



# PETALUMA

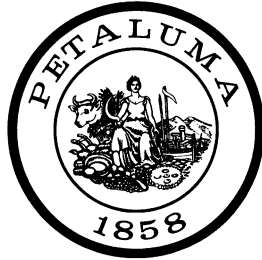
SONOMA COUNTY  
CALIFORNIA-USA

## BUDGET-IN-BRIEF

FISCAL YEAR 2020-2021



# CITY OF PETALUMA CALIFORNIA



## FISCAL YEAR 2020-2021 Adopted Operating Budget and Capital Improvement Program

### City Council

Teresa Barrett, *Mayor*  
D'Lynda Fischer, *Vice Mayor*  
Mike Healy, *Council Member*  
Gabe Kearney, *Council Member*  
Dave King, *Council Member*  
Kevin McDonnell, *Council Member*  
Kathy Miller, *Council Member*

### City Staff

Peggy Flynn, City Manager  
Brian Cochran, Assistant City Manager  
Eric Danly, City Attorney  
Claire Cooper, City Clerk  
Corey Garberolio, Finance Director  
Charles Castillo, Human Resources Director  
Ingrid Alverde, Economic Development & Open  
Government  
Jason Beatty, Public Works & Utilities Director  
Ken Savano, Police Chief  
Len Thompson, Fire Chief

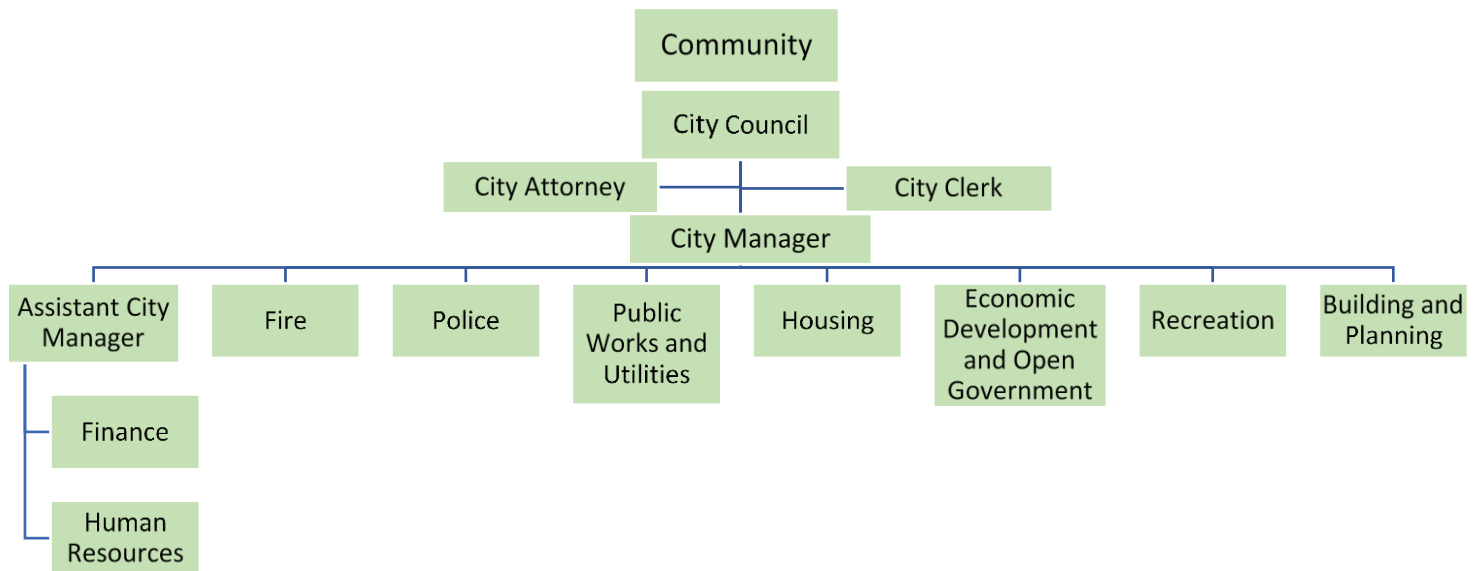
### Budget Acknowledgments

Finance Department Management and Staff: Finance Director-Corey Garberolio, Accountant Analyst-Isabel Craft, Finance Manager -Janine Tedrow and the entire Finance team who spent untold hours pulling this document together. All Department Directors and other department representatives who provided data and assisted throughout the creation of this annual budget document- thank you for your teamwork and dedication.

