



# City of Sunnyvale

## Agenda Item-No Attachments (PDF)

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File #: 22-0739, Version: 1

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### **REPORT TO COUNCIL**

#### **SUBJECT**

Receive and File the FY 2022/23 First Quarter Budget Update

#### **REPORT IN BRIEF**

This report summarizes the year-to-date financial position of the City's major funds, including an update on the receipt of revenue and current status of expenditures. Overall, the City's financial position is tracking as planned pursuant to the FY 2022/23 Budget, though based on limited information. FY 2021/22 is anticipated to end the year better than planned.

#### **BACKGROUND**

This update compares the FY 2022/23 Adopted Budget with actual revenues and expenditures through the first quarter of the fiscal year. In addition, this report provides a preliminary review of the FY 2021/22 year-end financial results.

Information on actuals for the current year, especially revenues, is not fully developed. Some receipts lag by a month following assessment. Many sources of revenue aren't received until several months into the year. For example, Transient Occupancy Tax (TOT) for September, is not due to the City until the end of October. Another example is Business License Tax, which will appear low until the second half of the fiscal year after renewals occur. Operating expenditures tend to trend more evenly due to regular payroll costs. Exceptions include large bills like water purchases with July expenses not paid until mid or late August.

#### **EXISTING POLICY**

Pursuant to Sunnyvale Charter Section 1305, at any meeting after the adoption of the budget, the City Council may amend or supplement the budget by motion adopted by affirmative votes of at least four members so as to authorize the transfer of unused balances appropriated for one purpose to another, or to appropriate available revenue not included in the budget.

#### **ENVIRONMENTAL REVIEW**

The action being considered does not constitute a "project" with the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378 (b) (4) in that it is a fiscal activity that does not involve any commitment to any specific project which may result in a potential significant impact on the environment.

## DISCUSSION

This report presents preliminary budget and actual year-end results for FY 2021/22 and year-to-date information for FY 2022/23 (through September 2022) for the General Fund and Enterprise funds. FY 2021/22 data reflects the estimates presented in the FY 2022/23 Adopted Budget, which includes updated revenue projections and budget modifications. Transfers, interfund revenues, bond proceeds, debt service as well as project and equipment costs are not included in this report. Note that FY 2021/22 actuals are unaudited and that significant changes may occur during the fiscal year end close.

Overall progress looks to be as planned for FY 2022/23 to date. Staff continue to carefully monitor the budget and economic factors such as lingering inflation, tightening monetary policy, and ongoing international conflict.

### General Fund

Overall, preliminary FY 2021/22 financials show positive year-end revenue and expenditure results for the General Fund. FY 2022/23 is tracking as expected at this point and staff continue to diligently monitor revenue and expenditures.

