



AGENDA

BUDGET AND FINANCE COMMITTEE

BANNING, CALIFORNIA

February 21, 2023

5:00 p.m.

In Chambers and via Zoom

Council Chambers
99 E. Ramsey Street
Banning, CA 92220

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<https://us02web.zoom.us/j/89892946088?pwd=NnVCay9iWWtpcjVjSzVabFNPQ01yZz09>

Meeting ID: 820 2563 5318

Password: 092220

Dial in: +1 669 900 9128 ♦ Meeting ID: 820 2563 5318

1. CALL TO ORDER

Roll Call – *Committee Members Wallace, Flynn, and Chair Geronimo*

2. PUBLIC COMMENTS AND CITY TREASURER REPORT

2.1. PUBLIC COMMENTS – *Matters Within the Purview of the Committee*

2.2. CITY TREASURER REPORT

3. ACTION ITEMS

3.1. Approval of Budget and Finance Committee Meeting Minutes for January 19, 2023..... **5**

4. REPORTS OF OFFICERS

- 4.1. Wells Fargo Banking Fees and Cost to the City 8
(Staff Report: Lincoln Bogard, Administrative Services Director)

Recommendation: Receive and file Wells Fargo banking Fees and cost to the City.

- 4.2. Cost Allocation Plan (CAP)..... 10
(Staff Report: Lincoln Bogard, Administrative Services Director)

Recommendation: Receive and file presentation on Cost Allocation plan.

- 4.3. FY 21-22 Annual Comprehensive Financial Report..... 12
(Staff Report: Lincoln Bogard, Administrative Services Director)

Recommendation: Receive and file the FY21-22 Annual Comprehensive Financial Report.

- 4.4 FY 22-23 Mid-Year Budget Adjustments and Q2 Budget- to- Actuals..... 14
(Staff Report: Lincoln Bogard, Administrative Services Director)

Recommendation: Receive and file the FY 22-23 Mid-Year Budget Adjustments and Q2 Budget to Actuals.

5. **DISCUSSION ITEM(S)**

Determined standing meeting Budget and Finance Committee meeting Third Tuesday of each month.

6. **ITEMS FOR FUTURE AGENDAS**

- 6.1. Animal Control Budget Discussion of positions, equipment, and animal shelter (to be completed after contracting to provide services to Calimesa)
- 6.2. Homeless Shelter Financial Update
- 6.3. Banning Airport Grant received, purpose and allocation of funds
- 6.4. Parks and Recreation Grant (CDBG) received, purpose and allocation of funds.
- 6.5. New Items

7. **ADJOURNMENT**

Next Regular Meeting – March 21, 2023.

Zoom Community Standards for Public Meetings

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- Your microphone must remain on mute, and you may only unmute your microphone when/if you are recognized by the Chair.
- Your camera must be turned off unless/until you are recognized by the Chair.
- To indicate a desire to make Public Comment, you must use the Raise Hand function. The Chair will not recognize those who have not used the Raise Hand function.
- Public Comment from Zoom attendees will immediately follow in person comment from members of the public in Council Chambers.
- If you fail to adhere to these community guidelines, **you may be removed** for disrupting the meeting occurring in Council Chambers. You may rejoin the meeting but may be removed for each violation of these community standards.
- The chat function will be disabled for all City Council meetings on Zoom.

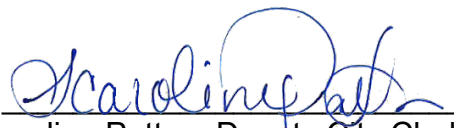
Estándares comunitarios de Zoom para Reuniones Públicas

Al participar en esta reunión en Zoom, usted acepta cumplir con los Estándares Comunitarios para Reuniones Públicas de la ciudad de Banning. Los que atienden por Zoom que no cumplan con estos estándares pueden ser retirados de la sala de reuniones.

- Su micrófono debe permanecer en silencio, y solo puede reactivar su micrófono cuando / si es reconocido por el presidente.
- Su cámara debe estar apagada a menos que sea reconocido por el presidente.
- Para indicar el deseo de hacer un Comentario Público, debe utilizar la función Levantar la mano. El presidente no reconocerá a quienes no hayan utilizado la función Levantar la mano.
- Los comentarios públicos de lo que atienden por Zoom seguirán inmediatamente los comentarios en persona de los miembros del público en las Cámaras del Consejo.
- Si no cumple con estas pautas de la comunidad, es posible que lo destituyan por interrumpir la reunión que tiene lugar en las Cámaras del Consejo. Puede volver a unirse a la reunión, pero es posible que lo eliminen por cada violación de estos estándares de la comunidad.
- La función de chat estará deshabilitada para todas las Reuniones del Ayuntamiento en Zoom.

AFFIDAVIT • DECLARACIÓN JURADA

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Caroline Patton, Deputy City Clerk
Secretario adjunto de la ciudad

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Public Comment

Agenda Items

Any member of the public may address this meeting of the City Council on any item appearing on the agenda. A five-minute limitation shall apply to each member of the public and no member of the public shall be permitted to share their time with any other person.

