



OFFICE OF THE MAYOR & CITY MANAGER

TO MAYOR/COUNCIL FYI
Date 5/27/20 By M Marchioni

DATE: May 27, 2020

TO: COUNCIL PRESIDENT MIGUEL ARIAS
COUNCIL MEMBERS

FROM: MAYOR LEE BRAND 
Office of the Mayor & City Manager

SUBJECT: FY 2021 MAYOR'S PROPOSED BUDGET

EXECUTIVE SUMMARY

The extraordinary events of the last few months have been unprecedented in the City of Fresno's history. The public health threat of COVID-19 and the fight against its spread has, and will, continue to have far reaching impacts to our city, our state and our nation. The virtual shut down of the local economy has placed the City's finances in a challenging position. All of the City's operational funds have been impacted by this shutdown. The General Fund is expected to experience significant reductions in sales tax, room tax, business license, and various fees and charges. The Enterprise Funds, such as Airports and Transit, have seen extraordinary declines in customers and revenues. Tax driven capital funds, such as Measure C and Gas Tax, are also affected, thereby placing several improvement and maintenance projects in jeopardy of having inadequate funds to complete the projects. In addition, our Internal Service Funds, such as Information Technology, have needed to make unexpected expenditures to address COVID-19 prevention strategies, such as shelter-in-place, leaving them with inadequate funding to address other City infrastructure needs.

While we know the impact will be profound, at present we do not know the full extent of the revenue loss. To assist business owners struggling to cope with this crisis, Governor Newsom has allowed a three-month delay in reporting sales tax receipts for the first quarter (January-March) of 2020. Although the rationale for this move is clear, it has made accurately determining the scope of the problem much more difficult. With sales tax making up 27 percent of total General Fund revenues, delays such as this one make it virtually impossible to estimate revenues around which a budget can be built.

Due to this uncertainty, I have decided to submit to Council a continuing resolution (CR) budget for FY 2021. In summary, this will "roll-over" FY 2020 Amended appropriations

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into FY 2021. It will provide a bridge to allow the City to continue to provide services to the community and pay its employees until the fiscal picture becomes clearer.

It is anticipated that the administration will return to Council in September/October 2020 with revisions to this budget that will reflect actual revenue receipts and will propose steps to address any shortfalls. It is our plan at present to conduct traditional department by department budget presentations when we return in September or October.

CONTINUING RESOLUTION STRUCTURE AND TIMELINE

As defined, a CR is a temporary measure a legislative body can enact to fund a governmental entity for a limited amount of time. With that in mind, the following documents will be submitted to Council for their review and approval by June 30, 2020:

1. The Annual Appropriation Resolution (AAR), which will reflect the appropriations authorized as of May 15, 2020. This will include any changes approved by the City Council during the course of FY 2020. Revenues in a like amount will also be authorized to ensure a balanced budget;
2. The Position Authorization Resolution (PAR), which will authorize all currently approved positions in each department, including those approved by Council through May 15, FY 2020;
3. The Salary Resolution, which authorizes the various rates of compensation for the City's bargaining units;
4. Property Tax Override Ordinance (PTO), submitted and approved annually to establish the rate the County places on the annual property tax bills for the PTO;
5. GANN Limit Ordinance, done annually to conform to State law, which corresponds to the creation of Article XIII B under the State's Constitution per approval of Proposition 4 in November 1979.

I would like to reassure the Council that during the time period covered by the CR, the City will have sufficient cash on hand to meet all of its obligations. In the current situation, I believe the City will have enough information to make informed decisions by the end of the first quarter of FY 2021 (September 2020). By that time, actual sales tax data will have been received from the State (assuming no additional reporting extensions are granted) and the impact to other revenues and expenditures will be known. Keep in mind that part of our conundrum with all of our tax receipts is how long it will take for our economy to recover and whether there will be long-term impacts on property taxes caused by foreclosures and property selling for less than the assessed valuation. At that time, I will bring forward to Council a revision to the CR that will reflect anticipated revenues and expenditures for the remainder of the fiscal year and will outline the steps I believe are necessary to address any shortfalls. This revision will include the General Fund and any other fund which requires adjustment.

During this bridge period of July to September, my administration will regularly meet with the Council Budget Subcommittee to keep them informed as new information is received. During this time, it may be necessary to bring some appropriation amendments to the Council for approval. Those amendments will be brought to Council on a case by case basis. The goal is to change appropriations contained in the CR as little as possible until the revision is ready.

STEPS ALREADY TAKEN

As the scope of this crisis became clear, my administration began taking steps to mitigate potential impacts. The following steps have already been implemented:

- Hiring restrictions. For all positions whose funding source(s) are being impacted by the COVID-19 situation, an additional layer of review has been instituted to assess whether or not to fill the position. Most of these requests have been put on hold. Certain exceptions have been applied, i.e. Emergency Services Dispatchers and Public Safety positions.
- Capital projects. Projects whose funding is being impacted have been put on hold. Departments have been instructed to explore other funding sources. Examples are parking capital projects, Public Works' projects, as well as PARCS' projects.
- Operational expenditures. All department directors have been instructed to restrict all expenditures except those that are most necessary to maintain core services and those that are health and safety related.

These restrictions will help address any shortfall that may result from the present situation. Should these steps prove to be insufficient, other steps are being considered. If deemed necessary, they will be presented to Council for approval. These steps include (but are not limited to):

- Additional reductions in non-personnel expenditures
- Reductions in Internal Service expenditures
- Furloughs
- Use of the Emergency Reserve*
- Requesting give-backs from Bargaining Units
- Reductions in staffing

*The Administration does not believe we need to consider using any funds from the Emergency Reserve until we have a clearer picture of our finances for Fiscal Year 2021 all the way through Fiscal Year 2025.

All of the above are currently being analyzed for impact, and all interested parties will be consulted before any of these are implemented.

CARES FUNDS

In late April, the City was fortunate to receive \$92.8 million in Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. My administration, working cooperatively with the Council, has utilized a portion of these monies on valuable initiatives such as enhanced COVID-19 testing, additional COVID-19 contact tracers, small business grants, rental assistance, support for farmers, and reimbursement of costs that the City has incurred to date on COVID-19 response efforts.

While CARES has provided the necessary funds for these needs, the legislation prohibited the use of these monies to cover revenue losses. When the City received the money, I asked Council to set aside 80% of the received amount, in the hopes that the legislation would be changed and the money would be available to address our revenue losses. I sincerely thank the Council for honoring our request. While the prohibition against revenue replacement is still law, there is momentum in Congress and support in the Executive Branch to make CARES dollars available for this purpose. The real possibility that CARES dollars would be available to make up for our revenue losses is another reason I am bringing forth the CR and to reinforce a previous point, also why we should wait until September or October to consider tapping into our Emergency Reserve. As was the case with other revenues, we should know by September if the prohibition against revenue replacement will be dropped. Regardless of whether it is dropped or not, the revision will include a spending plan for CARES monies.

CONCLUSION

The decision to propose a CR was not an easy one and was taken with a great deal of thought and consideration. My overriding concern is to minimize the impacts of this crisis on our residents and our employees. I believe this is the correct path to ensure the City of Fresno can fulfill its responsibilities and maintain its commitment to service.

This fiscal year will be like none other in the City of Fresno's history. The challenges of the last few months have placed an enormous strain on the fabric of our society and the financial well-being of the City and Fresno's residents. However, I firmly believe we have the courage, commitment and dedication to weather this storm and emerge a better and safer community.