

**CITY OF SEBASTOPOL
CITY COUNCIL
STAFF REPORT**

Meeting Date: June 5, 2018
To: Honorable Mayor and City Councilmembers
From: Ana Kwong – Finance Director
Subject: Proposed Fiscal Year 2018/19 Budget

Recommendation Review and Recommend for Approval the FY 2018/19 Proposed Budget and Return Item to the June 19th City Council Meeting for Adoption of Budget and Associated Resolutions

Funding: Currently Budgeted: XX Yes No N/A
 Net General Fund Cost:
 If Cost to Other Fund(s),
 Fund:

INTRODUCTION: This item is to request that the City Council Review and Recommend for Approval the FY 2018/19 Proposed Budget and Return Item to the June 19th City Council Meeting for Adoption of Budget and Associated Resolutions.

BACKGROUND: The City begins the budget process by identifying the budget subcommittee's five-members. The city appoints two Council members who serve on this committee, along with city staff (City Manager/City Attorney, Assistant City Manager/City Clerk, and Finance Director). The City began its budget process in early January with the adoption of the budget schedule. The budget subcommittee held community benefit grant public meeting and met with Department Directors to review their budget requests. After careful consideration, the budget subcommittee then presented the City Council with a balanced budget for review.

DISCUSSION: As stated during the budget hearing, the Budget Subcommittee worked diligently to present to the City Council and members of the community a balanced budget. At the May 15th City Council meeting, the City Council conducted a public hearing, received public comments and began Council deliberations on the proposed budget as recommended by the Sub-Committee.

As this meeting, the City Council approved two additional agenda items resulting in changes to the proposed budget as follows:

- \$11,481- Ride the Bus Free Transit Pilot Program
- \$8,100 – Facilitate Implementation of new Housing Ordinances (Housing Fair)

This has reduced the amount of proposed transfer into the General Fund unassigned reserve from \$82,000 to \$62,800.

Also, at this meeting, the City Council received public comment on funding for the Sebastopol Cultural & Community Center (SCCC). City staff provided to the City Council on May 16th information related to SCCC budget. Based on the comments received, it is apparent that there was a misunderstanding between the recollection of the Budget Sub-committees and the SCCC during meetings conducted in 2016 regarding the number of years that the City Council would subsidize the SCCC related to living wages.

As the City Council is aware, the City review's the budget each year, which includes support for our non-profits. This review each year allows the City staff and Council discuss revenues/expenditures and items that could impact the budget (such as loss of sales tax revenue). It was noted at the last City Council meeting that all organizations including departments received reduction in funding across the board in an effort to create a balanced budget.

Based on the City's 5 years financial forecast, revenue projections are based on information available at this time and will continue to be revised as relevant information becomes available and as we continue our budget development in the future. Of particular significance, Measure Y will sunset in March 2021. The City Council has approved hiring a consultant to prepare ballot language to be placed on the upcoming election to extend the sales tax as well as increase the TOT; however, although the City has tremendous faith in its community to pass this sales tax extension and TOT increase, it is not a guaranteed continuation of this revenue stream of sales tax.

Based on the knowledge that the sales tax would sunset in 2021, the Budget Sub-committee's intention was not to commit to a six-year support of living wages for SCCC with this uncertainty in funding. However, the City is willing to work collaboratively with SCCC on an annual basis to address the living wages support and to help find avenues to raise funds so that the SCCC can become self-sufficient. It is important for the community to understand that the City budget is reviewed each year to ensure that the City remains solvent as well as being able to help our non-profits who play a vital role in the community.

Additionally, Councilmember Gurney has requested that staff provide three of 5 years financial forecast Revenue/Expenditures Graph model to including the following projections:

- 1) To include Measure Y passing and with no TOT rate increase
- 2) To include Measure Y not passing and TOT passing with rate increase
- 3) To include Measure Y and TOT increase passing

These charts are attached to this staff report for information.

