

# City of Avalon

Fiscal Year 2022-2023 Budget Discussion

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APRIL 19, 2022

# Overview

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- City should operate under a structurally balanced budget.
- Revenue estimates should be conservative to ensure adequate funding.
- City should be transparent concerning its forecasting approach and underlying assumptions.
- New recurring revenue sources should be dedicated as follows:
  1. Fixed cost increases (e.g. contract escalators, negotiated benefit increases, etc.)
  2. Replenishing reserves to established targets
  3. Funding significant long-term liabilities
  4. Replenishing internal service funds for vehicle replacement and deferred maintenance
  5. Other discretionary expenditures
- Estimates will continue to be updated throughout the development of the budget.

# General Fund Revenues

	FY19 Actual	FY20 Actual	FY21 Actual	FY22 YTD	FY22 Est. Low	FY22 Est. High
TOT – Hotels	3,904,449	3,263,477	4,302,876	3,843,630	5,163,130	5,668,630
TOT – Vacation Rentals	1,488,739	1,237,150	1,717,170	1,639,370	2,036,370	2,364,370
Sales Tax (City)	911,966	839,099	892,133	758,822	912,000	1,149,981
Sales Tax (Hospital)	642,796	588,840	483,422	409,280	456,000	574,991
Admission Tax	645,673	466,505	549,551	562,365	650,000	828,965
Property Tax	2,250,984	1,466,735	1,769,294	904,078	1,500,000	1,773,031
Other Taxes	213,427	230,131	334,126	140,540	215,000	269,670
Licenses, Permits, and Fees	488,732	547,566	505,968	480,343	490,000	555,494
Charges for Services	551,014	525,712	464,752	386,103	465,000	561,594
Other Revenues	365,884	370,990	301,910	238,959	1,185,308	1,185,308
<b>Total</b>	<b>\$ 11,463,663</b>	<b>\$ 9,536,205</b>	<b>\$ 11,321,200</b>	<b>\$ 9,363,490</b>	<b>\$ 13,072,808</b>	<b>\$ 14,932,034</b>

# Transient Occupancy Tax

Combined	FY19 Actual	FY20 Actual	FY21 Actual	FY22 Budget	FY22 Est. Low	FY22 Est. High
July 2021	896,731	922,228	653,950	860,000	1,328,769	1,328,769
August 2021	811,148	892,324	843,949	780,000	1,233,358	1,233,358
September 2021	591,808	614,448	726,057	570,000	891,078	891,078
October 2021	483,149	534,134	605,663	465,000	774,074	774,074
November 2021	302,564	323,092	303,535	285,000	468,056	468,056
December 2021	220,063	226,652	70,872	200,000	301,154	301,154
January 2022	178,181	185,434	69,404	170,000	240,034	240,034
February 2022	175,556	245,205	137,594	170,000	212,977	212,977
March 2022	323,140	101,779	348,900	310,000	325,000	350,000
April 2022	393,631	4,513	554,539	375,000	395,000	553,500
May 2022	426,202	13,176	707,213	405,000	430,000	700,000
June 2022	599,714	236,072	983,110	560,000	600,000	980,000
<b>Total</b>	<b>\$ 5,401,887</b>	<b>\$ 4,299,096</b>	<b>\$ 6,004,785</b>	<b>\$ 5,150,000</b>	<b>\$ 7,199,500</b>	<b>\$ 8,033,000</b>

# General Fund Reserves

	FY22 Budget	FY22 Low
<b>Beginning Fund Balance</b>	<b>\$ 5,005,815</b>	<b>\$ 6,787,313</b>
Operating Revenues	9,887,301	12,126,507
Non-recurring Revenues	935,545	946,301
Operating Expenditures	(8,340,734)	(8,817,624)
Internal Service Expenditures	(1,537,520)	(1,537,520)
<b>Net Operating Revenue (Loss)</b>	<b>944,592</b>	<b>2,717,664</b>
Grants	953,216	953,216
Capital Projects	(1,537,669)	(1,537,669)
Transfers (Net)	(285,500)	(285,500)
<b>Net Change in Fund Balance</b>	<b>74,639</b>	<b>1,847,711</b>
<b>Ending Balance</b>	<b>\$ 5,080,454</b>	<b>\$ 8,635,024</b>

- Difference in beginning balance primarily attributable to visitor-driven revenues in May and June exceeding estimates
  - E.g. TOT estimated at 70% of pre-COVID revenues but May-June actuals were 165% of pre-COVID revenues
- Increase in CY revenue also primarily attributable to TOT and other visitor-driven revenues exceeding budget estimates.
- Increase in CY expenditures attributable to pass-thru to Chamber and Hospital
- Expenditures based on budgeted amounts including capital projects.

