



Informational Memo

Management Services - Memo No. 24-091

Date: May 8, 2024

To: Mayor and Council

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

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

Subject: Fiscal Year (FY) 2023-24 Third Quarter Financial Report

Attached is the FY 2023-24 Third Quarter Financial Report, summarizing budget to actual performance of General Fund operating revenue and expenditures and additional summaries and analysis of the Enterprise, System Development, Impact Fee, Highway User Revenue, and Grant funds.

The analysis included in this report provides a snapshot at the end of the third quarter of FY 2023-24 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 2019-20 to FY 2022-23), 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 third quarter, all General Fund revenue performance indicators are showing as positive except Franchise Fees and Licenses and Permits which are in the negative performance as their variance is more than 5% below historical average. This is not uncommon due to timing of revenues between the quarters or fluctuations in historical trends, however the licenses and permits area has seen lower revenues due to slowing residential development. The General Fund third quarter reflected overall revenue growth of 7.4% over the prior year collections through March, with 77.5% of budgeted revenues received compared to the 81.9% historical average. The expectation is to end the year in a positive position compared to budgeted revenues.

Overall, third quarter General Fund expenditures and encumbrances combined are at 75% of budget expended compared to 73.7% in the prior year. This includes an increased one-time Public Safety Personnel Retirement System (PSPRS) unfunded liability payment of \$73M, which was \$23M 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 to remain within budget.

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

Attachment: FY 2023-24 Third Quarter Financial Report

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



Quarterly Financial Report

Management Services

3rd Qtr FY 2023-24

Performance at a Glance

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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.

First Quarter 2023	2.2%
Second Quarter 2023 (<i>advance estimate</i>)	2.1%
Third Quarter 2023 (<i>third estimate</i>)	4.9%
Fourth Quarter 2023 (<i>third estimate</i>)	3.4%

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.

February 2, 2023	4.50%-4.75%
March 23, 2023	4.75%-5.00%
May 4, 2023	5.00%-5.25%
July 27, 2023	5.25%-5.50%

Source: Federal Reserve Bank

Unemployment

	National	State of Arizona	Phoenix Metro Area*
Dec-23	3.5%	3.8%	3.4%
Jan-24	4.1%	3.8%	3.4%
Feb-24	4.2%	3.6%	3.3%
Mar-24	3.9%	2.9%	2.6%

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. Current Earning Benchmarks are as follows:

Allspring benchmark is ICE BofA 0-3 year U.S. Treasury Index

PFM's benchmark is ICE BofAML 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 2023-24 Rate of Return	3rd Quarter	Fiscal Year
Benchmark	0.58%	3.72%
Allspring Global Investments	0.60%	4.02%
Benchmark	-0.02%	3.32%
PFM Asset Management, LLC	0.35%	3.53%
Fiscal Year 2022-23 Rate of Return	3rd Quarter	Fiscal Year
Benchmark	1.42%	1.19%
Allspring Global Investments	1.24%	1.23%
Benchmark	1.82%	0.43%
PFM Asset Management, LLC	1.83%	0.72%

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 75.3 for the 1st three quarters of FY 2023-24, up from the 14.5 average permits per quarter in FY 2022-23. FY 2021-22 averaged 115 per quarter.

Quarter	State of Arizona	Chandler
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
Jan - Feb - Mar 2023	6,525	11
Apr - May - Jun 2023	8,799	24
Jul - Aug - Sep 2023	9,858	110
Oct - Nov - Dec 2023	9,164	87
Jan - Feb - Mar 2024	11,192	29

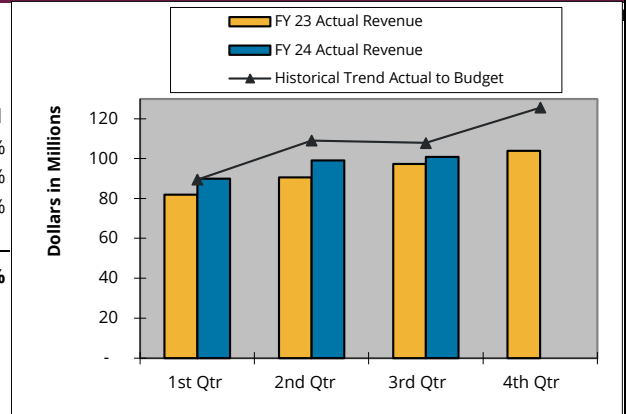
General Fund

Revenue Analysis:

Overall General Fund Revenues FY 2023-24

	FY 24 Adopted Budget	FY 24 Actual Revenue	% of Budget Rec'd	*% of Budget Hist. Rec'd
1st Qtr Jul - Sep 23	\$ 83,454,062	\$ 89,865,450	24.0%	23.9%
2nd Qtr Oct - Dec 23	93,617,173	99,064,020	26.5%	29.2%
3rd Qtr Jan - Mar 24	95,117,971	100,915,340	27.0%	28.8%
4th Qtr Apr - Jun 24	101,868,076			
Total	\$ 374,057,282	\$ 289,844,810	77.5%	81.9%

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



Positive

General Fund revenue collections for FY 2023-24 are \$17.7M (6.5%) above the adopted budget, prorated based on historical trend, and \$20.1M (7.4%) higher than actual collections through the third quarter of FY 2022-23.

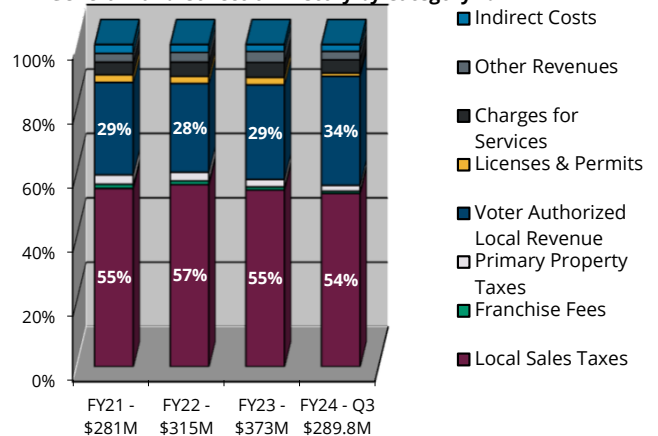
Overall, General Fund revenue, led by continuing strong Sales Tax and Licenses collections, is performing well due to higher local consumer spending including related inflation, and development activity (although slowing in residential housing) in Chandler. The continued \$20B expansion of Intel, the largest development during this time period, continues to cause revenues to come in over budget in various categories. It is anticipated that once the development is complete, revenues will stabilize in various categories, classifying much of this additional revenue as one-time. The performance indicator would be a warning as the percentage of budget received through the third quarter is between two and five percentage points below the historical budget received through the same period, however it has been changed to positive as collections are coming in higher than budgeted for the quarter.

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 2023-24

Revenue Categories	FY 24 Adopted Budget	FY 24 Actual Revenue	% of Budget Rec'd to Date
Sales Tax	\$ 196,858,400	\$ 155,837,012	79.2%
Franchise Fees	3,471,000	2,081,412	60.0%
Primary Property Tax	8,731,611	5,327,492	61.0%
State Shared Sales Tax	127,100,000	98,180,996	77.2%
Licenses & Permits	6,864,900	2,864,649	41.7%
Charges for Services	13,932,139	11,975,129	86.0%
Other Revenues	9,121,050	7,594,483	83.3%
Indirect Cost Allocation	7,978,182	5,983,637	75.0%
Total	\$ 374,057,282	\$ 289,844,810	77.5%

General Fund Collection History by Category %



Positive

This chart summarizes General Fund revenue collections by revenue category for FY 2023-24. 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 State Shared Sales Tax Revenues 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 continue to come in higher than budget.

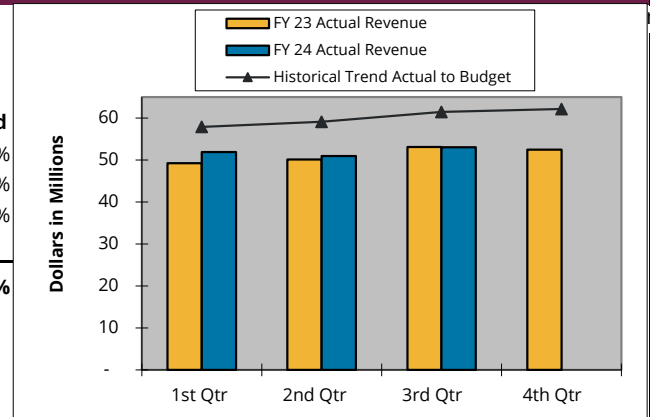
General Fund

Revenue Analysis (continued):

Sales Tax Revenue FY 2023-24

		FY 24 Adopted Budget	FY 24 Actual Revenue	% of Budget Rec'd	*% of Budget Hist. Rec'd
1st Qtr	Jul - Sep 23	\$ 47,367,452	\$ 51,878,813	26.4%	29.4%
2nd Qtr	Oct - Dec 23	48,492,852	50,941,491	25.8%	30.0%
3rd Qtr	Jan - Mar 24	50,362,272	53,016,708	27.0%	31.2%
4th Qtr	Apr - Jun 24	50,635,824			
Total		\$ 196,858,400	\$ 155,837,012	79.2%	90.6%

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

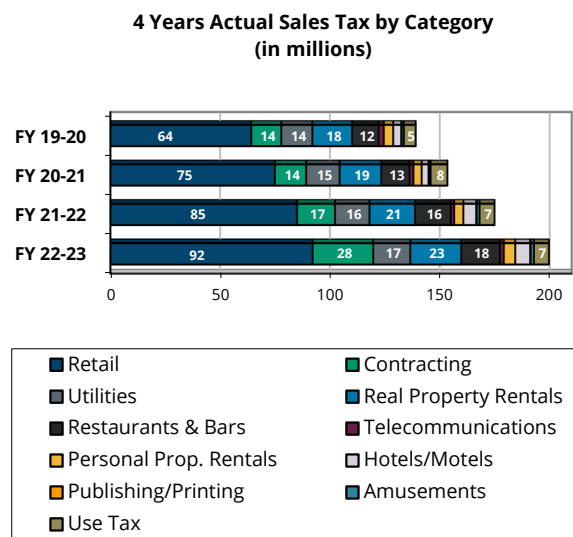


Positive

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 2023-24 are \$9.6M (6.6%) above adopted budget, prorated based on historical trend, and \$3.3M (2.2%) higher than FY 2022-23 actual collections. The performance indicator would be negative as the percentage of budget received through the third quarter is five percentage points below the historical budget received through the same period, however it has been changed to positive as collections are coming in higher than budgeted for the quarter.

