

Budget Reductions

CITY COUNCIL STUDY SESSION
APRIL 15, 2025

ALAN ALTON, CHIEF FINANCIAL OFFICER
VERONICA CONNER, BUDGET MANAGER
SCOTT WAGNER, DEPUTY DIRECTOR

Agenda

Forecast Validation

General Fund Condition

Department Reductions

Public Safety

GF Forecast Validation and Budget Process Review

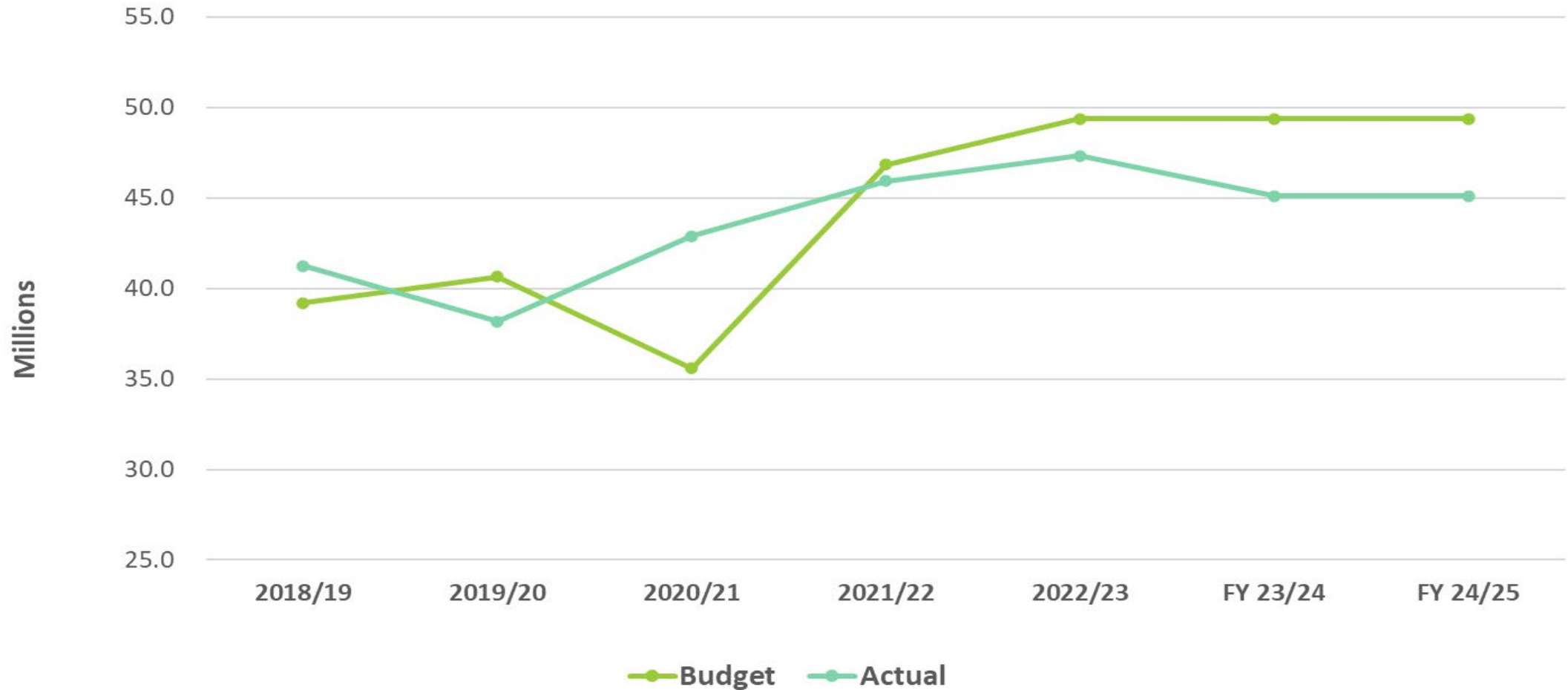
- City hired third party to conduct an independent evaluation of GF Forecast and annual budget process
- Forecast was seen as a best practice for an advanced forecasting model
 - Revenue Estimate, specifically Sales Tax, noted as too optimistic
- Budget process does not challenge staffing and maintains status quo by default
 - Redesign budget infrastructure to focus on programs rather than object codes
 - Lengthen budget process for more analytical submissions

