



Legislation Text

File #: 23-274, Version: 1

Adopt a Resolution to Approve 2022-2023 Third Quarter Financial Report as of March 31, 2023

SUMMARY AND RECOMMENDATIONS

Staff recommends the City Council adopt a resolution approving the 2022-2023 Third Quarter Financial Report as of March 31, 2023.

BACKGROUND

The City Council adopted the 2021-2022 and 2022-23 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 for the broad range of services meeting the needs of the community in accordance with City Council policy.

This financial review as of March 31, 2023, 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, 2023, measures operational adherence to the budgetary allocation plan.

DISCUSSION

The City budget for 2022-2023 was adopted in June 2021. The amended budget incorporates estimated revenues and planned expenditures for all funds. The attached Third Quarter Financial Report as of March 31, 2023, 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 2022-2023 General Fund budget projects revenues totaling \$133,525,000 and expenditures totaling \$160,231,000, including purchase order encumbrances from 2021-2022, approved carryover amounts, and City Council approved appropriation amendments.

Third quarter revenue in 2022-2023 totals \$84,743,000, 63% of the amended budget of \$133,525,000, compared to 65% in 2021-2022. Expenditures of \$77,143,000 through the third quarter amount to 48% of the anticipated total of \$160,231,000, compared to 64% in 2021-2022. Both revenues and expenditure totals are in line with the prior year. Expenditures are expected to stay within 2022-2023 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**-(63% of the adopted revenue budget has been collected compared to 61% in 2021-2022). 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 \$27,876,000, \$982,000 higher than 2021-2022. Alameda County will distribute the second payment of Secured Tax in April.
- **Sales/Transaction and Use Taxes**-(56% of the amended revenue budget has been collected compared to 60% in 2021-2022). Sales/Transaction tax appropriations were increased \$3,068,000 in the budget reflecting continuing economic rebound from impacts of COVID-19. Actual revenue at the end of the third quarter is \$428,000 lower than last year at the same time. Avenue Insights, the City's sales tax advisor, projects the City will receive Sales/Transaction Tax revenue at the level of the budget appropriation. This is important as Sales and Transaction Taxes are the City's largest revenue source and represent 42% of total General Fund revenue.
- **Property Transfer Taxes**-(76% of the amended revenue budget has been collected compared to 75% in 2021-2022). This tax is highly volatile, relying on changes in property ownership. Property Transfer tax revenue is budgeted \$1,730,000 lower than 2021-2022. Revenue through March 31, 2023, at \$7,083,000 is \$1,185,000 lower than in 2021-2022. Note that Property Transfer Tax revenue (\$1,152,000) was generated by the sale and leasehold transfer to Cal Coast (at \$104,000,000) of City property in the Marina and paid by the Shoreline Enterprise Fund. This amount (\$1,152,000) was transferred from the General Fund to the Shoreline Fund for the Shoreline Park at the Marina project.
- **Business License Tax**-(83% of the amended revenue budget has been collected compared to 85% in 2021-2022). The budget for Business License revenue is unchanged from 2021-2022.
- **Charges for Services**-(87% of the amended revenue budget has been collected compared to 88% in 2021-2022). Charges for Services is budgeted at \$2,590,000, \$1,150,000 higher than 2021-2022. Charges for Services revenue at \$2,259,000 through March 31 is \$991,000 higher than the same period last year. Recreation program revenues are \$280,000 higher than in 2021-2022 and Engineering Services, Planning Services, and Fire Review & Inspection revenues are higher in 2022-2023.
- **Interest & Property Income**-(74% of the amended revenue budget has been collected compared to 57% in 2021-22). Interest and property income are budgeted at \$2,564,000, \$82,000 higher than 2021-2022. Posted Interest Income revenue is \$371,000 higher in 2022-2023 compared to 2021-2022, while rental income at the Marina Community Center and the Senior Center increased by \$108,000.
- **Fines, Fees, & Forfeitures**-(46% of the amended revenue budget has been collected compared to 69% in 2021-2022). Fines, Fees, & Forfeiture revenue is budgeted in 2022-2023 at \$622,000, \$124,000 lower than the 2012-2022 budget. Third quarter revenues are \$228,000 lower than the 2021-2022 third quarter. Vehicle Code Fine revenue is lower by \$94,000 and Red-Light Safety Program residual revenue of \$45,000 in 2022-2023 compares with \$130,000 in 2012-2022. No new revenue is budgeted in 2022-2023 because of

termination of the Red-Light program effective June 30, 2021.

