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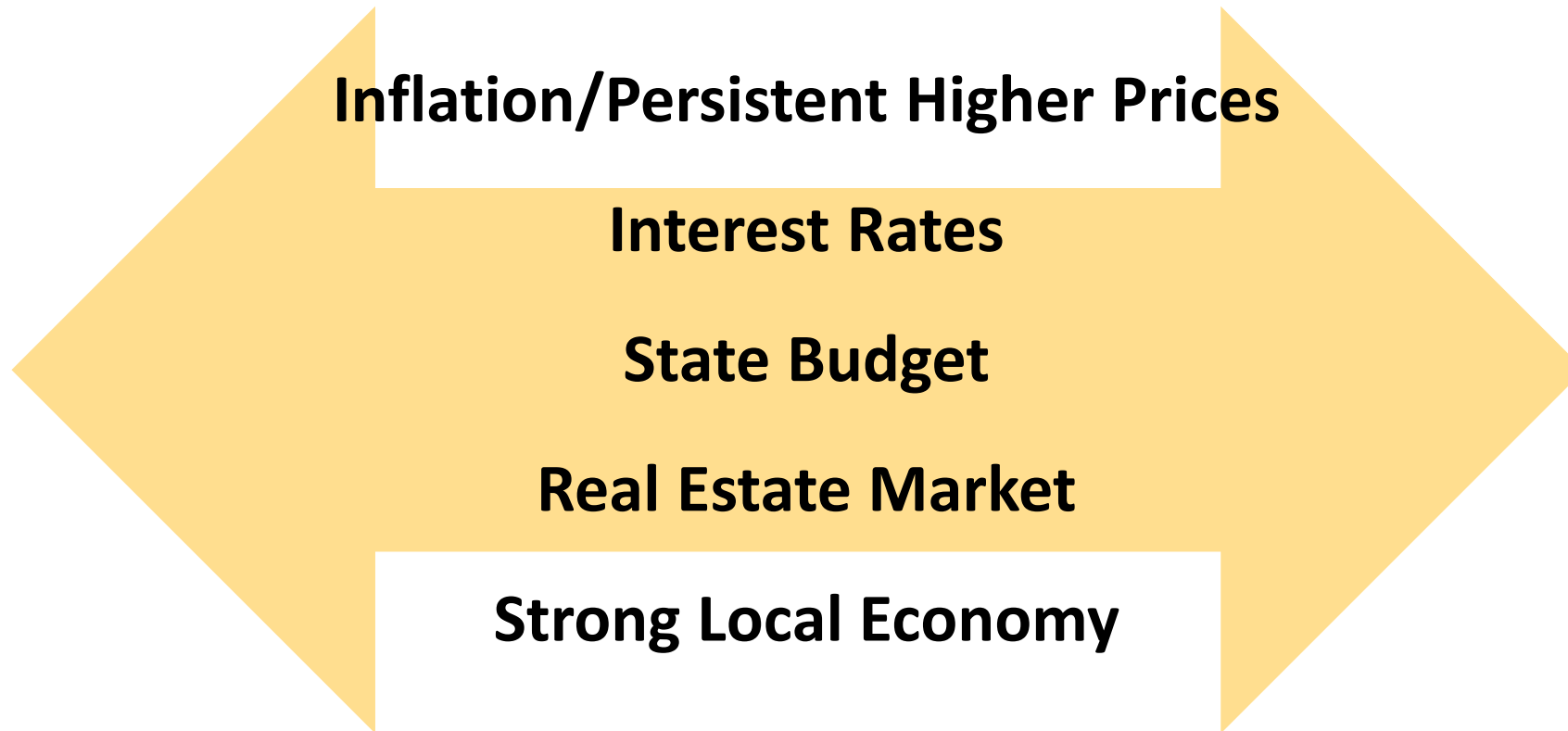
Preliminary Outlook for Fiscal Year 2024/25

Study Issues/Budget Proposals Workshop
February 15, 2024

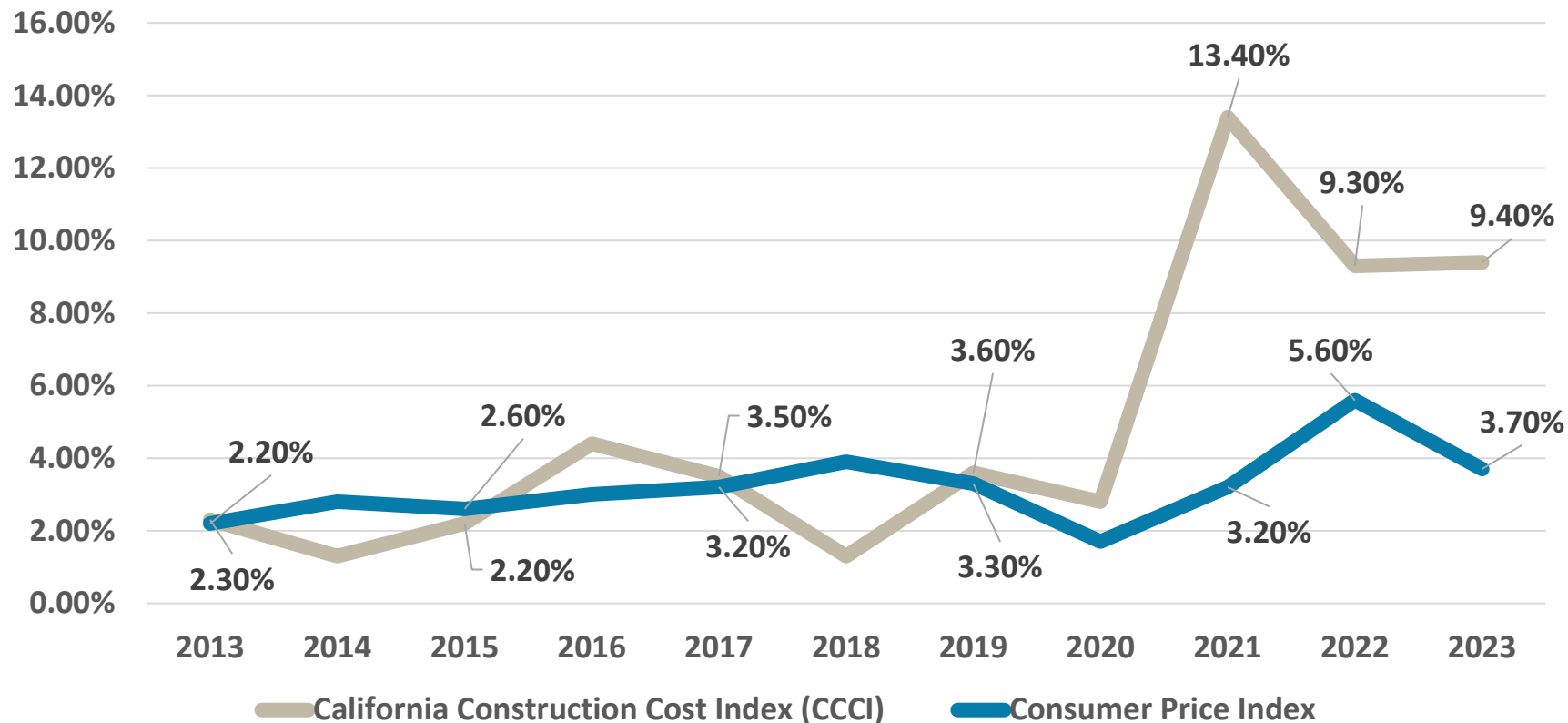
Purpose of Fiscal Outlook

- Provide an update on current conditions
- Set context for fiscal capacity to implement new Study Issues or Budget Proposals
- Update Council on status of budget development and known financial impacts
- Final funding decision on all items discussed today will be made at the Recommended Budget Workshop on May 23rd.

