



## THIRD QUARTER FINANCIAL REPORT

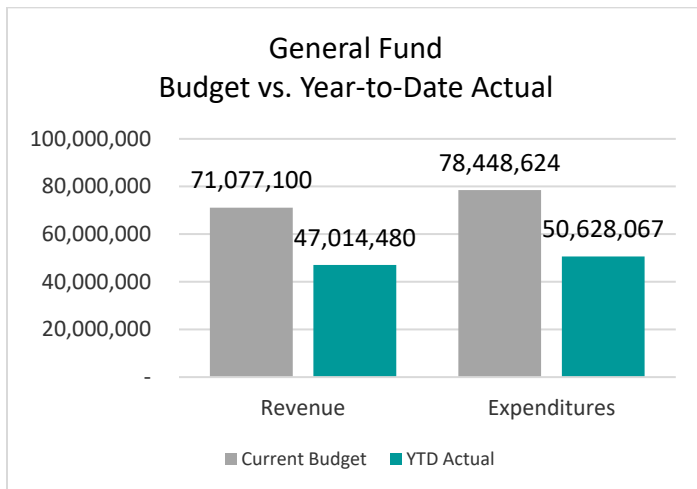
Fiscal Year 2021-22

The City has completed the second quarter of Fiscal Year 2021-22. This report summarizes the overall financial performance of the City for the period of July 1, 2021, through March 31, 2022, but it is not meant to be inclusive of all finance and accounting transactions. While the focus of the report is the General Fund, summary financial information is also provided for the Enterprise Fund and Special Revenue Funds. The information presented is unaudited. This report is intended to provide City Council and the public with an overview of the City’s general fiscal condition.

The revenue and expenditures per the Budget to Actual comparisons include adjustments for carryovers and any appropriations made as of March 31, 2022. The information presented reports revenues as they are received and expenditures when paid. Revenues and expenditures are only accrued at year end to account for such activity in the correct fiscal year.

### GENERAL FUND

The General Fund is the general operating fund for the City. It provides the resources to sustain the day-to-day activities and services to the community. All nine departments receive support, either directly or indirectly, from the General Fund.



The General Fund original budget for FY 2021-22 was \$67,814,100 for revenues and expenditures. With

amendments, the current FY 2021-22 budget is \$71,077,100 for revenues and \$78,448,624 for expenditures. With 75% of the year complete, General Fund revenues are at 66% of budget and expenditures are at 64.5%. This is typical as there is always a lag in receiving revenues – specifically with taxes.

### **General Fund Revenue**

General Fund Revenue	Current Budget	YTD Actual	%
Property Tax	28,204,200	15,392,040	54.6%
Sales Tax	17,400,000	13,128,755	75.5%
Other Taxes	8,167,200	5,463,856	66.9%
Charges for Services	5,586,000	5,873,555	105.1%
Revenue from Other Agencies	4,549,300	438,407	9.6%
Licenses & Permits	2,294,100	2,932,650	127.8%
Interdepartmental Charges	1,423,800	897,150	63.0%
Cost Recovery	1,300,000	1,603,524	123.3%
Use of Money & Property	1,183,600	641,490	54.2%
Fines & Forfeitures	755,000	592,580	78.5%
Transfers In	131,100	-	0.0%
Other Revenues	82,800	50,472	61.0%
<b>Grand Total</b>	<b>71,077,100</b>	<b>47,014,480</b>	<b>66.1%</b>

The City’s two major General Fund revenue sources are Property Tax and Sales Tax which make up 65% of the General Fund revenues.

- Property Tax:** The second major apportionment distribution to the City for FY 2021-22 was received in January 2022. Included in this line item are Secured Property Taxes, Property Taxes In-Lieu of Vehicle License Fees (VLF), and residual payments from the dissolution of the former redevelopment agency. The third major apportionment will come in April.
- Sales Tax:** The City received its allocations through January sales tax by March 2022. As of March 31, 2022, the allocation received represents approximately 59% of the total sales tax allocation for the year. The City will continue to receive sales tax allocations with the final quarter allocation distributed by the California State Department of Taxes and Fees Administration (CDTFA) in August 2022. Sales Tax projections are expected to be higher than

the current budget and surpass prior-year actuals. An increase in sales tax revenue is included in the proposed budget amendment.

