

City Council

Budget Workshop #2 Presentation of FY 20-21 Budget

Monday, June 22, 2020



Budget Timeline

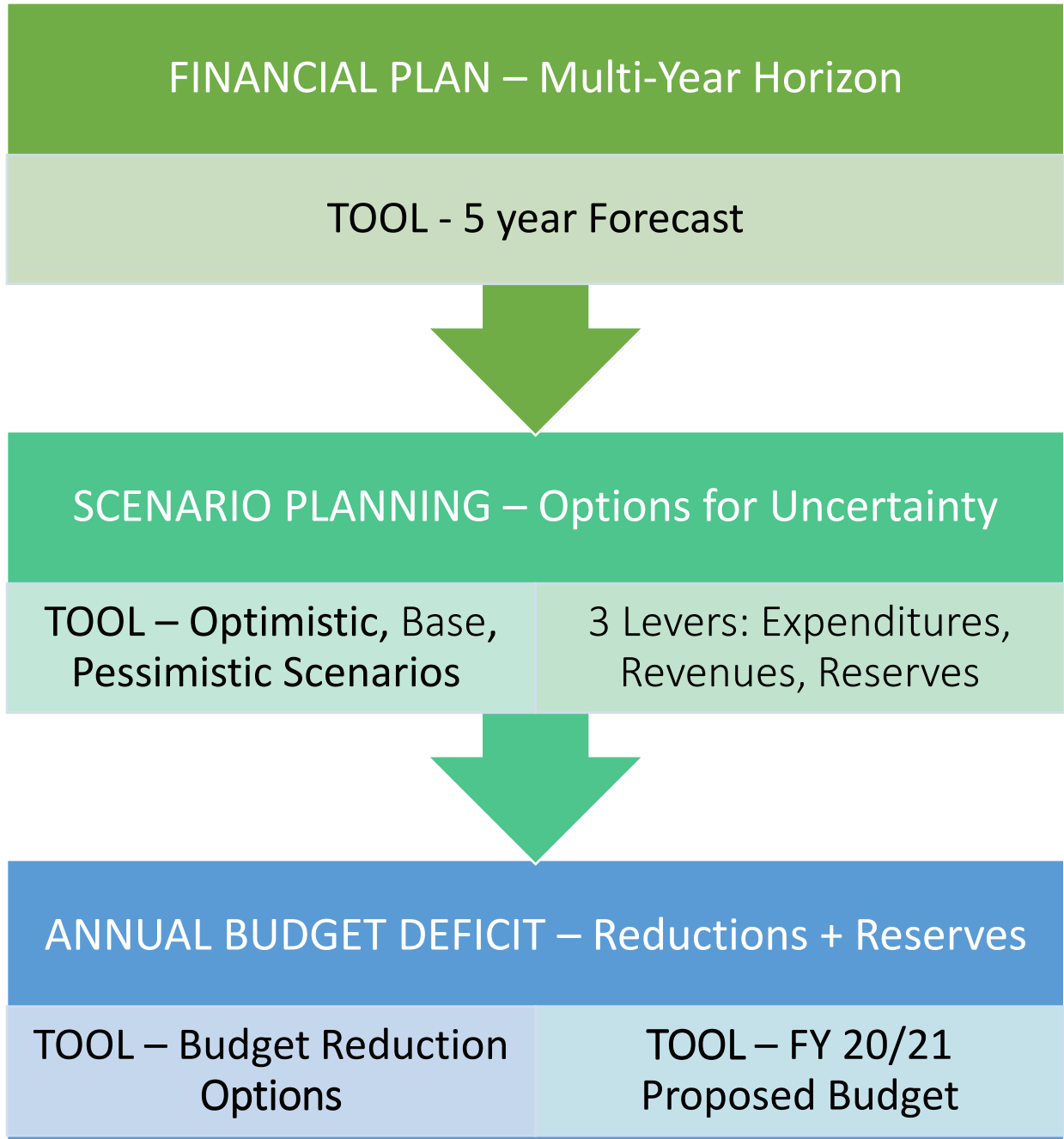
- **May 8 – Workshop #1**

- Overview of Pandemic Impact
- Status & Information on Reserves, Revenues & Expenses
- Managing Uncertainty
- FY 19/20 Budget Adjustments / Options
- General Fund 5-year Forecast
- Strategy Discussion & Direction

- **June 22 – Workshop #2**

- 5-Year Forecast
- Scenario Planning
- Initial Budget Reduction Recommendations
- FY 20-21 Budget – Phase 1

- **June 29 – Budget Adoption**



5-Year Forecast

Long-term horizon for financial planning
 Overall revenue assumptions; scenarios for hotel and sales taxes

Scenario Planning

“What if” planning and triggers for future decision making
 Use of "Base" scenario recommended for financial planning purposes
 Draw-down of reserves
 Phasing approach with frequent review and future reductions if needed

FY 20/21 Proposed Budget

Direction for FY 20-21 budget development
 Plan for Phase 1 budget reductions

Phases of City Response to Pandemic Emergency

Progress on reopening, public health preparation, but pandemic uncertainty

Response & Relief (ongoing)

- Emergency Operations Center
- Employee/Customer Safety
- Essential City Services
- Public Information/Resources
- Local/Regional Coordination
- Water Rate increase deferral
- Food Security
- Rental Assistance
- Eviction Ordinance



Economic Recovery & Re-Opening

- Working with Chamber / SVVB / SVVGA
 - Business Assistance; Sonoma To Go; Safe Open Supply Kits; Sonoma Valley SAFE
- Recovery & Reopening Subcommittee
 - Use of outdoor spaces for restaurant/retail
- Increased local economy monitoring mechanisms



Financial Planning & Stabilization

- Pursuing State and Federal Aid / Legislative Relief
- Budget Subcommittee
- Current Year Budget Reductions (FY 19-20)
- Review of Assigned Reserves
- Police and Fire contracts
- Multi-year forecasting with scenarios
- Review options for ballot measure to continue existing local ½ cent sales tax

