



City of San Leandro

Meeting Date: March 15, 2021

Staff Report

File Number: 21-115

Agenda Section: ACTION ITEMS

Agenda Number: 10.A.

TO: City Council

FROM: Fran Robustelli
Interim City Manager

BY: Susan Hsieh
Finance Director

FINANCE REVIEW: Susan Hsieh
Finance Director

TITLE: Staff Report for Resolution Accepting the 2020-21 Mid-Year Financial Report as of December 31, 2020 and Approving the Second Quarter Budget Amendment for the 2020-21 City Operating Budget

SUMMARY AND RECOMMENDATIONS

Resolution Accepting the 2020-21 Mid-Year Financial Report as of December 31, 2020 and Approving the Second-Quarter Budget Amendment for the Fiscal Year 2020-21 City Operating Budget.

BACKGROUND

The City Council approved the 2019-20 and 2020-21 General Fund, Enterprise and Internal Service Funds, and the Parking Fund budgets on June 3, 2019. The approved budgets are the annual expenditure plan and resource allocation guiding and ensuring implementation of City Council policies and priorities. The budget implements the vision and direction for the broad range of services meeting the needs of the community in accordance with City Council policy.

This financial review as of December 31, 2020 provides the mid-year budget update to the City Council for the current fiscal year. Analysis of the revenues collected and all expenditures through December 31, 2020 measures operational adherence to the budgetary allocation plan.

DISCUSSION- Mid-Year Report

The City budget for Fiscal Year (FY) 2020-21 was amended and adopted on June 15, 2020. The amended budget incorporates estimated revenues and planned expenditures for all funds. The attached FY 2020-21 Mid-Year Financial Report as of December 31, 2020 provides the revenue and expenditure summary for the General Fund, Enterprise and Internal Service Funds, and the Parking Fund. The following detailed discussion offers comparisons to the prior year and focuses on variances from revenue and expenditure plans and allocations contemplated in the budget.

General Fund

The General Fund finances the operations of the City having no special or dedicated revenue sources and pays for basic municipal services. The amended FY 2020-21 General Fund budget projects revenues totaling \$114,097,000 and expenditures totaling \$122,858,000, which includes purchase order encumbrances from FY 2019-20, approved carryovers, and City Council approved budget amendments.

Mid-year revenue in FY 2020-2021 totals 36% of the adopted budget, compared to the same 36% in FY 2019-20. Expenditures of \$45,999,000 at mid-year amount to 37% of the anticipated total, compared to 40% in FY 2019-20. Revenues are generally in line with the prior year, while expenditures are below budget expectations. Both revenues and expenditures will continue to be closely monitored through the remainder of the year.

A detailed review of revenue and expenditure variances is presented below.

General Fund Revenue

- **Property Tax - (received 47% of anticipated budget compared to 47% in 2019-20).** The Property Tax appropriation was increased by \$857,400 in the final budget as approved on June 15, 2020. Property Tax is the City's second largest revenue source and represents about 23% of total General Fund revenue. Secured Tax and Redevelopment Residual Property Tax revenues make up 62% of the City's annual Property Tax revenue. Actual Secured Tax revenue amounts to \$6,672,000 in FY 2020-21 to date, \$240,000 above the same period in FY 2019-20. Alameda County will distribute the first payment of the Redevelopment Residual Tax in early w2021 (\$1,207,000 was recorded in January 2021) and the second payment of Secured Tax will be in April 2021.
- **Sales/Transaction Taxes - (received 36% of anticipated budget compared to 32% in FY 2019-20).** The Sales/Transaction Tax appropriations were decreased by \$5,570,000 in the amended budget of June 15, 2020 to reflect the anticipated impacts of COVID -19. Sales/Transaction Tax was budgeted at \$6,075,000 below the FY 2019-2020 budget. However, actual revenues are equal to last year at the same time. Avenue Insights, the City's sales tax advisor, projects the City will receive close to the originally budgeted revenue by year end. This favorable report on the recovery in taxable transactions is critical as Sales and Transaction Taxes are the City's largest revenue sources and make up 34% of the General Fund revenue. The proposed budget amendment increases appropriations for Sale/Transaction revenues by \$5,451,700.
- **Real Property Transfer Tax - (received 46% of anticipated budget compared to 29% in 2019-20).** The Property Transfer Tax appropriation was decreased by \$1,164,000 in the budget approved on June 15, 2020 reflecting anticipated impacts related to COVID 19 sales valuations. Ballot measure VV was approved by city voters in November 2020. The measure authorized increasing the real property transfer tax rate from \$6 per \$1,000 in valuation to \$11. This increase in the tax rate is anticipated to generate \$4,000,000 in new annual General Fund revenue, and approximately \$2,000,000 is expected for the current fiscal year. Actual revenues through December 31, 2020 are \$300,000 above the same period

in FY 2019-20. The proposed budget amendment increases appropriations for Property Transfer tax revenues by \$3,200,000.

