



Mid Year Budget Report

FY 2022-2023

Table of Contents

INTRODUCTION	1
Timeframe and Limitations	1
Executive Summary	2
GENERAL FUND – KEY REVENUE ANALYSIS	3
Sales Tax	3
Property Tax	4
Franchise Fees	5
Business License Tax	6
Transient Occupancy Tax	7
Charges for Services	8
Licenses and Permits	9
Cannabis Dispensary Revenues	10
GENERAL FUND – KEY EXPENDITURE ANALYSIS	11
Salaries and Benefits	11
Operating Expenditures	12
FY22/23 RECOMMENDED FIRST HALF BUDGET ADJUSTMENTS	13
Summary of Recommended Budget Adjustments	13
FINANCIAL SUMMARIES, PROJECTIONS AND RECOMMENDATIONS	14
General Fund	14
Special Revenue Fund: Measure I	15
Measure I: Police Department	16
Measure I: Fire Department	17
Measure I: Public Works	18
DEPARTMENT UPDATES	19
COMMUNITY DEVELOPMENT	19
Mid-Year Goals and Accomplishments	19

POLICE DEPARTMENT	20
Mid-Year Goals and Accomplishments	20
FIRE DEPARTMENT	21
Mid-Year Goals and Accomplishments	21
PUBLIC WORKS DEPARTMENT	22
Mid-Year Goals and Accomplishments	22
CONCLUSION	23



Introduction

The City Council adopted the FY22/23 budget at its June 21st, 2022 meeting. The mid-year financial report provides an analysis of the City's General and Special Revenue Funds revenues and expenditures for the first half of FY22/23, for the six months ending December 31st, 2022. Recommended adjustments are made to ensure the budget reflects the City's current revenue outlook and is responsive to changing financial landscape and city priorities.

These budget updates have two purposes. First, to provide regular updates to the City Council regarding revenue and expenditure trends ensuring the City Council has a strong understanding of the current financial condition, this is necessary to proactively respond to unanticipated changes or emerging trends. Second, and equally important, these reports increase the transparency of City finances. The City is ultimately accountable to its residents to use City revenues efficiently and effectively, providing the highest quality services. Ongoing public reporting provides taxpayers with the information they need to hold the City to this standard.

With respect to revenues: The City regularly monitors and adjusts its year-end revenue projections based on actual revenue performance and forecasting models to develop a more accurate picture of the City's anticipated year-end financial position.

With respect to expenditures: The expenditure information in this report is extracted directly from the City's financial management system, and adjustments are made to account for certain known payments, reimbursements, or transfers between City departments and funds that have not yet been processed in the system at the time of publication. It represents a snapshot of City expenditures at a certain point in time and does not reflect final FY22/23 adjustments.

Timeframe and Limitations

The information in this report is the most accurate and up-to-date information available at the time of publication. However, this report is not an audited financial statement and the numbers provided herein are preliminary and subject to change as the year progresses. No data on revenues and expenditures is final until the City has completed its annual financial audit, which is released each year for the prior year.

Executive Summary

The total budget for FY22/23 is \$17.8 million. Salaries and Benefits account for 42% of this total and 75% of the General Fund expenditures or Discretionary City Funds. General Fund expenditures for the first half are trending within our expected range, with salaries and benefits trending around 48% as expected, staff expects higher costs in the second half of the year. City staff continue to do a great job controlling operational expenditures with first half expenditures at about 48% of budget.

In total, 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. See the recommended budget adjustments on page 13.

With the noted budget adjustments and six months of data available the City appears to be on budget for the second half of the year, with only the revenue adjustments and the expenditure adjustments, as noted. While projections remain strong the City has several obligations that it has not fully accounted for, such as: infrastructure maintenance, pension obligations, facilities maintenance, fleet replacement and the costs of labor negotiations.

On July 18, 2022, the City Council approved Ordinance No. 890 and on November 8th, 2022, City of Sonora voters approved Measure Y, a 1% Transaction and Use Tax which becomes effective April 1, 2023. The City will begin to benefit from this new revenue in the last months of this Fiscal Year. Part of the recommended budget adjustments are FY22/23 conservative revenue estimates for Measure Y of \$600,000.

FY22/23 budget was balanced with one time State and Local Fiscal Recovery Funds, as part of COVID-19 relief. We will begin the FY23/24 budget with that deficit and other unfunded costs, including rising employee costs, pension costs, and other operation costs. Measure Y came just in time.

FY22/23 Recommended Budget Adjustments

The recommended budget adjustments for the mid-year update appear on page 13.

GENERAL FUND – KEY REVENUE ANALYSIS

The following discussion provides a status of significant General Fund revenue sources as of the first half of FY22/23, ending December 31, 2022. Staff monitors each revenue source closely and may recommend certain revenue adjustments based on revenue actuals or State and Federal budget actions.

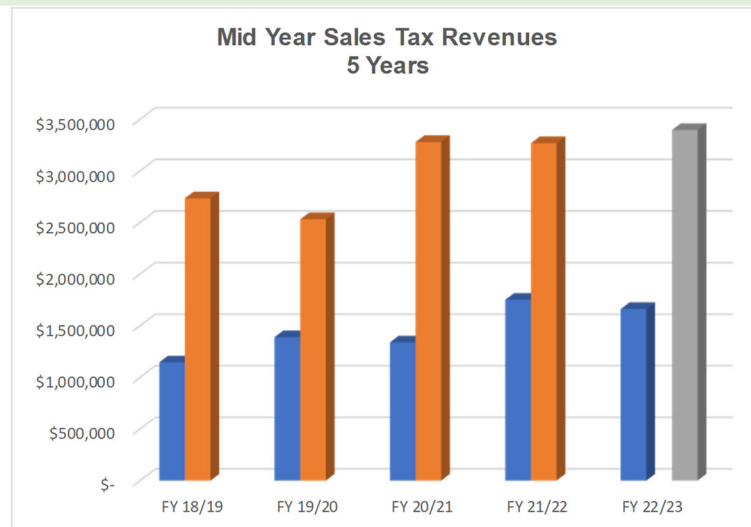
Sales Tax

Sales tax is the largest revenue source for the City's General Fund, accounting for 36% of budgeted General Fund revenues for FY22/23, a projected \$3,397,100. Currently, the City's General Fund receives .87 cents for every 7.75 cents of sales tax paid per dollar on retail sales and taxable services transacted within Sonora. Police, Fire and Public Works receive another ½ percent sales tax from Measure I, as detailed on page 16-19.

