



City of South Lake Tahoe

Report to City Council

Meeting Date: December 7, 2021

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

Location: Citywide

Responsible Staff Member: Olga Tikhomirova, Director of Finance, (530) 542-7431;
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Background: The Finance Department submits quarterly 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 September 30, 2021" covers the preliminary results of the entire fiscal year 2020-21 period. The report summarizes General Fund operating revenues and operating expenditures (unaudited figures) and provides an analysis of any significant budget variances.

Issue and Discussion: At the end of the fourth quarter with 100% of the year complete, actual General Fund revenues were at 120.4% of the amended budget, while expenditures were at 93.7% of appropriations. All departmental expenditures were below the total allocated budget with the exception of expenditures in the Fire department due to higher than anticipated reimbursable overtime cost associated with mutual aid assistance on multiple fires across the state.

Through September 30, the City received Measure S Sales Tax payments totaling \$3.2 million, as reflected in the newly established Measure S Sales Tax general fund. A significant portion of this revenue was allocated to various projects.

See Attachment 2 for further analysis.

Financial Implications: Fiscal Year 2020-21 preliminary unaudited results reflect General Fund revenues exceeding expenditures by \$3.2 million. This net revenue is largely attributed to strong performance in City's main revenue categories such as TOT and Sales Tax, including Measure Q. The Finance department will submit the final year-end results in the form of an Annual Comprehensive Financial Report (ACFR) including audited financial statements to the City Council in May of 2022.

Environmental Considerations: None

Policy Implications: Consistent with City's Financial Policies



CITY OF SOUTH LAKE TAHOE

2020-21 QUARTERLY FINANCIAL REPORT

4th QUARTER ENDING SEPTEMBER 30, 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 September 2021 to the total budget.

General Fund Financial Condition

As of September 30th, with 100% of the year complete, General Fund revenues are at 120.4% of projections and expenditures are at 93.7% of appropriations.

Revenues by Type	Total Budget as of Sept 30	Actuals through Sept 30	As % of Budget
Property Tax	\$ 8,877,425	\$ 9,135,477	102.9%
Transient Occupancy Tax	7,678,401	10,966,261	142.8%
Transient Occupancy Tax - Project Area	4,733,008	5,952,873	125.8%
Sales Tax	5,232,000	7,152,233	136.7%
Measure Q	2,598,000	3,695,854	142.3%
Motor Vehicle License Fees (MVLFF)	2,280,000	2,409,143	105.7%
Franchise Taxes	1,400,000	1,326,245	94.7%
Business License Tax	1,406,600	1,722,617	122.5%
Finance - Other Revenues	1,138,100	1,148,784	100.9%
General Government	1,765	45,589	2582.9%
Police	1,924,203	1,913,111	99.4%
Fire	986,088	1,145,595	116.2%
Public Works	443,700	407,368	91.8%
Development Services	1,119,603	1,887,234	168.6%
Recreation	1,059,400	272,917	25.8%
Transfers In	373,243	373,242	100.0%
Miscellaneous General Fund	12,000	138,329	1152.7%
REVENUES TOTAL	\$ 41,263,536	\$ 49,692,872	120.4%

Revenues. The top three revenues, Property Tax, City Transient Occupancy Tax (TOT), and Sales Tax generated 62.3% of the total \$49.7 million General Fund revenues collected through Sept 30th. Overall revenues were \$3.1 million higher than last fiscal year 2019-20.

Property tax revenue increased from the previous fiscal year by 5.8% or \$503K, reflecting the increase in median sales price for homes within South Lake Tahoe.

Sales tax and Measure Q revenue combined was 29.5% or approximately \$2.5 million above previous year. This increase is attributed for the most part to increased online sales and growing business activity in town compared to the same period last year.

