



AGENDA BILL

Agenda Item No. 7.A.

Date: February 2, 2021
To: El Cerrito City Council
From: Mark R. Rasiah, Finance Director/City Treasurer, Finance Department
Subject: FY 2020-21 General Fund Budget Update for December 2020

ACTION PROPOSED

Receive and file an update on City General Fund revenues and expenses for FY 2020-21 through December 2020 and direct staff on mid-year budget modifications to the FY 2020-21 Adopted Budget.

BACKGROUND

The El Cerrito City Council adopted an Annual Budget for FY 2020-21 on June 16, 2020, followed by an Amended Budget on October 6, 2020. The Council has been closely monitoring the City's budget and financial position over the past several months during the COVID-19 closure of the City and has directed staff to provide a monthly General Fund budget update which is to include an Income Statement, Balance Sheet, and Cash Flow projection. This report will discuss material variances if any, from the Amended Budget and the City's fiscal position. Staff is proposing a draft list of budget modifications to the Adopted Budget at mid-year as shown in Attachment 4. These modifications are being proposed based on revenue and expenditure trends in the first six months of the fiscal year. Staff is seeking City Council guidance in preparing the final list of budget modifications for Council approval at the February 16th City Council meeting.

ANALYSIS

The General Fund Income Statement in Attachment 1 provides a summary of the major General Fund Revenue and Expenditure categories through December 2020. Monthly revenue and expenditure projections are based on the Amended Budget for the year and known revenue trends for the major revenue components. The draft General Fund Balance Sheet and Cash Flow Forecast statements are presented in Attachments 2 and 3. Draft proposed budget modifications are shown in Attachment 4.

The following are some of the highlights on a cash basis through December with 50% of the year complete:

1. Total revenue was \$17.5 million or 44% of budget. This compares with an average of \$15.0 million for the same time frame over the preceding 3 years. The increase is mainly due to higher than budgeted Real Property Transfer Tax revenues in 2020.
2. Total expenditure was \$19.5 million or 50% of budget, compared with a three year average of \$19.8 million.

3. Personnel costs of \$15.7 million include reimbursable Fire Department OES overtime costs of \$850,000 versus a budget of \$350,000. The budget for this cost and the corresponding reimbursement will be amended at mid-year as shown in Attachment 4. OES reimbursements are expected in Spring 2021 and have been factored into the Cash Flow Forecast in Attachment 3.
4. On an adjusted budget basis, recognizing the timing lags in revenue sources, revenues were \$1.0 million under budget and expenses were \$398,000 under budget.
5. Real Property Transfer Tax receipts through December continue to exceed expectations by \$800,000. Receipts have been trending at a monthly average of nearly \$335,000, versus an expectation of \$200,000 per month.
6. Charges for Services are currently running \$1.0 million behind expectations, mainly due to lagging Recreation program revenues (\$838,000 to date), which are trending significantly behind budget due to the ongoing pandemic related restrictions. The Recreation Director presented a revised revenue forecast to City Council in December. The forecast anticipated \$2.4 million in revenues versus a budget of \$3.9 million - a \$1.5 million shortfall. This will be partly mitigated by Recreation Department expenditure reductions to the tune of \$0.9 million as shown in Attachment 4, leaving a \$0.6 million shortfall.
7. The Cash Flow Forecast has been amended to reflect revised revenue and expenditure estimates that will be brought back to Council at mid-year on February 16th.
8. The amended Cash Flow Forecast projects a cash balance of \$9.3 million at the end of the fiscal year and a projected General Fund surplus of \$0.3 million.

Impact on General Fund Balance

The City has been working with Badawi Associates, our independent auditor, to complete the Comprehensive Annual Financial Report (CAFR) for FY 2019-20, which will be presented to the City Council within the next month. The General Fund Balance will once again be in a deficit position, as expected, because of the impacts of COVID-19. However, the deficit is much lower than was originally projected: staff had projected a deficit of at least -\$2.3 million, yet the audited ending fund balance will be -\$110,000. This is due to better than expected deferred sales tax revenue receipts (largely thanks to the City's share of the County pool for online sales), the Real Property Transfer Tax revenues exceeding expectations, and the expense reductions implemented by staff prior to the end of FY 2019-20. While this is a positive development, the fact remains that the General Fund Balance is still in a deficit position.

With the proposed FY 2020-21 mid-year budget adjustments as outlined in Attachment 4, because of the \$657,000 gap the surplus would fall from \$664,000 to \$303,000, meaning that the ending General Fund Balance for FY 2020-21 would be \$192,000. This could change if more revenues are realized, however with the uncertainty that still

exists with respect to the pandemic, staff has attempted to be as conservative as possible with revenue projections.

