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Title: FISCAL YEAR 2020-2021 MID-YEAR FINANCIAL REPORT AND CONSIDER ADOPTION OF RESOLUTION NO. 20-018 TO AMEND THE FISCAL YEAR 2020-2021 BUDGET (CITY COUNCIL).

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Attachments: 1. Exhibit (A) - Resolution No. 20-018, A RESOLUTION OF THE CITY OF CARSON CITY COUNCIL AMENDING THE FISCAL YEAR 2020-2021 BUDGET IN THE GENERAL FUND, 2. Exhibit (B)- Summary Revenue Report- Charges for Services - Fiscal Year 2019-2020, 3. Exhibit (C)- Fiscal Year 2019-2020 City Attorney's Office Expenditure Analysis, 4. Exhibit (D)- Fiscal Year 2020-2021 City Attorney's Office Expenditure Analysis

Date	Ver.	Action By	Action	Result
2/16/2021	1	City Council		

Report to Mayor and City Council

Tuesday, February 16, 2021

Discussion

SUBJECT:

FISCAL YEAR 2020-2021 MID-YEAR FINANCIAL REPORT AND CONSIDER ADOPTION OF RESOLUTION NO. 20-018 TO AMEND THE 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. The report presents the City's financial condition in the current Fiscal Year (2020-2021) based on actual revenue and expenditure for the period of July 1 through December 31, 2020. In addition, the report includes two categories of Mid -Year budget funding amendment requests:

- (1) Requests related to COVID-19 relief programs and
- (2) Requests from departments

II. RECOMMENDATION

1. RECEIVE and FILE Mid -Year Budget Report
2. Adopt Resolution No. 20-018, A RESOLUTION OF THE CITY OF CARSON CITY COUNCIL AMENDING THE FISCAL YEAR 2020-2021 BUDGET IN THE GENERAL FUND.

1.

III. ALTERNATIVES

TAKE another action deemed appropriate by City Council.

IV. BACKGROUND

The City Council adopted the Fiscal Year 2020-2021 Budget at its June 16, 2020 meeting. The Mid-Year budget report analyzes the budget status at the mid-point of the current fiscal year and updates the Mayor and the City Council on the City of Carson's financial position. The report provides an opportunity to adjust expenditures appropriation based on changed needs or priorities.

The Mid-Year Report is focused on the City's General Fund as the main operating fund for the City. Staff reviewed and is proposing adjustments to account for COVID-19 changing needs and new priorities within each department, taking into account anticipated expenditures for the remainder of the fiscal year (June 30, 2021).

The Fiscal Year 2020-2021 Budget was adopted by the City Council to maintain levels of service to the residents for the City of Carson and enhance public safety efforts. There are two major areas that necessitate adjustments and require the City Council's approval:

(1) Requests related to COVID-19 relief programs (\$966,000) and

(2) Requests form departments (\$60,000)

These adjustments total \$1,026,000 across both categories. Technical adjustments also include a transfer of \$200,000 between two Information Technology General Ledger Accounts to reflect anticipated technology hardware and software needs that we hope to implement before the year end. These adjustments are reflected in resolution No. 20-018 (Exhibit A).

From:

Account Number	Description	Amount
101-50-540-101-6004	IT Operations Prof Svcs	\$200,000

To:

Account Number	Description	Amount
101-50-540-101-6020	IT Operations CPUExp	\$200,000

1) General Fund Revenue Update

At the end of Fiscal Year 2019-2020, the General Fund revenue totaled \$85.5 million. This is \$1.6 million (or 2%) lower than originally planned as stated on Table (1).

