



Fiscal Year 2023 Mid-Year Budget Update

Budget and Finance Policy Committee
23 February 2023

PURPOSE & OVERVIEW

Purpose:

- Receive an update on General Fund revenues and expenditures (7/1/22-12/31/22)
- Receive an update on General Fund projections for FY 2023
- Receive an update on All Funds expenditures and projections

Overview:

- FY 2023 Mid-Year Budget Summary
- FY 2023 Mid-Year General Fund Update
 - Revenues
 - Expenditures by department
- FY 2023 Mid-Year All Funds Update

Conclusion

Next Steps

FY 23 MID-YEAR SUMMARY

All Funds:

- \$754.2M Adopted, \$929.2M Revised, \$333.4M Mid-Year Actual (Expenditures)
- Projected expenditures for FY 23 to be under (revised) budget by \$133.7M

General Fund:

- Increased revenue projection by \$14.2M
- \$280.7M Adopted, \$298.1M Revised, \$126.3M Mid-Year Actual (Expenditures)
- Public safety estimated to be \$3.3M over budget
 - Overtime to offset vacancies and COVID-19 impacts
- Expenditures projected to be under (revised) budget by \$22.5M;
- However, overall expenditures outpace revenues by \$2.8M

FY 23 GENERAL FUND MID-YEAR REVENUES

| Revenue Category | FY 23 Adopted | Year-to-Date Actual (7/1/22-12/31/22) | FY 23 Revised Projection | Variance |
|-------------------------------------|--------------------|---------------------------------------|--------------------------|-------------------|
| Property Taxes, Vehicle In-Lieu | \$97,107,088 | \$53,410,370 | \$101,533,907 | \$4,426,819 |
| Real Estate Transfer Taxes | 48,535,922 | 25,040,131 | 48,535,922 | 0 |
| Sales Taxes | 20,006,756 | 10,330,769 | 20,660,607 | 653,851 |
| Utility Users Taxes, Franchise Fees | 15,413,283 | 7,973,655 | 16,720,056 | 1,306,773 |
| Hotel and Short Term Rental Taxes | 4,900,000 | 4,656,178 | 8,900,000 | 4,000,000 |
| Business License Taxes | 25,300,000 | 1,361,705 | 25,300,000 | 0 |
| Fines and Fees | 8,339,829 | 5,583,529 | 10,130,779 | 1,790,950 |
| Interest and Other Revenue | 16,461,418 | 9,512,576 | 17,994,018 | 1,532,600 |
| Transfers from Other Funds | 22,586,148 | 9,663,039 | 23,086,148 | 500,000 |
| Total Revenues | 258,650,444 | 127,531,952 | 272,861,437 | 14,210,993 |

PROPERTY TRANSFER TAX SUMMARY

| Property Sales | July | Aug | Sept | Oct | Nov | Dec | Total |
|----------------|---------|---------|---------|---------|---------|---------|-----------|
| FY 2022 | \$172.1 | \$197.5 | \$309.1 | \$192.9 | \$243.5 | \$197.1 | \$1,312.2 |
| FY 2023 | 188.9 | 320.0 | 134.6 | 143.9 | 254.9 | 142.4 | 1,184.7 |
| Change | 16.8 | 122.5 | -174.5 | -49 | 11.4 | -54.7 | -127.5 |
| Change (%) | 9.7 | 62.0 | 56.5 | -25.4 | 4.7 | -27.8 | -9.7 |

| Property Transfer Transactions | July | Aug | Sept | Oct | Nov | Dec | Total |
|--------------------------------|-------|-----|------|------|------|------|-------|
| FY 2022 | 114 | 91 | 72 | 103 | 119 | 115 | 614 |
| FY 2023 | 113 | 101 | 108 | 79 | 74 | 57 | 532 |
| Change | -1 | 10 | 36 | -24 | -45 | -58 | -82 |
| Change (%) | 128.0 | 2.4 | 1.4 | 20.9 | 29.0 | 33.3 | 29.9 |

