

CITY OF YUBA CITY
STAFF REPORT

Date: June 1, 2021
To: Honorable Mayor & Members of the City Council
From: Finance Department
Presentation By: Spencer Morrison, Finance Director

Summary

Subject: Adoption of the City of Yuba City's Fiscal Year 2021-2022 Operating and Capital Budgets and Fiscal Year 2021-2022 Appropriations Limit.

Recommendation: A. Adopt a Resolution approving the proposed Fiscal Year 2021-2022 Operating Budget.

B. Adopt a Resolution approving the Fiscal Year 2021-2022 Capital Improvement Program. Project Summaries by Funding Source are attached to the resolution.

C. Adopt a Resolution approving the City's Appropriations Limit for Fiscal Year 2021-2022.

Fiscal Impact: Adoption of these documents sets forth the City's financial plan for the next twelve months.

Purpose:

To formally adopt policy documents authorizing implementation of fiscal priorities during Fiscal Year 2021-2022.

Background:

The City Council held a budget workshop on May 25th to review the proposed operating budget and capital improvement program. At that time, the Finance Director provided an overview of the upcoming year and presented assumptions, charts, and changes from prior years that were included in the proposed budget. The City Council asked questions and made comments with regard to the proposed operating budget. In addition, City Council was provided an overview of the proposed projects provided for in the City's Capital Improvement Project budget. City Council discussed and made the following changes/amendments to the proposed budgets at the budget workshop:

- The FY 2021-2022 proposed budget includes staff recommendations on revenues for water and wastewater operating funds as a placeholder pending discussion and direction by City Council on utility rates during a future agenda item; any budget amendments, if applicable, will be made at that time.

Analysis:

As discussed at the budget workshop, Finance is recommending various year end transfers to

occur as of June 30, 2021, prior to the start of the new fiscal year. They include the following:

Technology Replacement Purchases:

Transfer \$44,800 from the general fund to the technology replacement fund (TRP) to provide necessary funding for Police handheld and patrol car radios (\$42,800) and a network router for CLETS (\$2,000).

Fleet Maintenance Purchase:

Transfer \$52,500 from the general fund to the vehicle maintenance fund (VMF) to provide necessary funding for a new heavy vehicle lift that is included as a capital acquisition purchase in the FY 2021-2022 proposed budget, but for which sufficient funding is not currently available in the VMF.

Water and Wastewater Working Capital:

In accordance with the provisions of the City's Budget Policy, direction is to ensure that as of June 30, 2021, the Water Fund and the Wastewater Fund have a 90-day working capital balance. Working capital beyond the 90-day requirement will be transferred to the respective capital improvement program fund for future rehabilitation and replacement projects for the utility (Section 5 of the budget adoption Resolution).

Split Year-End Surplus Equally Between General Unallocated CIP and the Pension Stabilization Trust Fund:

The City's Fiscal Policy ensures that as of June 30th of each year, the General Fund has a reserve balance of no less than 15% of the subsequent fiscal year's appropriations, and anything in excess of that is split equally as a set aside for onetime capital infrastructure needs in the City's general unallocated capital improvement reserve fund and the City's pension stabilization trust fund.

The Fiscal Policy ensures the reserve policy is met and that if the general fund does not have sufficient reserve funds to meet the policy threshold, funds are transferred back to the general fund from the general unallocated capital improvement reserve fund. No funds would be transferred back from the pension stabilization trust fund to meet the 15% reserve requirement, once funds are transferred to this trust fund they can only be utilized to pay CalPERS retirement costs and not for any other purpose.

This action provides prudent financial management practices as it sets aside onetime budget savings at the end of a fiscal year for future onetime capital expenditures or to provide funding for pension liabilities. Absent other explicit direction from the City Council, by default this will occur at the end of every year. However, City Council retains full discretion to provide alternative direction to Finance each year.

This action is included in Section 4 of the budget adoption Resolution. It is currently projected that surplus funds from FY 2020-2021 will be approximately \$2.5 million. Staff proposes transferring \$7,900 to the LLMD 1A (Stabler Lane) fund to erase a prior year fund deficit and \$565,000 to unallocated general fund CIP to utilize a portion of the anticipated general fund surplus for FY 2021-22 expenditures, and a proposed \$500,000 reimbursement to the Pension Stabilization Trust fund to replenish funds withdrawn in FY 2019-20 to help close an estimated budget shortfall, which leaves approximately \$1,921,400 which could be available for onetime capital investment and transfer to the pension stabilization trust fund. The CIP funds remain discretionary should City Council determine alternate uses, at any time.

Additional Discretionary Payment (ADP) to CalPERS:

The proposed FY 2021-22 operating budget includes a general fund payment of \$500,000 from the City's Pension Stabilization Trust Fund towards making an additional discretionary payment (ADP) towards the Miscellaneous CalPERS Plan. In addition to the general fund contribution from the Pension Stabilization Trust, the City's other funds which have Miscellaneous CalPERS covered employees would participate in making an ADP as well. Their share would total \$349,300 for Water, Wastewater, Fleet, and SASA departmental expenditures (for a total ADP of \$849,300).

