

City of Oceanside

Office of the City Manager

Memorandum

To: Honorable Mayor and City Councilmembers
From: Jonathan Borrego, City Manager
Date: March 10, 2023
Subject: APRIL 26, 2023 BUDGET WORKSHOP

Attached is the FY 2023-24 Draft General Fund Budget for review at the April 26, 2023 Budget Workshop (Attachment A). The proposed budget continues the focus on the Council's collective priorities, including maintaining the Quality of Life for residents, Public Safety, Economic Development, and addressing Homelessness.

The General Fund Budget does not include any Measure X (sales tax) revenues or expenditures. The Measure X Citizens Oversight Committee (COC) reviewed the recommended FY 2023-24 Measure X Spending Plan at its March 9, 2023 meeting and unanimously recommended approval. There will be a separate budget action regarding Measure X funding at the Council's Budget Workshop. Likewise, the Capital Improvement Program (CIP), Water Utilities Operating Budgets and Harbor Operating Budget will also be presented as separate agenda items.

General Fund Forecast Overview FY 2023-24

As presented to City Council on February 1, 2023, the Five-Year Forecast projected the following:

Table with 2 columns: Description and Amount. Rows include 2023-24 Projected Revenues (\$203.51M), 2023-24 Projected Expenditure (202.19M), Estimated Surplus FY 2023-24 (1.32M), Estimated Surplus FY 2024-25 (\$1.02M), and Estimated Surplus FY 2025-26 (\$4.12M).

A copy of the Council approved Five-Year General Fund Forecast is provided in Attachment B.

**Updates to Projected Revenues and Expenses**

Staff has made updates to projected revenues and expenses subsequent to the Five-Year General Fund Forecast presented to Council in early February. The Ambulance Billing revenue projection in the Five-Year Forecast was increased by \$400,000 based on updated rate schedules that were received after the Five-Year Forecast was prepared. Other revenue increases include transfers from Harbor and Solid Waste Funds. These additions increase the FY 2023-24 Projected Revenues by \$0.64M.

The FY 2023-24 Projected Expenditures have decreased since preparation of the Five-Year Forecast. This decrease is due to a change in the budgeted personnel savings percentage from 2% to 3% for FY 2023-24 and FY 2024-25. The initial 2% assumption was very conservative as the current fiscal year’s personnel savings is trending at 4.8% of the adopted personnel budget and personnel savings for the last two fiscal years was 9% and 5.9%, respectively. These percentages are consistent with the staff turn-over and hiring challenges the City has experienced in the last couple years and expects to see in the next few years. As such, staff determined it was reasonable to increase the budgeted personnel savings percentage for the next two fiscal years; however, the budgeted personnel savings percentage for FY 2025-26 to FY 2027-28 remains at 2%, since we expect the labor market to eventually return to what the City has experienced in the past. The projected expenses also reflect other personnel changes, such as retirements and promotions that occurred since the Five-Year Forecast was prepared.

These changes result in a revised surplus of \$3.23M as shown below. This is an increase from the projected surplus of \$1.32M presented in the Five-Year Forecast.

**FY 2023-24 Projected Budgets**

Revenues	\$204.15M
Expenditures	\$200.92M
Estimated Surplus	\$3.23M

**Recommended Budget Additions**

Ongoing costs	\$1.11M
One-Time costs	\$0.60M

The estimated \$3.2M surplus provides budget capacity to support the \$1.11 million in additional ongoing expenses and \$0.6 million in one-time expenses being proposed for FY 2023-24 budget. The proposed ongoing expenses have been measured against future forecasts to ensure we maintain a balanced budget in future years.

## **General Fund Proposed Budget FY 2023-24**

The proposed General Fund (GF) budget for FY 2023-24 assumes that the current budget forms the base for Maintenance & Operations (M&O) with a CPI increase of 3.5%. This 3.5% CPI represents a reasonable increase as a means to account for current inflation trends. The prior year budget (FY 2022-2023) included a CPI increase of 5%. In the past ten years prior to that, CPI increases have been between 0% and 2%.

Also included in the proposed budget:

- Pension cost increases and a discount for annual prepayment
- Actual, known bargaining agreement costs, cost increases due to minimum wage increases and scheduled step increases, and placeholders for future bargaining agreements
- Estimated health cap increases

Pension costs continue to play a dominant role in all budget forecasting for the next few years. The City's pension cost is projected to increase \$6.71M over the next five years. The City continues to pay down the unfunded liability with half of the year-end surplus and a third of the quarterly investment interest earnings consistent with Council Policies 200-11 and 200-13. Additionally, the City has \$19.7M saved for future pension costs; \$14.7M in the Section 115 Trust and \$5.0M in assigned general fund balance.

The proposed FY 2023-24 GF budget will not use any one-time money to cover expenditures, but will be funded through projected revenues. As always, expenditures will be watched very closely to ensure that Departments do not exceed their budget allotment and to capitalize on any potential savings. Importantly, Departments are continually reviewing efficiencies and evaluating service deliveries to control costs.

The proposed budget complies with City Council Policy 200-13; both the Healthy Cities Reserves (12% of GF operating expenditures) and Economic Stabilization Reserves (3% of GF operating expenditures) are fully funded for FY 2023-24, and exceed the minimum requirements.

My funding recommendations for FY 2023-24 are broken down into two categories as follows:

One-time Cost	\$596,839
Ongoing Costs	<u>\$1,105,062</u>
Total Recommendations	\$1,701,901

## 1. Proposed One-Time Funding

Upon review of all Department requests, a one-time cost of \$596,839 is recommended, as listed below, based on articulated Department needs.

Department	One-time	Description
City Clerk	\$38,000	Industrial shredder for Records Center
Development Services	\$35,000	Land survey equipment
Fire Department	\$208,839	PPE replacement & inspection
Library	\$10,000	Technology replacement
	\$30,000	Library materials for John Landes
Neighborhood Services	\$20,000	Special events for John Landes
Parks and Recreation	\$45,000	Various City events
Public Works	\$210,000	Irrigation repair – Citywide Parks and Beaches
Total One Time Costs	\$596,839	

Various equipment is needed for continued efficiency in City operations such the replacement of an industrial shredder for the Records Center, replacement of computers and other equipment at the library, and land survey equipment for the engineering review process that is more cost effective to purchase rather than continually rent.

In the Fire Department, there is a need to replace 38 sets of primary and secondary Personal Protective Equipment, including helmets, flash hoods and structural turnout boots; this is to ensure compliance readiness to National Fire Protection Association standards consistent with AB 2146.

In order to provide continued services and community events at the John Landes Community Center, funds are needed for the Parks and Recreation Department to be able to continue to provide Citywide special events that were historically funded by external organizations such as the Friends of Oceanside Parks and Recreation.

Additionally, funds are needed for irrigation repair work for parks and beaches citywide.

## 2. Ongoing Costs

Departments submitted \$2.64M in ongoing GF requests. Upon review, an ongoing cost of \$1,115,062 is recommended, as listed below, based on articulated Department needs and unavoidable cost increases beyond the 3.5% inflation adjustment in the forecast.

## **Maintenance & Operations and Personnel**

Department	Ongoing	Description
City Clerk	\$6,000	O'Neil software annual hosting fee
City Manager	\$5,500	Communications/Media equipment, advertising
Development Services	\$49,488	Technology needs and software upgrades bundle (TRAKIT and AutoCAD)
	(\$30,000)	Revenue offset from CIP projects
	\$750	Land Survey equipment maintenance
	\$254,080	Code Enforcement Officer (2 FTEs) formerly funded through CDBG. These positions are currently filled.
Fire Department	\$142,981	Service Contract CPI increases/pricing/EMS volume increases
Finance	\$31,500	Debtbook software and services
	\$29,138	Wittman Ambulance Billing contract
	(\$29,138)	Revenue offset – increased ambulance billing revenue
Library	\$22,357	Modifications involving Hourly Extra Help
	\$61,600	Library Assistant at John Landes (1 FTE)
	\$32,350	Professional Assistant at John Landes (1 Part Time)
Neighborhood Services	\$111,130	Administrative Analyst II position (Housing 1 FTE)
	(\$13,336)	Revenue offset – Housing Grant (12%)
Parks and Recreation	\$200,000	HX Personnel cost (Programs/Various City Events)
Police	\$230,662	Existing Police Sergeant previously funded by Harbor (1 FTE)
<b>Total Ongoing Costs</b>	<b>\$1,105,062</b>	

Some of the recommended ongoing costs have anticipated revenues that can offset the increase in expenses as noted in the previous table. Several software upgrades are necessary for City operations which require ongoing increased maintenance and support costs such as the software that is used to manage archival documents, software that provides internal and public tracking of the status of projects in the development review process; and software needed for required implementation of current and forthcoming accounting standards set by the Governmental Accounting Standards Board.

