



To: Douglas J. Hewett, City Manager
From: Jeffrey A. Yates, Assistant City Manager
Date: 5/1/2024
Re: FY2024 Financial Update

Please find the attached financial reports. The included reports are part of the ongoing development of the City's financial landscape analysis. As the City continues to implement its financial system, the staff is working to develop meaningful reporting for the management, City Council, and the public. While this process is underway, it will evolve based on the needs and feedback from the City Council. City staff remains committed to timely financial reporting and transparency.

As it evolves, this memo/report aims to regularly update the City Council and the public on the City's financial position, budget status, staffing levels, and other pertinent information that impacts its operations and fiscal sustainability.

Introduction to the Reports

Understanding that we are developing and refining formats and information, we have provided three critical reports for the City Council's review. These reports are as follows:

- **Budget Report** – The Budget Report provides an update on the City's revenues and expenditures through the reporting period, in this case through March 31, 2024. To provide context, the report provides "comparative periods," which are the actual revenues and expenditures for the same periods in the three prior years. Using this information, we can evaluate trends and drivers.
- **Staffing Report** – The staffing report provides updated vacancies by department both in raw numbers and in percentage. The report includes a breakout of the sworn positions in both police and fire. In addition, the working estimate for the vacancy is included. It is important to note that the working vacancy estimate is an estimate and may vary slightly at the end of the year. It does not include projected vacancy savings for future pay periods.
- **General Fund Balance Analysis** – As we complete the budget work and await the submission of the financial statements by the external auditor, we are working on projections for the FY 2024 year-end. We anticipate completing the analysis update by the time we provide the presentation.

This information will evolve and be refined based on the feedback and additional discussions. We look forward to partnering with the City Council to provide meaningful, transparent financial information.

Executive Summary

Several key takeaways emerge when the various reports are analyzed as a landscape. No single piece of information provides a complete picture, but when taken together, we can get a high-level picture of the City's financial condition and health.

The reports are attached for a detailed review, and we welcome any follow-up questions for clarity or explanation. The included reports offer three key takeaways:

1. **The City's financial health is strong.** As of June 30, 2023, the fund balance analysis indicates that the City maintains a fund balance above its policy goal. The policy goal is an unassigned fund balance of \$25.2 million, and the unaudited unassigned fund balance is \$28.2 million. We anticipate completing the projected FY 2024 results in time to provide an update when the presentation is provided.
2. **The General Fund is performing as anticipated.** The revenues and expenditures are in alignment with historical trends. Revenues, particularly Ad Valorem and Intergovernmental (sales taxes), are behaving as anticipated. The three expenditure types that most reflect operations—personnel services, operating expenditures, and contract services—are aligned with historical trends.
3. **Vacancies continue to be both a positive and a risk.** The positive trend is that, given our experience through March (19 pay periods), we estimate a savings of at least \$10.6 million (excluding health insurance). With the remaining seven pay periods, we estimate additional savings of about \$1.5 million from vacancies. This is about 61.1 percent of the \$19.8 million total efficiency goal.

The risk related to vacancies comes from the lack of staffing. As of April 29, there were 213 (12.8 percent) vacant positions in the City. This includes 70 (17.9 percent) sworn Police Officers and 28 (8.2 percent) Firefighters. In addition, the City's 911 Communications group included 16 (23.3 percent) vacant positions. These three groups comprise 53.5 percent of the City's vacant positions.

The challenge with filling both Police and Fire positions is the recruitment cycle. While the City consistently recruits for positions, academies are only held two to three times a year. Because of this, we can anticipate seeing higher vacancies until a recruiting class begins and then a precipitous drop in vacancies. The risk comes when the academy's capacity is insufficient to keep pace with natural attrition. For Fire, we believe largely that the vacancies will be resolved through the academies; with the Police and the

competitive environment for officers, the City will have to consider alternative strategies for service delivery and benefits. Both will be discussed in more detail during the upcoming budget process.

These three components represent significant takeaways from the information provided.

Budget Process Update

The Clerk's Office will start to schedule small group briefings to discuss specific budgetary items as we complete the preparation of the FY 2025 Recommended Budget. As in past years, we anticipate the public presentation of the recommendation in early May. The City Council's calendar currently includes several work sessions, and we will provide additional details concerning the topics when the recommended budget is provided.

Conclusion

The City is striving to improve the reporting process and information. Please feel free to provide feedback. Our overarching goal is to provide meaningful, transparent information to assist the City Council in its policy-making process and assure the public of its financial sustainability. Staff is available if there are any questions or a need for clarification.