



## CITY COUNCIL AGENDA REPORT

**Meeting Date:** 4/4/2023

**From:** Carolina Yuen, Finance Director

**Subject:** Mid-Year FY24 Budget Report and Adoption of Resolution

### **Community Goal/Result**

Fiscal Stability

### **Purpose**

Provide funding for current approved programs and services and set funding aside for long-term liabilities.

### **Recommendation**

City Council adopt resolution to amend the FY 2023/24 Budget

### **Background**

On June 29, 2023, City Council adopted the FY 2023/24 budget. The budget projected General Fund Revenues at \$26,695,707, including Transfers In. General Fund Expenditures were budgeted to exceed revenues and were set at \$28,599,443 including Transfers Out. The beginning non-committed fund balance was estimated at \$7,279,777 and ending fund balance of \$5,376,041.

Our actual General Fund non-committed Beginning Balance as of July 1, 2023, was \$6,800,572, representing \$479,205 less than anticipated.

### **Discussion**

**Revenues:** Attached is a summary showing the FY2021/2022 and FY 2022/23 adopted and amended budgets compared to actuals as well as the 2023/24 adopted budget compared to the mid-year re-projection. Staff is anticipating approximately \$2,195,000 in additional revenues for the 2024 fiscal year, for a total of \$28,891,000. This does not include one-time grants that are targeted for specific programs. The largest increases were due to the increase in Property Taxes, followed by Fees and Charges, then by Business Licenses and reduced slightly by Sales Taxes. We are requesting budget adjustments to revenue in the net amount of \$2,195,000.

**Property Tax** – Staff budgeted for slight growth in Property Tax as projected by the County. However, the City is also expecting to receive about \$856,000 more this year from the former RDA area than anticipated. This increase is a direct result of the

construction that has been taking place on Sierra Point. Staff anticipates that additional revenue will be generated as the Life Science campus projects are completed.

**Sales Tax** – Staff budgeted little growth in Sales Tax due to the loss of the Real Real and other departing businesses. The increase in the Sales Tax budget by \$2,000,000 was mainly due to the Use and Transaction Tax initiative (Measure U) that went into effect in early 2023. Although Sales Taxes are growing steadily by approximately 2%, unfortunately the Use and Transaction Taxes are projected to be less than expected by \$440,000. Therefore, the combined sales tax category results are projected to be short of budget by \$337,000, or 4%.

**Transient Occupancy Tax (TOT)** – Staff increased the budgeted amount of TOT for FY2024, but the actual taxes are expected to be short of budget by \$117,000 for a total of \$1,784,000. Although we are seeing this activity growing over the year, the hotels in our City have not fully rebounded to pre-COVID levels. Short-Term Rental properties are expected to contribute \$8,000 to TOT including some catch up from the prior year.

**Business License Tax** – In November 2022, the voters also passed Proposition O which allowed the City to collect a business license tax on hotels and short-term rentals in the amount of \$2.50 per day for each room rented starting January 1, 2023, and was expected to collect \$125,000 each quarter. This rate is adjusted by CPI annually and is now set at \$2.59. For FY2024, the City is projecting the hotel business license tax will exceed budget by \$49,000. The City continues to see a rebound in local business revenue, resulting in an increase in business license taxes projected in the amount of \$273,000 net of transfer to the Capital Project Fund. This total category is expected to exceed the budgeted amount by \$316,000.

**Fees and Service Charges** – Due to a full year of activity after COVID, Staff budgeted significant growth in this category compared to the FY23 budget. Due to the continued permitting activity for Sierra Point developments and active interest in City recreational activities, we are projecting growth to exceed the budget by \$373,000 for FY24. These include one-time planning fees with related costs expected over future years.

**Expenses:** In June 2023 when the budget was adopted, Staff was challenged to identify savings that could either be pushed to expend in calendar year 2024 or pushed to fiscal year 2025. At the time, Staff identified a total of \$551,990 in potential savings. Although not all of the identified items were able to be held off until FY2025, Staff was still able to manage savings in other areas. The City is expecting a total of \$520,950 in savings, lowering projected expenditures to \$28,078,493, net of transfers. However, Staff is not recommending adjusting the budget at this time to allow for unexpected costs that may arise.

