



SAN RAFAEL
THE CITY WITH A MISSION

Agenda Item No: 6.b

Meeting Date: September 18, 2023

SAN RAFAEL CITY COUNCIL AGENDA REPORT

Department: Finance

Prepared by: Paul Navazio, Finance Director

City Manager Approval: 

TOPIC: FISCAL YEAR 2022-2023 YEAR-END BUDGET AMENDMENTS

SUBJECT: RESOLUTION ADOPTING AMENDMENTS TO THE CITY OF SAN RAFAEL BUDGET FOR FISCAL YEAR 2022-2023 FOR THE PURPOSE OF CONFIRMING AUTHORIZED APPROPRIATIONS AND TRANSFERS

RECOMMENDATION: Adopt the resolution.

BACKGROUND: The FY 2022-23 city-wide budget was last presented to the City Council on [June 5, 2023](#), in conjunction with the approval of the FY 2023-24 budget. At that time, staff provided updated revenue and expenditure projections and noted budget adjustments expected to be formally requested as part of the year-end update.

Since the close of the fiscal year on June 30, 2023, staff has reviewed the revenues and expenditures in the General Fund, special revenue funds and other special purpose funds. This review has yielded additional adjustments that are specific to year-end clean-up and are included as part of the recommendations in this report to, where appropriate, align the budget with actual results, consistent with past guidance provided by the City's outside auditors.

The purpose of these amendments is to formally authorize the appropriations supporting expenditures and transfers required in certain funds to fulfill their respective purposes and functions through June 30, 2023. City Council approval of the proposed resolution provides formal authority to incorporate these adjustments as part of the final FY 2022-23 budget. Details of the proposed budget amendments are presented in Attachment 1.

FOR CITY CLERK ONLY

Council Meeting:

Disposition:

ANALYSIS:

General Fund

Revenues: The original FY 2022-23 budget, adopted on [June 21, 2022](#), projected \$95,870,730 in revenues. The City worked with two revenue consulting companies (HdL and Management Partners/Baker Tilly) and other local agencies to project revenues for FY 2022-23. The mid-year budget review (updated budget) presented on [February 6, 2023](#), estimated an increase in revenues of \$1,500,000 for a projected balance of \$97,370,730 due to higher than anticipated sales and use tax receipts. On [June 5, 2023](#), revenues were projected to be \$97,684,030 which was 0.3% above the updated budget, based on activity through April.

General Fund revenues of \$97,598,031 were recorded through June 30, 2023, representing a favorable variance of \$227,301 (0.2%) above the amended budget, and only slightly (\$86,004) below the projection reported in the June 5th report. General Fund revenue highlights include:

- Property taxes, which account for about 30% of the General Fund budget, ended the year at \$18.76 million, or 5.4% above the adopted budget. Property tax revenues continued to achieve strong growth at 4.3% over prior the year and an average of 5.1% over the last three years. Growth can be expected to slow a bit in the coming year with high interest rates cooling the housing market, but it remains a strong and stable revenue stream for City.
- Sales taxes revenues ended the fiscal year at \$18.76 million, falling \$0.96 million short of projections, mainly attributable to a correction of the original favorable adjustment to past receipts that was received in the first quarter of the year. However, as noted, other revenue items outperformed the adjusted budget, making up the difference.
- In other revenue items, investment earnings have begun to rebound with the City's investment gain of \$623,493. This is mainly a function of the reduction of the prior year's unrealized loss as securities purchased in the ultra-low interest environment begin to mature. The City can expect to see even larger returns on the investment portfolio into the coming fiscal year as rates stabilize and securities mature.

Other sources and Transfers In from other funds: During the year, it was noted that the estimated transfer of \$650,000 from the Gas Tax Fund to reimburse for staff time related to projects was better utilized for ongoing needs within the Fund and, as a result, not transferred to the General Fund. Staff also requested transfers in be increased by \$11,070 to account for the transfer of Cannabis Fund resources to support the SAFE Team pilot. City Council action to authorize these two adjustments to the General Fund are included in the proposed resolution.