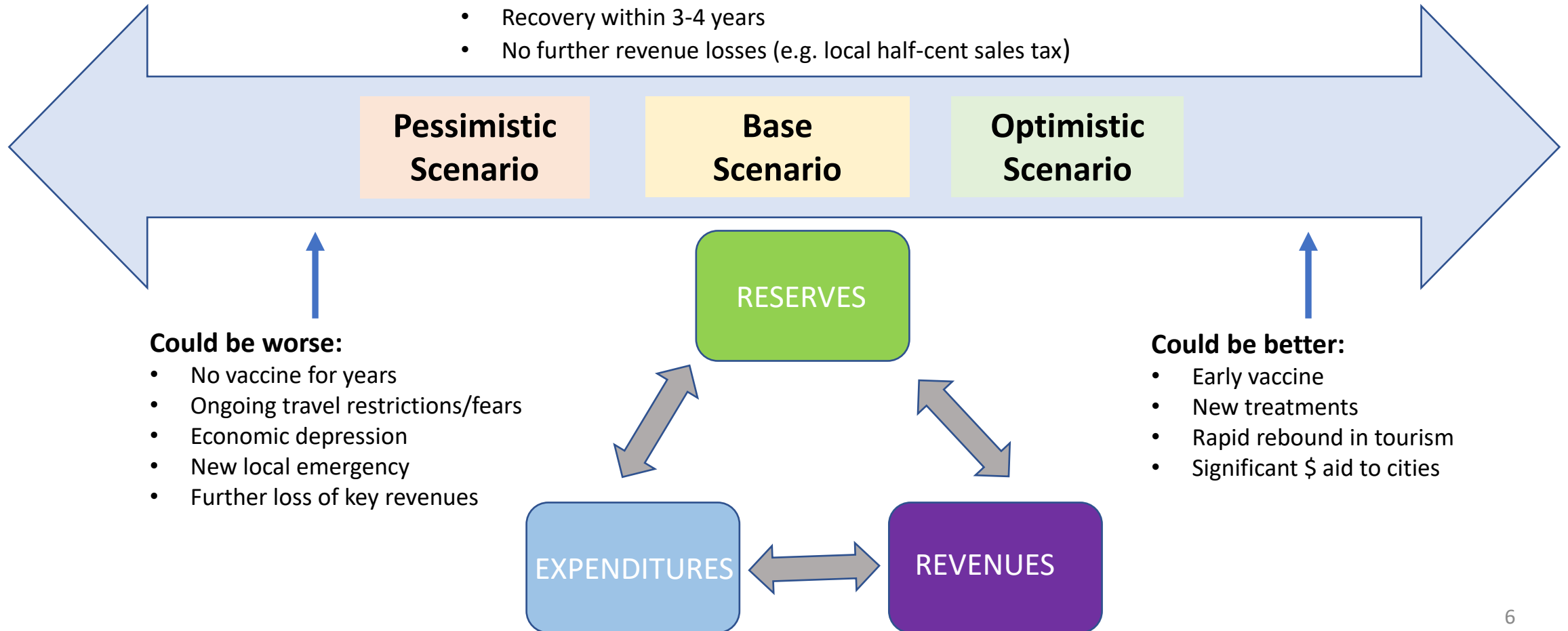
5-Year General Fund Forecast Scenario Planning

Optimistic / Base / Pessimistic

Forecasting with a Range of Uncertainty

Three Budget Forecast Scenarios, all assume:

- Multi-year impacts on tourism, to varying degrees
- Recession (but not depression); deepest in FY20-21
- Recovery within 3-4 years
- No further revenue losses (e.g. local half-cent sales tax)



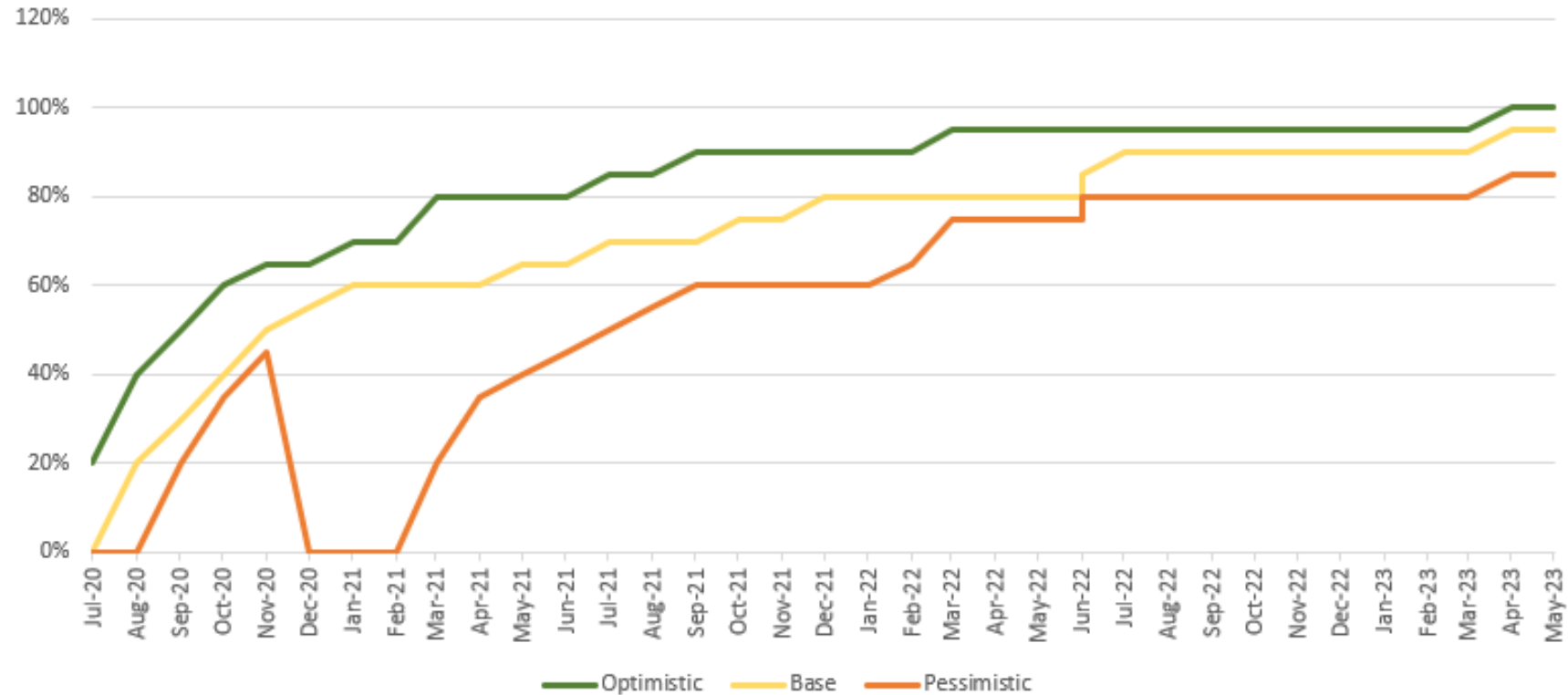
Forecast Driver: Transient Occupancy Tax

Revenue is expected to be impacted by reduced occupancy, reduced business and corporate meetings, and by reduced average room rates.

Assumed timeline for Hotels Opening ...
 Optimistic – July
 Base – August
 Pessimistic – September

Pessimistic also shows a future return to Shelter In Place with a return to essential travel only.

