

PREPARATION FOR FY 24-25 BUDGET

CITY OF SEBASTOPOL

CITY MANAGER DON SCHWARTZ

MARCH 19, 2024

WHAT THE GENERAL FUND FUNDS

SOME EXAMPLES

- POLICE: TRAFFIC CONTROL, CRIME PREVENTION AND RESPONSE, INVESTIGATIONS
- FIRE: MEDICAL CALLS, PERSONAL NEEDS, FIRE RESPONSE, INSPECTIONS
- PUBLIC WORKS AND ENGINEERING: STREETS, SIDEWALKS, PARKING LOTS, STORM DRAIN SYSTEM, PARKS, POOL, BUILDINGS
- PLANNING: NEW HOUSING, REMODELS/UPGRADES, TRAFFIC PLANNING
- BUILDING: ENSURING SAFETY
- CLERK: ELECTIONS, LEGISLATIVE COMPLIANCE, PUBLIC ACCESS, CITY RECORDS
- ADMINISTRATIVE SERVICES: BUDGETING, ACCOUNTING, PAYING THE BILLS, HR (HUMAN RESOURCES), INFORMATION TECHNOLOGY
- SUPPORT FOR NON-PROFITS
- CITY MANAGER

STARTING POINT: LONG-TERM PROJECTIONS

- PROJECTED FY 24-25 DEFICIT: \$2 MILLION
- PROJECTED AVERAGE FUTURE DEFICITS: \$2.9 MILLION
 - REFLECTS HIGHER SALARY, PENSION, LIABILITY, AND OTHER COSTS
 - REFLECTS HIGHER REVENUES FROM EXISTING SOURCES
 - INCORPORATES FUNDING TO MAINTAIN OUR PHYSICAL ASSETS
 - DOES NOT ADDRESS NEEDS FOR STREETS (FOR THE MOST PART)

FY 23-24: PROJECTIONS

- BUDGETED \$1.7 M DEFICIT
- LIKELY TO REDUCE THAT SIGNIFICANTLY BY YEAR-END
 - VACANCIES
 - OTHER SAVINGS
 - \$160,000 IN REVENUE
- AMOUNT WILL CHANGE BY YEAR-END; THESE ARE PROJECTIONS

PROPOSED APPROACH FOR TONIGHT

- STAFF PROVIDES RECOMMENDATIONS TO COUNCIL TO:
 - CONSIDER AND APPROVE DIRECTION, OR
 - PROVIDE ALTERNATE DIRECTION
- WE DON'T WANT TO WORK ON ISSUES UNLESS YOU'RE INTERESTED
- WE'RE NOT LOOKING FOR DECISIONS ON SPECIFIC BUDGET ITEMS

COST ANALYSIS

- DATA SUGGEST WE HAVE HIGHER COSTS PER CAPITA THAN OTHER SMALL CITIES
 - EXPECT SMALL CITIES TO BE HIGHER PER CAPITA THAN LARGER CITIES
- SOME THINGS WE SHOULD DO
 - LOOK AT THE DATA MORE CLOSELY
 - BE OPEN TO DIFFERENT MODELS OF SERVICE (SUCH AS FIRE CONSOLIDATION)
 - PURSUE 'BEST VALUE' PROCUREMENTS; MAYBE 'PIGGY-BACK' ON OTHER CITIES
 - COMPARE COMPENSATION WITH OTHER CITIES

REVENUE OPTIONS: TOP TIER

- SALES TAX MEASURE
 - PURSUE OPTIONS FOR NOVEMBER
- PURSUE COUNTY \$ SUPPORT
 - BE OPPORTUNISTIC, ESPECIALLY FOR ONE-TIME 'ASKS'

REVENUE OPTIONS: TOP TIER, CONTINUED

- ENHANCED INFRASTRUCTURE FINANCING DISTRICT (EIFD)
 - KEEP IT MOVING
- LIBRARY LEASE
 - LIBRARY DIRECTOR OPEN TO NEGOTIATION
 - ENGAGE OTHER CITIES; SOME INTERESTED
 - MEASURE Y PROVIDES LIBRARY WITH CONSIDERABLE REVENUE
 - JOINT POWERS AUTHORITY (JPA) TO BE REVIEWED THIS YEAR

REVENUE OPTIONS: TOP TIER, CONTINUED

- BUILDING FEES
 - COMING SOON

REVENUE OPTIONS: PURSUE LATER

- PUBLIC BROADCASTING FEE ON CABLE BILLS
- EXPLORE CHANGES TO FORMULA BUSINESS ORDINANCE
- SELLING CITY PROPERTY
- ENFORCING BUSINESS LICENSE FEES
- COST RECOVERY FOR PLANNING, FIRE, ETC.
- REVIEW LEASES