The City must consider several issues with respect to the General Fund Balance. In order to restore the General Fund Balance to the recommended reserve goals outlined in the Fiscal Response Plan, the City must continue to implement budget strategies that will achieve these goals by 2026 or sooner. The more quickly the City is able to restore its financial health, the better our position will be for funding and providing services to our residents. Another issue that the City must consider is the \$1.3 million in non-spendable funds that has been a subject of litigation with the state as a result of the dissolution of the Redevelopment Agency, which is currently unresolved. Additionally, the ongoing impacts of COVID-19 still present major uncertainties with respect to projecting current and future budgets. These issues all point to the City continuing to carefully monitor the budget and make adjustments accordingly.

STRATEGIC PLAN CONSIDERATIONS

This report is consistent with the City's Strategic Plan Goal B - Achieve long-term financial sustainability— and will allow the City Manager to develop a plan to ensure that Citywide Revenue meets the cost of providing Citywide services, including adequate reserves in the face of significant unanticipated revenue shortfalls. It further ensures procedures that represent best practices in financial management.

ENVIRONMENTAL CONSIDERATIONS

This section is not applicable to this agenda item.

FINANCIAL CONSIDERATIONS

- The General Fund Balance at the end of FY 2019-20 was a negative \$110,000 versus a projected \$2.3 million deficit. This represents an improvement of about \$2.2 million over projections made in April 2020, mainly due to higher than expected deferred sales tax and Transfer tax revenues.
- The General Fund is projected to end the year with a \$657,000 net deficit (revenue less expenses) due to the continuing pandemic closures and restrictions that are impacting the Recreation Department.
- The projected year-end General Fund surplus for the year is \$303,000 which incorporates the above net deficit. The original budgeted surplus was \$664,000.
- The proposed mid-year modifications take into account all Personnel and non-Personnel cost reductions taken through the end of January 2020.
- Should the City Council wish to maintain the original budgeted surplus of \$664,000 as adopted in the FY 2020-21 budget, City staff will prepare further reductions to be included with the mid-year budget adjustments.

LEGAL CONSIDERATIONS

This section is not applicable to this agenda item.

Reviewed by:

A handwritten signature in blue ink that reads "Karen Pinkos". The signature is written in a cursive, flowing style.

Karen Pinkos, City Manager

Attachments:

1. General Fund Income Statement
2. General Fund Balance Sheet
3. General Fund Cash Flow Forecast
4. Proposed Budget Modifications

DRAFT FY 2020-21 General Fund Statement of Revenues Expenditures for July to Dec. 2020.

Revenues (\$000s)	FY 2018-19 Audited	FY 2019-20 Draft Audited	Year to Date		Variance from	FY 2020-21 Adopted Budget	Year to date actuals as a % of Budget	Comments
			Actuals July- Dec 2020	Budget Expectations	Budget Expectations Fav./ (Unfav.)			
Taxes								
Property Taxes	10,182	9,840	5,070	5,160	(90)	10,440	49%	\$3.5 million in April. Bal in Jan & June
Sales Taxes	7,545	6,975	3,026	3,250	(224)	6,450	47%	Through November with est. December
Utility Tax	3,208	3,166	1,228	1,350	(122)	3,200	38%	Through November
Property Transfer Taxes	1,102	3,467	2,008	1,200	808	2,400	84%	Through Dec.
Franchise Taxes	1,244	1,587	377	520	(143)	1,250	30%	Through Nov.
Business License Tax	910	919	821	850	(29)	850	97%	Trickles in through June
Other Tax	149	173	46	46	-	136	34%	Through Oct. Next TOT in January
Total Taxes	\$24,340	\$26,127	\$12,576	\$12,376	\$200	\$24,726	51%	
Licenses & Permits	776	785	322	380	(58)	758	42%	
Fines and Forfeitures	219	227	68	85	(17)	170	40%	
Use of Money and Property	157	465	134	175	(41)	350	38%	
Intergovernmental Revenues	6,744	6,729	2,205	2,300	(95)	6,958	32%	\$2.8m VLF, \$1.7m Kensington: Jan-June.
Charges for Services	6,934	4,748	1,675	2,700	(1,025)	5,223	32%	Through Dec.
Other Revenues	182	118	48	48	-	253	19%	
Interfund Transfers	2,036	1,024	476	476	-	938	51%	Quarterly cost allocation
Total	\$41,388	\$40,222	\$17,504	\$18,540	(\$1,036)	\$39,376	44%	
Expenditures (\$000s)								
Expenditures (\$000s)	FY 2018-19 Audited	FY 2019-20 Unaudited	Year to Date		Variance from	FY 2020-21 Adopted Budget	Year to date actuals as a % of Budget	Comments
			Actuals July- Dec 2020	Budget Expectations	Budget Expectations Fav./ (Unfav.)			
Personnel	29,862	30,383	15,664	15,245	(419)	29,490	53%	Through Dec. Includes \$850k OES O/T
Professional Services	4,487	3,702	1,163	1,600	437	3,534	33%	Through Dec.
Purchased Property Services	2,300	2,152	603	900	297	1,814	33%	Through Dec.
Other Services	1,840	1,806	1,033	900	(133)	1,833	56%	Through Dec.
Supplies	726	606	133	300	167	611	22%	Through Dec.
Property & Capital	422	413	173	228	55	456	38%	Through Dec.
Financing Costs	478	536	161	155	(6)	310	52%	Through Dec.
Other Financing Uses	1,416	697	602	602	-	665	91%	City Hall Debt Svc. Retiree Pension.
Total	\$41,531	\$40,294	\$19,532	\$19,930	\$398	\$38,713	50%	
Net Change in Fund Balance (\$000s)	(\$143)	(\$72)	(\$2,028)	(\$1,390)		\$663		

