



## THIRD QUARTER FINANCIAL REPORT

Fiscal Year 2020-21

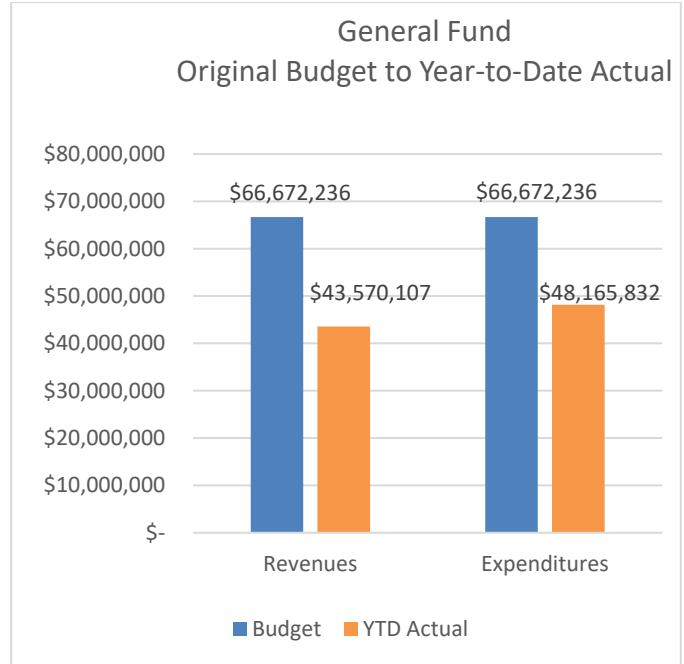
The City has completed the third quarter of Fiscal Year 2020-21. This report summarizes the overall financial performance of the City for the period of July 1, 2020 through March 31, 2021, but it is not meant to be inclusive of all finance and accounting transactions. While the focus of the report is 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 March 31, 2021. 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 75% of the year complete, General Fund revenues are at 65.3% of budget and expenditures are at 87.9% excluding the budget of the PERS Unfunded Accrued Liability (UAL).



GENERAL FUND REVENUES	ORIGINAL BUDGET	YTD ACTUAL	%
Property Tax	\$ 27,386,200	\$ 15,066,974	55.0%
Sales Tax	15,900,000	10,673,500	67.1%
Other Taxes	8,800,700	5,000,386	56.8%
Licenses & Permits	1,636,550	1,701,941	104.0%
Fines & Forfeitures	588,000	876,147	149.0%
Interest & Rents	1,111,054	831,661	74.9%
Revenue from other Agencies	2,245,000	2,661,649	118.6%
Charges for Services	7,062,139	3,784,716	53.6%
Other Revenues	412,500	861,632	208.9%
Transfers In	1,530,093	2,111,501	138.0%
<b>TOTAL</b>	<b>\$ 66,672,236</b>	<b>\$ 43,570,105</b>	<b>65.3%</b>

The City's two major General Fund revenue sources are Property Tax and Sales Tax which make up 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 its allocations through January sales tax in March 2021. As of March 31, 2021, the allocation received represents approximately 67% 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% from the original budget projection. This reduction in revenue was addressed with the last budget amendment approved by City Council.
- 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 were part of the second quarter budget amendment approved by City Council.

- 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 53% through the end of March 2021. 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 reduction in revenue for these programs is offset by the reduction in expenditures.

Revenue projections were revised with the Second Quarter Report based on revenue trends, and activity to date. No new revisions to revenue projections are proposed at this time. However, an increase in transfers is proposed for the Third Quarter which reflects a total increase in revenues of \$179,544.

