

STAFF REPORT

City Council Presentation/Discussion Agenda Item

DATE: February 7, 2022

TO: Honorable Mayor and Council Members

FROM: Aaron Felmlee, Finance Director

THROUGH: Merritt Perry, City Manager

SUBJECT: FY 2021-22 Mid-Year Budget Review

STAFF RECOMMENDATION:

1. Receive the FY 2021-22 Mid-Year Budget Review Report; and
2. Review any questions with staff.

EXECUTIVE SUMMARY:

The Finance Department has conducted a mid-year budget review for fiscal year (FY) 2021-22. The intent of this report and discussion is to review activities for the first half of this fiscal year, in this case July 2021 through December 2021, and provide a revised projection of revenues and expenditures to fiscal year end. The formal submittal of a review during the fiscal year provides an opportunity to identify and present any fiscal problem areas to the City Council, and to recommend corrective action or additional funding if required.

Although the Financial Statement Audit is not complete, the General Fund is currently looking like it will end FY 20-21 with a net surplus of \$889,509, \$790,801 more than the previous fiscal year. Compared to FY 19-20 recurring revenues, which includes main contributors such as sales tax, property tax, and transient occupancy tax, increased overall by a significant 9%.

As part of our mid-year budget analysis, staff has reviewed every line item of each activity for fiscal year 2021-22. Staff has provided estimates within the attached document for where we expect expenditures to finish at June 30, 2022. Staff is estimating having additional department operating expenditures of \$564,979 in the General Fund for FY 2021-22. A majority of these increases have come before Council for approval at previous Council Meetings. These include approximately \$320,000 for parkland acquisition costs next to Newburg Park, \$65,000 for Planning and Building Software, \$45,000 for Hybrid Meeting Council Chamber upgrades, and \$120,000 for ARPA Essential Worker Stipends.

On the revenue side of the mid-year analysis sales tax continues to outperform the City's original estimates by a healthy margin. Following a meeting with our sales tax consultants' staff is estimating an increase in our Bradley Burns Sales Tax of \$161,800 for the FY. Transient Occupancy Tax or Hotel Tax as it is commonly referred to is estimated to exceed budget by \$100,000. The City is also expected to receive \$320,000 from Prop 68 Grant Funds to pay for the purchase of the parkland acquisition next to Newburg Park. Staff will continue to monitor the City's fiscal health and use these findings to assist in preparing the FY 21-22 budget.

As part of this discussion staff is not recommending making any budget adjustments to the current adopted budget. Any proposed supplemental budget adjustments by staff will come before Council as a separate item for Council consideration and approval.

RECOMMENDED COUNCIL ACTION:

Receive the FY 2021-22 Mid-Year Budget Review; and review questions with staff.

ATTACHMENTS:

A. FY 2021-22 Mid-Year Budget Review