



City of Daly City FY 2019 Mid-Year Budget Review

March 25, 2019

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Agenda

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| 1 | FY 2019 General Fund Budget Overview | 4 | Pension & Retiree Health Update |
| 2 | General Fund Revenues | 5 | General Fund Reserve |
| 3 | General Fund Expenditures | | |

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1. FY 2019 GENERAL FUND BUDGET OVERVIEW

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FY 2019 General Fund Budget Overview

- General Fund revenues are projected to exceed expenditures by \$2.4 million

(in millions \$)

	1	2	3	4
	FY 2019 Adopted Budget	FY 2019 Revised Budget	FY 2019 Projection	\$ Change from Revised Budget
G.F. Revenues	\$80.9	\$81.0	\$89.9	\$8.9
G.F. Expenditures	85.7	87.3	87.5	0.2
Net	(\$4.8)	(\$6.3)	\$2.4	

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2. GENERAL FUND REVENUES

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FY 2019 General Fund Revenues Projection

- Total Net GF revenues are projected at **\$85.2M** after deducting **\$4.7M** one-time revenue in Excess ERAF
- Projected net revenue growth is 5.2% or **\$4.2M**

	1	2	3	4
	FY 2019 Revised Budget	FY 2019 Projection	Over / (Under) Budget	% Growth / (Decline)
(in millions \$)				
General Fund Revenues				
1 Property Tax	\$33.6	\$36.8	\$3.2	9.5%
2 Sales Tax	12.3	14.0	1.7	13.8%
3 Utility Users Tax	5.8	5.8	-	0.0%
4 Other Taxes	9.6	10.3	0.7	7.3%
5 Licenses & Permits	2.3	2.6	0.3	13.0%
6 Fines & Forfeitures	3.4	3.3	(0.1)	-2.9%
7 Rents & Interest Income	1.2	1.7	0.5	41.7%
8 Receipts from Other Agencies	0.6	0.6	-	0.0%
9 Charges & Fees	3.5	3.8	0.3	8.6%
10 Program Fees	1.7	1.6	(0.1)	-5.9%
11 Misc. Revenue	3.7	6.1	2.4	64.9%
12 Interfund Transfers	3.3	3.3	-	0.0%
SUB-TOTAL	\$81.0	\$89.9	\$8.9	11.0%
Less One-Time Revenue: Excess ERAF		(\$4.7)		
NET REVENUE	\$81.0	\$85.2	\$4.2	5.2%

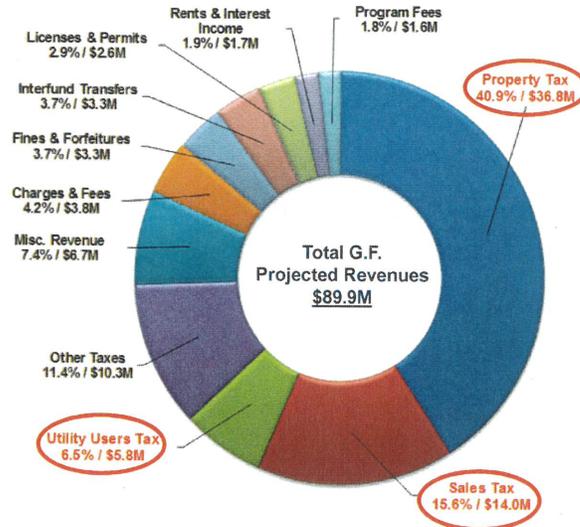
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FY 2019 General Fund Revenues by Category

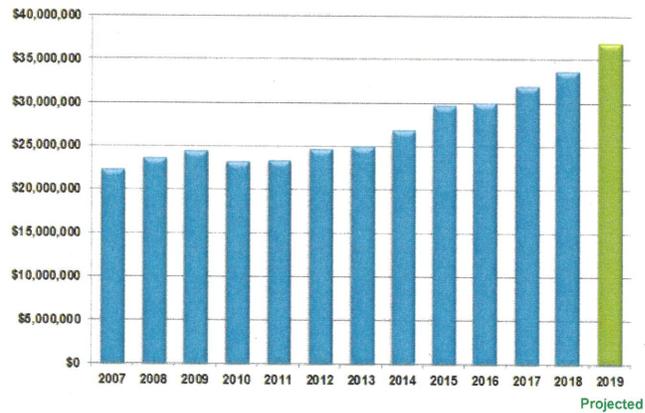
- Property, Sales & Utility Users Tax make up 63.0% of total General Fund revenues

