



## Legislation Details (With Text)

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<b>Title:</b>	FISCAL YEAR 2020-2021 FIRST QUARTER FINANCIAL REPORT AND CONSIDER ADOPTION OF RESOLUTION NO. 20-172 TO AMEND FISCAL YEAR 2020-2021 BUDGET (CITY COUNCIL).				
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<b>Attachments:</b>	1. Reso No. 20-172				

Date	Ver.	Action By	Action	Result
11/17/2020	1	City Council		

## Report to Mayor and City Council

Tuesday, November 17, 2020

Discussion

### SUBJECT:

**FISCAL YEAR 2020-2021 FIRST QUARTER FINANCIAL REPORT AND CONSIDER ADOPTION OF RESOLUTION NO. 20-172 TO AMEND FISCAL YEAR 2020-2021 BUDGET (CITY COUNCIL).**

### I. SUMMARY

The Finance Department performs an ongoing review of the City's financial performance and provides updates on the General Fund results to the Mayor and the City Council. This report presents the City's financial condition in the current Fiscal Year (2020-2021) based on actual revenue and expenditures for the July 1 through September 30, 2020. In addition, the report includes two funding requests from the Public Works and Public Safety departments.

### II. RECOMMENDATION

1. RECEIVE and FILE First Quarter Fiscal Year 2020-2021 Report
2. Adopt Resolution No. 20-172, A RESOLUTION OF THE CITY OF CARSON CITY COUNCIL AMENDING THE FISCAL YEAR 2019-2020 BUDGET IN THE GENERAL FUND.

### III. ALTERNATIVES

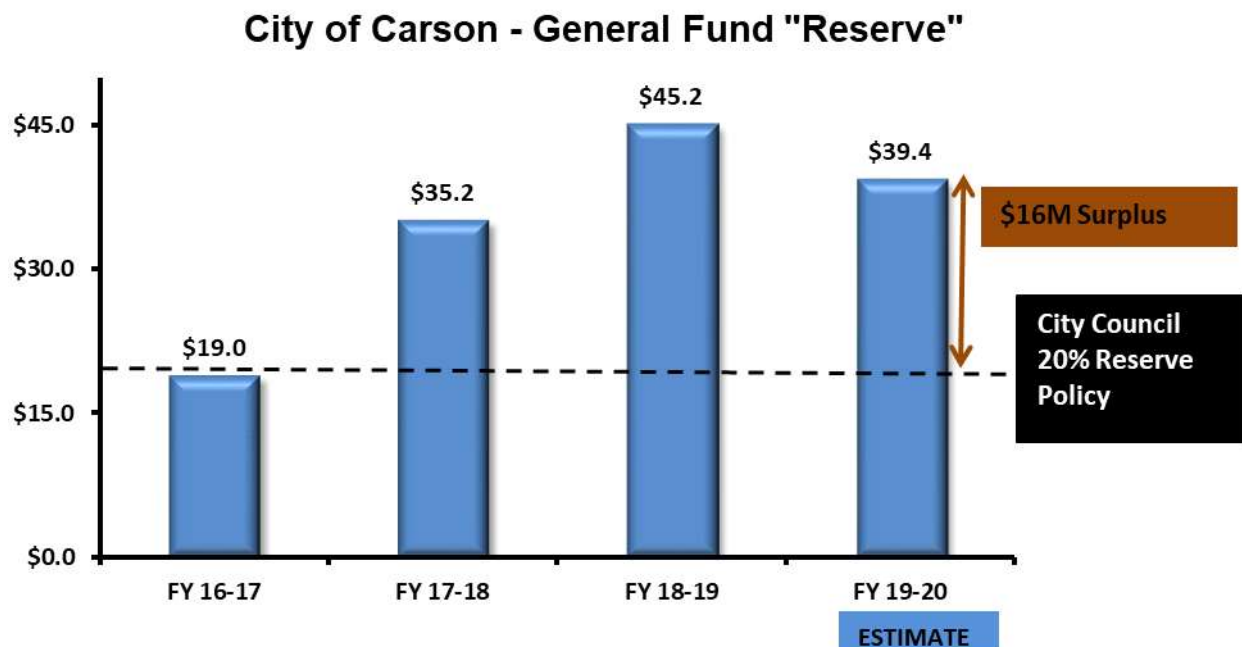
Take another action deemed appropriate by City Council.

### IV. BACKGROUND

#### Fiscal Year Ended 2019-2020

The City of Carson is projected to end Fiscal Year 2019-2020 with an estimated General Fund Balance Reserve of \$39.4 million that includes a budget surplus in excess of \$16 million above the City Council's reserve policy requirements. The audited fund balance will be available upon the completion of the ongoing financial audit, December 30, 2020.

