



# **City of Culver City**

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## **MID-YEAR BUDGET REPORT FISCAL YEAR 2023-2024 Through December 31, 2023**

## **ATTACHMENT 1**

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## INTRODUCTION

This Mid-Year Budget Report presents an overview of the City's operating revenues and expenditures for the first half of Fiscal Year 2023-2024 as compared to budgeted amounts, explaining any notable deviations or trends in the numbers. The information in this report is organized into two sections: General Fund and Other Major Funds.

The Mid-Year Budget Report's purpose is threefold. First, it illustrates the City's focus on monitoring its revenues and expenditures, with the intent to proactively respond to unanticipated changes or emerging trends. Secondly, and equally important, the report serves to support fiscal transparency and accountability by providing the City Council and members of the public with information on the sources and uses of City revenue. Finally, the information in this report serves as a starting point for preparing the Fiscal Year 2024-2025 Budget.

The first six months of the City's fiscal year, July – December, present an ideal point of analysis for the adopted budget, and if and where adjustments should be considered. The Finance Department staff has reviewed all line items and compared actual results against budget expectations, historical trends, seasonality, and other known factors affecting both revenue and spending streams to determine if recommendations for reductions or increases should be made. As the defined mid-point of the fiscal year, it may be presumed that most categories should be at 50% of budget; however, City revenues historically lag expenditures at this point in the fiscal year. This is due primarily to year-end accounting adjustments to major revenue sources and the fact that the bulk of the property tax and business license revenues are received later in the fiscal year.

### REPORT HIGHLIGHTS:

- **General Fund Operating Revenues** through December 31, 2023 total \$54.8 million or 34.1% of the current revised Fiscal Year 2023-2024 Budget. Analysis of the current fiscal year suggests the City's overall recurring General Fund revenues, along with one-time revenues, are expected to be slightly less than the Adopted Fiscal Year 2023-2024 Budget. Additional General Fund Revenue details are provided beginning on page 2 of this report. Staff is recommending that some revenue categories be increased and others be decreased for a net reduction of \$358,480.
- **General Fund Expenditures** through December total \$89.9 million or 47.4% of the current revised Fiscal Year 2023-2024 Budget. There are proposed mid-year budget adjustments explained in more detail starting on page 6 of this report, along with Attachment #4.
- A brief mid-year overview is included in this report for Enterprise Funds and Internal Service Funds starting on page 8.

## GENERAL FUND

## GENERAL FUND REVENUES

As of December 31, 2023, General Fund operating revenue was \$54.8 million, or 34.1% of the current revised budget. City revenues historically are less than 50% at this point in the fiscal year. This is primarily due to year-end accounting adjustments to major revenues and the fact that the bulk of the property tax and business license revenues are received later in the fiscal year. Analysis of the current fiscal year suggests some of the City's recurring General Fund revenues, specifically property tax, utility user's tax, transient occupancy tax, and fines and forfeitures, are expected to exceed the current revised Fiscal Year 2023-2024 Budget, while others, including sales tax, cannabis business tax, licenses and permits, and charges for services, are expected to fall short. The net impact of the recommended adjustments is a decrease in revenue of \$358,480.

The table below displays the comparison between revenues received as of December 31<sup>st</sup> for the current and prior fiscal year. Actual revenues for Fiscal Year 2023-2024 were \$332,037 lower than the same period in the prior year. This slight overall decrease is mainly attributed to lower Measure RE receipts compared with the same period in last fiscal year, which are offset by an increase in Business Tax receipts and an increase in Use of Money and Property. The increase in Use of Money and Property reflects higher interest rates on the City's investments. The table also includes projected revenues for Fiscal Year 2023-2024 compared to the revised budget.