Special Assistance/Accessibility Requests

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CONTACT • CONTACTO

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99 East Ramsey Street, Banning, California 92220



**MINUTES
BUDGET & FINANCE COMMITTEE**

**11/08/2022
REGULAR MEETING**

COMMITTEE MEMBERS PRESENT: Committee Member David Happe
Chair Alejandro Geronimo

COMMITTEE MEMBERS ABSENT: Committee Member Colleen Wallace

OTHERS PRESENT: Lincoln Bogard, Finance Director
A'ja Wallace, Deputy Finance Director
Carla Young, Business Support Manager
Caroline Patton, Deputy City Clerk
John Garside, Multimedia Specialist

1. CALL TO ORDER

Chair Geronimo called the meeting to order at 5:01 p.m.

Roll Call

COMMITTEE MEMBER	PRESENT	ABSENT
Geronimo, Alejandro	X	
Happe, David	X	
Wallace, Colleen		X

2. PUBLIC COMMENTS AND CITY TREASURER REPORT

2.1. PUBLIC COMMENTS
None

2.2. CITY TREASURER REPORT
None

3. ACTION ITEMS

3.1. Approval of Budget and Finance Committee Meeting Minutes for September 20, 2022

Motion to approve the meeting minutes.

Motion by Committee Member Happe
Seconded by Chair Geronimo

COMMITTEE MEMBER	YES	NO	ABSTAIN	ABSENT
Happe, David	X			
Geronimo, Alejandro	X			
Wallace, Colleen				X

Motion passed by a vote of 2-0, with 1 absence.

4. REPORTS OF OFFICERS

- 4.1. Presentation of the FY 2022-2023 Quarter 1 Budget-To-Actuals Financial Report

Finance Director Lincoln Bogard presented the staff report.

Public Comments

None

- 4.2. Update on the Status of the Unadjusted Positions from the Comprehensive Classification & Compensation Survey

Finance Director Lincoln Bogard presented the staff report.

Public Comments

None

- 4.3. Update on the Potential Choice for a Fiduciary Advisor for the City's 457 Plans Offered to City Employees

Finance Director Lincoln Bogard presented the staff report.

Public Comments

None

- 4.4. Status Update for the City's Fiscal Year 2021-22 Annual Comprehensive Financial Report (ACFR)

Finance Director Lincoln Bogard presented the staff report.

Public Comments

None

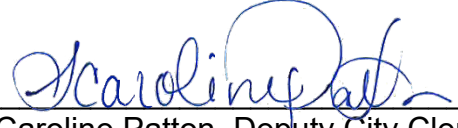
5. FUTURE AGENDA ITEMS

- Meeting time and date with new Committee Members
- Presentation on the City's unfunded pension liability
- Presentation on the City's Animal Services budget

6. ADJOURNMENT

Chair Geronimo adjourned the meeting at 7:22 p.m.

Minutes Prepared by:



Caroline Patton, Deputy City Clerk

This entire meeting may be viewed here:

<https://banninglive.viebit.com/index.php?folder=Budget+and+Finance>

All documents related to this meeting are available here:

<http://banning.ca.us/ArchiveCenter/ViewFile/Item/2740>

ATTACHMENTS:

Exhibit A – Agenda Item 4.1 - OpenGov Report

Exhibit B – Agenda Item 4.4 - OpenGov Report



CITY OF BANNING STAFF REPORT

TO: BUDGET & FINANCE COMMITTEE

FROM: Douglas Schulze, City Manager

PREPARED BY: Lincoln Bogard, Administrative Services Director

MEETING DATE: February 21, 2023

SUBJECT: Presentation of Banking Fees and Cost to City

RECOMMENDATION:

Receive and file presentation of banking fees and associated cost to City.

BACKGROUND:

The city currently maintains a banking relationship with Wells Fargo for its primary operations. The operations account is an Analysis Account that charges fees based on the number and types of transactions that occur each month. Those fees are offset by an Earnings Credit, which is similar to interest but is allowable in circumstances where interest earnings are not allowed.

Municipal Governments generally use this sort of account structure although we also have the option to implement a money market account with a “sweep” that automatically settles for transactions each day. This type of account is known as a “Zero-Balance Account” where all monies deposited earn interest in the money market account and the net deposits/withdrawals settle to the money market account each night. Staff is currently analyzing whether to take advantage of this option in the current high-rate environment.

JUSTIFICATION:

Our banking fees averaged approximately \$2,884 per month during the lower interest rate environment of Fiscal Year 2021-22, but now that rates have increased significantly, we are no longer paying for our banking services due to earnings credits exceeding our analysis charges each month. We may benefit from implementing a “sweep” account with a money market account attached that would allow us to achieve interest income from deposits related to operations. Prior to implementation, staff will need to determine whether any of those deposits are not allowed to earn interest.

FISCAL IMPACT:

There were \$123 in charges for July 2022, but the earnings rate has increased significantly and we have not had and do not expect any additional bank fees for the

remainder of this fiscal year and beyond while the overall interest rate environment remains heightened.

<u>Year</u>	<u>Estimated Amount</u>
2021/2022	\$34,604 (Actual) Average \$2,883.67/mo
2022/2023	\$123 (Actual) and Estimated for Year

ALTERNATIVES:

1. Receive and file presentation of banking fees and associated cost to City.

ATTACHMENTS:

1. [Analysis Account Fee Schedule](#)
2. [Client Analysis Statement – January 2023](#)

Approved by:



Douglas Schulze
City Manager



CITY OF BANNING STAFF REPORT

TO: BUDGET & FINANCE COMMITTEE

FROM: Douglas Schulze, City Manager

PREPARED BY: Lincoln Bogard, Administrative Services Director

MEETING DATE: February 21, 2023

SUBJECT: Discussion Regarding How the Cost Allocation Plan Works

RECOMMENDATION:

Receive and file presentation regarding how the Cost Allocation Plan Works.

