

Mid-Year Budget Update: FY 2015-16

March 8, 2016



FY 2014-15 COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

After Audit:

- FY 2014-15 Unappropriated Reserve Fund balance was \$1.5 million higher than projected in FY 2015-16 Adopted Budget
- The Management Discussion and Analysis (MD&A) section of the CAFR contained an error on page 5, where the City's reserve target of 15% was incorrectly stated as 25%

MAJOR REVENUE SOURCES

Property Tax

- Property-related tax revenues compared to projections:
 - + \$341,630; Prop Taxes
 - \$521,368; MVLF Revenue.
- = net **(\$179,738)** under FY 15-16 Adopted Bdgt projection

Sales Tax

- Sales taxes down slightly compared to FY 2015-16 projections: **(\$27,000)**
 - Primarily attributed to the decrease in gas prices

MAJOR REVENUE SOURCES (cont.)

Program Revenues

- \$677,218 over projections (mainly from Building Fees)
- Police Department revenues **down** \$207,232 (Code Enforcement & adjustments to some grant funding to reflect actuals)

Other Revenue of Note

- Utility User Tax (UUT) down \$396,984
- Transient Occupancy Tax (TOT) up \$447,000
- Business License Revenue up \$363,000

NET: \$1.6 million in Revenues over projections

GENERAL FUND EXPENDITURES

Key Changes:

- Salary & Benefits projected to increase by \$850,000
 - \$900,000 in Fire Department Overtime expenses (offset \$300k by increased Strike Team Grant Revenue reimbursements)
 - (\$50,000) in savings for Police Department School Resource Officer (salary for 9months vs 12months)
- \$167,000 for IBEW Agreement one-time payments
- Salary Savings reduced by \$300,000
 - offset by-
- Leave Payouts: \$300,000 savings

GENERAL FUND EXPENDITURES_(cont.)

- Police Department: \$149,000 increase due to lower Office of Traffic Safety grant reimbursement
- Economic Development - Building Division:
 - \$150,000 for Professional Services
 - \$ 23,340 for Training & Software
- City Clerk: \$25,000 for Microfilm/Microfiche digitization
- Human Resources: \$100,000 additional in Professional Services for city-wide Management Training

GENERAL FUND EXPENDITURES_(cont.)

Transfers Out:

- Capital Outlay Fund (Fund #201)
 - Tree Maintenance: \$70,000
 - North Mare Island Building Demolition: \$200,000
 - Badge & Pass Hazardous Material Fee: \$63,000

- Golf Subsidy increasing \$87,600 to cover decreased revenue (Cart Barn) and increased VSFCD storm water fees

NET: \$1.44 million in Expenses over projections

MEASURE B

- Audited FY 2014-15 results show Measure B Revenues \$932,483 increase over projected in FY 2015-16 Adopted Budget.
- FY 2014-15 Tax Revenues projected \$689,000 over estimates.

Revenues		Revenue	Expenditures
	Increased in Transaction / Use Taxes	\$689,000	
Expenditures			
Adjustments from FY 2013-14			
	Municipal Fiber Project		(\$20,000)
	Remove Measure C Tax from Measure B line		\$200,000
Participatory Budgeting Projects			
	Cycle 1 Unspent		(\$492,103)
	Cycle 2 Unspent		(\$104,000)
	Police Activities League (PAL)		\$10,000
	Street Cleaning / Graffiti Abatement		\$25,000
	Sidewalk / Tree Permits		\$100,000
	Cycle 4 Projects		\$461,103
	Totals:	\$689,000	- \$180,000

