

FY2023/24

Preliminary Operating Budget Workshop

May 17, 2023

Overview of Presentation

City Council Budget Dates

FY2023/24 General Fund Preliminary Operating Budget

Staff Recommendations to close the General Fund Deficit

FY2023/24 Significant Budget Highlights

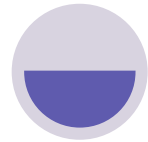
Next Steps

City Council Budget Dates



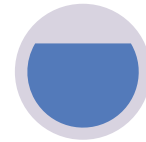
May 17

**FY2023/24
Preliminary
Operating
Budget
Workshop**



May 24

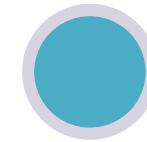
**FY2023/24
Preliminary
Capital
Improvement
Project
Budget
Workshop**



June 7

**FY2023/24
Operating
Budget with
No One-Time
Funding**

*Introduce
Performance
Measures in
the Budget
starting with
Police & Fire*



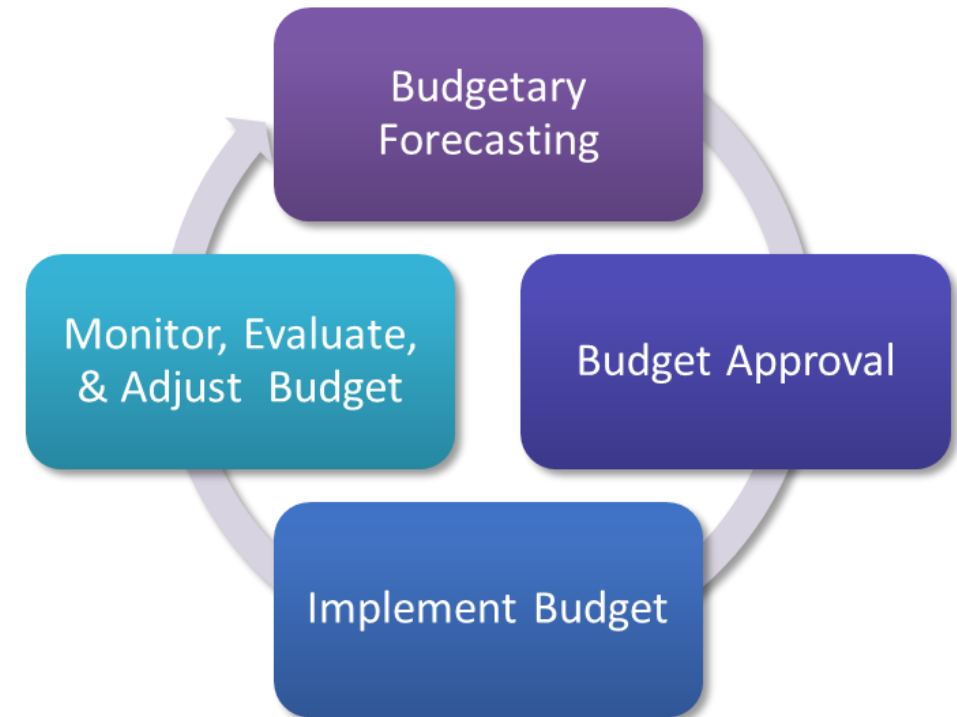
June 21

**Adoption of
the
FY2023/24
Operating
and CIP
Budgets**

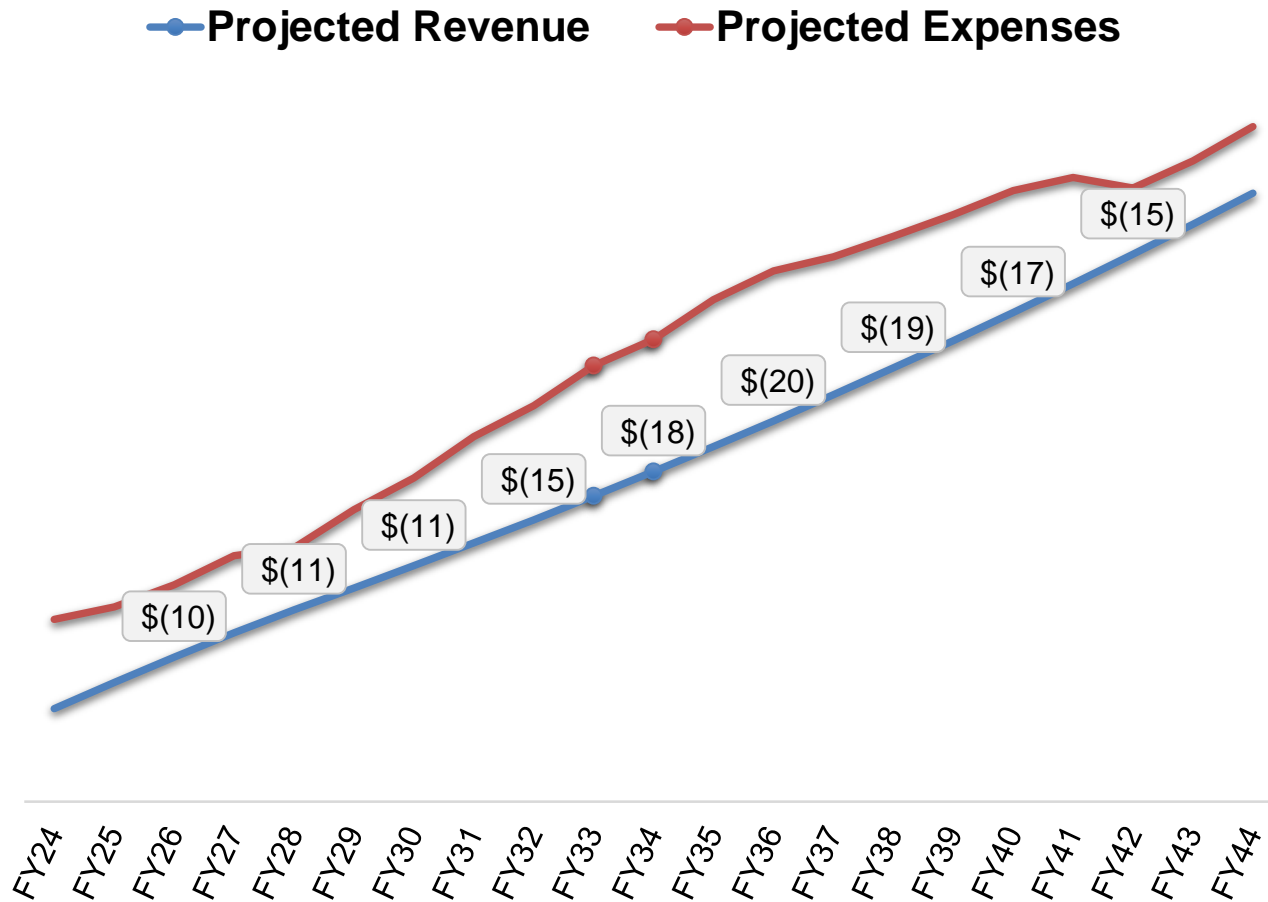
Annual Operating Budget Process

General Fund Multi-Year Financial Plan

- Projects the City's revenues and expenditures
- Highlights the long-term effects of financial decisions
- Identifies financial trends, shortfalls, and potential issues so the City can proactively address them
