



City of Rialto

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Date	Ver.	Action By	Action	Result
11/9/2021	1	City Council		

For City Council Meeting [November 9, 2021]

TO: Honorable City Council

APPROVED: Marcus Fuller, City Manager

FROM: Marcus Fuller, City Manager
Stephen Erlandson, Finance Director

Request City Council to Receive a Presentation on General Fund Revenue and Expenditures for First Quarter of Fiscal Year 2021-22.

BACKGROUND

On July 27, 2021, the City Council adopted the Fiscal Year 2021-22 (FY22) Annual Budget, which included reasonable estimates of revenues, expenses, transfers, and ending reserves. The FY22 Annual Budget for all Funds included \$197.0 million in budgeted revenue with corresponding budgeted expenditures of \$196.3 million.

The City's FY22 General Fund included budgeted revenues of \$104.2 million as shown in the following Table 1 and as compared to the prior three Fiscal Year period.

Revenue Source	FY 2018-19 Actual	FY 2019-20 Actual	FY 2020-21 Actual*	FY 2021-22 Adopted Budget
Property Taxes	26,348,336	27,005,680	29,245,211	30,237,210
Sales Tax	21,980,145	22,172,254	39,427,863	26,275,000
Utility Users Tax	11,171,423	13,664,175	12,690,287	13,678,030
Franchise Fees	3,725,436	3,871,003	4,359,605	3,805,000
Other Taxes	3,663,004	1,959,959	2,069,500	2,067,880
Licenses & Permits	5,575,976	5,845,530	5,402,931	5,725,935
Fines, Forfeits & Penalties	543,365	514,558	567,929	655,000
Use of Money	1,463,321	1,649,174	1,112,384	1,273,100
Revenue from other Agencies	5,863,678	7,698,380	6,725,637	4,435,300
Charges for Services	11,335,811	8,941,705	7,695,722	9,009,257
Other Revenue	7,011,479	4,410,438	4,466,386	5,520,429
General Fund Subtotal:	98,681,974	97,732,856	113,763,455	102,682,141
Transfers from other Funds	6,765,739	5,028,642	3,975,456	1,551,419
Total:	105,447,713	102,761,498	117,738,911	104,233,560

*FY 2020-21 Actual is not yet audited.

Table 1

As shown, the current FY22 General Fund revenue budget was conservatively estimated prior to Staff's knowledge of the point-of-sale change for certain fulfillment centers located in Rialto that has generated more sales tax revenue for the City.

Staff notes the FY22 budget estimated \$26.275 million in sales tax revenue, which is \$13.153 million lower than the actual sales tax revenue of \$39.428 million received in the prior Fiscal Year 2020-21. The change in operations of the fulfillment centers and increase in sales tax revenue directly to the City has now caused sales tax revenue to be the #1 revenue source for the City's General Fund in the prior Fiscal Year, surpassing property tax revenue.

The sources of FY22 General Fund revenue as a percentage of overall General Fund revenue is shown in the following graph in Figure 1. Staff notes that the budgeted revenue for sales tax in the adopted FY22 budget will be adjusted at the Mid-Year Budget Review to correlate to increased sales tax revenue related to the change in operation of the fulfillment centers.