# General Fund Reserves

	FY22 Budget	FY22 High
<b>Beginning Fund Balance</b>	<b>\$ 5,005,815</b>	<b>\$ 6,787,313</b>
Operating Revenues	9,887,301	13,985,733
Non-recurring Revenues	935,545	946,301
Operating Expenditures	(8,340,734)	(9,119,985)
Internal Service Expenditures	(1,537,520)	(1,537,520)
<b>Net Operating Revenue (Loss)</b>	<b>944,592</b>	<b>4,274,529</b>
Grants	953,216	953,216
Capital Projects	(1,537,669)	(1,537,669)
Transfers (Net)	(285,500)	(285,500)
<b>Net Change in Fund Balance</b>	<b>74,639</b>	<b>3,404,576</b>
<b>Ending Balance</b>	<b>\$ 5,080,454</b>	<b>\$ 10,191,889</b>

- Difference in beginning balance primarily attributable to visitor-driven revenues in May and June exceeding estimates
  - E.g. TOT estimated at 70% of pre-COVID revenues but May-June actuals were 165% of pre-COVID revenues
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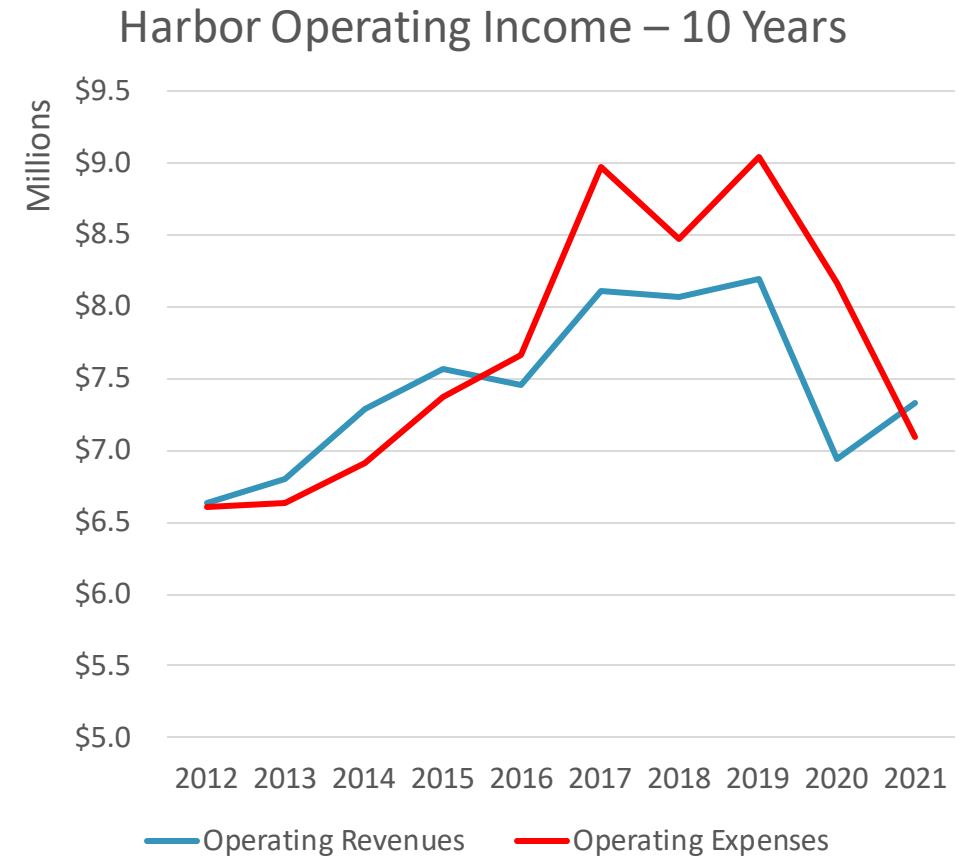
# General Fund Reserves