City Manager's Office 707-778-4345 – Finance Department - 707-778-4352  
11 English Street, Petaluma, CA 94952  
[www.cityofpetaluma.org](http://www.cityofpetaluma.org)



# CITY ORGANIZATION STRUCTURE



## CITY MANAGER

PEGGY FLYNN

### City Manager

Provides general management oversight and direction to all City Departments. Also provides administrative support to the City Council. Oversees Recreation, Planning, Building, Economic Development and Housing, and Public Engagement

## CITY CLERK

CLAIRE COOPER

### City Clerk

Liaison between the public, media, Mayor, and Councilmembers. Maintains City records, oversees elections, and prepares and publishes City Council Agendas.

## CITY ATTORNEY

ERIC DANLY

### City Attorney

Provides legal advice to City staff and the City Council; defends the City against lawsuits.

## FINANCE

COREY GARBEROLIO

### Finance Director

Provides financial management and accounting services for all City of Petaluma Departments

## FIRE

LEONARD THOMPSON

### Fire Chief

Provides fire, rescue and emergency medical services. Also oversees and inspects building and development to assure compliance with fire safety codes.

## HUMAN RESOURCES

CHARLES CASTILLO

### Human Resources Director

Recruits employees, negotiates labor contracts, provides benefits for city employees and oversees the City's Risk Management program.

## POLICE

KEN SAVANO

### Police Chief

Provides public safety through crime prevention, community policing, and code enforcement services.

## PUBLIC WORKS

JASON BEATTY

### Public Works Director

Oversees the City's public improvement requirements and manages water resources, waste water treatment, streets, public transit, flood management, and park maintenance.

## Economic Development and Open Government

INGRID ALVERDE

### Economic Development and Open Government Director

Oversees the economic development and information technology divisions and is the liaison for public information.

# INTRODUCTION

Dear Petaluma Community,

This is a very different budget message than I would have written had I sat down to compose it only a few short months ago. As our entire community is experiencing, we are currently in the midst of one of the most challenging situations in recent memory – the COVID-19 pandemic. While we are focused on our immediate response, keeping our community safe and continuing our essential municipal services during this time; we are also focused on the future with this budget, looking toward a robust recovery plan for our City and continuing to move forward on City Council priorities. At the same time, the pandemic will negatively impact our revenue sources and we need to stay cognizant of those trends, remain nimble, and make pragmatic decisions accordingly.

Our City is committed to strong fiscal stewardship, transparency, and accountability with taxpayer dollars. Working together, the City Council and City staff ensure our budget and financial policies reflect spending consistent with the community's priorities. In February, the City Council conducted a goals and priorities update workshop to hear about progress made toward its 2019-2021 objectives (157 items in total), with over 100 community members attending. That workshop showed that 71% of the Council's objectives are either completed, nearly completed or in progress. We also received substantial community feedback about their most important goals moving forward. Core essential services such as public safety, roads maintenance and emergency resiliency remain top priorities. With the City's new website that was rolled out this past December, the community has additional opportunities to provide feedback about their priorities for maintaining fiscal stability and our exceptional quality of life, both during the current COVID-19 crisis and beyond.

Until this point, we have greatly benefitted from a healthy and strong-performing economy. We have seen increases in our revenues, specifically sales and property taxes, impact fees on new development, and permit fees for new construction. New hotels and high occupancy rates are generating more lodging tax revenue and putting more feet on the street to support our local businesses. However, in only a few weeks' time, the COVID-19 pandemic has shown us how dramatically and quickly those positive trends can shift. Hotels have been virtually shut down, many "non-essential" sales tax-generating businesses are temporarily closed, and the Governor announced sales tax deferment for our small businesses. This will mean immediate impacts to our TOT and sales tax collections, and if we are thrust into a longer-term recession, will continue to put negative pressure on our revenues for years. As masters of our own destiny, there is no indication of, nor can we rely upon, assistance from the State or the federal government, as we navigate our road to recovery.

Although the City's General Fund budget is balanced for fiscal year 2020/21 given our current revenue estimates, I very much view this as a "stop-gap" year; in addition to asking departments to hold their General Fund budgets flat, it is balanced with a series of one-time measures and draw-downs of operating reserves. This is not a sustainable model in the long run, but it does allow us to take the next 6-12 months to more comprehensively, chart a resilient and sustainable path forward. Our Fiscal and Organizational Sustainability planning process that was well underway has been thrown off course – both by the operational realities of the shelter-in-place order as well as the revenue impacts that I mentioned earlier. Staff will be retooling and reimagining that process to reflect the new COVID-19 reality and the larger forecasted deficits.