- **Charges for Services - (received 20% of anticipated budget compared to 47% in FY 2019-20).**
The Stay in Place emergency order has resulted in most City Recreation and Library programs remaining closed. The budget anticipated revenues amounting to \$1,099,000 from Recreation programs (contract programs, day camps, Kiddie College, park rentals, and swim activities). Limited programs have generated \$86,600 through December 31, 2020. The Library has received none of the \$100,000 in projected revenues. In addition, the Nike store security agreement was terminated which eliminated an additional \$345,000 that was budgeted for Charges for Services.
- **Interest & Property Income - (received 58% of anticipated budget compared to 80% in FY 2019-20).** Actual Interest Income revenues recorded through December 31, 2020 amounted to \$834,000. Revenue in the same period in FY 2019-20 totaled \$1,022,000. Both years exceeded the projected FY 2020-21 revenue budget of \$675,000. Higher Interest Income revenue will partially offset losses in rental income at the Marina Community Center and the Senior Center.
- **Intergovernmental - (received 168% of anticipated budget compared to 11% in FY 2019-20).** On a one-time basis, through the Corona Virus Relief Fund, the CARES Act provided payments to state and local governments impacted by the COVID-19 outbreak. The City received \$1,100,000 from the State Department of Finance covering eligible expenditures incurred due to the public health emergency.
- **License & Permits - (received 38% of anticipated budget compared to 57% in FY 2019-20).** Actual Building Permit revenues recorded through December 31, 2020 amounted to \$1,062,000 in FY 2020-21. Revenue in in the same period in FY 2019-20 was \$1,794,000 (one permit in FY 2019-20 totaled \$650,000). This decrease accounts for the change in Licenses & Permit revenue.

As reported in the attached Mid-Year Financial Report, all other taxes and revenue receipts are relatively in line with budgeted revenues.

General Fund Expenditures

- **General Fund, Total Expenditures - (37% of budget compared to 40% in FY 2019-2020).**
Mid-year expenditures were \$45,999,000, 37% of the budget of \$122,858,000. Year-over-year General Fund expenditures decreased by \$2,972,000. Every departments' expenditures remain less than one-half of its budget appropriation. Over the past five-years, an average of 40% of the annual budget appropriation has been expended by December 31.

Due to shelter-in-place orders and selective hiring freeze, additional part-time and full-time staffing savings are projected as presented below.

Enterprise, Internal Service Funds, and Parking Fund

Four Enterprise Funds make up the City's business-type operations. The Water Pollution Control Plant Fund, the Environmental Services Fund, the Shoreline Enterprise Fund, and the Storm Water Fund are City municipal operations designed to fully recover costs through user fees. Internal Service Funds also operate as business activities, exclusively supporting the City's internal operations. Facilities Maintenance, Information Technology, Insurance Services, and Equipment Maintenance comprise the Internal Service Funds. The Parking Fund provides for parking meter and parking lot operations and maintenance at the Downtown Parking Structure and has been restructured in the last year to bring expenditures in line with annual revenues.

- **Equipment Maintenance, Expenditures - (39% of budget compared to 9% in FY 2019-20).** Actual Equipment maintenance expenditures recorded through December 31, 2020 amounted to \$1,553,000 in FY 2020-21. The variance from FY 2019-20 reflects the timing of significant equipment acquisitions in the first quarter of FY 2020-21.
- **Parking Fund, Revenue/Expenditures - (18% and 32% of budget compared to 74% and 42% in FY 2019-20).** Parking activities are impacted by the stay at home emergency orders, resulting in a \$259,000 decrease in actual revenues and lower expenditures compared with the same period in FY 2019-20.

