

CITY OF BRENTWOOD

FISCAL YEAR 2023/24 FINANCIAL SNAPSHOT




The City publishes many annual financial documents; however, given the size and complexity of the documents, it can be difficult to identify critical information. We have created this report to present key items in a simple format. This report focuses on the most recently completed Fiscal Year, covering July 1, 2023 – June 30, 2024. The full year audited financials will be presented to the City Council in December 2024.



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ECONOMY REMAINS RESILIENT AMIDST GEOPOLITICAL AND INFLATION CONCERNS



The General Fund provides funding for the majority of City services, including street maintenance, parks and police. We are pleased to report positive preliminary financial results in the General Fund for the Fiscal Year (“FY”) ended June 30, 2024, with revenues exceeding expenditures and reserve requirements by \$2,667,652. Included in these results are \$1.1 million in one-time investment fair market value gains and \$1.2 million released from a future planned project.

Operationally, increasing housing values and increased consumer demand for goods and services have been positive factors in strengthening the City’s financial position over the past several years. However, property taxes are projected to grow at a more moderate pace in the coming years. Sales tax revenues are expected to be flat for the majority of FY 2024/25, as inflation impacts consumer demand. The planned opening of Costco in the spring of 2025 will provide a significant increase in sales tax revenues in future budget years.

The long-predicted recession stemming from inflation and geopolitical issues has thus far failed to materialize. While inflationary pressures are cooling, recent years’ high inflation rates have led to higher costs to provide services and build infrastructure. The City’s contracts with labor groups expired on June 30, 2024. Labor negotiations are ongoing and are also likely to result in increased costs. With limitations on revenue generation, the City’s revenue growth may not keep pace with increasing cost pressures in upcoming fiscal years.

