

STAFF REPORT

Consent Agenda Item

DATE: August 21, 2023

TO: Honorable Mayor and Council Members

FROM: Aaron Felmlee, Finance Director

THROUGH: Merritt Perry, City Manager

SUBJECT: Finance Department Monthly Report

STAFF RECOMMENDATION:

Receive report as an informational item.

EXECUTIVE SUMMARY:

CalPERS Investment Returns:

California Public Employees' Retirement System (CalPERS) recently reported preliminary investment returns for fiscal year 2022-23 at a positive 5.8%. While this is a positive return and a large turnaround from the prior fiscal years negative 6.1% return it still fell short of CalPERS expected rate of return of 6.8%.

What this means to the City is that although one percent may not be significant it will require the City to pick up the earnings shortfall in the form of future mandated unfunded liability payments. The earnings shortfall will be amortized over 20 years and charged to the City via Unfunded Liability Payments. It should be noted that the Additional Discretionary Payment that Council authorized staff to make in June will go a long way to minimizing the effect this one percent investment shortfall will have on the City.

Sales Tax Revenue:

The City received yet again disappointing results from sales tax revenue, this time for the period of January through March. For the fourth quarter in a row sales tax revenue has declined. January – March 2023 sales were down 5.1% as compared to last year. The positive news is that the City continue to perform better than the County as a whole which was down 7.4% as compared to last year. For comparison purposes the State was down 1.1% which demonstrates a macro economic issue pushing sales tax revenue down.

The largest driver to the decline was used car sales which declined 20% quarter over quarter. Additionally, due to lower gas prices year over year the City's revenue received from fuel service stations declined 19%. Updated revenue projections have the City coming in just below (\$5,000 to \$10,000) our budgeted amount of \$2,145,600 for FY 2022-23, not as large as one might expect considering we have seen declining sales tax for 4 straight quarters. This is an example where budgeting conservatively and building in some slight economic downturn within our budget estimates has proven beneficial.

Measure E Update:

The Measure E committee's next regularly scheduled meeting is set for September 19, 2023 at 5:30pm. The primary purpose of this meeting will be for Staff to review with the Committee the list of Measure E funded projects that were included in the Council Adopted Budget for fiscal year 2023-24.

List of Measure E items funded this month:

- (2) Police Detective Positions
- Police Community Services Officer Position
- Police Records Clerk Position
- Parks and Recreation Director Position
- Recreation Program Supervisor Position
- Police Officer Over Hire
- Transit Trips to Eureka for Seniors
- PT Code Compliance Officer Position
- K-9 Program
- Storm Drain Infrastructure Vulnerability Assessment Project
- Prop 1 LID 12th St Project
- Police Facility Project

An activity log displaying important Finance data is attached for informational purposes.

RECOMMENDED COUNCIL ACTION:

Receive Finance Department Monthly Report. Consent Agenda vote.

ATTACHMENTS:

- Finance Staff Activity Log for July 2023
- Sales Tax Newsletter 1Q 2023 (January – March)