



City of Santa Cruz Budget Update Related to Financial Impacts of Coronavirus Shelter -In-Place Mandates (Printed 4/23)

City budget hit hard by COVID-19 related impacts, leadership team is taking a measured approach to address projected budget deficits for current fiscal year (FY 2020), FY 2021, and FY 2022, many unknowns remain.

There are anticipated major declines in several sources of revenue including sales tax, transient occupancy tax (TOT), and admission tax. Revenue collected by enterprise funds is also impacted.

At the end of this fiscal year, expenditures are projected to exceed revenues by 10% (\$10.4 million). This will be balanced through a general hiring freeze, the drawing down from reserves and other funds, and the reduction of departmental spending wherever possible.

List of options available to City's leadership team to utilize to balance FY 2021 (5.6% - \$6 million) and FY 2022 (2.8% - \$3 million) projected deficits include: Continued general hiring freeze, Personnel savings (10%), one-time Operating Budget reductions (5%+), suspending General Fund transfers to other funds, deferring General Fund supported capital investment program projects, no new General Fund positions, possible loans/grants from Federal/State, possible insurance reimbursements, FEMA reimbursements, voluntary time off.

Staff is recommending that Council adopt a working budget for FY 2021 and form a budget committee made up of the Mayor, Vice-Mayor, and one Councilmember,

Staff will monitor the situation and will continue to work on financial projections - will return to Council should financial circumstances change.

Projections assume an easing or end of SIP mandates within 1st quarter of FY 2021. Projections and estimates based on information currently available - variables are constantly changing.

City employees will continue to be informed of any major decisions made.