



SECOND QUARTER FINANCIAL REPORT

Fiscal Year 2018-19

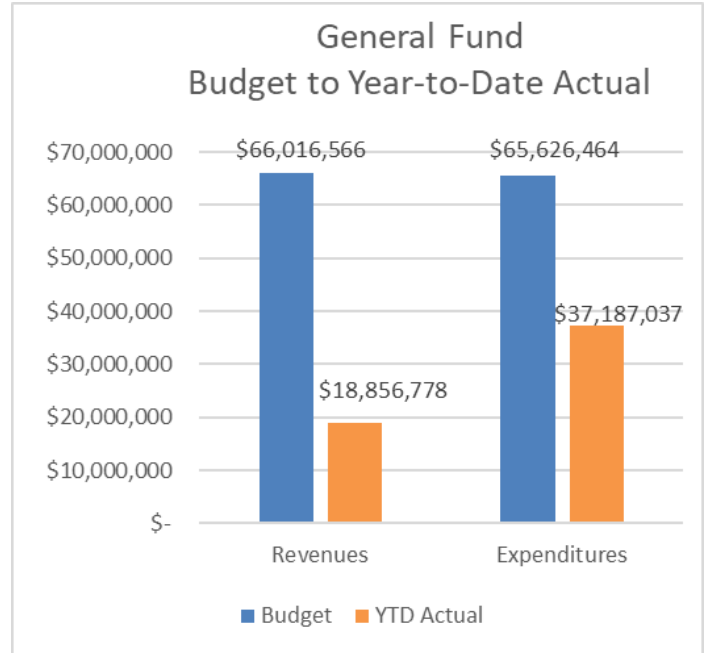
The City has completed the second quarter of Fiscal Year 2018-19. This report summarizes the overall financial performance of the City for the period of July 1, 2018 through December 31, 2018, but it is not meant to be inclusive of all finance and accounting transactions. While the focus of the report is the General Fund, summary financial information is also provided for the Enterprise Fund and Special Revenue Funds. The information presented is unaudited. This report is intended only to provide the City Council and the public with an overview of the City's general fiscal condition.

The revenue and expenditure budgets per the Budget to Actual comparisons include adjustments for carryovers and any appropriations made as of December 31, 2018. The information presented reports revenues as they are received and expenditures when paid. Revenues and expenditures are only accrued at year end to account for such activity in the correct fiscal year.

GENERAL FUND

The General Fund is the general operating fund for the City. It provides the resources to sustain the day-to-day activities and services to the community. All nine departments receive support, either directly or indirectly, from the General Fund.

The General Fund budget for FY 2018-19 as of December 31, 2018 is \$66,016,566 for revenues and \$65,626,464 for expenditures. With 50% of the year complete, General Fund revenues are at 28.6% of budget and expenditures are at 49.4% excluding the prepayment of the PERS Unfunded Accrued Liability (UAL).



GENERAL FUND REVENUES	BUDGET	YTD ACTUAL	%
Property Tax	\$ 25,056,583	\$ 4,698,174	18.8%
Sales Tax	16,525,000	4,997,184	30.2%
Other Taxes	9,341,850	2,280,993	24.4%
Licenses & Permits	1,498,413	618,836	41.3%
Fines & Forfeitures	710,000	456,435	64.3%
Interest & Rents	915,284	531,342	58.1%
Revenue from other Agencies	2,302,000	1,765,599	76.7%
Charges for Services	7,201,398	3,191,189	44.3%
Other Revenues	291,852	111,830	38.3%
Transfers In	2,174,186	205,196	9.4%
TOTAL	\$ 66,016,566	\$ 18,856,778	28.6%

The City's two major General Fund revenue sources are Property Tax and Sales Tax which make up over 63% of the General Fund revenues.

