



336 Pacific Avenue, Shafter, CA 93263
Meeting Held In-Person and Via Zoom and Livestream on YouTube.

**AGENDA
SPECIAL MEETING
SHAFTER CITY COUNCIL
TUESDAY, APRIL 4, 2023**

NOTICE TO THE PUBLIC:

Any documents produced by the City and distributed to a majority of the City Council regarding any item on this agenda will be made available in the City Clerk's Office during normal business hours at City Hall located at 336 Pacific Avenue, Shafter CA. In addition, such documents will be posted on the City's website at www.shafter.com.

TELECONFERENCE NOTICE:

As emergency conditions persist in the City, specifically, a state of emergency remains in effect related to COVID-19, community transmission of COVID-19 in Kern County has rapidly increased from Low to High due to the highly contagious variants of COVID-19, which has emerged, Kern County officials are imposing and recommending measures to promote social distancing, requires masking by all, regardless of vaccination status, in an effort to slow the continuously high trends in and level of transmission of COVID-19 throughout the State and Kern County. The City Council determine that the presence of COVID-19 and the increase of cases due to the COVID variants will continue to cause conditions of peril to the safety of persons within the City that are likely to be beyond the control of services, personnel, equipment, and facilities of the City, and has affirmed a local emergency exists and re-ratified the proclamation of state of emergency by the Governor of the State of California. In compliance with AB 361, Brown Act public meetings will be conducted utilizing Zoom Video Communications.

Remote public participation is allowed in the following ways, please see attached supplement for instructions.

CALL TO ORDER: 4:00 PM

ROLL CALL:
Mayor Givens
Mayor Pro Tem Prout
Council Member Alvarado
Council Member Espinoza
Council Member Olvera

APPROVAL OF AGENDA:

PUBLIC COMMENT:

Those persons wishing to speak on any item included on the agenda, or on any matter within the subject matter jurisdiction of the City Council, are invited to speak from the podium and address the City Council. Speakers are limited to five minutes unless additional time is needed for translation. Please state your name and address for the record before making your presentation.

MANAGEMENT REPORT:

- 1. FISCAL YEAR 2023-2024 OPERATING REVENUES PROJECTIONS & PROPOSED EXPENSES (WORKSHOP #1):** Council find the action is exempt from the California Environmental Quality Act (CEQA) because it is not defined as a "project", therefore not subject to CEQA; and receive the staff report related to operating revenue projections, proposed labor cost, and proposed M&O. (City Manager Gabriel A. Gonzalez)

ROLL CALL

ADJOURNMENT:

Pursuant to the Americans with Disabilities Act, if you need special assistance to participate in a City Council Meeting, please contact the City Clerk at (661) 746-5000 at least three (3) days prior to the meeting or time the special services are needed to allow City staff in making reasonable arrangements to provide you with access to the meeting. Any public record, relating to an open session agenda item, that is distributed within 72 hours prior to the meeting is available for public inspection in the City Clerk's Office at Shafter City Hall, 336 Pacific Ave., Shafter, CA 93263. This is to certify that this Agenda notice was posted at City Hall and Police Dept. by 5:00 p.m., March 31, 2023. Yazmina Pallares, S/S, City Clerk



336 Pacific Avenue, Shafter, CA 93263
Meeting Held In-Person and Via Zoom and Livestream on YouTube

**AGENDA
SUPPLEMENT
Special Meeting
Shafter City Council
April 4, 2023**

**THE April 4, 2023 MEETING WILL BE CONDUCTED IN COMPLIANCE
WITH AB 361**

In order to minimize the spread of the COVID 19 virus, please do the following:

1. You are strongly encouraged to observe the City Council meetings live via YouTube <https://www.youtube.com/user/CityofShafter/>
2. If you wish to make a comment on a specific agenda item or public comment, please submit your comment via email by **4:00 PM on April 4, 2023** to the City Clerk at CityClerk@shafter.com
3. If you wish to make a written comment to the City Clerk, 336 Pacific Avenue, Shafter, CA 93263.
4. If you wish to make a comment during the live meeting, callers must first register with the City Clerk at 661-746-5012 before the meeting begins to receive instructions and the call- in number and code. Please call by 5:00pm on the Monday prior to the City Council meeting to allow ample time for sign up. You will need to provide your name, phone number and the item number you wish to address.
5. All public comments are provided to the City Council and applicable Staff, for review and consideration by the Board prior to taking action on any matters listed on the agenda and are incorporated into the official record of the City Council meeting.

The City of Shafter thanks you in advance for taking all precautions to prevent spreading the COVID 19 virus.



336 Pacific Avenue, Shafter, CA 93263
Meeting Held In-Person and Via Zoom and Livstream on YouTube.

**NOTICE OF
SPECIAL MEETING OF THE SHAFTER CITY COUNCIL**

NOTICE IS HEREBY GIVEN that a special meeting of the City Council of the City of Shafter will be held on **April 4, 2023**. The meeting will convene at **4:00 PM**, in the Council Chamber at Shafter City Hall, 336 Pacific Avenue, Shafter, California, and via teleconference and Livstream on YouTube. Said special meeting shall be for the following purpose:

MANAGEMENT REPORT:

1. FISCAL YEAR 2023-2024 OPERATING REVENUES PROJECTIONS & PROPOSED EXPENSES (WORKSHOP #1): Council find the action is exempt from the California Environmental Quality Act (CEQA) because it is not defined as a "project", therefore not subject to CEQA; and receive the staff report related to operating revenue projections, proposed labor cost, and proposed M&O.

Yazmina Pallares, City Clerk

Affidavit of Posting Special Meeting Notice

This is to certify that this Special Meeting Notice was posted at City Hall and the Police Department by 5:00 p.m., March 31, 2023. Further information regarding this Agenda Notice is available at City Hall, 336 Pacific Ave., Shafter, CA.

Yazmina Pallares, S/S, City Clerk

Dated: March 31, 2023



CITY OF SHAFTER CITY COUNCIL REPORT

MEETING DATE: April 4, 2023

FROM: Gabriel A. Gonzalez, City Manager

PREPARED BY: Rogelio Sanchez, Finance Director

SUBJECT: FISCAL YEAR 2023-2024 OPERATING REVENUES
PROJECTIONS & PROPOSED EXPENSES (WORKSHOP #1)

RECOMMENDATION

Council find the action is exempt from the California Environmental Quality Act (CEQA) because it is not defined as a "project", therefore not subject to CEQA; and receive the staff report related to operating revenue projections, proposed labor cost, and proposed M&O.

BACKGROUND

The City Council adopts an annual operating budget based on projected revenues and expenditures anticipated during the fiscal year, defined as July 1 through June 30 of the following year. The adopted budget sets the parameters for expenditures by staff during the fiscal year based on the initial revenue projections.

