



Informational Memo

Management Services - Memo No. 23-035

Date: January 31, 2023

To: Mayor and Council

Thru: Joshua H. Wright, City Manager *JHW*
Dawn Lang, Deputy City Manager/CFO *DLL*

From: Matt Dunbar, Budget & Policy Officer *MD*

Subject: Fiscal Year (FY) 2022-23 Second Quarter Financial Report

Attached is the FY 2022-23 Second Quarter Financial Report, summarizing budget to actual performance of General Fund operating revenue and expenditures and additional summaries and analysis of Enterprise, System Development Fees, Highway User Revenue, and Grant funds.

The analysis included in this report provides a snapshot at the end of the second quarter of FY 2022-23 by reflecting budget to actual compared to historical trends and the prior year. These historical comparisons are based on actual results compared to budget over the last four years (FY 2018-19 to FY 2021-22), and an explanation has been provided in those areas where there are significant deviations from the historical trend or the prior year's results.

When reviewing revenue trends over the second quarter, all General Fund revenue performance indicators are showing as positive, except Franchise Fees, which shows a Warning due to timing of collections. The General Fund second quarter reflected overall revenue growth of 16.9% (over historical collections through December) with 55.5% of budgeted revenues received compared to a 52.6% historical average received.

Overall, General Fund expenditures are at 54.7% of budget through the second quarter compared to 53.9% for the historical average spent. This includes an increased one-time Public Safety Personnel Retirement System (PSPRS) unfunded liability payment of \$50M, which was \$28M more than the prior year payment. Based on known spending expectations, anticipated increases, and additional inflation impacts, expenditures will continue to be monitored throughout the year and adjusted when needed.

Should you have additional questions regarding this information, please contact me at x2256 or Dawn Lang at x2255.

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Attachment: FY 2022-23 Second Quarter Financial Report

c: Tadd Wille, Assistant City Manager
Andy Bass, Deputy City Manager



CHANDLER arizona Quarterly Financial Report

Management Services

2nd Qtr FY 2022-23

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PERFORMANCE INDICATORS

(At year-end, revenues performance indicators default to positive when 100% or more of budget is collected and expenditures performance indicators default to positive when total spending is less than adjusted budget)

- * **Positive** = Rev: Variance is above or <2% below historical trend. Exp: Variance <= 2% compared to historical trend.
- Warning** = Rev: Variance of 2 - 5% below historical trends. Exp: Variance of 2 - 5% above historical trends.
- Negative** = Rev: Variance of > 5% below historical trends. Exp: Variance > 5% above historical trend.

THE QUARTERLY FINANCIAL REPORT

Report Objectives

- * Provide historical comparisons to identify trends or deviations from trends.
- * Develop performance benchmarks to measure positive and negative results.
- * Create an executive level report to highlight potential issues or concerns.

What is Included in the Report

The report emphasizes General Fund, with analysis of its revenue and each category of revenue, and the expenditures by department. Also included is a summary and analysis of Enterprise Funds, System Development Fee and Impact Fee Funds, the Highway User Tax Fund, and Grants.

How to Read the Report

- * Page 1 serves as a table of contents and quick view of performance issues.
- * The benchmarks are Positive (navy colored), Warning (grey colored), and Negative (maroon colored), providing an initial indicator to determine if the category needs to be monitored closely in the upcoming period or if it is deviating from trends.
- * Performance indicators for General Fund *revenues* are comparing the percent of year-to-date actuals collected to total budget AND the budget prorated based on the historical trend (last four years) of average actual year-to-date collections to budget.
- * Performance indicators for General Fund *expenditures* are based on whether they are within budget for the percent of year-to-date actuals expended plus encumbrances compared to the total budgeted expenditures.
- * Performance indicators for Enterprise Funds focus on the relationship between Operating Revenues and Operating Expenses (including debt service and indirect cost allocation) and the percentage of budget received/expended.

ECONOMIC INDICATORS

Gross Domestic Product (GDP)

Real gross domestic product - the output of goods and services produced by labor and property located in the US. Reflects spending for households, business, government, and trade.

The change to the GDP is an indicator of the general direction of the economy. Slow or negative growth will likely mean lower revenues for the City.

Fourth Quarter 2021	7.0%
First Quarter 2022	-1.6%
Second Quarter 2022 (3rd update)	-0.6%
Third Quarter 2022 (revised estimate)	3.2%

Source: U.S. Department of Commerce

Interest Rates

This table reflects the four most recent changes to the Federal Funds Rate by the Federal Reserve Board.

Lowering the Federal Funds Rate is a way for the Federal Reserve Board to make it less expensive for banks to borrow money for loans and investments and (in theory) pumping additional dollars into the economy.

July 28, 2022	2.25%-2.50%
September 22, 2022	3.00%-3.25%
November 28, 2022	3.75%-4.00%
December 22, 2022	4.25%-4.50%

Source: Federal Reserve Bank

Unemployment

	National	State of Arizona	Phoenix Metro Area*
Sep-22	3.5%	3.7%	3.5%
Oct-22	3.7%	3.9%	3.5%
Nov-22	3.6%	4.1%	3.0%
Dec-22	3.5%	4.0%	2.7%

High unemployment rates typically result in a reduced demand for goods and services.

*Source: Arizona Office of Economic Opportunity Monthly Employment Report (not seasonally adjusted)

City Investment Portfolio

The City splits its investment portfolio between two investment firms with a different mix of holdings at each firm to reduce risk.

Wells Capital benchmark is 0-3 year U.S. Treasury Index.

PFM's benchmark is 1-5 year U.S. Treasury Index

Rate of Return is net of fees and includes interest earnings as well as both realized and unrealized gains/(losses). Rate of Return is typically negative in a rising rate environment.

Fiscal Year 2022-23 Rate of Return	2nd Quarter	Fiscal Year
Benchmark	0.95%	-1.35%
Wells Capital Management	-0.79%	-0.01%
PFM	-1.08%	-1.08%
Fiscal Year 2021-22 Rate of Return	2nd Quarter	Fiscal Year
Benchmark	-0.68%	-0.69%
Wells Capital Management	-0.42%	-0.38%
PFM	-0.71%	-0.71%

Source: Investment Advisors

Building Permits

Single-family building permits are an indicator of the general economy. Higher numbers of permits indicate an active construction market and resultant home sales. Fewer building permits generally equates to less new construction, and permit fees and construction sales tax revenues.

Chandler's quarterly average for single family building permits is down to 115 per quarter in FY 2021-22; compared to 205 average permits per quarter for FY 2020-21; and 170 average permits per quarter for FY 2019-20.

Quarter	State of Arizona	Chandler
Apr - May - Jun 2021	12,891	169
Jul - Aug - Sep 2021	10,883	161
Oct - Nov - Dec 2021	10,001	121
Jan - Feb - Mar 2022	13,383	99
Apr - May - Jun 2022	10,929	80
Jul - Aug - Sep 2022	7,735	11
Oct - Nov - Dec 2022	5,339	12

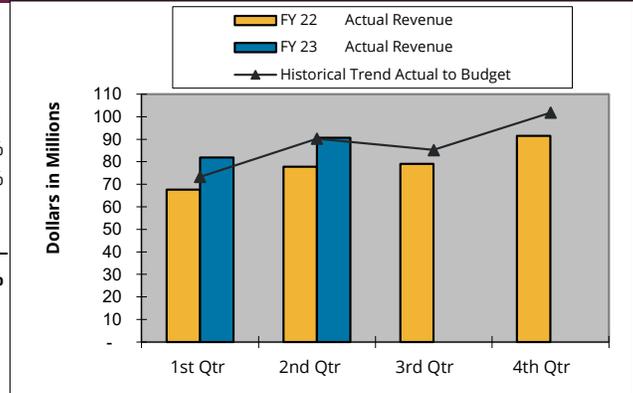
General Fund

Revenue Analysis:

Overall General Fund Revenues FY 2022-23

	FY 23 Adopted Budget	FY 23 Actual Revenue	% of Budget Rec'd	*% of Budget Hist. Rec'd
1st Qtr Jul - Sep 22	\$ 69,175,217	\$ 81,836,538	26.3%	23.6%
2nd Qtr Oct - Dec 22	78,366,731	90,618,348	29.1%	29.0%
3rd Qtr Jan - Mar 23	74,307,129			
4th Qtr Apr - Jun 23	89,043,826			
Total	\$ 310,892,902	\$ 172,454,886	55.5%	52.6%

* Pro-rated based upon a four year historical trend of actual year-to-date collections



Positive

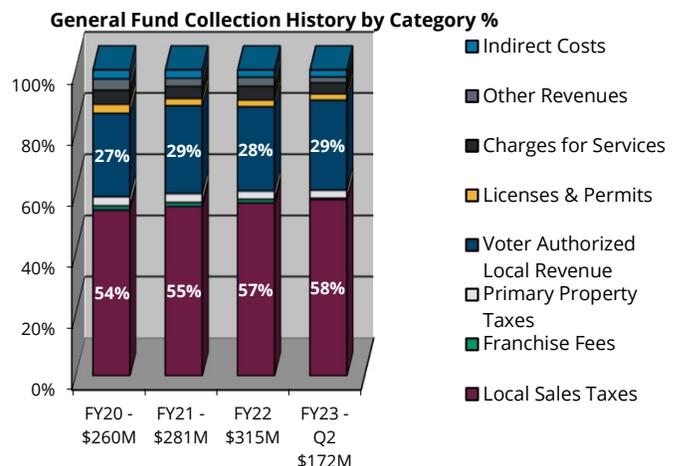
General Fund revenue collections for FY 2022-23 are \$24.9M (16.9%) above the adopted budget and \$27.0M (18.6%) higher than actual collections through the second quarter of FY 2021-22.

Overall, General Fund revenue, led by continuing strong Sales Tax and Licenses collections, is performing well due to higher local consumer spending with related inflation, and a steady stream of development activity (although slowing) in Chandler. The \$20B expansion of Intel is the largest development during this time and has caused revenues to come in over budget with the related inflation impacts as well. It is anticipated that once the development is completed, revenues will stabilize in various categories, classifying much of these additional revenues as one-time. The performance indicator is positive as the percentage of budget received through the second quarter is higher than the historical budget received through the same period.

The following charts provide more detail regarding the various sources of General Fund revenues and provide more detail on the performance indicators.

Overall General Fund Revenues by Category FY 2022-23

Revenue Categories	FY 23 Adopted Budget	FY 23 Actual Revenue	% of Budget Rec'd to Date
Sales Tax	\$ 174,948,400	\$ 99,389,466	56.8%
Franchise Fees	3,451,000	751,542	21.8%
Primary Property Tax	8,663,078	4,517,173	52.1%
VALR & State Shared	88,825,000	50,786,558	57.2%
Licenses & Permits	6,718,500	3,591,786	53.5%
Charges for Services	13,133,500	6,136,763	46.7%
Other Revenues	7,288,800	3,349,286	46.0%
Indirect Cost Allocation	7,864,624	3,932,312	50.0%
Total	\$ 310,892,902	\$ 172,454,886	55.5%



Positive

This chart summarizes General Fund revenue collections by revenue category for FY 2022-23. The graph helps us visualize what percentage each revenue category is to the total General Fund. The percentage spread of revenue sources are relatively consistent over the years with local sales taxes and Voter Authorized Local Revenues, also known as State Shared, being the largest General Fund revenue sources. The next several pages provide an analysis of each revenue category except Indirect Cost Allocation (payments by the Water, Wastewater, Reclaimed Water, Solid Waste, and Airport Enterprise Funds to the General Fund for City services provided for their operations). The performance indicator is positive as actual collections exceeded the amount budgeted at year-end.

