

## FISCAL YEAR 2019/20 FINANCIAL UPDATE AND ADJUSTMENTS TO THE ADOPTED FY 2020/21 EMERGENCY BUDGET

Finance Department

Budget Engagement Commission Meeting  
November 12, 2020

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### BACKGROUND

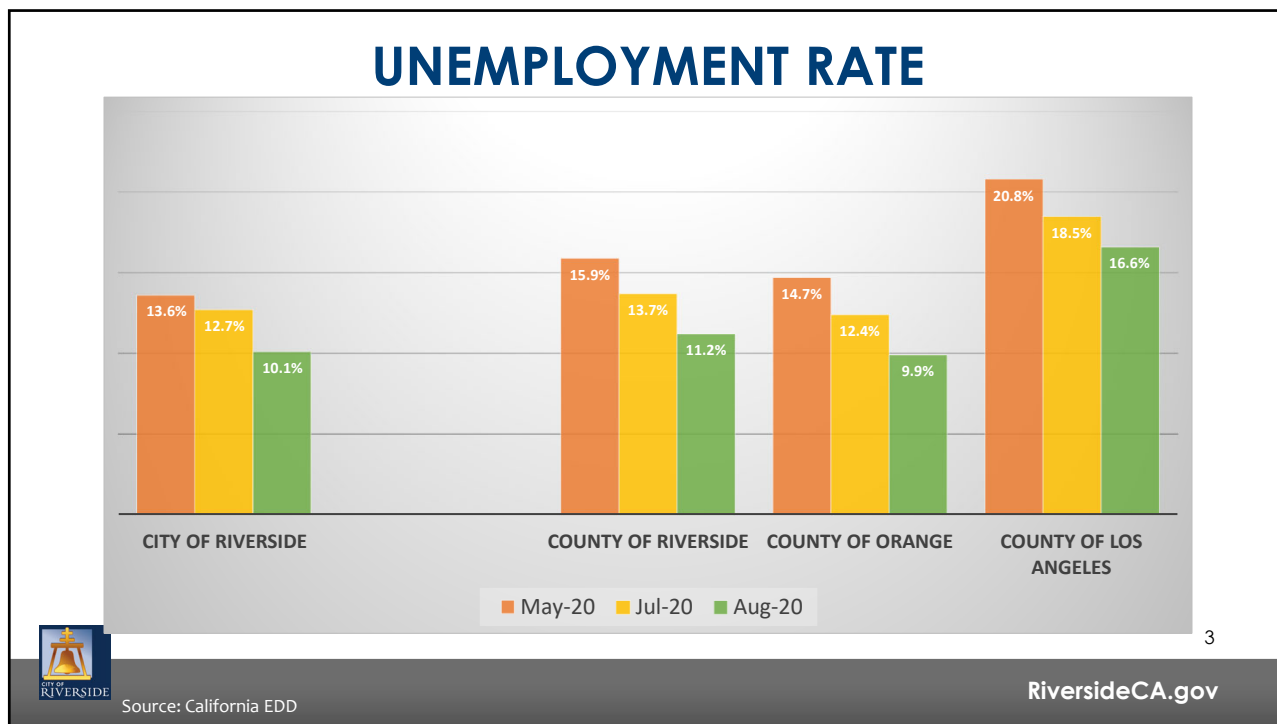
- **March 2020:** Pandemic, stay-at-home orders, temporary closure of businesses, limited public meetings
- **June 2020:** Adoption of the FY 2020/21 Emergency Budget with General Fund balancing measures and contingency revenue reductions
- **June 2020:** FY 2019/20 Third Quarter Financial Report
  - Unknown fiscal impacts of COVID-19
  - Projected a potential 4% shortfall in General Fund revenues
  - Projected expenditure impacts, such as increase in Convention Center subsidy



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## What we were hearing (Spring 2020!)

