



AGENDA REPORT

Finance Department

DATE:	October 1, 2024
TO:	Mayor Martinez and Members of the City Council
FROM:	Shasa Curl, City Manager Nickie Mastay, Deputy City Manager, Internal Services Andrea Miller, Director of Finance Mubeen Qader, Deputy Director of Finance Antonio Banuelos, Accounting Manager
SUBJECT:	Fiscal Year 2023-24 Quarter 4 Financial Report and Administrative Budget Adjustments
FINANCIAL IMPACT:	
PREVIOUS COUNCIL ACTION:	June 20, 2023, November 28, 2023, March 5, 2024, May 28, 2024.
STATEMENT OF THE ISSUE:	City staff is presenting the Fiscal Year 2023-24 Quarter 4 General Fund and Non-General Funds financial report and administrative budget adjustments.
RECOMMENDED ACTION:	RECEIVE the Fiscal Year (FY) 2023-24 Quarter 4 report for the period of July 1, 2023, through June 30, 2024; ADOPT resolutions to APPROPRIATE proposed administrative year-end budget adjustments in FY 2023-24; ADOPT a policy regarding Unspent Funds Appropriations; and APPROPRIATE Unspent Funds in FY 2024-25 – City Manager’s Office/Finance Department (Shasa Curl 510-620-6512/Andrea Miller 510-620-6790/Mubeen Qader 510-412-2077).

DISCUSSION:

FY 2023-24 Quarter 4 Overview

This report presents an overview of the Quarter 4 (Q4) operating revenues and expenditures for Fiscal Year (FY) 2023-24, which includes year-to-date budget to

actuals spent from July 1, 2023, through June 30, 2024, for the General Fund and Non-General Fund.

The City's FY 2023-24 General Fund is ending on a positive note with an estimated \$2.8 million in unspent funds available after the City-directed contributions to Other Post-Employment Benefits (OPEB) and CalPERS.

Table 1: FY 2023-24 Estimated Unspent Funds

Item	Amount
FY 2023-24 Actual Revenue	(239,547,022)
FY 2023-24 Actual Expenditure	236,028,146
FY 2023-24 Actual Revenue minus Expenditures	(3,518,876)
Contribution to Reserve*	-
Contribution to OPEB @ 10%	351,888
Contribution to CalPERS @ 10%	351,888
Unspent from FY 2023-24	(2,815,101)

Based on the FY 2023-24 year-end estimated reserve level and the FY 2024-25 Adopted Budget of \$248.9 million, there is an estimated \$2.9 million that is above the minimum City Council-approved 21 percent target required reserve for the General Fund.

Table 2: FY 2023-24 Fund Balance (Reserve)

Item	Amount
FY 2023-24 Beginning Fund Balance (Reserve)	55,196,962
FY 2024-25 Policy Target Beginning Fund Balance (Reserve)	52,276,428
Reserve Above Policy Target	(2,920,534)

Together, the estimated \$2.9 million in estimated reserve above the policy target and the \$2.8 million in estimated unspent funds, provide a current estimated total of \$5.7 million available to support City Council priorities. Per City Council direction, this report provides a list of proposed expenditures identified at the end of the FY 23-24 budget cycle and a proposed framework to provide guidance on how to spend the estimated \$5.7 million in available funds.

Table 3: FY 2023-24 General Fund Estimated Unspent Funds

Item	Amount
Reserve Above Policy Target	(2,920,534)
Unspent from FY 2023-24	(2,815,101)
Other Unused Fund Balance	TBD
Total	(5,735,634)

While the majority of the Q4 report is focused on the General Fund, it is important to highlight some points about the Non-General Fund. Actual Non-General fund revenues collected are 71 percent of the budgeted amounts and Non-General Fund expenditures are 44 percent of the budget. Most of the unspent funds in the Non-General Fund budgets will roll over to the following year.

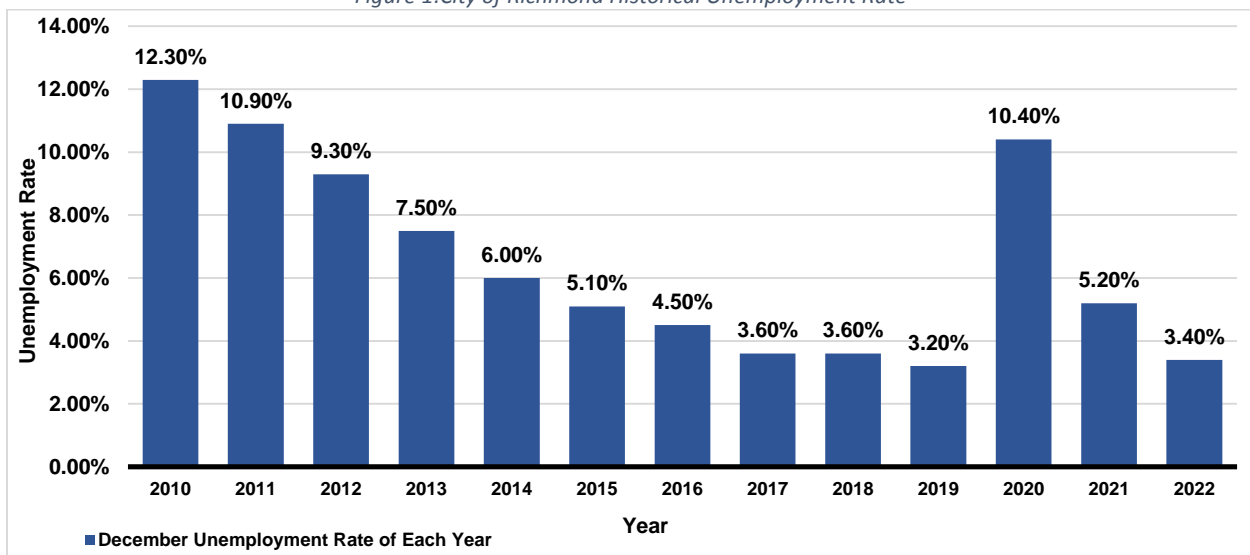
Staff is presenting the Q4 financial report to provide City Council an overview of FY 23-24 ending revenue and expenditure balances for both the General and Non-General

Funds, proposed administrative budget adjustments, an estimate of unspent funds in the General Fund, and a guiding framework to make decisions regarding funding previously identified expenditures. Most of the fiscal year activity has been captured; however, the amounts are not final until the annual audit and fiscal year close is completed and the Annual Comprehensive Financial Report (ACFR) is published. City staff will present the year-end audit results and ACFR to the City Council in January or February 2025 along with the actual General Fund Unspent Funds.

