



FINANCE DEPARTMENT

FIRST QUARTER FINANCIAL REVIEW FISCAL YEAR 2022

Finance Committee | November 16, 2021

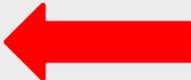
Objective

1. Receive A Report From Staff On The Status Of Revenues And Expenditures In Relation To The Budget For The Three Months Ended September 30, 2021;
2. Accept The Fiscal Year 2022 Interim Financial Statements For The Three Months Ended September 30, 2021; And
3. Recommend that Council Approve The Proposed First Quarter Adjustments To Fiscal Year 2022 Appropriations And Estimated Revenues As Detailed In The Attached Schedule Of Proposed First Quarter Adjustments.

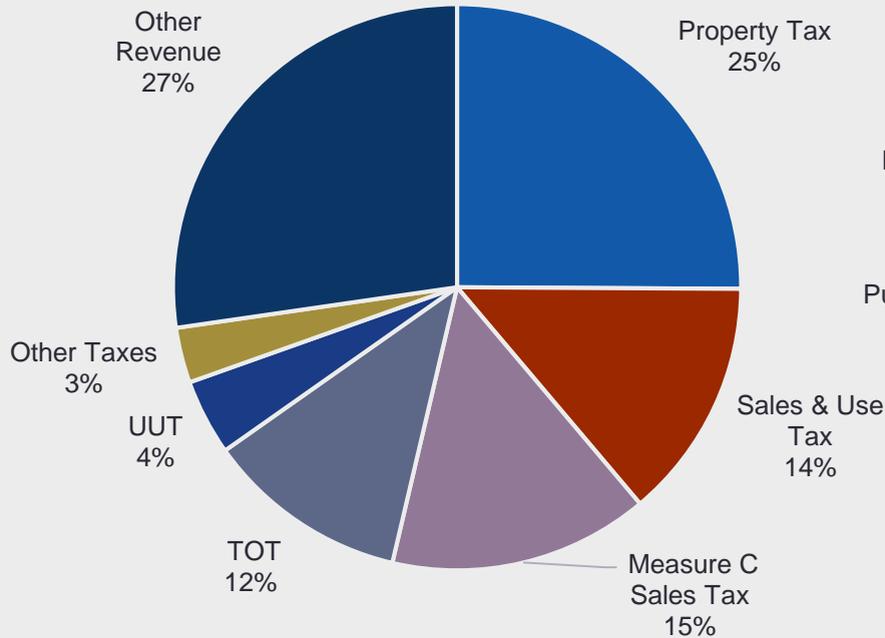
Agenda

1. General Fund Update
2. Enterprise Funds Update
3. Proposed Budget Adjustments
4. Next Steps & Questions

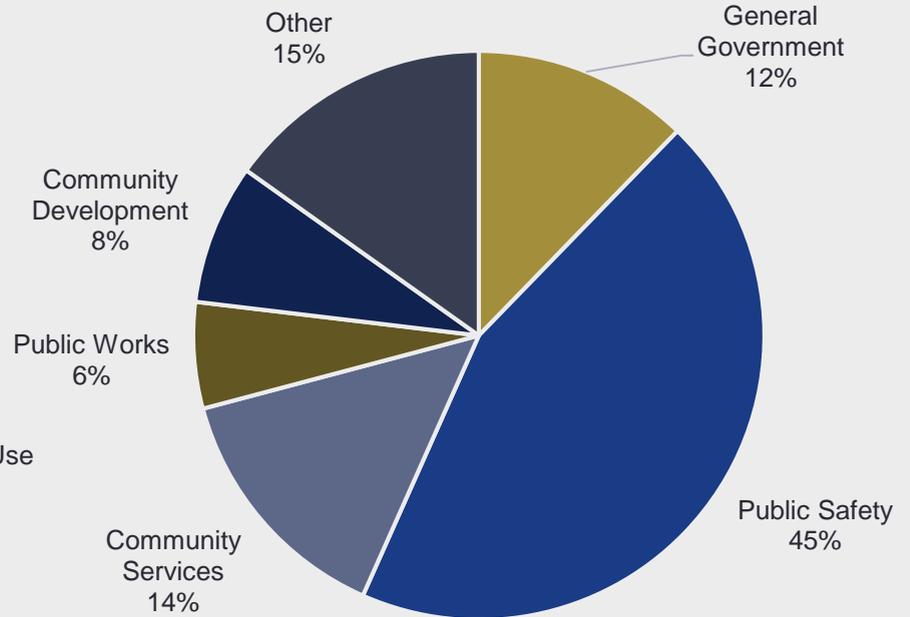
FY2022 Annual Review Process

- Monthly financial statement
- Quarterly financial statement and projection
 - **Q1** – at Finance Committee November 16, 2021 
 - **Q2** – scheduled for Finance Committee February 2022
 - **Q3** – scheduled for Finance Committee May 2022
 - **Q4** – scheduled for Finance Committee September 2022
- Annual Comprehensive Financial Report – December 2022

