



Mid-Year Financial Report

Fiscal Year to Date: July 1, 2024, to September 30, 2024

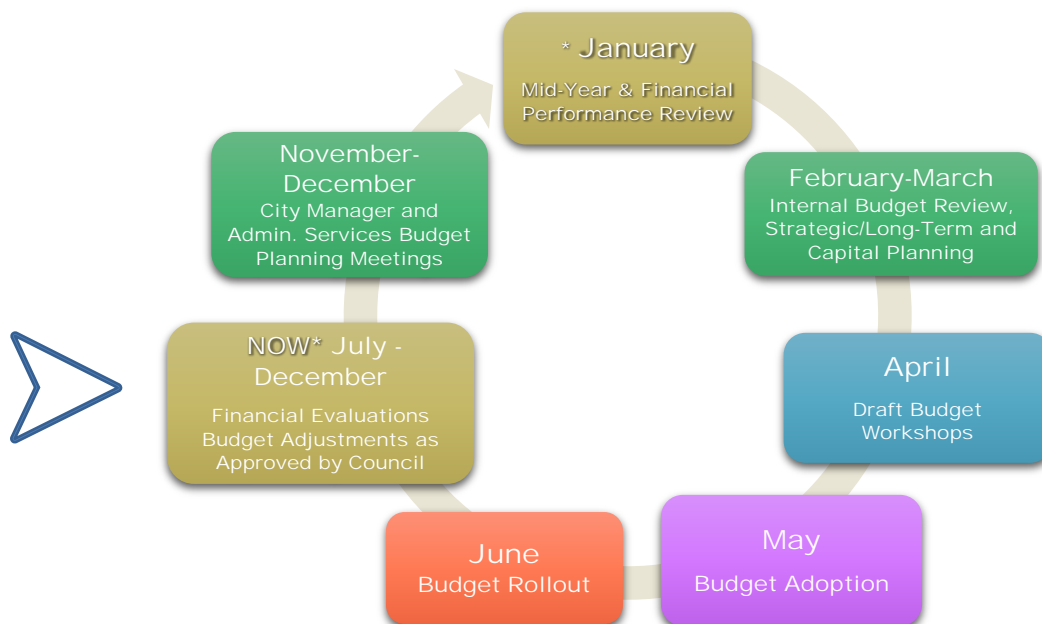
Introduction

This financial report provides an overview of our where we are within the budget cycle, then a summary of the City's financial position through the mid-year of Fiscal Year (FY) 2024/25 (July 1, 2024, through September 30, 2024) for (1) Citywide Revenues and Expenses, (2) the General Fund, (3) Enterprise Funds, and (4) Summary of Cash and Investments. Notable cumulative mid-year to mid-year and preliminary amended budget to actual comparisons are included in this report.

The following factors should be taken into consideration when analyzing first quarter data:

- Revenues reported herein are calculated based on **actual** receipts through September 30, 2024. Some revenues are received later in the year, and as such can appear to be low at mid-year with variances smoothing out over the Fiscal Year.
- Some costs, such as subscription services and other dues, are typically incurred at the beginning of the Fiscal Year, so appear high at mid-year but are on-budget for the fiscal year, with variances smoothing out over the Fiscal Year.
- Construction projects, specifically street improvements, have a different project cycle which is offset from the Fiscal Year. As such, major projects are typically funded across two or more Fiscal Years.

Standard Budget Process Cycle - Where We Are Now & Next Steps:

