

Fiscal Year 2020-2021

Budget Workshop No.2

April 21, 2020



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Finance Department



Suggested Principles for 2020-2021 Budget 2.0

1. Develop a deliberate budget based on the best information available
2. Set a budget target that gives flexibility if the economy does better or **(worse)** than projected
3. Prepare phased cuts to be evaluated on monthly basis in FY 2020-2021
4. Focus on spending more than budgeting



Remaining Steps in The Process

May 19th, 2020

- Budget Workshop No. 3
- Council discussion of budget status
- Revised budget presented
- Capital Improvement Plan

June 16th, 2020

- Budget Hearing and Adoption

Growth in Unemployment Claims



Unemployment Claims by Week

	US ¹	California ²
March 7, 2020	250,000	58,000
March 21, 2020	2,920,000	186,000
March 28, 2020	6,016,000	1,058,000
April 4, 2020	6,211,000	919,000
April 11, 2020	4,972,000	661,000

Source:

1. Bloomberg Financial
2. CA Employment Development Department

Coronavirus Job Losses Surge

**Jobs Created Since
Great Recession**
(2/1/2010 - 2/1/2020)

22.7M

Initial Jobless Claims
(latest four weeks)

3.3M
(Week of
March 16)

6.9M
(Week of
March 23)

6.6M
(Week of
March 30)

5.2M
(Week of
April 6)

**Great Recession
Total Job Losses**

8.8M

Source: Department of Labor, St. Louis Federal Reserve

Coronavirus Aid, Relief and Economic Security (CARES) Act

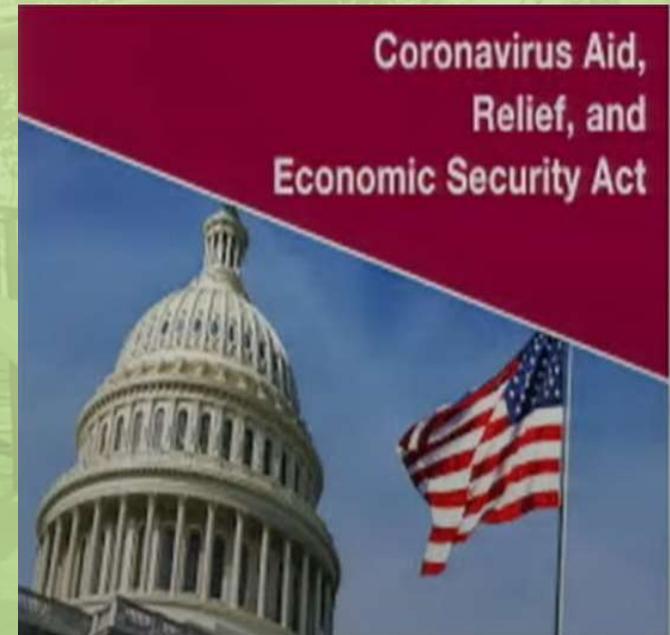


☐ **\$139 Billion distributed to all 50 States**

☐ **California could get over \$15.3 billion**

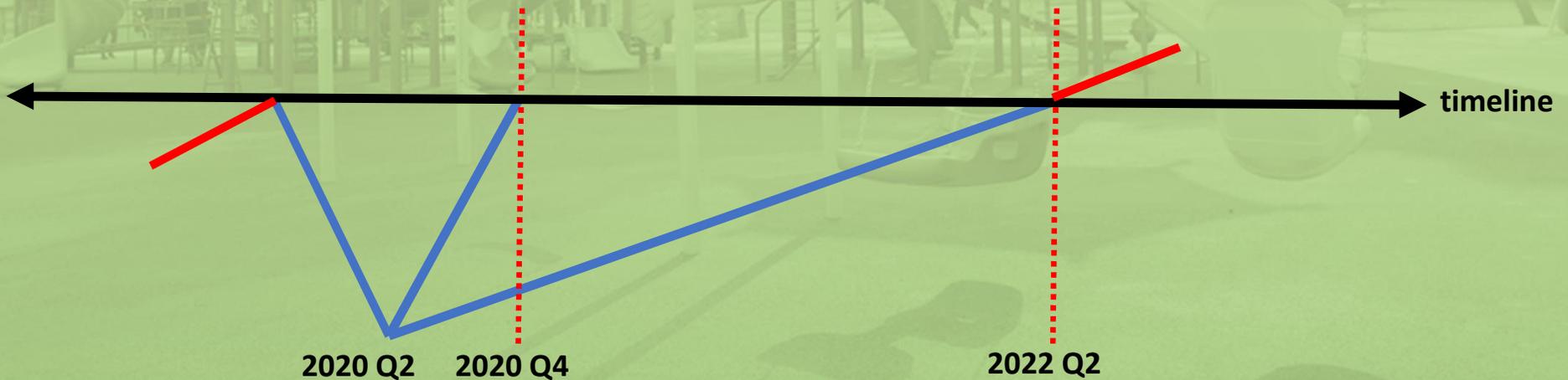
- **\$9.5 billion to State**
- **\$5.8 Billion for cities/counties over 500,000**