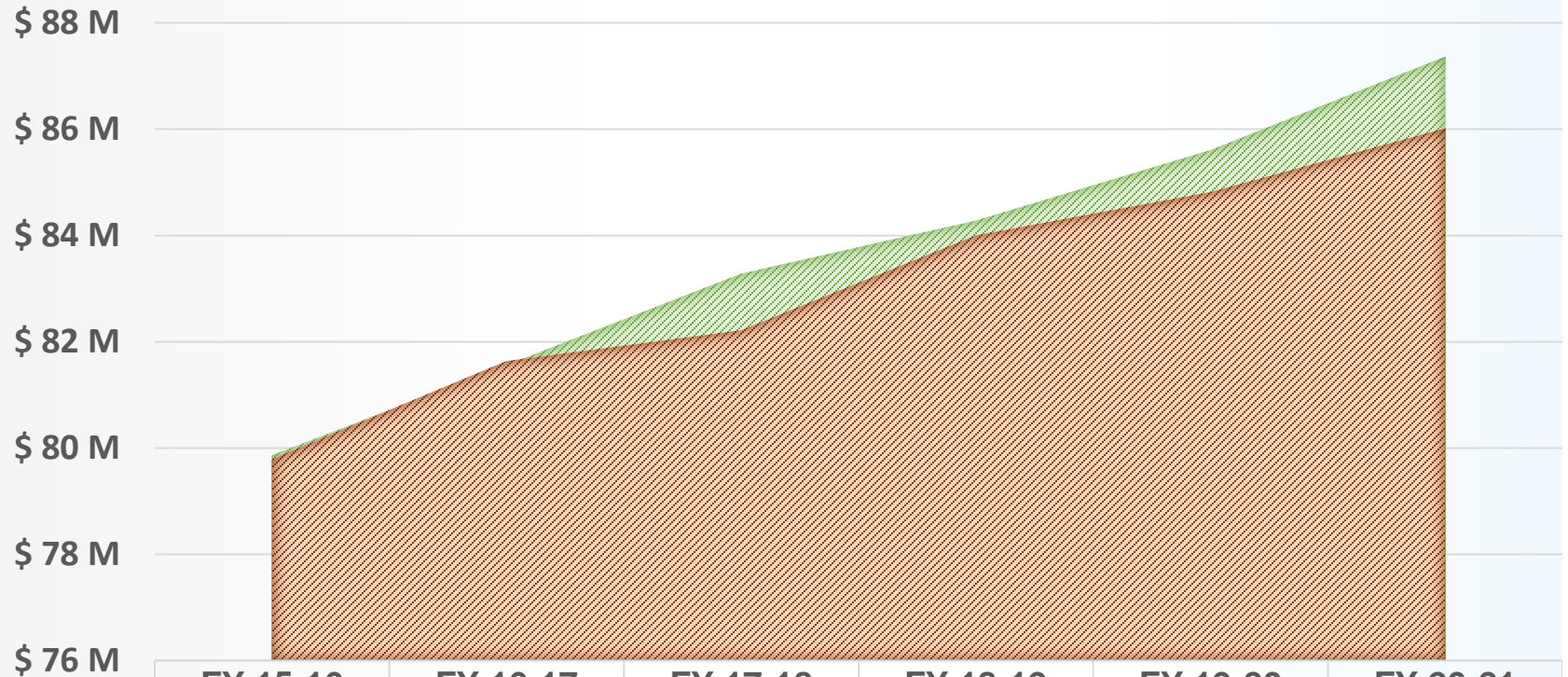
Revenue - Expenditures : \$509,000

5 YEAR GENERAL FUND FINANCIAL FORECAST

Excluding Measure B / Numbers in Millions

	Projected:	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21
Beginning Available Balance		\$ 11.98 M	\$ 12.80 M	\$ 13.47 M	\$ 15.28 M	\$ 16.31 M	\$ 17.85 M
Revenues							
Tax and other unrestricted revenues		\$ 65.54 M	\$ 67.53 M	\$ 69.39 M	\$ 71.07 M	\$ 72.78 M	\$ 74.52 M
Program revenues		\$ 14.32 M	\$ 14.03 M	\$ 13.88 M	\$ 13.21 M	\$ 12.82 M	\$ 12.84 M
Subtotal, revenue:		\$ 79.86 M	\$ 81.56 M	\$ 83.28 M	\$ 84.28 M	\$ 85.60 M	\$ 87.36 M
Expenditures							
Salaries		\$ 41.08 M	\$ 41.61 M	\$ 41.61 M	\$ 41.61 M	\$ 41.61 M	\$ 41.61 M
Pension (normal cost & unfunded liability)		\$ 15.52 M	\$ 16.17 M	\$ 16.83 M	\$ 17.74 M	\$ 18.60 M	\$ 18.94 M
Other Benefit Costs		\$ 14.50 M	\$ 15.34 M	\$ 15.65 M	\$ 15.97 M	\$ 16.27 M	\$ 16.56 M
Subtotal (Salary/Benefit):		\$ 71.09 M	\$ 73.12 M	\$ 74.09 M	\$ 75.32 M	\$ 76.48 M	\$ 77.12 M
Service & Supplies		\$ 20.07 M	\$ 19.89 M	\$ 19.50 M	\$ 20.06 M	\$ 19.70 M	\$ 20.27 M
Interfund reimbursements		-\$ 11.37 M	-\$ 11.37 M	-\$ 11.37 M	-\$ 11.37 M	-\$ 11.37 M	-\$ 11.37 M
Subtotal, expenditures:		\$ 79.79 M	\$ 81.64 M	\$ 82.22 M	\$ 84.00 M	\$ 84.82 M	\$ 86.02 M
Operating Results (Net Change)		\$ 0.07 M	-\$ 0.08 M	\$ 1.06 M	\$ 0.28 M	\$ 0.79 M	\$ 1.35 M
Unappropriated Reserves		\$ 8.05 M	\$ 7.97 M	\$ 9.03 M	\$ 9.31 M	\$ 10.10 M	\$ 11.44 M
Measure B-funded Reserves		\$ 4.75 M	\$ 5.50 M	\$ 6.25 M	\$ 7.00 M	\$ 7.75 M	\$ 8.50 M
