



**FINANCE DEPARTMENT**

# **SECOND QUARTER FINANCIAL REVIEW FISCAL YEAR 2023**

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Finance Committee | February 28, 2023

# Objective

- A. Receive a report from staff on the status of revenues & expenditures in relation to budget for the six months ended December 31, 2022;
- B. Accept the Fiscal Year (FY) 2023 Interim Financial Statements for the six months ended December 31, 2022; &
- C. Recommend that Council approve proposed Second Quarter (Q2) adjustments to FY 2023 revenue & expenditure appropriations as detailed in the attached schedule of Proposed Q2 adjustments.



# Agenda

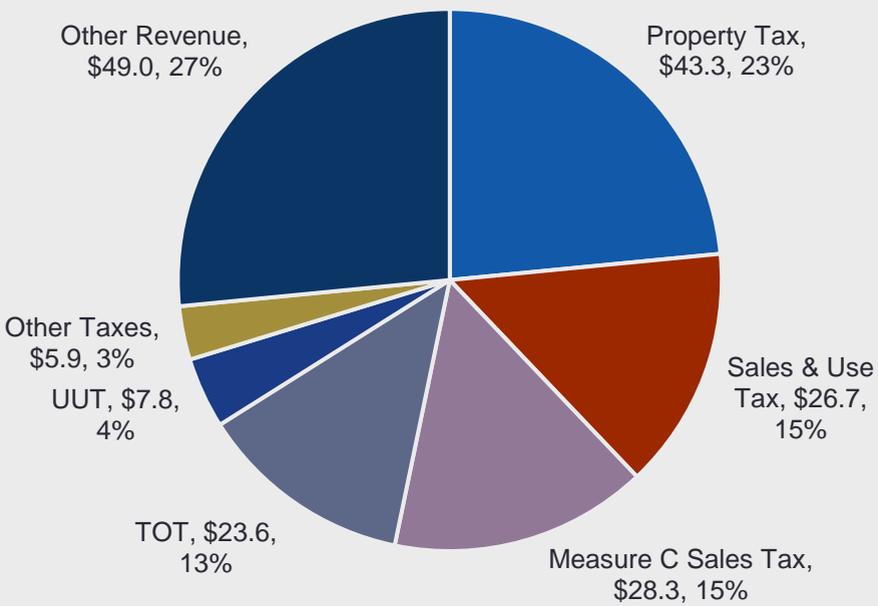
1. General Fund Update
2. Enterprise Funds Update
3. Proposed Budget Adjustments
4. Questions, Public Comment, & Discussion

# FY2023 Annual Review Process

- Monthly financial statements
- Quarterly financial statements & projections
  - ✓ • **Q1** – Finance Committee November 2022
  - ✓ • **Q2** – Finance Committee February 2023
  - **Q3** – Finance Committee May 2023
  - **Q4** – Finance Committee September 2023
- Annual Comprehensive Financial Report – December 2023

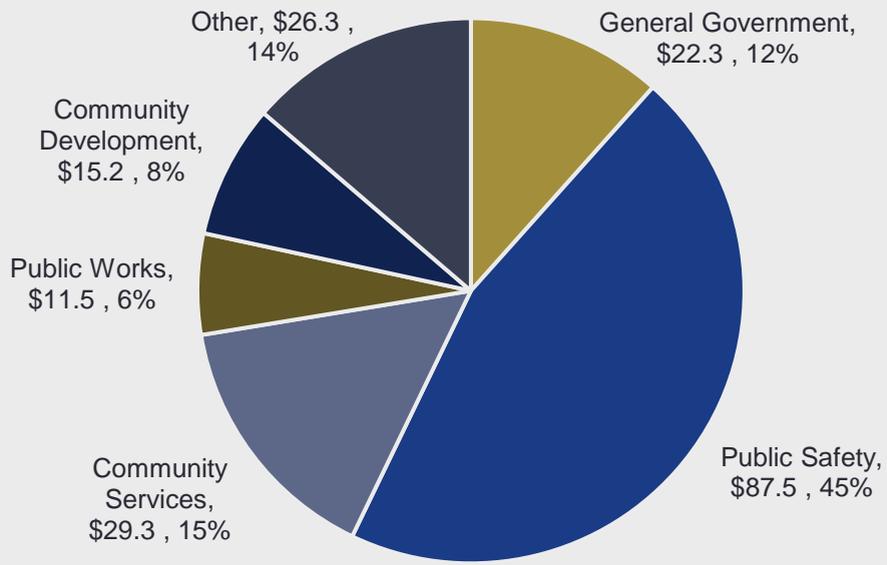
## General Fund Revenues FY2023 Revised Budget

