



CITY OF GLENDALE, CALIFORNIA REPORT TO THE CITY COUNCIL

AGENDA ITEM

Report: Financial Status Report for the period ending September 30, 2020

1. Motion to note and file the Financial Status Report for the period ending September 30, 2020
2. Resolution of appropriation approving \$1,404 in adjustments to the adopted fiscal year 2020-21 Budget

COUNCIL ACTION

Item Type: Action Item

Approved for December 15, 2020 **calendar**

ADMINISTRATIVE ACTION

Submitted by:

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Prepared by:

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Reviewed by:

Adrine Isayan, Deputy Director of Finance

Mari Karamyan, Budget Manager

Gary Shaffer, Director of Library, Arts & Culture

Michael J. Garcia, City Attorney

Approved by:

Roubik R. Golanian, P.E., Interim City Manager

RECOMMENDATION

It is recommended that the City Council approve the following:

1. Motion to note and file the Financial Status Report for the period ending September 30, 2020
2. Resolution of appropriation approving \$1,404 in adjustments to the adopted fiscal year 2020-21 Budget

BACKGROUND/ANALYSIS

The City's FY 2020-21 Budget was adopted by City Council on June 2, 2020. Staff presented a preliminary first quarter report to City Council on November 3, 2020. Since then, staff has continued to analyze the revenues and expenditures that have been received and recorded and has revisited the adopted budget for proposed adjustments to the revenues and expenditure projections. The financial update in this report is for the final revenues and expenditures received and recorded for the first quarter (July 1 to September 30, 2020) of FY 2020-21.

General Fund Revenues

Revenues received in FY 2020-21 through September 30, 2020 total \$28.0 million (not inclusive of Measure S), or 12.5% of the revised revenue budget. The Revenues from Other Agencies category initially did not include a revenue estimate from the CARES Act; subsequent to the adoption of the budget, this category has been revised to include \$2.5 million in funds from the State for Coronavirus Relief, of which three out of the six payments have been received as of September 30. This revenue will be used to offset General Fund expenses resulting from the COVID-19 pandemic. In addition, beginning FY 2019-20 the GSA Loan Repayment amount is no longer being recorded as earned revenues, however it will be reflected in the unassigned fund balance category for the City's General Fund and thus remains to be accounted for as a General Fund resource.

In addition, the Occupancy & Other Taxes are tracking lower than anticipated due to the receipt schedule for Franchise Tax payments, but also due to lower receipts from the Transient Occupancy Tax (TOT). The hospitality industry continues to be hit hard as a result of behavioral changes stemming from the COVID-19 pandemic. Thus, after analyzing this category, staff has revised the TOT revenue projection down by \$4.0 million (approximately 50% of the adopted amount), which is reflected in the revised Revenues projection.

It should also be noted that the Property Tax category is relatively low thus far, due to the timing of receipts. Larger Property Tax payments generally come in first towards the end of the calendar year, as taxes are paid. Sales Tax payments are received two

months in arrears; as of September 30, only the sales tax revenues from July have been recorded. However, since October's payment for the month of August and November's payment for the month of September have already been received, they are incorporated in the figures in this report. Sales taxes appear to be tracking closely to budgeted estimates. While restaurants and auto dealerships have seen declines these past few months due to the COVID-19 pandemic, adaptations have allowed them to gradually increase activity. Furthermore, the increase in online spending has continued to drive County pools higher, thereby partially mitigating declines in other industries.

The table below illustrates the General Fund revenues as of September 30, 2020, by major category.

