



City of Grass Valley City Council Agenda Action Sheet

Title: FY 2024-25 Preliminary Budget Overview

CEQA: Not a project

Recommendation: It is recommended that the City Council, by MOTION,

- (1) approve the FY 2024-25 Preliminary Budget and provide further direction to staff as it relates to the preparation of the FY 2024-25 Final Budget; and
- (2) Set June 25, 2024, as the date for the public hearing for the FY 2024-25 Final Budget.

Prepared by: Andy Heath

Council Meeting Date: 05/28/2024

Date Prepared: 05/20/2024

Agenda: Administrative

Discussion:

The City of Grass Valley Charter requires submission of a preliminary budget to the City Council no later than June 1st each year for the ensuing fiscal year. The Charter also requires that the City Council set a public hearing for consideration of the Final Budget prior to the first day of the fiscal year.

Staff will present a brief overview of the recommended FY 2024-25 Preliminary Budget, focusing primarily on the following funds which account for the majority of citywide operations:

- General Fund
- Measure E Fund
- Water and Sewer Enterprise Funds
- Capital Projects Fund
- Special Projects Fund
- Gas Tax Fund
- Traffic Safety Fund
- Development Impact Fee Fund

The preliminary budget has been prepared and updated consistent with information previously presented to the City Council on April 9, 2024 with the FY 2023-24 Mid-Year

Update. As discussed during the Mid-Year Update, management continues to focus on various issues affecting the local economy and thus impacting current and future budgets. Although the economic impacts of the COVID-19 Pandemic have been virtually eliminated, inflationary impacts on energy and everyday citywide costs; CalPERS investment return volatility and increasing unfunded liability amortization costs; and citywide insurance costs all play a significant part in a the FY 2024-25 Preliminary Budget. As the economy continues to be impacted by these negative externalities, staff will periodically present updates to this budget after its final adoption in June 2024 to include, at minimum, quarterly updates of fiscal activity in the City's major funds. With the presentation of this information, it is recommended that the City Council provide staff with any further direction related to preparation and ultimate consideration of the FY 2024-25 Final Budget in June 2024.

The following attachments are included with this report:

- Attachment A: General Fund Revenue and Expenditure Detail - FY 2024-25 Preliminary Budget
- Attachment B: General Fund Revenue and Expenditure Account Detail - FY 2024-25 Preliminary Budget
- Fund Schedules: FY 2024-25 Preliminary Budgets for citywide major operating funds

General Fund

FY 2024-25 General Fund Preliminary Budget:

	Revenues	Expenditures
FY 2023-24 Estimated Actuals	\$ 18,017,153	\$ 17,991,109
FY 2024-25 Preliminary Budget	\$ 18,541,558	\$ 18,606,254

The FY 2024-25 General Fund Preliminary Budget reflects revenues of \$18,541,558 and expenditures of \$18,606,254. Expenditures are higher than revenues by \$64,696 preliminarily reflecting the need to use reserves to balance the budget. Specific revenue and expenditure impacts to the City's General Fund for FY 2024-25 are noted below.

FY 2024-25 budgeted revenue of \$18,541,558 reflects an approximate \$524,000 increase from revenues anticipated to be collected in FY 2023-24, primarily due to:

- Anticipated 2.5% increase in Property Taxes consistent with current housing market activity and increase in State CPI;
- A slight increase in Sales Tax consistent with the forecast provided by HdL (the City's Sales Tax Consultant) and staff expectations given the current state of the local economy;

- An approximate \$40,000 increase in Transient Occupancy Taxes as room rates are projected to rise due to inflation along with the addition of a new Mobile Home Park subject to these taxes;
- The addition of \$200,000 in Cannabis Taxes related to the opening of a new cannabis retail facility;
- Addition of \$62,415 in offsetting parking-related revenues which covers the cost of the recommended addition of a Parking Enforcement Officer; and
- The continued addition of Worker's Compensation expense reimbursements related to funds held by the City's Worker's Compensation provider due to rebates available from previous years (note: this is the second of three reimbursements of \$200,000 available to the City to offset operational costs).