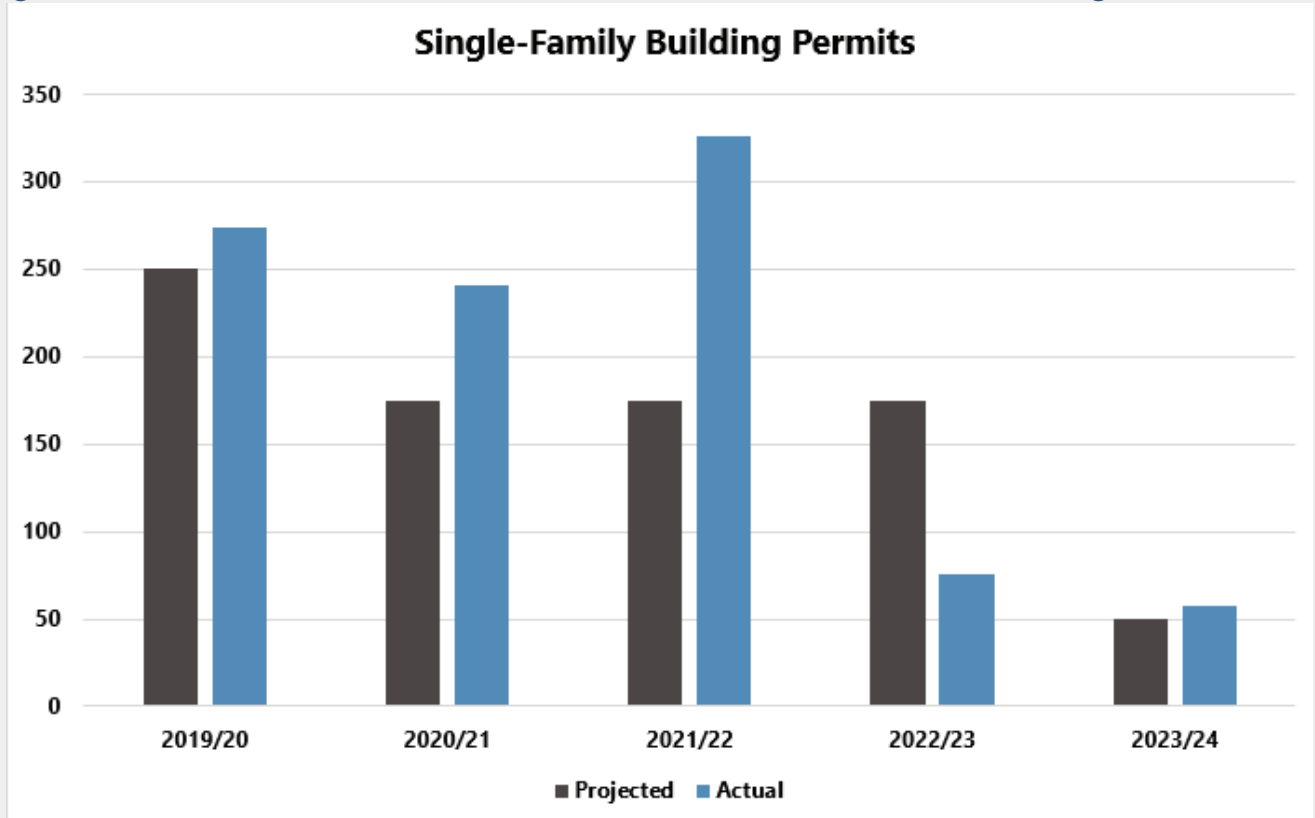
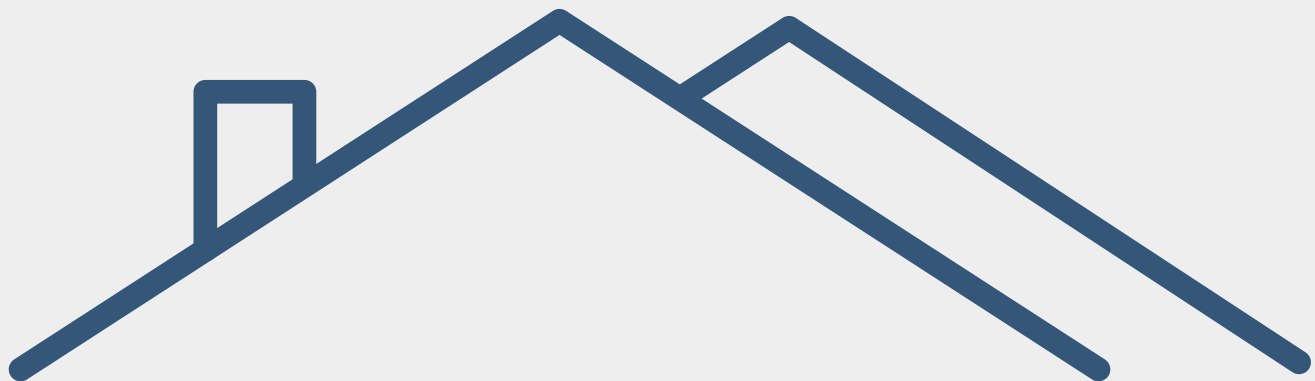
While the FY 2023/24 results are better than expected, they should be viewed with the knowledge that the fiscal environment remains uncertain. Fortunately, as will be demonstrated throughout this Snapshot, the City is well positioned and prepared to meet any upcoming economic challenges.

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PERMIT ACTIVITY - 57 Single-Family Building Permits

For the second consecutive year, new residential development occurred at the slowest pace since the Great Recession. While the past ten years have seen an average of 325 new single family residential permits, the past two years have been well under 100 permits. The long-term trend of development activity is clearly slowing.