We have succeeded in many ways over the last few years in our efforts to "right the ship" while maintaining core services our community expects and deserves. This has been accomplished with budget cuts, layoffs, furloughs, service reductions across the board including to public safety and roads, focused spending, and strategic investments. Those efforts along with the passage of two ballot measures--SB1 and Measure M Parks (2018)—have resulted in a modest restoration of essential City services, that bring us closer to pre-2010 investment levels. Rising retirement costs continue to threaten the financial viability of our city and every city in the state. And our pension situation is better than most. Currently, we are funded at 75% for our miscellaneous (non-public safety) employees and 64% for our public safety employees. To reduce our pension obligations and lessen the impact of rising retirement costs we adopted the lowest tier of retirement benefits for new employees, our employees continued to assume their share of PERS costs, miscellaneous and fire employees have also assumed a portion of the employer's share of PERS costs, and we have bought down nearly \$8 million in PERS obligations. These changes have resulted in significant ongoing savings.

Despite all of the above efforts, with the looming impacts of COVID-19 upon us, budget years beyond this one will be extremely challenging. As stark as this may sound, without a new local revenue source dedicated to preserving high quality local municipal services that Petalumans expect and deserve, future budget years beyond 2020/21 will face substantial General Fund budget cuts. Indeed, the current forecast (including preliminary estimates of COVID-19 impacts) shows a budget deficit of more than \$5 million in fiscal year 2021/22 and growing each year thereafter – see full budget document for more details. Furthermore, we may need to rethink how to address many of our long-term obligations including earned retirement benefits and maintenance of all infrastructure types - roads, parks, playgrounds, sports fields, recreation centers, pools, fire stations, and police headquarters.

Additionally, we are a people business and there are people behind the services we provide. The quality of those services relies solely upon our ability to attract and retain qualified staff. While our population continues to grow, our staffing levels are at 2010-2011 levels and have not recovered. Currently, we have 35 positions in Police and Public Works, which includes parks maintenance, that remain vacant and unfunded. These frozen positions translate into mandatory overtime, increased occupational injuries, deferred maintenance of City-owned parks and facilities, and perennial recruiting.

Fortunately, we have implemented one-time cost-saving strategies this year which have allowed us to close revenue gaps without significant service cuts in the year ahead and that continue to address those essential quality of life services that the community has historically said were

top priorities, including road repair and public safety needs.

In April 2019, the City Council held a goal-setting workshop to listen to the community and get feedback regarding their priorities, and the final list of goals and priorities was adopted by the City Council on July 1, 2019. The five broad, aspirational goals and their associated objectives and workplan items have guided the City's work over the past year and will continue to guide our work during the upcoming fiscal year 2020/21. The goals, which encompass all the feedback we have received, both at the in-person workshops as well as via multiple web surveys, are (in no particular order):

- A City that Works for Everyone
- Our Environmental Legacy
- A Safe Community that Thrives
- An Economy that Prospers
- Spaces and Places that Inspire

More detailed information about the goals, the goal-setting process and progress made on all the workplan items can be found at [cityofpetaluma.org/goals](http://cityofpetaluma.org/goals).

Each of the above goals incorporate specific themes and priorities that we have consistently heard from our community, including:

- Maintaining emergency preparedness and rapid 911 emergency response times
- Ensuring 24-hour police and fire staffing
- Improving the conditions of local roads and highways
- Repairing potholes
- Maintaining essential fire protection equipment, including fire engines
- Attracting and retaining qualified police officers
- Providing safe routes to school for children
- Maintaining Petaluma's public safety services, including police protection and response services
- Maintaining the number of police and emergency vehicles
- Improving roads safety for driver, cyclists, and pedestrians
- Providing affordable housing
- Maintaining youth programs at City parks and recreation centers
- Preventing cuts to city parks, streets medians, and open space maintenance

The City Council adopted the City's capital and operating budget—which begins July 1 and runs through June 30, 2021 and totals \$229.6 million. The City Council reviewed the draft 2020-2021 budget at a workshop session on May 11, 2020. The budget was approved on June 1st, 2020.