Ending Balance (Reserves)		\$ 12.80 M	\$ 13.47 M	\$ 15.28 M	\$ 16.31 M	\$ 17.85 M	\$ 19.94 M
As a percentage of annual expenditures:		16.0%	16.5%	18.6%	19.4%	21.0%	23.2%

5 YEAR GENERAL FUND FORECAST



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Excluding Measure B

POLICE DEPARTMENT METHODOLOGY SHIFT

Staff recommends moving 5 Police Officers from Measure B into General Fund vacancies, to more accurately reflect the *true costs* of employing officers between the two funds.

Utilize Salary Savings to fund above and beyond expenses for new Police Officers:

- \$342,600 for five marked vehicles
- \$182,000 to outfit vehicles with computer systems
- \$400,000 in overtime costs for Measure B funded Police Department Positions
- \$50,000 to complete funding for a Crime Scene Response Vehicle

OTHER CHANGES IN THE MID-YEAR REPORT

- Authorized position listing now reconciled
- Budgetary Control consistent across all funds
- California Strategic Growth Council Grant of \$742,500 to fund portions of the General Plan Update

FUTURE OBLIGATIONS

- **CalPERS unfunded liabilities \$223.6 M**
per CalPERS June 30, 2014
- **OPEB – Other Post Employment Benefits unfunded liabilities \$12.1 M**
per June 30, 2015 CAFR
- **Fleet replacement**
Annual depreciation \$1,189,986
- **Maintain Current Pavement Condition Index**
Annual amount required \$6.2 M

THE TOOL WE USE

- **Annual Budget**

NEEDS THAT CONTINUE TO BE INADEQUATELY ADDRESSED

- **Public Safety**
- **Infrastructure Maintenance**
- **Unfunded Liabilities**
- **Unanticipated Risks**
- **Self Insurance Fund Reserves**

QUESTIONS & FEEDBACK

