

As discussed in greater detail later in this Report, the primary drivers of the reduction in the projected deficit are estimated increases in property tax, business license tax, Transient Occupancy Tax (TOT), and franchise fee distribution. In addition to the improvement in revenue projections, staff is estimating that there will be year-end operating expenditure savings. Staff anticipates savings attributable to Departmental vacancies and lower cost structures associated with retiree replacements. In addition, for FY 2022/23, salaries were again budgeted at actual salary plus a one step increase, which was a significant budgeting methodology change from previous practice.

On June 7, 2022 the Town Council adopted the combined use of ARPA funding, residual Measure G proceeds, and Other Post-Employment Benefits (OPEB) Trust reimbursement to balance the FY 2022/23 budget as illustrated in the table below.

Planned Use of One-Time Sources Balancing the FY 2022/23 Operating Budget	
ARPA Replacement Revenue	\$1,643,281
Measure G Residual for Operation	\$679,443
OPEB Trust Reimbursement for Retiree Medical	\$902,579
Total	\$3,225,303

The significant revenue increases combined with projected expenditure savings indicate that the approved sources might not be necessary; however it can only be determined at the time of the final close of the fiscal year. Staff recommends not to re-program the proposed sources until the fiscal year is closed. Since it is probable that not all sources will be utilized, staff is asking for Council direction regarding what source should be utilized first to cure current fiscal year deficit, if needed. Due to the fact that OPEB Trust withdrawal should be requested in June, significantly earlier than the final numbers are available, staff recommend to not utilizing the Trust Reimbursement.

Providing services to the community in this and future fiscal years will require a strong return to pre-pandemic performance of the Town's economically sensitive revenues to offset continued projected cost increases. The FY 2023/24 budget development process will endeavor to maintain essential public services while controlling operational costs in light of the five-year fiscal forecast, which predicts operating revenue shortfalls in subsequent fiscal years.