



STAFF REPORT
3/23/2021

TO: Honorable Mayor and City Council Members

FROM: Nathan Statham, Finance Director

SUBJECT: Resolution No. 2022-34, Approving Mid-Year Budget Adjustments for Fiscal Year 2021-2022

STAFF RECOMMENDATION:

Staff recommends that City Council approve the mid-year budget adjustments outlined below and adopt Resolution No. 2022-34 amending the budget for fiscal year 2021-2022.

BACKGROUND:

As the City approached the middle of the fiscal year, City finance staff evaluated the adopted budget, revenue projections, and economic conditions for the remainder of the fiscal year. It is standard procedure to perform a mid-year review of the City's budgetary and financial position to ensure any deviations from the initial budget projections are proactively addressed. Staff also reviews requests for appropriations to address new priorities that are unfunded or underfunded.

DISCUSSION/ANALYSIS:

Revenues

Recommended mid-year budgeted revenue decreases:

- Water Authority – Decrease connection fees (\$300,000).
- Sanitary District – Decrease connection fees (\$500,000).

Recommended mid-year budgeted revenue increases:

- General Fund - Increase Property Taxes (\$150,000), Utility User Taxes (\$160,000), Construction Permit Fee Revenue (\$150,000), Grants Revenue Transfers (\$69,597) and Other Revenues (\$2,816,000).
- Grants Fund – Increases revenues for the derived product grant program (\$69,597).
- Water Authority – Increase revenues for grant programs (\$300,000) and other revenues (\$17,000).

Expenditures

Recommended mid-year expenditure appropriation increases:

- General Fund - Increase appropriations for:
 - 4th of July event - \$40,000
 - Solid waste SB 1383 implementation professional services - \$25,000
 - 6th cycle housing element consultant - \$9,000
 - Development impact fee audit firm analysis - \$9,000
 - Dateland park mural donation - \$10,000
 - Communications - \$34,100
 - Software licensing - \$52,000
 - IT consultants - \$38,000
 - Computer & communication peripherals - \$6,000
 - Emergency operations center (EOC) replacement laptops - \$28,800
 - Park cleaning as special events - \$10,000
 - Facilities maintenance - \$19,000
 - Facilities configuration - \$24,000
 - Fuel - \$21,000
 - Animal control - \$15,900.
- Development Impact Fees Fund - Increase appropriations for park improvements developer reimbursement agreement (\$297,500), bond trustee fees (\$3,300) and general fund advance interest (\$25,000).
- Grants Fund – Increase appropriations for ARPA direct COVID costs (\$36,800), derived product grant funding (\$69,600), AHSC transit hub GoHuman advertising (\$30,000) and AHSC transit hub van pool program (\$1,160,000).
- LLMD Fund – Increase appropriations for landscape enhancements for LLMD 16 (\$101,000).
- Water Authority – Increase appropriations for stand-by time (\$42,000), water line repairs (\$81,000) and the expenditure of IRWM Prop 1 grant funds (\$300,000).

FISCAL IMPACT:

Below is a reconciliation of the City's approved 2021-2022 General Fund budget to the proposed adjusted budget:

Fiscal Year 2021-2022 Approved Budget

Revenues	\$ 27,322,145	
Expenditure Appropriations	<u>(26,804,488)</u>	
Approved Budget Surplus		\$ 517,657

Proposed mid-year revenue increase

Total increase	3,345,597	
Less: one-time land sale	(2,816,000)	
		529,597.00

Net revenue surplus	<u>1,047,254.00</u>
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City Council Approved Appropriations

Special events	(145,000)	
Personnel funding	(131,200)	
Library programing	(25,000)	
New vehicle lease	(76,600)	
Servers replacement	(31,000)	
Billboard advertising	(17,000)	
Landscape Maintenance	(29,400)	
Pueblo Viejo ST-130	<u>(556,800)</u>	
		(1,012,000)

Proposed mid-year appropriations	(341,800)
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Net change in fund balance	<u>\$ (306,546)</u>
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Approval of these mid-year budget adjustments will have the following fiscal impacts:

- General Fund
 - Revenues - net increase \$3,345,597 (\$529,597 operating + \$2,816,000 one-time land sale).
 - Expenditures – net increase \$330,000.
 - Fund balance – net increase \$3,015,597 (\$199,597 unrestricted, \$2,816,000 assigned).
- Development Impact Fees Fund
 - Expenditures – net increase \$325,800.
 - Fund balance - net decrease \$325,800.
- Grants Fund
 - Revenues – net increase \$69,597.
 - Expenditures – net increase \$1,296,400.
 - Fund balance – net decrease \$1,226,803.
- Water Authority

- Revenues – net increase \$17,000.
- Expenses – net increase \$423,000.
- Net position – net decrease \$406,000.
- Sanitary District
 - Revenues – net decrease \$500,000.
 - Net position – net decrease \$500,000.

ATTACHMENTS:

1. Resolution 2022-34 - Amending the budget for fiscal year 2021-2022
2. Budget Adjustment Journal Entry (Exhibit A to Resolution 2022-34)