South Dakota v. Wayfair decision established that the State collects sales tax from goods that are shipped into the State from out of State merchants. The City sales tax revenues are benefitting from this change.

Analysis – First half sales tax receipts are trending 5% lower than those in the same period last fiscal year and 1% lower than the FY22/23 budget. The uncertain economic times and historically high Consumer Price Index (CPI) along with the associated increases in interest rates are starting to affect the economy. Staff will continue to monitor sales tax receipts and meet with the City's sales tax consultant to analyze trends. For the second half of FY22/23 sales tax estimates have decreased slightly requiring a budget adjustment in the amount of (\$72,000), or (2%).

SALES TAX



First Half Actuals
Full Year Actuals
FY22/23 Full Year Budget

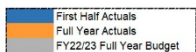
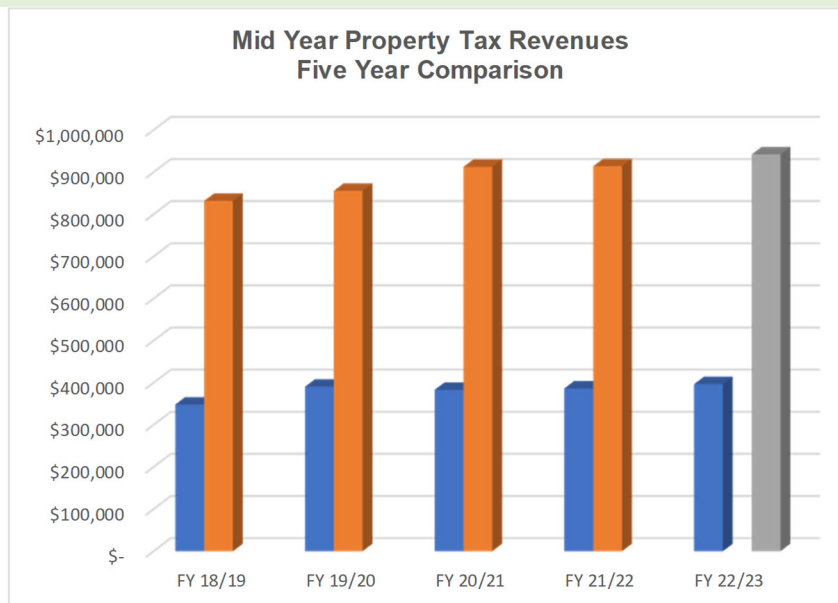
	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23
First Half Actual Revenues	\$ 1,144,589	\$ 1,389,665	\$ 1,338,639	\$ 1,752,041	\$ 1,662,290
Fiscal Year Total Actual Revenues	\$ 2,734,445	\$ 2,532,000	\$ 3,280,856	\$ 3,269,427	
Fiscal Year Budgeted Revenues					\$ 3,397,100
% of Total	41.9%	54.9%	40.8%	53.6%	48.9%

Property Tax

Property tax is the second largest revenue source for the City's General Fund, accounting for 10% of budgeted General Fund revenues in FY22/23. Property tax is levied by the Tuolumne County Assessor's Office at 1% of a property's assessed value, of which the City receives approximately 12.6 cents per dollar paid on property located within the municipal limits of Sonora.

Analysis – Property Tax distributions are largely received in the second and fourth quarters, however the chart below depicts the first half receipts for the past four years as compared to the current fiscal year. Mid-year receipts are trending consistent with prior years. Property tax revenue for FY22/23 was budgeted for 2% growth over the previous year's actuals projecting increasing property values on real estate transactions.

PROPERTY TAX



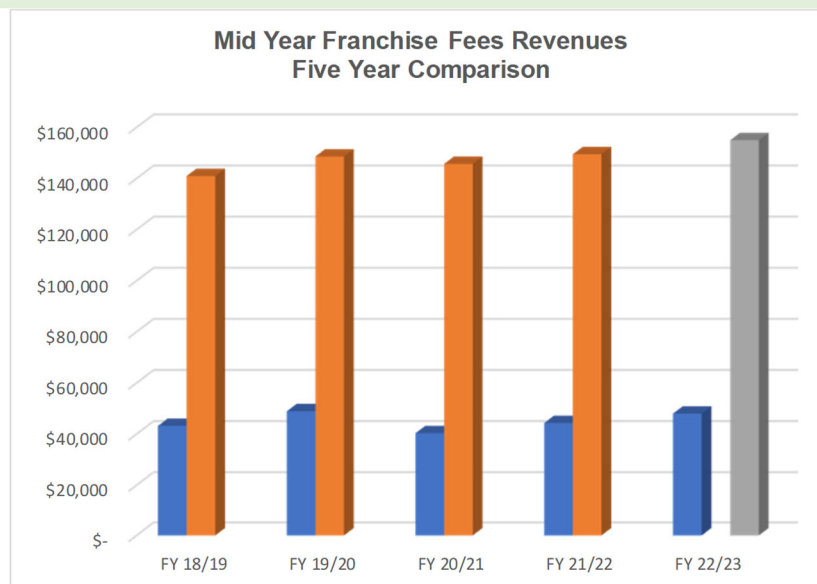
	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23
First Half Actual Revenues	\$ 348,012	\$ 390,512	\$ 383,081	\$ 386,390	\$ 396,616
Fiscal Year Total Actual Revenues	\$ 831,512	\$ 855,411	\$ 912,549	\$ 913,849	
Fiscal Year Budgeted Revenues					\$ 942,000
% of Total	41.9%	45.7%	42.0%	42.3%	42.1%

Franchise Fees

Franchise fees are collected by the City for the privilege of operating a utility service within Sonora, and as a fee in lieu of a business license tax. Franchise fees are currently received from Comcast for cable television, PG&E for electric services, and Waste Management for solid waste collection services. Franchise fees represent 1.6% of budgeted General Fund revenues in FY22/23.

Analysis – Historically, franchise payments are not remitted equally throughout the fiscal year; therefore, second quarter receipts are not necessarily predictive. Total franchise fee revenues to date are 31% of budgeted total receipts, and similar to past years.

