



General Fund Projection Trends and Implications

Budget Oversight Committee – April 20, 2021

Even prior to Pandemic, FY 20 was facing a shortfall

- FY 20 was adopted before employee contract negotiations were complete, and costs/outcomes were unknown at the time of budget adoption.
- Any costs negotiated for FY 20 would require the identification and use of one-time funds, and any structural impact will need to be included as part of the FY 21 budget projection.
- When negotiations were complete, costs of about \$10-12 million were unfunded.

Pandemic Hit Hard in FY 20 – Used Reserves to Address

- FY 20 General Fund shortfall of \$21 million
 - Shortfall minimized by effort to maximize grants and scale back costs
 - Continued most services to public but many important administrative functions are impacted
- Use of Reserves was needed:
 - \$12.6 m of \$13.5 m Operating Reserve
 - \$7.9 m of \$46.0 m Emergency Reserve
- Reserve use appropriate; but City in weaker position until reserves restored
- American Rescue Plan Act funds proposed to be used to replenish reserves

FY 21 Status

- FY 21 was projecting a structural shortfall of \$30 million and the budget was developed during the pandemic crisis
- The FY 21 budget balancing included some one-time solutions – the intent was to structurally resolve in FY 22
 - Employee furloughs - \$11 million
 - Anticipated reserve use – \$5 million (plus \$3 million for critical one-times)
- Early indication that some key revenues will be better than budgeted
- Opportunity to restore furlough impacted services through federal funding

General Fund Outlook

Projected Shortfalls* (\$ in millions)

	FY 22**	FY 23	FY 24
No Federal Funds	(30) (9) for Measure M escrow +	(7)	(10)
With Federal Funds	(0) (9) for Measure M escrow+	(37)	(10)

* Assumes each years' shortfall is structurally solved (otherwise shortfalls accumulate)

** The FY 22 \$30 m shortfall includes \$1.9 m that Fire Department solved in FY 21 with one-time solutions

+ Measure M escrow cost is \$9 m in FY 22; if City loses court hearing, \$9 m structural costs needs to be added to shortfall

Revenue Change

FY 22 Drivers for General Fund Surplus / (Shortfall) \$ in millions

Revenue Incremental Changes	
Uplands Oil Transfer	1.3
Property Tax	5.4
Transient Occupancy Tax	2.8
Sales Tax & Measure A	12.0
Utility Users Tax	(2.1)
Other Revenue Change (e.g. Cannabis, VLF, Transfers, Departmental)	2.5
Total Revenue Impact	21.8

Expense Change

FY 22 Drivers for General Fund Surplus / (Shortfall) \$ in millions

Expense Incremental Changes	
Salary	(22.9)
Insurance Fund (e.g. General Liability and Worker's Compensation)	(8.6)
CalPERS Pension	(2.4)
Civic Center MOU	(1.3)
Critical and Other Technology MOU	(1.9)
Health Benefit Related	1.9
Other Expenses (e.g. Debt Service, Indirect Cost Plan, Technical Corrections)	(2.7)
Set Aside – Measure US, Measure B (TOT)	(1.7)
Total Expense Impact	(39.6)

FY 22 Drivers for General Fund Surplus / (Shortfall) - \$ in millions

FY 22 Incremental Changes (From Previous Slide)

Total Revenue Impact	21.8
Total Expense Impact	(39.6)

Additional Impacts to Projected Surplus / (Shortfall)

Previous Year Shortfall not included in previous slide	(4.2)
Fire Structural Cut from FY 21	(1.9)
Backing out Measure A related revenue increases	(6.0)
Measure B (Stabilization Fund)	(0.1)
Projected Surplus / (Shortfall)	(29.9)

Next Steps and Plan for Future

- Significant uncertainties and unfunded critical needs
 - Restrictions for the allowed use of federal ARP funding
 - Measure M litigation court hearing outcome
 - Unfunded critical needs, services or enhancements (including FY 22)
 - Speed and depth of recovery
 - Any major changes to projections
- Contingencies and options need to be available to deal with uncertainties and critical one-time funding
- Top priority during FY 22 – develop a plan for a structurally balanced budget