



DATE: July 15, 2024

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

FROM: Jessie Gooch, Finance Director
Corey Garberolio, Assistant Director of Finance

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; Resolution Authorizing the Commitment and Release of various General Fund Reserves for Specific Uses and Finding that this Action is Not a Project Pursuant to CEQA Guidelines Section 15378(B)(5).

RECOMMENDATION

It is recommended that the City Council introduce the attached Ordinances Amending Ordinances 2881, 2885, 2886 N.C.S. to Change General Fund, 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.

BACKGROUND

The City reviews its budget on a continual basis and recommends periodic adjustments. The proposed Year-end Budget Adjustments are to the Adopted Budget for FY 2023/2024. 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 Year-End Budget Adjustments are for the General Fund, Special Revenue and Trust Funds, and Capital Projects and Debt Funds for the fiscal year ending June 30, 2024. These proposed Year-end requests are comprised of critical and time-sensitive needs, project timing adjustments, unexpected increases and decreases, and adjustments previously approved by Council action since the adoption of the budget on July 1, 2023.

The resulting adjustments are herein presented for City Council consideration and

approval. Budget adjustments modify previously approved budget appropriations. The proposed changes are categorized as follows:

Adjustments – Increases or (decreases) in funds to update the budget based on 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 and for Council approved specific uses. These transactions do not affect fund balances in the current fiscal year.

The recommended Year-end budget adjustments are summarized below. Fund and account details are listed in Exhibit A.

- Resolution 2024-042 approved the funding to Earth Island Institute/Kelly Creek Protection Project from the Open Space Acquisition Fund for the Helen Putnam Parks Expansion Project. Adjustment to the Open Space Acquisition appropriations, \$250,000
- Bringing the Planning Cost Recovery projects in alignment with actuals which reflect increased activity. Adjustment to the General Fund Appropriations and Revenues, \$563,863
- The City received a grant from Zero Waste Sonoma for drinking fountains at the Senior Center. Adjustments to the General Fund Appropriations and Revenues, \$13,640
- The City was awarded 2 grants for the General Plan project. The LEAP grant award was for \$275,000 and the REAP grant was for \$33,577. Adjustment to Community Development Grants Revenues, \$308,577; Adjustment to Transfers Out Community Development Grants Expenditures, \$308,577; Adjustment to Transfers In General Government CIP, \$308,577
- Bringing the General Fund in alignment with actuals. Increased Ambulance and Intergovernmental Transfer (IGT)/Ground Emergency Medical Transportation (GEMT) revenues. Parks and Recreation also increased contract classes revenues. Decreased Sales Tax and Property Tax revenues. Expenditures increased in the following areas: Planning contract employees, Redcom dispatch costs, Police professional services, Police building lease costs, and Parks and Recreation contract classes. This budget adjustment includes a Transfer out from Measure U for General Fund support. Adjustment to General Fund Revenues, \$1,027,400; Adjustment to General Fund Appropriations, \$1,387,400; Transfer out Measure U and Transfer in General Fund, \$360,000
- Resolution 2020-081 approved the Corona Station funding agreement with SMART with Traffic Impact fees. The city received the final payment from the OBAG2 grant for the S Petaluma Blvd Road Diet project. Adjustments to Public Works Grants, \$1,424,759; Adjustment to Facilities CIP appropriations, \$2,000,000; Adjustment to Traffic Impact fees Transfers Out and Facilities CIP Transfer in, \$2,000,000;

Adjustments to Public Works Grants Transfer Out and Public Works CIP Transfers In, \$1,424,759

- Adjusting the Special Revenues Funds budgets to bring them into alignment with estimated year-end actuals. Housing programs funded by PLHA are being rolled forward to FY 24/25. Several Impact Fees revenues, reflected on Item G of Exhibit A, are lower than estimated due to less development. CDBG Grants funding facilities projects are being rolled forward to FY 24/25 and Fire Grants were received at the end of the prior fiscal year. The city received grant funds for Cal Recycle, ReLeaf, and USDA. Adjustment to Special Revenues Fund revenues, -\$2,048,884; Adjustment to Special Revenues appropriations, \$778,091; Adjustment to Special Revenues Transfers out and Facilities CIP Transfer in, -\$450,000

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, 2023, a total of \$1,447,559 was committed for various uses. As of June 30, 2024, \$369,053 is committed for the General Plan and \$153,975 for the turf replacement program, \$398,000 is released for turf replacement and \$470,000 for employee compensation. Prior fiscal year committed fund balance reserve releases include \$757,914 for the General Plan.

- Released (Used) Committed Reserves- \$868,000
- Newly Committed Reserves-\$523,028

PUBLIC OUTREACH

This agenda item appeared on the City's tentative agenda document on July 1st , 2024 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. Furthermore, every appropriation already had its own analysis for compliance with CEQA.

FINANCIAL IMPACTS

General Fund

Revenues for the General Fund are expected to increase by \$1,604,903 for the current fiscal year mainly due Planning Cost Recovery activity, Intergovernmental Transfer (IGT)/Ground Emergency Medical Transportation (GEMT), ambulance revenues, increased contract recreation classes, slightly offset by decreased Sales Taxes and Property Taxes. Appropriations will increase by \$1,964,903 mainly due to increased Planning Cost Recovery activity, increased Fire, Police and Recreation contract classed offset by revenues. Transfers in will increase by \$360,000 from Measure U to support the General Fund. There is no net financial impact to the General Fund balance.

Measure U

Transfers Out from the Measure U Fund to support the General Fund will increase by \$360,000. The net financial impact to the Measure U Fund will be a decrease in fund balance of \$360,000.

Special Revenue Funds

Special Revenue Funds budgeted revenue will decrease by \$315,548. This is mainly due to a decrease in revenues to Impact fees as a result of less development, slightly offset by increased grant revenues for the general plan, the S Petaluma Boulevard Road Diet, Montero Studios and Parks & Receptions grants. Appropriations will be increased by \$1,028,091 mainly due to Helen Putnam Park Expansion, slightly offset by Housing programs being rolled forward to FY 2024/25. Transfers out will increase by \$3,283,336 mainly due to the S Petaluma Boulevard Road Diet, the SMART payment for the Corona Station and the general plan, slightly offset by CDBG CIP projects being rolled forward to FY 24/25. The net financial impact to the funds will be a decrease in fund balance of -\$4,626,975.

Capital Project Funds

Budgeted expenditures will increase by \$2,000,000 due to the SMART payment for the Corona Station. Transfers in will increase by \$3,283,336 mainly due to grant funding for the general plan, funding for the Corona Station and the S Petaluma Boulevard Road Diet, slightly offset by the CDBG funding for facilities projects being rolled forward to FY24/25. The net financial impact to the Capital Project Funds is an increase of \$1,283,336.

Committed Reserves

Finally, it is recommended that General Fund reserves totaling \$523,028 be committed for the following: \$369,053 for the General Plan and \$153,975 for the turf replacement program. In addition, \$868,000 is released for the following: \$398,000 for turf replacement program and \$470,000 for employee compensation.

ATTACHMENTS

1. FY 2023/24 Year-end Budget Adjustment Summary
2. Ordinance Amending General Fund and Measure U Fund Appropriations
 - a. Detailed FY 2023/24 Year-end Budget Adjustments

3. Ordinance Amending Special Revenue and Trust Funds Appropriations
 - a. Detailed FY 2023/24 Year-end Budget Adjustments
4. Ordinance Amending Capital Projects and Debt Funds Appropriations
 - a. Detailed FY 2023/24 Year-end Budget Adjustments
5. Resolution Authorizing the Commitment and Release of General Fund Reserves for Specific Uses