



Fiscal Year 2021-23 Mid-Cycle Budget Review

City of San Leandro

City Council Meeting

June 21, 2022

Agenda

01. Overview

02. Review of
Unfunded Liabilities
and Unfunded
Capital Projects

03. Mid-Cycle
Highlights

04. Proposed Budget
Adjustments

05. Long-Term
Forecast



Overview

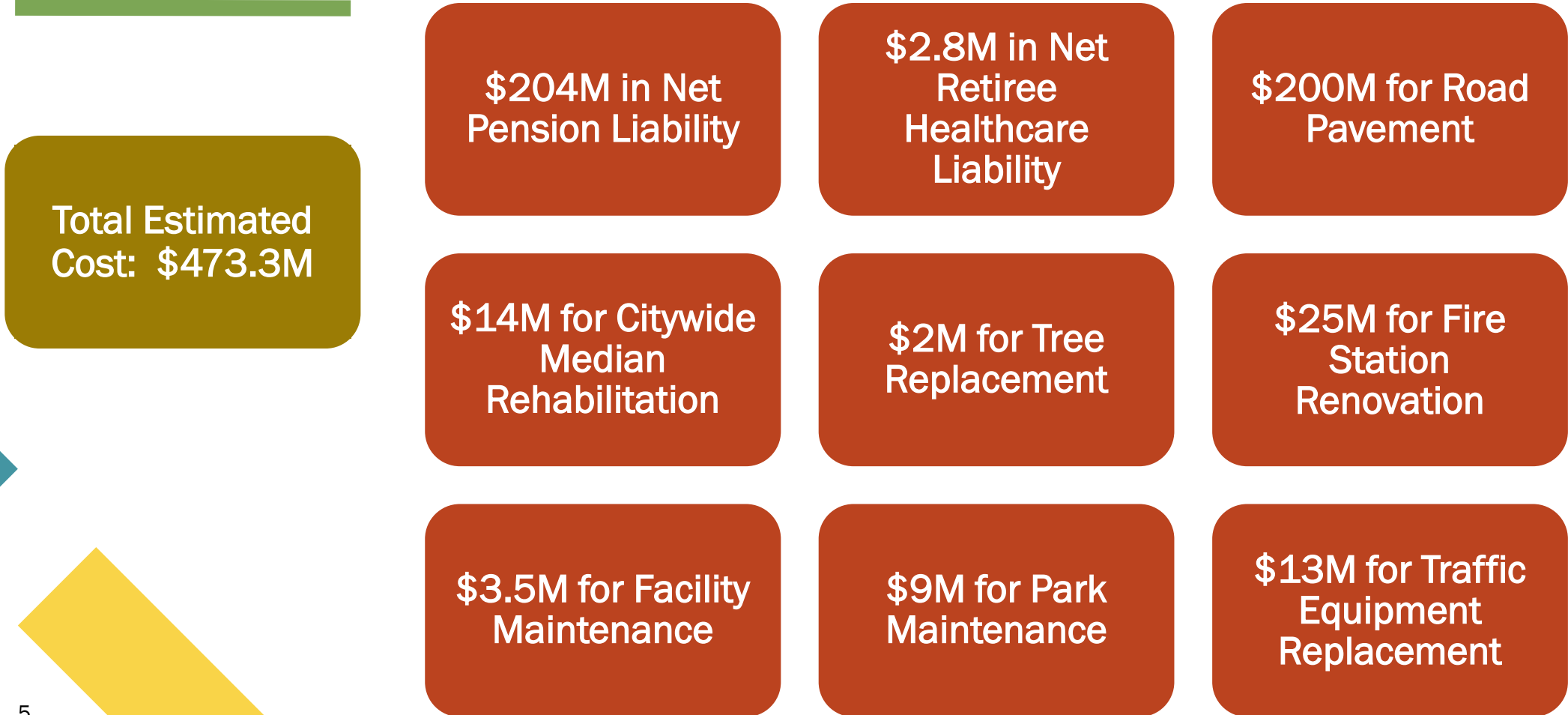
- Positive economic growth over the past 12 months
- Steady economic growth in the near term
- Economic uncertainties
 - Inflation
 - Supply chain shortages
 - Russia-Ukraine war
 - Stock market



