



FINANCE DEPARTMENT

FIRST QUARTER FINANCIAL REVIEW FISCAL YEAR 2023

Finance Committee | November 15, 2022

Objective

- A. Receive a report from staff on the status of revenues & expenditures in relation to the budget for the three months ended September 30, 2022;
- B. Accept the Fiscal Year 2023 Interim Financial Statements for the three months ended September 30, 2022; and
- C. Recommend that Council approve the proposed first quarter adjustments to Fiscal Year 2023 revenue & expenditure appropriations as detailed in the attached Schedule of Proposed First Quarter Adjustments.



Agenda

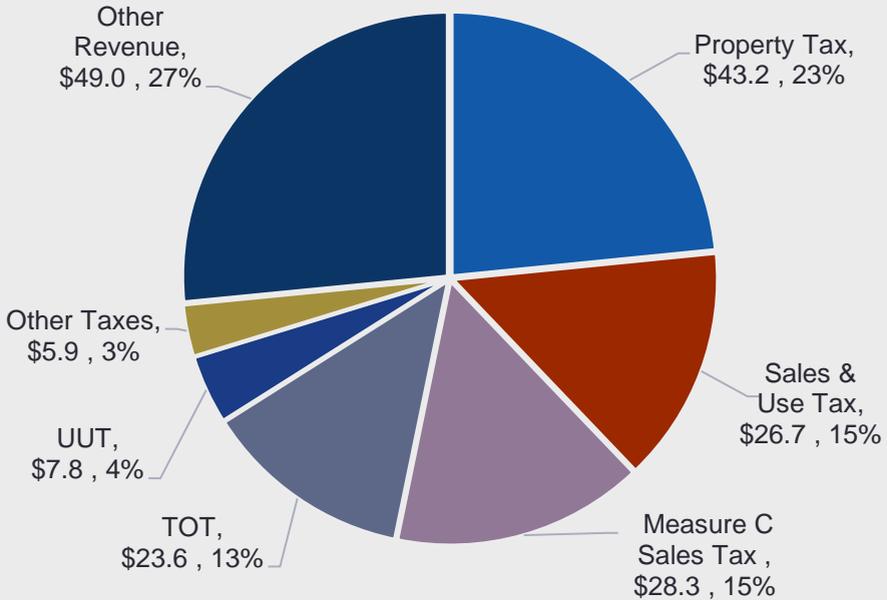
1. General Fund Update
2. Enterprise Funds Update
3. Proposed Budget Adjustments
4. Questions, Public Comment, & Discussion

FY2023 Annual Review Process

- Monthly financial statement
- Quarterly financial statement & projection
-  **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

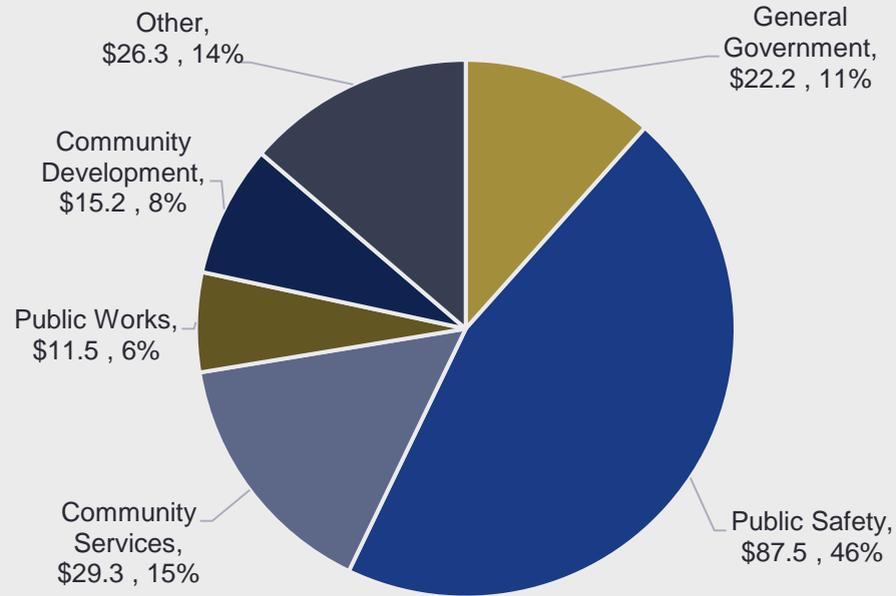
General Fund Revenues FY2023 Revised Budget

