



# Fiscal Years 2023 & 2024 Proposed Biennial Budget Adoption

City Council  
28 June 2022

# PURPOSE & RECOMMENDATION

- Receive Mayor's Supplemental Budget Recommendations
- Discussion and Deliberation on Biennial Budget
- Adopt a Resolution to:
  - Adopt the City Manager's FY 2023 & FY 2024 Proposed Biennial Budget that includes Tier 1 Funding Recommended Items, including Capital, as presented to Council on June 14, 2022
  - Adopt the technical adjustments as proposed within Exhibit B- Schedule of Changes
  - Adopt the Mayor's Supplemental Budget Recommendations and
  - Adopt any subsequent Council amendments and action
- Authorize the City Manager to provide advances to selected community agencies receiving City funds in FY 2023 and as amended by subsequent Council action
- Approve the updated fiscal policies

# FISCAL POLICIES

- Focusing on the long-term fiscal health of the City by adopting a two-year budget and conducting multi-year planning
- Building a prudent reserve **based upon the City's adopted General Fund Reserve policy and using the goal of reaching a reserve of 30% of General Fund revenues by 2027 as a guideline.**
- Developing long-term strategies to reduce unfunded liabilities.
- Controlling labor costs while minimizing layoffs **and promoting recruitment and retention of City staff.**
- **Primarily** allocating one-time revenue for one-time expenditures (e.g., capital investments and deferred maintenance).
- Requiring enterprise and grant funds to balance and new programs to pay for themselves.
- Any new expenditure requires new revenue or expenditure reductions.

# FISCAL POLICIES CONTINUED

- ~~• Transfer Tax revenue in excess of \$12.5 million dollars will be treated as one-time revenue to be used for the City's capital infrastructure needs.~~
- **Allocate excess property transfer tax over the baseline to short-term operational needs, General Fund reserves and the City's capital infrastructure plan, including funding an approach to returning and maintaining the City's roads at an acceptable Pavement Condition Index.**
- **Increase the property transfer tax baseline for operational needs to \$18.0 million for fiscal years 2023 and 2024, with a permanent adjustment to \$16.0 million beginning in fiscal year 2025.**
- **Revenue generated from Measure P is excluded (exempt) from this policy.**
- As the General Fund subsidy to the Safety Members Pension fund declines over the next several years, the amount of the annual decrease will be used to help fund the new Police Employee Retiree Health Plan.

# FISCAL POLICIES CONTINUED

- ~~Starting in FY 2019, staff costs as approved by the City Council that exceed the enforcement fees and penalties shall be appropriated from the short-term rental taxes collected pursuant to BMC Section 23C.22.050, Section H, with the primary allocation of the rental tax to the purposes listed below:  
(a) Two thirds (66.7%) allocated to the Affordable Housing Trust Fund and  
(b) One third (33.3%) allocated to the Civic Arts Grant Fund.~~
- Allocating annual savings derived from the prepayment of the annual CalPERS unfunded liability payments to the City's Section 115 Pension Trust up to \$5.5 million per fiscal year or as advised by the City's actuarial and staff.**
- Allocating any additional revenue earned from investments that is over the annual (fiscal year) baseline of \$6 million in the following manner: 1/3 to the Section 115 Pension Trust up to \$5.5 million per fiscal year or as advised by the City's actuarial and staff, 1/3 to General Fund reserves up to 30% of General Fund revenue or as recommended by Council policy, and 1/3 to address the City's capital infrastructure plan.**