\$ Millions



## General Fund Expenditures FY2023 Revised Budget

\$ Millions



# General Fund Quarter 2 Overview

# General Fund Financial Overview

General Fund	FY2023 Adopted Budget	FY2023 Revised Budget	Actuals through Q2	FY2023 Projection	Actuals Percent of Revised Budget
Revenues	\$184,618,453	\$184,575,308	\$94,679,671	\$195,002,373	51.3%
Expenditures	185,678,749	192,031,393	89,640,301	191,605,071	46.7%
<b>Surplus/(Deficit)</b>	<b>(\$1,060,296)</b>	<b>(\$7,456,085)</b>	<b>\$5,039,370</b>	<b>\$3,397,302</b>	
50% Surplus to Pensions				<b>(1,698,651)</b>	
<b>Revised Surplus to Reserves</b>				<b>\$1,698,651</b>	

- FY 23 Expenditure projections include \$1 Million in reduction targets & \$2.4 Million in additional savings (largely from vacant positions)
- FY 23 Revenue projection includes \$10.1 Million in additional property, sales, Measure C, & TOT taxes
- \$4 Million transfer to the Self-Insurance Fund additional actuarial recommendation
- \$50% of year-end surplus goes to Pension, per reserve policy

# General Fund Tax Revenue Trends

## Property Tax

- Largest General Fund revenue source
- 2.8% EOY growth planned from FY2023 Revised Budget

## Sales Tax

- Increased online, auto, & restaurant spending
- Inflation is a driver for additional revenue
- Recession scenario being evaluated for FY2024 & beyond

## Transient Occupancy Tax

- Demand for rooms has reached pre-COVID levels
- Average daily rates have reached record levels
- 13.2% EOY growth planned from FY2023 Revised Budget

# General Fund Tax Summary

	Current Year Analysis FY2023			Prior Year Analysis FY2022		
	Revised Budget	YTD Actual	**Projected Full-Year	Percent Rec'd	Prior Year YTD Actual	Change From FY22
Property Tax	\$43,250,489	\$17,874,817	\$44,456,027	41%	\$14,417,238	24%
Sales & Use Tax	26,704,042	14,987,420	29,355,835	56%	14,591,000	3%
Measure C Sales Tax	28,323,342	16,053,612	31,507,587	57%	15,347,468	5%
Transient Occupancy Tax	23,583,553	15,961,162	26,685,538	68%	14,825,408	8%
Utility Users Tax	7,779,112	3,746,722	7,747,337	48%	3,805,251	(2%)
Business License	2,714,006	669,809	2,500,000	25%	1,259,019	(47%)
Cannabis Excise Tax	1,879,977	655,252	1,900,000	35%	925,419	(29%)
Property Transfer tax	1,328,218	545,078	1,150,000	41%	718,248	(24%)
<b>Total Taxes</b>	<b>\$135,562,739</b>	<b>\$70,493,871</b>	<b>\$145,302,324</b>	<b>52%</b>	<b>\$65,889,051</b>	<b>7%</b>

# Expenditure Reduction Targets

- FY2023 adopted budget included \$1 Million in General Fund expenditure reductions
  - Deficit from recovering revenue due to COVID & increased costs throughout the City
  - Salary saving measures and general reductions

