



# **City of Culver City**

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## **MID-YEAR BUDGET REPORT FISCAL YEAR 2021/2022 Through December 31, 2021**

## ***ATTACHMENT 1***

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## INTRODUCTION

This Mid-Year Budget Report presents an overview of the City's operating revenues and expenditures for the first half of Fiscal Year 2021/2022 as compared to budgeted amounts, explaining any notable deviations or trends in the numbers. The information in this report is organized into two sections: General Fund and Other Major Funds.

The Mid-Year Budget Report's purpose is threefold. First, it illustrates the City's focus on monitoring its revenues and expenditures, with the intent to proactively respond to unanticipated changes or emerging trends. Secondly, and equally important, the report provides fiscal transparency of City finances as the City is ultimately accountable to its residents for the use of revenue. Finally, the information in this report serves as a starting point for preparing the Fiscal Year 2022/2023 Budget.

The close of December encompasses the first six months of the City's fiscal year, presenting an ideal point of analysis to determine the viability of the adopted budget, or if and where adjustments should be considered. The Finance Department staff has reviewed all line items and compared actual results against budget expectations, historical trends, seasonality and other known factors affecting both revenue and spending streams to determine if recommendations for reductions or increases should be made. As the defined mid-point of the fiscal year, although the presumed expectation is that most categories should be at 50% of budget, City revenues historically lag expenditures at this point in the fiscal year because of year-end accounting adjustments to major revenue sources and because the bulk of the property tax and business license revenues are received later in the fiscal year.

### REPORT HIGHLIGHTS:

- **General Fund Operating Revenues** through December 31, 2021 total \$49.8M or 37.5% of the current revised FY 2021/2022 Budget. Analysis of the current fiscal year suggests the City's overall recurring General Fund revenues, along with one-time revenues, are expected to outpace the current revised FY 2021/2022 Budget. Additional General Fund Revenue details are provided beginning on page 2 of this report. Staff is recommending that revenue budget amounts be increased by \$14.4M.
- **General Fund Expenditures** through December total \$69.3M or 49.3% of the current revised FY 2021/2022 Budget. There are proposed mid-year budget adjustments of \$2.3M explained in more detail starting on page 6 of this report. The General Fund mid-year budget adjustments are broken into three categories: on-going personnel adjustments of \$768,520; on-going non-personnel/other adjustments of \$639,750; and one-time adjustments of \$894,272.
- A brief mid-year overview is included in this report for Enterprise Funds and Internal Service Funds starting on page 9.

## GENERAL FUND

### GENERAL FUND REVENUES

As of December 31, 2021, General Fund operating revenue was \$49.8M, or 37.5% of the current revised budget. City revenues historically are less than 50% at this point in the fiscal year because of year-end accounting adjustments to major revenues and because the bulk of the property tax and business license revenues are received later in the fiscal year. Analysis of the current fiscal year suggests the City's overall recurring General Fund revenues, specifically sales tax, transient occupancy tax, and real property transfer tax, are expected to outpace the current revised FY 2021/2022 Budget.

The table below displays the comparison between revenues received as of December 31<sup>st</sup> for the current and prior fiscal year. Actual revenues for FY2021/2022 were \$11.5M higher than the same period in the prior year. This increase can be attributed to a combination of faster than predicted economic recovery in certain sectors including sales tax and transient occupancy tax and the addition of the real property transfer tax revenue stream which began in April 2021. The table also includes projected revenues for FY 2021/2022 compared to the revised budget.

