

CITY COUNCIL AGENDA ITEM COVER SHEET

Meeting Date: February 8, 2021

To: Honorable Mayor and Members of the City Council

From: Will Norris, Finance Dir. / Asst. City Manager

Subject: 2nd Quarter Financial Performance Report

Background:

The 2nd Quarter (Q2) Financial Report includes six months of financial data through one half of the 2020-21 Fiscal Year (FY). The attached report includes full-year estimates-to-close based on historical spending patterns and staff knowledge of upcoming expenditures. The attached projections are staff's best projections given financial data through December 31, 2020. The Q2 revenue and expenditure projections become the basis for constructing the FY2021-22 budget.

Discussion:

Yearend estimates-to-close become significantly firmer as the City passes the half-way mark of the fiscal year. As expected in this extraordinary global pandemic, individual revenue and expenditure sources have been challenging to predict. Thankfully changes have largely offset each other, and the City's overall financial picture is not substantially altered from the Q1 Report provided to City Council last Fall.

The net change between the ending fund balance estimates in the Q1 and Q2 Report is a downward revision of \$119,214 to \$2,465,812. After extracting one-time revenue sources and expenditures, the General Fund operating deficit is estimated at \$350,000 or 3.7%. This deficit is minimal given the global pandemic. Put into context, accumulated General Fund resources could maintain a deficit of this magnitude for 7-years. The takeaway is that the City continues to have time for the revenue environment to stabilize before initiating significant operational changes.

Individual items to note in the attached Q2 Financial Performance Report include:

Property Tax Exceeding Expectations – The Q2 Report benefits from November tax receipts. The City receives 90%-92% of total property tax receipts in November and December. Trends indicate that property taxes will come in roughly \$80,000 or 2.5% over budget. Approximately \$265 thousand of the \$3.1 Million in expected FY2020-21 property tax is attributable to the onetime “pause” in Heights and Waterfront Urban Renewal division of tax. This pause in urban renewal tax division which will not continue into FY2021-22

One-time Payments

FY2020-21 includes several one-time expenses to reduce ongoing liabilities. The largest is a \$1.64 million deposit into a PERS Side Account that drew an additional

\$410 Thousand in state matching funds. The General Fund's fair proportion of this deposit is \$736,601 as shown in the attached report. This investment will generate "rate credits" resulting in lower future PERS charges. The PERS Fund earned 7.66% in 2020. This compares to the 0.75% the City is earning on funds held in the Oregon Treasury's short-term bond fund.

Lodging, Parking, and Municipal Court Revenues Continue to Lag – Lodging taxes have recovered significantly from Spring lows but remained about 25% below normal in November and December. Parking and Municipal Court revenues are recovering even more sluggishly. Parking meter receipts remain stubbornly low at roughly 45% below normal.

Ambulance Revenues Exceeding Budget – A grim outcome from the COVID-19 pandemic is a bump in ambulance revenues from increased interfacility transports. Based solely on trend, ambulance revenues are on track to exceed \$1 Million. The Q2 Report anticipates ambulance revenues to slow as the vaccine is administered and case counts decline going into the summer months.

State Marijuana Taxes Diverted – The drug decriminalization voter initiative approved on the November ballot diverts the majority of state marijuana tax revenues for regional drug treatment facilities. The League of Oregon Cities estimates that cities will experience a 73% reduction in ongoing state marijuana tax distributions. This change does not impact local marijuana taxes.

Engineering Department Exceeding Budget – The general engineering department primarily serves development, either reviewing proposals or writing standards. Because of this, expenditures are driven largely by the pace of development. The department spent 89% of its full-year budget in the first half of FY2020-21 and is expected to need a budget adjustment before yearend. The new development review contract awarded by City Council on December 14th, 2020, and decision to bring the City Engineer position in-house is intended to better control Engineering Department costs going forward.

Gas Taxes Improving – Both state and local gas taxes are recovering, reaching pre-pandemic levels for the month of December. This resulted in an upward revision to yearend estimates as compared to the Q1 Report. However, both tax sources will end the year down due to lost revenue from the summer months.

Staff Recommendation:

Receive and file quarterly financial report for the period ending December 31, 2020.

