Fiscal Year-End 2019-20 Financial Review

City Council Study Session
September 15, 2020

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Finance Department

City of Santa Rosa California

Financial Review - Agenda

- Fiscal Year-End 2019-20 General Fund Review
- Fiscal Year-End 2019-20 Transit Enterprise Fund Review
- Management Partners
  - Update of General Fund Long Range Financial Forecast
  - Strategies to Overcome Structural Deficit
- Funding Updates
  - PG&E Settlement Funds
  - CARES Act Funding
- Future City Council Requests

Fiscal Year-End 2019-20 General Fund Review

City of Santa Rosa California

FY 2019-20 General Fund Revenues

(unaudited)

(in millions)	Budget	Actuals	$ diff	% diff
Property Taxes	29.1	30.5	1.4	4.9%
Sales Tax	61.8	58.4	-3.4	-5.5%
Utility Users Tax	10.5	10.7	0.2	1.8%
Motor Vehicle License Fees	14.6	14.7	0.1	0.5%
Other Taxes	25.3	25.5	0.2	0.8%
Interfund Charges	14.1	13.1	-1.0	-6.8%
Permits, Fines, & Other Charges	16.1	14.7	-1.3	-8.4%
Rec & Park Revenues	3.6	2.2	-1.4	-38.8%
Intergov't, Interest, Other	15.6	15.2	-0.4	-2.6%
Total GF Revenue	**$190.7**	**$185.1**	**-$5.6**	**-3.0%**

FY 2019-20 General Fund Expenditures

(unaudited)

(in millions)	**Budget**	**Actuals**	**$ diff**	**% diff**
Salary & Benefits	135.0	131.4	(3.6)	-2.7%
Service & Supplies	37.4	36.5	(0.9)	-2.4%
Total Operating Expenditures	**$172.4**	**$167.9**	**($4.5)**	**-2.6%**

City of Santa Rosa California

Status of General Fund Reserves

	Amount	Reserve Percentage
FYE 2019-20 Unaudited Reserves	**$28.4M**	**16%**
FY 2020-21 Use of Reserves	-18.1M	
Projected Frozen Position Savings	5.0M	
FYE 2020-21 Est. Unassigned Reserves	**$15.3M**	**8.5%**
Policy-Mandated Reserve Requirement	*$26.8M*	***15%***
Over/(Under) Council Policy	**($11.5M)**	

City of Santa Rosa California

Fiscal Year-End 2019-20
Transit Enterprise Review

FY 2019-20 Transit Enterprise Revenues

(unaudited)

(in Millions)	Budgeted	Actual	$ diff	% diff
Federal 5307	2.50	2.51	0.01	1%
TDA	6.83	6.62	-0.21	-3%
STA	3.06	2.46	-0.60	-20%
Fares	1.49	1.26	-0.23	-15%
Measure M	0.95	0.89	-0.06	-6%
Other Local/State	0.41	0.43	0.01	3%
Subtotal	***15.24***	***14.17***	***-1.07***	***-7%***
CARES Act	0.00	2.49	2.49	100%
Total Revenue	**$ 15.24**	**$ 16.66**	**$ 1.42**	**9%**

FY 2019-20 Transit Enterprise Expenditures

- Prior to FY 19-20, operating reserve has been gradually eroded to assist in funding essential capital activities (e.g., bus replacement, capital maintenance of existing buses)
  - Result of structural deficit identified in FY 16-17
- As part of multi-year financial recovery strategy, Transit Division planned savings of up to $1.5M in FY 19-20 to:
  - Restore operating reserve to 15%
  - Begin to program annual capital set-aside to rebuild capital program

FY 2019-20 Transit Enterprise Expenditures
(unaudited)

(in Millions)	Budgeted	Actual	$ diff	% diff
Salary & Benefits	9.05	8.22	-0.83	-9%
Services & Supplies	5.22	4.07	-1.15	-22%
Overhead	0.81	0.81	0.00	0%
Total Operating	**$ 15.08**	**$ 13.10**	**$ (1.98)**	**-13%**

- Transit Division succeeded in achieving planned $1.5M savings in FY 19-20, with additional savings due to hiring freeze and reduced service levels resulting from the pandemic

City of Santa Rosa California

Transit Enterprise TDA Reserve Background

- State Transportation Development Act (TDA) revenues allocated annually to counties, then allocated within Sonoma County per agreement
- Transit Division prepares annual claim for TDA revenues for operating and capital needs
- Unclaimed revenues remain in account held by MTC as a de facto reserve
- If revenues claimed but not expended, returned to account at end of year
- Structural deficit identified in FY 2017 resulted in ongoing draws against TDA reserve for capital needs due to underfunded capital program

➢ **<u>FY 19-20 goal:</u> Restore full 15% operating reserve and re-establish annual capital set-aside for vehicle replacement and other capital activities**

Transit Division TDA Reserve

Beginning TDA Reserve balance 7/1/19	**$**	**1,329,489**
Operating Reserve (8.8%)	$	1,329,489
Capital set-aside	$	-

Beginning TDA Reserve balance 7/1/20 (est.)	**$**	**4,960,644**
Operating Reserve (15%)	$	2,312,893
Capital set-aside:	$	2,647,751
$1.9M for immediate capital needs*		
$750K towards unfunded upcoming capital priorities**		

* Local match for federal grants, required hybrid engine replacements, capital maintenance

** E.g., MSCS electrification infrastructure, 2023 electric bus procurement

City of Santa Rosa California

FY 2020-21 Transit Enterprise Revenues

(in Millions)	Budgeted 1/20	Projected 9/20	$ diff	% diff
Federal 5307	2.59	2.52	-0.07	-3%
TDA	6.84	5.04	-1.80	-26%
STA	2.26	1.34	-0.91	-40%
Fares	1.51	0.44	-1.07	-71%
Measure M	0.92	0.69	-0.23	-25%
Other Local/State	0.49	0.41	-0.08	-16%
Subtotal	***14.61***	***10.44***	***-4.17***	***-29%***
CARES Act	0.00	1.58	1.58	100%
Total Revenue	**$ 14.61**	**$ 12.03**	**$ (2.58)**	**-18%**

