

**SPECIAL MEETINGS OF THE  
SONOMA CITY COUNCIL  
&  
SONOMA CITY COUNCIL AS THE SUCCESSOR AGENCY TO THE  
DISSOLVED SONOMA COMMUNITY DEVELOPMENT AGENCY**

*Community Meeting Room, 177 First Street West  
Sonoma CA 95476*



**Monday, June 30, 2014  
5:30 p.m. Closed Session  
6:00 p.m. Open Session**

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**AGENDA**

*City Council*  
Tom Rouse, Mayor  
David Cook, Mayor Pro Tem  
Steve Barbose  
Ken Brown  
Laurie Gallian

Be Courteous - **TURN OFF** your cell phones and pagers while the meeting is in session.

**5:30 P.M. CLOSED SESSION**

**1. CALL TO ORDER**

The Mayor will open the meeting and take public testimony on closed session items only. The Council will then recess into closed session.

**2. CLOSED SESSION**

**CONFERENCE WITH REAL PROPERTY NEGOTIATORS.** Property: Old Fire Station, 32 Patten Street, Sonoma. Agency Negotiators: City Manager Giovanatto, City Attorney Walter, Councilmembers Cook and Barbose, Planning Director Goodison and Ryan Snow. Negotiating Parties: Mann Property Co., Caymus Capital, The Other Guys-TOG, and Frank Demichele. Under Negotiation: Price, conditions and terms of payment. Pursuant to Government Code §54956.8.

**6:00 P.M. OPEN SESSION**

**CALL TO ORDER & PLEDGE OF ALLEGIANCE**

**ROLL CALL** (Barbose, Cook, Brown, Gallian, Rouse)

**1. COMMENTS FROM THE PUBLIC**

*At this time, members of the public may comment on any item not appearing on the agenda. It is recommended that you keep your comments to three minutes or less. Under State Law, matters presented under this item cannot be discussed or acted upon by the City Council at this time. For items appearing on the agenda, the public will be invited to make comments at the time the item comes up for Council consideration. Upon being acknowledged by the Mayor, please step to the podium and speak into the microphone. Begin by stating and spelling your name.*

**2. PUBLIC HEARING**

**Item 2A:** Discussion, Consideration and Possible Action Regarding the Adoption of the FY 2014-15 Operating and Capital Budget for the City of Sonoma and the Sonoma Successor Agency. (City Manager)  
Staff Recommendation: Approve resolution adopting the FY 2014-15 Operating and Capital Budget

**3. COUNCILMEMBERS' COMMENTS & REPORTS**

**4. COMMENTS FROM THE PUBLIC**

## **5. ADJOURNMENT**

I do hereby certify that a copy of the foregoing agenda was posted on the City Hall bulletin board on June 25, 2014. Gay Johann, Assistant City Manager/City Clerk

***Copies of all staff reports and documents subject to disclosure that relate to any item of business referred to on the agenda are normally available for public inspection the Wednesday before each regularly scheduled meeting at City Hall, located at No. 1 The Plaza, Sonoma CA. Any documents subject to disclosure that are provided to all, or a majority of all, of the members of the City Council regarding any item on this agenda after the agenda has been distributed will be made available for inspection at the City Clerk's office, No. 1 The Plaza, Sonoma CA during regular business hours.***

***If you challenge the action of the City Council in court, you may be limited to raising only those issues you or someone else raised at the public hearing described on the agenda, or in written correspondence delivered to the City Clerk, at or prior to the public hearing.***

***In accordance with the Americans With Disabilities Act, if you need special assistance to participate in this meeting, please contact the City Clerk (707) 933-2216. Notification 48-hours before the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting.***



*City of Sonoma*  
**City Council**  
Agenda Item Summary

City Council Agenda Item: 2A

Meeting Date: 06/30/2014

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**Department**

Administration

**Staff Contact**

Carol E. Giovanatto, City Manager

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**Agenda Item Title**

Discussion, Consideration and Possible Action Regarding the Adoption of the FY 2014-15 Operating and Capital Budget for the City of Sonoma and the Sonoma Successor Agency

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**Summary**

On June 23rd Council convened in a Budget Workshop to review the proposed 2014-15 Operating and Capital Budget for the City and Successor Agency. The workshop provided the opportunity for Department Managers to present a detailed overview to the City Council of the budgets they manage.

During the evening of June 23<sup>rd</sup>, at the Council's Regularly scheduled Council meeting, presentations were made by the Tier 1 non-profit agencies who had requested increases in their base FY 13-14 grant amounts. It is only by action of the Council that increases to base amounts are granted. Council approved a 20% increase in the grant amounts for all Tier 1 agencies and directed that the increased dollar amount totaling \$27,600 be funded from General Fund Reserves. Staff has incorporated the change in the proposed budget and presents the Final FY 14-15 Operating and Capital Budget for Adoption.

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**Recommended Council Action**

Approve resolution adopting the FY 2014-15 Operating and Capital Budget

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**Alternative Actions**

Direct changes to the proposed budget; return for reconsideration on July 7th

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**Financial Impact**

Adoption of the Budget will allow for continued operation of the City.