Sales Tax Collection History

	FY 24 Adopted Budget	FY 24 Actual Revenue	% of Actual to Budget	% Chg from Prior Yr.
Retail/Mfd. Bldg/Jet Fuel	\$ 93,000,000	\$ 71,050,343	76.4%	2.5%
Contracting	22,000,000	19,201,777	87.3%	-3.0%
Utilities	18,100,000	14,569,062	80.5%	9.7%
Real Property Rentals	23,100,000	18,610,082	80.6%	6.2%
Restaurants & Bars	17,000,000	13,439,234	79.1%	5.1%
Telecommunications	1,550,000	1,520,485	98.1%	23.5%
Personal Prop. Rentals	5,000,000	5,688,685	113.8%	50.7%
Hotels/Motels	5,700,000	4,539,985	79.6%	-3.7%
Publishing/Printing/Adv.	200,000	137,803	68.9%	-16.7%
Amusements	1,300,000	1,175,600	90.4%	10.6%
Use Tax	8,000,000	2,494,531	31.2%	-53.2%
Total Sales Tax	\$ 194,950,000	\$ 152,427,586	78.2%	2.3%



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 for FY 2023-24 were \$7.7M (5.3%) above the adopted budget, prorated based on historical trend, and \$3.4M (2.3%) higher than FY 2022-23 actual collections. It should be noted that most of the categories are positive, reflecting higher consumer spending and added tourism spending. Contracting/development collections are slightly down as residential construction slumped, but is picking back up based on the permits issued. Use tax is a highly fluctuating revenue category and significant swings in collection percentage are not abnormal.

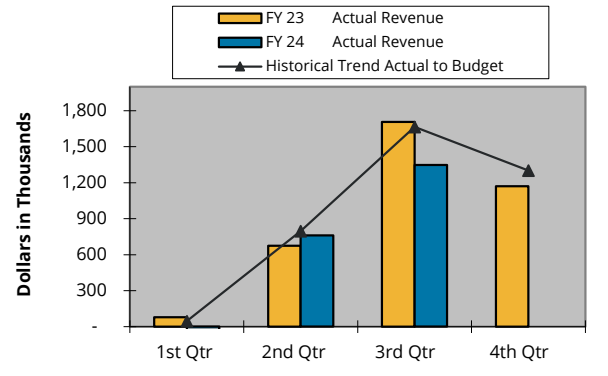
General Fund

Revenue Analysis (continued):

Franchise Fee Revenue FY 2023-24

		FY 24 Adopted Budget	FY 24 Actual Revenue	% of Budget Rec'd	*% of Budget Hist. Rec'd
1st Qtr	Jul - Sep 23	\$ 42,244	\$ (26,103)	-0.8%	1.3%
2nd Qtr	Oct - Dec 23	725,873	760,529	22.0%	22.9%
3rd Qtr	Jan - Mar 24	1,517,478	1,346,986	38.8%	48.0%
4th Qtr	Apr - Jun 24	1,185,405			
Total		\$ 3,471,000	\$ 2,081,412	60.0%	72.2%

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



Negative

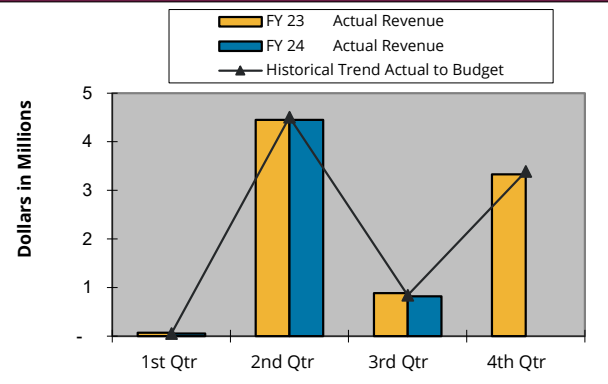
Franchise fees are paid by Arizona Public Service (2% of commercial and residential sales), Southwest Gas Corporation (2% of commercial and residential sales), Cox Communications (5% of gross revenue), Air Products (2% of gross sales), and Western Broadband (5% of gross sales).

Franchise fee collections through the third quarter of FY 2023-24 are \$204,183 (8.9%) less than the adopted budget, prorated based on historical trend, and \$377,913 (15.4%) less than FY 2022-23 actual collections through the third quarter. The negative revenue in the first quarter of FY 2023-24 reflects revenues accrued to the prior year when they were earned. Changes to the cable TV industry are having a slight impact on franchise fees in this area. The performance indicator is negative as the percentage of budget received through the third quarter is more than five percentage points below the historical budget received through the same period.

Primary Property Tax Revenue FY 2023-24

		FY 24 Adopted Budget	FY 24 Actual Revenue	% of Budget Rec'd	*% of Budget Hist. Rec'd
1st Qtr	Jul - Sep 23	\$ 51,582	\$ 53,780	0.6%	0.6%
2nd Qtr	Oct - Dec 23	4,476,012	4,451,969	51.0%	51.6%
3rd Qtr	Jan - Mar 24	837,974	821,743	9.4%	9.7%
4th Qtr	Apr - Jun 24	3,366,043			
Total		\$ 8,731,611	\$ 5,327,492	61.0%	61.9%

* 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 2023-24, Chandler is collecting a primary tax rate of \$0.2226 per \$100 of assessed valuation and a secondary tax rate of \$0.87 per \$100 of assessed valuation for a total rate of \$1.0926, 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 5.3% (majority was new property), which resulted in a small net tax increase for the median value homeowner.

Primary property tax collections through the third quarter FY 2023-24 are \$38,076 (0.7%) less than the adopted budget, prorated based on historical trend, and \$75,352 (1.4%) less than FY 2022-23 actual collections through the third 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 third quarter is less than two percentage points below the historical budget received through the same period.

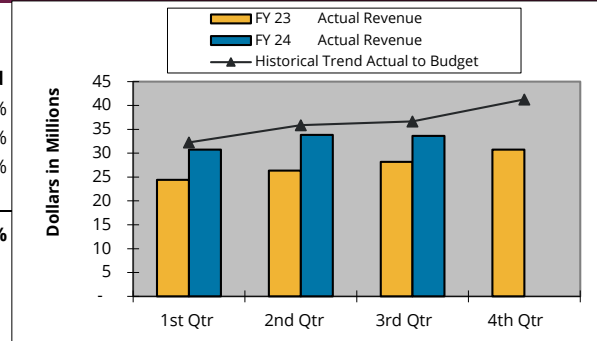
General Fund

Revenue Analysis (continued):

State Shared Sales Tax Revenues FY 2023-24

	FY 24 Adopted Budget	FY 24 Actual Revenue	% of Budget Rec'd	% of Budget Hist. Rec'd
1st Qtr Jul - Sep 23	\$ 28,690,718	\$ 30,724,399	24.2%	25.4%
2nd Qtr Oct - Dec 23	31,207,188	33,822,085	26.6%	28.2%
3rd Qtr Jan - Mar 24	32,707,284	33,634,512	26.4%	28.7%
4th Qtr Apr - Jun 24	34,494,809			
Total	\$ 127,100,000	\$ 98,180,996	77.2%	82.4%

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



Positive

-- **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 State Shared Sales Tax Revenue. Collections through the third quarter of FY 2023-24 are \$3.2M (11.9%) above adopted budget, prorated based on historical trend, and \$1.0M (3.5%) higher than FY 2022-23 actual collections through the third 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. In FY 2022-23, at fiscal year end \$1.5M was recorded. Collections through the third quarter are \$717,994.

-- **Public Safety State Allocation (State Shared Revenue):** State Senate Bill 1720 provides for revenues to local public safety jurisdictions of cities and towns, for costs associated with human smuggling, drug trafficking, and other illegal activity. Proceeds are to be distributed to the city on a quarterly basis. Total the third quarter was \$1,687,500.

-- **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 third quarter of FY 2023-24 were \$826,812 (9.2%) more than adopted budget, prorated based on historical trend, and \$497,794 (5.3%) higher than FY 2022-23 actual collections through the third quarter.

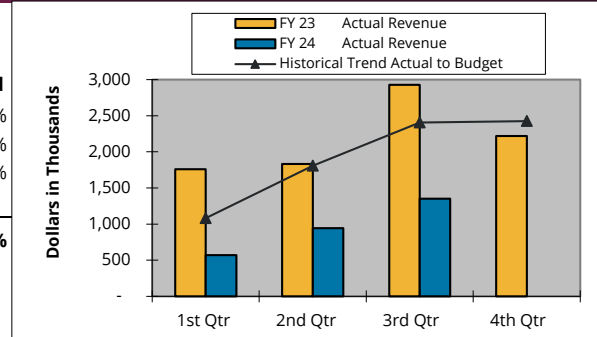
-- **Urban Revenue Sharing:** Eighteen percent (18%) of the 2021 State income tax collection is distributed to cities and towns as urban revenue sharing based upon estimated population. A known one-time revenue increase will be reflected this fiscal year as the flat tax will go into full effect over the next two years. Collections through the third quarter of FY 2023-24 were \$338,326 (0.6%) above adopted budget, prorated based on historical trend, and \$16.0M (40.3%) higher than FY 2022-23 actual collections through the third quarter.

The overall State Shared revenue performance indicator would be a warning as the percentage of budget received through the third quarter is more than five percentage points of historical budget received through the same period, however it has been changed to positive as collections are coming in higher than budgeted for the quarter.

Licenses & Permits Revenue FY 2023-24

	FY 24 Adopted Budget	FY 24 Actual Revenue	% of Budget Rec'd	% of Budget Hist. Rec'd
1st Qtr Jul - Sep 23	\$ 962,056	\$ 569,574	8.3%	15.8%
2nd Qtr Oct - Dec 23	1,606,465	943,399	13.7%	26.3%
3rd Qtr Jan - Mar 24	2,140,344	1,351,676	19.7%	35.1%
4th Qtr Apr - Jun 24	2,156,035			
Total	\$ 6,864,900	\$ 2,864,649	41.7%	77.2%

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



Negative

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 third quarter of FY 2023-24 are \$1.8 M (39.2%) less than adopted budget, prorated based on historical trend, and \$3.6M (56.1%) less than FY 2022-23 actual collections through the third quarter. Lower collections for FY 2023-24 was anticipated as large industrial permits inflate the historical comparison, however, we are seeing a slowing of other permit related revenues and therefore the performance indicator is negative as the percentage of budget received through the third quarter is more than five percentage points below the historical budget received through the same period.

