



## City of Grass Valley City Council Agenda Action Sheet

---

**Title:** FY 2022-23 Preliminary Budget Overview

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

- (1) approve the FY 2022-23 Preliminary Budget and provide further direction to staff as it relates to the preparation of the FY 2022-23 Final Budget; and
- (2) Set June 14, 2022 as the date for the public hearing for the FY 2022-23 Final Budget.

---

**Prepared by:** Andy Heath

**Council Meeting Date:** 05/19/2022

**Date Prepared:** 05/11/2022

**Agenda:** Administrative

**Discussion:**

The City of Grass Valley Charter requires submission of a preliminary budget to the City Council no later than June 1<sup>st</sup> 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 2022-23 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 consistent with information previously presented to the City Council on March 8, 2022 with the FY 2021-22 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 forecasts for revenues most impacted by the Pandemic (Sales Tax and Transient Occupancy Tax) have fully recovered from COVID Pandemic lows, factors including the ongoing recovery from the COVID-19 Pandemic, inflation levels not seen for 40 years and geo-political concerns all impact the City's current and future fiscal framework. 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 2022 in a manner similar to the updates provided during previous fiscal years. 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 2021-22 Final Budget in June 2022.

The following attachments are included with this report:

- Attachment A: General Fund Revenue and Expenditure Detail - FY 2022-23 Preliminary Budget
- Attachment B: General Fund Revenue and Expenditure Subaccount Detail - FY 2022-23 Preliminary Budget
- Fund Schedules: FY 2022-23 Preliminary Budgets for citywide major operating funds

### **General Fund**

FY 2022-23 General Fund Preliminary Budget:

	<b>Revenues</b>	<b>Expenditures</b>
FY 2021-22 Updated Budget	\$ 16,019,904	\$ 15,590,691
FY 2022-23 Preliminary Budget	\$ 16,079,103	\$ 16,465,511

The FY 2022-23 General Fund Preliminary Budget reflects revenues of \$16,079,103 and expenditures of \$16,465,511. Expenditures are higher than revenues by \$386,408 primarily due to anticipated increases in revenues offset by increases in expenditures and a recommended use of reserves for the Mill Street Pedestrian Plaza Project previously approved by the City Council. Revenue and expenditure impacts to the City's General Fund for FY 2022-23 are noted below.

FY 2022-23 budgeted revenue of \$16,079,103 reflects an approximate \$60,000 increase from revenues anticipated to be collected in FY 2021-22, primarily due to:

- Anticipated 3.0% increase in property taxes consistent with current housing market activity and increase in State CPI;
- Increases in Sales and Transient Occupancy Taxes consistent with anticipated recovery to normal collections levels as the economic impacts from COVID-19 wane;
- Increase in franchise fees related to garbage collections as rates increase;

- Increase in interest earnings based on the City's active participation in the investment market as interest rates rise;
- Reductions for one-time cannabis permit-related planning fees collected in FY 2021-22;
- Slight reductions in development-related revenues to bring budgeted amounts in line with conservative expectations; and
- Reductions for one-time revenues received in FY 2021-22 for COPS Grant growth prior year payments and SB-2 / LEAP Planning Grants.

FY 2021-22 budgeted expenditures of \$16,465,511 reflects an approximate increase of \$875,000 from anticipated expenditures to be incurred in FY 2021-22, primarily due to:

- Funding provided for anticipated citywide labor increases;
- Increased costs for citywide information technology - IT services contract / licensing / hardware & software;
- Slightly higher anticipated legal costs related to the retainer and other legal activities;
- Higher fuel costs;
- Funding provided for police License Plate Reader (LPR) software and RIPA program costs;
- Higher costs for workers compensation and general liability insurance;
- Ongoing allocation of funding towards citywide multi-media advertising and consultants;
- Set-aside of \$400,000 of anticipated FY 2021-22 General Fund surplus (\$429,213) towards the reconfiguration of the former AT&T property (City Corporation Yard) (a total of \$750,000 will be set-aside for this purpose); and
- The inclusion of an Appropriation for Contingencies in the amount of \$250,000.

