



Legislation Text

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Report to Mayor and City Council

Tuesday, December 05, 2023

Consent

SUBJECT:

FISCAL YEAR 2023-2024 FIRST QUARTER FINANCIAL REPORT (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. This report represents the City's financial condition in the current Fiscal Year (2023-2024) based on actual revenue and expenditures for the July 1 through September 30, 2023.

II. RECOMMENDATION

Receive and File.

III. ALTERNATIVES

TAKE another action that the City Council deems appropriate.

IV. BACKGROUND

The City of Carson is projected to end Fiscal Year 2022-2023 with an estimated General Fund Balance Reserve of \$222.9 million.

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 the General Fund's budget. Exhibit #2 provides a five-year fund balance trend for the General Fund.

The \$222.9 million unaudited reserve includes a surplus of **\$79 million** above the City Council's reserve policy requirements. The \$143M of restricted monies are composed of 421K **Non-spendable** which is inventory, \$27M **Restricted** which are Capital Projects, \$24M in **Committed** which is monies for economic uncertainties, and \$91M **Assigned** are for self-insurance and Oil Tax Audit Lump Sum Payments (see Exhibit #1). The increase in reserve balance can be

attributed to underspending in departmental budgets. The revised budget for Fiscal Year 2022-2023 was \$118M, total spending for Fiscal Year was \$104M at the end of Fiscal Year 2022-2023 which accounted for 88% of the City Operational Budget being spent (\$14M unspent). Additionally for General Fund monies budgeted for Capital Projects per the adopted Fiscal Year 2022-2023 C.I.P. plan totaled \$28M, however only \$7M was spent, which left \$21M surplus in General Fund for Capital Improvement Project budget.

Year over Year increases (Fiscal Year 2021-2022 compared to Fiscal Year 2022-2023) in revenue received contributed to the \$222M projected reserve balance, in particular the City received 4 payments totaling \$76M in Oil Business Tax lump sum from the ongoing Oil Industry Business Tax (Measure C) Audit. The four payments were received on 10/20/2022 for \$64K, 12/27/2022 for \$59M, 3/27/2023 for \$63K, and 6/30/2023 for \$16M. Property Tax Revenue rose 15% Year over Year, Utility Users Tax (Measure R) rose 40% Year over Year, and Transaction Users Tax (Measure K) rose 30% Year over Year. All revenue and expenses data can be reviewed on the City's Budget Transparency Portal through Opengov located on the City's website here:
<https://carsonca.opengov.com/transparency#/69016/accountType=revenuesVersusExpenses&>

The audited fund balance will be available upon the completion of the ongoing financial audit, December 30, 2023.

As of September 30, 2023, fiscal year 2023-2024 expenditures for all departments totaled \$24.1 million (19% expended). Departments' annual budgets are not spent evenly throughout the fiscal year for example as Risk Management Division is under City Manager Office, percentage of budget spent was 27% due to payment of liability premiums due in the beginning of fiscal year. Also noteworthy, during the 1st Quarter, a re-org of Landscaping Park & Maintenance Division was moved from Public Works Department to Community Services department. Total budget reallocated in this re-org between departments was \$4 million.

Total First Quarter spending for the Fiscal Year 2023-2024 C.I.P. budget which totaled \$65 million was \$1.7 million.

General Fund revenues collected through September 30, 2023 was \$26 million (or 22% of budget). Of the \$26.4 million received, \$10 Million was Sales and Use Tax, \$4.6 million Transaction User Tax (Measure K), \$1.2 million was Utility Users Tax, \$1.3 million from Measure C's Oil Business Tax and \$391,000 was Transient Occupancy tax. Revenue received for Building and Safety totaled \$4.5 million for First Quarter. Transtech replaced Los Angeles County with assisting the City's Building & Safety fee processing. Revenue receipts for the first 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 December and January. Sales taxes for the July-September quarter are not finalized until end of November. Holiday events such as Black Friday, Cyber Monday and Christmas are all received after the second quarter of the fiscal year. Business license tax receipts begin in January and peak in February toward the beginning of the annual renewal period.

V. FISCAL IMPACT

This is a receive and file report that provides a summary of the year's fiscal activity through the end of the first quarter.

VI. EXHIBITS

1. Oil Audit Revenue Restriction Authorization Letter (pgs. 4-16)

1.

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