

City of San Leandro City Council Work Session



**Budget Presentation for 2018-19
City Council Chambers
April 9, 2018**

Overview

- City Council Goals
- Local economic conditions
- General Fund focus
 - Forecast
- Budget considerations
- Budget calendar

City Council Goals

- Place San Leandro on a firm foundation for long-term fiscal sustainability
- Advance projects and programs promoting sustainable economic development, including transforming San Leandro into a center for innovation
- Provide quality public safety service and grow our partnership with the community to keep San Leandro safe
- Maintain and enhance San Leandro's infrastructure
- Support and implement programs, activities and strengthen communication that enhances the quality of life and wellness, celebrates the arts and diversity and promotes civic pride
- Maintain and support a strong positive relationship between the City, schools and the educational community

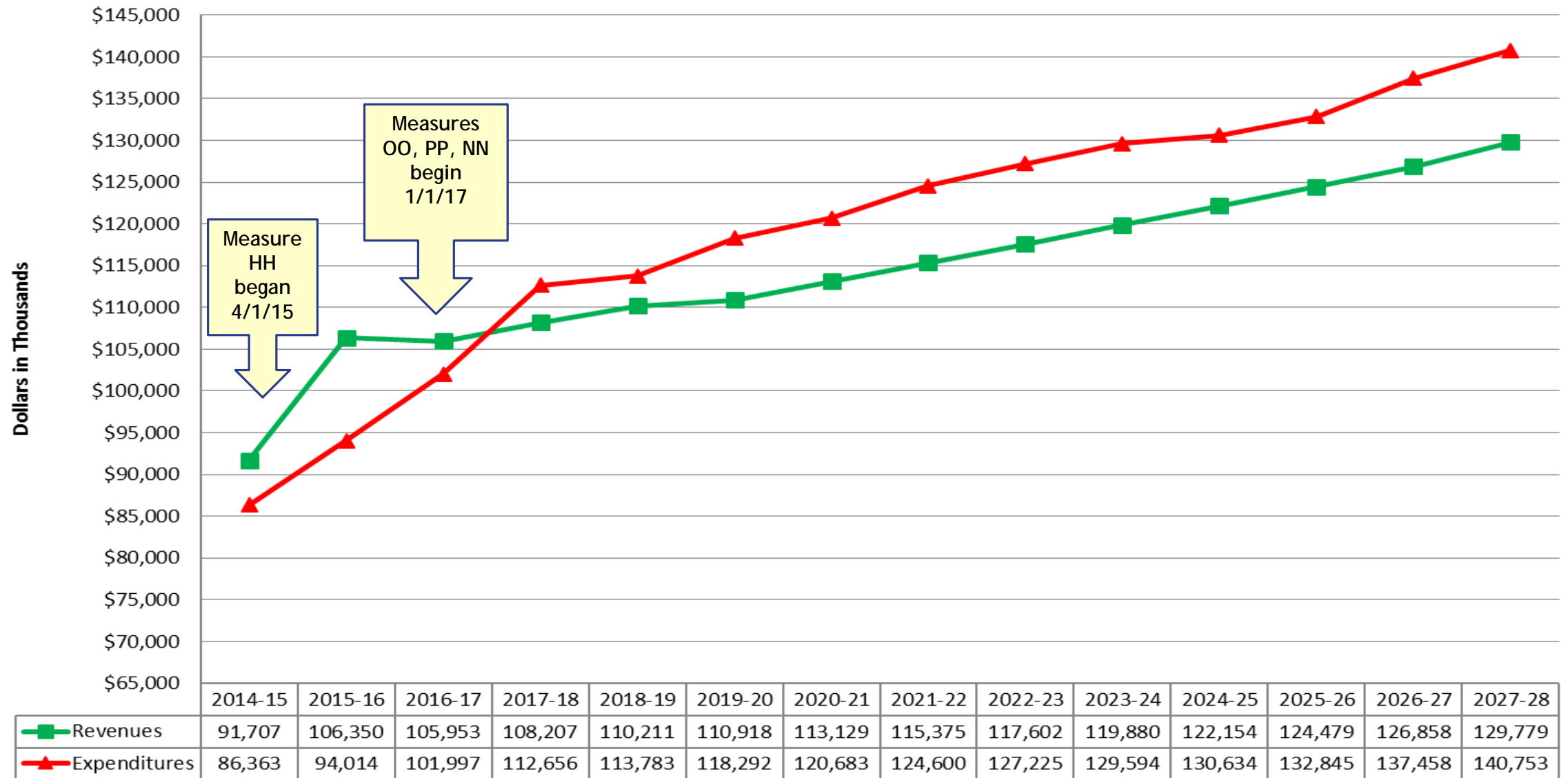
Local Economic Conditions

- Property tax
 - 2018-19 budget reflects 4.5% increase from 2017-18 and a 3.2% increase from 2016-17
 - assume 2% increase for subsequent years
- Sales tax
 - Overall increase of 1.7% in 2018-19 from 2017-18
 - Revenues increasing but pace of growth has slowed
 - General retail and construction continuing to increase
 - Measure HH sales tax through March 2045
- Utility Users tax
 - Projections show overall slight decrease in 2018-19 0.6% from 2017-18
 - Subsequent years minimal growth from 0.4% to 1% due to Cable TV and Telephone (landlines)

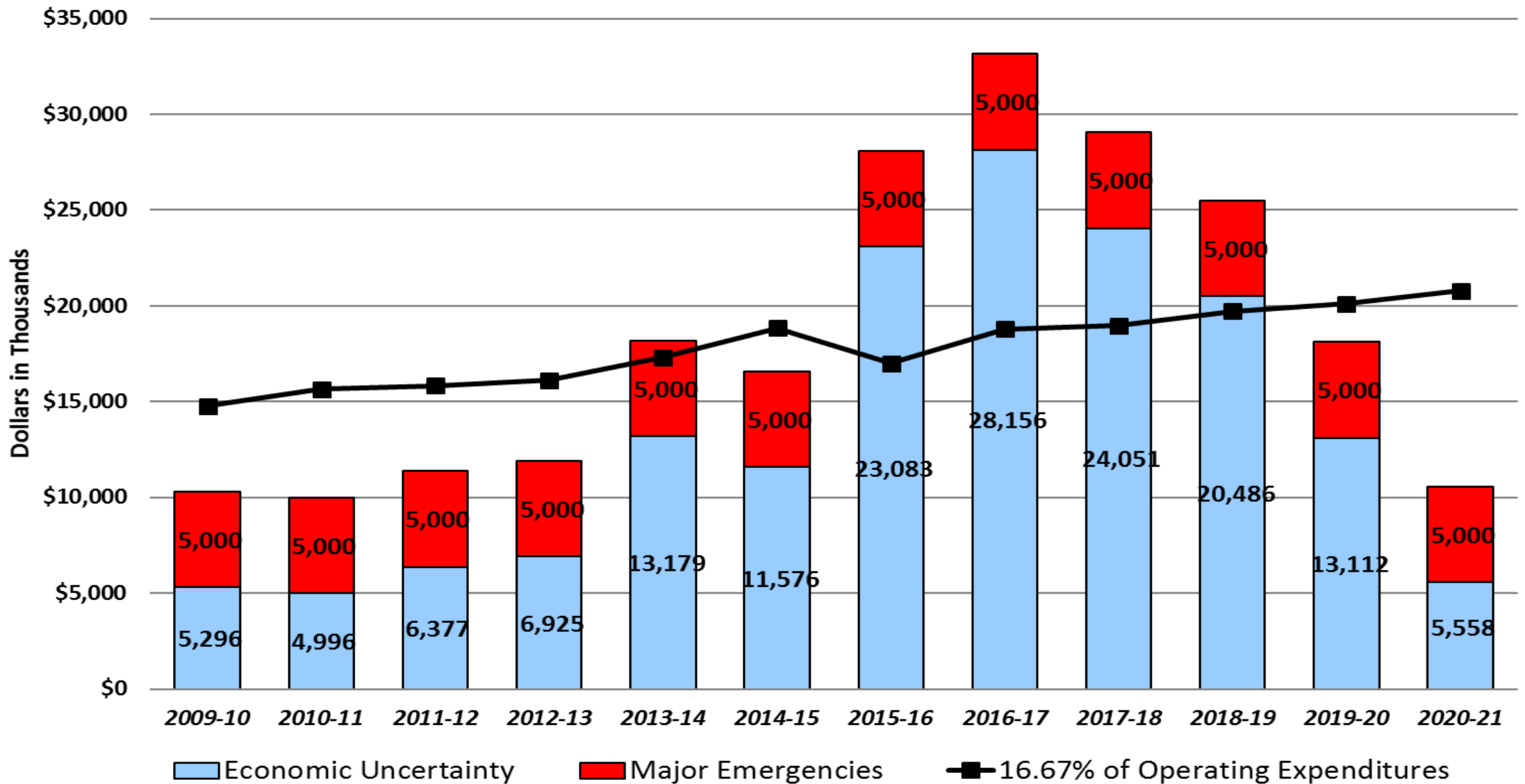
Economic Conditions (cont.)

