



FY 2024 ANNUAL COMPREHENSIVE FINANCIAL REPORT & BUDGET ADJUSTMENTS

Rocelyn Fernando, Finance Manager

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www.cityofpaloalto.org

OVERVIEW

1. Macias Gini O’Connell, LLP (MGO) have completed the City’s annual audit
 - ACFR is available on the [City’s Administrative Service Department webpage](#)
 - MGO issued an **unmodified (i.e., “clean”) opinion**
 - Single Audit:
 - **No internal control deficiencies**
 - City is in **compliance with federal programs** that were tested
 - FY 2023 ACFR earned the **‘Excellence in Financial Reporting Award’** from GFOA
2. FY 2024 Year-End Budget Amendments

Thank you to MGO, the ASD Team, and Department staff!

OVERVIEW – FINANCIAL STATEMENTS

Closest to budget
basis

GOVERNMENT WIDE Financial Statements

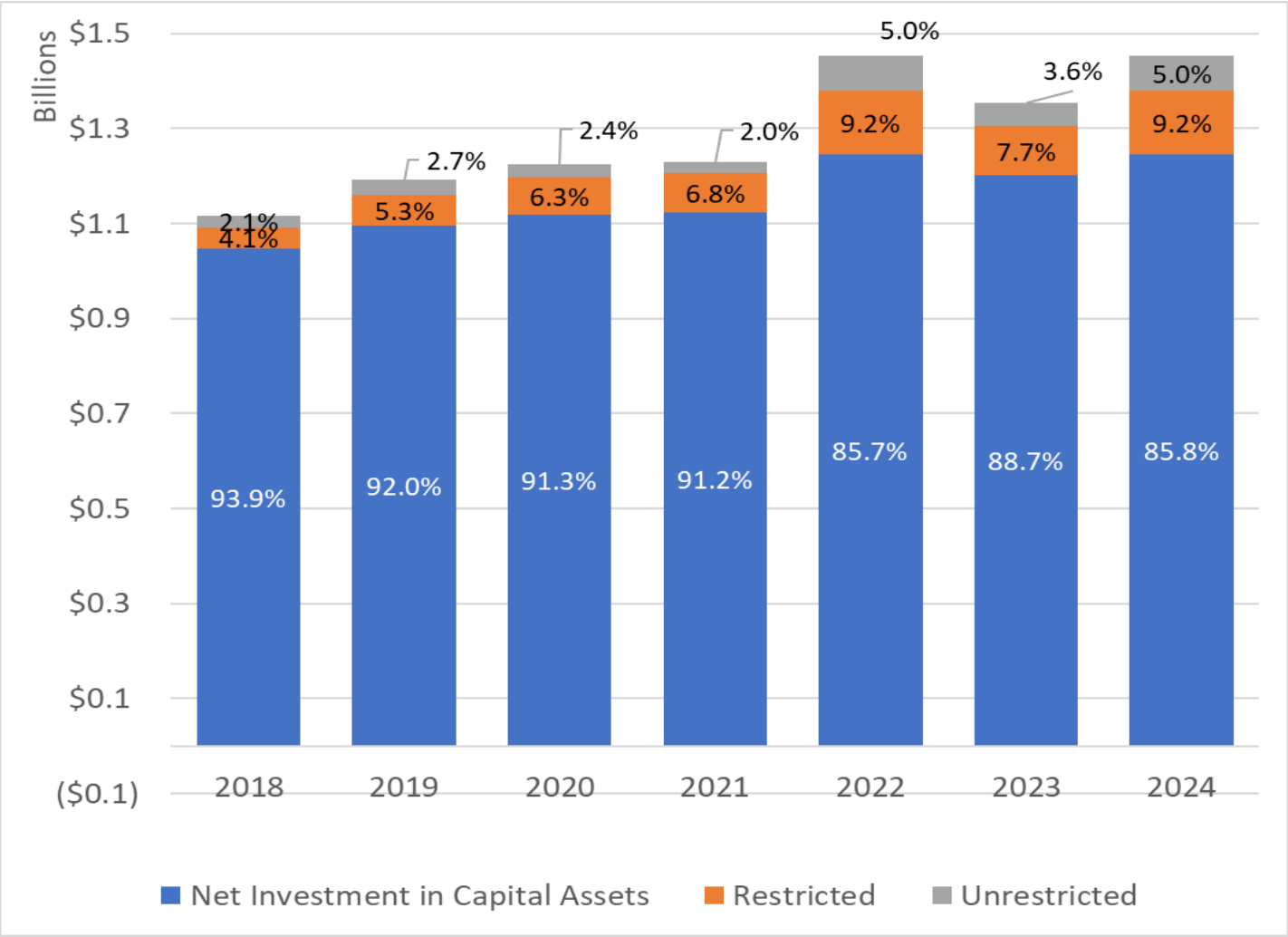
(ACFR pages 29 & 31)

