

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
SUBJECT: FISCAL YEAR 2018-19 BUDGET REDUCTION STRATEGY
STAFF PRESENTER: CHUCK MCBRIDE, CHIEF FINANCIAL OFFICER
FINANCE DEPARTMENT

AGENDA ACTION: NO ACTION REQUIRED

RECOMMENDATION

It is recommended by the City Manager and the Finance Department that the Council hold a Study Session to receive information, ask questions, and provide guidance relative to the reduction of the Fiscal Year (FY) 2018-19 adopted budget and the reduction of authorized positions in FY 2018-19. No action is required.

EXECUTIVE SUMMARY

The purpose of this item is to allow the Council the opportunity to receive information, ask questions, and provide guidance regarding the structural deficit.

BACKGROUND

On June 19, 2018, the City Council adopted the FY 2018-19 budget. The FY 2018-19 General Fund budget was approved with a \$14.9M deficit with an estimated reserve balance as of June 30, 2019 of \$6.5 million, or 4 percent (4%), of expenditures. The Council's General Fund Reserve policy target is 15-17 percent (15-17%) of expenditures. The General Fund deficit continues to expand in future forecasts with expenditure growth outpacing revenue growth.

On July 19, 2018, the City Council and Executive Staff met to discuss the budget gap, the Long Range Financial Forecast, and status of the General Fund reserves. The budget reductions proposed in this report incorporated Council guidance to staff at the July meeting.

PRIOR COUNCIL REVIEW

This item has not been previously reviewed by the City Council.

ANALYSIS

The General Fund revenue and expenditure imbalance is significant, and the structural deficit needs to be addressed immediately. City staff has been meeting to identify budget reduction options that will help close the structural deficit in the General Fund. Brainstorming sessions with the City Manager's Office and Finance department were held in each department to identify expenditure reductions. The Executive Staff discussed the reduction options as a team as well. Included in the reduction options are reductions to the Internal Service Funds (Risk Management, Information Technology and Equipment Repair and Replacement funds) since these funds are costs to the General Fund.

The agreed upon reductions primarily include vacant positions across the General Fund and Internal Service Funds, and the service and supply costs associated with the vacant positions. The reductions are the first attempt to close the gap between the General Fund's expenditures and revenue. Throughout the fiscal year and going into budget process for FY 2019-20, additional reductions will be needed to align expenditures with revenue and eliminate the structural deficit in the General Fund.

The proposed budget cuts will have varying impacts on departments, as discussed in the following paragraphs.

The City Attorney reduced the General Fund (GF) budget of \$3.5 million by \$237,500 by eliminating a vacant full-time equivalent (FTE) Assistant City Attorney that was originally funded to support work related to changes in cannabis law.

The City Manager's proposed plan cuts almost \$370,000 from a GF budget of \$3 million through the elimination of one filled position and one vacant Administrative Assistant. The Deputy City Manager position is proposed to be replaced by an organizational restructure which will be presented to the City Council at a later meeting.

The Human Resources (HR) Department plans to reduce their overall budget by \$334,000, with a \$184,000 reduction in their GF budget of \$2.4 million and the remainder in Risk Management, an internal service fund. As part of a departmental restructuring, HR eliminated the Employment Services Manager FTE. The remaining \$150,000 non-GF reduction comes from the elimination of a contracted wellness program for miscellaneous employees. While this cut will reduce voluntary participation by non-Safety employees in self health programs, it will not affect the Employee Assistance Program and employees can still access wellness initiatives provided by health insurance programs.

The Finance Department realized a savings of \$488,000 in a GF budget of \$11 million through the elimination of 4 vacant FTEs. The eliminated vacancies may result in short-term service impacts to internal customers, but Finance is examining ways to modify the current structure to minimize these impacts in the long-term.

The Information Technology (IT) Department will cut \$738,000 from a budget of \$8.2 million. Although IT is not budgeted in the GF, it charges citywide departments, including

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those in the GF, for its services. The department realized \$300,000 in personnel savings with the elimination of 2 filled IT Technicians, which will result in longer waits for service call for personal computers, conference rooms, and other support, and departments will no longer have dedicated IT Technicians. The remaining \$437,000 in reductions came, in part, from consolidations of existing software solutions and switching to lower cost solutions.