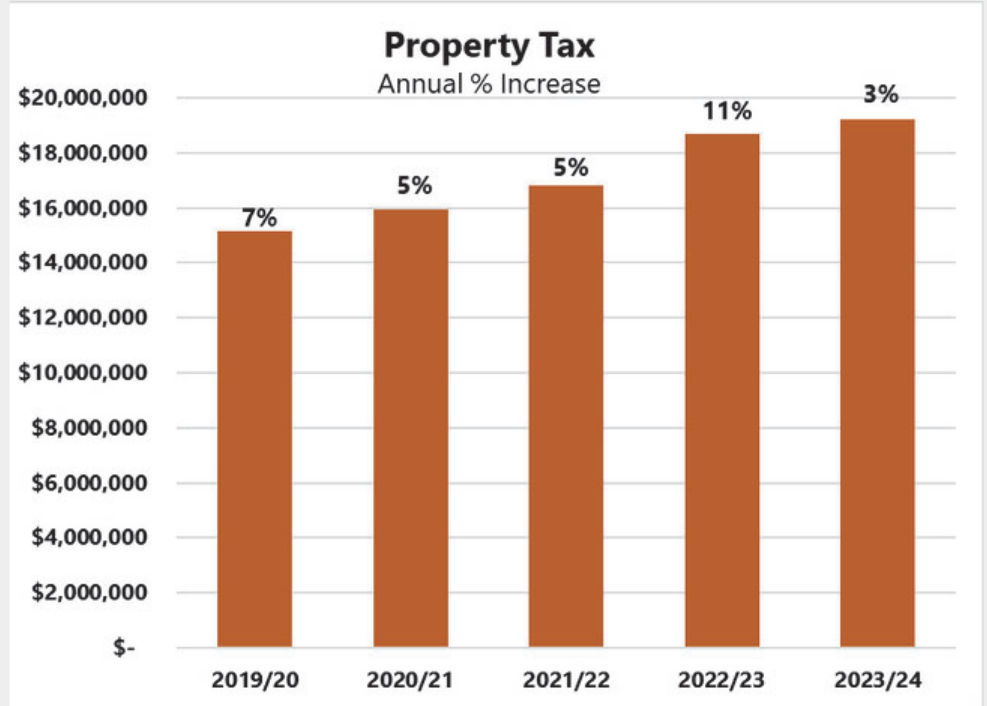


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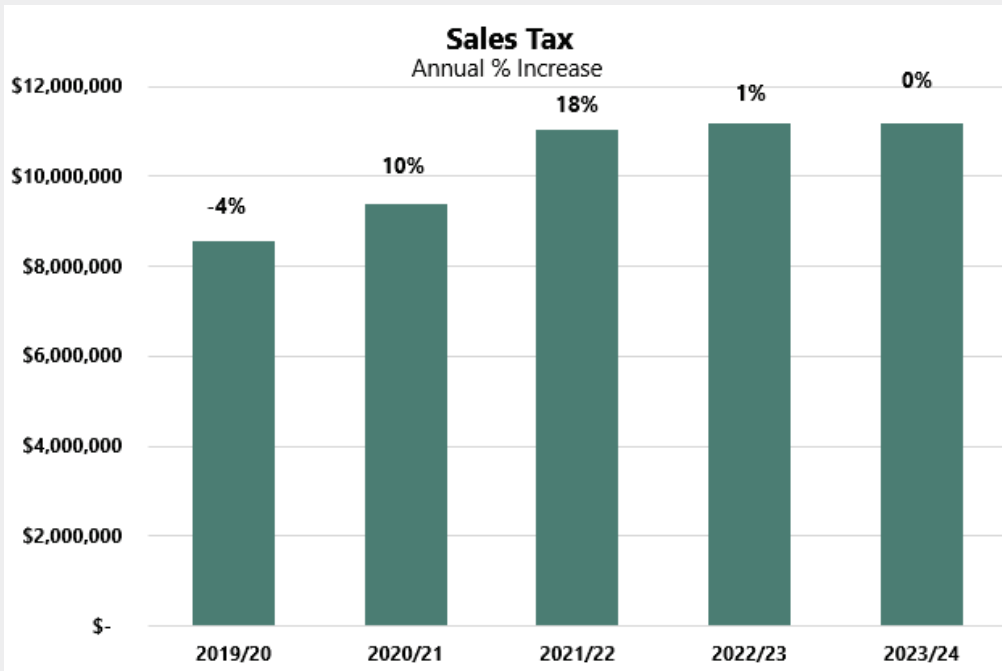
Property Tax Revenue

Property tax revenue, the General Fund's top revenue source, has performed well over the past five years. FY 2024/25 property tax revenues are expected to grow by approximately 4%.



Sales Tax Revenue

Sales tax, the General Fund's second largest revenue, has rebounded to surpass pre-pandemic levels. Although FY 2023/24 remained even with the prior year, we expect modest growth going forward, with a significant boost from the planned opening of Costco in the spring of 2025.



