City of Culver City

Fiscal Year 2020/2021
Unaudited General Fund
Financial Report

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INTRODUCTION

The Fiscal Year (FY) 2020/2021 Fourth Quarter Unaudited Financial Report presents an overview of Culver City's ("City") General Fund operating revenues and expenditures. This report compares actual revenues and expenditures to revised budget amounts and explicates any notable deviations or trends in the numbers. The enclosed fourth quarter financials (July 2020 – June 2021) represent 100% of the fiscal year and revenues and expenditures recorded thus far and are reported on a cash basis. Any revenues or expenditures significantly above or below 100% will be discussed in the body of this report.

The fourth quarter financial report is presented:

1. To illustrate the City's focus on monitoring its revenues and expenditures, with the intent to proactively respond to unanticipated changes or emerging trends during the pandemic.
2. To provide fiscal transparency of City finances as the City is ultimately accountable to its residents for the use of revenue.

Finance Department staff have reviewed all line items and compared actual results against budget expectations, historical trends, seasonality, and other known factors affecting either revenue or spending streams to determine if recommendations for reductions or increases should be made. There are no recommendations included in this report.

REPORT HIGHLIGHTS:

- **General Fund Operating Revenues** for FY 2020/2021 were $131M.
    - Actual revenues were 122% of the FY 2020/2021 Revised Budget.
    - Actual revenues were $3.2M higher than FY 2019/2020.

    Although some large revenue sources such as property tax, sales tax, and business license tax, appear to be recovering from the impacts of COVID, there are many other revenue sources, detailed in the revenue section below, that still have not returned to pre-covid levels. In fact, the main reason the General Fund Revenues in FY 2020/2021 exceeded the previous fiscal year by $3.2M is because of the implementation of Measure RE in April 2021 and the $4.7M received from the American Rescue Plan distribution.

- **General Fund Expenditures** for FY 2020/2021 were $124.7M.
    - Actual expenditures were 97% of the FY 2020/2021 Revised Budget.
    - Actual expenditures were $2.8M higher than FY 2019/2020.
    - There is also $2.6M in encumbrances that will likely be carried over and utilized in FY 2021/2022.

GENERAL FUND REVENUES

General Fund Revenues were $131M or 122% of the FY2020/2021 Revised Budget. Table 1 displays comparisons between the Original Adopted Budget, Revised Budget and Actual amounts for FY 2020/2021. The percentage differences are based on the actual revenue amounts versus the FY 2020/2021 Revised Budget amounts. Additionally, actual revenues from FY 2019/2020 have also been included as a comparison. Actual revenues for FY 2020/2021 were $3.2M higher than the prior fiscal year.

Revenues

	2021				2020	Variance
Character Code	Original Budget	Revised Budget	Actual	%	Actual	Actual
30 - Property Tax	10,128,843	10,711,068	11,830,948	110%	10,251,499	1,579,449
31 - Sales Tax	16,654,000	20,877,030	22,927,559	110%	19,975,394	2,952,165
32 - Measure C & CC	11,360,000	13,607,000	14,903,338	110%	13,631,549	1,271,789
33 - Business Tax	6,975,000	9,525,000	15,895,303	167%	14,599,849	1,295,454
34 - UUT	10,985,000	11,789,114	13,184,795	112%	13,329,640	(144,845)
35 - TOT	4,266,000	2,500,000	3,073,677	123%	6,319,491	(3,245,814)
36 - Franchise Tax	1,000,000	1,740,000	2,298,715	132%	1,435,516	863,198
37 - Real Prop Trans Tax	3,210,000	5,550,000	8,533,467	154%	4,067,119	4,466,348
38 - Comm/Ind Dev Tax	1,311,100	400,000	391,788	98%	2,750,778	(2,358,990)
3E - Licenses & Permits	6,143,670	4,143,670	3,365,957	81%	6,264,876	(2,898,919)
3F - Fines & Forfeitures	4,152,500	2,302,500	3,562,963	155%	4,478,030	(915,067)
3G - Intergovernmental	5,916,785	5,916,785	11,225,938	190%	5,913,472	5,312,465
3H - Charges for Services	10,830,842	7,971,324	8,173,472	103%	9,970,830	(1,797,358)
3I - Use of Money & Prop	1,388,768	1,388,768	3,096,947	223%	3,717,339	(620,392)
3J - Other Revenue	390,800	685,750	348,522	51%	497,673	(149,151)
3K - Other-Transfers	3,142,225	3,142,225	2,717,225	86%	5,671,678	(2,954,453)
3L - Cost Allocation Rec	5,429,932	5,429,932	5,429,932	100%	4,929,342	500,590
90 - Transfers	-	-	-	0%	-	-
Total Revenues	**$ 103,285,465**	**$ 107,680,166**	**$ 130,960,546**	**122%**	**$ 127,804,074**	**$ 3,156,472**