Housing and Community Services reduced its GF budget of \$1.9 million by approximately \$100,000 by eliminating two 0.5 FTE positions that are no longer needed. Service impacts from these eliminations are minimal.

The Office of Community Engagement cut \$50,000 from its GF budget of \$917,000 by reducing the current CHOICE Grant, currently funded at approximately \$200,000.

Planning and Economic Development reduced its GF budget of \$13.8 million by \$627,000 through the elimination of 5 vacant FTEs. Three of the vacancies were added in recent budgets to support cannabis-related business activities; however, any additional work related to this business sector will be absorbed by existing staff. The other vacancies eliminated in this proposal were a Development Review Coordinator and an Associate Civil Engineer, both of which could have reduced response and review times, if filled.

Recreation and Parks reduced its GF budget of \$16.4 million by \$835,000, primarily through the elimination of 7 vacant FTEs and 1 filled position, which will be vacant in January. Eliminated positions include an Administrative Secretary, Senior Maintenance Worker, Parks Superintendent, Application Specialist, and 4 Groundskeepers. Some of these eliminations are made in anticipation of an organizational realignment that transfers responsibilities for parks maintenance to Transportation and Public Works. The immediate service impacts will be decreased customer service level at community centers, and elimination of events, such as Oktoberfest and the Memorial Day BBQ.

Transportation and Public Works (TPW) reduced its GF budget of \$21.3 million by \$1.3 million. Personnel savings of \$1 million is comprised of the elimination of 6 vacant FTEs and 5 filled positions, 2 of which are planned retirements. The remaining filled positions will be absorbed into future vacant positions or have duties realigned under the proposed merger of park maintenance with TPW. The remaining \$0.3 million in reductions will come from various sources, including the elimination of two platform trucks and elimination of a portion of the Annual Pedestrian Ramp project. Service impacts from these proposed cuts will be numerous and include longer response times to traffic inquiries concerning signal timing, stop sign evaluation, and speed bump requests. The department will no longer provide Field Service support to Special Events, resulting in event promoters having to work directly with contractors for barrier maintenance and traffic controls. Additionally, response times for the Survey Section and other department services may be deleteriously affected.

The Fire Department trimmed \$950,000 from its GF budget of \$40.1 million by eliminating 6.75 vacant FTEs. Six of the FTEs are Firefighters and will result in diminished ability to succession plan by using the vacancies to “overfill” for expected vacancies. Savings from

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the vacancies are also currently used to offset overtime costs created by vacation, sick, or other unplanned leaves. The 0.75 FTE vacant Administrative Assistant results in greater workloads for existing administrative staff.

The Police Department reduced its GF budget of \$59.3 million by \$1 million. This reduction comes from the elimination of 7 vacant FTEs and 1 filled FTE. Two of the vacancies are sworn officer positions and the rest are civilian positions across the department. Proposed personnel cuts impact a Sergeant, an Officer, three Community Service Officers, a Research/Program Coordinator, a Police Records Technician and Police Personnel Supervisor position. The two positions that are not vacant are planned retirements. The service impacts of these eliminations are numerous. The overarching impacts will be increased workloads for existing staff and slower response times to non-emergency calls.

Finally, the GF portion of Storm Water, \$588,000, was reduced by \$59,000.

FISCAL IMPACT

The impact to the current fiscal year (FY) 2018-19 General Fund budget is a reduction of \$6.2 million and 47.74 full-time equivalent positions. Internal Services Fund budgets (Risk Management and Information Technology) are reduced by \$0.9 million and 2.0 full-time equivalent positions. All proposed reductions are pending action by the City Council.

Fund	Budget Reduction Amount	Full-Time Equivalent Reduction
General Fund	\$ (6,224,743)	-47.75
Risk Management Fund	\$ (150,000)	0.00
Information Technology Fund	\$ (738,000)	-2.00
Total	\$ (7,112,743)	-49.75

ENVIRONMENTAL IMPACT

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline Section 15378.

BOARD/COMMISSION/COMMITTEE REVIEW and RECOMMENDATIONS

Not applicable.

NOTIFICATION

Not applicable.

ATTACHMENTS

None.

CONTACT

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