



City of South Lake Tahoe

Report to City Council

Meeting Date: May 4, 2021

Title: Fiscal Year 2020/21 Quarter End Financial Status Report as of March 2021

Location: Citywide

Responsible Staff Member: Olga Tikhomirova, Financial Services Manager, (530) 542-7431; Andrew Black, Accountant II, (530) 542-6061

Description/Analysis

Background:

The Finance Department submits quarterly and monthly reports to City Council to provide assurance of budget compliance and for informational and comparative purposes throughout the year.

Attachment 2, "FY 2020-21 Quarterly Budget and Financial Status Report for Period Ending March 31, 2021" is an unaudited snapshot of year-to-date actual revenues and expenditures for the General Fund for that period.

Issue and Discussion:

At the end of March 2021 with 50.0% of the year complete, actual General Fund revenues were at 46.7% of the amended budget, while expenditures were at 38.4% of appropriations. All departmental expenditures were below the 50.0% threshold allocated to the first two quarters of the fiscal year.

See Attachment 2 for further analysis.

Financial Implications:

FY 2020/21 General Fund budgeted revenues and expenditures through March 2021 in the attached report include the mid-year budget adjustments for supplemental appropriations that were adopted by the City Council on March 16, 2021. At March 31, 2020, or after the first six month of the fiscal year, actual General Fund revenues exceeded expenditures by \$1.1 million. This net revenue is attributed to the first of two main Property tax installments received, accounting for 53% of the Property tax budget. Property tax is the largest City's General Fund revenue source in 2020-21 representing approximately 22 percent of the total budget. The net revenue is also attributed to several one-time or new revenues received to

date as described in the attached report. Additionally, the CalPERS annual Unfunded Accrued Liability payment due in July 2021 will largely impact the net revenue amount and the percentage of actual expenditures to total budget, taking full effect in the last quarter of FY 2020-21.

Environmental Considerations: None

Policy Implications: Consistent with City's Financial Policies



CITY OF SOUTH LAKE TAHOE

2020-21 QUARTERLY FINANCIAL REPORT

2ND QUARTER ENDING MARCH 31, 2021

This report summarizes the City’s financial position for the General Fund for Fiscal Year 2020/21 displaying expenditures at the department level and revenues by type. It compares actual revenues and expenditures received through March 2021 to the total budget. This revenue, expenditures, and budget analysis includes the mid-year adjustments for supplemental appropriations adopted by the City Council on March 16th.

General Fund Financial Condition

As of March 31st, with 50.0% of the year complete, General Fund revenues are at 46.7% of projections and expenditures are at 38.4% of appropriations.

Revenues by Type	Total Budget as of March 31	Actuals through March 31	As % of Budget
Property Tax	\$ 8,877,425	\$ 4,733,500	53.3%
Transient Occupancy Tax	7,778,401	3,769,292	48.5%
Transient Occupancy Tax - Project Area	4,733,008	2,001,824	42.3%
Sales Tax	5,232,000	2,590,504	49.5%
Measure Q	2,598,000	1,308,913	50.4%
Motor Vehicle License Fees (MVLFF)	2,280,000	1,212,832	53.2%
Franchise Taxes	1,400,000	548,079	39.1%
Business License Tax	1,406,600	138,451	9.8%
Finance - Other Revenues	1,038,100	293,515	28.3%
General Government	1,765	7,167	406.1%
Police	1,504,552	575,831	38.3%
Fire	898,794	564,959	62.9%
Public Works	577,200	187,112	32.4%
Development Services	1,119,603	627,988	56.1%
Recreation	925,900	11,690	1.3%
Transfers In	373,243	373,242	100.0%
Miscellaneous General Fund	12,000	105,544	879.5%
REVENUES TOTAL	\$ 40,756,591	\$ 19,050,443	46.7%

Expenditures by Department	Total Budget as of March 31	Actuals through March 31	As % of Budget
General Government	\$ 3,227,911	\$ 1,238,848	38.4%
Finance	2,571,406	1,137,898	44.3%
Miscellaneous General Fund	11,628,123	3,691,802	31.7%
Police	11,956,910	4,618,434	38.6%
Fire	8,695,276	3,765,984	43.3%
Public Works	5,337,242	2,321,835	43.5%
Development Services	1,923,411	797,305	41.5%
Recreation	1,539,405	422,952	27.5%
EXPENDITURES TOTAL	\$ 46,879,684	\$ 17,995,058	38.4%

Revenues. The top three revenues, Property Tax, City Transient Occupancy Tax (TOT), and Sales Tax generated approximately 65.1% of the total \$19.1 million General Fund revenues collected through March 31st.

