



SECOND QUARTER FINANCIAL REPORT

Fiscal Year 2020-21

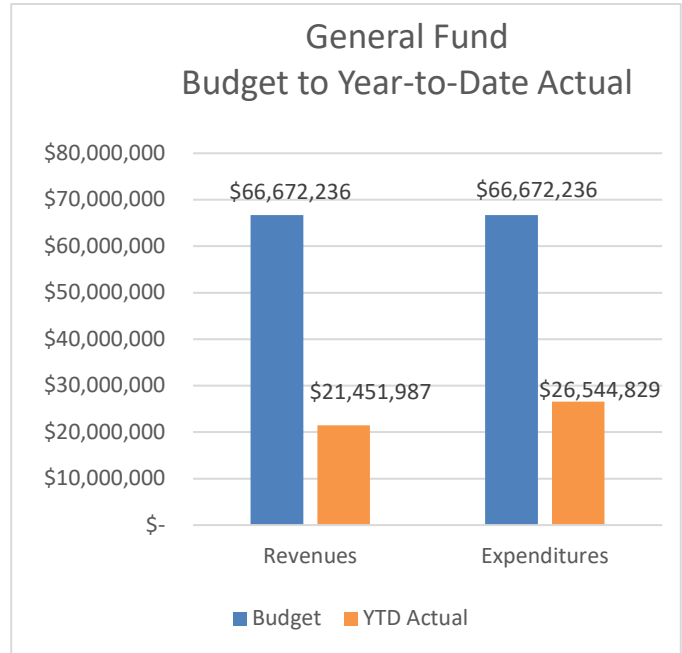
The City has completed the second quarter of Fiscal Year 2020-21. This report summarizes the overall financial performance of the City for the period of July 1, 2020 through December 31, 2020, but it is not meant to be inclusive of all finance and accounting transactions. While the focus of the report 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, 2020. 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 original budget for FY 20-21 was \$66,672,236 for revenues and expenditures excluding the payment to CalPERS for the Unfunded Accrued Liability in the amount of \$185,582,240 as a result of issuing the Pension Obligation Bonds in July. All General Fund Budget Amendments during the fiscal year have been offset with the annual Unfunded Liability payment that was budgeted in the amount of \$11,870,931 to keep the General Fund in balance during the current fiscal year. With 50% of the year complete, General Fund revenues are at 32.2% of budget and expenditures are at 40.0% excluding the budget of the PERS Unfunded Accrued Liability (UAL).



GENERAL FUND REVENUES	ORIGINAL BUDGET	YTD ACTUAL	%
Property Tax	\$ 27,386,200	\$ 5,115,696	18.7%
Sales Tax	15,900,000	5,754,067	36.2%
Other Taxes	8,800,700	1,974,325	22.4%
Licenses & Permits	1,636,550	1,026,936	62.8%
Fines & Forfeitures	588,000	433,013	73.6%
Interest & Rents	1,111,054	625,281	56.3%
Revenue from other Agencies	2,255,000	2,726,563	120.9%
Charges for Services	7,052,139	2,111,772	29.9%
Other Revenues	412,500	51,003	12.4%
Transfers In	1,530,093	1,633,331	106.7%
TOTAL	\$ 66,672,236	\$ 21,451,987	32.2%

The City's two major General Fund revenue sources are Property Tax and Sales Tax which make up over 65% of the General Fund revenues.

- Property Tax:** The first major apportionment distribution to the City for FY 2020-21 occurred in December 2020. Also, the revenues received in July and August are for the prior year and accrued as such. Included in this line item are Secured Property Taxes, 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 2020. As of December 2020, the allocation received represents approximately 36% 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 August 2021. Sales Tax projections were adjusted downward when the budget was prepared. Despite the COVID-19 pandemic, Sales Tax projections do not need to be adjusted at this time.
- Other Taxes:** This category includes Franchise Fees, Business License Tax, Transient Occupancy Tax (TOT), and Property Transfer Tax. These revenues are not received evenly throughout the year and with the exception of Transient Occupancy Tax, are expected to be on target by the close of the fiscal year. Transient Occupancy Tax is expected to be down approximately \$927,700 or 50%. This reduction in revenue is addressed in the attached budget amendment presented to the City Council with this report.
- License & Permits:** Revenues for licenses & permits include building and engineering permits, and animal licenses. Revenue projections are higher than originally projected mainly due to building activity increases.
- Revenues from other Agencies:** This category includes Vehicle In-Lieu, State Mandated Cost reimbursement revenue, the exchange of Prop A funds, which are the largest revenue source in this category, and COVID-19 relief funds of \$1.3 million that was not budgeted. The Prop A exchange was \$300,000 less than budgeted due to declines in

anticipated Prop A revenues. The increase in revenue for the COVID-19 relief funds and the decrease in the Prop A exchange funds is part of the budget amendment included in this report.

