

**ITEM NO. 6D1 FIRST QUARTER BUDGET
UPDATE**

ATTACHMENT A

STAFF PRESENTATION – ADDITIONAL MATERIALS RECEIVED

2023-24 First Quarter Financial Report

Item No. 6D1
First Quarter Budget Presentation
Additional Materials Received
November 9, 2023



Finance Committee

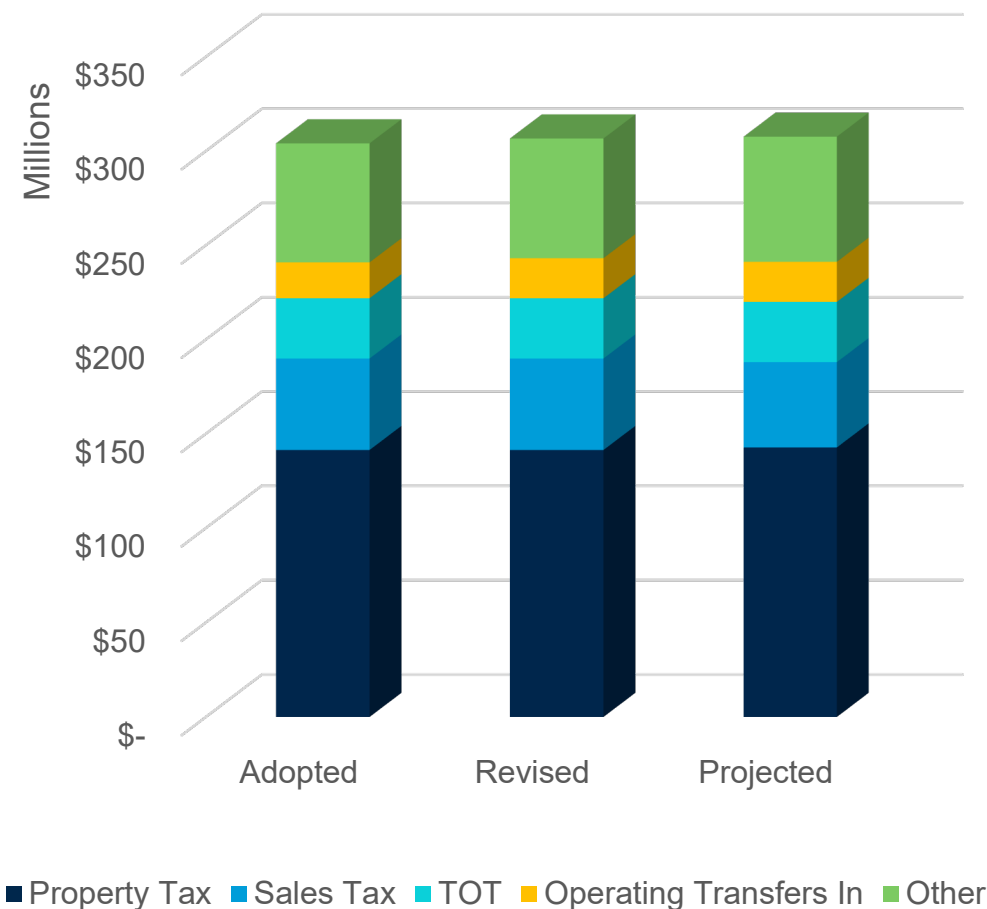
November 9, 2023



Projected General Fund Revenues

Adopted Budget	\$ 304.1 million
Revised Budget	\$ 306.6 million
First Quarter Projection	\$ 307.6 million