By **Nick Welsh**

Fri Mar 27, 2020 | 4:44pm

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Hundreds of hourly employees who work for Santa Barbara's City Hall – or were about to – w joining the 3.3 million Americans already filing for jobless benefits after layoff notices were se Friday. Like most major employers, City Hall is experiencing a violent reduction of revenues as the COVID-19 epidemic, and this wave of layoffs is no doubt only the first of many shoes to dr

**PALM SPRINGS**

### Palm Springs considers staff layoffs, other cuts to bridge \$76M budget shortfall

**Melissa Daniels** Palm Springs Desert Sun  
Published 9:00 a.m. ET May 21, 2020 | Updated 3:54 p.m. ET May 22, 2020

**Council Approves Voluntary Separation Program for Santa Monica City Workers**

By Jorge Casuso

April 15, 2020 -- Hoping to avert massive layoffs due to the coronavirus shutdown, the City Council on Tuesday voted to offer lump sum payments to full-time municipal workers who voluntarily leave their jobs.

### State, city workers could be next wave of layoffs as tax revenue dries up amid COVID-19

**USA TODAY**  
Apr. 23, 2020 | Updated 5:00 p.m. ET Apr. 23, 2020

of Santa Monica is planning to cut \$203.2 million from its budget and about 337 ent and 144 temporary jobs as the coronavirus shutdown devastates the sectors of lonica's economy that sustain city revenues.

With a projected general fund deficit of \$224 million through June 2022, City Council will vote Tuesday on a [budget plan](#) that proposes freeing up \$117 million in one-time funds and cutting \$86.2 million in ongoing costs through radical cuts to city programs, services and staffing. Many in-person services would be shifted to a redesigned city website, both to facilitate physical distancing and to save money.

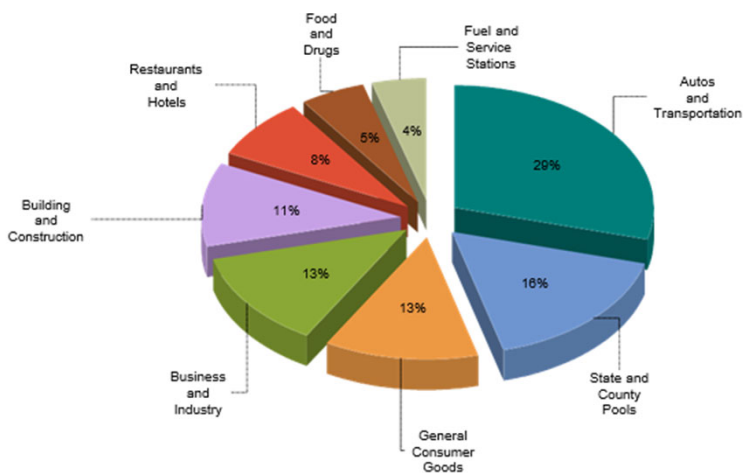
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# SALES TAX REVENUE DEMOGRAPHICS

2Q20 Percent of Total



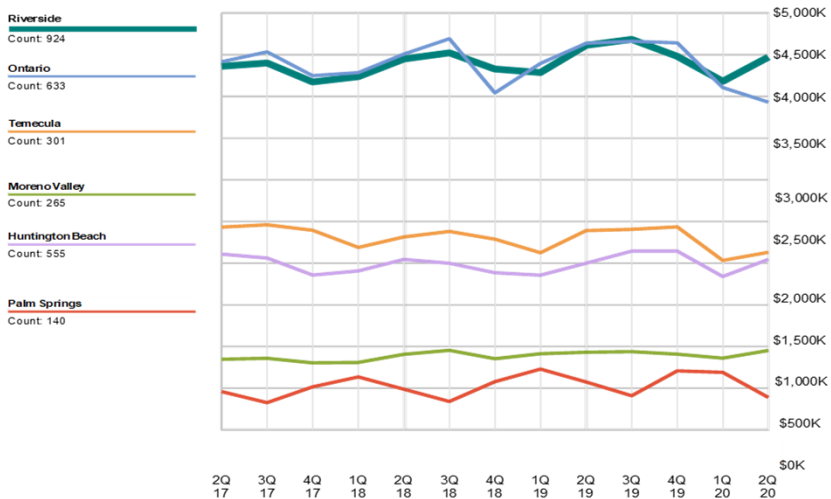
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## CITY OF RIVERSIDE AGENCY COMPARISONS - AUTOS AND TRANSPORTATION