- Property Tax:** The first major apportionment distribution to the City for FY 2018-19 occurred in December 2018. Also, the revenues received in July and August are for prior year and accrued as such. Included in this line item are Property Taxes in-Lieu of Vehicle License Fees (VLF) and residual payments from the dissolution of the former redevelopment agency.
- Sales Tax:** The City received the first monthly allocation for sales tax in September 2018. As of December 2018, the allocation received represents approximately 30% of the total sales tax allocation for the year. The City will continue to receive sales tax allocations with the final quarter allocation distributed by the California State Department of Taxes and Fees Administration, CDTFA, in November 2019. Sales Tax growth is projected to remain flat for the fiscal year.
- Other Taxes:** Includes Franchise Fees, Business License Tax, Transient Occupancy Tax, and Property Transfer Tax.
- License & Permits:** Revenues include building and engineering permits, and animal licenses. The main decrease in License & Permits revised revenues was due to a decrease in projected revenue for Animal Services of \$190,000. This revenue decrease has an off-setting expenditure reduction of the same amount for Animal control services in the Community Services Department. Revenue and expenditure activity is lower than originally projected.
- Revenues from other Agencies:** Includes Vehicle in-Lieu, State Mandated reimbursement revenue, and the exchange of Prop A funds, which are the largest revenue source in this category. The Prop A exchange was received during the first quarter.
- Charges for Services:** Revenues include plan check and zoning related fees, recreation fees, interfund charges, and police and fire fees. Included in the budget were new fire fees. Fire fees represent the largest component of this category at 44%. These fees were recommended for approval as part of the FY 2018-19 Fee Schedule. Fire Inspection Fees were not approved and resulted in a reduction of projected revenues of \$161,000. The approval of the Fee Schedule was delayed and approved late October. This resulted in an additional projected reduction in revenues of approximately \$324,600 due to the late implementation of other fire fees. Another reduction to projected charges for services revenues was for false alarm fees, the reduction of \$100,000 projected revenues is due to the delay in approval of the billing contract which in turn delayed the implementation of such program. The remaining balance of \$37,098 is comprised of various smaller amounts.

Revenue projections were revised based on revenue trends, and activity to date. The following revised revenue projections reflect a total reduction in estimated revenues of \$369,234.

GENERAL FUND REVENUES	BUDGET	ADJUSTMENT	REVISED PROJECTIONS
Property Tax	\$ 25,056,583	\$ 643,417	\$ 25,700,000
Sales Tax	16,525,000	375,000	16,900,000
Other Taxes	9,341,850	(185,850)	9,156,000
Licenses & Permits	1,498,413	(205,113)	1,293,300
Fines & Forfeitures	710,000	70,000	780,000
Interest & Rents	915,284	(243,384)	671,900
Revenue from other Agencies	2,302,000	(84,700)	2,217,300
Charges for Services	7,201,398	(622,698)	6,578,700
Other Revenues	291,852	(115,920)	175,932
Transfers In	2,174,186	14	2,174,200
TOTAL	\$ 66,016,566	\$ (369,234)	\$ 65,647,332

GENERAL FUND EXPENDITURES	BUDGET	YTD ACTUAL	%
Administration	\$ 1,407,638	\$ 694,469	49.3%
City Clerk	487,615	105,343	21.6%
Finance	3,056,195	1,388,875	45.4%
Human Resources	670,006	272,926	40.7%
Planning	521,530	260,754	50.0%
Police	26,387,200	12,979,674	49.2%
Fire	16,138,156	8,693,187	53.9%
Public Works	3,746,952	1,769,042	47.2%
Community Services	2,521,314	1,016,568	40.3%
Transfers Out/Debt Service	1,997,968	954,931	47.8%
TOTAL (Excluding PERS UAL)	\$56,934,574	\$28,135,769	49.4%
PERS (UAL)	8,691,890	9,051,268	104.1%
TOTAL	\$65,626,464	\$37,187,037	56.7%

As of December 31, 2018, with 50% of the year complete, \$37.2 million or 56.7% of the General Fund budget has been expensed. The expenditures are higher than 50% due to the July prepayment of CalPERS Unfunded Accrued Liability which is approximately 14% of the total annual General Fund Budget. Excluding the PERS UAL prepayment, General Fund expenditures are at 49.4% of budget for the second quarter.

Overtime expenditures should be 46% of budget based on the number of payrolls for the second quarter of the year. The Police Department is trending to be within its overtime budget at slightly below 45%. The Fire Department overtime expenditures are over budget. This is due to the filling of vacancies with overtime, mainly for Fire Engine 4. The delay in closing Fire Engine 4 caused the Fire Department to incur more overtime in the first quarter. Also, overtime incurred for Strike Team in response to mutual aid increased Fire Department overtime expenditures. Such expenditures are reimbursed by the State and result in an increase of expenditures as well as offsetting revenues. Although the Fire Department overtime expenditure is expected to exceed budget for the fiscal year, total department personnel costs are not projected to exceed the personnel budget. This is mainly because of salary savings from vacant positions.

At the end of the second quarter, eight of the General Fund departments expenditures are at or below 50% of budget, excluding the PERS UAL prepayment. The Fire Department expense is at 53.9% of budget (excluding PERS UAL), mainly due to the delayed restructuring of the Fire Department. The General Fund budget for FY 2018-19 is \$66,016,566 for revenues and \$65,626,464 for expenditures. This reflects a budget with a surplus. However, after adjusting revenues to the revised projections of \$65,647,332 and taking into account budget amendments for a revised expenditures budget of \$68,711,384 the revised General Fund budget is projected to have a shortfall of \$3,064,052.

