



## Legislation Details (With Text)

**File #:** 2021-775      **Version:** 1      **Name:**  
**Type:** Discussion      **Status:** Agenda Ready  
**File created:** 10/5/2021      **In control:** City Council  
**On agenda:** 11/16/2021      **Final action:**  
**Title:** FISCAL YEAR 2021-2022 FIRST QUARTER FINANCIAL REPORT (CITY COUNCIL).  
**Sponsors:**  
**Indexes:**  
**Code sections:**  
**Attachments:** 1. Exhibit A

Date	Ver.	Action By	Action	Result
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## Report to Mayor and City Council

Tuesday, November 16, 2021

Discussion

### SUBJECT:

**FISCAL YEAR 2021-2022 FIRST QUARTER FINANCIAL REPORT (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 represents the City's financial condition in the current Fiscal Year (2021-2022) based on actual revenue and expenditures for the July 1 through September 30, 2021.

### **II. RECOMMENDATION**

Receive and File the First Quarter Fiscal Year 2021-2022 Report.

### **III. ALTERNATIVES**

TAKE another action deemed appropriate by the City Council.

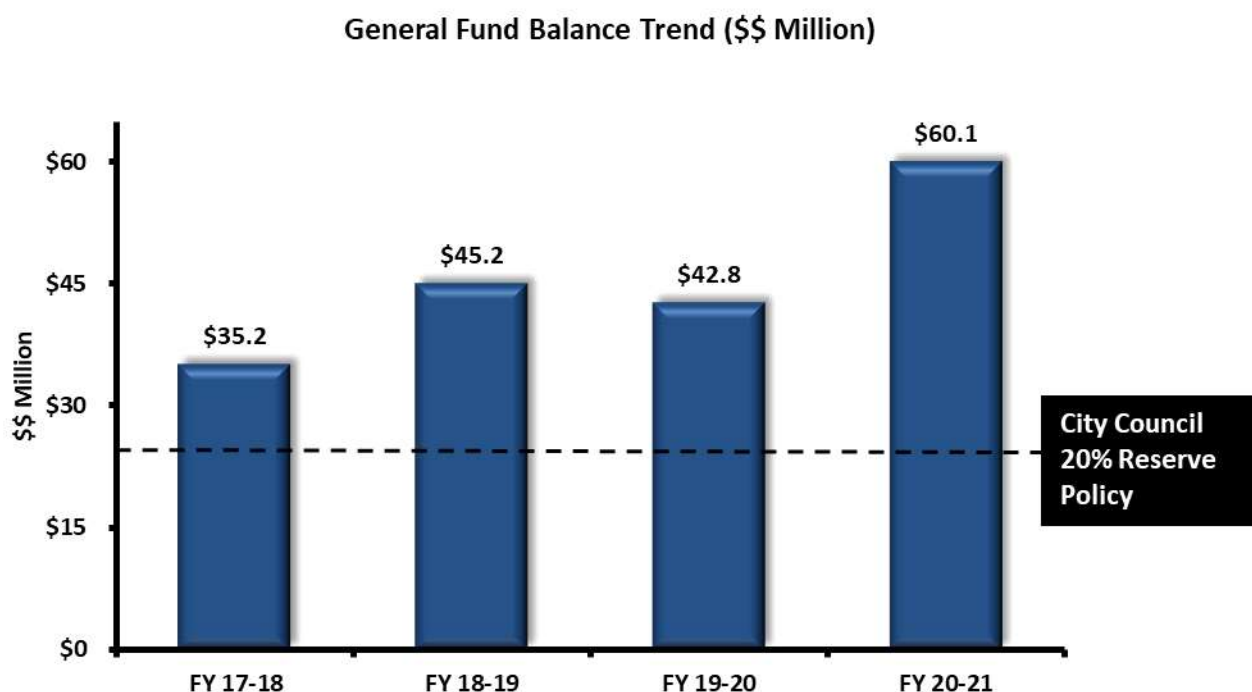
### **IV. BACKGROUND**

The City of Carson is projected to end Fiscal Year 2020-2021 with an estimated General Fund

Balance Reserve of \$60.1 million as illustrated in the following table:

<b>Beginning Fund Balance Reserve</b>	<b>\$45,184,396</b>
<i>Revenues</i>	<i>\$94,236,789</i>
<i>Expenditures</i>	<i>\$79,320,185</i>
<i>Excess of Revenues Over Expenditures</i>	<i>\$14,915,604</i>
<b>Ending Fund Balance Reserve</b>	<b>\$60,100,000</b>

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 the General Fund's budget. The chart below provides a five-year fund balance trend for the General Fund.



