

# Financial Update

January 28, 2021



# Background Information

- Two Year Budget Adopted - June 2019
  - Budget Savings & Corresponding Reductions to City Services
- Ten-Year Financial Forecast
  - June 2020 Last Update
  - Discussed “Crossover” Issue
- Projected Operating Shortfalls
  - COVID Pandemic
  - Draw-down of Reserves
  - Unfunded Operating/Capital Needs



# **General Fund**

## **Fiscal Year 2020-21**



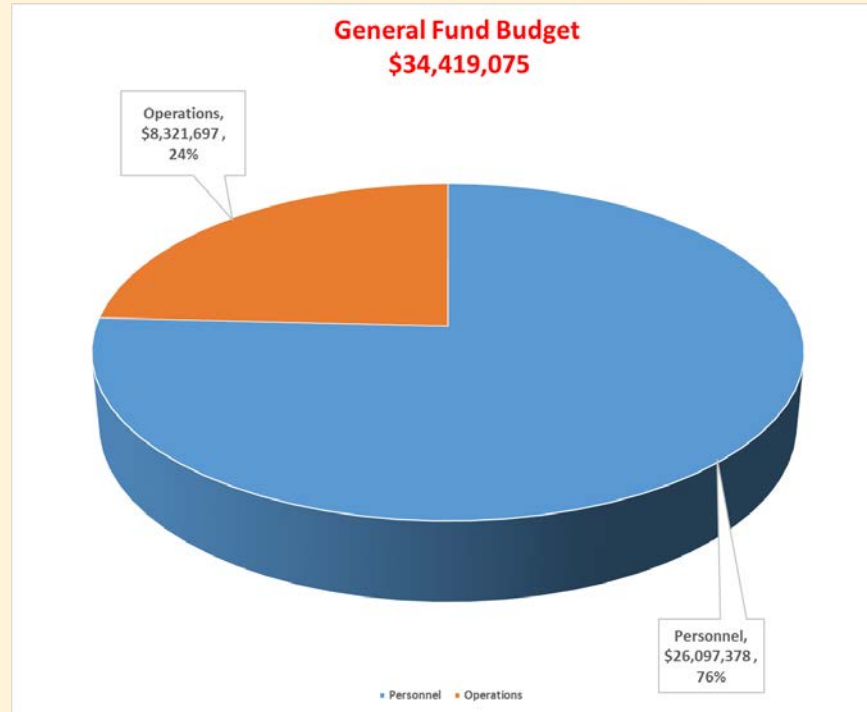
# FY 2020-21 Budget

(\$ million)

	<b>Adopted</b> <u>June 2019</u>	<b>Amended</b> <u>June 2020</u>
Revenue	\$31.9	\$30.7
Expenditures	<u>33.6</u>	<u>34.4</u>
Operating Shortfall	(\$1.7)	(\$3.7)
Line of Credit	\$1.2	\$1.2
Net Operating Position	(\$0.5)	(\$2.5)
<i>(Projected Labor Savings - \$2.4 million)</i>		

