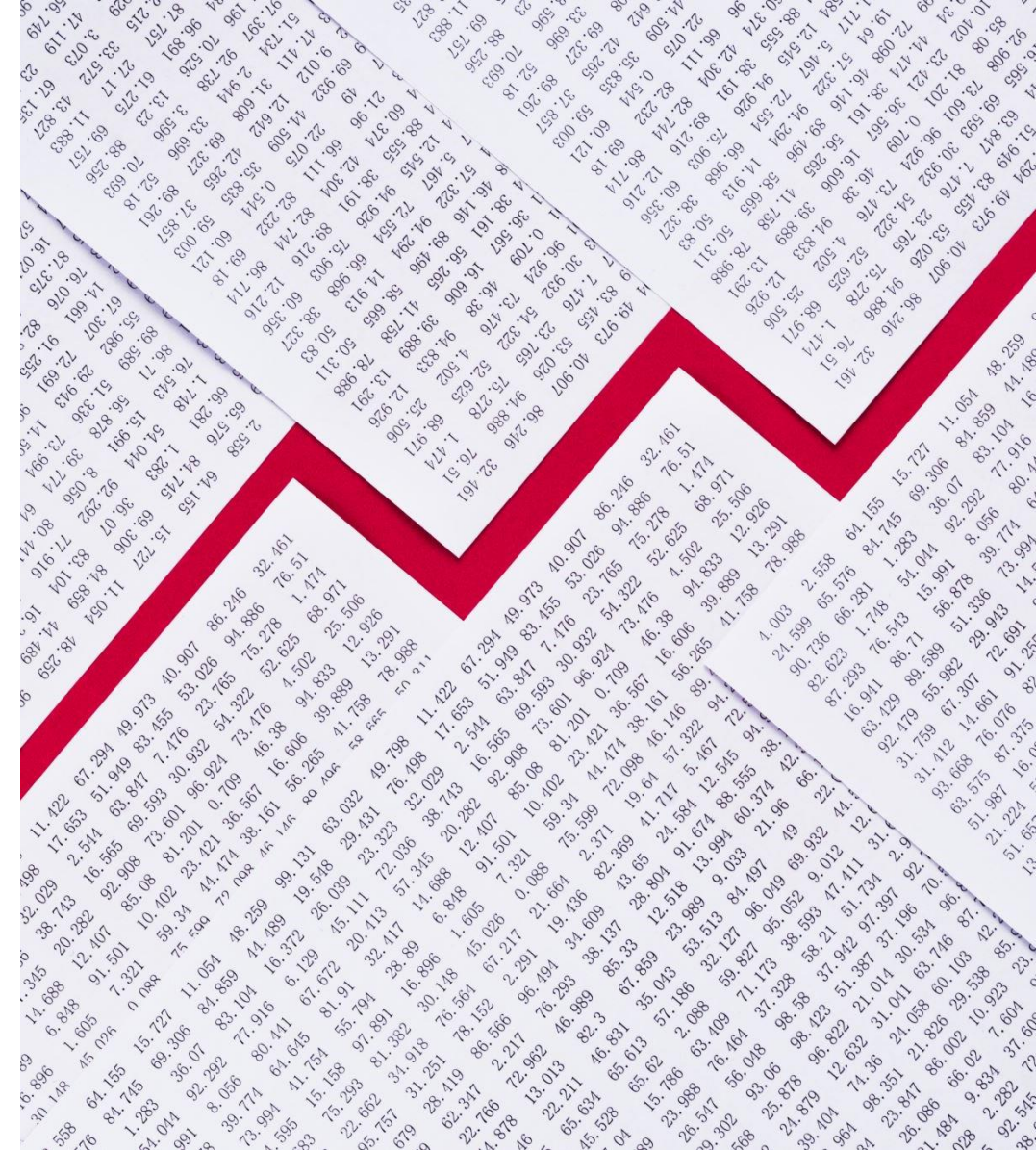


FY 2023-24 Budget & Looking Ahead

Workshop #2: Staff Recommendations



Agenda

- Departmental Budget Recommendations
- Council Identified Budget Requests (to date)
- Looking Ahead
- Next Budget Meetings
- Feedback and Direction from Council