Review of Unfunded Liabilities and Unfunded Capital Projects

- Unfunded Pension and Retiree Healthcare liabilities
 - Established trust accounts and contributed additional payments to buy down liabilities
 - Formulating funding policies to pay off liabilities over time
- Unfunded Capital Projects
 - Significant one-time General Fund contributions to fund projects
 - Grant funds for projects
 - Studies underway to identify overall cost
 - Capital Improvement Plan to address funding strategies
- Estimated costs on the next slide do not include new staffing positions

Unfunded Liabilities and Unfunded Capital Projects



General Fund – Key Highlights

- Increase revenues for Sales Tax, Utility Users Tax, Cannabis Tax, and Charges for Services
- Adjust expenditure budget based on departmental requests for changes in service levels
- Increase allocations to Internal Service Funds
- Re-encumber 2021-22 Purchase Order balances to 2022-23

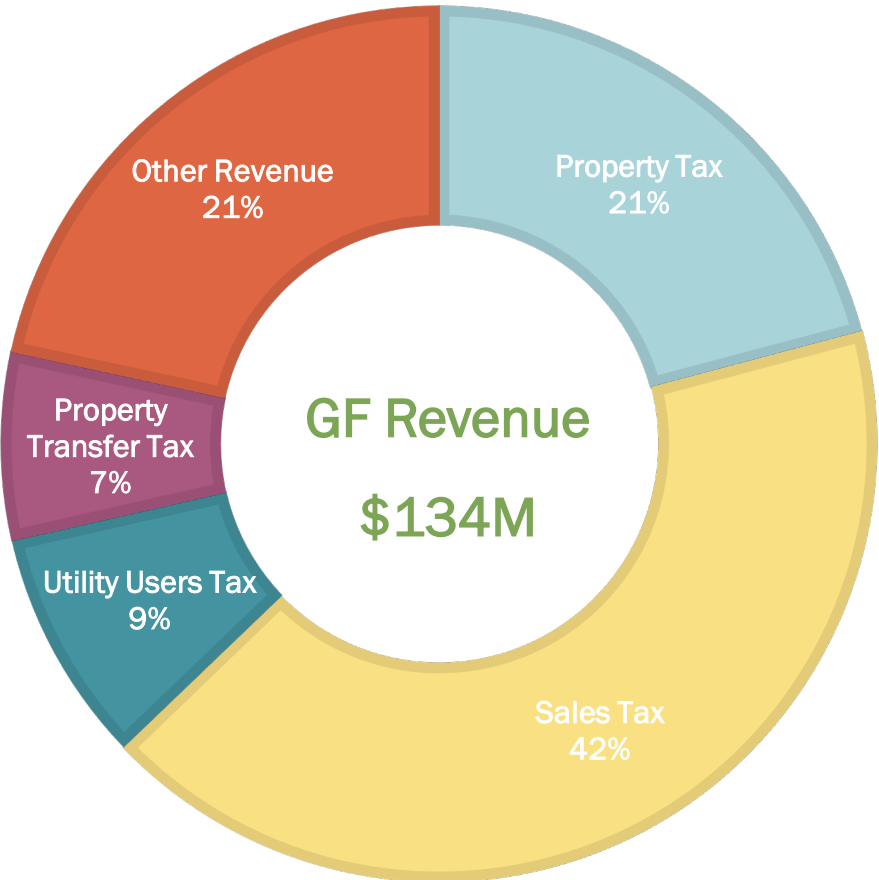
General Fund – Key Highlights (Cont.)

