

Mid-Year FY 2021-22 Financial
Report
(Unaudited)



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INTRODUCTION

This is the second quarterly report for Fiscal Year 2021-22, and comprises results for the six month period ending December 31, 2021. While a few other notable funds are reviewed, this report focuses primarily on the City’s general fund. General Fund operating revenues and expenditures as compared to previous years are presented, and any notable changes or trends in these numbers are explained. The report is presented on a cash basis, which means that revenues are recognized at the time revenues are received and expenditures are recognized at the time payment is processed. The City does not accrue any revenues or expenditures in the second quarter.

The purpose of this report is twofold. First, it ensures that the City is consistently monitoring its revenues and expenditures so that it may proactively respond to unanticipated changes or emerging trends. Second, and equally important, consistent reporting increases the transparency of the City’s finances. Quarterly reporting provides the City Council, City Administration, taxpayers and ratepayers with information that demonstrates the City is meeting this standard.

The information in this report is the most accurate and up-to-date information available at the time of publication. It is not meant to be inclusive of all financial and accounting transactions. It is intended only to provide the Council, Management and the public with an overview of the state of the City’s general fiscal condition. It should be noted that this report is not an audited financial statement, and the numbers provided herein are preliminary and subject to change as the year progresses. No data on revenues and expenditures are final until the City has completed its annual audit and finalized its Annual Comprehensive Financial Report (ACFR), which is released in the winter of each year for the prior fiscal year

ECONOMIC OUTLOOK

In March of 2020, the City declared a local emergency in response to the COVID-19 worldwide pandemic. The ensuing statewide shelter in place orders coupled with various levels of “reopening” created financial turmoil in the fourth quarter of FY 2019-20 and continues to wreak havoc on the U.S. and worldwide economies at all levels.

The second quarter of fiscal year 2022 represents the seventh quarter of the COVID-19 pandemic. Till now, the economy has recovered surprisingly well due to two prime factors; the development and distribution of a vaccine for the virus and federal stimulus dollars. Unfortunately as 2021 has progressed, infection, hospitalization, and death rates have fluctuated to the positive with the rollout of the vaccine and then again to the negative with the delta and omicron variant surges coupled with vaccine hesitancy and in some cases refusal. Even with some level of fluctuation and hesitancy, the distribution of highly effective vaccines has considerably reduced the economic risks from COVID-19.

NATIONAL & STATE ECONOMIC OUTLOOK

<p>Hdl (The City’s revenue enhancement consultant) anticipates the national economy will grow 3% in FY21-22, with a forecast of slowing to 2.0% in FY 22-23.</p> <ul style="list-style-type: none">• California’s unemployment rate is expected to continue declining from 7.6% in FY 20-21 to 6.0% in FY 21-22 and further declining to 5.2% in FY 22-23• Sales & Use Tax growth is expected to remain high at 10.8% in FY 21-22 before declining to 3.5% in FY 22-23• California’s median existing home price is expected to increase from \$662k in FY 21-22 to \$681k in FY 22-23

Source: Hdl

Since the start of the pandemic the Federal Government has passed and implemented five economic stimulus packages totaling over \$5 trillion. The Federal Reserve also lowered the Federal Funds rate to between 0% and .25% where it remains today. In many ways the federal stimulus may have slowed the economic damage caused by the health and safety response to the pandemic and stabilized the economy. With some signs of rising inflation the Federal Reserve is expected to begin raising the Federal Funds rate in 2022. Many economists believe inflation in the economy will be short lived and comes as

a result of supply chain bottle necks and staffing shortages which will recede with time.

LOCAL ECONOMIC OUTLOOK

At the local level, the City of Seaside unemployment rate increased from 3.1% in March of 2020 to 19.0% in April of 2020 and currently stands at 2.2%. Many of the City's small businesses continue to struggle due to various factors including staffing shortages and lost revenue during times of required closures. In response, the City of Seaside City Council approved a \$150k façade improvement program to help businesses improve their store fronts and attract more business. Additionally, the City was awarded \$8.9M of American Rescue Plan Act funding and continues to assess ways to further assist local businesses.

Additionally the City will continue to pursue FEMA reimbursement for emergency response costs as appropriate as well as various other grant sources.

The City of Seaside unexpectedly experienced strong results in several business sectors throughout the pandemic, including Auto Sales, Online Sales, and Building and Construction Materials. Not all sectors of the local economy fared as well. One major sector of Seaside's local economy is based on tourism. Early in the pandemic the the local Hotel Tax (Transient Occupancy Tax) dropped off severely and served as a clear indicator of just how hard that sector was hit. With the lifting of many travel restrictions beginning in June of 2021, however, this sector experienced some much needed relief. TOT collections showed strong signs of recovery throughout the 2021 Summer months.

Even as some particular small businesses continue to struggle, overall the local economy has recovered from it's pandemic era lows and is now showing signs of growth beyond it's pre-pandemic levels.

GENERAL FUND

FY 2021-22 BUDGET RECAP:

General Fund Changes in Fund Balance:	Operating	Capital	Total Budget
	FY22	FY22	FY22
Revenues	\$ 39,306,339	\$ 9,000,000	\$ 46,837,410
Expenditures	(39,199,061)	(5,214,617)	(37,994,160)
Net Transfers	-	-	(4,950,589)
Surplus (Deficit)	<u>\$ 107,278</u>	<u>\$ 3,785,383</u>	<u>\$ 3,892,661</u>

In June of 2021, the City of Seaside City Council adopted the FY 2021-22 annual budget. Due to a projection of significant Revenue recovery and growth, a surplus budget was adopted including an operating surplus of \$107k and a capital budget surplus of \$3.8M.

The operating budget showed a surplus even while planning to re-staff the City's workforce, return pandemic era labor concessions, and provide for a cost of living adjustment. Personnel costs, the City's largest cost, were budgeted to increase by approximately \$5.1M over the previous fiscal year budget. The staffing plan included the addition of 28 positions that were either new or had been frozen in the previous fiscal year. The City also committed to continue recruiting for 17 positions that were budgeted but remained vacant. Budget line items such as equipment, supplies and vehicles were increased to coincide with the staffing ramp up. For a second year running, the City appropriated funds (\$320k) for grants to support community non-profits and also funded the Family and Community Support Program with an allocation of \$179k.