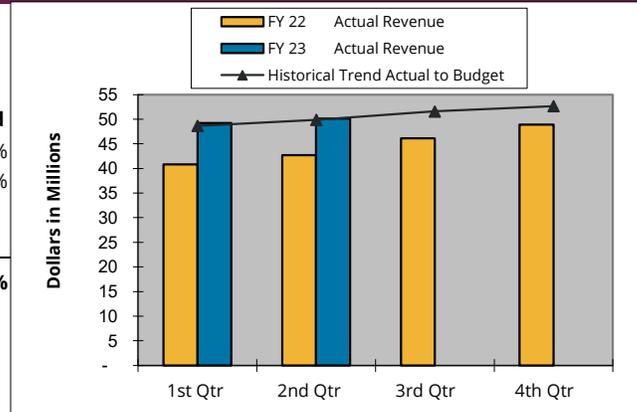
General Fund

Revenue Analysis (continued):

Sales Tax Revenue FY 2022-23

	FY 23 Adopted Budget	FY 23 Actual Revenue	% of Budget Rec'd	% of Budget Hist. Rec'd
1st Qtr Jul - Sep 22	\$ 41,994,092	\$ 49,246,090	28.1%	27.8%
2nd Qtr Oct - Dec 22	43,099,421	50,143,376	28.7%	28.5%
3rd Qtr Jan - Mar 23	44,457,203			
4th Qtr Apr - Jun 23	45,397,683			
Total	\$ 174,948,400	\$ 99,389,466	56.8%	56.4%

* Pro-rated based upon a four year historical trend of actual year-to-date collections



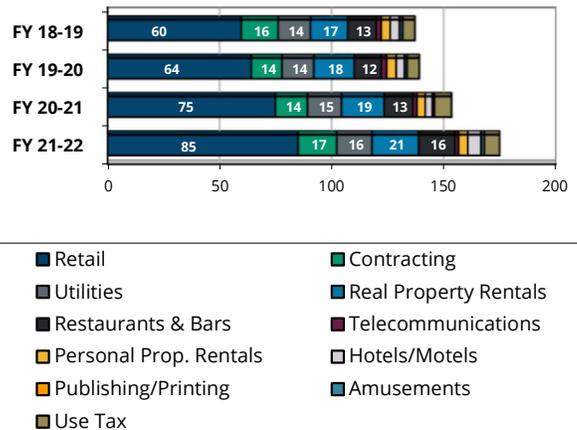
Positive

Figures above **include** General Fund local sales tax collections and the related revenues of license fees, audit assessments, penalties, and interest. Sales tax collections for FY 2022-23 are \$14.3M (16.8%) above adopted budget and \$15.8M (18.9%) higher than FY 2021-22 actual collections. The performance indicator is positive as the percentage of budget received through the second quarter is higher than the historical budget received through the same period.

Sales Tax Collection History

	FY 23 Adopted Budget	FY 23 Actual Revenue	% of Actual to Budget	% Chg from Prior Yr.
Retail/Mfd. Bldg/Jet Fuel	\$ 82,000,000	\$ 44,923,362	54.8%	13.9%
Contracting	18,060,000	13,266,635	73.5%	94.5%
Utilities	17,000,000	9,811,697	57.7%	3.1%
Real Property Rentals	21,115,000	11,153,133	52.8%	11.8%
Restaurants & Bars	15,885,000	8,215,960	51.7%	10.5%
Telecommunications	1,550,000	796,420	51.4%	-2.2%
Personal Prop. Rentals	4,160,000	2,361,484	56.8%	15.6%
Hotels/Motels	4,680,000	2,664,144	56.9%	26.1%
Publishing/Printing/Adv.	200,000	115,188	57.6%	14.7%
Amusements	1,050,000	671,200	63.9%	28.0%
Use Tax	7,500,000	3,436,388	45.8%	6.0%
Total Sales Tax	\$ 173,200,000	\$ 97,415,610	56.2%	18.8%

4 Years Actual Sales Tax by Category (in millions)



The above figures reflect General Fund sales tax collections by category and **exclude** the related revenues of license fees, audit assessments, penalties, and interest. Sales tax collections through the second quarter of FY 2022-23 were \$13.2M (15.7%) above the adopted budget and \$15.4M (18.8%) higher than FY 2021-22 actual collections through the same period. It should be noted that many of the categories are positive, reflecting higher consumer, contracting/development, and tourism spending, increased by inflation impacts. Telecommunication collections continue to decline due to the replacement of landlines with cellular phones, and the costs associated with phone access versus data continues a steady decline.

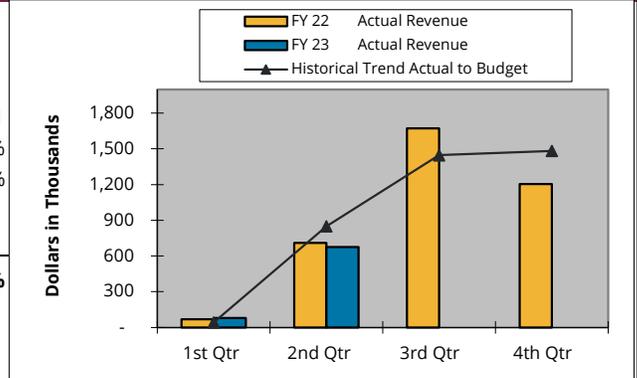
General Fund

Revenue Analysis (continued):

Franchise Fee Revenue FY 2022-23

	FY 23 Adopted Budget	FY 23 Actual Revenue	% of Budget Rec'd	% of Budget Hist. Rec'd
1st Qtr Jul - Sep 22	\$ 38,532	\$ 77,627	2.2%	1.2%
2nd Qtr Oct - Dec 22	766,874	673,914	19.5%	24.6%
3rd Qtr Jan - Mar 23	1,306,740			
4th Qtr Apr - Jun 23	1,338,854			
Total	\$ 3,451,000	\$ 751,542	21.8%	25.8%

* Pro-rated based upon a four year historical trend of actual year-to-date collections



Warning

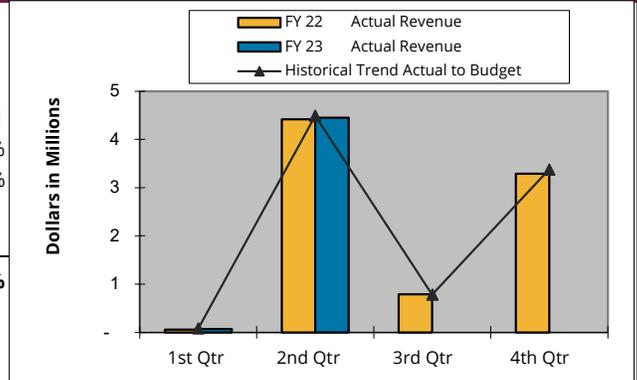
Franchise fees are paid by Arizona Public Service (2% of commercial and residential sales), Southwest Gas Corporation (2% of commercial and residential sales), Cox Communications (5% of gross revenue), Air Products (2% of gross sales), and Western Broadband (5% of gross sales).

Franchise fee collections through the second quarter of FY 2022-23 are \$53,864 (6.7%) less than the adopted budget and \$24,900 (3.2%) less than FY 2021-22 actual through the second quarter. The performance indicator is a warning through the second quarter as the percentage of budget received is between two to five percentage points of historical budget received through the same period. The timing of payments received is causing this warning.

Primary Property Tax Revenue FY 2022-23

	FY 23 Adopted Budget	FY 23 Actual Revenue	% of Budget Rec'd	% of Budget Hist. Rec'd
1st Qtr Jul - Sep 22	\$ 81,433	\$ 68,171	0.8%	0.9%
2nd Qtr Oct - Dec 22	4,453,407	4,449,002	51.4%	51.8%
3rd Qtr Jan - Mar 23	775,556			
4th Qtr Apr - Jun 23	3,352,682			
Total	\$ 8,663,078	\$ 4,517,173	52.1%	52.8%

* Pro-rated based upon a four year historical trend of actual year-to-date collections



Positive

This presentation only includes primary property taxes (supporting General Fund operations) and does not include secondary property taxes (supporting debt service on capital projects and recorded in the General Obligation Debt Service Fund). Property tax collections are due starting October 1st and March 1st each year. For FY 2022-23, Chandler is collecting a primary tax rate of \$0.2326 per \$100 of assessed valuation and a secondary tax rate of \$0.87 per \$100 of assessed valuation for a total rate of \$1.1026, representing a \$0.01 cent decrease from the rates adopted in the prior year. This reduction helps offset some of the City's assessed valuation increase of 7.1% (majority was new property), which resulted in a small net tax increase for the median value homeowner.

Primary property tax collections through the second quarter FY 2022-23 are \$17,668 (0.4%) less than the adopted budget and \$42,420 (0.9%) more than FY 2021-22 actual collections through the second quarter. The majority of collections come in the second and fourth quarters since the first half of the property tax bills are due in October and the second half are due in March. The performance indicator is positive as the percentage of budget received through the second quarter is less than 2% below the historical budget received through the same period.

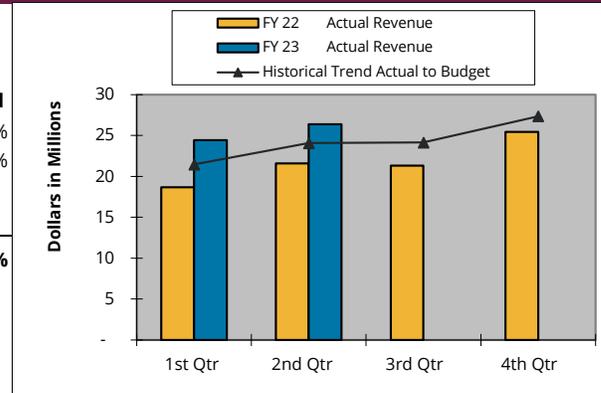
General Fund

Revenue Analysis (continued):

Voter Authorized Local Revenue (VALR) & Other State Shared Revenues FY 2022-23

	FY 23 Adopted Budget	FY 23 Actual Revenue	% of Budget Rec'd	*% of Budget Hist. Rec'd
1st Qtr Jul - Sep 22	\$ 19,683,661	\$ 24,420,433	27.5%	24.2%
2nd Qtr Oct - Dec 22	21,880,486	26,366,125	29.7%	27.1%
3rd Qtr Jan - Mar 23	22,152,315			
4th Qtr Apr - Jun 23	25,108,539			
Total	\$ 88,825,000	\$ 50,786,558	57.2%	51.3%

* Pro-rated based upon a four year historical trend of actual year-to-date collections



Positive

-- **Voter Authorized Local Revenue (State Shared Sales Tax Revenue):** The State sales tax rate is currently 5.6%, of which a portion of the various categories of sales tax are distributed to cities and towns based on population as Voter Authorized Local Revenue. Collections through the second quarter of FY 2022-23 are \$4.2M (29.6%) above adopted budget and \$1.2 (6.8%) higher than FY 2021-22 actual collections through the second quarter.

-- **Smart and Safe (State Shared Revenue):** Prop 207 was approved by voters in 2020 and created a 16% excise tax on the sale of recreational marijuana effective 2021. Fire and Police departments receive 31.4% of the revenue based on the number of enrolled employees in PSPRS. The tax is distributed December and June of each year. No funds have been received through second quarter of FY 2022-23, but in FY 2021-22, \$1.3M was received and recorded in the Other Receipts category.

-- **Vehicle License Tax:** Cities and towns receive 25% of the net revenues collected for vehicle licensing within their county from the State, as well as surcharges from vehicle rentals. The respective city share's are determined by the proportion of city population to total incorporated population of the county. Collections through the second quarter of FY 2022-23 were \$161,872 (2.6%) less than adopted budget and \$656,487 (12.3%) higher than FY 2021-22 actual collections through the second quarter. This category has been impacted by the delays in production of new vehicles for sale.

