



Agenda Item: 10.A
Date of Meeting: February 12, 2024
Department: Finance

STAFF REPORT

To: City Council
From: Ethan Aukee
Subject: **Mid-Year Budget Adjustments**
Prepared On: February 7, 2024
Attachments: Sewer Fund Budget Adjustment Report
General Fund Budget Adjustment Report
Gas Tax Fund Budget Adjustment Report
Water Fund Budget Adjustment Report
Sunrise Mobile Home Park Fund Budget Adjustment Report
C.O.P.S. Fund Budget Adjustment Report
Miscellaneous Budget Adjustment Report

Background/History:

City staff have analyzed the original fiscal year 2023-2024 budget, identified needed adjustments, and are proposing the attached mid-year budget adjustment reports for Council review and consideration.

Analysis/Discussion:

After December 31, 2023, City staff worked quickly to analyze mid-year trends and identify opportunities to increase revenue, decrease expenses when possible and increase expenses when needed.

All departments were provided with budget to actual reports and asked to review in advance of meeting with the Finance Department. Prior to meeting with department heads, the Finance Department reviewed every revenue and expense account within the City and analyzed a historical trend, a current trend and developed an estimated rational need or expectation. The Finance Department developed a comprehensive mid-year adjustment for each department in advance of meeting based on trends and perceived needs. Then, during meetings with department heads, the Finance Department's reports were reviewed. If department heads disagreed with the Finance Department's assessment, discussion and analysis took place to substantiate any changes presented by the department. The Finance Department lacks department specific knowledge from time to time, so these meetings are quite effective in blending the knowledge base of the Finance Department and each of the respective departments throughout the City. It's my opinion that our operating budget will continue to improve and become more efficient based on current staff dynamics and willingness to

collaborate on the budgeting process. Additionally, as new information becomes available and my time employed with the City increases, the data used to generate our budget should become more useful. From time to time, there have been gaps or omissions in usable data that results in incorrect estimations or assumptions. I'm working diligently to learn from these situations to ensure that our data is more useful, and our budgeting is more accurate from year to year.

Following meetings with all department heads, the adjusted budget is compiled by the Finance Department and presented to the City Administrator. The Finance Department and Administrator review every proposed adjustment, and if the Administrator deems that additional discussion is needed with a department head, discussion occurs, and a final decision is made on the adjustment in question.

Additionally, when substantial adjustments are needed or trends signal an irregularity, staff meet to discuss and identify the root cause of the adjustment or irregularity and take action to address any issues. Two separate issues related to utilities expenses were identified during this analysis process, the root causes of both issues were identified and addressed. Staff will now monitor the associated trends in the coming months to confirm that the actions taken to resolve each issue were effective.

The Sunrise Mobile Home Park Fund was analyzed at the fund level and City staff determined that based on the original budget and the forecasting of future years, the Fund would become insolvent within seven years. This analysis led to more in-depth analysis and City staff realized that Community Services personnel allocations were not an accurate reflection of staff time. These allocations were updated to reflect the actual time that staff spends working on behalf of Sunrise Mobile Home Park (SMHP). Although SMHP will operate at a deficit this fiscal year, City staff are forecasting that the SMHP will operate at a surplus in the coming year based on the correction of personnel cost allocations. The concern of insolvency is no longer a concern at this time (assuming that the proposed adjustments are approved by Council).

The proposed reports are a result of the processes and work outlined above. Attached you will find the proposed reports for:

- The General Fund
- The Sewer Fund
- The Gas Tax Fund
- The Water Fund
- The Sunrise Mobile Home Park Fund
- The C.O.P.S. Fund
- Miscellaneous Adjustments

City staff will perpetually attempt to improve our budgeting process and will use budgeting as a prominent tool for guidance, awareness and problem solving in the short-term and the long-term.

Economic Impacts:

No economic impacts.

Budget Impacts:

The budgetary impacts are outlined within the attached reports.

Legal Review:

City Attorney Pucci has reviewed this item and finds that the recommended action complies with the law.

Recommended Action:

City Council consideration to accept the mid-year budget adjustments as presented in the attached mid-year budget reports.

Approved By: Ethan Aukee 2/7/2024

Approved By: Robin Picken 2/7/2024

Approved By: Ryan Jones 2/7/2024

Approved By: