



CITY OF SAN JUAN BAUTISTA CITY COUNCIL STAFF REPORT

DATE: MAY 16, 2023

DEPARTMENT: CITY MANAGER

FROM: DON REYNOLDS

BY: DON REYNOLDS

TITLE: DRAFT BUDGET FOR FISCAL YEAR 2023/24 TRANSMITTAL

RECOMMENDED MOTION:

Introduce the proposed Operating and Capital Improvement Project budgets for Fiscal Year 2023/24, and schedule budget town-hall meeting May 25, 2023, and others, if necessary, in time for final approval on June 13, 2023.

RECOMMENDATION:

Provide staff with recommendations and considerations necessary to produce a final draft budget, and schedule budget town hall meetings May 25, 2023 and if needed May 29, 2023, or June 1st.

EXECUTIVE SUMMARY:

State law requires the City to adopt its budget before the end of the fiscal year, or before June 30th. The attached draft Budget for Fiscal Year 2023/24 is a straight forward, straight-line budget with no spikes in operational expenses. The City's finances remain solid as anticipated during the Mid-Year Budget Review February 21, 2023. Staff is seeking feedback from the City Council May 16, 2023, and suggesting a special town hall meeting May 25th. The goal is to adopt the budget at a special meeting June 13, 2023 and cancelling the regular meeting June 20, 2023. If necessary, this allows for a third special meeting to approve the budget June 27, 2023.

The draft budget includes a total expected revenue of \$4.88 million, with expenses of \$4.09 million, and a projected surplus of \$788,000. The first attachment to this report is a summary of all funds.

DRAFT BUDGET	Revenues	Expenses	Positive Net effect
General Fund	\$ 2,142,500	\$ 2,042,966	\$ 99,534
Sewer Fund	\$ 1,390,000	\$ 1,222,921	\$167,079
Water Fund	\$ 1,345,000	\$ 823,797	\$ 521,203

BACKGROUND:

The City’s budget cadence has remained the same since 2019, except when it was interrupted by COVID 19 Pandemic. The fiscal year starts July 1 of every year, the day after the close of the prior fiscal year. The City then completes its accounts payable and receivables for the prior fiscal year, and in the fall, prepares the annual audit. The audit is a critical milestone, because it confirms or refutes the assumptions made while preparing the Budget before actual end of the fiscal year. Accountability is measured by the audit.

At the start of the calendar year, the mid-year budget is prepared for the City that highlights the differences between the projected revenues and expenses in the budget, and the actuals presented in the audit. Typically, there are unexpected savings or increased revenues, and special projects can be funded before the end of the fiscal year. Between February and March, research is done to begin building the next budget, with strategic planning to occur in April and May. That new or updated strategic plan informs the next budget priorities. The budget and new narratives are placed into the “Cleargov” software and published to be accessible to all in an easy-to-understand way, on-line, in PDF and paper formats. Resolution 2022-49 was approved June 14, 2022, adopting the current Budget.

This year, the City’s audit was a month behind schedule due to the many changes required by the State law, the implementation of a new chart of accounts, and the implementation of a new financial software designed specifically for small municipalities. The Audit for FY 2021/22 was clean and accepted by the City Council when they adopted Resolution 2023-04, on the 24th of January, 2023.

OPERATIONAL BUDGET STATUS

The Mid-Year Budget Resolution 2023-16 was adopted February 21, 2023. It provided the status of the City’s revenues and expenses, describing the critical General Fund, Sewer, and Water Funds in more detail.

MIDYEAR BUDGET REPORT			
at 50% of the year			Positive
	Revenues	Expenses	Net effect
General Fund	49%	39%	\$432,000
Sewer Fund	64%	53%	\$274,000
Water Fund	51%	51%	\$212,000

The General Fund is experiencing some concern with sales tax, but property taxes and transient occupancy taxes are stronger than expected. The second Sheriff deputy position has not been filled, and the new Recreation Technician positions is being recruited for now. These are two big savings that have resulted in lower expenses than budgeted.

The sewer fund is advancing funds to pay for the design of the sewer force main, until the \$1 million federal Environmental Protection Agency grant can be used to reimburse it (“EPA STAG” expected in July 2023). The revenues are high due to the rate increase that will be needed to cover the debt service for the sewer force main on \$10 million dollar loan through the USDA. When these federal resources become available, the sewer fund will be healthy.

The water fund is only now beginning to see revenue increases from the rate increase approved last fall. It has incurred slightly higher expenses than anticipated due to the cost of bringing the Microvi system on-line. “Microvi” is the name of the firm that provided the technology to remove nitrates from the well water at Well 6. Having passed all pilot tests the permit application had to be prepared for the Waterboard, that includes a detailed operational component unique to the City’s needs. The “blending” of Well 6 has been approved by the Water Board in March 2023, and the plans to connect Microvi to the City’s system are being engineered now.