- Other Taxes:** This category includes Franchise Fees, Business License Tax, Transient Occupancy Tax (TOT), and Property Transfer Tax. These revenues are not received evenly throughout the year and, except for Transient Occupancy Tax, are expected to be on target by the close of the fiscal year. Transient Occupancy Tax is trending over the current budget with over 95% received to-date. Based on current trends, staff has included an increase in the proposed budget amendment.
- License & Permits:** Revenues for licenses & permits include building and engineering permits, and animal licenses. Revenue projections are trending higher than originally projected mainly due to building activity increases. Adjustments have been included in the proposed Budget Amendment to reflect these projections.
- Revenues from other Agencies:** This category includes Vehicle In-Lieu, State Mandated Cost reimbursement revenue, the exchange of Prop A funds, which are the largest revenue source in this category, and COVID-19 Relief Funds.
- Charges for Services:** These revenues include plan check and zoning related fees, recreation fees, interfund charges, police and fire fees. These fees are at approximately 105% as of March 2022.

Revenue projections were revised with the Quarterly Report based on revenue trends, and activity to date. The total proposed adjustment is an increase of \$4,769,600 in revenue to the General Fund.

Revenue Projection	Original Budget	Current Budget	Proposed Adj.	Revised Projection
Property Tax	28,204,200	28,204,200		28,204,200
Sales Tax	15,900,000	17,400,000	5,400,000	22,800,000
Other Taxes	8,167,200	8,167,200	300,000	8,467,200
Charges for Services	5,336,000	5,586,000		5,586,000
Revenue from Other Agencies	4,483,300	4,549,300	(2,130,400)	2,418,900
Licenses & Permits	1,964,100	2,294,100	900,000	3,194,100
Interdepartmental Charges	1,423,800	1,423,800		1,423,800
Use of Money & Property	1,183,600	1,183,600		1,183,600
Fines & Forfeitures	608,000	755,000		755,000
Cost Recovery	330,000	1,300,000	300,000	1,600,000
Transfers In	131,100	131,100		131,100
Other Revenues	82,800	82,800		82,800
<b>Grand Total</b>	<b>67,814,100</b>	<b>71,077,100</b>	<b>4,769,600</b>	<b>75,846,700</b>

As of March 31, 2022, with 75% of the year complete, \$50.6 million or 64.5% of the General Fund budget has been expensed (see chart below). Most departments are at or below 75% through the end of the quarter with the exception Fire, Human Resources, and Police.

**General Fund Expenditures**

Department	Current Budget	YTD Actual	%
Administration	2,627,400	1,862,712	70.9%
City Clerk	465,800	253,542	54.4%
Community Development	2,385,650	1,259,606	52.8%
Finance	4,382,600	1,504,059	34.3%
Fire	17,683,700	15,221,502	86.1%
Human Resources	740,200	617,322	83.4%
Police	25,428,512	19,499,726	76.7%
Public Services	5,813,750	3,236,895	55.7%
Transfers Out	18,921,012	7,172,703	37.9%
<b>Grand Total</b>	<b>78,448,624</b>	<b>50,628,067</b>	<b>64.5%</b>

At the end of the quarter, six of the nine General Fund department expenditures are at or below 75% of budget. The Human Resources budget is at 83.4% of the original budgeted amount through March 31, 2022. This is due to professional and legal services trending over budget.

The Police (76.7%) and Fire (86.1%) Departments are over budget mainly due to overtime costs that were not budgeted in the FY 2021-22 budget. Staff is still evaluating alternative options for the provision of fire services to provide the City Council with various options.

