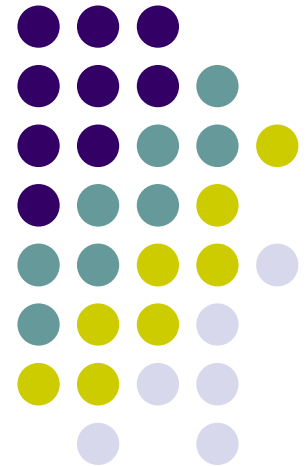


Fiscal Year 2020-21 Mid-Year Status Report

City of Burlingame, CA
Budget Study Session
March 10, 2021





Overview

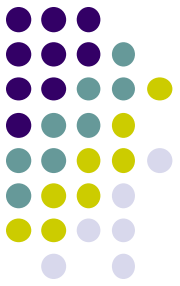
- Budget Strategies for FY 2020-21
- Projected Revenues (p.17)
 - Property Tax, Sales Tax, & Transient Occupancy Tax
 - Other General Fund Revenues
- Projected Operating Expenditures (p.18)
- Projected Fund Balance (pp.20-22)
- Other Funds (p.23)
- 5-Year Forecast (p.30)



Adopted Budget Strategies

- Reduced CIP transfer out by \$6.3 million
- Utilized \$2 million of previously set-aside funds for Debt Service of 2019 Lease Revenue Bonds
- Eliminated transfer to Capital Investment Reserve

Projected Revenues: All General Fund Sources



CITY OF BURLINGAME, CA SUMMARY OF GENERAL FUND REVENUES

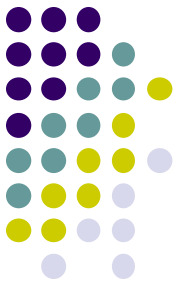
	FY19-20 Actuals	FY20-21 Current Budget	FY20-21 New Projection	FY20-21 Budget Amendment	Adjustment Up (Down) %
Property Tax	\$ 23,304,402	\$ 25,136,000	\$ 24,659,000	\$ (477,000)	-1.9%
Sales and Use Tax	14,803,365	12,000,000	14,570,000	2,570,000	21.4%
Transient Occupancy Tax	20,416,543	14,000,000	7,500,000	(6,500,000)	-46.4%
Other Taxes					
Franchise Tax	1,661,397	1,641,200	1,561,800	(79,400)	-4.8%
Business Licenses	879,013	730,000	680,000	(50,000)	-6.8%
Real Property Transfer Tax	534,517	400,000	500,000	100,000	25.0%
State HOPTR	59,000	60,000	61,000	1,000	1.7%
Licenses & Permits	98,904	78,200	71,200	(7,000)	-9.0%
Fines, Forfeitures and Penalties	793,281	560,000	650,000	90,000	16.1%
Use of Money & Property	101,996	80,000	180,000	100,000	125.0%
Charges for Services	5,471,234	5,007,000	4,406,900	(600,100)	-12.0%
Other Revenue	81,033	30,000	32,500	2,500	8.3%
Federal COVID Relief Fund	0	371,871	371,871	0	0.0%
State Subventions	177,563	143,000	162,500	19,500	13.6%
Interest Income	3,775,609	1,563,000	1,508,000	(55,000)	-3.5%
Total, General Fund Revenue	\$ 72,157,856	\$ 61,800,271	\$ 56,914,771	\$ (4,885,500)	-7.9%

Projected Revenues: Property Tax, Sales Tax & TOT



- Property tax for FY 20-21 expected to be \$477k, or 1.9%, less than adopted budget
 - Net assessed values as predicted ✓
 - ERAF Refund – Actual receipt \$234,300 better than budgeted ✓
 - Property Tax in Lieu of VLF again in legislative limbo (\$728k) ✗
- Sales & use tax revenue sources have shifted dramatically, but have somewhat recovered; upward adjustment of nearly \$2.6 million indicated
- Transient occupancy tax (TOT) expected to be \$6.5 million, or 46.4% under original budget

