



CITY OF IMPERIAL BEACH

2022-23 Financial Update

3rd Quarter Ending March 31, 2023

Overview

This financial report summarizes the City's financial position for the nine months ending March 31, 2023, for the General Fund, Internal Services Fund, and Sewer Fund. The purpose of this report is to provide the City Council and City Management an update on the City's fiscal status based on the most recent financial information available. The numbers in this report are shown on a cash basis meaning the revenues are recognized at the time revenues are received and expenditures are recognized at the time payment is processed. The revenue and expenditure budgets include carryovers and any supplemental appropriations made by the City Council. The numbers provided are unaudited and subject to correction.

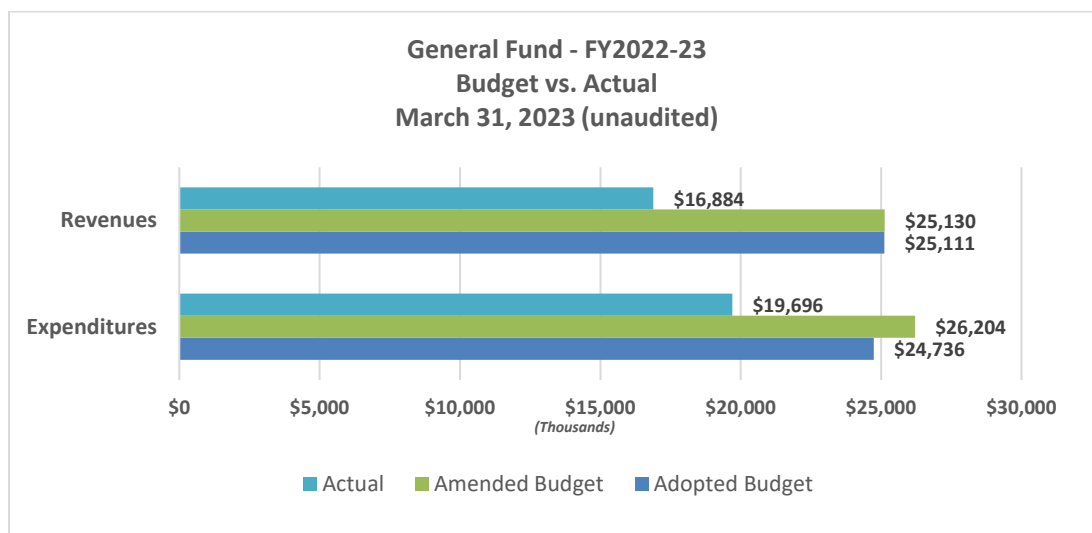
General Fund Summary

The General Fund is the general operating account for the City and includes multiple departments that provide activities, programs and services to the citizens of Imperial Beach.

The tables presented in this report include budget-to-actual comparisons between the current fiscal year and the previous fiscal year (year over year comparison) and show results of the third quarter compared to the amended budget as it stood on March 31st of each year. A budget comparison with the year-to-date data is also presented.

The FY2022-23 adopted budget for revenues and operating expenditures is \$25.1 million and \$24.7 million, respectively. As of March 31, 2023, the expenditure budget had been increased by \$1.47 million, to \$26.2 million, due to approximately \$200,000 in carryover appropriations as well as \$1.2 million in current year City Council approved budget amendments. The greatest impact on the FY2022-23 amended expenditure budget was related to transfers out from the General Fund to Internal Service Funds and Parks Major Maintenance Fund. In November 2022, City Council approved a total of \$450,000 in transfers from the General Fund Unassigned Reserve. \$250,000 was transferred to Technology & Communication Fund and \$200,000 to Facility Repair & Maintenance Fund. These funds were transferred to replenish reduced reserves resulting from expenditures approved during prior fiscal years. Additionally, in February 2023, City Council approved a transfer of \$800,000 from the General Fund unassigned reserve to the Parks Major Maintenance Fund to fund the replacement of the Sports Park restrooms.