FY 2024-25 budgeted expenditures of \$18,606,254 reflects an approximate increase of \$615,000 from anticipated expenditures to be incurred in FY 2023-24, primarily due to:

- Updates to staff allocations to other funds (i.e. Water and Sewer Enterprise Funds) and other departments;
- The recommended addition of a contract grant writer in the City Manager's Office (\$32,000 General Fund / \$7,000 Enterprise Funds);
- A budgeted reduction of \$56,250 in the City Attorney's appropriation reflecting a return to a more normalized level of legal services;
- The recommended addition of a Parking Enforcement Officer to the Police Department (\$62,415) to be offset by a commensurate amount of parking-related revenues;
- A \$247,581 addition for the CalPERS Unfunded Liability amortization returning in FY 2024-25;
- Normalized levels of overtime in public safety departments (reflects \$230,000 reduction from levels anticipated in FY 2023-24);
- Continued appropriation for Mill Street Pedestrian Plaza upkeep and beautification costs (\$30,000);
- The continued contracting with the YMCA to manage the City's Memorial Park Pool (\$80,000 - \$100,000 annually);
- Increases in Worker's Compensation and General Liability Insurance costs (\$65,000);
- Increase in PG&E Energy costs (\$95,000)

- Maintaining the annual contingency appropriation in the General Fund at \$150,000;
- The addition of an appropriation for Redwood Tree Removal / City Hall Parking Lot (\$90,000);
- Allocated capital outlay of \$50,000 towards the City's Storm Drains and \$35,000 for the City's Playground Upkeep;
- The presumed filling of all positions citywide (i.e. no vacancy savings built into the budget)
- A slight increase in debt service costs related to the Pension Obligation Bonds consistent with the prescribed debt service schedule.

It should be mentioned that the FY 2024-25 Preliminary Budget schedules do not include costs for any labor increases that may ultimately be approved by the City Council at the conclusion of labor negotiations currently taking place.

As part of the FY 2024-25 Budget development process, it should be mentioned that the City maintains specific key contingency reserves in the General Fund:

- CalPERS Pension Stabilization Reserve - \$1,500,000
- Other Post-Employment Benefits (OPEB) Reserve - \$500,000
- Capital and Deferred Maintenance Reserve - \$1,000,000
- Economic Contingency Reserve - \$2,500,000

These Assigned Reserves can be used in the future to offset unanticipated pension and/or health benefit cost swings (as opposed to absorbing increases into the operational budget); to offset having to use General Fund discretionary funds for immediate capital outlay and maintenance needs; and to mitigate the exposure of having to significantly reduce service levels in the event of an economic downturn.

Taking into account the above, staff is recommending a preliminary General Fund Budget that currently use reserves in the amount of \$64,696. Total General Fund reserves are anticipated to be approximately \$8.92 million at the end of FY 2024-25. Projected reserve levels as of June 30, 2025 are expected to include:

- \$ 6,161,584 Designated Reserves (See Attachment A for list)
- 2,762,583 Undesignated Reserves
- \$ 8,924,167 Total General Fund Reserves

Measure E Fund

FY 2024-25 Measure E Fund Preliminary Budget:

	Revenues	Expenditures
FY 2023-24 Estimated Actuals	\$ 7,396,331	\$ 6,446,335
FY 2024-25 Preliminary Budget	\$ 7,362,500	\$11,990,823

The Measure E Fund accounts for the City's voter-approved 1-cent transaction and use tax (general-purpose tax) that is used to support police and fire services; and streets and parks projects.

FY 2024-25 budgeted revenue of \$7,362,500 reflects collections of essentially the same amount of sales (transactions) tax as expected in FY 2023-24. FY 2023-24 estimated revenues are higher than those projected for FY 2024-25 due to higher cash balances generating additional interest earnings.

