

City of Pinole Fiscal Year (FY) 2023/24 General Fund Baseline Budget

Special City Council Meeting
(Budget Workshop)
April 25, 2023



Staff Recommendation

- City Council to receive a report on the FY 2023/24 General Fund baseline budget and direct staff to make adjustments, if any; and
- Inform staff of preliminary Council Member requests for potential FY 2023/24 General Fund budget additions or deletions.

Topics

- Purpose of Budget and Budget Development Process
- Budget Policy
- General Fund Baseline Budget
- Next Steps

Purpose of Budget and Budget Development Process

Purpose of the Budget

- Policy Document
- Financial Plan
- Operations Guide
- Communications Device

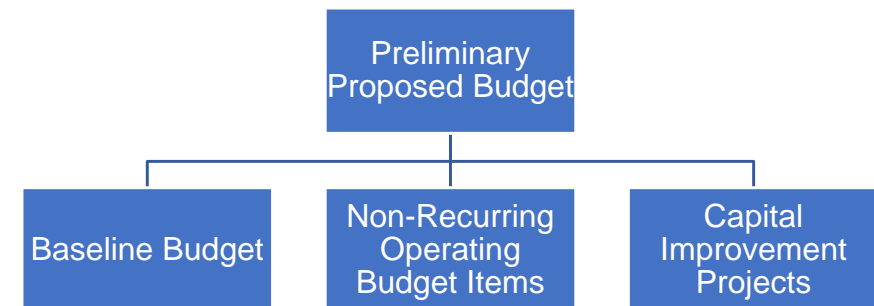
Budget Development Process

Finance Department will use the current FY 2022/23 budget, which incorporates any mid-year changes approved by the City Council, as the starting point

Finance Department creates a “baseline budget” for FY 2023/24 by taking the ongoing revenues and expenditures included in the current FY 2022/23 budget and factoring in known or assumed changes, which department confirm, to ongoing revenues and expenditures for FY 2023/24

Departments submit requests for changes from the baseline budget to address proposed special projects or increased service levels

Finance Department and City Manager consider department requests for changes to the baseline budget and prepare a Preliminary Proposed budget for the City Council’s consideration



Budget Development Key Dates

Date	Action
April 20, 2023	Balancing Act - Community Priorities Survey Launched
April 25, 2023	Special City Council Meeting (Budget Workshop): <ul style="list-style-type: none"> FY 2023/24 Baseline Operating Budget FY 2023/24 Capital Improvement Plan (CIP) Budget
May 2023 (TBD)	City Council Meeting: <ul style="list-style-type: none"> FY 2023/24 Preliminary Proposed Operating and Capital Budget FY 2023/24 Preliminary Proposed Five-Year CIP
June 6, 2023	City Council Meeting: <ul style="list-style-type: none"> FY 2023/24 Revised Proposed Operating and Capital Budget FY 2023/24 Revised Proposed Five-Year CIP
June 20, 2023	City Council Meeting, Adopt: <ul style="list-style-type: none"> FY 2023/24 Final Proposed Operating and Capital Budget; GANN Limit FY 2023/24 Final Proposed Five-Year CIP
June 27, 2023	Special City Council Meeting, if necessary: <ul style="list-style-type: none"> FY 2023/24 Revised Final Proposed Operating and Capital Budget FY 2023/24 Revised Final Proposed Five-Year CIP
May – August 2023	Development of Long-Term Financial Plan

Budget Policy

Structurally Balanced Budget Policy

- Policy applies to General Fund operating budgets (includes Measure S Funds)
- Create a proposed General Fund operating budget that is structurally balanced
- To ensure the sustainability of service and expenditure levels by requiring that ongoing General Fund operating expenditures be funded by ongoing operating revenues