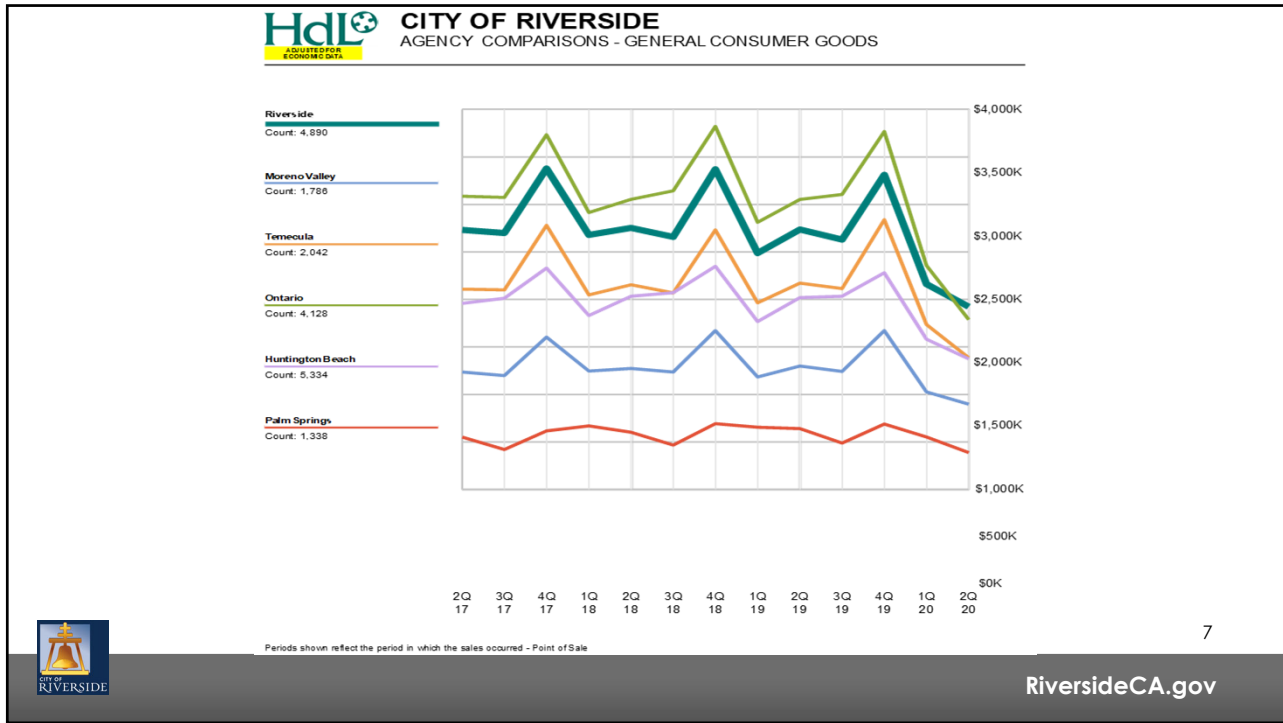
Periods shown reflect the period in which the sales occurred - Point of Sale



