

ADOPTED FY 2020/21 EMERGENCY BUDGET

Finance Department

Budget Engagement Commission
July 16, 2020

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BACKGROUND

FY 2016-2018

Transitioned to biennial budget

General Fund and Measure Z Five-Year Plans

FY 2018-2020

Added Five-Year plans for major Enterprise funds (Electric, Water, Refuse, Sewer, Parking)

FY 2020-2022

Biennial budget developed, ready to present and then...

COVID-19: FY 2020/21 Emergency Budget

COVID-19 Fiscal Impacts *Things to Remember*



Revenue impacts not observable until FY 2019/20 Quarter 4 (April – June) and later



Shelter-at-home order is the most impactful to City finances



Recovery will take time



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CHARTER BUDGET REQUIREMENTS

- **Article IV, Section 601(a-c):** Requires the City Manager to annually prepare the City's budget and capital improvement plan (CIP) for review and adoption by the City Council.
- **Article XI, Section 1101:** Requires that the City Manager provide the City Council with a proposed budget at least thirty-five calendar days prior to the beginning of each fiscal year.
- **Article XI, Section 1102 and 1103:** Requires the City Council to hold the public hearing for the proposed budget adoption, seek public input, and make any revisions to the budget it deems necessary.
- **Select Board/Commissions** are required to consider the annual budget for applicable departments purposes during the process of its preparation and make recommendations with respect thereto to the City Council and the City Manager.
 - **Article VIII, Sec. 806(c):** Planning Commission; Make recommendations concerning proposed infrastructure improvements and redevelopment activities in support of planned land uses.
 - **Article VIII, Section 808(c):** Board of Library Trustees; library purposes.
 - **Article VIII, Section 809(b):** Park and Recreation Commission; parks, recreation, parkways and street tree purposes.
 - **Article XII, Section 1202(a):** Board of Public Utilities; Department of Public Utilities budget.



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ESSENTIAL MEETING MANDATES

State of California Executive Order N-25-20

11. Notwithstanding any other provision of state or local law, including the Bagley-Keene Act or the Brown Act, a local legislative body or state body is authorized to hold public meetings via teleconferencing and to make public meetings accessible telephonically or otherwise electronically to all members of the public seeking to attend and to address the local legislative body or state body, during the period in which state or local public officials impose or recommend measures to promote social distancing, including but not limited to limitations on public events. All requirements in both the Bagley-Keene Act and the Brown Act expressly or impliedly requiring the physical presence of members, the clerk or other personnel of the body, or of the public as a condition of participation in or quorum for a public meeting are hereby waived.

...

In addition to the mandatory conditions set forth above, all state and local bodies are urged to use sound discretion and to make reasonable efforts to adhere as closely as reasonably possible to the provisions of the Bagley-Keene Act and the Brown Act, and other applicable local laws regulating the conduct of public meetings, in order to maximize transparency and provide the public access to their meetings.



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FY 2020/21 EMERGENCY BUDGET PROCESS: WHY AND WHEN



Normal Budget

- **Budget development**
 - 2-year budget, 5-year plans
 - Program/service impacts
- **Public body & community feedback**
 - Department presentations
 - Boards/Commissions per Charter requirements
 - Other public bodies
 - Ward meetings/workshops
 - Community group meetings
- **Council Budget Workshop**
- **Incorporate feedback**
 - Balancing measures



Emergency Budget

- **FY 2019/20 Rollover Budget**
 - Incorporate known and unavoidable items (e.g. MOU impacts; CalPERS UAL payment; debt obligations, election costs for Charter update)
 - Discretionary spending flat
 - Approved personnel changes; reorganizations
- **Council presentation only** of proposed budget
 - Balancing measures
- **Council adoption**
- **Intra-cycle budget updates** with public body feedback



Reason for Change

- **Essential meetings mandate:** Governor's Stay at Home Order limits public meetings
- **Incorporate recent feedback on FY 2019/20 budget**
 - The 'roll over' allows the City the opportunity to use the budget details, as recently presented and discussed to be duplicated for the FY 2020/21 Emergency Budget
 - Budget Engagement Commission
 - Council
 - Other public bodies



CITYWIDE OVERVIEW

CITYWIDE FY 2020/21 EMERGENCY BUDGET	
Revenue	\$1,086,360,565
Operating Budget	\$1,089,629,061
Capital Budget	110,063,415
Total Adopted FY 2020/21 Emergency Budget Appropriations	\$1,199,692,476



