

Budget Reduction Strategies

CITY COUNCIL STUDY SESSION
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General Fund Review FY 2023-24 Performance

Timeline of Budget Performance

- General Fund structural imbalance has been building over a number of years
 - FY 2021-22 budget initially approved with \$11 million deficit
 - Volatility due to COVID
 - Mid-year adjustment to increase revenues by \$9.5M; Exp by \$8.2M
 - FY 2022-23 budget was balanced
 - FY 2023-24 budget presented with \$2.5M deficit; passed with \$3.3M deficit
- August 2023, CM and CFO presented a status of the General Fund showing that it was unstable with widening structural deficit
 - FY 2024-25 budget adopted with \$13.3M deficit

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

	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29
Revenues	\$213.0	\$218.1	\$224.8	\$230.0	\$235.0
Transfers In	2.3	2.3	2.3	2.3	2.3
Total Revenues & TI	\$215.3	\$220.4	\$227.1	\$232.3	\$237.3
Expenditures	220.2	227.0	238.5	252.3	263.8
Transfers Out	8.4	9.8	13.2	10.3	9.8
Total Expenditures & TO	\$228.6	\$236.8	\$251.7	\$262.6	\$273.7
Budgeted Deficit	(\$13.3)	(\$16.4)	(\$24.6)	(\$30.3)	(\$36.4)

Preliminary Results June 30, 2024

Description	Amount
Recurring Revenues & Transfers In	\$203,800,819
Recurring Expenditures, Transfers Out & Encumbrances	<u>(\$206,938,691)</u>
Total Operational Deficit	(\$3,137,872)

Budget vs. Actuals FY 2023-24

Adopted Budget	
Revenues & Transfers In	\$204.8M
Expenditures & Transfers Out	(\$208.1M)
Deficit	(\$3.3M)

Actual Results	
Revenues & Transfers In	\$203.8M
Expenditures, Transfers Out & Encumbrances	(\$206.9M)
Deficit	(\$3.1M)

Major General Fund Revenue Lookback



Impacts on Unassigned General Fund Reserves

- Operational Surplus (Deficit)
- Council Action to appropriate reserves mid-year
 - Occur outside of the annual budget process
 - \$2M for BVGC Irrigation, \$800K for Police Radio upgrade, Graffiti Abatement & Vacant Lot Programs, etc.
- Interest Earnings/ Gains & Losses on Investments
- Release of Appropriations and Encumbrances

Structural Deficit

Structural Deficits

- Result from ongoing programs and services expenses exceeding ongoing revenue
- Cannot be addressed through reserves and one-time funding

Ongoing Expense Increases

- Increased staffing
- New service levels to the community
- Diverted revenue
- Require action at budget development to address, increases in certain areas will result in decreases to others

Reserves Summary

Council Policy - Mandated Reserves

- 15% to 17% of annual expenditures
- Used to address unforeseen events like disasters or sudden dramatic economic downturns
- If below 15%, upcoming budget is to address shortfall

Unassigned Reserves

- Amount above 17% Council reserves policy
- Used by the City to fund one-time expenditures
 - Infrastructure, facilities, capital projects
 - One time programming

Fiscal Stability Reserves

- Used to address adopted deficits

Fiscal Stability Reserves (FSR) June 30, 2024

Description	Amount
FSR Balance 6/30/2022	\$27,300,000
Budgeted Deficit FY 2023-24	(3,300,000)
FSR Balance 6/30/2023	(\$24,000,000)
Budgeted Deficit FY 2024-25	(13,300,000)
FSR Balance 6/30/2024	\$10,700,000

Preliminary General Fund Reserves

June 30, 2024

Description	June 30, 2023	June 30, 2024
General Fund Reserve Balance	\$84,809,468	\$68,893,573
Fiscal Stability Reserves	(24,000,000)	(10,700,000)
Total Unassigned Reserves June 30, 2024	\$60,809,468	\$58,193,573
17% Mandated Reserve Policy	(32,598,117)	(35,872,804)
Amount Over Mandated Reserve Policy	\$28,211,351	\$22,320,770

Budget Reduction Planning

Budget Reduction Strategy

- Phased approach with Departments identifying immediate reductions to be made in current year, followed by deeper reductions in subsequent years budget development.
- Ongoing reductions to reduce deficit
- One-time reductions to boost reserves and allow for more time to make deeper ongoing cuts to reduce deficit
- Ultimately create an organization that is more efficient and fiscally sustainable at the end of the process

Strategy – Administrative Cuts

➤ **Administrative Cuts:** *Target overhead and streamline administrative functions within city departments, with the goal of reducing costs associated with management planning and support services; minimizing the impacts to service delivery as much as possible.*