GENERAL FUND REVENUES					
	2020/2021 REVENUE AS OF 12/31/2020	2020/2021 REVENUE TOTAL	2021/2022 REVENUE AS OF 12/31/2021	2021/2022 REVISED BUDGET TOTAL	2021/2022 PROJECTED REVENUES
Property Tax	2,655,025	11,830,948	2,617,187	10,511,000	\$ 10,511,000
Sales Tax	6,761,014	22,441,130	8,212,723	21,650,192	\$ 25,059,487
Sales Tax - Measure CC	3,578,847	10,193,555	3,566,833	9,937,000	\$ 10,917,000
Sales Tax - Measure C	1,446,560	4,709,783	1,754,481	4,914,000	\$ 5,383,000
Public Safety Sales Tax (PSAF)	155,383	486,429	178,989	450,000	\$ 475,000
Business Tax	1,401,882	15,895,303	1,343,372	15,561,000	\$ 15,561,000
Franchise Tax	1,044,811	2,298,715	201,235	1,400,000	\$ 1,400,000
Real Property Transfer Tax	2,593,104	8,533,467	6,331,643	10,550,000	\$ 14,050,000
Electricity UUT	3,050,095	6,577,145	3,632,131	6,769,000	\$ 7,069,000
Gas UUT	341,721	1,200,734	437,477	1,167,000	\$ 1,167,000
Water UUT	741,091	1,702,834	742,241	1,600,000	\$ 1,600,000
Telecomm UUT	1,215,358	2,862,005	1,220,086	3,136,000	\$ 2,736,000
Cable UUT	301,432	842,076	379,232	725,000	\$ 775,000
Transient Occupancy Tax (TOT)	1,040,923	3,073,677	2,627,644	3,704,000	\$ 7,304,000
Commercial/Industrial Dev. Tax	188,345	391,788	1,359,807	500,000	\$ 1,500,000
Licenses and Permits	1,706,185	3,480,750	3,173,420	5,432,500	\$ 5,712,500
Intergovernmental	345,193	11,225,938	15,613	10,030,259	\$ 11,111,049
Charges for Services	2,472,447	8,173,472	4,424,617	9,384,324	\$ 9,495,423
Fines and Forfeitures	943,005	3,448,170	1,383,671	2,802,000	\$ 2,802,000
Use of Money & Property	1,745,255	3,096,947	1,368,524	1,920,365	\$ 1,920,365
Interfund Revenues	2,714,966	5,429,932	2,780,225	5,560,449	\$ 5,560,449
Transfers In	1,358,612	2,717,225	1,979,334	3,958,668	\$ 3,958,668
Other Revenues	407,836	348,522	16,507	1,111,595	\$ 1,111,595
<b>TOTAL REVENUES</b>	<b>\$ 38,209,093</b>	<b>\$ 130,960,546</b>	<b>\$ 49,746,990</b>	<b>\$ 132,774,352</b>	<b>\$ 147,179,536</b>

Table 1

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- **Property Tax** – As of December 31, 2021, the City received \$2.62M in Property Tax. Secured property tax receipts are about 1.4% below last year but are estimated to still meet budget projections for FY 2021/2022.
- **Sales Tax / Measure C/ Measure CC** – Total Sales Tax receipts as of December 31, 2021 were \$13.7M, or 37.1% of the current revised budget. There are only four months of receipts reflected in this report. In accordance with government accounting standards and the remittance from California Department of Tax and Fee Administration (CDTFA), sales tax revenues are received about two months in arrears.

Several sectors have experienced a faster than expected recovery. A few categories that are performing well this fiscal year are new motor vehicle dealers, casual dining, service stations, family apparel and specialty stores. Based on the most recent report from our sales tax consultant, HdL, sales tax receipts are expected to be higher than the budget estimate. It is recommended to increase the total Sales Tax category by \$4.88M. This is inclusive of the City's Bradley Burns, Measure C, Measure CC and Public Safety Sales Tax receipts.

It is important to note that during the March 2020 election, the City was successful in having the sunset date of Measure CC (formerly Measure Y), the City's ½ cent Transaction Tax, extended by another ten years.