Revenue projections are the basis to determine if an organization can cover its operating expenses, capital projects, and future obligations. The City expects increases compared to previous years as the city continues to grow. However, the entire nation continues to deal with inflation which generates pressure on the supply chain and operating costs. Arguably, we can assume that the nation is amid a recession and things could turn out for the worst in the upcoming Fiscal Year. Fortunately, the City has reserves to take corrective action should there be an unforeseen revenue downturn.

The Sales Tax Consultants are optimistic in their FY 23/24 forecast. Operating revenues are expected to cover operating expenses within the general fund, but a few enterprise funds continue to struggle and are unable to keep up with cost increases. Other than population growth, current utility revenues will remain stagnant unless a new rate study is conducted.

A citywide overview will be provided on revenues, labor, energy, and other M&O expenses. The analysis will include a historical perspective along with a five-year Compound Annual Growth Rate (CAGR). The analysis will focus on operating revenues and expenses, which will exclude the following areas: Modified Community Correction Facility (MCCF), Grants, internal transfers, internal charges, CIP, and other capital-related requests. The noted excluded items will be on the final budget and will undergo

MANAGEMENT REPORT

FISCAL YEAR 2023-2024 OPERATING REVENUES PROJECTIONS & PROPOSED EXPENSES (WORKSHOP #1)

further council review in subsequent budget workshops. The presented operating expenses are intended to maintain current city services. There are no cost increases other than proportions to inflation. Furthermore, all labor cost increases related to COLA or equity adjustments were previously approved by the city council and city manager.

The tentative schedule is as follows:

<u>Date</u>	<u>Description</u>
April 04, 2023	Operating Revenues and Expenses
April 18, 2023	Capital Improvement Program (CIP)
May 02, 2023	Department presentation with related additional requests on personnel and capital.
May 16, 2023	Council Direction & Request Approvals
May 26, 2023	Draft Budget Book Provided to Council
June 06, 2023	Final Budget Presentation
June 20, 2023	FY 23/24 Budget Adoption

The adopted budget is broken down by major fund groups. The fund groups include:

- General Fund (retail sales & property taxes)
- Enterprise Funds (sewer, water, drainage)
- Special Revenue Funds (gas tax, traffic, transportation, landscaping funds, etc.)
- Capital Improvement Projects (CIP; pedestrian improvements, water wells, etc.)

ANALYSIS

Citywide operating revenues have experienced a Compound Annual Growth Rate (CAGR) of 8.7% or \$16.84 million, a change between FY18 and FY22, which represents a five-year period. This growth has outpaced historical inflation rates. General fund taxes had an 8.8% CAGR or \$11.02 million over the same period. Connection fees had a 12.8% or \$1.72 million increase, which indicates high construction growth on both residential and commercial units. Licenses and permits are another indicator of high growth with a 17.2% five-year CAGR or \$0.75 million increase.

Citywide labor costs had a 5.8% CAGR or \$2.96 million change between FY19 and FY22, which represents a four-year period. M&O had a 6.0% CAGR or a \$2.06 million change between FY18 and FY22, which is a five-year period. We expect a significant increase in the current fiscal year 22/23 and in future years due to recent prolonged inflation. The lack of M&O cost increases was also slowed during the COVID period in calendar years 2020 and 2021. Recent fuel charges are a clear indication that M&O will have more negative visibility in the current budget cycle with no end in the foreseeable future.

Electric costs are another challenge for the city with a 7.9% CAGR or \$0.54 million change between FY18 and FY22, which represents a five-year period. The increase for the water fund is 6.2% CAGR, which is smaller than the rest of the funds at 14.9%. The lower CAGR on the water fund is most likely attributed to solar panel projects.

FISCAL YEAR 2023-2024 OPERATING REVENUES PROJECTIONS & PROPOSED EXPENSES (WORKSHOP #1)

Additional analysis and overview will be provided during the council meeting on April 4th, 2023.

FISCAL IMPACT

The proposed operating expenses are for the upcoming FY 2022/2023. Revenue projections come from various sources including historical trends, consultants, state estimates, and coordination with department directors. No budget action is required currently until budget adoption on June 20, 2023.

CEQA ANALYSIS

The action is exempt from the California Environmental Quality Act (CEQA) because it is not defined as a "project" per Section 15378(b)(4) of the CEQA Guidelines. The action is a government fiscal activity that does not involve any commitment to any specific project that may result in a potentially significant impact on the environment.

APPROVED BY THE CITY ATTORNEY

No

ALTERNATIVES

NA

NEXT STEPS

Next council meeting will be on April 18, 2023.