Recurring Budget Items

- Included in baseline budget
- Recurring revenues are those that the City can reasonably expect to continue to receive on an annual basis over the next 5 to 10 years, such as:
 - Tax revenues (property, sales, utility users', franchise, etc.)
 - Fines
 - Interest income
 - Licenses and permits
 - Charges for services
- Recurring expenditures are ongoing costs that relates to ongoing City services or activities, such as:
 - Salaries
 - Benefits
 - Utilities
 - Maintenance
 - Mandated agreements

Non-Recurring Budget Items

- Excluded from baseline budget
- Non-recurring revenues are typically one-time receipts, such as:
 - One-time sale of property
 - Grant awards
- Non-recurring expenditures are costs that related to activities that are not ongoing or one-time, such as:
 - Council-directed initiatives
 - Staff recommended budget additions for special projects
 - Capital improvement projects

General Fund Baseline Budget

General Fund Baseline Budget Highlights

- The General Fund baseline budget includes the General Fund and Measure Ss 2006 and 2014
- Baseline budget revenues and expenditures are consistent with the prior forecast as there are no major changes to assumptions
- City's baseline budget position is not balanced at this point
 - City's General Fund (including Measure S 2006 and 2014) baseline budget indicates that its ongoing expenditures exceed ongoing revenues
 - The City doesn't have the capacity to add new activities or expenditures to the General Fund budget unless it reduces amounts in other areas

Baseline Budget Changes

- Baseline budget gap at 4/18/23 was \$983,253
- Baseline budget gap at 4/25/23 is \$464,058
- Reduction in the budget gap is due to the following:
 - Revenue
 - Transfers in increased by \$347,840 to account for increased pension costs
 - Expenditures
 - Benefits decreased by \$151,592 to account for a non-recurring general liability premium for prior Fire Department staff
 - Operations and Maintenance decreased by \$19,762 to account for several departmental expenditures that were identified as non-recurring

