



THIRD QUARTER FINANCIAL REPORT

Fiscal Year 2022-23

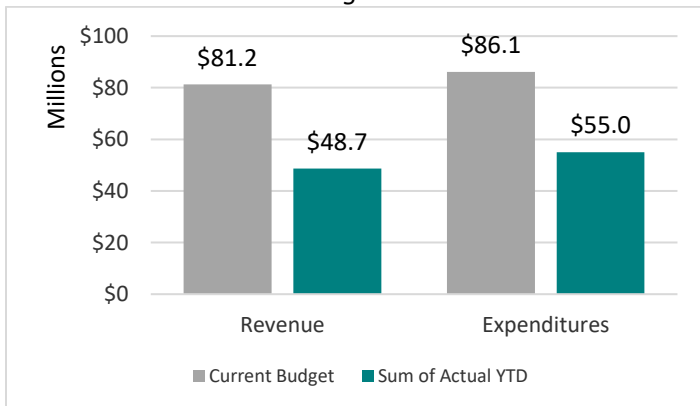
The City has completed the third quarter of Fiscal Year (FY) 2022-23. This report summarizes the overall financial performance of the City for the period of July 1, 2022, through March 31, 2023, but it is not meant to be inclusive of all finance and accounting transactions. While the focus of the report 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 March 31, 2023. 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 75% of the year complete, General Fund revenues are nearly 60% of budget, and expenditures are at almost 64%.

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	17,024,422	58.7%
Sales Tax	23,142,000	13,099,028	56.6%
Other Taxes	9,446,000	5,714,574	60.5%
Charges for Services	7,578,220	5,144,066	67.9%
Licenses & Permits	4,393,810	4,456,123	101.4%
Revenue from Other Agencies	2,628,625	428,767	16.3%
Cost Recovery	1,365,900	40,585	3.0%
Interdepartmental Charges	1,196,200	892,658	74.6%
Use of Money & Property	1,078,300	952,361	88.3%
Fines & Forfeitures	1,073,290	824,063	76.8%
Other Revenues	175,670	78,733	44.8%
Transfers In	170,093	11	0.0%
Grand Total	81,234,408	48,655,392	59.9%

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 58.7% of estimated revenue for the year. Additionally, the Property Taxes In-Lieu of Vehicle License Fees

(VLF) will be over the budget estimate by \$885,700. Staff has included this revenue in the proposed budget amendment.

SALES TAX

As of March 31, 2023, the allocation received represents approximately 56% 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 \$5.7M or 60.5% 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 \$5.1M or 67.9% or through March 2023.

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 101% of the original budget projection. This is mainly due to building permits, electrical permits, and plumbing permits. 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 once 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 in 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 88% or \$952k.

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 76.8% 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 \$78k or 44.8% 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 \$1,483,700 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	4,393,810	598,000	4,991,810
Other Revenues	175,670		175,670
Other Taxes	9,446,000		9,446,000
Property Tax	28,986,300	885,700	29,872,000
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	81,234,408	1,483,700	82,718,108

GENERAL FUND EXPENDITURES

As of March 31, 2023, with 75% of the year complete, \$55 million, or nearly 64% of the General Fund budget has been expensed (see Table 3 below). Except for Fire, Human Resources and Police, all departments are below 75% for the quarter. Fire is tending over due to overtime buybacks and workers’ compensation. Human Resources is over due to influx in Legal Services. Police is over due to overtime. These overages are included in the proposed amendment.

Table 3: GF Expenditures – Budget vs. YTD Actual

Department	Current Budget	YTD Actual	%
Administration	2,637,899	1,970,962	74.7%
City Clerk	586,103	226,236	38.6%
Community Development	4,191,416	2,101,803	50.1%
Finance	2,420,516	1,498,897	61.9%
Fire	20,765,552	16,299,300	78.5%
Human Resources	839,232	637,127	75.9%
Police	27,994,492	22,585,960	80.7%
Public Services	6,283,545	3,981,626	63.4%
Transfers Out	20,399,383	5,717,129	28.0%
Grand Total	86,118,138	55,019,039	63.9%

GENERAL FUND OVERTIME

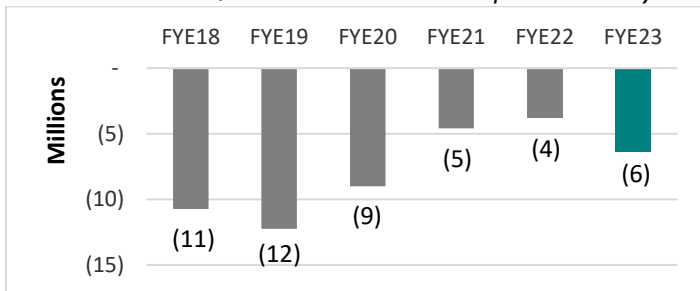
Table 4 summarizes overtime by department within the General Fund. Overtime is trending over budget (over 75%) in Fire (99.7%), Police (83%), and Public Services (93.9%). Public Services overtime is over due to Special Events which are increasing to pre-pandemic levels and have been offset by salary savings. These overages have 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	6,539	0.0%
Finance	2,860	1,153	40.3%
Fire	3,233,160	3,223,667	99.7%
Human Resources	0	152	0.0%
Police	3,125,240	2,593,894	83.0%
Public Services	107,110	100,600	93.9%
Grand Total	6,472,400	5,926,776	91.6%

Overall, total General Fund Revenue (\$48M) less Expenditures (\$56M) for the year is negative \$6 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 second quarter budget amendment had a positive net impact on the General Fund of \$45,100. The proposed third quarter budget amendment has a positive net impact on the General Fund of \$3,050.