ATTACHMENTS

1. Fiscal Year 2023-2024 Operating Revenues and Expenses Overview

Fiscal Year 2023/2024

Operating Revenues & Expenses

April 4, 2023, Council Meeting



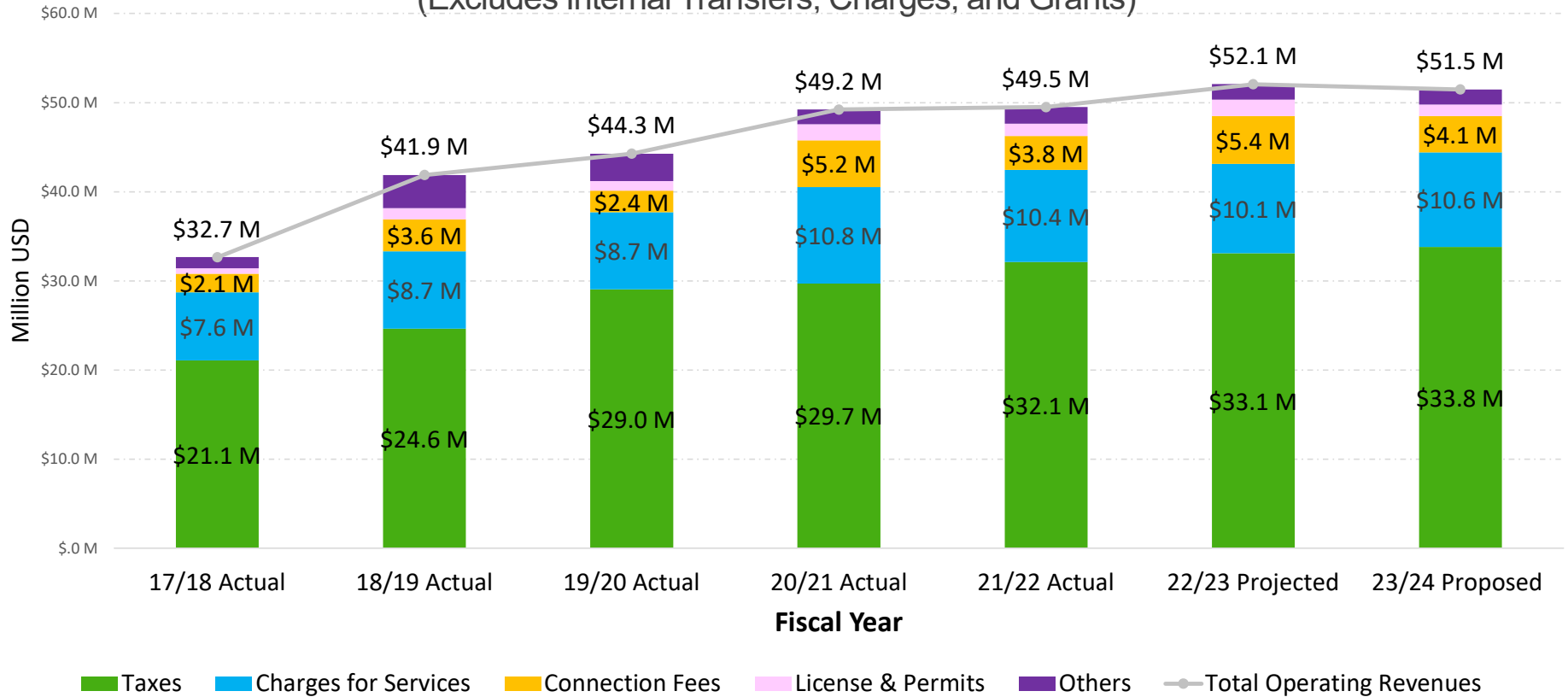
Overview

- Citywide Operating Revenues & Expenses
- General Fund Operating Revenues & Expenses
- Enterprise Fund Operating Revenues & Expenses



Citywide Operating Revenues by Account Type

(Excludes Internal Transfers, Charges, and Grants)



Citywide Operating Revenues by Account Type

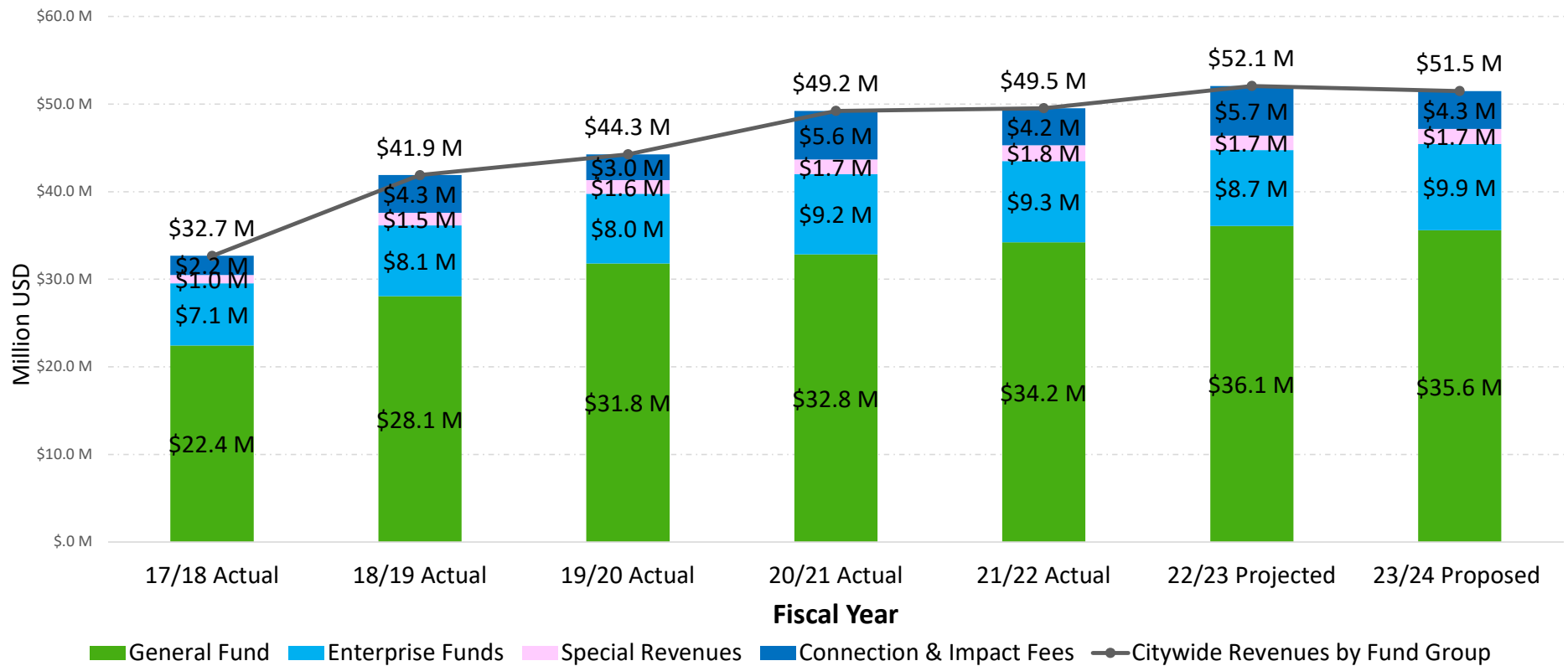
(Excludes Internal Transfers, Charges, and Grants)

	22/23	23/24		Change
	Budget	Proposed	Change	Pct
Taxes	\$32.4 M	\$33.8 M	\$1.45 M	4.5%
Charges for Services	\$10.6 M	\$10.6 M	\$0.04 M	0.4%
Connection Fees	\$3.2 M	\$4.1 M	\$0.82 M	25.3%
License & Permits	\$1.2 M	\$1.3 M	\$0.06 M	4.9%
Others	\$1.5 M	\$1.7 M	\$0.17 M	11.2%
Total	48.92	51.46	\$2.54 M	5.2%



Citywide Operating Revenues by Fund Group

(Excludes Internal Transfers, Charges, and Grants)