# General Fund Expenditures

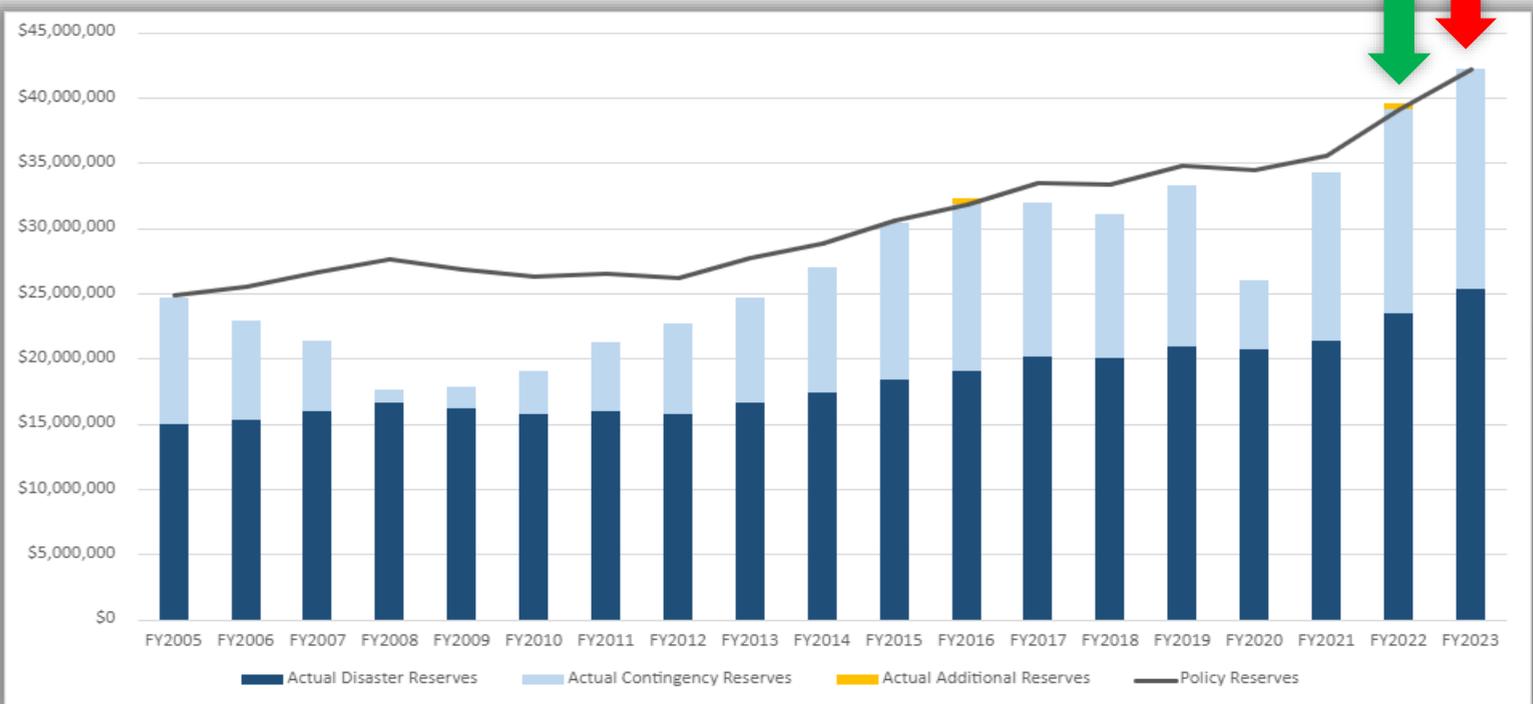
Department	Revised Budget	YTD Actual	Projected Full Year	Variance Projection To Budget	YTD Variance Without Encumbrance	Encumbrance	Remaining Budget After Encumbrances	
Mayor & Council	\$3,369,956	\$1,803,486	54%	\$3,314,565	\$55,391	\$1,566,470	\$901,778	\$664,692
City Attorney	4,506,687	2,401,277	53%	4,506,687	-	2,105,410	183,412	1,921,997
City Administrator	4,017,942	1,690,054	42%	3,596,703	421,239	2,327,888	186,506	2,141,382
Human Resources	3,047,913	1,117,870	37%	2,425,777	622,136	1,930,043	109,873	1,820,171
Finance	7,302,891	3,271,215	45%	7,287,224	15,667	4,031,676	116,566	3,915,110
<b>General Government</b>	<b>\$22,245,390</b>	<b>\$10,283,902</b>	<b>46%</b>	<b>\$21,130,956</b>	<b>\$1,114,433</b>	<b>\$11,961,487</b>	<b>\$1,498,136</b>	<b>\$10,463,352</b>
Police	52,585,829	23,315,139	44%	49,974,063	2,611,766	29,270,690	550,675	28,720,016
Fire	34,929,508	16,877,026	48%	34,890,179	39,329	18,052,482	139,755	17,912,727
<b>Public Safety</b>	<b>\$87,515,337</b>	<b>\$40,192,166</b>	<b>46%</b>	<b>\$84,864,242</b>	<b>\$2,651,095</b>	<b>\$47,323,172</b>	<b>\$690,429</b>	<b>\$46,632,742</b>
Parks & Recreation	21,606,542	9,713,200	45%	20,577,509	1,029,033	11,893,342	1,140,267	10,753,075
Library	7,670,640	3,343,561	44%	7,377,423	293,217	4,327,079	111,136	4,215,942
<b>Community Services</b>	<b>\$29,277,182</b>	<b>\$13,056,761</b>	<b>45%</b>	<b>\$27,954,932</b>	<b>\$1,322,250</b>	<b>\$16,220,421</b>	<b>\$1,251,403</b>	<b>\$14,969,017</b>
Public Works	11,457,906	4,614,524	40%	10,397,839	1,060,067	6,843,382	289,531	6,553,851
Sustainability & Resiliency	232,146	8,942	4%	26,281	205,865	223,204	56,566	166,638
Community Development	15,249,256	6,336,122	42%	13,992,399	1,256,857	8,913,134	998,600	7,914,534
Non-Departmental	26,054,177	15,147,884	58%	33,238,422	(7,184,245)	10,906,293	0	10,906,293
<b>Total</b>	<b>\$192,031,393</b>	<b>\$89,640,301</b>	<b>47%</b>	<b>191,605,071</b>	<b>426,322</b>	<b>\$102,391,093</b>	<b>\$4,784,666</b>	<b>\$97,606,426</b>

