



REPORT TO CITY COUNCIL

Approved by:

Michael Lima

Michael Lima, Director of Financial Services

Arnoldo Rodriguez

Arnoldo Rodriguez, City Manager

Council Meeting of: August 16, 2023

Agenda Number: A-1

SUBJECT:

Informational Workshop Regarding the City of Madera Budget, Capital Improvement Program (CIP) and Master Fee Schedule for Fiscal Year 2023/24

DISCUSSION:

Council may recall that as part of the City's budget process, staff conducted workshops pertaining to the City's Budget. More specifically, Council held workshops on:

- May 17, 2023 – to discuss proposed CIP for streets, active transportation, and storm drainage projects.
- June 7, 2023 – to discuss FY 2022/23 and FY 2023/24 projected revenues
- June 21, 2023 – to discuss FY 2022/23 projected expenditures and obtain guidance on possible fee adjustments
- August 2, 2023 – to discuss proposed CIP for Fire, Parks, Sewer, and Water

The workshops were intended to provide Council and the community with a preliminary overview of the 5-year CIP, the Citywide Operating Fiscal Budget, and the related revenue sources and expenditures by fund and department that collectively comprise the City's Budget. As a result of the feedback obtained in those workshops, staff has completed the compilation of the FY 23/24 budget.

SUMMARY OF PROPOSED BUDGET:

The FY 2023/24 Proposed operating budget is balanced. The projected annual operational revenues, including transfers will sufficiently pay for projected operational expenditures. Operational expenditures are the normal cost of conducting City business and providing services to the Madera community (e.g., personnel, utilities, supplies, equipment, contractual services, and similar costs). The following is a summary of the budget elements:

GENERAL FUND

The General Fund is the main operational fund of the City with revenues from various sources. The following 10 major revenue sources account for nearly 90 percent of the General Fund revenues:

- Sales & Use Taxes
- Property Tax
- Secured Property Tax
- Engineering Fees
- Building Permits
- Transient Occupancy Tax
- Business License Tax
- Cable Utility Franchise Tax
- Grants
- Plan Check Fees

The following table identifies the proposed General Fund operating budget.

<i>Description</i>	<i>Proposed</i>		<i>Projected surplus</i>
	<i>Revenues</i>	<i>Expenditures</i>	
General Fund	\$43,228,243	\$42,875,904	\$352,339

ENTERPRISE FUNDS

Enterprise funds are municipal services that are funded through fees charged partly or wholly to cover the costs of the services provided. The fees collected must be used on operating and/or capital expenditures directly related to the enterprise for which they were collected, such as water, sewer, or street sweeping. The revenues projected for the Water, Sewer, and Solid Waste enterprise fund reflect the adjusted rates approved by the ratepayers via the Proposition 218 process completed last year. Table 2 provides a summary of the enterprise funds' projected revenues and expenses for Fiscal Year 2023/24.

Table 2: Enterprise Funds for FY 2023/24

<i>Description</i>	<i>Proposed Revenues</i>	<i>Proposed Expenditures</i>	<i>Operating Surplus/(Deficit)</i>
Water	\$24,394,353	\$24,394,353	\$0
Sewer	\$28,908,417	\$27,266,005	\$1,642,000
Airport	\$2,524,960	\$2,424,909	\$100,051
Golf Course ¹	\$317,921	\$317,921	\$0
Dial-A-Ride	\$1,414,443	\$1,315,054	\$99,389
Fixed Route (Madera Metro)	\$2,794,405	\$2,045,876	\$748,529
Drainage	\$1,978,122	\$1,978,122	\$0
Solid Waste	\$8,832,545	\$8,832,545	\$0

¹ The Golf Course Fund is subsidized by \$120,421. In November 2023, the City will retire the golf course's outstanding debt. Moving forward, unless the Council directs otherwise, the General Fund's contribution will be nominal.

Funds with an Operating Surplus have projected revenues greater than proposed appropriations. Council may choose to appropriate these monies as part of the FY 23/24 budget or leave them in the fund balance to be used in an emergency during the fiscal year.

OVERALL BUDGET APPROPRIATIONS

Citywide Proposed appropriations, including Capital Expenditures, for FY 2023/24 are approximately \$193.3 million. Projected citywide revenues are approximately \$199.1 million. Please see Exhibit A attached. The Proposed Budget includes the following funds:

- General Fund
- Measure K
- Enterprise Funds
- Special Revenue Funds
- Internal Service Funds

KEY ASSUMPTIONS

While staff is proposing a balanced budget, it is important to highlight the current economic climate and key assumptions that influenced the FY2023/24 proposed budget revenue and expenditure projections:

1. Economic Climate

The current economic climate dictates cautious optimism, especially with regard to revenue projections and increasing budgetary expenditures. The pandemic after-effect relative to consumer confidence and spending is still a concern, a situation that could be worsened by current inflation and Federal Reserve actions. Staff will continue to monitor

the situation and will recommend adjustments as may be necessary as the fiscal year unfolds.