Fiscal Challenges on the Horizon

Beacon Economics’ Summary 2024 California Forecast is projecting an increased unemployment rate up to 5.6 percent in the coming months. As shown in Figure 1, Richmond’s unemployment rate was at a low of 3.2 percent pre-COVID in 2019, with an upswing to 10.4 percent in 2020. The rate reduced back down to pre-COVID levels of 3.4 percent in 2022; however, the rising trend in the unemployment rate is a credible concern for the City’s local economy as Richmond historically has had a higher unemployment rate compared to neighboring communities.

Figure 1: City of Richmond Historical Unemployment Rate



Even though the City is ending the FY 2023-24 on a positive note and has adopted a balanced FY 2024-25 Budget, there are still some fiscal headwinds on the horizon:

- California Public Employees’ Retirement System (CalPERS) Pension Unfunded Liability – \$396 million
- Other Post Employment Benefits Unfunded Liability – \$77 million
- CalPERS Healthcare Premium – 2025 rate increase by 10.795 percent

General Fund

At the end of FY 2023-24 Q4, the estimated total revenues exceed the estimated total expense by approximately \$3.5 million. The estimated year-end actuals for revenues are higher than the revised budget by approximately 2 percent and expenditures are lower than the revised budget by approximately 6 percent as shown in Table 4 below.

Table 4: Estimated General Fund Revenue and Expenditures FY2023-24, Quarter 4

GENERAL FUND	FY 2023-24 ORIGINAL BUDGET	FY 2023-24 REVISED BUDGET	ESTIMATED YEAR-END ACTUALS	VARIANCE
REVENUE TOTAL	(225,374,607)	(234,380,287)	(239,547,022)	102%
EXPENDITURE TOTAL	225,374,607	250,642,277	236,028,146	94%
GENERAL FUND NET (-SURPLUS)/+DEFICIT		16,261,991	(3,518,876)	

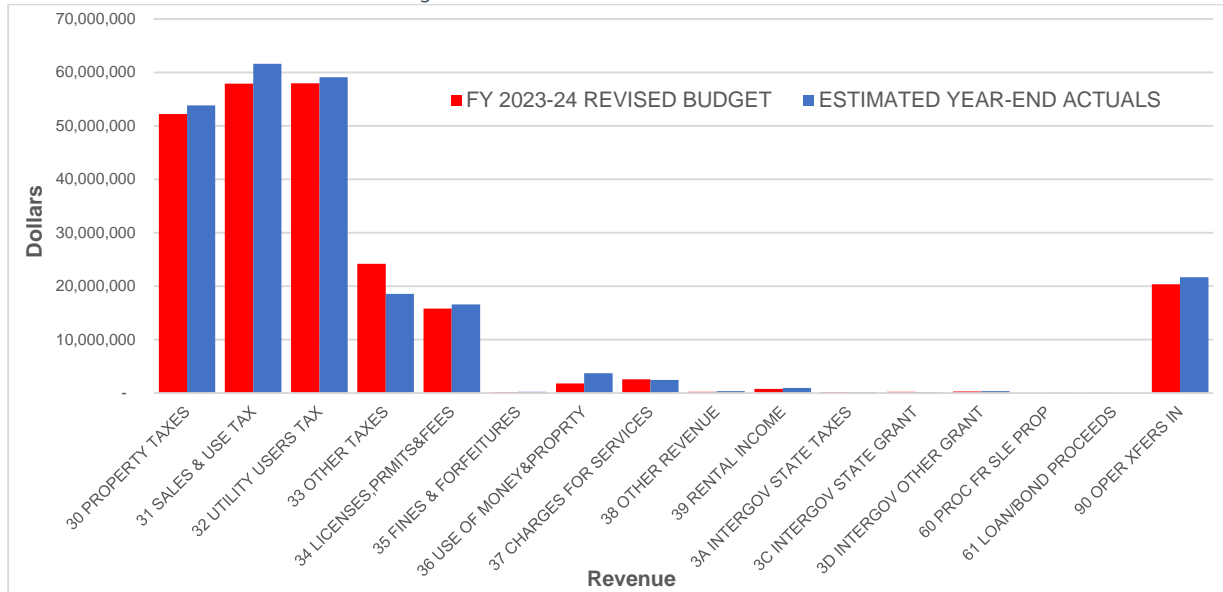
General Fund Revenues

Overall, estimated year-end actuals for revenue totaled approximately \$239.5 million (102 percent of budget) at the end of FY 2023-24 Q4, as shown in Table 5 and Figure 2. Several revenue categories came in higher than expected as reflected in Table 5 below.

