

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, May 19, 2020 at 5:30 p.m.
(or as soon thereafter as possible)

Location: Tracy City Hall
333 Civic Center Plaza, Tracy

THIS SPECIAL MEETING WILL BE CONDUCTED PURSUANT TO THE PROVISIONS OF THE GOVERNOR'S EXECUTIVE ORDER N-29-20 WHICH SUSPENDS CERTAIN REQUIREMENTS OF THE RALPH M. BROWN ACT

RESIDENTS ARE STRONGLY ENCOURAGED TO PARTICIPATE REMOTELY AT THE MAY 19, 2020 MEETING

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.

Remote Access to City of Tracy Council Meeting:

In accordance with the guidelines provided in Executive Order N-29-20 on social distancing measures, the City of Tracy will allow for remote participation at the upcoming Special City Council meeting on Tuesday, May 19, 2020.

As always, the public may view the City Council meetings live on the City of Tracy's website at www.CityofTracy.org or on Channel 26. To view from the City's website, select "Watch Live Council Meetings" from the drop down menu "Select an Online Service" at the top of the City's homepage. You will be directed to the "Council Meeting Videos" page where you may select the video for the appropriate date under "Upcoming Events."

If you only wish to watch the meeting and do not wish to address the Council, the City requests that you stream the meeting through the City's website or watch on Channel 26.

Remote Public Comment:

Public comment via email will only be accepted for agenda items before the start of the Special meeting at 5:30 p.m. Please send an email to publiccomment@cityoftracy.org Identify the item you wish to comment on in your email's subject line.

During the upcoming Council meeting public comment will be accepted via the options listed below. If you would like to comment remotely, please follow the protocols below:

- *Comments via:*
 - **Phone** by dialing (209) 831-6010, or
 - **Online by visiting** <https://cityoftracyevents.webex.com> and using the following **Event Number:** 626 878 277 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 submitting comments by *phone*:**
 - *Comments received by phone for the “Items from the Audience/Public Comment” portion of the agenda must be received by the time the Mayor opens that portion of the agenda for discussion.*
 - *Comments received by phone on each “Agendized Item” will be accepted until the Mayor announces that public comment for that item is closed.*
 - **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 - 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. **DISCUSS PROPOSED FY 2020-21 FINANCIAL BUDGET FOR THE CITY OF TRACY AND CAPITAL IMPROVEMENT PLAN; ADOPT A RESOLUTION TO FORM AN AD-HOC COMMITTEE OF THE CITY COUNCIL TO GUIDE THE DEVELOPMENT OF A FISCAL SUSTAINABILITY PLAN**
 5. Adjournment



Mayor

Posting Date: Friday, May 15, 2020

The City of Tracy complies with the Americans with Disabilities Act and makes all reasonable accommodations for the disabled to participate in public meetings. Persons requiring assistance or auxiliary aids in order to participate should call City Hall (209-831-6105), at least 24 hours prior to the meeting.

Any materials distributed to the majority of the Tracy City Council regarding any item on this agenda will be made available for public inspection in the City Clerk's office located at 333 Civic Center Plaza, Tracy, during normal business hours.

AGENDA ITEM 4

REQUEST

DISCUSS PROPOSED FY 2020-21 FINANCIAL BUDGET FOR THE CITY OF TRACY AND CAPITAL IMPROVEMENT PLAN; ADOPT A RESOLUTION TO FORM AN AD-HOC COMMITTEE OF THE CITY COUNCIL TO GUIDE THE DEVELOPMENT OF A FISCAL SUSTAINABILITY PLAN

EXECUTIVE SUMMARY

The City's annual budget is a numerical representation of the Council's goals and priorities. As such, the City Manager's Proposed FY 2020-21 Budget was developed under the framework of the Council's adopted strategic priorities and objectives, keeping in mind that resources are limited due to the City's structural deficit and revenue impacts associated with COVID-19.

The FY2020-21 Proposed Operating and Capital Budget totals \$198 million, plus \$6 million in new capital. The budget document summarizes City funds and provides an overview of existing and new capital projects that will be funded in the upcoming fiscal year. Staff recommends that Council provide policy direction concerning the Proposed FY 2020-21 Operating and Capital Budget and adopt the attached resolution forming a Council Ad Hoc Fiscal Sustainability Subcommittee to provide guidance regarding the development of a multi-year financial plan.

DISCUSSION

BACKGROUND

At the April 7, 2020 City Council meeting, staff provided the Council with a ten-year forecast that demonstrated a structural deficit of approximately \$4.7 million. The ten-year forecast was also updated to reflect projected COVID-19 revenue impacts for the current and next fiscal year which were anticipated to be as high as \$6 million and \$10 million respectively. As long as the Stay in Place (SIP) order remains in effort, the City's revenue situation will continue to worsen, negatively impacting sales tax and transient occupancy tax. The SIP has also impacted home sales; however, this may rebound as the State and County begin to move into recovery phases.

Given the City's structural deficit and negative revenue impacts of COVID-19, the FY 2020-21 budget was developed within a status quo framework with mild to moderate one-time and temporary reductions. To help close the forecasted deficit, the budget reflects a reduction of approximately \$3.6 million, including the temporary freezing of more than a dozen vacant positions, delaying the addition of new staffing, and reducing limited non-essential purchases. Understanding the importance of business continuity, the budget framework is one that is temporal in nature and can be modified assuming resources are available.

That being said, implementing short-term, temporary budget measures will provide the necessary time needed to develop a more permanent and comprehensive, long-term fiscal plan that reflects diversified budget strategies, including but not limited to: revenue enhancement, cost containment, and service delivery modifications. To facilitate this approach, the City Council formed a two-member ad hoc subcommittee through December 31, 2020 to guide the development of a fiscal sustainability plan. The scope of the Council ad-hoc committee will be presented tonight for consideration and adoption.

CITYWIDE PROPOSED BUDGET

On April 7, 2020, staff presented the City's ten year financial forecast with the estimated revenues and proposed appropriations for the General Fund. Council directed the development of a status quo budget which is reflected in the table below. The table presents a citywide summary of revenues and expenditure categories for each fund type.

The FY 2020-21 proposed budget appropriations totals approximately \$198 million from all funding sources, including \$6 million for new capital projects (capital listed below, Table 4). The net change is an increase of roughly \$758,000 (see Table 1).

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Table 1

FY 2020-21 Citywide Proposed Budget

(in thousands)	FY 2019 Actuals	FY 2020 Revised Projections	FY 2021 Proposed Budget
GENERAL FUND	69,207	68,314	69,311
DEVELOPMENT SERVICES	10,073	6,417	9,311
SCFA	20,614	21,140	21,019
GAS TAX	3,766	2,928	3,163
SPECIAL REVENUE	19,715	10,347	12,092
DEBT	6,763	6,548	6,143
INTERNAL SERVICES FUND	13,985	13,122	14,857
WATER	20,477	17,978	18,368
WASTEWATER	28,476	19,455	14,917
SOLID WASTE	21,968	20,376	21,731
STORM DRAIN	1,522	723	719
AIRPORT	1,752	2,609	666
TRANSIT	3,991	5,692	5,556
TOTAL REVENUE	222,309	195,649	197,853
GENERAL FUND	69,657	71,458	75,847
DEVELOPMENT SERVICES	10,136	12,214	10,781
SCFA	20,592	19,933	20,922
GAS TAX	2,802	2,160	1,479
SPECIAL REVENUE	9,122	14,135	5,027
DEBT	3,269	515	3,300
INTERNAL SERVICES FUND	11,356	15,354	15,501
WATER	15,421	18,762	16,837
WASTEWATER	13,727	58,617	15,784
SOLID WASTE	22,289	23,074	24,262
STORM DRAIN	900	966	705
AIRPORT	814	2,900	886
TRANSIT	4,095	4,723	5,763
TOTAL EXPENSES	184,179	244,813	197,094
NET CHANGE	38,129	(49,164)	758

FY 2020-21 PROPOSED GENERAL FUND BUDGET

In light of current economic conditions, the FY 2020-21 Proposed General Fund Budget is presented with the assumed impacts of COVID-19 (see Table 2). To accomplish this, a fluid, financial model was developed, allowing for different scenarios to forecast how the General Fund might be impacted based on available information. Staff continues to benchmark its approach with local jurisdictions and regional economic data, while consulting with financial experts to ensure best practices are being followed.

Revised Year-End FY 2019-20 General Fund Budget

For purposes of comparison, the FY 2020-21 Proposed General Fund Budget table below reflects FY 2018-19 revenue and expenditure actuals and updated projected revenue and expenses for year-end FY 2019-20 and FY 2020-21. Due to COVID-19, FY 2019-20 revenue projections were adjusted to roughly a \$6 million decline from the original budget. This is expected to carry-forward into FY 2020-21 by an additional \$10 million. To mitigate the anticipated revenue loss in the current fiscal year, the City delayed all non-essential purchases and maintained all vacancies where possible to reduce expenses; creating a net impact of \$5 million in FY 2019-20. The budget already included a \$2 million budget carryover from prior year reserves, which accounts for the total deficit of \$7 million in FY 2019-20. The projected expenditures assumes the capital transfer (reserve set aside) for City amenities. (see Table 3A for changes in Net Reserves)

Proposed FY 2020-21 General Fund Budget

Taking COVID-19 projected revenue losses and the City's existing structural deficit into account, the FY 2020-21 Proposed General Fund Budget is anticipated to be approximately \$84 million in revenue and \$93 million in expenditures, resulting in a total deficit of \$9.2 million. The projected General Fund budget assumes expenditure reductions of \$3.5 million, which are discussed in detail in the section below. If not implemented, the budget deficit would be as high as \$12.7 million. The proposed expenditures assumes the capital transfer (reserve set aside) for City amenities. (see Table 3B for changes in Net Reserves)

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Table 2A

FY 2020-21 Proposed General Fund Budget

<u>(in thousands)</u>	<u>FY 2019</u> <u>Actuals</u>	<u>FY 2020</u> <u>Revised</u> <u>Projections</u>	<u>FY 2021</u> <u>Proposed</u> <u>Budget</u>
PROPERTY TAX	23,269	24,749	25,739
SALES TAX	26,229	25,532	24,000
SALES TAX (MEASURE V)	10,853	8,475	7,967
SPECIAL ASSESSMENT	464	340	353
OTHER TAXES	2,572	1,669	749
CHARGES FOR SERVICES	9,820	10,214	10,830
CONTRIBUTIONS	147	146	146
FINES AND FORFEITURES	209	135	134
LICENSES AND PERMITS	3,588	3,664	5,739
REVENUES FROM OTHER AGENCIES	1,476	1,124	1,012
USE OF MONEY	1,299	621	544
SALE OF REAL PROPERTY	2	33	0
OTHER REVENUES	130	87	66
TRANSFERS IN	1,250	0	0
Transfers In (same fund)	6,234	7,029	7,029
TOTAL REVENUE	87,542	83,818	84,308
PERSONNEL	53,871	56,967	58,846
PURCHASED SERVICES AND SUPPLIES	13,951	12,755	15,282
UTILITIES	1,650	1,702	1,719
SPECIAL ITEM	0	0	0
CAPITAL	185	35	0
DEBT	0	0	0
TRANSFERS OUT	19,412	12,617	10,608
TRANSFERS OUT (same fund)	6,234	7,029	7,029
TOTAL EXPENDITURES	95,303	91,105	93,484
NET CHANGE TO FUND BALANCE	(7,761)	(7,287)	(9,176)

FY 2020-21 SHORT-TERM GENERAL FUND BUDGET ADJUSTMENTS

To allow time to develop a comprehensive, multi-year fiscal plan in response to the City's financial situation, several short-term budget solutions were identified, most of which are primarily through vacancies and attrition. While freezing vacancies will have mild to moderate service impacts, projects will need to be reprioritized and services adjusted. Below is a brief summary of service areas to be impacted:

Administrative Services: The Finance Department, City Manager's Office, and the City Attorney's Office have various support and professional positions that are currently vacant. Holding these administrative support positions vacant will require the reprioritization of workload and redistribution of work to meet essential service levels, including but not limited to: processing of departmental invoices, payroll, and contracts, managing budget and audit activities, and updating policy and ordinances. As a result, some projects and programs may take longer to complete; such as, fee study updates, professional development and succession planning activities, public information and social media initiatives, and technology enhancements.

Development Services: The Engineering Division, which is located in the Development Services Department has several vacant professional engineer-related positions. Given this, the Division has an opportunity to reevaluate and restructure its service delivery model. While the impact of the vacancies can be mitigated through the use of outside professional services, it may reduce some of the possible savings. Council strategic priorities will drive the Division's objectives and need to fill and/or use consultants to ensure work is done in a relevantly timely manner. If consultant work is used as an option, some delays should be expected due to onboarding and project management given the lack of institutional knowledge.

Streets, Sidewalks, and Parks Maintenance: The Public Works Department has various vacancies throughout the Department; freezing these positions will impact the City's responsiveness to work requests for facilities, streets, sidewalk, and sports field and park maintenance. As the City enters the recovery phase of the Stay in Place order, Public Works will likely revisit these vacancies and explore service delivery options, which could include evolving maintenance schedules, introducing new technologies for efficiencies, or restructuring divisions within the Department to meet service demands. Holding vacancies will mean a continual reprioritization of citywide infrastructure and maintenance goals in light of limited resources and a growing community.

Police Services: Three vacant police officer positions will be frozen in the Police Department until FY 2021-22; however, if the revenue forecast changes, it will be recommended that these positions be funded in early 2021. By way of background, the three new police officer positions were the last of a Council staffing expansion initiative to maintain a 1:1000 ratio of officers to residents. This short-term solution may have an impact on service demands as development continues to grow. In addition, the Police Department has a rolling attrition rate of 2% that is likely to continue to materialize in FY 2020-21. The department often uses overtime to mitigate any service level impacts; however, savings are still anticipated.

South San Joaquin County Fire Authority (SSJCFA) Fire Services: The SSJCFA anticipates freezing various non-sworn vacancies within the Fire Prevention Division. Some savings will be used to provide contract services either through the City of Tracy or other resources to maintain service levels. In addition, the Fire Authority is considering the delay of a fire academy in FY 2020-21 that would result in savings within both their training budget and overtime budget.

NET LOSS FROM COVID-19

As reflected in the table below, the proposed short-term expenditure reductions closes more than 75% of the existing \$4.7 million structural deficit, but does not address the anticipated future net loss of \$8 million. Given this, Council will want to consider allocating General Fund reserves and/or other sources to close this gap. This is discussed in more detail under the General Fund Reserve section of the staff report.

It is important to note that the loss of revenue is expected to be temporary with many experts anticipating that the economy will recover by the end of FY 2020-21. Over the next several months, a clearer picture of the City’s fiscal impacts will emerge. It is expected that additional budget adjustments will need to be made over the course of the fiscal year. See Next Steps below for further discussion on the City’s commitment to economic recovery.

Table 2B

**FY 2020-21 Proposed General Fund Budget
 Pre & Post COVID-19**

Forecast Pre-COVID-19	
Revenues	92,299
Expenditures	97,052
Surplus/(Deficit)	<u>(4,753)</u>
 Proposed Short-Term Budget Modifications	
Vacancy Savings (~15 positions)	<u>3,500</u>
 Remaining Pre-COVID-19 Deficit Less Budget Modifications	
	(1,253)
Net Revenue Loss from COVID-19	<u>(7,924)</u>
 Net Loss from COVID-19	 <u><u>(9,177)</u></u>

GENERAL FUND RESERVES

FY 2014-2015, the City Council adopted a reserve policy requiring a General Fund minimum fund balance of 30% of operating expenses: 10% for Economic/Budget Stability Reserves and 20% for Contingency Reserves (approximately \$22 million). Additionally, the City Council committed all unspent Measure V sales tax revenues towards future amenities (see table below for estimations of the annual cumulative balances). The City’s Measure V capital fund also has approximately \$4 million assigned to the Multi-generational Gymnasium.

