



CITY OF IMPERIAL BEACH

2022-23 Financial Update

2nd Quarter Ending December 31, 2022

Overview

This financial report summarizes the City’s financial position for the quarter ending December 31, 2022, for the General Fund, Internal Services Funds, and Sewer Fund. The purpose of this report is to provide the City Council and City Management an update on the City’s fiscal status based on the most recent financial information available. The numbers in this report are shown on a cash basis meaning the revenues are recognized at the time revenues are received and expenditures are recognized at the time payment is processed. The revenue and expenditure budgets include carryovers and any supplemental appropriations made by the City Council. The numbers provided are unaudited and subject to correction.

General Fund Summary

The General Fund is the general operating account for the City and includes multiple departments that provide activities, programs, and services to the citizens of Imperial Beach.

The tables presented in this report include budget-to-actual comparisons between the current fiscal year and the previous fiscal year (year over year comparison) and show results of the second quarter compared to the amended budget as it stood on December 31st of each year. A budget comparison with the year-to-date data is also presented.

The FY2022-23 adopted budget for revenues and operating expenditures is \$25.16 million and \$24.74 million, respectively. The expenditure budget had been increased by \$648,000 due to \$198,000 of carryover appropriations and \$450,000 in current year City Council approved amendments.

Revenues

The table below shows a comparison of second quarter budget-to-actual revenues, by category, for fiscal years 2021-22 and 2022-23.

Revenues	2021-22 AMENDED BUDGET	2021-22 YTD ACTIVITY	% OF BUDGET	2022-23 AMENDED BUDGET	2022-23 YTD ACTIVITY	% OF BUDGET
Taxes	14,397,100	3,383,381	23.50%	15,136,400	3,750,483	24.78%
Licenses and Permits	642,250	562,161	87.53%	1,044,535	494,091	47.30%
Intergovernmental	117,000	174,177	148.87%	60,260	162,452	269.58%
Charges for Services	6,596,938	2,648,077	40.14%	5,691,020	2,741,806	48.18%
Use of Money/Property	540,000	127,609	23.63%	556,800	524,456	94.19%
Fines & Forfeitures	84,500	89,640	106.08%	220,150	106,397	48.33%
Miscellaneous	131,500	232,444	176.76%	234,080	612,571	261.69%
Transfer In	2,325,075	278,100	1.96%	2,216,100	305,228	13.77%
TOTAL REVENUES	\$24,834,363	\$7,495,589	30.18%	\$25,159,345	\$8,697,483	34.57%

Overall, with 50% of the year complete, General Fund revenues are at 34.57% of the budget, which is slightly ahead compared to the prior fiscal year. It is important to keep in mind that most General Fund

revenues are not received in equal installments over a fiscal year. As such, the percentage of revenues received will almost always be less than the percentage of the fiscal year completed. It is not until all revenues are accrued at year end (June 30) that the full anticipated amounts are received and recorded.

Primary Revenues

The City’s primary revenues account for about 82% of total General Fund revenues (compared to 80% in the prior year). The following is a summary of the top revenues as of the end of the second quarter.

Property Tax – Property Tax is the largest category of the General Fund revenues comprising about 34% of the budgeted general fund revenues to be received. This category consists of the 1% General Purpose Property Tax as well as RPTTF Pass-Thru, and RPTTF Residual Property Tax (calculations associated with the tax increment

Primary Revenues	2022-23 AMENDED BUDGET	2022-23 YTD ACTIVITY	% RECEIVED
Property Tax	\$ 8,960,100	\$ 790,577	8.82%
Sales Tax - Local 1%	1,400,000	642,402	45.89%
Sales Tax - Measure I	1,350,000	1,002,174	74.24%
Transient Occupancy Tax	912,300	615,015	67.41%
Business License Tax	382,500	172,127	45.00%
Franchise Fees	2,220,600	568,977	25.62%
Charges for Services - Port	5,423,970	2,705,075	49.87%

generated by the former Redevelopment Agency), and VLF Property tax. This category is currently only at 9% of budget and is slightly ahead collections from last fiscal year. Most property tax funds are received in January and June of each year and future reports for this current fiscal year will reflect a higher percentage of budget.

Sales tax – The Local 1% and Measure I sales taxes are at 46% and 74% of budget through December 31, 2022, respectively. Sales tax is received from the State and is realized two months in arrears. In other words, sales tax collected by a business in July, is received by the City in September. Therefore, the amounts received through the second quarter of the current fiscal year reflect only 4 months of collections. The City is seeing an increase in sales tax receipts resulting from growing inflation and continued consumer spending. As such, as of December 31, 2022, the Local 1% sales tax is 6% higher than the previous year and is on pace to exceed the FY2022-23 adopted budget. Additionally, Measure I Sales Tax is 29% higher at the end of the second quarter compared to FY2021-22. As a new revenue, during the latest budget cycle the City budgeted Measure I revenues conservatively anticipating that it would track slightly above the Local 1% tax. Current collections are showing that Measure I is outpacing the Local 1% tax and is anticipated to easily exceed budget by the end of the fiscal year.

Transient Occupancy Tax (TOT) - TOT is tracking almost 15% higher than FY2021-22 and, as of December 31, 2022, is at 67% of budget. Unsure of how the traveling public was going to respond to the COVID-19 pandemic, during the FY2021-23 budget process, the City budgeted conservatively for these revenues. With consumers once again open to traveling, the City is seeing a rebound in the TOT being collected. It is anticipated that TOT will exceed the FY2022-23 budgeted amount.