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

FUND Financial Statements (ACFR pages 33, 35, 38-41)

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

GOVERNMENT-WIDE – NET POSITION



Total Net Position is \$1.5B

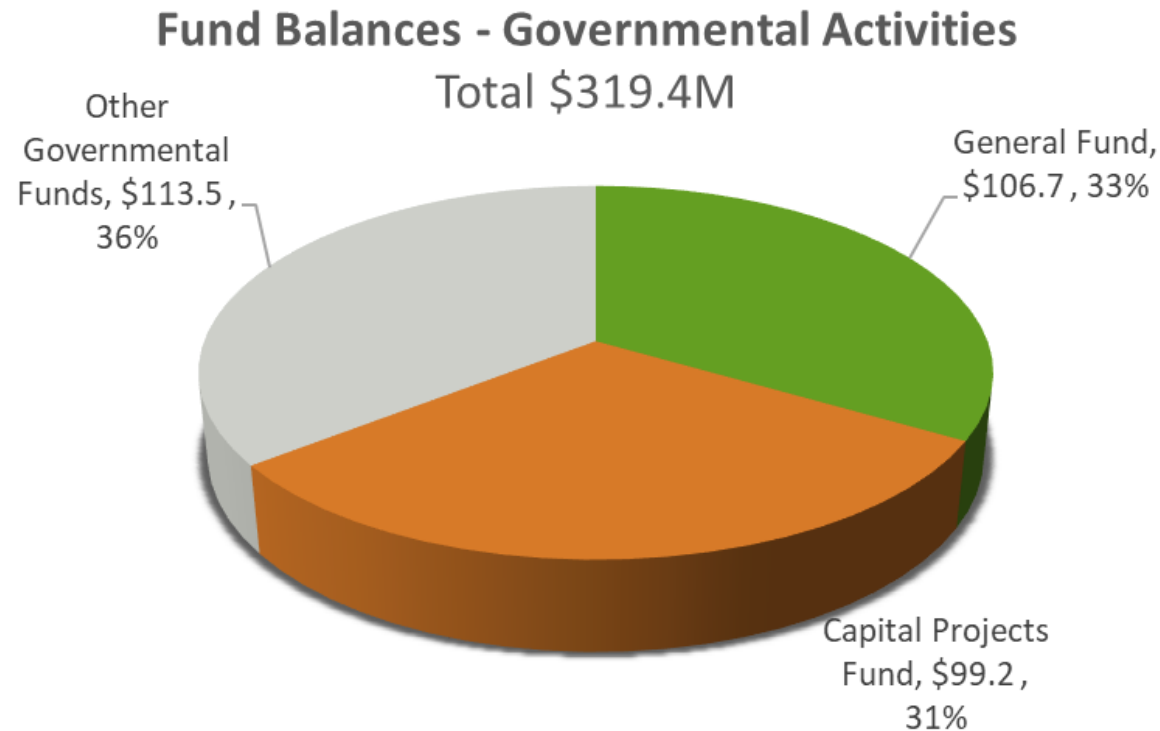
- 7.2% (\$98.1M increase)
 - 75% Capital & Restricted Funds
 - 25% Unrestricted
- Gov't +\$35.1M (\$551.6M total)
- Bus-Type +\$63.0M (\$900.7M total)



GOVERNMENT-WIDE STATEMENTS – STATEMENT OF ACTIVITIES

	As of June 30, 2024 (in millions)					
	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues						
Program Revenues	\$86.2	\$88.0	\$443.9	\$444.8	\$530.1	\$532.8
General Revenues	193.8	160.2	12.2	1.7	206.0	161.9
	280.0	248.2	456.1	446.5	736.1	694.7
Expenses	266.5	226.1	371.5	385.3	638.0	611.4
Change in Net Position, Before Transfers	13.5	22.1	84.6	61.2	98.1	83.2
Transfers	21.6	20.3	(21.6)	(20.3)	-	-
Change in Net Position	\$35.1	\$42.4	\$63.0	\$40.9	\$98.1	\$83.2

