

LA MESA

JEWEL OF THE HILLS

2019-2021 Mid-Biennium Budget Update
June 23, 2020



CITY OF
LA MESA
JEWEL of the HILLS

Mid-Biennium Budget Update 2019-2021



2019-2021 Biennial Budget Process

- City Council approved 2019-2021 Biennial Budget on August 13, 2019
- Provided Revenue, Expenditure, and Reserve appropriations for the fiscal years 2019-2020 and 2020-2021
- 2019-2021 Mid-Biennium Budget Update provides updates and changes to 2020-2021 revenues, expenditures and reserve projections based on new programs and mandates and most current information available

Mid-Biennium Budget Update 2019-2021



March 2020 Council Budget Study Session

- Major General Fund revenue sources (property tax, sales tax, Prop L sales tax) remained steady with property tax increasing slightly and sales tax and Prop L sales tax remaining fairly flat
- Pension costs remain single fastest rising expenditure, increasing faster than revenue growth for all General Fund revenues
- Long term focus on increased pension costs and the impact on the General Fund reserves

Mid-Biennium Budget Update 2019-2021



April 28, 2020 Forecast Update (COVID-19)

- Revised forecast updated with current fiscal year revenue losses and projected long term impacts in 2020-2021 and beyond
- Biggest impact on sales tax, Prop L sales tax, and other sales tax-related revenues (Gas Tax, Prop 172)

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Mid-Biennium Budget – General Fund Revenues

- Estimated assessed valuations for 2020-2021 slightly higher than anticipated, resulting in a nominal increase in budgeted property tax revenues
- Current projections for Sales Tax and Proposition L Sales Tax continue to project downward due to the effects of the COVID-19 public health emergency
- Business License revenues reduced due to the Council's action in May 2020 to provide relief to the local business community

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	FY 2020-2021 ORIGINAL BUDGET	FY 2020-2021 MID-BIENNIUM UPDATE	Increase/ (Decrease)	FOR INFO ONLY FY 2020-2021 FORECAST (COVID-19)
General Fund Revenue				
Property Taxes	\$ 15,326,350	\$ 15,509,380	\$ 183,030	\$ 15,509,380
Property Tax - Tax Increment	409,290	409,290	-	409,290
Sales Taxes	12,956,400	12,095,370	(861,030)	12,095,370
Prop L Sales Taxes	8,795,000	8,456,000	(339,000)	8,456,000
Other Taxes & Franchises	4,045,170	3,745,170	(300,000)	3,745,170
All other revenues	6,820,930	6,731,450	(89,480)	6,983,850
Total General Fund Revenue	\$ 48,353,140	\$ 46,946,660	\$ (1,406,480)	\$ 47,199,060

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Mid-Biennium Budget – General Fund Expenditures

- Increases in salaries and benefits due to:
 - Previously approved addition of a Deputy Fire Marshal (paid through the Heartland JPA cost reconciliation)
 - Addition of a full time Fire Inspector I/II position (converted from a part time/temporary position)
 - Reallocate the Sr. Management Analyst/Purchasing Officer positions
 - Reclassify the HR/Risk Manager to Administrative Services Director
 - Reallocate a portion of a Community Services Officer position from the General Fund to the Downtown Parking Fund as a result of eliminating a Downtown Operations Position

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Mid-Biennium Budget – General Fund Expenditures, cont.

- Increases in Materials, Services & Supplies and Capital Equipment due to additions and increases in:
 - Property and earthquake insurance and software subscriptions
 - Form 700 and campaign disclosure electronic filing software
 - Professional services related to cannabis monitoring and business tax auditing
 - ActiveNet scanning module to scan membership cards at the municipal pool
 - Annual burglar and fire alarm fees, and environmental services for onsite generators
 - Carry forward funds for the production of the Downtown Village Specific Plan

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	FY 2020-2021 ORIGINAL BUDGET	FY 2020-2021 MID-BIENNIUM UPDATE	Increase/ (Decrease)	FOR INFO ONLY FY 2020-2021 FORECAST (COVID-19)
General Fund Expenditures				
Salaries	\$ 24,127,040	\$ 24,193,920	\$ 66,880	\$ 24,138,470
Fringe Benefits	15,698,350	15,740,430	42,080	15,710,120
Personal Expenses	976,610	1,012,390	35,780	976,610
Materials, Services & Supplies	12,028,600	12,243,460	214,860	12,028,600
Equip & Capital Outlay	100,570	102,090	1,520	100,570
Retirement Unfunded Liab Contrib	231,900	231,900	-	231,900
Total General Fund Expenditures	\$ 53,163,070	\$ 53,524,190	\$ 361,120	\$ 53,186,270

