Proposed FY 2020/21 Budget

May 19, 2020
City Council Meeting
Presentation Outline

1. FY 2020-21 Proposed Citywide Budget
2. FY 2020-21 General Fund Budget
   - Estimated Revenues & Expenses
   - Revised FY 2019-20 & FY 2020-21 Year End
   - Projected FY 2020-21 Deficit
   - Recommended General Fund Short-Term Budget Adjustments
3. Projected General Fund Reserves
4. Recommended Budget Approach
5. FY 2020-21 Capital Budget
6. Economic Recovery
7. Next Steps, Policy Considerations, and Action Items
Proposed Citywide FY 20-21 Budget
## Citywide Proposed Budget
### FY 20-21

### (in thousands)

<table>
<thead>
<tr>
<th></th>
<th>FY 2019 Actuals</th>
<th>FY 2020 Revised Projections</th>
<th>FY 2021 Proposed Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Fund</td>
<td>69,207</td>
<td>68,314</td>
<td>69,311</td>
</tr>
<tr>
<td>Special Revenue Funds</td>
<td>54,168</td>
<td>40,832</td>
<td>45,585</td>
</tr>
<tr>
<td>Debt</td>
<td>6,763</td>
<td>6,548</td>
<td>6,143</td>
</tr>
<tr>
<td>Internal Services</td>
<td>13,985</td>
<td>13,122</td>
<td>14,857</td>
</tr>
<tr>
<td>Enterprise Funds</td>
<td>78,186</td>
<td>66,833</td>
<td>61,957</td>
</tr>
<tr>
<td><strong>TOTAL REVENUE</strong></td>
<td><strong>153,102</strong></td>
<td><strong>127,335</strong></td>
<td><strong>197,853</strong></td>
</tr>
</tbody>
</table>

| **EXPENDITURES**       |                 |                             |                         |
| General Fund           | 69,657          | 71,458                      | 75,847                  |
| Special Revenue Funds  | 42,652          | 48,442                      | 38,209                  |
| Debt                   | 3,269           | 515                         | 3,300                   |
| Internal Services      | 11,356          | 15,354                      | 15,501                  |
| Enterprise Funds       | 57,246          | 109,042                     | 64,237                  |
| **TOTAL EXPENDITURES** | **114,523**     | **173,353**                 | **197,094**             |
Citywide Proposed Budget FY 20-21

- General Fund: 35%
- Special Revenue Funds: 23%
- Debt: 3%
- Internal Services: 8%
- Enterprise Funds: 31%
Proposed General Fund
FY 20-21 Budget
## FY 2020-21 General Fund

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>FY 2019 Actuals</th>
<th>FY 2020 Revised Projections</th>
<th>FY 2021 Proposed Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property Tax</td>
<td>23,269</td>
<td>24,749</td>
<td>25,739</td>
</tr>
<tr>
<td>Sales Tax</td>
<td>37,082</td>
<td>34,007</td>
<td>31,967</td>
</tr>
<tr>
<td>Other Revenues</td>
<td>27,191</td>
<td>25,062</td>
<td>26,602</td>
</tr>
<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td><strong>87,542</strong></td>
<td><strong>83,818</strong></td>
<td><strong>84,308</strong></td>
</tr>
<tr>
<td><strong>EXPENDITURES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel</td>
<td>53,871</td>
<td>56,967</td>
<td>58,846</td>
</tr>
<tr>
<td>Non-Personnel</td>
<td>41,432</td>
<td>34,138</td>
<td>34,638</td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURES</strong></td>
<td><strong>95,303</strong></td>
<td><strong>91,105</strong></td>
<td><strong>93,484</strong></td>
</tr>
<tr>
<td><strong>NET CHANGE</strong></td>
<td>(7,761)</td>
<td>(7,287)</td>
<td>(9,176)</td>
</tr>
</tbody>
</table>
General Fund Proposed Budget

* In Thousands

FY 2019 Actuals | FY 2020 Revised Projections | FY 2021 Proposed Budget

- Personnel | - Non-Personnel | TOTAL REVENUES

80,000
60,000
40,000
20,000
-
Revised Year End FY 19-20

- Original Forecast expected growth in Property Tax, Sales Tax, and Transient Occupancy Tax