The capital budget likewise showed a surplus. The City originally expected to receive a one-time land sale revenue of \$9M. That land-sale revenue is now expected to be realized in FY 2022-23. Additionally funding for the City's CIP (Capital Improvement Program) in the amount of \$5.2M is budgeted to come from the City's from the City's general fund balance. Projects in the CIP include government buildings, parks water infrastructure, and storm water.

RESERVES:

The City's reserve accounts are fully funded in the fiscal year 2021-22 budget at the following amounts:

Emergency Reserve - 15%	\$ 5,879,859
Special Reserve - 10%	3,919,906
Capital Reserve - 5%	<u>1,959,953</u>
Total Reserves	<u>\$ 11,759,718</u>

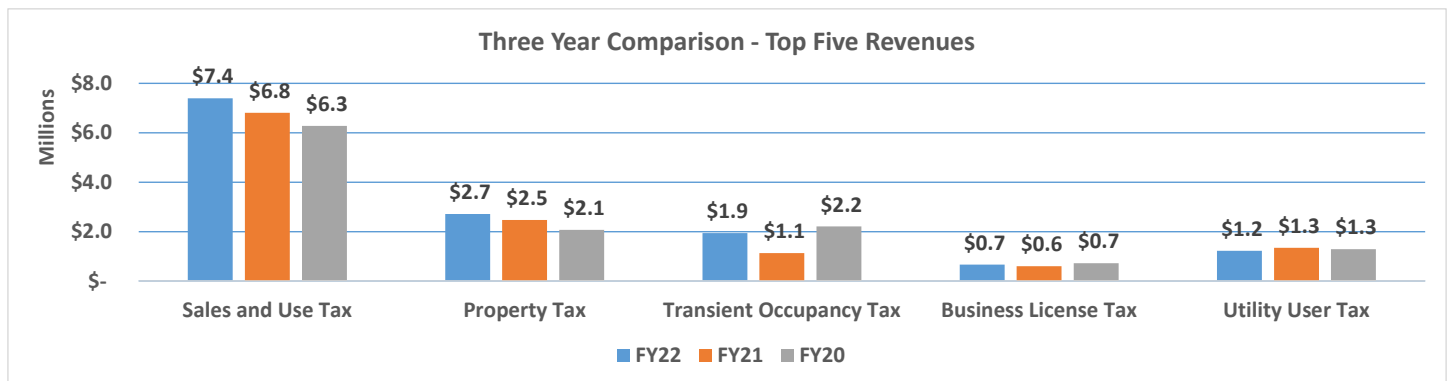
Q2 GENERAL FUND REVENUES:

Total budgeted revenues for FY 2021-22 including one-time sales and transfers are \$48.6M. Excluding the one-time sales the budget is \$39.6M. This compares to a FY 2020-21 budget of \$30.7M; a budgeted revenue increase of nearly \$8.9M.

The following table and chart compares second quarter results for FY22 with second quarter results for FY20 and FY21. FY21 is the pandemic year while FY20 may be considered pre-pandemic.

General Fund Revenues:	Budget	Results:	Variances:				Projection	
	Q2 - 50%	Q2	Year over Year Vs. FY21		Year over Year Vs. FY20		Year-End	Variance vs. Budget
	FY22	FY22	\$	%	\$	%	FY22	\$
Sales and Use Tax	\$ 8,015,583	\$ 7,401,958	\$ 585,360	9%	\$ 1,116,204	18%	\$ 18,697,536	\$ 2,666,370
Property Tax	2,768,016	2,710,279	240,631	10%	637,962	31%	5,515,349	(20,682)
Transient Occupancy Tax	1,291,373	1,945,084	810,708	71%	(263,055)	-12%	4,052,259	1,469,513
Business License Tax	355,948	668,249	66,160	11%	(52,820)	-7%	759,374	47,478
Utility User Tax	1,300,692	1,222,876	(126,839)	-9%	(68,860)	-5%	2,601,383	-
Transfer In	883,749	983,684	983,684	n/a	983,684	n/a	1,767,498	-
Licenses & Permits	198,207	457,558	233,554	104%	154,541	51%	655,765	259,350
Miscellaneous-Other Revenue	312,487	411,088	256,485	166%	216,075	111%	648,682	23,708
Marijuana Receipts Tax	641,617	648,229	(41,642)	-6%	307,618	90%	1,296,458	13,224
Fees & Charges	389,500	379,354	218,834	136%	(72,070)	-16%	704,158	(74,843)
Income from Investments	241,622	157,833	98,012	164%	143,187	978%	429,711	(53,533)
Grant Revenue	326,168	487,390	(139,677)	-22%	335,006	220%	1,369,778	717,442
Fines & Forfeitures	34,958	64,514	251	0%	(8,768)	-12%	99,472	29,556
Other Agency Revenue	245,538	84,232	(491,326)	-85%	(516,939)	-86%	205,383	(285,693)
Franchise Fees	721,687	676,314	420,808	165%	397,415	142%	1,443,374	-
Motor Vehicle In-Lieu	2,075,309	2,089,039	105,375	n/a	208,676	n/a	4,178,077	27,460
Revenues by Source	\$ 19,802,454	\$ 20,387,679	\$ 3,220,377	19%	\$ 3,517,858	21%	\$ 44,424,257	\$ 4,819,349

As can be seen in the table, revenues in the second quarter totaled \$20.4M which is 19% or \$3.2M higher than the second quarter of the previous year and 21% or \$3.5M higher than FY 2019-20. The \$20.4M equals 51% of total budgeted revenue. By comparison, at the same time in the previous year, the City had realized 56% of total budgeted revenue. This indicates that actual revenue collections are once again trending better than budgeted revenue. To be above 50% at the mid-point of the year bodes very well in light of the fact that certain major revenue sources are received two full months in arrears.



