



*City of Arts & Innovation*

# City Council Memorandum

**TO: HONORABLE MAYOR AND CITY COUNCIL      DATE: DECEMBER 19, 2023**  
**FROM: FINANCE DEPARTMENT      WARDS: ALL**  
**SUBJECT: FISCAL YEAR 2022/23 FOURTH QUARTER REPORT AND CARRYOVER OF UNEXPENDED FUNDS**

**ISSUE:**

Receive and provide input on the Fiscal Year 2022/23 Fourth Quarter Financial Report; approve citywide carryovers; and provide direction on the use of surplus General Fund reserves.

**RECOMMENDATIONS:**

That the City Council:

1. Receive and provide input on the Fiscal Year 2022/23 Fourth Quarter Financial Report;
2. With at least five affirmative votes, approve a carryover of unexpended funds of approximately \$5.7 million in the General Fund and \$40.0 million in other City funds into Fiscal Year 2023/24; and
3. With at least five affirmative votes, approve staff's recommendation for the use of the projected \$24.8 million in surplus reserves in the General Fund.
4. With at least five affirmative votes, approve staff's recommendation for reallocation of \$15.0 million in General Fund reserves to the Section 115 Trust.

**BACKGROUND:**

On June 21, 2022, the City Council adopted Resolution No. 23866 approving the Fiscal Year (FY) 2022-2024 Biennial Budget.

On April 18, 2023, the City Council received the Second Quarter Financial Update and approved citywide supplemental appropriations of \$46.5M for all City funds, including \$16.4 million in the General Fund, which leveraged a portion of the projected fiscal year end surplus, and \$7 million in the allocation of General Fund Infrastructure Reserves to support capital needs of the Refuse and Public Parking funds.

On August 1, 2023, the City Council received the Third Quarter Financial Update and approved the allocation of \$10 million in projected General Fund savings to the General Fund Infrastructure Reserve (\$7 million) and the establishment of a Technology Reserve (\$3 million).

## **DISCUSSION:**

Following the close of each fiscal year, the City's independent auditor performs an audit of the City's financial statements. The FY 2022/23 Fourth Quarter Financial Report precedes the audit report and therefore presents **unaudited financial projections; however, we do not anticipate any material changes to the financial data.** The audit report is expected to be completed by December, followed by presentations to the Financial Performance and Budget Committee and City Council.

Refer to Attachment 1 for a comprehensive Financial Report of the City's major funds.

### **Economic Developments and Unaudited FY 2022/2023 General Fund Results**

As of June 2023, the uncertainty surrounding California's economic trajectory, whether it will experience a soft landing or a mild recession, remained unknown. Over the past year, the Federal Reserve's primary objective has been to maintain stable prices for the American people. Moreover, robust employment figures have given the Federal Reserve the latitude to raise interest rates as a countermeasure to inflation, with relatively minimal adverse effects on the overall economy. Nevertheless, inflation has persisted above the Federal Reserve's target of 2%. In July 2023, the Federal Reserve raised interest rates by another 25 basis points, bringing the target range to 5.25% to 5.50%, the highest it has been in 22 years. Following this rate hike, Federal Reserve Chairman Jerome Powell noted, "the economy faces challenges due to tighter credit conditions for households and businesses, which are likely to exert pressure on economic activity, employment, and inflation." While inflation has boosted sales tax revenue over this year, the Federal Reserve's tightening policy, designed to curtail demand through higher interest rates, will increase borrowing costs for individuals. This, in turn, may dampen consumer spending on housing, home improvements, vehicles, travel, and other major purchases, directly affecting the City's property and sales tax revenue, which comprises more than half of the General Fund's annual revenue.

The fiscal year-end 2022/23 analysis of the General Fund's unaudited results demonstrates a positive outcome which will aid the City in addressing the challenge of an economic slowdown expected to impact City revenues in the current or upcoming budget fiscal year. As of the date of this report, the City has observed a decline in sales tax revenue, with receipts to date 3.8% below FY 2022/23 revenues. Additionally, the City will need to address the loss of \$8.5 million from the Water General Fund Transfer, which Council directed staff to set aside pending the outcome of current litigation.

### **General Fund**

The adopted FY 2022/23 budget for the General Fund totaled \$305.67 million with a projected \$4.96 million surplus. With the second quarter financial report, staff increased General Fund revenue projections by 4.6% based upon revenue trends and a two-year shift in sales tax revenues produced by the pandemic and change in consumer spending. This provided the City with the opportunity to address critical needs such as street projects and rising costs, as well as subsidizing the Refuse and Public Parking funds' capital needs with a total \$7.00 million cash infusion from the General Fund infrastructure reserve.