Ongoing increases in the maintenance and operations beyond the 3.5% inflation adjustment include the need to expand City media presence and advertising reach; to cover the increases in Fire Department contracts; and increases in the Ambulance Billing contract to support the increase in volume processed.

Positions recommended for this budget year are as follows: Two existing code enforcement officers that provide essential services to Crown Heights, Townsite South

and South Oceanside neighborhoods need funding to continue services. These positions were previously funded by Housing and Urban Development Community Development Block Grant since the 1990s, however, CDBG does not allow the continued use of this fund for code enforcement activities. It should be noted that the services these officers provide are not limited to the above-noted neighborhoods.

Library Department is looking to implement changes in the current hourly extra help positions to streamline and improve the staffing process. One existing full time and one part time library positions are needed to continue programming services in the recently established John Landes Community Center library. These two positions were previously funded by the American Rescue Plan Act (ARPA).

Staff is also recommending that an Administrative Analyst II position be added to the Housing Division to oversee an ever-growing number of housing-related programs and grants, to manage the review and on-going compliance monitoring of several additional affordable housing/density bonus projects, and to provide staff support to the recently-created Community Relations Commission.

Parks and Recreation is seeking funding for additional hourly extra help. These positions are needed to staff program growth and enhancements to youth programming. The cost of these positions could be partially off-set by the additional registration and user fees associated with the programs they would help support.

Staff is further recommending that the existing Police Sergeant position currently overseeing police operations in the Harbor, Beach and Downtown areas be funded by the General Fund; this position had been funded by the Harbor prior to the recent shift in marine public safety responsibilities to the Fire Department.

After considering these recommended additions, the proposed FY 2023-24 GF budget is expected to have a surplus of \$1.53M and \$1.4M in Year 2 (FY 2024-25).

### **Recommendation**

Staff requests that the City Council provide feedback and direction regarding the proposed FY 2023-24 budget in conjunction with the April 26, 2023 Budget Workshop. Presentation of the final budget will take place during a public hearing scheduled for June 7, 2023.

#### Attachments:

- A) General Fund Proposed Budget Summary
- B) Five-Year General Fund Financial Forecast
- C) FY 2023-24 Budget Worksheet

CC: Department Directors



**GENERAL FUND PROPOSED BUDGET SUMMARY**  
**Fiscal Year 2023-24**

Vacancy Factor 3% Y 1-2, 2% Y 3-5

<i>in millions</i>	Adopted Budget FY22-23	February Forecast FY23-24	Proposed Budget FY23-24		Forecast Year 2 FY24-25		Forecast Year 3 FY25-26		Forecast Year 4 FY26-27		Forecast Year 5 FY27-28	
<b>RECURRING REVENUES</b>												
Property Taxes	\$ 79.79	\$ 85.07	\$ 85.07	6.6%	\$ 88.99	4.6%	\$ 91.61	2.9%	\$ 94.30	2.9%	\$ 97.06	2.9%
Sales & Use Taxes	27.55	29.38	29.38	6.6%	30.67	4.4%	31.62	3.1%	32.65	3.3%	33.71	3.2%
Transient Occupancy Tax	8.80	12.49	12.49	41.9%	12.77	2.2%	13.32	4.3%	14.54	9.2%	15.75	8.3%
Beachfront TOT	2.21	2.15	2.15	-2.6%	2.21	3.0%	2.28	3.0%	2.35	3.0%	2.42	3.0%
All Other Taxes	4.32	4.59	4.59	6.2%	4.64	1.1%	4.70	1.3%	4.76	1.3%	4.82	1.3%
Franchise Fees	4.26	4.34	4.34	1.9%	4.30	-0.9%	4.27	-0.7%	4.23	-0.9%	4.20	-0.7%
Licenses & Permits	4.33	4.50	4.50	3.9%	4.50	0.0%	4.51	0.2%	4.51	0.0%	4.51	0.0%
Fines & Forfeitures	3.84	3.93	3.93	2.3%	3.93	0.0%	3.93	0.0%	3.93	0.0%	3.93	0.0%
Use of Money & Property	7.76	7.75	7.75	-0.1%	7.87	1.5%	7.99	1.5%	8.11	1.5%	8.23	1.5%
Intergovernmental	0.47	0.52	0.52	10.6%	0.52	0.0%	0.52	0.0%	0.52	0.0%	0.52	0.0%
Ambulance Billing	5.57	7.08	7.48	34.3%	7.57	1.2%	8.47	11.9%	8.32	-1.8%	8.42	1.2%
Charges for Services	14.87	15.57	15.55	4.6%	15.76	1.4%	15.96	1.3%	16.17	1.3%	16.39	1.4%
Transfers In & Other Revenues	25.15	26.15	26.40	5.0%	26.74	1.3%	27.05	1.2%	27.50	1.7%	27.95	1.6%
<b>TOTAL RECURRING REVENUES</b>	<b>\$ 188.91</b>	<b>\$ 203.51</b>	<b>\$ 204.15</b>	<b>8.1%</b>	<b>\$ 210.47</b>	<b>3.1%</b>	<b>\$ 216.23</b>	<b>2.7%</b>	<b>\$ 221.89</b>	<b>2.6%</b>	<b>\$ 227.91</b>	<b>2.7%</b>
<b>RECURRING EXPENDITURES</b>												
<b>Personnel</b>												
Compensation Cost	71.96	77.56	75.96	5.6%	80.13	5.5%	85.51	6.7%	89.27	4.4%	93.11	4.3%
Overtime	7.00	7.64	7.63	9.0%	7.65	0.2%	7.66	0.2%	7.62	-0.6%	7.62	0.0%
PERS	27.78	29.09	28.92	4.1%	30.37	5.0%	31.89	5.0%	33.16	4.0%	34.49	4.0%
Pension Bond	4.23	4.38	4.38	3.5%	4.54	3.6%	0.26	-94.2%				
Health Insurance	10.78	10.68	11.19	3.8%	11.64	4.0%	12.16	4.5%	12.89	6.0%	13.54	5.0%
Workers Comp	5.41	5.63	5.61	3.7%	5.92	5.6%	6.22	5.0%	6.49	4.4%	6.78	4.3%
Other Benefits	3.99	4.14	4.13	3.7%	4.26	3.1%	4.39	2.9%	4.50	2.6%	4.62	2.7%
<i>Personnel Cost Subtotal</i>	<b>\$ 131.16</b>	<b>\$ 139.12</b>	<b>\$ 137.83</b>	<b>5.1%</b>	<b>\$ 144.51</b>	<b>4.8%</b>	<b>\$ 148.09</b>	<b>2.5%</b>	<b>\$ 153.94</b>	<b>3.9%</b>	<b>\$ 160.15</b>	<b>4.0%</b>
Maintenance & Operations	27.49	30.96	31.09	13.1%	31.74	2.1%	31.83	0.3%	32.40	1.8%	33.28	2.7%
Rebate for OBR	2.21	2.15	2.15	-2.6%	1.51	-29.7%	1.56	3.0%	1.60	3.0%	1.25	-22.1%
Transfers Out & Internal Service Charges	26.00	29.96	29.84	14.8%	30.16	1.1%	30.62	1.5%	31.40	2.5%	31.79	1.2%
<b>TOTAL RECURRING EXPENDITURES</b>	<b>\$ 186.85</b>	<b>\$ 202.19</b>	<b>\$ 200.92</b>	<b>7.5%</b>	<b>\$ 207.93</b>	<b>3.5%</b>	<b>\$ 212.10</b>	<b>2.0%</b>	<b>\$ 219.34</b>	<b>3.4%</b>	<b>\$ 226.47</b>	<b>3.2%</b>
<b>Surplus/(Shortfall)</b>	<b>\$ 2.06</b>	<b>\$ 1.32</b>	<b>\$ 3.23</b>		<b>\$ 2.54</b>		<b>\$ 4.13</b>		<b>\$ 2.55</b>		<b>\$ 1.44</b>	
<b>Recommended budget additions</b>												
One-time costs			0.60									
Ongoing costs			1.11		1.14		1.17		1.19		1.20	
<b>Expected Remaining Surplus/(Shortfall)</b>			<b>\$ 1.53</b>		<b>\$ 1.40</b>		<b>\$ 2.96</b>		<b>\$ 1.37</b>		<b>\$ 0.24</b>	