- COVID-19 Stay at Home (SAH) order shuttered or furloughed many industries, which will negatively impacted revenues, ($6 million)
  - Revenue loss mitigated by stopping all non-essential purchases and hold vacancies

- Revised deficit for FY 2019-20, ($7.2 million)
Revised Year End FY 20-21

- Original Forecast expected growth in Property Tax, Sales Tax, and Transient Occupancy Tax
  - However, the expenditures outpacing revenue and a deficit of ($4.7 million) was projected
  - Budget savings from 15 vacancies estimated savings of $3.5 million

- COVID-19 impacts continuing, ($10 million)
  - Continued revenue loss mitigated by delaying all non-essential purchases and hold vacancies

- Revised deficit for FY 2019-20, ($9.1 million)
Projected FY 2020-21 Deficit

Forecast Pre-COVID-19
Revenues 92,299
Expenditures 97,052
Surplus/(Deficit) (4,753)

Proposed Short-Term Budget Modifications
Vacancy Savings (~15 positions) 3,500

Remaining Pre-COVID-19 Deficit Less Budget Modifications (1,253)

Net Revenue Loss from COVID-19 (7,924)

Net Loss from COVID-19 (9,177)
FY 2020-21 Short-term General Fund Budget Adjustments

- **Administrative Services:** The Finance Department, City Manager’s Office, and the City Attorney’s Office have various support and professional positions that are currently vacant.

- **Development Services:** The Engineering Division, which is located in the Development Services Department has several vacant professional engineer-related positions.

- **Streets, Sidewalks, and Parks Maintenance:** The Public Works Department has various vacancies throughout the Department; freezing these positions will impact the City’s responsiveness to work requests for facilities, streets, sidewalk, and sports field and park maintenance.
FY 2020-21 Short-term General Fund Budget Adjustments

- **Police Services**: Three vacant police officer positions will be frozen in the Police Department until FY 2021-22; however, if the revenue forecast changes, it will be recommended that these positions be funded in early 2021.

- **South San Joaquin County Fire Authority (SSJCFA) Fire Services**: The SSJCFA anticipates freezing various non-sworn vacancies within the Fire Prevention Division. In addition, the Fire Authority is considering the delay of a fire academy in FY 2020-21 that would result in savings within both their training budget and overtime budget.
Estimated General Fund Reserves
## FY 2019-20 Estimated Fund Reserves

<table>
<thead>
<tr>
<th>COMPONENTS OF FUND BALANCE (IN THOUSANDS)</th>
<th>ACTUALS FY 18-19</th>
<th>NET CHANGE TO FUND BALANCE</th>
<th>ESTIMATED FY 19-20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ending Fund Balance</td>
<td>30,566</td>
<td>1,188</td>
<td>32,072</td>
</tr>
<tr>
<td><em>(less Committed Reserves)</em></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20% Catastrophic Reserves</td>
<td>14,883</td>
<td>0</td>
<td>14,883</td>
</tr>
<tr>
<td>10% Econ/Budget Stability</td>
<td>7,759</td>
<td>(5,182)</td>
<td>2,577*</td>
</tr>
<tr>
<td>Measure V Reserves</td>
<td>5,645</td>
<td>8,475</td>
<td>14,120</td>
</tr>
<tr>
<td>Other Committed Reserves</td>
<td>492</td>
<td>0</td>
<td>492</td>
</tr>
<tr>
<td>Uncommitted/Carryover Reserves</td>
<td>2,105</td>
<td>(2,105)</td>
<td>0**</td>
</tr>
</tbody>
</table>

*assumes $5.1 M appropriated to GF to mitigate COVID-19 anticipated revenue losses

