



FINANCE DEPARTMENT

SECOND QUARTER FINANCIAL REVIEW FISCAL YEAR 2022

Finance Committee | March 1, 2022

Objective

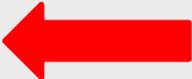
1. Receive a report from staff on the status of revenues and expenditures in relation to the budget for the six months ended December 31, 2021;
2. Accept the Fiscal Year 2022 Interim Financial Statements for the six months ended December 31, 2021; And
3. Recommend that Council approve the proposed second quarter adjustments to Fiscal Year 2022 appropriations and estimated revenues as detailed in the attached Schedule of Proposed Second Quarter Adjustments.



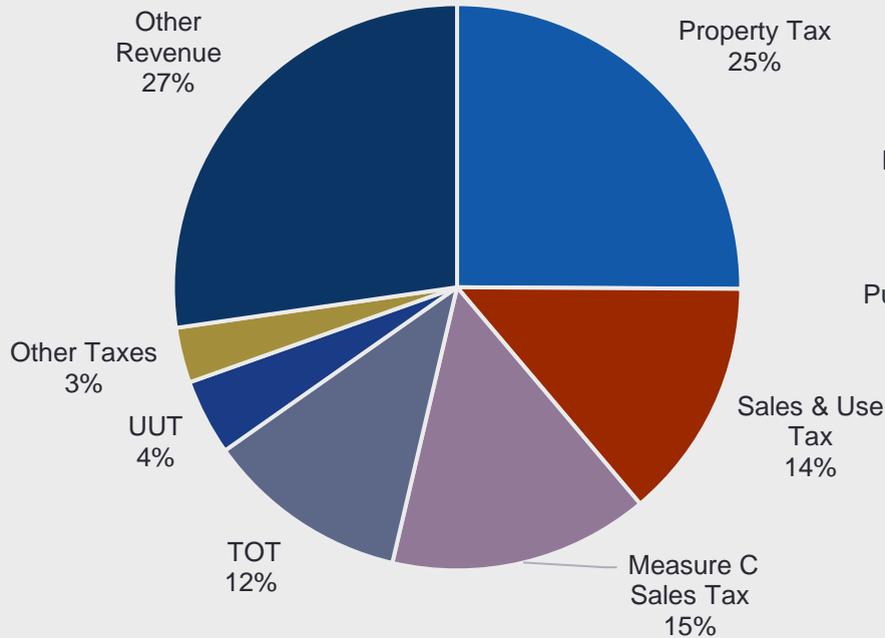
Agenda

1. General Fund Update
2. Enterprise Funds Update
3. Proposed Budget Adjustments
4. Questions, Public Comment & Discussion