Expenditures: The original approved FY 2022-23 expenditure budget (net of transfers) totaled \$91,943,644 and was increased by \$1,475,859 to \$93,419,503 during the mid-year review process. Expenditures through June 30, 2023, were \$87,981,879, reflecting a budgetary savings of \$5.44 million (or 6.1%) below budget. The budgetary savings realized in the General Fund is largely attributable to salary savings of \$5.38 million due to vacancies across all City departments.

Based on these results, and consistent with the proposal included in the June 5th report, staff is requesting City Council authorization to transfer realized General Fund savings to the Liability Fund (605) and Capital Projects Fund (401) to support anticipated settlement claims as well as in support of specific capital projects and future critical infrastructure needs. These are detailed in the following section.

Other uses and Transfers Out to other funds: The following final budget adjustments and transfers (out) are being recommended for City Council action in order to be reflected in the final FY 2022-23 General Fund budget:

- Appropriation supporting the transfer of \$5,000,000 in one-time General Fund savings to the Liability Fund (\$2385,000) and Capital Project Fund (\$2,615,000). This transfer will be offset by a reduction in the General Fund personnel budget appropriation.
- Appropriation to support the transfer out of \$7,250,000 in American Rescue Plan Act (ARPA) funds to the Stormwater Fund (205) in support of the San Quentin Pump Station Repair project. This represents a use of prior period, one-time funds and not current resources.
- Staff also recommends the transfer of \$586,926 from the General Fund to the Essential Facilities Fund (420). Consistent with prior Council policy, 1/3 of the revenues received from the voter-approved Measure E Transaction and Use Tax is to be transferred, at year-end, to the Essential Facilities Fund to support specific capital projects included in the Essential Facilities Plan. This year, that amount is approximately \$4.9 million; however, the General Fund made principal and interest payments towards the debt on the facilities in the amount of \$4.3 million. This leaves a balance of \$586,926 to transfer to the Essential Facilities Fund to support ongoing capital projects.

The proposed changes to the General Fund revenues, expenditures and transfers are detailed in the table below. The net impact of all proposed changes on the General Fund is \$1,225,856 of reduced revenues and increased transfers.

General Fund	Adopted Budget FY 2022-23	Current Budget	Projected Changes	Projected Budget	Projected Unaudited Results
Revenues	95,870,730	97,370,730		97,370,730	97,598,031
Transfers in	1,770,072	1,770,072	(638,930)	1,131,142	1,131,142
Total Resources	97,640,802	99,140,802	(638,930)	98,501,872	98,729,173
Expenditures	91,943,644	93,419,503	(5,000,000)	88,419,503	87,981,879
Operating Transfer out	3,307,000	3,956,200	586,926	4,543,126	4,543,126
Project Transfer out	-	-	12,250,000	12,250,000	12,250,000
Total Appropriations	95,250,644	97,375,703	7,836,926	105,212,629	104,775,005
Net Result	2,390,158	1,765,099	(8,475,856)	(6,710,757)	(6,045,832)
Allocations					
Use/(Source) of Emergency Reserves	(165,454)	(322,570)	(59,430)	(382,000)	(338,000)
Use of Prior Period funds	-	-	7,250,000	7,250,000	7,250,000
Unassigned Funds Available	2,224,704	1,442,529	(1,285,286)	157,243	866,168

Other Funds

Staff is requesting the approval of a total of \$7,869,327 in increased resources and \$953,114 in increased appropriations to Other Funds, reflecting the amendments included above as well as selected adjustments impacting only other funds, including:

- Appropriation of \$1,766,667 in Essential Facilities Fund (420) to reflect the approved budget for the construction of Fire Stations 54 & 55.
- Increases in appropriations for the Library Assessment Fund (215) and Library Fund (214) of \$22,571 and \$11,790, respectively.
- Transfers to the Gas Tax Fund (206) from the East Francisco Boulevard Maintenance Fund (402) and Mariposa Maintenance Fund (404) of \$6,909 and \$479, respectively. These transfers are proposed to utilize the remaining assessment district fund balances for the maintenance of improvements.