In this budget, we continue to address many of these priorities where we can. However, the uncertainty and the unknown economic impacts of the COVID-19 crisis make it challenging to forecast what we will be able to accomplish. Some initiatives that are budgeted and are expected to proceed include:

- Attract and retain qualified public safety officers and enhance citywide employee retention by implementing one-time incentives to attract new police officers and to start to bring our public safety employee compensation closer to market, while keeping pace with inflation
- Ensure adequate staffing levels with continued funding of the six additional firefighter/paramedics that were approved last year. Growing emergency response times, threat of wildfires, and ongoing fire protection equipment needs are all challenges that these additional personnel will help us proactively address.
- Sustain a higher level of investment in road maintenance to ensure that key road reconstruction projects continue to move forward, including Maria Drive, Petaluma Blvd. South Road Diet, and North McDowell Blvd., all critical infrastructure investments for our community.
- Respond to Climate Action as a top priority for the City and work with the City's Climate Action Commission to complete a Climate Emergency Action and Engagement Plan that outlines what immediate, intermediate, and long-term actions the City can implement to be carbon neutral by 2045.
- Continue strategic usage of Parks Measure M funding – including pedestrian, bike, and pathway and sports facilities improvements, and enhanced parks maintenance.
- Increase our investment in emergency preparedness training for our staff and improvements to our Emergency Operations Center.
- Continue to invest in and partner with our homeless services provider, COTS, and other supporting programs including the Downtown Streets Team to house and assist our unsheltered population. Work with the other local jurisdictions to develop a long-term, regional

approach to end homelessness countywide.

- Continue progress on technology infrastructure to help us improve our service and response to community requests, improve the City Council agenda process, and continue to build upon our remote work capabilities.
- Prepare for and support the Army Corps of Engineers' Petaluma River dredging project and continue design and preparation for the City's future project to dredge the Marina.
- Continue the entitlement process for multiple, key housing and development projects to support a thriving Petaluma and provide diverse and affordable housing options to our community.

As noted above, this year's budget is balanced through a series of one-time budget balancing strategies and the exhaustion of the General Fund unassigned fund balance / working capital.

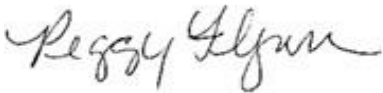
Despite the current COVID-19 crisis, our Fiscal and Organizational Sustainability (FOS) process to develop a plan for long-term fiscal health and service sustainability continues. The data and takeaways presented in each FOS workshop we held this year—on pensions, revenues, infrastructure—continues to be accurate. While the reality of the economic impacts of this current crisis will not be fully realized for months, what we knew before, during, and once we emerge from this pandemic, is that the City's essential quality-of-life services cannot be sustained without a significant new source of locally-controlled, ongoing revenue for Petaluma.

The FOS effort will provide the Council and community a comprehensive and analytical review of the City's expenditures and revenues and a plan with long-term solutions for a fiscally and organizationally sustainable City, based upon our community's priorities.

Understanding our challenges is a critical first step to finding the right solutions. Petaluma's tradition of sound fiscal management has served us well through recessions and the financial pressures that have followed. This upcoming year will be pivotal for our City. We will be both charting our financial future and working to respond to the continually shifting COVID-19 pandemic. We also have already begun preparing a robust recovery plan so we can hit the ground running once we begin to emerge from this crisis.

Although we face tremendous uncertainty, Petaluma continues to show its ability to rise to the occasion in the face of challenges and its supportive community spirit. I look forward to collaborating with the Council, City staff and community on a sustainable and resilient future together!