**previously appropriated carryover $2.1M
## FY 2020-21 Projected Fund Reserves

<table>
<thead>
<tr>
<th>COMPONENTS OF FUND BALANCE (IN THOUSANDS)</th>
<th>ESTIMATED FY 19-20</th>
<th>NET CHANGE TO FUND BALANCE</th>
<th>PROJECTED FY 20-21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ending Fund Balance</td>
<td>32,072</td>
<td>349</td>
<td>32,421</td>
</tr>
<tr>
<td>(less Committed Reserves)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20% Catastrophic Reserves</td>
<td>14,883</td>
<td>0</td>
<td>14,883</td>
</tr>
<tr>
<td>10% Econ/Budget Stability</td>
<td>2,577</td>
<td>(2,577)</td>
<td>0*</td>
</tr>
<tr>
<td>Measure V Reserves</td>
<td>14,120</td>
<td>2,926</td>
<td>17,046*</td>
</tr>
<tr>
<td>Other Committed Reserves</td>
<td>492</td>
<td>0</td>
<td>492</td>
</tr>
<tr>
<td>Uncommitted/Carryover Reserves</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

*assumes $2.5M appropriated to GF to mitigate COVID-19 anticipated revenue losses
*assumes $6.6M appropriated to GF to mitigate COVID-19 anticipated revenue losses
Recommended Budget Approach

• FY 19-20 Funding short fall ($7.3) million
  ➢ ($2.1) million from carry over from prior year reserves
  ➢ ($5.2) million from 10% Economic/Budget Stabilization*
    ➢ Remaining funds $2.5 million
  ➢ $8.4 million increase to Measure V reserves

• FY 20-21 Funding short fall ($9.1) million
  ➢ ($2.5) million from 10% Economic/Budget Stabilization*
  ➢ $2.9 million increase to Measure V reserves
    ➢ Use of $6.6 million in Measure V revenues for operations

- City Reserve policy (Resolution 2018-118) recommends that the City Manager should return with a replenishment plan for 10% Economic/Budget Stabilization within one year.
General Fund Reserves

ACTUALS FY 18-19

REVISED FY 19-20

PROJECTED FY 20-21

- 20% Catastrophic Reserves
- Measure V Reserves
- Uncommitted/Carryover Reserves
- 10% Econ/Budget Stability
- Other Committed Reserves
FY 2020-21 Proposed Capital Improvement Projects (CIP)

• The FY 20-21 Proposed budget includes the addition of $6 million in new capital projects.
  ✓ 75% of the projects are related to traffic and street improvements

• There are $53.4 million in unfunded capital improvements and replacements; primarily in Wastewater and Water improvements; more yet to be identified

❖ The projects do not include new projects funded out of the General Fund; however, Measure V set aside funding is included in the budget
## FY 2020-21 Funded CIP

<table>
<thead>
<tr>
<th>CIP Group</th>
<th>Funds</th>
<th>FY2020/21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traffic Safety</td>
<td>Various</td>
<td>495,000</td>
</tr>
<tr>
<td>Streets and Highways</td>
<td>Various</td>
<td>4,011,862</td>
</tr>
<tr>
<td>Airport and Transit</td>
<td>Transit</td>
<td>1,500,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>$ 6,006,862</strong></td>
</tr>
</tbody>
</table>
## Unfunded Projects*

<table>
<thead>
<tr>
<th>CIP Group</th>
<th>Fund</th>
<th>FY2020/21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wastewater</td>
<td>Wastewater</td>
<td>46,201,725</td>
</tr>
<tr>
<td>Water</td>
<td>Water</td>
<td>4,456,175</td>
</tr>
<tr>
<td>Drainage</td>
<td>Storm Water</td>
<td>700,000</td>
</tr>
<tr>
<td>Airport and Transit</td>
<td>Airport</td>
<td>250,000</td>
</tr>
<tr>
<td>Parks and Recreation</td>
<td>unidentified</td>
<td>1,800,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>53,407,900</strong></td>
</tr>
</tbody>
</table>

*This is not an all inclusive list of unfunded projects.*
Economic Recovery
Economic Recovery

• The City of Tracy has activated a team to develop a Community Recovery Plan. The purpose of the Plan is to establish short, medium and long-term goals for re-opening the community within the framework of the Stay at Home (SAP) orders.
  • “Shop Local” Partnership with Tracy Chamber of Commerce
  • City Business Assistance Loan Program
  • County Workforce Placement, Training, and Development Campaign
Economic Recovery