CD&S Budget - Needs

- GIS Update - \$20K
- Chemicals - \$10K
- ~~■ Dump Truck - \$120K (Grant may be possible)~~
- ~~■ Side by side - \$15K~~
- ~~■ Civic Center Repairs - \$100K~~
- ~~■ Park Sheds - \$20K~~
- ~~■ Development Permitting Workflow and Process (for the public) - \$10K Per Year~~
- ~~■ Part-Time CD Technician/Administrative Analyst - \$20K~~

TOTAL = \$30K

Fire Budget - Needs

- ~~Contractual Services - \$41,250 (e.g., Dispatch, FD software)~~
- Volunteers CalPERS Retirement - \$2100
(50-50 reimbursable shared expense with Rural District)
- Keyless Station Door Locks - \$5K
- ~~Security Cameras - \$15K~~
- ~~Scene Lighting - \$3K~~
- Apparatus Bay Cabinets - \$8K

TOTAL = \$15,100

Library Budget - Needs

- ~~▪ Full-Time Children's Librarian - ~\$50K~~
- Equipment Maintenance - \$2K
(left out of FY 2022-23 Budget)

TOTAL = \$2K

Council Identified Budget Items

- Swimming Pool Repairs - ~ \$200K
(approved by Council on April 11, 2023)
- Full-Time Recreation Director - ~\$90K*
(*includes \$70K salary, health, dental and vision insurance, and Cal PERS)

TOTAL = \$290K

Conclusion - FY 2023-24 Budget

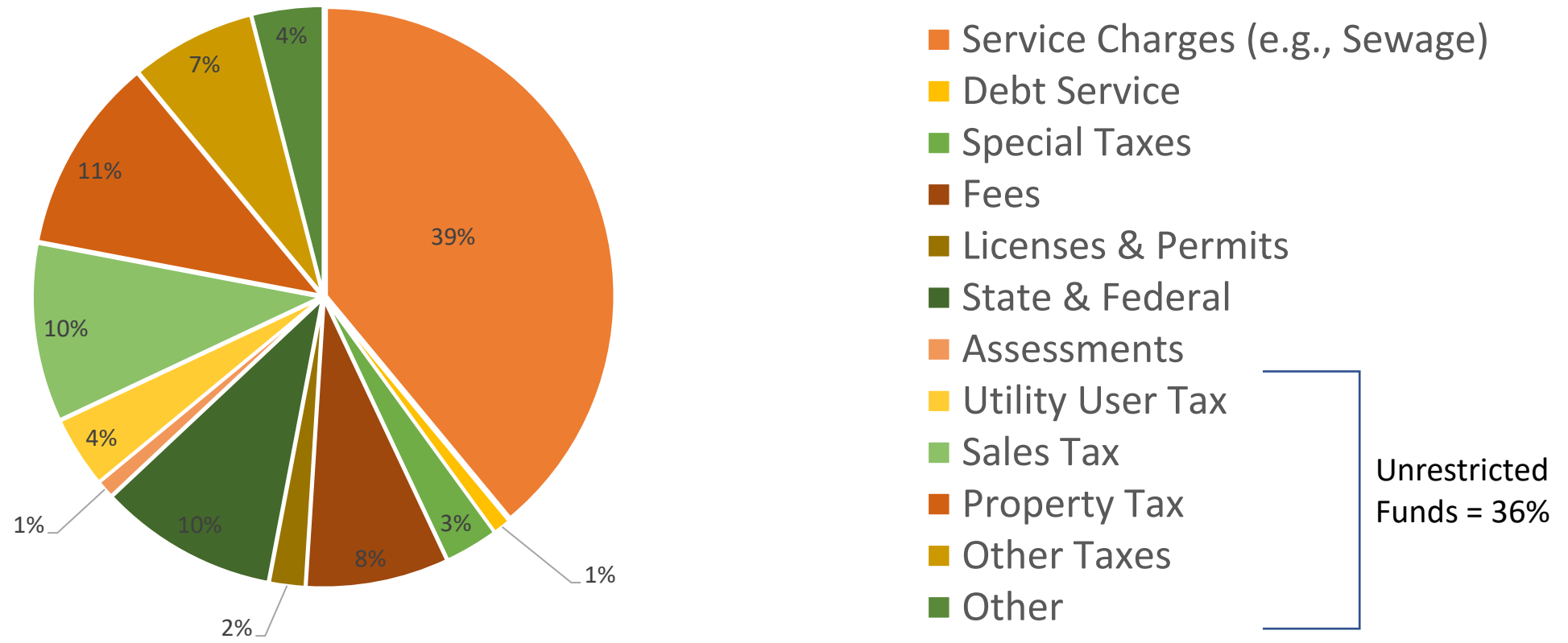
- Total New Proposed Expenditures = ~~\$733,450.~~ \$337,100.
- The proposed budget will still accelerate the decrease of the General Fund Reserve; however, it would be at approximately half the pace as proposed in the initial April 11 City Council Meeting.
- Unless otherwise directed, the budgetary items in this presentation will be included in the May 22 draft budget presentation by the City's Finance Consultant.

