

QUARTERLY FINANCIAL BRIEFING

3RD QUARTER FY 2022

~~FY 2021 Audit Update~~

FY 2022-26 Financial Status and Forecast

FY 2023 Intro to Proposed Budget



TABLE OF CONTENTS



FINANCIAL STATUS AND FORECAST

FY 22 Spending Level.....	3
FY 22 Revenue Model	7
FY 22-26 Forecast	13

FY 2023 PROPOSED BUDGET (Introduction)	22
--	----

The format of this presentation is intended to serve as both a work session presentation and Quarterly Report Document.

All data may not be addressed during the presentation. Inquiries are welcomed during and after the work session.

FY 2022 SPENDING LEVELS

Reporting for Q3 spending levels is the same as in Q2. Enhancements to the Spending Level reporting are planned after the Revenue and Forecast models are completed or by ad hoc suggestions.

Governmental funds include:

- General Fund
- Highway User Revenue Fund
- City Road Tax Fund
- Public Safety Tax Fund
- Two Percent Tax Fund

Enterprise funds include:

- Water
- Wastewater
- Solid Waste

Governmental Funds



01 GENERAL FUND	BUDGET AND ACTUAL				YEAR OVER YEAR		
	FY 2022 Q3	Total Budget	\$ Remaining	% Bud	FY 2021 Q3	\$ Change	% Change
Total Revenue	\$ 64,216,718	\$ 78,389,789	\$ 14,173,071	82%	\$ 61,018,547	\$ 3,198,171	5%
Total Expenditures (Operating)	(48,498,157)	(79,117,374)	(30,619,217)	61%	(48,566,818)	68,661	0%
Revenue Over (Under) Expenditures	\$ 15,718,561	\$ (727,585)			\$ 12,451,729	\$ 3,266,832	

02 HURF (HIGHWAY USER REVENUE FUND)	BUDGET AND ACTUAL				YEAR OVER YEAR		
	FY 2022 Q3	Total Budget	\$ Remaining	% Bud	FY 2021 Q3	\$ Change	% Change
Total Revenue	\$ 6,843,019	\$ 8,330,200	\$ 1,487,181	82%	\$ 6,526,554	\$ 316,465	5%
Total Expenditures and Projects	(6,010,597)	(9,304,560)	(3,293,963)	65%	(5,852,492)	(158,105)	3%
Revenue Over (Under) Expenditures	\$ 832,422	\$ (974,360)			\$ 674,062	\$ 158,360	

Monitoring operating expenditures tends to be near 25% for the 1st quarter, 50% the 2nd and 75% the 3rd.

However, if a large quantity of expenditures are made in single payments such as an annual subscription or lease, a quarter could run higher than expected.

All presented governmental operating funds are showing second quarter revenues exceeding 75% of the revenue goal and second quarter spending is less than 75% of budgeted spending authority.

Governmental Funds

03 CITY ROAD TAX (.05%) FUND		BUDGET AND ACTUAL			YEAR OVER YEAR		
	FY 2022 Q3	Total Budget	\$ Remaining	% Bud	FY 2021 Q3	\$ Change	% Change
Total Revenue	\$ 11,512,461	\$ 13,910,956	\$ 2,398,495	83%	\$ 10,276,782	\$ 1,235,679	12%
Total Expenditures and Projects	(5,741,999)	(15,118,777)	(9,376,778)	38%	(3,591,654)	(2,150,345)	60%
Revenue Over (Under) Expenditures	\$ 5,770,462	\$ (1,207,821)			\$ 6,685,128	\$ (914,666)	

04 PUBLIC SAFETY TAX (0.2%) FUND		BUDGET AND ACTUAL			YEAR OVER YEAR		
	FY 2022 Q3	Total Budget	\$ Remaining	% Bud	FY 2021 Q3	\$ Change	% Change
Total Revenue	\$ 4,587,326	\$ 5,518,000	\$ 930,674	83%	\$ 4,084,667	\$ 502,659	12%
Total Expenditures (Operating)	(3,211,709)	(5,241,902)	(2,030,193)	61%	(2,314,877)	(896,832)	39%
Revenue Over (Under) Expenditures	\$ 1,375,617	\$ 276,098			\$ 1,769,790	\$ (394,173)	

05 TWO PERCENT TAX FUND		BUDGET AND ACTUAL			YEAR OVER YEAR		
	FY 2022 Q3	Total Budget	\$ Remaining	% Bud	FY 2021 Q3	\$ Change	% Change
Total Revenue	\$ 6,754,788	\$ 6,944,300	\$ 189,512	97%	\$ 4,946,713	\$ 1,808,075	37%
Total Expenditures (Operating)	(4,068,980)	(7,611,407)	(3,542,427)	53%	(3,966,740)	(102,240)	3%
Revenue Over (Under) Expenditures	\$ 2,685,808	\$ (667,107)	{includes fees and retails}		\$ 979,973	\$ 1,705,835	

Similar to many Arizona cities, Yuma's year-over-year spending is appearing higher in FY2022 than last fiscal year due to reduced and deferred spending in FY2021 related to COVID-19 caution.

Enterprise Funds

06 WATER ENTERPRISE		BUDGET AND ACTUAL			YEAR OVER YEAR		
	FY 2022 Q3	Total Budget	\$ Remaining	% Bud	FY 2021 Q3	\$ Change	% Change
Total Income	\$ 19,489,194	\$ 26,636,650	\$ 7,147,456	73%	\$ 18,558,010	\$ 931,184	5%
Total Expenses (Operating)	(9,857,943)	(21,360,401)	(11,502,458)	46%	(10,188,088)	330,145	-3%
Income Over (Under) Expenses	\$ 9,631,251	\$ 5,276,249			\$ 8,369,922	\$ 1,261,329	

07 WASTEWATER ENTERPRISE		BUDGET AND ACTUAL			YEAR OVER YEAR		
	FY 2022 Q3	Total Budget	\$ Remaining	% Bud	FY 2021 Q3	\$ Change	% Change
Total Income	\$ 13,397,556	\$ 19,172,500	\$ 5,774,944	70%	\$ 13,069,774	\$ 327,782	3%
Total Expenses (Operating)	(8,185,471)	(14,299,584)	(6,114,113)	57%	(8,125,992)	(59,479)	1%
Income Over (Under) Expenses	\$ 5,212,085	\$ 4,872,916			\$ 4,943,782	\$ 268,303	

08 SOLID WASTE ENTERPRISE		BUDGET AND ACTUAL			YEAR OVER YEAR		
	FY 2022 Q3	Total Budget	\$ Remaining	% Bud	FY 2021 Q3	\$ Change	% Change
Total Income	\$ 3,750,111	\$ 5,209,500	\$ 1,459,389	72%	\$ 3,593,320	\$ 156,791	4%
Total Expenses (Operating)	(3,054,990)	(5,169,268)	(2,114,278)	59%	(2,928,377)	(126,613)	4%
Income Over (Under) Expenses	\$ 695,121	\$ 40,232			\$ 664,943	\$ 30,178	

Like the City's governmental funds, the enterprise funds spending levels are under 75%; while they are slightly under 75% of the revenue goals, the enterprise funds continue consistent revenue growth compared to last year.