By paying extra funds to CalPERS, the City will reduce the unfunded actuarial accrued liability (UAL) and save in future years' interest costs. Finance also saves retirement costs by pre-paying the unfunded actuarial liability in July each year. CalPERS allows a discount by pre-paying the annual payment instead of making monthly payments equal to one-twelfth of the total amount owed for the year. City staff is also requesting to make a second, separate ADP payment to CalPERS equal to the interest discounted amount. This ensures the City will pay the total amount budgeted to CalPERS for the UAL instead of the discounted amount. This too, is yet another way to reduce our unfunded liabilities and save interest expense long-term. Section 4 of the budget adoption resolution includes authorization for this ADP.

Additional Considerations:

Other considerations to add to this budget are to direct the Finance Director to amend the FY 2020-21 sales tax revenue budget in the General Fund to provide an amended budget that is more in line with staff's projection: \$15,682,000 in account 100-41310. The original budget was set in May, 2020, with the popular sentiment of pessimism due to the ongoing pandemic. Such an adjustment may appear more favorably to rating agencies in the near future.

Fiscal Impact:

Adoption of an operating budget and a capital improvement program budget that prioritizes the needs of the community.

Alternatives:

Make other changes to the budget as proposed.

Recommendation:

The required Resolutions have been prepared and are attached for Council consideration.

Attachments:

1. Resolution approving the proposed Fiscal Year 2021-2022 Operating Budget
2. Resolution approving the proposed Fiscal Year 2021-2022 Capital Improvement Program Budget
3. Resolution approving the City's Appropriations Limit for Fiscal Year 2021-2022

Prepared By:

Submitted By:

/s/ Spencer Morrison

Spencer Morrison
Finance Director

/s/ Dave Vaughn

Dave Vaughn
City Manager

Reviewed By:
City Attorney

SLC by email

ATTACHMENT 1

RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF YUBA CITY
ADOPTING THE CITY'S OPERATING BUDGET FOR FISCAL YEAR 2021-2022**

WHEREAS, a proposed operating budget for the City of Yuba City for the fiscal year commencing July 1, 2021 and ending June 30, 2022 was submitted to the City Council by the City Manager on May 25, 2021 in accordance with Section 2-2.02 of the Municipal Code; and,

WHEREAS, a special City Council workshop on the proposed FY 2021-2022 Operating Budget ("proposed annual budget") was held on May 25, 2021; and,

WHEREAS, the City Council desires to make certain year-end transfers in the current fiscal year to establish reserves and anticipate certain expenditures that are incorporated in the proposed annual budget.

NOW, THEREFORE, the City Council of the City of Yuba City does hereby resolve as follows:

Section 1. The proposed annual budget is adopted as the annual budget for the City of Yuba City for the fiscal year commencing July 1, 2021 and ending June 30, 2022.

Section 2. The Finance Director is directed to ensure that as of June 30, 2021, the Water and Wastewater operating funds have a 90-day reserve fund balance in accordance with the provisions of the City's Budget Policy.

Section 3. The Finance Director is directed to make the following transfers from the General Fund to the Technology Replacement Fund (Fund 622) and Vehicle Maintenance Fund (Fund 619) from the following accounts in the current budget year:

<u>No.</u>	<u>From Account No.</u>	<u>Description</u>	<u>Amount</u>	<u>To Account No.</u>
1	100-Z69990	Unalloc. Fund Balance	\$44,800	622-Z69980
2	100-Z69990	Unalloc. Fund Balance	\$52,500	619-Z69980

Section 4. The Finance Director is directed to ensure that as of June 30, 2021, the general fund has a reserve fund balance of no less than 15% of FY 2020-2021 General Fund expenditures in accordance with the provisions of the City's Fiscal Policy. The Finance Director is further directed to transfer any reserve fund balance in excess of 15% as follows:

<u>No.</u>	<u>Account Number</u>	<u>Description</u>	<u>Amount</u>
1	240-Z69980	LLMD 1A Fund Balance	\$ 7,900
2	301-Z69980	Set-aside Fund Balance	\$565,000
3	702-Z69980	Pension Stabilization Trust	\$500,000
4	301-Z69980	General Unallocated CIP	½ of Remaining \$ > 15%
5	702-Z69980	Pension Stabilization Trust	½ of Remaining \$ > 15%

If the general fund reserve fund balance is less than 15% as of June 30, 2021, the Finance Director is directed to transfer any deficiency back from the Unallocated General Fund Capital Improvement Fund reserve to the General Fund to ensure it meets the 15% reserve requirement.

