



Town of Yountville

6550 Yount Street
Yountville, CA 94599

Staff Report

Agenda Item #: {{section. number}}A

Yountville Town Council Staff Report

DATE: June 6, 2023

TO: Mayor and Town Council

FROM: Celia King, Finance Director

PREPARED BY: Celia King, Finance Director

SUBJECT:

Consider Adoption of Resolution Number 23-4210 Adopting the 2023/2024 Annual Budget, Appropriations (Gann) Limit for Fiscal Year 2023/2024, Salary Ranges and Existing Fiscal Policies (General Finance Policy, Town Investment Policy, Use of Long-Term Debt Policy, OPEB Trust Investment Policy, Fund Balance Policy, Utility Enterprise Rate Policy, Use of Drought Water Reserve Policy, and Use of Utility Enterprise Capital Projects Restricted Fund Policy).

DISCUSSION/BACKGROUND

The Town's Management Team began work on the budget in January 2023 with budget planning and discussions, preparing salary/benefit projections, developing preliminary revenue and expenditure estimates, and entering budget requests into the Town's new OpenGov budgeting software.

On February 7, 2023, budget parameters and assumptions were introduced to the Town Council for feedback and direction. Staff continued to develop and compile the budget and each department presented their budget requests to the Town Manager before his departure and the Interim Town Manager for review and approval before the May budget workshops.

Fiscal Year (FY) 2023/2024 revenue projections for TOT and Sales Tax were made conservatively as the Town continues to see economic recovery and growth. Expenditures are also returning to a more typical level and include contributions to the Other Post-Employment Benefits (OPEB) and Pension Stabilization Reserve Plan (PRSP) trusts as well as internal repair and replacement funds. In addition, the OPEB and PRSP trusts will continue to be utilized to pay for current retiree medical premiums and the annual CalPERS Unfunded Actuarially Accrued Liability (UAAL). Reserve funds are currently exceeding the Council established reserve policy minimums, and reserves as a whole will be evaluated in more depth in the coming fiscal year.

The General Fund budget maintains established core levels of service with a focus on initiatives identified in the Town's Strategic Plan. The budget will provide for the costs of employee salaries and benefits, contractual cost increases for public safety and animal shelter services, and continue the Town's investment in technology, infrastructure, and reserves.

The following are a few of the more notable outcomes of the Town's 2023/2024 Annual Budget:

Total Expenditure Budget including general fund, enterprise funds, special revenue funds, capital projects and debt service: \$26,562,633.

Total General Fund Revenue is projected at: \$13,455,322 with the following three sources as the most significant to the Town's ability to provide services.

Transient Occupancy Tax (TOT), 58% of the General Fund Revenue, is projected at \$7,775,000. While the economic environment remains unpredictable, recent activity suggests that tourism in Yountville will remain stable.

Sales Tax, 13% of General Fund revenue, is projected at \$1,695,000. Nearly 70% of the Town's sales tax revenue is derived from the many successful restaurants and tasting rooms. This estimate is conservative in anticipation of a slight slowing of economic growth in late 2023.

Property Tax, 18% of General Fund revenue, is projected at \$2,431,280 based on year-to-date property tax revenue received in the current fiscal year. This final projection is higher than the original estimate which was based on prior year's budget escalated by a growth factor of 2% which is the maximum inflation allowed per the State Board of Equalization Property Tax Division.

Total General Fund Expenditures projected at: \$11,473,343 of this amount, 61% is attributed to costs in Public Safety, Public Works, Parks and Recreation and the remaining 39% attributed to Town Council, Non-Departmental, Information Technology & Communications, Community Promotion, Town Manager, Finance, Risk Management, Town Attorney, Town Clerk and Planning.

The Town's budget includes:

7% estimated increase for medical benefits.

Funding for 34 full-time, (1 position is limited term duration), and part-time positions.

\$824,096 for PERS Normal Costs and Unfunded Actuarially Accrued Liability.

Worker's Compensation (\$114,897), Property (\$89,425) and Liability (\$290,539) Insurance premiums allocated to departments.

