

# FY 20 Budget Preliminary Status and City Manager's Budget Approach

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## Early start to FY 20 budget development

- Provide budget status, based on previous projections with some new information
- Discuss early start to budget development due to LB COAST ERP implementation, the move to the new City Hall, and time to incorporate Mayor's and City Council's request to include Engine 17 and the Community Rapid Response Bike Team
- Identify the City Manager's priority based approach to balancing the FY 20 proposed budget

## Environment

- City is doing well with a great economy and unprecedented development
- City has been expanding services, albeit slowly
- Revenue growth still slow compared to expenditures
- Expiration of labor agreements in FY 19
- Balancing the budget next year (FY 20) and the next few years is likely going to be difficult

## **FY 18 expected to fund contingent appropriations**

- FY 18 appears to have enough surplus to fund the \$305,000 in contingent appropriations
- State tax reporting system is a concern
- Expect final status early February
- Will advise as soon as we are confident that contingent funding is available so funds can be released

## How FY 19 was balanced and current status

- How FY 19 was balanced:
  - New and reallocated Measure A revenue
  - Increases in parking fines and ambulance fees
  - Higher risk levels for self-insurance funds
  - Departmental reductions (minimized)
  - No additional funding for reserves
- Current status:
  - FY 19 appears to be on track

## The most recent FY 20 projections showed a shortfall

- Shortfall of \$9.3 million projected as part of the FY 19 budget process
- Projected expenses continue to increase faster than revenues
- Led by CalPERS pension costs which are projected to have slower growth over the next ten years, but still a major cost factor
- Will be updated several times over next few months
- Updates will also include new revenue sources and the new expenses

**FY 20 has potential significant new cost items**

- Engine 17 and Community Rapid Response Bike Team
- Public safety parking needs
- Body (worn) cameras, litigation and insurance costs, and other
- Funding of reserves to help maintain bond rating
- Labor agreements cost

## Looking into potential new revenues to help fund FY 20 costs

- Measure A revenues may be higher than projected
- Two changes to State Medi-Cal practices could potentially increase ambulance reimbursement
- Parking fine and ambulance fees could be increased for the second time in two years



**Status is very preliminary and will change with additional information**

- New revenue projections are extremely preliminary, not fully vetted, and may not occur as anticipated
- No indication of other major new revenue sources
- Projections for other revenues have not been updated yet
- Budget process needs to factor in significant uncertainties and cost increases

## Potential future budget considerations (beyond FY 20)

### Potential future costs

- ↓ Potential budget shortfall in FY 21 with labor agreement
- ↓ Pension costs continuing to increase
- ↓ Insurance cost increases
- ↓ One-time infrastructure costs (e.g. deferred maintenance)
- ↓ Addressing stormwater needs

### Potential future revenues

- ↑ Strong economy
- ↑ Economic development
- ↑ Stormwater funding from County Measure W
- ↑ Cannabis tax revenue and potential rate increase
- ↑ Other revenues such as short-term rentals

## Potential FY 20 Landscape

- Some budget items may be fundable from new revenues
  - Projected shortfall (subject to change with updates)
  - Engine 17 and Community Rapid Response Bike Team
  - Public safety parking needs
  - Body (worn) cameras
- Other budget items may require service reductions
  - New or increased operating costs
  - Labor agreements costs (at least some portion)
  - Funding of reserves to help maintain bond rating
- Service reductions could have a significant impact

**Preliminary - will change, potentially significantly**

## City Manager's proposed priority-based approach to the FY 20 budget

### Priority Order for FY 20 Budget Balancing

1. Continuously **update projections** (may significantly change)
2. Add City Council directed **Engine 17 and Community Rapid Response Bike Team**
3. **Increase ambulance fees and parking fines** to maximum extent feasible
4. Find efficiencies and allow **only essential cost increases**
5. Budget development will **identify service reductions** to accommodate any projection outcome
6. Based on updated projections, **balance the budget using any necessary service reductions**
7. **Strengthen reserves**
8. Any **one-times used first for committed costs**: public safety radios, transition costs for the armory and hospital, and one-times for Engine 17 and Community Rapid Response Bike Team

A preliminary look at FY 20 potential costs and offsets

### FY 20 Initial Budget Balancing Components

Shortfall Projection (from FY 19 budget)	(9.3)
Health Care Cost Savings (from reduced costs)	0.6
<b>Updates to Projection (Jan-April)</b>	<b>?</b>
Engine 17 and Community Rapid Response Bike Team (Structural)	(4.2)
Additional Measure A (Revenue better than projected)	3.0
<b>Additional Medi-Cal Reimbursements (GEMT and Quality Assurance Fee)</b>	6.6
Increased Parking fines and Ambulance Fees	4.9
Efficiencies and other adjustments	2.0
Parking and Body Worn Cameras	(3.6)
<b>New costs</b>	<b>?</b>
<b>Labor costs for bargaining units</b>	<b>?</b>
<b>Service Reductions as needed</b>	<b>?</b>
<b>Strengthen reserves if funding available</b>	<b>?</b>
<b>Surplus/(Shortfall):</b> <i>Final surplus or shortfall will depend on updates to figures above. Budget process will identify service reductions in case they are needed</i>	

**Preliminary - will change, potentially significantly**

**Early start to  
FY 20 budget  
process due to  
LB COAST, the  
City Hall move,  
and a difficult  
budget**

- December 18: Study session on budget status and City Manager's approach to developing and balancing the FY 20 budget
- January-April: Updates to City Council if substantive changes in budget status and/or the size of service reductions
- July and August: Budget released to Mayor and City Council

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