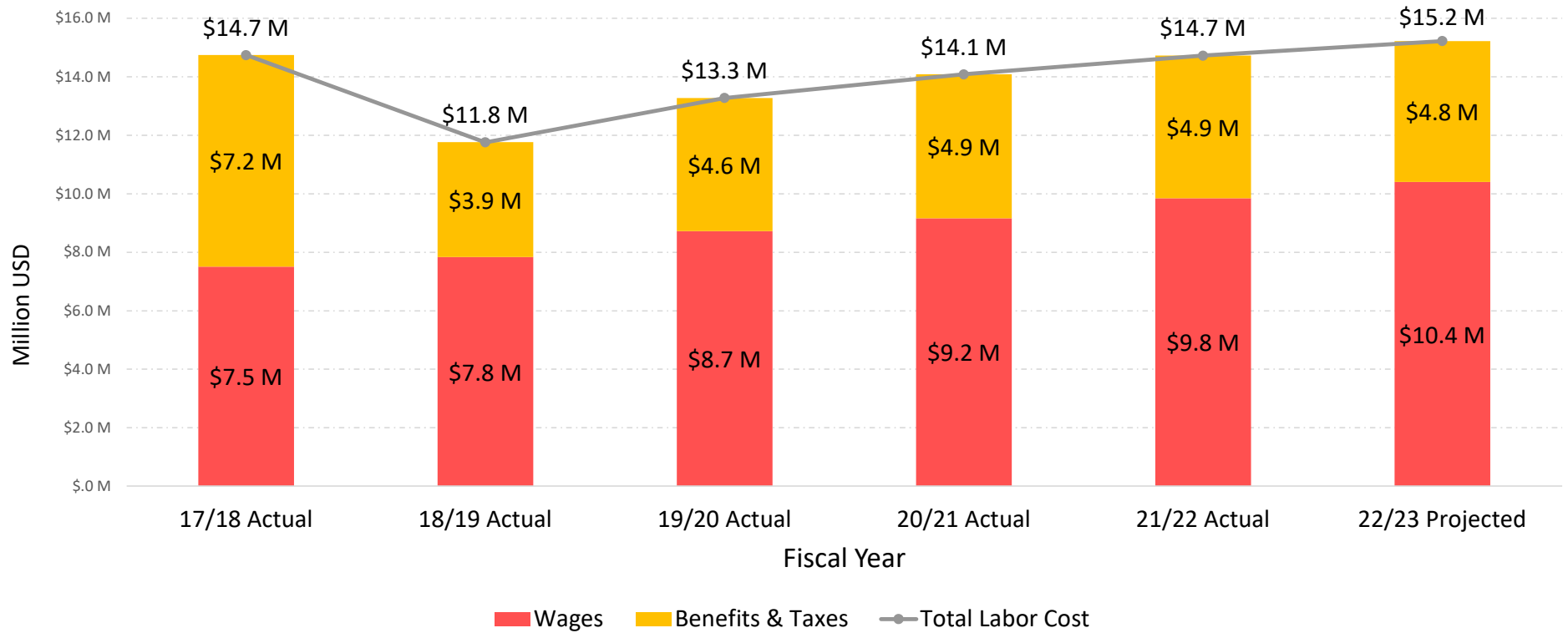
Citywide Operating Revenues by Fund Group

(Excludes Internal Transfers, Charges, and Grants)

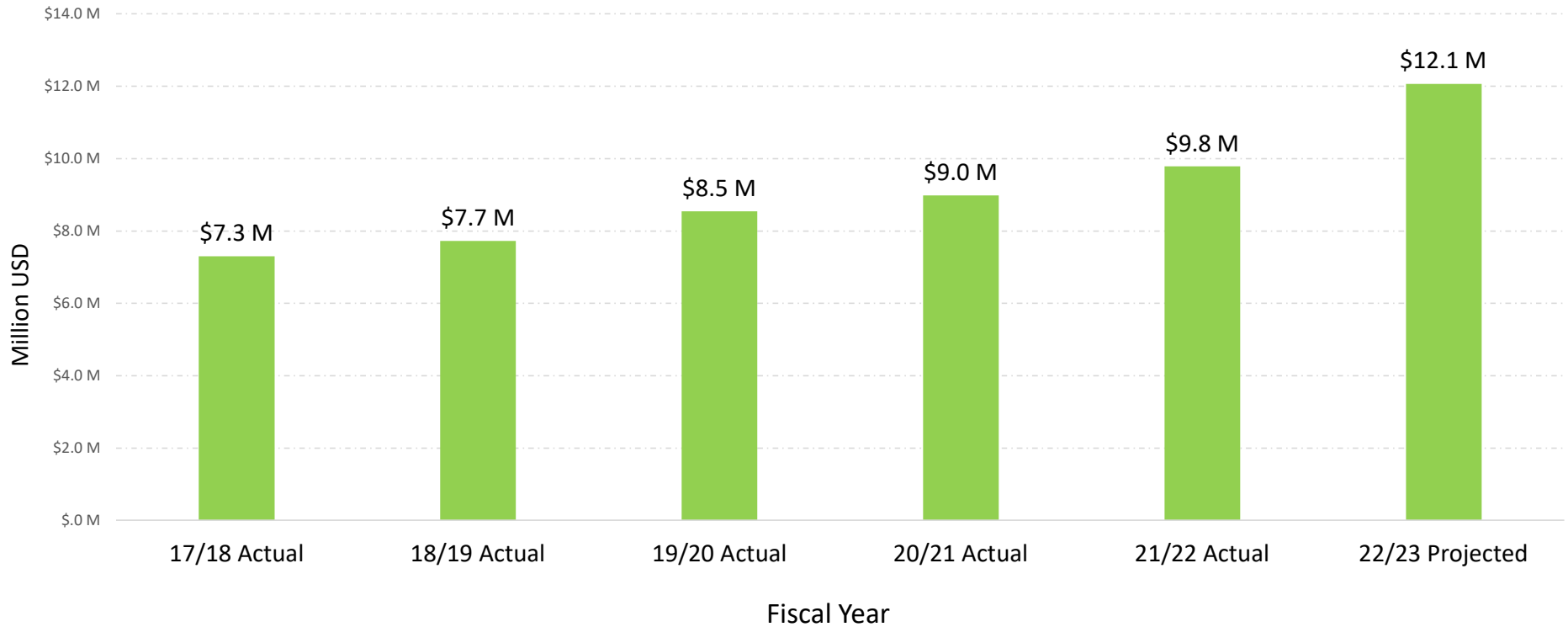
	22/23 Budget	23/24 Proposed	Change	Change Pct
General Fund	\$33.7 M	\$35.6 M	\$1.91 M	5.7%
Enterprise Funds	\$10.0 M	\$9.9 M	-\$0.18 M	-1.8%
Special Revenues	\$1.7 M	\$1.7 M	-\$0.01 M	-0.6%
Connection & Impact Fees	\$3.5 M	\$4.3 M	\$0.82 M	23.4%
Total	\$48.93	\$51.47	\$2.54 M	5.2%



