



City of Culver City

First Quarter Fiscal Year 2021/2022 Unaudited General Fund Financial Report



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INTRODUCTION

The Fiscal Year (FY) 2021/2022 First 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 first quarter financials (July 2021 – September 2021) represent 25% 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 25% will be discussed in the body of this report.

The first 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 COVID-19 pandemic.
2. To provide fiscal transparency of City finances as the City is ultimately accountable to its residents for the use of revenue.
3. Finally, an important reason to provide such information is that it serves as a starting point for preparing mid-year budget adjustments to the FY 2021/2022 Budget.

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 first quarter report. Any proposed changes to revenue estimates or appropriations will be included in the FY 2021/2022 Mid-Year Budget Report, which will be presented to the City Council at the end of February.

REPORT HIGHLIGHTS:

- **General Fund Operating Revenues** for first quarter FY 2021/2022 were \$13.6M.
 - Actual revenues were 10.3% of the FY 2021/2022 Revised Budget.
 - Actual revenues were \$878.3K higher than first quarter FY 2020/2021.
 - Analysis of the current fiscal year's first quarter suggests that the City's overall recurring General Fund revenues, along with one-time revenues, are likely to meet the goal of the FY 2021/2022 Revised Budget.
- **General Fund Expenditures** for first quarter FY 2021/2022 were \$39.6M.
 - Actual expenditures were 28.7% of the FY 2021/2022 Revised Budget of \$138.0M.
 - Actual expenditures were \$2.4M higher than first quarter FY 2020/2021.
 - Personnel Costs include the funding and filling of positions that were previously frozen in FY 2020/2021 due to the COVID-19 pandemic.

GENERAL FUND REVENUES

General Fund Revenues were \$13.6M or 10.3% of the FY2021/2022 Revised Budget. Table 1 displays comparisons between the Original Adopted Budget, Revised Budget and Actual amounts for FY 2021/2022. The percentages are based on the actual revenue amounts received in the first quarter versus the total FY 2021/2022 Revised Budget amounts. Additionally, actual revenues from the first quarter of FY 2020/2021 have been included as a comparison. Actual revenues for FY 2021/2022 were \$878.3K higher than the prior fiscal year.

Revenues						
Character Code	2022				2021	Variance
	Original Budget	Revised Budget	Actual	%	Actual	Actual
30 - Property Tax	10,511,000	10,511,000	-	0.0%	-	-
31 - Sales Tax	22,100,192	22,100,192	1,571,461	7.1%	1,713,094	(141,633)
32 - Measure C & CC	14,851,000	14,851,000	1,057,977	7.1%	1,780,846	(722,868)
33 - Business Tax	15,561,000	15,561,000	211,296	1.4%	696,241	(484,945)
34 - UUT	13,397,000	13,397,000	2,549,141	19.0%	2,211,982	337,159
35 - TOT	3,704,000	3,704,000	923,858	24.9%	360,355	563,503
36 - Franchise Tax	1,400,000	1,400,000	101,805	7.3%	98,891	2,914
37 - Real Prop Trans Tax	10,550,000	10,550,000	1,094,888	10.4%	713,308	381,580
38 - Comm/Ind Dev Tax	500,000	500,000	115,599	23.1%	110,350	5,249
3E - Licenses & Permits	5,322,500	5,322,500	997,357	18.7%	816,028	181,330
3F - Fines & Forfeitures	2,912,000	2,912,000	677,294	23.3%	270,247	407,047
3G - Intergovernmental	10,030,259	10,030,259	13,573	0.1%	94,212	(80,639)
3H - Charges for Services	8,897,965	9,024,959	1,856,816	20.6%	828,643	1,028,173
3I - Use of Money & Prop	1,920,365	1,920,365	25,347	1.3%	644,049	(618,702)
3J - Other Revenue	1,111,595	1,111,595	(2,020)	-0.2%	320,832	(322,853)
3K - Other-Transfers	3,958,668	3,958,668	989,667	25.0%	679,306	310,361
3L - Cost Allocation Rec	5,560,449	5,560,449	1,390,112	25.0%	1,357,483	32,629
90 - Transfers	-	-	-	0.0%	-	-
Total Revenues	\$ 132,287,993	\$ 132,414,987	\$ 13,574,172	10.3%	\$ 12,695,866	\$ 878,306

TABLE 1

- **Property Tax** – The first payment of Property tax is not scheduled to be received until the second quarter of FY 2021/2022. The FY 2021/2022 Mid-Year Report will have further information included in this category.

