

NOTICE OF SPECIAL MEETING

Pursuant to Section 54956 of the Government Code of the State of California, a Special meeting of the **Tracy City Council** is hereby called for:

Date/Time: **Tuesday, July 20, 2021, 5:30 p.m.**
(or as soon thereafter as possible)

Location: **Tracy City Hall**
333 Civic Center Plaza, Tracy, CA.

Government Code Section 54954.3 states that every public meeting shall provide an opportunity for the public to address the Tracy City Council on any item, before or during consideration of the item, however no action shall be taken on any item not on the agenda.

This meeting will be held in accordance with the guidelines provided in Executive Order N-29-20.

This meeting will be open to the public for in-person and remote participation. In accordance with the California Department of Public Health Guidelines, masks are not required for fully vaccinated individuals. Masks are required for unvaccinated individuals in indoor public settings. Members of the public may participate remotely in the meeting via the following method:

For Remote Public Comment:

During the Items from the Audience, public comment will be accepted via the options listed below. If you would like to comment remotely, please follow the protocols below:

- *Comments via:*
 - **Online by visiting** <https://cityoftracyevents.webex.com> and using the following **Event Number: 142 943 0329** and **Event Password: TracyCC**
 - ***If you would like to participate in the public comment anonymously***, you may submit your comment via phone or in WebEx by typing "Anonymous" when prompted to provide a First and Last Name and inserting Anonymous@example.com when prompted to provide an email address.
- *Protocols for commenting via WebEx:*
 - *If you wish to comment under "Items from the Audience/Public Comment" portion of the agenda:*
 - *Listen for the Mayor to open "Items from the Audience/Public Comment", then raise your hand to speak by clicking on the Hand icon on the Participants panel to the right of your screen.*
 - *If you no longer wish to comment, you may lower your hand by clicking on the Hand icon again.*
 - *Comments for the "Items from the Audience/Public Comment" will be accepted until the public comment period is closed.*
- **The total allotted time for public comment under "Items from the Audience/Public Comment" will be 15 minutes.**

1. Call to Order
2. Roll Call
3. Items from the audience - *In accordance with Council Meeting Protocols and Rules of Procedure*, adopted by Resolution 2019-240, a five-minute maximum time limit per speaker will apply to all individuals speaking during "Items from the Audience/Public Comment". For non-agendized items, Council Members may briefly respond to statements made or questions posed by individuals during public comment; ask questions for clarification; direct the individual to the appropriate staff member; or request that the matter be placed on a future agenda or that staff provide additional information to Council.
4. ADOPT A RESOLUTION AMENDING THE CITY'S OPERATING AND CAPITAL IMPROVEMENT PROJECTS (CIP) BUDGET FOR THE FISCAL YEAR ENDING JUNE 30, 2021 AND JUNE 30, 2022, AS PROPOSED
5. Council Items and Comments
6. Adjournment



Mayor

Posting Date: July 15, 2021

The City of Tracy is in compliance with the Americans with Disabilities Act and will make all reasonable accommodations for the disabled to participate in employment, programs and facilities. Persons requiring assistance or auxiliary aids in order to participate, should contact the City Manager's Office at (209) 831-6000 at least 24 hours prior to the meeting.

AGENDA ITEM 4

REQUEST

ADOPT A RESOLUTION AMENDING THE CITY’S OPERATING AND CAPITAL IMPROVEMENT PROJECTS (CIP) BUDGET FOR THE FISCAL YEAR ENDING JUNE 30, 2021 AND JUNE 30, 2022, AS PROPOSED

EXECUTIVE SUMMARY

On June 16, 2020, the City Council adopted the Fiscal Year (FY) 2020-21 Operating and Capital Budget and on May 18, 2021, the City Council adopted the FY 2021-22 Operating and Capital Budget . This report provides an update and summary of the City’s current financial performance, for FY 2020-21 Fourth Quarter (Q4) through June 30, 2021 and requests that Council amend revenue and expenditures in the FY 2020-21 and FY 2021-22 budgets.