*STAFF REPORT**CITY OF OCEANSIDE*

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DATE: February 1, 2023  
TO: Honorable Mayor and City Councilmembers  
FROM: Financial Services Department  
SUBJECT: **GENERAL FUND FIVE-YEAR FINANCIAL FORECAST**

**SYNOPSIS**

Staff submits the FY 2023-24 through FY 2027-28 General Fund Five-Year Financial Forecast for review and requests direction to proceed with developing a fiscally sustainable budget strategy.

**BACKGROUND**

The financial forecast takes a forward look at the City of Oceanside's General Fund revenues and expenditures. Its purpose is to identify financial trends, shortfalls and issues so the City can proactively address them. It does so by projecting the fiscal results of continuing the City's current service levels, policies, and any new or anticipated changes to the City's revenue streams. It provides a snapshot of what the future will look like as a result of decisions made in the recent past. It also recaps historical data to indicate the City's financial position in the past.

A surplus balance indicates monies available to fund new initiatives; if negative, it shows the likely budget gap. Throughout the five-year forecast period, staff is projecting a positive balance, with a surplus of \$1.32M forecast for the next year (Fiscal Year 2023-24), based on projected revenues of \$203.51M and expenditures of \$202.19M.

It is important to stress that this financial forecast is not a budget, nor is it a proposed financial plan for achieving City or City Council objectives. The forecast is a projection based on currently available economic data, consultant reports, and staff analysis of current trends, and represents a staff consensus on likely revenues and expenses.

The Measure X revenues and expenditures are placed in a separate fund and are not included in the Five-Year Forecast.

**FISCAL IMPACT**

There is no fiscal impact.

**INSURANCE REQUIREMENTS**

Does not apply.

**COMMISSION OR COMMITTEE REPORT**

Does not apply.

**CITY ATTORNEY'S ANALYSIS**

Does not apply.

**RECOMMENDATION**

Staff submits the FY 2023-24 through FY 2027-28 General Fund Five-Year Financial Forecast for review and requests direction to proceed with developing a fiscally sustainable budget strategy.

PREPARED BY:

  
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Jill Moya  
Financial Services Director

SUBMITTED BY:

  
\_\_\_\_\_  
Jonathan Borrego  
City Manager

REVIEWED BY:

Michael Gossman, Assistant City Manager

  
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ATTACHMENTS:

A – General Fund Five-Year Financial Forecast

## GENERAL FUND FIVE-YEAR FINANCIAL FORECAST

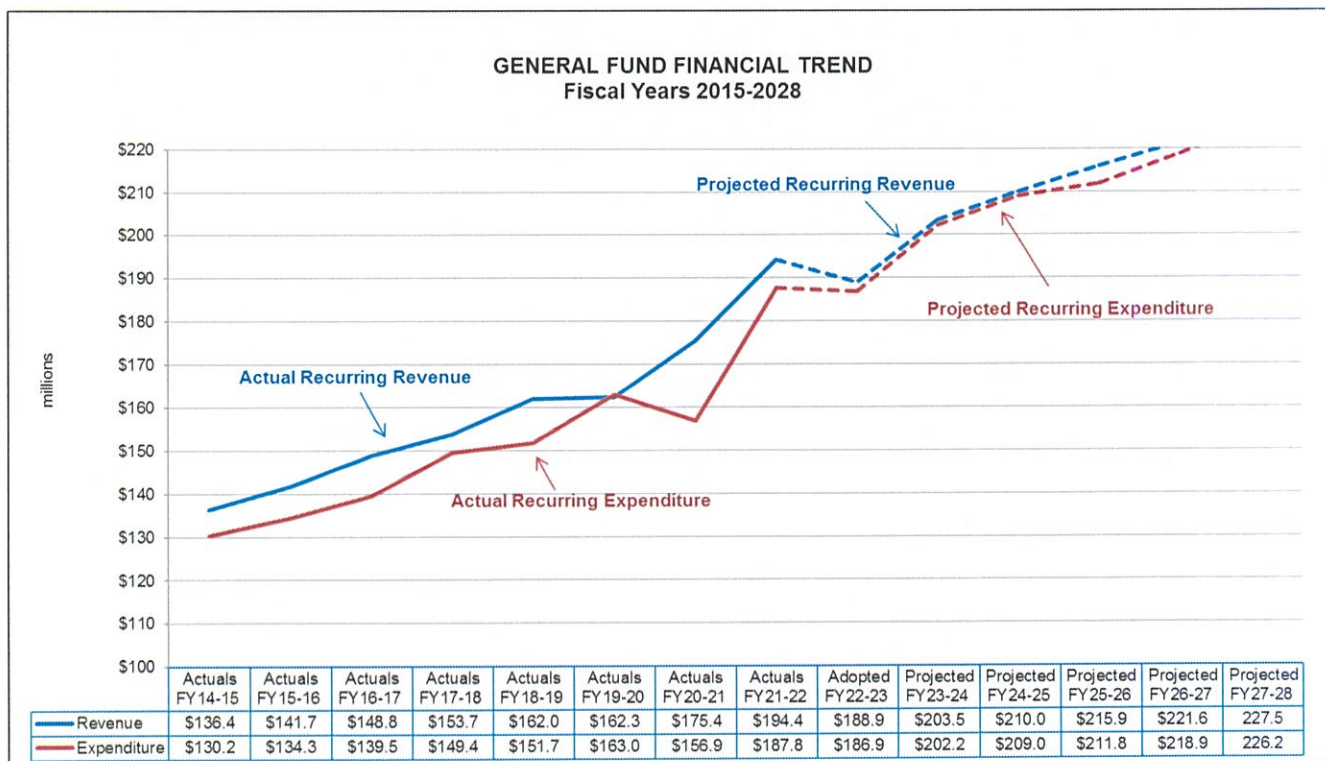
### PURPOSE OF THE FORECAST

The financial forecast takes a forward look at the City of Oceanside's General Fund revenues and expenditures. Its purpose is to identify financial trends, shortfalls and issues so the City can proactively address them. It does so by projecting out into the future the fiscal results of continuing the City's current service levels and policies, provides a snapshot of what the future will look like as a result of the decisions made in the recent past. It also recaps historical data to indicate the financial status of the past.

If the results are positive, the balance remaining is available to fund new initiatives; if negative, it shows the likely budget gap.

The National Advisory Council on State and Local Budgeting (NACSLB) has endorsed the forecasting of revenues and the forecasting of expenditures in their Recommended Budget Practices.

It is important to stress that this financial forecast is not a budget, nor is it a proposed financial plan for achieving City or Council objectives.



## GENERAL FUND FIVE-YEAR FINANCIAL FORECAST

Table 1 shows the next five years as forecasted in February 2023. The FY 2023-24 General Fund forecast includes \$203.51M in revenues and \$202.19M in expenditures with an anticipated surplus of \$1.32M.