### Revenue

| General Fund Revenue       | FY 2021/22            |                |               | FY 2022/23            |               |           |
|----------------------------|-----------------------|----------------|---------------|-----------------------|---------------|-----------|
|                            | 99.00% of Fiscal Year |                |               | 25.00% of Fiscal Year |               |           |
|                            | Adjusted Budget       | Actuals        | Variance      | Budget                | Actuals       | % to Date |
| Property Tax               | \$ 98,489,151         | \$ 99,687,509  | \$ 1,198,358  | \$ 103,152,940        | \$ 321,831    | 0.3%      |
| Sales Tax                  | \$ 30,569,555         | \$ 35,801,316  | \$ 5,231,761  | \$ 29,876,069         | \$ 2,277,711  | 7.6%      |
| Transient Occupancy Tax    | \$ 8,278,183          | \$ 10,584,492  | \$ 2,306,308  | \$ 11,893,731         | \$ 3,014,485  | 25.3%     |
| UUT & Franchise Fees       | \$ 16,282,709         | \$ 15,816,236  | \$ (466,473)  | \$ 16,529,298         | \$ 1,587,227  | 9.6%      |
| Construction Tax           | \$ 3,820,926          | \$ 5,548,089   | \$ 1,727,163  | \$ 4,072,154          | \$ 1,349,997  | 33.2%     |
| Business License Tax       | \$ 1,962,338          | \$ 2,045,190   | \$ 82,852     | \$ 2,011,396          | \$ 113,186    | 5.6%      |
| Real Property Transfer Tax | \$ 1,907,212          | \$ 2,952,570   | \$ 1,045,358  | \$ 1,938,746          | \$ 256,795    | 13.2%     |
| Permits & Licenses         | \$ 1,953,445          | \$ 2,065,751   | \$ 112,305    | \$ 1,992,514          | \$ 657,776    | 33.0%     |
| Service Fees               | \$ 4,909,248          | \$ 6,707,223   | \$ 1,797,975  | \$ 6,313,393          | \$ 1,162,519  | 18.4%     |
| Rents & Concession         | \$ 3,461,557          | \$ 3,483,785   | \$ 22,228     | \$ 6,915,308          | \$ 450,094    | 6.5%      |
| Other Revenue              | \$ 18,809,826         | \$ 18,460,321  | \$ (349,505)  | \$ 4,997,046          | \$ 832,564    | 16.7%     |
| Revenue Subtotal           | \$ 190,444,151        | \$ 203,152,481 | \$ 12,708,330 | \$ 189,692,596        | \$ 12,024,184 | 6.3%      |
| One-Time Revenue*          | \$ 9,709,239          | \$ 13,812,343  | \$ 4,103,104  | \$ 7,074,200          | \$ -          | 0.0%      |
| Grand Total                | \$ 200,153,390        | \$ 216,964,824 | \$ 16,811,434 | \$ 196,766,796        | \$ 12,024,184 | 6.1%      |

\* ERAF

### FY 2021/22

General Fund revenue is expected to end the year \$12.7M above projections when one-time revenues are excluded. Almost all major sources will exceed revised revenue projections, except Utility Users Tax and Franchise Fees. Projected increases included in the FY 2021/22 revenue budget for these sources were offset by reduced usage.

Property Tax is expected to be in line with the County's forecast, though Supplemental Tax revenue will exceed budget by about \$1M. The additional revenue is due to increases in the number and prices of single-family homes sold before the properties are added to the Secured Tax roll. Likewise, Real Property Transfer Tax will exceed its revised revenue projection by \$1.1M.

Sales Tax exceeded its revised projection by \$5.2M with consumer spending continuing to recover from pre-pandemic levels. Rising prices associated with restaurants, fuel and other goods and services also contributed to the increase. Some of the gain can also be attributed to employees returning to work at several large companies in the City as well as new employers establishing within the City. The medical/biotech industry continues to lead Sunnyvale's sales tax base and remained strong, though the same rate of growth is not expected to continue as some of the revenue is related to pandemic response and is considered one-time.

The City began receiving direct allocation of one-time sales tax associated with major construction projects in the city. The City has collected over \$1M to date with \$0.7M in FY 2021/22. We will continue to track this as one-time revenue as the precise timing of development activity is hard to predict.

Transient Occupancy Tax (TOT) will come in \$2.3M above its revised estimate of \$8.3M. It was essentially flat from the original projection. While TOT is still recovering to pre-pandemic levels, average room rates were tracking at \$129 per night and occupancy rates at 64.4% at the end of the fiscal year, compared to \$89 per night and 42% at the end of FY 2020/21. In addition, three new hotels began reporting in the fourth quarter.

Construction tax revenue is anticipated to exceed its revised budget of \$3.8M by 45% (or \$1.7M). This positive variance reflects robust development activity and payments associated with several large projects.

Services fees are showing favorable results of \$1.8M as recreation programming. Summer camps as well as park facility rentals performed better than forecasted with capacity and community interest returning to pre-pandemic levels. General Plan maintenance fees also performed well. This is consistent with the healthy development activity the City experienced during the fiscal year.