Attachments

Quarterly Financial Report for the period ending December 31, 2020

GENERAL FUND REVENUE SUMMARY, Through December (50% of Fiscal Year)							
Resources	Budget	Actual Through Dec. 2020	Year End Estimate	Year End Estimate Over / (Under) Budget	Percent of Budget Received thru Dec. 2020	Fiscal Year 2019-20	
						Revenue thru Dec. 2019	Year-End Actual
Taxes							
Current Property Tax	3,062,665	2,846,398	3,141,717	79,052	93%	2,184,249	2,399,334
Previously Levied Tax	44,453	59,274	77,154	32,701	133%	55,582	74,312
Transient Room Tax	1,269,563	677,164	1,272,182	2,619	53%	865,771	1,225,526
Local Marijuana Tax	135,481	43,702	133,787	(1,694)	32%	37,022	109,606
CET - Admin	10,500	1,418	2,296	(8,204)	14%	5,173	8,377
Licenses & Permits							
Franchise Fees	791,843	250,457	740,540	(51,303)	32%	274,025	777,172
Utility Fees	614,690	321,477	619,523	4,833	52%	315,288	601,771
Parking Meter Receipts	572,050	215,271	390,644	(181,406)	38%	356,691	533,758
All Other	140,238	63,489	110,957	(29,281)	45%	76,457	121,723
Fines & Forfeitures							
Parking Fines	162,108	80,111	137,866	(24,242)	49%	126,777	169,597
Municipal Court Revenue	252,975	86,330	140,023	(112,952)	34%	172,919	227,922
All Other	32,000	12,224	24,348	(7,652)	38%	12,032	24,844
Intergovernmental							
Fed. COVID19 Relief	-	202,241	202,241	202,241		-	97,392
All Other	341,211	145,413	315,067	(26,144)	43%	-	331,506
Charges for Services							
Ambulance Revenues	822,186	507,233	958,300	136,114	62%	493,095	856,369
GEMT	57,484	83,016	129,713	72,229		57,990	57,419
All Other	197,343	114,810	205,163	7,820	58%	139,142	211,985
Interest Earnings	81,681	14,530	30,296	(51,385)	18%	48,721	89,819
Misc. Revenues	111,410	96,900	117,192	5,782	87%	94,286	119,491
REVENUE TOTAL	8,699,881	5,821,457	8,749,008	49,127	67%	5,315,219	8,037,922

GENERAL FUND EXPENDITURE SUMMARY, through December (50% of Fiscal Year)							
Department	Budget	Actual Through Dec. 2020	Year End Estimate	Year End Estimate Over / (Under) Budget	Percent of Budget Expended thru Dec. 2020	Fiscal Year 2019-20	
						Expenses thru Dec. 2019	Year-End Actual
Fire / EMS	3,926,354	2,006,043	3,882,224	(44,130)	51%	1,856,063	3,657,674
Police	2,693,486	1,272,877	2,447,211	(246,275)	47%	1,284,280	2,439,863
Parks	584,489	226,827	524,000	(60,489)	39%	243,339	460,663
Planning	651,888	266,112	609,323	(42,565)	41%	256,428	531,337
Parking	533,013	240,885	496,080	(36,933)	45%	214,903	411,976
Engineering	166,676	148,193	298,353	131,677	89%	119,976	345,819
Municipal Court	142,872	61,369	130,082	(12,790)	43%	66,114	131,982
City Council	24,745	4,448	9,423	(15,322)	18%	5,261	9,836
<i>Sub-total Department Expenditures</i>	<i>8,723,523</i>	<i>4,226,754</i>	<i>8,396,696</i>	<i>(326,827)</i>	<i>48%</i>	<i>4,046,365</i>	<i>7,989,151</i>
Non-Departmental							
Personnel	-	982	1,964	1,964		-	1,169
Materials & Services	470,850	290,836	337,411	(133,439)	62%	136,485	277,186
Contingency	243,000	-	55,000	(188,000)	0%	-	-
One-time FY2020-21 Transactions							
PERS Side Account Deposit	754,595	736,601	736,601	(17,994)	98%	-	-
Fire/EMS Comp. Absences	300,000	-	300,000	-	0%	-	-
TOTAL	10,491,968	5,255,173	9,827,672	(664,296)	50%	4,182,850	8,267,505

FY2020/21 Beginning Bal.	3,544,477
Proj. FY2020/21 Change in Fund Bal.	(1,078,664)
Proj. FY2020/21 Ending Bal.	2,465,812

Pooled Cash & Investments (All Funds, Including URA)	
Dec. 2019	29,190,342
Dec. 2020	26,485,524

OTHER MAJOR REVENUE SOURCES SUMMARY, through December (50% of Fiscal Year)							
Revenue	Budget	Actual Through Dec. 2020	Year End Estimate	Year End Estimate Over / (Under) Budget	Percent of Budget Received thru Dec. 2020	Fiscal Year 2019-20	
						Revenues thru Dec. 2019	Year-End Actual
Gas Tax - Local	371,761	157,365	330,835	(40,926)	42%	171,075	345,955
Gas Tax - State	655,597	240,030	551,798	(103,799)	37%	295,527	609,535
Utility Charges							
Water	2,895,169	1,594,487	2,928,320	33,151	55%	1,530,245	2,775,020
Sewer	4,226,385	2,117,768	4,173,592	(52,793)	50%	2,070,926	4,021,543
Storm	562,070	282,574	562,903	833	50%	274,423	546,096