Table 5: Estimated General Fund Revenue, FY2023-24 Quarter 4

GENERAL FUND	FY 2023-24 ORIGINAL BUDGET	FY 2023-24 REVISED BUDGET	ESTIMATED YEAR-END ACTUALS	VARIANCE
30 PROPERTY TAXES	(50,567,173)	(52,181,354)	(53,802,373)	103%
31 SALES & USE TAX	(56,752,495)	(57,897,341)	(61,609,565)	106%
32 UTILITY USERS TAX	(55,775,083)	(57,938,011)	(59,085,274)	102%
33 OTHER TAXES	(23,237,723)	(24,144,377)	(18,541,970)	77%
34 LICENSES, PRMITS & FEES	(13,286,195)	(15,779,175)	(16,580,441)	105%
35 FINES & FORFEITURES	(331,144)	(151,438)	(241,876)	160%
36 USE OF MONEY&PROPRTY	(1,011,535)	(1,796,421)	(3,664,487)	204%
37 CHARGES FOR SERVICES	(2,561,992)	(2,536,992)	(2,453,316)	97%
38 OTHER REVENUE	(238,480)	(238,480)	(340,605)	143%
39 RENTAL INCOME	(777,028)	(777,028)	(943,467)	121%
3A INTERGOV STATE TAXES	(125,000)	(125,000)	(143,154)	115%
3C INTERGOV STATE GRANT	(110,000)	(183,911)	(169,152)	92%
3D INTERGOV OTHER GRANT	(250,000)	(280,000)	(328,851)	117%
60 PROC FR SLE PROP	0	0	(4,987)	-
61 LOAN/BOND PROCEEDS	(40,400)	(40,400)	0	0%
90 OPER XFERS IN	(20,310,358)	(20,310,358)	(21,637,505)	107%
REVENUE TOTAL	(225,374,607)	(234,380,287)	(239,547,022)	102%

Figure 2: FY 2023-24 General Fund Revenues



The variances in each major category are explained in the following paragraphs.

General Fund Revenue Variances

- Property Tax – City staff estimated growth of 3.3 percent for Secured Property Taxes and overall growth for General Fund property taxes of 4 percent. Contra Costa County (County) released the 2023-2024 Assessment Roll in July 2023, which indicated growth of the Assessed Valuation (AV) at 6.77 percent for Secured Property Taxes. Property Taxes totaled \$53.8 million which was \$1.6 million higher than the original budget and right on target for the revised budget. A large segment that came in significantly higher than the revised budget was the Successor Agency surplus revenue by \$1.6 million.
- Sales & Use Tax – Sales and Use Tax revenue came in higher than expected based on updated numbers at mid-year. Revenue was budgeted at \$57.9 million and actual revenue is expected at \$61.6 million which is \$3.7 million above the revised budget, an increase of 6.4 percent. This revenue stream is bolstered by the performance of big box stores such as Costco, Target, Home Depot, and Walmart.
- Utility Users Tax (UUT) – UUT applies to Cable Television, Gas and Electricity, Telecommunications, and the Maximum Tax Payable Provision (Cap Amount) paid by Chevron, totaled \$59.1 million, which is \$1.2 million or 2.0 percent higher than the revised budget of \$57.9 million. The primary source for the variance is amounts remitted by Pacific Gas & Electric (PG&E) due to rate increases.
- Other Taxes – Actual revenue received in the Other Taxes category was \$18.5 million, a decrease of \$5.6 million from the budgeted amount of \$24.1 million (-23.2 percent). Other taxes include the Documentary Transfer Tax which is collected by Contra Costa County on the sale of properties. Of the major General

Fund revenue streams, this is the most volatile, where monthly payments can range significantly from \$300,000 one month to \$3 million in the next. The City budgeted \$13.3 million in the Documentary Transfer Tax category and only received \$8.6 million, equating to a difference of \$4.7 million. The other revenue streams in this category came in at a cumulative \$880,000 lower than budgeted, stemming from lower amounts from a combination of franchise fees and hotel tax.

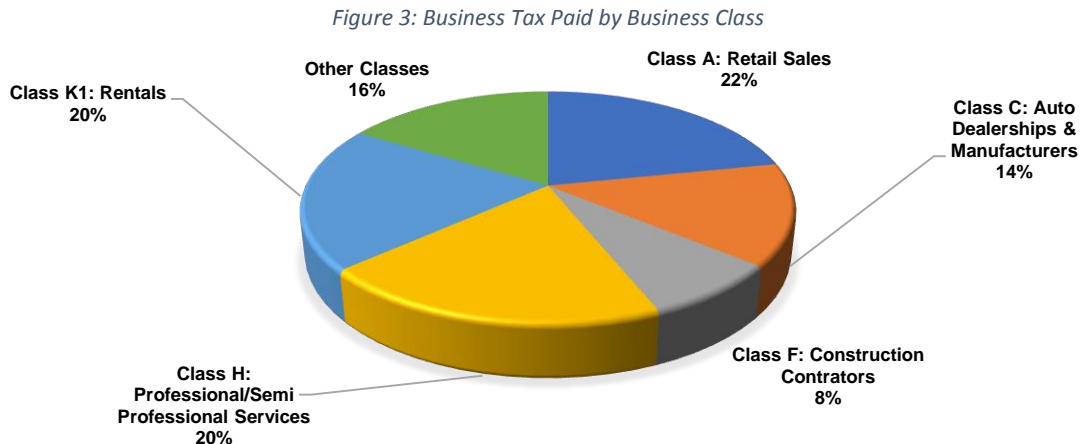
- Licenses, Permits, and Fees – The estimated total revenue through June 30, 2024, for this category is \$16.6 million which is \$800,000 higher than the budgeted amount of \$15.8 million. This revenue stream includes the Business Tax Revenue. This is the second full year of the Business Tax using the gross receipts as mandated with the passage of Measure U. The total business tax was \$14.2 million, which is nearly \$1.2 million more than the budgeted amount of \$13.0 million.

Table 6 illustrates the share of the total business tax paid. The Business Tax Revenue for FY 2023-24 is \$14.2 million. The top 50 taxpayers paid 55.2 percent of the total \$14.2 million. The top 500 businesses paid nearly 83.1 percent of the tax collected, while every other business cumulatively paid 16.9 percent of the total collected.

Table 6: 2023 Business Tax Percentage Paid by Businesses Excluding Proration

Business Tax Accounts	FY 2023-24	Percentage	Total Share
Top 1 to 25	6,542,703	46.0%	46.0%
26 to 50	1,301,904	9.2%	55.2%
51 to 100	1,616,160	11.4%	66.5%
101 to 250	1,881,230	13.2%	79.8%
251 to 500	472,558	3.3%	83.1%
501 to 1000	771,130	5.4%	88.5%
1001 to 6527	1,635,681	11.5%	100.0%
All	14,221,366	100%	

Figure 3 illustrates the percentage of business tax paid by business class.