Sales & Use Tax Revenues



Sales Tax by Major Industry Group

Autos And Transportation

Count: 147

State & County Pools

General Consumer Goods

Count: 714

Business And Industry

Count: 551

Restaurants And Hotels

Count: 194

Building And Construction

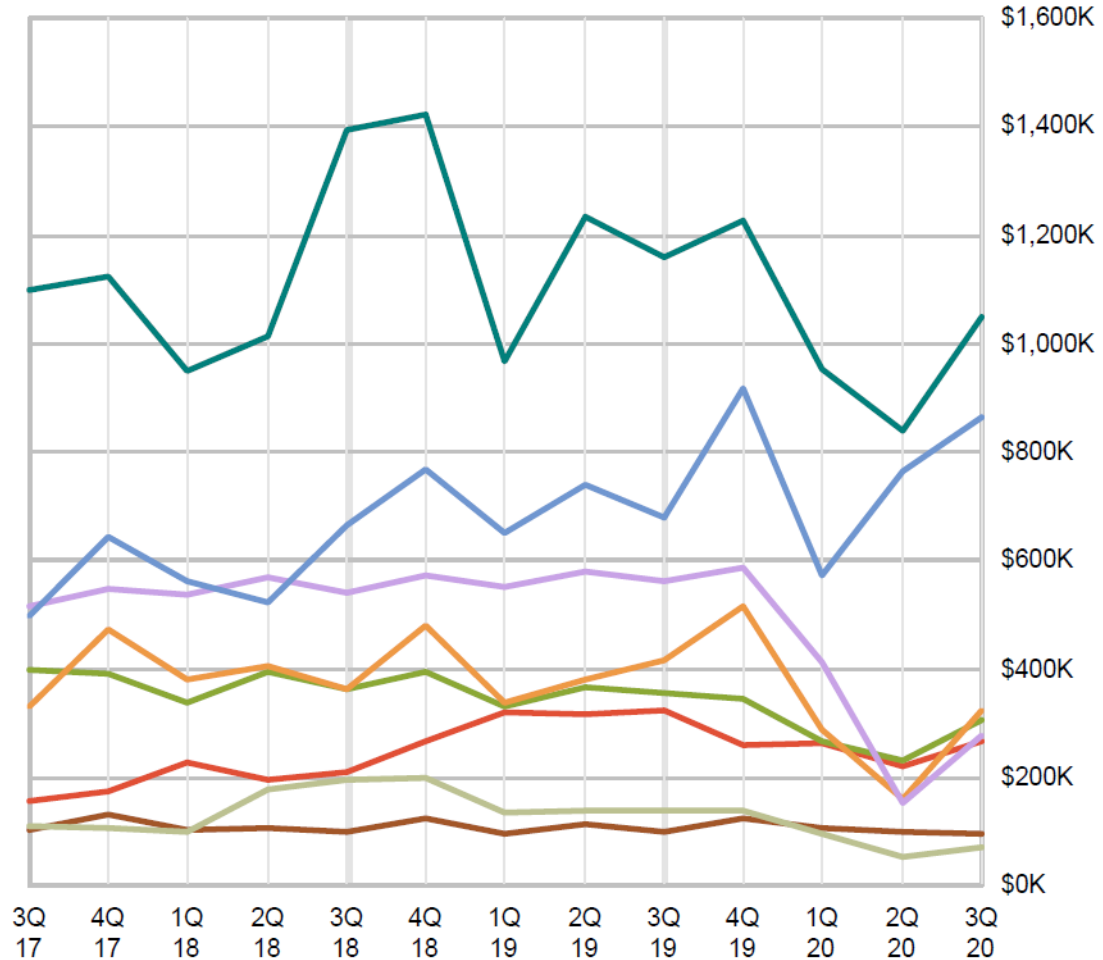
Count: 64

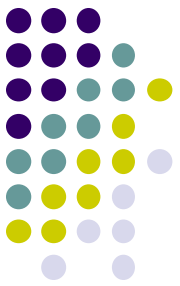
Food And Drugs

Count: 57

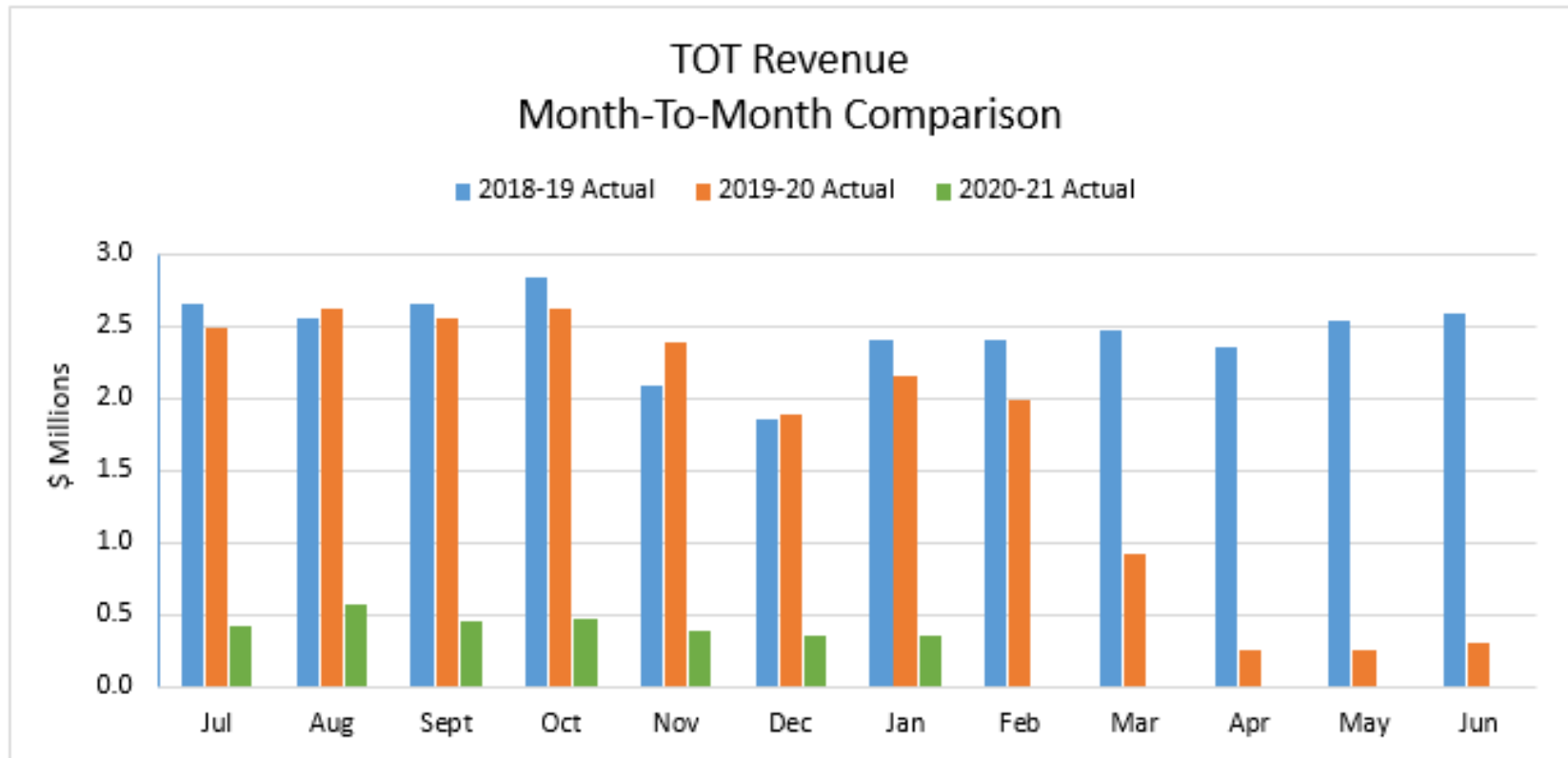
Fuel And Service Stations

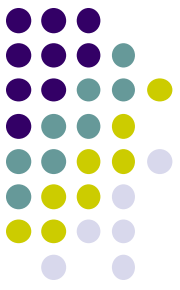
Count: 10





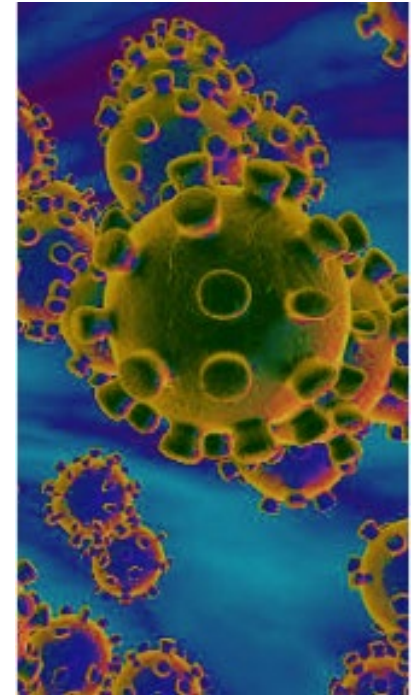
TOT (Hotel) Tax Revenues

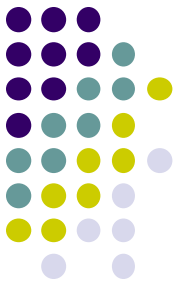




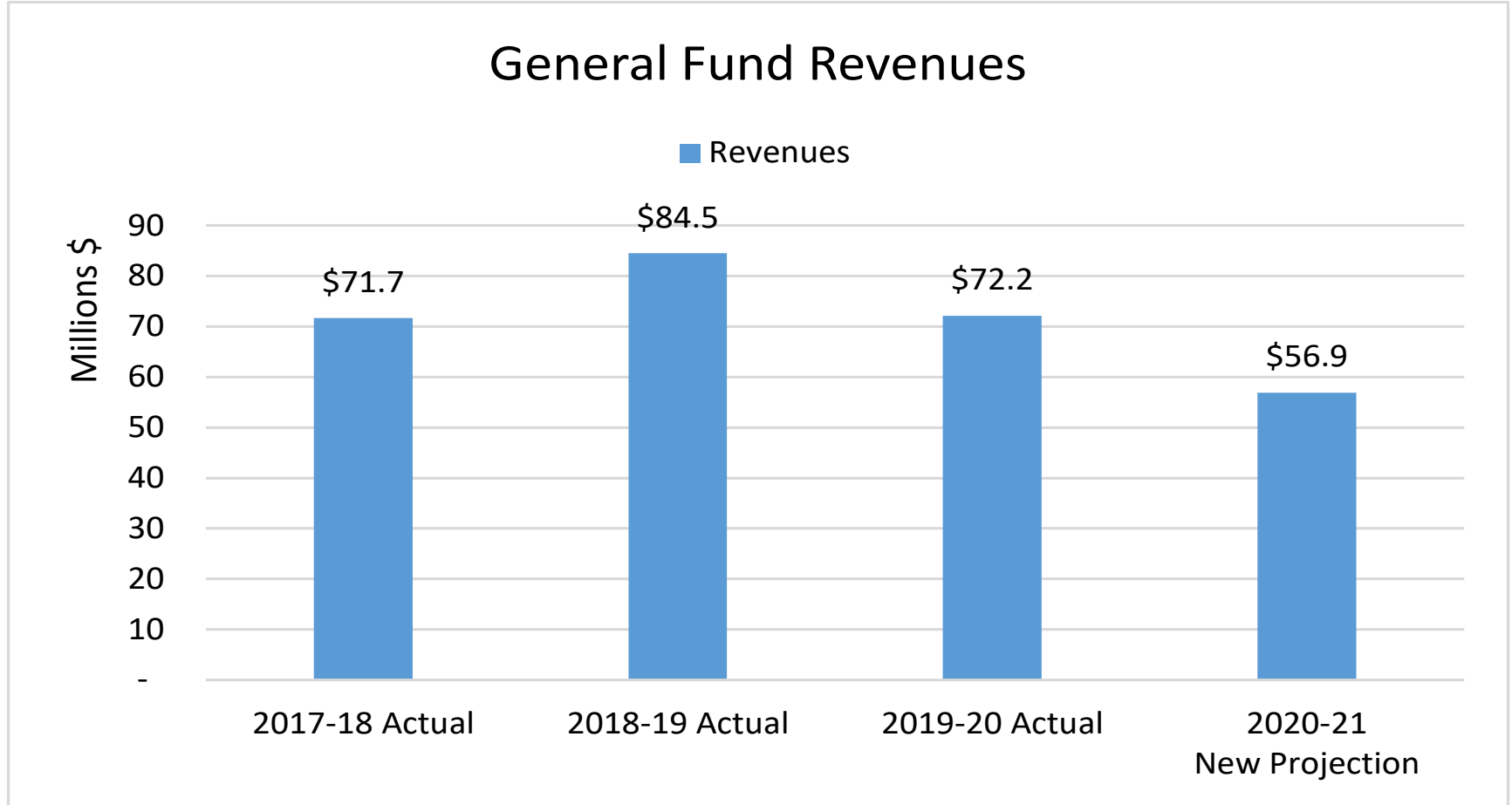
Revenue Amendments

- TOT – reduction of an additional \$6.5 million for the current year
- Sales Tax – less impact than anticipated
- Charges for Services – Impact harshest for Recreation activities
- Interest Income – will decline further based on declining cash balances





