



FY 2021/22 Budget Priorities Public Hearing

**CITY COUNCIL MEETING
FEBRUARY 9, 2021**

Alan Alton
Deputy Director - Finance
Finance Department

Public Hearing Agenda

General Fund Mid-Year Budget Review

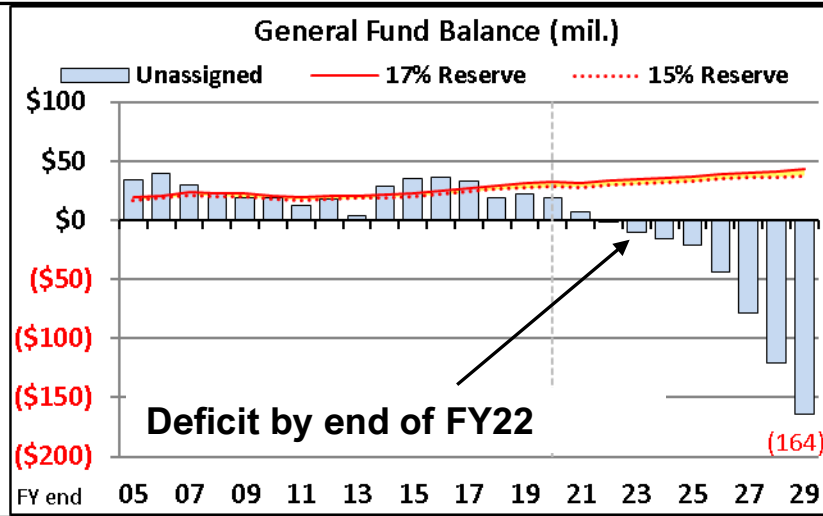
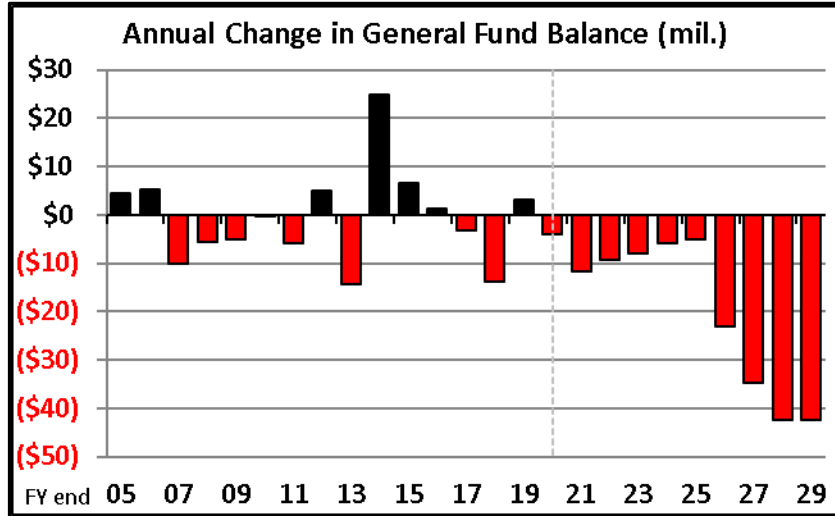
Public input opportunity

