



DATE: May 15, 2023

TO: Mayor and Members of the City Council President and Members of the Estero Municipal Improvement District (EMID) Board of Directors

VIA: Stefan Chatwin, City/District Manager

FROM: Edmund Suen, Finance Director

DEPARTMENT: Finance

SUBJECT: RECEIVE AND ACCEPT A REPORT ON THE 3RD QUARTER FISCAL YEAR 2022-23 FINANCIAL UPDATE

RECOMMENDATION

It is recommended that the City Council, by Minute Order, receive and accept the report for the FY 2022-23 3rd Quarter Financial Update.

EXECUTIVE SUMMARY

City staff has prepared the FY 2022-23 3rd Quarter Financial Report (Attachment 1). General Fund revenues (Funds 001 to 003), including \$4.05 million of American Rescue Plan Act (ARPA) relief funds, for the nine-month period were \$43.82 million. Full year revenues and expenditures are projected to reach \$63.27 million and \$57.62 million, inclusive of Net Transfers Out of \$3.48 million, for a projected surplus of \$5.65 million. In looking at full-year projections, property tax revenues, including excess Educational Revenue Augmentation Fund (ERAF) refund, are \$36.23 million while property tax in lieu of Vehicle License Fees (VLF) is \$5.65 million. Transient Occupancy Tax (TOT) recovery has accelerated and is projected to reach \$3.24 million by year end, which is \$780,000 more than the \$2.46 million original FY 2022-23 budget estimate. Projected sales tax revenues are also expected to beat the budget by \$668,000 and reach \$3.84 million. As the Federal Reserve continues to raise the Discount Rate to temper inflation (500 basis points from March 2022 to May 2023), Investment income for the General Fund as well as other City Funds have also

improved.

At the 9-month mark, General Fund (Funds 001 to 003) operating expenditures were \$39.29 million, or 72.5% of the total FY 2022-23 operating budget. As historically the case, City staff exercised an option to make a \$7.51 million prepayment in July 2022 to CalPERS for this year's annually required unfunded accrued pension liability obligation in lieu of monthly payments. The prepayment resulted in a citywide cash savings of \$258,000. The City also contributed a full 12 months of funding to San Mateo Consolidated Fire for its shared costs for fire protection and prevention services. This was essentially a 3-month "prepayment" of \$2.18 million. Notwithstanding, City staff expects full year General Fund operating expenditures will be well within the City's operating budget once full year staff vacancy savings are tabulated at year end. Expenditures of the City's other Governmental Funds, Internal Service Funds, and the District's Water and Wastewater Funds are performing generally as expected.

BACKGROUND AND ANALYSIS

The City Council and City staff have committed to providing quarterly financial updates at City Council meetings to review quarterly financial performance and identify general economic trends and specific issues that may affect, positively and negatively, the City's financial condition.

The report is intended to provide high-level financial information for the City Council, City Departments, and the community as a whole. Supplemental revenue and expenditure analysis are also provided for those readers desiring more detailed financial information.

California Environmental Quality Act

Not Applicable

FISCAL IMPACT

There is no fiscal impact associated with this report.

CITY COUNCIL VISION, MISSION, AND VALUE/PRIORITY AREA

Staff Empowerment and Operational Excellence

ATTACHMENTS:

Attachment 1 - Financial Update FY 2022-23 Q3 (for the nine months ending March 31, 2023)

Attachment 2 - Third Quarter Projections (for the full Fiscal Year ending June 30, 2023)

Attachment 3 - Comparison of Budget vs. Actual and Prior Year's Revenues (for the

nine months ending March 31, 2023)

Attachment 4 - Comparison of Budget vs. Actual and Prior Year's Expenditures (for the
nine months ending March 31, 2023)