



## CITY OF GLENDALE, CALIFORNIA REPORT TO THE CITY COUNCIL

### AGENDA ITEM

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Report: Financial Status Report

1. Motion to note and file the Preliminary Financial Status Report as of June 30, 2020

### COUNCIL ACTION

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**Item Type:** Action Item

**Approved for** August 4, 2020 **calendar**

### ADMINISTRATIVE ACTION

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**Submitted by:**

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**Prepared by:**

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**Reviewed by:**

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Michael J. Garcia, City Attorney

Adrine Isayan, Deputy Director of Finance

**Approved by:**

Yasmin K. Beers, City Manager

## **RECOMMENDATION**

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It is recommended that the City Council approve the following:

1. Motion to note and file the Preliminary Financial Status Report as of June 30, 2020

## **BACKGROUND/ANALYSIS**

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The past several months have certainly been some of the most challenging for many cities in our nation, including Glendale. The emergence of the COVID-19 pandemic and the associated “Safer at Home” measures substantially impacted the forecast of the City’s financial standing, as well as created a state of uncertainty for many businesses. The impact to Glendale’s revenues has been inevitable, although difficult to predict. However, in spite of the challenges that were involved in the preparation of the FY 2020-21 budget and the financial forecast, the focus continues to remain on developing a structurally balanced and fiscally responsible financial plan that best serves the needs of our community.

The City’s FY 2020-21 Budget was adopted by City Council on June 2, 2020. Due to the state of uncertainty of the City’s financials as a result of the pandemic, City Council requested for staff to present monthly update reports to inform the City Council of the ongoing financial status. At this point in time, although most citywide revenues and expenditures for FY 2019-20 have been received and recorded, there are multiple revenues and expenditures in various categories that still have not yet been received or reflected. A majority of the final revenue receipts and adjustments to year-end expenditures take place in the months of August and September; therefore, the actuals presented in this report for FY 2019-20 are preliminary, unaudited and subject to change.

Based on actuals recorded to date and estimates of what still has to be recorded for FY 2019-20, it is anticipated that the General Fund will end the year with an estimated net loss of approximately \$5.7 million. In May 2020 during the first budget study session, the anticipated year-end results were estimated to be a net loss of approximately \$5.8 million.

### **General Fund Revenues**

The projected actual revenue to be received as of June 30, 2020 is \$222.4 million (not inclusive of Measure S revenues). This amount is based on actuals received and recorded as of the date of this report as well as some assumptions of additional revenues to be reflected in the final year-end numbers. During the May budget study

sessions, staff provided year-end revenue estimates to City Council which totaled \$225.5 million. This amount included \$3 million for vacancy savings under the “Miscellaneous and Non-Operating” revenue category. However, as we finalize year-end numbers, it is best to remove this vacancy savings estimate from the revenue side because the entire salary savings will be realized under the expenditures once all the actuals are recorded.

A summary update of the preliminary revenues received for the City’s major revenue categories are as follows:

- Property Taxes – Total revenue received thus far in this category is \$64.3 million, which is 100.4% of the Property Tax budget. Although most of the property tax has been fully received, there are some pending minor receipts that will be reflected in this category, bringing the total projected actuals to \$64.7 million.
- Sales Taxes – Total revenue received thus far in this category is \$40.8 million (not inclusive of Measure S revenues). This amount does not yet reflect the receipts of sales tax revenues for the month of June 2020. Although the revenue in the final quarter of FY 2019-20 was substantially impacted by COVID-19, the projected sales tax revenue still seems to be on track to meet the budgeted projection at \$42.5 million based on revised forecasts provided by HdL Companies.
- Utility Users’ Taxes – Total revenue received thus far in this category is \$23.2 million. This amount does not reflect the final increments to be received for FY 2019-20, however the projected revenues to be received seem to be on track to meet the budgeted projection at \$25.1 million.
- Occupancy & Other Taxes – This category includes revenues received for Franchise Tax, Transient Occupancy Tax (also known as Hotel Tax), Property Transfer Tax, and Scholl Canyon Assessments. Revenue received in this category thus far is \$12.2 million. Although this amount does not reflect the final increments to be received in all individual sub-categories, the projected revenue to be received in this category is \$1.6 million below the budgeted projection. The projected variance is primarily due to the commercial franchise negotiations still in progress and not yet finalized, as well as Transient Occupancy Tax revenues tracking lower than anticipated.
- Licenses & Permits – Total revenue received thus far in this category is \$8.9 million, which is 100.5% of the revenue budget. Although no major changes in revenues that are known are projected in this category at this time, the total amount reflected is preliminary and may be subject to change.
- Charges for Services – Revenue received in this category thus far is \$13.4 million. Although this amount does not reflect the final increments to be received in all individual sub-categories, the projected revenues to be received in the amount of

\$15.9 million are tracking slightly higher than budgeted projections, primarily due to the fire emergency medical response fees coming in higher than anticipated.