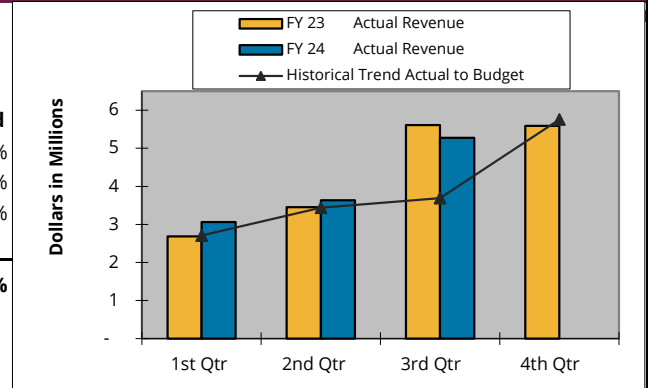
General Fund

Revenue Analysis (continued):

Charges for Services Revenue FY 2023-24

		FY 24 Adopted Budget	FY 24 Actual Revenue	% of Budget Rec'd	*% of Budget Hist. Rec'd
1st Qtr	Jul - Sep 23	\$ 2,420,572	\$ 3,064,866	22.0%	19.4%
2nd Qtr	Oct - Dec 23	3,073,445	3,634,896	26.1%	24.7%
3rd Qtr	Jan - Mar 24	3,295,373	5,275,367	37.9%	26.5%
4th Qtr	Apr - Jun 24	5,142,749			
Total		\$ 13,932,139	\$ 11,975,129	86.0%	70.6%

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



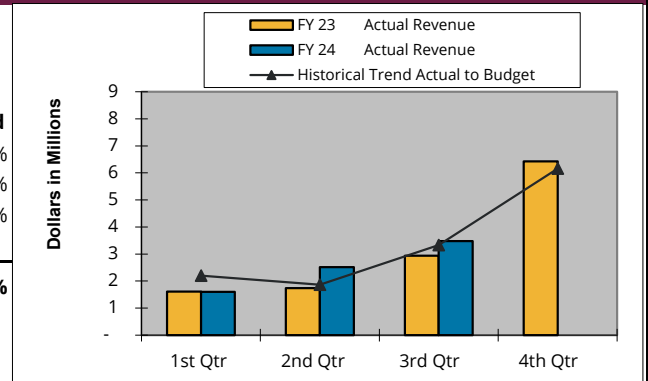
Positive

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 third quarter of FY 2023-24 were \$3.2M (36.2%) above adopted budget, prorated based on historical trend, and \$230,766 (2.0%) higher than FY 2022-23 actual collections through the third quarter. The performance indicator is positive as the percentage of budget received through the third quarter is higher than the percentage of historical budget received through the same period.

Other Revenue FY 2023-24

		FY 24 Adopted Budget	FY 24 Actual Revenue	% of Budget Rec'd	*% of Budget Hist. Rec'd
1st Qtr	Jul - Sep 23	\$ 1,924,890	\$ 1,605,574	17.6%	24.1%
2nd Qtr	Oct - Dec 23	2,040,795	2,515,107	27.6%	20.5%
3rd Qtr	Jan - Mar 24	2,262,699	3,473,802	38.1%	36.5%
4th Qtr	Apr - Jun 24	2,892,666			
Total		\$ 9,121,050	\$ 7,594,483	83.3%	81.1%

* 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 third quarter of FY 2023-24 are \$1.4M (21.9%) above adopted budget, prorated based on historical trend, and \$1.3M (20.8%) higher than FY 2022-23 actual collections through the third quarter. The performance indicator is positive as the percentage of budget received through the third quarter is higher than the percentage of historical budget received through the same period.

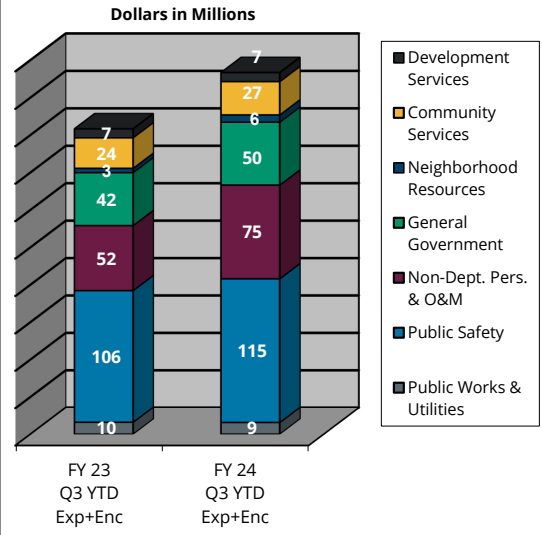
General Fund

Expenditure Analysis:

General Fund Expenditures + Encumbrances for FY 2023-24 by Function

	FY 24 Adjusted Budget	FY 24 Q3 YTD Exp+Enc	% of Budget Exp'd	% of Budget Prior Yr.
* Dept. Operating				
General Government	\$ 76,097,976	\$ 50,386,712	66.2%	63.7%
Community Services	35,908,576	26,666,179	74.3%	73.4%
Development Services	11,432,340	7,236,239	63.3%	66.0%
Public Safety	150,250,877	115,282,989	76.7%	76.1%
Public Works & Utilities	12,285,609	9,366,867	76.2%	79.8%
Neighborhood Resources	10,200,405	5,829,421	57.1%	40.6%
Non-Dept. Pers. & O&M	90,170,096	75,129,459	83.3%	84.0%
Subtotal	\$ 386,345,879	\$ 289,897,866	75.0%	73.7%
Non-Dept. Reserves	\$ 3,430,000	\$ -	0.0%	0.0%
Non-Dept. Contingencies	50,662,927	-	0.0%	0.0%
Total	\$ 440,438,806	\$ 289,897,866	65.8%	65.8%

* 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.

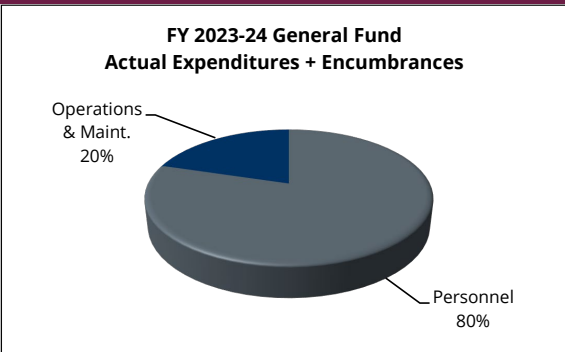
The chart reflects actual spending and encumbrances in FY 2022-23 and FY 2023-24. Non-Dept. Personnel and O&M (maroon category) increase mainly reflects the difference in the amount of the prior year's payment of \$50M towards the Public Safety Personnel Retirement System (PSPRS) unfunded liability paydown, to the current year's payment of \$73M. Public Safety's (blue category) increase mainly reflects higher personnel related costs. All other areas remained fairly consistent.

FY 2023-24 operating expended and encumbered through the third quarter is 75.0% of the adjusted budget compared to 73.7% of adjusted budget spent and encumbered in the prior year. As shown on the following pages, departments (excluding non-departmental) have expended between 57.1% and 78.2% of their General Fund adjusted budgets through the third quarter of FY 2023-24.

General Fund Expenditures + Encumbrances for FY 2023-24 by Category

	FY 24 Adjusted Budget	FY 24 Q3 YTD Exp+Enc	FY 23 Q3 YTD Exp+Enc	% Change from Prior Yr. Actual
*Dept. Operating				
Personnel	\$ 300,564,002	\$ 230,921,974	\$ 195,130,196	18.3%
Operations & Maint.	85,781,877	58,975,892	49,666,938	18.7%
Reserves/Contingencies	54,092,927	-	-	0.0%
Total	\$ 440,438,806	\$ 289,897,866	\$ 244,797,134	18.4%

* Excluding Interfund Transfers



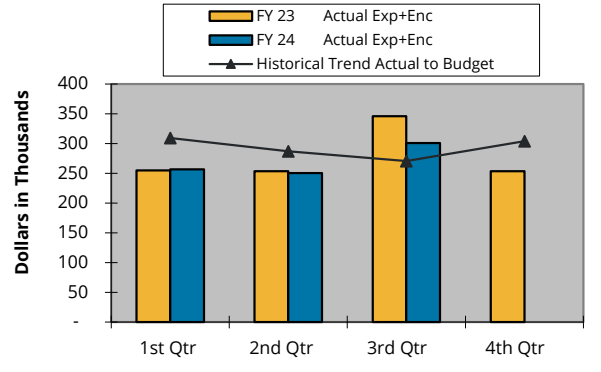
Total General Fund operating expenditures and encumbrances are reflected by spending category. Personnel spending through the third quarter of FY 2023-24 is 18.3% more than spending for FY 2022-23. The majority of the increase is due the \$73M payment to the Public Safety Personnel Retirement System (PSPRS) unfunded liability, versus \$50M in the prior year. Operations and maintenance for FY 2023-24 is 18.7% more than spending for FY 2022-23. Some of the increase reflects higher spending and encumbrances for Fire, IT, and Public Works contracted services.

General Fund

Expenditure Analysis (continued / department summaries):

Mayor & Council Expenditure FY 2023-24 Comparison

	FY 24 Adjusted Budget	FY 24 Actual Exp+Enc	% of Budget Expended by Qtr	*Hist. Trend % of Budget
Operating Only				
1st Qtr Jul - Sep 23	\$ 337,713	\$ 256,418	19.7%	23.8%
2nd Qtr Oct - Dec 23	324,725	250,515	19.3%	22.1%
3rd Qtr Jan - Mar 24	298,747	300,847	23.2%	20.8%
4th Qtr Apr - Jun 24	337,714			
Total	\$ 1,298,899	\$ 807,780	62.2%	66.7%



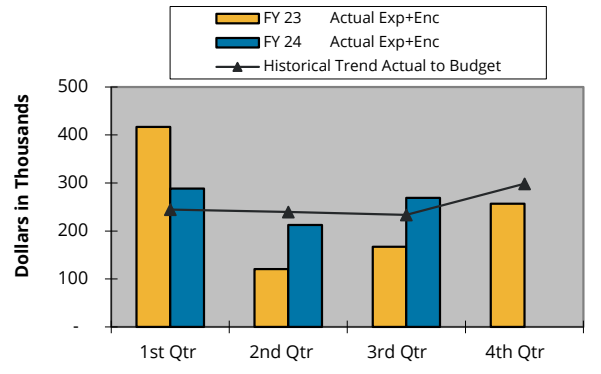
* Historical Trend represents the average of the past 4 years % of actual to budget

Positive

The Mayor and Council division spent 62.2% of their FY 2023-24 adjusted budget and has historically spent 66.7% of their adjusted budget through the third quarter of the fiscal year. Higher spending in the third quarter of FY 2022-23 reflects a fully staffed department and personnel increases related to the class and compensation study. This results in a positive performance indicator, with the expectation to be within budget by fiscal year end.

