



City of Culver City

MID-YEAR BUDGET REPORT FISCAL YEAR 2022/2023 Through December 31, 2022

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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 2022/2023 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 2023/2024 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, 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, 2022 total \$55.0M or 37.7% of the current revised FY 2022/2023 Budget. Analysis of the current fiscal year suggests the City's overall recurring General Fund revenues, along with one-time revenues, are expected to outpace the current revised FY 2022/2023 Budget. Additional General Fund Revenue details are provided beginning on page 2 of this report. Staff is recommending that revenue budget amounts be increased by \$5.2M.
- **General Fund Expenditures** through December total \$75.3M or 47.9% of the current revised FY 2022/2023 Budget. There are proposed mid-year budget adjustments explained in more detail starting on page 7 of this report, along with Attachment #2.
- A brief mid-year overview is included in this report for Enterprise Funds and Internal Service Funds starting on page 9.

GENERAL FUND

GENERAL FUND REVENUES

As of December 31, 2022, General Fund operating revenue was \$55.0M, or 37.7% 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 the City's overall recurring General Fund revenues, specifically property tax, utility user's tax, transient occupancy tax, and charges for services, are expected to outpace the current revised FY 2022/2023 Budget.

The table below displays the comparison between revenues received as of December 31st for the current and prior fiscal year. Actual revenues for FY 2022/2023 were \$7.5M higher than the same period in the prior year. This increase can be attributed to faster than predicted economic recovery in certain sectors leading to higher than anticipated revenues in some categories such as transient occupancy tax and charges for services. The table also includes projected revenues for FY 2022/2023 compared to the revised budget.

GENERAL FUND REVENUES					
	2021/2022 REVENUE AS OF 12/31/2021	2021/2022 REVENUE TOTAL	2022/2023 REVENUE AS OF 12/31/2022	2022/2023 REVISED BUDGET TOTAL	2022/2023 PROJECTED REVENUES
Property Tax	2,617,187	12,896,922	2,072,350	11,543,711	\$ 13,243,711
Sales Tax	8,212,723	25,867,668	8,270,890	25,458,205	\$ 25,585,000
Sales Tax - Measure CC	3,566,833	9,928,338	3,875,146	11,170,835	\$ 11,555,000
Sales Tax - Measure C	1,754,481	7,063,081	1,925,461	5,521,217	\$ 5,766,000
Public Safety Sales Tax (PSAF)	178,989	556,011	190,214	480,000	\$ 558,000
Business Tax	1,343,372	16,186,447	1,386,596	16,025,000	\$ 16,000,000
Franchise Tax	201,235	1,448,415	334,819	1,500,000	\$ 1,475,000
Real Property Transfer Tax	6,331,643	32,575,269	7,948,526	14,300,000	\$ 11,000,000
Electricity UUT	3,636,867	7,664,515	4,221,906	7,030,176	\$ 8,750,000
Gas UUT	437,477	1,551,851	538,621	1,273,858	\$ 1,400,000
Water UUT	742,241	1,552,017	718,878	1,600,000	\$ 1,690,074
Telecomm UUT	1,231,774	2,588,602	999,964	2,695,286	\$ 2,695,286
Cable UUT	379,232	923,928	452,672	815,000	\$ 878,000
Transient Occupancy Tax (TOT)	2,627,644	8,813,484	4,779,500	8,000,000	\$ 10,835,000
Commercial/Industrial Dev. Tax	1,359,807	1,969,752	169,090	500,000	\$ 500,000
Licenses and Permits	3,173,324	5,862,896	1,977,775	5,460,500	\$ 4,642,400
Intergovernmental	15,613	11,254,174	363,493	6,869,184	\$ 7,486,600
Charges for Services	4,496,125	11,261,715	4,616,342	9,790,235	\$ 11,151,102
Fines and Forfeitures	1,367,248	3,454,665	1,280,117	2,950,500	\$ 3,302,000
Use of Money & Property	(1,178,830)	(2,127,513)	3,639,050	3,033,581	\$ 2,641,645
Interfund Revenues	2,780,225	5,560,449	3,182,566	6,400,409	\$ 6,400,409
Transfers In	1,979,334	3,958,668	1,711,965	3,423,930	\$ 3,433,930
Other Revenues	278,091	346,426	382,059	287,000	\$ 351,775
TOTAL REVENUES	\$ 47,532,632	\$ 171,157,781	\$ 55,038,002	\$ 146,128,627	\$ 151,340,932

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- **Property Tax** – As of December 31, 2022, the City received \$2.1M in Property Tax. Secured property tax receipts are below last year but are estimated to surpass budget projections for FY 2022/2023. Based on the analysis from the City’s property tax consultant, HdL, it is recommended to increase this category by \$1.7M.
- **Sales Tax / Measure C/ Measure CC** – Total Sales Tax receipts as of December 31, 2022 were \$14.1M, or 33.4% 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.