FY 2023/24 General Fund Baseline Budget - Revenues

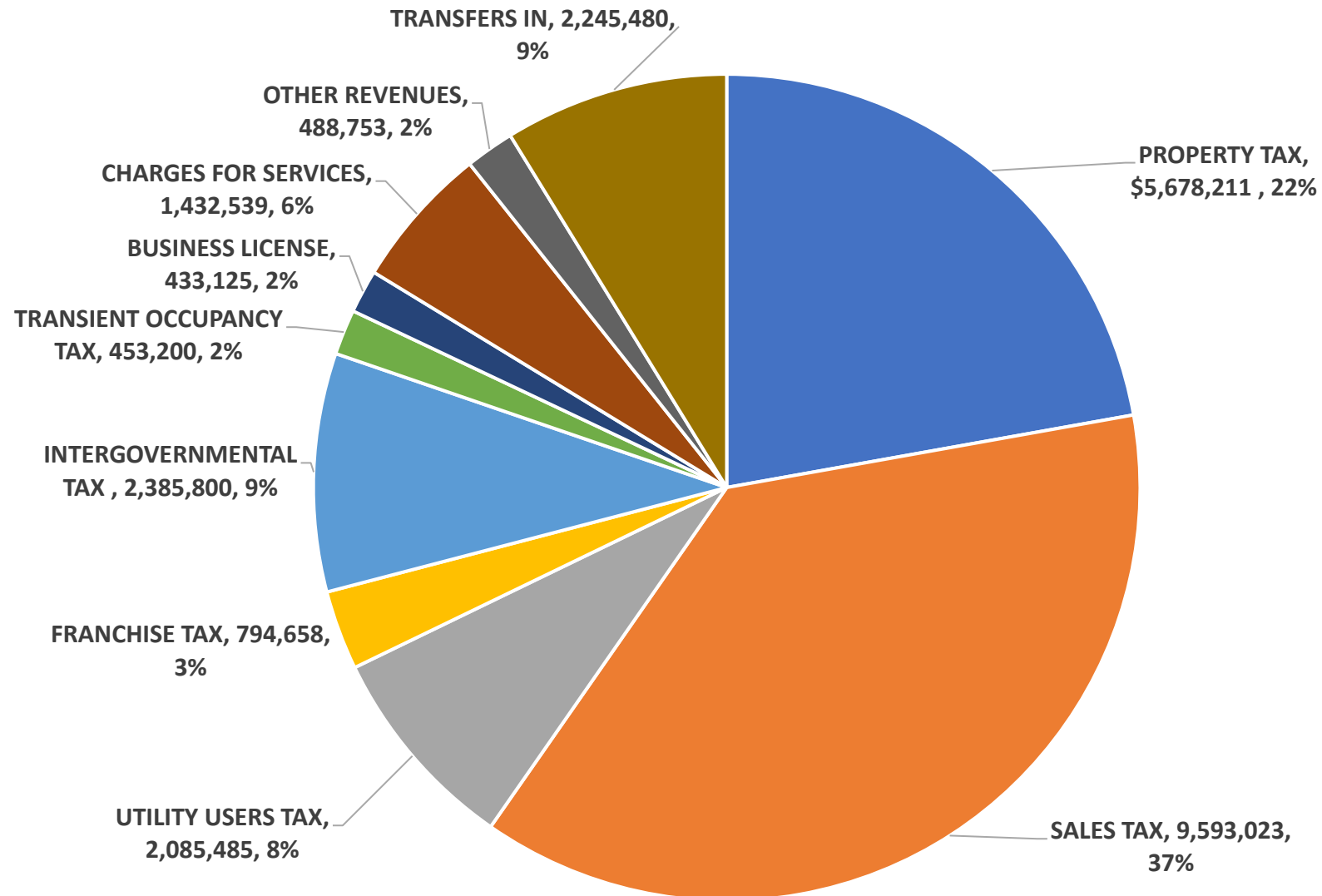
	FY 2022/23	FY 2023/24		
	Baseline	Baseline	\$ Change	% Change
SOURCES:				
PROPERTY TAX	\$4,776,626	\$5,678,211	\$901,585	19%
SALES TAX	4,582,095	4,621,023	38,928	1%
MEASURE S 2006 & 2014 LOCAL SALES TAX	4,902,000	4,972,000	70,000	1%
UTILITY USERS TAX	1,934,150	2,085,485	151,335	8%
FRANCHISE TAX	786,790	794,658	7,868	1%
INTERGOVERNMENTAL TAX	2,215,948	2,385,800	169,852	8%
TRANSIENT OCCUPANCY TAX	440,000	453,200	13,200	3%
BUSINESS LICENSE	412,500	433,125	20,625	5%
CHARGES FOR SERVICES	1,405,108	1,432,539	27,431	2%
OTHER REVENUES	549,640	488,753	(60,887)	-11%
Total Revenues	22,004,857	23,344,794	1,339,937	6%
TRANSFERS IN	2,016,612	2,245,480	228,868	11%
Total Sources	\$24,021,469	\$25,590,274	\$1,568,805	7%

FY 2023/24 General Fund Baseline Budget - Expenditures

	FY 2022/23	FY 2023/24		
	Baseline	Baseline	\$ Change	% Change
USES:				
SALARIES & WAGES	\$11,492,312	\$9,407,231	(2,085,081)	-18%
BENEFITS	7,496,535	6,050,317	(1,446,218)	-19%
OPERATIONS AND MAINTENANCE	3,298,050	2,539,667	(758,383)	-23%
CCCFPD FIRE SERVICES AGREEMENT	-	5,674,781	5,674,781	0%
CAPITAL OUTLAY	294,993	350,274	55,281	19%
DEBT SERVICE	596,107	611,107	15,000	3%
Total Expenditures	23,177,997	24,633,377	1,455,380	6%
TRANSFERS OUT	1,420,955	1,420,955	-	0%
Total Uses	\$24,598,952	\$26,054,332	\$1,455,380	6%

Net Surplus/(Deficit) (577,483) (464,058)

Where does General Fund dollars come from?