GENERAL FUND REVENUES					
	2022-2023 REVENUE AS OF 12/31/2022	2022-2023 REVENUE TOTAL	2023-2024 REVENUE AS OF 12/31/2023	2023-2024 REVISED BUDGET TOTAL	2023-2024 PROJECTED REVENUES
Property Tax	2,072,350	14,723,868	2,562,586	13,795,388	\$ 14,295,388
Sales Tax	8,270,890	24,675,416	7,938,780	25,031,467	\$ 24,351,000
Sales Tax - Measure CC	3,875,146	11,474,345	3,585,361	11,539,000	\$ 11,018,000
Sales Tax - Measure C	1,925,461	5,672,297	1,776,719	5,782,000	\$ 5,577,000
Public Safety Sales Tax (PSAF)	190,214	572,743	185,643	500,000	\$ 568,000
Business Tax	1,386,596	18,736,311	2,460,813	23,900,000	\$ 22,900,000
Franchise Tax	342,034	1,805,748	391,156	1,475,000	\$ 1,475,000
Real Property Transfer Tax	7,948,526	9,655,756	3,353,044	8,000,000	\$ 8,000,000
Electricity UUT	4,222,715	8,894,953	4,535,138	8,585,585	\$ 9,210,300
Gas UUT	539,380	2,260,907	479,528	1,623,549	\$ 2,274,050
Water UUT	718,878	1,622,271	780,583	1,675,000	\$ 1,791,900
Telecomm UUT	1,006,138	2,666,876	1,100,016	2,684,513	\$ 2,882,935
Cable UUT	437,715	1,079,874	412,177	778,645	\$ 793,290
Transient Occupancy Tax (TOT)	4,779,500	11,963,174	5,317,365	12,000,000	\$ 12,500,000
Commercial/Industrial Dev. Tax	169,090	545,566	154,027	500,000	\$ 500,000
Licenses and Permits	1,977,471	4,167,053	1,919,418	4,780,000	\$ 4,351,500
Intergovernmental	363,493	8,055,497	62,253	7,614,733	\$ 7,565,426
Charges for Services	4,598,366	10,949,213	4,100,840	11,013,034	\$ 10,615,645
Fines and Forfeitures	1,263,982	5,133,593	2,058,203	3,600,500	\$ 3,850,500
Use of Money & Property	3,744,099	5,519,297	5,852,450	2,955,905	\$ 2,955,905
Interfund Revenues	3,182,566	6,365,092	3,509,743	7,019,902	\$ 7,019,902
Transfers In	1,711,965	3,423,930	1,948,572	5,373,644	\$ 5,373,644
Other Revenues	382,059	908,533	292,194	332,000	\$ 332,000
<b>TOTAL REVENUES</b>	<b>\$ 55,108,636</b>	<b>\$ 160,872,312</b>	<b>\$ 54,776,609</b>	<b>\$ 160,559,865</b>	<b>\$ 160,201,385</b>

Table 1

# ATTACHMENT 1

- **Property Tax** – As of December 31, 2023, the City received \$2.6 million in Property Tax. Secured property tax receipts are above last year and are estimated to meet budget projections for Fiscal Year 2023-2024. The second part of the revenue comes from the pass-through increment after the debts of the former Culver City Redevelopment Agency are paid. As the enforceable obligations of the Successor Agency to the Redevelopment Agency are paid off, the pass-through property tax increment to the City increases. Based on this trend, staff recommends increasing this category by \$500,000.
- **Sales Tax / Measure C/ Measure CC** – Total Sales Tax receipts as of December 31, 2023 were \$13.3 million, or 31.2% of the current revised budget. There are only four months of receipts reflected in this report. In accordance with government accounting standards and the remittance schedule from the California Department of Tax and Fee Administration (CDTFA), sales tax revenues are received about two months in arrears.

Cautious consumers have pulled back on spending compared to the immediate post-pandemic years. Most sectors are seeing declines including apparel and electronics-appliance stores. Lower fuel prices compared to the prior year contributed to reduced receipts from gas and service stations. Based on the most recent report from the City's sales tax consultant, HdL, sales tax receipts are expected to be lower than the original budget estimate. It is recommended to decrease the total Sales Tax category by \$1.3 million. This is inclusive of the City's Bradley Burns, Measure C, Measure CC and Public Safety Sales Tax receipts.