**Table 1**

**City of Oceanside**  
**GENERAL FUND FINANCIAL FORECAST**  
**Fiscal Years 2023-24 through 2027-28**  
in millions

	Adopted	PROJECTION				
	Budget FY22-23	Year 1 FY23-24	Year 2 FY24-25	Year 3 FY25-26	Year 4 FY26-27	Year 5 FY27-28
<b>RECURRING REVENUES</b>						
Property Taxes	\$ 79.79	\$ 85.07	\$ 88.99	\$ 91.61	\$ 94.30	\$ 97.06
Sales & Use Taxes	27.55	29.38	30.67	31.62	32.65	33.71
Transient Occupancy Tax	8.80	12.49	12.77	13.32	14.54	15.75
Beachfront TOT	2.21	2.15	2.21	2.28	2.35	2.42
All Other Taxes	4.32	4.59	4.64	4.70	4.76	4.82
Franchise Fees	4.26	4.34	4.30	4.27	4.23	4.20
Licenses & Permits	4.33	4.50	4.50	4.51	4.51	4.51
Fines & Forfeitures	3.84	3.93	3.93	3.93	3.93	3.93
Use of Money & Property	7.76	7.75	7.87	7.99	8.11	8.23
Intergovernmental	0.47	0.52	0.52	0.52	0.52	0.52
Ambulance Billing	5.57	7.08	7.17	8.07	7.92	8.02
Charges for Services	14.87	15.57	15.75	15.94	16.13	16.33
Transfers In & Other Revenues	25.15	26.15	26.68	27.12	27.60	27.95
<b>Total Recurring Revenues</b>	<b>\$ 188.91</b>	<b>203.51</b>	<b>210.00</b>	<b>215.88</b>	<b>221.55</b>	<b>227.45</b>
<b>RECURRING EXPENDITURES</b>						
Personnel						
Compensation Cost	\$ 71.96	\$ 77.56	\$ 81.67	\$ 85.57	\$ 89.24	\$ 93.04
Overtime	7.00	7.64	7.65	7.67	7.63	7.63
PERS	27.78	29.09	30.54	32.07	33.35	34.69
Pension Bond	4.23	4.38	4.54	0.26	-	-
Health Insurance	10.78	10.68	11.10	11.60	12.30	12.92
Workers Comp	5.41	5.63	5.93	6.22	6.49	6.76
Other Benefits	3.99	4.14	4.27	4.39	4.50	4.62
Personnel Cost Subtotal	\$ 131.16	\$139.12	\$ 145.72	\$ 147.78	\$ 153.51	\$ 159.65
Maintenance & Operations	\$ 27.49	\$ 30.96	\$ 31.81	\$ 32.02	\$ 32.60	\$ 33.49
Rebate for OBR	2.21	2.15	1.51	1.56	1.60	1.65
Transfers Out & Internal Service Charges	26.00	29.96	29.94	30.41	31.18	31.45
<b>Total Recurring Expenditures</b>	<b>\$ 186.85</b>	<b>\$202.19</b>	<b>\$ 208.98</b>	<b>\$ 211.76</b>	<b>\$ 218.89</b>	<b>\$ 226.24</b>
<b>Surplus/(Shortfall)</b>	<b>\$ 2.06</b>	<b>\$ 1.32</b>	<b>\$ 1.02</b>	<b>\$ 4.12</b>	<b>\$ 2.66</b>	<b>\$ 1.21</b>

## GENERAL FUND FIVE-YEAR FINANCIAL FORECAST

**Table 2**

General Fund Revenues Projected Percent Changes					
	Year 1	Year 2	Year 3	Year 4	Year 5
	FY23-24	FY24-25	FY25-26	FY26-27	FY27-28
Property Taxes	6.6%	4.6%	2.9%	2.9%	2.9%
Sales & Use Taxes	6.6%	4.4%	3.1%	3.3%	3.2%
Transient Occupancy Tax	41.9%	2.2%	4.3%	9.2%	8.3%
Beachfront TOT	-2.6%	3.0%	3.0%	3.0%	3.0%
All Other Taxes	6.2%	1.1%	1.3%	1.3%	1.3%
Franchise Fees	1.9%	-0.9%	-0.7%	-0.9%	-0.7%
Licenses & Permits	3.9%	0.0%	0.2%	0.0%	0.0%
Fines & Forfeitures	2.3%	0.0%	0.0%	0.0%	0.0%
Use of Money & Property	-0.1%	1.5%	1.5%	1.5%	1.5%
Intergovernmental	10.6%	0.0%	0.0%	0.0%	0.0%
Ambulance Billing	27.1%	1.3%	12.6%	-1.9%	1.3%
Charges for Services	4.7%	1.2%	1.2%	1.2%	1.2%
Transfers In & Other Revenues	4.0%	2.0%	1.6%	1.8%	1.3%
<b>TOTAL RECURRING REVENUES</b>	<b>7.7%</b>	<b>3.2%</b>	<b>2.8%</b>	<b>2.6%</b>	<b>2.7%</b>

### ECONOMIC OUTLOOK

The Five-Year Forecast was developed using economic indicators and industry expert forecasts.

The US economy is showing signs of slowing down and some economist have warned that the US economy may be entering into a recession. The National GDP has stagnated as it was roughly the same level in the 3rd quarter of this year as it was in the last quarter of 2021. However, despite the lack of overall GDP growth many economists agree that the U.S. economy is not currently in a recession as there have been 4 million payroll jobs added since the start of this year and the U.S. unemployment rate remains well below 4%. Furthermore, industrial production is at a record high, manufacturing orders are still rising, and overall inventories remain low.

Regardless of these positive indicators, however, the US economy continues to face struggles such as a sharp increase in prices with inflation currently at 7.1%. The Federal Reserve responded with interest rate hikes, which has had drastic effects on the asset markets and slowed the US real estate markets. There have been layoffs on the tech industry. Beacon Economics' forecasters assert that these are not drivers of a coming recession, but rather symptoms of the stimulus hangover the nation is currently suffering from. The UCLA Anderson School of Management forecast noted "the national economy has proved resilient as consumers continue to spend and businesses continue to invest."

Per the UCLA Anderson School of Management's December 2022 Economic Outlook, any economic recession in 2023 will be milder in California compared to the rest of the country. "There are economic forces that will lead the state to a more moderate outcome. These include construction, non-information technology and the defense buildup," the UCLA economists said.

## GENERAL FUND FIVE-YEAR FINANCIAL FORECAST

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The forecasters predict that the US economy will either continue to grow but at slower rate, or experience a mild short-live recession. If the economy does not go into a recession in 2023 they expect economic growth to slow in the first quarter of 2023 and then pick up in the last half of 2023. However, the UCLA economists expect California to be speared the worst of any potential recession do to job growth within the state. According to their December 2022 economic forecast, “With growth in greentech, medtech, aerospace tech and construction employment fueled by the infrastructure and defense budgets and a healthy rainy-day fund in Sacramento, the 2023 forecast for California is for ... faster growth — or, in the case of recession, a milder downturn than for the U.S.”

It is important to note that these forecasts are for the overall economy and may not mirror the forecast for Oceanside. Oceanside continues to grow with strong home sales and construction of new commercial properties and hotels which will result in consistent incremental increases in property tax and transient occupancy tax over the next several years.

The City's pension cost is projected to increase \$5.6 million in the general fund over the next five years. The City continues to pay down the unfunded liability with one-time funds and a third of quarterly investment interest earnings.

### KEY POINTS

- The financial forecast does not address any future adverse budget impacts from State or Federal actions beyond the CalPERS July 2022 Actuarial Report.
- For year 1, as a percent of compensation, Safety personnel CalPERS costs as a percentage of salary is 46.58% and Miscellaneous personnel CalPERS costs as a percentage of salary is 32.90%.
- Assumptions used to forecast revenue and expenditures are noted in a separate section of the report.
- The financial forecast will be updated on an annual basis to accommodate adjustments in economic trends and operational costs.

