



Mid-Year Budget Review

City of San Leandro

City Council Meeting

March 14, 2022

Agenda

01. Purpose of Mid-Year Review

02. Economic Outlook

03. Mid-Year Highlights

04. Proposed Budget Adjustments

05. Questions and Answers



Purpose of Mid-Year Review

- An analysis of revenue and expenditure trends
- Identification of budget adjustments to achieve a more accurate budget and to increase transparency
- An opportunity to adjust resource allocation to reflect Council and community priority



U.S. Economic Outlook

- The pandemic continues to impact the economy and influence consumer behaviors
- Inflation rate accelerated to 7.5% in January
- Supply chain pressures persist
- The economic outlook is positive, but beware of the unknowns



General Fund - Highlights

Revenues

- Sales Tax and Property Transfer Tax are trending higher than anticipated
- Utility Users Tax and Cannabis Tax are projected to be higher than anticipated
- Recreation revenues are lower than budgeted as a result of less programming

Expenditures

- Expenditures are expected to be lower than budgeted due to:
 - Vacancy savings
 - Reduction in Recreation and Human Services program expenditures
 - Reclassification of expenditures to the American Rescue Plan Act (ARPA) Fund
- Proposed funding strategies/contributions:
 - Pay down pension liability and achieve savings
 - Support capital projects and parking program

Other Funds - Highlights

Revenues

- Update estimates for various programs based on projected revenue trends (Enterprise Funds, Gas Tax Fund, Parking Fund, etc.)
- Contributions from the General Fund to the CIP, Gas Tax, and Parking Funds
- Appropriate ARPA revenue

Expenditures

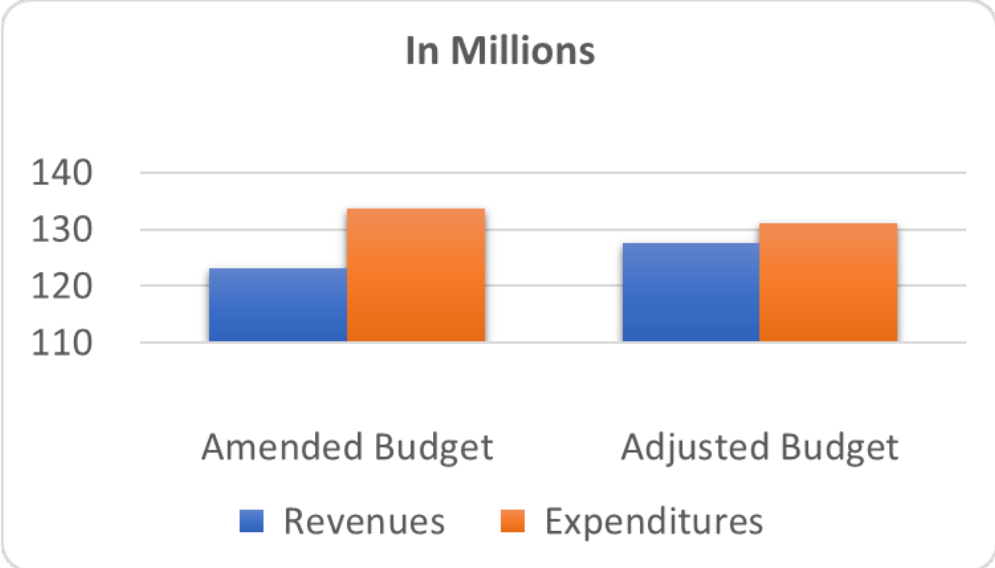
- Budget adjustments to various funds to reflect projected program activities (Environmental Services, Shoreline, etc.)
- Transfers between street related funds/CIP projects to support the overall program
- Reclassification of ARPA expenditures from the General Fund

General Fund – Proposed Adjustments

- \$4.5M increase in revenue
- \$2.6M decrease in expenditure

- Amended Budget vs Adjusted Budget

	Amended Budget	Proposed Adjustment	Adjusted Budget
Revenues	\$123.1M	\$4.5M	\$127.6M
Expenditures	\$133.7M	\$(2.6M)*	\$131.1M
Revenue (Expenditure)	\$(10.6M)	\$7.1M	\$(3.5M)
Use of ARPA Funds/One-Time Expenditures	\$6.7M		
Use of Reserves/One-Time Expenditures	\$3.9M		\$3.5M
Net Revenue (Expenditure)	-		-



* Include the \$6.7M expenditures that will be reclassified to the newly established ARPA Fund.