Fund balance is the City's "reserve"; it provides a measure of the City's ability to mitigate future risks associated with providing important services in times of economic uncertainties. To provide funding for emergencies, the City Council has adopted a policy that requires fund balance to be maintained at a minimum level equal to 20% of General Fund's budget. The chart below provides a five year fund balance trend for the General Fund.



#### 1<sup>st</sup> Quarter Fiscal Year 2020-2021

As of September 30, 2020, fiscal year 2020-2021 expenditures for all departments totaled \$12.1 million (or 14% expended). Departments' annual budgets are not spent evenly throughout the fiscal year. Human Resources and Risk Management department is at 40% of budgeted expenditures due to the annual payment for the Insurance Liability premium in

the amount of \$684,536 that always occurs in the first quarter of the fiscal year. The City purchases various insurance policies to protect its assets against accidental loss. These include excess liability, property and cyber. The premiums are due and paid at the start of the term (July 1<sup>st</sup>). Staff projects expenses to be within budget at year end.

Department	Adopted Budget	Actuals	Remaining Budget	% Spent
City Attorney	\$2,920,000	\$317,613	\$2,602,387	11%
City Clerk	\$1,022,797	\$118,010	\$904,786	12%
City Council	\$1,220,841	\$252,964	\$967,878	21%
City Manager	\$4,879,236	\$780,372	\$4,098,864	16%
City Treasurer	\$745,713	\$121,314	\$624,399	16%
Community Development	\$6,180,942	\$518,381	\$5,662,560	8%
Community Services	\$13,532,689	\$1,888,372	\$11,644,317	14%
Finance	\$4,384,082	\$747,488	\$3,636,594	17%
Human Resources	\$2,999,196	\$1,193,021	\$1,806,175	40%
Non-Departmental	\$6,874,984	\$2,144,866	\$4,730,118	31%
Public Safety	\$25,604,357	\$675,398	\$24,928,959	3%
Public Works	\$16,731,564	\$3,363,748	\$13,367,816	20%
<b>Total</b>	<b>\$87,096,399</b>	<b>\$12,121,548</b>	<b>\$74,974,852</b>	<b>14%</b>

Vacancies are the largest source of budget underspending. Note that vacancies are constantly changing and certain circumstances could be very different in a matter of days or weeks. The following table summarizes the 33 vacant positions across all departments, which is 10% of total General Fund FTEs. Human Resources department is actively recruiting for a total of 19 positions out of the 33 vacant FTEs.

On June 16<sup>th</sup>, 2020, as part of the strategy for balancing the City's budget, staff had recommended a limited hiring freeze at 6% vacancy rate with a projected \$2.1 million General Fund savings.

Department Name	Budgeted FTEs	Vacant FTEs	Vacancy Rate
Public Works	130	16	12%
Community Services	67	6	9%
Community Development	23	3	14%
Human Resources	11	1	9%
Public Safety	23	3	13%
Finance	32	2	6%
City Manager's Office	6		
Information Technology	8		
City Clerk's Office	4		
City Treasurer's Office	4	1	25%
City Council's Office	5	1	20%
Public Information Office	4		
<b>TOTAL</b>	<b>317</b>	<b>33</b>	<b>10%</b>

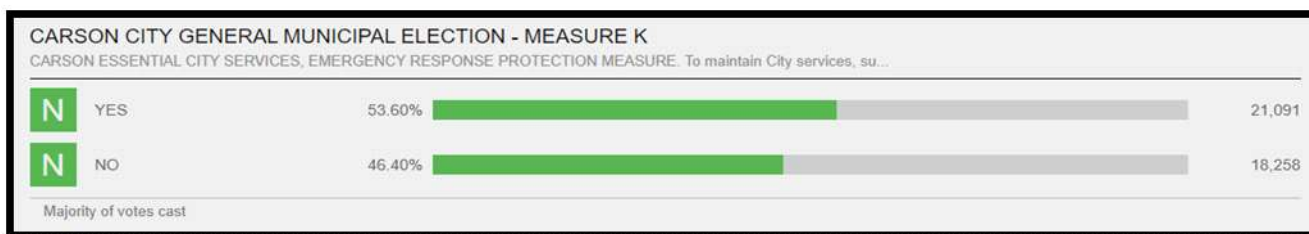
General Fund revenues collected through September 30, 2020 are \$10 million (or 11% of budget). Revenue receipts for the first quarter do not necessarily provide a “clear” picture of revenue receipts for the fiscal year, as receipts are seasonal with major revenues such as property taxes not being received until December and January. Sales taxes for the July-September quarter are not finalized until end of November. Holiday events such as Black Friday, Cyber Monday and Christmas are all received after to the second quarter of the fiscal year. Business license tax receipts begin in January and peak in February towards the beginning of the annual renewal period.