Looking Ahead

- Source of Revenues Funding City Services
- Potential Cost Savings Measures
- Potential Revenue Generation Opportunities
- Planning for the Future & Financial Forecasting

Typical California City Revenues

Source of City Revenues Used to Pay for Services



Cost Saving Measures

- Library Funding – County and City Cost Sharing Agreement
- Rural Fire District – Cost of Contract
- Water Enterprise Fund – Cost to Operate
- Cost allocation of PW Staff Time to Various Funds

Cost Saving Measures

FY 2022-23 LIBRARY BUDGET – COUNTY AND CITY SHARE

- Library Budget: ~ \$226K
- County Contributed: \$77K
- City Contributed: \$149K
- Last Fiscal Year, approximately 50% of library cardholders were County or outside the County residents versus 50% were City residents.
- Recommend 50-50 split between County and City = \$114K
- City General Fund Savings: ~\$35K

Note #1: An annual assessment should be conducted to evaluate how many library cardholders/users are County versus City residents.

Note #2: City residents are also County residents. The surrounding five counties adjacent to Glenn County fund their libraries from county general fund monies.

Cost Saving Measures

RURAL FIRE DISTRICT – INCREASE CONTRACT

- Rural District Annual Contract with the City: ~\$34K
- City Fire Department Budget: ~ \$580K
- Percentage of 9-1-1 Calls to Rural District: 20-25%
- Annual Cost of Rural Fire District Contract should be:
\$116K - \$145K/Annually
- Potential Savings to General Fund: \$82-\$111K/Annually

Cost Saving Measures

CITY FIRE DEPARTMENT & RURAL FIRE DISTRICT

- The relationship between the City Fire Department and Rural District is complex (e.g., sharing equipment, apparatus). Before pursuing additional revenue, staff recommends further analysis re: structural options (e.g., JPA) for providing financially equitable and sustainable fire and EMS services to both City and Rural District residents.
- Proposition 172 – The Rural District could/should also pursue a distribution from the County of Prop 172 monies. That would relieve some of the financial pressure for the Rural District and, in turn, for the City.
- Fire Recovery USA – City uses Fire Recovery USA in the Rural District for cost recovery purposes and, when successful, the City receives 100% of those funds.

Cost Saving Measures

WATER ENTERPRISE FUND – TRANSFER TO CAL WATER

- FY 2021-22 Revenues: **\$6,057**
- FY 2021-22 Operating Budget: **\$19,174**
- Operating Deficit: **\$13,117**
- One-Time Expense to Transfer Water Wells to Cal Water: **~\$550K**
- Future Cost and Savings to the General Fund: **> \$13,117**

Note: Historically, Chromium 6 has been found in city-owned wells at higher levels than Federal standards permit.

Cost Saving Measures

ALLOCATION OF PW STAFF TIME*

- FY 2022-23 Cost Allocation of PW Maintenance Workers
 - General Fund: 75%, \$368,402
 - Sewage Fund: 25%, \$122,203
 - Water Fund: 0% (due to operating deficit)
 - Gas Tax Fund: 0%
- Potential Future Cost Allocation of PW Maintenance Workers
 - General Fund: 25%, \$122,800
 - Sewage Fund: 35%, \$171,921
 - Water Fund: 0%
 - Gas Tax Fund**: 40%, \$196,481

Potential Savings to the General Fund: \$245,602

*Does not include other staff time from other departments (e.g., Finance, CM).

