



Office of the City Manager

September 20, 2022

To: Honorable Mayor and Members of the City Council  
From: Dee Williams-Ridley, City Manager  
Subject: Update on the budget process

I want to provide you with an update on the upcoming budget process and associated timelines for budget-related reports as we prepare for the Annual Appropriations Ordinance (AAO#1) process as part of the FY 23 budget.

Please see the following timelines of when items are anticipated to be presented to Council, contingent on financial closing and scheduled meeting dates. Though specific dates have not been scheduled yet, these are the approximate timelines:

- **FY22 Year-End Report**, December 2022/January 2023
- **FY23 First Quarter Update**, December 2022/January 2023
- **FY23 AAO #1**, December 2022/January 2023
- **Unfunded Liabilities Report**, March/ April 2023
- **FY24 Mid-Biennial Budget Update**, January through June 2023

### **FY 22 Year-End Report**

This document will provide a year-end summary (July 1, 2021 to June 30, 2022) of FY22, including revenues received and expenses incurred for the General Fund and All Funds and compare the FY22 Actual to the FY22 Adopted and Amended Budget.

### **FY 23 First Quarter Update**

This document will provide preliminary revenue and expenditure information for the General Fund and All Funds for the first quarter of FY 23 (revenues received to date and expenses incurred from July 1 to September 30, 2022) and assess how revenues and expenditures are trending compared to the budget projections.

### **FY 23 AAO #1**

This document will amend the Annual Appropriations Ordinance (AAO), which establishes the expenditure limits by fund for FY 2023 and was adopted by Council as part of the budget adoption process on June 28, 2022.

This document recommends amendments to the adopted budget, including re-appropriation of prior year funds for contractual commitments (i.e. encumbrances) as well as unencumbered carryover of unexpended funds previously authorized for one-time, non-recurring purposes; the acceptance of new grants or revisions to existing grants; adjustments to adopted expenditure authority due to emergency needs; and transfers in accordance with Council's fiscal policies.

### **Unfunded Liabilities Report**

To continue our systematic 2-year approach, this will be a comprehensive report on the City's current and projected future liabilities. This report was last presented to Council in March 2021 with the update scheduled for the spring of 2023. This report will coincide with the FY 2024 Mid-Biennial Budget discussions and provide Council an opportunity to adjust the FY 24 Budget as needed depending on the long-term financial forecast.

As we have done in the past, this report will include a detailed General Fund five-year forecast. This forecast will include updated revenue projections based upon FY 22 and will use the FY 23-24 adopted budget as the baseline. We will update projected personnel costs, including adjusting retirement costs based upon the recent release of the Annual Valuation Report (as of June 30, 2021) issued by CalPERS for the City's three retirement plans.

As part of the FY23-24 budget development process, a preliminary forecast was developed in April 2022 to examine projected revenues and expenditures for FY22- 26. This forecast was conservative in nature and used to illustrate whether revenues would keep pace with existing expenditures over time, even if expenditures were held constant. As described to Council in the April 14, 2022 staff report to the Budget and Finance Committee, personnel expenditures for FY23-FY26 were adjusted only for approved negotiated cost of living adjustments while retirement costs were kept constant at FY23 and 24 projections using information from CalPERS. The forecast projected expenditures to outpace revenue resulting in the use of various strategies to balance the FY23 and FY24 biennial budget.

### **FY24 Mid-Biennial Budget Update**

All of the above documents are part of our efforts to give Council a comprehensive look at our budget, which will culminate with a Council vote in June 2023 to amend the FY24 adopted budget as needed and approve the Annual Appropriation Ordinance.

cc: Paul Buddenhagen, Deputy City Manager  
LaTanya Bellow, Deputy City Manager  
Sharon Friedrichsen, Budget Manager

Page 3

September 20, 2022

Re: Update on the budget process

Henry Oyekanmi, Finance Director

Mark Numainville, City Clerk

Matthai Chakko, Assistant to the City Manager

Jenny Wong, City Auditor