



FINANCE DEPARTMENT

FIRST-QUARTER FINANCIAL REVIEW FISCAL YEAR 2024

Finance Committee | December 5, 2023

Objective

- A. Receive a report from staff on the status of revenues & expenditures in relation to budget for the three months ended September 30, 2023;
- B. Accept the Fiscal Year (FY) 2024 Interim Financial Statements for the three months ended September 30, 2023; &
- C. Recommend that Council approve proposed first-quarter (Q1) adjustments to FY2024 revenue & expenditure appropriations as detailed in the attached Schedule of Proposed Q1 Adjustments.



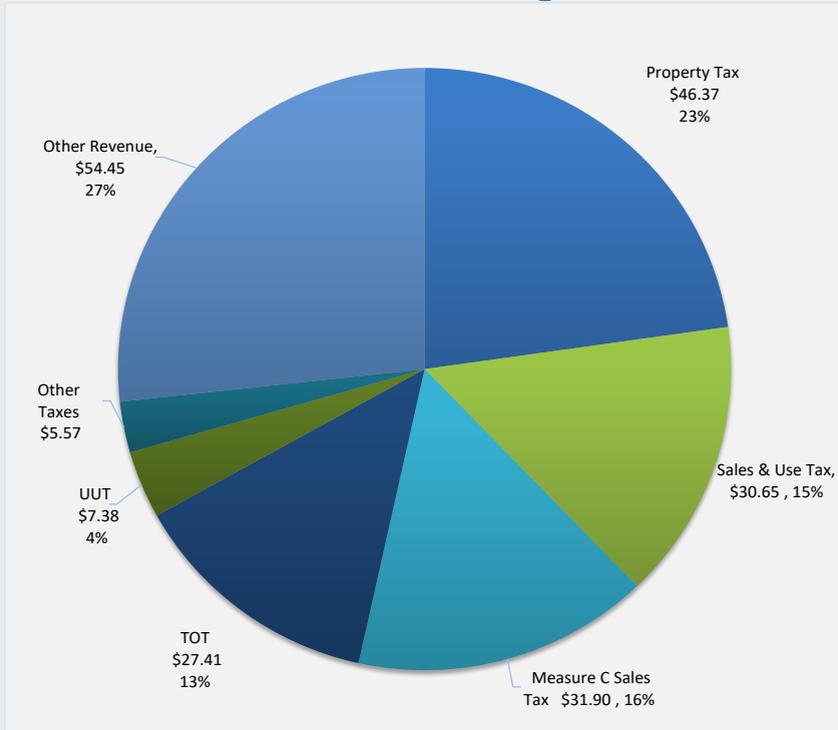
Agenda

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

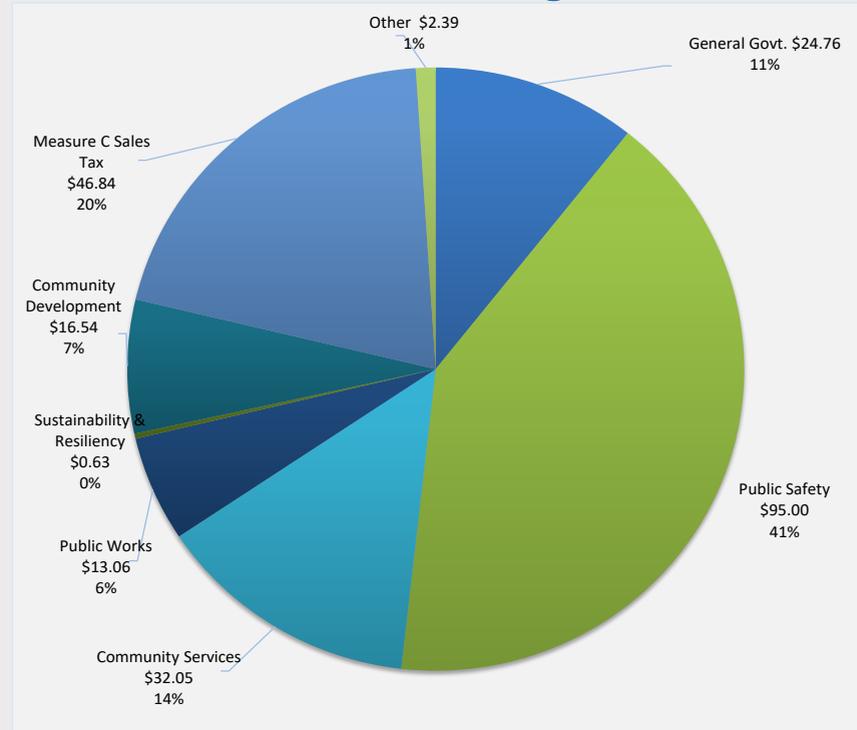
FY2024 Annual Review Process

- Monthly financial statements
- Quarterly financial statements & projections
- ✓ • **Q1** – Finance Committee December 2023
- **Q2** – Finance Committee February 2024
- **Q3** – Finance Committee May 2024
- **Q4** – Finance Committee September 2024
- Annual Comprehensive Financial Report – December 2024

