

# Overview of Proposed Fiscal Year 2015-16 Budget

May 19, 2015



# Today's discussion

- Continued Fiscal Sustainability
- Principles for Budget Development
- Fiscal Year 2015-16 Proposed Budget
- General Fund Proposed FY 2015-16 Budget
- Five-year General Fund Financial Forecast
- The NEW Process to Develop the Measure B Expenditure Plan
- Questions & Input from City Council

# Continued Fiscal Sustainability

- FY 2015-16 Proposed Budget is structurally balanced
- FY 2015-16 Contingency of \$156,178
- FY 2013-14 Audit received an unmodified opinion – second year in a row
- The FY 2014-15 audit is on track to be completed by December 31, 2015

# Guiding Principles

- Maintain fiscally prudent reserves
- Conservatively project revenue growth
- Utilize Measure B revenues only to augment existing services or rebuild reserves
- Use a five-year financial forecast to look beyond the current fiscal year for future challenges
- Continue to address long-term liabilities and maintenance deficiencies

# CITYWIDE Estimated FY 2015-16 Budget Revenue Sources

<b>General Fund</b>	<b>\$ 90,306,148</b>
Enterprise	43,123,694
Public Works	13,299,794
Economic Development	6,589,857
Capital Projects	(4,315,058)
Other Funds	39,335,131
<b>TOTAL</b>	<b>\$ 186,595,350</b>

General Fund provides unrestricted operating revenue - 48% of total  
All other funds are restricted for specific purposes

# General Fund Revenue (Excluding Measure B)

Compared to FY 14-15 Projected Revenue

## Revenue changes:

- Property Tax increase of 5.6% + \$1,427,800
- Sales Tax increase 3.2% + \$428,700
- Utility Users Tax increase 3.5% + \$438,000
- Franchise Tax increase 3.8% + \$185,500
- Other General Revenue decrease 10% (\$688,300)
- Program Revenue decrease 16.4% (\$2,127,000)

TOTAL DECREASE OVER 14-15 PROJECTED REVENUES = (\$335,000)

# Caution with Respect to Revenues

- City of Vallejo unemployment rate was 8.9% as of April 2015. The jobless rate impacts a variety of revenue sources – sales tax, property transfer tax and transient occupancy tax.
- Sales Tax Revenue, one of the City's largest and most volatile revenue sources is highly concentrated in the City. The top 10 businesses provide 40% of the revenue. Sales of gasoline make up approximately 15% of the total revenue increasing the volatility.

# Caution with Respect to Revenues

(continued)

- Property Tax Revenue spiked last year, but as real estate regains its Prop-8 values after FY 2015-16 we project revenue will level off at the maximum 2% (Prop-13) yearly increase. Last year and next year's larger property tax increases are expected to be anomalies.
- Program Revenues reductions are mainly a result of the expiration of SAFER grants. As economic development activity increases Program Revenues are expected to increase.



# General Fund Expenditures (Excluding Measure B)

## Salaries and Benefit expenditure changes:

(Proposed for FY 15-16 Compared to Projected FY 14-15)

- Salaries decrease (\$963,000)
- Pension increase \$1,496,500
- Self Insurance (incl. Wrks Comp) increase \$465,000
- Health and Welfare increase \$157,000
- Retiree Medical (OPEB) decrease (\$546,800)
- Social Security and Other Benefits decrease (\$234,000)
- Compensated Absences increase \$20,000

TOTAL PROJECTED INCREASE IN SALARIES & BENEFITS = \$395,000

# General Fund Expenditures (Excluding Measure B)

## Other operating expenditure changes to note:

- Utilities increase \$37,450
- Services & Supplies decrease (\$241,000)
- Bond/Debt payments increase \$651,900
- Infrastructure increase \$100,000
- Interfund transfers/reimbursements are flat

# General Fund Expenditures (Excluding Measure B)

Expenditures added to the general fund for FY 2015-16:

- MMD Ordinance & Enforcement: \$300,000
- Investing in Employees (training & conferences): \$250,000
- Police Booking Fees: \$200,000
- VSFCD Storm Rate Increase: \$155,000
- Fire Department Equipment Enhancements: \$100,000
- Improving Citywide Maintenance: \$100,000

# General Fund Expenditures (Excluding Measure B)

## Personnel changes to the General Fund:

- Assistant to the City Manager (replaces Admin. Analyst II)
- Move Code Enforcement Division to Police Department
- Sworn Police Lieut. replaces Manager, Code Enforcement
- Move Ec. Dev. Manager from Measure B to General Fund
- Add .4 FTE Secretary P/T position for Human Resources
- Expiration of Fire SAFER Grants (9 FTEs)

