



**QUARTERLY FINANCIAL REPORT**  
**Q2 (Oct. 1 to Dec. 31) FY 2023-24**

The second quarter of the fiscal year provides a better financial picture of where the City is situated financially than first quarter but expected delays in receiving and paying invoices and revenues still cause revenues and expenses to lag a month or more behind. The budget figures below are based on the adjustments provided for Council adoption for Mid-Year. Since the fiscal year is half way done, a base-line estimate for percent of budget spent year-to-date (YTD) is 50%. Keeping in mind that Taxes and particularly Intergovernmental Revenues will lag up to two months or more in receipt.

To provide a better financial picture for the City, Projected Year-End (YE) totals are provided that are based on the to-date 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. Of note, both Intergovernmental Revenues, which is predominately grant related revenues which are billed as a reimbursable, and the associated Capital Outlay expenses are projected to be well below budget (at 65% of budget). This is result of a long standing practice to budget best case on timing for when projects will be complete and to match the reimbursement payments to the same fiscal period.

**Summary - All City Funds**

**Revenue**

<b>Classification</b>	<b>Budget</b>	<b>Q2 Actual YTD</b>	<b>%</b>	<b>Projected YE</b>
Intergovernmental Revenues	38,471,496	934,111	2%	25,006,000
Charges for Services	15,589,900	7,518,528	48%	15,278,000
Taxes	11,872,970	3,690,821	31%	11,873,000
Use of Money & Property	2,612,309	1,913,699	73%	3,265,000
Other Revenue	4,948,880	2,396,519	48%	4,949,000
Licenses & Permits	862,000	515,141	60%	948,000
Fines & Forfeitures	225,000	102,684	46%	225,000
<b>Total Revenue</b>	<b>74,582,555</b>	<b>17,071,505</b>	<b>23%</b>	<b>61,544,000</b>

**Expenditures & Expenses**

<b>Classification</b>	<b>Budget</b>	<b>Q2 Actual YTD</b>	<b>%</b>	<b>Projected YE</b>
Capital Outlay	46,617,087	11,467,260	25%	30,301,000
Personnel Services	19,490,374	8,740,147	45%	18,126,000
Materials & Services	11,875,271	4,255,661	36%	10,094,000
Interfund/Intergovt payments	8,997,466	4,603,485	51%	8,997,000
Debt Service	5,210,143	168,752	3%	5,210,143
<b>Total Expenditures &amp; Expenses</b>	<b>92,190,342</b>	<b>29,235,305</b>	<b>32%</b>	<b>72,728,143</b>

**Incr./(Decr.) Fund Balance (17,607,786) (12,163,800) (11,184,143)**

**Estimated Beginning Total 59,230,034 59,230,034**

**Estimated Ending Total 41,622,248 48,045,891**

As a few of the City's tax, intergovernmental and investment earnings revenues were trending slightly better than budget after the first Quarter those revenue budgets have been adjusted up to reflect those trends. 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. There are modest budget savings projected in personnel cost and materials & services. Savings in Capital Outlay are expected but this is not expected to translate to budget savings over time as many capital projects are budgeted in one year and carried forward to the next year's budget, if not completed. It is common for larger capital projects to span several years for completion.

## Summary - General Fund

### Revenue & Transfers

Classification	Budget	Q2 Actual YTD	%	Projected YE
Taxes	11,044,000	3,512,716	32%	11,044,000
Intergovernmental Revenues	5,075,893	223,999	4%	5,076,000
Charges for Services	624,100	1,204,732	193%	543,000
Operating Transfers	1,432,890	716,445	50%	1,432,890
Licenses & Permits	817,000	446,879	55%	833,000
Use of Money & Prop./Other Rev.	2,652,799	207,658	8%	2,653,000
Fines & Forfeitures	210,000	102,684	49%	210,000
<b>Total Revenue</b>	<b>21,856,682</b>	<b>6,415,113</b>	<b>29%</b>	<b>21,791,890</b>

