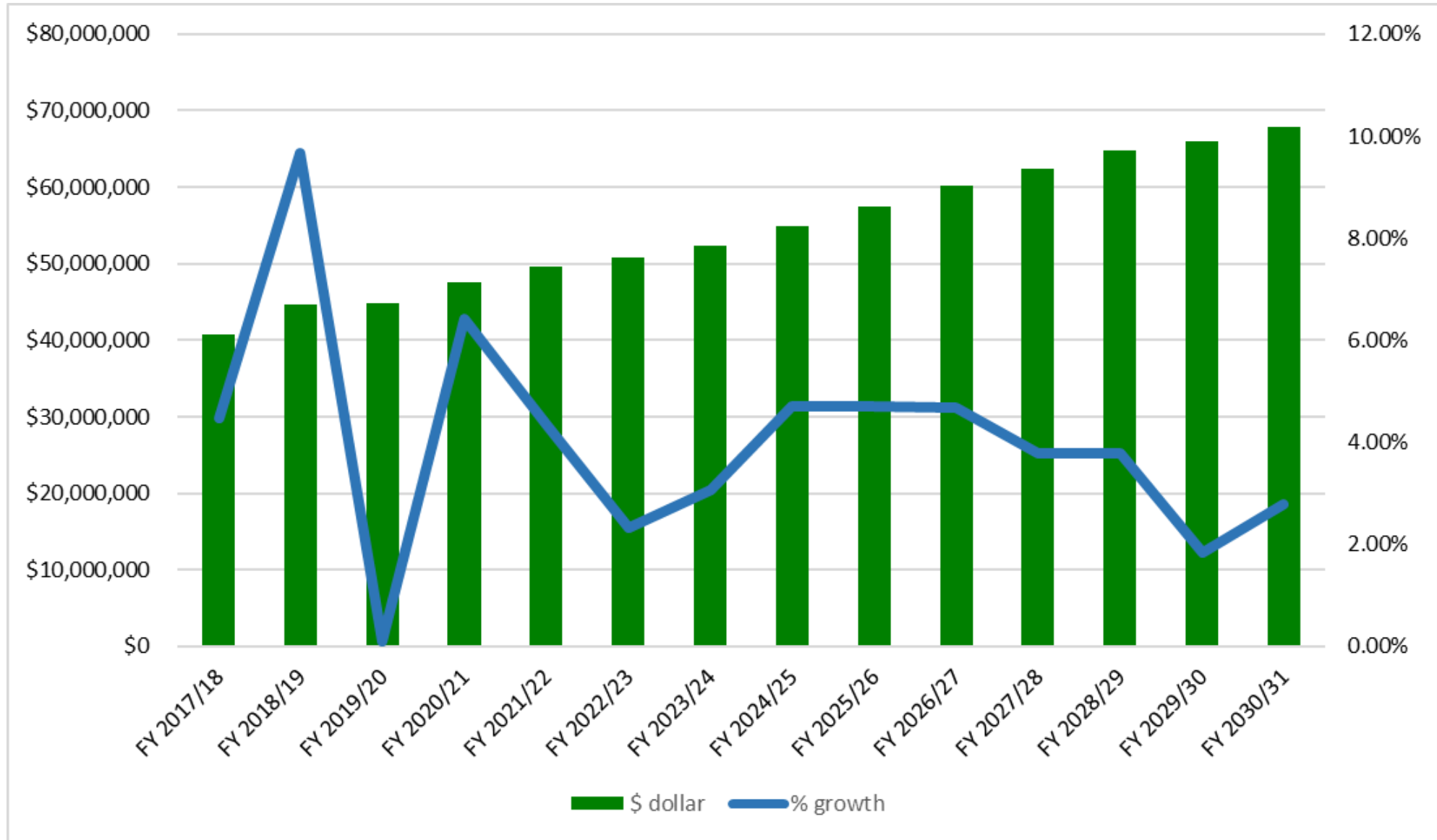
(in millions \$)