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**Environmental Review**

- Environmental Impact Report
- Negative Declaration
- Exempt
- Not Applicable

**Status**

- Approved/Certified
  - No Action Required
  - Action Requested
- 

**Attachments:**

FY 2014-15 Operating & Capital Budget  
Resolution [including Exhibit A & Exhibit B]

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**Alignment with Council Goals:**

Aligns with Council Goals on FISCAL MANAGEMENT: *Maintain a Balanced City Budget & Capital Improvement Plan; no reduction in services.*

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**cc:**

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**CITY OF SONOMA**

RESOLUTION NO. XX - 2014

A RESOLUTION OF THE CITY OF SONOMA AND THE SUCCESSOR  
AGENCY OF THE FORMER SONOMA COMMUNITY DEVELOPMENT AGENCY  
ADOPTING THE OPERATING AND CAPITAL BUDGET  
FOR FISCAL YEAR 2014-2015

WHEREAS, the City Manager submitted a preliminary one-year operating budget to the City Council which has been given due and careful study and consideration, and which the Council finds to be a true and concise statement of projected revenues and disbursements for fiscal year 2014-2015 and designed to effect the best possible use of City revenues.

NOW, THEREFORE BE IT RESOLVED by the City Council of the City of Sonoma that the total operating and capital budget submitted by the City Manager in the amount of \$29,414,975 as set forth in Exhibit A which is attached hereto and by this reference made a part hereof is hereby adopted as the total operating and capital budget of the City of Sonoma for fiscal year 2014-2015.

BE IT FURTHER RESOLVED, that the 2014 Capital Improvement Plan is approved in accordance with the CIP plan attached as exhibit "B" and incorporated into the 2014-15 Operating and Capital Budget for the City of Sonoma:

PASSED AND ADOPTED by the City Council of the City of Sonoma at their regular meeting held on the 30th day of June 2014 by the following vote:

AYES:  
NOES:  
ABSENT:

\_\_\_\_\_  
Tom Rouse, Mayor

ATTEST:

\_\_\_\_\_  
Gay Johann  
Assistant City Manager/City Clerk

EXHIBIT A  
City of Sonoma

Operating Budget for FY 2014-15

<b>Expenditure/Department</b>	<b>FY 2014-15 Adopted Budget</b>
City Council	139,160
City Clerk	161,353
City Manager	191,461
Finance	202,802
Legal	250,000
Police	4,393,933
Fire/EMS	5,038,273
Public Works	899,943
Streets-Capital Projects	2,150,964
Planning	708,661
Building	486,126
Community Activities	179,500
Non-Departmental	476,284
Successor Agency	369,209
Transfers to Other Funds	442,145
<b>TOTAL ALL EXPENDITURES</b>	<b>16,089,814</b>

<b>Expenditure/Department</b>	<b>FY 2014-15 Adopted Budget</b>
Gas Tax-Street Maintenance	823,040
Maysonnave Property	10,317
Bond Property	3,394
Cemeteries	339,832
Water Utility	6,687,200
Management Information Systems	243,530
Long-term Building Maintenance	197,500
CDA/Recognized Obligation Schedule	4,343,498
Debt Svs-Pension Obligation Bond	410,950
Vehicle Replacement Fund	265,900



**City of Sonoma  
FY 2014-15 Capital Improvement Program**

EXHIBIT "B"