Preview FY 2021-22 Budget Calendar

Hold Public Hearing

General Fund Performance

FY 2020/21 MID-YEAR REVIEW



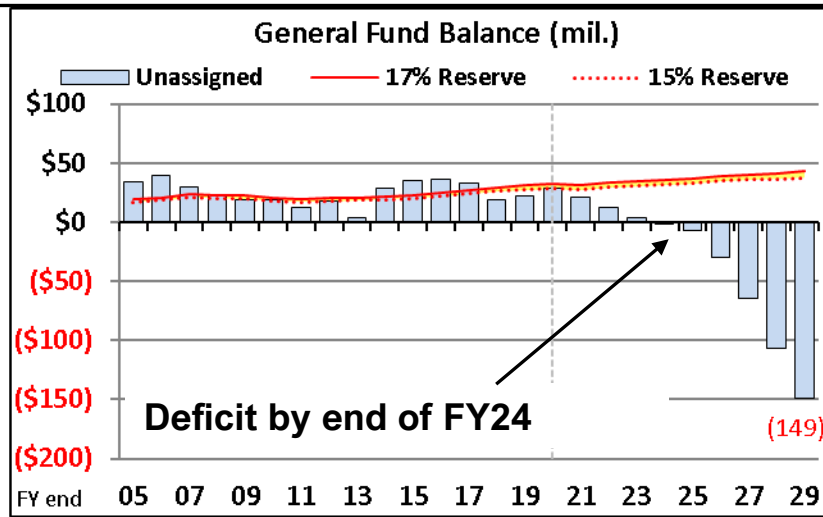
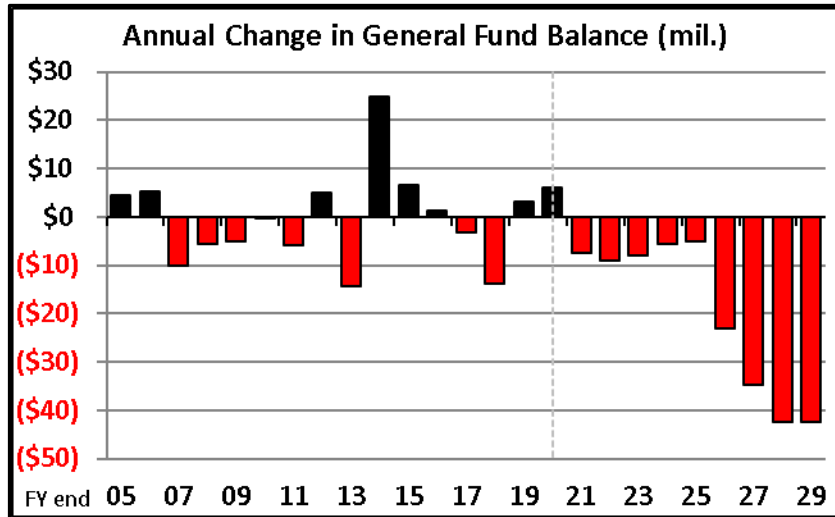
**Baseline Forecast
Summary: Study Session
(September 15, 2020)**

Shortfall: 2 phases

- Covid-19 losses (FY20-25)
- Expiration of sales taxes (FY26 & after)
- Projected pension cost increases

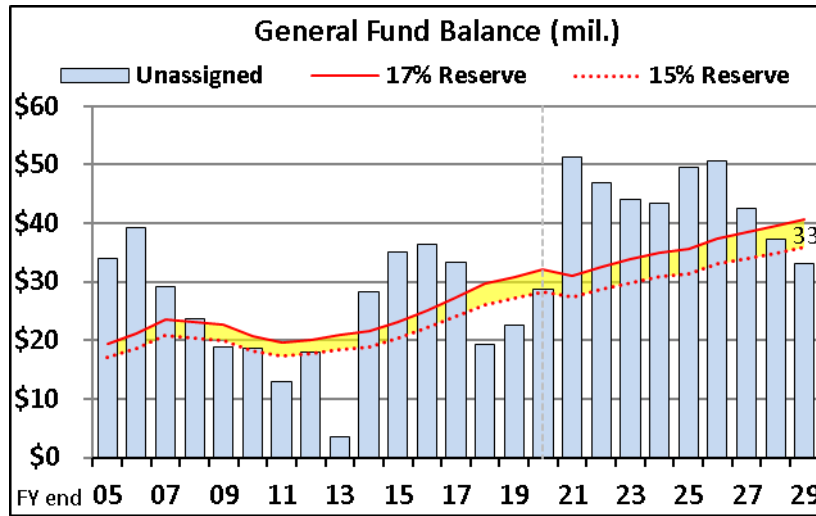
Baseline forecast POST initial budget adjustments:

- Council approved releasing \$10M in GF balance held for capital projects (moves from assigned to unassigned balance)
- Hiring freeze saves \$5.176M for one year
- Charts are before receipt of PG&E settlement & CARES Act funds

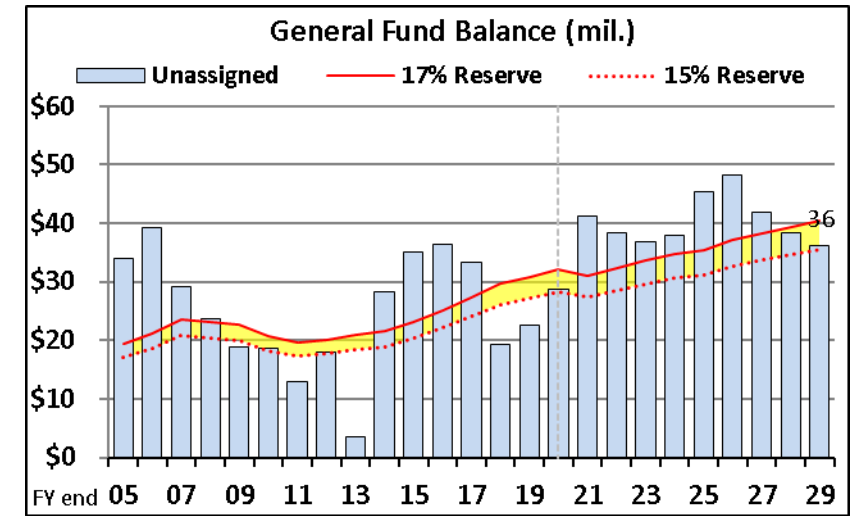


Budget Scenarios A & B

Scenario A



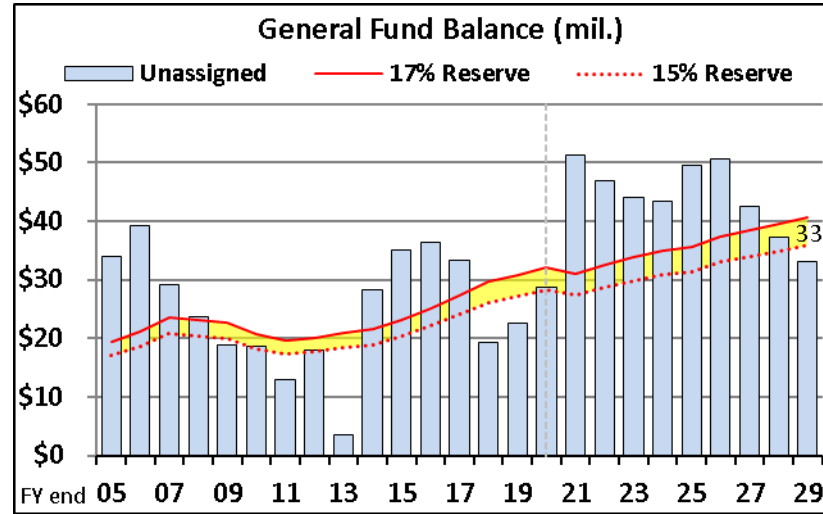
Scenario B



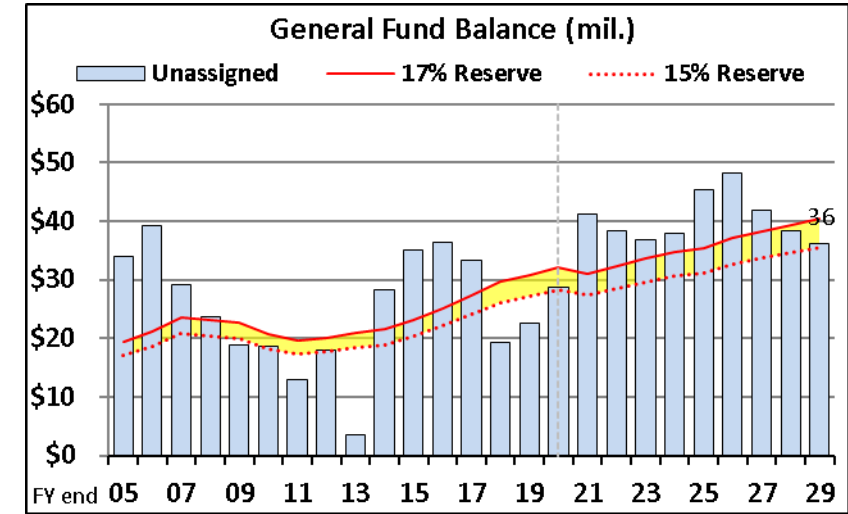
Strategy	Scenario A	Scenario B	Comment
Frozen vacancy savings	\$5.2M for 5 years	\$5.2M for 5 years	one year in baseline budget
GF CIP funds released at 6/30/20	\$10M to unassigned	\$10M to unassigned	one-time resource
0.25% local sales tax rates	renew all 3	renew all 3	requires voter approval
Portion of PG&E settlement used to replace GF reserves	\$30M of \$95M	\$20M of \$95M	trade-off is that higher PG&E use reduces level of cuts
Budget reductions (or revenue increase)	none	\$1.5M in FY22 (0.8%)	select from following strategies
Reduction restorations	none	none	

Budget Scenarios C & D

Scenario C



Scenario D



Strategy	Scenario C	Scenario D	Comment
Frozen vacancy savings	\$5.2M for 5 years	\$5.2M for 5 years	one year in baseline budget
GF CIP funds released at 6/30/20	\$10M to unassigned	\$10M to unassigned	one-time resource
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Budget reductions (or revenue increase)	none	\$1.5M in FY22 (0.8%)	select from following strategies
Reduction restorations	none	none	

At FY 21 mid-year, has the City's financial condition improved or deteriorated?

- **Deviations for Forecast Assumptions**

- Current year appropriations from GF reserves total 8.7M
- Salary savings are offset by increased overtime use

