



# CITY COUNCIL AGENDA REPORT

**MEETING DATE:** February 6, 2023

**TO:** City Council Members

**FROM:** Chris Gorsky, Administrative Services Director

**SUBJECT:** Accept the Mid-Year Budget Review for FY22/23; Consider approving the staff recommended budget changes as presented.

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## RECOMMENDATION

1. Accept the Fiscal Year 22/23 Mid-Year Budget Update with recommended changes.
2. Approve Budget Adjustments as Presented; Requires a 4/5<sup>th</sup> vote.

## DISCUSSION

The City Council adopted the FY22/23 Budget on June 21, 2022. Revenue trends are in line with expectations, Sales and Use Tax revenues are down by 1% from our conservative budget estimates, while Transient Occupancy Tax (TOT) and the Public Benefit Fee for Cannabis dispensaries are up by 7% and 6%, respectively, for the General Fund. Each have been affected by the tentative macro-economic situation and uncertainty caused by historic inflation rates. The adjusted revenues for all three sources are a net projected increase of \$48,000 to the General Fund over what was originally budgeted.

The city received the second, and final, disbursement of Coronavirus State and Local Fiscal Recovery Funds (SLFRF) in FY22/23 of \$581,786 and despite receiving those funds the City had a deficit for the first half of FY22/23 of \$309,764 (p.14). The FY22/23 budget was a status-quo budget with no capital improvements, fails to address deferred maintenance, and continues the City's history of critically underfunded departments. This demonstrates how important it was for the City to have passed Measure Y to help address this funding shortfall going forward. Measure Y will become effective April 1, 2023 and the City will begin to benefit in the third quarter of FY22/23.

Staff have identified a set of mid-year budget adjustments for Council's consideration. The proposed budget changes reflect the revised estimates to revenues and expenditures necessitating the budget changes detailed on page 13 of the FY22/23 Mid-year report and include initial revenue estimates for Measure Y.

## FISCAL IMPACT

The General Fund Mid-Year budget changes for the FY22/23 total \$725,000, which include initial revenue estimates for Measure Y (p.13).

## ATTACHMENTS

- **Mid-Year Budget Update**