General Fund Condition

General Fund Long-Range Financial Forecast *(in \$ millions)*

	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30
Revenues	\$213.0	\$215.0	\$219.6	\$224.3	\$228.0	233.0
Transfers In	2.3	2.3	2.3	2.3	2.3	2.3
Total Revenues & TI	\$215.3	\$217.3	\$221.9	\$226.7	\$230.3	235.3
Expenditures	220.2	226.6	240.6	251.3	262.9	271.8
Transfers Out	8.4	10.6	10.5	10.7	10.2	10.5
Total Expenditures & TO	\$228.6	\$237.2	\$251.0	\$262.0	\$273.2	282.3
Surplus (Deficit)	(\$13.3)	(\$19.9)	(\$29.1)	(\$35.3)	(\$42.9)	(47.0)

Bradley Burnes Sales Tax: Estimate vs. Actual



General Fund Reserves

- Financial Stability Reserves (FSR)
 - Created by City Council with \$27.3M of PG&E settlement funding with specific use to address deficits
- Mandated Reserves
 - 15% - 17% of operating expenditures per City Council Reserve Policy
- Available Reserves
 - Amount over 17% City Council mandated Reserves
 - \$9.2M added in FY2025 from City Council redirected PG&E settlement funds

Reserves Projection

\$19.9M Deficit Passed					
	FY2025	FY2026	FY2027	FY2028	FY2029
6/30/2024 Reserves	\$ 68,826,590				
FY 24/25 Actuals Over Deficit	\$ (1,700,000)				
FY 25/26 Budget Deficit (\$19.9M)	\$ (19,900,000)				
One Time PG&E Funding	<u>\$ 9,200,000</u>				
6/30/2025 Projected Reserves	\$ 56,426,590				
FY 26/27 Budget Deficit (\$29.1M)		<u>\$ (29,100,000)</u>			
6/30/2026 Projected Reserves		\$ 27,326,590			
FY 27/28 Budget Deficit (\$35.3M)			<u>\$ (35,300,000)</u>		
6/30/2027 Projected Reserves			\$ (7,973,410)		
FY 28/29 Budget Deficit (\$42.9M)				<u>\$ (42,900,000)</u>	
6/30/2028 Projected Reserves				\$ (50,873,410)	
FY 29/30 Budget Deficit (\$47.0M)					<u>\$ (47,000,000)</u>
6/30/2029 Projected Reserves					\$ (97,873,410)
* Council Mandated Reserve was \$34.9M in FY2024					

Investment Fund Overview

- The City's investment portfolio contains \$590.8M in cash and investments
 - \$137.0M (23%) is General Fund while \$453.8M is from restricted funds (Santa Rosa Water, Special Revenue Funds CIP like Gas Tax)
- All Cash and investments are used as "sources of funding" when calculating the General Fund's reserves
 - No difference between cash, bonds or notes
- What makes up the \$137.0M in General Fund cash and investments?
 - Budgeted General Fund CIP Projects
 - General Fund Reserves
 - Payments for contracts
 - Cash operating needs to run payroll, AP etc.

Department Reductions

Budget Guidelines & Development

- Departments identified reductions and related impacts equaling 7% of General Fund operating budget (later grew to 8%)
 - Maintain core services
 - Streamline and find efficiencies where possible
- City Manager reviewed proposals and made recommendations for items to moved forward based on:
 - Impact to core services
 - Impact to the community
 - Prior department cuts
 - Ability to outsource/ revenue offsets

Proposed Administration & Operational Department Reductions – FY 2025-26

Dept	2025-26 Proposed Budget	8% Target	FY 2024-25 Reductions	FY 2025-26 Proposed Reductions
City Manager	3,163,274	253,062	359,900	485,000
City Attorney	4,593,236	367,459	2,500	293,550
HR/Risk	4,642,756	371,420	202,435	-
Finance	8,003,655	640,292	10,000	1,744,902
Planning & Econ Development	17,503,262	1,400,261	457,590	1,052,600
Recreation & Parks	17,120,134	1,369,611	375,000	550,000
Transportation & Public Works	25,753,151	2,060,252	1,191,605	687,000
Comms & Intergovt. Relations	1,819,748	145,580	211,368	233,000
Total	82,599,216	6,607,937	2,810,398	5,046,052

