



CITY COUNCIL AGENDA REPORT

Meeting Date: 5/4/2023

From: Carolina Yuen, Finance Director

Subject: Mid-Year FY23 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 2022/23 Budget

Background

On June 16, 2022, City Council adopted the FY 2022/23 budget. The budget projected General Fund Revenues at \$21,816,001, including Transfers In. General Fund Expenditures were projected at \$25,013,662 including Transfers Out. The beginning fund balance was estimated at \$7,844,312 and ending fund balance of \$4,646,651.

Our actual General Fund non-committed Balance as of July 1, 2022, was \$6,762,378, representing \$1,081,935 less than anticipated.

Discussion

Revenues: Attached is a summary showing the FY2020/2021 and FY 2021/22 budgets compared to actuals as well as the 2022/23 adopted budget compared to the midyear re-projection. Staff is anticipating approximately \$4,428,276 in additional revenues for the 2023 fiscal year, for a total of \$26,244,277. The largest increases were due to the increase of Fees and Charges, followed by Business Licenses and slight increases in Property Tax and Sales Taxes. We are requesting budget adjustments to revenue in the net amount of \$4,428,276.

Property Tax – Staff budgeted for slight growth in Property Tax as projected by the County. However, the City received about \$598,000 more from the former RDA area than anticipated as well. This increase is a direct result of the construction that has been taking place on Sierra Point. Staff anticipates that some additional new revenue will be generated as the Life Science campus projects are completed.

Sales Tax – Staff did not project any growth in Sales Tax due to the uncertainty of COVID and the loss of the Real Real. However, the sales tax category results are projected to exceed budget by approximately \$866,000. The increase is due primarily from Proposition U, passed by voters in November 2022, allowing the City to levy a Use and Transaction (Sales) Tax starting April 1, and is expected to collect \$625,000 for one quarter of the current fiscal year.

Transient Occupancy Tax (TOT) – Although Staff reduced the amount of TOT for the FY2023 budget, the actual taxes is expected to exceed the budget by approximately \$109,000. Although we are seeing this income increasing over the year, the hotel industry has not fully rebounded from the impact of COVID and other hits to the local hospitality industry.

Business License Tax – In November, 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 and is expected to collect \$125,000 for FY23. The City also saw a rebound in local business revenue, resulting in an increase in business license taxes projected in the amount of \$350,000 net of transfer to the Capital Project Fund. This category is expected to exceed the budgeted amount by \$955,000.

Fees and Service Charges – Due to the uncertainty of COVID, Staff budgeted a decrease in this category compared to FY22 results. However, due to the continued permitting activity for Sierra Point developments and earlier-than-scheduled opening to City recreational activities, we are projecting growth to exceed the budget by \$1,715,000 for FY23. These are one-time fees with related costs expected over future years.

Expenses: Staff is anticipating remaining flat in expenses for the 2023 fiscal year. There were a few departments that fell below budgeted targets with savings of open positions or delayed hiring, but offset by others that exceeded their budgeted targets due to increase in costs for planned expenses or unexpected growth in program activity costs. We are requesting budget adjustments to expenses in the net amount of \$560,220 as follows:

LIRA Transfers – The budget passed in June did not include some of the annual transfers due to a switch in budgeting software. One line item was the amount transferred to the Utility Fund for the Low Income Rate Adjustment (LIRA) Program. In previous year, we budgeted \$75,000 and staff recommends maintaining this amount for FY23.

Co-Sponsorships – The budget passed in June did not include this department due to a switch in budgeting software. Costs for this department were discussed and the requested amount was \$20,000. Staff recommends including at this time.

Fire Vehicle – In October 2022, the Council approved the purchase of a Fire apparatus ahead of the normal schedule due to the supply chain shortages causing delays in deliveries and required lead time of 3 to 5 years from order. At the time, the decision was made to make a 50% down payment of approximately \$465,000 with a future determination of the fund to cover. Staff is suggesting to cover with the General Fund at this time.

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 was \$64,000 and staff therefore recommends to transfer the savings to the Pension Trust.

