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Attachments: 1. Att A Reso 2022 2021-22 Third Quarter Report, 2. Att B FY 21-22 Q3 Financial Report Including Charts

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Resolution Approving FY2021-2022 Third Quarter Financial Report as of March 31, 2022

SUMMARY AND RECOMMENDATIONS

Staff report for City Council resolution approving the Fiscal Year (FY) 2021-2022 Third Quarter Financial Report as of March 31, 2022.

BACKGROUND

The City Council adopted the FY2021-2022 and FY2022-2023 General Fund, Enterprise and Internal Service Funds, and Parking Fund budgets on June 28, 2021. The approved budgets are the annual expenditure and resource allocation plans guiding and insuring implementation of City Council policies and priorities. The budget implements the vision and direction of the broad range of services meeting the needs of the community in accordance with City Council policy.

This financial review as of March 31, 2022, provides the third quarter budget update to the City Council for the current fiscal year. Analysis of the revenues collected and all expenditures through March 31, 2022 measures operational adherence to the budgetary allocation plan.

DISCUSSION

The amended budget incorporates estimated revenues and planned expenditures for all funds. The attached Third Quarter Financial Report as of March 31, 2022, 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 FY2021-2022 General Fund budget

projects revenues totaling \$127,566,000 and expenditures totaling \$131,172,000, including purchase order encumbrances from FY2020-2021, approved carryover amounts, and several City Council approved appropriation amendments.

The amended budget expenditure total (\$131,172,000) also includes several major City Council actions recorded through March 31, 2022. The major adjustments include the following.

- Approved 2020-2021 Appropriation Carryovers-\$448,500
- SL Management Organization MOU-\$113,000
- Re-Organization Plan-\$722,200
- Mid-Year Budget Amendment-(\$2,391,000), primarily increasing projected Salary Savings

Third quarter revenue in FY2021-2022 totals \$83,634,000, 66% of the amended budget of \$127,566,000, compared to 61% in FY2020-2021. Expenditures of \$80,441,000 through the third quarter amount to 61% of the anticipated total of \$131,172,000, compared to 60% in FY2020-2021. Both revenues and expenditures are higher, but in line with the prior year. Expenditures are expected to stay within FY2021-2022 budget appropriations. Nevertheless, expenditures will continue to be monitored throughout the year.

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

General Fund Revenue

- **Property Tax**-(61% of the adopted revenue budget has been collected compared to 61% in FY2020-2021). Property Tax is the City's second largest revenue source and represents 21% of the total General Fund's revenue. Property tax revenue is budgeted at \$26,894,000, \$793,000 higher than FY2020-2021.
- **Sales/Transaction and Use Taxes**-(62% of the amended revenue budget has been collected compared to 62% in FY2020-2021). The Sales/Transaction tax revenue budget at \$51,227,000 is \$6,789,000 higher than FY2020-2021. At mid-year, revenue appropriations were increased by \$2,586,000. Sales and Transaction Taxes are the City's largest revenue source and represent 40% of total General Fund revenue.
- **Property Transfer Taxes**-(75% of the amended revenue budget has been collected compared to 57% in FY2020-2021). This tax is highly volatile, relying on changes in property ownership. Property Transfer tax revenue is budgeted \$4,000,000 higher than FY2020-2021. At mid-year, revenue appropriations were increased by \$2,000,000. Revenue through March 31 at \$8,268,000 is \$4,260,000 higher than in FY2020-2021, because of both higher commercial and industrial property sales activity and the initial impact of Measure VV.
- **Business License Tax**-(85% of the adopted revenue budget has been collected compared to 69% in FY2020-2021). The budget for Business License revenue was reduced by \$570,000 to \$5,830,000, reflecting COVID-19 emergency stay-at-home orders leading some businesses to shut down and one parking lot operator closed. Business License revenue through March 31 at \$4,960,000, is \$559,000 higher than in FY2020-2021.
- **Charges for Services**-(88% of the adopted revenue budget has been collected compared to 66% in FY2020-2021). Charges for Services is budgeted at \$1,440,000, \$143,000 higher than FY2020-2021. Charges for Services revenue at \$1,268,000 through March 31 is \$410,000

higher than the same period last year. Recreation program revenues are \$345,000 higher than in FY2020-2021 when programs were impacted by COVID-19.