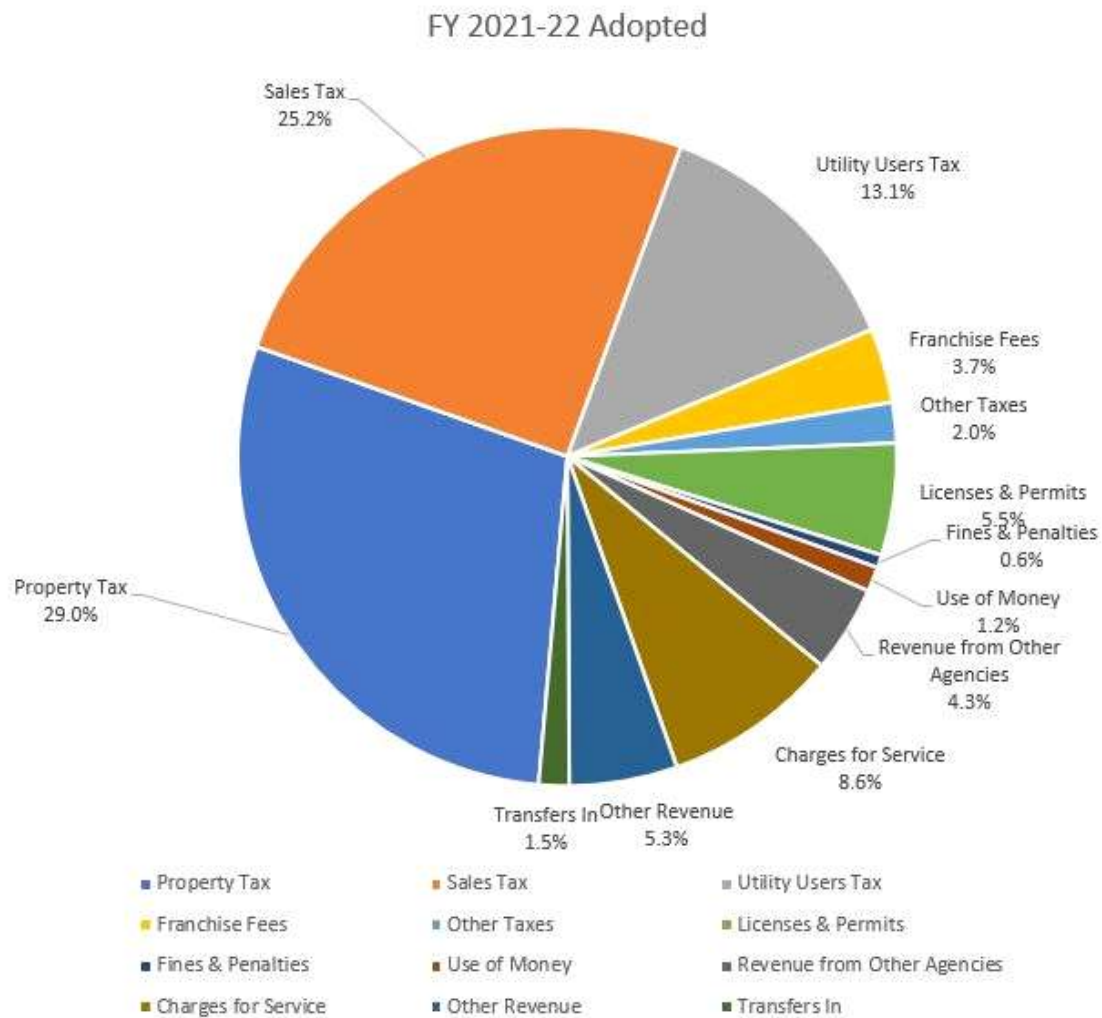


Figure 1

The City's FY22 General Fund included budgeted expenditures of \$104.2 million as shown in the following Table 2 and as compared to the prior three Fiscal Year period.

Revenue Source	FY 2018-19 Actual	FY 2019-20 Actual	FY 2020-21 Actual*	FY 2021-22 Adopted Budget
City Manager	586,366	2,466,981	2,232,643	1,368,295
City Council	490,164	532,627	566,282	698,349
City Clerk	491,113	494,935	533,084	805,251
Management Services	857,115	871,018	1,095,857	1,050,849
City Treasurer	504,905	482,923	583,930	672,837
HR/Risk Management	893,761	938,338	1,034,991	1,200,916
Finance/Purchasing	1,993,981	1,702,709	2,110,380	2,462,958
Community Development	7,124,444	4,408,838	3,035,686	6,598,357
Fire	21,847,993	22,786,253	24,607,823	25,305,336
Police	32,590,749	36,045,125	38,667,134	43,322,090
Public Works	9,643,503	9,443,648	8,977,128	4,876,752
Community Services	3,844,980	3,565,510	3,251,607	7,016,386
Non-Departmental	2,610,866	4,653,629	4,722,277	5,061,674
General Fund Subtotal:	83,479,940	88,392,534	91,418,822	95,378,376
Transfers to other Funds	11,929,424	9,354,135	2,388,120	8,855,184
PO Encumbrances			730,313	
Total:	95,409,364	97,746,669	94,537,255	104,233,560

*FY 2020-21 Actual is not yet audited.

