

*The City publishes many annual financial documents; however, it can be difficult to identify critical information given the size and complexity of the documents. We have created this report to present key items in a simple format. This report focuses on the most recently completed Fiscal Year, covering July 1, 2022 – June 30, 2023. The full year audited financials will be presented to the City Council in December 2023.*

### **ECONOMY REMAINS RESILIENT AMIDST GEOPOLITICAL AND INFLATION CONCERNS**

The **General Fund** provides funding for the majority of City services, including street maintenance, parks and police. We are pleased to report positive preliminary financial results in the General Fund for the Fiscal Year ("FY") ended June 30, 2023, with revenues exceeding expenditures and reserve requirements by \$970,582. Property values and consumer spending remained at elevated levels following the pandemic, resulting in revenues exceeding projections. Partially offsetting revenue increases were expense pressures driven by persistent inflation and lingering supply chain issues.

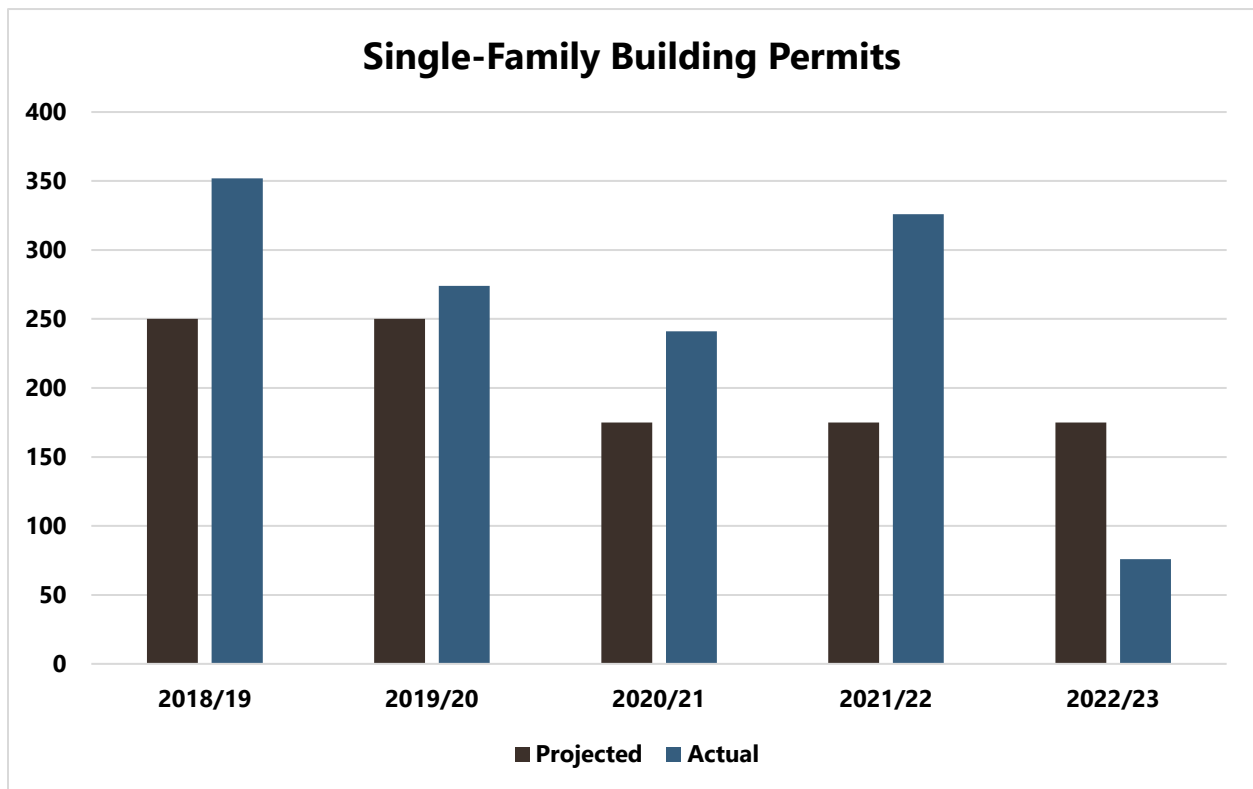
Looking forward, economic conditions appear challenging. Consumers have largely exhausted the increased savings accumulated during the pandemic, and spending activity is unlikely to remain strong. Significantly higher mortgage rates have reduced housing affordability to unsustainable levels, and is likely to lead to a softening in the housing market. On the expenditure side, despite falling from peak levels, inflation remains elevated and is increasing the cost of providing governmental services. Project costs are also increasing while at the same time supply chain issues are causing delays. In the longer-term, pension costs will also increase to make up for investment losses suffered by CalPERS.

