



Staff Reports Details (With Text)

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Attachments: 1. ATCH 1 - Operating and Capital Budget Update for FY 2020-21, 2. ATCH 2 - PowerPoint Presentation

Date	Ver.	Action By	Action	Result
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To: Honorable Mayor and Members of City Council

From: Steve Potter, City Manager

Prepared By: Bret Prebula, Finance Director

TITLE:

Proposed Budget for FY 2020/21

RECOMMENDED ACTION:

Provide direction to staff to finalize the proposed FY 2020/21 Budget and present that document for final review and approval at the regularly scheduled meeting on June 16, 2020.

DISCUSSION:

The City's two-year budget for fiscal years 2019/20 and 2020/21 was adopted by the City Council on June 18, 2019. The purpose of the budget update is to provide an update to the Council regarding revenue and expenditure trends, and to propose appropriate revisions to the FY 2020/21 appropriations.

The FY 2020/21 budget as originally adopted estimated general fund revenues of \$104.7 million and expenditures of \$103.3 million, resulting in a balanced general fund budget after transferring funds to reserves per the Council adopted fiscal policy. Adjustments are proposed for administrative purposes (FY 2019/20 Council Resolutions, corrections to original budget), for Decision Packages that will enable departments to better meet public needs, and for the impacts of the coronavirus pandemic (COVID-19).

All the adjustments referenced in this Staff Report can be found in more detail in Attachment 1,

Operating and Capital Budget Update FY 2020/21.

The Proposed Budget for all City funds totals \$223.5 million in Fiscal Year 2020/21, down from the \$234.0 million in the originally adopted budget. The goal of this budget is to balance the need to be responsive in providing services to residents, businesses and visitors in our community with the need to operate within the limitation of available resources.

Major Adjustments

General Fund Revenues

COVID-19 Impacts: General Fund revenues are being reduced by \$20.5 million due to the anticipated economic impact of the pandemic and resultant shelter-in-place orders.

Additional Transfers In: \$2.7 million of funds from the Non-Recurring General Fund and the CIP General Reserve will be transferred to the General Fund to help offset the budget deficit. Additionally, Decision Package #656 proposes to transfer \$186k of Parking Security funds to the General Fund to offset the Parking Programs Manager salary and benefits.

Other Revenue Adjustments: Anticipated revenue from CalOES reimbursements for the Fire Department is reduced by \$150k based on updated expectations.

General Fund Expenditures

COVID-19 Impacts: Departments created \$11.5 million of budget savings by reducing their operating budgets, freezing 32 positions city-wide, reducing transfers to other funds, and reallocating staff time between General Fund and other programs.

Decision Packages: Elimination of the Assistant City Manager position and replacing the Public Safety Administrative Services Manager with a Management Analyst creates another \$348k of budget savings.

Administrative: Adjustments to the budget for resolutions passed by Council in FY 2019/20, as well as a correction to the Public Safety salary calculations, resulted in \$849k of savings.

General Fund Net Operating Deficit

The net result of the revenue and expenditure adjustments is a \$3.645 million deficit in the General Fund, which would reduce the City's Emergency Reserve.

Other Funds

Non-Recurring General Fund / Information Technology Fund / Water Fund: The ERP Project was fully funded in FY 2019/20 by transferring Non-Recurring General Fund funds to the Information Technology Fund. In FY 2020/21, the Water Fund will transfer \$882k to the Information Technology Fund for the Utility Billing portion of the ERP Project. The Information Technology Fund will then return \$882k of the total project cost to the Non-Recurring General Fund.

Non-Recurring General Fund: \$350k of expenditure budget for Housing will be reduced to \$0, and \$1.2 million of funds will be transferred to the General Fund. The \$1.2 million is comprised of the \$350k from Housing and the \$882k transfer from the Information Technology Fund described above.

Solid Waste & Materials Diversion Fund: Revenue increased by \$8.1 million for rate increases, higher gate fees, and CRV materials sales. Expenditures increased by \$4.3 million for increased operating and non-recurring costs. In prior years, MDF transferred funding to the Local Streets Paving Program each year; in this budget the \$1.1 million transfer has been reduced to \$0.

Water Fund: Revenue increased by \$2.4 million for rate increases and one-time sales. Expenditures decreased by \$282k. Transfer to Information Technology Fund as referenced above of \$882k.

Traffic Fund / Measure T Fund / Tourism Improvement District Fund / Measure F Fund: Revenues reduced in these special revenue funds based on sales and hotel occupancy expectations.

Capital Projects Fund: Funding sources for the Local Streets Paving Program and the Sidewalk Replacement Program are shifting from MDF and General Fund to Measure T and RMRA (SB1). CIP Projects funded by Measure T and RMRA have been reduced. Parks Projects have been reduced, and \$1.5 million will be transferred to the General Fund to help offset the deficit.

Fleet Fund: The Fire Department is deferring their annual contribution of \$0.4 million for Fire Apparatus replacement, as well as the \$2.1 million purchase of three Fire Apparatus replacement vehicles.

Staffing

The Proposed Budget provides funding for 464 full-time positions and 8 limited-term positions in Fiscal Year 2020/21, with an additional 32 full-time positions unfunded. Of these unfunded positions, 9 are sworn police positions and the remainder are spread throughout the organization. A detailed listing of current authorized staffing is provided in Appendix A in the Proposed Budget document, and includes the 1 reallocation and 1 elimination as requested in the decision packages as listed in Appendix D.

Fiscal Policy and Reserves

The Proposed Budget for Fiscal Year 2020/21 does not meet all City Fiscal Policy. The CIP Facilities Reserve transfer is budgeted for 1% of the Operating Budget, rather than the policy-set 2%. The annual transfers to the Equipment Replacement Reserve and the Fleet (Fire Apparatus) Replacement Reserve have been deferred.

This budget assumes the use of \$3.645 million from the Emergency Reserve. Per City Fiscal Policy 14.a.iv, the City will need to begin restoring reserves within 24 months after their first use.

FINANCIAL IMPACTS:

None by this action. The purpose of the Public Hearing is to allow an opportunity for the public to comment on the proposed FY 2020/21 budget updates and for the City Council to offer any changes prior to the presentation of the Budget for final approval at the next City Council meeting.

CEQA:

The City Manager has determined that the Recommended Action described in this Agenda Report is not subject to CEQA, pursuant to CEQA Guidelines Section 15060(c).

DOCUMENTS ATTACHED:

ATCH 1 - Operating and Capital Budget Update for FY 2020/21

ATCH 2 - PowerPoint Presentation

NOTIFICATION:

Publication of Legal Ad in the Napa Valley Register on Friday May 29, 2020.