DISCUSSION OF SIGNIFICANT REVENUE VARIANCES:

➤ **Sales and Use Tax**

In the second quarter of the fiscal year \$7.4M of sales and use taxes were collected. This equates to a \$585k or 9% increase over the same quarter in the previous year. Sales and Use Tax projections are provided to the City by Hdl, which is a revenue enhancement consultant used widely by Cities throughout California.

The City's sales and use taxes continue to perform quite well particularly in the areas of auto sales, cannabis retail and online sales. Demand for and sales of new and used vehicles remained high despite rising prices related to supply shortages. This continues the trend that emerged in the previous fiscal year. Sales tax generated by building and construction remain strong and the restaurants and hotels sector has begun to recover. With more people travelling and prices up at the pumps, the fuel and service stations category is likewise on the rise. As the year progresses it is expected that sales and use tax will remain strong but begin to level out in the following year. Year-end projections are \$2.7M above budget.

➤ **Property Tax**

In the second quarter of the fiscal year \$2.7M of property taxes were collected. This equates to a \$241k or 10% increase over the same quarter in the previous year. Property tax projections are provided to the City by Hdl, which is a revenue enhancement consultant used widely by Cities throughout California.

The City of Seaside experienced a net taxable value increase of 5.3% for the 2021/22 tax roll, which was modestly more than the increase experienced countywide at 3.9%. Growth in home sales strengthened in the summer of 2020 and many cities in California saw an increase in properties for sale. Sales price increases in 2020 were reflected on the 2021/22 tax rolls. Sale prices grew due to low inventory and the declining mortgage rates. These conditions have continued to cause prices to rise in 2021. The median sale price of a detached single family residential home in Seaside from January through November was \$702,500. This represents a \$103,500 (17.28%) increase in median sale price from 2020.

While these results are certainly good for the City's finances, they also further exacerbate the home affordability challenge in Seaside and throughout the state. Year-end projections are on target for the budgeted amount.

➤ **Transient Occupancy Tax (TOT)**

In the second quarter of the fiscal year \$1.9M of TOTs were collected. This equates to an \$810k or 71% increase over the same quarter in the previous year. It is important to note that this increase is in comparison to a time of imposed capacity restrictions as well as a high level of caution (related to perceived level of trust) on the part of potential tourists. Recent results from hotels and entertainment venues demonstrate consumer desire to travel and spend more and likely is a reaction to the long months of COVID related restrictions. When compared to the pre-pandemic year of FY20 there is a decrease of \$263 thousand or 12%. While this sector is recovering faster than the City predicted at the time of budget preparation, it is still not quite recovered to pre-pandemic levels. Year-end projections are \$1.5M above budget.

➤ **Business License Tax**

In the second quarter of the fiscal year \$668k of Business License Taxes were collected. This represents an increase of \$66k or 11% over the previous fiscal year. When compared to the pre-pandemic year of FY2019-20, the result is a decrease of \$53k or 7%. This indicates that local businesses on the whole are on track to recover to pre-pandemic levels. Year-end projections are \$47k above budget.

➤ **Utility User Tax (UUT)**

In the second quarter of the fiscal year \$1.2M of Utility User Taxes were collected. This represents a decrease of \$127k or 9% over the previous year. As compared to FY 2019-20 the result is \$69k lower or 5%. Year-end projections are on target with budget.

➤ **Marijuana Receipts Tax**

The Marijuana Receipts Tax was a new tax revenue for the City beginning in FY 2019-20. The second quarter of FY 2019-20 showed a relatively modest \$140k in receipts as operations got under way. The following three quarters ballooned significantly so that the fiscal year total was \$1.2M. Second quarter receipts for FY2021-22 were \$648k and represents a small decrease of \$42k over the previous fiscal year second quarter. This indicates that this new revenue source has leveled off and is likely no longer in a growth phase. Year-end projections are on track with budget with a modest increase anticipated or \$13k.

➤ **Licenses & Permits**

In the second quarter of the fiscal year \$458k of Licenses & Permits were collected. This equates to a \$233k or 104% increase over the same quarter in the previous year. Much of this revenue increase is due to the Shea Homes housing development in progress at the Golf Course. As the development is completed these new homes will also drive new property tax for the City. Year-end projections are \$259k above budget.

➤ **Fees and Charges**

In the second quarter of the fiscal year \$379k of Fees and Charges were collected. This equates to a \$218k or 136% increase over the same quarter in the previous year. Much of this revenue recovery is due to the lifting of restrictions on gatherings. Programs that were unable to operate when pandemic restrictions were in place such as the community center, swim center and recreational day camps have begun generating revenue. When compared to FY20 it is clear that this revenue source has improved but has yet to fully recover. Year-end projections are \$75k under budget. While this revenue source has recovered significantly, the original budget forecast appears to have been overly optimistic.