The net impact of all proposed changes on other funds of \$6,916,213 in additional resources is summarized below:

Other Funds	Adopted Budget FY 2022-23	Approved Changes	Current Budget	Proposed Changes	Revised Budget
Revenues	77,022,806	4,556,039	81,578,845	-	81,578,845
Transfers in	3,392,000	669,350	4,061,350	12,844,314	16,905,664
Total Resources	80,414,806	5,225,389	85,640,195	12,844,314	98,484,509
Expenditures	90,479,411	16,445,769	106,925,180	1,809,656	108,734,836
Transfers out	1,855,072	45,163	1,900,235	(631,542)	1,268,693
Total Appropriations	92,334,483	16,490,932	108,825,415	1,178,114	110,003,529
Net Results	(11,919,677)	(11,265,543)	(23,185,220)	11,666,200	(11,519,020)

Other year-end communications: In the prior year, the City reported its pension liability as fully funded. However, this was mainly the result of extreme market volatility during the fiscal year ended June 30, 2021, impacting the actuarial valuation. After incorporating the subsequent market losses of the fiscal year ended June 30, 2022, the City will once again report a pension liability. This was expected and the City's pension liability fell to 90% funded for the reporting period of June 30, 2023. Although no longer reported as fully funded, the City remains in strong financial position with its pension obligations.

As staff completes its preparation of the government-wide financial statements for the year-end audit, net results are estimated at around \$500,000, when adjusting for the one-time transfer of prior-year funds allocated to the San Quentin Pump Station Project. Staff will not have a finalized amount until the audit is completed as there could be other revenues pertaining to FY 2022-23 that trickle in through the end of September and the auditors could have proposed adjustments based on their review. Staff is recommending that the bulk of the net unassigned funds be assigned as following:

- \$338,000 to the emergency and cash flow reserve to adhere to the City Council-approved policy which requires minimum target reserve levels at 10% of General Fund operating expenditures. Staff has deferred its recommendation to increase the reserve level to 12% of General Fund operating expenditures as there are currently projects on the horizon that are supported by grants and require a City match. Staff recommends keeping net available funds for purposes of matching the grants when the time comes.

- Any remaining fund balance following the above requested assignment would be earmarked for required grant matching for the Pickleweed Park Field Renovation Project, of which a total of \$4.24 million is needed.

The Parking Services Fund has experienced a slow recovery from the adverse impacts of the pandemic. However, towards the latter half of the fiscal year, the fund began to show strong revenue growth and ultimately ended the year with positive results of \$729,000 following year-end accrual entries. Revenue gains began to materialize in January and have continued through the end of the fiscal year, approaching pre-pandemic levels. Although further sustained growth is necessary to ensure the long-term viability of the fund, revenue is trending in the right direction and the fund appears to have regained its footing following the challenges of the pandemic.

FISCAL IMPACT: This action authorizes the formal appropriation of resources in the FY 2022-23 to support the actual expenditure and transfer activity through June 30, 2023, as described in this report. No spending authority beyond what was spent or committed as of June 30, 2023, is created through this action.

OPTIONS:

The City Council has the following options to consider on this matter:

1. Adopt the resolution.
2. Adopt the resolution with modifications.
3. Take no action.

RECOMMENDATION: Adopt the resolution.