Table (1): FY 2019-2020 General Fund Revenue by Category

Revenue Source	Budget	Actual	Variance
Sales and Use Tax	\$24,672,759	\$28,473,022	\$3,800,266
Franchise Tax	\$9,948,750	\$9,314,174	(\$634,576)
Property Tax	\$15,274,890	\$16,231,512	\$956,622
Transient Occupancy Tax	\$2,150,000	\$1,825,663	(\$324,337)
Utility User Tax	\$7,000,000	\$7,458,906	\$458,906
Real Property Transfer Tax	\$320,000	\$488,471	\$168,471
Oil Industry Business Tax	\$4,700,000	\$3,490,671	(\$324,337)
Licenses and Permits	\$7,904,550	\$7,801,750	(\$102,780)
Fines and Fees	\$2,490,800	\$1,502,207	(\$988,593)
Charges for Services ¹	\$6,248,450	\$2,502,342	(\$3,746,108)
Investment Income	\$1,878,520	\$2,211,473	\$332,953
Miscellaneous	\$4,541,100	\$2,109,272	(\$2,431,828)
Total	\$89,169,816	\$85,533,546	(\$3,636,250)

⁽¹⁾ Charges for Services include facility permits, business permits, park permits -details on Exhibit (B)

Based on year-to-date information, revenue receipts do not follow an even schedule or linear trend. Although 50% of fiscal year 2020-2021 has elapsed, based on historic trends, revenues are estimated to be at approximately 39% of the budgeted amount as stated on Table (2). Revenue amounts continue to be stable.

General Fund revenues collected through December 30, 2020 are \$34.2 million (or 39% of budget). Revenue receipts for the second 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 February or March. Sales taxes for the October-December quarter are not finalized until end of February. Business license tax receipts begin in February and peak in March towards the beginning of the annual renewal period. The total revenue is conservatively projected to be in line with the budget and it also should be noted that the lag in timing of revenue receipts is one reason an operating cash reserve continues to be necessary.

The Fiscal Year 2020-2021 General Fund revenue budget, as adopted, totals approximately \$87.1 million. Based on economic activity and revenue collections through December 2020, staff is not anticipating that total revenues will produce any significant increases over the amounts originally budgeted.

Table (2): FY 2020-2021 General Fund Revenue by Category

Revenue Source	Adopted Budget	Actuals	% Collected
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Property Tax	\$15,547,833	\$152,931	1%
Sales Tax	\$23,203,365	\$10,377,473	45%
Utility Users Tax1	\$7,000,000	\$3,869,039	55%
Transient Occupancy Tax	\$2,150,000	\$781,393	36%
Business License Tax	\$2,933,300	\$1,725,838	59%
Franchise Tax	\$9,500,000	\$3,592,719	38%
CARES ACT 2000		\$1,149,617	
Fines & Forfeitures	\$2,690,800	\$1,341,258	50%
Charges for Services	\$5,790,430	\$1,200,081	21%
Oil Industry Business Tax	\$4,700,000	\$1,472,099	31%
Other Revenues	\$13,604,069	\$8,673,439	64%
Total	\$87,119,797	\$34,182,956	39%

The New Corporate Yard

On Friday November 20th, 2020, with the Land Exchange of the City Yard Real Property, the City added \$5,305,473 into the City's General Fund, bringing the City's reserve fund up to \$43.2 million.

On June 18, 2019, the City Council approved the Land Exchange of the City Yard Real Property at 2390/2400 E. Dominguez for the Prologis Targeted U.S. Logistics Fund, L.P. owned property at 18620 S Broadway & 18601 S Main Street, Carson. The appraisals determined that the fair market value of the City Property is \$25,824,000 and the fair market value of the Prologis Property is \$15,624,000, with the net difference being \$10,200,000. The initial estimate for the build out was \$4,110,000, of which Prologis would pay \$2,410,000 and City would be responsible for \$2,461,733 that would be offset against the excess amount leaving the City with a Net Balance of \$7.7 million. During the project, the City Council approved the expenditure of an additional \$2.7 million for certain additional features to enable the facility to be more efficient and effective for future growth and to maximize the space. With the allocation of these additional funds, the total amount the City has spent to build the New Corporate Yard is \$4.9 million, leaving a Net Balance of \$5.3 million that the City received on November 20th, 2020 upon Certificate of Occupancy/Close of Escrow.

