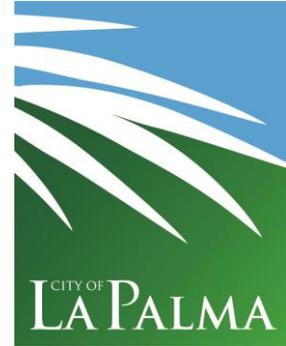


# City of La Palma

## Agenda Item No. 16



MEETING DATE: November 17, 2020

TO: CITY COUNCIL

FROM: CITY MANAGER

SUBMITTED BY: Michael Matsumoto, Financial Consultant

AGENDA TITLE: Budget Update and First Quarter Operating Report, Fiscal Year 2020-21

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### **RECOMMENDED ACTION:**

It is recommended that the City Council take the following actions:

1. Receive the report on the First Quarter Operating Report and Budget Update; and
2. Consider the Festival of Nation Event for 2021; and
3. Approve a Resolution amending the Fiscal Year 2020-21 Budget

### **BACKGROUND:**

During the budget adoption, City Council asked for an update on the budget in October or November before the typical mid-year review in February 2021.

This staff report includes:

1. A budget update of the July 1, 2020 General Fund unassigned balance.
2. The First Quarter Operating Report through September 30, 2020.
3. Fiscal Year 2020-21 budget update including proposed budget adjustments.
4. A request for direction regarding the Festival of Nations event to be held in May 2021.

### **FISCAL YEAR 2019-20 BUDGET UPDATE**

For this update, staff analyzed actual revenues and expenditures against the projections we made at the budget adoption hearing in connection with the closeout of Fiscal Year 2019-20 and for the 2020-21 annual budget. In May and June of 2020, staff anticipated a revenue shortfall of \$500,000 and the Council approved a \$500,000 transfer from reserves to balance the budget.

The Council also directed staff to increase the amount of money in reserve for cash flow purposes to \$1.25 million.

Fortunately, the results for Fiscal Year 2019-20 reflect no actual deficit and no transfer from reserves was needed to balance the budget at closeout. However, while the result of actual revenues and expenditures increased the unassigned balance by about \$1.1 million, the General Fund unassigned balance declined from the budgeted level because \$1.25 million was set aside in reserve for cash flows. As a practical matter, this means that funds that were normally in the 001-009-3400 account were moved into the 001-009-3413 account to cover cash flows. No decrease in fund balance occurred. The actual unassigned balance will be in the Comprehensive Annual Financial Report (CAFR or Audit) released in December but staff estimates the balance to be roughly \$1.5 million at June 30, 2020.

The 2020-21 Budget projected the General Fund to end the year with an unassigned balance of \$1,712,000, and the current estimate of the unassigned balance is \$1,500,000. The following are some of the reasons for the difference:

- General Fund Expenditures in departments were \$652,000 below budget. Virtually all departments came in under budget.
- General Fund Revenues were \$426,000 over budget. Two revenues were significantly over budget 1) the City received \$170,000 of Federal Stimulus money from the County, and 2) interest income was up \$230,000 primarily due to the low interest rate environment. GASB 31 requires cities to adjust investments to market value, and with declining interest rates, investment values go up.
- The General Fund Reserve for Cash Flow was increased from \$250,000 to \$1,500,000 at the July 7, 2020 City Council meeting. This reduced the unassigned balance by \$1,250,000. For comparison, had the reserve for cash flow not been increased, our unassigned balance would be \$2,750,000.

### **FIRST QUARTER OPERATING REPORT THROUGH SEPTEMBER 30, 2020**

The First Quarter Operating Report is attached to the agenda.

### **FISCAL YEAR 2020-21 BUDGET UPDATE INCLUDING PROPOSED BUDGET ADJUSTMENTS**

As we indicated in May and June of 2020, it will be challenging to predict the current fiscal year outcomes until later in the year when we have additional data. At the time of budget adoption, we anticipated that the economy would begin to open up in June of 2020 and the Council approved the transfer of \$403,400 from reserves to cover our estimated shortfall. The opening of the economy has been slower than we had anticipated and we now believe we will continue to see reduced revenues until restrictions on businesses are reduced or eliminated. Based on this and, as indicated in the First Quarter Operating Report, staff believes certain revenue adjustments should be made based on the condition of the economy.

- Property Tax – Staff believes no changes are needed at this time.
- Sales Tax – The Fiscal Year 2018-19 revenue was just over \$2 million, but the Fiscal Year 2020-21 projection was \$1,661,200. After consulting with the sales tax consultant using data through June 30, 2020, staff estimates the sales tax revenue will be \$1,447,000 for Fiscal Year 2020-21.

