



SECOND QUARTER FINANCIAL REPORT

Fiscal Year 2022-23

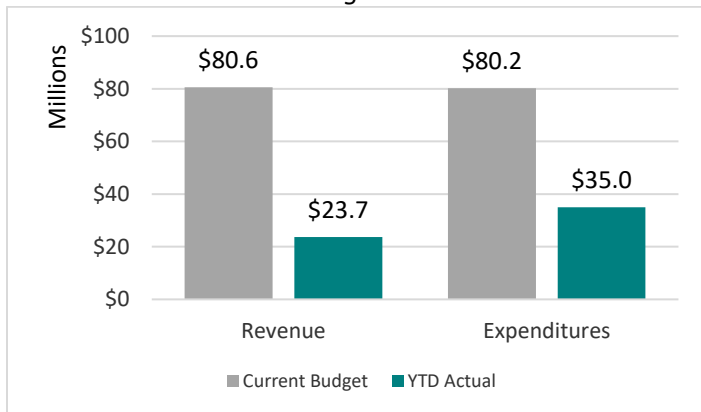
The City has completed the second quarter of Fiscal Year (FY) 2022-23. This report summarizes the overall financial performance of the City for the period of July 1, 2022, through December 31, 2022, but it is not meant to be inclusive of all finance and accounting transactions. While the focus of the 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 December 31, 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 50% of the year complete, General Fund revenues are at 29.4% of budget and expenditures are at 40.6%.

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	5,997,670	20.7%
Sales Tax	23,142,000	7,554,722	32.6%
Other Taxes	9,446,000	2,194,389	23.2%
Charges for Services	7,578,220	3,267,770	43.1%
Licenses & Permits	3,767,810	2,874,518	76.3%
Revenue from Other Agencies	2,628,625	97,060	3.7%
Cost Recovery	1,365,900	18,683	1.4%
Interdepartmental Charges	1,196,200	594,250	49.7%
Use of Money & Property	1,078,300	506,221	46.9%
Fines & Forfeitures	1,073,290	512,295	47.7%
Other Revenues	175,670	86,374	49.2%
Transfers In	170,093	11	0.0%
Grand Total	80,608,408	23,703,962	29.4%

PROPERTY TAX

The first major property tax distribution to the City for FY 2022-23 was 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. Property tax is trending slightly higher than last fiscal year, however; due to a lag in when revenues are received, we are only at 20.7% of estimated revenue for the year.

SALES TAX

As of December 31, 2022, the allocation received represents approximately 32% 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 second quarter \$2.2M or 23.2% 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.

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 \$3.3M or 43.1% or through December 2022.

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 over 76% of the original budget projection. This is mainly due to electrical permits, plumbing permits, and street improvements. Revenue and offsetting expenditures (building and engineering services) are proposed to be adjusted accordingly.

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.

COST RECOVERY

This category includes mutual aid cost reimbursement for strike team deployments for the Fire Department. Strike deployments have decreased over the past few months and are expected to be less than prior years.

INTERDEPARTMENTAL CHARGES

This category includes overhead chargebacks from internal service funds: General Liability, Workers Compensation, and Fleet Maintenance. These charges are equally distributed across the fiscal year and billed monthly.

USE OF MONEY & PROPERTY

This category includes rental and interest income. To-date, interest income is trending over projected, at 77% or \$244k.

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 47.7% 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 \$86k or 49.2% of the original budget projection has been realized.

TRANSFERS IN

This category includes a transfer from the Successor Agency for administrative costs. This transfer is made at the end of the fiscal year.

REVENUES PROJECTIONS

Revenue projections are revised with the Quarterly Report based on revenue trends, and activity to date. The total proposed adjustment is an increase of \$626,000 in revenue to the General Fund.

Table 2: GF Revenue Projection

Revenue Source	Current Budget	Proposed Adj.	Revised Projection
Charges for Services	7,578,220		7,578,220
Cost Recovery	1,365,900		1,365,900
Fines & Forfeitures	1,073,290		1,073,290
Interdepartmental Charges	1,196,200		1,196,200
Licenses & Permits	3,767,810	626,000	4,393,810
Other Revenues	175,670		175,670
Other Taxes	9,446,000		9,446,000
Property Tax	28,986,300		28,986,300
Revenue from Other Agencies	2,628,625		2,628,625
Sales Tax	23,142,000		23,142,000
Transfers In	170,093		170,093
Use of Money & Property	1,078,300		1,078,300
Grand Total	80,608,408	626,000	81,234,408

GENERAL FUND EXPENDITURES

As of December 31, 2022, with 50% of the year complete, \$34.9 million or 40.6% of the General Fund budget has been expensed (see Table 3 below). Except for Fire, Human Resources and Police, all departments are below 50% for the quarter. Fire is tending over due to overtime and an encumbrance from the prior year. Human Resources is over due to influx in Legal Services. Police is over due to one-time sick leave buybacks. Except for Fire overtime, these overages are included in the proposed amendment.