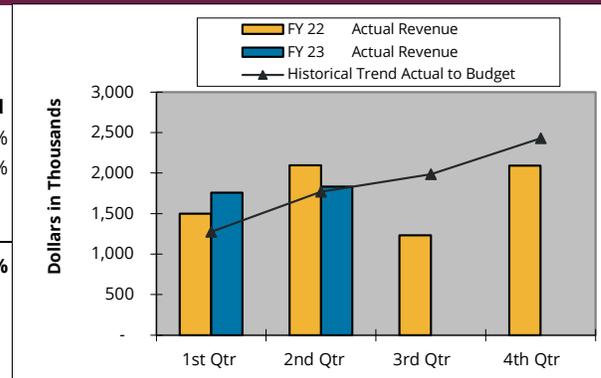
-- **Urban Revenue Sharing:** Fifteen percent (15%) of the 2020 State income tax collection is distributed to cities and towns as urban revenue sharing based upon estimated population. Collections through the second quarter of FY 2022-23 were \$5.2M (24.4%) above adopted budget and \$8.7M (48.8%) higher than FY 2021-22 actual collections through the second quarter.

The overall Voter Authorized Local Revenue and Other State Shared revenue performance indicator is positive because the percentage of budget received through the second quarter is higher than the percentage of historical budget received through the second quarter.

Licenses & Permits Revenue FY 2022-23

	FY 23 Adopted Budget	FY 23 Actual Revenue	% of Budget Rec'd	*% of Budget Hist. Rec'd
1st Qtr Jul - Sep 22	\$ 1,150,066	\$ 1,758,340	26.2%	19.0%
2nd Qtr Oct - Dec 22	1,592,841	1,833,446	27.3%	26.4%
3rd Qtr Jan - Mar 23	1,787,062			
4th Qtr Apr - Jun 23	2,188,531			
Total	\$ 6,718,500	\$ 3,591,786	53.5%	45.4%

* Pro-rated based upon a four year historical trend of actual year-to-date collections



Positive

This category includes revenue for various licenses: transaction privilege (sales) tax, alcoholic beverages, transient merchants, peddlers and solicitors, secondhand and junk dealers, amusements, business registrations, and professional/occupational licenses, as well as cable license application fees. In addition, revenue from building, alarm, and fiber optic permits are included. License and permit collections through the second quarter of FY 2022-23 are \$848,879 (30.9%) above adopted budget and \$4,452 (0.1%) less than FY 2021-22 actual collections through the second quarter. The performance indicator is positive as the percentage of budget received through the second quarter is higher than the historical budget received through the same period.

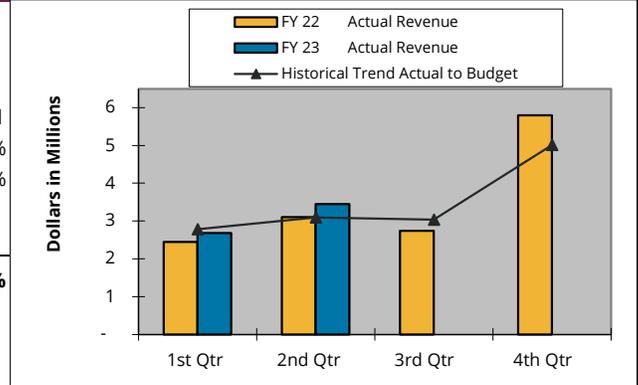
General Fund

Revenue Analysis (continued):

Charges for Services Revenue FY 2022-23

	FY 23 Adopted Budget	FY 23 Actual Revenue	% of Budget Rec'd	*** of Budget Hist. Rec'd
1st Qtr Jul - Sep 22	\$ 2,625,616	\$ 2,685,104	20.4%	21.2%
2nd Qtr Oct - Dec 22	2,917,864	3,451,659	26.3%	23.6%
3rd Qtr Jan - Mar 23	2,861,122			
4th Qtr Apr - Jun 23	4,728,898			
Total	\$ 13,133,500	\$ 6,136,763	46.7%	44.8%

* Pro-rated based upon a four year historical trend of actual year-to-date collections



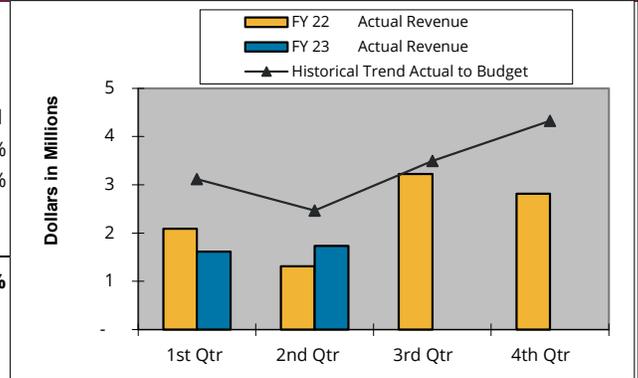
Positive

Charges for Services includes revenue from various engineering, recreation, and library fees, police and fire miscellaneous service reimbursements, and public school reimbursements. Charges for services collections through the second quarter of FY 2022-23 were \$593,282 (10.7%) above adopted budget and \$585,719 (10.6%) higher than FY 2021-22 actual collections through the second quarter. The performance indicator is positive as the percentage of budget received through the second quarter is higher than the percentage of historical budget received through the second quarter.

Other Revenue FY 2022-23

	FY 23 Adopted Budget	FY 23 Actual Revenue	% of Budget Rec'd	*** of Budget Hist. Rec'd
1st Qtr Jul - Sep 22	\$ 1,635,657	\$ 1,614,617	22.2%	42.8%
2nd Qtr Oct - Dec 22	1,689,684	1,734,669	23.8%	33.8%
3rd Qtr Jan - Mar 23	1,755,147			
4th Qtr Apr - Jun 23	2,208,312			
Total	\$ 7,288,800	\$ 3,349,286	46.0%	76.6%

* Pro-rated based upon a four year historical trend of actual year-to-date collections



Positive

Other revenue captures interest income, fines and forfeitures, court fees, sale of land and fixed assets, and other miscellaneous items. Revenue streams in this category are not constant. Other revenue collections through the second quarter of FY 2022-23 are \$23,945 (14.9%) less than adopted budget and \$53,080 (10.2%) less than FY 2021-22 actual collections through the second quarter. FY 2022-23 reflects a decrease in the first quarter revenues compared to FY 2021-22, in which two large receipts (Valley Metro Transit Services and sale of a build) were recorded. Court fee reductions and interest reflects the majority of the decrease when comparing to the historical trend. Although revenue received is greater than five percentage points below historical trend, the historical trend is inflated due to interest and other revenues which came in higher than budget in prior years. Since the amount received came in as planned in the second quarter, the performance indicator was changed to positive. This is to not cause concern since this categories swings are largely one-time in nature.

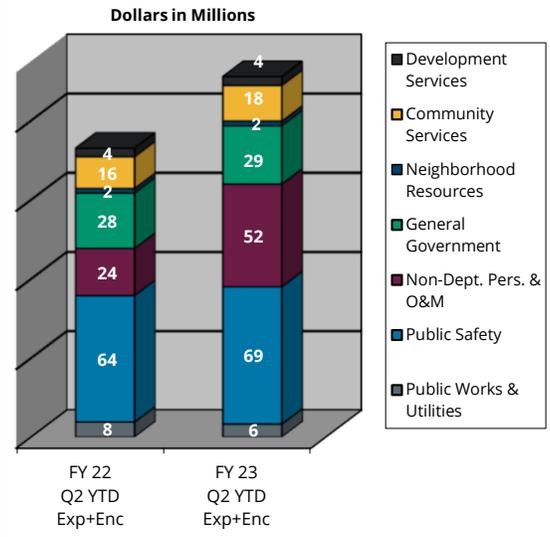
General Fund

Expenditure Analysis:

General Fund Expenditures + Encumbrances for FY 2022-23 by Function

	FY 23 Adjusted Budget	FY 23 Q2 YTD Exp+Enc	% of Budget Exp'd	% of Budget Prior Yr.
* Dept. Operating				
General Government	\$ 65,807,663	\$ 29,497,018	44.8%	46.9%
Community Services	32,829,927	18,060,792	55.0%	54.4%
Development Services	10,689,908	4,478,686	41.9%	43.7%
Public Safety	136,792,174	69,405,221	50.7%	52.4%
Public Works & Utilities	11,897,302	6,465,913	54.3%	55.5%
Neighborhood Resources	8,503,513	2,301,518	27.1%	52.1%
Non-Dept. Pers. & O&M	66,389,009	51,874,954	78.1%	75.6%
Subtotal	\$ 332,909,496	\$ 182,084,102	54.7%	53.9%
Non-Dept. Reserves	\$ 1,900,000	\$ -	0.0%	0.0%
Non-Dept. Contingencies	37,834,580	-	0.0%	0.0%
Total	\$ 372,644,076	\$ 182,084,102	48.9%	47.4%

* Excluding Interfund Transfers



Total General Fund operating expenditures and encumbrances are reflected by City function, along with budgeted non-departmental reserves (encumbrance and unencumbered carryforward, utility, fuel, and downtown redevelopment) and contingencies (15% of revenues and Council Contingency). Since General Obligation debt and General Fund capital expenditures are reflected in the General Obligation Debt and General Capital Projects Funds, this presentation only includes General Fund operating expenditures to more clearly reflect the results of operations.

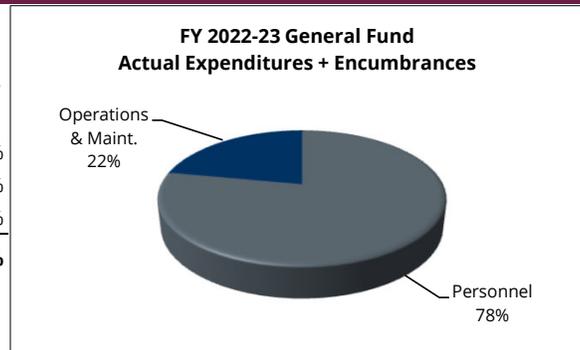
The chart reflects actual spending and encumbrances in FY 2021-22 and FY 2022-23. Non-Dept. Personnel and O&M (maroon category) increase reflects the difference in the amount of the prior year's payment of \$22M towards the Public Safety Personnel Retirement System (PSPRS), to the current year's payment of \$50M. Public Safety's (blue category) increase reflects higher personnel related costs. All other areas remained fairly consistent.

FY 2022-23 operating expended and encumbered through the second quarter is 54.7% of the adjusted budget compared to 53.3% of adjusted budget spent and encumbered through the second quarter of the prior year. As shown on the following pages, departments (excluding non-departmental) have expended between 27.1% and 55.3% of their General Fund adjusted budgets for FY 2022-23.

