

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: CHUCK MCBRIDE, ASSISTANT CITY MANAGER/CHIEF
FINANCIAL OFFICER, FINANCE DEPARTMENT
SUBJECT: FISCAL YEAR 2019-20 FINANCIAL UPDATE

AGENDA ACTION: REPORT

RECOMMENDATION

It is recommended by the Finance Department that the Council review the General Fund's Long Range Financial Forecast including reserves, revenue, and expenditure projections.

EXECUTIVE SUMMARY

The purpose of this item is to allow Council the opportunity to review the General Fund's Long Range Financial Forecast (LRFF) and to discuss the General Fund's ongoing structural deficit and possible solutions. The Assistant City Manager/Chief Financial Officer will update the Council on the status of the General Fund reserves, projected revenues and expenditures including the growth and recession assumptions in the Long Range Financial Forecast for Fiscal Year (FY) 2019-20 and the following ten years.

BACKGROUND

Over the last five years, City staff has developed the General Fund Long Range Financial Forecast with guidance from the Long Range Financial Policy and Audit Subcommittee. Annually, the LRFF has been presented to City Council with the Budget Study Sessions in April and May and again with the Budget Adoption Hearing in June.

PRIOR CITY COUNCIL REVIEW

On June 18, 2019, the City Council last reviewed the LRFF with the adoption of the FY 2019-20 Budget.

ANALYSIS

In October 2019, the City started consulting with Management Partners to create a new General Fund Long Range Financial Forecast. With guidance from the Assistant City Manager/CFO and City staff, Management Partners developed growth and recession assumptions for the major revenue and expenditure categories including, but not limited to property tax, sales tax, transient occupancy tax, salaries, healthcare costs, pension costs, and capital/maintenance costs.

When developing the LRFF, Management Partners took into consideration current and past economic conditions, the City's past actual experience, planning and building trends provided by the Planning and Economic Development department as well as local and state data, actuarial analyses on CalPERS pension costs, regional healthcare cost trends and multiple other sources to compile the LRFF. A recession scenario was built into the LRFF that starts in July 2021 and every 7 years thereafter. Every year, salaries were assumed to increase by 2.25% and Full-Time Equivalent (FTE) employees increase by 2 FTEs.

The LRFF provided by Management Partners confirms the conclusions of the prior City staff produced LRFF, that the City's General Fund is in a structural deficit and without expense or revenue solutions that deficit will continue and grow drastically in future years. The expiration of sales tax Measures P and O have a significant impact on the General Fund and the City needs to analyze new tax measures or the continuation of the current sales tax measures in order to improve the future financial position of the General Fund.

FISCAL IMPACT

There is no fiscal impact from this report item.

ENVIRONMENTAL IMPACT

The Council finds that the proposed action is exempt from the provisions of the California Environmental Quality Act (CEQA) under section 15061(b)(3) and 15378 in that there is no possibility that the implementation of this action may have significant effects on the environment, and that no further environmental review is required.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

On January 16, 2020, the Long Term Financial Policy and Audit Subcommittee reviewed the information.

NOTIFICATION

Not applicable.

ATTACHMENTS

None.

CONTACT

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