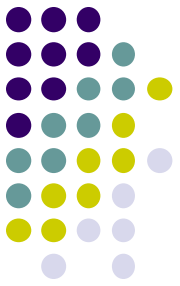
General Fund Revenues



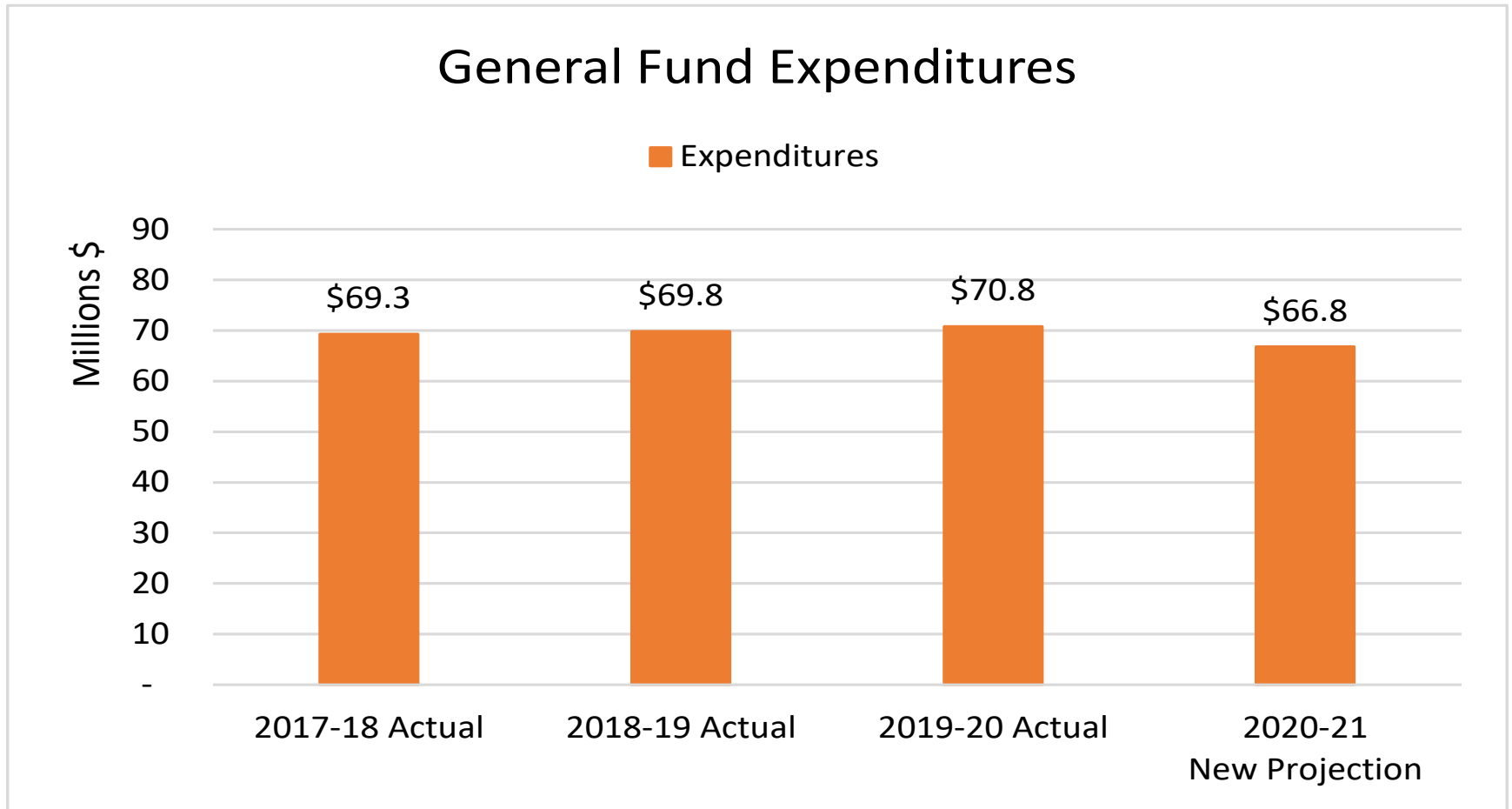
Projected General Fund Operating Expenditures

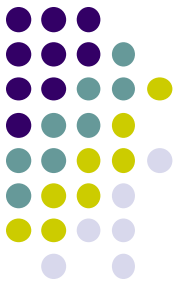


- Decrease in expenditures: \$1,010,900 (-1.6 %):
 - Decrease in part-time wages \$617,000
 - Decrease in health ins. premiums \$302,000
 - Increase in PD Overtime \$431,000
 - Decrease in Contractual Services – Recreation \$791,000
 - \$150,000 increase in costs for parklets materials
- Some increases offset with revenue increases



