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Title: Staff Report for a City of San Leandro City Council Resolution for a Public Hearing and Adoption of the Proposed Final Fiscal Year 2020-21 Budget including Revenue and Expenditure Appropriations (for the General Fund, Special Revenue Funds, Enterprise Funds, and Internal Service Funds)

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Staff Report for a City of San Leandro City Council Resolution for a Public Hearing and Adoption of the Proposed Final Fiscal Year 2020-21 Budget including Revenue and Expenditure Appropriations (for the General Fund, Special Revenue Funds, Enterprise Funds, and Internal Service Funds)

SUMMARY AND RECOMMENDATIONS

Staff recommends the City Council conduct a public hearing and take public testimony regarding the Proposed Final Budget including revenue and expenditure appropriations for Fiscal Year (FY) 2020-2021. At the conclusion of the public hearing, staff recommends approving the resolution including amendments to the approved Biennial Budget for Fiscal Years 2019-2020 and 2020-2021 and appropriations for FY 2020-2021 (no change to the Public Financing Authority Fund or the Successor Agency Funds).

BACKGROUND

The City Council approved the FYs 2019-2020 and 2020-2021 Biennial Budget on June 3, 2019. The approved biennial budget is the City's plan for resource allocation that guides and insures implementation of City Council policies and priorities. The budget implements the City Council's vision and direction for the broad range of services meeting the needs of the community.

The plan and vision of the Biennial Budget for FY 2019-20 and 2020-2021 unfolded on target through December 31, 2019 and into the late winter. In mid-March 2020, the impacts of the COVID-19 pandemic became fully apparent nationally, in the Bay Area, and in San Leandro. The precautionary measures recommended to control the COVID-19 pandemic directly impacted all City residents and businesses, the City organization, and the delivery of City services.

The curtailment of City services on March 16, 2020, and the unprecedented loss of revenues stemming from the COVID-19 pandemic and related economic slowdown is anticipated to impact the

City's financial condition from March 2020 at least through the entirety of FY 2020-2021. While the City Council adopted a balanced budget for FY 2019-2020 and an initial budget with a manageable deficit for 2020-2021, the financial impacts of the COVID-19 pandemic require action to address significant revenue loss.

While exact data measuring the immediate and longer-term financial impacts on the City are limited at this time, state and national sources clearly indicate immediate and severe economic decline due to Alameda County's Shelter in Place order, followed by recession and a slow recovery.

Discussion

Following the budget presentation and City Council discussion on May 18, 2020, the City Manager proposes amending the FY 2020-2021 budget to reflect revenue and expenditure changes resulting from conditions caused by the COVID-19 pandemic. The total amended General Fund revenue for FY 2020-2021 is \$109,177,700, a decrease of \$8,867,000 from the originally adopted budget.

The City Manager recommends amended expenditures in FY 2020-2021 totaling \$117,680,700. Expenditure adjustments include both expenditure reductions to offset the use of reserves totaling \$5,471,700 and additional General Fund expenditure requests reviewed with the City Council on May 18, totaling \$1,240,700. The adjusted General Fund revenue/expenditure gap amounts to \$8,503,000-requiring the use of available General Fund reserves.

Revenues

The City Manager recommends revenues totaling \$109,178,000 in FY 2020-2021, a decrease of \$8,867,000. The General Fund tax revenue decrease related to decline in economic activity due to the COVID-19 pandemic includes Sales Tax and Transaction & Use Taxes, Real Property Transfer Tax, and Transient Occupancy Tax. The details of the projected budget revenue decreases in FY 2020-2021 are in **Attachment 1 - Table 1**.

Expenditures

The City Council Adopted Budget for FY 2020-2021 included a negative General Fund revenue/expenditure gap of \$2,305,000. Projected revenue losses resulting from COVID-19 have increased this projected gap to \$8,503,000. As a result, the City Manager recommends a number of actions to significantly reduce FY 2020-2021 expenditures and minimize both the gap and the level of reserves required to balance the budget. The City Manager recommends the following six steps to significantly reduce FY 2020-2021 expenditures:

- Selective hiring freeze;
- Supplies and Services expenditure reductions by all departments;
- Reductions and restrictions in travel spending in all departments, with the exception of mandatory travel for professional certifications;
- Reduce General Fund allocations to Internal Service Funds;
- Eliminate selected General Fund financed Capital Projects; and
- Amend Fire contract budget to reflect actual expenditure level.

Attachment 1 - Table 2 details the recommended expenditure reductions in FY 2020-2021 reviewed by the City Council on May 18, 2020.

The City Council initially adopted the FY 2020-2021 expenditure appropriations based on the best

projections available nearly one year ago. Since that time, and as discussed earlier in this staff report, conditions have changed that require amendments to the previously approved General Fund expenditure levels. These revisions are required to maintain current operations and service levels in several Departments. **Attachment 1 - Table 3**, details the recommended additional appropriations reviewed by the City Council on May 18th.

Maintaining current operations and service levels in FY 2020-2021 also requires amendments to expenditure appropriations in several other City funds. Funds requiring amendment include Asset Seizure, Grants, Information Technology, Self-Insurance, and Equipment Maintenance. **Attachment 1 - Table 4** details the recommended additional appropriations for All Other Funds. In addition, the final budget for other funds includes adjustments to revenues in 18 funds and \$2 million for Administrative Support Allocation appropriation for specific Special Revenue funds, Enterprise funds and Internal Service funds as shown on Exhibit 1 attached to the resolution.

FISCAL IMPACT

The total amended General Fund revenues for Fiscal Year 2020-2021 are \$109,177,657. The City Manager recommends amended expenditures totaling \$117,680,714. The remaining projected General Fund revenue/expenditure gap is \$8,503,057-requiring the use of available reserve funds.

Staff requests City Council approval of the total All Funds amended revenues of \$177,428,122 and total amended All Funds expenditures of \$191,069,181 requiring the use of available total reserves of \$13,641,059 for the General Fund and all Other Funds for FY 2020-2021 (no changes to the Public Financing Authority Fund or the Successor Agency Funds).

ATTACHMENT

Attachment 1 (Table 1, Table 2, Table 3, and Table 4)

PREPARED BY

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