Business Licenses – Business License revenue is at 45% for the period ending December 31, 2022. License renewals fluctuate throughout the year, but it is anticipated that revenues received from business licenses will meet the FY2022-23 budgeted amount.

Franchises – Franchise fees, fees collected for the use of public rights-of-way, are collected for solid waste, gas, electric, water, and cable services. Gas, electric, and water franchise fees are received once a year in April. The remaining fees, solid waste and cable, are received on a quarterly basis approximately 30 days after the end of each quarter. As such, only one quarter of revenues has been received as of December 31, 2022 for the current fiscal year. This collection is consistent with the prior fiscal year.

Charges for Services – Charges for Services is the second largest General Fund revenue source and comprises about 22% of the General Fund revenues. The primary source of this category is compensation from the Port of San Diego, through a municipal services agreement, in exchange for law enforcement, fire protection, lifeguard, tideland maintenance, and animal control services provided within the tidelands area. This source of revenue is currently tracking at 50% as of December 31, 2022 and is expected to reach the budgeted amount by fiscal year end.

Expenditures

As of the end of December 2022, the General Government – Management & Support function is at approximately 62% of budget. This is primarily a result of unanticipated costs for several community events, as well as budgeted one-time transfers that were approved by City Council. It is anticipated that budget adjustments will be made, and the Management & Support function will finish the year within budget. The Parks & Recreation function is also tracking slightly overbudget, at 54%. Parks & Recreation is a new department and the increase in expenditures is a result of adding necessary personnel to staff the program. Adjustments will be completed, and the Parks & Recreation function should finish the year within budget. Overall, with 50% of the year complete, the General Fund is on track to finish FY2022-23 within budget.

FUNCTION	2022-23 AMENDED BUDGET	2022-23 YTD ACTIVITY	% OF BUDGET
GG - Legislative	\$ 985,448	\$ 459,191	46.60%
GG - Mgmt & Support	5,872,767	3,664,030	62.39%
Public Safety	14,106,040	6,515,913	46.19%
Parks & Recreation	2,069,725	1,122,844	54.25%
Public Works	2,279,150	1,082,319	47.49%
Capital Outlay	70,982	33,653	47.41%
TOTAL EXPENDITURES	\$ 25,384,112	\$ 12,877,951	50.73%

Other Funds

In addition to the General Funds, this report summarizes the City’s second quarter financial position for the Internal Services Funds and the Sewer Fund. The following tables show budget-to-actual revenues and expenses for fiscal years 2021-22 and 2022-23 as of December 31, 2022.

	2021-22 ADJUSTED BUDGET	12/31/2021 ACTUALS	% OF BUDGET	2022-23 ADJUSTED BUDGET	12/31/2022 ACTUALS	% OF BUDGET
Vehicle Replacement						
Revenues	\$ 1,173,533	\$ 141,939	12.09%	\$ 506,800	\$ 297,452	58.69%
Expenses	\$ 639,634	\$ 171,820	26.86%	\$ 584,220	\$ 405,752	69.45%
Risk Management						
Revenues	\$ 938,372	\$ 177,428	18.91%	\$ 756,950	\$ 429,717	56.77%
Expenses	\$ 739,372	\$ 358,122	48.44%	\$ 756,950	\$ 539,658	71.29%
Information Technology						
Revenues	\$ 973,045	\$ 140,400	14.43%	\$ 833,350	\$ 560,571	67.27%
Expenses	\$ 643,145	\$ 196,692	30.58%	\$ 581,702	\$ 424,380	72.95%
Facility Maintenance & Replacement						
Revenues	\$ 102,971	\$ 962	0.93%	\$ 210,500	\$ 207,321	98.49%
Expenses	\$ 224,413	\$ 91,622	40.83%	\$ 74,224	\$ 65,013	87.59%

For FY2022-23, revenues in the Internal Service funds are higher than the previous year and are tracking as anticipated. Previous year's revenues were lower than anticipated at December 31 due to transfers that were yet to be completed and were finalized later in the fiscal year. Additionally, early in FY2022-23, City Council approved one-time transfers into the Vehicle Replacement, Information Technology, and Facility Maintenance & Replacement Internal Service Funds, thus increasing current year revenues. Expenses within the Internal Service Funds fluctuate throughout the year, so comparison to a prior year is difficult. However, Internal Service Fund expenses as of December 31, 2022 are at expected levels at the end of the second quarter.

	2021-22 ADJUSTED BUDGET	12/31/2021 ACTUALS	% OF BUDGET	2022-23 ADJUSTED BUDGET	12/31/2022 ACTUALS	% OF BUDGET
Sewer Fund						
Revenues	\$ 6,374,300	\$ 163,188	2.56%	\$ 6,358,000	\$ 2,241,581	35.26%
Expenses	\$ 6,529,046	\$ 1,146,993	17.57%	\$ 7,526,251	\$ 2,647,366	35.18%

Through the second quarter, Sewer Fund revenues and operating expenses are tracking at 35% and 35%, respectively. Sewer Charge revenues are received as part of the property tax payments, so, as with the 1% General Purpose Taxes, the largest portion of the funds are received in January and May of each year. Future reports will reflect a much higher percentage of revenues received. Expenses are currently lower than anticipated due to \$2 million of capital projects that have been budgeted for the fiscal year that are currently underway. As these projects progress, the costs will be reflected in the future expense numbers.