While the FY 2022/23 results are better than expected, they should be viewed with the knowledge that the fiscal environment remains uncertain. Fortunately, as will be demonstrated throughout this Snapshot, the City is well positioned and prepared to meet any upcoming economic challenges.



## PERMIT ACTIVITY – 76 Single-Family Building Permits

Last year new residential development occurred at the slowest pace since the Great Recession. A portion of this decline was a timing issue, as a substantial number of permits were issued at the very end of the 2021/22 fiscal year. The longer-term trend, however, is clearly towards slower single-family residential activity.



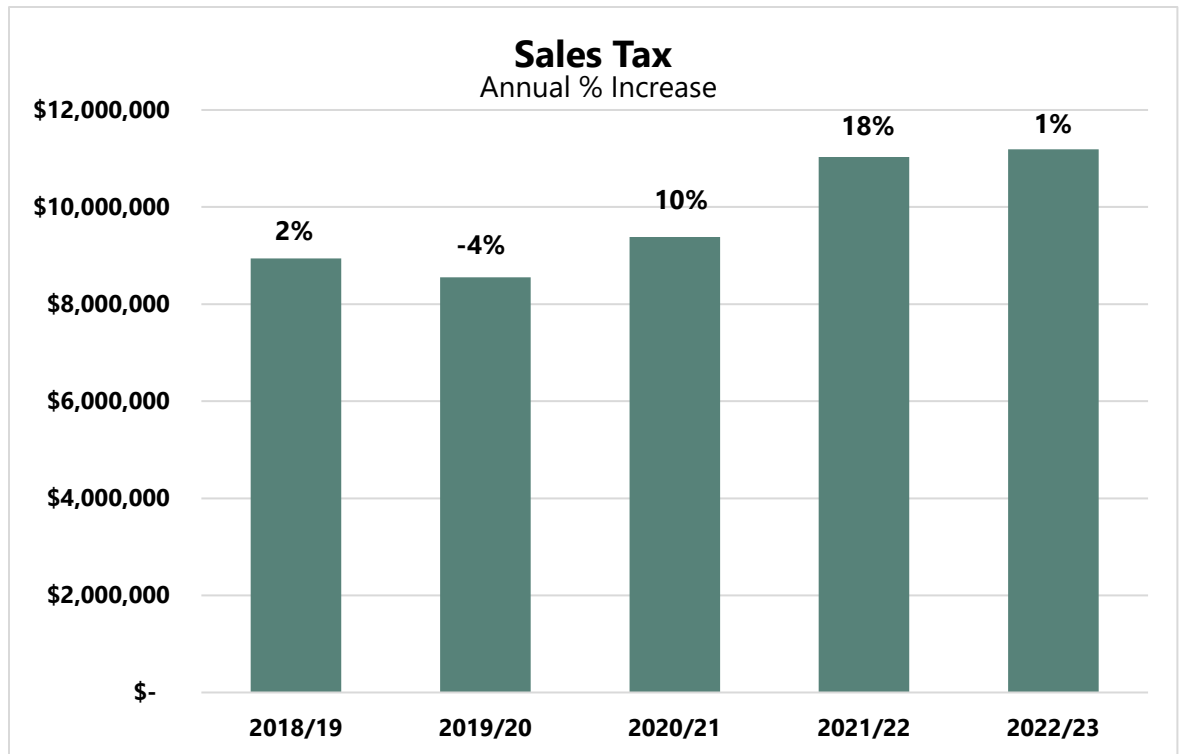
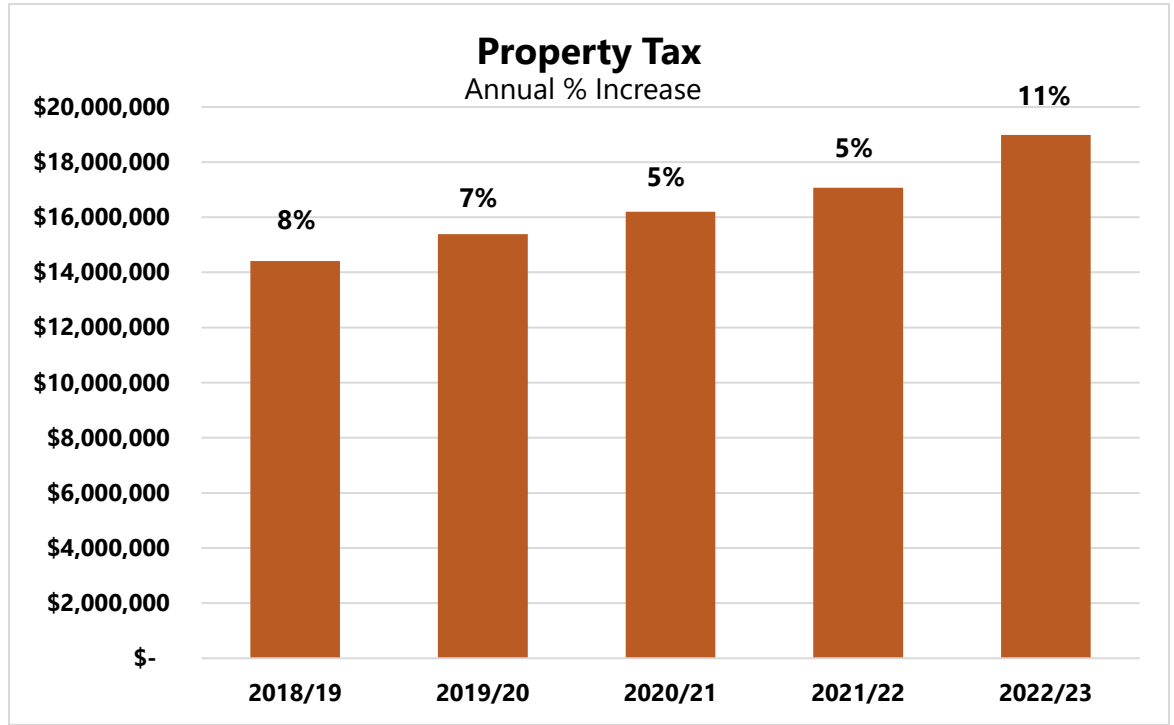
### Property Tax Revenue