The following table shows the Adopted Budget, Amended Budget, and Actual (current year-to-date) for General Fund revenues and expenditures.



Revenues

The table below shows third quarter budget-to-actual revenues, by category, for fiscal years 2021-22 and 2022-23.

	FY21-22 AMENDED BUDGET	FY21-22 YTD ACTIVITY	% OF FY21-22 BUDGET	FY22-23 AMENDED BUDGET	FY22-23 YTD ACTIVITY	% OF FY22-23 BUDGET
Revenues						
Taxes	\$ 14,349,500	\$ 9,009,546	62.79%	\$ 15,087,850	\$ 9,944,774	65.91%
Licenses and Permits	1,016,750	833,237	81.95%	1,044,535	788,585	75.50%
Intergovernmental	60,000	345,315	575.53%	79,944	245,962	307.67%
Charges for Services	5,526,238	2,718,523	49.19%	5,691,020	4,176,229	73.38%
Use of Money & Prop.	540,000	352,065	65.20%	556,800	229,397	41.20%
Fines & Forfeitures	211,500	146,573	69.30%	220,150	208,615	94.76%
Miscellaneous	201,500	265,457	131.74%	234,080	238,086	101.71%
Transfer In	2,881,275	647,250	22.46%	2,216,100	697,940	31.49%
TOTAL REVENUES	\$ 24,786,763	\$ 14,317,966	57.76%	\$ 25,130,479	\$ 16,529,588	65.78%

Charges for Services reflects a large increase in revenue year-over-year. Pursuant to a Maintenance Services Agreement (MSA) with the Port of San Diego, the City receives quarterly revenue from the Port to assist in funding various services within tidelands of the City. As of March 31, 2023, the City had recorded three of the four quarterly payments received from the Port. Compared to the same reporting period in FY2021-22, the City had received only two of the four \$1.3 million payments. This difference in revenue accounts for the variance in the amount and percentage of revenue recorded.

Overall, with 75% of the year complete, General Fund revenues are at 65.8% of budget, which is ahead of the prior fiscal year. It is important to keep in mind that most General Fund revenues are not received in equal installments over a fiscal year. As such, the percentage of revenues received will almost always be less than the percentage of the fiscal year completed. It is not until all revenues are accrued at year end (June 30) that the full anticipated amounts are received and recorded.

Primary Revenues

The City’s primary revenues account for around 82% (\$20.5 million) of budgeted General Fund revenues. Property Tax and Sales Tax account for roughly 57% of the “primary revenue” amount, Transient Occupancy Tax, 5%, Franchise Fees, 10%, and Charges for Services (Port Reimbursement) accounting for nearly 28% of the amount. The following is a summary of the primary revenues as of the end of the third quarter.

Property Tax – Property Tax is the largest category of the General Fund revenues comprising about 35% of the total budgeted General Fund revenue. This category consists of the 1% General Purpose Property Tax as well as RPTTF

(Redevelopment Property Tax Transfer Funds) Pass-Thru, RPTTF Residual Property Tax (calculations associated with the tax increment generated by the former Redevelopment Agency), and VLF Property tax. This category is currently at 52.4% of budget and is approximately 12% ahead of collections from last fiscal.

	FY22-23 AMENDED BUDGET	FY22-23 YTD ACTIVITY	% OF BUDGET RECEIVED
Primary Revenues		-	
Property Tax	\$ 8,960,100	\$ 4,693,938	52.39%
Sales Tax - Local 1%	1,400,000	1,099,054	78.50%
Sales Tax - Meas I	1,350,000	1,759,086	130.30%
Transient Occupancy Tax	912,300	932,686	102.23%
Franchises	2,172,050	1,245,846	57.36%
Charges for Services	5,691,020	4,176,229	73.38%
TOTAL REVENUES	\$ 20,485,470	\$ 13,906,839	67.89%

Most property tax funds are received in January and June of each year and future reports for this current fiscal year will reflect a greater percentage of revenue received.