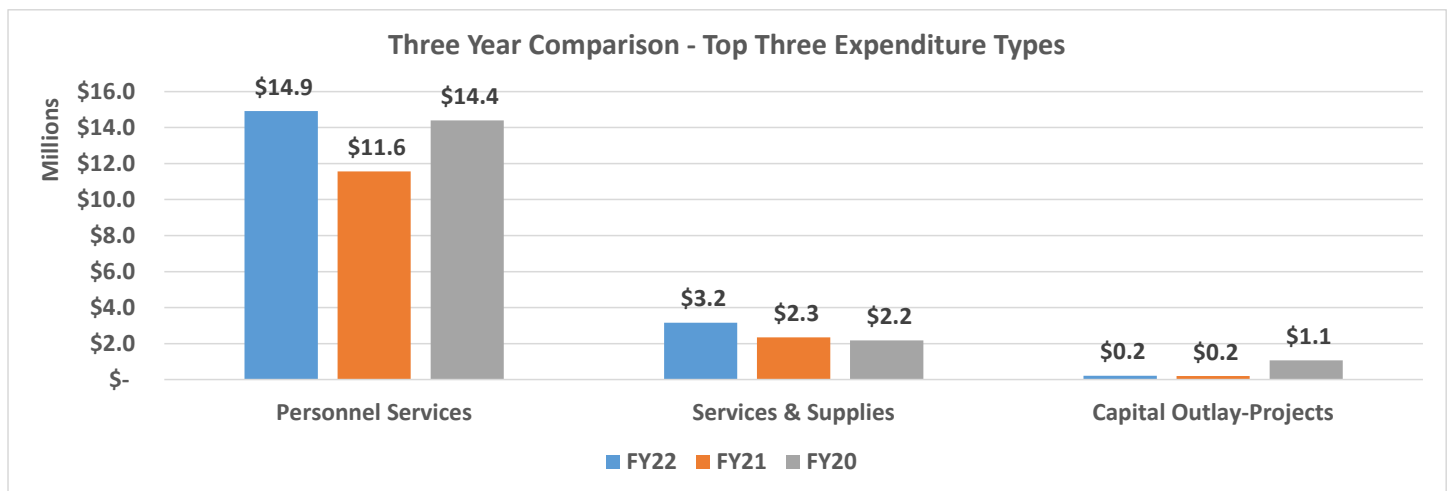
Q1 GENERAL FUND EXPENDITURES:

Total budgeted expenditures for FY 2021-22 including transfers are \$48.3M. This compares to a FY 2020-21 budget of \$33.8M; a budgeted expenditure increase of nearly \$14.5M. As mentioned previously personnel cost were increased by approximately \$5.1M on a year over year basis. Additionally, non-personnel costs were increased by \$9.4M.

EXPENDITURES BY TYPE:

General Fund Expenditures by Type:	Budget	Results:	Variances:				Projection	
	Q2 - 50%	Q2	Year over Year Vs. FY21		Year over Year Vs. FY20		Year-End	Variance vs. Budget
	FY22	FY22	\$	%	\$	%	FY22	\$
Personnel Services	\$ 14,760,562	\$ 14,912,432	\$ 3,354,259	29%	\$ 508,692	4%	\$ 29,243,577	\$ 277,547
Services & Supplies	4,323,506	3,160,377	821,633	35%	983,953	45%	8,276,881	370,131
Capital Outlay-Projects	697,462	212,888	8,967	4%	(851,627)	-80%	1,392,550	2,374
Debt Service	179,031	181,893	40,877	29%	(485,374)	-73%	360,925	(2,862)
Internal Service Charge	1,061,747	1,063,505	(143,926)	n/a	260,269	n/a	2,125,252	(1,759)
Transfer Out	3,778,218	3,778,218	3,643,218	n/a	3,778,218	n/a	7,556,435	-
Administrative Allocation	(665,769)	(665,736)	(665,736)	n/a	(665,736)	n/a	(1,331,505)	(33)
Expenditures by Type	\$ 24,134,757	\$ 22,643,578	\$ 7,059,293	45%	\$ 3,528,395	18%	\$ 47,624,116	\$ 645,398

As can be seen in the table, expenditures in the second quarter totaled \$22.6M which is 45% or \$7.1M higher than the second quarter of the previous year and 18% or \$3.5M higher than FY 2019-20. Second quarter expenditures were 47% of the total fiscal year 2021-22 budget. For comparison, second quarter expenditures in the prior year were similar at 46% of the fiscal year 2020-21 budget.



DISCUSSION OF SIGNIFICANT EXPENDITURE VARIANCES BY TYPE:

➤ **Personnel Services**

As expected, Personnel Services were up \$3.4M or 29% on a year over year basis considering the City’s efforts to rebuild its workforce. Also contributing to the increase are the return of pandemic era labor concessions and a cost of living adjustment. Personnel costs appear to be on target for the year, both as of mid-year and projected at year-end. Personnel Services is the largest expenditure type for the City at 61% of the total budget.

➤ **Services & Supplies**

Services and supplies were up 35% on a year over year basis yet under budget by 27%. Some high dollar items have yet to be purchased, including the Fire Department engine (\$300k) and the Police Department radios (\$400k). Additional expenditures expected in the second half of the year include the Sustainability & Climate Action Plan (\$120k), the Plastics Ordinance Support for Small Businesses (\$30k) and Police Department Body Cameras (\$60k). Additionally, project work tends to pick up in the spring months. Service and Supplies costs are projected to come closer in line with budget at year-end with a 4% positive variance expected.

EXPENDITURES BY DEPARTMENT:

General Fund Expenditures by Department:	Budget	Results:	Variances:				Projection	
	Q2 - 50%	Q2	Year over Year Vs. FY21		Year over Year Vs. FY20		Year-End	Variance vs. Budget
	FY22	FY22	\$	%	\$	%	FY22	\$
Legislative Body	\$ 75,719	\$ 85,550	\$ (57,199)	-40%	\$ (209,227)	-71%	\$ 163,958	\$ (12,521)
Administration	115,349	188,946	(23,711)	-11%	(52,049)	-22%	304,295	(73,596)
City Clerk	87,566	81,618	(89,820)	-52%	(106,349)	-57%	160,733	14,398
City Attorney	238,629	144,071	(71,686)	-33%	(233,914)	-62%	432,700	44,558
Human Resources	125,148	87,285	(212,431)	-71%	(277,272)	-76%	144,764	105,532
Finance Department	(11,202)	(17,055)	(516,513)	-103%	(695,091)	-103%	(23,859)	1,456
Police Department	7,942,849	7,653,961	1,829,092	31%	962,524	14%	15,765,092	120,606
Fire Department	4,985,777	5,290,940	1,452,398	38%	80,921	2%	9,991,815	(20,261)
Building and Code Enforcement	619,746	538,702	236,837	78%	274,892	104%	1,158,200	81,293
Community, Housing & Economic Development	2,044,237	1,248,807	622,248	99%	323,642	35%	4,009,387	79,088
Public Works/Engineering	1,808,387	1,514,498	(861,301)	-36%	(857,829)	-36%	3,396,324	220,450
Public Works/Engineering (Transfers)	3,778,218	3,778,218	3,607,114	2108%	3,778,218	n/a	7,556,435	-
Recreation	2,324,334	2,048,038	1,144,265	127%	539,930	36%	4,564,272	84,396
Expenditures by Department	\$ 24,134,757	\$ 22,643,578	\$ 7,059,292	31%	\$ 3,528,395	18%	\$ 47,624,116	\$ 645,398

As can be seen in the table above, nearly all departments were under budget in the second quarter of the year.

