



DATE: May 15, 2023

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

FROM: Corey Garberolio, Deputy City Manager/Finance Director

SUBJECT: Preliminary Fiscal Year 2023-2024 City of Petaluma Budget, Adoption of City Budget Resolutions and Introduction (First Reading) of Fiscal Year 2023-2024 City Appropriations Ordinances

RECOMMENDATION

It is recommended that the City Council adopt Resolutions authorizing the Fiscal Year 2023-24 Budget, adopt a Resolution updating the Full-Time Authorized and Funded Position Schedule and Introduce (First Reading) Fiscal Year 2023-24 Appropriations Ordinances.

BACKGROUND

The City Charter requires that the annual budget be prepared and submitted by fund, department and debt repayment and approved at the same time as its appropriations ordinances. The Charter further requires that the proposed budget be presented to the City Council by the first Monday in May.

In order to present a balanced budget, departments submitted their requests to the Finance Department pursuant to strict guidelines, and those requests necessary for operations were approved. Climate action goals and initiatives were identified and implemented. Salaries, benefits, indirect costs and overhead were calculated by the Finance Department and provided to departments.

Staff held a virtual Budget 101 community informational workshop on April 19, 2023, where staff provided a brief overview of municipal finance and Petaluma's annual budget process followed by an opportunity for the Community to ask questions regarding the process of completing the City's budget. The draft budget was delivered to the City Council on May 1, 2023, and reviewed at a workshop on May 8, 2023. Staff presented and discussed the proposed fiscal year 2023-24 budget and sought Council input and direction.

DISCUSSION

The total recommended budget for FY 2023-24, all funds, including the City Acting as Successor Agency to the Former Petaluma Community Development Commission and the City Acting as Housing Successor, is \$337,515,746. This amount represents all funds of the City and their major components: operations, capital improvements, debt service and transfers.

As presented the preliminary General Fund budget for FY 2023-24 is \$71,852,088. Overall General Fund expenditures are projected to increase approximately \$5.2 million over FY 2022-23, which includes:

- Salaries are expected to be higher by \$2.1 million mainly due to negotiated cost of living adjustments and step advancements. Included in this increase are new positions in Police, Fire, and Parks and Recreation Departments.
- Benefits are expected to increase by approximately \$1.3 million. This is due to increased retirement costs as well as benefits associated with the new positions and employee benefit selections. Also contributing to the increase are benefits costs related to ongoing negotiation impacts and an increase of Workers Compensation due to the cost of injury related claims.
- Services and supplies are increasing by approximately \$1 million due mainly increased services in the parks and recreation department; gopher abatement, animal grazing using restorative land practices, tree canopy preservation, weed abatement following IPMP best practices, increased janitorial services in parks restrooms, turf care program as well as increased costs expected for routine services. Utilities are expected to increase by \$0.2 million. Intra-governmental expenditures are increasing by \$1.5 million to fund Risk Management and Information Technology services. Risk management increase is a result or reinstatement of allocations to departments that were partially eliminated in previous years but critical to fund the ongoing cost of the service and to build appropriate reserves. Information Technology is also increasing as a result of additional investment in citywide technology improvements such as server replacements, cybersecurity to protect sensitive data and installing reliable internet connection for use during emergencies. Capital expenditures are decreasing by \$0.05 million due to one-time non-recurring capital purchase in FY 2022/23. Transfers out are decreasing by \$0.9 million due mainly to less transfers out to fund capital improvement projects in FY 24.

The preliminary Measure U Fund budget for FY 2023-24 is \$20,185,395. The overall increase is \$5.2m over FY 2022/23, with \$4.5m as a carryover from the previous fiscal year. The appropriations provide general fund support for existing operations and continuity of services, Workforce Stabilization, Roads and Public Safety and Fire Facility infrastructure investments, and priority initiatives for climate, technology and capital projects.