FY 23 MID-YEAR GENERAL FUND EXPENDITURES BY DEPARTMENT

| Department | FY 2023 Revised Budget | Year-to-Date Actual (July1- Dec, 31,2022) | FY 2023 Projected Expenditures | Projected Balance (Shortfall) |
|---|------------------------|---|--------------------------------|-------------------------------|
| Mayor and Council | \$4,875,736 | \$1,786,543 | \$ 4,875,736 | \$0 |
| City Auditor | 3,007,837 | 1,208,279 | 2,345,535 | 662,302 |
| Office of Director of Police Accountability | 1,250,444 | 330,343 | 880,928 | 369,516 |
| City Attorney | 5,299,550 | 1,909,130 | 4,396,163 | 903,387 |
| City Manager | 13,509,108 | 6,526,833 | 13,332,528 | 176,580 |
| City Clerk | 2,801,741 | 1,144,295 | 2,580,728 | 221,013 |
| HR | 3,185,697 | 1,107,790 | 2,495,843 | 689,854 |
| Finance | 9,327,512 | 3,228,885 | 8,553,323 | 774,189 |
| IT | 2,050,477 | 323,354 | 2,051,774 | (1,300) |

FY 23 MID-YEAR GENERAL FUND EXPENDITURE BY DEPARTMENT

| Department | FY 2023 Revised Budget | Year-to-Date Actual (July1- Dec, 31,2022) | FY 2023 Projected Expenditures | Projected Balance (Shortfall) |
|------------------|------------------------|---|--------------------------------|-------------------------------|
| HHCS | \$41,173,297 | \$11,849,690 | \$ 34,809,893 | \$ 6,363,404 |
| PRW | 10,728,180 | 4,780,445 | 10,650,850 | 77,330 |
| Public Works | 12,359,119 | 4,249,727 | 7,280,378 | 5,078,741 |
| Planning | 2,950,953 | 1,238,880 | 2,950,953 | 0 |
| Police | 79,780,795 | 39,659,285 | 80,316,009 | (535,214) |
| Fire & EMS | 45,903,819 | 21,028,451 | 48,623,742 | (2,719,923) |
| Non-Departmental | 57,440,207 | 25,498,036 | 48,204,728 | 9,235,479 |
| Total | 298,097,963* | 126,260,904 | 275,624,689 | 22,473,273 |

*Does not include all of the approved AAO#1 adjustments due to timing

FY 23 GENERAL FUND SUMMARY

| Category | FY 22 Actual | FY 23 Adopted | FY 23 Revised | FY 23 Projection |
|-----------------------------|-------------------|-------------------|-------------------|-------------------|
| Beginning Balance | 36,838,797 | 74,141,617 | 74,141,617 | 74,141,617 |
| Revenue | 286,618,657 | 258,650,444 | 258,650,444 | 272,861,437 |
| Expenditures- Personnel | 153,421,034 | 167,740,455 | 168,350,033 | 161,829,765 |
| Expenditures- Non-Personnel | 95,894,803 | 112,930,839 | 130,472,282 | 113,794,924 |
| Total Expenditures | 249,315,837 | 280,671,294 | 298,822,315 | 275,624,689 |
| Annual Surplus/Shortfall | 37,302,820 | (22,020,850) | (40,171,871) | (2,763,252) |
| Ending Balance | 74,141,617 | 52,120,767 | 33,969,746 | 71,378,365 |