Overall Economic Outlook

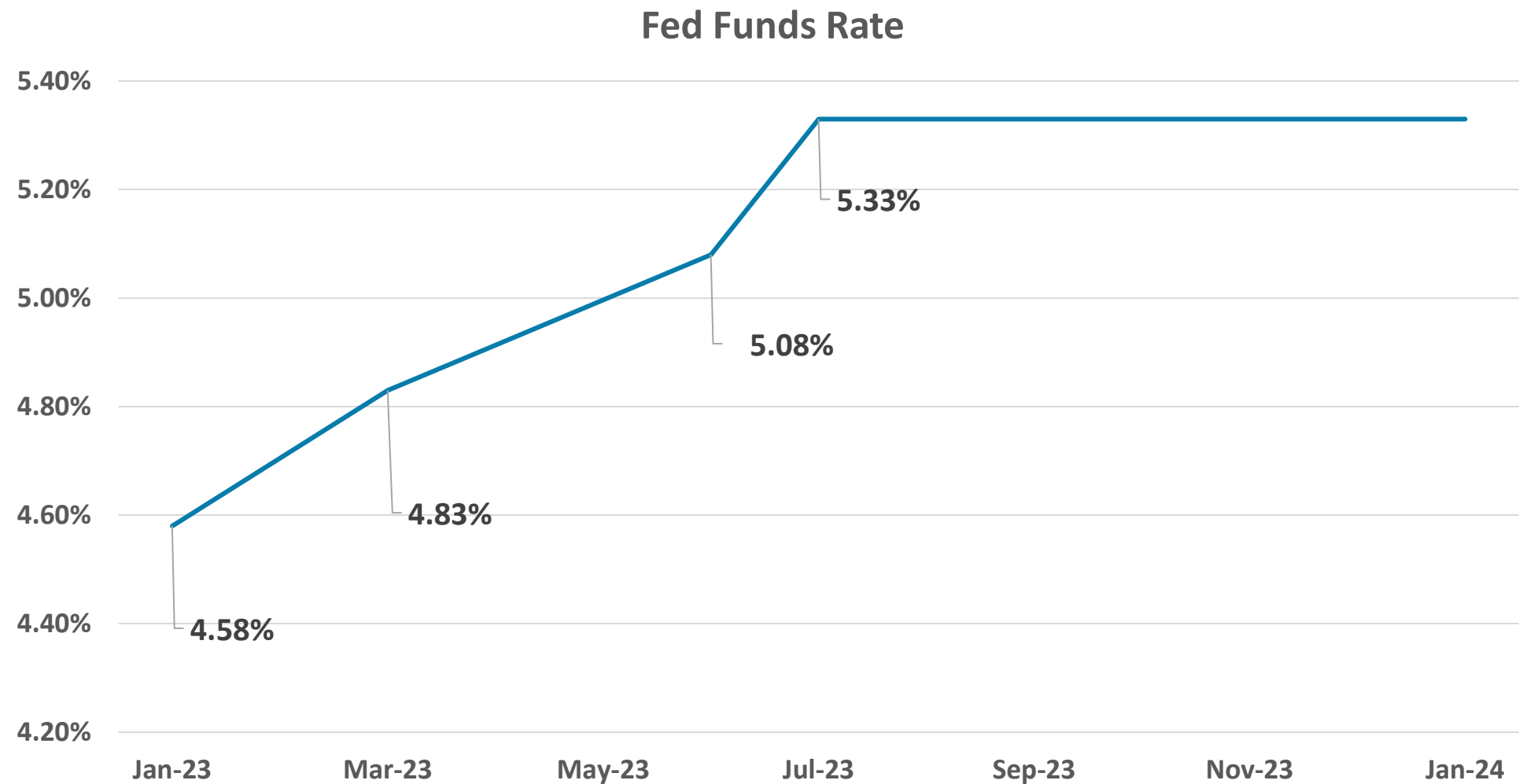


Historical Construction Cost Index (CCI) and Consumer Price Index (CPI)



- CPI 5 yr avg is 3.5%
- CCI 5 yr avg is 7.7%

Fed Actions Over the Last Year



FY 2024/25 State Budget Overview

- \$291.5B spending plan; General Fund \$208.7B
- State forecasts \$38B deficit
- Projected 25% revenue decline
 - Prior year revenue shortfall due to 2022 income tax returns filing extensions
 - Stock Market Slowdown
 - Significant proportion of income from stock-based compensation and capital gains
 - Subject to volatility of financial markets
- State Budget forecasts operating deficits of about \$30B annually through FY 2027/28



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Revenues

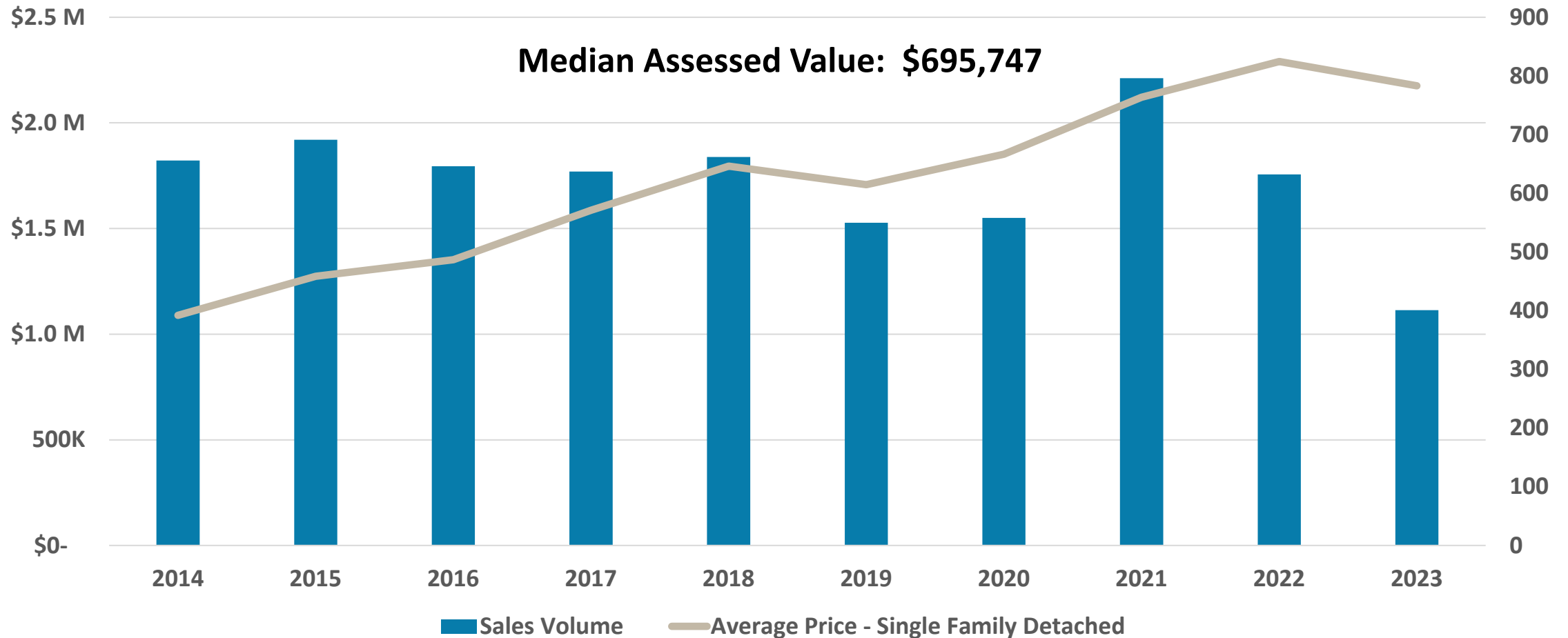
Property Tax FY 2023/24 Roll Growth

- Citywide Assessed Value (AV) growth was 8.6% vs. 5.9% projected
 - Current estimate adds approximately \$4.5M annually to the base – approx. 56% of General Fund revenue