DISCUSSION

Adopted Budget FY 2021-22

On May 18, 2021, the City Council adopted resolution 2021-062, approving the estimated actuals for FY 2020-21 and the Operating and Capital Budget for FY 2021-22. The General Fund FY 2020-21 had an estimated deficit of \$4.6 million. The budget included a temporary hiring freeze of select vacant positions, delayed funding for vehicle and equipment replacement, and other program changes. While the revenues projected in the budget reflected moderate growth (between 3-5%), the City entered the budget year with a deficit that was not completely closed by revenue growth. The City Council authorized the use of the Economic Budget Stabilization reserves to cover the deficit.

During the discussions with the City Council leading up to the adoption of the FY 2021-22 budget, the General Fund was expected to have a \$5.4 million deficit. The City Manager proposed closing the budget deficit by delaying funding for vehicle and equipment replacement (\$2.1 million) and projecting revenue to recover to pre-COVID-19 growth (\$1 million). The General Fund’s remaining \$2.3 million deficit was mitigated by the anticipation of additional offsets in revenues and/or expenditures as they emerged and through continued borrowing from the City’s Economic Budget Stabilization Reserves.

General Fund Summary Adopted FY 2021-22

<u>(in thousands)</u>	<u>2021/2022</u> <u>(Adopted)</u>
Revenues	\$ 89,856
*Expenses	78,021
Transfers In/(Out)	(14,113)
<u>General Fund Surplus/(Deficit)</u>	<u>\$ (2,279)</u>

Adopted FY 2021-22: Additional Budget Solutions

Budget Solutions

Use of 13% Economic/Budget
 Stabilization \$1,000

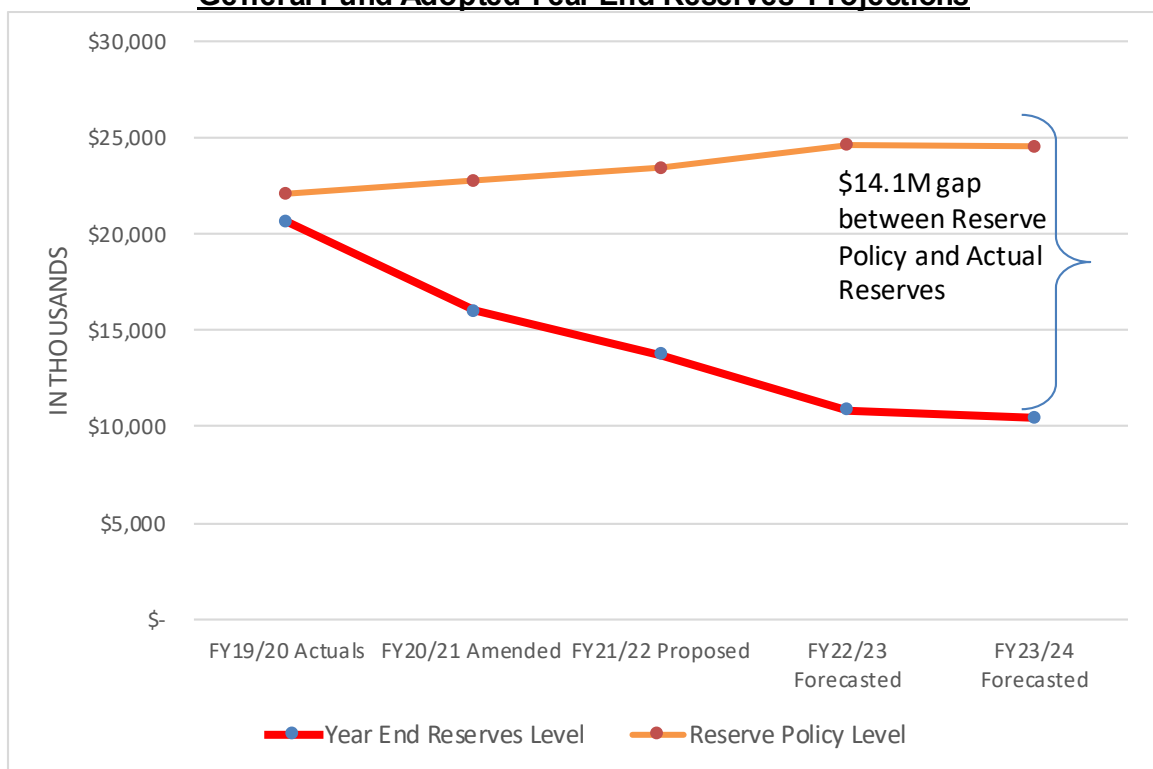
Additional Vacancy Savings 1,000

Revised General Fund
Surplus/(Deficit) \$ (279)

*Includes funding for MCYSN and homelessness services and facility; excludes funding for vehicle and equipment replacement

As the General Fund projected expenditures continued to outpace the forecasted revenues, the forecasts' deficit has a significant impact on the City's projected reserves. By FY 2023-24, the reserve levels were estimated to be \$14.1 million below the Council's reserve policy.