BACKGROUND:

Municipal Governments traditionally charge other departments within the government for support services provided internally. In essence, the Cost Allocation Plan is a method that identifies appropriate methodologies to charge (allocate) costs for the services provided to internal customers. The City has historically had a Cost Allocation Plan created biennially, but staff has determined that there is a need to change this to annual. Also, historically, the second step of the Cost Allocation Plan that trues up actual performance to the estimated allocations has not been done. This has resulted in undercharging for services provided. While General Fund support services are more difficult to illustrate the compounding shortfalls, it is easily seen in the Internal Service Funds since they are accounted for independently. All but one of our Internal Services Funds have a growing negative net position. Staff is working with our consultant, MGT Consulting Group, to implement a five-year plan to bring all Internal Service Funds back to breakeven.

JUSTIFICATION:

When General Fund or Internal Service Fund employees perform services for other departments and funds, we perform an internal cost recovery for those services. This is based on the Cost Allocation Plan. For example, Finance performs transactions for all departments and funds in the City. If one department or fund has ten percent of the transactions processed, they will receive ten percent of the costs (time, equipment, etc.) required to conduct that service. In essence, finance employees are unofficially working for that department ten percent of the time that year. Those charges are estimated annually and charged out quarterly. The following year's estimate is adjusted by the difference in the prior year's estimates and actual costs.

These allocations are how the General Fund support services and Internal Service Funds are funded. Those costs will end up in the various funds of the City, from Governmental to Enterprise funds.

FISCAL IMPACT:

The City pays MGT Consulting Group to perform our Cost Allocation Plan each year. These plans are industry standard and are required for Counties to submit to the State each year for approval. Cost Allocation Plans can also be used to support indirect costs and overhead rates charged to grants through the submission of an Indirect Cost Rate Proposal to the City's largest grantor. Once approved, those rates are allowable for all grant work performed by the City.

F I S C A L Y E A R S			
	2021-2022	2022-2023	2023-2024
Cost Allocation Plan	\$18,900	\$18,900	\$18,900
Internal Service Fund Review & Template	\$3,800	\$3,800	\$3,800
<i>fixed fee, billable monthly</i>			

ALTERNATIVES:

1. Receive and file presentation regarding how the Cost Allocation Plan Works.

ATTACHMENTS:

1. [City of Banning Full Cost Allocation Plan – March 2022](#)

Approved by:



Douglas Schulze
City Manager



CITY OF BANNING STAFF REPORT

TO: BUDGET & FINANCE COMMITTEE

FROM: Douglas Schulze, City Manager

PREPARED BY: Lincoln Bogard, Administrative Services Director

MEETING DATE: February 21, 2023

SUBJECT: Presentation of the Fiscal Year 2021-22 Annual Comprehensive Financial Report

RECOMMENDATION:

Receive and file presentation of the final draft of the Fiscal Year 2021-22 Annual Comprehensive Financial Report.

BACKGROUND:

After the conclusion of each fiscal year, an independent auditor (currently CliftonLarsonAllen LLP) reviews the reporting of the City's financial statements in accordance with industry accounting standards. The result is an "Annual Comprehensive Financial Report (ACFR)". It includes financial statements for the City of Banning, the Banning Utility Authority, and the Banning Successor Agency of the Former RDA. It also contains the independent auditor's report, which describes the scope of the audit as well as the auditor's opinion on the financial statements. For this past Fiscal Year 2021-22 ACFR, the City is expected to receive an "unmodified" opinion. An "unmodified" opinion is only issued when there are no significant reporting issues, the financial statements are free of material misstatements, and information is presented in accordance with Generally Accepted Accounting Principles (GAAP). This opinion indicates that the City's financial condition, position, and operations are fairly presented in the financial statements. This is important to financial statement users and provides comfort to the City's creditors, while enabling the City to obtain better interest rates on any new debt issuances.

City management assumes full responsibility for the completeness and reliability of all the information presented in the ACFR. The City is continuing to establish a comprehensive internal control framework designed to protect the City's assets from loss, theft, or misuse and provide sufficient reliable information that the City of Banning's financial statements are in conformity with GAAP. The cost of internal controls should not outweigh the resulting benefits and internal controls are designed to provide reasonable assurance, not absolute assurance, that the financial statements will be free from material misstatements. City management asserts that, to the best of our knowledge and belief, the financial data provided to the auditor is complete and reliable in all material respects.

JUSTIFICATION:

Staff has submitted the Fiscal Year 2020-21 ACFR for the Certificate of Achievement for Excellence in Financial Reporting issued by the Government Finance Officers Association and is expecting to receive the same award for this year's ACFR.

The "Management Letter" from last year's ACFR noted three matters for consideration that staff has fully corrected for this fiscal year.

During the audit, staff provided all requested information to the auditors and the final quality control review of the ACFR is underway. We expect the final audit opinion by Thursday February 23, 2023.