Property Tax	\$36.8M	40.9%
Sales Tax	\$14.0M	15.6%
UUT	\$5.8M	6.5%
TOTAL	\$56.6M	63.0%



Property Tax FY 2007 - FY 2019

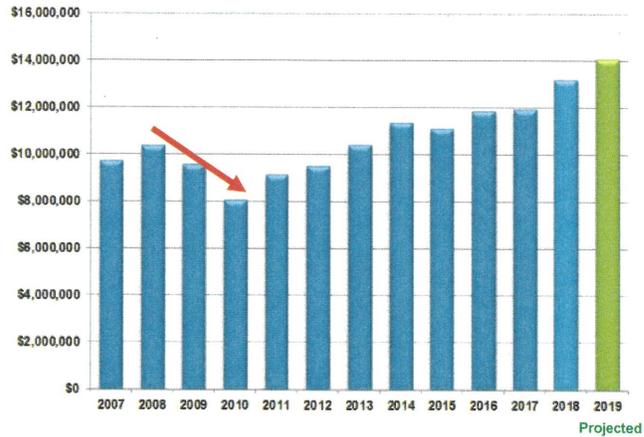
- Since the last recession, Property Tax has grown at an average rate of approx. 5.3% annually
- Projected Property Tax for the current fiscal year is \$36.8M





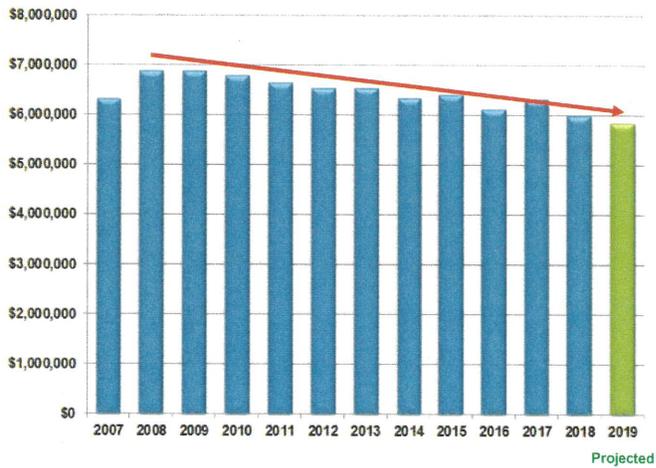
Sales Tax FY 2007 - FY 2019

- Significant decline in Sales Tax during recession
- FY 2019 projected Sales Tax increase to \$14.0 million



Utility Users Tax FY 2007 - FY 2019

- FY 2019 projected UUT at \$5.8 million remains 15% below peak levels in FY 2008





Excess ERAF

Excess ERAF

- Excess Educational Revenue Augmentation Fund (ERAF) is based on the State's minimum funding requirements to schools
- Every year the County and cities get back some of their property tax revenue that is used by the State to fund local schools when these revenues are in excess of the amount need by the schools
- In recent years, the State has significantly increased funding to schools which translates to higher draws from the county ERAFs statewide
- San Mateo, Marin and Napa are the only counties in the State with Excess ERAF revenues



Excess ERAF

Excess ERAF

- Given that the future of Excess ERAF is uncertain, revenue from Excess ERAF is categorized as one-time revenue which should not be used to fund ongoing operating expenses
- Excess ERAF above the budget will be used to replenish the General Fund Reserve

(in millions \$)

Fiscal Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Excess ERAF	\$1.9	\$2.0	\$2.1	\$2.7	\$2.3	\$2.4	\$2.9	\$3.1	\$3.4	\$3.1	\$3.1	\$3.5	\$4.7*

* FY 2019 Excess ERAF includes \$0.6 million one time adjustment, resulting from changes to distribution schedule



3. GENERAL FUND EXPENDITURES



FY 2019 General Fund Expenditures Projection

- Total GF expenditures are projected at \$87.5M, or \$0.2M above the budget

- The increase is due to higher than anticipated expenditures in salary & benefit

(in millions \$)	↓ 1	↓ 2	3	4
General Fund Expenditures	FY 2019 Revised Budget	FY 2019 Projection	Over / (Under) Budget	% Growth / (Decline)
1 Salaries & Benefits	\$65.2	\$65.4	\$0.2	0.3%
2 Services & Supplies	8.6	8.6	-	0.0%
3 Program Costs	0.3	0.3	-	0.0%
4 Other Charges	1.6	1.6	-	0.0%
5 Fixed Charges	9.4	9.4	-	0.0%
6 Capital Outlay	0.3	0.3	-	0.0%
7 Transfers Out	1.9	1.9	-	0.0%
Total	\$87.3	\$87.5	\$0.2	2.8%