- Tool used to help reach the City's goal to maintain ongoing financial structural stability



General Fund Financial Forecast



Revenue Assumptions

- Known Current Economic Conditions
- Analysis from Consultants
- Historical Performance

Expense Assumptions

- Maintain current City services
- No New Projects or Expansion of Services
- No funding for Capital Projects
- No funding for Deferred Maintenance

The Escondido Discussion

- Understanding the community's priorities is an important part of the City's budget planning process.
- **The Escondido Discussion** was launched last year



The Escondido Discussion



Three Community Meetings

- Friday, March 31 – EVCC Vineyard Room
- Saturday, April 15 – City Hall Mitchell Room
- Friday, April 21 – Virtual with Community Alliance for Escondido (CAFÉ)

Online Survey

- 54 Responses Submitted

The Escondido Discussion



Online Survey

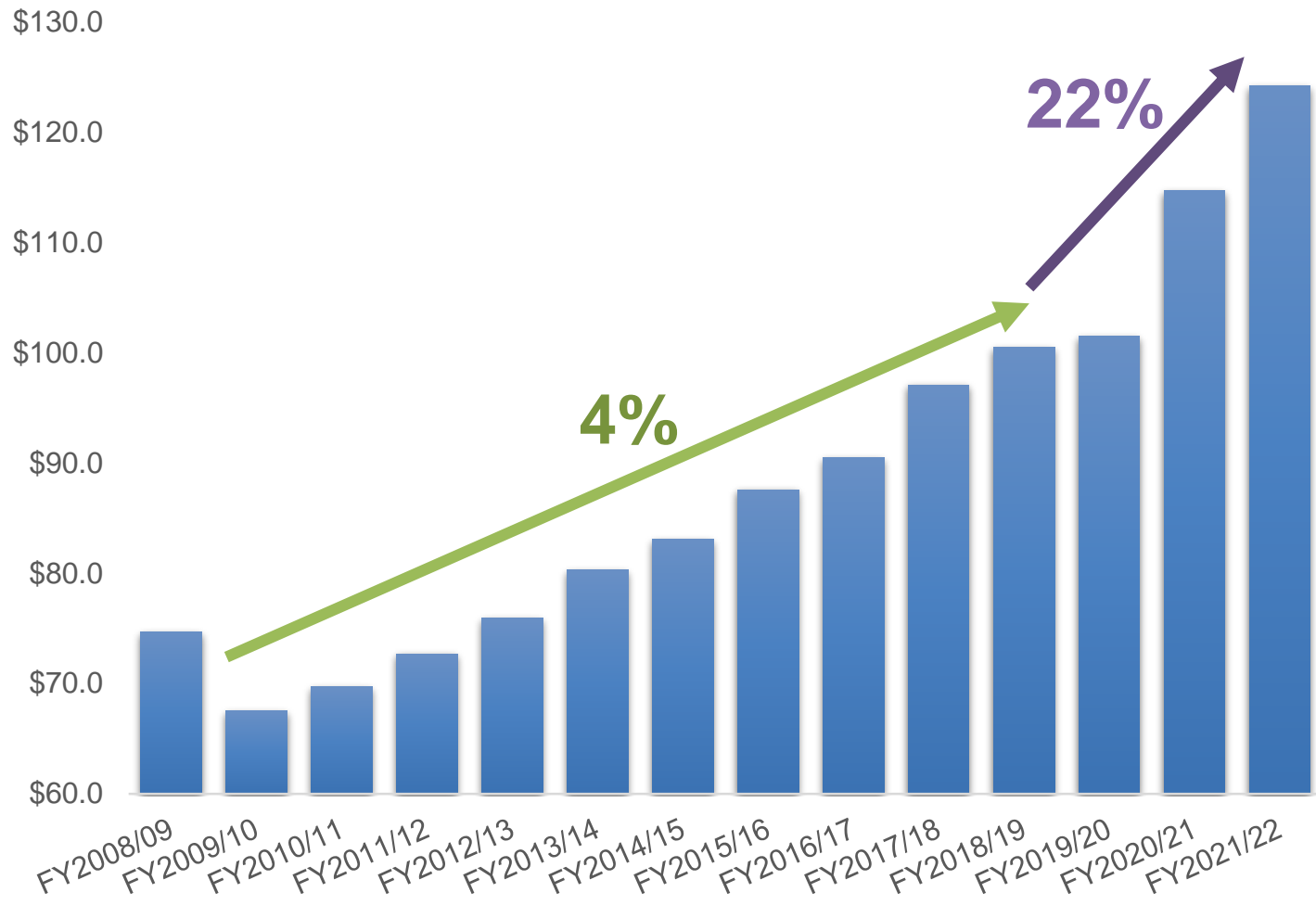
Ranking of topics:

1. Addressing Homelessness
2. Maintaining and repairing local streets, roads and sidewalks
3. Attracting businesses and jobs to the City
4. Improving public safety
5. Keeping areas clean and free of graffiti