The General Fund’s unaudited actuals present a net gain of \$21.65 million net of encumbrances and recommended carryovers. This result is primarily due to continued exceptional sales tax revenue performance and personnel savings resulting from retention and recruitment challenges. Refer to Attachment 1 for an in-depth analysis of these items.

**Revenues:** General Fund revenues were 3.1% (\$10.86 million) higher than the total revenue estimate in the adjusted budget, excluding unbudgeted amounts of \$1.42 million in Fire Mutual Aid, \$2.0 million in insurance reimbursement, and \$3.88 million in March JPA land sale revenues. Sales tax revenue for the fiscal year was 3.2% higher than the prior year, surpassing the original adopted budget projection by 12.2% but slightly below the adjusted budget estimate. However, unlike previous years when sales tax revenue growth was driven by consumption, this year's increase was primarily due to inflationary factors. For the Riverside Metropolitan Statistical Area, the FY 2022/23 average Consumer Price Index (CPI) increased by 6.5%.

**Expenditures:** General Fund expenditures were 3.9% (\$14.15 million) lower than the adjusted budget, inclusive of recommended carryovers. Encumbrances and project/grant appropriations totaling \$7.07 million are carried forward to FY 2023/24 as allowed per the Riverside Municipal Code. An additional \$5.73 million in the carryover of restricted and discretionary funds is recommended for Council approval (refer to Attachment 1, Appendix A).

The expenditure savings as compared to the adjusted budget are primarily attributable to vacancies and supplemental appropriations in personnel. During the fiscal year, the personnel budget was increased by approximately \$18.40 million to accommodate the estimated fiscal impact of employee compensation and benefit increases, including \$11.60 million designated for employee stipends. By fiscal year end, the General Fund experienced a vacancy rate of 11.5%, marking a notable improvement from the 13.0% reported at the end of FY 2021/22. Despite this progress, the City grapples with ongoing challenges in retention, recruitment, and hiring, reflecting trends observed in other public agencies. The City’s experience is consistent with the 2023 Workforce Survey conducted by MissionSquare Research Institute in collaboration with the International Public Management Association for Human Resources (IPMA-HR) and the National Association of State Personnel Executives (NASPE). Refer to Attachment 1 for a comparison of vacancy rates per department in the last two fiscal years and HR strategies to fill position vacancies.

**General Fund Outlook:** While the short-term outlook for the General Fund has improved with strong performance in sales tax revenue and modest growth in other revenue sources, there are still significant financial issues that present challenges to the long-term fiscal health of the General Fund:

- **Water General Fund Transfer** – Although the City has received a temporary reprieve in the Measure C litigation, the City needs to strategically position itself against future challenges to the Water General Fund Transfer to mitigate the risk to City services that would result from the loss of this heavily relied upon revenue source. On September 19, 2023, the City Council directed that all future Water General Fund transfer collections be placed in a reserve account pending the outcome of litigation. Staff will consider the impact of the approximate \$8.50 million annual loss of revenue in the General Fund during the development of the next biennial budget.
- **Deferred Maintenance and Infrastructure** – The City needs to formally establish a long-term program for infrastructure investment in much needed deferred maintenance and capital investments. Current needs are typically addressed with one-time revenues and

savings, which is an unsustainable practice. While over \$1.6 billion in capital asset investments were made during the Riverside Renaissance period in the mid-2000's, planning for the ongoing maintenance of those investments was not included in subsequent budgets.

- **Rising Pension Costs** – The financial markets continued to impede the financial performance of the CalPERS retirement fund, yielding a 5.8% return on investments for the fiscal year ended June 30, 2023. Although this is less than the 6.8% forecasted return rate, it is an improvement over the disappointing negative 6.1% rate of return at the end of FY 2021/22. Future investment returns below expectations could lead to higher unfunded liabilities and annual required payments.
- **Labor Costs** – With most MOU contracts set to expire in June 2025, the outcome of future labor negotiations holds the potential to significantly impact personnel costs for the City. Balancing the need to provide competitive salary increases to recruit and retain highly qualified employees, while maintaining financial sustainability, will present a challenge.

