



REPORT TO: CITY COUNCIL

MEETING DATE: JANUARY 31, 2022

| | |
|----------------------------|--|
| Agenda Item: | 5a. CC-22-12 |
| Background / Issue: | <ul style="list-style-type: none"> • Attached to this report is the quarterly financial report for the second quarter of fiscal year 2021-2022. The quarterly report includes: <ul style="list-style-type: none"> ✓ an at-a-glance summary of General Fund, SUA, SEDA and Other City Funds activity, ✓ a summary of the financial results for major funds only; ✓ a summary of capital expenditures by project; and ✓ a glossary of terms. • These reports are interim reports and therefore unaudited. • The monitoring of revenues and expenditures and their relationship to the budget is important in order to inform management and the City Council if measures need to be taken to meet projections or to modify the budget. • All account balances and fund balances are monitored by staff on an ongoing basis even if not presented in this summarized quarterly report. |
| Proposal/Solution: | <p><u>Revenue Highlights</u></p> <p>General Fund:</p> <ul style="list-style-type: none"> • Overall, General Fund revenues are on target to meet or exceed budget projections. • Sales and use tax, the General Fund’s largest source of revenue, are on target to exceed budget projections. Sales tax is at 59.0% of the budget, use tax is at 62.8% of the budget and combined they are at 59.3% of the budget. • Police Department fines and forfeitures are at 79.8% of budget. <p>SUA Funds:</p> <ul style="list-style-type: none"> • Overall, revenues of the SUA are on target to meet budget projections. |

- The SUA's largest sources of revenue are its utility sales (electric, water, wastewater and waste management). Utility sales are on target to meet or exceed budget projections at 56.5% of budget.

Other City Funds:

- Lodging tax is at 90.3% of the amended budget. This is indicative of occupancy rates returning to pre-pandemic levels.
- Airport fees and rentals revenues are at 63.5% of the budget due to increases in activity at the Airport. Fuel sales are at 56.5% of the budget and all rental revenue categories are on track to exceed budget projects at 97.2% of the budget.
- Federal grant revenue is currently showing under budget in all areas pending submission of requests for reimbursements to the granting agencies.
- The City received the first half (\$4.4 million) of its American Rescue Plan Act (ARPA) allocation during the second quarter. The remaining \$4.4 million is anticipated to be received during the last half of the fiscal year. ARPA funds are reserved in the City's grant fund and will be appropriated at a future meeting for eligible capital projects.

Expenditure Highlights

- The amended expenditure budget differs from the adopted budget largely due to the carry forward of incomplete project balances from FY21 to FY22 as approved by the Council/Trustees on July 12, 2021.
- Expenditures are generally on target when taking into account seasonal activity and cyclical payments such as capital outlay and debt service.
- Operating and maintenance (O&M) expenditures, which include payroll, materials and services, are summarized by fund below:
 - ✓ General Fund: \$15.2 million (40.9%) of the \$37.2 million revised budget
 - ✓ SUA Funds: \$25.3 million (41.6%) of the \$60.8 million revised budget
 - ✓ SEDA Funds: \$0.6 million (46.2%) of the \$1.3 million revised budget
 - ✓ Other City Funds: \$7.1 million (51.5%) of the \$13.8 million revised budget.

Financial Impact/Funding Source(s):

Because sales tax and use tax is projected to exceed the original budget projections of \$28.0 million and \$2.8 million,

respectively, a budget amendment is proposed to reflect the new projected amounts of \$32.0 million and \$3.3 million.

The longevity of the trend in higher sales tax and use tax collections remains unknown and for that reason, staff believes that prudent action at this time would be to use the additional (non-dedicated) revenue to invest in our community's capital needs. A budget amendment is proposed to transfer the additional (non-dedicated) projected sales tax and use tax revenue to the City's Capital Fund. Dedicated sales tax will be transferred to the SUA and Transportation Sales Tax Funds.

Related Strategic Priority:

#1 Effective Services & Accountable Government: To provide effective services and accountable government for all residents by practicing fiscal responsibility, transparency and outstanding customer service.

Recommended Action/Motion:

Motion to approve the attached budget amendments increasing sales tax revenue by \$4,000,000 and use tax revenue by \$500,000, and transferring \$1,100,000 from the General Fund to the SUA (dedicated 1 cent sales tax), \$550,000 from the General Fund to the Transportation Sales Tax Fund (dedicated ½ cent sales tax), and \$2,850,000 from the General Fund to the Capital Fund.

Prepared By:

Christy Cluck, Finance Director

Reviewed By:

Patti Osmus, Assistant to the City Manager

Submitted By:

Norman McNickle, City Manager

Attachment(s):

2nd Quarter Financial Report – FY22.pdf
#1 Budget Amendment – Increase Sales and Use Tax
#2-#4 Budget Amendments – Transfer from GF to SUA, Transportation Sales Tax Fund and Capital Fund