



# City Manager's Proposed FY 2023-24 Operating and Capital Budgets City Council Presentation – May 9, 2023



# Balancing the Budget



	<b>Original Budget FY 22-23</b>	<b>Increase to Projected Revenue</b>	<b>Current Level of Service Cost Increases</b>	<b>Emergency Budget Addition for CSO Positions FY 22-23</b>	<b>Proposed Budget Additions</b>	<b>Capital Exp Paid by Other Funding Sources</b>	<b>Proposed FY 23-24</b>
Revenue	\$102,422,714	\$ 5,440,026	\$ -	\$ -	\$ -	\$ 697,393	\$ 108,560,133
Expenditures	(102,422,714)	-	(4,147,002)	(213,540)	(1,079,484)	(697,393)	(108,560,133)
<b>Difference</b>	<b>\$ -</b>	<b>\$ 5,440,026</b>	<b>\$ (4,147,002)</b>	<b>\$ (213,540)</b>	<b>\$ (1,079,484)</b>	<b>\$ -</b>	<b>\$ -</b>

# General Fund Budget Additions



## **Cost of Service Increases – Personnel Costs:**

\$3,110,563	Salary and benefit increases
700,000	Fire Department overtime budget - partial true-up
35,000	Police Department overtime budget - true-up

## **Cost of Service Increases – Operations and Maintenance:**

\$ 200,000	Parks and trails maintenance contract increase
131,000	Vehicle maintenance costs (primarily related to aging Fire Dept. vehicles)
110,000	Increase in costs for continuing contracts
100,000	Sac Regional Fire/EMS Communication Center assessment increase (Fire)
84,500	Petroleum costs (all departments)
82,300	Increase in cellular and internet costs (all departments)
69,000	Increase in software licensing fees (primarily Microsoft 365 used by all depts)
50,000	Increase in cost for EMS supplies
50,000	Increase in utilities costs (all departments)
37,400	Building maintenance budget true-up
32,400	Supplies (all departments)

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# General Fund Budget Additions



**Added in FY 2022-23:**

\$ 213,540      Community Service Officer Positions (2)

**FY 2023-24 Proposed Budget Additions:**

\$ 357,924	Firefighter positions (2)
170,035	Police Officer position (1)
150,000	Alerting System for Fire Station 35
100,000	Network Immutable Storage
60,007	Maintenance Specialist (1) (to be hired Feb. 2024)
60,000	Facility Rental for the Police Department Expansion
60,000	Software to move the budget from paper/spreadsheets to online format
50,000	Transfer to the Risk Management Internal Service Fund
50,000	Transfer to create an IT Capital Fund
10,788	Public Records Request Software
<u>10,730</u>	Community Development Position Swap
<b>\$1,079,484</b>	

# Balancing the Budget

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# General Fund Budget Additions



Included in General Fund budget but funded from other source:

\$300,000 - HVAC System Replacement for 405 Natoma Station (Capital Replacement Fund)

170,000 - Animal Exhibits and Vet Equipment (Zoo Trust Fund)

100,000 - Facility Improvements for Rented Office Space for Police (FPA Impact Fee Fund)

70,000 - VFW Hall Roof (Capital Replacement Fund)

46,000 - Cradlepoint Mobile Routers (Capital Replacement Fund)

11,393 - Children's Computers in Library (Capital Replacement Fund)

\$697,393

# General Fund Budget Additions



## **FY 2023-24 Request Summary:**

### **Requests:**

- Total PLS requests from General Fund Departments: \$14,985,547
- Total new positions requested: 29

### **Included in Proposed Budget:**

- PLS requests recommended: \$1,990,417 (includes \$697k of capital costs paid by other funds)
- New positions recommended: 4 (plus 2 CSO officers)