**Less money for street repairs.

Revenue Generating Measures

- Update Master Fee Schedule
- Update Impact Fee Schedule
- Cannabis Dispensary Revenue
- Sale of City-Owned Property (one-time monies)
- .5%, .75% or 1% Sales Tax Increase
- Transient Occupancy Tax – 12% (not recommended)

Revenue Generation Measures

MASTER FEE SCHEDULE UPDATE

- FY 2022-23 Projected Revenue from Fees*: **\$172,300**
- Potential Increase of Revenue (Annually): **~ \$86,150**
- New Total Projected Revenue: **~ \$258,450**
- One-Time Cost to Update Master Fee Schedule:
~ \$30K (already approved in FY 2022-23 Budget)

*Fees include Building, Planning, Engineering, Recreation, and Fire permits, as well as Business Licenses.

Revenue Generating Measures

IMPACT FEE SCHEDULE UPDATE

- One-Time Cost to update: ~ \$50K
- Potential Increase of Revenue (Annually): Unknown and cannot be relied upon to balance the budget, because development is inconsistent.

Revenue Generating Measures

CANNABIS DISPENSARY REVENUE

- Projected Cannabis Revenue: ~\$300K/Year
- Unknown and Unreliable source of funds to balance the budget; dispensary is not yet open.

Revenue Generating Measures

SALE OF CITY-OWNED PROPERTY

- Eight potential properties - mostly vacant land, as well as two residential houses.
- Total Projected One-Time Revenues:
~ \$1 Million

Cost Savings & Revenues

- Total Potential Cost Savings & Revenues
(Not Including Cannabis and Sales Tax):
~ \$461,869
- Total Projected One-Time Revenues:
~ \$1 Million

Revenue Generating Measures

SALES TAX INCREASE

- Projected .5% Sales Tax Increase:
~\$1.1 Million/Year
- Projected .75% Sales Tax Increase:
~\$1.650 Million/Year
- Projected 1% Sales Tax Increase:
~\$2.2 Million/Year

Revenue Generating Measures

SAMPLE SALES TAX INCREASES

Item	Current Cost	.5% Sales Tax	.75% Sales Tax	1% Sales Tax
Starbucks Latte (Grande)	\$3.65	\$3.67	\$3.68	\$3.69
1 Gallon of Gas, Diamond Gas, Willows	\$4.49	\$4.51	\$4.52	\$4.53
Toilet Paper (nine rolls), Walmart	\$6.36	\$6.39	\$6.41	\$6.42
Dozen Donuts, Donut Wheel	\$18.50	\$18.59	\$18.64	\$18.69
Full Reuben (to go), Boards Galore	\$12.00	\$12.06	\$12.09	\$12.12

Who pays Willows Sales Tax?

- 52% - Willows Residents
- 48% - Non-Willows Residents

Source: HdL Econ Solutions, City of Willows Resident/Non-Resident Sales Tax Analysis, February 2022

Regional Sales Tax Comparison

(within 1 hour and 15 minutes of Willows)

- Redding (pop. 93.5K) – 7.25%, no additional sales tax
- Anderson (pop. 11.4K) – 7.75%, 0.5% to Anderson
- Red Bluff (pop. 14.6K) – 7.5%, 0.25% to Red Bluff
- Corning (pop. 8.2K) – 7.75%, 0.5% to Corning **(\$1.4 Mil)**
- Orland (pop. 8.3K) – 7.75%, 0.5% to Orland **(\$1.2 Mil)**
- Williams (pop. 5.6K) – 8.25%, 0.5% to Williams **(\$1.1 Mil)**
- Colusa – (pop. 6.4K) - 7.75%, 0.25% to Colusa