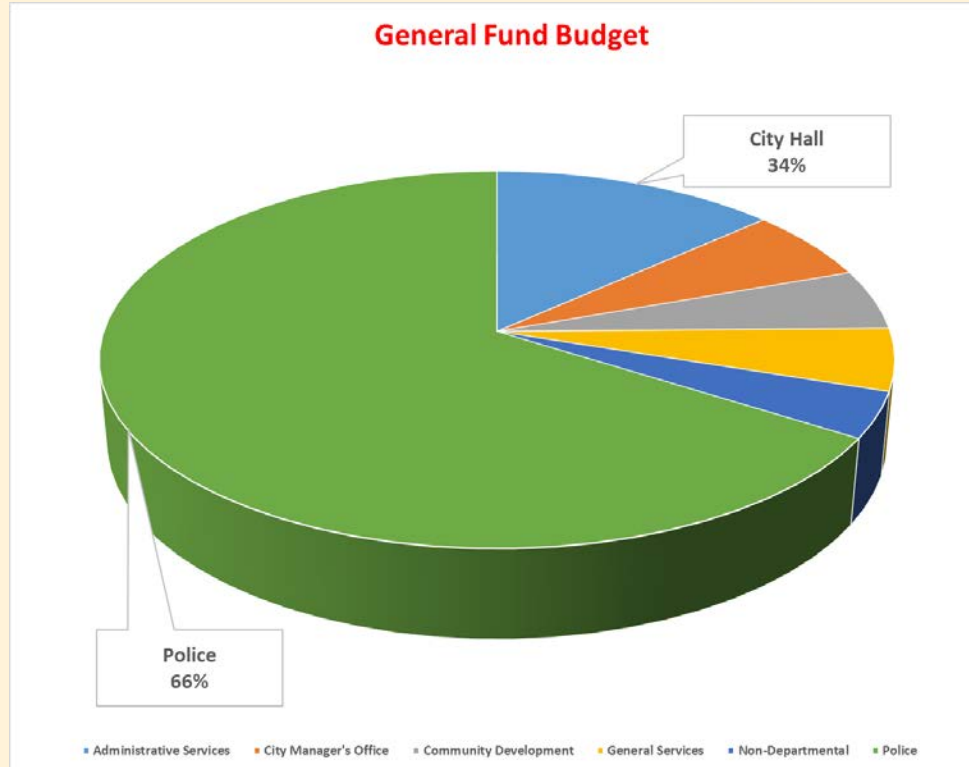


# General Fund FY 20/21





# General Fund FY 20/21





# Updated Projection FY 20/21

(\$ million)

	<b>Amended</b>	<b>Updated</b>
	<u>Budget</u>	<u>Projection</u>
Revenue	\$30.7	\$30.8
Expenditures	<u>34.4</u>	<u>31.3</u>
Operating Shortfall	(\$3.7)	(\$0.5)
CARES Act Funding	-	\$1.0
Line of Credit	<u>\$1.2</u>	<u>\$ -</u>
Net Operating Position	(\$2.5)	\$0.5



# Projected Budget Savings

FY 2020-21

- Position Vacancies
  - \$2.4 million
    - \$1.9 million in Police Department
      - Police Dept. currently has 28 vacancies (21 full-time, 7 part-time) intentionally unfilled
    - \$.5 million in City Hall
      - City Hall currently has 9 vacancies (5 full-time, 4 part-time)
- Operating Costs
  - \$0.7 million





# FY 20/21 Positions

	Available Positions	Filled Positions	Vacant Positions
Police Department	(148.5) (20)	(127.5) (13)	(21) (7)
City Hall	(62.75) (10)	(57.75) (6)	(5) (4)
Total	(211.25) (30)	(185.25) (19)	(26) (11)

The **green** number represents the benefited positions.

The **red** number represents part-time, non-benefited positions (facility attendants, dispatch assistants, management interns, Reserve Officers, CSO's, etc.).



## Current City Hall Service Cuts FY 20/21

- Reduced Succession Planning Programs
- Reduced Staff Training
- Delay Updating Human Resources Legal Mandates
- Reduced Community Engagement
- Reduced Economic Development and Communication Programs
- Delay in Processing Development Projects
- Delay in response to public calls and emails
- Reduced ability to pursue grants



# Current Police Dept. Service Cuts FY 20-21

- **Patrol Operations (Reduced)**
  - Increased response times for cold calls and non-injury traffic collisions
  - Increase burden on patrol officers, reducing proactive crime reduction
  - Fewer patrol officers visible throughout the City
  - Fewer officers available for emergency response and mutual-aid requests
  - Customer service delay for low priority calls
- **Animal Services (Reduced)**
  - Reduction to minimum required services only
    - Rabies control, animal adoptions, response dangerous dogs, removal of deceased animals
  - Eliminate Trap and Release (TNR) and other enhanced services
  - Service hours reduced to weekday business hours only
  - Significantly increased response times to calls for service (at times, a few days)