- Housing prices improving - inventories low
- Median price \$610,000 (a year ago \$580,000) per Trulia.com
- Unemployment rates for November 2017 (EDD):
 - San Leandro = 3.0% (average a year ago 3.5%)
 - Alameda County = 2.9% (a year ago 3.9%)

General Fund Forecast 2014-15 thru 2027-28



General Fund Reserves 2009-10 thru 2020-21



General Fund Forecast Assumptions – Revenues

2017-18 to 2027-28

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Description (Dollars in Thousands)	2017-18 Projection	2018-19 Projection	2019-20 Projection	2020-21 Projection	2021-22 Projection	2022-23 Projection	2023-24 Projection	2024-25 Projection	2025-26 Projection	2026-27 Projection	2027-28 Projection
Sales tax	\$ 30,988	\$ 31,404	\$ 32,310	\$ 33,220	\$ 34,132	\$ 35,046	\$ 35,962	\$ 36,861	\$ 37,783	\$ 38,727	\$ 39,695
Transaction tax	11,195	11,496	11,905	12,297	12,679	13,061	13,444	13,820	14,207	14,605	15,014
TOTAL SALES TAX REVENUE	\$42,183	\$42,900	\$44,215	\$45,517	\$46,811	\$48,107	\$49,406	\$50,681	\$51,990	\$53,332	\$54,709
Sales tax percent change	0.6%	1.7%	3.1%	2.9%	2.8%	2.8%	2.7%	2.6%	2.6%	2.6%	2.6%
Property tax	1.7%	4.5%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Property transfer tax	\$ 4,000	\$ 4,000	\$ 4,040	\$ 4,080	\$ 4,121	\$ 4,162	\$ 4,204	\$ 4,246	\$ 4,289	\$ 4,331	\$ 4,375
Utility user's tax	\$ 11,407	\$ 11,340	\$ 11,381	\$ 11,438	\$ 11,524	\$ 11,573	\$ 11,655	\$ 11,740	\$ 11,827	\$ 11,917	\$ 12,499
Business License+Penalties +Cannabis	\$ 6,626	\$ 6,814	\$ 6,950	\$ 7,089	\$ 7,231	\$ 7,376	\$ 7,523	\$ 7,673	\$ 7,827	\$ 7,983	\$ 8,143
All other revenues	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%

General Fund Forecast Assumptions - Expenditures

2017-18 to 2027-28

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Description	2017-18 Projection	2018-19 Projection	2019-20 Projection	2020-21 Projection	2021-22 Projection	2022-23 Projection	2023-24 Projection	2024-25 Projection	2025-26 Projection	2026-27 Projection	2027-28 Projection
Expenditures:											
Salary adjustments: Sworn (budgeted at top step)	7.6%	5.0%	3.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
All non-sworn (budgeted at top step)	3.0%	3.0%	3.0%	3.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Medical rates	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
<u>PERS rates (ER share):</u>											
Safety (refinanced 2012)	54.80%	63.80%	72.10%	79.10%	85.70%	90.70%	93.40%	95.10%	96.81%	98.55%	100.33%
<i>Safety % change</i>	13.18%	16.42%	13.01%	9.71%	8.34%	5.83%	2.98%	1.82%	1.80%	1.80%	1.80%
Miscellaneous	31.71%	34.40%	38.30%	41.10%	44.10%	46.30%	47.40%	48.20%	49.02%	49.85%	50.70%
<i>Miscellaneous % change</i>	7.86%	8.48%	11.34%	7.31%	7.30%	4.99%	2.38%	1.69%	1.70%	1.70%	1.70%
Retiree Medical	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000
Services and supplies	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Consulting	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Legal fees	657,000	741,686	909,000	937,000	965,000	993,950	1,023,769	1,054,482	1,086,116	1,118,699	1,152,260
Fire service fees (<i>in 000's</i>)	\$ 22,372	\$ 23,387	\$ 24,538	\$ 25,755	\$ 26,880	\$ 28,026	\$ 29,035	\$ 30,488	\$ 31,799	\$ 33,166	\$ 34,593
Fire capital	1,500,000	\$ -	\$ 654,000	\$ -	\$ 750,000	\$ -	\$ -	\$ 750,000	\$ -	\$1,500,000	\$1,500,000
Fire OPEB reserve	1,003,800	994,575	911,317	793,267	716,712	626,171	626,171	626,171	626,171	626,171	626,171
OPEB trust account	\$ 750,000	\$ 750,000	\$ 750,000	\$ 750,000	\$ 750,000	\$ 750,000	\$ 750,000	\$ 750,000	\$ 750,000	\$ 750,000	\$ 750,000

