



City of Culver City

First Quarter Fiscal Year 2020/2021 Unaudited General Fund Financial Report



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INTRODUCTION

The Fiscal Year (FY) 2020/2021 First Quarter Unaudited Financial Report presents an overview of the City's 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 2020 – September 2020) represent 25% of the fiscal year and revenues and expenditures recorded thus far 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 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 2020/2021 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 report; however, proposed changes to revenue estimates or appropriations will be included in the FY 2020/2021 Mid-Year Report.

REPORT HIGHLIGHTS:

- **General Fund Operating Revenues** for First Quarter of FY 2020/2021 were \$11.7M.
 - Actual revenues were 11% of the FY 2020/2021 Revised Budget of \$103M.
 - Actual revenues were \$3.4M lower than first quarter FY 2019/2020.
 - 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 2020/2021 Revised Budget.
- **General Fund Expenditures** for First Quarter of FY 2020/2021 were \$37.2M.
 - Actual expenditures were 30% of the FY 2020/2021 Revised Budget of \$123M. The cost savings measures included in the Revised Budget include restricting non-essential purchases, cancelling prefunding of OPEB, reducing capital purchases, and freezing many vacant positions.
 - Actual expenditures were \$230K lower than first quarter FY 2019/2020.
 - Analysis of the current fiscal year's first quarter suggests that the City's expenditures will be in line with the FY 2020/2021 Revised Budget.
 - There is also \$10.8M in encumbrances that will likely be utilized over FY 2020/2021.

GENERAL FUND REVENUES

General Fund Revenues were \$11.7M or 11% 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 \$3.4M less than the prior year.

Revenues							
Revenue Type	2021					2020	Variance
	Original Budget	Revised Budget	Actual	%	Encumbrances	Actual	Actual
Property Tax	10,128,843	10,128,843	-	0%	\$0.00	-	-
Sales Tax	16,654,000	16,654,000	1,713,094	10%	\$0.00	1,567,272	145,822
Measure C & CC	11,360,000	11,360,000	1,142,991	10%	\$0.00	1,084,452	58,539
Business & Cannabis Tax	6,975,000	6,975,000	696,241	10%	\$0.00	307,741	388,500
Utility User Tax	10,985,000	10,985,000	2,212,008	20%	\$0.00	2,162,738	49,270
Transient Occupancy Tax	4,266,000	4,266,000	360,355	8%	\$0.00	1,474,858	(1,114,502)
Franchise Fee	1,000,000	1,000,000	98,891	10%	\$0.00	100,989	(2,098)
Real Prop Trans Tax	3,210,000	3,210,000	713,308	22%	\$0.00	339,778	373,530
Comm/Ind Dev Tax	1,311,100	1,311,100	110,350	8%	\$0.00	1,106,485	(996,134)
Licenses & Permits	6,143,670	6,143,670	816,055	13%	\$0.00	2,074,228	(1,258,174)
Fines & Forfeitures	4,152,500	4,152,500	269,216	6%	\$0.00	651,713	(382,497)
Intergovernmental	5,916,785	5,916,785	94,212	2%	\$0.00	88,464	5,747
Charges for Services	10,830,842	10,831,842	810,842	7%	\$0.00	2,472,847	(1,662,005)
Use of Money & Prop	1,388,768	1,388,768	257,417	19%	\$0.00	(201,694)	459,111
Other Revenue	390,800	390,800	321,019	82%	\$0.00	13,779	307,241
Other-Transfers	3,142,225	3,142,225	785,556	25%	\$0.00	688,349	97,208
Cost Allocation Rec	5,429,932	5,429,932	1,357,483	25%	\$0.00	1,232,336	125,148
Total Revenues	\$ 103,285,465	\$ 103,286,465	\$ 11,759,038	11%	\$ -	\$ 15,164,335	\$ (3,405,297)

TABLE 1

- **Property Tax** – The first payment of Property tax is not scheduled to be received until the second quarter of FY 2020/2021. The FY 2020/2021 Mid-Year report will have further information included for this category.
- **Sales Tax / Measure C and CC** – Sales Tax and Measure C/CC receipts reflected in Table 1 is \$1.7M and \$1.1M respectively, which represents 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. Based on the process implemented by the California Department of Tax and Fee Administration (CDTFA), Sales Tax Revenues for August 2020 and September 2020 are not received by the City until October and November and are therefore not included in the 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 a decrease in sales tax of 8% over the prior fiscal year. Based on information provided by HdL, Los Angeles County experienced a 5% decrease and the State of California experienced a .017% decrease. Although, this is a concern for Culver City, staff anticipated this decrease and the FY 2020/2021 Adopted Budget was very conservative.
- Actual sales tax received for the first quarter is 30% of the FY 2020/2021 Revised Budget. Sales Tax revenues are coming in a little higher than expected by a positive margin of 5%, partially due to the changing increasing trend of purchasing goods online that has been accelerated by the COVID-19 global pandemic. Staff will continue to monitor this revenue and propose any recommended changes during the Mid-Year process.

