

STAFF REPORT

City Council Discussion Item

DATE: January 29, 2024

TO: Honorable Mayor and Council Members

FROM: Aaron Felmlee, Finance Director

THRU: Merritt Perry, City Manager

SUBJECT: FY 2023-24 Mid-Year Budget Review

STAFF RECOMMENDATION:

1. Receive the FY 2023-24 Mid-Year Budget Report; and
2. Review any questions with staff.

EXECUTIVE SUMMARY:

The Finance Department has conducted a mid-year budget review for fiscal year (FY) 2023-24. The intent of this report and discussion is to review activities for the first half of this fiscal year, in this case July 2023 through December 2023, and provide a revised projection of revenues and expenditures to fiscal year end. The formal submittal of a review during the fiscal year provides an opportunity to identify and present any fiscal problem areas to the City Council, and to recommend corrective action if required.

Mid-year is also a good time to review *actual* revenues and expenditures for the prior fiscal year. The General Fund currently will end FY 22-23 with a net surplus of \$371,504. The surplus was primarily due to increases in investment revenues. Compared to FY 21-22 investment revenues increased by approximately \$300,000. While this increase in investment revenue is great news staff is remaining cautious in estimating future revenue from investment activity. One of the main investment options the City utilizes, the Local Agency Investment Fund (LAIF), is returning 4% on investments which is the highest return in over 15 years.

As part of our mid-year budget analysis, staff has reviewed every line item of each activity for fiscal year 2023-24. Staff has provided estimates within the attached document for where we expect expenditures to finish at June 30, 2024. Staff is estimating having a decrease in department operating expenditures of \$16,597 in the General Fund for FY 2023-24. The decrease can be attributed to an abnormally high amount of vacant positions throughout the year resulting in pay and benefit savings to the City.

On the revenue side of the mid-year analysis sales tax has settled to near long-term trends after exceeding the long-term trend for multiple years during COVID. Franchise Fee revenue is estimated to exceed budget by \$20,000, the City receives this revenue based on Utility Franchise revenue receipts so as those increase the City's share also increases. As stated above investment revenue is exceeding expectations and historical trends and we anticipate receiving an additional \$110,000 in investment revenue. Staff will continue to monitor the City's fiscal health and use these findings to assist in preparing the FY 23-24 budget.

As part of this discussion staff is not recommending making any budget adjustments to the current adopted budget. Any proposed supplemental budget adjustments by staff will come before Council as a separate item for Council consideration and approval.

RECOMMENDED COUNCIL ACTION:

Receive the FY 2023-24 Mid-Year Budget Review; and review questions with staff.

Attachments:

A. FY 2023-24 Mid-Year Budget Review