FY2023/24 General Fund Revenue Projections

Historical Operating Revenue



**Between FY2019/20 &
FY2021/22
22% Growth in Revenue**

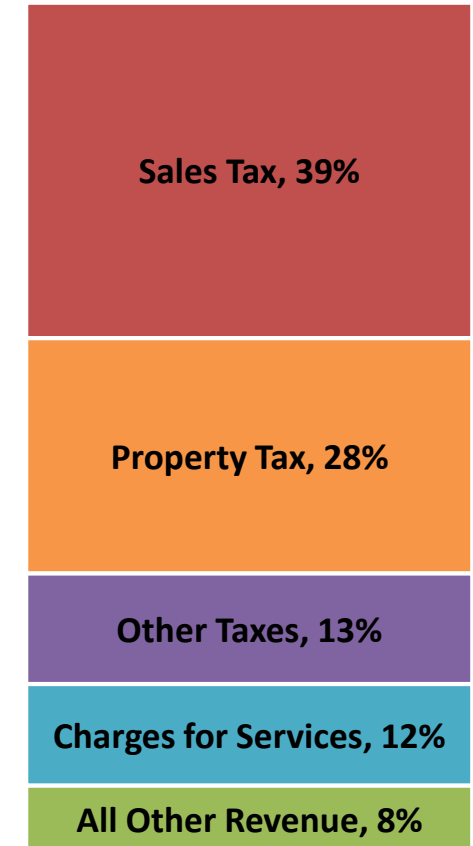


**Reported in FY2022/23
Third Quarter Report -
Economy is Slowing**

**Sales Tax Revenue
Decreased**

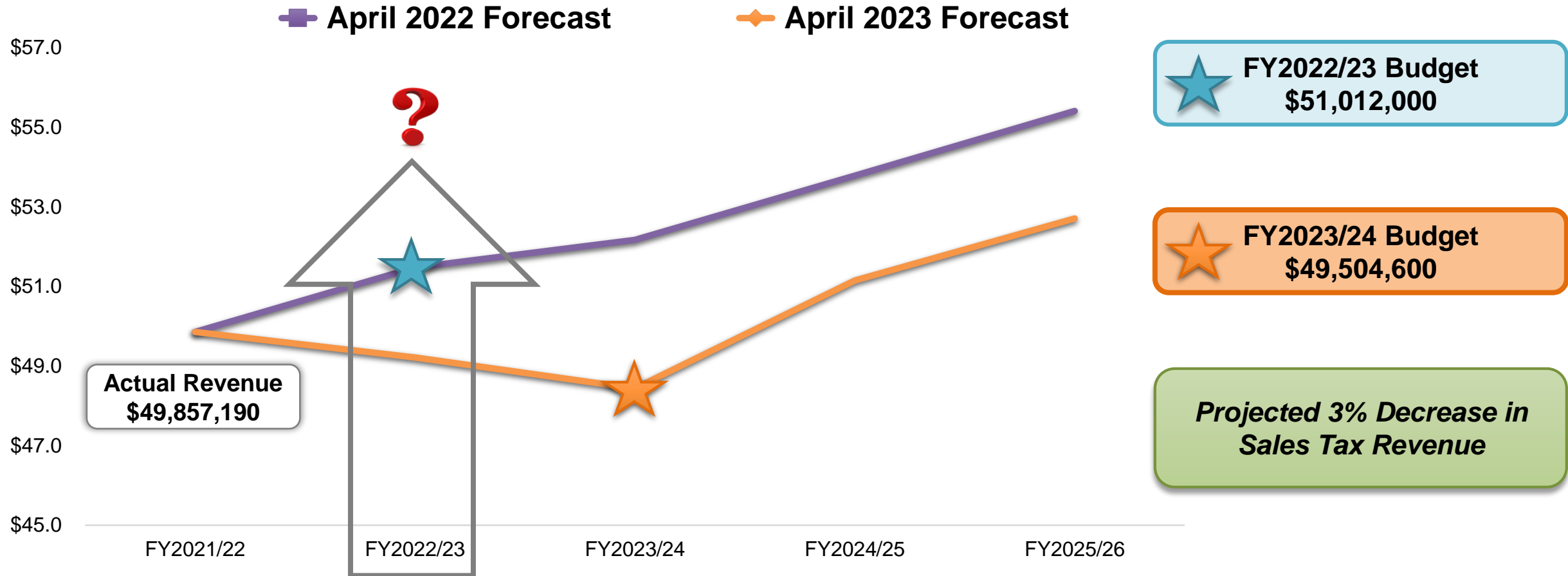
FY2023/24 Preliminary Operating Budget Revenue Projections

Revenue	FY2022/23 Revised	FY2023/24 Projected	Change	%	
Sales Tax	\$51,012,200	\$49,507,600	(\$1,504,600)	(3)%	↓
Property Tax	32,780,100	35,068,340	2,288,240	7%	↑
Other Taxes	14,659,860	16,483,370	1,823,510	12%	↑
Charges for Services	10,898,650	15,013,000	4,114,350	38%	↑
Intergovernmental	3,450,000	3,506,250	56,250	2%	↑
Permits & Licenses	1,778,500	2,145,500	367,000	21%	↑
Fines & Forfeitures	832,500	873,000	40,500	5%	↑
Investment & Rental Income	4,350,920	4,474,000	123,080	3%	↑
Other Revenue	166,500	262,000	95,500	57%	↑
Total Operating Revenue	\$119,929,230	\$127,333,060	\$7,403,830	6%	



FY2023/24 Preliminary Operating Budget

Sales Tax Projections (provided by Avenulnsights)



**Projection –
Final Payment in August 2023**

FY2023/24 Preliminary Operating Budget **Charges for Services**

Emergency Medical Transportation Program (“GEMT-IGT”)

- Legislation (AB 1705) passed in 2019 to leverage Federal Medicaid funds to compensate public ambulance providers for Medi-Cal patients
 - Public ambulance providers send non-federal matching dollars to DHCS
 - ✓ *Fire Department Budget accounts for payment of \$1,812,370*
 - DHCS uses non-federal matching dollars and federal Medicaid funds to provide an ‘add-on’ payment for Medi-Cal transports
 - ✓ *Paramedic Revenue (Charges for Services) increased \$3,030,000*
- **Estimate of \$1.2 million in net new revenue annually**