City of El Cerrito			
DRAFT General Fund - Balance Sheet	Audited 6/30/19.	Draft Audited 6/30/20.	Unaudited 12/31/20 Est.
Assets			
Cash and Investments	4,349,089	9,016,794	4,463,637
Taxes Receivable	2,113,059	1,882,887	614,865
Accounts Receivable Net	-	32,158	21,401
Due from other funds	2,590,773	2,011,397	2,011,397
Inventory	11,772	27,737	26,670
Prepaid Expense	-	3,278	25,340
Total Assets	9,064,693	12,974,251	7,163,310
Liabilities			
Accounts Payable	888,579	844,570	(1,288)
Accrued Payroll	1,231,945	1,227,263	286,530
Other Accrued Liabilities	-	324,585	67,393
Short Term Note	6,000,000	9,000,000	8,659,545
Unearned Revenues	80,381	82,890	82,890
Deposit Payable	804,162	1,604,964	1,608,444
Total Liabilities	9,005,067	13,084,272	10,703,514
Deferred inflows of Resources			
Deferred Inflows of Resources - Unavailable Revenue	116,319	-	-
Total deferred Inflows of Resources	116,319	-	-
Fund Balances	(56,693)	(110,022)	(3,540,204)
Total Liabilities, Deferred Inflows of Resources and Fund balance	9,064,693	12,974,251	7,163,310

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FY 2020-21 Projected General Fund Cash Flows - December 2020

