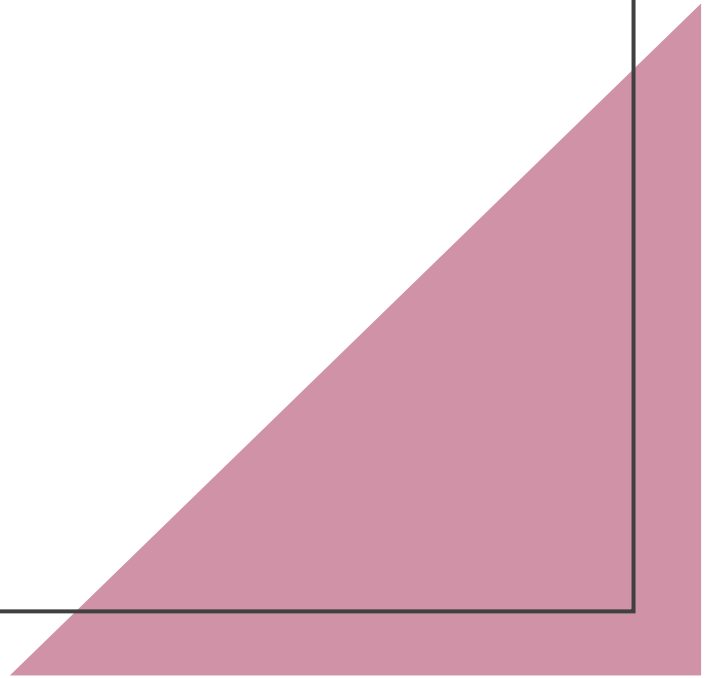


City Council Retreat

Financial Presentation



Overview



Budget Process



Revenue and Expenditure Overview



Forecast



Other Funds and
Considerations

FORA Funds /Aquatic and Sports Center
Public Facility Impact Fees
PERS Unfunded Liability / Pension
Stabilization Fund

The Budget

The City's Annual Operating Plan

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graph BT; A[Foundation: City Values, Community Needs, and Strategic Retreat] --> B[Council Priorities, Operational Goals, and Work Plan]; B --> C[Two-Year Budget]
```

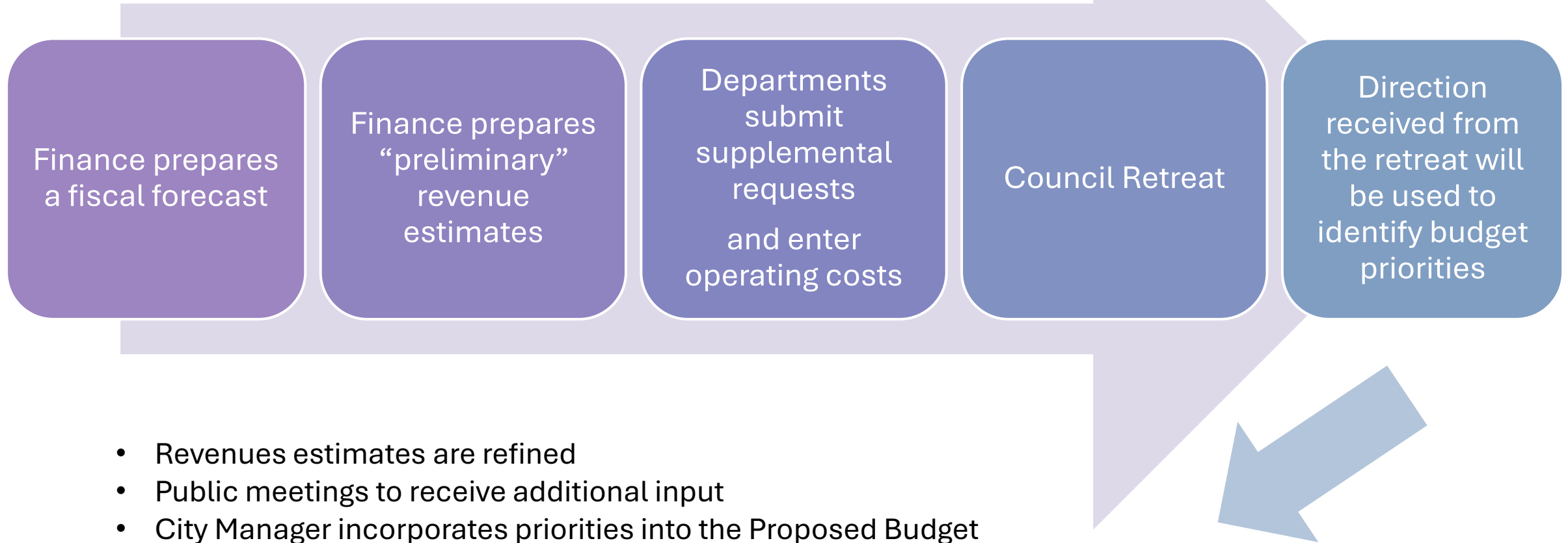
Two-Year Budget

Council Priorities, Operational Goals, and Work Plan