**Recommended Use of Surplus Reserves:** At the conclusion of FY 2022/23, projected surplus reserves total \$24.77 million. The following details staff's recommendation for the use of the surplus reserves to help fund two of the major fiscal challenges described above:

**Section 115 Trust:** Recognizing the \$8.50 million annual loss stemming from the Water General Fund transfer, staff recommends strategically allocating \$20.00 million of the surplus reserves to offset the annual projected contributions to the Section 115 Trust over the FY 2025-2029 General Fund Five-Year Plan.

The Section 115 Trust was established to support the long-term fiscal management of the CalPERS UAL. The Trust allows the City to smooth the combined Unfunded Actuarial Liability (UAL) and Pension Obligation Bond (POB) payment requirements to avoid spikes in the payment schedules and significant pressure on General Fund finances in future years. This strategic use of surplus reserves will serve as a fiscally prudent solution to ensure the CalPERS UAL is funded, while simultaneously releasing the General Fund's limited incoming resources to sustain critical programs and services.

In addition to the recommended use of FY 2022/23 surplus reserves, staff proposes a strategic reallocation of \$15.00 million from reserves originally earmarked for MOU Impacts towards offsetting the annual projected contributions to the Section 115 Trust throughout the FY 2025-2029 General Fund Five-Year Plan. This will provide additional flexibility for the General Fund to utilize its limited incoming resources in sustaining critical programs and services. In the FY 2021/22 Fourth Quarter Financial Report, the City Council approved staff's recommendation of allocating \$15.00 million from surplus reserves to address 2022 MOU negotiations impacts. However, due to personnel savings resulting from a high vacancy rate in FY 2022/23, these reserves proved unnecessary, allowing for a strategic reallocation to an alternative purpose.

The current value of Trust assets is \$32.69 million. CalPERS UAL payments are expected to reach \$41.58 million in just five years (FY 2028/29), compared to the FY 2023/24 required UAL payment of \$10.30 million. Therefore, staff recommends contributing \$24.77 million from FY 2022/23 surplus reserves to the Section 115 Trust over the FY 2025-29 General Fund Five-Year Plan.

**General Fund Infrastructure Reserves:** Staff recommend allocating the remaining \$4.77 million of the surplus reserves to the Infrastructure Reserves to address the ongoing maintenance and/or replacement of capital assets.

### Measure Z

To help address the service cuts as well as a portion of the City's critical unfunded needs, The City placed a measure on the November 8, 2016 ballot for a one-percent increase in the City's sales tax rate. The November 8, 2016, Measure Z ballot presented to voters asked them to consider a yes or no vote to:

"...prevent cutting police, firefighters, paramedics, 911 emergency response, antigang/drug programs, homelessness reduction and youth after-school/senior/disabled services; to repair local streets/potholes/infrastructure; and to provide other general services, shall a one-cent transaction and use tax (sales tax) be implemented providing \$48,000,000 annually through 2036 unless extended by the voters, requiring independent audits with no funds to Sacramento, all funds remaining for Riverside?"

The residents of Riverside approved Measure Z with an almost 60% approval rate. The Measure Z tax became effective on April 1, 2017, increasing the City's sales tax rate from 7.75% to 8.75%. Unless approved again by the voters, Measure Z will sunset in March 2036.

**Revenues:** The adopted budget projection of \$76.80 million in total revenues was revised to \$84.43 million in the Second Quarter Financial Report based on FY 2021/22 actual results and performance to date. Total revenues came in at \$85.84 million, which is \$1.41 million higher than the revised budget and 2.3% higher than the prior year.

**Expenditures:** Expenditures recorded in FY 2022/23 total \$69.61 million. Encumbrances of \$24.62 million and capital carryovers of \$11.50 million have been carried forward to FY 2023/24 as provided for in the Riverside Municipal Code. Staff is requesting Council approval of an additional \$12.53 million in discretionary carryovers. Refer to Attachment 1, Appendix B for inception-to-date revenue and expenditure reporting for Measure Z.

**Reserves:** Actual Measure Z revenues of \$85.84 million and expenditures of \$69.61 million produced a net increase in fund reserves of \$16.23 million. Projected unallocated fund reserves (unaudited) are anticipated to total \$58.98 million net of encumbrances and recommended carryovers totaling \$48.65 million. The FY 2022-2024 Amended Biennial Budget includes a Five-Year Spending Plan with a programmed draw on reserves from FY 2023/24 through FY 2027/28 totaling \$38.27 million. Staff recommends that unallocated reserves remain intact and incorporated into the preparation of the FY 2024-26 Biennial Budget.