The estimated fund balance for FY 2019-20 is approximately \$31.8 million. Of that amount, Measure V capital reserves are anticipated to be \$14.1 million, which increased by \$8.4 million (as reflected in Transfers Out of the General Fund expenditures).

It should be noted that at the close of FY 2019-20, the City will be in a position to set aside Measure V funds for future amenities.

Table 3A FY 2019-20 Estimated Fund Reserves

COMPONENTS OF FUND BALANCE (IN THOUSANDS)	ACTUALS FY 18-19	NET CHANGE TO FUND BALANCE	ESTIMATED FY 19-20
Ending Fund Balance	30,566	1,188	31,754
<i>(less Committed Reserves)</i>			
20% Catastrophic Reserves	14,883	0	14,883
10% Econ/Budget Stability	7,759	(5,182)	2,577*
Measure V Reserves	5,645	8,475	14,120
Other Committed Reserves	<u>492</u>	<u>0</u>	<u>492</u>
Uncommitted/Carryover Reserves	2,105	(2,105)	0**

*assumes \$5.1 M appropriated to GF to mitigate COVID-19 anticipated revenue losses

**previously appropriated carryover \$2.1M

The anticipated economic impacts of COVID-19 have and will continue to impact the City’s revenue base, further exacerbating the City’s deficit situation. To close the projected \$7.3 million FY 2019-20 budget gap and the \$9.2 million FY 2020-21 budget gap, multiple funding sources will be required, including the Economic/Budget Stability reserves. Per the adopted policy, the Economic/Budget Stability Reserve is “intended to offset quantifiable revenue/expenditure uncertainty in the multi-year forecast thereby helping to stabilize service levels through economic cycles.” In order to use these reserves, the policy requires that the budget is adopted by a super-majority of the Council (2/3 approval). The policy further recommends that in the event that these reserves are used to stabilize the General Fund budget, the City Manager should return with a replenishment plan to be considered by the City Council within a year. At the

close of FY 2019-20, it is anticipated that there will be approximately \$2.6 million available in Economic/Budget Stability reserves remaining.

Table 3B 2020-21 Projected Fund Reserves

COMPONENTS OF FUND BALANCE (IN THOUSANDS)	ESTIMATED FY 19-20	NET CHANGE TO FUND BALANCE	PROJECTED FY 20-21
Ending Fund Balance	31,754	667	32,421
<i>(less Committed Reserves)</i>			
20% Catastrophic Reserves	14,883	0	14,883
10% Econ/Budget Stability	2,577	(2,577)	0*
Measure V Reserves	14,120	2,926	17,046*
Other Committed Reserves	<u>492</u>	<u>0</u>	<u>492</u>
Uncommitted/Carryover Reserves	0	0	0

*assumes \$2.6M appropriated to GF to mitigate COVID-19 anticipated revenue losses

*assumes \$6.6M appropriated to GF to mitigate COVID-19 anticipated revenue losses

As discussed previously, the impacts of COVID-19 are expected to continue into FY 2020-21 and will exceed the amount available in the Economic/Budget Stability reserves. To avoid further erosion of the City's reserves (Catastrophic Reserve), it is recommended that Council consider using FY 2020-21 Measure V revenues as temporary bridge funding to close the remaining deficit of \$6.6 million. At this time, it is not anticipated that all of the FY 2020-21 Measure V revenues will be needed and Measure V capital reserves will grow to \$17 million by the end of FY 2020-21. While projected net reserves are expected to increase by \$667,000, however, the Economic/Budget Stability reserves will be fully exhausted. The remaining Catastrophic Reserve balance is anticipated to be approximately \$14.9 million.

OTHER FUNDS

Development Services Funds: Development Services Funds provides planning and development services for the City including advance and current planning, building plan review and inspections, engineering services, and economic development. With heightened development from Tracy Hills, Ellis, and Cordes Ranch as well as delivering Capital Improvement Projects, the fund is positioned for increased expenditures that are funded through developer fees and reimbursements. While the Department output has been steady or increasing over the past few years, revenues for services and permits fluctuates with building cycles creating variations between years. As a result, the General Fund subsidy has also varied year to year, but averages about \$2 million or 20% of operations. The Department is currently evaluating and updating their fees to improve cost recovery of their services.

Gas Tax Funds: The City receives special revenue taxes from the State related to gross sales from gas and diesel. These revenues fund the street and traffic lights and street maintenance and improvements costs. The proposed budget for Gas Tax has been developed assuming the same allocations for Gas Tax revenues as prior years. However, it is likely a decrease in Gas Tax revenues will occur because of the low gas prices occurring since March 2020 and lower than normal sales resulting from Stay in Place order. The City may need to reduce some of its planned street improvements in future years to provide funding for streets operational needs in FY 2020-21.

Water: This fund accounts for the City's water utility. All expenses relating to the provision of purchasing, treating, and providing water services are charged to this fund, which is financed with customer utility rate payments and connection fees. This fund also accounts for debt issued on behalf of the water utility and for the repayment of such debt. Revenues in the water fund vary based on metered water usage by customers. The statewide drought that began in 2013 led to water rationing and other conservation measures across California. As a result, less water was consumed and revenues declined. As a result, the utility has only responded to urgent repairs and maintenance costs.

Following the last water rate update in 2008, a Water Rate Study was prepared in 2017 by HDR, a firm specializing in water rate and revenue analysis. The study identified the need for a rate increase at that time. The study included a five-year projection of revenue with two proposed rate increases of approximately 25% each. Prior to this rate study, the water rates had not been increased for more than 10 years, while inflationary costs and maintenance demands continued to rise. Staff recommended Council approve the first increase in water rates for FY 2017-2018 and bring back the second proposed increase for consideration in FY 2019-20. On November 21, 2017, City Council adopted the first rate increase. Although the first rate increase was 25%, financial reports indicate that water revenues only increased by 10% in FY 2018-2019.

The Water Fund has projected revenues of \$18.3 million in Fiscal Year 2020-21. The Fund has anticipated expenses of \$18.8 million in Fiscal Year 2020-21. The Utilities department has deferred several key capital projects in order to minimize the impacts of the lower revenues on the Water fund. The difference in revenues and expenses are due to one-time Capital improvements to the water system. Revenue collection continues to fall short of the ongoing operation, capital needs and debt service expenditures required to operate the water utility. Staff will be evaluating and recommending deferred maintenance as well as considering future rate increases to right size this fund. A new fee study has been budgeted for evaluation of appropriate funding levels to meet the financial needs of the Water utility.

Wastewater Funds: This fund accounts for the City's wastewater utility. All expenses relating to the provision of sewer services are charged to this fund, which is financed with customer utility rate payments and connection fees. This fund also accounts for debt issued on behalf of the sewer utility and for the repayment of such debt. The Sewer Fund revenues are projected to be flat as all prior rate increases have been adopted. A rate study will occur during the next budget cycle to maintain proper funding for operations, capital improvement and maintenance, and for debt.

The Wastewater Fund has projected revenues of \$14.9 million in Fiscal Year 2020-21. The Fund has anticipated expenses of \$15.7 million in Fiscal Year 2020-21. The change in revenues and expenses are due to one-time Capital improvements in the Wastewater Treatment Plant for the Outfall and Recycled Water project. These projects will utilize reserves and grant funding to complete. At the completion of these projects in FY 2021-22, the Wastewater Reserves will be just above the 20% reserve level. In addition, the Wastewater Treatment Plant is currently in design for a major expansion needed within the next five years, estimated over \$45 million. In addition to developer impact fees, some bond financing will be required to complete the project. A rate study began in FY 2019-20 to develop a revenue source to support both ongoing operations and debt financing to support these improvements.

CAPITAL FUND

Table 4 below is the list of new capital projects proposed for FY 2020-21, approximately \$6 million. The funding for the new projects is primarily related to special revenue funds dedicated to road and traffic improvements. Additionally, the Transit Fund has grant funds available to purchase land near the City's existing service yards to expand the transit maintenance yard in the future.

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Table 4A

Proposed New Capital Projects FY 2020-21

CIP Group	Project Number	New Proposed Project	Fund	FY2020/21
Traffic Safety	72117	Traffic Cameras Repair/Replacement	Gas Tax	275,000
	72118	Upgrade and Maintenance of Traffic Management Center Software	Gas Tax	140,000
	72119	Local Roadway Safety Plan (LRSP)	Gas Tax	8,000
	72119	Local Roadway Safety Plan (LRSP)	ISTEA	72,000
	<i>SUBTOTAL TS</i>			<i>\$ 495,000</i>
Streets and Highways	73178	Street Patch & Overlay Program FY21	Transp Sales Tax	540,000
	73178	Street Patch & Overlay Program FY21	Gas Tax	135,000
	73178	Street Patch & Overlay Program FY21	SB1 RMRA	1,752,699
	73178	Street Patch & Overlay Program FY21	ISTEA	1,284,163
	73179	Pavement Management System Update	Gas Tax	50,000
	73180	Sidewalk, Curb, and Gutter Repair	Gas Tax	250,000
<i>SUBTOTAL SH</i>			<i>\$ 4,011,862</i>	
Airport and Transit	77585	Tracer Bus Stop Improvements	Transit Capital	500,000
	77586	Transit Maintenance & Storage Yard (Land Acquisition)	Transit Capital	1,000,000
	<i>SUBTOTAL AT</i>			<i>\$ 1,500,000</i>
TOTAL			\$ 6,006,862	

Like most agencies, the City has a larger demand for capital improvements than resources. Since FY 2019-20, the General Fund had not been able to provide funding for capital improvements or replacement. This holds true for FY 2020-21 unless the City Council redirects Measure V funds for this purpose. The impacts of COVID-19 further limit the General Fund's financial position. The Roadways and Utilities (Storm Drain, Water and Wastewater) carry an on-going financial demand for maintenance and/or improvements. Many of the improvements are funded through demands from growing development, but once accepted, on-going funds to operate, repair, or replace the City's infrastructure must be identified. As stated, these resources are very limited and updated fees are required to continue to support the City's infrastructure.

Below is a table of the unfunded projects, approximately \$57 million; however, it is not a comprehensive list of citywide deferred maintenance and improvements.

Table 4B

Un-Funded Pending Capital Projects

CIP Group	Un-Funded Pending Projects	Fund	FY2020/21
Wastewater	HVAC & Roof Replacement -		
	WWTP - LAB/Admin Building	WasteWater	250,000
	Sewer Later Replacements -		
	Multiple Locations	WasteWater	132,000
	Filter replacement (Annual		
	Program)	WasteWater	400,000
	Sewer Manhole Connection 11th		
	Street	WasteWater	88,000
	Sewer Realignment Von Sosten	WasteWater	333,000
	74106 - Larch Rd Pump Station		
	Repairs	WasteWater	1,600,000
	74127 - Aeration Diffuser		
	Replacement	WasteWater	370,000
	74128 - Security System Cameras		
	WWT Plant	WasteWater	257,000
	74137 - Cleanup of Pond 1 &		
	Berm	WasteWater	250,000
74138 - FOG Removal & Septage			
Rec System	WasteWater	600,000	
74139 - Screen & Grit Removal	WasteWater	600,000	
74160 - Chemical Disinfection			
System Replacement &			
Expansion	WasteWater	125,000	
74107 - Expansion of the			
Treatment Plant	WasteWater	45,000,000	
	SUBTOTAL WW	\$	50,005,000
Water	Filter Valves Replacement at		
	JJWTP	Water	700,000

	Water Intake Pump Station Rehabilitation at DMC - JJWTP Wells (1, 2, 3 4 and Lincoln)	Water	500,000
	Study and Mitigation Larch Rd 12" Water Line Replacement	Water	400,000
	Pump replacement (Annual Program)	Water	2,606,000
	Polybutylene Pipe Replacement (Annual Program)	Water	150,000
	75155 - Up flow Clarifier Rehab	Water	100,000
			300,000
		<i><u>SUBTOTAL W</u></i>	<i><u>\$ 4,756,000</u></i>
Drainage	Eastside Channel Desilting	Drainage	700,000
		<i><u>SUBTOTAL Dr</u></i>	<i><u>\$ 700,000</u></i>
Airport and Transit	Airport Masterplan Update	Airport	250,000
		<i><u>SUBTOTAL AT</u></i>	<i><u>\$ 250,000</u></i>
Parks and Recreation	Tracy Sports Complex	unidentified	500,000
	Flag Poles City Hall Memorial	unidentified	100,000
	Legacy Fields Phase 1E	unidentified	1,200,000
		<i><u>SUBTOTAL PR</u></i>	<i><u>\$ 1,800,000</u></i>
		<u>TOTAL</u>	<u>\$ 57,511,000</u>

COUNCIL STRATEGIC PLAN

The City's budget was developed under the policy guidelines of the City Council's Strategic Priority (adopted November 2019). Below are a few highlighted items in the budget.

QUALITY OF LIFE

Recreational Amenities

- Continued capital set aside funding for City amenities

Advance Infrastructure to Improve Citywide Traffic Conditions

- \$4.5 million in traffic and street improvements

Facilitate Affordable Housing & Develop a Homelessness Strategic Plan

- Securing Approximately \$4M in Housing Funds for Affordable Housing
 - Of that, up to \$250,000 may be used to Support Homeless Housing

ECONOMIC DEVELOPMENT

Develop and Implement Cannabis Regulations

- Draft Application and Selection Criteria Complete; proposed cannabis tax
- Proposed Cannabis Tax planned for November 3, 2020 ballot

Transit Oriented Development

- Securing Transit Oriented Development grant for Planning projects

Business Attraction

- Implemented small Business Loans
- 35,000 sq. ft. Class A office planned for Cordes Ranch

PUBLIC SAFETY

Strengthen Community Safety through Crime Prevention Reduction Activities

- Implementing security and lighting at select parks

Enhance Citywide Emergency Management Capabilities

- Business continuity planning underway

GOVERNANCE

Encourage the Development of Good Governance Policies

- Completed a Code of Conduct Policy and updated Council Protocols

Ensure Short and Long Term Financial Sustainability

- Form a Council Ad-hoc subcommittee to develop long term financial plan

NEXT STEPS: ECONOMIC RECOVERY

The City of Tracy has activated a team to develop a Community Recovery Plan. The purpose of the Plan is to establish short, medium and long-term goals for re-opening the community within the framework of the Stay at Home Orders. The Plan will focus on specific areas such as opening municipal functions, managing the finances of the recovery, supporting the business community, addressing the opening of parks, recreational facilities and Cultural Arts in a manner that protects the health and safety of the residents.

The team currently includes a broad representation of City departments and will also include stakeholders from the community. In terms of economic recovery, there have been a number of actions taken to date including the creation of a COVID-19 Business Resources webpage, an online local restaurant guide, and outreach to local businesses on the Stay at Home Order and financial resources, informational webinars in

partnership with the Tracy Chamber, and the development of a City Business Assistance Loan Program. Future recovery efforts include business retention visits (virtual and/or in-person) amongst the hardest impacted industries, creating and promoting a “Shop Local” campaign, partnering with the County on workforce placement, training, and development, engaging in business attraction efforts to replenish vacancies, and assisting with the building permit process to ensure uninterrupted business services.

