

CITY OF SANTA ROSA  
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL  
FROM: ALAN ALTON, CHIEF FINANCIAL OFFICER  
SUBJECT: APPROVAL OF FIRST AMENDMENT TO PROFESSIONAL  
SERVICES AGREEMENT NUMBER F002912 TO AMEND THE  
SCOPE OF WORK AND INCREASE COMPENSATION IN THE  
AMOUNT OF \$290,000 WITH ALVAREZ & MARSAL PUBLIC  
SECTOR SERVICES, LLC

AGENDA ACTION: RESOLUTION

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RECOMMENDATION

It is recommended by the Finance Department that the Council, by resolution: 1) approve the First Amendment to Professional Services Agreement Number F002912 for budget process improvements, to amend the scope of services and increase compensation with Alvarez & Marsal Public Sector Services, LLC, New York, New York, in an amount of \$290,000, and a total cumulative amount not to exceed \$389,500; and 2) amend the Fiscal Year 2025-26 General Fund operating budget by increasing appropriations in the amount of \$290,000 in the Finance department budget with the source of funds being General Fund reserves.

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EXECUTIVE SUMMARY

The City engaged the services of Alvarez & Marsal Public Sector Services, LLC (A&M) to review the City's General Fund long-term forecasting model and its budget structure and provide recommendations for improvement if necessary. This work was done to ensure that the City's forecasting model and budget structure were in line with the industry's best practices. This item amends the initial contract to implement recommended changes to the City's budget structure and is in alignment with City Council Goal Number 1, *"Achieve and Maintain Fiscal Sustainability and Budgeting Excellence."*

BACKGROUND

On November 19, 2024, the City Manager approved an agreement with A&M to provide consulting services assist staff with changing its current budget format to a Zero-Based Budget (ZBB) format. The initial phase of this work involved an assessment of the City's long-range financial forecast and its current budget process and providing recommended improvements where applicable.

### PRIOR CITY COUNCIL REVIEW

Not applicable.

### ANALYSIS

Staff requested that A&M submit a proposal to expand upon their initial work relative to implementing recommendations for improving the City's budget structure and process. The proposal for this contract amendment is to work with Finance staff to pilot the budget enhancement recommendations with the Transportation and Public Works Department (TPW), focusing on establishing a program-based budget, which is the precursor to a ZBB structure. By piloting the program, staff will focus on one department, minimizing disruption to other departments and serving as a model for the Finance staff to phase other City departments into this process.

A&M will work closely with staff to support restructuring departmental budgets with a programmatic focus; developing a revised budget request process which integrates programmatic strategy and requires budget justification related to City priorities; assist the Finance and Information Technology teams to make appropriate adjustments to the budget system in support of the change to program-based budgeting at a department level; and develop materials and support training and change management for department leaders.

Adopting a more program-focused budget will benefit the City by structuring financial planning around priorities, outcomes, and operational efficiency. By clearly allocating spending by program rather than line item, the City can better align resources with its most pressing goals and evolving community needs. This approach empowers City leadership to make more data-informed and strategic decisions, particularly when facing difficult choices around budget reductions. A program-based structure enhances long-term forecasting, allowing the City to analyze cost drivers and other programmatic inputs to determine sustainable funding levels over time. Linking budget allocations directly to programs improves transparency and accountability—for both internal leadership and the public. It makes the connection between funding and outcomes more visible, helping stakeholders understand the impact of budget decisions and fostering trust in the City's fiscal stewardship.

The initial contract with A&M totaled \$99,500. The proposed contract amendment will cost an amount not to exceed \$290,000, for a total contract amount not to exceed \$389,500. This is an unbudgeted, one-time expenditure that will come from the General Fund reserves. Under the City's Purchasing Policy, City Code 3-08-110(A) Authority, this amendment requires approval by the City Council.

FISCAL IMPACT

Approval of this item does not result in an ongoing budgetary impact on the General Fund; however, it is a one-time un-budgeted expenditure with its source of funding the General Fund reserves.

ENVIRONMENTAL IMPACT

The Council finds that pursuant to CEQA Guidelines Section 15378, the proposed action is not a “project” subject to the California Environmental Quality Act (CEQA) because it does not have a potential for resulting in either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment. In the alternative, the proposed action is exempt from CEQA pursuant to CEQA Guidelines Section 15061(b)(3) because it can be seen with certainty that there is no possibility that the project may have a significant effect on the environment.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable.

NOTIFICATION

Not applicable.

ATTACHMENTS

- Resolution
- Exhibit A – First Amendment to Professional Services Agreement Number F002912

PRESENTER

Alan Alton, Chief Financial Officer