

# City of Santa Cruz Budget Hearing #3 - FY 2020 Budget Adoption

*Proactive fiscal sustainability through unprecedented times*

**CITY MANAGER'S FISCAL YEAR 2020 BUDGET MESSAGE**

**BUDGET IN BRIEF**

**Community Data FY 2020 Budget**

**Department Description**

**FY2019 Accomplishments**

**Workload Indicators**

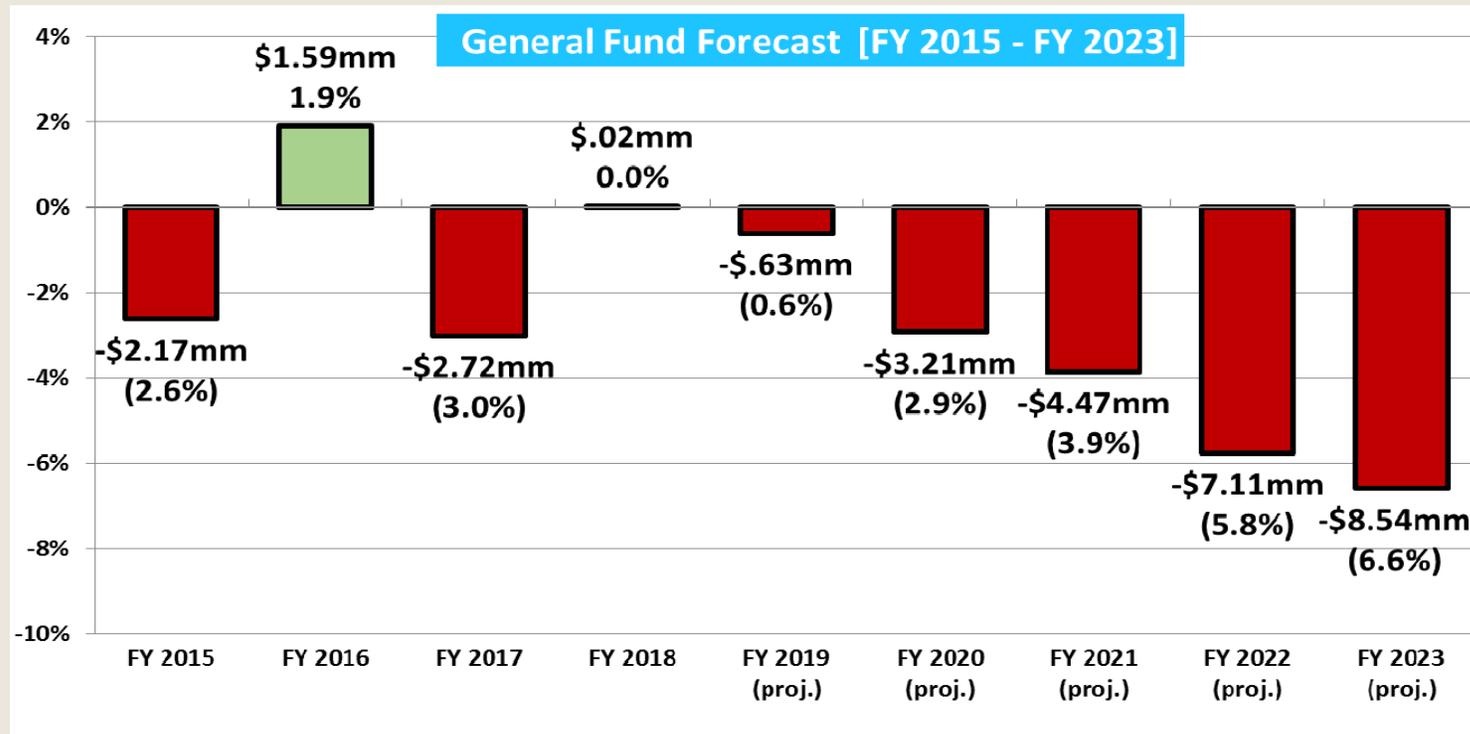
**City of Santa Cruz California 2020 Annual Budget July 1, 2019-June 30, 2020**

Martin Bernal, City Manager  
 Marcus Pimentel, Finance Director  
 Tracy Cole, Principal Management Analyst (Budget)

