

Finance MEETING

11/30/2021

☒ Received Before Meeting

2

FY 2021 ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR) & BUDGET ADJUSTMENTS

November 30, 2021

www.cityofpaloalto.org

OVERVIEW – FINANCIAL STATEMENTS

GOVERNMENT WIDE Financial Statements

(ACFR pages 31 & 33)

- **Governmental Activities** – City’s basic services generally funded by taxes, and/or by specific program revenues such as fees and grants (*full accrual*) + includes portion of internal service funds
- **Business Type Activities** – City’s enterprise activities which are funded in whole or in part by fees charged to external parties (*full accrual*) + includes portion of internal service funds

FUND Financial Statements

(ACFR pages 35, 37, 40-43)

- **Governmental Funds** – similar to “governmental activities” EXCEPT on a *modified accrual* basis of accounting + excludes internal service funds.
- **Proprietary Funds** – same as “business type activities” EXCEPT includes internal service funds. Includes what we refer to as “enterprise funds” (*full accrual*)

OVERVIEW – GOVERNMENT-WIDE FINANCIAL HIGHLIGHTS

Government Wide Statements

- City's Net Position of \$1.230 B, increased by \$4.8 M or 0.4% from FY2020
Net position reflects that assets and deferred outflows exceeded its liabilities and deferred inflows
 - Governmental Activities \$423.1 M, a \$17.4 M decrease
 - Business-Type Activities \$807.2 M, a \$22.2 M increase

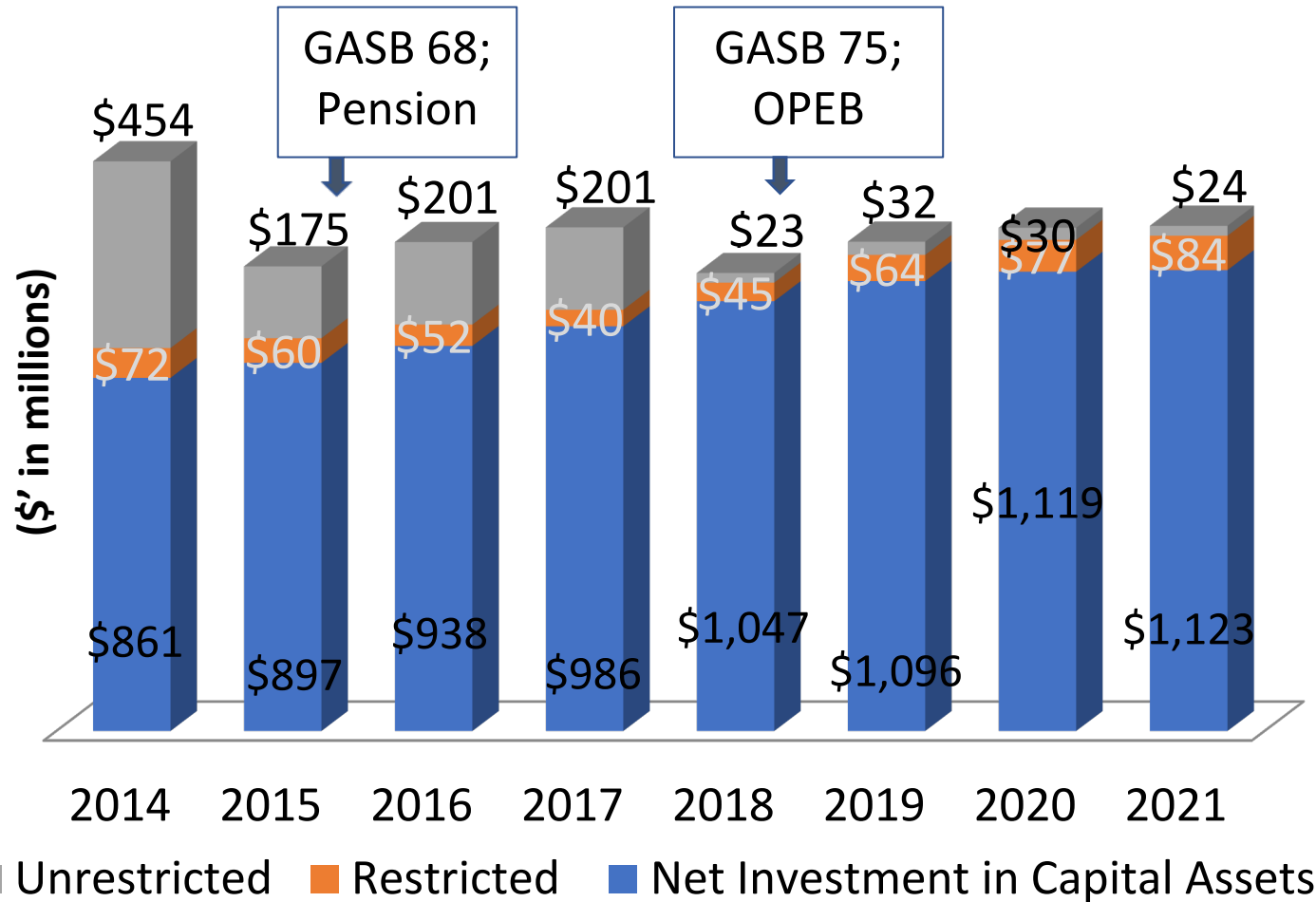
GOVERNMENT WIDE STATEMENTS – STATEMENT OF ACTIVITIES



