



Agenda Report

Fullerton City Council

MEETING DATE: JULY 16, 2024

TO: CITY COUNCIL / SUCCESSOR AGENCY

SUBMITTED BY: ELLIS CHANG, DIRECTOR OF ADMINISTRATIVE SERVICES

PREPARED BY: STEVEN AVALOS, BUDGET AND PURCHASING MANAGER
CINNDY BARRIOS, SENIOR BUDGET ANALYST

SUBJECT: THIRD QUARTER FINANCIAL REPORT FOR FISCAL YEAR 2023-24

SUMMARY

The Third Quarter Financial Report (Q3 Report) provides an overview of the City financial position, comparing revenues and expenditures from July 2023 through March 2024 against adopted budget levels. The Q3 Report requests budget authority to ensure year-end compliance in preparation for the FY 2023-24 Annual Audit.

PROPOSED MOTION

1. Receive and file Third Quarter Financial Report for Fiscal Year (FY) 2023-24.
2. Authorize the City Manager, or designee, to approve budget adjustments as necessary for budgetary and accounting compliance for the FY 2023-24 audited financial statements.

ALTERNATIVE OPTIONS

- Approve the Proposed Motion
- Other options brought by the City Council.

STAFF RECOMMENDATION

Staff recommends the Proposed Motion.

CITY MANAGER REMARKS

Recommends receive and file.

BUDGET POLICY PRIORITY STATEMENT

This item matches the following Budget Policy Priority Statement:

- Fiscal and Organizational Stability.

FISCAL IMPACT

Staff will use the FY 2023-24 Q3 financial report information for continued budgetary diligence and compliance with adopted budget levels through the end of the fiscal year.

General Fund revenues through the third quarter of FY 2023-24 total \$73.4 million and are at 60.8% of adopted \$120.7 million revenues. General Fund expenditures total \$90.3 million and are at 74.7% of adopted \$120.9 million expenditures. General Fund revenues and expenditures fall where typically should three quarters into the fiscal year.

Staff will effectuate year-end budget amendments to ensure accounting and budget compliance in preparation for the FY 2023-24 audited financial statements. Staff will present any material budget adjustments when submitting the audited financial statements or Q4 Financial Report.

BACKGROUND AND DISCUSSION

Introduction

Staff provides quarterly financial reports on the current year budget to City Council as part of the City budget monitoring and financial reporting practices. This provides a sound financial practice and fiscal transparency tool to report ongoing fiscal condition, identify and address budget issues as they arise and strengthen the financial planning efforts. Quarterly financial reports also provide a measurement of the overall fiscal condition relative to adopted budget levels.

The Q3 Report represents the last financial report before preparing the FY 2023-24 year-end audited financial statements. The Q3 Report offers a good indication of the FY 2023-24 projected year-end performance with 75% of the fiscal year completed and most revenues and expenditures booked for the fiscal year. The FY 2023-24 Q3 Report identifies all revenues received and expenditures incurred through the third quarter of the fiscal year, from July 1, 2023 through March 31, 2024, in comparison to adopted budget levels.

The Q3 Report primarily focuses on the General Fund, the chief operating fund supporting traditional municipal services such as public safety, community and economic development, administration, parks and recreation, library and public works.

Q3 Review of General Fund (including Library and Parks and Recreation)

General Fund revenues total \$73.4 million and are at 60.8% of adopted \$120.7 million revenues through the third quarter of FY 2023-24. General Fund expenditures total \$90.3 million and are at 74.7% of adopted \$120.9 million expenditures.

Revenues

General Fund revenues total \$73.4 million through three quarters of FY 2023-24 and are at 60.8% of adopted \$120.7 million revenues. The City has received 60.8% of budgeted revenues to date, on par with what the City should receive through three quarters of the

fiscal year. The City typically receives property tax, the largest revenue in the City General Fund, in two large installments of secured property taxes (April) and VLF in-lieu (May) during the last quarter of the year, accounting for approximately 35% to 40% of all property tax revenues. The City receives Sales Tax, the second largest General Fund revenue, three months in arrears. Sales tax revenues normally account for 70% through three quarters of the fiscal year.

Property Tax revenues through the third quarter total \$33.9 million and on track to meet, and likely exceed, adopted \$454.7 million budget levels in FY 2023-24 due to anticipated increased residual property tax receipts and VLF In-Lieu property tax growth. Property Tax continues to provide the most stable revenue for the City, indicative of the strong assessed valuation of Fullerton properties.

Sales Tax revenues total \$17.2 million or 56.5% of the total \$30.4 million budget. Staff expects sales tax revenue through the third quarter of FY 2023-24 to come in under budget due to declines in business, industry, autos and transportation economic industries. High inflation and slow down after a strong recovery from the pandemic largely attribute to these declines. Staff will closely monitor sales tax revenues throughout the rest of the fiscal year.

Transient Occupancy Tax, or TOT, revenues total \$1.8 million through the third quarter and are 60.8% of adopted budget levels as more individuals and families travel and book hotels within the City. TOT revenues remain in line with \$3.1 million adopted budget levels.

All other revenues, such as Charges for Services (Program Revenue) and Fines and Penalties, which include Parks and Recreation and Library fees have performed well through three quarters of the year and staff anticipates them to remain in line with budgeted projections for FY 2023-24. In particular, the Fullerton Fire Department joined the Public Provider Ground Emergency Medical Transport program administered by the State of California Department of Health Care Services. The City pays annual and administrative fees to participate in this program but receives additional ambulance revenue due to higher medical transport reimbursements. Staff projects ambulance billing revenue to outperform budgeted levels.

All other major revenues are performing in line with budgeted levels. Staff does not request additional budget adjustments. Staff may submit revenue adjustments with the next financial report if major revenues (e.g., property tax, sales tax, planning / development fees) continue to perform over or under budgeted levels.

Expenditures

Expenditures follow in a more linear fashion as the City processes payroll biweekly and processes invoices and bills on a weekly basis. General Fund expenditures total \$90.3 million through the third quarter of FY 2023-24 and are at 74.7% of adopted \$120.9 million expenditures. Overall, General Fund expenditures remain in line with adopted budget levels through Q3 of FY 2023-24.

Lastly, staff requests administrative budget authority to make budget adjustments to ensure year-end budgetary and accounting compliance for the FY 2023-24 year-end annual audit. Staff would present any material budget adjustments effectuated with the City audited financial statements or Q4 Financial Report.

Next Steps

The City will continue to exercise fiscal diligence and monitor citywide expenditure budgets and revenue performance through the remainder of FY 2023-24. The last financial report for FY 2023-24 will present the annual audited financial statements, known as the Annual Comprehensive Financial Report (ACFR), for FY 2023-24. Staff anticipates submitting the FY 2023-24 ACFR to City Council in January or February 2025, upon conclusion of the external year-end audit.

Attachments:

- Attachment 1 – Q3 FY 2023-24 Revenue Detail by Fund
- Attachment 2 – Q3 FY 2023-24 Expenditure Summary by Fund and Department

cc: City Manager Eric J. Levitt