

Fiscal Year End 2023-24 General Fund Review and Budget Reduction Strategy

LONG TERM FINANCIAL POLICY
AUDIT SUBCOMMITTEE

OCTOBER 10, 2024

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BUDGET & FINANCIAL ANALYSIS MANAGER

ALAN ALTON, CHIEF FINANCIAL OFFICER

2023-24 Overall Surplus (Deficit)

General Fund Revenues &
Expenditures

General Fund Reserves

Budget Reduction Planning

Questions

General Fund Review

Preliminary Results June 30, 2024

Description	Amount
Recurring Revenues & Transfers In	\$203,800,819
Recurring Expenditures, Transfers Out & Encumbrances	<u>(\$206,938,691)</u>
Total Operational Deficit	(\$3,137,872)

Budget vs. Actuals FY 2023-24

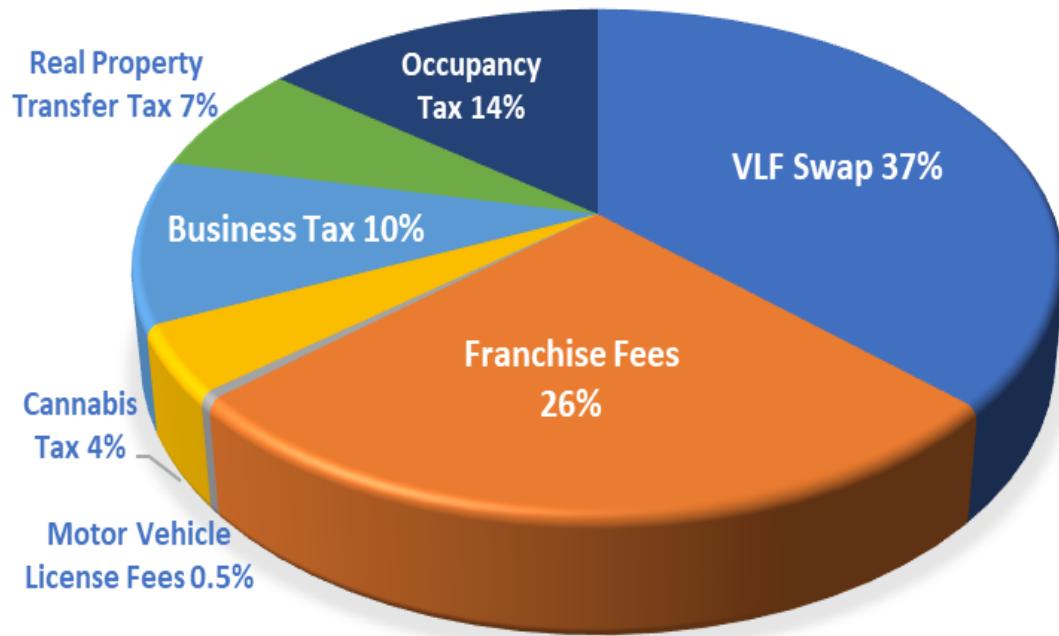
Adopted Budget	
Revenues & Transfers In	\$204.8M
Expenditures & Transfers Out	(\$208.1M)
Deficit	(\$3.3M)

Actual Results	
Revenues & Transfers In	\$203.8M
Expenditures, Transfers Out & Encumbrances	(\$206.9M)
Deficit	(\$3.1M)

General Fund Operating Revenues

Operating Revenues	Adopted Budget + Changes	Actual Revenue	Over (Under) Budget	Percent
Property taxes	\$36,325,000	\$37,361,779	\$1,036,778	102.9%
Sales taxes	75,866,735	70,071,011	(5,795,724)	92.4%
Utility Users tax	11,641,100	13,885,049	2,213,949	119%
Other taxes	45,258,029	47,804,273	2,546,244	105.6%
License and permits	3,075,000	2,944,864	(130,136)	95.8%
Charges for services	23,349,429	22,915,637	(433,792)	98.1%
Other (Fines, Forfeitures & Intergovernmental Revenue)	6,828,754	5,870,587	958,167	86.0%
Transfers In	2,934,773	2,977,620	42,847	101.5%
Total	\$205,278,820	\$203,800,819	(\$979,506)	99.2%

Other Taxes



Other Taxes	Budget	YTD Actuals	Percent of Budget
VLF Swap	\$ 17,278,677	\$ 17,761,938	102.8%
Franchise Fees	11,123,600	12,515,014	112.5%
Motor Vehicle License Fees	200,000	219,893	109.9%
Cannabis Industry Tax	1,800,000	2,042,851	113.5%
Business Tax	4,605,752	4,997,198	108.5%
Real Property Transfer Tax	4,250,000	3,419,526	80.5%
Occupancy Tax	6,000,000	6,847,853	114.1%
Total Other Taxes	\$ 45,258,029	\$ 47,804,273	105.6%