- **Business Tax** – The Business Tax category in Table 1 also includes receipts for Cannabis Tax. Total Business License Tax receipts as of December 31, 2021 are \$1.3M and Cannabis Tax is \$792.2K. Most of these revenues are received after the first half of the fiscal year in January and February. Overall receipts in this category are on track to meet the end of year estimate.
- **Utility Users Taxes (UUT)** – Total UUT receipts as of December 31, 2021 were \$6.41M, or 47.9% of the current revised budget. In accordance with the same accounting standards that apply to sales tax receipts, UUT receipts received in July are recorded into the prior fiscal year, so as of December 2021 only five months of receipts have been recorded. With accrual calculations considered and based on estimates received from the City's consultant, Avenu, it is recommended that UUT is *decreased* by an aggregate amount of \$50K (\$300K increase in Electric UUT, \$400K decrease in Telecommunications UUT and \$50K increase in Cable UUT).
- **Transient Occupancy Tax (TOT)** – TOT receipts as of December 31, 2021 were \$2.6M or 70.9% of the revised budget. The COVID-19 pandemic significantly impacted TOT in the last fiscal year. TOT revenues this year are up by 152% compared to the same period in the prior fiscal year. Due to the rebound in travel in the second year of the COVID pandemic, there is renewed strength in TOT receipts that is occurring more quickly than had been anticipated. Staff is recommending increasing TOT estimates by \$3.6M.
- **Real Property Transfer Tax** – Real Property Transfer Tax as of December 31, 2021 was \$6.3M or 60% of the revised budget. Real Property Transfer Tax came in higher by \$3.7M compared to same period of the previous fiscal year due to the implementation of Measure RE. This report reflects five months of receipts.

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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. Based on the data received since implementation in April 2021, staff is recommending increasing real property transfer tax estimates by \$3.5M.

- **Commercial/Industrial Development Tax** – This category experienced significant declines due to the pandemic in Fiscal Year 2020/2021. The total revenue received for this category as of December 31, 2021 was \$1.36M or 272% of the revised budget. The revenues are up by \$1.2M compared to the same period of the prior fiscal year. Based on the strong receipts for the first half of the fiscal year, staff is recommending increasing this tax revenue by \$1.0M.
- **Licenses & Permits** – Like Commercial/Industrial Development Tax, Licenses and Permits revenue is driven by residential and commercial construction activity. Due to the pandemic, this activity slowed considerably in the prior fiscal year. Revenues as of December 31, 2021 were \$3.2M or 58.4% of the revised budget. The revenues for this category were up by 88.7% compared to same period of FY 2020/2021. Licenses and Permits for building, electrical and plumbing are the major sources of revenue for this category. Staff is recommending increasing this revenue by \$280K overall.
- **Intergovernmental Revenue** – Intergovernmental revenue is mostly comprised of the motor vehicle license fees from the State Department of Motor Vehicles which is received in January and May. It also includes revenue from the POST program, CNG Excise Tax credits, and CARES Act and FEMA reimbursements. Intergovernmental revenue as of December 31, 2021 was \$15.6K or 0.2% of the revised budget. Most receipts for this category are received in January and May of the fiscal year.

Also included in this category is the Coronavirus Relief Funds (CRF) from the American Rescue Plan Act (ARPA). The City's allocation of ARPA funds was increased by \$1.08M from the amount originally anticipated at the time of budget adoption for a total of \$4,768,649. Staff is recommending increasing this revenue category by \$1.08M to match the amount received. This is the final payment of these one-time funds.

- **Charges for Services** – Receipts in this category as of December 31, 2021 were \$4.4M or 47.8% of the revised budget. Charges for Services category is comprised of a variety of revenues ranging from recreation program fees to police services and plan checks. Last year, this category experienced the most significant decreases due to the COVID-19 pandemic. This year the revenues are up by \$1.95M compared to same period last year. Staff is recommending increasing this category by \$111K to recognize various changes to revenues for Parks, Recreation & Community Services.
- **Fines and Forfeitures** – Fines and Forfeitures as of December 31, 2021 were \$1.4M or 49.4% of the 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

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Culver City parking enforcement. Last year, parking violations were not enforced, and with a significant decrease in traffic, moving violations were negligible. This year fines and forfeiture revenues are up by 44% when compared to the same period last year. Staff anticipates these revenues meeting current budget projections.