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- General Fund reserves are projected exceed reserve targets; however:
  - City operating at reduced staffing level with pandemic-related reductions to benefits in effect
  - City historically has not fully funded vehicle replacement costs and OPEB liabilities
  - City has significant capital / infrastructure needs requiring additional funding beyond current grant sources
  - Other enterprise funds may require loans or subsidies from the General Fund to meet infrastructure needs and/or mitigate increases to charges for service

# Harbor Operating Fund – Historical Activity

Fund 103 (Fiscal Year 2018-19)	Budget	Actual
Cross Channel Wharfage	\$2,505,000	\$2,438,689
Nightly Moorings	1,650,000	1,679,914
Other Harbor Revenues	2,471,683	2,240,852
<b>Revenue Total</b>	<b>\$6,626,683</b>	<b>\$6,359,456</b>
Salaries and Benefits	(3,447,033)	(3,377,979)
Maintenance and Operations	(594,200)	(605,937)
Contract Services	(1,513,090)	(1,534,850)
State DBAW Loan	(112,022)	(112,022)
Internal Service Allocations	(959,824)	(1,008,408)
<b>Expenditure Total</b>	<b>\$6,626,169</b>	<b>\$6,639,196</b>
<b>Gain (Loss) on Reserves</b>	<b>\$514</b>	<b>(\$279,740)</b>





# Harbor Fund Operating Revenues

Fund 103	FY19 Actual	FY20 Actual	FY21 Actual	FY22 YTD	FY22 Est.
Cross Channel Wharfage	2,438,689	1,813,096	1,966,741	1,680,069	2,560,069
Nightly Moorings	1,679,914	1,498,292	1,892,950	1,500,137	1,975,137
Cruise Ship Wharfage	603,573	611,410	-	150,310	554,144
Pier and Tideland Rentals	586,769	452,188	538,954	474,073	649,073
Harbor Use Fees	389,855	278,177	390,399	265,725	425,725
Admission Tax	142,963	108,874	191,885	127,289	215,289
Annual Mooring Permits	247,484	259,725	268,368	364,874	280,000
Transfer Fees	232,955	155,575	376,069	252,527	252,527
Other Revenues	26,582	13,128	6,760	12,600	13,873
<b>Total Operating Revenues</b>	<b>\$ 6,348,783</b>	<b>\$ 5,966,465</b>	<b>\$ 5,632,126</b>	<b>\$ 4,827,603</b>	<b>\$ 6,925,836</b>

# Harbor Operating Fund Reserves

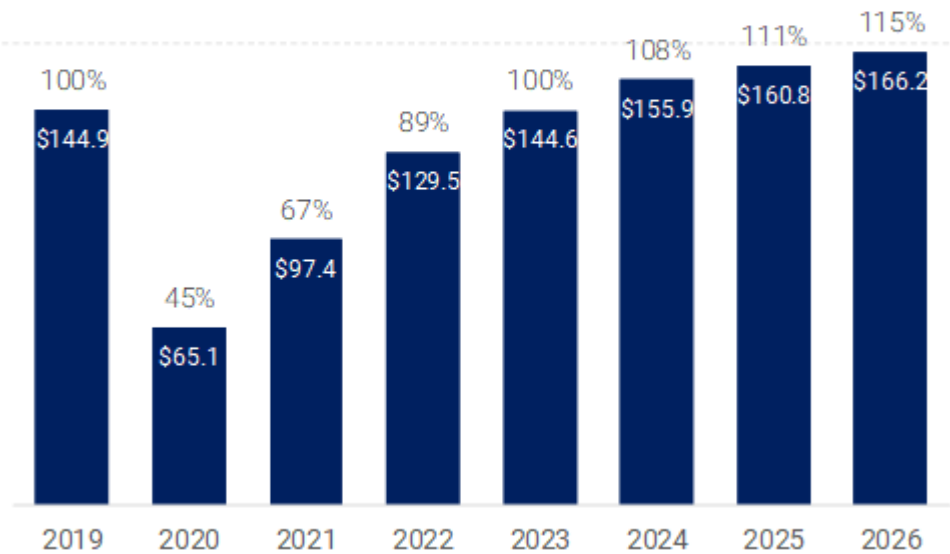
Fund 103	FY22 Budget	FY22 Estimate
<b>Beginning Working Capital</b>	\$ (472)	\$ (477,114)
Operating Revenues	6,051,144	6,925,836
Operating Expenditures	(4,844,916)	(4,844,916)
Internal Service Expenditures	(1,205,477)	(1,205,477)
<b>Net Operating Revenue (Loss)</b>	<b>751</b>	<b>875,443</b>
<b>Ending Working Capital</b>	\$ <b>279</b>	\$ <b>398,329</b>

- FY22 Budget anticipated a required transfer or loan rather than short-term borrowing from General Fund impacting the beginning Working Capital amount.
- Six month working capital target would be approximately \$3 million.