TABLE 1

- **Property Tax –** Total Property Tax revenues were $11.8M or 110% of the FY 2020/2021 Revised Budget. Property Tax revenues for secured and unsecured properties were $5.3M which is $550K less than the prior year. The decrease in this portion of the property tax revenue was due to adjustments imposed by LA County (currently being researched by HdL). Separately the City received $6.5M in residual property tax increment that is passed through from the Successor Agency.

  Sales Tax / Measure C and CC – Sales Tax and Measure C/CC receipts reflected in Table 1 are $22.9M and $14.9M respectively, which represents total Sales Tax (including Public Safety Tax). The largest sales tax revenue categories for FY 2020/2021 were general consumer goods and sales tax revenue from online sales that are reported through the State and County Pools.

Note: During the March 2020 election, Culver City residents voted to extend the sunset date of Measure CC (formerly Measure Y), the City's ½ Transaction Tax, by another ten years.

- **Business Tax & Cannabis Tax –** Business Tax receipts were $15.9M or 167% of the FY 2020/2021 Revised Budget. The business tax revenues have come in higher than anticipated. Originally, Business Tax was budgeted 50% lower than the prior year due to many small and large businesses being closed and other businesses experiencing large reductions to their gross receipts during the pandemic in 2020; fortunately, the total business license tax (incl. fees and penalties) was only $145K lower than the previous fiscal year.

  On a separate note, Cannabis business tax received was $1.7M and is $1.4M higher than the previous fiscal year.

- **Utility Users Taxes (UUT)** – Total UUT receipts received were $13.2M or 112% of the FY 2020/2021 Revised Budget. This revenue source has been gradually declining since FY 2017/2018. The Finance Department will begin audit services in the next fiscal year to capture any potential lost revenues, specifically in the area of telecommunications.

- **Transient Occupancy Tax (TOT) –** TOT receipts were $3.1M or 123% of the FY 2020/2021 Revised Budget. TOT revenues were down by 51% in this year compared to the same period in FY 2019/2020. Additionally, in FY 2018/2019, prior to COVID-19, the TOT annual revenues were $8.5M. However, it should be noted that TOT revenues have shown signs of recovery during the months of July, August, September, and October 2021.

- **Franchise Fee -** Franchise fees were $2.3M or 132% of the FY 2020/2021 Revised Budget. Franchise tax came in higher than the previous fiscal year due to a one-time large payment.

- **Real Property Transfer Tax -** Real Property Transfer Tax (RPTT) was $8.5M or 154% of the FY 2020/2021 Revised Budget. RPTT was $4.5M higher compared to the previous fiscal year. Real Property Transfer Tax came in strong due to higher sales of residential properties fueled by record low mortgage rates and the implementation of Measure RE in April 2021.

  At the November 3, 2020 election, Culver City residents voted to approve Measure RE. Measure RE establishes a marginal tax rate with four brackets, based on sales price or value, for the City's real estate transfer tax effective April 1, 2021. This marginal tax will add 1.5% on amounts from $1,500,000 to $2,999,999, 3% on amounts from $3,000,000 to $9,999,999, and 4% on amounts $10,000,000 and above. Measure RE would not apply to sales under $1,500,000, affordable housing, and first transfer of new multi-family properties.

- **Community/Industrial Development Tax** – Similar to TOT revenues, this revenue category was significantly hit due to the pandemic. The total revenue received for this category through fourth quarter was $392K or 98% of the FY 2020/2021 Revised Budget. The revenues are down by $2.4M compared to the prior fiscal year.

