



FINANCE DEPARTMENT

SECOND-QUARTER FINANCIAL REVIEW FISCAL YEAR 2024

City Council | March 5, 2024

Objective

- A. Receive a report from staff on the status of revenues & expenditures in relation to budget for the six months ended December 31, 2023;
- B. Accept the Fiscal Year (FY) 2024 Interim Financial Statements for the six months ended December 31, 2023;
- C. Approve proposed second-quarter (Q2) adjustments to FY2024 revenue & expenditure appropriations as detailed in the attached Schedule of Proposed Q2 Adjustments; &
- D. Adopt, by reading of title only, a Resolution of the Council of the City of Santa Barbara Amending the Position Salary Control Resolution 23-081 for authorized positions for Fiscal Year 2024; the Human Resources Department requests Council approval for the following adjustments, including the following position changes, & the corresponding salary document updates.

Agenda

1. General Fund Overview
2. Enterprise Funds Overview
3. Proposed Budget Adjustments
4. Position Changes
5. Questions, Public Comment, & Discussion

FY2024 Annual Financial Review Process

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



General Fund Overview



General Fund Financial Overview

- Revised budget includes carryforward appropriation from FY2023 for encumbrance & commitments continuing into FY2024
- Tax revenue softening
- Business License renewal by calendar year
- FY2024 projection to revised budget

General Fund \$ Millions	FY2024 Adopted Budget	FY2024 Revised Budget	Actuals FY2024 through Q2	FY2024 Projection	Actuals Percent of Revised Budget (Q2)	Variance (Projection vs. Revised Budget)
Revenues						
Annual FY2024 Revenues	\$171.7	\$171.3	\$80.9	\$170.9	47%	(\$0.4)
Use of Prior Year Revenues/Reserves Encumbrance Carryover		\$2.7		\$2.7		
Use of Prior Year Revenues/Reserves Commitment Carryover		\$6.6		\$6.6		
Revenues Total Without Carryovers	\$171.7	\$180.6	\$80.9	\$180.2	45%	(\$0.4)
Annual FY2024 Expenditures	\$174.6	\$184.4	\$86.4	\$184.0	47%	\$0.4
Surplus / (Deficit)	(\$2.9)	(\$3.8)	(\$5.5)	(\$3.8)		\$ 0

Measure C Financial Overview

- 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

Measure C \$ Millions	FY2024 Adopted Budget	FY2024 Revised Budget	Actuals FY2024 through Q2	FY2024 Projection	Actuals Percent of Revised Budget (Q2)
Revenues					
Annual FY2024 Revenues	\$31.9	\$31.9	\$15.7	\$31.5	49%
Use of Prior Year Revenue/Reserves	\$14.9	\$17.2	\$9.9	\$15.3	58%
Revenues Total	\$46.8	\$49.1	\$25.6	\$46.8	52%
Annual FY2024 Expenditures	\$46.8	\$49.1	\$25.6	\$46.8	52%
Surplus/(Deficit)	\$0	\$0	\$0	\$0	

Carryforwards

- Appropriation from a prior fiscal year that is carried forward into the current fiscal year to be encumbered &/or spent \$9.4 Million
- 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 & capital project requests