Sales tax – The Local 1% and Measure I sales taxes are at 79% and 130% of budget through March 31, 2023, respectively. Sales tax is received from the State and is realized two months in arrears. In other words, sales tax collected by a business in January is received by the City in March. As such, the amounts received through the third quarter of the current fiscal year reflect only 7 months of collections. The Local 1% sales tax is slightly higher than the previous year with \$1,099,000 having been received as of March 31 compared to \$1,082,000 for the same period last fiscal year. As of March 31, 2023, the City has received \$1.7 million of Measure I sales tax compared to \$1.5 million for the same period last year. When budgeting Measure I, it was believed that the total received from the new sales tax would be equal to or slightly above the Local 1% sales tax. However, current collections are showing that Measure I is easily outpacing the Local 1% tax and exceeding original revenue estimates for annual collections. It is projected that the City will receive a total of approximately \$2.0 million of Local 1% sales tax and \$3.3 million of Measure R sales tax for FY2022-23.

Transient Occupancy Tax (TOT) – As of March 31, 2023, TOT revenues are \$932,686 compared to \$885,808 for the same period last fiscal year. TOT is tracking almost 5% higher than FY2021-22 and is at 102% of budget. During the November 2022 election, the voters in Imperial Beach approved Measure R which increased the TOT from 10% to 14%. The impact of Measure R was estimated to be between \$400,000 and \$500,000 per year. However, the “California Taxpayer Protection Initiative” has qualified for the November 2024 ballot and could nullify any new taxes imposed after January 1, 2022 which would include the measure approved by voters in November 2022. Even though the City has been receiving the additional funds, it has been determined not to budget for, nor spend the additional 4% of TOT taxes until

the outcome of the initiative has been determined. If the additional 4% tax was not included in the year-to-date total, TOT would still be at 87% of budget.

Franchises – Franchise fees, fees collected for the use of public rights-of-way, are collected for solid waste, gas and electric, water, and cable services. Gas, electric, and water franchise fees are received once a year in April. The remaining fees, solid waste and cable, are received on a quarterly basis approximately 30 days after the end of each quarter. As such, for the current fiscal year, only two quarters of revenue has been received as of March 31, 2023. Franchise revenue is slightly ahead of last year and is at 57% of budget.

Charges for Services – Charges for Services is the second largest General Fund revenue source and comprises about 22% of the budgeted General Fund revenues. The primary source of this category is compensation from the Port of San Diego, through a municipal services agreement, in exchange for law enforcement, fire protection, lifeguard, tideland maintenance, and animal control services provided within the tidelands area. This source of revenue is currently tracking at 73% as of March 31, 2023 as the City awaits final payment from the Port of San Diego for the current fiscal year. Charges for Services is expected to reach the budgeted amount by fiscal year end.

Expenditures

As of the end of March 2023, with 75% of the year complete, total General Fund expenditures are at 75% of budget.

	FY21-22 AMENDED BUDGET	FY22-23 YTD ACTIVITY	% OF BUDGET
Function			
GG - Legislative	\$ 985,448	\$ 704,163	71.46%
GG - Mgmt & Support	6,672,767	5,753,761	86.23%
Public Safety	14,125,724	9,823,234	69.54%
Parks & Recreation	2,069,725	1,665,261	80.46%
Public Works	2,279,150	1,707,078	74.90%
Capital Outlay	70,982	42,827	60.34%
TOTAL EXPENDITURES	\$ 26,203,796	\$ 19,696,325	75.17%

Most functional areas are tracking properly and are at or slightly under the expected level of 75%. Management & Support and Parks & Recreation are slightly ahead of the anticipated 75% mark. For Management & Support, this is primarily due to unanticipated expenditures incurred for the July 4th event held in July 2022 when a last-minute substitution for the scheduled vendor needed to be made. Additionally, there have been some increased personnel costs as the COVID-19 hiring freeze was lifted and departments returned to full-strength. Parks & Recreation was a new department for the current budget cycle, and it was difficult to accurately budget for the needs of this additional department. Parks & Recreation is currently over-budget in both labor and operations as it has grown to service the needs of the community. City-wide, it is anticipated that once all expenditures are accrued at fiscal year-end that expenditures will finish at or slightly below the FY2022-23 amended budget.

