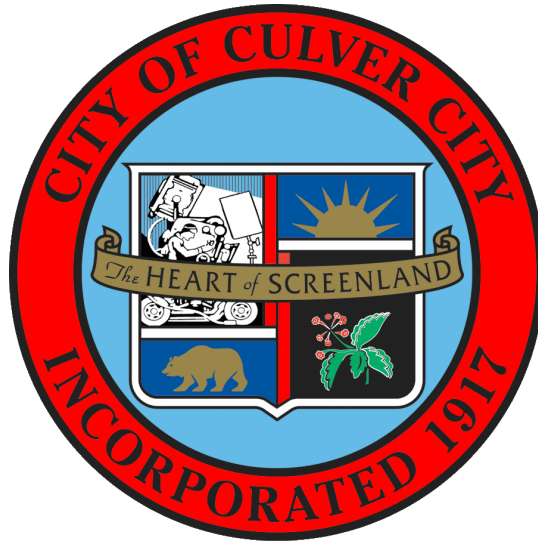




City of Culver City

INTERIM FINANCIAL REPORT FISCAL YEAR 2019/2020 Through May 31, 2020

This page left intentionally blank

INTRODUCTION

The Finance Department has prepared an Interim Financial Report for May Fiscal Year-to-Date (FYTD) 2019/2020, which represents 92% of the fiscal year complete. This report is an overview of the City's General Fund operating revenues and expenditures as compared to budgeted and forecasted amounts, explaining any notable deviations or trends in the numbers.

As a result of COVID-19, Finance's focus is on monitoring revenues and expenditures, with the intent to proactively respond to unanticipated changes or emerging trends. Secondly, the report also provides fiscal transparency of the City's finances during these most tenuous economic times.

The Finance Department staff has reviewed all line items and compared actual results against budget/forecast 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.

REPORT HIGHLIGHTS:

- **General Fund Operating Revenues** as of May 2020 are \$108.3M.
 - Actual revenues are 83% of the FY 2019/2020 Revised Budget of \$130.6M. Typically, actual revenues in May of each fiscal year are 92% of budget. Council may recall, during the Mid-Year presentation in the early part of March 2020, Finance Staff indicated that the budget projection of \$130.6M in revenues did not include the impact of COVID-19 because it was unknown at that time.
 - Since March 2020, Finance has completed a Ten-Year Forecast, which included updated projections for FY 2019/2020. The Forecast for estimated General Fund Revenues was \$109.6M and actual revenues received through May 2020 are 98.8% of the forecast.
 - In summary, the analysis of the current fiscal year suggests the City's overall recurring General Fund Revenues, along with one-time revenues, are expected to fall short of the current FY 2019/2020 Budget; however, it will likely meet or outpace the current FY 2019/2020 Forecast.
- **General Fund Expenditures** as of May 2020 are \$108.9M and there is \$7.2M in encumbrances.
 - Actual expenditures are 76% of the FY 2019/2020 Revised Budget of \$144M. Typically, actual expenditures in May of each fiscal year are 92% of budget. However, the revised budget of \$144M does not include any cost savings measures that were implemented by the City Manager. The cost savings measures included restricting non-essential purchases, eliminating capital purchases, and freezing all position vacancies.
 - The FY 2019/2020 Forecast for General Fund Expenditures does include the impact of the cost saving measures and actual expenditures are 92.6% of the forecast amount of \$117.6M.
 - In summary, the actual May FYTD expenditures are significantly below the revised budget and the current net loss is (\$579K). It should also be noted that there is still a significant portion of the \$7.3M in encumbrances and year end audit entries that will be posted in June. This could have a significant impact to the General Fund's bottom line.

GENERAL FUND

GENERAL FUND REVENUES

Through May 2020, General Fund revenues are \$108.3M and 83% of the FY2019/2020 Revised Budget. In comparison to the updated Forecast, due to the Covid-19 pandemic, revenues are just shy of the total updated estimates. It is clear that revenues will not meet the FY 2019/2020 Revised Budget target; however, revenues will likely meet or outpace the Forecasted amounts.

The table below displays comparisons between the Adopted Budget, Revised Budget, Forecast, and Actual amounts through May 2020. The percentage difference is based on the Actual amounts versus the Forecast amounts.