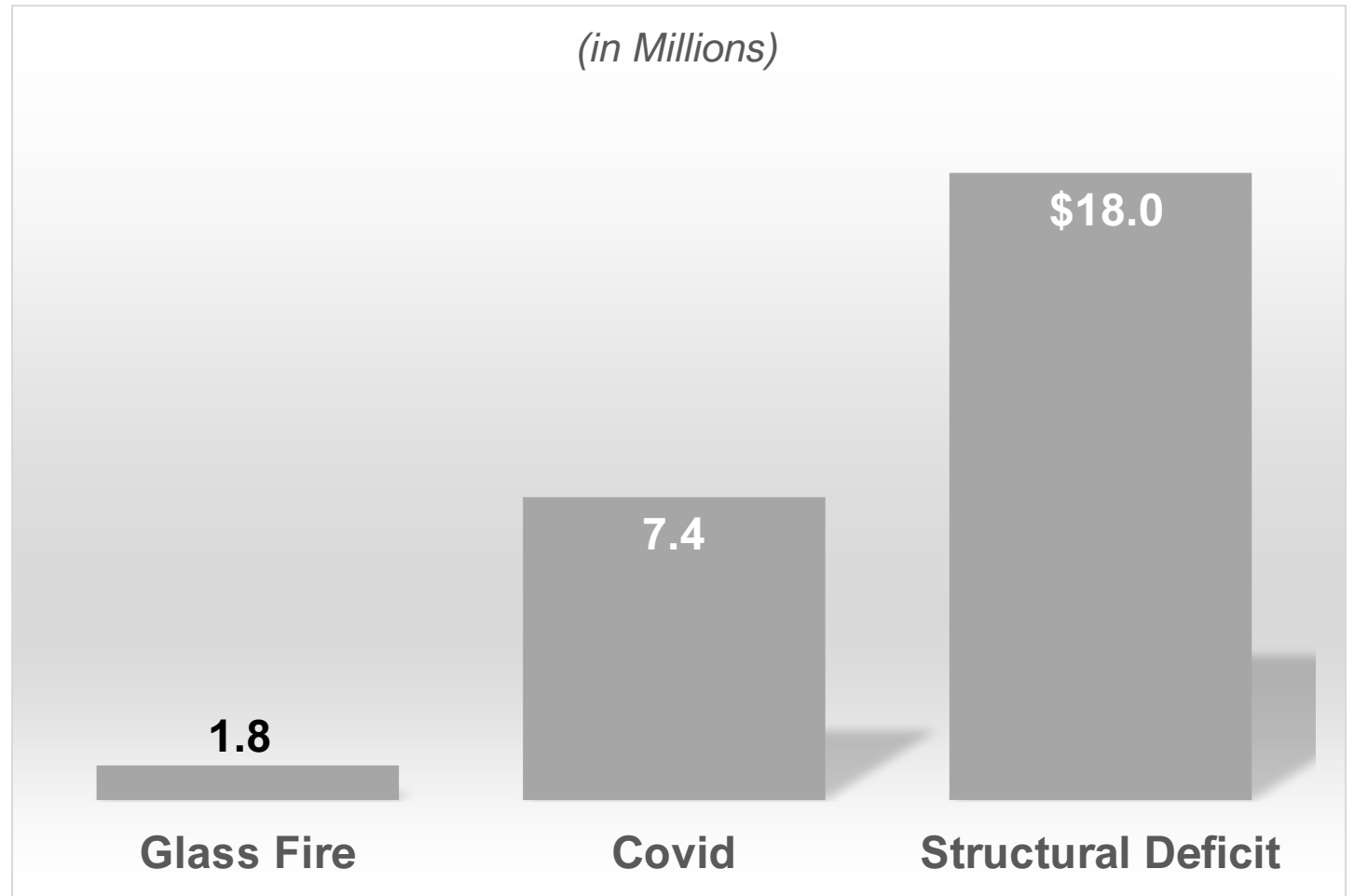
- **Forecast Assumptions Maintained**

- Two quarter-cent sales taxes extended for 10 years

The City's response to two emergencies had immediate financial reserves impact. Combined with little structural change in expenditures, the General Fund is in deficit position with little financial flexibility going forward

Glass Fire Response	(000's)
Overtime	603
Mutual Aid	163
Supplies	160
Permanent Projects	900
Total Response	\$1,826

COVID Response	(000's)
COVID Shelter (Sandman)	4,235
Emergency Homeless Structure at SJ Hall	2,600
Air Purification System	515
Supplies (incl. PPE)	74
Total COVID	\$7,424

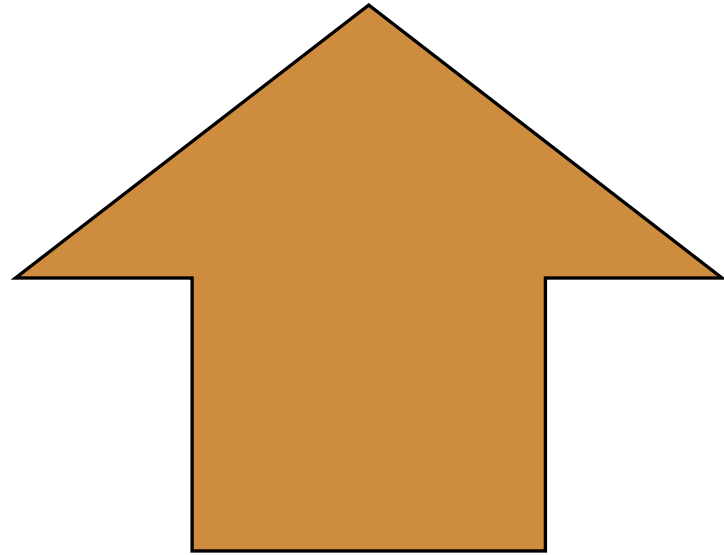


Notwithstanding current contextual events, some financial trends were emerging and warrant further evaluation during the upcoming budget process

