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Title: FISCAL YEAR 2022-2023 MID-YEAR FINANCIAL REPORT AND CONSIDER ADOPTION OF RESOLUTION NO. 23-035 TO AMEND THE FISCAL YEAR 2022-2023 BUDGET (CITY COUNCIL).

Sponsors:

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Date	Ver.	Action By	Action	Result
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Report to Mayor and City Council

Tuesday, February 21, 2023

Discussion

SUBJECT:

FISCAL YEAR 2022-2023 MID-YEAR FINANCIAL REPORT AND CONSIDER ADOPTION OF RESOLUTION NO. 23-035 TO AMEND THE FISCAL YEAR 2022-2023 BUDGET (CITY COUNCIL).

I. SUMMARY

The Finance Department performs an ongoing review of the City’s financial performance and provides updates on the General Fund results to the Mayor and the City Council. The report presents the City’s financial position in the current Fiscal Year (2022-2023) based on actual revenue and expenditures for the period of July 1 through December 31, 2022.

II. RECOMMENDATION

TAKE the following actions:

1. RECEIVE and FILE the 2022-2023 Mid -Year Financial Report.

2. Adopt Resolution No. 23-035, A RESOLUTION OF THE CITY OF CARSON CITY COUNCIL AMENDING THE FISCAL YEAR 2022-2023 BUDGET IN THE GENERAL FUND.

- 1.

III. ALTERNATIVES

TAKE another action deemed appropriate by City Council.

IV. BACKGROUND

The City Council adopted the Fiscal Year 2022-2023 Budget at its June 21, 2022 meeting. The Mid-Year budget report analyzes the budget status at the mid-point of the current fiscal year and updates the Mayor and the City Council on the City of Carson's financial position. The report provides an opportunity to adjust expenditures appropriation based on changed needs or priorities.

The Mid-Year Report is focused on the City's General Fund as the main operating fund for the City. Staff reviewed and is proposing adjustments to account to changing needs and new priorities within each department, considering anticipated expenditures for the remainder of the fiscal year (June 30, 2023).

The Fiscal Year 2022-2023 Budget was adopted by the City Council to maintain levels of service to the City of Carson residents and enhance public safety efforts.

General Fund Revenue Update

At the end of Fiscal Year 2021-2022, the General Fund revenue totaled \$129 million. This is \$36 million (or 39%) higher than originally planned as stated on **Exhibit (1)**.

Based on year-to-date information, revenue receipts do not follow an even schedule or linear trend. Although 50% of fiscal year 2022-2023 has elapsed, revenues are exceeding historic trends due to the country experiencing inflationary pricing pressures for goods and services, The Russian's invasion of Ukraine caused an increase to the price of crude, and high consumer demand for goods and services as disposable income spending return to pre-pandemic levels. Industries in Carson with the largest Year over Year sales tax increases is Fuel and Service Stations (40.2%) and Restaurants and Hotels (38.5%). At Mid-Year revenues exceeded budget by 5% due in large part to receiving one time \$59 million oil tax recovery payment see **Exhibit (2)**.

Transaction Use Tax (Measure K) is also outperforming expectations with 65% of budgeted amount received at mid-year. The Utility Users Tax which was approved by the City of Carson voters this past November elections is exceeding expectations with revenues collected at mid-year at 67%.

General Fund revenues collected through December 30, 2022 is \$110 million (or 5% over budget). Revenue receipts for the second quarter do not necessarily provide a "clear" picture of revenue receipts for the fiscal year, as receipts are seasonal with major revenues such as property taxes not being received until February or March. Sales taxes for the

October-December quarter are not finalized until end of February. Business license tax receipts begin in February and peak in March towards the beginning of the annual renewal period.

The Fiscal Year 2022-2023 General Fund revenue budget, as adopted, totals approximately \$104 million. Based on economic activity and revenue collections through December 2022, staff is projecting that the total revenues will exceed the amounts originally budgeted.

1) General Fund Expenditure Update

When the Fiscal Year 2022-2023 budget was adopted on June 21, 2022, Fiscal Year 2021-2022 was not yet closed; and the ending General Fund balance was only an estimate of \$59 million. The City ended Fiscal Year 2021-2022 with a year-end fund balance of \$107 million -see **Exhibit (3)**. At the same time, **Exhibit (4)** illustrates the annual FY 2021-2022 expenditures.