- **Licenses & Permits –** License and Permit revenues were $3.4M or 81% of the FY 2020/2021 Revised Budget. The revenues for this category were down by $2.9M compared to the prior fiscal year. Licenses and Permits for building, electrical and plumbing are the significant source of revenues for this category. As building activity in the City increases, this revenue is expected to increase in FY 2021/2022.

- **Fines and Forfeitures –** Fines and Forfeitures were $3.6M or 155% of the FY 2020/2021 Revised Budget. This category is primarily comprised of red-light camera violations and moving violations written by Culver City traffic enforcement, and parking violations written by Culver City parking enforcement. When you compare fines and forfeiture revenue for the same period of FY 2019/2020, revenues were down by $915K.

- **Intergovernmental –** Intergovernmental revenue was $11.2M or 190% of the FY 2020/2021 Revised Budget. This revenue is comprised of the motor vehicle license fees from the State Department of Motor Vehicles. It also includes revenue from the POST program, CNG Excise Tax credits, CARES Act, FEMA reimbursements and $4.7M received for the first half of the American Rescue Plan distribution.

- **Charges for Services –** Receipts in this category were $8.2M or 103% of the FY 2020/2021 Revised Budget. Charges for Services category is comprised of a variety of revenues ranging from recreation program fees to police services and plan checks. This category has also experienced significant decreases due to the COVID-19 pandemic. The revenue for this category is down by $1.8M compared to the previous fiscal year.

- **Use of Money and Property –** This category includes revenues from interest income, investments, and income from the rental of city properties. The revenues were $3M or 223% of the revised budget.

- **Other Revenue –** Other Revenues is comprised of loan payments, land sale proceeds, donations and miscellaneous revenues. Revenues for this category were $349K or 51% of the revised budget.

- **Other – Transfers & Cost Allocation Rec –** This category includes inter-departmental transfers for covering General Fund expenses. The total revenues for these categories were $8.1M or 95% of the FY 2020/2021 Revised Budget. The decrease of $3M in Other Transfers is due to the amount that was transferred to the General Fund in FY 2019/2020 from the CIP Fund 420 due to the cancellation of CIP projects.

  Although the General Fund continues to see a slow recovery of certain revenues in the General Fund (I.e. TOT, Commercial/Industrial Tax, Charge for Services and License & Permits), overall the total General Fund revenues exceeded the previous fiscal year by $3.2M. This is due in large part to the implementation of Measure RE in April 2021 and the $4.7M received from the American Rescue Plan distribution.

GENERAL FUND EXPENDITURES

General Fund Expenditures for FY 2020/2021 were $125M or 97% of the FY 2020/2021 Revised Budget. Tables 2 and 3 below include information for the Original Adopted Budget, Revised Budget, Actual amount and current Encumbrances. The percentage differences shown in both tables are based on the Actual amounts versus the FY 2020/2021 Revised Budget amounts. Additionally, Actual General Fund Expenditures from FY 2019/2020 have been included as a comparison and FY 2020/2021 is $2.8M above the prior year. The Encumbrances are at $2.6M for FY 2020/2021 and they represent purchase orders and contracts that are not completed and will be carried over into FY 2021/2022.

Expenditures by Department

	2021					2020	Variance
Expenditures by Department	Original Budget	Revised Budget	Actual	%	Encumbrances	Actual	Actual
10 - Administration	1,650,246	1,840,353	1,814,588	99%	32,332	1,732,301	82,287
13 - City Attorney	2,768,266	3,132,772	2,852,766	91%	25,700	2,872,513	(19,748)
14 - Finance	5,465,666	5,687,775	5,365,280	94%	15,573	5,195,426	169,854
16 - Non-Departmental	2,517,027	3,601,747	6,803,367	189%	180,859	5,071,763	1,731,604
22 - Administrative Services	2,496,522	2,726,086	2,462,409	90%	87,531	2,491,196	(28,788)
24 - Information Technology	4,574,137	4,760,181	4,807,245	101%	63,820	4,613,038	194,206
30 - Parks Recreation & Comm Svs	9,480,758	9,339,312	8,268,396	89%	288,354	8,783,455	(515,058)
40 - Police	44,557,234	45,911,897	44,359,141	97%	32,099	44,069,062	290,079
45 - Fire	24,969,152	25,908,732	26,135,997	101%	212,680	24,226,486	1,909,511
50 - Community Development	8,209,207	11,410,638	8,976,956	79%	1,302,462	9,803,786	(826,830)
60 - Public Works	12,420,018	13,883,902	12,892,461	93%	367,019	13,063,006	(170,545)
Total Expenditures	**$119,108,233**	**$128,203,395**	**$124,738,605**	**97%**	**$2,608,430**	**$121,922,032**	**$2,816,572**