GENERAL FUND REVENUES	ORIGINAL BUDGET	MID-YEAR PROJECTION	ADJUSTMENT	REVISED PROJECTIONS	% of Revenues
Property Tax	\$ 27,386,200	\$ 27,386,200	\$ -	\$ 27,386,200	40.1%
Sales Tax	15,900,000	15,900,000	-	15,900,000	23.3%
Other Taxes	8,800,700	7,873,000	-	7,873,000	11.5%
Licenses & Permits	1,636,550	1,636,550	-	1,636,550	2.4%
Fines & Forfeitures	588,000	588,000	-	588,000	0.9%
Interest & Rents	1,111,054	1,111,054	-	1,111,054	1.6%
Revenue from other Agencies	2,245,000	2,663,800	-	2,663,800	3.9%
Charges for Services	7,062,139	6,952,139	-	6,952,139	10.2%
Other Revenues	412,500	1,482,500	-	1,482,500	2.2%
Transfers In	1,530,093	2,564,893	179,544	2,744,437	4.0%
<b>TOTAL</b>	<b>\$ 66,672,236</b>	<b>\$ 68,158,136</b>	<b>\$ 179,544</b>	<b>\$ 68,337,680</b>	<b>100.0%</b>

As of March 31, 2021, with 75% of the year complete, \$48.1 million or 88% of the General Fund budget has been expensed (refer to chart on the next page). Most departments are at or below 75% through the end of the quarter with the exception of Finance, Human Resources, Planning, and Fire.

GENERAL FUND EXPENDITURES	ORIGINAL BUDGET	YTD ACTUAL	%
Administration	\$ 2,497,876	\$ 1,694,371	67.8%
City Clerk	612,557	263,564	43.0%
Finance	1,683,086	1,344,208	79.9%
Human Resources	655,931	645,591	98.4%
Planning	336,434	263,413	78.3%
Police	25,151,357	17,925,891	71.3%
Fire	15,777,197	14,760,628	93.6%
Public Services	5,256,017	2,892,152	55.0%
Community Development	1,210,528	900,734	74.4%
Transfers Out/Debt Service	1,620,322	7,475,280	461.3%
<b>TOTAL (Excluding PERS UAL)</b>	<b>\$ 54,801,305</b>	<b>\$ 48,165,832</b>	<b>87.9%</b>
PERS (UAL)	11,870,931	-	0.0%
<b>TOTAL</b>	<b>\$ 66,672,236</b>	<b>\$ 48,165,832</b>	<b>72.2%</b>

Overtime expenditures should be 75% of budget based on the number of payrolls for the end of this quarter. The Police Department is trending at approximately 3.5 times over its overtime budget with expenditures over \$184,000. The Fire Department overtime expenditures are over budget by approximately \$2.4 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 quarter, five of the nine General Fund department expenditures are at or below 75% of budget, excluding the PERS UAL prepayment. The Human Resources budget is at 98.4% of the original budgeted amount through March 31, 2021. However, a budget amendment correcting this was approved with the Second Quarter Financial Report.

The Planning Department is slightly over 75%, 78.3% at the end of the quarter but should be within budget at June 30, 2021. The Fire Department expense is at 93.6% 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 Finance department is 79.9% of budgeted expenditures and is expected to end the year within budget.

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 \$68,337,680, the revised General Fund budget is projected to remain in balance through the end of this fiscal year.

GENERAL FUND EXPENDITURES	ORIGINAL 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	2,777,589	4,766,126	(1,650,036)	3,116,090
Human Resources	777,769	378,162	1,155,931	-	1,155,931
Planning	452,384	(115,950)	336,434	-	336,434
Police	31,460,588	(6,606,103)	24,854,485	-	24,854,485
Fire	20,021,267	(2,191,723)	17,829,544	-	17,829,544
Public Services	5,517,892	58,125	5,576,017	-	5,576,017
Community Development	1,411,640	95,760	1,507,400	-	1,507,400
Capital Improvements	-	4,893,321	4,893,321	(4,893,321)	-
Transfers Out	1,620,322	4,127,682	5,748,004	5,103,342	10,851,346
<b>TOTAL</b>	<b>\$66,672,236</b>	<b>\$ 3,105,459</b>	<b>\$ 69,777,695</b>	<b>\$(1,440,015)</b>	<b>\$ 68,337,680</b>

The approved budget amendments of \$ \$3,105,459 include everything approved by City Council through the Second Quarter Budget Amendment (Resolution No. 2020-20), in addition to \$1,619,559 under Capital Improvements for repairs at five fire stations (Resolution No. 2021-06).