- Re-appropriate 2021-22 limited expenditure budget to 2022-23
- Add positions to expand services and programs or bridge service gap
- Set aside funds for Mulford Library grant match
- One-time investments/use of reserves to advance community priorities and projects

Other Funds – Key Highlights

- Increase internal service charges
- Replace expired Measure B revenue with Measure BB revenue
- Budget contribution from General Fund for Mulford Library grant match
- Adjust expenditure budget to reflect program/operational needs
- Re-encumber 2021-22 Purchase Order balances to 2022-23
- Re-appropriate 2021-22 limited expenditure budget to 2022-23

FY 22-23 General Fund Revenue Sources



FY 22-23 General Fund Spending - \$151M


\$133M ongoing expenditures
\$18M one-time expenditures



Community Development
\$8.3 Million
6% of Spending




Police
\$45.6 Million
30% of Spending



Fire
\$27.7 Million
18% of Spending



Recreation & Human Services
\$9.0 Million
6% of Spending



Library
\$7.6 Million
5% of Spending



Public Works
\$8.3 Million
6% of Spending



Engineering & Transportation
\$5.0 Million
3% of Spending



General Government
\$12.3 Million
8% of Spending



Non-Departmental
\$26.7 Million
18% of Spending

General Fund – Proposed Adjustments

- \$1.7M increase in revenue in FY 21-22 and \$6.2M in FY 22-23
- \$5.2M decrease in expenditure in FY 21-22 and \$11M increase in expenditure in FY 22-23

	FY 21-22			FY 22-23		
	Amended Budget	Proposed Adjustment	Adjusted Budget	Amended Budget	Proposed Adjustment	Adjusted Budget
Revenues	\$127.6M	\$1.7M	\$129.3M	\$127.3M	\$6.2M	\$133.5M
Expenditures	\$131.2M	\$(5.2M)	\$126.0M	\$139.7M	\$11.0M	\$150.7M
Revenue (Expenditure)	\$(3.6M)	\$6.9M	\$3.3M	\$(12.4M)	\$(4.8M)	\$(17.2M)
Use of Reserves	\$3.6M		-	\$12.4M		\$17.2M*
Net Revenue (Expenditure)	-		\$3.3M	-		-

* Includes one-time investments to advance community priorities and projects (e.g., \$9.4M for capital projects and \$3.6M for pension trust/plan; no operational deficit).

General Fund – Major Adjustments

Justification	FY 21-22 Proposed Adjustment	FY 22-23 Proposed Adjustment
<i>Revenue</i>		
• Increase Sales Tax due to expected growth	\$1.7M	\$4.7M
• Increase Utility User Tax based on current revenue trend		\$0.8M
<i>Expenditure</i>		
• Increase Fire service contract budget based on the May 2022 projection provided by the ACFD – <i>mainly due to increase in labor cost</i>		\$0.7M
• Re-appropriate Navigation Center and Recreation Park Assessment expenditures from 2021-22 to 2022-23		\$0.7M
• Re-appropriate expenditure budget for CalPERS/Pension Trust from 2021-22 to 2022-23 – <i>Strategy to preserve capital due to market volatility</i>	-\$3.6M	\$3.6M
• Transfer to the Capital Project Fund for the Mulford Library grant match		\$2M

Other Funds – Major Adjustments

Revenue/ Expenditure	Justification	FY 21-22 Proposed Adjustment	FY 22-23 Proposed Adjustment
	<i>Shoreline Enterprise Fund</i>		
Expenditure	<ul style="list-style-type: none"> Adjust Golf Course operations and repair costs 		\$0.6M
	<i>Information Technology Fund</i>		
Revenue	<ul style="list-style-type: none"> Contributions from the General Fund and other funds for internal services 		\$0.7M
Expenditure	<ul style="list-style-type: none"> Adjust expenditures related to telephone and computer services Re-encumber 2021-22 Purchase Order balances to 2022-23 – mainly related to implementation and installation services 	-\$0.9M	\$0.9M

Other Funds – Major Adjustments (Cont.)