# Current Police Dept. Service Cuts FY 20-21

- **Records Unit (Reduced more than 50%)**
  - Inadequate staffing of PD lobby. Phone tree for non-emergency CFS; increase in wait times
  - Inability to properly transition to impending legal mandates (NIBRS, RIPA, PRA's etc.)
  - Delay in criminal filings/cases and warrant preparation to the DA's office
  - Delay in responding to report requests and providing actual reports to citizens
  - Inability to provide Livescan Services to the Public (to be referred to outside sources)
- **Youth and Family Services (Suspended)**
  - Eliminated or Reduced youth programs
    - Significantly reduced programs: PAL, Explorers,
    - Eliminated programs: Pathway Program, special community events (Birthday drive-bys, Miracle on Fountain Square, Trunk or Treat, Holiday Referral Program, Shop with A Cop, etc.), Every-15-Minutes, youth outreach/crime prevention.
  - Eliminate School Resource Officers in all schools
- **Special Investigations (Suspended)**
  - Drug activity reported by citizens diverted to Patrol staff; no consistent response
  - Potential increase in Property & Violent crime due to nexus to illegal narcotics
  - No focus on illegal narcotics possession or sales
  - No gang expertise or prevention
  - No warrant sweeps/checks (sex-registrant, probation/parole, domestic violence, gang)



# Questions Regarding Fiscal Year 2020-21 Financial Update?



# Ten Year Financial Forecast



# Funding Requirements Including Streets

## Scenario 1

Item	Cost	Timing
Building Maintenance	\$210,000	Annually
Capital Building Equipment Replacement	\$350,000	Annually
Compensated Absences	\$350,000	Annually
Equipment & Software Replacement	\$150,000	Annually
General Fund Emergency Reserves	\$500,000	Annually
General Plan Update	\$40,000	Annually
OPEB	\$248,000	Annually
Vehicle Replacement	\$400,000	Annually
Streets	\$12,000,000	Annually
<b>Total</b>	<b>\$14,248,000</b>	



