

**CITY OF SANTA BARBARA
CITY COUNCIL**

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City Hall
735 Anacapa Street
<http://www.SantaBarbaraCA.gov>

**MONDAY, JUNE 5, 2023, 2:30 PM
SPECIAL COUNCIL MEETING AGENDA
COUNCIL CHAMBERS, CITY HALL, 735 ANACAPA STREET**

IN-PERSON PUBLIC COMMENT: Any person wishing to address the City Council should first complete and deliver a "Request to Speak" form prior to the time that public comment is taken up by the City Council. Each speaker will be given a total of 3 minutes to address the Council. The City Council, upon majority vote, may decline to hear a speaker on the grounds that the subject matter is beyond their jurisdiction.

WRITTEN PUBLIC COMMENT: Public comments may also be submitted via email to Clerk@SantaBarbaraCA.gov prior to the beginning of the Council Meeting. All public comments submitted via email will be provided to City Council and will become part of the public record.

PUBLIC COMMENT LIMITED TO SPECIAL MEETING TOPICS: Public comment on matters not listed on the agenda will not occur at the beginning of the meeting because this is a special meeting.

REPORTS: Copies of the reports relating to agenda items are available for review at <http://www.SantaBarbaraCA.gov/CAP>. In accordance with state law requirements, this agenda generally contains only a brief general description of each item of business to be transacted or discussed at the meeting. Should you wish more detailed information regarding any particular agenda item, you are encouraged to obtain a copy of the Council Agenda Report (a "CAR") online at the City's website (<http://www.SantaBarbaraCA.gov/CAP>). Materials related to an item on this agenda submitted to the City Council after distribution of the agenda packet are posted to the City's website as soon as reasonably feasible.

SPANISH INTERPRETATION: If you need interpretation of your communications to Council from Spanish into English, please contact the City Clerk's Office at 564-5309 or by email at Clerk@SantaBarbaraCA.gov. If possible, notification of at least 48 hours will usually enable the City to make arrangements.

INTERPRETACIÓN EN ESPAÑOL: Si necesita una interpretación del español al inglés, para sus comunicaciones al Consejo, comuníquese con la Oficina del Secretario Municipal al 564-5309, o por correo electrónico a Clerk@SantaBarbaraCA.gov. Si es posible, la notificación de al menos 48 horas generalmente permitirá a la Ciudad hacer los arreglos.

AMERICANS WITH DISABILITIES ACT: If you need auxiliary aids or services or staff assistance to attend or participate in this meeting, please contact the City Administrator's Office at 564-5305 or by email at Clerk@SantaBarbaraCA.gov. If possible, notification at least 48 hours prior to the meeting will usually enable the City to make reasonable arrangements. For those who need accessibility accommodation in using the "raise hand" function and/or registering to participate in the Zoom session, please contact the Clerk's office by 5:00 p.m. the day before the meeting for assistance. Additionally, a speaker may email Clerk@SantaBarbaraCA.gov by 5:00 p.m. the day before a meeting, stating which item they wish to speak on. Specialized services, such as sign language interpretation or documents in Braille, may require additional lead time to arrange.

**MONDAY, JUNE 5, 2023, 2:30 PM
SPECIAL COUNCIL MEETING AGENDA**

PLEDGE OF ALLEGIANCE

ROLL CALL

PUBLIC HEARINGS

- . **Subject: Fiscal Year 2024 Recommended Operating and Capital Budget (230.05)**

Recommendation: That Council:

A. Hear a presentation from staff regarding the General Fund multi-year financial forecast; and

B. Provide direction to staff regarding alternative recommendations based on Council's review of the City Administrator's Recommended Budget for Fiscal Year 2024 and 2025 over the last several weeks.