As part of the FY 2022-23 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; 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 uses \$386,408 of reserves set aside over the prior two fiscal years to partially fund the Mill Street Pedestrian Plaza Project. Total General Fund reserves are anticipated to be approximately \$9.33 million at the end of FY 2022-23. Projected reserve levels as of June 30, 2023 are expected to include:

- \$ 6,489,901      Designated Reserves (See Attachment A for list)
- 2,847,550      Undesignated Reserves
- \$ 9,337,451    Total General Fund Reserves

### Measure E Fund

FY 2022-23 Measure E Fund Preliminary Budget:

	Revenues	Expenditures
FY 2021-22 Updated Budget	\$ 6,812,000	\$ 6,225,264
FY 2022-23 Preliminary Budget	\$ 6,915,000	\$10,464,872

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 2022-23 budgeted revenue of \$6,915,000 reflects an approximate \$103,000 increase from FY 2021-22 estimated revenues of \$6,812,000, primarily due to recovery of sales tax collections as the economic impacts of the COVID-19 Crisis wane.

FY 2022-23 budgeted expenditures of \$10,464,872 reflects an approximate \$4.2 million increase from estimated expenditures for FY 2021-22 primarily due to the one-time use of carryover fund balance from FY 2021-22 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), new projects anticipated to be funded by Measure E include the Condon Parking Lot Improvement, Bank Street Park Playground Upgrades, Sierra College Fields, Condon / Scotten Turf Replacements, Mill Street Pedestrian Plaza, and Memorial Park Pool and Facility upgrade (multiple funding sources), Mill Street Parking Lot and more than \$2 million allocated for Street Pavement Rehabilitation projects.

It should be mentioned that the Measure E Fund allocates funding for 21.1 FTE (position allocations) - 10.9 FTE in the Police Department and 10.2 FTE in the Fire

Department. All positions allocated to Measure E are funded in the FY 2022-23 budget and assumed filled for the entirety of the fiscal year. City staff will meet with the Measure E Oversight Committee to review FY 2022-23 budget elements prior to the consideration of the Final Budget in June.

It is anticipated that the Measure E Fund will have approximately \$1.46 million in Fund Balance on June 30, 2023. These funds may be appropriated for any Measure E related purpose in future fiscal years.

### **Water Fund**

FY 2022-23 Water Fund Preliminary Budget:

	<b>Revenues</b>	<b>Expenditures</b>
FY 2021-22 Updated Budget	\$ 2,295,000	\$ 2,517,088
FY 2022-23 Preliminary Budget	\$ 2,300,000	\$ 4,504,768

FY 2022-23 Water Fund revenues are currently projected slightly higher than prior year budgeted amounts, primarily as a result of higher anticipated interest earnings for FY 2022-23. FY 2022-23 Water Fund expenditures are recommended to be approximately \$2.0 million higher than those budgeted 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 2021-22 are being carried over into FY 2022-23. It should be mentioned although a rate increase is not anticipated for FY 2022-23, the City will be completing a Water (and Sewer) rate study to assure fee structures are in line with operational and capital needs expectations in the coming years.

Also recommended for the Water Fund is the continued funding of a Pension Reserve like the one currently in place in the General Fund. Staff is recommending maintaining the set-aside of \$75,000 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 Water Enterprise Fund.

It is anticipated that the Water Fund will have approximately \$1.16 million in Fund Balance at the end of FY 2022-23, all of which is reserved for specific purposes. The \$1.16 million ending Fund Balance assumes all capital projects are completed by the end of the fiscal year.

**Sewer Fund****FY 2022-23 Sewer Fund Preliminary Budget:**

	<b>Revenues</b>	<b>Expenditures</b>
FY 2021-22 Updated Budget	\$ 5,095,000	\$ 4,851,298
FY 2022-23 Preliminary Budget	\$ 5,110,000	\$ 7,478,540

FY 2022-23 Sewer Fund revenues are currently projected to be slightly higher than those budgeted in FY 2021-22, primarily due to an anticipated increase in interest earnings. FY 2022-23 Sewer Fund expenditures are recommended to be \$2.6 million higher than those budgeted in the prior year primarily due to the carryover of projects related to Annual Wastewater Treatment Plant Upgrades and the Slate Creek Lift Station. As mentioned in the discussion for the Water Fund, a Sewer Rate Study is scheduled to be completed at the outset of the coming fiscal year to assure appropriate fee structures are in place.

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.

It is anticipated that the Sewer Fund will have approximately \$5.08 million in Fund Balance at the end of FY 2022-23, \$4.75 million of which is reserved for specific purposes. The \$5.08 million ending Fund Balance assumes all capital projects are completed by the end of the fiscal year.