Operating Revenues 2022-23 vs 2023-24

General Fund Operating Revenues	FY 2022-23 Actuals	FY 2023-24 Actuals	\$ Change	% Change
Property taxes	\$ 35,721,102	\$ 37,361,779	\$ 1,640,677	4.6%
Sales taxes	73,294,984	70,071,011	(3,223,973)	-4.4%
Utility users tax	14,056,526	13,855,049	(201,477)	-1.4%
Other taxes	45,793,429	47,804,273	2,010,844	4.4%
License and permits	3,017,502	2,944,864	(72,639)	-2.4%
Charges for services	23,298,731	22,915,637	(383,094)	-1.6%
Intergovernmental - Recurring	2,089,188	1,920,436	(168,752)	-8.1%
Fines and forfeitures	1,944,474	1,870,355	(74,119)	-3.8%
Miscellaneous	4,102,352	2,079,796	(2,022,556)	-49.3%
Transfers In	2,442,896	2,977,620	534,724	21.9%
Total	\$205,761,184	\$203,800,819	\$ (1,960,365)	-1.0%

Major General Fund Revenue Lookback



General Fund Operating Expenditures

Expenditures	Adopted Budget + Changes	Actual Expenditures	Encumbrances	Over (Under) Budget
Salaries	\$90,894,900	\$89,353,973	-	(\$1,540,927)
Benefits	62,647,465	61,070,699	-	(1,576,766)
Services & Supplies	45,692,749	45,633,484	1,979,225	1,919,960
Total	\$199,235,114	\$196,058,157	\$1,979,225	(\$1,197,733)

Expenditure Turnback = 0.601%

Excludes Transfers Out and Project Spending

Expenditures by Dept. 2022-23 vs 2023-24

General Fund Operating Expenditures	FY 22-23 Actuals	FY 23-24 Actuals + Encumb.	FY 23-24 Budget + Changes	Over (Under) Budget	% Change
City Council	\$ 1,225,775	\$ 1,061,989	\$ 1,049,269	\$ 12,721	1.0%
City Manager	2,452,202	2,590,186	3,124,868	(534,682)	-21.8%
City Attorney	3,730,420	4,222,454	4,038,256	184,198	4.9%
Human Resources	3,586,475	4,369,188	4,299,109	70,079	2.0%
Finance	6,921,905	7,175,689	7,285,855	(110,166)	-1.6%
Comms & Intergovt Relations	1,394,299	1,562,802	1,901,868	(339,066)	-24.3%
Planning & Econ Development	17,889,766	16,427,178	17,506,759	(1,079,580)	-6.0%
Housing & Community Services	108,420	50,063	51,000	(937)	-0.9%
Recreation and Parks	11,554,123	16,520,098	17,487,171	(967,073)	-8.4%
Fire	49,351,180	53,853,253	53,623,072	230,181	0.5%
Police	68,400,709	71,689,980	72,373,027	(683,047)	-1.0%
Public Works	29,180,325	25,549,658	26,651,234	(1,101,576)	-3.8%
Water	796,013	824,575	806,350	18,225	2.3%
Non Departmental	(7,494,126)	(7,859,733)	(10,962,723)	3,102,990	-41.4%
Total	\$ 189,097,485	\$ 198,037,381	\$ 199,235,114	\$ (1,197,733)	-0.6%

Impacts on Unassigned General Fund Reserves

- Operational Surplus (Deficit)
- Council Action to appropriate reserves mid-year
 - Occur outside of the annual budget process
 - \$2M for BVGC Irrigation, \$800K for Police Radio upgrade, Graffiti Abatement & Vacant Lot Programs, etc.
- Interest Earnings/ Gains & Losses on Investments
- Release of Appropriations and Encumbrances

Structural Deficit

Structural Deficits

- Result from ongoing programs and services expenses exceeding ongoing revenue
- Cannot be addressed through reserves and one-time funding

Ongoing Expense Increases

- Increased staffing
- New service levels to the community
- Diverted revenue
- Require action at budget development to address, increases in certain areas will result in decreases to others

Reserves Summary

Council Policy - Mandated Reserves

- 15% to 17% of annual expenditures
- Used to address unforeseen events like disasters or sudden dramatic economic downturns
- If below 15%, upcoming budget is to address shortfall

Unassigned Reserves

- Amount above 17% Council reserves policy
- Used by the City to fund one-time expenditures
 - Infrastructure, facilities, capital projects
 - One time programming

Fiscal Stability Reserves

- Used to address adopted deficits

Fiscal Stability Reserves (FSR) June 30, 2024

Description	Amount
FSR Balance 6/30/2022	\$27,300,000
Budgeted Deficit FY 2023-24	(3,300,000)
FSR Balance 6/30/2023	(\$24,000,000)
Budgeted Deficit FY 2024-25	(13,300,000)
FSR Balance 6/30/2024	\$10,700,000

