

Sciential English Sciential Budget Presentation

Finance Committee April 23, 2025



AGENDA

Key Driving Factors

Budget Strategies

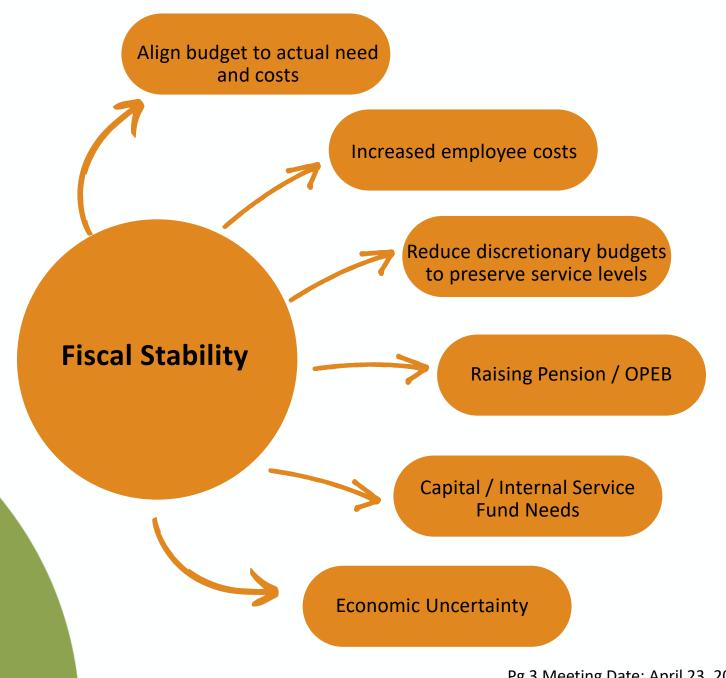
3General Fund
Forecast

4 Budget Overview

General Fund Reductions **6**Capital Funding
Needs

Pension & OPEB

8 ARPA **Key Driving Factors Impacting** FY26 & FY27 Budget



Budget Strategies

Discretionary Costs

Reduce services and supplies; preserve service levels

Fixed Assets

Temporarily remove all budget allocations for fixed assets

Internal Service Fund

Prioritize fleet replacement; defer technology enhancements; align budget with need and costs

Personnel Costs

Establish realistic onboarding of vacant positions, including anticipation of attrition through retirements

What is Fund Balance?

What is Fund Balance?

- Represents the difference between the City's totals assets and current/future liabilities. It essentially shows the net available resources in that fund at a given point in time.
- Categories of Fund Balance:
 - Nonspendable Resources that cannot be spent.
 - **Restricted** Resources with external restrictions (i.e. grants).
 - Committed Set aside for specific purposes by formal government action.
 - **Assigned** Intended for specific purposes but not legally restricted (i.e. encumbrances).
 - **Unassigned** Available for any purpose.

What is a Targeted Fund Balance?

- A targeted fund balance percentage refers to the desired level of reserves a government or organization aims to maintain in its General Fund.
- The Government Finance Officers Association (GFOA) recommends that general-purpose governments maintain unrestricted fund balance in their General Fund of at least two months (or approximately 20%) of regular operating expenditures (excluding transfers).

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What is Fund Balance? (cont.)

Why is a targeted 20% fund balance important?

- Ability to pivot for unexpected expenses without resulting in direct to significant service reductions or borrowing.
- Improved ability to weather economic downturns.
- Ability to remain operational during natural disasters.
- May impact / improve credit ratings, leading to lower borrowing cost.
- Enhanced financial stability and resilience.

What is the City Fund Balance Policy?

- \$5M for Major Emergencies
- 20% of Total Expenditures for Economic Uncertainties
- Set policy meets and exceed industry best practice

What is a Structural Deficit?

What is structural deficit?

• A structural deficit is a persistent imbalance where a government's spending consistently outpaces its revenue.

What are some causes that attribute to a structural deficit?

- Insufficient revenue or fluctuating revenue
- Unpredictable rate changes to pensions
- Growing infrastructure needs
- Economic instability/uncertainties
- Excessive spending

Why is a structural deficit is bad?