FUND FINANCIALS – GOVERNMENTAL FUNDS



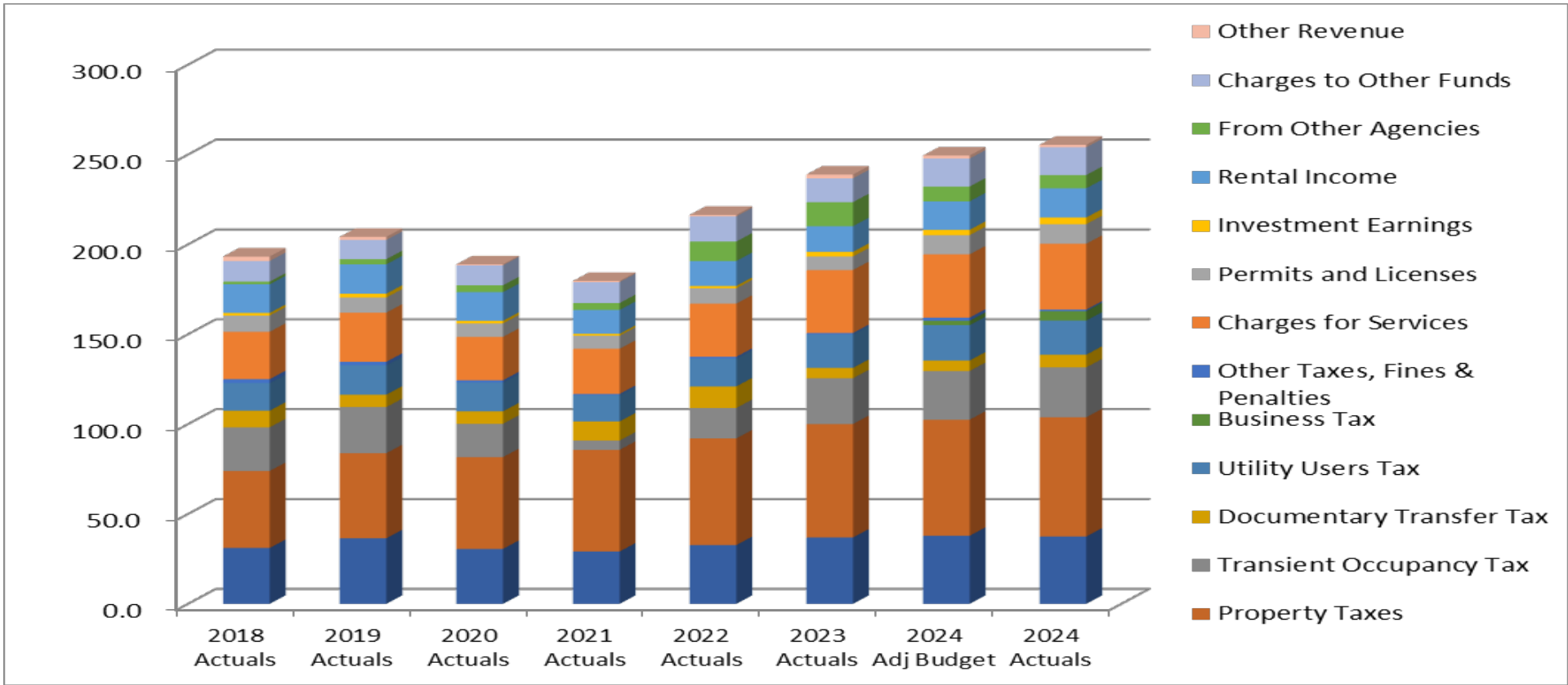
- Overall \$1.7M decrease (FY 2023- \$321.1M)
 - General Fund, +\$0.9M
 - Capital Projects Fund, -\$3.5M
 - Other Funds, +\$0.8 M
- Unassigned Fund Balance, \$53.7M or 16.8% of total

FUND FINANCIALS – GENERAL FUND BUDGET STABILIZATION RESERVE

Year-End Budget Stabilization Reserve (BSR) Summary (in millions)	
General Fund BSR Balance, June 30, 2024	\$65.9
Uses of the FY 2025 BSR Balance Above Target	
FY 2025 Approved Adjustments to balance FY 2025	(\$2.6)
Subtotal: BSR Balance, After Approved Adjustments	\$63.3
FY 2025 RECOMMENDED Adjustments to the BSR Balance (to be considered in FY 2025 Mid-Year Budget Review)	
Transfer to Infrastructure Reserve (IR) in the Capital Improvement Fund	(\$3.0)
Transfer to Budget Uncertainty Reserve	(\$5.9)
Subtotal: Recommended Adjustments to the BSR Balance	(\$8.9)
Projected FY 2025 BSR Level, (June 30, 2025)	<u>\$54.4</u>