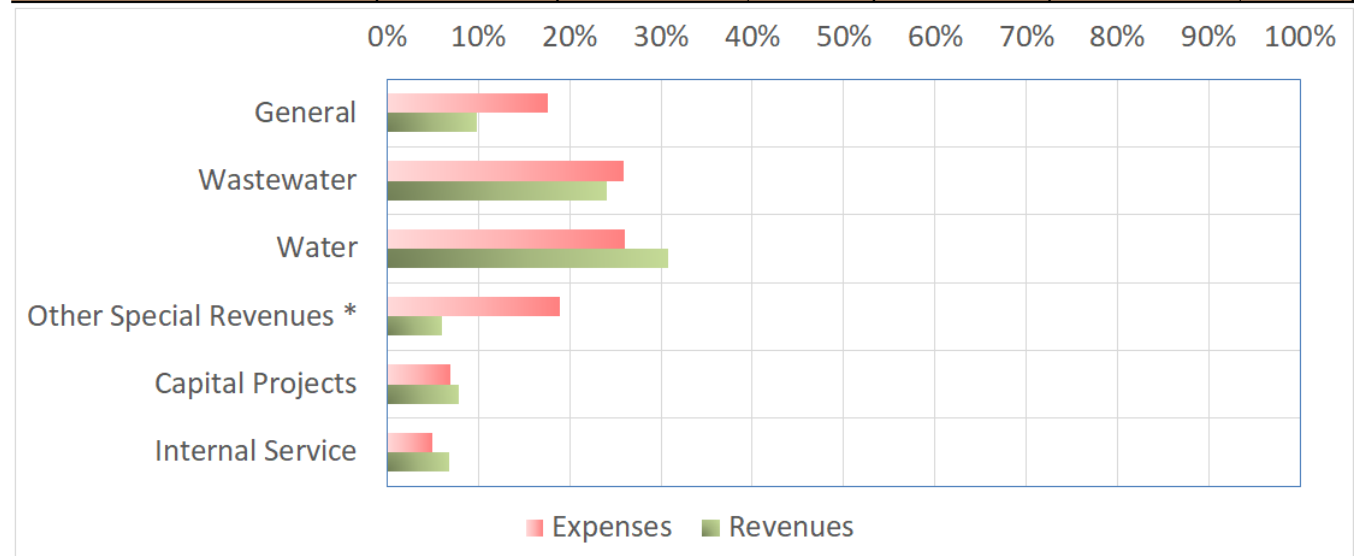


Tentative Schedule for Financial Reporting & Budget Year 2025/26 and 2026/27 Planning:

- November 12th – Council Acceptance of Audited financial statements for Fiscal Year 2023/24
- December 6th – Measure S Oversight Committee Meeting on annual report for fiscal year 2023/24
- January 21st – Mid-Year Financial Update
- February 18th – Strategic Planning Session
- March 18th – Budget Study #1 - General Fund - Revenues and Expenditures, Special Revenues
- April 15th – Budget Study#2 - Enterprise Funds, Capital Projects, Special Revenues
- April 22nd – Third Quarter Financial Update for Fiscal Year 2024/25
- June 10th – Council Adoption of Biennial Budget For FY 2025/26 and 2026/27

Citywide Revenues and Expenses

Fund	Revenues			Expenses		
	Un-Audited Actual	Annual Budget	% Budget	Un-Audited Actual	Annual Budget	% Budget
General	\$ 1,089,149	\$ 11,011,083	9.9%	\$ 2,479,389	\$ 14,087,146	17.6%
Wastewater	827,643	3,445,300	24.0%	994,270	3,828,306	26.0%
Water	730,335	2,370,900	30.8%	616,931	2,371,082	26.0%
Other Special Revenues *	89,708	842,239	6.1%	7,377	1,222,840	18.9%
Capital Projects	386,858	12,462,300	7.9%	340,430	12,433,200	7.0%
Internal Service	49,398	520,480	6.8%	68,334	515,480	5.0%
Total For All Funds	\$ 3,173,091	\$ 25,331,746	12.5%	\$ 5,104,680	\$ 29,440,178	17.3%



*Other Special Revenues consists of the following funds: Grants, CDBG Grants, Gas Tax, MTC Streets, RMRA, Traffic Mitigation Fees, Park-In-Lieu, PEG, Public Safety, K-9 Program, Inclusionary Housing, Linkage Affordable Housing, Community Facilities Districts, Measure M Parks, PEG, Bed Tax, and all Local Landscaping and Maintenance Districts.