FY 2022 REVENUE MODEL



The revenue model for Q3 FY2022 is the same as last quarter, but with updated data

1. The “look back” feature is activated in the presentation to flow into the “forecast” section

The periodical look feature checks on prior estimates to see if they came to fruition.

- A. The look back is a tool to help identify a *tremor in the expected*; help determine if evasive actions are warranted; or bring improvements to the model
- B. This revenue model projections generally are set at a 2% expected deviation.

Key:

Q1 = July-September

Q2 = October-December

Q3 = January – March

Q4 = April – June

FY = Fiscal Year

At the end of Q2, the revenue model projected major governmental revenues for Q3. Actual revenues came in stronger than projected by 0.9%.

Major General Fund Revenues include:

- Local General Sales Tax
- City Property Tax
- State Shared Sales Tax
- State Shared Income Tax
- Vehicle License Tax

Revenue Analysis – Major Revenues

MAJOR OPERATING REVENUE			BENCHMARK (BM) TO BUDGET (BUD)				YEAR OVER YEAR		
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(G)	(H)	(I)
Source	Fund	FY 2022 July-Mar	FY 2022 Total Budget	% of Budget	Bench Mark	BM Variance	FY 2021 July-Mar	Amount Change	% Change
(1) City Sales Tax (1.0%)	General	\$ 22,896,027	\$ 26,500,000	86%	74%	12.4%	\$ 20,394,008	\$ 2,502,019	12.3%
(2) Property Tax	"	9,514,358	15,008,556	63%	64%	-0.1%	9,127,717	386,641	4.2%
(3) State Sales Tax	"	9,844,010	10,918,000	90%	74%	16.5%	8,330,100	1,513,910	18.2%
(4) State Income Tax	"	9,488,006	8,623,831	110%	75%	35.0%	10,534,725	(1,046,719)	-9.9%
(5) Vehicle License Tax	"	3,539,335	4,300,000	82%	74%	8.4%	3,841,066	(301,731)	-7.9%
(6) Gasoline Tax (0.5%)	HURF	6,138,564	8,300,000	74%	74%	0.4%	6,485,394	(346,830)	-5.3%
(7) Road Tax (0.5%)	Road Tax	11,446,067	13,811,000	83%	74%	8.9%	10,195,272	1,250,795	12.3%
(8) Public Safety Tax (0.2%)	Public Safety	4,576,869	5,500,000	83%	74%	9.3%	4,076,722	500,147	12.3%
(9) Two Percent Tax	Two Percent	6,163,424	6,241,800	99%	72%	26.4%	4,776,668	1,386,756	29.0%
(10) Water Sales	Water	17,911,924	24,670,000	73%	72%	0.6%	17,927,732	(15,808)	-0.1%
(11) Wastewater Sales	Wastewater	12,953,944	18,360,000	71%	72%	-1.3%	12,868,365	85,579	0.7%
(12) Solid Waste Fees	Solid Waste	3,687,952	5,087,000	72%	72%	0.3%	3,483,756	204,196	5.9%
(13) TOTAL QUARTER 3 (JULY-MAR)		\$ 118,160,480	\$ 147,320,187	80%	72%	8.9%	\$ 112,041,525	\$ 6,118,955	5.5%

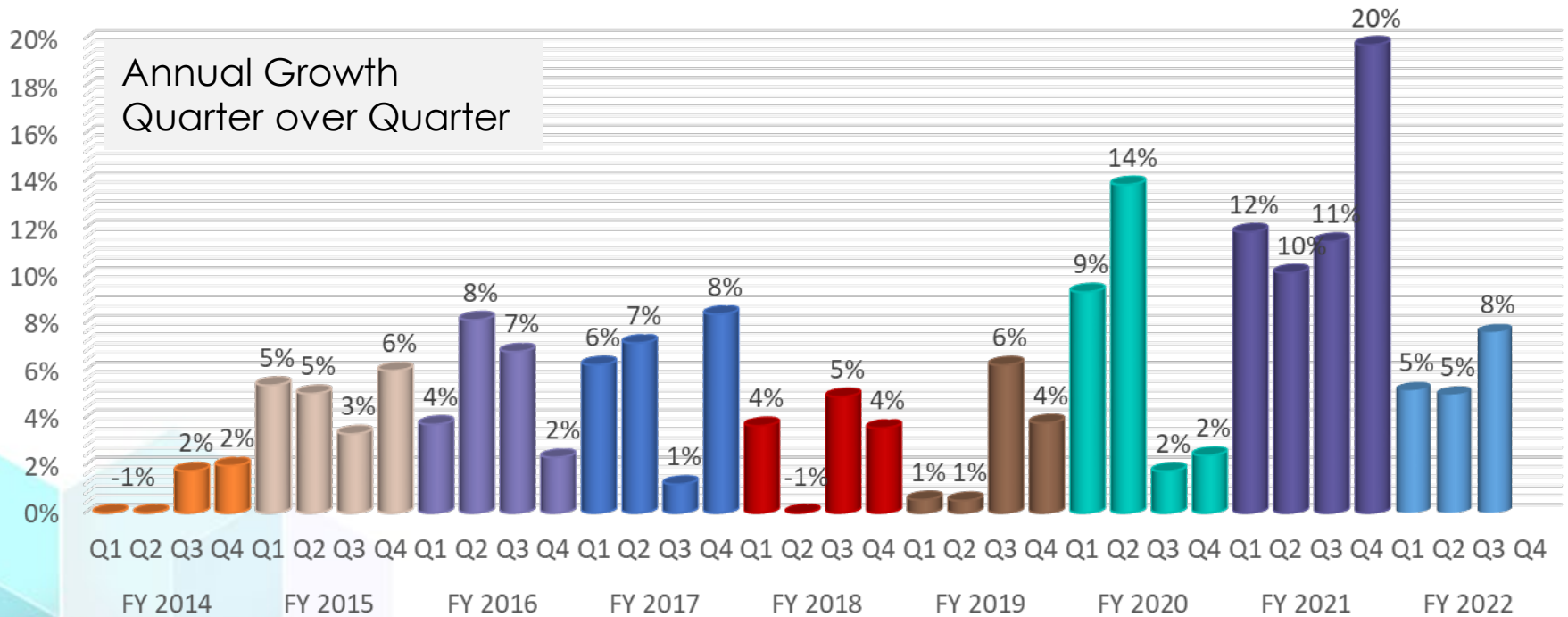
Sound revenue monitoring includes comparing historical trends with current collections and future expectations; and monitoring factors that drive each revenue including identifying risk indicators.

Column "F" is the percentage of total revenue typically collected in the first Quarter of the fiscal year. All factors consistent, this helps measure the likelihood of a revenue meeting the budget goal at year-end.

Column "G" compares the benchmark "F" with the current percentage of collections in column "E". The higher the % in "G", the greater the chance of making the budget goal.

This chart complements graphical revenue analysis for the General fund and includes other major revenue sources.

