

REQUEST FOR COUNCIL ACTION



CITY COUNCIL MEETING DATE:

NOVEMBER 17, 2020

TITLE:

RECEIVE AND FILE FISCAL YEAR
2020-2021-
FIRST QUARTER UPDATE

CLERK OF COUNCIL USE ONLY:

APPROVED

- As Recommended
- As Amended
- Ordinance on 1st Reading
- Ordinance on 2nd Reading
- Implementing Resolution
- Set Public Hearing For _____

CONTINUED TO _____

FILE NUMBER _____

/s/ Kristine Ridge

CITY MANAGER

RECOMMENDED ACTION

Receive and file Fiscal Year 2020-2021 First Quarter Update (Exhibit 1).

DISCUSSION

The purpose of this report is to provide an early look at fiscal year activity. The fiscal year begins in July and ends in June. Many revenues are received two months after the period of activity. Therefore, when analyzing the books as of September 30, 2020, it is normal to see low revenue received to date. Expenditures to date will be closer to one-quarter of the annual budget, as 60% of the budget is related to employee compensation paid twice monthly.

The update focuses on the General Fund, as it is the primary operating fund of the City. However, this year's first quarter update includes restricted federal CARES (Coronavirus Aid, Relief, and Economic Security) Act spending, due to its importance to current City operations and an update on the Parking Enterprise, which has been impacted by the pandemic.

Finally, staff has included the full-time funded position vacancy report as of September 30, 2020.

General Fund Revenues for FY 2020-2021

Sales Tax (Bradley Burns and Measure X): Sales tax allocations are received monthly. Within each quarter, there are two advance payments based on the state's estimates and one true-up payment based on actual sales tax performance. As of September 30, only one monthly advance payment had been received for both Bradley Burns and Measure X. The latest "conservative" estimate from the City's sales tax consultant indicates Bradley Burns revenue may exceed the original estimate by \$0.9 million, and Measure X revenue may exceed the original estimate by \$1.3 million. Staff will continue to monitor the revenue, including actual first quarter results to be received in late November, and may propose an adjustment to Sales Tax estimates at mid-year.

Property Tax, Property Tax in lieu of VLF, and Residual Property Tax: Approximately two-thirds of Property Tax (the City's 17% share of the base 1% levy) is collected during the months of December and April. The entire allocation of Property Tax in lieu of VLF is received in two equal

installments in January and May. Residual Property Tax is allocated to the City from the Redevelopment Property Tax Trust Fund after all obligations of the former Redevelopment Agency are settled, and payments are typically received in December and May. Therefore, an update on the Property Tax revenue will be provided in the Mid-Year Report scheduled for February 2021.

Hotel Visitors' Tax (HVT): Due to the pandemic, it is no surprise HVT collections have decreased significantly. Only \$0.8 million or 13.5% of the annual estimate was collected for the first quarter. Once we have second quarter results, we may reduce our revenue estimate at mid-year. Future HVT revenue will increase after the pandemic, and after several hotels in development open for business.

Business License Tax (BLT): The BLT revenue is on track to meet the \$9.2 million annual estimate. An additional BLT Collector was added to staff, and our revenue division has been able to proactively improve collections, including making payment arrangements with small businesses suffering during the pandemic. Peak business license periods occur in the third and fourth quarters of the fiscal year, when approximate 80% of the annual BLT is collected.

Utility Users Tax (UUT): The UUT is a 5.5% tax on the following utilities: electric, gas, water, and telecommunications. Currently, the electric, gas, and water utilities are trending slightly above or below last year's first quarter results. However, the telecommunications utility users' tax is nearly \$0.1 million less than last year. This appears to be primarily due to service providers readjusting downwards their apportionment of taxable to nontaxable sales of the telecommunications services. The City has issued a Request for Proposal (RFP) for UUT revenue auditing. Initial UUT revenue for FY20-21 is tracking similar to FY19-20, yet we expected an increase due to residents spending more time at home. Staff will pursue the audits and continue to monitor activity, and we may decrease the revenue estimate at mid-year.

Cannabis Tax Revenues: Adult-Use Retail Cannabis revenues are projected to meet budget and the current amount of \$2.7 million represents two months of receipts of all cannabis revenues. There are 27 Adult-Use Retailers, 19 Medical Cannabis Dispensaries and 13 Cannabis Distributors licenses. The growth of the Adult-use retail sector continues to impact Medical Cannabis revenue which has been gradually declining and therefore projections for fiscal year 2020-2021 have been adjusted.