**GEMT-IGT Program will be on the
June 7 City Council Agenda**



FY2023/24

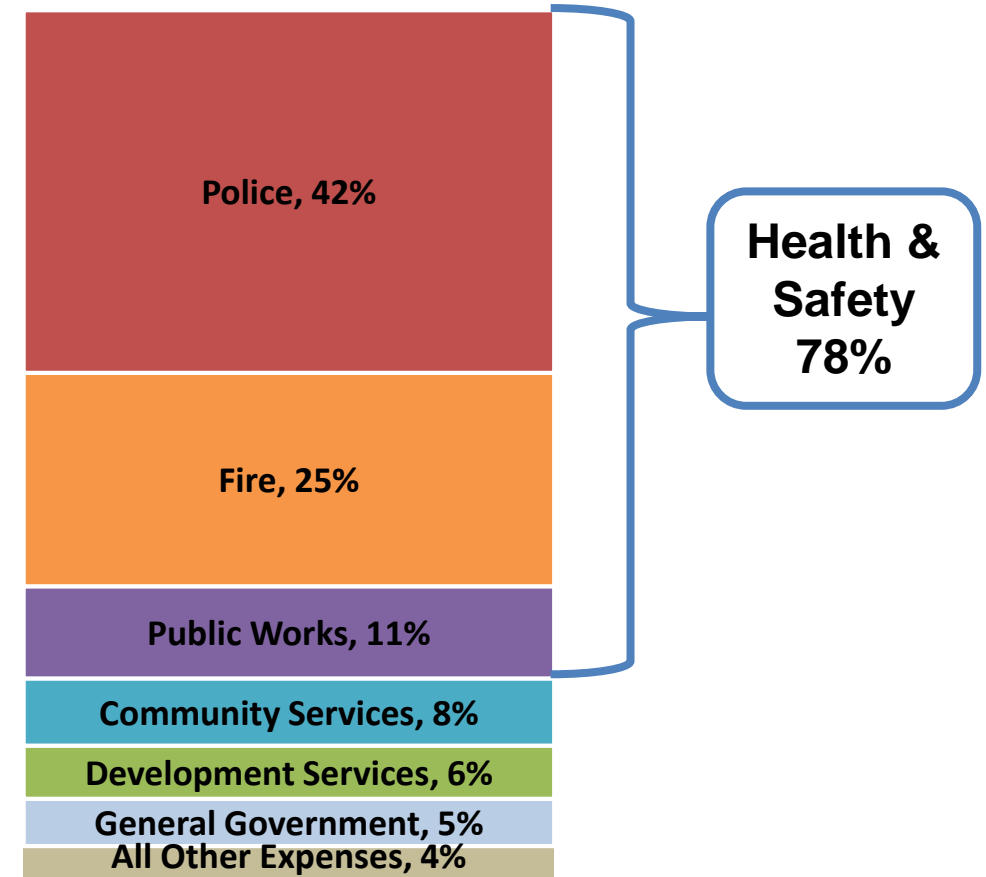
General Fund

Operating Expenses

FY2023/24 Preliminary Operating Budget

Projected Operating Expenses

Department	FY2023/24 Projected Expenses
General Government Services	\$7,641,150
Community Services	10,855,790
Development Services	8,578,290
Public Works	14,880,590
Police	58,573,390
Fire	34,537,600
California Center for the Arts	3,247,370
Other Expenses	2,236,720
Total Expenditures	\$140,550,900



FY2023/24 Preliminary Operating Budget

Operating Revenue	\$127,403,060
Total Operating Transfers In	2,345,900
TOTAL, Sources	\$129,748,960
Operating Budget	\$140,550,900
Total Operating Transfers Out	493,900
TOTAL, Uses	\$141,044,800
TOTAL, Sources Over/(Under) Uses	\$(11,295,840)

Budget Deficit



Staff Recommendations to Close the FY2023/24 General Fund Budget Deficit

FY2023/24 Payments to CalPERS

Most cities in California, including Escondido, contract with **CalPERS** for their employees' retirement benefits

- CalPERS provides for and manages the City's employee pension plans

Escondido has two Plans with CalPERS:

Safety Plan – Sworn Police and Fire Employees

Miscellaneous Plan – All Other Employees*

*General Fund, Water, Wastewater, Internal Service & Special Revenue Funds

FY2023/24 Payments to CalPERS

The City makes two types of payments to CalPERS:

- **Unfunded Accrued Liability (UAL)**

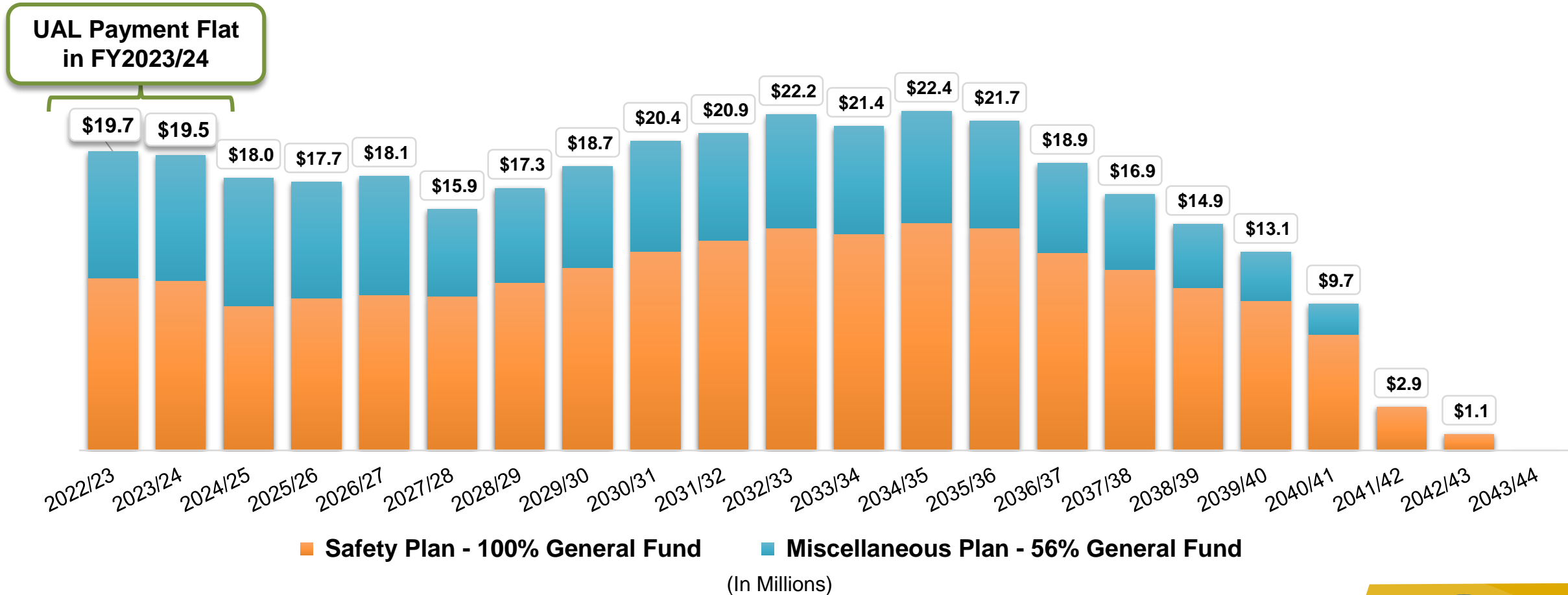
Actuarial Liability MINUS Actuarial Value of Assets