As of June 30, 2021
(in millions)

	Governmental Activities		Business-type Activities		Government-wide Totals	
	2021	2020	2021	2020	2021	2020
Revenues						
Program Revenues	\$ 69.8	\$ 68.7	\$ 353.4	\$ 359.9	\$ 423.2	\$ 428.6
General Revenues	128.3	144.6	2.2	11.5	130.5	156.1
Total Revenues	\$ 198.1	\$ 213.3	\$ 355.6	\$ 371.4	\$ 553.7	\$ 584.7
Functional Expenses	\$ 234.6	\$ 243.0	\$ 314.3	\$ 307.6	\$ 548.9	\$ 550.6
Increase / (Decrease) in Net Position before Transfers	\$ (36.5)	\$ (29.7)	\$ 41.3	\$ 63.8	\$ 4.8	\$ 34.1
Transfers In / (Out)	19.1	20.3	(19.1)	(20.3)	0.0	0.0
Change In Net Postion	\$ (17.4)	\$ (9.4)	\$ 22.2	\$ 43.5	\$ 4.8	\$ 34.1

GOVERNMENT WIDE STATEMENTS – NET POSITION



Net position of \$1.23B includes:

- 91.2% is investment in capital assets, \$1.123 B
- Restricted funds, are subject to external restrictions such as the City's 115 Pension Trust Fund (\$37.1M), \$83.7M
- 2.0% unrestricted funds of \$24.1 million in ALL funds, however, reflects positive balances in Business-type Activities

OVERVIEW – FUND FINANCIAL HIGHLIGHTS

- Overall, City's funds ended the year with a positive fund balance – demonstrating continued commitment to strong financial management principles.
- Total combined governmental funds balances is \$365.6 M, a \$98.9 M increase from FY 2021 (\$266.7 M)
 - \$13.8 M is from General Fund; \$82.1 M is from Capital Project Fund; \$3.0 M from Other Governmental Funds
- General Fund ended with a \$49.1 M Budget Stabilization Reserve (BSR), an increase of \$13.2 M, or 36.8%, from FY 2020.
- The City's Enterprise Funds, except for the Electric fund, ended the year in a positive change in net position.

