



FY 2020-2021 BUDGET WORKSHOP – REVENUE MANUAL AND FEE INCREASES

DeAnna Christensen, Director of Finance
Laurie Smith, Director of PRN
Bill Sandhu, Public Works Director
Will Wong, Director of Utilities



AGENDA

**Background
Information on
Revenue
Manual**



**Presentation of
Approved Fee
Changes**



REVENUE MANUAL

- BACKGROUND
- FY 18-19 SIGNIFICANT INCREASES

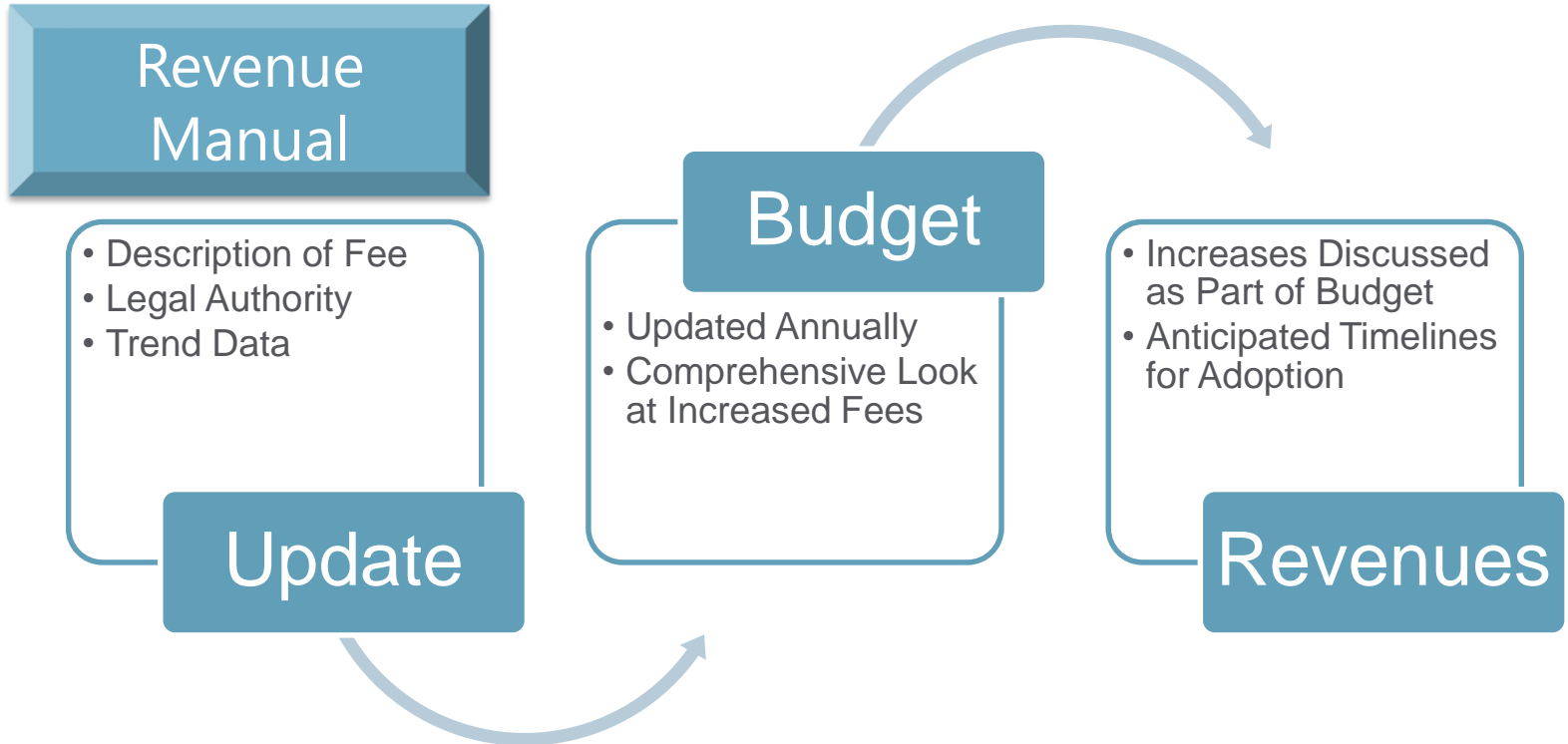


BACKGROUND

- No Comprehensive Documentation of City's Revenues
- Legal Authority and Resolutions Supporting Fees Difficult to Determine
- Timely Update of Fees
- Moss Adam's Work-plan Included Preparing Codification of Fees as of 2015
- Staff updated revenue data for Fiscal Year 2018-2019
- Posted on City Finance Department Website



HOW THE REVENUE MANUAL FITS INTO BUDGET PROCESS





EXAMPLE FROM THE REVENUE MANUAL

VI. BUS FUNDS

A. Enterprise - 4510 thru 4560

Background

Authority: Section 29530 of the Government Code; Section 130000 of the Public Utility Code;

Administering Agency: City of Modesto

Fee Source: Council

Municipal Code: Not applicable

Description: These funds account for the operation of the City's transit system, including fixed-route buses, dial-a-ride, and the Modesto Amtrak station. Principal revenue sources in this fund include a portion of the State's 0.25% sales tax for transportation (see Local Transportation Fund, above), transit-related grants, and rider fares.