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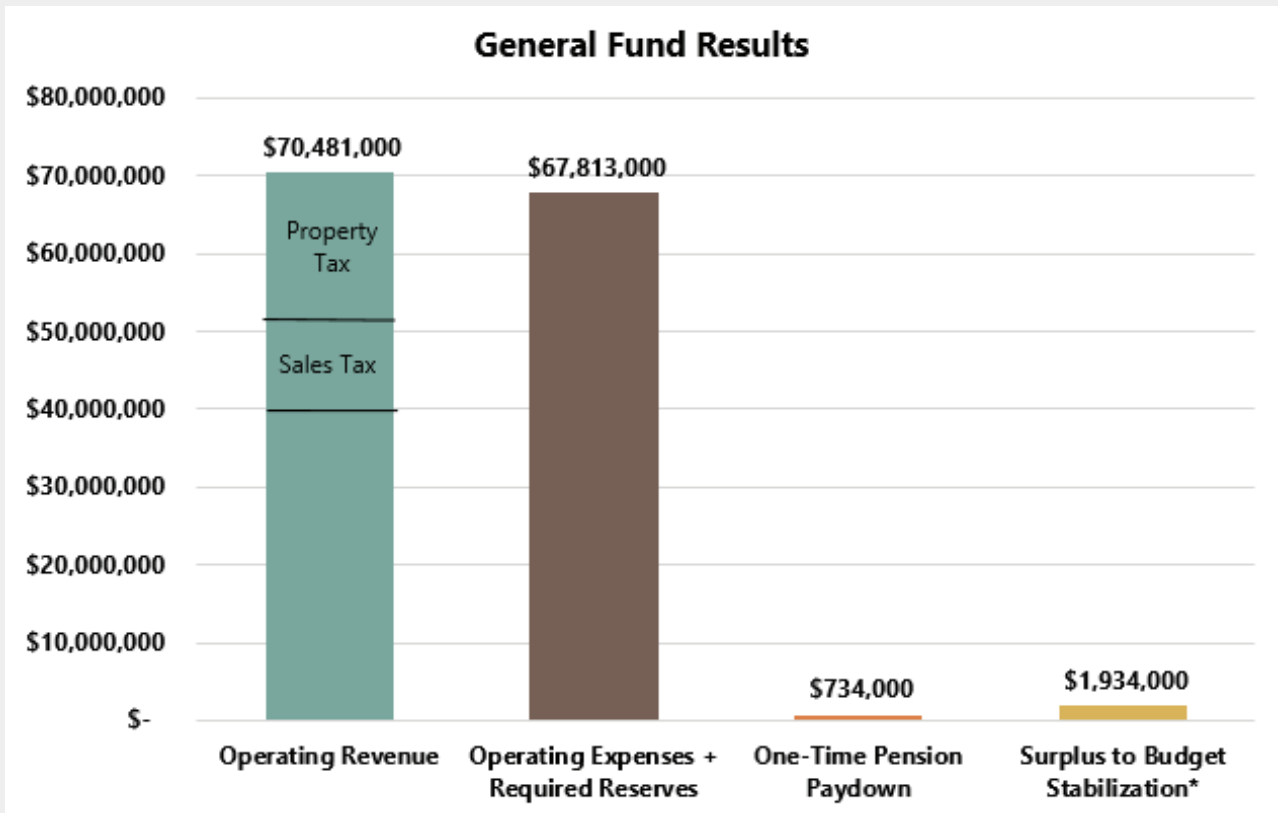
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General Fund Results

The General Fund remained balanced in the 2023/24 fiscal year, with revenues exceeding expenses and amounts set aside for reserves by \$2,667,652. A surplus of approximately \$1.2 million was expected, however, investment fair market value gains of \$1.1 million were greater than expected, and greater than anticipated savings in supplies and services resulted in overall costs coming in lower than was previously forecast. A portion of the surplus, \$1.2 million, was generated from a Council-directed reduction in planned project spending.

City Council policy requires that half of any annual surplus be used to reduce unfunded pension obligations, while the other half is transferred to the Budget Stabilization Fund (BSF). Via resolution, City Council directed exclusion of the \$1.2 million in reduced project spending from the calculation of the required pension payment. As a result, \$733,826 of the surplus will be used for the pension payment and \$1,933,826 will be transferred to the BSF.

The BSF is used to offset rising pension and retiree medical costs in the intermediate-term, and has provided a source for additional pension pay down payments.