Staff also identified that the City should have been reporting an Other Post-Employment Benefit liability in prior years. We hired a consultant to prepare the necessary actuarial data to identify whether that liability is material. It did turn out to be material and the results are included in the final ACFR draft currently undergoing quality control review.

Staff successfully implemented new reporting requirements for leases, but that was the only GASB requirement due for implementation by the City this year.

FISCAL IMPACT:

The cost of the audit was consistent with the approved contract amount and will have no impact on the City's Budget.

Implied in all City Council Goals, Objectives, and Work Programs is the fundamental principle that the City will follow the City Council's adopted Fiscal Policy and will exercise the utmost financial discipline and accountability. In accordance with, and pursuant to, Section 37208 of the Government Code, the City Manager is responsible for preparing an audited Comprehensive Financial Report each year.

ALTERNATIVES:

1. Receive and file presentation of the final draft of the Fiscal Year 2021-22 Annual Comprehensive Financial Report.

ATTACHMENTS:

1. [Final Draft of Fiscal Year 2021-22 Annual Comprehensive Financial Report](#)

Approved by:



Douglas Schulze
City Manager



CITY OF BANNING STAFF REPORT

TO: BUDGET & FINANCE COMMITTEE

FROM: Douglas Schulze, City Manager

PREPARED BY: Lincoln Bogard, Administrative Services Director
A'ja Wallace, Deputy Finance Director

MEETING DATE: February 21, 2023

SUBJECT: FY 2022-2023 Mid-Year Budget Adjustments and Quarter 2 Budget-To-Actuals

RECOMMENDATION:

Recommend the Mid-Year Budget Adjustments go to City Council on February 28, 2023, and receive and file the Fiscal Year 2022-2023 Quarter 2 Budget-To-Actual Financial Report.

BACKGROUND:

GENERAL FUND – The three largest revenue streams for the City of Banning General Fund are property tax, sales tax, and transient occupancy tax (TOT).

PROPERTY TAX

The one percent (1.00%) base property tax base in California is shared by many agencies and in Riverside County, the current distribution of each property tax dollar for the City of Banning is illustrated on the following page. The City General Fund receives 12.33% of each property tax dollar and Citywide receives a weighted average share of about 19.59% of each property tax dollar.

Fiscal Year 2022-23 property taxes are based on property valuations as of January 1, 2022. Based on those valuations, the City is expecting strong property tax growth during this fiscal year. Historically, growth averages at about five percent (5%) per year. We are expecting over twelve percent (12%) growth this year. After that, growth is expected to moderate significantly to around four percent (4%) per year in the following four years. This is based on current consultant estimates. While the consultant is not calling for a prolonged recession, they do expect minimal growth for some time. In the event that the economy doesn't meet expectations, the future expectations of four percent (4%) growth may be reduced.

In Fiscal Year 2021-22, the City's share of the one percent (1.00%) base property tax was \$2.99 million and is expected to come in around \$3.4 million this year.



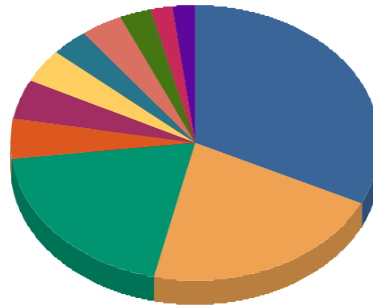
THE CITY OF BANNING

2021/22 WEIGHTED AVERAGE SHARES

ATI Revenue by Agency for all NON SA TRAs within Selected Agency

Agency	Agency Description	Weighted Avg Share
03-0801	Banning Unified School	32.227599%
01-1001	County General	21.276057%
02-2051	Banning General Fund	19.593595%
04-5171	San Gorgonio Pass Water AG Debt Service	4.706208%
04-1365	Flood Control Zone 5	4.690891%
04-4455	Banning Library District	3.842824%
03-9896	Riverside County Office of Education	3.488428%
03-9201	Mt. San Jacinto Junior College	3.379366%
03-1101	Beaumont Unified School	2.969644%
04-4005	Summit Cemetery District	1.866813%
04-4391	San Gorgonio Pass Memorial Hospital	1.721649%
04-1351	Flood Control Administration	0.228022%
04-1110	Riverside County Reg. Park & Open Space	0.008196%
04-4606	Beaumont Cherry Valley Recreation & Park	0.000707%

Banning Unified School	32.2%
County General	21.3%
Banning General Fund	19.6%
San Gorgonio Pass Water AG Debt Service	4.7%
Flood Control Zone 5	4.7%
Banning Library District	3.8%
Riverside County Office of Education	3.5%
Mt. San Jacinto Junior College	3.4%
Beaumont Unified School	3.0%
Summit Cemetery District	1.9%
Others	2.0%
Total:	100.0%