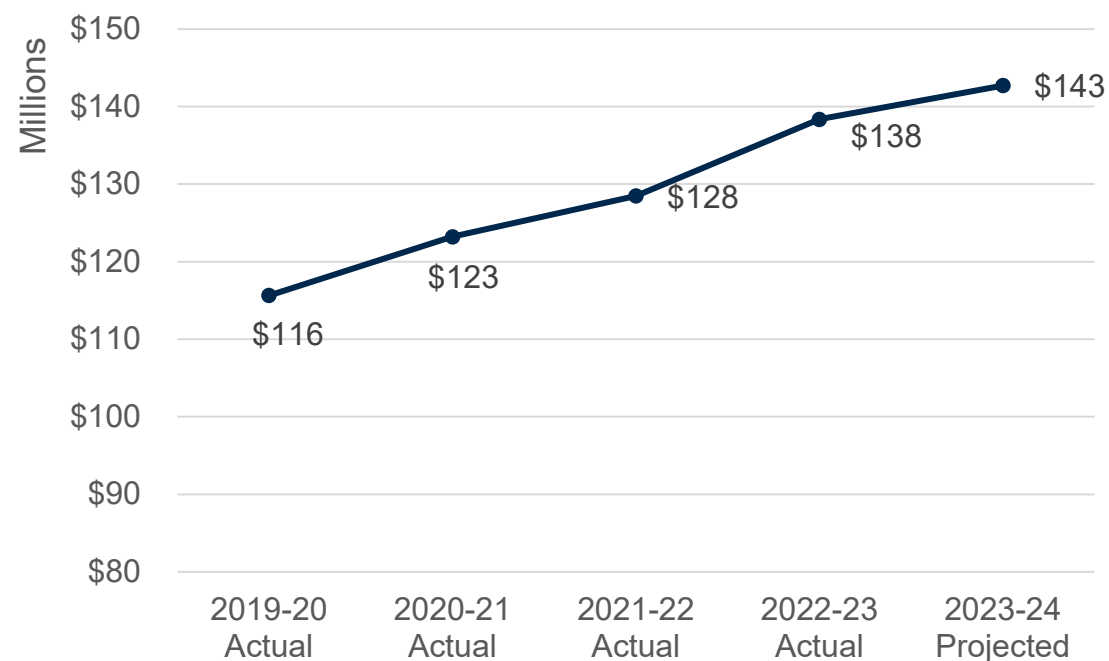
- \$961,820 of projected positive variance
- Revised estimates for Property Tax, Sales Tax, other taxes, paramedic service fees, and revenue from the Dove Street property, as was reported on the FY 2022-23 Q4 Report.





Property Tax

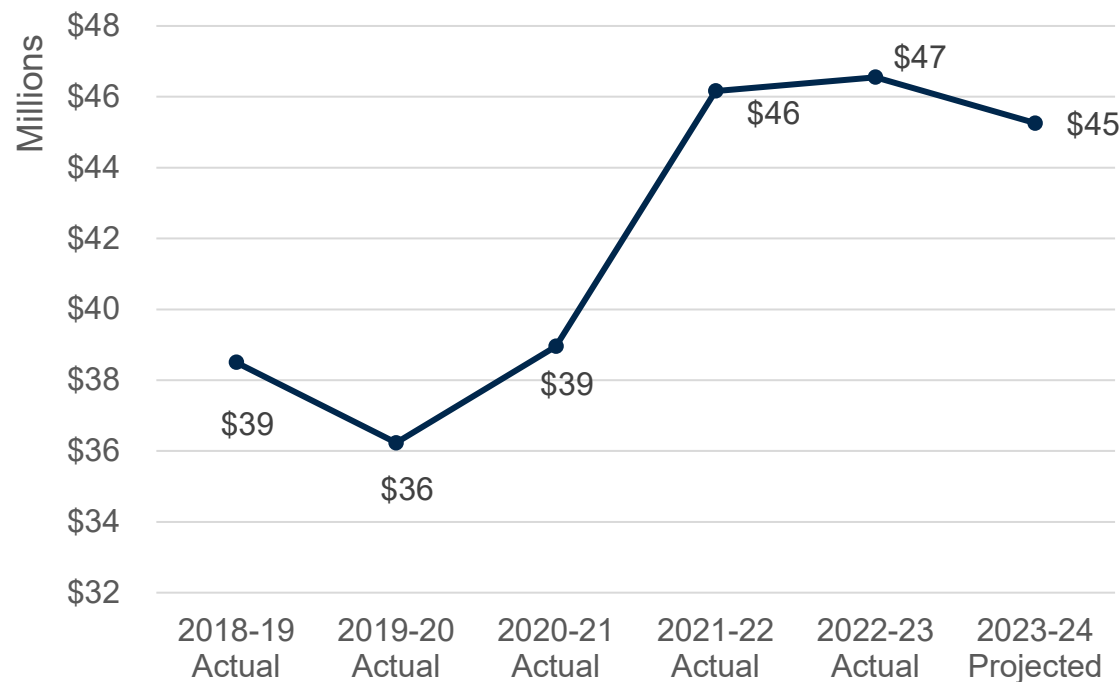
- Represents approximately 50% of General Fund revenues
- On track to exceed the adopted budget based on strong assessed value growth reflected in the final tax roll
- \$1.3 million upward adjustment to the revenue estimate





