

A photograph of a white lighthouse with a green band around its lantern room, situated on a rocky pier extending into the ocean. The sky is a mix of pink, purple, and blue, suggesting a sunset or sunrise. The water is calm with some white foam from a wave in the foreground. On the left side of the image, there are two vertical bars: a teal one at the top and a yellow one below it.

City of Santa Cruz

# Fiscal Year 2021 Budget Update

# Overview

- Introduction
- Actions to Date
- Management Partners Forecast
- City Implementation + Updated Forecast
  - Budget Committee Work
  - Departmental Recommended Solutions
  - Updated Forecast
- Next Steps

# Introduction

- August 18, 2020 Forecast vs. Updated Forecast
  - Actuals now included where available
  - Various estimates updated
- Overall Fiscal Situation
  - Cash in better position, but still below reserve goals
  - Structural issues remain
    - FY 2021 - mix of one-time and structural
    - FY 2022 - more structural cuts needed
  - Current cut target for FY 2022 is \$3.75M (will change based upon Council final adopted package)

# Actions to Date

- Adopted status quo working budget on July 2, 2020
- Hired Management Partners to prepare COVID and recessionary forecast
- Implemented FY 2021 Budget Saving Measures Approved by Council
  - Hiring Freeze
  - 10% Reduction in Personnel Costs - \$4.5M savings
  - Early Retirement Incentive - \$1.4M savings
  - Voluntary Time Off Policy
  - Deferral of General Fund Supported CIP Projects
  - Identification of FEMA Reimbursements + Federal and State Aid
- Established a Council Budget Committee

# Retirement Incentives Achieved by Department - \$1.4M Net Savings (FY 2021)

Department	No. of Positions
Finance	2
Information Technology	1
City Manager's Office	1
Public Works	11
Fire	1
Police	6
Parks and Recreation	4
HR/ED/Planning	0
<b>Total</b>	<b>26</b>

# Management Partners Forecast (August 18, 2020)

- COVID impact, recession, existing structural deficit
- Recommendation - \$12 million in solutions over 2 years
  - Enhanced revenues
  - Service delivery changes
  - Expenditure controls/cost shifts
  - Service level reductions

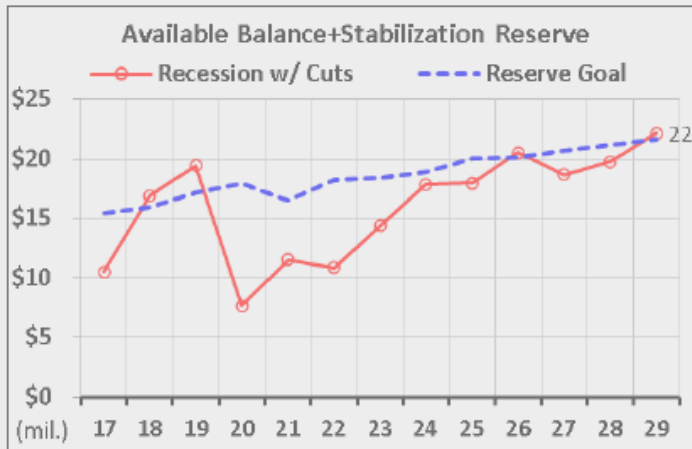


# Management Partners (August 18, 2020)

## Balancing Budget Requires \$11-14M in Solutions (9-12%)

### BEST CASE

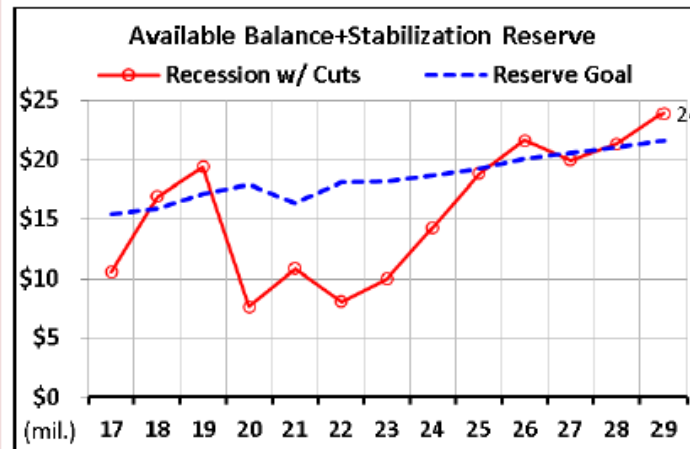
SEVERE	MODERATE	NO IMPACT	LOSSES END FY 20/21	
FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24
-9.2%	-4.5%	-1.7%	0.0%	0.0%



