



CITY OF WHEATLAND

CITY COUNCIL MEETING STAFF REPORT March 9, 2021

SUBJECT: FISCAL YEAR 2020-2021 MID-YEAR BUDGET REVIEW
AND AMENDMENT

PREPARED BY: Susan Mahoney, Finance Director

Recommendation

Receive and File the fiscal year (FY) 2021 Mid-Year Budget Review report. Adopt Resolution 10-21 amending the FY 2021 budget to reflect increased transactions sales tax revenue, set aside \$50,000 to meet requirements for a Park Improvement Grant, and allocate \$35,000 in anticipation of competing for a \$3 million Grant to construct a community swimming pool.

Background

The FY 2021 budget was adopted by Council on June 9, 2020. All funds were projected to be balanced except the General Fund and the Wastewater Fund. The General Fund budget reflected a slight decrease in sales and transactions tax revenue due to the pandemic and, because the transactions tax was scheduled to expire on March 31, 2021, only nine months of transactions sales tax revenue was included in the budget. Council approved the use of one-third of the available transactions sales tax reserve (\$333,333) to balance the General Fund budget and maintain service levels.

Discussion

General Fund

The General Fund is projected to have a net income of \$133,239 mainly due to the Wheatland voter's approval of an extension of the one-half cent transactions sales tax. The attached Mid-Year Budget Review provides detailed information on General Fund revenues and expenses. The projected net income provides the City with an opportunity to take advantage of potential Grant revenue that could not be considered when the FY 2021 budget was adopted last June. As a result, staff is recommending the following budget amendments:

1. Increase the Transactions Sales Tax budget by \$251,091 (from \$248,909 to \$500,000) to reflect the continuation of the one-half cent transactions sales tax measure adopted by voters in November 2020.

2. Set aside \$50,000 to meet the requirements for a Prop 68 Park Improvement Grant totaling \$177,000. The Grant will be used for site improvements at McDevitt Park (Park Place subdivision) and Wheatland Ranch Park.
3. Allocate \$35,000 to begin a feasibility analysis, preliminary site design, and preliminary cost estimates for construction of a community pool in anticipation of competing for a \$3 million Grant from the State Department of Parks and Recreation, Rural Recreation and Tourism Program.

In addition, staff will be recommending that the available contingent transactions sales tax reserve amount of \$333,333, originally allocated to balance the General Fund budget, be reallocated to establish a Vehicle Replacement Fund and a Computer Replacement Fund. A staff report and resolution will be presented for Council consideration at a later date. The staff report will include detailed information about the Replacement Funds.

Other Funds

At mid-year, all Funds are projected to be on target with original budget projections except the Wastewater Fund. The Wastewater Fund is projected to be slightly lower than budgeted mainly due to the loss of penalty income and interest earnings.

Fiscal Impact

There are no fiscal impacts from receiving and filing the attached report. The adopted FY 2021 budget projected a General Fund net *loss* of \$211,822. At mid-year, the updated projection is a net *income* of \$133,239. Adopting Resolution 10-21 to provide funding for potential Park and Pool Grants will result in a projected General Fund net income of \$48,239.

Attachments

1. FY 2021 Mid-Year Budget Review report
2. Resolution 10-21



CITY OF WHEATLAND MID-YEAR BUDGET REVIEW JULY 1, 2020 THROUGH DECEMBER 31, 2020

Overview

This report summarizes the City's financial position for the period July 1, 2020 through December 31, 2020. All City fund types are included: General Fund, Special Revenue Funds, Capital Project Funds, and Enterprise Funds. The figures presented here are unaudited. Final fiscal year 2021 (FY 2021) figures will be audited and compliant with Generally Accepted Accounting Principles. The City's fiscal year is July 1 through June 30.

To remain fiscally prudent, the FY 2021 budget was adopted to reflect the expiration of the one-half cent transactions sales tax on March 31, 2021. The City's General Fund was projected to have a net loss of \$211,822. It was anticipated that the available portion of the contingent sales tax reserve (\$333,333) would be used to balance the budget and maintain service levels. Subsequent to budget adoption, Wheatland voters approved a ten-year extension of the transactions tax. As a result of the extension, staff projects a General Fund net income of \$133,239.

Staff is recommending a budget amendment to direct \$85,000 of the \$133,239 projected net income to:

1. Set aside \$50,000 to meet the requirements for a Prop 68 Park Improvement Grant totaling \$177,000.
2. Allocate \$35,000 to begin a feasibility analysis, preliminary site design, and preliminary cost estimates for construction of a community pool in anticipation of competing for a \$3 million Grant.

