



**CITY OF SALINAS
COUNCIL STAFF REPORT**

DATE: FEBRUARY 6, 2024
DEPARTMENT: FINANCE
FROM: JIM PIA, INTERIM CITY MANAGER
SELINA ANDREWS, ASSISTANT FINANCE DIRECTOR
TITLE: FISCAL YEAR 23-24 MID-YEAR BUDGET REVIEW &
SUPPLEMENTAL APPROPRIATION REQUESTS

RECOMMENDED MOTION:

Staff recommends that the City Council take the following actions regarding the Fiscal Year 23-24 Mid-Year budget performance review:

1. Receive FY 23-24 Mid-Year budget performance review; and
2. Authorize budget adjustments as recommended in the budget performance review.

EXECUTIVE SUMMARY:

The purpose of the Mid-Year review is to provide City Council with a status of the adopted Fiscal Year 23-24 budget after the first six months and to make any adjustments to ensure the continuity of municipal services and operations. The analysis is one of several periodic reviews of the status of the City's current year revenues and expenditures, and the projected financial condition of all City funds compared with the adopted budgets. The updates typically focus on the City's General Funds, including Measures E & G.

During 2022, the City Council determined the Strategic Priorities for 2022-2025, providing guidance to City staff on workload prioritization. The Council affirmed its Strategic Priorities to be multi-year efforts focused on Economic Development, Housing/Affordable Housing, Infrastructure and Environmental Sustainability, Public Safety, Youth and Seniors, and Effective and Culturally Responsive Government.

Based on the City Council's identified Strategic Priorities, and ongoing community input, staff has started budget development work for the next fiscal year, including identification of critical City needs, contractual obligations, unfunded mandates, potential adjustments to the Fee Schedule, and other analyses. Staff is actively engaged in the FY 24-25 budget process with the primary focus of ensuring that the available City resources are allocated to meet the priority service needs of the community.

BACKGROUND:

The City's Fiscal Year 23-24 operating and capital budgets were adopted on June 13, 2023. After budget adoption each year, the City reviews and analyzes its revenues and expenditures compared to the adopted budget and reports its findings to City Council. The FY 23-24 budget was adopted with a \$0.6 million fund balance surplus, however, through Council actions, additional expenditures have been appropriated, including for example, appropriations to the Industrial Waste Fund or approved wage and benefit adjustments on various employee bargaining group MOU's (Memorandum of Understanding). It is important to note, and understand for future year budgets, that in the current fiscal year alone, multi-year, collective bargaining group agreements (SEIU,SMEA,AMPS,POA), totaling more than \$7,000,000, have been added to future budget obligations. As an important reminder, salaries, along with the expensive budget cost drivers of healthcare, pension and workers' compensation costs, collectively form the largest percentage of our local government spending.

DISCUSSION:

The current forecast expects small increases in economic sensitive revenue such as sales and use tax, franchise fees, and other revenues; however, business license tax and transient use tax are trending lower. These taxes are cyclical and the lower-than-expected revenues at this point in time are potentially due to timing. While staff conducted a detailed analysis of all general fund revenues, only the sales & use tax revenues are being recommended for adjustment at this time.

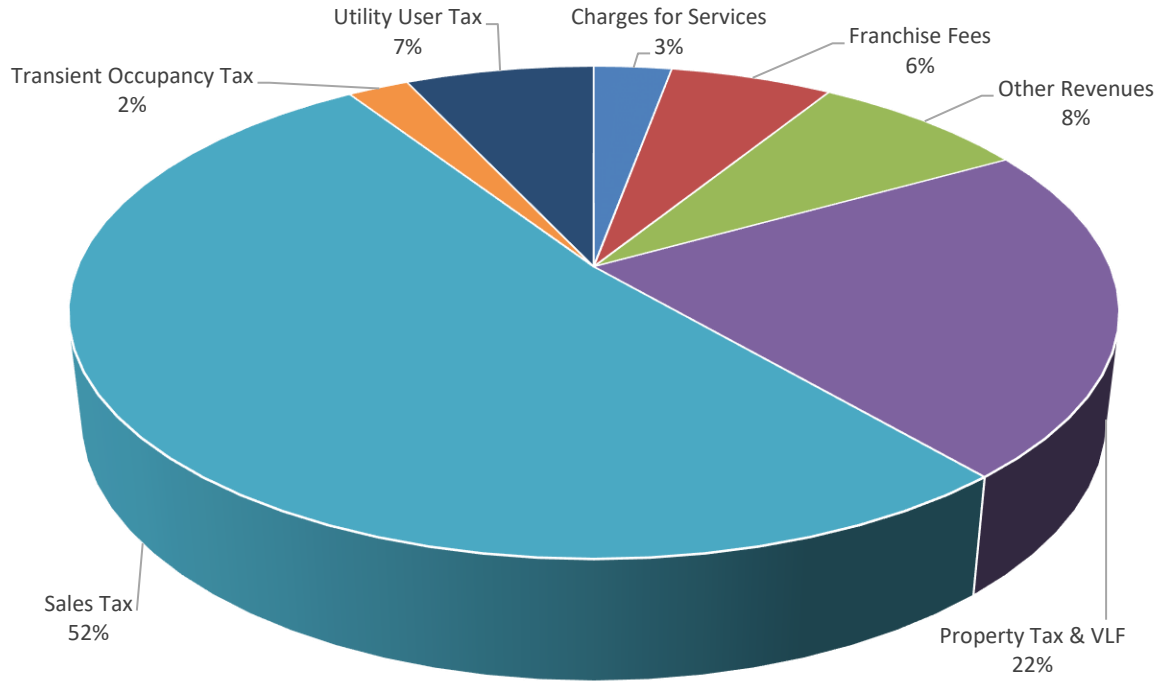
The current projections for FY 23-24 reflect an increase in expenditures of \$1.1 million with an offset by revenues, with the primary drivers including estimated increases in sales & use tax collections. In addition to the improvement in revenue projections, staff is estimating that there will be year-end operating expenditure savings. These savings are attributable to departmental vacancies and associated personnel costs.

