

Date: February 11, 2020
To: Financial Advisory Board of the El Cerrito City Council
From: Mark R Rasiah, Finance Director/City Treasurer
Subject: FY 2019-20 Mid-Year Budget Update

ACTION REQUESTED

Receive an update on City revenues and expenditures for the first six months of the fiscal year through December 31, 2019 and recommend that City Council authorize the amendments to the FY 2019-20 budget.

BACKGROUND/ANALYSIS

Council adopted the FY 2019-20 Budget on June 4, 2019 by Resolution No. 2019-36. This report will discuss material variances if any, from the adopted budget and recommend mid-year adjustments as needed.

GENERAL FUND REVENUES, EXPENDITURES & FUND BALANCE

Table 1 below provides an overview of the major General Fund Revenue and Expenditure categories. Included in the table are the projected year-end revenues and expenses for FY 2019-20.

REVENUES (Net change - \$300,000 increase)

With 50% of the year complete as of December 31, 2019, revenues are trending at 41% of budget. This is typical of revenue trends, given the timing of receipts in prior years. However, based on actual revenues to date and estimates for the remaining six months of the fiscal year, staff is proposing the following changes to the General Fund revenue budget for the fiscal year. These adjustments are explained below and are included in the "Amendments" column in Table 1.

- **Property Taxes and Sales Taxes: Net change - \$800,000 decrease**
Reduce tax revenues based on annual trends through FY2019. Property Tax revenues are being lowered to \$10,440,000; and Sales Tax revenues to \$7,100,000 due to Cannabis tax collections not materializing as expected.
- **Real Property Transfer Tax (RPTT): Net change - \$1,150,000 increase**
Increase RPTT revenue. The FY2019-20 Adopted Budget projected \$850,000 in RPTT revenues for the fiscal year. Based on actual revenues to date, and in the first six months of 2019, staff is proposing that the budget be increased to \$ 2.0 million for FY20.

Table 1. Fiscal Year 2019-20 General Fund Revenue, Expenditure & Fund Balance

General Fund Revenues							
Revenue Category (\$000s)	FY 2017-18	FY 2018-19	FY 2019-20		Actuals	Proposed	FY 2019-20 Projected
	Actual	Actual	Actual through Dec. 31-2019	FY 2019-20 Adopted	as a % of Budget	FY2019-20 Mid Year Budget Amendments	
Property Taxes	9,487	9,931	4,806	10,740	45%	(300)	10,440
Sales Taxes	6,458	7,545	2,454	7,600	32%	(500)	7,100
Real Property Transfer Tax	146	1,103	1,415	850	166%	1,150	2,000
Utility Tax	2,966	3,208	1,110	3,528	31%	(100)	3,428
Franchise Taxes	1,429	1,244	531	1,650	32%	(100)	1,550
Business License Tax	847	910	889	850	105%	100	950
Other Tax	144	149	47	153	31%		153
Total Taxes	21,477	24,090	11,252	25,371	44%	250	25,621
Licenses & Permits	766	776	393	993	40%		993
Fines and Forfeitures	222	219	115	351	33%	(50)	301
Use of Money and Property	374	388	245	396	62%		396
Intergovernmental Revenues	4,116	4,091	1,400	3,738	37%	100	3,838
Vehicle Licensing Fees	2,499	2,654	0	2,760	0%		2,760
Charges for Services	6,099	6,934	2,922	6,222	47%		6,222
Other Revenues	231	983	77	85	91%		85
Interfund Transfers	51	1,252	471	941	50%		941
Total Revenues	35,835	41,387	16,875	40,857	41%	300	41,157
General Fund Expenses and Fund Balance							
Expenditure Category (\$000s)	FY 2017-18	FY 2018-19	FY 2019-20		Actuals	Proposed FY	FY 2019-20 Projected
	Actual	Actual	Actual through Dec. 31-2019	FY 2019-20 Adopted	as a % of Budget	2019-20 Mid Year Budget Amendments	
Personnel	27,293	29,862	15,132	31,055	49%	150	31,205
Professional Services	3,828	4,477	1,917	3,203	60%	35	3,238
Purchased Property Services	1,588	2,300	927	2,354	39%	(273)	2,081
Other Services	1,905	1,851	1,058	1,966	54%		1,966
Supplies	710	726	296	730	41%	(145)	585
Property & Capital	379	422	94	422	22%	11	433
Financing Costs	423	478	346	355	97%		355
Other Financing Uses	440	1,416	63	733	9%	(40)	693
Total Expenditures	36,566	41,532	19,833	40,818	49%	(262)	40,556
Net Change in Fund Balance	(731)	(145)		39		562	601
Beginning Total Fund Balance	819	88		(57)			(57)
Ending Total Fund Balance	88	(57)		(18)			544
Fund Balance Reserve %	0.2%	-0.1%		0.0%			1.3%