**Capital Projects Fund****FY 2022-23 Capital Projects Fund Preliminary Budget:**

	<b>Revenues</b>	<b>Expenditures</b>
FY 2021-22 Updated Budget	\$ 8,238,709	\$ 6,711,127
FY 2022-23 Preliminary Budget	\$17,123,684	\$18,790,635

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 revenue is estimated at \$17.12 million and expenditures are estimated at \$18.79 million for FY 2022-23. 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, East Main / Murphy Improvements, Mill Street Parking Lot, McCourtney Road Pedestrian Improvements, Bennett Street Bridge, Fuel Station Installation, CDBG Pool Project and Mill Street Pedestrian Plaza. 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.).

### **Special Projects Fund**

FY 2022-23 Special Projects Fund Preliminary Budget:

	<b>Revenues</b>	<b>Expenditures</b>
FY 2021-22 Updated Budget	\$ 6,565,622	\$ 35,828
FY 2022-23 Preliminary Budget	\$ 5,000	\$ 6,000,000

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. 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. The \$6 million has been received and is recommended for appropriation in FY 2022-23. At this time, there are no recommended projects for FY 2021-22.

The debt proceeds are recommended to be used towards the Sierra College Field and Condon & Scotten Turf Replacement Projects. It is anticipated that the Special Projects Fund will have just over \$1 million in fund balance on June 30, 2022 which may be used for future projects.

### **Gas Tax Fund**

FY 2022-23 Gas Tax Fund Preliminary Budget:

	<b>Revenues</b>	<b>Expenditures</b>
FY 2022-23 Updated Budget	\$ 828,994	\$ 723,000
FY 2022-23 Preliminary Budget	\$ 734,250	\$ 853,000

The Gas Tax Fund accounts for the receipt of gas tax, SB-1 (RMRA) and NCTC pass-through revenues which may be used towards applicable transportation-related expenditures. Gas Tax revenues anticipated to be collected during FY 2022-23 are expected to approximately \$95,000 lower than those anticipated to be received in FY 2021-22, due to elimination of the one-time pass through of NCTC funding received in FY 2021-22. Gas Tax Fund appropriations are anticipated to be \$130,000 higher in the upcoming fiscal year; and are recommended primarily for street maintenance, sidewalk, utility and project costs.

It is anticipated the Gas Tax Fund will have \$82,000 in fund balance remaining at the end of the 2022-23 fiscal year.

**Traffic Safety Fund**

FY 2022-23 Traffic Safety Fund Preliminary Budget:

	<b>Revenues</b>	<b>Expenditures</b>
FY 2021-22 Updated Budget	\$ 160,100	\$ 156,000
FY 2022-23 Preliminary Budget	\$ 160,100	\$ 156,000

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 collected during FY 2022-23 are expected remain unchanged from those anticipated to be received in FY 2021-22. Traffic Safety Fund appropriations are also anticipated to remain unchanged from the prior year. It is anticipated the Traffic Safety Fund will have \$9,700 in fund balance remaining at the end of the 2022-23 fiscal year.

**Development Impact Fee Fund**

FY 2022-23 Development Impact Fee Fund Preliminary Budget:

	<b>Revenues</b>	<b>Expenditures</b>
FY 2021-22 Updated Budget	\$ 179,231	\$ 372,757
FY 2022-23 Preliminary Budget	\$ 50,000	\$ 2,148,589

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 2022-23 only include interest earnings of \$50,000. 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 undertaken during FY 2022-23 using development impact fees: Mill Street Pedestrian Plaza, Storm Drain Plan, East Main Street Improvements, Mill Street Parking Lot and Matson Creek - Phase I. To the extent any projects anticipated during FY 2022-23 are not completed, the appropriations will likely be carried over into FY 2023-24.

The Development Impact Fee Fund is expected to have \$1.3 million in funds available for specific projects at the end of FY 2022-23.



### **FY 2022-23 Final Budget Development**

Staff will incorporate any further direction received from the City Council based on the presentation of the FY 2022-23 Preliminary Budget into the FY 2022-23 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 2022-23 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 2022-23 recommended Preliminary Budget balances expenditures with anticipated revenues and carryover monies for noted funds.

Attachment A: General Fund Revenue and Expenditure Detail - FY 2022-23 Preliminary Budget

Attachment B: General Fund Revenue and Expenditure Subaccount Detail - FY 2022-23 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
- Fund 780 - Grass Valley Successor Agency Fund

### **REVIEWED BY:**

\_\_\_\_ City Manager