Property Tax revenue remained unchanged from the previous quarter with 53.3% of total budget received year-to-date, which was 6.8% or \$300K higher than last year. The next semi-annual Property Tax payment is due in May and will be reflected on the next quarterly report.

Sales tax and Measure Q revenue was 22.9% or \$726K above previous year. While the increase reflects growing tourist activity in town, it’s also attributed to several other factors, including different method of allocation by California Department of Tax and Fee Administration (CDTFA) and an incorrect allocation of local tax due to inaccurate sales allocation reported by businesses. These adjustments will be included with future allocations.

TOT receipts, including TOT from the Project area but excluding TOT audits were \$545K or 8.6% below last year due to TOT decrease in the Project area offset by a 2.5% or \$93K increase in

non-redevelopment TOT.

Overall revenues were \$374K higher than last year. These positive results are primarily attributed to one-time or new revenues such as airport engineering contract legal settlement (\$100K), FEMA SAFER grant reimbursement (\$154K), and Fire Overtime Reimbursements (\$406K). These increases either offset corresponding expenditures (such as Fire Reimbursable Overtime) or were offset by revenue decline in several areas, such as Building Fees (\$471K), Recreation (\$414K) and Finance-Other revenue (\$234K), in addition to TOT, resulted from state mandates due to COVID-19, including December and January lodging closures.

Expenditures. Of the \$18.0 million in total actual expenditures through March 31st, approximately \$12.3 million or 68.3% of total expended is personnel expense representing 13 payroll periods, or 50.0% of periods for the year. Out of the remaining 31.7% or approximately \$5.7 million of actual expenditures, \$2.2 million is attributed to transfers-out, \$1.0 million to professional, technical and other contract services, \$1.4 million to miscellaneous general expense including taxes and fees, travel and training, communications etc., \$0.4 million to purchases of tools, parts, software, machinery and equipment, and the remaining \$0.7 million to utilities, general supplies and other miscellaneous expense. The CalPERS annual Unfunded Accrued Liability payment of \$5.3 million (General Fund portion) is scheduled for July 2021 and will largely impact the percentage of actual expenditures to total budget in the last quarter of FY 2020-21.

General Fund – Measure S Sales Tax

In November 2020 South Lake Tahoe voters passed Measure S, a 1% increase of the citywide sales and use tax rate. The tax went into effect on April 1, 2021 and is projected to generate between \$5.4 and \$5.9 million per year in revenue.

Measure S Sales Tax	Total Budget as of March 31	Actuals through March 31	As % of Budget
REVENUES			
Measure S Sales Tax	\$ 2,400,000	\$ -	0.0%
REVENUES TOTAL	\$ 2,400,000	\$ -	0.0%
EXPENDITURES and FINANCING USES			
Transfer out for:			
Equipment - Communications System	441,129	441,129	100.0%
Financing - Communications System	554,643	-	0.0%
Fire Station II Rehab/Staffing	75,000	-	0.0%
Road Reconstruction	\$ 750,000	\$ -	0.0%
EXPENDITURES TOTAL	\$ 1,820,772	\$ 441,129	24.2%

Revenues. The City will begin receiving Measure S funds in June 2021 and is projected to collect \$2.4 million through the end of Fiscal Year 2020-21.

Expenditures. The top projects to be funded by Measure S revenues include the lease/purchase of a new emergency communications system for Fire, Police, and Public Works; Fire Station II staffing & rehabilitation; and annual road reconstruction. As of March 31st, \$0.4 million has been transferred

for the purchase of emergency communications system equipment.