Fund Balance and summary

Ending Fund Balance for FY 2022/23 is anticipated to be higher than originally projected and will be approximately \$15,870,685. 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 \$879,777 in available reserves. Staff recommends rolling over these funds to be considered for use in FY23/24. Due to the Use and Transaction (Sales) Tax not fully known and expected increase in anticipated costs for the City, our speed of full recovery can still be at least another year.

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 \$558,701, the second of two payments in FY23, for 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.

Atmospheric River Storms – Over the New Year's Day holiday weekend, record-setting heavy rains and snow caused flooding caused dangerous 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 seeking federal aid to reimburse the costs of clean-up, repairs, and mitigation to upgrade the storm drain system. Cost incurred so far for clean-up for emergency opening and related staff response time in the amount of \$450,000 are included in expenses but budget adjustments are not requested at this time. Additional clean-up and repairs are on hold until possible funding from external agencies are made known.

Fiscal Impact

The City is expected to experience overall net savings of \$670,395 compared to the FY23 budget. Any savings will be rolled over to be considered for the FY24 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

Overview of General Fund 2022/23

Resolution 2023-_____

Carolina Yuen

Carolina Yuen, Finance Director

Clay Holstine

Clay Holstine, City Manager

General Fund

	FY20/21	FY21/22	FY22/23
Budgeted Revenue	18,847,044	20,212,958	21,816,001
Budgeted Expenses	20,926,419	22,593,103	25,013,662
Anticipated Surplus (Use of Fund Balance)	<u>(2,079,375)</u>	<u>(2,380,145)</u>	<u>(3,197,661)</u>
Actual / Anticipated Revenues	27,435,846	23,211,199	26,244,277
Actual / Anticipated Expenses, net of transfers	22,336,269	25,547,047 *	25,573,882
Actual / Reprojected Surplus (Use of Fund Balance)	<u>5,099,577</u>	<u>(2,335,848)</u>	<u>670,395</u>
Beginning Fund Balance	12,436,561	17,536,138	15,200,290
Ending Fund Balance	17,536,138	15,200,290	15,870,685
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)	2,488,606	2,437,912	2,590,908
Total Required Reserve	<u>8,488,606</u>	<u>8,437,912</u>	<u>8,590,908</u>
Fund Balance Above Required Balance	9,047,532	6,762,378	7,279,777
Additional Restrictions on Fund Balance	6,099,734	5,818,773	6,400,000
Available Fund Balance	<u>2,947,798</u>	<u>943,605</u>	<u>879,777</u>

* includes one-time proceeds from long term debt

RESOLUTION NO. 2023-__

**A RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF BRISBANE
AMENDING THE ANNUAL BUDGET
FOR FISCAL YEAR 2022-23 AND MAKING APPROPRIATIONS FOR THE AMOUNT BUDGETED**

WHEREAS, a proposed annual budget for the City of Brisbane for the Fiscal Year commencing July 1, 2022, and ending June 30, 2023, was adopted by City Council on June 16, 2022; and

WHEREAS, the City Council has reviewed the proposed changes to the budget for Fiscal Year 2022/23 on May 04, 2023, 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 4th day of May 2023

Madison Davis,
Mayor

I hereby certify that the foregoing **Resolution No. 2023-__** was duly and regularly adopted at a regular meeting of the Brisbane City Council on May 4, 2023, by the following vote:

AYES:

NOES:

ABSENT:

Ingrid Padilla
City Clerk

City of Brisbane
 Mid-Year General Fund Budget Review
 Fiscal Year 2022/2023

FY22/23 Approved Budgeted Revenue	\$21,816,001
Total Revenue Budget Adjustments	4,428,276
Property Tax - \$277,718	
Sales Tax – \$866,920	
Transient Occupancy Tax – \$109,434	
Business License Tax - \$954,527	
Fees and Charges - \$1,714,966	
Other - \$504,711	
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Total Anticipated Revenues	\$26,244,277
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FY21/22 Approved Budgeted Expenses	\$25,013,662
Total Expense Budget Adjustments	560,220
Transfers - \$75,000	
Co-sponsorships - \$20,000	
Vehicle Fund - \$465,000	
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Total Anticipated Expenses	\$25,573,882
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