City of Marina

Second Quarter Budget Report – Fiscal Year 24/25

The following sections provide an overview of current revenues and expenditures for the General Fund, Airport Fund, and two key funds that relate to capital project allocations. These funds include the FORA Dissolution Fund and Public Impact Fees Fund.

When reviewing this report, it should be noted that there could be variances between the percentage of the year elapsed and the amount expended or received. This results from some revenues having uneven receipting patterns, and expenditures that may vary with the procurement of goods and services. The City continually monitors the budget on a regular basis. If any significant budgetary variances are identified, a budget amendment will be requested as part of the mid-cycle budget process; or through a separate budget amendment during the year.

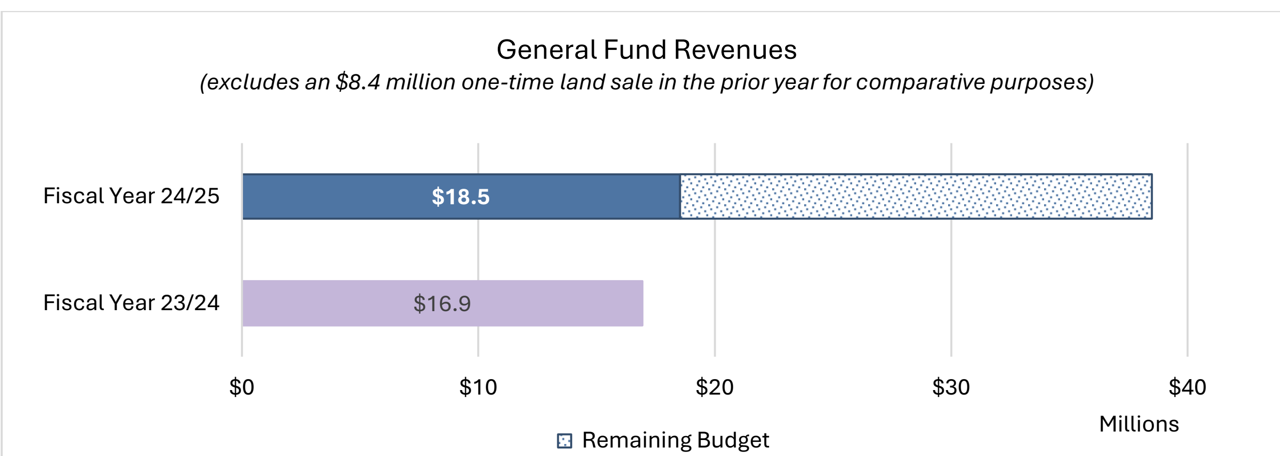
An overview of each fund is presented in the subsequent sections.

General Fund Overview

General fund revenues and expenditures were $18.5 million and $20.0 million, respectively at the close of the second quarter. While expenditures were in excess of revenues, the Fiscal Year 24/25 budget planned for a $1.8 million drawdown from fund balance to support one-time capital expenditures. This trend is also consistent with the prior year, due to the transfer of capital project funding at the beginning of the fiscal year, as well as the timing of sales tax and transient occupancy tax receipts.

Revenue*s*

The overall General Fund revenues are trending relatively consistent with the budget and prior year receipting trends. The chart below provides a comparative overview of the revenues received to date with prior year amounts, as well as a budgetary comparison. In Fiscal Year 24/25, it was projected that the combined General Fund revenues would be $38.5 million. Through the second quarter, the City has received $18.5 million or 48.1% of the budgeted amount. This is $1.6 million or 9.3% greater than the prior year, when the $8.4 million land sale is excluded from the Fiscal Year 23/24 amount.



An overview of revenues by major categories are provided in the following table, with a brief narrative describing any key variances.

