



SECOND QUARTER FINANCIAL REPORT

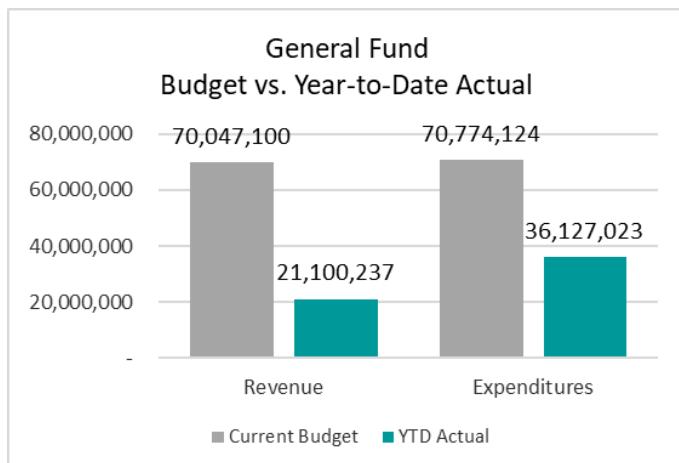
Fiscal Year 2021-22

The City has completed the second quarter of Fiscal Year 2021-22. This report summarizes the overall financial performance of the City for the period of July 1, 2021, through December 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 to provide City Council and the public with an overview of the City’s general fiscal condition.

The revenue and expenditures per the Budget to Actual comparisons include adjustments for carryovers and any appropriations made as of December 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 2021-22 was \$67,814,100 for revenues and expenditures. With amendments, the current FY 2021-22 budget is \$70,047,100 for revenues and \$70,774,124 for expenditures. With 50% of the year complete, General Fund revenues are at 30% of budget and expenditures are at 51%. This is typical as there is always a lag in receiving revenues – specifically with taxes.

General Fund Revenue

General Fund Revenue	Current Budget	YTD Actual	%
Property Tax	28,204,200	5,565,997	19.7%
Sales Tax	17,400,000	6,798,723	39.1%
Other Taxes	8,167,200	2,067,294	25.3%
Charges for Services	5,446,000	2,929,123	53.8%
Revenue from Other Agencies	4,549,300	178,028	3.9%
Licenses & Permits	1,964,100	1,917,872	97.6%
Interdepartmental Charges	1,423,800	598,100	42.0%
Use of Money & Property	1,183,600	469,148	39.6%
Cost Recovery	790,000	177,660	22.5%
Fines & Forfeitures	705,000	379,638	53.8%
Transfers In	131,100	-	0.0%
Other Revenues	82,800	18,655	22.5%
Grand Total	70,047,100	21,100,237	30.1%

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 2021-22 was received in December 2021. 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. The first of these payments are typically received in January and therefore not reflected in the reported quarter.
- Sales Tax:** The City received its allocations through October sales tax by December 2021. As of December 31, 2021, the allocation received represents approximately 39% 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 2022. Sales Tax projections were adjusted with the last Quarterly Budget Amendment.

- 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, except for Transient Occupancy Tax, are expected to be on target by the close of the fiscal year. Transient Occupancy Tax is up 45% from this quarter last fiscal year but trending slightly under budget for the fiscal year to-date at 46%.
- License & Permits:** Revenues for licenses & permits include building and engineering permits, and animal licenses. Revenue projections are trending higher than originally projected mainly due to building activity increases. Adjustments have been included in the proposed Budget Amendment to reflect these projections.
- 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.
- Charges for Services:** These revenues include plan check and zoning related fees, recreation fees, interfund charges, police and fire fees. These fees are at approximately 53.8% as of December 2021.

Revenue projections were revised with the Quarterly Report based on revenue trends, and activity to date. The total proposed adjustment is an increase of \$1,030,000 in revenue to the General Fund.

Revenue Projection	Original Budget	Current Budget	Proposed Adj.	Revised Projection
Property Tax	28,204,200	28,204,200		28,204,200
Sales Tax	15,900,000	17,400,000		17,400,000
Other Taxes	8,167,200	8,167,200		8,167,200
Charges for Services	5,336,000	5,446,000	140,000	5,586,000
Revenue from Other Agencies	4,483,300	4,549,300		4,549,300
Licenses & Permits	1,964,100	1,964,100	330,000	2,294,100
Interdepartmental Charges	1,423,800	1,423,800		1,423,800
Use of Money & Property	1,183,600	1,183,600		1,183,600
Fines & Forfeitures	608,000	705,000	50,000	755,000
Cost Recovery	330,000	790,000	510,000	1,300,000
Transfers In	131,100	131,100		131,100
Other Revenues	82,800	82,800		82,800
Grand Total	67,814,100	70,047,100	1,030,000	71,077,100

As of December 31, 2021, with 50% of the year complete, \$36 million or 51% of the General Fund budget has been expensed (see chart below). Most departments are at or below 50% through the end of the quarter with the exception Fire, Human Resources, and Police.