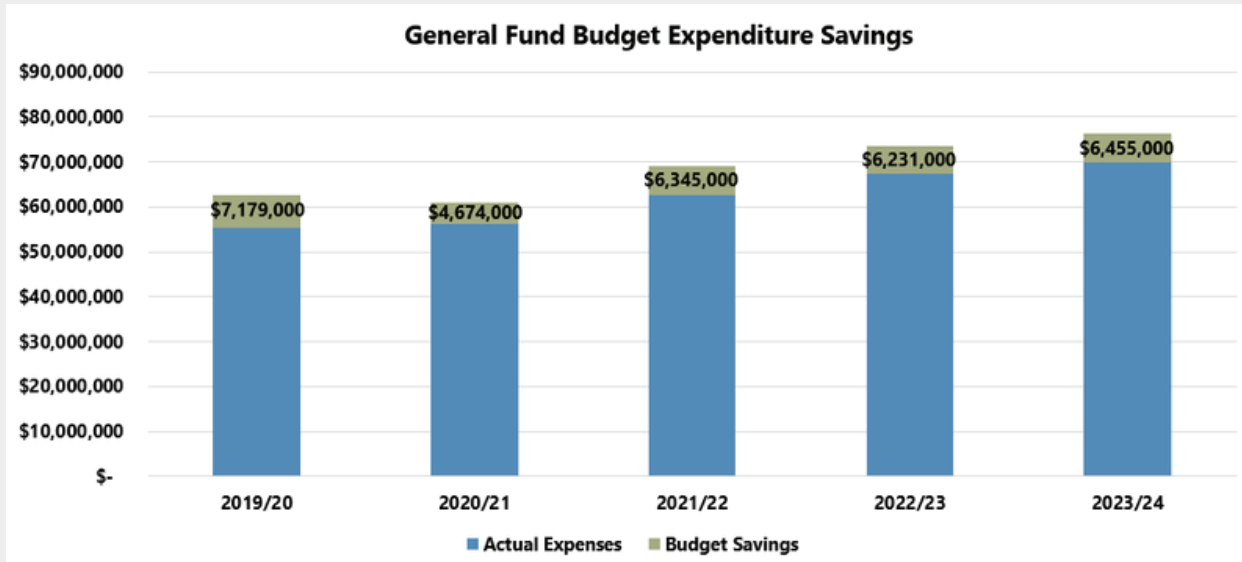
*Includes \$1.2M of funds not subject to Budget and Fiscal Policy Section 7.1.1.1 per Resolution 2024-73.

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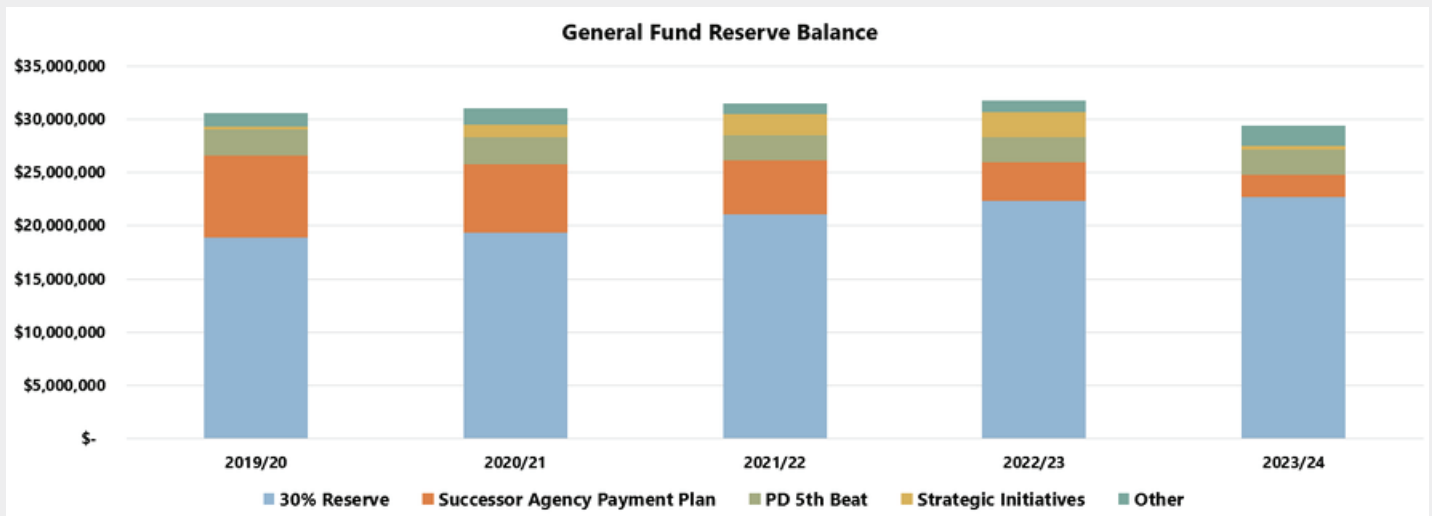
General Fund Expenditure Savings

