



STAFF REPORT – CITY COUNCIL MEETING

June 21, 2023

TO: Honorable Mayor and City Council Members

FROM: Tabatha Miller, Finance Director

PREPARER: Tabatha Miller, Finance Director

DATE: June 11, 2023

TITLE: **Public Hearing on the Proposed Appropriations Limit for Fiscal Year (FY) 2023-24, Consider Adopting Resolution No. 223-55 Adopting the Proposed Appropriations Limit for FY 2023-24, Public Hearing on FY 2023-24 Proposed Budget, and Consider Adoption of Resolution No. 223-57 Adopting the City Budget for FY 2023-24.**

RECOMMENDATION:

It is recommended that the Council:

- 1) Open the public hearing to receive public comment regarding the Appropriations Limit for Fiscal Year (FY) 2023-24;
- 2) Adopt Resolution No. 223-55, A Resolution of the City Council of the City of Arcata Adopting the FY 2023-24 Appropriations Limit under Article XIII B of the California Constitution and establishing the period for contesting such limit;
- 3) Open the public hearing to receive public comment regarding the City of Arcata's Proposed FY 2023-24 Budget; and
- 4) Adopt Resolution No. 223-57, A Resolution of the City Council of the City of Arcata Adopting the Annual Budget for the Fiscal Year beginning July 1, 2023.

Recommended Motion: 1) Adopt Resolution No. 223-55, A Resolution of the City Council of the City of Arcata Adopting the FY 2023-24 Appropriations Limit; and 2) Adopt Resolution No. 223-57, A Resolution of the City Council of the City of Arcata Adopting the Annual Budget for FY 2023-24.

INTRODUCTION:

The City Council reviewed the City Manager's Proposed Fiscal Year (FY) 2023-24 Budget at its regularly scheduled meeting on June 7, 2023. Incorporating City Council direction at that meeting, a final budget has been prepared for adoption. Adoption of the annual budget includes the City Council Goals and Priority Projects, the projected revenue and expenditure estimates, the City's Capital Improvement Program (CIP) projects, investment of designated Fund Balance Reserves to reduce the City's Unfunded Pension Obligation and transfer of Available Fund Balance in the General Fund to Fund Balance Reserved for Contingency in order to increase those Contingency reserves from 25 percent of the General Fund Operating Expenditures to 30 percent.

BACKGROUND:

Section 2305 of the Arcata Municipal Code requires that a current annual operating budget be adopted by the City on or before the first day of July of each year. The City Council reviewed the Proposed FY 2023-24 Budget on June 7, 2023.

Each year, the governing body of the state and each local governmental must establish and is subject to an Appropriations Limit, also referred to as the Gann Limit. The Appropriations Limit for any year is the Appropriations Limit from the previous fiscal year increased by inflation and population changes. Government Code § 7910 requires that 15 days prior to adopting its annual Appropriations Limit, a local government make available to the public the documentation used to determine the Appropriations Limit. The documentation used to determine the FY 2023-24 Appropriations Limit was published as part of the agenda item to review the FY 2023-24 Budget at the June 7, 2023, meeting. That documentation is attached as Attachment B.

Public notice of these two public hearings was published in the Mad River Union on May 31, 2023, to ensure that interested members of the public were notified of the opportunities to provide public comment.

DISCUSSION:

Updates/Revisions to the FY 2023-24 Proposed Budget

The chart below details the changes from the FY 2023-24 Proposed Budget submitted to and reviewed by the City Council on June 7, 2023. The changes reflect direction provided to staff by the Council at the June 7, 2023, meeting, instances where budget information has been revised to reflect more current figures or trends and in the case of the increased insurance cost for account 661-50-63-52000, a correction.

Included in the revisions, are the one-time contributions to the California Public Employees' Retirement System (CalPERS) of \$ 5,000,000 with \$2,500,000 from the General Fund Available Fund Balance, \$1,000,000 from the Water Fund Available Reserves and \$1,500,000 from the Wastewater Fund Available Reserve. Additionally, Resolution No. 223-57 provides the authority to establish an IRS Section 115 trust to prefund pension obligations with an initial amount of \$2,500,000 utilizing \$1,250,000 from the General Fund Available Fund Balance, \$500,000 from the Water Fund Available Reserves and \$750,000 from the Wastewater Fund. The Resolution also includes a provision to increase the General Fund Balance Reserved for Contingency from twenty-five percent (25%) of the General Fund Operating Expenditures to thirty percent (30%); and transfers \$8,338,000 from the Wastewater Fund Available Fund Balance to the Wastewater Reserve for Capital Replacement.