“The \$139 billion can only be used to cover costs directly related to COVID-19 that weren’t already covered in state or local government budgets. Funds can’t be used to make up revenue shortfalls”



Uncertainty Ahead ...

- Sales tax results unknown until May/June
- Impact will be significant
- Reduce spending and revenue estimates
- Length and shape of the recovery (V vs. L) is unknown





The Four Scenario Assumptions

- 1) Revenue losses range between **-6%** to **-12%**
- 2) Use of Fiscal Year 2019-2020 Council adopted budget as baseline budget necessary to provide same level of service
- 3) Provide expenditure reduction levels as budget balancing actions
- 4) Severity of the deficit is dependent on how long the downturn lasts

Sales Tax Revenue Forecast



Fiscal Year 2019-2020 Year End Projections Sales Tax revenue

Adopted Budget for FY 2019-20		\$24,672,756
Economic Adjustments		
Autos & Transportation	-26.8%	(\$1,010,200)
Business & Industry	-19.9%	(\$380,800)
General Consumer Goods	-23.1%	(\$329,100)
Fuel & Service Stations	-27.8%	(\$355,800)
Restaurants and Hotels	-27.1%	(\$301,400)
Building and Construction	-22.2%	(285,300)
Foods & Drugs	15.5%	\$13,800
Total Adjustments		(\$2,648,800)
State New 12-Month Deferral Program*		(\$885,124)
Revised Budget Estimate for FY 2019-2020		\$21,138,838

*Governor Newsom announced on April 2, 2020 the launch of the sales tax "layaway" program where businesses will be able to "layaway" up to \$50,000 of sales tax liability for 12 months



Sales Tax Revenue Forecast

FY 2019-2020	FY 2020-2021	FY 2021-2022
\$21,138,830	\$23,203,365	\$26,796,284

- **Complete Economic Shutdown**
- **Changes to Consumer Behavior**
- **Unprecedented Unemployment Rate**
- **Executive Order 90-Day Sales Tax Payment Extension**
- **CDTFA Small Business Relief Payment Plans**

Other Major Sources of Revenue



Revenue Source	FY 2019-2020	FY 2020-2021
Franchise Tax	\$9,948,750	\$9,053,875
Transient Occupancy Tax	\$2,150,000	\$1,935,000
Real Property Transfer Tax	\$320,000	\$288,000
Oil Industry Business Tax	\$4,700,000	\$4,230,000
Licenses and Permits	\$9,500,000	\$8,550,000
Total	\$26,618,750	\$24,056,875

Property Tax Revenue



	FY 2020-2021	FY 2021-2022	FY 2022-2023
Revenue from Taxable Value	\$6,759,821	\$6,765,371	\$6,941,728
Vehicle License Fee Adjustment Amount	\$8,716,012	\$8,989,695	\$9,253,715
Total	\$15,475,833	\$15,755,066	\$16,195,443

