

FY 2014 & FY 2015 Budget Forecast

January 22, 2013

Discussion

- ✓ **Budget Policies**
- ✓ **Fiscal Challenges**
- ✓ **Strategies**

Budget Policies

1. Focusing on the long-term fiscal health of the City by adopting a two-year budget and conducting multi-year planning;
2. Building a prudent reserve;
3. Developing long-term strategies to reduce unfunded liabilities;
4. Controlling labor costs while minimizing layoffs;
5. Allocating one-time revenue for one-time expenses;
6. Requiring enterprise and grant funds to balance, and new programs to pay for themselves; and
7. Any new expenditure requires revenue or expenditure reduction.

FY 2014 & FY 2015 General Fund Budget

Projected General Fund Deficit		
<i>(dollars in millions)</i>	FY 2014	FY 2015
Projected Revenue	\$150.4	\$153.0
Projected Expenses	\$153.4	\$155.1
Balance	(\$3.0)	(\$2.1)

➤ **Assumes:**

- No additional Federal or State cuts
- No funding for new programs
- No increased funding for capital improvement programs
- No further decreases in revenue
- No cost of living (salary) increases



Challenge: Revenues

✓ **Property Transfer Tax**

- **FY 2012 - \$8.4 million**
- **FY 2013 - \$9.5 million**
- **FY 2014 - \$10 million**

✓ **Interest Income**

- **FY 2012 - \$4.7 million**
- **FY 2013 - \$4.0 million**
- **FY 2014 - \$3.2 million**

✓ **Parking Citations**

Challenge: Increased Costs in FY 2014 and FY 2015

✓ Health Care Costs

9% increase medical

✓ Catastrophic Loss Insurance

✓ CalPERS

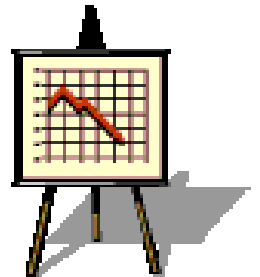


Challenge: FY 2014 & FY 2015 New CalPERS Employer Rates

	CalPERS Actual FY 2013	CalPERS Actual FY 2014	Actuary Estimate for FY 2015	\$ Increase (in millions)
Police	42.0%	45.7%	45.9%	\$.826
Fire	29.1%	31.5%	32.0%	\$.446
Miscellaneous	19.2%	20.9%	21.1%	\$1.36

Challenge: Major Funds Face Structural Deficits in FY 2014

- Refuse Fund (\$0.5-1 million)
- Gas Tax and Measure B (\$0.5 million)
- Parks Tax Fund (\$0.8 million)
- Housing and Community Services (\$0.7 million)
- Public and Mental Health (\$0.6 million)



Challenge: Department of Health, Housing and Community Services

Housing and Community Services

- \$360,000 less in CDBG
- \$77,000 less in HOME
- \$21,000 less in ESG
- \$208,000 less in Shelter Plus Care
- \$100,000 Redevelopment

Public and Mental Health

- \$75,000 Elimination of an Alameda County HIV grant
- \$300,000 structural problem resulting from decreased revenue and increased costs for a number of public health funding streams
- \$216,000 reduction in the Mental Health Services Act Innovation program revenue

Challenge: Unfunded Liabilities

- **Employee costs**
- **Debt service obligations**
- **Capital assets and infrastructure:**
 - **Public buildings**
 - **Streets and Roads**
 - **Sewers**
 - **Storm drains**

Strategies

- ✓ 2% General Fund Recurring Reductions
- ✓ Other Funds - balance these funds without negatively impacting the General Fund.

Next Steps - Budget Calendar

- February 19: Unfunded Liabilities; FY 2013 Mid-Year Budget Update; Health Housing & Community Services Budget Priorities
- March 5: Parks, Recreation & Waterfront (PRW) Budget Priorities
- March 19: Public Works and PRW Capital Improvement Program
- May 7: Presentation of Proposed FY 2014, FY 2015 Biennial Budget
- May 21: Budget Public Hearing #1
- TBD: Budget Public Hearing #2
- June 4: Council's Budget Recommendations
- June 25: Budget Adoption