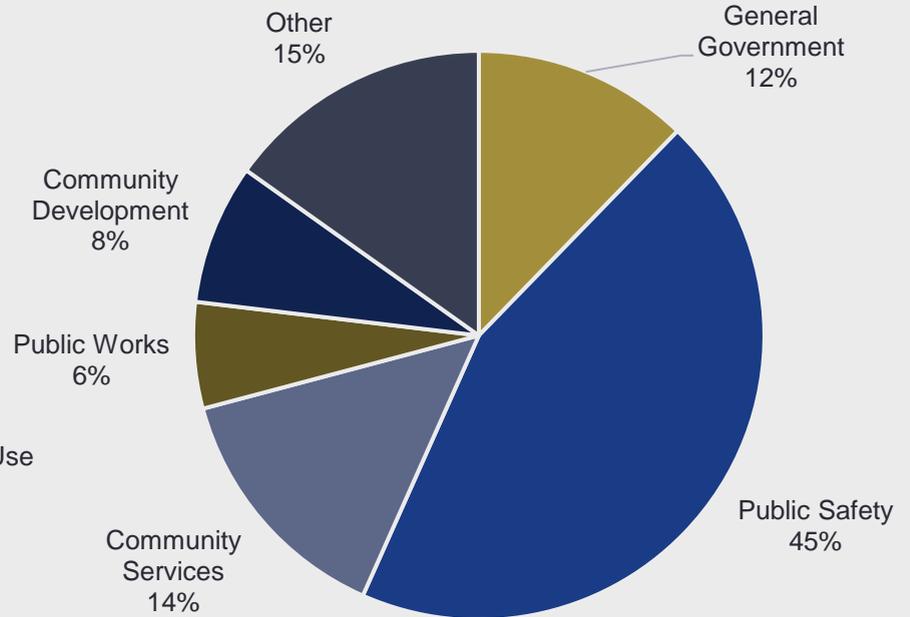
FY2022 Annual Review Process

- Monthly financial statement
- Quarterly financial statement and projection
 - **Q1** – at Finance Committee November 16, 2021
 - **Q2** – scheduled for Finance Committee March 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 2 Overview

Quarter 2 General Fund Financial Overview

General Fund (in \$ Millions)	FY2022 Adopted Budget	FY2022 Revised Budget	Q2 Actuals	FY2022 Projection	Q2 Actuals Percent of Revised Budget
Revenues	\$168.5	\$169.6	\$89.4	\$177.2	52.7%
Expenditures	169.5	176.1	86.3	\$170.7	49.0%
Surplus/(Deficit)	(\$1.0)	(\$6.5)	\$3.1	\$6.5	

- Budget includes \$6.8 Million reduction targets
- \$6.5 Million surplus projected due to additional sales tax & TOT, additional vacancies & salary savings
- 50% of year-end surplus goes to capital
- Effective deficit is \$1 Million

General Tax Revenue Trends

Property Tax

- Largest General Fund revenue source
- Lower growth from prior years expected compared to budget

Sales Tax

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

Transient Occupancy Tax

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

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	\$14,417,238	34%	\$13,743,452	5%
Sales & Use Tax	23,239,045	14,591,000	63%	11,436,706	28%
Measure C Sales Tax	24,988,418	15,347,468	61%	12,077,308	27%
Transient Occupancy Tax	19,500,000	14,825,408	76%	8,041,528	84%
Utility Users Tax	7,315,292	3,805,251	52%	3,656,786	4%
Business License	2,556,359	1,259,019	49%	1,118,171	13%
Cannabis Excise Tax	1,847,469	925,419	50%	845,317	9%
Property Transfer Tax	923,776	718,248	78%	539,928	33%
Total Taxes	\$122,717,745	\$65,889,050	54%	\$51,459,196	28%



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 & other operational savings
 - Budget still required \$1.0 Million of use of reserves