# General Fund Reserves

# General Fund Reserves Projection

General Fund, Fund Balance	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 Actual	FY2023 Projected at Q2	FY23 v FY22 Projected Change in Reserve
Contingency Reserve Target 10%	\$13,910,966	\$13,799,412	\$14,255,661	\$15,650,447	\$16,862,261	\$1,211,814
Disaster Reserve Target 15%	20,866,449	20,699,118	21,383,491	23,475,670	25,293,392	1,817,722
<b>Total Policy Reserve Target</b>	<b>\$34,777,415</b>	<b>\$34,498,530</b>	<b>\$35,639,152</b>	<b>\$39,126,117</b>	<b>\$42,155,653</b>	<b>\$3,029,536</b>
(Below) / Above Policy	(1,513,888)	(8,526,275)	(1,419,589)	464,613	(866,272)	(1,330,885)
<b>Actual Reserves</b>	<b>\$33,263,527</b>	<b>\$25,972,255</b>	<b>\$34,219,563</b>	<b>\$39,590,730</b>	<b>\$41,289,381</b>	<b>\$1,698,651</b>
<b>Self-Insurance Fund Under-Reserve</b>	(2,109,073)	(4,580,532)	(4,758,252)	(5,889,878)	(5,793,359)	96,519
Remaining Contingency Reserve	\$10,288,005	\$692,605	\$8,077,820	\$10,225,182	\$10,202,630	(\$22,552)

# General Fund Reserves Trend



# Considerations for FY2023 & Beyond

- Structural operating deficit of **\$4.2 Million** in FY2023
  - Required departmental expenditure reductions of \$1 Million
  - Labor MOUs & pension costs
  - Inflation, high vacancy rates, & fear of recession
  - Self-Insurance Fund reserves far below recommended level



