



FINANCE DEPARTMENT

FOURTH-QUARTER FINANCIAL REVIEW FISCAL YEAR 2023

Finance Committee | September 26, 2023

Objective

- A. Receive a report from staff on the status of revenues & expenditures in relation to budget for the twelve months ended June 30, 2023;
- B. Accept the Fiscal Year (FY) 2023 Interim Financial Statements for the twelve months ended June 30, 2023; &
- C. Recommend that Council approve proposed fourth-quarter (Q4) adjustments to FY2023 revenue & expenditure appropriations as detailed in the attached Schedule of Proposed Q4 Adjustments.

Agenda

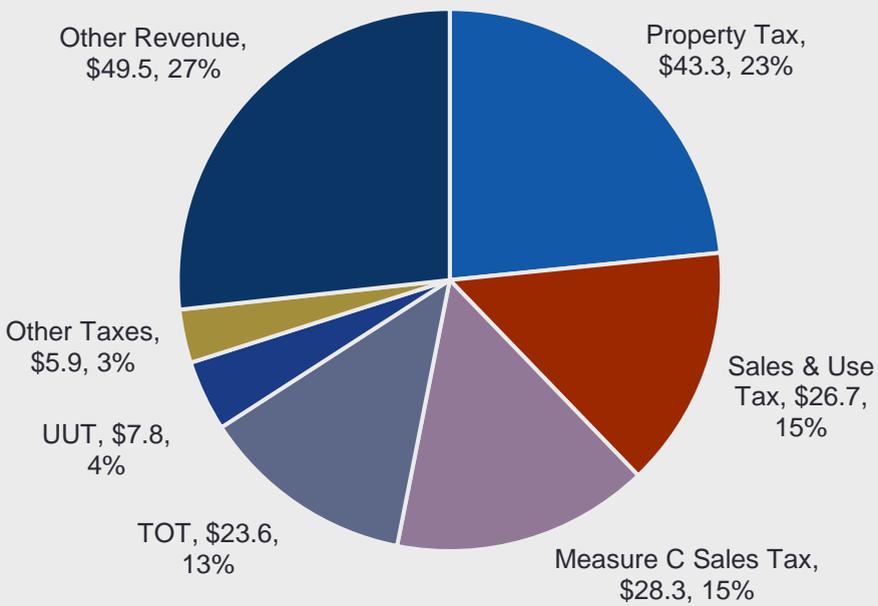
1. General Fund Update
2. Enterprise Funds Update
3. Proposed Budget Adjustments
4. Questions, Public Comment, & Discussion

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

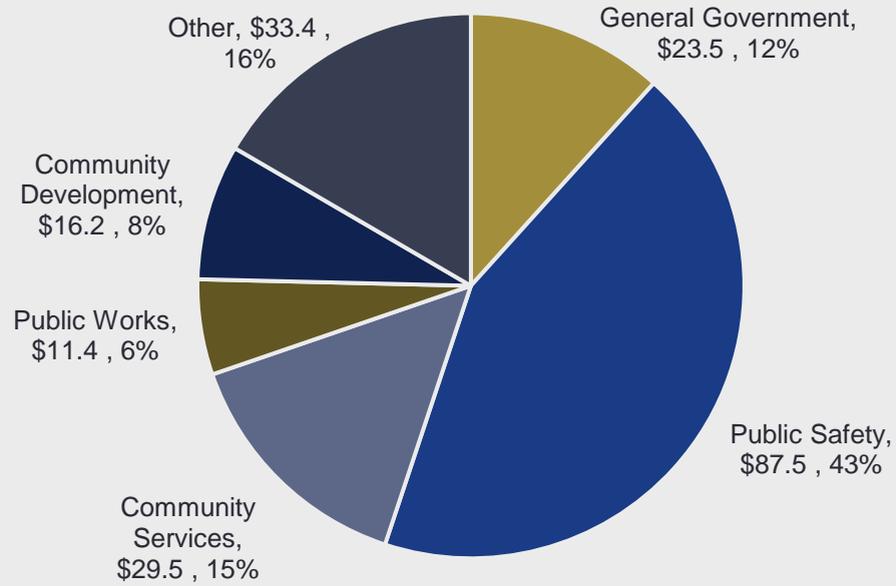
General Fund Revenues FY2023 Revised Budget