# Revenue & Expenditure Changes Overview

(Excluding Measure B)

## Changes to FY 15/16 from FY 14/15 Projected

Decrease in revenue	(\$335,000)
Increase in salaries & benefits	\$395,000
Decrease in “other operating costs” *	\$2,307,000

\* FY 14-15 included 2 “Extraordinary expenses” (1-time costs):  
\$2.2 Million transfer to the Earthquake Fund  
\$655k in disallowed Successor Agency loan payments

FY 15-16 Proposed Budget Operating Results are \$156,178 positive **without** use of reserves. That balance is being allocated as a contingency.

# A Comparative of FY 15-16

This quick chart compares 3 important snap-shots:

- **Projected FY 14-15** = how things look right now for *this* year, before the audit
- **Assumed FY 15-16** (from the FY 14-15 Adopted Budget) = how we thought FY 15-16 would look with the data we had in June 2014
- **FY 15-16 Proposed Budget** = how things look for FY 15-16 right now)

	<b>FY 14-15 Projected</b>	<b>FY 15-16 Assumed in 14-15</b>	<b>FY 15-16 Proposed</b>
<b>Revenues</b>	\$ 77.67	\$ 72.51	\$ 77.34
<b>Expenditures</b>	\$ 79.22	\$ 73.65	\$ 77.34
<b>Annual Operating Results</b>	\$ (0.50)*	\$ (1.14)	\$ -

All values are in Millions. \*FY14-15 includes a \$1M draw down on Reserves. 14

# 5-Year General Fund Financial Forecast

	<b>FY 15-16</b>	<b>FY 16-17</b>	<b>FY 17-18</b>	<b>FY 18-19</b>	<b>FY 19-20</b>
Beginning Available Balance	10,413	11,163	11,287	11,816	11,443
<b>Revenues</b>					
Taxes	64,404	66,313	67,892	69,202	70,518
Program Revenue	12,936	12,486	12,429	12,345	12,369
	<u>77,340</u>	<u>78,799</u>	<u>80,321</u>	<u>81,547</u>	<u>82,887</u>
<b>Expenditures</b>					
Salaries/Benefits	69,371	71,211	72,724	74,290	75,829
Other	19,488	19,733	19,337	19,899	19,546
Interfund reimbursements	(11,519)	(11,519)	(11,519)	(11,519)	(11,519)
	<u>77,340</u>	<u>79,425</u>	<u>80,542</u>	<u>82,670</u>	<u>83,856</u>
Annual Operating Results	-	(626)	(221)	(1,123)	(969)
Ending Available Balance	<u>11,163</u>	<u>11,287</u>	<u>11,816</u>	<u>11,443</u>	<u>11,224</u>
	14.4%	14.2%	14.7%	13.8%	13.4%

- NOTE: 1. Numbers are in thousands  
 2. Measure B is excluded  
 3. Includes Transfer of \$750k Measure B Reserves to General Fund