Projected % of Normal TOT Revenue by Month

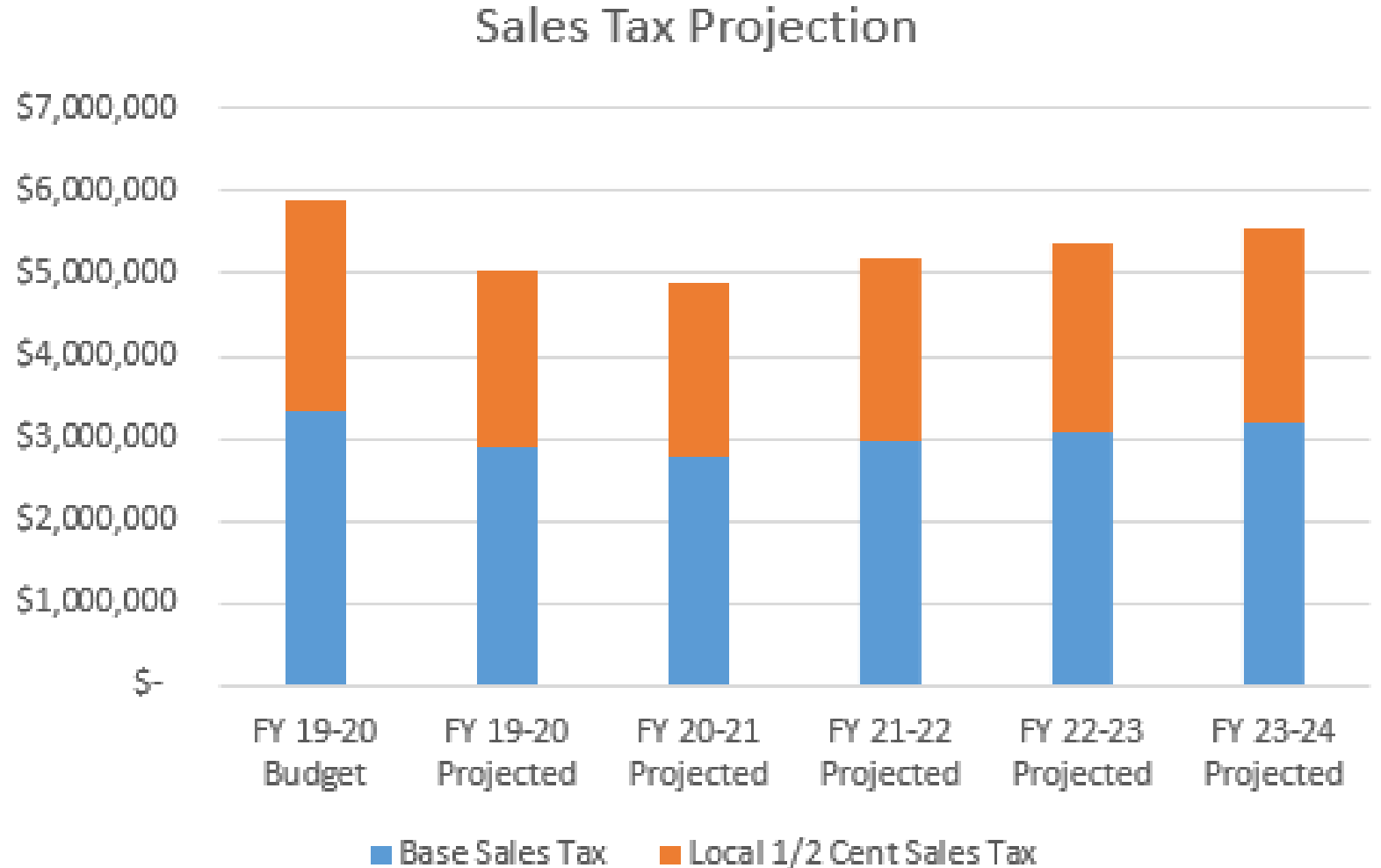


	Optimistic		Base		Pessimistic	
	Total Rev	% of Normal	Total Rev	% of Normal	Total Rev	% of Normal
FY 20-21	\$2,842,748	61%	\$2,050,915	44%	\$1,013,552	22%
FY 21-22	\$4,224,410	91%	\$3,536,184	76%	\$2,971,254	64%
FY 22-23	\$4,476,268	96%	\$4,218,958	91%	\$3,777,089	81%

Forecast Driver: Sales Tax

City consultant (HdL) sales tax projections from early April have been revised downward based on May updates.

- Revised total is \$265K or 5% lower than earlier projections.
- Reflects review of recent data, longer/more restricted SiP than originally estimated, and a slower projected recovery of tourism.
- Forecast does not reflect potential impacts that may arise from statewide sales tax deferral programs (primarily cash flow impacts; may be some net loss if businesses close).



General Fund Forecast: 3 High Level Scenarios

A look at the horizon so that you can adjust course.

Budget Forecast Scenarios

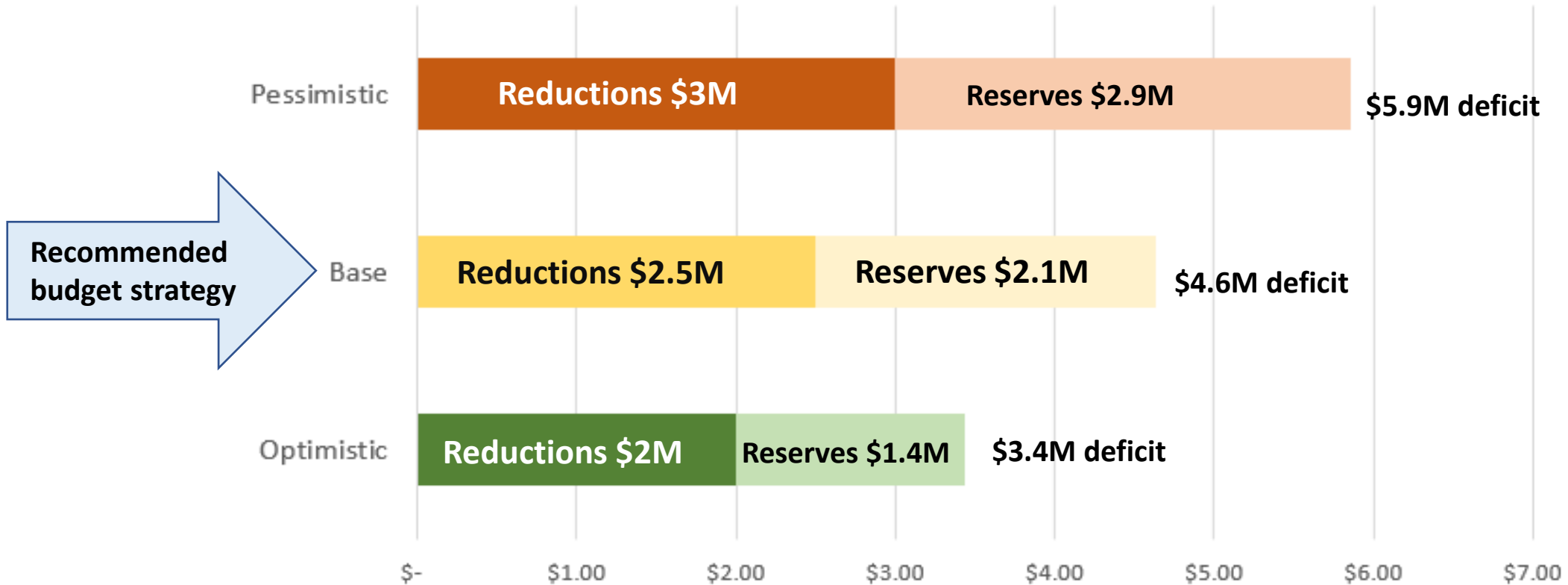
Description	Year 1	Year 2	Year 3	Year 4	Year 5	Cumulative Impact on Reserves (with no action years 2-5)
	2019/20 Projected (after reductions)	2020/21 Projected	2021/22 Projected	2022/23 Projected	2023/24 Projected	
OPTIMISTIC SCENARIO						
Total Operating Revenue	\$ 18,081,650	\$ 18,042,210	\$ 19,683,731	\$ 20,732,325	\$ 21,567,537	
Total Operating Expenditures	\$ 19,273,346	\$ 21,486,940	\$ 21,628,592	\$ 22,418,405	\$ 22,570,850	
GENERAL FUND SURPLUS (DEFICIT):	\$ (1,191,696)	\$ (3,444,730)	\$ (1,944,861)	\$ (1,686,080)	\$ (1,003,313)	\$ (9,270,680)
Deficit as % of Expenditures:		16%	9%	8%	4%	
BASE SCENARIO						
Total Operating Revenue	\$ 18,081,650	\$ 16,844,877	\$ 18,839,891	\$ 20,292,306	\$ 21,400,922	
Total Operating Expenditures	\$ 19,273,346	\$ 21,486,940	\$ 21,628,592	\$ 22,468,967	\$ 22,624,343	
GENERAL FUND SURPLUS (DEFICIT):	\$ (1,191,696)	\$ (4,642,063)	\$ (2,788,701)	\$ (2,176,661)	\$ (1,223,421)	\$ (12,022,542)
Deficit as % of Expenditures:		22%	13%	10%	5%	
PESSIMISTIC SCENARIO						
Total Operating Revenue	\$ 18,081,650	\$ 15,623,294	\$ 18,119,348	\$ 19,512,978	\$ 21,089,502	
Total Operating Expenditures	\$ 19,273,346	\$ 21,486,940	\$ 21,628,592	\$ 22,468,967	\$ 22,624,343	
GENERAL FUND SURPLUS (DEFICIT):	\$ (1,191,696)	\$ (5,863,646)	\$ (3,509,244)	\$ (2,955,989)	\$ (1,534,841)	\$ (15,055,416)
Deficit as % of Expenditures:		27%	16%	13%	7%	

Recommendation:

1. Base Scenario = Recommended for FY 20-21 budget purposes.
2. Make budget reductions and determine use of reserves.
3. Monitor regularly and adjust as needed.