General Fund Revenues FY2024 Revised Budget \$ Millions



General Fund Expenditures FY2024 Revised Budget \$ Millions



General Fund Quarter 1 Overview

General Fund Financial Overview

GENERAL FUND	ADOPTED BUDGET FY2024	REVISED BUDGET FY2024	ACTUALS THROUGH Q1	PROJECTION FY2024	ACTUAL PERCENT REVISED BUDGET Q1
Revenues	\$172,636,505	\$171,833,233	\$31,391,394	\$171,833,233	18.30%
Expenditures	175,538,984	175,538,984	40,266,410	175,538,984	21.80%
Carryforward		8,892,403		8,892,403	
Surplus/(Deficit)	(\$2,902,479)	(\$12,598,154)	(\$8,875,015)	(\$12,598,153)	

- Revised budget includes carryforward appropriation from FY2023 for commitments continuing into FY2024
- Typical to see General Fund deficit at Q1 given property tax payments are received mid-year
- Tax revenue softening
- No major changes anticipated in spending at this time



Measure C Financial Overview

MEASURE C	ADOPTED BUDGET FY2024	REVISED BUDGET FY2024	ACTUALS THROUGH Q1	PROJECTION FY2024	ACTUAL PERCENT REVISED BUDGET Q1
Revenues	\$31,900,000	\$31,900,000	\$7,887,470	\$31,900,000	24.70%
Use of Prior Year	14,937,855	14,937,855	3,821,994	14,937,855	
Expenditures	46,837,855	46,837,855	11,709,464	46,837,855	25.00%
Surplus/(Deficit)	\$0	\$0	\$0	\$0	

- Budget includes the use of prior year funds that have accumulated
- Priority to program all available Measure C funds for capital projects as identified in the 5-year Capital Improvement Plan

Carryforwards

- Appropriation from a prior fiscal year that is carried forward into the current fiscal year to be encumbered and/or spent
- Routine annual budget process after budget adoption
- City Council resolution adopted every year to authorize
- City Administrator review of all requests
- 37 General Fund requests for one-time projects totaling \$6.5 Million
- Many other one-time and capital project requests



General Fund Tax Summary

	Current Year Analysis FY2024				Prior Year Analysis FY2023	
	Revised Budget	YTD Actual	**Projected Full-Year	Percent Rec'd	Prior Year YTD Actual	Change From FY23
Property Tax	46,371,460	\$0	\$46,371,460	0%	\$0	
Sales & Use Tax	30,650,000	7,646,268	30,650,000	25%	\$7,408,720	3%
Measure C Sales Tax	31,900,000	7,887,470	31,900,000	25%	\$8,104,704	(3%)
Transient Occupancy Tax	27,414,000	8,485,664	27,414,000	31%	\$9,047,587	(6%)
Utility Users Tax	7,375,415	1,853,273	7,375,415	25%	\$2,138,098	(13%)
Business License	2,850,000	174,517	2,850,000	6%	\$506,812	(66%)
Cannabis Excise Tax	1,518,910	261,188	1,518,910	17%	\$368,558	(29%)
Property Transfer tax	1,200,000	224,250	1,200,000	19%	\$294,470	(24%)
Total Taxes	\$149,279,785	\$26,532,627	\$149,279,785	18%	\$27,868,950	(5%)

Short-Term Rental Enforcement Program

- The Short-Term Rental (STR) Enforcement Pilot Program was launched by the City Attorney’s Office on August 1, 2023.
- The Pilot Program was funded by the City Council on April 25, 2023, with the goal of increasing the enforcement of illegal short-term rentals operating in the City and gain a better understanding of the type, seasonality, location, and number of short-term rentals existing in the City.
- Transient Occupancy Tax (TOT) payments collected as a part of this program are as follows:

STR TOT	# SETTLEMENTS	GENERAL FUND	MEASURE B
Q1 2024	10	\$118,057	\$23,611

Expenditures

- FY2024 adopted budget increased by \$18.0 Million from FY2023
 - \$2.7 Million in General Fund expenditure reductions to help balance the budget
 - Increase in operational costs throughout the City
 - \$46.8 Million in Measure C from FY2022 Surplus

General Fund Expenditures

Department	Revised Budget	YTD Actual		Projected Full Year	YTD Variance Without Encumbrance	Encumbrance	Remaining Budget After Encumbrances
Mayor & Council	\$3,405,788	\$621,127	18%	\$3,405,788	\$2,784,661	\$839,749	\$1,944,912
City Attorney	\$6,507,784	\$1,014,990	16%	\$6,507,784	5,492,794	\$260,953	5,231,841
City Administrator	\$4,062,306	\$812,179	20%	\$4,062,306	3,250,127	\$244,457	3,005,670
Human Resources	\$2,892,512	\$625,085	22%	\$2,892,512	2,267,426	\$375,718	1,891,709
Finance	\$7,887,271	\$1,544,557	20%	\$7,887,271	6,342,715	\$411,725	5,930,990
General Government	\$24,755,662	\$4,617,938	19%	\$24,755,661	\$20,137,723	\$2,132,603	\$18,005,121
Police	\$60,367,368	\$11,994,432	20%	\$60,367,368	48,372,936	\$1,954,867	46,418,070
Fire	\$34,634,116	\$8,990,859	26%	\$34,634,116	25,643,257	\$107,826	25,535,431
Public Safety	\$95,001,485	\$20,985,292	22%	\$95,001,485	\$74,016,193	\$2,062,692	\$71,953,500
Parks & Recreation	\$23,933,387	\$5,708,760	24%	\$23,933,387	18,224,627	\$1,298,333	16,926,294
Library	\$8,117,772	\$1,497,786	18%	\$8,117,772	6,619,986	\$95,807	6,524,178
Community Services	\$32,051,159	\$7,206,547	22%	\$32,051,159	\$24,844,613	\$1,394,139	\$23,450,472
Public Works	\$13,063,906	\$2,623,375	20%	\$13,063,906	10,440,531	\$157,999	10,282,533
Sustainability & Resiliency	\$627,671	\$35,530	6%	\$627,671	592,141	\$47,990	544,151
Community Development	\$16,538,362	\$3,294,413	20%	\$16,538,362	13,243,949	\$1,114,171	12,129,778
Measure C Sales Tax	\$46,837,855	\$11,709,464	25%	\$46,837,855	35,128,391	\$0	35,128,391
Non-Departmental	\$2,393,142	\$1,503,316	63%	\$2,393,142	889,826	\$0	889,826
Total	\$231,269,242	\$51,975,873	22%	\$231,269,241	\$179,293,369	\$6,909,594	\$172,383,773

General Fund Reserves

General Fund Reserves Projection

	ACTUAL FY2019	ACTUAL FY2020	ACTUAL FY2021	ACTUAL FY2022	ACTUAL FY2023
Contingency Reserve Target 10%	\$13,910,966	\$13,799,412	\$14,255,661	\$15,650,447	\$16,862,261
Disaster Reserve Target 15%	20,866,449	20,699,118	21,383,491	23,475,670	25,293,392
Total Policy Reserve Target	\$34,777,415	\$34,498,530	\$35,639,152	\$39,126,117	\$42,155,653
(Below) / Above Policy	(1,513,888)	(8,526,275)	(1,419,589)	464,613	(3,841,688)
Actual Reserves	\$33,263,527	\$25,972,255	\$34,219,563	\$39,590,730	\$38,313,965
Self-Insurance Fund Under-Reserve*	(2,109,073)	(4,580,532)	(4,758,252)	(5,889,878)	(7,118,379)
Remaining Contingency Reserve	\$10,288,005	\$692,605	\$8,077,820	\$10,225,182	\$5,902,194



Enterprise Funds

Enterprise Funds Revenues & Expenses (1 of 2)

