

FY 2020/21 EMERGENCY BUDGET – GENERAL FUND BALANCING MEASURES

The pre-pandemic proposed budget included a deficit of approximately \$11.5 million, largely attributable to rising personnel and retirement costs; \$1.4 million in one-time projected election costs; discontinuing budget balancing on unreliable one-time revenues such as sales of City property; and a 36% reduction of Measure Z support based on a 2017 five-year General Fund plan that projected strong revenue growth and significant one-time revenues. Public engagement and recommendations from the Budget Engagement Commission and City Council would have resulted in specific direction as to how to close the budget gap, but these discussions did not occur due to the pandemic and stay-at-home order. As a result, staff recommended closing the initial budget gap with vacancy savings targets and the gap caused by the contingency revenue reduction with other balancing measures. Council subsequently approved the following balancing measures in the General Fund budget:

- Vacancy Savings Targets:** The General Fund has a total of 1,476.65 full-time equivalent (FTE) positions. A vacancy snapshot taken of the City’s human resources system on March 13, 2020 showed 139.50 vacant positions across all General Fund departments. The budgeted value of these positions was quantified, and a vacancy savings target of approximately \$15.7 million was incorporated into the emergency budget as a balancing measure. The following table lists the impact on the workforce of each City department.

General Fund Vacancy Savings Targets				
City Department	Workforce FTE	Vacant on March 13, 2020	% Unfunded	Adopted FY 2020/21
01 - Mayor	7.25	1.00	13.8%	\$ 105,864
02 - City Council	14.00	-	-	-
11 - City Manager	30.55	5.00	16.4%	646,414
12 - City Clerk	10.00	-	-	-
13 - City Attorney's Office	34.00	2.50	7.4%	302,349
21 - Human Resources	30.00	2.00	6.7%	158,331
22 - General Services	30.00	3.00	10.0%	222,649
23 - Finance	55.00	12.00	21.8%	1,184,789
24 - Innovation & Technology	59.25	8.00	13.5%	1,094,486
28 - Community & Economic Development	106.25	21.00	19.8%	2,272,556
31 - Police	506.00	35.00	6.9%	4,260,438
35 - Fire	234.00	14.00	6.0%	1,928,713
41 - Public Works	134.00	16.00	11.9%	1,559,811
51 - Library	60.00	8.00	13.3%	757,995
52 - Parks, Recreation & Community Services	152.85	9.00	5.9%	857,662
53 - Museum	13.50	3.00	22.2%	302,441
Total Budgeted FTE	1,476.65	139.50	9.4%	\$ 15,654,498

- Pension Obligation Bond (POB) Issuance:** On June 11, 2020, the City completed a highly successful POB sale which was expected to guarantee a savings of at least \$7 million to the General Fund in FY 2020/21; this expenditure reduction was included in the adopted budget as a savings target. Actual savings in FY 2020/21 have been quantified at

\$7.2 million, exceeding the savings target and eliminating the need for the balancing measure.

- **Maintain Measure Z FY 2019/20 Support Level:** Preserves the Measure Z contribution to the General Fund at the same level as FY 2019/20 (\$18.3 million) to help offset \$6.5 million of the deficit resulting from the COVID-19 revenue reduction.
- **Allocate Unspent Measure Z Contingency (2019-2021):** A total of \$6 million was programmed in the 2018-2023 Measure Z spending plan's Spending Contingency line item over three years from FY 2018/19 through FY 2020/21. The amount has not been expended and will be used to help offset General Fund revenue reductions resulting from COVID-19.
- **Section 115 Trust:** In 2019, Council approved the establishment of a Section 115 Pension Trust for the long-term management of pension costs. Approximately \$6.2 million of the \$9.4 million current value is budgeted as an interfund transfer to be allocated to the City's required CalPERS UAL payment in FY 2020/21.

FY 2021/22 BASELINE BUDGET – GENERAL FUND BALANCING MEASURES

A FY 2021/22 baseline budget was prepared and presented to the BEC for input on December 17, 2020. Two balancing measures were incorporated into the FY 2021/22 baseline budget to address the structural deficit of approximately \$14.5 million and potential pandemic impacts, producing a baseline budget with a \$2.8 million surplus prior to contingency planning for the potential loss of the General Fund Transfer from the Electric Fund:

1. \$12 million savings through the suspension of recruitment of vacant positions; and
2. \$6 million additional Measure Z contribution to the General Fund, resulting in a total contribution of \$24.3 million.