Foundation: City Values, Community Needs, and Strategic Retreat

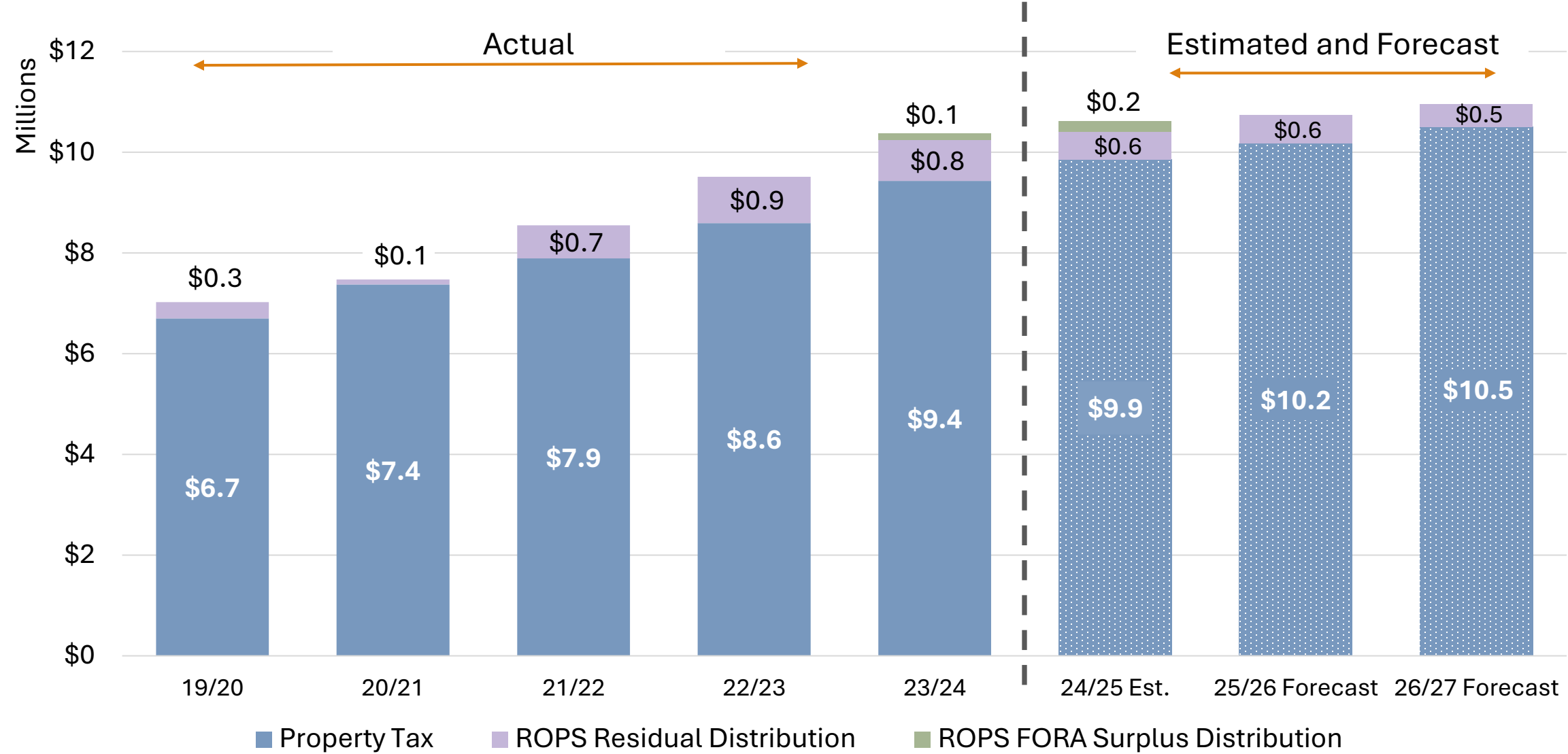
Developing the Budget

First stage in the budget cycle, but a continuous process

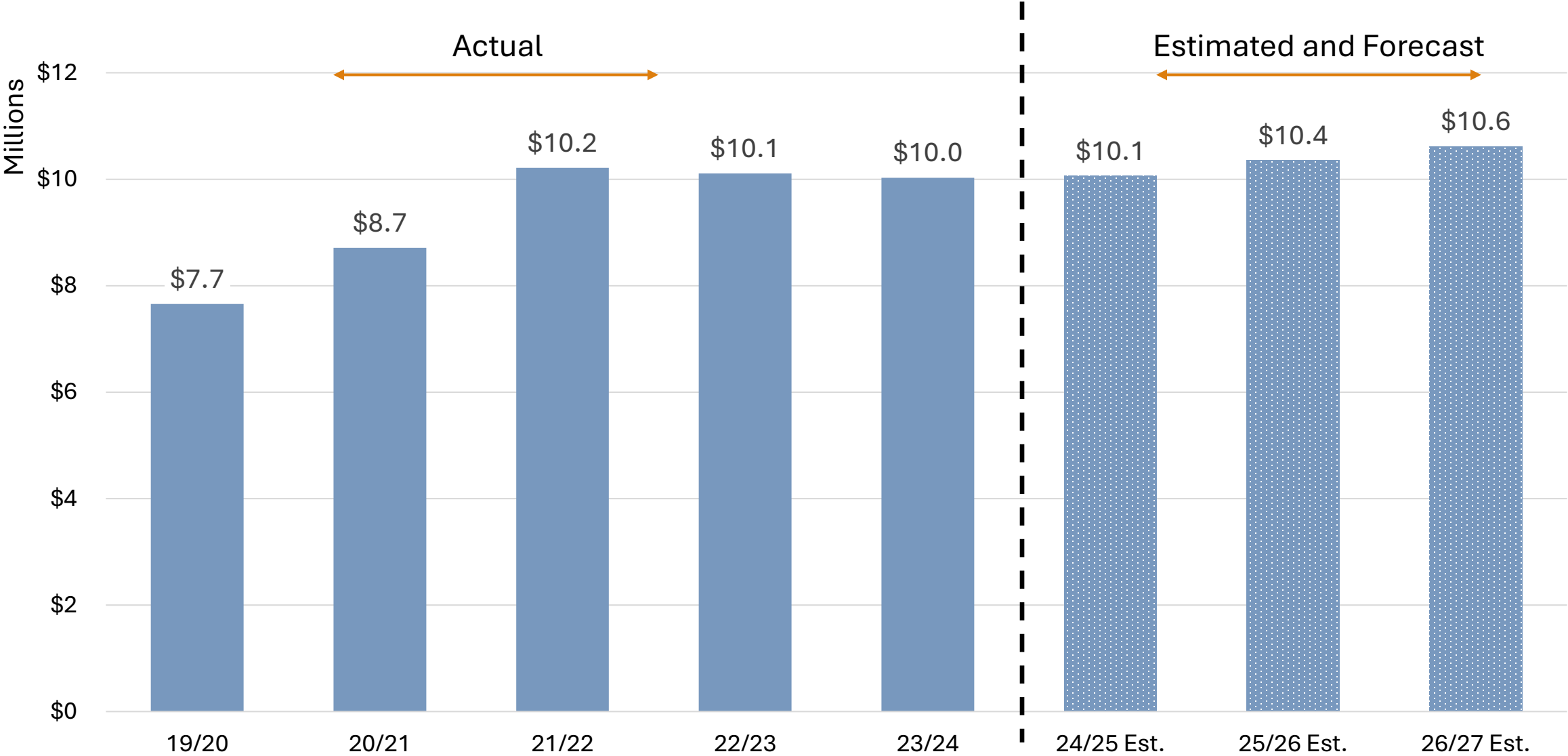


Property Tax Trends

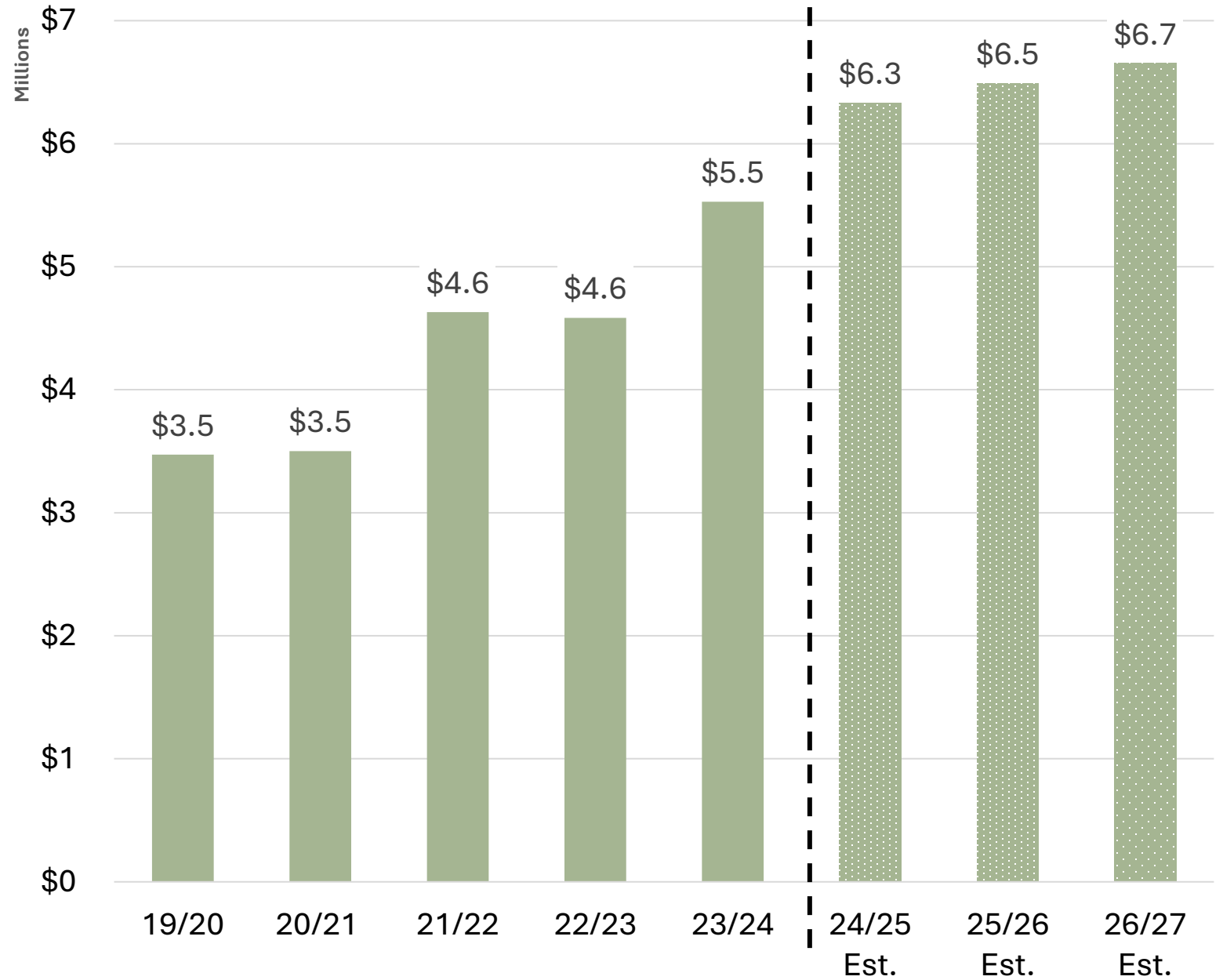
Projected Growth in combined base property tax: 3.6%



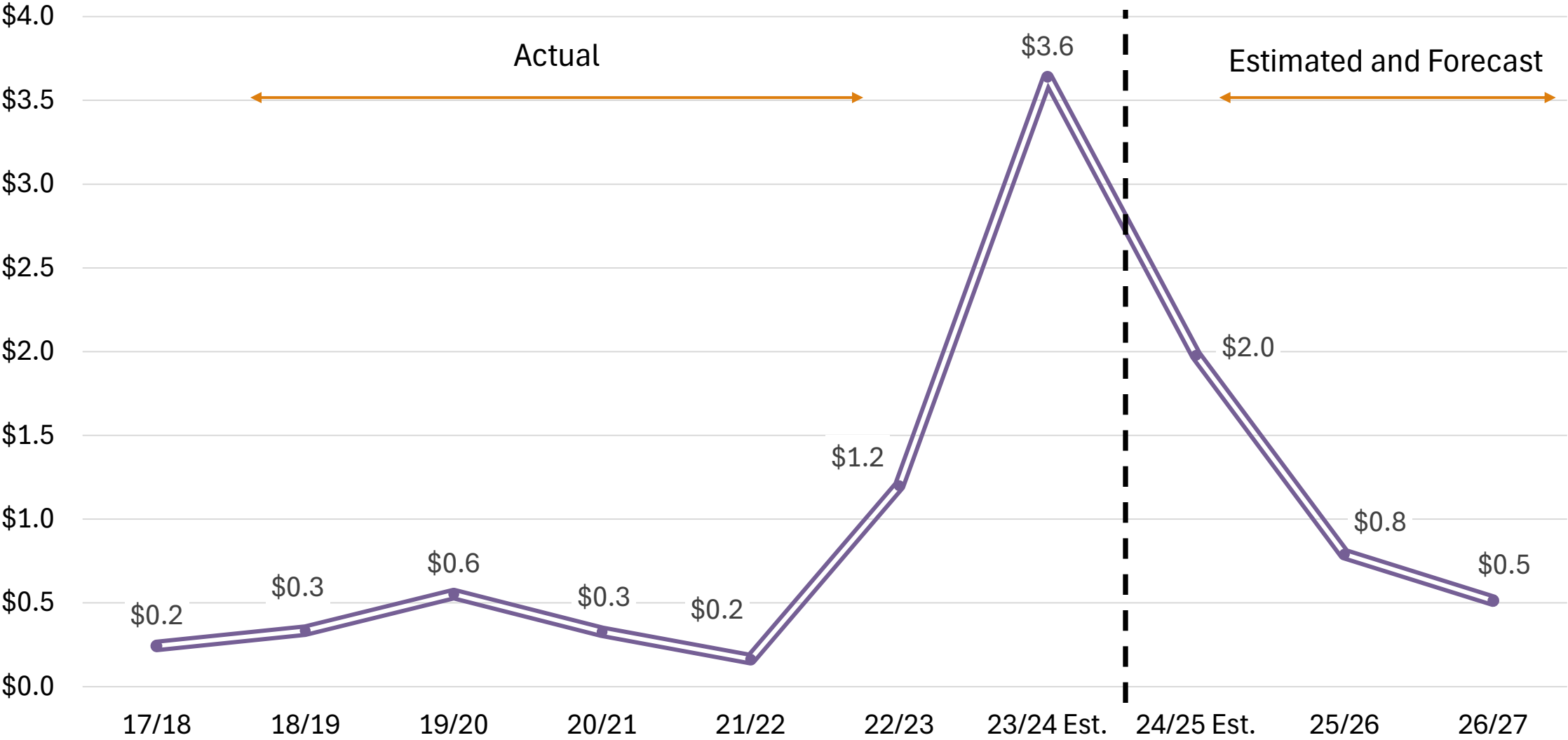
Sales and Use Tax Trends



Transient Occupancy Tax

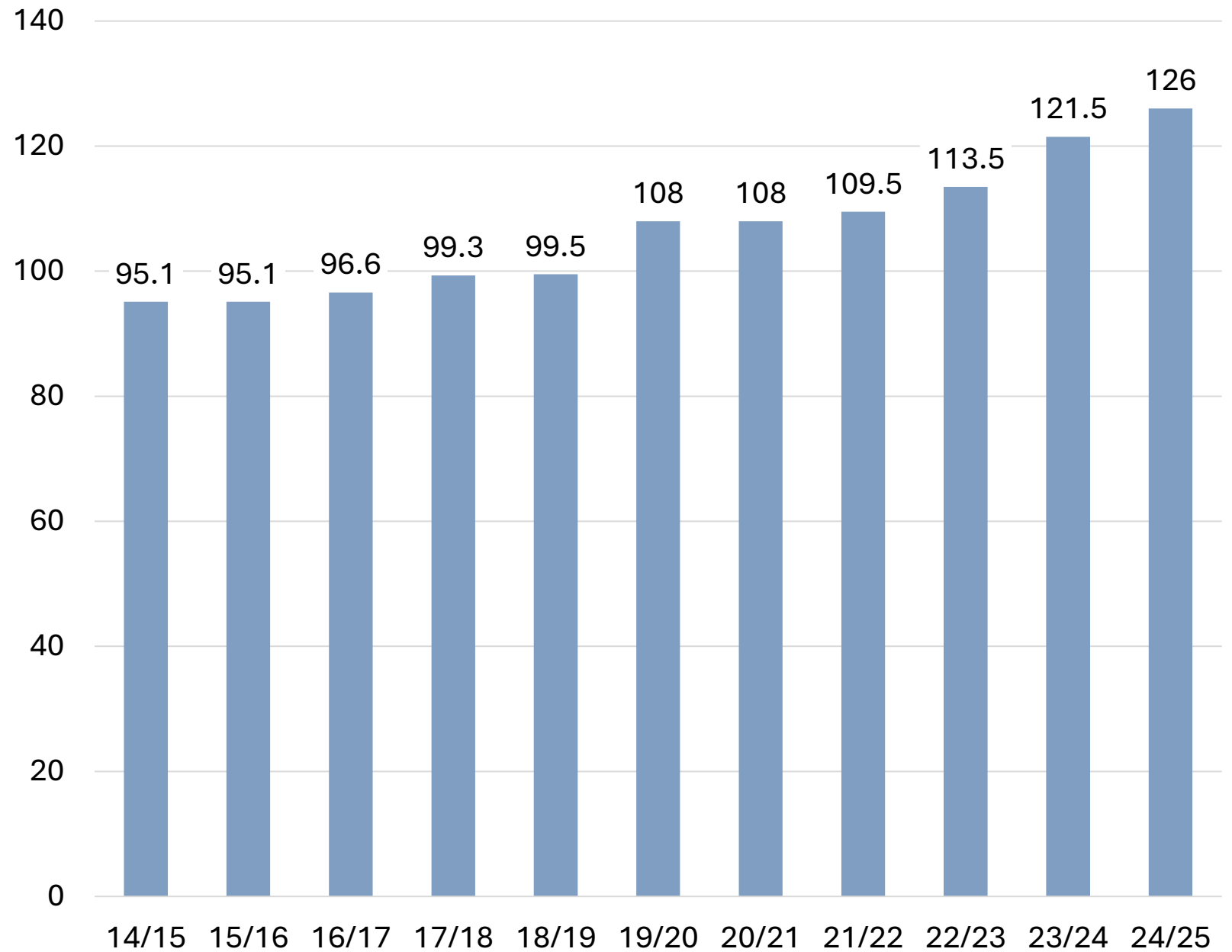


General Fund Interest Earnings



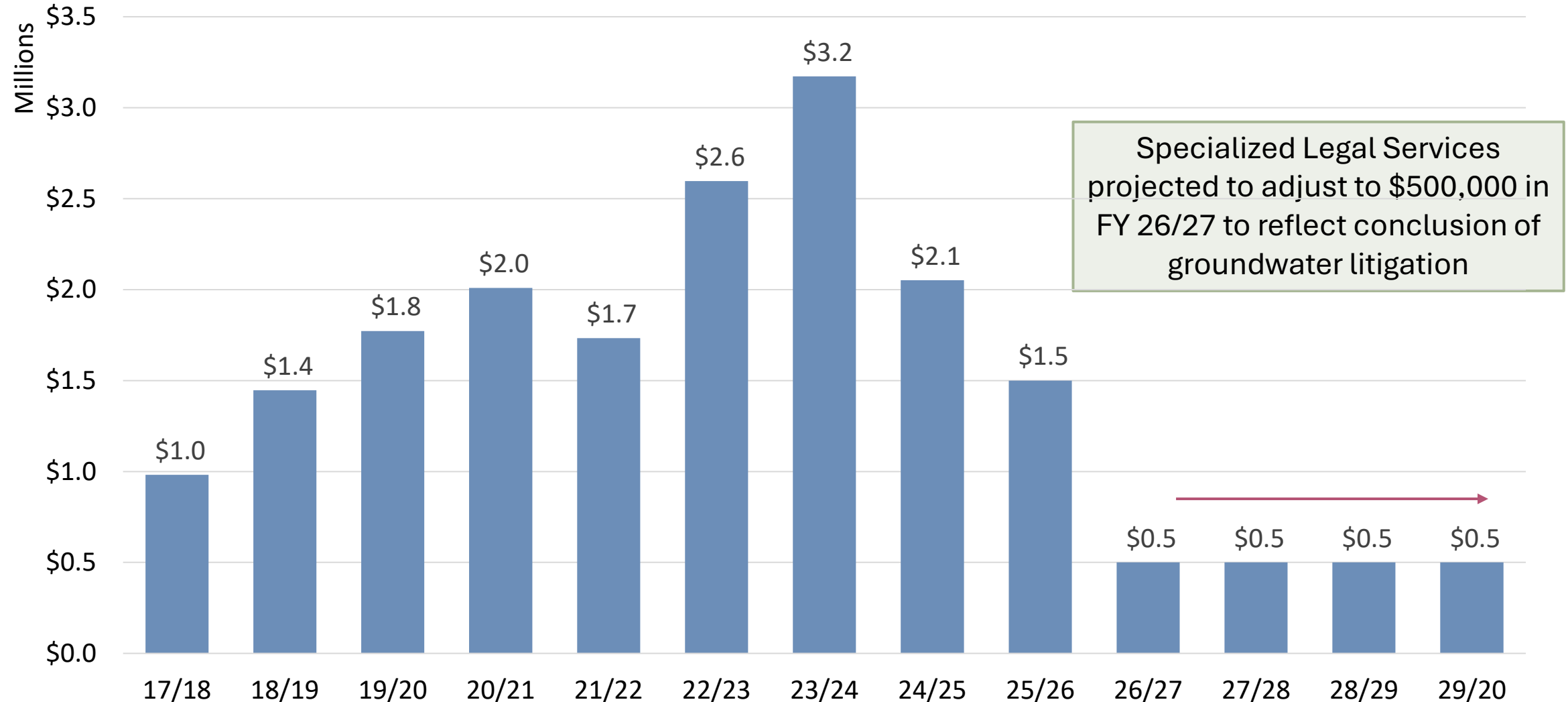
Regular Positions

Sustainable growth to meet community needs



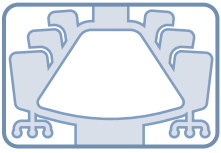
Groundwater Litigation

Specialized Legal Services