The table below illustrates the Preliminary General Fund Revenues as of June 30, 2020, by major category.

**General Fund Revenues**  
**Preliminary Budget to Actuals, June 30, 2020**  
(In Thousands)

<b>Category</b>	<b>Adopted</b>	<b>Revised</b>	<b>Preliminary Actuals</b>	<b>% Received</b>	<b>Projected Actuals</b>
Property Taxes	\$ 64,043	\$ 64,043	\$ 64,297	100.4%	\$ 64,725
Sales Taxes	45,403	42,537	40,750	95.8%	42,537
Utility Users' Tax	28,162	25,129	23,214	92.4%	25,129
Occupancy & Other Taxes	16,690	15,590	12,222	78.4%	13,962
Licenses & Permits	10,685	8,821	8,861	100.5%	8,861
Rev. from Other Agencies	204	398	334	83.9%	434
Charges for Services	16,270	15,003	13,385	89.2%	15,885
Interfund Revenue	19,310	19,310	19,310	100.0%	19,310
Fines & Forfeitures	3,260	3,260	3,209	98.4%	3,265
Interest/Use of Money	2,289	2,289	2,341	102.3%	2,541
Misc. & Non-Operating*	4,546	5,289	1,925	36.4%	1,925
Transf. from Other Funds	21,427	20,070	1,150	5.7%	20,070
GSA Loan Repayment	3,733	3,733	3,733	100.0%	3,733
<b>Total Revenues</b>	<b>\$236,021</b>	<b>\$ 225,473</b>	<b>\$ 194,731</b>	<b>86.4%</b>	<b>\$ 222,376</b>

\*Misc & Non-Operating Revenues include \$3.0 million of vacancy savings which is realized within expenditures.

**General Fund Expenditures**

The preliminary actual expenditures as of June 30, 2020 are \$228.7 million, reflecting 94.3% of total General Fund budget. This variance is mainly due to savings within the salaries & benefits, contractual services, and utilities categories across each General Fund department. An attributable factor to this variance also includes operational cost savings due to various city facilities being closed to public during the COVID-19 pandemic and certain programs not being able to occur.

The table on the following page reflects the preliminary General Fund expenditures by major category as of June 30, 2020.

**General Fund Expenditures**  
**Preliminary Budget to Actuals by Category, June 30, 2020**  
(In Thousands)

<b>Category</b>	<b>Adopted Budget</b>	<b>Revised Budget</b>	<b>Preliminary Actuals</b>	<b>% Expensed</b>
<u>Salaries &amp; Benefits</u>				
Salaries	\$ 98,972	\$ 97,487	\$ 88,416	90.7%
Overtime	10,181	10,181	16,221	159.3%
Hourly Wages	7,342	7,322	5,478	74.8%
Benefits (Net salary charges out)	28,487	29,127	30,339	104.2%
PERS (Net of cost-share)	43,029	43,029	39,592	92.0%
<b>Total Salaries &amp; Benefits</b>	<b>\$ 188,011</b>	<b>\$ 187,146</b>	<b>\$ 180,046</b>	<b>96.2%</b>
<u>Maintenance &amp; Operation</u>				
Contractual Services	\$ 8,805	\$ 11,067	\$ 7,715	69.7%
Supplies	2,685	2,599	2,719	104.6%
Utilities	7,003	7,003	6,396	91.3%
Other M&O	27,226	29,360	27,117	92.4%
<b>Total Maintenance &amp; Operation</b>	<b>\$ 45,719</b>	<b>\$ 50,029</b>	<b>\$ 43,947</b>	<b>87.8%</b>
Capital Outlay	-	740	266	35.9%
Transfers Out	3,239	4,521	4,464	98.7%
<b>Total General Fund Budget</b>	<b>\$ 236,969</b>	<b>\$ 242,436</b>	<b>\$ 228,723</b>	<b>94.3%</b>