							Projected Funding Sources - FY 2015 ONLY						
Project	Approximate Project Expenses To-Date	Estimated FY15 Project Expenses	Estimated Project Expenses After FY15	Estimate of Total Project Cost	Project Contact	LTBM 610	GF-SPECIAL PROJECTS FUND 100	WATER CIP 512	STREETS CIP 100	CEMETERIES CIP 501	GRANTS see Comments	COMMENTS / FUNDING and GRANT EXPLANATIONS	
<b>Streets/Sidewalks/Bikeways Improvements</b>													
SS-2	Napa Road - Street and Bikeway Improvements - Broadway to Jones Street	50,000	507,773		557,773	Takasugi			234,239		273,534	OBAG Grant = \$250K (applied - award decision in summer 2013) TDA3 Grant = \$5K; TDA3 Grant (from Depot Park) = \$18533.81 Streets CIP = \$235K (FY 14/15)	
SS-3	Citywide Sidewalk Repair Program		50,000			Takasugi			50,000			Streets CIP = \$50,000Phase 2 of the sidewalk inspection, repair, and cost-share program, planned at \$50K per year.	
SS-4	Citywide Street Improvement Program		677,865		677,865	Takasugi			677,865			Streets CIP = \$677,865 Includes 75% of cost for various Street Rehabilitation. 25% of project is charged to water utility improvement.	
SS-5	Chase Street Bridge Replacement Project	150,000	809,864	1,506,950	2,466,814	Takasugi			168,452		641,412	Federal HBRR Grant = \$1,496,433 Streets CIP = \$809,864	
<b>Streets/Sidewalks/Bikeways Total</b>		<b>200,000</b>	<b>2,045,502</b>	<b>1,506,950</b>	<b>3,702,452</b>				<b>1,130,556</b>		<b>914,946</b>		
<b>Water Mains, Wells, Pumps Improvements</b>													
WM-1	Well No. 8 (Field of Dreams) - Preliminary Study	112,700	540,686	131,725	785,111	Takasugi		265,569			275,117	Water CIP = \$265,569 (FY 14/15) Reimbursement from SCWA Local Supply / Recycled Water / Tier 2 Program (LRT2). Total available project funding through LRT2 is \$275,117.	
WM-3	Groundwater Banking Pilot Project	10,000	25,000		35,000	Takasugi		25,000				Water CIP = \$50,000 (FY 14/15) SCWA seeking grant funding to assist with implementation of pilot project.	
WM-12	West Napa Water Main & Services Replacement (Brdwy-Staples)	204,000	1,190,324	1,123,650	2,166,000	Takasugi		1,190,324				Water CIP = \$1,190,324 (FY 14/15) Need to complete prior to Caltrans West Napa Street repair project (Caltrans anticipated programming scheduled for 2017)	
WM-16	2014 Citywide Water Lateral Replacement		226,000		226,000	Takasugi		226,000				Water CIP = \$226,000 (FY 14/15) Replaces old water service lines that are at the end of their useful life and may be leaking. 25% of Citywide Street Improvement Project.	
WM-17	Replace Water Meter Registers and Radios		200,000	200,000	400,000	Takasugi		200,000				Water CIP = \$200,000 (FY 14/15) Replaces old meter registers/radios that are out of warranty and have no leak detection capability.	
WM-18	Relocation of Water Main on Chase St. Bridge		40,000	100,000	140,000	Takasugi		20,000			20,000	Water CIP = \$20,000 (FY14/15) Design in FY14/15 for \$20,000. Under reimbursement funding agreement with SCWA design of Sewer relocation is \$20,000.	
<b>Water Mains, Wells, Pumps Total</b>		<b>326,700</b>	<b>2,222,010</b>	<b>1,555,375</b>	<b>3,752,111</b>			<b>1,926,893</b>			<b>295,117</b>		
<b>Total of All City Projects</b>		<b>668,400</b>	<b>4,505,012</b>	<b>3,157,325</b>	<b>7,898,763</b>		<b>197,500</b>	<b>30,000</b>	<b>1,931,893</b>	<b>1,135,556</b>		<b>1,210,063</b>	
<b>SONOMA AS SUCCESSOR AGENCY</b>													
	2011 CDA TAX ALLOCATION BOND PROJECTS (THAT ARE NOT LISTED ABOVE)	579,000	-	4,759,100	4,759,100	Takasugi						Given the hold on CDA TAB Projects, some projects are proceeding as listed above. The figures in this row only account for the projects listed in the 2011 CDA TAB Project List that are not otherwise included in the City Projects above.	
<b>Total of All Capital Improvement Projects</b>		<b>1,247,400</b>	<b>4,505,012</b>	<b>7,916,425</b>	<b>12,657,863</b>		<b>197,500</b>	<b>30,000</b>	<b>1,931,893</b>	<b>1,135,556</b>		<b>1,210,063</b>	



## ***FY 2014-15 Operating & Capital Budget City of Sonoma and Sonoma Successor Agency***

### ***City Manager's Budget Message***

The FY 2014-15 Operating and Capital Budget for the City of Sonoma and the Sonoma Successor Agency continues to build upon the focus and strengths of maintaining fiscal stability. Over the past several years, Sonoma has weathered the impacts of the downturn of the economy, loss of redevelopment and reduction in the City's investment portfolio interest earnings. Surviving those impacts was only possible through the Council's sound fiscal policies, management of expenditures, the passage of a local sales tax measure, the formation of the Tourism Improvement District, the resurgence in travel and tourism, and the recently revitalized real estate market. Since 2010, the City has seen a steady incline in revenues which has sustained public services. Essentially for the past 4 years revenues have been experiencing a sustained economic growth. As a result, the Council has been able to provide forward-thinking leadership through adoption of their Council GOALS which form the foundation for the budget. For FY 2014-15 Council adopted seven major GOALS:

- ❖ **Balancing City Character** - *To promote effective communication between City Council, residents, and businesses so that decisions reflect the community's desires and expectations*
- ❖ **Fiscal Management** - *Maintain fiscal responsibility that ensures short and long-term prosperity through effective fiscal planning and efficient management of the taxpayers' assets*
- ❖ **Infrastructure** - *To provide reliable, safe and effective infrastructure (streets & roads, sidewalks, transportation, parking and pedestrian safety) throughout the City*
- ❖ **Policy & Leadership** - *Provide continuing leadership as elected officials and residents of the community*
- ❖ **Public Service** - *Expand efficiencies with a focus on providing excellent customer service*

- ❖ **Recreation & Community Resources** - *Promote coordination of efforts of local and regional non-profits, community youth groups, School District and Sonoma Valley organizations*
- ❖ **Water** - *Develop long-term strategies to address current and future infrastructure needs, promote water conservation while maintaining a stabilized rate structure*

Contained within each of these major GOALS are 31 key elements or ACTION items. Many of the action items will be completed through the adoption of the FY 14-15 Operating and Capital Budget. All City staff view the Council GOALS as not simply words on paper, but words to do business by.