DISCUSSION- Budget Amendment

The City Council approves annual budgets based on the best revenue and expenditure data available prior to adoption of the budget appropriations. As a result, budget adjustments are periodically necessary for changes that arise requiring changes in revenue or expenditure budget appropriations or re-appropriations between budget line items.

Attachment 1 included with the resolution details the proposed revenue and expenditure appropriation amendments to the FY 2020-21 budget.

Amended General Fund Revenue Appropriations

Taxes

Sales and Use Tax (010-3201)	3,903,600
Transaction/Use Tax (010-3227)	1,548,100
Property Transfer Tax (010-3203)	3,163,500

Charges for Services

Nike Store Security (010-3717)	(345,000)
Recreation programs (010-3751--010-3770)	(888,000)
Library programs (010-3780--010-3787)	(172,000)
Special Police services (010-3720)	(100,000)

Interest & Property Income

Interest Income (010-3501)	950,000
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Intergovernmental

COVID Relief (010-3658)	1,165,000
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Other/Transfers

Sale of Property (010-3380)	<u>(1,250,000)</u>
Delay sale of downtown property	

7,975,200

Amended General Fund Expenditure Appropriations

Non-Departmental

Vacancy Saving (010-14-002-4301) (2,431,000)

Community Development

Consulting (010-41-001-5120) 40,000

Consulting related to neighborhood impacts of infill housing
(2,391,000)

Amended Shoreline Enterprise Expenditure Appropriations

Shoreline Enterprise

Miscellaneous (596-56-001-5890) 435,000

American Golf management and incentive fees

Construction (596-56-115-5240) 125,000

Golf clubhouse improvements

All cities projected significant reduction in revenues resulting from COVID-19 and the Stay in Place emergency orders. San Leandro experienced this revenue decline in the fourth quarter of FY 2019-20. When amending the final FY 2020-21 General Fund budget on June 15, 2020, the City anticipated continuing shortfalls. As a result, revenues were decreased by \$8,868,000.

While the City has experienced revenue decreases in select areas (Charges for Services), overall revenues are experiencing an upward curve. The total proposed budget amendment for General Fund revenue appropriations amounts to \$7,975,200. The appropriation amendment decreases expenditures by a total of \$2,391,000. Based on this mid-year budget adjustment, amended revenues are now projected to exceed expenditures by \$1,605,200. Please note that this amount may be higher due to a delay in spending of appropriated funds that will be carried over into next fiscal year (and further lowering expenditures in this fiscal year). Consistent with the City's policy, encumbrances outstanding at year-end are recorded as assigned fund balance and are automatically reappropriated for the following year. Once approved by the City Council, carryovers for programs are also reappropriated in the following fiscal year. Open purchase orders and carryover requests average about \$3,800,000 in recent years.

In addition, there are actions at the federal level to provide aid to local governments. The City is monitoring the relief bill closely to understand the potential financial impacts. Staff will come back to the City Council to propose additional budget adjustments if funds are allocated to the City.

Finally, based on City Council direction, staff will bring forward in April an augmentation of staffing in the City Clerk's Division of the City Manager's Office, in response to the recent demands placed on this Division. The Division has seen a spike in responsibilities as a result of the Stay in Place order and the associated changes to agenda management. In addition, there has been a steep increase in the use of the legally prescribed Public Records Request process to request both routine and complex information that was previously handled through more informal means.

ATTACHMENT

2020-21 Mid-Year Financial Report as of December 31, 2020.

PREPARED BY

Susan Hsieh, Finance Director

CITY OF SAN LEANDRO
Second Quarter Financial Report
As of December 31, 2020
(In Thousands)