Carryforwards – Recent Trends



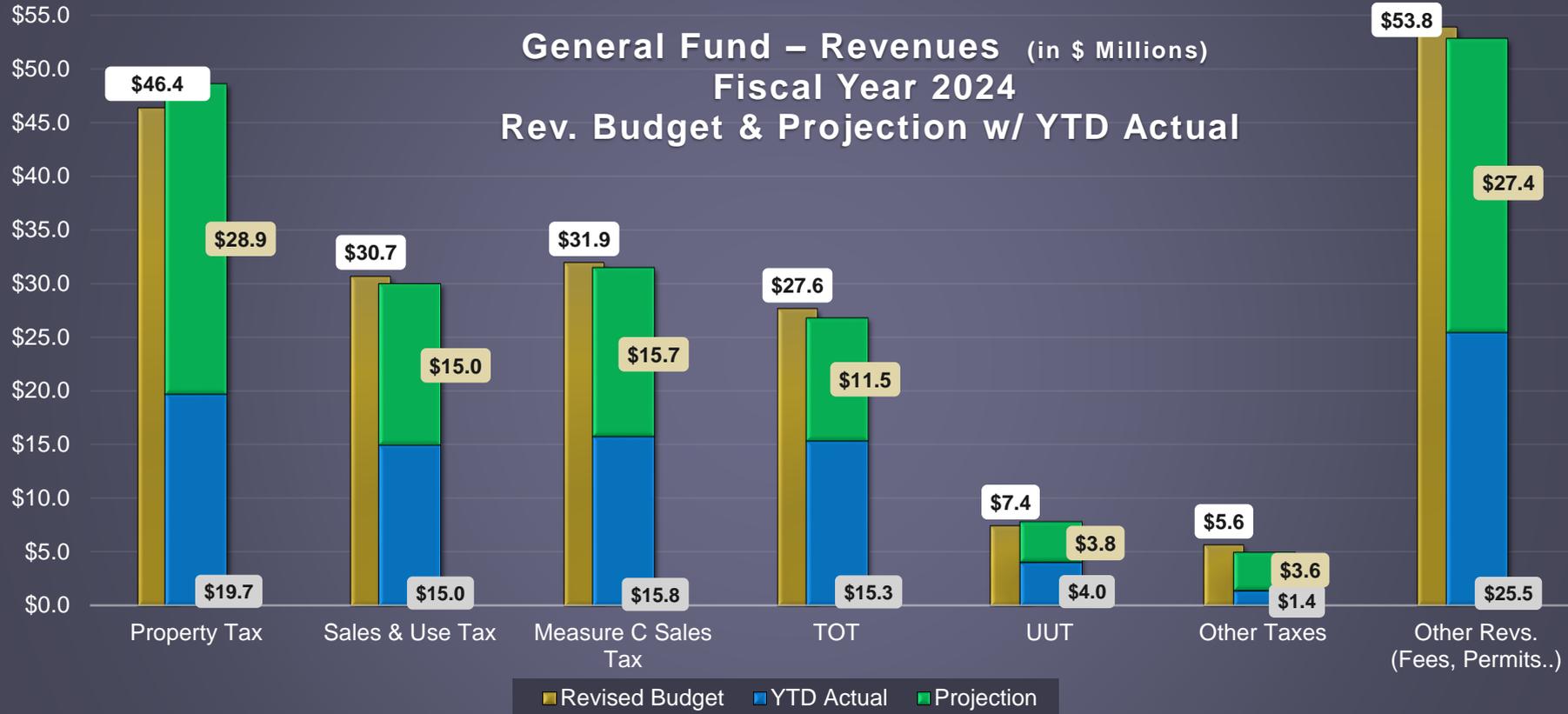
Unencumbered Expenditure Appropriation Carryover	
ARPA Funded projects	\$3,863,098
STR Enforcement Program	\$1,175,000
Others	\$1,633,295
Subtotal	\$6,671,393
Encumbrance Carryover	\$2,728,885
Total	\$9,400,278

General Fund Tax Summary (6 months ended December 31, 2023)

\$ Millions	Revised Budget	YTD Actual	Variance	** Projected Full-Year	% Var. Budget With Actual	Prior Year YTD Actual	Change From FY23
Property Tax	\$46.3	\$19.7	(\$26.6)	\$48.6	43%	\$17.9	10%
Sales & Use Tax	\$30.6	\$15.0	(\$15.6)	\$30.0	49%	\$15.0	(0%)
Measure C Sales Tax	\$31.9	\$15.8	(\$16.1)	\$31.5	50%	\$16.0	(1%)
Transient Occupancy Tax	\$27.5	\$15.3	(\$12.2)	\$26.8	56%	\$16.0	(4%)
Utility Users Tax	\$7.3	\$4.0	(\$3.3)	\$7.8	55%	\$3.7	8%
Business License	\$2.8	\$0.3	(\$2.5)	\$2.7	11%	\$0.6	(50%)
Cannabis Excise Tax	\$1.5	\$0.6	(\$0.9)	\$1.3	40%	\$0.6	(0%)
Property Transfer tax	\$1.2	\$0.4	(\$0.8)	\$0.9	33%	\$0.5	(20%)
Total Taxes	\$149.1	\$71.1	(\$78.0)	\$149.6	48%	\$70.3	1%



General Fund – Revenues (in \$ Millions) Fiscal Year 2024 Rev. Budget & Projection w/ YTD Actual



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 & gain a better understanding of the type, seasonality, location, & 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
FY 2024 Six Months	24	\$262,822	\$52,564

