



Staff Report

TO: City Council
FROM: Jennifer Ustation, Finance Director
DATE: January 18, 2022
SUBJECT: **FY2022 Mid-Year Budget Amendment 3/CIP/Wastewater/General Fund and Ratification of Emergency Wastewater Vehicle Purchase**

Background and Analysis:

During the fiscal year, City staff prepares amendments to the budget as needed. This report requests adjustments to the Capital Improvement Plan budget, Wastewater Operating budget and General Fund budget.

Capital Improvement Plan Budget

On December 21, 2021, City Council adopted a resolution to amend the Prior-Year Capital Improvement Plan 2016-2021. The amendment increased the Wastewater Treatment Plant Expansion and Renovation Project (2017-005) from \$67,235,187 to \$76,334,187. The budget adjustment will allow for a transfer-out of \$3,099,000 of Pay-Go funds to the project, \$4,813,376 of Wastewater Development Impact Fees and provide the spending authority within the Wastewater Capital Project Fund for \$1,186,624 of bond interest. The budget adjustment form for the Capital Improvement Plan have been included as Attachment A.

Funding Source	Project Cost	Fund
Pay-GO Funds	\$ 3,099,000	Wastewater Capital Project
Wastewater DIF	\$ 4,813,376	Wastewater Capital Project
Bond Interest	\$ 1,186,624	Wastewater Capital Project

Wastewater Fund

Wastewater has two trucks that are not operable and need to be retired due to the inability to pass smog testing and the cost of needed repairs. These vehicles are

required for daily operations. A truck became available and was purchased on an emergency basis to prevent disruption to the wastewater operations. Due to supply shortages from the COVID-19 pandemic it is extremely difficult to procure vehicles. The additional truck will be purchased as one becomes available.

This budget amendment will provide a line-item adjustment that reallocates funds budgeted for the brine line maintenance fees for the purchase of two trucks. The City has some one-time savings in these fees since the volume of brine produced by the City has been lower than projected. The budget adjustment form for the Wastewater Fund has been included as Attachment B.

Line Item	Increase/(Decrease)	Fund
Brine Line Maintenance	\$ (86,944)	Wastewater Operations
Vehicles	\$ 86,944	Wastewater Operations

General Fund

Revenue

The City has received four months of sales tax revenue receipts and it is trending higher than budgeted. This increase will be monitored for any further adjustments.

Revenue	Increase/(Decrease)	Fund
Sales Tax	\$475,912	General Fund

Expense

The City has an obligation with the State of California, Department of Finance (State) to pay an outstanding amount due from the State's Due Diligence Review. The original amount due was \$2,875,912. The agreement called for annual payments of \$300,000 through July 15, 2022, with a final payment of \$175,912 due on July 15, 2023. Paying off this liability early will allow the City to use those funds towards programs and eliminate the liability from the City's financial statements. The budget adjustment form for the General Fund have been included as Attachment C.

Expense	Increase/(Decrease)	Fund
Admin Contractual Services	\$ 475,912	General Fund

Fiscal Impact:

The fiscal impact of this report is increasing the spending authority of project 2017-005 by \$9,099,000 and thereby reducing the Pay-Go fund balance by \$3,099,000 and reducing Wastewater DIF Fund by \$4,813,376 and increases the General Fund revenue and expenses by \$475,912. The costs to prepare this staff report is estimated to be \$890.

Recommended Action:

Approve the Capital Improvement Plan budget adjustments as outlined in Attachment A,
Approve the budget adjustments as outlined in Attachment B,
Approve the budget adjustments as outlines in Attachment C, and
Ratify the cost of emergency vehicle purchase paid to Fritts Ford in the amount of \$41,943.78.

Attachments:

- A. Capital Improvement Plan Budget Adjustment Form
- B. Wastewater Fund Budget Adjustment Form
- C. General Fund Budget Adjustment Form
- D. Invoice for vehicle purchase from Fritts Ford