Table 5: Summary of Proposed GF Budget Amendment

Department	Current Budget	Requested BA	Amended Budget
Administration	2,637,899		2,637,899
City Clerk	586,103		586,103
Community Development	4,191,416	300,000	4,491,416
Finance	2,420,516		2,420,516
Fire	20,765,552	786,920	21,565,472
Human Resources	839,232	15,000	854,232
Police	27,994,492	363,000	28,357,492
Public Services	6,283,545		6,283,545
Transfers Out	20,399,383	15,730	20,415,113
Grand Total	86,118,138	1,480,650	87,611,788

The proposed General Fund budget amendment totals \$1,480,650 and includes the following:

- Community Development (\$300k):** Building & Safety and Engineering fees are proposed to be increased by \$300,000 which is proportionately to the influx in Building and Permit Revenue.
- Fire (\$796,920):** A total of \$574,7000 is proposed to be added for overtime and workers compensation overages. Additionally, \$212,220 is proposed to be added for fees associated with the Ground Emergency Medical transport (GEMT) program. Staff anticipates receiving approximately \$238,000 for reimbursement from prior years under this program. This is anticipated to be reflected in the fourth quarter.
- Human Resources (\$15k):** Funding is proposed to be added to fund the influx of legal services.
- Police (\$363,000):** Appropriations are proposed to be increased by \$340,000 for overtime and \$23,000 for psychological exam fees associated with Concealed Carry Weapons (CCW) permits.
- Transfers Out (\$15.7k):** A transfer from the General Fund is proposed to cover non reimbursable grant in the Waste Management Enforcement Grant Fund.

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 Police Department also utilizes these products and services.

The fund has expended 24% 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	175,299	24.0%
Revenue Less Expenditures	(86,751)	(157,269)	

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 \$410,515.

Table 7: Sportsplex Budget vs. YTD Actuals

Type	Current Budget	YTD Actual	%
Revenue			
Transfers In	429,583	0	0.0%
Charges for Services	326,000	66,134	20.3%
Use of Money & Property	81,930	51,606	63.0%
Other Revenues	5,900	800	13.6%
Revenue Total	843,413	118,540	
Expenditures			
Materials & Services	526,035	275,358	52.3%
Salaries & Benefits	306,378	253,697	82.8%
Capital	11,000	-	0.0%
Expenditures Total	843,413	529,055	
Revenue Less Expenditures	0	(410,515)	

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	2,494,170	58.5%
Expenditures	5,229,809	2,638,371	50.4%
Capital Project Funds			
Revenue	3,486,600	2,998,207	86.0%
Expenditures	9,640,091	1,531,827	15.9%
CDBG			
Revenue	2,284,395	346,145	15.2%
Expenditures	2,420,512	329,737	13.6%
CFD			
Revenue	777,400	1,370,629	176.3%
Expenditures	5,202,421	91,519	1.8%
Debt Service			
Revenue	15,446,948	425,679	2.8%
Expenditures	15,258,000	12,404,316	81.3%
Gas Tax			
Revenue	3,063,915	1,913,918	62.5%
Expenditures	4,413,790	2,069,077	46.9%
Grant Funds			
Revenue	11,401,547	402,856	3.5%
Expenditures	24,973,574	1,932,627	7.7%
Health Department			
Expenditures	401,000	0	0.0%
Housing Authority			
Revenue	22,790	54,053	237.2%
Expenditures	1,139,103	650,853	57.1%
Internal Service Funds			
Revenue	7,813,952	6,750,686	86.4%
Expenditures	5,059,046	6,480,017	128.1%
Metro Funds			
Revenue	7,061,700	7,203,008	102.0%
Expenditures	9,616,930	2,008,150	20.9%
Other SR Funds			
Revenue	4,618,939	5,947,765	128.8%
Expenditures	9,306,631	3,401,590	36.6%
SB1			
Revenue	2,989,658	1,867,160	62.5%
Expenditures	4,847,972	633,933	13.1%
Sewer Maintenance			
Revenue	3,769,530	2,469,373	65.5%
Expenditures	7,651,997	1,923,546	25.1%
Successor Agency			
Revenue	13,002,110	2,647,677	20.4%
Expenditures	1,682,558	1,729,840	102.8%

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

1. ***Fund 121, Prop A (\$500k):*** Revenue and expenditures are proposed to be increased by \$500,000 to accommodate the Prop A Exchange.
2. ***Fund 184, Maintenance District #4 (\$100k):*** Public Services has responded to emergency tree removal and clearing in the District to mitigate the City's risk and ensure public safety. This increase in contract services is estimated to be \$100k.
3. ***Fund 145, Waste Mgt Enforcement Grant (\$15,730):*** A transfer from the General Fund is proposed to cover non reimbursable grant.

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.