General Fund FY 24/25 Amended Budget Allocation

Excludes capital outlay and capital transfers



City Council

Budget: \$56,000 or 0.16%



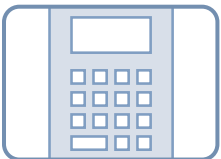
City Manager/HR/Risk

Budget: \$4.0 million or 11.5%



Information Technology

Budget: \$350,000 or 1.0%



Finance

Budget: \$1.3 million or 3.8%



City Attorney

Budget: \$800,000 or \$2.3%



Police

Budget: \$10.0 million or \$28.7%



Fire

Budget: \$5.7 million or 16.2%



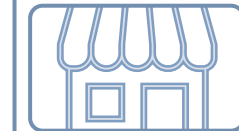
Public Works / Engineering

Budget: \$3.9 million or 11.3%



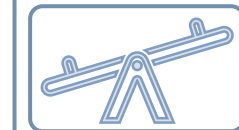
Planning / Building

Budget: \$2.5 million or 7.3%



Economic Development

Budget: \$335,000 or 1%



Recreation and Culture

Budget: \$1.6 million or 4.6%

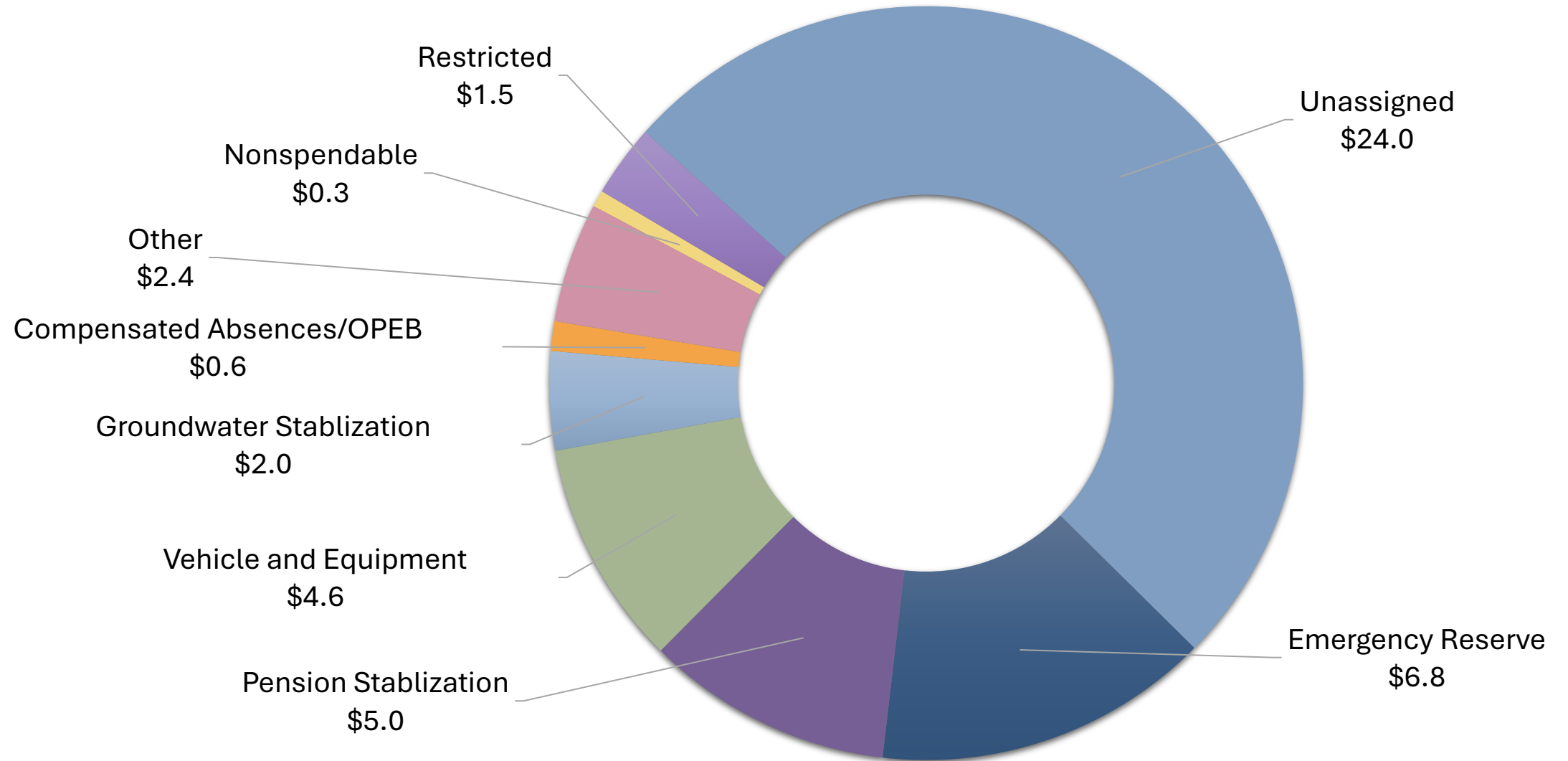


City Non-Department

Budget: 4.2 million or 12.2%

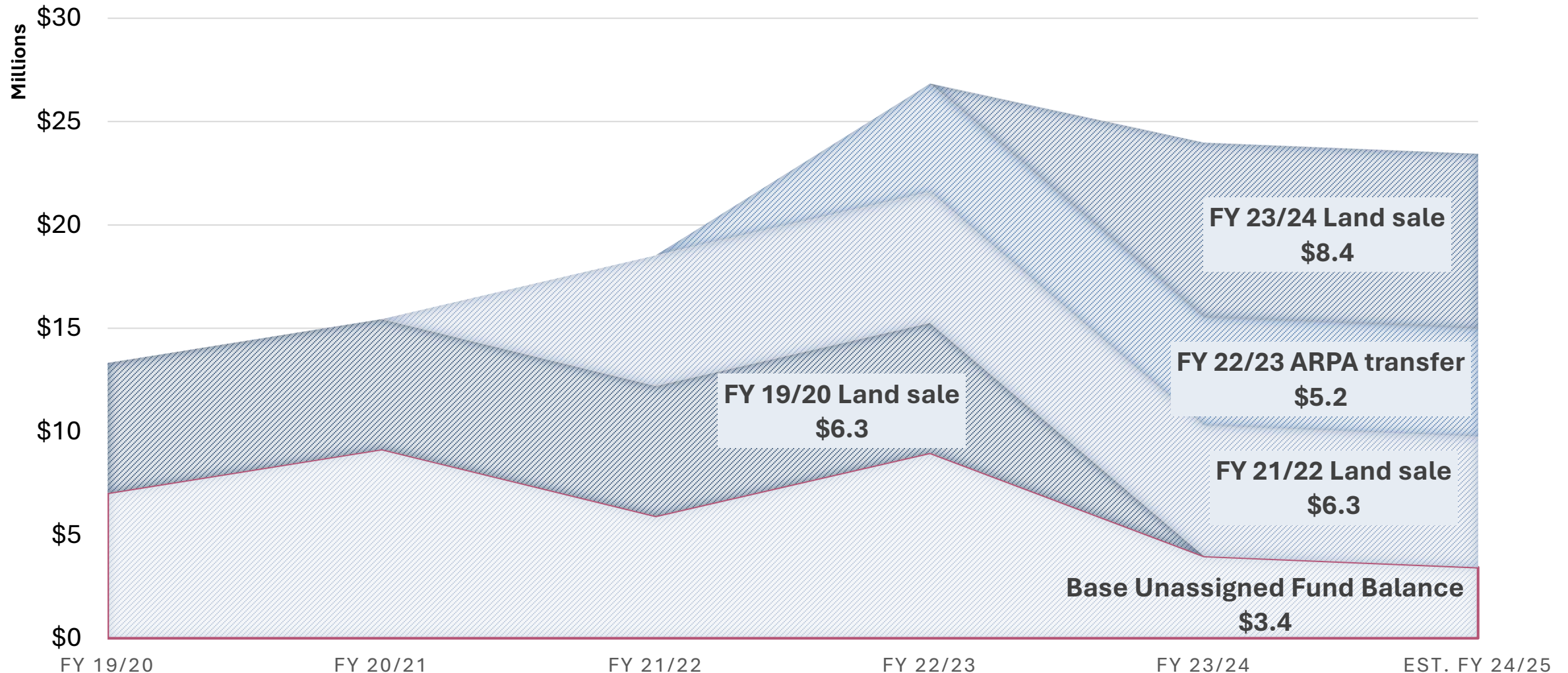
General Fund Balance: \$47.2 Million

Fund balance classifications as of June 30, 2024



Estimated Unassigned Fund Balance

Preliminary Fiscal Year Ending 06/30/2025: \$23.4 million



Forecast Information

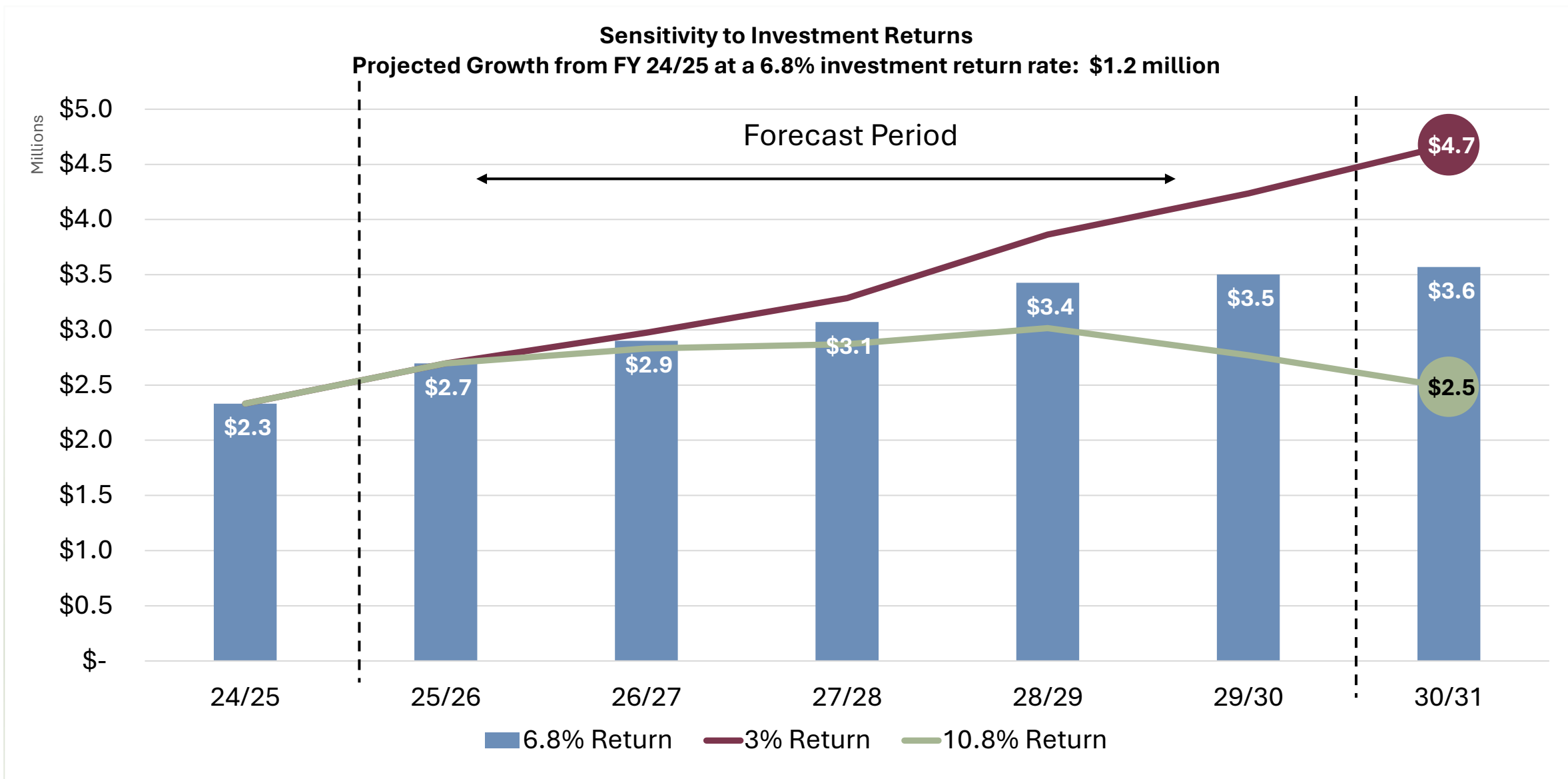
- References mid-year numbers as the basis
- General Forecast Information
 - Reveals revenue & expenditure trends over time
 - Assumes no other events intervene
 - Economic recession, natural disaster, loss of major taxpayers
 - Unanticipated revenues or expenses