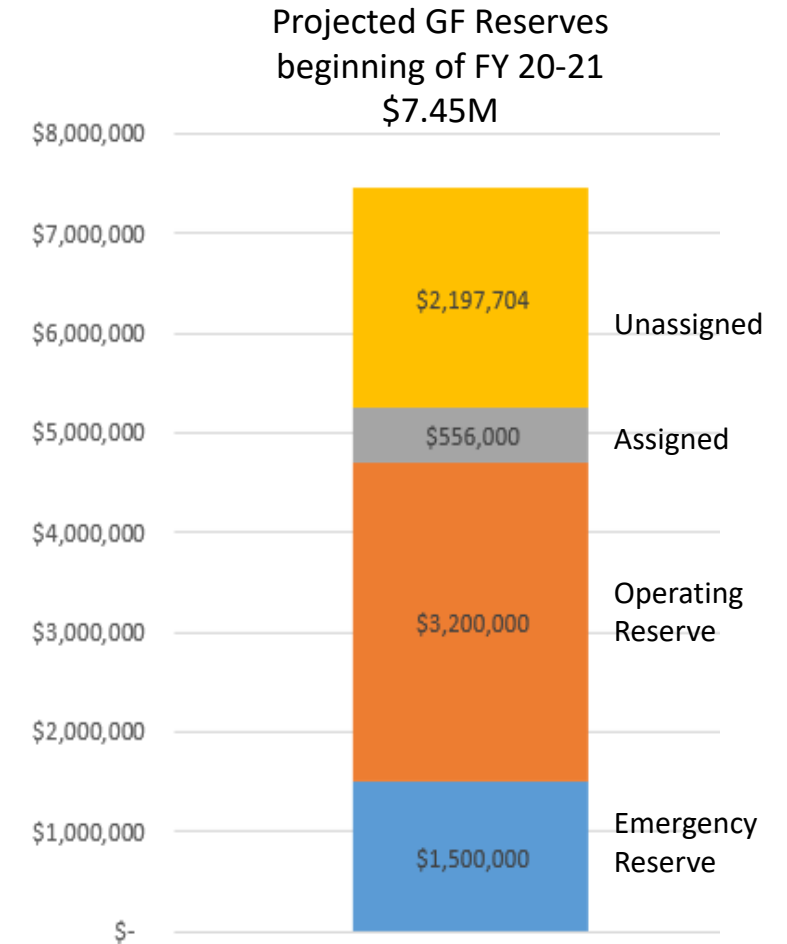
General Fund Forecast – 3 Planning Scenarios

Deficit Scenarios and Proposed Strategy
(\$ in millions)



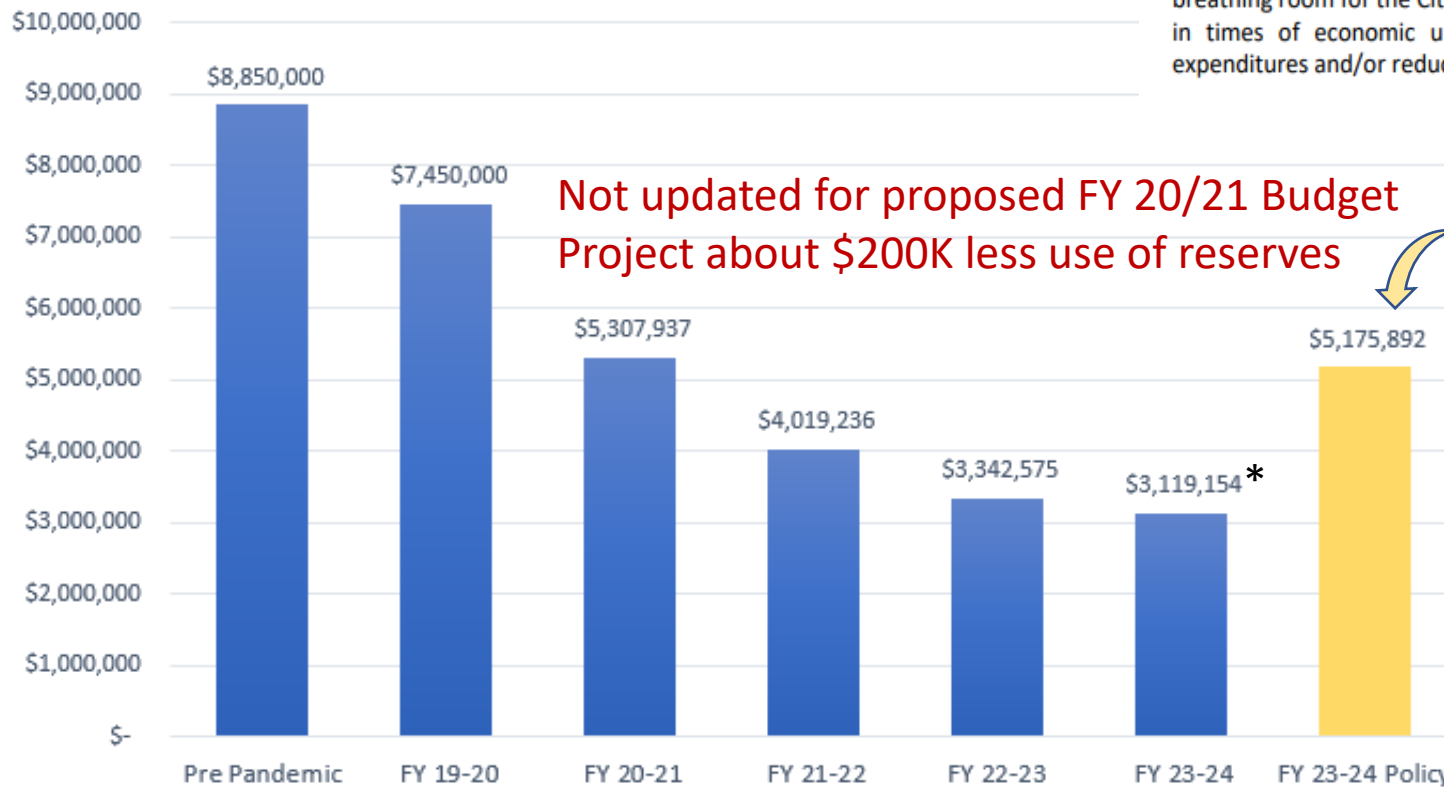
Reserves Update

- **Prior to Pandemic: total General Fund Reserves projected to be of \$8.85 M.**
 - \$1.2 M in Operating Reserves now projected to be used in FY 19-20.
 - Up to \$200,000 in Emergency Reserves recommended to be set-aside for use in pandemic response (includes Council assigned \$100,000 for Community Support & Resiliency initiatives)
 - Total use of reserves of up to \$1.4 M (FY 19/20 plus \$200K for emergency)
 - Net impact is to reduce total Reserves to \$7.45 M.
 - May be slightly higher if further savings or improved revenues for FY 19-20.
- **Projected reserves (beginning of FY 20-21) of \$7.45M includes:**
 - Emergency Reserve (\$1.5M by policy; restored from Unassigned Reserves)
 - Operating Reserve (17% of Operating Expenditures by policy; restored from Unassigned Reserves)
 - Assigned Reserves (currently projected to total \$556,000)
 - Unassigned Reserves (\$2,197,704)



Projected Draw-down of Reserves (under Recommended Strategy)

Projected Reserves by Year End



General Fund Operating Reserve

The purpose of the General Fund Operating Reserve is to provide sufficient cash flow and to provide breathing room for the City to evaluate alternatives in the event of financial hardships, provide resources in times of economic uncertainties and downturns, and to provide funding due to unexpected expenditures and/or reductions in revenues.

