



# Agenda Item

## City Council

Item #: 9.1.

1/28/2025

File #: 24-0688

**TO:** Honorable Mayor and Members of the City Council

**THRU:** Tom Kisela, City Manager

**FROM:** Trang Nguyen, Finance Director

### 1. SUBJECT

Fiscal Year 2023-24 General Fund Report.

### 2. SUMMARY

Fiscal Year 2023-24 annual audit is near completion and the Annual Comprehensive Financial Report is being prepared. Staff are prepared to report on the unaudited actuals, focusing on the General Fund.

### 3. RECOMMENDED ACTION

1. Receive and file the Fiscal Year 2023-24 Year-end Financial Report, focusing on the General Fund.
2. Approve the Purchase Orders carryover requests and continuing appropriations for all funds.

### 4. FISCAL IMPACT

None.

### 5. STRATEGIC PLAN GOALS

Goal 2: Enhance Economic Development and Achieve Fiscal Sustainability  
Objective 2.9: Create a fiscal sustainability plan

### 6. DISCUSSION AND BACKGROUND

The Fiscal Year 2023-24 (FY24) Budget was adopted on June 27, 2023 with an adopted General Fund revenue of \$135.8 million and expenditure of \$139.3 million. The projected catastrophic reserve and undesignated fund balance on June 30, 2024 was \$23.6 million and \$390,549, respectively. The City's annual audit started on November 18, 2024 and the field work was completed on December 18, 2024. While the Annual Comprehensive Financial Report (ACFR) is being finalized, staff has prepared the unaudited actuals, focusing on the General Fund. Staff will return in February with the ACFR and audited actuals for all funds.

The FY24 General Fund revenue of over \$146.6 million, including transfers and one-time revenues, outpaced the FY24 budget by \$4.8 million or 3.4%. Over \$3.3 million or 70% of the increase is attributed to interest earnings from investments. The other significant increases are Revenue from Other Agencies of \$1 million and Fee for Services of almost \$1.3 million.

Compared to Fiscal Year 2022-23 (FY23), the General Fund total revenue, including transfers in,

increased by \$7.7 million or 5.6%. The total operating revenues, excluding transfers, increased by \$7.1 million or 5.2%. The three largest increases from FY23 were Use of Money and Property at \$2.4 million, Revenue from Other Agencies at \$2.4 million, and Property Tax at \$1.8 million.

- Revenues in the Use of Money and Property category increased by about \$2.4 million or 104% compared to the FY23 actuals. This is attributed to a higher gain in investments than the prior year.
- Revenue from Other Agencies increased by \$2.3 million or 188% compared to the FY23 actuals, mostly due to higher receipt of various state and county grants.
- Property tax increased by approximately \$1.8 million or 3.4% compared to the FY 23 actuals. Most of this increase is from the 2% CPI increase and property tax transfers.

**Table 1: FY24 Unaudited General Fund - Revenue**

	<b>FY23 Actual</b>	<b>FY 24 Budget</b>	<b>FY 24 Actual</b>	<b>% Received</b>	<b>% Change from FY23</b>
Property Tax	\$52,761,607	\$55,024,850	\$54,579,940	99.2%	3.4%
Sales Tax	50,110,935	50,438,051	50,610,366	100.3	1.0
Transient Occupancy Tax (TOT)	6,080,399	5,350,300	6,092,658	113.9	0.2
Franchise	2,622,044	2,852,060	2,981,298	104.5	13.7
License & Permit	6,983,399	7,064,011	7,206,692	102.0	3.2
Fine & Forfeiture	2,008,770	2,023,320	1,747,538	86.4	-13.0
Use of Money & Property	2,344,767	1,466,894	4,794,620	326.9	104.5
Revenue from Other Agencies	1,235,990	2,615,923	3,570,197	136.5	188.9
Fee for Services	6,491,550	5,590,496	6,851,807	122.6	5.5
Miscellaneous Revenue	2,779,559	1,820,336	1,958,560	107.6	-29.5
Internal Service Charges	3,526,228	3,635,631	3,635,631	100.0	3.1
<b>Total Operating Revenues</b>	<b>136,945,248</b>	<b>137,881,872</b>	<b>144,029,307</b>	<b>104.5</b>	<b>5.2</b>
Transfers in	2,000,000	3,992,330	2,629,162	65.9	31.5
<b>Total Revenues</b>	<b>\$138,945,248</b>	<b>\$141,874,202</b>	<b>\$146,658,469</b>	<b>103.4%</b>	<b>5.6%</b>

The FY24 General Fund expenditure is \$144 million, leaving an unspent budget of \$1.5 million or 1%. Almost \$1.4 million of the unspent budget is the budgeted amount for catastrophic reserve. The true

unspent budget is \$137,270. Salaries and benefits exceeded the budget by almost \$3.4 million. This is due to the vacancy rate of \$4.1 million that was built into the budget as a budget balancing measure. The two large unspent budgets are in contractual services and material and supplies for \$1.3 million and \$640,000, respectively. However, it is important to note that some of the unspent budget has been committed or restricted and will need to be carried over to Fiscal Year 2024-25 (FY25).

When comparing the General Fund expenditure to FY23, total expenditure, including transfers out, decreased by \$17.5 million or -10.9%. The decrease is from the one-time transfer out of over \$23 million in FY23 to restore fund balances in the Capital Project Fund and Internal Service Funds. The overall operating expenditure increased by \$5.7 million or 4.1%. Most of the increase is in salaries and benefits, increasing by \$6.5 million or 6.9%, and contractual services increasing by \$923,000 or 6.3%. The increases are offset by the decrease in miscellaneous expenditure of -\$2.8 million or -91% from the prior year.

