

City of Sacramento

Legislation Details (With Text)

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Title:
FY2020/21 Fiscal Update

File ID: 2020-01035

Location: Citywide

Recommendation:

Receive and provide direction to the City Manager on how the City Council would like to proceed with requested expenditures and the identification of resources to fund these expenditures.

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Presenter: Leyne Milstein, Assistant City Manager, (916) 808-8491

Attachments:

- 1-Description/Analysis
- 2-Sales Tax Payment and Information Schedule
- 3-Summary of Major General/Measure U Fund Revenues
- 4-Capital and Operating Projects on Hold

Description/Analysis

Issue Detail: The purpose of this report is for the City Council (Council) to consider options to fund initiatives and make adjustments for additional costs and revenue losses identified since the adoption of the Fiscal Year (FY) 2020/21 budget in May (Budget) and to provide Council with information regarding the City's current financial condition. Following adoption of the Budget:

- Council has discussed and directed the City Manager to return with funding options for several programs that were not included in the budget.
- On August 25, 2020, the City Treasurer reported on the impact of the coronavirus disease (COVID-19) on the City's revenue streams dedicated to paying the debt associated with the Golden 1 Center and Community Center expansion project.
- Staff have identified shortfalls with billboard lease revenues as outlined in a separate report in this agenda and the parking meter and citation revenues are continuing to decline beyond what was anticipated in the budget (also covered in the Treasurer's report).

Along with other state and local agencies across the country, the City of Sacramento is facing extraordinary budget challenges due to the continued public health emergency resulting from COVID-19. The Budget included assumptions that businesses would begin the process of reopening by July 1, 2020 with a ramp up to fully operational over the remainder of the fiscal year. However, following a brief attempt to reopen in June, the County of Sacramento issued a public health order limiting operations of a number of business sectors. Many businesses were closed again in early July which will result in the City's revenue streams being impacted beyond what was anticipated.

It will still be months before staff can update the five-year General/Measure U (G/MU) Fund forecast as there are many factors that make it challenging to accurately forecast our major revenue streams most impacted by the closures (sales and transient occupancy taxes). Sales tax information for the final payment in FY2019/20 was just received (see Attachment 2) and the results on the first three months of FY2020/21 sales tax revenues will not be available until late November with detailed information in January.

Sales tax revenues for the final quarter of FY2019/20 that covered the pandemic and stay at home public health order (April through June 2020) were better than expected. However, with continuing closures, reductions in unemployment insurance payments, no foreseeable expansion of the federal Paycheck Protection Program and impact of evictions it is still too soon to prepare a revised estimate for the first quarter of FY2020/21 (July through September 2020). Staff are working with the City's sales tax consultant, other finance officers across the state and the League of California Cities (LOCC) to identify trends and guidelines for forecasting in these difficult circumstances. In fact the LOCC has agreed to coordinate a webinar with the California Department of Tax and Fee Administration (CDTFA) and the two leading sales tax consultants in the state (Avenu Insights & Analytics and HdL) to attempt to evaluate current trends and potential outcomes of the delayed closure and loss of federal financial support on sales tax revenues.

Additional information on our major G/MU Fund revenue streams including Cannabis Business

Operations Tax (BOT) tax revenues is included in Attachment 3. Departments continue to evaluate revenue streams that may be impacted by the closures and the current economic downtown, any significant shortfalls in addition to those identified in this report will be reported to Council as information becomes available.

As discussed during the budget presentation, to assist with addressing unknown fiscal challenges the City Manager conducted a thorough review of all multi-year capital and operating projects. This review resulted the identification of projects which were still in the early planning stages and consultant/construction contracts had not yet been issued. The value of the projects placed on hold is approximately \$10.5 million (Attachment 4). The following chart summarizes new unfunded Council initiatives, projected debt shortfalls, additional revenue losses and potential opportunities to fund the Council requests and revised costs and revenue losses.

**FY2020/21 Fiscal Changes
Post Budget Adoption**

New Initiatives	\$ in '000s
Free Buss Passes for Youth (year two)	750
Meadowview Shelter SHRA Administration (\$760k) and Utilities (\$120k)	880
Office of Community Response	5,000
St John's City of Refuge (January 2021 through June 2021)	500
Youth Pop-ups to June	1,300
Subtotal \$	8,430
Debt Payment Shortfall	
Golden 1 Center Debt - after using half of the debt liquidity reserve	5,000
Refinance Community Center (TOT) debt - adds to long term costs	-
Subtotal \$	5,000
Revenue Losses	
Billboard Revenues	250
Parking Revenues	3,219
Subtotal \$	3,469
Total Increased Costs \$	16,899
Resources	
Cannabis BOT Revenues (rightsizing)	4,500
Capital and Operating Projects on Hold (Attachment 4)	10,479
Potential Litigation Settlement	600
Subtotal Resources \$	15,579
Total Shortfall (costs less identified resources) \$	(1,320)

While from a budgetary perspective the G/MU Fund does not have resources to fund all the new initiatives and fiscal changes outlined above, the revenues and resources identified can provide Council with an opportunity to fund some of the initiatives. Extending the hold on the projects until

alternate resources can be identified would provide the necessary cash flow needed to support the increased expenditures. As resources are identified, projects could be released for work to resume as early as the 2021 construction season.

As Council directs the City Manager to proceed with funding the needs and initiatives identified above staff will return with a report(s) to establish budgets for the identified initiatives and increase the G/MU revenue budget for Cannabis BOT revenues and the litigation settlement.

Policy Considerations: This report is intended to provide Council with an overview of the City's financial status consistent with Section 61 of the City Charter.

Economic Impacts: Not applicable.

Environmental Considerations:

California Environmental Quality Act (CEQA): This report concerns administrative activities and governmental fiscal activities that do not constitute a "project" as defined by the CEQA Guidelines Sections 15378(b)(2) and 15378(b)(4) and are not subject to the provisions of CEQA (CEQA Guidelines Section 15060(c)(3)).

Sustainability: Not applicable.

Commission/Committee Action: Not applicable.

Rationale for Recommendation: The City Manager is responsible for reporting in accordance with the authority granted by Section 61 of the City Charter. The presentation and resulting direction from the City Council will provide the City Manager guidance on next steps to address identified program changes, debt shortfalls and revenue reductions.

Financial Considerations: The report reflects the City's continuing need to actively manage expenditures. Staff are continuing to work on evaluating the City's FY2019/20 year-end revenues and expenditures to determine what resources may be available to assist with addressing fiscal challenges in the current year. As more information becomes available on year-end results as well as future changes to our revenue streams staff will continue to update Council.

Local Business Enterprise (LBE): No goods and services are being purchased under this report.