# General Fund Appropriations



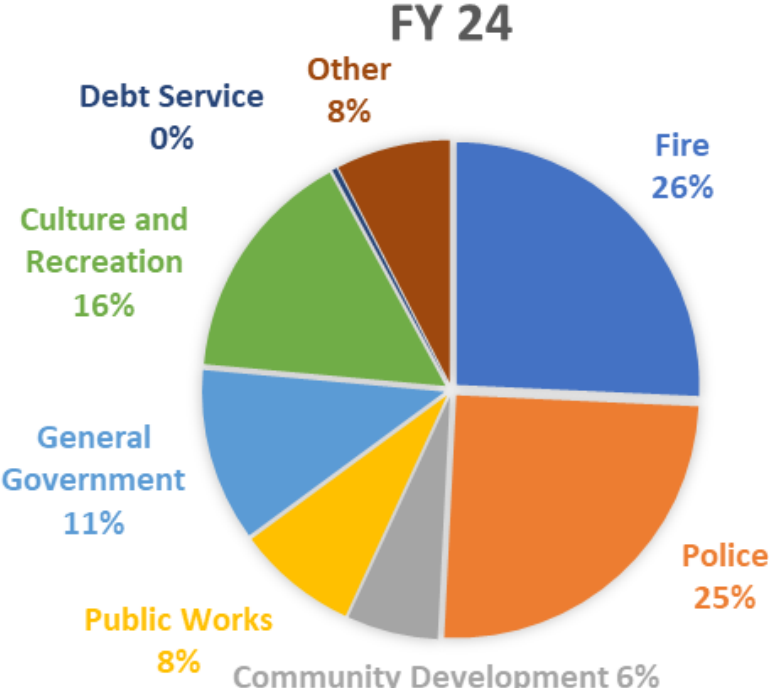
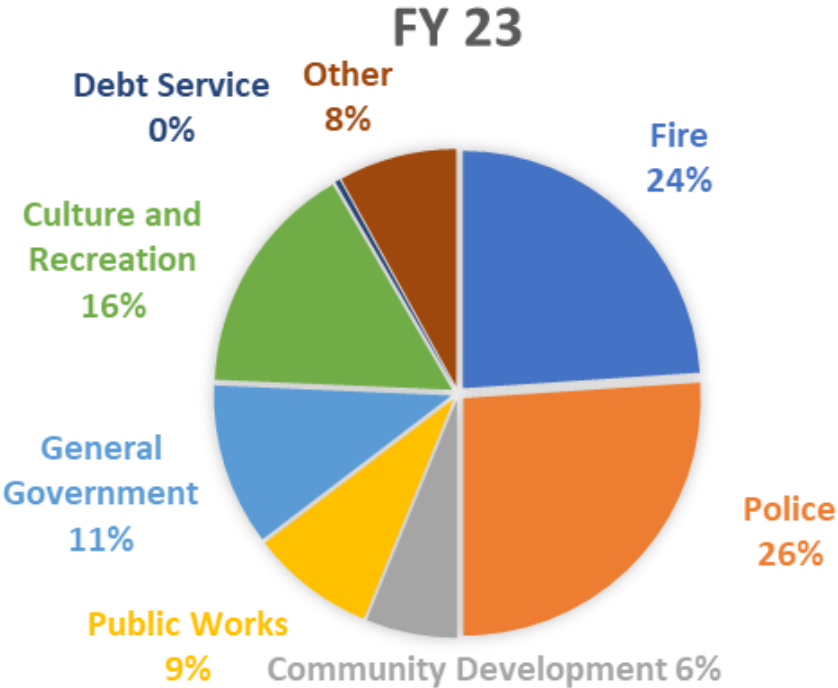
	<b>FY 20-21</b>	<b>FY 21-22</b>	<b>FY 22-23</b>	<b>FY 23-24</b>		
	<b>Actual</b>	<b>Actual</b>	<b>Budget</b>	<b>Proposed</b>	<b>\$ Change</b>	<b>% Change</b>
Salaries & Benefits	\$65,981,000	\$67,264,731	\$73,792,133	\$78,439,202	\$4,647,069	6%
O&M	20,011,416	25,642,710	25,121,638	26,987,300	1,865,662	7%
Capital Outlay	2,918,755	4,389,417	3,159,550	2,685,000	(474,550)	-15%
Debt Service	901,381	874,366	349,393	348,631	(762)	0%
Transfers Out	-	-	-	100,000	100,000	0%
<b>Total Expenses</b>	<b>\$89,812,552</b>	<b>\$98,171,224</b>	<b>\$102,422,714</b>	<b>\$108,560,133</b>	<b>\$6,137,419</b>	<b>6%</b>

# General Fund Appropriations



<b>Budget by Category</b>	<b>FY 23</b>	<b>FY 24</b>	<b>\$ Diff</b>
	<b>Budget</b>	<b>Proposed</b>	
Fire	\$24,529,949	\$27,910,164	\$3,380,215
Police	26,667,347	27,284,324	616,977
Community Development	6,356,862	6,585,845	228,983
Public Works	8,651,768	8,728,808	77,040
General Government	11,307,861	12,490,745	1,182,884
Culture and Recreation	16,321,985	16,967,187	645,202
Debt Service	349,393	348,631	(762)
Other	8,237,549	8,244,429	6,880
<b>Total Appropriations</b>	<b>\$102,422,714</b>	<b>\$108,560,133</b>	<b>\$6,137,419</b>

# General Fund Appropriations



# Authorized Positions

	<b>General Fund</b>	<b>Water / Wastewater</b>	<b>Solid Waste</b>	<b>Total</b>
FY 20-21	351.65	53.25	47.60	452.50
FY 21-22	352.80	53.00	55.45	461.25
FY 22-23	366.80	56.00	56.45	479.25
FY 23-24	373.05	58.00	59.45	490.50
<b>Change</b>	6.25	2.00	3.00	11.25