GENERAL FUND OVERVIEW

May 19, 2020
FY 2020/21 Emergency Budget *COVID-19*

- ✓ \$15.5 million vacancy savings
- ✓ Contingency revenue reductions
- ✓ Balancing measures to be discussed

June 16, 2020
FY 2020/21 Adopted Budget

- ✓ POB Issuance Savings
- ✓ Measure Z Contributions
- ✓ Section 115 Trust

General Fund Budget Summary	May 19, 2020 Proposed	Incorporated Changes	June 16, 2020 Adopted
Revenue	\$252,703,027	\$18,697,250	\$271,400,277
Expenditures	278,400,277	(7,000,000)	271,400,277
Net Budget	\$(25,697,250)	\$25,697,250	\$-



GENERAL FUND: COVID-19 IMPACTS



Property Tax

- Home sales slowing
- Construction slowing
- **Impact will be delayed**



Licenses & Permits

- Business licenses at standstill
- Permanent business closures
- **Impact is protracted**



Sales Tax

- Business closures
- Fuel & vehicle sales down
- **Impact is immediate**
- **Sales tax deferral**



Non-development Charges for Services

- Parks and libraries closed
- **Impact is protracted**



Transient Occupancy Tax

- Hotel closures
- Consumer behavior
- **Impact is immediate**



Other Revenues/Rising Costs

- Building & Development Fees
- Utility User Fees & General Fund Transfer
- Operating subsidies for Convention Center, Visitor's Bureau, Fox, Box



GENERAL FUND STRATEGIES

COVID-19 CONTINGENCIES AND BALANCING MEASURES			
Description	Revenue	Expenditures	Surplus / (Deficit)
Vacancy Savings Target (Unfunded Positions)		\$(15,654,498)	
10% COVID-19 Contingency Revenue Reduction	\$(25,697,250)		
May 19, 2020 Proposed Emergency Budget	\$252,703,027	\$278,400,277	\$(25,697,250)
Balancing Measures			
Pension Obligation Bond (POB) Projected Savings		\$(7,000,000)	
Maintain Measure Z FY 2019/20 Support Level	\$6,531,749		
Allocate Unspent Measure Z Contingency (2019-2021)	6,000,000		
Section 115 Trust (\$9.1 million current value)	6,165,501		
Total Balancing Measures	\$18,697,250	\$(7,000,000)	
June 16, 2020 Adopted Emergency Budget	\$271,400,277	\$271,400,277	\$-



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MEASURE Z OVERVIEW

FY 2020/21 Adopted Budget (in millions)

	2020	2021	2022	2023
Beginning Unallocated Reserves	\$39.5	\$14.0	\$5.5	\$6.2
Revenue	56.0	56.2	59.7	62.7
Expenditures	81.6	64.7	59.0	62.7
Ending Unallocated Reserves	\$14.0	\$5.5	\$6.2	\$6.2



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MEASURE Z SPENDING PLAN UPDATE

Measure Z Fund Spending Item	Updates to Current Plan	Adopted FY 2020/21
Other Spending Item Updates (incl. 13 new Police Officers)	\$1,799,197	\$37,401,714
Spending Plan Revisions		
4 Allocate Unspent Measure Z Contingency (2019-2021)	\$4,000,000	\$6,000,000
7 Police Officer Lateral Hire Incentives & Recruitment Costs	(144,360)	\$200,000
18 General Fund Support - Maintain Programs & Services	6,531,749	18,266,026
25 New Police Headquarters – Defer to FY 2023	(3,652,000)	-
26 Museum Expansion & Rehabilitation – Defer to FY 2023	(807,550)	-
27 Downtown Parking Garage – Eliminate	(807,550)	-
32 Ward Action Team - City Manager's Office	(155,001)	-
39 Public Safety & Engagement Team – Add Non-personnel	2,800,000	2,800,000
Sum of Spending Plan Revisions	\$9,564,485	\$64,667,740



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COVID-19 WATCH ITEMS

- **Convention Center** – venue is currently closed, General Fund subsidy
- **Entertainment Fund** – venues are currently closed, General Fund subsidy
- **Public Parking Fund** – suffering from business closures, low reserves
- **Gas Tax Fund** – sales tax from fuel & vehicle sales down, potential capital project impact
- **Measure A Fund** - sales tax, potential capital project impact



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NEXT STEPS

INTRACYCLE ADJUSTMENTS PRIORITY BASED BUDGETING




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RECOMMENDATIONS

That the Budget Engagement Commission receive and file an update on the adoption of the Fiscal Year 2020/21 Emergency Budget.



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