\$ Millions



General Fund Expenditures FY2023 Revised Budget

\$ Millions



General Fund Quarter 1 Overview

General Fund Financial Overview

General Fund (in \$ Millions)	FY2023 Adopted Budget	FY2023 Revised Budget	Q1 Actuals	FY2023 Projection	Q1 Actuals Percent of Revised Budget
Revenues	\$184.6	\$184.5	\$39.9	\$185.7	21.6%
Expenditures	185.7	191.9	42.2	191.9	22.0%
Surplus/(Deficit)	(\$1.1)	(\$7.4)	(\$2.3)	(\$6.2)	
50% Surplus to Capital				0	
Revised Surplus/(Deficit)				(\$6.2)	

- Expenditures include \$1.0 Million reduction targets & \$6.2 Million FY2022 encumbrances carried forward
- \$1.2 Million additional projected property tax

General Fund Tax Revenue Trends

Property Tax

- Largest General Fund revenue source
- Slightly higher growth compared to adopted budget

Sales Tax

- Increased online, auto, & restaurant spending
- Inflation is a driver for additional revenue
- Recession scenario being evaluated in FY2023 & beyond

Transient Occupancy Tax

- Demand for rooms has reached pre-COVID levels
- Average daily rates have reached record levels
- First 3 months are higher than budget, but tapering off

General Fund Tax Summary

		<u>FY2023</u>		<u>FY2022</u>	
	Revised Budget	Year to Date Actual	Percent Rec'd	Prior Year Actual	Change From FY2022
Property Tax	\$43,250,489	\$0	0%	\$0	0%
Sales & Use Tax	26,704,042	7,408,720	28%	7,458,934	(1%)
Measure C Sales Tax	28,323,342	8,104,704	29%	7,647,258	6%
Transient Occupancy Tax	23,583,553	9,047,587	38%	8,311,110	9%
Utility Users Tax	7,779,112	2,138,098	27%	1,926,902	11%
Business License	2,714,006	506,812	19%	523,132	(3%)
Cannabis Excise Tax	1,879,977	368,558	20%	484,519	(24%)
Property Transfer Tax	<u>1,328,218</u>	<u>294,470</u>	<u>22%</u>	<u>321,276</u>	<u>(8%)</u>
Total Taxes	\$135,562,739	\$27,868,948	21%	\$26,673,131	4%



Expenditure Reduction Targets

- FY2023 adopted budget included \$1 Million of expenditure reductions
 - Required savings from holding positions vacant & other operational savings
 - Budget still requires \$1 Million of use of reserves

General Fund Expenditures

Department	Revised Budget	YTD Actual		YTD Variance Without Encumbrance	Encumbrance	Remaining Budget After Encumbrances
Mayor & Council	\$3,372,456	\$658,659	20%	\$2,713,797	\$1,210,368	\$1,503,429
City Attorney	4,496,917	969,451	22%	3,527,466	237,311	3,290,155
City Administrator	3,933,142	779,981	20%	3,153,161	277,569	2,875,592
Human Resources	3,047,913	524,836	17%	2,523,077	133,712	2,389,365
Finance	7,311,052	1,463,262	20%	5,847,790	180,253	5,667,537
General Government	\$22,161,480	\$4,396,189	20%	\$17,765,291	\$2,039,213	\$15,726,078
Police	52,587,249	10,821,326	21%	41,765,923	585,307	41,180,616
Fire	34,907,554	7,971,426	23%	26,936,128	118,753	26,817,375
Public Safety	\$87,494,803	\$18,792,752	22%	\$68,702,051	\$704,060	\$67,997,991
Parks & Recreation	21,606,542	4,977,335	23%	16,629,207	1,074,378	15,554,829
Library	7,670,640	1,494,508	20%	6,173,132	109,649	6,066,483
Community Services	\$29,277,182	\$6,471,843	22%	\$22,805,339	\$1,184,027	\$21,621,312
Public Works	11,457,906	2,082,427	18%	9,375,479	342,503	9,032,976
Sustainability & Resiliency	222,146	29,237	13%	192,909	59,036	133,873
Community Development	15,219,256	2,812,961	19%	12,406,295	401,489	12,004,806
Non-Departmental	26,074,927	7,573,940	29%	18,500,987	0	18,500,987
Total	\$191,907,700	\$42,159,349	22%	\$149,748,351	\$4,730,328	\$145,018,023