FUND STATEMENT – BUDGET STABILIZATION RESERVE

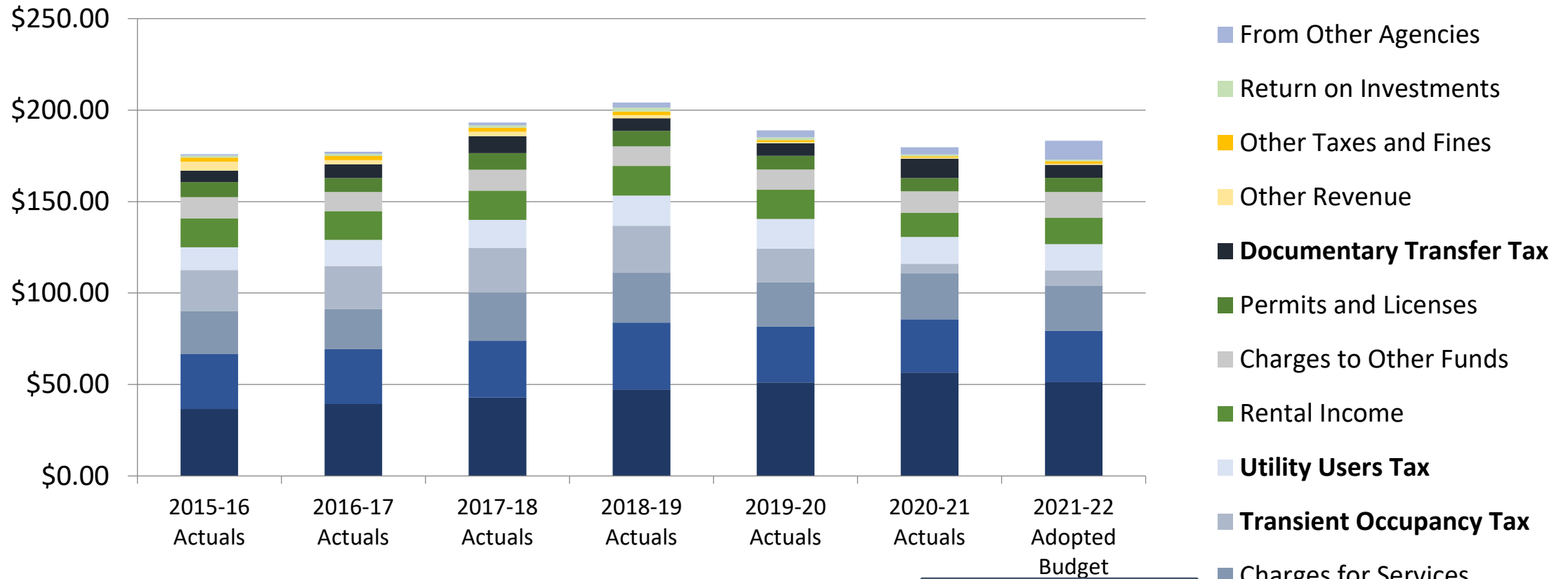
\$49.1 M BSR is 23.5% of the FY 2022 Adopted General Fund budgeted expenses.

After uses below will bring the BSR to \$43.3 M,
a surplus of \$4.6 million compared to the Council 18.5 percent target.

Year-End Budget Stabilization Reserve (BSR) Summary (in millions)	
General Fund BSR Balance, June 30, 2021	<u>\$ 49,089</u>
Uses of the FY 2021 Surplus	
FY 2022 Approved Adjustments to the BSR Balance	
FY 2022 Adopted Budget	(\$ 1,808)
Utilities Transfer Litigation (Equity Transfer) (CMR 13439)	(\$ 4,000)
Subtotal: Approved Adjustments to the BSR Balance	(\$ 5,808)
Current Projected FY 2021 BSR Level, (June 30, 2022)	<u>\$ 43,281</u>

NOTE: BSR is higher than the preliminary estimate of \$48.2 million as presented to the City Council on October 25, 2021 (CMR #13439).

