



CITY OF GLENDALE, CALIFORNIA REPORT TO THE CITY COUNCIL

AGENDA ITEM

Report: Financial Status Report - November 30, 2020

1. Motion to note and file the Financial Status Report for the period ending November 30, 2020

COUNCIL ACTION

Item Type: Action Item

Approved for January 26, 2021 **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

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 November 30, 2020.

BACKGROUND/ANALYSIS

The City's FY 2020-21 Budget was adopted by City Council on June 2, 2020. Staff had presented a first quarter report to City Council on December 15, 2020, including the final revenues and expenditures received and recorded for FY 2020-21 through September 30, 2020, as well as the amendments to the adopted budget due to budget carryovers from the prior fiscal year and departmental budget savings reductions. The financial update in this report is for the FY 2020-21 revenues and expenditures received and recorded through November 30, 2020.

General Fund Revenues

Revenues received in FY 2020-21 through November 30, 2020 total nearly \$50.6 million (not inclusive of Measure S revenues), or 22.6% 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 all six payments have been received as of November 30 2020. 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.

The Property Tax category is relatively low thus far, due to the timing of receipts. Larger property tax payments generally are recorded towards the end of the calendar year, as taxes are paid. Sales tax payments are received two months in arrears; as of November 30 2020, only the sales tax revenues from July through September have been recorded. However, since December's payment for the month of October has already been received, it is incorporated in the figures being discussed in this report. Sales taxes appear to be tracking closely to budgeted estimates at this time. While certain sales tax categories such as auto dealerships have seen declines these past few months due to hard hits from the COVID-19 pandemic, adaptations and changes in consumer behavior have allowed them to gradually increase activity. Furthermore, the increases in online spending have continued to drive County pools higher, thereby partially mitigating declines in other industries.

The Occupancy & Other Taxes category includes revenues received for Franchise Tax, Transient Occupancy Tax (TOT), Property Transfer Tax, and Scholl Canyon Assessments. The revenue budget for this category was reduced by \$4.0 million as reported at the first quarter financial update, which is reflected in the revised revenues column. This was to account for the continuous tracking of lower than anticipated TOT as the hospitality industry continues to be significantly impacted by the COVID-19 pandemic. Franchise taxes are also tracking low as commercial franchise negotiations are still in progress as of the first half of the year, which is reflected in the revenue projection and no adjustments to the revenue budget is anticipated at this time.

The Charges for Services category is tracking lower than the prior year, however this was anticipated for the first quarter of the year due to the impacts of COVID-19 on City operations, facilities, and programs. Some of the major revenues in this category include the Emergency Medical Response Fees and Scholl Canyon Landfill Tipping Fees, which are overall tracking close to the projection. However, since the stay-at-home order has extended out to the second quarter of the year, staff will be closely analyzing the potential impact on some of the other revenues within this category, and should a change to the budget be required, such adjustments will be brought forward to City Council in the upcoming mid-year Financial Status Report. Of particular concern are revenues generated from filming fees, rentals of city facilities, and recreation program fees.

The transfers category revenue is low at this time due to the Glendale Water and Power transfer which takes place from the electric fund at the end of the year once approved by City Council. There are no changes to the revenue projection for this category at this time.

The table on the following page illustrates the General Fund revenues as of November 30, 2020, by major category.

General Fund Resources
Budget to Actuals, November 30, 2020
(In Thousands)

Category	Adopted Budget	Revised Budget	Actuals	% Received
Property Taxes	\$ 69,809	\$ 69,809	\$ 1,434	2.1%
Sales Taxes*	42,547	42,547	14,863	34.9%
Utility Users' Tax	24,224	24,224	9,710	40.1%
Occupancy & Other Taxes	18,201	14,201	2,977	21.0%
Licenses & Permits	9,147	9,147	3,524	38.5%
Rev. from Other Agencies	220	2,755	2,535	92.0%
Charges for Services	17,342	17,342	5,682	32.8%
Interfund Revenue	18,223	18,223	7,543	41.4%
Fines & Forfeitures	3,330	3,330	1,147	34.4%
Interest/Use of Money	1,811	1,811	494	27.3%
Misc. & Non-Operating	1,707	1,707	222	13.0%
Transfers	18,594	18,594	479	2.6%
Total Revenues	\$ 225,156	\$ 223,690	\$ 50,610	22.6%
GSA Loan Repayment**	8,210	8,210	8,210	100.0%
Econ Dev Assigned Fund Balance	667	667	-	0.0%
Grand Total Resources	\$ 234,033	\$ 232,567	\$ 58,820	25.3%

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

**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 five months, expenditures are tracking slightly lower than the approximately 42% expected amount. Total General Fund expenditures as of November 30, 2020, exclusive of Measure S, are \$91.4 million, or 38.7% 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 42% average. In particular, the Capital Outlay category is higher due to several capital outlay purchases being made earlier in the fiscal year. The revised Budget includes budget carryovers from FY 2019-20 and departmental budget reductions implemented in the first quarter of this fiscal year.