Sales Tax / Measure C and CC – Sales Tax and Measure C/CC receipts reflected in Table 1 are \$1.6M and \$1.1M respectively, which represent total Sales Tax (including Public Safety Tax) received for the month of July only. The July sales tax revenue reported above also includes funds received in arrears for prior quarters. Funds received in arrears were higher in FY 2020/2021 due to the Governor's Executive Orders allowing businesses to defer sales tax remittances as a supportive measure early in the COVID-19 pandemic. Businesses are no longer deferring payments, which is reflected in current fiscal year's lower Actual revenue for the first quarter. Based on the process implemented by the California Department of Tax and Fee Administration (CDFTA), Sales Tax Revenues for August 2021 and September 2021 are not

received by the City until October and November and are therefore not included in Table 1 (cash basis) above.

- Since Sales Tax is a major revenue source for the City, Table 2 has been included in this report to show Bradley Burns Sales Tax, Measure C, and Measure CC tax revenue for the months of July, August, and September. Note: Table 2 does not include the one-half percent levy of public safety sales tax approved by voters in November 1993, which is a very small amount.
- Table 2 shows there is an increase in sales tax of 27.6% over the prior fiscal year. Based on information provided by HdL, Los Angeles County experienced a 20.0% increase in sales tax revenue over the same quarter in the prior year, and the State of California experienced an 18.3% increase.
- Actual sales tax received for the first quarter is 28.5% of the FY 2021/2022 Revised Budget. Sales Tax revenues are coming in higher than expected by a positive margin of 3.5%, due to rebounds in multiple retailers, a return to dining in restaurants, a steady demand for vehicles and an increase in the numbers of commuters. Staff will continue to monitor this revenue and propose any recommended changes during the Mid-Year process.

Sales Tax

	FY 2021/2022				FY 2020/2021				Variance
	July	August	September	Total	July	August	September	Total	
Bradley Burns	\$ 1,528,727	\$ 2,203,265	\$ 2,708,606	\$ 6,440,598	\$ 1,675,140	\$ 2,011,109	\$ 1,398,509	\$ 5,084,758	\$ 1,355,840
Measure C	\$ 352,089	\$ 526,512	\$ 466,290	\$ 1,344,891	\$ 377,855	\$ 519,012	\$ 143,802	\$ 1,040,669	\$ 304,222
Measure CC	\$ 705,889	\$ 1,076,076	\$ 965,299	\$ 2,747,264	\$ 765,135	\$ 1,031,979	\$ 329,107	\$ 2,126,221	\$ 621,043
Total Sales Tax	\$ 2,586,705	\$ 3,805,854	\$ 4,140,194	\$10,532,753	\$ 2,818,130	\$ 3,562,100	\$ 1,871,418	\$ 8,251,648	\$ 2,281,105

TABLE 2

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 \$211.3K or 1.4% of the FY 2021/2022 Revised Budget. The business tax revenues have come in lower than the prior year due to a change in business tax payment deadlines. To support businesses during the COVID-19 pandemic, the deadline to pay Business License renewals in 2020 was extended to June of 2020. As a result, a portion of the payments were delayed until July of FY 2020/2021 and are reflected in higher first quarter revenues for that fiscal year. In comparison, the deadline for Business License renewals in 2021 was March 31, 2021, so those payments remained in the prior fiscal year.
- **Utility Users Taxes (UUT)** – Total UUT receipts of \$2.5M reflects July 2021 and August 2021 payments. This revenue source is higher when compared to the same period for FY 2020/2021. The Finance Department will begin an audit of these services in the current fiscal year to capture any potential lost revenues, specifically, in the area of telecommunications.
- **Transient Occupancy Tax (TOT)** – TOT receipts for this quarter were \$923.9K and reflect revenue for July 2021 and August 2021. This revenue is higher when compared to the same period of FY 2020/2021. As COVID-19 travel restrictions ease, TOT revenue is beginning to

recover. TOT has increased \$563.5K over the prior fiscal year but has not yet returned to pre-pandemic levels. It is possible this revenue will meet or exceed budget by the end of the year.