- Assumes **\$11M** in solutions over two years starting in FY21 (9.1% of total expense)
- Assumes \$3.5M restored FY25

### BASELINE CASE

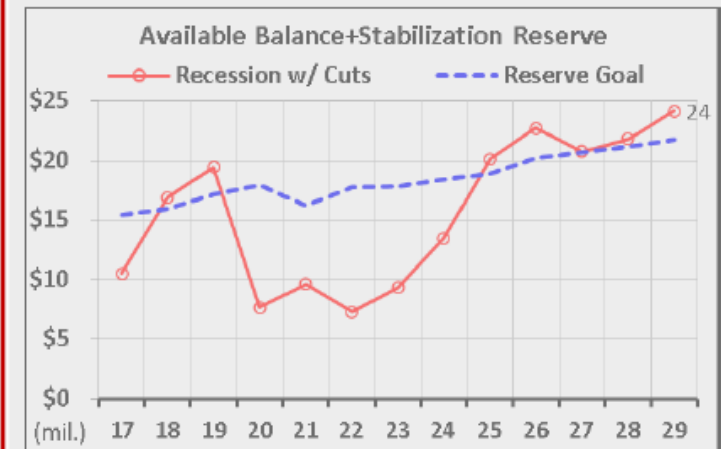
SEVERE	HIGH	MODERATE	LOSSES END FY 22/23	
FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24
-9.2%	-5.6%	-4.5%	-2.3%	0.0%



- Assumes **\$12M** in solutions over two years starting in FY21 (10.0% of total expense)
- Assumes \$4.5M restored FY26

### WORST CASE

SEVERE	SEVERE	HIGH	LOSSES END FY 23/24	
FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24
-9.2%	-7.7%	-6.0%	-4.0%	-2.0%



- Assumes **\$14M** in solutions over two years starting in FY21 (11.6% of total expense)
- Assumes \$7M restored FY26

# City Implementation for FY 2021

- Adjust reserve funds
  - Reduced reserve balance in Worker's Comp Fund (\$1.9M to GF)
  - Eliminated FY 2020 TOT transfer to ED Trust Fund (\$1.1M to GF)
  - Reduced FY 2021 TOT transfer to ED Trust by half (\$400k to GF)
  - Reduce Worker's Comp rates by 25%
- Cut \$6 million in FY 2021 (target: sustainability)
  - Set reduction target for each Department
  - Eliminate vacant positions when possible
  - Evaluate professional services
- Revenue forecast based on FY 2020 actuals - needs to be monitored closely as it may be optimistic



# Council Budget Committee

- Several budget background meetings
- Management Partners model presentation for review and comment
- Review and discussion of departmental proposals
  - Round 1
    - September 14
    - September 15
  - Round 2 - October 5
- Recommendations for October 8 Council meeting

# Recommended Solutions (FY 2021)

Category	Amount
<b>Target</b>	<b>\$6,000,000</b>
<b>Proposed</b>	
New ongoing revenue	\$13,237
Service level reduction/elimination	\$2,167,467
Service delivery alternative/cost shift	\$1,754,916
One-time reduction	\$1,399,109
<b>Proposed Total</b>	<b>\$5,334,729</b>
<b>Shortfall</b>	<b>(\$665,271)</b>

# Finance Department Target - \$189,000

- Personnel Eliminations - \$197,000
  - 1 Vacant Accountant II in Audits
  - 1 Vacant Management Analyst in Risk (half General Fund)
  - Reclassify one vacant position
    - Accounting Assistant II to Administrative Assistant III
- Other Reductions - \$72,600
  - Office lease, software, travel and office furniture
- **Total Reductions - \$269,600**