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

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

Category	Adopted Budget	Revised Budget**	Actuals	% Expensed
<u>Salaries & Benefits</u>				
Salaries	\$ 100,533	\$ 98,632	\$ 35,250	35.7%
Overtime	10,741	10,741	8,517	79.3%
Hourly Wages	7,257	7,170	2,112	29.5%
Benefits (Net salary charges out)	27,525	27,521	11,591	42.1%
PERS (Net of cost-share)	47,099	47,050	16,444	35.0%
Vacancy Budget Savings	(5,000)	(5,000)	-	-
Total Salaries & Benefits	\$ 188,155	\$ 186,113	\$ 73,914	39.7%
<u>Maintenance & Operation</u>				
Contractual Services	\$ 9,485	\$ 9,173	\$ 2,311	25.2%
Supplies	2,626	2,513	687	27.3%
Utilities	7,166	7,166	3,074	42.9%
Other M&O	28,144	29,593	10,605	35.8%
Total Maintenance & Operation	\$ 47,421	\$ 48,445	\$ 16,678	34.4%
Capital Outlay	-	173	122	70.5%
Transfers Out	1,585	1,585	660	41.6%
Total Expenditures	\$ 237,160	\$ 236,316	\$ 91,374	38.7%
GSA Loan Repayment 20% Transfer out***	\$1,642	\$1,642	1,642	100.0%
Grand Total	\$ 238,802	\$ 237,958	\$ 93,016	39.1%

* 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	GSA Loan Repayment	Total Revised
Revenues	\$ 225,156	\$ 223,690	\$ -	\$ 223,690
GSA Loan Repayment	8,210	-	8,210	8,210
Econ Dev Assigned Fund Balance	667	667	-	667
Total Resources	\$ 234,033	\$ 224,357	\$ 8,210	\$ 232,567
Appropriations	\$ 237,160	\$ 236,316	\$ -	\$ 236,316
Carryovers from FY 2019-20	-	(769)	-	(769)
GSA Loan Repayment Transfers to Low & Mod	1,642	-	1,642	1,642
Total Appropriation	\$ 238,802	\$ 235,547	\$ 1,642	\$ 237,189
Ending Net Surplus/(Use of Fund Balance)	\$ (4,769)	\$ (11,190)	\$ 6,568	\$ (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% of the FY 2020-21 adopted budget. 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% of the FY 2020-21 adopted budget. 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 on the following page 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%

** Ending Unassigned & Charter Reserve, 6/30/2020 percentage is based on the Adopted FY 2019-20 expense budget. All other Reserve percentages are based on the Adopted FY 2020-21 expense budget.*

Measure S

Sales Tax payments are received two months in arrears; as of November 30, only the sales tax revenues from July through September have been recorded. However, since December's payment for the month of October has already been received, it is 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 on the follow page shows the Measure S adopted, revised, and actual resources and appropriations, as of November 30, 2020.

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

	Adopted FY 2020-21	Revised FY 2020-21	Actuals
<u>Revenues</u>	\$ 22,170	\$ 22,170	\$ 8,228
<u>Housing</u>			
Assistance Programs (Unallocated)	\$ 6,250	\$ 3,376	\$ -
Affordable Housing Development*	6,000	13,866	31
Housing Rental Subsidy Program*	-	3,911	592
Rental Rights Program*	445	475	195
Low Income Housing Incentive Program	-	1,315	-
Low Income Student Rental Assist Program	-	250	-
Low Income Fam Employ & Rental Assist Program	-	1,309	-
<u>Infrastructure</u>			
Citywide Traffic Study	\$ 500	\$ 500	\$ -
Verdugo Wash Greenway Feasibility Study	250	250	-
Seismic Upgrades – Fire Stations*	-	3,416	144
<u>Recreation</u>			
Recreational Land Acquisition	\$ 1,000	\$ 1,000	\$ -
Aquatics Program Expansion	582	582	179
<u>Economic Recovery – Commercial</u>			
Small Business Recovery	\$ 1,600	\$ 2,250	\$ 398
Personal Protective Equipment	1,000	500	37
Restaurant Relief/Al Fresco*	150	236	105
Support the Arts	500	200	8
Child Care Support	250	250	-
Workforce Development	150	150	-
<u>Total Appropriations</u>	\$ 18,677	\$ 33,837	\$ 1,688

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

The Measure S beginning balance as of July 1, 2020 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 on the following page 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.

FISCAL IMPACT

There is no fiscal impact associated with this report.

ALTERNATIVES

Alternative 1: The City Council may approve:

1. Motion to note and file the Financial Status Report for the period ending November 30, 2020

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

CAMPAIGN DISCLOSURE

None

EXHIBITS

None