Jail Revenue: Jail revenue represents only one month's receipts of \$1.2 million. An additional \$1.3 million for August and \$1.2 million for September has been billed and is expected to be received during the second quarter. Additionally, this revenue is continually being monitored throughout the year due to fluctuations in the average daily population (ADP) from month to month.

Permits and Plan Check: Current permit and plan check revenues total \$0.9 million. While plan check revenues are similar to last year, permit revenues are \$0.2 million less than last year. Staff will continue to monitor the development activity and the related revenues and provide updates during the mid-year report.

Paramedic Service Charges: The City charges for paramedic services such as basic/advanced life support and transport services provided to the public. The billing for these services is managed

by a third-party consultant to recoup the cost of these services and revenues are remitted to the City. Revenues for the first quarter are \$1.3 million and is \$0.6 million less than the prior year. This decrease may be attributable, in part, to less service calls during the current pandemic.

Parking Fines: On March 15, 2020, the City had temporarily suspended the enforcement of the parking fines related to street sweeping during the pandemic. The enforcement of these fines resumed on June 1, 2020 and continue into fiscal year 2020-2021. Parking Fines revenue for the first quarter is \$1.0 million and exceeds the prior year's first quarter revenue of \$0.9 million

General Fund Expenditures for FY 2020-2021

Overall, General Fund expenditures are at 24.2% of budget. With one exception, each department is within the expected range of spending for the first quarter. It should be noted the first quarter activity includes four monthly payments for fire services, as the City pays one month in advance. There are some costs of City Council directed litigation that were not budgeted, which is driving higher than expected spending in the City Attorney's Office. Staff will likely propose a budget increase during the mid-year update.

Federal CARES Act Spending

The City received \$28.6 million from the state and \$2.9 million from the County. A small portion of the allocation (\$0.7 million) was spent in FY19-20, and the City is on track to spend the remaining \$31.8 million by December 30, as required by federal guidelines. The spending plan includes assistance for residents and businesses, outreach, testing, sanitization, protective supplies, and equipment for City facilities. To date, \$22.1 million has been committed through expenditure, purchase order, or contracts. Highlights include the following:

- Funding for assistance programs related to families and businesses which include the following:
 - Utilities Assistance
 - Small Business Assistance
 - Childcare assistance
 - Rental assistance program for both landlords and tenants
- Utilize COVID-19 funding to offset increases in City administrative costs such workers compensation, unemployment, and telework capabilities.
- Sanitization of Parks (facilities & equipment), the Downtown (near homeless/businesses, etc.), and Right-of-Way which are the most affected areas related to COVID-19. Service is performed on a weekly basis through December 30, 2020.
- Constructed upgrades to the City's Emergency Operations Center (EOC).
- Provided Staff various forms of Personal Protective Equipment (PPE), signage, and shields to mitigate COVID-19.
- Assisted the homeless population with barriers, trailers, and rentals to assist in mitigating the spread of COVID-19.

- Conducted extensive outreach efforts to notify the community of the various programs and services offered through the CARES Act State Spending plan, which includes but is not limited to the following:
 - Door-to-door visits in impacted communities targeting neighborhoods where the majority of COVID-19 positive tests are occurring: including providing PPE kits (masks, sanitizer, etc.) and marketing material of various assistance program(s). To date, the City has reached a majority of its impacted population.
 - Developed a Santa Ana CARES team mobile unit as part of its community engagement efforts providing quick/local access to testing, PPE kits, COVID-19 prevention efforts, and material advising of assistance programs. To date staff has reached a majority of its population and is scheduled to mobilize the CARES team through the end of November 2020.
 - Developed a “Community Mask” contest to increase awareness of face mask usage and its role in mitigating the spread of COVID-19.
 - Contracted with a third-party to offer a “tri-lingual” nurse hotline, fielding approximately three-hundred (300) monthly calls from residents, to provide nursing assistance.
 - City has assisted its most vulnerable population with facilitating quarantine housing, through a partnership with local hotels.

Parking Enterprise

Due to the pandemic, preliminary parking revenues for fiscal year 2019-2020 of \$3.4 million were noticeably lower than budgeted. Similarly, expenditures of \$5.4 million were less than budget which in combination with the revenue results in a preliminary loss of \$2 million. An update will be provided during the Mid-Year Report in February, and a budget amendment may be necessary.