DISCUSSION OF SIGNIFICANT EXPENDITURE VARIANCES BY DEPARTMENT:

➤ **Legislative Body**

The Legislative Body is approximately \$10k above the amount that would be expected as of the second quarter of the year. This is largely due to an inaccurate forecast of benefits costs at time of budget preparation. The department is projected to end the year \$13k over budget.

➤ **Administration**

The administration department is approximately \$74k above the amount that would be expected as of the second quarter of the year. This is largely due to the unforeseen departure of the City Manager and the resulting payout of accrued leave. Additionally, cost are high as the HR Director fills the position of Acting City Manager. This budget overage is offset by personnel cost savings of \$48k in the Human Resources/Risk Management department. The department is projected to end the year \$74k over budget.

➤ **Fire Department**

The Fire Department is approximately \$305k above the amount that would be expected as of the second quarter of the year when compared to the adopted budget. The budget overage is largely due to overtime costs as the

CITY OF SEASIDE

department has struggled to realize full staffing levels. The department is expected to come closer in line with budget by year-end due to a few successful recruitments for firefighters. This should help reduce overtime costs as the year progresses. Additionally, a request will be made at mid-year to increase the department’s overtime budget by \$200k. At year-end the Fire department is expected to be over budget slightly by \$20k.

BUDGET AMENDMENTS:

Below is a summary of budget amendments appropriated by the City Council in the first half of the year:

While some of the amendments were needed due to unforeseen costs or costs that were inadvertently omitted from the FY 2021-22 budget, others were needed due to increased construction costs (Highland Otis Park and Ellis Park). Further, some increases were a result of Council’s decision to use unassigned fund balance to meet strategic long term goals (Broadway parking lot). As will be seen later in the report, use of fund balance will have an effect on the City’s five year forecast.

**City of Seaside
FY 22 Running Budget totals - budget amendments
As of 02/03/2022**

Operating Budget		Approval Date
MCWD Application	(40,000.00)	8/19/2021
Forklift	(35,027.00)	9/2/2021
Disaster Kleenup	(50,000.00)	10/7/2021
Parking Enforcement Vehicle	(80,525.67)	11/4/2021
Increase CSS grant	(105,459.00)	12/2/2021
City Attorney - personnel budget	(16,721.75)	12/2/2021
Cannabis audit and consulting	(75,000.00)	12/2/2021
Grant Writing Support	(60,000.00)	2/3/2022
Running total : <u>\$ (462,733.42)</u>		

Capital Budget/ Unassigned Fund Balance		Approval Date
Highland Otis Park	(62,669.00)	8/19/2021
Ellis Park	(390,818.00)	10/7/2021
Parking Lot	(1,240,000.00)	10/7/2021
Laguna Grande Improvements	(55,100.00)	11/18/2021
Fire Station #1 improvements	(329,761.30)	12/16/2021
Running total : <u>(2,078,348.30)</u>		

LONG TERM FORECAST

On the following page may be found the City’s five year long-term forecast (LTF). The forecast provides 5 years of historical data as context, the amended budget for FY 2021-22 and five years of forward looking projections. The LTF was developed at a high level (low level of detail). The City’s major sources of revenue were grouped into categories and projected. Likewise, the City’s major expenditures were grouped into categories and projected. The majority of the assumptions used in the report were based on a five-year historical trend or provided by outside consultants. Some projections however are based on known payment or increase percentages. Pension costs for example are expected to increase 14% each year for the next four years. This is due to the decreased discount rate adopted by CalPERS. Likewise, the City’s capital costs were input according to the five-year CIP.

The following updates were made to the LTF for the Q1 report:

- FY2020-21 projections were updated with final audited results
- FY2021-22 budget amendments were added

The LTF indicates that the City is in a good financial position for the next five years and will be able to accomplish much of the capital needs detailed in the City’s five year Capital Improvement Plan. Due to the exceptionally strong results for FY2020-21, the long term forecast has improved since it was first presented to the City Council in the spring of 2021. This is true even with the \$1.2M appropriation in FY2021-22 for the downtown parking lot and increases to two parks capital projects.

The following capital items that are included in the City’s five year Capital Improvement Plan were not included in the long term forecast:

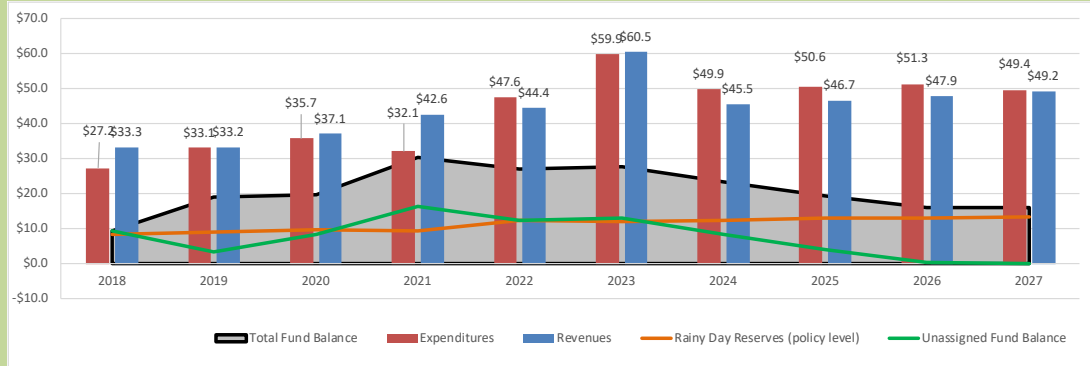
Project	Possible Funding Source	CIP
Fire Station #2	CFD/Debt	\$9,000,000*
Stormwater Capital	Grants	12,070,000
Connection fee to MCWD	Debt/Grants	8,000,000
Alternative Water Source	Grants	32,000,000
Total		<u>\$61,070,000</u>

* Although this project is listed in the CIP @ \$9M, recent estimates are running double this amount.

