

Budget Deliberations & Issue Identification

General Fund Balancing Analysis

Select Budget Committee | October 15, 2020

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Agenda

- **Status of 2020 General Fund**
- **2021 GF Balancing Analysis: Revenues and Expenditures in the Proposed Budget**
- **Issue Identification**



2020 GF Balancing Status

Description	Sources	Uses	Total
2020 Adopted Budget	\$1,561,702,158	(\$1,502,029,742)	\$59,672,416
Technical and Supplemental	\$90,047,314	(\$92,489,730)	(\$2,442,417)
COVID Relief and Recovery Measures	\$111,899,698	(\$54,849,646)	\$57,050,052
Revised Forecast and CBO Summer Rebalancing	(\$191,847,492)	\$43,322,105	(\$148,525,387)
Proposed and Future Rebalancing Measures	\$20,233,646	\$18,920,554	\$39,154,200
2020 GF Balance	\$1,592,035,324	(\$1,587,126,459)	\$4,908,865



2020 GF Balancing Status

2021 Proposed Budget is \$13M out of balance

- 2021 Proposed Budget assumed 2020 \$18M ending GF balance.
- Executive's decision not to take \$13M interfund loan leaves a \$5M ending GF Balance.



2021 Proposed General Fund Balancing Analysis

1. Baseline GF Budget
2. Mayor's Proposed Net Reductions
3. Payroll Expense Tax Revenues
4. Payroll Expense Tax Implementation + 2021 COVID-19 Relief
5. Proposed Equitable Communities Initiative
6. Use of Fiscal Reserves



2021 General Fund (GF) Baseline

Resources: \$1,245,650
Expenditures: - \$1,436,467

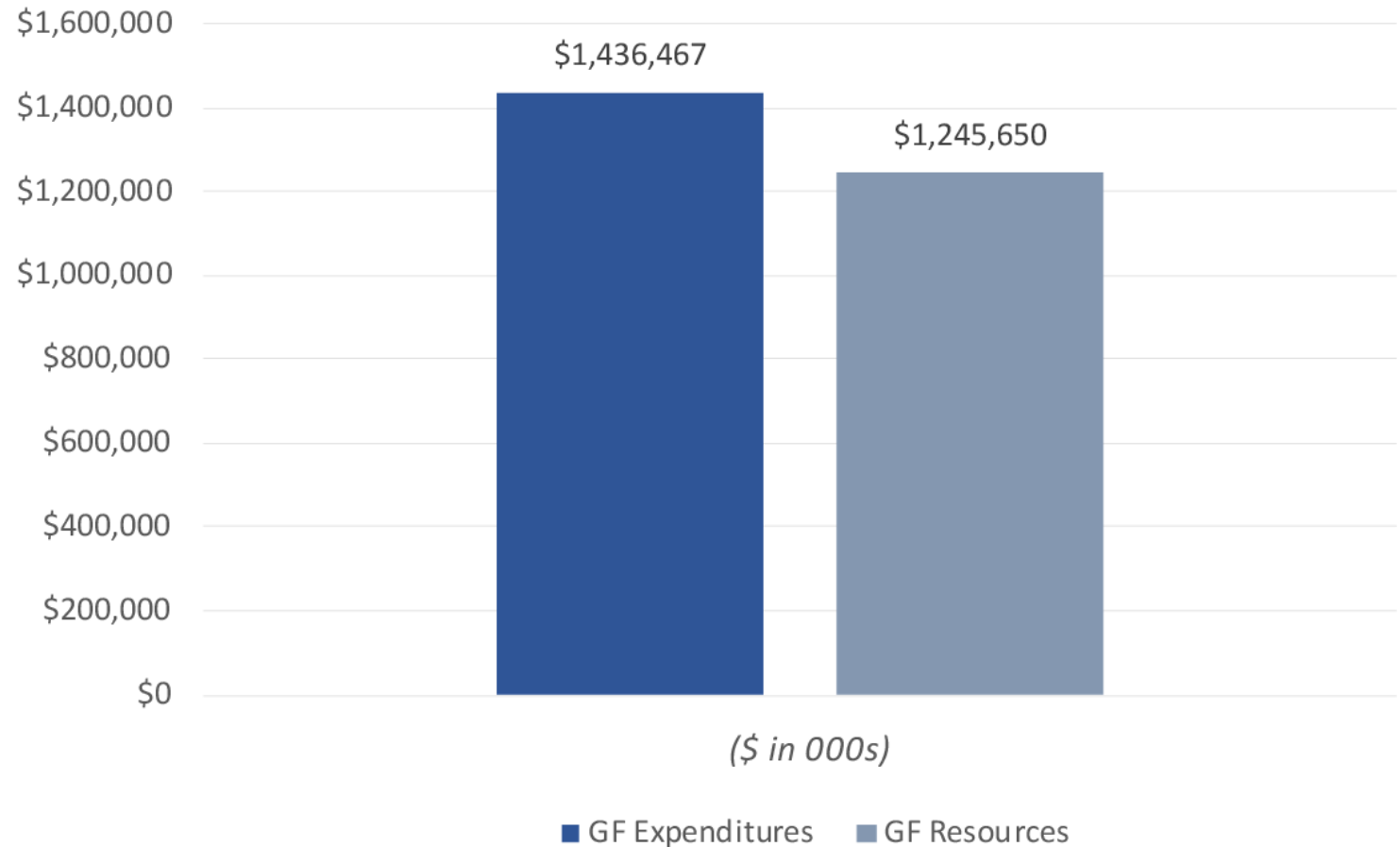
Baseline Balance: (\$190,817)