The Plan will also address ongoing emergency pandemic planning and preparedness. Economic recovery depends largely on the length and severity of the threat to public health and safety. In particular, the continuity of the Stay in Place order and the shift to reopen are tempered by the ability to provide adequate measures to minimize the risk.

In addition, the diversity of Tracy’s economy has it poised to rebound quickly. Most economists and government experts believe the recovery in many sectors will be prompt, such as retail and auto sales. Other industries that require more adaptation to the social distancing, such as movie theaters, dine-in restaurants, hospitality industry, and other personal service businesses will take a slower path to full operations. Compared to regional and statewide sales tax demographics, the City’s sales tax (pre-COVID-19) has been dominated by Business and Industry (e.g., industrial and warehousing), which almost all have remained open in some capacity during this emergency. The second two dominate sales tax generators for Tracy are auto and general consumer goods. As mentioned, these are expected to recover relatively swiftly. This is also true of TOT revenues. The City’s hotel tax is dominated by business and industry support and less by tourism. As travel restrictions ease, it is expected that hotel occupancy will rise. This is why Tracy is experiencing moderate revenue loss as compared to statewide losses.

Finally, there is the financial assistance provided by federal and state agencies, both of which are focused on economic recovery. The federal government has already provided two stimulus packages to assist businesses impacted by emergency. The federal government is also currently considering a third stimulus package that will provide for financial assistance to state and local governments.

COUNCIL FISCAL SUSTAINABILITY AD HOC SUBCOMMITTEE

The City’s proposed financial budget preserves the City’s existing service levels despite the unprecedented economic impacts related to COVID-19 and a projected revenue loss of \$10 million over FY 2019-20 and FY 2020-21. The City’s strong fiscal General Fund reserve policy and budget approach has positioned the City to thoughtfully plan and implement permanent, long-term fiscal solutions to meet the City’s growing service demands. The months ahead will need to be a time of self-assessment and prioritization desired services of Council and community. A long-term plan requires time and energy to formulate lasting actions that positively impact the fiscal health of the City.

The keys to fiscal sustainability include providing a clear synopsis of the City’s current and future financial position and available resources to support core services, all within a framework of community engagement. To achieve this shift, annual budget discussions will need to evolve from incremental and/or temporary adjustments to deeper

conversations focused on community goals and service outcomes. In other words, the dialogue becomes less about what the government spends to what the government does.

Understanding this, on April 7, 2020, the Council formed a Council Fiscal Sustainability Ad Hoc Subcommittee to guide the development of a long-term strategic plan to ensure the City can meet the growing service needs of the community. While the term and membership have been established, the Council must still approve the subcommittee's scope, which defines its purpose and parameters.

POLICY CONSIDERATIONS

As part of its FY 2020-21 budget deliberations, Council may wish to consider the following policy questions:

- Does Council want to implement a hiring freeze and hold positions vacant as part of an interim budget strategy to reduce the City's existing deficit?
- Does Council want to use a portion of its General Fund reserves to address anticipated COVID-19 revenue losses?
 - ✓ Does Council want to use the Economic/Budget Stabilization Reserve (\$2.6M)?
 - ✓ Does Council want to use a limited portion of FY 2020-21 Measure V Reserve funds (\$6.6 million)?
- Does Council wish to use an alternate funding source or budget strategy to address the City's deficit?

STRATEGIC PLAN

This agenda item supports Governance Strategic Goal 3: Ensure Short and Long-term Financial Sustainability.

FISCAL IMPACT

The FY2020-21 proposed budget appropriations totals \$198 million from all funding sources plus \$6 in new capital. The budget for the General Fund is \$75 million, which does not include transfers. The net result is a General Fund budget with expenses greater than revenues with the proposed use of one-time funds to balance the General Fund budget.

RECOMMENDATION

It is recommended that the City Council provide direction related to the proposed FY 2020-21 annual budget and adopt a resolution codifying the formation, membership, term and scope of a Council ad-hoc subcommittee to guide the development of a fiscal sustainability plan.

Prepared by: Karin Schnaider, Finance Director

Reviewed by: Midori Lichtwardt, Assistant City Manager

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Approved by: Jenny Haruyama, City Manager

ATTACHMENTS

Attachment A - Draft Fund Chapter
Attachment B - Draft Debt Chapter
Attachment C - Draft Capital Improvement Chapter

Fund Level - Draft

FUND ACTIVITY

The City of Tracy's fiscal activities are budgeted and accounted for through the use of funds. A fund is a separate fiscal entity, which is self-balancing and free standing. The use of funds enables the maintaining of separate records for particular purposes. GFOA recommends that every state or local government that uses fund accounting establish clear criteria for determining whether a given fund in its accounting system should be treated as a fund for purposes of external financial reporting. The application of these criteria to individual funds should be documented and then periodically reviewed to take into account changes in circumstances (for example, a significant decrease in a revenue source reported as a separate special revenue fund). A government's periodic review of its fund structure ought to specifically consider whether the goals of general purpose external financial reporting could better be achieved by combining similar funds in the accounting system into a single fund for financial reporting purposes. For example, for budget reporting, all Special Assessment and small Special Revenue funds are consolidated in this financial plan.

The fund categories are: Governmental Funds, Proprietary Funds, and Fiduciary Funds. The eight fund types are: General, Special Revenue, Capital Projects, Debt Service, Enterprise, Internal Services, Trust, and Agency. Below is a list of City funds by fund type.

Definition of Fund Types:

Governmental Funds – Funds generally used to account for tax-supported activities.

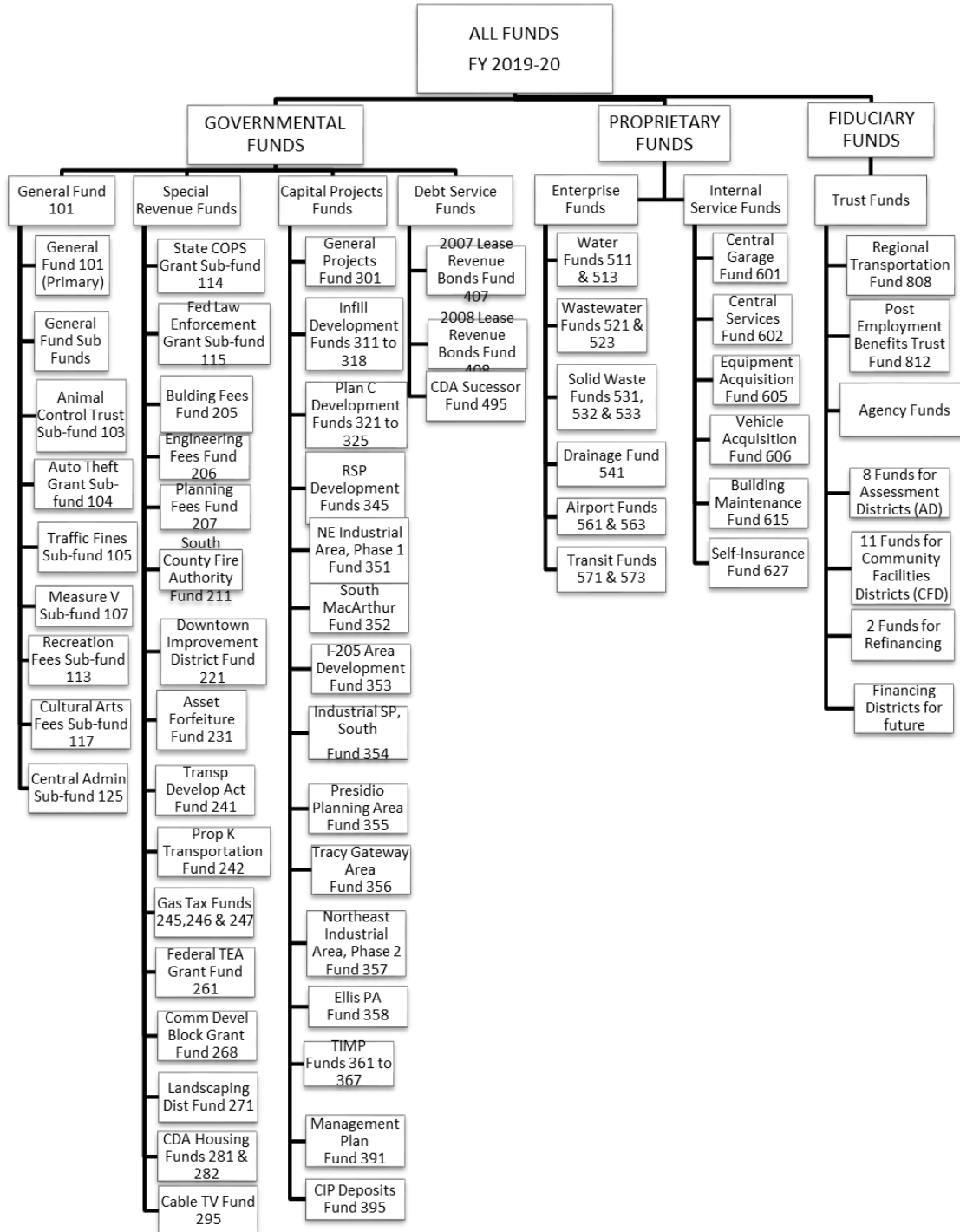
- The General Fund is the primary operating fund of the City. The General Fund is used to account for resources traditionally associated with government which are not required by law or by sound financial management practice to be accounted for in another fund.
- Special Revenue Funds (SRFs) account for the proceeds of revenue sources that are restricted by law or administrative action to expend for specific purposes. Primary sources of SRF revenue are federal, state, local and private grants; contractual agreements. Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.
- Capital project funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets.
- Debt service funds are used to account for accumulations of resources that are restricted, committed, or assigned to expenditure for principal and interest.

Proprietary Funds – Funds used to account for a government's ongoing organizations and activities that are similar to businesses found in the private sector. These funds are considered self-supporting in that the services rendered by them are generally financed through user charges or on a cost reimbursement basis.

- Internal Service funds are established to finance, administer, and account for departments or agencies of a government whose exclusive or nearly exclusive purpose is to provide goods or services (e.g. central garage services) to the government's other departments on a cost-reimbursement basis.
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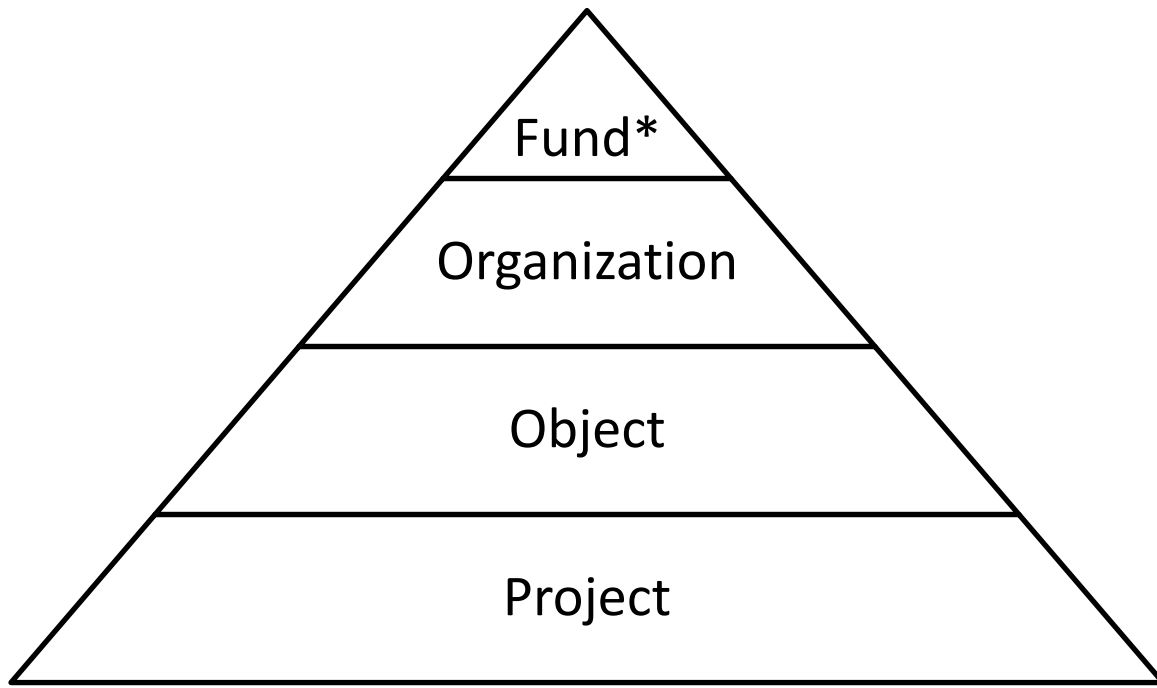
- Enterprise Funds are established to account for activities of a government that provide goods or services primarily to the public at large on a consumer charge basis. Most business-type activities of a government are accounted for and reported in this fund.

City of Tracy Fund Structure



City of Tracy Account Structure

* Council adopts the Citywide Budget at the FUND Level



The City’s financial system is organized around a structure that is commonly found in most public agencies.

Fund

Each fund represents a self-balancing group of accounts and a balance sheet that allows for the segregation of resources from all others maintained by the City. For example, the General Fund accounting structure accumulates and tracks monies collected for the purpose of providing the services that fulfill the general government role of the City. These costs include those for central administration including the City Manager’s Office, Human Resources and the Finance Department. Other general government costs included are Police, Fire Protection and Parks and Recreation.

Organization

The organization or org code identifier is used within the City’s accounting system to identify a specific program assigned to a department division. Thus, a single department can have one or more organization codes assigned to it in order to capture revenues and expenses for each separate function.

Object

The basic unit of the City’s accounting structure is the object code. The purpose of the object code is to provide a means for separating each type of revenue and expense from another. For example, full-time salaries are charged to Object Code 5101.

Project

A project tracks Capital and or a specific revenue or expense. For example, Capital Improvement Projects have multiple levels of costs; i.e. Engineering-Design, Construction and Administration, each level contains a budget. Within each project, there could be specific revenue funding the project such as grant revenue or city contribution.

CITYWIDE SUMMARY

On April 7, 2020, staff presented the City's ten year financial forecast with the estimated revenues and proposed appropriations for the General Fund. Council directed the development of a status quo budget which is reflected in the table below. The table presents a citywide summary of revenues and expenditure categories for each fund type.

The FY 2020-21 proposed budget appropriations totals approximately \$198 million from all funding sources, including \$6 million for new capital projects (capital listed below, Table 4). The net change is an increase of roughly \$758,000 (see Table 1).

ANALYSIS

The goal of the City's annual budget is to provide a plan that allocates resources to meet the needs and desires of Tracy's residents. It balances City revenues and costs with community priorities and requirements. In preparing the FY 2020-21 Annual Budget, City staff reviewed the FY 2019-20 budget and estimated the expenditures and revenues anticipated for the next year.

Overall, 534 Full Time Equivalent positions are being proposed for FY 2020-21, this represents a status quo staffing with the addition of three new police officers. The department continued its efforts towards hiring the 11 new positions approved by City Council in 2018 over a phase in period of three (3) fiscal years. FY 2020-21 position control roster will include the addition of these three positions; however, fiscal constraints of the General Fund will delay the hiring of the positions for six months or longer. In addition, the General Fund is utilizing vacancy and attrition to create short term appropriations savings, estimated at \$3.5 million.