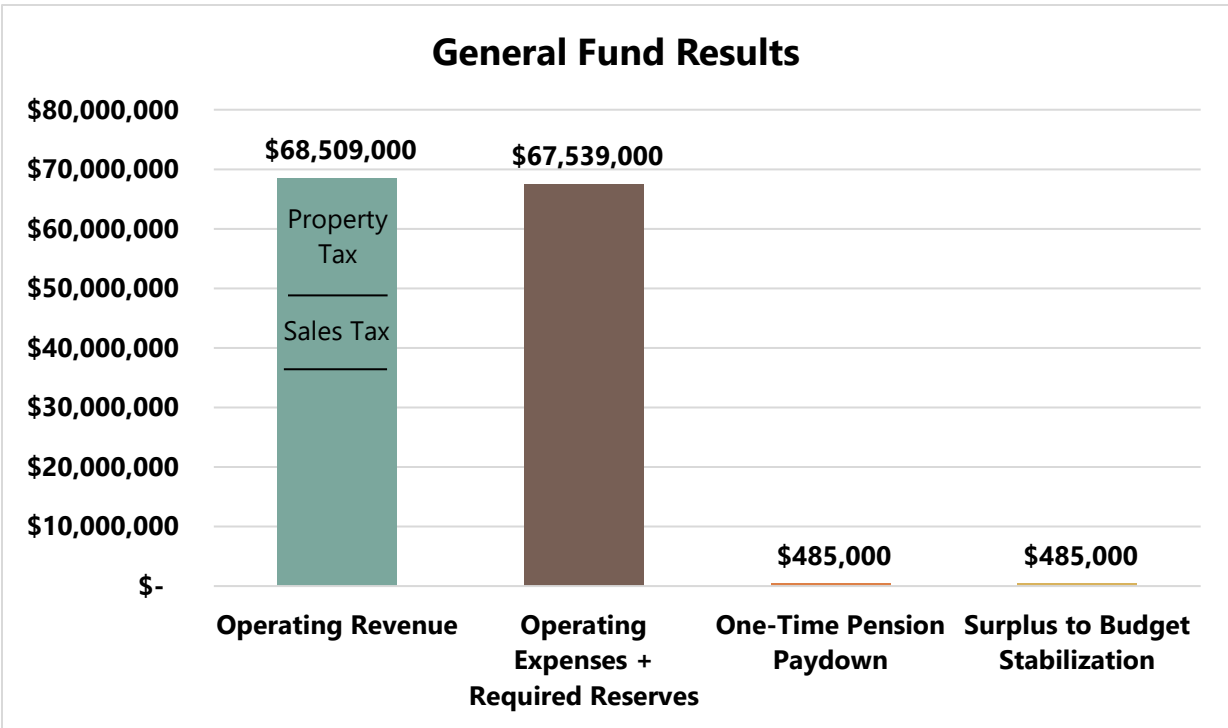
Property tax revenue, the General Fund's top revenue source, has performed well over the past five years. FY 2023/24 property tax revenues are expected to continue to trend upward before slowing in 2024/25 due to higher mortgage rates.



### Sales Tax Revenue

Sales tax, the General Fund's second largest revenue, suffered a pandemic induced slowdown in 2020. Government stimulus helped spur growth through FY 2021/22. We expect modest growth going forward, with boosts provided by new retail and commercial construction.





**GENERAL FUND RESULTS**

The General Fund remained balanced in the 2022/23 fiscal year, with revenues exceeding expenses and amounts set aside for reserves by \$970,582. The surplus represents a little over 1% of the overall budget. Nearly 99% of total General Fund revenues received were spent during the year.

General Fund revenues exceeded projections, as consumer spending performed better than expected, property values remained near record levels, and investment earnings were boosted by higher interest rates. While we did see a decline in development activity, this was partially mitigated by an increase in permit fees approved by the City Council during the year. On the expenditure side, savings from personnel vacancies were largely responsible for overall costs coming in lower than was previously forecast.