# Information Technology Target - \$219,000

- Personnel Eliminations - will be evaluated at mid-year
- Other Reductions - \$100,080
  - Extend computer replacement schedule
- **Total Reductions - \$100,080**

# Human Resources Target - \$58,000

- Personnel Eliminations - \$22,607
  - 1 Vacant Administrative Assistant I/II position (half General Fund)
- Other Reductions - \$11,500
  - Leadership program, legal services, and training
- **Total Reductions - \$34,107**

# City Manager's Office Target - \$388,000

- Personnel Eliminations - \$0
- Other Reductions - \$390,306
  - City Attorney - \$48,597
  - City Council - \$32,000
  - City Clerk - \$28,000
  - City Manager - \$51,300
  - Animal Shelter JPA - \$77,634
  - Community programs - \$152,775\*
- Additions - \$30,000
  - Economic Hardship Program - \$30,000
- **Net Reductions - \$360,306**

*\*Note: Council Budget Committee concern area.*

# Public Works Target - \$582,000

- Personnel Eliminations - \$156,411
  - 1 Vacant Assistant Engineer II in Engineering
- Other Reductions - \$437,039
  - Street maintenance
  - Parking Services Division
  - Reallocate admin costs to enterprise funds
- **Total Reductions - \$593,450**

# Fire Target - \$1,149,000

- Personnel Eliminations - \$0 - will evaluate freezing 3 Firefighter positions if they become vacant
- Other Reductions - \$295,100
  - Marine Rescue Program
  - Fire Prevention/EMS
  - Distribution of Office of Emergency Services to All Funds
- **Total Reductions - \$295,100**



# Police Target - \$1,724,000

- Personnel Eliminations - \$979,845
  - 1 Vacant Crime Analyst - \$126,596
  - 12 Ranger Positions - \$1,277,986\*
    - Offset by add of 6 Community Service Officer Positions\* - (\$559,308)
  - 1 Victim Advocate Position - \$134,571
- Other Reductions - \$728,737
  - Community services
  - Records
  - Investigations
  - Administration
- **Total Reductions - \$1,708,582**

*\*Note: Council Budget Committee concern area.*

# Parks and Recreation Target - \$883,000

- Personnel Eliminations - \$212,178
  - 1 Vacant Special Events Coordinator
  - 0.5 Vacant Box Office Representative
- Other Reductions - \$900,009
  - Recreation Classes
  - Teen Services
  - Community and Regional Parks
  - Sports
  - Civic Auditorium
  - Administration
  - Wharf
- **Total Reductions - \$1,112,187**