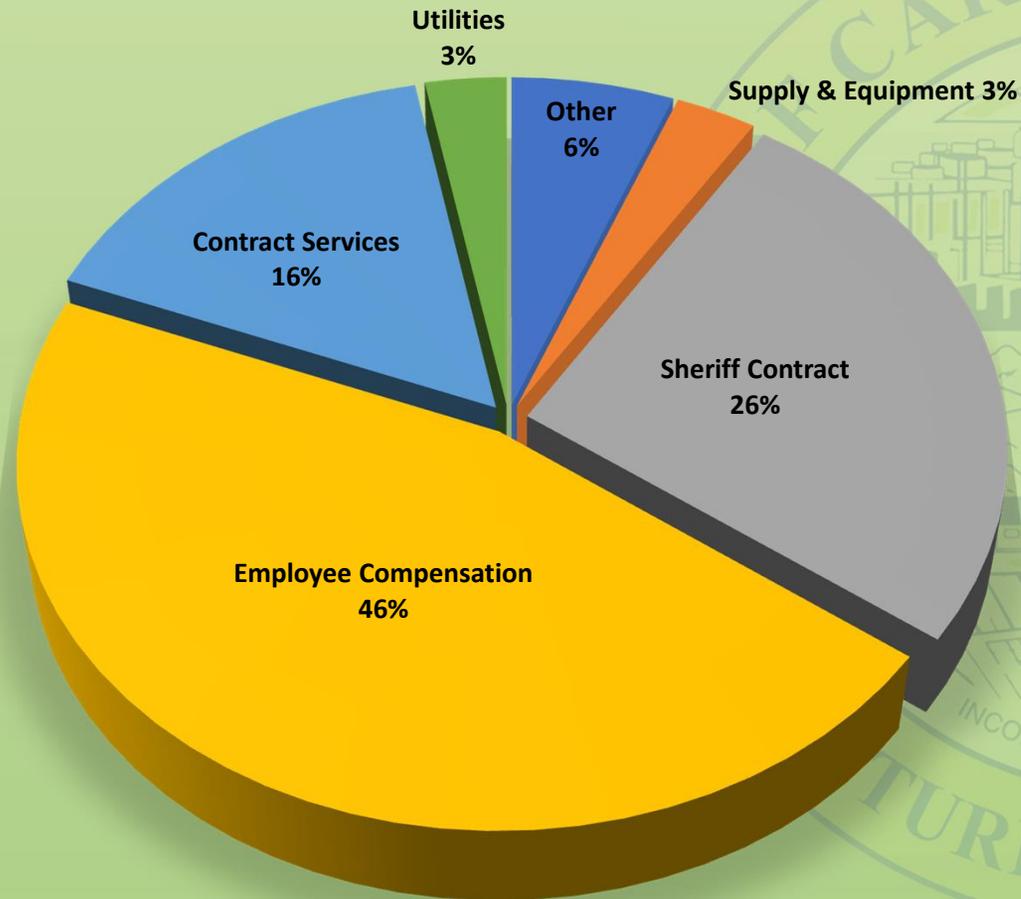
Community Services

Estimated Revenue Loss

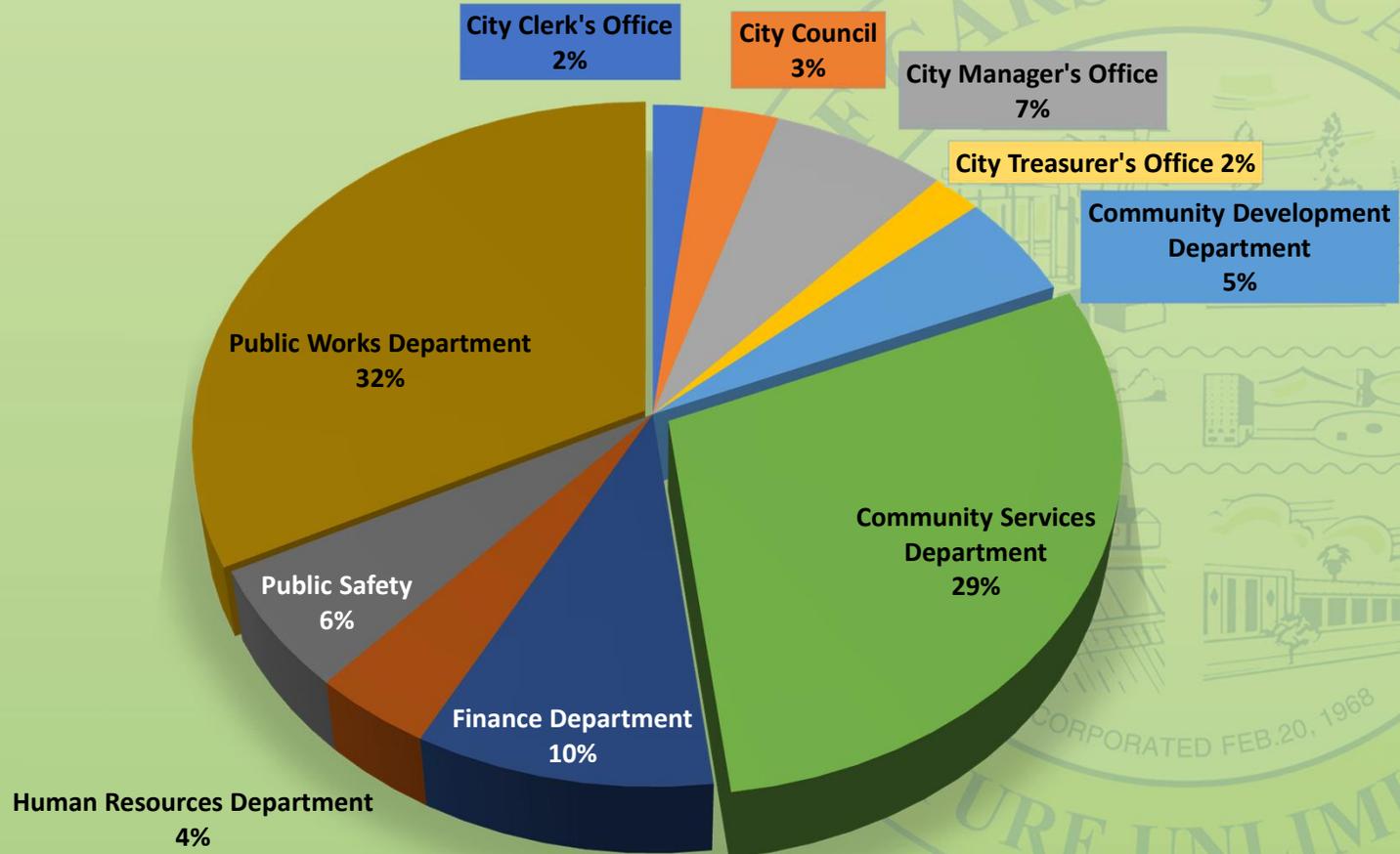
Division	FY 19-20 Estimated Revenue Loss	FY 20-21 Estimated Revenue Loss
Community Center		
Rentals	\$136,441	\$216,441
% Catering Sales	\$52,592	\$108,792
Transportation		
Carson Circuit	\$19,083	\$19,083
Human Services		
Senior Recreation	\$4,800	\$4,800
Early Childhood	\$89,732	\$157,032
Excursions	\$3,000	\$3,000
Therapeutics	\$9,800	\$9,800
Special Interest	\$3,450	\$3,450
Recreation		
Adult Sports	\$25,920	\$45,920
Aquatics	\$59,021	\$97,021
Boxing Center	\$6,515	\$6,515
Enrichment	\$937	\$937
Kids Club	\$242,172	\$242,172
Park Reservations	\$37,673	\$62,084
Veterans SC	\$1,492	\$1,492
Youth Sports	\$31,780	\$57,120
Total	\$724,408	\$1,035,659



General Fund Expenditures by Category



Personnel Expenditures by department



Personnel Expenditures



Department Name	FY 2019-2020 Budget	FY 2020-2021 Estimated Budget	Budget Increase
City Clerk's Office	\$618,513	\$654,198	\$35,685
City Council	\$935,765	\$1,010,891	\$75,126
City Manager's Office	\$2,576,891	\$2,788,490	\$211,599