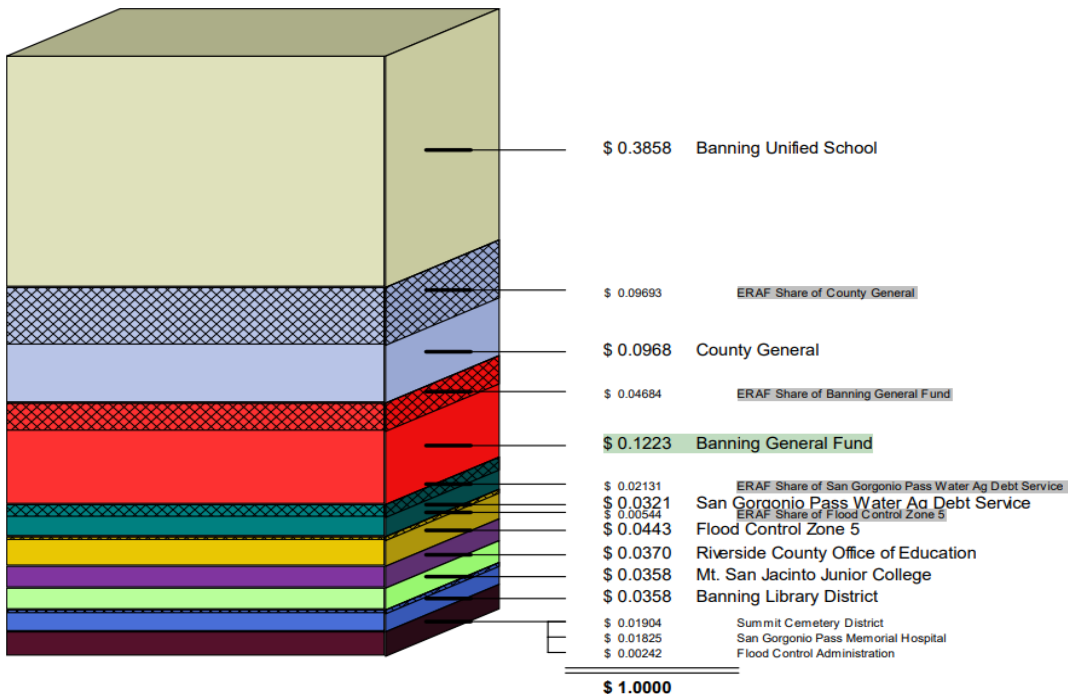


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THE CITY OF BANNING

PROPERTY TAX DOLLAR BREAKDOWN



The next charts show the historic receipts and future projections for property taxes, including Property Tax in Lieu of Vehicle License Fees, also called Vehicle License Fee Adjustment Amount (VLFAA) receipts that the City also receives. VLFAA receipts are tied to property valuations and are additional property tax revenue for the City. VLFAA is currently being reassessed by the State to determine whether to end the program. That could result in a loss of over \$3 million annually to the City. The California League of Cities is working with State Legislators to maintain this crucial revenue source for cities in California. The City expects approximately \$6.7 million in property taxes this year, which is inline with the current budget.



THE CITY OF BANNING REVENUE HISTORY

Roll Year	Total 1% Share Revenue	% Chg	VLFAA Property Tax Revenue	% Chg
2012-13	\$1,946,357		\$1,815,321	
2013-14	\$2,022,328	3.9%	\$1,900,005	4.7%
2014-15	\$2,171,966	7.4%	\$2,029,045	6.8%
2015-16	\$2,286,206	5.3%	\$2,135,247	5.2%
2016-17	\$2,374,961	3.9%	\$2,222,606	4.1%
2017-18	\$2,507,986	5.6%	\$2,359,485	6.2%
2018-19	\$2,624,950	4.7%	\$2,488,858	5.5%
2019-20	\$2,727,683	3.9%	\$2,601,101	4.5%
2020-21	\$2,831,884	3.8%	\$2,709,985	4.2%
2021-22	\$2,988,505	5.5%	\$2,850,476	5.2%

General Fund	2022-23	2023-24	2024-25	2025-26	2026-27
General Fund and BY Values	\$2,019,565,090	\$2,275,789,358	\$2,364,678,944	\$2,454,937,313	\$2,551,551,998
Real Property Value (Incl. Prop 8 parcels)	\$1,849,495,339	\$2,105,719,607	\$2,194,609,193	\$2,284,867,562	\$2,381,482,247
CPI of Non Prop 8 Parcels (2022-23 @ 2.000%)	\$34,350,681	38,452,170	43,418,546	45,534,645	47,506,293
Transfer of Ownership Assessed Value Chang	\$199,565,781	40,692,707	44,909,371	50,330,529	52,439,072
Est. SFR Prop 8 Adj Based on Recent Price	\$22,307,806	\$9,744,710	\$1,930,452	\$749,511	\$520,918
Estimated Real Property Value	\$2,105,719,607	\$2,194,609,193	\$2,284,867,562	\$2,381,482,247	\$2,481,948,530
Base Year Values	\$160,006,123	\$160,006,123	\$160,006,123	\$160,006,123	\$160,006,123
Secured Personal Property Value (see notes)	\$1,936,854	\$1,936,854	\$1,936,854	\$1,936,854	\$1,936,854
Unsecured Personal Property Value (see notes)	\$8,126,774	\$8,126,774	\$8,126,774	\$8,126,774	\$8,126,774
Nonunitary Utility Value (0.0% growth)	\$0	\$0	\$0	\$0	\$0
Enter Completed New Construction					
Estimated Net Taxable Value	\$2,275,789,358	2,364,678,944	2,454,937,313	2,551,551,998	2,652,018,281
Estimated Total Percent Change	12.69%	3.91%	3.82%	3.94%	3.94%
Revenue Calculations					
Net Taxable Value Tax @ 1%	\$22,757,894	\$23,646,789	\$24,549,373	\$25,515,520	\$26,520,183
City Share of 1% Tax @ 14.76648882%	\$3,360,542	\$3,491,801	\$3,625,080	\$3,767,746	\$3,916,100
Aircraft Value Tax @ 1%	18,948	18,948	18,948	18,948	18,948
City Share of Aircraft Tax @ 33.3%	\$6,316	\$6,316	\$6,316	\$6,316	\$6,316
Net GF Estimate	\$3,366,858	\$3,498,117	\$3,631,397	\$3,774,062	\$3,922,416
Taxable Value Revenue Categories					
Secured Revenue	3,257,709	3,384,951	3,514,153	3,652,453	3,796,267
Unsecured Revenue	102,833	106,849	110,927	115,293	119,833
Aircraft Revenue	\$6,316	\$6,316	\$6,316	\$6,316	\$6,316
Rev from Taxable Val*	\$3,366,858	\$3,498,117	\$3,631,397	\$3,774,062	\$3,922,416
Unitary Revenue (Budgeted Flat)	\$102,299	\$102,299	\$102,299	\$102,299	\$102,299
Admin Fee (Not Deducted Above)	-29,757	-30,885	-32,030	-33,256	-34,531
Enter Suppl. Apportionment - Avg 3 Yrs					
Enter Delinquent Apportionment - Avg 3 Yrs					



