

IBA Review of the FY 2024 Mid-Year Budget Monitoring Report

City Council Meeting: February 26, 2024
Item 203



Office of the Independent Budget Analyst



Report 24-04 Overview

- General Fund
 - Revenues
 - Expenditures
 - Excess Equity
- Homelessness Expenditures
- Proposed Appropriation Adjustments
- Status of Items Council Added in FY 2024 Budget

General Fund Revenues

Mid-Year Report projections generally reasonable

Mid-Year Report Major General Fund Revenues Comparison <i>(\$ in millions)</i>					
	Adopted Budget	First-Quarter Projection	Mid-Year Projection	Variance from Budget	Variance from First-Quarter
Property Tax	\$ 758.6	\$ 771.9	\$ 768.2	\$ 9.6	\$ (3.7)
Sales Tax	401.7	385.2	374.0	(27.6)	(11.1)
Transient Occupancy Tax (5.5% GF Allocation)	172.6	171.2	166.2	(6.5)	(5.0)
Franchise Fees	108.5	108.7	107.2	(1.3)	(1.5)
Other Major Revenues	97.1	97.1	101.2	4.1	4.1
Total	\$ 1,538.5	\$ 1,534.1	\$ 1,516.8	\$ (21.6)	\$ (17.3)

General Fund Revenues

Sales Tax and Transient Occupancy Tax (TOT) revenues could fall below mid-year projections

Further declines possible with no clear indication of growth from FY 2023 levels, but uncertainty in economic trends & consumer behavior:

- Sales tax – possibly \$5.7M below Mid-Year
 - Based on updated sales tax data, lowered projected growth rates
- TOT – possibly \$4.2M below Mid-Year
 - Possible “no growth” scenario for the remainder of the year
 - Consistent with forecasting software using past and present data

General Fund Expenditures

Salaries and Wages variances primarily due to overtime

FY 2024 Salaries and Wages Expenditures - General Fund (<i>\$ in millions</i>)				
	Adopted Budget	Mid-Year Projection	Variance: Adopted to Mid-Year	Variance %: Adopted to Mid-Year
Salaries	\$ 668.3	\$ 670.5	\$ (2.2)	(0.3%)
Overtime	102.6	121.7	(19.1)	(18.6%)
Special Pay	54.8	59.0	(4.1)	(7.5%)
Hourly	12.7	16.1	(3.4)	(27.1%)
Vacation Pay in Lieu	7.7	8.0	(0.3)	(4.4%)
Termination Pay	4.1	3.3	0.7	18.3%
Total Salaries and Wages	\$ 850.1	\$ 878.6	\$ (28.5)	(3.4%)

General Fund Expenditures *(cont'd)*

Police Overtime – \$7.8M over-budget

- Largely due to sworn staffing shortages
- Overage is in-line with First Quarter

Fire-Rescue Overtime – \$3.2M over-budget

- Largely due to Fire suppression staffing shortfalls & backfill

Transportation Overtime – \$3.0M over-budget

- Due to increased calls for service and unbudgeted special projects assigned to department

Parks & Rec Hourly Wages – \$3.2M over-budget

- Use of unbudgeted hourly employees to staff recreation centers due to difficulty filling budgeted part-time benefited positions

Homelessness

Updates on programs and spending

- Year-end expenditures projected to be \$0.9M higher than Adopted Budget
- Only half of \$29.9M HHAP 5.0 funds will be available for FY 2025
 - Remaining half will be available by 2026
 - Exacerbates funding cliff: \$21.4M ⇔ \$29.3M
- Uncertain fiscal impacts from recent storms
- SDHC anticipates \$2.0M of its budget to be spent on emergency housing vouchers and shelters in FY 2024

Storm Recovery Efforts

Mayor is requesting \$10.0M for January 22 storm recovery efforts

- As of February 16, \$6.1M in storm recovery expenditures to date
 - \$4.0M on PE and \$2.1M on NPE
 - Some additional PE and other expenditures are still anticipated
- Council authorized waiver of City fees charged by DSD and ESD
 - Estimated impact of \$1.3M in FY 2024
- Additional expenditures could come in subsequent years
 - Expected large expense for wetland mitigation

General Fund Excess Equity Considerations

FY 2024 estimates: \$41.5M budgetary deficit and \$10.0M for storm recovery

- If estimates are realized, Excess Equity can be used for mitigation.
 - Use in FY 2024 will decrease resources for FY 2025.
 - Use of \$51.5M would leave \$4.9M Excess Equity for FY 2025 projected deficit.
 - Projections could change upon release of Third Quarter Report in May.

Mayor's Requested Actions

- No proposed appropriation increase requested for \$13.2M over-budget expenditures
- The Mayor is requesting Council approval of the following appropriation increases:
 - \$10.0M GF appropriation increase for storm recovery efforts
 - These costs are not included in the mid-year projections.
 - Several non-GF appropriation increases
- We recommend Council approval of these appropriation adjustment requests.
 - This and any future appropriation needs will result in fewer resources available to balance the upcoming FY 2025 budget.