- **Business Tax** – The Business Tax category in Table 1 also includes receipts for Cannabis Business Tax. Total Business License Tax receipts as of December 31, 2023 are \$2.2 million. Most of the revenues in this category are received after the first half of the fiscal year in January and February. Increased revenue at this point in the fiscal year reflects increased compliance efforts to make sure all businesses are properly registered with the City and paying taxes. No changes to the projections for business tax revenues are recommended currently.

Measure BL, approved by Culver City voters on November 8, 2022, updates business license tax rates and classifications for the first time since 1965. The new rates went into effect for new businesses on April 1, 2023. Existing businesses are using the new rates and classifications for the 2024 renewal cycle. Based on the timing of renewals, staff cannot predict the impact from the increased rates at this point in the fiscal year. Staff will have a more complete picture of business license tax revenue in April.

Cannabis BusinessTax revenue is \$246,000 at the midpoint of the year. The cannabis industry has been in decline since its strong start several years ago, and that is reflected in the low receipts this fiscal year. Staff recommends decreasing the Cannabis Business Tax revenue projection by \$1 million.

- **Utility Users Taxes (UUT)** – Total UUT receipts as of December 31, 2023 were \$7.3 million, or 47.6% of the current revised budget. In accordance with the same accounting standards that apply to sales tax receipts, UUT receipts received in July are recorded into the prior fiscal year. As a result, as of December 2023, only five months of receipts have been recorded. Based on estimates received from the City's consultant, Avenu, and the consideration of accrual

# ATTACHMENT 1

calculations along with current activity, it is recommended that UUT is *increased* by an aggregate amount of \$1.6 million (\$624,715 increase in Electric UUT, \$650,501 increase in Gas UUT, \$116,900 increase in Water UUT, \$198,422 increase in Telecommunications UUT and \$14,645 increase in Cable UUT). The increase in Electric UUT is due to a combination of increased power rates and a change in SCE's collection practice. This change in practice is due to a settlement between SCE and a coalition of cities surrounding the application of Public Utilities Commission credits to customer bills.

- **Transient Occupancy Tax (TOT)** – TOT receipts as of December 31, 2023 were \$5.3 million or 44.3% of the revised budget. TOT is paid one month in arrears, so revenue at this point in the fiscal year accounts for the first five months. TOT revenues have fully recovered from the COVID-19 pandemic travel restrictions. This year, TOT revenues are up by 11.2% compared to the same period in the prior fiscal year. Staff recommends increasing TOT estimates by \$500,000.
- **Real Property Transfer Tax** – Real Property Transfer Tax receipts as of December 31, 2023 were \$3.4 million or 41.9% of the revised budget. Real Property Transfer Tax came in significantly lower compared to same period of the previous fiscal year. Due to timing of tax payments, this report reflects five months of receipts. This revenue source is extremely elastic and unpredictable. Receipts have not shown the same strength as in previous fiscal years. The rise in interest rates has had a cooling effect on the real estate market. The number of property sales in recent months is half the number of sales for the same period in prior years. Due to these factors, staff had kept budget projections for this tax lower than previous years. Staff is still expecting that this category will meet projections by fiscal year-end.
- **Commercial/Industrial Development Tax** – This category experienced significant declines due to the pandemic. It is a mercurial revenue source, and very difficult to estimate. To account for this, budget projections for this revenue source tend to be conservative. The total revenue received for this category as of December 31, 2023 was \$154,027 or 30.8% of the revised budget. The revenues are in-line with the same period of the prior fiscal year. It is anticipated that receipts will reach the revised budget projection of \$500,000.
- **Licenses & Permits** – Like Commercial/Industrial Development Tax, Licenses and Permits revenue is driven by residential and commercial construction activity. Due to the pandemic, this activity slowed considerably in recent fiscal years. This revenue was initially estimated to experience a rebound this fiscal year. Revenues as of December 31, 2023 were \$1.92 million or 40.2% of the revised budget. The revenues for this category are tracking similarly to the same period in Fiscal Year 2022-2023. Licenses and permits for building, electrical and plumbing are the major sources of revenue for this category. Based on the revenue to date, staff recommends decreasing this category by \$428,500 overall.
- **Intergovernmental Revenue** – Intergovernmental revenue is mostly comprised of the motor vehicle license fees (VLF) from the State Department of Motor Vehicles which are received in January and May. It also includes revenue from the POST program, CNG Excise Tax credits, and CARES Act and FEMA reimbursements. Intergovernmental revenue as of December 31, 2023 was \$62,253 or 0.8% of the revised budget. In prior fiscal years, the funds the City received from the American Rescue Plan Act were included in this category.