- **Normal Cost (NC)**

Annual cost for current employees

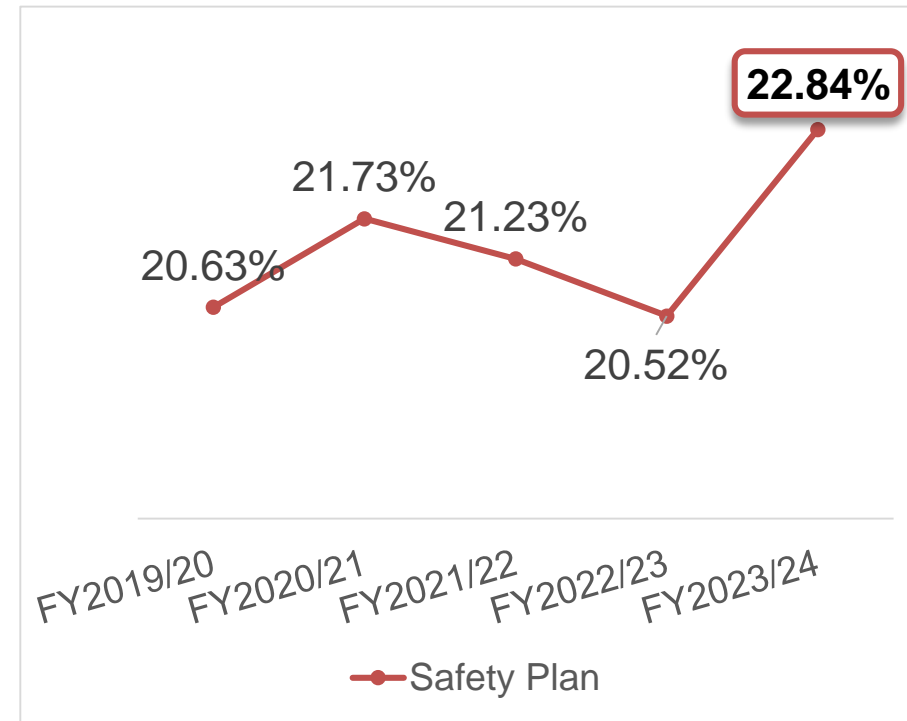
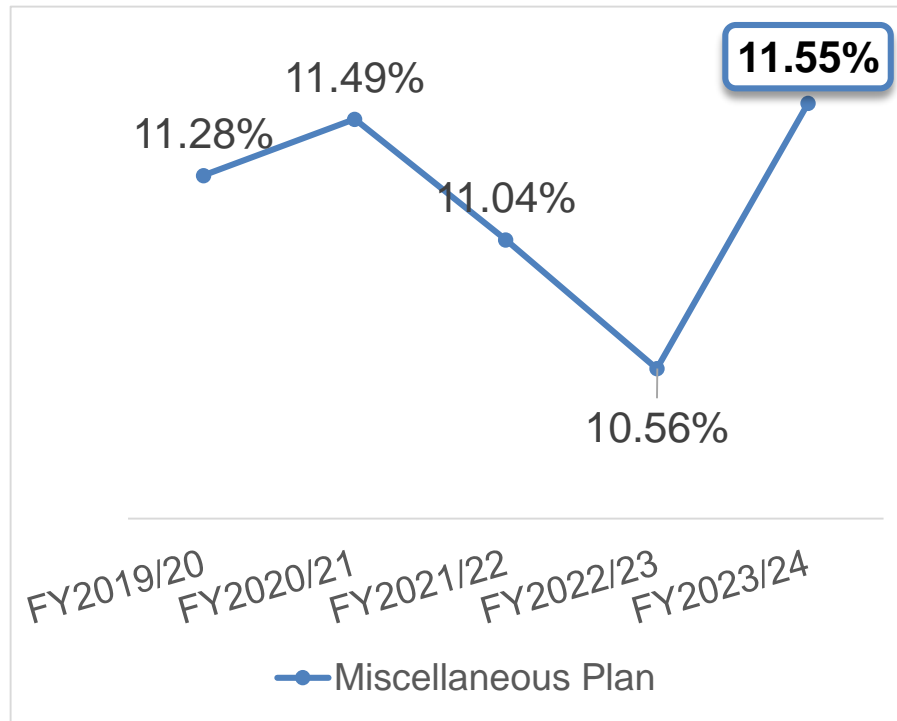
FY2023/24 Payments to CalPERS

General Fund Annual Projected Unfunded Accrued Liability Payments



FY2023/24 Payments to CalPERS

The projected Normal Cost payments to CalPERS increased the General Fund deficit by \$1,500,640



FY2023/24 Payments to CalPERS

Staff Recommendation

Use the Section 115 Trust Fund for the increase in Normal Cost Payments to CalPERS of **\$1,500,640**