Sonoma relies on a Tourism-based economy and as such that can create both positives and challenges for the City and its constituents. Sonoma is in the “heart of the wine region” and is therefore an attraction which fills the hotels, restaurants, retail shops and indirectly the City’s coffers. The City’s primary revenue sources [Transient Occupancy Tax and Sales Tax] rely heavily on the tourism industry and a steady growth in these revenue categories have allowed the City to sustain and increase public services. But these increases also create some challenges on City infrastructure such as traffic, parking, streets and water. Sonoma is a City with a residential population of approximately 10,000 and a visitor population which can increase that total by half. It is a challenge that the Council embraces and looks to address through their GOAL of “Balancing City Character” to create a positive outcome.

Sonoma is a full-service City which supplies and manages the general core services with a complement of 33 total full-time employees which handle the duties of Administration, Community Development, Public Works, Water and Cemetery Services. Public Safety services are provided through contractual agreements with the Sonoma County Sheriff’s Department for Police and Traffic enforcement. Fire and Emergency Medical Services/Ambulance Services are provided by contract with Sonoma Valley Fire Rescue Authority/Valley of the Moon Fire Protection District. The City has maintained the Police Services Contract since 2004 and more recently contracted for Fire/EMS services in 2012. Regionalizing Public Safety services for a small City has resulted in a more efficient method of delivering high quality, cost-effective services.

Sonoma City Council, Management Staff and City employees all work cooperatively to create a positive environment in which to work, live and play. It is with this culture in mind that a balanced budget is presented for the City of Sonoma, FY 2014-15, in the amount of \$29,414,975.

*Carol E. Giovanatto*  
City Manager

## **INTRODUCTION of the GENERAL FUND**

The FY 2014-15 Budget provides funding to the General Fund in the amount of \$16,089,814 for all direct public services including Administration, Community Development, Public Works and Public Safety. These core departments are accounted for within the General Fund and are, therefore, the main focus in the City's Operating Budget. The City of Sonoma continues to experience increased fiscal stability, based in major part on wise decisions by current and past City Councils and staff to maintain expenditure controls coupled with a solid and growing tax base of three dominant revenue sources – transient occupancy tax, property tax and sales tax. In conjunction with this stable tax base, the City's Budget also includes a local revenue measure. In October 2012, a majority of the voters approved Measure J, a City 1/2% sales tax for a period of five years. As a "general" tax, Measure J revenue is dedicated to local services in the City of Sonoma. This was the promise to the voters who passed the tax and this is what the budget validates. This fiscal stability has provided continued security in terms of keeping City services intact and expanding where appropriate, to meet the needs of our residents.

### **General Fund Budget Summary**

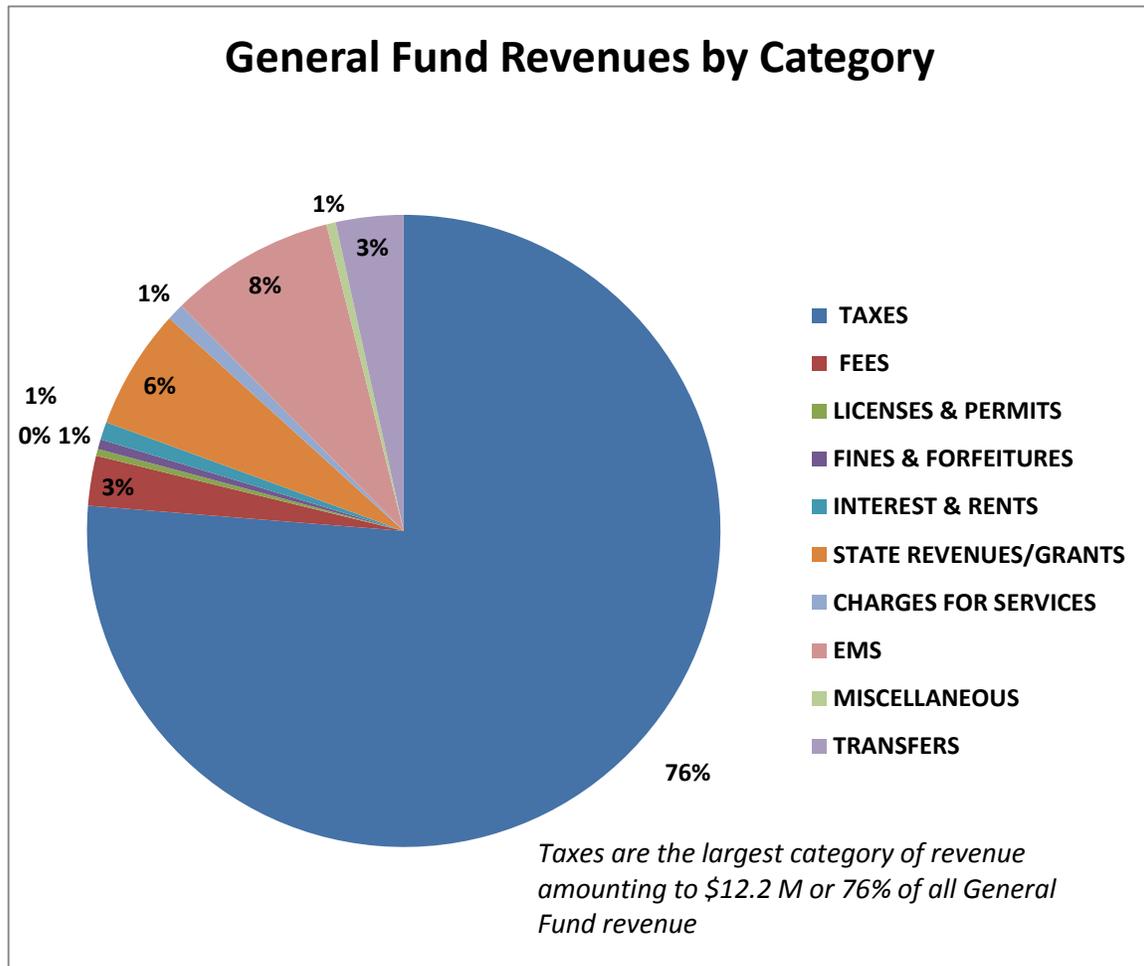
Prudent and effective financial, economic and service planning over many years by Council and staff has resulted in the General Fund being in a very stable condition. Overall, General Fund revenue is expected to increase by approximately \$1,181,398 million or 7.9%% in FY 2015 as compared to the FY 2014 budget. While this increase is significant on its face, it needs to be recognized that the major portion of the increase is due to one-time State grants which are dedicated to Street & Road Infrastructure projects. Overall, our local economy continues to reflect a strong economic base with the tourism and real estate property values showing the largest growth sectors.