- Persistent structural deficits are unsustainable.
- Eventually, all available funds are expended, which can put the City in a position of filing for bankruptcy.

General Fund 10-Year Forecast

(prior to proposed budget)

(\$ in millions)

	A	В	С	D	E	F	G	н	ı	J	к	L	М
		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
		Actual	Budget	Est.	Est.	Est.	Est.	Est.	Est.	Est.	Est.	Est.	Est.
1	Total Revenues	\$144.7M	\$143.4M	\$150.8M	\$153.3M	\$156.7M	\$160.5M	\$165.4M	\$170.8M	\$177.4M	\$182.4M	\$182.7M	\$185.6M
2	Tatal Canadia Suna dikana	* 405.014	A450.014	A450 514	A450.014	* 400.014	\$400 FM	A470 014	A475 014	A470 014	* 404.014	* 400 014	* 400 414
3	Total Operating Expenditures	\$135.0M	\$158.2M	\$152.5M	\$158.0M	\$163.3M	\$168.5M	\$172.3M	\$175.3M	\$178.2M	\$181.2M	\$183.9M	\$186.4M
4	One ital language and Day areas	C 414	65.0M	65.414	AT TH	¢ε cM	65.7M	AT OM	AC OM	CC 414	CC 014	CC 014	AC EM
5	Capital Improvement Program	6.4M	\$5.3M	\$5.4M	\$5.5M	\$5.6M	\$5.7M	\$5.9M	\$6.0M	\$6.1M	\$6.2M	\$6.3M	\$6.5M
6	Other Transfers	\$0.0M	\$0.6M	\$0.6M	\$0.6M	\$0.6M	\$0.6M	\$0.6M	\$0.6M	\$0.7M	\$0.7M	\$0.7M	\$0.7M
7	Pension	16.5M	0.0M	0.0M	0.0M	0.0M	0.0M	0.0M	0.0M	0.0M	0.0M	0.0M	0.0M
8	IT Fund	0.8M	0.0M	0.0M	0.0M	0.0M	0.0M	0.0M	0.0M	0.0M	0.0M	0.0M	0.0M
9	Fleet Fund	0.1M	0.0M	0.0M	0.0M	0.0M	0.0M	0.0M	0.0M	0.0M	0.0M	0.0M	0.0M
10	Insurance Fund	0.1M	0.0M	0.0M	0.0M	0.0M	0.0M	0.0M	0.0M	0.0M	0.0M	0.0M	0.0M
11	Total Other Sources/(Uses) - Transfers	24.0M	5.9M	6.0M	6.1M	6.2M	6.3M	6.5M	6.6M	6.8M	6.9M	7.0M	7.2M
12													
13	Total Expenditures	158.9M	164.1M	158.5M	164.1M	169.5M	174.8M	178.8M	181.9M	185.0M	188.1M	190.9M	193.6M
14													
15	Net Change in Fund Balance	-\$14.2M	-\$20.7M	-\$7.8M	-\$10.8M	-\$12.8M	-\$14.3M	-\$13.4M	-\$11.0M	-\$7.5M	-\$5.7M	-\$8.2M	-\$8.0M
16													
17	Beginning Balance	≸ 89.6M	/*	,	/	r .	▼\$ 23.4M	/	/	≯\$ 15.3M			/
18	Ending Balance	\$75.5M	\$54.7M	\$47.0M [^]	\$36.2M [^]	\$23.4M [^]	\$9.1M	-\$4.3M [^]	-\$15.3M	-\$22.8M	-\$28.5M ²	-\$36.8M [^]	-\$44.8M
19													
20	Ending Balance as % of Expenditures	55.9%	34.6%	30.8%	22.9%	14.3%	5.4%	-2.5%	-8.7%	-12.8%	-15.8%	-20.0%	-24.0%
21	Target Fund Balance %					NOT MET	NOT MET	NOT MET	NOT MET	NOT MET	NOT MET	NOT MET	NOT MET
			'										

General Fund 10-Year Forecast

(Proposed)