2) General Fund Expenditure Update

When the Fiscal Year 2020-2021 budget was adopted on June 16, 2020, Fiscal Year 2019-2020 was not yet closed; and the beginning General Fund balance was only an estimate of \$36 million. The City ended Fiscal Year 2019-2020 with a budget surplus in excess of \$6.6 million:

	Projected	Actual	Over/(Under)
Beginning Fund Balance	\$45 M	\$45.0 M	
Revenues	\$89.2 M	\$85.5 M	(\$3.7) M
Expenditures	\$94.2 M	\$86.0 M	(\$8.2) M
Ending Fund Balance	\$36 M	\$42.5 M	\$6.6 M

The annual FY 2019-2020 spending is stated in table (3) below.

Table (3): Fiscal Year 2019-2020 Expenditures Summary

Department Name	Budgeted Expenditures	Actual	Over/(Under) Budget
City Council's Office	\$1,145,715	\$1,143,247	(\$2,468)
City Attorney's Office ⁽¹⁾	\$2,920,000	\$3,203,270	\$283,270
City Clerk's Office	\$776,613	\$703,170	(\$73,443)
City Treasurer's Office	\$730,691	\$684,855	(\$45,836)
City Manager's Office	\$4,542,887	\$4,175,182	(\$367,705)
Public Safety Department	\$24,976,564	\$24,381,965	(\$594,599)
Finance Department	\$4,398,294	\$4,131,921	(\$266,373)
Human Resources Department	\$3,005,933	\$2,416,569	(\$589,364)
Community Development Department	\$5,518,157	\$3,850,864	(\$1,667,293)
Community Services Department	\$14,209,470	\$11,483,413	(\$2,726,057)
Public Works Department	\$19,611,675	\$17,202,992	(\$2,408,683)
Non-Departmental	\$12,432,886	\$12,648,576	\$215,690
Total	\$96,268,885	\$86,026,024	(\$8,242,861)

⁽¹⁾ The City Attorney's total expenditures of \$3,203,270 are two categories: General Fund (\$2,530,080) and Reimbursable Matters (\$673,190) -details on Exhibit (C)

The combination of revenue performance and lower expenditures in the General Fund resulted in increased fund balance. The audited fund balance at the beginning of the 2020-2021 fiscal year was a total of \$42,458,969.

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 City now maintains a very healthy fund balance ("reserve") at approximately 49% of budgeted expenditures (\$17.4 million or 29% above City Council reserve policy).

Overall, the City of Carson's spending for the second quarter of Fiscal Year 2020-2021 is 41% (Table 4).

Table (4): Fiscal Year 2020-2021 Year-To-Date Financial Performance

Department Name	Budget	Actual	% Spent
City Council's Office	\$1,220,841	\$486,207	40%
City Attorney's Office ⁽¹⁾	\$2,920,000	\$1,681,003	58%
City Clerk's Office	\$1,022,797	\$293,639	29%
City Treasurer's Office	\$745,713	\$259,455	35%
City Manager's Office	\$4,879,236	\$1,804,736	37%
Public Safety Department	\$25,604,357	\$8,804,869	34%

Finance Department	\$4,397,340	\$1,585,344	36%
Human Resources Department	\$2,999,196	\$1,627,285	54%
Community Development Department	\$6,180,942	\$1,175,087	19%
Community Services Department	\$13,532,689	\$6,943,791	51%
Public Works Department	\$16,731,564	\$7,143,524	43%
Non-Departmental	\$6,874,984	\$4,149,672	60%
Total	\$87,096,399	\$35,658,095	41%

⁽¹⁾ The City Attorney's total expenditures of \$1,681,003 are two categories: General Fund (\$1,320,068) and Reimbursable Matters (\$360,934) -details on Exhibit (D)

3) Mid-Year Budget Requests

There are two major areas that necessitate adjustments and require the City Council's approval:

(3) Requests related to COVID-19 relief programs (\$966,000) and

(4) Requests form departments (\$60,000)

These adjustments total \$1,026,000 across both categories (table 5).