### **Revenue Overview**

Revenue for the General Fund is classified in major categories, which can and do vary from year to year based on fluxuations in revenue sources. While the major categories remain fairly constant such as Taxes, Fees and Permits, the remaining classifications may vary to reflect the changes in expenditure driver influences. The following chart will illustrate some of the changes for FY 2014-15 as compared to FY 2013-14.

As the chart depicts, Sonoma relies primarily on tax revenue to sustain the core public services such as Administration, Police, Fire, Parks and Development Services. The revenue sources classified as "taxes" include Property Taxes, TOT, Sales Tax/Measure J, Business Licenses and Franchise Taxes. Without the health of this category of revenue, Sonoma would not have to revenue to to

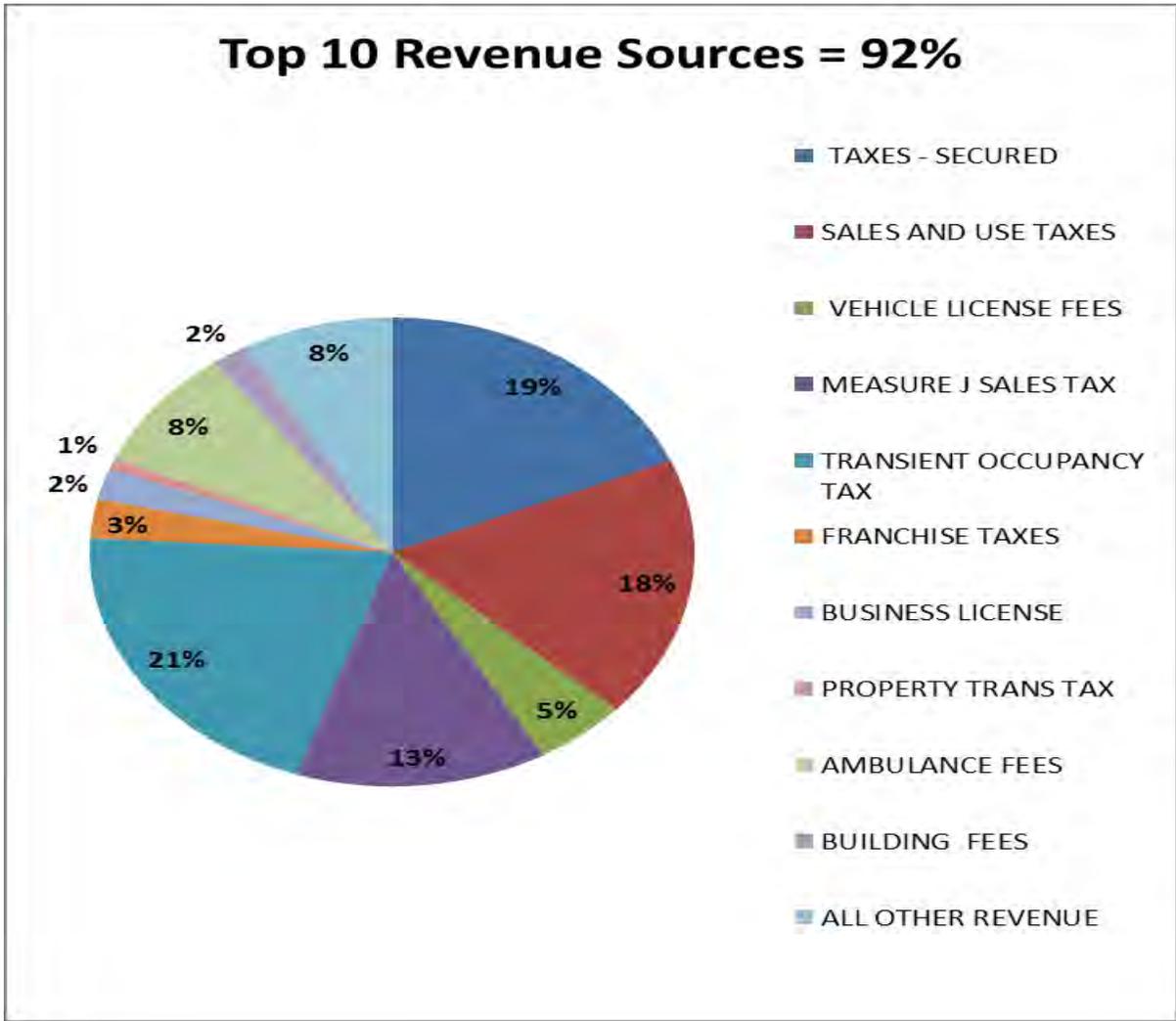
sustain the high level of public services that are presently available to the residents and businesses.