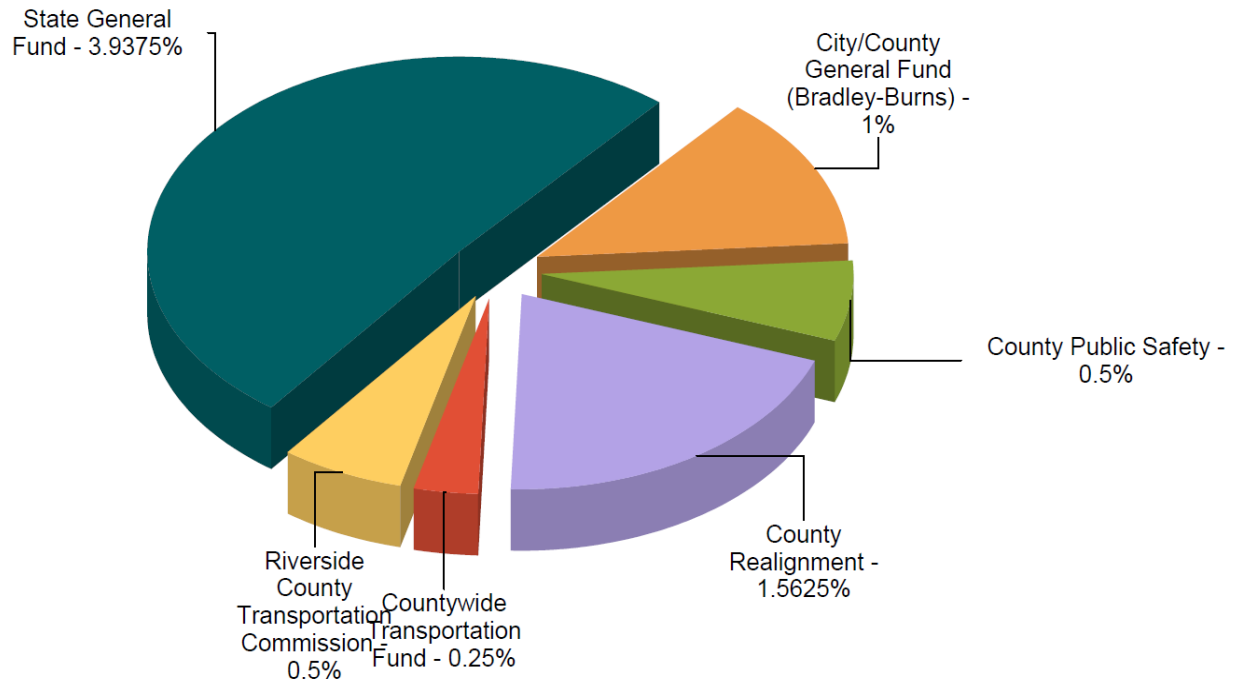
THE CITY OF BANNING REVENUE HISTORY

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2018-19	\$2,624,950	4.7%	\$2,488,858	5.5%
2019-20	\$2,727,683	3.9%	\$2,601,101	4.5%
2020-21	\$2,831,884	3.8%	\$2,709,985	4.2%
2021-22	\$2,988,505	5.5%	\$2,850,476	5.2%

