



FIRST QUARTER FINANCIAL REPORT

Fiscal Year 2022-23

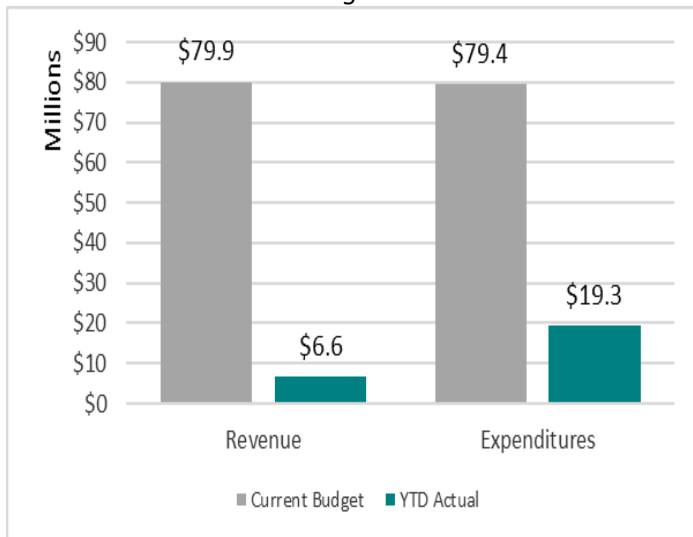
The City has completed the first quarter of Fiscal Year (FY) 2022-23. This report summarizes the overall financial performance of the City for the period of July 1, 2022, through September 30, 2022, but it is not meant to be inclusive of all finance and accounting transactions. While the focus of the 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 Year-To-Date (YTD) Actual comparisons include adjustments for carryovers and any appropriations made as of September 30, 2022. 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 (GF) 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.

Chart 1: GF Budget vs. YTD Actual



The General Fund original budget for FY 2022-23 was \$79.9 million in revenue, \$79.4 million in expenditures, and a total revenue less expenditures of \$516,345. With only 25% of the year complete, General Fund revenues are at 8.2% of budget and expenditures are at 21.6%.

GENERAL FUND REVENUE

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

Table 1: GF Revenue – Budget vs. YTD Actual

Revenue Source	Current Budget	YTD Actual	%
Property Tax	28,986,300	331,603	1.1%
Sales Tax	23,142,000	1,722,759	7.4%
Other Taxes	9,446,000	514,087	5.4%
Charges for Services	7,578,220	1,635,239	21.6%
Licenses & Permits	3,167,810	1,569,971	49.6%
Revenue from Other Agencies	2,628,625	7,849	0.3%
Cost Recovery	1,365,900	18,683	1.4%
Interdepartmental Charges	1,196,200	297,125	24.8%
Use of Money & Property	1,078,300	181,730	16.9%
Fines & Forfeitures	1,023,290	268,516	26.2%
Transfers In	170,093	11	0.0%
Other Revenues	136,670	41,723	30.5%
Grand Total	79,919,408	6,589,296	8.2%

PROPERTY TAX

The first major property tax distribution to the City for FY 2022-23 will be received in December. 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

As of September 30, 2022, the allocation received represents approximately 7.4% of the total sales tax allocation for the year. This is typical for this time of year as there is a two-month lag in sales tax distributions. 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 2023.

OTHER TAXES

This category includes Franchise Fees, Business License Tax, Transient Occupancy Tax (TOT), and Property Transfer Tax. At the end of the first quarter only \$514k or 5.4 percent of the original budget projection has been realized. This is due to a lag in when these revenues are received. Additionally, these taxes are not evenly disbursed throughout the year.

LICENSE & PERMITS

Revenues for licenses & permits include building and engineering permits, and animal licenses. Revenue projections are trending as projected. Overall, licenses and permits are at nearly 50 percent of the original budget projection. This is mainly due to building and electrical permits. Revenue and offsetting expenditures (engineering and building safety services) are proposed to be adjusted to account for the influx.

