



FINANCE DEPARTMENT

THIRD QUARTER FINANCIAL REVIEW FISCAL YEAR 2023

Finance Committee | May 16, 2023

Objective

- A. Receive a report from staff on the status of revenues & expenditures in relation to budget for the nine months ended March 31, 2023;
- B. Accept the Fiscal Year (FY) 2023 Interim Financial Statements for the nine months ended March 31, 2023; &
- C. Recommend that Council approve proposed Third Quarter (Q3) adjustments to FY 2023 revenue & expenditure appropriations as detailed in the attached schedule of Proposed Q3 adjustments.

Agenda

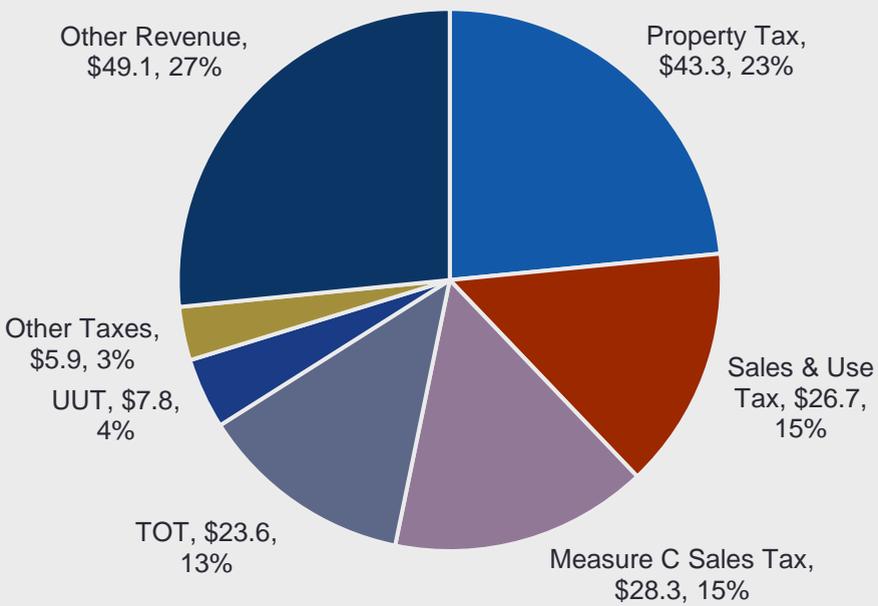
1. General Fund Update
2. Enterprise Funds Update
3. Proposed Budget Adjustments
4. Questions, Public Comment, & Discussion

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

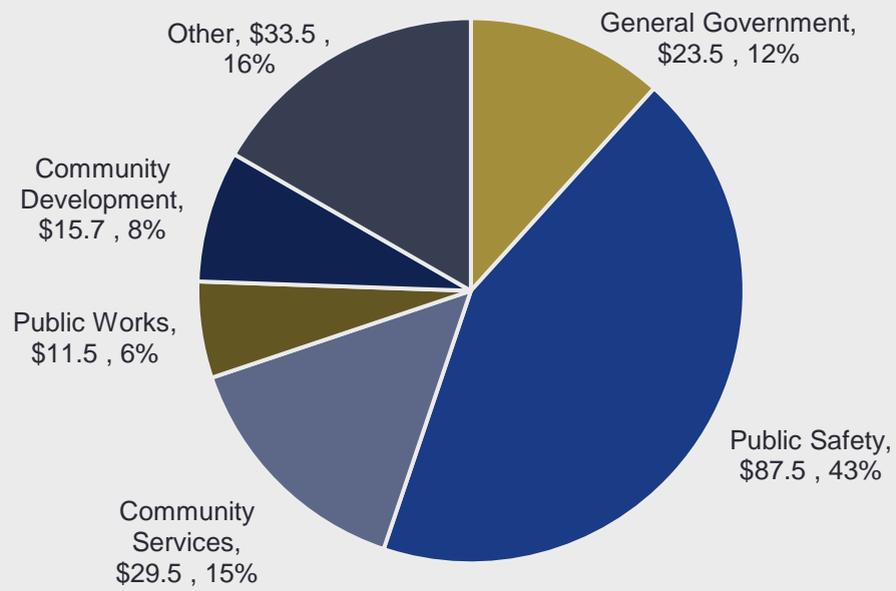
General Fund Revenues FY2023 Revised Budget