General Fund Budget Projection 2017-18 and 2018-19

<i>(Dollars in thousands)</i>	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 Projected	2018-19 Projected
Revenues:					
Property Tax	\$ 18,898	\$ 20,044	\$ 20,858	\$ 21,202	\$ 22,156
Sales Tax	32,948	42,337	41,728	42,183	42,900
Utility User's Tax	10,359	10,700	10,932	11,407	11,340
Real Property Transfer Tax	3,920	4,462	5,459	4,000	4,000
All Other Revenue	25,582	28,807	26,976	29,415	29,815
Total Operating Revenues	91,707	106,350	105,953	108,207	110,211
Expenditures					
Salaries & Benefits	39,313	42,562	44,863	51,382	55,107
Services and Supplies	8,842	8,833	9,079	9,848	9,743
Fire Services Contract	19,666	19,893	21,925	22,372	23,387
Fire Equipment	-	526	-	1,500	-
Fire - OPEB Requirement *	(600)	-	-	-	-
Capital Outlay	220	166	307	107	107
Debt Service	4,206	4,623	4,814	5,240	5,471
Internal Service Fund Charges	11,025	10,500	10,499	11,577	11,768
Other	1,107	1,284	337	451	451
Transfers Out	2,584	5,627	10,173	10,179	7,748
Total Operating Expenditures	86,363	94,014	101,997	112,656	113,783
Net Revenue (Expenditure)	\$ 5,344	\$ 12,336	\$ 3,956	\$ (4,449)	\$ (3,571)

* ACFD OPEB set aside actuals and budget reflected in reserves instead of operating expenditures

Budget Considerations

- Continuing increases in the following:
 - CalPERS and health benefits
 - Service level demands
 - Facility and maintenance needs
 - Streets and roads deterioration
 - Unfunded liabilities
 - Fire contract services and equipment
- 16.67% reserve threshold and Prioritization Unfunded Liability Liquidation (PULL) Plan
- Goals and priorities alignment
- Implement projects and priorities established for:
 - Measure BB
 - Measure HH, OO, PP, NN

Requests for Funding

	Description	1/20/18 Requests	Current Estimated cost
1.	Financial forecast consultant	\$ 50,000	\$ 50,000
2.	Emergency preparedness supplies	65,000	65,000
3.	Personnel requests: Community Development: 1 new position Recreation & Human Services: 1 upgrade	544,000	200,000
4.	CIP: Rainbow crosswalk Best/San Leandro Blvd improvements	0 300,000	0 300,000
5.	Heron Bay tree removal	100,000	50,000
6.	Boys and Girls Club support	2,000,000	2,100,000
7.	PULL Program funding OPEB Trust	2,000,000	TBD