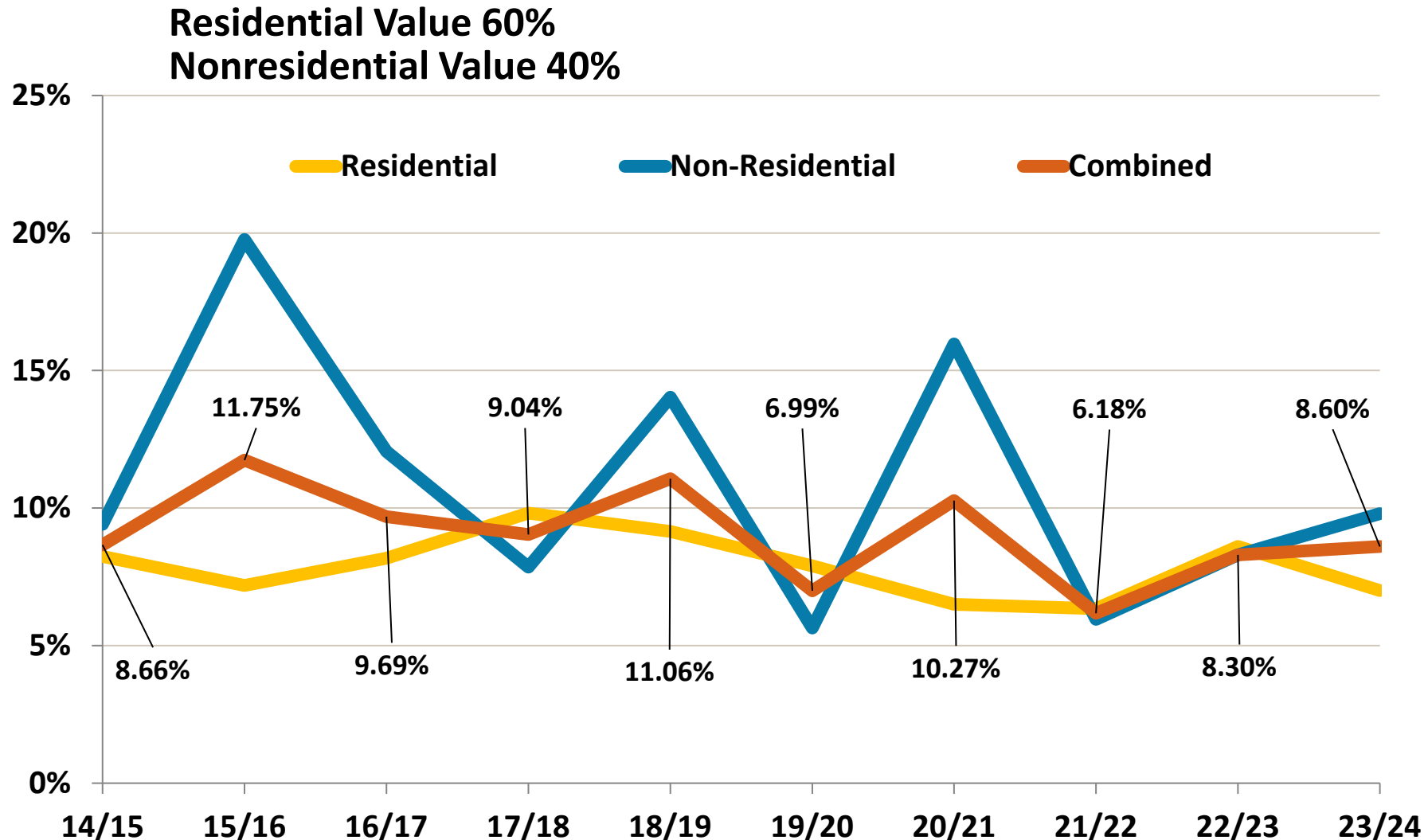
Use Category	Change from 22/23	% Growth
Residential	\$2.4B	7.04%
Commercial	\$1.4B	9.8%
Industrial	\$1.0B	10.44%
Unsecured	\$284M	7.31%

- FY 2024/25 Roll Development currently 3.27% vs. 4% projected
 - Each 1% is approximately \$790K per year in revenue

Single Family Average Price History and Sale Volume History



Secured Property Tax Annual Revenue Growth History



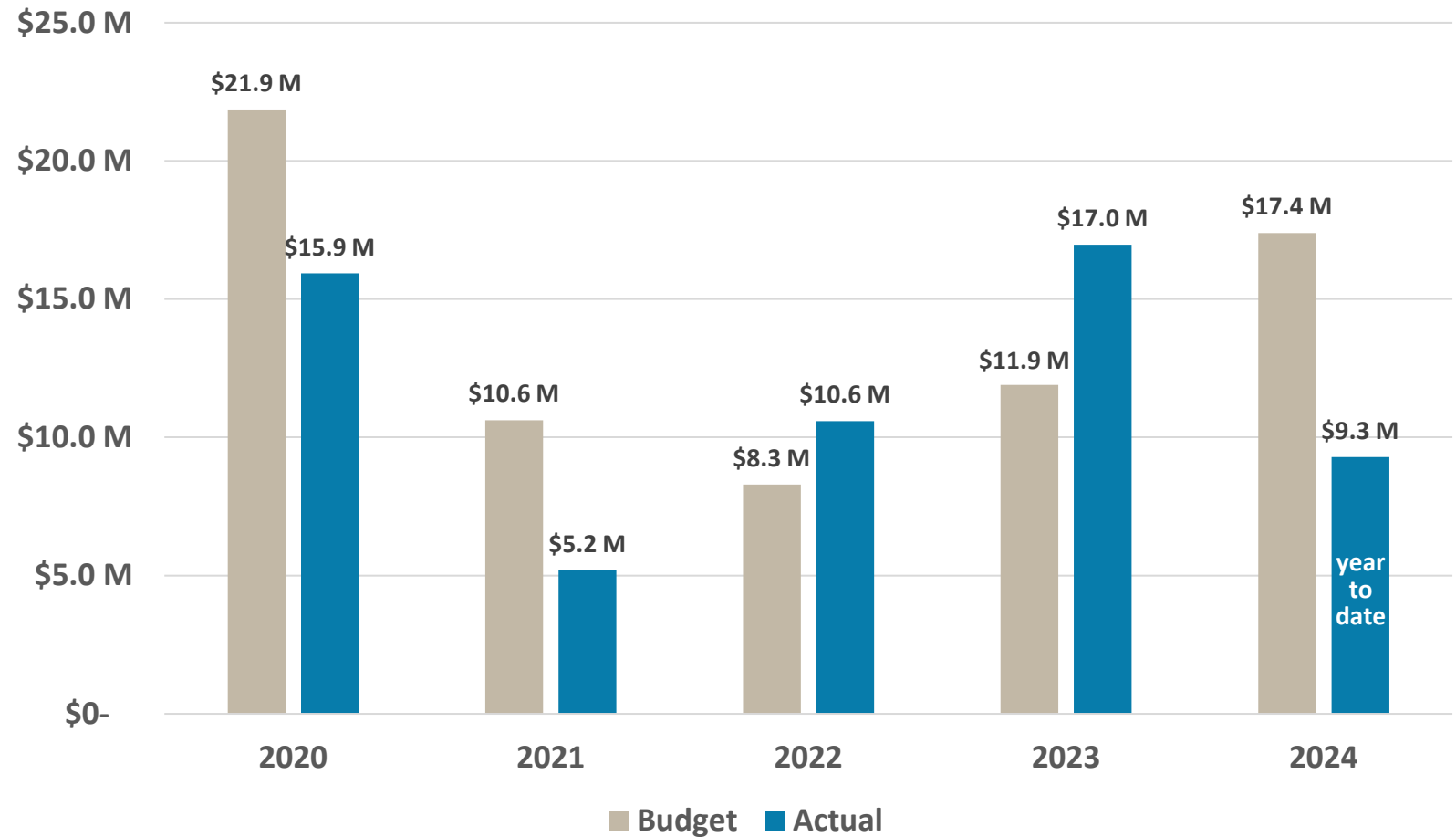
Latest Developments on Excess ERAF

Educational Revenue Augmentation Fund (ERAF)

