



Council Agenda Report

Item 3b

Department: Finance
Cost Center: 2002
For Agenda of: 2/11/2023
Placement: Business

FROM: Derek Johnson, City Manager
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SUBJECT: FISCAL YEAR 2022-23 MID-YEAR BUDGET REVIEW – CONTINUED
FROM THE FEBRUARY 7, 2023 CITY COUNCIL MEETING

RECOMMENDATION

Provide direction on whether the one-time budget allocations from the 2021-23 Financial Plan listed in Attachment A – Appendix B should be considered as ongoing expense and included in the base budget for 2023-25.

POLICY CONTEXT

The City's budget policies require that the City Council review the City's budget and financial condition at least every six months. The mid-year review is part of the ongoing quarterly reporting process and fulfills that purpose. The review allows the Council to adjust revenue and expenditure assumptions should the need arise. The accompanying Mid-Year Budget report for 2022-23 provides a comprehensive overview of the City's financial condition half-way through the fiscal year and summarizes current financial trends since the adoption of the 2021-23 Financial Plan Supplement in June 2022.

DISCUSSION

2022-2023 One Time Expenses

As part of the development of the 2021-2023 Financial Plan, the City allocated one-time budget to fund critical services in support of Major City Goal objectives. The total amount of expenditures and the details are included as Attachment A – Appendix B. Staff has reviewed the list and reduced it to what staff believes are essential and critical items that support operations and Major City Goal objectives. Staff recommends that the Council provide direction on whether to add some or all of the costs to the ongoing budget. Approximately \$1.8 million has been assumed in the forecast for ongoing expenses related to these or other ongoing needs. Determining whether to include these specific one-time costs in the budget or whether to leave a budget "placeholder" to fund potential other needs will be useful in terms of how to weigh other competing expenditures. If Council elects to put the identified list of costs into the ongoing budget, staff will return with a budget resolution on consent at a future meeting to memorialize Council's action.

Public Engagement

Public comment on the item can be provided to the City Council through written correspondence prior to the meeting and through public testimony at the meeting. The Mid-Year Report will also be posted on the City's website for public review.

CONCURRENCE

The City's internal Financial Plan Steering Committee has met on multiple occasions and concurs with the recommendations included in this report.

ENVIRONMENTAL REVIEW

The California Environmental Quality Act (CEQA) does not apply to the recommended action in this report, because the action does not constitute a "Project" under CEQA Guidelines Sec. 15378.

FISCAL IMPACT

Budgeted: Yes

Budget Year: 2022-23

Funding Identified: Yes

ALTERNATIVES

The Council could direct staff to not implement the proposed budget change recommendations. Should the adjustments not be approved, the budget will remain unchanged at the adopted budget levels. Staff does not recommend an unchanged budget due changing needs of the community and the City organization.

ATTACHMENTS

A - FY 2022-23 Mid-Year Budget Report