Areas under review:

- Reduce travel and training costs; exploring salary adjustments and furloughs; implementing strategic staff reductions where feasible
- Conducting comprehensive review of administrative support roles to identify opportunities for efficiency improvements and potential restructuring

Strategy – Operational Cuts

➤ **Operational Cuts:** *Changes in day-to-day service delivery, focusing on improving efficiency and reducing overhead costs. Secure long-term savings while maintaining the quality and reliability the Community expects.*

Focused strategies:

- Reducing fleet size to lower operation and maintenance costs
- Renegotiating service contracts to gain more favorable savings
- Incorporating Lean Management techniques to further streamline City processes

Potential for changes in service levels in community including customer service delays, reduced hours of operation, and a decrease in service availability

Strategy – Programmatic Cuts

➤ ***Programmatic Cuts:*** *Aimed at reducing or eliminating specific programs. Often based on strategic evaluations of program effectiveness, cost-efficiency, and alignment with city priorities*

Strategic Focus:

- Ensure fiscally sustainable programs
- Minimize impact to community
- Maintain a balance that reflects both budgetary constraints and our service commitment

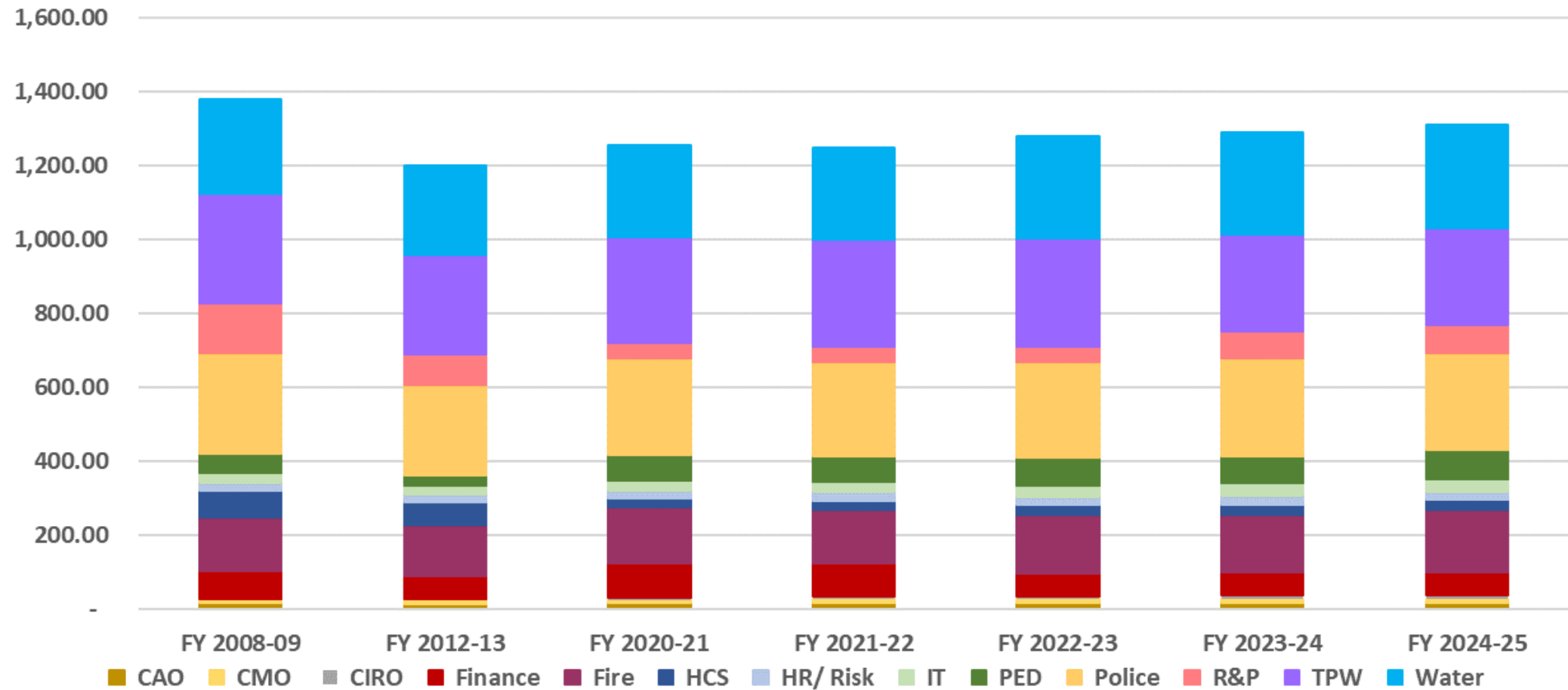
Citywide Staffing

- Personnel costs comprise of over 76% of General Fund budget, with over 57% attributed to public safety
 - Substantial financial commitment to maintain essential services
- Must thoroughly assess staffing sustainability
- Strategically review past and current staffing decisions and optimize staffing structures that align with fiscal realities
- Underlying goal is to not compromise the quality of service