Sales Tax

	FY 2020/2021				FY 2019/2020				Variance
	July	August	September	Total	July	August	September	Total	
Bradley-Burns	\$ 1,675,140	\$ 2,011,109	\$ 1,398,509	\$ 5,084,758	\$ 1,530,413	\$ 2,136,052	\$ 1,660,267	\$ 5,326,732	\$ (241,974)
Measure C	\$ 377,855	\$ 519,012	\$ 143,802	\$ 1,040,669	\$ 336,358	\$ 493,571	\$ 374,916	\$ 1,204,845	\$ (164,176)
Measure CC	\$ 765,135	\$ 1,031,979	\$ 329,107	\$ 2,126,221	\$ 748,094	\$ 1,064,401	\$ 665,377	\$ 2,477,872	\$ (351,651)
TOTAL SALES TAX	\$ 2,818,130	\$ 3,562,100	\$ 1,871,418	\$ 8,251,648	\$ 2,614,865	\$ 3,694,024	\$ 2,700,560	\$ 9,009,449	\$ (757,801)

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 for this quarter were \$696K or 10% of the revised budget. The business tax revenues came in a little higher than the prior year due to collections efforts of HdL (Business License Services Consultants), to collect past due business license tax from the prior fiscal year. Business License renewals for 2021 are expected to be mailed out the final week of December and payments will be due no later than March 1st, 2021. Note, the FY 2020/2021 Revised Budget for 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.

On a separate note, Cannabis business tax has already exceeded the FY 2020/2021 budget estimates. This is due to more businesses getting their permits/business licenses approved and higher than anticipated sales. There was approximately \$340K received in the month of October and this amount will be reflected in the FY 2020/2021 Mid-Year Report.

- **Utility Users Taxes (UUT)** – Total UUT receipts of \$2.2M is for July 2020 and August 2020. The revenue is slightly higher compared to same period of FY 2019/2020. It is possible this revenue will meet or exceed budget by the end of the year.

Overall, UUT revenues have been declining and the City's consultant, Avenu, is recommending that the City begin audit services to capture any potential lost revenues, specifically in the area of telecommunications.

- **Transient Occupancy Tax (TOT)** – TOT receipts for this quarter were \$360K or 8% of the revised budget. TOT has taken a significant hit due to COVID-19. TOT revenues were down by 75% in this quarter compared to first quarter of FY 2019/2020. Due to the prolonged length of quarantining at home, reduced air travel, and associated decreases in the purchase of hotel accommodations, TOT receipts have been negligible, and it is possible the TOT revenues collected will not meet the FY 2020/2021 Revised Budget estimates.
- **Franchise Fee** - Franchise fees for this quarter were at \$99K or 10% of the revised budget. Franchise tax came in slightly lower compared to prior 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 for this quarter was \$713K or 22% of the revised budget. Real Property Transfer Tax came in higher by \$373K compared to same period of the previous fiscal year. Based on the preliminary estimates, Real Property Transfer Tax is expected to come in strong due to higher sales of residential properties fueled by record low mortgage rates. This quarter there were 49 detached single family residential full value sales with a median price of \$1.5M, which was a 13% increase over the prior quarter (April-June 2020).

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. It is anticipated that this tax will provide the City with an additional revenue of \$6,000,000 or more annually. Staff will review this revenue during the FY 2020/2021 Mid Year process and make adjustments for the projected tax that will be received from April 1st, 2021 through June 30th, 2021.

- **Community/Industrial Development Tax** - This category was significantly hit due to the pandemic. The total revenue received for this category during this quarter was \$110K or 8% of the revised budget. The revenues are down by almost \$1M compared to prior year for the same period.
- **Licenses & Permits** – Revenues for this quarter were \$816K or 13% of the revised budget. The revenues for this category were down by \$1.2M compared to same period of FY 2019/2020. 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 \$269K or 6% 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 several 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 same period of FY 2019/2020, revenues were down by 59%. This revenue source will be monitored and adjusted during the Mid-Year process, if needed.
- **Intergovernmental** – Intergovernmental revenue is \$94K or 2% of the 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 is the State Motor VLF In-Lieu payment, which is received in January and May of each fiscal year.

- **Charges for Services** – Receipts in this category were \$810K or 7% 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. This category experienced the most significant decreases due to the COVID-19 pandemic. The revenues for this category were down by \$1.6M compared to same period last year. This revenue source will be monitored and adjusted during the Mid-Year process, if needed.
- **Use of Money and Property** – This category includes the revenues from interest income, investments, and income from the rental of city properties. The revenues were \$257K or 19% 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 \$321K or 82% of budget. This revenue exceeds the expected 25% for two reasons: there is currently \$94K recorded in Other Revenue in error and it will be reclassified to Charge for Services and there is also \$225K in sign revenue that was received for the entire fiscal year.
- **Other – Transfers & Cost Allocation Rec** – This category includes inter-departmental transfers for covering General Fund expenses. The total revenues for this category were \$2.1M or 25% of revised budget in this quarter.