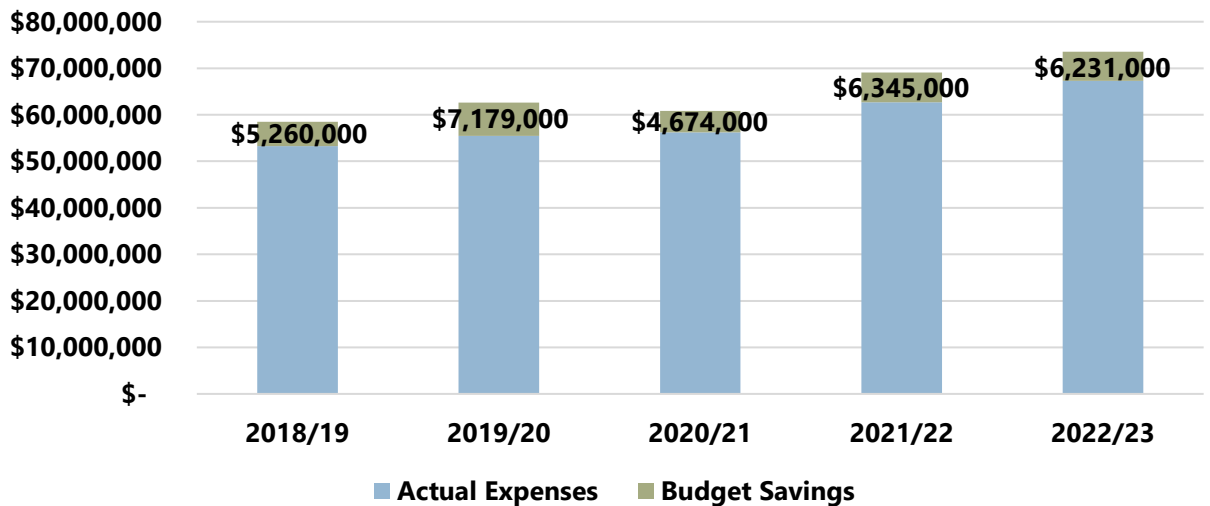
Pursuant to City Council policy, half of the remaining surplus (\$485,000) will be used to reduce unfunded pension obligations via a lump sum payment, while the other half will be transferred to the Budget Stabilization Fund. The Budget Stabilization Fund is used to offset rising pension and retiree medical costs in the intermediate-term, and has provided a source for additional pension pay down payments.



### GENERAL FUND EXPENDITURE SAVINGS

Historically, the City has seen significant expenditure savings when comparing final results to the budget. This helps reduce or eliminate the need to transfer in funds from the Budget Stabilization Fund. Last year we saved about \$6.2 million compared to the budget. This represents an 8.5% savings in our budget, a slight decline from the four-year average of 9.3% budgetary savings. Vacant positions throughout the year were responsible for a large portion of this savings.

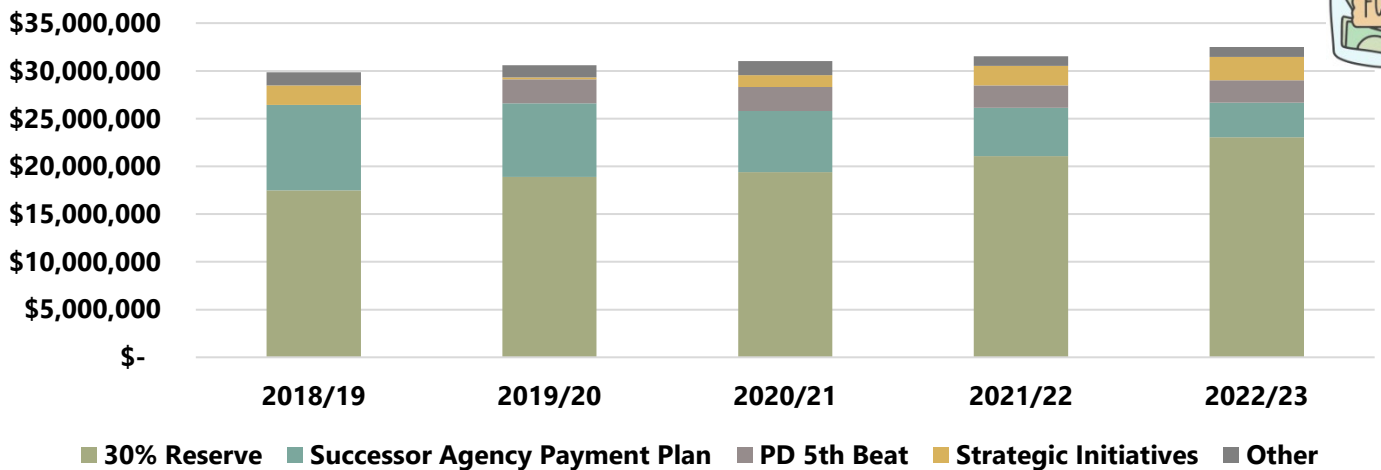
### General Fund Budget Expenditure Savings