CATEGORY	2014 BUDGET	2015 BUDGET	% CHANGE
TAXES	11,226,690	12,251,080	
FEEES	360,120	410,130	
LICENSES & PERMITS	56,000	56,000	
FINES & FORFEITURES	85,300	80,900	
INTEREST & RENTS	146,000	145,500	
STATE REVENUES	70,000	988,754	
CHARGES FOR SERVICE	104,052	139,052	
EMS/AMBULANCE FEES	1,452,000	1,360,000	
MISCELLANEOUS	867,500	104,100	
TRANSFERS	540,154	554,298	
<b>TOTAL REVENUE</b>	<b>14,907,816</b>	<b>16,089,814</b>	<b>7.9%</b>

**MAJOR VARIATIONS FOR 2015:**

- State Revenues for 2015 include two Infrastructure Grants for Street Capital Projects.
- EMS/Ambulance Fees reduced due to loss of Sonoma Raceway Emergency Services/Standby Medical Contract



TOP 10 REVENUE SOURCES	% of TOTAL	2015 BUDGET
PROPERTY TAX	19%	2,992,220
TRANSIENT OCCUPANCY TAX	21%	3,350,000
SALES TAX	18%	2,906,460
MEASURE J SALES TAX	13%	2,158,600
BUSINESS LICENSE TAX	2%	340,000
RE PROPERTY TRANSFER TAX	1%	125,000
FRANCHISE FEES	3%	434,000

<b>BUILDING PERMIT FEES</b>	2%	320,000
<b>EMS/AMBULANCE FEES</b>	8%	1,360,000
<b>VEHICLE LICENSE FEES</b>	5%	789,600
<b>ALL OTHER REVENUE</b>	8%	1,313,934
<b>TOTAL REVENUE</b>	<b>100%</b>	<b>16,089,814</b>

**Highlights of Major Revenue Sources:**

Property Tax: Based on actual collections for FY 2013-14, staff is projecting a 5% increase in property tax collections over projected actuals for FY 2013-14.

Transient Occupancy Tax - TOT is budgeted to increase by 6% over projected actuals for FY 2013-14.

Sales Tax: Sales Tax increase reflects a projected 4% increase.

Measure J Local Sales Tax: 2014 was the first full year of Measure J sales tax collections and collections exceeded projections by approximately 30% based on actual receipts. In 2015, Measure J is budgeted at a 4% over actual collections.

Franchise Tax: Projected increase of 7% predominately based on increase in Comcast Franchise fee remittances [increased customer services].

Building Permit Revenue: Staff is projecting a modest increase in revenue although the City is experiencing a vibrant construction season in 2014. Staff is exercising caution in projecting that this will continue into 2015.

Interest Income: Interest income is forecast to rebound slightly but has not recovered from previous years due to the loss of portfolio strength. Staff will be updating the City's Investment Policy to allow for greater opportunity for earning capacity.

EMS/Ambulance Billings: Although overall ambulance billings continue to be strong in 2014 for the ambulance system, the City suffered from the final closeout of the Sonoma Raceway Contract. Staff believes that the projection for 2015 is a baseline number and is in discussions on additional opportunities to augment revenue during the next year.

Property Transfer Tax: Real Estate Property Transfer Tax is showing a marked incline in revenue which points for a continuing recovery in the real estate market.

## **GENERAL FUND EXPENDITURE OVERVIEW**

Expenditures within the General Fund are accounted for within 15 separate departments including: General Administration (Council, Clerk, Manager, Finance, Attorney), Public Safety (Police, Fire) and General Services (Public Works, Streets/Capital, Planning, Development, Community Activities, Non-Departmental and Successor Agency). In addition, a separate department total comprises all funding from the General Fund which supports other operations of the City [referred to as "Transfers to Other Funds"].