General Funds - Revenue Analysis

Overall, General Funds revenues are trending at 51% of the budgeted amount through December 31, 2023. However, not all revenues for the second quarter of the fiscal year have been recorded due to timing of when they are generally received by the City. Therefore, staff anticipates revenues to come in slightly higher than budgeted amounts at the close of the fiscal year. The combined recommended mid-year revenue adjustments in the General Funds total a net increase of \$1.1 million.

The pie chart below represents the City's General Funds estimated operating revenues by major category.

FY 23-24 General Funds Budgeted Revenues



Sales Tax (General, Measures E and G)

Sales tax is the largest revenue source for the City’s General Funds, accounting for 52% of the budgeted General Funds projected revenues for FY 23-24. The City currently receives 2.5% of every 9.25% of sales tax paid per dollar on retail sales and taxable services transacted within Salinas, which includes Measures E and G. Measure E accounts for a half percent (0.5%) and was extended with no ending date on November 6, 2012 while Measure G accounts for one percent (1.0%) and was approved on November 4, 2014 for 15 years, following the initial date of collection.

Sales tax estimates are based on actual sales tax data and annual sales tax estimates for five years are provided by the City’s consultant, Hinderliter, de Llamas & Associates (HdL). In addition to the brick-and-mortar sales tax generation, HdL estimates include several online sales tax projections. The 2018 Wayfair Decision resulted in e-commerce vendors utilizing the Amazon platform to collect sales tax based on destination; however, items shipped directly from Amazon fulfillment centers are collecting sales tax based on the point of distribution. Regular sales tax collected through online transactions are distributed through the Monterey County pool for which

the City receives a pro rata share of the sales tax generated in the County for that particular quarter. Current total sales tax estimates include \$38.7 million in proceeds from regular sales tax and \$34.2 million in proceeds from Measure G (one cent) and \$17.1 million from Measure E (one-half cent). Actual receipts net of administrative fees collected by the State will be confirmed at the close of the fiscal year. Based on current projections, staff recommends a \$1,099,200 increase in Sales & Use Tax collections.

**Sales Tax (General, Measures E and G) – Quarterly and Annual Revenues
5- Year History**

	<u>FY 19-20</u>	<u>FY 20-21</u>	<u>FY 21-22</u>	<u>FY 22-23</u>	<u>FY 23-24</u>
2nd Quarter Actual Revenues *	\$39,231,637	\$39,061,438	\$45,176,026	\$47,899,177	\$48,164,312
Fiscal Year Total Actual Revenues	69,670,899	80,249,066	88,460,979	91,143,768	
Fiscal Year Total Estimated Revenues					91,099,200
Fiscal Year Budgeted Revenues					90,000,000
2nd Quarter Percent Total	56%	49%	51%	53%	54%
Recommended Budget Revision					1,099,200

Property Tax and Motor Vehicle in Lieu Fee (VLF)

Property tax and VLF are the second largest revenue source for the City and comprises approximately 22% of total City General Funds estimated revenues for FY 23-24. Property and VLF tax estimates are based on property tax data provided by HdL. Property tax is levied by the Monterey County Assessor’s Office at approximately 1% of a property’s assessed value, of which the City receives approximately \$0.1466 cents per dollar paid on property located within the municipal limits of Salinas. In compliance with Proposition 13, the assessed value of real property is based on the 1975/76 assessment roll value, adjusted by a 2% inflation factor thereafter. However, when property changes hands or new construction occurs, property is then reassessed at its current market value.