# ATTACHMENT 1

Staff is recommending decreasing this revenue category slightly by \$49,307 to match the amount received for VLF in the January payment.

- **Charges for Services** – Receipts in this category as of December 31, 2023 were \$4.1 million or 37.2% of the revised budget. The Charges for Services category is comprised of a variety of revenues ranging from fees for recreation programs to police services to plan check. In Fiscal Year 2020-2021, this category experienced the most significant decreases due to the COVID-19 pandemic. Most receipts in this category rebounded out of the pandemic, but have now flattened, and staff recommends decreasing this category by \$397,389 to recognize various changes to revenues for fire inspections and plan check processing.
- **Fines and Forfeitures** – Fines and Forfeitures as of December 31, 2023 were \$2.1 million or 57.2% of the revised budget. This category is primarily comprised of red-light camera violations and moving violations written by Culver City traffic enforcement, and parking violations written by Culver City parking enforcement. Based on current activity, staff is recommending an increase in this category of \$250,000.
- **Use of Money and Property** – Use of Money and Property includes revenues from interest income, investments, and income from rental of City properties. The revenues were \$5.9 million or 198.0% of the revised budget. Due to ongoing accounting entries that occur during the fiscal year, this amount fluctuates over the course of the year, and staff recommends maintaining the original budget estimate.
- **Other Revenues** – Other Revenues is comprised of loan payments, land sale proceeds, donations, and miscellaneous revenues. Other Revenues as of December 31, 2023 were \$292,194 or 88.0% of the revised budget.

The recommended Mid-Year Revenue Adjustments total a **\$358,480** decrease from the current revised Fiscal Year 2023-2024 Budget.

## GENERAL FUND EXPENDITURES

General Fund expenditures through mid-year are \$89.96 million or 47.4% of projected appropriations, which is \$14.2 million higher when compared to the same point last fiscal year. However, the amount represents a lower percentage of the total appropriation when compared to the same period in the prior year. Much of the increased amount is due to filling previously vacant positions, greenlighting of projects and initiatives providing services to unhoused individuals, and the purchase of the Martin B. Retting property.

The tables below display a comparison between expenditures for the first six months of Fiscal Year 2023-2024 and Fiscal Year 2022-2023. The tables also include projected expenditures for Fiscal Year 2023-2024 compared to the revised budget.