Items in red indicate a decrease

- Utility User Taxes (UUTs), Franchise Fees & Business License Taxes: Net Change - \$100,000 decrease. Based on recent trends, staff is proposing

reducing UUTs and Franchise fees by \$100,000 each and increasing Business License Taxes by \$100,000.

- **Fines and Forfeitures: Net change - \$50,000 decrease**
Reduce the Police Department citations and fines budget which has been impacted by Officer vacancies.
- **Intergovernmental Revenues: Net change - \$100,000 increase.**
Reduce Police Department School Resource Officer (SRO) reimbursement by \$50,000 to \$300,000 in line with the revised contract with the WCCUSD.
Increase reimbursement of Kensington Fire Department expense by \$150,000 to \$2,978,000 based on reimbursement trends in recent fiscal years.

EXPENDITURES (Net change - \$262,000 decrease)

With 50% of the year complete as of December 31, 2019, expenses are trending at 49% of budget. Based on actual expenses to date and estimates for the remaining six months of the fiscal year, staff is proposing the following changes to the General Fund expenditure budget.

- **Personnel: Net change - \$150,000 increase.**
Increase Fire Department overtime budget by \$300,000, from \$900,000 to \$1,200,000 to bring it in line with the trend over the last three-years. Reduce Police Department personnel budget by \$150,000 for unfilled positions.
- **Supplies: Net Change - \$145,000 decrease**
Reduce various supply line items in the Recreation Department budget.
- **Professional Services: Net change - \$35,000 increase.**
Reduce Technical Services budget for Human Resources (HR) - \$20,000.
Reduce Technical Services budget for City Administration - \$20,000.
Defer Information Technology upgrades - \$50,000.
Increase legal service budget for HR - \$25,000.
Provide for Council approved extended library hours - \$100,000.
- **Purchased Property Services: Net change - \$273,000 decrease.**
Defer Fire Department vehicle replacement and equipment maintenance - \$160,000.
Provide for Fire Department Council approved forced weed abatement program - \$103,000.
Defer Public Works Department repair and maintenance projects - \$125,000.
Defer Police Department vehicle equipment purchase - \$60,000.
Reduce Police Department property services budget due to services already paid for last year - \$31,000.
- **Property and Capital: Net Change - \$11,000 increase**
Provide for information technology upgrades in the Fire Department

- **Other Financing Uses: Net Change - \$40,000 decrease**
Reduce retiree pension budget to match FY2019 costs.

FUND BALANCE

The General fund ended FY19 with a negative total fund balance of \$56,692. This represents a decrease of about \$145,000 over the ending total fund balance in the prior fiscal year of \$87,570. In FY19 as approved by Council at mid-year, the City wrote off \$722,585 that was collectively owed to the General Fund by the City Housing Trust Fund and Capital Improvement Project Fund. Additionally, the City recorded a portion of sales taxes from sales at the Home Depot store located on the border with the City of Richmond amounting to \$116,319 as deferred revenue rather than current revenue, in accordance with accounting standards. The combined effect of these two items if added to the General Fund, would have yielded a positive total General Fund balance of \$782,212.

With the afore mentioned amendments to the FY2019-20 Adopted Budget and based on actual revenues and expenses through December 2019, Staff projects an ending total fund balance of \$544,000 representing a General Fund reserve ratio of 1.3% at the end of the current fiscal year.