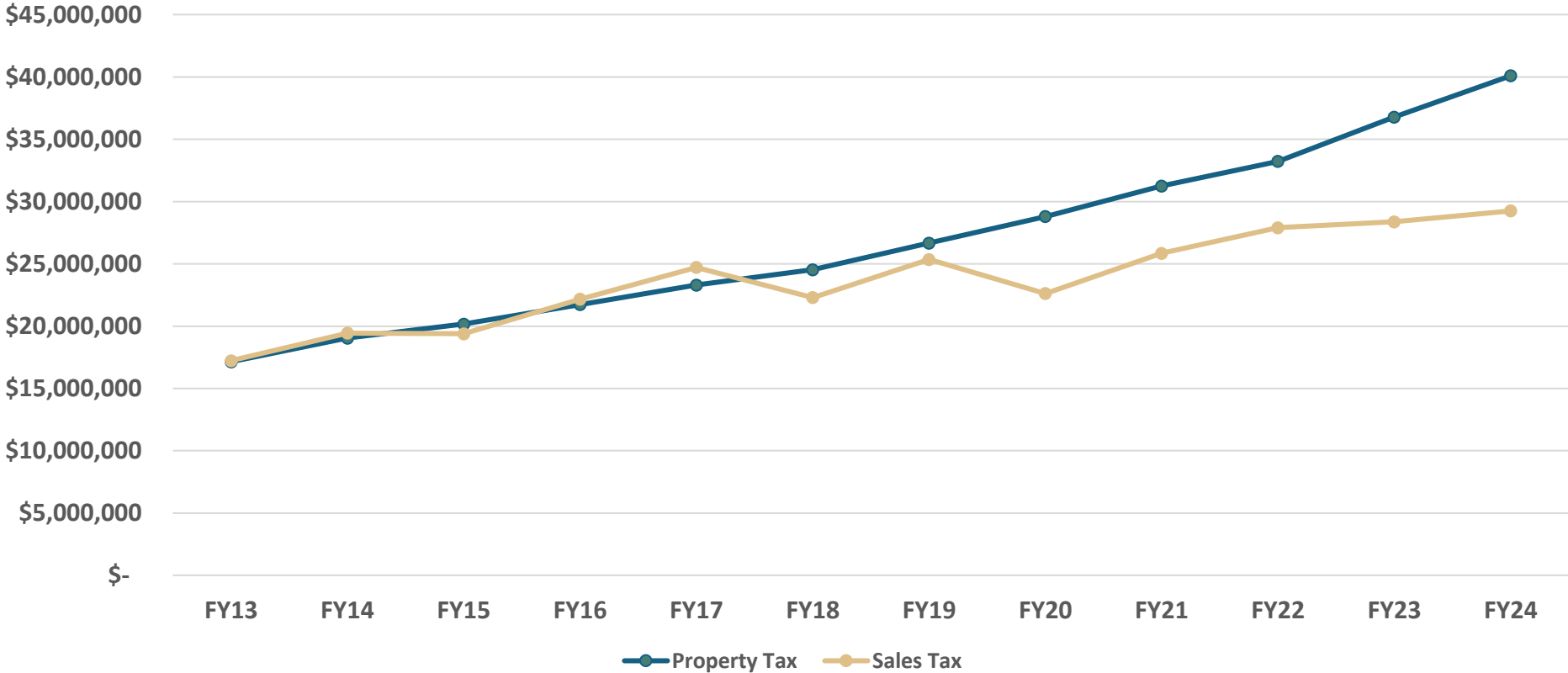
# Revenue Summary

	<b>FY 22-23 Budget</b>	<b>FY 23-24 Proposed</b>
Property Tax	\$36,050,672	\$40,094,946
Sales Tax	27,900,289	29,257,969
Transient Occupancy Tax	2,200,000	2,375,000
Charges for Services	11,670,146	12,196,372
Licenses, Permits & VLF	13,190,748	12,788,635
All other	3,657,145	4,362,487
<b>Revenue Before Transfers In</b>	<b>\$94,669,000</b>	<b>\$101,075,409</b>
Transfers In	7,753,714	7,484,724
<b>Total Revenue</b>	<b>\$102,422,714</b>	<b>\$108,560,133</b>