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GENERAL FUND EXPENDITURES BY DEPT	FY 2018-2019		
	FY 2018-2019 ORIGINAL BUDGET	MID-BIENNIUM UPDATE	Increase/ (Decrease)
Administrative Services	\$ 5,001,230	\$ 5,025,980	\$ 24,750
Finance	1,447,400	1,491,990	44,590
Community Development	2,331,250	2,469,250	138,000
Police	20,632,780	20,617,480	(15,300)
Fire	12,226,020	12,359,800	133,780
Public Works	9,681,140	9,703,330	22,190
Community Services	1,843,250	1,856,360	13,110
Total General Fund Exp by Dept	\$ 53,163,070	\$ 53,524,190	\$ 361,120

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Mid-Biennium Budget – General Fund Interfund Transfers

- Transfers In/Out from General Fund to other funds
- Changes to Transfers In include a decrease in Gas Tax revenues transferred in to the General Fund for street maintenance purposes and a decrease in Prop 172 sales tax funds transferred in to the General Fund for public safety
- Changes to Transfers Out include an increase in funding for the Liability Risk fund

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General Fund Reserves – Fiscal Year 2019-2020 (estimated)

- Current 2019-2020 revenues remain at same levels as what was estimated in the Financial Forecast that was revised under COVID-19
- Current expenditures are at what was estimated in the revised 2019-2020 projection
- Current expenditure estimates do not include the overtime costs from the recent civil unrest nor reflect any reimbursement the City may receive from FEMA
- Estimated reserves at June 30, 2020 are \$27.8 million or 56.3% of budget

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General Fund Reserves – Fiscal Year 2020-2021 (projected)

- 2019-2021 Biennial Budget projected a structural budget deficit for fiscal year 2020-2021 of \$3.1 million with ending reserves of \$22.4 million or 42.2% of budget
- Revised Financial Forecast (COVID-19) presented in April projected a structural budget deficit for 2020-2021 of \$4.4 million with ending reserves of \$23.4 million or 44.0% of budget
- 2020-2021 Mid-Biennium Budget update projects a structural budget deficit of \$5.1 million with ending reserves of \$22.7 million or 42.5% of budget

Mid-Biennium Budget Update 2019-2021



	Actuals			Estimated	FY 20-21		Mid-Biennium Budget
	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Original Budget	Financial Forecast (COVID19)	
Ending Reserves	29,696,208	31,578,785	31,481,239	27,874,007	22,416,140	23,426,507	22,759,787
Reserves as % of Operating Expenditures	60.7%	65.3%	60.3%	56.3%	42.2%	44.0%	42.5%
Reserves:							
Property Sale (Police Station)	3,050,000	3,050,000	3,050,000	3,050,000	3,050,000	3,050,000	3,050,000
Property Sale (Other land)	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Proposition L Revenues	8,406,483	8,916,466	8,940,142	8,673,000	8,795,000	8,456,000	8,456,000
Reserves from Operations	14,239,725	15,612,319	15,491,097	12,151,007	6,571,140	7,920,507	7,253,787
Total Ending General Fund Reserve	29,696,208	31,578,785	31,481,239	27,874,007	22,416,140	23,426,507	22,759,787

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Proposition L Benchmarks

- The General Fund's major revenue sources are property taxes and sales taxes and are the primary funding sources for the City's vital services.
- Proposition L Sales Tax Measure was approved by voters in November 2008 to help maintain City vital services.
- Proposition L sales tax revenues are being used to preserve vital City services and the General Fund's reserves