Overall, the revenues for the General Fund finished the first quarter \$3.4M below the same period of FY 2019/2020. Finance will continue to monitor the major revenues 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 of FY 2020/2021 were \$37.2M or 30% of the Revised Budget.

Tables 3 and 4 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 \$230K below the prior year. The Encumbrances are at \$10.8M for FY 2020/2021 and they represent purchase orders and contracts that are not completed yet.

Expenditures by Department							
Department	2021					2020	Variance
	Original Budget	Revised Budget	Actual	%	Encumbrances	Actual	Actual
Administration	\$1,650,246	\$1,831,353	\$512,835	28%	\$181,241	\$496,261	\$16,574
City Attorney	\$2,768,266	\$2,857,772	\$594,775	21%	\$216,394	\$607,473	(\$12,698)
Finance	\$5,465,666	\$5,494,331	\$1,490,467	27%	\$92,683	\$1,437,874	\$52,593
Non-Departmental	\$2,517,027	\$2,401,496	\$1,068,940	45%	\$1,360,650	\$2,185,831	(\$1,116,891)
Administrative Services	\$2,496,522	\$2,607,616	\$645,852	25%	\$84,234	\$652,930	(\$7,078)
Information Technology	\$4,574,137	\$4,708,884	\$1,234,375	26%	\$337,625	\$1,058,901	\$175,473
Parks Recreation & Community Services	\$9,480,758	\$9,502,922	\$2,092,052	22%	\$452,436	\$2,568,226	(\$476,174)
Police	\$44,557,234	\$44,674,242	\$15,141,077	34%	\$2,891,794	\$14,771,511	\$369,566
Fire	\$24,969,152	\$25,637,530	\$9,011,136	35%	\$905,532	\$8,154,525	\$856,611
Community Development	\$8,209,207	\$10,478,536	\$2,128,928	20%	\$2,429,177	\$1,977,162	\$151,766
Public Works	\$12,420,018	\$12,830,986	\$3,286,613	26%	\$1,828,055	\$3,527,002	(\$240,388)
Total	\$119,108,233	\$123,025,669	\$37,207,049	30%	\$10,779,820	\$37,437,845	(\$230,796)

TABLE 3

Expenditures by Type							
Expenditure	2021					2020	Variance
	Original Budget	Revised Budget	Actual	%	Encumbrances	Actual	Actual
Personnel	96,305,203	96,306,703	32,076,883	33%	2,112	29,597,662	2,479,220
Operations & Maintenance	23,639,794	27,058,531	4,857,600	18%	10,219,796	5,925,721	(1,068,121)
Capital	117,116	750,295	76,227	10%	557,912	180,552	(104,325)
Other/Excess Appropriations	(953,880)	(1,089,859)	196,340	-18%	0	1,733,910	(1,537,570)
Total	\$ 119,108,233	\$ 123,025,669	\$ 37,207,049	30%	\$ 10,779,820	\$ 37,437,845	\$ (230,796)

TABLE 4

The Personnel category was \$32M or 33% of the Revised Budget. Actual expenditures exceed 25% of budget due to the prepayment of the CALPERS Unfunded Accrued Liability (UAL) of \$14M from the General Fund. When the City pays the UAL payment up front CALPERS offers a discount of \$590K. Personnel expenditures for this quarter was also \$2.4M higher than first quarter FY2019/2020. Items

that contributed to this increase are the increased UAL payment to CalPERS (\$1.4M), the increase in contribution to the Self-Insurance Fund for worker's compensation and liability exposure (\$473K), the filling of newly approved positions during July 2019 – March 2020 and SIO increases for public safety employees.

The Operations and Maintenance (O&M) category was \$4.8M or 18% of the revised budget. O&M expenditures came in lower by \$1.0M in this quarter 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 \$75K or 10% Revised Budget. The encumbrances are \$557K and cover the purchase of two ambulances in the Emergency Medical Services Division of the Fire Department.

The Other/Excess Appropriations category was at \$196K in the first quarter and it includes amounts transferred to other funds within the City. This category is \$1.5M 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 expenditures in the first quarter are \$230K less than the prior fiscal year. 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. The City Manager directed all departments to immediately reign-in spending, especially expenses related to training, conferences/conventions, special events and capital outlay. A hiring freeze was put in place and any vacant positions that were filled, required direct approval by the City Manager and were deemed essential. 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, the budget reductions in FY 2020/2021 included much needed capital projects and operational costs that were originally 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 First Quarter Financial Report for FY 2020/2021 indicates that the General Fund Revenues are lower by \$3.4M compared to the same period in FY 2019/2020. FY 2020/2021 revenues for Sales Tax, TOT, UUT, Business Tax, Charge for Services, Cannabis, and Fines/Forfeitures will continue to be monitored closely throughout the fiscal year.

General Fund Expenditures are currently at 30% of budget and the expenditures are \$230K lower than the same period in FY 2019/2020. The lower expenditures are a result of cuts and decreased spending in O&M by all the departments.

Finance staff will present a FY 2020/2021 Mid-Year report to Council in February 2021 and staff will provide recommendations for any necessary budget adjustments at that time.