Not updated for proposed FY 20/21 Budget
Project about \$200K less use of reserves



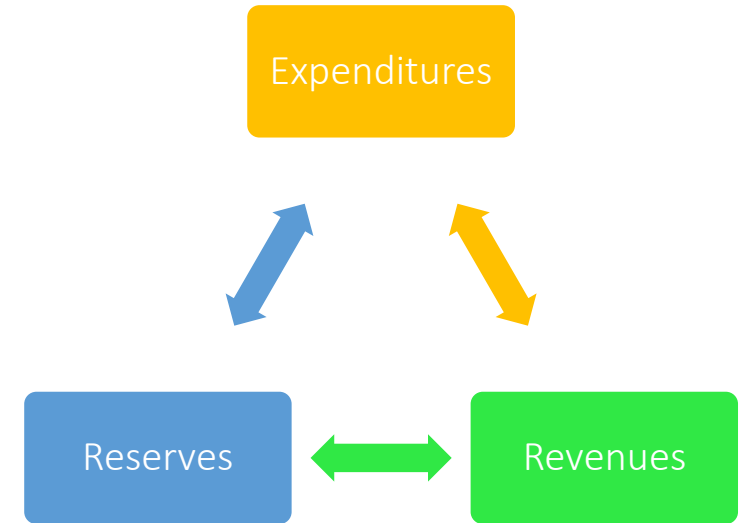
Have a plan to restore reserves to meet policy of \$1.5M Emergency Reserve + Operating Reserve of 17% of annual expenditures (\$5.18M total)

- If Assigned Reserves are expended, reduce by \$556,000.

Note -- Future need of reserves potentially for unresolved issue with State of California due to State's not recognizing contracts/payments from the 2011 RDA bond issuance; \$800K-\$2M; if City not successful could be paid over time.

Multi-year Forecast Informs the FY 20-21 Budget Strategy

- 3 budget "levers": Revenues, Expenditures, and Reserves
- FY 20-21 Budget = Phase 1
 - First step in an ongoing process
 - Recommended budget strategy uses "base" forecast scenario
 - \$4.6M projected deficit for FY 20-21 from the Forecast
 - Retains flexibility to shift to alternative scenarios as more is known.
- Healthy reserves are available for their intended purposes, but are not sufficient to solve multi-year deficits alone
 - Draw down judiciously
 - In combination with budget reductions
 - And revenue stabilization/enhancement where possible
- Prepare for Phase 2 budget reductions if needed in order to minimize/postpone impacts on service levels to extent possible.
 - City services = staff



FY 20/21 Proposed Budget Overview

Introducing FY 20/21 Proposed Budget

BUDGET/FORECAST COMPARISON

	FORECAST	BUDGET
	FY 20/21 Base Scenario	FY 20/21 Proposed Budget*
REVENUES	\$ 16,844,877	\$ 17,336,277
EXPENSES	\$ 21,486,940	\$ 19,305,165
Deficit	\$ (4,642,063)	\$ (1,968,888)
STRATEGY		
Revenue Increases / Exp. Reductions	\$ 2,500,000	\$ 2,673,175
Revenue Increases		\$ 491,400
Expenditure Decreases	\$ 2,500,000	\$ 2,181,775
Reserves (+ addition / - reduction)	\$ (2,142,063)	\$ (1,968,888)

Budget Strategy FY 20/21

Phase 1 – June 2020 – ACT

- *Modifications without deep reductions in services and staffing*
- Focus for Phase 1 of the budget development was to use one-time and new revenues; reduce or eliminate contracts; eliminate General Fund support for capital projects; reduce investments in city assets; and reduce all operational spending to basic needs.
- Hold off on major reductions in staff, services or staffing capacity until more information regarding tourism and economy in July/August.
- Prepare a Phase 2 of reductions if needed in September. These next reductions may require reductions in services, reorganizations and realignments which could include layoffs and further employee concessions.

Phase 2 – September/October – MONITOR / ADJUST

- *Collect data on City revenues and economy*
- *Prepare reductions in services, staffing including reorganizations and realignments*
- Council reviews TOT collection, status of the pandemic and economy. Based on more certainty and current information, the City Council may direct additional reductions, modifications or status quo.

FY 20-21 Key - Budget Reductions

KEY REDUCTIONS in PROPOSED 20/21 BUDGET (compared to FY 19/20)

Annual General Fund CIP Projection of \$500K/year	\$	(495,000)
Internal Service Funds – Vehicles and Building Maintenance	\$	(267,000)
Police contract service level reductions <i>(plus \$510,000 proposed budget increase above FY 19/20)</i> <i>(3 positions – CSO, Admin Assistant, Deputy Sheriff)</i>	\$	(110,940)
SVFRA Operating Budget Reductions	\$	(94,000)
Legal Budget	\$	(40,000)
Eliminate contract for neighborhood park maintenance; bring in-house	\$	(60,000)
Reduction in Recreation & Community Services Fund (less revenue)	\$	(55,662)