General Fund Expenditures + Encumbrances for FY 2022-23 by Category

	FY 23 Adjusted Budget	FY 23 Q2 YTD Exp+Enc	FY 22 Q2 YTD Exp+Enc	% Change from Prior Yr. Actual
*Dept. Operating				
Personnel	\$ 258,345,341	\$ 141,969,426	\$ 109,911,283	29.2%
Operations & Maint.	74,564,155	40,114,676	35,986,361	11.5%
Reserves/Contingencies	39,734,580	-	-	0.0%
Total	\$ 372,644,076	\$ 182,084,102	\$ 145,897,644	24.8%

* Excluding Interfund Transfers



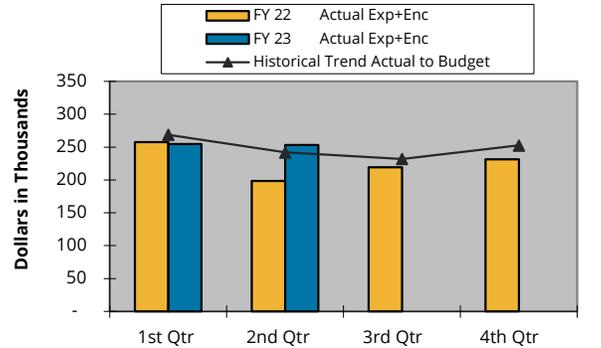
Total General Fund operating expenditures and encumbrances are reflected by spending category. Personnel spending through the second quarter of FY 2022-23 is 29.2% more than spending for FY 2021-22. The majority of the increase is due the \$50M payment to the Public Safety Personnel Retirement System (PSPRS) unfunded liability, versus \$22M in the prior year. Operations and maintenance for FY 2022-23 is 11.5% more than spending for FY 2021-22. Some of the increase reflects higher spending and encumbrances for park maintenance, IT contracted services, neighborhood community programs, as well as other charges and services.

General Fund

Expenditure Analysis (continued / department summaries):

Mayor & Council Expenditure FY 2022-23 Comparison

	FY 23 Adjusted Budget	FY 23 Actual Exp+Enc	% of Budget Expended by Qtr	*Hist. Trend % of Budget
Operating Only				
1st Qtr Jul - Sep 22	\$ 327,648	\$ 254,759	21.0%	22.1%
2nd Qtr Oct - Dec 22	291,242	253,289	20.9%	19.9%
3rd Qtr Jan - Mar 23	279,107			
4th Qtr Apr - Jun 23	315,512			
Total	\$ 1,213,509	\$ 508,048	41.9%	42.0%



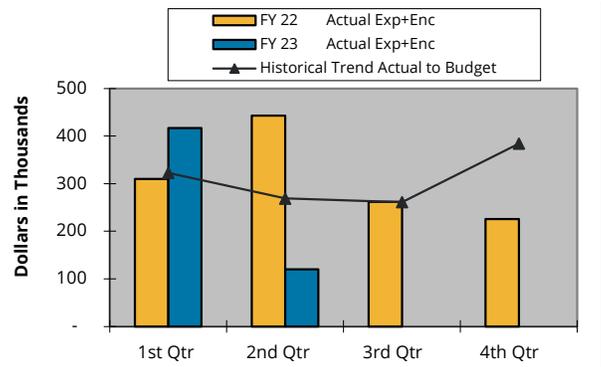
* Historical Trend represents the average of the past 4 years % of actual to budget

Positive

The Mayor and Council division spent 41.9% of their FY 2022-23 adjusted budget and has historically spent 42.0% of their adjusted budget through the second quarter of the fiscal year. This results in a positive performance indicator, with the expectation to be within budget by fiscal year end.

City Clerk Expenditure FY 2022-23 Comparison

	FY 23 Adjusted Budget	FY 23 Actual Exp+Enc	% of Budget Expended by Qtr	*Hist. Trend % of Budget
Operating Only				
1st Qtr Jul - Sep 22	\$ 307,518	\$ 416,926	35.4%	27.4%
2nd Qtr Oct - Dec 22	256,317	120,316	10.2%	22.8%
3rd Qtr Jan - Mar 23	249,081			
4th Qtr Apr - Jun 23	366,089			
Total	\$ 1,179,005	\$ 537,242	45.6%	50.2%



* Historical Trend represents the average of the past 4 years % of actual to budget

Positive

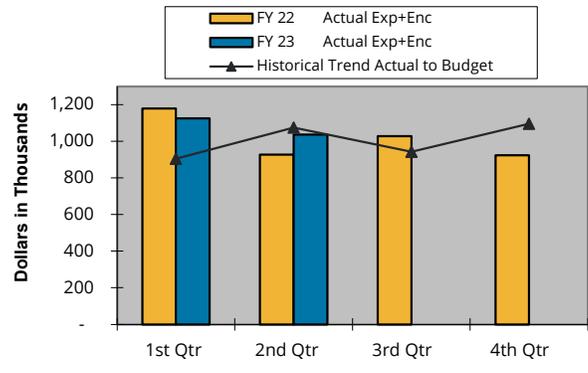
The City Clerk spent 45.6% of their FY 2022-23 adjusted budget and has historically spent 50.2% of their adjusted budget through the second quarter of the fiscal year. Higher spending in the first quarter of the FY 2022-23 was due to the General Election costs, not experienced in the prior year. Reduced spending in the second quarter of FY 2022-23 compared to FY 2021-22 was the result of a Bond Election in the prior year. This results in a positive performance indicator, with the expectation to be within budget by fiscal year end.

General Fund

Expenditure Analysis (continued / department summaries):

Law Expenditure FY 2022-23 Comparison

	FY 23 Adjusted Budget	FY 23 Actual Exp+Enc	% of Budget Expended by Qtr	*Hist. Trend % of Budget
Operating Only				
1st Qtr Jul - Sep 22	\$ 1,003,125	\$ 1,124,422	25.2%	20.3%
2nd Qtr Oct - Dec 22	1,191,528	1,035,542	23.3%	24.1%
3rd Qtr Jan - Mar 23	1,044,936			
4th Qtr Apr - Jun 23	1,214,124			
Total	\$ 4,453,713	\$ 2,159,964	48.5%	44.4%



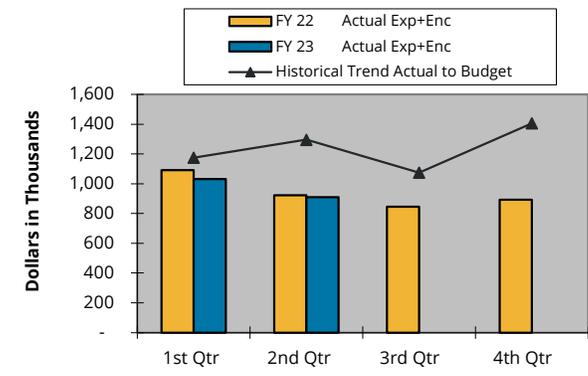
* Historical Trend represents the average of the past 4 years % of actual to budget

Positive

Law spent 48.5% of their FY 2022-23 adjusted budget and has historically spent 44.4% of their adjusted budget through the second quarter of the fiscal year. Higher spending in the first quarters of FY 2021-22 and FY 2022-23 compared to historical trend reflects personnel related expenses from retirement and vacation payouts. The performance indicator is warning as expenses through the second quarter is between two to five percentage points of historical budget spent through the second quarter, but has been changed to a positive indicator since retirement and vacation payouts are planned and covered by a reserve. The expectation is to be within budget by fiscal year end.

City Magistrate Expenditure FY 2022-23 Comparison

	FY 23 Adjusted Budget	FY 23 Actual Exp+Enc	% of Budget Expended by Qtr.	*Hist. Trend % of Budget
Operating Only				
1st Qtr Jul - Sep 22	\$ 1,243,057	\$ 1,031,243	19.7%	22.4%
2nd Qtr Oct - Dec 22	1,371,908	909,072	17.3%	24.7%
3rd Qtr Jan - Mar 23	1,138,271			
4th Qtr Apr - Jun 23	1,488,266			
Total	\$ 5,241,502	\$ 1,940,315	37.0%	47.1%



* Historical Trend represents the average of the past 4 years % of actual to budget

Positive

City Magistrate spent 37.0% of their FY 2022-23 adjusted budget and has historically spent 47.1% of their adjusted budget through the second quarter of the fiscal year. This results in a positive performance indicator, with the expectation to be within budget by fiscal year end.

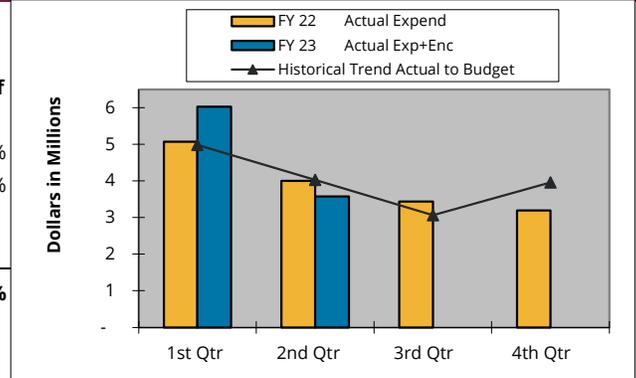
General Fund

Expenditure Analysis (continued / department summaries):

City Manager & Organizational Support Expenditure FY 2022-23 Comparison

		FY 23 Adjusted Budget	FY 23 Actual Exp+Enc	% of Budget Expended by Qtr	*Hist. Trend % of Budget
Operating Only					
1st Qtr Jul - Sep 22	\$	6,353,040	\$ 6,021,492	29.5%	24.4%
2nd Qtr Oct - Dec 22		5,132,035	3,572,917	17.5%	19.7%
3rd Qtr Jan - Mar 23		3,901,582			
4th Qtr Apr - Jun 23		5,044,142			
Total	\$	20,430,799	\$ 9,594,409	47.0%	44.1%

* Historical Trend represents the average of the past 4 years % of actual to budget



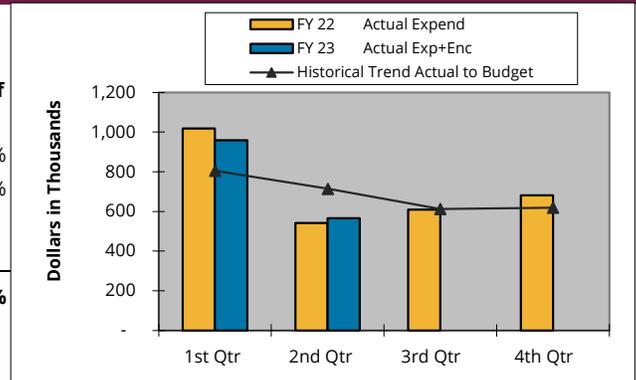
Positive

City Manager & Organizational Support includes the following divisions budgeted in the General Fund: Administration, Buildings & Facilities, Diversity, Equity, & Inclusion, Economic Development, Fleet Services, Human Resources, and Transportation Policy. As of FY 2022-23, a reorganization occurred transferring the Community Development Cost Center, which was renamed to Diversity, Equity, & Inclusion (DEI) to City Manager & Organizational Support. Combined, these divisions spent 47.0% of their FY 2022-23 adjusted budget and have historically spent 44.1% of their adjusted budget through the second quarter of the fiscal year. The performance indicator was changed to positive as all historical spending for (DEI) remains in Neighborhood Resources which skews the historical trend. The expectation is to be within budget by fiscal year end.

Communications & Public Affairs Expenditure FY 2022-23 Comparison

		FY 23 Adjusted Budget	FY 23 Actual Exp+Enc	% of Budget Expended by Qtr	*Hist. Trend % of Budget
Operating Only					
1st Qtr Jul - Sep 22	\$	922,266	\$ 958,238	30.4%	25.6%
2nd Qtr Oct - Dec 22		817,719	565,449	18.0%	22.7%
3rd Qtr Jan - Mar 23		701,002			
4th Qtr Apr - Jun 23		708,791			
Total	\$	3,149,778	\$ 1,523,687	48.4%	48.3%

* Historical Trend represents the average of the past 4 years % of actual to budget



Positive

Communications and Public Affairs (CAPA) spent 48.4% of their FY 2022-23 adjusted budget and have historically spent 48.3% of their adjusted budget through the second quarter of the fiscal year. This results in a positive performance indicator, with the expectation to be within budget by fiscal year end.