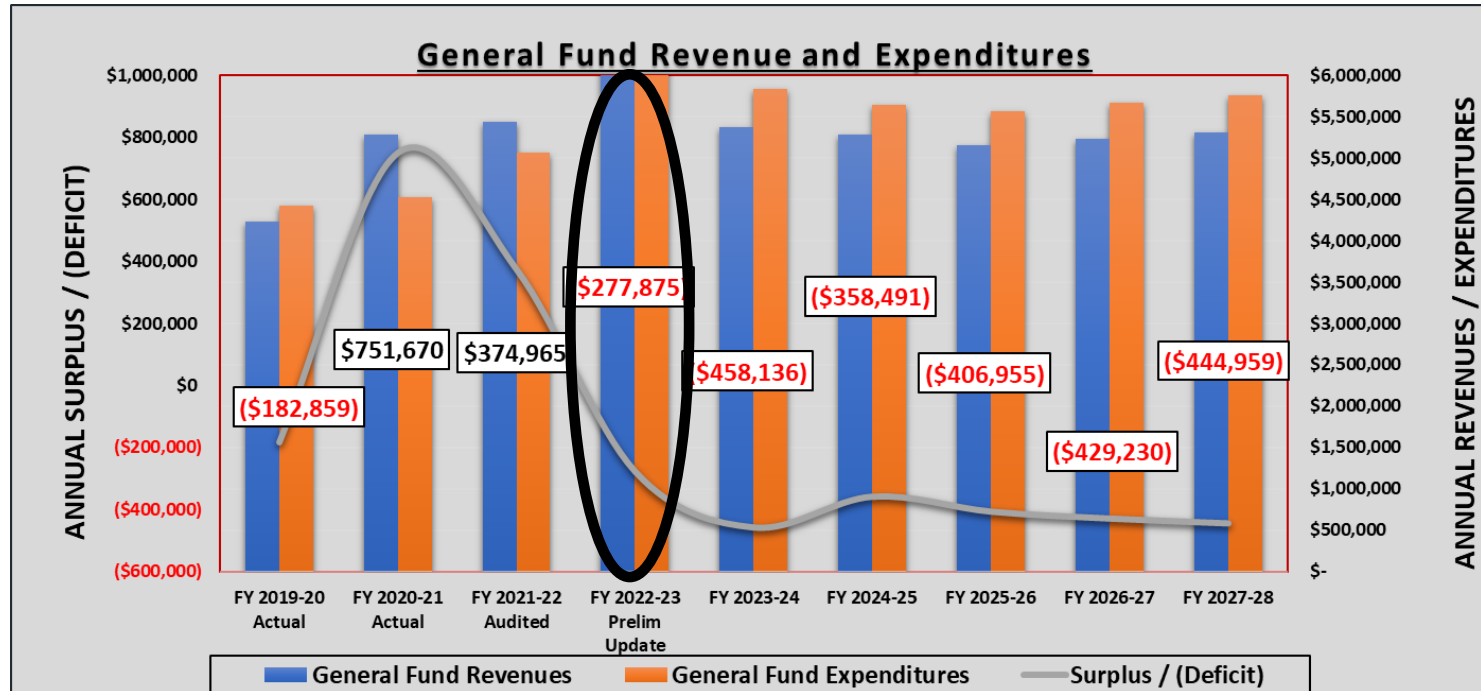
Regional Sales Tax Comparison (cont.)

(within 1 hour and 15 minutes of Willows)

- Chico (pop. 102K) – 8.25%, 1% to Chico
- Oroville (pop. 19.9K) – 8.25%, 1% to Oroville
- Yuba City (pop. 69.5K) – 7.25%, No additional sales tax
- Marysville (pop. 12.6) – 8.25%, 1% to Marysville
- Paradise (pop. 5.3K) – 7.75%, 0.5% to Paradise
- Woodland (pop. 61.4K) – 8%, 0.75% to Woodland
- Clearlake (pop. 16.8K) – 8.75%, 1.5% to Clearlake