General Fund Revenues FY2022 Revised Budget



General Fund Expenditures FY2022 Revised Budget





General Fund Quarter 1 Overview

Quarter 1 General Fund Financial Overview

General Fund FY2022	Adopted Budget	Revised Budget	Q1 Actuals	Q1 Actuals Percent of Revised Budget
Revenues	\$168,485,306	\$168,789,064	\$38,122,184	22.6%
Expenditures	169,458,760	174,332,821	43,117,047	24.7%
Surplus/(Deficit)	(\$973,454)	(\$5,543,757)	(\$4,994,863)	

- Revenues assumed growth following COVID
- Budget includes \$6.8 Million reduction targets
- Revised budget: encumbrance carryforwards and new appropriations
- Actuals through Q1 show normal activities

General Tax Summary

	Annual Budget	FY2022 Year to Date Actual	Percent Rec'd	FY2021 Prior Year Actual	Change From FY2021
Property Tax	\$42,347,386	\$0	0%	\$0	0%
Sales & Use Tax	23,239,045	7,458,934	32%	5,583,866	34%
Measure C Sales Tax	24,988,418	7,647,258	31%	5,811,015	32%
Transient Occupancy Tax	19,500,000	8,311,110	43%	4,226,223	97%
Utility Users Tax	7,315,292	1,926,902	26%	1,800,859	7%
Business License	2,556,359	523,132	20%	504,484	4%
Cannabis Excise Tax	1,847,469	484,529	26%	361,532	34%
Property Transfer Tax	923,776	321,276	35%	224,365	43%
Total Taxes	\$122,717,745	\$26,673,142	22%	\$18,512,344	44%



General Tax Revenue Trends

Property Tax

- Payments anticipated in December
- Lower growth expected compared to budget

Sales Tax

- Increased online, auto and restaurant spending
- Inflation is a driver for additional revenue
- Anticipated additional growth compared to budget

Transient Occupancy Tax

- Demand for rooms has nearly reached pre-COVID levels
- Average daily rates are 30-40% higher than pre-COVID levels
- Anticipated additional revenue compared to budget

General Fund Expenditures

Department	Revised Budget	YTD Actual		YTD Variance Without Encumbrance	Encumbrance	Remaining Budget After Encumbrances
Mayor & Council	\$3,596,207	\$825,680	23%	\$2,770,527	\$1,375,806	\$1,394,721
City Attorney	4,805,661	979,657	20%	3,826,004	621,306	3,204,698
City Administrator	4,604,631	853,245	19%	3,751,386	237,543	3,513,843
Human Resources	1,922,710	410,964	21%	1,511,746	61,599	1,450,14
Finance	6,417,142	1,490,874	23%	4,926,268	147,790	4,778,478
General Government	\$21,346,351	\$4,560,420	21%	\$16,785,931	\$2,444,044	\$14,341,887
Police	45,799,108	11,572,956	25%	34,226,152	480,983	33,745,169
Fire	31,626,491	9,014,953	29%	22,611,538	195,349	22,416,189
Public Safety	\$77,425,599	\$20,587,910	27%	\$56,837,690	\$676,331	\$56,161,359
Parks & Recreation	18,327,448	4,610,828	25%	13,716,621	786,468	12,930,153
Library	6,434,585	1,350,616	21%	5,083,969	90,137	4,993,832
Community Services	\$24,762,033	\$5,961,443	24%	\$18,800,590	\$876,605	\$17,923,985
Public Works	10,520,784	2,261,088	21%	8,259,696	368,544	7,891,152
Sustainability & Resiliency	240,068	5,180	2%	81,235	81,235	153,653
Community Development	13,882,341	2,944,661	21%	10,937,680	647,743	10,289,937
Non-Departmental	26,155,644	6,796,345	26%	19,359,299	0	19,359,299
Total	\$174,332,821	\$43,117,047	25%	\$131,062,121	\$5,094,503	\$126,121,271