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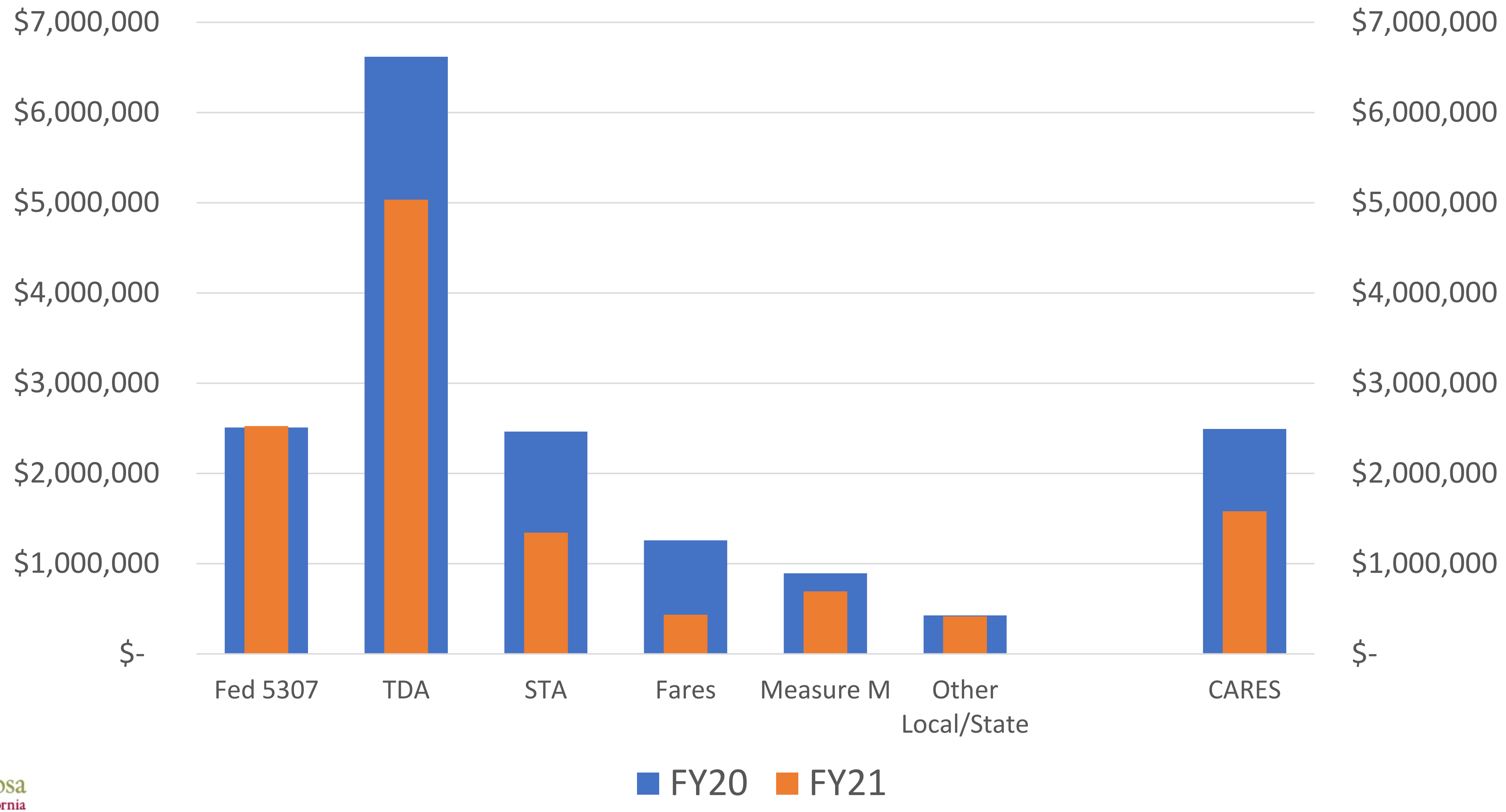
Revenue Comparison: FY 20 Actual vs. FY 21 Projection



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FY 20-21 Transit Enterprise Expenditures

- Original FY 20-21 Operating Budget: $15.1M
- Projected FY 20-21 Operating Revenue: $12.0M
  - Includes $1.6M CARES Act allocation

- Projected FY 20-21 Expenditures: $13.0-13.5M
  - Hiring freeze, reduced service levels
- **Projected Remaining Deficit: $1.0-1.5M**

Challenges/Considerations for Addressing Deficit

- Significant uncertainty related to timing and extent of revenue recovery (sales tax, fuel tax, fare revenue)
  - Multi-year revenue decrease expected due to recession, COVID impacts
  - No additional emergency relief funding anticipated
  - Strong case to be made for preserving operating reserve to sustain operations in FY 21-22 and beyond
- Use of capital set-aside for operating exacerbates structural deficit
  - Significant pending capital needs for bus replacement, electrification

Challenges/Considerations for Addressing Deficit

- Opportunity to reduce labor costs constrained by current economic and COVID environment
- Requirement to maintain 6’ social distancing on buses creates additional strain on limited financial and staffing resources (typical bus capacity=40 riders, but 10-12 with social distancing)
  - To avoid passing up passengers, must continue to add service as dictated by current social distancing requirements

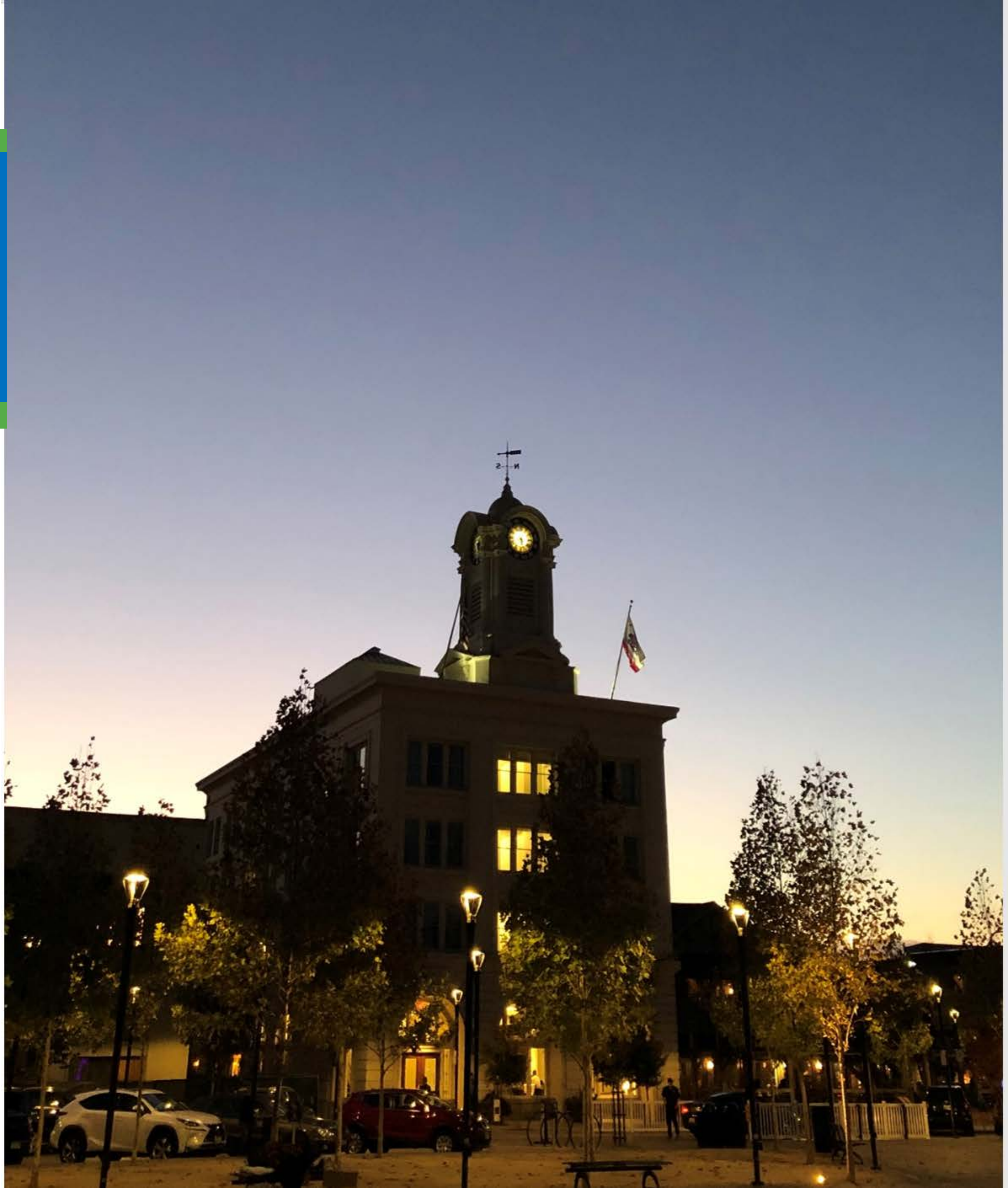
City of Santa Rosa Budget Strategies

Andy Belknap, Senior Vice-President
Steve Toler, Partner
Bob Leland, Special Advisor
Rick Haydon, Special Advisor