Expenditures by Department	Total Budget as of Sept 30	Actuals through Sept 30	As % of Budget
General Government	\$ 3,314,911	\$ 3,168,971	95.6%
Finance	2,635,406	2,390,254	90.7%
Miscellaneous General Fund	13,386,123	12,878,502	96.2%
Police	12,479,061	11,174,195	89.5%
Fire	8,875,070	9,179,635	103.4%
Public Works	4,589,612	4,412,595	96.1%
Development Services	2,004,411	1,607,577	80.2%
Recreation	2,287,035	1,648,473	72.1%
EXPENDITURES TOTAL	\$ 49,571,629	\$ 46,460,202	93.7%

TOT receipts, including TOT from the Project area but excluding TOT audits, were \$2.5 million or 17.1% above last year. TOT receipts for the year totaled \$16.9 million, which is \$1.2 million or 6.6% lower than pre-pandemic TOT revenue as of September 2019. This is due to additional leisure travel and lodging restrictions implemented per state mandate issued to combat the spread of COVID-19.

These increases in City’s major revenues were offset by a decrease in Transfers-In of \$2.2 million compared to FY 2020, where transfers-in of reserve balances of other funds were used to mitigate the economic impact of COVID-19.

Total revenues exceeded those budgeted at September 30th by \$8.4 million as a result of strong performance in the City’s three major revenue categories that were budgeted conservatively due to continued economic uncertainty. Additional contributors were building and planning fees that exceeded FY 2021 budget by 68.6% and business license tax that generated \$0.3 million or 22.5% over the budgeted amount. Higher than budgeted overtime reimbursements contributed to a 16.2% increase in Fire revenue, while several settlements and other reimbursements resulted in Miscellaneous General Fund revenue finishing at \$126K over the budget at year-end. Positive performance in these revenues was offset by lower recreation revenue with 25.8% of budget collected due to limited recreation programs and facilities offered this year and projected partial campground closure next year.

Expenditures. Of the \$46.5 million in total actual expenditures through September 30th, approximately \$30.6 million or 65.8% of total expended is personnel expense representing 26 payroll periods, or 100% of periods for the year. Out of the remaining 34.2% or approximately \$15.9 million of actual expenditures, \$8.8 million is attributed to transfers-out (including \$2.6 million to City CIP and \$2.8 million to City Debt service fund), \$2.1 million to professional, technical and other contract services, \$2.6 million to miscellaneous general expense including taxes and fees, travel and training, communications etc., \$0.6 million to purchases of tools, parts, software, machinery and equipment, and the remaining \$1.8 million to utilities, general supplies and other miscellaneous expense.

Total expenditures at year end were below budgeted by \$3.1 million (preliminary unaudited figure). Approximately \$0.8 million of these savings was carried over into the new fiscal year to pay for obligations that were budgeted and not fully received or could not be completed in the fiscal 2020-21. Another large portion of the difference between the budgeted and actual expenditures (approximately \$1.1 million) is attributed to salary savings, mostly due to vacancies, with the remaining significant variances due to reclassification of Small Business Sustainability loans from expenditures to accounts receivable (\$382K) and additional pending expenditures accrual for invoices received after the fiscal year end (\$255K).

Measure S Sales Tax General Fund

In November 2020 South Lake Tahoe voters passed Measure S, a 1% city-wide sales and use tax rate increase. The tax went into effect on April 1, 2021 and is projected to generate between \$5.4 and \$6.4 million per year in revenue.

Measure S Sales Tax	Total Budget as of Sept 30	Actuals through Sept 30	As % of Budget
REVENUES			
Measure S Sales Tax	\$ 2,400,000	\$ 3,207,049	133.6%
REVENUES TOTAL	\$ 2,400,000	\$ 3,207,049	133.6%
EXPENDITURES and FINANCING USES			
Transfer out for:			
Dispatch CAD/RMS System	445,722	445,722	100.0%
PAYGO - Communications System	441,129	441,129	100.0%
Financing - Communications System	554,643	554,643	100.0%
Fire Station II Rehab/Staffing	75,000	75,000	100.0%
Road Reconstruction	\$ 750,000	\$ 750,000	100.0%
EXPENDITURES TOTAL	\$ 2,266,494	\$ 2,266,494	100.0%

Revenues. The City received Measure S funds totaling \$3.2 million for Fiscal Year 2020-21.

Expenditures. The City Council allocated a significant portion of this revenue during the fiscal year to several projects including the purchase of a Computer Aided Dispatch (CAD) Records Management System (RMS), a new emergency communications system for Fire, Police, and Public Works partially financed by a lease/purchase agreement, Fire Station II staffing and rehabilitation, and annual road

reconstruction. As of September 30th, approximately \$2.3 million has been transferred out for these projects.