With every request for staffing, the City evaluates the unmet needs against the fiscal sustainability of funding a new position. Fiscal sustainability is defined as the ability of the City to fund current and future year spending with available resources without threatening the government's ability to remain solvent and to meet its obligations. To be fiscally sustainable, the City's on-going revenues must fund the on-going costs of its workforce, including potential cost of living negotiations, increased pension and health care costs, and other long-term liabilities associated with employee salaries and benefits. Considerately, we are mindful that the growth in the City's revenues must meet projected costs in the ten-year forecast and beyond. On-going monitoring of the forecast will allow the City to make the appropriate adjustments, as needed.

Summary of the Citywide Financial Plan

(in thousands)	FY 2019 Actuals	FY 2020 Revised Projections	FY 2021 Proposed Budget
GENERAL FUND	69,207	68,314	69,311
DEVELOPMENT SERVICES	10,073	6,417	9,311
SCFA	20,614	21,140	21,019
GAS TAX	3,766	2,928	3,163
SPECIAL REVENUE	19,715	10,347	12,092
DEBT	6,763	6,548	6,143
INTERNAL SERVICES FUND	13,985	13,122	14,857
WATER	20,477	17,978	18,368
WASTEWATER	28,476	19,455	14,917
SOLID WASTE	21,968	20,376	21,731
STORM DRAIN	1,522	723	719
AIRPORT	1,752	2,609	666
TRANSIT	3,991	5,692	5,556
TOTAL REVENUE	222,309	195,649	197,853
GENERAL FUND	69,657	71,458	75,847
DEVELOPMENT SERVICES	10,136	12,214	10,781
SCFA	20,592	19,933	20,922
GAS TAX	2,802	2,160	1,479
SPECIAL REVENUE	9,122	14,135	5,027
DEBT	3,269	515	3,300
INTERNAL SERVICES FUND	11,356	15,354	15,501
WATER	15,421	18,762	16,837
WASTEWATER	13,727	58,617	15,784
SOLID WASTE	22,289	23,074	24,262
STORM DRAIN	900	966	705
AIRPORT	814	2,900	886
TRANSIT	4,095	4,723	5,763
TOTAL EXPENSES	184,179	244,813	197,094
NET CHANGE	(38,129)	49,164	(758)

City Wide Estimated Fund Balances

<u>Fund Name</u>	<u>Fund</u>			<u>Projected</u>			<u>Estimated</u>
	<u>Balance</u>	<u>Projected</u>	<u>Projected</u>	<u>Fund</u>	<u>Estimated</u>	<u>Estimated</u>	<u>Fund</u>
	<u>06/30/2019</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance</u>
				<u>06/30/2020</u>			<u>06/30/2021</u>
GENERAL FUND	\$30,565,543	\$68,313,779	(\$71,458,238)	\$27,421,085	\$69,310,913	(\$75,847,177)	\$20,884,820
DEVELOPMENT SERVICES	(\$1,059,710)	\$6,416,956	(\$12,214,224)	(\$6,856,978)	\$9,310,962	(\$10,781,206)	(\$8,327,222)
SOUTH COUNTY FIRE AUTHORITY	(\$5,424,551)	\$21,139,853	(\$19,933,092)	(\$4,217,790)	\$21,019,303	(\$20,921,924)	(\$4,120,411)
SPECIAL REVENUES	\$17,054,024	\$10,346,766	(\$14,135,297)	\$13,265,493	\$12,092,233	(\$5,027,163)	\$20,330,563
GAS TAX FUNDS	\$4,167,964	\$2,928,364	(\$2,159,541)	\$4,936,788	\$3,163,137	(\$1,479,347)	\$6,620,578
DEBT	\$620,869	\$6,547,929	(\$515,463)	\$6,653,335	\$6,142,817	(\$3,299,581)	\$9,496,571
INTERNAL SERVICES FUNDS	\$24,583,375	\$13,121,764	(\$15,353,730)	\$22,351,409	\$14,857,112	(\$15,501,471)	\$21,707,050
WATER	\$5,233,469	\$17,978,090	(\$18,762,104)	\$4,449,455	\$18,368,267	(\$16,836,586)	\$5,981,136
WASTEWATER	\$33,643,516	\$19,454,936	(\$58,616,841)	(\$5,518,389)	\$14,916,508	(\$15,783,998)	(\$6,385,879)
SOLID WASTE	\$17,864,320	\$20,376,328	(\$23,074,155)	\$15,166,493	\$21,730,863	(\$24,262,073)	\$12,635,283
STORM DRAIN	(\$237,394)	\$723,411	(\$966,463)	(\$480,447)	\$718,683	(\$704,989)	(\$466,753)
AIRPORT	\$14,168	\$2,608,718	(\$2,900,320)	(\$277,435)	\$665,567	(\$886,038)	(\$497,905)
TRANSIT	\$1,020,913	\$5,691,962	(\$4,723,078)	\$1,989,797	\$5,555,883	(\$5,762,730)	\$1,782,950

FINANCIAL PLANNING AND FISCAL IMPACTS OF COVID-19

On March 4, 2020, Governor Newsom declared a state of emergency for California associated with the outbreak of COVID-19, a highly contagious virus resulting in serious illness and death on a global scale. In response to the growing health crisis, the City Manager, in her authority as the Director of Emergency Services, proclaimed a local emergency in Tracy on March 12, 2020 due to COVID-19. The City Council ratified that emergency declaration on March 17, 2020.

To slow the spread of the disease, the Governor of California issued Executive Order N-33-20 (Stay at Home Order) on March 19, 2020 ordering all individuals within the State of California to stay home or at their place of residence, except as needed to maintain continuity of operation of federal critical infrastructure sectors, critical government services, schools, childcare, and construction, and to facilitate authorized necessary activities. The Executive Order is in place until further notice. However, the assumptions are likely to continue through June 2020; lasting more than 90 days.

COVID-19 ECONOMIC IMPACTS

A 10-year budget forecast was scheduled to be presented to the City Council on March 17, 2020, but was delayed due to the COVID-19 emergency. The forecast was updated on April 7, 2020 with COVID-19. Prior to this emergency, national, state, and local economies were expected to maintain growth, with no indication of slowing. Housing stock was also increasing and unemployment was extremely low. However, within one week of the emergency declaration, unemployment grew to double digits with no other economic cause other than the shelter in place order. This experience is considered unprecedented as many businesses were forced to furlough employees and temporarily close their doors.

While the future fiscal impacts of COVID-19 are unclear, there are some likely short-term outcomes. First, sales tax is very responsive to market change and is usually measured within the first six months. Also, transient occupancy tax (TOT or hotel tax) is very sensitive to market volatility. These revenues are considered very elastic and can quickly change without much cause.

The closest market comparison to the COVID-19 emergency are events related to 9-11 and the economic impacts that followed. These included a slow-down of tourism and commercial micro-economies, which took two years for recovery. However, the events of 9-11 did not impact housing or the global economy. Another comparison could include the Great Recession of 2007-2012. While this event has somewhat different characteristics than the current market volatility, housing was not completely resistant to impacts. In fact, housing was slower to respond in terms of losing value and regaining it. One positive is that because the typical impact on property tax does not materialize until 18-24 months, cities have some extra time to plan and respond to an anticipated revenue loss. In a COVID-19 environment, the City's property tax would not see impacts in the immediate short term, but may by year three and beyond. Commercial property tax, however, may be impacted as early as two years.

ECONOMIC RECOVERY

The City of Tracy has activated a team to develop a Community Recovery Plan. The purpose of the Plan is to establish short, medium and long-term goals for re-opening the community. The Plan will focus on specific areas such as opening municipal functions, managing the finances of the recovery, supporting the business community, addressing the opening of parks, recreational facilities and Cultural Arts in a manner that protects the health and safety of the residents.

The team currently includes a broad representation of City departments and will also include stakeholders from the community. In terms of economic recovery, there have been a number of actions taken to date including the creation of a COVID-19 Business Resources webpage, an online local restaurant guide, outreach to local businesses on the Stay at Home Order and financial resources, informational webinars in partnership with the Tracy Chamber, and the development of a City Business Assistance Loan Program. Future recovery efforts include business retention visits (virtual and/or in-person) amongst the hardest impacted industries, creating and promoting a "Shop Local" campaign, partnering with the County on workforce placement, training, and development, engaging in business attraction efforts to replenish vacancies, and assisting with the building permit process to ensure uninterrupted business services.

The Plan will also address ongoing emergency planning and preparedness. Economic recovery depends largely on the length and severity of the threat to public health and safety. In particular, the continuity of the Stay in Place order and the shift to reopen are tempered by the ability to provide adequate measures to minimize the risk.

The diversity of Tracy's economy has it poised to rebound quickly. Most economists and government experts believe the recovery in many sectors will be prompt, such as retail and auto sales. Other industries that require more adaptation to the social distancing, such as movie theaters, dine-in restaurants, hospitality industry, and other personal service businesses will take a slower path to full operations. Compared to regional and statewide sales tax demographics, the City's sales tax (pre-COVID-19) has been dominated by Business and Industry, which almost all have remained open in some capacity during this emergency. The second two dominate sales tax generators for Tracy are auto and

general consumer goods. As mentioned, these are expected to recover relatively swiftly. This is also true of TOT revenues. The City's hotel tax is dominated by business and industry support and less by tourism. As travel restrictions ease, it is expected that hotel occupancy will rise. This is why Tracy is experiencing moderate revenue loss as compared to statewide losses.

Finally, there is the financial assistance that has been provided by federal and state agencies. Both agencies are focused on economic recovery. The federal government has already provided two stimulus packages to assist businesses impacted by emergency. The federal government is currently considering a third stimulus package that provides for financial assistance to state and local governments.

COUNCIL FISCAL SUSTAINABILITY AD HOC SUBCOMMITTEE

The City's proposed financial budget preserves the City's existing service levels despite the unprecedented economic impacts related to COVID-19 and a projected revenue loss of \$14-\$15 million over FY 2019-20 and FY 2020-21. The City's strong fiscal General Fund reserve policy and budget approach has positioned the City to thoughtfully plan and implement permanent, long-term fiscal solutions to meet the City's growing service demands. The months ahead will need to be a time of self-assessment and prioritization desired services of Council and community. A long-term plan requires time and energy to formulate lasting actions that positively impact the fiscal health of the City.

The keys to fiscal sustainability include providing a clear synopsis of the City's current and future financial position and available resources to support core services, all within a framework of community engagement. To achieve this shift, annual budget discussions will need to evolve from incremental and/or temporary adjustments to deeper conversations focused on community goals and service outcomes. In other words, the dialogue becomes less about what the government spends to what the government does.

Understanding this, on April 7, 2020, the Council formed a Council Fiscal Sustainability Ad Hoc Subcommittee to guide the development of a long-term strategic plan to ensure the City can meet the growing service needs of the community.

GENERAL FUND

The following provides an overview of estimated revenues and proposed expenditures for the upcoming FY 2019-20 General Fund Annual Budget. Below is the summary of the proposed General Fund budget. In light of current economic conditions, the FY 2020-21 Proposed General Fund Budget is presented with the assumed impacts of COVID-19 (see Table #). To accomplish this, a fluid, financial model was developed, allowing for different scenarios to forecast how the General Fund might be impacted based on available information. Staff continues to benchmark its approach with local jurisdictions and regional economic data, while consulting with financial experts to ensure best practices are being followed.

REVISED YEAR-END FY 2019-20

For purposes of comparison, the FY 2020-21 Proposed General Fund Budget table below reflects FY 2018-19 revenue and expenditure actuals and updated projected revenue and expenses for year-end FY 2019-20 and FY 2020-21. Due to COVID-19, FY 2019-20 revenue projections were adjusted to roughly a \$6 million decline from the original budget. This is expected to carry-forward into FY 2020-21 by an additional \$10 million. To mitigate the anticipated revenue loss in the current fiscal year, the City

delayed all non-essential purchases and maintained all vacancies where possible to reduce expenses; creating a net impact of \$5 million in FY 2019-20. The budget already included a \$2 million budget carryover from prior year reserves, which accounts for the total deficit of \$7 million in FY 2019-20. The projected expenditures assumes the capital transfer (reserve set aside) for City amenities. (see Table 3A for changes in Net Reserves)

PROPOSED BUDGET FY 2020-21

Taking COVID-19 projected revenue losses and the City's existing structural deficit into account, the FY 2020-21 Proposed General Fund Budget is anticipated to be approximately \$84 million in revenue and \$93 million in expenditures, resulting in a total deficit of \$9.2 million. The projected General Fund budget assumes expenditure reductions of \$3.5 million, which are discussed in detail in the section below. If not implemented, the budget deficit would be as high as \$12.7 million. The proposed expenditures assumes the capital transfer (reserve set aside) for City amenities. (see Table 3B for changes in Net Reserves)

Summary of Proposed Revenues and Expenditures for the General Fund

(in thousands)	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
	<u>Actuals</u>	<u>Revised</u>	<u>Proposed</u>
		<u>Projections</u>	<u>Budget</u>
PROPERTY TAX	23,269	24,749	25,739
SALES TAX	26,229	25,532	24,000
SALES TAX (MEASURE V)	10,853	8,475	7,967
SPECIAL ASSESSMENT	464	340	353
OTHER TAXES	2,572	1,669	749
CHARGES FOR SERVICES	9,820	10,214	10,830
CONTRIBUTIONS	147	146	146
FINES AND FORFEITURES	209	135	134
LICENSES AND PERMITS	3,588	3,664	5,739
REVENUES FROM OTHER AGENCIES	1,476	1,124	1,012
USE OF MONEY	1,299	621	544
SALE OF REAL PROPERTY	2	33	0
OTHER REVENUES	130	87	66
TRANSFERS IN	1,250	0	0
Transfers In (same fund)	6,234	7,029	7,029
TOTAL REVENUE	87,542	83,818	84,308
PERSONNEL	53,871	56,967	58,846
PURCHASED SERVICES AND SUPPLIES	13,951	12,755	15,282
UTILITIES	1,650	1,702	1,719
SPECIAL ITEM	0	0	0
CAPITAL	185	35	0
DEBT	0	0	0
TRANSFERS OUT	19,412	12,617	10,608
TRANSFERS OUT (same fund)	6,234	7,029	7,029
TOTAL EXPENDITURES	95,303	91,105	93,484
NET CHANGE TO FUND BALANCE	(7,761)	(7,287)	(9,176)