### **Global Budget Changes**

There were several significant global changes affecting various City departments which reflect variations in the total budgets when compared to the prior fiscal year. These changes were necessary to create both efficiencies and future succession planning for the overall health of the organization. These are discussed briefly below:

Personnel Costs/Realignments: During FY 2012-13 the position of Assistant City Manager [vacant since December 2012] was considered for restructuring as a part of the reorganization of the Finance Department. The incumbent Assistant City Manager position also was the Department Manager for the Finance Department. As a result of an organizational review, the City Manager determined that the Finance Department should be restructured to include a Finance Director as the Department Manager thereby splitting off the duties of the Assistant City Manager and creating a new position. In addition a second/combination position was created as the Assistant City Manager/City Clerk. This resulted in mitigating the need to increase the total number of staff members while creating a more efficient organizational structure. RESULT- Changes in overall personnel cost, both increases and decreases, in City Clerk, City Manager and Finance budgets. The net affect still created an overall savings in the budget.

Pension Obligation Bond [POB] Debt Service: In late 2012, the Council authorized the issuance of a Pension Obligation bond to pay off a portion of existing CalPERS unfunded employee pension liability known as "side fund". The issuance of a POB is a method of fulfilling the City's existing obligation to CalPERS in a more cost-effective manner at a lower interest rate than paying at the CalPERS interest rate of 7.5%. This does not create a new obligation for the City, but rather refinances an existing obligation to CalPERS in much the same manner as other City bonds. Upon the issuance of the POB the City realized (1) a cost savings of approximately \$381,950 equal to 9.71% in reduced retirement payments over a nine year period (2) paid off a portion of the unfunded CalPERS liability (3) reduced the payoff period by 5 years, (4) reduced the interest rate

from 7.5% to 3.8% (average rate over 9 years) and (5) reduced the CalPERS employer rate from 15.350% of payroll to 12.330% of payroll. Annual payments for the POB are approximately \$411,000 annually for all funds; \$225,700 specifically to the General fund. The issuance of the POB responds directly to the Councils on-going Goal to “Develop a strategy to address long-term pension liabilities”. RESULT-The City reduced its long-term pension obligation to CalPERS by \$2.9 million.

### General Fund Expenditure Breakdown by Department

Expenditure/Department	FY 2013-14 Adopted Budget	FY 2014-15 Adopted Budget	% Change
City Council	132,426	139,160	5%
City Clerk	116,422	161,353	39%
City Manager	275,135	191,461	-44%
Finance	153,268	202,802	32%
Legal	250,000	250,000	-
Police	4,328,511	4,393,933	1.5%
Fire/EMS	4,844,452	5,038,273	4%
Public Works	933,252	899,943	-3.7%
Streets-Capital Projects	1,615,130	2,150,964	33%
Planning	636,026	708,661	11%
Building	478,373	486,126	1.6%
Community Activities	146,900	179,500	22%
Non-Departmental	412,128	476,284	15.6%
Successor Agency	473,970	369,209	-28.3%
Transfers to Other Funds	111,823	442,145	395%
<b>TOTAL ALL EXPENDITURES</b>	<b>14,907,816</b>	<b>16,089,814</b>	<b>7.9%</b>

### Overview of Department-Specific Variances [Plus or Minus 10%]:

City Clerk Budget +39%: Increases in City Clerk Budget relate to increased personnel costs due to personnel reassignment as Assistant City Manager, addition of a portion of salary costs for PT Administrative Assistant/Deputy City Clerk and the one-time election costs for the November Council election.

City Manager Budget -44%: Reduction in City Manager Budget in personnel costs due to realignment of Assistant City Manager/Finance Manager position.

Finance +32%: Increases in Finance Budget relate to increased personnel costs due to the addition of the Finance Director position to create a stand-alone

Finance Dept. Previously the Finance Department was a component department to Administration.

Streets-Capital Projects + 33%: Per Council Goals, Street projects and infrastructure are paramount in the City Budget. Also includes Grant Project for completion of Chase Street Bridge. Approximately 40% of the budgeted costs are reimbursed from State grant funding.

Planning Budget =11%: Increase in Planning Budget is primarily a re-budgeting of funding from FY 13-14 for the Housing and Circulation Elements updates. This project began late in 2014 and therefore the major workload will be completed in FY 14-15. Budget also includes funding for development of Downtown Design Guidelines as directed by Council Goals *“Develop and implement standards for the Design Review & Historical Preservation Commission to use in its decision-making”*

Community Activities +22%: Increase in Community Activities Budget to account for the 20% increases to the Tier 1 contracts for the four Recreational service providers and the \$5,000 increase to the lease cost for the Sonoma Veterans Memorial Building from the County of Sonoma.

Non-Departmental +15.6%: Increase in Non-Departmental Budget to account for costs related to tree removal at the Marcy House and the design and replacement of the Historical sign in front of the Plaza; in in long-term building maintenance contribution to account for additional maintenance costs for City buildings and facilities.