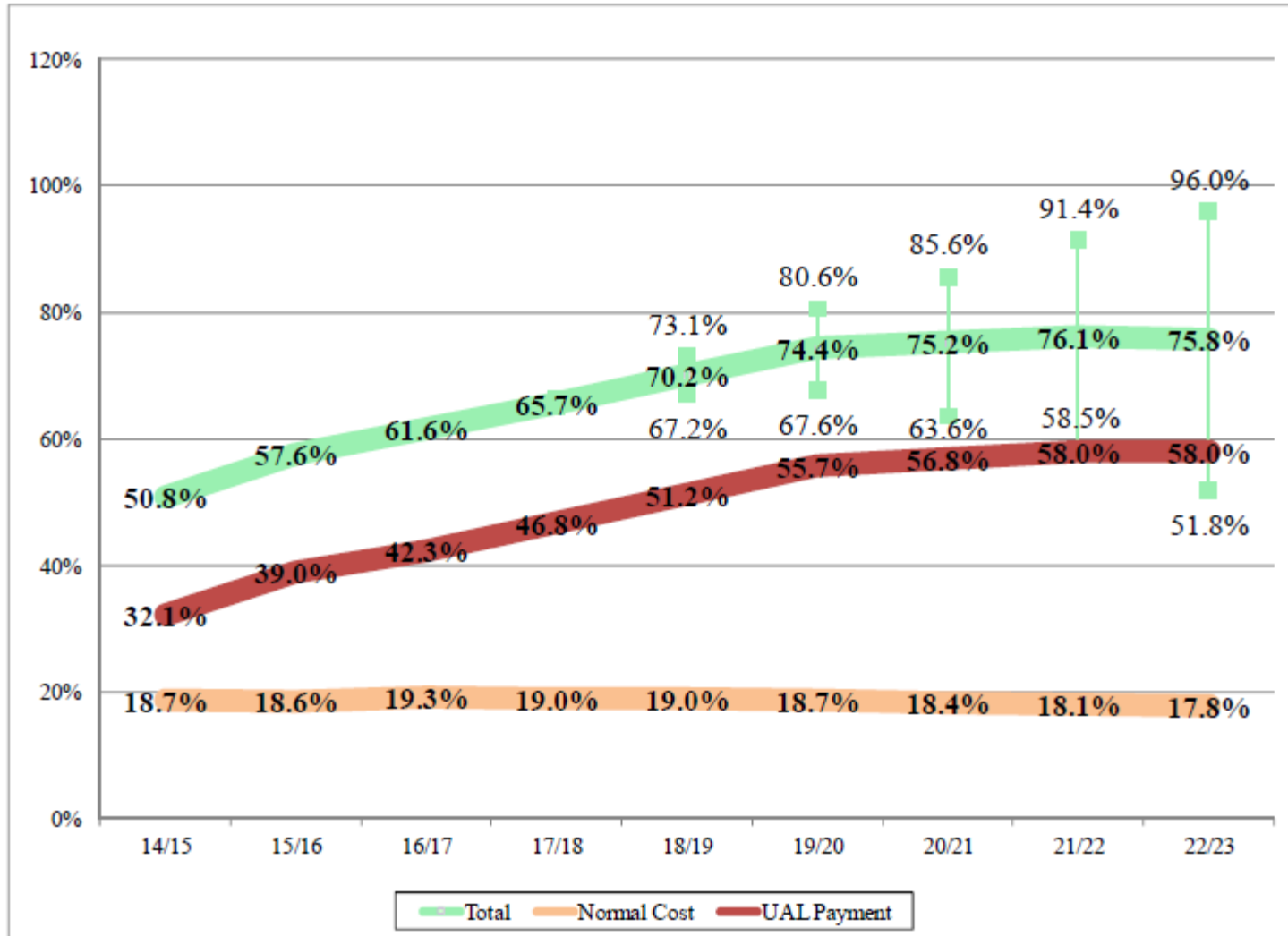
# Salary and benefit assumptions

## Future annual costs of PERS rate increases

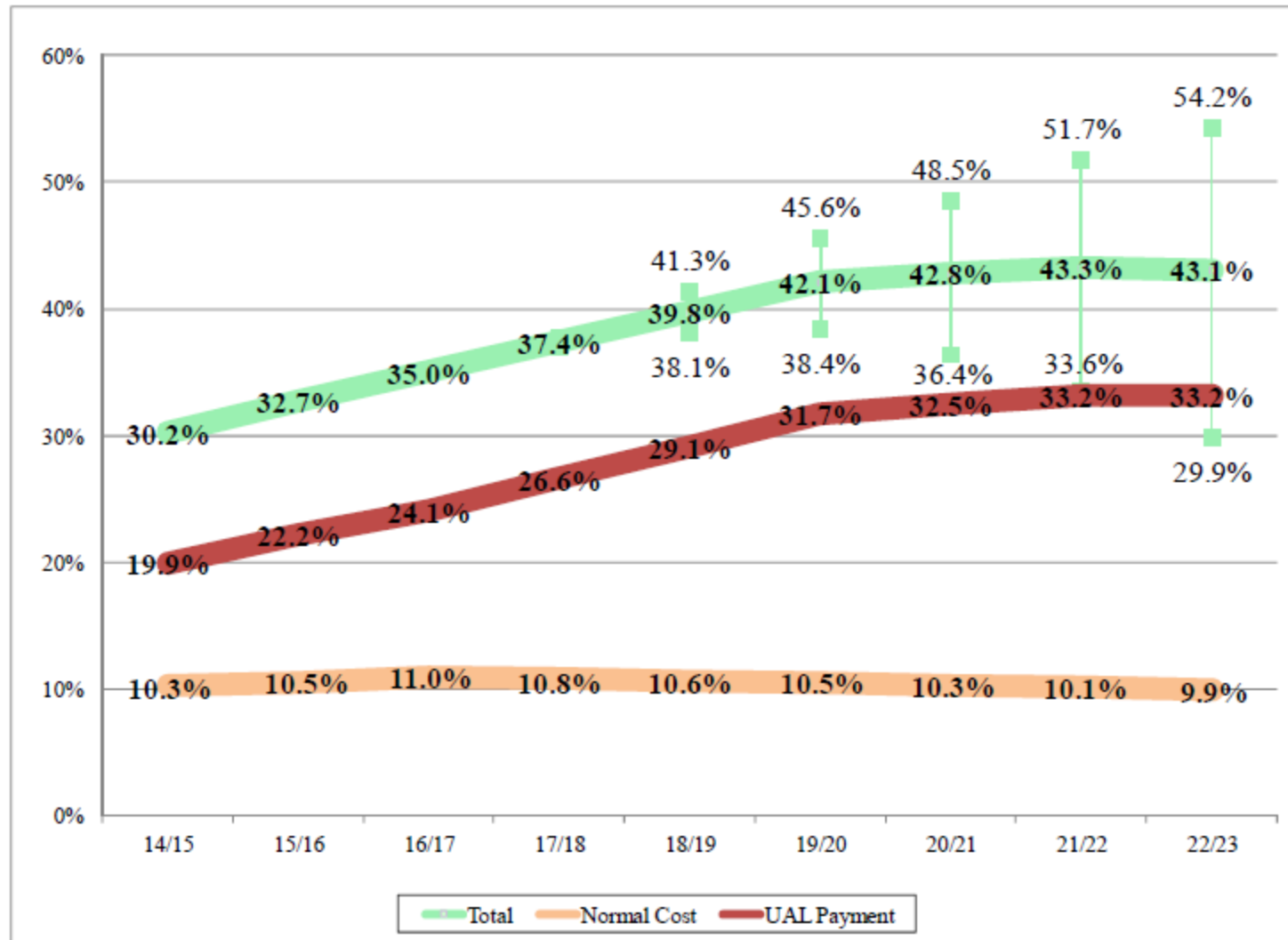
	FY 16/17	FY 17/18	FY 18/19	FY 19/20	Cumulative Total
Public Safety	\$871,618	\$924,210	\$968,220	\$924,210	\$3,688,257
PERS Rate	61.6%	65.8%	70.2%	74.4%	16.8%
Miscellaneous					
PERS Rate	35.1%	37.4%	39.7%	42.8%	9.4%
• General Fund	\$315,983	\$351,677	\$351,677	\$382,257	\$1,437,594
• Other Funds	\$228,079	\$227,881	\$227,881	\$247,697	\$931,538
Subtotal	\$580,062	\$579,558	\$579,558	\$629,954	\$2,369,132
Total increases due to PERS rate increases	\$1,451,680	\$1,503,768	\$1,547,778	\$1,554,164	\$6,057,389



## CONTRIBUTION PROJECTIONS - SAFETY



## CONTRIBUTION PROJECTIONS - MISCELLANEOUS



# Salary and benefit assumptions

## Future annual increased costs of estimated Health Care Premiums

	FY 16/17	FY 17/18	FY 18/19	FY 19/20	Cumulative Total
Health Care Premium Assumed Increases*	7.5% 7.0%	7.0% 6.5%	6.5% 6.0%	6.0% 5.5%	26.0%
Public Safety	\$170,242	\$169,980	\$168,002	\$164,209	\$672,432
Miscellaneous					
General Fund	\$145,945	\$145,723	\$144,027	\$140,774	\$576,469
Other Funds	\$106,789	\$106,626	\$105,385	\$103,005	\$421,806
Subtotal	\$252,733	\$252,350	\$249,412	\$243,779	\$998,275
Total estimated increases due to Health Care Premium increases	\$422,975	\$422,330	\$417,414	\$407,988	\$1,670,707

\*The 2 Rate Percentages represent: (Jul-Dec) & (Jan-Jun) rates.  
Health Care Premiums increase January 1 each year.

# The NEW Measure B Expenditure Plan

This year's Proposed Budget document contains a color coded set of tables depicting the:

- Current Measure B allocations
- Priorities from Council Goal Setting
- Additional Identified Needs

Final Measure B spending priorities for FY 15-16 to be established by City Council during budget deliberations.

# Next Step

- June 9, 2015 City Council Public Hearing and Action regarding the FY 2015-16 Proposed Budget.

# Questions & Feedback

