



Finance Department

Finance Department



Workload Indicators

GFOA award for Annual Budget and Annual Financial Report

| | |
|------|-----|
| FY18 | Yes |
| FY17 | Yes |
| FY16 | Yes |

General Fund Budget Forecast accuracy

| | |
|------|--------|
| FY18 | 99.4% |
| FY17 | 101.8% |
| FY16 | 97.1% |

Number of vacation rentals registered

| | |
|------|-----|
| FY18 | 326 |
| FY17 | 271 |
| FY16 | 238 |

Department Description

The Finance Department is available to provide strategic fiscal leadership and risk mitigation support for the City, including contractual fiscal services for the Santa Cruz

Public Libraries, while providing reasonable assurance that the City's financial decisions are in compliance with Federal, State, regional, and City regulations and procedures.

The Finance Department's primary objective is to support the development of fiscal strategies to ensure that sufficient fiscal resources are available to meet the City's goals and objectives. It does this primarily through timely and accurate financial reporting, development of credible and reliable forecasting, and ensuring compliance with applicable fiscal rules and regulations.

The Finance Department is organized into four functional areas: (1) Accounting, Budget, Financial Reporting, and Revenue; (2) Accounts Payable, Payroll, and Contractual Bargaining support; (3) Purchasing; and (4) Risk and Safety Management, Revenue Audits, and Advanced Debt Collection.

Some atypical services included within the Finance Department are City-wide employee safety coordination, external tax compliance identification and audit programs, advanced debt collection including court room representation, a growing risk prevention program, internal debt issuance program, external debt issuance support, employee fiscal training certification, and lead on certain internal and external communication initiatives.

FY2019 Accomplishments

Financial Stability

\$ Further development of the fiscal sustainability plans. The Finance Department completed the development of the Fiscal 2023 Sustainability Plan road map in support of Strategic Goal #5. It has been the tool used over the past four budget cycles to navigate the City to adopt balanced budgets and confidently prepare for the current fiscal challenges that are expected to continue through Fiscal Year 2023.



\$ Receive the Government Finance Officers Association awards for Excellence in Financial Reporting and for Distinguished Budget Presentation. The City received for the fifth consecutive year the national award for excellence in financial reporting and budget presentation. This designation is an important factor in validating that the City's financial reporting processes meet best practices. In addition, this designation can provide assurance to the Council and community that they can rely on financial reporting to support long-term decisions.

\$ Implement Phase III of the citywide fee study to incorporate cost recovery of building fees. This is the final, major phase to confirm the City has appropriate levels of cost recovery and long-term security with all of the City's applicable General Fund building fees. The Planning and Community Development Department is the lead, with the Finance Department providing as needed support services. Due to the high level of complexity and the new workloads surrounding housing and homelessness that have emerged in early 2019, this project is expected to be delayed and continued into FY 2020

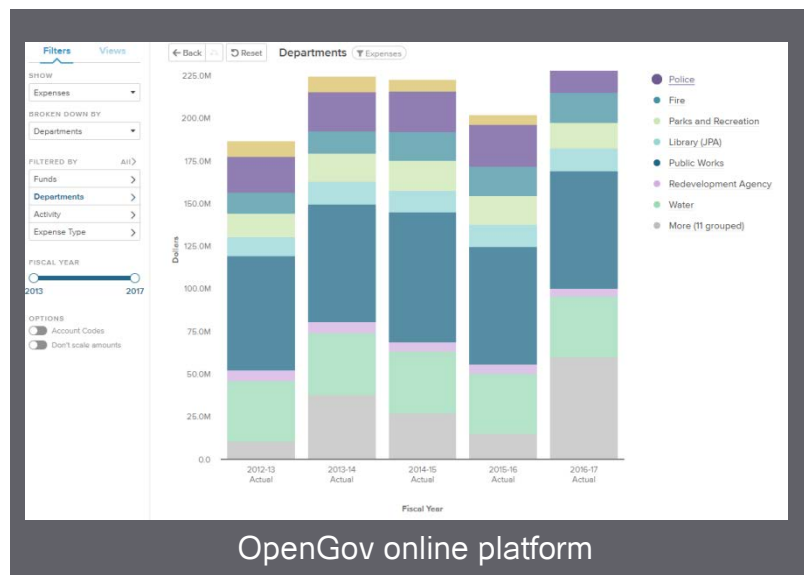
Financial Stability and Reliable & Forward-Looking Infrastructure and Facilities

\$ Expand to a 5-year Capital Investment Program plan. The department, in partnership with other City departments, successfully converted from a 3-year Capital Investment Program to a 5-year Capital Investment Program as part of the development of the FY 2020 Budget.

