



CITY OF GLENDALE, CALIFORNIA REPORT TO THE CITY COUNCIL

AGENDA ITEM

Report: Financial Status Update - December 31, 2020

1. Motion to note and file the Financial Status Report for the period ending December 31, 2020
2. Resolution of Appropriation approving \$76,966 in adjustments to the adopted fiscal year 2020-21 Budget

COUNCIL ACTION

Item Type: Action Item

Approved for March 2, 2021 **calendar**

ADMINISTRATIVE ACTION

Submitted by:

Michele Flynn, Director of Finance

Prepared by:

Enrique Olguin, Budget Analyst

Reviewed by:

Adrine Isayan, Deputy Director of Finance

Mari Karamyan, Budget Manager

Michael J. Garcia, City Attorney

Gary Shaffer, Director of Library, Arts & Culture

Onnig Bulanikian, Director of Community Services & Parks

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 December 31, 2020.
2. Resolution of Appropriation approving \$76,966 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 monthly update report to City Council on January 26, 2021, including the revenues and expenditures received and recorded for FY 2020-21 through November 30, 2020. Since then, staff has analyzed the revenues and expenditures to be received and recorded for the FY 2020-21. The financial update in this report is for the FY 2020-21 second quarter revenues and expenditures through December 31, 2020.

General Fund Revenues

Revenues received through December 31, 2020 total nearly \$90.3 million (not inclusive of Measure S revenues), or 41.0% of the revised revenue budget. Revenue categories were carefully reviewed and actuals were analyzed in order to determine the potential trend for the remainder of the fiscal year. While our largest revenue categories of property taxes, sales tax and utility users tax are showing good or better than anticipated results thus far, other categories require adjustments at this point in order to provide a more realistic year-end projection. In total, revenue projections are being adjusted downward by a net \$3.5 million. All revenue categories being adjusted are discussed below, along with others of note.

The Property Taxes category is tracking approximately at 44.7%, which includes the first large installments of the year through December and those recorded in the month of January. The first installments received for some of the property taxes for FY 2020-21 are tracking higher than the initial projections and thus the Property Taxes category revenue budget projection has been increased by approximately \$549 thousand.

Sales tax payments are received two months in arrears; as of December 31 2020, only the sales tax revenues from July through October have been recorded. However, since January's payment for the month of November has already been received, it is incorporated in the figures being discussed in this report. Since sales taxes are tracking closely to budgeted estimates at this time, no adjustments are being proposed in this report.

The Utility Users' Tax (UUT) category, has also been tracking higher than the initial revenue projections. Staff has received revised projections from its consultant Avenu Insights & Analytics for the UUT taxes related to Gas, Video, as well as Telecommunications, which have been incorporated in the revised revenue budget. The Electric and Water UUT have also been tracking higher than projections, which may be a result of increased domestic utility use due to COVID-19, offsetting the decrease in commercial utility use during this time. The UUT category revenue budget has been increased by \$1.56 million.

The Occupancy & Other Taxes category includes revenues received for Franchise Tax, Transient Occupancy Tax (TOT), Property Transfer Tax, and Scholl Canyon Landfill Host Assessment Fees. The revenue budget for this category was initially reduced by \$4.0 million as reported at the first quarter financial update. 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. The Landfill Host Assessment fees are tracking low at this time as only the first quarter revenues have been recorded. Franchise taxes are also tracking low as commercial franchise negotiations are still in progress as of the first half of the year. It is anticipated that commercial franchise revenues will not be received for the remainder of FY 2020-21, thus the revenue budget for this category has been reduced by \$1.25 million to reflect this assumption.

The Licenses and Permits category is also tracking slightly lower than the initial budget, primarily due to less activity related to planning permits. Thus, the revenue budget for this category has been reduced by \$268 thousand.

The Charges for Services category is also tracking lower than anticipated primarily due to the impacts of COVID-19 on City operations, facilities, and programs. Although some of the revenues in this category, such as the Scholl Canyon Landfill Tipping Fees, are tracking close to the initial revenue budget projection, various other revenues in this category are anticipated to fall short. Thus, the revenue projection for this category has been reduced by approximately \$3.8 million to account for the lower revenue trend for filming and special event fees, rentals of city facilities, various recreation program fees, and emergency medical response fees, which are anticipated to come in lower than originally expected.