The Other Revenue category is driven primarily by interest income and also includes the \$14.1M in American Rescue Plan Act (ARPA) representing the second half of the City's federal allocation. The \$0.4M negative variance is mostly related to grants that are still underway with the revenue expected in the following fiscal year.

One-time revenue reflects \$13.8M in Property Tax Educational Revenue Augmentation Funds (Excess ERAF), which was originally budgeted at 70% due to some risk associated with a dispute between Santa Clara County and the State over the distribution methodology. The City's practice is to allocate ERAF to one-time expenditures, such as capital projects.

#### FY 2022/23 Year to Date Update

Few revenues are received evenly throughout the year and therefore progress is difficult to gauge this early in the fiscal year. For example, Sales Tax revenue lags behind the actual economic activity because taxpayers have 30 days to file for monthly reporting periods followed by processing by the California Department of Tax and Fee Administration (CDTFA), which takes several weeks. The City uses a Sales Tax consultant to analyze activity. At this time, the City's consultant has indicated that it is anticipated that the City will meet its Sales Tax estimates for FY 2022/23. For FY 2022/23, consistent returns are expected, rather than large increases related to economic recovery as sales of large purchases such as vehicles, furniture, etc. are slowing due to rising interest rates.

TOT revenue continues to show progressive increases in returning to pre-pandemic levels. The positive trend continues into FY 2022/23 with average room rates at \$152 per night and average occupancy rates tracking at 65.9% in the first quarter of the fiscal year. At the same point of the prior fiscal year, room rates averaged \$98 per night at 58% occupancy. Construction Tax is also showing a steady start at roughly 33.2% of the FY 2022/23 revenue estimate year-to-date.

Property Tax revenue received to date reflects one Supplemental Tax payment. Supplemental taxes are taxes that are due when property undergoes a change of ownership or new construction. These mid-year adjustments will be reflected on the tax roll the following year, but in the year of the event, the tax is prorated. The City receives this amount separate from the Secured tax revenue. With rising interest rates, property sales have slowed, which may impact Supplemental Tax revenue as well as Real Property Transfer Tax revenue.

Secured Property Tax is received in ten payments that the City receives between late November and June. The growth factor is trending at the 2% California Proposition 13 limit allowed for the FY 2023/24 roll at this time. We will know the final growth factor for the FY 2023/24 tax roll when the County releases the data at the beginning of the 2023 calendar year.

Permits and Licenses are tracking ahead of the 25% accounting benchmark at 33%, led by fire prevention permits.

## Expenditures

| General Fund Expenditures        | FY 2021/22            |                       |                     | FY 2022/23            |                      |              |
|----------------------------------|-----------------------|-----------------------|---------------------|-----------------------|----------------------|--------------|
|                                  | 99.00% of Fiscal Year |                       |                     | 25.00% of Fiscal Year |                      |              |
|                                  | Adjusted Budget       | Actuals               | Variance            | Budget                | Actuals              | % to Date    |
| Community Development            | \$ 1,510,080          | \$ 1,325,720          | \$ 184,360          | \$ 1,568,615          | \$ 302,315           | 19.3%        |
| Environmental Services           | \$ 2,416,649          | \$ 1,946,573          | \$ 470,076          | \$ 2,686,911          | \$ 343,175           | 12.8%        |
| Finance                          | \$ 10,450,639         | \$ 9,822,058          | \$ 628,581          | \$ 10,405,823         | \$ 2,054,626         | 19.7%        |
| Human Resources                  | \$ 4,617,834          | \$ 4,128,516          | \$ 489,317          | \$ 5,011,894          | \$ 1,130,531         | 22.6%        |
| Library and Recreation Services* | \$ 18,058,325         | \$ 17,064,776         | \$ 993,549          | \$ 19,836,596         | \$ 4,335,670         | 21.9%        |
| Office of the City Attorney      | \$ 1,641,769          | \$ 1,708,388          | \$ (66,619)         | \$ 1,760,726          | \$ 382,985           | 21.8%        |
| Office of the City Manager       | \$ 5,165,085          | \$ 4,643,639          | \$ 521,447          | \$ 5,247,361          | \$ 1,141,937         | 21.8%        |
| Public Safety                    | \$ 84,365,828         | \$ 84,512,799         | \$ (146,970)        | \$ 87,313,467         | \$ 19,168,965        | 22.0%        |
| Public Works                     | \$ 22,152,609         | \$ 20,451,373         | \$ 1,701,235        | \$ 26,545,538         | \$ 4,991,662         | 18.8%        |
| <b>Grand Total</b>               | <b>\$ 150,378,818</b> | <b>\$ 145,603,842</b> | <b>\$ 4,774,976</b> | <b>\$ 160,376,932</b> | <b>\$ 33,851,865</b> | <b>21.1%</b> |