General Fund Expenditures

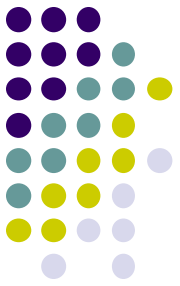




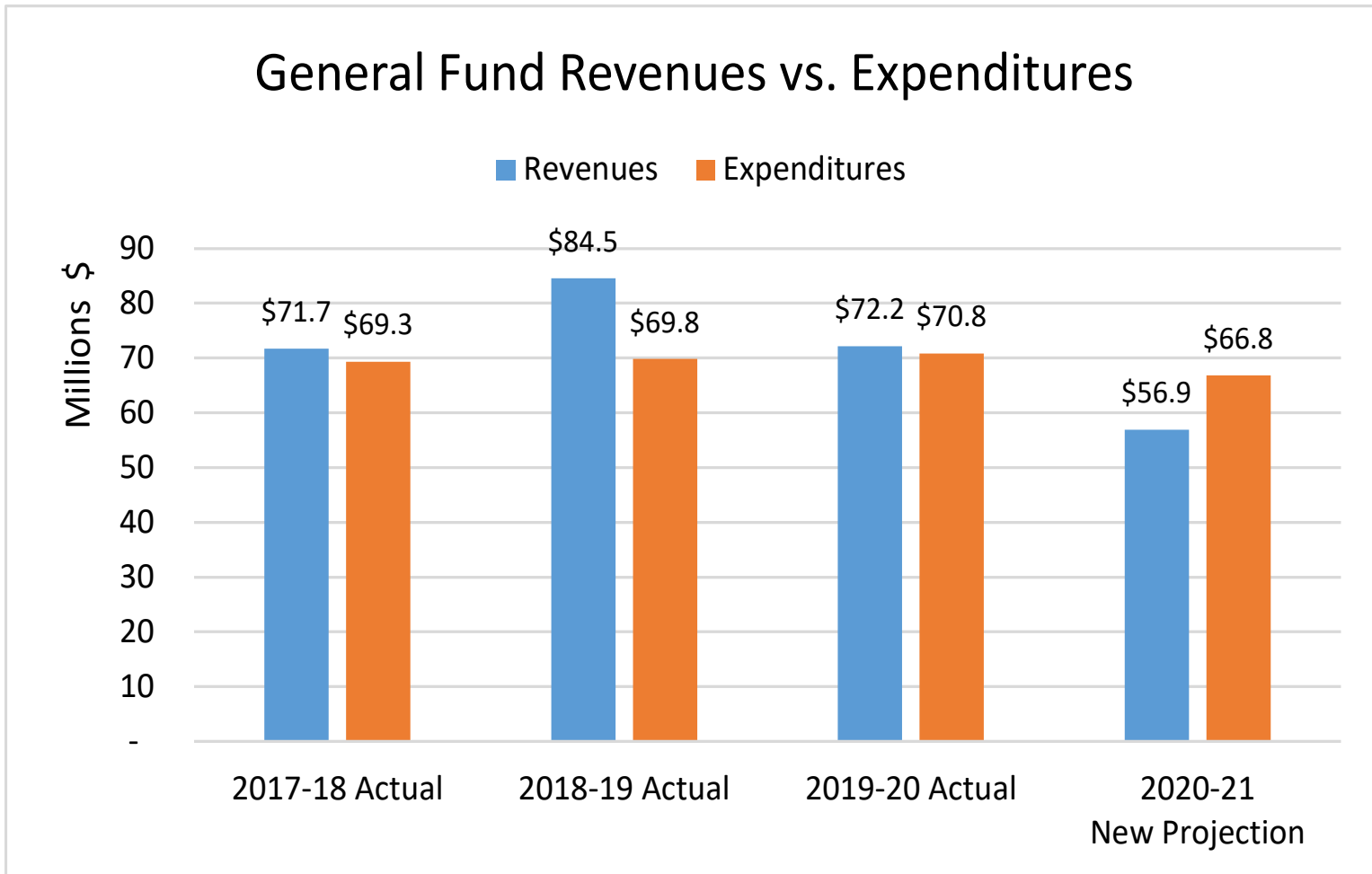
General Fund Operating Summary

**CITY OF BURLINGAME, CA
GENERAL FUND OPERATING SUMMARY**

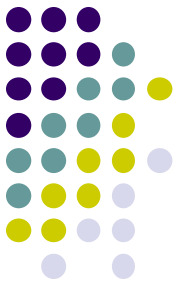
	FY18-19 Actuals	FY19-20 Actuals	FY20-21 Current Budget	FY20-21 New Projection	FY20-21 Budget Amendment
Total Revenue	\$ 84,537,352	\$ 72,157,856	\$ 61,800,271	\$ 56,914,771	\$ (4,885,500)
Expenditures					
Departmental Expenditures	(55,763,107)	(58,205,462)	(63,455,679)	(62,444,795)	1,010,884
Transfers to Debt Services	(4,684,811)	(4,708,763)	(2,728,338)	(2,728,338)	0
Transfers to Capital Project Fund	(10,934,000)	(9,485,000)	(3,155,000)	(3,209,000)	(54,000)
Other Transfer In (Out)	2,640,137	2,400,319	2,573,550	2,573,550	0
Total Expenditures	(68,741,781)	(69,998,906)	(66,765,467)	(65,808,583)	956,884
Net Operating Surplus (Deficit)	15,795,571	2,158,950	(4,965,196)	(8,893,812)	(3,928,616)
Transfer to Capital Investment Reserve	(3,000,000)	(6,500,000)	0	0	0
Change in General Fund Balance	\$ 12,795,571	\$ (4,341,050)	\$ (4,965,196)	\$ (8,893,812)	\$ (3,928,616)



Net General Fund Income



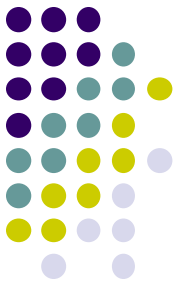
Projected Fund Balance



**CITY OF BURLINGAME, CA
GENERAL FUND BALANCE ASSIGNMENTS**

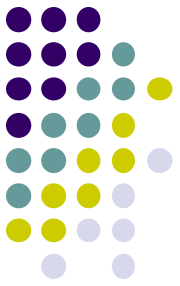
	FY19-20 Actual	FY20-21 Adopted Budget	FY20-21 New Projection
Economic Stability Reserve	\$ 18,905,000	\$ 14,743,000	\$ 13,660,000
Catastrophic Reserve	2,000,000	2,000,000	2,000,000
Contingency Reserve	500,000	500,000	500,000
Subtotal, Assigned Fund Balance	21,405,000	17,243,000	16,160,000
Add: Restricted for Pension Trust Fund (PARS)	10,823,849	12,666,442	13,073,849
Add: Investment Mark-to-Market	2,003,217	0	2,003,217
Add: Unassigned Fund Balance	10,594,635	2,524,167	4,695,823
Total, Ending Fund Balance	\$ 44,826,701	\$ 32,433,609	\$ 35,932,889

Other Funds



- Allocation of Interest Earnings
- Capital Projects Funds Gas Tax (HUTA) and SB1 Funding
- Water and Sewer Funds
- Building Fund
- Parking Enterprise Funds
- Internal Service Funds
- Storm Drain Funds

Longer Term Priority Projects



- Infrastructure
 - Broadway Grade Separation
 - Sea Level Rise Mitigations
 - El Camino Real Undergrounding
- City Facilities
 - City Hall
- Specific Plan for Rollins Road

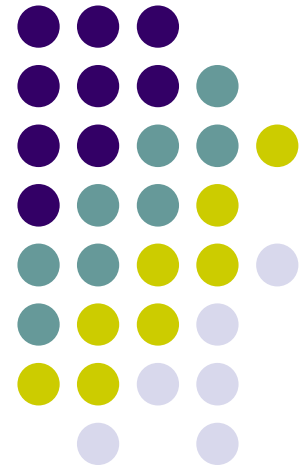
Next Steps



- Questions?
- Direction?
- Resolution to amend the Fiscal Year 2020-21 Adopted Budget for estimated revenue and supplemental appropriations
- Review of the 5-year Forecast

Fiscal Year 2020-21 General Fund Five-Year Financial Forecast

City of Burlingame, CA
Budget Study Session
March 10, 2021

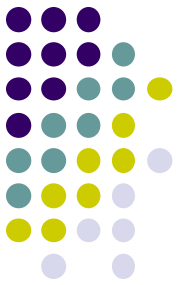


Overview



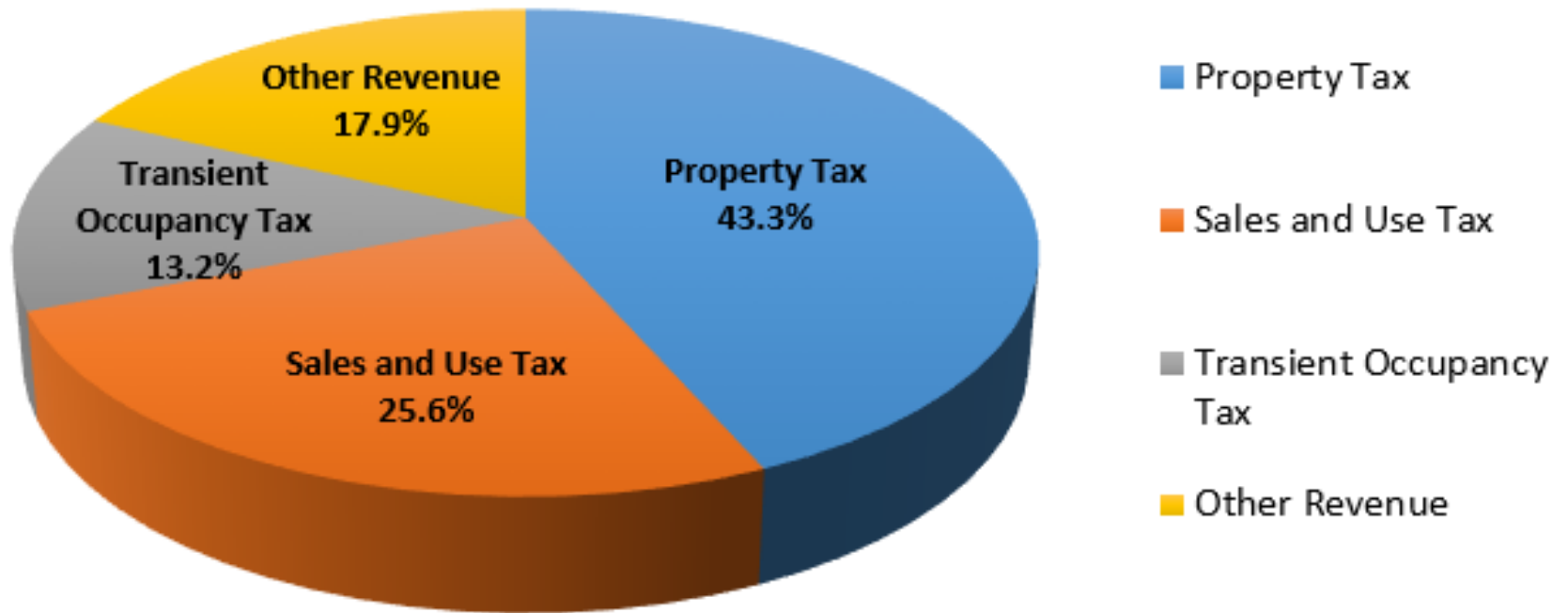
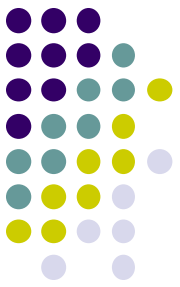
- General Fund Revenue Forecast
 - Property Tax Assumptions
 - Sales Tax Assumptions
 - Transient Occupancy Tax (TOT) Assumptions
 - General Fund Revenue Summary
- Expenditure Assumptions
 - Increased CalPERS Employer Rates
- Next Steps

