

Regular Council Meeting

March 21, 2024



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CITY OF FRESNO
CITY CLERK'S OFFICE

Supplement Packet

ITEM(S)

3-A (ID 24-373)

WORKSHOP – 5-Year Budget Forecast

Contents of Supplement: PowerPoint

Item(s)

Supplemental Information:

Any agenda related public documents received and distributed to a majority of the City Council after the Agenda Packet is printed are included in Supplemental Packets. Supplemental Packets are produced as needed. The Supplemental Packet is available for public inspection in the City Clerk's Office, 2600 Fresno Street, during normal business hours (main location pursuant to the Brown Act, G.C. 54957.5(2)). In addition, Supplemental Packets are available for public review at the City Council meeting in the City Council Chambers, 2600 Fresno Street. Supplemental Packets are also available on-line on the City Clerk's website.

Americans with Disabilities Act (ADA):

The meeting room is accessible to the physically disabled, and the services of a translator can be made available. Requests for additional accommodations for the disabled, sign language interpreters, assistive listening devices, or translators should be made one week prior to the meeting. Please call City Clerk's Office at 621-7650. Please keep the doorways, aisles and wheelchair seating areas open and accessible. If you need assistance with seating because of a disability, please see Security.



March 21, 2024

5-YEAR GENERAL FUND PROJECTIONS

- Early Stages of FY25 Proposed Budget Preparation
- Typical Process:
 - Proposed: Present Balanced Budget for Next FY (May)
 - Adoption: (June)
 - Mid-Year: Present Council with Current Budget Presentation
- FY25 Process:
 - Workshop: Present Council with 5-Year Projections (March 2024)
 - Proposed: Present Council with Balanced Budget (May 2024)
 - Adoption: (June 2024)
 - Mid-Year: Present Council with FY25 Mid-Year Budget

KEY FEDERAL & STATE RESOURCES

- Coronavirus Aid, Relief, and Economic Security (CARES Act)
- Emergency Rental Assistance Program (ERAP)
- American Rescue Plan Act (ARPA)
 - Obligation Deadline 12/31/2024
 - Expenditure Deadline 12/31/2026

IN THE NEWS

- State of CA \$ 73,000,000,000
- Los Angeles \$ 400,000,000
- San Francisco \$ 200,000,000
- Oakland \$ 180,000,000
- San Diego \$ 167,000,000
- Sacramento \$ 58,600,000

5-YEAR FORECAST EXPENDITURES (GF)

- FY25: Currently Estimated to be \$37,168,400 in the Red at the End of the Fiscal Year
- ATTRITION: Deficit Already Includes \$21m in Salary Savings from Vacant Positions
- 5-YEAR FORECAST: Compounds to Over \$180m by End of FY29

FY 2025 Base Budget (Draft)

	(1)	(2)	(2a)	(3)	(4)	(5)	(6)	(7)
GENERAL FUND - 1000-1001 (Amounts in Thousands)	FY 2024 Adopted Budget as of 6/30/23	FY 2024 Amended Budget as of 12/31/23	FY 2024 Mid-Yr Submission as of 2/25/24	FY 2025 Base Budget as of 3/20/24	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast	FY 2029 Forecast
CARRYOVER	26,980	27,630	50,908	8,240	(37,168)	(71,487)	(108,074)	(144,321)
TOTAL RESOURCES	485,017	486,399	514,156	490,934	459,664	440,426	419,459	399,343
EXPENDITURES								
Employee Services	231,643	234,562	251,334	251,640	258,800	266,564	274,561	282,798
SAFER I 42 (33FF/9FFS)				4,980	6,909	7,307	7,732	7,732
SAFER II 24 (21FF/3FFS)					1,515	3,842	4,063	4,299
Subtotal	231,643	234,562	251,334	256,620	267,224	277,713	286,356	294,829
Health & Welfare	25,537	26,426	26,205	29,075	30,358	31,876	33,470	35,143
Retirement Contribution	34,533	35,066	35,547	41,684	42,934	44,222	45,549	46,915
Pension Obligation Bonds	12,843	12,852	12,717	12,759	12,759	12,759	12,759	12,759
Workers' Compensation	19,028	19,038	24,232	27,605	28,985	30,434	31,956	33,553
Operations & Maintenance	63,093	59,665	57,189	51,058	48,342	49,309	50,295	51,301
Interdepartmental Charges	65,842	66,179	66,510	73,913	75,130	76,633	78,165	79,729
Minor Capital	8,436	8,549	8,212	12,927	5,893	6,010	6,131	6,253
Contingency	692	692	667	341	341	341	341	341
TOTAL EXPENDITURES	461,646	463,029	482,612	505,982	511,966	529,297	545,022	560,824
TRANSFERS								
General Fund Debt Obligations	(15,800)	(15,800)	(15,800)	(14,700)	(13,993)	(13,992)	(13,426)	(13,419)
Net Transfers between Funds	(6,771)	(6,771)	(6,703)	(6,620)	(4,392)	(4,411)	(4,531)	(4,539)
Reserve for 27th PP	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(800)
TOTAL TRANSFERS	(23,371)	(23,371)	(23,303)	(22,120)	(19,185)	(19,203)	(18,757)	(18,758)
NET ENDING BALANCE	0	0	8,240	(37,168)	(71,487)	(108,074)	(144,321)	(180,240)

