



City of Culver City

FISCAL YEAR 2019/2020 UNAUDITED FINANCIAL REPORT FOR THE GENERAL FUND

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INTRODUCTION

The Finance Department has prepared a Fiscal Year (FY) 2019/2020 Unaudited Financial Report for the General Fund. It is important to note, the enclosed year-end financials are approximately 97% complete and have not been reviewed by the City's auditors. This FY 2019/2020 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.

Finance Department staff have 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** for FY 2019/2020 were \$124M.
 - Actual revenues were 95% of the FY 2019/2020 Revised Budget of \$130.6M. 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 June 2020 were 113.1% of the forecast.
 - 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 Revised Budget; however, it will outpace the current FY 2019/2020 Forecast.
- **General Fund Expenditures** for FY 2019/2020 were \$120.8M and there is \$5.15M in encumbrances that will likely be carried over into FY 2020/2021.
 - Actual expenditures were 84% of the FY 2019/2020 Revised Budget of \$144M. 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, cancelling prefunding of OPEB, eliminating capital purchases, and freezing all position vacancies.
 - The FY 2019/2020 Forecast for General Fund Expenditures of \$117.6M, which does include the impact of the cost saving measures and actual expenditures were 103% of the forecast amount.
 - The actual FY 2019/2020 expenditures were significantly below the revised budget due to the budget cuts implemented during COVID; however, it should also be noted that there is still a significant portion of \$5.1M in encumbrances that will be carried over into FY 2020/2021.

GENERAL FUND

GENERAL FUND REVENUES

General Fund Revenues were \$124M or 113% of the forecast amount and 95% of the FY2019/2020 Revised Budget. The table below displays comparisons between the Adopted Budget, Revised Budget, Forecast, and Actual amounts for FY 2019/2020. The percentage difference is based on the Actual amounts versus the Forecast amounts and total General Fund Revenues from FY 2018/2019 have also been included as a comparison. Actual revenues for FY 2019/2020 were \$2.5M less than the prior year.

Revenues	FY 2019/2020					FY 2018/2019
	Adopted Budget	Revised Budget	Forecast	Actual	%	Actual
Property Taxes	12,103,000	12,920,647	13,308,000	14,318,618	107.59%	13,488,817
Sales Taxes	36,336,000	37,176,000	27,797,000	33,606,943	120.90%	32,402,882
Business Taxes	16,058,000	16,758,000	14,452,000	17,350,627	120.06%	16,659,844
Utility Taxes	13,518,000	13,518,000	11,018,000	13,124,001	119.11%	13,173,647
Other Taxes (Incl. TOT)	9,958,000	10,075,000	7,410,000	7,755,007	104.66%	9,964,658
License and Permits	6,387,000	6,262,119	6,387,000	6,264,908	98.09%	7,109,022
Intergovernmental	5,492,046	5,653,934	5,492,000	5,913,472	107.67%	5,192,948
Charges for Services	12,538,899	12,489,913	10,351,000	9,982,784	96.44%	11,383,916
Fines and Forfeitures	5,304,500	5,368,500	3,605,000	4,478,090	124.22%	5,469,742
Cost Allocation	4,929,342	4,929,342	4,929,000	4,929,342	100.01%	4,720,353
Earning, Prop. Use & Transfers In	4,727,144	5,485,228	4,887,000	6,282,650	128.56%	6,943,054
Total Revenue	\$ 127,351,931	\$ 130,636,683	\$ 109,636,000	\$ 124,006,442	113.11%	\$ 126,508,885

- **Property Tax/Real Property Transfer Tax** – For FY 2019/2020, this combined category was \$14.3M or 107.6% of the forecast amount, and 110.8% of the revised budget. Property Tax was \$10.25M and Real Property Transfer Tax was \$4.06M or 125% over Revised Budget. Based on the preliminary estimates, Real Property Transfer Tax exceeded budget due in large part to four properties that were sold during the fiscal year, each valued over \$30M.
- **Sales Tax** – Total Sales Tax receipts for FY 2019/2020 was \$33.6M or 120.9% of the forecast amount, and 90.4% of the revised budget. Sales Tax revenues includes Sales Tax, Measure C and Measure CC revenues. Most of the Sales Tax revenues were generated in the first three quarters of FY 2019/2020. Sales Tax Revenues through March 2020 were in line with the adjusted budget; however, staff has seen decreased tax revenues during the fourth quarter of the fiscal year because of COVID-19. Sales Tax revenues received for the month of June 2020 was down by 24% and Measure Y revenues were down by 15% compared to the month of June 2019.