- Charges for Services:** These revenues include plan check and zoning related fees, recreation fees, interfund charges, and police and fire fees. These fees are at approximately 30% through the first half of the fiscal year. Due to the COVID-19 pandemic, the City's daycare programs have not been operating and; therefore, the City is not collecting revenue for these programs. However, the expenditures of these programs offsets the reduction in revenue.

Revenue projections were revised based on revenue trends, and activity to date. The following revised revenue projections reflect a total increase in estimated revenues of \$1,485,100. The single largest reason for this increase is due to receipt of COVID Relief funds in the amount of \$1.3 million with a corresponding decline in TOT of \$927,700. Due to the wildfires in California, an adjustment of \$1,070,000 is being made in the Other Revenue category. There was a large reimbursement to the General Fund in the amount of \$1,034,800.

GENERAL FUND REVENUES	ORIGINAL BUDGET	ADJUSTMENT	REVISED PROJECTION	% of Revenues
Property Tax	\$ 27,386,200	\$ -	\$ 27,386,200	40.2%
Sales Tax	15,900,000	-	15,900,000	23.3%
Other Taxes	8,800,700	(927,700)	7,873,000	11.6%
Licenses & Permits	1,636,550	-	1,636,550	2.4%
Fines & Forfeitures	588,000	-	588,000	0.9%
Interest & Rents	1,111,054	-	1,111,054	1.6%
Revenue from other Agencies	2,255,000	408,800	2,663,800	3.9%
Charges for Services	7,052,139	(100,000)	6,952,139	10.2%
Other Revenues	412,500	1,070,000	1,482,500	2.2%
Transfers In	1,530,093	1,034,800	2,564,893	3.8%
TOTAL	\$ 66,672,236	\$ 1,485,900	\$ 68,158,136	100.0%

As of December 31, 2020, with 50% of the year complete, \$26.5 million or 39.8% of the General Fund budget has been expensed (refer to chart on the next page). Most departments are at or below 50% through the first six months of the fiscal year with the exception

of Human Resources, Planning, Fire and Community Development.

GENERAL FUND EXPENDITURES	BUDGET	YTD ACTUAL	%
Administration	\$ 2,497,876	\$ 1,052,401	42.1%
City Clerk	612,557	117,802	19.2%
Finance	1,683,086	800,559	47.6%
Human Resources	655,931	415,893	63.4%
Planning	336,434	179,457	53.3%
Police	25,151,357	11,680,539	46.4%
Fire	15,777,197	9,743,861	61.8%
Public Services	5,256,017	1,786,143	34.0%
Community Development	1,210,528	768,174	63.5%
Transfers Out/Debt Service	1,620,322	-	0.0%
TOTAL (Excluding PERS UAL)	\$ 54,801,305	\$26,544,829	48.4%
PERS (UAL)	11,870,931	-	0.0%
TOTAL	\$ 66,672,236	\$26,544,829	39.8%

Overtime expenditures should be 50% of budget based on the number of payrolls for the first half of the fiscal year. The Police Department is trending at approximately 59.8% of the overtime budget. The Fire Department overtime expenditures are over budget by approximately \$1.7 million excluding mutual aid overtime which is fully reimbursable. Both departments have had numerous cases of positive COVID-19 incidents which has resulted in the increased overtime.

At the end of the second quarter, five of the nine General Fund department expenditures are at or below 50% of budget, excluding the PERS UAL prepayment. The Human Resources budget is at 63.4% of the budgeted amount through December 31, 2020. A budget amendment correcting this is attached to this report. The Planning Department is slightly over 50% at mid-year and should be within budget at June 30, 2021. The Fire Department expense is at 61.8% of budget, mainly due to overtime costs that were not budgeted in the 2020-21 budget. A study exploring alternative options for the provision of fire services is underway to provide the City Council with various options. Finally, the Community Development department is at 63.5% of budgeted expenditures. This is due to higher salaries than was budgeted. An analysis of the salaries being charged to this department is being performed and a budget

amendment may be needed by year end depending on the outcome of this analysis.

The adopted General Fund budget for FY 2020-21 is \$66,672,236 for revenues and expenditures. This reflects a balanced budget with no surplus at July 1, 2020. After adjusting revenues and expenditures to the revised projections of \$68,158,136, the revised General Fund budget is projected to remain in balance through the end of this fiscal year.