### MEASURE X

Over the past decade, revenues have not kept pace with growing costs associated with providing municipal services and facilities. It is becoming increasingly challenging to maintain the quality of City services expected by residents, such as crime and gang prevention, 911 response, pothole repair, and street maintenance. The City has been proactive in responding to this challenge by reducing its costs where feasible, including laying off more than 100 employees, deferring street and infrastructure maintenance, and cutting back on basic City Services in order to maintain service levels, however additional revenue sources were needed.

On June 6, 2018, Council approved the placement of temporary one-half cent general transactions and use (sales) tax measure on the November 6, 2018 municipal election ballot.

## GENERAL FUND FIVE-YEAR FINANCIAL FORECAST

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In November 2018, the citizens approved Measure X by 55.7%. Measure X raised the sales tax in the City of Oceanside by a half cent for a period of seven years beginning April 1, 2019. The annual revenues were estimated to be \$11.2M but have performed stronger than originally forecasted; revenue for FY 2023-24 is forecasted at \$18.3M. The additional half cent sales tax is to be used for improving City services as noted above and not ongoing employee or operating costs. The Measure X revenues and expenditures are placed in a separate fund and is not included in the Five-Year Forecast.

In order to provide for citizens' oversight, transparency and accountability in connection with expenditures of tax revenues generated by Measure X a Citizens Oversight Committee ("COC") was created. The COC is responsible for review and comment on the Finance Report, Spending Plan and Annual Audit; review of annual report regarding compliance with the Spending Plan; and work with City staff to identify and apply "best practices" for tracking and reporting.

The COC recommended and the City Council approved a Measure X Spending Plan for Year 1 on June 5, 2019. The Spending Plan for Year 2 was approved on June 3, 2020 to continue the programs and projects initiated in Year 1 with additional funding programmed for crime prevention and equipment needs. The Spending Plan of \$16.93M for Year 3 was approved on June 2, 2021. The Spending Plan for Year 3 continues the programs and infrastructure projects initiated in Year 1 and 2. The Spending Plan for Year 4 was approved on June 8, 2022 and updated at a special meeting on September 26, 2022. The Spending Plan for Year 4 continues the previously approved programs and infrastructure projects and includes new programs such as \$300,000 a year for traffic calming measures, \$1.7 million for implementation of a new community services officer model of staffing in the Police Department, downtown security officers, and youth programming.

### DEMOGRAPHIC TRENDS

**Population** - Oceanside's 2022 population per the California Department of Finance is 173,048.

**Inflation** — The City monitors the Consumer Price Index for All Urban Consumers (CPI-U) for San Diego, CA, as reported by the US Department of Labor. It is a measure of change in prices paid by consumers for goods and services and reflects spending patterns. The most recent data released in December 2022 shows the CPI at 7.1 percent at the end of November 2022 down from 7.7 percent the previous month. Although the CPI has increased compared to 6.8 percent in November 2021, it has been declining since June 2022 at 9.1 percent. The major increases were energy prices increasing by 13.1 percent and food prices at 10.6 percent.

**Consumer Confidence Index** — This index is a barometer of the health of the US economy from the perspective of the consumer. The index is based on consumers' perceptions of current business and employment conditions, as well as their expectations for six months hence regarding business conditions, employment and income. The Consumer Confidence index as

## GENERAL FUND FIVE-YEAR FINANCIAL FORECAST

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of November 2022 is at 100.2 which is a decrease from 102.2 from the previous month, and up from 95.7 index in July 2022.

**Unemployment Rate** - As of October 2022, Oceanside's unemployment rate was 3.4 percent, slightly higher than the San Diego North County unemployment rate of 3.2 percent. The State of California unemployment rate was 4 percent as of October 2022.

### REVENUES

**Property Tax** – Oceanside continues to experience commercial and residential construction growth and increases in property values.

The City of Oceanside contracts with HdL Companies for property tax management services. HdL Companies reports the median sale price of a single-family home in Oceanside at \$830,000 in 2022, a 16.08 percent increase from 2021.

HdL Companies preliminary guide of the City's property tax revenues for FY 2022-23 shows the City experienced a net taxable value increase of 7.7 percent, which is slightly lower than the countywide at 8.3 percent increase. The City's assessed value increase between FY 2021-22 and FY 2022-23 was \$2.1 billion.

Due to the economic uncertainty in the housing market resulting from increasing interest rates, in years 3 to 5 we conservatively projected an increase of about 3%. Projections based on historical data and projected tax base growth are as follows: Year 1, 6.6 percent; Year 2, 4.6 percent; Years 3-5, 2.9 percent.

**Sales & Use Tax** –The City of Oceanside contracts with HdL Companies for sales tax management services. Oceanside's FY 2021-22 sales increased 12.4 percent above the prior year. Looking ahead statewide, sustained sales tax growth is still anticipated through the end of the 2022 calendar year. Higher priced goods through periods of consistent demand have led to economic inflation. The Federal Reserve Board's recent actions to curb inflation are anticipated to put downward pressure on sales of autos, building materials and financed general consumer goods, resulting in slower growth by year end and into 2023, which has been factored into our projections.

Projections based on historical data, retail and restaurant continued growth are as follows: Year 1, 6.6 percent; Years 2, 4.4 percent: Year 3, 3.1 percent: Year 4, 3.3 percent: Year 5, 3.2 percent.

**Transient Occupancy Tax (TOT)** – City's transient occupancy tax revenues (not including the beachfront hotels) are projected to increase 41.9 percent in Year 1 over the FY 2022-23 adopted budget which was a conservative projection due to the COVID-19 economic disruption. The revenue projection for Year 1 is based on the actual revenue received in the

## GENERAL FUND FIVE-YEAR FINANCIAL FORECAST

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prior year of \$12.7M not including the beachfront hotels. The growth is primarily due to an increase in short term rentals. Year 2 is projected to increase 2.2 percent as a 6 room bed and breakfast is expected to open January 2025. Additionally, although the Beachfront Resort opened late in FY 2020-21, per their agreement, the Resort will start paying the City TOT in FY 2024-25 and this revenue is included in Year 2. Year 3 is projected to increase 4.3 percent as Home 2 Suites hotel is expected to open in January 2026 with 136 rooms. Year 4 is projected to increase 9.2 percent due to Airport Hotel expected to open with 86 rooms and Marriott Residence Inn opening with 117 rooms in January 2027. Year 5 is projected to increase by 8.3 percent based on full year of new hotel openings from prior year along with a 64 room hotel expected to open at 712 and 716 Seagaze Dr.

There are additional hotels in the planning stage that were not considered in the forecast as the completion dates have been postponed and are unknown.

**Beachfront Hotels (TOT)** - City's transient occupancy tax revenues for the Seabird and Mission Pacific hotels are projected to decrease 2.6 percent in Year 1 compared to the FY 2022-23 adopted budget based on actual revenues received in the prior year of \$2.15M. Year 2 through 5 is expected to increase 3 percent.

**All Other Taxes:** This category includes business license and card room revenues. Year 1 is expected to increase 6.2 percent. Business license tax, the largest contributor to this category, is projected to increase 2 percent in Years 2-5 due to moderate economic growth and ongoing new commercial buildings. Card Room fees are projected to increase 2 percent Years 2-5. Measure M Cannabis business tax is projected to increase 1 percent Years 2-5.

**Franchise Fees:** Includes fees from SDG&E, Cox, and AT&T. Overall revenues are projected to decline due to decreasing numbers of cable subscribers and an increase in internet-based options. Year 1 is projected to increase 1.9 percent based on actual revenues received in the prior year, then decreasing an average of .8 percent in Years 2 through 5.

**Licenses & Permits:** A majority of these permits are development and parking related, with the largest portion for building permits and annual parking permits. The forecast projects a 3.9 percent increase in Year 1 due to building trending upward. Years 2 through 5 is projected to remain relatively flat.