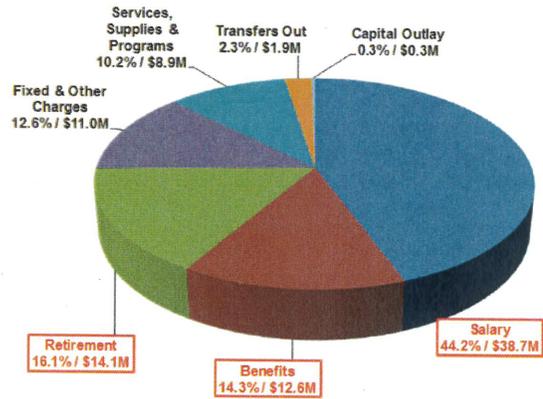
FY 2019 General Fund Expenditures by Category

- **Salary, Benefits & Retirement** account for **75%** or **\$65.4M** of the total General Fund expenditures

Salary	\$38.7M	44.2%
Benefits	\$12.6M	14.3%
Retirement	\$14.1M	16.1%
TOTAL	\$65.4M	74.6%



Total GF Projected Expenditures \$87.5 M



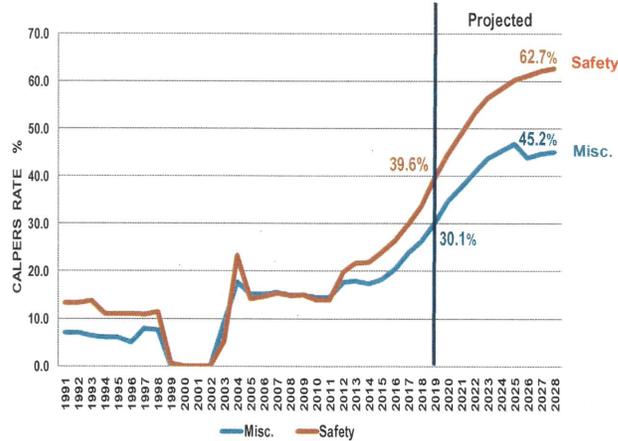
4. PENSION & RETIREE HEALTH UPDATE



CalPERS Employer Contribution Rates (FYs 1991 – 2028)

- In Dec. 2016, CalPERS lowered the "discount rate" (assumed rate of return) from 7.5% to 7.0% beginning FY 2019

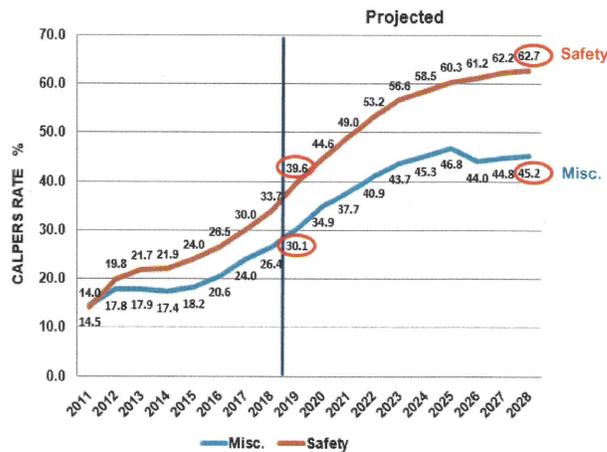
FY 2019	7.375%
FY 2020	7.250%
FY 2021	7.000%



CalPERS Employer Contribution Rates (FYs 2011 - 2028)

- In 2018, CalPERS voted to shorten the amortization period from 30 to 20 years effective 6/30/2019 to increase funding ratios and provide faster recovery of funded status in a market downturn
- CalPERS Employer Contribution Rates are expected to increase significantly over the next several years which will be a major challenge for the City's budget