### Electric Fund

The FY 2022/23 adopted budget for the Electric Fund included a programmed \$21.99 million operating deficit and draw on fund reserves. This is a financial strategy employed to draw reserves down to keep rate increases as low as possible. Unaudited fiscal year-end results present a budgetary operating deficit of \$1.84 million, inclusive of outstanding encumbrances and carryovers of \$17.33 million.

**Revenues:** Revenues exceeded projections by \$26.90 million, primarily driven by the \$12.00 million sale of excess emissions allowances, which surpassed the amount needed to offset

greenhouse gas emissions. Additionally, revenue included \$4.19 million from the sale of excess electricity to external entities and \$7.00 million in excess revenue from increased developer activity (construction) and unbudgeted donated capital. Conversely, retail sales fell \$5.72 million below projections.

**Expenditures:** Operating expenditures, net of encumbrances and recommended carryovers, are \$16.94 million (3.7%) less than the total budget. This savings is primarily due to a combination of personnel savings of \$14.51 million resulting from a high vacancy rate; operating and maintenance savings of \$9.10 million due to lower “as-needed” operational costs for professional services and building maintenance, as well as timing for implementation of technology projects; and \$13.04 million in debt service savings resulting from an anticipated revenue bond issuance that did not occur in FY 2022/23. Offsetting these savings, power supply costs were \$20.07 million (8.7%) higher than budgeted due to unexpectedly high energy costs.

**Capital Expenditures:** Capital expenditures totaling \$290.95 million were recorded during the fiscal year; this amount includes \$25.67 million of encumbrances and \$238.47 million of unexpended capital project funds that have been carried forward to FY 2023/24 as provided for in the Riverside Municipal Code.

The Electric Fund’s reserve level at fiscal year-end is expected to be within established policy levels; results are pending the completion of the financial audit.

Carryovers totaling \$8.40 million are recommended for Council approval (refer to Attachment 1, Appendix A).

### Water Fund

The adopted budget for the Water Fund in FY 2022/23 projected a \$5.01 million operating gain. Unaudited fiscal year end results present a budgetary operating gain of \$7.19M after outstanding encumbrances and carryovers of \$2.85M.

**Revenues:** Actual revenues fell short of projections by \$2.64 million (2.9%), primarily due to a \$6.13 million decrease in water revenues caused by a year-over-year 13.7% reduction in consumption stemming from a heavy rainy season and water conservation efforts. Partially offsetting this shortfall, the fund generated \$4.06 million in excess miscellaneous revenues, driven by an additional \$1.26 million bond interest revenue earned on cash held by fiscal agent; \$1.49 million in excess land and building rental revenues; and \$1.22 million in unbudgeted donated capital assets.

**Expenditures:** Operating expenditures, net of encumbrances and recommended carryovers, are \$10.35 million (26.4%) less than the total budget. This savings is primarily attributed to a combination of factors, including \$3.23 million in personnel savings due to a high vacancy rate; \$3.79 million in total savings in the system operating budgets for “as-needed” professional service, software maintenance and support, as well as lower energy and water costs; and \$3.33 million in debt service savings due to the timing of principal and interest payments on the 2022 Water Revenue Series A Bond issued in FY 2022/23.

**Capital Expenditures:** Capital expenditures totaling \$64.95 million were recorded during the fiscal year; this amount includes \$10.83 million of encumbrances and \$35.21 million of unexpended capital project funds that have been carried forward to FY 2023/24 as provided for in the Riverside Municipal Code.

**Reserves:** The Water Fund's reserve level at fiscal year-end is expected to be within established policy levels; results are pending the completion of the financial audit.

Carryovers of approximately \$0.50M are recommended for Council approval (refer to Attachment 1, Appendix A).

### Refuse Fund

The adopted operating budget for the Refuse Fund projected a draw on fund reserves of \$1.71M due to a decline of recycling revenues precipitated by a reduction in industry demand, rising recycling costs, increased tonnage, and anticipated increases in parking fines assessed for street sweeping. Unaudited fiscal year end results present an operating loss of \$1.29M after FY 2022/23 encumbrances and carryovers of \$10.78M and inclusive of contributions from the General Fund and American Rescue Plan Act (ARPA).

**Revenues:** The Solid Waste rate plan adopted by City Council in September 2020 included a Year 3 increase in rates effective July 1, 2022. The total revenue budget for the Refuse Fund includes a \$5.00 million contribution from the General Fund for the purchase of new refuse vehicles and a \$6.00 million allocation of grant funds from ARPA. The ARPA allocation includes \$4.00 million for refuse and street sweeping vehicles and \$2.00 million for revenue replacement. Actual revenues were \$1.48 million higher than budget due primarily to \$0.69 million excess administrative fees charged to haulers providing residential and commercial solid waste collection services.