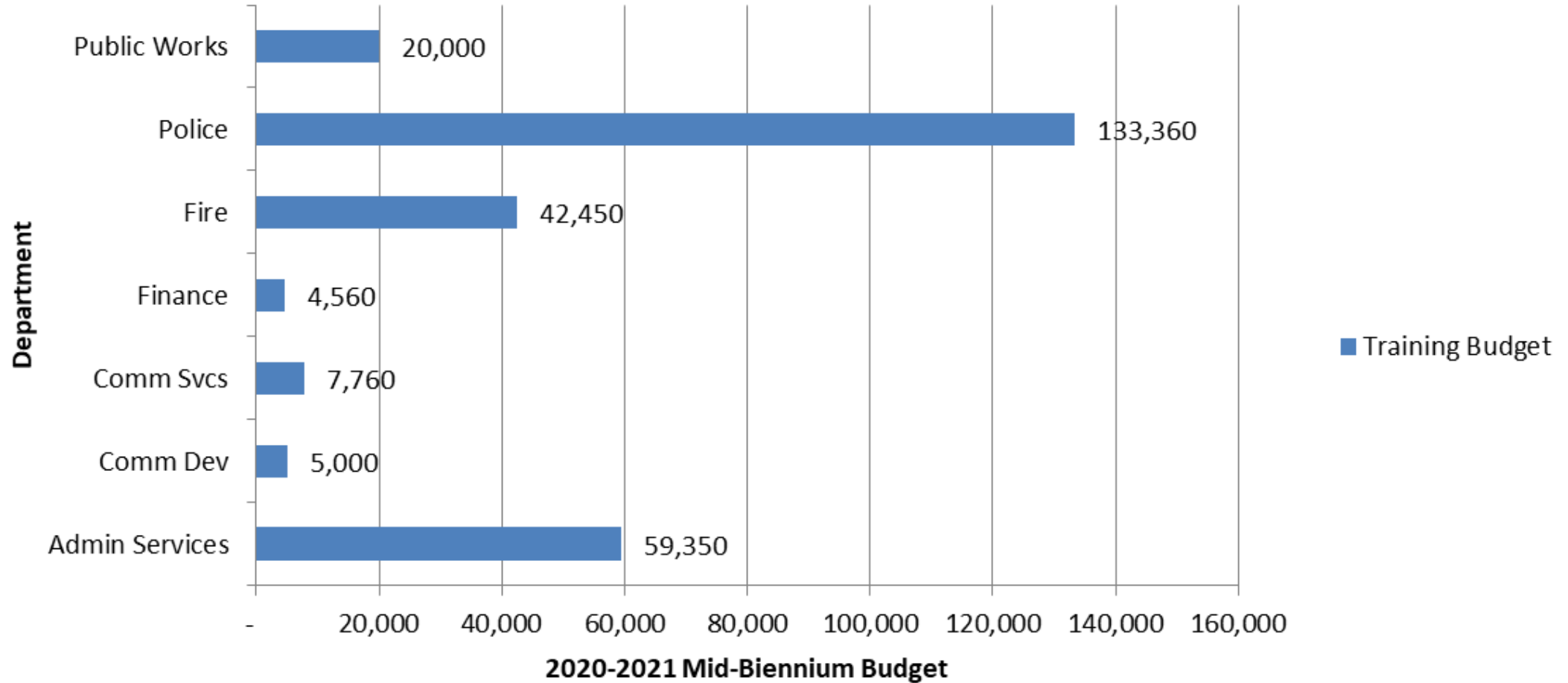
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Citywide Training

- Each department budgets for various types of training, depending on the department and area of expertise
- The Police Department has the largest training budget, is allocated among the six divisions, and includes POST reimbursed training, management training, and other training specific to each division's area of responsibility
- The Fire Department's training budget provides funds for training on heavy rescue, hazardous materials, CPR, and fire prevention
- Administrative Services administers citywide training programs such as tuition reimbursement, organizational development, and customer service training