5-Year Staffing History

DEPARTMENT	FY 2008-09	FY 2012-13	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
City Attorney	15.80	12.90	15.90	15.90	15.90	15.90	15.90
City Manager	12.00	12.00	8.00	9.00	11.00	11.00	11.00
Communications & Intergovernmental Relations *	-	-	7.00	7.00	7.00	9.00	9.00
Finance	75.35	63.85	92.85	89.60	62.60	62.60	62.60
Fire	143.75	137.75	151.00	148.00	157.00	157.00	169.00
Housing & Community Services	74.00	63.50	24.00	24.00	27.00	27.00	27.00
Human Resources	20.40	17.70	21.00	21.00	22.00	23.00	23.00
Information Technology	28.00	24.00	29.00	30.00	31.00	33.00	33.00
Planning & Economic Development	49.20	27.80	69.00	68.00	74.00	74.00	78.50
Police	274.75	246.75	260.00	256.00	259.00	264.00	264.00
Recreation & Parks	132.60	82.65	42.00	42.00	44.00	74.00	76.15
Transportation & Public Works	298.05	268.00	287.00	288.00	292.00	261.00	261.00
Water	253.00	241.00	247.50	248.50	276.00	278.00	278.00
Total FTE Positions	1,376.90	1,197.90	1,254.25	1,247.00	1,278.50	1,289.50	1,308.15

5-Year Staffing History



Department Reductions

Departments were directed to review operations and identify 5% and 8% reductions

- **FY 2024-25 Mid-Year Reductions: \$4.8M**
 - Vacant FTEs: \$3.3M
 - Operating Costs: \$1.5M
- **FY 2025-26 Identified reductions: \$1.4M**
 - Vacant FTEs: \$1M
 - Operating Costs: \$400K
- **Department Identified Ongoing cuts: \$6.2M**

Department Reductions

Department	2023-24 Adopted Budget	2024-25 Adopted Budget	5% Cut	8% Cut	Submitted Reductions
City Council	\$934,174	\$1,557,693	\$77,885	\$124,615	\$0*
City Manager	\$3,029,775	\$3,390,185	\$169,509	\$271,215	\$359,900
Comm. & Intergov Relations	\$1,901,762	\$1,999,064	\$99,953	\$159,925	\$211,368
City Attorney	\$4,069,687	\$4,328,229	\$216,411	\$346,258	\$2,500
Human Resources	\$4,262,083	\$4,716,153	\$235,808	\$377,292	\$202,435
Finance	\$7,186,371	\$7,703,289	\$385,164	\$616,263	\$10,000
Non-Departmental	-\$9,590,573	-\$8,461,454	n/a	n/a	n/a
Adminstrative Departments	\$11,793,279	\$15,233,159	\$1,184,731	\$1,895,569	\$786,203
Housing & Community Services	\$101,000	\$161,000	\$8,050	\$12,880	\$8,000
Fire	\$53,450,873	\$58,787,381	\$2,939,369	\$4,702,990	\$900,000
Planning & Econ Development	\$17,604,609	\$19,469,107	\$973,455	\$1,557,529	\$775,447
Police	\$72,913,865	\$79,673,668	\$3,983,683	\$6,373,893	\$750,841
Parks & Recreation	\$17,956,499	\$18,778,367	\$938,918	\$1,502,269	\$1,128,288
Transportation & Public Works	\$27,007,860	\$27,326,861	\$1,366,343	\$2,186,149	\$1,901,605
SR Water	\$804,466	\$798,969	\$39,948	\$63,918	\$40,000
Operational Departments	\$189,839,172	\$220,228,512	\$10,249,768	\$16,399,628	\$5,504,181
Total General Fund	\$201,632,451	\$235,461,671	\$11,434,498	\$18,295,197	\$6,290,384

* Adjustments to be made post election

FY 2024-25 Position Reductions

Dept.	Position	Amount	Impact
CMO	1.0 FTE Clean Energy Manager	\$225,000	New position approved in FY 24/25; no impact to existing services
CMO	1.0 FTE Administrative Technician – Confidential	\$134,900	Extended response time to PRAS; less support for front counter and administrative needs; may impact staff morale and overtime needs
HR/Risk	1.0 FTE Organization Development & Training Manager	\$202,435	Training will shift to mandatory and compliance needs only; workload for HR Analysts may increase
Fire	4.0 FTE Firefighter/ Paramedic	\$900,000	Reduction in personnel for emergency upstaffing and succession planning; may increase overtime; potential labor union impacts; potential for loss of SAFER grant
Rec & Parks	1.0 FTE Recreation Coordinator	\$168,000	Reduction of programs such as volunteer program and softball

FY 2024-25 Position Reductions (cont.)