	Current Year Analysis FY2024				Encumbered	Prior Year FY2023	
	Revised Budget	YTD Actual	Projected Year End	YTD Percent		YTD Actual	% Variance
Solid Waste Fund							
Revenues	38,291,420	9,558,367	38,291,420	25%	-	8,431,160	13%
Expenses	38,621,250	7,466,978	38,621,250	19%	16,418,711	6,219,736	20%
Add / (Use) Reserves	(\$329,830)	\$2,091,388	(\$329,830)		(\$16,418,712)	\$2,211,423	
Water Fund							
Revenues	74,712,846	18,389,604	74,712,846	25%	0	18,491,656	-1%
Expenses	77,359,032	14,983,434	77,359,032	19%	8,781,714	13,758,305	9%
Add / (Use) Reserves	(\$2,646,186)	\$3,406,170	(\$2,646,186)		(\$8,781,714)	\$4,733,351	
Wastewater Fund							
Revenues	29,143,452	7,161,728	29,143,452	25%	0	6,780,995	6%
Expenses	30,394,347	5,546,748	30,394,347	18%	3,417,883	5,218,368	6%
Add / (Use) Reserves	(\$1,250,895)	\$1,614,979	(\$1,250,895)		(\$3,417,884)	\$1,562,626	
Downtown Parking Fund							
Revenues	11,363,643	2,564,425	11,363,643	23%	0	2,408,266	6%
Expenses	12,011,205	2,609,843	12,011,205	22%	1,716,288	2,186,189	19%
Add / (Use) Reserves	(\$647,562)	(\$45,417)	(\$647,562)		(\$1,716,288)	\$222,076	

Enterprise Funds Revenues & Expenses (2 of 2)

	Current Year Analysis FY2024				Encumbered	Prior Year FY2023	
	Revised Budget	YTD Actual	Projected Year End	YTD Percent		YTD Actual	% Variance
Clean Energy Fund							
Revenues	47,660,583	7,811,477	47,660,583	16%	0	5,647,233	38%
Expenses	39,580,699	3,491,100	39,580,699	9%	1,526,062	3,548,853	-2%
Add / (Use) Reserves	\$8,079,884	\$4,320,376	\$8,079,884		(\$1,526,062)	\$2,098,380	
Airport Fund							
Revenues	29,944,075	6,356,152	29,944,075	21%	0	6,332,773	0%
Expenses	31,223,042	6,215,794	31,223,042	20%	3,607,951	5,555,445	12%
Add / (Use) Reserves	(\$1,278,967)	\$140,358	(\$1,278,967)		(\$3,607,951)	\$777,329	
Golf Fund							
Revenues	4,206,765	1,370,268	4,206,765	33%	0	1,247,974	10%
Expenses	3,788,996	715,919	3,788,996	19%	2,578,320	697,744	3%
Add / (Use) Reserves	\$417,769	\$654,350	\$417,769		(\$2,578,320)	\$550,230	
Waterfront Fund							
Revenues	19,027,470	5,731,416	19,027,470	30%	0	5,340,214	7%
Expenses	19,337,385	4,702,127	19,337,385	24%	1,328,654	4,490,943	5%
Add / (Use) Reserves	(\$309,914)	\$1,029,289	(\$309,915)		(\$1,328,654)	\$849,271	

Enterprise Funds Projected Reserves

ENTERPRISE OPERATING FUNDS	FY2022 POLICY RESERVES	FY2022 AVAILABLE RESERVES*	FY2024 PROJECTED ADD (USE) OF RESERVES	FY2024 PROJECTED AVAILABLE RESERVES
Solid Waste	5,174,504	2,441,640	(329,830)	2,111,810
Water	32,648,426	15,106,164	(2,646,186)	12,459,978
Wastewater	11,112,046	658,121	(1,250,895)	(592,774)
Downtown Parking	2,784,756	58,443	(647,562)	(589,119)
Clean Energy	8,306,226	(9,694,992)	8,079,884	(1,615,108)
Airport	7,632,879	5,403,913	(1,278,967)	4,124,946
Golf	969,828	1,546,063	417,769	1,963,832
Waterfront	3,932,918	4,207,206	(309,915)	3,897,291

Proposed Budget Amendments



Proposed Budget Adjustments

General Fund:

- Increase appropriation (\$2,299,450) in Finance to transfer out to the Measure C Fund (3010) for excess revenue from FY2023.
- Reduce Mutual Aid revenue (\$400,000) in Fire Operations to reflect end of wildland season & actual claims submitted for reimbursement.
- Increase / decrease appropriations for labor expenditures (netting to \$237,706) for the Fire Operations.
- Reallocate the Environmental Compliance Program appropriation (\$156,272) from Public Works General Fund to Solid Waste Fund (S&R) under Environmental Service Division.