Revenue Analysis – General Fund



Key:

Q1 = July-September

Q2 = October-December

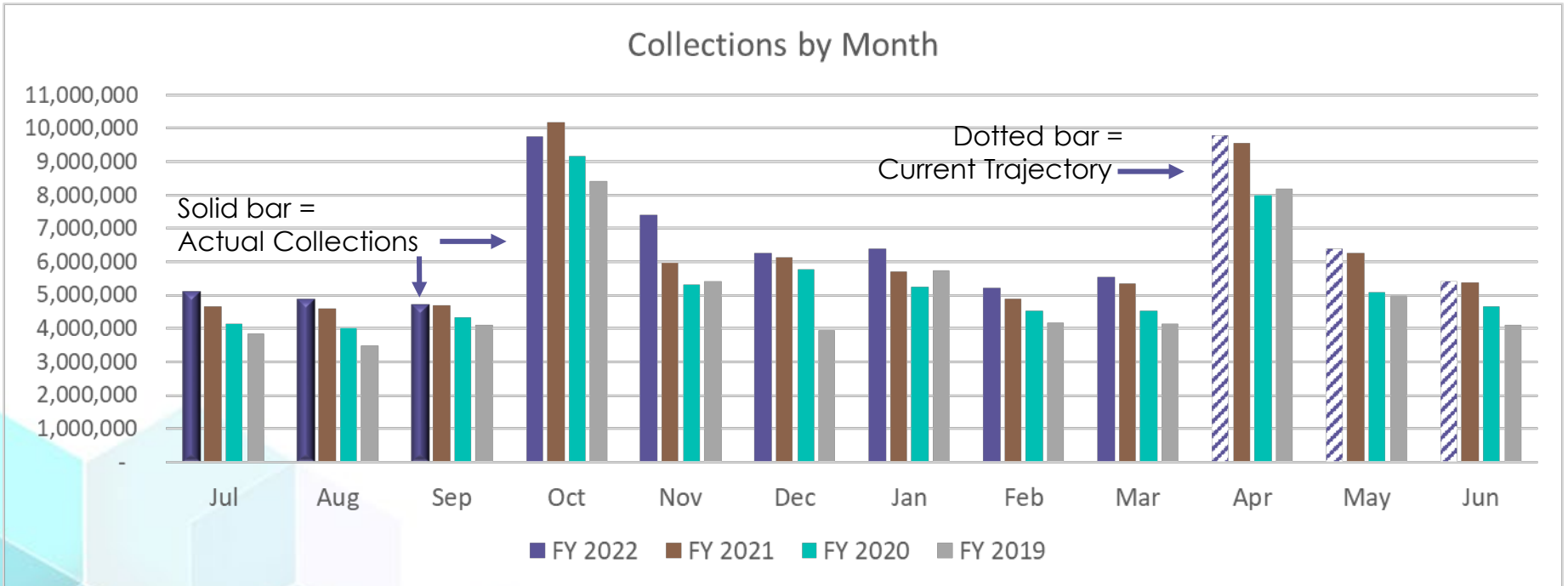
Q3 = January – March

Q4 = April – June

FY = Fiscal Year

This graph shows the % change for Q1 over Q1, Q2 over Q2, and so forth.

This information is useful in detecting a potential tremor of an potential economic factor that could be a signal for future adverse to the City's financial conditions.



Primary Factors in general revenues:

- Consumer confidence and demand
- Population: Yuma compared to AZ
- Tourism: local and AZ state-wide
- Local and State ballot measures
- State and Federal Legislative actions
- Changes in CPI (inflation/deflation)

Though December 6 months into FY2022:

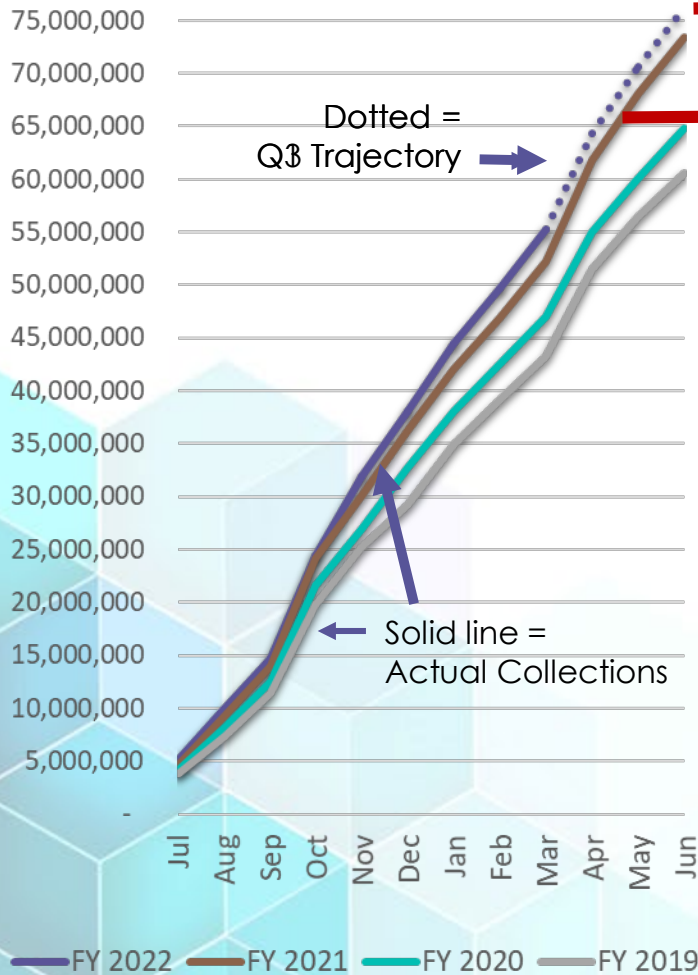
- Month-to-month annual growth;
- Traditional 3rd quarter benchmark is 72% of total year-end revenues, FY2022 has collected 80% of the budget goal
- October was the only month lower than the Q1 Revenue Model projected; but made up in Nov+