\$ Work with FEMA to make sure the City received all funds entitled to it for the repair of damages caused by the 2017 and 2018 major storms. The department continues to be the lead on compiling, reconciling, correcting, and submitting all FEMA and Cal-OES reimbursement claims and reports for damage cost recovery. This process has been hampered by changes in Federal administrative policies and Federal staffing and is expected to continue into FY 2020. This has been a challenging project but has remained a top department priority to ensure that all City General Fund, Water, and infrastructure operations have the resources to invest in restoration efforts or reimbursing previously allocated capital investment proceeds that were diverted to storm damage projects

Financial Stability and Engaged & Informed and Inclusive

\$ Partner with OpenGov to bring transparency in financial reporting to the public. This initiative was supported by the City's Information Technology department and led by the City's new Budget analyst. This initiative is expected to be completed and go



live before the start of FY 2020. It will provide additional tools to the City Council and public to view the City's financial information to support long-term fiscal decision making, provide another layer of financial transparency to improve community communication and engagement on fiscal status, and add value to City staff in the analysis of their operations.

\$ Continue to pursue more online payment platforms. The department was successful in providing new online payment options for two high-frequency and important revenue streams: Business License and Transient Occupancy Tax. These solutions have allowed for more effective staff resource utilization and in some cases, downsizing operational support. Future efforts will focus on new objectives to providing a one-stop digital payment home where any City resident or community member can view and make a payment for any and all City functions. Currently, the City has numerous, independent, online payment portals that require a community member to login to each narrow website to make each separate payment (Parks and Recreation classes, Parking tickets, Civic auditorium events, Utility bills, Business License, Transient Occupancy Tax, etc.).

Supports all the City Council Goals

Adopt a balanced FY 2019 and FY 2020 Budget. The Finance Department led new City Council, community outreach, and community engagement initiatives that led to the adoption of an operationally balanced FY 2019 Budget. The department plans to build on those strategies to support the Council's adoption of an on-time, balanced FY 2020 Budget. By doing so, the City Council assures the community and stakeholders that it is committed to supporting service levels and that it intends to financially live within its means.

FY2020 Goals

Financial Stability

Update and amend as needed the General Fund's Fiscal 2023 Sustainability plan. This is a continuation of the previously referenced FY 2019 Goal (Further development of the fiscal sustainability plans). With the possible changes in financial priorities, potential changes from new State legislation, unexpected funding mandates, and looming economic slowdown, this plan will need to be regularly reviewed and updated.



Implement Phase III of the citywide fee study to incorporate cost recovery of building fees. This is a continuation of the previously referenced FY 2019 Goal to provide fiscal sustainability and dependability of the City's building fees.

Reliable & Forward-Looking Infrastructure and Facilities

Support City Council subcommittee to identify capital investment funding sources. The department can play a vital support role to providing in-house analysis and certain levels of research in the identification of possible funding sources. The goal would be to restart funding for the City's General Fund Capital Investment Program and to provide required minimum funding for core community safety capital needs (such as replacement of the aging Fire fleet).

Community Safety and Well-Being

- \$ Advance development of the new Santa Cruz Public Library “Library Financing Agreement”. The department is likely to play a support role in the development of the renewal and extension of the current multi-agency, Library Financing Agreement. This agreement sets forth the funding to support the county-wide Santa Cruz Public Libraries system.



Engaged & Informed Community and Community Safety and Well-Being

- \$ Expand outreach and communication on the City’s fiscal condition. The department recognizes the continued need for additional financial analysis, work load indicators, and performance measurement reporting (tied to a new Strategic Goal plan). Accordingly,

the department will continue to lead and work with entire City operations in the development of ways to provide timely and necessary information to support long-term investment decisions.

Financial Stability and Reliable & Forward-Looking Infrastructure and Facilities

- \$ Complete a transition plan for 10-year CIP and for a multi-year adopted budget. To support expansion of outreach and communication, the department will evaluate the benefits from converting to a minimum 10 year CIP plan and multi-year adopted budget aligned with the City Council’s next Strategic Goals and work-plan. Providing for a multi-year adopted budget will prioritize the resources and service commitments to support new goals and work plans.
- \$ Continue FEMA storm damage claims processing. This is a continuation of the previously referenced FY 2019 Goal to support FEMA storm damage reimbursements.