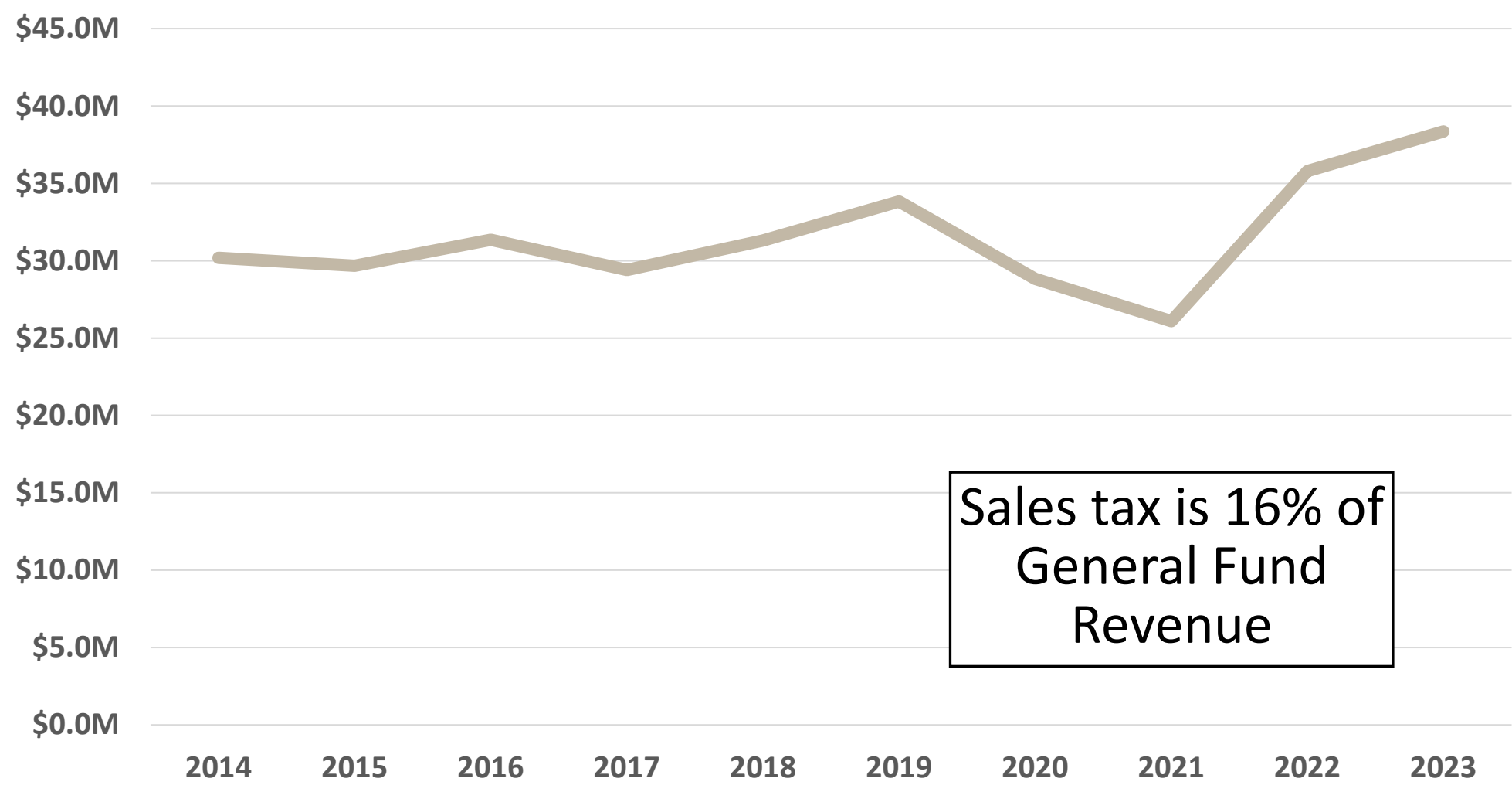
- Local property Tax revenue requirements to meet minimum K-14 spending levels
 - Distributed to non-basic aid school districts with less property tax revenues
- Excess ERAF = revenue returned to local jurisdictions if minimum guarantee met
 - Charter schools not currently addressed in existing ERAF statutes
- FY 2024/25 Budget proposes statutory change to clarify that charter schools are eligible
- Estimated impact is 8% of City Excess ERAF revenue; approx. \$876K of FY 2022/23 revenue

Transient Occupancy Tax

- Rate and occupancy recovery
- Business travel is large driver; full recovery remains uncertain
- 20-Yr projection still affected
 - 19/20 = \$530.5M
 - 23/24 = \$523.5M