2. Revenue

- Sales tax projections are based on HDL estimates (including Measure K).
- Property tax projections include the basic 2% adjustment per Proposition 13.
- Other general and special revenues projected include 2% to 3% increases based on contributing factors to the specific revenue.
- Utility revenue estimates were based on the 2021 Rate Study and the related Proposition 218 approved rate adjustments approved by the City Council on July 20, 2022.
- In preparing the budget, staff estimated major City revenues as indicated below:
 - Projected Retail Sales & Use Tax: \$13.1 million
 - Measure K: \$7.2 million
 - Transient Occupancy Tax (hotel tax): \$1.0 million
 - Property tax in-lieu (c. 2004): \$7.6 million
 - Property tax: \$4.6 million
 - Business License revenue: \$0.6 million
 - Interest Income: \$1.0 million

3. Expenditures/Expenses

- Utility and Public Works Material costs are based on analysis of historical trend and/or 4% adjustment.
- Projected salaries and benefits include all anticipated pay and benefits in compliance with negotiated Memorandums of Understanding with the City's bargaining units, as well as anticipated merit increases and promotions within class series.
- The increase in healthcare premiums to be effective January 1, 2024, and employee lump sum payments made in July 2023 are funded in the proposed budget by General Fund reserves as directed by Council.
- Retirement costs estimates, including unfunded liability, are based on CalPERS actuarial report for the City dated June 30, 2021

4. Balancing the Budget: General Fund

The proposed FY2023/24 General Fund budget is a balanced budget. It includes all the requisite appropriations departments need to effectively run city operations. The budget as proposed has a projected surplus of \$352,339 if all the revenues and expenditures materialize as contemplated. All of this projected surplus is being earmarked for deposit in the General Fund Stabilization Reserve in order to meet the 30% of appropriations reserve requirement established by the City's adopted General Fund Reserve Policy.

The City has ample reserves including the General Fund Stabilization Reserve. Should the City receive less revenue than anticipated on account of the tenuous economic climate, the City expects to utilize reserves to offset revenue shortfalls. Such utilization of reserves will be brought to Council for consideration and approval.

5. Budgeted Positions:

The City Manager has reviewed current positions and all previously budgeted positions have been included in the proposed budget, as well as positions added since adoption of the last operating budget, such as four grant-funded Police Officer positions. In addition, the City Manager is recommending the following new positions in the proposed budget as well as the noted reclassifications.

All current vacancies as well as recommended new positions and reclassifications are included in the proposed budget with reasonable assumptions regarding hire date, pay, and applicable benefits. As the year progresses, staffing will be regularly reviewed and analyzed for needed adjustments. Any requests for additional positions will be subject to Council consideration and approval. The new position recommendations and reclassifications included in the proposed budget are outlined in Table 3 below.

Table 3: New positions			
<i>Department</i>	<i>Status</i> ¹	<i>Position</i>	<i>Notes</i>
Public Works			
Wastewater	FT	Wastewater Treatment Plant Operator-in-Training	
Water	PT	2 part-time Maintenance Worker I	Duties would include exercising water valves
Sewer	PT	2 part-time Maintenance Worker I	Duties would include preventive sewer main cleaning
Safe & Clean Team	FT	1 Equipment Operator and 2 Maintenance Worker II	Replacing current team of part-time positions. The part-time positions would be eliminated.
Parks & Community Services	FT	Administrative Analyst I	Replacing current part-time Analyst position with a full-time position. The part-time position would be eliminated.
Parks & Community Services	PT	After School Program Leader I	Multiple positions
Building Division	FT	Administrative Assistant	
Building Division	PT	Intern	
¹ Status: FT = Full time, PT = Part Time			

Table 4: Position Reclassifications				
<i>Department</i>	<i>Status</i> ¹	<i>Position</i>		<i>Position status</i>
		<i>Existing</i>	<i>Proposed</i>	
Parks & Community Services	FT	Park Manager	Park Project Manager	Vacant
Public Works Admin.	FT	Purchasing Assistant	Office Assistant II	Filled
Wastewater Treatment Plant	FT	Operator I	Plant Mechanic	Filled
¹ Status: FT = Full time, PT = Part Time				

The FY 2023/24 proposed budget has a total of 319 Full Time Equivalent (FTE) compared to 298 FTE in FY 2022/23. FTE is determined by the percent of the fiscal year for which the position is budgeted. FTE may fluctuate based on position changes, as noted in Table 3, but may also fluctuate when previously vacant position budgeted for a partial year are now budgeted for a full fiscal year. Part-time FTE counts are calculated as a percent of a full-time year, or 2,080 hours. This may also fluctuate based on the City’s needs and anticipated services or programs, such as adding the Madera Unified School District After School Program to the proposed budget.