	FY 2019	FY 2028	% Change
SAFETY	39.6%	62.7%	58.3%
MISC.	30.1%	45.2%	50.2%

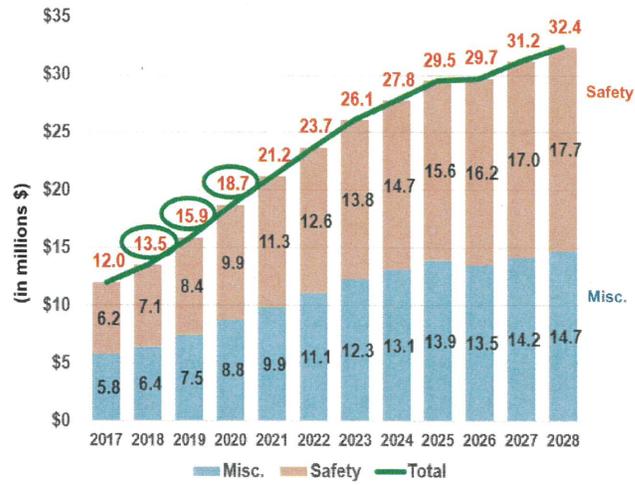




CalPERS Employer Contribution Projections

- Projected CalPERS Employer Contribution **increase 18% annually** between FYs 2018 & 2020

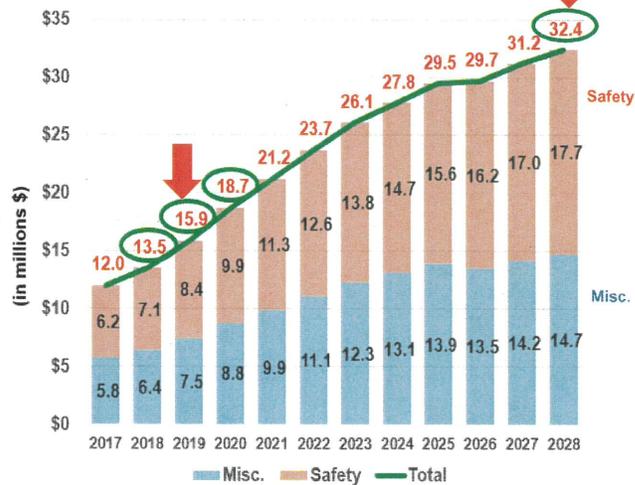
FY 2018	\$13.5M	} \$2.4M
FY 2019	\$15.9M	
FY 2020	\$18.7M	



CalPERS Employer Contribution Projections

- Between FY 2019 & FY 2028, payments to CalPERS increase by 104% or \$16.5M

FY 2019	\$15.9M	} \$16.5M or 104%
FY 2028	\$32.4M	





CalPERS Unfunded Accrued Liability

- Funded status is a measure in which market value of the plan assets is enough to cover the current benefit obligations
- As of 6/30/2017, total pension unfunded liabilities for Misc. and Safety are projected at \$153.5M
- Misc. funded ratio 78.4%
- Safety funded ratio 72.4%

(in millions \$)

	6/30/2015	6/30/2016	6/30/2017
→ Misc. Unfunded Accrued Liability	\$50.0	\$70.7	\$65.9
Funded Ratio	81.9%	75.7%	78.4%
→ Safety Unfunded Accrued Liability	\$65.3	\$87.9	\$87.6
Funded Ratio	77.2%	70.9%	72.4%
TOTAL PENSION UAL	\$115.3	\$158.6	\$153.5



CalPERS Ratio of Retirees to Active Employees

- As of 6/30/2017, there were 797 retirees & beneficiaries; and 442 active employees
- Retirees & beneficiaries outnumbered active employees by a ratio of **1.80 to 1.00**

As of 6/30/2017

	Retirees & Beneficiaries	Active
Misc.	481	287
Safety	316	155
Total	797	442



Pension Obligation Bonds Debt Services Payment

- In FY 2004, the City issued \$36.2M POBs
- Proceeds were delivered to CalPERS to prepay pension unfunded liability
- As of June 30, 2019, total outstanding principal and interest are **\$25.1M**

(in millions \$)