Good news! Property tax revenue will be slightly higher than original budget projections. Sales/transactions tax revenues are projected to be 17% higher than original budget projections. Admission Fee revenue (from Bishop's Farm) is 50% higher than budgeted resulting in an additional \$24,000 in General Fund revenue. The City received \$50,000 in Cares Act Funding to offset the cost of creating COVID compliant public areas at City Hall, the Police building, and the Public Works building.

Two General Fund revenue sources are projected to be lower than budgeted. Due to the pandemic, the City was unable to rent the Community Center resulting in an estimated loss of \$6,000 for the fiscal year. Historic low interest rates benefit consumers but not investors. The City's Interest Earnings revenue for the General Fund is projected to be \$15,000 which is half of the budgeted amount of \$30,000.

The Water and Sewer Funds have also been impacted by the pandemic. Governor Newsom signed an executive order that restricts utilities from shutting off water to homes and small businesses due to nonpayment. This order will be in place until the Governor lifts the restriction. To date, 80 accounts (6.7% of all City utility accounts) are over 90 days delinquent resulting in a potential loss of about \$22,000 in water revenue and \$16,500 in sewer revenues.

General Fund

The General Fund is the chief operating fund of the City. It accounts for all financial resources except those legally or contractually required to be accounted for in another fund.

The chart below compares the budgeted and projected General Fund Revenues as of December 31, 2020.

GENERAL FUND REVENUE	FY 2021 Budgeted Revenue	Projected Year End Revenue	Over/(Under) Budget
Property Tax	792,134	795,120	2,986
Sales Tax	290,680	340,000	49,320
Transaction Sales Tax	248,090	500,000	251,910
Franchise Fees	123,546	123,546	-
Fees and Charges	187,765	260,085	72,320
Interest Earnings	30,000	15,000	(15,000)
Recovery of Labor & Benefits	16,000	31,500	15,500
Cost Recovery	260,467	260,467	-
SLES	150,000	193,740	43,740
TOTALS	2,098,682	2,519,458	420,776

The County collects **property tax** revenue from property owners in the City and distributes the City's portion to the City in December and May of each year. The amount received in December is generally about one-half of the annual amount received. We expect the property tax revenue to be in line with the budgeted amount. The County also collects "Property Taxes in Lieu of Motor Vehicle License Fees". This amount is fixed annually by the State. For FY 2021 this revenue will be \$2,986 over budget projections.

Sales tax revenue includes the 1% Bradley-Burns sales tax and pooled sales tax for purchases made inside the City. We project a 17% increase over the budgeted amount. It is not possible to determine whether the impact of the COVID-19 pandemic on consumer spending choices had a positive or negative impact on this revenue.

Transactions Sales Tax is the City of Wheatland's one-half cent sales tax. The transactions tax is assessed on certain purchases made by Wheatland residents from businesses located inside and

Staff is recommending a budget amendment to increase the Transaction Sales Tax budget amount to \$500,000 from \$248,909.

outside* the City. The adopted budget amount for this revenue was \$248,090 in anticipation that the transactions tax extension would not be approved by voters. As a result of the voter approved tax extension and unanticipated increased purchases (possibly increased internet purchases due to COVID?), this revenue is projected to be double the original budgeted amount.

Franchise Fee revenue is expected to meet original budget projections. **Fees and Charges** revenue is expected to be \$72,320 over budget mainly due to unanticipated additional Admissions Fee revenue and an insurance payment for the wrecked police vehicle. **Interest earnings** will be half of budget projections due to continued historically low interest rates. **Recovery of Labor and Benefits** is expected to be \$15,500 over budget mainly due to the State's reimbursement for Wheatland public safety assistance during the

**The 2018 Supreme Court "Wayfair Decision" mandates that businesses without a physical presence in a state with more than 200 transactions or \$100,000 in-state sales, collect and remit sales taxes on transactions in the state.*

Campfire emergency. **Cost Recovery** revenue is the amount the General Fund charges to other funds for administration. It is anticipated that this amount will match budget projections. **SLES** (Supplemental Law Enforcement Services) revenue is projected to be \$43,740 over budget due to a one-time additional allocation from the State. This amount offsets the purchase of an additional police vehicle.

The chart below compares budgeted and projected General Fund Expenses as of December 31, 2020.