General Fund Expenditures

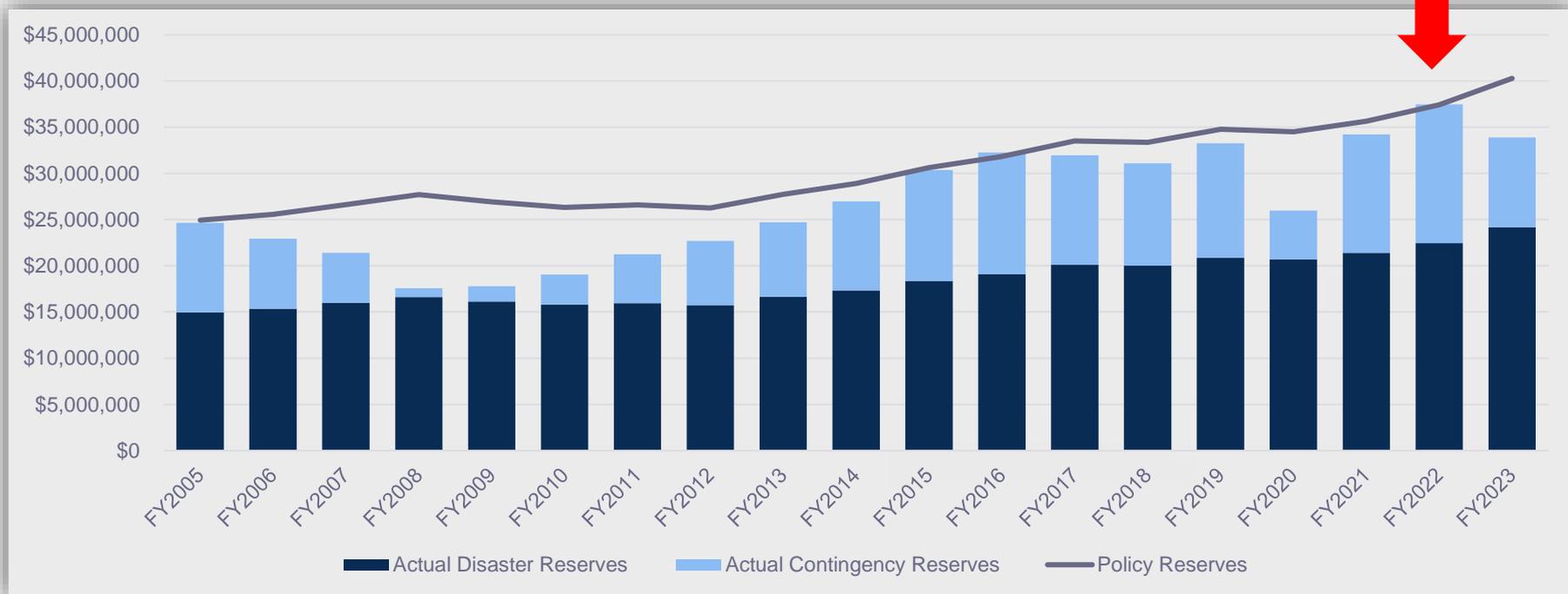
Department	Revised Budget	YTD Actual		YTD Variance Without Encumbrance	Encumbrance	Remaining Budget After Encumbrances
Mayor & Council	3,598,600	1,633,339	45%	1,965,261	1,395,846	569,415
City Attorney	4,810,845	2,006,304	42%	2,804,541	556,339	2,248,202
City Administrator	4,662,894	1,776,624	38%	2,886,270	334,351	2,551,919
Human Resources	1,923,448	862,977	45%	1,060,471	53,976	1,006,495
Finance	6,440,482	3,074,201	48%	3,366,281	133,980	3,232,301
General Government	\$21,436,269	\$9,353,445	44%	\$12,082,824	\$2,474,492	\$9,608,332
Police	46,081,784	22,989,920	50%	23,091,864	544,087	22,547,777
Fire	32,299,777	17,245,608	53%	15,054,169	161,596	14,892,573
Public Safety	\$78,381,561	\$40,235,528	51%	\$38,146,033	\$705,683	\$37,440,350
Parks & Recreation	18,426,993	8,704,353	47%	9,722,640	698,329	9,024,311
Library	6,517,111	2,771,044	43%	3,746,067	182,599	3,563,468
Community Services	\$24,944,104	\$11,475,397	46%	\$13,468,707	\$880,928	\$12,587,779
Public Works	10,574,587	4,649,015	44%	5,925,572	243,799	5,681,773
Sustainability & Resiliency	250,068	28,425	11%	81,235	71,800	149,843
Community Development	13,984,624	6,197,688	44%	7,786,936	1,020,927	6,766,009
Non-Departmental	26,587,143	14,362,923	54%	12,224,220	0	12,224,220
Total	\$176,158,356	\$86,302,421	49%	\$89,715,527	\$5,397,629	\$84,458,306

General Fund Reserves

Reserves Projection Overview

General Fund Reserves	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 Projected at Q2	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)	53,863	4,473,452
Actual Reserves	33,263,527	25,972,255	34,059,571	37,466,426	3,246,863
Self-Insurance Fund Under-Reserve	(2,109,073)	(4,580,532)	(4,758,252)	(5,889,878)	(1,131,626)
Remaining Contingency Reserve	10,288,005	692,605	8,077,820	9,129,010	1,051,190

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
- Labor MOUs and pension costs
- Self-Insurance Fund reserves far below recommended level
- 2nd tranche of ARPA funds in May 2022
- Deficits projected in FY2023 through FY2025