# General Fund Ten Year Financial Forecast

## with Required Funding Items

### Scenario 1

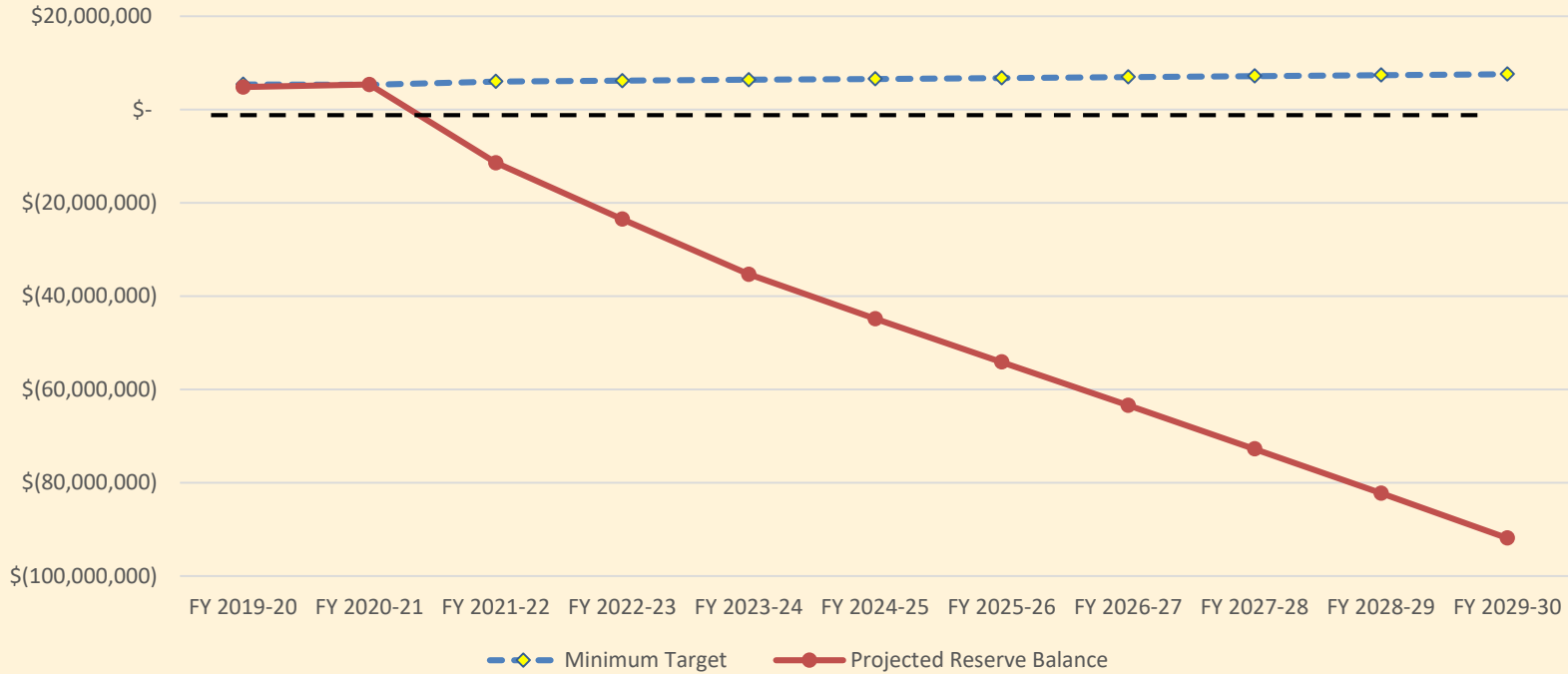
	<u>FY 19/20</u>	<u>FY 20/21</u>		<u>FY 2021-22</u>	<u>FY 2022-23</u>	<u>FY 2023-24</u>	<u>FY 2024-25</u>	<u>FY 2025-26</u>	<u>FY 2026-27</u>	<u>FY 2027-28</u>	<u>FY 2028-29</u>	<u>FY 2029-30</u>
	Actual	Amended Budget	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected
<b>TOTAL REVENUE</b>	31,309,328	30,702,166	30,840,576	32,305,247	40,096,603	41,461,661	42,931,450	44,283,086	45,439,375	46,630,235	47,759,303	48,922,921
<b>TOTAL EXPENDITURES</b>	31,722,512	34,419,075	31,374,487	49,581,562	52,691,322	53,762,339	52,962,930	54,054,225	55,250,341	56,481,122	57,748,467	59,051,820
<b>Net Operating Position</b>	(413,184)	(3,716,909)	(533,911)	(17,276,315)	(12,594,719)	(12,300,678)	(10,031,480)	(9,771,139)	(9,810,966)	(9,850,887)	(9,989,163)	(10,128,900)
CARES Act Funds			1,050,000									
Line of Credit Draw for Operating Expenses	0	1,200,000	0	0								
<b>Net Position After Line of Credit Draw</b>	(413,184)	(2,516,909)	516,089	(17,276,315)								
<b>Beginning Reserve Balance (Unassigned/Committed)</b>	5,364,510		4,834,136	5,350,225	(11,426,090)	(23,520,809)	(44,852,967)	(54,124,106)	(63,435,073)	(63,435,073)	(72,785,960)	(82,275,123)
<b>Ending Reserve Balance</b>	\$ 4,834,136		\$ 5,350,225	\$ (11,426,090)	\$ (23,520,809)	\$ (35,321,487)	\$ (44,852,967)	\$ (54,124,106)	\$ (63,435,073)	\$ (72,785,960)	\$ (82,275,123)	\$ (91,904,023)