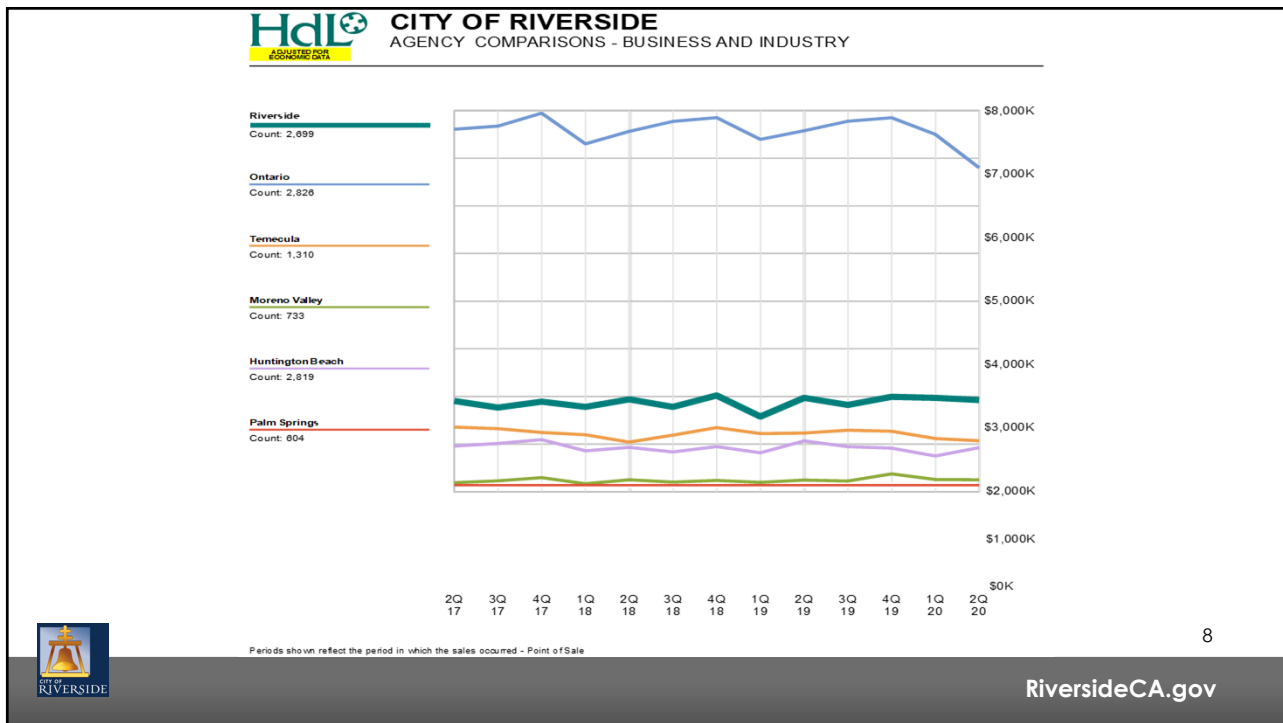
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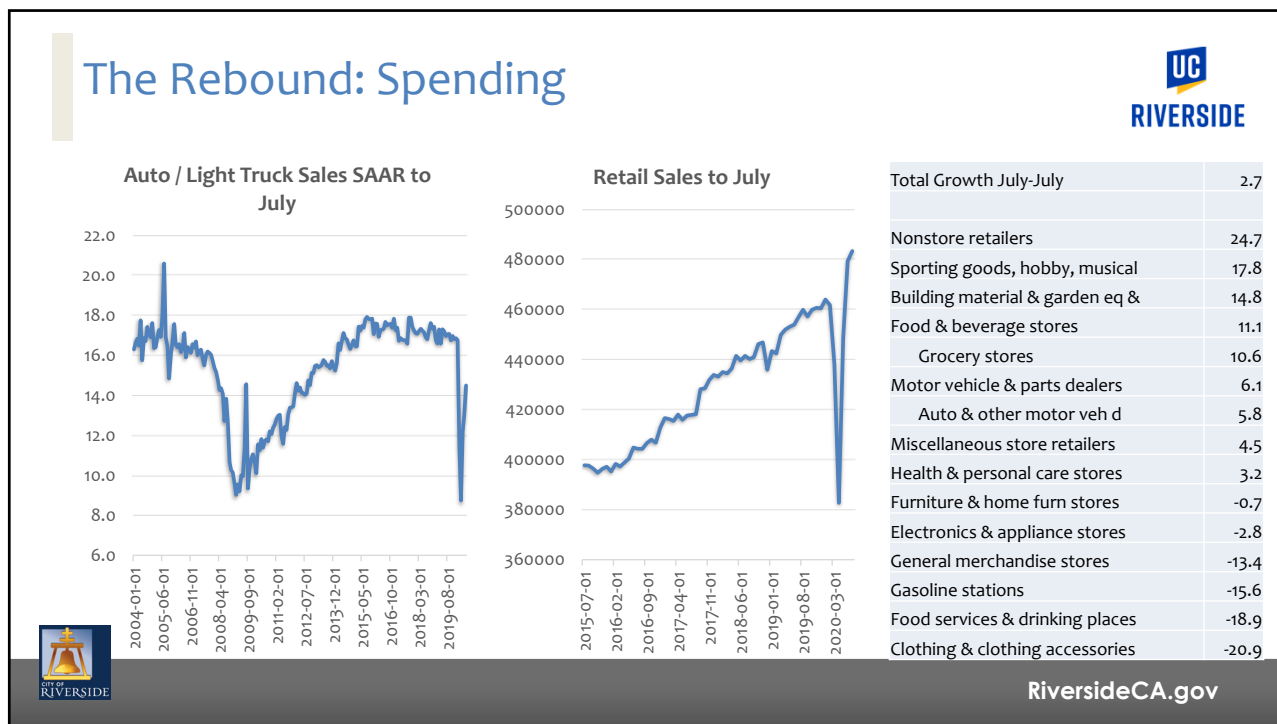
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