



# STAFF REPORT

## CITY of YORBA LINDA

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### FINANCE DEPARTMENT

**DATE:** DECEMBER 21, 2021

**TO:** HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

**FROM:** DIANNA HONEYWELL, FINANCE DIRECTOR / CITY TREASURER

**SUBJECT:** FISCAL YEAR 2021/22 FIRST QUARTER BUDGET UPDATE

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### **RECOMMENDATION**

It is recommended that the City Council receive and file the attached list of line-item budget transfers and supplemental budget appropriations for the first quarter of FY 2021/22 (Attachment 1), as required by City Council Policy F-4 – Supplemental Budget and Line-Item Transfers.

### **BACKGROUND**

On June 15, 2021, the City Council adopted the Two-Year Budget for fiscal years 2021/22 and 2022/23. From time to time, the City's operating and capital improvement budgets require modification. These modifications include refinement in estimated costs and events that were unanticipated when the budget was adopted. Subsequent budget adjustments and transfers for the first quarter of FY 2021/22 have been identified and recorded. This update is to inform Council of these adjustments.

### **DISCUSSION**

The following table includes original revenue estimates included in the adopted budget for FY 2021/22 and the latest projection as of September 30, 2021. Because the first quarter report only reflects three months of actual activity, the updates, as would be anticipated, are typically minimal. There is one significant change to the revenue estimates due to the sale of the West Bastanchury property. At the time the budget was adopted in June 2021, the timing of the sale was not known and therefore not reflected in the original adopted budget. Escrow on the property closed in August 2021 in the amount of \$10,134,537. The revenue estimate is being adjusted accordingly. A portion of these proceeds was used to pay off the short-term financing for the Cultural Arts Center in October 2021. The transaction will be reflected when the second quarter report is presented to Council.

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Revenue Category	Adopted w/ Carryovers	First Quarter Projection	Adopted v. Projection
<b>Taxes</b>			
Property Taxes	\$ 22,495,783	\$ 22,495,783	\$ -
Sales and Use Tax	7,699,850	7,699,850	-
Franchise Taxes	2,183,785	2,183,785	-
Property Transfer Tax	700,000	700,000	-
Transient Occupancy Tax	425,000	425,000	-
Business License Tax	412,000	412,000	-
Motor Vehicle In-Lieu	55,000	55,000	-
<b>Total Taxes</b>	<b>\$ 33,971,418</b>	<b>\$ 33,971,418</b>	<b>\$ -</b>
<b>Fees, Charges &amp; Permits</b>			
Building	1,721,568	1,721,568	-
Engineering	298,675	298,675	-
Planning	103,375	103,375	-
Other	3,000	3,000	-
<b>Total Fees, Charges, &amp; Permits</b>	<b>\$ 2,126,618</b>	<b>\$ 2,126,618</b>	<b>\$ -</b>
<b>Parks &amp; Recreation Revenues</b>	<b>1,835,880</b>	<b>1,835,880</b>	<b>-</b>
<b>Administrative Charges</b>	<b>1,761,766</b>	<b>1,761,766</b>	<b>-</b>
<b>Other Revenues</b>	<b>806,215</b>	<b>10,940,752</b>	<b>10,134,537</b>
<b>Total Operating Revenue</b>	<b>\$ 40,501,897</b>	<b>\$ 50,636,434</b>	<b>\$ 10,134,537</b>
<b>Interfund Transfers</b>	<b>520,937</b>	<b>520,937</b>	<b>-</b>
<b>Prior Year Resources Carried Forward</b>	<b>1,102,561</b>	<b>1,102,561</b>	<b>-</b>
<b>Total Available Resources</b>	<b>\$ 42,125,395</b>	<b>\$ 52,259,932</b>	<b>\$ 10,134,537</b>

The following table includes the adopted expenditure budget, any supplemental appropriations approved by the City Council or City Manager during the current fiscal year and the first quarter projection of expenditures.

Expenditure Category	Adopted Budget	Carryovers & Encumbrances	Adopted w/ Carryovers	Supplemental Appropriations	Total Budget	First Quarter Projection	First Quarter v. Total Budget
Administration	\$ 7,929,326	\$ 165,735	\$ 8,095,061	\$ 4,000	\$ 8,099,061	\$ 8,099,061	\$ -
City Attorney	650,000	-	650,000	-	650,000	650,000	-
Community Development	3,499,873	361,632	3,861,505	-	3,861,505	3,861,505	-
Finance	1,170,180	-	1,170,180	-	1,170,180	1,170,180	-
Non-Departmental	30,800	-	30,800	-	30,800	30,800	-
Parks & Recreation	7,847,463	48,123	7,895,586	-	7,895,586	7,895,586	-
Police Services	13,137,917	55,795	13,193,712	-	13,193,712	13,193,712	-
Public Works	5,619,799	471,276	6,091,075	(4,000)	6,087,075	6,087,075	-
Vacancy Factor	(241,358)	-	(241,358)	-	(241,358)	(241,358)	-
<b>Total Operating Expenditures</b>	<b>\$ 39,644,000</b>	<b>\$ 1,102,561</b>	<b>\$ 40,746,561</b>	<b>\$ -</b>	<b>\$ 40,746,561</b>	<b>\$ 40,746,561</b>	<b>\$ -</b>
Debt Service	179,620	-	179,620	-	179,620	179,620	-
Transfer to LMAD	872,632	-	872,632	-	872,632	872,632	-
<b>Total Required Resources</b>	<b>\$ 40,696,252</b>	<b>\$ 1,102,561</b>	<b>\$ 41,798,813</b>	<b>\$ -</b>	<b>\$ 41,798,813</b>	<b>\$ 41,798,813</b>	<b>\$ -</b>

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As it is still early in the fiscal year, no significant expenditure changes are currently projected. The supplemental appropriations column reflects budget adjustments already approved by the City Council or City Manager during the first three months of the fiscal year. This year there have only been a few transfers between accounts in a variety of divisions that are reflected in Attachment 1. These transfers do not have an effect on the General Fund Operating Reserves.

The following table summarizes the first quarter forecast for revenue and expenditures and the resulting impact to General Fund Operating Reserves.

Category	Adopted w/ Carryovers	First Quarter Projection	First Quarter v. Adopted
Starting Operating Reserves (Estimated)	\$ 21,129,543	\$ 21,129,543	\$ -
Add: Total Available Resources	42,125,395	52,259,932	10,134,537
Less: Total Required Resources	(41,798,813)	(41,798,813)	-
Ending Operating Reserves	\$ 21,456,125	\$ 31,590,662	\$ 10,134,537
Change in Operating Reserves	\$ 326,582	\$ 10,461,119	\$ 10,134,537

The adopted budget reflected an anticipated operating surplus of \$326,582 for FY 2021/22. Due to the adjustments to the revenue and expenditure budgets discussed in this report, the surplus is now anticipated to increase to \$10.5 million, however, as previously mentioned, a significant portion of this surplus has been allocated to the payoff of the Cultural Arts Center in the second quarter of FY 2021/22.

### **FISCAL IMPACT**

The FY 2021/22 first quarter adjustments resulted in a projected increase in reserves of \$10.1 million.

### **ATTACHMENTS**

1. List of Budget Adjustments for the First Quarter of Fiscal Year 2021/22
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