

Vallejo's Financial Outlook: Mid-Year FY 2014-15

March 10, 2015



KEY MESSAGES

- Economy continues its positive momentum
- Revenues are up compared to early projections
 - Property taxes increased (due to Prop 8 vs 13)
 - Sales taxes are slightly down (due to gas prices)
 - Program Revenues increased over projections
- Expenditure increases in Mid-Year keeping pace with increases in Revenues

REPORT ON FY 2013-14 AUDITED NUMBERS

Positive news to start with:

FY 2013-14 Unappropriated Reserve Fund balance was \$2.2 million higher than projected in FY 2014-15 Adopted Budget

MID-YEAR STATUS OF FY 2014-15 CITY BUDGET

FY 2014-15 BUDGET UPDATES:

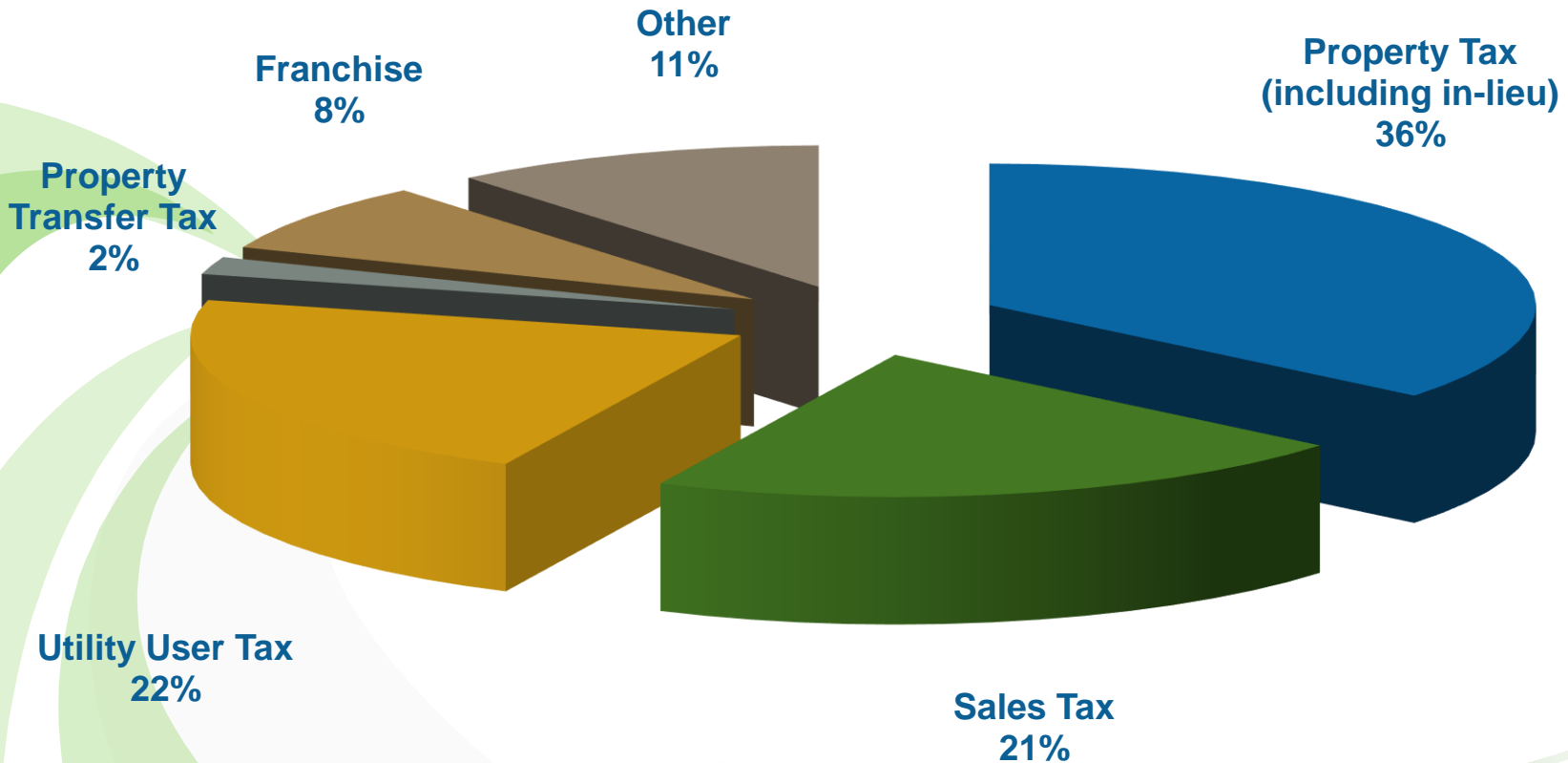
- General Fund projecting increases to revenues & expenditures over Adopted Budget estimates

- What that means:

We continue to move forward with a **structurally balanced budget** at Mid-Year

MAJOR REVENUE SOURCES

Percent of General Unrestricted Tax Revenues
(excludes Measure B and Program Income)



MAJOR REVENUE SOURCES

Property Tax

- Vallejo property values showing improvement:
Property-related tax revenues are estimated at \$2 million above projections
- Why? – Prop 8 values vs Prop 13 values
 - ❖ Prop 8 allows larger jumps in tax values than the 2% cap of Prop 13 as properties recoup pre-recession values

These increases are limited, once properties reach pre-recession values Prop 13's 2% cap kicks in again; Prop 8 spikes will not occur once pre-recession values are reached.