Revenue Analysis – General Fund

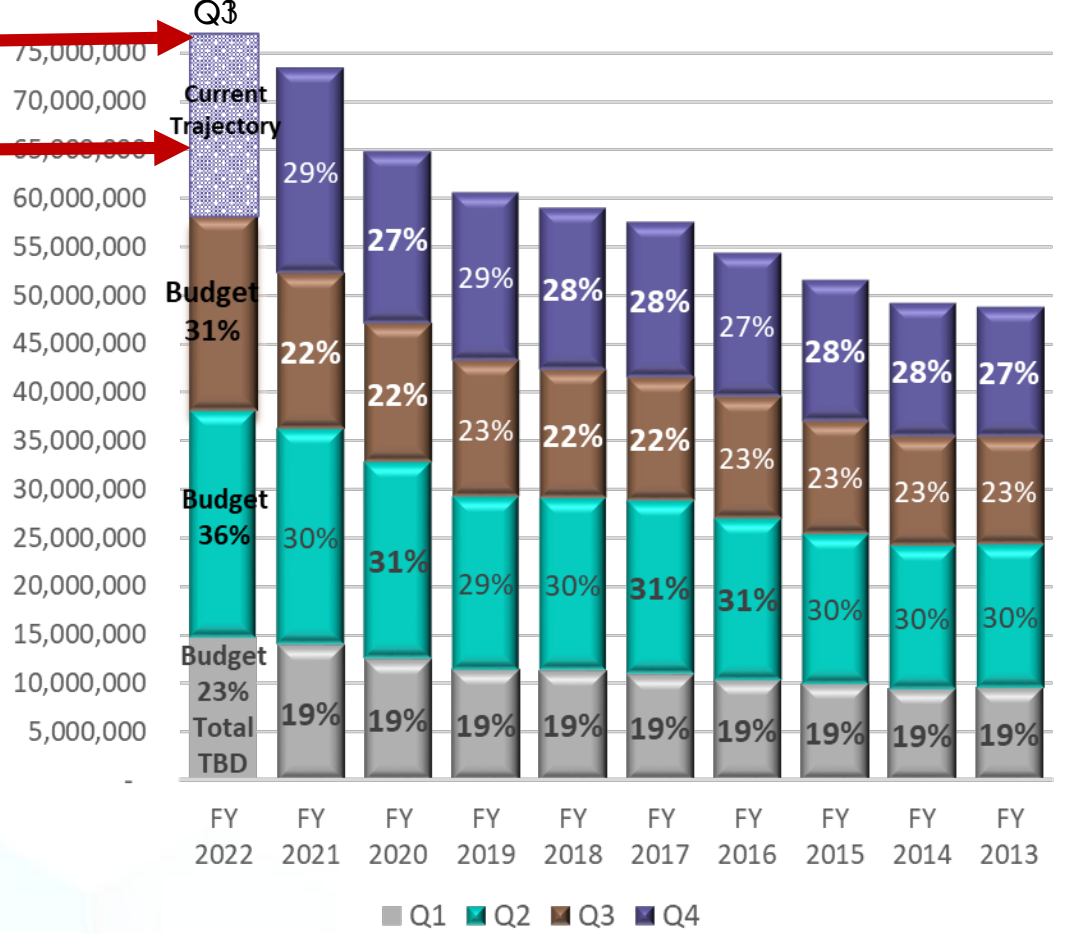
Look Back



Accumulated Collections



BM: Percentage of Total Collections by Quarter



Graph shows amount and % of total collections by quarter. Note consistency of % in each Q since 2013.

Revenue Analysis – General Fund

Expect 2023 Budget Goal to be above to 2022 trends

Budget and Actual by Fiscal Year



Revenue goals are set lower, expected to be exceeded, within reason:

- If goal is exceeded, the revenue can be used the next FY;
- However, if goal is too low, it can cause delays in projects or leave important City Initiatives unfunded or held back

When revenue goals are set too high or not met, risk of overextended (stress test):

- Determine the extent of the amount and duration until revenues rebound
- If reduced expenditures are warranted
- Possible re-prioritization of programs

The forecast 2026 is *in development* to be part of the financial plan for Budget 2023. This tool assists in the ability to gauge future operational plans, capital needs, measure the adequacy of reserves carrying into future years, set sufficient revenue goals, and stress test the financial plan.

Variables, include not limited to:

- Labor Market, Inflation
- State Shared Revenues
- Local, State Economy
- New Construction, Avail. Housing
- Legislative Actions, Voter Initiatives
- Local, State Population

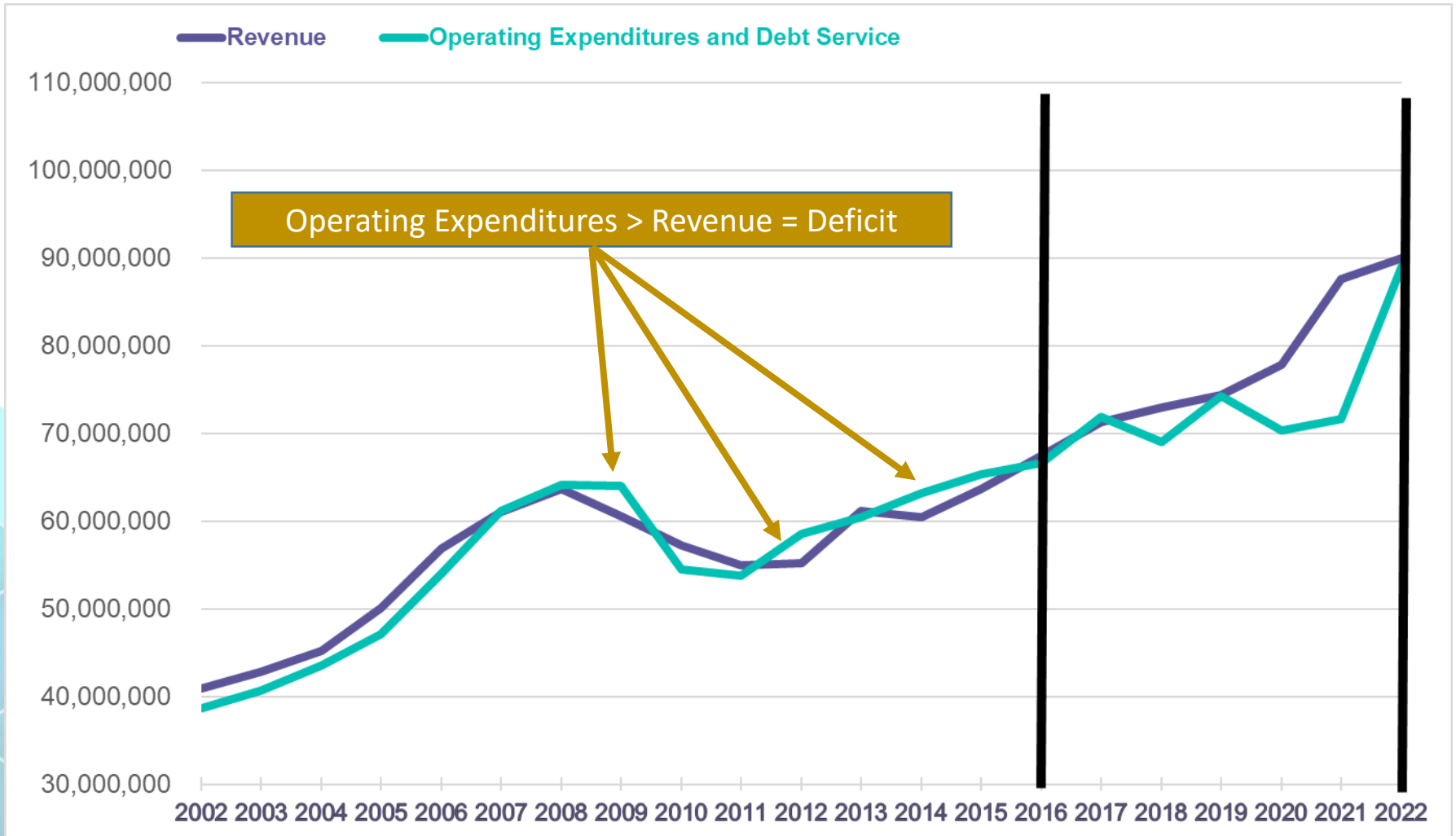
To Incorporate Multi-year plans:

- Fleet Repair, Replace, Expand
- IT Life Cycle, Cloud, Subscriptions
- Debt Service, Facilities, CIP
- Public Safety Equipment
- Employee Costs and Levels
- **Designation of Fund Balances**