City-wide Significant Variances

Fund type variances where revenues were less than 20 percent or expenditures are greater than 25 percent of budget as of mid-year were evaluated as follows:

- General Fund Revenues – The difference is primarily due to pending receipts for sales tax, property tax and other taxes. See further discussion on pages 3-4 herein.
- Revenues for Special Revenues funds are primarily derived for other special taxes which are reported to the City months after collection, so accrual of revenue lags significantly.
- Capital Projects are subject to construction timing of the projects. The City has programed over \$12 million in capital projects, utilizing funding from a combination of funding sources including the Streets Improvement Lease Revenue Bond, State and Local Grants, Special Revenue Funds, and General Fund Contributions. Capital Projects timeframes vary due to design and review processes before construction as well as the time to construct. For more information on the City projects they are displayed online both on the City budget at <https://city-cotati-ca-budget-book.cleargov.com/14567> on the City's transparency portal at www.tinyurl.com/CotatiProjects.
- Internal Service revenues indicate as low due to the timing of transferred funds required for the purchase of replacement fleet vehicles. This transfer is expected to be complete by the end of the fiscal year.

General Fund: Operating Revenues

The following table includes cumulative revenue comparisons through the first quarter of the Fiscal Year 2023/24 and a revenue budget to actual comparison for Fiscal Year 2024/25.

General Fund Revenues	Un-Audited Actuals Comparison (July 1 - Sept 30)				Budget to Actual Comparison	
	FY 2023/24	FY 2024/25	\$ Variance	% Variance	FY 2024/25 Budget	% Budget
Property Tax	\$ -	\$ -	\$ -	0.0%	2,123,996	0.0%
Sales Tax	509,650	534,892	25,242	5.0%	6,027,000	8.9%
Other Taxes	82,257	109,928	27,671	33.6%	752,500	14.6%
Licenses, Permits & Franchises	45,763	86,308	40,544	88.6%	597,400	14.4%
Rent	38,925	34,838	(4,087)	-10.5%	114,000	30.6%
Other Agencies	77,522	85,945	8,424	10.9%	218,870	39.3%
Community Development Charges	107,689	55,710	(51,978)	-48.3%	290,826	19.2%
Public Works Charges	28,308	18,427	(9,881)	-34.9%	65,500	28.1%
Public Safety Charges	20,943	14,261	(6,682)	-31.9%	61,200	23.3%
Other Revenues	27,772	62,908	35,135	126.5%	195,750	32.1%
Investment Earnings	53,157	76,878	23,721	44.6%	200,000	38.4%
Contributions	1,645	4,556	2,911	177.0%	6,300	72.3%
Transfers In	50,722	4,498	(46,224)	-91.1%	357,741	1.3%
Total:	\$ 1,044,353	\$ 1,089,149	\$ 44,796	4.3%	\$ 11,011,083	9.9%

General Fund operating revenues through the first quarter are approximately \$45,000, or 4.3% above the same period in FY 2023/24. Although revenues are only at 9.9% of the annual budget, this is in line with the previous year's comparison, which was at 9.1% of the budget through September 30, 2023. The percentage of receipts of revenues is typically less 25% due to the timing associated with receiving some of the larger revenue sources. For instance, sales tax is the largest General Fund revenue source, but the receipts are received two months after the period paid by the consumers. The following is an explanation of other variations in revenues:

- Property Taxes are received in December and April of the Fiscal Year, and as such are not included in this report to date. We have budgeted for over \$2 million, in line with the County's proposed allocation, for Fiscal Year 2024/25.
- Sales Tax revenues are approximately 5.0% or \$27,600 greater than last year's cumulative first quarter ending balance. Adjusting the sales tax on an annualized basis, the revenue compared to budget is in line with budgetary expectations at approximately 27% (consistent with one quarter of the year).

SALES TAX BUDGET ADJUSTMENT	FY 2024/25 Budget	Actual 1 Months Receipts	Annualized 3 Months FY 2024/25	% Variance Annualized to Budget
Sales Tax	\$ 6,027,000	\$ 534,892	\$ 1,604,676	26.6%
Bradley Burns	\$ 2,912,000	256,990	770,970	26.5%
Measure S	\$ 3,115,000	277,902	833,706	26.8%

- Other Taxes are primarily made up of Cannabis Business Tax. Last year had a decrease in taxes received which seems to have improved in the current fiscal year. Staff are continuing to monitor this revenue account. Financial reviews of each cannabis business are concluding currently, and all revenue appears properly reported to the City.
- Licenses, Permits and Franchises are subject to timing as most franchise payments are due annually near the end of the fiscal year.