MAJOR REVENUE SOURCES (continued)

Sales Tax

- Sales taxes are slightly down compared to projections
 - Primarily attributed to the decrease in gas prices

Program Revenues

- \$1.17 million over projections
 - Primarily from Building & Planning Fees
- Another indicator that the economy is improving.

TOTAL: \$3.18 million in Revenues over projections

GEN.FUND EXPENDITURES

Key Changes:

- Salary & Benefits projected to increase by \$726,000;
 - ❑ \$333,000 in Building Division spending for Contracted Services
 - ❑ \$413,000 for Fire Department Strike Team & Earthquake expenses (these expenses are offset by Grant Revenue reimbursements)
 - ❑ (\$20,000) in net savings across various departments
- Salary Savings reduced by \$1.5M (from \$2.5M to \$1M)
 - Expected savings are lower than projected due to success of recruitment efforts in Public Safety.
- Leave Payouts were lower than expected = \$420,000 savings

GEN.FUND EXPENDITURES (continued)

- Police budget for booking fee (net offset decrease in telecommunication); \$145,000
- Fire Department Training/Conferences; \$30,000
- Building Division Service & Supplies from Earthquake; \$67k
- General Plan Update; \$362,719 (paid for w/ fees collected)
- City's share of VMT/Orcem project planner; \$42,460
- Planning Division's Records Improvement Project; \$71,694
- Golf Subsidy increased by \$359,332

TOTAL: \$3.18 million in Expenses over projections

Still Structurally Balanced Budget ...

\$3.18 million in increased Revenues

\$3.18 million in increased Expenditures

A QUICK NOTE ON MEASURE B

- Audited FY13-14 results show Measure B Revenues \$573,474 increase over anticipated.
- FY14-15 Tax Revenues projected \$409,000 over estimates.

Revenues		Revenue	Expenditures
	Increased in Transaction / Use Taxes	\$409,000	
Expenditures			
Adjustments from FY 13-14			
	PB Admin & Oversight Adjustment (unspent)		\$30,000
	Camera Pilot Project Adjustment (reimbursement true up)		\$7,683
	Community Gardens & Nutrition Edu. (unspent)		(\$44,531)
	College Bound Vallejo (true up)		(\$3,794)
New Project for FY14-15:			
	Municipal Fiber Project		\$150,000
Totals:		\$409,000	- \$139,358

Net estimated fund increase to Measure B : \$269,642

5 YEAR GENERAL FUND FINANCIAL FORECAST

5 YR GENERAL FUND FINANCIAL FORECAST

Projected:	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
Beginning Available Balance	9,944	9,777	10,039	9,914	10,033	10,479
Revenues						
Taxes	62,187	63,430	64,782	66,161	67,571	69,010
Program Revenues	15,054	12,563	12,511	12,697	12,951	13,210
	77,241	75,993	77,293	78,858	80,522	82,220
Expenditures						
Salaries/Benefits	68,949	68,260	69,747	70,869	72,005	73,127
Other	22,031	19,468	19,668	19,868	20,068	20,268
Interfund reimbursements	(11,248)	(11,248)	(11,248)	(11,248)	(11,248)	(11,248)
	79,732	76,480	78,167	79,489	80,825	82,148
Drawdown of restricted funds	1,323	-	-	-	-	-
Net Change (Operating Results)	(1,168)	(487)	(874)	(631)	(304)	72
Measure B-funded Reserves	4,000	4,750	5,500	6,250	7,000	7,750
Unappropriated Reserves	5,777	5,289	4,414	3,783	3,479	3,551
Ending Available Balance	9,777	10,039	9,914	10,033	10,479	11,301

Reserves as % of Expenditures	12.3%	13.1%	12.7%	12.6%	13.0%	13.8%
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NOTE: Numbers are in thousands

5-YEAR GENERAL FUND FINANCIAL FORECAST

REVENUE ASSUMPTIONS

	FY 15/16	FY 16/17	FY 17/18	FY 18/19	FY 19/20
Property Tax	1%	2%	2%	2%	2%
Sales Tax	4%	4%	4%	4%	4%
Utility Users Tax	1%	1%	1%	1%	1%
Property Transfer Tax	0%	0%	0%	0%	0%
Franchise Tax	0%	0%	0%	0%	0%
Program Revenues	(15%)*	2%	2%	2%	2%

*NOTE: negative percentage denotes expiration of SAFER grants

OBLIGATIONS, RISKS AND UNCERTAINTIES

FUTURE OBLIGATIONS

- **CalPERS unfunded liabilities \$239.4 M**
per CalPERS October 2014
- **OPEB – Other Post Employment Benefits unfunded liabilities \$55.7 M**
per January 30, 2014 actuarial report
- **Fleet replacement**
Annual depreciation \$1,063,026
- **Maintain Current Pavement Condition Index**
Annual amount required \$6.2 M

THE TOOL WE USE

- **Annual Budget**

RISKS WE MUST PLAN FOR

- Natural Disasters
- Revenue Volatility
- Economic Decline
- Federal & State Budget deficit impacts
- Lawsuits

THE TOOL WE USE

- Upcoming Risk-Based Reserve Policy

NEEDS THAT CONTINUE TO BE INADEQUATELY ADDRESSED

- **Public Safety**
- **Infrastructure Maintenance**
- **Unfunded Liabilities**
- **Unanticipated Risks**
- **Reserve Balances**

QUESTIONS & FEEDBACK