The Council also received the status of the City’s \$500,000 of American Rescue Act funds.

AMERICAN RESCUE PLAN

BASED ON THE JUNE 14, 2022 BUDGET STAFF REF		BUDGET	BUDGET	YTD		BALANCE	REAPP?
	CIP	FY 21/22	FY 22/23	TOTAL	FY 22/23		
COVID Tests	-	\$ -	\$ -	\$ -	\$ -	\$ -	
Business Grants	-	\$ 25,000	\$ 25,000	\$ 50,000	\$ 50,000	\$ -	
New Start-Up Business Grants	-	\$ 20,000	\$ 15,000	\$ 35,000	\$ 35,000	\$ -	
Homeless Programs	-	\$ 10,000	\$ -	\$ 10,000	\$ -	\$ 10,000	
Non-Profit Grants	-	\$ 15,000	\$ 10,000	\$ 25,000	\$ 25,000	\$ -	
School Facility/Joint Use Acce	22.07	\$ 175,000	\$ (75,000)	\$ 100,000	\$ 91,480	\$ 8,520	\$ 8,520
Third Street Transformation	22.01		\$ 115,000	\$ 115,000	\$ -	\$ 115,000	
Public Safety Initiative	22.02		\$ 100,000	\$ 100,000	\$ -	\$ 100,000	
Track and Field Contribution	-		\$ 50,000	\$ 50,000	\$ -	\$ 50,000	
Luck Park Historic Improve	23.03		\$ 15,000	\$ 15,000	\$ -	\$ 15,000	
		\$ 245,000	\$ 255,000	\$ 500,000	\$ 201,480	\$ 298,520	\$ 8,520

CIP STATUS

The second attachment to this report, is Exhibit D from the mid-year Budget Resolution 2023-16 that describes the status of the City’s capital Improvement (“CIP”) Budget. Not much has changed.

The Pavement Management Plan (street improvements) are almost complete awaiting warm weather for striping. The City's largest CIP in decades, the sewer force main is out to bid now, as well as the RFP for the Construction Management/Inspection firm for this project. The City is finally out to bid for the Community Hall acoustics.

The third attachment to this report are the new or changed CIPs approved at Mid-Year. The Strategic Plan was approved and is well underway with Citygate. Fumigation of city facilities has been completed, and Meg Clovis, Historic Preservation consultant has been retained. The biggest change approved at Mid-Year was the need for the Housing Element to be completed before December 31, 2023. The Council approved \$150,000 for that study and community engagement process and this consultant is under contract. The remaining projects on this list have not been able to move forward yet.

The City has completed 7 CIPs in 2022/23, spending close to \$2 million. The Pavement Management Plan (street repair work) at a cost of \$1.4 million, is the primary recipient of this funding. None of these street improvement costs relied upon the General Fund. With \$500,000 going toward park improvements, and of this \$170,000 was from using State Proposition 68 grant funds.

In 2019, the City had no grants pending, in process or recently completed. The City now has more than \$20 million in grants, paying for sewer system upgrades, park improvements, urban planning projects including the completed Active Transportation Plan, and technology upgrades. Grants pending or being applied for include more of the State housing funds, Permanent Local Housing Allocation ("PLHA, "SB2, LEAP and REAP). New grants are being written for Abbe Park upgrades, (a separate report on this agenda, due June 1, 2023), historic preservation, more active transportation planning and street/sidewalk improvements.

There is no record of the City ever filing a disaster claim with FEMA. Today City has three pending claims with FEMA worth more than \$350,000. Inspections of flooding damages occurred the week of May 1st, and will continue through the end of June. Outreach to individual victims for FEMA assistance has been on going and was included in the most recent utility billing. The City is finally ending its COVID 19 Claim.

DISCUSSION

The City uses two budgets: Operational and Capital Improvement Project budgets. The operational budget is the heart to the matters where the business gets done. The CIP consists of one-time expenses that have a beginning, implementation, and an end to them.

OPERATIONAL BUDGET FOR FY 2023/24

The City's Operations Budget is stronger than in past years for a few reasons. Revenues for the General Fund are higher, due to an increase in sales tax, property tax, and transit occupancy tax. The sewer and water enterprise fund are healthy and able to carry the debt needed to improve these systems to federal and State Water Board standards.

But economists warn of the economy slowing, and this has a chilling effect on the City's revenues. The City relies heavily on its sales tax. It is projected to be flat for the next 12-24 months. The City can afford to grow cautiously with its general fund (mostly used for public safety). Staff is recommending that expenses remain where they are, while making some small but important adjustments.

