

FY 2019-20 Budget Study Session

April 9, 2019

Agenda

- Council Goals and Priorities
- Long Range Financial Forecast
- FY 2018-19 Financial Position
- Financial Stability
- Concluding Comments

City Council Goals

- ❖ Ensure financial stability of City government.
- ❖ Effectively implement the recovery and rebuilding of Santa Rosa.
- ❖ Meet housing needs.
- ❖ Attain functional zero homelessness.
- ❖ Invest in and sustain infrastructure and transportation.
- ❖ Provide for community safety, valued City services and open government.
- ❖ Foster neighborhood partnerships and strengthen cultural assets.
- ❖ Promote environmental sustainability.
- ❖ Foster a 21st century city and organization.
- ❖ Foster a strong downtown and overall economic development of the community.

City Council Priorities

Tier 1: Council's Top Priorities – To Receive Greatest Attention

Financial Stability

Recovery & Resilience

Comprehensive housing strategy

Homelessness

Implement Climate Action Plan

City Council Priorities

Tier 2: Initiatives to Receive Attention as Resources Permit

Create a plan to address Deferred Maintenance

Explore options for funding Roseland Library

Citywide \$15 minimum wage measure

City Charter review

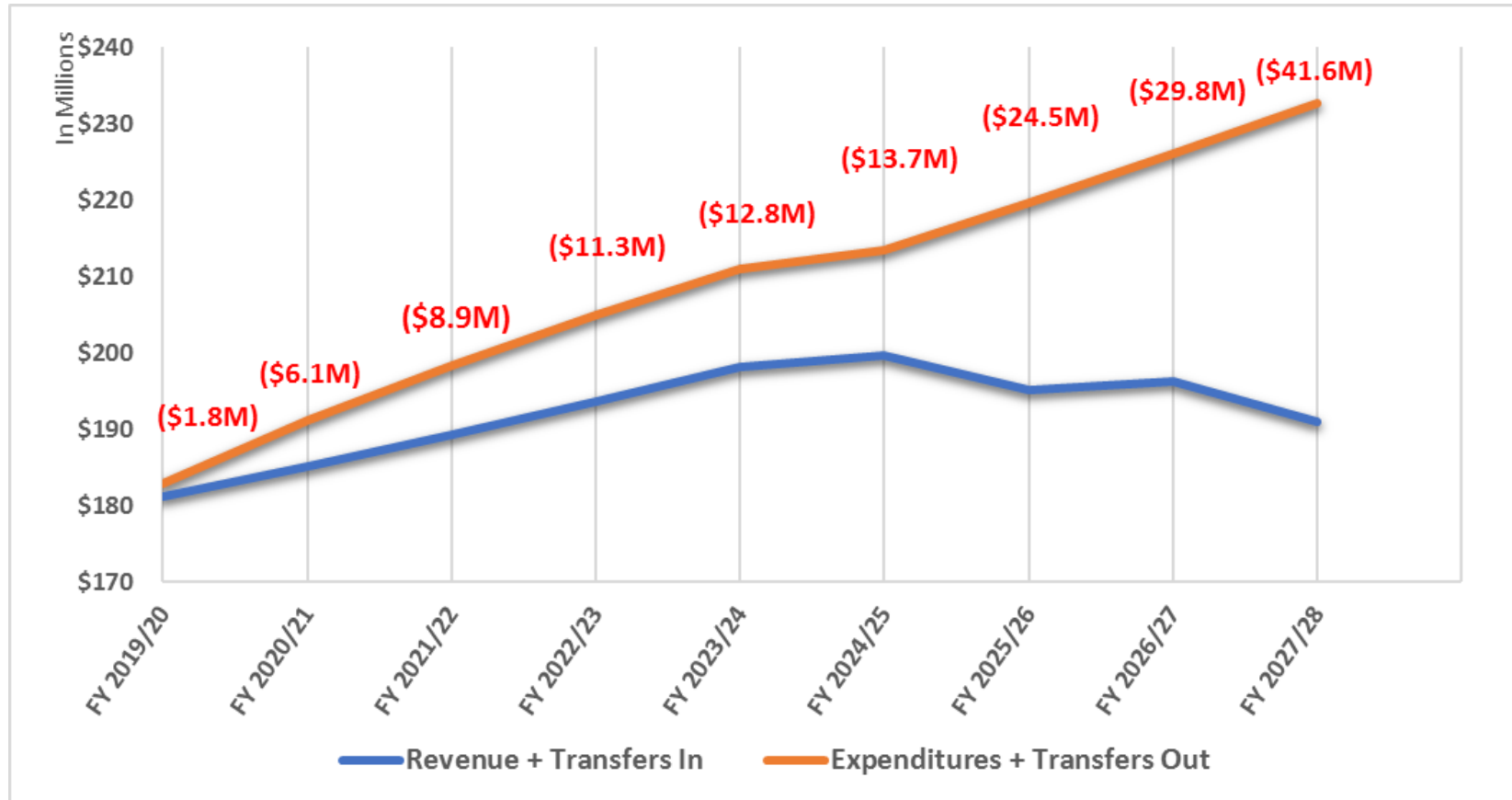
COLA vs CPI for Mobile Home Rent increases