Proposed Administrative & Operational Reductions – FY 2025-26

Dept.	Position	Amount	Impact
CMO	Professional Services	\$60,000	Reduce CMO's ability to respond to unexpected and unplanned staffing and administrative needs.
CMO	1.0 FTE **	\$425,000	
CAO	1.0 FTE Legal Secretary (vacant)	\$118,000	No substantial impact on the delivery of legal services due to process improvements.
CAO	Professional Services	\$175,550	This would reduce the CAO professional services budget to 68% of its FY24-25 level and would result in a substantial reduction in the scope of legal services, increased delays in delivery and projects, limited ability to provide specialized advice, potential increase in legal risk, and potential further attrition in the CAO.
Finance	2.0 FTE **	\$200,000	Outsourcing program to consultants.
Finance	PEMHCA Trust	\$1,544,902	PEMHCA trust can gain fully funded status; will take longer without general fund contribution.

FY 2025-26 Reductions (cont.)

Dept.	Position	Amount	Impact
PED	SRTBIA Funding for ED Positions	87,000	No impact; Economic Development Staff can charge out time to the SRTBIA fund and reduce General Fund costs
PED	Eliminate Chamber Contract & add 1.0 FTE Arts & Events Specialist	\$100,000	No impact; Adding 1.0 FTE Arts & Events Specialist 100% funded by SRTBIA and Art fund and will perform work previously done by the Chamber contract.
PED	Admin Hearing Revenue	\$95,000	No impact; 50% of 1.0 Code Enforcement Officer can charge time to Admin Hearing fund.
PED	Professional Services	\$100,000	Limits Department's ability to respond to increases in workload in the event of staff vacancies or high permit totals.

FY 2025-26 Reductions (cont.)

Dept.	Position	Amount	Impact
PED	1.0 FTE Admin Secretary (vacant)	\$113,000	Reduce ability to respond to live calls and emails; burdens other staff with administrative duties and mandated PRAs.
PED	1.0 FTE Civil Engineer Tech III (vacant)	\$160,000	Eliminate vacant position; underfill future retirement with CET III. May increase permit turnaround times for Engineering applications during high permit loads
PED	CET III Underfill (see above)	\$40,000	Minimal impact due to process improvements
PED	1.0 FTE **	\$150,000	
PED	1.0 FTE **	\$110,000	Position will be eliminated January 1, 2026
PED	Planning Salary Reimbursements	\$97,600	Planning time for Environmental Review and Tribal Liaison will be reimbursed by CIP projects.

FY 2025-26 Reductions (cont.)

Dept.	Position	Amount	Impact
R&P	2.0 FTE **	\$550,000	
TPW	Restructure Zero Waste Program	\$240,000	Responsibilities of contract management can be moved to alternative team; reduce support for additional events and public engagement.
TPW	2.0 FTE **	447,000	
CIRO	1.0 FTE **	185,000	
CIRO	Services & Supplies	\$48,000	No impact; adjusting budget to match needs of operations.
	Total	\$5,046,052	

Housing & Community Services – General Fund **\$161,000**

Contract	Amount
Legal Aid Sonoma County	\$111,000
Secure Families Collaborative	\$50,000
Total	\$161,000

Homeless Services: \$5,979,380

Contract/ Service	Amount
Sam Jones Hall	\$2,128,742
Safe Parking	\$1,000,000
Homeless Services Admin	\$960,188
CIRO/ Media staff time	\$95,000
HOST	\$1,035,450
YWCA	\$50,000
Caritas Family Center & Drop-In/ Warming Center	\$250,000
Keep People Housed Sonoma	\$400,000
Seasons of Sharing	\$60,000
Total	\$5,979,380