GENERAL FUND EXPENDITURES	BUDGET	APPROVED BA	AMENDED BUDGET	REQUESTED BA	AMENDED BUDGET
Administration	\$ 1,526,122		\$ 1,526,122	\$ 518,000	\$ 2,044,122
City Clerk	520,155		520,155	53,000	573,155
Finance	3,271,956		3,271,956	100,000	3,371,956
Human Resources	730,500		730,500	90,000	820,500
Planning	605,732		605,732		605,732
Police	31,025,478		31,025,478		31,025,478
Fire	19,397,234		19,397,234		19,397,234
Public Works	3,945,758	74,500	4,020,258		4,020,258
Community Services	2,605,561		2,605,561	(190,000)	2,415,561
Debt Service	1,997,968		1,997,968		1,997,968
Transfers Out	-	2,439,420	2,439,420		2,439,420
TOTAL	\$65,626,464	\$2,513,920	\$68,140,384	\$571,000	\$68,711,384

The approved budget amendments of \$2,513,920 were three (3) separate budget amendments approved by City Council. On February 5, 2019, Resolution No. 2019-10 approved a budget amendment of \$1,726,663 for General Liability Insurance for unanticipated claims against the City, and an amendment of \$366,619 for unanticipated expenses related to fleet maintenance, landscape maintenance and utilities. On March 5, 2019, Resolution No. 2019-12 approved a \$420,638 budget amendment for a fire station pre-alerting system.

The requested budget amendments of \$571,000 are as follows: 1) \$518,000 increase for the Administration Department (\$200,000 for legal fees, and \$318,000 increase in Salaries and Benefits for increased cost of the City Manager's separation agreement), 2) \$53,000 for City Clerk's Election costs increase due to LA County under-projecting expenses, 3) \$100,000 for Finance Department's professional services for consulting fees to fill various vacancies, 4) \$90,000

increase for Human Resources professional services for Interim Director, 5) a \$190,000 decrease to service contracts for animal services (an off-set of the same amount as animal service revenues).

ENTERPRISE FUND

The following table summarizes the revenues and expenditures for the City's Enterprise Fund:

ENTERPRISE FUND REVENUES	BUDGET	YTD ACTUAL	%
Police Computer Service Fund	\$ 1,296,400	\$ 1,141,725	88.1%

ENTERPRISE FUND EXPENDITURES	BUDGET	YTD ACTUAL	%
Police Computer Service Fund	\$ 1,816,757	\$ 719,512	39.6%

The Police Department's Computer Service Group revenues and expenditures are trending to be within budget. Originally the West Covina Service Group was budgeted at a deficit for FY 2018-19, the Police Department is taking actions to balance their budget saving approximately \$500,000.

OTHER FUNDS

Special Revenue Funds are restricted in their use for specified purposes. Budget versus actual comparisons for both revenue and expenditures for Special Revenue Funds are presented below:

SPECIAL REVENUE FUNDS REVENUES	BUDGET	YTD ACTUAL	%
Assessment Districts	\$ 3,912,692	\$ 1,674,262	42.8%
Sewer Maintenance	3,595,003	1,463,041	40.7%
Gas Tax	2,329,700	1,564,852	67.2%
Prop A	2,213,862	1,065,903	48.1%
Prop C	1,750,353	950,358	54.3%
Measure R	1,312,792	695,986	53.0%
Measure M	1,487,800	774,428	52.1%
Housing Authority	-	92,684	0.0%
CDBG	846,361	89,864	10.6%
Grants	2,517,881	475,273	18.9%
Other Special Revenues	2,571,597	683,624	26.6%
TOTAL	\$22,538,041	\$ 9,530,275	42.3%

SPECIAL REVENUE FUNDS EXPENDITURES	BUDGET	YTD ACTUAL	%
Assessment Districts	\$ 4,592,819	\$ 1,627,990	35.4%
Sewer Maintenance	5,182,807	963,084	18.6%
Gas Tax	2,168,331	924,479	42.6%
Prop A	2,234,723	2,234,354	100.0%
Prop C	2,826,951	604,346	21.4%
Measure R	3,308,116	865,492	26.2%
Measure M	2,736,275	46,143	1.7%
Housing Authority	1,036,114	296,972	28.7%
CDBG	1,481,899	580,441	39.2%
Grants	2,308,725	399,206	17.3%
Other Special Revenues	3,018,510	773,164	25.6%
TOTAL	\$30,895,270	\$ 9,315,671	30.2%

FOR MORE INFORMATION

This summary report is derived from detailed financial information generated by the City's Finance Department. Additional financial information is available online at www.westcovina.org.