Several sectors have continued to experience a faster than expected recovery. A few categories that are performing well this fiscal year are new motor vehicle dealers, casual dining, service stations, business services and fine dining. Based on the most recent report from our sales tax consultant, HdL, sales tax receipts are expected to be slightly higher than the original budget estimate. It is recommended to increase the total Sales Tax category by \$755K. 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 Tax. Total Business License Tax receipts as of December 31, 2022 are \$1.4M and Cannabis Tax is \$639K. Most of the revenues in this category are received after the first half of the fiscal year in January and February. Examination of these two business tax revenues shows that they are tracking separately, and the combined total is expected to be slightly under projections. It is recommended to increase Business License category receipts by \$375K and decrease Cannabis Business Tax by \$400K. The net decrease in this category is \$25K.

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 will go into effect for new businesses on April 1, 2023. Existing businesses will use the new rates and classifications for the 2024 renewal cycle. Based on this timing, significant revenue changes from Measure BL will not occur in FY 2022/2023.

- **Utility Users Taxes (UUT)** – Total UUT receipts as of December 31, 2022 were \$6.9M, or 51.7% 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 2022, only five months of receipts have been recorded. Based on estimates received from the City’s consultant, Avenu, and the consideration of accrual calculations along with current activity, it is recommended that UUT is *increased* by an aggregate amount of \$2.0M (\$1.72M increase in Electric UUT, \$126K increase in Gas UUT, \$90K increase in Water UUT and \$63K 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, 2022 were \$4.8M or 59.7% of the revised budget. The COVID-19 pandemic significantly impacted TOT revenue in the last couple of fiscal years. This year, TOT revenues are up by 81.8% compared to the same

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period in the prior fiscal year. Due to the rebound in travel as the COVID pandemic is coming to an end, TOT receipts have increased more quickly than had been anticipated. Additionally, the Shay Hotel has been open for over a year and is contributing to the increase. Staff is recommending increasing TOT estimates by \$2.835M.

- **Real Property Transfer Tax** – Real Property Transfer Tax receipts as of December 31, 2022 was \$7.9M or 55.6% of the revised budget. Real Property Transfer Tax came in higher by \$1.6M compared to same period of the previous fiscal year. Due to timing of receipts, this report reflects five months of receipts. This revenue source is extremely elastic and unpredictable. Solid receipts in the beginning of the fiscal year have stalled. The rise in interest rates has cooled 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. Based on the extremely low receipts known in months six, seven and eight, it is recommended to decrease this revenue category by \$3.3M.
- **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, 2022 was \$169K or 33.8% of the revised budget. The revenues are down by \$1.2M compared to the same period of the prior fiscal year. It is anticipated that receipts will reach the revised budget projection of \$500K.
- **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. Revenues as of December 31, 2022 were \$1.98M or 36.2% of the revised budget. The revenues for this category are down by 37.7% compared to same period of FY 2021/2022. Licenses and Permits for building, electrical and plumbing are the major sources of revenue for this category. Staff is recommending decreasing this revenue by \$818.1K overall.
- **Intergovernmental Revenue** – Intergovernmental revenue is mostly comprised of the motor vehicle license fees (VLF) from the State Department of Motor Vehicles which is 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, 2022 was \$363K or 5.3% of the revised budget. Most receipts for this category are received in January and May of the fiscal year. In the prior two fiscal years, the funds the City received from the American Rescue Plan Act were included in this category.

Staff is recommending increasing this revenue category by \$617,416 to match the amount received for VLF.