- **Use of Money and Property** – Use of Money and Property includes revenues from interest income, investments and income from rental of city properties. The revenues were \$1.4M or 71.3% of the revised budget.
- **Other Revenues** – Other Revenues is comprised of loan payments, land sale proceeds, donations and miscellaneous revenues. Other Revenues as of December 31, 2021 were \$16.5K or 1.5% of the revised budget. This category will see receipts in the second half of the fiscal year and is anticipated to meet projections by the end of the year.

The recommended Mid-Year revenue adjustments total approximately **\$14.4M** in increases above the current revised FY 2021/2022 Budget.

## GENERAL FUND EXPENDITURES

General Fund expenditures through mid-year are \$69.3M or 49.3% of projected appropriations, which is \$3.7M higher when compared to the same point last fiscal year. However, the amount represents a lower percentage of the total appropriation when compared to the same period in the prior year. Much of the increased amount is due to filling previously vacant positions and the greenlighting of other budget costs that were previously postponed during the peak of the COVID-19 pandemic.

The tables below display a comparison between expenditures for the first six months of Fiscal Year 2021/2022 and Fiscal Year 2020/2021. The tables also include projected expenditures for FY 2021/2022 compared to the revised budget.

### Comparison by Department:

GENERAL FUND EXPENDITURES					
DEPARTMENT	2020/2021 EXPENDITURE AS OF 12/31/2020	2020/2021 EXPENDITURE TOTAL	2021/2022 EXPENDITURE AS OF 12/31/2021	2021/2022 REVISED BUDGET TOTAL	2021/2022 PROJECTED EXPENDITURES
Administration	967,628	1,814,588	967,372	1,898,193	\$ 1,898,193
City Attorney	1,326,618	2,852,766	1,217,057	3,382,746	\$ 3,382,746
Finance	2,734,004	5,365,280	3,111,777	6,341,573	\$ 6,341,573
Administrative Services	1,207,903	2,462,409	1,478,045	3,138,347	\$ 3,138,347
Information Technology	2,168,110	4,807,245	2,409,024	5,256,595	\$ 5,256,595
Parks, Recreation & Comm Svcs	4,028,028	8,268,396	4,659,993	10,529,238	\$ 10,529,238
Police Department	25,123,461	44,359,141	25,847,359	48,842,926	\$ 48,842,926
Fire Department	14,877,970	26,135,997	15,537,258	28,420,258	\$ 28,420,258
Community Development	4,297,193	8,976,956	4,307,874	11,471,653	\$ 11,471,653
Public Works	6,503,605	12,892,461	6,796,902	16,263,787	\$ 16,263,787
Non-Departmental	2,007,610	6,184,367	1,599,856	4,651,817	\$ 4,651,817
Transfers	343,060	619,000	1,378,998	633,270	\$ 633,270
<b>TOTAL EXPENDITURES</b>	<b>\$ 65,585,189</b>	<b>\$ 124,738,605</b>	<b>\$ 69,311,515</b>	<b>\$ 140,830,404</b>	<b>\$ 140,830,404</b>

Table 2

### Comparison by Category:

GENERAL FUND EXPENDITURES					
CATEGORY	2020/2021 EXPENDITURE AS OF 12/31/2020	2020/2021 EXPENDITURE TOTAL	2021/2022 EXPENDITURE AS OF 12/31/2021	2021/2022 REVISED BUDGET AS OF 12/31/2021	2021/2022 PROJECTED EXPENDITURES
Personnel Costs	\$ 54,104,211	\$ 98,607,983	\$ 55,936,472	\$ 105,075,271	\$ 105,075,271
Operating O & M	11,038,218	24,588,397	11,698,157	37,420,485	\$ 37,420,485
Capital	99,700	923,225	297,889	701,378	\$ 701,378
Budgeted Excess Appropriations	-	-	-	(3,000,000)	\$ (3,000,000)
Transfers	343,060	619,000	1,378,998	633,270	\$ 633,270
<b>TOTAL EXPENDITURES</b>	<b>\$ 65,585,189</b>	<b>\$ 124,738,605</b>	<b>\$ 69,311,515</b>	<b>\$ 140,830,404</b>	<b>\$ 140,830,404</b>

Table 3



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A few departments are currently exceeding the 50% mark halfway through the fiscal year, however, Finance Staff projects that all departments will end the fiscal year within budget. A number of large annual expenditures typically take place early in the fiscal year that push the 6-month percentages higher than 50%.