FY 23 MID-YEAR ALL FUNDS EXPENDITURES BY DEPARTMENT

| Department | FY 2023 Revised Budget | Year-to-Date Actual (July1- Dec, 31,2022) | FY 2023 Projected Expenditures | Projected Balance/ (Shortfall) |
|---|------------------------|---|--------------------------------|--------------------------------|
| Mayor and Council | 4,883,236 | 1,790,943 | 4,883,236 | 0 |
| City Auditor | 3,103,155 | 1,239,080 | 2,405,135 | 698,020 |
| Office of Director of Police Accountability | 1,250,444 | 330,343 | 880,928 | 369,516 |
| City Attorney | 9,758,110 | 4,424,881 | 9,636,828 | 121,282 |
| City Manager | 20,741,366 | 9,360,014 | 20,541,213 | 200,153 |
| City Clerk | 3,312,609 | 1,177,536 | 3,012,450 | 300,159 |
| HR | 5,171,822 | 1,785,539 | 4,067,292 | 1,104,530 |
| Finance | 11,824,704 | 4,188,249 | 10,898,157 | 926,547 |
| IT | 27,532,294 | 7,691,233 | 25,632,718 | 1,899,576 |

FY 23 MID-YEAR ALL FUNDS EXPENDITURE BY DEPARTMENT

| Department | FY 2023 Revised Budget | Year-to-Date Actual (July1- Dec, 31,2022) | FY 2023 Projected Expenditures | Projected Balance/ (Shortfall) |
|------------------|------------------------|---|--------------------------------|--------------------------------|
| HHCS | 160,876,413 | 47,969,154 | 124,636,287 | 36,240,126 |
| PRW | 75,494,789 | 24,086,634 | 62,873,376 | 12,621,413 |
| Public Works | 265,236,595 | 69,256,749 | 199,220,520 | 66,016,075 |
| Planning | 30,802,863 | 11,859,892 | 28,373,360 | 2,429,503 |
| Police | 86,363,420 | 41,934,698 | 86,225,091 | 138,329 |
| Fire & EMS | 72,826,660 | 30,844,694 | 74,706,313 | (1,879,653) |
| Non-Departmental | 116,672,894 | 62,946,383 | 107,437,415 | 9,235,479 |
| Total | 929,197,538* | 333,429,869 | 795,459,472 | 133,738,066 |

*Does not include all of the approved AAO#1 adjustments due to timing

FY 23 MID-YEAR CONCLUSION

General Fund

- Mid-Year actual is \$126.3 million, which is below the expected 50%
- Projected spending under budget by \$22.5 million due to vacancies and project delays
- Expenditures slightly outpace revenues

Departments with significant variances

- HHCS = \$6.4 million with about half of the unspent coming from Measure P
- Planning = \$1.2 million salary savings and timing of Just Transition project
- PW = \$5.1 million mostly capital projects and will be carried over
- Police = (\$535k) due to overtime. This projection does not show using the \$500k Police OT reserve
- Fire = (\$2.8 million) due to overtime
- Non-Departmental = \$9.2 million Tier 1 allocations largely for new positions

FY 23 MID-YEAR CONCLUSION

All Funds

- Mid-Year actual is \$333.4 million, which is below the expected 50%
- Projected spending under budget by \$133.7 million
- The projected ending balance is expected to be due to unspent allocations due to vacancies and projects not yet started and projects that have started but will not be completed by end of FY 2023

Departments with significant variances

- HHCS = \$36.2 million due to salary savings and unspent grants that will be carried over
- PRW = \$12.6 million of mostly capital projects funding that will not fully spent and will be carried over in FY 2024 (Measure T1 at \$7.9M)
- PW = \$66.0 million of mostly capital projects and will be carried over FY 2024 (Measure T1 at \$5.3M, CIP Fund at \$6.3M, Grant Fund at \$8.5M, Zero Waste at \$9.3M)
- Fire = (\$1.9 million) with overspending in the General Fund and Measure GG due to overtime and Measure FF with a balance due to staffing shortage

NEXT STEPS

- Discussion at the Budget and Finance Policy Committee Meeting
- Council Meeting on March 21, 2023
- Continue monitoring the FY 2023 General Fund budget to make sure the City stays within budget and is also reviewing and analyzing data to make sure that the City remains agile should additional operating and capital needs arise in the fiscal year
- Staff is currently in the process of preparing the FY 2024 Mid-Biennial Budget Update.