General Fund Revenues
Final Q1 Budget to Actuals, September 30, 2020
(In Thousands)

Category	Adopted Budget	Revised Budget	Final Q1 Actuals	% Received
Property Taxes	\$ 69,809	\$ 69,809	\$ 722	1.0%
Sales Taxes*	42,547	42,547	10,903	25.6%
Utility Users' Tax	24,224	24,224	5,017	20.7%
Occupancy & Other Taxes	18,201	14,201	620	4.4%
Licenses & Permits	9,147	9,147	1,923	21.0%
Rev. from Other Agencies	220	2,755	1,268	46.0%
Charges for Services	17,342	17,342	1,600	9.2%
Interfund Revenue	18,223	18,223	4,526	24.8%
Fines & Forfeitures	3,330	3,330	672	20.2%
Interest/Use of Money	1,811	1,811	273	15.1%
Misc. & Non-Operating	1,707	1,707	142	8.3%
Transfers	18,594	18,594	288	1.6%
Total Revenues	\$ 225,156	\$ 223,690	\$ 27,954	12.5%
GSA Loan Repayment**	8,210	8,210	-	0.0%
Grand Total Resources	\$ 233,366	\$ 231,900	\$ 27,954	12.1%

* Excludes Measure S sales tax revenues; includes receipts for the months of July through September.

**The GSA Loan Repayment amount is no longer being recorded as earned revenues but will be reflected in the unassigned fund balance category for the City's General Fund.

General Fund Expenditures

As of the first three months, expenditures are tracking slightly lower than the 25% expected amount. Total General Fund expenditures as of September 30, 2020, exclusive of Measure S, are \$55.6 million, or 23.5% of the total revised budget. Based on spending that may be seasonal, or simply occur later in the fiscal year, some expenses can fluctuate from the expected 25% average. In particular, the Capital Outlay category is higher due to several capital outlay purchases being made earlier in the fiscal year.

Due to the COVID-19 pandemic, departments have identified budget savings in various categories listed below, including contractual services, salaries & benefits, as well as training and travel expenditures, totaling nearly \$1.7 million in the General Fund. This amount has been reduced from the departmental budgets and is reflected in the revised budget. A summary of the reductions by department are referenced under Exhibit A.

General Fund Budget Savings Reductions (In Thousands)

Category	Amount
Salaries & Benefits	\$ 616
Contractual Services	790
Travel & Training	187
Other	70
Total Reductions	\$ 1,663

In addition, the revised budget includes budget carryovers from FY 2019-20 in the amount of \$769 thousand, for goods and services that were not received or completed in the prior fiscal year. The table below illustrates the changes to the adopted Expenditure Budget.

Changes to Adopted Budget (In Thousands)

Adopted Budget	Budget Carryovers	Budget Reductions	Other Adjustments	Revised Budget
\$238,802	\$769	(\$1,663)	\$50	\$237,958

The table on the following page reflects General Fund expenditures, excluding Measure S, by major category as of September 30, 2020.

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

Category	Adopted Budget	Revised Budget**	Final Q1 Actuals	% Expensed
<u>Salaries & Benefits</u>				
Salaries	\$ 100,533	\$ 100,000	\$ 21,527	21.5%
Overtime	10,741	10,741	5,175	48.2%
Hourly Wages	7,257	7,170	1,370	19.1%
Benefits (Net salary charges out)	27,525	27,634	6,938	25.1%
PERS (Net of cost-share)	47,099	47,050	10,115	21.5%
Vacancy Budget Savings	(5,000)	(5,000)	-	-
Total Salaries & Benefits	\$ 188,155	\$ 187,595	\$ 45,125	24.1%
<u>Maintenance & Operation</u>				
Contractual Services	\$ 9,485	\$ 9,173	\$ 1,230	13.4%
Supplies	2,626	2,119	356	16.8%
Utilities	7,166	7,166	1,856	25.9%
Other M&O	28,144	28,400	6,551	23.1%
Total Maintenance & Operation	\$ 47,421	\$ 46,858	\$ 9,993	21.3%
Capital Outlay	-	279	111	39.8%
Transfers Out	1,585	1,585	396	25.0%
Total Expenditures	\$ 237,160	\$ 236,316	\$ 55,625	23.5%
GSA Loan Repayment 20% Transfers out***	\$1,642	\$1,642	-	0.0%
Grand Total	\$ 238,802	\$ 237,958	\$ 55,625	23.4%

* Excludes Measure S sales tax expenditures.