September 15, 2020

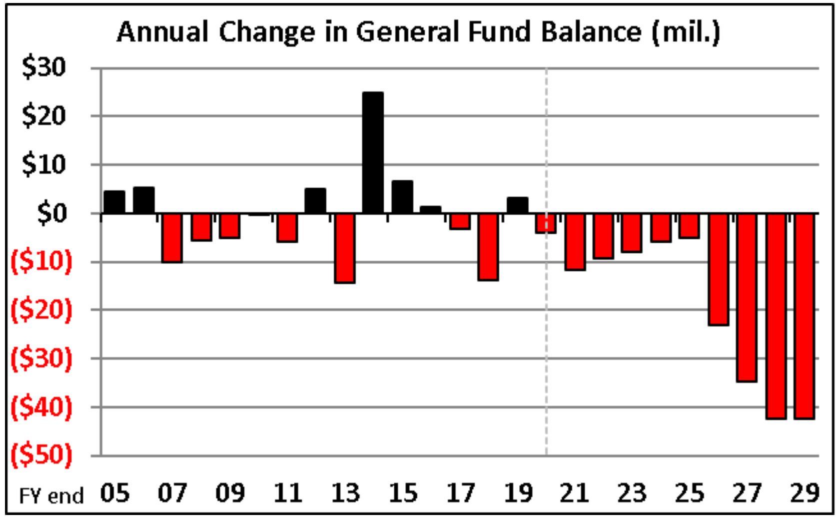
Management Partners

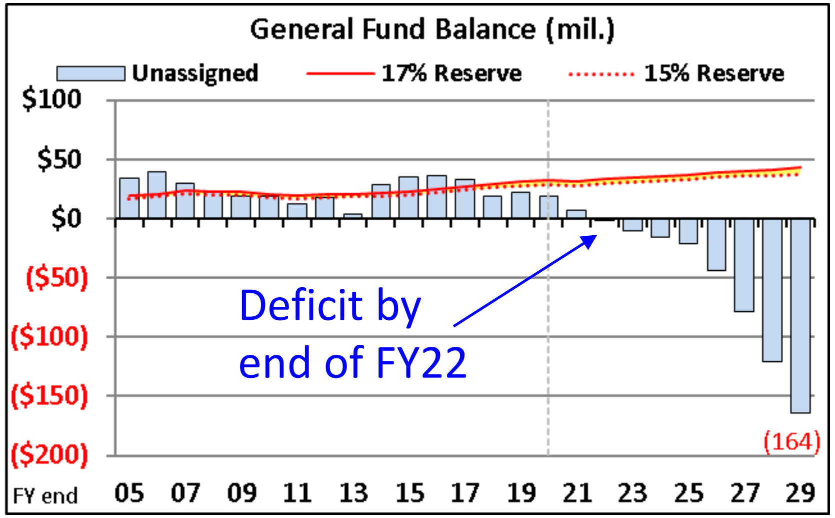
City of Santa Rosa



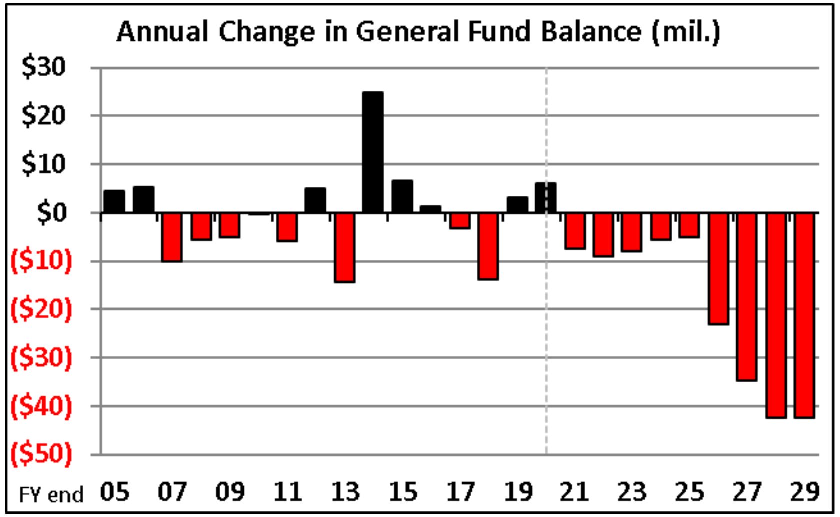
Baseline Forecast Summary

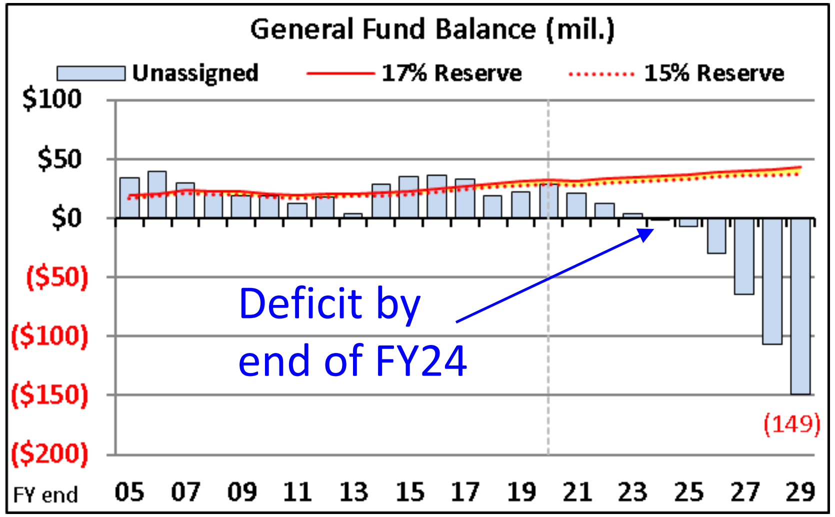
Baseline Forecast Before Initial Budget Adjustments





Baseline Forecast After Initial Budget Adjustments





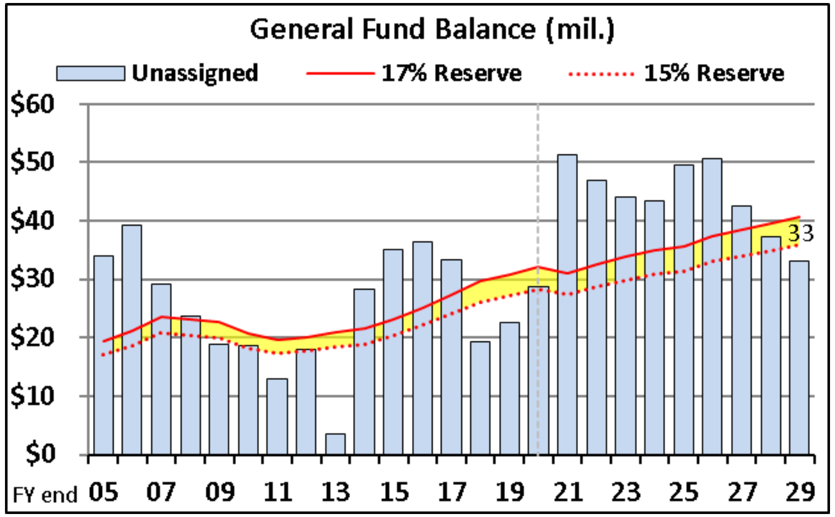
- Shortfall in two phases:
  - Covid-19 losses (FY20-25)
  - Expiration of sales taxes (FY26 & after)
- Also projected pension cost increases
- Initial budget adjustments:
  - Council approved releasing $10M in GF balance held for capital projects (moves from assigned to unassigned balance)
  - Hiring freeze saves $5.176M for one year
  - Charts are before receipt of PG&E settlement & CARES Act funds