	Fiscal Year 24/25			Prior Year	Annual
	Amended	Quarter to Date	% Received	Quarter to Date	Difference
Revenues					
Property tax	$ 10,432,421	$ 5,325,234	51.0%	$ 4,839,843	$ 485,392
Sales tax	10,065,000	3,315,953	32.9%	3,265,340	50,613
Transient occupancy tax	5,352,000	2,732,914	51.1%	2,288,111	444,803
Other taxes	4,055,174	2,006,304	49.5%	2,009,913	(3,609)
Subtotal Taxes	$ 29,904,595	$ 13,380,406	44.7%	$ 12,403,207	$ 977,198
Licenses, permits, fees	913,500	459,835	50.3%	410,231	49,604
Fines and penalties	64,600	39,135	60.6%	21,836	17,299
Intergovernmental	1,027,617	328,941	32.0%	378,688	(49,747)
Charges for services	1,235,800	1,018,275	82.4%	773,707	244,568
Use of money/property	4,584,800	2,504,468	54.6%	2,752,189	(247,722)
Other revenues	121,200	166,342	137.2%	66,159	100,183
Subtotal Operating	$ 37,852,112	$ 17,897,401	47.3%	$ 16,806,017	$ 1,091,384
Non-Operating Revenue					
Land Sales	-	-	-	8,426,523	(8,426,523)
Transfers	633,337	633,337	100.0%	133,337	500,000
Total Revenues	$ 38,485,449	$ 18,530,738	48.1%	$ 25,365,877	$(6,835,139)

Property Taxes

The City receives property tax in April and December, with a minor payment in June. The property tax receipts reflect the December payment, which includes $204,000 for a residual RDA Distribution.

Sales Tax

The City records sales tax in the period in which it is earned. Due to receipting patterns, the amount of the year elapsed is not reflective of the performance. The amount received in both fiscal years reflects one full quarter of payments, and one advance payment. The Fiscal Year 24/25 revenues do not include receipts for the new Trader Joes or Ross Dress for Less locations. These receipts should be reflected in the third quarter.

Transient Occupancy Tax

At the close of the second quarter, transient occupancy tax receipts were $2.7 million or 51.1% of the budget. This is $444,803 greater than the prior year. While the City has received four payments in both fiscal years, revenues are trending approximately $445,000 greater than the prior year. Staff will be evaluating the detailed information to evaluate whether there are any unique payments within the first half of the fiscal year or whether this trend is indicative of on-going performance.

Intergovernmental Revenues

This revenue category includes grants, Supplemental Law Enforcement Services Fund (SLESF), and fire mutual reimbursements. This amount may vary annually based on the amount of grants awarded and the timing of grant expenditures; as well as the amount of mutual aid reimbursements.

Charges for Services

Charges for services through the second quarter were just above $1 million and represent 82.4% of the budgeted amount. This is $245,000 greater than prior year. The annual budgetary variance reflects approximately $371,000 in planning and engineering reimbursement agreements which will have an equivalent offsetting expenditure. Additional factors contributing to the annual and budgetary difference include $207,000 in additional engineering inspections, and $43,000 in building plan checks. These amounts vary with residential and commercial development activities.

Use of Money and Property

This category includes interest income, facility rental revenues, and the general fund receipts from the Abrams Park and Preston Park operations. The annual variance is primarily related to the timing of investment maturities and the receipt of interest. In the prior year, the City purchased approximately $42 million in investments, which pay interest only upon maturity. The interest from these investments will be received and recorded in the third quarter. Although interest rates are declining, it is anticipated that the City will still meet or exceed the budgeted amount.

Other Revenues

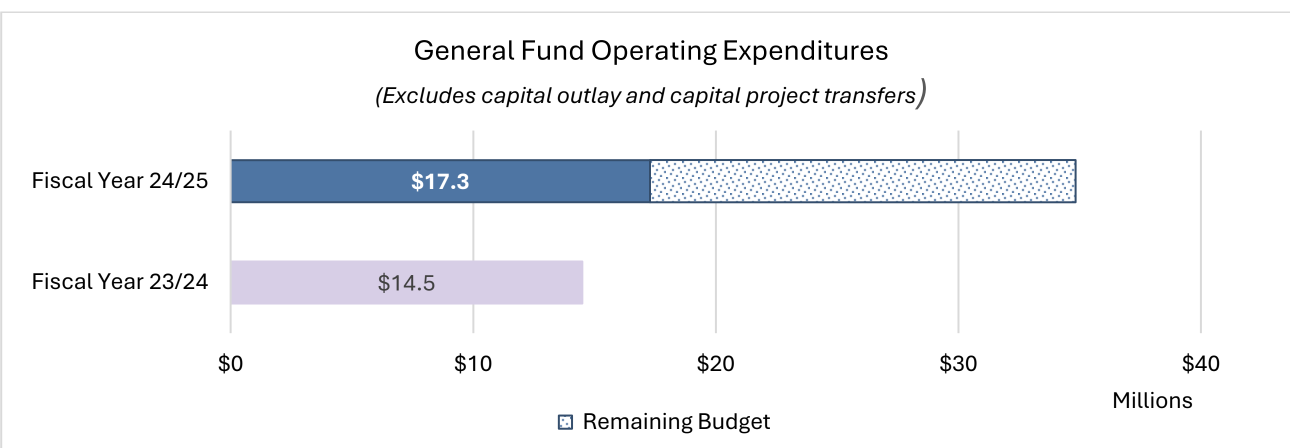
Revenues within this category are likely to vary with each year. Through the first quarter of Fiscal Year 24/25, the City received a one-time $85,265 opioid settlement and a $35,226 damage or loss reimbursement claim. These unique receipts also contribute to the annual variance.