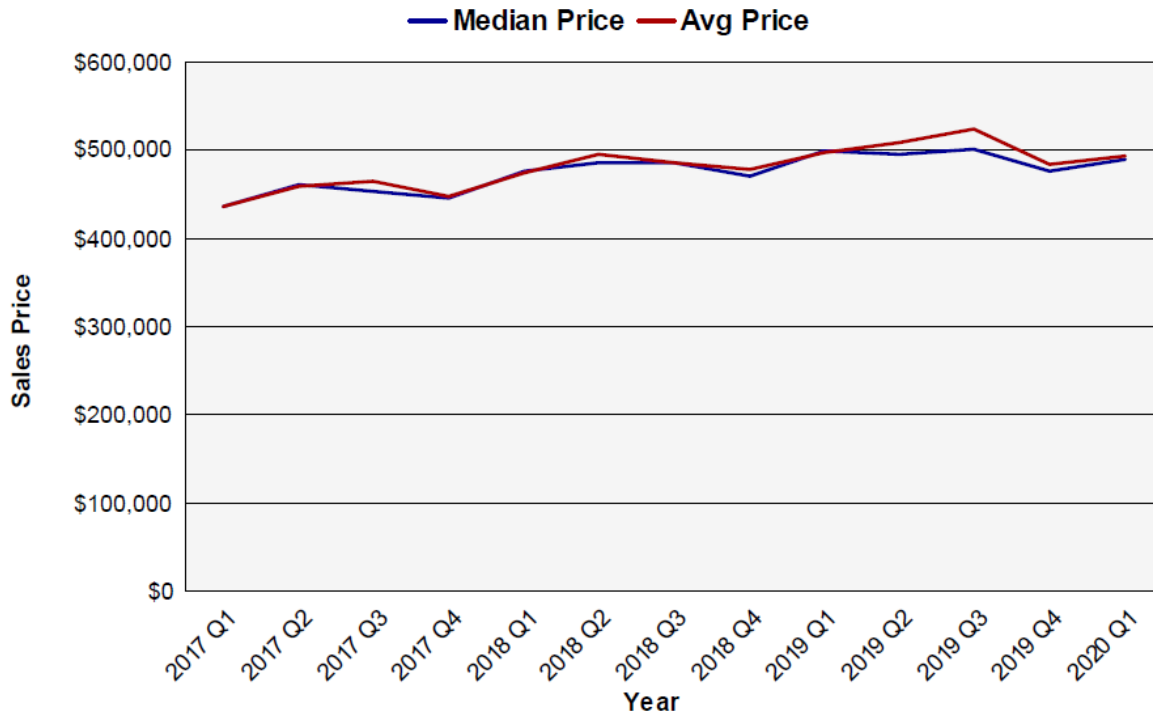
REVENUES***Property Tax Revenues:***

The City's revenue projections reflect the strong housing and employment markets in the Central Valley and Bay Area. Tracy has maintained housing prices above the County median. The economy is showing an increase in home sale activities as well as a return to pre-recession housing prices. This trend is predicted to continue. The housing market has fully recovered from the recent recession in many urban and coastal areas of the State while housing recovery has tended to lag in more rural and inland areas. Current median home prices, in many regions are at or above the pre-recession peak values. Affordability and inventory constraints are the main contributor to increases in home prices over the last year. The numbers of sales year over year have declined and the lack of significant new home construction in California is one of the main factors affecting supply. The median sale price of a detached single family residential home in Tracy from in 2019 hovered around \$500,000, which was consistent with 2018 results. Tracy has maintained a strong median value over the county average of \$400,000.

Home sales in California and Tracy fell from both the fourth quarter 2019 and continued into 2020 year. Tracy residential home sales tend to spike in the summer period and drop later in the year (see chart below). In March, as the coronavirus pandemic began, housing sales declined even further as the State's Stay in Place order restricted many home sale activities. Residential housing and commercial construction, however, continued within the City and building permits were consistent with prior year. It is assumed the home values will hold and housing sales will be return to historical trends during the summer of 2020 despite the restricted economy. Although all major regions experienced a sales decrease from last year, median prices increased in all regions, with the Central Valley up the most at 7.7 percent; whereas, the San Francisco Bay Area increased 7.4% for the same period.

Property tax has been assumed to increase 5% annually through fiscal year 2021, then 3.5% annually through fiscal year 2023 and a 2% increase for each fiscal year remaining in the 10 year forecast. This pattern reflects the current anticipated new housing construction within Tracy. Over time it is expected to slow and as a result future year growth assumptions will rely solely on Proposition 13 growth factors, currently capped at 2% annually.

City of Tracy Property Values*



*source HdL

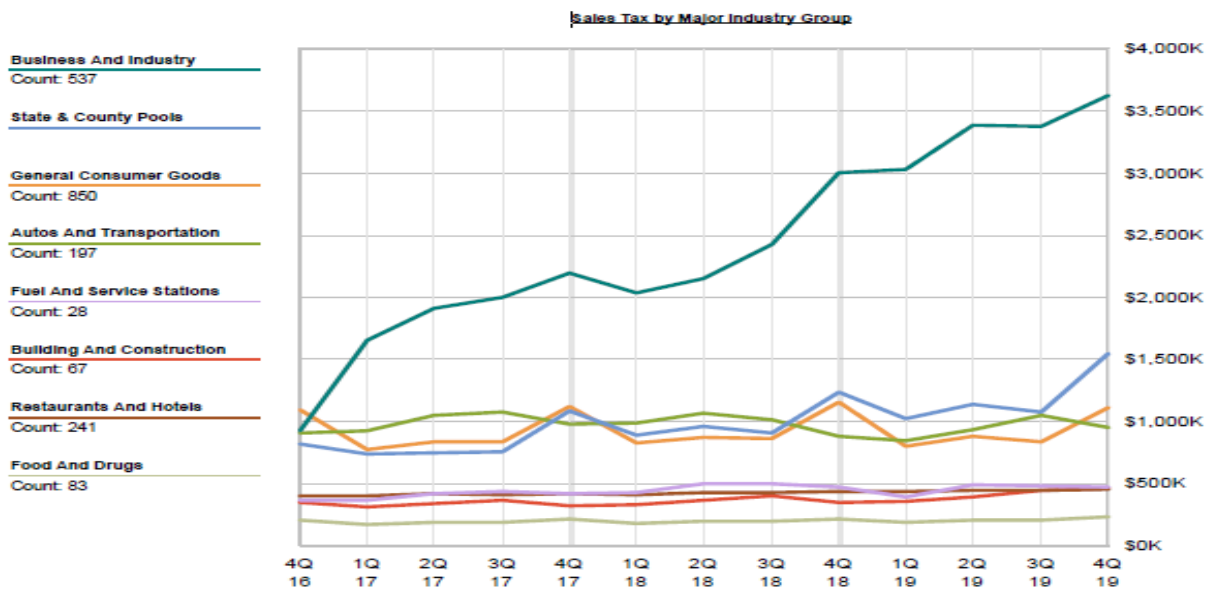
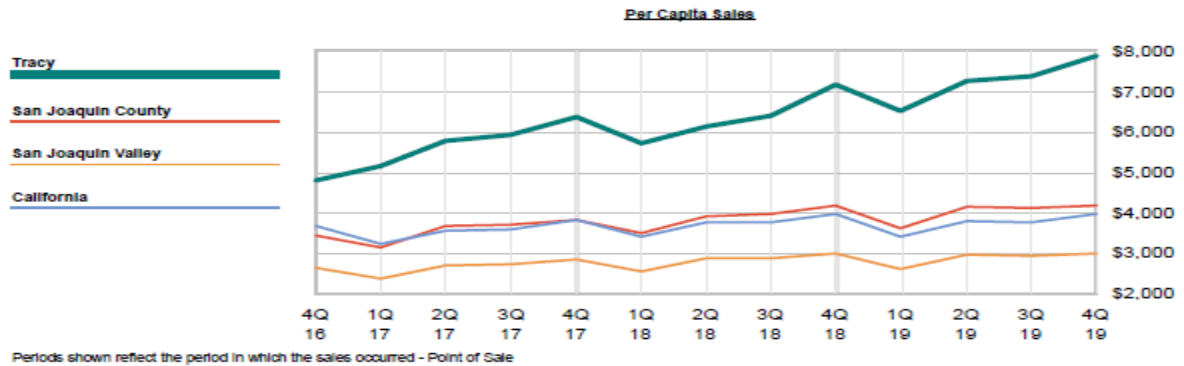
Sales and Use Tax

Sales taxes represent the largest source of tax revenue to the City at approximately 47% in fiscal year 2018-19 and 42% projected in fiscal year 2019-20 of General Fund total revenues. The City has two revenue streams for Sales Tax; Bradley Burns, the State’s Sales Tax and Measure V, the City’s local Sales Tax. The City receives a portion of the statewide Sales Tax, 1 cent per dollar transaction. In addition, the Tracy residents approved an additional ½ cent Sales Tax for goods bought or delivered to Tracy, which went into effect in April 2017 and will sunset in March 2037. The local sales tax revenue is generating sufficient resources to allow the City to set aside funding for a new aquatic center, multi-generational gymnasium, and additional improvements to Legacy Fields Sports Complex. These facilities are expected to have a regional draw further improving future sales tax revenues within the City.

In California, sales and use tax is imposed on the retail price of any tangible personal property and the use or storage of such property when sales tax is not paid. It is imposed on retailers for the privilege of selling tangible personal property and on the purchaser of a product from out-of-State and delivered for storage, use or consumption in California. Excluded from this tax are resale and wholesale sales, as well as the cost of professional services and food for home consumption. The use tax is charged to a purchaser, at the same rate as the sales tax, where sales taxes were not collected (such as out-of-State or out-of-Country purchases) and the items were purchased to be used in California. In total, the City receives 1% of eligible point-of-sale transactions.

As the ten-year forecast was developed in February 2020, sales tax was projected to grow an additional more than 3% and continuing to grow for over the next three years. This projected growth in sales tax revenues was directly correlated to the growing economy as well as the growth in new retail sources within Tracy. To forecast sales tax, the City averaged the three year actuals, which resulted in is 10% growth, or over 3% annually. The revenue growth is attributable a growing retail and distribution base in the City. The City continues to be successful in attracting large distribution centers to its industrial parks which not only increase the City’s base tax, but add to the City’s half-cent local Sales Tax revenue (Measure V). For more than five years, the City’s sales tax revenue growth has been primarily related to growth in the City’s commercial areas and the overall economic recovery of the region.

To aide in developing a forecast, the City uses HdL as its sales tax consulting and auditing firm. HdL has provided a forecast for the City’s regular sales tax (1 cent) based upon recent trends. Tracy’s sales tax per capita is well above both the County and State per capita, this is represented in the chart below. The second chart provides growth by industry category within the City. Tracy remains a strong economic force within the San Joaquin County, leading the County in per capita sales and continue year over year growth in business and industry.



*source HdL

Other Revenues:

Other revenues are a composite of other taxes, Revenues from Other Agencies, Charges for Services, Investment Incomes and Staff is projecting a moderate growth of 2% for all other revenues. The other taxes that comprise Other Tax Revenues are Franchise Fees, Business License Tax, and Transient Occupancy Tax (TOT). The proposed budget is estimated to be reduced \$2 million resulting primarily from a loss in Charges for Services, TOT, and Investment Income. These revenue losses are expected to be short term and related to COVID-19 emergency. The average growth over the last few years has been almost 3%. In addition, there is expanded economic growth expected in FY 2021-22 that will continue drive revenue growth in the forecast.

EXPENSES**Personnel:**

General Fund expenses are primarily associated with labor cost. For example, Police personnel expenses make up 82% of the Police Department's budget and Fire personnel expenses about 94% of the total Fire Department budget. Expenditures and recent enhancements to service levels have outpaced revenue in the previous budget cycles. The result is a projected deficit beginning in FY 2019-20 and FY 2020-21. This deficit will linger throughout the 10 year forecast, absent taking specific measures to reduce expenditures. It is anticipated, however, as in past instances, budget correction measures would be enacted by the City, including a combination of reserve utilization and expenditure reductions, thereby, retaining a balanced budget in those years with a projected deficit. Prior to the adoption of the budget, the City has Also contributing to the fiscal challenges are continuing increases in the City's mandatory retirement contributions that are expected to further increase over the next ten years and beyond as discussed during an earlier actuarial discussion. The City will need to give serious consideration to its discretionary expenditures in terms of prioritization, especially in light of reduced revenues that may be on the horizon. At the same time, staff will have to find ways to contain costs and enhance revenues to enable the City to continue to provide quality services to the Tracy community.

NON-PERSONNEL:

The category of Purchased Services and Supplies and Utilities is comprised of contract services, materials and supplies, and various overhead charges. The category of Debt and Capital are covered in other budget chapters. The General Fund has subsidies to Airport and Development Services reported in Transfers Out. In addition, the City's set aside for Measure V capital is planned in Transfers Out.

GENERAL FUND RESERVES

FY 2014-2015, the City Council adopted a reserve policy requiring a General Fund minimum fund balance of 30% of operating expenses: 10% for Economic/Budget Stability Reserves and 20% for Contingency Reserves (approximately \$22 million). Additionally, the City Council committed all unspent Measure V sales tax revenues towards future amenities (see table below for estimations of the annual cumulative balances). The City's Measure V capital fund also has approximately \$4 million assigned to the Multi-generational Gymnasium.

The estimated fund balance for FY 2019-20 is approximately \$31.8 million. Of that amount, Measure V capital reserves are anticipated to be \$14.1 million, which increased by \$8.4 million (as reflected in Transfers Out of the General Fund expenditures).

It should be noted that at the close of FY 2019-20, the City will be in a position to set aside Measure V funds for future amenities.

Table #A FY 2019-20 Estimated Fund Reserves

COMPONENTS OF FUND BALANCE (IN THOUSANDS)	ACTUALS FY 18-19	NET CHANGE TO FUND BALANCE	ESTIMATED FY 19-20
Ending Fund Balance	30,566	1,188	31,754
<i>(less Committed Reserves)</i>			
20% Catastrophic Reserves	14,883	0	14,883
10% Econ/Budget Stability	7,759	(5,182)	2,577*
Measure V Reserves	5,645	8,475	14,120
Other Committed Reserves	492	0	492
Uncommitted/Carryover Reserves	2,105	(2,105)	0**

*assumes \$5.1 M appropriated to GF to mitigate COVID-19 anticipated revenue losses

**previously appropriated carryover \$2.1M

The anticipated economic impacts of COVID-19 have and will continue to impact the City’s revenue base, further exacerbating the City’s deficit situation. To close the projected \$7.3 million FY 2019-20 budget gap and the \$9.2 million FY 2020-21 budget gap, multiple funding sources will be required, including the Economic/Budget Stability reserves. Per the adopted policy, the Economic/Budget Stability Reserve is “intended to offset quantifiable revenue/expenditure uncertainty in the multi-year forecast thereby helping to stabilize service levels through economic cycles.” In order to use these reserves, the policy requires that the budget is adopted by a super-majority of the Council (2/3 approval). The policy further recommends that in the event that these reserves are used to stabilize the General Fund budget, the City Manager should return with a replenishment plan to be considered by the City Council. At the close of FY 2019-20, it is anticipated that there will be \$2.6 million available in Economic/Budget Stability reserves remaining.

Table #B 2020-21 Projected Fund Reserves

COMPONENTS OF FUND BALANCE (IN THOUSANDS)	ESTIMATED FY 19-20	NET CHANGE TO FUND BALANCE	PROJECTED FY 20-21
Ending Fund Balance	31,754	667	32,421
<i>(less Committed Reserves)</i>			
20% Catastrophic Reserves	14,883	0	14,883
10% Econ/Budget Stability	2,577	(2,577)	0*
Measure V Reserves	14,120	2,926	17,046*
Other Committed Reserves	<u>492</u>	<u>0</u>	<u>492</u>
Uncommitted/Carryover Reserves	0	0	0

*assumes \$2.6M appropriated to GF to mitigate COVID-19 anticipated revenue losses

*assumes \$6.6M appropriated to GF to mitigate COVID-19 anticipated revenue losses

As discussed previously, the impacts of COVID-19 are expected to continue into FY 2020-21 and will exceed the amount available in the Economic/Budget Stability reserves. To avoid further erosion of the City’s reserves (Catastrophic Reserve), it is recommended that Council consider using FY 2020-21 Measure V revenues as temporary bridge funding to close the remaining deficit of \$6.4 million. At this time, it is not anticipated that all of the FY 2020-21 Measure V revenues will be needed and Measure V capital reserves will grow to \$17 million by the end of FY 2020-21. While projected net reserves are expected to increase by \$667,000 however, the Economic/Budget Stability reserves will be fully exhausted. The remaining Catastrophic Reserve balance is anticipated to be \$14.9 million.