### GENERAL FUND RESERVES

Persuant to City Council Policy, the General Fund maintains a 30% reserve. In addition, we have reserves for other future expenses and projects. Reserve amounts include funds set aside to fund the first two years of the Police Department 5<sup>th</sup> beat and ongoing Strategic Initiatives.

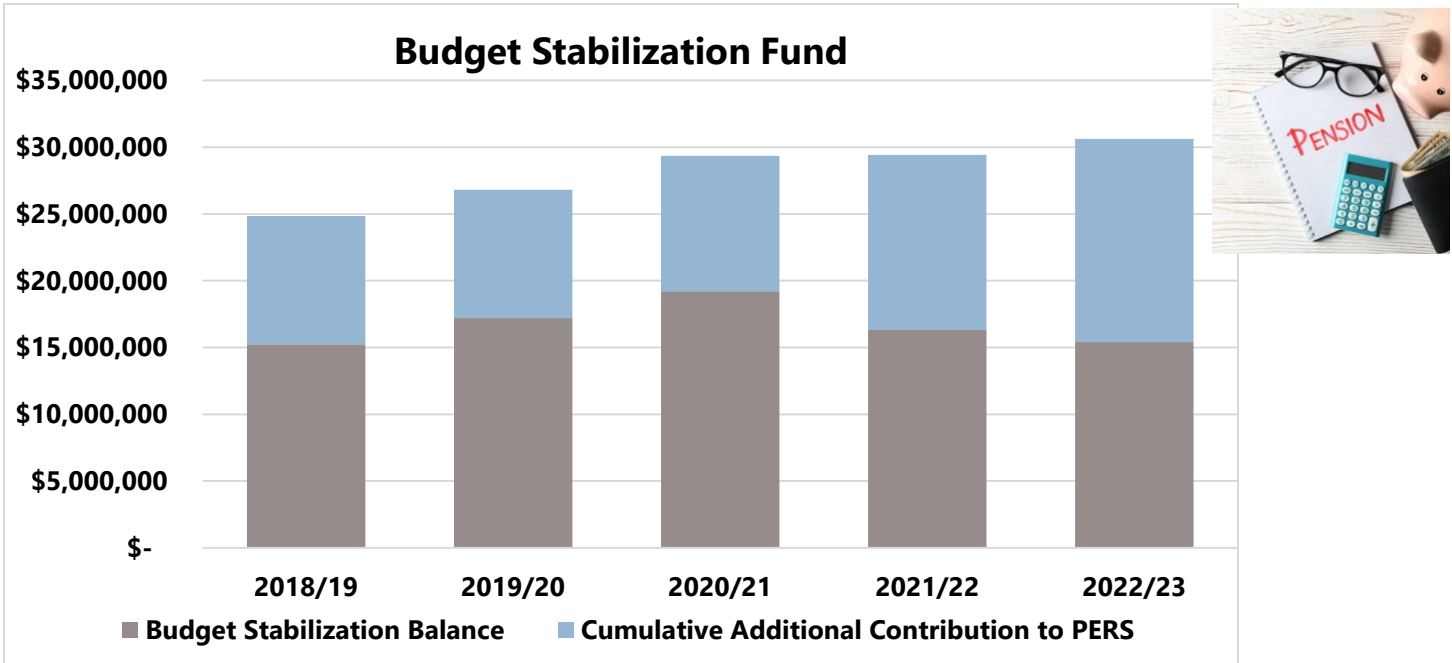
### General Fund Reserve Balance



# CITY OF BRENTWOOD FISCAL YEAR 2022/23 FINANCIAL SNAPSHOT

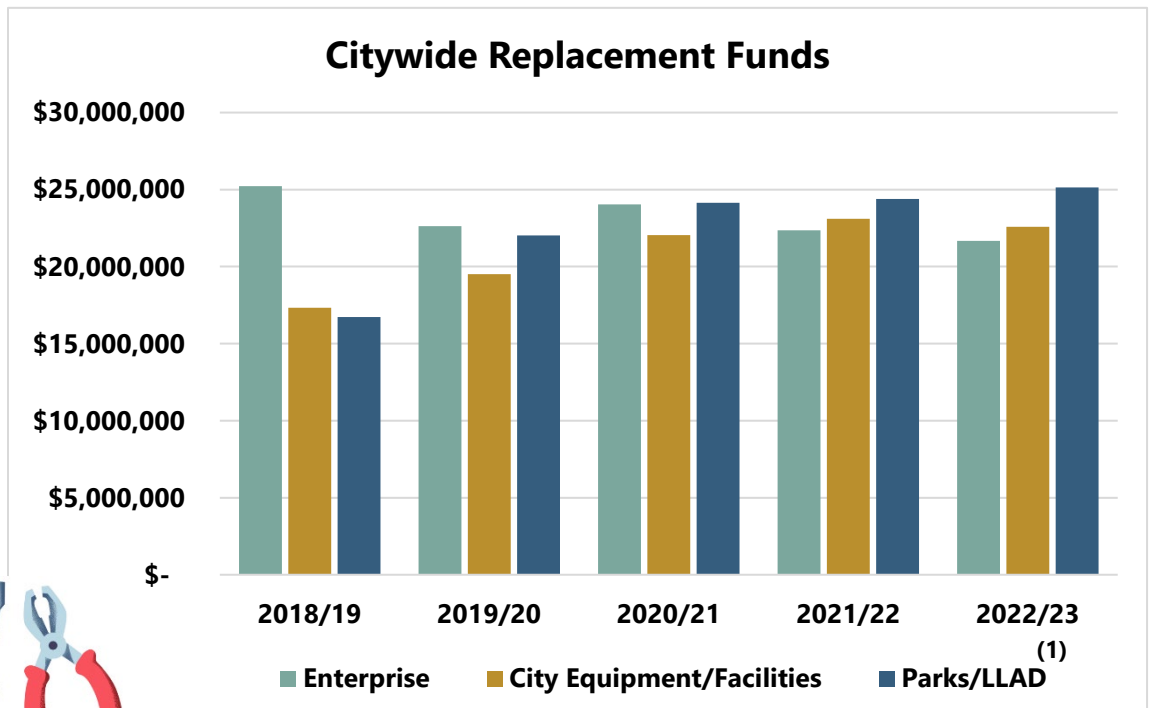
## BUDGET STABILIZATION FUND

Since 2018, a total of \$15.2 million in pension paydown prepayments have been made from the Budget Stabilization Fund to CalPERS. These payments will save the General Fund approximately \$30 million in future pension costs. An additional prepayment is planned for FY 2023/24. The current balance of the Budget Stabilization Fund is approximately \$15.3 million, equivalent to about 20% of General Fund expenditures.



## CITYWIDE REPLACEMENT FUNDS

The City sets aside funds for future asset replacement needs for things like city facilities, park playgrounds, and water pipes. At the end of FY 2022/23 we had \$69.9 million set-aside for asset replacement. Enterprise replacement funds have been used over the past several years to fund several significant water and wastewater replacement capital projects.



