

July – September 2021

CURRENT FINANCIAL CONDITION

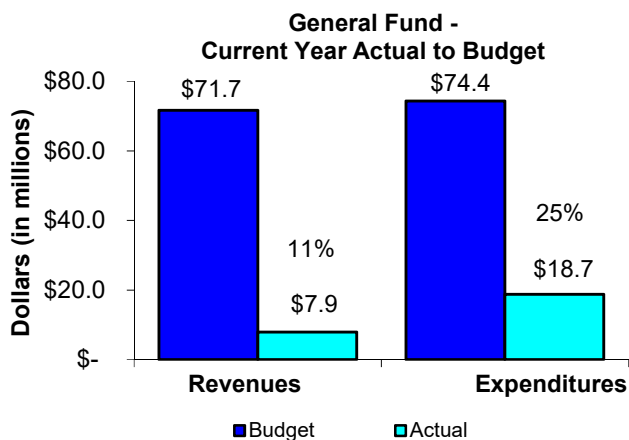
In FY 2021-22, the City's is budgeted to maintain a small positive operating position. At the end of the first quarter, expenditures exceed revenues due to the timing of property and sales tax receipts. Revenues and expenditures are within budgetary expectations for this time of the year.

GENERAL FUND

General Fund revenues through the first quarter total \$7.9 million, or 11% of the \$71.7 million annual budget. General Fund revenue is \$2.2 million higher than last year's first quarter total revenue due to increased activity levels.

General Fund expenditures total \$18.7 million for the first quarter, or 25% of the \$74.4 million annual budget, as compared to \$17.2 million at this time last year. In total, expenditures ended the quarter \$1.5 million higher than the same period for the prior year.

Additional information on General Fund revenues and expenditures are discussed further in this report.



GENERAL FUND REVENUES

Revenues by Category	Budget	YTD Actual	%
Property Taxes	38,516,220	681,095	2%
Sales Tax	11,506,000	1,102,110	10%
Transient Occ. Tax	2,290,000	514,816	22%
Other Taxes	3,454,000	229,118	7%
Permits & Fees	1,342,310	383,911	29%
Intergovernmental	349,440	993,159	284%
Service Charges	5,584,830	2,216,788	40%
Fines	569,750	93,694	16%
Interest, Rents, Other	3,505,990	752,880	21%
Interfund Transfers	4,587,570	907,387	20%
	71,706,110	7,874,958	11%

➤ **Property Taxes:** Property taxes total \$681,095, primarily from secured taxes. The amount is \$15,950 higher than in the prior year.

➤ **Sales Tax:** Sales tax receipts amount to \$1.1 million, compared to \$0.9 million in the 1st quarter of the prior year. The increase is from strong receipts continuing into this year based on sales.

➤ **Transient Occupancy Taxes (TOT):** Transient occupancy taxes total \$514,816, \$175,212 higher than at this time last year, mainly due to travel restrictions in effect and low travel activity last year.

➤ **Other Taxes:** Other taxes, consisting mostly of franchise fees and business licenses, total \$229,118, \$19,854 higher than in the prior year. The largest franchise fees, from SDG&E and Southern California Gas, are remitted in April of each year.

➤ **Permits & Fees:** Permits and fees are at \$383,911. This is \$112,585 more than in the prior year, due to an increase in construction and street encroachment permits from prior year levels.

➤ **Intergovernmental:** Intergovernmental, which derives mainly from grant revenues, total \$1.0 million, which is \$763,579 higher based on the prior year deferral of county grants supporting the SC Rides program.

➤ **Service Charges:** Service charges, from general government, public safety, parking meter and recreation, amount to \$2.2 million, about \$687,626 higher than last year. This increase is the result of higher public safety and recreation service charges in the current year due to restriction removals.

➤ **Fines:** Revenues from fines total \$93,694, which is in flat with the prior year.

➤ **Interest, Rents & Other:** Interest, rents and other reimbursements total \$752,880, about \$158,755 higher than the prior year, due to increased rentals and concessions due to restrictions during the COVID pandemic in the prior year.



Good. Positive Indicator;



Caution. Unsettled Indicator;



Problem. Negative Indicator

GENERAL FUND EXPENDITURES



Expenditure by Type	Budget	YTD Actual	%
Salaries	13,350,540	2,729,480	20%
Benefits	6,300,860	2,757,578	44%
Supplies	1,117,310	181,800	16%
Contractual Services	40,972,640	9,672,316	24%
Other Charges	1,269,190	452,244	36%
Capital Outlay	3,950,000	37,375	1%
Interdepartmental	4,973,190	1,282,548	26%
Transfers & Debt	2,470,100	1,615,312	65%
Total	74,403,830	18,728,653	25%

