



## **CITY COUNCIL STAFF REPORT**

**MEETING DATE: November 28, 2022**

**ITEM TITLE: Accept the Fiscal Year 2022-23 First Quarter Financial Report for the Period Ending September 30, 2022.**

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### RECOMMENDATION:

Staff recommends that the City Council accept the Quarterly Financial Report ("Report") for the first quarter of Fiscal Year ("FY") 2022-23 ended September 30, 2022.

### FISCAL IMPLICATIONS:

There is no financial impact associated with accepting of this Report.

### BACKGROUND:

In June 2021, the City Council approved financial policies formalizing long standing practices. The policies were established to ensure that the City's finances are managed in a manner that will: (1) continue to provide for the delivery of quality services; (2) maintain and enhance service delivery as the community grows in accordance with the General Plan; (3) guarantee a balanced budget annually assuring that the City is operating within its means; and (4) establish reserves necessary to meet known and unknown future obligations.

A key component of these policies includes the preparation of a quarterly financial report. This report provides an executive summary of the City's current financial status as it relates to the adopted operating budget.

Attached is the Report for the first quarter that reflects the City's overall General Fund financial position as of September 30, 2022. Included in the Report is an update on the General Fund balance, analysis of revenues earned to date, and expenses incurred for the first nine months of the fiscal year.

### ANALYSIS:

#### **Revenues**

The Report for the first quarter is prepared on a cash basis, therefore only revenue received by September 30 is reflected. Since revenue is received on many different schedules depending on type, it is useful to compare the year-to-date ("YTD") actual amounts to the prior year actual amounts.

Overall, fiscal YTD revenues were approximately \$8.7 million, or \$0.8 million and 8.5% lower than the same period in the prior year. As discussed in the attached Report, the prior year included the receipt of funds from the American Rescue Plan Act ("ARPA") in the amount of approximately \$3.6 million. These funds were subsequently transferred to the General Capital Fund 0025 to offset the costs associated with the Fire Station 16 Replacement Project. ARPA funds received in this fiscal year were deposited directly to the project. Revenues from Charges of Services, Vehicle in Lieu, and other taxes including Transient Occupancy Taxes, were higher than the prior year. In particular, the Vehicle in Lieu revenue received this year was \$2.2 million higher than the prior year mainly due to the receipt of funds from the countywide shortfall from FY 2020-21. Other variances are discussed in the attached report.

## **Expenditures**

Expenditures are recorded when paid, using the cash basis method of accounting. Overall, expenditures were \$15.1 million, or 27.5%, of the budget. Total expenses were \$2 million higher than the first quarter of last year due to increases in the budget approved by the City Council in March 2022. These increases included a number of program changes and additional staffing changes necessary to implement the strategic plan objectives, support the increased level of development activity, manage the increase in infrastructure projects, and advance the increased communication needs. Additional detail can be found in the attached report.

## **ALTERNATIVES:**

The alternatives available to the City Council include:

1. Accept the Quarterly Financial Report for the first quarter of FY 2022-23 as of September 30, 2022; or
2. Do not accept the Quarterly Financial Report; or
3. Provide staff with alternative direction

Respectfully submitted by:

Rebecca Mendenhall, Administrative Services Director

Approved for submission by:



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Jeff Maltbie, City Manager

## **ATTACHMENT(S):**

1. Q1 FY23 Financial Report