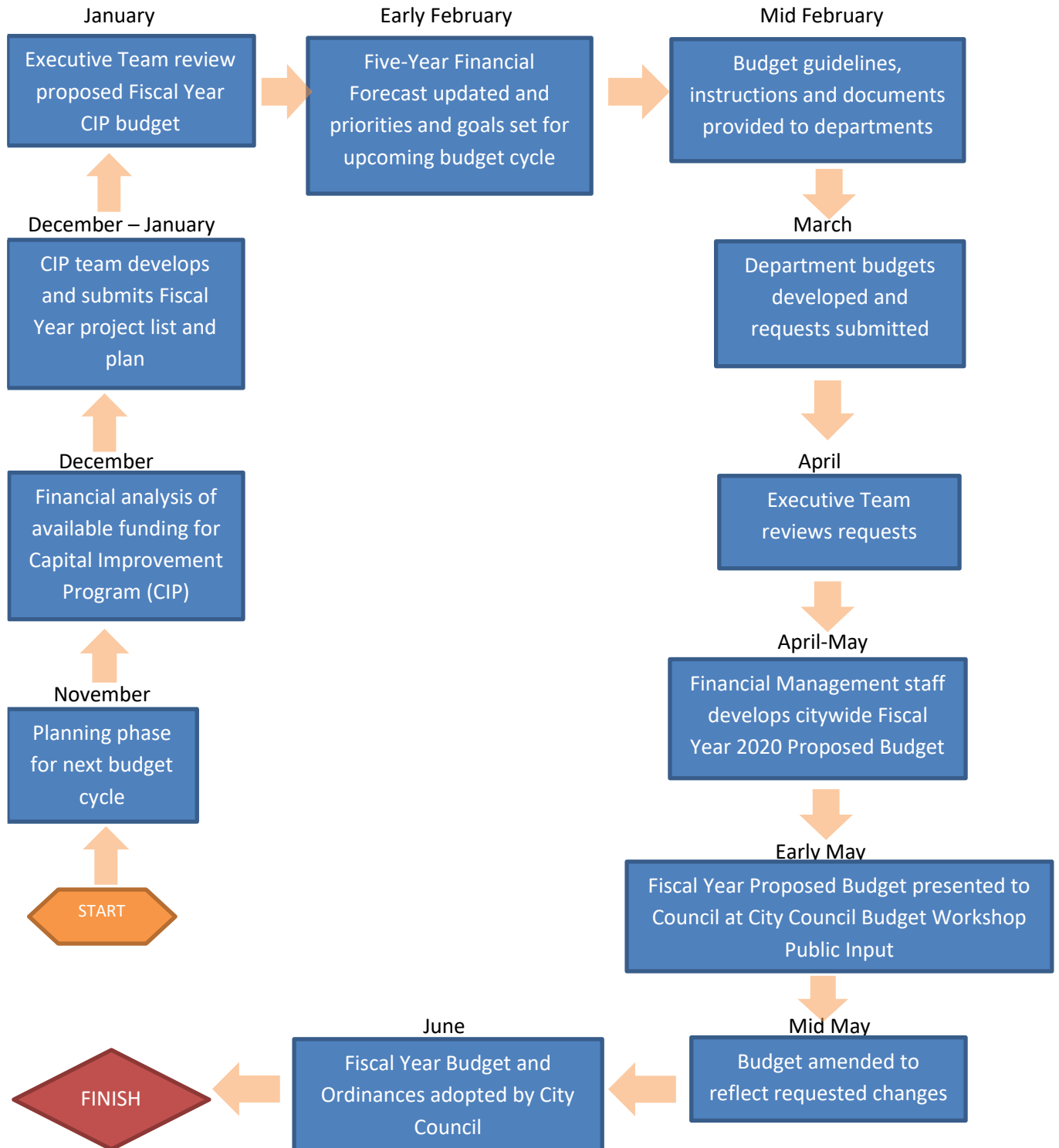
In service,

A handwritten signature in cursive script, reading "Peggy Flynn".

Peggy Flynn

# BUDGET DEVELOPMENT PROCESS

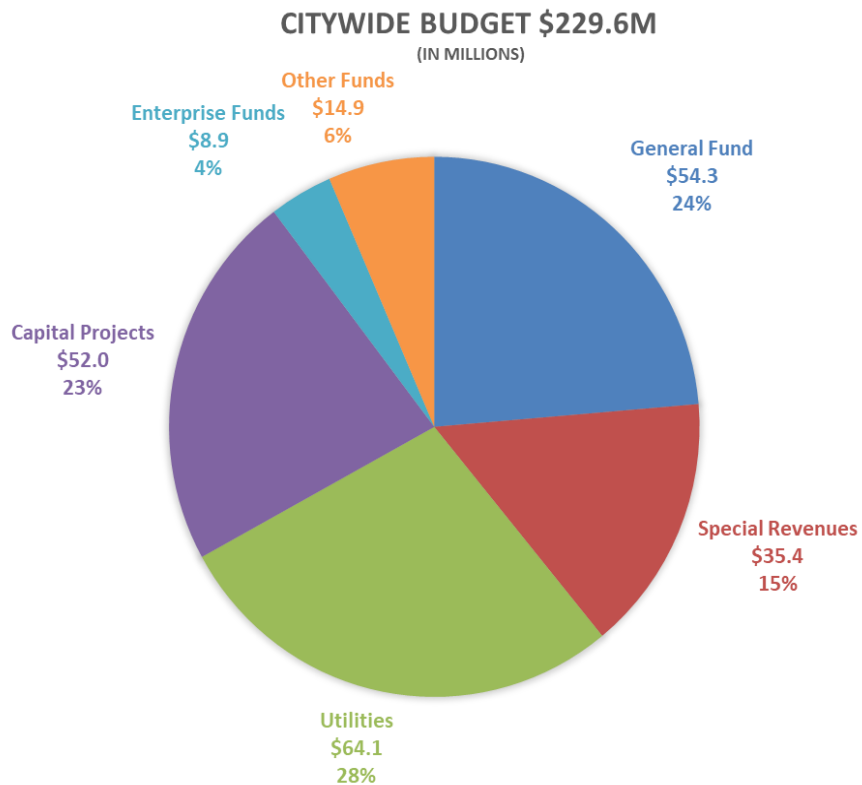
The City of Petaluma's operating and capital improvement program budgets are created in conjunction with the Mayor, City Council, City departments and public input. The budget development process considers the fiscal and policy goals for the upcoming fiscal year, while following the timeline for budget publications identified within the City of Petaluma's Charter.