### Expenditures

Classification	Budget	Q2 Actual YTD	%	Projected YE
Personnel Services	12,148,947	5,485,207	45%	11,906,000
Capital Outlay	6,502,077	616,910	9%	4,877,000
Materials & Services	2,945,634	1,265,937	43%	2,769,000
Debt Service	2,574,395	59,278	2%	2,574,000
Interfund/Intergovt payments	1,134,206	570,403	50%	1,134,000
<b>Total Expenditures</b>	<b>25,305,259</b>	<b>7,997,735</b>	<b>32%</b>	<b>23,260,000</b>
<b>Incr./(Decr.) Fund Balance</b>	<b>(3,448,578)</b>	<b>(1,582,622)</b>		<b>(1,468,110)</b>
<b>Estimated Beginning Available</b>	<b>9,790,086</b>			<b>10,078,300</b>
<b>Estimated Ending Available</b>	<b>6,341,508</b>			<b>8,610,190</b>

The City's Sales Tax, Transaction Use Tax, Utility User Tax and Investment Earnings revenues are trending just slightly above budget and that is reflected in revised Mid-Year Budget amounts. Short-term Rental Permits and Resident Rental Inspections revenue continue to trend a little below original budget but collections have improved since first quarter. Overall, expenditures are only 32% of budget but if you remove the Capital Outlay expenditures and the Debt Service Payments, which includes \$2.5 million in payments to reduce the City's CalPERS Pension Liability and will be made before the end of the fiscal year, from this calculation expenditures are at 45%, which is typical and closer to target. The overall Personnel Services budget was increased by \$246,000 to cover the cost of a number of scheduled and anticipated retirement leave balance payouts in the remaining portion of the fiscal year. It is likely that additional retirement costs will be incurred in FY 2024-25. Additionally, the Police Department \$7,500 Retention Bonuses will be paid to all eligible officers prior to the end of the fiscal year, along with several additional \$10,000 payments on the \$50,000 lateral hire bonuses. The cost of the retirements and Police Department bonuses are expected to bring the Personnel Services cost to nearly full budget.

As is the case with the overall funds projections, capital and other larger projects budgets not completed in this year will most likely carry forward to FY 2024-25.

## Summary - All Special Revenue Funds (SRF)

### Revenue & Transfers

Classification	Budget	Q2 Actual YTD	%	Projected YE
Fines & Forfeitures	15,000	-	0%	15,000
Intergovernmental Revenues	11,014,661	669,983	6%	9,362,000
Operating Transfers	(1,205,000)	(612,500)	51%	(1,205,000)
Other Revenue	384,000	272,988	71%	422,000
Taxes	299,000	7,776	3%	299,000
Use of Money & Property	1,551,600	576,982	37%	1,552,000
<b>Total Revenue</b>	<b>12,059,261</b>	<b>915,229</b>	<b>8%</b>	<b>10,445,000</b>

### Expenditures

Classification	Budget	Q2 Actual YTD	%	Projected YE
Capital Outlay	8,868,031	1,370,607	15%	6,651,000
Interfund/Intergovt payments	4,095,878	1,651,164	40%	3,686,000
Materials & Services	2,767,677	606,147	22%	1,799,000
Personnel Services	2,096,017	859,412	41%	1,844,000
<b>Total Expenditures</b>	<b>17,827,603</b>	<b>4,487,330</b>	<b>25%</b>	<b>13,980,000</b>
<b>Incr./(Decr.) Fund Balance</b>	<b>(5,768,342)</b>	<b>(3,572,100)</b>		<b>(3,535,000)</b>
<b>Estimated Beginning Available</b>	<b>11,169,748</b>			<b>11,169,748</b>
<b>Estimated Ending Available</b>	<b>5,401,406</b>			<b>7,634,748</b>

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/Intergovernmental expenditures which together make up 73% of the budgeted 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	Q2 Actual YTD	%	Projected YE
Intergovernmental Revenues	2,020,634	40,000	2%	1,824,678
<b>Total Revenue</b>	<b>2,020,634</b>	<b>40,000</b>	<b>2%</b>	<b>1,824,678</b>