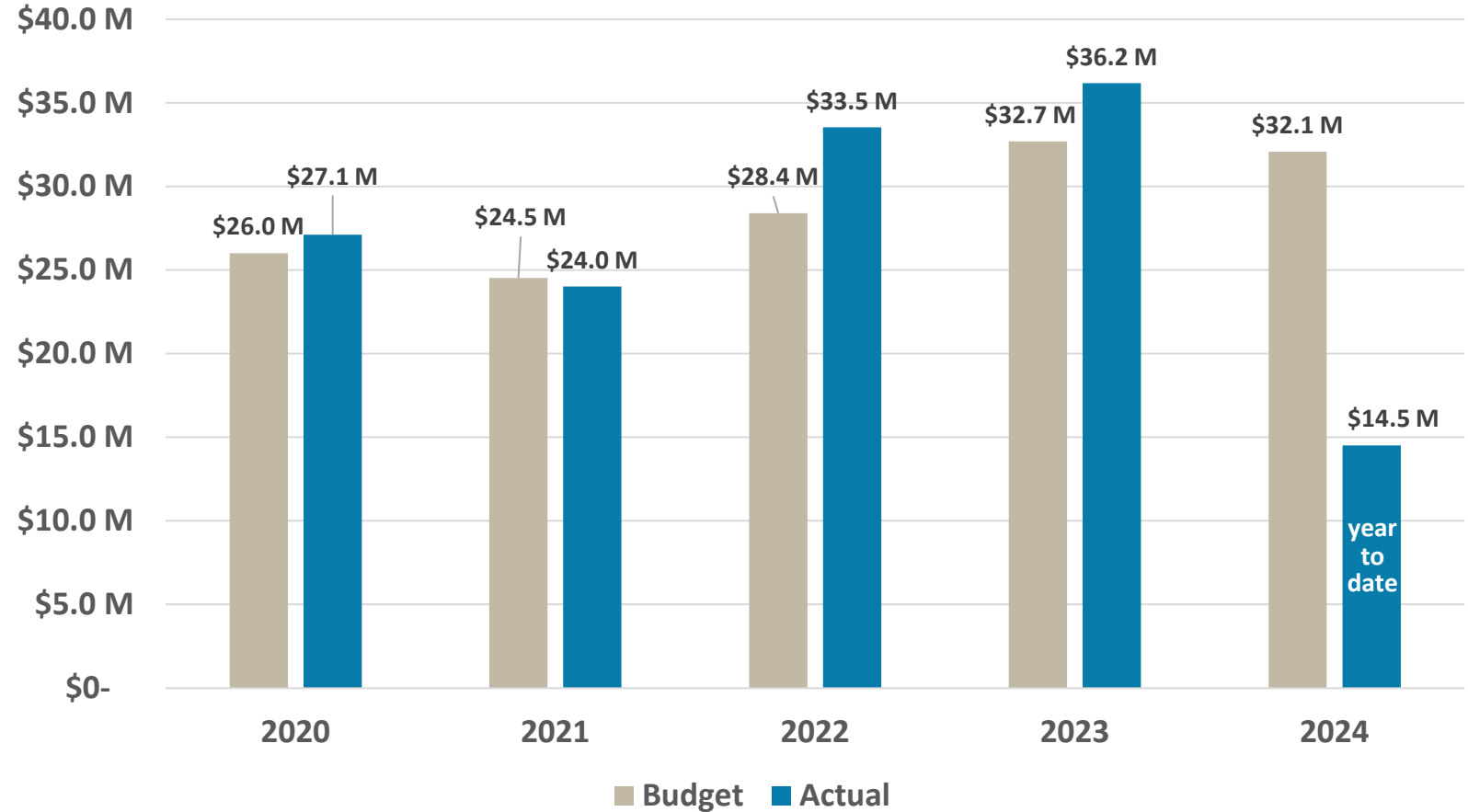


Sales Tax History



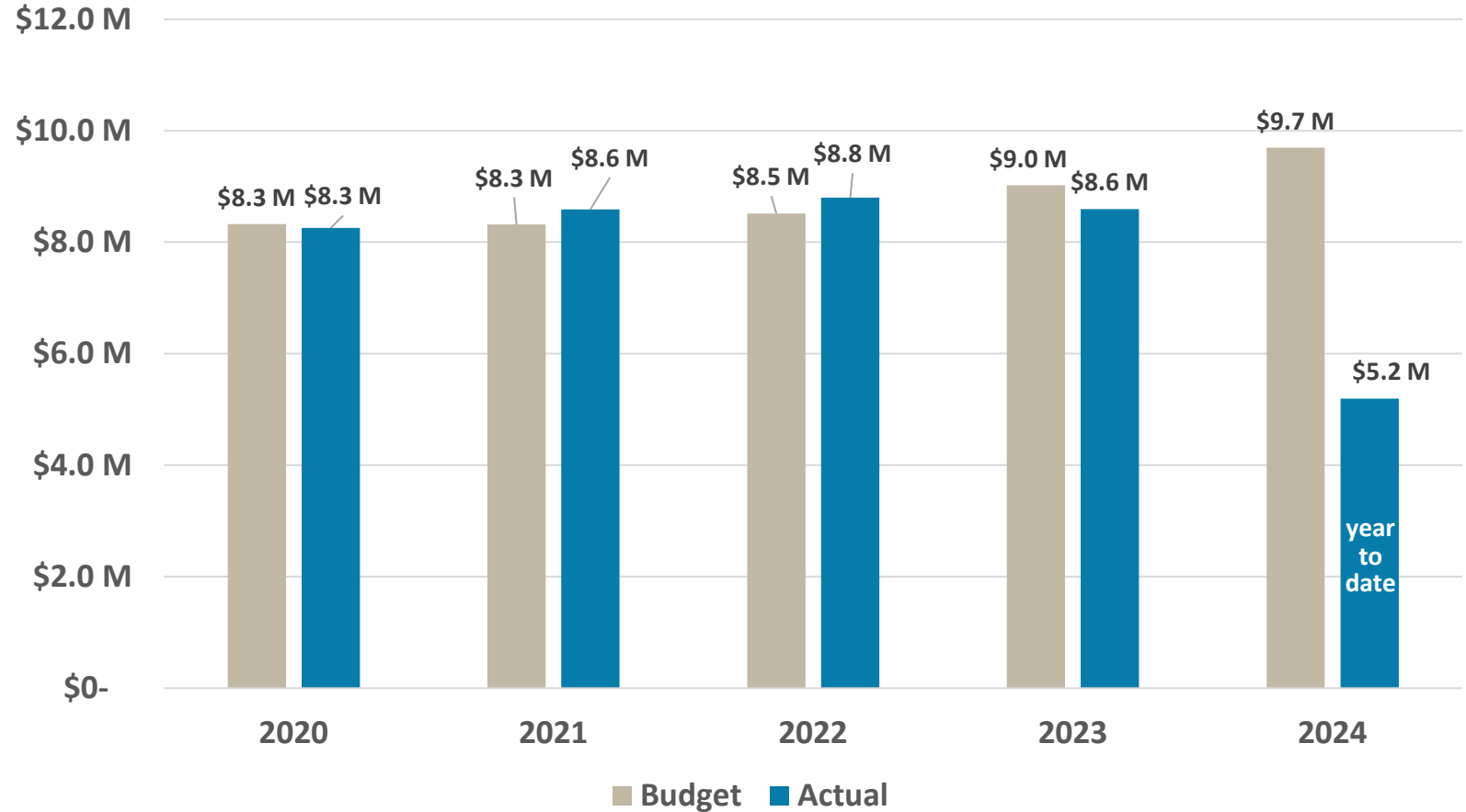
Sales Tax

- Prices remain higher
- Fuel and labor costs driving up cost for goods
- Long term positive
 - Rev 23/24 - \$34M
 - Rev 24/25 - \$35M
- Potential increase of in base to be refined

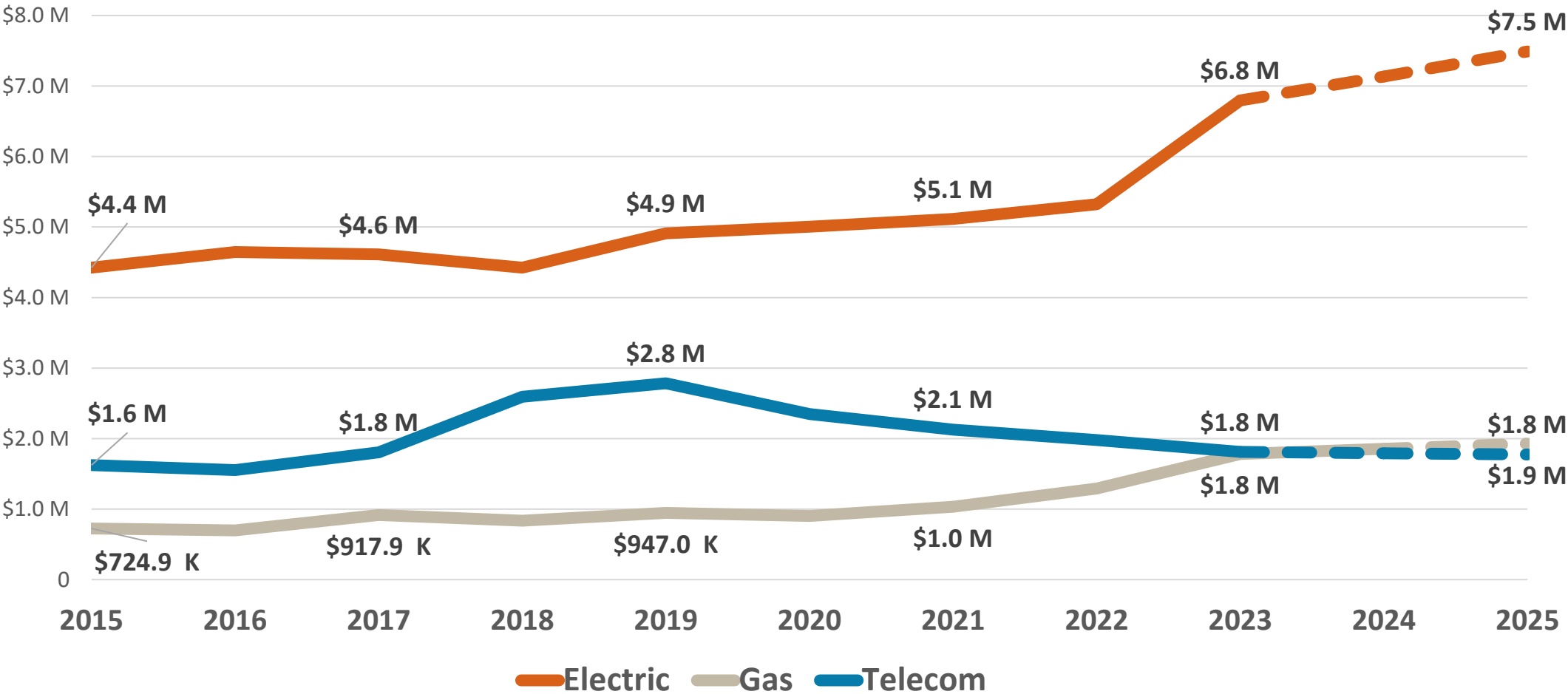


Utility Users Tax

- Cost of Energy driving revenues up
- Large increase in Clean Energy in FY 2022/23
- Telecom UUT revenue decreasing as cable and satellite services become less popular
- Long term positive
 - Rev 23/24 - \$10.8M
 - Rev 24/25 - \$11.2M