Revenue/ Expenditure	Justification	FY 21-22 Proposed Adjustment	FY 22-23 Proposed Adjustment
	<i>Insurance Services Fund</i>		
Expenditure	<ul style="list-style-type: none"> Adjust expenditure due to projected increase in general liability insurance premiums and claim expenses 		\$1.1M
	<i>Measure BB Fund 141 – Streets & Roads</i>		
Revenue	<ul style="list-style-type: none"> Increase Measure BB revenue - replace expired Measure B revenue 		\$2.3M
Expenditure	<ul style="list-style-type: none"> Reclassify Measure B funded projects into the Measure BB Fund 		\$1.3M
	<i>Capital Improvement Fund</i>		
Revenue	<ul style="list-style-type: none"> Contribution from the General Fund for the Mulford Library grant match 		\$2M

Staffing Change Highlights

- Expand services or bridge service gap to better serve the community
- Improve operational efficiency

Description	Financial Impact
<ul style="list-style-type: none">• Community Development:<ul style="list-style-type: none">- Add a Project Specialist II position and a Housing Manager position to support the housing program – <i>budgeted eight months for the manager position</i>- Delete the Senior Engineer position and use the budget to fund the Housing Manager position- Convert a temporary Associate Planner position to a permanent position	\$0.1M
<ul style="list-style-type: none">• Library:<ul style="list-style-type: none">- Add a new Librarian position to support services- Convert two part-time Senior Library Assistant positions to full- time positions	\$0.3M
<ul style="list-style-type: none">• Human Services: Add a part-time Specialist to support services	\$12K
<ul style="list-style-type: none">• Police: Add five Police Service Technician II positions to bridge service gap (pilot program). Costs will be offset by savings from vacant police officer positions.	No cost impact
<ul style="list-style-type: none">• Finance: Keep Finance Analyst and delete upgrade to position.	

Long-Term Forecast

A fiscal management tool to evaluate current and future fiscal conditions

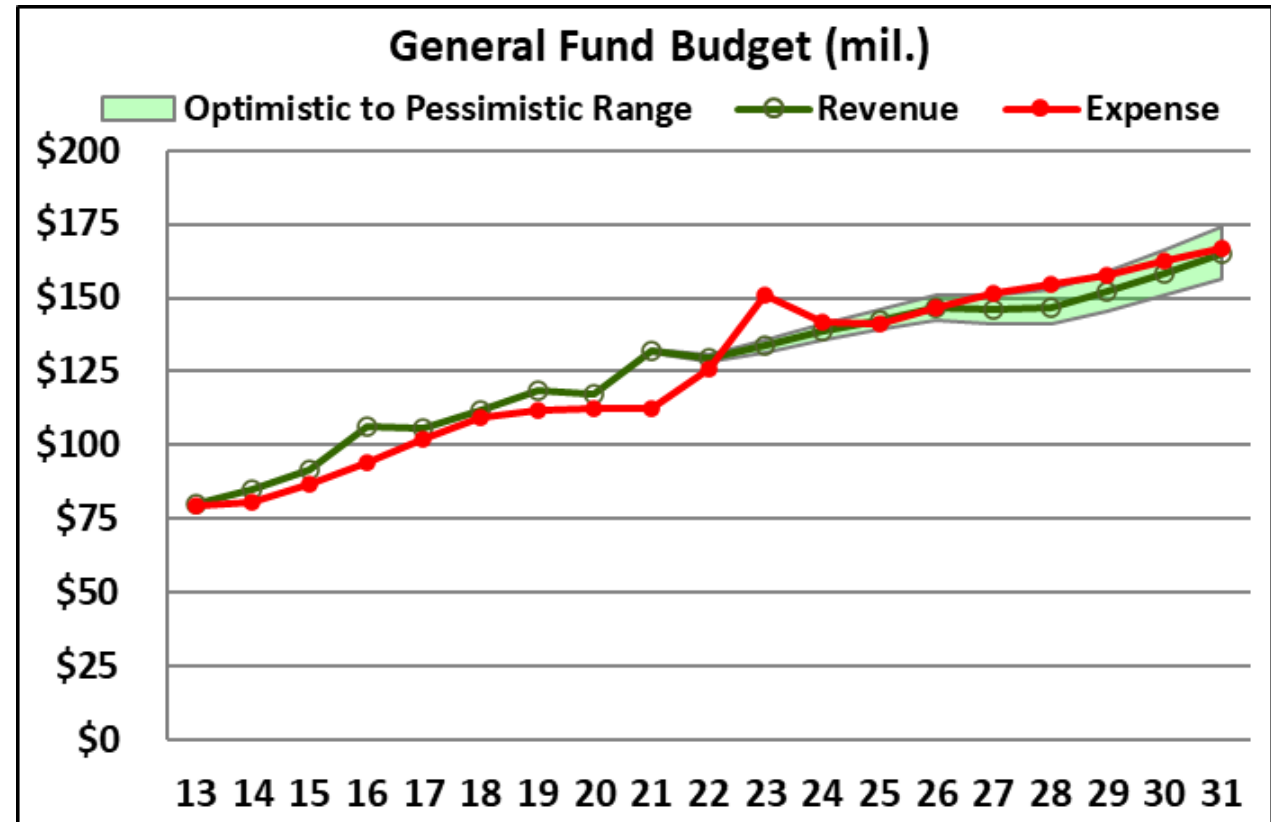
Identify future revenue and expenditure trends