- Rents are primarily related to revenue from renting out community facilities and park space. This revenue source has continued to improve as more events, post covid, are planned.
- Other Agencies increased from the previous year due to the timing of receipts for the State Mandated Cost from the State and the timing of receipts from SSU for the negotiated Dispatching Contract.
- Charges for Services have increased over the last year as Community Development, Public Works, and the Public Safety Department are again working on new development projects or engaging in more reimbursable activities.
- Investment Earnings have increased primarily due to active investment management and increased interest rate earnings.
- Other revenues are misc. other receipts received by the City for general purposes. These are made up of one-time unbudgeted receipts.

General Fund: Department Operating Expenditures

The following table includes cumulative first quarter actual expenditure comparisons by department and again by expenditure type for Fiscal Year 2023/24 and Fiscal Year 2024/25 and an expenditure budget to actual comparison for Fiscal Year 2024/25.

Expenditures by Type

General Fund Expenditures by Type	Un-Audited Actuals Comparison (July 1 - Sept 30)				Budget to Actual Comparison	
	FY 2023/24	FY 2024/25	\$ Variance	% Variance	FY 2024/25 Budget	% Budget
Salaries & Benefits	\$ 1,251,821	\$ 1,290,208	\$ 38,387	3.1%	\$ 5,937,120	21.7%
Contract Services	843,828	964,072	120,244	14.2%	2,586,064	37.3%
Materials & Supplies	18,249	18,376	127	0.7%	73,416	25.0%
Utilities	66,754	93,046	26,292	39.4%	435,700	21.4%
Repairs & Maintenance	8,908	41,883	32,975	370.2%	206,200	20.3%
Other Expenses	76,030	71,878	(4,152)	-5.5%	747,646	9.6%
Transfers Out	783,292	(75)	(783,366)	-100.0%	4,101,000	0.0%
Total:	\$ 3,048,882	\$ 2,479,389	\$ (569,493)	-18.7%	\$ 14,087,146	17.6%

Overall, cumulative mid-year General Fund expenditures decreased from the previous year by approximately 18.7% or \$569,000. Most of the decrease was due to the timing of transfers out for capital projects. The increase in Contract Services is primarily related to insurance and IT improvements.

Expenditures by Department

General Fund Expenditures by Department	Un-Audited Actuals Comparison (July 1 - Sept 30)				Budget to Actual Comparison	
	FY 2023/24	FY 2024/25	\$ Variance	% Variance	FY 2024/25 Budget	% Budget
City Council	\$ 43,209	\$ 50,976	\$ 7,767	18.0%	\$ 183,606	27.8%
City Manager	192,404	197,289	4,885	2.5%	935,990	21.1%
Admin Services	115,430	126,035	10,605	9.2%	531,160	23.7%
Community Development	221,407	266,194	44,787	20.2%	942,168	28.3%
Public Works	276,339	378,519	102,180	37.0%	1,738,486	21.8%
Police	1,279,270	1,306,983	27,713	2.2%	5,152,304	25.4%
Recreation	137,532	153,467	15,935	11.6%	502,432	30.5%
Transfers Out	783,292	(75)	(783,366)	-100.0%	4,101,000	0.0%
Total:	\$ 3,048,882	\$ 2,479,389	\$ (569,493)	-18.7%	\$ 14,087,146	17.6%

Spending by General Fund Departments are consistent with the prior year. The majority of the increases are related to the proportional share of allocated expenses for insurance and tech and data management. Other increases for the Public Works include current year work on tree removal and park maintenance. The increase in community development is related to the software purchase for online permit submittal and processing as well as their proportional allocation of increased insurance.

The first three months, as compared to budget, General Fund expenditures are mostly tracking as expected with all operating departments (all departments except transfers out) averaging 24.8% of the budget. Overall expenditure is in line with staff expectations.