Promote Affordable Childcare, Streamlining Processes

Support for the Cannabis Industry

Long Range Forecast

Long Range Financial Forecast



Long Range Financial Forecast Year over Year Comparison

(in millions)

Fiscal Year Ended June 30,

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
New Forecast	\$ (1.8)	\$ (6.1)	\$ (8.9)	\$ (11.3)	\$ (12.8)	\$ (13.7)	\$ (24.5)	\$ (29.8)	\$ (41.6)
Old Forecast	\$ (18.4)	\$ (21.5)	\$ (23.1)	\$ (24.6)	\$ (25.3)	\$ (25.8)	\$ (25.2)	\$ (27.5)	\$ (35.8)

Long Range Financial Forecast Effect of 2018 TEF (Meas O)

(in millions)

Fiscal Year Ended June 30,

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
New Forecast	\$ (1.8)	\$ (6.1)	\$ (8.9)	\$ (11.3)	\$ (12.8)	\$ (13.7)	\$ (24.5)	\$ (29.8)	\$ (41.6)
Remove TEF	\$ (11.7)	\$ (16.4)	\$ (19.5)	\$ (22.2)	\$ (23.9)	\$ (22.4)	\$ (24.5)	\$ (29.8)	\$ (41.6)

FY 2018-19 Financial Update

Financial Position Improved for FY 2018-19

- Revenues Improved for Current Year
- General Fund Position Improved
- Fiscal Picture is Better, but Challenges Remain

FY 2018-19 General Fund Revenue

(in millions \$)

Fiscal Year 2018-19

	Budget	Projected	Variance
Property Tax	25.8	30.1	4.3
Sales Tax	40.4	41.7	1.3
Temp Emergency Funding (TEF)	-	2.3	2.3
Measure P	9.2	9.7	0.5
Utility Users Tax	9.4	10.4	1.0
Other Taxes	26.0	23.7	(2.3)
Vehicle License Fees	13.4	14.5	1.1
Licenses and Permits	2.1	5.7	3.6
Fines and Forfeitures	1.7	1.6	(0.1)
Intergovernmental	2.0	5.5	3.6
All Other Charges for Services	13.4	17.3	3.9
Interfund Charges	13.3	13.2	(0.1)
Miscellaneous	3.0	5.5	2.5
Total	159.8	181.4	21.6

FY 2018-19 Sources of Additional Revenue

(in millions \$)

<u>Source</u>	<u>Funding Type</u>		
	<u>OnGoing</u>	<u>One-Time</u>	<u>Assigned</u>
FEMA/Cal Insurance		3.6	0.6
Prop Tax Backfill		2.0	
VLF Backfill		0.6	
TEF (Meas O)	2.3		
Fire Recovery Fees		6.1	
Total	2.3	12.3	0.6

\$15.2M

FY 2018-19 General Fund Fire Disaster Revenue Loss Projections

(in millions \$)

Reveue Source	Projection
Property Tax	(1.2)
Sales Tax	(0.9)
Measure P	(0.2)
Utility Users Tax	(1.0)
Vehicle License Fee	(0.6)
Business Tax	(0.2)
Transient Occupancy Tax	(0.8)
Total Loss Estimate	(4.9)

FY 2018-19 Actual vs Budget Major Revenue Sources

(in millions \$)