\$ Millions



General Fund Expenditures FY2023 Revised Budget

\$ Millions



General Fund Quarter 4 Overview



General Fund Financial Overview

General Fund	FY2023 Adopted Budget	FY2023 Revised Budget	Actuals through Q4	FY2023 Projection (as of Q4)	Actuals Percent of Revised Budget	Variance (Projection vs. Revised Budget)
Revenues	\$184,618,453	\$185,054,308	\$194,818,045	\$194,818,046	105.3%	\$9,763,738
Expenditures	185,678,749	201,480,990	191,019,138	193,428,723	94.8%	8,052,267
Manual Carryforward				2,666,088		
Surplus/(Deficit)	(\$1,060,296)	(\$16,426,683)	\$3,798,907	(\$1,276,765)		\$17,816,006



- FY2023 to FY2024 manual carryover largely includes \$1.2 Million for Short-term Rental Enforcement Program, \$250k for Human Service Programs, & \$200k for Paterna Tree Replacement project.
- Q4 Projection, compared to actuals, includes \$2.4 Million Measure C additional revenue to be programmed during next annual budget process (not GF excess revenues).
- Attrition savings aligned closely with budgeted projection (\$4.6 Million in savings).

Carryforward Appropriation

- Commitments and obligations from FY2023 that will continue into FY2024
- Annual process reviewed by Finance and approved by the City Administrator
- Ensures expenditure appropriation is available for these commitments
- Typically one-time projects and initiatives
- Capital projects

General Fund Tax Revenue Trends

Property Tax

- Largest General Fund revenue source
- 6% above FY2023 Revised Budget (+9% PY actuals)

Sales Tax

- 9% above FY2023 Revised Budget (+2% PY actuals)
- 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
- 11% above FY2023 Revised Budget (-2% PY actuals)

General Fund Tax Summary

	Current Year Analysis FY2023			Prior Year Analysis FY2022	
	Revised Budget	YTD Actual	Percent Rec'd	Prior Year YTD Actual	Change From FY22
Property Tax	\$43,250,489	\$46,006,164	106%	\$42,225,898	9%
Sales & Use Tax	26,704,042	29,057,474	109%	28,503,731	2%
Measure C Sales Tax	28,323,342	30,732,928	109%	30,824,430	(0%)
Transient Occupancy Tax	23,583,553	26,213,987	111%	26,628,111	(2%)
Utility Users Tax	7,779,112	7,967,487	102%	7,804,880	2%
Business License	2,714,006	2,679,340	99%	2,653,092	1%
Cannabis Excise Tax	1,879,977	1,388,089	74%	1,672,274	(17%)
Property Transfer tax	1,328,218	862,195	65%	1,352,652	(36%)
Total Taxes	\$135,562,739	\$144,907,663	107%	\$141,665,065	2%

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

Department	Revised Budget	YTD Actual		Projected Full Year	YTD Variance Without Encumbrance	Encumbrance	Remaining Budget After Encumbrances
Mayor & Council	\$3,369,956	\$3,273,811	97%	\$3,273,811	\$96,145	\$45,911	\$50,234
City Attorney	5,670,041	4,412,778	78%	\$4,412,778	1,257,263	27,252	1,230,010
City Administrator	4,138,516	3,609,614	87%	\$3,609,614	528,901	98,028	430,873
Human Resources	3,047,913	2,574,197	84%	\$2,574,197	473,716	397,006	76,712
Finance	7,272,532	7,083,122	97%	\$7,083,122	189,409	59,215	130,195
General Government	\$23,498,959	\$20,953,523	89%	\$20,953,523	\$2,545,435	\$627,412	\$1,918,024
Police	52,574,493	48,042,058	91%	\$48,042,058	4,532,436	1,158,489	3,373,948
Fire	34,917,542	34,605,481	99%	\$34,605,481	312,061	225,027	87,034
Public Safety	\$87,492,035	\$82,647,540	94%	\$82,647,539	\$4,844,496	\$1,383,515	\$3,460,981
Parks & Recreation	21,865,760	19,723,204	90%	\$19,723,204	2,142,556	314,631	1,827,925
Library	7,670,640	7,202,919	94%	\$7,202,919	467,721	776	466,944
Community Services	\$29,536,399	\$26,926,123	91%	\$26,926,123	\$2,610,277	\$315,407	\$2,294,868
Public Works	11,415,564	9,959,206	87%	\$9,959,206	1,456,358	105,470	1,350,887
Sustainability & Resiliency	75,245	17,014	23%	\$17,014	58,231	48,635	9,596
Community Development	16,159,256	15,079,563	93%	\$15,079,563	1,079,693	277,548	802,145
Non-Departmental	33,303,533	35,436,169	106%	\$37,845,755	(2,132,636)	0	(2,132,636)
Total	\$201,480,990	\$191,019,138	95%	193,428,723	\$10,461,853	\$2,757,988	\$7,703,864

