



Folsom City Council Staff Report

MEETING DATE:	11/9/2021
AGENDA SECTION:	Scheduled Presentations
SUBJECT:	City Manager's Financial Update for the First Quarter of Fiscal Year 2021-22
FROM:	Finance Department

RECOMMENDATION / CITY COUNCIL ACTION

It is recommended that the City Council receive and file the City Manager's Financial Update for the First Quarter of Fiscal Year 2021-22.

BACKGROUND / ISSUE

Section 5.05R of the Charter of the City of Folsom requires the City Manager submit to the City Council a financial and management report showing the relationship between budgeted and actual revenues, and expenditures and encumbrances on a quarterly basis.

This Quarterly Financial Update is an analysis of the unaudited financial status of the City's major funds for the first quarter of Fiscal Year (FY) 2021-22, covering the three-month period from July 2021 through September 2021. This report is a modified version of previous quarterly reports. We do not usually provide a first quarter report, due to lack of available data this early in the fiscal year, however, considering the evolving financial impacts of COVID-19 we wanted to report to the council as early as possible.

POLICY / RULE

Section 5.05R of the Charter of the City of Folsom requires the City Manager submit to the City Council a financial and management report showing the relationship between budgeted and actual revenues, and expenditures and encumbrances on a quarterly basis.

Section 3.02.050 (b) of the Folsom Municipal Code states “... within 30 days after the end of each quarter during the fiscal year, and more often if required by the City Council, the City Manager shall submit to the City Council a financial and management report.”

ANALYSIS

Unemployment as of September 2021 was 6.4% and 6.1% in California and Sacramento County respectively and in Folsom the unemployment rate was 3.9%. The table below shows the unemployment rate over the last three years to illustrate the effects of the pandemic on employment and the ongoing recovery.

Unemployment Rate			
September of each year	2021	2020	2019
California	6.4	10.7	3.5
Sacramento County	6.1	9.6	3.1
Folsom	3.9	6.1	2.3

For FY 2022, the General Fund is projected to end the year with an unassigned fund balance of \$20.84 million. As a comparison, the unassigned fund balance in FY 2020 was \$13.78 million (audited) and in FY 2021 it is currently estimated to be \$19.70 million (unaudited and currently incomplete). The percentage of unrestricted fund balance to expenditures is projected at 21.04% (FY 2022) and an estimated 21.93% in FY 2021 and both years would be an increase from the FY 2020 amount of 14.4%. Fiscal Year 2021-22 projected revenues of \$99.81 million is an increase of \$4.99 million or 4.49% over the estimated FY 2021 revenues of \$95.52 million. The increase is mostly due to increases in property tax, sales tax, charges for services and intergovernmental revenues. Projected expenditures of \$99.05 million is an increase of \$9.23 million or 10.28% from the estimated FY 2021 expenditures of \$89.82 million.

The FY 2022 projected revenue increase over appropriated revenues of \$92.52 million is seen mostly in charges for services, intergovernmental revenue and sales tax. Property tax is not received in the first quarter, however, the projection for fiscal yearend is estimated to be \$32.99 million, an increase of \$500,000 from the appropriated amount, and an increase of \$1.74 million from FY 2021 (5.56%). A comparison of home sales during the first quarter of FY 2022 and FY 2021 shows the number of homes sold decreased by 61 or 19.87%. The average median sales price through the first quarter of FY 2022 was \$728,333 which is an increase of 20.58% over fiscal year 2021.

Sales tax is projected to end the fiscal year at \$26.50 million, an increase of \$1.95 million over the budgeted amount of \$24.55 million (7.93%). In comparison to FY 2021 sales tax receipts are projected to increase by approximately \$651,000 or 2.52%. The FY 2021 amount was \$25.85 million.

Through the first quarter, charges for services were \$2.76 million and the current projection for the end of Fiscal Year 2022 is \$12.63 million. The projection of \$12.63 million is an

increase from the budgeted amount of \$9.95 million and a decrease of \$1.33 million from the estimated Fiscal Year 2021 amount. The increase over the budgeted amount is mostly in Parks and Recreation charges of \$1.53 million, development charges of \$400,000 and charges in Police and Fire of \$750,000. Charges in the Public Safety Departments are estimated reimbursements from the California Office of Emergency Services (CalOES) for wildfire strike teams. The decrease in Charges for Services when compared to the prior fiscal year is in development charges of approximately \$1.00 million, Fire Department charges of approximately \$500,000 and other charges of approximately \$500,000. The reduction in development fees is reflective of a slight slowing in building activity which may rebound by the end of the fiscal year. The reduction in the Fire Department is a reduction of the reimbursement from CalOES and should also be reflected in a reduction in overtime expenses when compared to the prior fiscal year.

The FY 2022 projected expenditures are \$99.05 million, \$6.52 million (7.05%) more than the appropriated amount (\$92.52 million). The projected expenditures include increases in salaries of \$3.35 million, a decrease in benefits of \$210,000, an increase in contracts of \$3.23 million and an increase in capital outlay of \$90,000. The projected increase in salaries is in the Police Department (\$1.18 million), the Fire Department (\$2.2 million) and Parks and Recreation (\$180,000). The salary increases in the public safety departments will be partially offset by reimbursements for overtime due to wildfires (Police \$490,000, Fire \$480,000). The salary increase in Parks and Recreation is mainly due to increased temporary salaries as programs reopened. The increase to capital outlay is a cost carry over for renovations at the Aquatic Center.

The Solid Waste, Water and Wastewater Utility Operating Funds are all projected to end the fiscal year with operating revenues exceeding operating expenses. Net assets in all three funds are projected to decrease once capital expenses are included. In the case of Water and Wastewater, the capital outlay is for capital projects and in Solid Waste it is the purchase of replacement vehicles. A comparison of the current fiscal year end projection to FY 2021 expenses and revenues shows charges for service revenues in Water are currently projected to increase by \$170,000 (0.94%) and operating expenses are projected to increase by \$946,000 (8.23%). Wastewater Operating charges for services revenues are projected to increase by \$120,300 (1.41%) and operating expenses are projected to increase by \$751,000 (14.82%). Solid Waste Operating charges for services revenues are projected to increase by \$1.11 million (7.09%) and operating expenses are projected to increase by \$1.52 million (11.30%). Increases in expenses are mainly due to employee and contract costs.

Expenses for capital improvements are currently projected to increase across all three proprietary funds due to budgeted project and vehicle replacement costs.

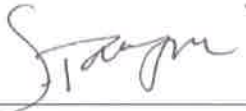
The negative cash balance in the Trail Grant Fund ended the first quarter at a negative \$160,700. The negative cash balance at the end of FY 2021 was \$1.14 million. In August 2021 the grant reimbursement for the Oak Parkway Trail Undercrossing project was received in the amount of \$985,000.

The Compensated Leaves Fund is estimated to end Fiscal Year 2022 with an unrestricted fund balance of \$57,527. The current projection is for the unrestricted fund balance to remain the same as the projection for Fiscal Year 2021.

Submitted,



Elaine Andersen
City Manager



Stacey Tamagni
Finance Director/CFO