- **Charges for Services** – Receipts in this category as of December 31, 2022 were \$4.6M or 47.2% of the revised budget. The Charges for Services category is comprised of a variety of revenues ranging from recreation program fees to police services and plan checks. In FY 2020/2021, this category experienced the most significant decreases due to the COVID-19 pandemic. Most receipts in this category have rebounded, and staff is recommending increasing this category by \$1.36M to recognize various changes to revenues for fire inspections, plan check processing and various increases in recreational activities.

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- **Fines and Forfeitures** – Fines and Forfeitures as of December 31, 2022 were \$1.28M or 43.4% 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. Due to current activity, staff is recommending an increase in this category of \$351,500.
- **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 \$3.6M or 120% of the revised budget. Due to ongoing accounting entries that occur during the fiscal year, this amount will be reduced, and it is recommended to decrease this category by an aggregate amount of \$391,936.
- **Other Revenues** – Other Revenues is comprised of loan payments, land sale proceeds, donations, and miscellaneous revenues. Other Revenues as of December 31, 2022 were \$382K or 133.1% of the revised budget. It is recommended to increase this category by an aggregate amount of \$74,775 to recognize actual receipts received.

The recommended Mid-Year Revenue Adjustments total approximately **\$5.2M** in increases above the current revised FY 2022/2023 Budget.

GENERAL FUND EXPENDITURES

General Fund expenditures through mid-year are \$75.3M or 47.9% of projected appropriations, which is \$5.7M 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 and the greenlighting of projects and initiatives that were previously postponed in response to the COVID-19 pandemic.

The tables below display a comparison between expenditures for the first six months of Fiscal Year 2022/2023 and Fiscal Year 2021/2022. The tables also include projected expenditures for FY 2022/2023 compared to the revised budget.

Comparison by Department:

GENERAL FUND EXPENDITURES					
	2021/2022	2021/2022	2022/2023	2022/2023	2022/2023
DEPARTMENT	EXPENDITURE AS OF 12/31/2021	EXPENDITURE TOTAL	EXPENDITURE AS OF 12/31/2022	REVISED BUDGET TOTAL	PROJECTED EXPENDITURES
Administration	967,372	1,830,173	1,237,278	2,453,440	\$ 2,453,440
City Attorney	1,217,057	2,548,027	995,864	2,847,834	\$ 2,847,834
Finance	3,111,777	5,984,253	3,083,685	6,935,433	\$ 6,935,433
Administrative Services	1,478,045	2,899,746	1,576,600	4,080,976	\$ 4,080,976
Information Technology	2,409,024	5,041,859	2,210,568	5,852,066	\$ 5,852,066
Parks, Recreation & Comm Svcs	4,673,457	9,866,390	4,608,758	11,811,738	\$ 11,811,738
Police Department	25,828,495	45,382,490	28,309,747	51,174,516	\$ 51,174,516
Fire Department	15,537,258	27,637,595	17,018,344	29,960,118	\$ 29,960,118
Community Development	4,292,580	10,440,699	4,689,597	12,876,057	\$ 12,876,057
Public Works	6,819,858	14,030,469	6,873,900	19,310,981	\$ 19,310,981
Non-Departmental	1,908,042	9,340,971	1,868,080	4,337,416	\$ 4,337,416
Transfers	1,371,000	3,325,304	2,847,322	5,694,643	\$ 5,694,643
TOTAL EXPENDITURES	\$ 69,613,965	\$ 138,327,976	\$ 75,319,743	\$ 157,335,218	\$ 157,335,218

Table 2

Comparison by Category:

GENERAL FUND EXPENDITURES					
	2021/2022	2021/2022	2022/2023	2022/2023	2022/2023
CATEGORY	EXPENDITURE AS OF 12/31/2021	EXPENDITURE TOTAL	EXPENDITURE AS OF 12/31/2022	REVISED BUDGET TOTAL	PROJECTED EXPENDITURES
Personnel Costs	\$ 55,936,471	\$ 100,248,405	\$ 59,203,023	\$ 110,663,565	\$ 110,663,565
Operating O & M	11,698,157	28,919,594	16,322,539	43,616,592	\$ 43,616,592
Capital	297,889	826,675	196,859	610,418	\$ 610,418
Budgeted Excess Appropriations	-	-	(3,250,000)	(3,250,000)	\$ (3,250,000)
Transfers	1,681,448	8,333,302	2,847,322	5,694,643	\$ 5,694,643
TOTAL EXPENDITURES	\$ 69,613,965	\$ 138,327,976	\$ 75,319,743	\$ 157,335,218	\$ 157,335,218

Table 3

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

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annual expenditures typically take place early in the fiscal year that push the 6-month percentages higher than 50%.