Revenues	Fiscal Year 2019/2020				
	Adopted Budget	Revised Budget	Forecast	Actual	%
Property Taxes	12,103,000	12,920,647	13,308,000	10,631,492	79.9%
Sales Taxes	36,336,000	37,176,000	27,797,000	26,480,004	95.3%
Business Taxes	16,058,000	16,758,000	14,452,000	15,549,862	107.6%
Utility Taxes	13,518,000	13,518,000	11,018,000	11,480,056	104.2%
Other Taxes (Incl. TOT)	9,958,000	10,075,000	7,410,000	7,237,145	97.7%
License and Permits	6,387,000	6,262,119	6,387,000	6,097,484	95.5%
Intergovernmental	5,492,046	5,653,934	5,492,000	5,680,174	103.4%
Charges for Services	12,538,899	12,439,836	10,351,000	9,322,430	90.1%
Fines and Forfeitures	5,304,500	5,368,500	3,605,000	4,068,969	112.9%
Cost Allocation	4,929,342	4,929,342	4,929,000	4,518,564	91.7%
Earning, Prop. Use & Transfers In	4,727,144	5,484,285	4,887,000	7,239,735	148.1%
Total Revenue	127,351,931	130,585,663	109,636,000	108,305,915	98.8%

- **Property Tax/Real Property Transfer Tax** – Through May 31, 2020, this combined category is \$10.6M or 79.9% of the forecast amount, and 82.3% of current revised budget. Property Tax is \$6.79M or 70.2% of revised budget, and Real Property Transfer Tax is \$3.84M or 18.2% over revised budget. Based on preliminary estimates Real Property Transfer Tax continued to come in strong, and has surpassed the revised budget estimate.
- **Sales Tax** – Total Sales Tax receipts through May 2020 are \$26.5M or 95.3% of the Forecast amount, and 71.2% of the Revised Budget. Due to accrual calculations on Sales Tax receipts, there are still three months left of Sales Tax revenues to be recorded in the fiscal year.

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** – Business Tax receipts are \$15.5M or 107.6% of Forecast. Receipts came in stronger than anticipated for the year and are based on sales activity of the prior calendar year. Staff found that businesses that were seeking funding through the CARES act were required to show an active business license, which encouraged many unlicensed businesses to come in and acquire their license. It should be noted; however, that the City will likely see a significant reduction in this category for FY 2020/2021 when the Business Tax is calculated on calendar 2020 gross receipts.

- **Utility Users Taxes (UUT)** – Total receipts in this category are \$11.5M or 104.2% of Forecast, and 85% of FY 2019/2020 Revised Budget.

Gas UUT is \$978,000, and just shy of the Revised budget amount. Electricity UUT and Telecommunications UUT are behind both Forecast and Revised budget estimates and this revenue source continues to decline over the years. Total UUT has exceeded the Forecast amount, but is not anticipated to fully meet the FY 2020/2021 Revised Budget amounts.

- **Other Taxes (including Transient Occupancy Tax [TOT])** – FYTD receipts for this category are \$7.2M or 97.7% of Forecast and 71.8% of Revised budget. Of this amount \$5.8M is TOT, which has taken a significant hit due to COVID-19.

Due to the prolonged length of quarantining at home and reduced air travel, TOT receipts have been negligible and are not anticipated to see much activity again until the Fall. This category will meet the Forecast estimate, and is anticipated to fall short of FY 2019/2020 Revised Budget.

- **Licenses & Permits** – Licenses and Permits revenues are driven by residential and commercial construction activity, which has continued to see activity during the COVID-19 pandemic. Revenues through May 2020 are \$6.1M or 95.5% of Forecast, and 97.3% of Revised budget. Actual receipts at fiscal year-end will likely meet or slightly exceed both Forecast and FY 2019/2020 Revised Budget estimates.
- **Intergovernmental Revenue** – Intergovernmental revenue is mostly comprised of the motor vehicle license fees from the State Department of Motor Vehicles. The majority of this revenue is received in January and May, and FYTD receipts are \$5.68M. This amount exceeds both the Forecast and Revised budget amounts.
- **Charges for Services** – The Charges for Services category is comprised of a variety of revenues ranging from recreation fees to police services and plan checks. This category has taken a significant hit due to the Covid-19 pandemic, especially in Recreation related activities, meeting room rentals, and some building activities.

Overall FYTD receipts in this category are \$9.3M, which is 90.1% of Forecast, and 74.9% of Revised budget. It is not anticipated that this category will meet either estimate.

- **Fines and Forfeitures** – Fines and Forfeitures 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.

During the past few months, parking violations were not enforced, and with a significant decrease in traffic, moving violations were negligible. Receipts FYTD are \$4.1M or 112.9% of Forecast, and only 75.8% of Revised budget.

- **Earnings, Property Use and Transfers-In** – This category exceeds both the Forecast and Revised budget estimates. FYTD is \$7.2M or 148.1% of Forecast, and 132.0% of Revised budget.