# Enterprise Funds

# Enterprise Funds Revenues & Expenses (1 of 2)

	Current Year Analysis FY2023				Encumbered	Prior Year FY2022	
	Annual Budget	YTD Actual	Projected Year End	YTD Percent		YTD Actual	% Variance
<b>Solid Waste Fund</b>							
Revenues	\$34,272,920	\$17,318,975	\$34,500,997	50.50%	\$0	\$16,863,260	2.70%
Expenses	34,875,857	15,722,318	34,130,448	45.10%	628,516	14,042,511	12.00%
<b>Add / (Use) Reserves</b>	<b>(\$602,937)</b>	<b>\$1,596,656</b>	<b>\$370,549</b>		<b>(\$628,516)</b>	<b>\$2,820,749</b>	
<b>Water Fund</b>							
Revenues	70,492,814	37,870,190	69,408,698	53.70%	0	35,462,815	6.80%
Expenses	70,942,295	30,709,299	69,135,581	43.30%	6,091,204	34,618,975	-11.30%
<b>Add / (Use) Reserves</b>	<b>(\$449,481)</b>	<b>\$7,160,891</b>	<b>\$273,117</b>		<b>(\$6,091,204)</b>	<b>\$843,840</b>	
<b>Wastewater Fund</b>							
Revenues	27,441,554	13,673,547	27,381,959	49.80%	0	12,946,681	5.60%
Expenses	28,320,673	11,466,264	28,320,673	40.50%	1,885,264	11,065,596	3.60%
<b>Add / (Use) Reserves</b>	<b>(\$879,119)</b>	<b>\$2,207,282</b>	<b>(\$938,714)</b>		<b>(\$1,885,264)</b>	<b>\$1,881,085</b>	
<b>Downtown Parking Fund</b>							
Revenues	10,266,997	5,024,080	9,936,146	48.90%	0	3,400,028	47.80%
Expenses	10,750,380	4,915,782	10,415,542	45.70%	1,115,928	3,773,357	30.30%
<b>Add / (Use) Reserves</b>	<b>(\$483,383)</b>	<b>\$108,298</b>	<b>(\$479,396)</b>		<b>(\$1,115,928)</b>	<b>(\$373,329)</b>	

# Enterprise Funds Revenues & Expenses (2 of 2)

	Current Year Analysis FY2023				Encumbered	Prior Year FY2022	
	Annual Budget	YTD Actual	Projected Year End	YTD Percent		YTD Actual	% Variance
<b>Clean Energy Fund</b>							
Revenues	34,000,000	15,769,153	41,673,715	46.40%	0	1,428,751	100.00%
Expenses	33,520,235	13,571,505	35,903,400	40.50%	2,026,487	1,151,872	1078.20%
<b>Add / (Use) Reserves</b>	<b>\$479,765</b>	<b>\$2,197,648</b>	<b>\$5,770,315</b>		<b>(\$2,026,487)</b>	<b>\$276,879</b>	
<b>Airport Fund</b>							
Revenues	27,185,151	13,571,376	26,649,545	49.90%	0	12,447,360	9.00%
Expenses	30,116,471	11,927,037	26,105,108	39.60%	3,198,543	12,501,998	-4.60%
<b>Add / (Use) Reserves</b>	<b>(\$2,931,320)</b>	<b>\$1,644,339</b>	<b>\$544,437</b>		<b>(\$3,198,543)</b>	<b>(\$54,638)</b>	
<b>Golf Fund</b>							
Revenues	3,837,489	2,190,276	4,131,000	57.10%	0	1,976,789	10.80%
Expenses	3,294,658	1,501,590	3,510,642	45.60%	1,489,279	1,390,733	8.00%
<b>Add / (Use) Reserves</b>	<b>\$542,831</b>	<b>\$688,686</b>	<b>\$620,358</b>		<b>(\$1,489,279)</b>	<b>\$586,056</b>	
<b>Waterfront Fund</b>							
Revenues	17,036,131	10,182,239	17,157,000	59.80%	0	8,983,888	13.30%
Expenses	19,277,251	9,045,804	18,313,388	46.90%	860,382	7,665,426	18.00%
<b>Add / (Use) Reserves</b>	<b>(\$2,241,119)</b>	<b>\$1,136,435</b>	<b>(\$1,156,388)</b>		<b>(\$860,382)</b>	<b>\$1,318,462</b>	

# Enterprise Funds Projected Reserves

Enterprise Operating Funds	FY2022 Policy Reserves	FY2022 Available Reserves	FY2023 Projected Add (Use) of Reserves	FY2023 Projected Available Reserves
Solid Waste	5,174,504	2,441,640	370,549	2,812,189
Water	32,648,426	15,106,164	273,117	15,379,281
Wastewater	11,112,046	658,121	(938,714)	(280,593)
Downtown Parking	2,784,756	58,443	(479,396)	(420,953)
Clean Energy	8,306,226	(9,694,992)	5,770,315	(3,924,677)
Airport	7,632,879	5,403,913	544,437	5,948,350
Golf	969,828	1,546,063	620,358	2,166,421
Waterfront	3,932,918	4,207,206	(1,156,388)	3,050,818