6. Health Care and Retirement for Vacant Positions

For the FY 2023/24 proposed budget, vacant full-time positions were budgeted at the expectation of employee only health coverage in the Anthem plan and the Public Employee Pension Reform Act (PEPRA) tier for the CalPERS pension.

7. Planned Promotions

Planned promotions have also been captured in the budget. These promotions are for class series where classification is determined by certification and/or time in the position (i.e., Police Officer I to Police Officer II). Another example is movement within the Wastewater Treatment Plant Operator series upon higher level certification after passing exams from the California State Water Resources Control Board. These promotions will only be effectuated upon satisfactory job performance at the current classification level documented in a written performance evaluation and subject to approval by the City Manager.

8. Employee Compensation

The FY 2023/24 Proposed Budget includes all salary and benefit adjustments as approved by the City Council. This includes the 2% cost-of-living adjustment (COLA) and \$1,500 lump sum payments for applicable positions effective the first paycheck of July 2023, the 2% COLA to be effective December 2023, and the adjustment to the City’s contribution towards health insurance to be effective January 2024.

The Proposed Budget also includes merit step increases to be awarded as earned by employees via satisfactory performance evaluations. Merit step increases are only awarded within the defined steps of the assigned salary range for the position and are not automatic.

9. Debt

The total City outstanding debt, including utility debts, is \$55.02 million as of June 30, 2023. The Proposed FY2023/24 Budget includes appropriations for the related debt service payments totaling \$8,251,036 in various funds.

10. Measure K

Measure K is a Sales Tax adopted by the residents of Madera to support Public Safety. The revenue generated by this ½ cent sales tax is split equally between the Police and Fire Departments. Measure K revenue is used for both operations and capital improvements. Measure K Police and Fire funds are budgeted and accounted for separately. This budget recognizes the following:

<i>Table 5: Measure K Revenue and Expenditures FY 2023/24</i>			
<i>Department</i>	<i>Projected</i>		<i>Difference</i>
	<i>Revenues</i>	<i>Expenditures</i>	
Police	\$3,734,024	\$3,715,701	\$18,323
Fire	\$3,739,870	\$3,112,472	\$627,398

- Measure K Stabilization Fund

The Council approved the establishment of a Measure K stabilization reserve with an allocation of \$130,000 of Measure K revenue for both Police and Fire each year until the reserve amount reaches the equivalent of 30 percent of Measure K expenditures. As of June 30, 2023, both Police and Fire have a stabilization reserve fund balance of \$780,000. By June 30, 2024, both Police and Fire will have stabilization reserve fund balances of \$910,000. Both reserves are short of the 30 percent of Measure K expenditures and will need further contributions in future fiscal years.

<i>Table 6: Measure K Reserve Account</i>		
<i>Fiscal Year</i>	<i>Police</i>	<i>Fire</i>
2017/2018 ⁽¹⁾	\$130,000	\$130,000
2018/2019	\$130,000	\$130,000
2019/2020	\$130,000	\$130,000
2020/2021	\$130,000	\$130,000
2021/2022	\$130,000	\$130,000

2022/2023	\$130,000	\$130,000
2023/2024	\$130,000	\$130,000
Total	\$910,000	\$910,000
<i>(1) The Reserve account was created in FY 2018/2019; however, revenue exceeded projections in FY 2017/2018 and funds were retroactively adjusted.</i>		

- Fire Engine Replacement Fund

Additionally, the Council approved a fire engine replacement fund with annual allocation of \$200,000 beginning in FY 2017/18. This was increased to \$490,000 per year in FY 2022/23. As of June 30, 2023, the reserve fund has a balance of \$738,540. Table 6 on the next page provides a summary.

Table 7: Fire Engine Replacement Program ⁽¹⁾			
<i>Fiscal Year</i>	<i>Allocation</i>	<i>Expenses</i>	<i>Running Total</i>
2017/2018 ⁽¹⁾	\$200,000	\$0	\$200,000
2018/2019	\$200,000	\$0	\$400,000
2019/2020	\$200,000	\$0	\$600,000
2020/2021	\$200,000	\$0	\$800,000
2021/2022	\$200,000	\$751,460 ⁽²⁾	\$248,540
2022/2023	\$490,000	\$0	\$738,540
2023/2024	\$490,000	\$0	\$1,228,540
<i>(1) The program was created in FY 2018/2019; however, revenue exceeded projections in FY 2017/2018 and funds were retroactively adjusted.</i>			
<i>(2) Council authorized the purchase of a New Type 1 Engine.</i>			

BUDGET SUMMARY:

Staff is pleased to present a balanced General Fund budget. More detailed information regarding the budget may be found in the proposed budget document which includes the City Manager’s Budget Message.