**Expenditures:** Operating expenditures, net of encumbrances and recommended carryovers, are \$4.24 million (8.7%) less than the total budget. The savings are partially attributable to personnel savings of \$0.88 million due to high turnover and staffing shortages despite enhanced recruitment and hiring efforts. Moreover, the fund experienced \$2.13 million in savings in non-personnel budgets, which included adjustments to accommodate anticipated increases in operating costs that ultimately did not materialize and were offset by the ARPA allocation for revenue replacement.

**Capital Expenditures:** Capital expenditures totaling \$11,442 were recorded during the fiscal year; this amount includes \$8,910 of encumbrances that have been carried forward to FY 2023/24 as provided for in the Riverside Municipal Code. Capital purchases for vehicle replacement for the Refuse Fund have been initiated utilizing \$4.00 million in ARPA funding and \$5.00 million from the General Fund's Infrastructure Reserve to purchase refuse and street sweeping vehicles.

**Reserves:** The Refuse Fund is projected to end the fiscal year with \$6.19 million in fund reserves following an operating loss of \$1.29 million and cash infusion of a combined \$11M in General Fund contributions and ARPA funding.

Carryovers of approximately \$1.22 million are recommended for Council approval (refer to Attachment 1, Appendix A).

### Sewer Fund

The adopted budget for the Sewer Fund projected a net operating gain of approximately \$2.27 million which would be used to fund \$2.05 million of planned capital projects included in the FY 2022/23 adopted budget and capital improvement plan. Unaudited fiscal year end results present a budgetary operating gain of \$7.55 million after outstanding encumbrances and carryovers of \$2.49 million.

**Revenues:** Revenues exceeded projections by \$5.30 million, primarily due to \$2.06 million in excess wastewater service contract revenues and \$3.78 million in additional sewer connections fees from increased development activity.

**Expenditures:** Operating expenditures, net of encumbrances and recommended carryovers, are \$7.04 million (9.6%) less than the total budget. These savings are partially driven by personnel savings of \$3.16 million due to high vacancies. As of June 30, 2023, the Sewer Fund had 25 vacant positions, representing a vacancy rate of 19.2%. Additionally, \$2.02 million in savings in debt service costs resulted from a non-cash accounting adjustment that reflects the gradual allocation of debt issuance costs over the term of the debt.

**Capital Expenditures:** Capital expenditures totaling \$51.76M were recorded during the fiscal year; this amount includes \$10.66M of encumbrances and \$34.94M of unexpended capital project funds that have been carried forward to FY 2023/24 as provided for in the Riverside Municipal Code.

**Reserves:** The Sewer Fund is expected to end the fiscal year with \$56.62 million in fund reserves; results are pending the completion of the financial audit.

Carryovers of approximately \$0.83M are recommended for Council approval (refer to Attachment 1, Appendix A).

### Enterprise Utility Rates

On September 19, 2023, the City Council adopted resolutions approving and establishing five-year plan rates for Electric, Water, and Refuse Funds. The five-year plan rate increases will allow these enterprise funds to fund operations and capital costs, while maintaining reserve levels.

### Public Parking Fund

The adopted budget for the Parking Fund projected a contribution to fund reserves of \$1.47 million. The adopted budget included new parking rates, which were subsequently rescinded. To account for the rescinded parking rates, the total revenue budget was reduced by \$2.59 million. On April 18, 2023, the City Council approved a new Parking Rate and Hour Schedule effective July 1, 2023, which is expected to begin generating a net gain for the fund in FY 2024/25. Unaudited fiscal year end results present a budgetary operating gain of \$3.74 million after outstanding encumbrances and carryovers of \$0.10 million and inclusive of contributions from the General Fund and ARPA.

**Revenues:** The total revenue budget for the Public Parking Fund includes mid-year budget adjustments for a \$2.00 million contribution from the General Fund for parking garage maintenance and improvements and a \$1.50 million allocation of ARPA grant funds for revenue replacement. Actual revenues exceeded projections by \$0.52 million. Revenues from parking exceeded updated projections by \$0.47M, an 8.8% increase. Nevertheless, parking utilization on weeknights has lagged behind historical trends, likely influenced by reduced discretionary spending. Notably, a slight acceleration has been observed with the return of special events to the downtown area. Daytime activity has also risen as workers have resumed on-site work following the pandemic.