REVENUES FROM OTHER AGENCIES

This category includes Vehicle In-Lieu, State Mandated Cost reimbursement revenue, and the exchange of Prop A funds, which are the largest revenue source in this category. Most of this revenue is received one-time within the fiscal year. Additionally, the Prop A Exchange (which accounts for \$1.8 million) typically does not occur until the end of the fiscal year.

CHARGES FOR SERVICES

These revenues include plan check and zoning related fees, recreation fees, interfund charges, police and fire fees. These fees are trending as projected at

approximately 21.6% or \$1.6 million through September 2022.

FINES & FORFEITURES

This category includes late payment penalties, collection agency fees, code fines, vehicle impound fees, and administrative citations. Overall, fines and forfeitures are at 26 percent of the original budget projection. This is mainly due to vehicle code fines and administrative citations.

OTHER REVENUES

This category includes proceeds from auction, advertising, final map, and other miscellaneous revenue. At the end of the first quarter only \$41k or 30.5 percent of the original budget projection has been realized. This is mainly due to one-time proceeds from a recent auction (\$39k).

REVENUES PROJECTIONS

Table 2: GF Revenue Projection

Revenue Source	Current Budget	Proposed Adj.	Revised Projection
Property Tax	28,986,300		28,986,300
Sales Tax	23,142,000		23,142,000
Other Taxes	9,446,000		9,446,000
Charges for Services	7,578,220		7,578,220
Licenses & Permits	3,167,810	600,000	3,767,810
Revenue from Other Agencies	2,628,625		2,628,625
Cost Recovery	1,365,900		1,365,900
Interdepartmental Charges	1,196,200		1,196,200
Use of Money & Property	1,078,300		1,078,300
Fines & Forfeitures	1,023,290	50,000	1,073,290
Transfers In	170,093		170,093
Other Revenues	136,670	39,000	175,670
Grand Total	79,919,408	689,000	80,608,408

Revenue projections are revised with the Quarterly Report based on revenue trends, and activity to date. The total proposed adjustment is an increase of \$639,000 in revenue to the General Fund.

GENERAL FUND EXPENDITURES

As of September 30, 2022, with 25% of the year complete, \$19.3 million or 21.6% of the General Fund budget has been expensed (see table below). Except for Police and Fire, all departments are below 25% for the quarter. Police and Fire are trending over due to overtime and the annual CalPERS Unfunded Accrued Liability (UAL) payment made in July.

Table 3: GF Expenditures – Budget vs. YTD Actual

Department	Current Budget	YTD Actual	%
Administration	1,833,369	411,535	22.2%
City Clerk	543,803	135,321	14.9%
Community Development	3,247,416	384,970	11.6%
Finance	3,051,046	1,011,977	20.2%
Fire	20,548,652	6,295,798	28.7%
Human Resources	794,232	238,095	24.7%
Police	27,852,792	8,517,166	29.6%
Public Services	6,036,405	2,154,187	19.7%
Transfers Out	15,525,348	141,800	0.9%
Grand Total	79,433,063	19,290,849	21.6%

GENERAL FUND OVERTIME

Overtime is trending over budget (over 25%) in Fire (34.7%), Police (29.2%), and Public Services (51.7%):