GENERAL FUND EXPENSES	FY 2021 Budgeted Expenses	Projected Year End Expenses	Over/(Under) Budget
City Council	14,216	10,216	(4,000)
Administration	323,666	353,866	30,200
Finance	143,726	155,152	11,426
Community Development	213,660	179,800	(33,860)
Building Inspection	2,000	2,000	-
Police	1,187,406	1,295,948	108,542
Fire	156,340	156,340	-
Public Works	97,194	62,560	(34,634)
Parks	83,296	81,337	(1,959)
Transfer to Lighting Districts	29,000	29,000	-
Transfer to Gas Tax Fund	60,000	60,000	-
TOTALS	2,310,504	2,386,219	75,715

City Council expenses are projected to be lower than budget projections due to savings in travel and meeting expenses. The **Administration** Department, which includes expenses for the City Manager’s office, the City Clerk, and general office expenses will be over budget due to unanticipated legal costs. The **Finance Department** is projected to be over budget due to the cost of temporary help to cover the customer service desk while an employee is on family leave.

The **Community Development** Department is projected to be under budget due to savings in engineering contracted services. **Building Inspection** activities were transitioned to the County beginning in February 2019 resulting in an annual savings of approximately \$35,000. Building Inspection costs are for projects that began before the transition.

Police Department expenses are projected to over budget due to unanticipated costs for computer and radio equipment, vehicle maintenance, and the purchase of an additional police vehicle (offset with SLES funds). The **Fire Department** expense for FY 2021 has been paid and no further costs for this year are anticipated.

The **Public Works** Department provides street and **Parks** maintenance. The net savings in projected costs is mainly due to the deferral of the purchase of pavement management software.

The General Fund portion of maintaining the City’s two **Landscape and Lighting Districts** is on target with budget projections. The General Fund’s annual transfer to the **Gas Tax Fund** is also on target with budget projections.

The chart below compares budgeted and projected Fund Balance for the General Fund for this fiscal year. The Fund balance is projected to increase \$133,239. Should Council approve the recommended budget amendments for the Park and Pool Grants, the Fund Balance is projected to increase \$48,239.

GENERAL FUND	FY 2021	Projected
NET INCOME	Budget	Year End
Revenue	2,098,682	2,519,458
Expenses	2,310,504	2,386,219
Net Income (Loss)	(211,822)	133,239

The City's General Fund **Fund Balance** reflects excess revenues accumulated over many years. The Fund balance is allocated to the following reserves:

- Reserve for Sales Tax (\$666,667) - \$1,000,000 was set aside for possible future re-allocation of transaction sales tax revenue. Past collections must be set aside for three years before they become revenue to the City. Staff has determined that past allocations have been corrected. As a result, one-third of the reserve was made available in FY 2021, one-third will be available in FY 2022, and the remainder will be available in FY 2023.
- Reserve for PARSAC (\$30,000) - this amount has been set aside for the City's self-insured portion of any liability claims.
- Reserve for Operations (\$596,555) - this amount equals 25% of projected operating expenses. It has been set aside for extraordinary or unforeseen expenses.
- Unreserved Amount (projected to be \$592,523 on June 30, 2021) – this amount is similar to a savings account for the General Fund. It provides a cushion for cash flow and budget overages and is used to pay for General Fund capital expenditures. Should Council approve the recommended budget amendments for the Park and Pool Grants the projected unreserved amount on June 30, 2021 is \$507,523.

Staff will be recommending that Council allocate the available FY 2021 Transactions Tax Reserve amount of \$333,333 to a Vehicle Replacement Fund and a Computer Replacement Fund. A separate action item will be presented for Council consideration at a later date.

GENERAL FUND FUND BALANCE	FY 2021	Projected
	Budget	Year End
Reserve for Sales Tax	666,667	666,667
Reserve for PARSAC	30,000	30,000
Reserve for Operations (25%)	577,626	596,555
Unreserved	40,534	592,523
TOTAL GENERAL FUND BALANCE	1,314,827	1,885,745

Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The City's Special Revenue Funds include the following funds: Gas Tax, TDA, CDBG, Impact Funds, SLES, Pumpkin Farm Joint Admission, Wheatland Community Gardens, Developer Project Funds, Landscape and

Lighting Districts, Pool Maintenance, and the Community Facility District. All the City's Special Revenue Funds are projected to be within budget at fiscal year-end.

The Pool Maintenance Fund was established in August 2019 to account for a \$1,000,000 donation for upkeep and maintenance of a future community swimming pool. As of December 31, 2020, the donation plus interest earned totaled \$1,021,807.

The Sewer Collection Impact Fund was amended to allocate \$50,000 to regional wastewater infrastructure efforts. In FY 2020, \$50,000 was also allocated for these efforts. To date, \$59,611 of the total \$100,000 allocation has been spent.

Capital Project and Grant Funds

Capital Project Funds account for projects that help maintain or improve a City asset, often called infrastructure. The project must have a total cost in excess of \$10,000 and have a useful life of greater than three years. Grant Funds may or may not have an infrastructure component.