The Fines & Forfeitures category revenues are also tracking slightly lower than the budget primarily due to a reduction in traffic safety fines as a result of the Stay at Home orders and court closures. The revenue budget for this category has been reduced by \$325 thousand.

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 fiscal year once

approved by City Council. There are no changes to the revenue projection for this category at this time.

The table below references the Revenue Budget Adjustments by category as discussed in this report:

Second Quarter Revenue Budget Adjustments by Category
(In Thousands)

Revenue Category	Revenue Subcategories	Amount
Property Taxes	Delinquent, In lieu Vehicle License Fees (VLF), Prop Tax Share Central Redevelopment Project Area, State H/O exemptions	\$ 549
Utility Users Taxes	Electricity/Water, Gas, Telecommunications, Video	1,560
Occupancy & Other Taxes	Franchise Tax Commercial Refuse	(1,250)
Licenses & Permits	Planning/Variance permits	(268)
Charges for Services	Zoning, Filming, Special Events, Vehicle Tow Admin Fee (VTAC), Emergency Medical Response and other Miscellaneous Fire Fees, Express plan check, Excavation, Equipment and Facility Rentals, Contract Classes, Camps and other Recreation program related fees	(3,781)
Fines & Forfeitures	Traffic safety fines	(325)
	Total Net Revenue Budget Reduction	\$ (3,515)

The table below illustrates the General Fund resources as of December 31, 2020, by category.

General Fund Resources
Budget to Actuals, December 31, 2020
(In Thousands)

Category	Adopted Budget	Revised Budget Q1	Revised Budget Q2	Actuals	% Received
Property Taxes	\$ 69,809	\$ 69,809	\$ 70,358	\$ 31,471	44.7%
Sales Taxes*	42,547	42,547	42,547	18,502	43.5%
Utility Users' Tax	24,224	24,224	25,784	11,643	45.2%
Occupancy & Other Taxes	18,201	14,201	12,951	3,180	24.6%
Licenses & Permits	9,147	9,147	8,879	4,296	48.4%
Rev. from Other Agencies	220	2,755	2,755	2,535	92.0%
Charges for Services	17,342	17,342	13,561	6,777	50.0%
Interfund Revenue	18,223	18,223	18,223	9,051	49.7%
Fines & Forfeitures	3,330	3,330	3,005	1,396	46.5%
Interest/Use of Money	1,811	1,811	1,811	628	34.7%
Misc. & Non-Operating	1,707	1,707	1,707	229	13.4%
Transfers	18,594	18,594	18,594	575	3.1%
Total Revenues	\$ 225,156	\$ 223,691	\$ 220,176	\$ 90,284	41.0%
GSA Loan Repayment**	8,210	8,210	8,210	8,210	100.0%
Econ Dev Assigned Fund Balance	667	667	667	-	0.0%
Grand Total Resources	\$ 234,033	\$ 232,568	\$ 229,053	\$ 98,494	43.0%

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

**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 six months, expenditures are tracking slightly lower than the approximately 50% expected amount. Total General Fund expenditures as of December 31, 2020, exclusive of Measure S, are approximately \$116.2 million, or 49.2% 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 50% average. In particular, the Capital Outlay category is higher due to several capital outlay purchases being made earlier in the fiscal year. For the first quarter financial update to City Council, staff presented departmental budget reductions which have since then been reflected in the revised General Fund budget. 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 (1st Qrt)	Other Adjustments	Revised Budget
\$238,802	\$769	(\$1,663)	\$50	\$237,958

Additionally, staff has continued to analyze the General Fund budget and based on historical trends as well as projected assumptions for the COVID-19 impact on the City's operations, staff is anticipating additional budget savings in the amount of approximately \$5.2 million, (2.2% of the revised budget) in the General Fund. A breakdown by category of this savings is shown below. This projected savings is a preliminary estimate of how expenditures will continue to track for the remainder of the fiscal year and thus is not proposed to be reduced from the General Fund budget at this time.

General Fund Projected Year-End Budget Savings
(In Thousands)

Category	Amount
Salaries & Benefits	\$ 314
Contractual Services	1,376
Supplies	551
Utilities	531
Liability Insurance	1,720
Other	670
Total Projected Savings	\$ 5,162

The table on the following page reflects General Fund expenditures, excluding Measure S, by major category as of December 31, 2020.

