



FINANCE DEPARTMENT

THIRD QUARTER FINANCIAL REVIEW FISCAL YEAR 2022

Finance Committee | May 17, 2022

Objective

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

Agenda

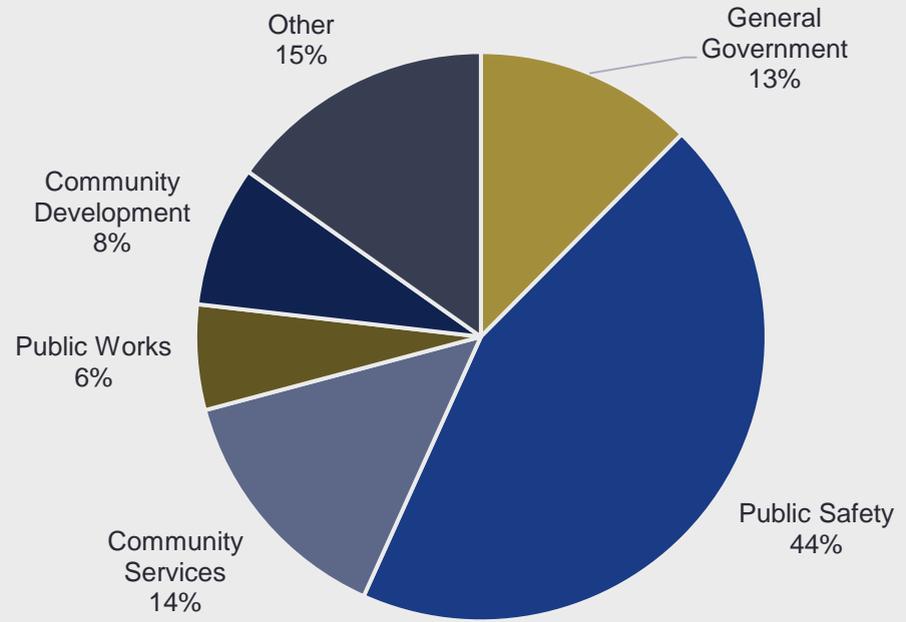
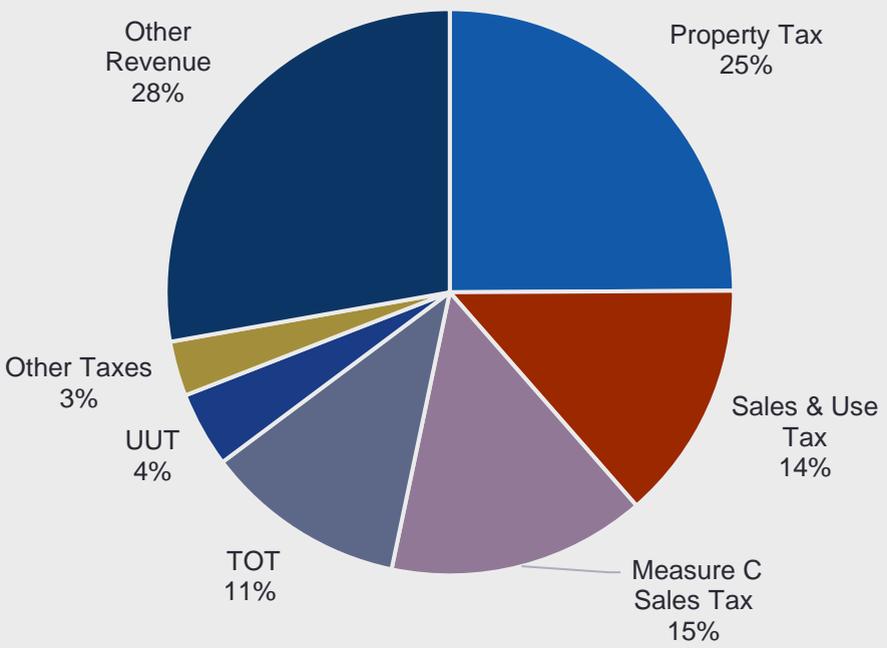
1. General Fund Update
2. Enterprise Funds Update
3. Proposed Budget Adjustments
4. Questions, Public Comment, & Discussion

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 3 Overview

Quarter 3 General Fund Financial Overview

General Fund (in \$ Millions)	FY2022 Adopted Budget	FY2022 Revised Budget	Q3 Actuals	FY2022 Projection	Q3 Actuals Percent of Revised Budget
Revenues	\$168.5	\$170.0	\$133.7	\$180.1	78.67%
Expenditures	169.5	176.8	126.2	\$173.5	71.37%
Surplus/(Deficit)	(\$1.0)	(\$6.8)	\$7.5	\$6.7	

- Budget includes \$6.8 Million reduction targets
- \$6.7 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

