



QUARTERLY FINANCIAL REPORT
Q1 (July 1 to Sept. 30) FY 2023-24

The first quarter of the fiscal year does not fully reflect the revenue and expenditure transactions that have occurred in the quarter because the City is working in both the new fiscal year 2023-24 and the prior fiscal year 2022-23. Many of the invoices received in July and August are from supplies and services received prior to July 1st and are recorded in the prior year. This is also true of capital project expenditures and for revenue, particularly tax and grant revenue that can lag two or more months from when it is earned and when the City receives the funds. For example, sales tax collected by vendors in June, is collected by the state in July and paid to the City in August. As a result, Q1 Actual YTD figures, both revenues and expenditures, can appear less than the expected percent of budget, which in many cases is roughly 25% for Q1. To provide a better financial picture for the City, Projected Year-End (YE) totals are provided that are based on the early cash flows in and out for the City. These projections will fluctuate from quarter to quarter as more revenues and expenditures are incurred and collected, and result in better estimates.

Summary - All City Funds

Revenue & Transfers

Classification	Budget	Q1 Actual YTD	%	Projected YE
Intergovernmental Revenues	38,060,911	219,580	1%	38,091,493
Charges for Services	20,051,451	4,447,996	22%	20,009,951
Taxes	12,139,883	1,297,322	11%	12,320,033
Use of Money & Property	1,386,309	179,374	13%	1,546,209
Other Revenue	867,529	38,088	4%	853,854
Licenses & Permits	852,000	159,097	19%	753,300
Fines & Forfeitures	190,000	38,952	21%	190,000
Total Revenue	73,548,083	6,380,409	9%	73,764,840

Expenditures & Expenses

Classification	Budget	Q1 Actual YTD	%	Projected YE
Capital Outlay	45,214,985	4,633,287	10%	45,473,151
Personnel Services	19,364,259	4,137,238	21%	18,660,100
Materials & Services	11,963,062	3,380,548	28%	11,992,962
Interfund/Intergovt payments	7,452,156	2,190,746	29%	7,452,156
Debt Service	5,672,857	148,431	3%	5,672,857
Total Expenditures & Expenses	89,667,320	14,490,250	16%	89,251,226
Incr./(Decr.) Fund Balance	(16,119,237)	(8,109,841)		(15,486,386)
Estimated Beginning Total	59,230,034			59,230,034
Estimated Ending Total	43,110,798			43,743,648

A few of the City's tax, intergovernmental and investment earnings revenues are trending slightly better than budget YTD and the Projected Year-End amounts reflect this trend. Collection and remittance of many City revenue sources are not typically received in the month for which they apply, including tax revenue, grant reimbursements, utility service charges, fines, and intergovernmental revenues. This explains the why revenues receipted citywide only accounts for 9% of budget. Overall, expenditures are only 16% of budget but if you remove the Capital Outlay expenditures from this calculation expenditures are at 22%, which is typical and on target. Capital Outlays are often multi-year expenditures and remaining unspent budgets are often rolled over into the next year. Further, capital projects that were under construction at the end and beginning of the fiscal year, generally include expenditures paid in July and/or August for the prior year. The City realized some small savings in salaries as reflected in the Projected Year-end values due to a relatively small number of vacancies.

Summary - General Fund
Revenue & Transfers

Classification	Budget	Q1 Actual YTD	%	Projected YE
Taxes	10,809,000	1,042,393	10%	10,989,150
Intergovernmental Revenues	5,041,893	195,011	4%	5,078,275
Charges for Services	2,681,670	613,459	23%	2,682,370
Operating Transfers	1,432,890	358,223	25%	1,432,890
Licenses & Permits	837,000	157,204	19%	739,000
Use of Money & Prop./Other Rev.	828,200	79,788	10%	385,429
Fines & Forfeitures	175,000	38,952	22%	175,000
Total Revenue	21,805,653	2,485,030	11%	21,482,114