Table 2

The FY22 Budget was adopted as a balanced budget.

ANALYSIS/DISCUSSION

The purpose of this staff report is to present to City Council and “First Quarter” (July to September) FY22 General Fund budget review. As shown in Figure 1, the three largest sources of General Fund revenue as budgeted in the FY22 budget are:

- Property Tax at 29% of overall budget
- Sales Tax at 25.2% of overall budget
- Utility Users Tax at 13.1% of overall budget

Two-thirds of the General Fund budget is accounted for in these three revenue sources. A review of First Quarter receipts in these revenue sources is provided in this update.

Sales Taxes

Sales taxes are paid directly by customers to the vendor (restaurants, retail stores, etc.) at the time of payment for goods and services for which sales or use taxes apply. Sales tax is applied to retailers on tangible goods and is owed to the state, and is added to the price retailers charge customers. A “use” tax is also charged to certain purchases of goods if the retailer does not pay sales tax, and includes on-line purchases from out-of-state retailers. Use taxes are included in the overall sales tax revenue.

Sales tax payments are paid directly by retailers to the state, and the state then distributes those payments back to the Counties and Cities or other special taxing districts. Generally, the City receives sales tax payments for sales generated in the City (or for on-line sales for goods and products delivered to properties in the City) two months after the sale. Sales taxes paid by customers in July are not received by the City until September, sales taxes paid in August are not received until October, and sales taxes paid in September are not received until the end of November.

Therefore, in reviewing First Quarter sales tax revenue, there are no revenues received in July and August as those receipts are accrued back to the prior Fiscal Year 2020-21. Sales tax receipts for FY22 occur starting in September.

Table 3 below identifies the sales tax revenue for the 3-year period of FY 18-19, FY 19-20 and FY 20-21, and highlights the FY22 First Quarter period of July through September.

Sales Tax Revenue					
	FY18-19 <u>Actual</u>	FY19-20 <u>Actual</u>	FY20-21 <u>Actual*</u>	FY21-22 <u>Actual</u>	Increase/ <u>Decrease</u>
July	\$ -	\$ -	\$ -	\$ -	\$ -
Aug	\$ -	\$ -	\$ -	\$ -	\$ -
Sept	\$ 1,488,352	\$ 1,530,198	\$ 1,467,213	\$ 4,128,081	\$ 2,660,868
Oct	\$ 2,478,279	\$ 2,437,156	\$ 2,541,169		
Nov	\$ 1,629,805	\$ 1,390,300	\$ 2,163,716		
Dec	\$ 1,481,742	\$ -	\$ -		
Jan	\$ 1,294,158	\$ 1,563,062	\$ 3,528,520		
Feb	\$ 2,543,248	\$ 2,778,724	\$ 2,868,935		
Mar	\$ 1,843,743	\$ 3,120,449	\$ 1,816,140		
Apr	\$ 2,252,044	\$ 2,240,491	\$ 1,379,710		
May	\$ 1,406,885	\$ 845,009	\$ 9,761,986		
Jun	\$ 5,561,889	\$ 6,266,865	\$ 13,900,239		
	\$ 21,980,145	\$ 22,172,254	\$ 39,427,628	\$ 4,128,081	\$ 2,660,868

Table 3

As shown in Table 3, sales tax revenue increased 1% from FY19 to FY20, however, in FY21 sales tax revenue increased 78% from FY20 to FY21. In First Quarter FY22 is \$4,128,081 and exceeds sales tax revenue in the prior FY21 by \$2,660,868.

Property Taxes

The City of Rialto is one of 12 taxing entities in San Bernardino County that receives an overall portion of the property tax levy as shown below.