- Identify outcomes if nothing changes
 - Provides an “Order of Magnitude” feel for General Fund’s ability to continue services and preserve fiscal sustainability
 - Should be viewed as a “Work in Progress”



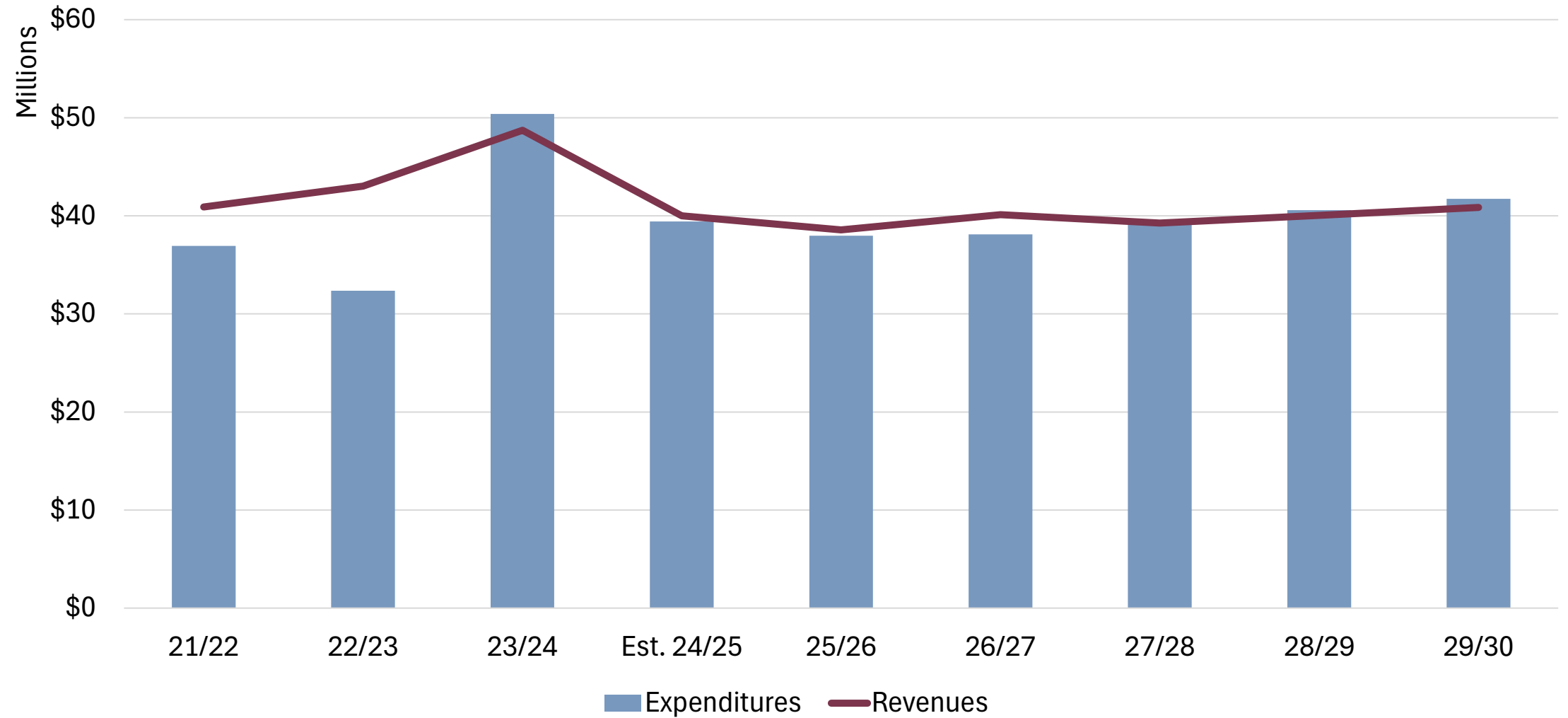
Assumptions

- Baseline presentation
 - Status quo positions
 - Estimate for potential cost of living employee adjustment
 - Fee agreements and related expenses are equivalent
 - Grant revenues and grant expenses are equivalent
 - No assumptions for prospective new hotel, retail, or homes
 - Unassigned fund balance was left available for Council consideration
- On-going revenues increase by approximately 2%
 - Adjustment made to normalize interest earnings