Funding Source	Amount
Real Property Transfer Tax	\$1,050,000
General Fund	\$3,189,280
Encampment Resolution Funding Grant	\$500,000
Other Revenue (County, Private Contributions, etc.)	\$740,100
Total	\$5,479,380
	*\$500K Shortfall

InRESPONSE and Safe Parking

- **InRESPONSE:** ~\$3.2M/ year annual cost
- **Safe Parking:** \$1M/ year annual cost
- ARPA funds fully expended
- No permanent funding source identified

Furloughs: \$1.4M Annual Savings

➤ **\$1,379,600 General Fund Savings for 80-hour annual furlough**

- Equates to a 3.85% reduction in pay
- Temporary; would last 2-5 years
- Estimate based on recession-era furlough structure
- Options include closing campus over holidays, or allowing staff to flex mandatory time off

Budget Reduction Summary - \$6.7M

➤ **Administrative/ Operational Department Reductions - \$5.1M**

- 14.0 FTES Eliminated (10.0 Filled, 4.0 Vacant)
- Addition of 1.0 FTE funded by Special Revenue Funds

➤ **Housing & Community Services - \$161K**

- Legal Aid & Secure Families Collaborative Contracts

➤ **Mandatory Furloughs - \$1.4M**

\$6.7M In Reductions: Long-Range Financial Forecast *(in \$ millions)*

	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30
Revenues	\$213.0	\$215.0	\$219.6	\$224.3	\$228.0	233.0
Transfers In	2.3	2.3	2.3	2.3	2.3	2.3
Total Revenues & TI	\$215.3	\$217.3	\$221.9	\$226.7	\$230.3	235.3
Expenditures	220.2	220.0	233.7	244.2	255.6	264.2
Transfers Out	8.4	10.6	10.5	10.7	10.2	10.5
Total Expenditures & TO	\$228.6	\$230.6	\$244.1	\$254.8	\$265.8	274.7
Surplus (Deficit)	(\$13.3)	(\$13.3)	(\$22.3)	(\$28.2)	(\$35.5)	(39.4)