GENERAL FUND EXPENDITURES	BUDGET	APPROVED BA Carry Over PO's	AMENDED BUDGET	REQUESTED BA	AMENDED BUDGET
Administration	\$ 2,743,477	\$ (245,601)	\$ 2,497,876	\$ -	\$ 2,497,876
City Clerk	678,360	(65,803)	612,557	-	612,557
Finance	1,988,537	11,565,480	13,554,017	(8,787,891)	4,766,126
Human Resources	777,769	(121,838)	655,931	500,000	1,155,931
Planning	452,384	(115,950)	336,434	-	336,434
Police	31,460,588	(6,309,231)	25,151,357	-	25,151,357
Fire	20,021,267	(3,809,223)	16,212,044	1,617,500	17,829,544
Public Services	5,517,892	58,125	5,576,017	-	5,576,017
Community Development	1,411,640	(201,112)	1,210,528	-	1,210,528
Capital Improvements	-	3,273,762	3,273,762	-	3,273,762
Transfers Out	1,620,322	567,148	2,187,470	3,560,534	5,748,004
TOTAL	\$66,672,236	\$ 4,595,757	\$71,267,993	\$(3,109,857)	\$68,158,136

The approved budget amendments of \$4,595,757 were three (3) separate budget amendments approved by City Council. On September 15, 2020, Resolution No. 2020-95 approved a budget amendment of \$434,847 to purchase Firefighting PPE turnouts, a new compressor, and various other fire equipment. On October 20, 2020, Resolution No. 2020-108 approved \$567,148 for a Transfer Out to the SB1 Fund for the maintenance of effort that is required each year and was inadvertently not budgeted for in the original budget. On November 17, 2020, Resolution No. 2020-111 approved a \$3,593,762 budget amendment for Carryover expenditures from June 30, 2020 in the amount of \$320,000, and to fund three capital projects; Shadow Oak restroom (\$408,600), dispatch roof (\$60,000), and the Energy Efficiency Project (\$2,805,162). The increased costs were off set by the Unfunded Accrued Liability (UAL) that was budgeted in the General Fund at \$11,870,931.

The requested General Fund budget amendments of (\$2,542,709) are as follows: 1) \$8,787,891 decrease in the UAL to offset the increases to the budget during the first six months of the fiscal year, 2) \$500,000 increase for the Human Resources Department which

is offset by a corresponding decrease to the Workers Compensation Fund, 3) \$162,000 for Human Resources Department insurance costs, 4) \$1,617,500 increase for the Fire Department; \$547,500 for adding an additional ambulance to accommodate the increase in service calls due to the COVID-19 pandemic, an increase of \$885,500 for additional mutual aid overtime, and an increase of \$184,500 to pay off the balance on the three trucks leased in 2019, 5) an increase of \$3,560,534 in Transfers Out to pay the interest payment due on the Pension Obligation Bonds.

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	\$ 1,047,139	\$ 319,827	30.5%

ENTERPRISE FUND EXPENDITURES	BUDGET	YTD ACTUAL	%
Police Computer Service Fund	\$ 1,047,198	\$ 248,470	23.7%

The Police Department's Computer Service Group revenues and expenditures are trending to be within budget.

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	\$ 3,880,671	\$ 1,685,336	43.4%
Sewer Maintenance	3,781,918	1,615,659	42.7%
Gas Tax	2,699,744	1,064,233	39.4%
Prop A	2,384,800	1,264,573	53.0%
Prop C	1,902,586	880,045	46.3%
Measure R	1,671,988	662,227	39.6%
Measure M	1,622,051	752,790	46.4%
Housing Authority	310,000	6,973	0.0%
CDBG	847,054	81,065	9.6%
Grants	2,733,291	154,834	5.7%
Other Special Revenues	3,004,410	851,356	28.3%
TOTAL	\$ 24,838,513	\$ 9,019,091	36.3%

SPECIAL REVENUE FUNDS EXPENDITURES	BUDGET	YTD ACTUAL	%
Assessment Districts	\$ 4,846,628	\$ 1,422,837	29.4%
Sewer Maintenance	4,144,367	445,158	10.7%
Gas Tax	2,860,177	888,678	31.1%
Prop A	2,323,938	1,841,636	79.2%
Prop C	2,469,761	436,159	17.7%
Measure R	2,430,634	396,382	16.3%
Measure M	1,006,423	77,419	7.7%
Housing Authority	1,283,849	341,041	26.6%
CDBG	990,605	272,629	27.5%
Grants	1,811,173	183,475	10.1%
Other Special Revenues	2,869,449	801,618	27.9%
TOTAL	\$ 27,037,004	\$ 7,107,032	26.3%

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.