Guide policy and programmatic decisions

An integral part of the budget process

Long-Term Forecast (Cont.)

- Pension Obligation Bond is expected to be paid off in 2023-24
- Recession factor is included in 2026-27
- The projected annual deficit averages about \$3M between 2023-24 and 2030-31
- Funding for unfunded capital projects/deferred maintenance is not included
 - Staff is in the process of developing a comprehensive Capital Improvement Plan to address funding needs



Analysis of General Fund Balance

- Projected General Fund reserves on June 30, 2023 (dollars in thousands)
- Proposed budget adjustments are reflected in the overall fund balance
- Discussion about Undesignated fund balance will occur as part of the overall study outcomes of CIP, Trees, Parks and facilities studies

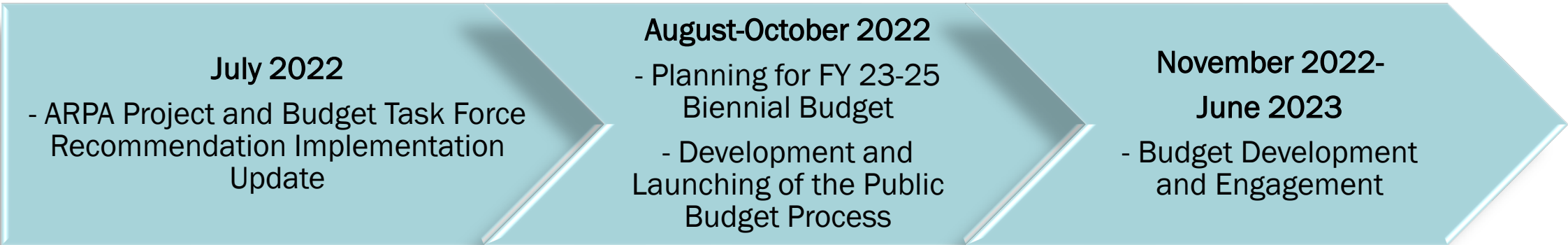
Category	Projected Fund Balance at 6/30/23
Beginning Fund Balance - Projected	87,009
FY 22-23 Net Activity - Projected	(17,167)
Ending Fund Balance at June 30, 2023 - Projected	69,842
<i>Reserve Breakdowns</i>	
Nonspendable	7,627
Assigned/Restricted	11,680
Unassigned Fund Balances:	
Compensated Absences	913
Major Emergencies	5,000
Economic Uncertainty	26,491
Undesignated	18,131
Total	50,535
Total - All	69,842

Review by Finance Committee

- The Committee unanimously approved the proposed budget amendments
- Committee recommendations/comments
 - Consider giving funds back to the Americans with Disabilities Act (ADA) Projects and Façade Improvement Program as funds were taken away for COVID-19 response
 - Continue to provide grant funds to support small businesses
 - Provide additional resources to support economic development and attract businesses to relocate to San Leandro *

** Staff recommends allocating \$100,000 to assist Economic Development Division with staff support and/or consulting assistance*

Planning Ahead



Recommendation

- Staff recommends that the City Council approve the Proposed Budget Amendments for fiscal years 2021-22 and 2022-23
- Staff also recommends that the City Council appropriate \$100,000 to fiscal year 2022-23 to support economic development



Thank You!