During the March 2020 election, the City was successful in having the sunset date of Measure CC (formerly Measure Y), the City's ½ Transaction Tax, extended by another ten years.

- **Business Tax** – Business Tax receipts for FY 2019/2020 were \$17.3M or 120.0% of the forecast and 103.4% of the revised budget. Receipts came in stronger than anticipated for the year and were 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 they had an active business, which encouraged many unlicensed businesses to come in and acquire their license and licensed businesses to pay their renewals. 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 based on calendar 2020 business sales.

- **Utility Users Taxes (UUT)** – Total UUT receipts for FY 2019/2020 are \$13.1M or 119.1% of the forecast and 97% of the revised budget.

UUT for gas services was \$1.1M, and just shy of the FY 2019/2020 Revised Budget amounts. Electricity UUT, Cable UUT and Telecommunications UUT continue to decline over the years. Staff is looking into the increasing efforts to have all UUT revenues audited and capture any missing UUT revenues not currently being collected.

- **Other Taxes (including Transient Occupancy Tax [TOT])** – For FY 2019/2020, receipts for this category were \$7.7M or 104.6% of the forecast and 77% of the revised budget. TOT is \$6.3M, which has taken a significant hit due to COVID-19. TOT revenues were down by 67% in the month of June 2020 compared to June 2019 and down by 75% in the last quarter of FY 2019/2020 compared to last quarter of FY 2018/2019. Due to the prolonged length of quarantining at home and reduced air travel, TOT receipts have been negligible, and it is possible there will not be significant TOT revenues collected until the beginning of calendar year 2021.
- **Licenses & Permits** – Revenues for FY 2019/2020 were \$6.2M or 98% of the forecast and 100% of revised budget. Licenses and Permits revenues are driven by residential and commercial construction activity, which has continued to see activity during the COVID-19 pandemic. The Building, Electrical and Plumbing permits are the significant source for this revenue category.
- **Intergovernmental Revenue** – Intergovernmental revenue is \$5.9M or 107.7% of the forecast and 104.5% of the revised budget. This revenue is comprised of the motor vehicle license fees from the State Department of Motor Vehicles.
- **Charges for Services** – Receipts in this category were \$9.9M or 96.4% of the forecast and 79.9% of the revised budget. Charges for Services category is comprised of a variety of revenues ranging from recreation fees to police services and plan checks. This category experienced the most significant decreases due to the COVID-19 pandemic. There was very little recreation related activities during the fourth quarter of the fiscal year, which resulted in decreases in meeting room rentals, after school programs, classes, recreation permits, etc. Plan checks fees were also \$2.3M below the revised budget.
- **Fines and Forfeitures** – Fines and Forfeitures were \$4.4M or 124.2% of the forecast and 83.4% 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 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. When you

compare fines and forfeiture revenue for the month of June 2019 vs. June 2020 revenues were down by 57%, this revenue may gradually increase in FY 2020/2021.

- **Earnings, Property Use and Transfers-In** – This category was \$6.2M or 128.5% of the forecast and 114.5% of the revised budget. Fortunately, the stock market finished strong at the end of June 2020 and actual interest income and the fair market value adjustment for the City's investments was recorded at 378.8% of budget.

Overall, the revenues for the General Fund finished the year \$14M above the City's FY 2019/2020 Forecast; however, the totals were \$2.5M below the prior fiscal year. There are specific revenues such as Sales Tax, TOT, Charge for Services and Fines and Forfeitures that recorded revenues for the month of June that were 20%-60% less than the prior year. Future revenue estimates will depend on whether or not revenues will continue to decline due to COVID or if they recover, what the rate of the recovery will be.

GENERAL FUND EXPENDITURES

General Fund Expenditures for FY 2019/2020 were \$120.8M or 103% of the forecast and 83.5% of FY 2019/2020 Revised Budget.

The tables below include information for the Adopted Budget, Revised Budget, Forecast, Actual amount and current Encumbrances. The percentage difference (shown in the second expenditure table) is based on the Actual amounts versus the Forecast amounts and total General Fund Expenditures from FY 2018/2019 have also been included as a comparison.