Dept.	Position	Amount	Impact
Rec & Parks	1.0 FTE Recreation Supervisor	\$138,328	Reduction of Steele Ln Comm. Center and other operations
TPW	1.0 FTE Administrative Technician	\$132,000	Redistribute administrative duties and impact other administrative assistants throughout the department
TPW	1.0 FTE Senior Admin Assistant	\$22,000	80% Funded by projects; redistributing work will impact workload of other Admins
TPW	1.0 FTE Electrician	\$180,000	Results in corresponding reduction in Street light/ signal maintenance
TPW	1.0 FTE **	\$153,000	
TPW	1.0 FTE Assistant Civil Engineer	\$43,000	80% funded by CIP projects; 20% savings to General Fund. Would likely affect PED calculations for fee recuperation and will slow down materials tests on new development/CIP projects; Subsequent outsourcing may increase CIP project cost
TPW	3.0 FTE Civil Engineer Technician	\$99,000	

FY 2024-25 Position Reductions (cont.)

Dept.	Position	Amount	Impact
TPW	4.0 Skilled Maintenance Workers - Streets	\$420,000	Debris Removal Team would be reassigned to other functions, resulting in debris removal happening less frequently; MySantaRosa response times will increase
TPW	1.0 FTE Maintenance Worker - Facilities	\$120,000	Would result in increased workload for facilities crew
Police	1.0 FTE Field & Evidence Technician	\$160,502	Reduce number of on-call technicians for crime scenes; Impacts Priority 1 response times as Police respond to service work on lieu of FET
CIRO	1.0 FTE Marketing & Outreach Coordinator	\$211,368	CIRO department would absorb workload
	Total	\$3,309,533	

FY 2024-25 Operational Reductions

Dept.	Description	Amount	Impacts
CAO	Operational Expenditures	\$2,500	n/a
Finance	Operational Expenditures	\$10,000	n/a
PED	Professional Services	\$457,590	Inconsistent service delivery; increased response times during periods of heavy permit volumes and/or high staff vacancies
Rec & Parks	Pony Express Contract	\$178,000	Service has remained budgeted but no returned since COVID due to contractor challenges
Rec & Parks	Temporary Groundskeeper	\$84,525	Elimination of Softball reduces need for groundskeeper work
Rec & Parks	Tree Removal Contract	\$110,000	Emergency Tree removal will need to source funds as-needed from other projects or General Fund reserves

FY 2024-25 Operational Reductions (cont.)

Dept.	Description	Amount	Impacts
Rec & Parks	Aquatics and Howarth Park Concessions	\$56,203	Concession stands result in operational loss and are not in line with healthy living values of Rec & Parks
Rec & Parks	Youth Sports & Softball	\$42,748	Reduction of 3 fields and 50 softball teams will reduce coordinator work and maintenance work. Will evaluate options for Neighborhood Services to take on youth sports
Rec & Parks	Steele Lane Community Center	\$56,200	Combine public front desk operations with Finley Center; Reduce Steele Lane hours and services resulting in less staffing needed
TPW	10% Reduction in light-duty Vehicles	\$198,596	Find efficiencies among remaining vehicles

FY 2024-25 Operational Reductions (cont.)

Dept.	Description	Amount	Impacts
TPW	10% Reduction in Facilities Services	\$120,854	Reduction in services will lead to longer wait times for facilities requests
TPW	Reduced Asphalt/ Pothole Maintenance	\$114,374	Longer wait times for repair
TPW	Reduced Street Light Maintenance	\$98,781	In-kind funding reductions would lead to longer wait times for repair; some street lights would not be replaced.
HCS	Homeless Services Administration	\$8,000	Limits ability to fund unknown contract or supply needs that may come up throughout the year
Water	Storm Water staffing costs	\$40,000	Push off charges to Enterprise Fund; Reduction in assistance to PED for recommendations and technical advice; less resources for Creek Restoration
	Total	\$1,578,371	

