



Legislation Text

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Adopt a Resolution of the City Manager's Proposed Budget for 2023-2024 and 2024-2025 for the City of San Leandro; and

Adopt a Resolution of the City Manager's Proposed Budget for 2023-2024 and 2024-2025 for the Successor Agency to the Redevelopment Agency for the City of San Leandro; and

Adopt a Resolution of the City Manager's Proposed Budget for 2023-2024 and 2024-2025 for the San Leandro Public Financing Authority

SUMMARY AND RECOMMENDATION

Staff recommends that the San Leandro City Council conduct a public hearing and take public comment regarding the City Manager's Proposed Budget for 2023-2024 and 2024-2025. At the conclusion of the public hearing, the City Council may adopt the proposed biennial budget.

Staff recommends that the City Council approve resolutions adopting the City Manager's Proposed Budget for 2023-2024 and 2024-2025.

1. Resolution adopting the City Manager's Proposed Budget for the City of San Leandro for 2023-2024 and 2024-2025.
2. Resolution adopting the City Manager's Proposed Budget for the Successor Agency to the former Redevelopment Agency for the City of San Leandro for 2023-2024 and 2024-2025.
3. Resolution adopting the City Manager's Proposed Budget for the Public Financing Authority for the City of San Leandro for 2023-2024 and 2024-2025.

BACKGROUND

The City Council approved the last biennial budget for 2021-2022 and 2022-2023 General Fund and other funds on June 28, 2021. Approved budgets are the annual expenditure plan and resource allocation guide that ensures implementation of City Council policies and priorities. The budget implements the vision, values, and direction for the broad range of services meeting the needs of the community in accordance with City Council policy.

The City Manager's Proposed Budget for 2023-2024 and 2024-2025 envisions both the community and the City organization moving steadily out of the COVID-19 environment. The proposed budget projects a stable revenue platform and describes a work program and expenditure plan supporting continued delivery of all regular City programs, services, and planned projects for the community. The budget also proposes enhancing services in key program areas related to workforce investment, infrastructure assessment, community engagement, economic development, and public safety.

Total proposed expenditure budgets for 2023-2024 and 2024-2025 are \$218,423,000 and \$223,799,000, with the General Fund contributing 66% of the total. The proposed budget authorizes a total of 472 full-time-equivalent positions. The biennial budget continues the long-term fiscal philosophy of the City Council.

DISCUSSION

The City Manager's Proposed Budget incorporates the estimated revenues and planned expenditures for all General Fund, Special Revenue Funds, Enterprise Funds including Internal Service Funds, and other agency funds. The resource totals for all funds in the biennial budget is \$219,951,000 in 2023-2024. Total proposed expenditures amount to \$221,091,000.

General Fund

The General Fund finances the operations of the City that have no special or dedicated revenue sources. The fund pays for the basic operations of the City. Over one-half of the General Fund revenue is allocated to support public safety activities. Total 2023-2024 and 2024-2025 General Fund expenditures are \$143,337,000 and \$146,822,000, respectively. Estimated revenues in the amount of \$137,993,000 and \$140,940,000 finance the anticipated expenditures.

