



# City of Biggs

## Agenda Item Staff Report For the Special City Council Meeting: June 26, 2014

TO: Honorable Mayor and Members of the City Council  
FROM: City Administrator  
SUBJECT: Preliminary 2014-2015 Budget Information

There are some changes to the format, layout and content of the information, and some notable items that we will explain as follows:

### **Budget Preparation:**

For many years the City budget was created in a 46 sheet Excel workbook. Over many years, incremental changes to the Excel workbook created some internal errors and inconsistencies, as did the manual process of transferring the budget into the City's Accounting system. This is the 2<sup>nd</sup> year in which the budget is primarily being created within the City's MOM accounting system. Again this year the City's MOM accounting system data drives the fund summaries and fund activity listings, rather than the reverse.

### **Draft Fund Summary (Page 5):**

After the fund number and fund description, Column 1 "Audit Balance" begins with a known quantity in the form of the fund balances from the previous year audited financials so that the table begins with firm information.

Columns 2 and 3 indicate the 2013-2014 budgeted revenues and expenses to the fund.

Column 4 indicates amounts by which year-end results are expected to differ from the 2013-2014 budget.

*Example: because General Fund revenues were higher than budget and expenses were lower than budget, we expect the General Fund end of year balance to be \$105,000 higher than was anticipated in the 2013-2014 budget.*

Column 5 is the Projected Fund Balance at the beginning of the next fiscal year. And the remaining columns are the familiar listings of proposed budgets of revenues, expenses, transfers in, transfers out and the resulting fiscal year end fund balance projections.

### **Annual Budgeted Transfers (Page 6)**

This summary serves to clarify the proposed transfer amounts, sources and destinations. Typically such budgeted transfers are made in quarterly installments at the beginning of each quarter. Though some one-time transfers, such as the proposed \$42,000 transfer out of Fund 013 Bridge Replacement Reserve is intended to be a one-time transfer equal to the total fund balance

after the final close of the 2013-2014 fiscal year, would be slightly less than \$42,000, and will serve to zero out the fund.

The proposed transfer of \$45,000 to the General Plan Update Fund 214 is intended to raise the fund balance to level sufficient to carry out some remaining tasks related to the General Plan update including a zoning code update, sphere of influence update and Municipal Services Review update with LAFCO during the upcoming fiscal year.

### **MOM Accounting System Budget Reports**

Page 7 contains a consolidated General Fund report. Pages 8 through 51 consist of fund budget reports as they are generated by the City's MOM accounting system.

After the description, Column 1 contains the current year 2013-2014 budget figures. Column 2 contains the 11 month current year actuals through May 2014. Column 3 contains the proposed or "Requested" budget for Fiscal Year 2014-2015.

Note that in the MOM budget reports, benefits amounts are calculated externally and then entered into the MOM system budget as one combined line item "Health Insurance" whereas the actual expenses accrue (and are shown) across several line items. Note that MOM is a traditional accounting system where negative numbers are revenue and positive numbers are expenses.

Current fiscal year (through May 2014) Statements of Revenue and Expenditures by Fund for major funds are found in pages 52 through 65.

### **Fund 010 General Operating Fund**

Budgeted revenues were modified slightly to match current year actual trends, or in the case of property tax to match the revenue estimate from Butte County, effectively assuming no significant change in revenues from the current fiscal year. Budgeted expenses were also modified slightly to match current year actual trends, or to account for known changes.

### **Fund 214 General Plan Update**

While the General Plan has been adopted it would be prudent to update the zoning code to be compatible with the General Plan, update the sphere of influence and to update the Municipal Services Review with LAFCO. The recommended \$45,000 transfer into fund 214 is expected to cover all of these expense items. Some level of update to the Municipal Services Review would be required to support the annexation of the waste water treatment plant land application area.

### **Fund 011 Building and Equipment Reserve**

This fund has accumulated a positive fund balance and is expected to end this fiscal year with a balance of \$101,536. For the next fiscal year an expense budget of \$40,000 is recommended to replace a Ford Ranger before it becomes a maintenance cost liability and to allow for acquisition of paving equipment and/or right of way mowing equipment in Public Works.

### **Fund 030 Sewer Operating Fund**

This fund reflects a revenue increase due to the sewer rate increase and is eliminating its negative balance while we simultaneously transfer out \$100,000 for WWTP project debt service.

While difficult to predict the exact amount of phase 2 project construction costs expected to accrue this fiscal year, total debt service is expected to be less than the \$100,000 transfers of \$50,000 to each of funds 107 and 108. Debt service will grow in future fiscal years as the projects advance.

**Fund 050 Electric Operating Fund**

Increases in wholesale electricity costs caused by the burden of greenhouse gas regulations and various drought related impacts had a negative impact on in the fund in recent months. A notable item relates to the City's Western Base Resource costs (attached). Note the remarkable spike in monthly /mWh costs and the increase in the rolling 12-month average. Fortunately the day ahead market has been comparatively calm and reasonably priced, and many are expecting a wetter than usual winter which could reduce drought impacts to the 2014-2015 fiscal year.

A lower level of transfers out of the fund in 2014-2015 help to stabilize the situation, but recommend that the City begin consideration of a rate increase and/or a mechanism by which increases in wholesale electricity costs can be reflected in retail prices in a reasonably short period of time so that adverse financial impacts can be reduced.

**Funds 107 WWTP Phase 1 and 108 WWTP Phase 2**

For the purposes of the budget we included all anticipated revenues and expense as if the projects would start and be completed in the fiscal year. While we have working timelines and project cash flow projections, there are too many moving parts and unsettled details to be able to reasonably define revenues and expense that will fall into the fiscal year.

Because of the financial magnitude of the projects (over \$8 Million) the city will need to formulate cash flow plans (particularly for Phase 2) as the construction schedules and cash flow projections become clearer.

**Fund 131 6<sup>th</sup> Street Bridge Fund**

With project completion expected in August 2014, we expect the current and next fiscal year expenses to be off-set by Cal-Trans reimbursements in fiscal year 2014-2015.

**Water, Sewer and Electric Development Impact Fee Funds**

Because of the activity in these accounts associated with North Biggs Estates these funds were added to the table.

**Recommendation:**

Review the materials, offer initial direction and feed-back and schedule a future meeting to further review the proposed budget.

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Mark Sorensen, City Administrator