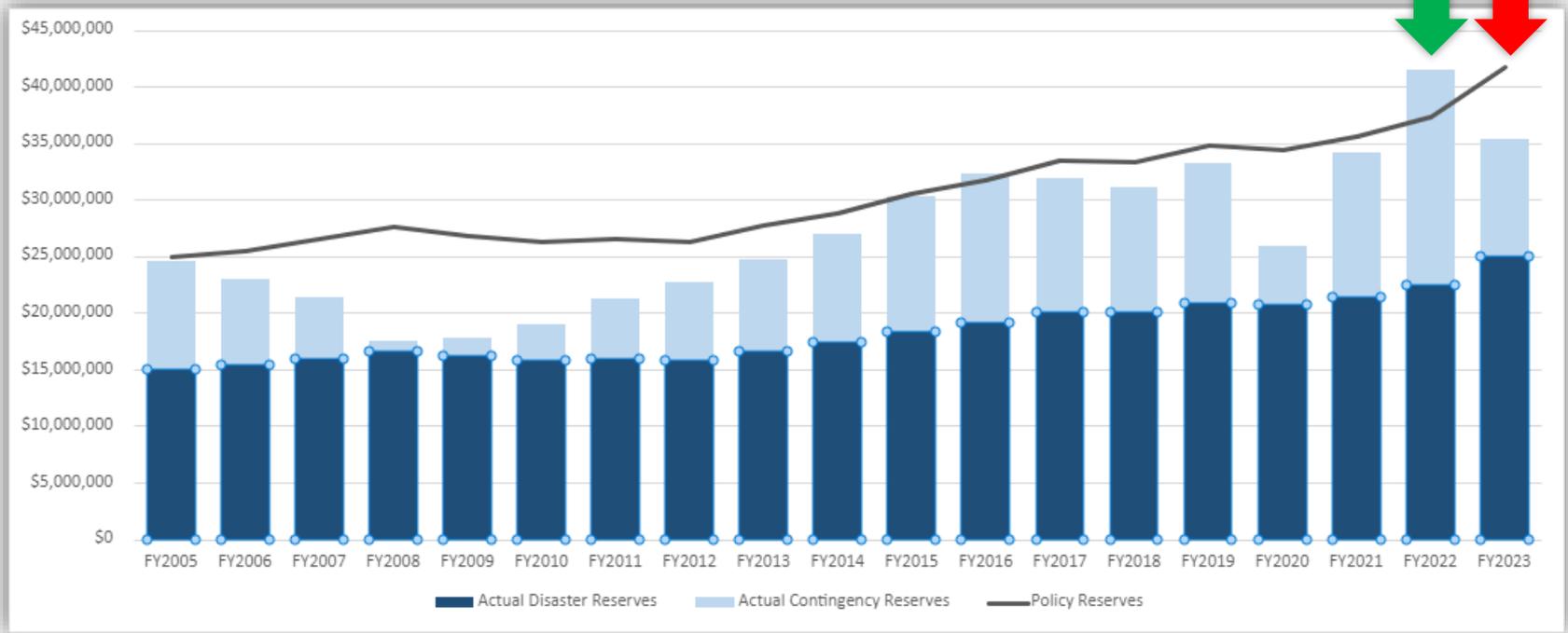
General Fund Reserves



General Fund Reserves Projection

General Fund Reserves	FY2020 Actual	FY2021 Actual	FY2022 Actual	FY2023 Projected at Q1	Projected Change in Reserve
Contingency Reserve Target 10%	\$13,799,412	\$14,255,661	\$14,965,025	\$16,683,261	\$1,718,236
Disaster Reserve Target 15%	20,699,118	21,383,491	22,477,538	25,024,892	2,577,354
Total Policy Reserve Target	\$34,498,530	\$35,639,152	\$37,412,563	\$41,708,154	\$4,295,591
(Below) / Above Policy	(8,526,275)	(1,419,589)	4,110,358	(6,364,088)	(10,474,446)
Actual Reserves	\$25,972,255	\$34,219,563	\$41,522,921	\$35,344,066	(\$6,179,855)
Self-Insurance Fund Under-Reserve	(4,580,532)	(4,758,252)	(5,889,878)	(5,889,878)	--
Remaining Contingency Reserve	\$692,605	\$8,077,820	\$13,185,505	\$4,429,296	(\$8,756,209)

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
 - Rising pension costs
 - Inflation, high vacancy rates, & fear of recession
 - Self-Insurance Fund reserves far below recommended level
 - Appropriation of FY2022 General Fund operating surplus