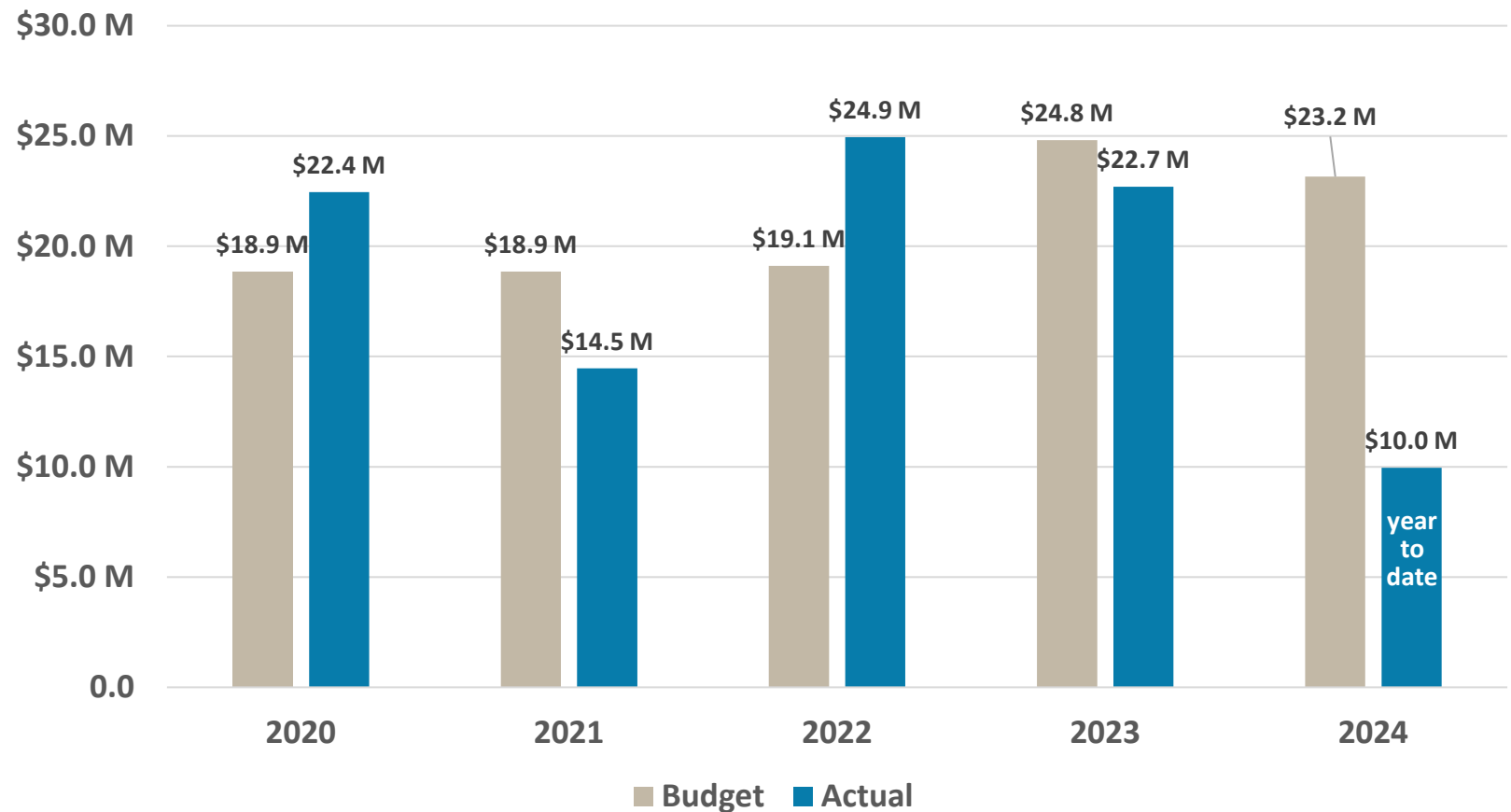
Utility Users Tax Historical and Projected



Dotted line = Projected

Development Enterprise Fund Revenues

- Development activity remains strong
- Anticipated to exceed current year budget
- Revenue covers cost of providing service

