

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: ALAN ALTON, CHIEF FINANCIAL OFFICER
SUBJECT: MID-YEAR BUDGET ADJUSTMENTS

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by Finance Department that the Council, by two resolutions: 1) amend the Fiscal Year (FY) 2024-25 general fund budget to make budget reductions as set forth in Exhibit A of the resolutions; 2) amend the FY 2024-25 general fund budget and make changes to the City's Classification and Salary Plan to include a new classification of Trucked Waste Coordinator in Unit 18 – Miscellaneous Mid-Management; and 3) increase appropriations from the General Fund unassigned reserves by \$50,000 to provide additional funding to the Renewal Enterprise District (RED).

EXECUTIVE SUMMARY

On October 22, 2024, the staff held a study session with the City Council on the topic of General Fund budget reductions. Staff gave a detailed presentation on the status of the General Fund and presented potential ongoing and one-time budget reductions. The City Council provided feedback on the reductions that should go into effect in the current fiscal year (FY).

This Council item proposes to accomplish three actions: 1) to make effective the budget reductions identified during the study session, in a mid-year adjustment to the FY 2024-25 budget; 2) an amendment to the City's Classification and Salary Plan to include a new classification of Trucked Waste Coordinator; and 3) to increase appropriations from General Fund unassigned reserves in the amount of \$50,000 to provide operational funding to the Renewal Enterprise District (RED).

BACKGROUND

In a study session on October 22, 2024, staff delivered an in-depth presentation of the General Fund. The presentation highlighted key topics such as:

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- General Fund long-range forecast,
- Growth of the General Fund deficit,
- Status of General Fund unassigned reserves,
- Historical trends of citywide staffing growth and representation.

The presentation is attached for your reference. The data shared during this session outlined the General Fund's existing deficit and introduced a budget reduction strategy to make the fund fiscally sustainable.

The staff proposed a budget reduction strategy to the Council, which included:

1. Administrative cuts
2. Operational cuts
3. Programmatic cuts

The plan also presented lists of both one-time and ongoing cuts set to take effect in FY 2024-25, pending future council approval. Additional cuts for FY 2025-26 would be discussed during the upcoming budget process. The City Council provided feedback on the proposed reduction strategy and intended cuts. This item captures that feedback and establishes a mechanism to implement the current year's budget reductions.

PRIOR CITY COUNCIL REVIEW

October 22, 2024 – Study Session – Budget Reduction Planning.

ANALYSIS

Staff presented a list of budget reductions that could be implemented immediately and as part of the FY 2025-26 budget. This list totaled \$29.4 million and represented both one-time and ongoing savings. The potential reductions were summarized as follows:

One-Time Savings	
PG&E Funded Projects	\$9.2 million
Withdrawal Pension 115 Trust	\$12.0 million
Total One-time Savings	\$21.2 million
Ongoing Savings	
Hiring Freeze	\$2.0 million
FY 2024-25 Position Reductions (24 FTE)	\$3.3 million
FY 2024-25 Operating Costs	\$1.5 million
FY 2025-26 Positions Reductions (5 FTE)	\$1.0 million
FY 2025-26 Operating Costs	\$400,000
Total Ongoing Savings	\$8.2 million
Total Identified Reductions	\$29.4 million

Changes Since Study Session

Based on Council feedback and further staff analysis, staff revised the reduction list, removing 4.0 FTE totaling \$510,000 from TPW. In addition, staff revised the list of reductions in Recreation and Parks, removing 1.0 FTE and other operational costs for a total of \$342,597.