VLFAA	2022-23	2023-24	2024-25	2025-26	2026-27
Citywide Net Taxable Value	\$2,566,477,055	\$2,889,193,493	\$3,008,196,669	\$3,130,412,156	\$3,261,359,150
Real Property Value (Incl. Prop 8 parcels)	\$2,535,180,071	\$2,857,896,509	\$2,976,899,685	\$3,099,115,172	\$3,230,062,166
CPI of Non Prop 8 Parcels (2022-23 @ 2.000%)	\$47,766,777	\$53,044,271	\$58,974,305	\$61,787,040	\$64,462,925
Transfer of Ownership Assessed Val Change	\$250,495,569	\$54,971,224	\$60,903,217	\$68,256,428	\$71,115,843
Est. SFR Prop 8 Adj Based on Recent SFR Price	\$24,454,092	\$10,987,681	\$2,337,966	\$903,526	\$597,154
Estimated Real Property Value	\$2,857,896,509	\$2,976,899,685	\$3,099,115,172	\$3,230,062,166	\$3,366,238,087
Secured Personal Property Value (see notes)	\$3,429,987	\$3,429,987	\$3,429,987	\$3,429,987	\$3,429,987
Unsecured Personal Property Value (see notes)	\$27,810,747	\$27,810,747	\$27,810,747	\$27,810,747	\$27,810,747
Nonunitary Utility Value (0.0% growth)	\$56,250	\$56,250	\$56,250	\$56,250	\$56,250
Enter Completed New Construction					
Estimated Net Taxable Value	\$2,889,193,493	\$3,008,196,669	\$3,130,412,156	\$3,261,359,150	\$3,397,535,071
Estimated Total Percent Change	12.57%	4.12%	4.06%	4.18%	4.18%
Base Value of VLFAA	\$2,850,476	\$3,208,781	\$3,340,983	\$3,476,626	\$3,621,949
Estimated Change to VLFAA	\$358,305	\$132,202	\$135,644	\$145,323	\$151,397
VLFAA Estimate	\$3,208,781	\$3,340,983	\$3,476,626	\$3,621,949	\$3,773,347

SALES TAX

There is a seven and three quarter percent (7.75%) sales tax rate in the City of Banning. The City share of that is one percent (1.00%) or twelve and nine-tenths percent (12.9%) of all sales tax receipts. The state gets just over half, and the remainder goes to the County for various purposes. See illustrative chart and table below.



The table below depicts the last two fiscal years' sales tax receipts and the estimated projection for Fiscal Year 2022-23. We are estimating a five plus percent (5%+) increase.

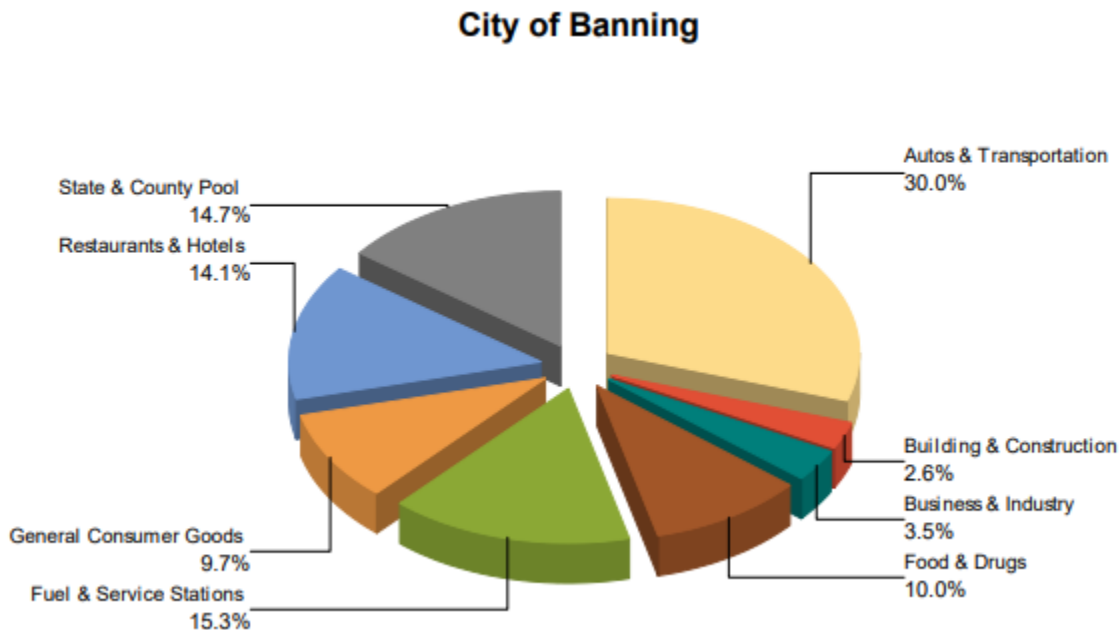
HdL CITY OF BANNING
SALES TAX ALLOCATION CASH PROJECTIONS

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		ACTUAL		FORECAST *	
	Payment Month	Fiscal Year 2020-21	Fiscal Year 2021-22	Fiscal Year 2021-22	Fiscal Year 2022-23
1st Advance	June	\$ 154,110	\$ 300,060	\$ 300,060	\$ 260,500
2nd Advance	July	249,122	280,583	280,583	260,500
Clean Up	August	258,030	350,797	350,797	435,403
2nd Quarter Allocation		661,262	931,439	931,439	956,403
1st Advance	September	227,105	256,437	256,437	287,100
2nd Advance	October	256,811	312,009	312,009	287,100
Clean Up	November	348,886	374,954	374,954	480,039
3rd Quarter Allocation		832,802	943,400	943,400	1,054,239
1st Advance	December	210,013	288,801	288,801	288,400
2nd Advance	January	237,354	302,740	302,740	288,400
Clean Up	February	412,437	373,049	373,049	482,265
4th Quarter Allocation		859,805	964,590	964,590	1,059,065
1st Advance	March	186,781	262,437	262,437	243,800
2nd Advance	April	204,290	274,414	262,437	243,800
Clean Up	May	419,247	377,011	363,368	407,581
1st Quarter Allocation		810,317	913,861	888,242	895,181
1st Advance	June	300,060	268,961	260,500	263,000
2nd Advance	July	280,583	325,769	260,500	263,000
Clean Up	August	350,797	333,711	435,403	439,821
2nd Quarter Allocation		931,439	928,441	956,403	965,821
Fiscal Year Reconciliation					
Accrual		\$ 3,434,363	\$ 3,750,292	\$ 3,752,635	\$ 3,974,305