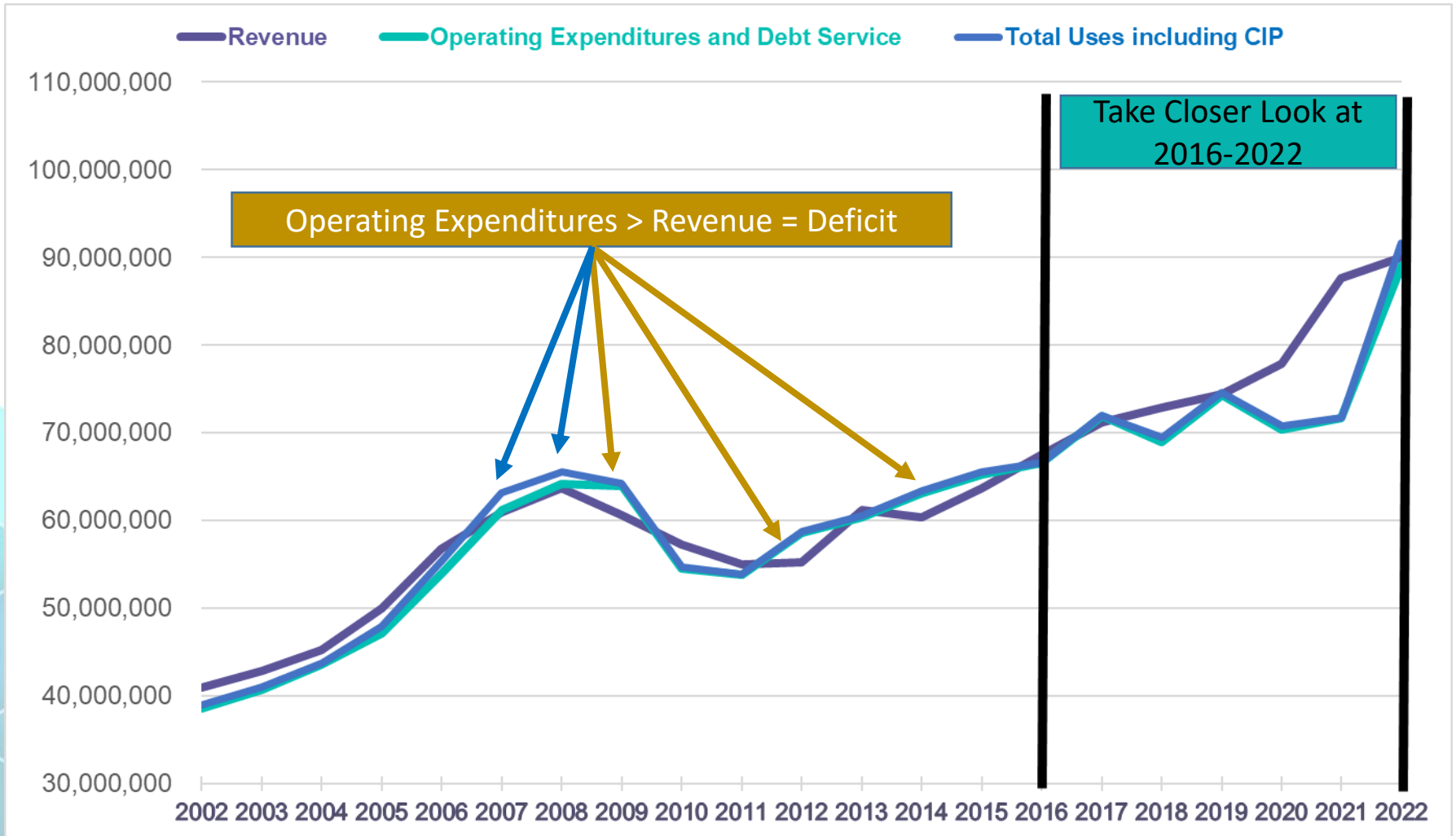
FY 2021 and prior are actual and “audited”. FY 2020-2022 experience many “deferred” costs with FY 2022 caused by supply chain delays.

FY 2023 – FY 2026 are illustrative only. However, this forecast will be update for upcoming City Council budget meetings with the most current data at that time.