Dept	Position	Orig. Cut Amount	Revised Cut Amount
TPW	Electrician	\$180,000	\$0
TPW	Skilled Maintenance e Worker (4 FTE to 2 FTE)	\$420,000	\$210,000
TPW	Maintenance. Worker - Facilities	\$120,000	\$0
	Total	\$720,000	\$210,000

Dept	Description	Orig. Cut Amount	Revised Cut Amount
R&P	Recreation Coordinator	\$168,000	\$0
R&P	Tree Removal Contract	\$110,000	\$0
R&P	Tiny Tots	\$20,849	\$0
R&P	Youth Sports	\$34,470	\$0
R&P	Softball (net cost)	\$9,278	\$0
	Total	\$342,597	\$0

These positions were removed from the reductions as an emphasis is placed on maintaining the high-level of customer service achieved over the last two years. Additionally, there is an ongoing assessment indicating that these positions typically experience a high turnover rate, often remaining vacant. This situation underscores the need for thoughtful consideration in sustaining service quality while evaluating which roles should be filled to effectively address resident expectations and operational efficiency.

There is one position from Recreation and Parks proposed to be removed from the reduction list. The Recreation Coordinator is required to run the Tiny Tots and Youth Sports programs. There are also four operational expenses that are proposed to be removed from the Budget Reduction list, all of which are in Recreation and Parks.

- Emergency Tree Removal Contract. The Emergency Tree Removal funds total \$260,000. Initially, Recreation and Parks proposed cutting \$110,000 of that amount to meet its target reduction amount. The remaining \$150,000 should be sufficient to provide the tree work, given past expenditure trends.

Staff is proposing to restore the funds from the cut list and use them to augment the landscaping budget. The City has made notable improvements in managing

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overgrown weeds and enhancing its aesthetics, and these funds will help continue those maintenance efforts.

- Tiny Tots. Per City Council direction, this item was removed from the list. Another funding source will be found, or the program will be absorbed in the department budget.
- Youth Sports (City Boosters, Lil Sluggers, Lil Kickers). These reductions have also been removed from the reductions list to preserve youth sport programming for the community.
- 1.0 FTE Recreation Coordinator. This position is removed from the list in order to provide the oversight needed for the Youth Sports and Tiny Tots programs, including the hiring, training and scheduling of temporary employees, development of curriculum, coordination of registration and program schedules, purchasing of supplies and the day-to-day oversight of programs and staff.
- Softball. Staff has reevaluated their initial proposal to reduce the softball program. The department has undertaken an internal assessment and restructuring plan which, combined with an increase in registration fees, will result in the resources necessary to continue the softball program at its current level. Staff proposes to increase registration fees from \$650 per team to \$700 per team for the 130 summer league softball teams and 90 fall softball league teams.

The Council instructed staff to exclude the \$12M of one-time funding from the Pension 115 Trust funds reduction list, noting that the fund is currently generating revenue effectively. These funds will remain intact but can be reconsidered for use if future General Fund operational needs arise.

The changes to the previously presented are summarized as follows:

One-Time Savings	
PG&E Funded Projects	\$9.2 million
Total One-time Savings	\$9.2 million
Ongoing Savings	
Hiring Freeze	\$2.0 million
FY 2024-25 Position Reductions (19 FTE)	\$2.6 million
FY 2024-25 Operating Costs	\$1.4 million
FY 2025-26 Positions Reductions (5 FTE)	\$1.0 million
FY 2025-26 Operating Costs	\$380,000
Total Ongoing Savings	\$7.4 million
Total Identified Reductions	\$16.6 million

This item proposes that the Council, by two separate resolutions, eliminate \$13.4 million from the FY 2024-25 budget, including \$9.2 million in PG&E-funded projects, \$2.6 million in vacant position reductions, and \$1.4 million in operating costs. These reductions are detailed in the resolution attachment. The remaining items identified on the list above will be eliminated with the FY 2025-26 budget, or considered for further evaluation, as in the case of the Hiring Freeze. These proposed reductions will begin to address the General Fund ongoing deficit in FY 2024-25 and provide staff with the necessary time to transition into the next phase of addressing the ongoing structural deficit. to

Due to a conflict of interest, one Councilmember will be recusing from voting on the proposed budget reductions in Parks Maintenance (\$84,525 of the \$1.4M operating costs staff recommends reducing). To allow the Councilmember to vote on the balance of the proposed reductions, we have segmented this item into two resolutions as using the process outlined under the Fair Political Practices Commission (FPPC) regulations. In the second resolution, Council will consider approving the balance of the proposed cuts.

