



City of Sonoma

Budget in Brief

Fiscal Year 2021-2022

The COVID-19 pandemic continues to be a primary driver of the local economy, our City revenues, and the services that our community needs. The City of Sonoma remains focused on supporting our residents and businesses throughout these challenging and changing times. The budget for this fiscal year (FY 21-22 runs from July 1, 2021 through June 30, 2022) is a reflection of City Council priorities for services to our community.

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Prior to the pandemic's onset in early 2020, the City of Sonoma had a balanced operating budget, with ongoing expenditures fully funded by revenues. Although key City revenues such as hotel taxes and sales taxes have been significantly impacted since then, cost-cutting measures and careful expenditure controls have limited the resulting operating deficits. General Fund reserves (funds set aside for emergencies and economic downturns) were tapped to fill the funding gaps for FY 19-20 (approximately \$660,000) and FY 20-21 (estimated at \$1,467,000).

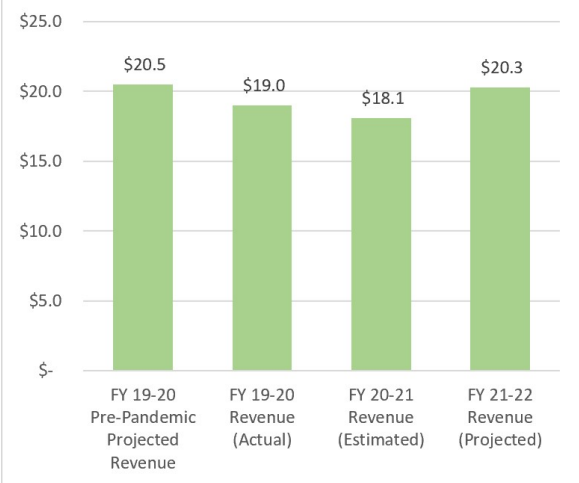
While the "unprecedented times" continue into this fiscal year, there are reasons for optimism. Although the FY 21-22 budget has an operating deficit, it does include targeted reinvestments as the local economy shows signs of rebounding. Thanks to the support of Sonoma voters on a November 2020 ballot measure, our local sales tax will continue, rather than expiring in 2022. Federal legislative relief in the form of the American Rescue Plan will provide the City with about \$2.6 million over two years, helping to offset pandemic-related revenue losses.

In developing the budget, the City uses a multi-year General Fund Forecast as a tool for remaining on a financially sustainable path, and adapting as needed to serve the community within available resources. Many of the organizational improvements made in recent years to our emergency preparedness capabilities, financial management systems, and communication channels have aided the City's ability to navigate the challenges of the pandemic.

Sonoma's finances will continue to be affected not only by changing public health guidelines but also by trends in consumer and traveler behavior and the overall economy. It is also important to note that drought, wildfire season, and public safety power shutoffs all have the potential to cause "layered emergencies" for our community. This reinforces the need for healthy financial reserves, solid budget management, and a strong City team.

An overview of the FY 21-22 Operating & Capital Improvement Program Budget, which totals almost \$40 million (all funds), is provided on the following pages of this "Budget in Brief".

Pandemic Impact on General Fund Revenue (in \$ Millions)



Excludes relief funds received from the American Rescue Plan.

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The General Fund

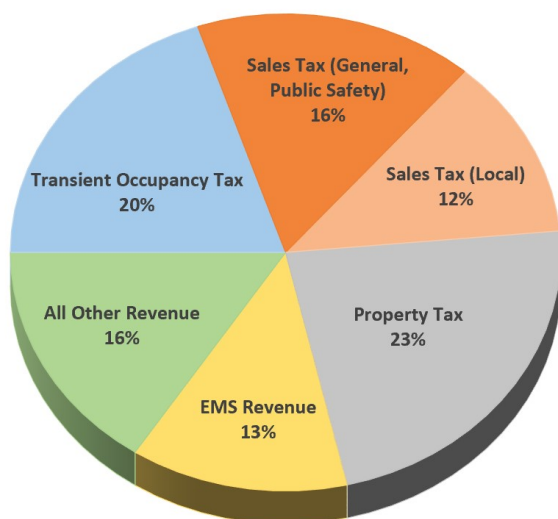
The City budgets and accounts for revenues and expenditures in several different funds. The largest is the General Fund, which provides for basic governmental services including public safety, planning and building services, maintenance of streets, parks and facilities, and other community services as prioritized by the City Council. With modifications approved by the City Council, the FY 21-22 General Fund budget totals \$21.8 million, funded by projected revenues of \$20.3 million with the remaining \$1.5 million slated to come from reserves.

Fortunately, one-time federal relief funding of \$1.3 million from the American Rescue Plan (ARP) will reduce this projected FY 21-22 operating deficit from \$1.5 million to about \$200,000. An additional \$1.3 million in ARP funds is anticipated to be received at the beginning of next fiscal year, for a total of \$2.6 million in federal relief.