(Currency: \$000s)	ACTUALS July	ACTUALS August	ACTUALS September	ACTUALS October	ACTUALS November	ACTUALS December	FORECAST January	FORECAST February	FORECAST March	FORECAST April	FORECAST May	FORECAST June	PROJECTED YEAR END	FY21 Adopted Budget
Beginning Balance	\$9,017	\$6,789	\$5,451	\$4,552	\$4,393	\$3,269	\$6,102	\$6,886	\$6,080	\$5,097	\$7,785	\$7,894	\$9,017	
Cash Receipts														
Property Tax	-	-	-	261	-	4809	290	-	-	\$3,430	-	\$1,450	\$10,240	10,440
Sales Tax	-	585	556	554	845	486	535	535	535	535	535	550	6,251	6,450
Transfer Tax	-	311	-	664	418	615	200	200	200	200	200	200	3,208	2,400
Franchise Tax	-	-	95	29	253	-	112	112	112	112	112	112	1,049	1,250
Business Licenses	505	106	89	62	16	43	-	-	-	-	-	-	821	850
Utility Users Tax	87	173	134	342	234	258	300	300	300	300	300	306	3,034	3,200
Licenses and Permits	37	59	44	84	22	76	67	67	67	67	67	82	739	758
Fines and Forefeitures	13	1	6	17	14	17	5	5	5	5	5	5	98	170
Use of Property	15	33	14	40	12	20	30	30	33	35	35	35	332	350
Other Government Reimb.	-	-	742	766	108	476	300	300	300	300	300	300	3,892	3,708
Fire OES Overtime Reimbursements	-	-	-	-	-	113	-	-	-	-	900	-	1,013	450
In-Lieu Fees	-	-	-	-	-	-	1,400	-	-	-	-	1,400	2,800	2,800
Fees for Service - Other	170	17	194	287	58	110	68	68	68	68	68	69	1,245	1,245
Fees for Service - Recreation	118	73	222	53	122	251	125	145	145	374	350	436	2,414	3,978
Other Revenues/Taxes	-	8	-	22	64	-	42	42	42	42	42	45	349	389
Transfers In	-	-	-	-	-	476	-	-	-	-	-	465	941	938
TRAN Proceeds	8,660	-	-	-	-	-	-	-	-	-	-	-	8,660	
Total Cash Receipts	\$9,605	\$1,366	\$2,096	\$3,181	\$2,166	\$7,750	\$3,474	\$1,804	\$1,807	\$5,468	\$2,914	\$5,455	\$47,086	39,376
Cash Disbursements														
Personnel	\$2,129	\$2,210	\$2,172	\$2,226	\$2,320	\$3,758	\$2,165	\$2,165	\$2,165	\$2,165	\$2,165	\$3,252	\$28,892	29,140
Fire OES Overtime	-	\$133	421	236	59	\$0	-	-	-	-	-	-	\$849	350
Professional Services	91	213	222	249	109	279	262	262	262	262	262	264	2,737	3,534
Property/Other Services	408	105	141	315	66	601	297	297	297	297	297	297	3,418	3,646
Supplies	8	25	14	23	25	38	43	43	43	43	43	60	408	611
Financing Costs and Debt Service	-	18	-	36	120	12	0	-	-	-	-	124	310	310
Property and Capital	-	-	5	125	11	32	23	23	23	23	23	23	311	456
CIP - Cash Flow	-	-	20	150	150	325	225	45	45	35	50	-	1,045	1,045
CIP - Reimbursement	-	-	-	(20)	(150)	150	(325)	(225)	(45)	(45)	(35)	(50)	(1,045)	(1,045)
Transfers Out	-	-	-	-	580	22	-	-	-	-	-	60	662	665
TRAN Principal Payment	9,000	-	-	-	-	-	-	-	-	-	-	-	9,000	
TRAN Interest Payment	196	-	-	-	-	-	-	-	-	-	-	-	196	
Total Cash Disbursements	\$11,832	\$2,704	\$2,995	\$3,340	\$3,290	\$4,917	\$2,690	\$2,610	\$2,790	\$2,780	\$2,805	\$4,030	\$46,783	38,712
Net Cash Flow Surplus/(Deficit)	(\$2,227)	(\$1,338)	(\$899)	(\$159)	(\$1,124)	\$2,833	\$784	(\$806)	(\$983)	\$2,688	\$109	\$1,425	\$303	\$664
Ending Balance	\$6,789	\$5,451	\$4,552	\$4,393	\$3,269	\$6,102	\$6,886	\$6,080	\$5,097	\$7,785	\$7,894	\$9,319	\$9,319	

Proposed FY 2020-21 Mid-Year General Fund Budget Amendments

		(\$000s)	Comment
<u>Fire Department</u>			
<u>Source</u>	Personnel Cost Savings	530	Retirement and FF vacancies until filled
<u>Use</u>	Regular Overtime and One time payouts	-530	coverage for COVID-19, FMLA, vacancies & injuries.
	Net effect on General Fund	<u>0</u>	
<u>Source</u>	Additional OES Overtime reimbursement	550	Increase budget by \$550k from \$450k to \$1million
<u>Use</u>	Additional OES Overtime cost	-450	Increase budget by \$450k from \$350k to \$800k
	OES Equipment Mtce.	-100	Equipment, supplies and repairs on OES incidents
	Net effect on General Fund	<u>0</u>	
<u>Police Department</u>			
<u>Source</u>	Personnel Cost Savings	30	Vacancies
	Body worn camera lease	45	Pay for lease from C.O.P.S funds instead of GF
<u>Use</u>	Reduced Fines & Citations revenue	-75	Covid-19 impacted
	Net General Fund Effect	<u>0</u>	
<u>Recreation Department</u>			
<u>Source</u>	Personnel Cost savings	91	from staff reductions
	Non Personnel Cost savings	817	professional & other services, supplies,
		908	
<u>Use</u>	Reduce Charges and Program Revenues	-1565	Charges for services, use of property, program revenue
	Net General Fund Effect	<u>-657</u>	
<u>Revenue Adjustments</u>			
<u>Source</u>	Personnel cost savings	600	Staff reductions effective January 2021
<u>Use</u>	Property Tax	-200	Based on prior year trends
	Sales Tax	-200	Based on 6 month trends
	Franchise Tax	-200	Based on 6 month trends
	Net General Fund Effect	<u>0</u>	
	Combined Net General Fund Effect	<u>-657</u>	