Summary of Economic Indicators

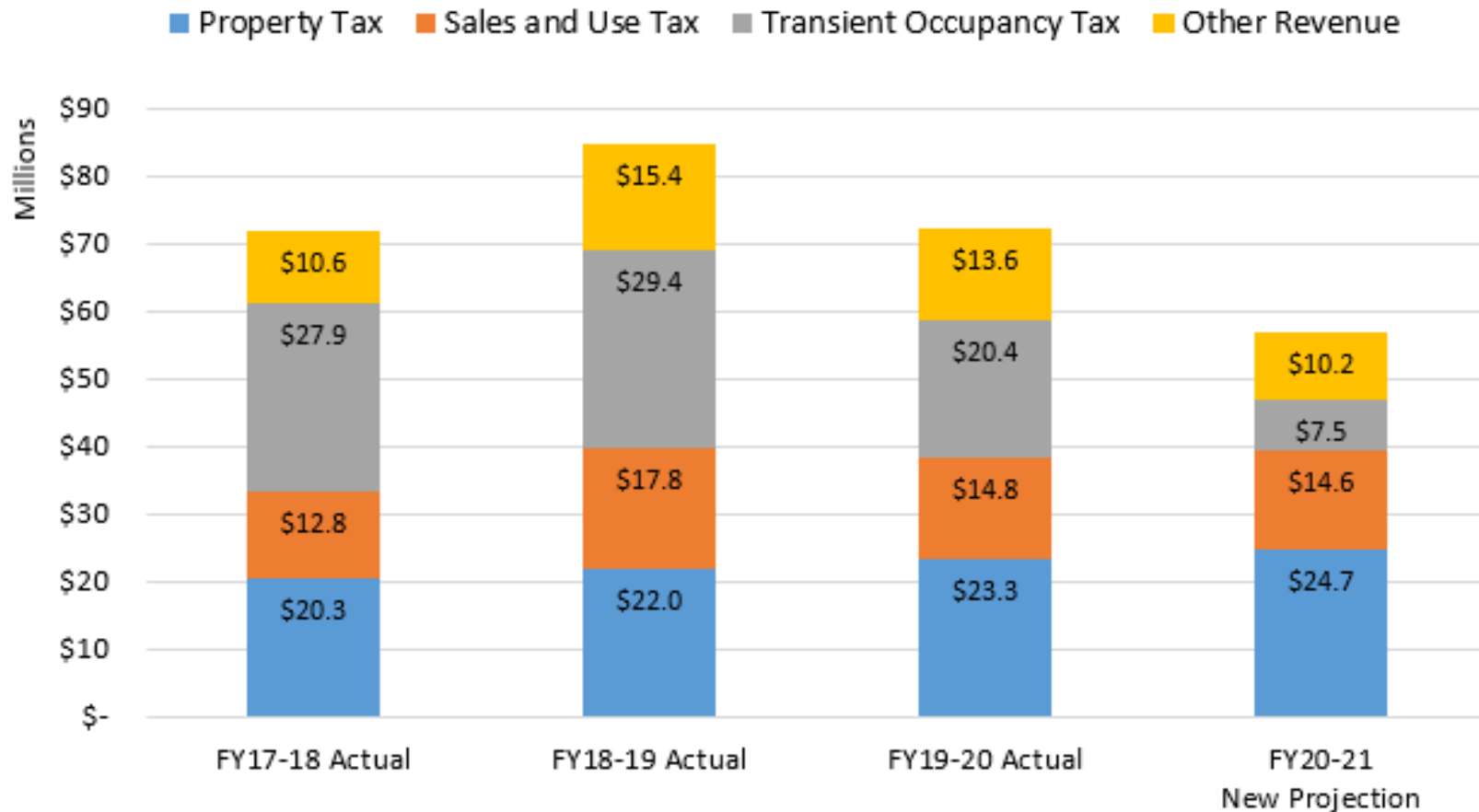
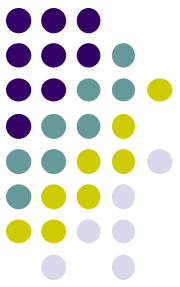


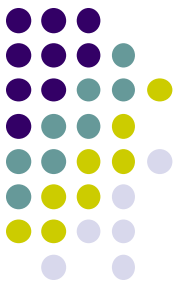
Economic Indicator	Projected 2020-21	Forecast 2021-22
U.S. Real GDP Growth	12.0%	3.4%
U.S. Unemployment Rate	6.8%	4.9%
California Unemployment Rate	8.8%	5.7%
California Median Existing Home Prices	\$583,320	\$618,930
California Residential Building Permits	111,780	117,780

Major General Fund Sources



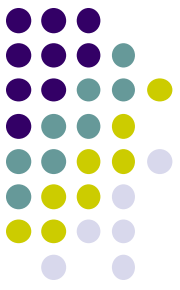
General Fund Revenue Sources





Property Tax Assumptions

- Growth in net assessed values (NAV) contingent upon:
 - Higher residential property values
 - Local FY 2020-21 property roll reflects 11.52% growth since prior year (comp. to 7.52% county-wide)
 - 8.1% growth in residential values experienced statewide
- However, County inventories of properties for sale remain extremely low
- Forecast does not include completion of specific development projects in property tax roll growth

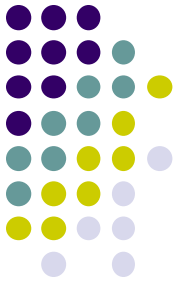


Property Tax Assumptions

- Excess ERAF projected to remain flat
- Based on current year growth in secured roll, 6.0% increase assumed for FY 2020-21 (collected in FY 2021-22)
- Five-year forecast also assumes 6.0% revenue growth in secured taxes thru FY 2025-26

<i>Revenue Categories</i>	<i>2020-21 New Projection</i>	<i>2021-22 Forecast</i>	<i>2022-23 Forecast</i>	<i>2023-24 Forecast</i>	<i>2024-25 Forecast</i>	<i>2025-26 Forecast</i>
Property Taxes	24,659,000	25,996,000	27,413,000	28,915,000	30,507,000	32,195,000