Reserves Projection- \$6.7M Reduction Administrative / Operational

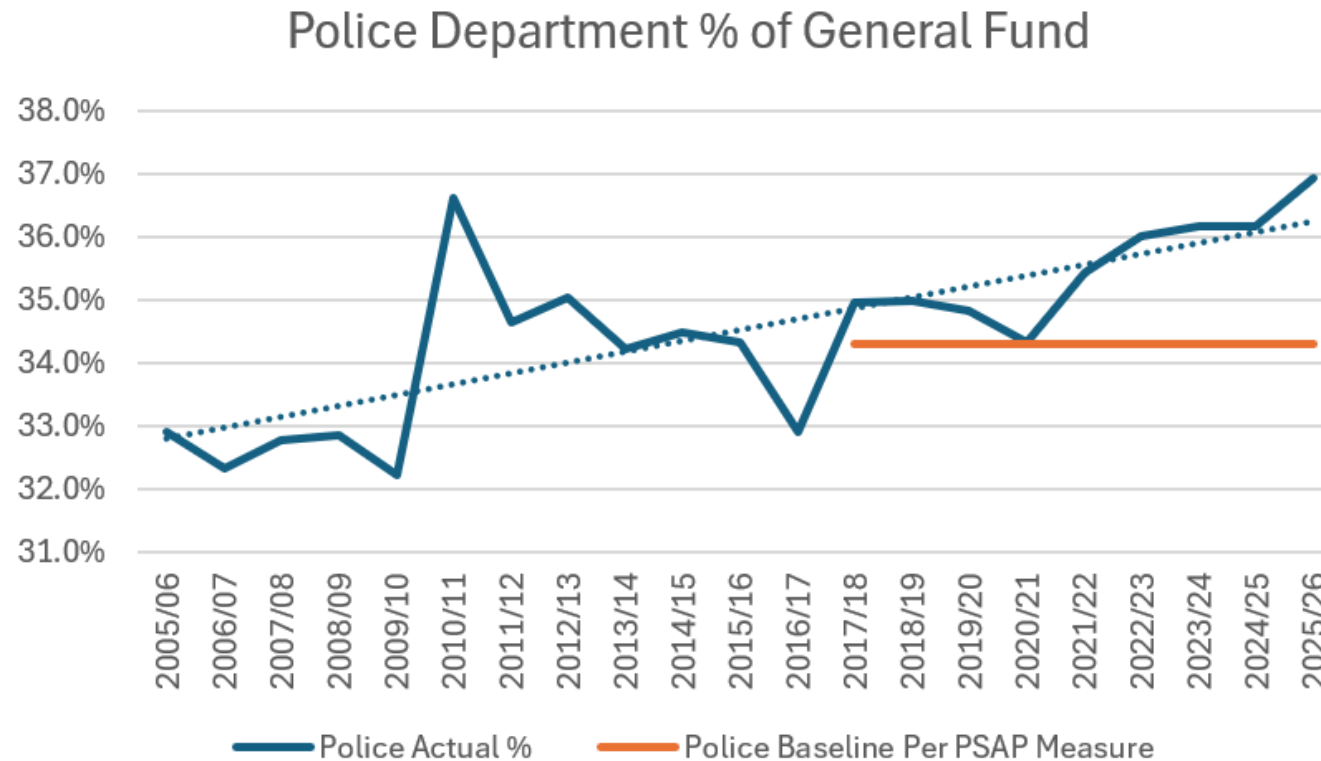
\$6.7M Admin & Operational Reduction- \$13.3M Deficit Passed					
	FY2025	FY2026	FY2027	FY2028	FY2029
6/30/2024 Reserves	\$ 68,826,590				
FY 24/25 Actuals Over Deficit	\$ (1,700,000)				
FY 25/26 Budget Deficit (\$13.3M)	\$(13,300,000)				
One Time PG&E Funding	<u>\$ 9,200,000</u>				
6/30/2025 Projected Reserves	\$ 63,026,590				
FY 26/27 Budget Deficit (\$22.3M)		<u>\$ (22,300,000)</u>			
6/30/2026 Projected Reserves		\$ 40,726,590			
FY 27/28 Budget Deficit (\$28.2M)			<u>\$(28,200,000)</u>		
6/30/2027 Projected Reserves			\$ 12,526,590		
FY 28/29 Budget Deficit (\$35.5M)				<u>\$(35,500,000)</u>	
6/30/2028 Projected Reserves				\$(22,973,410)	
FY 29/30 Budget Deficit (\$39.4M)					<u>\$(39,400,000)</u>
6/30/2029 Projected Reserves					\$(62,373,410)
* Council Mandated Reserve was \$34.9M in FY2024					