- **Franchise Fees** - Franchise fees for this quarter were at \$101.8K or 7.3% of the FY 2021/2022 Revised Budget. Franchise tax came in slightly higher than the previous fiscal year for the same period. This revenue source will be monitored and adjusted during the Mid-Year process, if needed.
- **Real Property Transfer Tax** - Real Property Transfer Tax (RPTT) for this quarter was \$1.1M or 10.4% of the FY 2021/2022 Revised Budget. RPTT was \$381.6K higher compared to the same period of 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 adds 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 does not apply to sales under \$1,500,000, affordable housing, and first transfer of new multi-family properties.

- **Community/Industrial Development Tax** – This revenue category continues to be significantly decreased due to the pandemic. The total revenue received for this category in the first quarter was \$115.6K or 23.1% of the FY 2021/2022 Revised Budget. The revenues are up by \$5.2K compared to the same quarter in the prior fiscal year but have not yet rebounded to pre-pandemic levels.
- **Licenses & Permits** – Revenues for this quarter were \$997.4K or 18.7% of the FY 2021/2022 Revised Budget. The revenues for this category were up by \$181.3K compared to the same quarter of the prior fiscal year but have not yet rebounded to pre-pandemic levels. Licenses and Permits for building, electrical and plumbing are the significant source of revenues for this category. This revenue source will be monitored and adjusted during the Mid-Year process, if needed.
- **Fines and Forfeitures** – Fines and Forfeitures were \$677.3K or 23.3% of the FY 2021/2022 Revised Budget. This category is primarily comprised of red-light camera violations, 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 2020/2021, revenues were up by \$407.0K. In the first quarter of FY 2020/2021, the State and the County of Los Angeles were still under Safer at Home orders, and very few people were commuting to work. In the first quarter of FY 2021/2022, more people had resumed in person activities, which resulted in more vehicles on the road.
- **Intergovernmental** – Intergovernmental revenue was \$13.6K or 0.1% of the FY 2021/2022 Revised Budget. This revenue is comprised of the motor vehicle license fees from the State Department of Motor Vehicles. The majority of receipts, in this category, comes from the State Motor VLF In-Lieu payments, which are received in January and May of each fiscal year.

- **Charges for Services** – Receipts in this category were \$1.9M or 20.6% of the FY 2021/2022 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 had also experienced significant decreases in the prior fiscal year due to the COVID-19 pandemic. The revenue for this category has increased by \$1.0M compared to same period last 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 \$25.3K or 1.3% of the revised budget. This amount is significantly lower than the first quarter of the prior year due to an accounting reversal entry to adjust for the fair market value allocation on investments that was recorded in July.
- **Other Revenue** – Other Revenues is comprised of loan payments, land sale proceeds, donations, miscellaneous revenues and accounting journal entries. Revenues for this category are currently showing negative for the first quarter due to accounting journal entries.
- **Other – Transfers & Cost Allocation Rec** – This category includes inter-departmental transfers for covering General Fund expenses. The total revenues for these categories were \$989.7K or 25% of the FY 2021/2022 Revised Budget.

Overall, the revenues for the General Fund finished the first quarter \$878.3K above the same period of FY 2020/2021. Finance will continue to monitor the major revenue sources to determine if budget for revenue estimates need to be adjusted during the Mid-Year process.

GENERAL FUND EXPENDITURES

General Fund Expenditures for first quarter FY 2021/2022 were \$39.6M or 28.7% of the Revised Budget. Tables 3 and 4 below include information for the Original Adopted Budget, Revised Budget, Actual amount and current Encumbrances. The percentages shown in both tables are based on the Actual expenditure amounts in the first quarter versus the total FY 2021/2022 Revised Budget amounts. Additionally, Actual General Fund Expenditures from first quarter FY 2020/2021 have been included as a comparison. Expenditures in the first quarter of FY 2021/2022 are \$2.4M above the same quarter of the prior year. The Encumbrances are at \$10.1M for FY 2021/2022, and they represent purchase orders and contracts that are not yet completed.