- Transaction and Use Tax – The Fiscal Year 2020-21 projection was \$1,464,500. After consulting with the sales tax consultant using data through June 30, 2020, staff estimates revenue will be \$1,501,500 for Fiscal Year 2020-21.
- Transient Occupancy Tax – The Fiscal Year 2020-21 projection was \$205,000. Staff noted that the occupancy is adversely affected by the theme park closures, so staff estimates the transient occupancy tax revenue will be \$150,000 for Fiscal Year 2020-21.
- At the end of June, the State agreed to send Federal CARES Act funds to the City in the amount of \$191,282.
- At the end of June, the staff received a State grant for police evidence storage in the amount of \$80,000. The proposed budget amendment includes the grant revenue and the proposed expenditures.
- In June, the City received \$368,245 from the County of Orange to fund small business grants.
- At the August 2020 City Council meeting, the City awarded a contract for Traffic Signal Controllers in the amount of \$112,000 in the COR fund.
- At the October 2020 City Council meeting, the City awarded a contract for HVAC replacement in the amount of \$518,060 in the COR fund. Funding will include the use of \$100,000 of CARES Act money received in the General Fund.

The attached resolution includes these budget amendments. As a result, staff anticipates that the actual results for fiscal year 2020-21 likely will not require the transfer of any more than the \$403,400 previously authorized from the Emergency Reserve Fund to prevent a reduction of the General Fund unassigned fund balance and could very well require less.

### **REQUEST FOR DIRECTION FESTIVAL OF NATIONS 2021**

At the May and June 2020 budget adoption discussions, the City Council included the Festival of Nations in the budget for Fiscal Year 2020-21. Because we were unable to determine whether we would be permitted by the State and County to hold such an event, the Council asked staff to bring the discussion back to the November meeting. Unfortunately, many events have been cancelled due to COVID-19 and various health orders. Staff is concerned that the health orders might not allow the Festival of Nations to be held in May 2021 and if the City were to host the event, expenditures, contracts, and planning would need to begin January 2021.

One option the Council might consider would be to allow the City Manager to make the decision in January to begin or refrain from planning and spending for the Festival of Nations in 2021 but keep the festival as a budgeted item to be held in May of 2022 in the Fiscal Year 2021-22 budget.

### **FISCAL IMPACT:**

The adjustments identified are estimated to increase General Fund revenues and expenditures, and staff anticipates the authorized \$403,400 transfer from Emergency Reserves should be sufficient to cover any actual Fiscal Year 2020-21 shortfall.

### **RECOMMENDED ACTION:**

It is recommended that the City Council adopt the proposed resolution to amend the budget and provide direction regarding the Festival of Nations scheduled for May 2021.

**APPROVED:**

MM

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Financial Consultant



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City Manager

Attachments:

1. First Quarter Summary:
  - Summary of the First Quarter Operating Report
  - General Fund Revenue Summary
  - General Fund Expenditures by Department
  - General Fund Expenditures by Category
  - Spendable Fund Balance Summary
2. Proposed Resolution Recommended Budget Adjustments

## **SUMMARY OF THE FIRST QUARTER OPERATING REPORT 9/30/20:**

Staff is presenting a report to Council and the public on the state of the City's finances. This report provides the following information:

1. A snapshot of the City's spendable fund balances at September 30, 2020, as well as the fiscal year-to-date change in spendable fund balances.
2. A review of the General Fund's revenue and expenditures through the first quarter of the fiscal year (25% of the year as of September 30, 2020) including brief discussions of relevant proposed budget amendments. A detailed schedule of the proposed budget amendments is presented as an attachment to this report.

For the quarterly report, no quarter-end accruals are recorded. Except at fiscal year-end when accruals are recorded in accordance with accounting standards, revenue is essentially reported when cash is received and expenditures are essentially reported when cash payments are made. Many revenue and expenditure transactions do not occur at uniform times or at equal intervals throughout the year. Consequently, although transactions through the first quarter represent 25 percent of the fiscal year, not all line items will be at 25 percent of the budget as of the end of the quarter.

Making sense of the information presented herein requires consideration of the cash flow factors of major revenues and expenditures. For instance, while expenditure outflows for normal operations tend to be relatively even, the cash flow timing of capital expenditures and major revenues such as property taxes are not distributed as evenly.