The City will need to seek funding sources other than the general fund for these projects.



Long Term Forecast



	Actual	Actual	Actual	Actual	Projected	Projected	Projected	Projected	Projected	Projected
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
REVENUES										
Sales and Use Tax	7,249,770	8,354,999	7,544,612	9,700,113	10,018,464	10,589,516	10,875,433	11,092,942	11,314,801	11,541,097
Transaction Tax	5,425,678	6,479,786	6,206,631	8,094,864	8,679,072	9,173,779	9,421,471	9,609,901	9,802,099	9,998,141
Property Tax	7,390,572	7,110,419	8,485,271	9,399,662	9,690,925	10,296,608	10,787,756	11,291,545	11,813,214	12,350,715
Transient Occupancy Tax	2,922,110	3,424,302	3,038,525	2,662,172	4,052,259	4,660,098	4,753,300	4,848,366	4,945,333	5,044,240
Utility User Tax	2,512,175	2,415,132	2,405,125	2,803,550	2,601,383	2,705,439	2,813,656	2,869,929	2,927,328	2,985,874
Franchise Fees	1,428,149	1,725,050	1,288,511	1,764,355	1,443,374	1,468,633	1,498,006	1,527,966	1,558,525	1,589,696
Miscellaneous-Other Revenue	729,249	557,626	769,267	1,152,980	2,715,806	8,394,463	1,028,217	1,034,491	1,040,890	1,047,417
Business License & Permits	733,301	820,067	843,833	630,058	759,374	804,937	829,085	845,666	862,580	879,831
Fees & Charges	840,846	746,003	592,904	414,590	693,000	734,580	756,617	771,750	787,184	802,928
Marijuana Receipts Tax	171,800	514,565	1,209,596	1,416,668	1,296,458	1,374,245	1,415,472	1,443,782	1,472,657	1,502,111
Grant Revenue	541,540	86,419	193,524	2,442,171	1,369,778	153,686	153,686	153,686	153,686	153,686
Reimbursements	425,467	257,957	608,049	245,389	205,383	217,706	224,237	228,722	233,296	237,962
Fines & Forfeitures	57,340	85,306	72,272	89,791	86,631	91,829	94,187	96,071	97,992	99,952
Income from Investments	2,394,748	149,437	3,244,712	1,071,180	133,244	9,128,170	128,812	129,253	129,704	130,163
Central Service Charge	17,994	16,096	16,970	16,611	15,155	16,065	16,547	16,878	17,215	17,559
Licenses & Permits	487,116	484,697	545,334	683,166	663,950	703,787	724,901	739,399	754,187	769,270
Total Revenues	33,327,853	33,227,860	37,065,136	42,587,321	44,424,257	60,513,540	45,521,383	46,700,345	47,910,691	49,150,643
EXPENDITURES BY TYPE										
Personnel Services										
Salaries	12,037,951	13,732,613	14,623,636	12,591,115	15,853,781	17,043,449	17,574,421	18,003,206	18,542,262	18,977,781
Overtime	1,746,123	1,405,858	1,325,957	1,068,154	1,847,258	2,050,410	2,111,922	2,175,270	2,240,528	2,307,733
Health Insurance	1,550,323	1,779,257	1,976,415	1,961,685	2,417,527	2,744,242	3,115,916	3,538,840	3,716,850	3,936,120
Dental/Vision Insurance	141,676	138,065	136,821	130,140	146,685	155,486	164,414	173,729	177,239	184,042
Other Benefits	1,155,567	1,229,210	1,604,042	1,835,900	2,266,229	2,490,167	2,565,151	2,643,160	2,725,339	2,802,447
Retirement	3,925,787	4,486,506	5,098,131	5,113,279	6,053,563	6,375,017	6,171,527	6,489,560	5,832,185	5,839,529
Retiree Health Insurance	395,115	359,431	376,718	533,489	675,974	716,532	759,524	805,096	845,351	879,165
Total Personnel Services	20,952,541	23,130,940	25,141,720	23,233,762	29,261,017	31,575,303	32,462,876	33,828,859	34,079,753	34,926,817
Services & Supplies	4,859,055	4,506,135	4,532,224	5,591,424	8,409,685	5,677,094	5,846,808	5,963,344	6,082,211	6,203,455
Internal Service Charge	1,942,776	2,387,516	2,024,982	2,414,863	2,125,252	2,252,767	2,320,350	2,366,757	2,414,093	2,462,374
Transfer Out	223,333	2,807,803	3,182,506	1,657,365	7,177,124	19,775,463	8,617,847	7,836,222	8,053,908	5,251,970
Debt Service	246,390	318,773	977,331	283,846	740,236	823,993	881,289	895,735	924,316	883,673
Capital Outlay	475,197	998,214	1,176,915	282,296	1,242,306	1,231,064	1,267,996	1,293,355	1,319,223	1,345,607
Total Expenditures	27,240,317	33,145,229	35,731,352	32,119,510	47,624,116	59,857,714	49,874,856	50,616,294	51,258,485	49,410,428
Net Change in Fund Balance	6,087,536	82,631	1,333,784	10,467,811	(3,199,859)	655,826	(4,353,472)	(3,915,949)	(3,347,794)	(259,785)
End of Year Fund Balance	18,889,035	18,974,801	19,815,169	30,282,980	27,083,121	27,738,947	23,385,474	19,469,526	16,121,732	15,861,947
Less Rainy Day Reserves	6,120,075	12,340,000	9,045,764	11,459,000	12,160,857	12,098,747	12,453,397	12,916,409	13,050,112	13,342,896
Less Restricted Balances	3,490,235	3,221,633	2,425,725	2,655,428	2,655,428	2,655,428	2,655,428	2,655,428	2,655,428	2,655,428
Unassigned Fund Balance	9,278,725	3,413,168	8,343,680	16,168,552	12,266,836	12,984,771	8,276,650	3,897,689	416,192	(136,377)