HISTORY OF GENERAL FUND REVENUES



Major Taxes

FY 2019
\$132.8M

FY 2020
\$123.2M

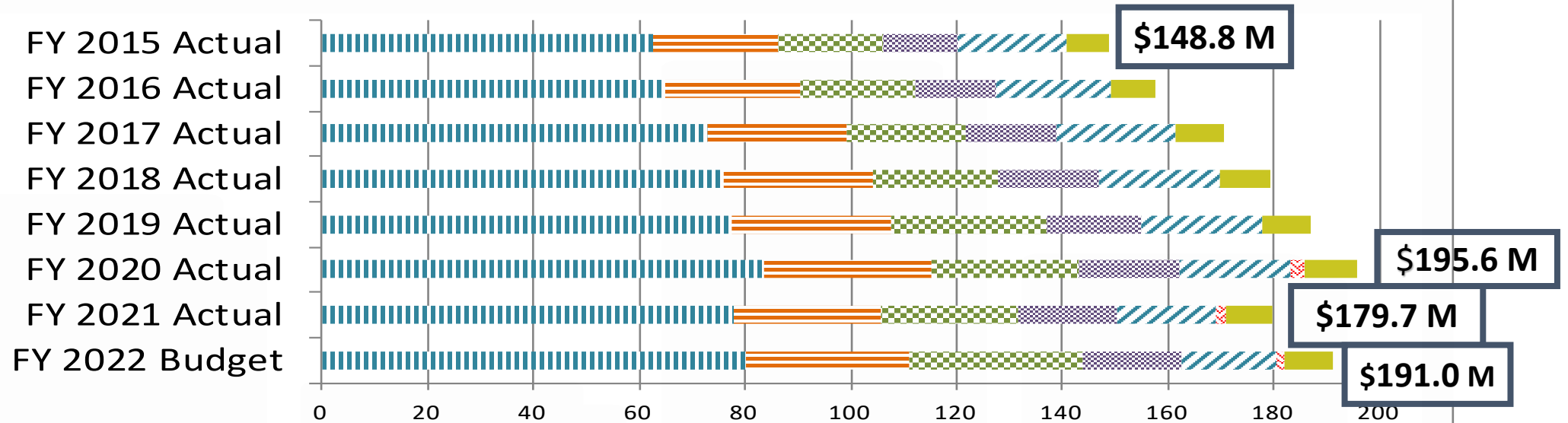
FY 2021
\$116.1M

FY 2022 Adopted
\$109.3 M
-17.7% since FY19



CITY OF
PALO ALTO

GENERAL FUND – ACTUAL EXPENSE FY2015-2021 (BUDGETARY)



	FY 2022 Budget	FY 2021 Actual	FY 2020 Actual	FY 2019 Actual	FY 2018 Actual	FY 2017 Actual	FY 2016 Actual	FY 2015 Actual
Public Safety	80,029	77,795	83,616	77,592	75,975	72,815	65,005	62,459
Community Services	31,052	27,769	31,489	30,201	28,395	26,573	25,262	23,902
Admin Depts	32,829	26,165	28,169	29,304	23,538	22,157	22,059	19,771
Public Works	18,785	18,553	18,932	17,928	18,908	17,475	15,084	14,210
Planning and Development Services	17,673	18,782	21,098	22,606	23,006	22,400	21,784	20,361
Office Of Transportation	1,747	2,010	2,360					
Library	8,903	8,636	10,092	9,491	9,357	9,266	8,217	8,144



CAPITAL PROJECT FUND

The Capital Projects Fund ended the year with a fund balance of \$165.7 M, an increase of \$82.1 M, which are comprised of the following:

Fund Balance Component	Amount (\$ in millions)
Restricted for Library projects	\$ 598
Reserved for Roth Building rehabilitation	5,179
Reserved for Cubberley expenditures	4,726
Restricted for Public Safety Building	90,922
Assigned for all other Capital projects	64,279
Total Capital Projects Fund Balance	<u>\$ 165,704</u>

ENTERPRISE NET POSITION

Change in Net Position for the Year Ended June 30 (in millions)

Fund Name	2021	2020	Increase/ (Decrease)
Water	\$ 6.6	\$ 8.0	\$ (1.4)
Electric	(4.8)	18.6	(23.4)
Fiber Optics	1.5	2.9	(1.4)
Gas	3.5	3.0	0.5
Wastewater Collection	0.7	2.1	(1.4)
Wastewater Treatment	3.1	0.3	2.8
Refuse	1.9	(3.1)	5.0
Storm Drainage	3.0	2.2	0.8
Airport	6.7	5.6	1.1
Total Change in Net Position	<u>\$22.2</u>	<u>\$39.6</u>	<u>\$ (17.4)</u>

FY 2021 YEAR-END BUDGET ADJUSTMENTS (ATTACHMENT B)

Technical adjustments across all fund types to minimize variances and align appropriated funds with actual levels (four types of alignments).

- Adjustments to recognize actual revenue collected and offset associated expenditures
- Net-zero realignments (move budgeted funds from areas of saving to areas of overage within a fund)
- Adjustments to Transfers to Other Funds
- Adjustments to Fund Balance

Major Adjustments

- Net-zero realignments in the General Fund between departments ensuring actuals remain within appropriated levels at the departmental level
- Capital Projects adjusted for actual revenue and expenditures, maintains overall Council approved total project budgets

RECOMMENDED ACTION

Staff recommends that the Finance Committee forward to the City Council for its approval:

1. The City's FY 2021 Annual Comprehensive Financial Report (ACFR) (Attachment C);
and
2. Amend the Fiscal Year (FY) 2021 Budget Appropriation Ordinance for various funds as identified in the attached Recommended Amendments to the City Manager's FY 2021 Budget (Operating Budget: Attachment B – Exhibit 1; Capital Budget: Attachment B – Exhibit 2).



CITY OF
**PALO
ALTO**