	<u>Budget</u>	<u>Projected</u>	<u>Variance</u>
Property Tax	29.1	30.2	1.2
Sales Tax	41.9	42.3	0.4
Measure O	9.9	10.0	0.0
Measure P	9.9	10.0	0.0
UUT	10.5	10.5	-
Other Taxes	25.3	25.3	-
Vehicle License Fees	14.6	14.6	-
Licenses and Permits	8.7	8.7	-
Fines and Forfeitures	1.7	1.7	-
Intergovernmental	1.7	1.7	-
All Other Charges for Services	7.7	7.7	-
Interfund Charges	14.1	14.1	-
Miscellaneous	3.4	3.4	-
<b>Total GF Revenue</b>	<b><u>178.7</u></b>	<b><u>180.3</u></b>	<b><u>1.7</u></b>
Transfers In	2.8	2.8	-
<b>Total</b>	<b><u><u>181.5</u></u></b>	<b><u><u>183.1</u></u></b>	<b><u><u>1.7</u></u></b>

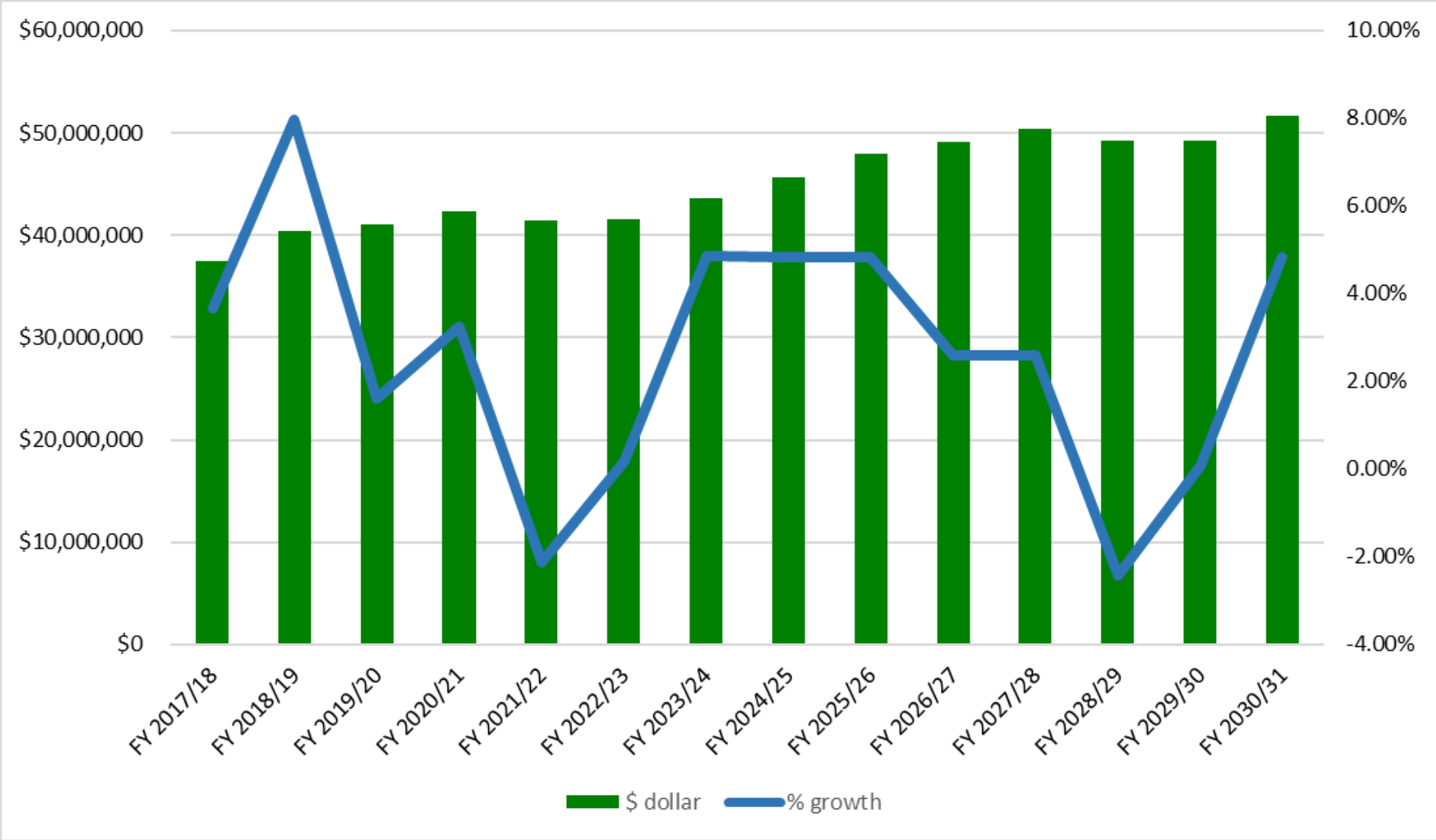
FY 2019-20  
General  
Fund  
Revenues



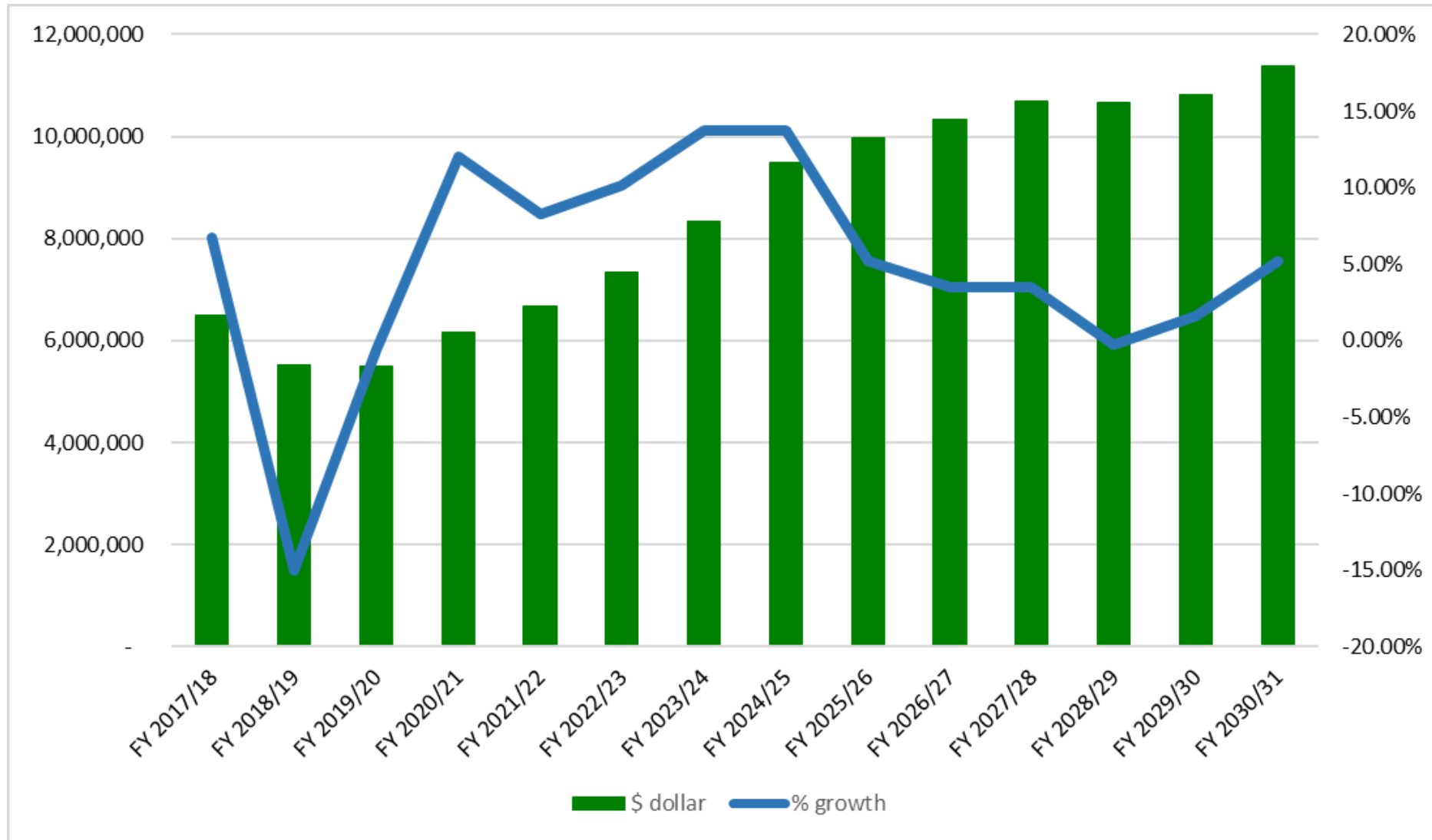