POTENTIAL SHORT-TERM CHANGES

- CONSIDER ELIMINATING STAFF SUPPORT AND CITY EXPENSES FOR CLIMATE ACTION AND PUBLIC ART COMMITTEES
 - CLIMATE ACTION: REGIONAL CLIMATE PROTECTION AUTHORITY (RCPA) SONOMA CLEAN POWER, AND ZERO WASTE SONOMA SUPPORT REGION
 - SEBASTOPOL CENTER FOR THE ARTS AS 'HOME' FOR PUBLIC ARTS ISSUES?
 - POTENTIALLY RE-STRUCTURE TO BE MORE LIKE PEACE WALL COMMITTEE OR LIBRARY ADVISORY BOARD
 - INVOLVE COMMITTEES IN THE PROCESS
 - REDUCE BROADCASTING COSTS AND HOURS FOR INTERIM PLANNING DIRECTOR
 - RE-DIRECT STAFF TIME TO OTHER PRIORITIES WHICH MAY INCLUDE:
 - ENHANCED INFRASTRUCTURE FINANCING DISTRICT
 - PARTICIPATE IN COUNTY-WIDE DISCUSSIONS ON ALLOCATION OF HOUSING BONDS PROCEEDS
 - ECONOMIC DEVELOPMENT
 - NEW REVENUE OPTIONS

POTENTIAL SHORT-TERM CHANGES

- CONSIDER CONSOLIDATING PLANNING COMMISSION AND DESIGN REVIEW BOARD
 - A COMMON MODEL
 - COULD LEAD TO STREAMLINING AND EASIER BUSINESS RECRUITMENT
 - WOULD REQUIRE CHANGE IN CITY CODE
 - ENGAGE COMMISSIONERS AND BOARD MEMBERS IN THE PROCESS

POTENTIAL SHORT-TERM CHANGES

- CONSIDER ELIMINATING BUSINESS LICENSES FOR VENDORS AT EVENTS
 - \$6,200/YEAR IN REVENUE; PLUS \$2,300 FROM FARMERS' MARKET
 - STAFF TIME TO PROCESS LIKELY EXCEEDS THE REVENUE
 - CONSISTENT ENFORCEMENT VERY DIFFICULT
 - OUR REQUIREMENT MAY BE UNCOMMON
 - WOULD NOT AFFECT COLLECTION OF SALES TAXES
 - CONSIDER 'CENTRALIZED' COLLECTION AND PAYMENT BY EVENT SPONSOR
 - SUPPORTED BY BARLOW, CHAMBER, DOWNTOWN ASSOCIATION
 - MAY START SHIFT TO MORE BUSINESS-FRIENDLY REPUTATION AND THUS MORE REVENUE

POTENTIAL SHORT-TERM CHANGES

- FORMALLY ELIMINATE COMMUNITY GRANTS PROGRAM
 - UNLIKELY TO RESUME GRANTS NEAR-TERM
 - MAKING DECISIONS ANNUALLY CREATES UNCERTAINTY
 - UNRELATED TO SUPPORT FOR SENIOR CENTER AND COMMUNITY CENTER

POTENTIAL SHORT-TERM CHANGES

- CONSIDER SHIFTING REMAINING \$1 MILLION IN ASSIGNED PENSION RESERVE TO SECTION 115 TRUST
 - \$1.8 MILLION ALREADY SHIFTED
 - CREATES POTENTIAL FOR HIGHER RETURNS
 - WOULD CONSULT WITH FINANCIAL ADVISORS FIRST
 - MIGHT LOOK AT PRE-PAYING CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) OR OTHER POST EMPLOYMENT BENEFITS (OPEB) COSTS AS ANOTHER OPTION

POTENTIAL SHORT-TERM CHANGE

(NOT DISCUSSED IN STAFF REPORT)

- FORMALLY RESCIND STAFF ABILITY TO WAIVE FEES, UP TO \$1,000
 - DEPARTMENT HEAD AUTHORITY: 25%
 - CITY MANAGER AUTHORITY: 50%

FISCAL YEAR 24-25 BUDGET PREPARATION

- PREPARE BUDGET IN ALIGNMENT WITH COUNCIL GOALS & VALUES
 - GOAL-SETTING LAST DONE IN 2019
 - STAFF WILL MAKE BEST EFFORT TO REFLECT GOALS AND VALUES
 - WELCOME COUNCIL DIRECTION
 - SUGGEST STARTING WITH THE ITEMS TO FOLLOW
- BE NIMBLE: THINGS WILL CHANGE BETWEEN NOW AND BUDGET ADOPTION

FISCAL YEAR 24-25 BUDGET PREPARATION

- RECOMMENDED BUDGET TO BE BALANCED
 - ON-GOING REVENUE TO MATCH ON-GOING EXPENSES
 - TO INCLUDE INITIAL \$300K TOWARD PRESERVING OUR ASSETS

EXAMPLES OF DEFERRED MAINTENANCE



FISCAL YEAR 24-25 BUDGET PREPARATION

- LIMIT USE OF ONE-TIME FUNDS TO ONE-TIME EXPENSES
 - ONE-TIME FUNDS INCLUDE FUND BALANCE AND ASSIGNED RESERVES
- COULD SUPPORT TRANSITION TO NEW SERVICE MODELS