Section 115 Pension Trust Fund

- Established in February 2018
- Used to set aside and hold money to meet future pension liabilities
- Used to provide economic relief during recessionary cycles and/or rate increases
- Funds placed in this Trust can also be used to offset the City's "normal" CalPERS costs

Cash Balance as of March 31, 2023

\$31,248,583

Updated General Fund Deficit

TOTAL, Sources	\$129,748,960
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Operating Budget	\$141,044,800
Use of Section 115 Pension Trust Fund	(1,500,640)
TOTAL, Uses	\$139,544,160

TOTAL, Sources Over/(Under) Uses	\$(9,795,200)
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Budget Deficit

General Liability – Internal Service Fund

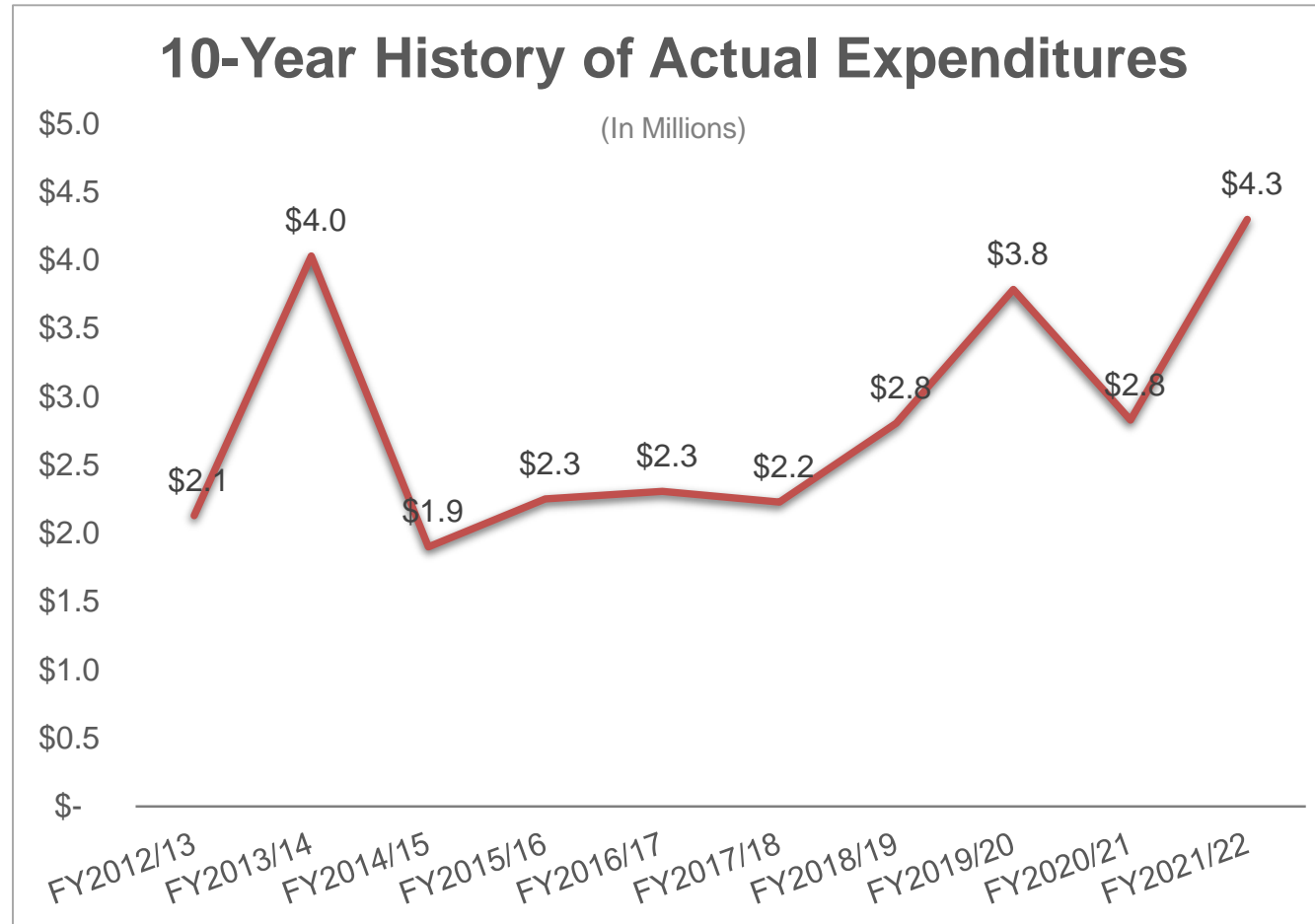
This fund was created to account for transactions related to the City's liability exposure, including its insurance premiums

Funding is provided through charges to departments based on a future risk evaluation and prior claims experience

Actuary performs a Risk Evaluation

Recommends Reserve and Fund Balance Targets

General Liability – Internal Service Fund



10-Year Average of Actual
Expenditures
\$2,857,650



Increase in Insurance
Premiums & Employee Services
\$564,680




**TOTAL DEPARTMENT
CHARGES**
\$3,422,330

General Liability – Internal Service Fund

Staff Recommendation

- Reduce Charges to Departments Based on Actual Experience
- Use Reserve Funds to Fund the Difference

June 30, 2023 Projected Fund Balance		\$3,458,880	
Department Charges in FY2023/24	3,422,330		Use of Reserves \$2,995,840
Insurance Premiums	(3,765,900)		
Employee Services/Other Allocations	(2,490,190)		
Projected Ending Fund Balance FY2023/24		\$1,428,430	

Updated General Fund Deficit

TOTAL, Sources	\$129,748,960
Operating Budget	\$141,044,800
Use of Section 115 Pension Trust Fund	(1,500,640)
General Liability – Use of Reserves	(2,995,840)
TOTAL, Uses	\$136,548,320

TOTAL, Sources Over/(Under) Uses	\$(6,799,360)
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Budget Deficit

Fleet Services – Internal Services Fund

Created to account for transactions related to the maintenance, operations, fueling, *replacement*, and disposal of City vehicles

Citywide departments are billed based on each piece of equipment that the department owns.

General Fund & Utility Funds

Funds are collected on an annual basis through each affected department's operating budget and deposited into the Fleet Fund.

The Fleet Fund also accumulates reserves for future vehicle and equipment purchases on a predetermined replacement schedule.