	FY2022			FY2021	
	Annual Budget	Year to Date Actual	Percent Rec'd	Prior Year Actual	Change From FY2021
Property Tax	\$42,347,386	\$22,881,722	54%	\$21,836,793	5%
Sales & Use Tax	23,239,045	21,770,112	94%	16,588,258	31%
Measure C Sales Tax	24,988,418	23,212,483	93%	17,679,021	31%
Transient Occupancy Tax	19,500,000	19,224,728	99%	9,545,747	101%
Utility Users Tax	7,315,292	5,760,313	79%	5,477,194	5%
Business License	2,556,359	2,235,978	87%	1,958,321	14%
Cannabis Excise Tax	1,847,469	1,246,066	67%	1,192,761	4%
Property Transfer Tax	923,776	1,035,870	112%	787,058	32%
Total Taxes	\$122,717,745	\$97,367,271	79%	\$75,065,153	30%



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	3,609,780	2,430,706	67%	1,179,074	871,393	307,681
City Attorney	4,621,037	2,987,645	65%	1,633,392	220,966	1,412,426
City Administrator	4,851,714	2,823,440	58%	2,028,274	240,697	1,787,577
Human Resources	2,358,448	1,400,264	59%	958,184	181,889	776,295
Finance	6,488,958	4,630,663	71%	1,858,295	120,622	1,737,673
General Government	\$21,929,937	\$14,272,718	65%	\$7,657,219	\$1,635,567	\$6,021,652
Police	46,030,479	33,289,502	72%	12,740,977	745,167	11,935,810
Fire	32,397,015	24,465,870	76%	7,931,145	151,124	7,780,021
Public Safety	\$78,427,494	\$57,755,372	74%	\$20,672,122	\$896,291	\$19,775,831
Parks & Recreation	18,428,184	12,453,602	68%	5,974,582	609,144	5,365,438
Library	6,517,111	4,216,434	65%	2,300,677	166,795	2,133,882
Community Services	\$24,945,295	\$16,670,036	67%	\$8,275,259	\$775,939	\$7,499,320
Public Works	10,574,587	6,694,384	63%	3,880,203	213,396	3,666,807
Sustainability & Resiliency	250,068	54,125	22%	195,943	70,803	125,140
Community Development	14,180,024	9,000,778	63%	5,179,246	776,921	4,402,325
Non-Departmental	26,542,143	21,770,865	82%	4,771,278	0	4,771,278
Total	\$176,799,548	\$126,218,278	71%	\$50,631,270	\$4,368,917	\$46,262,353