Property Tax

- Ad valorem tax imposed on real property and tangible personal property; the fixed statutory rate is 1% of assessed valuation
- Property tax revenue is received from the basic 1% property tax and the Redevelopment Property Tax Trust Fund (RPTTF)
- The FY 2023/24 baseline budget assumes a net 19% increase mainly due to an increase in the residual RPTTF revenue resulting from the final payment on former Redevelopment debt

	FY 2022/23	FY 2023/24		
	Baseline	Baseline	\$ Change	% Change
SOURCE:				
PROPERTY TAX – Basic 1% (includes unsecured, supplemental, and transfer tax)	3,245,962	3,278,749	32,787	1%
PROPERTY TAX - RPTTF	1,490,951	2,399,462	908,511	61%
	4,736,913	5,678,211	941,298	19%

Sales & Use Tax

- The overall sales tax rate on purchases made in Pinole is 9.75%.
- City receives the statewide standard 1% (referred to as the Bradley Burns sales tax) plus 0.5% due to Measure S 2006 and 0.5% due to Measure S 2014.
- The FY 2023/24 baseline budget assumes a 1% increase in the City's sales tax revenue, consistent with projections provided by HdL, the City's sales tax consultant.

	FY 2022/23	FY 2023/24		
	Baseline	Baseline	\$ Change	% Change
SOURCE:				
SALES TAX	4,582,095	4,621,023	38,928	1%
MEASURE S 2006 & 2014 LOCAL SALES TAX	4,902,000	4,972,000	70,000	1%
Total	9,484,095	9,593,023	108,928	1%

Utility Users' Tax (UUT)

- The UUT is an 8% tax levied on the consumption of telecommunication, gas, and electricity
- Higher growth rates in the gas and electricity segments
- The FY 2023/24 baseline budget assumes an 8% increase based on trend analysis

	FY 2022/23	FY 2023/24		
	Baseline	Baseline	\$ Change	% Change
SOURCE:				
UTILITY USERS TAX	1,934,150	2,085,485	151,335	8%

Franchise Tax

- The franchise tax is an average 5% tax levied on public utilities and corporations that supply gas, electricity, cable television, and refuse
- The fees paid the various entities are delineated in franchise agreements
- The FY 2023/24 baseline budget assumes a 1% increase based on trend analysis

	FY 2022/23	FY 2023/24		
	Baseline	Baseline	\$ Change	% Change
SOURCE:				
FRANCHISE TAX	786,790	794,658	7,868	1%

Intergovernmental Taxes

- Intergovernmental taxes include the Motor Vehicle In-Lieu Fee (VLF) is levied, collected, and apportioned by the State; it is a tax on the ownership of registered motor vehicles
- The FY 2023/24 baseline budget assumes an 8% increase consistent with projections provided by HdL, the City's property tax consultant

	FY 2022/23	FY 2023/24		
	Baseline	Baseline	\$ Change	% Change
SOURCE:				
INTERGOVERNMENTAL TAX	2,215,948	2,385,800	169,852	8%

Transient Occupancy Tax (TOT)

- A 10% TOT is levied on short-term (30 days or less) lodging
- The FY 2023/24 baseline budget assumes a 3% increase based on industry trends

	FY 2022/23	FY 2023/24		
	Baseline	Baseline	\$ Change	% Change
SOURCE:				
TRANSIENT OCCUPANCY TAX	440,000	453,200	13,200	3%

Business License Tax

- The business license tax is assessed on all businesses doing business within City limits
- The FY 2023/24 baseline budget assumes a 5% increase based on trends analysis

	FY 2022/23	FY 2023/24		
	Baseline	Baseline	\$ Change	% Change
SOURCE:				
BUSINESS LICENSE	412,500	433,125	20,625	5%

