



AGENDA REPORT SUMMARY

Meeting Date: February 27, 2024

Subject **FY23/24 Mid-Year Budget Adjustments**

Prepared by: June Du, Finance Director

Approved by: Gabriel Engeland, City Manager

Attachment(s):

1. Resolution

Initiated by:

Staff

Previous Council Consideration:

June 13, 2023

Fiscal Impact:

Budget revisions detail

Environmental Review:

Not applicable

Policy Question(s) for Council Consideration:

- Does the City Council wish to approve the proposed adjustments to the midyear budget as presented?

Summary:

On June 13, 2023, City Council approved the FY23-24 Mid-Term operating budget and FY24-28 capital improvement budget. Throughout the past six months, staff has actively monitored actual revenues and expenditures. This report provides an update to the City Council on the General Fund operating budget for the remainder of FY23-24 and outlines proposed budget adjustments to all City Funds.

This report was presented to the Financial Commission on February 5, 2024 and unanimously recommended for approval to the City Council.

Staff Recommendation:

Approve the recommended adjustments to the FY22-24 budget appropriations as presented.

City Manager

GE

Reviewed By:

City Attorney

JH

Finance Director

JD



Subject: **FY23/24 Mid-Year Budget Adjustments**

Background:

In FY23-24 budget process, City implemented zero based budget with the goal of providing the public services more effectively by allocating the resources to the most needed areas. On June 13, 2023, City Council adopted the FY23-24 Operating Budget and Five-Year Capital Improvement and Major Maintenance Program (CIMMP).

Summary of the requests:

Departmental Budget Changes

- **City Administration (\$300K expenditure from General Fund balance):**

The City Administration department is requesting an additional \$300,000 expenditure appropriation for the litigation services.

- **Public Works Department (\$30K expenditure from General Fund balance):**

The Public Works department is requesting an additional \$30,000 in expenditure appropriation to cover the costs of emergency traffic control on 4600 ECR, resulting from a recent fire.

- **Development Services Department (\$660K expenditure from General Fund balance):**

The Development Services department is requesting an additional \$800,000 in expenditure appropriation to cover the potential consulting fee for the permitting and recognize \$140,000 in permit revenue. This item was initially budgeted in the deposit performance account as a revenue, but the expenditure was not included; the actual costs are tied to the permit revenues.

- **Police Department (\$340K transfers in to General Fund):**

The City receives \$100,000 Supplemental Law Enforcement Service Fund (SLESF) and additional growth allocation under AB3229 annually to cover the costs of “front line law enforcement services.” The staff is requesting to transfer \$340K from the SLESF fund to the General Fund to supplement the Police Department costs.

- **Internal Services Fund (\$350K transfer out reduction from General Fund):**

The staff is recommending reducing General Fund transfers to the Internal Services fund by \$300,000, with \$50,000 going to the Technology Fund and \$300,000 to the Dental Fund. It's projected that both the Dental Fund and Technology Fund will maintain balances above \$500,000 by the end of FY24.



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- **City Clerk (\$6K expenditure transfer from General Fund to Technology Fund):**

The City Clerk's office is requesting the transfer of \$6,000 from its operating budget to the Technology Fund to address the extra expenses associated with online subscriptions.

- **Emergency Operation Center Project- CF-01021 (\$500K revenue increase in Grant Revenue):**

In January 2024, the City was awarded a \$500,000 grant from the Office of Emergency Services pursuant to Bill AB 102 for emergency operations retrofitting. Initially, the City allocated \$2.35 million from the General Fund in FY24 for this purpose. It is now requesting to recognize the \$500,000 grant as revenue, appropriate it to the EOC project (CF-01021), and to release/return an equivalent amount from the General Fund in the Capital Project Fund.

- **Public Works Department-Sewer Division (\$241K expenditure from Sewer Fund balance):**

The Public Works Sewer division is seeking \$241,000 from the Sewer fund balance. The request encompasses \$11,000 for emergency sewer repairs at 74 Dior Terr, \$10,000 for emergency repairs to the Blue Oak pump station, and \$220,000 for additional costs related to the Vac-Con purchase.