Expenditures

- FY2024 adopted budget increased by \$17.9 Million from FY2023
 - \$2.7 Million in General Fund expenditure reductions to help balance the budget
 - Increase in operational costs throughout the City



General Fund – Expenditures

\$ Millions	Revised Budget	YTD Actual (w/o Encumbrance)	% Variance	** Projected Full-Year	YTD Variance (w/o Encumbrance)	Encumbrance	Remaining Budget After Encumbrances
Mayor & Council	\$3.4	\$1.9	56%	\$3.4	\$1.5	\$0.7	\$0.8
City Attorney	\$6.5	\$2.1	32%	\$6.5	\$4.4	\$0.1	\$4.3
City Administrator	\$4.2	\$2.0	48%	\$4.0	\$2.2	\$0.2	\$2.0
Human Resources	\$2.9	\$1.4	48%	\$2.9	\$1.5	\$0.2	\$1.3
Finance	\$7.9	\$3.4	43%	\$7.7	\$4.5	\$0.8	\$3.7
General Government	\$24.9	\$10.8	43%	\$24.5	\$14.1	\$2.0	\$12.1
Police	\$60.2	\$26.2	44%	\$59.9	\$34.0	\$1.0	\$33.0
Fire	\$34.9	\$18.8	54%	\$37.3	\$16.1	\$0.1	\$16.0
Public Safety	\$95.1	\$45.0	47%	\$97.2	\$50.1	\$1.1	\$49.0