The Personnel category was \$55.9M or 53.2% of the Revised Budget. Actual expenditures exceed 50% of budget due to the prepayment of the CALPERS Unfunded Accrued Liability (UAL) of \$15.8M from the General Fund. When the City pays the UAL payment up front, CALPERS offers a discount, which was \$665K in the current fiscal year. Also included in the personnel category increase is a COLA adjustment for miscellaneous employees and the filling of some of the previously vacant/frozen positions. No COLA adjustment was given in the prior fiscal year to keep personnel expenses lower in response to the economic challenges of the pandemic.

The Operations and Maintenance (O&M) category was \$11.7M or 34.0% of the revised budget. O&M expenditures as of December 2021 were \$666.7K higher than December 2020 due to increased spending on necessary purchases and the resumption of programs and other activities that had been delayed or previously canceled in the prior year due to COVID-19.

Finance staff is confident that the General Fund expenditures will end the fiscal year within the revised FY 2021/2022 Budget of \$140.8M. These expenditure projections include \$2.3M for mid-year appropriation adjustment requests. The mid-year adjustment requests are primarily offset by projected salary savings due to vacant positions across all departments. A significant number of retirements occurred in December 2021 and recruiting for those positions will take time.

## **Mid-Year Appropriation Adjustment Request**

Recommended appropriation adjustments for mid-year total approximately \$2.3M. Of this amount, \$894,272 is for one-time expenditures, \$768,520 is for on-going personnel costs, and \$639,750 is for ongoing non-personnel costs. On-going expenses will be incorporated into future year budgets. A brief outline of the adjustment requests can be found below. For a detailed explanation of each mid-year appropriation request see Attachment #2 of this staff report. Again, these additional budget requests will be covered within the current revised budget appropriations due to projected savings in other areas.

One-time appropriation adjustments include:

- \$50,000 for Legal Services related to in-depth review of MOU's and Payroll
- \$20,000 for reconfiguration of Finance Department cubicle layout
- \$10,000 for Human Resources supplies and advertising related to higher number of recruitments
- \$11,990 for higher than anticipated expenses for Quality Assurance Fee (QAF) related to the Ground Emergency Medical Transport (GEMT) funding due to an increase in the State's rate
- \$46,200 for Community Development for Farmers Market audit, Apple I-Pads for use by Code Enforcement Officers, additional mailing charges and transcription services, two computers and two monitors for Rent Stabilization positions
- \$154,775 for Public Works for emergency tree trimming services, required certifications and training, and cubicle reorganization
- \$583,304 transfer to Fund 420 – Improvements & Acquisitions for needed Culver City Park equipment and renovation, and the installation of a gate and retractable bollards at Ballona Creek access gate near Jackson Avenue

On-going appropriation adjustments include:

- \$768,520 for a partial year of staffing adjustments in the Finance Department, Human Resources, Information Technology, Parks, Recreation & Community Services, Police, Fire, Community Development, and Public Works.
- \$350,000 in increased costs to Southern California Edison. The increase is due to the City's enrollment in the Clean Power Alliance, the significant delivery rate increase that the California Public Utilities Commission approved, and volatility in the electricity spot market.
- \$40,000 for the implementation of the NeoGov on-boarding program for employee orientation. (The annual on-going amount will be \$32,000.)
- \$61,100 for Parks, Recreation, and Community Services for training, recertifications, uniforms, landscaping and custodial services, and monthly mailing of Senior Center newsletter
- \$55,000 for Vital Medical Services contract for the Police Department
- \$26,000 for Community Development for transcription services and additional advertising for General Plan update, Housing Element, Cannabis Uses, and Zone Code Amendment
- \$58,450 for Public Works for training, membership and dues, conferences and conventions, contract services for underground service alter markings and a new Hirsch pad system at the Veterans Memorial Building

## **General Fund Financial Forecast**

In the General Fund Financial Forecast, staff has included operational costs in the amount of \$4.9M for Project Homekey starting in Fiscal Year 2022/2023. A baseline escalator has been applied to these costs in future years.