Charges for Services

- Charges for services include public safety charges which are received for dispatch services provided to Hercules and San Pablo through a cost-sharing agreement
- The FY 2023/24 baseline budget assumes a 2% increase based on the current formula (new agreement in progress)

	FY 2022/23	FY 2023/24		
	Baseline	Baseline	\$ Change	% Change
SOURCE:				
CHARGES FOR SERVICES	1,405,108	1,432,539	27,431	2%

Other Revenue

- Other revenue includes all other revenue sources, including fees, permits, interest income, reimbursements, and miscellaneous revenue.
- The FY 2023/24 baseline budget assumes an 11% decrease based on mainly due to revenues previously generated by the Fire Department shifting to the Contra Costa County Fire Protection District

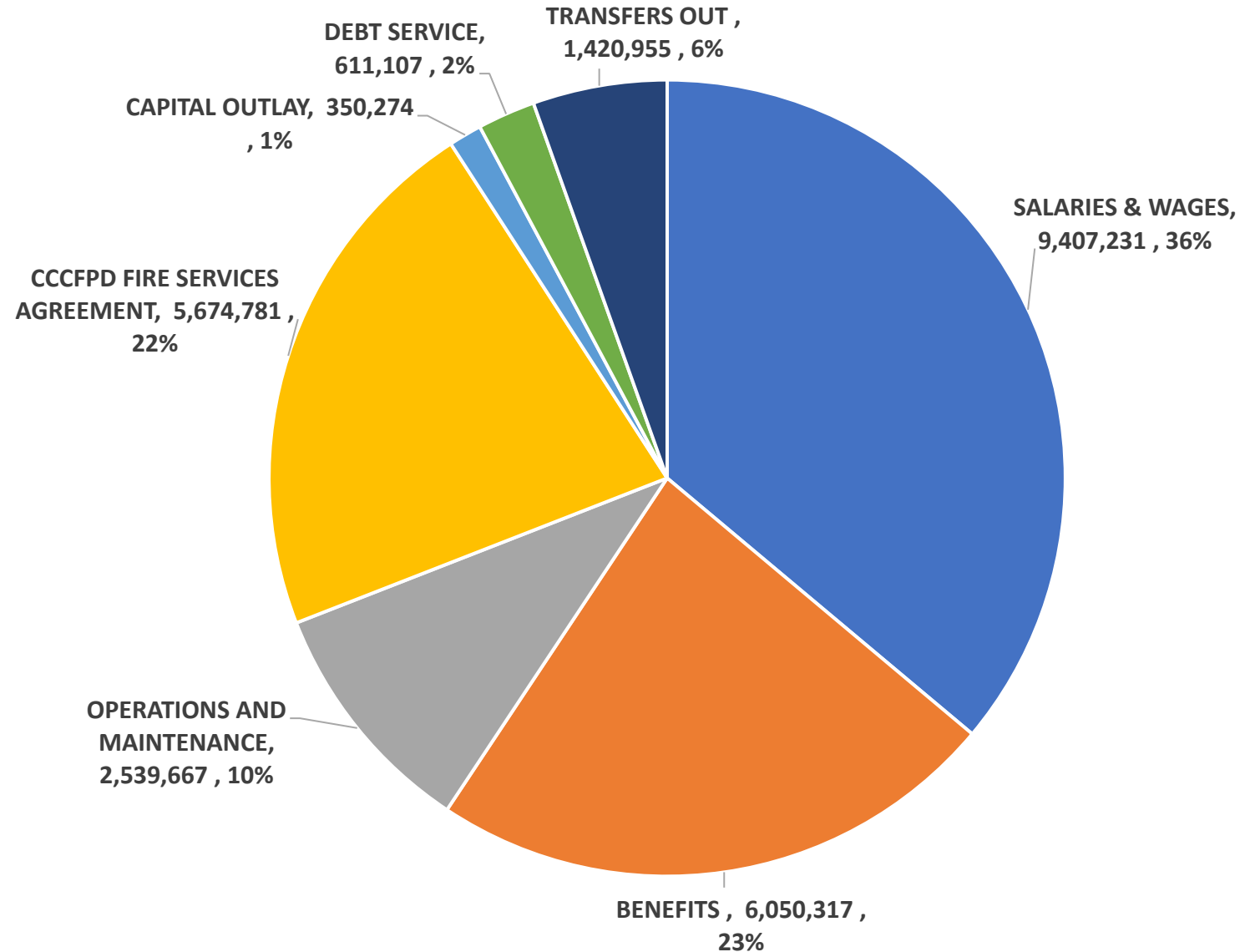
	FY 2022/23	FY 2023/24		
	Baseline	Baseline	\$ Change	% Change
SOURCE:				
OTHER REVENUES	549,640	488,753	(60,887)	-11%