Sales Tax

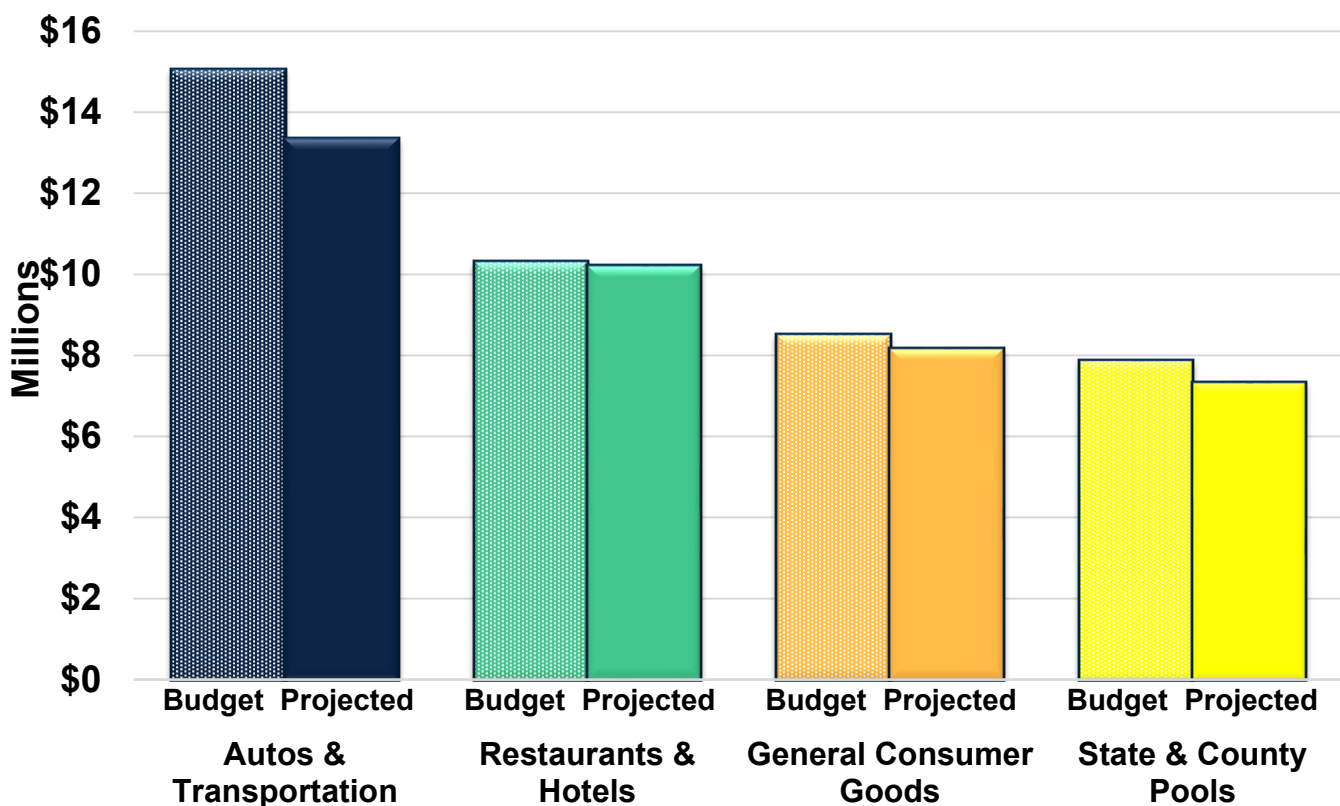
- Slow down in growth due to decreases in sales tax revenue from most major industry groups except for restaurants and hotels
- Shift in consumer spending to nontaxable items
- Recommended to reduce the budget to align with new projections, decrease of \$3.3 million.