The General Fund budget includes the following fund balance allocations:

Committed for Insurance & Claims Retention (minimum requirement of \$30,000): \$50,000

Assigned for Budget Contingencies: \$573,667 (5% of budgeted General Fund expenditures)

Assigned for Legal Contingencies: \$250,000

Assigned for Affordable Housing Opportunities \$3,616,075

Emergency Reserve Fund 04: Estimated ending fund balance of \$2,857,761 or 25% of General Fund operating expenses (policy minimum 20%)

Unanticipated Tourism Revenue Deficits Reserve Fund 05 (*previously called the Revenue Stabilization Reserve Fund*): Estimated ending fund balance of \$2,865,569 or 37% of projected TOT revenue (policy minimum 25%)

Enterprise Funds:

The Water and Wastewater Utility Enterprise Funds budgets account for revenues collected for providing services as well as expenditures relative to operating, and capital projects.

The Water Utility Operations Fund (61) is projected to end FY 2022/2023 with a negative fund balance of approximately \$86,217. This is mostly due to the cost of water purchases experienced in FY 2018/2019 and 2019/2020 that eliminated over \$500,000 of previously available fund balance and put this fund into a deficit. This estimation is contingent upon the annual water purchase and wastewater treatment cost true-up conducted with the Veterans Home at the close of the current fiscal year.

Activity in the Water Utility Capital Improvements Fund (60) for FY 2023/2024 includes \$65,000 budgeted for the Webber Street Intertie Project, and a combined total of \$65,500 for Hydrant Repair and Water Meter Replacement Programs. Total project costs for this fund are estimated to be \$138,500. This fund is typically supported by the Water Utility Operations Fund (61); however, the operating fund does not have the capacity to provide funding in FY 2023/2024.

The Wastewater Utility Operating Fund is projected to end with an increase to fund balance of \$617,435 at the end of FY2022/2023, after accommodating transfers and covering operating expenses. This estimation is also contingent upon the annual water purchase and wastewater treatment cost true-up conducted with the Veterans Home at the close of the current fiscal year. The Wastewater Utility Operations Funds continue to have debt for the State Water Resources Loan, and a portion of the 2020 Direct Placement Financing related to the Madison & Yount Sewer Replacement project.

In FY 2023/2024, the Wastewater Treatment Capital Fund 63 includes several large projects such as Treatment Plant Building Modifications (\$2,000,000), Wastewater Treatment Plant Basin Assessment (\$500,000), and the completion of the Emergency Recycled Water Transmission Main Repair (\$650,000). The Town anticipates that some federal grant funding and insurance reimbursement will help to cover some of these costs.

In January 2023, the Town implemented the first year of the newly adopted five-year utility rate schedule. It is expected that the new rate schedule will eliminate the gap between expenditures over revenues and ensure that utility operations are able to remain self-sustaining. It is adopted Town Council policy that the General Fund does not subsidize the cost of water and wastewater utility service.

Capital Projects:

The Town continues its commitment to invest in the capital infrastructure and maintenance for streets, parks, pathways, facilities, and flood control. All capital projects for the fiscal year are listed in the Capital Improvement Program section of the budget and have been included in the Capital Projects Fund, Gas Tax Fund, Water Capital Fund, Wastewater Collection System Capital Fund, Wastewater Treatment Capital Fund, SB1 Fund, Measure T Fund, and Facilities Repair and Replacement Fund. The Town's Capital Improvement Program (all project funds) for Fiscal Year 2023/2024 includes costs totaling \$8,288,100 for projects.

The Capital Projects Fund (50) is expecting \$535,000 in revenue from state and federal grants in Fiscal Year 2023/2024. Town staff will continue to identify and apply for additional grants as they may become available and are appropriate projects for the Town. We will also focus on infrastructure project grants for the water and wastewater utility capital funds to reduce potential rate payer costs.