This was accomplished with the cooperation of Departments in defunding several Capital Improvement Projects and transferring the funding back to the General Fund for FY 2019/2020.

GENERAL FUND EXPENDITURES

Overall, General Fund expenditures through May 2020 are \$108.9M or 92.6% of the Forecast, and 75.3% of FY 2019/2020 Revised Budget.

The tables below include information for the Adopted Budget, Revised Budget, Forecast, Actual amount and current Encumbrances.

Comparison by Category:

Expenditures	Fiscal Year 2019/2020				
	Adopted Budget	Revised Budget	Forecast	Actual	%
Personnel	100,857,631	101,406,390	89,605,000	83,743,855	93.5%
O & M	28,438,510	37,694,635	31,526,122	23,858,630	75.7%
Capital & Other	5,418,413	5,503,393	-3,566,122	1,282,766	-36.0%
Total Expenditure	134,714,554	144,604,418	117,565,000	108,885,251	92.6%

Comparison by Department:

Expenditures by Department	Fiscal Year 2019/2020			
	Adopted Budget	Revised Budget	Actual	Encumbrances
Administration	1,769,436	1,827,773	1,555,074	42,919
City Attorney	2,608,854	3,256,883	2,354,640	195,866
Finance	6,339,594	6,514,880	4,582,915	207,562
Non-Departmental	8,295,137	8,395,057	3,402,535	724,235
Administrative Services	2,732,360	2,890,675	2,141,068	56,575
Information Technology	5,110,334	5,311,070	4,083,669	245,390
Parks Recreation & Comm Svs	10,465,840	10,923,630	8,056,807	523,509
Police	46,655,980	47,590,808	40,206,853	615,601
Fire	27,104,608	27,531,000	22,240,195	751,847
Community Development	9,603,467	15,257,459	8,456,454	3,081,730
Public Works	14,028,944	15,105,183	11,805,042	846,697
TOTAL EXPENDITURES	134,714,554	144,604,418	108,885,251	7,291,932

Total expenditures through May 2020 are \$108.9M. This is 92.6% of the Forecast, and 75.3% of Revised budget. As can be seen on the chart above by Department, all are estimated to come in below the FY 2019/2020 Revised Budget, even if current Encumbrances are fully included in FY 2019/2020. However, it is not anticipated that the total \$7.3M in encumbrances will be realized in FY 2019/2020. Finance staff has been working with individual departments to closely look at these amounts and close all non-essential amounts prior to the close of the fiscal year.

When the COVID-19 pandemic hit, the City Manager directed all Departments to immediately reign-in spending, especially that related to training, conferences and conventions, special events and capital outlay. A hiring freeze was also put in place and requires direct approval by the City Manager to fill positions deemed essential at this time.

The Personnel category is \$83.7M or 93.5% of the Forecast amount. It is estimate that the actual amount will come in right at Forecast or just slightly above. This is mainly due to the freezing of positions.

O & M is \$23.85M through May 2020 or 75.7% of Forecast, and 63.3% of the FY 2019/2020 Revised Budget. With the direction to limit spending, the cancellation of many programs due to Covid-19, and other activity significantly slowed, this category will come in under the Forecast estimate.

The negative (\$3.57M) Capital & Other in the chart above for the Forecast is due to several factors:

1. The reversal of a portion of the FY 2019/2020 transfer to Fund 420 – Capital & Acquisition for CIP projects
2. The reversal of all estimates for capital purchases; and
3. There was (\$4.48M) budgeted in projected excess appropriation.

Departments were asked to defund projects in Fund 420, thus freeing up the budget to be returned to the General Fund's Fund Balance. However, as noted in the actual column, there was \$1.2M in capital purchases and transfers out of the General Fund that were already approved and in the works prior to COVID-19.

CONCLUSION

Overall, the May Report indicates that the General Fund has a current deficit of (\$579K). As noted in the Staff Report, a portion of the \$7.3M in encumbrances will still be paid out before the end of the fiscal year and there are also year-end audit entries that will be posted in the June. Both of these factors will impact how the General Fund ends the fiscal year and it is likely the deficit will be larger. However, due to the extreme efforts of the City Manager and Department Heads to make significant budget cuts in FY 2019/2020, the deficit will likely be a smaller than the current forecast of (\$7.9M).

It should also be noted, that the FY 2019/2020 Revised Budget of \$144M included much needed capital projects and operational cost that were budgeted to address the growing needs of the City. Although, the City is positioned well to maintain operations during this pandemic, it can not continue to operate efficiently on a long-term basis at the current reduced expenditure levels. Finance will continue to monitor the financial situation of the City on a monthly basis and provide City Council with quarterly updates.