**Agenda Item #27**  
 June 11, 2019

# General Fund facing ongoing shortfalls

## Solving this year will decrease out year deficits

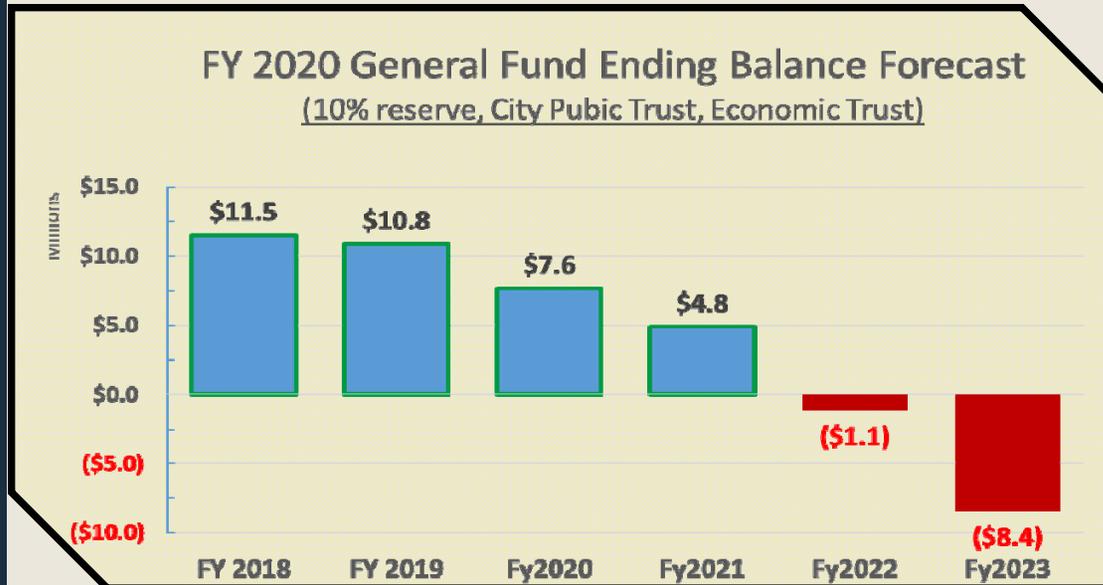


- Deficits are projected into the mid 2020's
  - *We should have planned surpluses to build up against a slowdown*
- Major assumptions include: modest slowdown FY2021-FY2022
  - *Big growth (over 5%) in: Property tax, Transient Occupancy Tax, Parking Lot tax, Property Transfer tax*



# General Fund reserves would be gone by FY2022

Now is the time to build up, not liquidate



Projected FY2019 trust balance shortfalls	Projection (in millions)
10% Reserve	\$ 6.5
City Public Trust	\$ 4.3
ED Public Trust	\$ 3.1
<i>GF projected deficit**</i>	<i>\$ 0.6</i>
<b>Total Minimum required</b>	<b>\$ 14.5</b>
<u>Less: Projected balance</u>	<u>&lt;\$10.8&gt;</u>
<b>Likely trusts shortfall</b>	<b>\$3.7</b>

\*\*FY19 projected deficit likely to increase when final, unsheltered services are compiled

- NO Climate Resiliency Fund (flood, fire, earthquake)
- NO Operating Reserve (one-time urgent or opportunities)



# FY 2020 General Fund

*FYI- Items Not  
Reduced*

Deferrals - \$204k

Examples of prior  
motions

\$ 8k	{	• Open Streets (A10)	4
\$ 60k	{	• Reduction to contractor services & repairs at facilities (B14-B16)	
\$ 12k	{	• Eliminate employee holiday luncheon (B25)	
\$ 67k	{	• Reduce Wharf facility maintenance materials (D8)	
\$ 30k	{	• Reduce Veg. management (D17)	
<u>\$ 27k</u>	{	• Reduce sports officials & summer camp temps (D18)	
\$ 204k	{	• Total Deferrals	