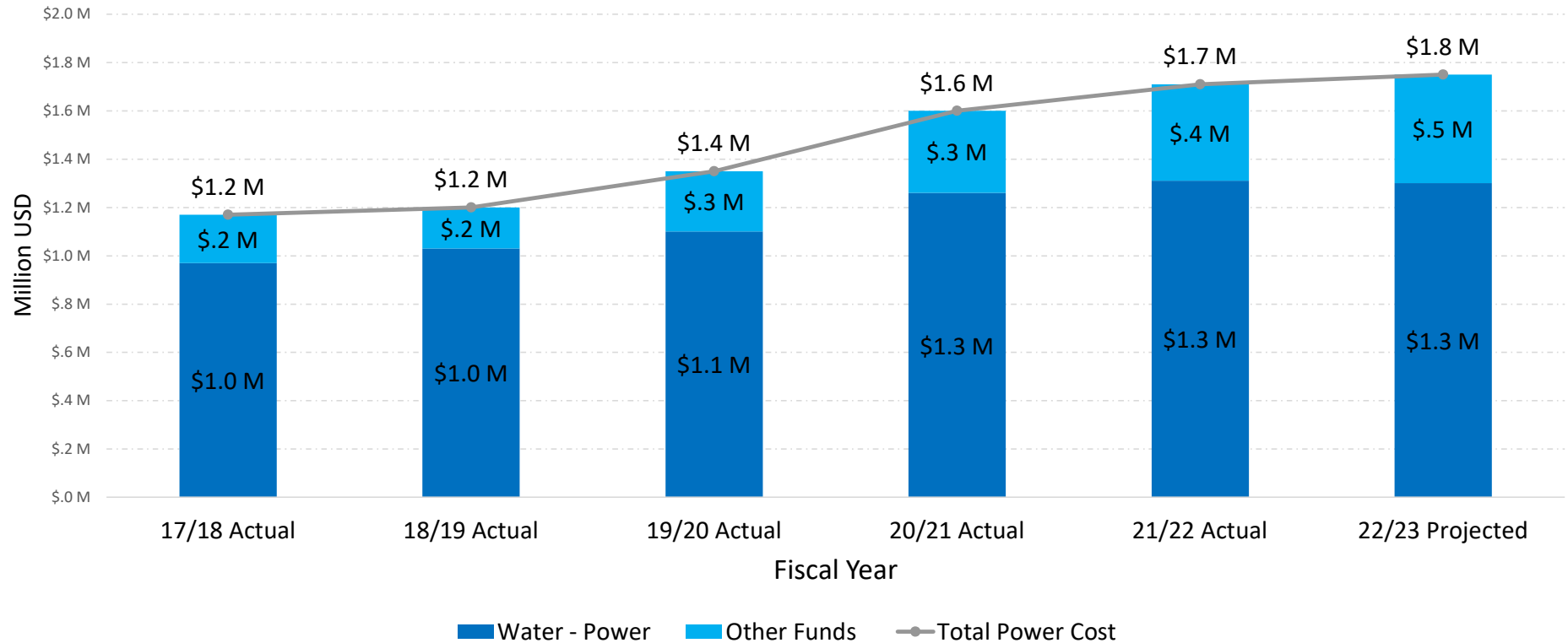
Citywide Historical Labor Cost



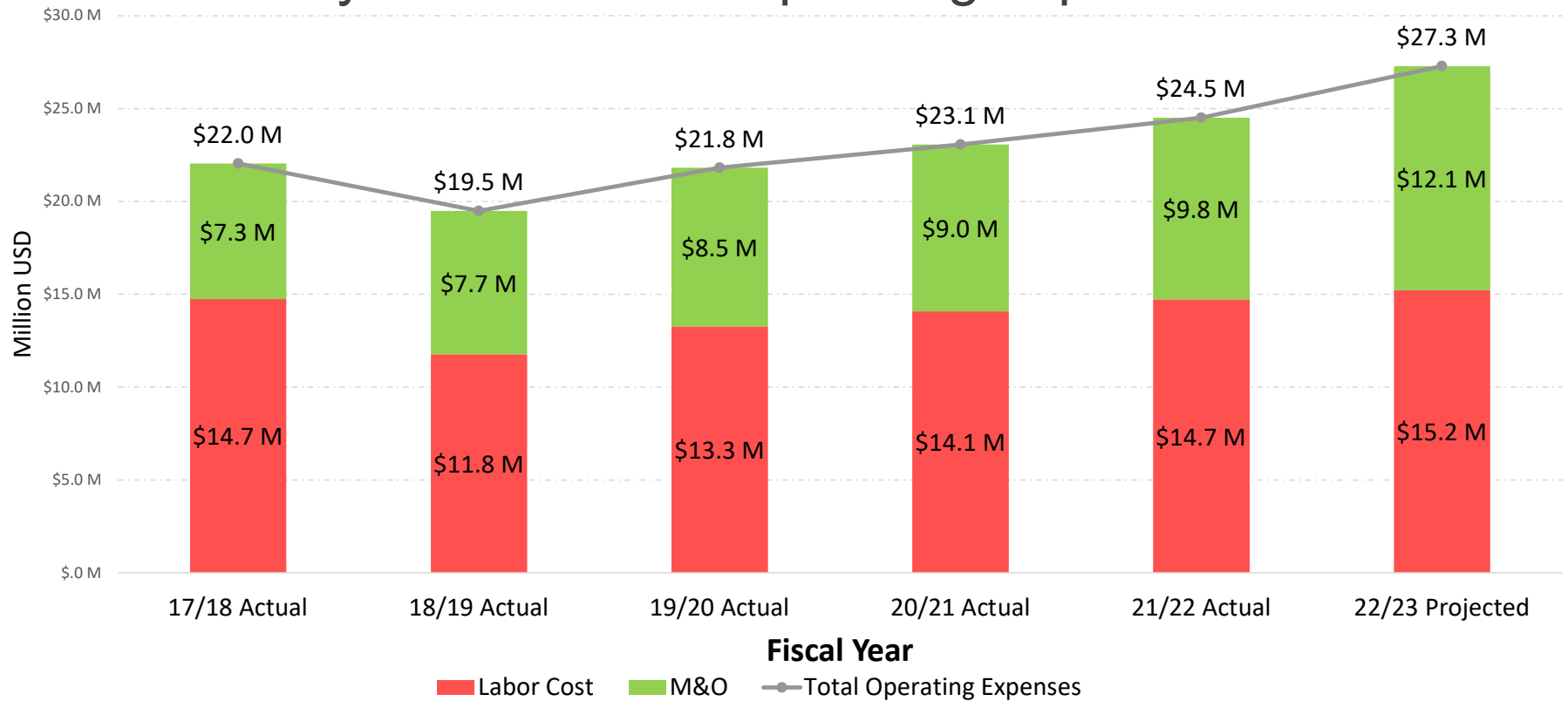
Citywide Historical M&O



Citywide Historical Electric Cost



Citywide Historical Operating Expenses



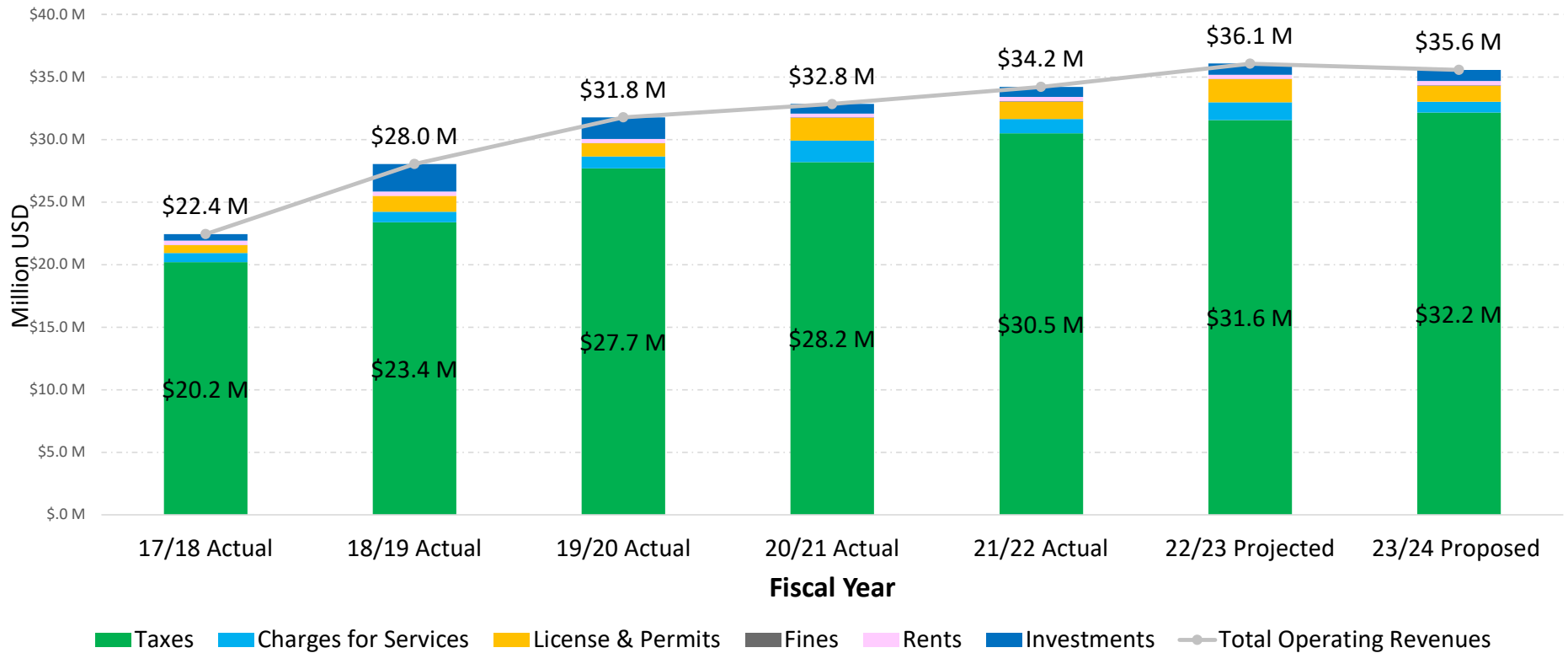
Citywide Labor Cost and M&O Budget Change

	22/23 Budget	23/24 Proposed	Change	Change Pct
Wages	\$9.8 M	\$11.1 M	\$1.22 M	12.4%