General Fund Expenditures
Budget to Actuals by Category*, December 31, 2020
(In Thousands)

Category	Adopted Budget	Revised Budget**	Actuals*	% Expensed
<u>Salaries & Benefits</u>				
Salaries	\$ 100,533	\$ 98,631	\$ 45,422	46.1%
Overtime	10,741	10,741	10,365	96.5%
Hourly Wages	7,257	7,170	2,617	36.5%
Benefits (Net salary charges out)	27,525	27,521	14,369	52.2%
PERS (Net of cost-share)	47,099	47,050	21,962	46.7%
Vacancy Budget Savings	(5,000)	(5,000)	-	-
Total Salaries & Benefits	\$ 188,155	\$ 186,113	\$ 94,735	50.9%
<u>Maintenance & Operation</u>				
Contractual Services	\$ 9,485	\$ 9,173	\$ 3,124	34.1%
Supplies	2,626	2,513	809	32.2%
Utilities	7,166	7,166	3,650	50.9%
Other M&O	28,144	29,593	12,962	43.8%
Total Maintenance & Operation	\$ 47,421	\$ 48,445	\$ 20,545	42.4%
Capital Outlay	-	173	122	70.5%
Transfers Out	1,585	1,585	792	50.0%
Total Expenditures	\$ 237,160	\$ 236,316	\$ 116,194	49.2%
GSA Loan Repayment 20% Transfer out***	1,642	1,642	1,642	100.0%
Grand Total Expenditures	\$ 238,802	\$ 237,958	\$ 117,836	49.5%
Projected Year-End Savings	-	(5,162)	-	
Projected Total Expenditures	\$ 238,802	\$ 232,796	\$ 117,836	50.6%

* 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	Projected Savings	Total Projected
Resources	\$ 225,156	\$ 220,176	\$ -	\$ -	\$ 220,176
GSA Loan Repayment	8,210	-	8,210	-	8,210
Econ Dev Assigned Fund Balance	667	667	-	-	667
Total Resources	\$ 234,033	\$ 220,843	\$ 8,210	\$ -	\$ 229,053
Appropriations	\$ 237,160	\$ 236,316	\$ -	\$ (5,162)	\$ 231,154
Carryovers from FY 2019-20	-	(769)	-	-	(769)
GSA Loan Repay Transfer to Low & Mod	1,642	-	1,642	-	1,642
Total Appropriation	\$ 238,802	\$ 235,547	\$ 1,642	\$ (5,162)	\$ 232,027
Ending Net Surplus/(Use of Fund Balance)	\$ (4,769)	\$ (14,704)	\$ 6,568	\$ 5,162	\$ (2,974)

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 approximately \$3.0 million (inclusive of GSA Loan Repayment, and projected year-end savings) brings the total projected ending unassigned & charter reserve fund balance for FY 2020-21 to \$78.2 million, a reserve of 32.7% 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 projected 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	(2,974)	
Projected Ending Unassigned & Charter Reserve, 6/30/2021	\$ 78,166	32.7%

** 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 December 31, 2020, only the sales tax revenues from July through October have been recorded. However, since January's payment for the month of November 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 following page shows the Measure S adopted, revised, and actual resources and appropriations, as of December 31, 2020.

Measure S Resources and Appropriations
As of December 31, 2020
(In Thousands)

	Adopted FY 2020-21	Revised FY 2020-21	Actuals
<u>Revenues</u>	\$ 22,170	\$ 22,170	\$ 10,298
<u>Housing</u>			
Assistance Programs (Unallocated)	\$ 6,250	\$ 3,376	\$ -
Affordable Housing Development*	6,000	13,866	39
Monthly Housing Rental Subsidy Program*	-	3,911	754
Rental Rights Program*	445	475	237
Low Income Housing Incentive Program	-	250	-
Low Income Student Rental Assist Program	-	1,309	-
Low Income Fam Employ & Rental Assist Program	-	1,315	-
<u>Infrastructure</u>			
Citywide Traffic Study	\$ 500	\$ 500	\$ -
Verdugo Wash Greenway Feasibility Study	250	250	-
Seismic Upgrades – Fire Stations*	-	3,416	143
<u>Recreation</u>			
Recreational Land Acquisition	\$ 1,000	\$ 1,000	\$ -
Aquatics Program Expansion	582	582	243
<u>Economic Recovery – Commercial</u>			
Small Business Recovery	\$ 1,600	\$ 2,250	\$ 560
Personal Protective Equipment	1,000	500	39
Restaurant Relief/Al Fresco*	150	236	120
Support the Arts	500	200	9
Child Care Support	250	250	-
Business Association Support	150	150	75
<u>Total Appropriations</u>	\$ 18,677	\$ 33,837	\$ 2,219

* 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, 06/30/2021	\$ 2,581

* Includes carryovers from FY 2019-20.