FRANCHISE FEES



First Half Actuals
Full Year Actuals
FY22/23 Full Year Budget

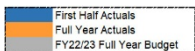
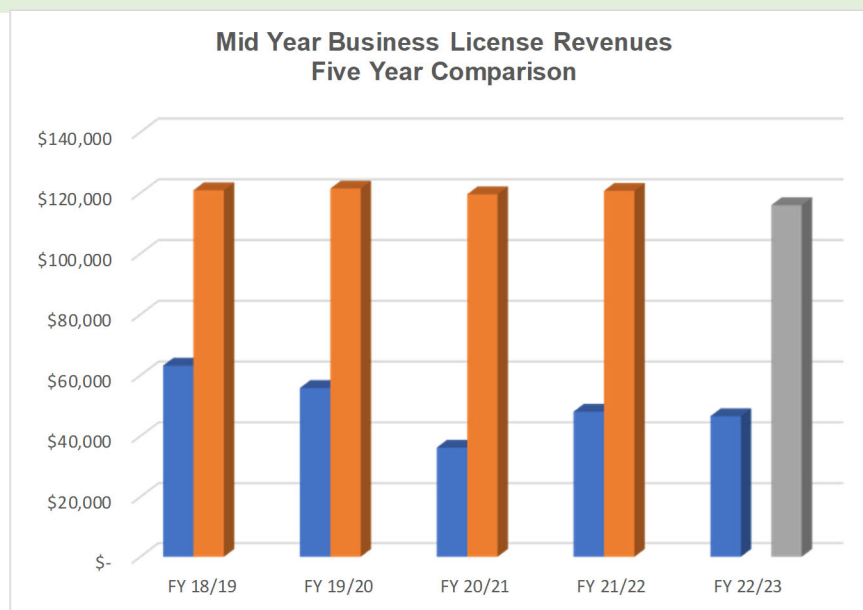
	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23
First Half Actual Revenues	\$ 43,210	\$ 48,925	\$ 40,333	\$ 44,303	\$ 47,977
Fiscal Year Total Actual Revenues	\$ 140,968	\$ 148,600	\$ 145,698	\$ 149,478	
Fiscal Year Budgeted Revenues					\$ 155,000
% of Total	30.7%	32.9%	27.7%	29.6%	31.0%

Business License Tax

The city requires all businesses located within Sonora, or those that operate within Sonora, to obtain a business license. The amount of business license tax paid by each business is based on the type of business and designated zone the business is in, or operating in, and the number of business employees. These activities account for approximately 1.2% of annual General Fund operating revenues. Approximately 1,020 annual renewals and associated payments are processed each year and are due in January.

Analysis – Business license tax revenue has rebounded from the pandemic affected revenue of FY20-21. In FY20-21 many businesses were shuttered or closed permanently as the lockdown began. In FY21/22 revenues were beginning to see a turnaround and the first half revenues of FY22/23 are consistent with the prior year. Staff will continue to monitor businesses license revenues.

Business License Revenues



First Half Actual Revenues

Fiscal Year Total Actual Revenues

Fiscal Year Budgeted Revenues

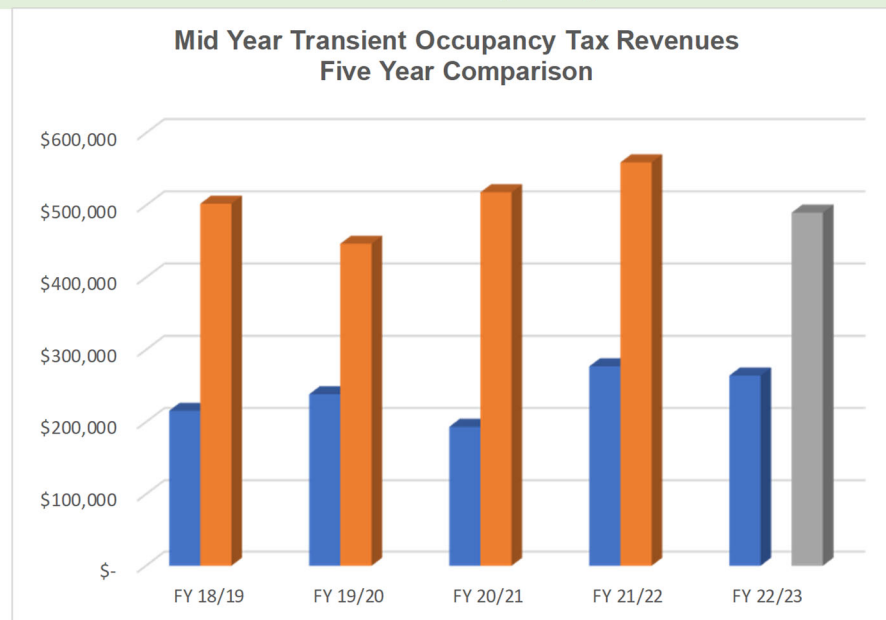
	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23
First Half Actual Revenues	\$ 63,208	\$ 55,849	\$ 36,235	\$ 48,078	\$ 46,577
Fiscal Year Total Actual Revenues	\$ 120,928	\$ 121,482	\$ 119,581	\$ 120,719	
Fiscal Year Budgeted Revenues					\$ 116,000
% of Total	52.3%	46.0%	30.3%	39.8%	40.2%

Transient Occupancy Tax

The City levies a 12% Transient Occupancy Tax (TOT) on all hotel and motel rooms and other transient rentals within the municipal limits of Sonora. This tax helps to fund City services provided to transitory visitors to Sonora and is shared with Visit Tuolumne County, the official Tuolumne County tourism bureau. The Visitors Bureau will receive approximately \$110,000 annually. TOT revenues for the FY22/23 are approximately 5% of General Fund revenues.

Analysis – Total TOT revenues had been resilient during COVID-19 and as the pandemic has begun to resolve there continues to be a rebound. FY22/23 continues to see TOT revenues at pre-pandemic levels and the first half revenues are similar to the prior year, and higher than originally budgeted. For the second half of FY22/23 TOT estimates have increased requiring a budget adjustment in the amount of \$60,000, or 12%.