City Treasurer's Office	\$591,241	\$626,755	\$35,514
Community Development Department	\$1,922,118	\$2,142,486	\$220,368
Community Services Department	\$11,434,658	\$11,759,277	\$324,619
Finance Department	\$3,735,462	\$3,828,462	\$93,000
Human Resources Department	\$1,347,027	\$1,393,592	\$46,565
Public Safety	\$2,526,800	\$2,553,676	\$26,876
Public Works Department	\$12,244,311	\$12,930,756	\$686,445
Total	\$37,932,786	\$39,688,583	\$1,755,797

Vacant Positions (Estimated \$3.4 Million)



Department Name	Budgeted FTEs	Vacant FTEs	Vacancy Rate
Public Works	130	13	10%
Community Services	66	9	14%
Community Development	23	5	22%
Human Resources	11	3	27%
Public Safety	23	3	13%
Finance	32	2	6%
City Manager's Office	6	1	17%
Information Technology	8	1	13%
City Clerk's Office	4	1	25%
City Treasurer's Office	4	0	0%
City Council's Office	5	0	0%
Public Information Office	4	0	0%
TOTAL	316	38	12%

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Sheriff's Contract



	Fiscal Year 2019-2020	Fiscal Year 2020-2021	Increase
Contract Budget	\$20,905,000	\$22,191,925	\$1,049,775