### FY 2021/22

The General Fund is preliminarily year end results show a \$4.8M positive operating variance primarily due to salary savings. The Department of Public Safety will exceed its modified operating budget (Budget Modification No. 27, RTC 22-0692) by \$0.1M due to year end salaries and benefits being greater than estimated in the budget modification.

### FY 2022/23 Year to Date Update

General Fund expenditures are at 21.1% with approximately 25% of the fiscal year passed. Expenditures trend more evenly throughout the year than revenues, driven mainly by bi-weekly payroll costs. Salaries are trending slightly below the 25.3% payroll benchmark for this point in the fiscal year at approximately 20%. Staff is closely monitoring salaries and benefits this fiscal year with the adoption of Sunnyvale Employees' Association/IFPTE Local 21 and Service Employees International Union/Local 521 MOUs, including salary increases approved after the 2022/23 Adopted Budget. The timing of operations & maintenance expenditures can vary throughout the year and are expected to continue to actualize and approach budgeted amounts.

## Enterprise Funds

### Golf & Tennis Operations

| Golf & Tennis Fund Revenue* | FY 2021/22            |                     |                   | FY 2022/23            |                     |              |
|-----------------------------|-----------------------|---------------------|-------------------|-----------------------|---------------------|--------------|
|                             | 99.00% of Fiscal Year |                     |                   | 25.00% of Fiscal Year |                     |              |
|                             | Adjusted Budget       | Actuals             | Variance          | Budget                | Actuals             | % to Date    |
| Golf Course Revenue         | \$ 4,668,763          | \$ 4,866,103        | \$ 197,340        | \$ 4,700,867          | \$ 1,431,371        | 30.4%        |
| Tennis Revenue              | \$ 91,181             | \$ 134,196          | \$ 43,015         | \$ 150,000            | \$ 37,500           | 25.0%        |
| <b>Grand Total</b>          | <b>\$ 4,759,944</b>   | <b>\$ 5,000,299</b> | <b>\$ 240,355</b> | <b>\$ 4,850,867</b>   | <b>\$ 1,468,871</b> | <b>30.3%</b> |

| Golf & Tennis Fund Expenditures* | FY 2021/22            |                     |                  | FY 2022/23            |                     |              |
|----------------------------------|-----------------------|---------------------|------------------|-----------------------|---------------------|--------------|
|                                  | 99.00% of Fiscal Year |                     |                  | 25.00% of Fiscal Year |                     |              |
|                                  | Adjusted Budget       | Actuals             | Variance         | Budget                | Actuals             | % to Date    |
| Golf Course Expenditures         | \$ 3,773,179          | \$ 3,749,518        | \$ 23,661        | \$ 3,940,692          | \$ 995,958          | 25.3%        |
| Tennis Expenditures              | \$ 107,513            | \$ 69,352           | \$ 38,161        | \$ 111,199            | \$ 14,057           | 12.6%        |
| <b>Grand Total</b>               | <b>\$ 3,880,692</b>   | <b>\$ 3,818,870</b> | <b>\$ 61,823</b> | <b>\$ 4,051,891</b>   | <b>\$ 1,010,015</b> | <b>24.9%</b> |

\*Excludes transfers and in-lieu fees.