Transient Occupancy Tax



■ First Half Actuals
■ Full Year Actuals
■ FY22/23 Full Year Budget

First Half Actual Revenues

Fiscal Year Total Actual Revenues

Fiscal Year Budgeted Revenues

% of Total

	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23
First Half Actual Revenues	\$ 215,611	\$ 238,563	\$ 193,495	\$ 277,274	\$ 264,419
Fiscal Year Total Actual Revenues	\$ 502,339	\$ 446,865	\$ 518,126	\$ 559,545	
Fiscal Year Budgeted Revenues					\$ 490,000
% of Total	42.9%	53.4%	37.3%	49.6%	54.0%

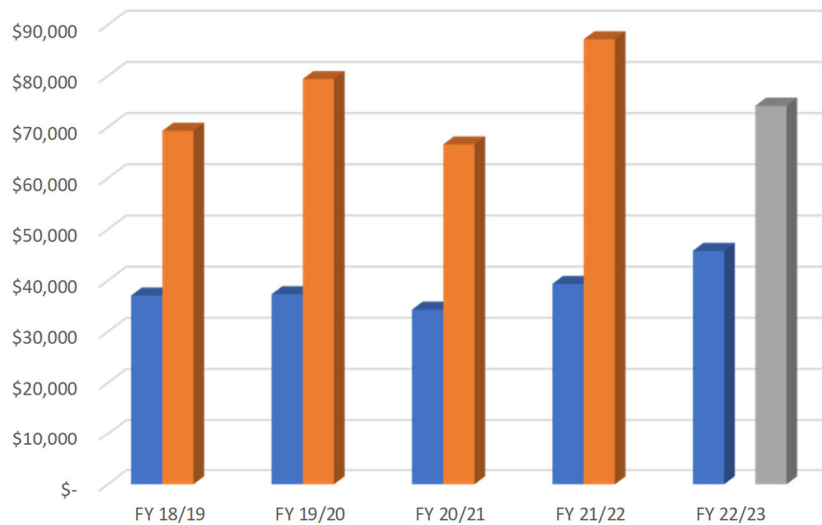
Charges for Services

City Service revenue consists primarily of Zoning and Subdivision fees, police and fire department services, street cleaning, debris removal and banner installation fees. Many of these fees and charges are assessed based on outdated recovery formulas, which should reflect approximate costs of providing these regulatory services. A fee update is needed to realign these user fees to the costs to provide the services. Charges for Services was budgeted to be less than 1% of General Fund revenues for FY22/23.

Analysis – First half receipts are trending higher than last year and within range of expectations. No budget changes are needed at this time.

Charges for Services

Mid Year Charges for Services Revenues
Five Year Comparison



First Half Actuals
Full Year Actuals
FY22/23 Full Year Budget

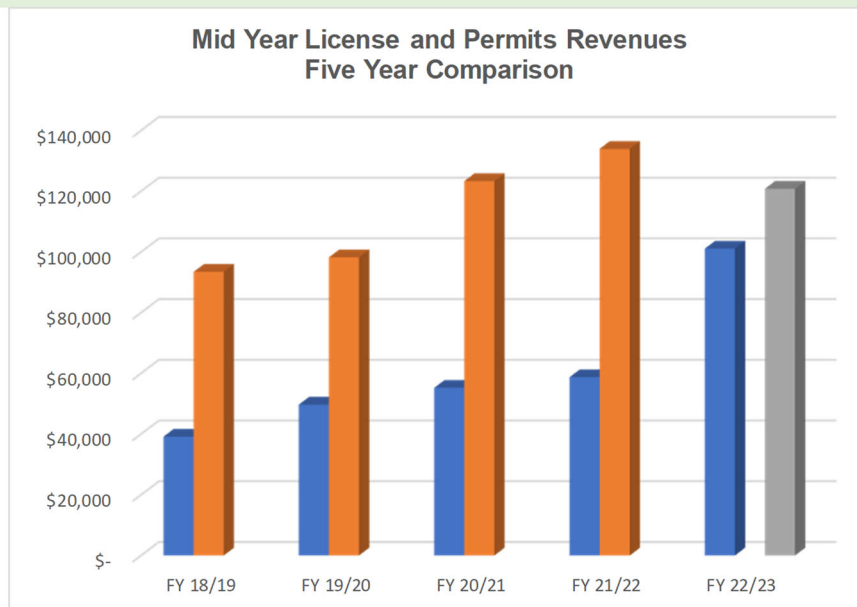
	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23
First Half Actual Revenues	\$ 37,106	\$ 37,356	\$ 34,342	\$ 39,381	\$ 45,840
Fiscal Year Total Actual Revenues	\$ 69,297	\$ 79,427	\$ 66,631	\$ 87,195	
Fiscal Year Budgeted Revenues					\$ 74,200
% of Total	53.5%	47.0%	51.5%	45.2%	61.8%

Licenses and Permits

Licenses and permits consist mainly of Building permits and encroachment permits which are collected by the City to offset administrative costs associated with overseeing the proper permitting aspects of development and City activities. These revenues were budgeted to be approximately 1.2% of General Fund revenues.

Analysis – First half licenses and permit revenue are higher than the previous several years as pent-up demand post pandemic and the interest in adding solar to area homes has increased the number of projects. Staff recommends an increase in budgeted revenues by \$40,000 to reflect the higher first half result.

License and Permits



■	First Half Actuals
■	Full Year Actuals
■	FY22/23 Full Year Budget

First Half Actual Revenues

Fiscal Year Total Actual Revenues

Fiscal Year Budgeted Revenues

% of Total

	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23
First Half Actual Revenues	\$ 39,167	\$ 49,743	\$ 55,263	\$ 58,744	\$ 101,101
Fiscal Year Total Actual Revenues	\$ 93,456	\$ 98,242	\$ 123,343	\$ 133,963	
Fiscal Year Budgeted Revenues					\$ 120,850
% of Total	41.9%	50.6%	44.8%	43.9%	83.7%

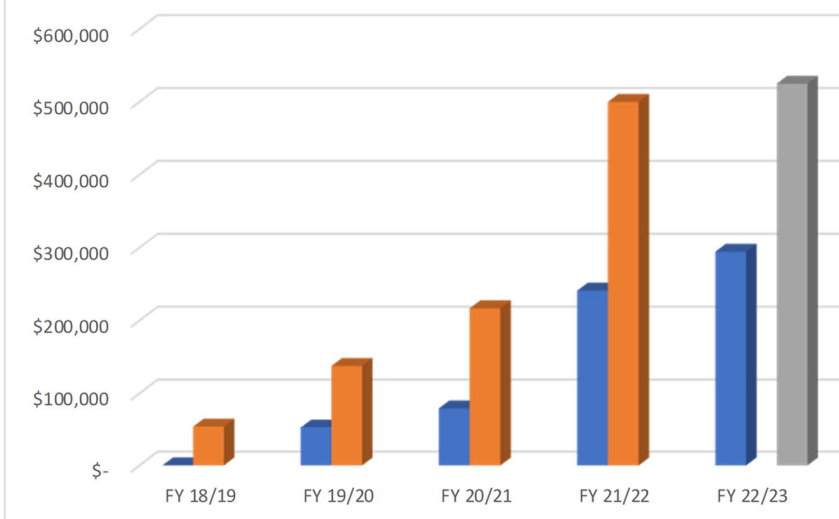
Cannabis Dispensary Revenues

This program was created after voters approved Proposition 64, entitled the 'Control, Regulate and Tax Adult Use Marijuana Act' (AUMA), legalizing the adult use and possession of cannabis by persons 21 years of age and older. On January 16, 2018, the Sonora City Council adopted Ordinance 18-848 to regulate the operation of commercial cannabis business within the City of Sonora. Currently the city has two operating dispensaries, with the current ordinance allowing up to three dispensaries. This revenue source was budgeted to be approximately 5% of General Fund revenues and is now the third largest revenue source for the City, with only Sales Tax and Property Tax contributing more.