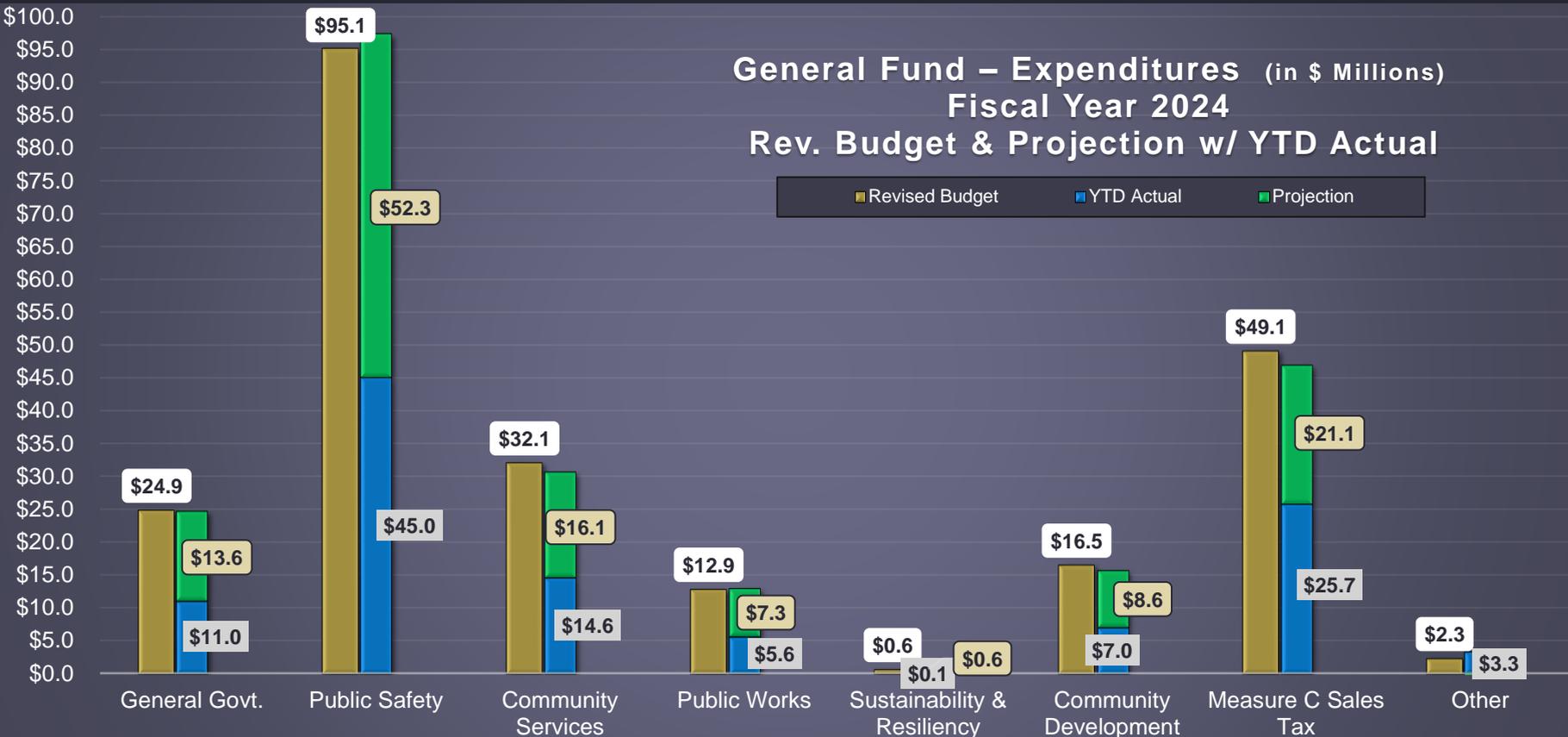
General Fund – Expenditures

\$ Millions	Revised Budget	YTD Actual (w/o Encumbrance)	% Variance	** Projected Full-Year	YTD Variance (w/o Encumbrance)	Encumbrance	Remaining Budget After Encumbrances
Parks & Recreation	\$23.8	\$11.1	47%	\$23.3	\$12.7	\$1.1	\$11.6
Library	\$8.3	\$3.5	42%	\$7.3	\$4.8	\$0.2	\$4.6
Community Services	\$32.1	\$14.6	45%	\$30.6	\$17.5	\$1.3	\$16.2
Public Works	\$12.9	\$5.6	43%	\$12.9	\$7.3	\$0.1	\$7.2
Sustainability & Resiliency	\$0.6	\$0.1	17%	\$0.6	\$0.5	\$0.1	\$0.4
Community Development	\$16.5	\$7.0	42%	\$15.6	\$9.5	\$1.0	\$8.5
Measure C Sales Tax	\$49.1	\$25.7	52%	\$46.8	\$23.4	—	\$23.4
Non-Departmental	\$2.3	\$3.3	143%	\$2.4	(\$1.0)	—	(\$1.0)
Total All General Funds	\$233.5	\$112.1	48%	\$230.6	\$121.4	\$5.6	\$115.8



General Fund – Expenditures (in \$ Millions) Fiscal Year 2024 Rev. Budget & Projection w/ YTD Actual

■ Revised Budget ■ YTD Actual ■ Projection



General Fund Reserves Projection

\$ MILLIONS	ACTUAL FY2020	ACTUAL FY2021	ACTUAL FY2022	ACTUAL FY2023
Contingency Reserve Target 10%	\$13.8	\$14.3	\$15.7	\$16.9
Disaster Reserve Target 15%	\$20.7	\$21.4	\$23.5	\$25.3
Total Policy Reserve Target	\$34.5	\$35.7	\$39.2	\$42.2
(Below) / Above Policy	(\$8.5)	(\$1.4)	\$0.5	(\$3.8)
Actual Reserves	\$26.0	\$34.3	\$39.7	\$38.4
Self-Insurance Fund Under-Reserve*	(\$4.6)	(\$4.8)	(\$5.9)	(\$7.1)
Remaining Contingency Reserve	\$0.7	\$8.1	\$10.3	\$6.0

Enterprise Funds Overview

Enterprise Funds Revenues & Expenses (1 of 2)

\$ Millions	Revised Budget	YTD Actual	Projected Year End	YTD %	Encumbered	Last Year Actual	% Variance
Solid Waste Fund							
Revenues	\$38.3	\$19.4	\$40.0	51.0%	—	\$17.3	12%
Expenses	\$40.7	\$15.2	\$38.1	37.0%	\$13.2	\$15.7	-3%
Add / (Use) Reserves	(\$2.4)	\$4.2	\$1.9		(\$13.2)	\$1.6	
Clean Energy Fund							
Revenues	\$47.7	\$21.4	\$52.7	45.0%	—	\$15.8	35%
Expenses	\$39.6	\$13.4	\$42.7	34.0%	\$2.7	\$13.6	-1%
Add / (Use) Reserves	\$8.1	\$8.0	\$10.0		(\$2.7)	\$2.2	
Water Fund							
Revenues	\$74.7	\$39.6	\$73.0	53.0%	—	\$37.9	4%
Expenses	\$81.7	\$36.7	\$74.6	45.0%	\$8.1	\$30.7	20%
Add / (Use) Reserves	(\$7.0)	\$2.9	(\$1.6)		(\$8.1)	\$7.2	
Wastewater Fund							
Revenues	\$29.1	\$14.7	\$29.0	51.0%	—	\$13.7	7%
Expenses	\$30.4	\$12.5	\$29.0	41.0%	\$2.6	\$11.5	9%
Add / (Use) Reserves	(\$1.3)	\$2.2	\$0.0		(\$2.6)	\$2.2	