General Fund Expenditures

Department	Current Budget	YTD Actual	%
Administration	2,615,400	1,209,290	46.2%
City Clerk	462,800	151,690	32.8%
Community Development	2,366,900	671,425	28.4%
Finance	1,996,600	911,013	45.6%
Fire	17,449,200	10,304,040	59.1%
Human Resources	666,200	428,623	64.3%
Police	25,287,512	13,167,157	52.1%
Public Services	5,733,500	2,111,082	36.8%
Transfers Out	14,196,012	7,172,703	50.5%
Grand Total	70,774,124	36,127,023	51.0%

At the end of the quarter, six of the nine General Fund department expenditures are at or below 50% of budget. The Human Resources budget is at 64.3% of the original budgeted amount through December 31, 2021. This is due to professional and legal services trending over budget.

The Police (51.1%) and Fire (59.1%) Departments are over budget mainly due to overtime costs that were not budgeted in the FY 2021-22 budget. Staff is still evaluating alternative options for the provision of fire services to provide the City Council with various options. Fire Mutual Aid overtime is also trending over, therefore, a budget amendment has been included to increase these expenditures and offsetting revenue.

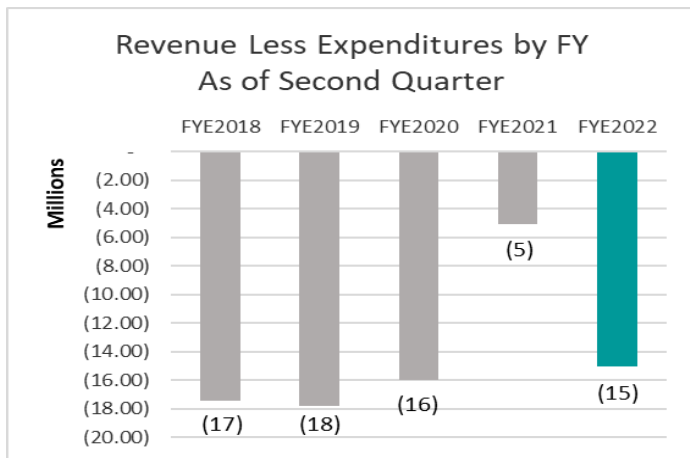
Overtime expenditures should be 50 percent of budget based on the number of pay periods for the end of this quarter. The Police Department is trending over its

General Fund overtime budget by 42.6%, the Fire Department overtime expenditures are trending over budget by approximately 37.7%, excluding mutual aid overtime which is fully reimbursable. Public Services is also over 249% or \$14,532 in overtime in the General Fund.

General Fund Overtime

Department	Current Budget	YTD GF Overtime	%
Administration	2,000	1,051	52.6%
Finance	2,000	-	0.0%
Fire	1,700,000	1,491,722	87.7%
Police	1,526,000	1,412,941	92.6%
Public Services	9,700	24,232	249.8%
Grand Total	3,239,700	2,929,946	90.4%

Overall, total General Fund Revenue (\$21M) less expenditures (\$36M) for the quarter to date is negative \$15 million. With the exception of last year when the City had an influx of revenue due to the pension bonds, revenue less expenditures is actually up from prior years.



The original adopted General Fund budget for FY 2021-22 was \$67,814,100 for revenues and expenditures. Council added personnel and crossing guard services increasing expenditures to \$69,859,100 and revenues to \$67,880,100. After adjusting revenues by \$1,030,000 to \$71,077,100 and expenditures by \$7,674,500 to \$78,448,624, the revised General Fund budget is projected to be negative \$7,371,524 by the end of this fiscal year. However, \$7,087,000 of this is the allocation of

unassigned fund balance making the true net revenue and expenditures negative \$284,524.

