



**CITY COUNCIL
STAFF REPORT**

TO: Honorable Mayor and Councilmembers
DATE: May 5, 2020
THROUGH: John W. Donlevy, Jr., City Manager
FROM: Shelly A. Gunby, Director of Financial Management
SUBJECT: Budget Workshop

RECOMMENDATION:

Staff recommends that the City Council receive a report from staff on the status of the 20-21 budget and provide input and direction.

BACKGROUND:

Staff has been working on preparing the 2020-2021 budget in the midst of the current State Ordered shut down of non-essential businesses. The shut down has dramatically impacted the budget of the City of Winters for the current year, 19-20, with an estimated reduction in expected revenues of \$334,820. These revenue reductions are mostly attributed to reduction in sales tax and TOT due to the shut-down of most of the restaurants in town, and the reduction in gas usage, a reduction in the price of gas and the closure of hotels within the City.

The approach to budgeting at this point surrounds a couple key points:

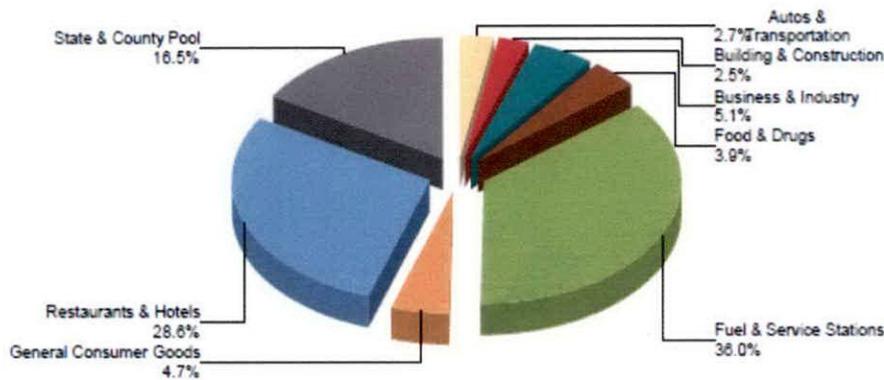
- Anticipation that overall revenues will reduce for a prolonged period as the economy drops into recession due to Covid-19 and the extension on limitations on businesses, community gathering and impacts on a destination-based economy.
- Reduction in expenditures to maintain staffing in critical services.
- Use retirement attrition to downsize the City workforce. Reduce overall pay in all City positions.
- Elimination of certain operations which are not essential and operate in a negative balances.
- Maintaining cash balances in reserve funds so the City has the ability to pay bills and cash flow during the first seven months of the fiscal year.
- Establishing a "litigation reserve" which will fund toward a \$1 million level over a four-year period.
- Avoiding the possibility of bankruptcy should the cash position of the City run out.

SALES TAX

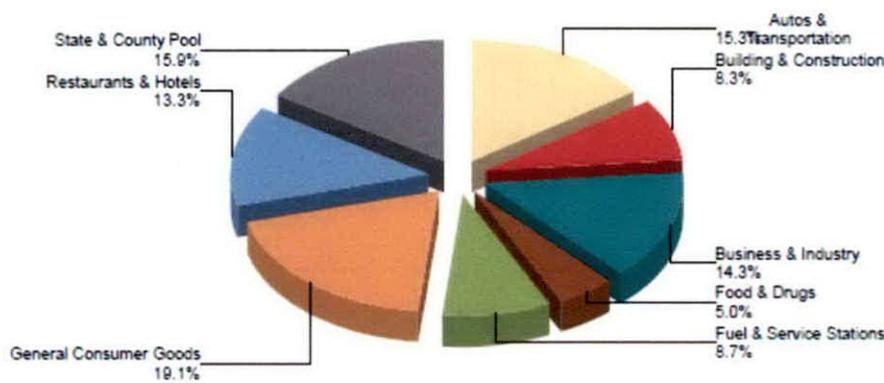
We currently expect the sales tax revenues for the 19-20 fiscal year to be \$164,986 less than the 18-19 fiscal year. This information, provided by our sales tax consultant HdL, includes projections for the next 5 years that shows that we will continue to see sales tax revenues at an amount less than that received in the 18-19 year through the 5-year period. 20-21 sales tax receipts are expected to be about the about 15% less than that collected in the 18-19 fiscal year. Attached are two charts from HdL that illustrates the dependency of the City of Winters on restaurants and fuel sales compared to the state-wide data.