## OTHER MAJOR FUNDS

A brief overview follows for the City's Enterprise and Internal Service Funds.

### ENTERPRISE FUNDS

The City has four Enterprise Funds: Refuse Disposal, Municipal Bus Lines, Sewer Enterprise, and Municipal Fiber Network, which account for the provision of direct services to the public where all or a substantial portion of the costs involved are paid in the form of user charges or fees for such services.

- **Refuse Disposal Fund** was established to account for the operation of the City's refuse disposal, transfer station operation, recycling efforts, and street sweeping services.
- **Municipal Bus Lines Fund** is used to account for the operation, as well as the capital assets, of the City's Bus Lines. Other funding assistance comes from FTA Section 9 (Federal-Capital), TDA and STA (Capital and Operating), and Proposition A and Proposition C.
- **Sewer Enterprise Fund** is used to account for revenues collected through sewer charge fees and sewer facilities charges. These funds are used for expenditures related to the operation and maintenance of sewer disposal facilities, capital projects, and debt service on bonds for sewer facility improvements.
- **Municipal Fiber Network Fund** was established through a loan from the General Fund to design and construct an open access network where Internet Service Providers (ISPs) will utilize City's fiber infrastructure to service the business community.

OTHER MAJOR FUNDS EXPENDITURES					
DEPARTMENT	2020/2021 EXPENDITURE AS OF 12/31/2020	2020/2021 EXPENDITURE TOTAL	2021/2022 EXPENDITURE AS OF 12/31/2021	2021/2022 REVISED BUDGET TOTAL	2021/2022 PROJECTED EXPENDITURES
Refuse Disposal Fund	7,880,627	15,621,723	8,215,152	19,828,956	18,837,510
Municipal Bus Lines	13,780,276	27,458,549	18,678,703	59,706,639	35,439,350
Sewer Enterprise Funds	3,694,804	8,763,123	3,377,059	11,114,419	8,823,360
Municipal Fiber Network Fund	1,295,031	2,102,185	835,491	3,171,417	2,447,345
<b>TOTAL EXPENDITURES</b>	<b>\$ 26,650,738</b>	<b>\$ 53,945,580</b>	<b>\$ 31,106,405</b>	<b>\$ 93,821,431</b>	<b>\$ 65,547,565</b>

Table 4

### REFUSE

At mid-year, the Refuse Fund operating expenditures are \$8.1 million, or 41.4% of the revised budget. Expenditures through December 2021 are \$334K more than the prior fiscal year. Several large expenditures will occur in the second half of the fiscal year contributing to expenditures coming in at less than 50% of the revised budget. These include Consulting Services (\$150K), Department Special Equipment (\$90k), and Refuse Disposal Services (\$826K).

- Consulting Services is due to timing, expense will occur by end of fiscal year.

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- Department Special Equipment is due to timing, expense will occur by end of fiscal year
- Refuse Disposal Services are projected to be favorable by \$1.1 million which is driven by the short fall in construction demolition volume compared to prior year, and favorable recycling processing cost.

Based on analysis of the mid-year numbers, refuse expenditures are estimated to be at least 95% or less of revised budget at the end of the fiscal year.

Refuse Fund Revenues are trending slightly behind the mid-year target of 50% at \$8.5M, or 48.1 % of the revised budget. Contributing factors to this variance are Refuse Disposal - Residential Property Tax, Tonnage Charges, and Sale of Recycle items. These items are offsetting favorable trends in all other revenue categories.

- Refuse Disposal variance is due to timing of payments received by residents and should balance out by year end.
- Tonnage charges is expected to remain behind budget due to the completion of several large construction projects.
- Sale of Recycle is expected to increase with added volumes being brought to the Transfer Station by the City of Santa Monica.