Reserves depleted in FY 2021-22





# General Fund Reserves with Required Funding Items Scenario 1





# Funding Requirements

## Reduced to Balance FY 2021-22 Budget

### Scenario 2

Item	Original Cost Estimate	Reduced Cost Estimate	Timing
Building Maintenance	\$210,000	\$190,000	Annually
Capital Building Equipment Replacement	\$350,000	\$0	Annually
Compensated Absences	\$350,000	\$300,000	Annually
Equipment & Software Replacement	\$150,000	\$50,000	Annually
General Fund Emergency Reserves	\$500,000	\$0	Annually
General Plan Update	\$40,000	\$0	Annually
OPEB	\$248,000	\$248,000	Annually
Vehicle Replacement	\$400,000	\$150,000	Annually
Streets	\$12,000,000	\$0	Annually
<b>Total</b>	<b>\$14,248,000</b>	<b>\$938,000</b>	



# General Fund Ten Year Financial Forecast

## with Reduced Funding Requirements Scenario 2

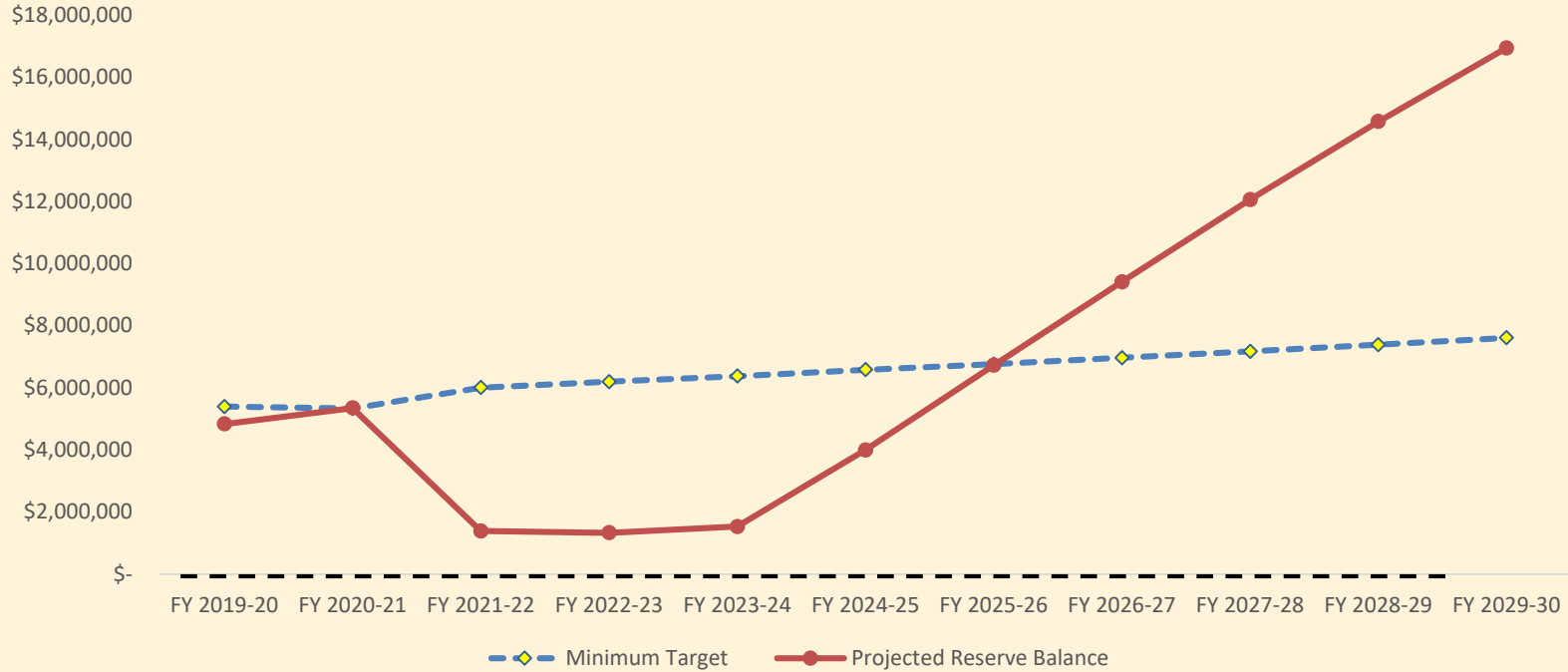
	<u>FY 19/20</u>	<u>FY 20/21</u>		<u>FY 2021-22</u>	<u>FY 2022-23</u>	<u>FY 2023-24</u>	<u>FY 2024-25</u>	<u>FY 2025-26</u>	<u>FY 2026-27</u>	<u>FY 2027-28</u>	<u>FY 2028-29</u>	<u>FY 2029-30</u>