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	16,863,260	53.4%	\$0	14,804,720	13.9%
Expenses	30,719,105	14,042,511	45.7%	189,207	13,508,149	4.0%
Add / (Use) Reserves	\$882,940	\$2,820,749		(\$189,207)	\$1,296,571	
Water Fund						
Revenues	64,257,072	35,462,815	55.2%	0	34,003,213	4.3%
Expenses	69,413,711	29,518,975	42.5%	6,031,425	29,088,492	1.5%
Add / (Use) Reserves	(\$5,156,639)	\$5,943,840		(\$6,031,425)	\$4,914,721	
Wastewater Fund						
Revenues	25,635,664	12,946,681	50.5%	0	12,263,681	5.6%
Expenses	26,374,869	11,065,580	42.0%	2,218,581	9,261,797	19.5%
Add / (Use) Reserves	(\$739,205)	\$1,881,101		(\$2,218,581)	\$3,001,884	
Downtown Parking Fund						
Revenues	7,521,906	3,400,028	45.2%	0	2,324,815	46.2%
Expenses	8,377,760	3,773,357	45.0%	829,469	4,526,929	-16.6%
Add / (Use) Reserves	(\$855,854)	(\$373,329)		(\$829,469)	(\$2,202,114)	

Enterprise Funds Revenues & Expenses (2 of 2)

	FY2022			FY2021		
	Annual Budget	YTD Actual	YTD Percent	Encumbered	YTD Actual	% Variance
Clean Energy Fund						
Revenues	12,523,116	1,428,751	11.4%	0	0	100.0%
Expenses	10,222,025	1,151,872	11.3%	55,845	71,489	1,511.3%
Add / (Use) Reserves	\$2,301,091	\$276,879		(\$55,845)	\$(71,489)	
Airport Fund						
Revenues	27,465,652	12,447,360	45.3%	0	14,399,169	-13.6%
Expenses	28,721,445	12,501,998	43.5%	2,663,720	11,562,724	8.1%
Add / (Use) Reserves	(\$1,255,793)	(\$54,638)		(\$2,663,720)	\$2,836,445	
Golf Fund						
Revenues	3,385,220	1,976,789	58.4%	0	2,082,762	-5.1%
Expenses	3,107,696	1,390,733	44.8%	1,423,402	1,340,309	3.8%
Add / (Use) Reserves	\$277,524	\$586,056		(\$1,423,402)	\$742,453	
Waterfront Fund						
Revenues	15,659,001	8,983,888	57.4%	0	7,814,625	15.0%
Expenses	15,884,875	7,665,426	48.3%	901,629	7,985,036	-5.0%
Add / (Use) Reserves	(\$225,874)	\$1,318,462		(\$901,629)	(\$170,411)	



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	(195,791)	3,049,474	7,530,658	2,853,683
Water	31,423,570	4,220,266	8,196,860	188,000,365	12,417,126
Wastewater	10,008,561	1,125,749	(64,533)	79,585,943	1,061,216
Downtown Parking	2,391,028	503,670	(1,474,142)	32,772,150	(970,472)
Clean Energy	-	(2,789,132)	476,609	476,609	(2,312,523)
Airport	6,729,550	3,664,829	2,631,422	158,832,206	6,296,251
Golf	932,147	619,710	424,195	3,043,199	1,043,905
Waterfront	3,535,456	1,375,070	520,520	9,987,373	1,895,590



Proposed Budget Amendments

Proposed Budget Adjustments

- General Fund reserves for City Hall security services
- Fire Department mutual aid
- Friends of the Library grant
- Parma Park trust grant
- Airport Fairview Hangar project transfer
- Waterfront capital project fund transfers
- Self-Insurance Fund appropriation for additional claim payments

Full Details in Attachment 3

Staff Recommendations

Finance Committee Recommend that Council:

1. Accept the Fiscal Year 2022 Interim Financial Statements for the six months ended December 31, 2021; and
2. Approve the proposed second quarter adjustments to Fiscal Year 2022 appropriations and estimated revenues as detailed in the attached Schedule of Proposed Second Quarter Adjustments.

Questions, Public Comment, & Discussion