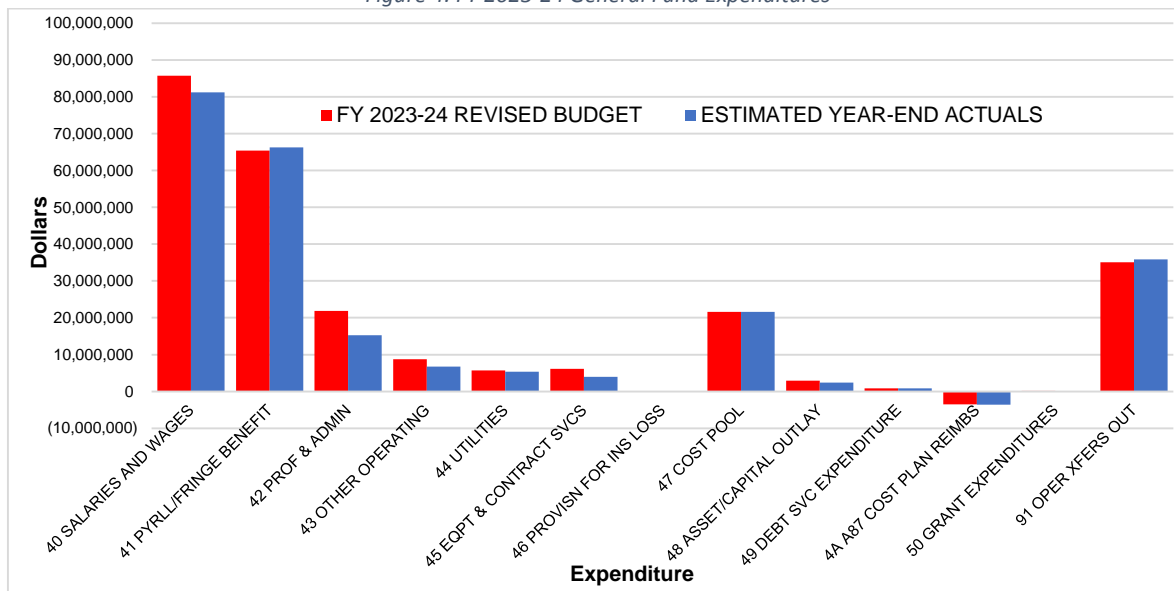
General Fund Expenditures

Overall, expenditures are projected to total \$236.0 million (94 percent of budget) at the end of FY 2023-24. Actual expenses are trending lower than the approved budgeted amounts mainly due to lower-than-expected operating expenditures in several categories. The summary of budget-to-actual expenditures is discussed in Table 7 below and illustrated in Figure 4.

Table 7: Estimated General Fund Expenditures FY 2023-24, Quarter 4

GENERAL FUND	FY 2023-24 ORIGINAL BUDGET	FY 2023-24 REVISED BUDGET	ESTIMATED YEAR-END ACTUALS	VARIANCE
40 SALARIES AND WAGES	83,345,132	85,785,825	81,224,733	95%
41 PYRLL/FRINGE BENEFIT	62,867,833	65,404,796	66,294,439	101%
42 PROF & ADMIN	20,302,711	21,842,093	15,299,359	70%
43 OTHER OPERATING	8,611,971	8,720,906	6,782,123	78%
44 UTILITIES	5,288,272	5,700,398	5,358,785	94%
45 EQPT & CONTRACT SVCS	5,918,655	6,128,020	3,931,955	64%
46 PROVISN FOR INS LOSS	34,200	34,342	30,214	88%
47 COST POOL	21,593,734	21,593,734	21,593,734	100%
48 ASSET/CAPITAL OUTLAY	1,893,500	2,911,169	2,427,738	83%
49 DEBT SVC EXPENDITURE	841,353	841,353	841,387	100%
4A A87 COST PLAN REIMBS	(3,531,611)	(3,514,373)	(3,638,409)	104%
50 GRANT EXPENDITURES	19,155	98,723	4,652	5%
91 OPER XFRS OUT	18,189,702	35,095,290	35,877,436	102%
EXPENDITURE TOTAL	225,374,607	250,642,277	236,028,146	94%

Figure 4: FY 2023-24 General Fund Expenditures



General Fund Expenditure Variances

- Salaries & Wages – This category includes base salaries for full-time and part-time

staff, overtime, and other pay types. Actual expenditures total \$81.2 million (5 percent below the budget). The major source of the variance is higher than anticipated vacancy savings.

- **Benefits** – This category includes medical, dental, vision, workers compensation, CalPERS pension costs, Other Post Employment Benefits (OPEB), and other benefits. Total actual expenditures are \$66.3 million which is 1 percent above budget. The variance is due to pending journals to reimburse staff benefits from grants and projects.
- **Professional & Admin Services** – This category includes professional and consulting services, legal services, computer software maintenance, security services, and contractual obligations, such as animal control services. Actual expenditures total \$15.3 million (70 percent of budget). The major source of the variance is the lower than budgeted expenditures in the Fire Department Support Division, Economic Development, and Non-Departmental.
- **Other Operating** – This category includes copier leases, office supplies, and other items. Actual expenditures total \$6.8 million (78 percent of budget). Major sources of the variance are unspent budget for the Public Bank, as well as reparations, equity and inclusion projects.
- **Utilities** – This category includes gas, electricity, water, refuse, telephone, and internet services. Actual expenditures total \$5.4 million (94 percent of budget). A major source of the variance is due to the Inflation contingency budgeted in Non-departmental.
- **Equipment & Contract Services** – This category includes equipment and maintenance/repair services. Actual expenditures total \$3.9 million (64 percent of budget). Actual cost of repairs and maintenance came in lower than budgeted.
- **Cost Pool** – This includes vehicle replacement, general liability, and Civic Center debt allocation. Since these charges are distributed through equal monthly journals, the expenditures are fully captured and equates to 100 percent of the budget.
- **Asset/Capital Outlay** – This includes capital purchases and major facility and infrastructure upgrades. Total expenditures at the end of Q4 are \$2.4 million (83 percent of the budget). Major sources of the variance are the result of lower than budgeted costs for equipment replacement projects in the Information Technology department. Some of the remaining budget will be rolled into FY 2024-25.
- **Debt Service** – Included in this category are debt service payments per the debt service payment schedules and capital leases per the agreements. Total expenditures are above budget due to the reclassification of rent expenses into capital lease expenses as part of GASB 87 implementation which provides guidance for lease contracts for nonfinancial assets—including vehicles, heavy equipment, and buildings.