Note: forecast updated 9/4/2020

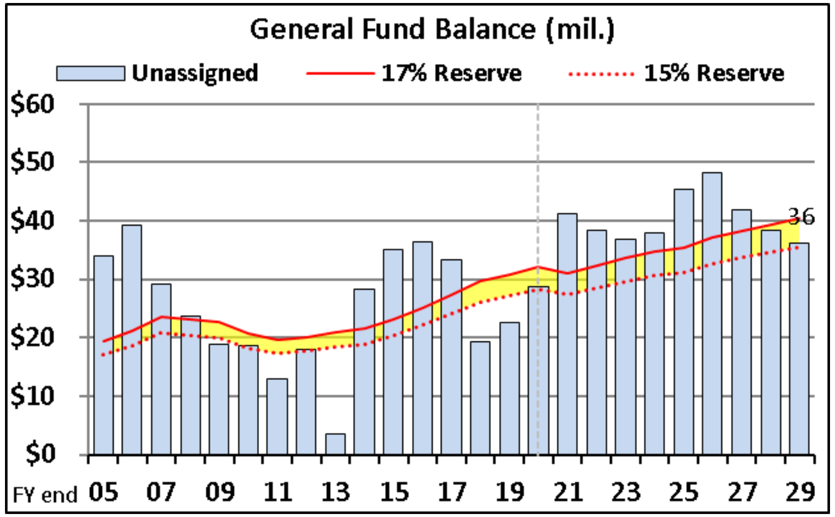
Sample Budget Scenarios-I

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	

Scenario A



Scenario B



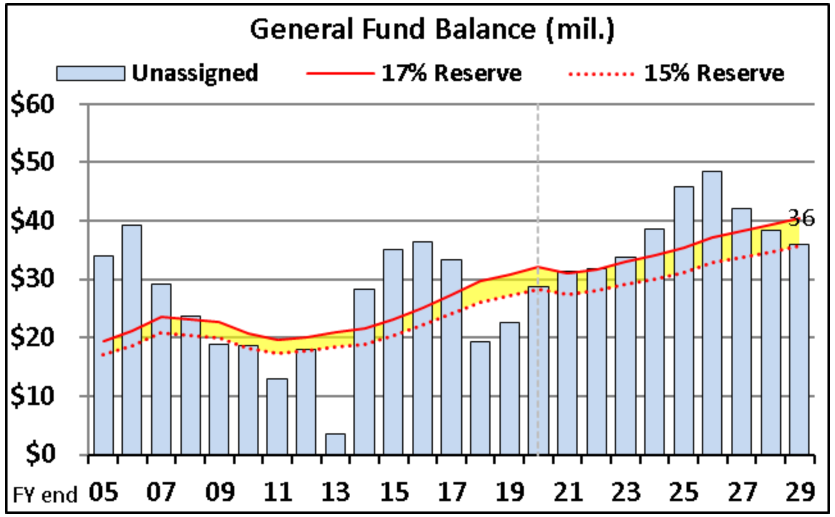
Note: All scenarios exclude the $2.1M CARES Act funds from the forecast.

Note: forecast updated 9/4/2020

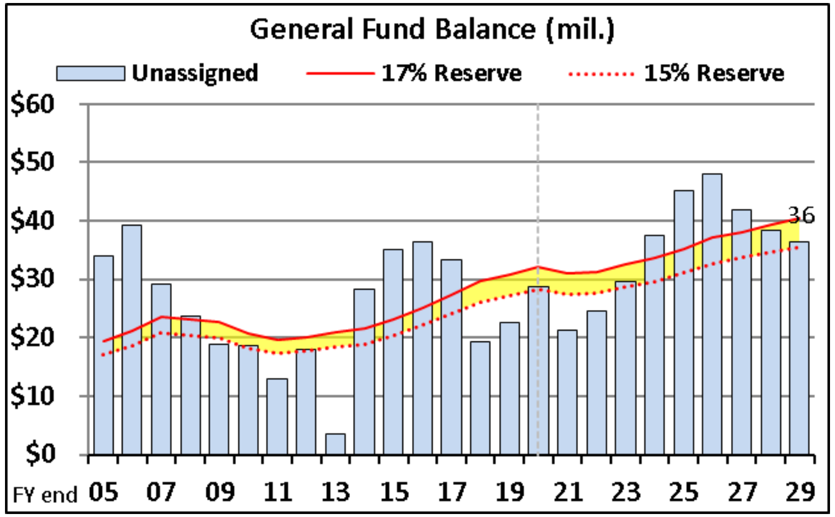
Sample Budget Scenarios-II

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
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	$10M of $95M	$0M of $95M	trade-off is that higher PG&E use reduces level of cuts
Budget reductions (or revenue increase)	$5M in FY22 (2.6%)	$8M in FY22 (4.2%)	select from following strategies
Reduction restorations	$4M in FY25	$7M in FY25	made possible by tax renewals

Scenario C



Scenario D



Note: All scenarios exclude the $2.1M CARES Act funds from the forecast.

Note: forecast updated 9/4/2020

Factors Used in Evaluating Budget Strategies

Implementation Difficulty Factors
Potential for community pushback
Technical and operational difficulties of implementation
Timing necessary for implementation
Disruptive impact on service delivery
Disruptive impact within City organization

Budget Strategies Potential for Success		*Potential Annual Fiscal Impact*		
		Less than $500,000	$500,000-$1,000,000	Over $1,000,000
Difficulty of Implementation	Minimal difficulty	**Low-Moderate**	**Moderate-High**	**High**
	Moderate difficulty	**Low-Moderate**	**Moderate**	**Moderate-High**
	Significant difficulty	**Low/No**	**Low-Moderate**	**Moderate**

Budget Strategies Summary

Category	Total Annual Fiscal Impact
Revenue enhancements	$39,492,000+
Expenditure controls/cost shifts	$2,700,000
Service delivery changes	$6,100,000
Service level reductions	$12,700,000+
Total	**$60,992,000+**

1. Modify Business License Tax (BLT)

Strategy Type: Revenue Enhancement

Modify Business License Tax (BLT) to raise or eliminate current $3,000 cap on tax payment.

Background and Analysis

- Current tax structure is regressive owing to cap (Santa Rosa structure established in 1990)
- City's BLT revenue is $26 per capita
- Three cities that recently overhauled their business taxes now have significantly higher revenue per capita:

City	Latest Overhaul	Revenue / Capita
Fremont	2016	$49
Concord	2017	$31
Livermore	2018	$80

- If the $3,000 cap established in 1990 was increased by Bay Area inflation, today it would be $6,700
- City's BLT consultant projects the following impact of increasing the current $3,000 cap:

Proposal	Annual Tax Revenue	Increased Revenue
$3,000 Cap	$4.40M	$0
$5,000 Cap	$5.06M	$0.67M
$8,000 Cap	$5.66M	$1.26M
$10,000 Cap	$5.94M	$1.54M
No Cap	$8.35M	$3.95M

- *Estimated annual impact: $600,000+*
  Estimated difficulty: moderate

2. Renew Existing Sales Tax Measures (Measure O, P, N)

Strategy Type: Revenue Enhancement

- Renew Measures O and P on November 2020 ballot.
- Renew Measure N for public safety by 2024.