## **FINANCIAL SUMMARY:**

The intent of this financial summary is to provide an understanding for the changes in spendable fund balance. Spendable fund balance is calculated as cash, investments, and other current assets, less current liabilities. Attached for review are the following summary schedules through the end of the quarter:

- Schedule of General Fund Revenues by Type
- Schedule of General Fund Expenditures by Department
- Schedule of General Fund Expenditures by Category
- Schedule of Spendable Fund Balances by Fund

The City's overall spendable fund balance has declined by \$2.8 million from the beginning of the fiscal year from \$32.0 million to \$29.2 million at September 30, 2020. As explained further in the following section, this reduction in spendable fund balance is essentially a result of cash flow timing for major revenue sources and a few expenditure uses. This \$2.8 million change is accounted for as follows:

- General Fund decreased by \$2,183,000
- Special Revenue Funds increased by \$194,000
- Capital Projects Funds increased by \$33,000
- Water & Sewer Funds decreased by \$213,000
- Internal Service Funds decreased by \$690,000

The remainder of the financial review will discuss the General Fund's revenues and expenditures and then will report on the activity in the other funds.

## General Fund

As shown in the attached charts, General Fund revenues totaled \$1.0 million (9% of the budget) while expenditures totaled \$3.2 million (30% of the budget) as of September 30, 2020. In comparison, prior year revenues totaled \$1.4 million (11% of the year's revenues) and expenditures totaled \$3.3 million (32% of the year's expenditures). The excess of current year expenditures over revenues approximates the \$2.2 million reduction in spendable fund balance.

### Revenues

Total General Fund revenues are at only 9% of the budget through the end of the first quarter. This is not unusual since the largest component of General Fund revenues is property taxes, and the first major distribution of property tax receipts is scheduled during the second quarter. In addition, as a result of the Covid-19 pandemic, the economy has had a slow-down, and sales tax, transaction and use tax, and charges for services are all at low dollar values and percentages of the adopted budget. Following is a discussion of the four largest General Fund revenue sources: property tax, sales tax, transaction and use tax, and utility users tax. Together, these four revenues account for approximately 72% of the General Fund's revenue budget. Also discussed is the revenue which comprises the charges for services category.

- **Property Tax:** The General Fund's largest revenue source, property tax, has \$42,000 revenue recorded at September 30 (1% of the \$4.1 million budget). This is similar to the prior year receipt pattern – by the end of the first quarter of FY 2019-20, the City had received \$47,000. Once all year-end accruals have been recorded, **actual property tax revenue is expected to be \$4.1 million, as budgeted.**

The property tax line item includes secured and unsecured property taxes (budgeted at \$2.5 million) as well as the property tax in lieu of vehicle license fees (budgeted at \$1.6 million). Secured property tax payments are distributed in four main payments with estimated distributions of 40% in November/December during the second quarter, 10% in January/March during the third quarter, 40% in April/May during the fourth quarter, and the final cleanup distribution at the end of the fiscal year. Property tax payments in lieu of vehicle license fees are received in two installments: 50% is distributed in January during the third quarter and the remaining 50% is distributed in May during the fourth quarter.

- **Sales Tax:** The second largest budgeted revenue source, sales tax, has \$84,000 recorded at September 30 (5% of the \$1.7 million budget). Sales tax receipts always lag by two to three months, and consequently, much of the actual sales tax payments received during the quarter were recorded as prior year revenue. However, current year revenues are significantly lower when compared with the prior year; the revenue recorded through the end of the last year's first quarter was \$221,000 which was 14% of the total fiscal year's revenue. The Fiscal Year 20/21 Budget was prepared under the assumption that the COVID-19 shutdowns that occurred in March would be lifted by late June 2020. Unfortunately, taxable sales are still down because restaurants were closed longer, and they are not yet allowed to fully open indoor dining. Once all year-end accruals have been recorded, **staff anticipates sales tax revenue to be \$1,447,000 which is \$214,200 below the amount currently budgeted.**