The \$60.1 million reserve includes a surplus of \$32.5 million above the City Council's reserve policy requirements as a result of several factors. Revenues exceeded expectation even amid COVID-19 pandemic. Specifically, sales taxes totaled \$30 million, which is \$4 million above forecast (due mainly to increases in online and ecommerce transactions). The City also received \$5.3 million in proceeds from the sale of property (former Corporate Yard) located at 2390-2410 Dominguez Street. The increase in the General Fund reserve also reflects an underspending in the personnel budget, much of which can be attributed to the suspension of special events throughout the fiscal year as a result of COVID-19 restrictions.

The audited fund balance will be available upon the completion of the ongoing financial audit, December 30, 2021.

As of September 30, 2021, fiscal year 2021-2022 expenditures for all departments totaled \$21.1 million (22% expended). Departments' annual budgets are not spent evenly throughout the fiscal

year. For example, the Human Resources and Risk Management department is at 48% of budgeted expenditures due to the annual payment for the Insurance Liability premium in the amount of \$771,167 that always occurs in the first quarter of the fiscal year. The City purchased various insurance policies to protect its assets against accidental loss such as 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 years end.

Department	Adopted Budget	Carryforward /Transfers	Revised Budget	Actuals	Remaining Balance as of 9/30	% Spent
City Clerk	1,423,926		1,423,926	151,627	1,272,299	11%
City Council	962,481		962,481	289,991	672,490	30%
City Manager	5,711,282	103	5,711,385	1,280,691	4,430,694	22%
City Treasurer	770,678		770,678	218,406	552,272	28%
Community Development	5,677,720		5,677,720	782,732	4,894,988	14%
Community Services	14,577,075	377,014	14,954,089	3,444,435	11,509,654	23%
Finance	4,521,921		4,521,921	1,021,354	3,500,567	23%
Human Resources	3,342,884	-13,438	3,329,446	1,586,645	1,742,800	48%
Legal	3,100,000		3,100,000	505,886	2,594,114	16%
Non-Departmental	6,874,984		6,874,984	3,235,707	3,639,277	47%
Public Safety	25,857,510	377,650	26,235,160	4,513,425	21,721,735	17%
Public Works	19,767,575	1,849,115	21,616,690	4,287,453	17,329,238	20%
<b>Total</b>	<b>92,588,036</b>	<b>2,590,444</b>	<b>95,178,480</b>	<b>21,318,351</b>	<b>73,860,129</b>	<b>22%</b>

General Fund revenues collected through September 30, 2021 are \$19 million (or 20% of budget). Of the \$19 million received, \$6.1 Million was Sales Tax, \$2.4 million was Utility Users Tax, \$836,000 from Measure C's Oil Business Tax and \$526,000 was Transient Occupancy tax. 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 the second quarter of the fiscal year. Business license tax receipts begin in January and peak in February toward the beginning of the annual renewal period.

### The American Rescue Plan Act funds

The American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds (SLRF) that has provided \$350 billion in assistance to eligible state, territorial, and tribal governments to support COVID-19 economic recovery efforts. The City of Carson has been allocated \$17.6 million of ARPA-SLFRF funds to address the impact and recovery of the COVID-19 pandemic on our community and address opportunities needed to prepare for future such events in alignment with the U.S. Treasury Rules. The City has received \$8.8 million of the \$17.6 million in July 2021. This represents the first disbursement of funds, while the second disbursement of funds (\$8.8 million) is expected within 12 months.

Staff will be presenting recommendations to the City Council on potential projects based on the City's identified current and long-term priorities. The City Council will provide direction

on the use of the ARPA funds and staff will begin developing the programs and projects.

The permitted use of funds, as stated in the law (H.R. 1319, American Rescue Plan Act of 2021), are prescribed as follow:

- To respond to the public health emergency or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality.
- To respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers.
- For the provision of government services to the extent of the reduction in revenue due to the COVID-19 public health emergency relative to revenues collected in the most recent full fiscal year prior to the emergency; and
- To make necessary investments in water, sewer, or broadband infrastructure.

## **V. FISCAL IMPACT**

This is a receive and file report that provides a summary of the year's fiscal activity through the end of the first quarter.

## **VI. EXHIBITS**

Exhibit (A) - General Fund Balance Reserve Summary.

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