FY 2024-25 budgeted expenditures of \$11,990,823 reflects an approximate \$4.6 million increase from estimated expenditures for FY 2023-24 primarily due to the one-time use of carryover fund balance from FY 2023-24 towards streets and parks projects and fire apparatus. In addition to purchasing and outfitting a new fire truck (purchase authorized in a prior fiscal year), projects anticipated to be funded by Measure E include the Parks Restroom Improvements; Condon Park Repaving; Bike Path Construction; Loma Rica Trail; Mautino Garden; partial funding towards the Sierra College Field Turf Replacement, Main Street Resealing; Magenta Drain Restoration; S. Auburn Street Renovation; and \$1.8 million towards Street Pavement Rehabilitation projects.

It should be mentioned that the Measure E Fund allocates funding for 22.1 FTE (position allocations) - 10.9 FTE in the Police Department and 11.2 FTE in the Fire Department. All positions allocated to Measure E are funded in the FY 2024-25 budget and assumed filled for the entirety of the fiscal year. City staff will meet with the Measure E Oversight Committee to review FY 2024-25 budget elements prior to the consideration of the Final Budget in June.

It is anticipated that the Measure E Fund will have approximately \$208,170 in Fund Balance on June 30, 2025. These funds may be appropriated for any Measure E related purpose in future fiscal years.

Water Fund

FY 2024-25 Water Fund Preliminary Budget:

	Revenues	Expenditures
FY 2023-24 Estimated Actuals	\$ 2,349,348	\$ 2,218,115
FY 2024-25 Preliminary Budget	\$ 2,338,500	\$ 4,368,823

FY 2024-25 Water Fund revenues are currently projected to be slightly lower than prior year budgeted amounts, primarily as a result of lower anticipated collections of connection fees offset by a rate increase to take effect in FY 2024-25. FY 2024-25 Water Fund expenditures are recommended to be approximately \$2.15 million higher than those estimated in the prior year primarily due to anticipated carryover of Water Fund capital projects. Any capital projects not fully completed by the end of FY 2023-24 are most likely being carried over into FY 2024-25.

Similar to the General Fund, the Water Fund has a Pension Reserve to mitigate operational impacts associated with funding rising pension costs (pension unfunded liabilities). Although it is not recommended this set-aside be used during FY 2024-25, it is available for future years when pension costs are expected to continue rising.

The Water Fund has \$2.02 million in capital budgeted for FY 2024-25, including appropriations for Depot St, Water Line; Linden/Brighton Water Line Replacement; Broadview Heights Booster Station; Water Treatment Plant Maintenance; Water Sampling Station Replacements; and the Annual Flushing Plan.

It is anticipated that the Water Fund will have \$1,184,465 in Fund Balance at the end of FY 2024-25, all of which is essentially reserved for specific purposes. The \$1,184,465 ending Fund Balance assumes all capital projects are completed by the end of the fiscal year.

Sewer Fund

FY 2024-25 Sewer Fund Preliminary Budget:

	Revenues	Expenditures
FY 2023-24 Estimated Actuals	\$ 5,365,270	\$ 4,332,661
FY 2024-25 Preliminary Budget	\$ 5,494,000	\$ 10,143,202

FY 2024-25 Sewer Fund revenues are currently projected to be approximately \$129,000 higher than those anticipated in FY 2023-24, primarily due to the reduction in Sewer Connection Fees offset by a rate increase to take effect in FY 2024-25. FY 2024-25 Sewer Fund expenditures are recommended to be \$5.81 million higher than those budgeted in the prior year primarily due to the carryover of Sewer Fund capital projects. .

Similar to the Water Fund, continued funding of a Pension Reserve is recommended for the Sewer Fund. Staff recommends maintaining the set-aside of \$175,000 from Unobligated Fund Balance into the Pension Reserve, which can be used to offset unanticipated swings in annually required pension obligations and/or reduce the pension unfunded liability related to staff funded by the Sewer Enterprise Fund.