Special Events

Community Services Special Event	2020-2021 Proposed Budget General Fund
Volunteer Recognition Awards	\$15,000
Youth Conference	\$15,000
Filipino American History/Larry Itliong	\$5,000
Unity Day	\$20,000
Halloween Carnival/Dia de los Muertos	\$15,000
Hispanic Heritage Month/Mariachi Fest	\$10,000
Black History	\$5,000
Christmas Activities (Tree, Sleigh, Brunch)	\$5,000
Community Friendship Day	\$5,000
Dr. Martin Luther King, Jr. Tribute	\$5,000
Memorial Day Tribute	\$5,000
Red Ribbon Week	\$5,000
Safety First Act Now (SFAN)	\$5,000
Samoan Heritage Day	\$5,000
Senior Casino Brunch/Las Vegas Day	\$5,000
Tribute to Cesar Chavez	\$5,000
White Linen	\$5,000
Cinco de Mayo	\$20,000
Jazz Festival	\$20,000
Juneteenth Celebration	\$20,000
Phillipine Independence Day	\$20,000
Winterfest-City 50th Anniversary	\$20,000
Women's Health Conference	\$20,000
Veterans Day Celebration	\$10,000
Children's Day	\$5,000
Earth Day	\$5,000
Larry Itliong	\$5,000
Samoan Flag Day	\$5,000
HUMAN REL COMM-PARENT CONFERENCE	\$5,000
Total	\$290,000



Pension Obligation Bonds



Fiscal Year 2020-2021 CalPERS UAL Payment	Fiscal Year 2020-2021 POBs Payment	GF Savings
\$7,800,842	\$7,004,220	\$796,622

Non-Personnel Reduction Scenarios



Department	FY 2019-2020 Budget	FY 2020-2021 Proposed Budget		
		5% reduction	10% reduction	15% Reduction
Community Services	2,591,507	2,461,931	2,345,313	2,239,709
Public Works	5,026,777	4,775,437	4,549,232	4,344,391
Finance	662,395	629,275	599,467	572,474
Community Development	7,131,688	6,775,103	6,454,177	6,163,561
City Manager's Office	190,080	180,576	172,022	164,276
Information Technology	1,299,043	1,234,090	1,175,633	1,122,697
Public Information	251,415	238,844	227,530	217,285
Public Safety	22,051,595	22,191,925	22,191,925	22,191,925
City Treasurer	139,950	132,952	126,654	120,951
Human Resources	1,447,552	1,375,174	1,310,034	1,251,046
City Clerk	158,100	150,195	143,080	136,637
Total	40,950,102	40,145,502	39,295,065	38,524,952
GF Reduction Amount		840,600	1,655,035	2,425,150

Proposed Phase 1 Balancing Actions



		Scenario 1	Scenario 2	Scenario 3
Hiring Freeze	Increase estimated savings resulting from hiring freeze	\$1,700,000	\$2,550,000	\$3,400,000
Professional Development	Put on hold departments' training and travel budget	\$199,000	\$349,000	\$349,000
Special Events Budget	Due to social distancing and closure of City facilities and programs	\$145,000	\$217,500	\$290,000
O&M Budget	non-personnel budget reductions	\$840,600	1,655,035	2,425,150
		\$2,884,600	\$4,771,535	\$6,464,150

- **Hiring freeze scenarios vary: 6 months, 9 months or 12 months**
- **Professional development scenario (1) exclude \$150,000 allocated for centralized mandatory training programs administered by HR department**
- **Events budget is reduced at 50% (scenario 1), 75% (scenario 2) and 100% (scenario 3)**
- **Non-personnel budget reduction scenarios are 5%, 10% and 15%**

Summary of All Scenarios



	Original	Coronavirus Pandemic	Scenario (1)	Scenario (2)	Scenario (3)
Beginning Fund Balance	\$43,235,652	\$32,737,444	\$35,137,444	\$35,137,444	\$35,137,444
Revenues	\$86,694,028	\$81,627,103	\$81,627,103	\$81,627,103	\$81,627,103
Expenditures	\$93,491,253	\$93,491,253	\$90,606,653	\$88,719,718	\$87,027,103
Surplus/(Deficit)	(\$6,797,225)	(\$11,864,150)	(\$8,979,550)	(\$7,092,615)	(\$5,400,000)
Ending Fund Balance	\$36,438,427	\$20,873,294	\$26,157,894	\$28,044,829	\$29,737,444