FY 2017-2018
RECOMMENDED
BUDGET

JUNE 12, 2017
PRESENTATION OVERVIEW

1. Budget Development Process and Principles
2. Economic Conditions and Forecast
3. Recommended FY 2017-2018 Budget Highlights
4. Strategy for Balancing the Budget during the Five-Year Forecast Period
5. FY 2017-2018 Capital Improvement Program
6. Sewer and Water Enterprise Funds
7. Additional Policy Topics
8. Council Discussion and Direction
BUDGET DEVELOPMENT PROCESS

- Preliminary Five-Year Forecast
- Approval of Budget Principles
- Discussion of Council Priorities
- Economic Update
- Review of Capital Improvement Program (CIP)
- User Fee Increases Approved

February 27
- Established Dates for City Council Consideration of FY 2017-2018 Budget
- CDBG/HOME Investment Partnership Public Hearing

April 24
- Provided direction to establish a Section 115 Pension Trust

May 8
- Receive and Review FY 2017-2018 Recommended Budget

May 22
- Hold a Public Hearing

June 12
- Adopt the FY 2017-2018 Rec. Budget and Five-Year CIP

June 26
ECONOMIC CONDITIONS AND FORECAST

- **Strengths**
  - Employment, Personal Income and Earnings
  - Property Tax and Transient Occupancy Tax (TOT)

- **Threats**
  - Changes to Federal Policies
  - Ability to Adapt to Economic, Social, and Climate Change
  - Educational Revenue Augmentation Fund Refunds
  - Sales Tax Vulnerabilities
  - Unfunded Liabilities: Pension & Retiree Medical Benefits

- *No recession modeled in the forecast but anticipate softening revenues*
ALL FUNDS - REVENUES $267.2 MILLION

FY 2017-2018 Revenues - All Funds
(in millions)

- General Fund: $131.6 million (49%)
- Enterprise Funds: $80.6 million (30%)
- Internal Service Funds: $33.8 million (13%)
- Special Revenue Funds: $6.6 million (2%)
- Capital Project Funds: $7.7 million (3%)
- Debt Service Funds: $1.8 million (1%)
- Successor Agency Funds: $5.1 million (2%)
ALL FUNDS - EXPENDITURES $267 MILLION

FY 2017-2018 Expenditures - All Funds (in millions)

- General Fund: $117.8 million (44%)
- Enterprise Funds: $76.4 million (29%)
- Capital Project Funds: $19.8 million (8%)
- Special Revenue Funds: $11.7 million (4%)
- Internal Service Funds: $34.8 million (13%)
- Successor Agency Funds: $3.1 million (1%)
- Debt Service Funds: $3.4 million (1%)
KEY PROVISIONS FOR RECOMMENDED FY 2017-2018 BUDGET

- Continues initiatives to address Council priorities and policy initiatives
- Provides full funding for each department
- Recommends modest short-term service enhancements
- Limits new ongoing expenditures
- Moves 7.9 FTEs from the Capital Improvement Fund to the General Fund and other funds
ONE-TIME EXPENDITURES - $252,700
ONGOING EXPENDITURES - $441,300
FINANCIAL SUSTAINABILITY
PROJECTED CALPERS CONTRIBUTIONS

CalPERS Pension Expense - Actual and Projected
(in millions)


Safety
Miscellaneous

FY 2017-18 Recommended Budget
FIVE YEAR GENERAL FUND FORECAST

Projected General Fund Revenues and Expenditures
Not Implementing Recommended Strategy
(in millions)

$130.9       $134.8       $136.00      $141.8       $147.8
$132.6       $136.2       $142.7       $153.5

Revenues and Transfers In
Expenditures and Transfers Out

FY 2017-18 Recommended Budget
RECOMMENDED BUDGET STRATEGY

Starting in FY 2018-2019:

- Increase ongoing revenues by $6M
- Decrease ongoing expenditures by $6M
FIVE YEAR GENERAL FUND FORECAST-IF BUDGET STRATEGY IS IMPLEMENTED

Projected General Fund Revenues and Expenditures

Recommended Strategy

(in millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues and Transfers In</td>
<td>$130.9</td>
<td>$132.6</td>
<td>$138.9</td>
<td>$140.1</td>
<td>$147.3</td>
</tr>
<tr>
<td>Expenditures and Transfers Out</td>
<td>$130.0</td>
<td>$135.6</td>
<td>$141.6</td>
<td>$143.4</td>
<td>$146.8</td>
</tr>
</tbody>
</table>

FY 2017-18 Recommended Budget
CAPITAL IMPROVEMENT PROGRAM: $38.3M
WATER AND SEWER FUNDS

FY 2017-18 Recommended Budget
ADDITIONAL POLICY TOPICS
COUNCIL QUESTIONS AND FEEDBACK SOUGHT

- Recommended FY 2017-18 Budget
- Recommended Five Year Budget Balancing Strategy
  - $6M increase in revenue
  - $6M reduction in expenses
- Whether to pursue Local Minimum Wage and Evaluation of Courthouse Square Events
FY 2017-2018
RECOMMENDED BUDGET

JUNE 12, 2017