<u>Source</u>	<u>Budget</u>	<u>Projection</u>	Above/(Below) <u>Projection</u>
Property Tax	\$25.8	\$30.1	\$4.3
Sales Tax	40.4	41.7	1.3
Sales Tax -Measure P	9.2	9.7	0.5
Utility Users Tax	9.4	10.4	1.0
Vehicle License Fee	13.5	14.6	1.1
Business Tax	4.2	4.5	0.3
Occupancy Tax	5.3	5.5	0.2
	\$107.8	\$116.5	\$8.7

\$8.7M

FY 2018-19 Revenue Variance Summary

(in millions \$)

One-Time	12.3
TEF (Meas O)	2.3
Assigned Reserves	0.6
All Other Revenues	6.4
Total	21.6

General Fund Fund Balance Adjustment

(in millions \$)

Fund Balance 7/1/2018	\$ 6.5
Adjustments	<u>12.2</u>
Adjusted Fund Balance	<u><u>\$18.7</u></u>

Financial Stability Opportunities

- Replenish General Fund Reserves
- Fund Fire Recovery Efforts
- Fund Infrastructure Work
- Address Pension Challenges
- Plan for Economic Uncertainty

Potential Uses of the Temporary Emergency Funding (Measure O)

➤ Fund Fire Recovery Efforts

- Local Match from General Fund
- Fire Station 5 Rebuild
- Recovery Management



\$10.0M

Goal: Financial Stability

Financial Stability

Step 1: Adopt a Balanced Operating Budget

- Combination of Revenue and Cost Savings
 - Use of TEF (Meas O) Funds
 - Revisit Budget Cuts Previously Recommended
 - Long-term Solutions

Financial Stability

Step 2: One-Time Revenue Solutions

- Maintain General Fund Reserves at Policy Levels
- Set Aside Funding for Infrastructure
- Disaster Recovery Funding
- Address CalPERS Unfunded Liability
- Create Rainy Day Fund

Financial Stability

General Fund Reserve

- Policy Level: 15-17% (Approx. \$26 million)
- Reserve Projected at \$32.4 million at EOFY
- Potential Reallocation of Reserves

Financial Stability

Infrastructure

- Current Demand: Approx. \$18 million
- Funding Source: Measure O or General Fund

Financial Stability

Disaster Funding

- Funding Source: Measure O or General Fund
- Council Decision

Disaster Recovery Public Assistance Obligated Projects

Cat.	Description	Total Estimated Cost	Local Share Amount
C	Bridges and Roads	\$5.1 M	\$3.8 M
E	Buildings and Equipment	\$1.7 M	\$0.1 M
G	Recreation and Parks	\$12.8 M	\$3.5 M
Total Obligated Projects*		\$19.6 M	\$7.4 M

* Does not include Water's share of PA projects

Additional Disaster Recovery Projects

Public Assistance Projects Pending Approval:

- Rebuild Fire Station # 5 – est. \$15 million
- Road and Sidewalk Repair – est. \$20 million

Hazard Mitigation Projects (not including Water projects)

- Total Cost - est. \$13.5 million
- City's Share - est. \$2.1 million

Current City Temporary Sales Tax Measures

<u>Tax</u>	<u>Rate</u>	<u>Annual Rev</u> <u>(in millions)</u>	<u>Expiration</u>
Public Safety (Meaure O)	0.25%	\$10.0	2025
General (Meaure O)	0.25%	\$10.0	2025
General (Meaure P)	0.25%	\$10.0	2027

Funding Sources

GF TEF (Meas O)	\$ 10M
FYE 18/19 Unassigned GF Balance estimate	\$ 7M
Staffing Solutions	<u>\$ 6M</u>
	\$ 23M

Funding Gaps

GF Policy Reserves	\$ 0
FY 19/20 GF Deficit	\$ 12M
Infrastructure	\$ 18M
Disaster Recovery	\$ 7M
Resiliency	TBD
Pensions	<u>TBD</u>
	\$37M

Future Dates

Apr 11	LTFPA	Fiscal Policies
May 21	Workshop	Fiscal Policies
May 22	Workshop	Fiscal Policies Department Budgets
May 28	Workshop	Department Budgets
June 18	Public Hearing	Budget Adoption

Council Budget Guidance

- Attrition Solutions
- Potential Appropriations

City Manager's Comments

Questions / Comments