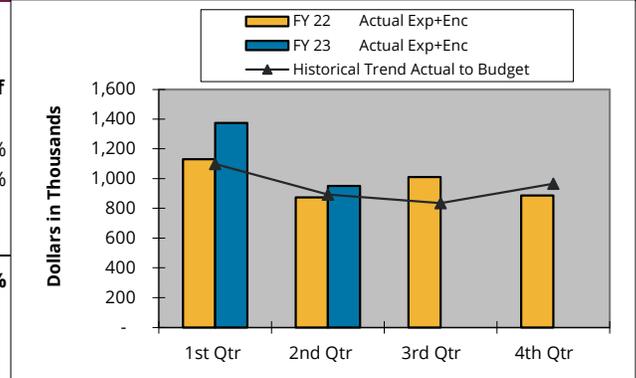
General Fund

Expenditure Analysis (continued / department summaries):

Cultural Development Expenditure 2022-23 Comparison

	FY 23 Adjusted Budget	FY 23 Actual Exp+Enc	% of Budget Expended by Qtr	*Hist. Trend % of Budget
Operating Only				
1st Qtr Jul - Sep 22	\$ 1,240,992	\$ 1,373,404	32.1%	25.7%
2nd Qtr Oct - Dec 22	1,027,029	950,178	22.2%	20.9%
3rd Qtr Jan - Mar 23	941,442			
4th Qtr Apr - Jun 23	1,069,821			
Total	\$ 4,279,284	\$ 2,323,582	54.3%	46.6%

* Historical Trend represents the average of the past 4 years % of actual to budget



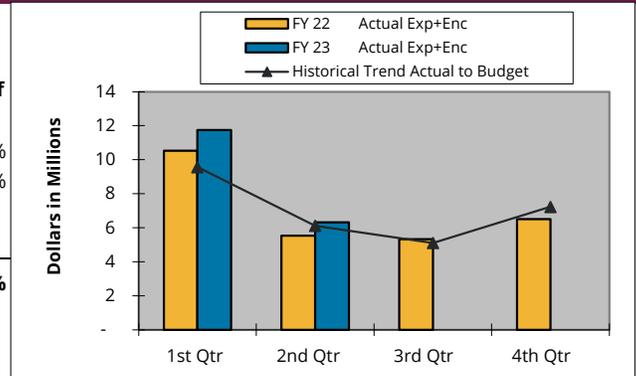
Positive

Cultural Development includes the following cost centers: Administration, Center for the Arts, Downtown Redevelopment, Museum, and Special Events. The department spent 54.3% of their FY 2022-23 adjusted budget and have historically spent 46.6% of their adjusted budget through the second quarter of the fiscal year. This results in a negative performance indicator because the spending is greater than five percentage points above the historical trend. Higher spending in the first quarter of FY 2022-23 is related to planned Center for the Arts contracted services. The indicator has been changed to positive with the expectation to be within budget by fiscal year end.

Community Services Expenditure 2022-23 Comparison

	FY 23 Adjusted Budget	FY 23 Actual Exp+Enc	% of Budget Expended by Qtr	*Hist. Trend % of Budget
Operating Only				
1st Qtr Jul - Sep 22	\$ 11,162,175	\$ 11,738,278	35.8%	29.1%
2nd Qtr Oct - Dec 22	7,222,584	6,322,514	19.2%	18.6%
3rd Qtr Jan - Mar 23	5,909,387			
4th Qtr Apr - Jun 23	8,535,781			
Total	\$ 32,829,927	\$ 18,060,792	55.0%	47.7%

* Historical Trend represents the average of the past 4 years % of actual to budget



Positive

Community Services includes the following divisions budgeted in the General Fund: Administration, Aquatics, Library, Nature & Recreation Facilities, Park Maintenance & Operations, Recreation, and Sports & Fitness Facilities. The department spent 55.0% of their FY 2022-23 adjusted budget and have historically spent 47.7% of their adjusted budget through the second quarter of the fiscal year. This results in a negative performance indicator because the spending is greater than five percentage points above the historical trend. Higher spending in the first quarter of FY 2022-23 is related to a planned increase in park maintenance contracts. The indicator has been changed to positive with the expectation to be within budget by fiscal year end.

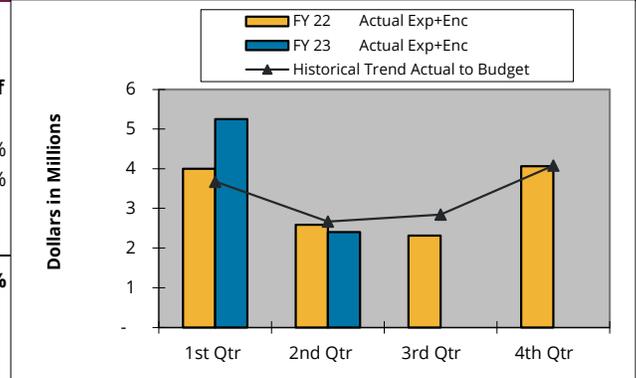
General Fund

Expenditure Analysis (continued / department summaries):

Information Technology Expenditure 2022-23 Comparison

	FY 23 Adjusted Budget	FY 23 Actual Exp+Enc	% of Budget Expended by Qtr	*Hist. Trend % of Budget
Operating Only				
1st Qtr Jul - Sep 22	\$ 5,037,739	\$ 5,247,273	29.2%	20.4%
2nd Qtr Oct - Dec 22	3,598,385	2,402,761	13.3%	14.8%
3rd Qtr Jan - Mar 23	3,778,304			
4th Qtr Apr - Jun 23	5,577,496			
Total	\$ 17,991,924	\$ 7,650,034	42.5%	35.2%

* Historical Trend represents the average of the past 4 years % of actual to budget



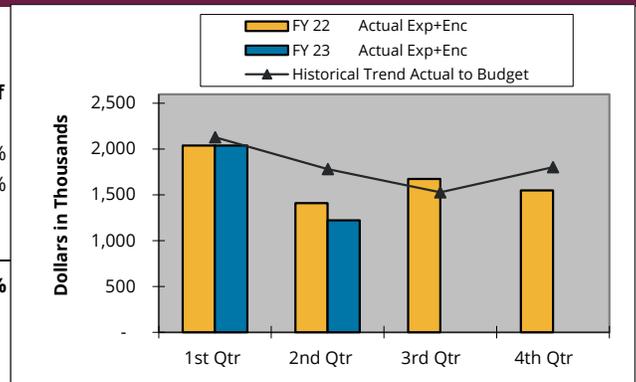
Positive

Information Technology spent 42.5% of their FY 2022-23 adjusted budget and have historically spent 35.2% of their adjusted budget through the second quarter of the fiscal year. This results in a negative performance indicator because the spending is greater than five percentage points above the historical trend. Higher spending in the first quarter of FY 2022-23 is related to planned increased contracted services dedicated to various projects, which was not typical in the first quarter of the historical trend. The indicator has been changed to positive with the expectation to be within budget by fiscal year end.

Management Services Expenditure FY 2022-23 Comparison

	FY 23 Adjusted Budget	FY 23 Actual Exp+Enc	% of Budget Expended by Qtr	*Hist. Trend % of Budget
Operating Only				
1st Qtr Jul - Sep 22	\$ 2,314,608	\$ 2,039,083	25.9%	27.1%
2nd Qtr Oct - Dec 22	1,935,809	1,220,654	15.5%	22.6%
3rd Qtr Jan - Mar 23	1,660,177			
4th Qtr Apr - Jun 23	1,957,555			
Total	\$ 7,868,149	\$ 3,259,737	41.4%	49.7%

* Historical Trend represents the average of the past 4 years % of actual to budget



Positive

Management Services Department includes the following divisions budgeted in the General Fund: Administration, Accounting, Budget, Central Supply, Purchasing, Tax & License, and Utility Services (reimbursed by the Public Works & Utilities Department through the Indirect Cost Allocation). These divisions spent 41.4% of their FY 2022-23 adjusted budget and have historically spent 49.7% of their adjusted budget through the second quarter of the fiscal year. This results in a positive performance indicator, with the expectation to be within budget by fiscal year end.

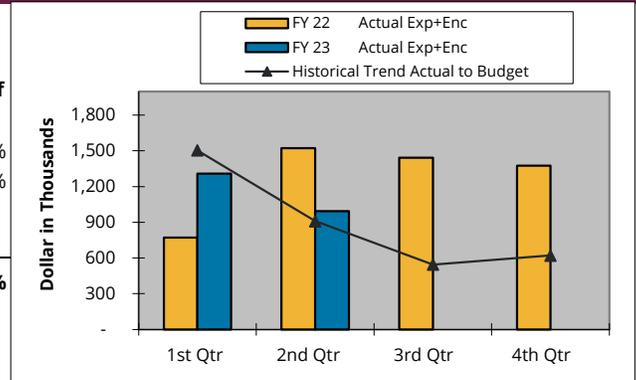
General Fund

Expenditure Analysis (continued / department summaries):

Neighborhood Resources Expenditure 2022-23 Comparison

	FY 23 Adjusted Budget	FY 23 Actual Exp+Enc	% of Budget Expended by Qtr	*Hist. Trend % of Budget
Operating Only				
1st Qtr Jul - Sep 22	\$ 3,571,476	\$ 1,308,564	15.4%	17.7%
2nd Qtr Oct - Dec 22	2,125,878	992,954	11.7%	10.7%
3rd Qtr Jan - Mar 23	1,275,527			
4th Qtr Apr - Jun 23	1,530,632			
Total	\$ 8,503,513	\$ 2,301,518	27.1%	28.4%

* Historical Trend represents the average of the past 4 years % of actual to budget



Positive

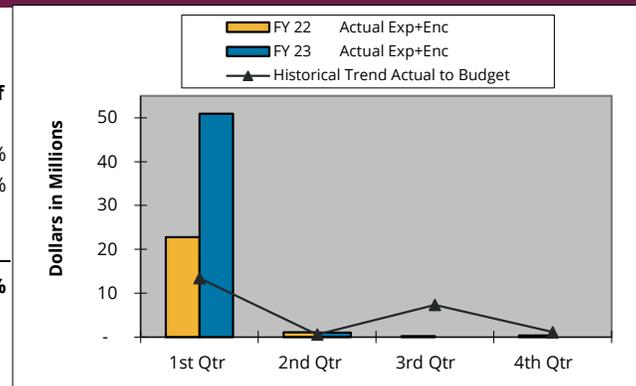
Neighborhood Resources includes the following cost centers budgeted in the General Fund: Administration, Housing & Redevelopment, and Neighborhood Preservation. As of FY 2022-23, a reorganization occurred transferring the Community Development cost center to City Manager & Organizational Support. Historical spending for Community Development remains with Neighborhood Resources. The department spent 27.1% of their FY 2022-23 adjusted budget and have historically spent 28.4% of their adjusted budget through the second quarter of the fiscal year. Reduced spending compared to the historical trend in the first quarter of FY 2021-22 was due to the postponement of allocating Non-Profit funding, which resulted in higher spending in the second quarter in FY 2021-22, as well as impacts of the reorganization to City Managers. This results in a positive performance indicator, with the expectation to be within budget by fiscal year end.