Table (5): Fiscal Year 2020-2021 Mid-Year Budget Adjustment Categories

Mid-Year Budget Amendment Category (1): COVID-19 Relief Programs

Department Name	Proposal Description	Amount
Community Development	Small Business Loan Program	\$575,000
Community Services	Replacement of Carson Events Cent	\$361,000
Community Services	Income Tax Preparation and Filling S	\$30,000
Total		\$966,000

Mid-Year Budget Amendment Category (2): Departments Needs

Department Name	Proposal Description	Amount
Public Works	Tree Planting Project	\$60,000
Total		\$60,000
Grand Total		\$1,026,000

Small Business Loan Program (\$575,000)

On April 13, 2020, the Disaster Council approved a contract with the California Community Economic Development Association ("CCEDA"), a California non-profit organization, to quickly create and implement a focused business assistance program for Carson businesses, with a special emphasis on the COVID-19 response and accessing funding through federal programs offered through the Small Business Administration. While the Disaster Council has the authority to approve the contract, the appropriation of new funds

from the City's Fund Balance required an action of the City Council. On April 21, 2020, the City Council allocated \$75,000 for a contract with California Community Economic Development Association (non-profit) to provide assistance to Carson businesses applying for loans via the CARES Act and other state or federal loan programs including the City's own Carson Loan Program funded with \$500,000. The contract was amended on July 7, 2020 to add an additional \$75,000.

Currently, the program has distributed \$390,000 in loan proceeds and another \$80,000 in loans in the closing process:

- Grand Total of Business Loan Applications approved: 28
- Year-To-Date loan amounts issued: \$390,000
- Loans Categories:
 - \$5k Loan Category: 5 applications (\$25,000)
 - \$10k Loan Category: 13 applications (\$130,000)
 - \$15k Loan Category: 1 application (\$15,000)
 - \$20k Loan Category: 3 applications (\$60,000)
 - \$25k Loan Category: 4 applications (\$100,000)
 - \$30k Loan Category: 2 applications (\$60,000)

On November 17, 2020, the City Council modified the guidelines raising the maximum loan from \$10,000 to \$30,000 to continue the efforts of helping the City of Carson Small Businesses navigate COVID-19 pandemic. Since the change has been implemented, the City approved 2 applications for \$30,000 loans and increased number of current borrowers requesting modifications to their loan agreements to increase their funding. There is about \$150,000 in loan applications in process as well as inquiries for several thousands of dollars more. Capping the loan program at its current capitalization of \$500,000, would provide applications in the closing process to be funded. Any other business currently in the application process would not be funded. Staff is requesting an additional \$500,000 appropriation to the Small Business Loan relief program and \$75,000 to amend the contract with the California Community Economic Development Association (CCEDA).

Carson Events Center (\$361,000)

The Community Services department is requesting the appropriation of an additional \$361,000 to allow for the replacement of the folding partitions. Building Maintenance staff recommends the replacement of partitions as they are currently not operable if staff attempts to open them to use the full hall in the future. Staff anticipates that the pandemic may subside enough by late spring or summer to allow for group gathering indoors. The three halls with functional partitions will enable the city to use those spaces with appropriate social-distancing for meetings with the community and it will also enable us to use it as surplus space when we return to onsite City Council meetings. This dollar figure

is an estimate of cost based on a proposal from a single vendor for the doors only. Public Works will engage an architect/designer to determine if there are structural or other building issues related to the replacement of the walls, and the replacement of the walls themselves and other associated construction will be bid through the City's standard bidding practices based on a set of completed designs and specifications. Staff intends to come back at a future City Council meeting with contract and staff report requesting any financial adjustments as needed. The goal will be to try to have the walls replaced as soon as possible while ensuring a smooth, problem-free contracting process and construction project.