# FY23 Revenue Outlook

**Total visitor spending in California**  
(\$ billions)

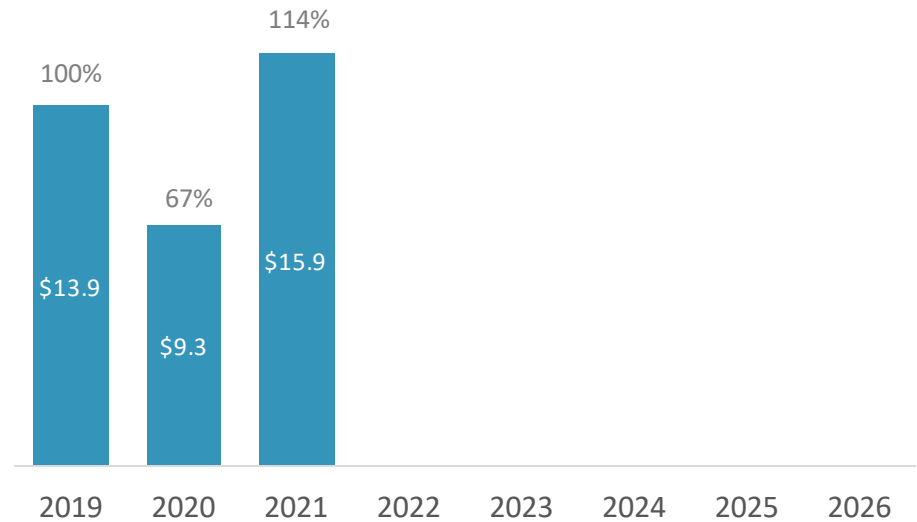
*Percent value relative to 2019*



Source: Dean Runyan; Tourism Economics

**Visitor-driven revenues in Avalon**  
(\$ millions)

*Percent value relative to 2019*



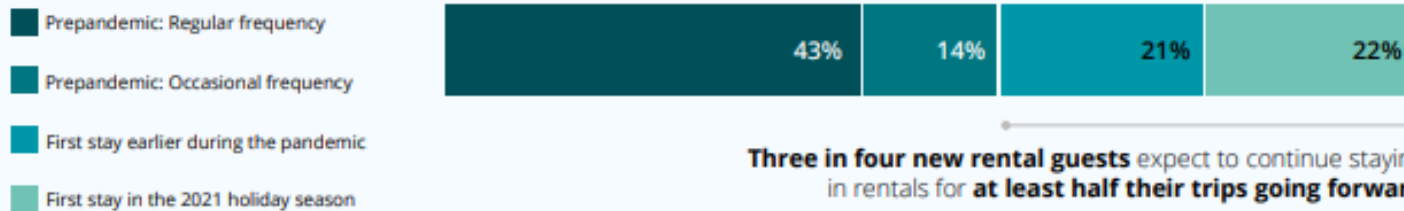
Source: Visitor-Driven Revenue Report – December 2021

# FY23 Revenue Outlook

**Figure 3. Private rental adoption has surged, and many say they will continue using this lodging type**

In summer 2021, **28% of rental travelers stayed at one for the first time during the pandemic**. By the holiday season, the number rose to **43% of rental customers** choosing a private rental for the first time during the pandemic.

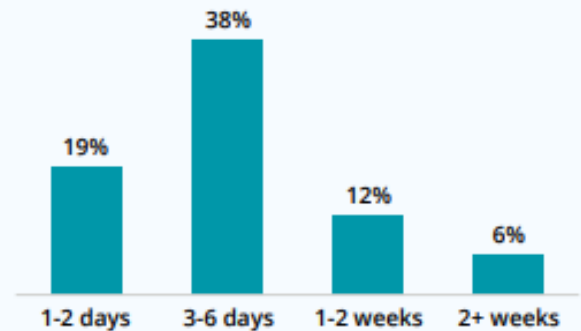
How often do you stay at private rentals?



**Three in four new rental guests** expect to continue staying in rentals for **at least half their trips going forward**

**More than half** of these laptop luggers added three or more days to the duration of their longest **leisure trip due to remote working**

Trips extended by...