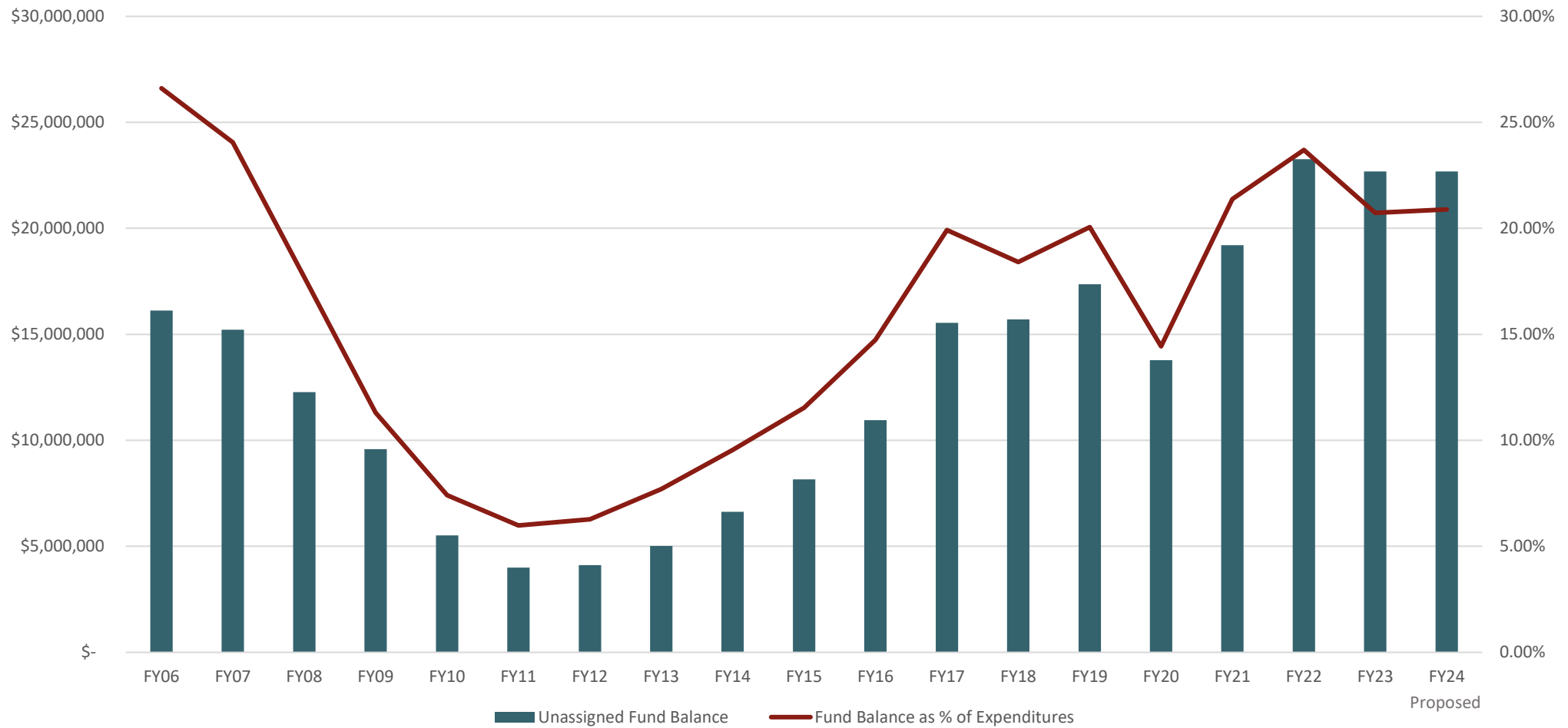
# General Fund Tax Revenue Trends



### Revenues by Type



# Unassigned General Fund Balance



# Enterprise Funds





# Enterprise Fund - Water



	Actual FY 21-22		Budget FY 22-23		Proposed FY 23-24	
Program Revenues	\$	16,442,357	\$	18,410,000	\$	18,358,800
Salaries & Benefits	\$	5,064,552	\$	5,804,703	\$	6,374,455
Operating Expenses		5,019,080		7,001,518		7,559,854
Transfers Out		872,971		1,106,566		896,657
Debt Service		460,756		1,845,822		1,842,428
	\$	11,417,359	\$	15,758,609	\$	16,673,394
Capital Expenses	\$	1,557,960	\$	4,414,222	\$	6,517,379
<b>Working Capital</b>					<b>\$</b>	<b>22,615,572</b>

# Enterprise Fund - Wastewater



	Actual FY 21-22		Budget FY 22-23		Proposed FY 23-24	
Program Revenues	\$	8,632,588	\$	10,889,200	\$	11,867,700
Salaries & Benefits	\$	2,871,603	\$	3,249,563	\$	3,414,645
Operating Expenses		1,283,618		2,211,380		2,156,776
Transfers Out		703,672		768,143		717,679
	\$	4,858,893	\$	6,229,086	\$	6,289,100
Capital Expenses	\$	1,247,958	\$	3,912,671	\$	4,582,140
<b>Working Capital</b>					\$	<b>18,536,188</b>

# Enterprise Fund – Solid Waste



	Actual FY 21-22		Budget FY 22-23		Proposed FY 23-24	
Operating Revenues	\$	18,269,296	\$	19,200,000	\$	25,200,000
Salaries & Benefits	\$	6,173,131	\$	7,359,751	\$	8,252,956
Operating Expenses		7,377,753		9,377,158		9,421,783
Transfers Out		1,691,285		1,723,195		1,655,593
	\$	15,242,169	\$	18,460,104	\$	19,330,332
Capital Expenses	\$	1,128,550	\$	10,209,664	\$	3,277,576
<b>Working Capital</b>					\$	<b>10,318,620</b>