### FY 2021/22

Revenue associated with the golf courses is expected to end the year with a positive variance of about \$0.2M. Golf play continues to be strong and most of this positive variance can be attributed directly to golf fees, such as Green fees, Driving Range fees, and Golf Cart rentals. Overall, the Golf & Tennis Fund is projected to end the year about \$0.3M better than originally budgeted.

### FY 2022/23 Year to Date Update

The Golf and Tennis fund is off to a positive start with Golf revenue at 30.4% during the first quarter of the year. Tennis revenue is at the expected level of 25%.

Golf & Tennis fund operating expenditures are on track at 24.9% for this point in the fiscal year.

## Development Enterprise Fund

| Development Enterprise Fund Revenue | FY 2021/22            |                      |                     | FY 2022/23            |                     |              |
|-------------------------------------|-----------------------|----------------------|---------------------|-----------------------|---------------------|--------------|
|                                     | 99.00% of Fiscal Year |                      |                     | 25.00% of Fiscal Year |                     |              |
|                                     | Adjusted Budget       | Actuals              | Variance            | Budget                | Actuals             | % to Date    |
| Permits & Licenses                  | \$ 14,154,069         | \$ 18,760,506        | \$ 4,606,437        | \$ 14,099,790         | \$ 4,706,794        | 33.4%        |
| Service Fees                        | \$ 3,882,937          | \$ 5,206,643         | \$ 1,323,706        | \$ 4,934,579          | \$ 1,311,548        | 26.6%        |
| Other*                              | \$ 1,073,621          | \$ 1,061,354         | \$ (12,267)         | \$ 1,320,808          | \$ 155,859          | 11.8%        |
| <b>Grand Total</b>                  | <b>\$ 19,110,627</b>  | <b>\$ 25,028,503</b> | <b>\$ 5,917,876</b> | <b>\$ 20,355,177</b>  | <b>\$ 6,174,201</b> | <b>30.3%</b> |

\*Interest Income & Miscellaneous

| Development Enterprise Fund Expenditures | FY 2021/22            |                      |                     | FY 2022/23            |                     |              |
|--|-----------------------|----------------------|---------------------|-----------------------|---------------------|--------------|
|  | 99.00% of Fiscal Year |                      |                     | 25.00% of Fiscal Year |                     |              |
|  | Adjusted Budget       | Actuals              | Variance            | Budget                | Actuals             | % to Date    |
| Community Development                    | \$ 6,914,750          | \$ 7,707,724         | \$ (792,974)        | \$ 7,958,668          | \$ 1,817,353        | 22.8%        |
| Environmental Services                   | \$ 243,602            | \$ 172,438           | \$ 71,164           | \$ 263,079            | \$ 35,341           | 13.4%        |
| Library and Recreation Services          | \$ 21,274             | \$ 23,569            | \$ (2,295)          | \$ 24,744             | \$ 6,817            | 27.6%        |
| Office of the City Attorney              | \$ 435,034            | \$ 344,573           | \$ 90,461           | \$ 432,412            | \$ 84,572           | 19.6%        |
| Office of City Manager                   | N/A                   | N/A                  | N/A                 | \$ 391,554            | \$ 58,186           | 14.9%        |
| Public Safety                            | \$ 1,207,298          | \$ 1,216,405         | \$ (9,107)          | \$ 1,289,005          | \$ 303,190          | 23.5%        |
| Public Works                             | \$ 2,603,126          | \$ 2,298,825         | \$ 304,301          | \$ 2,768,465          | \$ 507,887          | 18.3%        |
| <b>Grand Total</b>                       | <b>\$ 11,425,084</b>  | <b>\$ 11,763,534</b> | <b>\$ (338,450)</b> | <b>\$ 13,127,927</b>  | <b>\$ 2,813,346</b> | <b>21.4%</b> |

FY 2021/22

At \$25.0M, revenue in the Development Enterprise Fund is expected to end the year approximately \$9.5M (or 61% year-over-year) better than FY 2020/21. Driven by permit and plan check fees associated with several large projects, FY 2021/22 revenue ended at \$5.9M over the budgeted amount.