FY 20/21

Expense by Program Budget

ALL FUNDS

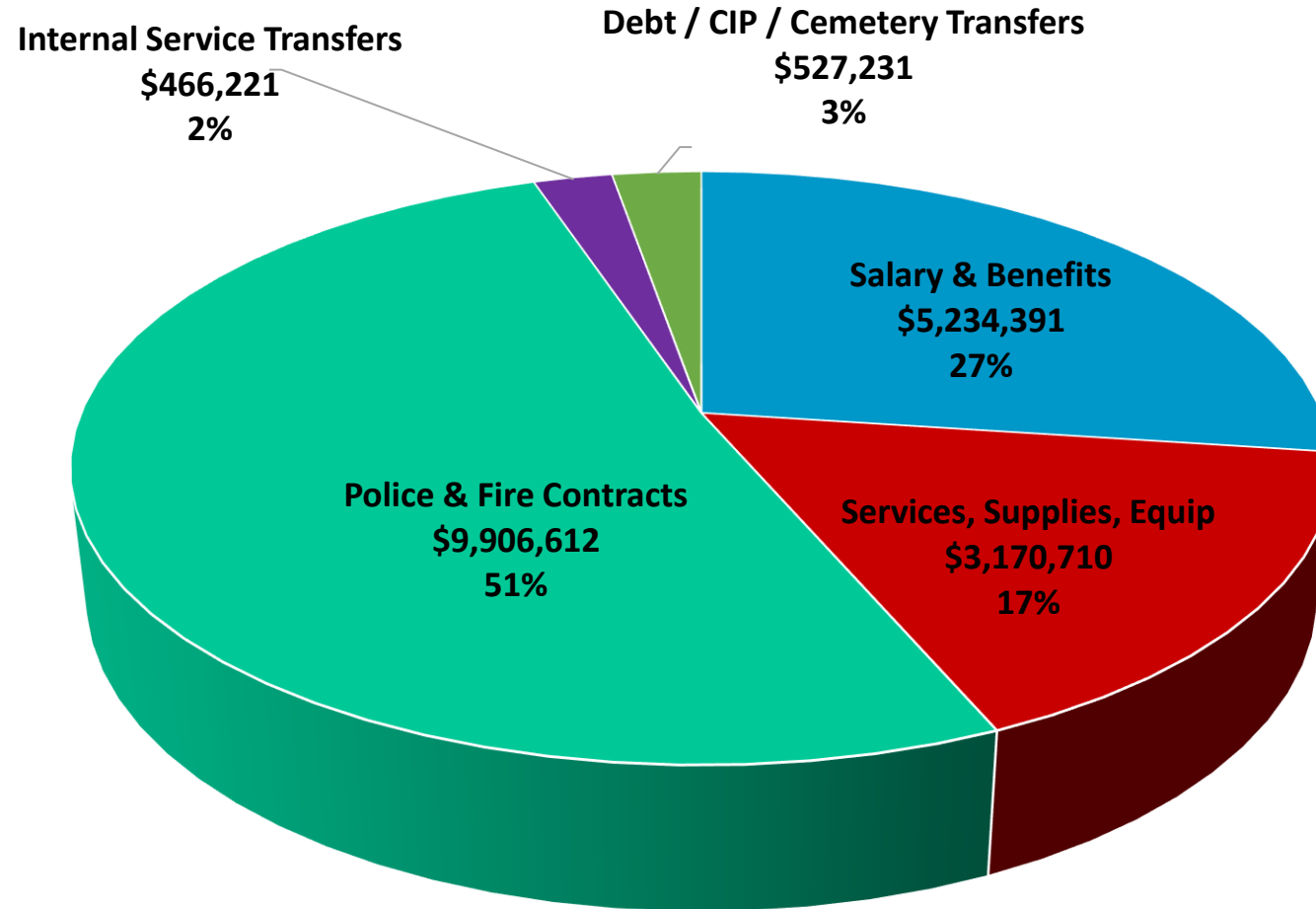
Expenditure Category	FY 19/20 Budget	Expenditure Category	FY 19/20 Budget
GENERAL FUND:		SPECIAL REVENUE FUNDS:	
City Council (41001)	\$130,213	C.O.P.S. Grant (217)	\$100,000
City Clerk (41002)	\$294,501	Gas Tax (302)	\$301,615
City Manager (41003)	\$632,790	SB-1 Road Maintenance (303)	\$198,609
Finance (41004)	\$786,427	Transportation Measure M (313)	\$80,000
Legal Services (41005)	\$478,220	Parks-in-Lieu/Quimby Act (314)	\$32,755
Police (42101)	\$5,360,557	Parks Measure M (315)	\$125,000
Fire/EMS (42201)	\$5,991,194	Parks-Proposition 68 (316)	\$200,000
Public Works Admin (43020)	\$400,719	Inter-Govt Transfer IGT (796)	\$500,000
Public Works Streets (43022)	\$913,356	Cemetery Endowment (504)	\$50,000
Public Works Parks (43023)	\$968,609	INTERNAL SERVICE FUNDS:	
Planning (43030)	\$857,835	MIS (601)	\$338,345
Building (43040)	\$648,218	Vehicle Replacement (603)	\$35,000
Community Activities (43101)	\$600,954	LT Building Maintenance (610)	\$269,000
Successor Agency (43199)	\$75,000	DEBT SERVICE FUNDS:	
Non-Departmental (43200)	\$707,523	CREBS (495)	\$41,749
Subtotal General Fund	\$18,846,116	POB (498)	\$412,300
General Fund Transfer Out (43999)	\$459,049	AGENCY FUNDS:	
Total General Fund	\$19,305,165	Successor Agency Admin (100)	In Gen Fund
CAPITAL PROJECTS:		Successor Agency ROPS (391)	\$2,728,384
Streets/Transp/Drainage Capital Projs (301)	\$5,000	TOTAL ALL EXPENSES	\$30,677,142
Water Utility - Capital Projects (512)	\$75,000		
Parks & Facilities Capital Projects (304)	\$0		
ENTERPRISE FUNDS:			
Water Utility Operating (510)	\$5,543,448		
Cemetery (501)	\$335,772		