### Expenditures

Classification	Budget	Q2 Actual YTD	Projected YE
<b>FY 2023-24 Projects:</b>			
Arcata Main St to Arcata Chamber	100,000	50,000	100,000
Other Support Payments	40,000	-	20,000
Safe Parking	128,916	105,347	128,916
MIST	75,000	-	65,000
Ambassador Program	175,150	53,727	110,000
Pavement Master Plan	350,000	198,763	350,000
Climate Change	206,597	50	156,597
Valley East Community Center	175,000	6,400	47,800
Maintain Staffing	547,971	221,846	329,000
South I St Dock	120,000	-	120,000
Beautification Projects	123,410	21,333	73,410
PD Radio System Upgrade	222,201	67,827	222,201
Arial Image	15,000	3,531	11,770
CUNA	89,984	19,662	89,984
<b>Total Expenditures</b>	<b>2,369,229</b>	<b>748,486</b>	<b>1,824,678</b>
<b>Incr./(Decr.) in Funding Available</b>	<b>2,369,229</b>	<b>748,486</b>	<b>1,824,678</b>
<b>Estimated Beginning Available</b>	<b>2,450,535</b>		<b>2,450,535</b>
<b>Estimated Ending Available</b>	<b>81,306</b>		<b>665,857</b>

## ENTERPRISE FUNDS

### Summary - Water Enterprise Fund

#### Revenue & Transfers

Classification	Budget	Q2 Actual YTD	%	Projected YE
Charges for Services	6,428,000	3,255,626	51%	6,428,000
Intergovernmental Revenues	3,000,000	-	0%	3,000,000
Operating Transfers	(100,000)	(50,000)	50%	(100,000)
<b>Total Revenue</b>	<b>9,328,000</b>	<b>3,205,626</b>	<b>34%</b>	<b>9,328,000</b>

#### Expenses

Classification	Budget	Q2 Actual YTD	%	Projected YE
Capital Outlay	5,959,583	737,833	12%	5,960,000
Debt Service	1,135,748	109,474	10%	1,135,748
Interfund/Intergovt payments	1,405,469	874,098	62%	1,405,000
Materials & Services	2,313,113	919,142	40%	2,197,000
Personnel Services	1,646,812	773,637	47%	1,564,000
<b>Total Expenses</b>	<b>12,460,725</b>	<b>3,414,184</b>	<b>27%</b>	<b>12,261,748</b>

<b>Incr./(Decr.) Working Capital</b>	<b>(3,132,725)</b>	<b>(208,558)</b>		<b>(2,933,748)</b>
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<b>Estimated Beginning Available</b>	<b>12,319,404</b>			<b>12,319,404</b>
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<b>Estimated Ending Available</b>	<b>9,186,679</b>			<b>9,385,656</b>
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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 51% 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 48%, which is consistent with second quarter.

### Summary - Wastewater Enterprise Fund

#### Revenue & Transfers

Classification	Budget	Q2 Actual YTD	%	Projected YE
Charges for Services	8,160,000	4,196,106	51%	8,160,000
Intergovernmental Revenues	18,012,661	-	0%	15,311,000
Operating Transfers	(100,000)	(50,000)	50%	(100,000)
Other Revenue	229,500	131,865	57%	229,500
<b>Total Revenue</b>	<b>26,302,161</b>	<b>4,277,971</b>	<b>16%</b>	<b>23,600,500</b>

#### Expenses

Classification	Budget	Q2 Actual YTD	%	Projected YE
Capital Outlay	23,285,998	8,627,973	37%	15,136,000
Debt Service	1,500,000	-	0%	1,500,000
Interfund/Intergovt payments	1,639,798	1,023,192	62%	1,640,000
Materials & Services	1,568,891	549,648	35%	1,412,000
Personnel Services	2,066,916	949,236	46%	1,964,000
<b>Total Expenses</b>	<b>30,061,603</b>	<b>11,150,050</b>	<b>37%</b>	<b>21,652,000</b>

<b>Incr./(Decr.) Working Capital</b>	<b>(3,759,442)</b>	<b>(817,371)</b>		<b>1,948,500</b>
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<b>Estimated Beginning Available</b>	<b>6,370,225</b>			<b>6,370,225</b>
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<b>Estimated Ending Available</b>	<b>2,610,783</b>			<b>8,318,725</b>
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Similar to the Water Revenue, revenue from the enterprise fund wastewater service charges, is on target at 51% 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 48%, which is consistent with second quarter.