Benefits & Taxes	\$4.9 M	\$5.3 M	\$0.44 M	9.0%
Total Labor Cost	\$14.7 M	\$16.4 M	\$1.66 M	11.3%
M&O	\$12.3 M	\$12.8 M	\$0.48 M	3.9%
Total Operating Expenses	\$27.03	\$29.17	\$2.14 M	7.9%



General Fund Operating Revenues

(Excludes Internal Transfers, Charges, and Grants)



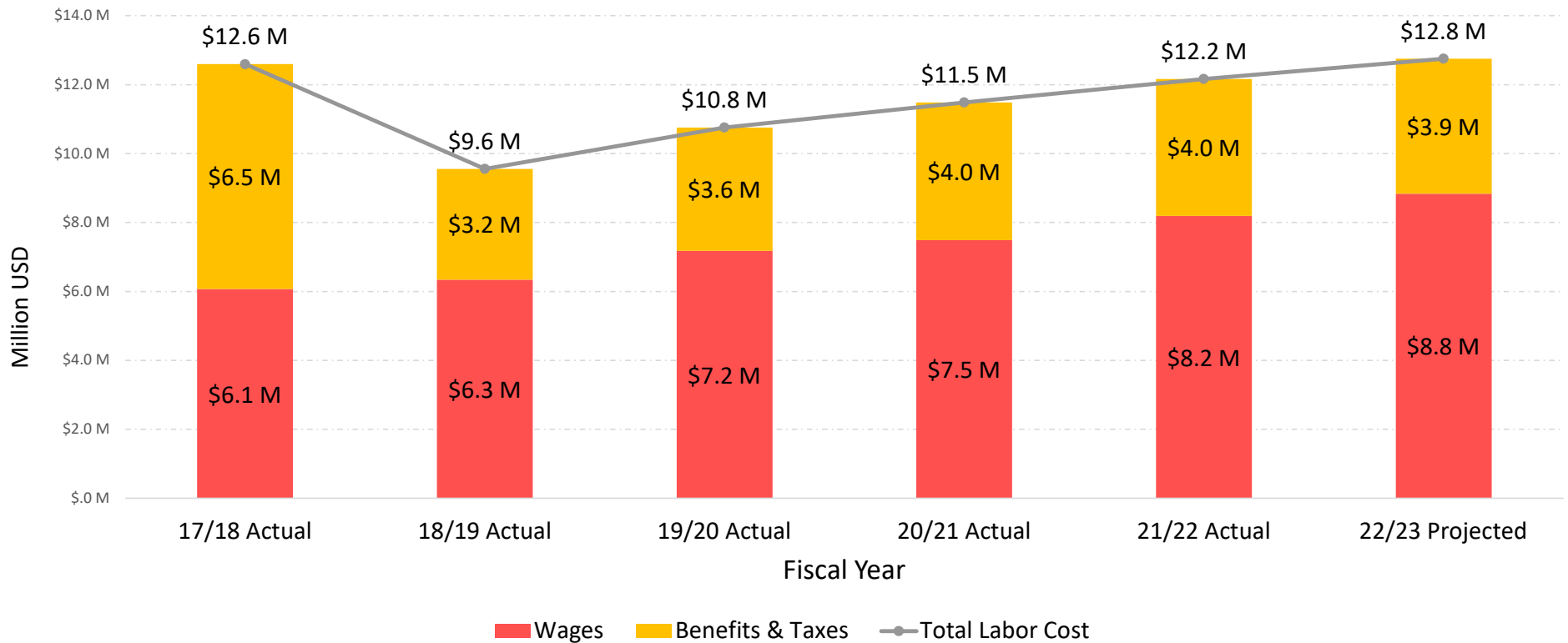
General Fund Revenues Budget Change

(Excludes Internal Transfers, Charges, and Grants)