Fleet Services Fund – Internal Services Fund

	FY2023/24 Original Replacement	Reduction - Defer Replacement	FY2023/24 Replacement Schedule
Building	\$26,000	(26,000)	\$0
Code Compliance	53,000	(53,000)	0
Engineering	133,500	(133,500)	0
Fleet Services	113,000	(113,000)	0
Parks Maintenance	95,000	(95,000)	0
Police Department Administration	193,000	0	193,000
Police Department Operations	159,000	0	159,000
Police Department Patrol	1,751,700	0	1,751,700
Recreation	43,000	(43,000)	0
Risk Management	38,000	(38,000)	0
Street Maintenance	647,300	(647,300)	0
Total Estimated Cost	\$3,252,500	(\$1,148,800)	\$2,103,700
Total Number of Vehicles	59	(23)	36

Fleet Services Fund – Internal Services Fund

Staff Recommendation

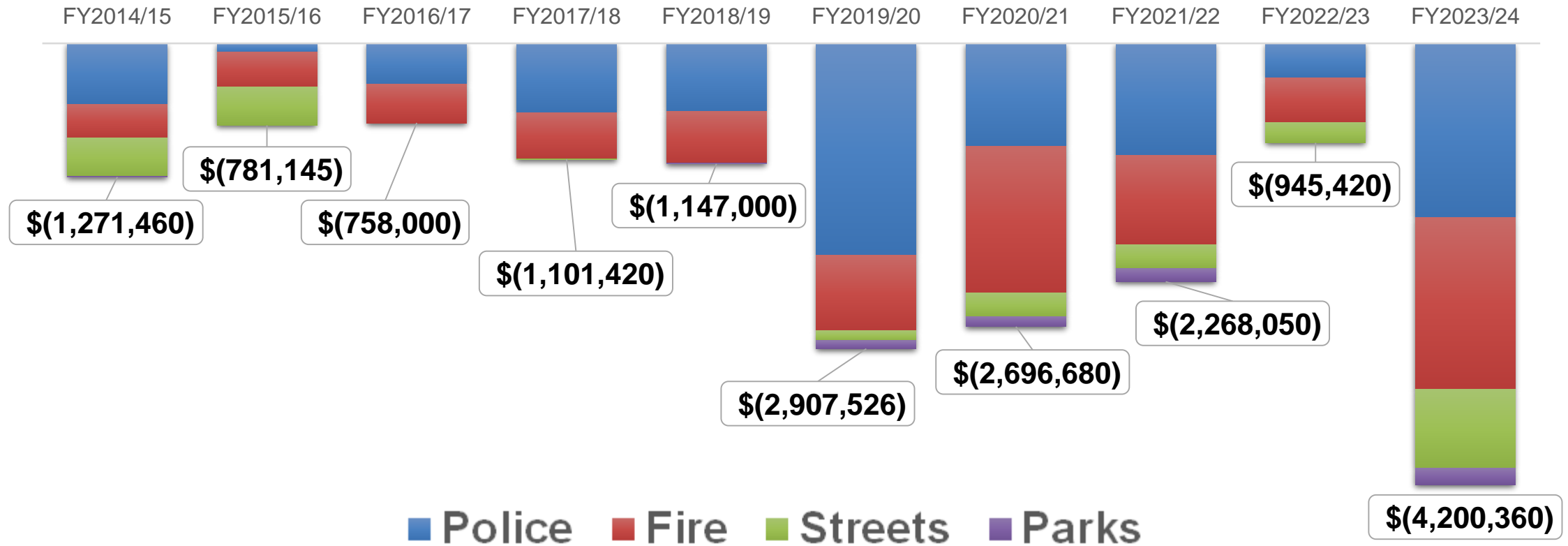
- Reduce Charges to Departments
- Replace Public Safety Vehicles Only in FY2023/24
- Use Reserve Funds to Fund the Difference

June 30, 2023 Projected Fund Balance	\$6,500,000
Total Department Charges in FY2023/24	4,551,710
Budgeted Expenditures in FY2023/24	(8,336,780)
Projected Ending Fund Balance FY2023/24	\$2,714,930

**Use of
Reserves
\$3,610,070**

Fleet Services – Internal Services Fund

10-Year History of Underfunding for Capital Replacement



Updated General Fund Deficit

TOTAL, Sources	\$129,748,960
Operating Budget	\$141,044,800
Use of Section 115 Pension Trust Fund	(1,500,640)
General Liability – Use of Reserves	(2,995,840)
Fleet Services – Deferred Replacements	(1,148,800)
Fleet Services – Use of Reserves	(3,610,070)
TOTAL, Uses	\$131,789,450
TOTAL, Sources Over/(Under) Uses	\$(2,040,490)

Budget Deficit

Historical Cost Savings Reduction

Department	FY2023/24 Budget Reduction
General Government Services	\$490,000
Community Services	200,000
Development Services	100,000
Public Works	140,000
Other Expenses	113,910
Total Cost Savings Target	\$1,000,000
Cost Savings Contingency	(400,000)
Total Budget Reduction	\$600,000

Staff evaluated the previous 5 fiscal years of departments savings

Public Safety is excluded from FY2022/23 & FY2023/24 budget reductions

Police	150,000
Fire	180,000
Public Works (Health & Safety)	(43,910)

Updated General Fund Deficit

Beginning General Fund Deficit	(\$11,295,840)
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Section 115 Trust – Increase in CalPERS Rates	1,500,640
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Use of General Liability Fund Reserves	2,995,840
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Deferred Replacement of Vehicles	1,148,800
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Use of Fleet Fund Reserves	3,610,070
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Historical Cost Savings Reduction	600,000
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Total Reductions to the FY2023/24 Budget	\$9,855,350
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Remaining General Fund Deficit	(\$1,440,490)
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Staff Recommendation is to utilize funds from the Lost Revenue Category of ARPA Funds

American Rescue Plan Act (“ARPA”)

ARPA Lost Revenue Category	\$10,000,000
FY2022/23 General Fund Deficit	(3,735,030)
FY2023/24 General Fund Deficit	(1,440,490)
Remaining ARPA Lost Revenue Category	\$4,824,480

