



FY 2019-20 Budget Update

City Council Meeting
May 20, 2020

Overview



- Governor's May Revise
- Revenue Update
- Expenditure Update
- Council Direction

Governor's May Revise (May 14, 2020)



- \$54 Billion Deficit - first in eight years.
- \$203 Billion proposed down from \$222.2 Billion in February
- Proposes to use \$16.2 billion in the (Rainy Day Fund) over three years,
- Cancels planned or previously proposed program expansions,
- Spends available Federal funds and builds automatic budget controls in the event that new Federal stimulus dollars are approved.
- Does not appear to be any *direct* State taking or borrowing of City revenue (beyond State actions already taken).
- Fuel tax revenues used to fund transportation projects expected to drop by a total of \$1.8 billion through 2024-25.
- SB 1 (Chapter 5, Statutes of 2017) funds are protected and continue to be collected.

Revenue Update – General Fund



	FY 2019-20 Current Budget	Actual As of 4/21/20	Salary Adjustment	Revenue /Expense Adjustment	2019-20 Projected	Percentage of Total
General Fund Revenue						
Taxes	\$23,820,630	\$12,865,585		-\$160,152	\$23,980,732	90.99%
License, Permits & Fees	\$611,500	\$615,670		\$23,500	\$635,000	2.41%
Fines & Forfeitures	\$511,264	\$162,965		-\$261,770	\$249,494	0.95%
Intergovernmental	\$523,743	\$312,857		\$94,569	\$618,312	2.35%
Charge for Services	\$1,137,300	\$566,565		-\$437,861	\$699,439	2.59%
Use of Money & Property	\$165,300	\$74,092		-\$53,300	\$112,000	0.42%
Other Revenues	\$75,500	\$30,829		\$800	\$76,300	0.29%
Sub-total	\$26,845,237	\$14,628,562		-\$490,910	\$26,354,327	100.00%
Transfers In	\$473,000	\$473,000		\$0	\$473,000	
TOTAL GENERAL FUND REVENUE	\$27,318,237	\$15,101,562		-\$490,910	\$26,827,327	

Revenue Update – Taxes



	2019-2020 Current Budget	Actual As of 4/21/20	Adjustment	2019-20 Projected	% Change
Property Tax	\$ 9,260,866	\$ 5,288,600	\$ 67,563	\$ 9,328,429	+1%
Sales & Use Tax	\$ 4,326,000	2,507,620	\$ (216,600)	4,109,400	-5%
VLF Property Tax Swap	\$ 3,563,964	1,804,876	\$ 45,789	3,609,753	+1%
Transaction & Use Tax Measure	\$ 3,482,000	1,940,733	\$ (73,000)	3,409,000	-2%
Transient Occupancy Tax	\$ 515,000	272,685	\$ (213,600)	301,400	-41%
Business License Tax	\$ 735,000	158,020	\$ 0	735,000	0%
Franchise Fees	\$ 1,705,000	779,377	\$ 75,000	1,780,000	+4%
Document Transfer Tax	\$ 232,800	113,674	\$ 475,000	707,800	+204%
TOTAL TAXES	\$ 23,820,630	\$ 12,865,585	\$ (391,248)	\$ 23,429,382	-2%

Revenue Update – Sales Tax



	2019-2020 Current Budget	Actual As of 4/21/20	Adjustment	2019-20 Projected
Sales & Use Tax	\$ 4,326,000	2,507,620	\$ (216,600)	4,109,400
Measure X	\$ 3,482,000	1,940,733	\$ (73,000)	3,409,000

- City budgeted conservatively for Bradley Burns 1% and Local Sales Tax Measures (Measure X and Measure D), but negative impacts will still be realized through FY 2021.
- Gas prices, demand will affect sales tax and State transportation monies.
- State deferrals: 90 days and 12 months.
- Wayfair decision impact.

Revenue Update – Sales Tax



Sales Tax FY 2020	Bradley Burns	Measure X
Budgeted	4,326,000	3,482,000
Pre COVID	4,600,000	3,800,000
Current	4,109,000	3,409,000

- Trending well in Sales Tax pre-COVID above conservative estimates.
- State deferrals: 90 days and 12 months:
 - 90-day extension for all businesses filing a return for less than \$1 million in tax liability. **Impact: \$452,000.**
 - CDTFA Small Business Relief Payment Plans - 12-month, interest-free, Installment Plan Agreement (IPA) for up to \$50,000 of sales and use tax liability. **Impact: \$262,300.**
- Wayfair decision offers some additional revenue from online sales.
- Return to previous spending patterns after significant income interruptions is not immediate and often evolves (HdL).