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KEY DRIVING FACTORS FOR DEFICIT

PG&E: Projected \$4.8 million increase

- FY24, reported the previous 3 years of rate increases represented a \$16.3 million increase
- FY24 PG&E budget \$42 million (11% increase over FY23)
- FY25 (calculations pending), projecting minimum of 11% increase over FY24, or \$46.8 million

KEY DRIVING FACTORS FOR DEFICIT (continued)

Contractual Increases/Annual Escalation

- Labor Contracts/Salary Increases (impact to workers comp and health/welfare)
- Service Contracts (Janitorial, Software/Technology, Security, Leases)

Overall Inflationary Costs (Parts, Equipment, Tires, Vehicles, etc.)

Retirement Contribution (\$6m)

Workers Compensation (\$5.2m) & **Health and Welfare** (\$2.9m)

SAFER 42 Grant Funded Firefighters rolling on to GF (\$4.9m)

Risk/Liability Fund (\$1.8m)

Public Safety Communications Upgrades (\$1.7m)

FY 2025 FORECAST – Revenues

GENERAL FUND – 10101	FY 2024 Amended Budget	FY 2024 Estimate (as of 02/25/2024)	FY 2025 Base Budget
Sales Tax	153,604,000	148,530,000	152,247,000
\$ Change		(5,074,000)	3,717,000
% Change		-3.3%	2.5%
Property Tax	174,107,000	179,804,000	187,006,000
\$ Change		5,697,000	7,202,000
% Change		3.3%	4.0%
Business License	24,121,000	23,200,000	23,844,000
\$ Change		(921,000)	644,000
% Change		-3.8%	2.8%
Room Tax	16,193,000	15,510,000	15,896,000
\$ Change		(683,000)	386,000
% Change		-4.2%	2.5%
Cannabis	5,381,400	2,262,000	7,121,000
\$ Change		(3,119,800)	4,859,000
% Change		-58.0%	214.8%

Five revenue categories account for ~80% of the General Fund’s operating revenue:

- FY24 Sales Tax reflects growth above FY23 actuals; however projected slower growth compared to Amended Budget.
- FY24 Property Tax growth projected above FY23 and projected above FY24 Budget.
- Business License/Room Tax is estimated to grow above FY23 actuals; however, growth projected at levels below FY24.
- FY24 Cannabis revenue projected to be below budget based on the number of businesses currently permitted and operating, as well as the number of permits projected to be issued by the end of the fiscal year.

NEXT STEPS

- March-April
 - Meet with Retirement
 - Meet with Labor Groups
 - Meet with Department Directors
 - Meet with Councilmembers Regarding District Budget Priorities
- Strategies to Reduce FY25 Baseline Budget Requests
 - 3% Expense Reduction Department Exercise
 - Reevaluate ARPA projects not on track to meet obligation/expenditure deadlines