Fund: Transportation Funds

Cost Center: 53477; 59999; 53473; 53474; 53475; 53244; 53401; 53472; 53480; 53237; 53476; 53478; 53490

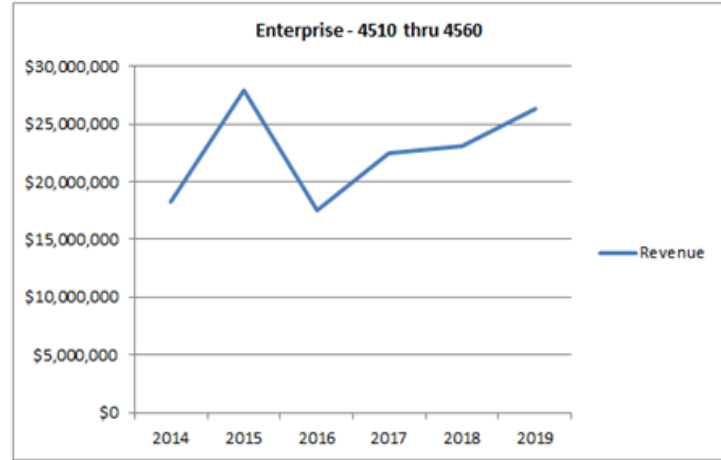
Use of Revenue: Transit

Revenue History

Fiscal Year	Enterprise - 4510 thru 4560	
	Revenue	Percent Change
2014	\$18,242,988	--
2015	\$27,957,195	53%
2016	\$17,504,832	-37%
2017	\$22,430,038	28%
2018	\$23,090,139	3%
2019	\$26,322,599	14%



EXAMPLE FROM THE REVENUE MANUAL



Variance Analysis

During Fiscal Year 2014, fuel prices were at historically high rates, which caused an increase in revenues funding transit operations. During Fiscal Year 2015 fuel prices decreased, therefore causing a decrease in operational revenues. However during this same year 22 buses from the transit fleet were replaced with new model transit buses causing an overall increase in revenues. Revenues for Fiscal Year 2017 include \$3,817,188 in non-operational revenues, funding the purchase of four (4) Gillig buses and refurbishing eight (8) 2003 Gillig buses, all part of MAX's fixed route fleet. During Fiscal Year 2017 an amount totaling \$786,463 in pass-through funds was disbursed to sub-grantees. Revenues for Fiscal Year 2019 included grant revenues awarded towards the purchase of four (4) electric buses and five (5) charging stations for a total of \$5,563,884.



FY 2018-19 SIGNIFICANT VARIANCES – (Non General Fund Revenues)

- Surface Transportation Funds – Up 35%
- Sewer Fund – Up 12%
- Property Taxes – Up 6%
- Solid Waste Fund – Up 14%
- Local Transportation Fund Non Motorized Funds – Up Over 100%
- Home Program – Up 499% (Tied to Grants and Projects)
- Bus Funds – Up 14%
- CDBG Program Funds – Up 37%
- CFF Funds (Capital Projects Funds 3410-3470) – Down 17%



FY 2018-19 SIGNIFICANT VARIANCES – (General Fund Revenues)

- Cannabis Business Tax – Up 100% (first Fiscal Year receiving funds)
- Parking Fines – Down 15%
- Property Taxes – Up 6%
- Transient Occupancy Tax (TOT) – Up 5%
- Police & Fire Department Charges – Down 30%
- Other Fines and Forfeitures (Fines for criminal and civil matters) – Up 409%
- Utility Users' Tax – Down 4%



OTHER FEE CHANGES OR UPDATES

- PRN Programs and Facilities Fees
- Airport
- Solid Waste
- Utility rates update



PARKS, RECREATION AND NEIGHBORHOOD PROGRAMS & FACILITIES FEE STUDY

PROPOSED FEE INCREASES FY20/21



Background

- 2004 Last Comprehensive Fee Study for Parks, Recreation and Fees completed.
- 2018/19 NBS retained to conduct an analysis of fee structure & cost recovery.
- 2019/20 New Comprehensive Fee Study completed to:
- Maximize revenue potential and cost recovery
 - Establish annual modifiers for Cost of Living Index
 - Authorize Director to adjust fees w/in set targets
-