(\$ in 000s)

2020 Adopted Budget Appropriations
 - Technical Adjustments

= 2021 GF Baseline Expenditures

2021 GF revenue forecast = 2021 GF Baseline Resources



2021 Baseline: \$191M GF shortfall to maintain ongoing services

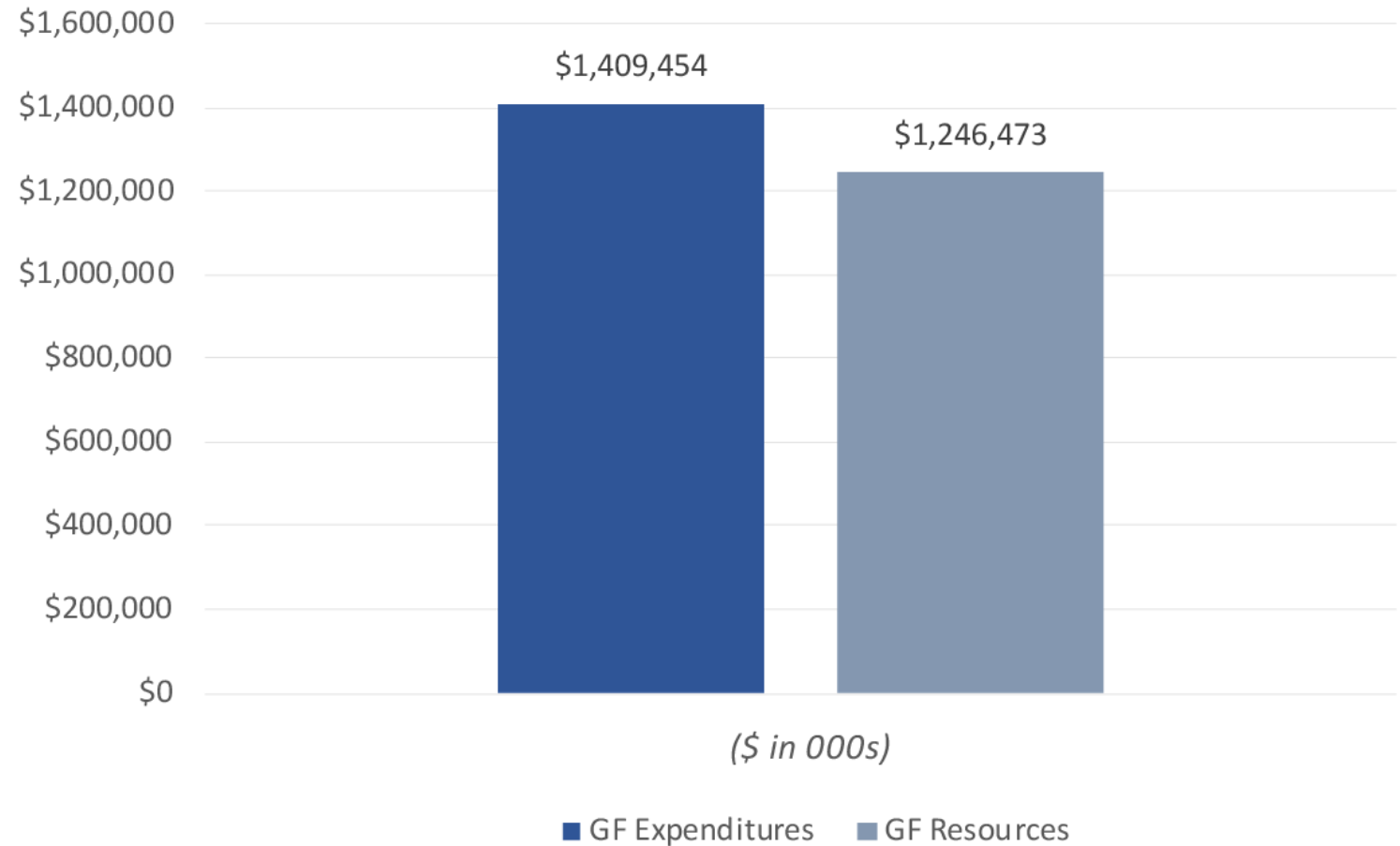


Mayor's Proposed Net GF Reductions

Resources: \$1,246,473
Expenditures: - \$1,409,454
 GF Balance: **(\$163,000)**

Proposed nontechnical adds
 - Proposed nontechnical cuts

 = Net GF Reductions (\$27,837)