*Comparison by Department:*

GENERAL FUND EXPENDITURES					
DEPARTMENT	2022-2023 EXPENDITURE AS OF 12/31/2022	2022-2023 EXPENDITURE TOTAL	2023-2024 EXPENDITURE AS OF 12/31/2023	2023-2024 REVISED BUDGET TOTAL	2023-2024 PROJECTED EXPENDITURES
Administration	2,420,721	5,004,156	2,799,201	6,917,793	\$ 6,923,793
City Attorney	997,004	2,129,319	1,127,914	3,105,562	\$ 3,159,682
Finance	3,119,640	6,270,598	3,363,496	7,931,245	\$ 7,931,245
Human Resources	1,076,922	2,252,778	1,377,458	3,331,540	\$ 3,488,540
Information Technology	2,217,120	5,389,798	2,793,254	6,725,528	\$ 6,787,528
Parks, Recreation & Comm Svcs	4,652,795	9,953,493	5,341,766	12,167,802	\$ 12,695,989
Housing & Human Services	1,298,897	2,681,168	3,704,208	18,863,404	\$ 18,863,404
Police Department	28,410,808	50,330,046	29,778,808	54,047,492	\$ 54,047,492
Fire Department	17,082,148	30,959,964	17,934,575	32,727,821	\$ 32,727,821
Planning & Development	2,734,937	6,626,386	3,267,973	9,259,150	\$ 9,364,330
Public Works	6,970,608	14,996,165	8,331,643	18,845,640	\$ 19,302,000
Non-Departmental	1,792,335	5,003,040	5,724,631	7,136,580	\$ 7,136,580
Transfers	2,947,322	8,922,389	4,419,288	8,838,575	\$ 9,088,575
<b>TOTAL EXPENDITURES</b>	<b>\$ 75,721,257</b>	<b>\$ 150,519,300</b>	<b>\$ 89,964,215</b>	<b>\$ 189,898,132</b>	<b>\$ 191,516,979</b>

Table 2

*Comparison by Category:*

GENERAL FUND EXPENDITURES					
CATEGORY	2022-2023 EXPENDITURE AS OF 12/31/2022	2022-2023 EXPENDITURE TOTAL	2023-2024 EXPENDITURE AS OF 12/31/2023	2023-2024 REVISED BUDGET TOTAL	2023-2024 PROJECTED EXPENDITURES
Personnel Costs	\$ 59,203,026	\$ 108,315,347	\$ 64,033,209	\$ 121,726,079	\$ 121,774,939
Operating O & M	13,348,115	32,273,893	17,552,148	58,841,957	\$ 60,107,944
Capital	209,703	695,420	3,947,340	4,979,291	\$ 5,033,291
Debt Service	13,091	312,251	12,230	12,230	\$ 12,230
Budgeted Excess Appropriations	-	-	-	(4,500,000)	\$ (4,500,000)
Transfers	2,947,322	8,922,389	4,419,288	8,838,575	\$ 9,088,575
<b>TOTAL EXPENDITURES</b>	<b>\$ 75,721,257</b>	<b>\$ 150,519,300</b>	<b>\$ 89,964,215</b>	<b>\$ 189,898,132</b>	<b>\$ 191,516,979</b>

Table 3



# ATTACHMENT 1

A few departments are currently exceeding the 50% mark halfway through the fiscal year, however, Finance staff projects that most departments will end the fiscal year within budget. A number of large annual expenditures typically take place early in the fiscal year that push the 6-month percentages higher than 50%.

The Personnel category was \$64.0 million or 52.6% of the Revised Budget. Actual expenditures exceed 50% of budget due to the prepayment of the California Public Employees' Retirement System (CalPERS) Unfunded Accrued Liability (UAL) of \$17.7 million from the General Fund. When the City pays the UAL payment up front, CalPERS offers a discount, which was \$707,899 in the current fiscal year. Also included in the personnel category increase is Salary Initiative Ordinance (SIO) and negotiated increases for Miscellaneous and Safety employees and the filling of some of the previously vacant/frozen positions.

The Operations and Maintenance (O&M) category was \$17.6 million or 29.8% of the revised budget. O&M expenditures as of December 2023 were \$4.2 million higher than December 2022 due to increased spending on necessary purchases, the implementation of homeless services programs, and the purchase of the Martin B. Retting property.

Finance staff is confident that the General Fund expenditures will end the fiscal year within the revised Fiscal Year 2023-2024 Budget of \$189.9 million.

## **Mid-Year Appropriation Adjustment Request**

At the midpoint of the year, departments have reviewed their expenditures and staffing levels and have made requests to amend them. Recommended appropriation adjustments in the General Fund for mid-year total approximately \$1.6 million. Of this amount, \$1.36 million is for one-time expenditures, \$255,488 is for on-going personnel and operating costs. For a detailed explanation of each General Fund and Other Fund mid-year appropriation request see Attachment 4 of this staff report. Staff recommends approving these appropriations which would bring the revised General Fund expenditure budget to \$191.5 million.