Non-General Fund Budget Adjustments

The Library, Arts, and Culture department has received a Grant award in the amount of \$20,000 for the Circulating and Mobile Memory Lab, which is a space for free do-it-yourself digitization of photos, documents, audiovisual recordings, and other formats. It provides Library staff and patrons with guidelines, tools, and training for personal analog and digital archiving. Staff is requesting to appropriate the funds received in the Library Fund (2750).

In addition, Library, Arts, and Culture department is also requesting to appropriate \$37,000 from the Library Mitigation Fee Fund (4070) fund balance, to be used in accordance with Ordinance 5575 Section 4.10.020 K & L for additions to the library collection in order to maintain adequate library services within the City. This Development Impact Fee funding is set to expire by the end of FY 2020-21.

The Community Services and Parks department is seeking City Council approval to appropriate \$19,966 in earned and projected interest on HEAP funds in the Grant Fund (2160). The City had received HEAP funding in the amount of \$625,113, which have been earning interest that only apply to the administrative entity – City of Glendale. The interest earned must be spent on same HEAP eligible uses and liquidated by June 30, 2021. This amount will be utilized to pay for City Labor and Direct Assistance.

PERS Section 115 Pension Rate Stabilization Fund Update

On July 18, 2017 the City Council approved funding for the PERS Section 115 Rate Stabilization Trust in the amount of \$26.5 million and directed that assets be invested according to the PARS/HighMark “Moderate” portfolio (one of five portfolio options provided to trust members) with a target allocation of 5% Cash, 45% Fixed income and 50% Equity. In March 2020, with the outbreak of COVID-19 Pandemic, staff reevaluated the risk of the portfolio and with the authorization of the City’s Plan

Administrator, the assets were moved from a “Moderate” allocation to a “Moderate-Conservative” with a target allocation of 5% Cash, 65% Fixed income and 30% Equity.

On December 10, 2019, City Council approved depositing 50% of the FY 2018-19 year-end unassigned surplus totaling to \$5.5 million, as additional funding into the Section 115 Trust. The City made this deposit in June 2020 into a separate “Conservative” portfolio with a target allocation of 5% Cash, 80% Fixed income and 15% Equity.

Since the establishment of the trust, the city has deposited a total of \$32.0 million. As of December 31, 2020, the total balance of the trust is at \$38.4 million equating to a return of approximately 6.2% (net of all fees) since inception of the trust.

FISCAL IMPACT

A total of \$76,966 in adjustments to the adopted FY 2020-21 Budget is being requested.

- 1) The Library, Arts & Culture department is requesting for the appropriation of Grant funding received for the Circulating and Mobile Memory Lab in the amount of \$20,000 in the following Library Fund (2750) accounts:

From: 31240-2750-LAC-0020-P0000-T0000-F0000-0000-0000- Project LAC00525AG

To: 45350-2750-LAC-0020-P0000-T0000-F0000-0000-0000- Project LAC00525AG

- 2) The Library, Arts & Culture department is requesting for the appropriation from the Library Mitigation Fee Fund (4070) for additions to the Library collections in the amount of \$37,000 in the following accounts:

From: 24242-4070-LAC-0000-P0000-T0000-F0000-0000-0000- Project 51863

To: 53300-4070-LAC-0020-P0000-T0000-F0000-0000-0000- Project 51863

- 3) The Community Services & Parks department is requesting for the appropriation of the interest earned on HEAP Grant funds in the amount of \$19,966 in the following Grant Fund (2160) accounts:

From: 38000-2160-CSP-0020-P0000-T0000-F0000- Project CSP000013G -\$13,384

25300-2160-000-0000-P0000-T0000-F0000- Project CSP000013G -\$6,582

To: 43112-2160-CSP-0020-P0000-T0000-F0000- Project CSP000013G -\$18,968

41100-2160-CSP-0020-P0000-T0000-F0000- Project CSP000013G -\$998

ALTERNATIVES

Alternative 1: The City Council may approve:

1. Motion to note and file the Financial Status Report for the period ending December 31, 2020
2. Resolution of Appropriation approving \$76,966 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

None