Transfers

The City initiates interfund transfers at the beginning of the year. All interfund revenues align with their budgetary receipts. This includes a $500,000 transfer-in from the Groundwater Stabilization Fund to assist in offsetting litigation costs.

Expenditures

At the end of the second quarter, the City expended approximately $20 million or 49.6% of the budgeted amount. This includes $2.7 million in capital outlay or capital project transfers. Operating expenditures were $17.3 million, which was $2.8 million greater than the prior year. This is primarily due to position vacancies in the prior year, as well as an increase in positions in Fiscal Year 24/25. The chart below provides a comparative overview of the operating costs for the first half of each fiscal year, as well as the Fiscal Year 24/25 percentage of budgetary funds expended.



An overview of expenditures by department are provided in the following table, with a brief narrative describing any significant variances.

General Fund Expenditures	Fiscal Year 24/25			FY 23/24	
	Amended	Quarter to Date	% Received	Quarter to Date	Annual Difference
Departments					
City Council	$ 56,269	$ 18,299	32.5%	$ 15,235	$ 33,534
City Mgr/HR/Risk	3,991,575	1,021,160	25.6%	1,877,536	(856,376)
Information Technology	349,416	115,205	33.0%	148,034	(32,828)
Finance	1,336,810	572,974	42.9%	534,216	38,758
City Attorney	800,000	314,260	39.3%	187,801	126,458
Police	10,006,818	4,535,041	45.3%	3,696,543	838,499
Fire	5,652,801	2,859,234	50.6%	2,154,582	704,652
Public Works	2,692,090	1,038,757	38.6%	799,916	238,841
Planning	1,682,850	564,627	33.6%	542,249	22,378
Engineering	1,236,838	771,665	62.4%	653,525	118,140
Building Inspection	849,815	293,405	34.5%	315,009	(21,605)
Economic Development	334,644	71,652	21.4%	73,852	(2,200)
Recreation & Culture	1,600,069	696,809	43.5%	562,117	134,692
Citywide Non-Department	4,245,524	4,418,630	104.1%	2,938,460	1,480,170
Subtotal Operating	$ 34,835,519	$17,291,718	49.6%	$14,499,075	$ 2,823,113
Non-Operating Expenditures					
Capital Outlay	$ 2,200,701	$ 237,170	10.8%	$ 42,423	$ 194,747
Citywide Transfers Out	3,230,898	2,456,898	76.0%	19,290,292	(16,833,394)
Subtotal Non-Operating	$ 5,431,599	$ 2,694,068	49.6%	$19,332,715	$(16,638,647)
Total Expenditures	$ 40,267,118	$19,985,786	49.6%	$33,831,790	$(13,815,534)

City Manager

At the close of the second quarter, the City Manager's department expended just over $1 million or 25.6% of the budget. The annual and budgetary difference primarily reflects a $763,887 reduction in the use of specialized legal services for groundwater stabilization litigation, as well as salary savings grom the vacant Assistant City Manager position. Some of the savings within this line item may be re-aligned to offset $352,000 in groundwater-related settlement costs that were applied to Citywide Non-Departmental budget.

City Attorney

Legal fees are $314,260 and represent 39% of the budgeted amount. The annual services are greater than the prior year due to increased use of legal services.

Police

Police expenditures represent 45.3% of the budgeted amount; however, it is $838,499 greater than the prior year. Approximately $695,000 of the annual variance is primarily due to multiple position vacancies in the first half of Fiscal Year 23/24; with the remaining increases associated with planned costs for new annual software subscription costs; training and safety equipment for new officers; and various other expenditures.

