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SUBJECT: Fiscal Year 2023 – First Quarter Budget Projections

The following report provides an overview of the City's operating revenues and expenditures through December 31, 2022, as compared to budgeted amounts. The purpose of this report is to increase transparency of the City's finances, adjust budget projections based on emerging trends, and quickly respond to unanticipated changes.

General Fund Revenue Update

As of December 31, 2022, approximately 58% of the General Fund revenues have been collected. General Fund revenues are projected to have a surplus of \$2.9 million by year-end.

General Fund revenues projections are driven by the following revenue sources:

- **Property Taxes:** 87.8% of property tax revenues have been collected. This is slightly higher than the prior year's collection rate of 87.4% during the same quarter.
Estimated Revenue Gain: Approximately \$359,364
- **Franchise Fees:** Franchise taxes are negotiated between the City and service providers of electric, gas, and refuse collection. Economic and population growth impacts the revenues in this category. Based on collections to date, franchise fee revenues are anticipated to come in higher than budget.
Estimated Revenue Gain: Approximately \$1,225,000
- **Intergovernmental:** This revenue category primarily consists of sources that are shared by the state. Two of the major revenue sources in this category are sales tax and state shared revenues. Taking into account the State's optimistic projections with sales tax revenues and revenues collected in the recent years, revenue gains are projected in this revenue category.
Estimated Revenue Gain: Approximately \$1,319,056

- **User Charges/Fees:** This revenue category consists of user charges and fees collected from individuals in exchange for a particular service or benefit. Most of the large revenue sources in this category are expected to reflect a revenue gain. However, emergency transport, one of the larger sources in this category, is projected to have a revenue shortfall of approximately \$400,000. Given the unpredictable nature of this service and timing of collections, this projection is subject to change as additional data is collected throughout the fiscal year.

Estimated Revenue Gain: Approximately \$155,488

- **Utility Service Tax:** Utility service tax is an excise tax levied on the purchase of electricity, gas, and water services purchased within the City. Much like franchise fees, utility service tax revenue adjusts with economic and population changes. Based on collections through the first quarter, this revenue source is expected to have a surplus.

Estimated Revenue Gain: \$960,000

The table summarizes the General Fund revenue budget compared to projections.

Table 1: General Fund Revenue Projections

Revenues	FY 2023 Amended Budget	FY 2023 Projection	Positive (Negative) Variance
Property Taxes	149,105,636	149,465,000	359,364
Franchise Fees	14,550,000	15,775,000	1,225,000
Utilities Service Taxes	20,967,000	21,926,500	959,500
Licenses & Permits	2,570,000	2,510,000	(60,000)
Intergovernmental	19,779,000	21,098,056	1,319,056
User Charges/Fees	45,714,711	45,870,199	155,488
Fines & Forfeitures	710,500	746,672	36,172
Reimbursements	24,014,381	24,064,381	50,000
Transfers In	7,101,562	7,101,562	-
Miscellaneous & Interest	1,834,000	1,837,663	3,663
Fund Balance - Rollovers	680,000	680,000	-
17% Reserve	41,289,450	41,289,450	-
Total Revenues	328,316,240	332,364,483	4,048,243

General Fund Expenditure Update

Operating expenditures tend to be more consistent and controllable. As of December 31, 2022, approximately 27% of the General Fund appropriations budget has been expended. The expenditure trend is higher than prior years primarily related to the one-time premium pay for all employees as part of the collective bargaining negotiations process. Listed below highlights a few additional expenditure trends:

- Personnel expenditures are expected to come in under budget primarily due to vacancies during the first quarter of the fiscal year. A few departments experiencing higher than usual vacancies include Development Services Department, Public Works, and Public Utilities. The vacant positions are actively in the recruitment process and market studies of existing salaries are being analyzed to ensure that the City is offering competitive compensation packages to attract qualified candidates.
- In the operating budget category, accounts such as training, office supplies, and consulting services are expected to come in under budget across various departments and offices.
- The City continues to maintain 17% fund balance reserves.