HdL CITY TO STATE COMPARISON
 ADJUSTED FOR ECONOMIC DATA CALENDAR YEAR 2019

City of Winters



HdL Client Database Statewide Totals



TOT (Transient Occupancy Tax)

We had budgeted for the opening and operation of 2 new hotels in Winters in the 19-20 fiscal year, and we currently have no operating hotels within the City. Both the existing B&B and the Hotel closed in mid-March with the Governor issuing the Stay at Home Order. The second hotel was delayed and is just now undergoing constructions. Currently we are projecting to receive \$80,000 in TOT and we had budgeted \$505,000. We are projecting a lower TOT in 20-21 because the developer of the hotel under construction has indicated that they will not open until "Spring 2021", and we are unsure of the impact on the hotel and B&B of the current shut down.

PROPERTY TAX

Property taxes are based on the assessed value of property as of January 1st of each year. The property owner pays those taxes in December of that year and April of the following year, so, properties were appraised on 1-1-2020, the tax bills will go out in August of 2020, property owner will pay the first payment on December 10, 2020, the county sends us the money in January 2021, then property owner pays the second payment April 10, 2021 and the county sends us the money in May 2021. The City of Winters has engaged Coren and Cone for property tax consultants so that we have additional information available to us on the status of all the various factors that impact the property tax, including new construction, new assessments and any appeals by property owners of the assessed value of their property. We believe that our projections for the 19-20 and 20-21 are based solidly on the information received from, and discussed with, the consultant. The impact on 21-22 assessed values remains to be seen given the recession that is predicted based on the economic damage as a result of the shut down due to the Covid-19 virus.

BUILDING ACTIVITY:

Staff has been communicating directly with the developers of the 3-active subdivision, Stones Throw, Aspire and Crown Communities to try and determine the level of building activity for the next fiscal year. It is currently planned to provide revenues of \$143,000 less than in the current year.

We expect the revenues for 20-21 to be approximately the same as the 19-20 revenues, with losses in certain areas made up for gains in other, but, the big issue is the health and survivability of all the businesses in the City that provide sales tax and TOT tax and getting people back to work to shorten the impact of the shut down and the resulting recession.

Revenues are only one side of the equation; we must reduce expenditures to manage the budget shortfall that is predicted. Based on the adopted MOU's and the projected budget, without any budget reductions, we project a deficit of \$1,233,111. Staff has worked through a few scenarios to determine the impact of ideas to recommend in order to balance the budget. Staff has worked with all departments in the General Fund to provide as much budget reduction as possible through the operating expenses of the department, but, 63% of the expenditures in the General Fund are related to employee costs.

		# of Staff			
Wages by Department			Operating Expenditures by Dept		
City Council	2,025	5	City Council Members	257,816	
City Clerk	-	0		1,251	
City Manager	106,891	2		-	
Admin/HR	11,589	2		-	
Finance	73,553	3		-	
Police Dept	1,864,169	11		947,139	
Fire	858,372	4		412,373	
Planning	2,993	5	Planning Commissioners	151,828	
Building	265,453	2		115,953	
Public Works	228,271			-	
Recreation	-	0		7,700	
Community Center	-	0		55,416	
Pool	-	0		60,539	
	3,413,316	34		2,010,015	
total Expenditures	\$ 5,423,330			\$ 5,423,330	
Employee Cost as % of General Fund Expenditures	62.94%			37.06%	