Analysis – First half revenues have exceeded expectations. Revenues for the first half of FY22/23 are 6% above the original budget. The city also receives sales tax on recreational cannabis sales or approximately \$90,000. FY22/23 will mark the first-time cannabis revenues will exceed revenues from Transient Occupancy Tax. There is a staff recommended budget increase of \$60,000 to reflect higher public benefit revenues than anticipated for the 6 months ending December 31, 2022.

Cannabis Revenues

Mid Year Cannabis Revenues
Five Year Comparison



	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23
First Half Actual Revenues	\$ -	\$ 53,079	\$ 79,438	\$ 241,064	\$ 294,437
Fiscal Year Total Actual Revenues	\$ 54,444	\$ 137,687	\$ 216,719	\$ 499,977	
Fiscal Year Budgeted Revenues					\$ 525,000
% of Total	0.0%	38.6%	36.7%	48.2%	56.1%

GENERAL FUND – KEY EXPENDITURE ANALYSIS

The following discussion provides a status of significant General Fund expenditures for the first half of FY22/23, for the date ending December 31, 2022. Staff monitors each expenditure source closely and may recommend certain expenditure adjustments based on actual expenditures or state budget actions.

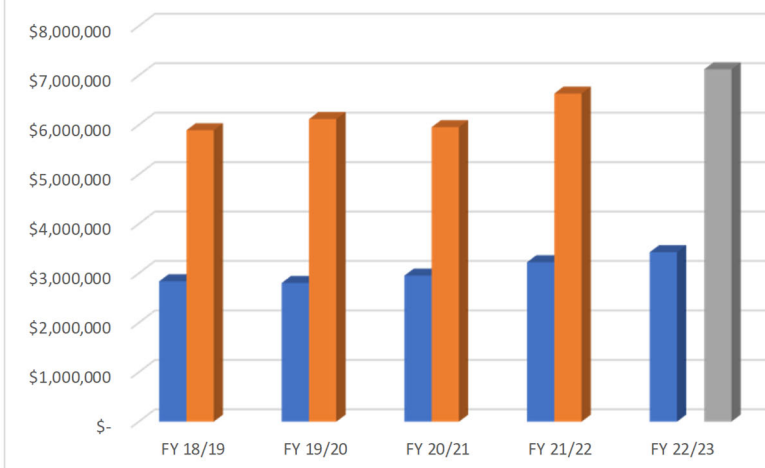
Salaries and Benefits

Salaries and Benefits are 75% of the General Fund budget. Salaries and Benefits include full-time employee salaries, elected official and volunteer stipends, temporary/relief employees, overtime, all tax related expenses and benefits, including health and CalPERS retirement. FY22/23 included negotiated increases for each of the employee bargaining units. Under typical circumstances, it would be expected that Salaries and Benefits would be just under 50% of total budget at the end of the second quarter as costs slowly increase over the course of a fiscal year.

Analysis – First half results for salaries and benefits are trending in line with those in similar periods in prior years, at approximately 48% of budgeted totals. Further analysis of these expenditure details indicates that benefits are trending at approximately 46% of budgeted totals in line with total personnel costs. The cost of health insurance increased 5% in January 2023 and was anticipated and built into the current budget.

Salaries and Benefits

Mid Year Salaries and Benefits Expenditures
Five Year Comparison



First Half Actuals
Full Year Actuals
FY22/23 Full Year Budget

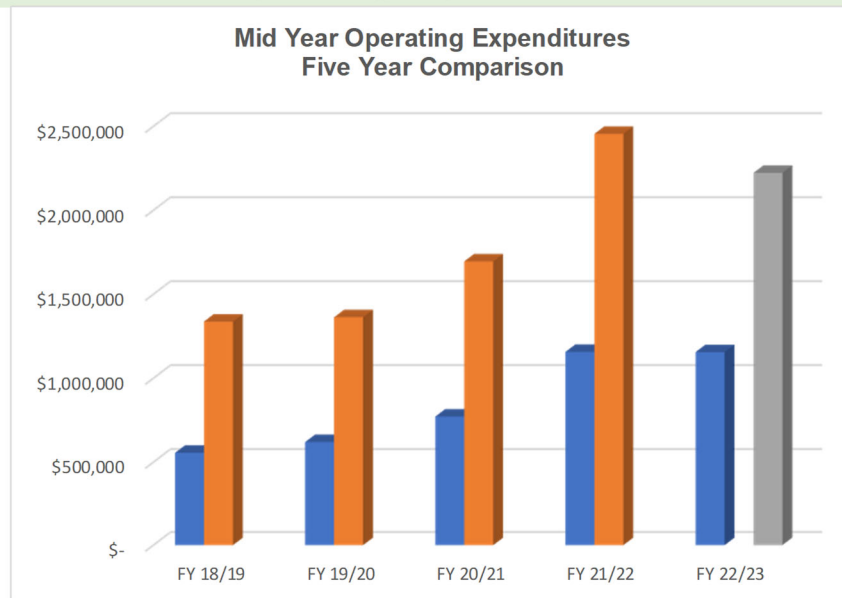
	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23
First Half Actual Expenditures	\$ 2,838,994	\$ 2,805,573	\$ 2,953,587	\$ 3,223,593	\$ 3,427,033
Fiscal Year Total Actual Expenditures	\$ 5,892,404	\$ 6,120,010	\$ 5,956,343	\$ 6,635,823	
Fiscal Year Budgeted Expenditures					\$ 7,124,850
% of Total	48.2%	45.8%	49.6%	48.6%	48.1%

Operating Expenditures

Operating expenditures consist of all General Fund costs to provide services, including supplies, materials, utilities, contracted services and are budgeted at \$2.2 million for the fiscal year. The categories of supplies, materials and non-capital equipment, the most controllable expenditure category, is 53% expended as many annual contracts renew in the first half of the year. The balance of the operating expenditures is on budget at 50% expended.