Transfer In

- The transfer in comes from the Section 115 Pension Trust to offset the increase in pension costs.

	FY 2022/23	FY 2023/24		
	Baseline	Baseline	\$ Change	% Change
SOURCE:				
OTHER REVENUES	2,016,612	2,245,480	228,868	11%

Where does General Fund dollars go?



Salaries and Wages

- Salaries and Wages based on the current staffing level of 116 full-time equivalents (FTEs); prior year based on 132 FTEs
- The FY 2023/24 baseline budget assumes a net 18% decrease due to:
 - Reduction of 16 staff due to the transition of the Fire Department from the City to the Contra Costa County Fire Protection District
 - 3% increase for potential cost of living adjustment

	FY 2022/23	FY 2023/24		
	Baseline	Baseline	\$ Change	% Change
USE:				
SALARIES & WAGES	\$11,492,312	\$9,407,231	(2,085,081)	-18%

Benefits

- Benefits includes retirement and fringe benefits (medical, dental, workers compensation, etc.)
- The FY 2023/24 baseline budget assumes a net 19% decrease due to the following major changes:
 - Reduction of 16 staff due to the transition of the Fire Department to the Contra Costa County Fire Protection District
 - 5% increase in medical benefits
 - 14% increase in workers compensation premiums

	FY 2022/23	FY 2023/24		
	Baseline	Baseline	\$ Change	% Change
USE:				
BENEFITS	7,496,535	6,050,317	(1,446,218)	-19%

Operations and Maintenance

- Operations and maintenance includes professional services, utilities, interfund charges, and materials and supplies
- The FY 2023/24 baseline budget assumes a net 23% decrease due to the following major changes:
 - Expenditure reductions due to the transition of the Fire Department to the Contra Costa County Fire Protection District
 - 10% in general liability insurance premiums

	FY 2022/23	FY 2023/24		
	Baseline	Baseline	\$ Change	% Change
USE:				
OPERATIONS AND MAINTENANCE	3,298,050	2,539,667	(758,383)	-23%

CCCFPD Fire Services Agreement

- The City entered into an agreement, effective March 1, 2023, with Contra Costa County Fire Protection District to provide fire services to Pinole residents
- The FY 2023/24 baseline budget reflects the amount in Year 1 of the 5-year agreement

	FY 2022/23	FY 2023/24		
	Baseline	Baseline	\$ Change	% Change
USE:				
CCCFPD FIRE SERVICES AGREEMENT	-	5,674,781	5,674,781	0%

Capital Outlay

- Capital outlay includes non-major asset acquisition and improvements, such as computer equipment and furniture
- The FY 2023/24 baseline budget assumes a 19% increase most to account for the price of goods

	FY 2022/23	FY 2023/24		
	Baseline	Baseline	\$ Change	% Change
USE:				
CAPITAL OUTLAY	294,993	350,274	55,281	19%

Debt Service

- Debt service includes the payment of principal and interest on the 2006 pension obligation bonds
- The budget amount is based on the debt obligation schedule

	FY 2022/23	FY 2023/24		
	Baseline	Baseline	\$ Change	% Change
USE:				
DEBT SERVICE	596,107	611,107	15,000	3%