## OTHER MAJOR FUNDS

A brief overview follows for the City's Enterprise and Internal Service Funds.

## ENTERPRISE FUNDS

The City has four Enterprise Funds: Refuse Disposal, Municipal Bus Lines, Sewer Enterprise, and Municipal Fiber Network, which account for the provision of direct services to the public where all or a substantial portion of the costs involved are paid in the form of user charges or fees for such services.

- **Refuse Disposal Fund** was established to account for the operation of the City's refuse disposal, transfer station operation, recycling efforts, and street sweeping services.
- **Municipal Bus Lines Fund** is used to account for the operation, as well as the capital assets, of the City's Bus Lines. Other funding assistance comes from FTA Section 9 (Federal-Capital), TDA and STA (Capital and Operating), and Proposition A and Proposition C.
- **Sewer Enterprise Fund** is used to account for revenues collected through sewer charge fees and sewer facilities charges. These funds are used for expenditures related to the operation and maintenance of sewer disposal facilities, capital projects, and debt service on bonds for sewer facility improvements.
- **Municipal Fiber Network Fund** was established through a loan from the General Fund to design and construct an open access network where Internet Service Providers (ISPs) will utilize City's fiber infrastructure to service the business community.

OTHER MAJOR FUNDS EXPENDITURES					
DEPARTMENT	2022-2023 EXPENDITURE AS OF 12/31/2022	2022-2023 EXPENDITURE TOTAL	2023-2024 EXPENDITURE AS OF 12/31/2023	2023-2024 REVISED BUDGET TOTAL	2023-2024 PROJECTED EXPENDITURES
Refuse Disposal Fund	8,572,262	18,011,352	9,893,813	23,639,290	20,158,446
Municipal Bus Lines	16,938,398	33,952,741	16,798,844	75,794,174	60,635,339
Sewer Enterprise Funds	4,247,236	10,125,057	2,700,552	20,769,240	15,576,930
Municipal Fiber Network Fund	720,008	2,488,690	544,851	3,084,084	3,084,084
<b>TOTAL EXPENDITURES</b>	<b>\$ 30,477,904</b>	<b>\$ 64,577,840</b>	<b>\$ 29,938,060</b>	<b>\$ 123,286,788</b>	<b>\$ 99,454,799</b>

Table 4

REFUSE

Mid-year refuse revenue funds are trending favorable to budget at 50.8% or \$11.03 million out of an anticipated \$21.7 million for Fiscal Year 2023-2024. Bin Service, Can Service, Tonnage Charges-Green Waste & Other, Low Fuel Carbon Standard Credits, Special Services, and Interest & Penalties are forecasted to exceed budgeted expectations for the fiscal year. Recycling Plan Permit Fee, Drop Box Service, Bin Rental Charges, Tonnage Charges & Inert, Sale of Recycled Items are trending slightly below anticipated. Each of these line items are within 7.0% of the anticipated collection and will

# ATTACHMENT 1

likely reach the budgeted collection by the end of the fiscal year. Miscellaneous Revenue has only recovered 1.0% of the budgeted collection and will be covered by a surplus in other line items.

Expenditures in the Refuse Fund have been trending on or under budget. The mid-year request for \$690,000 in ongoing funding is for the increased cost of trucking trash to its destination and the cost of procuring compost per the CalRecycle requirements mandated by SB1383.

## MUNICIPAL BUS LINES FUND

As of December 31, 2023, the Municipal Bus Lines Fund expenditures are \$16.8 million, or 22.2% of the revised budget. Only 0.8% of the \$28.0 million budgeted for capital projects has been expended. Approximately \$11.3 million has been encumbered in contracts for capital and operating expenses.

