



Staff Report

TO: Finance and Audit Committee Members
FROM: Jennifer Ustation, Finance Director
DATE: January 10, 2022
SUBJECT: **FY2022 General Fund and Wastewater Budget to Actual through December 2021, and Second Quarter Investment Report and Certification**

Background and Analysis:

City staff has updated the analysis of the General Fund and Wastewater Fund for FY2022 with results through December 2021.

General Fund Analysis:

- Four months of sales tax has been received and is trending higher than budget;
- Increased building permit activity in comparison to prior years while other permitting activity is lower, mostly due to applying invoices directly to deposits;
- Low-rate market is continuing to keep interest earnings estimated lower than budget, however, funds have been deposited with the trustee for investment with Public Trust. Will monitor results and report quarterly;
- 13 of 26 pay periods have been reported and costs are trending lower than budget;
- Recruitment costs are trending high;
- Utilities are trending high; and
- Contractual services are trending lower than budget. The first quarter fire service invoice has been paid and was \$914,004.51.

The attached report (Attachment A) provides preliminary estimates reflecting six months into FY2022. Estimate values can change as activity is recorded. Property tax is received in January and May of each year. Four months of sales tax has been received and seems to be trending high. Building permit activity is also trending high however other permit activity will be decreased due to a change in deposit accounting. Investment income remains lower than budget but will be monitored. Personnel costs are trending to have a savings; however, recruitment is trending high. On August 3,

2021, City Council approved a budget amendment for unspent prior year appropriations and reappropriated \$214,799 for FY2022. This allows for \$741,845 of available funds for City Council to appropriate throughout the year.

Wastewater Fund Analysis:

- Two of six utility billings recorded;
- Low-rate market continuing to keep interest earnings estimated lower than budget, will monitor continuing results;
- 13 of 26 pay periods recorded and costs are trending lower than budget;
- Fuel costs are trending higher than budget;
- Utilities are trending higher than budget; and
- One of two debt service payments have been recorded.

Based on year-end projections the Wastewater Fund is trending to have approximately \$574,000 to be retained for utility reserves for FY2022. This is driven by savings in both personnel and operating costs and a slight increase of revenues.

FY2022 2nd Quarter Investment Report and Certification

Pursuant to the City's Investment Policy approved on May 18, 2021, and in accordance with Government Code Section 53646(8)(1), the Quarterly Investment Report is included in this report. City staff has added investments held with the third-party trustees to the report for compliance with the investment policy and a Pooled Cash Report to complement the quarterly reports.

The significant transactions during the quarter were as follows:

- Wire transfer from Citibank to Trustee US Bank in the amount of \$15,000,000 for investment within the portfolio managed by Public Trust Advisors.
- LAIF interest for the quarter ended September 30, 2021, was credited to the City's LAIF account in October in the amount of \$45,437.24. In comparison, the interest earned in the same quarter for the previous year was \$127,958.26 which is due to an interest rate decrease from .84% to .24%.

Recommended Action:

Receive and file the attached reports.

Attachments:

- A. General Fund Budget to Actual through December 2021
- B. Wastewater Fund Budget to Actual through December 2021
- C. Pooled Cash Investments Holding Report as of December 31, 2021
- D. Pooled Cash Report as of December 31, 2021
- E. Investment Certification for Quarter Ending December 31, 2021
- F. Wilmington Trust Security Listing as of December 31, 2021
- G. Public Trust Investment Report as of December 31, 2021