Following is a summary of the allocation across departments as identified savings in June 2023 when the budget was passed, and savings that each department is expecting.

Department	Targeted Savings Identified in Jun'23	Projected Savings
Administration	\$ 113,850	\$ 146,950
Community Development	\$ 235,000	\$ 224,000
Safety	\$ 80,000	\$ 50,000
Public Works	\$ 5,000	\$ 0
Park & Recreation	\$ 30,000	\$ 30,000
Central Services	\$ 88,140	\$ 70,000
<b>Total Savings</b>	<b>\$ 551,990</b>	<b>\$ 520,950</b>

Although Staff is not recommending an adjustment to budgeted expenses, Staff does not expect to access Fund Balance by the end of the year as revenues are expected to exceed projected expenses.

**Recommended Transfer to Pension Trust** – Staff decided to take advantage of the CalPERS Unfunded Liability payment discount program and made a lump-sum payment at the beginning of the fiscal year. By making one payment instead of monthly throughout the year, the approximate savings were \$68,000. As authorized in June, Staff transferred said savings to the Pension Trust. Staff also recommends resuming annual funding to the Pension Trust to reach \$5 million, representing at least two years of our unfunded liability payments. The Trust balance as of December 2023 was \$1,538,000. Staff recommends transferring \$500,000 by the end of the fiscal year.

**Fund Balance and summary**

Ending Fund Balance for FY2023/24 is anticipated to be higher than originally projected and will be approximately \$16,448,000. Based on fund commitments and the Reserve Policy adopted by Council to set money aside for recessions, unanticipated events and annual fluctuations in the budget, the City will have \$1,099,000 in available reserves. After a transfer to the Pension Trust, Staff recommends rolling over the remaining funds to be considered for use in FY24/25.

## **Other notable events:**

**American Rescue Plan Act (ARPA)** – The federal government enacted a federal stimulus bill known as ARPA to aid state and local jurisdiction for economic recovery from the COVID-19 pandemic. The City received a program-to-date total of \$1,117,402. However, these funds are not part of the General Fund and therefore not accounted for in this budget. Approximately \$200,000 were designated to assist small businesses impacted by COVID closures. The City has until 12/31/24 to determine how to use any remaining funds.

**Atmospheric River Storms** – Over the 2022-2023 New Year’s Day holiday weekend, record-setting heavy rains and snow caused flooding across the State of California. The City experienced heavy rains and high tides which caused flooding in low lying areas of the City and significant debris flow sent mud, water and other materials down several roads and recreational trails and into the storm drains and downed trees. The City is in the process of obtaining federal aid to reimburse the costs of clean-up, repairs, and mitigation to upgrade the storm drain system. Projected costs totaling \$2,500,000 are not included in expenses as they are part of the Capital Fund Expenses. So far, the City expects to receive \$1,900,000 as reimbursement from FEMA. No related budget adjustments are requested at this time until further reviews with FEMA and CalOES are completed.

**Bond Funding for City Hall Annex** – The City entered into a lease to occupy 25 Park Place for its Administrative offices, expansion for staff growth related to the Baylands project, and to share with the North County Fire Authority Administration. The City issued bonds in July 2023 in the amount of \$5,400,000 to cover improvements needed to occupy the space. Construction is expected to be completed by June 2024. The City received a bond rating of AA- from S&P Global Ratings, which was supported by the following key excerpts from their ratings report:

- “High property wealth and income indicators, highlighted by the continuing expansion of industry”
- “Strong financial profile with available reserves ... that are expected to grow over the next fiscal year”
- “Standard institutionalized policies and practices”
- “Affordable debt burden”

## **Fiscal Impact**

The City is expected to experience overall net savings of \$812,584 compared to the FY24 budgeted use of funds of \$1,903,736. Any savings net of pension transfer will be rolled over to be considered for the FY25 budget and be used to pay for the level of services requested by the Council.

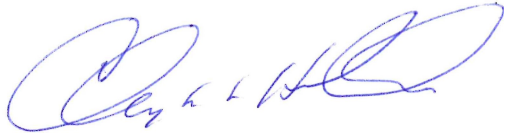
## **Measure of Success**

The City is able to meet the goals and policies adopted by the City Council.

