



CITY COUNCIL AGENDA REPORT

Meeting Date: 5/30/2024

From: Carolina Yuen, Finance Director

Subject: Review of FY23 Draft of Annual Comprehensive Financial Report

Community Goal/Result

Fiscal Stability

Purpose

Review draft report of financial results of prior fiscal year to ensure funding for current approved programs and services and set funding aside for long-term liabilities.

Recommendation

City Council accept the draft of the FY 2022/23 Annual Comprehensive Financial Report to correlate with the review of the proposed FY25 Budget.

Background

The financial statements of the City of Brisbane for the fiscal year ending June 30, 2023, were prepared by the Finance staff and examined by an independent auditing firm, Maze and Associates, in accordance with Governmental Accounting Standards Board (GASB) Statement 34. The City has received and reviewed a draft of the report. Currently, the auditors have indicated the expectation that their opinion will reveal that the financial statements present fairly, in all material respects, the respective financial position of the City as of June 20, 2023, and that the financial statements were prepared in conformity with general accepted accounting principles.

The Finance staff incorporates the financial statements into the Annual Comprehensive Financial Report (ACFR), the purpose of which is to present an easily readable and organized report of the financial transaction of the City. The City has received and reviewed a draft of the financial report and is pending additional schedules to incorporate into the ACFR. A final review of the ACFR from the auditors is expected by early June. The ACFR provides members of the public with a wide variety of information needed to evaluate the financial condition of the City. The final step in the formal process of preparing these financial statements is to transmit them to the City Council for acceptance.

Discussion of General Fund Results

The City's General Fund revenues increased by \$5.6 million, or 21.5% compared to the prior fiscal year amount of \$25.9 million. General Fund revenues, including property taxes, sales

taxes, charges for services, business license taxes, and transient occupancy taxes increased compared to the prior year.

The City's General Fund expenditures totaled \$31.7 million, an increase of \$3.8 million from prior year expenditures of \$27.9 million. The increase in expenditures was primarily caused by increases in salaries and benefits per negotiated labor agreements, expansion of programming coming out of COVID, review of an org-wide technology plan, and increases in costs of fuel, shipping and services.

Additional details and information regarding the other operating and internal service funds can be found in the attached draft of the financial statements and notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City of Brisbane increased by \$8.3 million, or 5.5%, to \$167.7 million, of which \$124.3 million represents governmental assets and deferred outflows and \$43.4 million represents business-type assets and deferred outflows.
- As of June 30, 2023, the City's total liabilities and deferred inflows increased by \$7.1 million, or 11.8%, to \$79.5 million, of which \$67.1 million represents governmental liabilities and deferred inflows and \$12.3 million represents business-type liabilities and deferred inflows.
- The assets and deferred outflows of the City exceed its liabilities and deferred inflows by \$88.2 million (net position). Of this amount, (\$7.6) million represents unrestricted net position which may be used to meet the government's ongoing obligations to constituents through programs, creditors or to make payments towards unfunded retirement liabilities.
- The total net position increased by \$1.3 million primarily because the City experienced an increase property and sales taxes, which offset an increase of expenses in operations. The result was favorable to budgeted decrease.
- At the close of the current fiscal year, the City of Brisbane's governmental funds reported combined fund balances of \$25.5 million. Approximately 12% of this amount, \$2.9 million is available for spending at the government's discretion (unassigned fund balance).
- City-wide revenue increased by \$6.3 million, or 19%, to \$39.6 million, of which \$31.4 million was generated by governmental activities and \$8.2 million was generated by business-type activities.
- City-wide expenses increased by \$1.4 million, or 3.9%, to \$38.4 million, of which \$29.3 million were generated by governmental activities and \$9.1 million were generated by business-type activities.

Overview of the Financial Statements

The City of Brisbane's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The ACFR also includes supplementary information intended to furnish additional detail to support the basic financial statements.

Government-Wide financial statements. The *government-wide financial statements* provide a corporate-like long-term view of the City's activities as a whole and include the Statement of Net Position and the Statement of Activities. They are presented using the accrual basis of accounting.

The *statement of net position* is designed to show bottom line results for the City and its governmental activities. This statement uses full-accrual basis and combines and consolidates governmental funds' current financial resources (short-term spendable assets) with capital assets and long-term obligations.

The *statement of activities* is focused on both the gross and net cost of various activities that are supported by the government's general tax and other revenues. This is intended to summarize and simplify the user's analysis of the cost of various governmental services.

Both government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government (City Council, City Manager, City Attorney, City Clerk, Human Resources, Finance, and Community Development), public safety (Police and Fire), and Public Works. These services are supported by general City revenues such as sales taxes, property taxes, hotel taxes, and by specific program revenues such as fees.

Business-type activities include the Utility Fund (Water, Sewer, and GVMID) and the Marina Fund. Unlike governmental services, these services are supported by charges paid by users for the amount of service they use.

Fund Financial Statements. A Fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Brisbane, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the *near-term inflows and outflow of spendable resources*, as well as on *balances of spendable*

resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains individual governmental funds. Information is presented separately in the Fund Financials by major funds. The General Fund is always considered a major fund while other major funds are determined by formula and may change from year to year. Data from the non-major governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the required supplementary information section of this report.

Proprietary funds. The City of Brisbane maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide statements. The City uses enterprise funds to account for its Water and Sewer Utility Services and for its Marina. *Internal Service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the management of its employee's health and retirement benefits (health, dental, fringe & OPEB), cost allocation of city-wide assets (vehicles and facility maintenance) and risk management (workers compensation and liability insurance).

Proprietary funds statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Utility and the Marina Funds which are both considered major funds.

Since the City's Internal Service Funds provide goods and services only to the City's Governmental and Business-type Activities, their activities are reported only in total at the Fund level. Internal Service Funds may not be Major Funds because their revenues are derived from other City funds. These revenues are eliminated in the Government-Wide Financial Statements and any related profits or losses are returned to the activities that created them, along with any residual net assets of the Internal Service Funds. Individual fund data for the internal service funds are provided in the form of combining statements in the required supplementary information section of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Fund Balance and summary

Ending Fund Balance for FY2022/23 is reported at \$15,635,000, an increase of \$435,000 from prior year, or 2.9%. The unassigned balance of \$9.8 million would be further reduced 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, leaving \$991, in available reserves.

Other notable events:

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 total \$2,500,000, and the City expects to receive \$1,900,000 as reimbursement from FEMA. Costs related to staff time are part of operating expenses. The majority of the repair costs would occur in FY24. Once payments are received from FEMA, a single audit will be required to review the accounting of related transactions.

Fiscal Impact

There is no fiscal impact by accepting this report.

Measure of Success

The City Council accepts the draft of the FY23 ACFR.

Attachments

FY2022-23 Annual Comprehensive Financial Report (Draft)

Carolina Yuen
Carolina Yuen, Finance Director

Clay Holstine
Clay Holstine, City Manager