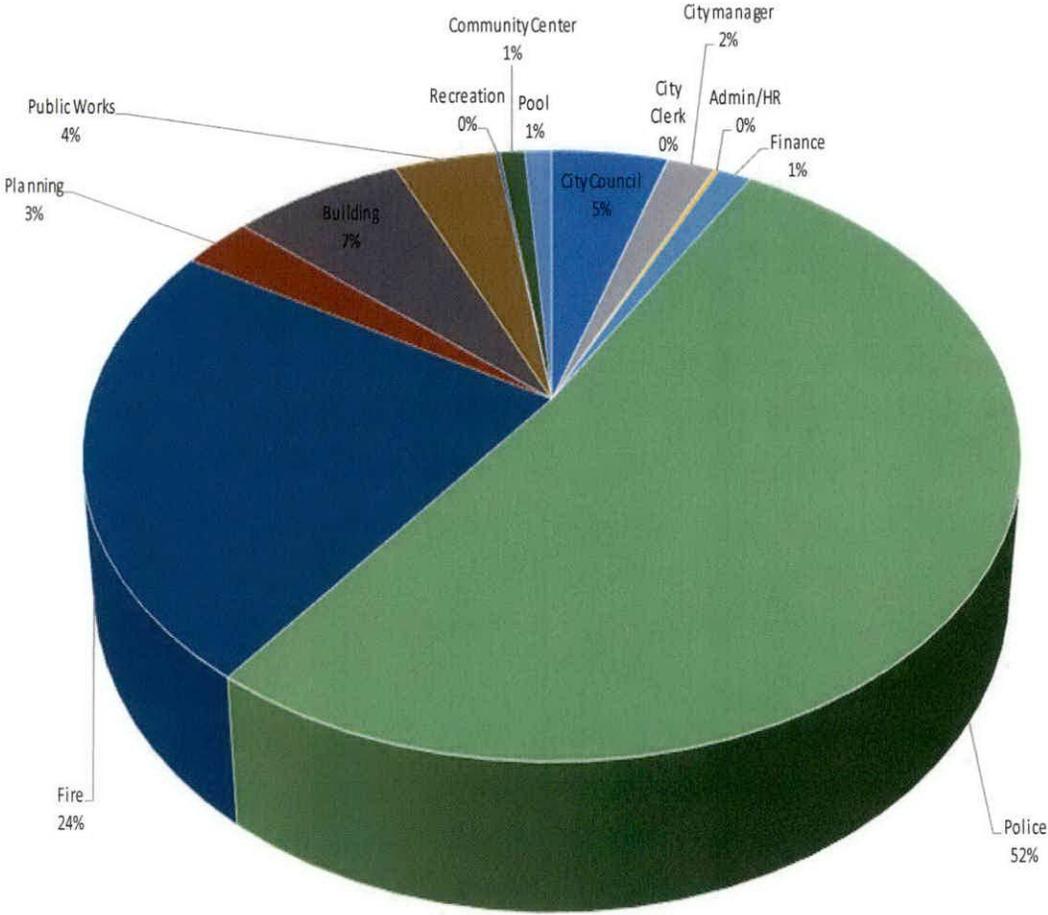
Below are the items that are included/not included in the budget to balance the 20-21 budget:

1. Housing and Economic Development Manager Maguire retiring 6-30-2020 and will not be replaced.
2. Police Commander that was included in the 19-20 fiscal year budget position was not filled and will not be filled in the 20-21 budget.
3. Police Sergeant retired in February 2020, the position has not been filled and will not be authorized in the 20-21.
4. City Clerk Retiring 12-31-2020, no replacement included in the 20-21 budget, will backfill from existing staff.
5. Environmental Services Manager retiring on June 30, 2020 and position is being backfilled from exiting staff with no new hire for the position.
6. Have no authorized overtime for any General Fund employee except as required by Police and Fire Department.
7. Removed all Interns from the budget
8. Removed proposed grant funded firefighters from the budget (required 25% paid by City, 75% paid by grant)
9. Police Administrative Coordinator retiring 12-31-2020, will backfill with part-time annuitant with no benefits, including no cafeteria plan and no CalPERS contributions.
10. 5% pay cut for all employees' city wide.
11. Severe cutbacks on all training on conferences and travel.
12. Assumes a contract with Solano Community College Fire Academy that will add additional income of approximately \$30,000.
13. Successor Agency residual receipts \$130,000
14. Property Tax Revenues provided by Coren and Cone
15. Sales Tax Revenues provided by HDL
16. Severe cuts to Police and Fire budgets with absolutely no contingency amounts included.
17. YCPARMIA increased insurance costs by 45%-based on budget sent by YCPARMIA
18. Pool Closed for the Fiscal year

