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CITY COUNCIL AGENDA ITEM

ACTION REQUESTED:

Receive the 2022 1st Quarter Financial Report

DEPARTMENT: Finance Department

SUBMITTED BY: Rachel Mayer, Finance Director

BOARD/COMMISSION REVIEW:

N/A

BACKGROUND:

Monthly financial reports to the City Council help inform the public on important issues related to City finances, including discussions around short- and long-term financial strategies. This month's report focuses on the performance of the City budget through the first quarter of 2022 (Q1).

DISCUSSION:

Positive trends can be seen across most of the budget in Q1. Revenues continue to perform well while expenses are in line with budget projections in most categories. While staff continues to monitor cost inflation, it is not yet having broad negative impacts on the budget, as the larger expense categories of salaries and benefits are more fixed than purchased services and supplies.

The table below compares year-to-date budget performance to current year projections, as well as actual amounts from the prior year.

Revenue and Expense by Fund Category

	2022 Budget	YTD Actual	YTD Projection	2021 YTD Actual
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Maintenance & Operating	Revenue	411.60	96.85	87.78	85.69
	Expense	402.34	79.17	86.30	72.58
Capital & Debt Service	Revenue	99.15	9.67	15.79	7.87
	Expense	102.72	3.14	5.93	1.24
Special Funds	Revenue	41.47	3.90	4.16	3.11
	Expense	35.52	6.88	8.07	7.48

*\$ in millions***Revenues**

Across all funds, revenues through Q1 total \$110.44 million, exceeding 2021 revenue by 14.5%, and just above the staff's projection of \$107.73 million.

Revenue Summary by Category**State Shared Revenues**

State shared revenues remained strong in Q1, after their impressive recovery in 2021.

- State income tax at \$5.7 million exceeded projections by 41% and rose 30% from the 2021 year to date.
- State sales tax at \$11.0 million exceeded projections by 13% and rose 22% over the 2021 year to date.
- Home rule sales tax at \$4.7 million exceeded projections by 7% and rose 39% over the 2021 year to date.
- Local use tax at \$1.7 million exceeded projections by 5% but is down nearly 20% from the 2021 year to date due to the shift of online tax revenue to sales tax.
- State motor fuel taxes at \$1.4 million ended Q1 2% below projections but rose more than 5% over the 2021 year to date.

Local Taxes

Local tax revenues are performing at, or above, 2021 levels and 2022 projections, with local gas tax being the only exception.

- Real estate transfer tax continues to perform well with revenues of \$1.4 million. Sales volume has declined in comparison to 2021 but higher sales prices continue to drive strong revenue.
- Hotel/Motel tax revenue at \$693,000 continues to recover from 2020/2021 levels and is in line with 2019 revenues in Q1.
- Food and beverage tax revenue of \$1.5 million is 30% above projections and 25% above 2021 Q1.
- Local gas tax revenue of \$595,000 is below projections by 8% but outperformed 2021 revenue by 21%.

Utility Charges

Utility charges, including electric, water, and wastewater charges, account for nearly half of total revenues at \$50.50 million thus far and performed just under budget projections.

- Electric charges totaled \$34.86 million, which is below 2021 revenue of \$36.40 million.
- Water and wastewater charges, combined, total \$15.63 million, exceeding 2021 revenues of \$15.55 million.

Other Revenues

Most of the City's other revenues came in at or above budget projections.

- Building permit revenue continues to outperform projections, by \$100,000, or 30%.
- Commuter parking revenue remains similar to 2021, totaling \$218,000. This is still about 50% lower than pre-pandemic levels.
- Ambulance fees came in at \$1.97 million; this is 32% over projections.

Expenditures

Across all funds, expenditures through Q1 total \$89.20 million. This exceeds 2021 expenses by 9.7% but remains 11% below the projected spending of \$100.30 million through Q1 of 2022.

Expenditure Summary by Category

Salaries, Wages, and Benefits

Across all funds, salaries, wages, and benefits were in line with the budget.

- Salaries and wages totaled \$25.52 million, which is just under 24% of the budget for the full year. This is a decrease of \$3.6 million, or 12% below 2021 Q1; the decrease is mostly attributable to one fewer payroll processing cycle in Q1 this year compared to last year.
- Overtime pay is up slightly over last year but sits at 25% of the budget, which is in line with projections.
- Benefits and related expenses totaled \$7.14 million, which is approximately 9% over 2021 actuals.
- Insurance expenses related to medical and dental claims and administrative fees totaled \$4.18 million, which is nearly identical to 2021. PPO plans totaled \$1.75 million in fees and claims, nearly identical to 2021. The HMO plan has generated \$1.43 million in expenses, which is a 13% increase over the same period last year. This increase is due to a lag in claims from 2021, which was anticipated as part of the 2022 budget.

Purchased Services and Purchased Items

This category includes all services and items purchased from third-party vendors, including purchased electricity and water.

- Both purchased power and purchased water are in line with projected totals. These two items, combined, account for \$31.44 million.
- Purchased services came in at \$7.05 million, which is also in line with projections. While we have seen increases in contracted costs across various sectors, some of these increases were factored into 2022 budget planning.
- Purchased items are also in line with projections at \$4.66 million. Staff continues to monitor items like fuel and other commodities that have spiked in 2022.

Capital Outlay

Expenditures related to capital outlay currently total \$4.40 million out of a total budget of \$97.82 million. This low figure is not uncommon as most capital costs are related to large-scale construction projects that begin in the second quarter.

As discussed in previous reports, we continue to see bids on some projects that exceed 2022 budgeted costs. This is due to inflation, global supply chain issues, and related material and labor issues and is resulting in longer than typical lead times in supplies and commodities. Ultimately, these factors may push the completion date for some capital projects and the associated costs

beyond the current year. This should help accommodate the higher costs being realized in the current budget year. Staff will continue to monitor future project bids and adjust the 2022 CIP as needed.

FISCAL IMPACT:

N/A