Revenue Source	Adopted Budget	Actuals	% Collected
Property Tax	\$15,547,833		
Sales Tax	\$23,203,365	\$2,486,409	11%
Utility Users Tax <sup>1</sup>	\$7,000,000	\$1,131,724	16%
Transient Occupancy Tax	\$2,150,000	\$380,626	18%
Business License Tax	\$2,933,300	\$824,557	28%
Franchise Tax	\$9,500,000	\$2,592,918	27%
Fines & Forfeitures	\$2,490,800	\$69,637	3%
Charges for Services	\$5,790,430	\$1,063,310	18%
Oil Industry Business Tax	\$4,700,000	\$456,230	10%
Other Revenues	\$13,604,069	\$971,439	7%
<b>Total</b>	<b>\$86,919,797</b>	<b>\$9,976,850</b>	<b>11%</b>

<sup>1</sup>The Utility User Tax is set to sunset on June 30, 2023.

### City of Carson Measure K:

While the November 3<sup>rd</sup>, 2020 General Elections votes have not been certified, the City of Carson residents appear to have approved the City's Measure K that increases the Transaction and Use Tax by  $\frac{3}{4}$  of a cent.



Pursuant to Revenue and Taxation Code Section 7265, the new tax is scheduled to become operative on April 1, 2021. In order for the State of California to implement City of Carson Measure K, the City is required to submit the certification of final election results

and other supporting documents to Department of Tax and Fee Administration by January 4, 2021. Staff is working on gathering these documents to meet the State deadline.

The initial revenue forecast (before the COVID-19 pandemic) showed that Measure K would generate approximately \$12 million annually to help Carson address important community needs. Due to the ongoing economic impact of the COVID-19 pandemic and the fact that the new tax won't be operative until April 1, 2020, the updated forecast shows that the City can anticipate approximately \$2.4 million for the months of April, May and June 2021.

Staff will present a proposed allocation of the \$2.4 million Measure K funding as part of the mid-year budget report that we anticipate to be on the February 16, 2021 City Council agenda.

### **Proposed Enhanced Sidewalk and Asphalt Repair Program**

The Public Works department is requesting the appropriation of an additional \$330,000 to enhance the City's Sidewalk and Asphalt repair programs during the remainder of Fiscal Year 2020-2021. The department is proposing a combined redeployment of City maintenance staff and the addition of supplemental on call services for both Asphalt Repairs and Concrete Grinding. A Mett and Confer has been requested with the required bargaining group regarding the On-Call Service Contract.

The \$330,000 proposed budget allocation will help fund the following:

- \$30,000 for additional concrete materials for the crews
- \$100,000 for on call concrete grinding contract
- \$200,000 for the on call contract for asphalt repair

With this strategy, Public Works staff believes the City will be able to jump start the efforts to minimize trip and fall claims, be more responsive to resident complaints and make meaningful progress towards eliminating the majority of the differed sidewalk maintenance and sidewalk needs.

### **Proposed Public Safety Crime Prevention Security Cameras Upgrade**

In 2012, as part of a grant funded project, the City installed a series of cameras and other wireless networking components along Avalon Blvd as a public safety measure. Portions of the system need to be replaced because they are at the end of their useful life and/or non-operational. Staff is looking to make improvements to this system by upgrading the radios at specific intersections and for the system as a whole. The existing pan-tilt-zoom (PTZ) cameras will be inspected, cleaned, and checked for proper functionality; however, it is anticipated that some of the cameras will need to be replaced. An estimated budget of \$200,000 is requested at this time to address the system connectivity issues and to replace some of the outdated cameras. It is also worth noting that the City has received a \$700,000 Measure M grant to add new cameras and fiber on Carson Street. We are awaiting the funding agreement from LA Metro.

## **V. FISCAL IMPACT**

The City's budget provides the funding and expenditure plan for all departments. As such, it serves as the City's financial plan for the fiscal year. If Recommendation #2 is approved, \$530,000 would be shifted from reserves to certain accounts in the Public Works and Public Safety budgets as identified in Exhibit A - Resolution No. 20-176. As the funds are expended, one of the resultant benefits will be to reduce accidents that might otherwise occur from differed sidewalk maintenance, which in turn will result in fewer claims against the City. In addition, the funds provided to Public Safety will add an additional crime deterrent element that will offer an enhanced safety benefit to the community.

## **VI. EXHIBITS**

- 1) Exhibit (A)- Resolution No. 20-176, A RESOLUTION OF THE CITY OF CARSON CITY COUNCIL AMENDING THE FISCAL YEAR 2020-2021 BUDGET IN THE GENERAL FUND.

1)

Prepared by: Tarik Rahmani, Finance Director