- A87 Cost Plan Reimbursement – This category includes administrative overhead credit from non-General Fund programs through monthly journals. The expenditures are anticipated to be at 100 percent at the end of Q4, currently the transactions are still being analyzed as part of the fiscal year-end close.
- Grant Expenditures – This category includes Recreation Love Your Block grant expenditures. The remaining grant budget will be re-appropriated in FY 2024-25.
- Transfers Out – This includes transfers out from the General Fund to Non-General Funds for operating subsidies and a portion of the debt service.

Non-General Funds

Non-General Fund Revenues

Actual non-general fund revenues collected are 71 percent of the budgeted amounts mainly due to multi-year grants' pending revenues. Budget-to-actual revenue totals by each fund are explained for some of the major categories (Table 8 and Attachment 1).

Table 8: Non-General Fund Revenues, FY 2023-24, Quarter 4

FUND TYPE	FY 2023-24 ORIGINAL BUDGET	FY 2023-24 REVISED BUDGET	ESTIMATED YEAR-END ACTUALS	VARIANCE
Capital Improvement Funds	(45,085,732)	(81,236,266)	(45,208,457)	56%
Debt Service Funds	(19,551,216)	(19,551,216)	(19,602,962)	100%
Enterprise Funds	(41,443,141)	(41,493,141)	(44,101,392)	106%
Housing Funds	(1,911,772)	(1,986,772)	(2,767,937)	139%
Housing Authority Funds	(5,563,388)	(5,549,921)	(5,985,874)	108%
Internal Service Funds	(30,919,340)	(30,919,340)	(34,667,794)	112%
Other Operations Funds	(32,931,748)	(36,028,174)	(22,527,221)	63%
Special Revenue Funds	(52,120,364)	(96,362,154)	(48,860,586)	51%
TOTAL REVENUES	(229,526,702)	(313,126,985)	(223,722,223)	71%

- Capital Improvement Funds – Total estimated revenue is 56 percent of the budget. Part of the variance is full grant awards are budgeted as revenues and actual revenue is based on the expenditures incurred. In addition, some of the variance is due to pending grant reimbursements in Outside-Funded Services fund and Engineering Services Grants fund.
- Debt Service Funds – Total estimated revenues are at 100 percent of the budget.
- Enterprise Funds – Total estimated revenues are 106 percent of the budget mainly due to increased charges for services revenue in the Wastewater fund.
- Housing Funds – Total revenues are 139 percent of the budget mainly due to increased Developer Housing In-Lieu fee revenue.
- Richmond Housing Authority – Total estimated revenues are 108 percent of the

budget mainly due to increased revenues in the RHA Capital Fund.

- Internal Service Funds – Total estimated revenue is 103 percent of the budget mainly due to the interest income in these funds.
- Other Operations Funds – Total estimated revenues are 63 percent of the budget. The major variance is due to grant funded program revenues, for which the reimbursements are generally received for the incurred expenditures and remaining balances budgeted are rolled into the following year.
- Special Revenue Funds – Actual revenue is 51 percent of the budget. The main variance is due to the Main Library Renovation Grant (Grant) revenue budget. The project is currently in design phase, and no Grant expenditures are incurred for reimbursement at this juncture since the current phase of the project is funded from the American Rescue Plan Act (ARPA) funds.

Non-General Fund Expenditures

Total non-general fund expenditures are 44 percent of the budget. Several non-general funds have capital and grant projects that span over multiple years, and unspent budgets in these funds roll over to the following year until each respective project is complete. For budget-to-actuals expended by each fund see Attachment 1. Non-General Fund budget-to-actual expenditures by fund type are shown in Table 9:

Table 9: Estimated Non-General Fund Expenditures FY 2023-24 Quarter 4

FUND TYPE	FY 2023-24 ORIGINAL BUDGET	FY 2023-24 REVISED BUDGET	ESTIMATED YEAR-END ACTUALS	VARIANCE
Capital Improvement Funds	71,270,921	118,828,239	23,978,215	20%
Debt Service Funds	19,174,878	19,174,878	19,192,428	100%
Enterprise Funds	86,084,855	104,668,850	51,699,920	49%
Housing Funds	6,249,305	6,324,305	698,699	11%
Housing Authority Funds	5,570,438	5,763,509	5,546,988	96%
Internal Service Funds	36,799,838	42,837,206	31,441,810	73%
Other Operations Funds	33,182,604	41,880,636	27,241,503	65%
Special Revenue Funds	68,197,088	129,516,823	46,974,503	36%
TOTAL EXPENDITURE	326,529,928	468,994,447	206,774,065	44%

- Capital Improvement Funds – Total estimated expenditures are 20 percent of the budget, and the variance is due to projects spanning over multiple years where the unspent balances are rolled forward into the following year.
- Debt Service Funds – Total estimated expenditures are 100 percent of the budget.
- Enterprise funds – Total estimated expenditures are 49 percent of the budget; the variance is due to the Wastewater and Port of Richmond capital projects spanning over multiple years. The remaining balance of the budget will be rolled into the following year.