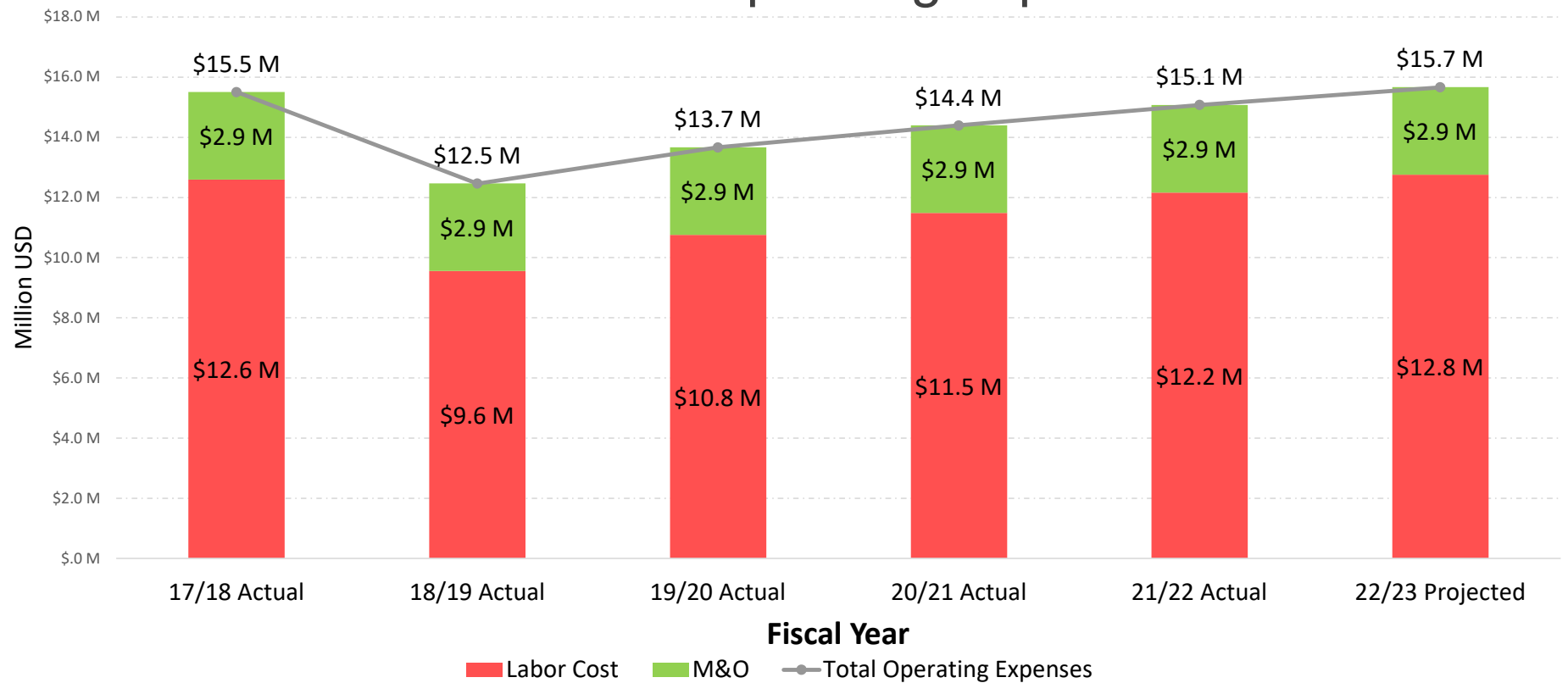
	22/23 Budget	23/24 Proposed	Change	Change Pct
Taxes	\$30.7 M	\$32.2 M	\$1.45 M	4.7%
Charges for Services	\$.7 M	\$.9 M	\$0.14 M	19.7%
License & Permits	\$1.2 M	\$1.3 M	\$0.06 M	4.9%
Others	\$1.0 M	\$1.3 M	\$0.26 M	25.7%
Total General Fund Revenues	\$33.7 M	\$35.6 M	\$1.91 M	5.7%