TABLE 2

Expenditures by Type

	2021					2020	Variance
Expenditures	Original Budget	Revised Budget	Actual	%	Encumbrances	Actual	Actual
Personnel	96,305,203	97,719,223	98,607,983	101%	(0)	91,974,651	6,633,333
O & M	23,639,794	30,602,967	24,561,505	80%	2,548,658	28,033,121	(3,471,617)
Capital	117,116	1,163,525	923,225	79%	59,772	900,150	23,075
Excess Appropriations	(953,880)	(1,282,320)	645,892	-50%	-	1,014,110	(368,218)
Total Expenditure	**$ 119,108,233**	**$ 128,203,395**	**$ 124,738,605**	**97%**	**$ 2,608,430**	**$ 121,922,032**	**$ 2,816,572**

TABLE 3

The Personnel category was $98.6M or 101% of the FY 2020/2021 Revised Budget. Personnel costs have gone up by $6.6M over the previous fiscal year. Included in this increase is a $2.1M increase in CalPERS pension cost (including the unfunded accrued liability (UAL) amount of $1.36M); an increase of $1.05M in Worker's Compensation; higher constant staffing in the Fire Department for strike team deployments (which is offset by reimbursement from the State), the filling of vacancies, and $400K in part-time salaries. The increase in part-time salaries reflects the restart of many seasonal programs that were canceled in FY 2019/2020 due to the pandemic.

The Operations and Maintenance (O&M) category was $24.6M or 80% of the FY 2020/2021 Revised Budget. O&M expenditures came in lower by $3.5M compared to FY 2019/2020 as a result of decreased spending, cancellation of programs, and other activities that have significantly slowed due to COVID-19.

The Capital Category was $923K or 79% of the FY 2020/2021 Revised Budget. The capital budget includes the purchase of two ambulances in the Emergency Medical Services Division of the Fire Department.

The Other/Excess Appropriations category was at $646K and it includes amounts transferred to other funds within the City. This category is $368K less than the previous fiscal year due to the elimination of the General Fund transfer to the Municipal Fiber Fund and the Capital Improvement Fund.

Overall, despite significant increases in expenditures, beyond the City's control, (i.e. CalPERS UAL) the total General Fund operations and maintenance decreased from the prior year, due to the extreme efforts of the City Manager and Department Heads to make significant budget cuts after the pandemic hit in March 2020. Other expense containment measures included elimination of OPEB prefunding, elimination of the equipment and vehicle replacement allocation to the General Fund and canceling of any new General Fund capital projects.

Unfortunately, these budget reductions in FY 2020/2021 included much needed capital projects and operational costs that are needed to address the growing needs of the City.

CONCLUSION

In conclusion, the FY 2020/2021 Unaudited General Fund Financial Report indicates that the General Fund Revenues are $3.2M higher than FY 2019/2020. The recovery of revenues such as TOT, UUT, Charge for Services, License and Permits, and Fines/Forfeitures will continue to be monitored as we move into the next fiscal year, FY2021/2022.

General Fund Expenditures are estimated to end the year 97% of budget, overall the City cannot continue to operate efficiently on a long-term basis at the current reduced expenditure levels. It is projected that the General Fund will end FY 2020/2021 with a surplus of $6.2M, which is much higher than the FY 2020/2021 Revised Budget deficit of ($20.5M). It is anticipated that the final audited Comprehensive Financial Report will be presented to City Council in the April/March 2022 time frame.