Non-Departmental Expenditure FY 2022-23 Comparison

	FY 23 Adjusted Budget	FY 23 Actual Exp+Enc	% of Budget Expended by Qtr	*Hist. Trend % of Budget
Operating Only				
1st Qtr Jul - Sep 22	\$ 39,849,170	\$ 50,901,167	76.7%	20.2%
2nd Qtr Oct - Dec 22	1,627,820	973,787	1.4%	0.8%
3rd Qtr Jan - Mar 23	21,671,178			
4th Qtr Apr - Jun 23	3,240,841			
Total**	\$ 66,389,009	\$ 51,874,954	78.1%	21.0%

* Historical Trend represents the average of the past 4 years % of actual to budget

** Excludes Reserves and Contingencies



Positive

Non-Departmental includes citywide costs that do not belong to a specific department or are infrequent/unusual (i.e., memberships, legal fees, studies, strategic economic development opportunities, and miscellaneous downtown redevelopment expenses). Spending in this category fluctuates due to changing one-time needs from year to year. Non-departmental planned spending for FY 2022-23 is 78.1% of the adjusted budget and has historically spent 21.0% of their adjusted through the second quarter of the fiscal year. Higher spending compared to the historical trend in the first quarter of FY 2021-22 and FY 2022-23 was due to the payments towards the Public Safety Personnel Retirement System (PSPRS) unfunded liability. The majority of the increase in the first quarter of FY 2022-23 reflects a planned increased payment amount which was \$28M more than the prior year. This results in a negative performance indicator, however it has been changed to positive as the remaining expenses will even out by fiscal year end.

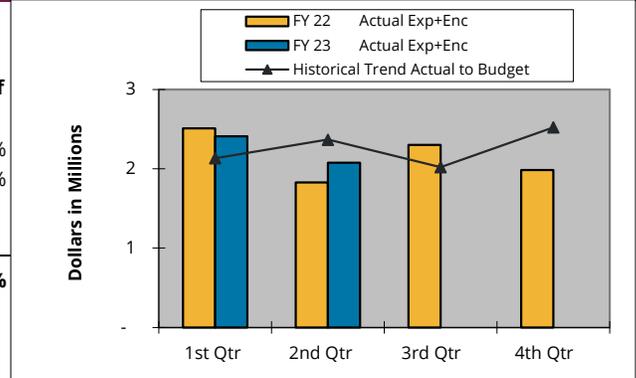
General Fund

Expenditure Analysis (continued / department summaries):

Development Services Expenditure FY 2022-23 Comparison

	FY 23 Adjusted Budget	FY 23 Actual Exp+Enc	% of Budget Expended by Qtr	*Hist. Trend % of Budget
Operating Only				
1st Qtr Jul - Sep 22	\$ 2,565,578	\$ 2,405,840	22.5%	20.0%
2nd Qtr Oct - Dec 22	2,779,376	2,072,846	19.4%	22.1%
3rd Qtr Jan - Mar 23	2,351,780			
4th Qtr Apr - Jun 23	2,993,174			
Total	\$ 10,689,908	\$ 4,478,686	41.9%	42.1%

* Historical Trend represents the average of the past 4 years % of actual to budget



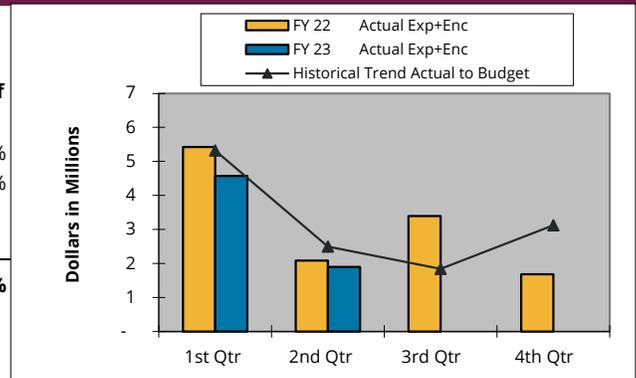
Positive

Development Services includes the following cost centers: Administration, Building Safety, Transportation Engineering, Engineering, and Planning. The Transportation Engineering Division moved from Public Works and Utilities for FY 2021-22. This reorganization is not reflected in the historical trend. The department spent 41.9% of their FY 2022-23 adjusted budget and have historically spent 42.1% of their adjusted budget through the second quarter of the fiscal year. Higher spending in the first quarter of FY 2022-23 is related to planned one-time Citywide Fiber upgrades, which was not typical in the first quarter of the historical trend which also is lower due to the reorganization. This results in a positive performance indicator, with the expectation to be within budget by fiscal year end.

Public Works & Utilities Expenditure FY 2022-23 Comparison

	FY 23 Adjusted Budget	FY 23 Actual Exp+Enc	% of Budget Expended by Qtr	*Hist. Trend % of Budget
Operating Only				
1st Qtr Jul - Sep 22	\$ 4,996,868	\$ 4,567,815	38.4%	44.8%
2nd Qtr Oct - Dec 22	2,379,460	1,898,098	15.9%	21.0%
3rd Qtr Jan - Mar 23	1,665,622			
4th Qtr Apr - Jun 23	2,855,352			
Total	\$ 11,897,302	\$ 6,465,913	54.3%	65.8%

* Historical Trend represents the average of the past 4 years % of actual to budget



Positive

Public Works & Utilities includes the following divisions budgeted in the General Fund: Administration, Capital Projects, Traffic Engineering, Streets, and Street Sweeping. The Transportation Engineering Division moved from Public Works and Utilities in FY 2021-22. This reorganization is not reflected in the historical trend. The department spent 54.3% of their FY 2022-23 adjusted budget and have historically spent 65.8% of their adjusted budget through the second quarter of the fiscal year. The historical trend remains higher due to the reorganization. This results in a positive performance indicator, with the expectation to be within budget by fiscal year end.

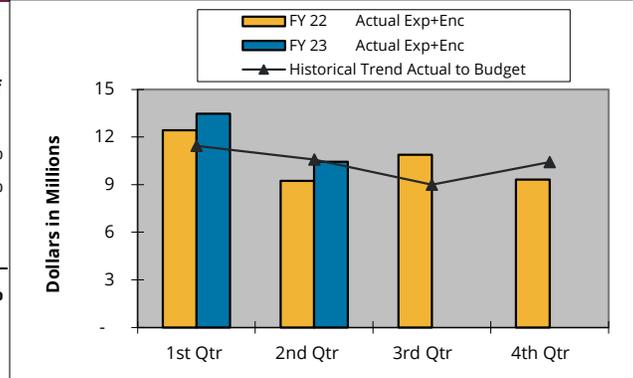
General Fund

Expenditure Analysis (continued / department summaries):

Fire Expenditure FY 2022-23 Comparison

	FY 23 Adjusted Budget	FY 23 Actual Exp+Enc	% of Budget Expended by Qtr	*Hist. Trend % of Budget
Operating Only				
1st Qtr Jul - Sep 22	\$ 12,098,085	\$ 13,461,487	31.2%	26.5%
2nd Qtr Oct - Dec 22	11,233,937	10,436,021	24.1%	24.5%
3rd Qtr Jan - Mar 23	9,505,638			
4th Qtr Apr - Jun 23	10,369,787			
Total	\$ 43,207,447	\$ 23,897,508	55.3%	51.0%

* Historical Trend represents the average of the past 4 years % of actual to budget



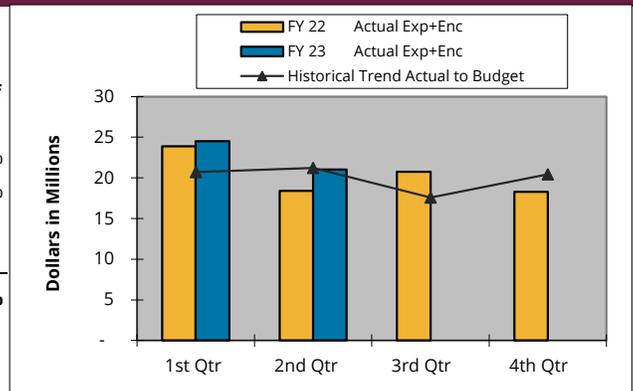
Positive

Fire includes the following cost centers: Administration, Health & Medical Services, Operations, Prevention & Preparedness, and Support Services. The department spent 55.3% of their FY 2022-23 adjusted budget and have historically spent 51.0% of their adjusted budget through the second quarter of the fiscal year. Higher spending in FY 2021-22 and FY 2022-23 compared to historical trend is the result of additional overtime due to coverage needed for vacancies and retirement payouts, as well as higher planned wage changes overall. The performance indicator is warning as expenses through the second quarter is between two to five percentage points of historical budget spent through the second quarter. The indicator has been changed to positive since increases are known and reflected in the budget. The expectation is to be within budget by fiscal year end.

Police Expenditure FY 2022-23 Comparison

	FY 23 Adjusted Budget	FY 23 Actual Exp+Enc	% of Budget Expended by Qtr	*Hist. Trend % of Budget
Operating Only				
1st Qtr Jul - Sep 22	\$ 24,332,029	\$ 24,505,168	26.2%	22.1%
2nd Qtr Oct - Dec 22	25,267,876	21,002,545	22.4%	22.7%
3rd Qtr Jan - Mar 23	20,588,640			
4th Qtr Apr - Jun 23	23,396,182			
Total	\$ 93,584,727	\$ 45,507,713	48.6%	44.8%

* Historical Trend represents the average of the past 4 years % of actual to budget



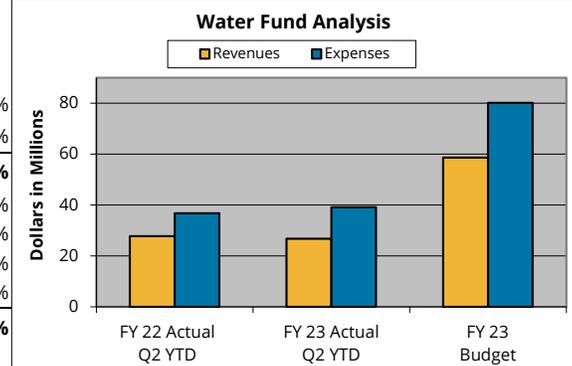
Positive

Police includes the following cost centers: Administration, Communications, Criminal Investigations, Detention Services, Field Operations, Forensic Services, Operational Support, Planning & Research, Professional Standards, Property & Evidence, Records, and Technology. The department spent 48.6% of their FY 2022-23 adjusted budget and have historically spent 44.8% of their adjusted budget through the second quarter of the fiscal year. Higher spending in FY 2021-22 and FY 2022-23 compared to historical trend is the result of additional overtime due to coverage needed for vacancies, as well as higher planned wage changes overall. The performance indicator is warning as expenses through the second quarter is between two to five percentage points of historical budget spent through the second quarter. The indicator has been changed to positive since increases are known and reflected in the budget. The expectation is to be within budget by fiscal year end.

Enterprise Fund Analysis:

Water Fund Analysis FY 2022-23 Comparison

Water Fund	FY 23 Adjusted Budget	FY 23 Actual Revenue/ Exp+Enc	% of Budget Rec'd/Exp'd to Date	% of Budget Prior Yr.
Revenues	\$ 56,992,932	\$ 26,719,666	47%	49%
Transfers In	1,539,514	-	0%	0%
Total Revenues	\$ 58,532,446	\$ 26,719,666	46%	46%
Operating Expenses	\$ 38,958,979	\$ 26,343,326	68%	62%
Major Capital Expenses	22,222,163	9,042,835	41%	65%
Debt Service	13,685,273	1,567,272	11%	14%
Transfers Out	5,258,622	2,093,068	40%	53%
Total Expenses	\$ 80,125,037	\$ 39,046,501	49%	52%
Net Rev / Exp	\$ (21,592,591)	\$ (12,326,835)		

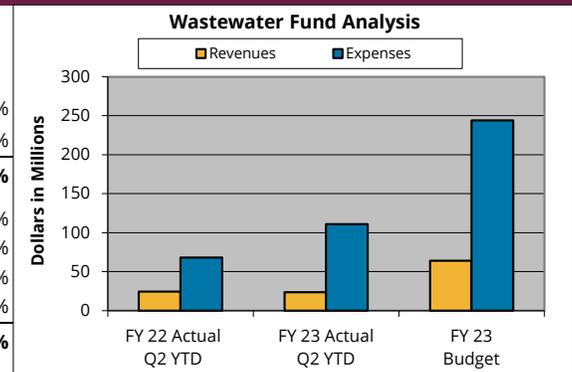
**Positive**

The performance indicator for Enterprise Funds focuses on the relationship between Operating Revenues and Operating Expenses (including debt service and indirect cost allocation) and the percentage of budget received/expended.