Expenditure by Dept	Budget	YTD Actual	%
General Government	5,311,160	1,426,184	27%
City General	5,476,410	1,447,372	26%
Police	19,433,950	5,304,198	27%
Fire	12,551,930	3,561,888	28%
Marine Safety	1,964,140	630,369	32%
Comm. Development	6,045,850	1,410,591	23%
Public Works	18,047,200	3,609,443	20%
Beaches, Parks & Rec	5,573,190	1,338,608	24%
Total	74,403,830	18,728,653	25%

Expenditures at the first quarter of FY 2021-22 are \$18.7 million compared to prior year's \$17.2 million, which is an increase of \$1.5 million. There is a \$31,241 decrease in salaries due to staffing changes. There is a \$1.2 million benefit change due to a \$1.1 million pension payment occurring in the first quarter, which was made in the second quarter of last year. Contractual service increases (\$0.7 million) are due to increases in maintenance contracts, police and fire contract services, and other professional services. Other charges increased by (\$0.2 million) based on contract class instructors payments in the current year due to the release of COVID-19 pandemic restrictions. Capital outlay decreases \$0.5 million is due to the timing of projects.

Police and fire increase total \$427,760 based on public safety contract and ambulance payments. Department increases were mostly due to the timing of the \$1.1 million pension payment in the first quarter, however there were also minor changes including the following: 1) General government reflected the hiring of the City Manager, 2) Public works contractual services increased due to maintenance costs for facilities now open, and 3) Beaches, Parks and Recreation increased as a result of contract class instructors due to class activity. Community development was flat excluding the pension amount and the City General decreased due to the completion of the Negocio remodel in FY 2021.

In total, costs are currently within anticipated results.

ENTERPRISE FUNDS

The following tables summarize the operating revenues, operating expenses, and changes in operating fund working capital for enterprise funds including Water, Sewer, Golf, Storm Drain and Clean Ocean funds.

Revenues

Revenue	Budget	YTD Actual	%
Water Fund	24,739,660	4,792,185	19%
Sewer Fund	12,107,015	2,046,418	17%
Golf Fund	2,450,010	841,969	34%
Storm Drain Fund	1,430,119	147,541	10%
Clean Ocean Fund	941,291	76,287	8%

Water fund revenue is up \$133,000 from the prior year, due mainly to slightly higher water sales in the current year. Sewer revenues increased \$355,000 from the prior year due to an internal transfer to support Sewer operations and offset the negative working capital.

Golf Course revenue is at \$842,000, which is up \$142,000 from the prior year due to higher activity and increased concession revenue. Clean Ocean fees were essentially flat with the prior year.

Expenses

Expenses	Budget	YTD Actual	%
Water Fund	24,185,140	4,692,370	19%
Sewer Fund	11,070,460	2,813,012	25%
Golf Fund	2,517,510	632,012	25%
Storm Drain Fund	1,681,290	423,887	25%
Clean Ocean Fund	1,847,540	261,902	14%

Water expenses increased \$462,000 when compared to the prior year, due to timing of the retirement UAL payment; purchased water costs and other contractual charges. Sewer expenses increased \$352,000 from the prior year due to the timing of the retirement UAL payment, property insurance and other contractual services. Golf expenses decreased by \$45,000 when compared to the previous year, due mainly to salaries and benefits based on a retirement and leave payout and various existing vacancies.

Storm Drain expenses increased by \$55,000 when compared to the previous year due to timing of the UAL retirement payment, and other contractual services. Clean Ocean expenses decreased by \$38,000 due to decreases in fund transfers and interdepartmental charges.

Working Capital

Working Capital	Budget	YTD Actual
Water Fund	6,999,005	6,544,299
Sewer Fund	367,283	-1,435,866
Golf Fund	197,435	474,891
Storm Drain Fund	71,885	46,710
Clean Ocean Fund	18,221	738,856

Working capital levels are adequate in all Enterprise Funds except the Sewer Fund. The Sewer fund negative working capital balances is being addressed through depreciation transfers while a Cost-of-Service study is completed.

ADDITIONAL INFORMATION

General Fund comparative information for the prior year is provided in Table 1 (see attachment). Additional information also includes OCSV Vacancies and Overtime.



Good. Positive Indicator;



Caution. Unsettled Indicator;



