

Response to SLI CBO-003S-A

Governance, Accountability, & Economic
Development Committee

September 11, 2025



Agenda

- SLI Overview
- Response Key Points
- Q&A



SLI Overview

1. Report on historical underspend from 2018 through 2023 organized by fund and department
2. Report on Year-to-Date (YTD) budget vs actual performance through the second quarter (Q2) as memorialized in Resolution 32116.
3. Searchable and sortable database of outstanding City contracts and grants (exclusive of EDI awards) as of December 31, 2024, encompassing the three departments with the largest portfolio of grants to non-profit providers.



2. Year-to-Date Actuals Report

- Part 2 of the SLI memorialized Resolution 32116 which requests budget vs. actual reports at points during the year
- City formalized its Fiscal Monitoring program in 2023
- Utilizes quarterly meetings between depts, CBO, and Office of City Finance to review financial results
- Overarching goal is to identify fiscal challenges during year with goal of avoiding budget exceptions/year-end issues
- Currently uses a straight-line approach; 2025 piloted using dept-driven expenditure plans to address seasonality/timing issues in quarterly variances



3. Searchable Contracts Database

- Analyzed the 3 largest departments that award grants to non-profit providers (DEEL, OH, HSD)
- Requested information is not centrally located and required CBO and depts to cobble together from diffuse sources (FAS procurement, dept-based systems)
- Information should be viewed within dept-specific contexts including:
 - Variations in periods of performance (contract terms longer than 12-mos; school year vs fiscal year term)
 - City funds vs pass-through grant funds
 - Depts partner with outside organizations which can be slow to bill City resulting in carryforwards



1. Underspend

- Part 1 of the SLI requested CBO to analyze budgetary underspend between 2018-2023
- During those six years the City underwent both growth as well as COVID-19 and its impacts
- Through 2023, contributors to underspend in the budget include:
 - General Fund-Including CLFR funds, EDI, and PB programs
 - PET Fund-Lead-time for OH and EDI programs between awards and execution
 - Capital Budget-Inflation/concrete workers' strike affecting construction prices and project delivery timelines
 - Grants-Budgeting grants which were ultimately not received