# Proposed Budget Amendments

# Proposed Budget Adjustments

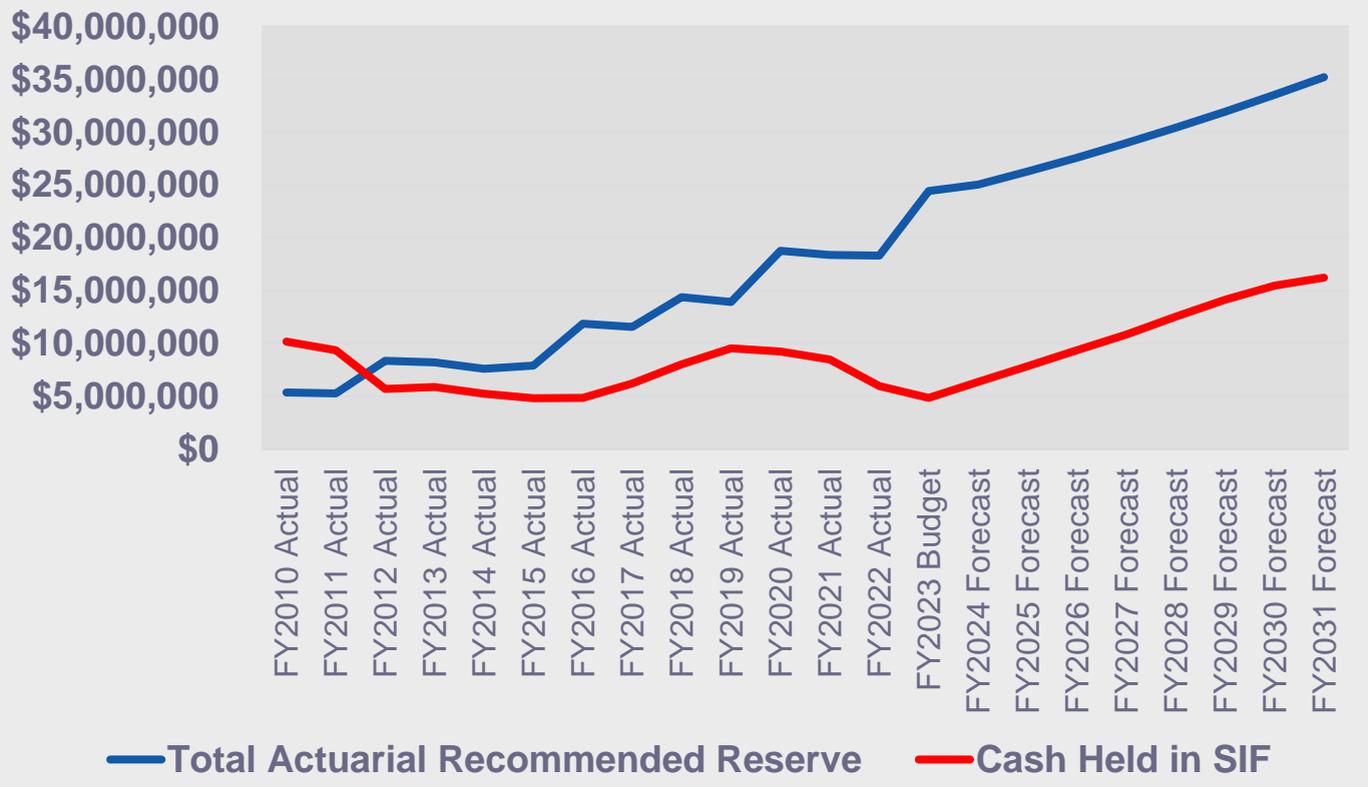
## General Fund:

- Appropriate \$4 Million for a transfer out to the Self Insurance Fund
- Fire mutual aid reduction due to fewer weather events than anticipated

## Other Funds:

- Police equipment replacement & opioid settlement revenues
- Library Fund contributions
- Water's Desal Conveyance project to support underground conditions
- Golf course appropriations for increased revenues & expenditures
- Solid waste public containers

# Self-Insurance Fund Reserves Trend



# Staff Recommendations

## Finance Committee Recommend that Council:

- Accept the Fiscal Year 2023 Interim Financial Statements for the six months ending December 31, 2022; &
- Recommend that Council approve the proposed second quarter adjustments to Fiscal Year 2023 revenue & expenditure appropriations as detailed in the attached Schedule of Proposed Second Quarter Adjustments

# Questions, Public Comment, & Discussion