** Revised Budget includes budget carryovers and budget savings.

*** The 20% transfer of the GSA Loan Repayment to the Low and Moderate Housing Fund will no longer be recorded as a transfers out in the General Fund but will be directly reflected in the Low and Moderate Housing Fund.

General Fund
Resources and Appropriations Summary Update
(In Thousands)

	Adopted FY 2020-21	Revised FY 2020-21
Resources:		
Revenues	\$ 225,156	\$ 223,690
Econ Dev Assigned Fund Balance	667	667
Total Resources	\$ 225,823	\$ 224,357
 Total Appropriations (excluding carryovers)	 \$ 237,160	 \$ 235,547
 Net Surplus/(Use of Fund Balance)	 \$ (11,337)	 \$ (11,190)
GSA Loan Repayment (Net of the 20% Transfer to the Low & Mod Housing Fund)	6,568	6,568
Ending Net Surplus/(Use of Fund Balance)	\$ (4,769)	\$ (4,622)

General Fund Projected Ending Fund Balance, June 30, 2021

The City's ending General Fund unassigned & charter reserve fund balance as of June 30, 2020 was \$81.9 million, a reserve of 34.6% of the FY 2019-20 adopted budget. Considering the budget carryovers into FY 2020-21 in the amount of \$769 thousand brings the net adjusted beginning unassigned & charter reserve fund balance to \$81.1 million, a reserve of 34.0%. Factoring in the FY 2020-21 projected revised use of fund balance of \$4.6 million (inclusive of GSA Loan Repayment) brings the total projected ending unassigned & charter reserve fund balance for FY 2020-21 to \$76.5 million, a reserve of 32.0%. The City Council's current General Fund Reserve policy is a minimum of 25% of the annual adopted operating budget, with a target of 35%. The table below displays the fund balance of the City's General Fund as of June 30, 2021.

General Fund Projected Ending Fund Balance, June 30, 2021 (In Thousands)

	Unassigned & Charter Reserve	% of Budget*
Ending Unassigned & Charter Reserve, 6/30/2020	\$ 81,909	34.6%
FY 2020-21 Budget Carryovers	(769)	
Beginning Adjusted Unassigned & Chart Reserve 7/01/2020	81,140	34.0%
FY 2020-21 Revised Projected Use of Fund Balance	(4,622)	
Projected Ending Unassigned & Charter Reserve, 6/30/2021	\$ 76,518	32.0%

Measure S

Sales Tax payments are received two months in arrears; as of September 30, only the sales tax revenues from July have been recorded. However, since October's payment for the month of August and November's payment for the month of September have already been received, they are incorporated in the figures being discussed in this report. Measure S Sales taxes appear to be tracking closely to budgeted estimates at this time.

The table below shows the Measure S adopted, revised, and actual resources and appropriations, as of September 30, 2020.

Measure S Resources and Appropriations
As of September 30, 2020
(In Thousands)

	Adopted FY 2020-21	Revised FY 2020-21	Actuals FY 2020-21
<u>Revenues</u>	\$ 22,170	\$ 22,170	\$ 6,030
<u>Housing</u>			
Assistance Programs	\$ 6,250	\$ 6,250	\$ -
Affordable Housing Development*	6,000	13,866	17
Housing Rental Subsidy Program*	-	3,911	321
Rental Rights Program	445	475	134
<u>Infrastructure</u>			
Citywide Traffic Study	\$ 500	\$ 500	\$ -
Verdugo Wash Greenway Feasibility Study	250	250	-
Seismic Upgrades – Fire Stations*	-	3,416	1
<u>Recreation</u>			
Recreational Land Acquisition	\$ 1,000	\$ 1,000	\$ -
Aquatics Program Expansion	582	582	58
<u>Economic Recovery – Commercial</u>			
Small Business Recovery	\$ 1,600	\$ 2,250	\$ -
Personal Protective Equipment	1,000	500	-
Restaurant Relief/Al Fresco	150	236	97
Support the Arts	500	200	1
Child Care Support	250	250	-
Workforce Development	150	150	-
<u>Total Appropriations</u>	\$ 18,677	\$ 33,837	\$ 629

* The Revised FY 2020-21 amounts include carryovers from FY 2019-20.