Expenditure Reduction Targets

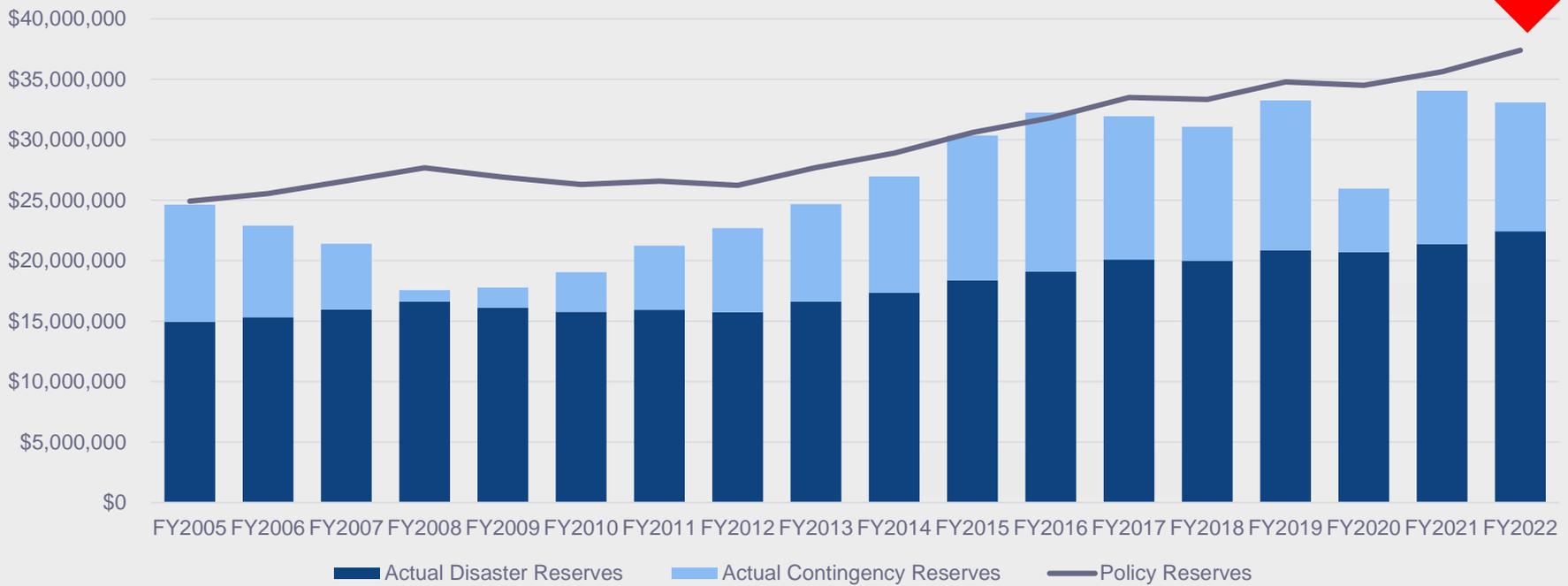
- FY2022 adopted budget included \$6.8 Million of expenditure reductions
 - Deficit from continued decline in revenue due to COVID
 - Required savings from holding positions vacant and other operational savings
 - Budget still required \$1.0 Million of use of reserves

General Fund Reserves

Reserves Projection Overview

General Fund Reserves	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 Projected at Q1	Projected Change in Reserve
Contingency Reserve Target 10%	13,910,966	13,799,412	14,255,661	14,965,025	709,364
Disaster Reserve Target 15%	\$20,866,449	\$20,699,118	\$21,383,491	\$22,447,538	\$1,064,047
Total Policy Reserve Target	\$34,777,415	\$34,498,530	\$35,639,152	\$37,412,563	\$1,773,411
(Below) / Above Policy	(1,513,888)	(8,526,275)	(1,579,581)	(4,326,446)	(2,746,865)
Actual Reserves	\$33,263,527	\$25,972,255	\$34,059,571	\$33,086,117	(\$973,454)
Self-Insurance Fund Under-Reserve	(2,109,073)	(4,580,532)	(4,758,252)	(5,217,181)	(458,929)
Remaining Contingency Reserve	\$10,288,005	\$692,605	\$7,917,828	\$5,421,397	(\$2,496,430)

General Fund Reserves Trend



Considerations for FY2022 & Beyond

- Structural operating deficit of \$8 Million
 - Required continued departmental expenditure reductions of \$6.8 Million
 - \$1 Million deficit included in the FY2022 adopted budget
 - Continued economic uncertainty and recovery
- Labor MOUs and pension costs
- Self-Insurance Fund reserves far below recommended level
- 2nd tranche of ARPA funds in May 2022



Enterprise Funds

Enterprise Funds Revenues & Expenses (1 of 2)