- **Property Tax** - Total property-related tax revenues increase by \$1,082,600 in the proposed budget compared to the 2022-2023 amended budget. Secured Tax and Redevelopment Residual Property Tax revenues make up 66% of the City's annual Property Tax revenue. Secured Tax revenue is \$15,287,000 in 2023-2024, while Redevelopment Residual Tax revenue is \$2,972,000. Property Tax is the City's second largest revenue source and represents 21% of total General Fund revenue.
- **Sales/Transaction Taxes** - Sales/Transaction Tax revenues decrease by \$147,200 compared to the 2022-2023 amended budget. The original budget of \$51,326,000 was later increased to \$55,995,000 following the mid-budget cycle and mid-year budget reviews. Avenu Insights, the City's sales tax advisor, projects the City will receive \$55,847,600, the projected budget in 2023-2024. This amount includes Measure HH revenue of \$14,770,000. The favorable report on taxable transactions is critical as Sales and Transaction Taxes are the City's largest revenue sources and makes up 40% of the General Fund revenue.
- **Utility Users Tax (UUT)** - Total UUT revenues decreased by \$212,858 in the proposed budget compared to the 2022-2023 amended budget. The 2023-2024 budget is estimated at \$11,280,700. Natural gas and electric UUT revenues represent 80% of the total UUT revenues. UUT is not expected to increase significantly in future years due to the use of renewal energy and increased competition in the telecommunication market (e.g., cable TV and wired and wireless telecommunications).
- **Real Property Transfer Tax (RPTT)** - Property Transfer Tax revenues increase by \$1,730,000 compared to the 2022-2023 amended budget. Ballot Measure VV, increasing the Property Transfer tax rate from \$6 per \$1,000 in valuation to \$11, accounts for \$4,900,000 of the projected budget. Total projected RPTT revenues are estimated at \$11,000,000. This tax is highly volatile, relying on the timing of changes in property ownership.

General Fund Expenditures

Budget operating expenditures are projected to decrease by 11% in 2023-2024 and increase by 2% in 2024-2025. Employee salaries and benefits are the largest line-item expenditures in the General Fund. The Alameda County Fire Department contract services and equipment account for 22% of General Fund expenditures.

General Fund salaries and benefits are estimated at \$65,608,000 for 2023-2024. Total personnel

costs are 4% higher than the 2022-2023 projected budget. Impacts of a tight labor market coming out of the COVID-19 pandemic led to both full-time and part-time positions remaining vacant in the current fiscal year. This extraordinary level of savings is not projected in the proposed budget, as personnel allocations have been adjusted to account for vacancies and investments have been made to increase recruitment efforts to fill vacant positions. Personnel costs represent 46% of the General Fund budget. As a service organization, the City's core expenditures are personnel related.

General Fund reserves are used to support continuity of existing services to prevent disruption of projects and programs and for one-time costs and investments. These investments will be beneficial to the City in the long run in enhancing services and building infrastructure. A total of \$5,343,000 for 2023-2024 and \$5,883,000 for 2024-2025 is proposed to be allocated from the General Fund Undesignated Reserve.

Department Requested Service Enhancements

Continuity of existing services and investment in basic organizational needs have been proposed promoting department effectiveness and resolving deficiencies in existing service delivery. Proposed new and reclassified positions include:

- Administrative Specialist I and Office Assistant II (City Manager's Office)-special projects, communications, and process improvements;
- Administrative Specialist III, Project Specialist I, Permits Clerk, and Assistant Planner and Plan Check Engineer (in 2024-2025) (Community Development)-economic development, planning, and permitting support;
- Administrative Specialist III (Community Police Review Board)-support for community review of police operations and complaints;
- Associate Engineer and Engineering Inspector (Engineering & Transportation)-construction inspection support;
- Accountant I and Account Clerk (Finance)-enterprise resource planning project support and budget compliance monitoring;
- Administrative Assistant II, Human Resources Analyst (2), Senior Human Resources Analyst, Human Resources Technician, and Administrative Assistant II (Human Resources)-recruitment, classification and compensation management, operational support, and enterprise resource planning project support;
- Information Systems Support Technician, Information Technology Manager, Information Technology Analyst (2) (Information Technology)-systems, security, innovation, and enterprise resource planning project support;
- Management Analyst II (Library)-library financial and operational management;
- Administrative Assistant III, Management Analyst II, and Police Captain (Police)-field operations command and business administration support;
- Public Works Services Manager and Administrative Specialist III (Public Works)-water pollution control plant management and business administration support; and
- Administrative Assistant I (Recreation)-organizational support.

Other key proposed General Fund service enhancements in 2023-2024 include:

- Implementing the Facilities Condition Assessment and the Parks Master Plan;
- Implementing the required Housing Element;
- Creating and implementing an Economic Development Plan;

- Investing in a safety Mental Health Response Unit; and
- Seeking alternative revenue sources supporting infrastructure and capital needs.