General Fund Adopted Year End Reserves' Projections

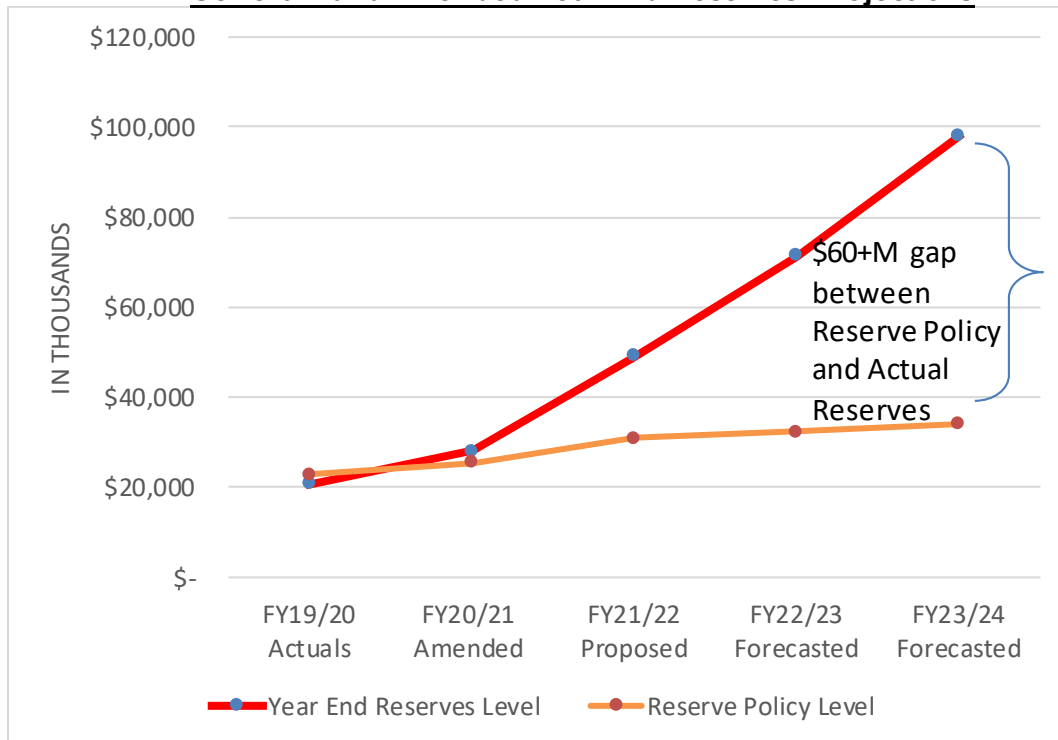


Amended Budget FY 2021-22

Shortly after the adoption of the FY 2021-22 Operating and Capital Budget, the City received the January-March 2021 Sales Tax disbursement from the State of California Department of Tax Franchise Administration (CDTFA), which resulted in a significant change in the City’s estimated revenues. The result was due to a recent change in tax reporting by a predominant sales tax producer. This reporting change shifted the tax allocation from a statewide allocation through the County sales tax pool where the tax was distributed pro-rata throughout the State to a local sales tax allocation based upon the businesses’ point-of-sale or fulfillment of the sale. The change will have a significant and material impact on the City’s General Fund revenues; nearly doubling the current Sales Tax revenues for the City. The estimated revenues from the reporting change are expected to grow an average of over \$5 million a quarter. In FY 2020-21, the General Fund estimated Sales Tax is expected to have an additional \$10 million over the estimated budget and in FY 2021-22, the General Fund estimated Sales Tax is expected to be \$25 million over the adopted budget.