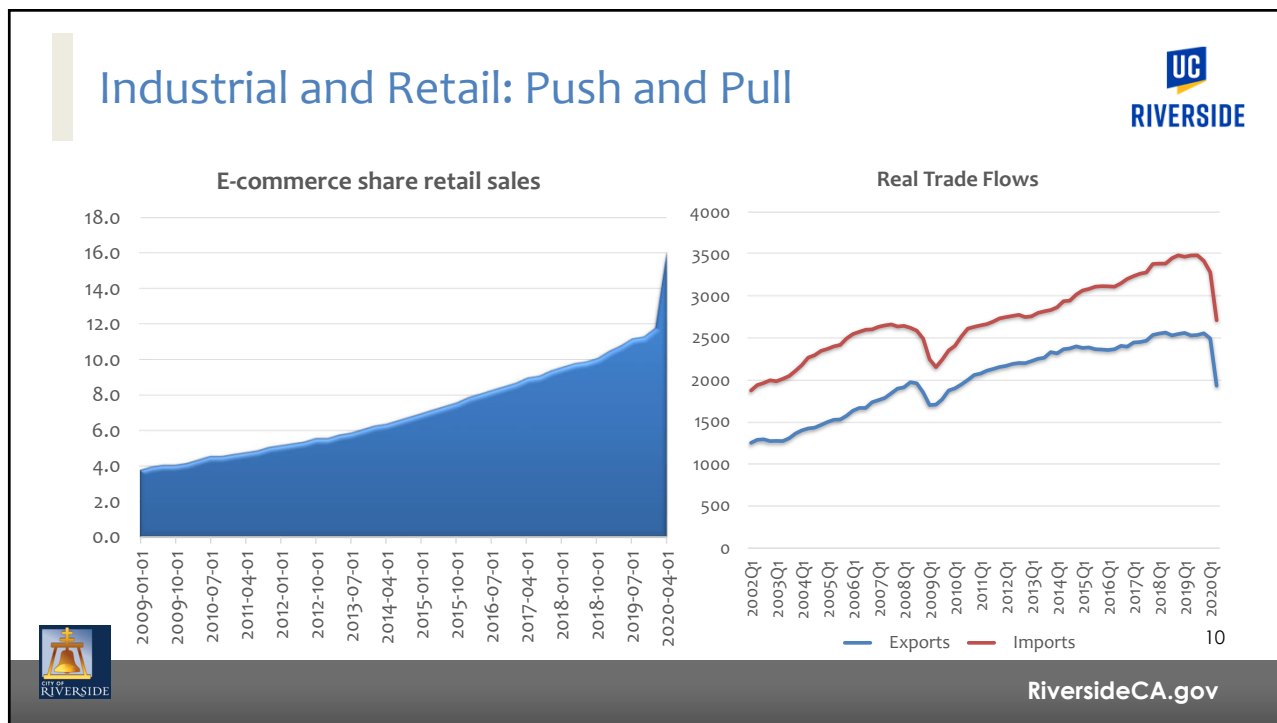
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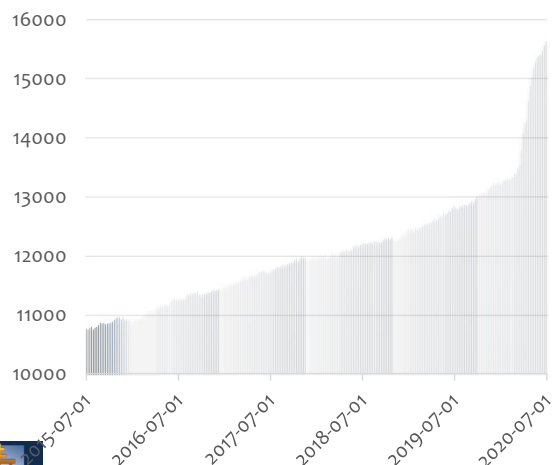