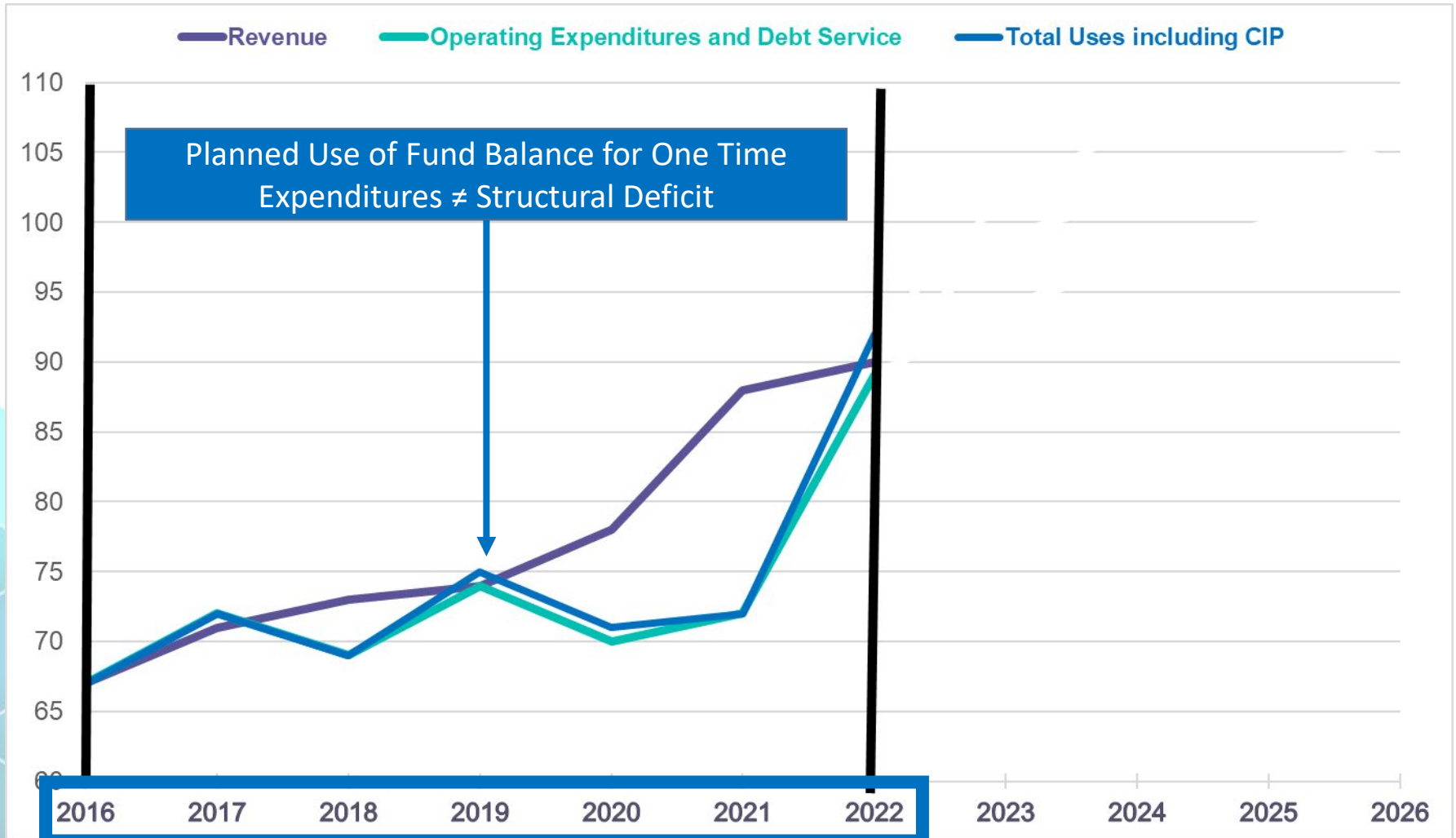
Forecast – General Fund



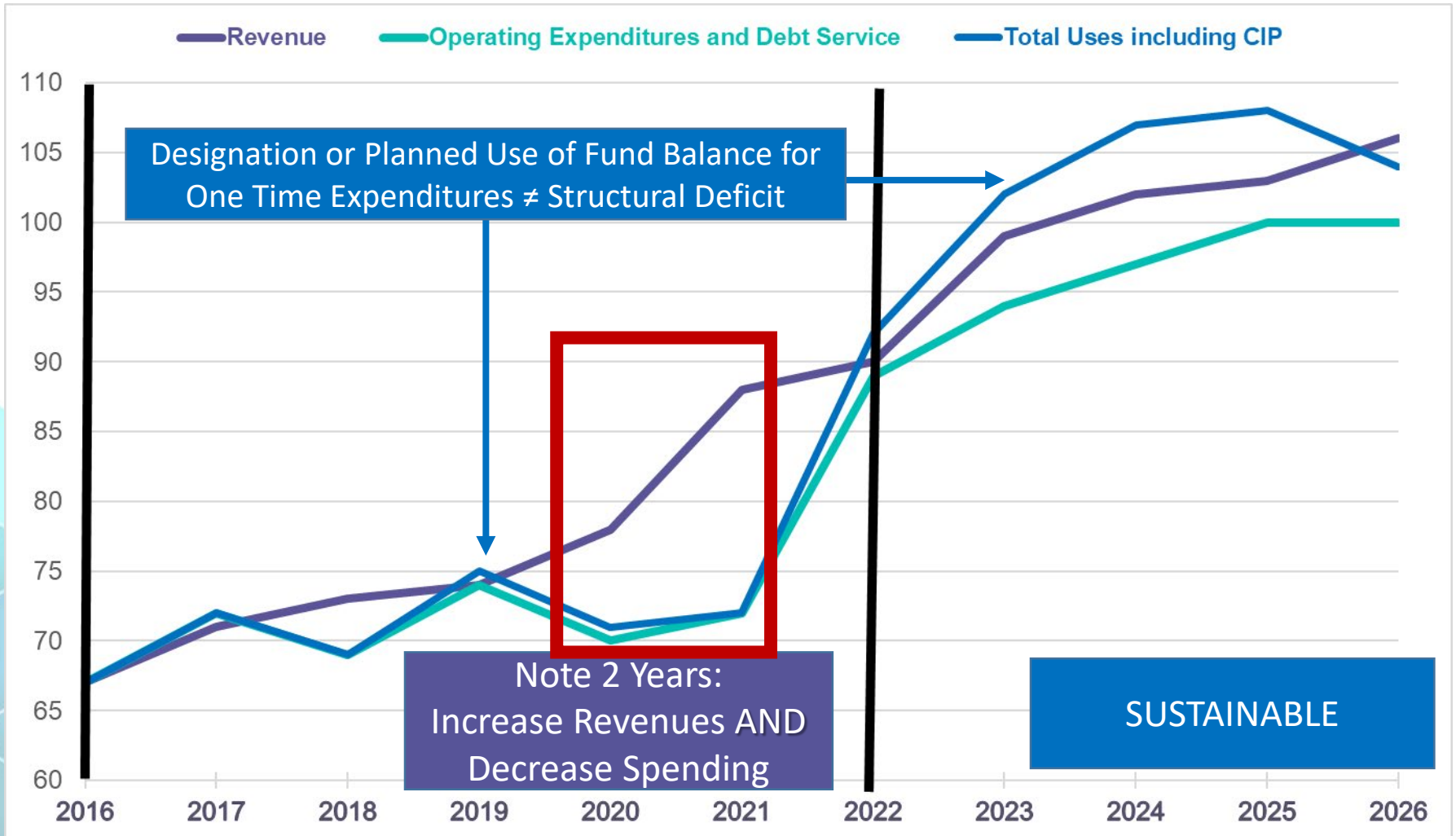
Forecast – General Fund



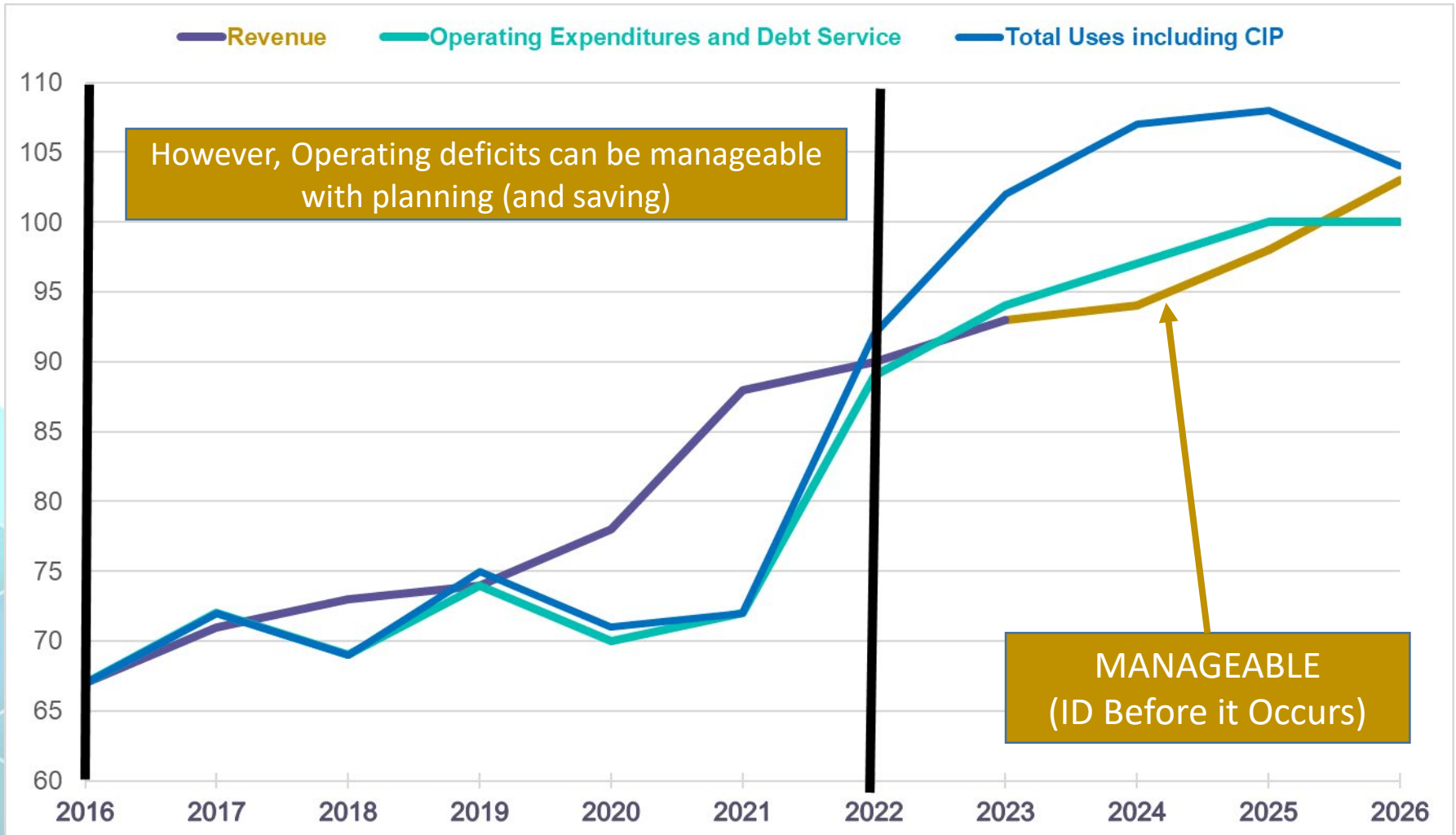
Forecast – General Fund



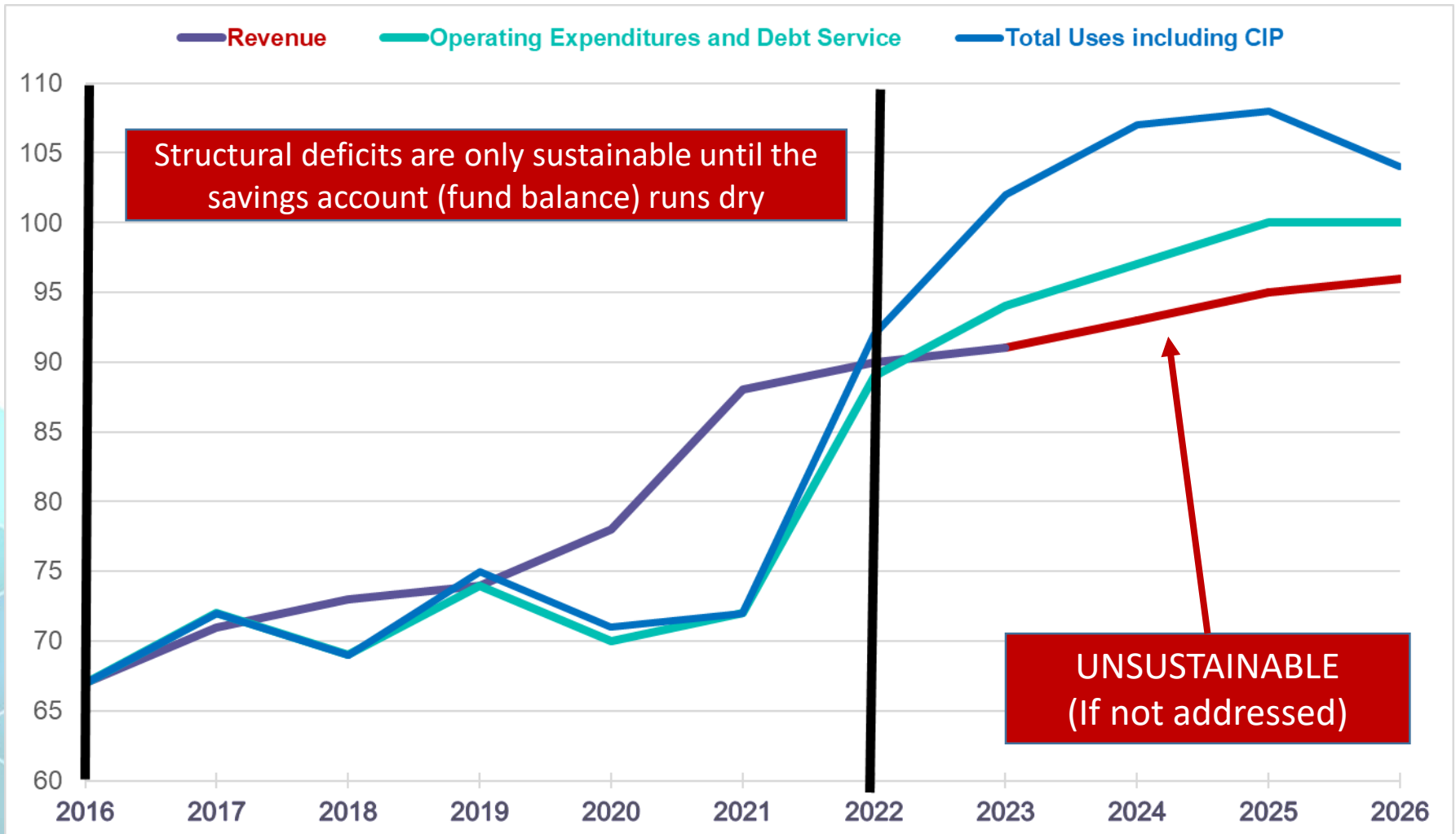
Forecast – General Fund



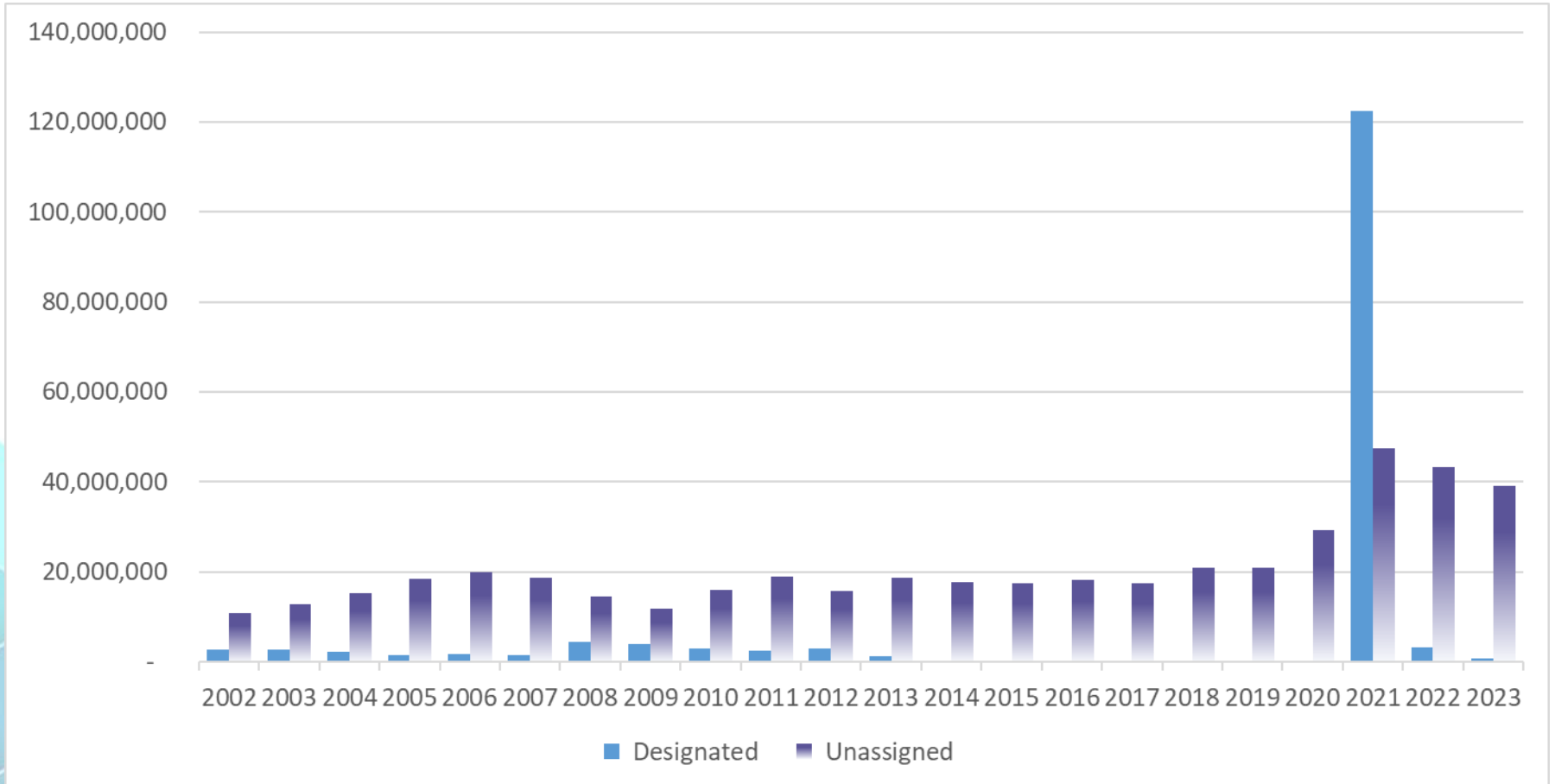
Forecast – General Fund



Forecast – General Fund

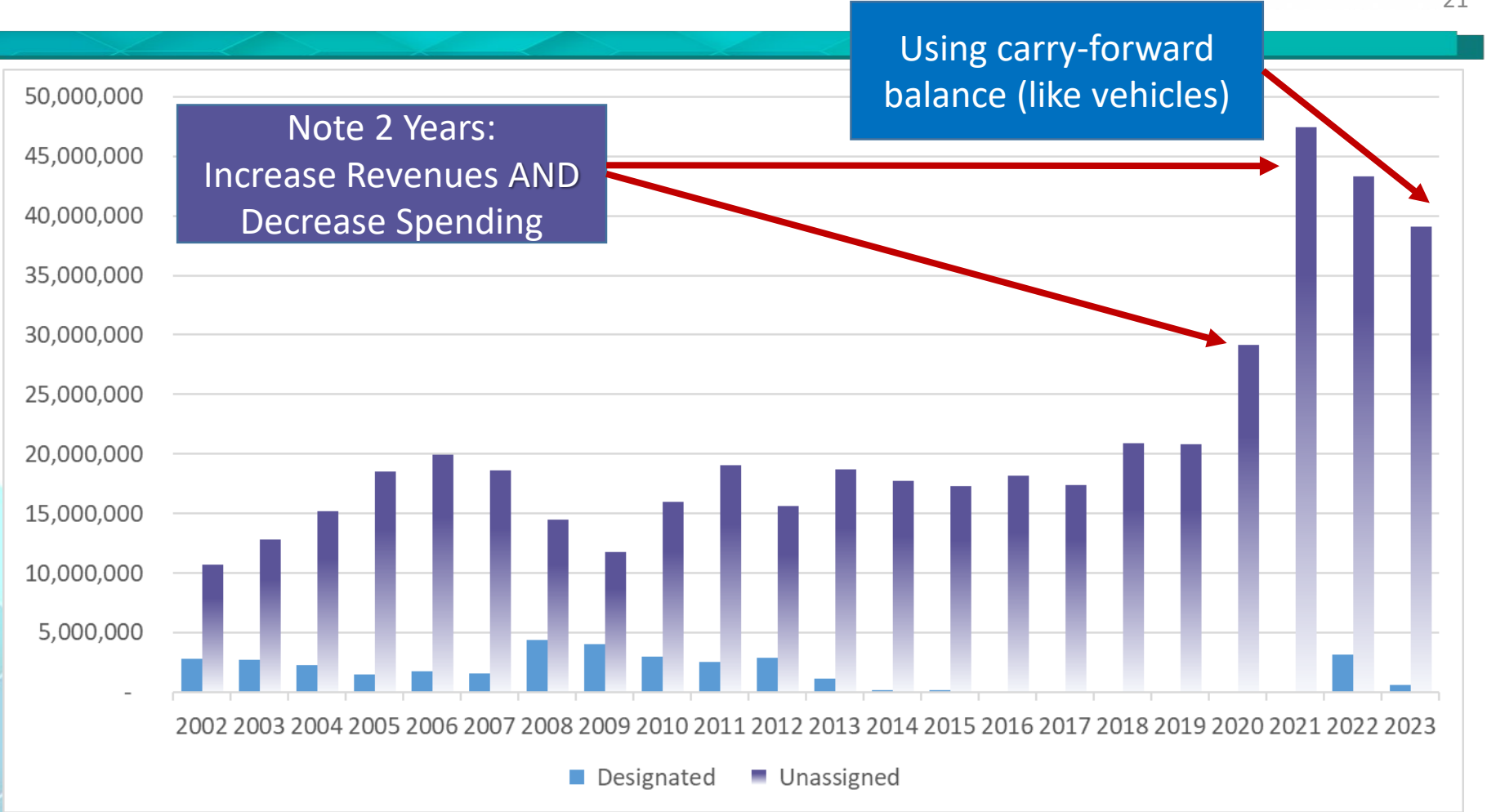


Forecast – General Fund Balance



Includes PSPRS Bond Proceeds
Received in FY 2021; Used in FY2022

Forecast – General Fund Balance



- Examples of Designations:**
- Fleet Repair, Replace, Expand
 - IT Equipment Life Cycle
 - Debt Service, CIP
 - Public Safety Equipment

Does NOT Include PSPRS Bond Proceeds
 Recommend Designating Balances for Future
 with Financial Forecasts and Planning

Goal is for the Document to be Available April 22nd:

- Work session May 3rd;
- Work session May 17th;
- Tentative Adoption May 18th;
- Final Adoption June 15th;
- Levy Adoption July 6th.

Role of a Budget Document:

- Policy Document;
- Operations Guide;
- Financial Plan; and
- Communication Medium.

Plus, FY 2023 proposed budget is designed with flexibility to adapt with anticipated & unforeseen changes during the Fiscal Year.

QUARTERLY FINANCIAL BRIEFING

3RD QUARTER FY 2022

~~FY 2021 Audit Update~~

FY 2022-26 Financial Status and Forecast

FY 2023 Intro to Proposed Budget