Expenditures

Classification	Budget	Q1 Actual YTD	%	Projected YE
Personnel Services	11,954,482	2,577,274	22%	11,543,100
Capital Outlay	6,247,253	345,430	6%	6,248,325
Materials & Services	2,812,230	1,031,711	37%	2,835,630
Debt Service	2,574,395	331	0%	2,574,395
Interfund/Intergovt payments	1,083,381	270,848	25%	1,083,381
Total Expenditures	24,671,741	4,225,593	17%	24,284,831
Incr./(Decr.) Fund Balance	(2,866,088)	(1,740,564)		(2,802,717)
Estimated Beginning Available	10,078,300			10,078,300
Estimated Ending Available	7,212,212			7,275,583

The City's Sales Tax, Transaction Use Tax and Utility User Tax revenue is trending just slightly above budget and that is reflected in the Projected Year-End amounts. Commercial Cannabis Activity Permits and Resident Rental Inspections revenue are trending below budget as reflected in the Licenses & Permits Projected Revenue. Overall, expenditures are only 17% of budget but if you remove the Capital Outlay expenditures from this calculation expenditures are at 21%, which is typical and on target. The majority of the realized to date salary savings are in the Police Department, where staffing had been critical but is improving with the City Bonus Recruitment programs.

Summary - All Special Revenue Funds (SRF)
Revenue & Transfers

Classification	Budget	Q1 Actual YTD	%	Projected YE
Fines & Forfeitures	15,000	-	0%	15,000
Intergovernmental Revenues	10,720,076	18,118	0%	10,714,276
Operating Transfers	(1,225,000)	(306,250)	25%	(1,225,000)
Other Revenue	377,000	6,531	2%	376,426
Taxes	329,000	16,846	5%	329,000
Use of Money & Property	1,308,600	101,891	8%	1,308,500
Total Revenue	11,524,676	(162,863)	-1%	11,518,202

Expenditures

Classification	Budget	Q1 Actual YTD	%	Projected YE
Capital Outlay	8,853,723	252,585	3%	8,917,941
Interfund/Intergovt payments	3,693,786	1,246,623	34%	3,693,786
Materials & Services	2,268,355	301,540	13%	2,274,855
Personnel Services	2,092,467	418,390	20%	1,987,600
Total Expenditures	16,908,330	2,219,139	13%	16,874,182
Incr./(Decr.) Fund Balance	(5,383,654)	(2,382,002)		(5,355,980)
Estimated Beginning Available	11,169,748			11,169,748
Estimated Ending Available	5,786,094			5,813,768

Special revenue funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for a specific purpose. As such many of the City's grant funded programs and other funds received from the state and federal government are accounted for as special revenue funds. The predominate special revenue fund revenue source is Intergovernmental Revenues. The predominate expenditure is for Capital Outlay and Interfund/Intergovernment expenditures which together make up 74% of the expenditures. This reflects capital grants and subsidized program such as rental and housing assistance. Because revenues are generally based on reimbursable expenditures, revenues typically lag behind the expenditures.

Summary - ARPA Fund SRF
Revenue & Transfers

Classification	Budget	Q1 Actual YTD	%	Projected YE
Intergovernmental Revenues	2,020,634	-	0%	1,986,599
Total Revenue	2,020,634	-	0%	1,986,599

Expenditures

Classification	Budget	Q1 Actual YTD	%	Projected YE
FY 2023-24 Projects:				
Arcata Main St to Arcata Chamber	50,000	-	0%	50,000
Other Support Payments	55,000	-	0%	30,000
Safe Parking	128,916	66,774	52%	128,916
MIST	75,000	-	0%	75,000
Ambassador Program	175,150	29,186	17%	160,500
Pavement Master Plan	350,000	27,863	8%	350,000
Climate Change	117,500	-	0%	121,000
Valley East Community Center	175,000	-	0%	47,800
Maintain Staffing	545,671	98,945	18%	508,198
South I St Dock	120,000	-	0%	120,000
Beautification Projects	123,410	32,333	26%	68,000
PD Radio System Upgrade	222,201	48,125	22%	222,201
Arial Image	15,000	-	0%	15,000
CUNA	89,984	-	0%	89,984
Total Expenditures	2,242,832	303,226	14%	1,986,599
Incr./(Decr.) in Funding Available	2,242,832	303,226		1,986,599
Estimated Beginning Available	2,450,535			2,450,535
Estimated Ending Available	207,703			463,936