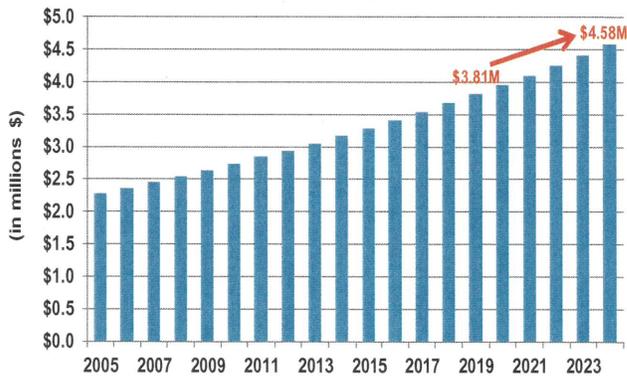
Fiscal Year Ending June 30	Principal	Interest	Total Debt Service	% of increase
2005	\$0.40	\$1.88	\$2.28	
2006	0.34	2.03	2.36	4%
2007	0.44	2.01	2.45	4%
2008	0.55	2.00	2.54	4%
2009	0.66	1.98	2.64	4%
2010	0.79	1.95	2.74	4%
2011	0.93	1.91	2.84	4%
2012	1.08	1.86	2.94	4%
2013	1.25	1.81	3.06	4%
2014	1.43	1.74	3.17	4%
2015	1.63	1.66	3.29	4%
2016	1.84	1.57	3.41	4%
2017	2.07	1.47	3.54	4%
2018	2.33	1.35	3.67	4%
2019	2.60	1.21	3.81	4%
2020	2.90	1.06	3.95	4%
2021	3.22	0.89	4.10	4%
2022	3.56	0.70	4.26	4%
2023	3.93	0.49	4.41	4%
2024	4.33	0.26	4.58	4%
TOTAL	\$36.24	\$29.79	\$66.02	

Total Outstanding (2019 - 2024)	\$20.52	\$4.59	\$25.11
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Pension Obligation Bonds Debt Services Payment

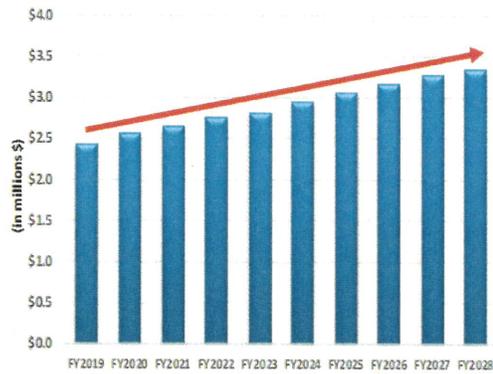
- POBs Debt Services Payment increase 4% annually
- from **\$3.8M in FY 2019** to **\$4.6M in FY 2024**





Other Post-Employment Benefits (OPEB)

- Retiree health benefit payments are projected to increase by 36% from \$2.5M in FY2019 to \$3.4M in FY2028
- In order to fully fund the retiree health, the City will need to contribute an additional \$1.5M annually



Other Post-Employment Benefits (OPEB)

- As of 6/30/2017, total unfunded liability was projected at \$47.1M
- Funded ratio 17.5%
- There were 477 retirees and 457 active full time employees
- Retirees outnumbered active employees by a ratio of 1.04 to 1.00

	(in millions \$)	
	6/30/2015	6/30/2017
Unfunded Actuarial Accrued Liability	\$58.3	\$47.1
Funded Ratio	8.2%	17.5%



5. GENERAL FUND RESERVE



General Fund Reserve

- The City's Reserve Policy is to maintain General Fund unassigned fund balance equal to 15% of annual budgeted expenditures

GENERAL FUND RESERVE PROJECTION

	(in millions \$)					Actual	Projected	Projected
	6/30/13	6/30/14	6/30/15	6/30/16	6/30/17	6/30/18	6/30/19	6/30/20
Unassigned Fund Balance	\$11.5	\$11.3	\$14.5	\$17.6	\$22.2	\$21.9	\$24.3	\$18.2
Use of GF Reserve to balance budget								(\$6.1)
Total G.F. Expenditures	\$68.7	\$71.1	\$78.2	\$81.1	\$78.2	\$83.7	\$87.5	\$90.3
General Fund Reserve as a % of Expenditures	16.8%	15.9%	18.5%	21.7%	28.4%	26.2%	27.8%	20.2%





General Fund Reserve

- Government Finance Officers Association Best Practice recommends, at a minimum, that general-purpose governments maintain unrestricted fund balance in their General Fund of no less than two months of regular General Fund operating revenues or operating expenditures

	6/30/13	6/30/14	6/30/15	6/30/16	6/30/17	Actual 6/30/18	Projected 6/30/19	Projected 6/30/20	
Unassigned Fund Balance	\$11.5	\$11.3	\$14.5	\$17.6	\$22.2	\$21.9	\$24.3	\$18.2	
G.F. Monthly Operating Expenditures	\$5.7	\$5.9	\$6.5	\$6.8	\$6.5	\$7.0	\$7.3	\$7.5	
General Fund Reserve (Months)	2.0	1.9	2.2	2.6	3.4	3.1	3.3	2.4	
						↑ 96	↑ 101	↑ 74	days



QUESTIONS & DISCUSSION