Enterprise Funds: Operating Revenue

The following table includes cumulative revenue and expenses comparisons through the first quarter of the Fiscal Year 2023/24 and 2024/25 and a revenue budget to actual comparison for Fiscal Year 2024/25 for the Enterprise Operational Funds.

Enterprise Funds	Un-Audited Actuals Comparison (July 1 - Sept 30)				Budget to Actual Comparison	
	FY 2023/24	FY 2024/25	\$ Variance	% Variance	FY 2024/25 Budget	% Budget
Water Operations & Capital		-				
Revenues	\$ 467,829	\$ 730,335	\$ 262,506	56.1%	\$ 2,370,900	30.8%
Expenses						
Salaries & Benefits	161,934	161,294	(639)	-0.4%	724,960	22.2%
Contract Services	148,451	169,834	21,383	14.4%	399,427	42.5%
Other Expenses	47,040	55,496	8,456	18.0%	375,266	14.8%
Aquaduct Water	93,414	219,336	125,922	134.8%	694,460	31.6%
Capital Outlay	-	-	-	100.0%	72,500	0.0%
Interfund Debt	13,915	10,971	(2,944)	-21.2%	104,469	10.5%
Total Expenses	\$ 464,752	\$ 616,931	\$ 152,179	32.7%	\$ 2,371,082	26.0%
Net Income	\$ 3,077	\$ 113,404			\$ (182)	
Wastewater						
Revenues	\$ 559,114	\$ 827,643	\$ 268,529	48.0%	\$ 3,445,300	24.0%
Expenses						
Salaries & Benefits	161,917	161,885	(33)	0.0%	701,290	23.1%
Contract Services	93,429	120,221	26,792	28.7%	225,713	53.3%
Other Expenses	18,790	69,364	50,575	269.2%	208,210	33.3%
Wastewater Treatment	587,238	626,704	39,467	6.7%	2,506,900	25.0%
Capital Outlay	-	-	-	0.0%	118,695	0.0%
Interfund Debt	20,810	16,096	(4,714)	-22.7%	67,498	23.8%
Total Expenses	\$ 882,184	\$ 994,270	\$ 112,086	12.7%	\$ 3,828,306	26.0%
Net Income	\$ (323,070)	\$ (166,627)			\$ (383,006)	

The Water and Wastewater Fund revenues are made up of charges for services, connection fees other revenues, and development fees. The operating revenues for the Water and Wastewater Funds (removing one-time interfund debt service and investment earnings) have increased compared to the prior year primarily due to applied rates. For Fiscal Year 2024/25, most expenses are in line with the budget apart from (1) Contract Services for both funds, (2) Aquaduct Water for the Water fund, and (3) Other Expenses for the Wastewater fund. Discussion on these differences is included within the funds discussion as follows.