ENTERPRISE FUNDS
Summary - Water Enterprise Fund
Revenue & Transfers

Classification	Budget	Q1 Actual YTD	%	Projected YE
Charges for Services	6,374,000	1,582,904	25%	6,363,500
Intergovernmental Revenues	3,000,000	-	0%	3,000,000
Operating Transfers	(100,000)	(25,000)	25%	(100,000)
Total Revenue	9,274,000	1,557,904	17%	9,263,500

Expenses

Classification	Budget	Q1 Actual YTD	%	Projected YE
Capital Outlay	5,840,104	28,156	0%	5,840,104
Debt Service	1,135,748	-	0%	1,135,748
Interfund/Intergovt payments	1,013,543	253,387	25%	1,013,543
Materials & Services	2,651,264	747,563	28%	2,651,264
Personnel Services	1,646,812	366,578	22%	1,601,600
Total Expenses	12,287,471	1,395,684	11%	12,242,259
Incr./(Decr.) Working Capital	(3,013,471)	162,220		(2,978,759)
Estimated Beginning Available	12,319,404			12,319,404
Estimated Ending Available	9,305,933			9,340,645

As an Enterprise fund, user fees are anticipated to cover the cost of providing water services. Revenue from water service charges is on target at 25% of budget. Similar to other grant funded projects, intergovernmental revenues lag because the revenues are dependent on reimbursement of already spent funds. Capital Outlay expenses related to the intergovernmental revenues remain largely unspent. The operating expenses (Interfund payments, Materials & Services and Personnel Services are at 25.7%, which is consistent with first quarter.

Summary - Wastewater Enterprise Fund
Revenue & Transfers

Classification	Budget	Q1 Actual YTD	%	Projected YE
Charges for Services	8,280,000	2,038,293	25%	8,248,300
Intergovernmental Revenues	18,012,661	-	0%	18,012,661
Operating Transfers	(100,000)	(25,000)	25%	(100,000)
Other Revenue	24,500	9,671	39%	24,500
Total Revenue	26,217,161	2,022,964	8%	26,185,461
Expenses				
Classification	Budget	Q1 Actual YTD	%	Projected YE
Capital Outlay	23,232,220	3,970,767	17%	23,310,395
Debt Service	1,500,000	-	0%	1,500,000
Interfund/Intergovt payments	1,249,155	316,814	25%	1,249,155
Materials & Services	1,828,648	548,480	30%	1,828,648
Personnel Services	2,066,916	447,145	22%	1,997,200
Total Expenses	29,876,939	5,283,206	18%	29,885,398
Incr./(Decr.) Working Capital	(3,659,778)	(437,474)		(3,699,937)
Estimated Beginning Available	6,370,225			6,370,225
Estimated Ending Available	2,710,447			2,670,288

Revenue from the Enterprise fund wastewater service charges, is on target at 25% of budget. Revenue from the WWTP Grant funding lags the capital outlay expense due to the timing of the reimbursement request. The operating expenses (Interfund payments, Materials & Services and Personnel Services) are at 25.5%, which is consistent with first quarter.

Summary - Transit Enterprise Fund
Revenue & Transfers

Classification	Budget	Q1 Actual YTD	%	Projected YE
Charges for Services	230,500	5,247	2%	230,500
Intergovernmental Revenues	1,043,017	-	0%	1,043,017
Other Revenue	140,000	-	0%	140,000
Total Revenue	1,413,517	5,247	0.4%	1,413,517
Expenses				
Classification	Budget	Q1 Actual YTD	%	Projected YE
Capital Outlay	30,000	-	0%	30,000
Interfund/Intergovt payments	69,002	17,251	25%	69,002
Materials & Services	1,083,888	420,373	39%	1,083,888
Personnel Services	234,108	46,515	20%	222,200
Total Expenses	1,416,998	484,138	34%	1,405,090
Incr./(Decr.) Working Capital	(3,481)	(478,891)		8,427
Estimated Beginning Available	238,977			238,977
Estimated Ending Available	235,496			247,404