- Housing Funds – Total estimated expenditures are 11 percent of the budget mainly due to lower expenditures in Community Development Block Grant fund.
- Richmond Housing Authority Funds – Total estimated expenditures are at 96 percent of the budget mainly due to lower expenditures in various funds such as Nevin Plaza, Nystrom Village, and Richmond Village II.
- Internal Service Funds – Total estimated expenditures are 73 percent of the budget. The variance is due to the remaining equipment purchases rolling into the following year.
- Other Operations Funds – Total estimated expenditures are 65 percent of the budget. Several grant funded programs have multiple year grants, and remaining grant balances will be rolled forward to the following fiscal year.
- Special Revenue funds – Total estimated expenditures are 36 percent of the budget. The variance is due to the main library renovation project which is budgeted and is in early stages of development.

Quarter 4 Administrative Budget Adjustments

At the end of FY 2023-24, City staff recommends several proposed administrative budget adjustments to align with fiscal year-end actuals, including Hilltop Landscape and Maintenance District additional subsidy (see Table 10). A few General Fund Revenue and Expenditure Budget Adjustments are as follows:

- Revenue Adjustment \$1,327,147:
 - \$1,327,147 – Transfer In from Pension Tax Override Transfer
- Expenditure Adjustment \$782,146:
 - \$87,497 – Hilltop Landscaping and Maintenance District Additional subsidy
 - \$113,203 – Employment & Training (E&T): E&T programs are primarily grant-funded; therefore, reimbursement of operating expenditures that are not covered by grants is required.
 - \$733,320 – Richmond Fund for Children and Youth (RFCY - Kids First Initiative): RFCY receives 3 percent of the City’s General Fund. A year-end true up is required to align the projected FY 23-24 GF revenue at the beginning of the FY with the actual estimated revenue at the end of the FY.
 - \$100,000 – An appropriation is needed for the Canal Boulevard fence in FY 2024-25 from the funds received from several homeowners associations.

Non-General Fund Budget Adjustments are listed in Attachment 2.

Table 10: Q4 Administrative Budget Adjustments

FUND Type	Fund	Fund Description	Revenue	Expenditures
General Fund	0001	General Fund	1,327,147	782,146
Capital Improvement	2110	Impact Fee Parks/PW	13,764	788
Capital Improvement	2111	Impact Fee Traffic	62,186	3,650
Capital Improvement	2113	Impact Fee Fire	14,638	809
Capital Improvement	2114	Impact Fee Police	12,146	687
Capital Improvement	2115	Impact Fee Comm/Aquatic	52,746	3,105
Capital Improvement	2116	Impact Fee Open Park	219,914	12,947
Capital Improvement	2117	Impact Fee Library	60,256	3,632
Capital Improvement	2119	Impact Fee Storm Drainage	22,072	1,250
Capital Improvement	2120	Impact Fee Wastewater	5,868	176
Housing	1201	Community Development Block Grant	126,722	-
Housing	1202	Home Program	12,462	-
Housing	1208	COR Successor Housing Agency	83,040	-
Housing	1209	Cal-Home Grant Fund	95,404	-
Housing	1302	Housing In Lieu Fee Developer	420,127	-
Other Operations	1205	Employment & Training	113,203	-
Other Operations	1012	Hilltop Landscaping District	87,700	-
Other Operations	1050	CR-Planning and Building	27,043	-
Special Revenue	1303	Kids First Initiative	733,320	-
Special Revenue	1017	ECIA	16,500	-
Special Revenue	1001	Secured Pension Override	773,940	1,326,327
		Total	4,280,199	2,135,516

Total Unspent Funds

This section will describe total unspent funds within the Excess Reserve Level, FY 2023-24 Unspent Funds, and the Unused Fund Balance.

- Excess Reserve – The FY 2022-23 General Fund audited reserve was \$55,196,962, which was approximately 24.49 percent of the FY 2023-24 Adopted Budget, and 3.49 percent above the City’s policy target reserve level of 21 percent. Based on the FY 2024-25 General Fund Adopted Budget, the 21 percent reserve is \$52,276,428. Based on the FY 2023-24 year-end estimated reserve level and the FY 2024-25 Adopted Budget of \$248.9 million, there is an estimated \$2.9 million that is above the minimum required reserve for the General Fund and is included in the recommended allocation of unspent funds (see Table 8).

Table 11: Estimated Reserve Level

Item	Amount
FY 2023-24 Beginning Fund Balance (Reserve)	55,196,962
FY 2024-25 Policy Target Beginning Fund Balance (Reserve)	52,276,428
Reserve Above Policy Target	(2,920,534)

- FY 2023-24 Unspent Funds – As a result of the Q4 analysis, City staff has identified an estimated amount of unspent funds that could be available at the

end of FY 2023-24 for the City Council to allocate towards City Council Goals and Priorities. The availability of these funds is an estimate, and the amounts are subject to change, as the City is currently in the process of closing the books for the fiscal year ending June 30, 2024. Table 12 below shows that there is an estimated unspent amount of \$2.8 million available after the contributions to OPEB and CalPERS per the City Council resolutions from June 27, 2023.

Table 12: FY 2023-24 Unspent Funds

Item	Amount
FY 2023-24 Actual Revenue	(239,547,022)
FY 2023-24 Actual Expenditure	236,028,146
FY 2023-24 Actual Revenue minus Expenditures	(3,518,876)
Contribution to Reserve*	-
Contribution to OPEB @ 10%	351,888
Contribution to CalPERS @ 10%	351,888
Unspent from FY 2023-24	(2,815,101)

*Additional contribution to the Reserve is not required this year.

- **Unused Fund Balance** – As of June 30, 2024, the FY 2023-24 General Fund Revised Budget was approved to exceed the revenues by \$16.3 million to use a combination of prior year's unspent spent funds (Fund Balance) and current year's estimated additional revenue. City Council made those appropriations as listed in Table 13. However, due to the current year estimated revenues being higher than budgeted and expenditures being lower than budgeted, those allocations are estimated to be covered by the FY 2023-24 revenues. A significant part of the fund balance that was planned to be expended may remain unused, see Table 14 columns FY 2023-24 Revised Budget vs. Estimated Year-End Actuals below.