PUBLIC COMMENT FOR ITEMS LISTED ON THE AGENDA

ADJOURNMENT



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: June 5, 2023

TO: Mayor and Councilmembers

FROM: Administration Division, Finance Department

SUBJECT: Fiscal Year 2024 Recommended Operating and Capital Budget

RECOMMENDATION: That Council:

- A. Hear a presentation from staff regarding the General Fund multi-year financial forecast; and
- B. Provide direction to staff regarding alternative recommendations based on Council's review of the City Administrator's Recommended Budget for Fiscal Year 2024 and 2025 over the last several weeks.

DISCUSSION:

On April 18, 2023, the City Administrator filed the Fiscal Year (FY) 2024 Recommended Budget. The FY2024 budget includes a multi-faceted approach to balancing the General Fund Budget, including permanent expenditure reductions and a minimal use of reserves. The General fund is projected to have an operating deficit over the next three fiscal years. In collaboration with department staff and the City Council, staff will develop strategies to achieve fiscal sustainability to ensure we continue to deliver high quality services to the community.

Since the budget was released, the City Council has held seven public hearings during which each City department presented their budget, and the public had the opportunity to provide feedback to City Council. During those budget meetings, Council expressed interest in several items that would have a budgetary impact in FY2024. In addition, the Finance Committee reviewed certain portions of the Recommended Budget in more detail over four meetings.

With the completion of department budget presentations, staff is seeking direction from Council regarding alternative recommendations based on Council's review of the City Administrator's Recommended Budget for FY2024 and FY2025.

On June 7, 2023, the City Council is scheduled to deliberate and provide final direction to staff prior to adoption scheduled for June 13, 2023.

BUDGET/FINANCIAL INFORMATION:

The General Fund operating budget has a structural deficit of \$3.8 Million in FY2024 and \$8.9 Million in FY2025. To reduce the deficit and use of reserves each year to balance the budget, the City Administrator's Recommended Budget called for expenditure reductions in all General Fund departments. After these reductions were included, the revised deficit in FY2024 decreased to \$1.1 Million, and decreased in FY2025 to \$4.8 Million.

The City Council may choose not to approve of the staff recommended fee and other changes to the Recommended Budget. Fee reductions would likely reduce budgeted revenues; alternatively, fee increases would likely increase budgeted revenues.

The City Council also expressed recommendations to multiple department budgets during budget hearings. If Council chooses not to approve of the expenditure reductions included in the City Administrator's Recommended Budget, then Council can identify alternative reductions to be included. If alternative reductions are not identified and approved, then the General Fund would require additional reserves to pay for budgeted expenditures in both FY2024 and FY2025, further depleting General Fund contingency reserves.

On May 16, 2023, the Finance Committee voted unanimously to direct staff to develop a plan to refill reserves during budget deliberations.

The City Council adopted Resolution 22-126 on December 8, 2022, establishing the citywide reserve policy for the General Fund and other funds. The policy establishes a 10% contingency reserve and 15% disaster reserve for the General Fund. According to the Quarter 3 financial report approved by the City Council on May 23, 2023, staff is projecting a General Fund deficit of \$2.7 Million in FY2023, which would result in projected reserves of \$36.9 Million, which is \$5.3 Million lower than the targeted reserves of \$42.2 Million. The City Administrator's Recommended Budget calls for a use of reserves in both FY2024 and FY2025. If Council recommends not approving of the recommended expenditure reductions without identifying alternative expenditure reductions, additional reserves would be required to balance the budget.

Section 4 of the reserve policy describes that any use of the disaster or contingency reserves requires a majority vote of approval by the City Council. When the use of reserves is recommended, a justification should include an assessment of the fiscal condition and outlook of the General Fund, a balancing strategy which may include expenditure reductions, revenue enhancements, the use of one-time funds or the use of available reserves, and a plan of replenishment to achieve target reserves.

The public can access the City Administrator's Recommended Budget for FY2024 and FY2025 on the online budget tool at <https://santabarbaraca.gov/finance/budget-reports> or clicking [here](#).

PREPARED BY: Natalija Glusac, Budget Manager

SUBMITTED BY: Keith DeMartini, Finance Director

APPROVED BY: City Administrator's Office