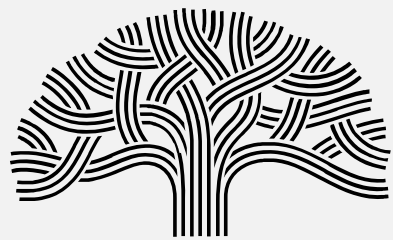


City Budget & Budget Process Overview

Erin Roseman
Director of Finance
Finance Department

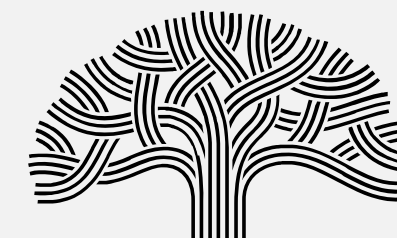


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Overview

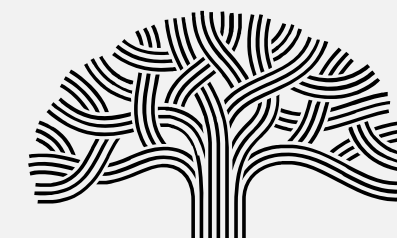
- ❖ The City is required to Adopt a Balanced Budget for FY 2025-27
 - The General Purpose Fund (GPF) and many restricted funds face significant projected structural deficits.
 - This gap assumes status quo operations relative to the initial Adopted Midcycle 2024-25
 - The Biennial deficit assumes that the City's Actions to resolve the FY 2024-25 budget deficit are successful, if not any current year shortfall would need to be added to the future deficit
 - These deficits stem from core financial issues that the City must resolve over the short, medium, and long term, to stabilize its fiscal circumstances



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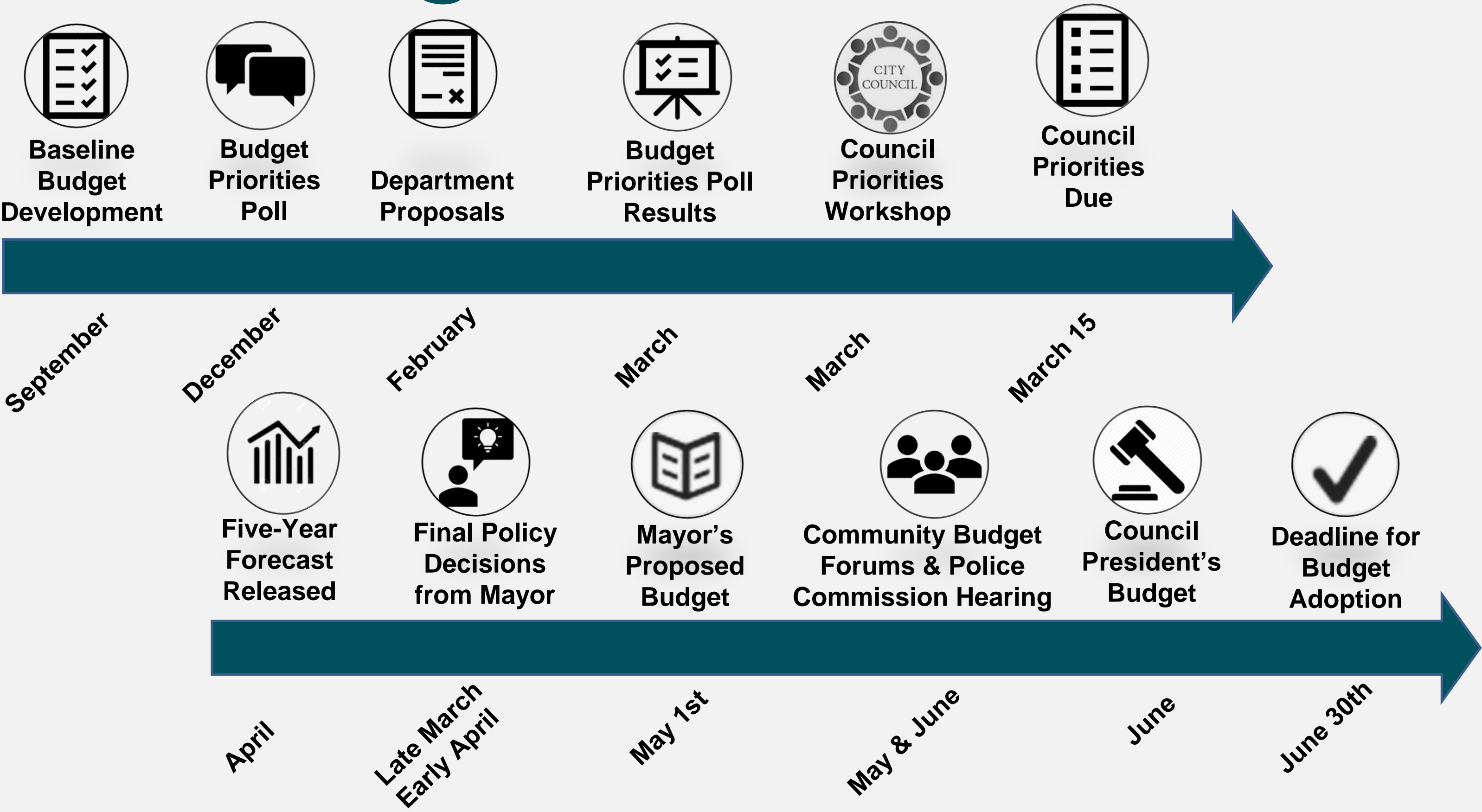
Overview