City Clerk Expenditure FY 2023-24 Comparison

	FY 24 Adjusted Budget	FY 24 Actual Exp+Enc	% of Budget Expended by Qtr	*Hist. Trend % of Budget
Operating Only				
1st Qtr Jul - Sep 23	\$ 259,538	\$ 288,178	26.7%	22.7%
2nd Qtr Oct - Dec 23	254,165	212,222	19.7%	22.3%
3rd Qtr Jan - Mar 24	247,510	268,925	25.0%	21.7%
4th Qtr Apr - Jun 24	316,333			
Total	\$ 1,077,546	\$ 769,325	71.4%	66.7%



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

Positive

The City Clerk spent 71.4% of their FY 2023-24 adjusted budget and has historically spent 66.7% of their adjusted budget through the third quarter of the fiscal year. Higher spending in the first quarter of FY 2022-23 was due to the General Election costs. Higher spending in the second and third quarter of FY 2023-24 reflects personnel related expenses. This results in a warning performance indicator, however the indicator has been changed to positive as spending increases are known and the expectation is to be within budget by fiscal year end.

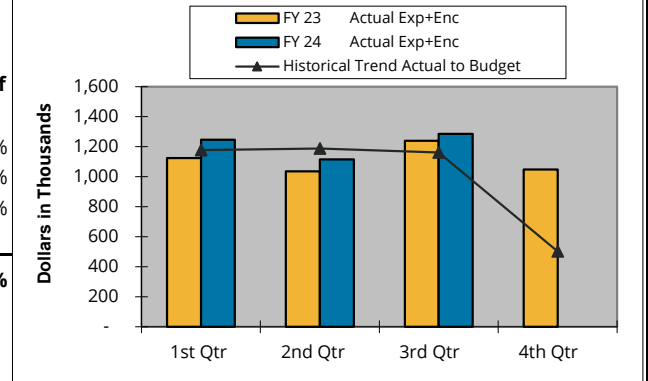
General Fund

Expenditure Analysis (continued / department summaries):

Law Expenditure FY 2023-24 Comparison

	FY 23 Adjusted Budget	FY 24 Actual Exp+Enc	% of Budget Expended by Qtr	*Hist. Trend % of Budget
Operating Only				
1st Qtr Jul - Sep 23	\$ 1,407,604	\$ 1,246,641	25.9%	24.4%
2nd Qtr Oct - Dec 23	1,421,174	1,115,277	23.1%	24.7%
3rd Qtr Jan - Mar 24	1,388,534	1,284,885	26.7%	24.1%
4th Qtr Apr - Jun 24	600,641			
Total	\$ 4,817,953	\$ 3,646,803	75.7%	73.2%

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



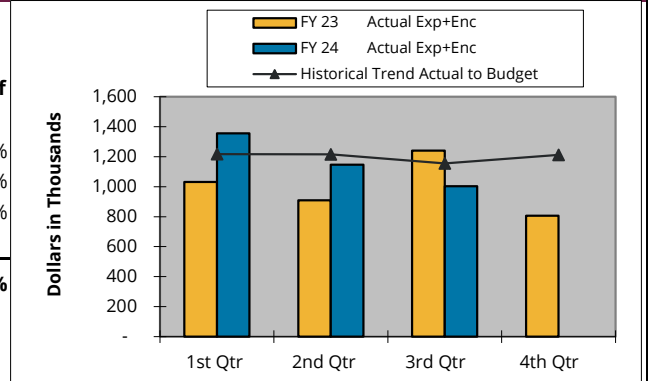
Positive

Law spent 75.7% of their FY 2023-24 adjusted budget and has historically spent 73.2% of their adjusted budget through the third quarter of the fiscal year. Higher spending in the third quarter of FY 2023-24 reflects personnel related expenses. This results in a warning performance indicator, however the indicator has been changed to positive as spending increases are known and the expectation is to be within budget by fiscal year end.

City Magistrate Expenditure FY 2023-24 Comparison

	FY 23 Adjusted Budget	FY 24 Actual Exp+Enc	% of Budget Expended by Qtr.	*Hist. Trend % of Budget
Operating Only				
1st Qtr Jul - Sep 23	\$ 1,424,296	\$ 1,356,538	24.1%	21.7%
2nd Qtr Oct - Dec 23	1,422,668	1,147,365	20.4%	21.6%
3rd Qtr Jan - Mar 24	1,351,839	1,002,762	17.9%	20.6%
4th Qtr Apr - Jun 24	1,419,011			
Total	\$ 5,617,814	\$ 3,506,665	62.4%	63.9%

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



Positive

City Magistrate spent 62.4% of their FY 2023-24 adjusted budget and has historically spent 63.9% of their adjusted budget through the third quarter of the fiscal year. Higher spending in the third quarter of FY 2022-23 reflects personnel increases related to the class and compensation study and vacation payouts. Higher spending in the first quarter of FY 2023-24 reflects encumbrances recorded at the beginning of the year for court security and temporary staff. This results in a positive performance indicator, with the expectation to be within budget by fiscal year end.

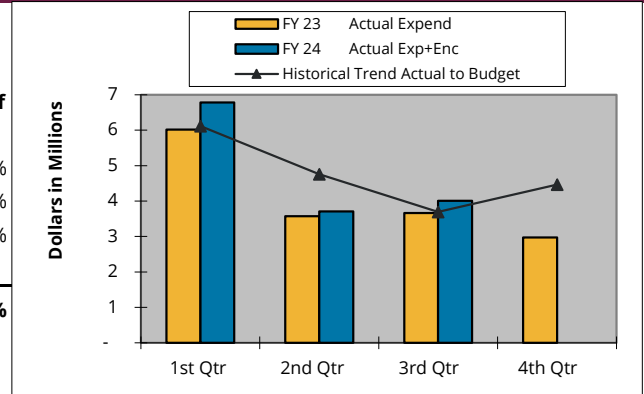
General Fund

Expenditure Analysis (continued / department summaries):

City Manager & Organizational Support Expenditure FY 2023-24 Comparison

	FY 24 Adjusted Budget	FY 24 Actual Exp+Enc	% of Budget Expended by Qtr	*Hist. Trend % of Budget
Operating Only				
1st Qtr Jul - Sep 23	\$ 6,934,588	\$ 6,779,403	31.4%	28.4%
2nd Qtr Oct - Dec 23	5,390,528	3,705,019	17.2%	22.0%
3rd Qtr Jan - Mar 24	4,187,802	4,010,317	18.6%	17.1%
4th Qtr Apr - Jun 24	5,062,700			
Total	\$ 21,575,620	\$ 14,494,739	67.2%	67.5%

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



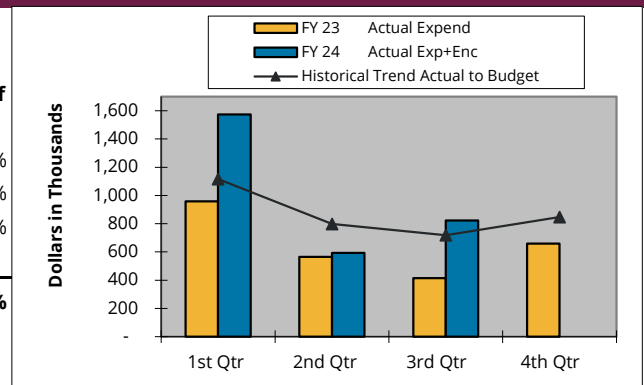
Positive

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, Transportation Policy, as well as Cultural Development which is shown separately. As of FY 2022-23, a reorganization occurred transferring a portion of the Community Development Cost Center, which was renamed to Diversity, Equity, & Inclusion (DEI) to City Manager & Organizational Support. Combined, these divisions spent 67.2% of their FY 2023-24 adjusted budget and have historically spent 67.5% of their adjusted budget through the third quarter of the fiscal year. Higher spending in the first quarter of FY 2023-24 reflects encumbrances recorded at the beginning of the year for contract services, machinery and equipment, and buildings maintenance as well as increased utility expenses. This results in a positive performance indicator, with the expectation to be within budget by fiscal year end.

Communications & Public Affairs Expenditure FY 2023-24 Comparison

	FY 24 Adjusted Budget	FY 24 Actual Exp+Enc	% of Budget Expended by Qtr	*Hist. Trend % of Budget
Operating Only				
1st Qtr Jul - Sep 23	\$ 1,362,465	\$ 1,574,176	37.1%	26.3%
2nd Qtr Oct - Dec 23	975,095	593,292	13.9%	18.8%
3rd Qtr Jan - Mar 24	876,840	823,348	19.4%	16.9%
4th Qtr Apr - Jun 24	1,033,937			
Total	\$ 4,248,337	\$ 2,990,816	70.4%	62.0%

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



Positive

Communications and Public Affairs (CAPA) spent 70.4% of their FY 2023-24 adjusted budget and have historically spent 62% of their adjusted budget through the third quarter of the fiscal year. Higher spending in the first quarter of FY 2023-24 was for planned one-time expenses for marketing/promotional and talent recruitment campaigns. This resulted in a negative performance indicator as expenses through the third quarter are more than five percentage points above historical budget spent through the third quarter, however it has been changed to positive as higher expenses were planned for in these first three quarters, with remaining spending expected to be within budget by fiscal year end.