Background and Analysis

- Requires approval by voters; Measure O and Measure N expire in 2025, Measure P expires in 2027
- Model assumes General Fund will backfill positions currently paid by Measure N
- All three taxes will raise around $11.4M each in FY 2025 dollars
- Renewal of Measure N for public safety requires a 2/3 vote
  - Depending on economic circumstances obtaining this level of approval may not be possible
  - Alternative approaches such as a general tax should be explored
  - Should schedule for November 2022 ballot
- *Estimated annual impact: $34.2M*
  Estimated difficulty: moderate

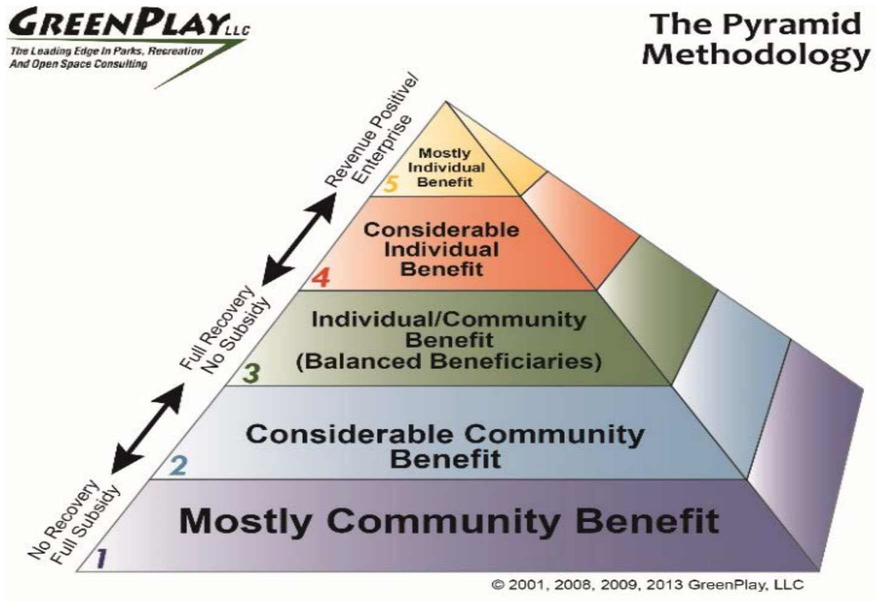
3. Conduct Master Fee Study to Increase Cost Recovery

Strategy Type: Revenue Enhancement

Increase cost recovery for fee-based programs

Background and Analysis

- Do a pricing and pyramid analysis
- Pricing refers to consideration of whether market, full recovery fee or partial recovery fee is justified
- Use the individual vs community benefit pyramid concept to determine appropriate cost recovery
- Cost recovery of approximately 70% is a common target
- Estimate is based only on increase Recreation revenues
- *Estimated annual impact: $1.4M*
  Estimated difficulty: moderate



Assumptions	Estimations
FY 2019-20 Recreation budget (minus Measure O)	$10,000,000
FY 2019-20 fee revenue	$3,600,000
Current Recovery rate	**36%**
Estimated recovery rate at 50%	$5,000,000
Estimated increase in annual revenue	**$1,400,000**

4. Modify Utility Users' Tax (UUT)

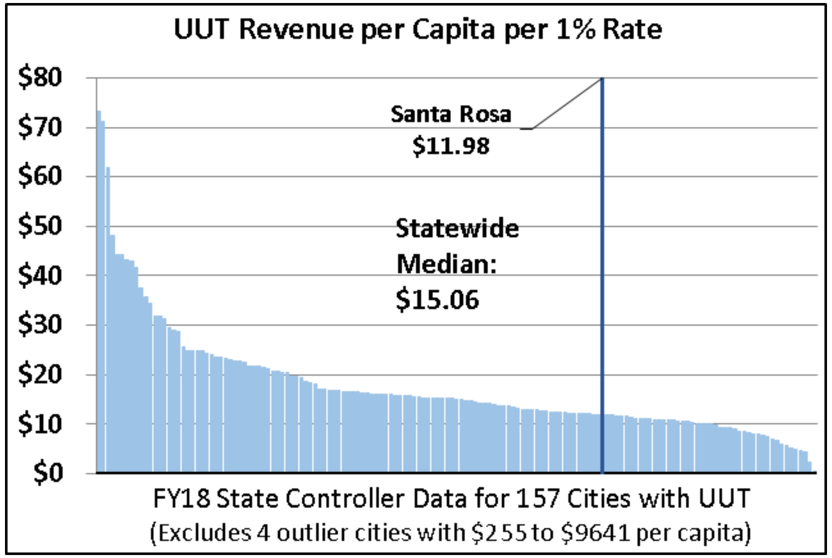
Strategy Type: Revenue Enhancement

Modify utility users' tax (UUT) to cover wireless

Background and Analysis

- Requires approval by voters
- UUT is considered a regressive tax by many jurisdictions
- Santa Rosa taxes landlines but not wireless
- City's per capita UUT revenue per 1% is $11.98, below statewide median of $15.06, in large part because wireless is not taxed
- Of 152 agencies that tax telephone service, 135 (89%) include wireless service
- *Estimated annual impact: $1.2M*
  Estimated difficulty: moderate-high

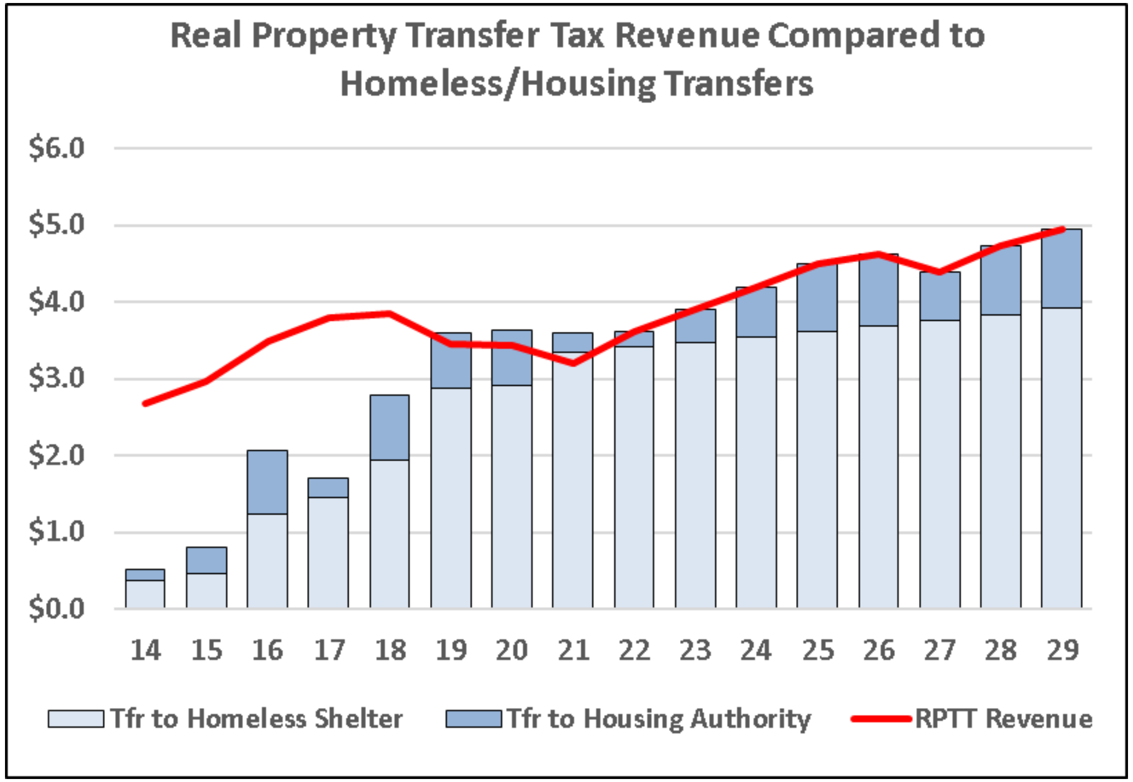
Assumptions	Estimations
Annual bill per line (at $30 per month)	$360
Approximate number of wireless lines (assuming 40% of population have wireless)	69,000
Total annual gross receipts for wireless	$24,840,000
Estimated annual revenue (at 5% UUT rate)	**$1,242,000**



5. Limit Transfer of Real Property Transfer Tax (RPTT) Revenues

Strategy Type: Revenue Enhancement

Limit transfer to Housing Authority and homeless programs (policy updated in 2018 ramps up contribution from 25% of RPTT revenues in FY 2018 to 100% by FY 2034).



