

STAFF REPORT

City Council Discussion Item

DATE: May 9, 2024

TO: Honorable Mayor and Council Members

FROM: Aaron Felmlee, Finance Director

THRU: Merritt Perry, City Manager

SUBJECT: Fiscal Year (FY) 2024-25 Proposed Budget

STAFF RECOMMENDATION:

Receive the FY 2024-25 Proposed Budget;

EXECUTIVE SUMMARY:

Staff has prepared the 2024-25 Fiscal Year Proposed Budget which includes the recommended operating programs and Capital Improvement Projects. Staff has prepared the budget with the intent of providing the most amount of services to the community while still presenting a balanced budget. Staff prepared the budget primarily focusing on the following principles:

- Current services will be preserved at existing levels to the highest degree possible.
- The budget will comply with State Constitution, City Charter and Municipal Code provisions.
- Working Capital balances will be examined to ensure balances are healthy enough to protect the City from any future uncertainties.
- Staff will strive to balance recurring expenditures with recurring revenues.
- Department budgets will be developed to reflect the best estimates possible for the true cost of operations.

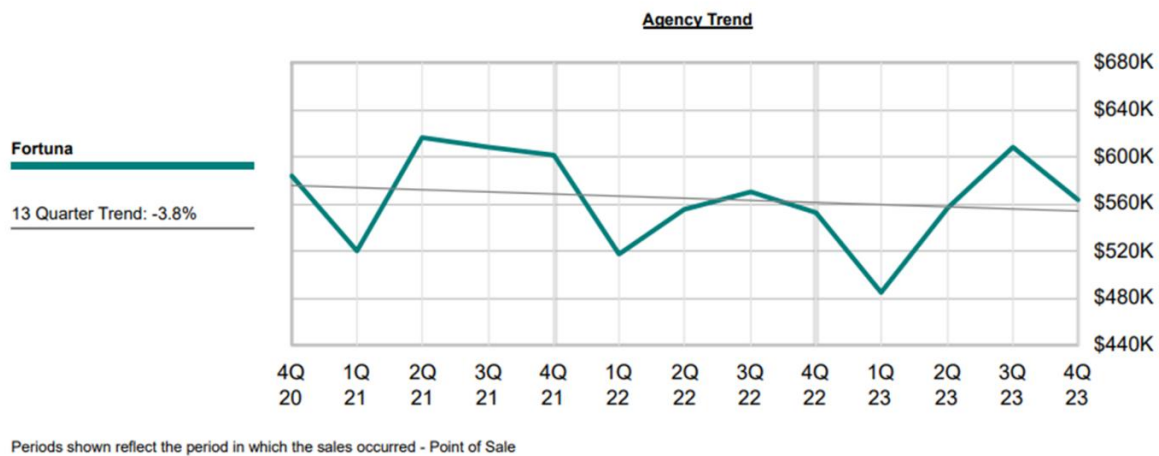
As part of the City's proposed budget analysis, staff has reviewed every line item of each activity. The above work has resulted in a high level of confidence by staff that the 2024-25 Fiscal Year Proposed Budget will carry out the most amount of services for funding available.

In summary, the General Fund has a net surplus of \$467 after expense rollovers are removed. Expense or project rollovers are projects that were budgeted in the previous fiscal year's budget (utilizing previous year revenue to offset) but have not yet been completed so they have been included in this year's expense budget once again (but not the offsetting revenue since those have already been received). The General Fund projects that are being rolled over are \$31,000 for Building Division vehicles and \$60,000 for Monday Club Chimney repairs. The Measure E Fund also included project rollovers comprising \$175,000 for Storm Drain Maintenance Projects, \$35,000 for General Park and Improvement projects, \$50,000 for RCRPD Benefit Assessment project support, \$850,000 for Newburg Park Acquisition improvements, \$37,500 for a new

Boom Mower, \$115,000 for Playground Improvements at Newburg Park, and \$40,000 for the Police Department Facility project.

Revenues in the General Fund and Measure E Fund are heavily dependent on sales tax, making up over \$4 million or 50% of revenue in those funds. Sales tax revenue is monitored quarterly by staff through a consultant, HdL, due to this heavy reliance. HdL is provided not only the City’s sales tax data but also County and Statewide data. This is helpful because it can point to wider trends in the economy in both the local area (County) and Statewide. For instance in 4Q 2023 the City of Fortuna had an increase of 1.6% in quarter over quarter sales tax receipts however, the County as a whole was down 3.2% and the State was down 2.5%. Looking into next fiscal year staff anticipate only about a 1% increase in sales tax revenue as discretionary spending declines from COVID-19 highs.

The below chart demonstrates the 13 Quarter Trend for Bradley-Burns sales tax. As the chart demonstrates the trend over that period has been -3.8%.



Additional information on the Cities fiscal year 2024-25 budget can be found in the attached budget document.

RECOMMENDED CITY COUNCIL ACTIONS:

Receive the FY 2024-25 Proposed Budget.

ATTACHMENTS:

- A. FY 2024-25 Proposed Budget