Enterprise Funds



Enterprise Funds Revenues & Expenses (1 of 2)

	Annual Budget	FY2023	YTD Percent	Encumbered	FY2022	% Variance
		YTD Actual			YTD Actual	
Solid Waste Fund						
Revenues	\$34,140,749	\$8,431,160	24.7%	\$0	\$8,743,968	(3.6%)
Expenses	34,402,810	6,219,736	18.1%	493,949	6,623,200	(6.1%)
Add / (Use) Reserves	(\$262,061)	\$2,211,424		(493,949)	\$2,120,768	
Water Fund						
Revenues	70,492,814	18,491,656	26.2%	0	17,972,162	2.9%
Expenses	70,960,432	13,758,305	19.4%	7,499,669	18,816,906	(26.9%)
Add / (Use) Reserves	(\$467,618)	\$4,733,351		(\$7,499,669)	(\$844,744)	
Wastewater Fund						
Revenues	27,441,554	6,780,995	24.7%	0	6,482,721	4.6%
Expenses	28,321,916	5,218,368	18.4%	2,134,277	5,224,887	(0.1%)
Add / (Use) Reserves	(\$880,362)	\$1,562,627		(\$2,134,277)	\$1,257,834	
Downtown Parking Fund						
Revenues	10,266,997	2,408,266	23.5%	0	1,596,291	50.9%
Expenses	10,750,478	2,186,189	20.3%	1,509,400	1,895,066	15.4%
Add / (Use) Reserves	(\$483,481)	\$222,077		(\$1,509,400)	(\$298,755)	





Enterprise Funds Revenues & Expenses (2 of 2)

	FY2023			FY2022		
	Annual Budget	YTD Actual	YTD Percent	Encumbered	YTD Actual	% Variance
Clean Energy Fund						
Revenues	34,000,000	5,647,233	16.6%	0	200,140	2,721.6%
Expenses	33,400,235	3,548,853	10.6%	1,548,661	63,851	5,458.0%
Add / (Use) Reserves	\$599,765	\$2,098,380		(\$1,548,661)	\$136,289	
Airport Fund						
Revenues	27,185,151	6,332,773	23.3%	0	6,179,360	2.5%
Expenses	30,040,741	5,555,445	18.5%	3,572,728	6,070,352	(8.5%)
Add / (Use) Reserves	(\$2,855,590)	\$777,328		(\$3,572,728)	\$109,008	
Golf Fund						
Revenues	3,837,489	1,247,974	32.5%	0	1,094,894	14.0%
Expenses	3,294,658	697,744	21.2%	2,170,709	603,387	15.6%
Add / (Use) Reserves	\$542,831	\$550,230		(\$2,170,709)	\$491,507	
Waterfront Fund						
Revenues	17,036,131	5,340,214	31.3%	0	5,017,279	6.4%
Expenses	19,027,445	4,490,943	23.6%	1,081,898	3,927,784	14.3%
Add / (Use) Reserves	(\$1,991,314)	\$849,271		(\$1,081,898)	\$1,089,495	



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	3,891,700	(195,791)	2,211,424	2,015,633
Water	31,423,570	4,220,266	4,733,351	8,953,617
Wastewater	10,203,876	1,125,749	1,562,627	2,688,376
Downtown Parking	2,391,028	503,670	222,077	725,747
Clean Energy	TBD	(2,789,132)	2,098,380	(690,752)
Airport	6,729,550	3,664,829	777,328	4,442,157
Golf	932,147	619,710	550,230	1,169,940
Waterfront	3,586,785	1,375,070	849,271	2,224,341



Proposed Budget Amendments



Proposed Budget Adjustments

- **General Fund:**
 - \$30,000 laptops for Building & Safety inspectors using Technology Fee Reserves
 - \$22,000 Airport fire station door replacement, reimbursed by Airport
- **Other Funds:**
 - Federal Home Loan – increase to match actual award amount
 - Airport additional TSA queueing support
 - Waterfront additional interior dredging
 - Waterfront additional capital projects

Staff Recommendations

Finance Committee Recommend that Council:

- Accept the Fiscal Year 2023 Interim Financial Statements for the three months ended September 30, 2022; and
- Recommend that Council approve the proposed first quarter adjustments to Fiscal Year 2023 revenue & expenditure appropriations as detailed in the attached Schedule of Proposed First Quarter Adjustments.



Questions, Public Comment, & Discussion