	<i>Actual</i>	<i>Amended Budget</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>
<b>TOTAL REVENUE</b>	31,309,328	30,702,166	30,840,576	32,305,247	40,096,603	41,461,661	42,931,450	44,283,086	45,439,375	46,630,235	47,759,303	48,922,921
<b>TOTAL EXPENDITURES</b>	31,722,512	34,419,075	31,374,487	36,271,562	40,151,322	41,262,339	40,462,930	41,554,225	42,750,341	43,981,122	45,248,467	46,551,820
<b>Net Operating Position</b>	(413,184)	(3,716,909)	(533,911)	(3,966,315)	(54,719)	199,322	2,468,520	2,728,861	2,689,034	2,649,113	2,510,837	2,371,100
CARES Act Funds			1,050,000									
Line of Credit Draw for Operating Expenses	0	1,200,000	0	0								
<b>Net Position After Line of Credit Draw</b>	(413,184)	(2,516,909)	516,089	(3,966,315)								
Beginning Reserve Balance (Unassigned/Committed)	5,364,510		4,834,136	5,350,225	1,383,910	1,329,191	1,528,513	3,997,033	6,725,894	9,414,927	12,064,040	14,574,877
<b>Ending Reserve Balance</b>	\$ 4,834,136		\$ 5,350,225	\$ 1,383,910	\$ 1,329,191	\$ 1,528,513	\$ 3,997,033	\$ 6,725,894	\$ 9,414,927	\$ 12,064,040	\$ 14,574,877	\$ 16,945,977