(1) LLAD - Landscape and Lighting Assessment District

***Enterprise Funds***

The pandemic had a negative fiscal impact on the City’s Enterprise (Water, Wastewater and Solid Waste) funds as the City’s collection efforts of past-due accounts were limited by State Law. Efforts of Utility Billing staff to secure direct State funding and grants for our residents have largely mitigated the losses. We are, however, seeing large cost increases from more stringent state requirements. Moving forward our Enterprise funds remain financially solid and capable of providing reliable water, solid waste and wastewater services to our residents.

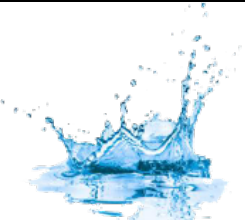


***ENTERPRISE RESERVES***

We have a 30% cash reserve goal for the Enterprise Funds. The following table shows the status of each fund at 2022/23 fiscal year-end.



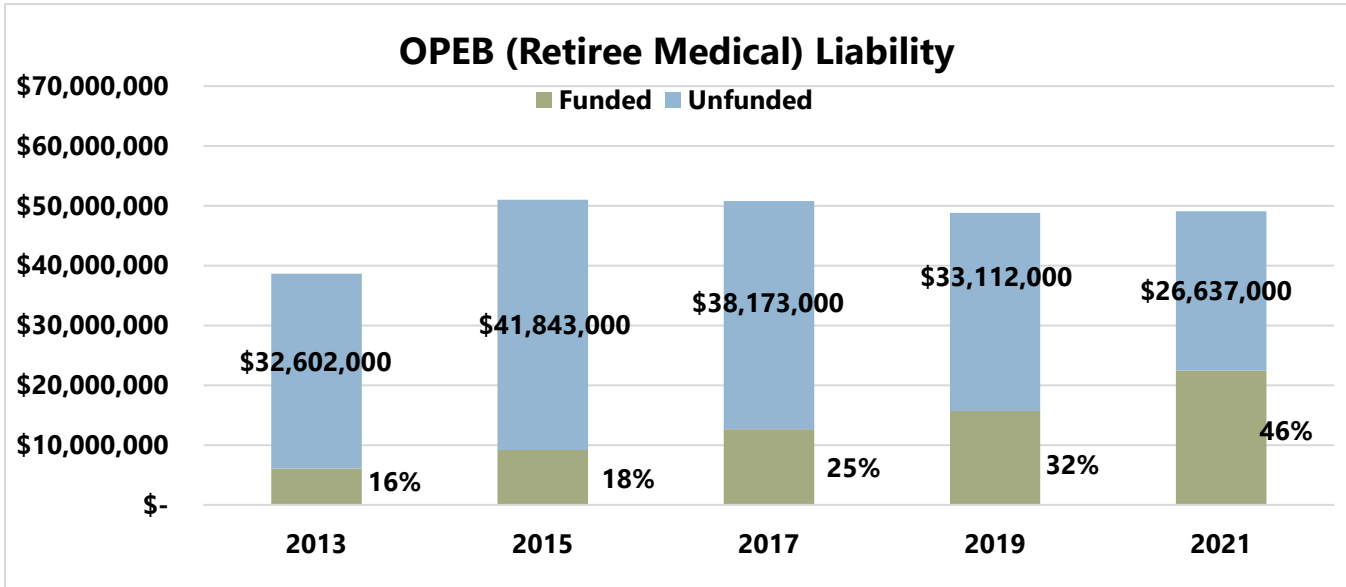
<b>Enterprise Fund</b>	<b>30% Reserve Met?</b>
Solid Waste	Yes
Water	Yes
Wastewater	Yes





### OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The funding percentage for retiree medical benefits continues to improve. In 2011 the City's OPEB Trust was only 1% funded! We estimate our funded percentage will be approximately 50% when the next actuarial report is released in the fall of 2023.



### PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)

The City's pension funding percentage of 80% is well above the statewide average of 72% due in large part to extra contributions made over the past several years. While the most recent actuarial report is as of June 30, 2022, we estimate the June 2023 funded percentage will remain near 80% when CalPERS releases their valuation report in summer 2024.