GENERAL FUND

	2020-21			2019-20			2020-21 v 2019-20	
	December 31, 2020			December 31, 2019				
	Amended Budget	YTD as of 12/31/20	% of Amended Budget	Amended Budget	YTD as of 12/31/19	YTD % of Budget	Yr to Yr Change (\$)	Yr to Yr Change (%)
Revenues								
GENERAL GOVERNMENT								
Property Tax	26,101	12,206	47%	24,441	11,536	47%	670	6%
Sales Tax	38,986	14,103	36%	45,061	14,304	32%	(201)	-1%
Utility Users Tax	10,342	3,987	39%	10,846	3,887	36%	100	3%
Franchise Fees	5,132	1,329	26%	5,361	1,308	24%	21	2%
Property Transfer Tax	3,836	1,766	46%	5,000	1,466	29%	300	20%
Emergency Communication Access Fee (911)	3,236	1,078	33%	3,162	1,063	34%	15	1%
Business License Tax	6,400	585	9%	6,400	930	15%	(345)	-37%
Other Tax	858	345	40%	1,733	373	22%	(28)	-8%
Sub Total Taxes	94,891	35,399	37%	102,004	34,867	34%	532	2%
Charges for Services	2,802	562	20%	3,034	1,427	47%	(865)	-61%
Interest & Property Income	1,868	1,080	58%	1,921	1,542	80%	(462)	-30%
Fines, Fees & Forfeitures	1,347	286	21%	1,581	404	26%	(118)	-29%
Intergovernmental	734	1,234	168%	773	84	11%	1,150	1369%
Licenses & Permits	3,948	1,514	38%	4,155	2,385	57%	(871)	-37%
Interdepartmental	2,000	1,000	50%	2,000	1,000	50%	0	0%
Other/Transfers	6,507	231	4%	1,505	128	9%	103	80%
Sub Total Other	19,206	5,907	31%	14,969	6,970	47%	(1,063)	-15%
Total Revenues	114,097	41,306	36%	116,973	41,837	36%	(531)	-1%
Expenditures								
General Administration Council, Clerk, City Attorney, City Manager and Human Resources	6,318	2,573	41%	5,873	2,307	39%	266	12%
Finance	4,107	1,258	31%	3,957	1,214	31%	44	4%
Police	41,583	19,466	47%	41,218	19,742	48%	(276)	-1%
Fire	27,154	8,385	31%	26,237	10,058	38%	(1,673)	-17%
Recreation & Human Services	5,634	1,728	31%	5,517	2,410	44%	(682)	-28%
Engineering & Transportation	4,040	1,363	34%	3,935	1,823	46%	(460)	-25%
Library	6,114	2,710	44%	5,950	2,880	48%	(170)	-6%
Public Works	7,241	3,152	44%	7,520	3,116	41%	36	1%
Community Development	8,496	2,839	33%	8,456	2,816	33%	23	1%
Non-Departmental	2,177	453	21%	2,278	494	22%	(41)	-8%
Debt Service	6,484	2,022	31%	6,408	2,061	32%	(39)	-2%
Transfers	3,510	50	1%	6,325	50	1%	0	0%
Total Expenditures	122,858	45,999	37%	123,674	48,971	40%	(2,972)	-6%

CITY OF SAN LEANDRO
Second Quarter Financial Report
As of December 31, 2020
(In Thousands)

**ENTERPRISES & INTERNAL
SERVICE FUNDS**

	2020-21			2019-20			2020-21 v 2019-20	
	December 31, 2020			December 31, 2019				
	Amended Budget	YTD as of 12/31/20	% of Budget	Amended Budget	YTD as of 12/31/19	% of Budget	Yr to Yr Change (\$)	Yr to Yr Change (%)
Water Pollution Control Plant (593)								
Revenue	14,510	2,892	20%	13,860	3,886	28%	(994)	-26%
Expenditure	27,043	6,606	24%	27,167	7,646	28%	(1,040)	-14%
Environmental Services (594)								
Revenue	1,086	202	19%	1,090	246	23%	(44)	-18%
Expenditure	1,463	395	27%	1,444	413	29%	(18)	-4%
Shoreline Enterprise (597)								
Revenue	1,840	871	47%	2,966	1,155	39%	(284)	-25%
Expenditure	2,252	511	23%	2,230	927	42%	(416)	-45%
Storm Water (598)								
Revenue	1,002	0	0%	1,002	0	0%	0	0%
Expenditure	1,492	836	56%	1,435	821	57%	15	2%
Facilities Maintenance (687)								
Revenue	3,288	1,649	50%	3,388	1,716	51%	(67)	-4%
Expenditure	4,309	1,788	41%	5,002	1,567	31%	221	14%
Information Technology (688)								
Revenue	4,274	2,147	50%	4,377	2,211	51%	(64)	-3%
Expenditure	5,128	1,993	39%	5,061	1,565	31%	428	27%
Insurance Services (689)								
Revenue	5,528	3,056	55%	5,528	2,845	51%	211	7%
Expenditure	6,636	2,734	41%	6,297	2,830	45%	(96)	-3%
Equipment Maintenance (690)								
Revenue	3,529	1,563	44%	4,015	1,936	48%	(373)	-19%
Expenditure	4,012	1,553	39%	5,538	475	9%	1,078	227%