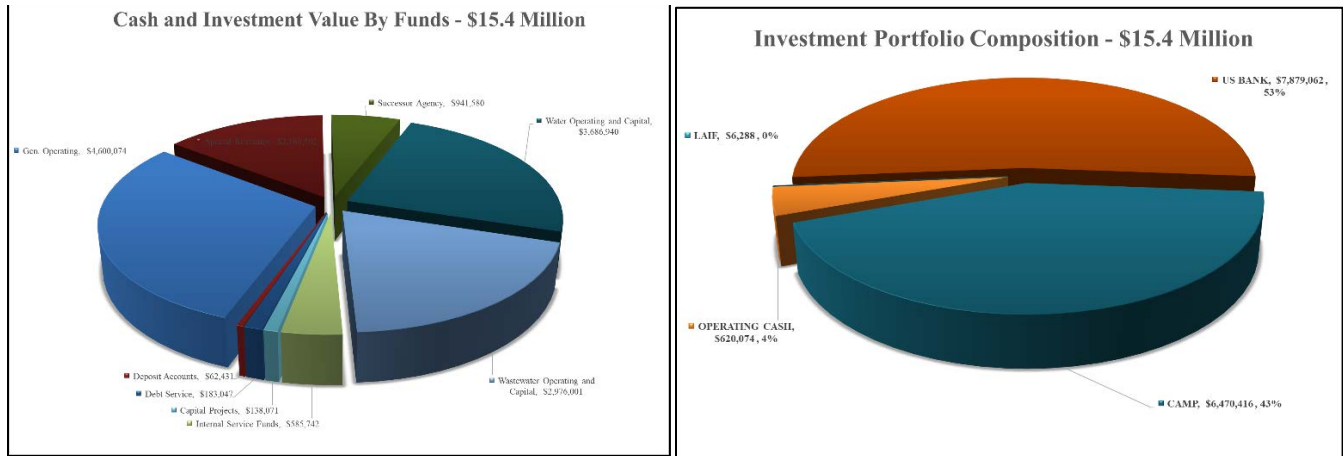
Water Funds – Revenues for the water funds charges for services are tracking at 30.8% of the budget and 56.1% greater than the same period in the last year. This increase is primarily related to the move to monthly billing as well as increased water consumption and rates compared to the prior year. For this quarter the prior year accounted for one billing cycle covering two months where we have covered three full months. Additionally, with continued warmer weather and less regulation on irrigation, consumption has increased over the prior year when drought restrictions were still in place for non-essential irrigation of ornamental lawns. Expenses as of the first quarter in total are at budget where payments for aqueduct water usage continues to be the main operating expense for the fund at approximately \$219,000. We expect the water usage to decline over the next two quarters as weather changes and irrigation along with the practice for outdoor irrigation. Other expenses that are increased compared to budget are contract services which is primarily derived from the water funds proportion of the insurance and IT infrastructure updates. The water main flushing project is expected to run again during the spring of 2024 bringing the capital expenditures in line with expectations. The last major expense for sewer is the Salaries and Benefits. These costs though are both in line with the budget and prior year's costs. No adjustments were deemed needed at this time.

Sewer Funds – Revenues are currently tracking at 24.0% of the budget and increased 48% from the prior year. Consistent with the water fund, the increase in revenues is due to the change to monthly billing as well as the increased consumption of water after the prior year drought restrictions. The City has processed the annual re-averaging for the wastewater consumption charges and anticipates the consumption to rebound after multiple years of strict water usage during fiscal years 2021/22 and 2022/23. Operating Expenses for the first quarter have increased by approximately \$112,000 or 12.7% compared to the prior fiscal year. This is primarily due to the increased cost of Wastewater Treatment, Contract services and Other Expenses. Contract services are increased due to the insurance and IT Services allocation for improvement projects. Other expenses increased due to an emergency repair that was required along old redwood highway totaling approximately \$45,000.

These funds will continue to be monitored, and staff will provide the City Council with updated information during development of the FY 2024/25 budget.

Cash and Investments

The tables below show the cash and investments held by the City as of September 30, 2024. The current cash and investment balances are in line with the City adopted investment policy and as budgeted are enough to meet the City's expenditure requirements for the remainder of the fiscal year.



Cash and Investment Detail by Composition

FISCAL YEAR 2024/25 AS OF SEPTEMBER 30, 2024				
Name of Investment	Maturity Date	Yield	Balance at 09/30/2024	
Local Agency Investment Funds - (LAIF)				
LAIF - Pooled Investments - Net FMV	N/A	4.58%	\$	6,288
Sonoma County Inestment Pool - SCIP				
	N/A	1.96%	\$	141,845
US Bank Trust				
Managed investments in CD's and Treasuries	Various	4.12%	\$	7,851,417
Accrued Interest			\$	27,645
California Asset Management Program (CAMP)				
Pooled Investment Funds	N/A	5.29%	\$	6,470,416
Fiduciary Funds	N/A	1.20%	\$	163,193
Restricted Escrow Account				
Funds held for payment on Park and Ride Project	N/A		\$	79,668
Exchange Bank Operating & Payroll Accounts	N/A	N/A	\$	620,074
Total Cash and Investments			\$	15,360,545

Conclusion

Except for identified variances, expenditures and revenues are tracking as expected. Staff will continue to monitor these variances and provide updated information to the City Council during budget development for Fiscal Year 2025/26.