- **Interest & Property Income**-(57% of the adopted revenue budget has been collected compared to 93% in FY2020-2021). Interest and property income are budgeted at \$2,482,000, \$336,000 lower than FY2020-2021. All interest income was posted in FY2020-2021, while not yet recorded in FY2021-2022. Additional Rental Income posted in FY2021-2022 is for rentals at the Marina Community Center and the Senior Center.
- **Intergovernmental**-(137% of the adopted revenue budget has been collected compared to 69% in FY2020-2021). Intergovernmental revenue is budgeted in FY2021-2022 at \$788,000, \$1,111,000 lower than FY2020-2021. Unbudgeted COVID Relief (\$442,000) has been collected in FY2021-2022. The City was reimbursed for costs related to COVID supplemental paid leave.
- **Licenses & Permits**-(79% of the adopted revenue budget has been collected compared to 65% in FY2020-2021). Licenses & Permits are budgeted in FY2021-2022 at \$3,808,000, \$140,000 lower than FY2020-2021. License & Permit revenue at \$3,019,000 is \$469,000 higher than in FY2020-2021-entirely reflecting Building, Mechanical, and Electrical permit revenues.
- **Other/Transfers**-(184% of the adopted revenue budget has been collected compared to 7% in FY2020-2021). Other/Transfers revenue is budgeted in FY2021-2022 at \$5,039,000, \$218,000 lower than FY2020-2021. Unbudgeted other revenue includes reimbursements (\$178,500) and donations-sesquicentennial celebration (\$56,500) taken in during FY2021-2022.

As reported in the attached Third Quarter Financial Report, all other taxes and revenue receipts are in line with budgeted revenues.

- **General Fund, Total Expenditures**-(61% of budget compared to 60% in FY2020-2021). Nine-month expenditures were \$80,441,000, 61% of the amended budget of \$131,172,000. General Fund expenditures were \$8,230,000 higher than in the same period last year. All department expenditures remained less than 75% of annual budget appropriations except for non-Departmental. Year-to-date expenditures in non-Departmental reflect a one-time \$5,000,000 contribution to the Pension Trust to buy down the City's unfunded pension liability. Additional Citywide vacancy savings are also included in this department.
- **Finance**-(64% of budget compared to 54% in FY2020-2021). 64% of the amended budget in FY2021-2022 at \$4,104,000, \$12,000 higher than FY2020-2021. Near full staffing of most previously vacant positions has increased department expenditures to \$2,619,000 as of March 31, 2022.
- **Police**-(63% of budget compared to 69% in 2020-2021). 63% of the amended budget in FY2021-2022 at \$42,730,000, \$1,042,000 higher than FY2020-2021. Decrease in expenditure is primarily attributed to vacant positions.
- **Fire**-(67% of budget compared to 57% in FY2020-2021). 67% of the amended budget in FY2021-2022 at \$26,307,000, \$198,000 higher than FY2020-2021. Expenditure increases of \$2,913,000 reflects the timing of payments for contract services.

- **Engineering and Transportation**-(69% of budget compared to 54% in FY2020-2021). 69% of the amended budget in FY2021-2022 at \$4,460,000, \$420,000 higher than FY2020-2021. Expenditure increases were due to higher payroll costs and timely recording of the internal service fund allocation, which resulted in department expenditures increased to \$3,057,000 as of March 31, 2022.

Enterprise, Internal Service Funds, and Parking Fund

Four Enterprise Funds make up the City's business-type operations. The Water Pollution Control Plant Fund, the Environmental Services Fund, the Shoreline Enterprise Fund, and the 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.

- **Water Pollution Control Plant, Revenues**-(65% of the revenue budget has been collected compared to 24% in FY2020-2021). Revenue increase of \$5,020,000 to \$10,509,000 reflects accelerated recording of services charges compared to FY2020-2021.
- **Shoreline Enterprise, Revenues**-(61% of the revenue budget has been collected compared to 108% in FY2020-2021). Revenue appropriations were increased by \$1,742,000 to \$6,158,000 reflecting changes to the management agreement. Revenue decreases of \$1,017,000 reflects delay recording of Golf Course fees and other revenues compared to FY2020-2021.
- **Storm Water, Revenues**-(66%% of the revenue budget has been collected compared to 0% FY2020-2021). Revenue increase of \$700,000 to \$703,000 reflects accelerated recording of service charges compared to FY2020-2021.

ATTACHMENT

Attachment A - Resolution

Attachment B - Third Quarter Financial Report as of March 31, 2022.

PREPARED BY

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