**Fines & Forfeitures:** The majority of these revenues collected by the City are for parking citations and traffic fines. The forecast projects a 2.3 percent increase in Year 1. Years 2 through 5 is projected to remain relatively flat.

**Use of Money and Property:** The revenues collected in this category are from investment returns, leases and rentals. Year 1 is projected to remain the same as prior year. Subsequent Years 2-5 have a modest increase of 1.5 due to the unpredictability of investment returns.

## GENERAL FUND FIVE-YEAR FINANCIAL FORECAST

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**Intergovernmental:** The revenue in this category relies on State and Local programs which can be difficult to project. Year 1 is projected to have an increase of 10.6 percent. Years 2 through 5 remains flat.

**Ambulance Billing:** Rates are adjusted annually each July. Revenues are expected to increase 27.1 percent in Year 1 due to expanded EMT services. Year 2 is projected to increase by 1.3 percent; Year 3 by 12.6 percent due to increase in AB1705 reimbursement rate; Year 4 is projected to decrease 1.9 percent due to Measure X EMT services possibly ending; Year 5 is projected to increase 1.3 percent.

**Charges for Services:** This category of revenue includes development-related revenues, fire inspections, parking machine collection and general administration charges. The forecast assumes revenues will increase 4.7 percent in Year 1 based on prior year actuals and a conservative increase of 1.2 percent in Years 2 through 5 due to the unpredictability of development.

**Transfers In & Other Revenue:** Transfers are projected to increase 4.0 percent in Year 1. Years 2, 2.0 percent: Year 3, 1.6 percent: Year 4, 1.8 percent: Year 5, 1.3 percent.

### EXPENDITURES

**Personnel:** Year 1 total costs are projected to increase 7.8 percent. Costs for years 2-5 is expected to increase an average of 4.7 percent. An estimate was used for the three bargaining groups that will finish negotiations and will go into effect in FY 2023-24. The estimate was based on recently completed bargaining group's negotiations. All bargaining group's costs approved by Council prior to December 2022 have been included in the forecast.

Other assumptions:

1. Applicable step increases were included for each year of the forecast.
2. Includes a vacancy factor of 2 percent Years 1-5.
3. PERS normal cost pickup by employees included.
4. Estimated health cap increases for inflation.
5. Does not include additional compensation studies.
6. Includes minimum wage increases for appropriate hourly extra help employees.

The primary issue that the City must contend with is the continued CalPERS rate increases which are based on actuarial assumptions and investment returns.

CalPERS recalculates the costs on an annual basis so the City cannot rule out further increases. The rates are impacted annually by investment returns, retiree longevity, payroll growth and any actuarial assumption changes by CalPERS.

## GENERAL FUND FIVE-YEAR FINANCIAL FORECAST

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Over the next five years, the total General Fund CalPERS increase is estimated at \$6.91M. The yearly increases are as follows: \$1.31M Year 1, \$1.45 Year 2, \$1.53M Year 3, \$1.28M Year 4 and \$1.34M Year 5.

CalPERS annual required contribution increases have been a concern for some time. Consequently, since FY 2015-16, monies have been "set aside" specifically for this reason. To date, the General Fund has accumulated \$5.1M to provide reserves to help offset costs should there be an unexpected increase in rates or a reduction in General Fund revenues.

In addition, during FY 2017-18, an IRS Section 115 Trust was created to earmark funds to be used only for CalPERS expenses. To date, the City has \$14.9M in this trust. No funds have been withdrawn from the trust.

**Maintenance & Operations** – expenditures in this category include such items as professional and contractual service, equipment maintenance and rental, memberships and subscriptions, training, utilities and a variety of other operating costs for departments funded by the General Fund. The FY 2023-24 budget is based on the prior year with a CPI increase of 3.5 percent for Years 1-2, and 2 percent from Years 2-5. Departments will have to justify any new expenditure requests.

**Rebate Beachfront Hotels** – Under the terms of the TOT sharing agreement with the developer of OBR, the developer will receive 100 percent of the TOT revenue for the first three years after the hotel opens. Thereafter, the City and the Developer share in TOT at varying levels for a total period of 15 years on the Seabird Hotel and 14 years on the Mission Pacific Hotel or until total payments of \$11,335,250 are made to the Developer.

Because the hotels are realizing higher than forecasted revenues, payments will likely reach the \$11,335,250 sooner than previously expected. To date, the beachfront hotels have generated a total of \$3.3M in TOT.

**Pension Bond** – the 2015 Refunding Taxable Pension Obligation Bonds (2005 Taxable Pension Obligation Bonds) debt payments ending August 2025, are reflected in the Personnel category.

**Internal Service Charges/Transfers** – the City has five internal service funds that provide services to the City as a whole. Included in each department operating budget is an amount to pay for these services. The services are risk management, fleet management, information services, general services and city building services. Collectively they are known as "internal service charges." Transfers to these internal service funds are allocated based on usage formulas as defined in various Administrative Directives, and encompass costs for the materials, equipment and the overhead of providing these services.

Risk management costs continue to increase. According to our broker PRISM the liability, property and cyber insurance markets have hardened in response to increased claims costs.

## GENERAL FUND FIVE-YEAR FINANCIAL FORECAST

FY 2023-24 assumes a 25 to 40 percent rate increase for excess insurance layers. Estimates also assume a 5 percent exposure increase.

Fleet rate increases are an ongoing concern as fuel costs create challenges for planning and budgeting for this variable. Vehicle acquisition costs have increased due to supply interruptions and a global microchip shortage has caused a lack of availability for specific vehicles and equipment. For FY 2023-24 a CPI increase of 8.4 percent was included.

Additionally, in FY2019-20 the 2019 Lease Revenue Bonds were issued to fund the El Corazon Aquatics Center. The maturity date for these bonds is November 2049. Because of the nature of Lease Revenue Bonds, the debt service payments are collected through Civic Center building rent internal services charges across departments using the Civic Center.

### **FUND BALANCE**

As of June 30, 2022, the total General Fund balance was \$103.2M. In accordance with the Healthy City Reserve Fund Policy #200-08, a minimum of 12 percent of the General Fund operating expenditure budget (currently at \$23.8M) is identified as a committed fund balance. The General Fund Unassigned Fund Balance available for future capital projects or other City projects/services had \$17.3M as of June 30, 2022.

**City of Oceanside  
FY 2023-24 Budget Worksheet  
General Fund**

	Adopted Budget FY 2021-22	Adopted Budget FY 2022-23	Proposed Budget FY 2023-24
<b>Revenues</b>			
Property Taxes	\$ 74,505,579	\$ 79,789,418	\$ 85,070,732
Sales & Use Taxes	24,140,379	27,547,840	29,384,717
Transient Occupancy Tax	7,087,149	11,005,165	14,641,517
All Other Taxes	4,000,031	4,323,295	4,585,000
Franchise Fees	4,255,899	4,256,319	4,336,000
Licenses and Permits	3,868,344	4,332,624	4,501,915
Fines and Forfeitures	3,729,266	3,842,598	3,929,123
Use of Money & Property	7,394,383	7,756,297	7,754,722
Intergovernmental	412,287	466,329	515,813
Ambulance Billing	5,268,600	5,570,600	7,482,500
Charges for Service	14,241,755	14,868,861	15,549,582
Other Revenue & Transfers	22,264,463	25,149,841	26,402,150
<b>Total General Fund Revenues</b>	<b>\$ 171,168,135</b>	<b>\$ 188,909,187</b>	<b>\$ 204,153,772</b>
<b>Expenditures</b>			
City Attorney	\$ 2,054,042	\$ 2,415,446	\$ 2,532,379
City Clerk	1,461,510	1,511,262	1,681,447
City Council	964,379	1,076,823	1,117,907
City Manager	1,543,103	1,918,444	2,035,754
City Treasurer	348,479	378,693	423,806
Development Services	12,723,497	14,165,889	15,040,217
Financial Services	6,268,224	6,675,669	6,900,390
Fire Department	36,555,078	40,073,296	47,591,991
Harbor	4,328,017	4,214,995	4,640,804
Human Resources	740,723	788,780	859,529
Library	5,751,536	6,172,858	6,408,908
Neighborhood Services	1,963,450	2,206,122	2,406,688
Non-Departmental	6,327,605	8,670,943	8,320,141
Parks and Recreation	6,033,184	6,885,646	7,561,020
Police Department	67,622,722	72,826,175	75,000,187
Public Works	15,457,777	16,872,407	18,397,397
<b>Total</b>	<b>\$ 170,143,326</b>	<b>\$ 186,853,449</b>	<b>\$ 200,918,565</b>
<b>Surplus</b>	<b>\$ 1,024,809</b>	<b>\$ 2,055,738</b>	<b>\$ 3,235,206</b>
<b>Recommended budget additions</b>			
One-time costs			596,839
Ongoing costs			1,105,062
<b>Expected Remaining Surplus</b>			<b>\$ 1,533,305</b>

