



DATE: November 20, 2023

TO: Honorable Mayor and Members of the City Council through City Manager

FROM: Jessie Gooch, Finance Director
Corey Garberolio, Assistant Director of Finance
Isabel Craft, Finance Analyst

SUBJECT: Introduction (First Reading) of Ordinances to Change Certain Appropriations for the Operations of the City of Petaluma from July 1, 2023 to June 30, 2024; and, Resolution Updating the Authorized and Funded Permanent Position Schedule; and Resolution Authorizing the Commitment and Release of Various General Fund Reserves for Specific Uses

RECOMMENDATION

It is recommended that the City Council introduce the attached Ordinances amending Ordinances Nos. 2849, 2850, 2851, 2852, 2853, 2854, N.C.S. to Change General Fund, Enterprise Funds, Utilities Funds, Internal Service Funds, Special Revenue and Trust Funds, and Capital Projects and Debt Funds – Appropriations for the Operations of the City of Petaluma from July 1, 2023 to June 30, 2024. It is also recommended that the City Council adopt a Resolution Authorizing the Commitment and Release of various General Fund Reserves for Specific Uses, and a Resolution Adopting the Updated Authorized and Funded Permanent Position Schedule.

BACKGROUND

The City reviews its budget on a continual basis and recommends periodic adjustments. The proposed 1st Quarter Budget Adjustments are to the Adopted Budget for FY 2023/2024, approved on June 5, 2023. Adjustments to the adopted budget take into account unexpected budget changes and provide a more accurate and timely calculation of actual vs. budget comparisons.

DISCUSSION

The proposed 1st quarter budget adjustments are for the General Fund and Measure U, Enterprise Funds, Utilities Funds, Internal Service Funds, Special Revenue and Trust Funds, and Capital Projects for the fiscal year ending June 30, 2024. Adjustments included, reflect actions

previously taken and approved by Council since July 1st, 2023 and unexpected budget changes and provide a more accurate budget vs. actual.

The resulting adjustments are herein presented for City Council consideration and approval. Budget adjustments modify previously approved budget appropriations. As such, they must be adopted by ordinance to become effective.

The proposed changes are categorized as follows:

Adjustments – Increases or (decreases) in funds to update the budget based on Council action since July 1st, current economic conditions, changes to City projects, or changes in work activity.

Transfers – Transfers from one fund to another to identify funding sources, facilitate reporting requirements, and true-up fund balances. A Transfer In from one fund is always accompanied by a Transfer Out from another, i.e.: Transfers In = Transfers Out.

Encumbrances & Designated Reserves – Encumbrances are appropriations budgeted in the prior fiscal year that were delayed for a variety of reasons. Designated Reserves can be used for unexpected, critical and one-time expenditures. These transactions do not affect fund balances in the current fiscal year.

Provided below is a summary of the recommended 1st quarter budget adjustments. Account details are listed in Exhibit A.

- Resolutions No. 2023-143 N.C.S, 2023-156 N.C.S, and 2023-162 N.C.S. approved Salary and Benefit adjustments resulting from labor negotiations. Adjustment to Special Revenue Fund appropriations, \$73,404; Capital Project Fund appropriations, \$39,852; Enterprise Fund appropriations \$83,938; Utility Fun appropriations, \$251,370; Internal Service Fund appropriations, \$43,043.

- Resolution No. 2023-146 N.C.S, approved the funding to complete the Turning Basing Floating Dock and Pile Installation. Transfers Out from the General Fund- Measure U, \$950,000; Transfer In to Parks CIP, \$950,000. Transfer Out from Wastewater \$1,610,350; Transfer In to Parks CIP, \$1,610,350.

- Funding for the Trestle Rehabilitation and Lucchesi Skate Park projects. Transfer Out from General Fund, \$375,000 for the Trestle Rehabilitation and \$525,000 for the Lucchesi Skate Park; Transfer In to Public Works CIP, \$375,000; Transfer In to Parks CIP, \$525,000.

- Cost for a Limited Term Emergency Medical Services (EMS) Coordinator funded by increased Ambulance revenue. Adjustment to General Fund revenue, \$200,000; Adjustment to General Fund appropriations, \$200,000.

- Resolution 2023-126 N.C.S, approved the purchase of a Sewer System Camera Van. Adjustment to the Wastewater fund appropriations, \$142,258.

- Funding and Appropriations for the General Plan 2025. Transfer Out from the General Fund Reserves for General Plan, \$757,914; Transfer In to General Government CIP, \$757,914. Adjustments to General Government CIP appropriations, \$776,403.

- Purchase of the 10 Pistache Court Property. Adjustment to Commercial Linkage Fees appropriation, \$511,000.

Encumbrances:

Encumbrances are appropriations budgeted in the previous fiscal year that were delayed and are being re-appropriated. These adjustments do not affect fund balances in the current fiscal year.

- Funding for the Sewer System Camera Van approved by resolution No. 2023-106. Adjustment to Wastewater Fund, \$250,000.

Committed Reserves:

The City Council has provided direction that 15% of General Fund expenditures be maintained in a committed reserve to be used for contingencies. Those contingencies would include economic downturns and emergencies including natural disasters, pandemics, catastrophic events, and emergency capital projects and purchases.