The City owns and has historically operated the Arcata & Mad River Transit System (A&MRT). This fiscal year the City contracted with Humboldt Transit Agency (HTA) to operate the City's buses. Transit revenue sources are like many of the City's intergovernmental sources, in that the expense must occur before the request for reimbursement can be submitted. This is reflected in only .4% of revenue that has been recognized in Q1. The cash flows are a little more difficult to manage in the Transit Fund. Several larger operating expenses are prepaid at the beginning of the year, including the JPA operating agreement with the HTA and liability and property insurance but most of the revenue is dependent on reimbursement. So while the total expenses are at 34%, much of this total reflects prepaid annual expenses.

Summary - Solid Waste Enterprise Fund
Revenue & Transfers

Classification	Budget	Q1 Actual YTD	%	Projected YE
Charges for Services	21,500	12,418	58%	21,500
Intergovernmental Revenues	22,000	6,451	29%	22,000
Taxes	492,000	84,633	17%	492,000
Total Revenue	535,500	103,502	19%	535,500

Expenses

Classification	Budget	Q1 Actual YTD	%	Projected YE
Capital Outlay	10,000	-	0%	10,000
Interfund/Intergovt payments	82,757	20,689	25%	82,757
Materials & Services	190,669	41,440	22%	190,669
Personnel Services	285,315	58,239	20%	272,200
Total Expenses	568,741	120,368	21%	555,626
Incr./(Decr.) Working Capital	(33,241)	(16,867)		(20,126)
Estimated Beginning Available	786,962			786,962
Estimated Ending Available	753,721			766,836

The Solid Waste Fund's primary revenue source is the franchise fees that the City's Solid Waste provider collects on the mandated waste service in the City limits. Implementation of Senate Bill (SB) 1383, which revamps organic waste collection services and seeks to reduce organic waste that ends up in landfills, has increased costs to the City and to solid waste customers. Franchise fees are tied to the cost of services, so the anticipated increase in City expenses should be covered by those fees over time. Like other taxes and fees, there is a delay of one month, which means that for Q1, the "taxes" reflects only two months fees and not three.

Summary - Stormwater Enterprise Fund
Revenue & Transfers

Classification	Budget	Q1 Actual YTD	%	Projected YE
Charges for Services	253,800	42,542	17%	253,800
Intergovernmental Revenues	221,264	-	0%	221,264
Licenses & Permits/Other Revenue	13,800	2,016	15%	13,800
Operating Transfers	30,000	7,500	25%	30,000
Use of Money & Property	86,509	17,959	21%	86,509
Total Revenue	605,373	70,016	12%	605,373

Expenses

Classification	Budget	Q1 Actual YTD	%	Projected YE
Capital Outlay	41,437	27,202	66%	53,937
Interfund/Intergovt payments	200,906	50,227	25%	200,906
Materials & Services	221,674	31,983	14%	221,674
Personnel Services	382,977	81,566	21%	368,800
Total Expenses	846,994	190,977	23%	845,317
Incr./(Decr.) Working Capital	(241,621)	(120,961)		(239,944)
Estimated Beginning Available	358,049			341,892
Estimated Ending Available	116,428			101,948

The Stormwater Drainage Fund accounts for all income and expenses related to the City's stormwater drainage system. It is supported by charges for services and a parcel tax collected as part of the City's property taxes. Unlike Water and Wastewater utilities, jurisdictions, including Arcata, have been limited in their ability to collect sufficient revenue to meet the needs of the National Pollutant Discharge Elimination System (NPDES) permit and the City's drainage infrastructure systems. The City is currently conducting a Stormwater Rate Study to determine the appropriate level of funding to provide the necessary services for system compliance. As reflected in the operating revenues and incomes, the fund has and continues to operate at a loss, which is unsustainable.