CITY OF SAN LEANDRO
Second Quarter Financial Report
 As of December 31, 2020
 (In Thousands)

**SPECIAL REVENUE FUNDS
 OPERATING**

	2020-21			2019-20			2020-21 v 2019-20	
	December 31, 2020			December 31, 2019				
	Amended Budget	YTD as of 12/31/20	% of Budget	Amended Budget	YTD as of 12/31/19	% of Budget	Yr to Yr Change (\$)	Yr to Yr Change (%)
Parking (132)								
Revenue	645	117	18%	505	376	74%	(259)	-69%
Expenditure	775	247	32%	674	285	42%	(38)	-13%



City of San Leandro

Meeting Date: March 15, 2021

Resolution - Council

File Number: 21-117

Agenda Section: ACTION ITEMS

Agenda Number:

TO: City Council

FROM: Fran Robustelli
Interim City Manager

BY: Susan Hsieh
Finance Director

FINANCE REVIEW: Susan Hsieh
Finance Director

TITLE: RESOLUTION of the City of San Leandro City Council Accepting the 2020-21 Mid-Year Financial Report as of December 31, 2020 and Approving Second Quarter Budget Amendment for the Fiscal Year 2020-21 City Operating Budget

WHEREAS, the City Council received and considered the Fiscal Year (FY) 2020-21 Mid-Year Financial Report as of December 31, 2020; and

WHEREAS, the City Council approves annual budgets based on the best revenue and expenditure information available at the time budgets are prepared; and

WHEREAS, budget adjustments are periodically necessary for changes that arise and require additional budget appropriations or re-appropriations between funds or budget line items; and

WHEREAS, the City Council adopted the FY 2020-21 Budget on June 3, 2019, amended the budget on June 15, 2020, and approved new budget appropriations since that date amending the FY 2020-21 Budget, and further amending the budget is required at this time.

NOW, THEREFORE, the City Council of the City of San Leandro does **RESOLVE** as follows:

That the FY 2020-21 City of San Leandro Budget is hereby amended as described on that certain document, and all attachments to that document, titled "Staff Report for Resolution Accepting FY 2020-21 Mid-Year Financial Report as of December 31, 2020 and Approving the Second Quarter Budget Amendment to the City Operating Budget," copies of which are attached hereto and incorporated herein by reference, and as shown on Attachment 1 to this Resolution, which are incorporated herewith and made a part hereof.

GF Revenue Appropriations, Table 1

	APPROVED BUDGET	ADDED APPROPRIATION	AMENDED BUDGET
Taxes			
Sales and Use Tax 010-3201	\$28,120,400	\$3,903,600	\$32,024,000
Transaction/Use Tax 010-3227	10,536,900	1,548,100	12,085,000
Taxes			
Property Transfer 010-3203	3,836,500	3,163,500	7,000,000
Charges for Services			
Nike Store Security 010-3717	345,000	(345,000)	-0-
Recreation programs 010-3751—010-3770	1,099,000	(888,000)	211,000
Library programs 010-3780—010-3787	172,000	(172,000)	-0-
Special Police Services 010-3720	158,000	(100,000)	58,000
Interest & Property Income			
Interest Income 010-3501	675,000	950,000	1,625,000
Intergovernmental			
COVID Relief 010-3658	-0-	1,165,000	1,165,000
Other/Transfers			
Sale of Property 010-3801	1,250,000	(1,250,000)	-0-

GF Expenditure Appropriations, Table 2

	APPROVED BUDGET	ADDED APPROPRIATION	AMENDED BUDGET
Non-departmental			
Vacancy Savings 010-14-002-4301	(2,000,000)	(2,431,000)	(4,431,000)
Community Development			
Consulting Services 010-41-001-5120	213,500	40,000	253,500

Shoreline Enterprise Expenditure Appropriations, Table 3

	APPROVED BUDGET	ADDED APPROPRIATION	AMENDED BUDGET
Golf Course Operation Miscellaneous 596-56-001-5890	-0-	435,000	435,000
Golf Course Operation Construction 596-56-115-5240	-0-	125,000	125,000