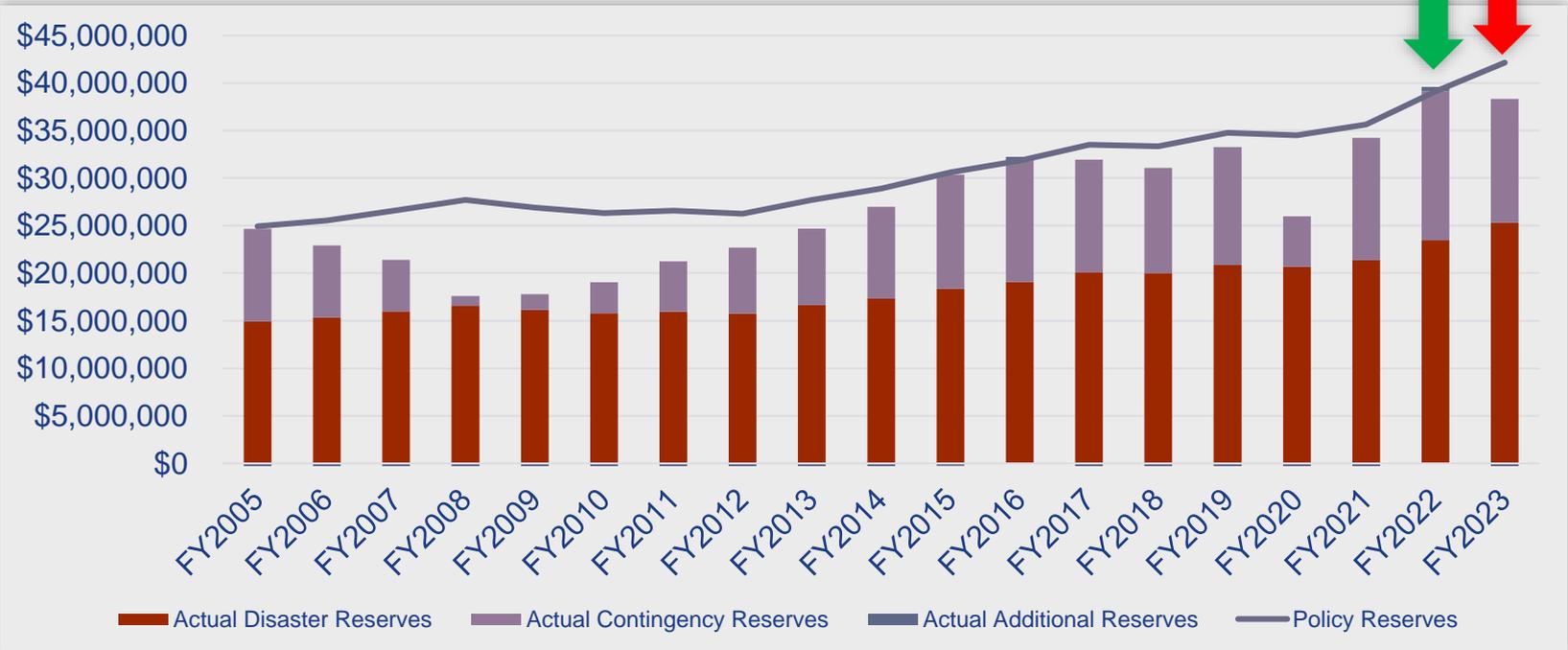
General Fund Reserves



General Fund Reserves Projection

General Fund, Fund Balance	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 Actual	FY2023 Projected at Q4	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	(3,841,688)	(4,306,301)
Actual Reserves	\$33,263,527	\$25,972,255	\$34,219,563	\$39,590,730	\$38,313,965	(\$1,276,765)
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	\$7,227,214	(\$2,997,968)

General Fund Reserves Trend





Enterprise Funds

Enterprise Funds Revenues & Expenses (1 of 2)