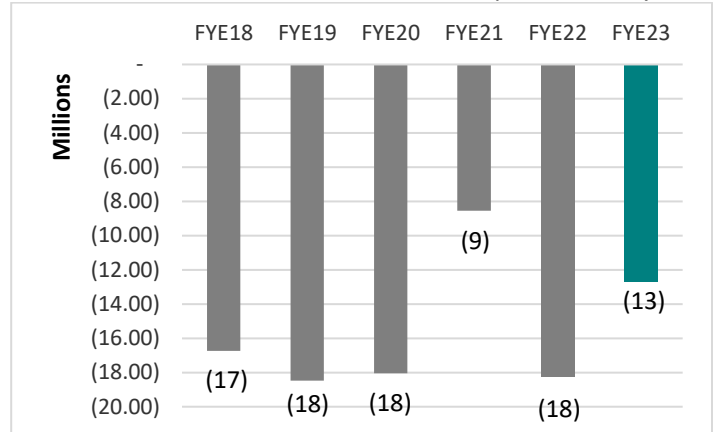
Table 4: GF Overtime YTD

Department	Current Budget	YTD GF Overtime	%
Administration	4,030	603	15.0%
Community Development	0	494	0.0%
Finance	2,860	229	8.0%
Fire	3,233,160	1,120,373	34.7%
Human Resources	0	0	0.0%
Police	3,125,240	912,581	29.2%
Public Services	51,110	26,441	51.7%
Grand Total	6,416,400	2,060,721	32.1%

Overall, total General Fund Revenue (\$6.6M) less expenditures (\$19.3M) for the year is negative \$12.7 million. Negative revenue less expenditures is typical

for this time of year due to the lag in property and sales tax revenue – the City’s primary revenue sources. Except for FY 2020-21, when the City had an influx of revenue due to the pension bonds, current year revenue less expenditures are up from prior years.

Chart 2: GF 1st Quarter Revenue Less Expenditures by FY



PROPOSED BUDGET AMENDMENT

The original adopted General Fund budget for FY 2022-23 was for \$79,433,063 expenditures. The proposed first quarter budget amendment has zero net impact on the General Fund.

Table 5: Summary of Proposed GF Budget Amendment

Department	Current Budget	Requested BA	Amended Budget
Administration	1,833,369		1,833,369
City Clerk	543,803		543,803
Community Development	3,247,416	600,000	3,847,416
Finance	3,051,046	90,000	3,141,046
Fire	20,548,652	158,000	20,706,652
Human Resources	794,232		794,232
Police	27,852,792	102,000	27,954,792
Public Services	6,036,405	140,000	6,176,405
Transfers Out	15,525,348	(401,000)	15,124,348
Grand Total	79,433,063	689,000	80,122,063

The proposed General Fund budget amendment totals \$689,000 and includes the following:

1. **Community Development (\$600k):** Building & Safety (\$300k) and Engineering fees (\$300k) are proposed to be increased proportionately to the influx in Building and Permit Revenue.
2. **Finance (\$90k):** Information Technology pays for software licenses citywide. The last renewal of these licenses was two years ago and therefore missed in the FY2022-23 budget. An additional \$90k is proposed to be added to fund the renewal.
3. **Fire (\$158k):** Salaries & Benefits in Fire are proposed to be increased based on the estimated fiscal impact from the recently approved Memorandum of Understanding (MOU) with the Firefighters’ Association (FFA) (\$158k).
4. **Police (\$102k):** Due to an influx in vehicle code fines, a \$50k adjustment is necessary for citation processing services. Additionally, ammunition prices have increased significantly in the past 2 years and the addition of ten new Police Officer positions has resulted in increased ammunition consumption. To purchase the proper amount of ammunition, \$52,000 is proposed to be added.
5. **Public Services (\$140k):** The cost of janitorial, HVAC, and other building maintenance services has increased over the years. Based on the most recent increases, \$140k is necessary to accommodate these services citywide.
6. **Transfers Out (-\$401k):** The transfer to the CIP Project Fund is proposed to be reduced by \$401k to balance this request.

ENTERPRISE FUND

The Police Department’s Computer Service Group has expended 26 percent of its budget YTD. Revenue is generally billed once annually.

Table 6: Police Enterprise Budget vs. YTD Actuals

Type	Current Budget	YTD Actual	%
Revenue	645,080	8,000	1.2%
Expenditures	241,831	62,963	26.0%
Revenue Less Expenditures	403,249	(54,963)	

A budget amendment is proposed in this fund to budget pass-through expenditures totaling \$480,000 and required software renewals of \$10,000. There is sufficient fund balance to cover this \$490,000 adjustment.