## Summary - Transit Enterprise Fund

### Revenue & Transfers

Classification	Budget	Q2 Actual YTD	%	Projected YE
Charges for Services	394,500	36,076	9%	395,000
Intergovernmental Revenues	1,055,017	-	0%	1,055,000
Other Revenue	140,000	3,232	2%	140,000
<b>Total Revenue</b>	<b>1,589,517</b>	<b>39,308</b>	<b>2.5%</b>	<b>1,590,000</b>

### Expenses

Classification	Budget	Q2 Actual YTD	%	Projected YE
Capital Outlay	42,000	-	0%	42,000
Interfund/Intergovt payments	143,310	109,161	76%	143,000
Materials & Services	1,151,298	602,988	52%	1,151,000
Personnel Services	160,508	83,640	52%	161,000
<b>Total Expenses</b>	<b>1,497,116</b>	<b>795,789</b>	<b>53%</b>	<b>1,497,000</b>

<b>Incr./(Decr.) Working Capital</b>	<b>92,401</b>	<b>(756,481)</b>		<b>93,000</b>
<b>Estimated Beginning Available</b>	<b>238,977</b>			<b>238,977</b>
<b>Estimated Ending Available</b>	<b>331,378</b>			<b>331,977</b>

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 9% of revenue that has been recognized in Q2. 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 53%, some of this total reflects prepaid annual expenses.

## Summary - Solid Waste Enterprise Fund

### Revenue & Transfers

Classification	Budget	Q2 Actual YTD	%	Projected YE
Charges for Services	29,500	15,929	54%	30,000
Intergovernmental Revenues	22,000	26,990	123%	29,000
Taxes	492,000	170,330	35%	492,000
<b>Total Revenue</b>	<b>543,500</b>	<b>213,249</b>	<b>39%</b>	<b>551,000</b>

### Expenses

Classification	Budget	Q2 Actual YTD	%	Projected YE
Capital Outlay	10,000	-	0%	10,000
Interfund/Intergovt payments	101,106	59,728	59%	101,000
Materials & Services	171,241	56,780	33%	171,000
Personnel Services	285,315	119,438	42%	258,000
<b>Total Expenses</b>	<b>567,662</b>	<b>235,946</b>	<b>42%</b>	<b>540,000</b>

<b>Incr./(Decr.) Working Capital</b>	<b>(24,162)</b>	<b>(22,697)</b>		<b>11,000</b>
<b>Estimated Beginning Available</b>	<b>786,962</b>			<b>786,962</b>
<b>Estimated Ending Available</b>	<b>762,800</b>			<b>797,962</b>

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 and the holidays at the end of the calendar year delayed deliver until January, Q2, the "taxes" reflects only 4 months fees and not six. Otherwise revenues are on track to exceed budget by a small amount.

## Summary - Stormwater Enterprise Fund

### Revenue & Transfers

Classification	Budget	Q2 Actual YTD	%	Projected YE
Charges for Services	253,800	42,542	17%	254,000
Intergovernmental Revenues	221,264	27,584	12%	221,000
Licenses & Permits/Other Revenue	13,800	7,013	51%	14,000
Operating Transfers	30,000	15,000	50%	30,000
Use of Money & Property	78,509	37,317	48%	79,000
<b>Total Revenue</b>	<b>597,373</b>	<b>129,456</b>	<b>22%</b>	<b>598,000</b>

### Expenses

Classification	Budget	Q2 Actual YTD	%	Projected YE
Capital Outlay	53,937	27,202	50%	54,000
Interfund/Intergovt payments	259,199	132,315	51%	259,000
Materials & Services	239,039	9,216	4%	167,000
Personnel Services	382,977	173,593	45%	364,000
<b>Total Expenses</b>	<b>935,152</b>	<b>342,326</b>	<b>37%</b>	<b>844,000</b>
<b>Incr./(Decr.) Working Capital</b>	<b>(337,779)</b>	<b>(212,870)</b>		<b>(246,000)</b>
<b>Estimated Beginning Available</b>	<b>358,049</b>			<b>341,892</b>
<b>Estimated Ending Available</b>	<b>20,270</b>			<b>95,892</b>

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.