Analysis – First half results are trending similar to the same period in prior years, at approximately 52% of budgeted totals. Utilities are trending within range at 48%. There are a few adjustments that are recommended: Measure Y CDTFA Preparatory Costs of \$65,000, Additional contracted coverage in Community Development Department of \$25,000, Emergency Contract for Main Drain inspections after the historic winter storms of \$50,000, for a total budget increase of \$140,000, as described on page 13.

Operating Expenditures



First Half Actuals
Full Year Actuals
FY 22/23 Full Year Budget

	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23
First Half Actual Expenditures	\$ 555,699	\$ 620,191	\$ 772,072	\$ 1,156,839	\$ 1,155,468
Fiscal Year Total Actual Expenditures	\$ 1,337,253	\$ 1,363,273	\$ 1,695,688	\$ 2,455,448	
Fiscal Year Budgeted Expenditures					\$ 2,222,950
% of Total	41.6%	45.5%	45.5%	47.1%	52.0%

FY22/23 RECOMMENDED FIRST HALF BUDGET ADJUSTMENTS

FUND	DEPARTMENT	ACCOUNT	DESCRIPTION	BUDGET CHANGE
Revenues:				
001	-	4000	- 40210 - Sales and Use Tax	\$ (72,000)
001	-	4000	- 40215 - Sales Tax Measure Y	\$ 600,000
001	-	4000	- 40220 - Transient Occupancy Tax	\$ 60,000
001	-	4000	- 41040 - Public Benefit Fee Cannabis	\$ 60,000
001	-	2000	- 41250 - Building Permits	\$ 40,000
001	-	4900	- 47010 - Interest	\$ 32,000
001	-	8000	- 47510 - Opera Hall	\$ 5,000
TOTAL NET CHANGE TO REVENUES				\$ 725,000
Expenditures:				
001	-	1200	- 50110 - Relief	\$ (20,000)
001	-	5000	- 50120 - Overtime	\$ 55,000
001	-	2000	- 53010 - Outside Services	\$ 25,000
001	-	4900	- 53010 - Outside Svs - CDTFA Measure Y	\$ 65,000
001	-	2200	- 53050 - General Engineering	\$ 50,000
001	-	4900	- 59999 - Transfer Out CEPPT	\$ 150,000
001	-	4900	- 59999 - Transfer Out Emergency Reserves	\$ 200,000
001	-	4900	- 59999 - Transfer Out Capital Replacement Reserve	\$ 200,000
TOTAL NET CHANGE TO EXPENDITURES				\$ 725,000
NET CHANGE TO FY22/23 General Fund Budget				\$ -
350	-	8200	- 55060 - Linoberg Project - Blue Zones	\$ 17,000
NET CHANGE TO FY22/23 Vision Sonora Fund Budget				\$ 17,000

Summary of Recommended Budget Adjustments

- **Revenues:**
 - Sales Tax is down about 5% from FY21/22 and 1% below budget.
 - First time budgeting for Measure Y Sales and Use Tax revenues.
 - Increase in TOT revenues as the post covid travel continues to increase.
 - Increase in Public Benefit Fees for Cannabis, first time 2 dispensaries are operating.
 - Building Permits at a five year high, pent-up demand post covid, increase in solar panel installations.
 - Interest Yield up 400% since start of Fiscal Year.
 - Opera Hall Booking up post COVID.
- **Expenditures:**
 - Delete Relief Deputy Clerk Position in Administration. Will fund again in FY23/24.
 - Police Department Over-time running high as department working through recruitments.
 - Increased contracted coverage for Community Development.
 - CDTFA preparatory expense for Measure Y implementation.
 - Budget for Engineering Services - inspection of City's main drain after historic storms.
 - Recommending an additional contribution of \$150,000 to the City's Section 115 Trust as part of a Pension Rate Stabilization Program.
 - Recommending contribution to City's Emergency Reserve.
 - Recommending contribution to the City's Capital Replacement Reserve.
 - Budget to use Vision Sonora funds for Linoberg Project

FINANCIAL SUMMARIES, PROJECTIONS AND RECOMMENDATIONS

General Fund

The following table is the *Schedule of General Fund Operating Revenues. Vs. Operating Expenditures* for the first half of FY22/23, which includes comparison information from the prior year's first half.

City of Sonora General Fund Operating Revenues vs Operating Expenditures For the Period of December 31, 2022

	FY21/22 Actual	FY21/22 Mid-Year	FY21/22 % YTD	FY22/23 Adopted Budget	FY22/23 Mid-Year	FY22/23 % YTD
Revenues						
Sales and Use Tax	3,496,261	1,752,041	50.1%	3,397,100	1,662,290	48.9%
Property Tax	913,849	386,390	42.3%	942,000	396,616	42.1%
VLF Backfill Property Tax	448,465	224,233	50.0%	475,000	236,646	49.8%
Franchise Fees	149,478	44,303	29.6%	155,000	47,977	31.0%
Business Licenses	120,719	48,078	39.8%	116,000	46,577	40.2%
Transient Occupancy Tax	559,545	277,274	49.6%	490,000	264,419	54.0%
Licenses and Permits	133,963	58,744	43.9%	120,850	101,101	83.7%
Cannabis Public Benefit Fees	499,977	241,064	48.2%	525,000	294,437	56.1%
Intergovernmental	48,900	28,762	58.8%	11,000	-	0.0%
American Rescue Plan (SLEFRP)	581,786	581,786	100.0%	581,786	581,786	100.0%
Charges for Services	87,195	39,381	45.2%	74,200	45,840	61.8%
Fines and Forfeitures	25,699	6,262	24.4%	25,000	9,820	39.3%
Interest	7,636	2,430	31.8%	6,500	18,913	291.0%
Other Sources	90,921	52,330	57.6%	85,450	38,793	45.4%
Total Revenues	7,164,394	3,743,078	52.2%	7,004,886	3,745,215	53.5%
Transfers In						
Tranfers In	2,453,993	1,134,300	46.2%	2,506,450	1,189,300	47.4%
Total Transfers	2,453,993	1,134,300	46.2%	2,506,450	1,189,300	47.4%
Total Revenues	9,618,387	4,877,378	50.7%	9,511,336	4,934,515	51.9%
Expenditures						
Salaries and Benefits	6,635,823	3,223,593	48.6%	7,124,850	3,427,033	48.1%
Supplies and Materials	2,142,482	1,008,086	47.1%	1,893,000	998,016	52.7%
Utilities	312,966	148,452	47.4%	329,950	157,452	47.7%
Total Expenditures	9,091,271	4,380,131	48.2%	9,347,800	4,582,501	49.0%
Transfers Out						
Transfers Out	66,428	28,997	43.7%	109,000	79,992	73.4%
Total Transfers	66,428	28,997	43.7%	109,000	79,992	73.4%
Total Expenditures	9,157,699	4,409,128	48.1%	9,456,800	4,662,493	49.3%

The groups of financial summaries on the following pages present data by governmental fund type: For purposes of this first half report, we have focused on the Measure I Special Revenue Fund. The fund information starts with a beginning fund balance, adds current year revenues, and subtracts current year expenditures, resulting in an ending fund balance. Adopted budget amounts are provided as a basis for comparison of actuals to date.