\$ Millions



General Fund Expenditures FY2023 Revised Budget

\$ Millions



General Fund Quarter 3 Overview

General Fund Financial Overview

General Fund	FY2023 Adopted Budget	FY2023 Revised Budget	Actuals through Q3	FY2023 Projection	Actuals Percent of Revised Budget
Revenues	\$184,618,453	\$184,647,547	\$136,213,216	\$194,557,283	73.8%
Expenditures	185,678,749	201,115,308	137,344,647	197,289,629	68.3%
Surplus/(Deficit)	(\$1,060,296)	(\$16,467,761)	(\$1,131,431)	(\$2,732,346)	

- Expenditure projections include additional appropriations of \$1.1 Million for the Short-Term Rental Enforcement Program.
- Revenue projections includes lower then anticipated departmental revenues & Sales & TOT tax leveling.
- Attrition savings not as high as originally budget, lower vacancy rates

General Fund Tax Revenue Trends

Property Tax

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

Sales Tax

- Leveling of online, auto, & restaurant sales
- 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
- 12.6% 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	\$24,327,523	\$44,456,027	56%	\$22,881,722	6%
Sales & Use Tax	26,704,042	22,087,846	29,319,990	83%	21,770,112	1%
Measure C Sales Tax	28,323,342	23,721,079	30,715,679	84%	23,212,483	2%
Transient Occupancy Tax	23,583,553	20,096,552	26,550,000	85%	19,224,728	5%
Utility Users Tax	7,779,112	6,020,007	7,995,727	77%	5,760,313	5%
Business License	2,714,006	2,365,663	2,500,000	87%	2,235,978	6%
Cannabis Excise Tax	1,879,977	980,863	1,420,188	52%	1,246,066	(21%)
Property Transfer tax	1,328,218	706,430	1,000,000	53%	1,035,870	(32%)
Total Taxes	\$135,562,739	\$100,305,962	\$143,957,611	74%	\$97,367,272	3%

Expenditure Reduction Targets

- FY2023 adopted budget included \$1.0 Million in General Fund expenditure reductions
 - Deficit from recovering revenue due to COVID & increased costs throughout the City
 - Salary saving measures & general reductions