# CITYWIDE BUDGET

The City's budget is comprised of approximately 125 funds, the majority of which are restricted to fund specific programs and projects. A large portion of the appropriations are recommended to support the Utilities Fund, General Fund, Capital Improvement Program and Special Revenue Funds. Citywide utilities funded by the City's Utility user rates bring water to residents and businesses and collect and/or treat wastewater. The second largest source of expenditures is the General Fund, which primarily funds services provided by police, fire, public works, parks and recreation, economic development as well as internal support, management, and administration. In Fiscal Year 2021, Capital Improvement Funds provided by impact fees, user rates, grants and other sources will be used to rehabilitate roads, enhance, and replace aging utility infrastructure and implement park projects.

The City's Fiscal Year 2020-2021 Adopted Budget recommends expenditures totaling \$229.6 million. This year's budget includes an increase of \$38 million over the Fiscal Year 2019-2020 Revised Budget. Adjusted to remove Transfers in and Out, which are \$51.8 million each, recommended appropriations for 2020-2021 are \$177.8 million and estimated revenues are \$149.7 million.



The Chart shows the total FY 2020-2021 Adopted Budget allocated by dollar and percentage to each fund type. Any difference between appropriations and sources is offset from available fund balance (reserves). The Fiscal Year 2020-2021 budget recommends 327.90 total funded positions. A total of 373.80 positions are authorized, leaving 45.90 positions unfunded. While the vacancies are necessary to keep expenditures in line with available revenues, several City departments are affected by reduced staffing levels and programs operating at a reduced service level.



# GENERAL FUND REVENUES

## SOURCES OF REVENUES

The City receives money from many sources. About 57% comes from taxes. The remaining funds come from fees, charges for services, fines, and charges to other funds for services provided.

### SALES & USE TAXES

For every \$100 on purchases, residents, businesses, and visitors pay \$8.25. Of this amount the City receives \$1. The majority of the \$8.25 goes to the State.

\$12.88

\$11.66

### PROPERTY TAXES

For every \$1,000 paid in property tax by residents and businesses, the City receives \$110.

### CHARGES FOR SERVICES

Services include paramedic services, intra-governmental services, recreation services and police services.

\$7.90

\$6.80

### INTERGOVERNMENTAL REVENUES

Revenues from Motor Vehicle License Fees, state mandated costs, and other government funded costs.

### FRANCHISE FEES

Revenues paid to use public right of ways.

\$3.15

\$2.52

### TRANSIENT OCCUPANCY TAXES (TOT)

Visitors Staying at our local hotels pay 10% tax applied to the room rate. This revenue directly benefits the community by assisting in covering the cost of providing services.

### BUSINESS LICENSE TAXES

This tax is applied to all Businesses operating in the City of Petaluma.

\$1.19

\$1.00

### PROPERTY TRANSFER TAXES

This tax is applied with a property is sold.

### PERMITS & FEES

\$.93

\$2.76

### OTHER SOURCES

Transfers from other sources and Designated Reserves.

### FINES & PENALTIES

\$.69

\$.47

### INVESTMENT EARNINGS

**TOTAL \$51.95**

\* All numbers are in millions.

## GENERAL FUND EXPENDITURES

### WHERE YOUR TAX DOLLARS AND FEE PAYMENTS GO

It takes many different skills to run a city. Providing safety, development oversight, and services also require administrative skills and oversight.

**70.0%**

#### PUBLIC SAFETY = \$38.07

Police	\$20,994,795
Fire	\$17,074,863
<b>TOTAL</b>	<b>\$38,069,658</b>

**10.0%**

#### DEVELOPMENT & INFRASTRUCTURE = \$5.47

Planning	\$1,576,719
Public Works	\$3,889,368
<b>TOTAL</b>	<b>\$5,466,087</b>

**16.0%**

#### INTERNAL SUPPORT & ADMINISTRATION = \$8.85

City Council	\$101,112
City Attorney	\$1,074,194
City Clerk	\$418,393
City Manager	\$1,024,267
Finance	\$2,204,235
Human Resources	\$775,135
Economic Development	\$392,440
Non Departmental	\$1,615,000
General	\$1,246,245
<b>TOTAL</b>	<b>\$8,851,021</b>

**4.0%**

#### RECREATION = \$1.91

Recreation	\$1,915,335
<b>TOTAL</b>	<b>\$1,915,335</b>

**TOTAL \$54.30**

\* All numbers are in millions.