Monterey County provides property tax collection updates and projections throughout the year. The current amount received for the first six months of the year is slightly ahead of pace compared to the adopted budget. This includes Redevelopment Agency (RDA) Residual Apportionment, VLF allocation, secured property tax estimates, property transfer tax, and the Educational Revenue Augmentation Fund (ERAF) estimates.

The City has been monitoring ongoing developments regarding the distribution of excess ERAF funds. A portion of property tax revenue goes to the ERAF to support local school districts. When the amount contributed to ERAF is more than the minimum cost of funding local schools, excess funds have traditionally been returned to the county, cities, and special districts.

Property tax distributions are largely received in the second and fourth quarters. Second quarter receipts are trending similar to those received during the second quarter of the previous fiscal year.

Based on current County projections, staff does not expect a change in the budgeted General Property Tax and Vehicle in Lieu Fee.

**Property Tax & VLF – Quarterly and Annual Revenues
5 - Year History**

	<u>FY 19-20</u>	<u>FY 20-21</u>	<u>FY 21-22</u>	<u>FY 22-23</u>	<u>FY 23-24</u>
2nd Quarter Actual Revenues	\$16,739,972	\$18,170,613	\$18,435,937	\$19,471,345	\$19,922,518
FY Total Actual Revenues	31,389,345	33,234,238	34,350,884	36,513,923	
FY Total Estimated Revenues					37,840,500
FY Budgeted Revenues					37,840,500
2nd Quarter Percent Total	53%	55%	54%	53%	53%
Recommended Budget Revision					

Franchise Fees

Franchise fees are collected by the City for the privilege of operating a utility service within Salinas, and as a fee in lieu of a business license tax. Franchise fees are currently received for gas, electric services, recycling, solid waste collection, and video services. Franchise fees represent 6% of projected General Funds revenues in FY 23-24.

Historically, franchise payments are not remitted equally throughout the fiscal year; therefore, second quarter receipts are not necessarily predictive of future receipts. Total franchise fee revenues are trending slightly higher than the prior year. However, staff does not recommend a change to this revenue source at this time.

**Franchise Fees – Quarterly and Annual Revenues
5-Year History**

	<u>FY 19-20</u>	<u>FY 20-21</u>	<u>FY 21-22</u>	<u>FY 22-23</u>	<u>FY 23-24</u>
2nd Quarter Actual Revenues	\$ 4,222,345	\$ 4,225,656	\$ 5,201,732	\$ 4,198,148	\$ 4,362,180
FY Total Actual Revenues	9,135,846	9,440,563	10,422,251	8,815,945	
FY Total Estimated Revenues					10,335,000
FY Budgeted Revenues					10,335,000
2nd Quarter Percent Total	46%	45%	50%	48%	42%
Recommended Budget Revision					

Transient Occupancy Tax (TOT)

TOT is an important revenue source for the City and comprises approximately 2% of total City estimated revenues in the amount of \$3.9 million for FY 23-24. The City levies a 10% transient occupancy tax (TOT) on all hotel and motel rooms within the municipal limits of Salinas.

During the pandemic, TOT experienced the most significant percentage decline relative to historical adopted budgets. While most areas are experiencing a significant rebound in leisure “staycation” travel and modest improvements in business travel, the City’s current TOT collections are trending lower than anticipated as average occupancy rates are still rebounding. The second quarter revenues are not reflected in the data below because TOT for the second quarter has not been received.

Transient Occupancy Tax – Quarterly and Annual Revenues
5 – Year History

	<u>FY 19-20</u>	<u>FY 20-21</u>	<u>FY 21-22</u>	<u>FY 22-23</u>	<u>FY 23-24</u>
2nd Quarter Actual Revenues	\$ 1,765,007	\$ 1,135,919	\$ 1,815,995	\$ 1,776,514	\$ 1,075,141
FY Total Actual Revenues	2,824,027	2,338,402	3,682,621	3,224,396	
FY Total Estimated Revenues					3,900,000
FY Budgeted Revenues					3,900,000
2nd Quarter Percent Total	62%	49%	49%	55%	28%
Recommended Budget Revision	<hr/>				

Charges for Services

City Service revenues consist primarily of planning, building, inspections, and engineering fees assessed on local building and development activity. Development fees and charges are assessed based on cost recovery formulas, which reflect approximate costs of providing these regulatory services.