Background and Analysis

- Transfer of RPTT is well ahead of policy; forecast assumes these transfers are held to 100% of RPTT starting FY 2022
- Housing Authority transfer dropped to $250K in FY 2021 budget; using that amount as the base with 2% growth (instead of using the rest of the RPTT revenue) will reduce future forecast costs
- Soaring costs for homeless assistance must be addressed with a viable and sustainable regional system
- *Estimated annual impact: $250,000+*
  Estimated difficulty: low

6. Increase Cannabis Tax Rates

Strategy Type: Revenue Enhancement

Increase cannabis tax rates under existing cap.

Background and Analysis

- The City's Cannabis tax rates are significantly under the policy thresholds; annual revenue currently $1.8M.
- Other cities get significantly more in revenue from this source (e.g., Vallejo, a city with a much lower population, receives $3M/year).
- Raising the rate could potentially more than double current tax revenues.
- Concern about burden of combined state and local taxes on cannabis industry.
- *Estimated annual impact: $1.8M*
  Estimated difficulty: low

Santa Rosa Tax Category	**Max Rate Allowed** GR = gross receipts	**Current Rate** GR = gross receipts
Cultivation	8% GR or $25 per sq. foot	2% GR or $5 per sq. foot
Manufacturing	8% GR	1% GR
Distribution	8% GR	0% GR
Retail (Dispensary) Medical	8% GR	0% GR
Retail (Dispensary) Adult Use	8% GR	3% GR

7. Civilianize Police/Fire Administrative Managers

Strategy Type: Service Delivery Changes

Civilianize selected police/fire administrative managers.

Background and Analysis

- Complications and resistance due to versatility of sworn staff, emergency response capability, and general opposition by senior management.
- Decrease in civilian managers over the years. Santa Rosa has relatively few non-sworn staff. *Administrative duties performed by sworn staff include recruitment testing, training, employment, wellness, weed abatement.*
- Requires meet and confer or bargaining.
- Use of civilians is accepted best practice and cost efficiencies can be significant.
- *Estimated annual impact: $500,000*
  Estimated difficulty: moderate-high

8. Modify Costly Work Rules And Special Pays

Strategy Type: Service Delivery Changes

Modify costly work rules and special pays in Memorandum of Understandings (MOUs).

Background and Analysis

- Resistance due to difficulty of implementation, impacts to recruitment and retention, and general senior management concerns.
  - Requires comparison of special pays in labor market.
  - In general cities are reforming special pay by eliminating use of paid leave in OT calculations and scrapping longevity pay.
- Examples include basing overtime on FLSA regs, eliminating management overtime (use leave), eliminating City paying a % of health premiums versus flat dollar amount, reducing longevity pay in Police and Fire, and reducing vacation cash-out.
- Requires meet and confer bargaining.
- *Estimated annual impact: $1M*
  Estimated difficulty: moderate-high

9. Reduce Administrative Support

Strategy Type: Service Level Reduction

Reduce administrative management support across departments to reduce the number of administrative management-level positions by 4 FTE

Background and Analysis

- Resistance due to concerns relating back to departmental operations and division management, and specialized needs of larger departments.
    - Mid-management and administrative capacity reductions are accepted “cut-back” strategies
    - It does negatively impact the organization, but director positions are considered more critical
- *Estimated annual impact: $700,000*
  Estimated difficulty: moderate

10. Civilianize 5 Police Officer Vacancies

Strategy Type: Service Delivery Changes

Replace 5 vacant police officer positions with community service officers (CSO).

Background and Analysis

- Lowers cost for certain types of services/responses *(Note: This strategy would be in addition to certain vacancy eliminations.)*
- Requires meet and confer or bargaining.
- Santa Rosa PD has relatively few civilian positions.
- There can be significant savings to the extent civilians can replace sworn officers for tasks which do not require arrest authority. *(Note: civilians are not as versatile as sworn and 2018 staffing study did not recommend fewer officers.)*
- *Estimated annual impact: $500,000*
  Estimated difficulty: moderate-high

Assumptions	Estimations
Police Officer	$212,000
Community Service Officer	$120,000
Savings from Converting to CSO	$92,000
Annual Savings for 5 Positions	**$460,000 + associated costs**

11. Require Departments To Offset Separation Expenditures

Strategy Type: Expenditure Controls/Cost Shifts

Require departments to offset separation expenditures.

Background and Analysis

- Estimated separation payments of $1.5 million are currently budgeted annually
- Under this proposal, each department would be charged applicable separation payments, and to offset those costs departments would have to accrue savings by waiting longer to fill their vacant positions
- Concern that this would increase overtime in fire and police
- Since departments often do not spend entire annual expenditure appropriation it seems feasible
- *Estimated annual impact: $1.5M*
  Estimated difficulty: low

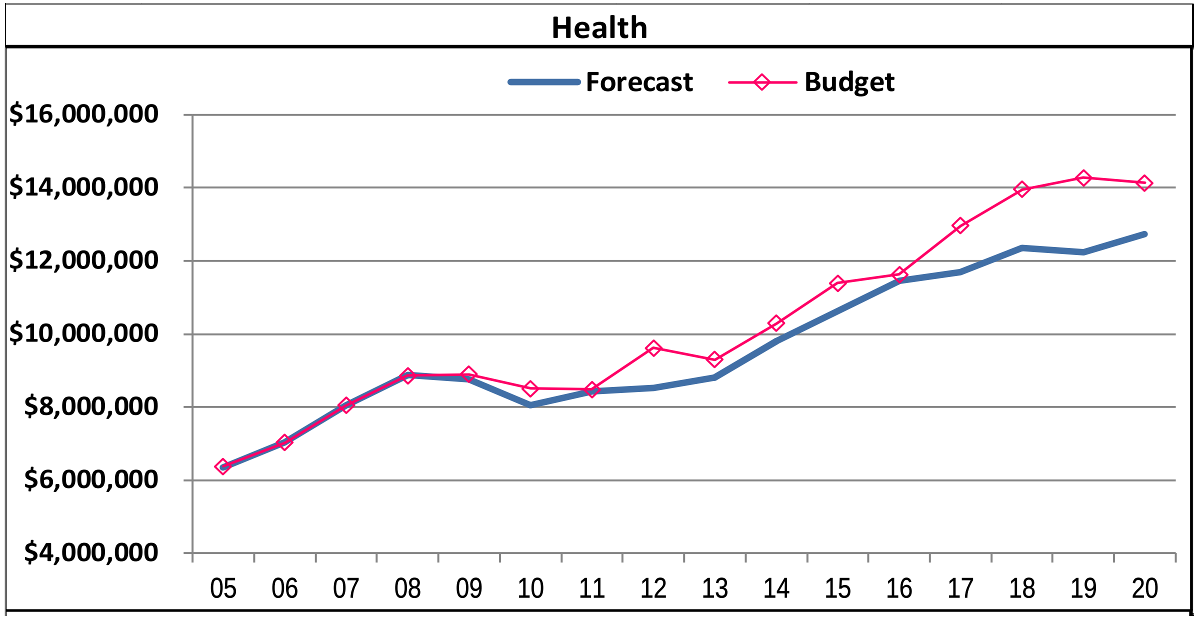
12. Reduce Budget For Health Contributions (no benefit change)