SPECIAL REVENUE FUNDS

Development Services Funds:

Development Services Funds (205, 206, 207) provides planning and development services for the City including advance and current planning, building plan review and inspections, code enforcement, engineering services, and economic development. With heightened development from Tracy Hills, Ellis, and Cordes Ranch as well as delivering Capital Improvement Projects, the fund is positioned for increased expenditures that are funded through developer fees and reimbursements. While the Department output has been steady or increasing over the past few years, revenues for services and permits fluctuates with building cycles creating variations between years. As a result, the General Fund subsidy has also varied year to year, but averages about \$2 million or 20% of operations. The Department is currently evaluating and updating their fees to improve cost recovery of their services.

Summary of Proposed Revenues and Expenditures for the Development Services Fund

REVENUES (in thousands)

	FY 18/19 Actual	FY 19/20 Projected	FY20/21 Proposed
LICENSES AND PERMITS	\$ 4,409	\$ 2,579	\$ 4,115
USE OF MONEY AND PROPERTY	\$ 140	\$ (47)	\$ -
CHARGES FOR SERVICES	\$ 5,517	\$ 3,882	\$ 5,195
OTHER REVENUES	\$ 8	\$ 2	\$ -
TOTAL REVENUES	\$ 10,074	\$ 6,416	\$ 9,310

EXPENDITURES (in thousands)

	FY 18/19 Actual	FY 19/20 Projected	FY20/21 Proposed
GENERAL GOVERNMENT	\$ 33	\$ 34	\$ 32
PUBLIC WAYS AND FACILITIES	\$ 10,062	\$ 12,141	\$ 10,749
CAPITAL	\$ 41	\$ 39	\$ -
TOTAL EXPENDITURES	\$ 10,136	\$ 12,214	\$ 10,781
EXCESS REVENUES OVER/(UNDER) EXPENDITURES	\$ (62)	\$ (5,798)	\$ (1,471)

OTHER FINANCING SOURCES (in thousands)

	FY 18/19 Actual	FY 19/20 Projected	FY20/21 Proposed
TRANSFERS IN	\$ 964	\$ 3,000	\$ 1,470
TRANSFERS OUT	\$ (964)	\$ -	\$ -
TOTAL OTHER FINANCING SOURCES	\$ -	\$ 3,000	\$ 1,470
TOTAL CHANGE IN NET POSITION	\$ (62)	\$ (2,798)	\$ (1)

South County Fire Authority Fund:

The South County Fire Authority (Fund 211) is a joint powers agreement between the City of Tracy and the Tracy Rural Fire District. The South County Fire Authority budgets for six fire stations and fire administration. The costs are shared between the two agencies based upon shared agreements. Costs borne by the City are reflected in the City’s General Fund and costs borne by Tracy Rural are reflected in this Special Revenue fund.

Summary of Proposed Revenues and Expenditures for the South County Fire Authority

REVENUES (in thousands)

	FY 18/19 Actual	FY 19/20 Projected	FY20/21 Proposed
CHARGES FOR SERVICES	\$ 938	\$ 11	\$ -
REVENUES FROM OTHER AGENCIES	\$ 5,509	\$ 6,206	\$ 6,096
OTHER OPERATING REVENUES	\$ 14,167	\$ 14,923	\$ 14,923
TOTAL REVENUES	\$ 20,614	\$ 21,140	\$ 21,019

EXPENDITURES (in thousands)

	FY 18/19 Actual	FY 19/20 Projected	FY20/21 Proposed
GENERAL GOVERNMENT	\$ 2,359	\$ 1,419	\$ 1,386
PUBLIC SAFETY	\$ 18,233	\$ 18,514	\$ 19,536
CAPITAL	\$ -	\$ -	
TOTAL EXPENDITURES	\$ 20,592	\$ 19,933	\$ 20,922

EXCESS REVENUES OVER/(UNDER)
EXPENDITURES

	\$ 22	\$ 1,207	\$ 97
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Other Special Revenue Funds:

The City has multiple other Special Revenue Funds that serve a variety of City services and various Special Assessment Districts.

- COPS Grant Fund 114
- Federal Law Enforcement Grants Fund 115
- Downtown Improvement District Fund 221 - This fund is used to accumulate revenues from business assessments and promotional income from special events to promote Downtown Tracy.
- Asset Forfeiture Fund 231 - This fund is used to account for the revenues that result from asset seizures. They are specifically restricted for law enforcement purposes.
- Transportation Development Fund 241 - This fund is used to account for the City's share of the quarter cent statewide transportation sales tax devoted to street maintenance purposes. The first claim on the tax goes to the Transit Fund and then any balance goes to this fund.
- Gas Tax Funds 245, 246, 247 - These funds are used to account for the City's share of the motor vehicle gas tax imposed under the provisions of the Street and Highway Code of the State of California under Sections 325, 2105, 2106, 2107, and 2107.5, which are legally restricted for the acquisition, construction, improvement and maintenance of public streets. Revenue sources for this fund include the City's share of the State gas tax. The Governor recently signed SB1, the Road Repair and Accountability Act of 2017 that will provide substantial new and more stable funding for state and local streets and roads. In the Governor's 2017-18 budget, a new 12 cent per gallon Gas Tax revenue was approved. This will increase the City's Gas Tax revenues by \$1.8M and are tied directly to street maintenance and repair work. Projects will need to be developed and designed during the budget cycle and will return for appropriation during the regular quarterly budget updates.
- Proposition K Transportation Tax Fund 242 - This fund is used to account for the City's share of the half-cent transportation sales tax for San Joaquin County. It is used for street maintenance and repairs.
- Federal TEA Grant Fund 261 - This fund is used to account for the revenues from federal aid for transportation projects.
- Community Development Block Grant Fund 268 - These funds are used to account for the federal grant monies received from the Housing and Urban Development Department for Community Development Block Grants.
- Landscaping District Fund 271 - This fund is used to account for the revenues collected from benefit assessment districts established to provide landscaping services in certain areas of the City. These districts cover all the newer developments in the City since 1985.
- Community Development Agency Housing Fund 281 - This fund was used to account for the 20% portion of tax increment funds received for redevelopment related purposes, and set aside for low and moderate-income housing. With the disbanding of the Community Development Agency, a CDA Housing Successor Fund 282 was established to receive Fund 281 assets.
- Cable TV Fund 295 – This fund is used to account for the portion of cable television franchise fees allocated to provide a community access cable television channel in the City of Tracy.

CAPITAL IMPROVEMENT FUNDS

Capital Project funds are used to account for the acquisition and development of major capital facilities, other than those financed by proprietary or trust funds. The revenues to fund most capital projects are derived from the General Fund development impact fees, bond proceeds, and/or special revenues. A full description of projects are presented later in the Capital Improvement Chapter.

These funds are as follows:

- General Projects Fund 301 - This fund is used to account for capital projects financed through the transfer of General Fund monies or proceeds for community wide benefit. The City Council outlined a spending plan for \$2 million in Capital Improvement Plan needs at the April 18th council meeting for General Fund Capital (Fund 301). In addition, the list of other special capital projects was provided. Future Measure V discussions will occur over the summer 2017 and will be presented for consideration for First Quarter amendments.
- Infill/ Downtown Development Funds - These funds are used to account for capital projects financed through capital development fees levied upon developers in the City’s infill/ downtown area. There are separate funds as follows:

Fund 311	-	Infill-Parks
Fund 312	-	Infill-Storm Drainage
Fund 313	-	Infill-Arterials
Fund 314	-	Infill-Building & Equipment
Fund 315	-	Infill-Program Management
Fund 316	-	Downtown Improvement
Fund 317	-	Redevelopment Agency Obligations
Fund 318	-	Downtown Projects

- New Areas Development Funds - These funds are used to account for capital projects financed through capital development fees levied upon developers in respective new development areas.
- RSP Development – 1987 Residential Specific Plan (RSP) Any and all funds from 1987 Residential Specific Plan (RSP) were closed at the end of FY 07-08. Now, these funds are used as an economic development fund for the City.
- Plan C Development

Fund 321	-	Plan C Areas-Parks
Fund 322	-	Plan C Areas-Arterials
Fund 323	-	Plan C Areas-Drainage
Fund 324	-	Plan C Areas-General Facilities
Fund 325	-	Plan C Areas-Utilities
- Other Planning Areas:

Fund 351	-	Northeast Industrial Area, Phase 1
Fund 352	-	South MacArthur Planning Area
Fund 353	-	I-205 Development Area
Fund 354	-	Industrial Specific Plan, South
Fund 355	-	Presidio Planning Area
Fund 356	-	Tracy Gateway Area
Fund 357	-	Northeast Industrial Area, Phase 2
Fund 358	-	Ellis Planning Area

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- Tracy Infrastructure Master Plan – For newer development, starting in FY 2014-15, capital development fees are collected under the Tracy Infrastructure Master Plan (TIMP), and they and their projects are accounted for through the following funds.
 - Fund 361 - TIMP -- Parks
 - Fund 362 - TIMP – Storm Drainage
 - Fund 363 - TIMP – Traffic
 - Fund 364 - TIMP – Wastewater
 - Fund 365 - TIMP – Water
 - Fund 366 - TIMP – Public Facilities
 - Fund 367 - TIMP – Public Safety

 - Community Development Agency Project Fund 381 - This fund is used to account for construction projects related to the redevelopment project area. These projects are financed by bond proceeds and loans pledging repayment from tax increment monies. Effective January 31, 2012, redevelopment agencies were disbanded by the State. Agency assets are to be liquidated.
 - Program Management Plan Fund 391 - This fund is used to account for expenditures for the planning, design, and program management required for new development in new areas in a preliminary stage and before an approved financing plan.
 - Capital Improvement Program Deposits Fund 395 - This fund is used to account for monies received from developers, contractors and other entities for the purpose of reimbursing the City for expenditures incurred in studies, research, etc., regarding their proposed development or for construction of facilities that would normally be the owner’s responsibility. For budgeting, it is also used to measure in-kind contributions from developers of constructed facilities.
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INTERNAL SERVICE FUNDS

The City has six Internal Services funds. Internal Service Funds are utilized to account for financing goods, services, and costs within the City organization. These funds typically operate on a cost reimbursement basis and such funds have an integral role in accumulating and managing City resources for fund related activity. The City is currently undertaking a comprehensive look at the cost allocations that support the Internal Services Funds. Staff will return during the FY 2019-20 budget cycle with amendments, as needed, to reflect the results of the study.

Building Maintenance Fund:

The Building Maintenance Fund accounts for maintenance and remodeling of City-owned or leased buildings and facilities including Civic Center Plaza, Community and Parks Facilities, Fire and Police Facilities, the Library and Water and Wastewater Administration Facilities. Costs are fully reimbursed annually by charges to other funds.

Central Garage:

The Central Garage Fund accounts for expenses related to the preparation, maintenance, and repair of mechanical equipment and vehicles for other City departments. Costs are fully reimbursed annually by charges to other funds.

Central Services:

The Central Services Fund accounts for expenses related to the preparation, maintenance, and repair of information technology, computers, and programs for other City departments. Costs are fully reimbursed annually by charges to other funds.

Equipment Replacement Fund:

The Equipment Replacement Fund accounts for the accumulation of resources to replace identified operating equipment within the General Fund departments. Currently, Water and Wastewater fund separate vehicle and equipment replacement funds. Funding for equipment replacement is achieved through charging rates intended to recover the cost of equipment utilized in government operations.

Self-Insurance Fund:

The City is a member of a Joint Powers Insurance Authority that supplies Worker's Compensation and Liability insurance for the City. Costs are fully reimbursed annually by charges to other funds through payroll charges to City departments. Staff is recommending the use of reserves created from prior year refunds.

Vehicle Replacement Fund:

The Vehicle Replacement Fund accounts for the City's vehicle fleet. Funding for vehicle replacement is achieved through charge rates intended to recover the cost of the replacement vehicles utilized in governmental operations including Fire trucks, Police patrol vehicles, and Parks maintenance vehicles. Currently, Water and Wastewater fund separate vehicle and equipment replacement funds.

Summary of Proposed Revenues and Expenditures for the Internal Service Funds

REVENUES (in thousands)

	FY 18/19 Actual	FY 19/20 Projected	FY20/21 Proposed
SALES AND CHARGES FOR SERVICES	\$ 2,452	\$ 12,640	\$ 14,373
OTHER OPERATING REVENUES	\$ 330	\$ 418	\$ 416
INTEREST INCOME	\$ 251	\$ (95)	\$ -
CAPITAL CONTRUBUTIONS AND GRANTS	\$ 700	\$ -	\$ -
TOTAL REVENUES	\$ 3,733	\$ 12,963	\$ 14,789

EXPENDITURES (in thousands)

	FY 18/19 Actual	FY 19/20 Projected	FY20/21 Proposed
ADMINISTRATION	\$ 164	\$ 202	\$ 202
GENERAL GOVERNMENT	\$ 1,941	\$ 3,200	\$ 2,612
MAINTENANCE AND OPERATIONS	\$ 9,250	\$ 11,951	\$ 12,688
TOTAL EXPENDITURES	\$ 1,355	\$ 15,353	\$ 15,502

EXCESS REVENUES OVER/(UNDER) EXPENDITURES	\$ 2,378	\$ (2,390)	\$ (713)
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	FY 18/19 Actual	FY 19/20 Projected	FY20/21 Proposed
OTHER FINANCING SOURNCES (in thousands)			
TRANSFERS IN	\$ -	\$ -	\$ -
GAIN/(LOSS) ON DISPOSAL OF CAPITAL ASSETS	\$ 252	\$ 159	\$ 69
TOTAL OTHER FINANCING SOURCES	\$ 252	\$ 159	\$ 69

TOTAL CHANGE IN NET POSITION	\$ 2,630	\$ (2,231)	\$ (644)
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ENTERPRISE FUNDS

Airport Fund:

This fund accounts for the operation of the Tracy Airport. Primary revenue sources for this fund include hangar rental fees, office space leases, fees for tie downs, landing fees, a passenger facility charge, ultralight vehicle fees, and taxes levied on the owners of aircraft housed in Tracy. The Airport fund also receives FAA grants for capital improvements. Currently, Charges for Services (Airport Fees) are not sufficient to cover operations. Staff is researching potential revenue options, in addition, Federal Grants have repaired areas of the airport that were perceivably underutilized, potentially increasing activity at the airport.