Charges for Services are trending lower than in the second quarter compared to the previous fiscal year. Typically, development fees are collected in advance for projects and recognized as revenue in the fiscal year the work is performed. Additionally, administrative fees for services are not included in the current year’s amount due to timing. Staff does not recommend a change to this revenue source at this time.

Charges for Services - Quarterly and Annual Revenues
5 – Year History

	<u>FY 19-20</u>	<u>FY 20-21</u>	<u>FY 21-22</u>	<u>FY 22-23</u>	<u>FY 23-24</u>
2nd Quarter Actual Revenues	\$ 3,050,857	\$ 2,452,625	\$ 2,379,357	\$ 2,843,442	\$ 1,226,741
Fiscal Year Total Actual Revenues	5,259,630	4,903,377	5,168,638	5,269,651	
Fiscal Year Total Estimated Revenues					4,953,050
Fiscal Year Budgeted Revenues					4,953,050
2nd Quarter Percent Total	58%	50%	46%	54%	25%
Recommended Budget Revision	<hr/>				

Utility User Tax (UUT)

UUT are utility taxes which cities may impose on users' consumption of certain utility services and consists of 7% of the City's General Funds revenue. Salinas voters passed Measure H in the November 4, 2014 election to reduce the tax on telecommunications and video users from 6% to 5% and modernized the ordinance to include wireless and other technologies. Salinas' population has a direct correlation with UUT as it's tied to utility usage. While FY 23-24 second quarter receipts are trending slightly lower, staff does not recommend a budget adjustment at this time.

**Utility User Tax - Quarterly and Annual Revenues
5 – Year History**

	<u>FY 19-20</u>	<u>FY 20-21</u>	<u>FY 21-22</u>	<u>FY 22-23</u>	<u>FY 23-24</u>
2nd Quarter Actual Revenues	\$ 6,040,366	\$ 5,895,599	\$ 5,675,292	\$ 6,624,218	\$ 6,240,562
FY Total Actual Revenues	11,654,328	11,608,242	12,106,526	12,295,325	
FY Total Estimated Revenues					12,000,000
FY Budgeted Revenues					12,000,000
2nd Quarter Percent Total	52%	51%	47%	54%	52%
<hr/> Recommended Budget Revision					

Other Revenues

“Other Revenues” comprises all other general fund revenues not specifically identified in the above, including investment earnings, business licenses, and permitting fees. This revenue accounts for 8% of the City's total General Funds revenue. Total Other Revenues are trending higher than those of the second quarter in the prior year due to a large increase in interest earnings. Staff is also in the process of closing out the prior year therefore, additional entries may be required. Staff does not recommend a budget increase at this time.

**Other Revenues - Quarterly and Annual Revenues
5 – Year History**

	<u>FY 19-20</u>	<u>FY 20-21</u>	<u>FY 21-22</u>	<u>FY 22-23</u>	<u>FY 23-24</u>
2nd Quarter Actual Revenues	\$ 4,343,166	\$ 3,786,594	\$ 3,777,997	\$ 4,712,733	\$ 7,258,912
FY Total Actual Revenues	12,035,730	11,731,642	9,817,935	12,945,408	
FY Total Estimated Revenues					13,833,200
FY Budgeted Revenues					13,833,200
2nd Quarter Percent Total	36%	32%	38%	36%	52%
<hr/> Recommended Budget Revision					

General Funds - Expenditure Analysis

For FY 23-24, General Funds Operating expenditures (not including transfers out) are programmed at \$147 million. The delivery of City services is highly dependent on personnel which comprises