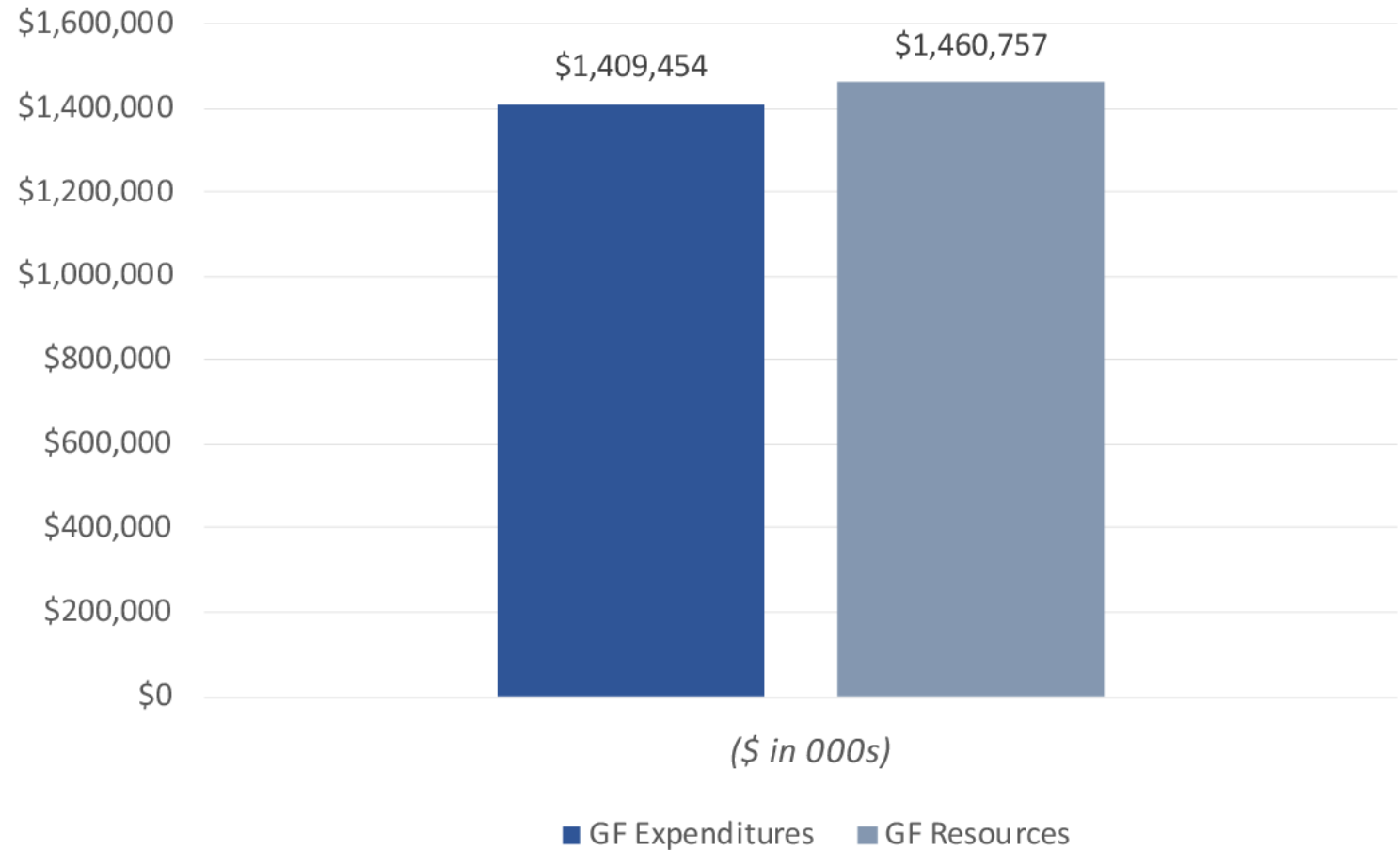
GF shortfall reduced to \$163M by \$27.8M spending reductions