Public Safety

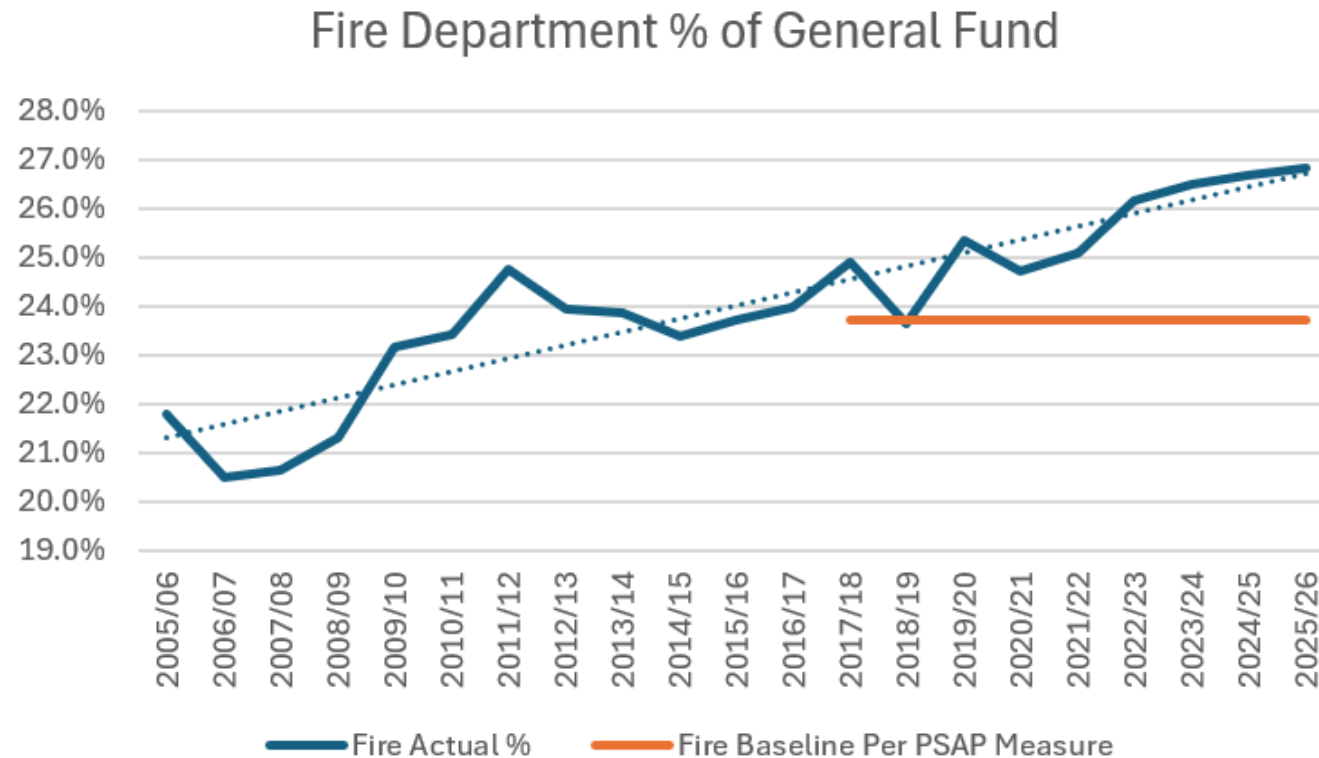
Baseline Public Safety Funding - Maintenance of Effort

- Through the voter approved Public Safety and Prevention Sales Tax Measure of 2016, the City is required to maintain a minimum level of funding based on budgets for police and fire programs at that time
- Minimum funding based on budgets at that time
 - Police 34.3%
 - Fire 23.7%
- FY 2025/26 General Fund without proposed reductions
 - Police 36.9%, **\$5,933,000** over baseline
 - Fire 26.8%, **\$7,033,000** over baseline

Police Department – Historical Share of General Fund



Fire Department – Historical Share of General Fund



Proposed Public Safety Department Reductions

Dept	2025-26 Proposed Budget	8% Target	FY 2024-25 Reductions	FY 2025-26 Proposed Reductions
Police Department	77,779,139	6,222,331*	160,502	2,777,500
Fire Department	55,866,080	4,469,286	900,000	4,124,000
Total	133,645,219	10,691,618	1,060,502	6,386,500

*Cost of eliminating 21.0 Officers is \$5,485,000

Police Proposed Reductions

Description	Amount	Impacts
Eliminate 1.0 FTE Records Supervisor (vacant)	\$150,000	Impact ability to process and maintain legally mandated custody of evidence and required court records; reduce public facing services for the community.
Eliminate 1.0 FTE Communications Supervisor (vacant)	\$170,000	Oversees 911 call center; will impact coordination of significant events and deployment of resources; may increase City liability and hamper response.
Eliminate 1.0 FTE Community Services Officer (vacant) and vehicle support costs	\$143,000	Increased priority one response time due to less officers being available, reduced capacity to respond to low level calls such vandalism, graffiti and property crimes. Less opportunity for community engagement.

Police Proposed Reductions (cont.)