Development Enterprise Fund operating expenditures are expected to end the year over budget by approximately \$0.3M. The Community Development Department exceeded its operating budget by \$0.8M, which is offset by savings from other departments. This overage can be attributed to the use of contract services by the Building Safety Division to augment staffing needed to provide additional workload capacity related to plan check and inspections, though these costs are offset by additional revenues.

FY 2022/23 Year to Date Update

Development fee revenues are off to a favorable start at 30.3% compared to 25% of the fiscal year. Expenditures are trending slightly below the 25% accounting benchmark at 21.4% as some goods and services expenditures do not occur evenly through the year. Staff will monitor revenues and expenditures closely to adjust as may be needed, but the fund is expected to meet budget at this point.

**Development Impact Fees**

| Development Impact Fees *  | FY 2021/22            |                      |                      | FY 2022/23            |                      |              |
|----------------------------|-----------------------|----------------------|----------------------|-----------------------|----------------------|--------------|
|                            | 99.00% of Fiscal Year |                      |                      | 25.00% of Fiscal Year |                      |              |
|                            | Adjusted Budget       | Actuals              | Variance             | Budget                | Actuals              | Variance     |
| Park Dedication Fees       | \$ 33,629,534         | \$ 21,785,663        | \$ (11,843,871)      | \$ 25,437,302         | \$ 17,854,274        | 70.2%        |
| Housing Mitigation Fees    | \$ 11,645,786         | \$ 30,477,383        | \$ 18,831,597        | \$ 27,586,461         | \$ 255,442           | 0.9%         |
| Transportation Impact Fees | \$ 5,807,374          | \$ 10,481,569        | \$ 4,674,195         | \$ 5,802,208          | \$ 1,152,065         | 19.9%        |
| Sense of Place Fees        | \$ 3,921              | \$ 1,058,384         | \$ 1,054,463         | \$ 457,239            | \$ 4,038             | 0.9%         |
| <b>Grand Total</b>         | <b>\$ 51,086,615</b>  | <b>\$ 63,802,999</b> | <b>\$ 12,716,384</b> | <b>\$ 59,283,210</b>  | <b>\$ 19,265,819</b> | <b>32.5%</b> |

\*Includes Impact Fees Only

Development projects take years to come to fruition, therefore, the timing of Development Fee Impact revenue is difficult to predict in the short-term. To illustrate, impact fee revenue was \$6.1M in FY 2020/21 and preliminary results for FY 2021/22 year-end is \$63.8M.

Impact fees are not received evenly throughout the year or year-over-year, but rather when certain project milestones are achieved in the development process. Current year budget estimates are based on known projects in the development pipeline and some revenue is expected to shift between FY 2021/22 and FY 2022/23 based on project status. Revenue projections will be updated during FY 2023/24 budget development.



## Utility Funds

| Utility Fund Revenue        | FY 2021/22            |                       |                      | FY 2022/23            |                      |              |
|-----------------------------|-----------------------|-----------------------|----------------------|-----------------------|----------------------|--------------|
|                             | 99.00% of Fiscal Year |                       |                      | 16.67% of Fiscal Year |                      |              |
|                             | Adjusted Budget       | Actuals               | Variance             | Budget                | Actuals              | % to Date    |
| Water Fund                  | \$ 63,211,209         | \$ 69,284,822         | \$ 6,073,613         | \$ 59,460,045         | \$ 11,989,114        | 20.2%        |
| Wastewater Fund             | \$ 63,605,334         | \$ 71,475,405         | \$ 7,870,071         | \$ 56,273,617         | \$ 14,076,847        | 25.0%        |
| Solid Waste Management Fund | \$ 54,919,202         | \$ 54,668,837         | \$ (250,365)         | \$ 58,579,892         | \$ 8,474,983         | 14.5%        |
| <b>Grand Total</b>          | <b>\$ 181,735,745</b> | <b>\$ 195,429,064</b> | <b>\$ 13,693,320</b> | <b>\$ 174,313,555</b> | <b>\$ 34,540,944</b> | <b>19.8%</b> |