Payroll Expense Tax Revenues

Resources: \$1,460,757
Expenditures: - \$1,409,454
GF Balance: \$51,303

Anticipated 2021
 Payroll Tax Revenue +\$214,284



Payroll tax revenues eliminate shortfall, with positive balance of \$51.3M

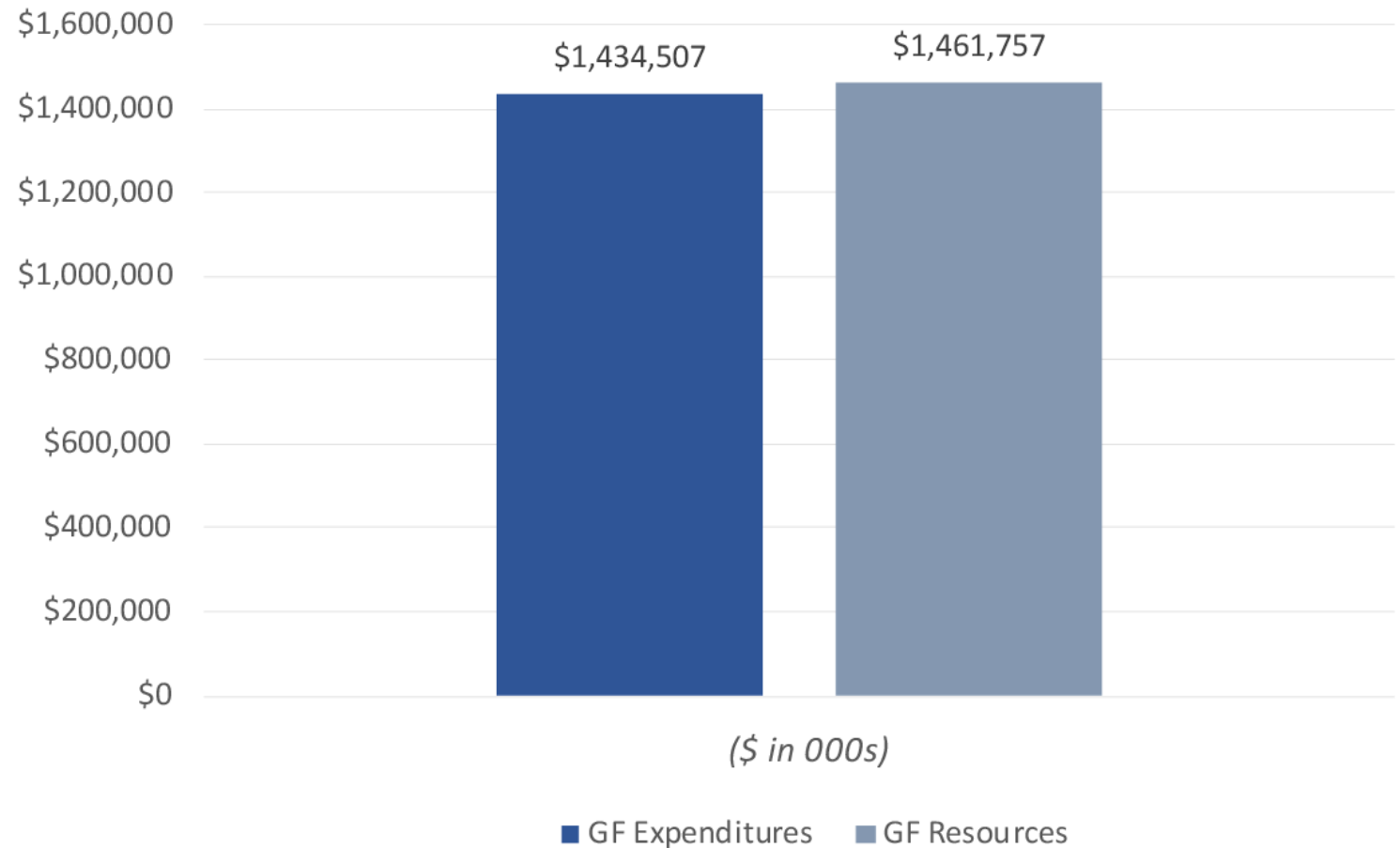


Payroll Expense Tax Implementation + 2021 COVID \$

Resources: \$1,461,757
Expenditures: - \$1,434,507
GF Balance: \$27,250

Payroll Tax Implementation (\$3,302)
 2021 COVID-19 Relief* (\$21,750)**

*Per agreement between Council + Mayor
 **Supported by payroll tax revenues + \$1M CDBG Funds