The Personnel category was \$59.2M or 53.5% 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 \$17.9M from the General Fund. When the City pays the UAL payment up front, CalPERS offers a discount, which was \$744,300 in the current fiscal year. Also included in the personnel category increase is Salary Initiative Ordinance (SIO) and negotiation increases for Safety employees and the filling of some of the previously vacant/frozen positions.

The Operations and Maintenance (O&M) category was \$16.3M or 37.4% of the revised budget. O&M expenditures as of December 2022 were \$4.6M higher than December 2021 due to increased spending on necessary purchases and the resumption of programs and other activities that had been delayed or previously canceled in prior years due to COVID-19.

Finance staff is confident that the General Fund expenditures will end the fiscal year within the revised FY 2022/2023 Budget of \$157.3M. These expenditure projections include \$1.3M for mid-year appropriation adjustment requests.

Mid-Year Appropriation Adjustment Request

Recommended appropriation adjustments in the General Fund for mid-year total approximately \$1.35M. Of this amount, \$1.25M is for one-time expenditures, \$99.4K is for on-going personnel costs. For a detailed explanation of each General Fund and Other Fund mid-year appropriation request see Attachment 2 of this staff report. Again, these additional budget requests will be covered within the current revised budget appropriations due to projected savings in other areas.

General Fund Financial Forecast

In the General Fund Financial Forecast, staff has included operational costs in the amount of \$4.9M for Project Homekey, \$2.9M for Safe Sleeping, and \$1.5M for homeless/crisis outreach services in Fiscal Year 2023/2024. The Forecast also includes projections related to potential personnel increases and resumed Other Post-Employment Benefits (OPEB) prefunding at \$4.2M. A baseline escalator has been applied to these costs in future years. The Mid-Year Report should be considered in conjunction with the General Fund Financial Forecast, which takes a longer-term view of the City's financial position and is included as Attachment 3 of this report.

Non-City Funding:

Every three years the responsibility for treasurer duties for the Westside Cities Council of Governments (WSCCOG) rotates amongst the participating cities. It is now the City of Culver City's turn to oversee these responsibilities. This funding is separate from the City's funding, and in order to pay invoices and receive revenues, it still must be reflected in the City's financial system. To formally appropriate the funding, the financial information is being included on the adjustment list for City Council approval.

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					
	2021/2022	2021/2022	2022/2023	2022/2023	2022/2023
	EXPENDITURE AS	EXPENDITURE	EXPENDITURE AS	REVISED	PROJECTED
DEPARTMENT	OF 12/31/2021	TOTAL	OF 12/31/2022	BUDGET TOTAL	EXPENDITURES
Refuse Disposal Fund	8,215,152	16,477,030	9,915,101	21,740,086	17,100,000
Municipal Bus Lines	18,662,975	28,954,221	17,893,250	66,631,511	30,712,500
Sewer Enterprise Funds	4,839,884	8,760,595	3,052,261	19,885,237	11,326,600
Municipal Fiber Network Fund	835,491	2,025,462	830,281	4,527,709	1,170,000
TOTAL EXPENDITURES	\$ 32,553,502	\$ 56,217,308	\$ 31,690,893	\$ 112,784,543	\$ 60,309,100

Table 4

REFUSE

Mid-year refuse revenue funds are trending favorable to budget at 50.5% or \$9.7 million out of an anticipated \$19.3 million for Fiscal Year 2022/2023. Bin Service, Tonnage Charges, Low Fuel Carbon Standard Credits, and Interest & Penalties are forecasted to exceed budgeted expectations for the fiscal year. Surplus from Bin Service and Tonnage Charges will offset the unfavorable revenue results trending in Tonnages Other, and Tonnages Inert. Both revenue sources are unfavorable at the mid-year period as a result of a reduction in large scale construction projects compared to prior years. Refuse Disposal is trending unfavorable due to the timing of payments received by residents. This line item is anticipated to be fully realized by year end.