**Expenditures:** Operating expenditures, net of encumbrances and recommended carryovers, are \$1.24 million (15.6%) less than the total budget. These savings are primarily driven by personnel



savings of \$0.38 million due to high vacancies and savings in professional services of \$0.93 million budgeted on an “as-needed” basis.

**Capital Expenditures:** Capital expenditures totaling \$2.15 million were recorded during the fiscal year; this amount includes \$0.27 million of encumbrances and \$1.26 million of unexpended capital project funds that have been carried forward to FY 2023/24 as provided for in the Riverside Municipal Code.

**Reserves:** Following a FY 2022/23 net gain of \$3.74 million, the Public Parking Fund is expected to end the fiscal year with \$3.48 million in fund reserves, inclusive of a combined \$3.5M in General Fund contributions and ARPA funding .

### Carryovers

A total of \$45,688,055 is recommended for Council approval, comprised of \$7,552,687 in restricted funding and \$38,135,368 in discretionary funding.

Restricted Carryovers represent appropriations of funding designated for a specific use per a third-party agreement, including donations, endowments, and grant matches.

Discretionary Carryovers include amounts appropriated for a specific purpose in previous periods, but unexpended due to timing or for other reasons. Discretionary carryovers may also include a reallocation of amounts from their original purpose to a new purpose, either identified as an emerging need or not funded in the adopted budget due to budget constraints.

Refer to Attachment 1, Appendix A for a detailed listing of carryover requests.

### **STRATEGIC PLAN ALIGNMENT:**

The reporting and presentation of financial results aligns with **Strategic Priority 5 – High Performing Government and Goal 5.3** – Enhance communication and collaboration with community members to improve transparency, build public trust and encourage shared decision-making.

Financial reporting aligns with each of the Cross-Cutting Threads as follows:

1. **Community Trust** – Presentation of financial results provides a transparent view and communication of City finances in a forum that accommodates community engagement and the involvement of the Budget Engagement Commission.
2. **Equity** – The financial report is available to all members of the public via the City website, and the presentation of the financial report in a public forum accommodates community engagement from all members of the public.
3. **Fiscal Responsibility** – The financial report and proposed recommendations, including the use of surplus reserves, demonstrate the City’s commitment to responsible management of the City’s financial resources.
4. **Innovation** – The proposed recommendations, including the use of surplus reserves demonstrate innovative monitoring and management of City finances.

5. **Sustainability & Resiliency** – The financial reports, methodologies, and strategies implemented by staff, including recommendations regarding the use of surplus reserves that invest in the City’s future, demonstrate the City’s commitment to the long-term fiscal health of the City and sustainable provision of City services.

**FISCAL IMPACT:**

The General Fund ended FY 2022/23 in far better condition than projected in the adopted FY 2022/23 budget. This favorable outcome enables the City to maintain a 20% reserve level per the General Fund Reserve Policy and produce surplus reserves. Utilizing \$20.00 million of the surplus reserves, along with reallocating \$15.00 million from the reserve set aside for MOU impacts, will help fund the Section 115 Trust, ensuring the funding of pension related costs and freeing up limited General Fund resources to sustain critical programs and services. Additionally, allocating \$4.77 million of the surplus reserves to the Infrastructure Reserve will aid in addressing ongoing maintenance and or replacement of capital assets. This strategy will contribute to the long-term financial health of the General Fund. As a result of the current year’s financial performance, General Fund surplus reserves are expected to be \$24.77 million after Council approval of carryover recommendations totaling \$5.73 million. With Council approval, the surplus reserves will be fully allocated as previously described to address future pension costs and other fiscal strategies that will enhance the City’s long-term financial health.

Following Council approval of \$12.53 million in carryovers, the Measure Z Fund is expected to end FY 2021/22 with \$58.98 million in unallocated reserves, the majority of which was allocated to critical unfunded needs during the development of the FY 2022-2024 Biennial Budget.

The City’s major enterprise funds (Electric, Water, Refuse, Sewer, and Public Parking) are expected to end the fiscal year with positive reserve balances within established policy requirements. Final results are pending the conclusion of the City’s financial audit.

There is no new fiscal impact for the approval of carryovers because the funding was approved by the City Council in June 2022 with the adoption of the FY 2022/23 budget.

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- Attachments:
1. Financial Report and Carryover Recommendations
  2. Presentation