General Fund Labor Cost



General Fund Operating Expenses

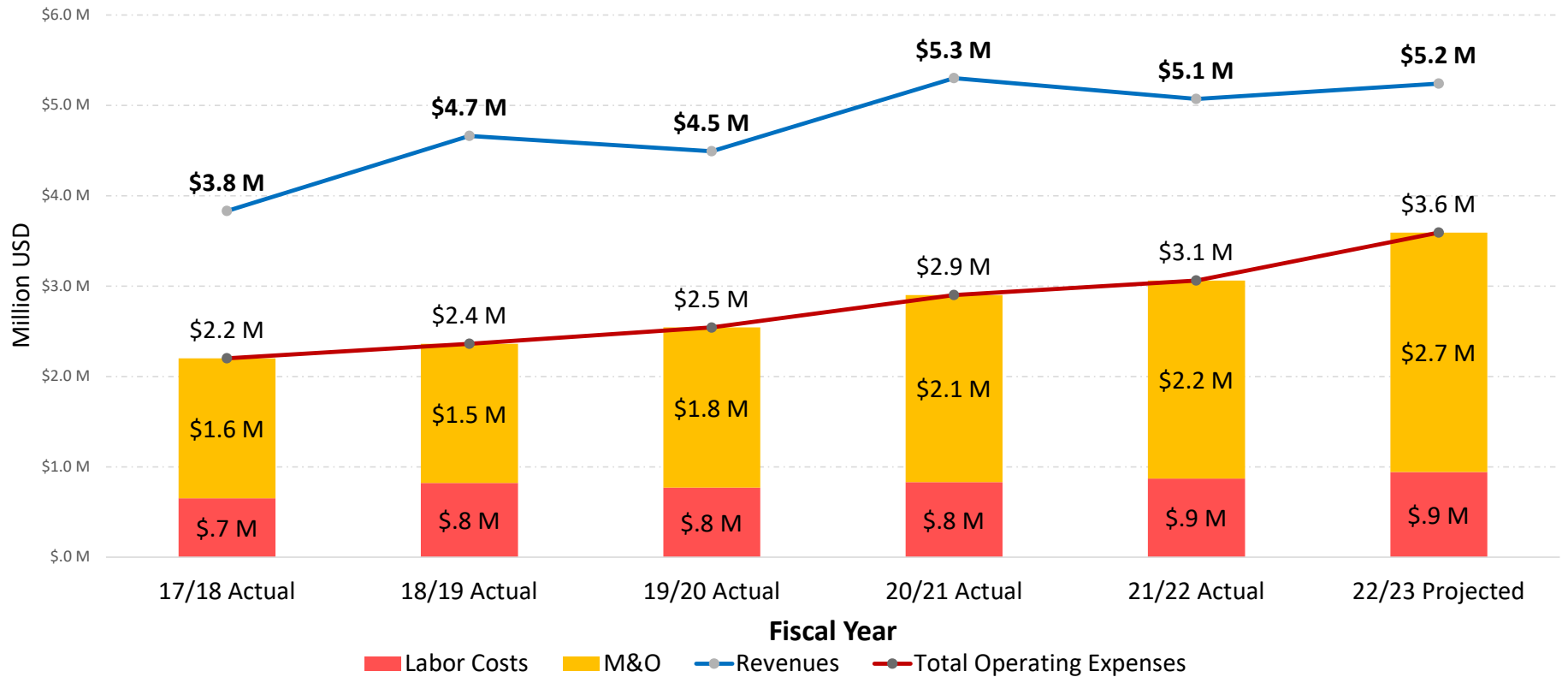


General Fund Labor Cost and M&O Budget Change

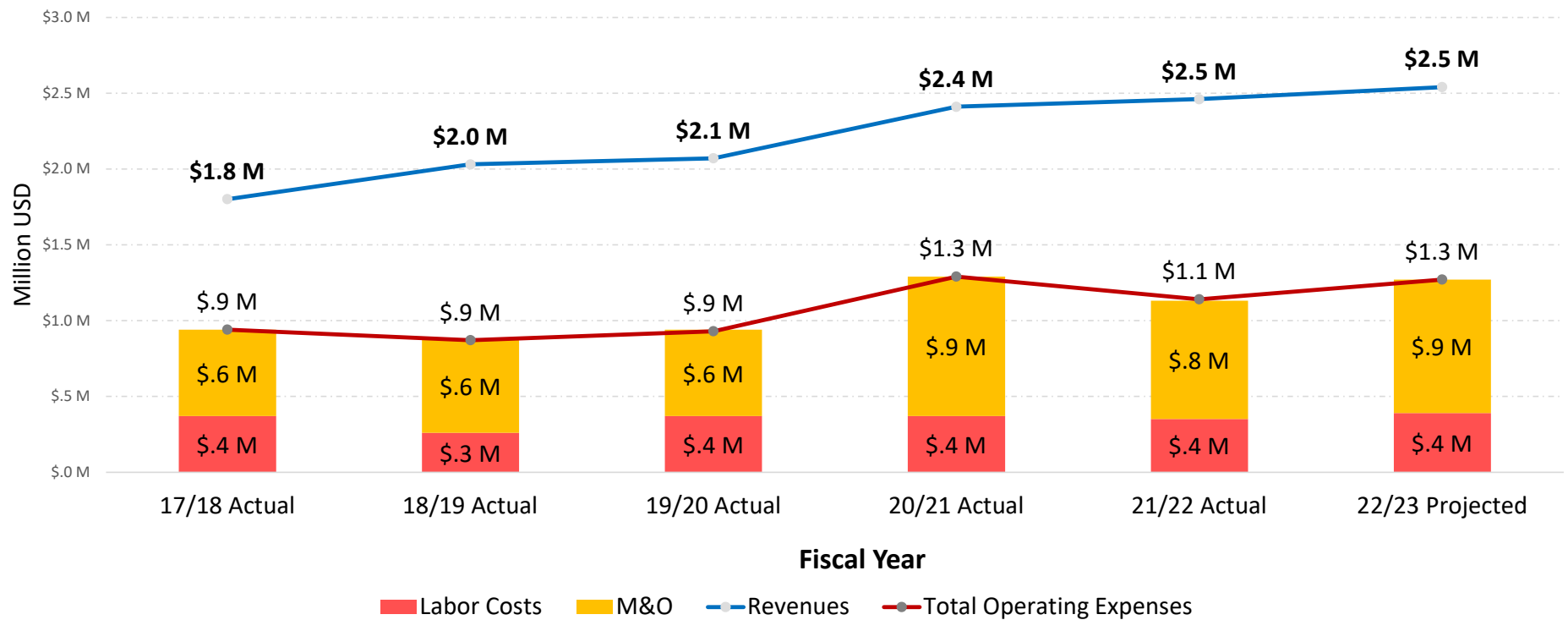
	22/23	23/24		Change
	Budget	Proposed	Change	Pct
Wages	\$8.2 M	\$8.9 M	\$.7 M	8.5%
Benefits & Taxes	\$4.0 M	\$4.3 M	\$.3 M	8.6%
Total Labor Cost	\$12.2 M	\$13.2 M	\$1.0 M	8.6%
M&O	\$4.9 M	\$4.8 M	-\$.1 M	-2.8%
Total Operating Expenses	\$17.10	\$18.00	\$0.90	5.3%



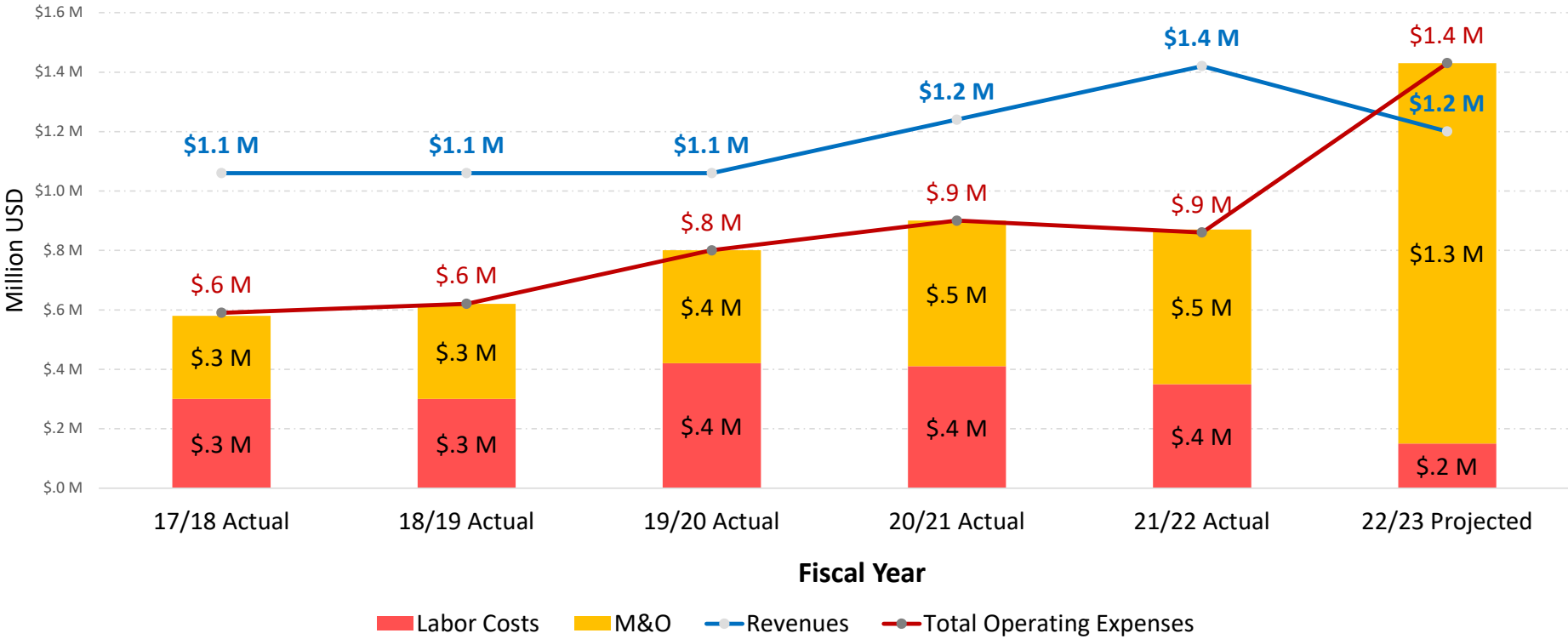
Water Historical Operating Revenues and Expenses



Wastewater Historical Operating Revenues and Expenses



Refuse Historical Operating Revenues and Expenses



Discussion