Cost Recovery

General Cost Recovery Methodology:

Category	Thresholds	Example
High Private Benefit	90-100% Fee Recovery	Private Swim Lessons
Mostly Private Benefit	70-90% Fee Recovery	Adult Softball
Equal Private/Public Benefit	50-70% Fee Recovery	Lifeguard Training Classes
Mostly Public Benefit	20-50% Fee Recovery	Learn to Swim Programs
High Community Benefit	0-20% Fee Recovery	Jr. Giants



Program Fee Examples

Program	Current Fee	New Fee
Private Swim Lessons	\$110.00	\$160.00
Adult Softball	\$540.00	\$550.00
Lifeguard Training classes	\$300.00	\$300.00 <i>(no increase)</i>
Group Swim Lessons	\$35.00	\$40.00
Adaptive Bowling	\$44.00	\$46.00
Jr. Giants	\$0.00 <i>(Community Benefit)</i>	\$0.00 <i>(no increase)</i>

Estimated total increase to Program fee revenue of 3%
Resulting in a program revenue budget increase of \$6,000



Rental & Administrative Fees

Director Authority

Rental Fees:

- Flat fee increases over the next three fiscal years of 10%(FY 20/21), 5% (FYs 21/22 and 22/23)
- Annual inflationary adjustments commence FY 23/24 – based on cost-of-living index.

Administrative Fees:

- Shall not exceed the direct cost of administrative functions such as class withdrawals, transfers, cancellations, and special event application review and approvals.

Director Authority:

- Negotiate and approve fees for Recreation programs and facilities.
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Revenue Projections

Facility Fees: Flat increase of 10%, 5%, & 5% over the next 3 fiscal years.

Proposed Increase	Increase Amount	Total Estimated Revenue
Average Annual Revenue	-	\$506,950
Year 1 – 10%	\$53,028	\$559,978
Year 2 – 5%	\$29,165	\$589,143
Year 3 – 5%	\$30,614	\$619,757

Estimated total increase to rental revenue of
\$112,807 over the 3 years.



AIRPORT FEES

PROPOSED FEE INCREASES FY20/21



Airport – Proposed Fee Increases FY20/21

- **Background:**

- As the age of the airport, hangars, and facilities increases so too does the maintenance costs associated with their upkeep resulting in deferred maintenance. Expenses for maintenance have outpaced the revenues generated from leasing airport facilities, not allowing proper preventive measures.
- To ensure that minimum operating standards that complies with Federal Aviation Administration (FAA) standards can continue, opportunity for additional revenues must be considered to cover increasing operating expenses. Increasing revenues will reduce deferred maintenance and increase the ability to maintain hangars and facilities.



Airport – Proposed Fee Increases FY20/21

- **Staff Recommendations:**

- Airport is an enterprise fund and is expected to be self-supporting. General funds from the City are not received to operate the Airport. Currently, the hangar vacancy rate is at or near zero with a steady demand. Therefore, staff recommends that the Airport rates and fees be adjusted to meet market standards.
- To keep enterprise revenues in line with the increases in expenses each year, staff reviewed the Bureau of Labor Statistics Consumer Price Index – West Region CPI adjustment for the 12-month prior starting Jan 1, 2019 ending Dec 31, 2019 showing an adjustment of 2.8% to the all Airport Rates and Fees



Airport – Proposed Fee Increases FY20/21

- **Fiscal Impact:**

- This recommended adjustment to rates and fees will increase Airport revenue, allowing the Airport to recover growing operational expenses. Airport Revenue will increase by an estimated \$17,000 annually or approximately 2.8% based on projected lease and service revenues. Revenues will be deposited into the Airport Revenue account.
- On July 1, 2019 by Resolution No. 2019-217 Council adopted the current rates and fees as listed in Attachment A. Attachment B references the proposed new rates to be effective July 1, 2020.



SOLID WASTE

PROPOSED FEE INCREASES FY20/21



Solid Waste – Proposed Fee Increases FY20/21

- **Background:**

- The City of Modesto has service agreements with the garbage collection companies, in which said agreements state the City will review charges and costs of operations of the Collector, and if deemed necessary, rate adjustments shall be made to become effective July 1 of each year.
- The fees are related to the direct and indirect costs of the hauler operations, such as salaries, insurance, dump fees, pass-through costs, etc.



Solid Waste – Proposed Fee Increases FY20/21

- **Staff Recommendations:**
 - Staff has received and reviewed the outside audited financial statements as provided by the haulers and made the determination that rate adjustments should be considered. The adjustments impact the haulers operational expenses that occurred the prior year and a half. So they are essentially recouping costs in the arrears.