FY 21-22 General Fund Budget

Revenues	\$ 20,324,330
Expenditures	\$ 21,822,490
<i>Deficit (Use of Reserves)</i>	\$ (1,498,160)

Where the \$ Comes From:
FY 21-22 General Fund Revenue



Sonoma’s economy is tourism-based. Revenues most impacted by the pandemic are hotel taxes (called Transient Occupancy Tax or TOT) and sales taxes, while other revenues such as property taxes are more stable. Just prior to the pandemic’s onset, annual TOT revenues were on track to reach a record \$4.8 million/year. With the pandemic shutdown, TOT plunged to \$3.4 million for FY 19-20, and further decreased to \$2.8 million (estimated) for FY 20-21. With strong trends but a not yet certain recovery, TOT revenues are projected at just over \$4 million this year.

Sales taxes are also highly impacted by tourism, with restaurants comprising the largest single segment. Total sales taxes (general, public safety, and local) for FY 21-22 are projected at to return to close to pre-pandemic (FY 18-19) levels.

Sonoma’s Local Half-Cent Sales Tax

Since 2012, the City of Sonoma has had a voter-approved local “transaction and use tax”, which adds a half-percent (0.50%) on purchases in the city to fund general municipal services. Prior to the pandemic, this local sales tax was contributing about \$2.5 million to the City’s General Fund budget, making it an important source of funding for services to the community.

This tax was set to expire in 2022. In the November 2020 general election, voters in the City of Sonoma approved **Measure V**, which extended this local sales tax at the existing rate on an ongoing basis until ended by voters.

More information can be found at:
sonomacity.org/ballot-measure-v.

Reserves: the City’s “Rainy Day” Funds

As a result of years of fiscal prudence, City has built healthy financial reserves, which function as savings accounts or rainy day funds. The **Emergency Reserve** helps fund the costs of responding to a major fire, earthquake, or pandemic. The purpose of the **Operating Reserve** is to help mitigate the effects of economic downturns on City services and allow time to adjust operations accordingly. Any remaining reserves are available for one-time special projects and to restore the emergency and operating reserves to their target levels.

The FY 21-22 fiscal year began with an estimated \$8.3 million in total reserves (pending annual audit). Learn more about the City’s reserve policy at:
sonomacity.org/financial-documents.

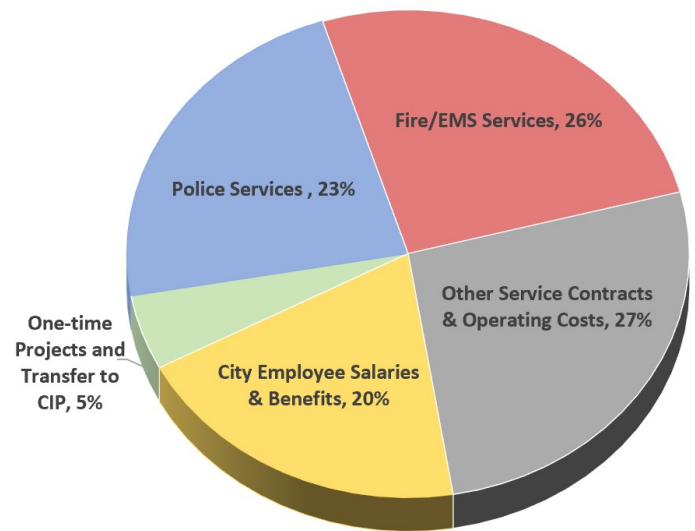
Expenditures

At \$21.8 million, the FY 21-22 General Fund budget is about 11% higher than estimated year-end total expenditures for FY 20-21. This represents targeted restorations of some of the pandemic related budget cuts, along with funding contractual obligations and making more than \$1 million of investments in key one-time and capital projects. The budget provides funding for core service levels in public safety and public works, partnering with local non-profits to provide recreational and other community services, protecting our community assets, enforcing City codes, and increasing our focus on preparing for emergencies.

The City provides services to the community through a combination of city employees and contracts for services. The FY 21-22 budget maintains a total of just under 42 FTE (full time equivalent) staff positions, whose salaries and benefits make up 20% of the General Fund Budget. Among the functions these employees provide are city management, council and commission support, city clerk services, finance, human resources, public information, planning and building services, traffic safety, maintenance of streets and parks, management of capital projects, coordination of community events and services, and sustainability programs. City employees also operate and maintain the City's water utility (a separate fund).