Analysis of General Fund Balance

- Projected General Fund reserves on June 30, 2022 (dollars in thousands)
- Proposed budget adjustments are reflected in the overall fund balance
- A portion of the Undesignated fund balance is used to fund one-time expenditures in fiscal year 2022-23

Category	Projected Reserves at 6/30/22
Nonspendable	7,627
Committed	50
Assigned	10,573
Unassigned Fund Balances:	
Compensated Absences	1,000
Major Emergencies	5,000
Economic Uncertainty	26,220
Undesignated *	29,713
Total	61,933
Total - All	80,183

* Balance available for special appropriations and one-time projects

General Fund – Major Adjustments

Justification	Proposed Adjustment
<i>Revenues</i>	
• Increase Sales Tax based on updated projection	\$2.6M
• Increase Property Transfer Tax due to a robust housing market	\$2.0M
• Reduce Charges for Services related to recreation programs	-\$0.6M
<i>Expenditures</i>	
• Reduce staffing costs - <i>additional savings from unfilled positions</i>	-\$3.9M
• Contribution to CalPERS to pay down pension liability - <i>\$4.3M in estimated interest savings over time</i>	\$3.0M
• Contribution to PARS Trust account to fund pension obligation – <i>to accumulate funds and generate investment income</i>	\$0.6M
• Contribution to Capital Project Fund - <i>for further distribution to projects</i>	\$3.2M
• Contribution to support street maintenance program	\$1.7M
• Reduce transfers out to Capital Project Fund – <i>replace by ARPA funding</i>	-\$5.7M

Other Funds – Major Adjustments

Fund	Justification	Proposed Adjustment
<i>Revenues</i>		
Gas Tax	<ul style="list-style-type: none"> Contribution from the General Fund for street maintenance program 	\$1.7M *
Capital Project Fund	<ul style="list-style-type: none"> Contribution from the General Fund – <i>funds to be distributed to CIP projects</i> 	\$3.2M *
<i>Expenditures</i>		
ARPA Fund	<ul style="list-style-type: none"> Expenditures reclassified from the General Fund and the Capital Project Fund 	\$6.7M

Note:

- \$1.7M + \$3.2M = \$4.9M
- \$4.9M was transferred from the Capital Project Fund to the General Fund in fiscal year 2020-21 in anticipation of the COVID-19 impact on the budget. Funds will be restored to support capital projects.

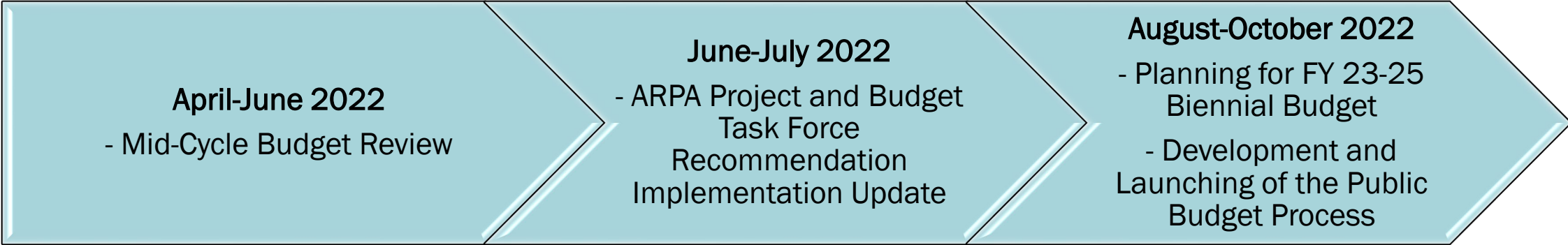
Review by Finance Committee

- The Committee unanimously approved the proposed budget amendments
- **Committee recommendations/comments**
 - Advised staff to continue to enhance and communicate budget information and financial results to the community
 - Confirmed the need to communicate more about metrics and how they tie to expenses in the future *
 - Advised staff to provide updates to the Council and community regarding Budget Task Force recommendation implementation status **
 - Had discussion about future consideration of some portion of Property Transfer Tax be earmarked for affordable housing programs

** Steps have been put in place for the development of strategic performance measures that will be easy for the community to understand*

*** An update has been planned for July 2022*

Looking Forward



Recommendation

- Staff recommends that the City Council accept the Mid-Year Financial Report and approve the Proposed Budget Amendments for fiscal year 2021-22



Thank You