Municipal Bus Lines Fund revenues are \$9.5 million or 20.2% of budgeted revenue. Revenue from grants operate on a reimbursable basis that is received after work has commenced and costs incurred. Municipal Bus Lines Fund revenues are mostly a combination of federal, state, and local funding sources along with farebox revenues.

## SEWER ENTERPRISE FUND

As of December 31, 2023, Sewer Fund operating expenditures are approximately \$2.7 million, or 23.1% of the revised budget. Personnel costs are at 47.0% of revised projections. Operating expenditures are below 50% due primarily to the timing of payments to the City of Los Angeles for the Hyperion Treatment Plant. \$3.6M is budgeted for these services, and only \$111,126 had been expended through mid-year.

Sewer Enterprise Fund operating revenues at mid-year are \$4.3 million, or 46.2% of budget. Sewer Enterprise Fund revenues are on track to be fully realized at fiscal year-end.

Capital improvement projects in the Sewer Fund are currently \$36,116 expended, or 0.4% of capital budget. Continued activity on sewer related capital projects will occur in the second half of the fiscal year. Capital projects are funded from sewer bonds.

## MUNICIPAL FIBER NETWORK FUND

Culver Connect is the City's open access network that was deemed operational in July 2018. In March 2021, the City transitioned to a new network operator, Onward. The City is also in partnership with Onward to provide the business community with Internet services utilizing the Culver Connect fiber infrastructure. In October 2021, Onward lit its first internet service commercial customer. Additionally, City Council approved allowing Onward to provide residential internet services to multi-family customers. The City has continued to work with Onward to identify and market to new customers, including the development of marketing materials such as Onward advertisements on the side of City-owned vehicles and CCBus. This fiscal year, Onward increased their customer base and the Fund also realized subscriber revenue from the contractual revenue-share partnership. The Fund continues to be financially sustainable with annual revenues covering annual expenditures.

## INTERNAL SERVICE FUNDS

The Internal Service Funds are used to account for services and commodities furnished by designated funds of the City to user departments of the City.

- **Equipment Replacement Fund** is used to hold annual replacement payments from designated user departments and to use those funds to purchase equipment for general City purposes.
- **Equipment Maintenance & Fleet Services (EMFS) Fund** accounts for all activities of the City's central equipment maintenance operations, the costs of which are distributed among designated user departments.
- **Self-Insurance Fund** receives and disburses funds pertaining to the public liability and workers' compensation insurance programs. It also funds the Employee Disability (IOD) program for employee long-term work-related disabilities.
- **Central Stores** accounts for the timely purchase of needed materials, supplies and auto parts in advance of actual need. Departments are billed as items are issued for use.

OTHER MAJOR FUNDS EXPENDITURES					
DEPARTMENT	2022-2023 EXPENDITURE AS OF 12/31/2022	2022-2023 EXPENDITURE TOTAL	2023-2024 EXPENDITURE AS OF 12/31/2023	2023-2024 REVISED BUDGET TOTAL	2023-2024 PROJECTED EXPENDITURES
Asset Replacement Fund	55,254	3,087,525	617,583	7,403,522	9,017,727
Equipment Maintenance/Fleet Svcs	4,765,678	9,637,469	4,529,142	9,764,302	8,543,764
Self Insurance Fund	7,075,513	11,092,808	8,184,759	12,680,378	12,980,378
Central Stores Fund	950,543	2,305,184	1,065,100	2,592,218	2,842,218
<b>TOTAL EXPENDITURES</b>	<b>\$ 12,846,988</b>	<b>\$ 26,122,986</b>	<b>\$ 14,396,584</b>	<b>\$ 32,440,420</b>	<b>\$ 33,384,087</b>

Table 5

ASSET REPLACEMENT FUND

At mid-year, the Equipment Replacement Fund actual expenditures are \$617,583, or 8.3% of the revised budget. Currently there is \$3.56 million encumbered for vehicles/equipment set to be received by the end of the current fiscal year or in the early part of next fiscal year.