- On-going expenditures increase by approximately 2.7%
 - Adjustment made for downward trend use of groundwater litigation costs
 - PERS unfunded liability payment consistent with actuarial report, 6.8% return
- Transfers
 - On-going \$1 million transfer to the Measure X Fund
 - Estimated \$923,000 for the Vehicle and Equipment Replacement Fund

Projected CalPERS Unfunded Liability Payments

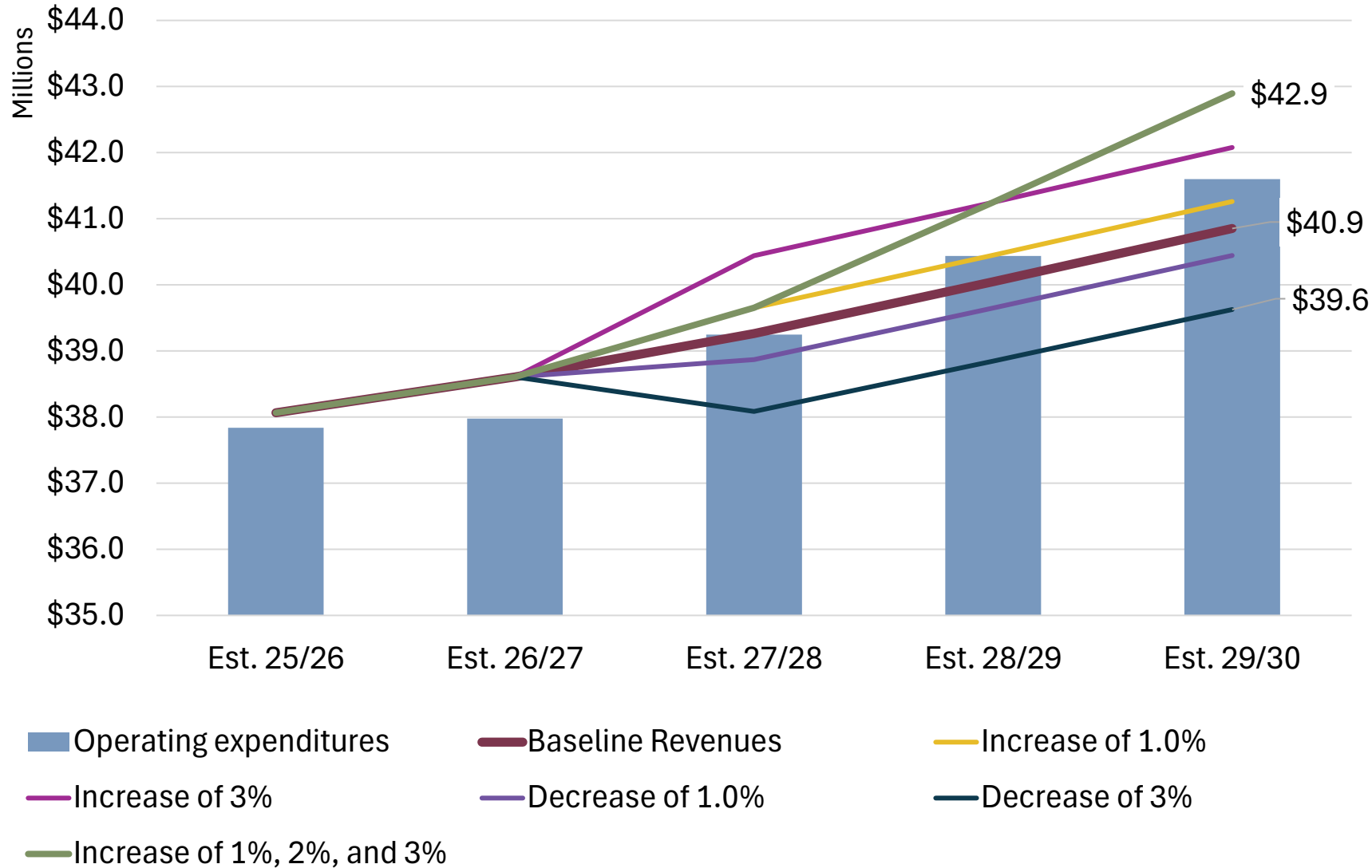


Baseline Forecast



Revenue Sensitivity Analysis

Impact on forecasted on-going revenues and expenses



What is the dollar amount associated with a change in revenue?

- 1% Change: \$400,000
- 3% Change: \$1.2 million

What could contribute to the additional increases?