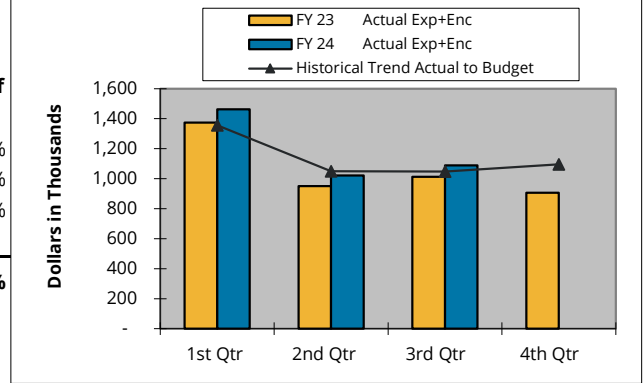
General Fund

Expenditure Analysis (continued / department summaries):

Cultural Development Expenditure 2023-24 Comparison

	FY 24 Adjusted Budget	FY 24 Actual Exp+Enc	% of Budget Expended by Qtr	*Hist. Trend % of Budget
Operating Only				
1st Qtr Jul - Sep 23	\$ 1,434,961	\$ 1,462,261	30.6%	28.4%
2nd Qtr Oct - Dec 23	1,100,136	1,021,346	21.4%	22.0%
3rd Qtr Jan - Mar 24	1,100,135	1,089,023	22.7%	21.9%
4th Qtr Apr - Jun 24	1,147,968			
Total	\$ 4,783,200	\$ 3,572,630	74.7%	72.3%

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



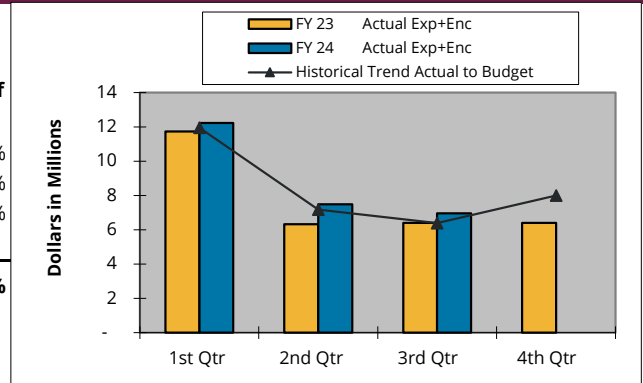
Positive

Cultural Development includes the following cost centers: Administration, Center for the Arts, Downtown Redevelopment, Museum, and Special Events, and is considered part of City Manager, Organizational Support. The department spent 74.7% of their FY 2023-24 adjusted budget and have historically spent 72.3% of their adjusted budget through the third quarter of the fiscal year. This results in a warning performance indicator, however the indicator has been changed to positive as spending increases are known and the expectation is to be within budget by fiscal year end.

Community Services Expenditure 2023-24 Comparison

	FY 24 Adjusted Budget	FY 24 Actual Exp+Enc	% of Budget Expended by Qtr	*Hist. Trend % of Budget
Operating Only				
1st Qtr Jul - Sep 23	\$ 12,927,087	\$ 12,221,223	34.0%	33.3%
2nd Qtr Oct - Dec 23	7,540,801	7,488,742	20.9%	20.0%
3rd Qtr Jan - Mar 24	6,822,630	6,956,214	19.4%	17.8%
4th Qtr Apr - Jun 24	8,618,058			
Total	\$ 35,908,576	\$ 26,666,179	74.3%	71.1%

* 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 74.3% of their FY 2023-24 adjusted budget and have historically spent 71.1% of their adjusted budget through the third quarter of the fiscal year. This results in a warning performance indicator, however the indicator has been changed to positive as spending increases are known and the expectation is to be within budget by fiscal year end.

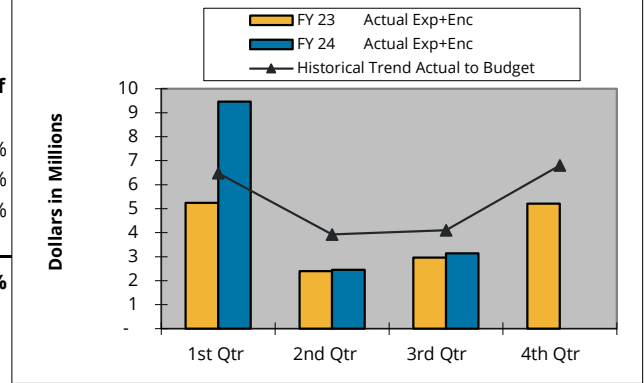
General Fund

Expenditure Analysis (continued / department summaries):

Information Technology Expenditure 2023-24 Comparison

	FY 24 Adjusted Budget	FY 24 Actual Exp+Enc	% of Budget Expended by Qtr	*Hist. Trend % of Budget
Operating Only				
1st Qtr Jul - Sep 23	\$ 7,246,991	\$ 9,465,709	39.2%	26.8%
2nd Qtr Oct - Dec 23	4,348,195	2,453,717	10.1%	16.3%
3rd Qtr Jan - Mar 24	4,589,761	3,136,003	13.0%	17.0%
4th Qtr Apr - Jun 24	7,971,690			
Total	\$ 24,156,635	\$ 15,055,429	62.3%	60.1%

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



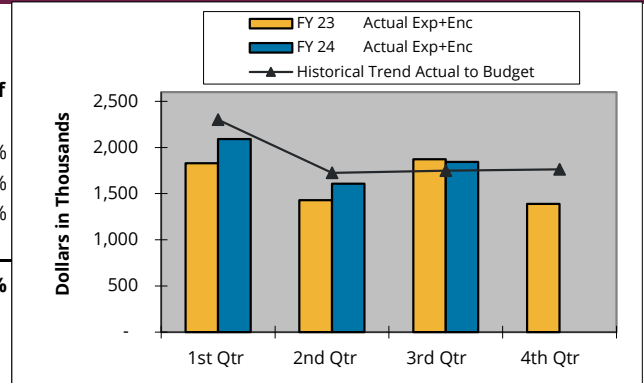
Positive

Information Technology spent 62.3% of their FY 2023-24 adjusted budget and have historically spent 60.1% of their adjusted budget through the third quarter of the fiscal year. Higher spending in the first quarter of FY 2023-24 is related to encumbrances related to planned contracted services dedicated to various projects, which was not typical in the first quarter of the historical trend. This results in a warning performance indicator, however the indicator has been changed to positive as spending increases are known and the expectation is to be within budget by fiscal year end.

Management Services Expenditure FY 2023-24 Comparison

	FY 24 Adjusted Budget	FY 24 Actual Exp+Enc	% of Budget Expended by Qtr	*Hist. Trend % of Budget
Operating Only				
1st Qtr Jul - Sep 23	\$ 2,601,161	\$ 2,090,985	24.5%	27.0%
2nd Qtr Oct - Dec 23	1,950,224	1,608,930	18.8%	20.2%
3rd Qtr Jan - Mar 24	1,976,770	1,842,610	21.7%	20.5%
4th Qtr Apr - Jun 24	1,993,817			
Total	\$ 8,521,972	\$ 5,542,525	65.0%	67.7%

* 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, Water/Wastewater/Solid Waste, through the Indirect Cost Allocation). These divisions spent 65% of their FY 2023-24 adjusted budget and have historically spent 67.7% of their adjusted budget through the third quarter of the fiscal year. This results in a positive performance indicator, with the expectation to be within budget by fiscal year end.

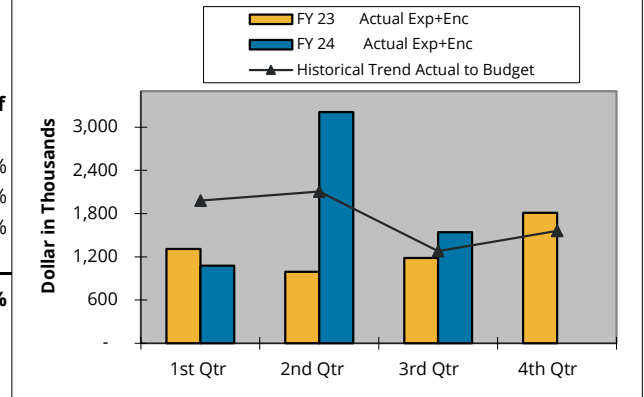
General Fund

Expenditure Analysis (continued / department summaries):

Neighborhood Resources Expenditure 2023-24 Comparison

	FY 24 Adjusted Budget	FY 24 Actual Exp+Enc	% of Budget Expended by Qtr	*Hist. Trend % of Budget
Operating Only				
1st Qtr Jul - Sep 23	\$ 2,958,117	\$ 1,075,551	10.5%	19.4%
2nd Qtr Oct - Dec 23	3,060,122	3,209,992	31.5%	20.7%
3rd Qtr Jan - Mar 24	1,836,073	1,543,878	15.1%	12.5%
4th Qtr Apr - Jun 24	2,346,093			
Total	\$ 10,200,405	\$ 5,829,421	57.1%	52.6%

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



Positive

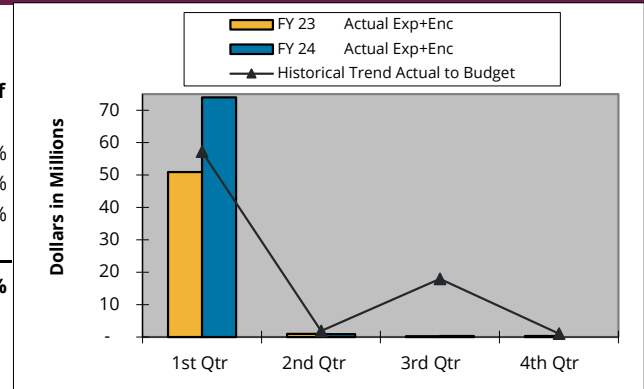
Neighborhood Resources includes the following cost centers budgeted in the General Fund: Administration, Housing & Redevelopment, Neighborhood Preservation, and Community Development. As of FY 2022-23, a reorganization occurred transferring a portion of the Community Development cost center to City Manager & Organizational Support. Historical spending for Community Development remains with Neighborhood Resources. The department spent 57.1% of their FY 2023-24 adjusted budget and have historically spent 52.6% of their adjusted budget through the third quarter of the fiscal year. The second quarter actuals are higher due to large encumbrances that will be spent over the remaining fiscal year. This results in a warning performance indicator, however the indicator has been changed to positive as spending increases are known and the expectation is to be within budget by fiscal year end.