- ❖ Financial uncertainty remains in large part due to:
 - Risk associated with Federal Policy changes both from the executive branch and potential Congressional action
 - Economic uncertainty due to the interplay of federal fiscal, tax, trade, immigration, and monetary policy.
- ❖ Known Challenges exist due to :
 - High service demand, particularly regarding Homelessness, Housing, and Community Safety
 - Maintenance and replacement needs for City Buildings, Vehicles, and Information Technology Systems



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The Budget Process



Timeline

| Date(s) | Task(s) |
|---------------------|--|
| Mar 7 | CFP in Feb: Council Initial Budget Briefing and Priorities Discussion Briefings on estimated baseline expenditures, revenue projections and an Overview of the City's budgeting process. Opportunity to begin discussing priorities for the next budget year based on the Assessment of Stakeholder Needs, Concerns and Priorities |
| Mar 15 | CFP by Mar 15: Statement of Councilmember Priorities Council Members to advise the Mayor and City Administrator publicly of their priorities. Submit up to seven expenditure priorities in ranked and/or weighted order for changes to the baseline budget |
| Early April | Five Year Forecast Heard at Finance & Management Committee |
| April | CFP before Apr 15: Budget Outlook Message & Calendar Report to the City Council a Budget Outlook Message & Calendar no later than April 15th that provides an overview of the budget development process and lists all key dates and estimated dates of key budget events, including release of the Proposed Budget, Community Budget Forums, Council budget meetings, and formal budget passage dates |
| May 1 | CFP by May 1: Mayor's Proposed Budget Published |
| May 1 to 15 | CFP before May 15: Mayor's Proposed Budget Presented at Special Council Meeting |
| May 15 to 31 | CFP in May & Jun: Community Budget Forums starting May 14 |
| May 27 | Third Quarter R&E Report Heard at Finance & Management Committee, Budget Errata Published |
| Jun 1 | CFP Jun 1: Budget Advisory Commission's Report |
| June | CFP before Jun 17: Council President's and Other Amendments presented at Special Meeting |



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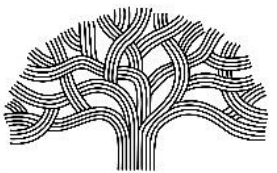
FY 2025-26 & FY 2026-27 Budget – GPF Deficit

~\$265million Over Two-Years

| GPF | FY 2025-26 | FY 2026-27 |
|----------------|----------------------|----------------------|
| Revenue | 771,438,423 | 799,316,204 |
| Expenditure | 909,359,827 | 926,065,024 |
| Deficit | (137,921,404) | (126,748,820) |

FY Baseline Deficits in key Non-GPF Funds

| Select Non-GPF Funds | FY 2025-26 | FY 2026-27 |
|--|-------------------|-------------------|
| 1720 - Comprehensive Clean-Up Fund Primary Uses: Street Sweeping, Illegal Dumping | (739,535) | (664,143) |
| 1820 - OPRCA Self Sustaining Revolving Fund Primary Uses: Youth Recreation Programs | (4,332,034) | (4,378,247) |
| 2218 - Measure BB Local Streets and Roads Primary Uses: Transportation Maintenance & Infrastructure | (3,709,103) | (3,593,727) |
| 2310 - Lighting and Landscape Assessment District Primary Uses: Park & Rec. Facility Maintenance, Street Lighting | (1,028,582) | (1,028,582) |
| 2241/2243 - Measure C/D -Library Services Primary Uses: Library Services & Operations | (2,275,063) | (2,063,221) |
| 2244 – Measure Q Parks, Homelessness, Stormwater Primary Uses: Parks Maintenance, Homelessness, Storm Water | (5,864,337) | (5,768,968) |

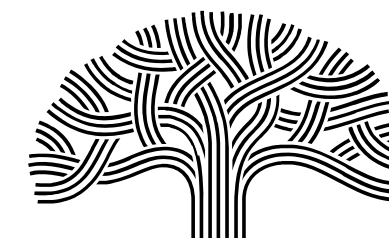


Financial Issues Plaguing the City Today & Tomorrow - Diagnosis

Our fiscal circumstances and structural deficit are been caused by multiple issues; some directly others indirectly which manifest financially:

Direct Causes of Structural Deficit

- ❖ Not following Adopted Fiscal Policies and Best Practices:
 - One-Time Resources for Ongoing Programs (ARPA, Fund Balance)
 - Insufficient Reserves
 - Negative Fund Balances
- ❖ Cost Escalation Pressures that Exceed Revenue Growth
 - Pension & Retiree Medical Costs
 - Insurance Premiums
 - Health Care Benefit Costs



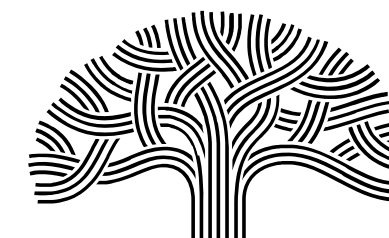
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Financial Issues – Diagnosis (cont.)