# Capital Improvement Plan



# CIP – Major Projects



	<b>FY 23-24 Budget Proposal</b>	<b>Total Project Budget</b>
FPA Prospector Park	\$ 951,962	\$ 10,948,137
Sewer Eval & Capacity Assurance Plan (SECAP)	552,000	8,023,945
Benevento Family Park	923,288	6,323,288
Intelligent Transportation System Master Plan	3,000,000	3,878,312
Orangevale Ave/Mountain Oak PS	1,620,000	3,250,000
Water Treatment Plant Caustic Soda System Project	3,222,500	3,222,500
Tower Tank Rehabilitation Project	2,905,000	2,905,000
Basin 4 Sewer Phase 1	1,763,160	2,840,705
Basin 4 Sewer Phase 2	370,980	2,643,980
Ashland Water Rehab No. 2	24,879	2,300,000
Oak Ave PS PWWF Relief	61,000	2,252,015
Highway Safety Improvement Projects	1,345,840	1,584,600
Storm Water Basins Rehabilitation	162,307	1,095,055
HSIP Median Barrier Project (formerly known as Folsom Lake Crossing Safety Improvements)	831,400	1,031,400
Sibley Street Drainage	100,000	600,000
Riley St Sidewalk	500,000	587,902
East Bidwell/Iron Point Rd/US 50 Onramp Improvement	300,000	546,454
Glenn Drive Storm Drain Lining	500,000	500,000
American River Canyon Drive Surface Drainage	250,000	250,000
Light Rail Project	100,000	100,000

# CIP – Project Funding Sources



Category	Funding Source				Total
	Enterprise	Loans/Grants	Impact Fees	Other	
Culture and Recreation	\$ -	\$ -	\$ 1,975,250	\$ -	\$ 1,975,250
Drainage	-	-	937,307	400,000	1,337,307
General Services	-	-	-	1,400,000	1,400,000
Open Space and Greenbelts	-	-	-	-	-
Streets	-	5,226,765	1,550,475	2,885,000	9,662,240
Transportation	-	-	150,000	-	150,000
Wastewater	4,367,140	-	-	-	4,367,140
Water	6,152,379	-	-	-	6,152,379
	<b>\$ 10,519,519</b>	<b>\$ 5,226,765</b>	<b>\$ 4,613,032</b>	<b>\$ 4,685,000</b>	<b>\$ 25,044,316</b>

# Appropriations by Fund

	<b>FY 23 Adopted Budget</b>	<b>FY 24 Proposed Budget</b>
General Fund	\$102,422,714	\$108,560,133
Enterprise Funds	52,475,276	57,879,757
Special Revenue Funds	13,724,606	15,196,930
Debt Service Funds	10,727,694	11,125,085
Capital Project Funds	29,048,244	12,342,707
Internal Service Funds	21,680,299	21,988,471
Fiduciary Funds	18,514,259	19,177,854
<b>Total</b>	<b>\$248,593,092</b>	<b>\$246,270,937</b>