Non-Departmental Expenditure FY 2023-24 Comparison

	FY 24 Adjusted Budget	FY 24 Actual Exp+Enc	% of Budget Expended by Qtr	*Hist. Trend % of Budget
Operating Only				
1st Qtr Jul - Sep 23	\$ 66,068,704	\$ 73,946,094	82.0%	63.5%
2nd Qtr Oct - Dec 23	2,206,400	904,190	1.0%	2.1%
3rd Qtr Jan - Mar 24	20,687,931	279,175	0.3%	19.9%
4th Qtr Apr - Jun 24	1,207,061			
Total**	\$ 90,170,096	\$ 75,129,459	83.3%	85.5%

* 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 2023-24 is 83.3% of the adjusted budget and has historically spent 85.5% of the adjusted budget for the fiscal year. Higher spending compared to the historical trend in the first quarter of FY 2022-23 and FY 2023-24 is due to the payments towards the Public Safety Personnel Retirement System (PSPRS) unfunded liability. Reflecting the planned increased payment amount of \$73M, which was \$23M more than the prior year. This results in a positive performance indicator, with the expectation to be within budget by fiscal year end.

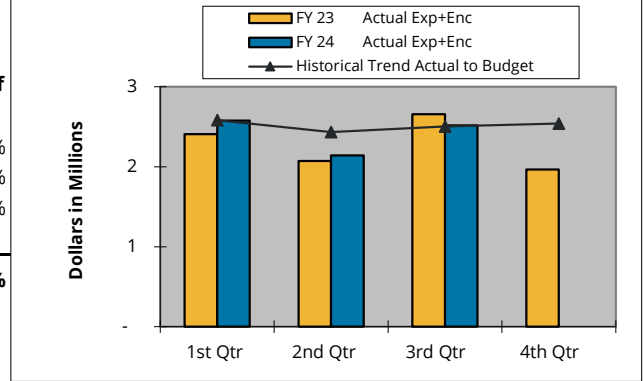
General Fund

Expenditure Analysis (continued / department summaries):

Development Services Expenditure FY 2023-24 Comparison

	FY 24 Adjusted Budget	FY 24 Actual Exp+Enc	% of Budget Expended by Qtr	*Hist. Trend % of Budget
Operating Only				
1st Qtr Jul - Sep 23	\$ 2,972,408	\$ 2,577,892	22.5%	22.6%
2nd Qtr Oct - Dec 23	2,743,762	2,142,308	18.8%	21.3%
3rd Qtr Jan - Mar 24	2,858,085	2,516,039	22.0%	21.9%
4th Qtr Apr - Jun 24	2,858,085			
Total	\$ 11,432,340	\$ 7,236,239	63.3%	65.8%

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



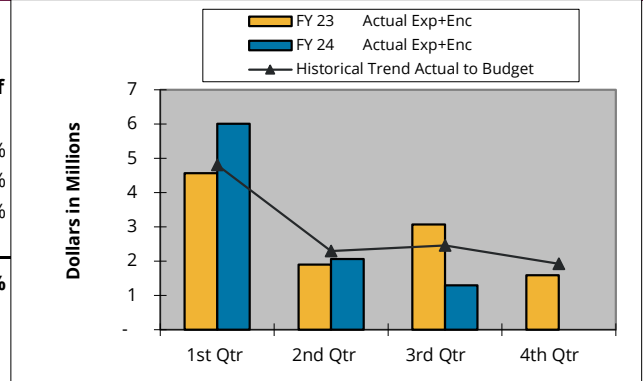
Positive

Development Services includes the following cost centers: Administration, Building Safety, Transportation Engineering, Engineering, and Planning. The department spent 63.3% of their FY 2023-24 adjusted budget and have historically spent 65.8% of their adjusted budget through the third quarter of the fiscal year. This results in a positive performance indicator, with the expectation to be within budget by fiscal year end.

Public Works & Utilities Expenditure FY 2023-24 Comparison

	FY 24 Adjusted Budget	FY 24 Actual Exp+Enc	% of Budget Expended by Qtr	*Hist. Trend % of Budget
Operating Only				
1st Qtr Jul - Sep 23	\$ 5,528,524	\$ 6,006,794	48.9%	39.1%
2nd Qtr Oct - Dec 23	2,579,978	2,064,348	16.8%	18.7%
3rd Qtr Jan - Mar 24	2,825,690	1,295,725	10.5%	20.0%
4th Qtr Apr - Jun 24	1,351,417			
Total	\$ 12,285,609	\$ 9,366,867	76.2%	77.8%

* 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 department spent 76.2% of their FY 2023-24 adjusted budget and have historically spent 77.8% of their adjusted budget through the third quarter of the fiscal year. Higher spending in the first quarter of FY 2023-24 reflects an encumbrance recorded at the beginning of the year for landscape maintenance contracts. This results in a positive performance indicator, with the expectation to be within budget by fiscal year end.

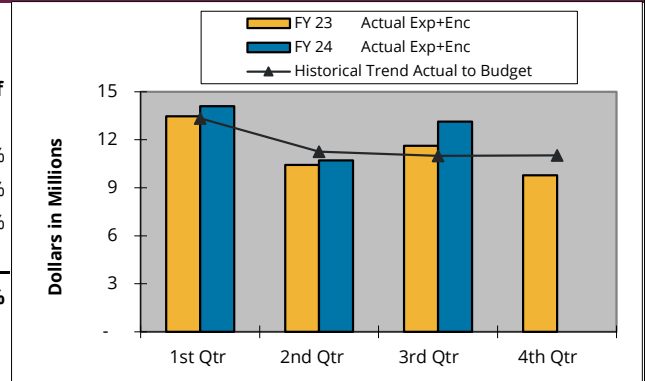
General Fund

Expenditure Analysis (continued / department summaries):

Fire Expenditure FY 2023-24 Comparison

	FY 24 Adjusted Budget	FY 24 Actual Exp+Enc	% of Budget Expended by Qtr	*Hist. Trend % of Budget
Operating Only				
1st Qtr Jul - Sep 23	\$ 14,079,399	\$ 14,097,044	29.0%	27.5%
2nd Qtr Oct - Dec 23	11,651,917	10,709,099	22.1%	23.2%
3rd Qtr Jan - Mar 24	11,651,918	13,141,964	27.1%	22.7%
4th Qtr Apr - Jun 24	11,166,421			
Total	\$ 48,549,655	\$ 37,948,107	78.2%	73.4%

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



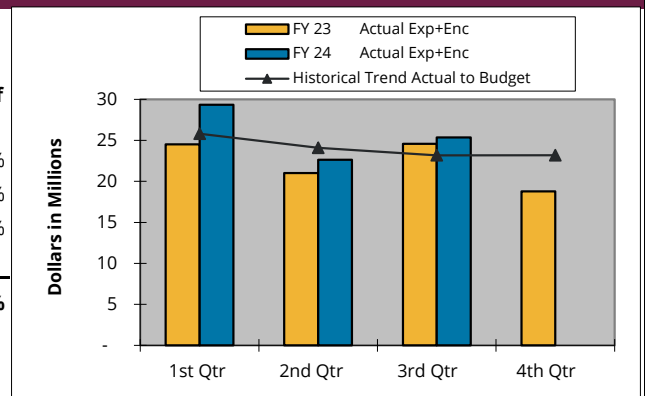
Positive

Fire includes the following cost centers: Administration, Health & Medical Services, Operations, Prevention & Preparedness, and Support Services. The department spent 78.2% of their FY 2023-24 adjusted budget and have historically spent 73.4% of their adjusted budget through the third quarter of the fiscal year. Higher spending in the third quarter of FY 2023-24 reflects personnel related expenses. This results in a warning performance indicator, however the indicator has been changed to positive as spending increases are known and the expectation is to be within budget by fiscal year end.

Police Expenditure FY 2023-24 Comparison

	FY 24 Adjusted Budget	FY 24 Actual Exp+Enc	% of Budget Expended by Qtr	*Hist. Trend % of Budget
Operating Only				
1st Qtr Jul - Sep 23	\$ 27,459,329	\$ 29,354,958	28.9%	25.4%
2nd Qtr Oct - Dec 23	25,425,308	22,636,010	22.3%	23.7%
3rd Qtr Jan - Mar 24	24,408,292	25,343,914	24.8%	22.8%
4th Qtr Apr - Jun 24	24,408,293			
Total	\$ 101,701,222	\$ 77,334,882	76.0%	71.9%

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



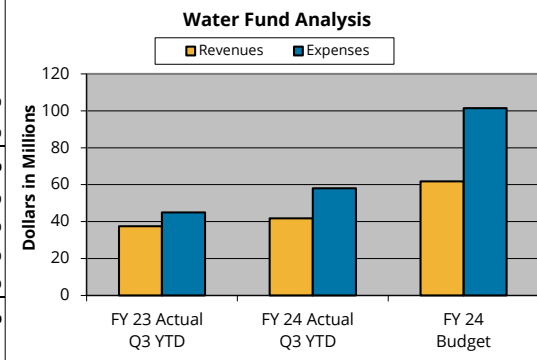
Positive

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 76% of their FY 2023-24 adjusted budget and have historically spent 71.9% of their adjusted budget through the third quarter of the fiscal year. Higher spending in the first quarter of FY 2023-24 reflects encumbrances recorded at the beginning of the year for detention services and for repair and maintenance of equipment, as well as an increase in operating supplies and personnel related expenses. This results in a warning performance indicator, however the indicator has been changed to positive as spending increase are known and the expectation is to be within budget by fiscal year end.

Enterprise Fund Analysis:

Water Fund Analysis FY 2023-24 Comparison

Water Fund	FY 24 Adjusted Budget	FY 24 Actual Revenue/Exp+Enc	% of Budget Rec'd/Exp'd to Date	% of Budget Prior Yr.
Revenues	\$ 55,655,073	\$ 40,431,376	73%	66%
Transfers In	6,162,168	1,388,800	23%	0%
Total Revenues	\$ 61,817,241	\$ 41,820,176	68%	64%
Operating Expenses	\$ 42,547,491	\$ 37,540,146	88%	81%
Major Capital Expenses	37,210,891	12,720,246	34%	37%
Debt Service	15,749,298	2,814,003	18%	11%
Transfers Out	5,874,358	4,915,673	84%	58%
Total Expenses	\$ 101,382,038	\$ 57,990,068	57%	55%
Net Rev / Exp	\$ (39,564,797)	\$ (16,169,892)		



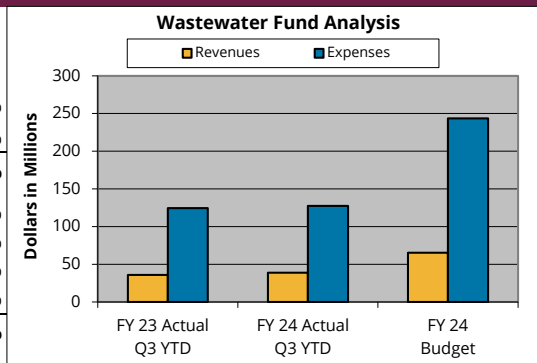
Positive

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 2023-24 reflects a \$39.5M 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 \$6,162,168 includes \$4,773,368 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 \$5,874,358 includes indirect cost allocation to the General Fund of \$3,781,500, payment of \$214,501 to the Technology Replacement Fund, payment of \$500,000 to the Insured Liability Self-Insurance Fund, payment of \$31,288 to the Workers' Compensation Self-Insurance Trust, and a payment of \$21,953 to the Uninsured Liability Self-Insurance Fund, as well as a subsidy of \$1,325,116 to the Reclaimed Water Fund (reflects benefit received). Year-to-date **Operating Revenues** through the third quarter are 73% compared to 66% for FY 2022-23, while **Operating Expenses** through the third quarter are 88% compared to 81% for FY 2022-23. The third quarter of the fiscal year includes large encumbrances (\$8.5M) recorded at the start of the fiscal year, with revenues more equally apportioned throughout the year. The performance indicator is positive since percentage of operating revenues received to date (73%) exceeds the percentage of operating expenses spent to date (70%, including indirect cost allocation).