Summary of Proposed Revenues and Expenditures for the Airport Funds

REVENUES (in thousands)

	FY 18/19 Actual	FY 19/20 Projected	FY20/21 Proposed
SALES AND CHARGES FOR SERVICE	\$ 658	\$ 474	\$ 636
INTEREST INCOME	\$ -	\$ 12	\$ 9
OPERATING GRANTS	\$ 335	\$ 20	\$ 20
OTHER REVENUES	\$ 24	\$ -	\$ -
CAPITAL CONTRIBUTIONS AND GRANTS	\$ 732	\$ 2,096	\$ -
TOTAL REVENUES	\$ 1,749	\$ 2,602	\$ 665

EXPENDITURES (in thousands)

	FY 18/19 Actual	FY 19/20 Projected	FY20/21 Proposed
ADMINISTRATION	\$ 31	\$ 40	\$ 40
MAINTENANCE AND OPERATIONS	\$ 783	\$ 2,860	\$ 846
TOTAL EXPENDITURES	\$ 814	\$ 2,900	\$ 886

EXCESS REVENUES OVER/(UNDER) EXPENDITURES

	\$ 935	\$ (298)	\$ (221)
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OTHER FINANCING SOURCES (in thousands)

	FY 18/19 Actual	FY 19/20 Projected	FY20/21 Proposed
TRANSFERS IN	\$ 150	\$ 156	\$ 155
TRANSFERS OUT	\$ -	\$ -	\$ -
	\$ 2	\$ 6	\$ -
GAIN/(LOSS) ON DISPOSAL OF CAPITAL ASSETS	2	\$ 6	\$ -
TOTAL OTHER FINANCING SOURCES	\$ 152	\$ 162	\$ 155
TOTAL CHANGE IN NET POSITION	\$ 1,087	\$ (136)	\$ (66)

Transit:

These funds account for the operation of the City's transit system, including fixed-route buses, dial-a-ride, and the downtown transit station. Principal revenue sources in this fund include a portion of the State's 0.25% sales tax for transportation (Local Transportation Fund), Federal funds, transit-related grants, and rider fares. Two additional positions are proposed for the Transit fund, Maintenance Worker II and Project Manager. There are sufficient revenues to support this request.

Summary of Proposed Revenues and Expenditures for the Transit Funds

REVENUES (in thousands)

	FY 18/19 Actual	FY 19/20 Projected	FY20/21 Proposed
SALES AND CHARGES FOR SERVICE	\$ 116	\$ 98	\$ 122
INTEREST INCOME	\$ 78	\$ 20	\$ 46
OPERATING GRANTS	\$ 3,823	\$ 5,546	\$ -
CAPITAL CONTRIBUTIONS AND GRANTS	\$ (26)	\$ 26	\$ 5,388
TOTAL REVENUES	\$ 3,991	\$ 5,690	\$ 5,556

EXPENDITURES (in thousands)

	FY 18/19 Actual	FY 19/20 Projected	FY20/21 Proposed
ADMINISTRATION	\$ 83	\$ 93	\$ 93
MAINTENANCE AND OPERATIONS	\$ 4,011	\$ 4,630	\$ 5,670
TOTAL EXPENDITURES	\$ 4,094	\$ 4,723	\$ 5,763

EXCESS REVENUES OVER/(UNDER) EXPENDITURES	\$ (103)	\$ 967	\$ (207)
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OTHER FINANCING SOURCES (in thousands)

	FY 18/19 Actual	FY 19/20 Projected	FY20/21 Proposed
GAIN/(LOSS) ON DISPOSAL OF CAPITAL ASSETS	\$ -	\$ 2	\$ -
TOTAL OTHER FINANCING SOURCES	\$ -	\$ 2	\$ -

TOTAL CHANGE IN NET POSITION	\$ (103)	\$ 969	\$ (207)
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Water:

This fund accounts for the City's water utility. All expenses relating to the provision of purchasing, treating, and providing water services are charged to this fund, which is financed with customer utility rate payments and connection fees. This fund also accounts for debt issued on behalf of the water utility and for the repayment of such debt. Revenues in the water fund vary based on metered water usage by customers. The statewide drought that began in 2013 led to water rationing and other conservation measures across California. As a result, less water was consumed and revenues declined. In response, the utility has only responded to urgent repairs and maintenance costs.

Following the last water rate update in 2008, a Water Rate Study was prepared in 2017 by HDR, a firm specializing in water rate and revenue analysis. The study identified the need for a rate increase at that time. The study included a five-year projection of revenue with two proposed rate increases of approximately 25% each. Prior to this rate study, the water rates had not been increased for more than 10 years, while inflationary costs and maintenance demands continued to rise. Staff recommended Council approve the first increase in water rates for FY 2017-2018 and bring back the second proposed increase for consideration in FY 2019-20. On November 21, 2017, City Council adopted the first rate increase. Although the first rate increase was 25%, financial reports indicate that water revenues only increased by 10% in FY 2018-2019.

The Water Fund has projected revenues of \$18.3 million in Fiscal Year 2020-21. The Fund has anticipated expenses of \$18.8 million in Fiscal Year 2020-21. The Utilities department has deferred several key capital projects in order to minimize the impacts of the lower revenues on the Water fund. The difference in revenues and expenses are due to one-time Capital improvements to the water system.

Revenue collection continues to fall short of the ongoing operation, capital needs and debt service expenditures required to operate the water utility. Staff will be evaluating and recommending deferred maintenance as well as considering future rate increases to right size this fund.

Summary of Proposed Revenues and Expenditures for the Water Funds

REVENUES (in thousands)

	FY 18/19 Actual	FY 19/20 Projected	FY20/21 Proposed
SALES AND CHARGES FOR SERVICE	\$ 20,307	\$ 17,965	\$ 18,341
INTEREST INCOME	\$ 118	\$ 5	\$ 27
OTHER OPERATING REVENUES	\$ 38	\$ (1)	\$ -
TOTAL REVENUES	\$ 20,463	\$ 17,969	\$ 18,368

EXPENDITURES (in thousands)

	FY 18/19 Actual	FY 19/20 Projected	FY20/21 Proposed
ADMINISTRATION	\$ 1,203	\$ 1,350	\$ 1,390
GENERAL GOVERNMENT	\$ 4,517	\$ 2,341	\$ 3,311
MAINTENANCE AND OPERATIONS	\$ 9,701	\$ 15,071	\$ 14,136
TOTAL EXPENDITURES	\$ 15,421	\$ 18,762	\$ 18,837

EXCESS REVENUES OVER/(UNDER) EXPENDITURES \$ 5,042 \$ (793) \$ (469)

OTHER FINANCING SOURCES (in thousands)

	FY 18/19 Actual	FY 19/20 Projected	FY20/21 Proposed
TRANSFERS IN	\$ 62	\$ -	\$ -
GAIN/LOSS ON DISPOSAL OF CAPITAL ASSETS	\$ 14	\$ 8	\$ -
TOTAL OTHER FINANCING SOURCES	\$ 76	\$ 8	\$ -
TOTAL CHANGE IN NET POSITION	\$ 5,118	\$ (785)	\$ (469)

Wastewater:

This fund accounts for the City's wastewater utility. All expenses relating to the provision of sewer services are charged to this fund, which is financed with customer utility rate payments and connection fees. This fund also accounts for debt issued on behalf of the sewer utility and for the repayment of such debt. The Sewer Fund revenues are projected to be flat as all prior rate increases have been adopted. A rate study will occur during the next budget cycle to maintain proper funding for operations, capital improvement and maintenance, and for debt.

The Wastewater Fund has projected revenues of \$14.9 million in Fiscal Year 2020-21. The Fund has anticipated expenses of \$15.7 million in Fiscal Year 2020-21. The change in revenues and expenses are due to one-time Capital improvements in the Wastewater Treatment Plant for the Outfall and Recycled Water project. These projects will utilize reserves and grant funding to complete. At the completion of these projects in FY 2021-22, the Wastewater Reserves will be just above the 20% reserve level. In addition, the Wastewater Treatment Plant is currently in design for a major expansion needed within the next five years, estimated over \$45 million. In addition to developer impact fees, some bond financing will be required to complete the project. A rate study began in FY 2019-20 to develop a revenue source to support both ongoing operations and debt financing to support these improvements.

Summary of Proposed Revenues and Expenditures for the Wastewater Funds

REVENUES (in thousands)

	FY 18/19 Actual	FY 19/20 Projected	FY20/21 Proposed
SALES AND CHARGES FOR SERVICE	\$ 14,515	\$ 15,871	\$ 14,548
FINES AND FORFEITURES	\$ 271	\$ 156	\$ 288
INTEREST INCOME	\$ 953	\$ 86	\$ 76
OTHER OPERATING REVENUES	\$ 4	\$ 1	\$ 5
CAPITAL CONTRIBUTIONS AND GRANTS	\$ 12,716	\$ 3,339	\$ -
TOTAL REVENUES	\$ 28,459	\$ 19,453	\$ 14,917

EXPENDITURES (in thousands)

	FY 18/19 Actual	FY 19/20 Projected	FY20/21 Proposed
ADMINISTRATION	\$ 1,292	\$ 1,554	\$ 1,554
GENERAL GOVERNMENT	\$ 15,381	\$ 46,380	\$ 1,799
MAINTENANCE AND OPERATIONS	\$ 3,042	\$ 10,683	\$ 12,431
TOTAL EXPENDITURES	\$ 19,715	\$ 58,617	\$ 15,784
EXCESS REVENUES OVER/(UNDER) EXPENDITURES	\$ 8,744	\$ (39,164)	\$ (867)

OTHER FINANCING SOURCES (in thousands)

	FY 18/19 Actual	FY 19/20 Projected	FY20/21 Proposed
TRANSFERS IN	\$ 9,627	\$ 5,202	\$ 2,000
GAIN/LOSS ON DISPOSAL OF CAPITAL ASSETS	\$ 15	\$ 4	\$ -
TOTAL OTHER FINANCING SOURCES	\$ 9,642	\$ 5,206	\$ 2,000
TOTAL CHANGE IN NET POSITION	\$ 18,386	\$ (33,958)	\$ 1,133

Storm Drain Fund:

This fund accounts for the City's maintenance and operations of City storm drains. All expenses relating to the provision of these services are charged to this fund, which is financed with customer utility rate payments and connection fees.

Summary of Proposed Revenues and Expenditures for the Storm Drain Funds

REVENUES (in thousands)

	FY 18/19 Actual	FY 19/20 Projected	FY20/21 Proposed
SALES AND CHARGES FOR SERVICE	\$ 672	\$ 706	\$ 706
FINES AND FORFEITURES	\$ 14	\$ 12	\$ 12
INTEREST INCOME	\$ 12	\$ -	\$ -
OTHER OPERATING REVENUES	\$ -	\$ 5	\$ -
CAPITAL CONTRIBUTIONS AND GRANTS	\$ 823	\$ -	\$ -
TOTAL REVENUES	\$ 1,521	\$ 723	\$ 718

EXPENDITURES (in thousands)

	FY 18/19 Actual	FY 19/20 Projected	FY20/21 Proposed
ADMINISTRATION	\$ 45	\$ 43	\$ 43
MAINTENANCE AND OPERATIONS	\$ 854	\$ 923	\$ 662
TOTAL EXPENDITURES	\$ 899	\$ 966	\$ 705
TOTAL CHANGE IN NET POSITION	\$ 622	\$ (243)	\$ 13

Solid Waste Fund:

This fund provides for the collection of fees related to solid waste disposal. The City contracts its services to Tracy Disposal. All expenses relating to the provision of these services are charged to this fund, which is financed with customer utility rate payments and connection fees. A rate fee study began in FY 2019-20 and will return for consideration to the City Council in FY 2020-21.

Summary of Proposed Revenues and Expenditures for the Solid Waste Funds

REVENUES (in thousands)

	FY 18/19 Actual	FY 19/20 Projected	FY20/21 Proposed
SALES AND CHARGES FOR SERVICE	\$ 21,109	\$ 19,751	\$ 21,123
FINES AND FORFEITURES	\$ 441	\$ 555	\$ 535
INTEREST INCOME	\$ 415	\$ 69	\$ 70
OTHER OPERATING REVENUES	\$ 4	\$ 1	\$ 3
CAPITAL CONTRIBUTIONS AND GRANTS	\$ -	\$ -	\$ -
TOTAL REVENUES	\$ 21,969	\$ 20,376	\$ 21,731

EXPENDITURES (in thousands)

	FY 18/19 Actual	FY 19/20 Projected	FY20/21 Proposed
ADMINISTRATION	\$ 41	\$ 39	\$ 39
MAINTENANCE AND OPERATIONS	\$ 22,247	\$ 23,035	\$ 24,223
TOTAL EXPENDITURES	\$ 22,288	\$ 23,074	\$ 24,262
TOTAL CHANGE IN NET POSITION	\$ (319)	\$ (2,698)	\$ (2,531)

APPROVED STAFFING LEVELS

Department:	Elected/ Appointed	FY 18/19 FTE Actuals	FY19/20 FTE Amended	FY20/21 Proposed
(All)				
Accountant		2	2	2
Accounting Asst		5	5	5
Accounting Manager				1
Accounting Coordinator		1	1	1
Accounting Technician		4	4	4
Admin Asst II		16	17	17
Admin Asst III		3	3	3
Administrative Technician		2	2	2
Airport Manager		1	1	1
Animal Serv Aide		2	2	2
Animal Serv Officer I		1	1	1
Animal Serv Officer II		3	3	3
Animal Serv Sup		1	1	1
Assistant Civil Engineer				1
Assistant City Attorney		1	1	1
Assistant Planner		2	2	1
Associate Civil Engineer		7	7	6
Associate Planner		1	1	1
Asst City Manager		2	2	2
Asst Director		1	1	1
Bldg Maintenance Asst		1	1	1
Bldg Maintenance Worker		4	4	4
Bldg Permit Technician		4	4	4
Box Office Assistant		1	1	1
Box Office Coordinator		2	2	2
Budget Officer		1	1	1
Building & Fire Inspector I		2	2	2
Building & Fire Inspector II		5	5	5
Building Inspector II		1	1	1
Building Official		1	1	1
City Attorney		1	1	1
City Clerk		1	1	1
City Engineer/Asst DES Director		1	1	1
City Manager		1	1	1
City Treasurer	1			

Department: (All)	Elected/ Appointed	FY 18/19 FTE Actuals	FY19/20 FTE Amended	FY20/21 Proposed
Code Compliance Analyst		1	1	1
Code Enforcement Officer		3	3	3
Comm Preservation Mgr		1	1	1
Comm Unit Supervisor		1	1	1
Community Services Officer		4	4	4
Construction Inspector		4	4	4
Council Member	4			
Crime Analyst		1	1	1
Crime Prevention Specialist		2	2	2
Crime Scene Technician		4	4	4
Crime Scene/Prop Unit Super		1	1	1
Cul Arts Commissioner	7			
Cul Arts Mgr-Visual Arts		1	1	1
Deputy City Attorney		1	1	1
Deputy City Clerk		1	1	1
Division Manager II		1	1	1
Econ Development Analyst		2	2	2
Econ Development Manager		1	1	1
Electrician		1	1	1
EMS Manager		1	1	1
Engineering Prgm Mgr		1	1	1
Engineering Technician		3	3	3
Envir Compliance Officer		1	1	1
Envir Compliance Tech		2	2	2
Equipment Mechanic II		3	3	3
Exec Asst to City Mgr		1	1	1
Executive Asst		3	3	3
Executive Asst		7	7	7
Facilities Maint Supt		1	1	1
Finance Director		1	1	1
Finance Division Mgr		1	1	
Fire Batt Chief		3	3	3
Fire Captain		22	22	22
Fire Chief		1	1	1