FY 2025-26 Position Reductions

Dept.	Position Title	Amount	Impact
PED	2.0 FTE **	\$317,857	Positions may be absorbed through attrition
R&P	1.0 FTE **	\$97,522	Absorbed through attrition; no longer needed with proposed operational cuts
Police	2.0 FTE **	\$554,000	Reduction of services/ coverage
Police	Staffing Reorganization	\$36,339	Eliminating vacant positions and adding lower-paid FTEs to meet departmental needs
	Total	\$1,005,718	

FY 2025-26 Operational Reductions

Dept.	Description	Amount	Impacts
Rec & Parks	Security Contract	\$109,640	Reduction of foot patrol at LBHG and gates/ bathroom locking; reduce Doyle/ Yu-Chi services
Rec & Parks	0.4 Temporary Rec Specialist	\$36,973	Spread 0.4 work to other temporary staff
Rec & Parks	Tiny Tots	\$20,849	Eliminate preschool program; possibly lease out facility or examine Neighborhood Services for available opportunities
Rec & Parks	Historic Sites Rentals – Church of One Tree and Deturk Roundbarn	\$7,300	Reduce of services by reducing supplies; would maintain some lease type agreements and evaluate other options for the facilities
Rec & Parks	Strawberry School	\$22,000	Eliminate funding for security of non-public space
TPW	Pavement Maintenance	\$200,000	This required program from MTC could be funded by gas tax instead of General Fund
	Total	\$396,762	

Budget Reduction Summary

➤ **One-Time Funds:**

- PGE Funded projects: **\$9.2M** – detail on next slide
- Pension 115 Trust: **\$12M**

➤ **Hiring Freeze:**

- General Fund vacancies: **\$2.0M**
 - Potential Amount – some vacancies will need to be filled

➤ **Department Identified Ongoing Cuts: \$6.2M**

Potential Identified Reductions:

- Ongoing reductions: \$8.2M
- One-time reductions: \$21.2M

One-Time Funds: PG&E Projects

Department	Description	Amount
City Council	Translation Services (Written and Oral)	402,091
Comm. Engagement	Community Equity Capacity Building	34,846
Comm. Engagement	Youth Promotores/Youth Council	50,000
Comm. Engagement	DEI Spaces	57,860
Comm. Engagement	Community Empowerment Plan	127,766
Fire	Wildland Resiliency Planning "Response"	261,791
Fire	Vegetation Management	2,000,000
HCS	Down Payment Assistance	1,451,606
HR	City Staff Equity Capacity Training	115,000
HR (DEI)	SEED Equity Plan Prioritized Recommendations	150,000
PED	Climate Action Plan Implementation	150,000
TPW	Fire Station 5 Rebuild	500,000
TPW	PGE Fire Damaged Pavement - Non-Reimbursable	542
TPW	Fire Damaged Tree Removal Phase 2	82,407
TPW	FEMA Fire Damage Fountaingrove	3,800,000
	Total	\$9,183,909

One-Time Funds: PG&E Projects

- City Council -Translation Services
 - Efficiencies gained through Google Translate for agenda translation
 - Language Access-Translation Policy study session is 12/17/2024
- Community Engagement & Human Resources
 - Permanent DEI & EEO Officer position added to address City initiatives
 - SEED implementation prioritization plan completed

One-Time Funds: PG&E Projects

- Fire
 - Reductions to vegetation management do not impact current year operations
 - Remaining funds will facilitate continuity through 2027 and maintain local matching funds for grant
- Public Works & Planning and Economic Development
 - Rebuild Fire Station 5 fully funded and residual contingency funding available for release
 - FEMA Fire Damage Fountaingrove project is fully funded and near completion, excess funding was to cover any shortfalls through FEMA and that was did not realized
 - Electric Vehicle Masterplan funded via grant

Additional Considerations

- Eliminate GF Pension 115 Trust
 - Approximately \$12M in fund to provide one-time funding for General Fund
 - Move fund growth to GF (\$2M), or entire balance over time
- Modified Zero Based Budget
 - Implemented as part of FY 2025-26 budget development
- Review Contracted Services to move in-house
 - Janitorial services will provide some savings (approx. \$125K/yr)

Additional Considerations

- CalPERS Early Retirement
 - Would grant eligible employees additional years of service toward their pension
 - Must achieve savings supported by a CalPERS actuarial study
- Mandatory Furloughs
- GF Fleet Reduction
 - Focus on generating savings across City fleet through:
 - Reduction of vehicle units
 - Consolidate uses
 - Purchasing less expensive vehicles

Next Steps

- Mid-Year budget adjustment (January)
- Budget Development and Input (January - February)
- Budget Reduction Study Session (April)
- Budget Study Session (May 6-7)
- Budget Adoption (June 17)

Questions?