No Community Group reductions

No Open Streets reduction

Increase Parking Permits & Meters

## Agenda: Adopt FY 2020 Budget

### Four (4) Recommendations to adopt the budget:

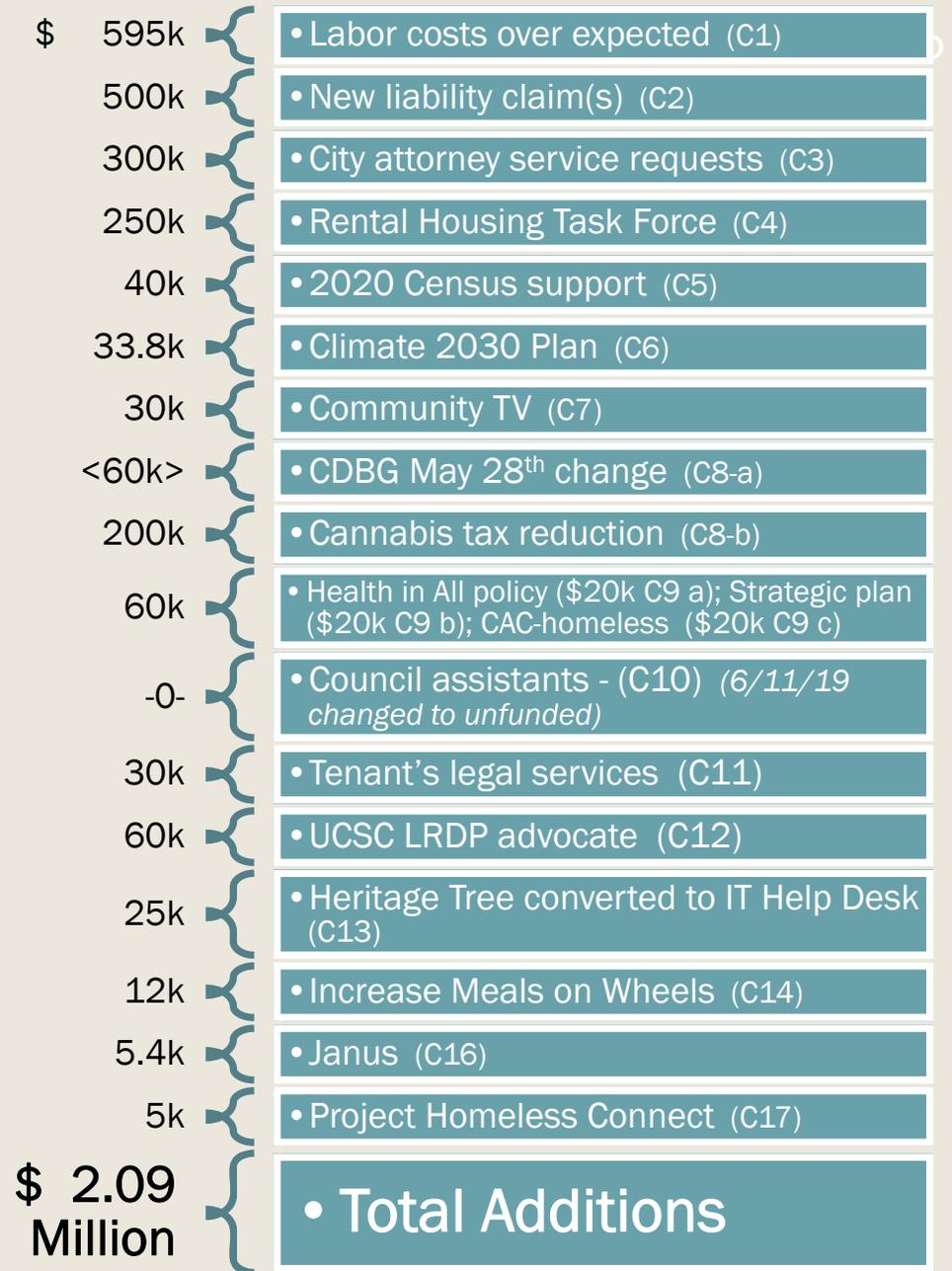
1. Motion approving the entire FY 2020 Budget
2. Motion authorizing the City Manager to implement contingent budget solutions to fund any restoration of the Rental Housing Task Force
3. Motion to accept the Water Commission's recommendations regarding the Water Department's operating and CIP budget
4. Motion to adopt revisions to Council Policy 1.3 regarding Risk Management



# FY 2020 General Fund Motion #1

## Additions to FY 2020 Budget \$2.09 Million

(from 5/28/19 Bundle #3 "Adds  
to FY2020 Budget" list)



(Budget Action 2 of 5; next LIVE MODEL)

# FY 2020 General Fund Motion #1

## \$711k in Budget Solutions

## <\$ 23k> ASA Increase

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(Budget Action 3 of 5; next LIVE MODEL)