The combination of revenue performance and lower expenditures in the General Fund resulted in increased fund balance. The audited fund balance at the beginning of the 2022-2023 fiscal year was a total of \$107,857,894.

Fund balance is the City's "reserve". It provides a measure of the City's ability to mitigate future risks associated with providing important services in times of economic uncertainties. To provide funding for emergencies, the City Council has adopted a policy that requires fund balance to be maintained at a minimum level equal to 20% of General Fund's budget. The City now maintains a very healthy fund balance ("reserve") with about \$90 million in Unrestricted Reserve Funds.

Overall, the City of Carson's spending for the second quarter of Fiscal Year 2022-2023 is 39% see Exhibit (5). The City Adopted Operational Budget that was revised up from \$103 million to \$116 million partly due to the City and Bargaining Unit (AFSCME 809 & 1017, AME, and SEIU) memorandum of understanding agreements on COLA and increase in medical allowance on November 1st, 2022. Due to increased cost pressures in personnel costs the adopted budget required additional funding from unrestricted reserve to compensate. The increase in personnel cost will be included in the development of Fiscal Year 2023-2024 operational budget.

2) Mid-Year Budget Requests

- 1.) **\$712,000**: Public Works requesting funds to replenish vehicle fleet. The requested amount is for purchases listed: (1 CNG Powered Bucket Truck, 4 Midsized Trucks, 1 304 Wheel Loader, 2 F-250 Trucks, 1 Graffiti Truck Pressure Washers

- 2.) **\$352,315:** Additional 7 FTE (2 FTE Human Resources, 3 FTE Public Works, 2 FTE Information Technology & Security, 3 positions reclassification) for the remaining four months

- 3.) **\$300,000:** Public Works is requesting additional funding for CB radios purchases which is required for Emergency Services.

- 4.) **\$270,000:** Human Resources requesting additional funding for City Wide compensation study to help ensure staff scope of work is reflected in pay.

- 5.) **\$257,050:** During Budget Workshop #3 held on May 17, 2022, Council authorized funding for 55th Anniversary events (Gala Ball, Street Fair, Tour De Carson). The monies were not included in Special Events budget at Budget Adoption due to oversight by staff. The requested amount will be required for fund all 3 three events.

- 6.) **\$100,000:** Public Works is requesting additional funding for various plumbing (pumps) needs at City Parks and City Hall.

- 7.) **\$100,000:** Public Works requesting additional funding for Street Light Maintenance.

- 8.) **\$30,850:** Community Services is requesting additional funding for 2 additional events for 55th Anniversary (5K Walk and Golf Tournament).

- 9.) **\$24,999:** Public Safety Emergency Division entered contract with Eunique A. Day to provide the City with Continuity of Operations Plans. The requested amount for the services was not budgeted in Emergency Services Division at adoption, therefore budget amendment will be required.

3) **Fiscal Year 2022-2023 Vacancy Status:**

Vacancies are the largest source of budget underspending. Note that vacancies are constantly changing, and certain circumstances could be very different in a matter of days or weeks. The following table summarizes the 41 vacant positions across all departments,

which is 13% of total General Fund FTEs see **Exhibit 6**.

V. FISCAL IMPACT

There is no impact to the General Fund reserve. Per Budget Resolution 23-035, total staff requests that includes additional personnel and equipment total \$1,178,299. The mid-year budget appropriation is offset by the projected increase in year-end revenues (i.e., Measure K Transaction and Use Tax revenues are projected to exceed projections by over \$1.2 million).

VI. EXHIBITS

1. Exhibit 1: FY 2021-2022 General Fund Revenues. (pg.6)
2. Exhibit 2: FY 2022-2023 General Fund Revenues by Category. (pg.7)
3. Exhibit 3: General Fund Reserve Summary. (pg.8)
4. Exhibit 4: FY 2021-2022 Expenditures Summary. (pg.9)
5. Exhibit 5: FY 2022-2023 Year-To-Date Financial Performance (pg.10)
6. Exhibit 6: Vacancy Rate by Departments (pg.11)
7. Exhibit 7: Phase 2B Restructure Plan (pg.12)
8. Exhibit 8: Budget Resolution 23-035 (pgs.-13-15)

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Prepared by: Ralston Turner, Sr. Budget Analyst