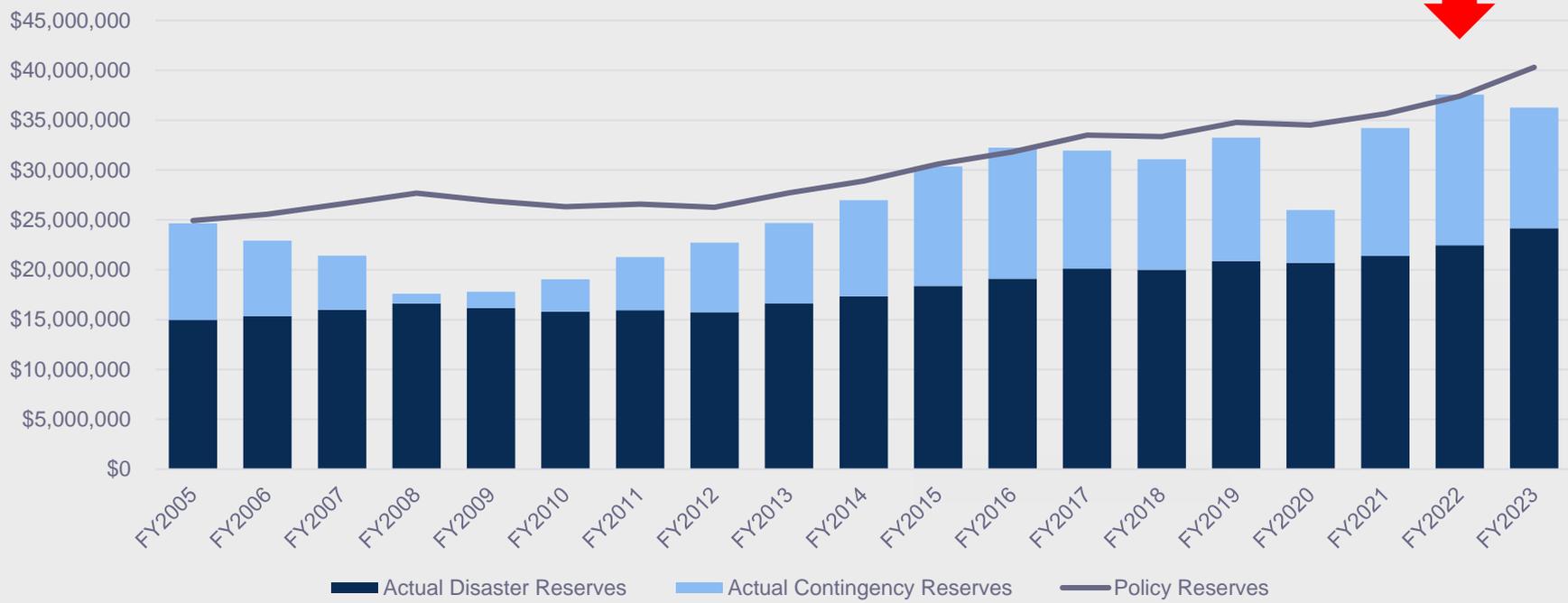
General Fund Reserves



Reserves Projection Overview

General Fund Reserves	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 Projected at Q3	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)	(1,419,589)	137,160	1,556,749
Actual Reserves	33,263,527	25,972,255	34,219,563	37,549,723	3,330,160
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	9,212,307	1,134,487

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	31,630,033	24,973,830	79.0%	\$0	22,072,929	13.1%
Expenses	30,747,093	21,331,690	69.4%	737,843	20,166,717	5.8%
Add / (Use) Reserves	\$882,940	\$3,642,140		(\$737,843)	\$1,906,212	
Water Fund						
Revenues	74,257,072	50,296,311	67.7%	0	47,558,865	5.8%
Expenses	69,470,261	47,886,910	68.9%	3,998,421	41,515,928	15.3%
Add / (Use) Reserves	4,786,811	\$2,409,401		(\$3,998,421)	\$6,042,937	
Wastewater Fund						
Revenues	25,635,664	19,027,755	74.2%	0	18,212,012	4.5%
Expenses	26,374,869	18,357,815	69.6%	2,001,746	15,610,558	17.6%
Add / (Use) Reserves	(\$739,205)	\$669,940		(\$2,001,746)	\$2,601,454	
Downtown Parking Fund						
Revenues	7,521,906	5,037,010	67.0%	0	3,549,663	41.9%
Expenses	8,377,760	5,781,915	69.0%	568,462	6,266,090	-7.7%
Add / (Use) Reserves	(\$855,854)	(\$744,905)		(\$538,462)	(\$2,716,427)	

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	5,130,569	41.0%	0	349,886	100.0%
Expenses	10,222,025	5,045,319	49.4%	1,028,212	102,240	4,834.8%
Add / (Use) Reserves	\$2,301,091	\$85,250		(\$1,028,212)	\$247,646	
Airport Fund						
Revenues	27,465,652	23,641,680	86.1%	0	19,171,577	23.3%
Expenses	28,881,445	18,739,152	64.9%	2,363,468	16,329,267	14.8%
Add / (Use) Reserves	(\$1,451,793)	(\$4,902,528)		(\$2,363,468)	\$2,842,310	
Golf Fund						
Revenues	3,413,209	2,860,096	83.8%	0	2,913,997	-1.8%
Expenses	3,135,685	2,060,587	65.7%	862,095	1,969,615	4.6%
Add / (Use) Reserves	\$277,524	\$799,509		(\$862,095)	\$944,382	
Waterfront Fund						
Revenues	15,659,001	13,207,764	84.3%	0	11,301,515	16.9%
Expenses	16,212,313	11,571,647	71.4%	745,077	10,674,523	8.4%
Add / (Use) Reserves	(\$553,312)	\$1,636,117		(\$745,077)	626,992	

Enterprise Funds Projected Reserves

Enterprise Operating Funds	FY2021 Policy Reserves	FY2021 Available Reserves	FY2022 Projected Add (Use) of Reserves	FY2022 Projected Available Reserves
Solid Waste	3,891,700	(195,791)	3,023,076	2,827,285
Water	31,423,570	4,220,266	8,689,403	12,909,669
Wastewater	10,203,876	1,125,749	(203,089)	922,660
Downtown Parking	2,391,028	503,670	(987,803)	(484,133)
Clean Energy	-	(2,789,132)	484,891	(2,304,241)
Airport	6,729,550	3,664,829	2,641,714	6,306,543
Golf	932,147	619,710	791,007	1,410,717
Waterfront	3,586,785	1,375,070	1,040,000	2,415,070





Proposed Budget Amendments

Proposed Budget Adjustments

- General Fund: Reserves use for Salary Survey
- CDBG: Housing Rehab & Home Loan programs, Bridge Housing grant
- Streets: Capital project fund transfers
- Water: State grant for unpaid water billings
- Golf: Increased revenues & Performance Incentive costs
- Airport: Required fire related costs, radio replacement
- Fleet: Electric Fire Truck, Hybrid vehicle purchases

Full Details in Attachment 3

Staff Recommendations

Finance Committee Recommend that Council:

1. Accept the Fiscal Year 2022 Interim Financial Statements for the nine months ended March 31, 2022; &
2. Approve the proposed third quarter adjustments to Fiscal Year 2022 appropriations & estimated revenues as detailed in the attached Schedule of Proposed Third Quarter Adjustments.

Questions, Public Comment, & Discussion