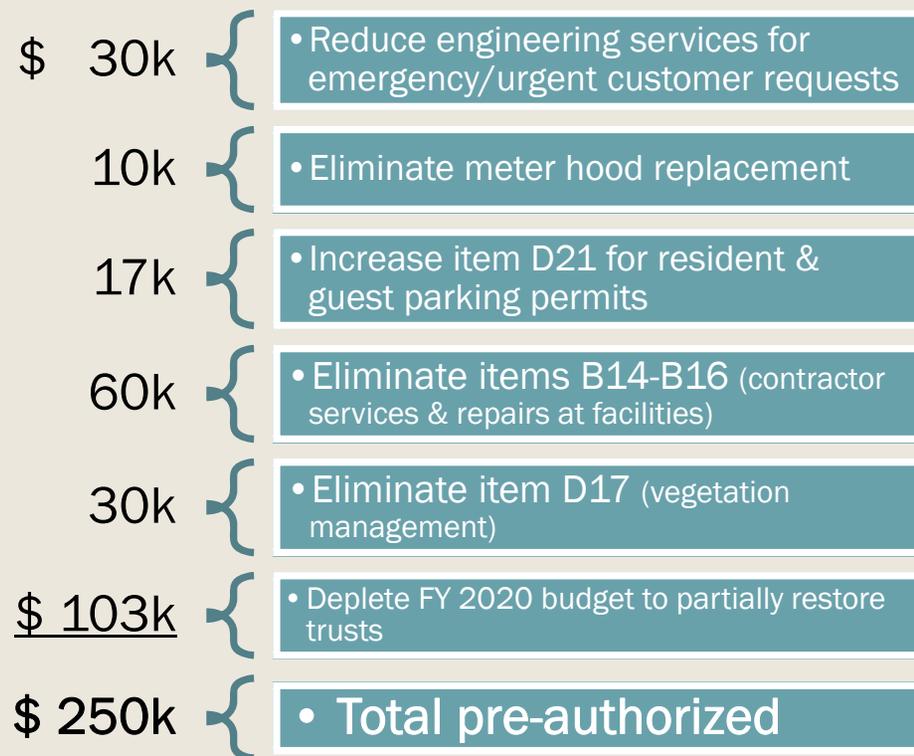
# FY 2020 General Fund [Motion #2]

## Solutions to fund Rental Housing Task Force

\$ 250,000

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The Rental Housing Task Force item will be considered after this Budget Adoption item. Therefore, it is recommended that Council develop and approve a contingent funding package that assumes up to \$250k in funding for a Housing Task Force is retained.



(Budget Action 4 of 5; *next LIVE MODEL*)

# Questions – Motions:

## Recommendation:

1. Motion to approve in total the FY 2020 Budget
  - a) \$2.09 Million confirmed additions to FY 2020 Budget
  - b) \$711,000 of final solutions
  - c) \$23,300 increase in ASA Member Contribution
2. Motion to authorize the City Manager to implement contingent budget solutions necessary to fund any Rental Housing Task Force
3. Motion to accept the Water Commission's recommendations regarding the Water Department's operating and CIP budget
4. Motion to adopt revisions to Council Policy 1.3

Go to LIVE model

CITY OF SANTA CRUZ		Exhibit A: Proposed June 11, 2019 Schedule of Budget Changes (Budget Solutions)		FY20 GF Budget Changes 0611	
<b>GENERAL FUND: Additions &amp;/or Changes for Balanced Budget</b>					
FY 2020 General Fund is FULLY FUNDED- \$ to partially restore reserve/trust defaults:				\$	103,983
Discussion items to lead to June 11th FY 2020 General Fund Balanced Budget Adoption	One time or Recurring	Date approved	General Fund	Library & Other Funds	
BEGINNING FY2020 PROJECTED DEFICIT BALANCE			(1,568,000)		
REQUIRED: Increase Labor Costs across all City & Library accounts	Recurring	5/28/2019	(595,000)	(1,046,000)	
C 2 REQUIRED: Increase in general liability claims (to be offset by 6/11/19 Council policy change)	One time		(500,000)		
C 3 REQUIRED: City Attorney minimum expected increases from City service request	Recurring	5/28/2019	(300,000)		
C 4 Support for Rental Housing Task Force	One time		(23,300)		



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(Budget Action 5 of 5; next LIVE MODEL)