Mid-Year Budget Forecast

Financial Status - General Fund Forecast

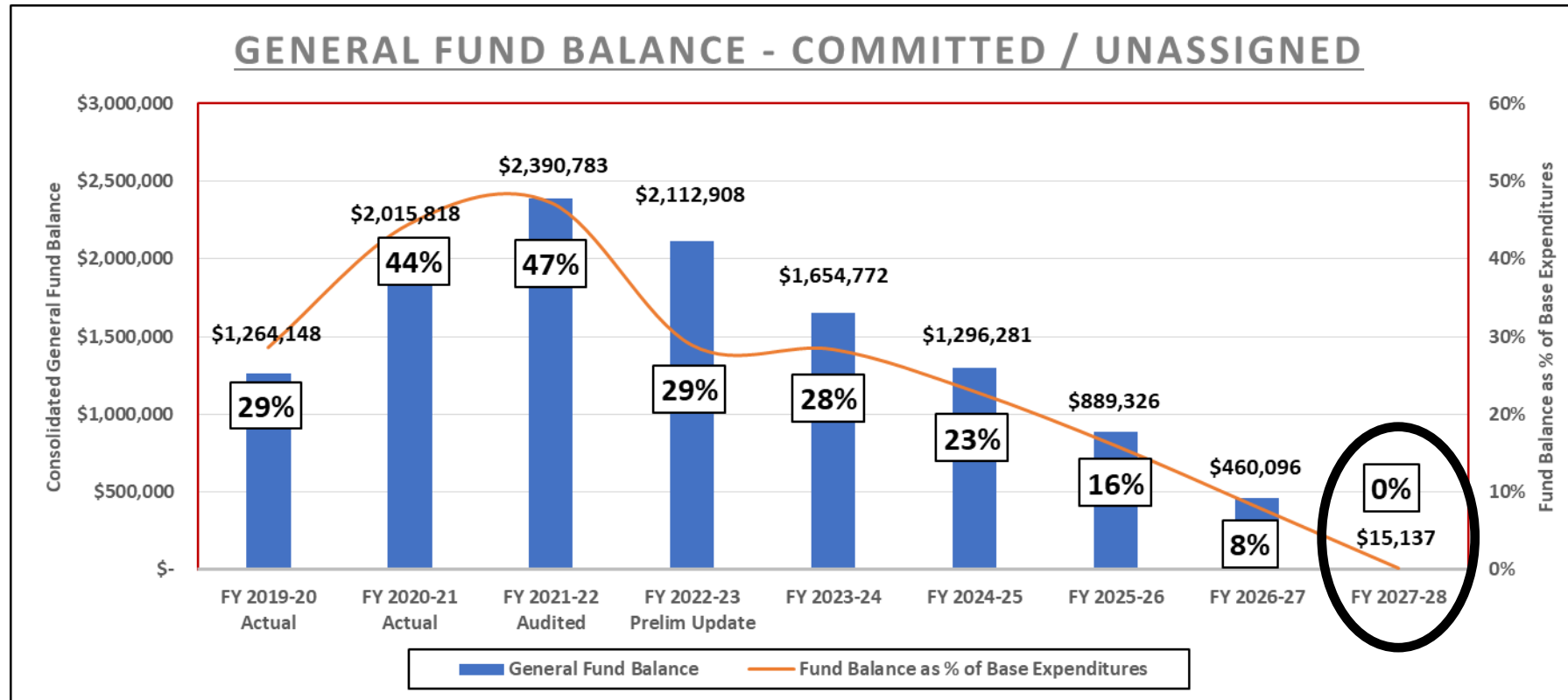


Notes:

- Forecast based on "Base Budget" concept
- All positions currently authorized assumed filled as of March 2023 and forward
- Model only includes negotiated salary increases
- Slight deficits due to CalPERS UAL Bond debt service schedule (normalizes in FY 2024-25)
- Systemic issue of revenue base not keeping up with expenditure base

Mid-Year Budget Forecast

General Fund Balance:



City is operating at a structural deficit. Based on the base budget and with no new expenditures, the General Fund Reserve/Starting Fund Balance will be expended by FY 2027-28.

Budget Approval Schedule & Other Financial-Related Direction

- **May 22, 2023, Special City Council Meeting - Draft Budget Presentation (Andy Heath)**
- **June 13, 2023, City Council Meeting – Budget Workshop #4 (Tentative - CM)**
 - City Manager to present updates from May 23, 2023, City Council meeting based on Council direction.
 - Seek additional feedback and requests for more information in preparation for the proposed July 11 Council discussion (see below).
- **June 27, 2023, City Council Meeting – Budget Approval (Andy Heath)**
 - Finance Consultant to present final FY 2023-24 Budget to Council for approval.
- **July 11, 2023, City Council Meeting**
 - Respond to June 13 requests for additional information; and revisit this presentation, continue the dialogue and/or direct staff to move forward with any and/or all cost savings and/or revenue generation measures.

**Comments, Feedback,
Questions and/or Direction?**