Department: (All)	Elected/ Appointed	FY 18/19 FTE Actuals	FY19/20 FTE Amended	FY20/21 Proposed
Fire Div Chief		2	2	2
Fire Engineer		21	21	21
Fire Inspector		3	3	3
Fire Marshall		1	1	1
Firefighter/ FF Paramedic		24	24	24
Fleet Supervisor		1	1	1
GIS Technician		1	1	1
HR Director		1	1	1
HR Division Manager II		1	1	1
Human Resources Analyst II		3	3	3
Human Resources Technician		3	3	3
Inform Systems Tech I		1	1	1
Inform Systems Tech II		2	2	2
Inform Tech Mgr		1	1	1
Inform Technology Spec		1	1	1
Instrumentation Tech		2	2	2
Junior Civil Engineer		2	2	2
Laboratory Supervisor		1	1	1
Laboratory Technician		4	4	4
Landscape Architect		1	1	1
Landscape Inspector		1	1	1
Lead Public Safety Dispatcher		4	4	4
Legal Secretary		1	1	1
Maintenance Worker I/II		6	6	6
Maintenance Worker II		49	49	49
Management Analyst I		1	1	1
Management Analyst II		7	7	7
Mayor	1			
Measure V Committee	5			
Media Services Supervisor		1	1	1
Meter Reader		3	3	3
P&R Commissioner	7			
Parks Director		1	1	1
Parks Planning Manager		1	1	1
Payroll Coordinator		1	1	1
Plan Check Engineer		1	1	1
Planning Commissioner	5			

Department:	Elected/ Appointed	FY 18/19 FTE Actuals	FY19/20 FTE Amended	FY20/21 Proposed
(All)				
Planning Technician		1	1	1
Plans Check Examiner		5	5	5
Plant Mechanic I		1	1	1
Plant Mechanic II		6	6	6
Police Captain		2	2	2
Police Chief		1	1	1
Police Corporal		12	12	12
Police Lieutenant		6	6	6
Police Officer		61	63	66
Police Records Asst I		5	5	5
Police Records Asst II		2	2	2
Police Sergeant		11	12	12
Police Support Oper Mgr		1	1	1
Police Support Serv Tech		1	1	1
Principal Civil Engineer		1	1	
Project Manager		1	1	1
Property and Evidence Technician		1	1	1
Pub Works Director		1	1	1
Pub Works M&O Supt		3	3	3
Pub Works Supv		2	2	2
Public Information Officer		1	1	1
Public Safety Dispatcher I		3	3	3
Public Safety Dispatcher II		9	9	9
Receptionist		1	1	1
Records Unit Supervisor		1	1	1
Recreation Prgm Coord I		5	5	5
Recreation Services Program Manager				1
Recreation Supervisor		2	2	2
Senior Accountant		2	2	2
Senior Accounting Asst		4	4	4
Senior Civil Engineer		6	6	6
Senior Electrician		3	3	3
Senior Equipment Mechanic		1	1	1
Senior Maintenance Worker		17	17	17
Senior Planner		3	3	3
Sr Bldg Maintenance Worker		1	1	1

Sr Inform Systems Tech		2	2	2
Supervising Bldg & Fire Inspector		1	1	1
Supervising Constr Inspector		1	1	1
Tech Theatre Supervisor		1	1	1
Theatre Oper & Tech Asst		1	1	1
Transportation Commissioner	9			
Treatment Plant Maintenance Supv		1	1	1
UPO or Sr Wtr Plant Oper		8	8	8
UPO or Sr WWtr Plant Oper		9	9	9
Utilities Director		1	1	1
Utilities Lines Maint Supt		1	1	1
Utl Lab Qual Assur Officer		1	1	1
Water Plant Supt		1	1	1
WW Oper Supt		1	1	1
Grand Total	39	527	531	533



Debt Service - Draft



DEBT SERVICE

Debt service obligations of the City and budgeted amounts required to meet these obligations are presented in this section. These obligations involve long-term debt, which was used to build capital facilities or to acquire equipment that the City is now using.

General Government:

- A. On October 25, 2007, the City issued \$2,690,000 of 2007 Lease Revenue Bonds Series A. The proceeds of the bonds were used to finance the acquisition and construction of Fire Station 97 and to pay costs of issuance including an insurance premium to acquire a reserve fund surety bond. The bonds are secured by a lien on the revenues consisting mainly of rental payments made by the City under a property lease for Fire Station 91 dated October 1, 2007. The bonds bear interest ranging from 4.375% to 4.5%. Principal is payable annually beginning March 1, 2025. Interest is payable semi-annually every March 1 and September 1. Final maturity of the bonds is March 1, 2037.
- B. On October 25, 2007, the City issued \$1,980,000 of 2007 Lease Revenue Bonds Series B. The proceeds of the bonds were used to prepay the outstanding 1995 Refunding Certificates of Participation and to pay costs of issuance including an insurance premium to acquire a reserve fund surety bond. The proceeds from the bonds along with a reserve fund from the 1995 Certificates were used to immediately call the 1995 bonds. The 2007B bonds are secured by a lien on the revenues consisting mainly of rental payments made by the City under a property lease for Fire Station 91 dated October 1, 2007. The bonds bear interest rate ranging from 4% to 4.25%. Interest is payable semi-annually on March 1 and September 1. Principal is payable annually beginning on March 1, 2008. Final maturity of the bonds is March 1, 2025.
- C. On December 16, 2008, the City, under the Tracy Operating Partnership (TOP) issued \$19,765,000 of 2008 Lease Revenue Bonds. The proceeds of the bonds were used for acquisition and construction of projects, prepay the outstanding principal balance (\$9,835,000) of the 1998 Certificates of Participation, and pay costs of issuance. Interest payments on the bonds are due semi-annually each April 1 and October 1 at rates varying between 3% and 6.375%. Principal is due annually each October 1 through 2038. The TOP has pledged revenue pursuant to a site and facility lease between the City and the JPA for the Police Department Headquarters and the Fire Administration Building. The lease rental payments are due semi-annually and are in an amount sufficient to make payments on the bonds. Upon issuance of the bonds, \$10,135,356 (which includes \$865,475 cash available from the 1998 Certificates) was deposited to prepay in full the 1998 Certificates on December 16, 2008, which included a call premium in the amount of \$196,700. The net proceeds of \$9,300,548 were deposited in the City (\$7,174,242) and the former Community Development Agency (\$2,126,306).

Enterprise Funds:

- A. The City issued Wastewater Certificates of Participation (COPs) in April 2004 to fund the upgrade of the City's wastewater treatment plant. The Wastewater COPs are special obligations of the City and are payable solely from and secured by a pledge of net revenues of the Wastewater



Utility System. Principal payments commence on December 1, 2007, and are payable annually on December 1 through 2036. Interest payments commence on December 1, 2004, and are payable semi-annually on December 1 and June 1, thereafter.

For fiscal year 2018 net revenues amounted to \$2,729,440 which represented coverage of 151 % over the \$1,806,765 of debt service. The pledge of net revenues ends upon repayment of the City's repayment of the remaining balance of \$37,893,148 which is scheduled to occur in 2037.

- B. In 2006, the City entered into a loan agreement with the State of California Department of Public Health in the amount of \$20,000,000 for assistance in the construction of its new Water Treatment Plant. The proceeds from the loan were drawn down by the City as needed for construction. The loan is a fully amortized loan over 20 years at an annual interest rate of 2.34%. The City is obligated to make semiannual payments of principal and interest in the amount of \$628,960 beginning July 1, 2008 with a final maturity date of January 1, 2028.

Special Assessment Districts:

Special Assessment Districts in various parts of the City have issued debt to finance infrastructure improvements and facilities within their boundaries. The City is the collecting and paying agent for the debt issued by these Districts, but has no direct or contingent liability or moral obligation for the payment of this debt. Therefore, this debt is not included as debt of the City.

Interfund Loans:

The City has balances that represent loan activity between funds that is non-current. Interfund balances are expected to be repaid when sufficient cash is available in the borrowing funds.

- A. Water Utility advance from the Wastewater Utility Enterprise Fund in November 2016 to fund operating expenses, capital costs for maintenance and replacement of existing water infrastructure, debt payments and to maintain an adequate reserve for any emergency to continue providing uninterrupted service. The advance bears the interest at the Local Agency Investment Fund (LAIF) rate and was to be repaid in two years. The advance was amended in October 2017 to extend the repayment two additional years to fiscal year 2021.



**City of Tracy
Cashflow for Debt Payments
FY 2020-21**

Name	Debt	Fiscal Year 2020-2021														
		7/1/2020	8/1/2020	9/1/2020	10/1/2020	11/1/2020	12/1/2020	1/1/2021	2/1/2021	3/1/2021	4/1/2021	5/1/2021	6/1/2021	Total		
TOPJPA 2020 Lease Revenue Refunding Bond	Revenue bonds	-	-	-	-	916,025	-	-	-	-	-	-	-	-	-	1,268,725
2004 Wastewater Treatment Plant Project	COP	-	-	-	-	-	-	-	-	1,391,815	-	-	-	-	-	1,889,818
State Water Loan (2005)	Loan	628,960	-	-	-	-	-	-	-	-	628,960	-	-	-	-	1,257,920
CFD 2006-01 NE Industrial # 2	Special tax bonds	-	-	411,950	-	-	-	-	-	-	-	-	-	-	-	604,600
CFD 93-1 Tracy Mkt Place (2002)	CFD	-	-	95,508	-	-	-	-	-	-	-	-	-	-	-	144,643
TOPJPA 2005 Series A	Revenue bonds	-	4,841,194	-	-	-	-	-	-	-	-	-	-	-	-	5,551,431
TOPJPA 2005 Series B	Revenue bonds	-	31,922	-	-	-	-	-	-	-	-	-	-	-	-	63,844
TOPJPA Revenue Bonds 2005 Series C	Revenue bonds	-	-	831,431	-	-	-	-	-	-	-	-	-	-	-	1,055,219
Assessment District No. 2003-01 Berg Ave	A.D.	-	-	57,897	-	-	-	-	-	-	-	-	-	-	-	69,689
TOPJPA 2011 Series A	Revenue bonds	-	-	1,121,822	-	-	-	-	-	-	-	-	-	-	-	1,293,300
CFD 93-1 Tracy Mkt Place	CFD	-	-	22,680	-	-	-	-	-	-	-	-	-	-	-	45,360
TPFA Revenue bonds 2014	Revenue bonds	-	-	973,750	-	-	-	-	-	-	-	-	-	-	-	973,750
TPFA Revenue bonds 2014	Revenue bonds	-	-	586,113	-	-	-	-	-	-	-	-	-	-	-	639,225
TPFA Revenue bonds 2015	Revenue bonds	-	-	666,125	-	-	-	-	-	-	-	-	-	-	-	686,500
Tracy Successor Agency 2016 Tax Allocation	Refunding bonds	-	2,185,150	-	-	-	-	-	-	-	-	-	-	-	-	2,822,550
CFD 2016-1 Tracy Hills Series 2018	Special tax bonds	-	-	909,525	-	-	-	-	-	-	-	-	-	-	-	1,717,050
CFD 2016-1 Tracy Hills Series 2019	Special tax bonds	-	-	398,500	-	-	-	-	-	-	-	-	-	-	-	761,475
CFD 2016-2 Ellis Series 2019	Special tax bonds	-	-	577,675	-	-	-	-	-	-	-	-	-	-	-	947,275



CAPITAL IMPROVEMENT PLAN - DRAFT



CIP Overview:

The Capital Improvement Program (CIP) is the City’s comprehensive multi-year plan for the development of the City’s capital facilities and improvements. The plan identifies all the capital maintenance, facilities, and improvements needed within the next fiscal year. The projects to accomplish or develop usually involve high costs, take a year or more to complete and result in the creation of a capital asset.

The project costs identified for the first two years of the Capital Improvement Program plan make up the adopted Capital Budget for Fiscal Years 2020-21.

CIP Format:

The format for the CIP emphasizes the functional grouping of CIP projects. All CIP projects of a similar type are listed together regardless of their funding sources. The format also shows the projects over their respective project lives. Thus, the long-term history and projection of expenditures can be viewed for each project and considered in relation to similar projects.

Functional Groups

Under the format, CIP projects are grouped into eight functional groups as follows:

- Group 71: General Government and Public Safety Facilities
- Group 72: Traffic Safety
- Group 73: Streets & Highways
- Group 74: Wastewater Improvements
- Group 75: Water Improvements
- Group 76: Drainage Improvements
- Group 77: Airport and Transit Improvements
- Group 78: Parks & Recreation Improvements

CIP Project Numbering

CIP Projects are numbered in the following manner “7xyy”. The “7x” component designates the respective project group, for example, 71000. A “yy” designates an active project or one proposed to become a new capital project.

Capital Budget Carryovers

Outstanding encumbrances and unexpended appropriations for uncompleted capital projects from the prior fiscal year’s capital budget are eligible to be carried over at the end of the fiscal year. The capital budget figures for the Fiscal Year 2020-21 reflect new appropriations and carryovers.



Completed Projects

The beginning of the section includes all of the completed projects for the last 5 years starting with FY2019-20. Each years projects are listed separately for each fiscal year and include a map indicating the project location(s).

Summary by Funding Sources

The first schedule shows the totals for all current projects by funding source for Carryovers and new appropriations for FY2020-21.

The second schedule shows all the new projects proposed by funding source for new appropriations for FY2020-21.

Summary by Functional Groups

The beginning of each functional group starts with a map for all current projects, followed by a summary of funding. The CIP budget proposed is comprised of current, active un-funded, and proposed funded/un-funded projects. Current projects are those that have not yet been completed and were funded in prior fiscal years. Active un-funded projects are those that were approved projects, but were un-funded for higher priorities and should funding become available during the fiscal year be brought back to council for appropriations. The proposed funded projects have funding identified, where the proposed un-funded are similar to the active un-funded.

The project detail sheets include a description, the project manager, customers served, a brief justification, projected beginning and end dates, as well as the estimated project cost.

Capital Budget

The Council's budget review included consideration of the proposed capital budget. Any modifications to the proposed capital budget resulting from City Council deliberations have been incorporated into the proposed Capital budget, which will provide authorization for City staff to start work upon the approved capital projects.

RESOLUTION 2020-_____

ESTABLISHING THE COUNCIL AD HOC FISCAL SUSTAINABILITY COMMITTEE

WHEREAS, The City Council may establish advisory committees to address an explicit purpose or need, and

WHEREAS, Advisory committees that are of limited duration (typically no more than a year), and are comprised of less than three members are known as “ad hoc” committees and are not subject to the Ralph G. Brown Act’s requirements, and

WHEREAS, Council desires to establish an Ad Hoc Fiscal Sustainability Subcommittee, effective July 1, 2020 through December 31, 2020, and

WHEREAS, At the April 7, 2020 Council Meeting two Council members (Council Member Arriola and Council Member Vargas) were appointed to the ad hoc committee, and

WHEREAS, The scope of the Council Ad Hoc Committee is to provide policy guidance as it relates to the development of a multi-year fiscal sustainability plan to address the City’s structural deficit and impacts associated with COVID-19, and

WHEREAS, Approaches may include, but are not limited to budget strategies and fiscal policies, related revenue enhancement, cost containment, and use of other revenue sources such as Measure V and/or General Fund Reserves, keeping in mind planned recreational amenities, and

WHEREAS, Budget approaches that would require good faith bargaining with labor groups would not be discussed as part of the fiscal sustainability planning process, and

WHEREAS, Quarterly updates to the City Council will be scheduled on the regular agenda to inform Council members and the public of the Ad Hoc Committee’s discussions and recommendations regarding the multi-year fiscal sustainability plan, and

WHEREAS, The multi-year fiscal sustainability plan will be presented to Council by the Finance Director for their review and approval;

NOW, THEREFORE, BE IT RESOLVED, That the City Council of the City of Tracy hereby establishes the Ad Hoc Fiscal Sustainability Committee, to provide policy guidance as it relates to the development of multi-year fiscal sustainability.

The Tracy City Council adopted the foregoing Resolution 2020-____ on the 19th day of May, 2020, by the following votes:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

MAYOR

ATTEST:

CITY CLERK