The net of these items will result in Refuse Fund revenues being fully realized by fiscal year end.

## MUNICIPAL BUS LINES FUND

Municipal Bus Lines Fund mid-year expenditures are \$18.7M, or 31.3% of the revised budget and are on target with projections to end within budget.

As of December 31, 2021, only 21.1 % of the \$26.6M appropriated in other capital outlay had been expended. Approximately \$11.4M has been encumbered and is anticipated to be expended over the next fiscal year. Capital projects not implemented or finished during a fiscal year are carried over to subsequent fiscal years.

Municipal Bus Lines Fund revenues are \$4.9M or 10.7% of budgeted revenue. Half of the projected revenue comes from grants for capital projects. Most grants operate on a reimbursable basis so the revenue will be received after work has commenced and costs incurred. Municipal Bus Lines Fund revenues are mostly a combination of federal, State and County funding sources along with farebox revenues.

Revenue invoicing and grant reimbursements have been impacted due to ongoing staffing challenges during first six months of FY 2021/2022. The City has received federal, State, and County reimbursements in January and February that will be reflected in the third quarter report. Additional invoices will be submitted during the third quarter of the fiscal year for work that has been completed. The department anticipates year-end revenue to match or exceed budgeted expenditures.

## SEWER ENTERPRISE FUND

As of December 31, 2021, Sewer Fund operating expenditures are approximately \$3.4 million, or 30.4% of the revised budget. Personnel costs are at 45.6% of revised projections. Expenditures are below

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50% due primarily to the timing of payments to the City of Los Angeles for the Hyperion Treatment Plant. \$3.6M is budgeted for these services, and only \$363,000 had been expended through mid-year.

Sewer Enterprise Fund revenues at mid-year are \$3.76M, or 40.4% of budget. Sewer Enterprise Fund revenues are on track to be fully realized at fiscal year-end.

### **MUNICIPAL FIBER NETWORK FUND**

In July 2018, the Network was deemed operational with all the fiber infrastructure installed, spliced, and tested. During FY 2018/2019, network configuration was also initiated for the electronics located in the local hubs and at the telecommunications carrier hotels at One Wilshire and Equinix (El Segundo). In March 2021, the City transitioned to a new network operator, Onward. In October 2021, Onward lit its first internet service commercial customer. Additionally, City Council approved allowing Onward to provide residential internet services to multi-family customers. It is expected that Onward will be able to begin marketing services to these customers before the end of FY 2021/2022. Staff also continues to work with Ting in a potential joint-build which will further expand the footprint of the fiber network. The Fund is now financially sustainable with annual revenues covering annual expenditures.

## INTERNAL SERVICE FUNDS

The Internal Service Funds are used to account for services and commodities furnished by designated funds of the City to user departments of the City.

- **Equipment Replacement Fund** is used to hold annual replacement payments from designated user departments and to use those funds to purchase equipment for general City purposes.
- **Equipment Maintenance & Fleet Services (EMFS) Fund** accounts for all activities of the City's central equipment maintenance operations, the costs of which are distributed among designated user departments.
- **Self-Insurance Fund** receives and disburses funds pertaining to the public liability and workers' compensation insurance programs. It also funds the Employee Disability (IOD) program for employee long-term work-related disabilities.
- **Central Stores** accounts for the timely purchase of needed materials, supplies and auto parts in advance of actual need. Departments are billed as items are issued for use.

OTHER MAJOR FUNDS EXPENDITURES					
DEPARTMENT	2020/2021 EXPENDITURE AS OF 12/31/2020	2020/2021 EXPENDITURE TOTAL	2021/2022 EXPENDITURE AS OF 12/31/2021	2021/2022 REVISED BUDGET TOTAL	2021/2022 PROJECTED EXPENDITURES
Asset Replacement Fund	464,320	2,494,361	186,715	1,859,003	1,452,450
Equipment Maintenance/Fleet Svcs	3,887,310	7,712,063	4,323,221	8,488,493	8,456,300
Self Insurance Fund	5,592,345	9,868,983	7,750,713	9,723,025	11,105,400
Central Stores Fund	636,307	1,512,212	572,656	1,977,315	1,865,800
<b>TOTAL EXPENDITURES</b>	<b>\$ 10,580,282</b>	<b>\$ 21,587,619</b>	<b>\$ 12,833,305</b>	<b>\$ 22,047,836</b>	<b>\$ 22,879,950</b>