**Attachments**

- 1. Mid-Year Overview of General Fund 2023/24
- 2. Resolution 2024-\_\_\_\_\_

Carolina Yuen  
Carolina Yuen, Finance Director

  
Clay Holstine, City Manager

## Attachment 1



## General Fund

	FY21/22	FY22/23	FY23/24
June Adopted Budgeted Revenue	20,212,958	21,816,001	26,695,707
June Adopted Budgeted Expenses	23,366,310	25,013,662	28,599,443
Budgeted Surplus (Use of Fund Balance)	<u>(3,153,352)</u>	<u>(3,197,661)</u>	<u>(1,903,736)</u>
Mid-Year Amended Budgeted Revenues	20,643,958	26,244,277	
Mid-Year Amended Budgeted Expenses	23,645,310	25,573,882	
Amended Surplus (Use of Fund Balance)	<u>(3,001,352)</u>	<u>670,395</u>	
Actual / Mid-Year Anticipated Revenues	23,211,199	28,562,247	28,891,077
Actual / Mid-Year Anticipated Expenses, net of transfers	25,547,047 *	28,127,479	28,078,493
Actual / Reprojected Surplus (Use of Fund Balance)	<u>(2,335,848)</u>	<u>434,768</u>	<u>812,584</u>
Beginning Fund Balance	17,536,138	15,200,290	15,635,058
Ending Fund Balance	15,200,290	15,635,058	16,447,642
Reserve Policy:			
Recession Reserve	2,500,000	2,500,000	2,500,000
Unanticipated Events	3,500,000	3,500,000	3,500,000
Annual Fluctuation (5% Revenues/5% Expenses)	2,437,912	2,834,486	2,848,478
Total Required Reserve	<u>8,437,912</u>	<u>8,834,486</u>	<u>8,848,478</u>
Fund Balance Above Required Balance	6,762,378	6,800,572	7,599,163
Additional Restrictions on Fund Balance	5,818,773	5,810,028	6,500,000
Available Fund Balance	<u>943,605</u>	<u>990,544</u>	<u>1,099,163</u>

\* includes one-time proceeds from long term debt

Attachment 2

**RESOLUTION NO. 2024-\_\_**

**A RESOLUTION OF THE CITY COUNCIL  
OF THE CITY OF BRISBANE  
AMENDING THE ANNUAL BUDGET  
FOR FISCAL YEAR 2023-24 AND MAKING APPROPRIATIONS FOR THE AMOUNT BUDGETED**

**WHEREAS**, a proposed annual budget for the City of Brisbane for the Fiscal Year commencing July 1, 2023, and ending June 30, 2024, was adopted by City Council on June 29, 2023; and

**WHEREAS**, the City Council has reviewed the proposed changes to the budget for Fiscal Year 2023/24 on April 04, 2024, attached to the Resolution.

**NOW THEREFORE, THE CITY COUNCIL DOES RESOLVE**, that the amended budget, as submitted, is adopted as the annual budget for the Fiscal Year commencing July 1, 2022, and thereby appropriates the amounts budgeted.

**PASSED, APPROVED, AND ADOPTED** this 4<sup>th</sup> day of April 2024

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Terry O'Connell,  
Mayor

I hereby certify that the foregoing **Resolution No. 2024-\_\_** was duly and regularly adopted at a regular meeting of the Brisbane City Council on April 4, 2024, by the following vote:

AYES:

NOES:

ABSENT:

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Ingrid Padilla  
City Clerk

City of Brisbane  
 Mid-Year General Fund Budget Review  
 Fiscal Year 2023/2024

FY23/24 Approved Budgeted Revenue	\$26,695,707
Total Revenue Budget Adjustments	2,195,370
Property Tax - \$672,302	
Sales Tax – (\$336,728)	
Franchise Tax - \$93,800	
Transient Occupancy Tax – (\$117,404)	
Business License Tax - \$315,645	
Fees and Charges - \$372,929	
Other - \$609,783	
<hr/> Total Anticipated Revenues	<hr/> \$28,891,077 <hr/>
FY23/24 Approved Budgeted Expenses	\$28,599,443
Total Expense Budget Adjustments	0
Total Department Budget Savings	520,950
<hr/> Total Anticipated Expenses	<hr/> \$28,078,493 <hr/>