Sales Tax Revenue Major Industry Groups

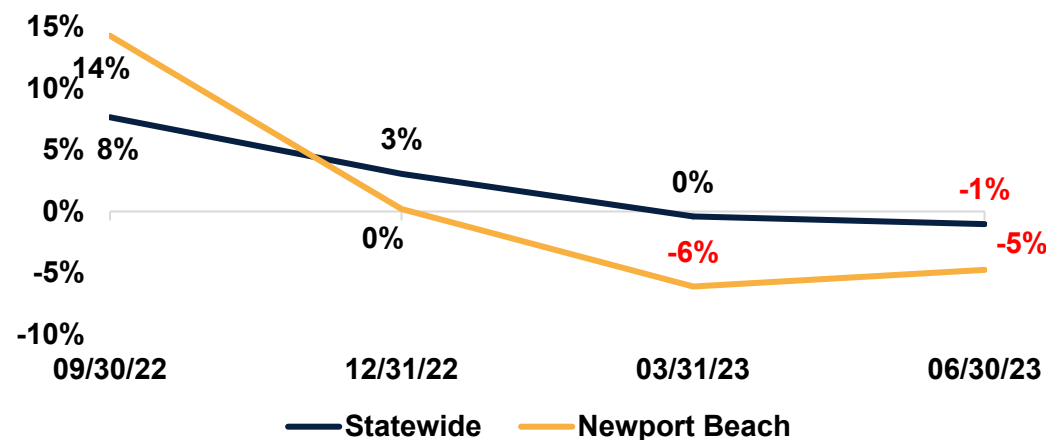
FY 2023-24 Budget Vs. Projected Amounts



**Revised Industry Group Projections Based on Q1
Compared to Budgeted Amounts and Prior Year Actuals**

	FY 22-23 Actual	FY 23-24 Budget	FY 23-24 Projected
Autos & Transportation	(5.5%)	(1.4%)	(5.5%)
Restaurants & Hotels	6.2%	5.7%	7.5%
General Consumer Goods	5.3%	(3.3%)	(5.2%)
State & County Pools	(0.9%)	3.0%	(1.8%)

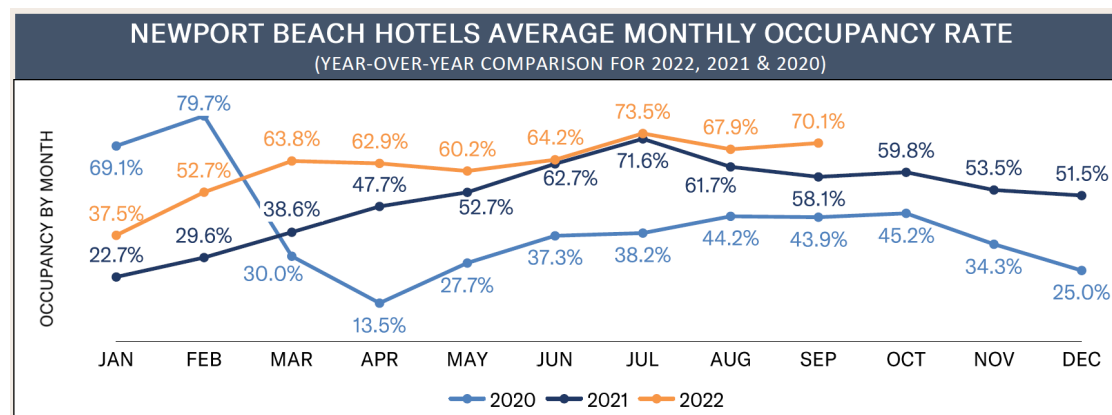
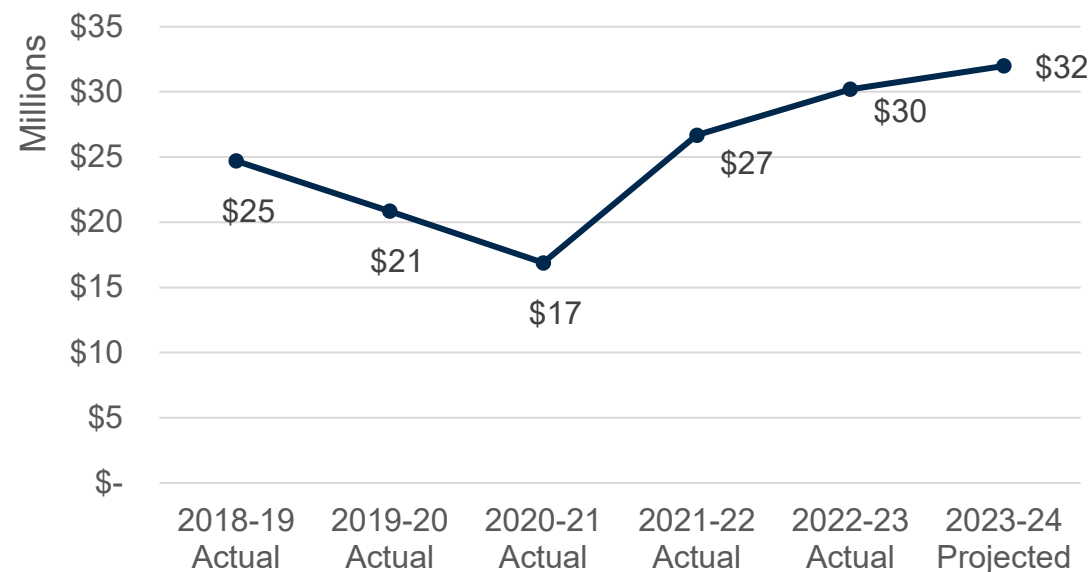
Quarterly Sales Tax Trends