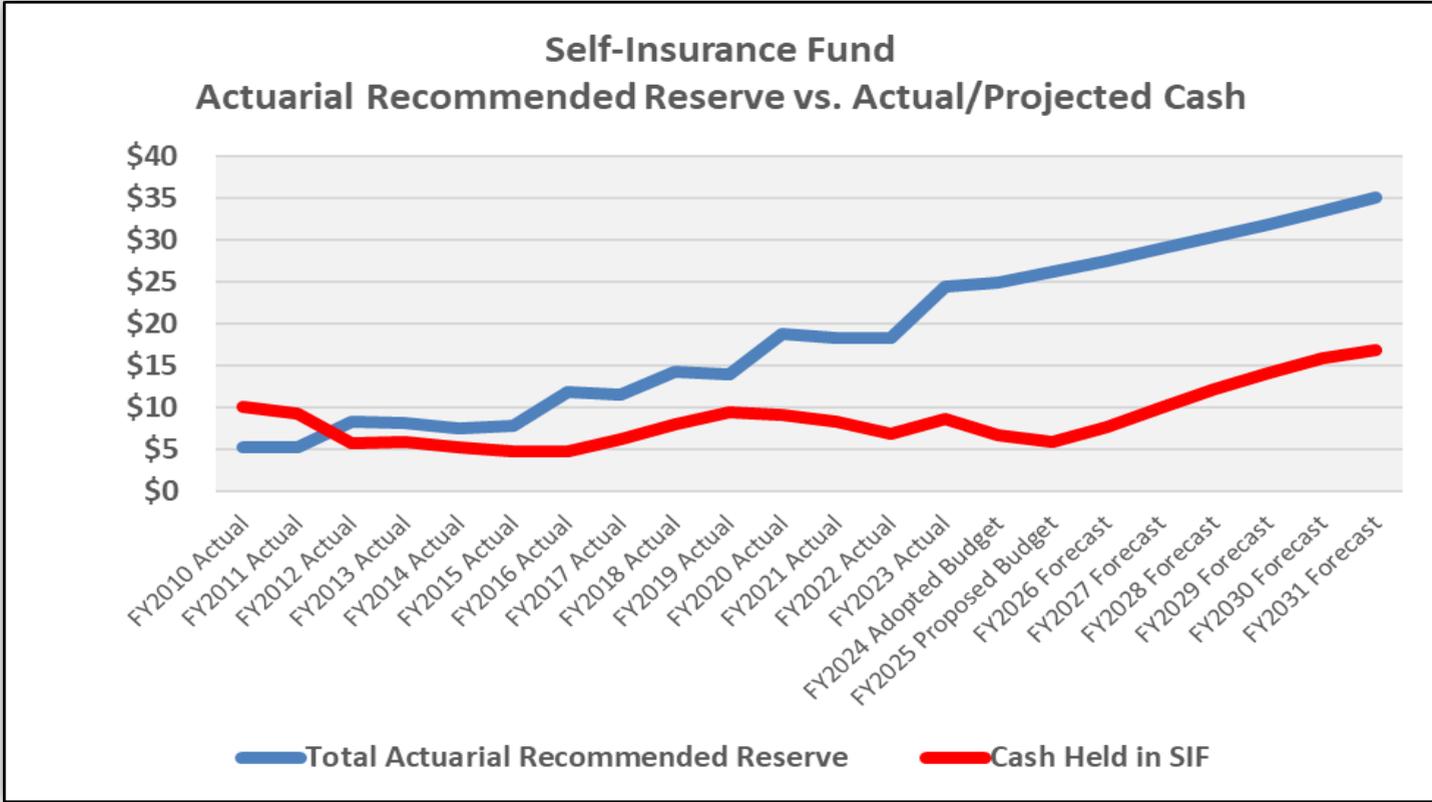


Proposed Budget Adjustments

Other Funds:

- Increase Revenue / Expenditure appropriations in the FEMA Other Projects Fund for phase II of the Desalination Pump Platform Hardening Project (\$1,002,671) funded by reserves in Water Operating Fund and FEMA reimbursement.
- Increase appropriations to transfer (\$3,000,000) from Water Operating Fund Reserves to Water Capital Fund for repairs due to the winter storm damage including Gibraltar Reservoir Log-boom replacement & Golf course reservoir.
- Increase appropriations (\$1,700,000) for Professional services under Solid Waste Fund due to compensation reconciliation under the old contract between the City & Marborg.

Self-Insurance Fund Reserves Trend



Staff Recommendations

Finance Committee Recommend that Council:

- Accept the Fiscal Year 2024 Interim Financial Statements for the three months ending September 30, 2023; and
- Recommend that Council approve the proposed first-quarter adjustments to Fiscal Year 2024 revenue & expenditure appropriations as detailed in the attached Schedule of Proposed First-Quarter Adjustments

Questions, Public Comment, & Discussion