Sales Tax Assumptions



HdL CITY OF BURLINGAME
3 YEAR SALES AND USE TAX BUDGET ESTIMATE

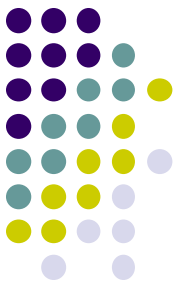
Industry Group	FY 2019-20	FY 2020-21		FY 2021-22		FY 2022-23	
	Actuals	Projection	%	Projection	%	Projection	%
Autos & Transportation	4,176,957	3,893,747	-6.8%	4,057,747	4.2%	4,199,747	3.5%
Building & Construction	1,058,200	933,055	-11.8%	953,255	2.2%	991,355	4.0%
Business & Industry	1,054,864	1,058,708	0.4%	1,106,608	4.5%	1,150,908	4.0%
Food & Drugs	412,234	467,845	13.5%	461,945	-1.3%	471,145	2.0%
Fuel & Service Stations	334,045	418,371	25.2%	494,371	18.2%	504,271	2.0%
General Consumer Goods	1,345,615	1,450,603	7.8%	1,550,903	6.9%	1,581,903	2.0%
Restaurants & Hotels	1,766,251	1,559,821	-11.7%	1,984,621	27.2%	2,071,921	4.4%
Transfers & Unidentified	(2,662)	3,357	- N/A -	3,357	0.0%	3,357	0.0%
State & County Pools	3,004,470	3,367,790	12.1%	3,470,690	3.1%	3,678,890	6.0%
Total	13,149,974	13,153,297	0.0%	14,083,497	7.1%	14,653,497	4.0%
County Share	(657,499)	(657,665)		(704,175)		(732,675)	
Administration Cost	(118,879)	(105,418)		(115,597)		(120,276)	
Total	12,373,596	12,390,214	0.1%	13,263,725	7.1%	13,800,547	4.0%
With Accrual	12,373,596	12,390,214	0.1%	13,263,725	7.1%	13,800,547	4.0%



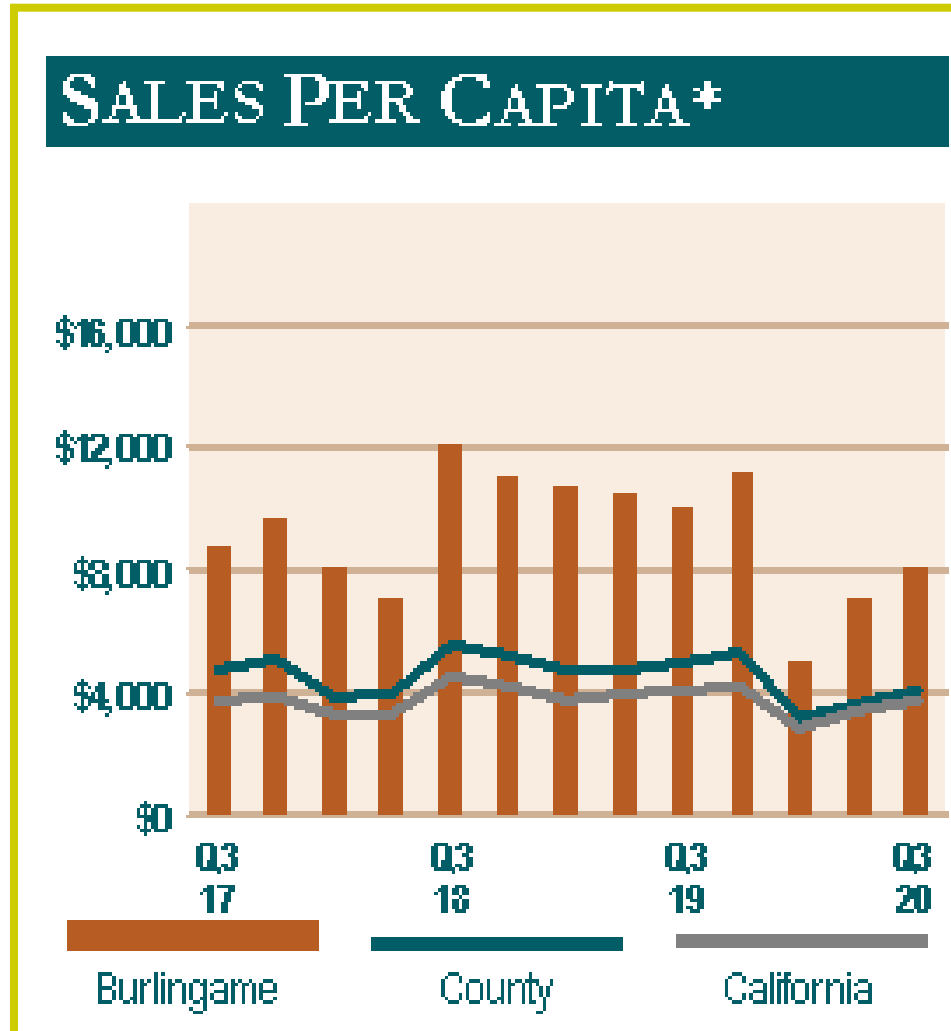
Sales Tax Assumptions

- Statewide Sales Transaction Trends
 - 2.1% for fiscal year 2020-21
 - 7.5% for fiscal year 2021-22
- Burlingame five-year forecast provides for a 7.0% increase in FY 2021-22; 4% in FY 2022-23
- Then averaging 4% through FY 2025-26

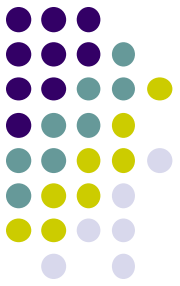
<i>Revenue Categories</i>	<i>2020-21 New Projection</i>	<i>2021-22 Forecast</i>	<i>2022-23 Forecast</i>	<i>2023-24 Forecast</i>	<i>2024-25 Forecast</i>	<i>2025-26 Forecast</i>
Sales Tax (including Measure I)	14,570,000	15,590,000	16,214,000	16,700,000	17,535,000	18,236,000



Sales Tax Assumptions



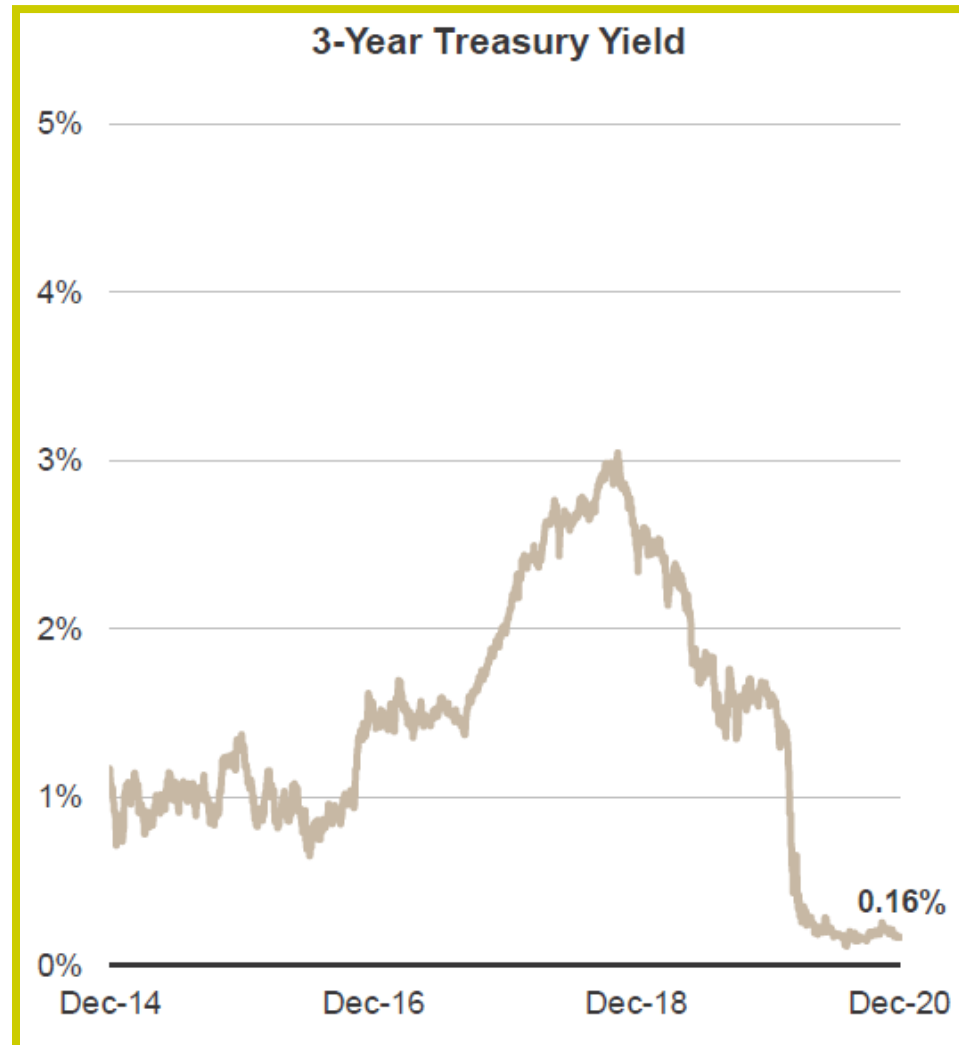
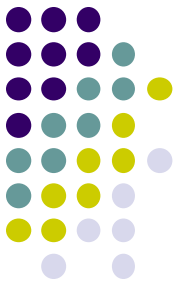
TOT Assumptions