(\$ in millions)

	Α	В	С	D	Е	F	G	н	1	J	K	L	M
		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
		Actual	Budget	Proposed	Proposed	Est.	Est.	Est.	Est.	Est.	Est.	Est.	Est.
1	Total Revenues	\$144.7M	\$143.4M	\$149.7M	\$154.2M	\$156.5M	\$159.1M	\$162.4M	\$173.5M	\$178.5M	\$182.4M	\$183.9M	\$186.8M
2 3 4	Total Operating Expenditures	\$135.0M	\$158.2M	\$152.1M	\$158.4M	\$161.1M	\$166.3M	\$171.3M	\$175.4M	\$178.4M	\$181.6M	\$184.4M	\$187.7M
5	Capital Improvement Program	6.4M	\$5.3M	\$5.3M	\$5.5M	\$5.6M	\$5.7M	\$5.9M	\$6.0M	\$6.1M	\$6.2M	\$6.3M	\$6.5M
6	Other Transfers	\$0.0M	\$0.6M	\$0.6M	\$0.6M	\$0.6M	\$0.6M	\$0.6M	\$0.6M	\$0.7M	\$0.7M	\$0.7M	\$0.7M
7	Pension	16.5M	\$0.0M	\$0.0M	\$0.0M	\$0.0M	\$0.0M	\$0.0M	\$0.0M	\$0.0M	\$0.0M	\$0.0M	\$0.0M
8	IT Fund	0.8M	0.0M	0.0M	0.0M	0.0M	0.0M	0.0M	0.0M	0.0M	0.0M	0.0M	0.0M
9	Fleet Fund	0.1M	0.0M	1.5M	0.0M	0.0M	0.0M	0.0M	0.0M	0.0M	0.0M	0.0M	0.0M
10	Insurance Fund	0.1M	0.0M	0.0M	0.0M	0.0M	0.0M	0.0M	0.0M	0.0M	0.0M	0.0M	0.0M
11 12	Total Other Sources/(Uses) - Transfers	24.0M	5.90M	7.40M	6.10M	6.20M	6.30M	6.5M	6.6M	6.8M	6.9M	7.0M	7.2M
13	Total Expenditures	158.9M	164.1M	159.5M	164.5M	167.27M	172.64M	177.8M	182.0M	185.2M	188.5M	191.4M	194.9M
14													
15	Net Change in Fund Balance	-\$14.2M	-\$20.7M	-\$9.8M	-\$10.2M	-\$10.7M	-\$13.5M	-\$15.4M	-\$8.5M	-\$6.7M	-\$6.0M	-\$7.6M	-\$8.1M
16													
17	Beginning Balance	\$89.6M	/ /	▼ \$54.7M	🛪 \$45.0M ∫	🔻 \$34.7M _			🔻 -\$4.9М				, -\$33.7M
18	Ending Balance	\$75.5M /	\$54.7M	\$45.0M	\$34.7M [^]	\$24.0M	\$10.5M	-\$4.9M	-\$13.4M	-\$20.1M	-\$26.2M	-\$33.7M	-\$41.8M
19 20 21	Ending Balance as % of Expenditure Target Fund Balance %	55.9%	34.6%	29.6%	21.9%	14.9% NOT MET	6.3% NOT MET	-2.9% NOT MET	-7.7% NOT MET	-11.3% NOT MET	-14.4% NOT MET	-18.3% NOT MET	-22.3% NOI MET

General Fund 5-Year Forecast (Proposed)

(\$ in thousands)