Successor Agency -28.3%: Decrease in costs accounted for in Successor Agency [to the former Sonoma Community Development Agency] by removing the legal cost reserve for the 2011 Tax Allocation Bonds; realignment of costs to the ROPS previously mis-coded and approved for payment by Department of Finance.

Transfers to Other Funds +395%: The percentage increase for this department appears extreme, but this encompasses all monies that are moved from the General Fund to other funds within the City’s Budget structure for specific purposes. Two significant transfers of funds are included in FY 2014-15 which were not addressed in the prior year budget which are (1) transfer to fund the General Fund portion of the debt service for the Pension Obligation Bond of \$225,700, and (2) transfer of \$104,617 to the Cemetery Fund to balance the current year operational shortfall to assure that the fund does not incur further deficit spending.

**OTHER RECOMMENDED CITY BUDGETS [NON-GENERAL FUND]**

<b>Expenditure/Department</b>	<b>FY 2014-15 Revenue Budget</b>	<b>FY 2014-15 Expenditure Budget</b>
Gas Tax-Street Maintenance	823,040	823,040
Maysonnave Property	10,317	10,317
Bond Property	3,394	3,394
Cemeteries	339,832	339,832
Water Utility	6,687,200	6,687,200
Management Information Systems	243,530	243,530
Long-term Building Maintenance	713,900	197,500
CDA/Recognized Obligation Schedule	4,343,498	4,343,498
Debt Svs-Pension Obligation Bond	410,950	410,950
Vehicle Replacement Fund	470,000	265,900

**GAS TAX FUND – STREET MAINTENANCE**

Special Revenue Funds are dedicated funds for specific purposes/projects and their uses are legally restricted. The revenues are earmarked for direct program costs and project expenditures. Expenditures are driven by project and workload rather than the precise period of the fiscal year. The City Gas Tax Fund accounts for all street-related expenditures including Public Works personnel, street sweeping, engineering, pavement and sidewalk maintenance and capital infrastructure projects. Gas Tax revenues are derived from fuel surcharge taxes. Uses of these funds are strictly regulated by the State Board of Equalization to be utilized solely for travel way purposes.

**ENTERPRISE FUNDS- Cemetery & Water**

The City maintains two Enterprise Funds (Water and Cemetery). By definition, Enterprise Funds are “to account for operations that are financed and operated in a manner similar to private business enterprise-where the intent of the governing body is that the costs of providing goods or services are financed or recovered primarily through user charges.” Each individual fund is discussed below.

**CEMETERY FUND**

The Cemetery Fund accounts for maintenance and operation of the Mountain, Valley, and Veterans’ cemeteries. Operational revenues are generated through site sales, burial costs, and miscellaneous lettering charges. Expenditures from the funds result from activities related to burials, maintenance of existing plots and landscaping, brush clearing, weed abatement, litter, and utilities.

The Cemetery Fund remains in a serious deficit position of approximately \$1.6 million. This deficit position has grown over a decade to its current position. The City has worked to address possible solutions including establishing a Cemetery sub-committee and potential to privatize the operations [including sale of the Cemetery property]. In FY 2014-15 Budget, the General Fund is supporting the Cemetery through a transfer of \$104,000 to off-set the projected current year deficit. During FY 2015, staff will be looking at options to create a deficit write-down plan through the General Fund. This will address the Council Goal *"Identify long-term strategy to address or restructure the Cemetery Fund deficit"*

### **WATER OPERATIONS FUND**

The Water Utility provides for the maintenance and operation of the City's water distribution system. Water supplied to Sonoma customers is wholesale-purchased through an agreement with the Sonoma County Water Agency [SCWA] augmented in part by City wells. Funding for the Water Utility is derived from user fees and charges. The FY 2014-15 Budget was developed based on existing water rate structure and operational model. The Water Department is currently undergoing a Water Rate Study/Analysis and will be holding Water Rate hearings in the Fall 2014. Based on the outcome of the Rate Study and the potential for new modeling of the rate structure, mid-term modifications to the Water Operations Budget may be necessary. In addition, the City's Finance Department is converting from bi-monthly utility billing to a monthly billing system which may also result in additional changes to the rate or budget structure.

Council GOALS include a significant focus on Water and water-related issues such as water conservation, increasing storage capacity and pre-planning for disaster preparedness. City staff will be working with various County agencies as well as our local tourism community to develop strategies to address the impacts of the California drought situation.

### **CAPITAL IMPROVEMENT PLAN**

The Capital Improvement Program (CIP) is a strategy for planning and programming public physical improvements. The full CIP It includes improvements that are scheduled over the next 10 year period. Included herewith are the CIP projects that are being funded in the FY 2014-15 Capital Budget. Adoption of the CIP indicates City Council approval of the projects. Current year anticipated expenditures total up to \$4.5 million. Similar to recent fiscal year, the General Fund [through assistance of Measure J funds] is making a contribution to the Streets Capital Improvement Program in the amount of \$1.135 million.