- Transaction & Use Tax: The transaction and use tax is the third largest budgeted revenue source. There is \$120,000 recorded at September 30 (8% of the \$1.5 million budget). These receipts follow the same payment track as sales tax, and receipts lag by two to three months. Much of the transaction and use tax payments received during this first quarter were recorded as prior year revenue. Current year revenues are significantly lower when compared with the prior year; the revenue recorded through the end of the last year's first quarter was \$255,000 which was 17% of the total fiscal year's revenue. Once all year-end accruals have been recorded, **staff anticipates transaction and use tax revenue to be 1,501,500 which is \$37,000 above the amount currently budgeted.**
- Utility Users Tax: The fourth largest budgeted revenue source is utility users tax. Payments received through September 30 total 18% of budget at \$162,000. This is comparable to the \$145,000 revenue that was reported through the first quarter of the prior year, which was 16% of the total fiscal year's revenue. Once all year-end accruals have been recorded, **actual utility users tax revenue is expected to be \$911,400 as budgeted.**
- Transient occupancy tax: The City receives four quarterly payments, with each payment received after the end of the applicable quarter. Consequently, no payments have been received by September 30. In the April 2020 estimates, staff realized that hotel occupancy had declined dramatically, and staff anticipated the hotels would see a recovery beginning in late June 2020. With the current theme park closures, staff has lowered our estimates for FY 20-21 again. Once all year-end accruals have been recorded, **actual transient occupancy tax revenue is expected to be \$150,000.**
- Charges for Services: Charges for services has a budget of \$510,500 and is comprised of miscellaneous charges (budget of \$33,200), planning and review fees (budget of \$101,300) and recreation fees (budget of \$376,000). Miscellaneous charges have actual revenue of \$5,500 (17% of the budget), planning and review fees have actual revenue of \$14,500 (14% of the budget), and recreation fees have no actual revenue through the end of the quarter. Events continue to be cancelled due to COVID-19, and staff anticipates recreation fees will be lower, but the department expenses will also be lower. **No budget amendments are proposed at this time for either the departments or the recreation fee revenues.**

### Expenditures

The General Fund's expenditures total \$3.2 million at September 30 (28% of the \$11.3 million budget). In comparison, the prior year expenditures totaled \$3.3 (32% of the \$10.5 million annual expenditures) through the end of the first quarter.

Following is a general discussion of each General Fund department:

- The General Government Department is comprised of the divisions for City Council, City Manager, Legal Services, and City Clerk. The budget for this department totals \$726,700, and expenditures through the first quarter total \$139,500. Expenditures are at 19% of the budget, which is consistent with the prior year's first quarter expenditures of \$134,500 which were 19% of the year's total expenditures.

- The Administrative Services Department is comprised of the divisions for Administration, Community Promotions, Fiscal Services, Human Resources, and Technology and Communications. The budget for this department totals \$2.8 million, and expenditures through the first quarter total \$1.5 million. Expenditures are at 54% of the budget which is consistent with the prior year's first quarter expenditures of \$1.5 million which were 58% of the year's total expenditures. The costs are proportionately high through the end of the first quarter due to making the required annual payment for the City's unfunded pension obligation in July.
- The Police Department has an expenditure budget of \$5.2 million. As of September 30, expenditures totaled \$1.1 million. Expenditures are at 21% of the budget which is consistent with the prior year's first quarter expenditures of \$1.2 million which were 24% of the year's total expenditures. **Due to a Proposition 69 Police Grant, \$80,000 is being added to the revenues and Police equipment expenditures.**
- The Community Services Department covers a wide range of services that are provided to the citizens including Health & Wellness, Recreation Facility Operations, Special Events, Youth and Family Services, Citywide Maintenance, Engineering, Parks & Medians, and Street Maintenance divisions. This department has a budget of \$2.1 million, and expenditures through the first quarter total \$343,000 which is 17% of the budget. The department's expenditures are lower than in the prior year, mainly a result of lower recreation department costs due to no summer recreation activities occurring. The prior year's first quarter expenditures totaled \$424,000 which were 23% of the year's total expenditures.
- The Community Development Department accounts for the Building and Safety, Code Enforcement, and Planning divisions. This department has a budget of \$514,700, and expenditures through the first quarter total \$68,100 which is 13% of the budget. In comparison, the prior year's first quarter expenditures of \$100,000 were 21% of the year's total expenditures.

### Transfers

In the Fiscal Year 2020-21 budget, the City Council authorized a transfer in the amount of \$403,400 from the Emergency Reserve Fund to the General Fund to prevent a draw on the General Fund unassigned fund balance. Staff anticipates that this transfer will not be fully needed.

As indicated in the October 2020 City Council approval of the HVAC project, \$100,000 of the Stimulus money in the General Fund will be transferred to COR to partially fund the HVAC project.

### **Special Revenue Funds**

The Special Revenue Funds consist of funds with revenue sources that are restricted by outside parties to specific types of expenditures. The revenues consist of remittances of state gas taxes, County Measure M taxes, grants, South Coast Air Quality funding, park development fees, housing-related sources, and other similar remittances.