FY 20/21

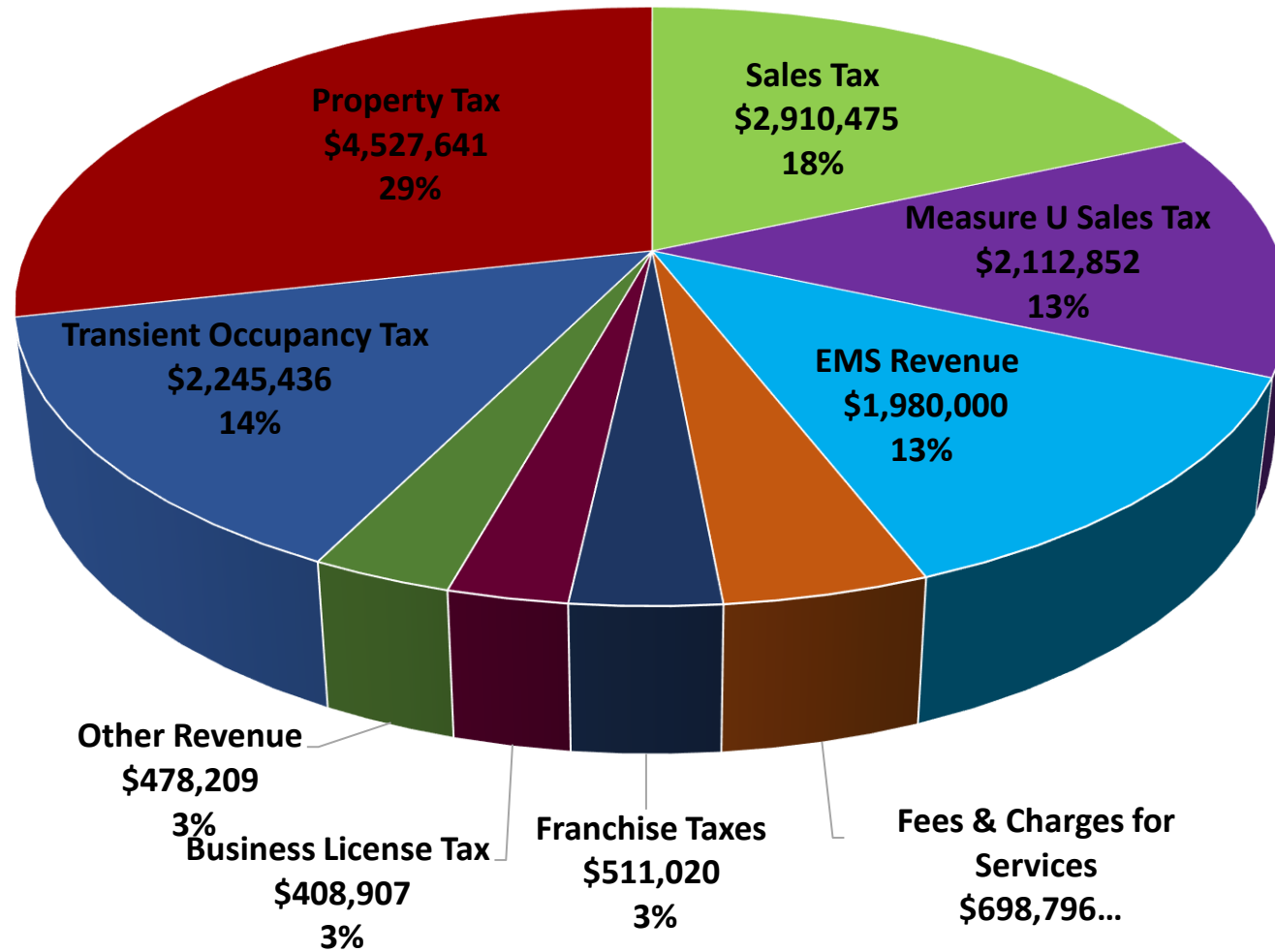
General
Fund
Budget

Description	ORIGINAL
REVENUE	
3001 TAXES	\$ 12,873,411
3010 FEES	\$ 587,028
3020 LICENSES & PERMITS	\$ 48,450
3030 FINES & FORFEITURES	\$ 61,875
3060 INTEREST & RENTS	\$ 133,304
3110 CHARGES FOR SERVICES	\$ 111,768
3300 EMS	\$ 1,980,000
3500 MISCELLANEOUS	\$ 77,500
3700 TRANSFERS	\$ 1,462,941
30000 TOTAL REVENUE	\$ 17,336,277
EXPENSES	
100E SALARY & WAGES	\$ 3,166,568
200E EMPLOYEE BENEFITS	\$ 2,067,823
300E PROFESSIONAL SERVICES	\$ 10,736,290
400E PROPERTY SERVICES	\$ 1,510,856
450E OPERATIONS	\$ 638,536
500E SUPPLIES	\$ 179,440
600E CAPITAL ASSETS	\$ 12,200
700E INTERNAL SERVICE & CAPITAL PRJ	\$ 466,221
800E DEBT SERVICE	\$ 68,182
900E TRANSFERS	\$ 459,049
40000 TOTAL EXPENSE	\$ 19,305,165
NET -- USE OF RESERVES	\$ (1,968,888)

General Fund – Expenditure Chart



General Fund – Revenue Chart



Cemetery Budget

501 - Cemetery

	FY 19/20 Adopted Budget	FY 19/20 Amended Budget	FY 19/20 Projected Actuals*	FY 20/21 Proposed Budget
REVENUES				
Cemetery Revenue	\$135,000	\$135,000	\$103,230	\$135,000
Other Revenue	\$115,000	\$115,000	\$77,957	\$115,000
Transfers In	\$117,980	\$87,980	\$87,980	\$89,903
Interest Revenue	\$50	\$50	\$450	\$450
Revenue Total	\$368,030	\$338,030	\$269,617	\$340,353
EXPENDITURES				
Salary & Wages	\$138,383	\$138,383	\$138,955	\$153,352
Employee Benefits	\$68,095	\$68,095	\$71,321	\$79,133
Professional Services	\$25,000	\$25,000	\$15,346	\$25,000
Property Services	\$80,039	\$85,488	\$41,949	\$49,186
Operations	\$11,450	\$11,450	\$9,781	\$11,450
Supplies	\$8,500	\$8,500	\$5,794	\$8,500
Internal Services	\$3,541	\$3,541	\$3,541	\$9,151
Transfers Out	\$0	\$0	\$0	\$0
Expense Total	\$335,008	\$335,008	\$286,687	\$335,772

Water Enterprise Fund

REVENUES	FY 19/20 Adopted Budget	FY 19/20 Amended Budget	FY 19/20 Projected Actuals*	FY 20/21 Proposed Budget
Licenses & Permits	\$54,000	\$54,000	\$3,500	\$15,000
Water Fees	\$5,249,139	\$5,249,139	\$5,434,726	\$5,576,398
Charges Services / Concessions	\$47,000	\$47,000	\$39,141	\$49,000
Other Revenue	\$0	\$0	\$0	\$0
Interest Revenue	\$30,000	\$30,000	\$30,000	\$30,000
Revenue Total	\$5,380,139	\$5,380,139	\$5,507,368	\$5,670,398
EXPENDITURES				
Salary & Wages	\$657,294	\$657,294	\$565,369	\$714,039
Employee Benefits	\$306,205	\$306,205	\$301,169	\$344,532
Professional Services	\$340,840	\$340,840	\$132,521	\$337,840
Property Services	\$122,456	\$145,839	\$117,509	\$160,468
Operations	\$214,365	\$214,365	\$140,043	\$191,615
Supplies	\$2,131,900	\$2,131,900	\$2,206,752	\$2,378,719
Software & Equipment	\$11,252	\$11,252	\$5,000	\$6,252
Internal Services	\$613,981	\$613,981	\$676,208	\$635,934
Transfers out - CIP	\$1,555,680	\$1,555,680	\$0	\$0
Transfers	\$593,995	\$593,995	\$593,995	\$651,328
Debt Service	\$123,652	\$123,652	\$120,728	\$119,553
Expense Total	\$6,671,620	\$6,695,003	\$4,859,293	\$5,540,280

*Unaudited

FY 19/20 - Eliminate Transfer out \$1.5M
Projects funded by existing Water CIP Fund Balance

CIP Budget

Total Funding Request by Project for Fiscal Year 2020/21 Capital Improvement Program

CIP #	Project Name	FY20/21 New Funding Request	Estimated Available Prior Funding	FY 20/21 Active Projects
TRANSPORTATION: Keeping Sonoma Moving Safely				
T-1	Chase Street Bridge Replacement Project	\$1,781,422	\$171,603	Construction in Summer 2021, pending availability of Federal grant funds
T-2	Fryer Creek Pedestrian & Bicycle Bridge Project	\$501,000	\$142,643	Proposed for construction Summer 2021
T-3	Bi-Annual Slurry Seal Projects	\$198,609	\$0	
T-4	Citywide Sidewalk Inspection & Repair Program	\$55,000	\$0	Annual program
T-5	Ongoing Pavement Rehabilitation & Water Services Replacement Projects	\$0	\$0	Shovel ready for Federal infrastructure funds
T-6	Citywide Roadway Safety Improvement Projects	\$100,000	\$0	Pending design
T-9	Citywide Bicycle & Pedestrian Improvement Projects	\$30,000	\$0	Pending design
	SUBTOTAL	\$2,666,031		
CREEKS & DRAINAGE: Reducing Flooding & Protecting Water Quality				
CD-5	Depot Park First Street West Frontage Improvements	\$0	\$196,000	Construction in Summer/Fall 2020
	SUBTOTAL	\$0		
WATER: Providing High Quality, Dependable Water				
W-6	Fire Flow Improvements - Upsizing Asbestos Cement (AC) and Unknown Material Pipelines	\$0	\$1,500,000	Construction in 2020/21
W-8	2020 Urban Water Management Plan & Minor Water Master Plan Update	\$75,000	\$0	Required in 2021
W-10	Water Meter System Upgrades	\$0	\$75,000	Work on Request for Proposals
	SUBTOTAL	\$75,000		
PARKS: Making Life Better				
P-3	Sonoma Overlook Trail Maintenance & Rehabilitation Project	\$0	\$30,000	Trailhead signage
P-6	Montini Trail Connection & Enhancement Project	\$0	\$200,000	Trail concept plan, environmental, design
	SUBTOTAL	\$0		
BUILDINGS & FACILITIES: Maintaining Critical Assets				
BF-6	Carnegie Building Improvements Project	\$0	\$312,700	Construction pending with prior funds
	SUBTOTAL	\$0		
	TOTAL CIP FOR FY 2020/21	\$2,741,031		