Special Revenue Fund: Measure I

Special Revenue Funds account for the proceeds derived from specific revenue sources that are legally restricted or assigned to special purposes. The City's Special Revenue Funds include the Measure I fund which is the focus of the information provided in this first half report. The Measure I fund was established as a result of a 2004 voter approved ½% increase to sales tax within the City limits. With approval of the ballot measure, the sales tax increase took effect January 1, 2005. The purpose of the initiative was to improve city services for residents, businesses, and visitors to the City of Sonora. Measure I revenues for the first half are trending at 51% of total budgeted revenues and across the three Departments expenditures are programmed to be at 50% of budget. Nearly all Measure I funds collected are now fully expended on ongoing fixed costs.

Measure I						
	Police	%	Fire	%	Public Works	%
Beginning Fund Balance	1,020,760		374,841		541,328	
Budgeted Revenues	1,390,480		579,575		349,200	
Actual Revenues - First Half	704,141	50.6%	292,890	50.5%	178,081	51.0%
Budgeted Expenditures	1,300,000		550,000		325,000	
Actual Expenditures - First Half	650,000	50.0%	275,000	50.0%	162,500	50.0%
Ending Fund Balance	1,074,901		392,731		556,909	

Measure I: Police Department

The Police Department receives 60% of Measure I revenue for the support of the Sonora Police Department for personnel, updating safety equipment and supplies, providing educational funding, replacing expired vehicles, and expanding facilities. FY22/23 first half results are trending consistent with the same period in prior years as illustrated in the chart below.

Police Measure I					
Revenues					
	FY18/19	FY19/20	FY20/21	FY21/22	FY22/23
First Half Actual Revenues	476,118	497,037	487,825	681,859	704,141
Fiscal Year Total Actual Revenues	1,144,325	1,164,639	1,295,455	1,411,325	
Fiscal Year Total Budgeted Revenues					1,390,480
First Half - Percent of Total	41.6%	42.7%	37.7%	48.3%	50.6%
Expenditures					
First Half Actual Expenditures	493,545	515,516	550,000	650,000	650,000
Fiscal Year Total Actual Expenditures	1,058,491	1,041,437	1,100,000	1,300,000	
Fiscal Year Total Budgeted Expenditures					1,300,000
First Half - Percent of Total	46.6%	49.5%	50.0%	50.0%	50.0%

Measure I: Fire Department

The Fire Department receives 25% of the Measure I revenue for the support of the Sonora Fire Department for personnel, updating equipment and supplies, and providing educational funding. FY22/23 1st half revenues are trending consistent with the same period in prior years as illustrated in the chart below. There are no budget recommendations at this time.

Fire Measure I					
Revenues					
	FY18/19	FY19/20	FY20/21	FY21/22	FY22/23
First Half Actual Revenues	197,397	199,604	202,561	284,007	292,890
Fiscal Year Total Actual Revenues	474,030	469,959	538,841	587,825	
Fiscal Year Total Budgeted Revenues					579,575
First Half - Percent of Total	41.6%	42.5%	37.6%	48.3%	50.5%
Expenditures					
First Half Actual Expenditures	263,693	270,547	175,000	250,000	275,000
Fiscal Year Total Actual Expenditures	503,750	512,469	350,000	500,000	
Fiscal Year Total Budgeted Expenditures					550,000
First Half - Percent of Total	52.3%	52.8%	50.0%	50.0%	50.0%

Measure I: Public Works

The Public Works Department receives 15% of the Measure I generated revenue for the purpose of personnel, equipment and facility enhancements and infrastructure improvements. FY22/23 first half revenues are trending consistent with the same period in prior years as illustrated in the chart below.

Public Works Measure I					
Revenues					
	FY18/19	FY19/20	FY20/21	FY21/22	FY22/23
First Half Actual Revenues	120,179	124,390	123,105	170,742	178,081
Fiscal Year Total Actual Revenues	292,689	290,275	325,516	353,654	
Fiscal Year Total Budgeted Revenues					349,200
First Half - Percent of Total	41.1%	42.9%	37.8%	48.3%	51.0%
Expenditures					
First Half Actual Expenditures	144,673	130,299	162,500	157,500	162,500
Fiscal Year Total Actual Expenditures	254,188	239,023	325,000	315,000	
Fiscal Year Total Budgeted Expenditures					325,000
First Half - Percent of Total	56.9%	54.5%	50.0%	50.0%	50.0%

DEPARTMENT UPDATES

COMMUNITY DEVELOPMENT

Mid-Year Goals and Accomplishments

- **Linoberg Project** - City Engineer is working on project.
- **Snell Street Project** - City Engineer is working on project.
- **Woods Creek Park Per Capita Grant Project** - Community Development Director will begin in March.
- **The Stockton-Washington Transit Project** - Construction Contract and Construction Management Contracts have been awarded and construction is to begin on March 1st.
- **State Department of Housing and Community Development (HCD)** - has approved the use of the City's CDBG Program Income for the Fire Department projects and Staff is finalizing the grant contracts with HCD.
- **ADA/504 Plan Update** - Staff will be releasing the RFP in March.
- **Accessory Dwelling Unit** - Ordinance was adopted.
- **Sign Ordinance** - Ordinance was adopted.
- **General Plan Update** - Staff is currently reviewing for mandated state updates related to the Housing Element and is working on various amendments to the Zoning Ordinance.
- **Stewart Street Shelter Project** - Stewart Street Shelter project will begin in accordance with City's Strategic Plan goals.