Budget Factors:

A factor continuing to influence the budget is changes in the California Public Employees' Retirement System (CalPERS or PERS) rates. To mitigate costs, the Town has a three-tiered system for classic employees (Tier 1), classic employees hired after 2011 (Tier 2), and employees new to PERS hired after 2011 (Tier 3). For each tier, there is an employer/employee share distribution, to cover PERS costs. Approximately 23% of the Town employees are in Tier 1. PERS costs presently represent about 11% of total salaries and benefit costs in Fiscal Year 2023/2024.

An ongoing issue will be the overall economic PERS Fund performance, and the recent lowering of the discount rate (adjustments in the Town's costs due to market performance and losses). The Finance Department will continue to monitor this topic and provide fiscal impact updates as they become available.

Summary of changes from budget workshops:

- Based on recent data acquired, increased anticipated fire tax credit in department 01-3201 from \$228,000 to \$272,000.
- Per Town Council direction, increased budget allocation for Open House/Meet & Greet Event costs from \$5,000 to \$10,000.
- Based on staff suggestions and Town Council approval in budget workshop, increased Planning Department Contract Services budget from \$10,000 to \$60,000 for on-call specialty consultants.
- Using year-to-date actuals for the current fiscal year as a baseline, increased projected Property Tax revenue to a total budget of \$2,431,280.
- Per Town Council direction, increased General Fund Assigned for Legal Contingency fund balance allocation from \$200,000 to \$250,000.
- Added budget allocation for \$25/month Deferred Compensation match benefit for Town Council members per Resolution 19-3546.
- Per Town Council direction, added PK-0033 Shade Structure at North Park project to Capital Projects Fund budget in the amount of \$150,000.

Changes subsequent to budget workshops:

- Added health insurance for Town Council dependents.

Gann Limit:

In concert with the annual budget adoption process the Gann Limit calculations have been completed to ensure the Town is in compliance with, and not exceeding the limit including its' voter approved override. For the upcoming fiscal year, the Town is under the limit by 41.29%. Because this limit is driven by legislation governing the use of tax proceeds, staff has reviewed Article XIII B, California Constitution Government Spending Limit, and the League of California Cities 1991 Revenue Manual, to ensure all calculations were properly included.

Budget Completion:

On or before July 1, the final adopted budget document will be available on the Town's website on the Budget Information page. The Town will offer both an Online Budget Book, and a printed Budget document that will be made available to Council Members and Management Team staff. A public copy of the Budget document will be kept at Town Hall and the Yountville Library. Please follow the link below to view the Town of Yountville Online Budget Book.

<https://ca-yountville.civicplus.com/472/Budget-Fiscal-Year-2023-2024>

ENVIRONMENTAL REVIEW

Exempt per California Environmental Act (CEQA) Guideline, Section 15061(b)(3)

FISCAL IMPACT

Is there a Fiscal Impact? Yes,

Is it Currently Budgeted? No

Where is it Budgeted? N/A

Is it Mandatory or Discretionary? Mandatory

Is there a Staff Resource Impact? Yes

STRATEGIC PLAN GOAL

Is item Identified in Strategic Plan? Yes

If yes, Identify Strategic Goal and Objective. **Responsible Fiscal Policy:** The Town maintains its fiscal health

through policies designed to maximize economic opportunities, manage expenses, and ensure prudent reserves.

Briefly Explain Relationship to Strategic Plan Goal and Objective. The Town's budget enables staff to complete projects and conduct business to serve residents, businesses, and visitors. The budget is a financial plan that is developed in concert with the Town Council Strategic Plan. Elements of the Strategic Plan are completed through the staff work that is funded by the approved budget.

RECOMMENDATION

Receive staff report and direct questions to staff.

Receive public comment.

Conduct Council discussion.

Adopt Resolution Approving Resolution Number 23-4210 Adopting the 2023/2024 Operating Budget, Appropriations (Gann) Limit for Fiscal Year 2023/2024, Salary Ranges and Existing Fiscal Policies (General Finance Policy, Town Investment Policy, Use of Long-Term Debt Policy, OPEB Trust Investment Policy, Fund Balance Policy, Utility Enterprise Rate Policy, Use of Drought Water Reserve Policy).