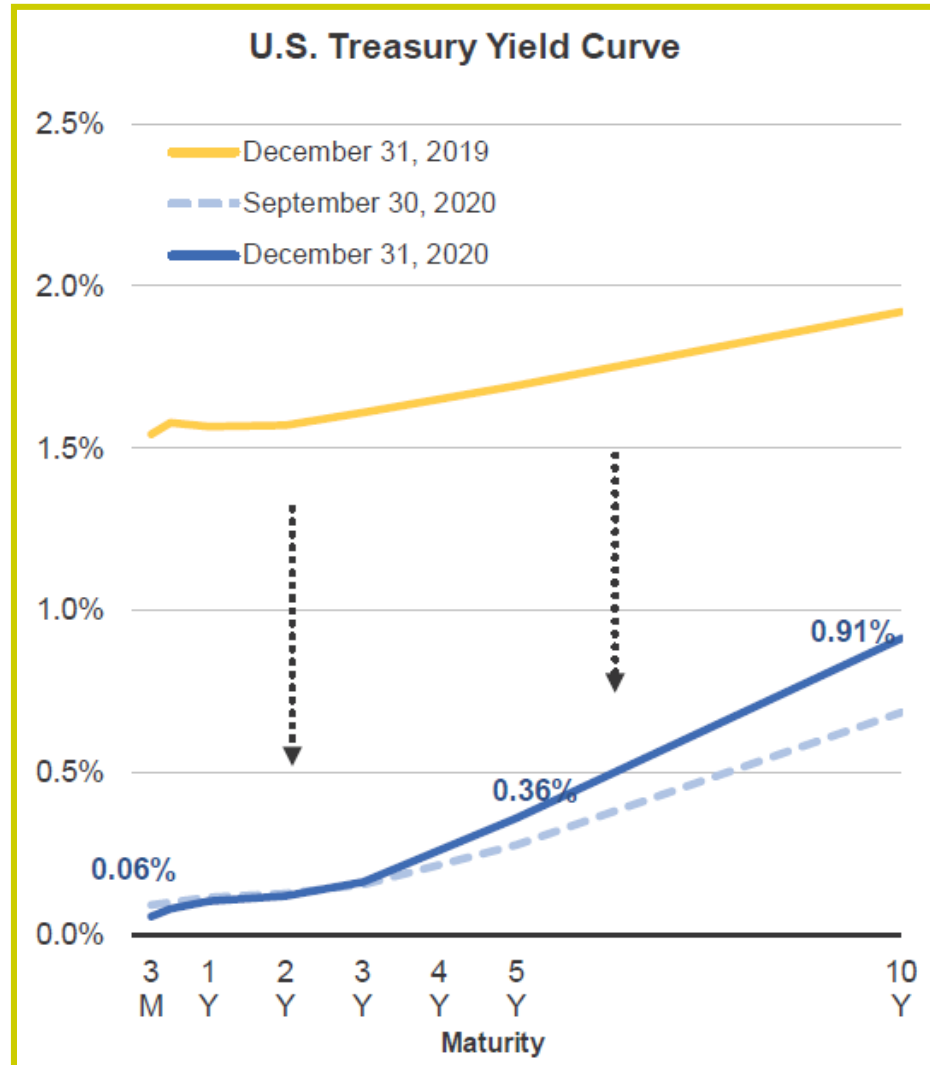
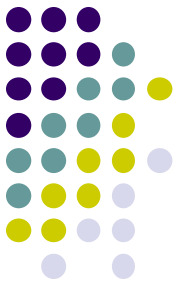
- The City’s largest and most *economically sensitive* revenue source
- 5-year forecast assumes slow growth:
 - Assumes 80% “rebound” in 2021-22; 35% in 2022-23
 - Assumes occupancy not restored until 2023-24
 - Assumes ADR not restored until 2024-25
- Staff will continue to monitor receipts and will revise forecast as needed

<i>Revenue Categories</i>	<i>2020-21 New Projection</i>	<i>2021-22 Forecast</i>	<i>2022-23 Forecast</i>	<i>2023-24 Forecast</i>	<i>2024-25 Forecast</i>	<i>2025-26 Forecast</i>
Transient Occupancy Tax	7,500,000	13,500,000	18,225,000	23,693,000	28,432,000	31,275,000

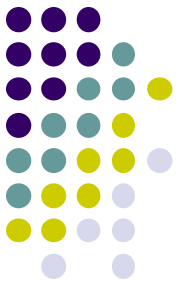
Investment Yields



Treasury Curve

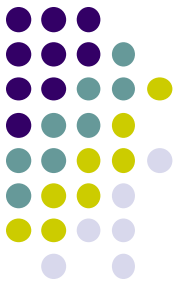


General Fund Revenue Forecast (Summary)



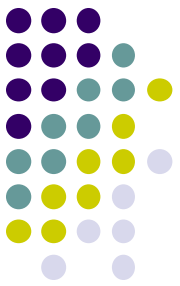
<i>Revenue Categories</i>	2020-21 <i>New Projection</i>	2021-22 <i>Forecast</i>	2022-23 <i>Forecast</i>	2023-24 <i>Forecast</i>	2024-25 <i>Forecast</i>	2025-26 <i>Forecast</i>
Property Taxes	24,659,000	25,996,000	27,413,000	28,915,000	30,507,000	32,195,000
Sales Tax (including Measure I)	14,570,000	15,590,000	16,214,000	16,700,000	17,535,000	18,236,000
Transient Occupancy Tax	7,500,000	13,500,000	18,225,000	23,693,000	28,432,000	31,275,000
Other Taxes - Franchise Tax	1,561,800	1,597,000	1,611,000	1,647,000	1,685,000	1,724,000
Other Taxes - Business Licenses	680,000	721,000	735,000	750,000	765,000	780,000
Other Taxes - Transfer Tax	500,000	510,000	520,000	530,000	541,000	552,000
Other Taxes - State HOPTR	61,000	62,000	63,000	64,000	65,000	66,000
Licenses & Permits	71,200	71,000	71,000	71,000	71,000	71,000
Fines, Forfeitures & Penalties	650,000	683,000	717,000	753,000	768,000	783,000
Use of Money & Property	180,000	189,000	198,000	208,000	218,000	229,000
Charges for Services	4,406,900	5,288,000	6,346,000	6,663,000	6,863,000	7,069,000
Other Revenue	32,500	33,000	33,000	33,000	33,000	33,000
State Subventions	162,500	200,000	200,000	200,000	200,000	200,000
Federal COVID Relief Fund	371,871	-	-	-	-	-
Interest Income	1,508,000	1,131,000	1,154,000	1,177,000	1,201,000	1,225,000
Total Revenues	56,914,771	65,571,000	73,500,000	81,404,000	88,884,000	94,438,000