Similar to the replacement of the folding partitions, updating the Audio-Video equipment is essential to be able to use the three halls for community workshops, meetings and town halls when the pandemic restrictions are relaxed. The Information Technology division is planning to use the already budgeted \$300,000 Public, Education and Government (PEG) fund for expenditures related to the equipment needed for the Carson Events Center to make it a Broadcast site:

- Lighting
- Speakers
- Projector Screens
- Projectors
- Broadcast Media Equipment
- Cameras for Broadcast

There is currently \$350,000 available fund balance in the PEG fund with \$300,000 adopted budget appropriation for Fiscal Year 2020-2021. The City imposes a 1% on franchised video service providers operating within the City to support PEG programming facilities. The City has two companies that pay the PEG fees: C-Native Exchange (Time Warner) and AT&T. The PEG is based on their gross receipts. Staff estimate that we will collect \$130,000 total revenue by year end (June 30, 2021) and the same amount for Fiscal Year 2021-2022.

Income Tax Preparation and Filing Services (\$30,000)

In the past, the AARP has provided tax services free of charge to approximately 300 eligible Carson residents. It is no longer willing to offer these services during the pandemic. In efforts to continue to provide eligible Carson residents with tax filing services, staff is proposing an income tax preparation and filing service program to households that meet certain eligibility requirements. The COVID-19 pandemic has presented many challenges for residents, many of which have experienced financial and personal hardships in 2020. This program would provide a rebate of up to \$100 per individual/household for federal and state filings. The rebate would be issued as a reimbursement to residents who have paid for income tax preparation and filing services from a qualified tax professional. The program would serve approximately 300 eligible residents at a cost of \$30,000.

Tree Planting Project (\$60,000)

The Public Works department is requesting the appropriation of an additional \$60,000 to allow the Tree Maintenance division to fill vacant tree wells in the City's arterial streets, medians and parks. Repopulating The City's Urban Forestry will bring many benefits to the

City's residents. Trees offer several benefits to the surrounding community such as improving air quality, urban cooling, reducing storm water runoff, reduce energy usage and increasing property value.

The unit cost of tree-planting is \$350. That includes installation of the tree, material and hard wares, ninety days maintenance and watering and six months warranty for tree health. If the tree shows any decline of health in six months it will immediately be replaced. The current available budget under professional services of the tree maintenance program is \$252,207. With the additional \$60,000, the total budget appropriation will be \$312,207 will allow to plant an additional 892 plant ready tree wells that have been identified by field staff. Tree Maintenance division are currently working on an RFP to select a contract that will complete the tree-plating by June 30, 2021.

4) **Fiscal Year 2020-2021 Vacancy Status:**

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 31 vacant positions across all departments, which is 10% of total General Fund FTEs (table 6). The Human Resources Department is actively recruiting for a total of 20 positions out of the 33 vacant FTEs.

On June 16th, 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.

Table (6): Vacancy Report by Department

Department Name	Budgeted FTEs	Q1 FY 2020-2021		Q2 FY 2020-2021	
		Vacant FTEs	Vacancy Rate	Vacant FTEs	Vacancy Rate
Public Works	130	16	12%	17	13%
Community Services	67	6	9%	4	6%
Community Development	23	3	14%	4	17%
Human Resources	11	1	9%	1	9%
Public Safety	23	3	13%	3	13%
Finance	32	2	6%	3	9%
City Manager's Office	6				
Information Technology	8				
City Clerk's Office	4			1	25%
City Treasurer's Office	4	1	25%		
City Council's Office	5	1	20%		
Public Information Office	4				
TOTAL	317	33	10%	33	10%

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 no. 2 is approved, \$1,026,000 would be shifted from reserves to certain accounts in the Public Work and Community Services budgets as identified in Exhibit A - Resolution No. 20-018. Finance staff continues to gather and submit all related COVID-19 relief expenditures in order to receive reimbursement through either state or federal emergency COVID-19 funding.

VI. EXHIBITS

1. Exhibit (A) - Resolution No. 20-018, A RESOLUTION OF THE CITY OF CARSON CITY COUNCIL AMENDING THE FISCAL YEAR 2020-2021 BUDGET IN THE GENERAL FUND.
2. Exhibit (B): Summary Revenue Report: Charges for Services - Fiscal Year 2019-2020
3. Exhibit (C): Fiscal Year 2019-2020 City Attorney's Office Expenditure Analysis
4. Exhibit (D): Fiscal Year 2020-2021 City Attorney's Office Expenditure Analysis
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