Other Funds

In addition to the General Funds, this report summarizes the City's third quarter financial position for the Internal Services Funds and the Sewer Fund. The following tables show budget-to-actual revenues and expenses for fiscal years 2021-22 and 2022-23 as of March 31, 2023.

Internal Services Funds

	FY21-22 AMENDED BUDGET	FY21-22 YTD ACTIVITY	% OF BUDGET	FY22-23 AMENDED BUDGET	FY22-23 YTD ACTIVITY	% OF BUDGET
Vehicle Replacement						
Revenues	\$ 1,173,533	\$ 993,871	84.69%	\$ 506,800	\$ 434,621	85.76%
Expenses	\$ 639,634	\$ 433,402	67.76%	\$ 584,220	\$ 643,469	110.14%
Risk Management						
Revenues	\$ 938,372	\$ 753,819	80.33%	\$ 756,950	\$ 873,103	115.34%
Expenses	\$ 739,372	\$ 451,593	61.08%	\$ 756,950	\$ 647,518	85.54%
Information Technology						
Revenues	\$ 973,045	\$ 771,200	79.26%	\$ 833,350	\$ 702,925	84.35%
Expenses	\$ 643,145	\$ 474,305	73.75%	\$ 581,702	\$ 592,418	101.84%
Facility Mtce & Replacement						
Revenues	\$ 102,971	\$ 99,246	96.38%	\$ 210,500	\$ 210,771	100.13%
Expenses	\$ 224,413	\$ 115,505	51.47%	\$ 74,224	\$ 89,023	119.94%

Revenues in the Internal Service Funds are tracking as expected. Revenues for services provided to other departments within the City are transferred and recorded quarterly. Revenues for services provided to other agencies are invoiced and recorded monthly. A settlement payment from an ongoing litigation was received by the City in February 2023 which has led to slightly higher than budgeted revenues in the Risk Management Fund.

Expenses in the Vehicle Replacement Fund are running greater than originally budgeted as vehicles were required to equip the new Park Ranger and Community Response Team Members. A budget amendment to increase the expenses and transfer revenues to the fund will be brought to City Council for approval. The Information Technology fund has experience higher than expected costs for new and ongoing software licensing and maintenance contracts. Budget amendments for both revenues and expenses in the I.T. fund will be requested at year-end. Facility Maintenance has had higher than budgeted expenditures due to several ongoing maintenance and improvement projects at the City Hall complex. As with the I.T. fund, revenue and expense budget amendments for the Facility Maintenance fund will be requested before the fiscal year is closed out. Within the Internal Service funds, expenses often fluctuate throughout the year, so comparison to a prior year is difficult. However, Internal Service Fund expenses as of March 31, 2023 are at expected levels at the end of the third quarter.

Sewer Fund

	FY21-22 AMENDED BUDGET	FY21-22 YTD ACTIVITY	% OF BUDGET	FY22-23 AMENDED BUDGET	FY22-23 YTD ACTIVITY	% OF BUDGET
Sewer Fund						
Revenues	\$ 6,374,300	\$ 3,969,319	62.27%	\$ 6,358,000	\$ 4,624,715	72.74%
Expenses	\$ 6,529,046	\$ 3,539,849	54.22%	\$ 7,526,251	\$ 4,070,167	54.08%

Through the third quarter, Sewer Fund revenues and operating expenses are tracking at 72% and 54%, respectively. Sewer Charge revenues are received as part of the property tax payments, so, as with the 1% General Purpose Taxes, the largest portion of the funds are received in January and May of each year. Revenues are tracking slightly higher in FY2022-23 than the previous year due to a rate increase that went into effect at the beginning of the fiscal year. Expenses are tracking as expected.