



CITY OF ORLAND STAFF REPORT MEETING DATE: April 2, 2024

TO: Honorable Mayor and Council

FROM: Pete Carr, City Manager

SUBJECT: Fiscal Year 2024-25 Budget Discussion #1: Assumptions, Capital Improvement Planning, Staffing (Discussion/Direction)

BACKGROUND:

City staff is preparing a draft budget for the fiscal year 2024-25 (FY25) which starts July 1. The budget will represent the City's best estimate of probable revenues and a spending plan to support operational services and projects consistent with Council direction identified in recent years and throughout the budget process. Staff will continue to analyze revenue projections and collect cost estimates to produce an evolving budget picture in anticipation of a budget ready for adoption before June 30th.

ANALYSIS:

This evening's discussion will lay out major fiscal assumptions for the coming year, forecast major capital expenditures and projects for the coming year and discuss necessary staffing levels to support these objectives.

Direction received from Council this evening will further inform staff analysis as we proceed with formulation of the final proposed budget which is planned for presentation to Council for consideration of adoption on June 4th. In intervening Council meetings, we will examine Measure A Public Safety funds and General Fund revenues and expenditures by departments, water and wastewater utility funds, and the City's updated fleet and debt schedules.

Key assumptions for FY25

1. Both statewide and local economies will experience modest growth generally and low unemployment, improving as inflation and interest rates continue to relax.
2. Property and sales tax revenue growth will each be 2.5%:
 - a. Statewide decline in refueling will be countered locally by a new fuel station.
 - b. With automobile inventories improving and interest rates easing, vehicle sales will improve without a decline in prices; sales tax revenue from auto sales will increase 4%.
3. New apartment complexes will be completed, opened and filled by the first quarter; CHIP will have 9 houses in construction by mid-year, 18 by Q4.
4. Insurance rates, LE dispatch and animal control costs will rise significantly.
5. Measure A will have to absorb ambulance expenses and may have to accept some cost-shifting from General Fund within its stated mission purpose.
6. All ARPA-funded projects and a substantial amount of the DWR water project will wrap-up in FY25.
7. M½ reconstruction project will start and be completed in FY25. Several smaller paving and sidewalk projects will be planned for summer 2025.

Capital Projects and Objectives

High profile objectives include excellent strategic utilization of remaining ARPA funds and planning with Caltrans for eventual transformation of our SR32 corridor infrastructure.

Fire and Police fleet schedules are being updated, to be funded primarily via Measure A Public Safety Fund. Public Works fleet and equipment schedules will be updated and incorporated into General Fund and utility fund budgets. Capital projects utilizing ARPA funds are shown as part of the scope of projects but will also be shown separately on the ARPA Use Worksheet for funding purposes.

Proposed *capital* replacement and improvement projects beyond routine equipment and rolling stock replacements, chargeable to general funds, street funds and/or utility funds, include:

- Completion of expansion of water system capacity and extension to >180 new customers funded via reimbursement from the DWR Orland Groundwater Supply Project;
- Reconstruction and improvement of the entire City portion of Road M½;
- Planning for traffic flow improvement on Newville @ Ninth Street; and
- Phased replacement of curbs & sidewalks citywide, if labor resources are available.

The recreation trail should be completed with a long-sought federal permit, funded by a parks grant. Capital improvement project (CIP) planning will include advanced engineering work toward the next well, preparation for FY26 reconstruction of Shasta/Bryant Street, coordination of improvement plans with Caltrans for SR32. We'll get started on master plan updates for water, sewer, storm drainage and streets as a basis for future CIP planning.

Staffing

City Hall will maintain current staffing but may augment with seasonal/intern help and outsource some grant application and grant administration functions. Police and Fire Departments will maintain current staffing, acknowledging the challenge in filling currently funded police positions. The grant-funded SRO position will continue in its current format. Public Works will transfer one mechanic position to the Fire Department. No new payroll staffing is expected, but we will welcome LAEP-funded interns if available.

Attachments (3):

- A. Capital improvement and other DRAFT project objectives for FY25
- B. Established, Authorized and Funded Positions DRAFT schedule
- C. Updated Organization Chart

RECOMMENDATION

Provide direction at Council discretion. Staff will proceed with budget preparation accordingly.

Fiscal Impact of Recommendation:

Budget will balance revenues with expenditures as it provides for operational and improvement project objectives, and will maintain or build fund reserves.