• Tracy’s economy poised to rebound quickly

• Diversity of revenue sources:
  • Property tax demand anticipated to remain steady
    • Commercial, industrial, and residential construction and expansion happening citywide
  • Sales Tax: recovery expected to be steady
    • Business and Industry: largest sales tax generator; most remained open during emergency
    • Retail and auto sales: second largest sales tax generator; most expected to reopen during phase 2 recovery
Sales Tax by Major Industry Group

- Business And Industry: Count 537
- State & County Pools
- General Consumer Goods: Count 850
- Autos And Transportation: Count 197
- Fuel And Service Stations: Count 28
- Building And Construction: Count 67
- Restaurants And Hotels: Count 241
- Food And Drugs: Count 83

The graph shows the trend of sales tax by major industry group from 4Q 16 to 4Q 19.
## Council Strategic Priorities And Objectives Update

### Quality of Life

**Recreational Amenities**
- Continued capital set aside funding for City amenities

**Advance Infrastructure to Improve Citywide Traffic Conditions**
- $4.5 million in traffic and street improvements

**Facilitate Affordable Housing & Develop a Homelessness Strategic Plan**
- Securing Approximately $4M in Housing Funds for Affordable Housing
  - Of that, up to $250,000 may be used to Support Homeless Housing

### Economic Development

**Develop and Implement Cannabis Regulations**
- Draft Application and Selection Criteria Complete
- Proposed Cannabis Tax Planned for November 3, 2020 Ballot

**Transit Oriented Development**
- TOD Outreach Completed; Next Steps – Council Direction

**Business Attraction**
- Implemented small Business Loans
- 35,000 sq. ft. Class A Office Planned for Cordes Ranch
## Council Strategic Priorities And Objectives Update

<table>
<thead>
<tr>
<th>Public Safety</th>
<th>Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strengthen Community Safety through Crime Prevention Reduction Activities</strong></td>
<td><strong>Encourage the Development of Good Governance Policies</strong></td>
</tr>
<tr>
<td>• Implementing Security and Lighting at Select Parks</td>
<td>• Adopted Council Code of Conduct and Updated Council Protocols</td>
</tr>
<tr>
<td><strong>Enhance Citywide Emergency Management Capabilities</strong></td>
<td><strong>Ensure Short and Long Term Financial Sustainability</strong></td>
</tr>
<tr>
<td>• Business Continuity Planning Underway</td>
<td>• Formation of a Council Ad-hoc Subcommittee to Develop Long Term Fiscal Sustainability Plan</td>
</tr>
</tbody>
</table>
COUNCIL FISCAL SUSTAINABILITY AD HOC SUBCOMMITTEE

• The Council formed a Council Fiscal Sustainability Ad Hoc Subcommittee to guide the development of a long-term strategic plan to ensure the City can meet the growing service needs of the community.
  ▪ Membership: Council Members Arriola and Vargas
  ▪ Duration: Through December 31, 2020 (6 months)
  ▪ Scope: To be Considered by Council as part of the FY 2020-21 Budget Discussion
Next Steps, Policy Considerations & Action Items
Budget Calendar

**June 2**

FY 2020/21 Adoption Operating and Capital Budget

- Return with Final Budget for Adoption

**Late June**

Development of Fiscal Sustainability Plan

- Engage Council Standing or Ad-Hoc Subcommittee
- Provide Budget and Fiscal Policy Orientation
- Create Council Subcommittee Meeting Calendar
Policy Considerations

• Does Council want to implement a hiring freeze and hold positions vacant as part of an interim budget strategy to reduce the City’s existing deficit?

• Does Council want to use a portion of its General Fund reserves to address anticipated COVID-19 revenue losses?
  • Does Council want to use the Economic/Budget Stabilization Reserve ($2.5M)?
  • Does Council want to use a limited portion of FY 2020-21 Measure V Reserve funds ($6.6 million)?

• Does Council wish to use an alternate funding source or budget strategy to address the City’s deficit?
Action Items

• It is recommended that the City Council:

1. Provide direction related to the proposed FY 2020-21 annual budget; and