The spendable fund balance increased by a net of \$194,000 due to 1) the receipt of restricted monies from Road Maintenance and Rehabilitation Account (RMRA), Gas Tax, Measure M, and the Supplemental Law Enforcement Fund in advance of spending for street and law enforcement purposes and 2) the receipt of housing loan interest payments. These increases are offset by public safety expenditures in advance of funding from the La Palma Community Foundation Public Safety Grant, asset seizures, and the receipts from the public safety augmentation program.

**Budgeted revenues and appropriations are included for the \$368,245 Small Business Grant using Federal CARES Act received from the County of Orange. The grant was received after the Budget for 2020-21 had been prepared.**

### **Capital Outlay Reserve Fund**

The City's capital improvement program is for multi-year projects which improve City facilities, buildings, grounds, streets, parks, and roads. The Capital Outlay Reserve Fund accumulates monies for funding of projects which are not able to be funded by other sources such as gas tax, Measure M, RMRA, or park development funds. For FY 2020-21, the Capital Outlay Reserve Fund is estimated to provide \$1.2 million of funds for the City's projects along with \$2.1 million from special revenue funds. Projects include \$0.8 million for facility improvement projects and \$2.5 million for street rehabilitation and intersection improvement projects. As of the end of the first quarter, there have been no costs charged to projects funded by the Capital Outlay Reserve Fund. Capital project activity is expected to increase during the remainder of the year.

**Budget appropriations are included to fund the Traffic Signal Controllers (\$112,000) and HVAC project (\$618,060) projects approved by the City Council August 4 and October 6.**

### **Water & Sewer Funds**

The Sewer Fund had a minor increase of \$29,000 in spendable fund balance. The Water Fund began the year with a spendable fund balance of \$4.8 million which has been reduced by \$0.3 million to \$4.5 million at September 30. Due to recording receivables on an accrual basis at fiscal year-end in accordance with generally accepted accounting principles while recording receipts on a cash basis during the year, revenues lag by one to two months during the year. Consequently, the spendable fund balance for the water fund is typically reduced during the first quarter.

### **Internal Service Funds**

The Internal Service Funds began the year with a spendable fund balance of \$3.3 million which has been reduced by \$0.7 million to \$2.6 million at September 30. The majority of the activity in the Internal Service Funds occurs in the Risk Management/Insurance Fund, and the reduction in the spendable fund balance is mainly due to the annual insurance payments for workers' compensation, property, and general liability coverage which are due at the beginning of the fiscal year.

**FIRST QUARTER FINANCIAL REPORT, FISCAL YEAR 2020-21  
GENERAL FUND REVENUES BY TYPE  
QUARTER ENDING SEPTEMBER 30, 2020**

Revenue Type	FY 2020-21			FY 2019-20			Q1 Variance FY 2020-21 to FY 2019-20 Increase / <Decrease>
	Adopted Budget	Year-to-Date Actual through 9/30/2020 (25% of FY)	Q1 Actual as a % of Adopted Budget	Prior Year Actual Annual Revenue	Prior YTD Actual through 9/30/2019 (25% of FY)	Q1 Actual as a % of Annual Revenue	
Property Tax	\$ 4,131,700	\$ 42,339	1%	\$ 3,965,084	\$ 47,326	1%	\$ (4,987)
Sales Tax	1,661,200	83,589	5%	1,579,279	221,430	14%	(137,841)
Transaction & Use Tax	1,464,500	119,839	8%	1,528,879	255,087	17%	(135,248)
Utility Users Tax	911,400	162,300	18%	918,256	145,179	16%	17,121
Residual Property Tax	160,000	-	0%	283,903	-	0%	-
Franchise Fees	410,000	20,375	5%	417,835	19,372	5%	1,003
Transient Occupancy Tax	205,000	-	0%	297,709	-	0%	-
Licenses and Permits	356,200	178,586	50%	410,233	199,576	49%	(20,990)
Intergovernmental	19,100	62,997	330%	271,900	2,357	1%	60,640
Charges for Services	510,500	19,999	4%	355,615	166,954	47%	(146,955)
Fines and Forfeitures	97,000	4,615	5%	91,382	13,260	15%	(8,645)
Use of Money and Property	421,800	73,701	17%	647,342	81,454	13%	(7,753)
Other Revenue	352,700	55,352	16%	520,023	52,725	10%	2,627
Interfund Charges	646,600	161,650	25%	634,000	158,500	25%	3,150
<b>Total Revenues</b>	<b>\$ 11,347,700</b>	<b>\$ 985,342</b>	<b>9%</b>	<b>\$ 11,921,440</b>	<b>\$ 1,363,220</b>	<b>11%</b>	<b>\$ (377,878)</b>