Account Code	Description	Proposed	Final	Budget Impact	Note
101-00-00-45325	School Resource Officer Grant	\$290,000.00	\$0	(\$290,000)	
					Did not receive Measure Z
			Net Impact	(\$290,000)	funding from the County
211-00-00-45213	Coastal Commission LCP	\$0.00	\$100,000	\$100,000	
211-30-13-58218	Coastal Commission LCP	\$9,000.00	\$109,000	(\$100,000)	
			Net Impact	\$0	Just received notice of grant award
350-00-00-44210	PW Reimb Revenue	\$0.00	\$95,000	\$95,000	
350-50-41-50100	Regular Salaries	\$0.00	\$55,368	(\$55,368)	
350-50-41-50909	Other Employee Benefits	\$0.00	\$39,461	(\$39,461)	
			Net Impact	\$171	Project Manager Position as directed by Council
101-20-08-56400	Pension Obligation Payments	\$0.00	\$2,500,000	(\$2,500,000)	
661-20-08-56400	Pension Obligation Payments	\$0.00	\$1,000,000	(\$1,000,000)	
662-20-08-56400	Pension Obligation Payments	\$0.00	\$1,500,000	(\$1,500,000)	
			Net Impact	(\$5,000,000)	Pension Obligation Prepayment as directed by Council
101-10-01-52108	Other Support Payments	\$30,000.00	\$45,000	\$15,000	
			Net Impact	\$15,000	City Council Community Funds as directed by Council
881-00-00-41110	Tax Increment Funds	\$322,966.00	\$471,913	\$148,947	
			Net Impact	\$148,947	Updated revenue number
101-10-17-52010	General Liab. & Prop Dam	\$181,874.00	\$171,587	\$10,287	
205-60-87-52000	Insurance	\$20,799.00	\$19,428	\$1,371	
661-50-63-52000	Insurance	\$0.00	\$203,997	(\$203,997)	
661-60-64-52000	Insurance	\$192,400.00	\$179,712	\$12,688	
662-50-65-52000	Insurance	\$208,000.00	\$194,283	\$13,717	
662-60-67-52000	Insurance	\$182,000.00	\$169,998	\$12,002	
663-50-91-52000	Insurance	\$75,076.00	\$74,390	\$686	
664-60-73-52000	Insurance	\$20,799.00	\$19,428	\$1,371	
666-50-52-52000	Insurance	\$10,401.00	\$9,715	\$686	
666-60-51-52000	Insurance	\$20,799.00	\$19,428	\$1,371	
771-50-57-52000	Insurance	\$169,186.00	\$150,956	\$18,230	
			Net Impact	(\$131,588)	Updated Insurance Cost based on Actual
			Total Net Change	(\$5,257,470)	Total Net Impact to City Budget

The following schedule summarizes the City Manager-recommended appropriations for the FY 2023-24. Additional details can be found in the Proposed Budget FY 2023-24 Document (Attachment D). Of note in the updated Proposed Budget FY 2023-24 Document, is the inclusion of a comprehensive Capital Improvement Program (CIP) section, which replaced the two-page summary in the document provided for the June 7, 2023, meeting. The CIP section, produced by the Engineering Department, provides more details and background on the projects that make up the current \$43.5 million CIP. Going forward, the document will serve as a comprehensive tool for better accounting and planning of CIP projects and will create more transparency for the public.

City of Arcata
Fiscal Year 2023-24 Proposed Appropriations
Comparison to the Prior Year Adopted Budget

	Proposed				
	Budget FY 2023- 24	Adopted Budget FY 2022-23	Dollar Difference	Percent Difference	
Legislative	\$ 596,808	\$ 638,582	\$ (41,774)	-6.5%	
Executive	1,080,739	1,010,236	70,503	7.0%	
Legal	325,600	200,600	125,000	62.3%	
Finance	987,026	919,642	67,384	7.3%	
Police	7,934,741	7,993,996	(59,255)	-0.7%	
Public Works	2,672,275	1,961,801	710,474	36.2%	
Parks & Recreation	4,561,675	2,025,215	2,536,460	125.2%	
Planning & Development	2,322,043	1,932,782	389,261	20.1%	
Non-Departmental	3,763,737	1,450,049	2,313,688	159.6%	
Debt Service	74,395	74,331	64	0.1%	
Total General Fund	\$ 24,319,039	\$ 18,207,234	\$ 6,111,805	33.6%	
Legislative	\$ 105,000	\$ 239,500	\$ (134,500)	-56.2%	
Police	491,834	726,546	(234,712)	-32.3%	
Public Works	9,579,963	6,009,993	3,569,970	59.4%	
Parks & Recreation	1,997,895	2,224,588	(226,693)	-10.2%	
Planning & Development	2,049,469	12,512,404	(10,462,935)	-83.6%	
Enterprise Funds:					
Water	11,287,471	11,861,678	(574,207)	-4.8%	
Wastewater	27,792,116	21,095,121	6,696,995	31.7%	
Solid Waste	568,741	560,160	8,581	1.5%	
Transportation	1,416,998	3,449,558	(2,032,560)	-58.9%	
Stormwater	798,963	798,604	359	0.0%	
Internal Service					
Central Garage	2,048,243	2,155,650	(107,407)	-5.0%	
IT Services & Maintenance	559,520	610,745	(51,225)	-8.4%	
Non-Departmental	2,820,779	163,426	2,657,353	1626.0%	
Total Other Funds	61,516,992	62,407,974	(890,982)	-1.4%	
Total City Funds	\$ 85,836,031	\$ 80,615,208	\$ 5,220,823	6.5%	

BUDGET/FISCAL IMPACT:

The City Manager’s Proposed Budget establishes the framework for all City activities for FY 2023-24. Those amounts are summarized above and provided in detail in the attached Proposed Budget FY 2023-24 Document (Attachment D). The City’s FY 2023-24 appropriations are within the required Appropriations Limit, also known as the Gann Limit, proposed for adoption at \$19,946,493 less the State directed additional subvention of \$4,900,000, for an annual limit of \$15,046,493.

ATTACHMENTS:

- A. Resolution No 223-55 FY 2023-24 Appropriations (Gann) Limit (PDF)
- B. Calculation of FY 2023-24 Appropriations (Gann) Limit (PDF)
- C. Resolution No. 223-57 FY 2023-24 Proposed Budget (PDF)
- D. Proposed Budget Fiscal Year 2023-24 (PDF)