Table 3: GF Expenditures – Budget vs. YTD Actual

Department	Current Budget	YTD Actual	%
Administration	2,553,899	1,243,213	48.2%
City Clerk	543,803	221,695	30.0%
Community Development	3,847,416	2,289,814	39.0%
Finance	2,420,516	1,101,368	36.6%
Fire	20,706,652	10,922,103	51.0%
Human Resources	794,232	455,079	52.5%
Police	27,954,792	15,127,234	53.4%
Public Services	6,227,545	3,312,669	41.5%
Transfers Out	15,128,383	283,600	1.9%
Grand Total	80,177,238	34,956,775	40.6%

GENERAL FUND OVERTIME

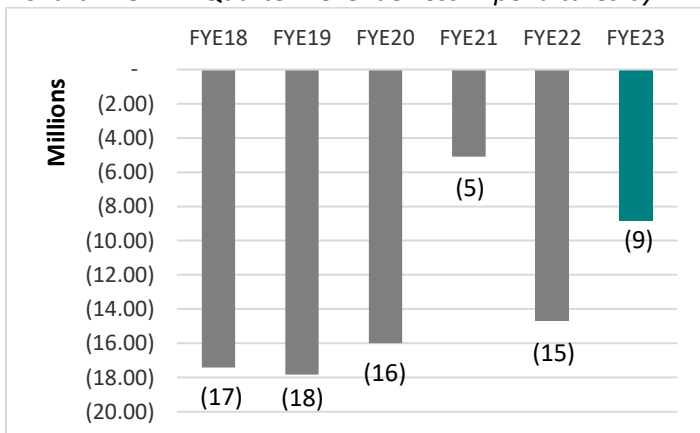
Table 4 summarizes overtime by department within the General Fund. Overtime is trending over budget (over 50%) in Fire (63.7%), Police (53.8%), and Public Services (110.6%). Public Services overtime is over due to Special Events which are increasing to pre-pandemic levels. This overage has been included in the proposed budget amendment.

Table 4: GF Overtime YTD

Department	Current Budget	YTD GF Overtime	%
Administration	4,030	770	19.1%
Community Development	0	1,305	0.0%
Finance	2,860	843	29.5%
Fire	3,233,160	2,059,385	63.7%
Human Resources	0	152	0.0%
Police	3,125,240	1,679,924	53.8%
Public Services	51,110	56,511	110.6%
Grand Total	6,416,400	3,798,890	59.2%

Overall, total General Fund Revenue (\$23M) less Expenditures (\$32M) for the year is negative \$9 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 2nd 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 second quarter budget amendment has positive net impact on the General Fund of \$45,100.

Table 5: Summary of Proposed GF Budget Amendment

Department	Current Budget	Requested BA	Amended Budget
Administration	2,553,899		2,553,899
City Clerk	543,803	42,300	586,103
Community Development	3,847,416	344,000	4,191,416
Finance	2,420,516		2,420,516
Fire	20,706,652	58,900	20,765,552
Human Resources	794,232	40,000	834,232
Police	27,954,792	39,700	27,994,492
Public Services	6,227,545	56,000	6,283,545
Transfers Out	15,128,383		15,128,383
Grand Total	80,177,238	580,900	80,758,138

The proposed General Fund budget amendment totals \$580,900 and includes the following:

- 1. City Clerk (\$42,300):** A carry-over encumbrance from last fiscal year is proposed to be reappropriated for the Master Fee Study and Cost Allocation Plan.
- 2. Community Development (\$344k):** Building & Safety and Engineering fees are proposed to be increased by \$344,000 which is proportionately to the influx in Building and Permit Revenue.
- 3. Fire (\$58,900):** A carry-over encumbrance from last fiscal year is proposed to be reappropriated for personal protective equipment.
- 4. Human Resources (\$40k):** Funding is proposed to be added to fund the influx in legal services.
- 5. Police (\$39,700):** The budget is proposed to be increased to reflect actuals for leave buy-backs.
- 6. Public Services (\$56k):** Funding is proposed to be added for special events overtime.

