



# **City of Culver City**

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## **Third Quarter Fiscal Year 2020/2021 Unaudited General Fund Financial Report**



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## INTRODUCTION

The Fiscal Year (FY) 2020/2021 Third 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 third quarter financials (July 2020 – March 2021) represent 75% 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 75% will be discussed in the body of this report.

The third 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.

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.

### REPORT HIGHLIGHTS:

- **General Fund Operating Revenues** for the Third Quarter of FY 2020/2021 were \$73.3M.
  - Actual revenues were 68% of the FY 2020/2021 Revised Budget of \$107.5M.
  - Actual revenues were \$6.5M lower than third quarter in FY 2019/2020.
  - Analysis of the current fiscal year's third quarter suggests that the City's overall recurring General Fund revenues, along with one-time revenues, are likely to exceed the FY 2020/2021 Revised Budget between 3% and 5%.
- **General Fund Expenditures** for Third Quarter of FY 2020/2021 were \$91M.
  - Actual expenditures were 71% of the FY 2020/2021 Revised Budget of \$128.1M.
  - Actual expenditures were \$4.1M lower than the third quarter FY 2019/2020.
  - Analysis of the current fiscal year's third quarter suggests that the City's expenditures will come in below the FY 2020/2021 Revised Budget by about \$8M.
  - There is also \$5.8M in encumbrances that will likely be utilized over FY 2020/2021.

## GENERAL FUND REVENUES

General Fund Revenues were \$73.3M or 68% 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 \$6.5M less than the prior year.

Revenues						
	2021				2020	Variance
	Original Budget	Revised Budget	Actual	%	Actual	Actual
30 - Property Tax	10,128,843	10,711,068.00	5,195,883.78	49%	4,606,734.62	589,149.16
31 - Sales Tax	16,654,000	20,877,030.00	12,256,736.39	59%	13,253,021.08	-996,284.69
32 - Measure C & CC	11,360,000	13,607,000.00	7,797,133.91	57%	8,299,272.67	-502,138.76
33 - Business Tax	6,975,000	9,525,000.00	10,820,260.06	114%	6,043,116.41	4,777,143.65
34 - UUT	10,985,000	11,789,114.00	8,956,008.65	76%	9,385,929.09	-429,920.44
35 - TOT	4,266,000	2,500,000.00	1,521,858.10	61%	5,565,352.93	-4,043,494.83
36 - Franchise Tax	1,000,000	1,740,000.00	1,389,974.35	80%	441,331.82	948,642.53
37 - Real Prop Trans Tax	3,210,000	5,550,000.00	3,905,879.55	70%	3,073,805.75	832,073.80
38 - Comm/Ind Dev Tax	1,311,100	400,000.00	256,010.31	64%	2,562,665.53	-2,306,655.22
3E - Licenses & Permits	6,143,670	4,143,670.00	2,596,995.50	63%	5,567,295.76	-2,970,300.26
3F - Fines & Forfeitures	4,152,500	2,302,500.00	1,628,937.16	71%	2,918,725.84	-1,289,788.68
3G - Intergovernmental	5,916,785	5,916,785.00	3,441,237.54	58%	2,927,647.04	513,590.50
3H - Charges for Services	10,830,842	7,786,850.35	4,604,909.85	59%	8,085,637.84	-3,480,727.99
3I - Use of Money & Prop	1,388,768	1,388,768.00	2,279,148.91	164%	773,488.71	1,505,660.20
3J - Other Revenue	390,800	685,750.00	549,497.58	80%	510,681.03	38,816.55
3K - Other-Transfers	3,142,225	3,142,225.00	2,037,918.69	65%	2,065,045.50	-27,126.81
3L - Cost Allocation Rec	5,429,932	5,429,932.00	4,072,449.06	75%	3,697,006.50	375,442.56
90 - Transfers	-	-	0.00	0%	0.00	0.00
<b>Total Revenues</b>	<b>\$ 103,285,465</b>	<b>\$ 107,495,692</b>	<b>\$ 73,310,839</b>	<b>68%</b>	<b>\$ 79,776,758</b>	<b>\$ (6,465,919)</b>

**TABLE 1**

- **Property Tax** – Property Tax revenues were \$5.2M or 49% of the FY 2020/2021 Revised Budget amount. Based on preliminary estimates, property tax revenues are estimated to exceed budget by \$1M.
- **Sales Tax / Measure C and CC** – Sales Tax and Measure C/CC receipts reflected in Table 1 are \$12.3M and \$7.8M respectively, which represents total Sales Tax (including Public Safety Tax). Although sales tax revenues were below the expected 75%, due to accrual calculations on Sales Tax receipts there are still five payments left of these revenues to be recorded in the fiscal year. Based on preliminary estimates, sales tax revenues will end the fiscal year in line with the budget estimates.