\$	0.3276	Rialto Unified School District
\$	0.2254	Education Revenue Augmentation Fund
\$	0.1488	County General Fund
\$	0.1364	Rialto General Fund
\$	0.0523	San Bernardino Community College
\$	0.0293	West San Bernardino Co. Water District Imp. 1
\$	0.0269	San Bernardino Valley Muni. Water General Tax Levy
\$	0.0264	County Flood Control District Zone 2
\$	0.0144	County Library
\$	0.01013	County Superintendent
\$	0.00186	County Flood Control Admin.
\$	0.00053	Inland Empire Joint Resource Conserv. District
\$	1.0000	

The City's share of the overall property tax levy is 13.64%, or 13 cents per dollar.

Table 4 below identifies the property tax revenue for the 3-year period of FY 18-19, FY 19-20 and FY 20-21, and highlights the FY22 First Quarter period of July through September. The timing of San Bernardino County's payment of property taxes to the City is staggered, with no payments received until November. Therefore, the First Quarter Update does not reflect any property tax revenue.

Property Taxes					
	FY18-19 Actual	FY19-20 Actual	FY20-21 Actual*	FY21-22 Actual	Increase/ Decrease
July	\$ -	\$ 17,310	\$ -	\$ -	\$ -
Aug	\$ -	\$ -	\$ -	\$ -	\$ -
Sept	\$ -	\$ -	\$ -	\$ -	\$ -
Oct	\$ -	\$ -	\$ -		
Nov	\$ 1,081,072	\$ 1,093,979	\$ 1,315,435		
Dec	\$ 2,740,746	\$ 6,770,737	\$ 8,896		
Jan	\$ 11,410,277	\$ 7,428,981	\$ 14,777,164		
Feb	\$ 275,217	\$ 110,219	\$ 72,968		
Mar	\$ 110,385	\$ 68,310	\$ 141,799		
Apr	\$ 2,637,506	\$ 2,670,560	\$ 2,830,492		
May	\$ 8,276,227	\$ 8,794,590	\$ 10,346,919		
Jun	\$ 27,453	\$ 50,994	\$ 48,538		
	\$ 26,558,884	\$ 27,005,681	\$ 29,542,211	\$ -	\$ -

Table 4

As shown in Table 4, property tax revenue increased 1.7% from FY19 to FY20, and further increased 9.4% from FY20 to FY21. The FY22 Second Quarter Update will provide the first property tax revenue comparisons.

Utility Users Tax

The City of Rialto levies an 8% utility user tax on telephone, cellular, electricity, gas, sewer, water, and cable television. This revenue source has historically been the third largest source of General Fund revenue.

Table 5 below identifies the utility user tax revenue for the 3-year period of FY 18-19, FY 19-20 and FY 20-21, and highlights the FY22 First Quarter period of July through September. A negative value for the month of July is due to the City's accounting of credits (or exemptions) of seniors to the utility user tax throughout the fiscal year.

Utility Users Tax					
	FY18-19	FY19-20	FY20-21	FY21-22	Increase/ Decrease
	<u>Actual</u>	<u>Actual</u>	<u>Actual*</u>	<u>Actual</u>	<u>Decrease</u>
July	\$ (760,936)	\$ (833,265)	\$ (884,302)	\$ -	\$ -
Aug	\$ 1,086,535	\$ 1,099,584	\$ 1,209,228	\$ 1,247,509	\$ 38,281
Sept	\$ 1,427,735	\$ 1,367,503	\$ 1,353,233	\$ 1,426,655	\$ 73,422
Oct	\$ 1,169,176	\$ 1,307,779	\$ 1,457,635		
Nov	\$ 1,258,144	\$ 1,399,299	\$ 1,543,977		
Dec	\$ 899,552	\$ 900,739	\$ 1,078,956		
Jan	\$ 1,144,855	\$ 1,043,708	\$ 1,370,179		
Feb	\$ 1,007,840	\$ 1,092,351	\$ 1,017,870		
Mar	\$ 991,743	\$ 1,262,617	\$ 1,075,397		
Apr	\$ 1,023,533	\$ 1,001,480	\$ 1,214,166		
May	\$ 993,176	\$ 1,048,355	\$ 1,013,038		
Jun	\$ 2,794,560	\$ 3,080,265	\$ 2,240,911		
	\$ 13,035,913	\$ 13,770,413	\$ 13,690,287	\$ 2,674,164	\$ 111,703

Table 5

As shown in Table 5, utility user tax revenue increased 5.6% from FY19 to FY20, but decreased slightly (0.6%) from FY20 to FY21. As shown, FY22 First Quarter revenue is just slightly above revenue received in the prior months of August and September.