FY 20/21 Proposed Budget One-time Items

One-Time Projects (Operating and CIP)

Forecast assumes \$150,000 of General Fund for one-time projects per year

ITEM	FY 20/21 General Fund	FY 20/21 Other Funds	FY 21/22 General Fund	NOTES / FEEDBACK
Plaza Tree Assessment		\$35,000		Paid for by Measure M Parks
Cemetery Analysis			\$30,000	Plan for FY 21/22; focus on COVID emergency and other projects for 20/21.
Citywide Fee Study	\$5,000		\$22,000	Baseline update FY 20/21; larger update FY 21/22
Historic RR District Plan	\$15,000			In Planning budget.
Downtown Parking Study			\$20,000	Update Parking Study; wait for “normalcy” return.
Tenant Mediation Placeholder		\$25,000		Recommend RECOURSE mediation services; recommend use Housing Trust Fund instead of General Fund.
Gates for Casa Grande Parking Lot	\$30,000			State Parks committed to gate to neighborhood but no funding; trying speed bumps
FY18-19 Audit Services	\$36,920			In Finance Department. Carryover from 19/20.
November 2020 Election	\$50,000			Range of \$39,200 to \$60,000; Budgeted \$50,000 in City Clerk budget; 2 Council seats, ½ cent sales tax, UGB, cannabis initiative, cannabis sales tax
Computer Security		\$52,384		Overall assessment on City’s technology system; Phase 1 costs from MIS Fund
EV Charging Stations			\$20,000	Opportunity to add Tesla charging stations in FY 20/21 plus electrical infrastructure to add generic chargers in FY 21/22 with grant from SCP.
Hazardous Mitigation Grant	\$15,000			
SUBTOTAL OPERATING:	\$151,920	\$112,384	\$92,000	Forecast has \$150,000 for these costs for FY 20-21.
Transfer to CIP	\$5,000			Includes \$5,000 for Citywide Sidewalk Inspection/Repair
TOTAL OPERATING & CIP	\$156,920	\$112,384	\$92,000	

Eviction Mediation Services

Contract with RECOURSE

Redwood Empire Conflict Resolution Service

- City Council directed staff to find mediation services to assist residents that might be facing eviction to negotiate alternatives with their landlord.
- Recourse is interested in partnering with the City to provide these services. They are the official landlord-tenant mediators at the Sonoma Superior Court in unlawful detainer cases. The judge requires mediation in all of the cases before hearing them. They have a high success rate in reaching agreements in the mediations. Recourse Mediation Services has been providing these services for nearly 25 years.
- Staff report has a formal proposal from Recourse Mediation Services for \$25,000 which will fund 84 mediations.
- Staff recommends that you continue to use Housing Trust Fund for this purpose rather than General Fund. Council could also appropriate some of the current \$150,000 that you have set aside for rental assistance with FISH. Should the Council choose to move forward, the Council will need to decide who is eligible for the program.

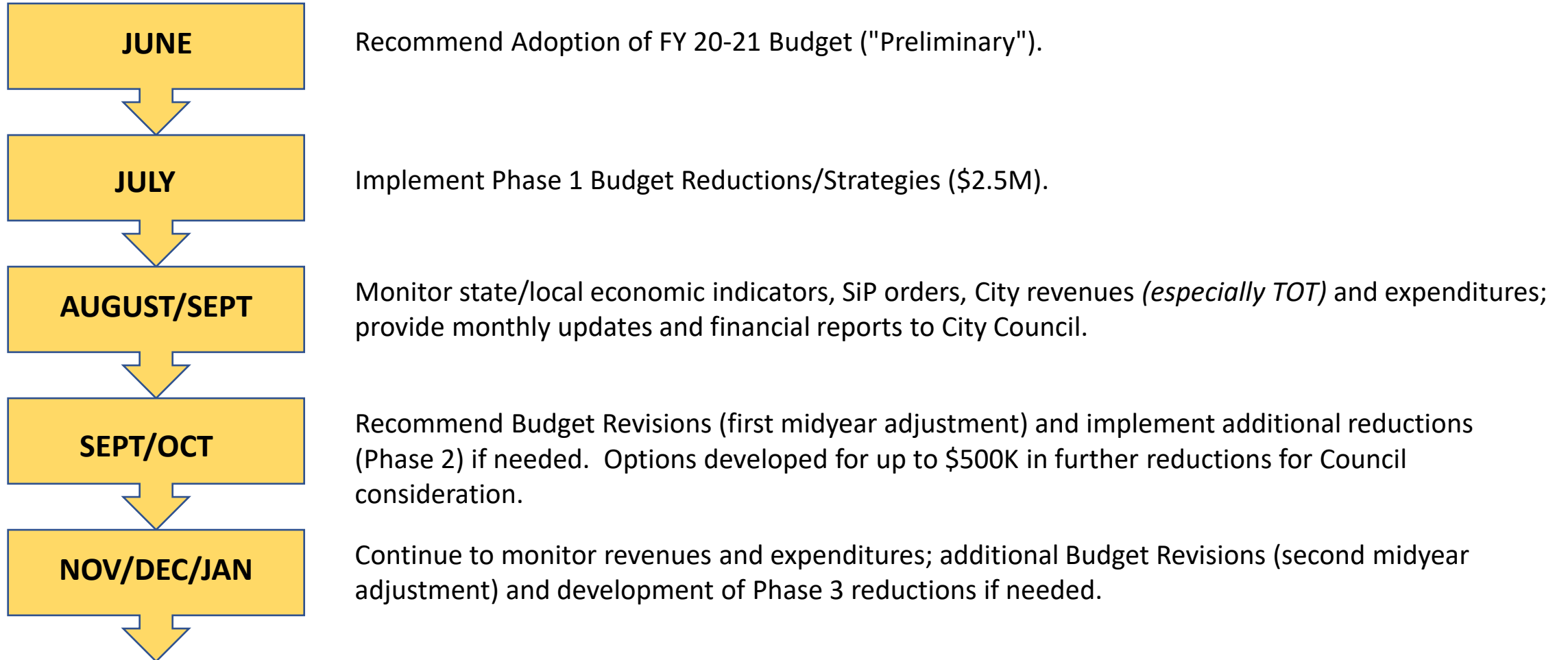
Homeless Support Due to Pandemic & Safe Parking Program

Homelessness -- EOC / Safe Parking Support FY 20/21

Safe Parking Program - Towing of vehicles	\$	3,000
Safe Parking Program - Extra trash pick-up	\$	10,000
EOC Homeless - Clothes Washing Program	\$	16,800
EOC Homeless - Hand washing stations	\$	2,844
EOC Homeless - Portable restroom facilities	\$	3,066
Subtotal	\$	35,710

Conclusion

FY 20-21 Budget: Act, Monitor, and Adjust



Financial Planning ... the Road through Uncertainty

ADDED SLIDE

The road through uncertainty

Tough decisions
Flexibility to adapt to a rapidly changing situation
Readiness to act quickly if/when required



**Multiple Variables
and High Level of
Unknowns**



- Develop forecast with scenarios for key revenues.
- Increase monitoring mechanisms.
- Provide budget balancing options to Council.
- Prepare phased response levels.
- Be ready to implement if/when triggered.

Questions, Discussion & Direction