Financial Stability and Engaged & Informed Community

- 💰 Complete an evaluation of the City's investment policy to diversify investments and improve the ability to make safe, community appropriate, investments that could provide higher yields. This project would evaluate the potential for the City's investment policy to provide additional investment security through diversification as well as improve yields. It would also reaffirm that the City's allowable investments are reasonably aligned with the City Council's Strategic Goals and community appropriate.

Financial Stability, Reliable & Forward-Looking Infrastructure and Facilities and Engaged & Informed Community

- 💰 Return to near full staffing complement. The department for most of FY 2019 has fluctuated from staffing shortages ranging from 20% to 30%. While much of this is from the positive outcome of the department's long-term succession development plan, it has impacted the department's ability to support many critical long-term and short-term city-wide and contracted operations (Library Joint Powers Authority). The department is working with and being supported by the Human Resources department with the goal of returning to a full staffing level in FY 2020.

Supports all the City Council Goals

- 💰 Adopt an on-time, operationally balanced FY 2021 Budget

An on-time adoption of a balanced operating budget provides trust and transparency to the Community, as well as providing assurances to meet the City Council Goals and Work Plan initiatives and that the City will be able to reasonably provide the expected current and future services. As the City is on the cusp of a fiscally challenging three to five year period, it is imperative that the current FY 2020 and future FY 2021 Budgets are fiscally prudent and operationally balanced.



Finance

DEPARTMENT SUMMARY

| | Fiscal Year* 2018 Actuals | Fiscal Year 2019 | | | Fiscal Year 2020 Adopted |
|---------------------------------------|---------------------------------|---------------------------|---------------------------|---------------------------|--------------------------------|
| | | Adopted Budget | Amended* Budget | Estimated Actual | |
| EXPENDITURES BY CHARACTER: | | | | | |
| Personnel Services | 3,262,518 | 3,797,152 | 3,797,152 | 3,455,676 | 4,174,694 |
| Services, Supplies, and Other Charges | 2,964,051 | 4,499,831 | 5,336,062 | 4,858,362 | 4,607,615 |
| Capital Outlay | 364 | 10,000 | 25,444 | - | 1,079,250 |
| Debt Service | - | - | - | - | 958,801 |
| Total Expenditures | <u>6,226,933</u> | <u>8,306,983</u> | <u>9,158,659</u> | <u>8,314,038</u> | <u>10,820,360</u> |
| EXPENDITURES BY ACTIVITY: | | | | | |
| Finance | 1241 3,617,127 | 4,066,604 | 4,108,168 | 3,623,556 | 4,312,203 |
| Subtotal General Fund | 3,617,127 | 4,066,604 | 4,108,168 | 3,623,556 | 4,312,203 |
| Finance | 1241 22,767 | 15,500 | 15,500 | 47,179 | 35,000 |
| Subtotal Other General Funds | 22,767 | 15,500 | 15,500 | 47,179 | 35,000 |
| Liability Insurance | 7821 2,587,039 | 4,224,879 | 5,034,990 | 4,643,303 | 4,460,606 |
| Equipment Lease Program-Gen Fund | 7861 - | - | - | - | 637,685 |
| Vehicle Lease Program-Gen Fund | 7862 - | - | - | - | 1,374,866 |
| Subtotal Other Funds | 2,587,039 | 4,224,879 | 5,034,990 | 4,643,303 | 6,473,157 |
| Total Expenditures | <u>6,226,933</u> | <u>8,306,983</u> | <u>9,158,659</u> | <u>8,314,038</u> | <u>10,820,360</u> |
| RESOURCES BY FUND | | | | | |
| General Fund | 101 1,174,574 | 1,195,556 | 1,195,556 | 1,178,556 | 1,230,412 |
| Liability Insurance | 842 4,571,090 | 4,486,943 | 5,086,943 | 4,605,435 | 3,960,333 |
| Total Resources | 5,745,664 | 5,682,499 | 6,282,499 | 5,783,991 | 7,988,407 |
| Net General Fund Cost | <u>(2,442,554)</u> | <u>(2,871,048)</u> | <u>(2,912,612)</u> | <u>(2,445,000)</u> | <u>(3,081,791)</u> |
| | FY 2018 | | | FY 2019 | FY 2020 |
| TOTAL AUTHORIZED PERSONNEL: | 30.00 | | | 32.00 | 32.00 |

*Sums may have discrepancies due to rounding

Santa Cruz Finance Department