Historically, the City has seen significant expenditure savings when comparing final results to the budget. This helps reduce or eliminate the need to transfer in funds from the Budget Stabilization Fund. Last year, we saved about \$6.5 million compared to the budget. This represents an 8.4% savings in our budget, a slight decline from the four-year average of 9.2%. Vacant positions throughout the year were responsible for a large portion of this savings.



General Fund Reserves

Pursuant to City Council Policy, the General Fund maintains a 30% reserve. In addition, we have reserves for other future expenses and projects. Reserve amounts include funds set aside to fund the first two years of the Police Department 5th beat and completion of ongoing Strategic Initiatives. The Other category primarily consists of reserves for future capital projects.

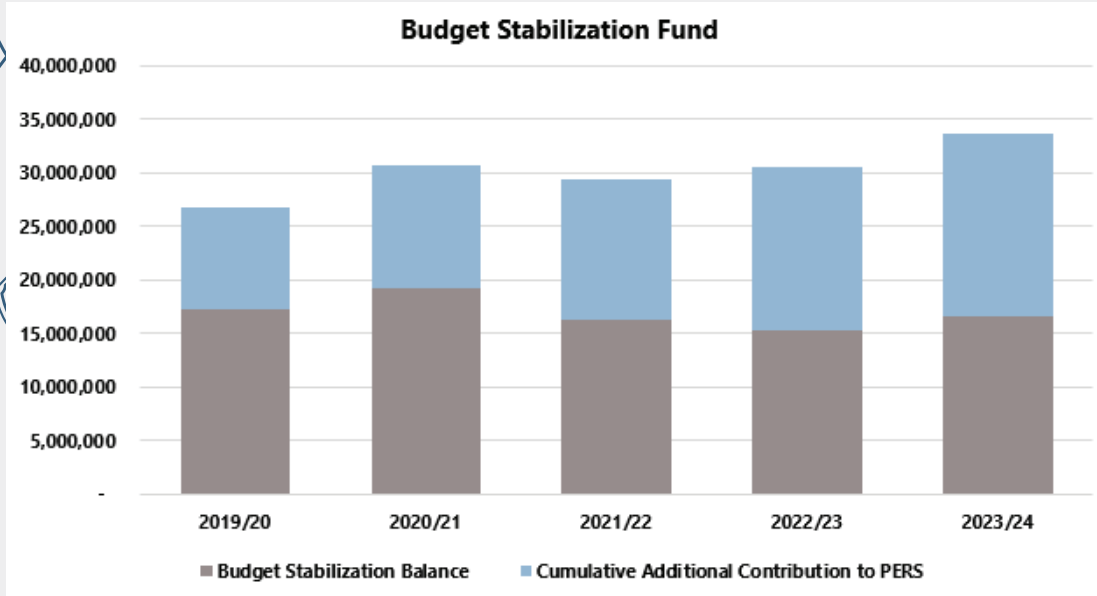


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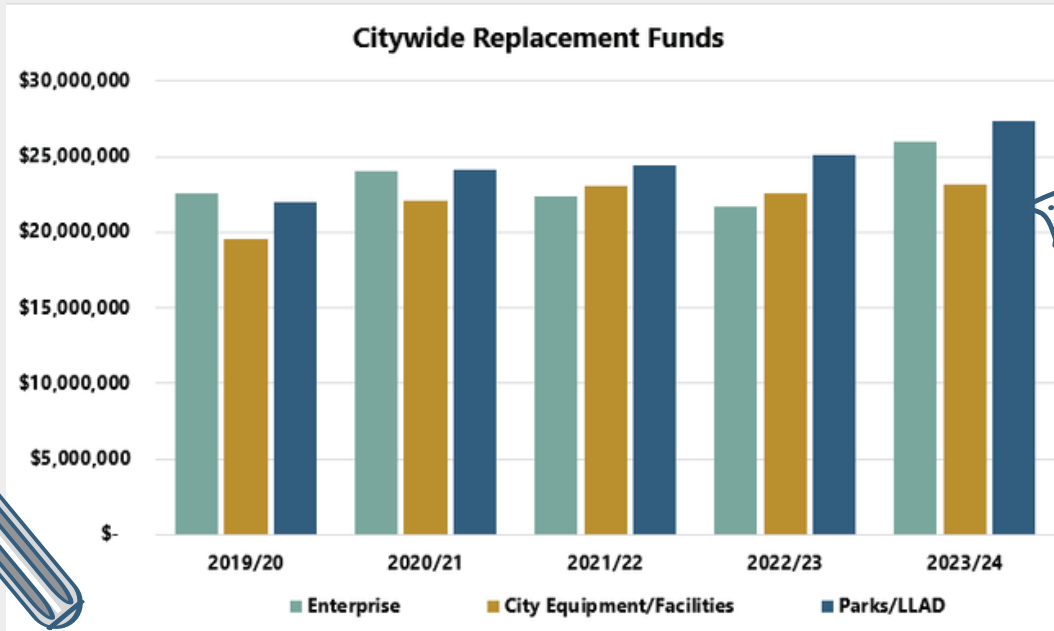
Budget Stabilization Fund

Since 2018, a total of \$17.2 million in pension paydown prepayments have been made from the Budget Stabilization Fund to CalPERS. These payments will save the General Fund approximately \$30 million in future pension costs. Additional prepayments are planned for both FY 2024/25 and FY 2025/26. The current balance of the Budget Stabilization Fund is approximately \$16.5 million, equivalent to about 24% of General Fund operating expenditures.