Strategy Type: Expenditure Controls/Cost Shifts

Reduce budget for health contributions by 5% (no change in benefit levels)

Background and Analysis

- Historically over-budgeted, especially in recent years
- Rationale is that it is smart to eliminate areas of overbudgeting prior to other strategies
- This seems to be the case with healthcare
- Not unusual in that many cities budget assuming everyone selects higher cost plans
- *Estimated annual impact: $700,000*
  Estimated difficulty: low



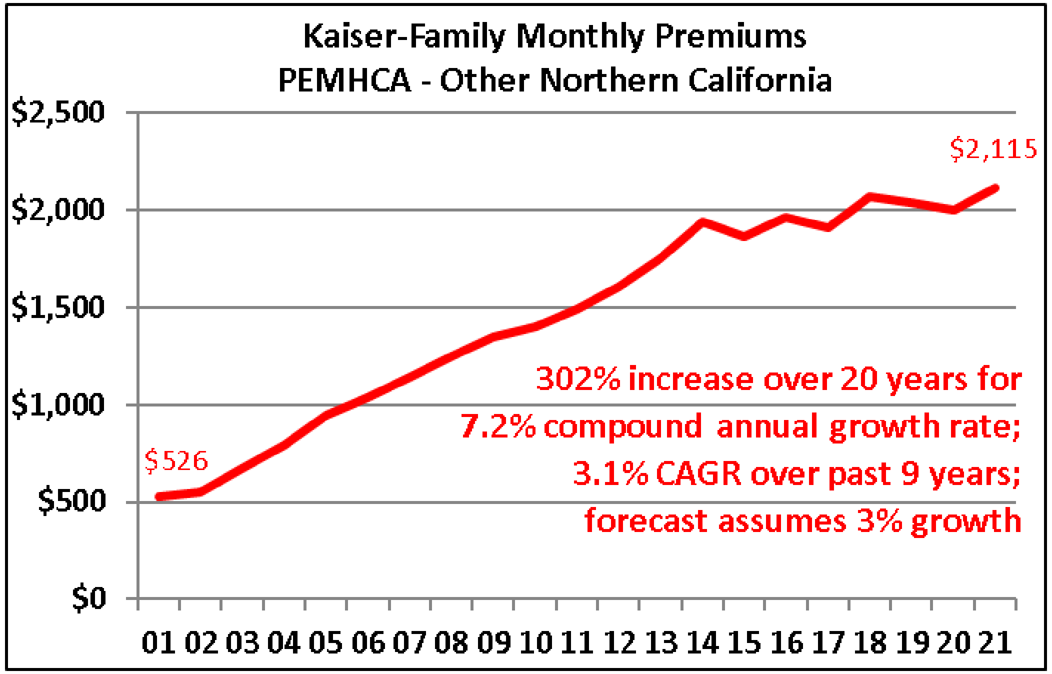
13. Cap Health Contributions At Current Levels

Strategy Type: Expenditure Controls/Cost Shifts

Cap health contributions at current levels.

Background and Analysis

- Requires meet and confer with bargaining units
- Current monthly health care contributions are $2,115 to $3,042, depending on bargaining unit
- Health care costs are growing faster than City revenues, making a fixed percentage share not sustainable
- Employee contributions not covered would continue to be deducted on a pre-tax basis
- Expect the savings to grow larger afterwards
- *Estimated annual impact: $900,000*
  Estimated difficulty: moderate-high



14. Conduct Organizational Assessment/Process Improvement

Strategy Type: Expenditure Controls/Cost Shifts

Conduct citywide organizational assessment/process improvement.

Background and Analysis

- Can be useful in identifying alternative service delivery options. Ideas include:
  - Contract for certain services where there is a private sector labor cost advantage (e.g., revenue collections)
  - Use IT solutions for "self-service" approaches which can drive down need for staffing and call centers
  - Spot areas for process improvements to eliminate no and low value activity
- May require meet and confer or bargaining
- *Estimated annual impact: $1M (about 0.5% of the operating budget)*
  Estimated difficulty: moderate-high

15. Forego Merit Increase for One Year

Strategy Type: Expenditure Controls/Cost Shifts

Forego merit increase for one year (loss of increase, not a delay in payment).

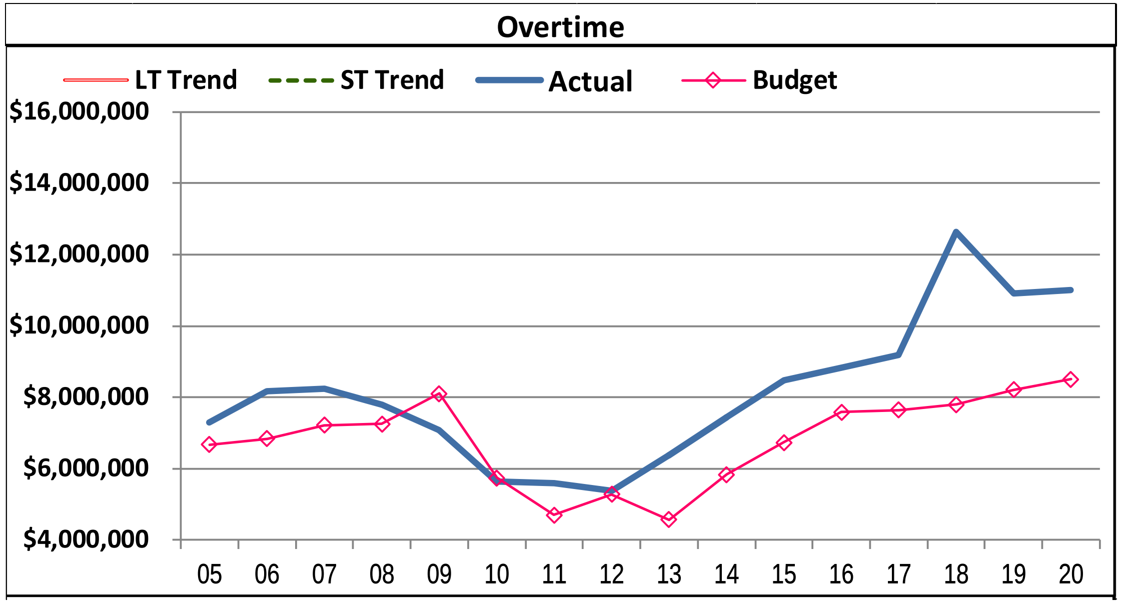
Background and Analysis

- Requires meet and confer with bargaining units
- Unlikely to cause turnover; affects only those under top step
- Omitting one year of merit increase will lower the trajectory of future costs
- *Estimated annual impact: $900,000*
  Estimated difficulty: moderate-high

16. Improve Control Of Discretionary Overtime

Strategy Type: Expenditure Controls/Cost Shifts

Improve control of discretionary overtime (OT).



