

DISCUSSION ON FY 2022-23 BUDGET ADOPTION

“REVISED COLUMN” includes:

1. Increase in the transfer of General Fund reserves by \$50,000 due to uncertainty about how much of the Valley View Project will be billed during FY 2021-22.
2. Reduction in the Sanitation (AKA Trash Collection) Revenue from \$450,000 to \$432,000 due to the change from an across the board 10% markup, to a 10% markup for residential rates and a 5% markup for commercial rates.
3. Increase in transfer in of Utility Fund reserves by \$596,300 to offset both the above rate reduction and to increases in capital expenditure budgets. Some increases are due to projects which were expected to start in FY 2021-22, but didn't (Standpipe Renovation at Well #5 and the Spanish Oaks/Hereford Water Main projects) and some are due to anticipated cost increases due to inflationary pressures (the Well #3 Tank Project).
4. \$250,000 increase in Spanish Oaks/Hereford ARPA project due to project delay.
5. \$150,000 increase in Well #3 Tank Project due to inflationary increases.
6. \$178,300 added funding for Well #5 Standpipe due to delayed startup. The drought and heat conditions contributed to this delay.

The revised budget proposal, if approved, will require an additional drawdown of about \$600,000 from the City's Utility Reserves. This past year, the City budgeted a combined drawdown of \$1,770,000 from the City's General and Utility Fund Reserves. According to the General Ledger Report through July 31, 2022, instead of decreasing by \$1,770,000, the total amount of City funds increased by \$1 million from this time last year. No large drawdowns on the City's accounts are expected between now and the end of this fiscal year. Clearly, much of the spending budgeted for FY 2022-23 is spending that was budgeted for FY 2021-22, but was carried over into the FY 2022-23 Budget.

Staff recommends the requested amendments to the filed budget be approved. No new projects are being added. All of the additions are related to projects the Council, previously, has indicated a desire to pursue. It is better to have the funding in the budget and not need it than to need it and not have it.

What is the Council's pleasure concerning these proposed amendments to the Filed Budget?

There is one new item for your consideration which is not included in the Revised FY 2022-23 Budget Request. That item is legal costs for pursuing CCNs for the City's water and wastewater systems. Recently, Councilman Freas had expressed interest in pursuing the acquisition of CCNs. Staff did some research on the matter and determined that the assistance of a law firm familiar with CCNs and Public Utility Commission processes would probably be needed. City Attorney Lowry set up a meeting with such a law firm that he has worked with in the past to explore the matter. Unfortunately, it was discovered that the firm that had been contacted had a conflict of interest. **Although he doesn't know what the cost of securing help for CCNs would be, when asked City Attorney Lowry suggested \$50,000 be added to the budget for this. What is the Council's pleasure?**