# Property Tax



# Sales Tax



# Transient Occupancy Tax



# Other Revenue Sources

	Revenue	Growth rate	
	<u>(millions)</u>	<u>Pre-Recession</u>	<u>Recession</u>
Prop Transfer Tax (RPTT)	\$3.9	3.5%	-7.0%
Franchise Payments	\$10.0	2.0%	N/A
Business Tax	\$4.6	2.0%	-1.7%
Other Revenues	\$40.0	1.4%	N/A

# FY 2019-20 Projected vs Budget Expenditures

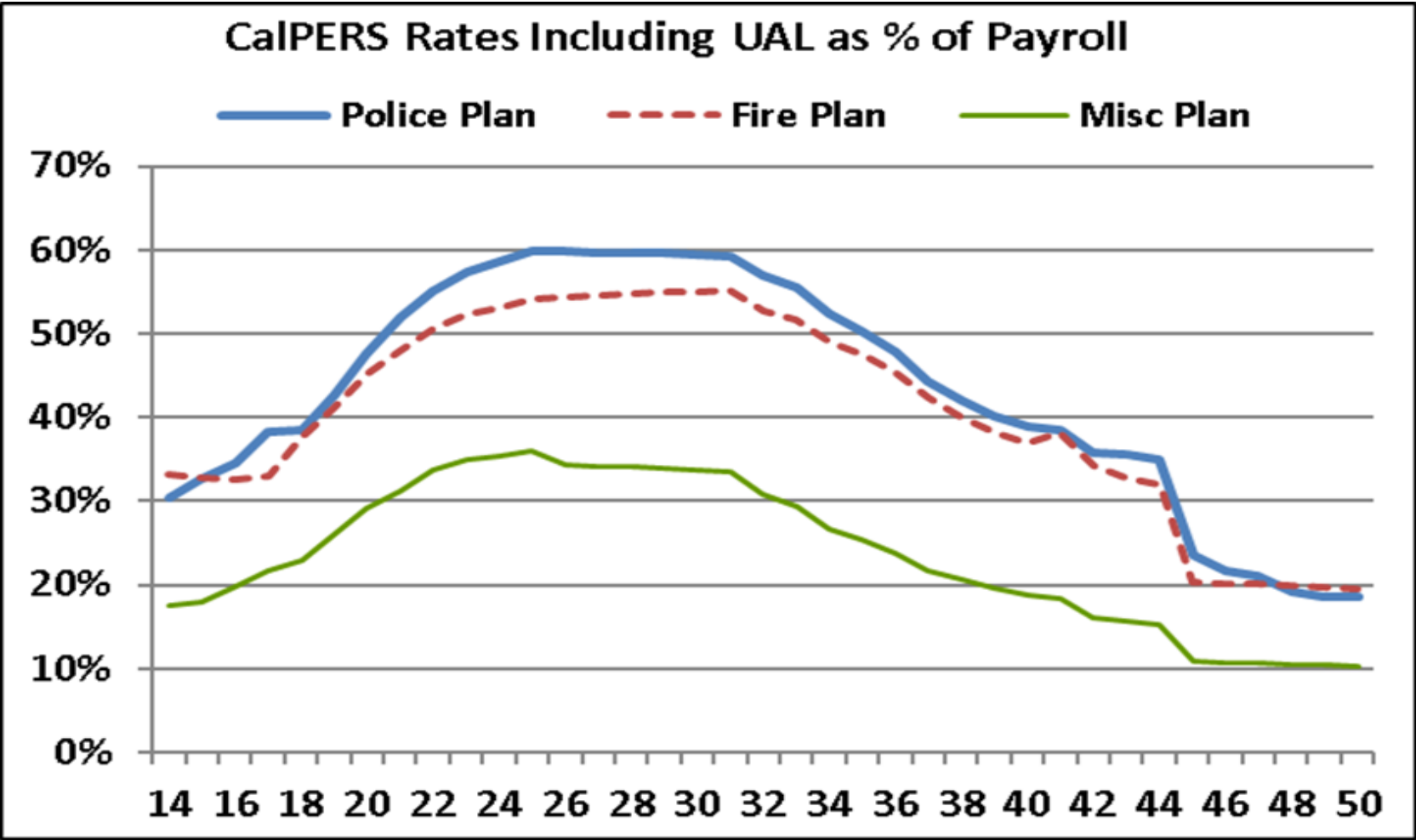
(in millions \$)