Solid Waste – Proposed Fee Increases FY20/21

- **Fiscal Impact:**

- There is no original Council approval that authorized the increase. The requirement to review the rates is in the service agreements signed by the City and the Collectors.
- The overall increase factors in several things: CPI of 2.8%, residential increase of \$1.04 or 2.93%, a commercial decrease of \$1.50 or (3.08%), and an industrial increase of \$25.27 or 6.14%.



Solid Waste – Proposed Fee Increases FY20/21

Total Fiscal Impact	
Carpenter Road Fund	\$82,489.60
Geer Road Fund	\$1,576.13
Green Waste Fund	\$197,516.27
Solid Waste Fund	\$116,447.77
General Fund	\$57,354.87
Streets Fund	\$57,354.87
Total	\$472,540.12



UTILITY RATES UPDATE



Utility Rates

- Sewer and Water Rate increases are still required to:
 - Cover “cost of service” (legal requirement), which includes providing adequate water and wastewater services to protect public health
 - Meet City’s financial policies
 - Maintain Bond Counsel’s recommended debt coverage ratio
 - Fund Operations and Capital Improvement Projects needed to provide safe and reliable drinking water, wastewater collection and treatment
 - Maintain retained earnings (25% of operating expenses)
- Both Sewer and Water Rates are in the last year of the adopted 5-year rate increase



Adopted Sewer Rate Increases

- Adopted Sewer Rate Schedule developed to provide increase in Wastewater Service revenues:

Fiscal Year	Effective	Revenue Increase*
FY 2016-17	July 1, 2016	6%
FY 2017-18	Sept 1, 2017	6%
FY 2018-19	July 1, 2018	6%
FY 2019-20	January 1, 2020	6%**
FY 2020-21	July 1, 2020***	6% (est)

*Based on 12-months of billing

**FY 19-20 Sewer Rates were deferred from July 1, 2109 to January 1, 2020 (6 months)

***FY 20-21 Sewer Rates currently being reviewed and are deferred to late 2020 (est.)



Sewer Rates

- January 26, 2016 City Council:
 - Approved Wastewater Engineer's Report
 - Approved Sewer Rate and Fee Study
 - Authorized Proposition 218 Process
- April 26, 2016 by Resolution No. 2016-181
 - Prop 218 Hearing
 - Adopted Sewer Rate Increase Schedule
 - FY 2016/17 through FY 2020/21
 - Council directed Staff to present Annual Review of Sewer Rates
- Currently typical Single Family Residential Monthly Bill is \$40.17
 - \$2.32 increase in January 2020



Adopted Water Rate Increases

- Adopted Water Rate Schedule developed to provide increase in Water Service revenues:

Fiscal Year	Effective	Revenue Increase*
FY 2016-17	Sept 1, 2016	25.04%
FY 2017-18	July 1, 2017	11.08%
FY 2018-19	July 1, 2018	9.00%
FY 2019-20	April 1, 2020	6.00%**
FY 2020-21	April 1, 2021	9.00%

*Based on 12-months of billing

**FY 19-20 water rates were reduced from 9% to 6%, and deferred from July 1, 2019 to April 1, 2020 (9 months)



Water Rates

- June 7, 2016 City Council:
 - Approved Water Engineer's Report
 - Approved Water Rate and Fee Study
 - Authorized Proposition 218 Process
- August 9, 2016 by Resolution 2016-343
 - Prop 218 Hearing
 - Adopted Water Rate Increase Schedule
 - FY 2016/17 through FY 2020/21
 - Council directed Staff to present Annual Water Rate Update
- Currently typical Single Family Residential Monthly Bill is \$65.81
 - Based on 15 CCF/month usage
 - Water use charge \$1.98 per CCF
 - Fixed meter charge for 1-inch water service \$36.11



Utility Rates under review

- Due to importance of sewer and water rates and sensitivity of impacts on rate payers, staff will be:
 - Taking additional time to review revenues
 - Adjust the Capital Improvement Program
 - Analyze the proforma
- Various scenarios will be analyzed to understand if full adopted rate schedule was needed
- Rate Study updates are scheduled for 2020.
 - Rate increases in FY2022 may be required to meet financial policy of minimum retained earnings of at least 25%
- Utilities will be bringing recommendations to Council later this year



Storm Drain Rates

- No Storm Drain rate increases since 2001
- Must have positive Proposition 218 vote in order to raise rates
- Storm Drain fund still required to meet the City's adopted financial policies
 - City will need to reduce Storm Drain level of service for maintenance to ensure Storm Drain Fund is solvent
 - Will result in potentially more flooded streets.
- Staff awaiting decision for Senate Bill 231
 - Storm Water considered a "sewage"
 - Could be included in Sewer rates



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