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Title: FISCAL YEAR 2021-2022 MID-YEAR FINANCIAL REPORT AND CONSIDER ADOPTION OF RESOLUTION NO. 22-021 TO AMEND THE FISCAL YEAR 2021-2022 BUDGET (CITY COUNCIL).

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Attachments: 1. Exhibit A: FY 20-21 General Fund Balance Reserve, 2. Exhibit B: City Attorney's Office FY 20-21 Expenditures, 3. Exhibit C: City Attorney's Office FY 21-22 Expenditures, 4. Exhibit D: Budget Resolution 22-021, 5. Exhibit E: Public Works Department Mid-Year Budget Reallocation Request

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

Tuesday, February 15, 2022

Discussion

SUBJECT:

FISCAL YEAR 2021-2022 MID-YEAR FINANCIAL REPORT AND CONSIDER ADOPTION OF RESOLUTION NO. 22-021 TO AMEND THE FISCAL YEAR 2021-2022 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 condition in the current Fiscal Year (2021-2022) based on actual revenue and expenditures for the period of July 1 through December 31, 2021. In addition, the report includes a Mid -Year budget funding reallocation request from Public Works department.

II. RECOMMENDATION

1. RECEIVE and FILE Mid -Year Budget Report
2. Adopt Resolution No. 22-021, A RESOLUTION OF THE CITY OF CARSON CITY COUNCIL AMENDING THE FISCAL YEAR 2021-2022 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 2021-2022 Budget at its June 15, 2021 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, 2022).

The Fiscal Year 2021-2022 Budget was adopted by the City Council to maintain levels of service to the residents for the City of Carson and enhance public safety efforts.

General Fund Revenue Update

At the end of Fiscal Year 2020-2021, the General Fund revenue totaled \$93.1 million. This is \$6 million (or 7%) higher than originally planned as stated on Table (1).

Table (1): FY 2020-2021 General Fund Revenue by Category

Revenue Source	Budget	Actual	Variance
Sales and Use Tax	\$23,203,365	\$30,133,399	\$6,930,034
Franchise Tax	\$9,366,800	\$11,333,349	\$1,966,549
Property Tax	\$15,274,891	\$17,177,864	\$1,902,973
Transient Occupancy Tax	\$1,935,000	\$1,647,103	(\$287,897)
Utility Users Tax	\$7,000,000	\$8,670,113	\$1,670,113
Real Property Transfer	\$288,000	\$583,413	\$295,413
Oil Business Tax	\$4,230,000	\$2,451,181	(\$1,778,819)
License and Permits	\$8,048,539	\$6,845,910	(\$1,202,629)
Fines and Fees	\$9,009,454	\$7,602,815	(\$1,406,639)
Charges for Services	\$3,066,850	\$910,822	(\$2,156,028)
Investment Income	\$550,000	\$280,571	(\$269,429)
Miscellaneous	\$5,123,500	\$5,547,123	\$423,623
Total	\$87,096,399	\$93,183,665	\$6,087,266

Based on year-to-date information, revenue receipts do not follow an even schedule or

linear trend. Although 50% of fiscal year 2021-2022 has elapsed, revenues are exceeding historic trends, revenues are estimated to be at approximately 52% of the budgeted amount as stated on Table (2). Most notable are revenues collected for License and Permits which exceeded budget by \$1.2 million dollars. Specifically, we received \$1.8 million for Building Construction Permits, and \$1.6 million in Regulatory Business Permits in the first half of the year.

General Fund revenues collected through December 30, 2021 are \$47.9 million (or 52% of 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 total revenue is conservatively projected to be in line with the budget and it also should be noted that the lag in timing of revenue receipts is one reason an operating cash reserve continues to be necessary.

The Fiscal Year 2021-2022 General Fund revenue budget, as adopted, totals approximately \$92.9 million. Based on economic activity and revenue collections through December 2021, staff is anticipating that total revenues will produce significant increases over the amounts originally budgeted.

Table (2): FY 2021-2022 General Fund Revenue by Category

Revenue Source	Adopted Budget	Actuals	% Collected
Sales Tax	\$27,355,883	\$13,770,764	50%
Franchise Tax	\$9,500,000	\$2,611,803	27%
Property Tax	\$16,972,574	\$8,663,352	51%
Transaction User Tax (Measure K)	\$13,900,000	\$6,213,683	45%
Transient Occupancy Tax	\$1,935,000	\$857,779	44%
Utility Users Tax	\$7,450,000	\$5,919,525	79%
Oil Business Tax	\$4,700,000	\$1,173,036	25%
License and Permits	\$2,900,000	\$4,136,336	143%
Fines and Fees	\$2,400,000	\$1,247,722	52%
Charges for Services	\$5,800,000	\$1,025,415	18%
Miscellaneous		\$2,297,854	
Total	\$92,913,457	\$47,917,271	52%

1) General Fund Expenditure Update

When the Fiscal Year 2021-2022 budget was adopted on June 15, 2021, Fiscal Year 2020-2021 was not yet closed; and the beginning General Fund balance was only an estimate of \$45 million. The City ended Fiscal Year 2020-2021 with a budget surplus in excess of \$59.4 million (Exhibit A) and as stated on Table (3):

Table (3): General Fund Reserve (Fund Balance) Summary

	Projected	Actual	Over/(Under)
Beginning Fund Balance	\$45.1 M	\$44.6 M	
Revenues	\$87.0 M	\$87.4M	0.4 M
Expenditures	\$87.0 M	\$72.6M	(\$14.4) M
Ending Fund Balance	\$45.1 M	\$59.4 M	\$14.3 M

The annual FY 2020-2021 spending is stated in table (4) below.