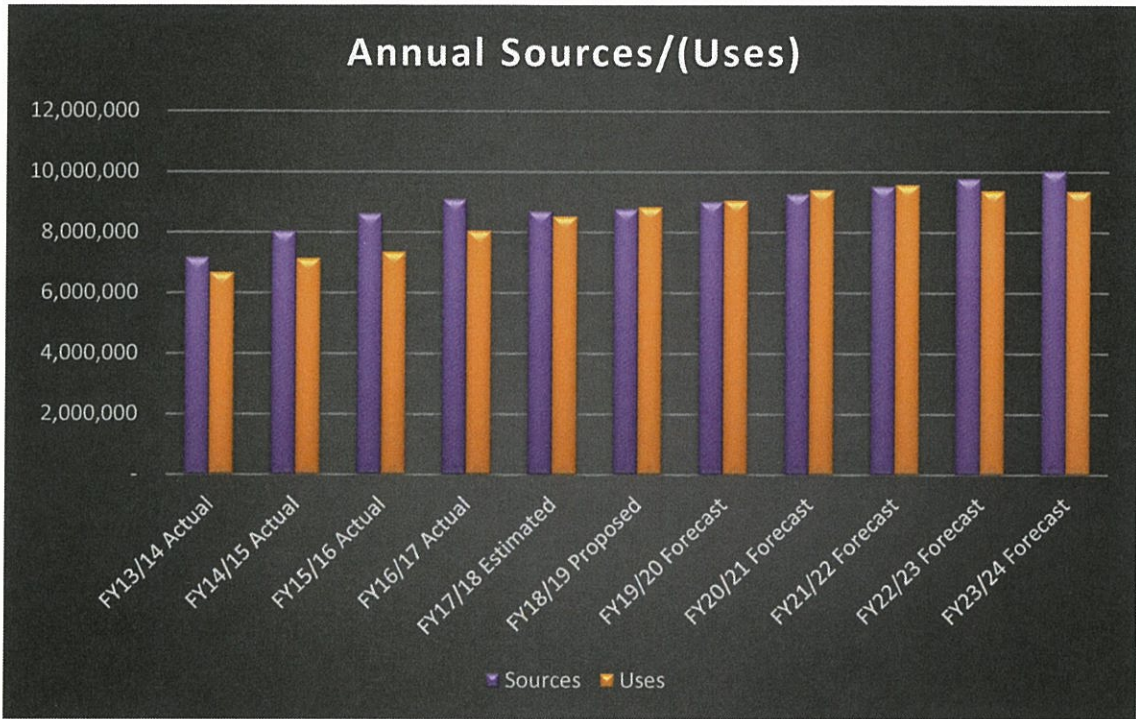
RECOMMENDATION:

Staff is recommending that the City Council Review and Recommend for Approval the FY 2018/19 Proposed Budget and Return Item to the June 19th City Council Meeting for Adoption of Budget and Associated Resolutions.

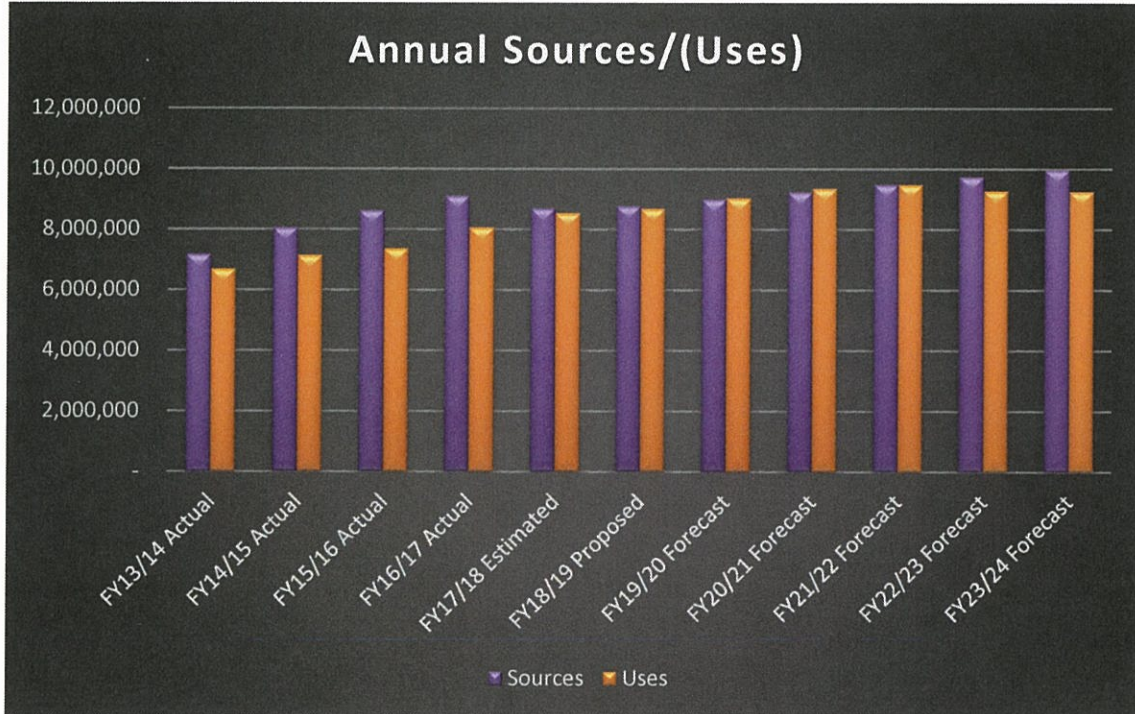
Attachment(s):