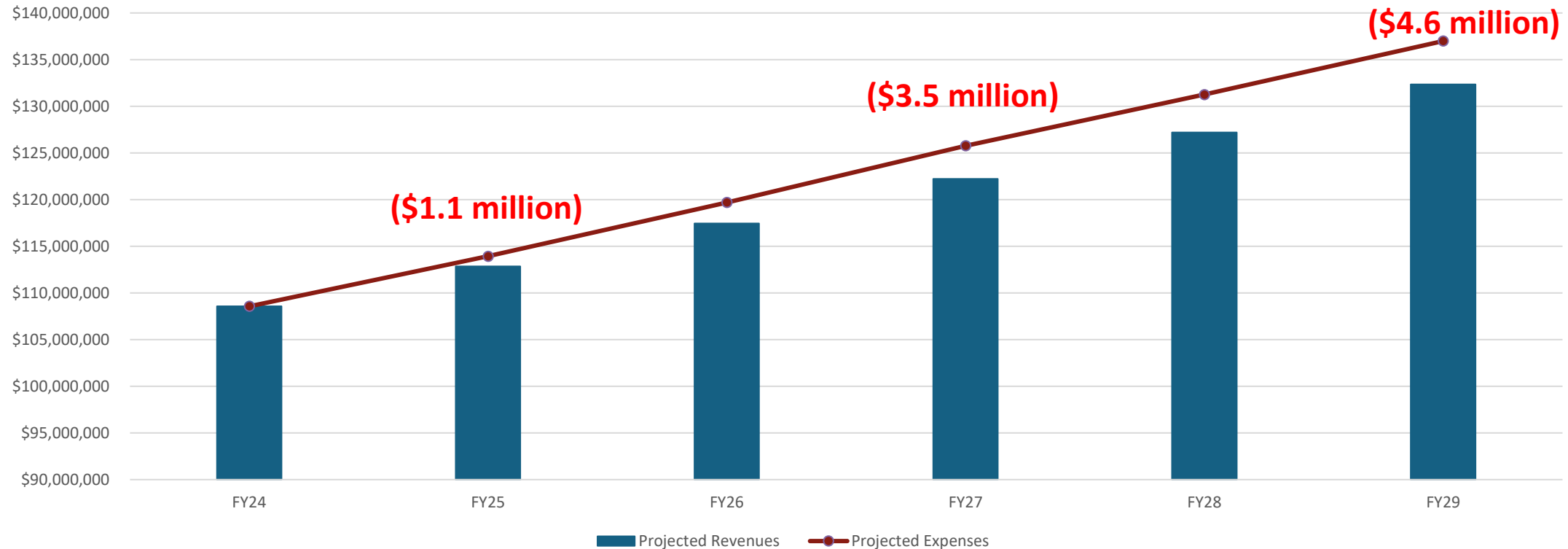
# Five-year Budget Forecast





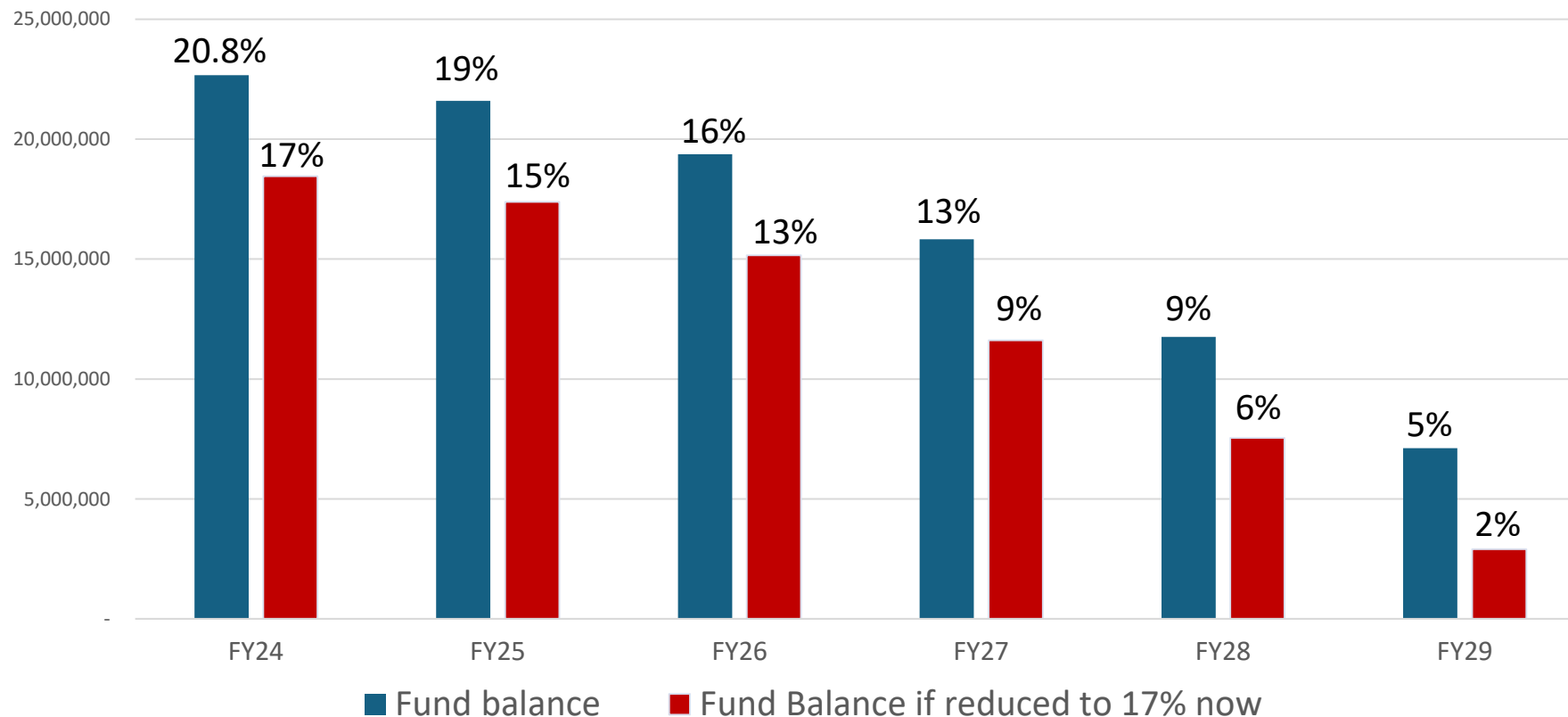
# Major Budgetary Concerns – FY 25-FY 29

1. The five-year forecast predicts a General Fund structural deficit as the cost to provide services grows at a faster pace than revenues.