As a result of this unexpected revenue, what was previously projected as a deficit in FY 2020-21 (\$4.6 million) and FY 2021-22 (\$2.3 million) has been amended to reflect a surplus in FY 2020-21, \$7.2 million, and FY 2021-22, \$22.7 million. By FY 2023-24, the reserve levels are estimated to be \$60 million over the reserve policy.

General Fund Amended Year End Reserves’ Projections



Proposed Amended

During the adoption of the FY 2021-22 original Operational and Capital budget, the City Manager proposed a status quo budget that assumed no changes in employee contracts that were set to expire on June 30, 2021. Given the change in the City's fiscal situation, the City has negotiated two-year labor agreements with six of its nine bargaining units that will be considered at the July 20, 2021 City Council meeting. The collective cost of the contracts is estimated at \$1.4 million for the General Fund and \$2.2 million Citywide year one and \$2.2 million for the General Fund and \$3.9 million Citywide year two. The contracts also included one-time funds from American Rescue Plan Act (ARPA), which is discussed in more detail in the next section.

In addition, as part of the amended budget, the City Manager proposes to restore funding for the vehicle and equipment funds and approximately half of the frozen positions, estimated costs of this \$4 million for the General Fund and \$6 million Citywide.

The City is cautiously optimistic about the increase in Sales Tax revenues. The revised projected revenues are based on a single quarters reporting. Staff has spoken with the City's Sales Tax auditors, HdL, and consulted with other agencies similarly impacted by this change to determine a reasonable projection of future revenues. However, these revenues are self-reported by the retailer and are subject to State audits and potential further reallocations. Given the relative newness of the revenue, the City is moving forward cautiously and will develop a recommended spending plan for Council consideration in the Fall 2021. Areas for discussion will include, but are not limited to, the replenishment of reserves, restoration staffing levels, and investment in one-time capital initiatives to spur continued economic recovery and growth. This discussion will tie the community survey expected to be completed this Fall.

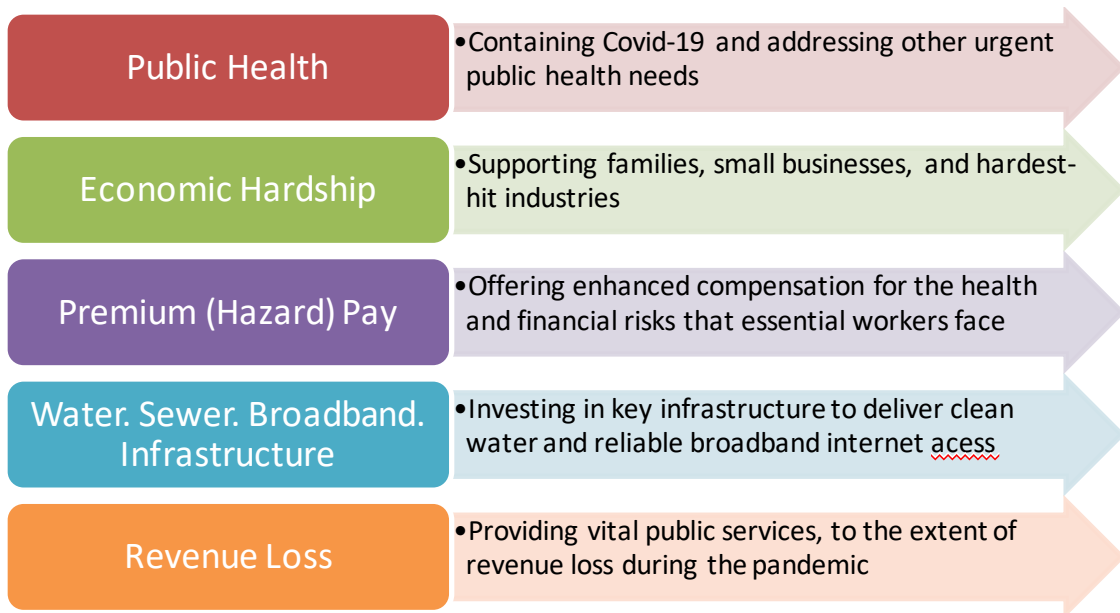
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**SUMMARY OF AMENDED REVENUES AND EXPENDITURES
 FOR THE GENERAL FUND FY 21/22**