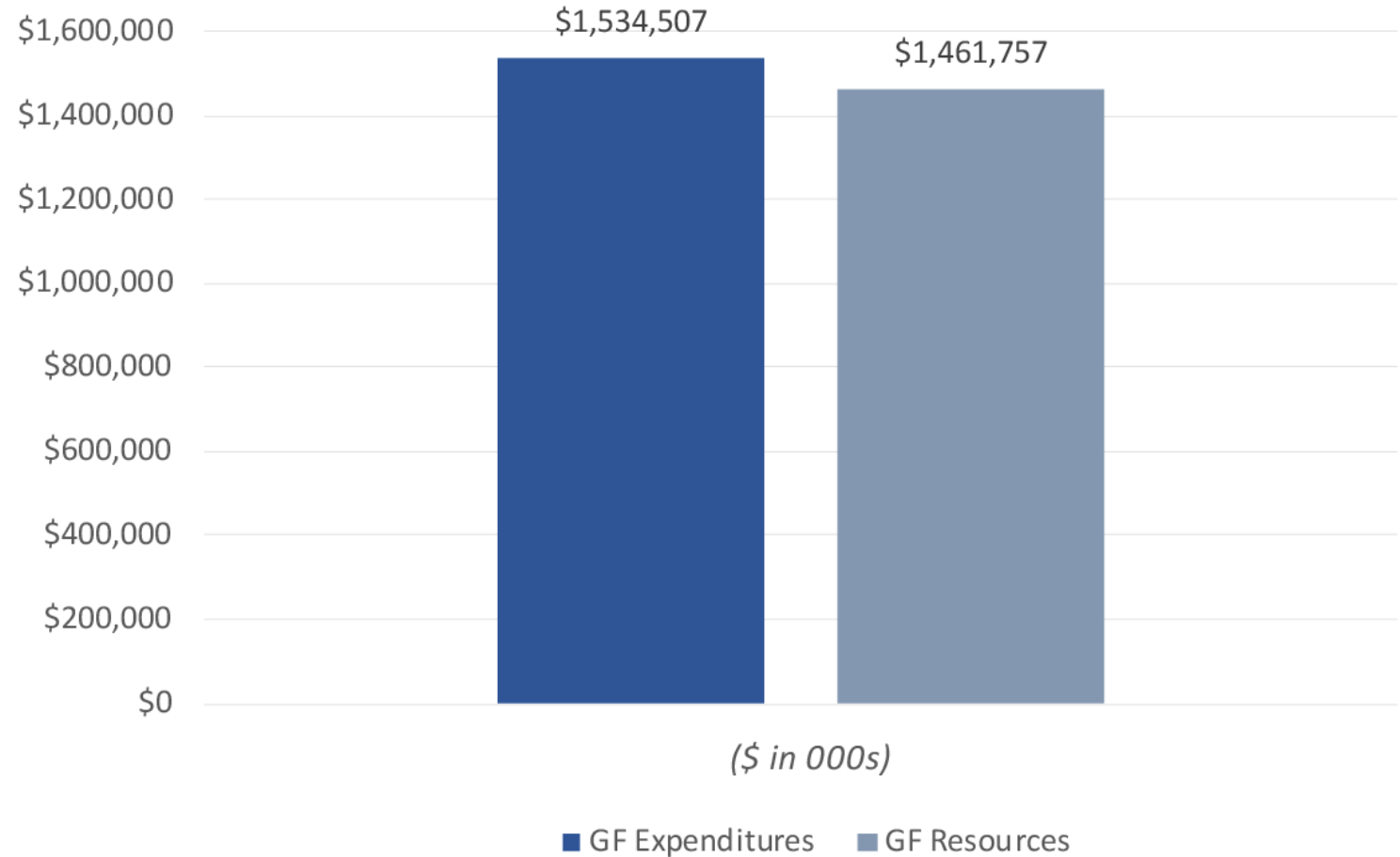
COVID-19 expenditures increased, per Jump Start spending plan



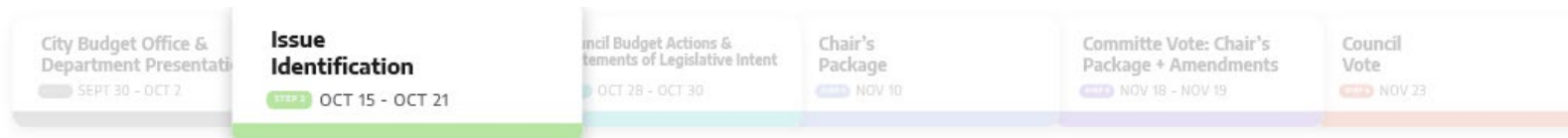
Proposed Equitable Communities Initiative

Resources: \$1,461,757
Expenditures: - \$1,534,507
GF Balance: (\$72,750)

Proposed Equitable Communities Initiative (\$100,000)