		A	В	С	D	E	F
			2025-26	2026-27	2027-28	2028-29	2029-30
1 R	evenue						
2	Property Tax		\$33,776	\$35,392	\$36,277	\$37,184	\$38,114
3	Sales Tax		\$54,874	\$56,521	\$56,944	\$57,547	\$58,792
4	Other Tax		\$29,893	\$30,835	\$31,452	\$32,081	\$32,723
5	Other Revenue		\$31,195	\$31,458	\$31,868	\$32,300	\$32,747
6		Total Revenue	\$149,738	\$154,206	\$156,542	\$159,112	\$162,375
7							
8 E:	xpenditures						
9	Salaries & Benefits		\$75,812	\$80,709	\$83,875	\$87,551	\$90,823
10	Operating Expenses		\$76,293	\$77,644	\$77,200	\$78,787	\$80,454
11	Transfers		\$7,400	\$6,100	\$6,200	\$6,300	\$6,500
12		Total Expenditures	\$159,504	\$164,453	\$167,275	\$172,638	\$177,776
13							
14		Net / Use of Fund Balance	(\$9,766)	(\$10,247)	(\$10,733)	(\$13,526)	(\$15,401)
15							
16		Beginning Balance	\$54,733	\$44,967	\$34,720	\$23,987	\$10,461
17		Ending Balance	\$44,967	\$34,720	\$23,987	\$10,461	(\$4,940)
18							
19		Ending Balance as % of Expenditure	29.6%	21.9%	14.9%	6.3%	-2.9%

General Fund Estimated Fund Balance

(\$ in thousands)

	A	В	C	D	E	F
		FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
		Adjusted Budget	Proposed	Proposed	Projected	Projected
1	Beginning Balance	\$75,454	\$54 <i>,</i> 733	\$44,967	\$34,720	\$23,987
2						
3	Revenue	\$143,404	\$149,738	\$154,206	\$156,542	\$159,112
4	Expenditures	\$156,726	\$153,404	\$158,253	\$160,975	\$166,138
5	Transfers	\$7,400	\$6,100	\$6,200	\$6,300	\$6,500
6						
7	Net / Use of Fund Balance	(\$20,721)	(\$9,766)	(\$10,247)	(\$10,733)	(\$13,526)
8						
9	Ending Fund Balance	\$54,733	\$44,967	\$34,720	\$23,987	\$10,461
10	Ending Balance as % of Expenditure	34.9%	29.3%	21.9%	14.9%	6.3%
11						
12	Fund Balance by Category					
13	Non-spendable/Restricted/Assigned	(\$13,055)	(\$13,055)	(\$13,055)	(\$13,055)	(\$13,055)
14	Unassigned*	\$41,678	\$31,912	\$21,665	\$10,932	(\$2,594)
15						
16	*Unassigned					
17	Major Emergencies	(\$5,000)	(\$5,000)	(\$5,000)	(\$5,000)	(\$5,000)
18	Economic Uncertainties	(\$31,345)	(\$30,681)	(\$31,651)	(\$32,195)	(\$33,228)
19	Compensated Absences	(\$708)	(\$708)	(\$708)	(\$708)	(\$708)
20	Available Undesigned Funds	\$4,624	(\$4,477)	(\$15,694)	(\$26,972)	(\$41,530)

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City Fund Balance Policy

City's Current Fund Balance Policy:

- > \$5M for Major Emergencies
- 20% of Total Expenditures for Economic Uncertainties

Proposed Revision to Other Policies FY 25 & FY 26

- Suspend PULL policy; and
- All unspent funds go toward rebuilding fund balance to meet City Fund Balance Policy in future years

Service & Supplies Net Change

	A	В	С
1	Department	FY26 Change	FY27 Change
2	Community Development	\$63,490	\$170,000
3	City Manager's Office	(\$140,882)	(\$14,000)
4	Finance	(\$172,764)	\$0
5	Human Resources	(\$68,600)	\$66,000
6	Human Services	(\$1,292,545)	(\$293,983)
7	Legislative	(\$786,964)	(\$11,555)
8	Library	(\$206,351)	\$25,000
9	Police	(\$253,095)	\$102,250
10	Public Works	(\$161,864)	\$51,000
11	Recreation & Parks	\$83,425	\$0
12	Total Net Change	(\$2,936,150)	\$94,712