* Based on budget prepared 04/12/22 by bem

Currently, the City has a broad base of sale tax receipt sources and is not overly reliant on any one business or industry. That helps to add stability during times of economic uncertainty. Our sales taxes for Fiscal Year 2021-22 were composed of the following industries. The City expects approximately \$3.8 million in sales taxes this year. That is inline with the current budget.



TRANSIENT OCCUPANCY TAX (TOT)

According to Visit California's industry research, California's room demand has fully recovered to the 2019 pre-pandemic levels. According to YTD August data, room demand stood 1% above the 2019 benchmark. Occupancy is on track to recover to 68% this year - still having some way to go to reach the pre-pandemic 75% occupancy. Risks to their forecasts are slightly skewed to the downside. Their tourism experts are projecting 11%, 7%, and 3% growth in California occupancy for calendar years 2022-2024, respectively. In non-gateway regions that growth is 0%, 3%, and 2% for those same periods. Based on the City's receipts for Fiscal Year 2020-21 of \$1.12 million and Fiscal Year 2021-22 receipts of \$1.29 million, our receipts grew by 15.2% year-over-year. Based on that, we expect actual receipts to be well over the current budget of \$1.24 million at around \$1.36 million using an estimated 5% growth rate.

GENERAL FUND OVERALL REVENUES

Fiscal Year 2021-22 General Fund Revenues including Other Financing Sources was \$26.43 million and Fiscal Year 2022-23 adopted revenues budget was \$26.42 million, which we expect to revise downward to \$25.39 million with the proposed mid-year adjustments. Material adjustments proposed include:

- Removal of \$2.0 million due to cancelation of ENA with Grandave – First Industrial
- Decreased Engineering revenues by \$662 thousand due to delays in permits and plan reviews
- Increased General Fund discretionary revenue by \$544 thousand due to revised tax estimates
- Increased Public Safety revenue by \$621 thousand for revised PS Sales Tax estimate and Special Program estimates

The timing of revenues for local governments do not line up with the timing of expenditures. Most Property Tax receipts occur in two lump payments in late December or early January and late April or early May for each fiscal year. Sales Tax receipts are received two months in arrears with a quarterly true-up. Transient Occupancy Tax receipts are also received up to two months in arrears. Those three revenue streams are the largest in the General Fund.

Based on the timing of revenues the General Fund normally shows an increasingly negative net income from July through December and then moves towards a positive net income thereafter. That increases the importance of accurate budgeting for the City.

GENERAL FUND EXPENDITURES

As of December 31, 2022, the General Fund had total expenditures of \$10.83 million before interfund transfers and Capital Improvement Plan related items. The adopted budget for Fiscal Year 2022-23 is \$25.82 million, which was revised upward by Council appropriations this fiscal year of \$27.94 million and by proposed mid-year adjustments to \$28.39 million. Material adjustments include:

- Previous Council approved appropriations fiscal year-to-date:
 - Increased Engineering Services by \$1.1 million
 - Police Vehicles increase of \$456 thousand
 - Contract Employment Services for Finance of \$90 thousand and HR of \$60 thousand
 - General Plan Update increase of \$130 thousand
 - Computer Services for Building Maintenance of \$51 thousand
 - All others immaterial
- Proposed Mid-Year adjustments:
 - Approximately \$50 thousand increase in expenditures in each of the following:
 - City Council
 - City Manager's Office
 - Police Operations

OTHER FUNDS

An analysis of other non-General Fund funds will be presented using OpenGov during the Budget & Finance Committee and will be posted to the agenda afterwards.

FISCAL IMPACT:

No fiscal impact at this time. Current expectations are far lower than the adopted budget. Current estimated net loss for the fiscal year after mid-year adjustments is \$2.99 million, down from an adopted budget estimated net income of \$621 thousand and current budgeted net loss after Council appropriations this year of (\$1.29 million). Staff is still looking to identify additional savings to balance the budget. Impacts of labor negotiations were estimated in the adopted budget, but actual numbers are being uploaded prior to this meeting. Staff hopes to make further adjustments to close the gap prior to the meeting; therefore, no presentation is currently attached to this staff report.

ALTERNATIVES:

1. Recommend the Mid-Year Budget Adjustments go to City Council on February 28, 2023, and receive and file the Fiscal Year 2022-2023 Quarter 2 Budget-To-Actual Financial Report.
2. Provide recommendations for staff regarding the Mid-Year Budget Adjustments going to City Council on February 28, 2023.

ATTACHMENTS:

1. [Approved Budget and Fiscal Policies](#)
2. Link to OpenGov Mid-Year Adjustment and Quarter 2 Budget-to-Actuals Report (To be added after the meeting)

Approved by:

A handwritten signature in black ink, appearing to read "Douglas Schulze", written over a horizontal line.

Douglas Schulze
City Manager