Wastewater Fund Analysis FY 2023-24 Comparison

Wastewater Fund	FY 24 Adjusted Budget	FY 24 Actual Revenue/Exp+Enc	% of Budget Rec'd/Exp'd to Date	% of Budget Prior Yr.
Revenues	\$ 54,216,700	\$ 37,693,641	70%	68%
Transfers In	11,200,392	1,200,392	11%	0%
Total Revenues	\$ 65,417,092	\$ 38,894,033	59%	56%
Operating Expenses	\$ 25,658,401	\$ 19,740,019	77%	89%
Major Capital Expenses	195,529,604	99,326,665	51%	49%
Debt Service	18,429,783	5,259,396	29%	15%
Transfers Out	3,873,314	3,272,080	84%	53%
Total Expenses	\$ 243,491,102	\$ 127,598,160	52%	51%
Net Rev / Exp	\$ (178,074,010)	\$ (88,704,127)		



Positive

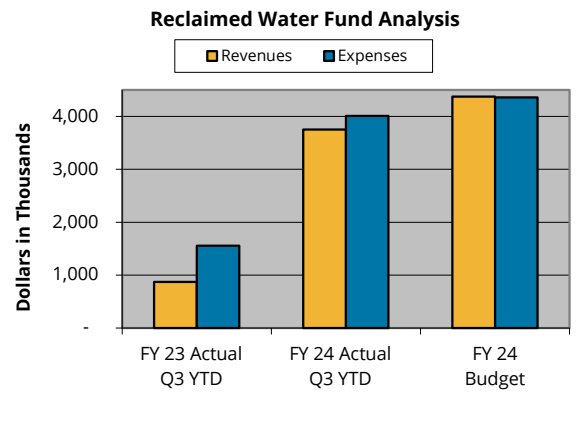
The performance indicator for Enterprise Funds focuses on the relationship between Operating Revenues and Operating Expenses (including debt service and indirect cost allocation) and the percentage of budget received/expended.

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 2023-24 reflects an \$178M 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 \$11,200,392 includes \$10M for System Development Fee (SDF) loan paybacks and \$1,200,392 from Reclaimed Water towards related capital costs. The budgeted Transfers Out totaling \$3,873,314 includes indirect cost allocation to the General Fund of \$2,362,100, payment of \$143,264 to the Technology Replacement Fund, payment of \$20,881 to the Workers' Compensation Self-Insurance Trust, and a payment of \$21,953 to the Uninsured Liability Self-Insurance Fund, as well as a subsidy of \$1,325,116 to the Reclaimed Water Fund (reflects benefits received). Year-to-date **Operating Revenues** through the third quarter are 70% compared to 68% for FY 2022-23, while **Operating Expenses** through the third quarter are 77% compared to 89% for FY 2022-23. The third quarter of the fiscal year includes large encumbrances (\$3.8M) recorded at the start of the fiscal year, with revenues more equally apportioned throughout the year. The performance indicator is positive since percentage of operating revenues received to date (70%) exceeds the percentage of operating expenses spent to date (58%, including indirect cost allocation).

Enterprise Fund Analysis (continued):

Reclaimed Water Fund Analysis FY 2023-24 Comparison

	FY 24 Adjusted Budget	FY 24 Actual Revenue/ Exp+Enc	% of Budget Rec'd/Exp'd to Date	% of Budget Prior Yr.
Reclaimed Water				
Revenues	\$ 1,725,500	\$ 1,099,675	64%	56%
Transfers In	2,650,232	2,650,232	100%	0%
Total Revenues	\$ 4,375,732	\$ 3,749,907	86%	21%
Operating Expenses	\$ 1,644,173	\$ 1,320,745	80%	85%
Transfers Out	2,716,946	2,685,775	99%	4%
Total Expenses	\$ 4,361,119	\$ 4,006,519	92%	36%
Net Rev / Exp	\$ 14,613	\$ (256,613)		

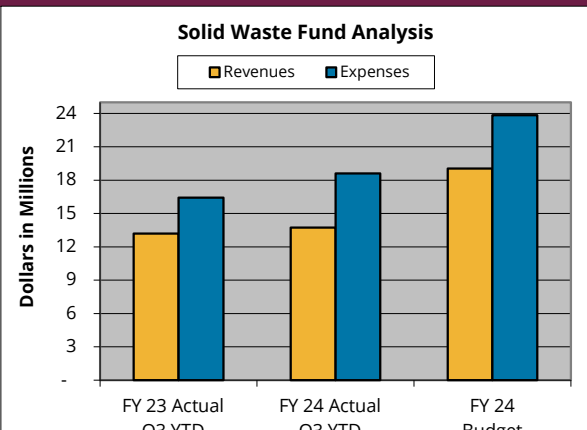


Positive The performance indicator for Enterprise Funds focuses on the relationship between Operating Revenues and Operating Expenses (including debt service and indirect cost allocation) and the percentage of budget received/expended.

The Reclaimed Water Operating Fund supports operating functions and now a portion of related capital costs. The Net Revenue/Expense for the FY 2023-24 budget reflects an increase to fund balance. The budgeted Transfers In totaling \$2,620,232 includes subsidies from Water and Wastewater Funds of \$1,310,116 each to reflect the benefit each fund receives by reclaiming water. The budgeted Transfers Out totaling \$2,716,946 include an indirect cost allocation to the General Fund of \$123,800, payment of \$3,070 to the Technology Replacement Fund, and \$844 to the Workers' Compensation Self-Insurance Trust, as well as a payment of \$1,388,800 to the Water Fund and \$1,200,392 to the Wastewater Fund to reflect contributions to reclaimed capital costs. Year-to-date **Operating Revenues** through the third quarter are 64% of budget compared to 56% for FY 2022-23, while **Operating Expenses** through the third quarter are 80% of budget as compared to 85% for FY 2022-23. The performance indicator is negative as the percentage of operating revenues received to date (64%) is less than the percentage of operating expenses spent to date (72%, including indirect cost allocation and excluding out encumbrances), however, it has been changed to positive as the amount of the anticipated transfers can be adjusted to meet budget.

Solid Waste Fund Analysis FY 2023-24 Comparison

	FY 24 Adjusted Budget	FY 24 Actual Revenue/ Exp+Enc	% of Budget Rec'd/Exp'd to Date	% of Budget Prior Yr.
Solid Waste				
Revenues	\$ 19,039,994	\$ 13,722,662	72%	70%
Total Revenues	\$ 19,039,994	\$ 13,722,662	72%	70%
Operating Expenses	\$ 19,407,284	\$ 17,116,039	88%	91%
Major Capital Expenses	3,370,919	668,247	20%	5%
Transfers Out	1,068,549	818,408	77%	77%
Total Expenses	\$ 23,846,752	\$ 18,602,694	78%	82%
Net Rev / Exp	\$ (4,806,758)	\$ (4,880,032)		



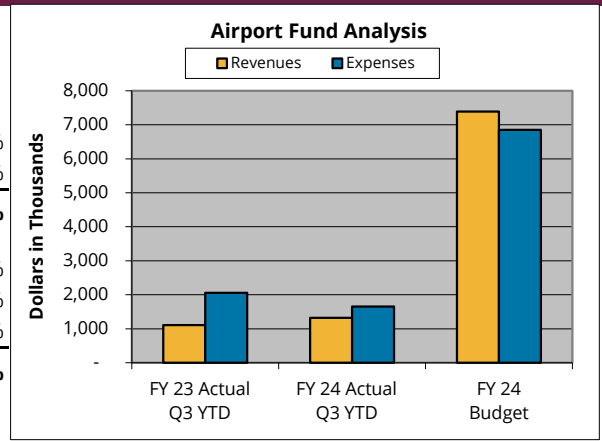
Positive The performance indicator for Enterprise Funds focuses on the relationship between Operating Revenues and Operating Expenses (including debt service and indirect cost allocation) and the percentage of budget received/expended.

The Solid Waste Operating Fund supports operating functions and major capital costs that can be paid without borrowing. The Net Revenue/Expense for FY 2023-24 reflects a drawdown of \$4.8M to fund balance. The budgeted Transfers Out totaling \$1,068,549 include an indirect cost allocation to the General Fund of \$985,600, payment of \$67,985 to the Technology Replacement Fund, and payment of \$14,964 to the Workers' Compensation Self-Insurance Trust. Year-to-date **Operating Revenues** through the third quarter are 72% compared to 70% for FY 2022-23, while **Operating Expenses** through the third quarter are 88% compared to 91% for FY 2022-23. The third quarter of the fiscal year includes large encumbrances (\$5.2M) recorded at the start of the fiscal year, with revenues more equally apportioned throughout the year. The performance indicator is positive since percentage of operating revenues received to date (72%) exceeds the percentage of operating expenses spent to date (62%, including indirect cost allocation and excluding out encumbrances).