	Fiscal Year 2019-20		
	<u>Budget</u>	<u>Projected</u>	<u>Variance</u>
Personnel			
Salaries	85.8	87.2	1.5
Retirement	30.2	30.2	0.0
Health	14.1	14.1	-
Other	5.2	3.1	(2.0)
Subtotal	<u>135.2</u>	<u>134.7</u>	<u>(0.6)</u>
Operations & Maint	36.0	35.2	(0.8)
Transfers	<u>18.0</u>	<u>18.5</u>	<u>0.5</u>
<b>Total</b>	<b><u>189.2</u></b>	<b><u>188.3</u></b>	<b><u>(1.5)</u></b>

# Key Baseline Assumptions

	<u>City's Assumption</u>	<u>MP Assumption</u>
Salaries		
Baseline	2.00%	2.00%
Step Increases	0.00%	0.25%
Health Insurance	6.00%	5.00%
FTE Growth	0	2

# Pension Costs (MP)



# General Fund Fund Balance

(in millions \$)

Fund Balance 7/1/2019	\$28.5
FY 2019-20 Budget Adjustments	<u>-6.2</u>
Est. Fund Balance 6/30/2020	<u><u>\$22.3</u></u>



# Local Sales and Use Tax Measures

<b>Base Rate</b>	<b>7.25%</b>
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Additional:

City

Meas O (TEF)	0.25%	}	Exp 2025
Meas O	0.25%		
Meas P	0.25%	→	Exp 2027

County

Meas M (Roads)	0.25%
Meas M (Parks)	0.13%
Meas F (Ag Pres)	0.25%
Meas Y (Libraries)	0.13%

Other

Meas Q (SMART)	0.25%
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<b>Total</b>	<b>9.00%</b>
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Proposed

Meas G (Fire)	0.50%
Mental Health (Cnty)	0.25%

Cap:  
**10.25%**

# Issues and Opportunities

- Pensions continue to grow
  - UAL Growth from FY 2020-21 to FY 2025-26
    - Misc: Increase 34% from \$14.5 to \$19.4 million
    - Police: Increase 48% from \$7.1 to \$10.5 million
    - Fire: Increase 37% from \$5.2 to \$7.1 million
  - PEPRAs employees increasing

# Issues and Opportunities

- Infrastructure
- Deferred Maintenance
- Org Structure

# FY 2020-21 Budget Timeline

- Public Hearing on Budget Priorities – February 25
- Council Goal Setting – March 12 & 13
- 1<sup>st</sup> Budget Study Session – April 7
- 2<sup>nd</sup> Budget Study Session – May 5 & 6
- Budget Adoption Hearing – June 23

# Questions?