# General Fund Revenues

	FY19 Actual	FY20 Actual	FY21 Actual	FY22 YTD	FY22 Est.	FY23 Budget	% Change
TOT – Hotels	3,904,449	3,263,477	4,302,876	3,843,630	5,668,630	4,000,000	-29.4%
TOT – Vacation Rentals	1,488,739	1,237,150	1,717,170	1,639,370	2,364,370	1,700,000	-28.1%
Sales Tax (City)	911,966	839,099	892,133	758,822	1,149,981	1,197,822	+4.2%
Sales Tax (Hospital)	642,796	588,840	483,422	409,280	574,991	598,911	+4.2%
Admission Tax	645,673	466,505	549,551	562,365	828,965	650,000	-21.6%
Property Tax	2,250,984	1,466,735	1,769,294	904,078	1,773,031	1,498,107	-15.5%
Other Taxes	213,427	230,131	334,126	140,540	269,670	271,000	0.5%
Licenses, Permits, and Fees	488,732	547,566	505,968	480,343	555,494	454,100	-18.3%
Charges for Services	551,014	525,712	464,752	386,103	561,594	513,500	-8.6%
Other Revenues	365,884	370,990	301,910	238,959	1,119,007	660,774	-44.3%
<b>Total</b>	<b>\$11,463,663</b>	<b>\$9,536,205</b>	<b>\$11,321,200</b>	<b>\$9,363,490</b>	<b>\$14,865,733</b>	<b>\$11,544,184</b>	<b>-22.7%</b>

# Harbor Fund Operating Revenues

Fund 103	FY19 Actual	FY20 Actual	FY21 Actual	FY22 YTD	FY22 Est.	FY23 Budget	% Change
Cross Channel Wharfage	2,438,689	1,813,096	1,966,741	1,680,069	2,560,069	2,350,000	-8.2%
Nightly Moorings	1,679,914	1,498,292	1,892,950	1,500,137	1,975,137	1,875,000	-5.1%
Cruise Ship Wharfage	603,573	611,410	-	150,310	554,144	1,025,470	85.1%
Pier and Tideland Rentals	586,769	452,188	538,954	474,073	649,073	600,000	-7.6%
Harbor Use Fees	389,855	278,177	390,399	265,725	425,725	390,000	-8.4%
Admission Tax	142,963	108,874	191,885	127,289	215,289	190,000	-11.7%
Annual Mooring Permits	247,484	259,725	268,368	364,874	280,000	288,500	3.0%
Transfer Fees	232,955	155,575	376,069	252,527	252,527	100,000	-60.4%
Other Revenues	26,582	13,128	6,760	12,600	13,873	5,000	-64.0%
<b>Total Operating Revenues</b>	<b>\$ 6,348,783</b>	<b>\$ 5,966,465</b>	<b>\$ 5,632,126</b>	<b>\$ 4,827,603</b>	<b>\$ 6,925,836</b>	<b>\$ 6,823,970</b>	<b>-1.5%</b>

# Cruise Ship Wharfage

Combined	# Scheduled	Capacity	Occupancy (60%)	Rate	FY23 Budget	FY19 Arrivals	FY19 Visitors
July 2022	8	24,600	14,760	\$ 5.00	73,800	10	26,709
August 2022	10	30,750	18,450	\$ 5.00	92,250	9	21,679
September 2022	9	17,812	10,685	\$ 5.00	53,425	9	19,150
October 2022	14	34,978	20,988	\$ 5.00	104,640	15	29,820
November 2022	14	33,745	20,247	\$ 5.00	101,235	6	14,706
December 2022	10	28,260	16,956	\$ 5.00	84,780	12	23,533
January 2023	9	23,119	13,871	\$ 5.00	69,355	9	20,142
February 2023	10	28,155	16,893	\$ 5.00	84,465	9	19,381
March 2023	14	37,746	22,648	\$ 5.00	113,240	9	21,809
April 2023	10	27,410	16,446	\$ 5.00	82,230	10	26,303
May 2023	10	30,750	18,450	\$ 5.00	92,250	7	17,070
June 2023	8	24,600	14,760	\$ 5.00	73,800	8	22,045
<b>Total</b>	<b>126</b>	<b>341,925</b>	<b>205,154</b>	<b>\$ 5.00</b>	<b>\$ 1,025,470</b>	<b>113</b>	<b>262,347</b>