Our fiscal circumstances and structural deficit are been caused by multiple issues; some directly others indirectly which manifest financially:

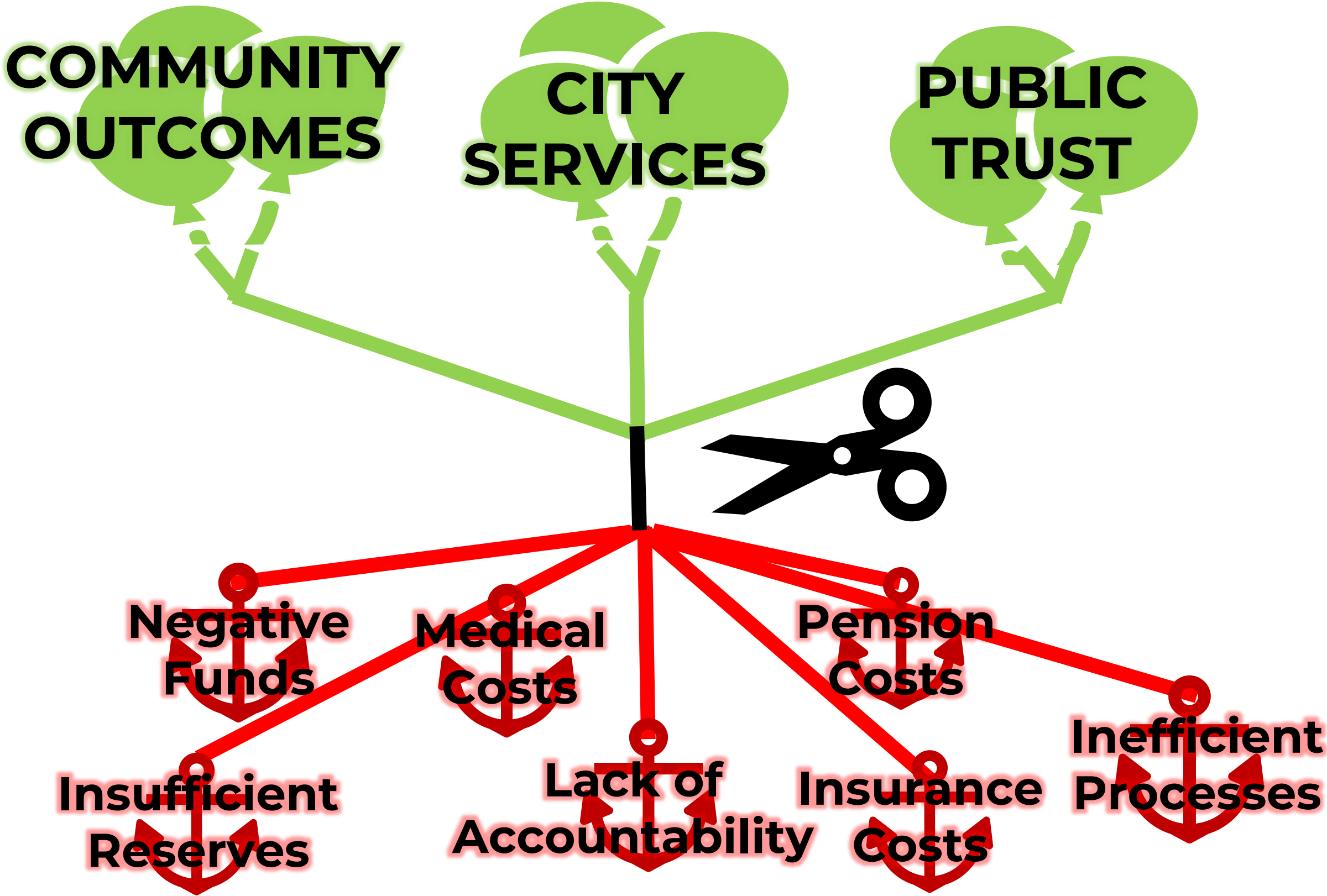
Indirect Causes of Fiscal Circumstances

- ❖ Services that are not effectively or efficiently delivered
- ❖ Internal Processes that are not time & resource efficient
 - Contracting
 - Payroll
 - Hiring
 - Onboarding
- ❖ Lack of Accountability for Performance in Services, Contracts, & Grants



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Financial Issues - Prognosis



If we don't solve these problems?

QUESTIONS?