General Fund Expenditures	Original Budget	Current Budget	Requested BA	Amended Budget
Administration	2,535,200	2,615,400	12,000	2,627,400
City Clerk	378,300	462,800	3,000	465,800
Community Development	1,862,900	2,366,900	18,750	2,385,650
Finance	1,996,600	1,996,600	2,386,000	4,382,600
Fire	16,989,200	17,449,200	234,500	17,683,700
Human Resources	666,200	666,200	74,000	740,200
Police	24,010,300	25,287,512	141,000	25,428,512
Public Services	5,593,200	5,733,500	80,250	5,813,750
Transfers Out	13,782,200	14,196,012	4,725,000	18,921,012
Grand Total	67,814,100	70,774,124	7,674,500	78,448,624

The requested General Fund budget amendment includes the following:

- 1) Add a transfer to the Capital Improvement Fund (\$4,725,000) and Supplemental Retirement Plan (\$2,362,000) to allocate FY 2020-21 Unassigned Fund Balance – total of \$7,087,000.
- 2) Add a total of \$297k in Other Incentive Programs to allocate funding for the one-time \$3k paid to the Miscellaneous labor groups upon ratification of their Memorandum of Understandings.
- 3) Increase Mutual Aid Overtime by \$225,500, based on actuals year-to-date, which will be offset by \$510k in revenue.
- 4) Under Human Resources, add \$15k for Tuition Reimbursement as this was not included in the original budget and increase Legal Services by \$50k to fund legal services provided for labor negotiations.
- 5) Revenues have been increased to reflect actuals in Late Payment Penalty (\$50k), Facility Rentals (\$40k), Street Improvements (\$150k), Street Obstruction (\$80k), Encroachment (100k), and Plan Check Fees (\$100k).

Excluding the use of unassigned fund balance, the overall net impact of these revenue and expenditure changes is a \$442,500 increase to the General Fund.

ENTERPRISE FUND

The Police Department’s Computer Service Group is trending over budget by 24%. This is due to services paid and received annually. Overall, the Police

Enterprise Fund is expected to finish the year within budget and with excess revenue.

Police Enterprise	Current Budget	YTD Actual	%
Revenue	416,400	304,919	73.2%
Expenditures	390,902	289,213	74.0%
Grand Total	807,302	594,131	73.6%

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	Current Budget	YTD Actual	%
Revenue	59,682,862	13,277,248	22.2%
Assessment Districts	4,676,700	1,708,190	36.5%
CDBG	3,313,566	93,141	2.8%
CIP	-	-	100.0%
Gas Tax	2,745,100	1,313,149	47.8%
Grants	15,198,318	453,560	3.0%
Measure M	1,522,200	924,175	60.7%
Measure R	1,341,700	817,319	60.9%
Prop A	2,246,600	1,313,652	58.5%
Prop C	1,902,600	1,089,655	57.3%
SB1	2,680,300	724,883	27.0%
Sewer Maintenance	3,230,000	1,704,421	52.8%
Sportsplex	-	160,650	100.0%
Other Special Revenue	20,825,778	2,974,454	14.3%
Expenditures	79,348,746	20,798,570	26.2%
Assessment Districts	4,660,517	1,562,748	33.5%
CDBG	3,469,866	124,559	3.6%
CIP	3,747,331	701,891	18.7%
Gas Tax	2,959,000	935,371	31.6%
Grants	25,138,039	7,531,523	30.0%
Measure M	676,000	84,949	12.6%
Measure R	2,128,100	382,207	18.0%
Prop A	2,130,900	73,770	3.5%
Prop C	2,149,600	580,787	27.0%
SB1	2,263,183	350,164	15.5%
Sewer Maintenance	5,726,904	497,517	8.7%
Sportsplex	1,498,929	223,625	14.9%
Other Special Revenue	22,800,377	7,749,458	34.0%
Grand Total	139,031,607	34,075,818	24.5%

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

1) Add a total of \$445k in Other Incentive Programs in Fund 179 (ARPA Local Fiscal Recovery Funds) to allocate funding for the one-time \$5k paid to the Police labor groups upon ratification of their Memorandum of Understandings. Essential Worker pay is an eligible expense for the Local Fiscal

Recovery Funds. Additionally, this increase is proposed to be offset by a reduction to the Fire Station Repairs project (22010).

2) Add a total of \$500k in PSA for Health Department Services in Fund 179 (ARPA Local Fiscal Recovery Funds) to allocate funding a Community Needs Assessment, Community Health Improvement plan, and a Feasibility study.

3) Add \$124,209 in the Capital Projects Fund (Fund 160) to rollover Project No. 19038, Fire Station Pre-Alerting System, from the prior fiscal year.

4) Add \$4,275,000 Transfer In under the Capital Improvement Fund (Fund 160) as part of the FY 2020-21 Unassigned Fund Balance allocation.

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.