Fire

The departmental expenditures are 50.6% of the budgeted amount and $704,652 greater than the prior year. While the budget is tracking with the percentage of the year elapsed, approximately $584,453 of the annual difference can be attributed to the addition of new positions. In the prior year, the City added two division chiefs and a firefighter position; however, time was needed to recruit and hire for these positions. The Fiscal Year 24/25 budget reflects primarily full staffing of these positions. An additional $47,000 can be attributed to vehicle and equipment repairs, with the remaining variance attributed to other costs.

Public Works

The Public Works department expenditures represent 38.6% of the budgeted amount; and $238,841 greater than the prior year. The annual difference is related to the vacant Arborist/Botanist/Landscape Architect position, as well as timing of facility and maintenance repairs. Approximately $215,000 of the annual difference relates to increased staffing levels, which include the time needed to recruit and hire a crew lead and three additional maintenance workers that were added at the beginning of the prior fiscal year.

Recreation and Culture

The recreation and culture department has expended 43.5% of the annual budgeted amount; however, it is $134,692 greater than the prior year. The annual difference is related to prior year position vacancies and planned increases in recreation programming.

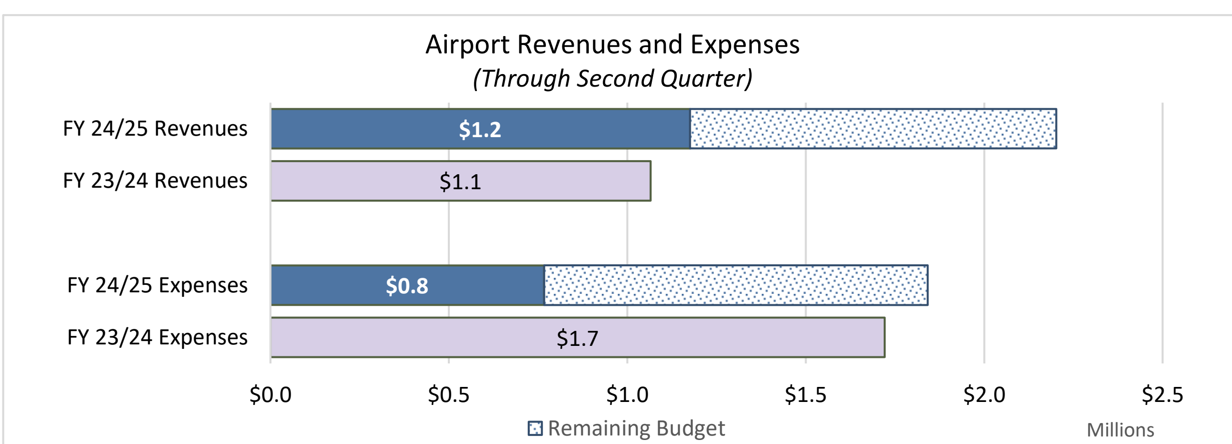
Citywide Non-Department

The Citywide non-department costs was $4.4 million at the end of the second quarter and exceeded the annual budgetary amount by approximately $173,000. Costs within this department include annual property, workers compensation, and liability insurance premiums; and the PERS unfunded liability which are typically paid in the first half of the fiscal year. Factors contributing to this annual variance include the previously mentioned $352,000 groundwater-related settlement, timing differences in insurance premium payments, a $399,000 annual increase in the unfunded pension liability payment. Funds to cover this unanticipated amount may be funded through a realignment of groundwater litigation savings in the City Manager department budget.

Other Funds

Municipal Airport

In Fiscal Year 24/25, the Airport budget projected $2.2 million in revenues. Through the second quarter, $1.2 million or 53.4% was received. This is approximately $110,000 greater than the prior year. Factors contributing to this increase include increased facility and land rental revenues and higher interest earnings.



The second quarter expenditures were $776,636 or 41.6% of the annual budget. This includes $271,800 in transfers for capital projects. The operating annual and budgetary variance reflects salary savings from the vacant Airport Manager position, as well as spending patterns that may not align with the percentage of the year elapsed. While the Fiscal Year 24/25 expenditures are approximately $955,000 less than the prior year, the largest portion can be attributed to a $703,000 decrease in capital project transfers.