Position Classification Change – Create the new classification of and add (1) FTE to Trucked Waste Program Coordinator and delete the vacant (1) FTE Environmental Compliance Inspector III.

The Trucked Waste Program at the Laguna Treatment Plant (LTP) receives high-strength waste, low-strength waste, and septage which provides benefit to the region by allowing this waste to be treated locally as opposed to being driven to the Bay Area. In addition, the program provides revenue to the Regional Enterprise through the tipping fees that are charged to accept these waste streams. The program has seen a significant increase in truck traffic over the last few years, leading to a need for increased management oversight and communication with the waste haulers.

The recommended Trucked Waste Program Coordinator will coordinate field and office work related to the Trucked Waste Program as required by the National Pollutant Discharge Elimination System (NPDES) permit and Bay Area Air Quality Management District Air permit, the California Department of Food and Agriculture Administration Inedible Kitchen Grease Program, and the Sonoma County Department of Health Hauled Waste regulations; adapt to changes in regulatory landscape; inspect and monitor discharges into the sub-regional wastewater treatment system by truck haulers; enforce the City of Santa Rosa's waste hauler discharge permit standards to protect performance of (LTP); and coordinate assigned programs and activities with other City departments and local agencies,

Council approved the addition of (1) FTE Environmental Compliance Inspector III as a placeholder in the FY 2024-25 budget while this new classification was developed. It is recommended to delete (1) FTE Environmental Compliance Inspector III and create the

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new classification of and add (1) FTE to Trucked Waste Program Coordinator in Unit 18, Miscellaneous Mid-Management with an annual salary range of \$93,886 - \$113,319.

Budget Appropriations – Renewal Enterprise District (RED) Support.

On July 20, 2021, the City Council approved the use \$10 million of PG&E funds to match the promissory note from Sonoma County to establish the Renewal Enterprise District (RED). Included in that action, the Council approved a \$50,000 payment to the RED, which served as a member assessment to create a general fund reserve for the District.

In February 2023, the RED requested, and the City paid, a one-time member assessment of \$50,000 to support operations as grant funding diminished. In late December 2024, the RED again requested a one-time member assessment in the amount of \$50,000 to support baseline operations as well as expanded programming for collaborative grant seeking. The RED Board recommended the member assessments at an April 2024 meeting.

The funding for this request is not currently appropriated, and as such, if approved, the funding will need to come from the Unassigned General Fund Reserves.

FISCAL IMPACT

Approval of this item will have a positive impact to the General Fund. It provides \$4.0 million of ongoing savings to address the structural imbalance in the General Fund, and \$9.2 million in one-time savings that will increase the unassigned General Fund reserves. In addition, it identifies an additional \$1.4 million in reductions that will take place as part of the FY 2025-26 budget development.

ENVIRONMENTAL IMPACT

This action is exempt from the provisions of the California Environmental Quality Act (CEQA) under CEQA Guidelines Section 15306 Informational Collection. Section 15306 consists of basic data collection, research, experimental management, and resource evaluation activities which do not result in a serious or major disturbance to an environmental resource. These may be strictly for information gathering purposes, or as part of a study leading to an action which a public agency has not yet approved, adopted, or funded.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

None.

NOTIFICATION

Not applicable.

ATTACHMENTS

- Attachment 1 – Budget Reductions
- Attachment 2 – RED Memo
- Resolution/Exhibit A – Parks Maintenance Reduction Detail
- Resolution/Exhibit A – Primary Reduction Detail

PRESENTER

Alan Alton, Chief Financial Officer