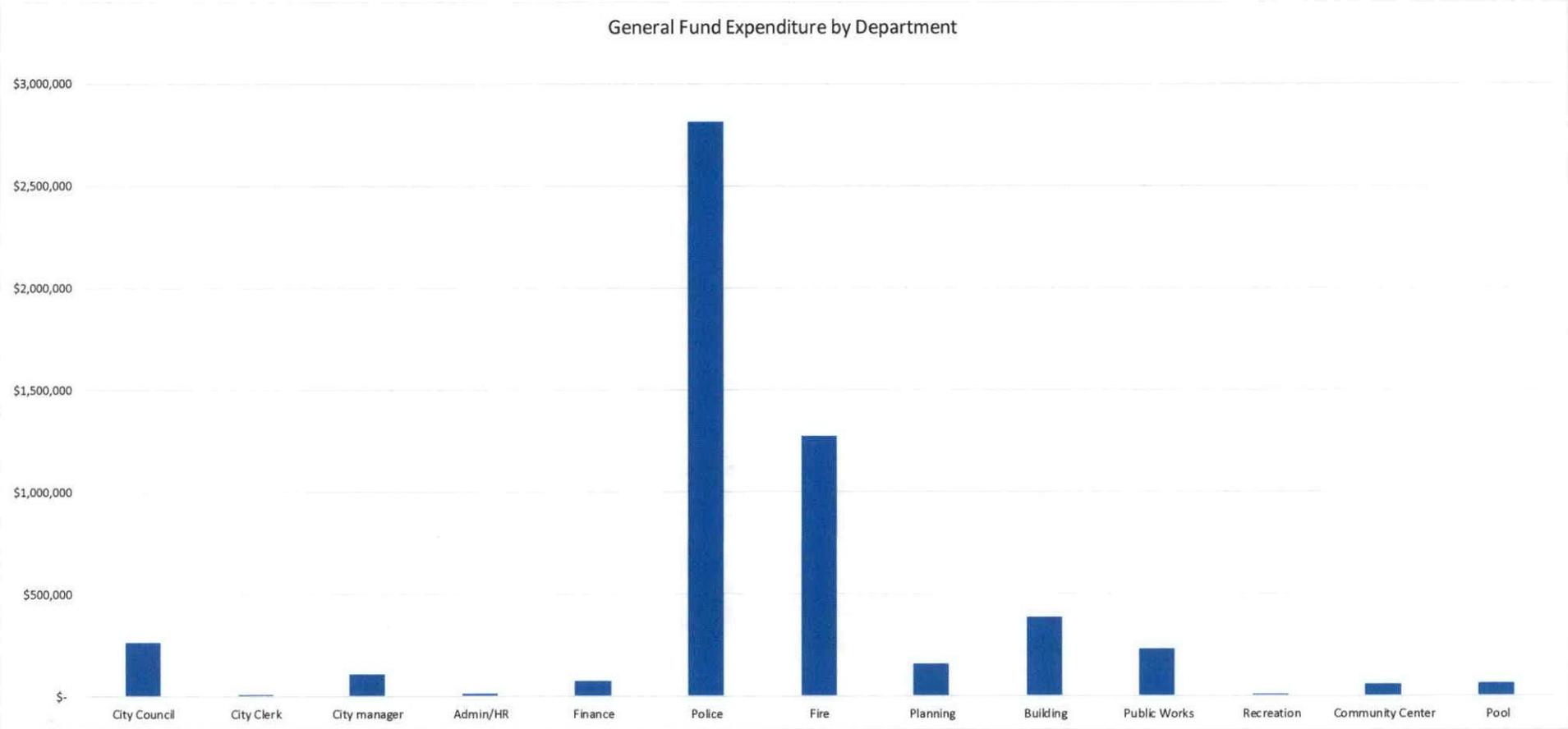
19. Community Center Closed for the Fiscal year
20. Hdl predicts that will not get back to pre-shut down sales tax numbers until fiscal year 26-27
21. Includes costs for Housing Element as required by the State of California
22. Includes \$250,000 to fund toward a \$1 million litigation reserve to fund to address potential challenges to land use initiatives.

On the following pages are some charts that I hope will be helpful.

Departments percentage of General Fund Expenditures



General Fund Expenditure by Department



CURRENT STATUS

After additional information received recently from Developers, the General Fund budget is currently set up with revenues of \$5,390,807 and expenditures of \$5,423,330 or a deficit of \$32,523. We included all of the measures outlined above in order to get to this level of deficit.

FISCAL IMPACT:

None by this action

ATTACHMENTS

None