



Media Release:

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SAN PABLO CITY COUNCIL ADOPTS NEW TWO-YEAR (BIENNIAL) GENERAL FUND OPERATING AND CAPITAL IMPROVEMENT PROGRAM BUDGETS

(May 22, 2024) – On May 20, 2024, the San Pablo City Council adopted its newly balanced, Two-Year (Biennial) General Fund (GF) Operating and Capital Improvement Program (CIP) Budgets for FY 2025 – 2026 periods maintaining its consistent policy of multi-year budget planning to sustain current City program and service delivery to the San Pablo community.

Last December 2023, the City's current budget process kicked-off with tremendous fiscal uncertainty following presentation of a new, 10-year Financial Forecast Plan to the City Council from an independent financial services consultant which highlighted a potential **(\$44.1M)** in cumulative GF operating deficits over the next 10-year period if existing expenses and revenue trends remained unchanged.

Faced with these fiscal challenges ahead, the City immediately implemented an FTE hiring freeze for existing employee vacancies during FY 2023-24, with further emphasis placed on zero (0) based budgeting to focus on core essential spending for City Departments, and adoption of eight (8) new, strategic budget initiatives to counteract these forecasted deficits. These immediate critical decisions enabled the City to reverse a projected operating deficit projected at **(\$5M)** over FY 2025 - 2026 while facing substantial cost increases due to inflation, personnel/labor costs, health insurance, general insurance/liability, fuel/utilities, CalPERS unfunded accrued liability costs, and workers' compensation costs affecting most local government budgets state-wide.

On May 1, 2024, the City Manager presented a balanced two-year budget plan to the City Council at a scheduled public budget hearing. Following extensive review, the City Council proceeded with unanimous adoption of the proposed two-year budget plan on May 20, 2024, with expenditures and revenues allocated through June 30, 2026. In summary, the City's Adopted GF Operating Budget is balanced for FY 2024-25 at \$54.5M, and FY 2025-26 at \$56.4M, respectively.

Major budget balancing measures included: freezing six (6) existing FTE employee vacancies; implementing a City-wide 5% reduction in City Department spending; reducing Police Department overtime expenses by 25% due to full-staffing levels, and applying a total of \$5M over the next two (2) fiscal year periods from available FY 2023-24 year-end audited fund balance, and a one-time appropriation of \$377,000 from the City's Budget Stabilization Fund.

A total of \$33.9M in annual contract revenue from Casino San Pablo comprises nearly 65% of the City's Total Annual GF revenue representing a +0.6% annual growth rate from the previous year. On the expense side, the City's major cost factor is a total of \$33M in annual salary and labor costs for its 165 FTE workforce which comprises nearly 60% of the City's Total Annual GF expenses for the FY 2024-25 period. All forecasted COLAs under existing 5-year employee labor agreements for the City's labor workforce were also sustained through June 30, 2027.

The City's Two-Year CIP Budget for FY 2025 – 2026 will also receive a \$1M annual GF operating transfer each year while leveraging a number of grant resources awarded to the City via partnerships with Federal and State CA agencies to facilitate active and future capital investments, including but not limited to: ADA access improvements, annual street repair and rehabilitation projects, bridge replacement and circulation improvements, new full-service park development, and new stormwater NPDES infrastructure projects to meet State regulatory requirements.

Three (3) new Internal Services Funds (ISFs) were also established to assist the City with ongoing management of annual and recurring building and facility maintenance costs, asset and vehicle procurement, and to re-allocate an existing City Manager Operating Reserve, effective July 1st. Overall, these combined efforts resulted in little or no impact to current City programs or service delivery, and resulted in no FTE employee layoffs as a budget reduction measure for the 14th consecutive year.

Currently, the City maintains a total of \$63M in Unassigned/Unallocated Reserves due to strict adherence to adopted Fiscal Resiliency Reserve Policies in effect since 2013 which preserves the City's existing 50% Catastrophic Reserve, with \$27.3M available for local emergencies, national disasters and unforeseen contingencies, and a Budget Stabilization Fund with \$2.7M available to address any unanticipated future revenue shortfalls during the FY 2025 – 2026 period.

“San Pablo is committed to following good, fiscal management practices which successfully reduced frivolous spending, eliminated \$5M in forecasted deficits, and maintained current City service delivery and staffing levels to the public. With full adoption of a two-year, balanced budget plan in place, the City can focus its immediate attention on generating new revenue opportunities while encouraging more economic and housing investments in our community in the coming years,” stated San Pablo City Manager Matt Rodriguez.

The City's newly adopted Two-Year (Biennial) GF Operating and CIP Budgets become effective July 1, 2024, with a new Digital Budget resource document to be made available for public viewing on the City's website at: www.sanpabloca.gov

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