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## The Banking Conundrum



### Commercial Bank Deposits: Billions



	Feb to Aug	Aug-Feb	Feb-Aug
Bank credit	2.9%	2.6%	7.0%
Treasury and agency securities: Mortgage-backed securities (MBS)	4.5%	6.6%	9.4%
Treasury and agency securities: Non-MBS	10.1%	3.0%	24.6%
Loans and leases in bank credit	2.3%	1.9%	4.9%
Commercial and industrial loans	1.3%	-0.3%	19.3%
Real estate loans	2.0%	2.6%	1.2%
Real estate loans: Closed-end residential loans	2.9%	2.1%	0.7%
Real estate loans: Commercial real estate loans	2.3%	4.0%	2.5%
Real estate loans: Construction and land development	0.7%	2.0%	4.9%
Real estate loans: Secured by multifamily properties	4.3%	7.2%	3.2%
Real estate loans: Secured by nonfarm nonresidential properties	2.4%	3.9%	1.9%
Consumer loans	3.2%	2.5%	-5.0%



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## FY 2019/20 PRELIMINARY SALES TAX RESULTS

Industry Group	FY 2018-19 Actuals	FY 2019-20 Projection	FY 2019-20 Actuals	Variance to Projections	FY2019-20 Adopted Budget	Variance to Adopted Budget
Autos & Transportation	\$ 18,402,526	\$ 15,399,023	\$ 18,064,905	17.3%		
Building & Construction	7,593,561	6,201,810	6,640,451	7.1%		
Business & Industry	7,546,738	6,793,158	8,095,239	19.2%		
Food & Drugs	3,077,302	3,102,664	3,008,210	-3.0%		
Fuel & Service Stations	4,817,753	3,878,779	3,868,661	-0.3%		
General Consumer Goods	11,813,106	9,398,710	10,137,389	7.9%		
Restaurants & Hotels	7,528,064	6,190,436	6,632,346	7.1%		
Transfers & Unidentified	48,895	66,769	21,298	-68.1%		
State & County Pools	9,371,602	9,003,724	8,703,973	-3.3%		
<b>Total</b>	<b>\$ 70,199,547</b>	<b>\$ 60,035,073</b>	<b>\$ 65,172,472</b>	<b>8.6%</b>		
Administrative Costs	(687,175)	(655,662)	(655,662)			
<b>Total</b>	<b>\$ 69,512,372</b>	<b>\$ 59,379,411</b>	<b>\$ 64,516,810</b>	<b>8.7%</b>	<b>\$ 64,476,369</b>	<b>\$ 40,441</b>
<b>Measure Z Revenues</b>	<b>\$ 64,643,760</b>	<b>\$ 56,026,000</b>	<b>\$ 62,380,085</b>	<b>11.3%</b>	<b>\$ 59,000,000</b>	<b>\$ 3,380,085</b>