*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 through third quarter were \$10.8M or 114% of the revised budget. The business tax revenues have come in higher than anticipated. Originally, 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; however, many large businesses within the City were able to maintain their gross receipts during the pandemic.

On a separate note, Cannabis business tax has received \$765K and is 74.7% of the revised budget of \$1.025M. It is anticipated that this revenue source will exceed the FY 2020/2021 Revised Budget by approximately \$700K.

- **Utility Users Taxes (UUT)** – Total UUT receipts of \$9M is slightly lower than the same period of FY 2019/2020. Overall, UUT revenues are expected to end the fiscal year in-line with the FY 2020/2021 Revised Budget. The City will also begin audit services in the next fiscal year to capture any potential lost revenues, specifically in the area of telecommunications.
- **Transient Occupancy Tax (TOT)** – TOT receipts for third quarter were \$1.5M or 61% of the FY 2020/2021 Revised Budget. TOT has taken a significant hit due to COVID-19. TOT revenues were down by 73% in this year compared to the same period in FY 2019/2020. However, it should be noted this revenue source has shown signs of recovery during the months of May and June 2021. It is possible that TOT revenues will exceed the FY 2020/2021 Revised Budget of \$2.5M by about \$200K.
- **Franchise Fee** - Franchise fees for third quarter were at \$1.4M or 80% of the FY 2020/2021 Revised Budget. Franchise tax came in higher than the previous fiscal year due to a one-time large payment. It is estimated that Franchise Fees will exceed the FY 2020/2021 Revised Budget by approximately \$475K.
- **Real Property Transfer Tax** - Real Property Transfer Tax for third quarter was \$3.9MK or 70% of the FY 2020/2021 Revised Budget. Real Property Transfer Tax came in higher by \$832K 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. It is estimated to exceed the FY 2020/2021 Revised Budget by approximately \$2.5M.

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.

- **Community/Industrial Development Tax** - This category was significantly hit due to the pandemic. The total revenue received for this category through third quarter was \$256K or 64% of the FY 2020/2021 Revised Budget of \$400K. The revenues are down by \$2.3M compared to the same period in the prior fiscal year.
- **Licenses & Permits** – Revenues through third quarter were \$2.6M or 63% of the FY 2020/2021 Revised Budget. The revenues for this category were down by \$3M 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 is expected to increase as the City reopens.

- **Fines and Forfeitures** – Fines and Forfeitures were \$1.6M or 71% 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. When you compare fines and forfeiture revenue for the same period of FY 2019/2020, revenues were down by \$1.3M. However, this revenue is estimated to exceed the FY 2020/2021 Revised Budget by approximately 32%.
- **Intergovernmental** – Intergovernmental revenue was \$3.4M or 58% of the FY 2020/2021 Revised Budget. This revenue is comprised of the motor vehicle license fees from the State Department of Motor Vehicles. It also includes revenue from the POST program, CNG Excise Tax credits, CARES Act, and FEMA reimbursements. The FY 2020/2021 Budget will be amended once the City Council approves receipt of \$3.7M in American Rescue Plan monies.
- **Charges for Services** – Receipts in this category were \$4.6M or 59% of the FY 2020/2021 Revised Budget. Charges for Services category is comprised of a variety of revenues ranging from recreation program fees to police services and plan checks. The revenue for this category is down by \$3.5M compared to same period last year.
- **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 \$2.3M or 164% of the revised budget. This revenue will be adjusted downward once staff records all the year-end adjusting journal entries.
- **Other Revenue** – Other Revenues is comprised of loan payments, land sale proceeds, donations and miscellaneous revenues. Revenues for this category were \$549K or 80% of budget.
- **Other – Transfers & Cost Allocation Rec** – This category includes inter-departmental transfers for covering General Fund expenses. The total revenues for these categories were \$6M or 71% of the FY 2020/2021 Revised Budget. It is anticipated that this revenue will end the year within budget.

Although the revenues for the General Fund finished the third quarter \$6.5M below the same period of FY 2019/2020, it is anticipated that the revenues will exceed the FY 2020/2021 Revised Budget of \$107M between 3% and 5%.



## GENERAL FUND EXPENDITURES

General Fund Expenditures for Third Quarter of FY 2020/2021 were \$91M or 71% of the FY 2020/2021 Revised Budget.