<u>REVENUES (in thousands)</u>	<u>FY20/21 Amended</u>	<u>FY21/22 Adopted</u>	<u>FY 21/22 Changes</u>	<u>FY21/22 Amended</u>
Property Tax	\$26,776	\$28,114	-	\$28,114
Sales Tax	39,012	29,222	25,000	54,222
Sales Tax Measure V	11,500	12,000	-	12,000
Other Taxes	2,415	2,842	-	2,842
Other Revenues	16,517	17,678	-	17,678
TOTAL REVENUES	\$96,220	\$89,856	\$25,000	\$114,856
<u>EXPENDITURES (in thousands)</u>				
Personnel	\$59,480	\$59,243	\$3,700	\$62,943
Purchased Services and Supplies	13,271	15,489	1,700	17,189
Utilities	1,965	2,168	-	2,168
Capital	0	0	-	0
Debt	1,276	1,121	-	1,121
TOTAL EXPENDITURES	\$75,992	\$78,021	\$5,400	\$83,421
Transfers In	\$56	\$60	-	\$60
Transfers Out	(2,339)	(2,361)	-	(2,361)
Transfers Out: Measure V Capital	(10,817)	(11,812)	-	(11,812)
TOTAL NET TRANSFERS IN/(OUT)	(\$13,100)	(\$14,113)	\$0	(\$14,113)
Total Change in Net Position	\$7,128	(\$2,279)	\$19,600	\$17,321
Prior Year Reserves	\$20,631	\$27,759		\$25,480
<u>Use of Reserves</u>				
Non-Spendable Reserves	62	62		62
Contingency/Emergency Reserves (17%)*	14,402	13,235		17,486
Economic/Budget Stability Reserves (13%)*	11,014	10,121		13,371
Prior Year Carryover	0	0		0
Unassigned	2,281	2,062		11,083
Year End Reserves	\$27,759	\$25,480	\$19,600	\$42,802

American Rescue Plan Act Update

On March 11, 2021, President Biden approved the American Rescue Plan Act of 2021, the third economic stimulus related to the COVID-19 (i.e., coronavirus disease 2019) pandemic. This bill provides \$1.9 trillion in additional relief to address the continued impact of COVID-19 on the economy, public health, state and local governments, individuals, and businesses. Over the last few months, the U.S. Department of Treasury finalized the allocations and provided the guidance on the eligible uses of the funds.



On June 23, 2021, the City Council Fiscal Sustainability Ad-Hoc Subcommittee received an update from staff on the City's revised ARPA funding allocation, \$13.5 million, and the City's eligible uses for these funds. The following table reflects the recommended change in the allocation of ARPA funds. If the program allocation is approved by the City Council (see table on next page), staff will begin working on projects to return to the City Council in the Fall.

SUMMARY OF AMENDED AMERICAN RESCUE PLAN ACT

Eligible Programs (In Millions)	Original Funding Allocation	Revised Funding Allocation	% of Revised Allocation
Provide Government Fiscal Response (Revenue Loss)	7.5	0	0%
Provide Government Fiscal Response (Homeless Programs)	3.0	4.5	33%
Hazard Pay (2% of salary)	1.5	1.5	12%
Address Economic Effects (Aid to Households, Businesses, Non-Profits)	3.0	4.5	33%
Investments in Infrastructure (Support for Water, Wastewater, Broadband)	2.8	3.0	22%
Total Estimated Funding	\$17.8	\$13.5	100%

STRATEGIC PLAN

This agenda item addresses Goal 2 of the Governance Strategy to ensure short and long-term fiscal health and Goal 3 of the Governance Strategy to increase public awareness around City finances and other civic matters.

FISCAL IMPACT

Staff is recommending amendments to the FY 2020-21 City Operating and Capital Budget by increasing the General Fund Sales Tax budgeted revenues an additional \$10M.

Staff is also recommending amendments to the FY 2021-22 City Operating and Capital Budget. The table below represents a summary of FY 2021-22 amendments and the effect of these amendments on FY 2022-23.