Table 13: General Fund Appropriations from Fund Balance

Date	Description	Budget
9/12/2023	Fire - Mark43	438,863
11/28/2023	Unspent Funds Appropriated	9,520,218
1/23/2024	Carryforward from FY 2022-23 from last year in Point Molate Costs	237,678
2/6/2024	Street Sweeping Signage	550,000
3/5/2024	10% of Unspent Funds into OPEB and CalPERS 115 Trust	2,671,322
3/5/2024	Unspent Funds Appropriated During Mid-Year	400,000
3/5/2024	Mid-Year Revenue Expenses Over Expenditures	(1,903,254)
4/16/2024	Unspent Funds Allocated	4,058,438
5/28/2024	Rent Program Subsidy	288,726
	Total	16,261,991

Table 14: Unused Fund Balance:

GENERAL FUND	FY 2023-24 ORIGINAL BUDGET	FY 2023-24 REVISED BUDGET	ESTIMATED YEAR-END ACTUALS	VARIANCE
REVENUE TOTAL	(225,374,607)	(234,380,287)	(239,547,022)	102%
EXPENDITURE TOTAL	225,374,607	250,642,277	236,028,146	94%
GENERAL FUND NET (-SURPLUS)/+DEFICIT		16,261,991	(3,518,876)	

Total Unspent Funds – The reserve amount above the policy target at \$2.9 million (as described in Table 11), and the FY 2023-24 estimated unspent funds of \$2.8 million (as described in Table 12), provides an estimated \$5.7 million total available for Council Goals and Priorities (see Table 15). Additional Unused Fund Balance may potentially be used for capital projects or one-time projects.

Table 15: Total Available for Council Goals and Priorities

Item	Amount
Reserve Above Policy Target	(2,920,534)
Unspent from FY 2023-24	(2,815,101)
Other Unused Fund Balance	TBD
Total	(5,735,634)

Identified Expenditures Pending Appropriations

City Council directed City staff to recommend a framework for selecting capital projects or deciding on one-time expenditures for appropriating Unspent Funds (Fund Balance). City staff proposes the attached framework that prioritizes projects and expenditures based on the City’s existing obligations and the City Council Goals and Priority areas for such appropriations (See Attachment 5 for the detailed proposed framework).

FY 2023-24 year-end close and the annual audit is currently underway, and the exact amount of Unspent Funds (Fund Balance) is to be determined. City Council directed staff to provide an estimate of the Unspent Funds in September 2024 to potentially fund the items identified during the FY 2024-25 Budget Development process.

Option A (City Staff’s Recommendation)

Table 16 below reflects staff recommendations for the estimated unspent funds. Due to staff capacity and grant deadlines, staff does not recommend adding additional projects or contracts at this juncture. City staff is currently implementing large projects involving considerable community input and engagement, such as Boorman Park and the 18 Traffic Calming Projects. At mid-year, City staff will revisit additional capacity and funding requirements to continue to meet Council Goals and Priorities.

The first phase of the Boorman Park development project, the soil remediation phase, is currently out for public bid. City staff, in collaboration with our environmental consultants, is working on obtaining final approvals from the Department of Substances Control (DTSC) and intends to begin the remediation work this November 2024, subject to DTSC approval. An estimated additional \$1.9 million is needed to fully fund the park revitalization project, which the grantor requires to be completed by June 30, 2025.

The Carlson Crosstown Phase II Project is estimated to be \$3.0 million, with \$800,000 coming from the Housing Incentive Pool Grant awarded by the Metropolitan Transportation Commission (MTC). The traffic safety improvements may include highly visible crosswalks, bulb-outs, stripping, signage, rapid flashing beacons, etc. These improvements are in accordance with City Council priorities (4.1.a), the 2022 Local Road Safety Plan, and the 2023 Bike and Pedestrian Action Plan. In addition, work is being done on Carlson Blvd. at four (4) locations as part of the existing 18 traffic

calming projects.

Table 16: FY 2024-25 Budget Development Staff Recommendations, Option A

Council Goal & Priority #	Description	Requested Funds	Potential	Department	Status
	Staff Recommendation	\$6,870,000			
2.1.b	LEAP Graduation	5,000	5,000	Community Services/Library	Completed
2.2.a	Mobile Vendor Program Temp. Ordinance Enforcement	100,000	100,000	Public Works	Program implementation costs
3.1.e	Boorman Park	1,900,000	1,900,000	Public Works	Additional funding is required to implement the remediation plan being developed. Grant funding must be utilized by 6/30/2025.
4.4.c	Fire Apparatus (Pending Apparatus Replacement Policy)	1,300,000	1,300,000	Public Works/Fire	Draft policy in progress
3.2.e	Built Environment Needs Assessment	500,000	130,634	Public Works	RFP in process
	Canal Boulevard Gates	65,000	100,000	Public Works	
4.1.a	Carlson Crosstown Phase II	3,000,000	2,200,000	Public Works	Currently in design phase
	Sub-Total	\$6,870,000	\$5,735,634		
4.1.a	Carlson Crosstown Phase II		800,000	Funding from MTC	
	Total	\$6,870,000	\$6,535,634		

Option B (Per City Council June 24, 2024 Direction and Budget Development Checklist):

The following list reflects items from the City Council’s motion on June 24, 2024, at the City Council meeting and additional budget checklist items in no priority order (Table 17). Some of the items have amounts pending to be determined.

