



Legislation Text

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Fiscal Year 2023-2024 Third Quarter Financial Report as of March 31, 2024

CITY COUNCIL PRIORITY

- Fiscal Sustainability and Transparency

SUMMARY

The Fiscal Year 2023-2024 Third Quarter Financial Report as of March 31, 2024, is for information only.

RECOMMENDATION

Staff recommends that the City Council Finance Committee review the Fiscal Year 2023-2024 Third Quarter Financial Report as of March 31, 2024.

BACKGROUND

The City Council adopted the 2023-2024 and 2024-25 General Fund, Enterprise and Internal Service Funds, and Special Revenue Funds budgets on May 15, 2023. The approved budgets are the annual expenditure and resource allocation plans guiding and insuring implementation of City Council policies and priorities. The budget provides funding direction for the broad range of services that meet the needs of the community in accordance with City Council policy.

This financial review as of March 31, 2024, 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, 2024, measures operational adherence to the budgetary allocation plan.

Analysis

The City budget for 2023-2024 was adopted in May 2023. The amended budget incorporates estimated revenues and planned expenditures for all funds. The attached Third Quarter Financial Report as of March 31, 2024, 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 contemplated 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 2023-2024 General Fund budget projects revenues totaling \$138,028,000 and expenditures totaling \$150,775,000, including purchase order encumbrances from 2022-2023 and approved carryover amounts.

Third quarter revenue in 2023-2024 totals \$91,457,000, 66% of the amended budget of

\$138,028,000, compared to 63% in 2022-2023. Expenditures of \$90,470,000 through the third quarter amount to 60% of the anticipated total of \$150,775,000, compared to 48% in 2022-2023. Both revenues and expenditure totals are in line with the prior year. Expenditures are expected to stay within 2023-2024 budget appropriations. Nevertheless, all 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-(received 65% of anticipated revenue budget compared to 63% in 2022-2023).** 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 \$28,959,000, \$1,083,000 higher than in 2022-2023. Alameda County distributed the second payment of Secured Tax in April.
- **Sales/Transaction and Use Taxes-(received 58% of anticipated revenue budget compared to 56% in 2022-2023).** Sales/Transaction tax appropriations remain level in the budget reflecting continued retail strength after the impacts of the COVID-19 pandemic. Actual revenue at the end of the third quarter is \$993,000 higher than last year. Avenue Insights, the City's sales tax advisor, projects the City may receive 1% less Sales/Transaction Tax revenue than the budget appropriation by year-end. Sales and Transaction Taxes are the City's largest revenue source and represent 40% of total General Fund revenue.
- **Utility Users Tax-(received 79% of anticipated revenue budget compared to 70% in 2022-2023).** Utility Users Tax revenue is budgeted in 2023-2024 at \$11,306,000, \$231,000 less than the 2022-2023 budget. Actual revenue through March 31 is \$857,000 higher, primarily from the Electricity & Gas revenue account.
- **Property Transfer Taxes-(received 38% of anticipated revenue budget compared to 76% in 2022-2023).** This tax is highly volatile, relying on changes in property ownership. Property Transfer tax revenue is budgeted at \$11,000,000, \$1,730,000 above the 2022-2023 budget. Revenue through March 31, 2024 is \$2,919,000 less than in 2022-2023. Recorded revenue of both years was received for seven-months, with the average monthly revenue higher in 2022-2023 by \$417,000.
- **Charges for Services-(received 99% of anticipated revenue budget compared to 75% in 2022-2023).** Charges for Services is budgeted in 2023-2024 at \$2,224,000, \$797,000 below the 2022-2023 budget. Revenues were \$2,197,000, only \$63,000 less than in the same period last year. Higher revenues were recorded for Engineering Services (+\$89,000). Lower revenues were recorded for Recreation-Day Camps (-\$57,000) and combined Aquatic programs (-\$58,000) with the temporary closure of the Family Aquatic Center. Overall Recreation program revenues increased by \$36,000.
- **Interest & Property Income-(received 158% of anticipated revenue budget compared to 61% in 2022-2023).** The 2023-2024 Interest & Property Income revenue budget is at the 2022-2023 appropriation level. Actual revenue as of March 31 is \$4,088,000, \$2,521,000 higher than last year. The revenue increase results from both a larger investment portfolio and higher interest rates in 2023-2024.

- **Intergovernmental-(received 109% of anticipated revenue budget compared to 30% in 2022-2023).** Intergovernmental revenue recorded through March 31 amounts to \$902,000. The City received Homeless Housing, Assistance, and Prevention (HHAP) grant revenue (\$238,000) from the Alameda County Health Care Services Department related to operating expenses at local homeless shelters. Annual EMS Assessment revenue recorded in 2023-2024 amounted to \$529,000.
- **Licenses & Permits-(received 74% of anticipated revenue budget compared to 88% in 2022-2023).** Actual Building Permit revenues recorded through March 31, amount to \$2,730,000. Revenue in the same period last fiscal year was \$3,182,000. This decrease in Building Permit revenue reflects the total decrease in License & Permit revenue.
- **Other/Transfers-(received 897% of anticipated revenue budget compared to 105% in 2022-2023).** Reimbursements revenue recorded at March 31 amounted to \$2,644,000. The California Department of Housing and Community Development reimbursed the City through the Homekey effort for acquisition of the Nimitz Hotel property

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

General Fund Expenditures

- **General Fund, Total Expenditures-(60% of the amended budget compared to 48% in 2022-2023).** The nine-month expenditure total was \$90,470,000, 60% of the budget of \$150,775,000. General fund expenditures were \$13,297,000 higher than in the same period last year. All department expenditures remained less than 75% of annual appropriations (between 57% and 71% of the budgets), although all are higher than on March 31, 2023.

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.

- **Enterprise Funds, Internal Service Funds, and Parking Fund-**Enterprise, Internal Services, and the Parking Fund revenue and expenditure variances both to both budget and compared to 2022-2023 are within anticipated levels. Expenditures will continue to be closely monitored through the remainder of the year.

ATTACHMENTS

Attachment A - Third Quarter Financial Report as of March 31, 2024
Attachment B - Third Quarter Financial Report Presentation

PREPARED BY

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