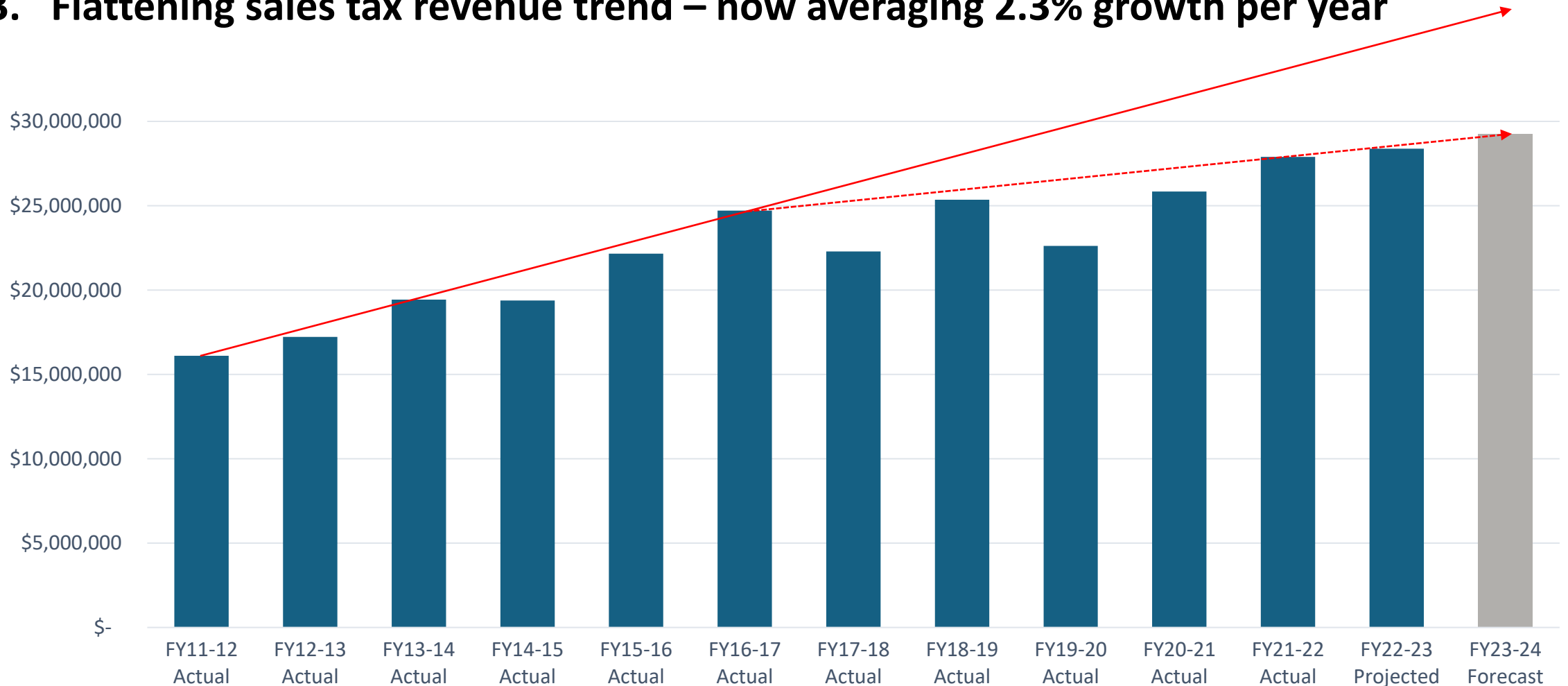
# Major Budgetary Concerns – FY 25-FY 29

## 2. Projected Unassigned Fund Balance if Used to Cover Annual Budget Shortfalls



# Major Budgetary Concerns – FY 25-FY 29

## 3. Flattening sales tax revenue trend – now averaging 2.3% growth per year



## 4. Sales tax concerns continued – Top 25 sales tax generators in alphabetical order

- ARCO AM/PM MINI MARTS
- BEST BUY STORES
- CHEVRON SERVICE STATIONS
- COSTCO WHOLESALE
- ENTERPRISE RENT-A-CAR
- FOLSOM BUICK GMC
- FOLSOM CHEVROLET
- FOLSOM LAKE CHRYSLER DODGE JEEP RAM
- FOLSOM LAKE FORD
- FOLSOM LAKE HYUNDAI
- FOLSOM LAKE KIA
- FOLSOM LAKE TOYOTA/SCION
- FUTURE NISSAN OF FOLSOM
- GREEN ACRES NURSERY & SUPPLY
- HOME DEPOT
- LOWE'S HOME CENTERS
- NIKE FACTORY STORE
- NORDSTROM RACK
- PRISON INDUSTRY AUTHORITY
- RALEY'S AISLE 1
- SAM'S CLUB
- TARGET STORES
- TOTAL WINE & MORE
- VSP ONE FOLSOM
- WALMART STORES

These “Top 25” businesses generate about \$13 million annually in sales tax revenue received by the City, about 58% of the total sales tax received. **The City would need an additional set of business that generate this level of sales tax, AND the local income to sustain these new businesses, to collect as much as a .5% local sales tax could generate.**

# Major Budgetary Concerns – FY 25-FY 29



5. There are millions of dollars (estimated at \$20 million annually) of unfunded or underfunded needs that the City has been deferring, year after year