Fixed Asset Net Change

	Α	В	С
1	Department	FY26 Change	FY27 Change
2	City Manager's Office	(\$177,700)	(\$177,000)
3	Finance	(\$10,931)	(\$10,931)
4	Human Services	(\$1,000)	(\$1,000)
5	Information Technology	(\$607,409)	(\$682,000)
6	Police	(\$166,747)	(\$166,747)
7	Community Development	(\$50,000)	
8	Public Works	(\$81,526)	
9	Recreation & Parks	(\$91,500)	(\$91,500)
10	Total Net Change	(\$579,404)	(\$447,178)

Fixed Asset Reductions

General office furniture / redesign (new and replacement)

Reduction in equipment rental for events

Replacement of tables and chairs at community facilities

Replacement of park and tree maintenance equipment

Deferred technology enhancements

Capital Project Needs - Transfers

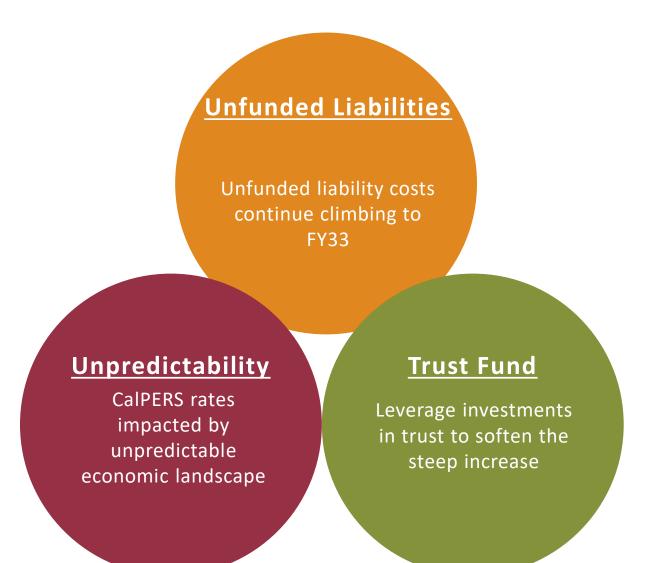
Estimated Available General Fund Allocation to CIP/Other: \$5.9M Estimated Available General Fund Allocation to Fleet: \$1.5M

	A	В
1	Project	Proposed Transfer Amount
2	Links Shuttle Service	\$50,000 (requested \$99,000)
3	City Building Major Maintenance	\$600,000
4	City Park Major Maintenance	\$475,000
5	Street Overlay Rehab	\$3,600,000
6	Street Maintenance	\$638,826
7	Parking Fund Subsidy	\$376,178
8	ADA Transition Plan	\$150,000
9	General Fund Transfer to CIP	\$5,890,004
10	Project	Proposed Transfer Amount
11	Fleet Fund	\$1,500,000
12	General Fund Transfer to Fleet	\$1,500,000

Fleet Replacement Needs

- Ongoing Fleet Replacement Needs
 - City Fleet
 - Police Fleet
 - Fire Fleet
- Procurement Challenges
 - Public safety fleet
 - Fire Fleet Estimated date of delivery is approximately 4-5 years from date of order
- ➤ Legislative Requirements
 - Transition to Electric Vehicles (EV)
 - Increase costs for EV
- > Continue efforts to establish sustainable fund balance for future purchases

Pension & OPEB Costs



Supplemental Trust Information

- ➤ A pension trust fund established by a city, like San Leandro's, is a separate entity to manage assets for future pension payments. This trust helps stabilize pension costs, mitigate budget challenges, and ensures future financial obligations are met.
- > Can only be used to:
 - Reimburse City for CalPERS contributions
 - Make payments directly to CalPERS
- ➤ More flexibility than paying CalPERS directly
 - City decides if and when and how much money to put into the Trust
 - City decides if and when and how much to withdraw to pay CalPERS or reimburse the City
- Current funding ratio (including supplemental trust)
 - Miscellaneous Plan 72.5% Funded
 - Safety (Police) Plan 70.9% Funded