The Measure S beginning balance as of July 1 was \$14.2 million. Accounting for the projected FY 2020-21 revenues and revised appropriation (including carryovers from FY 2019-20), the projected ending balance as of June 30, 2021 is nearly \$2.6 million.

The table below shows the status of the fund balance assigned to Measure S.

Measure S
Projected Ending Fund Balance, June 30, 2021
(In Thousands)

	Measure S Balance
Beginning Balance, 07/01/2020	\$ 14,248
FY 2020-21 Projected Revenues	22,170
FY 2020-21 Revised Appropriation*	(33,837)
Projected Ending Balance, 6/30/2021	\$ 2,581

* Includes carryovers from FY 2019-20.

Non-General Fund Budget Savings

In addition to identifying budget savings in the General Fund, Departments analyzed potential budget savings in all other Non-General Funds and identified an additional \$1.35 million in budget reductions in multiple funds including Water and Electric Operating Funds, Sewer and Refuse Funds, as well as ISD Funds. The reductions were in various categories including Contractual Services, Travel and Training, and Capital Outlay associated with the postponing of copier replacements in the City as a result of the COVID-19 Pandemic. A summary of the reductions by department and fund are referenced under Exhibit A.

The table on the following page provides a breakdown of the various budget savings reductions in Non-General Funds.

Non-General Fund Budget Savings Reductions (In Thousands)

Category	Amount
Contractual Services	\$ 340
Travel & Training	506
Capital Outlay	500
Total Reductions	\$ 1,346

Non-General Fund Budget Adjustments

The Library, Arts & Culture department has received an additional award for the Link+ Regional Resource Sharing Project Grant in the amount of \$390. The initial Grant amount was \$32,103.60, thus this additional \$390 award, brings the total to \$32,493.60. Staff is requesting for the approval of the appropriation for the \$390 award amount.

The Library, Arts & Culture department has also received a grant award for the FY 2020-21 California Library Literacy Services program (CLLS) in the amount of \$59,154. The amount to be received was initially estimated at \$58,140 during the budget process. Thus, staff is requesting for the approval of the appropriation for the additional \$1,014 award amount.

FISCAL IMPACT

A total of \$1,404 in adjustments to the adopted FY 2020-21 Budget is being requested.

- 1) The Library, Arts & Culture department is requesting for the appropriation of additional funding received for the Link+ Regional Resource Sharing Project Grant in the amount of \$390 in the following Library Fund (2750) accounts:

Revenues: 34301-2750-LAC-0020-P0000-T0000-Project LAC00243AG

Appropriation: 43110-2750-LAC-0020-P0000-T0000- Project LAC00243AG

- 2) The Library, Arts & Culture department is also requesting for the appropriation of additional grant funding received for the FY 2020-21 California Library Literacy Services program (CLLS) in the amount of \$1,014 in the following Library Fund (2750) accounts:

Revenues: 32610-2750-LAC-0020-P0000-T0000-Project LAC00485AG

Appropriation: 43110-2750-LAC-0020-P0000-T0000- Project LAC00485AG

ALTERNATIVES

Alternative 1: The City Council may approve:

1. Motion to note and file the Financial Status Report for the period ending September 30, 2020
2. Resolution of appropriation approving \$1,404 in adjustments to the adopted fiscal year 2020-21 Budget

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

CAMPAIGN DISCLOSURE

None

EXHIBITS

Exhibit A: Summary of Budget Reductions by Department and Fund