Table 17: FY 2024-25 Budget Development Pending Requests, Option B

Council Goal & Priority #	Description	Requested Funds	Potential	Department
	June 24, 2024, City Council Motion	\$1,168,000		
4.2	Gun Violence Reduction Initiative (Additional Staff Required for Implementation)	50,000	50,000	Community Services/ONS
	Poet Laureate (\$10K) and Poetry Contest (\$3K) (Additional Staff Required)	13,000	13,000	Economic Development
2.1.b	LEAP Graduation	5,000	5,000	Community Services/Library
2.2.a	Mobile Vendor Program Temp. Ordinance Enforcement	100,000	500,000	Public Works
1.2.b	Unhoused Intervention (~\$4 million remaining in ERF-2 Grant)	1,000,000	1,000,000	Community Development
	Budget Development Checklist Items	\$16,165,000		
3.1.e	Boorman Park	1,900,000	1,900,000	Public Works
4.4.c	Fire Apparatus (Pending Apparatus Replacement Policy)	1,300,000	1,300,000	Public Works/Fire
3.2.e	Built Environment Needs Assessment	500,000	500,000	Public Works
	Canal Boulevard Gates	65,000	100,000	Public Works
3.2.b	Main Library Renovation Project Additional Funding	4,100,000	367,634	Public Works
3.1.e	Point Molate Bay Trail Erosion	3,000,000	-	Public Works
3.2.a	Booker T. Anderson Community Center Exterior Improvements	2,300,000	-	Public Works
	City-wide Historic Preservation	TBD	-	Public Works
3.1.e	Dog Park Assessment	TBD	-	Public Works
4.1.a	Point Richmond Street Safety Improvements	TBD	-	Public Works
4.1.a	Carlson Crosstown Phase II	3,000,000	-	Public Works
	TOTAL	\$17,333,000	\$5,735,634	

Implementation of these above-mentioned appropriations depends on the staff capacity, and under the current workload, City staff will not be able to execute these projects immediately.

June 24, 2024, City Council Motion

Motion by Vice Mayor Jimenez Seconded by Councilmember McLaughlin

To adopt resolutions approving the proposed operating and Capital Improvement Plan budgets with the following changes: add \$50,000 to an initiative to reduce gun violence;

increase the poet laureate's stipend to \$10,000; allocate \$5,000 to LEAP (city's literacy program) for graduations; add an extra \$100,000 for street vendors for a total \$200,000; and commit from the unspent funds, \$1 million to fill the gap for unhoused interventions.

A friendly amendment was made by Councilmember Bana to allocate \$3,000 for prizes of poetry contests and other expenses for the three high schools.

A friendly amendment was made by Councilmember Robinson as a part of passing the budget, to direct Public Works staff to increase the dedicated staffing to General Fund parks, streetscapes, and medians; before the end of fiscal year 2024-2025, increase the skill sets capacity of the tree crew to include supervisory skills, arborist skills, and someone who could create and follow an integrated management plan; two plus staff with Class B driver license to drive their specialized truck; and two plus staff who had the ability to make cuts and prune the trees.

The friendly amendments were accepted. Further discussion ensued.

Another friendly amendment was made by Councilmember Robinson to create a process to bring forward, vet, and vote on projects considered for unspent funds; and any traffic calming projects (not included in the 18 projects) should go through the assessment process that was created by Public Works. The friendly amendment was accepted.

The motion maker added to the motion that the allocations for the requested changes could be from the unspent funds; and staff could return to the council at a later date to discuss the poet laureate.

Ayes (6): Councilmember Bana, Councilmember McLaughlin, Councilmember Robinson, Councilmember Willis, Councilmember Zepeda, and Vice Mayor Jimenez

Absent (1): Mayor Martinez

Passed (6 to 1)

Unhoused Prior Year Expenditures and Forecast

Table 18 below reflects prior fiscal years' expenditures incurred supporting unhoused residents in the City. Approximately \$12 million has been spent over the last three years on these services, and roughly \$29 million is in the pipeline over the next several years.

Table 18: Unhoused Prior Year Expenditures and Forecast

Sources	Total Expenditure FY 22, 23, 24	FY 2024-25	FY 2025-26	FY 2026-27
ARPA (\$50,000) (Federal)	\$50,000			
ERF Round 1- Grant (\$4.8 Million)(State)	\$4,881,272			
Additional Appropriations (\$1.8 Million/Year) (General Fund)	\$2,255,477	\$800,000	\$1,800,000	\$1,800,000
ERF Round 2 Grant (\$8.6 Million) (State)	\$4,706,596	\$1,947,995	\$1,947,995	\$0
Total	\$11,893,345	\$2,747,995	\$3,747,995	\$1,800,000
Grants	\$28,749,406			
Homekey Grant (\$14 Million) (State)	\$14,512,660	\$12,093,460	\$500,000	\$525,000
Homekey (City Contribution) (Affordable Housing In-lieu funds)	\$4,900,000*	\$2,343,460	\$0	\$0
ERF Round 3 Grant	\$9,336,746	(Awaiting announcement of awards)		

*An additional subsidy to support the unhoused for the Homekey Motel 6 Projects requires an advance from the General Fund of \$2.556 million that must be reflected on the City's balance sheet.

Next Steps

City staff will continue working with the auditors to complete the FY 2023-24 year-end audit and publish the Annual Comprehensive Financial Report (ACFR). City staff will present the year-end audit results and ACFR to the City Council in January or February 2025 along with the actual General Fund Unspent Funds (Fund Balance). If the City Council would prefer additional time to develop a refined methodology, they can defer appropriations until FY 2024-25 Quarter 1, which will be provided in November 2024. City staff will return to the City Council in October 2024 with a status update of American Rescue Plan Act (ARPA) funding and a proposal to reallocate project funding as needed.

DOCUMENTS ATTACHED:

- Attachment 1 – Estimated Fiscal Year 2023-24 General Fund and Non-General Funds Revenues and Expenditures.
- Attachment 2 – Fiscal Year 2023-24 Administrative Budget Adjustments
- Attachment 3 – Resolution – Administrative Budget Adjustments
- Attachment 4 – Resolution – Appropriations for Capital Projects Funding Shortfall (Option A)
- Attachment 5 – Unspent Funds Appropriations Framework Policy
- Attachment 6 – DRAFT Q4 Slide Deck 10.1.24