City of Sonora			
Mid Year Budget by Department			
July 1, 2022 to December 31, 2022			
Community Development			
Revenues			
License and Permits	\$97,277	\$116,000	83.9%
Miscellaneous	\$630	\$1,900	33.2%
Total Revenues	\$97,907	\$117,900	83.0%
Expenditures			
Salaries and Benefits	\$194,960	\$385,500	50.6%
Supplies and Materials	\$135,649	\$282,300	48.1%
Utilities	\$3,865	\$9,800	39.4%
Total Expenditures	\$334,474	\$677,600	49.4%
Net Gain (Cost) to General Fund	(\$236,567)	(\$559,700)	

POLICE DEPARTMENT

Mid-Year Goals and Accomplishments

- **Continue to Collaborate with City Administration to Enhance Recruitment and Retention**
 - Peace officer compensation increased – Still experiencing vacancies; Since July 2022, 1 PT Dispatcher has been hired, and 1 Sergeant candidate, 3 Police Officer Candidates, and 1 Community Service Officer in various phases of the hiring process.
- **Continue an Ongoing Effort to Strengthen Employee Development**
 - Since July of 2022, department staff has attended 359 hours of professional training.
- **Work with City Administration to Establish a Fleet Management Plan**
 - 1 new patrol vehicle - 1 used patrol vehicle - 1 new detective vehicle purchased
- **Implement Public Safety Surveillance and ALPR Program**
 - 2 ALPR cameras have been purchased, placed and are operational. Currently creating an interface with DOJ for full access/activation.
- **Facility Improvements and Security**
 - Property and Evidence Enhancement – Major reconciliation of inventory and automated log; identified and purged numerous items with dispositions.
 - Identify Storage Areas – Relocated evidence overflow area
- **Replace Outdated and Unsupported Equipment**
 - Mobile Data Computers – 4 replacement MDC's purchased
 - Tasers and Body Worn Cameras and Storage Upgrade – All field staff are now equipped with the latest generation of Axon body cameras and Taser7 devices.
- **Improve Radio Communications**
 - Complete New Repeater Site Project – Phase 1 equipment is purchased.
 - Upgrade Unsupported Portable and Mobile Radios.
 - Unsupported Base Unit and Console – Purchased but not yet installed.
 - Purchase Headsets – Suspended; Current system will not support headsets

City of Sonora Mid Year Budget by Department July 1, 2022 to December 31, 2022			
Police Department			
	Current Year		% Budget
Revenues	Actual	Total Budget	Remaining
Prop. 172 Public Safety	\$17,215	\$34,400	50.0%
Fees and Fines	\$9,820	\$15,000	65.5%
Department Services	\$15,614	\$34,000	45.9%
Grant Revenues	\$112,063	\$116,320	96.3%
Miscellaneous	\$520	\$1,250	41.6%
Transfer In	\$737,500	\$1,475,000	50.0%
Total Revenues	\$892,732	\$1,675,970	53.3%
Expenditures			
Salaries and Benefits	\$1,617,411	\$3,489,800	46.3%
Supplies and Materials	\$260,403	\$554,250	47.0%
Utilities	\$37,765	\$74,600	50.6%
Total Expenditures	\$1,915,579	\$4,118,650	46.5%
Net Gain (Cost) to General Fund	(\$1,022,847)	(\$2,442,680)	

FIRE DEPARTMENT

Mid-Year Goals and Accomplishments

- **Collaborate with local agencies to support growth and increase efficiencies in fire services.** - Discussions with County Fire Chiefs.
- **Tuolumne County Fire Advisory Committee member.** - Advised on committee.
- **Collaborate with PD on Homeless task force project.** - Participating member
- **Recruit and hire third engineer position.** - Hired Full Time Engineer.
- **Procure CDBG funding.** – Ordered and placed in service Type 6 engine, new SCBA's and exhaust removal system (in process).
- **Dialog with Chicken Ranch Rancheria.** – Cooperative fire protection agreement.
- **Host 162nd Annual Firefighter Ball.** – Completed on November 5, 2022.

City of Sonora Mid Year Budget by Department July 1, 2022 to December 31, 2022			
Fire Department			
Revenues			
Department Services	\$14,150	\$22,000	64.3%
Miscellaneous	\$20	\$50	40.0%
Transfer In	\$275,000	\$550,000	50.0%
Total Revenues	\$289,170	\$572,050	50.5%
Expenditures			
Salaries and Benefits	\$714,091	\$1,431,600	49.9%
Supplies and Materials	\$98,503	\$165,200	59.6%
Utilities	\$18,793	\$39,000	48.2%
Total Expenditures	\$831,387	\$1,635,800	50.8%
Net Gain (Cost) to General Fund	(\$542,217)	(\$1,063,750)	

PUBLIC WORKS DEPARTMENT

Mid-Year Goals and Accomplishments

- **Crosswalk and stop bar striping** - Staff continued replacing and painting crosswalks and stop bar striping with Thermo-Plastic in various locations during the summer. Additional locations will be done later in the Spring.
- **Street Sign Replacement Project** - Staff continued with replacing street signs in various locations during the summer. Additional locations will be done later in the Spring.
- **ADA/Trip Hazard Improvement Program** - Staff conducted ADA/Trip Hazard evaluation and repairs, including curb repairs, along Washington Street.
- **Potholing and Street Repairs** - Due to the recent storms potholing and street repairs will consume a lot of staff time starting in early Spring.
- **Terzich Parking Structure** - Staff upgraded the lighting fixtures within the Terzich Parking Structure with LED lights.
- **Vegetation Removal Project** - Staff has conducted vegetation removal continuously during the year.
- **Mountain Shadow Cemetery** - On-going maintenance and repairs have occurred in the Mountain Shadow Cemetery.

City of Sonora Mid Year Budget by Department July 1, 2022 to December 31, 2022			
Public Works			
Revenues			
Department Services	\$19,729	\$43,800	45.0%
Transfer In	\$251,500	\$460,000	54.7%
Total Revenues	\$271,229	\$503,800	53.8%
Expenditures			
Salaries and Benefits	\$342,450	\$736,700	46.5%
Supplies and Materials	\$107,663	\$218,300	49.3%
Utilities	\$79,374	\$173,100	45.9%
Total Expenditures	\$529,487	\$1,128,100	46.9%
Net Gain (Cost) to General Fund	(\$258,258)	(\$624,300)	

CONCLUSION

The financial results for the first half of Fiscal Year 22/23 are based on the most current financial information and economic assumptions available. As this report shows, revenues have been better than anticipated, as the original budget was developed as COVID-19 was still having an influence and the spike in the consumer price index (CPI) was just beginning to affect the economy. Even with relatively strong revenues, without the one-time resources of the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) the City received in FY21/22 and FY22/23 the City's General Fund would have been operating in the red for the first six months of the year, with a structural deficit of over \$309,000. This includes 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.

On page 13 are the budget adjustments that are needed for the city to complete the fiscal year and to continue to navigate the economic uncertainty ahead.

As the fiscal year progresses, staff will continue to closely monitor revenue and expenditure activity and work to identify opportunities to enhance revenue to support current and future operating capital needs.