# Economic Development Target - \$361,000

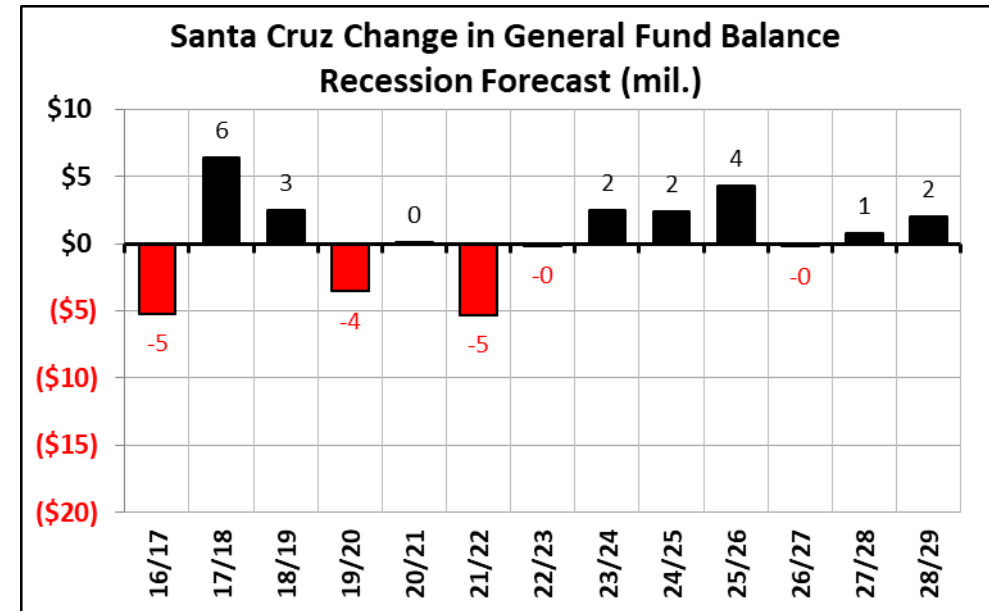
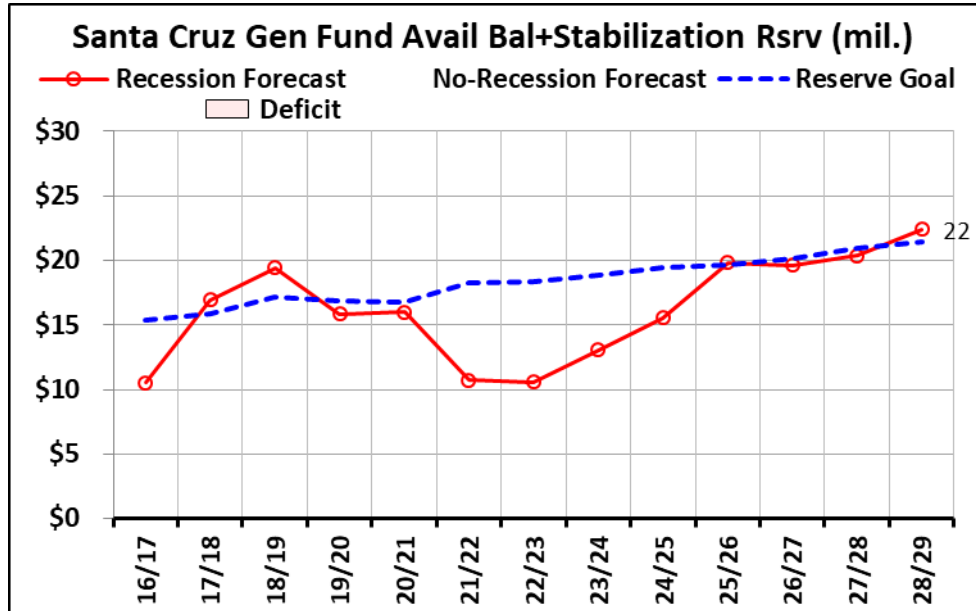
- Personnel Eliminations - \$97,015
  - 1 Vacant Arts Manager position
- Other Reductions - \$250,184
  - Project Administration
  - Downtown Services
    - Trolley Operations
    - Façade Improvement
    - Allocation of Sidewalk Waste Removal to Kiosk Maintenance Fund
  - Property Management
- **Total Reductions - \$347,199**

# Planning and Community Development

## Target - \$421,000

- Personnel Eliminations - \$408,260
  - 1 Vacant Building Inspector
  - 1 Vacant Administrative Assistant II
  - 1 Vacant Code Compliance Specialist
  - 0.5 Vacant Associate Planner I/II in Advance Planning
- Other Reductions - \$105,858
  - Administration
  - Current Planning
  - Advance Planning
  - Building and Safety
  - Rental Program
- **Total Reductions - \$514,118**

# Management Partners – Updated Forecast



- \$3.75M in ongoing savings\* implemented starting in FY 2022
- Lowest fund balance estimated at 60% of goal
- Fund balance goal restored in FY 2026
- Restoration of \$2M in cuts in FY 2028

***\*Target savings must be ongoing and sustainable or future year estimates will not be met.***

# Next Steps - FY 2022 Longer-term Options

- Revenue
  - November 2021 Ballot Measure
  - Fuller Cost Recovery
- Expenditures
  - Personnel
    - Relook at vacancies, especially after retirement freezes are lifted
    - Service delivery alternatives - e.g., liability & workers compensation; management and analytical capacity; other departmental efficiency options
  - Professional Services and Miscellaneous Services
  - Fundamental, Sustainable Service Adjustments

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**What Questions Do You Have?**