GENERAL FUND NET RESULTS & BUDGET OUTLOOK:

Overall, the second quarter showed expenditures of \$22.6M (47% of the annual budget) in comparison with revenues of \$20.4M resulting in a decrease to fund balance of \$2.2M. This is not a cause for concern in light of the fact that certain revenues are not received at all in the second quarter (Franchise Fees and Motor Vehicle in-Lieu Fees) and others run two months in arrears (Sales, Use & Transaction Taxes). Furthermore, revenue is now projected to end the year significantly higher than originally budgeted with a positive variance of \$4.8M.

Following are some observations from the first half of the year:

- Fiscal year 2020-21 **realized a greater surplus** than projected at time of budget preparation (\$10.5M)
- Sales and Use taxes **continue to outpace budget and prior year results**
- TOTs **are recovering** from pandemic era lows
- Property taxes continue to be **strong**
- Marijuana Receipts tax, while flattening, continue to be **robust**
- Personnel costs **are up** as expected with the City rebuilding its workforce
- The City is **strategically spending** accumulated **fund balance** for capital improvements

General Fund Projected Results:	Operating	Capital	Total Budget
	FY22	FY22	FY22
Revenues	\$ 44,424,257	\$ -	\$ 44,424,257
Appropriation of Fund Balance	-	7,292,965	7,292,965
Expenditures	(40,331,150)	(7,292,965)	(47,624,116)
Surplus (Deficit)	<u>\$ 4,093,106</u>	<u>\$ (0)</u>	<u>\$ 4,093,106</u>

General Fund Changes in Unassigned Fund Balance:	Projected Budget
	FY22
Beginning Unassigned Fund Balance	\$ 16,168,552
Operating Surplus (Deficit)	4,093,106
Capital Budget (Fund Balance)	(7,292,965)
Increase Rainy Day Reserves	(701,857)
Ending Unassigned Fund Balance	<u>\$ 12,266,836</u>

As can be seen, the results of the second quarter indicate that to date the economic impacts of the coronavirus pandemic have not been as bad as imagined in 2020 and while the City's general fund is projected to decrease in FY2021-22 the decrease is due to a strategic spending of fund balance and does not indicate an operating deficit. On the contrary, from an operating perspective, the City is expecting a \$4M surplus.

Headwinds:

- The nation is currently experiencing high inflation rates. Many economists, however, believe inflation will recede once temporary supply chain bottlenecks unwind. Still, interest rates are likely to rise.
- PERS unfunded liabilities continue to grow.
- International conflict and imposed sanctions have the potential to worsen the current microchip shortage in the automotive industry.

CITY OF SEASIDE

Budget Amendment Requests:

Description	Funding Source	Fiscal Impact	Amount
Building - Administrative Assistant	General Fund operating revenues	Projected operating surplus	\$ 22,693
CHED - Fiscal impact consultant for CFD formation	General Fund operating revenues	Projected operating surplus	19,950
CHED - Housing Element - increase consulting budget	General Fund operating revenues	Sufficient funds are available	80,000
Finance Dept - Financial Analyst (grants management)	General Fund operating revenues	Projected operating surplus	27,527
Fire Dept - CSA 74 purchases	General Fund operating revenues	Projected operating surplus	15,000
Fire Dept - drone repair	General Fund operating revenues	Projected operating surplus	6,000
Fire Dept - equipment for new type 3 engine	General Fund operating revenues	Projected operating surplus	60,000
Fire Dept - increase account for medical physicals	General Fund operating revenues	Projected operating surplus	18,000
Fire Dept - increase overtime budget	General Fund operating revenues	Projected operating surplus	200,000
HR Dept - increase consulting budget	General Fund operating revenues	Projected operating surplus	50,000
HR Dept - increase police and fire exams	General Fund operating revenues	Projected operating surplus	5,000
HR Dept - part time admin assistant	General Fund operating revenues	Projected operating surplus	12,000
HR Dept - Risk management technician	General Fund operating revenues	Projected operating surplus	32,000
Police Dept - administrative overtime	General Fund operating revenues	Projected operating surplus	25,000
Police Dept - increase consultant costs for internal affairs investigations (coding)	General Fund operating revenues	Projected operating surplus	7,000
Police Dept - increase lateral hiring bonus due to budgeting error	General Fund operating revenues	Projected operating surplus	25,000
Police Dept - part-time Records Technician	General Fund operating revenues	Projected operating surplus	9,000
Police Dept - part-time Records Technician - training	General Fund operating revenues	Projected operating surplus	1,000
PW Engineering - increase consulting budget for plan review	General Fund operating revenues	Projected operating surplus	60,000
PW Engineering - Modular Trailier	General Fund operating revenues	Projected operating surplus	382,800
PW Engineering - Upgrade playground equipment at Laguna Grande Park	General Fund operating revenues	Projected operating surplus	50,000
PW Maintenance - Admin Assistant	General Fund operating revenues	Projected operating surplus	22,919
PW Engineering - Administrative Analyst II	General Fund operating revenues	Projected operating surplus	26,678
PW Engineering - Administrative Analyst II (supplies/equipment)	General Fund operating revenues	Projected operating surplus	3,000
PW Engineering - Broadway lights	General Fund operating revenues	Projected operating surplus	15,000
PW Engineering - stormwater permit compliance program	General Fund operating revenues	Projected operating surplus	25,000
PW Engineering - vehicle maintenance shop roof	General Fund operating revenues	Projected operating surplus	90,000
PW Maintenance - Building Maintenance Specialist	General Fund operating revenues	Projected operating surplus	36,518
PW Maintenance - Maintenance Supervisor	General Fund operating revenues	Projected operating surplus	23,602
PW Maintenance - Maintenance Worker II	General Fund operating revenues	Projected operating surplus	30,767
PW Maintenance - Maintenance Worker II	General Fund operating revenues	Projected operating surplus	30,767
PW Maintenance - Maintenance Worker II	General Fund operating revenues	Projected operating surplus	30,767
PW Maintenance - new christmas decorations	General Fund operating revenues	Projected operating surplus	45,000
PW Maintenance - street sweeping	General Fund operating revenues	Projected operating surplus	50,000
PW Maintenance- facility repairs	General Fund operating revenues	Projected operating surplus	40,000
Recreation - after school and summer program equipment	General Fund operating revenues	Projected operating surplus	9,000
Recreation - water filling stations at parks	General Fund operating revenues	Projected operating surplus	15,000
Recreation - Custodian	General Fund operating revenues	Projected operating surplus	19,009
Recreation - Administrative Assistant	existing budget	existing budget	-
Recreation - Youth Center Supervisor	existing budget	existing budget	-
CHED - Housing Dept - training	General Fund operating revenues	Sufficient funds are available	6,000
CHED - Housing Dept - equipment	General Fund operating revenues	Sufficient funds are available	3,000
PW - Engineering - traffic calming program	Measure X	Sufficient funds are available	50,000
Total			\$1,679,997

