

REMARKS (continued):

Highlights of the Mid-Year Budget Report include:

Financial Overview and Executive Summary

As discussed in the Report, the current fiscal year-end projections for FY 2022/23 reflect an anticipated \$0.7 million surplus of operating revenues and planned use of reserves over expenditures compared to the anticipated \$3.2 million deficit in the Adopted Budget.

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 American Rescue Plan Act (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 first. The Finance Commission did not agree with the staff recommendation. It preferred using the ARPA source last so as to give Council more resources to reprogram.