General Fund Expenditures Forecast Assumptions



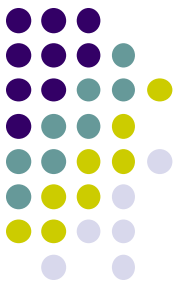
Expenditure Description	Explanatory Comments
<p style="text-align: center;">Salaries & Wages</p>	<p>Includes effect of current collective bargaining agreements. Assumes an annual growth in salaries of 2% for FY 21-22, then 3% for out years, as well as normal merit step increases. Assumes part-time wages, after reduced by 50% in FY 20-21, return to the City's normal operating level starting in FY 21-22.</p>
<p style="text-align: center;">Benefits</p>	<p>Includes an annual health care cost growth rate of 8% for 2022, then 5% for each January 1 change. Also includes expected PERS contribution rate increases (7.5% average annually for Safety and 6% for Misc. employees) coupled with forecast increases in salaries & wages.</p> <p>Also included are employee contributions to health care and PERS in accordance with current MOUs. Growth in other benefit costs – 3% annually.</p>

General Fund Expenditures Forecast Assumptions (continued)



Expenditure Description	Explanatory Comments
Operating Costs	Based upon cost of living adjustments for most non-personnel costs and expected changes in utility rates. A 3% compounded annual growth rate is assumed for most operating costs. A 5% escalation factor for service from Central County Fire is also assumed. Operating costs include a payroll surcharge assessed on full-time employees to fund <i>previously incurred</i> costs associated with retiree medical benefits (OPEB) for former employees
Internal Services	Assumes an annual growth of 4% for FY 21-22, then 3% thereafter.
Capital Outlay	Includes a base of \$250k (FY 21-22) based upon historical use and 3% growth rate.
Transfers In (Out)	Assumes reimbursements for debt service, increasing General Fund investments in Capital Projects after FY 21-22, and renewed support of City shuttle programs; offset by transfers to the fund for administrative support of enterprise operations.
Debt Service	Includes actual debt service for all current outstanding bond issues. (FY 20-21 was the last year for 2010 Corp Yard Bonds.) Assumes no refinancing or new debt.

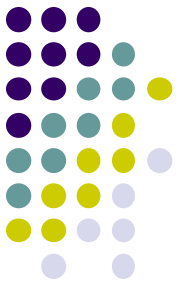
Forecast of CalPERS Rates



- FY 2020-21 Employer Rates (blended)
 - Miscellaneous Employees 27.9%
 - Safety Employees 56.0%
- Rates do not include employee contributions
- Estimated rates are blended to include both “classic” employees and PEPRA employees

Estimated CalPERS Rate								
Fiscal Year	Misc. Rate				Safety Rate			
	Normal Cost	UAL Payment	Total Contributions	Total as % of Payroll	Normal Cost	UAL Payment	Total Contributions	Total as % of Payroll
2019-20 Actual	1,702,600	+ 2,776,389	4,478,989	27.2%	885,500	+ 1,755,134	2,640,634	52.1%
2020-21 Est.	1,991,000	+ 3,060,247	5,051,247	27.9%	958,000	+ 1,995,166	2,953,166	56.0%
2021-22 Est.	1,907,000	+ 3,593,631	5,500,631	29.8%	996,000	+ 2,321,858	3,317,858	59.9%
2022-23 Est.	1,913,000	+ 4,290,000	6,203,000	32.6%	1,026,000	+ 2,940,000	3,966,000	69.5%
2023-24 Est.	1,911,000	+ 4,690,000	6,601,000	33.7%	1,057,000	+ 3,250,000	4,307,000	73.3%
2024-25 Est.	1,908,000	+ 5,020,000	6,928,000	34.3%	1,089,000	+ 3,510,000	4,599,000	76.0%
2025-26 Est.	1,903,000	+ 5,400,000	7,303,000	35.1%	1,122,000	+ 3,770,000	4,892,000	78.5%

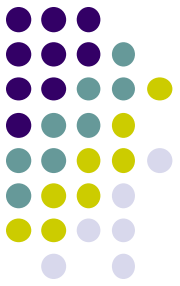
Source of information: Normal Cost is calculated based on current payroll projection, CalPERS rates, and net of employee cost sharing. UAL payment is based on GovInvest pension analysis with the assumption that investment return will be at 6% for FY21 ~ FY26.



Pension Costs Rising

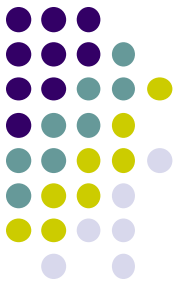
- Assumption changes
- Reduction of discount rate
- New amortization policy
- “Risk Mitigation” portfolio strategy

Employee Contributions



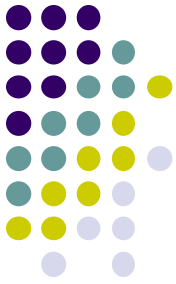
- Cost-sharing agreements with employees to reduce pension costs
 - Classic employees contributing to employer share
 - PEPRA - Annual contributions for new employees cannot be less than employer normal cost
- Employee contributions to health care
 - Helps offset increases to health care costs
- Retiree medical program closed to new employees (November 2011)

General Fund Expenditure Forecast (Summary)



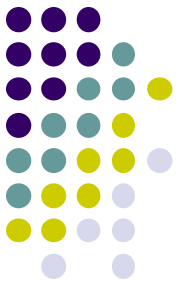
	<i>2020-21</i> <i>New Projection</i>	<i>2021-22</i> <i>Forecast</i>	<i>2022-23</i> <i>Forecast</i>	<i>2023-24</i> <i>Forecast</i>	<i>2024-25</i> <i>Forecast</i>	<i>2025-26</i> <i>Forecast</i>
<i>Expenditure Categories</i>						
Salaries & Wages	(20,246,633)	(21,450,000)	(22,093,000)	(22,755,000)	(23,438,000)	(24,141,000)
Benefits	(13,124,163)	(13,925,000)	(14,687,000)	(15,265,000)	(15,873,000)	(16,374,000)
Operating Costs	(24,340,954)	(25,230,000)	(26,144,000)	(27,098,000)	(28,094,000)	(29,134,000)
Internal Services	(4,570,045)	(4,753,000)	(4,896,000)	(5,043,000)	(5,194,000)	(5,350,000)
Capital Outlay	(163,000)	(250,000)	(258,000)	(266,000)	(274,000)	(282,000)
Total Expenditures	(62,444,795)	(65,608,000)	(68,078,000)	(70,427,000)	(72,873,000)	(75,281,000)

General Fund Forecast (Summary)



	<i>2020-21</i> <i>New Projection</i>	<i>2021-22</i> <i>Forecast</i>	<i>2022-23</i> <i>Forecast</i>	<i>2023-24</i> <i>Forecast</i>	<i>2024-25</i> <i>Forecast</i>	<i>2025-26</i> <i>Forecast</i>
Total Revenues	56,914,771	65,571,000	73,500,000	81,404,000	88,884,000	94,438,000
Total Expenditures	(62,444,795)	(65,608,000)	(68,078,000)	(70,427,000)	(72,873,000)	(75,281,000)
Revenues Over (Under) Expenditures	(5,530,024)	(37,000)	5,422,000	10,977,000	16,011,000	19,157,000
Transfer In (Out)						
Transfer to CIP Project Funds	(3,209,000)	(3,160,000)	(9,805,000)	(13,835,000)	(6,555,000)	(6,505,000)
Transfer to Debt Service Fund	(2,728,338)	(3,580,400)	(3,600,700)	(3,623,500)	(3,651,060)	(3,122,700)
Transfers In (Out) - other funds	2,573,550	1,693,525	1,723,779	1,755,120	1,790,059	1,685,845
Transfer to Capital Investment	-	-	-	-	-	(3,000,000)
Change in Fund Balance before Adjustments	(8,893,812)	(5,083,875)	(6,259,921)	(4,726,380)	7,594,999	8,215,145
Adjustments						
Transfer to Pension 115 Trust	(2,250,000)	(1,856,000)	(1,279,000)	(874,000)	(504,000)	(15,000)
Net Surplus / (Deficit)	(11,143,812)	(6,939,875)	(7,538,921)	(5,600,380)	7,090,999	8,200,145

Next Steps



- Direction on issues for 2021-22 Budget
- Consideration of options for funding future year deficits