Transfers Out

- Transfers out include the transfer of funds from the General Fund to other funds, including Recreation and PCTV, to support operations
- The FY 2023/24 baseline budget assumes no growth consistent with past practice

	FY 2022/23	FY 2023/24		
	Baseline	Baseline	\$ Change	% Change
USE:				
TRANSFERS OUT	1,420,955	1,420,955	-	0%

Baseline Budget Compared to Long-Term Financial Forecast

	FY 2023/24 Financial Forecast	FY 2023/24 Baseline Budget	\$ Change	% Change
Sources				
PROPERTY TAX	\$ 5,649,469	\$ 5,678,211	\$ 28,742	1%
SALES TAX	4,695,271	4,621,023	(74,248)	-2%
LOCAL SALES TAX - MEASURE S 2006 & 2014	5,022,000	4,972,000	(50,000)	-1%
UTILITY USERS TAX	1,953,492	2,085,485	131,993	7%
FRANCHISE TAX	794,658	794,658	-	0%
INTERGOVERNMENTAL TAX	2,317,376	2,385,800	68,424	3%
TRANSIENT OCCUPANCY TAX	453,200	453,200	-	0%
BUSINESS LICENSE	412,000	433,125	21,125	5%
CHARGES FOR SERVICES	1,498,155	1,432,539	(65,616)	-4%
OTHER REVENUES	555,136	488,753	(66,383)	-12%
Total Revenues	23,350,757	23,344,794	(5,963)	0%
TRANSFERS IN	2,479,356	2,245,480	(233,876)	-9%
Total Sources	25,830,113	25,590,274	(239,839)	-1%
Uses				
By Category				
SALARIES & WAGES	11,837,081	9,407,231	(2,429,850)	-21%
BENEFITS	7,909,450	6,050,317	(1,859,133)	-24%
OPERATIONS AND MAINTENANCE	3,455,721	2,539,667	(916,054)	-27%
CCCFPD FIRE SERVICES AGREEMENT	-	5,674,781	5,674,781	0%
CAPITAL OUTLAY	261,231	350,274	89,043	34%
DEBT SERVICE	611,150	611,107	(43)	0%
Total Expenditures By Category	24,074,633	24,633,377	558,744	2%
TRANSFERS OUT	1,461,009	1,420,955	(40,054)	-3%
Total Uses By Category	25,535,642	26,054,332	518,690	2%
Net Surplus/(Deficit)	294,471	(464,058)		

Summary of Fund Balances

	Projected Amounts
General Fund:	
Preliminary Beginning Fund Balance 7/1/23	\$10,489,701
FY 2023/24 Total Revenues/Sources	25,590,274
FY 2023/24 Total Expenditures/Uses	26,054,332
Net Results	(464,058)
Preliminary Ending General Fund Balance 6/30/24	10,025,643
One-time initiatives and capital improvement projects	(4,661,350)
Transfer to General Reserve	(764,514)
General Fund Ending Balance 6/30/24	4,661,779
General Reserve Ending Balance 6/30/24	9,746,291
Pension Fund Ending Balance 6/30/24	\$14,812,820

One-Time Items For Consideration

	Item	Amount
1	Active Transportation Plan	\$200,000
2	Brandt Street Improvements	170,000
3	Business Development/Community Help Reserve	10,000
4	Emergency Power for Critical Failure	200,000
5	Municipal Broadband Feasibility	60,000
6	On-Call Consultants for Capital Projects	150,000
7	Recycled Water Feasibility	60,000
8	Revitalization Reserve	10,000
9	Storm Drainage Master Plan	75,000
10	Weatherization/Energy Efficiency	250,000

Next Steps

- Staff to evaluate Council Member additions, if any, and incorporate into the Preliminary Proposed Budget
- May 2023: City Council Meeting
 - Present the Preliminary Proposed Budget

Thank you

Questions/Comments