Preliminary General Fund Reserves

June 30, 2024

Description	June 30, 2023	June 30, 2024
General Fund Reserve Balance	\$84,809,468	\$68,893,573
Fiscal Stability Reserves	(24,000,000)	(10,700,000)
Total Unassigned Reserves June 30, 2024	\$60,809,468	\$58,193,573
17% Mandated Reserve Policy	(32,598,117)	(35,872,804)
Amount Over Mandated Reserve Policy	\$28,211,351	\$22,320,770

Budget Reduction Planning

Budget Reduction Strategy

Phase 1

- Department Reductions in FY 2024-25
 - Vacant Positions
 - Ongoing Services and Supplies
 - One-time project funding reductions

Phase 2

- Further reductions as part of FY 2025-26 & FY 2026-27 budgets
 - Position reductions (attrition/layoffs)
 - Program reductions
 - Organizational restructuring

Strategy – Administrative Cuts

- **Administrative Cuts:** Target administrative functions and overhead within city departments, with the goal of reducing costs associated with management, planning, and support services; minimizing the impacts to service delivery as much as possible
 - **Pros:** Immediate costs savings can be applied across the board
 - ✓ Slows the growth of payroll expenditures
 - ✓ Long-term savings, improved productivity
 - **Cons:** Increased workload and potential delays in service delivery
 - ✓ -Temporarily disruptive

Strategy – Operational Cuts

- **Operational Cuts:** involve changes in day-to-day service delivery, focus on improving efficiency and reducing overhead costs
 - **Pros:** Lowers ongoing expenses, potential reduced maintenance, enhanced value from contracts, savings on fuel, maintenance and replacement costs
 - **Cons:** Requires reorganization, possible impact on workforce productivity, needs strong management oversight
 - ✓ Reduces availability for emergency services