Activities	Amount	Current Year Net Appropriations	
FYE 2019/20 reserves	\$ 23.8		
Policy-mandated reserve requirement	25.8		
Policy reserve shortfall	\$ (2.0)		
Sources and Uses of Reserves:			
Projected: Net turnback	8.0		
FYE 2020/21 use of reserves	(18.1)		
Current year net appropriations	(8.7)		
Total sources and uses of reserves	(18.8)		
Total FY 2020-21 Estimated Ending Reserves	\$ 5.0		
		SJH Emergency Shelter	\$2.6
		Sandman Hotel	4.2
		Air Purification Sys	.5
		Subtotal COVID	\$7.3
		Other Appropriations	\$1.4

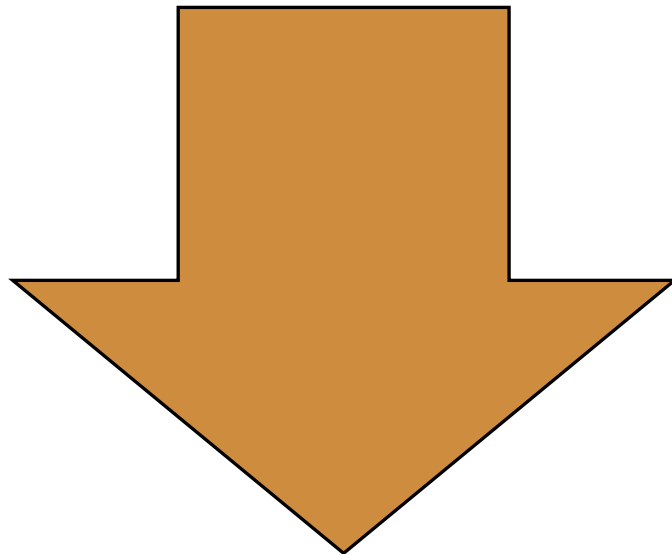
Net turnback = Salary savings + COLA + Additional Revenue

How did we get here? Identifying the budget gap



Expenditures: COVID, emergency response, pension costs

- Contract overtime: \$1.0mn; reimbursable by State for Strike Team
- PERS normal cost and unfunded liability: \$1.7mn
- Contracts, Leases, Subrecipient Funding up \$2.9 million



Revenues

- COVID-related reductions and reduced one-time funding
- TOT: \$1.0mn
- Recreation: \$1.3mn
- Permits & fees: \$1.8mn
- One-time revenue received in prior fiscal year which

PG&E settlement funds are vital to restoring reserves drawn down by emergency response

- Funds would afford runway to correct structural deficit
- Given current reserve levels and uncertainty as to how quickly revenues will rebound, an estimated \$40 million is needed to stabilize the General Fund
- \$55 million available for consideration during Council Goal Setting for projects to support community needs

Work to be done...

- Council Goal Setting on February 17-19
- Updated Long Range Financial Forecast presented to Long-Term Financial Policy and Audit subcommittee on March 11
- Forecast presented to full council in Study Session on April 6
- Staff and LTFPA subcommittee develop strategies to bring General Fund structural deficit under control for long-term fiscal sustainability

Purpose of Public Hearing

- Public input on budget priorities for FY 2021/22
- Public input on Council Goals
- Written public input can be submitted online at www.srcity.org/Budgetcomments

Key Dates: The Budget Process

<u>Date</u>	<u>Activity</u>
February 18	Council goal-setting
February – May	Departments and City Manager develop budget with Public Priorities and Council Goals
April 6	Preliminary overview budget presented to Council
May 11 – 12	Council review of departments' budgets
June 1	Draft Budget available to the public
June 22	FY 2021/22 Budget Adoption Hearing

**THANK YOU
AND,
MAY WE ANSWER
QUESTIONS?**