# BUDGET WORKSHOP

## General Fund Proposed Budget Fiscal Year 2023-24



April 26, 2023

Financial Services Department

# GENERAL FUND PROPOSED BUDGET FY 2023-24 - OVERVIEW

- Balanced budget - reserves or one-time monies are not used to cover ongoing costs
- Meets all reserve obligations (e.g. Healthy Cities)
- Continues to reflect Council's strategic priorities

# GENERAL FUND PROPOSED BUDGET FY 2023-24

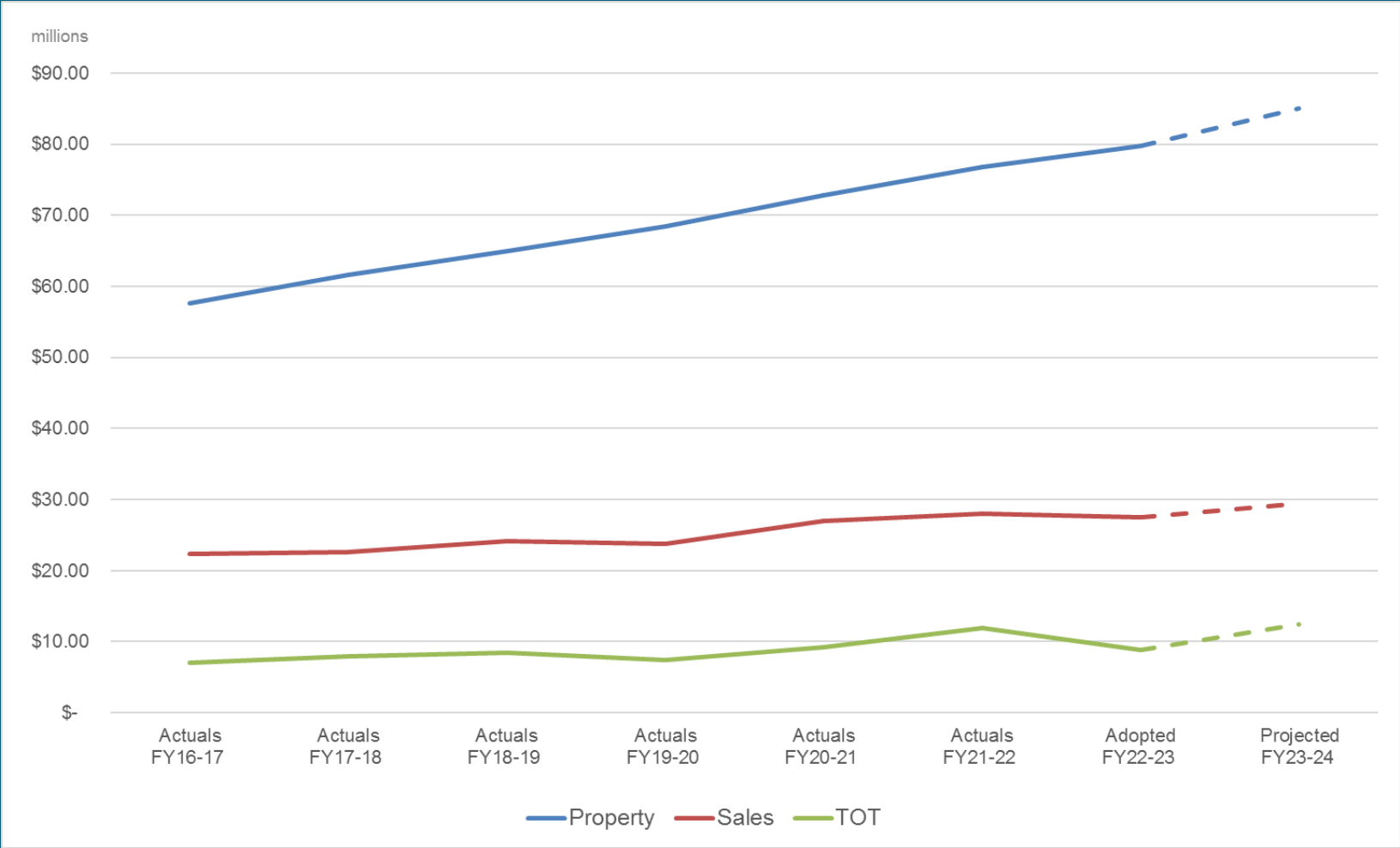
Proposed Revenues	\$ 203.80M
Proposed Expenditures	200.58M
Recommended Ongoing Additions	1.11M
Recommended One-time Additions	0.60M
Projected Surplus	\$ 1.52M

# GENERAL FUND PROPOSED BUDGET FY 2023-24

**Proposed Revenue: \$203.8M**  
(7.9% Increase over FY 2022-23)

<u>Major Categories</u>	<u>Actuals FY 2019-20</u>	<u>Actuals FY 2020-21</u>	<u>Actuals FY 2021-22</u>	<u>Adopted FY 2022-23</u>	<b><u>Proposed FY 2023-24</u></b>	<u>% Increase</u>
Property Tax	\$68.43M	\$72.75M	\$76.75M	\$79.79M	<b>\$85.07M</b>	6.6%
Sales Tax	\$23.82M	\$27.00M	\$28.01M	\$27.55M	<b>\$29.38M</b>	6.6%
TOT	\$7.36M	\$9.28M	\$12.49M	\$8.8M	<b>\$12.49M</b>	41.9%

# REVENUE TRENDS



# GENERAL FUND PROPOSED BUDGET FY 2023-24

**Proposed Expenditures: \$202.28M**

(8.3% Increase over FY 2022-23)

<u>Recurring Expenditures</u>	<u>Adopted FY 2022-23</u>	<u>Proposed FY 2023-24</u>	<u>% Increase</u>
Personnel	\$131.16M	<b>\$137.83M</b>	5.1%
Maintenance & Operations	\$27.49M	<b>\$30.93M</b>	12.5%
Rebate for OBR	\$2.21M	<b>\$2.15M</b>	-2.6%
Transfers Out & Internal Service Charges	\$26.00M	<b>\$29.67M</b>	14.1%
<b>Recommended Ongoing Additions</b>		<b>\$1.11M</b>	
<b>Recommended One-time Additions</b>		<b>\$0.60M</b>	
<b>Total Expenditures</b>	<b>\$186.85M</b>	<b>\$202.28M</b>	<b>7.3%</b>

# CURRENT ECONOMIC ENVIRONMENT

## **Inflation:**

- FY 2023-24 – 3.5% CPI increase in M&O
- Prior year 5%

## **Fleet:**

- Includes increases in Fuel and Vehicle Replacement costs

# GENERAL FUND PROPOSED ADDITIONS FY 2023-24

One-time Costs	\$596,839
Ongoing Costs	<u>\$1,105,062</u>
Total Recommendations	\$1,701,901