## SPECIAL REVENUE FUNDS

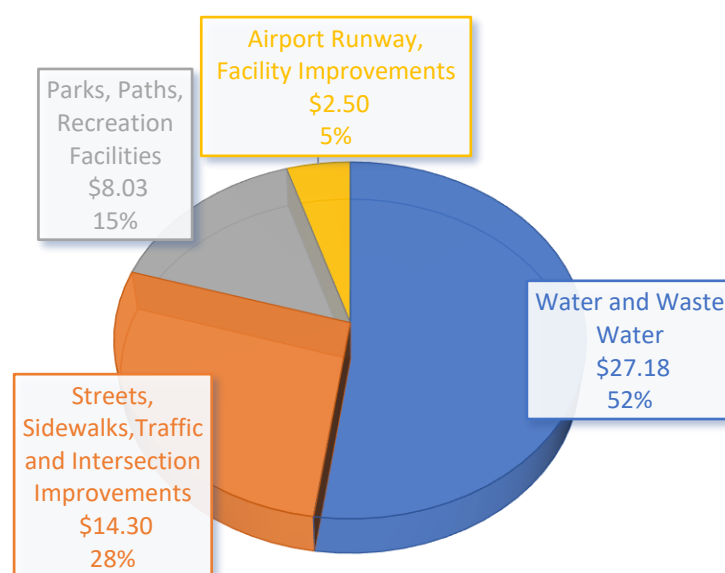
Special Revenue Funds account for funds received for a specifically identified purpose. The special revenue funds that typically account for the larger share of revenues and corresponding costs are Impact Fee transfers to fund various Capital projects, Street Maintenance, and capital replacement, and Transient Occupancy Tax. The Fiscal Year 2020-2021 Budget includes funding of \$35.4m for various programs and projects. Approximately 31% of the total funding is programmed for street related maintenance and capital improvements. Impact Fees account for 27% of the overall costs which are used to fund capital projects included in the Capital Improvement Program for this current fiscal year. The Transient Occupancy Tax accounts for approximately 9% of the overall budget and contributes funding towards the cost of general government services. The Grants, Housing and Parks special revenues funds account for the remaining budget of 33% and are used to fund the various Grant funded programs and projects, Housing programs and Park Improvements funded by Measure M County-wide parks sales tax.

## CAPITAL IMPROVEMENT PROGRAM (CIP)

The Capital Improvement Program Budgets allocate available revenue to rehabilitate, restore, improve, enhance, and increase City's capital facilities. Of the \$52 m in capital funding approved, approximately 52% or \$27.18 million will be dedicated to maintain and rehabilitate the City's existing wastewater and water infrastructures. Approximately 43% of funding, or \$22.3 million is programmed to be spent on the rehabilitation of streets, sidewalks as well as traffic and intersection improvements, parks, paths, and recreation areas. The remaining funding of \$2.5 million was approved for runway electrical improvements at the Petaluma Airport, Transit center improvements and much needed roof and interior improvements to the City's Community Center buildings. This fiscal year's CIP budget is funded by various funding sources such as development impact fees, waste water and water fees, state and federal grants, gas tax and other City enterprise contributions.

### FY 2021 CAPITAL IMPROVEMENT PROGRAM (CIP)

BUDGET \$52 MILLION (in millions)