General Fund Expenditures

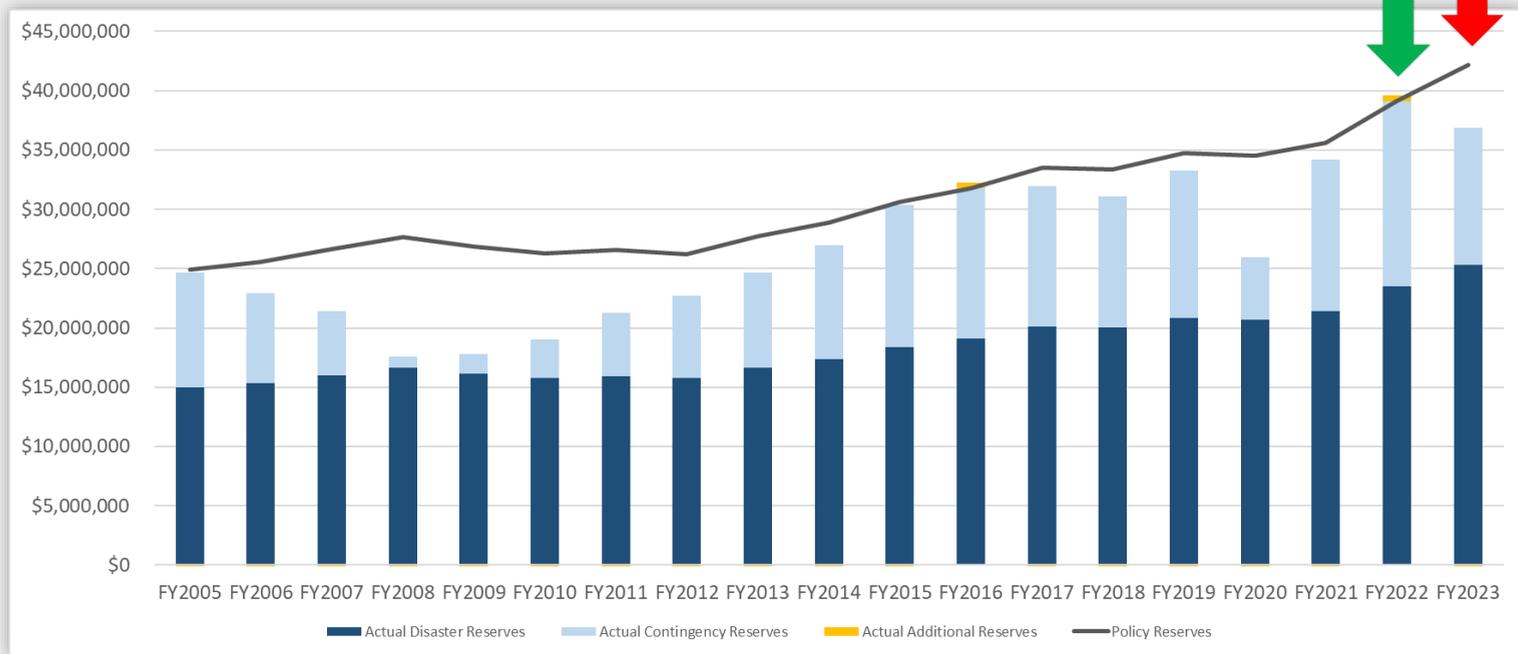
SUMMARY OF DEPARTMENTAL EXPENDITURES GENERAL FUND For the Nine Months Ended March 31, 2023 Fiscal Year 2023								
Department	Revised Budget	YTD Actual		Projected Full Year	Variance Projection to Budget	YTD Variance Without Encumbrance	Encumbrance	Remaining Budget After Encumbrances
Mayor & Council	\$3,369,956	\$2,575,329	76%	\$3,325,162	\$44,794	\$794,627	\$478,436	\$316,191
City Attorney	5,715,907	3,304,799	58%	5,715,907	-	2,411,108	148,406	2,262,701
City Administrator	4,048,022	2,639,703	65%	3,743,793	304,229	1,408,319	143,004	1,265,315
Human Resources	3,047,913	1,698,847	56%	2,939,066	108,847	1,349,066	113,835	1,235,232
Finance	7,302,891	5,202,074	71%	7,287,224	15,667	2,100,817	89,006	2,011,811
General Government	\$23,484,690	\$15,420,752	66%	\$23,011,152	\$473,537	\$8,063,937	\$972,688	\$7,091,250
Police	52,585,829	34,731,154	66%	50,210,544	2,375,285	17,854,675	326,428	17,528,248
Fire	34,917,542	24,779,105	71%	34,473,062	444,480	10,138,437	170,843	9,967,594
Public Safety	\$87,503,371	\$59,510,260	68%	\$84,683,606	\$2,819,765	\$27,993,112	\$497,270	\$27,495,841
Parks & Recreation	21,870,024	14,117,676	65%	20,578,757	1,291,267	7,752,348	857,308	6,895,040
Library	7,670,640	4,819,167	63%	7,221,653	448,987	2,851,473	99,250	2,752,222
Community Services	\$29,540,664	\$18,936,843	64%	\$27,800,410	\$1,740,254	\$10,603,821	\$956,558	\$9,647,262
Public Works	11,457,906	6,960,542	61%	10,101,200	1,356,706	4,497,364	197,183	4,300,181
Sustainability & Resiliency	75,245	24,187	32%	26,281	48,964	51,058	52,034	(976)
Community Development	15,659,256	9,770,236	62%	14,459,624	1,199,632	5,889,020	477,878	5,411,142
Non-Departmental	33,394,177	26,721,827	80%	37,207,356	(3,813,179)	6,672,350	0	6,672,350
Total	\$201,115,308	\$137,344,647	68%	197,289,629	3,825,679	\$63,770,662	\$3,153,612	\$60,617,049

General Fund Reserves

General Fund Reserves Projection

General Fund, Fund Balance	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 Actual	FY2023 Projected at Q3	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
Total Policy Reserve Target	\$34,777,415	\$34,498,530	\$35,639,152	\$39,126,117	\$42,155,653	\$3,029,536
(Below) / Above Policy	(1,513,888)	(8,526,275)	(1,419,589)	464,613	(5,297,269)	(1,330,885)
Actual Reserves	\$33,263,527	\$25,972,255	\$34,219,563	\$39,590,730	\$36,858,384	\$1,698,651
Self-Insurance Fund Under-Reserve*	(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	\$5,771,633	(\$22,552)