Expenditure Update – Salary Adjustments



General Government 21,446.08

Non-Departmental

Administrative Services 163,693.89

Public Works 220,868.81

Police Department 197,587.80

Community Development 73,762.61

Sub-total Gen Fund 677,359.18

Water Enterprise Fund 16,515.35

Internal Service Funds 21,521.72

Agency 18,812.86

Total Salary Adjustments 734,209.11

- Reflects labor contracts and changes to the MCP that took effect after budget adoption.
- Includes reduction in temporary salaries due to program reductions.

Expenditure Update – General Fund



	FY 2019-20 Current Budget	Actual As of 4/21/20	Salary Adjustment	Revenue /Expense Adjustment	2019-20 Projected	Percentage of Total
General Fund Expenditures						
General Government	\$1,447,154	\$1,366,731	\$21,446	\$190,660	\$1,659,260	6.01%
Non-Departmental	\$2,357,336	\$1,861,543	\$0	-\$17,700	\$2,339,636	8.48%
Administrative Services	\$4,158,834	\$3,268,957	\$162,694	-\$130,470	\$4,191,057	15.19%
Public Works	\$4,078,221	\$4,503,685	\$220,869	\$195,895	\$4,494,985	16.30%
Police Department	\$12,789,459	\$11,257,748	\$197,588	\$228,825	\$13,215,872	47.91%
Community Development	\$1,972,663	\$1,133,448	\$73,763	-\$362,580	\$1,683,846	6.10%
Sub-total	\$26,803,667	\$23,392,113	\$677,359	\$104,630	\$27,584,657	100.00%
Transfers Out	\$155,280	\$170,177		\$14,897	\$170,177	
TOTAL GENERAL FUND EXPENDITURES	\$26,958,947	\$23,562,290	\$677,359	\$119,527	\$27,754,833 (rounded)	

Net Adjustments – All Funds



	Net Adjustments
General Fund	1,286,706
Special Revenue Funds	29,368
Water Fund	267,564
Marina Fund	(400)
Parking Fund	(3,600)
Internal Service Funds	97,460



■ **Uncontrollable**

- Federal and State COVID-19 Reimbursements
- State Budget Revision

■ **Controllable**

- Transfer from Reserves for additional litigation
- SSA Loan Unspent Proceeds
- Unassigned Reserves
- FY 2018-19 Surplus Assignment
- Anticipated Receipt of One-Time Transfer Tax Revenues

Reserves



Reserves Category	6/30/19 Adjusted Fund Balance
Assigned – Pension/OPEB Obligation	\$1,500,000
Assigned - Infrastructure	\$500,000
Assigned – Other	<u>\$196,025</u>
Assigned Reserves Fund Balance	\$2,196,025
Unassigned Contingency - Catastrophes	\$1,000,000
Unassigned Contingency – Economic Uncertainty	<u>\$1,000,000</u>
Unassigned Contingency Reserves Fund Balance	\$2,000,000
Unassigned Undesignated Reserves Fund Balance	<u>\$8,538,916</u>
Total Unassigned Fund Balance	\$10,538,916

Current FY Considerations/Discussion



- Litigation expenses - \$190,000 from Undesignated Unassigned
- Public Safety request to complement needs of full staffing as discussed with Council in February 2020 to be taken from reserves (\$451,000). Expenditures will occur over an extended period.
- Lobbyist 3rd Quarter 2020 and FY 2021
- Recreation – summer childcare camp and pool mobilization expenses this FY – conditional upon approval



Special COVID-19 Recreation Programming Consideration

- Summer camp/childcare and pool programs severely limited due to COVID-19 impacts
- Resolution contains provision authorizing City Manager to transfer up to \$50,000 from the Unassigned Fund Balance in the event the City is able to:
 - initiate an approved Recreation summer camp/childcare program in June; and/or
 - mobilize pool staff and resources prior to July 1st
- Funding is currently being taken out of the respective Recreation expense budgets; transfer from Fund Balance will be necessary to cover any current fiscal year expenses should these Recreation activities commence this fiscal year

Requested Adjustments



Category	Adjustment Amounts
General Fund Revenue Adjustments	(\$490,910)
General Fund Expense Adjustments	\$119,527
General Fund Salary Adjustments	\$676,359
FY 19-20 Projected General Fund Surplus/(Deficit)	(\$927,507)
Funding Sources	
General Fund Unassigned Undesignated Reserves (Litigation)	\$190,000
General Fund FY 2018-19 Surplus	\$369,629
General Fund Unassigned Contingency – Economic Uncertainty	<u>\$367,878</u>
Total Deficit Funding	\$927,507
Public Safety Augmentation Project	\$451,000
Additional General Fund Unassigned Undesignated Reserves	\$451,000

Next Steps



■ **Fiscal Year 2020-21**

- Return in June with proposed FY 2020-21 Budget adjustments.
- Provide quarterly updates to Budget Subcommittee to monitor the City's fiscal position.

Council Direction



- Questions?
- Recommendation - Adopt a Resolution amending the Fiscal Year 2019-20 Budget.