Hooper Street

The Hooper Street road improvement and pedestrian safety project has been completed and Finance is waiting for final invoices. The total cost of \$389,200 was funded from the Gas Tax Fund (\$156,300), the TDA Fund (\$182,900) and a contribution from the Wheatland School District (\$50,000). To date \$340,014 has been spent.

Employment Zone Feasibility

The City received a \$100,000 grant from SACOG to prepare an Employment Zone Feasibility analysis. To date \$32,087 has been spent.

Agricultural Production Standards

The City received \$18,000 from the Bear River Walnut Ranch to prepare citywide Agricultural Production Standards. To date \$5,281 has been spent.

Comprehensive Drinking Water

The City received a \$700,000 grant from the Yuba Water Agency and a \$682,347 grant from the Department of Water Resources to update the City's water meters and metering system, perform water tower repair, and install hydro-pneumatic tanks. To date \$57,890 has been spent.

Regional Sewer Pipeline

The City received a \$2,600,000 grant/loan from the Yuba Water Agency for infrastructure design for the Wheatland Regional Sewer Pipeline project. To date, \$55,979 has been spent.

Housing Element Update

The City received a \$160,000 grant from the California Department of Housing and Community Development to prepare, adopt, and implement plans that streamline housing approvals. To date, \$17,700 has been spent.

Enterprise Funds

Enterprise Funds account for City operations that are financed and operated in a manner similar to private business enterprises, where the cost of providing goods or services to the public is financed or recovered through user charges.

The Water Fund is projected to be in line with original budget projections. Note: the non-payment of delinquent water bills due to collection restrictions imposed by the Governor has the effect of reducing the Water Fund’s cash balance and reduces income from penalties normally imposed for non-payment.

WATER FUND	FY 2021	Projected
	Budget	Year End
Revenue	1,030,000	1,030,000
Expenses	997,299	997,299
Net Income (Loss)	32,701	32,701
Net Position Jul 1, 2020	535,048	535,048
Estimated Net Position June 30, 2021	567,749	567,749

<i>The Net Position is made up of:</i>	
Cash and Receivables	606,676
Debt	(2,529,437)
Net Fixed Assets	2,490,510
Estimated Net Position June 30, 2021	567,749

The Wastewater Fund revenue is projected to be slightly less than budgeted due to the loss of penalty income and lower interest earnings. The Governor’s collection restrictions also affect the cash balance and penalty income of the Wastewater Fund.

WASTEWATER FUND	FY 2021	Projected
	Budget	Year End
Revenue	1,015,800	1,000,000
Expenses	1,322,078	1,322,078
Net Income (Loss)	(306,278)	(322,078)
Net Position July 1, 2020	396,441	396,441
Estimated Net Position June 30, 2021	90,163	74,363

<i>The Net Position is made up of:</i>	
Cash and Receivables	719,725
Debt	(3,518,754)
Net Fixed Assets	2,873,392
Estimated Net Position June 30, 2021	74,363

RESOLUTION NO. 10-21

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WHEATLAND AMENDING THE FISCAL YEAR 2021 GENERAL FUND BUDGET TO ACCOUNT FOR ADDITIONAL TRANSACTIONS SALES TAX REVENUE

WHEREAS, the fiscal year 2021 annual budget adopted by Council on June 9, 2020 did not include one-half cent transactions sales tax revenue for the months of April, May, and June 2021 in anticipation that the transactions sales tax set to expire on March 31, 2021 would not be extended by Wheatland voters; and

WHEREAS, the fiscal year 2021 General Fund budget was projected to have a net loss and the available portion of Transactions Sales Tax Reserve would be used to balance the General Fund budget; and

WHEREAS, on November 3, 2020, Wheatland voters did extend the one-half cent transactions sales tax that was set to expire on March 31, 2021 for an additional ten years; and

WHEREAS, the additional revenue generated from the extension of the transactions sales tax will generate net income for the General Fund and the available portion of Transactions Sales Tax Reserve will not be needed to balance the General Fund budget; and

WHEREAS, the City has the opportunity to receive grant funding for improvements to the City's parks and the construction of a community swimming pool.

NOW, THEREFORE BE IT RESOLVED that the City Council of City of Wheatland, State of California, hereby amends the fiscal year 2021 General Fund budget to include:

- 1) \$50,000 to meet the requirements for a Park Improvement Grant
- 2) \$35,000 in anticipation of receiving a \$3 million Grant to construct a community swimming pool.
- 3) An increase the Transactions Sales Tax revenue from \$248,909 to \$500,000.

PASSED AND ADOPTED by the City Council of City of Wheatland, State of California this 9th day of March 2021, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST:

Rick West, Mayor

Lisa Thomason, City Clerk