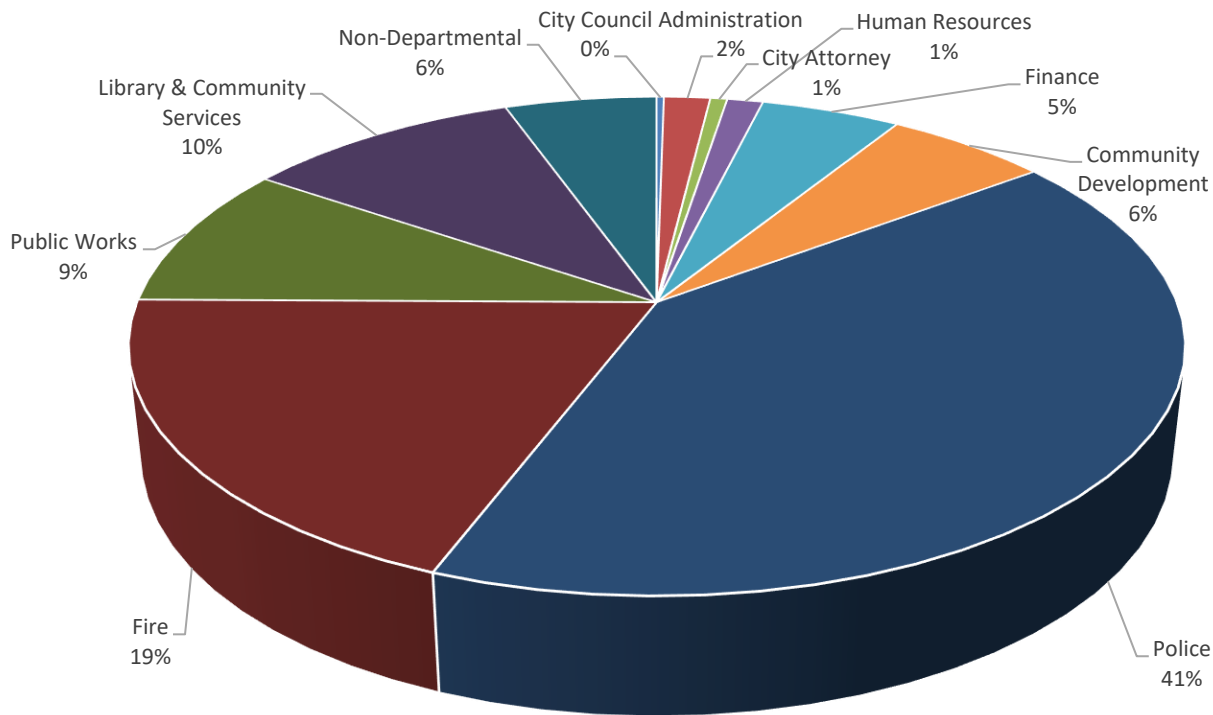
77% of budgeted General Funds expenditures for FY 23-24. During the fiscal year, City Council approved several budget adjustments, which are tracked against the Adopted Budget. The net effect is an Amended Budget. Most General Funds expenditure totals are trending in accordance with or below the Amended Budget, with total operational expenditures at the end of the second quarter at approximately 44% of the Amended Budget. With six months of data now available, staff expects that the next six months of expenditures will need to be amended as identified in this Mid-Year review. If additional unexpected costs occur, they will require future Council action.

As with most municipalities, services are provided directly by employees to the City’s residents, businesses, and visitors. As a service delivery enterprise, the cost of salaries and benefits are a significant portion of the budget. Mid-year actual salaries and benefits are trending at 47% of the adopted budget amount for personnel costs.

Salaries and benefits savings are anticipated due to vacancies and reduced cost structure due to replacements after retirements. In addition, vacant positions are sometimes filled with temporary, un-benefited positions, which translate into additional benefit savings.

The pie chart below represents the Departmental proportion of City General Funds estimated operating expenditures.

FY 23-24 General Funds Budgeted Expenditures



Administration

The Administration Department provides external and internal support services for a number of essential functions related to the management operations of City government. Under the direction of the City Manager, these functions include logistical support for the Mayor and Council, recording of the City's official legislative records, and community outreach and engagement. Administration incorporates the City Manager’s Office, City Clerk, and community relation efforts.

Administration expenditures are trending higher compared to the same quarter expenditures in prior year. This Department had unanticipated personnel expenditures during the course of the first half of the fiscal year. Staff does not recommend an expenditure budget adjustment for this program at this time.

**Administration - Quarterly and Annual Expenditures
5 – Year History**

	<u>FY 19-20</u>	<u>FY 20-21</u>	<u>FY 21-22</u>	<u>FY 22-23</u>	<u>FY 23-24</u>
2nd Quarter Actual Expenditures	\$ 1,454,221	\$ 842,117	\$ 827,154	\$ 904,121	\$ 1,210,956
Fiscal Year Total Actual Expenditures	3,581,489	1,961,761	2,227,320	1,965,635	
Fiscal Year Total Estimated Expenditures					2,518,109
Fiscal Year Budgeted Expenditures					2,518,109
2nd Quarter Percent Total	41%	43%	37%	46%	48%
Recommended Budget Revision	<hr/>				

City Attorney’s Office

The City Attorney’s Office (CAO) is the legal advisor to City Council, Boards, Commissions, and City staff. In this capacity, the CAO provides a wide range of legal services to ensure that City actions and activities are legally sound. The CAO expenditure amounts are trending higher than the same quarter in the prior year. Staff recommends a \$150,000 budget increase to cover additional costs related to outside legal counsel.