- Addition of new hotel
- New retail
- Property taxes from Marina Station

Structural Balanced Budget Formula

Resolution 2012-46 requires the adoption of a balanced budget, defined as recurring annual expenses not exceeding recurring annual revenues

- ❖ One-time transfers and expenditures are not factored into the balanced budget formula
- ❖ Referred to as a “structurally balanced” budget

Baseline Forecast		
	FY 25/26	FY 26/27
Revenues	\$38,100,000	\$38,600,000
On-going expenses	37,800,000	38,000,000
	\$300,000	\$600,000



Other Funds and Considerations



FORA Dissolution Fund

- Funding Aquatics and Sports Center
- Estimated Repayment Schedule

	Est. FY 24/25
Fund Balance - Beginning	\$18,385,028
FORA CFD Fees	1,882,000
One-Time release of escrow funds	4,379,000
Interest earnings	842,000
Estimated revenues	\$7,103,000
Expenditures	
Commitments for projects	\$3,734,000
FY 24/25 budgeted transfer to Aquatics and Sports Center	2,600,000
Other expenditures	-
Estimated Expenditures	\$6,334,000
Net difference	770,000
Estimated Amount prior to additional project transfers	\$19,155,028
Est. additional transfer to the Aquatic and Sports Center	(\$18,800,000)
Estimated remaining balance	\$355,028

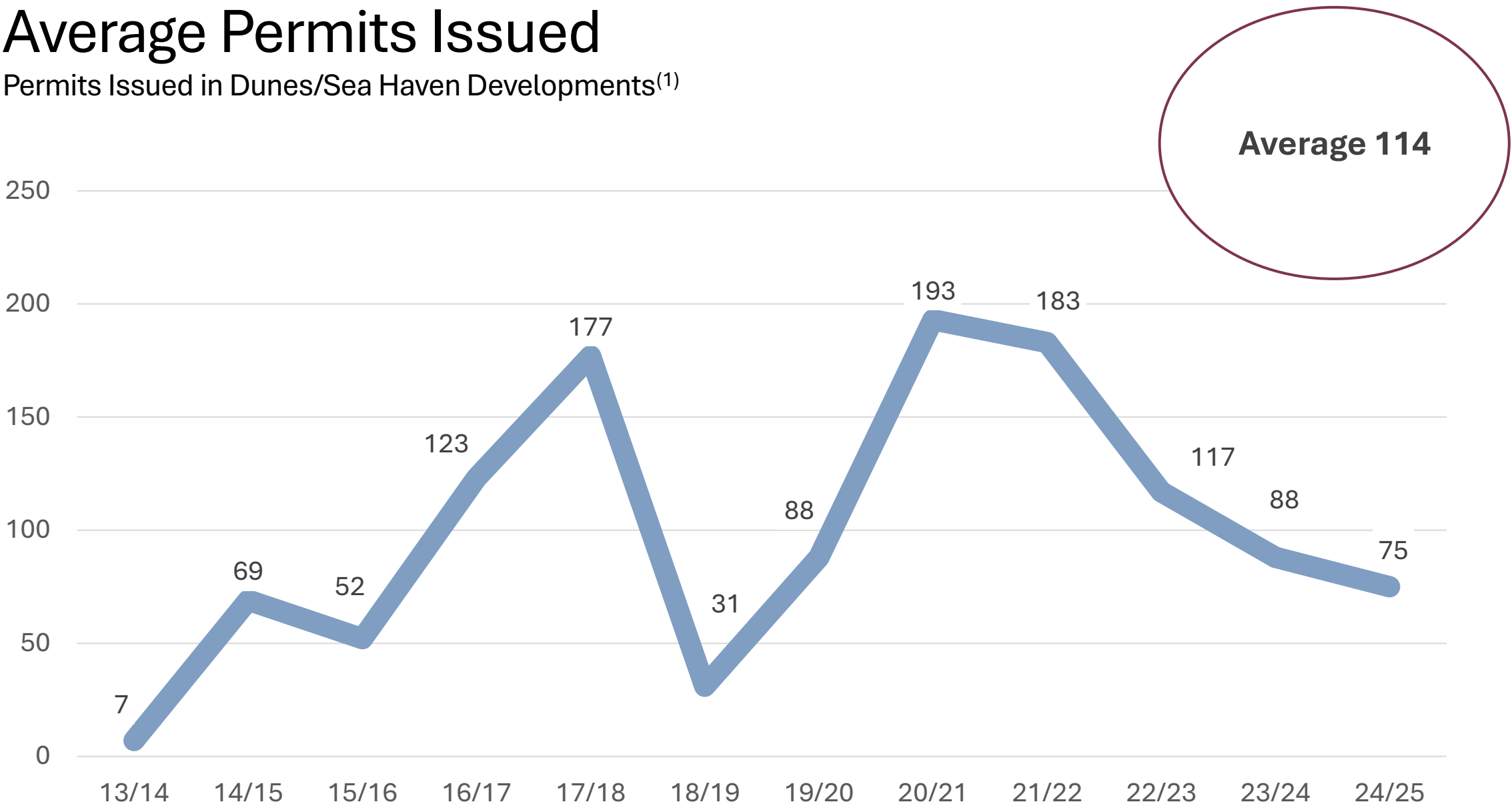
FORA Dissolution Fund
Fiscal Year 2024-25
Estimated Ending Fund
Balance

Estimated Available
Contribution to
Aquatics and Sport
Center

\$18.8 million
*(Includes defunding a \$1
million project)*

Average Permits Issued

Permits Issued in Dunes/Sea Haven Developments⁽¹⁾



Estimated Repayment Schedule

Estimated at \$42.0 million			
Number of Units	Amount to Set Aside	Avg. Annual Revenue Requirement	Repayment Year
75	\$11,798,000	\$2,181,000	FY 2032/33
110	11,004,000	3,127,846	FY 2031/32
145	8,211,000	4,074,831	FY 2029/30

Includes projected interest earnings and assumes 100% of the interest revenue and FORA fees collected are is used to pay interest on the interfund loan.

~

Assumes interest rate is consistent with Citywide interest portfolio earnings

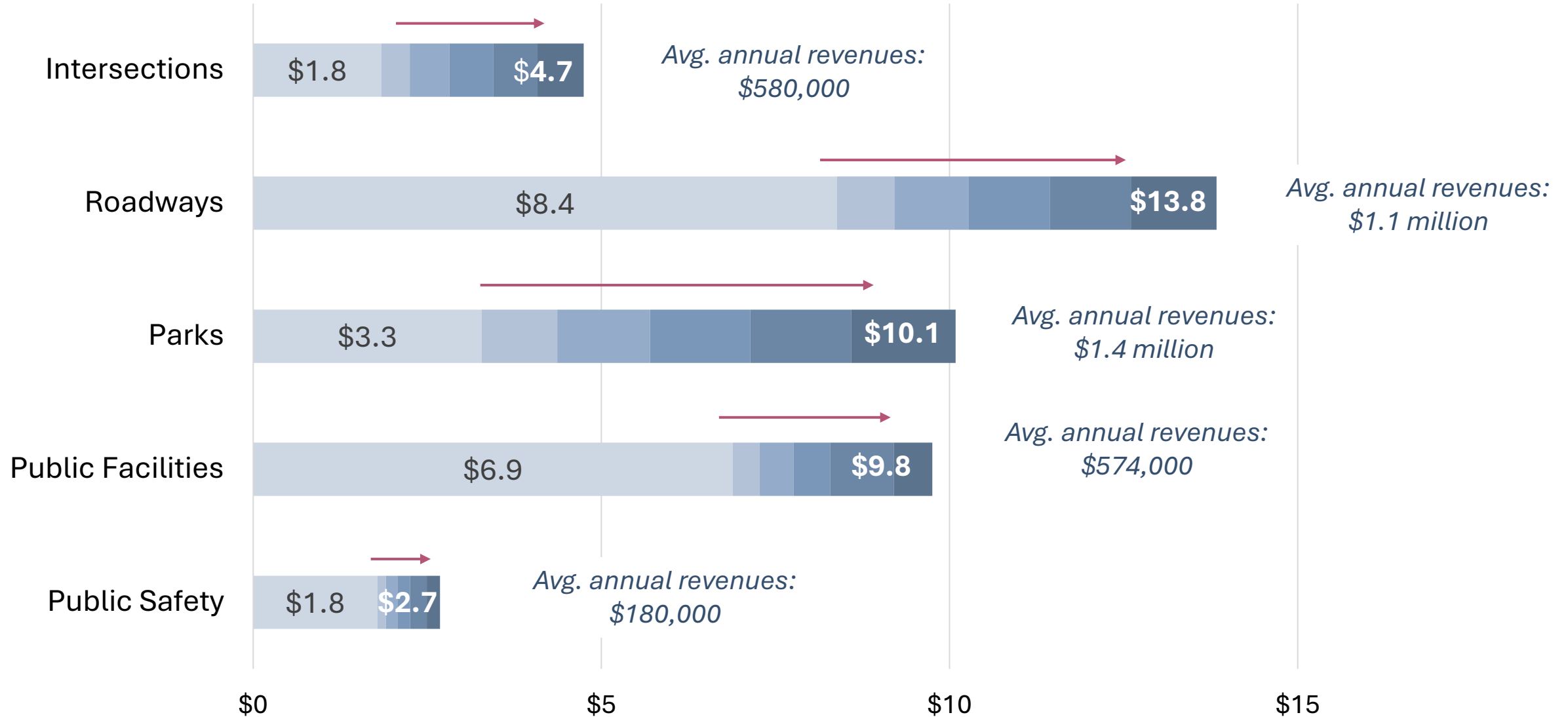
Public Facility Impact Fees