\$73M revenue shortfall after proposed Equitable Communities Initiative



Use of Fiscal Reserves

Resources: \$1,534,507*
Expenditures: - \$1,534,507

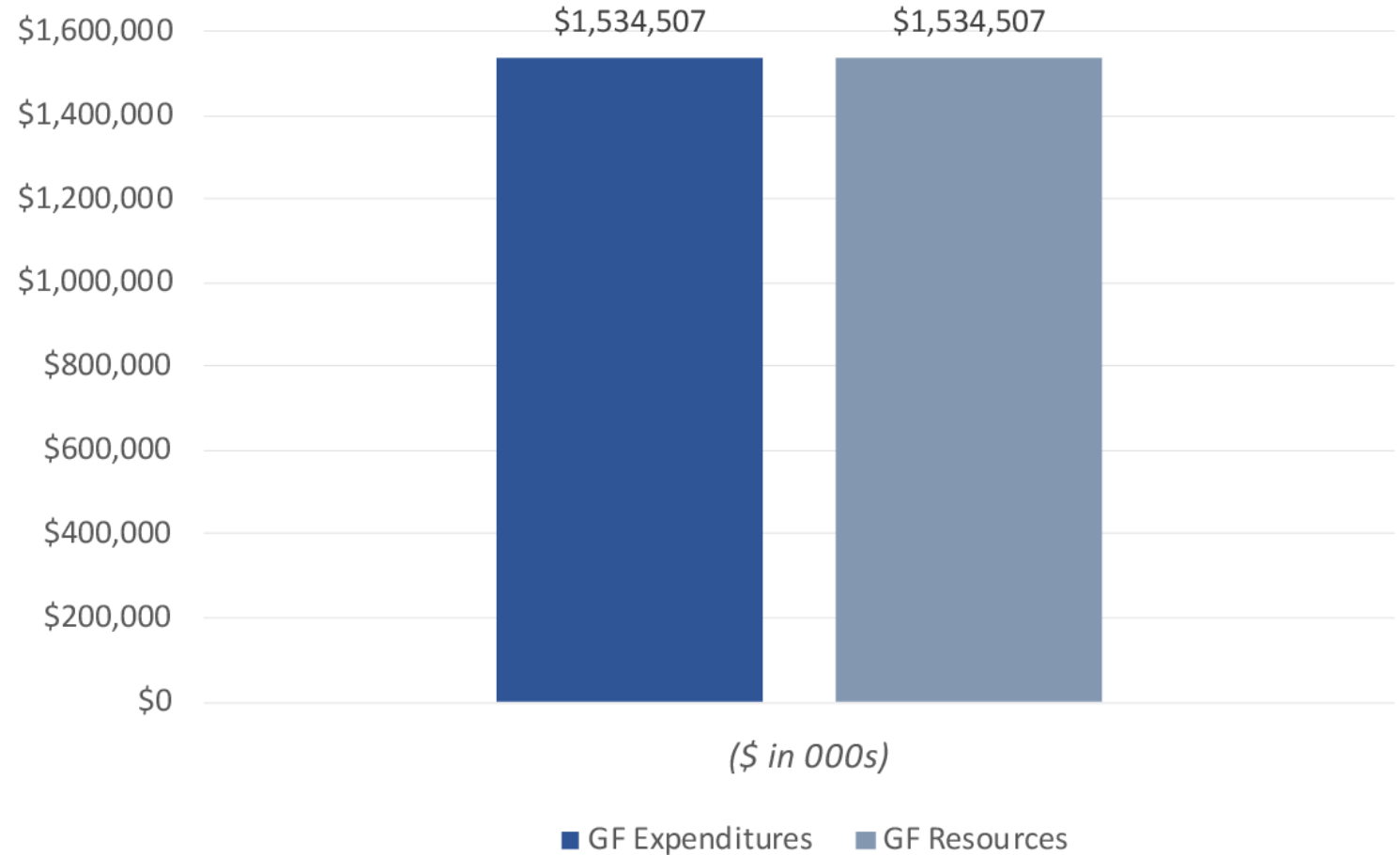
GF Balance: \$0

**Use \$72,750 from City's fiscal reserves*

Remaining 2021 Reserve balances:

Revenue Stabilization Fund: \$6,042
Emergency Fund \$61

Total: \$6,103



Use of fiscal reserves closes the gap.