All Other Revenue

Table 6 below identifies all other General Fund revenue for the 3-year period of FY 18-19, FY 19-20 and FY 20-21, and highlights the FY22 First Quarter period of July through September.

All Other Revenue					
	FY18-19 Actual	FY19-20 Actual	FY20-21 Actual*	FY21-22 Actual	Increase/ Decrease
July	\$ 11,468,169	\$ 1,209,617	\$ (1,852,399)	\$ 267,394	\$ 2,119,793
Aug	\$ 13,462,238	\$ 1,726,909	\$ 1,604,143	\$ 1,328,408	\$ (275,735)
Sept	\$ 9,970,886	\$ 1,412,579	\$ 1,573,766	\$ 2,263,957	\$ 690,191
Oct	\$ 21,699,189	\$ 950,534	\$ 2,356,671		
Nov	\$ 14,116,339	\$ 2,065,445	\$ 1,330,600		
Dec	\$ 2,894,909	\$ 2,429,358	\$ 2,970,415		
Jan	\$ 11,006,472	\$ 3,189,802	\$ 6,093,631		
Feb	\$ (957,938)	\$ 2,821,178	\$ 2,239,060		
Mar	\$ 6,144,218	\$ 3,345,722	\$ 3,535,182		
Apr	\$ 3,533,722	\$ 4,019,789	\$ 3,702,264		
May	\$ 3,718,434	\$ 1,957,633	\$ 4,173,326		
Jun	\$ 5,294,363	\$ 10,955,232	\$ 7,524,168		
	\$ 102,351,003	\$ 36,083,797	\$ 35,250,828	\$ 3,859,759	\$ 2,534,249

Table 6

As shown in Table 6, FY22 First Quarter revenue is tracking above revenue received in the prior months of that period.

FY 2021-22 General Fund Expenditure Summary:

Expenses incurred for the first quarter of the year (September 30, 2021) are 26% of budgeted expenditures, or \$27.3 million. Last year's expenses paid at the same time represented 26% of budgeted expenditures or \$26.8 million. It is important to note that the City prepays its annual CalPERS unfunded actuarial liability (UAL) at the beginning of the fiscal year to take advantage of the prepayment discount. As such, actual expenditures for the first quarter of the fiscal year are higher due to this prepayment. For FY22, the City's General Fund realized a discount of \$378,511 based on a prepayment amount of \$10.8 million; the non-prepayment cost to the City would have been \$11.1 million. All General Fund Expenditures are projected to be on target by the end of the fiscal year.

GENERAL FUND EXPENDITURES BY SOURCE				
	FY2021-22 Adopted Budget	FY2021-22 Amended Budget	FY2021-22 First Quarter Actuals	Actual % to Amended Budget
Police	\$ (42,410,244)	\$ (42,488,005)	(12,579,321)	30%
Fire	(25,305,336)	(25,384,773)	(8,307,700)	33%
General Government	(36,517,979)	(37,158,321)	(6,424,259)	17%
Total Expenditures	\$ (104,233,560)	\$ (105,031,099)	\$ (27,311,280)	26%

ENVIRONMENTAL IMPACT

The request is not a Project as defined by Section 15378 of the California Environmental Quality Act

(CEQA).

GENERAL PLAN CONSISTENCY

Complies with the following Rialto General Plan Guiding Principle:

Our government will lead by example, and will operate in an open, transparent, and responsive manner that meets the needs of the citizens and is a good place to do business.

LEGAL REVIEW

The City Attorney has reviewed and supports this staff report.

FINANCIAL IMPACT

Operating Budget Impact

This action does not affect the City's Operating Budget.

Capital Improvement Budget Impact

This action does not affect the City's Capital Improvement Budget.

Licensing

A Business License is not required as part of this action.

RECOMMENDATION

Staff recommends that the City Council receive a presentation containing an overview of the General Fund revenues and expenses for First Quarter of Fiscal Year 2021-2022.