- BSR Balance is **\$63.3M (21.5%)** after Council Approved Adjustments
 - \$8.9M above 18.5% target level
- Staff recommends allocating \$3.0M to Infrastructure Reserve and \$5.9M to Uncertainty Reserve**
- Projected FY 2025 BSR Balance is \$54.4M (18.5%)

HISTORY OF GENERAL FUND REVENUES (Budgetary)



Major Taxes
(Actuals)

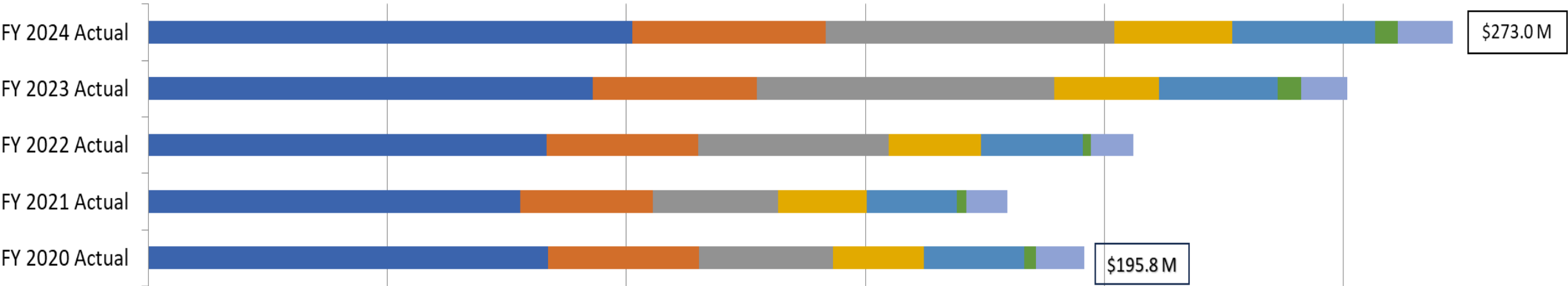


Business Tax Revenues and Expenses
For the Year Ended June 30
(in millions)

Uses	Revenues	Expenses	Reserves
Housing Affordability and Services for Unhoused	\$1.8	\$0.7	\$1.1
Transporation and Safe Train Crossings	1.8	1.0	0.8
Public Safety	1.8	1.8	-
Total	\$5.4	\$3.5	\$1.9

Administrative expense for FY 2024 totaled \$0.6 million and \$0.2 million was allocated to each spending category.

FUND FINANCIALS - GENERAL FUND DEPT EXPENDITURES



	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2024 Actual
Public Safety	83,616	77,795	83,339	92,969	101,249
Community Services	31,489	27,769	31,712	34,330	40,521
Admin Depts	28,169	26,165	39,762	62,226	60,339
Public Works	18,932	18,553	19,448	21,901	24,594
Planning and Development Services	21,098	18,782	21,231	24,863	29,955
Office Of Transportation	2,360	2,010	1,648	4,884	4,773
Library	10,092	8,636	8,904	9,688	11,556

- Admin Departments were higher in FY2023 and FY 2024 due to legal settlement and uncertainty reserve .

FUND FINANCIALS - ENTERPRISE FUNDS NET POSITION

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

<u>Fund Name</u>	<u>2024</u>	<u>2023</u>	<u>Increase/ (Decrease)</u>
Water	\$ 0.3	\$ (0.6)	\$ 0.9
Electric	42.6	28.2	14.4
Fiber Optics	2.5	(0.2)	2.7
Gas	3.5	5.6	(2.1)
Wastewater Collection	(1.0)	(0.1)	(0.9)
Wastewater Treatment	3.4	(0.1)	3.5
Refuse	(1.5)	(0.8)	(0.7)
Storm Drainage	2.1	2.4	(0.3)
Airport	3.4	2.2	1.2
Total Change in Net Position	<u>\$ 55.3</u>	<u>\$ 36.6</u>	<u>\$ 18.7</u>

- Overall increase in Net Position is \$18.7 M
 - Electric Fund - \$14.4 M

FY 2024 YEAR-END BUDGET ADJUSTMENTS (ATTACHMENT B)

Technical adjustments across all funds to minimize variances and align appropriated funds with actual levels.

Four Types

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

RECOMMENDED ACTION

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

1. The City's Fiscal Year (FY) 2024 Annual Comprehensive Financial Report (ACFR) and reports collectively referred to as the Single Audit;
2. Amend the FY 2024 Budget Appropriation for various funds as identified in the attached Recommended Amendments to the City Manager's FY 2024 Budget (Operating Budget: Attachment B – Exhibit 1; Capital Budget: Attachment B – Exhibit 2); and



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