**City Attorney’s Office - Quarterly and Annual Expenditures
5 – Year History**

	<u>FY 19-20</u>	<u>FY 20-21</u>	<u>FY 21-22</u>	<u>FY 22-23</u>	<u>FY 23-24</u>
2nd Quarter Actual Expenditures	\$ 374,501	\$ 345,218	\$ 333,468	\$ 336,723	\$ 378,219
Fiscal Year Total Actual Expenditures	803,554	780,960	884,306	769,312	
Fiscal Year Total Estimated Expenditures					1,070,577
Fiscal Year Budgeted Expenditures					920,577
2nd Quarter Percent Total	47%	44%	38%	44%	41%
Recommended Budget Revision	<hr/>				

City Council

The City Council is the elected legislative body that represents the residents and provides policy direction for the delivery of services and capital improvements for the City of Salinas. City Council expenditures are trending at 34% which is lower than the same quarter in the prior year. Staff anticipates increased expenditure costs following the January 23rd ordinance adoption increasing Council member compensation, however, does not recommend an expenditure budget adjustment at this time.

**City Council - Quarterly and Annual Expenditures
5 – Year History**

	<u>FY 19-20</u>	<u>FY 20-21</u>	<u>FY 21-22</u>	<u>FY 22-23</u>	<u>FY 23-24</u>
2nd Quarter Actual Expenditures	\$ 159,780	\$ 100,304	\$ 131,031	\$ 148,048	\$ 136,662
Fiscal Year Total Actual Expenditures	281,174	246,282	295,850	345,846	
Fiscal Year Total Estimated Expenditures					399,607
Fiscal Year Budgeted Expenditures					399,607
2nd Quarter Percent Total	57%	41%	44%	43%	34%
Recommended Budget Revision					

Community Development

The Community Development Department works with elected and appointed officials, other Departments, and the community to guide the physical growth, development, and preservation of the City. Community Development program expenditure amounts are trending higher than the prior year due to increased development activities and Pass-Through programs. The Pass-Through program collects the required developer deposits for various review services. The City provides those services through consultants and the consultants are paid out of the applicant’s account. At the close of a project, all remaining fees collected will be refunded to the applicant. The Community Development program expenditures are trending at 27%. The Department identified a need to increase expenditures for the Salinas Valley 5 Cities annual contribution and radios for code enforcement officers, however, staff anticipates sufficient salary and benefits savings to cover this cost. Staff does not recommend an expenditure budget adjustment in this program.

**Community Development - Quarterly and Annual Expenditures
5 – Year History**

	<u>FY 19-20</u>	<u>FY 20-21</u>	<u>FY 21-22</u>	<u>FY 22-23</u>	<u>FY 23-24</u>
2nd Quarter Actual Expenditures	\$ 1,974,536	\$ 1,887,929	\$ 1,863,221	\$ 2,368,266	\$ 2,428,791
Fiscal Year Total Actual Expenditures	4,137,232	3,912,988	4,028,236	5,175,144	
Fiscal Year Total Estimated Expenditures					8,856,731
Fiscal Year Budgeted Expenditures					8,856,731
2nd Quarter Percent Total	48%	48%	46%	46%	27%
Recommended Budget Revision					

Finance

The Finance Department provides overall strategic fiscal administrative support for the entire City organization, reporting to the City Manager’s Office. Finance incorporates information technology, special reporting, accounting, budgeting, purchasing, accounts payable, accounts receivable, payroll processing, revenue, and licensing.

The Finance Department expenditures are trending higher compared to the same quarter expenditures in the prior year and minimal expenditures savings in this program are anticipated. While the Department had numerous vacancies during the course of the first half of the fiscal year in all program areas, staff continues to ensure financial controls through the use of consultants. Staff does not recommend an expenditure budget adjustment in this program.

**Finance - Quarterly and Annual Expenditures
5 – Year History**

	<u>FY 19-20</u>	<u>FY 20-21</u>	<u>FY 21-22</u>	<u>FY 22-23</u>	<u>FY 23-24</u>
2nd Quarter Actual Expenditures	\$ 2,179,496	\$ 1,893,431	\$ 1,967,915	\$ 2,164,634	\$ 2,790,647
Fiscal Year Total Actual Expenditures	4,508,160	4,040,385	4,419,397	4,544,549	
Fiscal Year Total Estimated Expenditures					7,606,806
Fiscal Year Budgeted Expenditures					7,606,806
2nd Quarter Percent Total	48%	47%	45%	48%	37%
Recommended Budget Revision	_____				

Fire

The Salinas Fire Department provides 24-hour prevention, response, mitigation, and recovery efforts for fires, hazardous materials, emergency medical services, traffic collisions, aircraft emergencies, and all other emergency and non-emergency service requests within the City of Salinas corporate limits. The primary goal of the Fire Department is the protection of life, property, and the environment for those that live, work, and visit the City of Salinas. All divisions of the Fire Department; Administration, Prevention, Training/Special Operations, Disaster Preparedness, Vehicle Maintenance, Emergency Medical Services, Hazardous Materials Response, and Suppression and Rescue, work in conjunction to support this goal. Staff recommends a \$596,200 budget increase to cover the costs of Academy Recruits’ safety clothing, radios, and related expenditures. Miscellaneous additional expenditure needs were identified by the Department, however, staff anticipates sufficient salary and benefits savings to cover those costs.