	Annual Budget	FY2022 YTD Actual	YTD Percent	Encumbered	FY2021 YTD Actual	% Variance
Solid Waste Fund						
Revenues	\$31,602,045	\$8,720,757	27.6%	\$0	\$7,482,950	16.5%
Expenses	30,357,459	6,623,200	21.8%	170,774	6,520,446	1.6%
Add / (Use) Reserves	1,244,586	2,097,557		(170,774)	962,504	
Water Fund						
Revenues	64,121,129	17,972,162	28.0%	0	16,976,674	5.9%
Expenses	69,346,166	13,716,906	19.8%	5,739,658	13,064,646	5.0%
Add / (Use) Reserves	(5,225,037)	4,255,256		(5,739,658)	3,912,028	
Wastewater Fund						
Revenues	25,635,664	6,482,721	25.3%	0	6,005,955	7.9%
Expenses	26,264,138	5,224,887	19.9%	2,916,802	4,410,803	18.5%
Add / (Use) Reserves	(628,474)	1,257,834		(2,916,802)	1,595,152	
Downtown Parking Fund						
Revenues	7,521,906	1,596,291	21.2%	0	1,120,537	42.5%
Expenses	8,316,611	1,895,066	22.8%	1,016,745	2,060,360	-8.0%
Add / (Use) Reserves	(794,705)	(298,775)		(1,016,745)	(939,823)	

Enterprise Funds Revenues & Expenses (2 of 2)

	Annual Budget	FY2022 YTD Actual	YTD Percent	Encumbered	FY2021 YTD Actual	% Variance
Clean Energy Fund						
Revenues	12,523,116	200,140	1.6%	0	0	100.0%
Expenses	10,222,025	63,851	0.6%	54,905	32,273	97.8%
Add / (Use) Reserves	2,301,091	136,289		(54,905)	(32,273)	
Airport Fund						
Revenues	27,340,535	6,179,360	22.6%	0	5,090,641	21.4%
Expenses	28,398,780	6,070,352	21.4%	3,422,173	5,231,044	16.0%
Add / (Use) Reserves	(1,058,245)	109,008		(3,422,173)	(140,403)	
Golf Fund						
Revenues	3,385,220	1,094,894	32.3%	0	1,106,163	-1.0%
Expenses	3,134,073	603,387	19.3%	2,134,446	627,469	-3.8%
Add / (Use) Reserves	251,147	491,507		(2,134,446)	478,694	
Waterfront Fund						
Revenues	15,659,001	5,017,279	32.0%	0	4,111,172	22.0%
Expenses	15,760,852	3,927,784	24.9%	1,096,619	4,133,737	-5.0%
Add / (Use) Reserves	(\$101,851)	\$1,089,495		(\$1,096,619)	(\$22,565)	

Enterprise Funds Projected Fund Balances

Enterprise Operating Funds	FY2021 Policy Reserves	FY2021 Available Reserves	FY2022 Projected Add (Use) of Reserves	FY2022 Projected Fund Balance	FY2022 Projected Available Reserves
Solid Waste	3,783,353	1,518,987	1,244,586	4,842,830	2,763,573
Water	31,423,570	5,522,101	(5,225,037)	179,735,107	297,064
Wastewater	10,008,561	1,757,295	(628,474)	79,761,207	1,128,821
Downtown Parking	2,391,028	632,731	(794,705)	34,307,441	(161,974)
Airport	6,729,550	5,527,254	(1,058,245)	156,398,332	4,469,009
Golf	932,147	751,399	251,147	2,592,627	1,002,546
Waterfront	3,535,456	1,375,577	(101,851)	9,590,876	1,273,726



Proposed Budget Amendments

Proposed Budget Adjustments

General Fund	Increase/ (Decrease) in Appropriations	Increase/ (Decrease) in Estimated Revenues	Addition to (Use of) Reserves
Zoom webinar subscription	\$49,000		\$(49,000)
Litigation settlements	\$581,500		\$(581,500)
Insurance premium increases	\$380,562		\$(380,562)
Increase revenue for mutual aid activity	\$478,000	\$478,000	
Certified Access Specialist to support accessibility requirements for outdoor operations	\$35,000		\$(35,000)
Library fee increase for Carpinteria and Montecito libraries		\$12,850	\$12,850
Library grant for adult literacy services	\$57,365	\$14,505	\$(42,860)

Other Budget Adjustments Include:

- Insurance premium increases across all funds
- Measure A funds for K-rail barriers on Loma Alta Drive below the fire burn scar
- Increased contributions from Friends of the Carpinteria Library
- Allocate Measure C overlays for the Modoc Multiuse Path Extension project
- Airport rehabilitation project appropriations

Full Details in Attachment 3

Staff Recommendations

Finance Committee Recommend to Council they:

1. Accept The Fiscal Year 2022 Interim Financial Statements For The Three Months Ended September 30, 2021; And
2. Approve The Proposed First Quarter Adjustments To Fiscal Year 2022 Appropriations And Estimated Revenues As Detailed In The Attached Schedule Of Proposed First Quarter Adjustments.

Questions & Discussion

Appendix

Self-Insurance Fund Reserves