Lost Revenue is an
Eligible Spending
Category under ARPA

Must be obligated by
December 2024

Must be spent by
December 2026

***June 14
ARPA Project Update***

Proposed FY2023/24 General Fund Operating Budget

Operating Revenue	\$127,403,060
Transfer from Gas Tax Fund	2,055,000
Transfer from CFD No. 2020-1 (The Services)	290,900
<i>Transfer from American Rescue Plan Act</i>	<i>1,440,490</i>
TOTAL, Sources	\$131,189,450

Operating Budget	\$130,695,550
Transfer to Reidy Creek Golf Course – Debt Service	364,300
Transfer to Successor Agency – Housing	25,000
Transfer to Vehicle Parking District	104,600
TOTAL, Uses	\$131,189,450



FY2023/24 General Fund Budget Highlights

General Government Services

Department	FY2022/23 Revised Expenses	FY2023/24 Projected Expenses	Change	%
City Council	\$345,510	\$396,390	50,880	14.7%
City Manager	1,396,630	1,530,580	133,950	9.6%
City Attorney	212,870	198,290	(14,580)	(6.8%)
City Clerk	655,840	680,240	24,400	3.7%
City Treasurer	238,080	233,490	(4,590)	(1.9%)
Finance	1,550,700	1,809,720	259,020	16.7%
Human Resources	755,520	795,320	39,800	5.3%
Information Systems	501,350	438,310	(63,040)	(12.6%)
Total	\$6,817,660	\$7,191,240	\$373,580	5.5%

Significant Budget Highlights:

City Council

- National League of Cities Membership
- Additional Training & Expense Resources

City Manager

- Increase in Utilities for Vacant City-Owned properties

Finance Department

- Consulting Services -
 - ✓ Revenue Analysis Options Study
 - ✓ Citywide Fee Inventory Study

Community Services

Department	FY2022/23 Revised Expenses	FY2023/24 Projected Expenses	Change	%
Communications	\$740,410	\$871,500	\$131,090	17.7%
Digital Media Services	164,100	174,540	10,440	6.4%
Recreation / Community Services	4,333,780	4,573,720	239,940	5.5%
Library	3,661,960	3,771,040	109,080	3.0%
Older Adult Services	691,580	727,170	35,590	5.1%
Senior Nutrition Center	465,700	630,460	164,760	35.4%
Total	\$10,057,530	\$10,748,430	\$690,900	6.9%

Significant Budget Highlights:

Communications

- Website Design Technician position was moved into Communications from the Information Systems Department

Recreation

- Increase in the costs of Temporary Part-Time Staff

Senior Nutrition Center

- Increase in the contract for Transportation and Meal & Delivery services

Development Services

Department	FY2022/23 Revised Expenses	FY2023/24 Projected Expenses	Change	%
Code Compliance	\$1,063,970	\$1,011,200	\$(52,770)	(5.0%)
Building	1,502,130	1,688,550	186,420	12.4%
Planning	2,145,050	2,391,860	246,810	11.5%
Engineering	2,940,780	3,251,450	310,670	10.6%
Total	\$7,651,930	\$8,343,060	\$691,130	9.0%

Significant Budget Highlights:

- Building, Planning, and Engineering increased Contract Consultant Services
- *Planning* - Reclassify a vacant Administrative Coordinator position to Management Analyst
- *Engineering* - Reclassify a vacant Administrative Assistant position to Development Technician

Public Works

Department	FY2022/23	FY2023/24	Change	%
	Revised Expenses	Projected Expenses		
Parks Maintenance	\$3,956,770	\$4,221,420	\$264,650	10%
Street Maintenance	8,726,730	8,177,050	(549,680)	(6.3%)
Total Expenditures	\$12,683,500	\$12,398,470	(\$285,030)	(2.2%)

Significant Budget Highlights:

Parks Maintenance

- Play Structure Repairs - \$20,000
- Pool Maintenance - \$20,000
- Replacement of the Washington Pool Heater - \$52,000

Streets Maintenance

- Replacement of a backhoe - \$200,000
- Replacement of a wheel loader - \$300,000

Police Department

	FY2022/23 Revised Expenses	FY2023/24 Projected Expenses	Change	%
Police Department	\$52,939,360	\$54,083,660	\$1,144,300	2.2%

Significant Budget Highlights:

- Employee Services increased by \$2.9 million
 - One-Year Agreement with the Police Officers Association
 - 2.3% Across-the-Board for Police Officers and 3.6% Across-the-Board for Police Sergeants
 - Steps in the Salary Schedule were modified by removing the bottom two steps and adding two new steps at the top
- Offset by the reduction of funding for Fleet Services - \$1,248,630
 - Vehicles will be replaced using Reserve funds

Fire Department

Department	FY2022/23	FY2023/24	Change	%
	Revised Expenses	Projected Expenses		
Fire Department	\$30,500,650	\$33,306,060	\$2,805,410	9.2%
Emergency Management	220,780	222,800	2,020	0.9%
Total Expenditures	\$30,721,430	\$33,582,860	\$2,807,430	9.1%

Significant Budget Highlights:

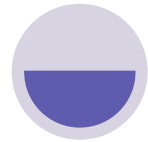
- Employee Services increased by \$2.5 million
 - One-Year Agreement with the Firefighters Association
 - 2.5% Across-the-Board for Firefighters
 - Steps in the Salary Schedule were modified by removing the bottom three steps and adding three new steps at the top
- Intergovernmental Transfer Program Administrative Fee of \$1,812,370
- Increases Offset by the reduction of funding for Fleet Services - \$1,252,410
 - No Fire Vehicles or Equipment are scheduled to be replaced in FY2023/24

City Council Budget Calendar



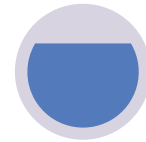
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Preliminary
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Workshop**



May 24

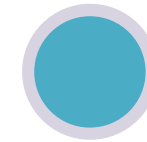
**FY2023/24
Preliminary
Capital
Improvement
Project
Budget
Workshop**



June 7

**FY2023/24
Operating
Budget with
No One-Time
Funding**

*Introduce
Performance
Measures in
the Budget
starting with
Police & Fire*



June 21

**Adoption of
the
FY2023/24
Operating
and CIP
Budget**