*Note: This version has been updated to reflect a lower amount towards unfunded items. Deficit now \$4.0 million.*



# General Fund Reserves

## with Reduced Funding Items Scenario 2





# General Fund Ten Year Financial Forecast

with Reduced Funding Items/Reduced Staffing  
Scenario 3

- Projected Operating Shortfall = \$4 million
- Actions Proposed to Balance Budget
  - Reduced Labor Costs 14%
  - Maintain Current Vacancies as Previously Outlined
  - Further Reduce Services
  - Reduced Additional Funding Items
  - No Funding for Streets



# FY 21/22 Updated Positions

	Available Positions	Filled Positions	Vacant Positions
Police Department (5 Additional FTE Vacancies beginning July 1, 2021)	(148.5) (20)	(122.5) (13)	(26) (7)
City Hall	(62.75) (10)	(57.75) (6)	(5) (4)
Total	(211.25) (30)	(180.25) (19)	(31) (11)

The **green** number represents the benefited positions.

The **red** number represents part-time, non-benefited positions (facility attendants, dispatch assistants, management interns, Reserve Officers, CSO's, etc.).



# Ongoing City Hall Service Cuts FY 21-22 and FY 22-23

- Significantly reduced succession planning programs
- Delayed Legal State Mandate Updates
- Reduced Community Engagement and Outreach
- Minimal Legislative Tracking
- Eliminate work on special projects
- Reduced economic development and communications programs
- Ongoing delays in processing development projects
- Ongoing delays in responding to public inquiries
- Minimal capacity to pursue grants



# Future Police Service Cuts FY 21-22 and FY 22-23

- **Problem Oriented Policing (Suspended)**
  - No homeless outreach, no enforcement/response without in-progress crime
  - No police assistance with Navigator Program
  - Community Engagement Programs Eliminated/Reduced:
    - N.A. meetings, City Council Liaison/Security, Crime Prevention Program, Neighborhood Watch, Citizens Academy, CPTED Surveys, etc.
  - Long Term Problem / Nuisance House/Property abatement
  - Long Term Community Problems, homeless camps, trash or illegal dumping/abandoned property, shopping cart recovery
- **General Investigations Unit (Reduced)**
  - Significant impact to non-violent investigations (fraud, property crime, etc.)
  - No investigations of online sex-predators, human trafficking, child exploitation
  - Delay in investigating cold cases and non-violent criminal investigations
  - Reduced coordination with District Attorney and allied agency investigators





# Future Police Service Cuts FY 21-22 and FY 22-23

- **Traffic Unit – (Reduced)**
  - Delayed and/or non-response to traffic complaints from citizens
  - Potential increase of injury and non-injury traffic collisions
  - Reduction to patrol overtime mitigation; up to \$110,000 annually
  - Inability to execute OTS grant resulting inability to meet council objectives for DUI enforcement; potential for reduction in DUI arrests, and a potential for increase in DUI collisions
  - Limited ability to investigate major traffic investigations – increases impact to patrol services; inability to respond to non-life threatening calls for service due to securing collision scene or redeploying traffic collision investigators from patrol teams



# Funding Requirements

## Reduced to Balance FY 2021-22 Budget

### Scenario 3

Item	Original Cost Estimate	Reduced Cost Estimate	Timing
Building Maintenance	\$210,000	\$190,000	Annually
Capital Building Equipment Replacement	\$350,000	\$0	Annually
Compensated Absences	\$350,000	\$300,000	Annually
Equipment & Software Replacement	\$150,000	\$50,000	Annually
General Fund Emergency Reserves	\$500,000	\$0	Annually
General Plan Update	\$40,000	\$0	Annually
OPEB	\$248,000	\$248,000	Annually
Vehicle Replacement	\$400,000	\$150,000	Annually
Streets	\$12,000,000	\$0	Annually
<b>Total</b>	<b>\$14,248,000</b>	<b>\$938,000</b>	



# General Fund Ten Year Financial Forecast

## with Reduced Funding Items/Reduced Staffing Scenario 3

	FY 19/20	FY 20/21		FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
	Actual	Amended Budget	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected
TOTAL REVENUE	31,309,328	30,702,166	30,840,576	32,358,750	40,148,385	41,551,136	43,023,814	44,401,059	45,585,816	46,805,030	47,962,338	49,153,094
TOTAL EXPENDITURES	31,722,512	34,419,075	31,374,487	32,530,775	36,379,016	41,262,339	40,462,930	41,554,225	42,750,341	43,981,122	45,248,467	46,551,820
Net Operating Position	(413,184)	(3,716,909)	(533,911)	(172,026)	3,769,369	288,797	2,560,883	2,846,834	2,835,475	2,823,908	2,713,871	2,601,274
CARES Act Funds			1,050,000									
Line of Credit Draw for Operating Expenses	0	1,200,000	0									
Net Position After Line of Credit Draw	(413,184)	(2,516,909)	516,089									
Beginning Reserve Balance (Unassigned/Committed)	5,364,510		4,834,136	5,350,225	5,178,199	8,947,568	9,236,366	11,797,249	14,644,083	17,479,557	20,303,466	23,017,337
Ending Reserve Balance	\$ 4,834,136		\$ 5,350,225	\$ 5,178,199	\$ 8,947,568	\$ 9,236,366	\$ 11,797,249	\$ 14,644,083	\$ 17,479,557	\$ 20,303,466	\$ 23,017,337	\$ 25,618,611