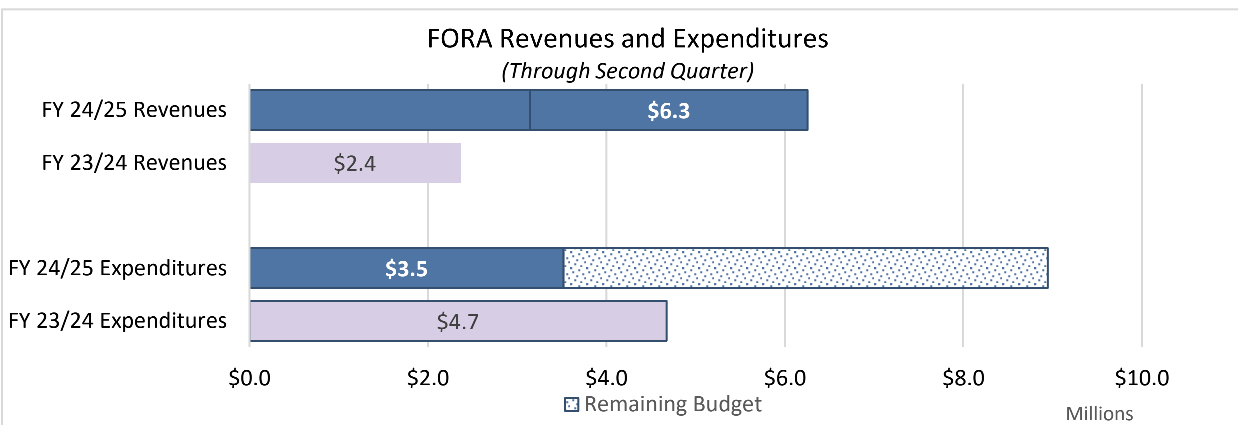
FORA Dissolution Fund

The FORA Dissolution Fund includes bond proceeds and on-going development fees for residential and commercial projects within the former Fort Ord area. Funds can only be spent on blight removal, capital projects, or habitat management in the stated FORA boundaries.

In Fiscal Year 24/25, the City originally budgeted for $3.1 million in revenues; however revenues through the second quarter were $6.3 million. This variance resulted from a one-time receipt of $5.1 million in development-related fees that were previously held in escrow; and $1.2 million in on-going development related fees and interest earnings. This can be contrasted with the prior year receipts of $2.4 million which include $995,133 in bond proceeds and $1.4 million in development-related fees and interest earnings.

The expenditures within this fund reflect capital transfers, as well as capital projects and habit management activities. The Fiscal Year 24/25 expenditure budget is anticipated to be reduced by approximately $3.8 million for historical TAMC fees that were accrued and recognized in the last fiscal year.

At a Council Meeting earlier this fiscal year, there was discussion of appropriating the remaining fund balance that was not allocated to habit management or approved projects, to the proposed Aquatic and Sports Center. This would include any Fiscal Year 24/25 revenues in excess of these identified expenditures. A formal amendment to appropriate these funds may be made as part of the annual budget process.



Public Impact Fees

The City receives public impact fees from new developments. The related receipts can only be spent on capital projects or purchases that align with the impact from the new growth.

The revenues received through the first quarter were approximately $2.4 million or 41.4% of the budgeted amount. While this is $1.2 million less than the prior year, development activities take place at irregular intervals throughout the year. Historically, this fund has received an average of $6.3 million annually over the last four years. It is anticipated that continued development activities in the spring and early summer will bring this fund closer in alignment with projections.

The expenditures within this fund reflect transfers to the capital improvement fund. The contribution reflects a reduced amount, with additional funds appropriated in the next budget cycle.

An overview of the annual and comparative budgets is provided in the following table.

	Fiscal Year 24/25			Prior Year	Annual
	Amended	Quarter to Date	% Received	Quarter to Date	Difference
Revenues					
Interest Income	$ 373,000	$ 597,430	160.2%	$278,886	$ 318,544
Intersections Fee	637,000	234,200	36.8%	799,969	(565,769)
Roadways Fee	1,536,000	574,575	37.4%	1,301,328	(726,754)
Public Safety Fee	212,000	74,926	35.3%	131,237	(56,311)
Public Building Fee	748,000	232,744	31.1%	273,298	(40,554)
Parks Fee	2,228,000	658,781	29.6%	781,498	(122,717)
Total Revenues	$ 5,734,000	$ 2,372,657	41.4%	$3,566,217	$ (1,193,560)
Expenditures					
Capital Transfers	$ 3,200,000	$ 3,200,000	100.0%	$7,850,000	$ (4,650,000)
Total expenditures	3,200,000	3,200,000	100.00%	7,850,000	(4,650,000)
Net operating difference	$ 2,534,000	$ (827,343)	(32.65)%	$(4,283,783)	$ (3,456,440)