| Utility Fund Expenditures   | FY 2021/22            |                       |                     | FY 2022/23            |                      |              |
|-----------------------------|-----------------------|-----------------------|---------------------|-----------------------|----------------------|--------------|
|                             | 99.00% of Fiscal Year |                       |                     | 16.67% of Fiscal Year |                      |              |
|                             | Adjusted Budget       | Actuals               | Variance            | Budget                | Actuals              | % to Date    |
| Water Fund                  | \$ 43,531,175         | \$ 41,111,329         | \$ 2,419,846        | \$ 44,268,672         | \$ 8,968,095         | 20.3%        |
| Wastewater Fund             | \$ 19,815,590         | \$ 18,847,780         | \$ 967,811          | \$ 21,729,626         | \$ 4,152,357         | 19.1%        |
| Solid Waste Management Fund | \$ 48,070,476         | \$ 45,535,561         | \$ 2,534,914        | \$ 52,971,441         | \$ 10,678,212        | 20.2%        |
| <b>Grand Total</b>          | <b>\$ 111,417,241</b> | <b>\$ 105,494,670</b> | <b>\$ 5,922,571</b> | <b>\$ 118,969,739</b> | <b>\$ 23,798,664</b> | <b>20.0%</b> |

### FY 2021/22

Preliminary year end results show Water and Wastewater revenue with large positive variances primarily driven by connection fees. Solid Waste revenue is expected to come in slightly below revenue expectations, with corresponding savings related to landfill and transfer costs on the expenditure side.

Anticipated year end savings for the Water and Wastewater funds are primarily the result of salary savings and lower than expected spending on services. Some of these expenditures are likely delayed and will be actualized the following year. The Solid Waste Fund had some salary savings as well as savings related to landfill and transfer costs.

### FY 2022/23 Year to Date Update

Utility revenue is off to a steady start. Connection fees are again a large contributor to the positive first quarter revenue variances in the Water and Wastewater funds. Solid Waste service fees are in line with costs for the collection, transfer, and disposal services for this point in the fiscal year.

There continues to be some risk for the Water Fund associated with the voluntary 15% water reduction campaign and irrigation restrictions for its water customers due to drought conditions. Should the drought conditions worsen, and more customer usage reductions become mandatory, less water use will likely result in less revenue for water service fees, which should be largely offset by savings in water purchases.

As with other funds, salary and benefit operating expenditures tend to trend more evenly during the fiscal year due to regular payroll costs while timing of operations and maintenance costs may vary. Salaries and benefits are trending slightly below the payroll benchmark of 25.3% for all three utility funds. Timing of operations and maintenance expenditures can vary throughout the year and will continue to be actualized throughout the year. Therefore, at this time, it is expected these funds will meet budget.

**FISCAL IMPACT**

Preliminary FY 2021/22 year-end financial data as well as the FY 2022/23 first quarter financial analysis discussed in this report are informational.

**PUBLIC CONTACT**

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, Sunnyvale Public Library and Department of Public Safety. In addition, the agenda and report are available at the Office of the City Clerk and on the City's website.

**STAFF RECOMMENDATION**

Receive and file the FY 2022/23 First Quarter Budget Update.

Prepared by: Felicia Silva, Budget Manager  
Reviewed by: Tim Kirby, Director of Finance  
Reviewed by: Jaqui Guzmán, Deputy City Manager  
Approved by: Kent Steffens, City Manager