*Note: This version has been updated to reflect a lower amount towards unfunded items and reduced staffing. Deficit now \$0.2 million.*



# Fiscal Year 2021-22/2022-23 Year Budget

- Drafting 2-year budget
- Addressing substantial shortfall
- Reduced contribution towards unfunded items
- No funding towards street maintenance/repairs
- Expenditure reductions – personnel and services
- Property tax revenue due February 2023 does not solve budgetary needs
  - Estimated at \$6.6 million



# General Fund Ten Year Financial Forecast

- City Reserve Policy
  - Fiscal Responsibility
  - Minimum prudent reserve level = 17% of General Fund expenditures
  - City's Reserves drop below Minimum level under all scenarios

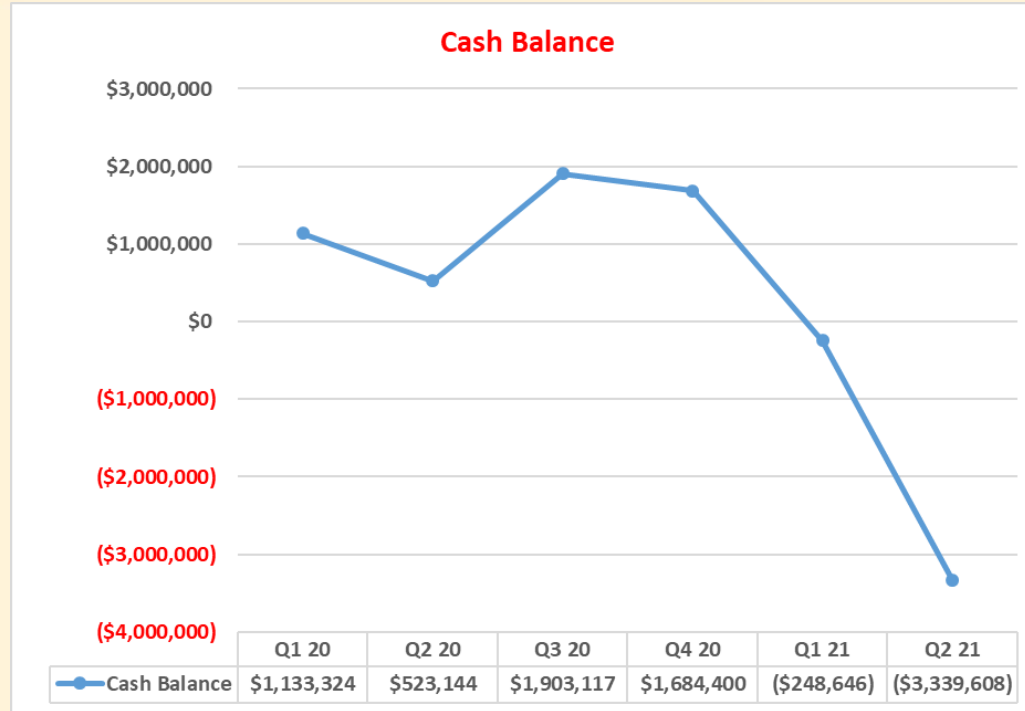


# General Fund Cash Flow

- Motor Vehicle License Fee received semi-annually in January and May.
- General Fund cash floats capital projects as the Federal and State grants are reimbursable grants so the City has to pay for expenditures upfront.
- As we deplete our fund balance, we will run into major cash flow issues to pay employees and vendors.



# General Fund Cash Flow





# Budget Reduction Principles

- Reducing Staff
  - Layoffs (July 1, 2021)
- Reducing Services
  - Service levels reduced in line with staff reductions
- Commitment to Staff
  - Commit to recruiting and retaining top talent
- Fund Deferred Expenses ASAP





# Proposed Next Steps

- February – May
  - FY 2021-22 and 2022-23 Budget Development
- May – June
  - City Council Budget Review/Adoption



Questions/Comments?