Full-Time Employee Position Vacancy Report

The FY 2020-21 budget included funding for 1,224 positions. On September 15, 2020, the City Council approved an additional 10 Police Officer positions, partially funded by a temporary COPS grant. As of September 30, a total of 182 funded positions remain vacant (Exhibit 1). Of the 182 vacant positions, 47 are subject to the hiring freeze which provided over \$5 million in savings in the current year budget. During the year, departments have been evaluating their operations to determine any potential savings that can be used to fund these positions and continue to provide essential city services.

FISCAL IMPACT

There is no fiscal impact associated with the receipt of this report.

Submitted By: Kathryn Downs, CPA, Executive Director – Finance and Management Services Agency

Exhibit: 1. Fiscal Year 2020-2021 First Quarter Update



EXHIBIT 1

CITY OF SANTA ANA

**FISCAL YEAR
2020-2021
FIRST QUARTER
UPDATE**

CITY COUNCIL MEETING -
NOVEMBER 17, 2020





AGENDA

- First Quarter General Fund Revenues
- First Quarter General Fund Expenditures
- Vacancy Report as of September 30, 2020

19E-6



1st Quarter General Fund Revenues

Revenue Source	FY 20-21 1st Quarter Actuals	FY 20-21 Adopted Budget	% Received
Sales Tax	\$ 4,165,107	\$ 42,975,600	9.7%
Sales Tax (Measure X)	5,601,898	55,128,300	10.2%
Property Tax/ Property Tax In-Lieu of VLF/ SA Residual	560,971	87,404,200	0.6%
Hotel Visitor's Tax	770,845	5,730,000	13.5%
Business License	1,044,330	9,210,000	11.3%
Utility User's Tax	4,029,623	24,300,000	16.6%
Cannabis Tax*	2,790,351	10,675,000	26.1%
Subtotal Top GF Revenues	\$ 18,963,125	\$ 235,423,100	8.1%
Other General Fund Revenues	9,272,530	71,969,870	12.9%
Total Revenues	\$ 28,235,655	\$ 307,392,970	9.2%

19E-7

*Includes Medical, Adult-Use Retail, Cultivation, Distribution, Manufacturing and Testing

1st Quarter Other General Fund Revenues

Revenue Source	FY 20-21 1st Quarter Actuals	FY 20-21 Adopted Budget	% Received
Jail Revenue	\$ 1,207,582	\$ 16,456,300	7.3%
Paramedic Service Charge	1,373,921	8,300,000	16.6%
Parking Fines	1,013,175	4,000,000	25.3%
Permits	587,820	2,981,300	19.7%
Plan Checks	364,487	2,399,700	15.2%

1st Quarter General Fund Expenditures

Department	FY 20-21 1st Quarter Actuals	FY 20-21 Adopted Budget	% Expended
City Manager	414,610	1,727,880	24.0%
City Council	101,739	489,780	20.8%
Non-Departmental	10,463,333	42,636,790	24.5%
Transfers to Projects and Debt Service	4,297,346	18,382,560	23.4%
Clerk of the Council	211,172	1,355,600	15.6%
City Attorney's Office	761,350	2,950,260	25.8%
Human Resources	541,932	2,897,790	18.7%
Finance & Management Services	2,037,941	9,273,840	22.0%
Library	1,170,579	5,458,890	21.4%
Bowers Museum	364,158	1,473,430	24.7%
Parks and Recreation Services Agency	5,182,335	22,518,120	23.0%
Police Department	31,832,069	133,908,060	23.8%
Fire Department*	15,463,944	49,470,160	31.3%
Planning & Building Agency	2,938,094	15,023,670	19.6%
Public Works Agency	2,674,644	14,819,550	18.0%
Community Development	528,269	3,561,650	14.8%
TOTAL GENERAL FUND	\$ 78,983,515	\$325,948,030	24.2%

*Includes one month advanced payment

VACANCY REPORT as of Sept. 30

Department	FY 20-21 Funded Positions	GF Vacancies	Non-GF Vacancies	Total Funded Vacancies
City Manager's Office	10	2	0	2
City Attorney's Office	15	2	0	2
Clerk of the Council	6	3	0	3
Community Development	48	0	6	6
Finance & Management Services	62	6	0	6
Information Technology	24	0	9	9
Human Resources	27	1	0	1
Planning & Building	72	13	2	15
Police Department	631	31	8	39
Parks, Recreation, & Community Services	79	17	6	23
Library	26	5	0	5
Public Works Agency	234	8	63	71
Total	1234	88	94	182