**General Fund Overtime**

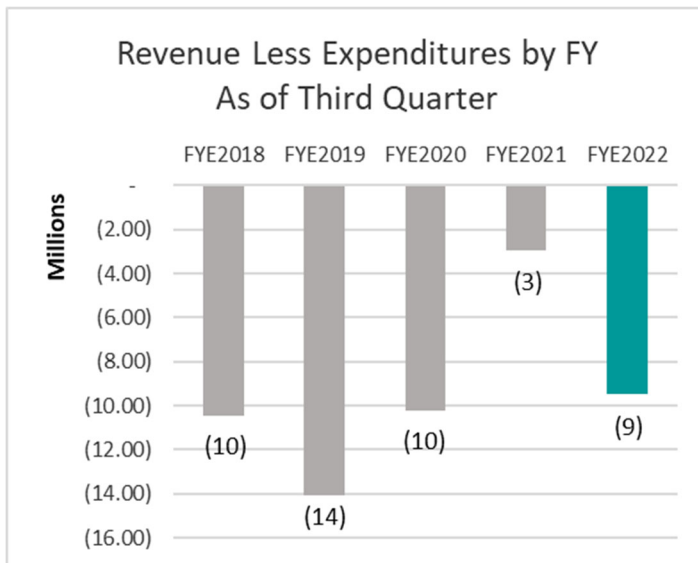
Overtime expenditures should be 75 percent of budget based on the number of pay periods for the end of this quarter. The Police Department is trending over its General Fund overtime budget at 138%, the Fire Department overtime expenditures are trending over budget at approximately 131%, excluding mutual aid

overtime, which is fully reimbursable. Public Services is also over at 293% or \$26k in overtime.

**General Fund Overtime Year-to-Date:**

Department	Current Budget	YTD GF Overtime	%
Administration	2,000	2,124	106.2%
Finance	2,000	524	26.2%
Fire	1,700,000	2,232,224	131.3%
Police	1,526,000	2,116,028	138.7%
Public Services	9,700	28,467	293.5%
<b>Grand Total</b>	<b>3,239,700</b>	<b>4,379,368</b>	<b>135.2%</b>

Overall, total General Fund Revenue (\$47M) less expenditures (\$50M) for the quarter to date is negative \$3 million. With the exception of last year when the City had an influx of revenue due to the pension bonds, revenue less expenditures is actually up from prior years.



The original adopted General Fund budget for FY 2021-22 was \$67,814,100 for revenues and expenditures. Council since added personnel and crossing guard services increasing expenditures to \$69,859,100 and revenue to \$67,880,100.

The mid-year budget amendment adjusted revenues less expenditures to -\$7,371,524. However, \$7,087,000 of this was for the allocation of unassigned fund balance making the net impact on the General Fund -\$284,524.

The proposed third quarter budget amendment has an overall positive impact on the General Fund of \$2,048,400 making the revised General Fund budget projection to be -\$5,323,124 by the end of this fiscal year. However, this still includes \$7,087,000 for the allocation of unassigned fund balance making the net impact on the General Fund positive \$1,763,876.

General Fund Expenditures	Original Budget	Current Budget	Requested BA	Amended Budget
Administration	2,535,200	2,627,400		2,627,400
City Clerk	378,300	465,800		465,800
Community Development	1,862,900	2,385,650	500,000	2,885,650
Finance	1,996,600	4,382,600		4,382,600
Fire	16,989,200	17,683,700	1,131,200	18,814,900
Human Resources	666,200	740,200		740,200
Police	24,010,300	25,428,512	1,090,000	26,518,512
Public Services	5,593,200	5,813,750		5,813,750
Transfers Out	13,782,200	18,921,012		18,921,012
<b>Grand Total</b>	<b>67,814,100</b>	<b>78,448,624</b>	<b>2,721,200</b>	<b>81,169,824</b>

The proposed General Fund budget amendment has a net impact of +\$2,048,400 and includes the following:

- 1) Staff proposes increasing revenue based on projections for Sales Tax (\$5.4M), Transient Occupancy Tax (\$300k), Proposition A Exchange (\$210k), and Mutual Aid Cost Reimbursement (\$300k). The original budget was balanced by including revenue for COVID Relief Funds. Staff does not expect to actual receive any of this revenue and therefore proposes removing the revenue (\$2.3M) altogether.
- 2) The Department of Health Care Services audited the City’s Ground Emergency Medical Transportation (GEMT) Program Medi-Cal Cost Report for fiscal year ending June 30, 2011. As a result of the audit, an overpayment was identified in the amount of \$381,200 which was required to be paid within 60 days of notice. Thus, staff requests an increase in the Fire Department to cover this unexpected expense.
- 3) The building permits and inspections contract is dependent on associated revenue. Since revenue has been over budget, it is projected that expenditures will also be over budget. Thus staff proposes increasing revenue by \$900k and expenditures by \$500k.
- 4) Police and Fire overtime is trending over budget, therefore; staff recommends increasing these line items by \$1.8 million which is in line with end of year projections.