City Manager's Budget Request Message:

Recruitment and Retention

The strong economy and housing shortage have created an unprecedented crisis with respect to hiring and retaining staff. The City has 39 vacant positions across the City (24% of full-time staff). For many years, the City has had difficulty hiring police officers and the hiring difficulties have extended into all City departments including engineering, human resources and planning. As a result, staff is proposing to increase consulting and overtime budgets as well as adding administrative and analytical level support positions to take the load off professional staff to keep projects moving forward.

Space Needs

Although we have had a difficult time with recruitment and retention, we have we have been successful in adding additional staff in code enforcement, we've filled our vacancies in Finance, added a communication outreach coordinator in the City Manager's Office, and we will be adding staff to the building division in the near future. The mid-year budget proposes one additional modular office building to provide space for the already approved staff as well as the staff proposed in the mid-year budget. The office space is being requested now because it is anticipated that it will take as long as seven months to obtain the trailer.

Staffing Needs

Staff is recommending the addition of a number of positions to enable the City to move forward both efficiently and effectively.

- Financial Analyst (Grant Manager)
We currently have millions of dollars of grants and we are actively applying for grants to obtain grants in many areas including water, infrastructure, parks, and public safety. A grant manager will be critical to ensure we are appropriately tracking, reporting, and managing those grants.
- Maintenance & Utilities Staff
We are recommending the addition of five new positions in the Maintenance & Utilities Division. These positions will enable staff to be more pro-active and to implement preventative maintenance programs that have suffered with current staffing levels.
- Risk Management Technician
This position will perform critical tasks in the areas of employee safety, workers' compensation, and liability claims management. Currently these tasks are performed by the Human Resources Director / Risk Manager, which is ineffective and inefficient.
- Youth Center Supervisor
The Youth Center Supervisor has been vacant since the 2019/2020 when the Recreation Department was restructured. This position is needed to manage the expansive level of programs being offered by the City.
- Custodian
The Custodian position has been vacant since 2017. We have been relying on part-time positions to fill the void. However, a full-time position is needed to help with the cleaning and sanitization of all of the buildings throughout the City.
- Administrative Analyst & Administrative Assistant
An Administrative Analyst is being proposed in the Engineering Department to perform technical work which is currently being performed by engineers, but is more appropriately performed by an analyst.

The Administrative Assistant positions will result in part-time positions being converted to full-time. There is also a need for an Administrative Assistant in the Recreation Department.

OTHER FUNDS

In addition to the General Fund, the budget includes funds from a range of restricted sources as well as business-type activities that are used to provide specific services, including:

WATER FUND:

The Water Enterprise Fund appears to be functioning as designed. Recent rate increases have increased revenues putting the enterprise in a much better position. Revenue from the City’s water fund ratepayers increased on a year over year

Water Enterprise Q2 Results	Budget	Results:		Variances:	
	Q2	Q2		Year over Year	
	FY22	FY22	FY21	\$	%
Revenues	\$ 638,528	\$579,705	\$527,822	\$ 51,883	10%
Expenditures	(476,681.50)	(265,699)	(185,792)	79,907	43%
Net Revenues	\$ 161,846	314,006	\$342,030	\$ (28,024)	-8%

basis from \$528k to \$580k. Per the City’s approved rate structure, rates will increase 15% on January 1, 2022. Staff are exploring debt financing for the Enterprise’s capital needs in the years to come. Second quarter results indicate the fund is on track to collect revenues in line with budget and expenditures are within budget as well.

STORM WATER FUND:

The Storm Water fund expenditures in the second quarter were \$161k consisting mostly of personnel costs (\$73k). The total personnel cost budget for the year is \$359k indicating second quarter results are within budget. The adopted budget envisioned four capital projects in the fiscal year but due to staff turnover only one is likely to commence. This will cause a substantial positive variance at year end of approximately \$650k. Currently the primary source of funding for the Storm Water fund is the City’s General Fund. City staff continues to seek grant funding when available as a supplemental funding source. As indicated in the Long Term Forecast, grant funding for Storm Water capital improvements will be crucial in the years to come.

STREETS (SPECIAL REVENUE):

Capital projects aimed at improving the City’s streets were budgeted for fiscal year 2021-22 at \$7.7M. Streets improvement projects draw on multiple funding sources, including: Measure X tax collections, Measure X bond proceeds, Highway User taxes, Transportation Agency of Monterey County grant funds, as well as the City’s general fund. The fiscal year work plan for street improvement was not under way at mid-year and is scheduled to begin noticeably in the spring.

Requests for additional financial information may be directed to:

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