Transient Occupancy Tax

- Transient occupancy tax (TOT) makes up more than 10% of General Fund revenues
- FY 2022-23 saw growth rates of 10% and 24% for hotel TOT and residential TOT, respectively
- Pendry reopened on September 25th
- Current projections in line with budget, no adjustment recommended.





Other General Fund Revenues

- Other general fund revenues projected to exceed budget by \$2.9 million
 - Approximately \$1 million from other taxes
 - Business licenses and franchise fees
 - \$0.6 million adjustment to service fees & charges for increases included in fee study
 - Increases included in fee study
 - \$1.3 million adjustment to Property Income for Dove Street Property
 - Increasing both revenues and expenses to reflect the gross amounts, rather than reflecting revenues net of expenses



Projected General Fund Expenditures

Adopted Budget \$ 293.9 million

Revised Budget \$ 308.1 million

First Quarter Projection \$ 306.7 million

- \$5.0 million additional payment to CalPERS included in revised budget
- \$5.5 million of budget carryovers
- Budget amendment to be included with the City Council staff report to appropriate:
 - \$215k to fully fund CalPERS UAL in Fire Department
 - \$20k decrease travel and training budget in General Fund and move to Restricted Programs Fund
 - \$1.3M in expenses for Dove Street Property Activity
 - \$650k decrease in Capital Expenditures as ambulance unit to be purchased from Fire Equipment Fund



General Fund Sources and Uses

- Current projection of \$4.6 million surplus, likely to grow in future quarters
- Budget savings will likely be identified as the year progresses, as is usually the case

Category	A Revised Budget	B Q1 Projection	C=B-A Variance	D=C/A % Variance
Beginning Fund Balance Reserves	\$ 15,254,999	\$ 15,254,999	\$ -	0.0%
Operating Resources:				
Operating Revenues	285,389,166	286,350,985	961,819	0.3%
Prior Year Resources Carried Forward	5,465,426	5,465,426	-	0.0%
Transfers In from Other Funds	21,251,267	21,251,267	-	0.0%
Repayment of Advances	1,250,000	1,250,000	-	0.0%
Total Operating Resources	313,355,859	314,317,678	961,819	0.3%
Operating Uses:				
Operating Expenditures	273,576,262	272,182,409	(1,393,853)	-0.5%
Transfers Out	34,489,271	34,489,271	-	0.0%
Total Operating Uses	308,065,533	306,671,680	(1,393,853)	-0.5%
Net Operating Surplus	5,290,326	7,645,998	2,355,672	44.5%
Non-Operating Resources & Uses				
Transfers Out for Prior Year Surplus Allocation to Paydown OPEB and to Capital Project Funds	(13,270,950)	(13,270,950)	-	0.0%
Transfers Out to Capital Project Funds	(5,005,300)	(5,005,300)	-	0.0%
Total Non-Operating Resources & Uses	(18,276,250)	(18,276,250)	-	0.0%
Net Change in Fund Balance	(12,985,924)	(10,630,252)	-	0.0%
Ending Fund Balance Reserves	\$ 2,269,075	\$ 4,624,747	\$ 2,355,672	103.8%



Recommended Action

Staff recommends that the Finance Committee:

- Review and discuss this report
- Provide any recommendations for consideration by the City Manager and the City Council



Questions?