**General Fund Summary Update**

Based on the FY 2019-20 projected revenues and appropriations, we anticipate a net use of General Fund unassigned fund balance of \$5.7 million, compared to the initial FY 2019-20 projected use of fund balance of \$5.8 million. Factoring in projected budget carryovers into FY 2020-21 in the amount of \$800 thousand for unfinished services or undelivered purchased items, equates to \$6.5 million in projected use of unassigned fund balance. The FY 2020-21 budget was also adopted with a projected ending use of unassigned fund balance of \$4.8 million. Looking into the horizon, while the City may face some funding challenges, staff will continue to monitor the financial standing of the City's finances as more information becomes available, and report back to City Council.

The table on the following page illustrates the General Fund initial projected actuals for FY 2019-20, the estimated actuals for FY 2019-20, and the adopted FY 2020-21 budget.

**General Fund**  
**General Fund Summary Update, June 30, 2020**  
(In Thousands)

	<b>Initial Projected Actuals FY 19-20</b>	<b>Estimated Actuals FY 19-20</b>	<b>Adopted FY 20-21</b>
Resources			
Revenues	\$ 225,473	\$ 222,376	\$ 233,366
Econ. Dev. Assigned Fund Balance	628	628	667
Total resources	\$ 226,101	\$ 223,004	\$ 234,033
Appropriations			
Appropriations	\$ 242,436	\$ 242,436	\$ 238,802
Estimated Savings	(10,502)	(13,713)	-
Total Appropriations	\$ 231,934	\$ 228,723	\$ 238,802
<b>Net Surplus/(Use of Fund Balance)</b>	<b>\$ (5,833)</b>	<b>\$ (5,719)</b>	<b>\$ (4,769)</b>
Estimated FY 19-20 Carryovers into FY 20-21	800	800	-
<b>Ending Net Surplus/(Use of Fund Balance)</b>	<b>\$ (6,633)</b>	<b>\$ (6,519)</b>	<b>\$ (4,769)</b>

**Measure S**

The Measure S revenue received thus far is \$21.1 million, which does not reflect the pending receipt of revenues for the month of June 2020. Although the revenue in the final quarter of FY 2019-20 was substantially impacted by COVID-19, the projected Measure S sales tax revenue still seems to be on track to meet the budgeted projection at \$22.1 million. The preliminary expenditures for the Measure S programs total to \$13.5 million and are projected to be about \$13.6 million, which may still be subject to change.

The table on the following page shows the Measure S adopted and revised resources and appropriations, preliminary actuals, and estimated projected year-end actuals, as of June 30, 2020.

**Measure S Resources and Appropriations  
As of June 30, 2020**

	Adopted FY 2019-20	Revised FY 2019-20	Preliminary Actuals FY 2019-20	Projected Actuals FY 2019-20
<b><u>Revenues</u></b>	<b>\$ 30,000</b>	<b>\$ 22,140</b>	<b>\$ 21,089</b>	<b>\$ 22,140</b>
<u>Housing</u>				
Affordable Housing Development*	\$ 20,000	\$ 20,000	\$ 12,127	\$ 12,127
Rental Rights Program	410	410	313	344
Monthly Housing Rental Subsidy*	4,170	4,170	270	270
First Time Home Buyer Program	750	750	-	-
<u>Infrastructure</u>				
Seismic Upgrades – Fire Stations*	\$ 3,500	\$ 3,500	\$ 9	\$ 9
<u>Recreation</u>				
Aquatics Program Expansion	\$ 560	\$ 560	\$ 356	\$ 356
<u>Holiday</u>				
Ice Rink	\$ 458	\$ 458	\$ 432	\$ 432
<u>Economic Recovery</u>				
Al Fresco Glendale*	\$ -	\$ 150	\$ 30	\$ 72
<b>Total Appropriations</b>	<b>\$ 29,848</b>	<b>\$ 29,998</b>	<b>\$ 13,537</b>	<b>\$ 13,610</b>

\*The unspent budget will be carried over into FY 2020-21

## **FISCAL IMPACT**

There is no fiscal impact associated with note and file of this financial status report.

## **ALTERNATIVES**

Alternative 1: The City Council may approve

1. Motion to note and file the Preliminary Financial Status Report as of June 30, 2020

Alternative 2: The City Council may consider any other alternative not proposed by staff.

## **CAMPAIGN DISCLOSURE**

None

## **EXHIBITS**

None