ENTERPRISE FUND (FUND 375)

This fund accounts for the computer services provided by the Police Department to other public safety agencies for a fee. The programs are marketed to both public and private agencies. The program also provides these products and services to the West Covina Police Department.

The Police Department’s Computer Service Group has expended 15 % of its budget year-to-date. Revenue is generally billed once annually.

Table 6: Police Enterprise Budget vs. YTD Actuals

Type	Current Budget	YTD Actual	%
Revenue	645,080	18,030	2.8%
Expenditures	731,831	110,233	15.1%
Revenue Less Expenditures	(86,751)	(92,204)	

SPORTSPLEX (FUND 242)

This fund accounts for activity at the West Covina Sportsplex, a recreation facility which amenities include softball fields, a pavilion, playgrounds, and restaurants.

Budget versus actual comparisons for both revenue and expenditures for the Sportsplex are presented in Table 7 below. As of the end of the second quarter, revenue less expenditures were negative \$183,703 – near the original General Fund Transfer budget.

Table 7: Sportsplex Budget vs. YTD Actuals

Type	Current Budget	YTD Actual	%
Revenue			
Charges for Services	326,000	57,240	17.6%
Transfers In	184,583	0	0.0%
Use of Money & Property	81,930	45,419	55.4%
Other Revenues	5,900	800	13.6%
Revenue Total	598,413	103,459	
Expenditures			
Salaries & Benefits	306,378	93,132	30.4%
Materials & Services	292,035	194,030	66.4%
Expenditures Total	598,413	287,162	
Revenue Less Expenditures	0	(183,703)	

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	4,266,660	1,678,913	39.3%
Expenditures	5,229,809	1,882,584	36.0%
Capital Project Funds			
Revenue	856,600	256,583	30.0%
Expenditures	7,690,090	875,037	11.4%
CDBG			
Revenue	2,284,395	196,273	8.6%
Expenditures	2,420,512	203,520	8.4%
CFD			
Revenue	777,400	774,209	99.6%
Expenditures	5,177,421	4,983,488	96.3%
Debt Service			
Revenue	15,446,948	234,781	1.5%
Expenditures	15,258,000	8,538,022	56.0%
Gas Tax			
Revenue	3,063,915	1,221,963	39.9%
Expenditures	4,413,790	1,223,934	27.7%
Grant Funds			
Revenue	4,401,547	179,578	4.1%
Expenditures	17,973,574	1,369,825	7.6%
Health Department			
Expenditures	401,000	0	0.0%
Housing Authority			
Revenue	22,790	19,576	85.9%
Expenditures	1,139,103	362,167	31.8%
Internal Service Funds			
Revenue	5,277,198	2,735,121	51.8%
Expenditures	5,009,046	5,055,596	100.9%
Metro Funds			
Revenue	7,061,700	4,878,378	69.1%
Expenditures	9,582,330	1,342,153	14.0%
Other SR Funds			
Revenue	4,426,858	4,512,660	101.9%
Expenditures	8,679,191	1,510,218	17.4%
SB1			
Revenue	2,989,658	1,102,371	36.9%
Expenditures	4,847,972	617,290	12.7%
Sewer Maintenance			
Revenue	3,769,530	1,702,560	45.2%
Expenditures	7,238,997	1,528,825	21.1%
Successor Agency			
Revenue	13,002,110	34,083	0.3%
Expenditures	1,682,558	1,527,900	90.8%

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

- Fund 146, Senior Meals Program (\$72,628):** On January 27, 2023, the City was notified by the County Aging and Disabilities Department that its award increased by an additional \$72,628 for the FY 2022-2023 Senior Meals Program. \$70,000 is to be used for meals and \$2,628 for the purchase of a mixer.
- Fund 160, Capital Projects Fund (\$0):** The City included \$105,000 in FY2022-2023 Budget to replace City Hall Entry signs. This project was initiated and completed prior to the fiscal year; thus, the FY2022-23 appropriation is no longer needed. Staff proposes transferring this to a new project titled Facilities Improvements to address deferred repairs at various buildings.
- Fund 224, Measure R (\$34,600):** Additional funding is proposed to accommodate the contractual annual CPI increase for street sweeping.
- Fund 367, Vehicle Replacement Fund (\$50k):** The Police Department totaled a motorcycle and would like to replace it. The City received \$35,754 for the old motorcycle from insurance and there is available fund balance to cover the rest.
- Fund 177, PDF H – Friendship, and Fund 171, PDF B Palm View (\$75,000):** One of the roofs at Friendship Park needs replacement. Funding is proposed to be transferred from the Palm View PDF to the Friendship Park PDF to cover the expense.

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.