



## Legislation Details (With Text)

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Fiscal Year 2021-2022 First Quarter Financial Update

### SUMMARY AND RECOMMENDATIONS

Staff recommends that the Finance Committee review the Fiscal Year 2021-22 Financial Report for the quarter ended September 30, 2021. This report is for information only.

### BACKGROUND

The City Council adopted the Fiscal Year (FY) 2021-2022 and FY 2022-2023 General Fund, Enterprise and Internal Service Funds, and the Parking Fund budgets on June 28, 2021. The approved budgets are the annual expenditure and resource allocation plans guiding and ensuring implementation of City Council policies and priorities. The budget implements the vision and direction for the broad range of services meeting the needs of the community in accordance with City Council policy.

This financial review as of September 30, 2021, provides the first quarter budget update to the City Council for the current fiscal year. Analysis of the revenues collected and all expenditures through September 30 measures operational adherence to the budgetary allocation plan.

### DISCUSSION

The amended budget incorporates estimated revenues and planned expenditures for all funds. The attached First Quarter Financial Report as of September 30, 2021 provides the revenue and expenditure summary for the General Fund, Enterprise and Internal Service Funds, and the Parking Fund. The detailed discussion offers comparisons to the prior year and focuses on variances from the revenue and expenditure plans and allocations in the budget.

### General Fund

The General Fund finances the operations of the City having no special or dedicated revenue sources and pays for basic municipal services. The amended FY 2021-2022 General Fund budget projects revenues totaling \$123,104,000 and expenditures totaling \$131,650,000, including purchase order carryover balances from FY 2020-2021 and approved budget amendments.

First quarter revenue in FY 2021-2022 totals \$10,854,000, 9% of the amended budget of \$123,104,000, compared to 8% in FY 2020-2021. Expenditures of \$23,266,000 for the first quarter amount to 18% of the anticipated total of \$131,650,000, compared to only 12% in FY 2020-2021. Expenditures are expected to stay within FY 2021-2022 budget appropriations. Nevertheless, expenditures will continue to be closely monitored throughout the year.

A detailed review of revenue and expenditure variances is presented below.

## General Fund Revenue

- **Sales/Transaction Taxes**-(6% of the adopted revenue budget has been collected compared to 9% in FY 2020-2021). Sales/Transaction Tax revenue in FY 2021-2022 is budgeted at \$48,641,000, \$4,203,000 higher than the FY 2020-2021 budget. First quarter revenues were \$2,915,000 which is \$1,030,000 lower than the same period last year. This difference resulted from recording the August Transaction & Use Tax payment on October 4, 2021 versus recording the FY 2020-2021 August payment on September 27, 2020. Avenu Insights, the City's sales tax advisor, projects the City will receive the budgeted revenue by June 30, 2022. Sales and Transaction Taxes are the City's largest revenue source and are 44% of total General Fund tax revenue.
- **Property Transfer Tax**-(21% of the adopted revenue budget has been collected compared to 12% in FY 2020-2021). Property Transfer tax revenue is budgeted in FY 2021-2022 at \$9,000,000, \$2,000,000 above the FY 2020-2021 budget. First quarter revenues were \$1,986,000 which is \$1,131,000 above the first quarter FY 2020-2021. Most of this variance stems from the voter approved increase to \$11 per \$1,000 impacting the first quarter of 2021-2022. In addition, two extraordinary sales of industrial properties of more than \$15,000,000 each were completed in the first quarter, amounting to tax revenue of \$425,000.
- **Emergency Communications Access Fee (911)**-(15% of the adopted budget has been collected compared to 0% in 2020-2021). 911 fee revenue is budgeted in FY 2021-2022 at \$3,300,000, \$64,000 above the 2020-2021 budget. FY 2021-2022 first quarter revenues were \$494,000. FY 2020-2021 revenue were not recorded until October 5, 2020 (early in the second quarter).
- **Charges for Services**-(29% of the adopted budget has been collected compared to 23% in 2020-2021). Charges for Services revenue is budgeted in FY 2021-2022 at \$2,054,000, \$757,000 above the FY 2020-2021 budget. Revenues were \$595,000 which is \$298,000 higher than the same period last year. Due to the Covid-19 pandemic recreation revenues were adversely impacted in FY 2020-2021. In FY 2021-2022 various programs resumed resulting in revenues being \$294,000 higher than FY 2020-2021.
- **Intergovernmental**-(6% of the adopted budget has been collected compared to 32% in 2020-2021). Intergovernmental revenue is budgeted in FY 2021-2022 at \$788,000 which is \$1,111,000 lower than the FY 2020-2021 budget. First quarter revenues were \$44,000 which is \$566,000 lower than in the first quarter of last year. In FY 2020-2021, the City received one-time Covid Relief funds from the state amounting to \$542,000.

- **Other/Transfers**-(16% of the adopted budget has been collected compared to 3% in 2020-2021). Other/Transfers revenue is budgeted in FY 2021-2022 at \$292,000, \$4,965,000 lower than the FY 2020-2021 budget. First quarter revenues were \$48,000 which is \$97,000 lower than the FY 2020-2021 first quarter. This is due to not receiving revenue from the Abandon Vehicle Abatement program in FY 2021-2022.

As reported in the attached First Quarter Financial Report, all other taxes and revenue receipts are in line with the budget. The mid-year report will more closely estimate the year-end revenue and expenditure results.

### **General Fund Expenditures**

- **General Fund, Total Expenditures**-(18% of budget compared to 12% in FY 2020-2021). First quarter expenditures were \$23,266,000, 18% of the \$131,650,000 total budget. Year over year General Fund expenditures increased by \$8,450,000. All department's expenditures are below 25% of the budget appropriation. Over the previous five-years, an average of 19% of the annual expenditure appropriations has been expended by September 30.

### **Enterprise, Internal Service Funds, and Parking Fund**

Four Enterprise Funds make up the City's business-type operations. The Water Pollution Control Plant Fund, Environmental Services Fund, Shoreline Enterprise Fund, and Storm Water Fund are City municipal operations designed to fully recover costs through user fees. Internal Service Funds also operate as business activities, exclusively supporting the City's internal operations. Facilities Maintenance, Information Technology, Insurance Services, and Equipment Maintenance make up these Internal Service Funds. The Parking Fund provides for parking meter and parking lot operations and maintenance at the Downtown Parking Structure.

- **Facilities Maintenance, IT, Insurance, and Equipment Maintenance, Revenue**-(Allocations) are significantly higher than in the first quarter of last year. In FY 2020-2021, the Internal Allocations for the first quarter were not recorded until December.
- **Shoreline Enterprise, Revenue and Expenditure**-Operating revenues and expenditures at the Monarch Bay golf courses increased during the Covid-19 pandemic and transition to the management agreement.

### **ATTACHMENTS**

First Quarter Financial Report as of September 30, 2021.

### **PREPARED BY**

Karen Chang, Assistant Finance Director