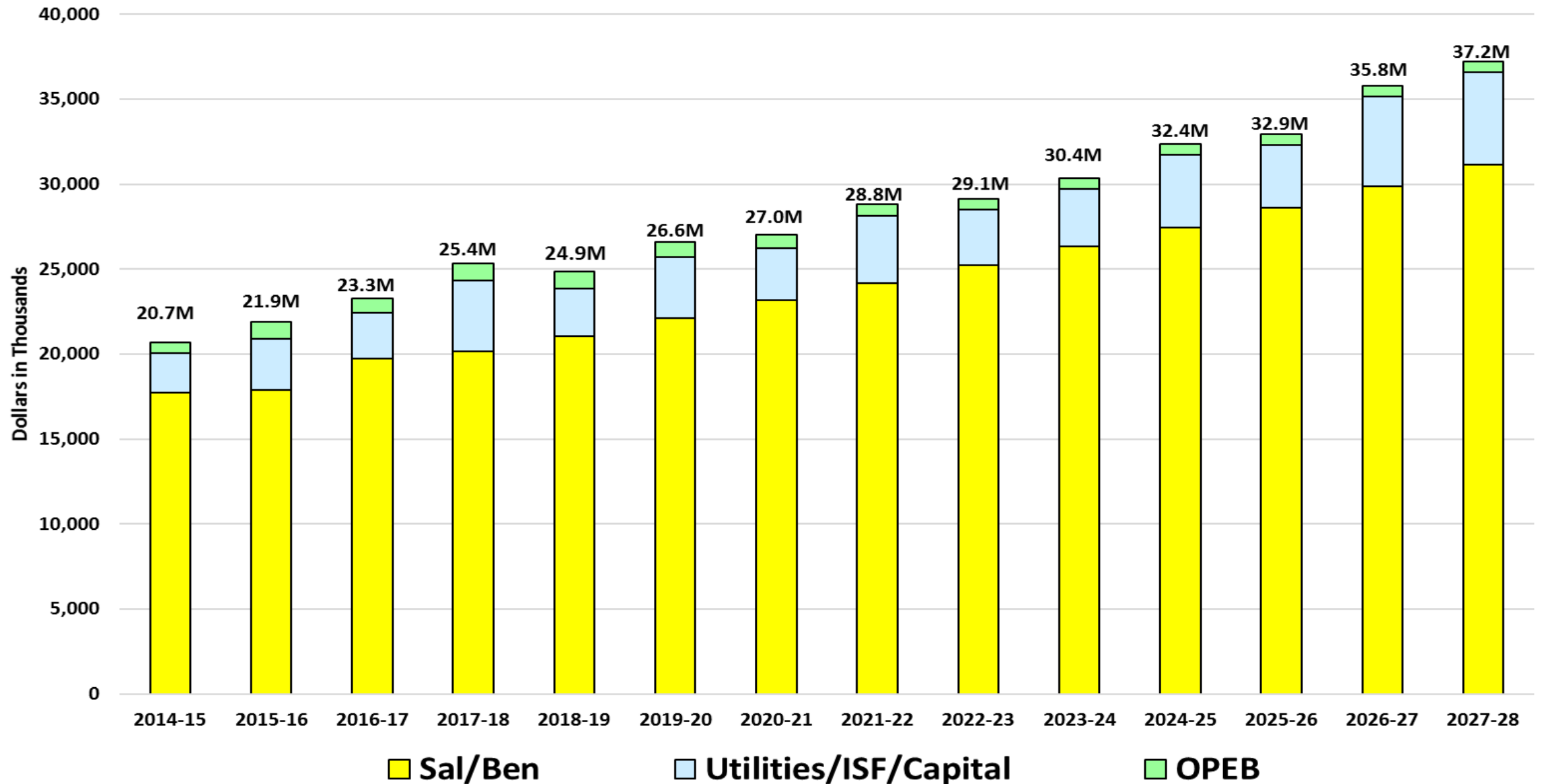
City Manager Recommendation:

\$1 Million in Targeted Expenditures matched by \$1 Million to PULL

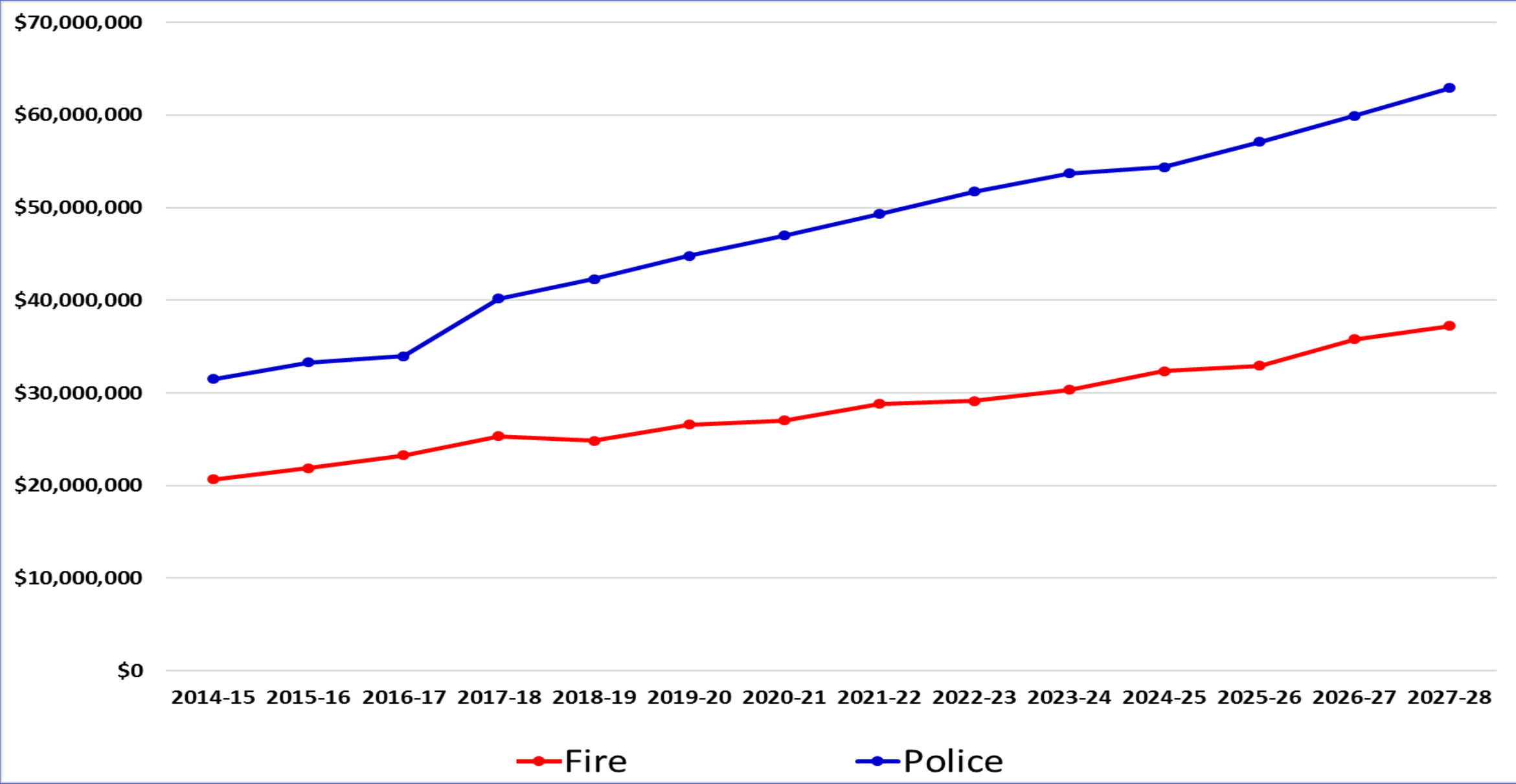
	Description	Estimated cost
1.	Financial forecast consultant	\$ 50,000
2.	Emergency preparedness supplies	65,000
3.	Personnel requests: Community Development: 1 new position Recreation & Human Services: 1 upgrade	200,000
4.	CIP: Rainbow crosswalk Best/San Leandro Blvd improvements	0 300,000
5.	Heron Bay tree removal	50,000
6.	Boys and Girls Club support *	300,000
7.	PULL Program funding OPEB Trust	1,000,000

* Can be supplemented by \$300,000 in capital funds from CDBG account to cover the entirety of the locker room remodel

Alameda County Fire Department – Projected Expenditures



Public Safety – Actual and Projected Expenditures



Net Post Employment Liabilities

	Description	% of ARC	2018-19 Annual Required Contribution (ARC)	Overall
1	Miscellaneous unfunded CalPERS	100%	\$ 8.1M	\$ 82.4M
2	Safety unfunded CalPERS	100%	7.2M	74.1M
3	Miscellaneous/Safety unfunded OPEB	176%	0.96M	5.2M
4	Fire Department unfunded OPEB * City's portion, ACFD pays difference	35%	2.75M	27.1M
	Total		\$19.01M	\$188.8M

2018-19 Budget Calendar