- **Gas Tax and SB1 Tax revenues (\$70K revenues reduction from revenues)**

Per the projection from the state, by comparison the May 2023 projection, the gas tax revenue will decrease \$45,000 and SB1 gas tax revenues will decrease \$25,000. The projects funded by the Gas tax and SB1 tax will be either paid by the other funding sources or being delayed.

- **Traffic Impact Fee revenue (\$900K revenue reduction from revenues)**

The Traffic Impact fee forecast, based on current development projects, has been reduced by \$900,000 by the Development Service department as a conservative measure.

- **CIMMP Projects have been affected by the reduction in revenue from Gas Tax, SB1 Tax, and Traffic Impact Fee. The impacted projects are listed below:**



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Project #	Project Name	Fund Title	Adopted Budget
TS-01001	Annual Street Resurfacing	SB1	782,816
		Subtotal	782,816
TS-01001	Annual Street Resurfacing	Gas Tax	400,000
TS-01003	Annual Street Striping	Gas Tax	150,000
TS-01004	Annual Street Slurry Seal	Gas Tax	350,000
		Subtotal	900,000
TS-01005	Annual Concrete Repair	Traffic Impact Fees	411,743
TS-01006	Annual Traffic Sign Replacement	Traffic Impact Fees	200,091
TS-01057	In-Road Light System Maintenance	Traffic Impact Fees	445,000
TS-01062	San Antonio Road Complete Street Project	Traffic Impact Fees	280,000
		Subtotal	1,336,834

Conclusion

The overall adjustments will bring \$190K increase to the City’s estimated General Fund balance, with a final estimated decrease of \$60,000 at the end of the fiscal year. The proposed budget fund statements with the changes are summarized in the tables below. Staff will continue to review the financial records and will bring forward the change if it is needed on a case-by-case basis. At this time, staff recommend that the City Council approve the budget changes requested to the FY23-24 budget as presented in this report.

Table 1 General Fund Budget Summary (In Million)			
	6/13 CC meeting budget (1)	Operating Request (2)	Revised Budget (3)=(1)+(2)
Budgeted Revenues	53.67	0.14	53.81
Budgeted Expenditures	-51.16	-1.13	-52.29
Net	2.51	-0.99	1.52
Transfer In	0.00	0.84	0.84
Transfer Out	-2.76	0.34	-2.42
Surplus/ (Shortfall)	-0.25	0.19	-0.06
Estimated Beginning Bal.	15.20		15.20
Estimated Ending Bal.	14.95		15.14



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Table 2 Sewer Fund Budget Summary (In Million)			
	6/13 CC meeting budget (1)	Operating Request (2)	Revised Budget (3)=(1)+(2)
Budgeted Revenues	9.71	0.00	9.71
Budgeted Expenditures	-8.74	-0.24	-8.98
Net	0.98	-0.24	0.74
Capital Expenditures	-8.42		-8.42
Debt Services	-0.02		-0.02
Transfer Out	-0.50	0.00	-0.50
Surplus/ (Shortfall)	-7.97	-0.24	-8.21
Estimated Beginning Bal.	9.21		9.21
Estimated Ending Bal.	1.24		1.00

Table 3 Internal Services Fund - Dental Budget Summary (In Million)			
	6/13 CC meeting budget (1)	Operating Request (2)	Revised Budget (3)=(1)+(2)
Budgeted Revenues	0.49		0.49
Budgeted Expenditures	-0.49		-0.49
Net	0.00	0.00	0.00
Transfer in	0.50	-0.30	0.20
Transfer Out			0.00
Surplus/ (Shortfall)	0.50	-0.30	0.20
Estimated Beginning Bal.	0.53		0.53
Estimated Ending Bal.	1.03		0.73

Table 4 Internal Services Fund - Technology Budget Summary (In Million)			
	6/13 CC meeting budget (1)	Operating Request (2)	Revised Budget (3)=(1)+(2)
Budgeted Revenues	0.15		0.15
Budgeted Expenditures	-0.67	-0.02	-0.69
Net	-0.52	-0.02	-0.54
Transfer in	0.76	-0.04	0.72
Transfer Out	-0.90		-0.90
Surplus/ (Shortfall)	-0.66	-0.06	-0.72
Estimated Beginning Bal.	1.33		1.33
Estimated Ending Bal.	0.67		0.61