Problem. Negative Indicator

Table 1

General Fund Revenues - By Category
Month Ending September 30, 2021

	FY 2021 Budget	FY 2021 Actual	% of Budget	FY 2022 Budget	FY 2022 Actual	% of Budget
Property Tax	\$ 37,119,510	\$ 665,145	2%	\$ 38,516,220	\$ 681,095	2%
Sales Tax	\$ 9,948,000	\$ 907,157	9%	\$ 11,506,000	\$ 1,102,110	10%
Transient Occ. Tax	\$ 2,495,000	\$ 339,604	14%	\$ 2,290,000	\$ 514,816	22%
Other Taxes	\$ 3,491,000	\$ 209,264	6%	\$ 3,454,000	\$ 229,118	7%
Permits and Fees	\$ 1,543,940	\$ 271,326	18%	\$ 1,342,310	\$ 383,911	29%
Intergovernmental	\$ 612,000	\$ 229,580	38%	\$ 349,440	\$ 993,159	284%
Service Charges	\$ 5,599,430	\$ 1,529,162	27%	\$ 5,584,830	\$ 2,216,788	40%
Fines	\$ 523,640	\$ 93,253	18%	\$ 569,750	\$ 93,694	16%
Interest & Rents	\$ 3,297,260	\$ 594,125	18%	\$ 3,505,990	\$ 752,880	21%
Interfund Transfers	\$ 3,606,600	\$ 845,664	23%	\$ 4,587,570	\$ 907,387	20%
Gen. Fund Total	\$ 68,236,380	\$ 5,684,280	8%	\$ 71,706,110	\$ 7,874,958	11%

General Fund Expenditures - By Category

	FY 2021 Budget	FY 2021 Actual	% of Budget	FY 2022 Budget	FY 2022 Actual	% of Budget
Salaries	\$ 13,054,640	\$ 2,760,721	21%	\$ 13,350,540	\$ 2,729,480	20%
Benefits	\$ 6,105,450	\$ 1,566,373	26%	\$ 6,300,860	\$ 2,757,578	44%
Supplies	\$ 1,105,570	\$ 95,078	9%	\$ 1,117,310	\$ 181,800	16%
Contractual Services	\$ 39,059,300	\$ 8,978,208	23%	\$ 40,972,640	\$ 9,672,316	24%
Other Charges	\$ 1,336,760	\$ 281,219	21%	\$ 1,269,190	\$ 452,244	36%
Capital Outlay	\$ 1,390,000	\$ 542,138	39%	\$ 3,950,000	\$ 37,375	1%
Inter Dept Charges	\$ 5,187,720	\$ 1,347,287	26%	\$ 4,973,190	\$ 1,282,548	26%
Interfund Transfers & Debt	\$ 2,748,710	\$ 1,644,448	60%	\$ 2,470,100	\$ 1,615,312	65%
Gen. Fund Total	\$ 69,988,150	\$ 17,215,472	25%	\$ 74,403,830	\$ 18,728,653	25%

General Fund Expenditures - By Department

	FY 2021 Budget	FY 2021 Actual	% of Budget	FY 2022 Budget	FY 2022 Actual	% of Budget
General Government	\$ 5,011,390	\$ 954,093	19%	\$ 5,311,160	\$ 1,426,184	27%
City General	\$ 6,078,570	\$ 1,802,584	30%	\$ 5,476,410	\$ 1,447,372	26%
Police	\$ 18,464,470	\$ 5,036,424	27%	\$ 19,433,950	\$ 5,304,198	27%
Fire	\$ 11,913,500	\$ 3,401,902	29%	\$ 12,551,930	\$ 3,561,888	28%
Marine Safety	\$ 1,902,740	\$ 637,178	33%	\$ 1,964,140	\$ 630,369	32%
Comm. Development	\$ 6,040,230	\$ 1,144,697	19%	\$ 6,045,850	\$ 1,410,591	23%
Public Works	\$ 15,388,300	\$ 3,220,140	21%	\$ 18,047,200	\$ 3,609,443	20%
Beaches, Pks & Rec	\$ 5,188,950	\$ 1,018,454	20%	\$ 5,573,190	\$ 1,338,608	24%
Gen. Fund Total	\$ 69,988,150	\$ 17,215,472	25%	\$ 74,403,830	\$ 18,728,653	25%



OCSD – Law Enforcement Contract Vacancy/Overtime

1st Quarter (July-September)

Summary of OCSD Vacancy and Overtime Hours

Annually, the City expects and budgets through the OCSD contract for both vacancies and overtime costs. The vacancy savings amount anticipated through the contract is \$200,000, this recognizes some hours will not be staffed during the contract period. Consequently, an overtime amount of \$866,947 is budgeted through the contract period.

Actual costs related to both vacancies and overtime are reported periodically to City staff and at the year end is recognized through an adjustment. A summary of the activity through the end of the first quarter was received and the following table reflects the hours for vacancy and overtime.

Hours	Total Hours
Vacancy Hours (1)	(4,447)
Overtime Hours (2)	5,705
Net Hours	1,258

Notes:

- (1) Vacancy savings are generated by through a variety of circumstances, including the positions being vacant, scheduled leave, and workers compensation. Vacancy hours reported are comprised of approximately 2,880 position vacancy hours, 840 leave hours, and 720 workers compensation hours. The actual savings so far this year total \$440,431, exceeding the contract budgeted savings of \$200,000.
- (2) Overtime costs are generated by a variety of circumstances, including training, vacancies, vacation, workers compensation, and other special requests for events or other activities. The total overtime hours in the first quarter were 5,705 hours. The actual overtime costs total \$540,664, and is at 62% of the contract budget amount for the year.