**ENTERPRISE FUND**

The Police Department’s Computer Service Group is trending over budget at 151%. This is due to services paid and received annually. Overall, after the proposed amendment, the Police Enterprise Fund is expected to finish the year within budget and with excess revenue.

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**OTHER FUNDS**

Budget versus actual comparisons for both revenue and expenditures for other funds are presented below:

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In addition to the amendments being proposed under the General Fund, the following amendments are recommended for other funds:

- 1) Fund 121 (Prop A): Council approved an additional \$800k for the annual Proportion A exchange.
- 2) Fund 122 (Prop C): An additional \$6,080 is necessary and available for bus shelter maintenance.
- 3) Fund 156 (USDOJ COVID): Expenditures were not included in the original budget for this grant fund. Therefore, staff proposes establishing a \$35k budget for both revenue and expenditures.
- 4) Fund 160 (Capital Projects):

Council approved a total project amount of \$7,592,048 for the energy efficiency project (Project No. 21033), however; only \$2,804,600 was included in the Original Budget. Therefore, staff recommends increasing the project budget to the total amount and adding funding for the cost of issuance (\$10k) and a change order for improvements to the Civic Center parking structure (\$262,591). This brings the total project budget to \$7,864,639.

Last fiscal year, Council approved a total project budget of \$1,619,559 for Fire Station Building Improvements (Project No. 21034), however; only \$430,898 of this budget was rolled over into the current fiscal year. Therefore, staff recommends increasing the budget to \$935,870 to reflect an accurate balance of the project to-date.

- 5) Fund 179 (ARPA Local Fiscal Recovery Funds):

The recently approved Memorandums of Understandings (MOU) with Police and Fire Management (FMA) included one-time Hazard pay. An addition of \$21,453 is necessary to Fund 179 to fund this one-time pay. Staff proposes offsetting this against Project No. 22010 (Fire Station Repairs).

An additional \$113,200 is necessary for Project No. 22009 (Police & Fire Radios). Staff also proposes offsetting this against Project No. 22010 (Fire Station Repairs).

- 6) Maintenance Districts (Fund 181, 182, 184, 186, 187, and 189): Salaries and benefits were not

included for certain division under the maintenance districts. Therefore, staff recommends adding a total of \$50k across these funds to budget for these expenses.

7) Fund 205 (PEG Fund): The budget is proposed to be increased by \$830 to reflect actual expenditures.

8) Fund 207 (OTS Grants): Funding is proposed to be moved from one division to another, the net impact is zero.

9) Fund 220 (WC Community Svcs Foundation): The budget is proposed to be increased to reflect actual expenditures (\$52,380) and revenue (\$39,000).

10) Fund 225 (CDBG – R): The original budget did not include the roll-over grant expenditures; therefore, staff proposes increasing expenditures by \$38,155.

11) Fund 300 (Debt Service): Ongoing bond costs were not included in the original budget and are proposed to be added (\$3,500).

12) Fund 361 (Self Insurance General/Auto Liab) and Fund 363 (Self-Insurance Workers' Comp): Actual claims are trending over budget and a proposed to be increased by \$1,550,000 across the two funds.

13) Fund 375 (Police Enterprise): Actual revenue and associated expenditures are trending over the original budget and are proposed to be increased equally by \$465,500.

After the proposed adjustments, the revenues and expenditures for all other funds will be trending within budget.

### **FOR MORE INFORMATION**

This summary report is derived from detailed financial information generated by the City's Finance Department. Additional financial information is available online at [www.westcovina.org](http://www.westcovina.org).