In addition to the reserve for urgent contingencies, funds have been committed for other specific uses. Governmental Accounting Standards Board (GASB) number 54 requires that fund balances committed and released for specific purposes be authorized by resolution of the City Council. As of June 30, 2022 a total of \$1,297,291 was committed for various uses. As of June 30, 2023, \$640,000 is released for the General Plan, \$354,727 is committed for General Plan, \$170,000 is released for turf replacement, \$135,541 is committed for turf replacement and \$470,000 is committed for employee compensation. As of July 1, 2023, an additional \$757,914 is released for the General Plan.

- Newly Committed Reserves- \$960,268
- Released (Used) Committed Reserves- \$1,567,914

PUBLIC OUTREACH

This agenda item appeared on the City’s tentative agenda document on November 6, 2023 which was a publicly-noticed meeting.

ENVIRONMENTAL REVIEW

Environmental analysis for compliance with the California Environmental Quality Act (CEQA) was already completed with each adjustment, transfer, and encumbrance. Additionally, the proposed action is exempt from the requirements of CEQA in accordance with CEQA Guidelines Section 15378, in that adopting Ordinances amending the Appropriations Ordinances for the Operations of the City of Petaluma from July 1, 2023 to June 30, 2024 does not meet CEQA's definition of a “project,” because the action does not have the potential for resulting in

either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment, and because the action constitutes organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment.

FINANCIAL IMPACTS

General Fund

General Fund budgeted revenue and appropriations will increase by \$200,000 as a result of higher ambulance revenues to fund the EMS Coordinator. Transfer Out will increase by \$1,657,914 due to funding the Trestle Rehabilitation, Lucchesi Skate Park and General Plan projects. The net financial impact to the General Fund associated with the recommended budget adjustments is a decrease in fund balance of \$1,657,914.

Measure U Fund

Measure U Fund Transfers Out will increase by \$950,000 to fund the Turning Basin project. The net financial impact to the Measure U Fund associated with the recommended budget adjustments is a decrease in fund balance of \$950,000.

Special Revenue Funds

Special Revenue Funds budgeted appropriations will increase by \$584,404 due to the approved Salaries and Benefits from labor negotiations and the purchase of the 10 Pistache Court. Transfers Out and Transfers In will remain unchanged. The net financial impact to the funds will be a decrease in fund balance of \$584,404.

Capital Project Funds

Capital Project Funds budgeted revenues remain unchanged. Budgeted transfers in for the Capital Project Funds will increase by \$4,218,264 due to the Turning Basin, Trestle Rehabilitation, Lucchesi Skate Park and General Plan projects. Budgeted appropriations will increase by \$816,255 as a result of labor negotiations, and for the General Plan project. Transfers Out will remain unchanged. The net financial impact to the Capital Project Funds is an increase of \$3,402,009.

Enterprise Funds

Enterprise Funds budgeted revenues will remain unchanged. Budgeted transfers in and transfers out will remain the same. Budgeted appropriations will increase by \$83,938 as a result of salary and benefit costs resulting from labor negotiations. Total change to fund balance is a decrease of \$83,938.

Utility Funds

Utility Funds budgeted revenues and transfers in will remain unchanged. Budgeted appropriations will increase by \$393,628 as a result of negotiated labor negotiations and the purchase of a Sewer System Camera Van. Transfers Out for the interfund loan to the Turning Basin, \$1,610,350. Total change to fund balance is a decrease of \$2,003,978.

Internal Service Funds

Internal Service Funds budgeted revenues, transfers in, and transfers out will remain unchanged. Budgeted appropriations will increase by 43,043 as a result of negotiated labor negotiations. Total change to fund balance is a decrease of \$43,043.

Encumbrances

Encumbrances total \$250,000 for the Utility Funds for the purchase of the Sewer System Cameral Van.

Committed Reserves

Finally, it is recommended that General Fund reserves totaling \$960,268 be committed for the following: \$354,727 for the General Plan, \$135,541 for Turf replacement, and \$470,000 for employee compensation. In addition, \$1,567,914 is released for the following: \$1,397,914 for the General Plan and \$170,000 for Turf replacement.

ATTACHMENTS

1. FY 2023/24 1st Quarter Budget Adjustment Summary
2. Appropriations Ordinance Amendment, General Fund and Measure U with Exhibit A – Detailed FY 2023/24 1st Quarter Budget Adjustments
3. Appropriations Ordinance Amendment, Enterprise Funds with Exhibit A – Detailed FY 2023/24 1st Quarter Budget Adjustments
4. Appropriations Ordinance Amendment, Utility Funds with Exhibit A – Detailed FY 2023/24 1st Quarter Budget Adjustments
5. Appropriations Ordinance Amendment, Internal Service Funds with Exhibit A – Detailed FY 2023/24 1st Quarter Budget Adjustments
6. Appropriations Ordinance Amendment, Special Revenue Funds with Exhibit A – Detailed FY 2023/24 1st Quarter Budget Adjustments
7. Appropriations Ordinance Amendment, Capital Projects Funds with Exhibit A – Detailed FY 2023/24 1st Quarter Budget Adjustments
8. Resolution Authorizing the Commitment of Various Reserves for Specific Uses
9. Resolution Adopting the Updated Authorized and Funded Permanent Position Schedule with Exhibit A- Authorized and Funded Permanent Position Schedule and Exhibit B - Authorized Staff/Position Changes 2023/24