Fiscal Reserves (\$ in 000's)

Description	Revenue Stabilization Fund	Emergency Fund	Total
2021 Beginning Balance	\$31,770	\$47,136	\$78,906
Mayor's Proposed Budget	(\$25,700)	(\$47,050)	(\$72,750)
Remaining 2021 Balances	\$6,070	\$86	\$6,156



Key Takeaways

The 2021 Proposed Budget:

- Out of balance by \$13.1 million due to an unresolved deficit in 2020
- Assumes cutting the \$30 million Strategic Investment Fund in the Q3 Supplemental
- Relies on:
 - Payroll Expense Tax
 - \$27 M in spending reductions
 - Reducing the City's fiscal reserves from \$78.9 million to \$6.1 million.



Issue Identification

1. 2020 Administrative Underspend
2. Strategic Investment Fund
3. 2020 Ending Balance
4. Spending Reductions (\$27 million)
5. Fiscal Reserves
6. 2021 Beginning Balance



Issue Identification

1. 2020 Administrative Underspend

The Mayor's 2020 GF budget rebalance proposal relies on \$11.3 million of uncodified administrative underspend reductions.

Options:

- A. Amend Q3 Supplemental bill to codify these adjustments
- B. Identify alternate cuts for formal codification in the 2020 budget.
- C. Identify new offsetting revenues.
- D. No action.



Issue Identification

2. Strategic Investment Fund

The Mayor's 2020 GF budget rebalance proposal relies on abandonment of the \$30 million authorized in the 2020 Adopted Budget for the Strategic Investment Fund.

Options:

- A. Do not accept the Mayor's proposal to eliminate the Strategic Investment Fund. This could be achieved by using funds from the Revenue Stabilization Fund in 2020 to rebalance and reducing the proposed use of reserves in the 2021 proposed budget.
- B. No action.



Issue Identification

3. 2020 Ending Balance

The 2021 Proposed Budget relies on a 2020 ending balance that is \$13 million higher than available after all identified 2020 adjustments.

Options:

- A. Identify an additional \$13 million from any combination of reductions and/or new revenues to cover the shortfall in 2020.
- B. Identify an additional \$13 million in new reductions and/or revenues in the Proposed 2021 budget to cover the shortfall.
- C. No action.



Issue Identification

4. \$27 million reductions

The proposed budget includes both reductions totaling \$27 million and a similar amount of new spending supported by payroll expense tax revenues

Options:

- A. Reduce the Mayor's new adds by \$27 million (i.e., reducing the \$100 million Finance General Reserve amount or making other changes or some of both), thereby fully using payroll expense tax for its intended purpose.
- B. Identify a new revenue source to support the Mayor's new budget adds, allowing payroll expense tax to offset the proposed reductions.
- C. No action



Issue Identification

5. Fiscal Reserves

The proposed budget leaves a reserve balance of \$6.1 million during a time of heightened uncertainty, including an ongoing public health and homelessness emergency, and despite stated concerns by CBO about legal risks and future collectability of the payroll expense tax.

Options:

- A. Reduce the new spending in the proposed budget by the amount of the reserves being.
- B. Identify a new revenue source to support new adds in the proposed budget, thereby retaining a combined reserve balance of \$78.9 million in 2021.
- C. No action.



Issue Identification

6. 2021 Beginning Balance

Due to a carryforward shortfall from the 2020 authorized and planned budget revisions, the Mayor's 2021 Proposed budget is out of balance by \$13 million.

Options:

- A. Identify an additional \$13 million from any combination of reductions and/or new revenues to cover the shortfall in 2021.
- B. Reauthorize \$13 million interfund loan.
- C. No action.



Questions?

Budget Timeline

FALL 2020