FINANCIAL IMPACT:

The Proposed Budget is the City’s fiscal plan of operations and capital improvement for the Fiscal Year 2023/24. It supports appropriations of \$193,283,994 for the FY2023/24 operations of the City.

ALTERNATIVES:

Direct staff to amend the proposed budget for consideration by Council.

Exhibit A

CITY OF MADERA BUDGET – FISCAL YEAR 2023/2024

CITYWIDE SUMMARY OF REVENUES, EXPENSES, AND CAPITAL EXPENDITURES

Fund	Projected Revenues	Salaries & Benefits	Materials & Services	Other Oper. Exp.	Capital Exp.	Proposed Expend.	Contribution To (Appro. Of) Fund Balance
General Fund	\$ 43,228,243	\$ 24,341,209	\$ 12,878,062	\$ 5,656,633	\$ -	\$ 42,875,904	\$ 352,339
Water	24,470,586	2,577,699	3,126,267	2,930,714	15,835,906	24,470,586	-
Sewer	28,908,417	2,533,792	2,622,395	4,309,755	17,800,063	27,266,005	1,642,412
Solid Waste	8,848,894	802,418	6,887,276	1,159,200	-	8,848,894	-
Drainage	1,978,122	544,694	340,668	281,260	811,500	1,978,122	-
Airport	2,524,960	194,230	149,022	210,657	1,871,000	2,424,909	100,051
Transit	5,459,252	578,122	2,572,649	191,446	622,424	3,964,641	1,494,611
Golf	317,921	-	14,457	228,464	75,000	317,921	-
Enterprise Funds	\$ 72,508,152	\$ 7,230,955	\$ 15,712,734	\$ 9,311,496	\$ 37,015,893	\$ 69,271,078	\$ 3,237,074
General Grants	2,037,901	158,492	274,291	38,311	1,566,807	2,037,901	-
Measure K - Police	3,734,024	1,997,710	323,617	475,374	919,000	3,715,701	18,323
Measure K - Fire	3,739,870	-	2,326,122	113,000	673,350	3,112,472	627,398
Development Impact Fees	6,037,031	-	1,865,867	467,239	3,703,925	6,037,031	-
State Gas	6,495,695	-	-	2,227,916	4,267,779	6,495,695	-
Measure T	11,485,660	-	-	-	11,454,388	11,454,388	11,272
Regional Surface Transportation	1,035,600	-	-	-	1,035,600	1,035,600	-
Business Improvement District	20,000	-	18,710	1,290	-	20,000	-
Parks Grants	4,166,161	219,103	209,568	-	3,720,655	4,149,326	16,835
Police Grants	584,211	330,123	82,822	-	171,266	584,211	-
Tobacco Law Enforcement Grant	252,363	111,606	-	-	-	111,606	140,757
Parking District	37,291	17,734	15,000	4,557	-	37,291	-
Fed Aid Urban Grant	4,198,297	-	-	-	4,198,297	4,198,297	-
Local Transportation	5,281,815	-	-	969,810	4,312,005	5,281,815	-
Landscaping Assessment	452,664	-	23,307	420,093	-	443,400	9,264
ARPA	16,163,515	-	-	16,163,515	-	16,163,515	-
Supplemental LAW	106,000	-	106,000	-	-	106,000	-
Intermodal	213,987	20,066	70,957	84,561	-	175,584	38,403
Economic Development	161,500	-	5,000	-	156,500	161,500	-
Housing	3,551,483	37,117	428,819	-	2,858,500	3,324,436	227,047
CFD Special Revenue	1,277,074	-	14,200	672,368	-	686,568	590,506
Special Revenue Funds	\$ 71,012,142	\$ 2,891,951	\$ 5,764,280	\$ 21,638,034	\$ 39,038,072	\$ 69,332,337	\$ 1,679,805
Fleet	3,158,877	404,097	360,876	181,275	1,953,500	2,899,748	259,129
Facilities Maintenance	2,254,133	1,184,223	572,078	497,832	-	2,254,133	-
Technology	1,584,644	582,958	316,716	93,620	591,350	1,584,644	-
Insurance Reserve	385,000	-	164,940	-	-	164,940	220,060
Internal Service Funds	\$ 7,382,654	\$ 2,171,278	\$ 1,414,610	\$ 772,727	\$ 2,544,850	\$ 6,903,465	\$ 479,189
Capital Funds	\$ 1,445,465	\$ -	\$ -	\$ -	\$ 1,445,465	1,445,465	\$ -
Successor Agency	\$ 3,501,200	\$ -	\$ 251,200	\$ 3,154,545	\$ 50,000	\$ 3,455,745	\$ 45,455
Total Citywide	\$ 199,077,856	\$ 36,635,393	\$ 36,020,886	\$ 40,533,435	\$ 80,094,280	\$ 193,283,994	\$ 5,793,862