**Table 2: FY24 Unaudited General Fund - Expenditure**

	<b>FY23 Actual</b>	<b>FY24 Budget</b>	<b>FY24 Actual</b>	<b>% Spent</b>	<b>% Change from FY23</b>
Salaries & Benefits	\$93,878,356	\$97,024,998	\$100,385,131	103.5%	6.9%
Contractual Services	14,623,181	17,868,125	15,545,853	87.6	6.3
Materials & Supplies	2,590,240	2,868,141	2,227,988	77.7	-14.0
Capital Outlay	501,255	552,441	135,064	29.8	-73.1
Miscellaneous Expenses	3,122,854	365,700	282,313	77.2	-91.0
Debt Services	1,908,256	1,713,000	1,711,460	99.9	-10.3
Internal Service Costs	21,566,017	23,668,706	23,636,031	99.9	9.6
<b>Total Operating Expenditures</b>	<b>138,190,159</b>	<b>144,061,110</b>	<b>143,923,841</b>	<b>99.9</b>	<b>4.1</b>
Transfers Out	23,276,946	1,363,261	-	0.0	-100.0
<b>Total Expenditures</b>	<b>\$161,467,104</b>	<b>\$145,424,391</b>	<b>\$143,923,841</b>	<b>99.1%</b>	<b>-10.9</b>

At the end of FY24, the General Fund has almost \$2.3 million in unspent purchase orders, however the purchase order carryover request is \$877,565 or 38% of the unspent balance for ongoing projects and commitments (Attachment A). Staff is also requesting a continuing appropriation of \$1,144,345 for General Fund purposes such as grants and donations that were received in FY24 but have not been spent (Attachment B).

At the end of FY24, the General Fund had an operating surplus of just over \$234,000, revenue at \$144 million and expenditure of \$143.9 million, excluding one-time revenue. There was a one-time transfer of \$2.5 million from the CIP Fund to the General Fund. On June 30, 2024, the total General Fund ending fund balance is almost \$27 million, including reserves. After applying the 16.6% catastrophic reserve of \$23.9 million and carryover of just over \$2.0 million, the undesignated reserve on June 30, 2024 is just under \$1.1 million. It is important to note that the City would have closed with a deficit of \$1.45 million and would need to borrow from the catastrophic reserve if the one-time transfer of \$2.5 million from the CIP Fund had not occurred.

**Table 3: FY24 Unaudited General Fund - Fund Balance**

	Budget	Actual	Variance to Budget
<b>Beginning Fund Balance</b>	<b>\$24,228,416</b>	<b>\$24,228,416</b>	
Operating Revenues	137,881,872	144,029,307	6,147,435
Transfers in	1,492,330	129,162	-1,363,168
<b>Total Revenues</b>	<b>139,374,202</b>	<b>144,158,469</b>	<b>4,784,267</b>
Operating Expenditures	144,061,110	143,923,841	-137,269
Transfers out	1,363,281	-	-1,363,281
<b>Total Expenditures</b>	<b>145,424,391</b>	<b>143,923,841</b>	<b>-1,500,550</b>
<b>Surplus/(Deficit)</b>	<b>-6,050,189</b>	<b>234,628</b>	<b>-6,284,817</b>
One-time Transfer in (CIP Fund)	2,500,000	2,500,000	-
<b>Total One-time Revenues</b>	<b>2,500,000</b>	<b>2,500,000</b>	-
<b>Total Fund Balance at 6/30/24</b>	<b>20,678,227</b>	<b>26,963,044</b>	<b>6,284,817</b>
Catastrophic Reserve at 6/30/24	23,914,144	23,891,358	-22,786
Carryover to FY25	-	2,021,910	2,021,910
<b>Ending Undesignated Fund Balance</b>	<b>-\$3,235,917</b>	<b>\$1,049,776</b>	<b>\$4,285,693</b>

In closing, the minimum reserve is short of the City Council 30% minimum designated reserve for all funds by over \$6.7 million. Any available undesignated fund balance should be used to cover the shortfall of the 30% minimum designated reserve. Staff will return in February with the FY24 audit results and a report of the audited actuals for all funds.

**Table 4: FY24 Discretionary Reserves**

Fund	Defined Minimum	Minimum Reserve Amount
General Fund (100)	16.6% of GF Expenditure	\$23,891,358
Building Records Management Fund (110)	None	-
Capital Projects Fund (500)	Avg. of 5-year CIP	4,330,360
Equipment Replacement Fund (720)	Avg. 3-year Prior Actuals	1,895,054

Worker's Compensation Self-Insurance Fund (730)	150% Avg. 3-year Prior Claims Paid	4,594,299
General Liability Self-Insurance Fund (740)	150% 3-year Prior Claims Paid	694,284
Employee Accrued Liability/Pension Stabilization Fund (760)	None	-
Computer Replacement Fund (790)	Avg. 3-year Prior Actuals	1,030,258
<b>Total</b>		<b>\$36,435,613</b>
Minimum Designated Reserve Policy	30% of GF Expenditure	\$43,177,152
<b>Excess/(Deficit) Fund Balance</b>		<b>-6,741,539</b>

## 7. ATTACHMENTS

- Purchase Order Carryover Listing
- Continuing Appropriation Listing