General Fund Reserves Trend



Considerations for FY2023 & Beyond

- Projecting a GF operating deficit of **\$2.7 Million** in FY2023
 - Required departmental expenditure reductions of \$1.0 Million
 - Labor MOUs & pension costs
 - Inflation, high vacancy rates, & fear of recession
 - Self-Insurance Fund reserves far below recommended level
 - Unfunded Pension Liability



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
Solid Waste Fund							
Revenues	\$34,272,920	\$25,802,740	\$34,838,346	75.3%	\$0	\$24,973,830	3.3%
Expenses	35,032,808	23,915,706	33,890,862	68.3%	924,742	21,331,690	12.1%
Add / (Use) Reserves	(\$759,888)	\$1,887,033	\$947,484		(\$924,742)	\$3,642,140	
Water Fund							
Revenues	70,492,814	51,903,459	69,842,114	73.6%	0	50,296,311	3.2%
Expenses	71,954,226	46,195,188	68,701,712	64.2%	4,823,257	47,886,910	-3.5%
Add / (Use) Reserves	(\$1,461,412)	\$5,708,271	\$1,140,402		(\$4,823,257)	\$2,409,401	
Wastewater Fund							
Revenues	27,441,554	20,165,426	27,188,918	73.5%	0	19,027,755	6.0%
Expenses	28,242,939	19,083,646	27,747,924	67.6%	1,211,683	18,357,815	4.0%
Add / (Use) Reserves	(\$801,385)	\$1,081,779	(\$559,006)		(\$1,211,683)	\$669,940	
Downtown Parking Fund							
Revenues	10,616,997	7,395,703	9,879,330	69.7%	0	5,037,010	46.8%
Expenses	10,749,896	7,385,986	10,219,549	68.7%	844,868	5,781,915	27.7%
Add / (Use) Reserves	(\$132,899)	\$9,717	(\$340,219)		(\$844,868)	(\$744,905)	

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
Clean Energy Fund							
Revenues	34,000,000	24,966,910	43,000,669	73.4%	0	5,130,569	100.0%
Expenses	33,480,425	25,171,335	38,711,007	75.2%	1,243,866	5,045,319	398.9%
Add / (Use) Reserves	\$519,575	(\$204,425)	\$4,289,662		(\$1,243,866)	\$85,250	
Airport Fund							
Revenues	27,185,151	18,750,192	26,999,111	69.0%	0	23,641,680	-20.7%
Expenses	30,513,124	18,547,996	25,129,155	60.8%	2,684,510	18,739,152	-1.0%
Add / (Use) Reserves	(\$3,327,973)	\$202,196	\$1,869,956		(\$2,684,510)	\$4,902,528	
Golf Fund							
Revenues	4,042,489	2,938,237	4,089,865	72.7%	0	2,860,096	2.7%
Expenses	3,499,658	2,178,339	3,496,494	62.2%	1,129,957	2,060,587	5.7%
Add / (Use) Reserves	\$542,831	\$759,898	\$593,371		(\$1,129,957)	\$799,509	
Waterfront Fund							
Revenues	17,036,131	14,062,765	17,930,528	82.5%	0	13,207,764	6.5%
Expenses	19,277,251	13,336,210	17,927,843	69.2%	959,765	11,571,647	15.2%
Add / (Use) Reserves	(\$2,241,119)	\$726,555	\$2,685		(\$959,765)	\$1,636,117	

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	947,484	3,389,124
Water	32,648,426	15,106,164	1,140,402	16,246,566
Wastewater	11,112,046	658,121	(559,006)	99,115
Downtown Parking	2,784,756	58,443	(340,219)	(281,776)
Clean Energy	8,306,226	(9,694,992)	4,289,662	(5,405,330)
Airport	7,632,879	5,403,913	1,869,956	7,273,869
Golf	969,828	1,546,063	593,371	2,139,434
Waterfront	3,932,918	4,207,206	2,685	4,209,891