Description	Amount	Impacts
Eliminate 6.0 FTE Officers (4.0 filled, 2.0 vacant) and support costs	\$1,488,500	Will lead to increased priority one response time, potential increase in crime due to less visibility, reduced investigative capability, less community engagement and decreased proactive policing.
Eliminate 2.0 Detectives (filled) and support costs	\$523,000	Reduction in specialized investigations, potentially weakening evidence gathering and leading to fewer successful prosecutions. Potential erosion of public confidence.
Eliminate 1.0 FTE Sergeant (filled) and support costs	\$303,000	Reduced supervision and oversight resulting in reduction in management during critical incidents leading to liability for the City.
Total	\$2,457,500	

Fire Proposed Reductions

Description	Amount	Impacts
Professional Services	\$122,000	No impact; appropriations needed in FY 24/25 have outside funding source for FY 25/26
2.0 FTE ** Non- Sworn Positions	\$225,000	
Total	\$347,000	

Fire Department: Brown Out/ Black Out Options

Description	Amount	Impacts
3-0 Engine Company Brown Out (OT and Supplies)	\$909,100	Available resources will be reduced by one engine, impacting response times in the browned-out district and surrounding districts.
4-0 Truck Company Brown Out (OT & Supplies)	\$960,000	Specialized truck resource will be reduced by one truck, impacting responses for all structure fires, vehicle accidents requiring extrication and rescue assignments; delayed response times in all districts.
Blackout of 3-0 Engine Company	\$2,482,000	Eliminate 9.0 FTEs (4.0 FTE vacant, 5.0 FTE filled). Delay response times to blacked-out district and surrounding districts, increase demand on remaining Engine companies.
Blackout of 4-0 Truck Company	\$3,582,000	Eliminate 12.0 FTEs (4.0 FTE vacant, 8.0 FTE filled). Reduce Truck Companies in Santa Rosa from 2 to 1, delay response times and specialty functions to all districts accordingly.

\$13.1M* in Reductions- All Departments: Long-Range Financial Forecast *(in \$ millions)*

	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30
Revenues	\$213.0	\$215.0	\$219.6	\$224.3	\$228.0	233.0
Transfers In	2.3	2.3	2.3	2.3	2.3	2.3
Total Revenues & TI	\$215.3	\$217.3	\$221.9	\$226.7	\$230.3	235.3
Expenditures	220.2	213.4	226.7	236.9	248.0	256.4
Transfers Out	8.4	10.6	10.5	10.7	10.2	10.5
Total Expenditures & TO	\$228.6	\$224.0	\$237.2	\$247.6	\$258.3	266.9
Surplus (Deficit)	(\$13.3)	(\$6.7)	(\$15.3)	(\$20.9)	(\$28.0)	(31.6)

*\$6.4M Public Safety
\$6.7M Operational/ Admin/ Furloughs

Reserves Projection \$13.1M Reduction All Departments

\$13.1M Reduction Across All Departments- \$6.7M Deficit Passed					
	FY2025	FY2026	FY2027	FY2028	FY2029
6/30/2024 Reserves	\$ 68,826,590				
FY 24/25 Actuals Over Deficit	\$ (1,700,000)				
FY 25/26 Budget Deficit (\$6.7M)	\$(13,300,000)				
One Time PG&E Funding	\$ 9,200,000				
6/30/2025 Projected Reserves	\$ 69,626,590				
FY 26/27 Budget Deficit (\$15.3M)		\$(15,300,000)			
6/30/2026 Projected Reserves		\$ 54,326,590			
FY 27/28 Budget Deficit (\$20.9M)			\$(20,900,000)		
6/30/2027 Projected Reserves			\$ 33,426,590		
FY 28/29 Budget Deficit (\$28.0M)				\$(28,000,000)	
6/30/2028 Projected Reserves				\$ 5,426,590	
FY 29/30 Budget Deficit (\$31.6M)					\$(31,600,000)
6/30/2029 Projected Reserves					\$(26,173,410)
* Council Mandated Reserve was \$34.9M in FY2024					

Other Items Being Studied

- CalPERS Early Retirement
 - Would grant eligible employee's additional years of service toward their pension
 - Must achieve savings supported by a CalPERS actuarial study
 - CalPERS currently performing actuarial study
- GF Fleet Reduction
 - Focus on generating savings across City fleet through:
 - Reduction of vehicle units
 - Consolidate uses
 - Purchasing less expensive vehicles
- Issuance of Pension Obligation Bond
 - Analysis of potential savings and re-amortization of unfunded liability payments
- Formation of Budget Deficit Advisory Committee
 - Ad hoc committee
 - Include members of Council, Staff, and Community Members

Questions?