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Expenditures in refuse fund have been trending on or under budget. The mid-year request for \$120,000 in one time funding is for the recycling processing as the cost of commodities has changed drastically. This is the only line item that is forecasted to be overbudget. However, pending the mid-year adjustment, the predicted overage will be corrected.

MUNICIPAL BUS LINES FUND

As of December 31, 2022, the Municipal Bus Lines Fund expenditures are \$16.3M, or 25% of the revised budget. Only 3% of the \$22.9M budgeted for capital projects has been expended. Approximately \$12.0M has been encumbered in contracts for capital and operating expenses.

Municipal Bus Lines Fund revenues are \$13.8M or 36% 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, 2022, Sewer Fund operating expenditures are approximately \$3.1 million, or 31.0% of the revised budget. Personnel costs are at 41.1% 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 \$66,150 had been expended through mid-year.

Sewer Enterprise Fund operating revenues at mid-year are \$3.73M, or 40.1% 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 \$540,500 expended, or 6% of capital budget. 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. Onward has begun marketing residential internet services to multi-family residential customers. 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	2021/2022 EXPENDITURE AS OF 12/31/2021	2021/2022 EXPENDITURE TOTAL	2022/2023 EXPENDITURE AS OF 12/31/2022	2022/2023 REVISED BUDGET TOTAL	2022/2023 PROJECTED EXPENDITURES
Asset Replacement Fund	188,605	2,385,943	55,254	5,299,121	3,899,000
Equipment Maintenance/Fleet Svcs	4,323,221	8,284,530	4,799,749	9,245,924	8,938,225
Self Insurance Fund	6,942,092	11,170,741	6,992,099	11,186,757	11,415,000
Central Stores Fund	572,656	1,765,298	1,211,182	2,073,547	2,300,500
TOTAL EXPENDITURES	\$ 12,026,574	\$ 23,606,512	\$ 13,058,284	\$ 27,805,349	\$ 26,552,725

Table 5

ASSET REPLACEMENT FUND

At mid-year, the Equipment Replacement Fund actual expenditures are \$55,254, or 1.1% of the revised budget. Currently there is \$2.07M 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 FY 2022/2023 replacement list include a fire rescue, a woodchipper, multiple sedans, SUVs, a dump truck, and a generator.

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 \$4.8M, or 51.9% of the revised budget. Fuel expenditures in the amount of \$1.14M, which are 59.3% of revised budget appropriations at mid-year, are driving the overall expenditure percentage higher. Fuel expenditures through December 31, 2022 are 53.2% higher than fuel expenditures at this point last fiscal year. Higher gas prices are driving this increase.

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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 \$7.0M, or 62.5% of the revised budget. This fund exceeds 50% due to higher than estimated Liability Insurance Claims and higher personnel costs due to an above average number of employees on IOD. Further analysis of this fund will be performed by Finance staff as part of the FY 2023/2024 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 FY 2023/2024 budget process.

CENTRAL STORES FUND

The Central Stores Fund operations are expected to surpass revised budget projections for FY 2022/2023. Expenditures as of December 31, 2022 are \$1.2M or 58.41% of revised budget. Higher prices due to inflation and increased citywide purchases have driven the increase. It is recommended to increase this Fund by \$300,000. This amount will be offset with a matching amount for revenues, which are charged back to using departments.

CONCLUSION

General Fund projections for FY 2022/2023 show total estimated revenues at \$151.3M, \$5.2M more than the current revised budget total. Finance staff estimates that there is enough General Fund budget savings in salaries and O&M cost to absorb the \$1.35M in mid-year appropriation requests and to end the fiscal year within the total revised expenditure budget figure of \$157.3M. Table 6 summarizes the projected FY 2022/2023 ending fund balance for the General Fund.

	FY 2022/2023 Revised Budget	FY 2022/2023 Revised Budget w/ Mid-Year Adjustments
Total General Revenues	146,128,627	151,340,932
Total General Fund Expenditures	(157,335,218)	(157,335,218)
Estimated Net Income/(Loss)	(11,206,591)	(5,994,286)
Fund Balance Per FY 2021/2022 Annual Financial Report	142,915,212	142,915,212
Current Year Net Income/(Loss)	(11,206,591)	(5,994,286)
Estimated Ending Fund Balance as of FY 2022/2023	131,708,621	136,920,926

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.