The Sewer Fund has \$5.78 million in capital budgeted for FY 2024-25, including appropriations for Annual Sewer Maintenance; Annual WWTP Projects; Slate Creek Lift Station; Taylorville Lift Station; Sewer Lining Project; and the Sewer Main Replacement Project.

It is anticipated that the Sewer Fund will have approximately \$5.57 million in Fund Balance at the end of FY 2024-25, \$4.25 million of which is reserved for specific purposes. The \$5.57 million ending Fund Balance assumes all capital projects are completed by the end of the fiscal year.

Capital Projects Fund

FY 2024-25 Capital Projects Fund Preliminary Budget:

	Revenues	Expenditures
FY 2023-24 Estimated Actuals	\$ 3,237,800	\$ 2,656,137
FY 2024-25 Preliminary Budget	\$14,634,164	\$14,634,164

The Capital Projects Fund accounts for the majority of non-enterprise Capital Projects citywide (some projects are wholly funded in the General Fund and the Measure E Fund; and are not part of the Capital Projects Fund). Capital projects are typically funded with non-discretionary (grants, fees, etc.) revenue sources and transfers in from other funds. Capital Projects Fund revenues and expenditures are estimated at \$14.63 million for FY 2024.25. Projects were updated consistent with current cost and funding estimates.

New and continuing projects accounted for the in the Capital Projects Fund include the Sierra College Field, Main Street Resealing, Mill Street Parking Lot, McCourtney Road Pedestrian Improvements, Bennett Street Bridge, Centennial Drive Realignment, S. Auburn / Colfax Avenue Roundabout, Magenta Drain Restoration; S. Auburn Street Renovation; Condon Skate Park; Bennett Street Bridge; and Matson Creek Phase I. As previously mentioned, funding for these projects comes from specific grant sources (CMAQ, ATP, ARPA funding, etc.) and transfers in from other funding sources (General Fund, Measure E, Gas Tax, Mitigation Fees, Special Projects, etc.).

The negative (\$71,290) in fund balance anticipated by the end of Fiscal Year 2024-25 is related to unreimbursed costs for storm damage costs incurred by the City over the past two years. City staff will work to determine how to best fund these unreimbursed expenditures.

Special Projects Fund

FY 2024-25 Special Projects Fund Preliminary Budget:

	Revenues	Expenditures
FY 2023-24 Estimated Actuals	\$ 182,793	\$ 360,000
FY 2024-25 Preliminary Budget	\$ 182,793	\$ 3,000,000

The Special Projects Fund accounts for capital projects funded by other specific revenue sources. For the coming fiscal year, revenues only include anticipated interest earnings in the fund and an anticipated RTMF distribution from NCTC consistent with prior year expectations. It should be mentioned that during FY 2021-22, the City issued debt in the amount of \$6 million to be used towards future park projects. To date, \$3 million of this funding has been spent on the Condon / Scotten Turf Project. The remaining \$3 million in debt proceeds is recommended for appropriation in FY 2024-25 towards the Sierra College Field / Turf Project.

It is anticipated that the Special Projects Fund will have approximately \$3.4 million in fund balance on June 30, 2025 which may be used for future projects.

Gas Tax Fund

FY 2024-25 Gas Tax Fund Preliminary Budget:

	Revenues	Expenditures
FY 2023-24 Estimated Actuals	\$ 759,338	\$ 661,813
FY 2024-25 Preliminary Budget	\$ 788,925	\$ 1,152,164

The Gas Tax Fund accounts for the receipt of gas tax and SB-1 (RMRA) revenues which may be used towards applicable transportation-related expenditures. Gas Tax revenues anticipated to be collected during FY 2024-25 are expected to approximately \$30,000 higher than those anticipated to be received in FY 2023-24, due to higher allocation of Gas Tax and RMRA funding for the upcoming fiscal year.