Fiscal Year 24/25 Preliminary Estimated Ending Fund Balance

Fiscal Year 24/25	Intersections	Roadways	Parks	Public Facilities	Public Safety	Total
Beginning Fund Bal.	\$1,443,748	\$7,121,346	\$6,808,835	\$6,209,775	\$1,606,508	\$23,190,212
Est. Revenues	408,681	1,269,161	1,432,153	684,539	187,256	3,981,791
Capital Transfers	(10,000)	(10,000)	(4,960,000)	(10,000)	(10,000)	(5,000,000)
Est. Ending Fund Bal.	\$1,842,429	\$8,380,507	\$3,280,988	\$6,884,314	\$1,783,764	\$22,172,003

Projected Impact Fees with Estimated Fund Balance

Assumes fund balance stays constant to illustrate full estimated amount available



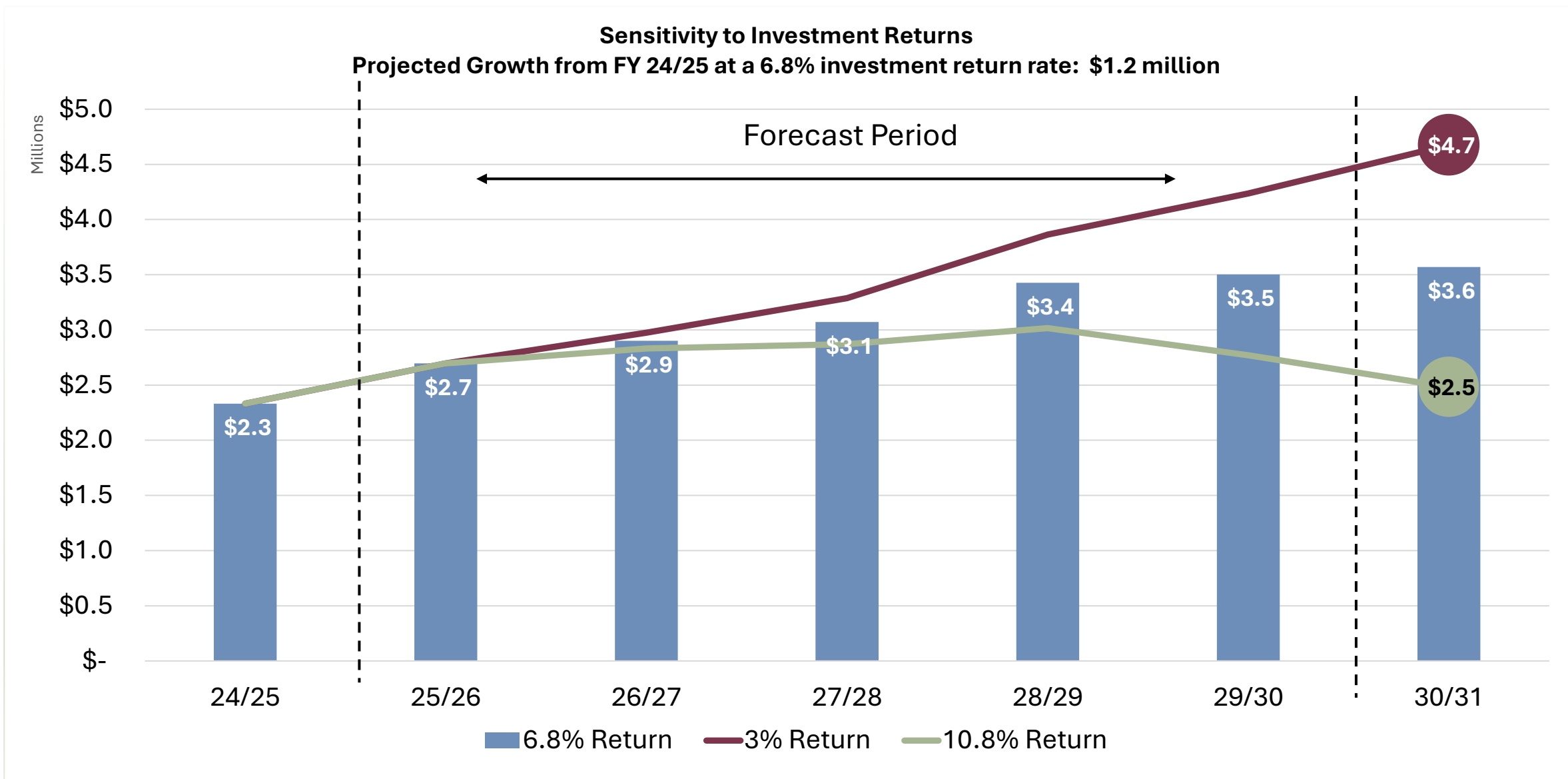
PERS Unfunded Liability Payments

Pension Stabilization Fund

Current Fund Balance: \$5 million



Projected CalPERS Unfunded Liability Payments

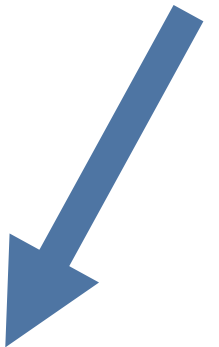


Potential Use of Stabilization Fund

May assist in smoothing increases to the General Fund

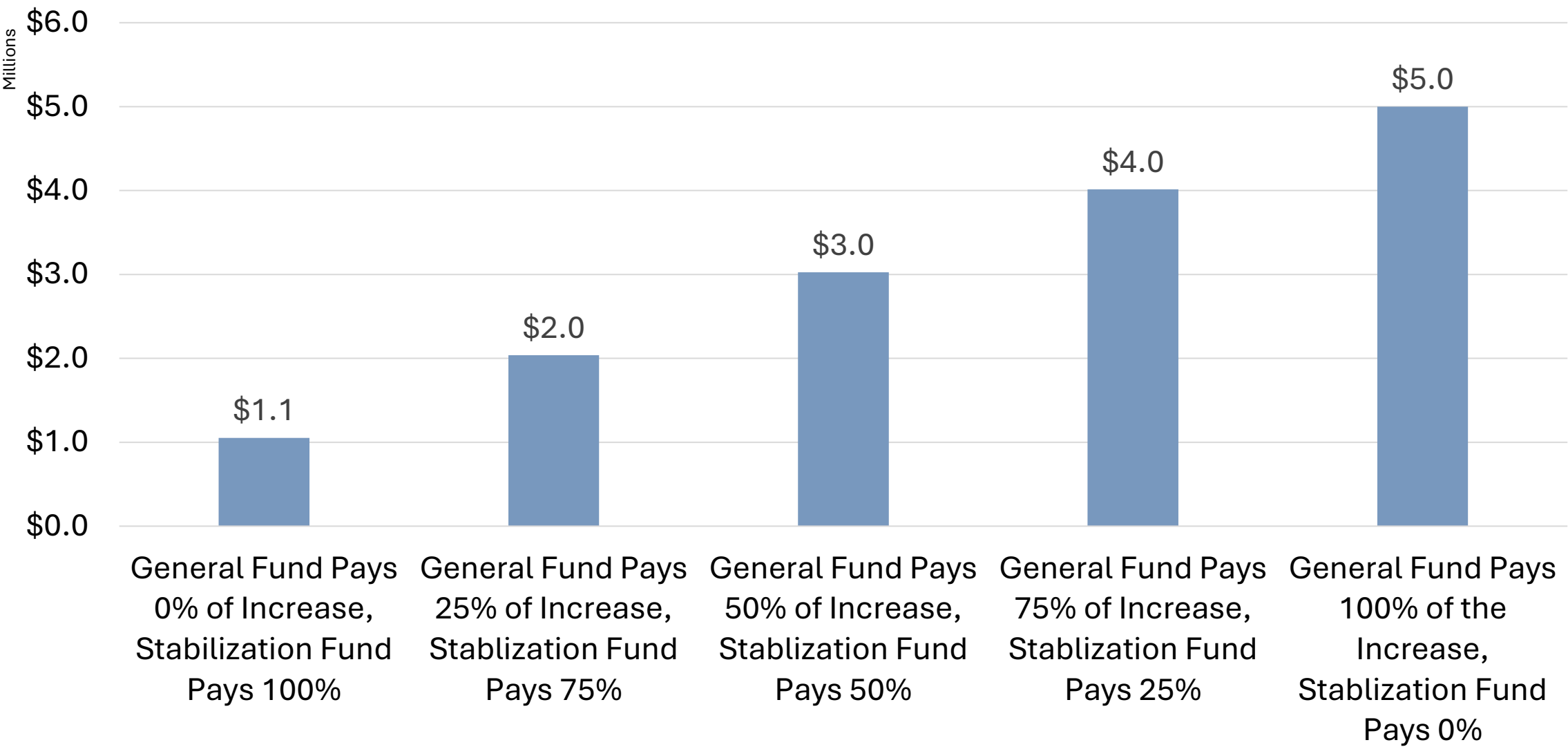
		Unfunded Liability Payment - Forecast Period					
	FY 24/25	FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30	FY30/31
6.8% Return	2,330,230	2,697,149	2,902,000	3,071,000	3,427,000	3,503,000	3,569,000
Annual Impact		366,919	204,851	169,000	356,000	76,000	66,000
Cumulative Increase from FY 24.25		366,919	571,770	740,770	1,096,770	1,172,770	1,238,770

Sample Annual General Fund Contribution						
-						
Balance Paid by Contribution from the Pension Stabilization Fund						
100%	366,919	571,770	740,770	1,096,770	1,172,770	
75%	275,189	428,828	555,578	822,578	879,578	
50%	183,460	285,885	370,385	548,385	586,385	
25%	91,730	142,943	185,193	274,193	293,193	



Estimated Pension Stabilization Fund Balance

With Alternate Contributions to the General Fund through Fiscal Year Ending 2029/2030



Additional Comments

- Economic
 - City revenues are strong, but conservative estimates
 - Uncertainty
- Fiscal Year 25/26 and 26/27 Proposed Budget
 - Review supplemental requests to align with priorities
 - Receive additional input
 - Updates to key revenues
 - Updates to forecast