- **Licenses & Permits**-(101% of the amended revenue budget has been collected compared to 79% in 2021-2022). Actual Building Permit revenues recorded through March 31, amount to \$3,130,000 in 2022-2023. Revenue in the same period last fiscal year was \$2,397,000. This increase in Building Permit revenue reflects all the changes in License & Permit revenue. Extraordinary projects affecting Building Permit revenue include Centro Callan at East 14th and Callan, Ariat Apparel on Alvarado, and tenant improvements at Prologis Development on Doolittle.

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**-(48% of the amended budget compared to 64% in 2021-22). The nine-month expenditure was \$77,143,000, 48% of the amended budget of \$160,231,000. General fund expenditures were \$3,358,000 lower than in the same period last year. All department expenditures remained significantly less than 75% of annual budget appropriations except for Engineering & Transportation.
- **Fire**-(51% of the amended budget compared to 65% in 2021-22). The amended budget in 2022-2023 is \$27,681,000, \$647,000 higher than 2021-2022. The expenditure decrease of \$3,694,000 reflects a timing delay in reimbursement for contracted services.
- **Human Services**-(8% of the amended budget compared to 0% in 2021-2022). The Human Services Department is newly established, and the 2022-2023 appropriation previously was in Recreation. The budget appropriation of \$6,956,000 includes \$3,200,000 in the General Fund for the Long-Term Navigation Center.
- **Non-Departmental**-(19% of the amended budget compared to 558% in 2021-22). Expenditure appropriations were amended in 2022-2023 for transferring \$3,600,000 to the Pension Trust and further buying-down the City's unfunded pension liability. As of March 31, the transfer has not yet been recorded. In 2021-2022, the transfer of \$5,000,000 to the Pension Trust was recorded prior to March 31.
- **Transfers**-(0% of budget compared to 1% in 2021-22). Transfers are budgeted at \$24,284,000, \$17,678,000 higher than 2021-2022. Amended appropriations increased the budget appropriation for fund transfers to the Pension Trust, to the Capital Project Fund for the Shoreline Park at the Marina, Mulford-Marina Library Branch Library, and street projects, and \$2,700,000 for Information Technology projects.

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.

- **Shoreline Enterprise, Revenues**-(48% of the revenue budget has been collected compared to 61% in 2021-2022). Revenue appropriations were decreased by \$366,000 to \$5,792,000 reflecting further change in Marina-Berth Rental revenues. The reported revenue decrease in Shoreline Fund revenues results from a delay in posting third-quarter revenues from Monarch Bay golf course operations.
- **Insurance, Expenditures**-(47% of the expenditure budget compared to 89% in 2021-2022). Insurance expenditures decreased by \$1,792,000 reflecting Settlement/Judgements expenditures in Worker's Compensation Insurance lower by \$768,000 through March 31, 2023, and discontinuing further transfers (\$1,500,000 each year) to the OPEB Trust beginning in 2022-2023.

REVIEW BY FINANCE COMMITTEE

The Finance Committee reviewed the 2022-2023 Third Quarter Financial Report as of March 31, 2023, on May 24, 2023. The Finance Committee unanimously recommended the report be moved to the City Council.

ATTACHMENTS

Attachment A - Resolution Approving Third Quarter Financial Report

Attachment B - 2022-2023 Third Quarter Financial Report as of March 31, 2023.

PREPARED BY

T. Michael Yuen, Finance Director