



CITY OF WHEATLAND

CITY COUNCIL MEETING STAFF REPORT May 26, 2020

SUBJECT: FISCAL YEAR 2020-2021 PRELIMINARY REVIEW OF BUDGET

PREPARED BY: Susan Mahoney, Finance Director

Recommendation

Receive an oral report on updates related to sales and transaction tax revenue, the Street Maintenance Fund, and capital projects as they relate to the preparation of the fiscal year (FY) 2020-2021 budget.

Background/Discussion

Sales and Transaction Tax Revenue

On May 12, 2020 staff provided Council with estimates of the financial impacts COVID-19 related events will have on current fiscal year and next fiscal year General Fund sales and transaction tax revenues. Staff also provided estimates of the financial impacts of the anticipated correction of transaction sales tax allocations and the expiration of Wheatland's voter-approved one-half cent transaction sales tax on March 31, 2021.

As of this date, staff feels the sales and transaction tax revenue projections presented to Council on May 12th still reflect our best estimate of revenues. This is based on information obtained from news releases, webinars, and professional list serves. While none of these sources provides a definitive amount, they all suggest that impacts must be assessed according to each jurisdiction's revenue sources and that the recovery period will not be immediate but rather a slow improvement over the next two years. The chart below shows projections that include the impacts of COVID-19, the transaction sales tax allocation correction, and the expiration effective March 31, 2021.

	Adopted Budget FY 2019-2020	Projected Budget FY 2019-2020	Proposed Budget FY 2020-2021
Sales	306,940	273,080	290,680
Transaction Tax	520,000	317,540	248,090
TOTAL	826,940	590,620	538,770

The City's General Fund Reserve and the Contingent Sales Tax Reserve will allow the City to maintain existing service levels for the remainder of this fiscal year and next fiscal year. Subsequent fiscal years are at significant risk if the Transaction Sales Tax is not extended by voters. Transaction Sales Tax revenue represents approximately 20% of General Fund revenue and is a key revenue source for providing police, fire, and road maintenance. Without this locally-controlled revenue or a revenue to replace it, service levels for all services funded by the General Fund (Police, Fire, Streets, Parks, Administration) in FY 2022 and beyond will need to be reduced.

Street Maintenance (Gas Tax)

Last week, projections were released by the State Department of Finance that show City of Wheatland gas tax revenue for FY 2019-2020 will be down only 5% instead of the 20% staff projected two weeks ago. The good news for FY 2020-2021 is that gas tax revenue is anticipated to increase 2% over FY 2019-2020 projections mainly due to a state mandated CPI increase to the Road Maintenance Rehabilitation (SB1) gas tax. For FY 2020-2021, \$25,000 has been allocated for the purchase of pavement management software.

Capital Projects

The following capital projects will be included in the FY 2020-2021 budget:

1. Completion of the **Hooper Street Project** (resurface and reconfigure Hooper Street to improve public safety for pedestrian and vehicular traffic). This project is funded by Gas Tax and TDA revenues and a contribution from the school district.

Total Project Cost	\$389,200
Costs to Date	66,929
Projected Costs FY 2020-2021	\$322,271

2. **Comprehensive Drinking Water Project** (upgrades to the City's water meters, meter reading system, and water tower). This project is funded by grants from the Yuba Water Agency and the Department of Water Resources.

Total Project Cost	\$1,382,347
Costs to Date	39,000
Projected Costs FY 2020-2021	\$1,343,347

Fiscal Impact

This report is an overview of projected sales and transaction sales tax revenue and gas tax revenue for the current fiscal year and next fiscal year. Proposed capital projects are also included. Updated projections and a draft copy of the completed budget will be brought to Council on June 9th. A final budget document will be presented to Council on June 23rd.

Attachments

None