Background and Analysis

- Historically underbudgeted
- OT expenditures are significantly above Great Recession levels; fire OT increases not only due to wildfires
- FY 2021 budget is $8.9M vs. $11M actual in FY 2020
  - Difficult to achieve $8.9M OT given firefighter and police officer frozen vacancies, so forecast assumes $10M for FY21
  - Can't use OT to offset impact of frozen vacancies
- Need detailed analysis of OT use, vacancy levels, and overall salary cost vs. budget
- *Estimated annual impact: $1.1M*
  Estimated difficulty: high

17. Maintain Currently Frozen Vacant Positions

Strategy Type: Service Level Reductions

Maintain currently frozen vacant positions (or equivalent savings) for 5 years (36 FTE).

Background and Analysis

- May require meet and confer or bargaining
- City has a list of 36 FTE that are currently designated as frozen, at an annual savings of $5.2M
  - Baseline forecast assumes positions frozen for one year (FY 2021), resulting in a vacancy rate of 4.5%
  - Fiscal model assumes these positions are frozen through FY 2025
  - Vacancy rate thereafter assumed to be 1.5%
- Concerns that this is non-strategic, but given difficulty in finding agreement on other ways to reduce expenditure an arbitrary approach is often the only way
- *Estimated annual impact: $5.2M*
  Estimated difficulty: low

18. Use Retirement Incentives To Reduce Additional Positions

Strategy Type: Service Level Reductions

Use retirement incentives to reduce additional positions.

Background and Analysis

- Savings is impact per 10 FTE average cost positions, net of incentive, assuming positions are frozen for one year.
- Need to determine how many staff are age eligible and try to be strategic about exiting businesses which are not high priority or which the City is not obligated to deliver
- *Estimated annual impact: $1.5M*
  Estimated difficulty: low

19. Eliminate 25% Of Positions Vacated Over 2 Years

Strategy Type: Service Level Reductions

Eliminate 25% of positions vacated over two years starting FY 2022 (in addition to positions vacated through retirement incentives).

Background and Analysis

- May require meet and confer or bargaining
- Cutting future vacancies avoids affecting filled positions
- Cutting 25% of vacancies allows 75% to be filled, and thus gives some flexibility in shaping the organization
- Assuming 7% turnover rate results in 20 FTE reduction over two years; actual savings depends on positions ultimately eliminated
- Need to perform service evaluation to determine most strategic areas for reduction
- *Estimated annual impact: $3.7M*
  Estimated difficulty: moderate

20. Reduce Increase in Capital Funding in the Model

Strategy Type: Service Level Reductions

Reduce increase in capital funding in model above current Capital Improvement Plan (CIP).

Background and Analysis

- Reduction in model assumption only
- 5-year CIP calls for $2.2M in annual General Fund contributions
- Average capital transfers from FY 2005 to FY 2021 was $3.9M
- Model uses $4.0M starting in FY 2022 as this was close to historical average and would allow the City to respond to some unmet capital needs and major maintenance
- *Estimated annual impact: $1.8M*
  Estimated difficulty: low

21. Eliminate 2.0 FTE Annual Increase in the Model

Strategy Type: Service Level Reductions

Eliminate 2.0 FTE annual increase in the model.

Background and Analysis

- Reduction in model assumption only – current model assumes 2.0 FTE growth to partially respond to future population and workload growth
- Does not affect current positions – General Fund currently has 788.25 FTE
- Growth in savings compounds annually
- *Estimated annual impact: $500,000+*
  Estimated difficulty: low

Budget Strategies Summary

Category	Total Annual Fiscal Impact
Revenue enhancements	$39,492,000+
Expenditure controls/cost shifts	$2,700,000
Service delivery changes	$6,100,000
Service level reductions	$12,700,000+
Total	**$60,992,000+**

Key Strategy (estimated $34M impact)

- Renew local sales tax rates
  (Strategy 2 – revenue enhancement)

High Potential for Success (low difficulty, high/moderate gain, estimated $13M impact)

- Increase cannabis tax
  (Strategy 6 – revenue enhancement, $1.8M)
- Require departments to offset separation expenditures
  (Strategy 11 – expenditure controls/cost shifts, $1.5M)
- Reduce budget for health contributions without change in actual benefits
  (Strategy 12 – expenditure controls/cost shifts, $700K)
- Maintain currently frozen vacant positions for five years (built into baseline forecast for only one year)
  (Strategy 17 – service level reductions, $5.2M)
- Use retirement incentives to reduce additional positions
  (Strategy 18 – service level reductions, $1.5M)
- Reduce increase in capital funding in model
  (Strategy 20 – service level reductions, $1.8M)
- Eliminate 2.0 FTE growth in model
  (Strategy 21 – service level reductions, $500K)

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Funding Updates –
PG&E Settlement Funds
CARES Act Funds

Public Outreach – Input on PG&E Funds

- Target Audience
  - Fire Survivors (Coffey Park, Fountaingrove, Hidden Valley, and Mobile Home Communities)
  - Community at large
- Digital Survey, Virtual Community Meetings
  - Digital Survey: Launch mid-September and end Early October
  - Virtual Meetings last two weeks of September: Coffey Park area, Fountaingrove and Hidden Valley areas, Community-wide
- October 8 – report to LTFPA
- October 27 – Report to City Council

PG&E Settlement Funds

Fire Resiliency Unmet Needs ($42M - $47M)

- Public Assistance Local Match ($1.1M)
- Fire Station 5 Rebuild ($14.5M)
- Damaged Sidewalk Repair ($4.1M)
- Damaged Pavement Repair ($24M)
- FEMA Ineligible Costs and Disallowances ($1M - $5M)
- Vegetation Management One-time Costs
- Hazardous Tree Removal
  - Public Right of Way
  - Open Space
  - Private Property

PG&E Settlement Funds

Operational Needs

- GF Reserves Restoration and Stabilize Structural Deficit ($10M - $40M)
- PERS UAL Payment for Pension Cost Relief – Still Evaluating

Community Needs

- Renewal Enterprise District Seed Money ($8M - $10M)
  - Jump Start Affordable Housing in Downtown
- Roseland Library ($1M - $10M)

City of Santa Rosa California

CARES Act Funds

- City’s Allocation: $2,143,806, paid in six installments
- Funding may be applied to prior year expenses/backfill General Fund
- Applied full allocation to City personnel costs for response between March and June 2020
- $2M of General Fund reserves now available for any use

City of Santa Rosa California

Underfunded CIP

- GF Deferred Maintenance Need = $18M/year over 10 years
  - Maintains the status quo
- Improve maintenance Conditions = $25M/year over 10 years
  - Improvements to be consistent with good maintenance practice
- New Capital Needs $10M - $15M/year over 10 years
  - Bridge, parks, recreation, and facility projects
- How To Address Funding Deficit (all under evaluation)
  - Enhanced Infrastructure Financing Districts (EIFD)
  - Parcel Tax
  - Contributions from General Fund

Future City Council Requests

- City Clerk and IT impacted by expanded virtual meetings and increase in Public Records Act (PRA) requests
  - Support needed in City Clerk's Office to back-up Zoom Host duties and to provide assistance in managing PRA requests
  - IT needs to add support for virtual meetings (currently only 1 FTE)
- Request for two Limited Term positions (Two-year terms)
  - 1.0 LT Admin Tech; 1.0 LT Media Services Tech
- Cost for the two positions: $220,000
- Pay for through reduction in GF Travel/Training budgets

City of Santa Rosa California

Future City Council Requests

- Additional funding needed for Fire Rebuild Permit services
  - Rebuild Center operating under contract with Bureau Veritas
  - Fire damaged properties receive expedited plan review and inspection services
- Current-year expenditures exceeding budget
  - Approximately $300K remaining for FY 2020-21
  - 800 properties are under construction in rebuild area; 500 have yet to move forward
- Request $1M from GF Reserves to maintain expedited service delivery for remainder of FY 20-21 and to complete rebuild work

Questions?