Gas Tax Fund appropriations are anticipated to be \$490,351 higher in the upcoming fiscal year; and are recommended primarily for streetlight utility costs (transfer to the Traffic Safety Fund); and street and sidewalk maintenance & rehabilitation, and other project costs (Mill Street Parking Lot; S. Auburn Street Renovation; and Bennett Street Bridge).

It is anticipated the Gas Tax Fund will have \$24,671 in fund balance remaining at the end of the 2024-25 fiscal year.

Traffic Safety Fund

FY 2024-25 Traffic Safety Fund Preliminary Budget:

	Revenues	Expenditures
FY 2023-24 Estimated Actuals	\$ 182,000	\$ 182,000
FY 2024-25 Preliminary Budget	\$ 185,000	\$ 185,000

The Traffic Safety Fund accounts for the receipt of parking citation revenues and a transfer in from the Gas Tax Fund used to pay for streetlight utilities costs. Traffic Safety Fund revenues anticipated for FY 2024-25 are expected to be slightly higher due to an increased transfer in from the Gas Tax Fund required to offset utilities costs. Traffic Safety Fund appropriations are also anticipated to increase by \$3,000 due to higher utility costs stemming from higher prices (inflation). It is anticipated the Traffic Safety Fund will have nothing in fund balance remaining at the end of the 2024-25 fiscal year.

Development Impact Fee Fund

FY 2024-25 Development Impact Fee Fund Preliminary Budget:

	Revenues	Expenditures
FY 2023-24 Estimated Actuals	\$ 146,073	\$ 600,836
FY 2024-25 Preliminary Budget	\$ 75,000	\$ 1,850,000

The Development Impact Fee Fund accounts for the receipt AB-1600 Development Impact Fees to be used towards nexus-based future projects that mitigate the impacts new development. Development Impact Fee Fund revenues anticipated during FY 2024-25 only include interest earnings of \$75,000. Due to the unpredictability of collections of these fees, the budget will be periodically updated as the fiscal year progresses. At this time, the following projects are anticipated to be funded during FY 2024-25 using development impact fees: Storm Drain Plan, Centennial Drive Realignment, Bennett & Ophir Circulation and Matson Creek Phase I. To the extent any projects anticipated during FY 2024-25 are not completed, the appropriations will likely be carried over into FY 2025-26.

The Development Impact Fee Fund is expected to have \$384,300 in funds available for specific projects at the end of FY 2024-25.

FY 2024-25 Final Budget Development

Staff will incorporate any further direction received from the City Council based on the presentation of the FY 2024-25 Preliminary Budget into the FY 2024-25 Final Budget. Additionally, staff is expected to meet with the Measure E Oversight Committee to review the Preliminary Budget for the Measure E Fund prior to the presentation of the Final Budget in June.

COUNCIL GOALS / OBJECTIVES

The Fiscal Year 2024-25 Preliminary Budget executes portions of the work tasks towards achieving / maintaining the Strategic Plan goal to maintain a High-Performance Government and Quality Service.

FISCAL IMPACT

The Fiscal Year 2024-25 recommended Preliminary Budget balances expenditures with anticipated revenues and carryover monies for noted funds.

Attachment A: General Fund Revenue and Expenditure Detail - FY 2024-25
Preliminary Budget

Attachment B: General Fund Revenue and Expenditure Account Detail - FY 2024-25
Preliminary Budget

Other Attachments - Fund Schedules for:

- Fund 200 - Measure E Fund
- Fund 500 - Water Enterprise Fund
- Fund 510 - Sewer Enterprise Fund
- Fund 300 - Capital Projects Fund
- Fund 310 - Special Projects Fund
- Fund 201 - Gas Tax Fund
- Fund 202 - Traffic Safety Fund
- Fund 206 - Developer Impact Fee Fund
- Fund 203 - Fire Reserve Fund
- Fund 204 - DUI Grant Fund
- Fund 205 - EPA Grant Fund
- Fund 225 - Vehicle Replacement Fund
- Fund 450 - E. Daniels Park Fund
- Fund 451 - Animal Shelter Fund

REVIEWED BY:

_____ City Manager