Tables 2 and 3 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 \$4.1M below the prior year. The Encumbrances are at \$5.8M 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
10 - Administration	1,650,246.00	1,840,352.63	1,360,008.59	0.74	60,105.70	1,243,823.10	116,185.49
13 - City Attorney	2,768,266.00	3,132,772.48	1,811,982.76	0.58	58,762.42	1,875,982.82	-64,000.06
14 - Finance	5,465,666.00	5,751,090.91	3,920,974.34	0.68	66,830.81	3,748,590.46	172,383.88
16 - Non-Departmental	2,517,027.00	4,072,128.70	3,528,860.99	0.87	624,177.34	6,932,727.42	-3,403,866.43
22 - Administrative Services	2,496,522.00	2,726,085.71	1,692,651.94	0.62	68,809.02	1,752,197.38	-59,545.44
24 - Information Technology	4,574,137.00	4,760,181.17	3,546,734.22	0.75	353,269.91	3,343,322.49	203,411.73
30 - Parks Recreation & Comm Svs	9,480,758.00	9,639,312.26	5,730,582.73	0.59	432,614.95	6,929,692.26	-1,199,109.53
40 - Police	44,557,234.00	45,361,628.17	33,942,237.64	0.75	829,170.32	34,135,099.16	-192,861.52
45 - Fire	24,969,152.00	25,711,552.49	20,228,341.26	0.79	260,084.87	18,663,051.24	1,565,290.02
50 - Community Development	8,209,207.00	11,278,005.43	6,164,153.19	0.55	2,016,100.31	6,877,149.67	-712,996.48
60 - Public Works	12,420,018.00	13,821,169.93	9,192,647.81	0.67	1,000,194.01	9,743,328.77	-550,680.96
<b>Total Expenditures</b>	<b>\$119,108,233</b>	<b>\$128,094,280</b>	<b>\$91,119,175</b>	<b>71%</b>	<b>\$5,770,120</b>	<b>\$95,244,965</b>	<b>(\$4,125,789)</b>

**TABLE 2**

Expenditures	2021					2020	Variance
	Original Budget	Revised Budget	Actual	%	Encumbrances	Actual	Actual
Personnel	96,305,203	96,935,841	73,146,013	75%	-	69,528,361	3,617,652
O & M	23,639,794	30,550,945	16,720,693	54%	5,642,239	19,757,705	(3,037,012)
Capital	117,116	1,032,818	716,829	69%	127,881	757,648	(40,819)
Excess Appropriations	(953,880)	(425,324)	535,640	-126%	-	5,201,251	(4,665,610)
<b>Total Expenditure</b>	<b>\$ 119,108,233</b>	<b>\$ 128,094,280</b>	<b>\$ 91,119,175</b>	<b>71%</b>	<b>\$ 5,770,120</b>	<b>\$ 95,244,965</b>	<b>\$ (4,125,789)</b>

**TABLE 3**

As can be seen on Table 2 and 3, the March FYTD expenditures are \$4.1M below last year and it is anticipated the expenditures will end the year approximately 4% below budget. The Encumbrances are at \$5.8M for FY 2020/2021 and they represent purchase orders and contracts that were not completed in FY 2020/2021. It is likely, the total encumbrance balance in June will be carried over and realized in FY 2021/2022. Finance staff has been working with individual departments to look at these encumbrances 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 was \$73.1M or 75% of the FY 2020/2021 Revised Budget. Although, it is in-line with where actuals should be this time of year (75%) personnel cost have gone up by \$3.6M over the previous fiscal year. There was a \$1.7M increase in pension cost (including the unfunded accrued liability), there was a \$1.4M increase in Worker's Compensation, and finally a \$600K increase in salaries due mostly to SIO increases for Public Safety employees and step increases Citywide.

The Operations and Maintenance (O&M) category was \$16.7M or 54% of the FY 2020/2021 Revised Budget. O&M expenditures came in lower by \$3M 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 \$716K or 69% of the FY 2020/2021 Revised Budget. The capital budget includes the purchase of two ambulances in the Emergency Medical Services Division of the Fire Department.

The Other/Excess Appropriations category was at \$536K 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 third quarter are \$4.1M 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. 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 Third Quarter Financial Report for FY 2020/2021 indicates that the General Fund Revenues are lower by \$6.5M 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 as we close out FY 2020/2021 and move into the next fiscal year, FY2021/2022.

General Fund Expenditures are currently at 71% of budget and the expenditures are \$4.1M 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. Based on actual revenues and expenditures received through March 2021 there is a General Fund net loss of \$17.8M, which is lower than the current FY 2020/2021 Revised Budget deficit of \$20.6M. A preliminary unaudited fiscal year-end report will be presented to City Council in October 2021.