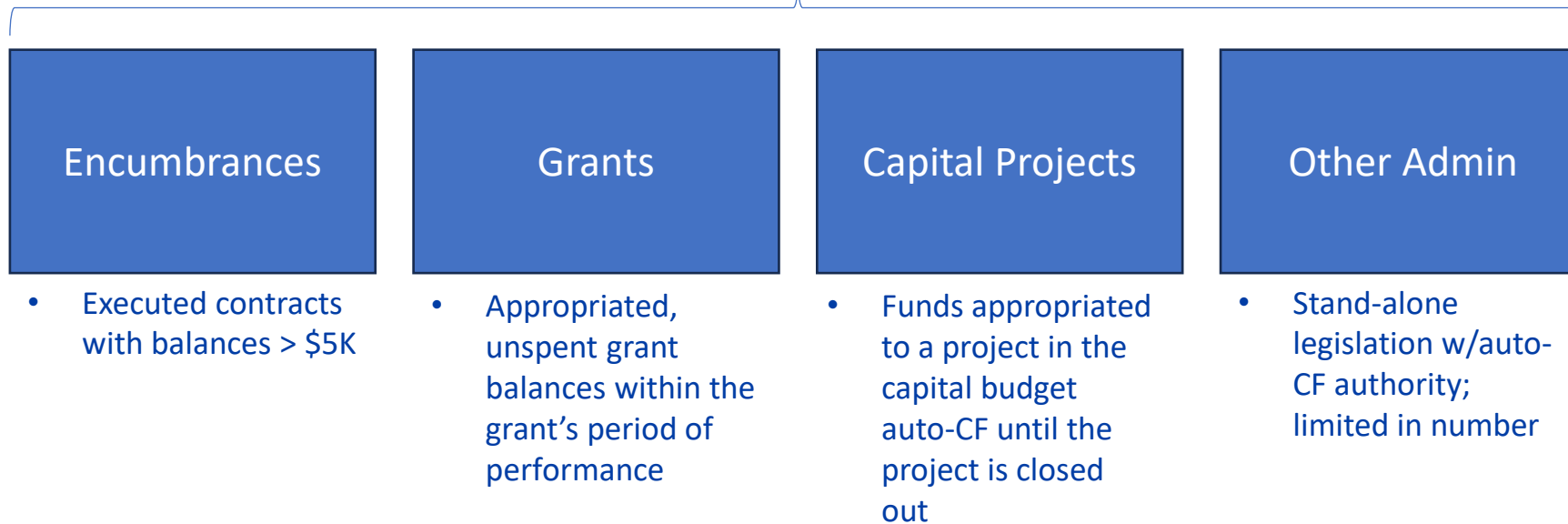
Budgetary Underspend Context

- Primary focus of SLI was to analyze budgetary underspend
- Underspend can take two forms:
 - ***Initial underspend*** is Revised Budget less Actuals, so it includes Carry-forward commitments (funds already committed to specific programs/projects)
 - ***Net (true) underspend*** is Initial underspend less Carry-forward commitments

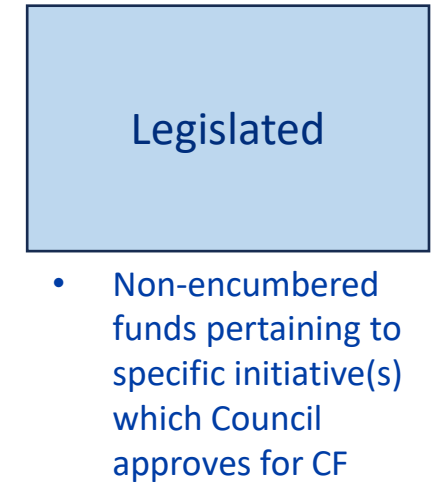


Types of Carryforward

Auto-carryforward at Year-End (unless abandoned):



Council Action Needed:



Total 2023 General Fund Carryforwards: \$176M

\$63M

\$52M

\$5M

\$3M

\$53M

General Fund Underspend 2018-2023

- Between 2018 and 2023, net underspend for the General Fund averaged \$36M or 2.1% annually
- Historical analysis of General Fund underspend:

Year	Revised Budget	Actual Expenditures	Initial Underspend \$	Initial Underspend %	Labor as % of Initial Underspend	Total Carryforward	Net Underspend (after CF)	Net Underspend as %
2023	1,833,690,339	1,621,965,555	211,724,785	11.5%	18.7%	176,318,495	35,406,290*	1.9%
2022	1,866,240,718	1,653,442,090	212,798,628	11.4%	27.6%	166,873,841	45,924,787*	2.5%
2021	1,760,765,579	1,529,924,866	230,840,713	13.1%	21.0%	182,269,862	48,570,851	2.8%
2020	1,613,851,364	1,461,261,838	152,589,526	9.5%	17.5%	109,762,976	42,826,551	2.7%
2019	1,496,849,531	1,380,544,183	116,305,348	7.8%	34.2%	93,694,141	22,611,207	1.5%
2018	1,460,217,870	1,374,436,421	85,781,449	5.9%	18.5%	66,756,829	19,024,620	1.3%
6-Yr Average	1,671,935,900	1,503,595,825	168,340,075	9.9%	22.0%	132,612,691	35,727,384	2.1%

*GF financial plan included underspend assumption (2023-\$10M; 2022-\$20M)

General Fund Underspend-Key Points

- Underspend and carryforward amounts peaked in 2021
 - Coronavirus Local Fiscal Recovery (CLFR) funds
 - Participatory Budgeting
 - Equitable Development Initiative (EDI)
- GF budgeting included underspend assumption between \$10M and \$20M to capture portion of underspend occurring during normal operations



PET Fund Underspend-Key Points

- 70% of Payroll Expense Tax (PET) funds were allocated to programs with long-term project commitments (OH and EDI)
- As a result, initial underspend for 2022 and 2023 was 45% and 57%, respectively
- Funds carry-forward to support EDI and OH projects
- Net PET underspend was 0.8% and 1.7% for 2022 and 2023



Factors affecting PET Fund Underspend

- EDI and affordable housing projects cause PET Fund to show large underspend/carryforward balances
- City budgets all funding in the year committed to specific future projects with partner organizations
 - “First dollar in”
- City does not have direct control over project timeline for projects; funds roll-over until partner org is ready to proceed
- Funds must remain in City’s budget to preserve resources for these projects and reaffirm the City’s commitment to its partners
- Thanks to the Office of Housing for being here to explain more about their project funding structure and timeline.



Any Questions?