**FIRST QUARTER FINANCIAL REPORT, FISCAL YEAR 2020-21  
GENERAL FUND EXPENDITURES BY DEPARTMENT  
QUARTER ENDING SEPTEMBER 30, 2020**

Department	FY 2020-21			FY 2019-20			Q1 Variance FY 2020-21 to FY 2019-20 Increase / <Decrease>
	Adopted Budget	Year-to-Date Actual through 9/30/2020 (25% of FY)	Q1 Actual as a % of Adopted Budget	Prior Year Actual Annual Expenditures	Prior YTD Actual through 9/30/2019 (25% of FY)	Q1 Actual as a % of Annual Expenditures	
General Government	\$ 726,700	\$ 139,491	19%	\$ 714,368	\$ 134,517	19%	\$ 4,974
Administrative Services (Note 1)	2,836,000	1,544,289	54%	2,621,921	1,521,522	58%	22,767
Police	5,205,400	1,110,943	21%	4,831,449	1,160,784	24%	(49,841)
Community Services	2,068,300	342,946	17%	1,865,864	424,081	23%	(81,135)
Community Development	514,700	68,079	13%	486,958	100,450	21%	(32,371)
<b>Total</b>	<b>\$ 11,351,100</b>	<b>\$ 3,205,748</b>	<b>28%</b>	<b>\$ 10,520,560</b>	<b>\$ 3,341,354</b>	<b>32%</b>	<b>\$ (135,606)</b>

Note 2: Costs are proportionately high due through the end of the first quarter due to making the required payment for the City's unfunded pension obligation in July.

**FIRST QUARTER FINANCIAL REPORT, FISCAL YEAR 2020-21  
GENERAL FUND EXPENDITURES BY CATEGORY  
QUARTER ENDING SEPTEMBER 30, 2020**

Expenditure Type	FY 2020-21			FY 2019-20			Q1 Variance FY 2020-21 to FY 2019-20 Increase / <Decrease>
	Adopted Budget	Year-to-Date Actual through 9/30/2020 (25% of FY)	Q1 Actual as a % of Adopted Budget	Prior Year Actual Annual Expenditures	Prior YTD Actual through 9/30/2019 (25% of FY)	Q1 Actual as a % of Annual Expenditures	
Personnel Services (Note 1)	\$ 7,530,300	\$ 2,540,939	34%	\$ 6,834,749	\$ 2,540,489	37%	\$ 450
Maintenance and Operations	3,729,600	664,358	18%	3,651,044	799,471	22%	(135,113)
Capital Outlay/Improvements	91,200	451	0%	34,767	1,394	4%	(943)
<b>Total</b>	<b>\$ 11,351,100</b>	<b>\$ 3,205,748</b>	<b>28%</b>	<b>\$ 10,520,560</b>	<b>\$ 3,341,354</b>	<b>32%</b>	<b>\$ (135,606)</b>

Note 2: Costs are proportionately high due through the end of the first quarter due to making the required payment for the City's unfunded pension obligation in July.

**FIRST QUARTER FINANCIAL REPORT, FISCAL YEAR 2020-21**  
**SPENDABLE FUND BALANCE - FISCAL YEAR CHANGE**  
**THROUGH THE QUARTER ENDING SEPTEMBER 30, 2020**