The requested General Fund budget amendment to balance the budget includes the following:

- 1) \$4,893,321 transfer and reduction in expenses to reallocate capital expenditures under the Capital Projects Fund (Fund 160) – the net impact to the General Fund is zero,
- 2) \$210,021 transfer to the Taskforce Regional Auto Theft Prevention Fund (Fund 233) for reimbursement for PERS UAL in prior years,
- 3) \$1,650,036 reduction under Finance in the PERS UAL Payment account to balance the overall fund,
- 4) \$179,510 transfer from the Capital Projects Fund to reimburse prior CIP expenses, and
- 5) \$11 and \$23 transfers in from Safer Grant Fund (Fund 133) and Police Private Grants Fund (Fund 221) for prior year interest allocations.

The overall net impact of these changes is a positive impact to the General Fund of \$1,619,559.

**ENTERPRISE FUND**

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

ENTERPRISE FUND REVENUES	ORIGINAL BUDGET	YTD ACTUAL	%
Police Computer Service Fund	\$ 1,047,139	\$ 571,768	54.6%

ENTERPRISE FUND EXPENDITURES	ORIGINAL BUDGET	YTD ACTUAL	%
Police Computer Service Fund	\$ 1,047,198	\$ 450,724	43.0%

The Police Department’s Computer Service Group revenues and expenditures are trending within budget. There are not any proposed revisions to this fund.

**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	ORIGINAL BUDGET	YTD ACTUAL	%
Assessment Districts	\$ 3,880,671	\$ 2,435,677	62.8%
Sewer Maintenance	3,781,918	2,262,129	59.8%
Gas Tax	2,699,744	1,551,118	57.5%
Prop A	2,384,800	1,801,802	75.6%
Prop C	1,902,586	1,327,828	69.8%
Measure R	1,671,988	1,000,171	59.8%
Measure M	1,622,051	1,133,325	69.9%
Housing Authority	310,000	22,213	0.0%
CDBG	847,054	333,101	39.3%
Grants	2,733,291	414,949	15.2%
Other Special Revenues	3,004,410	1,383,103	46.0%
TOTAL	\$ 24,838,513	\$ 13,665,416	55.0%

SPECIAL REVENUE FUNDS EXPENDITURES	ORIGINAL BUDGET	YTD ACTUAL	%
Assessment Districts	\$ 4,846,628	\$ 2,530,230	52.2%
Sewer Maintenance	4,144,367	1,486,066	35.9%
Gas Tax	2,860,177	1,553,655	54.3%
Prop A	2,323,938	1,843,121	79.3%
Prop C	2,469,761	1,121,787	45.4%
Measure R	2,430,634	637,318	26.2%
Measure M	1,006,423	118,822	11.8%
Housing Authority	1,283,849	690,325	53.8%
CDBG	990,605	376,182	38.0%
Grants	1,811,173	428,935	23.7%
Other Special Revenues	2,869,449	1,351,037	47.1%
TOTAL	\$ 27,037,004	\$ 12,137,478	44.9%

In addition to the amendments being proposed under the General Fund, the following amendments are recommended for other funds:

- 1) \$1,629,548 under the Redevelopment Obligation Retirement Fund (Fund 810) to allocate the transfer made to CFD Debt Service Fund (Fund 853) to cover the bond 2021 payment,
- 2) \$3,900,000 in revenues and \$1,549,678 in expenses under the Park Acquisition Fund (Fund 169) for the sale of Sunset Field,
- 3) \$15,000 for Overtime Salaries which are offset by \$38,200 in grant revenue under the Law Enforcement Tobacco Grant Fund,
- 4) \$3,560,534 to budget the 2020 Bond interest payment in the Debt Service Fund (Fund 300), and
- 5) \$100 to close out the Self Insurance-Uninsured Loss Fund (Fund 360) into the Self Insurance General and Auto Liability Fund (Fund 361).

After the proposed adjustments, the revenues and expenditures for all other funds will be trending within budget.

**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](http://www.westcovina.org).