City of La Mesa 2020-2021 Mid-Biennium Budget Training



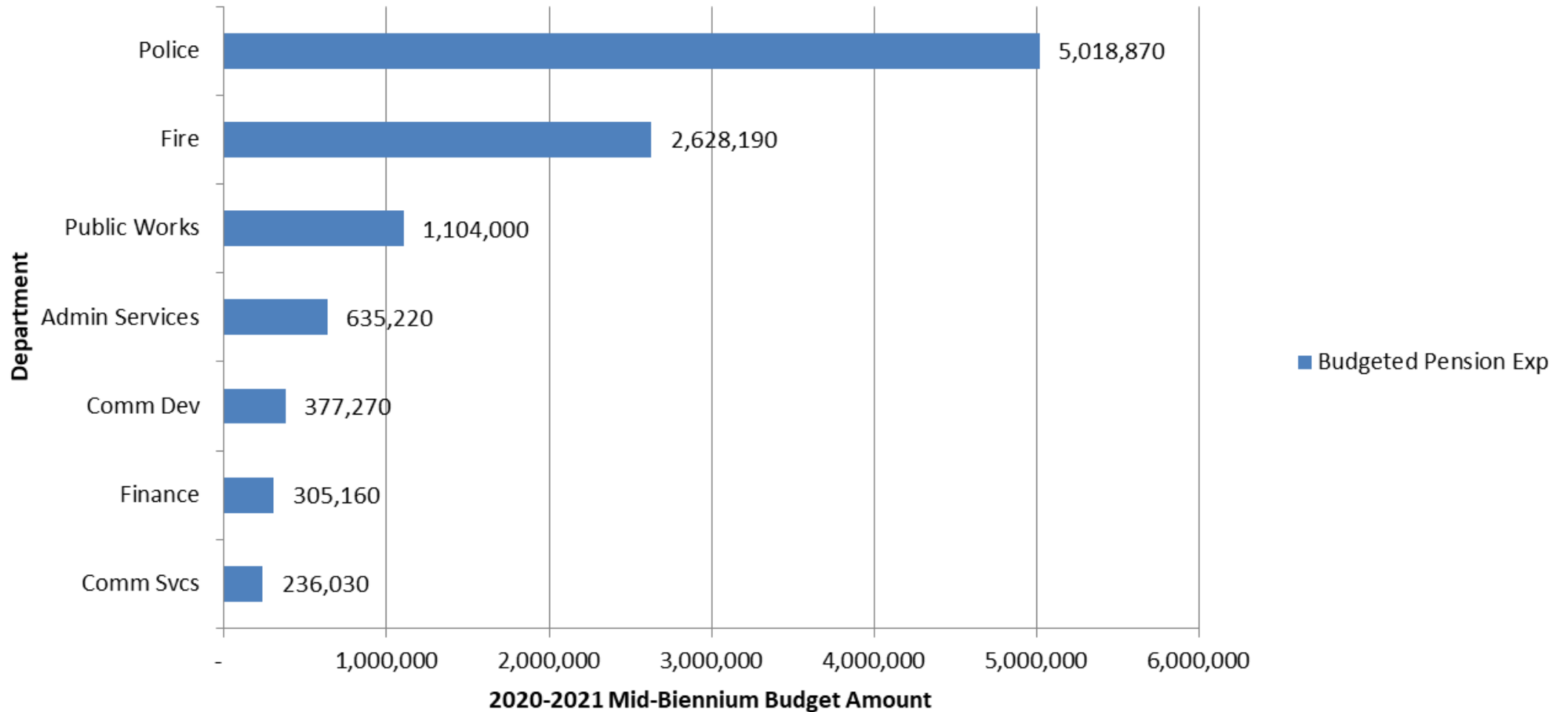
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Pension Expense

- Rising pension obligation costs remain the single fastest increasing expenditure
- Negotiated cost sharing agreements with City employees help mitigate a small portion of these costs
- Pension costs expected to increase through fiscal year 2025-2026 where they will likely remain through 2035-2036 before beginning to decrease
- The 2020-2021 General Fund budget includes \$10,304,740 for pension costs

City of La Mesa 2020-2021 Mid-Biennium Budget Update Budgeted Pension Expense



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Other City Funds – Capital Improvement Program

- 2019-2021 Capital Improvement Program adopted as part of the 2019-2021 Biennial Budget
- No changes or additions to the new projects previously for approved for 2020-2021
- Proposed amended 2020-2021 Mid-Biennium Budget includes encumbered and carry forward of unspent Capital Improvement Project appropriations from the 2019-2020 budget for projects still to be completed

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Other City Funds

- Housing Successor Agency: larger than anticipated repayment of deferred housing set aside funds from the Successor Agency
- Community Development Block Grant: services for homeless outreach provided in additional COVID-19 funding
- Equipment Replacement: funds for the replacement of the City's antiquated financial information system
- Liability Risk: increases in liability deposit and excess pool expenses

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Conclusions

- General Fund revenues for the 2020-2021 Mid-Biennium Budget heavily impacted by COVID-19 and slightly below levels projected in the April 2020 financial forecast update
- General Fund expenditures for the 2020-2021 Mid-Biennium Budget slightly higher primarily due to increases in operating expenses
- Projected General Fund reserves at end of 2020-2021 are \$22.7 million or 42.5 percent of budget

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Questions/Comments