<u>Fund #</u>	<u>Fund Title</u>	<u>Balance</u> <u>6/30/2020</u>	<u>Balance</u> <u>9/30/2020</u>	<u>FY Change</u> <u>through</u> <u>9/30/2020</u>
1	General Fund	\$ 3,065,726	\$ 845,320	\$ (2,220,406)
3	Emergency Reserve Fund	5,897,700	5,897,700	-
5	Economic Development Fund	219,768	256,704	36,936
	<b>Subtotal General Funds</b>	<b>9,183,194</b>	<b>6,999,724</b>	<b>(2,183,470)</b>
10	Road Maintenance & Rehabilitation Account (RMRA)	\$ 687,176	\$ 713,884	26,708
11	Streets Fund	238,265	290,939	52,674
12	Measure M2	373,907	417,896	43,989
14	Community Development Block Grant	-	-	-
15	Air Quality Fund	185,140	185,999	859
16	PEG Fund	310,591	312,038	1,447
20	Asset Seizure Fund	74,794	72,974	(1,820)
21	Public Safety Augmentation Fund	223,048	213,236	(9,812)
22	Supplemental Law Enforcement Fund	201,392	238,721	37,329
23	SVC Authority for Abandoned Vehicles	28,139	28,271	132
24	BSCC Local Law Enforcement Grant	50,497	50,733	236
25	Community Foundation Public Safety Grant	801	(24,759)	(25,560)
33	Park Development Fund	69,860	70,187	327
38	SA Housing Entity Fund	1,035,730	1,103,042	67,312
	<b>Subtotal Special Revenue Funds</b>	<b>3,479,340</b>	<b>3,673,161</b>	<b>193,821</b>
35	Capital Outlay Reserve Fund	6,917,318	6,948,133	30,815
37	Civic Center Rehabilitation Reserve Fund	422,841	424,822	1,981
	<b>Subtotal Capital Projects Funds</b>	<b>7,340,159</b>	<b>7,372,955</b>	<b>32,796</b>
50	Water Fund	435,357	197,550	(237,807)
55	Water Capital reserve Fund	4,331,553	4,326,944	(4,609)
	<b>Subtotal Water Related Funds</b>	<b>4,766,910</b>	<b>4,524,494</b>	<b>(242,416)</b>
52	Sewer Fund	1,797,699	1,816,626	18,927
56	Sewer Capital Reserve Fund	2,198,288	2,208,791	10,503
	<b>Subtotal Sewer Related Funds</b>	<b>3,995,987</b>	<b>4,025,417</b>	<b>29,430</b>
60	Risk Management/Insurance	1,164,574	460,190	(704,384)
61	Employee Benefits Fund	314,726	316,200	1,474
62	Building Maintenance & Replacement Fund	55,610	55,871	261
63	Vehicle Replacement Fund	1,029,517	1,094,201	64,684
64	Technology Replacement Fund	697,864	645,744	(52,120)
	<b>Subtotal Internal Service Funds Funds</b>	<b>3,262,291</b>	<b>2,572,206</b>	<b>(690,085)</b>
	<b>Total All Funds</b>	<b>\$ 32,027,881</b>	<b>\$ 29,167,957</b>	<b>\$ (2,859,924)</b>

Note: Spendable Fund Balance is defined as cash and current assets less current liabilities.

**RESOLUTION NO. 2020-\_\_**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF  
LA PALMA AMENDING THE FISCAL YEAR 2020-21  
ADOPTED BUDGET**

**WHEREAS**, the Financial Consultant did on November 17, 2020, present to the City Council an update of certain revenues and expenditures for Fiscal Year 2020-21; and

**WHEREAS**, the City Council did receive information about various adjustments needed to Department and Program budgets in order to more closely align projected expenditures and revenues with appropriations; and

**WHEREAS**, the proposed amendments to the Fiscal Year 2020-21 budget are enumerated in Exhibit A to this resolution; and

**WHEREAS**, the adopted Fiscal Year 2020-21 Budget will be revised so as to reflect each and all of the amendments which the City Council, up to the time of adoption of this Resolution, believes should be made as per Exhibit A; and

**WHEREAS**, the Fiscal Year 2020-21 Budget transfer in the amount of \$403,400 from Emergency Reserve will only be made if the General Fund incurs an actual deficit of revenues over expenditures in Fiscal Year 2020-21; and

**NOW, THEREFORE**, The City Council of the City of La Palma does hereby resolve as follows:

**SECTION 1.** The amendments for the Fiscal Year 2020-21 adopted budget as so amended, modified, revised, and corrected including those changes directed by the City Council at the November 17, 2020, Council Meeting, are approved and adopted. In adopting the budget amendments, the City Council hereby approves and instructs the City Manager to implement changes as necessary.

**SECTION 2.** The budget amendments for the Fiscal Year 2020-21 as now before this City Council and as enumerated in Exhibit A, and as amended, modified, revised, and corrected by the City Council and staff, in open session, shall be placed on file in the office of the City Clerk, shall be open to public inspection, and are expressly incorporated in this Resolution and made a part hereof.

**SECTION 3.** The City Manager is hereby authorized and instructed to take all steps necessary to implement this resolution.

**SECTION 4.** The City Manager, for the purpose of administrative necessity in implementing the budget, shall have the authority to transfer monies to the appropriate item, account, program, or fund to cover expenditures which have been approved by the City Council, except where such transfer is expressly prohibited in a resolution or ordinance approved by the City Council such as utility replacement funds.

**APPROVED AND ADOPTED** by the City Council of the City of La Palma at a regular meeting held on the 17th day of November 2020.