Expenditures by Department						
Expenditures by Department	2022				2021	Variance
	Original Budget	Revised Budget	Actual	%	Actual	Actual
10 - Administration	1,844,225	1,876,557	527,534	28.1%	512,835	14,699
13 - City Attorney	2,906,725	2,932,425	623,143	21.3%	594,775	28,369
14 - Finance	6,163,591	6,179,164	1,596,068	25.8%	1,490,467	105,601
16 - Non-Departmental	6,350,464	6,501,323	1,277,379	19.6%	1,080,285	197,094
22 - Administrative Services	2,810,926	2,928,377	739,529	25.3%	645,852	93,677
24 - Information Technology	5,110,978	5,174,798	1,164,653	22.5%	1,234,375	(69,721)
30 - Parks Recreation & Comm Svs	9,759,843	10,048,194	2,348,151	23.4%	2,092,052	256,100
40 - Police	48,282,825	48,392,033	15,993,951	33.1%	15,141,077	852,873
45 - Fire	27,826,478	28,063,482	9,709,101	34.6%	9,011,136	697,965
50 - Community Development	9,575,327	10,990,482	2,170,697	19.8%	2,128,928	41,769
60 - Public Works	14,588,671	14,955,623	3,429,754	22.9%	3,286,613	143,141
Total Expenditures	\$135,220,053	\$138,042,458	\$39,579,960	28.7%	\$37,218,394	\$2,361,566

TABLE 3

Expenditures by Type						
Expenditures	2022				2021	Variance
	Original Budget	Revised Budget	Actual	%	Actual	Actual
Personnel	103,846,736	103,846,736	33,406,530	32.2%	32,076,883	1,329,647
O & M	28,978,748	31,677,449	5,433,454	17.2%	4,868,945	564,510
Capital	492,569	646,273	49,203	7.6%	76,227	(27,024)
Excess Appropriations	1,902,000	1,872,000	690,773	36.9%	196,340	494,433
Total Expenditure	\$ 135,220,053	\$ 138,042,458	\$ 39,579,960	28.7%	\$ 37,218,394	\$ 2,361,566

TABLE 4

The Personnel category was \$33.4M or 32.2% of the FY 2021/2022 Revised Budget. Personnel costs have gone up by \$1.3M over the same period for the previous fiscal year. Included in this number is an increase of \$1.02M in Worker's Compensation contributions and an increase of \$150K in part-time salaries. The increase in part-time salaries reflects the restoration in FY 2021/2022 of many seasonal programs that were canceled or cut back in FY 2019/2020 and FY 2020/2021 due to the pandemic.

The Personnel category also includes lump sum payments, like the CalPERS Unfunded Accrued Liability (UAL), that occur in the beginning of each fiscal year. These payments increase the quarterly percentage against the total expenditure budget.

The Operations and Maintenance (O&M) category was \$5.4M or 17.2% of the FY 2021/2022 Revised Budget. O&M expenditures came in higher by \$564.5K compared to first quarter of FY 2020/2021 as a result of increased spending from resumed programs and other activities as pandemic restrictions have eased.

The Capital Category was \$49.2K or 7.6% of the FY 2021/2022 Revised Budget. The capital budget category contains property conversion funding for the purchase of four vehicles and three in-car camera systems for the Police Department. The capital budget also includes the modification of office space in the Building Safety Division. Most of these capital projects were not yet completed in the first quarter of the fiscal year.

The Other/Excess Appropriations category was at \$690.8K and includes amounts transferred to other funds within the City. This category is \$494.4K higher than the first quarter of the previous fiscal year and includes a higher transfer amount to the Capital Improvement & Acquisition Fund (Fund 420) than the previous year for capital projects.

Overall, despite increases over the prior year, the total General Fund expenditures are anticipated to come in below the Revised Budget for FY 2021-2022. Additional analysis and information will be included in the FY 2021/2022 Mid-Year Budget Report that will be presented to City Council at the end of February.

CONCLUSION

In conclusion, the First Quarter Financial Report for FY 2021/2022 indicates that the General Fund Revenues are \$878.3K higher compared to the same period in FY 2020/2021. Revenues such as Sales Tax, TOT, UUT, Charge for Services, Licenses and Permits, and Fines/Forfeitures will continue to be monitored in FY2021/2022.

General Fund Expenditures are currently at 28.7% of budget, and the expenditures are \$2.4M higher than the same period in FY 2020/2021. The higher expenditures include needed operational purchases in O&M by all the departments now that many COVID-19 funding restrictions have lifted, along with the filling of previously frozen staff positions from FY 2020/2021.

Finance staff will present a FY 2021/2022 Mid-Year Budget Report to City Council at the end of February 2022, and staff will provide recommendations for necessary budget adjustments at that time.