FY 2018-2019 Proposed Budget Book (previously distributed)
Three Scenarios of 5-Year Financial Forecast Graph Model

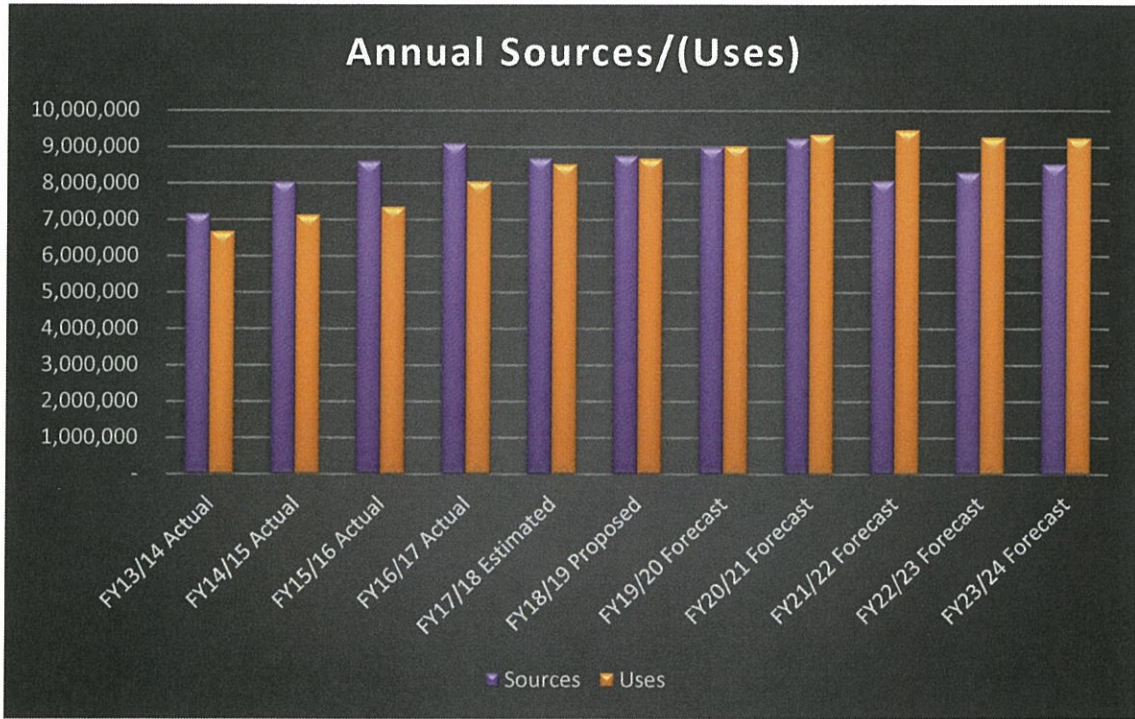
Current = Measure Y Sunset March 2021 & No TOT Increase



Scenario 1 → Measure Y = Passed with no TOT Increase



Scenario #2 → Measure Y = Failed & TOT Passed



Scenario #3 → Measure Y & TOT = Passed