Enterprise / Other Funds Analysis (continued):

Airport Fund Analysis FY 2023-24 Comparison

	FY 24 Adjusted Budget	FY 24 Actual Revenue/ Exp+Enc	% of Budget Rec'd/Exp'd to Date	% of Budget Prior Yr.
Airport Fund				
Revenues	\$ 984,988	\$ 905,518	92%	81%
General Fund Subsidy	5,864,798	415,490	7%	7%
Total Revenues	\$ 6,849,786	\$ 1,321,008	19%	18%
Operating Expenses	\$ 1,657,330	\$ 1,240,258	75%	66%
Major Capital Expenses	5,077,409	243,925	5%	20%
Transfers Out	115,047	90,047	78%	79%
Total Expenses	\$ 6,849,786	\$ 1,574,230	23%	34%
Net Rev / Exp	\$ -	\$ (253,221)		

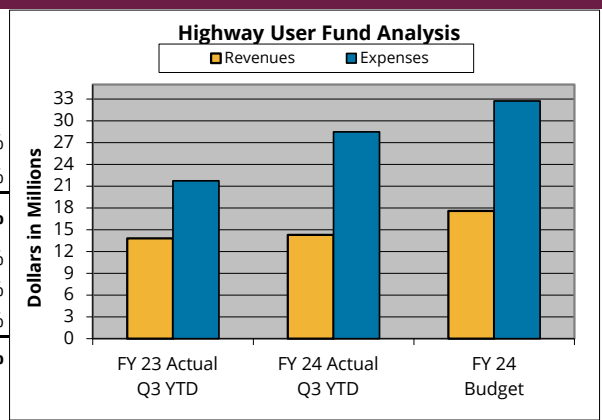


Positive The performance indicator for Enterprise Funds focuses on the relationship between Operating Revenues and Operating Expenses (including debt service and indirect cost allocation) and the percentage of budget received/expended.

The Airport Fund supports operating functions and major capital costs that can be paid without borrowing. The Net Revenue/Expense for FY 2023-24 reflects no budgeted change in fund balance since the General Fund Subsidy of \$5.9M 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 \$115,047 includes indirect cost allocation to the General Fund of \$100,000 and a payment of \$15,047 to the Technology Replacement Fund. Year-to-date **Operating Revenues** through the third quarter are 92% of budget compared to 81% for FY 2022-23, while year-to-date **Operating Expenses** through the third quarter are 75% of budget compared to 66% for FY 2022-23. The performance indicator is positive since percentage of operating revenues received to date (92%) exceeds the percentage of operating expenses spent to date (73%, including indirect cost allocation).

Highway User Fund (HURF) Analysis FY 2023-24 Comparison

	FY 24 Adjusted Budget	FY 24 Actual Revenue/ Exp+Enc	% of Budget Rec'd/Exp'd to Date	% of Budget Prior Yr.
Highway User Fund				
Highway Users Tax	\$ 17,000,000	\$ 13,681,594	80%	76%
Other	606,000	603,490	100%	117%
Total Revenues	\$ 17,606,000	\$ 14,285,084	81%	76%
Operating Expenses	\$ 9,949,080	\$ 7,486,058	75%	74%
Major Capital Expenses	22,654,432	20,870,337	92%	88%
Transfers Out	123,665	123,145	100%	100%
Total Expenses	\$ 32,727,177	\$ 28,479,540	87%	83%
Net Rev / Exp	\$ (15,121,177)	\$ (14,194,456)		



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.

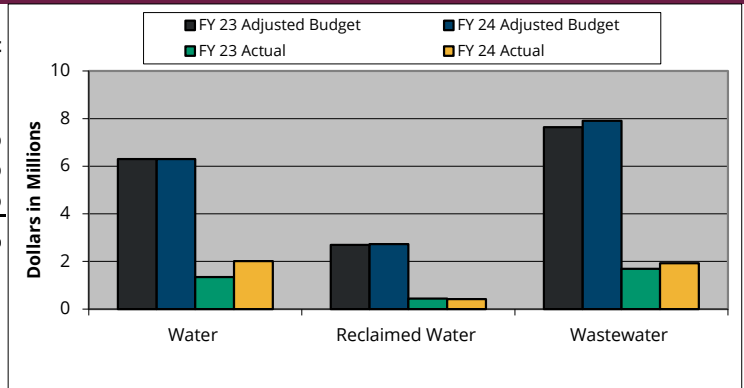
Highway Users Tax is collected by the state on all gasoline sales. It is combined with other state-level vehicle related revenues, and distributed to cities and towns by using two formulas based upon population. Funds are restricted for use on streets and related projects. The Net Revenue/Expense for FY 2023-24 reflects a planned drawdown of \$15.1M to fund balance. The budgeted Transfers Out totaling \$123,665 include a payment to the General Fund of \$2,082 for miscellaneous charges, a payment of \$26,583 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 third quarter are 80% of budget compared to 76% through the third quarter for FY 2022-23, while year-to-date **Operating Expenses** through the third quarter are 75% of budget compared to 74% through the third quarter for FY 2022-23. The performance indicator is positive after recognizing revenues are received on a one-month lag, so first 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 as budgeted.

Other Funds Analysis (continued):

Enterprise System Development Fee Funds Analysis FY 2023-24 Comparison

Enterprise System Development Fee (SDF) Funds	FY 24 Adjusted Budget	FY 24 Actual Revenue	% of Budget Rec'd to Date
Water	\$ 6,303,000	\$ 2,021,342	32%
Reclaimed Water	2,726,300	423,117	16%
Wastewater	7,907,000	1,928,087	24%
Total SDF Revenue	\$ 16,936,300	\$ 4,372,546	26%

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.

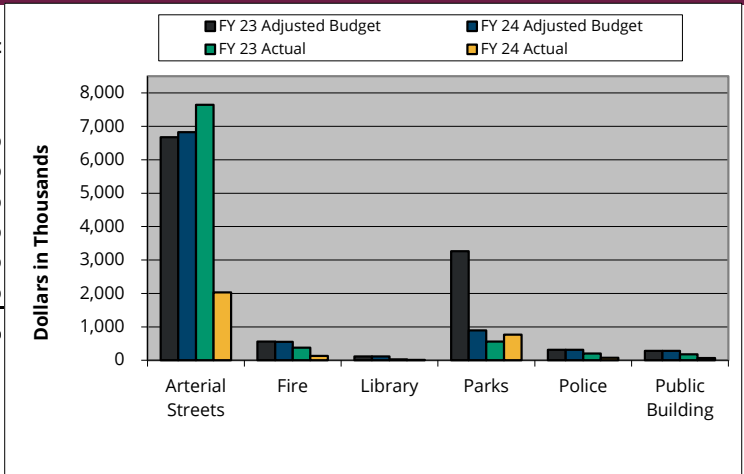


Enterprise (Water, Wastewater, and Reclaimed Water) System Development Fees (SDFs) are assessed on building permits based on the meter size. Enterprise SDFs are assessed on all residential, but may or may not be assessed on Commercial. Commercial properties are assessed if a Water Meter Permit (WMI) is needed. Enterprise SDFs are based on development and fluctuate quarterly as well as from year to year. The graph shows the FY 2023-24 budget and year-to-date collections through the third quarter compared to the FY 2022-23 budget and year-to-date collections through the third quarter. Collections through the third quarter of FY 2023-24 were 26% of the budget as compared to the prior year's collections of 21% of budget through the third quarter.

General System Development Fee Funds Analysis FY 2023-24 Comparison

General System Development Fee (SDF) Funds	FY 24 Adjusted Budget	FY 24 Actual Revenue	% of Budget Rec'd to Date
Arterial Streets	\$ 6,828,000	\$ 2,031,425	30%
Fire	553,000	128,929	23%
Library	115,000	12,747	11%
Parks	896,000	765,746	85%
Police	316,000	70,282	22%
Public Building	280,000	62,857	22%
Total SDF Revenue	\$ 8,988,000	\$ 3,071,986	34%

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.

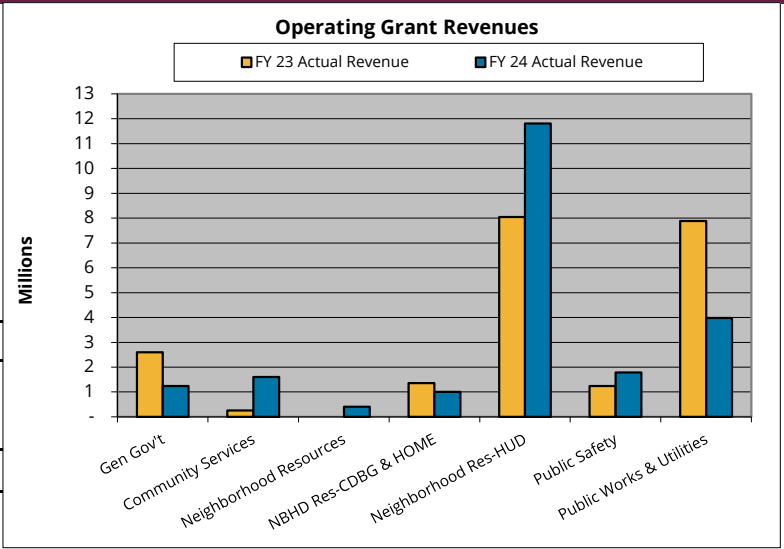


General (Arterial Streets, Fire, Library, Parks, Police, and Public Building) System Development Fees (SDFs) are charged on all commercial and residential building permits and is based on square footage and land use. General SDF fees are based on development and will fluctuate quarterly as well as annually. The graph shows the FY 2023-24 budget and year-to-date collections through the third quarter compared for FY 2022-23 budget and year-to-date collections through the third quarter. Collections through the third quarter of FY 2023-24 were 34% of the budget as compared to the prior year's collections of 80% of the budget through the third quarter, which included significant development occurring at that time.

Other Funds Analysis (continued):

Grant Funds Analysis FY 2023-24 Comparison

	FY 24 Actual Revenue	FY 23 Actual Revenue
General Government*	\$ 372,758	\$ 2,385,587
Community Services	254,819	259,318
Neighborhood Resources	406,997	-
Neighborhood Res. - CDBG & HOME	1,007,276	1,353,315
Neighborhood Res. - HUD	11,805,251	8,047,886
Public Safety	1,786,882	1,245,341
Total Operating Grant Revenue	\$ 15,633,983	\$ 13,291,446
General Government*	\$ 864,794	\$ 218,245
Public Works & Utilities	3,975,141	7,879,550
Total Capital Grant Revenue	\$ 6,184,657	\$ 8,097,795
Total Grant Revenue	\$ 21,818,640	\$ 21,389,240



* Includes Airport, CAPA, City Manager, 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 third quarter of FY 2023-24 are \$21.8M as compared to \$21.4M collected through the third quarter of FY 2022-23.