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## FY 2019/20 GENERAL FUND BUDGET VS. PRELIMINARY RESULTS

FY 2019-20 Comparison					
	Budget FY 2019/20	Pandemic Estimates	Pandemic Projection	FYTD FY 2019/20	Estimated Difference
<b>Revenue / Transfers In</b>					
Property Taxes	\$ 70,194,896		\$ 70,194,896	\$ 70,805,354	\$ 610,458
Sales and Use Tax	66,159,534	(6,780,223)	59,379,311	66,273,220	113,686
General Fund Transfer	46,893,700		46,893,700	46,076,000	(817,700)
Utility Users Tax	28,837,533		28,837,533	29,043,610	206,077
Non-Development Charges for Services	11,249,161		11,249,161	8,862,836	(2,386,325)
Licenses and Non-Developer Permits	8,781,815	(1,700,000)	7,081,815	8,569,067	(212,748)
Transient Occupancy Tax	7,158,960	(2,250,000)	4,908,960	5,958,727	(1,200,233)
Other fees (franchise, developer fees and charge)	21,594,790		21,594,790	24,708,391	3,113,601
Measure Z Transfer In	18,266,026		18,266,026	18,266,026	(0)
<b>Total Revenues/Transfers In</b>	<b>\$279,136,415</b>	<b>\$(10,730,223)</b>	<b>\$268,406,192</b>	<b>\$278,563,231</b>	<b>(\$573,184)</b>
<b>Expenditures</b>					
Personnel	\$ 236,587,910			\$222,961,811	\$(13,626,099)
Non-Personnel	54,237,993			49,701,637	(4,536,356)
Grants and Special Programs	11,245,632			7,914,467	(3,331,165)
Charges to/from Others, net	(23,760,312)			(21,970,345)	1,789,967
Operating Transfers Out (subsidies)	22,193,404			24,094,529	1,901,125
<b>Total Expenditures</b>	<b>\$300,504,627</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$282,702,099</b>	<b>(\$17,802,528)</b>
<b>Estimated Surplus prior to Carryover Items, final Y/E adjustments and Closing of Purchase Orders ****</b>					<b>\$17,229,344</b>

\*\*\*\* As the year end financial close is still in process this number will likely change.



## FY 2019/20 – WHAT’S NEXT?

- Complete the financial audit
- Carryover capital project and grant funding
- Present Fiscal Year End Financial Report to Council
  - Audited fiscal year end results
  - Departmental carryover requests
  - Quantify actual savings and ending fund reserves
  - Council direction on the use of excess reserves
    - Consider balancing measures applied to FY 2020/21 Emergency Budget



## FY 2020/21 BUDGET ADJUSTMENTS

- Multiple Funds - Pension Obligation Bond and UAL reallocation:
  - Presents personnel savings in all city funds with personnel budgets
  - Record debt obligations in all applicable funds
- General Fund - Charter Amendments: Fewer ballot measures than anticipated; \$880,000 General Fund savings
- General Fund - Festival of Lights: Modified event, \$153,340 net General Fund savings.
- General Fund - Cost Allocation Plan correction: Interdepartmental transfer, zero net effect to budget.
- Central Stores Fund: Interdepartmental transfer to move from RPU to Finance, no net effect to budget; no General Fund impact.



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## FY 2020/21 SUPPLEMENTAL APPROPRIATIONS

- Debt Service Fund: \$13,176,461 for Pension Obligation Bond
- Storm Drain Fund: \$50,000 for storm drain studies
- Measure A Fund: \$475,000 for transportation planning, planning/investigations, and payment management systems
- Electric Fund: \$606,600 for increase in property insurance costs
- Special Districts Fund: \$175,262 to replace fencing, gazebos, and play equipment in the Riverside Landscape Maintenance District



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## FY 2020/21 ADJUSTED EMERGENCY BUDGET

- Net impact of budget adjustments and supplemental appropriations
  - POB/UAL savings in all funds with personnel budgets
  - Approximately \$1.3 million net savings in General Fund for all adjustments; recommend reducing budgeted Section 115 Pension Trust withdrawal
- Next Steps
  - FY 2019/20 Financial Results and recommended use of savings
    - Potential adjustments to the FY 2020/21 Emergency Budget
  - FY 2020/21 Quarterly Financial Reports, adjust as we go in response to what we are seeing
    - Quarter 2 (October-December) sales tax will be a key indicator



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## ON THE HORIZON...

- COVID-19 pandemic anticipated to continue into 2021
- Presidential election
- Social unrest
- Lack of continued federal stimulus assistance
- Spending in the 4<sup>th</sup> Quarter of 2020
- Ongoing threat to the General Fund Transfer



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## RECOMMENDATIONS

That the Budget Engagement Commission receive the Fiscal Year 2019/20 Financial Update and adjustments to the Adopted FY 2020/21 Emergency Budget.