Vehicles on the Fiscal Year 2023-2024 replacement list include multiple sedans, SUVs, utility trucks, a dump truck, and additional funding for the fuel management system upgrade. There are two mid-year requests for this fund: early appropriation of \$1.54 million for replacement of a fire ladder truck; and additional funding of \$74,205 for a Public Works work truck that came in at a higher cost than originally budgeted due to a specification change. The ladder truck would have been scheduled to start the replacement in next year's budget process but lead time for delivery of the fire ladder truck is currently 48 months, and staff recommends starting the replacement process as soon as possible.

Equipment Replacement revenues, which are mainly the contributions from the various funds for replacement costs, will be fully recognized at year-end.

## EQUIPMENT MAINTENANCE & FLEET SERVICES (EMFS) FUND

The EMFS Fund mid-year expenditures are \$4.5 million, or 46.4% of the revised budget. Vacancies from the first six months of the fiscal year are a main contributing factor to the lower expenditures. Fuel expenditures in the amount of \$849,916, which are 49.7% of revised budget appropriations at mid-year, are keeping the overall expenditure percentage level. Fuel expenditures through December 31, 2023 are 22.2% lower than fuel expenditures at this point last fiscal year. Lower natural gas prices are driving this decrease.

EMFS Fund revenues are on track to be fully realized at fiscal year-end. All expenditures will be covered to ensure this Fund continues to operate in a financially sound manner.

## SELF-INSURANCE FUND

The Self-Insurance Fund (SIF) regular expenditures at mid-year are \$8.2 million, or 64.5% of the revised budget. This fund exceeds 50% due to higher than estimated Liability Insurance and Workers Compensation Claims and higher personnel costs due to an above average number of employees on IOD. There is a mid-year request of \$300,000 to increase the Workers Compensation Claims line item to accommodate the higher amount anticipated through the end of the fiscal year. Further analysis of this fund will be performed by Finance staff as part of the Fiscal Year 2024-2025 budget process.

Revenues for the SIF Fund are mainly allocations from the various funds and are on track to be fully realized at fiscal year-end. However, an in-depth review will be performed on this fund in the next couple of months to ensure the City meets the reserve percentage as stated in the financial policies. Any identified changes to allocations will be made during the Fiscal Year 2024-2025 budget process.

## CENTRAL STORES FUND

The Central Stores Fund operations are expected to surpass revised budget projections for Fiscal Year 2023-2024. Overall expenditures as of December 31, 2023 are \$1.1 million or 41.1% of revised budget. Of this amount, the Central Stores function itself is \$977,655 or 48.0% of revised budget, with remaining funding encumbered for known purchases. Higher prices due to inflation and increased citywide purchases have driven increases in this fund. It is recommended to increase this Fund by \$250,000. This amount will be offset with a matching amount for revenues, which are charged back to using departments.

## CONCLUSION

General Fund projections for Fiscal Year 2023-2024 show total estimated revenues at \$160.2 million, \$358,480 less than the current revised budget total. Table 6 summarizes the projected Fiscal Year 2023-2024 ending fund balance for the General Fund.

# ATTACHMENT 1

	FY 2023-2024 Revised Budget	FY 2023-2024 Revised Budget w/Mid-Year Adjustments
Total General Revenues	160,559,865	160,201,385
Total General Fund Expenditures	(189,898,132)	(191,516,979)
<b>Estimated Net Income/(Loss)</b>	<b>(29,338,267)</b>	<b>(31,315,594)</b>
Fund Balance Per FY 2022-2023 Annual Financial Report	153,390,617	153,390,617
Current Year Net Income/(Loss)	(29,338,267)	(31,315,594)
<b>Estimated Ending Fund Balance as of FY 2023-2024</b>	<b>124,052,350</b>	<b>122,075,023</b>

Table 6

Finance staff will continue to monitor the City's resources to ensure adequate funding for City services, public facilities, and infrastructure necessary to the community's present and future needs.