

MEETING DATE: JUNE 16, 2025

TO: THE HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: TOM DUBOIS, CITY MANAGER

RE: 2025-2026 OPERATING BUDGET

RECOMMENDATION:

- 1) Adopt Resolution 24-25-* Adopting the 2025-2026 Operating Budget.
- 2) Adopt Resolution 24-25-* Adopting the Annual Appropriations Limit.

BACKGROUND:

Each year, the city of Sutter Creek creates and adopts an operating budget to assist staff and Council in tracking the city's fiscal performance and to ensure that we are guiding the city towards short and long-term financial sustainability. In short, the operating budget considers all revenues, expenditures, and capital investments for the following fiscal year and compares them to each other to see if we can expect a surplus or if we will need to tap into our reserves. Through the concerted efforts of the Council and staff, Sutter Creek continues to take intentional steps to guarantee that city services will continue to be available to its residents for many years to come.

This year, we used the same budget format used last year but with the added challenge of switching financial systems right as we were developing the budget. This strained staff time. We believe this draft incorporates everything but there may be some minor changes needed as we go through the review. Several categories were combined last year into the general fund (pool, Monteverde store, Cemetery, facilities). We are showing those categories zeroed out as they are included in the general fund. We will remove them in next year's budget template.

We are continuing to show ARSA expenses in detail within the Sutter Creek budget, rather than as the "black box" it was in years before last year. "Wastewater Disposal" shows revenue from AWA and Amador City and then shows ARSA expenses integrated into the budget.

The Amador County Board of Supervisors approved of the \$112,000 for the Bryson Park

bathroom. We are continuing to benefit from the LEAP planning grant, keeping our Planning Department costs low. The passage of the increased wastewater rates has enabled us to build up capital reserves for construction of a new WWTP. Your city staff is very capable of doing things “in house” and we have continued to do that to keep costs down. The entire staff deserves thanks for all they do to manage costs and keep the city running well.

This budget has some minor capital projects but is a bit of pause on major projects while we are building up reserves across the board and being careful not to overextend in an uncertain economy. With the Capital plan now in place, we can start to advance priority projects as reserves are available.

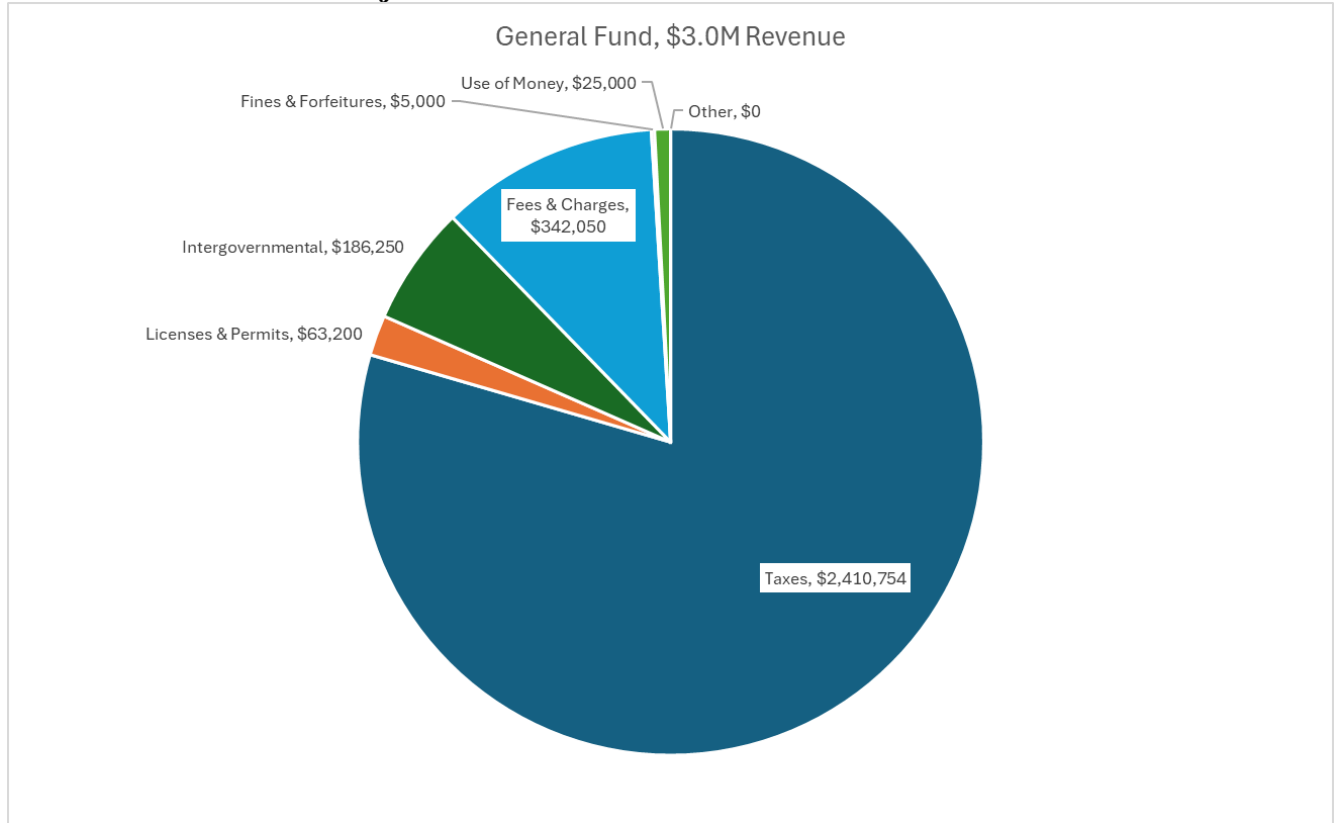
DISCUSSION:

In 2024-2025, actual revenue exceeded budget and also exceeded actual expenses by \$100,000. We are using those funds to balance the budget.

Staffing

Staffing is being maintained at the levels of FY2023-2024.

General Fund Revenue Projections:



The 2025-2025 budget is the first full year for the local transaction and use tax (TUT). Based on the recommendation of the oversight committee, that money is being put into a reserve. Funds can be spent as matching funds for a grant for a hard infrastructure project as defined by the committee.

Overall, revenue growth is projected to grow at about 2%. We based this year's budget on actual trends and tied the numbers back to our audit.

Property tax revenue is expected to grow by around 3%, which is supported by a housing market that continues to march along with strong property values. Interest rates have increased over the last year or two as an inflation reduction measure, but property values have not decreased as much as the market was expecting.

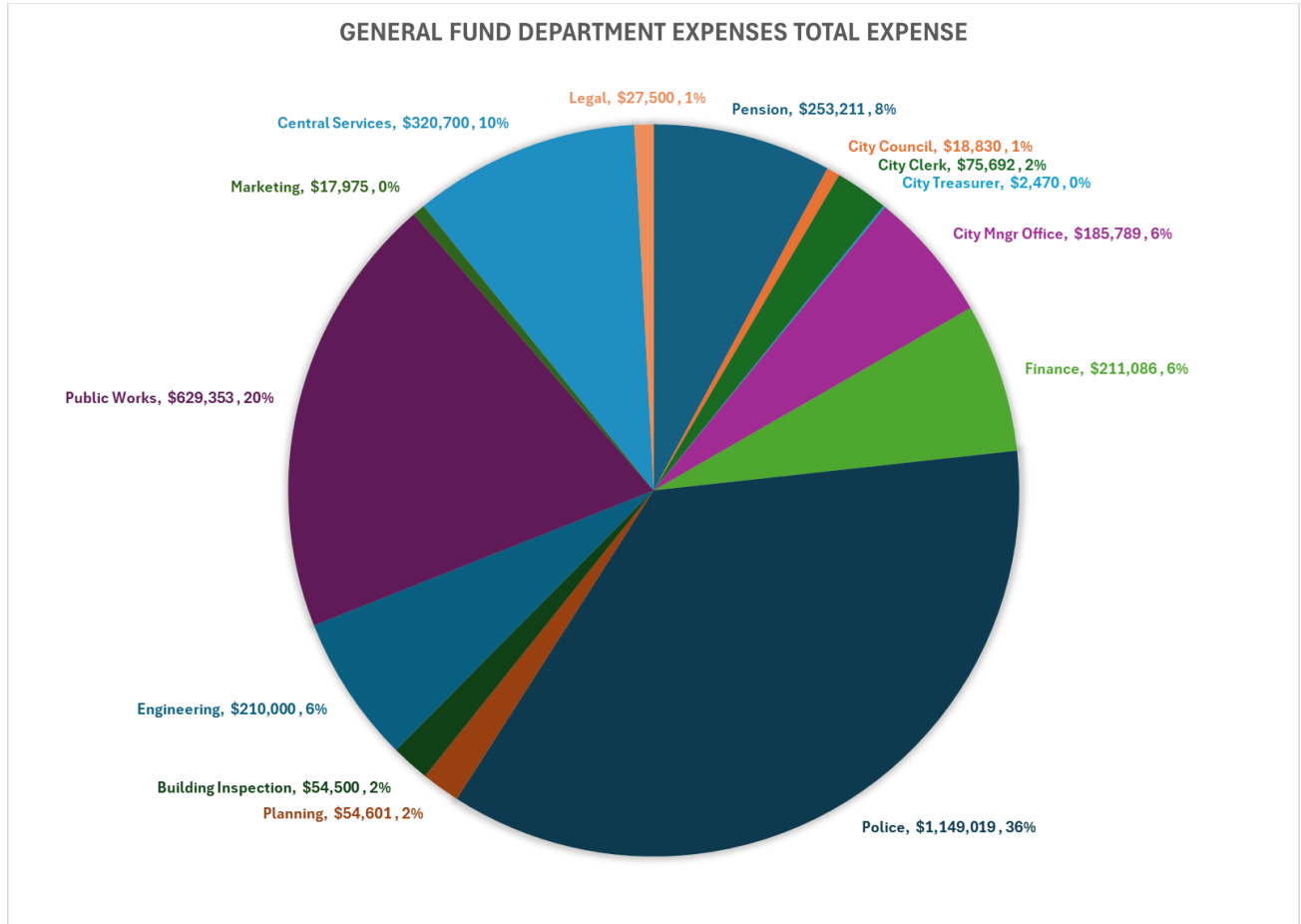
Sales tax revenue is expected to increase by 2.5% compared to last year.

Transient occupancy taxes (TOT) will likely see a 1% growth in revenues in FY25. Historically, this revenue stream has been hard to budget for, as it has bounced around quite a bit. With the formation of the Vintner Special Business District and the Lodging Special Business District, we are hopeful that marketing activity will drive a large increase in TOT. However, we are not budgeting for that.

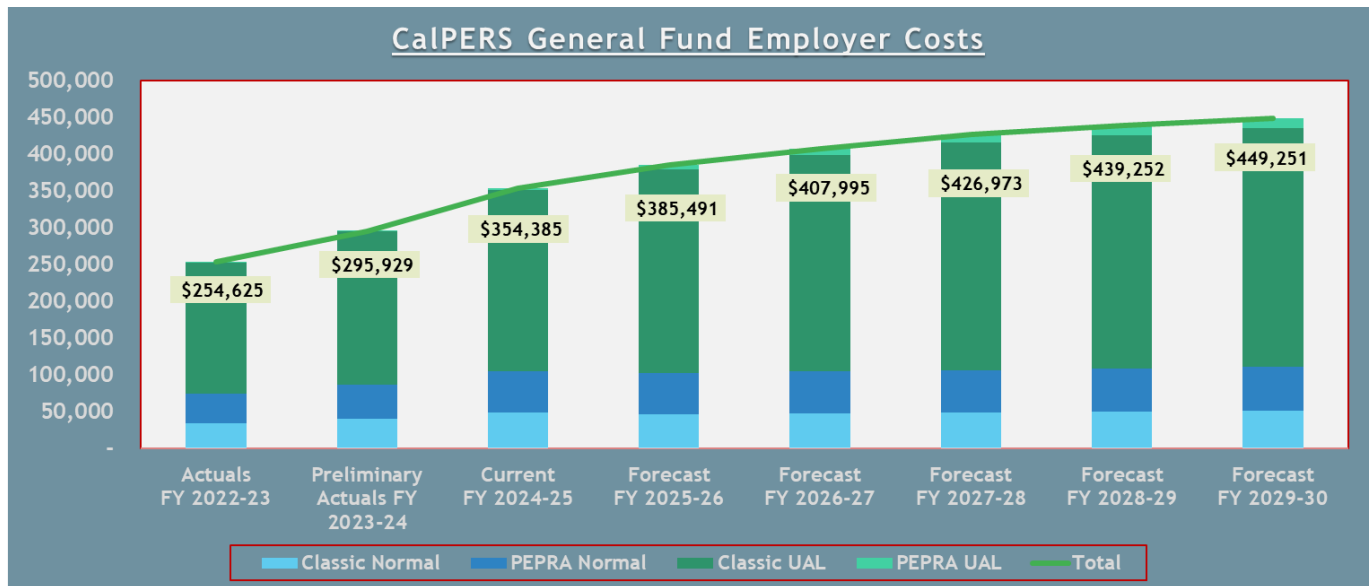
Sewer Revenue Projections:

In July 2025, a new sewer rate goes into effect. During the last year, the City has planned for a new WWTP, collected data on our irrigation system and is moving forward with the first set of repair projects to the collection system. We have retained a new wastewater engineer to represent the city as we go through the bidding and design process for the plant. We have also budgeted for critical repairs at the wastewater treatment plant and the ARSA pipeline.

Overall Expense Projections:



The City's biggest asset and cost are the people who work here. We continue to see an increase in labor costs including pension costs, health benefits, insurance and wage pressure. This budget plans for COLAs we are seeing in similar cities and some market adjustments in positions that have fallen behind our benchmark cities. Pension costs continue to increase though at a decreased rate. Classic pensions are the vast bulk of the expense. Over time as new employees phase in under the newer PEPRA plan, the city's pension obligations will improve greatly.



General Fund Changes / New Expenses of Note

Most of the budgeted expenses are very similar to last year with slight expected cost increases.

Expense items discussed in the previous meeting have been adjusted based on council feedback. Several parks and facilities capital projects (\$160,000 in total) are budgeted out of general fund revenues. This includes holiday lights, walking trail development, AC work, painting, and some needed facility repairs.

Police body cameras are coming from the Public safety impact fee reserves. We did shop for body cam purchases versus the lease – they were more expensive and didn't have a lot of the time saving features. Given how frequently they break, the department is recommending moving forward with the 5 year leasing agreement.

We have budgeted \$20,000 for weed abatement enforcement to improve fire safety.

The City's general liability insurance is going up 17% to \$530,000 per year. While a steep increase, a welcome change from last year's 40% increase.

We are looking forward to starting to see benefits from the new ERP system. In this budget we are still paying for a single license in the old system in order to have a backup and access historic financial data. Once the system is completely verified we will cancel that and see software cost savings next year. We will expect to see a short ROI on this purchase and will monitor productivity.

We are using a grant writing consultant. So far we have incurred costs without winning a grant. We will continue to monitor this situation. They have helped wrap up our FEMA projects and are alerting us to grant opportunities. We are evaluating the timing for a grant that would pay for the Henderson Dam repairs (\$800,000).

Enterprise Funds

In the wastewater fund, we continue to only complete critical repairs and capital purchases for the treatment plant. We anticipate about \$160,000 in projects this year paid by wastewater revenue.

We are using reserves for about \$800,000 in collection system repair projects.

At the end of this fiscal year, we will have built up enough reserves to fund the Henderson underdrain repair.

Street Enterprise funds are being used only for a few critical projects totaling about \$128,0900, including Karsan Dr.

Reserves

General Fund reserves are healthy. We are continuing to show some old reserve funds in this year's budget (at \$0) for continuity with the intent on removing them next year.

Wastewater reserves are growing, but with the anticipation that all of these funds and more will be needed to fund the new wastewater treatment plant.

Street reserves are being drawn done to achieve a few critical projects this year with existing funds. New Measure P funds are not being used and will be reserved.

Summary

Staff are happy to present this budget. We feel it is properly conservative while funding key projects that will advance the city's objectives.

We will continue to prioritize the overall wellbeing of the city and its residents, and through the work we plan to accomplish in the next fiscal year, which will be clearly seen. There is a lot of work ahead of us, and with the support of residents, staff, and council, we will march forward and continue to do all the things that make Sutter Creek great.