	One-Time Costs Years 1 - 5	Annual Costs Years 1 - 5	One-Time Costs Future (5 years+)	Additional Positions Needed
Police	\$ 9,551,814	\$ 8,417,858	\$ 7,888,590	50
Fire	15,909,521	6,653,145	15,000,000	25
Parks and Recreation	10,782,000	3,986,700	140,350,849	13
Community Development	985,000	450,000	-	8
Public Works	1,379,400	1,077,845	70,100,000	6
<b>Total</b>	<b>\$38,757,735</b>	<b>\$20,585,548</b>	<b>\$233,339,439</b>	<b>102</b>

Source: Budget Workshop slides presented to the City Council February 8, 2022

## 6. Uncertainty of future CalPERS contribution requirements

In the August 24, 2022, news release from CalPERS after FY2021-22 investment return of -6.1% CalPERS announced: “Cities can expect employer rates for their miscellaneous plans to increase about 2-4% in fiscal year 2024-25. Safety plan employer rates may increase between 4 and 6%.”

Each year that the investment returns do not meet the 6.8% discount rate, the City will see an increase in their required contribution in a future year. This is unpredictable and out of the City’s control.

# Major Budgetary Concerns – FY 25-FY 29



## 7. Growing service level needs in the Folsom Plan Area will require additions to future budgets

Staff Additions Needed	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5
<b>Department:</b>					
General Government	-	1.0	5.0	2.0	3.5
Library	-	-	6.0	-	-
Police	6.0	4.0 *	16.0	10.0	8.0
Community Development	3.0	6.5	2.0	-	-
Parks and Recreation	0.5	4.0	5.0	2.0	2.0
Fire	9.0	-	9.0	-	-
Public Works	1.0	2.5	-	-	-
<b>Total</b>	<b>19.5</b>	<b>18.0</b>	<b>43.0</b>	<b>14.0</b>	<b>13.5</b>

 = indicates positions have been added in current or previous budgets

\*Addition of one officer in FY2023-24 budget adds one of the four police positions for Phase 2

## **8. Remaining competitive in the region related to employee compensation will be difficult**

During recent negotiations, the benchmark used for determining total compensation included neighboring cities that have implemented local sales tax measures. It is unlikely that the City of Folsom will be able to keep up with the compensation packages offered by cities that have vastly different financial resources.



## 9. Depletion of reserve funds with little ability to replenish in future years

- January 24, 2023 - Staff recommended that the City Council consider replenishing the reserve balances of the Risk Management and Compensated Leaves internal service funds
- The recommendation was not approved and the reserve balances in those funds are projected to decline to **\$4.2 million for the Risk Management fund** and **(\$225k) for the Compensated Leaves fund** by the end of FY 2022-23.
- A \$50,000 transfer is recommended in the budget to begin to replenish the reserve. At that rate **it will take 66 years to rebuild the reserve used during COVID-19.**
- FY 2023/24 increases for property insurance will be up 30%-45%, or \$500k-\$600k, and employee health insurance is projected to increase 13.5%-15.5%, or \$1.6 million, up from a 2.1% increase in FY 2022-23.
- These increases will need to be funded from Risk Management – a **\$2 million total increase**. That is a use of about **50% of the remaining fund balance in one year.**

# Major Budgetary Concerns – FY 25-FY 29



## 10. Low reserve levels threaten the City’s ability to provide essential services in the future and ensure future obligations are funded

The table below reveals that the City of Folsom's total reserves pale in comparison to those of our neighboring cities, leaving Folsom far behind in terms of future financial stability

	Rancho Cordova	West Sacramento	Elk Grove	Roseville	Folsom
Annual General Fund Expenditures	\$ 75,601,695	\$ 67,461,013	\$ 85,996,000	\$ 211,776,207	\$ 108,460,133
General Fund Reserve	14,466,824	24,451,228	24,774,000	64,817,040	22,675,718
As % of Expenditures	19%	36%	29%	31%	21%
Other Reserve Funds	51,988,238	29,572,241	47,106,100	49,929,100	8,940,293 *
<b>Total Reserves</b>	<b>\$ 66,455,062</b>	<b>\$ 54,023,469</b>	<b>\$ 71,880,100</b>	<b>\$ 114,746,140</b>	<b>\$ 31,616,011</b>
<b>Total as % of Gen. Fund Expenditures</b>	<b>88%</b>	<b>80%</b>	<b>84%</b>	<b>54%</b>	<b>29%</b>

\* Folsom's "other reserve funds" are Risk Management, Compensated Leaves and Capital Replacement used for capital purchases

# FY 23-24 Budget Summary



Structurally sound and balanced budget that maintains core essential services



Maintains the balance of expenditures by department



Budget does not draw upon the City's unassigned, unreserved fund balance but leaves overall reserves underfunded



Leaves millions of dollars in infrastructure, equipment repair and replacements, staffing needs and other items unfunded

**May 9, 2023** - presentation of the proposed budget

**May 23, 2023** - public hearing and first opportunity for budget adoption

- Per the City's municipal code, the budget must be adopted by the last working day of the fiscal year (June 30)
- If the City Council does not adopt the budget by June 30, the budget as proposed by the City Manager shall be deemed adopted