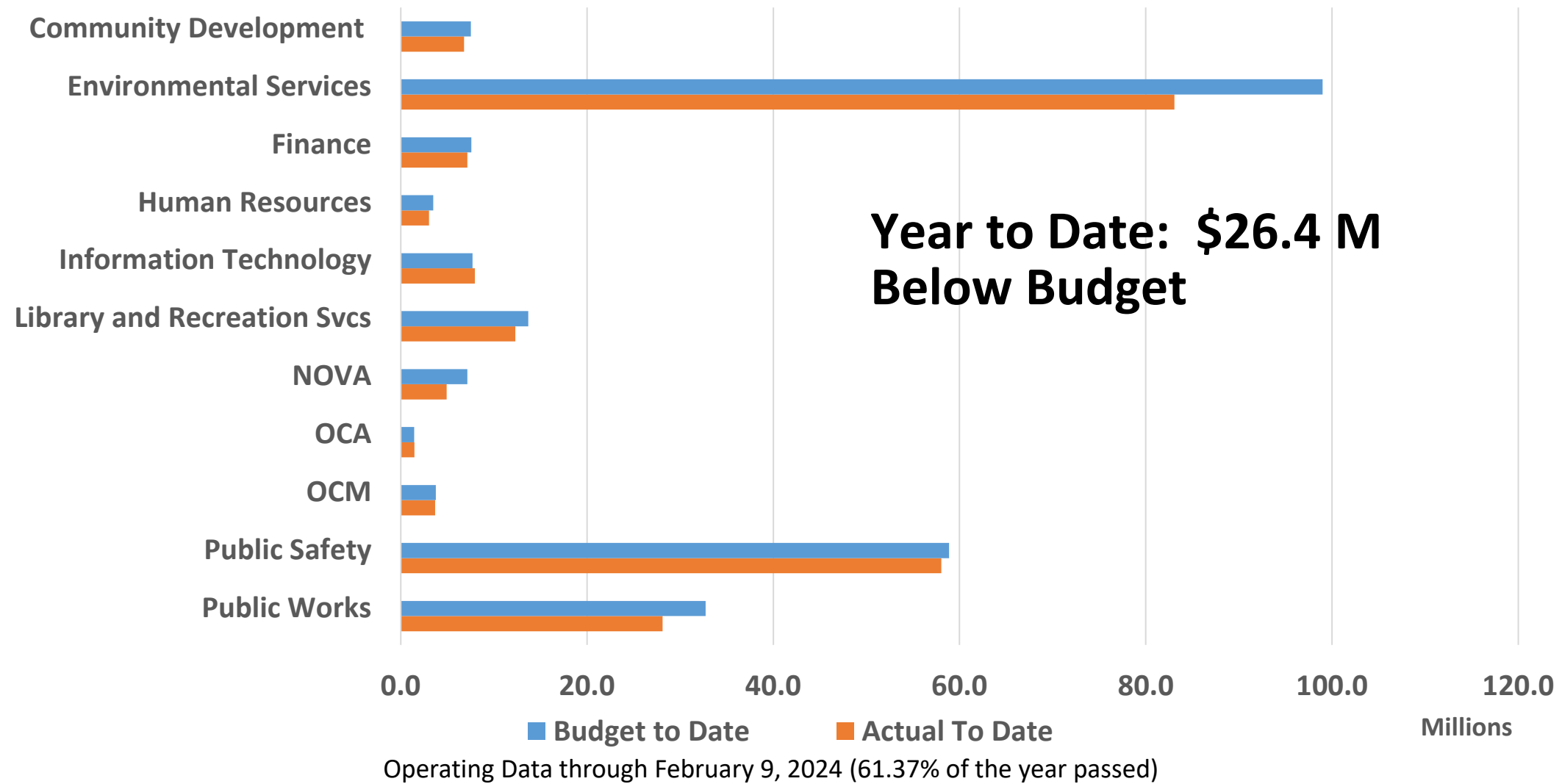




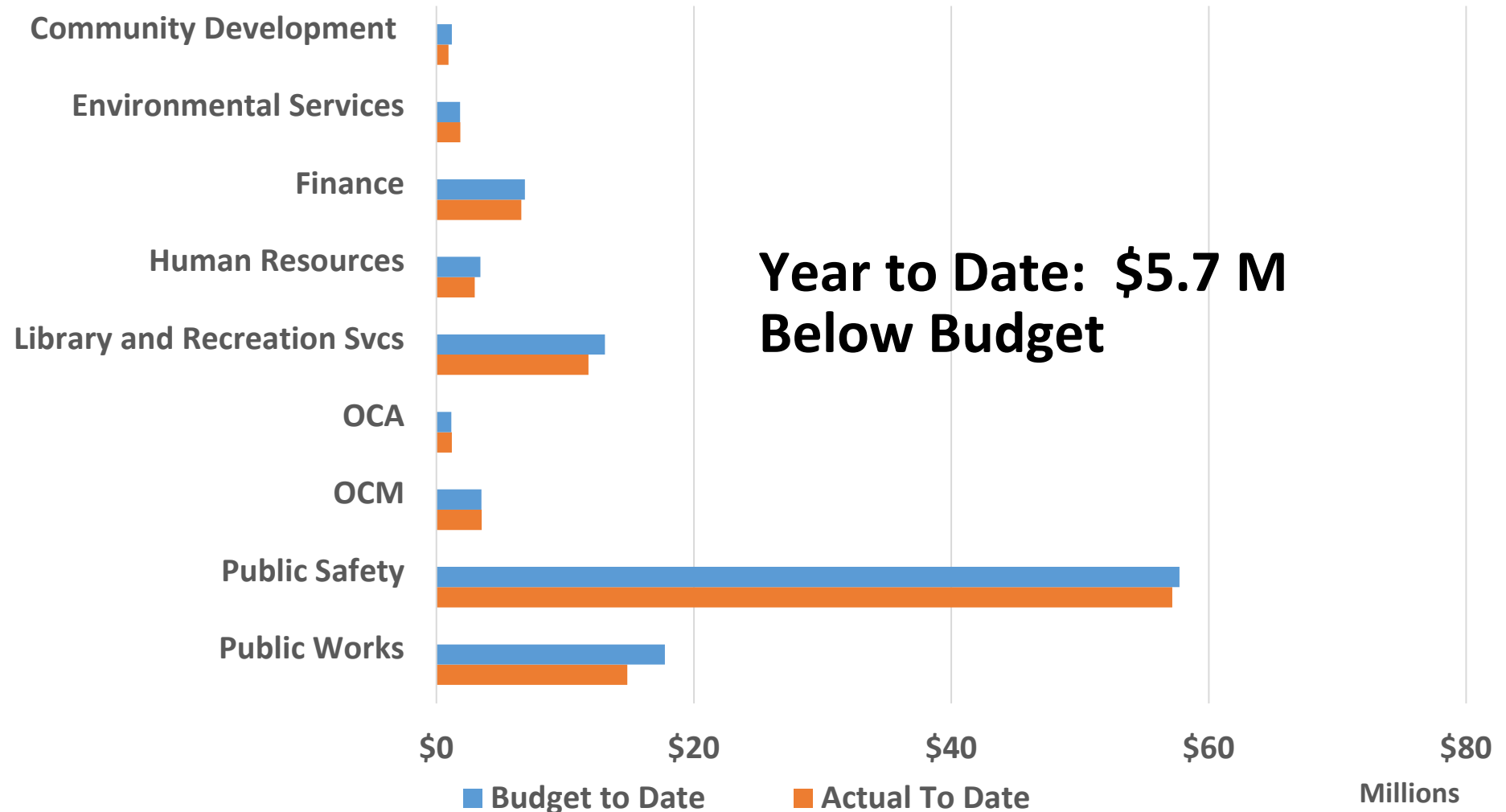
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Expenses

Year to Date Operating Expenditures by Department – All Funds



Year to Date Operating Expenditures by Department – General Fund



Pension Expenditures

- Actuarial projections on pensions under evaluation by staff
- CalPERS return was 5.8% in FY 2022/23 vs. (6.1%) for FY 2021/22; 6.8% is target
 - Annual returns subject to market conditions
 - Impacts ramped in over five- year period
- Current year CalPERS is tracking at 4.7%

Pension Demographic Information – Miscellaneous

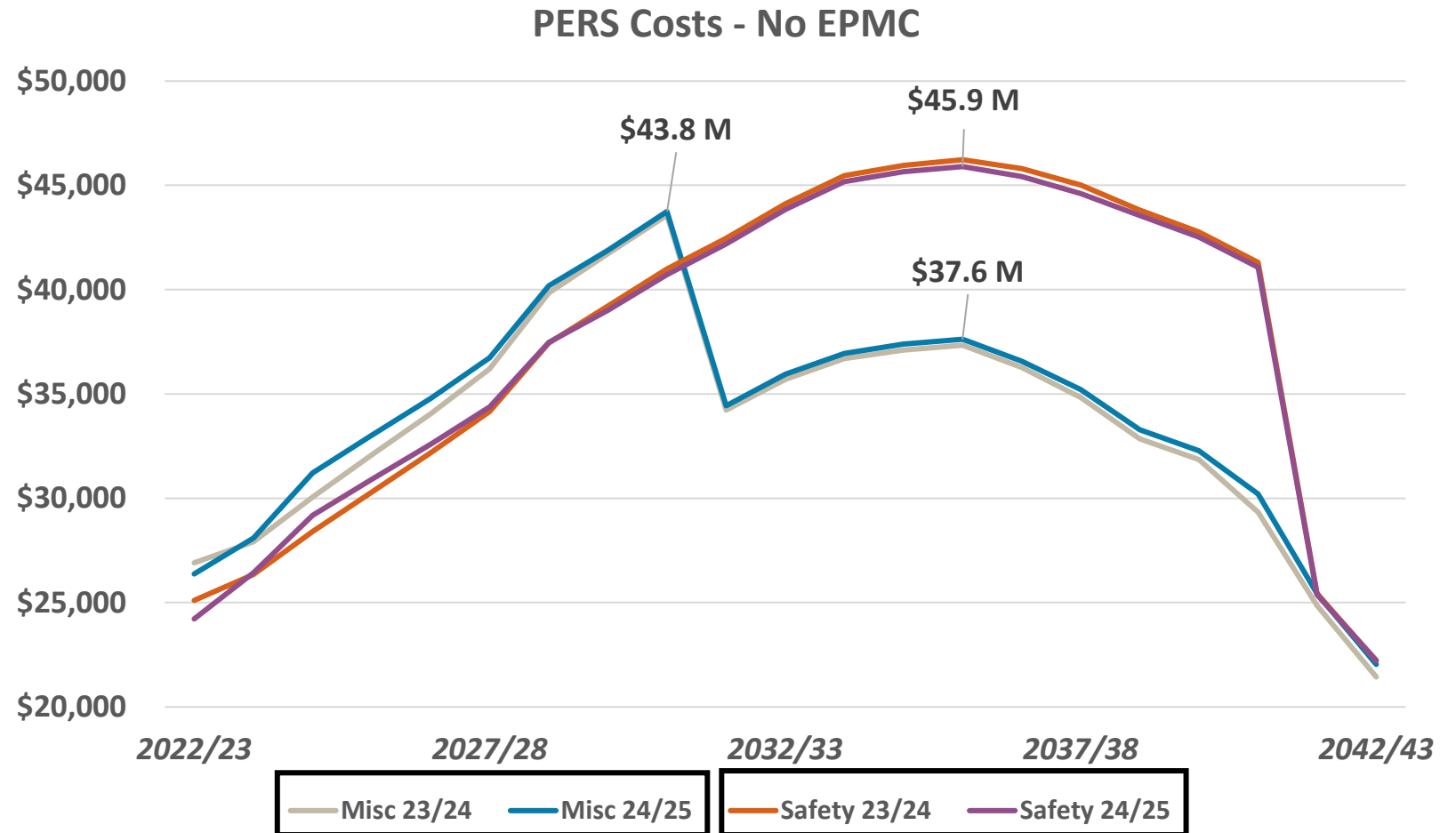
	2002	2012	2021	2022
Actives				
■ Counts	751	637	670	660
■ Average				
• Age	43	47	46	46
• City Service	8	12	11	11
• PERSable Wages	\$63,000	\$84,700	\$104,300	\$107,800
■ Total PERSable Wages	47,300,000	54,000,000	69,900,000	71,100,000
Inactive Members				
■ Counts				
• Transferred	356	419	490	496
• Separated	226	330	427	450
• Retired				
➤ Service	353	676	981	1,022
➤ Disability	32	49	73	78
➤ Beneficiaries	39	69	109	112
➤ Total	424	794	1,163	1,212
■ Average Annual City Provided Benefit for Service Retirees ²	\$14,900	\$26,200	\$31,900	\$33,200