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Peter L. Kim  
Mayor

ATTEST:

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Kimberly Kenney, CMC  
City Clerk

STATE OF CALIFORNIA )  
COUNTY OF ORANGE ) SS.  
CITY OF LA PALMA )

I, KIMBERLY KENNEY, City Clerk of the City of La Palma, California, DO  
HEREBY CERTIFY that the foregoing Resolution was adopted by the City Council of said  
City at a regular meeting of said City Council held on the 5th day of May 2020, and that it  
was so adopted by called vote as follows:

AYES:

NOES:

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Kimberly Kenney, CMC  
City Clerk

Item Description		Adopted Budget	Budget Adjustment	Amended Budget	Justification
<b>General Fund (001)</b>					
<b>REVENUES</b>					
001 100 4050-00000	Sales Tax	1,661,200	(214,200)	1,447,000	Revised HdL Estimate
001 100 4055-00000	Transaction and Use Tax	1,464,500	37,000	1,501,500	Revised HdL Estimate
001 100 4060-00000	Utility Users Tax	911,400	-	911,400	No Change to Est
001 100 4083-00000	Transient Occupancy Tax	205,000	(55,000)	150,000	Revised Estimate
001 100 4250-99002	Grants - CARES - State	-	191,282	191,282	State Notified City 7/1/20
001 200 4250-00000	Grants - PD Prop 69 Evidence	-	80,000	80,000	State Grant - CC 7/7/20
001 100 4951-000000	Transfer in From Emergency Reserve (003)	403,400	-	403,400	Chg - up to \$403,400 only if actual deficit in 20/21
<b>TOTAL GENERAL FUND REVENUES</b>		<b>11,751,100</b>	<b>39,082</b>	<b>11,790,182</b>	
<b>EXPENDITURES</b>					
<b>General Government</b>					
NONE					
<b>Police Services</b>					
001 260 8040-00000	PD Evidence Storage (CC 7/7/20)	-	59,000	59,000	
001 260 8040-00000	PD Freezer (Grant CC 7/7/20)	-	21,000	21,000	
<b>Community Services</b>					
NONE					
<b>Community Development</b>					
<b>Subtotal General Fund Expenditure Adjustments</b>		<b>11,351,100</b>	<b>80,000</b>	<b>11,431,100</b>	
<b>TRANSFERS OUT</b>					
035 300 4951-00000	Capital Outlay Reserve	350,000	100,000	450,000	
037 300 4951-00000	Civic Center Replacement Fund	50,000	-	50,000	
003 300 4951-00000	Emergency Reserve Fund	-	0*	-	Additional transfer to meet Fund Balance Reserve Policy of 25% of previous year surplus to be transferred to Emergency Reserve Fund. Funded through Unassigned General Fund balance.
<b>TOTAL TRANSFERS OUT</b>		<b>400,000</b>		<b>500,000</b>	
<b>TOTAL GENERAL FUND EXPENDITURE ADJUSTMENTS</b>			<b>80,000</b>		
<b>FY 2020-21 Surplus (Deficit)</b>		<b>CURRENT BUDGET</b>	<b>PROPOSED AMENDED BUDGET</b>		
Revenues		11,751,100	11,790,182		
Expenditures		(11,351,100)	(11,431,100)		
Transfer Out		(400,000)	(500,000)		
<b>FY 2020-21 Surplus (Deficit)</b>		<b>-</b>	<b>(140,918)</b>		
<b>UNASSIGNED GENERAL FUND BALANCE as of June 30, 2020</b>		1,515,000	Preliminary - CAFR to be issued 12/2020		

Fiscal Year 2019-20 Mid-Year Budget Adjustments

Exhibit A

		Item Description	Adopted Budget	Budget Adjustment	Amended Budget	Justification
<b>OTHER FUNDS (Non-General)</b>						
<b>REVENUES</b>						
005	500	4250-99002	CARES SM Bus	-	368,245	368,245
<b>EXPENDITURES</b>						
<b>Economic Development (Fund 005)</b>						
005	550	7390-99002	Professional Contract Services	-	368,245	368,245 Small Business Loans (County Grant - CARES Act)
<b>COR (Fund 035)</b>						
035	900	8040-00000	Traffic Signal Controllers (CC 8/4/20)	-	112,000	112,000
035	900	8131-00000	HVAC (CC 10/6/20)	-	518,060	518,060
035	900	8131-99003	HVAC (CC 10/6/20)	-	100,000	100,000
<b>Total Other Funds Expenditure Adjustments</b>			-	<b>1,098,305</b>	<b>1,098,305</b>	