# GENERAL FUND PROPOSED BUDGET

## One-time Costs

<b>City Clerk</b>	\$38,000	Industrial Shredder
<b>Development Services</b>	\$35,000	Land Survey Equipment
<b>Fire</b>	\$208,839	PPE Replacement & Inspection
<b>Library</b>	\$10,000	Technology Replacement
	\$30,000	Materials for John Landes
<b>Neighborhood Services</b>	\$20,000	Special Events for John Landes
<b>Parks and Recreation</b>	\$45,000	City Events
<b>Public Works</b>	\$210,000	Irrigation Repair for Citywide Parks and Beaches
<b>Total One-time Costs</b>	<b>\$596,839</b>	

# GENERAL FUND PROPOSED BUDGET

## Ongoing Costs – M&O

<b>City Clerk</b>	\$6,000	Software
<b>City Manager</b>	\$5,500	Communications / Media Equipment
<b>Development Services</b>	\$750	Land Survey Equipment Maintenance
	\$49,488	Technology needs and software upgrades
	<u>(\$30,000)</u>	bundle (TRAKIT and AutoCAD)
	\$19,488	Revenue offset from CIP projects
<b>Fire Department</b>	\$142,981	Service Contract CPI increases/pricing/EMS volume increases

# GENERAL FUND PROPOSED BUDGET

## Ongoing Costs – M&O (continued)

<b>Financial Services</b>	\$31,500	Accounting software and services
	\$29,138	Wittman Ambulance Billing contract
	<u>(\$29,138)</u>	Revenue offset – increased ambulance
	\$0	billing revenue
<b>Library</b>	\$22,357	Modifications to Hourly Extra Help
<b>Parks and Recreation</b>	\$200,000	Hourly Personnel for Programs and City Events
<b>M&amp;O Subtotal</b>	<b>\$428,576</b>	

# GENERAL FUND PROPOSED BUDGET

## Ongoing Costs – New Positions

<b>Development Services</b>	\$254,080	2 Code Enforcement Officers formerly funded through CDBG
<b>Library</b>	\$61,600 \$32,350	1 Library Assistant at John Landes 1 Part Time Professional Assistant at John Landes
<b>Neighborhood Services</b>	\$111,130 (\$13,336)	1 Administrative Analyst II position Revenue offset – Housing Grant (12%)
<b>Police</b>	\$230,662	1 Police Sergeant previously funded by Harbor
<b>Position Subtotal</b>	<b>\$676,486</b>	
<b>Total Ongoing Costs</b>	<b>\$1,105,062</b>	

# RECOMMENDATION

Staff recommends that the City Council:

Direct staff to return on June 7, 2023, for final budget adoption and include all recommendations outlined in the proposed General Fund Budget for FY 2023-24

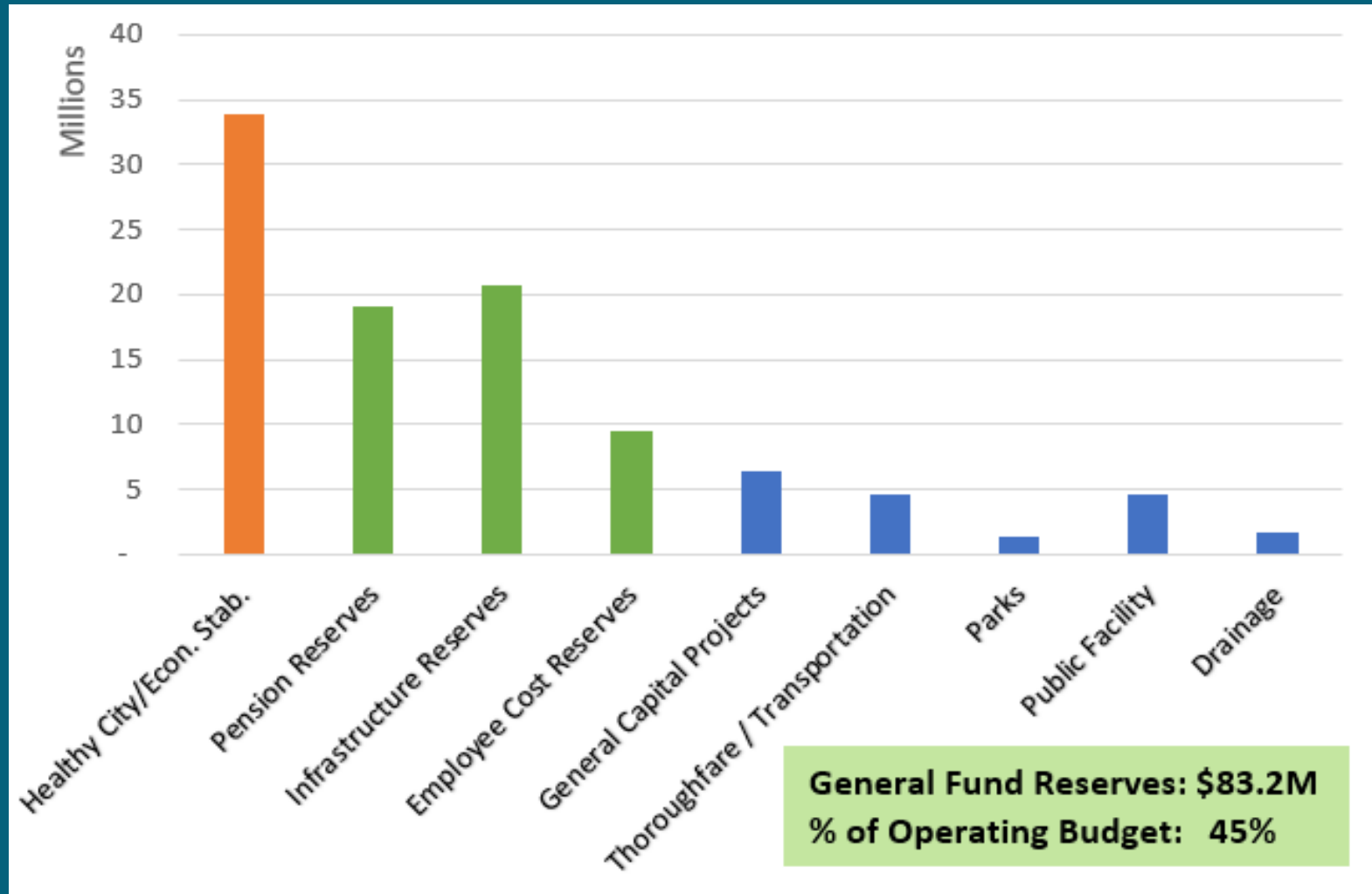


# Extra Slides

# Vacancy Factor

Historical Salary Savings Report								
	2017-18	2018-19	2019-20	2020-21	2021-22	Average	Budgeted 2022-23	Proposed 2023-24
Total Percentage Savings	2.33%	0.41%	1.96%	9.02%	5.91%	3.93%	3.50%	3%
Total Dollars (in millions)	\$2.36	\$0.43	\$2.10	\$10.39	\$7.05	\$4.47		
Vacancy Factor	None	None	\$500,000	\$5,600,000	\$1,750,000	\$ 2,616,667	\$4,257,518	\$3,824,456

# Estimated Reserve Balances at Year End



# CalPERS Costs

- CalPERS increases based on July 2022 Actuarial Report.

in millions

Fiscal Year	CalPERS Costs	Net -New Increases	% Increase
FY 2023-24	\$29.09	\$1.31	5%
FY 2024-25	30.54	1.45	5%
FY 2025-26	32.07	1.53	5%
FY 2026-27	33.35	1.28	4%
FY 2027-28	34.69	1.34	4%
	<b>Total Increase:</b>	<b>\$6.91</b>	

# CalPERS Budget Impacts

Multipronged approach to cost containment

- ✓ Follow City Council Policies 200-11 and 200-13 that assist in paying down the City's CalPERS obligation
- ✓ Manage the IRS 115 Trust to create greater investment flexibility
- ✓ Continue to research efficiencies and evaluate service delivery