General Fund expenses are well below budget primarily due to the budget unspent for a second dedicated Sheriff deputy. This \$150,000 in funding from the General Fund remains in the budget until a deliberation concerning the reorganization of public safety occurs. This effort is described in the attached narrative "Personnel Changes Considered for Fiscal Year 2023/24 Draft May 10, 2023." After eliminating private security, the City can afford the cost of two new positions in Public Safety as recommended by Citygate. That Narrative also justifies the need for an additional maintenance worker, and a part-time Office Assistant to help with communicating city work and accomplishments with the community, customer service at the front counter, keeping City Hall open until 5 PM each work day, and support for the Deputy City Clerk in human resources and risk management.

The Budget also includes funding to support Economic Development, Historic Preservation, and a new Economic Development Strategy. Funding is included to help train and educate Commissioners as well as Councilmembers. A second part-time position is being requested to support economic development. These services would include helping to draft and implement an Economic Development Strategy, special event coordination, support for the EDCAC, the National Main Street program, and Third Street liaison.

The re-bidding of the contracts for City Engineer and Private Security have improved services and support of staff, and saved the city funds.

The link below is to the City's budget book for FY 23/24. It includes the attached narratives, and line-item details for each fund and department. Please open the spread sheet if you prefer the details, otherwise there are charts and graphs that provide a general overview.

<https://city-san-juan-bautista-ca-budget-book.cleargov.com/10219>

Growing cautiously equals a slightly reduced spending in line with increasing but stable revenues.

CAPITAL IMPROVEMENT BUDGET

Staff is working on a formal CIP for the City Council's first Budget Hearing. Here are some of the highlights anticipated for FY 23/24.

WASTEWATER

The \$14 million contract to build the sanitary sewer force main to Hollister is on schedule to be awarded in late June or July of 2023. This project is critical to move forward with its effort to

come into compliance with the USEPA and decommission its wastewater treatment plant. It is one of the largest CIPs the City has taken on in decades.

IMPORT DRINKING WATER

The Water District and City will soon enter into a permanent agreement and the design of this project to import surface water and blend it with the ground water will be moving forward again this summer. These agreements have already been drafted. It should be ready to bid by next spring, and could start construction before the end next fiscal year. Water quality is the community's number one priority.

PARKS

This past fiscal year saw the completion of several big projects including the two parks, and most of the street improvements. These projects drained the resources for these topics, and one park was slightly subsidized by the General Fund. On this same agenda is a grant application requesting \$380,000 for Abbe Park Upgrades, to include new lights, ADA improvements and a small children's playground. This grant requires a 50% match that could be funded from a part of the General Fund savings from FY 22/23.

The \$1.4 million used for the street improvement project was an accumulation of three years of funding from the State SB1, County Measure G and other resources dedicated for this purpose. No General Fund was needed. The final touches including striping and landscaping will begin in June. There was approximately \$300,000 in savings in the street improvement project that can be used to begin design the next phase of street improvements for FY 24/25.

A small amount of \$143,00 from special grant funds received from COG are being budgeted for sidewalk repairs and to improve ADA accessibility in the older parts of the City.

FLEET ELECTRIFICATION PLAN

The fourth attachment is the beginning of a City Fleet Electrification Plan. 3CE is providing programming and design funds to place a charger at the PWs Yard, and to help by electric vehicles. It provides an aging report of trucks and vehicles no longer in service that need to be replaced. It suggests using smaller utility electric carts around town. Hopefully with 3CE's support, this project can get moving early in July. The consultant was hired by 3CE at its April Board meeting.

STRATEGIC PLANNING AND CLEAR.GOV

The City's use of Clear-Gov helps the community understand the complexities of government budgeting, in the form of number and spread sheets, but also with graphs, charts and narratives. The Strategic Plan narrative is in progress, as the City works to complete this project with the help of Citygate. The attached "Priorities and Issues Narrative" is a direct reflection of the work completed by Citygate from the many interviews completed, the two workshops, and surveys. Issues that include water, economic development, and improving communication. The "Personnel Changes Considered for Fiscal Year 2023/24 Draft May 10, 2023" narrative includes the full-

justification for consideration of adding the 3 full-time and two part-time positions. These are attached to this transmittal letter for those that do not have access to the computer link provided in this report. They will be included in the 180-page Budget when it is printed for the public.

FISCAL IMPACT:

The suggestions in this preliminary budget message are all concepts at this time. As it stands, the City can move forward with the attached draft budget, or it can expand slightly by adding two part-time positions, and re-organizing public safety. Either way, the City will have a balanced budget for FY 23/24 and remain in a strong fiscal position for the new Fiscal Year.

ATTACHMENTS:

- 1) Fund Summary
- 2) Mid-Year Resolution
- 3) Mid-Year CIPs
- 4) Fleet Electrification Plan
- 5) Narrative “Personnel Changes Considered for Fiscal Year 2023/24”
- 6) Narrative “Budget Priorities and Issues for Fiscal Year 2023/24”