Table 5

### EQUIPMENT REPLACEMENT FUND

At mid-year, the Equipment Replacement Fund actual expenditures are \$187K, or 10.0% of the revised budget. Currently there is \$515,740 encumbered for vehicles/equipment set to be received by the end of the current fiscal year or in the early part of next fiscal year.

Vehicles on the FY 2021/2022 replacement list include three fire rescues, specialized tires for a Caterpillar Wheel Loader, a dump truck, and two sedans.

Equipment Replacement revenues, which are mainly the contributions from the various funds for replacement costs, will be fully recognized at year-end.

### EQUIPMENT MAINTENANCE & FLEET SERVICES (EMFS) FUND

The EMFS Fund mid-year expenditures are \$4.32M, or 50.9% of the revised budget. Fuel expenditures in the amount of \$745K, which are 53.2% of revised budget appropriations at mid-year, are driving the overall expenditure percentage higher. Fuel expenditures through December 31, 2021 are 61.1% higher than fuel expenditures at this point last fiscal year. Higher gas prices are driving this increase.

# ATTACHMENT 1

EMFS Fund revenues are on track to be fully realized at fiscal year-end. All expenditures will be covered to ensure this Fund continues to operate in a financially sound manner.

## SELF-INSURANCE FUND

The Self-Insurance Fund (SIF) regular expenditures at mid-year are \$7.75M, or 79.7% of the revised budget. This fund exceeds 50% due to higher than estimated Liability Insurance Claims and higher personnel costs due to an above average number of employees on IOD. Further analysis of this fund will be performed by Finance staff in preparation for the FY 2022/2023 budget process.

Revenues for the SIF Fund are mainly allocations from the various funds and are on track to be fully realized at fiscal year-end. However, an in-depth review will be performed on this fund in the next couple of months to ensure the City meets the reserve percentage as stated in the financial policies. Any identified changes to allocations will be made during the FY 2022/2023 budget process.

## CENTRAL STORES FUND

The Central Stores Fund operations continue to be on track for FY 2021/2022. Continued streamlining of purchasing practices and policies has enabled the City to save time and money by centralizing various purchases.

## CONCLUSION

General Fund projections for FY 2021/2022 show total estimated revenues at \$147.2M, \$14.4M more than the current revised budget total. Finance staff estimates that there is enough General Fund budget savings in salaries and O&M cost to absorb the \$2.3M in mid-year appropriation requests and to end the fiscal year within the total revised expenditure budget figure of \$140.8M. Table 6 summarizes the projected FY 2021/2022 ending fund balance for the General Fund. Despite the significant reductions to the City's revenues due to COVID-19, early, prudent budget tightening and sound fiscal management helped maintain the General Fund reserves.

	<b>FY 2021/2022 Revised Budget</b>	<b>FY 2021/2022 Revised Budget w/ Mid-Year Adjustments</b>
Total General Revenues	132,774,352	147,179,536
Total General Fund Expenditures	(140,830,404)	(140,830,404)
<b>Estimated Net Income/(Loss)</b>	<b>(8,056,052)</b>	<b>6,349,132</b>
Fund Balance Per FY 2020/2021 Annual Financial Report	108,808,031	108,808,031
Current Year Net Income/(Loss)	(8,056,052)	6,349,132
<b>Estimated Ending Fund Balance as of FY 2021/2022</b>	<b>100,751,979</b>	<b>115,157,163</b>

Table 6

Finance staff will continue to monitor the City's resources to ensure adequate funding for City services, public facilities, and infrastructure necessary to the community's present and future needs. This report should be considered in conjunction with the General Fund Financial Forecast, which takes a longer-term view of the City's financial position and is included as Attachment 3 of this report.