Budget Amendments (in thousands)	General Fund FY 21/22	Citywide FY 21/22	ARPA FY 21/22	General Fund FY 22/23*	Citywide FY 22/23*	ARPA FY 22/23
Revenues						
Revenue	25,000		6,500	30,000		7,000
Expenditures						
MOU Two Year Contract (six units)	1,400	2,212	1,500	2,209	3,873	
Restore funding for Vacancies	2,300	2,300		5,000	5,000	
Restore funding for Vehicle and Equipment Replacement	1,700	1,700		1,700	1,700	
Homeless Program			3,000	1,200	1,200	1,500
Business Recovery			2,000			2,500
Infrastructure Funding						3,000
Total Expenditures	\$ 5,400	\$ 6,212	\$ 6,500	\$10,109	\$11,773	\$7,000

*Note: Year Two is cumulative

RECOMMENDATION

It is recommended that the City Council, by resolution, adopt the Amended City Operating and Capital Budgets for Fiscal Year 2020-21 and FY 2021-22, as presented.

Prepared by: Karin Schnaider, Director of Finance

Reviewed by: Midori Lichtwardt, Assistant City Manager

Approved by: Jenny Haruyama, City Manager

RESOLUTION _____

AMENDING THE CITY'S OPERATING AND CAPITAL BUDGET FOR FISCAL
YEARS 2020 -21 AND 2021-22

WHEREAS, The City Council, on June 16, 2020, adopted the FY 2020 -21 Operating and Capital Budget for the City of Tracy, and

WHEREAS, The City Council, on May 18, 2021, adopted the FY 2021-22 Operating and Capital Budget for the City of Tracy, and

WHEREAS, The City of Tracy is expected to see an increase of \$10 million in Sales Tax in FY 2020-21 and an increase of \$25 million in Sales Tax in FY 2021-22, and

WHEREAS, The City of Tracy is expected to receive of \$6.5 million in American Rescue Plan Act funds in FY 2021-22 and an additional \$7 million in Sales Tax in American Rescue Plan Act funds in FY 2022-23, and

WHEREAS, Based upon a review of revenues and expenditures, the City Manager has prepared and proposed additional amendments to the FY 2020 -21 budget and FY 2021-22 budget, including two-year Memorandum of Understanding employment contracts for six of the nine of the City's employee groups, and

WHEREAS, The City Council has considered information related to these matters, as presented at a public meeting of the City Council, including any supporting documents and reports by City staff, and any information provided during that public meeting, and

WHEREAS, The City Council has reviewed the level of budgeting control needed by the City Manager to ensure efficiency in managing the operations of the City, including the authorization of budget transfers between funds;

NOW, THEREFORE, BE IT RESOLVED, the City Council of the City of Tracy hereby amends the FY 2020-21 Operating and Capital Budget by increasing the General Fund's Sales Tax an additional \$10 million; and amend the FY 2021-22 Operating and Capital Budget as evidenced by the attached summary.

* * * * *

The foregoing Resolution 2021 _____ was passed and adopted by the Tracy City Council on the 20th day of July, 2021, by the following vote:

AYES: COUNCIL MEMBERS:
NOES: COUNCIL MEMBERS:
ABSENT: COUNCIL MEMBERS:
ABSTAIN: COUNCIL MEMBERS:

MAYOR

ATTEST:

CITY CLERK

Attachment A: Summary of recommended Amendments

- Staff is recommending amendments to the City Operating and Capital Budget for FY 2020-21 by increasing the General Fund Sales tax \$10M.
- The table below represents a summary of FY 2021-22 amendments and the effect of these amendments on FY 2022-23.

Budget Amendments (in thousands)	General Fund FY 21/22	Citywide FY 21/22	ARPA FY 21/22	General Fund FY 22/23*	Citywide FY 22/23*	ARPA FY 22/23
Revenues						
Revenue	25,000		6,500	30,000		7,000
Expenditures						
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Restore funding for Vacancies	2,300	2,300		5,000	5,000	
Restore funding for Vacancies	1,700	1,700		1,700	1,700	
Homeless Program			3,000	1,200	1,200	1,500
Business Recovery			2,000			2,500
Infrastructure Funding						3,000
Total Expenditures	\$ 5,400	\$ 6,212	\$ 6,500	\$10,109	\$11,773	\$ 7,000

*Note: Year Two is cumulative