FISCAL YEAR 24-25 BUDGET PREPARATION

- CONSIDER ONE-TIME INVESTMENTS IN HIGH-LEVERAGE OPPORTUNITIES FOR EFFICIENCY OR COST SAVINGS
- POTENTIAL EXAMPLES:
 - TECHNOLOGY
 - BUILDINGS OR INFRASTRUCTURE
 - LEADERSHIP DEVELOPMENT

FISCAL YEAR 24-25 BUDGET PREPARATION

- ENSURE A SOLID ADMINISTRATIVE FOUNDATION
 - AT SOME POINT, REDUCTIONS IN KEY FUNCTIONS UNDERMINE THE ORGANIZATION
 - WE MAY BE NEAR (OR PAST) THAT POINT IN SOME CASES
 - ASSESSMENT OF ORGANIZATION ON-GOING
 - DON'T EXPECT ACROSS THE BOARD, EQUAL REDUCTIONS

FISCAL YEAR 24-25 BUDGET PREPARATION

- “CULTURE EATS STRATEGY FOR BREAKFAST”
- ENGAGED EMPLOYEES ARE MORE PRODUCTIVE
- ENGAGEMENT INCLUDES:
 - BEING CHALLENGED AND ACCOUNTABLE
 - PROVIDE OPPORTUNITIES FOR MASTERY AND AUTONOMY
 - CREATING A SENSE OF PURPOSE
- HIGHER ENGAGEMENT CREATES MORE VALUE

FISCAL YEAR 24-25 BUDGET PREPARATION

- ECONOMIC DEVELOPMENT CAN HELP
 - STARTS WITH A BUSINESS-FRIENDLY ENVIRONMENT . . . WHILE KEEPING OUR STANDARDS
 - NOT PROPOSING AN ECONOMIC DEVELOPMENT STRATEGY NOW
 - SOME WAYS TO START:
 - SHIFTING STAFF TIME AND SKILLS (I.E., FORMULA BUSINESS TOPIC; COMMUNITY DEVELOPMENT DIRECTOR)
 - SELECTIVE INVESTMENTS
 - ELIMINATING/CHANGING VENDOR FEES FOR EVENTS
 - COMBINING PLANNING COMMISSION AND DESIGN REVIEW BOARD
 - SUPPORT NEW HOTELS

FISCAL YEAR 24-25 BUDGET PREPARATION

- PROMOTE TRANSPARENCY
 - SHARING INFORMATION WITH THE PUBLIC
- IMPROVING OUR ACCOUNTING AND REPORTING
 - COST ALLOCATION FROM WATER/SEWER: TO REPORT AS REVENUE
 - REMOVING POLICE DONATION FROM GENERAL FUND BALANCE
 - SEPARATING FLOOD RECOVERY FUNDS FROM GENERAL FUND BALANCE
 - COMBINING ALL SALES TAX REVENUE IN THE GENERAL FUND
 - CREATING SEPARATE FUND FOR MEASURE H
- MAKING REPORTS EASIER TO UNDERSTAND

FISCAL YEAR 24-25 BUDGET PREPARATION

- LEVERAGE OPPORTUNITIES FOR SHARED SERVICES
 - EXAMPLES:
 - SANTA ROSA SEWAGE TREATMENT PLANT
 - REDCOM (FIRE AND AMBULANCE DISPATCH)
 - OTHER POSSIBILITIES EXIST
 - NEED TO ASSESS THEM INDIVIDUALLY (I.E., FIRE CONSOLIDATION)

FISCAL YEAR 24-25 BUDGET PREPARATION

- CONSULTANTS AND CONTRACTORS
 - TWO REASONS TO USE THEM:
 - THE NEED EXCEEDS THE AVAILABLE STAFF TIME
 - STAFF LACK THE EXPERTISE
 - SEBASTOPOL'S PRACTICES IN LINE WITH OTHER CITIES
 - BOB LELAND
 - R3 FOR HAULING CONTRACTOR

BUDGET PROCESS, TIMING, ETC.

- SCHEDULE TO BE DETERMINED
- BUDGET COMMITTEE TO PREVIEW RECOMMENDATIONS
- STAFF TO INCORPORATE UPDATED INFORMATION

NOTES ON SENIOR CENTER AND COMMUNITY CENTER CURRENT YEAR (FISCAL YEAR 23-24) CITY FUNDING

- COMMUNITY CENTER
 - \$135,000: OPERATIONS AND PROGRAMS
 - \$138,000: MAINTENANCE AND UTILITIES
 - \$50,000: ARCHITECT

- SENIOR CENTER
 - \$38,000: OPERATIONS AND WAGES
 - \$31,000: MAINTENANCE

CONCLUSION

- ALL OPTIONS ARE ON THE TABLE; TRYING TO AVOID LAY-OFFS
- BUDGETING IS ABOUT CHOICES AND TRADE-OFFS
- THIS IS HARD
- KEY CRITERION: WHAT'S IN THE BEST LONG-TERM INTERESTS OF THE RESIDENTS OF SEBASTOPOL?
- FURTHER COUNCIL DIRECTION WELCOME