Enterprise Funds Revenues & Expenses (2 of 2)

\$ Millions	Revised Budget	YTD Actual	Projected Year End	YTD %	Encumbered	Last Year Actual	% Variance
Airport Fund							
Revenues	\$29.9	\$14.8	\$30.9	49%	—	\$13.6	9%
Expenses	\$31.3	\$13.2	\$33.0	42%	\$3.4	\$12.3	7%
Add / (Use) Reserves	(\$1.4)	\$1.6	(\$2.1)		(\$3.4)	\$1.3	
Waterfront Fund							
Revenues	\$19.0	\$10.8	\$18.3	57%	—	\$10.2	6%
Expenses	\$19.3	\$9.4	\$18.5	49%	\$1.1	\$9.3	1%
Add / (Use) Reserves	(\$0.3)	\$1.4	(\$0.2)		(\$1.1)	\$0.9	
Golf Fund							
Revenues	\$4.2	\$2.4	\$4.2	57%	—	\$2.2	9%
Expenses	\$3.8	\$1.6	\$3.8	42%	\$1.8	\$1.5	7%
Add / (Use) Reserves	\$0.4	\$0.8	\$0.4		(\$1.8)	\$0.7	
Downtown Parking Fund							
Revenues	\$11.6	\$5.3	\$10.8	46%	—	\$5.0	6%
Expenses	\$12.0	\$5.8	\$12.1	48%	\$1.1	\$4.9	18%
Add / (Use) Reserves	(\$0.4)	(\$0.5)	(\$1.3)		(\$1.1)	\$0.1	

Enterprise Funds Reserve Summary

\$ Millions	FY2023 Policy Reserves	FY2023 Available Reserves	FY2024 Projected Add (Use) of Reserves	FY2024 Projected Available Reserves
Solid Waste	\$6.6	\$2.5	\$2.0	\$4.4
Water	\$34.6	\$15.8	(\$1.6)	\$13.5
Wastewater	\$11.9	(\$1.2)	(\$0.1)	\$0.6
Downtown Parking	\$3.3	(\$0.3)	(\$1.3)	(\$1.2)
Clean Energy	\$9.7	(\$5.8)	\$9.9	\$0.3
Airport	\$8.2	\$3.8	(\$2.1)	\$3.3
Golf	\$1.1	\$1.9	\$0.4	\$2.0
Waterfront	\$3.9	\$5.6	(\$0.2)	\$4.0

Proposed Budget Amendments



Proposed Budget Adjustments

General Fund:

- Increase estimated revenue for interest income by \$686,200.
- Decrease estimated revenue by \$200,000 for utility billing late fee revenues. Coordinate payment plans with customers.
- Increase estimated revenues & appropriations in the Community Development general fund by \$175,000 to program unbudgeted reimbursements that will be collected in FY2024. The increased appropriations will be used to hire a consultant to evaluate potential updates to the City's inclusionary housing program.



Proposed Budget Adjustments

Other Funds:

- Increase estimated revenue by \$298,000 for work order – Building maintenance.
- Increase by \$1,100,000 the estimated settlement amount due to the city of Goleta from the airport for 6100 Hollister Development.
- Increase appropriation in Facilities Capital Fund for the Vic Trace Radio Tower replacement project by \$279,060.



Position Changes

Position Changes

- Reclassification of the Project Planner Assigned to Capital Support at the Airport Department
- Addition of an Administrative Analyst II Position in Sustainability & Resilience Department
- Add Confidential Pay to the Administrative Assistant assigned to the Sustainability & Resilience Department
- Reclassify an Administrative Specialist Assigned to Water Resources to a Water Resources Specialist
- Remove the Airport Business Development Manager classification from the salary document

Staff Recommendations

- A. Receive a report from staff on the status of revenues & expenditures in relation to budget for the six months ended December 31, 2023;
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Questions, Public Comment, & Discussion