ATTACHMENTS:

1. Proposed FY 2022-23 Budget Amendments
2. Resolution approving fiscal year 2022-23 amendments with Exhibit I

ATTACHMENT A

Proposed FY 2022-23 Budget Amendments - Final Budget

	General Fund		Other Funds	
	Revenues & Transfers IN	Expenditures & Transfers Out	Revenues & Transfers IN	Expenditures & Transfers Out
<i>Expenditure Appropriations</i>				
Increased appropriations to Essential Facilities Capital Projects fund (420) to support the construction of fire stations 54 and 55.				1,766,667
Increased appropriations to Library Assessment fund (215) to support projects funded by Measure C set-aside funds				22,571
Increased appropriations to Library fund (214) to support library renovation project				11,790
Increased appropriations for the Police Youth Services fund (230) to support Camp Kuga program				6,985
Increased appropriations to the Wildfire Prevention Fund (242) for project support				1,151
Increased appropriations for the Abandoned Vehicle Abatement Program (200) for project support				493
Reduce appropriations reflecting General Fund Salary Savings		(5,000,000)		
<i>Transfers</i>				
Transfer from General Fund (Salary Savings) to Liability Fund (605) and Capital Fund (401)		5,000,000		
			2,385,000	
			2,615,000	
Transfer of assigned General Fund balance to Stormwater (205) for the San Quentin Pump Station project		7,250,000	7,250,000	
Transfer of one third Measure E use tax, less debt service, to the Essential Facilities Fund (420)		586,926	586,926	
Transfer from Cannabis Fund (216) to General Fund to support SAFE Team project	11,070			11,070
Transfer from East Francisco Boulevard Maintenance fund (402) to Gas Tax (206) to utilize remaining assessment district funds for the maintenance of improvements			6,909	
				6,909
Transfer from Mariposa Maintenance Fund (404) to Gas Tax (206) to utilize remaining assessment district funds for the maintenance of improvements			479	
				479
Eliminate FY2022-23 transfer from Gas Tax (206) to general fund intended to off-set staff costs	(650,000)			(650,000)
Proposed Amendments (9/18/2023)	(638,930)	7,836,926	12,844,314	1,178,115

RESOLUTION NO.

RESOLUTION OF THE SAN RAFAEL CITY COUNCIL ADOPTING AMENDMENTS TO THE CITY OF SAN RAFAEL BUDGET FOR FISCAL YEAR 2022-2023 FOR THE PURPOSE OF CONFIRMING AUTHORIZED APPROPRIATIONS AND TRANSFERS

WHEREAS, the City Council approved Resolution No. 15100 adopting the fiscal year 2022-2023 budget; and

WHEREAS, the City Council approved Resolution No. 15189 amending the fiscal year 2022-2023 budget, and took other actions during the year to authorize spending; and

WHEREAS, as part of the fiscal year-end closing process, staff has reviewed and analyzed actual revenues, expenditures and transfers through June 30, 2023, has identified a need for additional budget adjustments, and has submitted its analysis and recommendations in a report to the City Council; and

WHEREAS, after examination, deliberation and due consideration, the City Council has approved the same report and recommendations;

NOW, THEREFORE, BE IT RESOLVED, by the San Rafael City Council that Resolution No. 15189 for fiscal year 2022-2023 is further amended to authorize the following adjustments to resources and appropriations, which are reflected in the Consolidated Funds Schedule (Exhibit I attached hereto and incorporated herein by reference):

Revenues:

Fund	Current Budget	Resources	Transfers in	Revised Budget
001 - General Fund	99,140,802		(638,930)	98,501,872
205 - Stormwater Fund	830,000		7,250,000	8,080,000
206 - Gas Tax Fund	31,718,646		7,388	31,726,034
401 - Capital Improvement Fund-City	3,814,800		2,615,000	6,429,800
420 - Measure E-Public Safety Facility	-		586,926	586,926
605 - Liability Insurance Fund	2,364,880		2,385,000	4,749,880
Total Revenue Adjustments			12,205,384	

Expenditures:

Fund	Current Budget	Appropriations	Transfers out	Revised Budget
001 - General Fund	97,375,703	(5,000,000)	12,836,926	105,212,629
200 - Abandoned Vehicle Abatement	175,092	493		175,585
205 - Stormwater Fund	5,201,216			5,201,216
206 - Gas Tax Fund	30,718,910		(650,000)	30,068,910
214 - Library Fund	100,000	11,790		111,790
215 - Library Special Assessment Fund	1,147,300	22,571		1,169,871
216 - Measure G - Cannabis	159,055		11,070	170,125
230 - Police Youth Services Fund	25,063	6,985		32,048
242 - Measure C Wildfire Prevention Parcel Tax	2,326,909	1,151		2,328,060
402 - East Francisco Blvd. Mtce Fund	-		6,909	6,909
404 - Mariposa Maintenance Fund	-		479	479
420 - Measure E-Public Safety Facility	4,446,830	1,766,667		6,213,497
Total Expenditure Adjustments		(3,190,343)	12,205,384	

I, LINDSAY LARA, Clerk of the City of San Rafael, hereby certify that the foregoing resolution was duly and regularly introduced and adopted at a special meeting of the Council of said City on Monday, the 18th day of September 2023 by the following vote, to wit:

AYES: COUNCILMEMBERS:

NOES: COUNCILMEMBERS:

ABSENT: COUNCILMEMBERS:

LINDSAY LARA, City Clerk

TABLE I
CHANGES TO GENERAL FUND REVENUES AND OTHER SOURCES

General Fund	Adopted Budget FY 2022-23	Approved Changes	Current Budget	Proposed Changes	Revised Budget
Revenues	95,870,730	1,500,000	97,370,730	-	97,370,730
Transfers in	1,770,072		1,770,072	(638,930)	1,131,142
FY 22-23 Resources	97,640,802	1,500,000	99,140,802	(638,930)	98,501,872
FY 21-22 Rollover	-	-	-	-	-
Total Resources	97,640,802	1,500,000	99,140,802	(638,930)	98,501,872

TABLE II
CHANGES TO GENERAL FUND EXPENDITURES AND OTHER USES

General Fund	Adopted Budget FY 2022-23	Approved Changes	Current Budget	Proposed Changes	Revised Budget
Expenditures	91,943,644	1,475,859	93,419,503	(5,000,000)	88,419,503
Transfer out	3,307,000	649,200	3,956,200	586,926	4,543,126
Transfer out-CIP	-	-	-	12,250,000	12,250,000
Total Appropriations	95,250,644	2,125,059	97,375,703	7,836,926	105,212,629

TABLE III
CHANGES TO OTHER FUND EXPENDITURES AND OTHER USES

Other Funds	Adopted Budget FY 2022-23	Approved Changes	Current Budget	Proposed Changes	Revised Budget
Revenues	77,022,806	4,556,039	81,578,845	-	81,578,845
Transfers in	3,392,000	669,350	4,061,350	12,844,314	16,905,664
FY 22-23 Resources	80,414,806	5,225,389	85,640,195	12,844,314	98,484,509
FY 21-22 Rollover	-	-	-	-	-
Total Resources	80,414,806	5,225,389	85,640,195	12,844,314	98,484,509
Expenditures	90,479,411	16,445,769	106,925,180	1,809,656	108,734,836
Transfer out	1,855,072	45,163	1,900,235	(631,542)	1,268,693
Total Appropriations	92,334,483	16,490,932	108,825,415	1,178,114	110,003,529
Net Results	(11,919,677)	(11,265,543)	(23,185,220)	11,666,200	(11,519,020)

TABLE IV
CITY-WIDE APPROPRIATION SUMMARY

All Funds	Adopted Budget FY 2022-23	Approved Changes	Current Budget	Proposed Changes	Revised Budget
General Fund	95,250,644	2,125,059	97,375,703	7,836,926	105,212,629
Other Funds	92,334,483	16,490,932	108,825,415	1,178,114	110,003,529
Total Expenditures	187,585,127	18,570,828	206,155,955	9,015,040	215,170,995