**Fire - Quarterly and Annual Expenditures
5 – Year History**

	<u>FY 19-20</u>	<u>FY 20-21</u>	<u>FY 21-22</u>	<u>FY 22-23</u>	<u>FY 23-24</u>
2nd Quarter Actual Expenditures	\$11,479,444	\$13,083,433	\$14,042,847	\$15,194,473	\$15,010,787
Fiscal Year Total Actual Expenditures	22,856,500	24,703,915	26,450,780	29,005,691	
Fiscal Year Total Estimated Expenditures					29,609,108
Fiscal Year Budgeted Expenditures					29,012,908
2nd Quarter Percent Total	50%	53%	53%	52%	52%
Recommended Budget Revision	_____ 596,200				

Human Resources

Human Resources provides centralized human resources and employee relations services in support of the delivery of municipal services to Salinas' residents. Specifically, Human Resources staff provides services to all City Departments in managing human resource functions for approximately 550 full-time regular employees and 150 temporary employees. Services provided

include recruitment, employee benefits, employee relations, and employee development. The Human Resources Department expenditures are trending at 40% and do not anticipate expenditure savings. The Department identified a need to increase expenditures for outside consulting to assist with MOU negotiations, background investigations, and executive recruitments however, staff anticipates sufficient salary and benefits savings to cover this cost.

**Human Resources - Quarterly and Annual Expenditures
5 – Year History**

	<u>FY 19-20</u>	<u>FY 20-21</u>	<u>FY 21-22</u>	<u>FY 22-23</u>	<u>FY 23-24</u>
2nd Quarter Actual Expenditures	\$ -	\$ 660,430	\$ 632,928	\$ 676,778	\$ 782,513
Fiscal Year Total Actual Expenditures	5,862	1,361,316	1,532,677	1,760,017	
Fiscal Year Total Estimated Expenditures					1,954,493
Fiscal Year Budgeted Expenditures					1,954,493
2nd Quarter Percent Total	0%	49%	41%	38%	40%
Recommended Budget Revision					

Library and Community Services

The Library and Community Services Department provides a wealth of resources and opportunities to enrich the lives of those who live, work, play, and learn in our community. The Department consists of Recreation & Park Services, Community Outreach & Engagement, and Library Services. Library and Community Services expenditure amounts are trending slightly higher than the prior year. The Department identified a need to purchase equipment necessary to maintain City parks, however, staff anticipates sufficient salary and benefits savings to cover these costs. Staff does not recommend an expenditure budget adjustment in this program.

**Library and Community Services - Quarterly and Annual Expenditures
5 – Year History**

	<u>FY 19-20</u>	<u>FY 20-21</u>	<u>FY 21-22</u>	<u>FY 22-23</u>	<u>FY 23-24</u>
2nd Quarter Actual Expenditures	\$ 3,861,426	\$ 3,303,103	\$ 4,203,530	\$ 5,321,333	\$ 5,406,807
Fiscal Year Total Actual Expenditures	7,608,416	6,563,612	9,824,169	11,834,016	
Fiscal Year Total Estimated Expenditures					15,075,472
Fiscal Year Budgeted Expenditures					15,075,472
2nd Quarter Percent Total	51%	50%	43%	45%	36%
Recommended Budget Revision					

Police

The Department ensures public safety by providing law enforcement services, building community partnerships, and engaging the community in problem solving.

Staffing levels remain a challenge for the Police Department with dedicated ongoing recruitment for open positions. The Department expenditures are trending at 47%. Staff does not recommend any expenditure budget adjustments in this program.