Table (4): Fiscal Year 2020-2021 Expenditures Summary

Department Name	Budgeted Expenditures	Actual	Over/(Under) Budget
City Council's Office	\$1,220,841	\$949,230	(\$271,612)
City Attorney's Office ⁽¹⁾	\$2,920,000	\$2,854,441	(\$65,559)
City Clerk's Office	\$1,022,797	\$888,226	(\$134,570)
City Treasurer's Office	\$745,713	\$640,676	(\$105,037)
City Manager's Office	\$4,879,236	\$4,288,494	(\$590,741)
Public Safety Department	\$25,604,357	\$25,224,443	(\$379,914)
Finance Department	\$4,384,082	\$3,775,921	(\$608,161)
Human Resources Department	\$2,869,196	\$2,566,992	(\$302,204)
Community Development Department	\$6,180,942	\$3,703,270	(\$2,477,672)
Community Services Department	\$13,532,689	\$9,636,790	(\$3,895,899)
Public Works Department	\$16,731,564	\$17,208,718	\$477,154
Non-Departmental	\$6,874,984	\$6,504,712	(\$370,272)
Total	\$86,966,399	\$79,241,913	(\$8,724,488)

⁽¹⁾ The City Attorney's total expenditures of \$2,854,441 are two categories: General Fund (\$2,268,726) and Reimbursable Matters (\$585,714) -details on Exhibit (B)

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 2021-2022 fiscal year was a total of \$59,399,074.

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") at approximately 64% of budgeted expenditures (\$41 million or 44% above City Council reserve policy).

Overall, the City of Carson's spending for the second quarter of Fiscal Year 2021-2022 is 45% (Table 5).

Table (5): Fiscal Year 2021-2022 Year-To-Date Financial Performance

Department Name	Budget	Actual	% Spent
City Council's Office	\$962,481	\$527,649	55%
City Attorney's Office ⁽²⁾	\$3,100,000	\$1,184,631	38%
City Clerk's Office	\$1,423,926	\$283,041	20%
City Treasurer's Office	\$770,678	\$380,738	49%
City Manager's Office	\$5,711,385	\$2,376,832	42%
Public Safety Department	\$26,235,160	\$13,304,892	51%
Finance Department	\$4,554,021	\$1,899,965	42%
Human Resources Department	\$3,329,446	\$2,095,959	63%
Community Development Department	\$5,695,392	\$1,582,860	28%
Community Services Department	\$14,954,089	\$7,030,592	47%
Public Works Department	\$23,182,200	\$8,742,109	38%
Non-Departmental	\$7,174,984	\$4,417,005	62%
Total	\$97,093,762	\$43,826,273	45%

⁽²⁾ The City Attorney's total expenditures of \$1,184,631 are two categories: General Fund (\$1,044,631) and Reimbursable Matters (\$140,232) -details on Exhibit (C)

2) Mid-Year Budget Requests

The Public Works Department is requesting the City Council's approval to reallocate \$458,579 within the different department's operating budget accounts. The Public Works department has had numerous staff vacancies which resulted in many engineering designs and construction projects not occurring and thus the overall PW budget is not being fully spent. The Savings continue to be in the salaries general accounts attributed to vacancies which are available to offset a portion of these projected new \$458,579 expenditures. For Fiscal Year 2021-2022, the department is requesting to transfer \$458,579 to account for increases in Fleet, Grounds, and Buildings specifically in Sub-Divisions for vehicle maintenance, city-wide landscaping maintenance, park and playground improvements, and building maintenance for the Community Center and City Hall. Also, the department is requesting to transfer funds for mid-year to account for job postings and advertising, computers, phones, smart devices, and software licenses.

3) Fiscal Year 2020-2021 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 (table 6).

Table (6): Vacancy Report by Department

Department Name	Budgeted FTEs	FY 21-22 Mid-Year	
		Vacant FTEs	Vacancy Rate
Public Works	130	14	11%

Community Services	67	9	13%
Community Development	23	5	22%
Human Resources	11	2	18%
Public Safety	24	3	13%
Finance	32	6	19%
City Manager's Office	6	1	17%
Information Technology	8		0%
City Clerk's Office	4	1	25%
City Treasurer's Office	4		0%
City Council's Office	5		0%
Public Information Office	4		0%
TOTAL	318	41	13%

V. FISCAL IMPACT

The City's budget provides the funding and expenditure plan for all departments. As such, it serves as the City's financial plan for the fiscal year. If recommendation no. 2 is approved, \$458,579 would be transferred between certain accounts within Public Works department as identified in Exhibit D - Resolution No. 22-021. Finance staff continues to gather and submit all related COVID-19 relief expenditures in order to receive reimbursement through either state or federal emergency COVID-19 funding.

VI. EXHIBITS

1. Exhibit A: FY 20-21 General Fund Balance Reserve. (Page-7)
2. Exhibit B: City Attorney's Office FY 20-21 Expenditures. (Page-8)
3. Exhibit C: City Attorney's Office FY 21-22 Expenditures. (Page-9)
4. Exhibit D: Budget Resolution 22-021. (Page-10)

5. Exhibit E: Public Works Department Mid-Year Budget Reallocation Request. (Page-11)

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