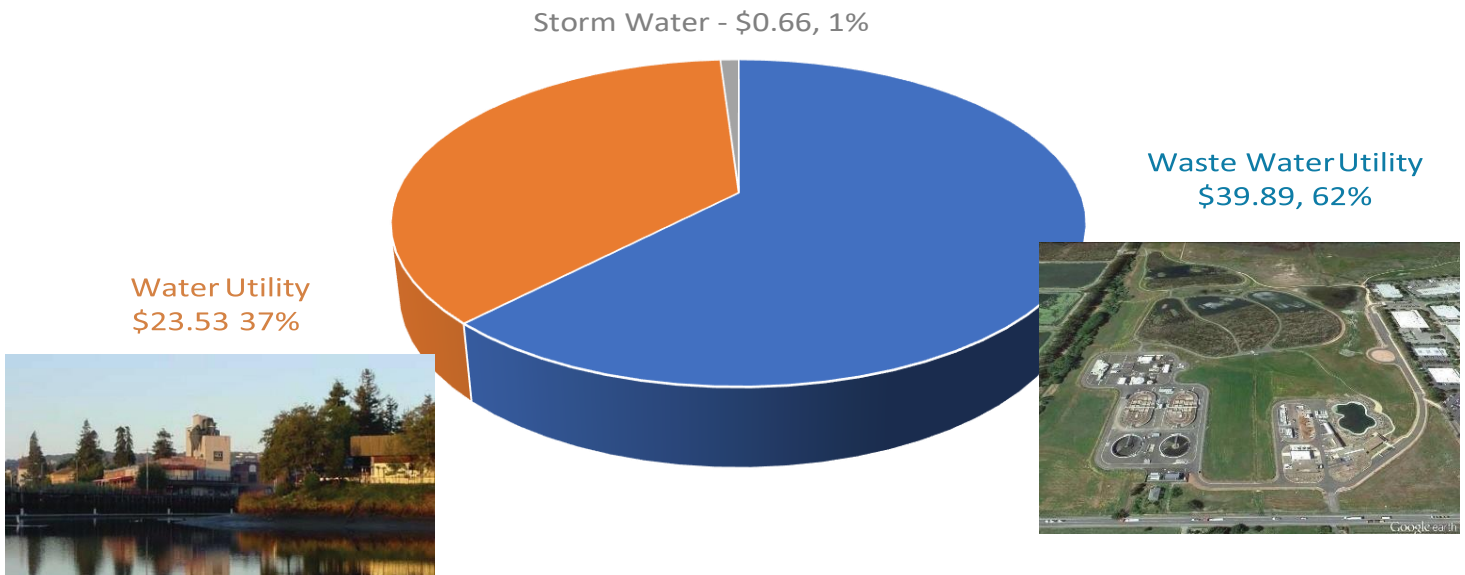


## UTILITY FUNDS BUDGET

The City of Petaluma delivers water to its residents and customers, collects and treats wastewater and maintains the City's Storm Drain System. Throughout the year utility customers pay for these services. For Fiscal Year 2021, the City will receive approximately \$53 million for providing these services. The majority of the revenues will be used to purchase water from Sonoma County, maintain and improve the utility infrastructure and administration.

### UTILITY FUND EXPENSES = \$64 MILLION

\* All numbers shown below are in \$ millions



### UTILITY FUND REVENUES = \$64 MILLION

Utility Customer Charges	\$52.90
Other Revenues	\$2.94
Reserve Contributions	\$8.24

## OTHER FUNDS

In addition to what is presented above, the City also operates and maintains a Municipal Airport, Marina, Building Division and Transit facility as well as Internal Service funds used to account for services performed by a City department for the benefit of all City functions. These funds are intended to be fully self-supporting by user fees collected or as a cost reimbursed through a cost allocation. For more information on these funds please see the full Fiscal Year 2021 City of Petaluma Budget at [cityofpetaluma.org/departments/finance/budgets](http://cityofpetaluma.org/departments/finance/budgets).



# CITY OF PETALUMA

## INFORMATION AND STATISTICS



**POPULATION**  
62,000



**INCORPORATION**  
1858



**GOVERNMENT**  
Charter City with  
City Manager /  
Council Form of  
Government



**AREA**  
13.8 square  
miles



**BOND RATING**  
A1

### EMPLOYERS

- Petaluma School District
- Petaluma Poultry Processors
- Petaluma Valley Hospital
- Enphase Energy Inc.
- Lagunita's Brewing Company
- City of Petaluma
- Old Adobe Union School District
- Santa Rosa Junior College
- Clover Stornetta Farms
- Hansel Auto
- United States Postal Service
- Calix Networks
- Safeway Stores

### INFRASTRUCTURE

- 185 Miles of Streets
- 252 Miles of Water Mains
- 2.7 Billion Gallons of Water Purchased
- 197 Miles of Wastewater Mains
- 1,874 Wastewater Treatment Capacity

### PARKS & OPEN SPACE

- 46 Parks
- 2 Outdoor Pools
- 48 Sports Fields
- 995 Feet of Turning Basin Dock
- 4 Community & Youth Centers

### PUBLIC SAFETY

- 61,083 - of Police Calls for Service
- 5,169 of Fire / Ambulance Calls for Service
- 53 Police Vehicles
- 2 Canine Units
- 4 Fire Engines
- 1 Ladder Truck
- 3 Ambulances

\*The entire City budget can be found at [cityofpetaluma.org](http://cityofpetaluma.org) as well as the comprehensive annual financial report.