Proposed Budget Amendments



Proposed Budget Adjustments

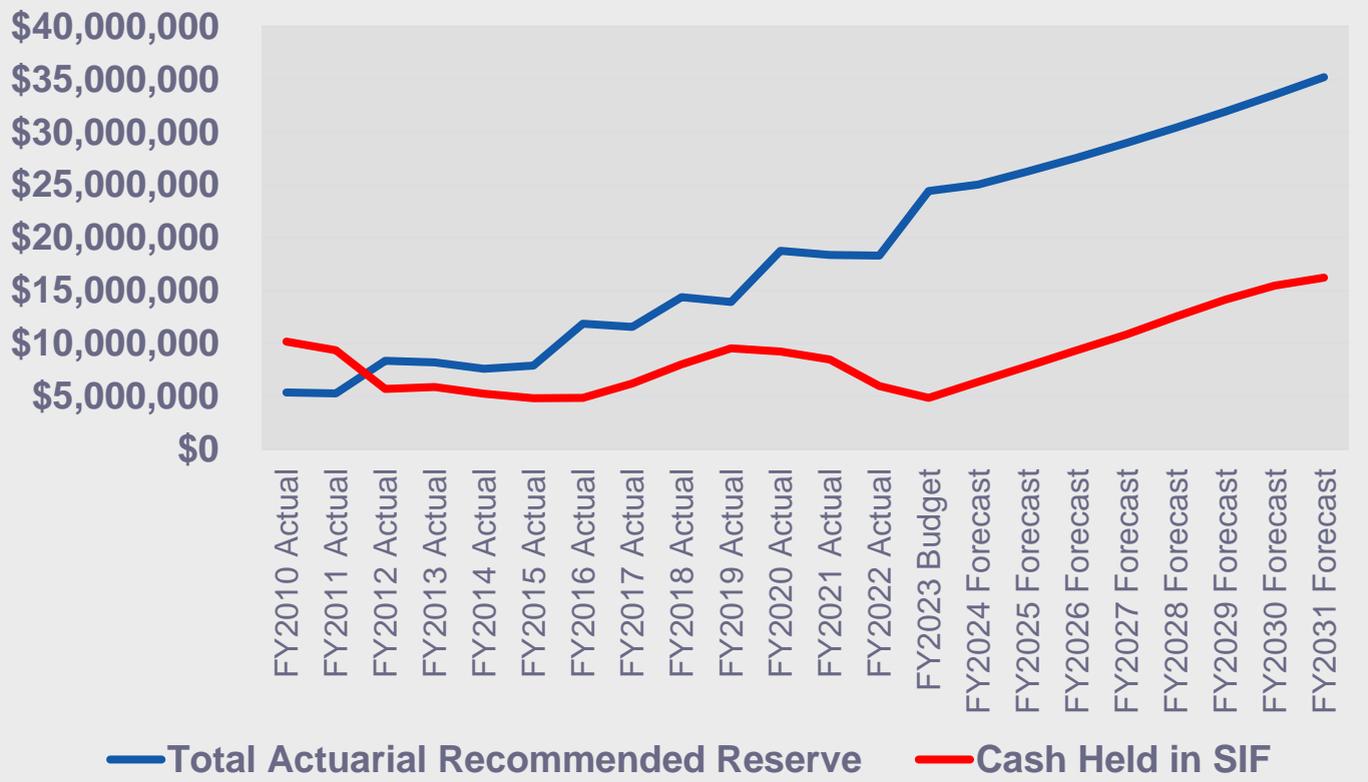
General Fund:

- Transfer out \$823,566 from the Community Development GF to General Plan Update Fund (1030) to resolve negative cash balance
- Repurpose ARPA funding for Employee Wellness Program

Other Funds:

- Reduce Measure C appropriations for debt payment for new Police building
- Repurpose Measure C for other various projects
- Streets Capital Fund (grant acceptance, various projects)
- Desal Conveyance
- SB Clean Energy Fund
- Pay off the Golf Fund Safety Improvement Master Plan Loan
- Self-Insurance Fund additional appropriation for claims

Self-Insurance Fund Reserves Trend



Staff Recommendations

Finance Committee Recommend that Council:

- Accept the Fiscal Year 2023 Interim Financial Statements for the nine months ending March 31, 2023 (Attachment 1); &
- Recommend that Council approve the proposed third quarter adjustments to Fiscal Year 2023 revenue & expenditure appropriations as detailed in the attached Schedule of Proposed Third Quarter Adjustments (Attachment 3)

Questions, Public Comment, & Discussion