The proposed Capital Improvement Program budget for FY 2023-24 is \$89.5 million. The appropriations will fund a variety of capital projects citywide such as airport facilities improvements, public safety facilities assessment including site and needs analysis for a new fire

station/public safety building, library enhancement and expansion, citywide facilities HVAC and energy upgrades, electric vehicle chargers, community baseball field and skate park design, teeing up the marina dredging, parks and trail improvements, citywide pavement restoration and reconstruction, active transportation plan and wayfinding, downtown beautification, transit electrification, recycled water system expansion, and water and wastewater system maintenance and upgrades.

The City Manager's Budget Message, City Budget Overview & Highlights and the Summary section of the budget document provide a comprehensive overview of the proposed budget. The proposed budget is posted on the City's website <https://cityofpetaluma.org/documents/fiscal-year-2024-proposed-budget/>

It is recommended that the City Council approve the budget by resolution and provide for the first reading of the FY 2023-24 City appropriations ordinances. A resolution is required by City Charter to adopt the City's annual budget. Ordinances presented at the same time are required to appropriate funds for the fiscal year. The appropriations ordinances, if approved, would have their first reading and introduction at this, May 15, 2023, meeting and would be adopted upon second reading at the next regular Council meeting on June 5, 2023, and go into effect 30 days from adoption. Due to the timing of this year's budget action and the need to have appropriation authority on July 6th for spending to occur, a continuing resolution will be brought forward to Council for approval prior to this date which will grant authorization for spending to begin on the first day of the new fiscal year. All recommended edits will appear in the final budget book by the end of June.

PUBLIC OUTREACH

A publicly noticed budget workshop was held on May 8, 2023, which allowed for the public to provide input on the FY 2023-24 budget.

ENVIRONMENTAL REVIEW

These actions are exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378.

FINANCIAL IMPACTS

The estimated beginning fund balance for all funds is \$162,825,758. The total budget for the City, City Acting as Successor Agency and City Acting as Housing Successor, including transfers is \$337,515,746. The budget is balanced by revenues, transfers in and year-end reserve adjustments of \$288,098,724. This will result in an estimated ending balance, all funds of \$113,408,737.

ATTACHMENTS

1. Resolution Adopting FY 2023-2024 General and Measure U Funds Budget
 - a. Exhibit A FY 2023-24 Budget Appropriation by Department and Fund

2. Resolution Adopting FY 2023-2024 Enterprise Funds Budget
 - a. Exhibit A FY 2023-24 Budget Appropriation by Department and Fund
3. Resolution Adopting FY 2023-2024 Utilities Funds Budget
 - a. Exhibit A FY 2023-24 Budget Appropriation by Department and Fund
4. Resolution Adopting FY 2023-2024 Internal Service Funds Budget
 - a. Exhibit A FY 2023-24 Budget Appropriation by Department and Fund
5. Resolution Adopting FY 2023-2024 Special Revenue, Trust & Debt Funds Budget
 - a. Exhibit A FY 2023-24 Budget Appropriation by Department and Fund
6. Resolution Adopting FY 2023-2024 Capital Projects and Debt Fund Budget
 - a. Exhibit A FY 2023-24 Budget Appropriation by Department and Fund
7. Resolution Adopting Updated Full Time Authorized and Funded Position Schedule
 - a. Exhibit A Full Time Position- Authorized and Funded
8. Ordinance Appropriating Funds for FY 2023-2024 General and Measure U Funds
 - a. Exhibit A FY 2023-24 Budget Appropriation by Department and Fund
9. Ordinance Appropriating Funds for FY 2023-2024 Enterprise Funds
 - a. Exhibit A FY 2023-24 Budget Appropriation by Department and Fund
10. Ordinance Appropriating Funds for FY 2023-2024 Utilities Funds
 - a. Exhibit A FY 2023-24 Budget Appropriation by Department and Fund
11. Ordinance Appropriating Funds for FY 2023-2024 Internal Service
 - a. Exhibit A FY 2023-24 Budget Appropriation by Department and Fund
12. Ordinance Appropriating Funds for FY 2023-2024 Special Revenues and Trust Funds
 - a. Exhibit A FY 2023-24 Budget Appropriation by Department and Fund
13. Ordinance Appropriating Funds for FY 2023-2024 Capital Projects and Debt Funds
 - a. Exhibit A FY 2023-24 Budget Appropriation by Department and Fund