SPORTSPLEX

Budget versus actual comparisons for both revenue and expenditures for the Sportsplex are presented below:

Table 7: Sportsplex Budget vs. YTD Actuals

Type	Current Budget	YTD Actual	%
Revenue			
Charges for Services	326,000	20,770	6.4%
Transfers In	180,548	0	0.0%
Use of Money & Property	81,930	18,241	22.3%
Other Revenues	5,900	0	0.0%
Revenue Total	594,378	39,011	
Expenditures			
Salaries & Benefits	306,378	176,746	57.7%
Materials & Services	288,000	137,257	47.7%
Expenditures Total	594,378	314,003	
Revenue Less Expenditures	0	(274,992)	

OTHER FUNDS

Table 8 shows budget versus actuals for other funds:

Table 8: Other Funds Budget vs. YTD Actuals

Fund Grouping	Current Budget	YTD Actual	%
Assessment Districts			
Revenue	2,972,440	0	0.0%
Expenditures	5,200,030	697,178	13.4%
Capital Project Funds			
Revenue	930,900	123,188	13.2%
Expenditures	7,637,090	343,539	4.5%
CDBG			
Revenue	2,284,395	87,719	3.8%
Expenditures	2,420,512	79,391	3.3%
CFD			
Revenue	777,400	338,653	43.6%
Expenditures	5,189,921	4,969,198	95.7%
Debt Service			
Revenue	15,446,948	63,583	0.4%
Expenditures	15,258,000	7,434,023	48.7%
Gas Tax			
Revenue	3,063,915	509,837	16.6%
Expenditures	4,412,650	591,883	13.4%
Grant Funds			
Revenue	1,156,847	30,461	2.6%
Expenditures	14,579,033	383,335	2.6%
Health Department			
Expenditures	401,000	0	0.0%
Housing Authority			
Revenue	22,790	738	3.2%
Expenditures	1,139,103	206,433	18.1%
Internal Service Funds			
Revenue	5,277,198	1,415,265	26.8%
Expenditures	5,009,046	2,792,632	55.8%
Metro Funds			
Revenue	7,061,700	2,266,681	32.1%
Expenditures	9,582,330	482,602	5.0%
Other SR Funds			
Revenue	4,359,858	870,692	20.0%
Expenditures	7,277,784	765,415	10.5%
SB1			
Revenue	2,989,658	342,347	11.5%
Expenditures	4,847,972	0	0.0%
Sewer Maintenance			
Revenue	3,769,530	0	0.0%
Expenditures	7,238,997	383,948	5.3%
Successor Agency			
Revenue	13,002,110	17,234	0.1%
Expenditures	1,682,558	1,494,248	88.8%

In addition to the proposed amendments in the General Fund, the following is recommended:

- Fund 119, Air Quality Improvement Trust (\$200k):** To cover the roll-over encumbrances from FY2021-22, \$200,000 is proposed to be added. There is sufficient funding in available fund balance to cover this increase.
- Fund 120/121, Prop A and Prop A Discretionary Funds (\$0):** In order to separate Proposition A Exchange funds from other discretionary funds, a new fund was created. An adjustment in the amount of \$100,000 is proposed to move appropriations from Fund 121 to Fund 120 to reflect this change. The net impact is zero.
- Fund 160, Capital Projects Fund (-\$401k):** Revenue has been reduced to match the reduction in transfer from the General Fund.
- Fund 179, ARPA Local Fiscal Recovery Funds (\$0):** The \$5,000 hazard pay from the recently approved MOU with the FFA is proposed to be added (\$335k). Staff proposes reducing Project No. 22010, Fire Station Repairs, to make the net impact zero.
- Fund 184-188, Assessment Districts (\$1.4M):** Revenue is proposed to be added to reflect the latest engineering reports for Maintenance District (MD) #4 (\$996,266), MD #6 (\$154,700), MD #7 (\$173,744), and WC CSS CFD (\$110,000).
- Fund 190, Auto Plaza Improvement District (\$57,907):** Expenditures are proposed to be adjusted to reflect the latest annual report.
- Fund 220, West Covina Community Services Foundation (\$0):** Both revenue and expenditures are proposed to be increased by \$50k for the State of the City Event. The net impact is zero.

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.