Pension Demographic Information - Safety

	2002	2012	2021	2022
Actives				
■ Counts	221	199	203	202
■ Average				
• Age	41	42	41	40
• City Service	13	14	11	11
• PERSable Wages	\$98,500	\$154,400	\$177,300	\$184,000
■ Total PERSable Wages	21,800,000	30,700,000	36,000,000	37,200,000
Inactive Members				
■ Counts				
• Transferred	43	38	32	28
• Separated	19	34	31	37
• Retired				
➤ Service	87	159	217	223
➤ Disability	107	125	142	145
➤ Beneficiaries	28	45	64	65
➤ Total	222	329	423	433
■ Average Annual City Provided Benefit for Service Retirees ³	\$38,900	\$70,700	\$91,600	\$95,300

Preliminary 2023/24 vs 2024/25 Pension Costs

- FY24/25 Projected total of \$6.4M increase in 20 years on current salary base
- Projected 4% on FY22/23, actual is 5.8%
- FY24/25 Projected UAL increase - \$155.3M (Misc. \$82.2M, Safety \$71.1M)





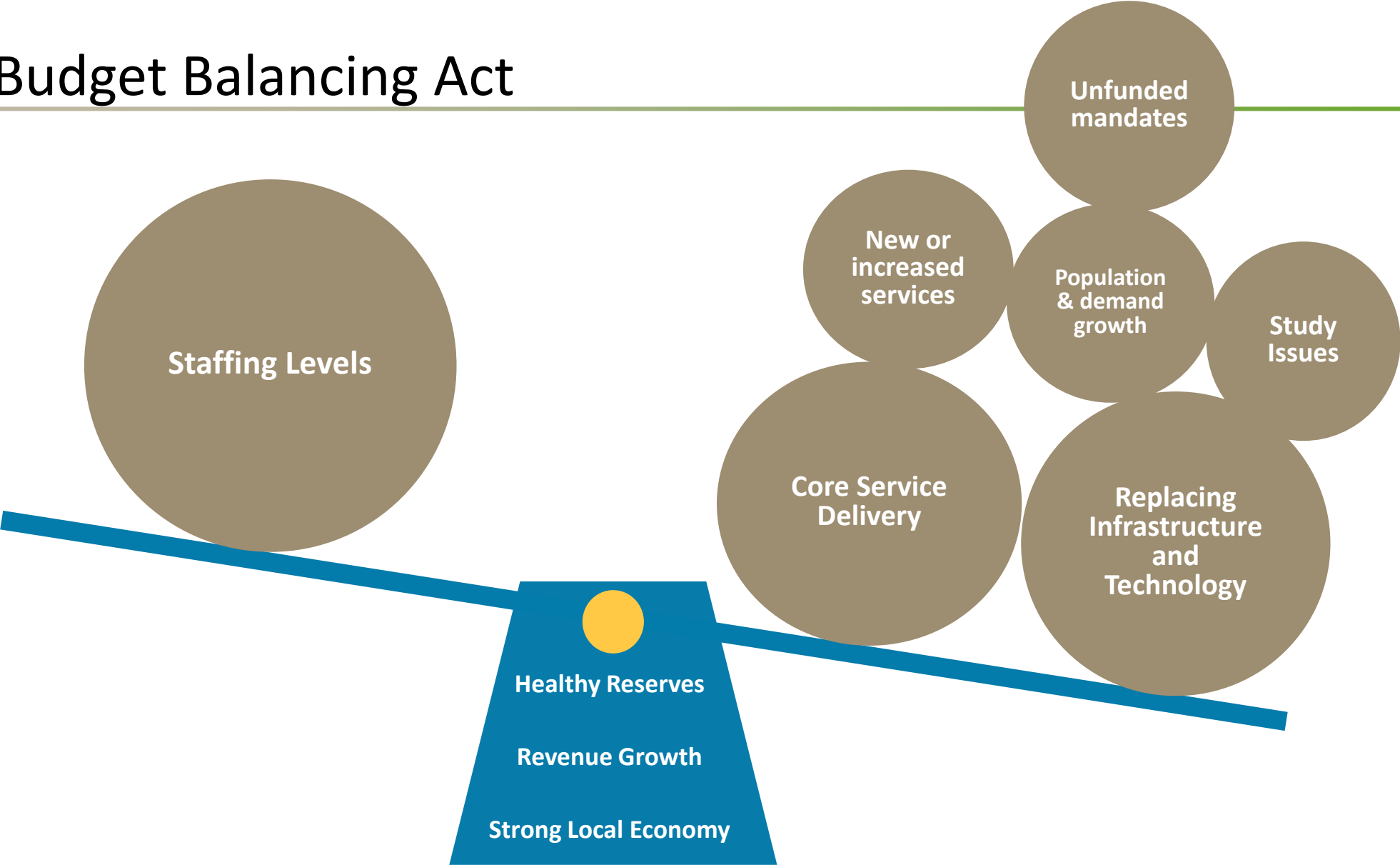
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FY 2024/25 Recommended Budget

FY 2024/25 Recommended Budget

- Focus on operating budget – Right Sizing Service Delivery
- Two phased approach:
 - Adjust baseline budget for known cost increases (e.g. inflation)
 - Consider Service Level Adjustments requested by departments and Budget Proposal recommendations referred by Council
- Budget workshop May 23rd
- Public Hearing on June 4, with Budget adoption on June 18

The Budget Balancing Act



FY 2024/25 Recommended Budget – Adjusted Baseline

- Overall adjustment anticipated to total \$3.5-\$4.5M per year for the General Fund (approx. 2-3%), all funds still under review
- Adjustments include:
 - Estimated true up for salary and benefit adjustments
 - Increasing the overtime budget in Public Safety to reflect actual experience over the last several years
 - Goods and services adjustments for inflated prices
 - Funding of unfunded mandates (e.g. electric vehicles)

FY 2024/25 Recommended Budget – Preliminary Service Level Adjustments Under Review

- Significant requests from departments to meet demands for new services – does not include Study Issues, Budget Proposals, or shuttle program

Fund	FY 2024/25	Twenty-year impact
General Fund	\$8.1M	\$96.8M
Water Fund	\$551K	\$7.7M
Wastewater Fund	\$504K	\$9.7M
Solid Waste Fund	\$763K	\$2.7M
Housing Mitigation Fund	\$158K	\$3.8M
Development Enterprise Fund	\$2.0M	\$43.4M
Golf Enterprise Fund	\$308K	\$7.7M
Technology Fund	\$1.2M	\$24.1M
Total	\$13.6M	\$196M

Next Steps

- Prioritization and review of Study Issues and Budget Proposals at today's workshop
- Continued refinement of Recommended Budget, delivery set for early May
- Final decision made at Recommended Budget Workshop as Budget Supplements
 - Study Issues with cost that are ranked and above the line
 - Budget Proposals referred to the Recommended Budget



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Questions/Discussion