Based on the expenditures to date and anticipated expenditures through the end of the fiscal year, the estimated savings in the General Fund by year-end is \$1.5 million.

Table 2: General Fund Expenditure Projection

Expenditures	FY 2023 Amended Budget	FY 2023 Projection	Positive (Negative) Variance
Personnel Services	202,468,830	201,280,977	1,187,853
Operating	43,597,140	43,096,649	500,491
Capital Outlay	333,254	332,441	813
Debt Service	6,333,827	6,333,827	-
Non-Operating	34,293,739	34,494,926	(201,187)
Subtotal	287,026,790	285,538,820	1,487,970
17% Reserve	41,289,450	41,289,450	-
Total Expenditures	328,316,240	326,828,270	1,487,970

Overall, the General Fund is expected to end the fiscal year with a net surplus of approximately \$5.5 million. As a reminder, this report is based on one quarter of actuals and does not accurately represent the outcome of revenues and expenditures by year end.

Building Fund Update

Building permit revenues (particularly for general permits, plumbing, and electrical permits) are expected to be higher than budget. Building expenditures are expected primarily due to a few vacancies and based on expenditure trends in several accounts such as training and office supplies. Overall, the fund is projected to end with a surplus of \$1.1 million.

Internal Service Fund Update

The Internal Service Funds consist of the Central Service Fund for services rendered to internal departments (such as IT) and the Self-Insurance Fund (health and risk management). The Central Service Fund is expected to end the fiscal year with an estimated surplus of \$463,094.

The anticipated surplus in the Central Service Fund is related to the savings in the citywide communications. This savings is a result of a citywide communications audit conducted a few years ago. The Self-Insurance Fund is projected to end the fiscal year with an estimated surplus of \$93,757.

Enterprise Funds

Water & Sewer Utility Funds

By fiscal year end, the Water & Sewer Utility Funds are projected to have a positive net gain of approximately \$11.5 million. The bulk of the surplus is attributable to additional revenues anticipated from sewer operations. The projected additional revenues will be necessary to effectuate the projects that will be presented as part of the Wastewater Master Plan (which is currently in development). Please bear in mind, the projections assume that outstanding account receivables will be paid by the end of the fiscal year. Aging accounts (i.e., delinquent accounts and non-payments) will impact the actual amount of revenues collected. A review of the aging accounts is underway and as payments are made, we will be able to better determine revenue collections throughout the year.

Stormwater Fund

Stormwater revenues and expenditures are anticipated to come in at budget with a net gain of \$556,729. There are no significant variances or fiscal challenges expected through the end of the fiscal year.

Sanitation Fund

The Sanitation Fund is expected to end the fiscal year with a nominal net gain of approximately \$2 million. Similarly, to the Water & Sewer Utility Fund, it is challenging to accurately predict revenue collections during the first quarter due to aging account receivables. A review of the aging accounts is underway and as payments are made, we will be able to better determine revenue collections throughout the year.

Parking Fund

Parking revenues are trending positively and is expected to exceed pre-pandemic levels by the end of the fiscal year. Overall, the fund is expected to end the fiscal year with a projected net gain of \$1.3 million.

Golf Fund

The Golf Fund, which represents the activities of the Orangebrook Golf Course, is expected to end the fiscal year in the positive with a projected surplus of \$468,928. Revenues collected in

the prior fiscal year and year-to-date, has significantly improved. Based on conversations with the department, the increase is attributable to higher volume of plays by visitors and members.

Summary

In summary, all Citywide funds are managing well within budget and are expected to end the fiscal year in a positive position. As previously mentioned, the projections presented in this report are based on financial data through the end of December and are subject to change. The full extent to which internal and external factors may fiscally impact the City's budget cannot be quantified at this time. We will continue to monitor economic conditions and continue to take proactive steps to ensure that the City's budget remains balanced and manageable.

Attachments: FY 2023 Budget Snapshot (Period Ending December 31, 2022)