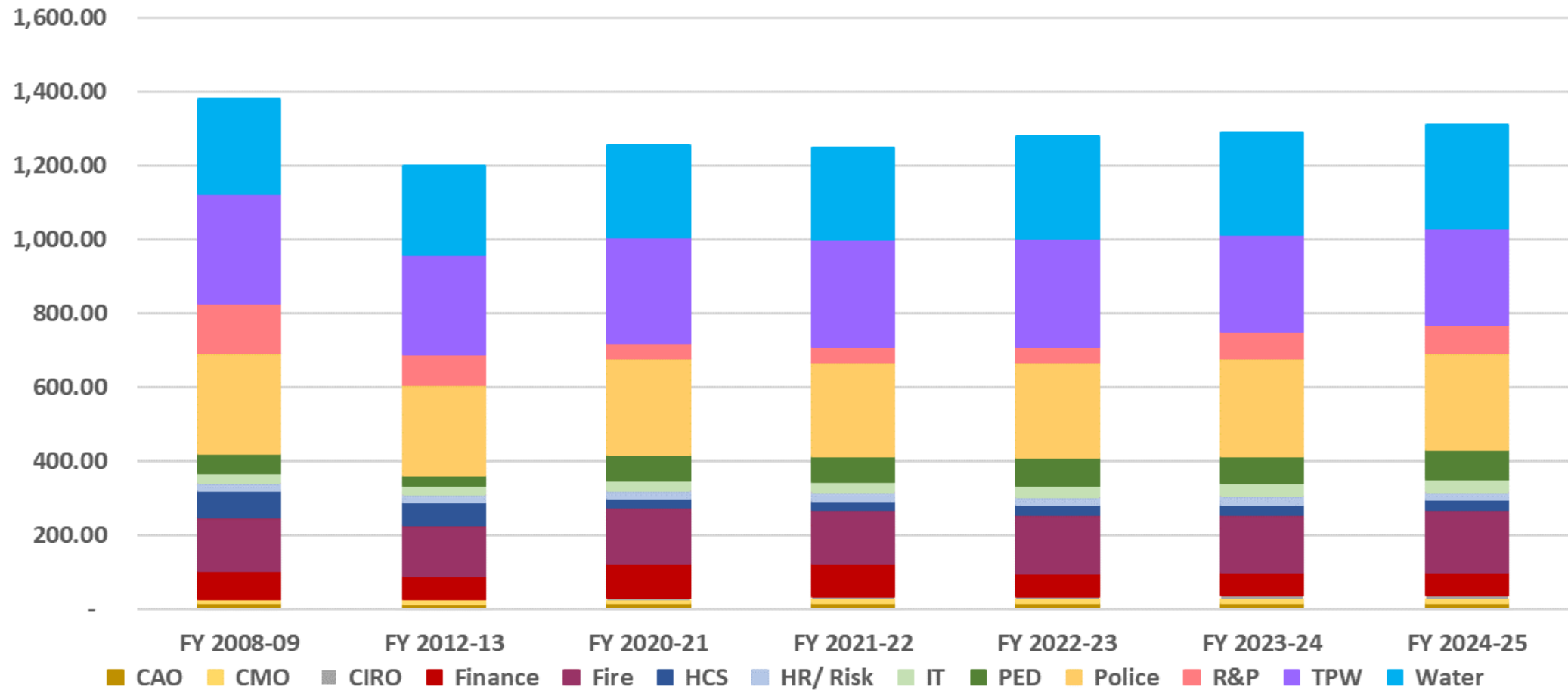
Strategy – Programmatic Cuts

- **Programmatic Cuts:** Aimed at reducing or eliminating specific programs. Often based on strategic evaluations of program effectiveness, cost-efficiency, and alignment with city priorities
 - **Pros:** Direct and significant cost savings, immediate cash flow relief from deferred expenditures and economies of scale
 - **Cons:** Reduction of critical services, stifles growth, potential economic slowdown

5-Year Staffing History

DEPARTMENT	FY 2008-09	FY 2012-13	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
City Attorney	15.80	12.90	15.90	15.90	15.90	15.90	15.90
City Manager	12.00	12.00	8.00	9.00	11.00	11.00	11.00
Communications & Intergovernmental Relations *	-	-	7.00	7.00	7.00	9.00	9.00
Finance	75.35	63.85	92.85	89.60	62.60	62.60	62.60
Fire	143.75	137.75	151.00	148.00	157.00	157.00	169.00
Housing & Community Services	74.00	63.50	24.00	24.00	27.00	27.00	27.00
Human Resources	20.40	17.70	21.00	21.00	22.00	23.00	23.00
Information Technology	28.00	24.00	29.00	30.00	31.00	33.00	33.00
Planning & Economic Development	49.20	27.80	69.00	68.00	74.00	74.00	78.50
Police	274.75	246.75	260.00	256.00	259.00	264.00	264.00
Recreation & Parks	132.60	82.65	42.00	42.00	44.00	74.00	76.15
Transportation & Public Works	298.05	268.00	287.00	288.00	292.00	261.00	261.00
Water	253.00	241.00	247.50	248.50	276.00	278.00	278.00
Total FTE Positions	1,376.90	1,197.90	1,254.25	1,247.00	1,278.50	1,289.50	1,308.15

5-Year Staffing History



Department Reductions (FY 24-25)

- **Departments were directed to review operations and identify 5% and 8% reductions**
- **Ongoing Budget Reductions: \$6.2M**
 - Vacant FTEs: \$2.7M
 - Operating Costs: \$3.5M
- **FY 2024-25 Mid-Year Reductions: \$3.2M**
 - Vacant FTEs: \$1.7M
 - Operating \$1.6M
 - Remaining \$1M of FTE Vacancy reductions and \$1.9M of Operational costs to be reduced with FY 25-26 annual budget

Budget Reduction Summary

➤ **One-Time Funds:**

- PGE Funded projects: **\$9.4M** – detail on next slide
- Pension 115 Trust: **\$12M**

➤ **Hiring Freeze:**

- **\$3.8M** in General Fund vacancies

➤ **Programmatic Cuts:**

- **\$1.3M** Safe Parking
 - Applying for alternative grants and evaluating internal resources available

➤ **Department Identified Cuts: \$6.2M**

One-Time Funds: PG&E Projects

Department	Description	Amount
City Council	Translation Services (Written and Oral)	402,091
Comm. Engagement	Community Equity Capacity Building	34,846
Comm. Engagement	Youth Promotores/Youth Council	50,000
Comm. Engagement	DEI Spaces	57,860
Comm. Engagement	Community Empowerment Plan	127,766
Fire	Wildland Resiliency Planning "Response"	261,791
Fire	Vegetation Management	2,000,000
HCS	Down Payment Assistance	1,452,106
HR	City Staff Equity Capacity Training	115,000
HR (DEI)	Equity Data Dashboard	50,000
HR (DEI)	SEED Equity Plan Prioritized Recommendations	300,000
PED	Climate Action Plan Implementation	150,000
TPW	Fire Station 5 Rebuild	500,000
TPW	PGE Fire Damaged Pavement - Non-Reimbursable	542
TPW	Fire Damaged Tree Removal Phase 2	82,407
TPW	FEMA Fire Damage Fountaingrove	3,800,000
	Total	\$9,384,409

Next Steps

- Budget Reduction Study Session (October 22)
- Mid-Year budget adjustment (January)
- Budget Reduction Study Session (April)
- Budget Study Session (May 6-7)
- Budget Adoption (June 17)

Questions?