Section 5. As directed in Section 4, above, the Finance Director will replenish the Pension Stabilization Trust in the amount of \$500,000 using FY 2020-21 anticipated surplus funds prior to June 30, 2021 for funds withdrawn to reimburse the General Fund for PERS normal costs in FY 2019-20 and withdraw \$500,000 from the City's Pension Stabilization Trust Fund to make an additional discretionary payment to CalPERS from the general fund also before June 30, 2021 recognizing the economic benefit of doing so. Including Water, Wastewater, Fleet, and SASA, the total additional discretionary payment to be made is \$849,300. Additionally, the Finance Director is directed to pay the unfunded actuarial liability in a lump sum payment in July for the entire fiscal year to take advantage of CalPERS interest rate discount. After the lump sum payment is made, the Finance Director is directed to make another additional discretionary payment equal to the interest rate discount authorized by CalPERS so that the total paid equals the amount budgeted for the City's unfunded actuarial liability payment.

Section 6. The Finance Director is directed to amend the FY 2020-21 sales tax revenue budget in the General Fund to provide an amended budget that is more in line with staff's projection: \$15,682,000 in account 100-41310.

Section 7. The Finance Director is authorized to make other such revisions, individual appropriation line-item changes, changes in summaries, fund totals, grand totals, and other portions of the budget document as necessary to reflect and implement the programs specified in this resolution, and in full accordance to the direction provided by the City Council up until the adoption of the resolution.

The foregoing Resolution of the City Council of the City of Yuba City is duly introduced, PASSED AND ADOPTED at a regular meeting thereof held on this 1st day of June, 2021 by the following vote:

AYES:

NOES:

ABSENT:

ATTEST:

Marc Boomgarden, Mayor

Ciara Wakefield, Deputy City Clerk

APPROVED AS TO FORM
COUNSEL FOR YUBA CITY

Shannon L. Chaffin, City Attorney

ATTACHMENT 2

RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF YUBA CITY
ADOPTING THE CITY'S CAPITAL IMPROVEMENT PROGRAM BUDGET
FOR FISCAL YEAR 2021-2022**

WHEREAS, a proposed capital improvement program budget for the City of Yuba City for the fiscal year commencing July 1, 2021 and ending June 30, 2022 was submitted to the City Council by the Finance Director on May 21, 2021 in accordance with Section 2-2.02 of the Municipal Code; and

WHEREAS, a special City Council workshop on the proposed FY 2021-2022 Capital Improvement Program Budget ("proposed CIP budget") was held on May 25, 2021; and

WHEREAS, City Council reviewed and discussed projects proposed in the FY 2021-2022 Capital Improvement Program Budget during the budget workshop on May 25, 2021.

NOW, THEREFORE, the City Council of the City of Yuba City does hereby resolve as follows:

Section 1. The proposed annual CIP budget is adopted for the City of Yuba City for the fiscal year commencing July 1, 2021 and ending June 30, 2022.

Section 2. The Draft Capital Improvement Budget was provided to the Planning Commission for review and comment on May 19, 2021. The Planning Commission approved the findings of consistency with the General Plan at their regularly scheduled May 26, 2021 meeting.

The foregoing Resolution of the City Council of the City of Yuba City is duly introduced, PASSED AND ADOPTED at a regular meeting thereof held on this 1st day of June, 2021 by the following vote:

AYES:

NOES:

ABSENT:

ATTEST:

Marc Boomgaarden, Mayor

Ciara Wakefield, Deputy City Clerk

APPROVED AS TO FORM
COUNSEL FOR YUBA CITY

Shannon L. Chaffin, City Attorney
Aleshire & Wynder, LLP

ATTACHMENT 3

RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF YUBA CITY
DETERMINING AND ESTABLISHING THE CITY'S APPROPRIATIONS
LIMIT FOR FISCAL YEAR 2021-2022**

WHEREAS, on November 6, 1979, the voters of the State of California approved an initiative measure which added Article XIII B to the California Constitution; and

WHEREAS, said constitutional provision imposes a limitation upon certain annual appropriations of state and local public entities; and

WHEREAS, pursuant to said new constitutional provision, the State Legislature amended the Government Code by adding thereto Division 9 to Title I of said Code (§7900 et seq.); and

WHEREAS, California Government Code Section 7910 requires the governing body of each local jurisdiction to establish its appropriations limit by resolution; and

WHEREAS, pursuant to said code section, the documentation provided by the Finance Director upon which the determination and establishment of this resolution is based has been and is on file with and available for public inspection in the office of the City Clerk for fifteen (15) days prior to the date of adoption of this Resolution.

NOW, THEREFORE, the City Council of the City of Yuba City does hereby resolve as follows:

Section 1. Pursuant to Government Code §7910 the appropriations limit for Fiscal Year 2020-2021 is determined to be and shall be the sum of \$194,332,732.

Section 2. The limitation established by the above paragraph includes only "appropriations subject to limitation," as said phrase is defined by Section 9 of Article XIII B of the California Constitution is the sum of \$37,205,993.

The foregoing Resolution of the City Council of the City of Yuba City is duly introduced, PASSED AND ADOPTED at a regular meeting thereof held on this 1st day of June, 2021 by the following vote:

AYES:

NOES:

ABSENT:

ATTEST:

Marc Boomgaarden, Mayor

Ciara Wakefield, Deputy City Clerk

APPROVED AS TO FORM
COUNSEL FOR YUBA CITY

Shannon L. Chaffin, City Attorney
Aleshire & Wynder, LLP