Citywide Replacement Funds

The City sets aside funds for future asset replacement needs for things like city facilities, park playgrounds, and water pipes. At the end of FY 2023/24 we had \$76.5 million set-aside for asset replacement.



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Enterprise Funds

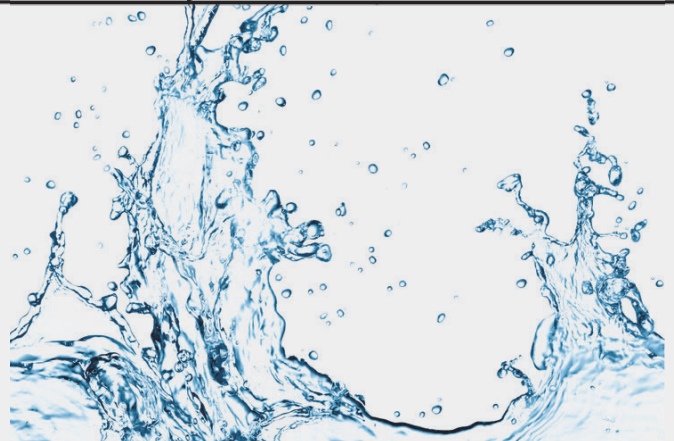
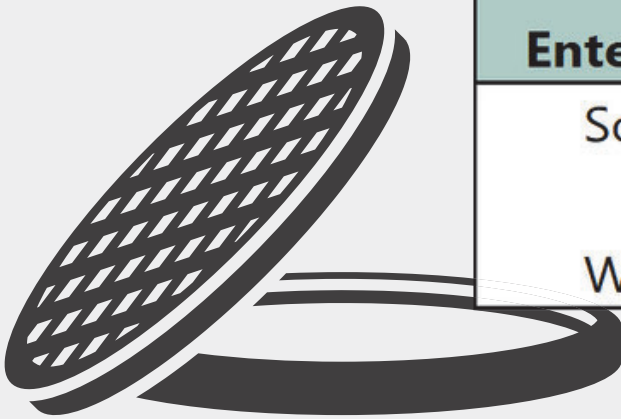
The City provides residents with Solid Waste, Water and Wastewater services. The charges for these services (user fees), along with the costs for providing the services, are accounted for in the individual Enterprise Funds. These funds do not receive any General Fund support and must be self-supporting. Rate studies are conducted periodically to ensure the enterprise rates are sufficient to cover all expenses. In June 2023, a 5-year rate study was approved by the City Council, with the approved rates being reflected in FY 2023/24 results. The Enterprises are seeing large cost increases from more stringent state requirements, however, current rate structures have been set to ensure our Enterprise funds remain financially solid and capable of providing reliable water, solid waste and wastewater services to our residents moving forward.