Police - Quarterly and Annual Expenditures

5 – Year History

	<u>FY 19-20</u>	<u>FY 20-21</u>	<u>FY 21-22</u>	<u>FY 22-23</u>	<u>FY 23-24</u>
2nd Quarter Actual Expenditures	\$25,344,868	\$28,662,240	\$29,423,566	\$31,269,931	\$29,229,620
Fiscal Year Total Actual Expenditures	52,425,759	53,993,689	55,473,297	57,702,366	
Fiscal Year Total Estimated Expenditures					61,596,480
Fiscal Year Budgeted Expenditures					61,596,480
2nd Quarter Percent Total	48%	53%	53%	54%	47%
Recommended Budget Revision					

Public Works

The Public Works Department constructs and maintains the City’s facilities, roadways, right-of-way, and other infrastructure with the goal of ensuring they are safe, functional, and well maintained. The Public Works services program expenditures are trending lower than prior year expenditures with the exception of the Airport and Storm Sever programs. Staff recommends an expenditure budget increase of \$198,000 in its Enterprise Operations which are attributed to certain unforeseen and emergency repairs at the Airport and plan review support for the Storm Sewer program. The expenditure summary and 5-year history only include General Funds expenditures, and therefore, the aforementioned Airport and Storm Sewer program needs are not identified below. In the General Funds, the Department identified needs including outside services to perform plan checks and expenses to repair and replace parts for various equipment, however, staff anticipates sufficient salary and benefits savings to cover these costs. Staff does not recommend an expenditure budget adjustment in this program.

Public Works - Quarterly and Annual Expenditures 5 – Year History

	<u>FY 19-20</u>	<u>FY 20-21</u>	<u>FY 21-22</u>	<u>FY 22-23</u>	<u>FY 23-24</u>
2nd Quarter Actual Expenditures	\$ 5,546,515	\$ 5,213,149	\$ 4,364,722	\$ 5,170,236	\$ 4,991,535
Fiscal Year Total Actual Expenditures	11,702,849	11,742,063	10,109,282	11,404,533	
Fiscal Year Total Estimated Expenditures					13,934,970
Fiscal Year Budgeted Expenditures					13,934,970
2nd Quarter Percent Total	47%	44%	43%	45%	36%
Recommended Budget Revision					

Non-Departmental

The Non-Departmental budget supports community programs, the City's repayment of outstanding bond issues, the cost of elections, the cost of operating the 65 West Alisal Street facility, and various operating costs that are not directly charged to a specific departmental Operating budget. Within the Non-Departmental budget are also community programs that support certain youth activities, families, prevention and education as well as the Intermodal Transportation Center (ITC). Staff identified a need to increase the contingency budget by \$150,000 to use for unanticipated expenses. Additionally, transfers out to the storm sewer fund for \$60,000 and to the residential rental registry fund for \$143,000 are also included in Non-Departmental.

Non-Departmental - Quarterly and Annual Expenditures

5 – Year History

	<u>FY 19-20</u>	<u>FY 20-21</u>	<u>FY 21-22</u>	<u>FY 22-23</u>	<u>FY 23-24</u>
2nd Quarter Actual Expenditures	\$ 4,241,960	\$ 6,158,793	\$ 2,004,774	\$ 2,315,117	\$ 3,750,376
Fiscal Year Total Actual Expenditures	12,150,415	12,977,732	3,750,384	7,172,111	
Fiscal Year Total Estimated Expenditures					8,611,938
Fiscal Year Budgeted Expenditures					8,258,938
2nd Quarter Percent Total	35%	47%	53%	32%	45%
Recommended Budget Revision					353,000

FY 23-24 Recommended Budget Adjustments

Budget adjustments are recommended for the sales & use tax revenues identified in this Mid-Year review and expenditures identified in Exhibit A.

CEQA CONSIDERATION:

The City of Salinas has determined the proposed action is not a project as defined by the California Environmental Quality Act (CEQA) (CEQA Guidelines Section 15378).

STRATEGIC PLAN INITIATIVE:

Monitoring the growth of revenues and expenditures, including determining when supplemental appropriations are necessary, supports the City of Salinas Strategic Plan 2023-2025 goal of Effective Government.

DEPARTMENTAL COORDINATION:

This staff report was coordinated by Finance and the City Manager’s Office.

FISCAL AND SUSTAINABILITY IMPACT:

If approved, the budget adjustments requested would increase the City’s combined general funds appropriations by \$1,099,200. This amount exceeds the year-end estimated fund balances of \$565,000. Therefore, as previously noted, corresponding revenue budget adjustment increases of \$503,000 to General Fund Sales Tax and \$596,200 to Measure G Transaction and Use Tax are also recommended to offset the increase in appropriations. Staff has analyzed the year-to-date sales tax revenues and determined the 1.3% increase in the General Fund and 1.7% increase in the Measure G Fund to be appropriate. The use of fund balance will be used to cover the \$138,000 increase in appropriations for the Airport fund. A transfer from General Fund will be necessary to cover the \$60,000 increase in appropriations for the Storm Sewer fund.

ATTACHMENTS:

1. Resolution – Fiscal Year 2023-24 Mid-Year Budget Adjustments
2. Exhibit A – Fiscal Year 2023-24 Supplemental Appropriation Requests