Comparison by Department:

Expenditures by Department	FY 2019/2020				FY 2018/2019
	Adopted Budget	Revised Budget	Actual	Encumbrances	Actual
Administration	1,769,436	1,827,773	1,733,474	28,897	1,744,655
City Attorney	2,608,854	3,256,883	2,871,127	105,536	2,455,892
Finance	6,339,594	6,507,968	5,195,417	107,314	5,282,453
Non-Departmental	8,295,137	8,395,057	4,021,746	222,302	7,616,872
Administrative Services	2,732,360	2,890,675	2,489,562	51,425	2,317,502
Information Technology	5,110,334	5,311,070	4,605,265	244,884	4,458,027
Parks Recreation & Comm Svs.	10,465,840	10,923,389	8,782,845	397,745	9,364,497
Police	46,655,980	47,591,751	44,034,285	118,868	41,951,512
Fire	27,104,608	27,552,192	24,226,413	765,067	25,075,958
Community Development	9,603,467	15,285,402	9,781,242	2,452,418	8,587,471
Public Works	14,028,944	15,105,183	13,058,645	663,918	12,848,402
TOTAL EXPENDITURES	\$ 134,714,554	\$ 144,647,343	\$ 120,800,021	\$ 5,158,376	\$ 121,703,241

Comparison by Category:

Expenditures	FY 2019/2020					FY 2018/2019
	Adopted Budget	Revised Budget	Forecast	Actual	%	Actual
Personnel	100,857,631	101,406,390	89,605,000	91,974,655	103%	90,753,670
O & M	28,438,510	37,737,560	31,526,122	27,878,844	88%	27,416,839
Capital & Other	5,418,413	5,503,393	(3,566,122)	946,522	-27%	3,532,732
Total Expenditure	\$ 134,714,554	\$ 144,647,343	\$ 117,565,000	\$ 120,800,021	103%	\$ 121,703,241

As can be seen on the expenditure chart by Department, the actual expenditures came in below the FY 2019/2020 Revised Budget and higher than the FY 2019/2020 Forecast. The Encumbrances are at \$5.1M for FY 2019/2020 and they represent purchase orders and contracts that were not completed in FY 2019/2020. It is likely, the total \$5.1M in encumbrances will be carried over and realized in FY 2020/2021. 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 required direct approval by the City Manager to fill positions that were deemed essential. Other expense containment measures included elimination of OPEB prefunding, disallowing of all non-essential expenses, eliminated allocation to the General Fund for equipment/vehicle replacement, delaying and canceling of General Fund capital projects.

The Personnel category is \$91.9M or 103% of the forecast amount and 91% of the Revised Budget. PERS and Regular Pay came 5% under the revised budget. Part-Time salaries came in 25% below the revised budget and Overtime exceeded the revised budget by 22%.

Operations and Maintenance (O&M) category was \$27.8M or 88% of the forecast and 74% of the revised budget. With the direction to reign-in spending, cancellation of many programs due to Covid-19, and other activity significantly slowed, this category came in under the Forecast and Revised Budget estimates.

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; and
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 \$947K in capital purchases that were already approved and in the works prior to COVID-19.

Overall, the total General Fund expenditures came in \$23.8M below the FY 2019/2020 Revised Budget of \$144.6M. This is due to the extreme efforts of the City Manager and Department Heads to make significant budget cuts after the pandemic hit in March 2020. However, it should be noted that the FY 2019/2020 Revised Budget of \$144M included much needed capital projects and operational costs that were budgeted to address the growing needs of the City. The City cannot continue to operate efficiently on a long-term basis at the current reduced expenditure levels.

CONCLUSION

In conclusion, the Unaudited Financial Report for FY 2019/2020 indicates that the General Fund has an estimated net increase of \$966,329 to the unappropriated fund balance. The revenues of \$124M and the transfer from the Capital & Acquisition Fund of \$2.9M combine for a total increase of \$126.9M to the unappropriated fund balance. Total expenditures are \$120.8M and the portion of the \$5.1M in encumbrances offset the increase as shown on the next table.

Total Revenues	124,006,442
Total Expenditures	(120,800,021)
Net Income/Loss	\$ 3,206,421
Transfer in from the Capital Improvement Fund	2,918,284
Encumbrances	(5,158,376)
Estimated Net Increase to the Unappropriated Fund Balance	\$ 966,329

The City has been positioned to end FY 2019/2020 in the black due to quick responses of staff to cut cost. This is a tremendous help to the City as it navigates through the next fiscal year. It is clear FY 2020/2021 revenues for Sales Tax, TOT, Charge for Services, Cannabis, and Fines/Forfeitures will need to be monitored closely. Unfortunately, there is also \$3.6M in FY 2020/2021 expenditures for increased insurance premiums and unemployment benefits, contract services recently approved by City Council and unreimbursed COVID-19 related expenditures that were not factored into the Adopted Budget. Finance staff will present a FY 2020/2021 First Quarter report to Council in December and staff will consider making any necessary budget adjustments at that time.