The Water Operating Fund includes the following cost centers: Administration, Environmental Resources, Meter Services, San Tan Vista Water Treatment Plant, Water Capital, Water Distribution, Water Quality, Water Treatment Plant, and Water Systems Maintenance. The Water Operating Fund supports operating functions and major capital costs that can be paid without borrowing. The Net Revenue/Expense for FY 2022-23 reflects a \$22M planned drawdown to fund balance due to increased pay as you go Capital spending, and also assumes all appropriated operating and capital funds are spent, which is typically not the case. The budgeted Transfers In totaling \$1,539,514 includes \$150,714 for System Development Fee (SDF) loan paybacks and \$1,388,800 from Reclaimed Water to pay towards related capital costs. The budgeted Transfers Out totaling \$5,258,622 includes indirect cost allocation to the General Fund of \$3,696,018, payment of \$203,742 to the Technology Replacement Fund, payment of \$28,265 to the Workers' Compensation Self-Insurance Trust, and a payment of \$20,347 to the Uninsured Liability Self-Insurance Fund, as well as a subsidy of \$1,310,250 to the Reclaimed Water Fund (reflects benefit received). Year-to-date **Operating Revenues** through the second quarter are 47% compared to 49% for FY 2021-22, while **Operating Expenses** through the second quarter are 68% of budget as compared to 62% for FY 2021-22. The second quarter of the fiscal year includes large encumbrances (\$3.9M) recorded at the start of the fiscal year, with revenues more equally apportioned throughout the year. By adjusting for those encumbrances, the resulting fund indicator is positive.

Wastewater Fund Analysis FY 2022-23 Comparison

Wastewater Fund	FY 23 Adjusted Budget	FY 23 Actual Revenue/ Exp+Enc	% of Budget Rec'd/Exp'd to Date	% of Budget Prior Yr.
Revenues	\$ 52,906,290	\$ 23,795,062	45%	49%
Transfers In	11,139,992	-	0%	0%
Total Revenues	\$ 64,046,282	\$ 23,795,062	37%	42%
Operating Expenses	\$ 26,221,494	\$ 18,549,787	71%	53%
Major Capital Expenses	195,989,797	88,314,968	45%	55%
Debt Service	17,976,088	2,656,623	15%	17%
Transfers Out	3,829,671	1,415,626	37%	52%
Total Expenses	\$ 244,017,050	\$ 110,937,005	45%	49%
Net Rev / Exp	\$ (179,970,768)	\$ (87,141,942)		

**Positive**

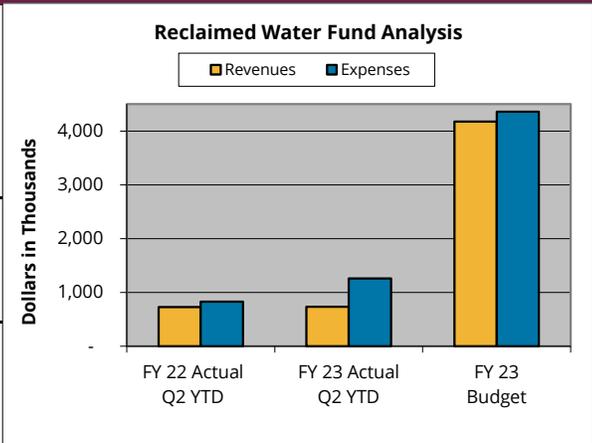
The performance indicator for Enterprise Funds focuses on the relationship between Operating Revenues and Operating Expenses (including debt service and indirect cost allocation) and the percentage of budget received/expended.

The Wastewater Operating Fund includes the following cost centers: Airport Water Reclamation Facility, Lone Butte Wastewater Treatment, Ocotillo Brine Reduction Facility, Ocotillo Water Reclamation Facility, Wastewater Capital, Wastewater Collection, and Wastewater Quality. The Wastewater Operating Fund supports operating functions and major capital costs that can be paid without borrowing. The Net Revenue/Expense for FY 2022-23 reflects an \$180M planned drawdown (includes unspent capital carryforward from prior years) to fund balance due to increased pay as you go Capital spending, and also assumes all appropriated operating and capital funds are spent, which is typically not the case. The budgeted Transfers In totaling \$11,139,992 includes \$10M for System Development Fee (SDF) loan paybacks and \$1,139,992 from Reclaimed Water towards related capital costs. The budgeted Transfers Out totaling \$3,829,671 includes indirect cost allocation to the General Fund of \$2,345,878, payment of \$134,332 to the Technology Replacement Fund, payment of \$18,864 to the Workers' Compensation Self-Insurance Trust, and a payment of \$20,347 to the Uninsured Liability Self-Insurance Fund, as well as a subsidy of \$1,310,250 to the Reclaimed Water Fund (reflects benefits received). Year-to-date **Operating Revenues** through the second quarter are 45% of budget compared to 49% for FY 2021-22, while **Operating Expenses** through the second quarter are 71% of budget as compared to 53% for FY 2021-22. The second quarter of the fiscal year includes large encumbrances (\$7.8M) recorded at the start of the fiscal year, with revenues more equally apportioned throughout the year. By adjusting for those encumbrances, the resulting fund indicator is positive.

Enterprise Fund Analysis (continued):

Reclaimed Water Fund Analysis FY 2022-23 Comparison

	FY 23 Adjusted Budget	FY 23 Actual Revenue/ Exp+Enc	% of Budget Rec'd/Exp'd to Date	% of Budget Prior Yr.
Reclaimed Water				
Revenues	\$ 1,555,370	\$ 738,117	47%	40%
Transfers In	2,620,500	-	0%	0%
Total Revenues	\$ 4,175,870	\$ 738,117	18%	40%
Operating Expenses	\$ 1,699,479	\$ 1,199,401	71%	46%
Transfers Out	2,654,045	63,394	2%	51%
Total Expenses	\$ 4,353,524	\$ 1,262,796	29%	47%
Net Rev / Exp	\$ (177,654)	\$ (524,678)		

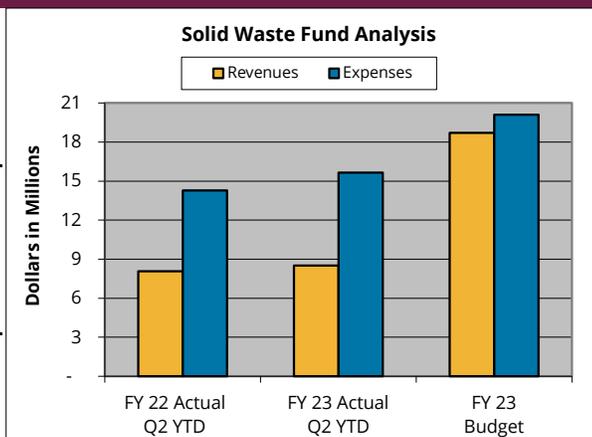
**Positive**

The performance indicator for Enterprise Funds focuses on the relationship between Operating Revenues and Operating Expenses (including debt service and indirect cost allocation) and the percentage of budget received/expended.

The Reclaimed Water Operating Fund supports operating functions and now a portion of related capital costs. The Net Revenue/Expense for the FY 2022-23 budget reflects a planned drawdown of \$177,654 to fund balance. The budgeted Transfers In totaling \$2,620,500 includes subsidies from Water and Wastewater Funds of \$1,310,250 each to reflect the benefit each fund receives by reclaiming water. The budgeted Transfers Out totaling \$2,654,045 include an indirect cost allocation to the General Fund of \$122,919, payment of \$1,535 to the Technology Replacement Fund, and \$799 to the Workers' Compensation Self-Insurance Trust, as well as a payment of \$1,388,800 to the Water Fund and \$1,139,992 to the Wastewater Fund to reflect contributions to reclaimed capital costs. Year-to-date **Operating Revenues** through the second quarter are 47% of budget compared to 40% for FY 2021-22, while **Operating Expenses** through the second quarter are 71% of budget as compared to 46% for FY 2021-22. The second quarter of the fiscal year includes large encumbrances (\$343K) recorded at the start of the fiscal year, with revenues more equally apportioned throughout the year, and an expense that was costed to Reclaimed in error to be corrected in 3rd quarter. By adjusting for those encumbrances and the correction, the resulting fund indicator is positive.

Solid Waste Fund Analysis FY 2022-23 Comparison

	FY 23 Adjusted Budget	FY 23 Actual Revenue/ Exp+Enc	% of Budget Rec'd/Exp'd to Date	% of Budget Prior Yr.
Solid Waste				
Revenues	\$ 18,694,964	\$ 8,520,220	46%	45%
Total Revenues	\$ 18,694,964	\$ 8,520,220	46%	45%
Operating Expenses	\$ 17,123,982	\$ 14,900,654	87%	84%
Major Capital Expenses	1,924,433	197,354	10%	6%
Transfers Out	1,056,898	560,715	53%	53%
Total Expenses	\$ 20,105,313	\$ 15,658,723	78%	78%
Net Rev / Exp	\$ (1,410,349)	\$ (7,138,503)		

**Positive**

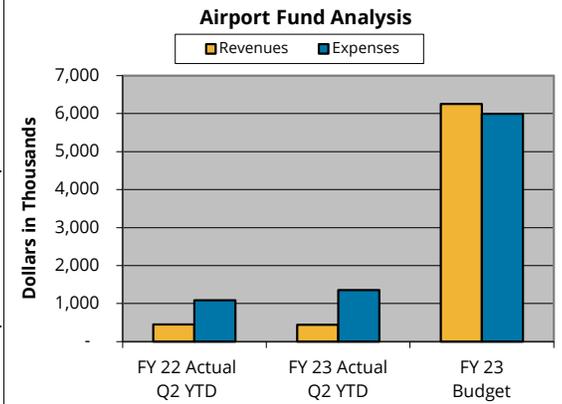
The performance indicator for Enterprise Funds focuses on the relationship between Operating Revenues and Operating Expenses (including debt service and indirect cost allocation) and the percentage of budget received/expended.

The Solid Waste Operating Fund supports operating functions and major capital costs that can be paid without borrowing. The Net Revenue/Expense for FY 2022-23 reflects a planned drawdown of \$1,410,349 to fund balance. The budgeted Transfers Out totaling \$1,056,898 include an indirect cost allocation to the General Fund of \$978,849, payment of \$64,531 to the Technology Replacement Fund, and payment of \$13,518 to the Workers' Compensation Self-Insurance Trust. Year-to-date **Operating Revenues** through the second quarter are 46% of budget compared to 45% for FY 2021-22, while **Operating Expenses** through the second quarter are 87% of budget compared to 84% for FY 2021-22. The second quarter of the fiscal year includes large encumbrances (\$8.0M) recorded at the start of the fiscal year, with revenues more equally apportioned throughout the year. By adjusting for those encumbrances, the resulting fund indicator is positive.