ARPA Projects – Funding Needs

	Α	В	С	D
1	Program Name	FY26 GF Needed Allocation	FY27 GF Needed Allocation	Potential Impact
2	Alternative Response Unit	\$303,000	\$909,999	Program would be discontinued.
3	Encampment Cleanup	\$430,000	\$430,000	Limit ability to respond to encampments cleanup and dispose of abandoned RVs and boats.
4	Beautify San Leandro		\$95,000	These funds would cover annual events and beautification initiative grants to 10 community organizations. If not awarded, the Beautify San Leandro program will end on June 30, 2026.
5	Landscape Maintenance	\$110,000	\$110,000	Reduce the frequency and level of service citywide.
6	Lewelling Weed Abatement	\$48,000	\$48,000	Weed abatement on Lewelling would be discontinued.
7	Tree Maintenance & Planting	\$50,000	\$50,000	Reduce ability to purchase and install trees citywide. Service levels would be based on replacement as needed.
8	Small Business Technical Assistance Program	\$85,000	\$85,000	Program would be discontinued, resulting in no support to four (4) Agreements with diverse business providers - serving 95 small businesses
9	TOTAL	\$1,026,000	\$1,727,999	

Long-Range Financial Forecast

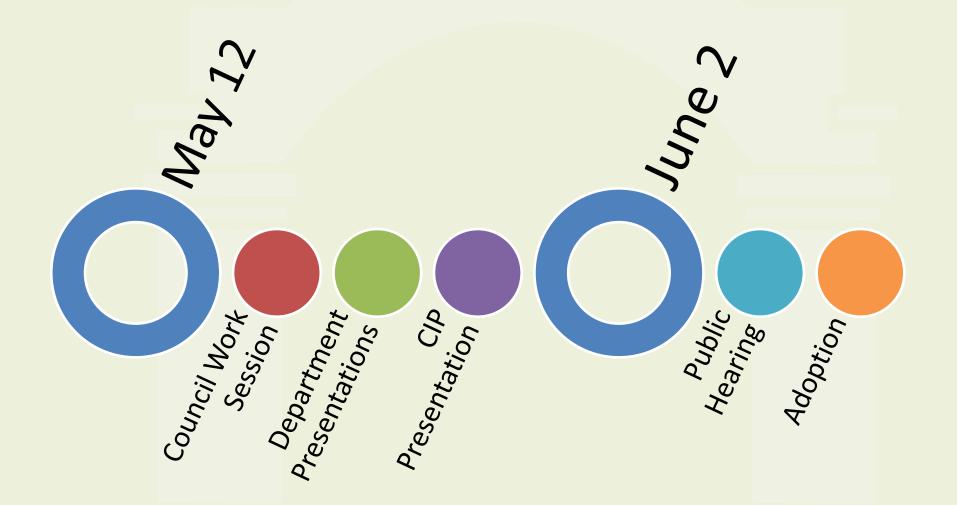
- Long-range financial forecast continues to project a structural deficit.
- Continue to explore budget balancing strategies, including expenditure control and revenue enhancements
- Remain focused on core services
- Continued General Fund support for Infrastructure / capital needs is growing and unsustainable
 - Roadways
 - Fleet
 - Facilities
 - Information Technology
- > Advance toward the exploration of revenue measure to support growing infrastructure / capital needs
- Council Ask: Increase FYs 26 & 27 by \$500,000 for polling and campaign support in preparation of a potential revenue measure

Citywide Operating Budget

(\$ in millions)

	Α	В	С	D	Е
1		FY 20	25-26	FY 20	26-27
2	(\$ in millions)	Revenue	Expenditures	Revenue	Expenditures
3	General Fund	\$149.7	\$159.5	\$154.2	\$163.9
4	Special Revenue Fund	\$5.4	\$5.5	\$6.1	\$5.9
5	Internal Service Fund	\$23.5	\$27.6	\$27.9	\$32.2
6	Enterprise Funds	\$30.7	\$34.7	\$32.8	\$34.7
7	Other Funds	\$3.4	\$4.2	\$3.4	\$3.4
8	Total – All Funds	\$212.7	\$231.5	\$224.4	\$240.1

Next Steps



Discussion & Feedback



Recommend Proposed Budget to Council

Suspend PULL Policy in FY25 & FY26

FY25 & FY26 All Unspent Funds Go
Directly to General Fund
Fund Balance