	Current Year Analysis FY2023			Encumbered	Prior Year FY2022	
	Revised Budget	YTD Actual	YTD Percent		YTD Actual	% Variance
Solid Waste Fund						
Revenues	\$34,272,920	\$34,216,276	99.8%	\$0	\$33,930,892	0.8%
Expenses	34,958,987	32,940,903	94.2%	135,124	29,816,546	10.5%
Add / (Use) Reserves	(\$686,067)	\$1,275,372		(\$135,124)	\$4,114,347	
Water Fund						
Revenues	70,492,814	66,894,697	94.9%	0	78,582,151	-14.9%
Expenses	73,981,719	65,752,353	88.9%	2,065,594	66,416,925	-1.0%
Add / (Use) Reserves	(\$3,488,905)	\$1,142,344		(\$2,065,594)	\$12,165,226	
Wastewater Fund						
Revenues	27,441,554	26,955,781	98.2%	0	25,910,883	4.0%
Expenses	28,741,397	27,024,457	94.0%	1,064,527	25,201,267	7.2%
Add / (Use) Reserves	(\$1,299,843)	(\$68,677)		(\$1,064,527)	\$709,616	
Downtown Parking Fund						
Revenues	10,621,353	10,313,259	97.1%	0	6,992,483	47.5%
Expenses	10,812,012	10,464,739	96.8%	173,655	8,048,166	30.0%
Add / (Use) Reserves	(\$190,659)	(\$151,480)		(\$173,655)	(\$1,055,683)	

Enterprise Funds Revenues & Expenses (2 of 2)

	Current Year Analysis FY2023			Encumbered	Prior Year FY2022	
	Revised Budget	YTD Actual	YTD Percent		YTD Actual	% Variance
Clean Energy Fund						
Revenues	39,500,000	43,429,010	109.9%	0	16,312,014	100.0%
Expenses	38,967,298	37,508,237	96.3%	606,654	15,548,593	141.2%
Add / (Use) Reserves	\$532,702	\$5,920,774		(\$606,654)	\$763,421	
Airport Fund						
Revenues	27,238,151	27,372,269	100.5%	0	30,280,673	-9.6%
Expenses	32,767,740	29,649,278	90.5%	740,345	27,226,349	8.9%
Add / (Use) Reserves	(\$5,529,589)	(\$2,277,009)		(\$740,345)	\$3,054,324	
Golf Fund						
Revenues	4,042,489	4,253,125	105.2%		4,198,344	1.3%
Expenses	3,912,057	3,723,059	95.2%		3,257,816	14.3%
Add / (Use) Reserves	\$130,432	\$530,066		\$0	\$940,528	
Waterfront Fund						
Revenues	17,036,131	18,817,674	110.5%	0	17,814,379	5.6%
Expenses	19,381,242	18,054,379	93.2%	238,981	15,015,686	20.2%
Add / (Use) Reserves	(\$2,345,109)	\$763,294		(\$238,981)	\$2,798,694	

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	1,275,373	3,717,013
Water	32,648,426	15,106,164	1,142,344	16,248,508
Wastewater	11,112,046	658,121	(68,676)	589,445
Downtown Parking	2,784,756	58,443	(151,480)	(93,037)
Clean Energy	8,306,226	(9,694,992)	5,920,774	(3,774,219)
Airport	7,632,879	5,403,913	(2,277,009)	3,126,904
Golf	969,828	1,546,063	530,066	2,076,129
Waterfront	3,932,918	4,207,206	763,294	4,970,500



Proposed Budget Amendments



Proposed Budget Adjustments

General Fund:

- Utilize Police Department salary savings (\$230,837) to cover negative reserve balance in the Residential Street Sweeping Fund.
- Utilize Library Department salary savings (\$200,000) to cover increased costs related to Digital Collections.
- Transfer surplus (\$95,039) related to PWD Technology Fees to the Capital Outlay Fund to cover eventual replacement of Accela system.



Proposed Budget Adjustments

Other Funds:

- Increase appropriation (\$161,100) in Las Positas Multiuse Path project (Measure C) to cover outstanding FY2023 costs.
- Acceptance of Caltrans grant revenues to cover engineering/construction costs
- Increase appropriations to cover contract change order (\$300k) for Desal Conveyance water main replacement work.
- Appropriation (\$1.1M) to temporarily fund project construction costs for Braemar Lift Station project (SRF loan to replenish Wastewater Operating reserves once received).
- Decrease estimated revenues & appropriations related to Customer Facility Charges related to reduced EOY actuals.
- Increase appropriations (\$222,204) for additional claim expenditures (Self Ins. Fund)

Self-Insurance Fund Reserves Trend

Self-Insurance Fund Actuarial Recommended Reserve vs. Actual/Projected Cash



Staff Recommendations

Finance Committee Recommend that Council:

- Accept the Fiscal Year 2023 Interim Financial Statements for the twelve months ending June 30, 2023 (Attachment 1); &
- Recommend that Council approve the proposed fourth-quarter adjustments to Fiscal Year 2023 revenue & expenditure appropriations as detailed in the attached Schedule of Proposed Fourth-Quarter Adjustments (Attachment 3)



Questions, Public Comment, & Discussion