Key Assumptions

Salary Adjustments

The budget forecasts salary adjustments based on existing Memorandums of Understanding (MOUs) for three labor groups. Salaries and benefits for periods in 2023-2024 and 2024-2025 outside existing MOUs are adjusted by 3%.

Medical Insurance

Medical and dental insurance costs include estimated increases. The budget and the multi-year forecast include annual 4% rate increases.

Retirement Plan Costs (CalPERS)

The City contracts with CalPERS to administer its pension plans. Pension costs are made up of two parts including normal cost and unfunded liability amortization. Normal cost represents service credits earned by active employees in the current year and is calculated as a percentage of payroll.

Based on actuarial valuation reports provided by CalPERS, the normal cost rates for Miscellaneous and Safety plans are expected to be slightly lower than 2022-2023 rates. While benefits remain unchanged, employer contributions are down due to prior year portfolio investment gains and higher employee contributions for two labor groups. Pension costs are estimated at approximately \$22,500,000 for all funds.

Fire Contract

The 2023-2024 proposed budget for the fire services contract with the Alameda County Fire Department is \$32,027,000 and this amount is expected to increase to \$33,276,000 in 2024-2025. The contract provides for both emergency and non-emergency fire services in the City.

Transfers Out

Transfers out of \$6,911,000 in 2023-2024 and \$6,888,000 in 2024-2025 include General Fund contributions to the Capital Improvement Program, the Business Improvement District Fund, the Gas Tax Fund, Self-Insurance Fund, and the Information Technology Fund.

Service Enhancements Reflecting City Council Goals

City program and service level enhancements are proposed consistent with the City Council's goals and priorities. Enhancements cover a wide range of programs for mental health services, operating a homeless navigation center, public safety, economic development efforts, staff development and recognition, and investments in community resiliency.

Special Revenue Funds

Special Revenue Funds are used to account for revenue derived from specific taxes from other revenue sources that are restricted by law or administrative action to expenditures for specific purposes. Special revenue funds have either a restriction on their use or special reporting requirements, such as funds received related to AB 1600 development impact fees.

Enterprise and Internal Service Funds

Four Enterprise Funds make up the City's business type operations. The Water Pollution Control Plant Fund, Environmental Services Fund, Shoreline Enterprise Fund, and the Storm Water Fund are City municipal operations designed to fully recover costs through user fees. Internal Service Funds also operate as business activities, exclusively supporting the City's internal operations. Facilities Maintenance, Information Technology, Insurance Services, and Equipment Maintenance make up these funds.

The Storm Water Enterprise Fund is the only enterprise fund projected to face a negative fund balance (-\$3,111,000). For the Fund to remain self-sufficient over the long-term, it will require new voter-approved funding or continued subsidy from the General Fund.

Capital Improvement Program

The Capital Improvement Program (CIP) represents the spending plan for infrastructure improvements and other specific large-scale capital purchases. Projects include major street and park improvements, building construction, and significant facility maintenance or upgrades.

The total CIP program in the biennial budget consists of \$4,050,400 in 2023-2024 and \$8,002,000 in 2024-2025. These amounts include miscellaneous department projects. General Fund CIP commitments total \$759,000 in 2023-2024 and \$804,000 in 2024-2025. The CIP plan significantly contributes to the total budget and to the community. It is important to note that the budget does not include every project on the master list, but only projects currently underway.

ATTACHMENTS

- Attachment A - Resolution Adopting the Biennial Budget of the City of San Leandro for 2023-2024 and 2024-2025
- Attachment B - Resolution Adopting the Biennial Budget of the San Leandro Public Financing Authority for 2023-2024 and 2024-2025
- Attachment C - Resolution Adopting the Biennial Budget of the Successor Agency to the Redevelopment Agency for 2023-2024 and 2024-2025
- Attachment D - All Funds Budget Summary for 2023-2024 and 2024-2025
- Attachment E - City Manager's Proposed Budget for 2023-2024 and 2024-2025
- Attachment F - Fiscal Years 2023-2024 and 2024-2025 Budget Presentation

PREPARED BY

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