Enterprise Reserves

We have a 30% cash reserve goal for the Enterprise Funds. The following table shows the status of each fund at 2023/24 fiscal year-end.



Enterprise Fund	30% Reserve Met?
Solid Waste	Yes
Water	Yes
Wastewater	Yes

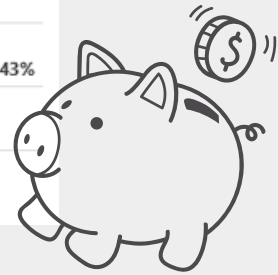
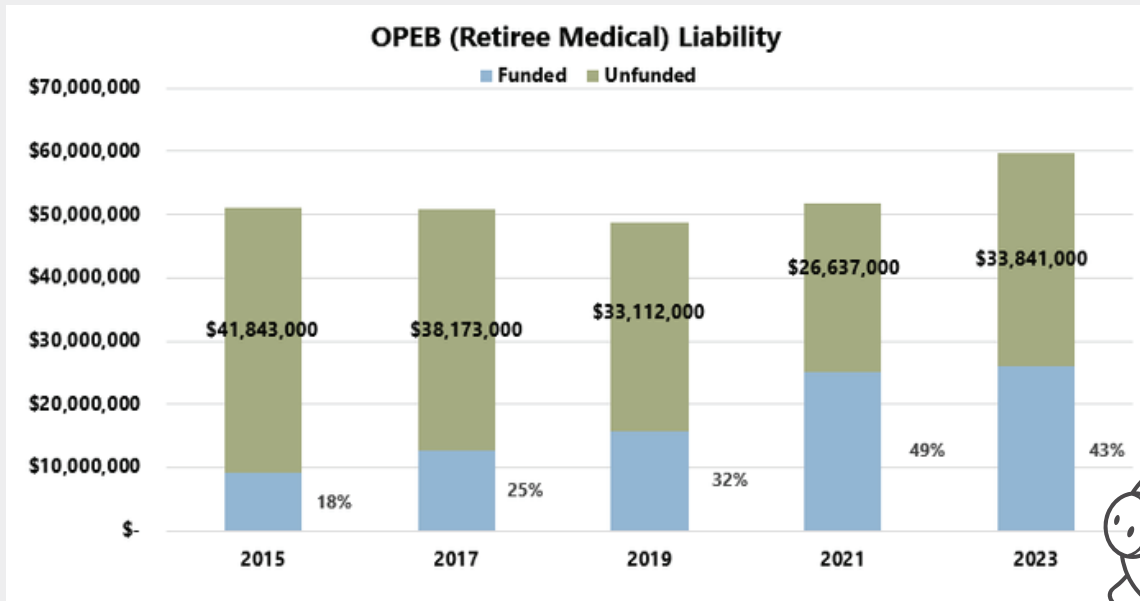


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Other Post-Employment Benefits (OPEB)

The funding percentage for retiree medical benefits has improved substantially over the past decade. In 2011 the City's OPEB Trust was only 1% funded! As of the most recent actuarial report, measured as of 6/30/23, our funded percentage is 43%. The funded percentage dropped between 2021 and 2023 as a result of poor investment returns. Results since then have been much more positive.



Public Employees' Retirement System (PERS)

The City's pension funding percentage of 80% is well above the statewide average of 72% due in large part to extra contributions made over the past several years. The funded percentage dropped significantly in 2022 and slightly again in 2023 as CalPERS fell short of their investment return target. Results since then have been much more positive.