Enterprise / Other Funds Analysis (continued):

Airport Fund Analysis FY 2022-23 Comparison

Airport Fund	FY 23 Adjusted Budget	FY 23 Actual Revenue/ Exp+Enc	% of Budget Rec'd/Exp'd to Date	% of Budget Prior Yr.
Revenues	\$ 881,000	\$ 444,908	51%	51%
General Fund Subsidy	5,115,925	-	0%	0%
Total Revenues	\$ 5,996,925	\$ 444,908	7%	11%
Operating Expenses	\$ 1,683,085	\$ 696,951	41%	39%
Major Capital Expenses	4,200,823	590,642	14%	16%
Transfers Out	113,017	64,279	57%	56%
Total Expenses	\$ 5,996,925	\$ 1,351,872	23%	26%
Net Rev / Exp	\$ -	\$ (906,965)		

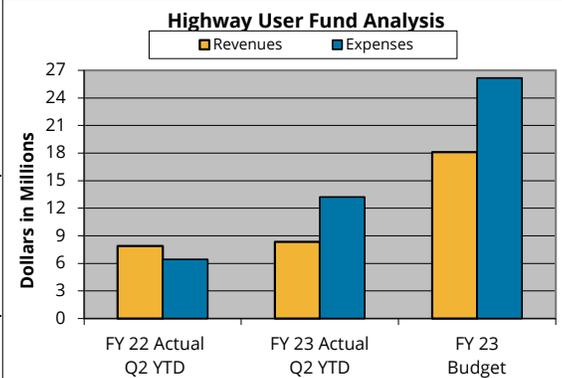
**Positive**

The performance indicator for Enterprise Funds focuses on the relationship between Operating Revenues and Operating Expenses (including debt service and indirect cost allocation) and the percentage of budget received/expended.

The Airport Fund supports operating functions and major capital costs that can be paid without borrowing. The Net Revenue/Expense for FY 2022-23 reflects no budgeted change in fund balance since the General Fund Subsidy of \$5.1M is budgeted from the General Fund to make up the funding needed to support operations and/or Major Capital Expenses. The budgeted Transfers Out totaling \$113,017 includes indirect cost allocation to the General Fund of \$100,000 and a payment of \$13,017 to the Technology Replacement Fund. Year-to-date **Operating Revenues** through the second quarter are 51% of budget compared to 51% for FY 2021-22, while year-to-date **Operating Expenses** through the second quarter are 41% of budget compared to 39% for FY 2021-22. The performance indicator is positive since percentage of operating revenues received to date (51%) exceeds the percentage of operating expenses spent to date (41%, including indirect cost allocation). Any planned overage in expense compared to revenue will be covered by the General Fund, with the first transfer completed in January 2023.

Highway User Fund (HURF) Analysis FY 2022-23 Comparison

Highway User Fund	FY 23 Adjusted Budget	FY 23 Actual Revenue/ Exp+Enc	% of Budget Rec'd/Exp'd to Date	% of Budget Prior Yr.
Highway Users Tax	\$ 17,744,011	\$ 8,130,694	46%	44%
Other	363,000	229,476	63%	40%
Total Revenues	\$ 18,107,011	\$ 8,360,170	46%	44%
Operating Expenses	\$ 10,252,785	\$ 5,668,398	55%	49%
Major Capital Expenses	15,784,855	7,418,014	47%	22%
Transfers Out	123,552	122,511	99%	93%
Total Expenses	\$ 26,161,192	\$ 13,208,923	50%	37%
Net Rev / Exp	\$ (8,054,181)	\$ (4,848,753)		

**Positive**

The performance indicator for this Special Revenue Fund focuses on the relationship between Operating Revenues and Operating Expenses (including debt service) and the percentage of budget received/expended.

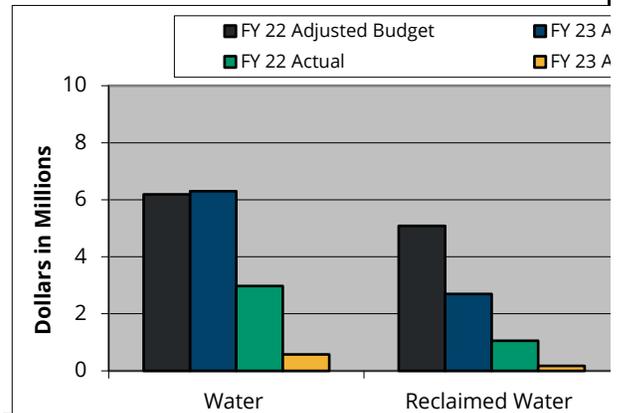
Highway Users Tax is collected by the state on all gasoline sales. It is combined with other state-level vehicle related revenues, and distributed to cities and towns by using two formulas based upon population. Funds are restricted for use on streets and related projects. The Net Revenue/Expense for FY 2022-23 reflects a planned drawdown of \$8,054,181 to fund balance. The budgeted Transfers Out totaling \$123,552 include a payment to the General Fund of \$2,082 for miscellaneous charges, a payment of \$26,470 to the Technology Replacement Fund, and a payment of \$95,000 to the Uninsured Liability Self-Insurance Fund for stormwater oversight. Year-to-date **Operating Revenues** through the second quarter are 46% of budget compared to 44% through for FY 2021-22, while year-to-date **Operating Expenses** through the second quarter are 55% of budget compared to 49% for FY 2021-22. The performance indicator is positive after recognizing revenues are received on a one-month lag, so second quarter revenues only reflect two receipts, while the fourth quarter of each fiscal year reflects four receipts. On an annual basis, this fund is anticipated to perform on a positive indicator.

Other Funds Analysis (continued):

Enterprise System Development Fee Funds Analysis FY 2022-23 Comparison

Enterprise System Development Fee (SDF) Funds	FY 23 Adjusted Budget	FY 23 Actual Revenue	% of Budget Rec'd to Date
Water	\$ 6,300,000	\$ 576,695	9%
Reclaimed Water	2,700,300	180,188	7%
Wastewater	7,637,000	589,549	8%
Total SDF Revenue	\$ 16,637,300	\$ 1,346,431	8%

Note: Budget and Actual amounts reflect SDF revenues and the interest earned on fund balances, and excludes loan transfers in/out or proceeds from bond sales.

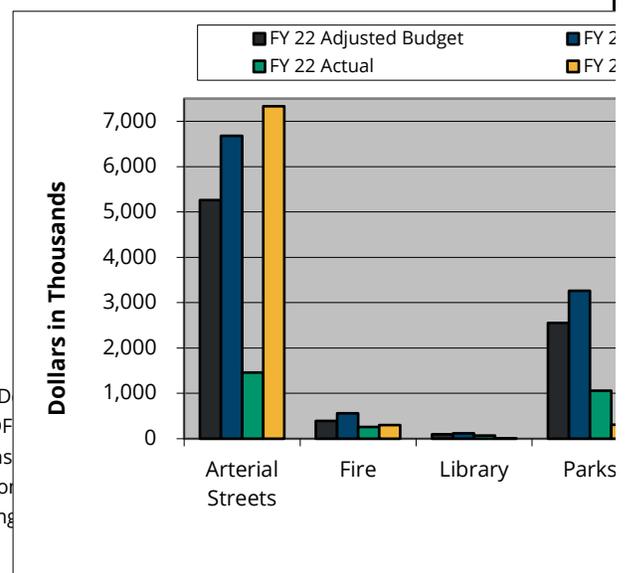


Enterprise (Water, Wastewater, and Reclaimed Water) System Development Fees (SDF) are assessed on all residential, but may or may not be assessed on commercial. Enterprise SDFs are based on development and fluctuate quarterly as well as from year to year. The graph shows the FY 2022-23 budget and year-to-date collections through the second quarter compared to the FY 2021-22 budget and year-to-date collections through the second quarter. Collections through the second quarter of FY 2022-23 were 8% of the budget as compared to the prior year's collections of 43% of budget through the second quarter. Slowing of permit activity is an indicator of the economy. Enterprise SDF revenues projections will be reviewed based on this trend.

General System Development Fee Funds Analysis FY 2022-23 Comparison

General System Development Fee (SDF) Funds	FY 23 Adjusted Budget	FY 23 Actual Revenue	% of Budget Rec'd to Date
Arterial Streets	\$ 6,676,000	\$ 7,331,788	110%
Fire	560,000	300,834	54%
Library	117,000	5,537	5%
Parks	3,259,000	308,611	9%
Police	313,000	159,108	51%
Public Building	280,000	143,108	51%
Total SDF Revenue	\$ 11,205,000	\$ 8,248,986	74%

Note: Budget and Actual amounts reflect Impact Fee revenues and the interest earned on fund balances, and excludes loan transfers in/out or proceeds from bond sales.

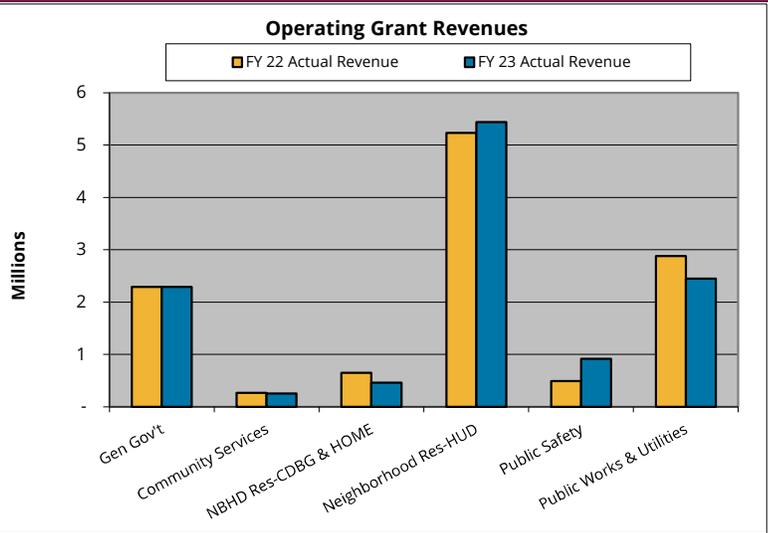


General (Arterial Streets, Fire, Library, Parks, Police, and Public Building) System Development Fees (SDF) are assessed on all residential building permits and is based on square footage and land use. General SDFs are assessed annually. The graph shows the FY 2022-23 budget and year-to-date collections through the second quarter compared to the prior year's collections of 36% of the budget through the second quarter. Slowing of permit activity is an indicator of the economy. Enterprise SDF revenues projections will be reviewed based on this trend.

Other Funds Analysis (continued):

Grant Funds Analysis FY 2022-23 Comparison

	FY 23 Actual Revenue	FY 22 Actual Revenue
General Government*	\$ 2,242,069	\$ 2,263,629
Community Services	253,943	261,998
Neighborhood Res. - CDBG & HOME	459,052	646,814
Neighborhood Res. - HUD	5,436,991	5,235,325
Public Safety	916,945	486,937
Total Operating Grant Revenue	\$ 9,309,000	\$ 8,894,702
General Government*	\$ 44,585	\$ 22,492
Public Works & Utilities	2,446,476	2,876,777
Total Capital Grant Revenue	\$ 2,491,062	\$ 2,899,269
Total Grant Revenue	\$ 11,800,061	\$ 11,793,971



* Includes Airport, CAPA, City Manager, Development Services, Economic Development, Law, Magistrate, Transportation Policy, and Non-Departmental non-entitlement programs.

Grants are an additional source of funds for major capital projects and certain operating programs. Grant sources include federal, state, and county governments as well as donations from businesses, organizations, or individuals to support particular programs. In most cases, grant revenues for many programs are received on a reimbursable basis, so the revenue on a large capital project may lag a fiscal year after the project is initiated.

Actual collections through the second quarter of FY 2022-23 are \$11.8M as compared to \$11.8M collected through the second quarter of FY 2021-22.