City staff also manage a number of contracts for services, including fire and emergency medical services (SVFRA) and police services (County Sheriff). Together, Police and Fire/EMS services comprise about half of the General Fund budget. Other city functions provided by contract include code enforcement, youth/family services, legal services, economic development, recreation and social services, trail maintenance, specialized engineering, and technology support. This year's budget includes the addition of funding for part-time assistance in administering the City's affordable housing program. Other operating costs include debt service, payments on accrued pension liabilities, property and liability insurance costs, and facility maintenance.

Where the \$ Goes:
FY 21-22 General Fund Expenditures



Reinvesting as Resources Allow

With positive economic trends and federal relief funds in process, this budget restores some of the previous year's cuts. A few highlights for FY 21-22:

- Two of the three full-time positions that were reduced in last year's Police contract for services are restored. The Deputy position was restored at the start of the fiscal year, and the Community Services Officer at mid-year. The Police budget also includes an increase in traffic officer coverage to assist with speed control and pedestrian safety.
- Increases to the Fire contract for services include restoration of reductions to budgets for training, personnel protective gear, and other equipment.
- Funding for the City's core recreation partner organizations is restored to pre-pandemic (FY 19-20) levels.

A Tool for Accomplishing Goals

The budget is a tool for funding service priorities. In addition to ongoing operational objectives, each City department sets goals for the coming year, which are outlined in the budget document. Among the dozens of FY 21-22 goals are:

- Update the City's Housing Inclusionary ordinance (increasing affordability requirements for new construction) and begin an update of the Housing Element of the City's General Plan.
- Update the City's Pavement Management program and prepare a 5-year street paving plan.
- Coordinate implementation of software to provide centralized information on all recreation programs offered in Sonoma Valley.

Special Projects Move Key Priorities Forward

The FY 21-22 Budget includes more than \$600,000 in General Fund spending for special projects. These one-time costs include:

- \$330,000 for three important software projects: new cloud-based permitting software to replace the current manual permit system, upgrades to records management software (to include a public portal), and upgrades to financial software components. Additionally, \$75,588 was budgeted to implement computer network and cybersecurity vulnerability reduction and best practices.
- \$30,000 for landscape improvements to the Plaza park; \$25,000 for irrigation improvements and other maintenance projects at the Field of Dreams, and \$20,000 for the next phase of Parks & Recreation planning.
- \$15,000 for City Council directed studies, which may include a downtown parking study and/or other projects; \$10,000 for federal lobbyist services; and \$10,000 for grant-writing services.



Investing in Infrastructure

Our local economy and quality of life depend on reliable infrastructure. The Capital Improvement Program (CIP) is a plan to support investment in the City's streets, sidewalks, bikeways, stormwater drainage, water system, parks and open space, cemeteries, and City-owned buildings.

General Fund support available for the CIP budget has always been limited, but was eliminated almost entirely last year due to the pandemic's impact on revenues. The FY 21-22 CIP Budget includes \$478,400 from the General Fund, as part of a total of \$3.76 million in new funding for capital projects. The major funding sources for CIP projects are gas taxes, federal grants, state grants and bond measures, countywide tax measures for transportation and parks, City fees on new development, annual set-asides for asset maintenance and replacement, and enterprise funds such as the City's Water Fund. Many CIP projects are multi-year, with funding carried forward as needed. For FY 21-22, active projects include:



TRANSPORTATION: 9 projects with new funding totaling \$893,833. Projects planned for the coming year include the Broadway Pedestrian Safety project, the Chase St. Bridge Replacement (pending federal grant funds), the Fryer Creek Pedestrian & Bicycle Bridge, and ongoing projects for street slurry seal, pavement rehabilitation, roadway safety improvements, and sidewalk inspection.



WATER: 4 projects with new funding totaling \$2,244,533. The largest project is the Water Meter System Upgrade.



PARKS: 5 projects with new funding totaling \$305,921. Active projects for the coming year include improvements to Depot Park, Olsen Park, and Pinelli Park, as well as planning for the Montini Trail Connection & Enhancement Project.



BUILDINGS & FACILITIES: 7 projects with new funding totaling \$316,400. Projects include improvements or major maintenance at the City Corporation Yard, Fire Station #1, Carnegie Building, SOS Building, Depot Park Museum, and electric vehicle charging.

How to Learn More... The budget is a policy document, a plan, and a tool. Understanding of the City's resources and spending priorities is an important part of knowing how our local economy and municipal services work. While this "Budget in Brief" provides a summary, the full budget document details the City organizational structure and staffing, includes program descriptions, goals, and accomplishments, provides an overview of the City's financial condition, and further outlines budget priorities and issues for each fund. The full document can be found online at sonomacity.org/financial-documents.

The City budget sets a course of action, and regular monitoring, reporting, review and adjustment allows for changes needed to continue to serve our residents and businesses within available resources. Budgeting is an ongoing process. To remain updated, visit sonomacity.org to subscribe to agenda notifications and our e-newsletter .